

20150625 Item 5.6.1 Report Statement of Estimated Financial Position 2014-2015

Objective Reference: **A190279**
Reports and Attachments (Archives)

Attachment: **Statement of Estimated Financial Position 2014-2015**

Authorising/ Responsible Officer:

Linnet Batz
Chief Financial Officer

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PURPOSE

The purpose of this report is to present Council's estimated financial position for the 2014-2015 financial year in accordance with section 205 of the *Local Government Regulation 2012*. The attachment outlines Council's forecasted financial operations and financial position for the 2014-2015 financial year.

BACKGROUND

Council adopts an annual budget at the beginning of each financial year and undertakes revisions of the budget throughout the year. The information contained in the attached financial report provides details of the original budget, revised budget and also a forecast position as at the end of June 2015.

ISSUES

Please refer to the attached Statement of Estimated Financial Position 2014-2015 and associated supporting high level narration.

The *final* financial position of Council will be determined following the end of the 2014-2015 year and in accordance with the requirements of Australian Accounting Standards and other appropriate accounting obligations.

STRATEGIC IMPLICATIONS

Legislative Requirements

Section 205(1) of the *Local Government Regulation 2012* requires the Chief Executive Officer to present a statement of estimated financial position to the annual budget meeting.

Risk Management

Each formal budget review has been adopted following a rigorous development and consultation process. Finance Officers, the Chief Financial Officer and the Executive Leadership Team also review the monthly performance and position and discuss possible causes of action when appropriate. Additionally, Council's Audit Committee reviews the monthly financial statements and discusses variances when necessary.

Financial

This report does not include any financial implications. The attachment compares the adopted original budget and annual revised budget against year-end forecasts for the 2014-2015 financial year. As the figures are anticipated and unaudited, they are subject to change with the completion of the financial year-end accounting process and finalisation of the external audit by Queensland Audit Office later in the calendar year.

People

Nil impact expected as the purpose of the attached report is to provide financial information to Council based upon original budget versus forecasted financial performance and position for the 2014-2015 financial year.

Environmental

Nil impact expected as the purpose of the attached report is to provide financial information to Council based upon original budget versus forecasted financial performance and position for the 2014-2015 financial year.

Social

Nil impact expected as the purpose of the attached report is to provide financial information to Council based upon original budget versus forecasted financial performance and position for the 2014-2015 financial year.

Alignment with Council's Policy and Plans

This report has a relationship with the following items of the 2015-2020 Corporate Plan:

8. Inclusive and Ethical Governance: Deep engagement, quality leadership at all levels, transparent and accountable democratic processes and a spirit of partnership between the community and Council will enrich residents' participation in local decision-making to achieve the community's Redlands 2030 vision and goals.

8.2 Council produces and delivers against sustainable financial forecasts as a result of best practice Capital and Asset Management Plans that guide project planning and service delivery across the city.

CONSULTATION

Finance Officers and the Chief Financial Officer reviewed the attached information and confirm the information is provided in accordance with legislative requirements.

OPTIONS

1. Council resolves to note the Statement of Estimated Financial Position for 2014-2015 as presented in the attached report.
2. Council requests additional information.

OFFICER'S RECOMMENDATION

Council resolves to note the Statement of Estimated Financial Position for 2014-2015 as presented in the attached report.



Statement of Estimated Financial Position

for the year ending 30 June 2015

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1. EXECUTIVE SUMMARY

Section 205(1) of the *Local Government Regulation 2012* requires the chief executive officer to present a statement of estimated financial position to the annual budget meeting.

The estimated financial position and operational results was determined with reference to the actual financial results for the year to date up to 30 April 2015, as well as the forecasted movements for the months of May and June 2015 as per the revised budget, including any other late adjustments to the forecasted budgeted movements during these two months. The variance included in this report represents the difference between the final revised annual budget adopted by Council on 6 May 2015 and the forecasted position and results for the end of the year.

The following are key items to note:

General

- * The 2014/15 original budget was developed and adopted prior to the finalisation of the 2013/14 financial statement results resulting in significant movements between the original and revised annual budgets for the 2014/15 financial year;
- * The estimated financial position and operational results do not include accruals or deferrals and other adjustments that would ordinarily be considered as part of the end of year processes; and
- * Results of the assets revaluations being undertaken are not yet reflected in these statements.

Forecast Financial Position

Line Item	Comment
Cash & investments	Increased development activity in the Redlands area resulted in higher than anticipated revenue received from developer cash contributions. Payments for property, plant and equipment were also significantly lower than what was originally anticipated.
Accounts receivable	In line with the rating cycle the current forecasted balance is expected to be reduced at the end of the financial year, with April rates notices due for payment in May 2015.
Property plant & equipment	Capital expenditure under the capital works programme has been lower than anticipated for the 2014/15 financial year.
Landfill Rehabilitation provision	The landfill rehabilitation provision has been reassessed during the final budget review for 2014/15 based on revised estimates and information available. The current portion reflects that portion expected to be utilised in the next financial year. The movement in the provision is reflected in the budget remediation expense in the operating statement.
Cash constrained reserves	The higher than expected developer cash contributions resulted in the actual transfers to reserves during the year being higher than anticipated. The transfers to reserves are not utilised within the same year.

Forecast Financial Results (Comprehensive Income)

Line Item	Comment
Operating Result	Council's estimated operating result for the year ended 30 June 2015 is \$11.556M (Forecast Recurrent Revenue minus Forecast Recurrent Expenses), with a \$2.885M favourable variance to the revised budget.
Capital Revenue	Due to increased development activity developers' cash contributions received were significantly higher than originally anticipated.

2. STATEMENT OF ESTIMATED FINANCIAL POSITION

For the year ending 30 June 2015

	Annual Original Budget \$000	Annual Revised Budget \$000	Estimated Forecasted Balance \$000	Estimated Variance to Revised Budget \$000	Estimated Variance to Revised Budget %
CURRENT ASSETS					
Cash & Investments	49,157	74,197	100,940	26,743	36.04%
Accounts Receivable	34,311	39,606	46,095	6,489	16.38%
Inventories	943	845	830	(15)	-1.78%
Prepaid Expenses	1,320	1,155	1,659	504	43.64%
Non-Current Assets - Held for Sale	467	9,257	9,257	-	0.00%
Total Current Assets	86,199	125,059	158,781	33,721	26.96%
NON-CURRENT ASSETS					
Property, Plant & Equipment	2,021,416	2,091,466	2,082,155	(9,311)	-0.45%
Financial Assets	-	1,233	1,233	-	0.00%
Total Non-Current Assets	2,021,416	2,092,699	2,083,388	(9,311)	-0.44%
TOTAL ASSETS	2,107,615	2,217,758	2,242,169	24,410	1.10%
CURRENT LIABILITIES					
Accounts Payable	17,301	19,033	12,276	(6,757)	-35.50%
Current Employee Provisions	2,468	9,493	12,727	3,234	34.07%
Current Loans	5,247	5,498	4,562	(936)	-17.02%
Current Landfill Rehabilitation Provisions	1,144	3,084	8,038	4,954	160.64%
Other Liabilities	3,201	1,283	14,450	13,167	1026.27%
Total Current Liabilities	29,361	38,390	52,053	13,662	35.59%
NON-CURRENT LIABILITIES					
Non-Current Loans	49,149	48,897	50,189	1,292	2.64%
Non-Current Employee Provisions	10,998	2,013	1,864	(149)	-7.40%
Non-Current Landfill Rehabilitation Provisions	28,189	8,130	8,130	-	0.00%
Non-Current Trade & Other Payables	693	478	478	-	0.00%
Total Non-Current Liabilities	89,029	59,517	60,661	1,143	1.92%
TOTAL LIABILITIES	118,390	97,908	112,714	14,805	15.12%
NET ASSETS	1,989,225	2,119,851	2,129,455	9,605	0.45%
COMMUNITY EQUITY					
Retained Earnings	1,943,302	2,054,103	2,045,556	(8,547)	-0.42%
Cash Constrained Reserves	45,923	65,747	83,899	18,152	27.61%
TOTAL COMMUNITY EQUITY	1,989,225	2,119,851	2,129,455	9,605	0.45%

3. STATEMENT OF ESTIMATED COMPREHENSIVE INCOME

For the year ending 30 June 2015

	Annual Original Budget \$000	Annual Revised Budget \$000	Estimated Forecasted Results \$000	Estimated Variance to Revised Budget \$000	Estimated Variance to Revised Budget %
Recurrent Revenue					
Rates Charges	81,366	81,366	80,048	(1,318)	-1.62%
Levies & Utility Charges	124,757	126,689	125,859	(830)	-0.66%
<i>Less: Pensioner Remissions & Rebates</i>	(2,743)	(5,842)	(6,376)	(534)	9.13%
Fees & Charges	10,629	11,108	12,271	1,163	10.47%
Operating Grants & Subsidies	3,983	12,248	12,999	752	6.14%
Operating Contributions & Donations	260	547	677	130	23.76%
Interest External	3,872	4,012	4,383	371	9.25%
Other Revenue	4,021	7,479	8,850	1,371	18.34%
Total Recurrent Revenue	226,144	237,607	238,713	1,106	0.47%
Capital revenue					
Grants, Subsidies & Contributions	15,050	18,586	27,039	8,453	45.48%
Non-Cash Contributions	3,146	3,226	4,749	1,524	47.24%
Total Capital Revenue	18,196	21,812	31,788	9,976	45.74%
TOTAL REVENUE	244,340	259,419	270,501	11,082	4.27%
Recurrent Expenses					
Employee Costs	76,094	76,925	74,938	(1,987)	-2.58%
Goods & Services	106,425	99,174	98,809	(365)	-0.37%
Finance Costs	3,643	4,003	4,017	14	0.35%
Depreciation & Amortisation	51,209	48,834	49,392	558	1.14%
Total Recurrent Expenses	237,370	228,936	227,156	(1,780)	-0.78%
Capital Expenses					
(Gain)/Loss on Disposal of Non-Current Assets	(3,192)	(842)	2,462	3,305	-392.28%
Total Capital Expenses	(3,192)	(842)	2,462	3,305	-392.28%
TOTAL EXPENSES	234,178	228,094	229,619	1,525	0.67%
NET RESULT	10,161	31,325	40,882	9,557	30.51%
Other Comprehensive Income					
Increase/(Decrease) in Asset Revaluation Surplus	-	-	107	107	100.00%
TOTAL COMPREHENSIVE INCOME	10,161	31,325	40,989	9,664	30.85%