

#1 Monthly Financial Report - 30 June 2020

Moreton Bay Regional Council

Monthly Financial Report

Year to date result as at: 30 June 2020

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Moreton Bay Regional Council STATEMENT OF COMPREHENSIVE INCOME For the period ended 30 June 2020

100% of the
year elapsed

| | 2019/20 Original Budget \$'000 | 2019/20 Amended Budget \$'000 | 2019/20 YTD Actuals \$'000 | Actuals to Amended Budget 2019/20 |
|--|---|--|-------------------------------------|--|
| Revenue | | | | |
| Operating Revenue | | | | |
| Rates and utility charges | 313,151 | 313,151 | 321,366 | 102.62% |
| Fees and charges | 37,272 | 37,288 | 34,101 | 91.45% |
| Grants, subsidies and contributions | 20,149 | 35,757 | 22,986 | 64.29% |
| Interest revenue | 45,426 | 45,898 | 40,045 | 87.25% |
| Other revenue | 39,452 | 39,588 | 42,050 | 106.22% |
| Share of profit of associate | 72,000 | 72,000 | 83,510 | 115.99% |
| Total Operating Revenue | 527,449 | 543,682 | 544,057 | 100.07% |
| Expenses | | | | |
| Operating Expenses | | | | |
| Employee benefits | (140,406) | (141,030) | (142,708) | 101.19% |
| Materials and services | (190,790) | (203,362) | (198,503) | 97.61% |
| Depreciation and amortisation | (97,721) | (97,742) | (103,950) | 106.35% |
| Finance costs | (22,409) | (22,409) | (22,086) | 98.56% |
| Total Operating Expenses | (451,326) | (464,543) | (467,248) | 100.58% |
| Operating Result | 76,122 | 79,139 | 76,809 | 97.06% |
| Capital Revenue | 96,868 | 121,750 | 170,073 | 139.69% |
| Capital Expenses | - | - | (22,063) | No Budget |
| NET RESULT | 172,991 | 200,889 | 224,818 | 111.91% |
| Other Comprehensive Income | | | | |
| Items that will not be reclassified to net result | | | | |
| Increase/(decrease) in asset revaluation surplus | - | - | 65,084 | No Budget |
| Changes in the fair value of financial assets at fair value through other comprehensive income | - | - | (6,762) | No Budget |
| Total other comprehensive income for the year | - | - | 58,322 | No Budget |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 172,991 | 200,889 | 283,140 | 140.94% |

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Moreton Bay Regional Council STATEMENT OF FINANCIAL POSITION As at 30 June 2020

| | 2019/20 Amended Budget as at 30 June 2020 \$'000 | 2019/20 YTD Actual \$'000 |
|--------------------------------------|--|------------------------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | 357,957 | 349,941 |
| Trade and other receivables | 50,570 | 45,395 |
| Inventories | 1,081 | 1,293 |
| Contract assets | - | 284 |
| | 409,608 | 396,913 |
| Non-current assets held for sale | - | - |
| Total Current Assets | 409,608 | 396,913 |
| Non-Current Assets | | |
| Trade and other receivables | 677,576 | 677,487 |
| Investments | 1,357,637 | 1,389,483 |
| Property, plant and equipment | 4,838,555 | 5,125,994 |
| Right of use assets | - | 436 |
| Total Non-Current Assets | 6,873,768 | 7,193,401 |
| Total Assets | 7,283,375 | 7,590,314 |
| Liabilities | | |
| Current Liabilities | | |
| Trade and other payables | 47,028 | 58,695 |
| Contract liabilities | - | 1,399 |
| Lease liabilities | - | 52 |
| Borrowings | 37,333 | 38,153 |
| Provisions | 12,888 | 15,339 |
| Other | 21,427 | 4,472 |
| Total Current Liabilities | 118,676 | 118,111 |
| Non-Current Liabilities | | |
| Lease liabilities | - | 372 |
| Borrowings | 332,801 | 331,940 |
| Provisions | 43,841 | 65,334 |
| Total Non-Current Liabilities | 376,642 | 397,646 |
| Total Liabilities | 495,318 | 515,757 |
| NET COMMUNITY ASSETS | 6,788,057 | 7,074,557 |
| Community Equity | | |
| Retained surplus | 5,917,516 | 6,072,716 |
| Asset revaluation surplus | 870,541 | 1,001,841 |
| TOTAL COMMUNITY EQUITY | 6,788,057 | 7,074,557 |

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Moreton Bay Regional Council STATEMENT OF CASH FLOWS For the period ended 30 June 2020

| | 2019/20 Amended Budget as at 30 June 2020 \$'000 | 2019/20 YTD Actuals \$'000 |
|--|--|-------------------------------------|
| Cash flows from operating activities | | |
| Receipts from customers | 530,064 | 552,410 |
| Payments to suppliers and employees | (352,056) | (386,473) |
| Interest received | 45,898 | 40,316 |
| Borrowing costs | (20,379) | (20,182) |
| Net cash inflow/(outflow) from operating activities | 203,527 | 186,071 |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (228,247) | (190,663) |
| Payments for investment property | - | (90) |
| Proceeds from sale of property, plant and equipment | 21,800 | 2,158 |
| Net movement in loans to community organisations | - | (58) |
| Net cash inflow/(outflow) from investing activities | (206,447) | (188,653) |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 25,000 | 25,000 |
| Repayment of borrowings | (33,916) | (33,899) |
| Repayments made on leases | - | (21) |
| Net cash inflow/(outflow) from financing activities | (8,916) | (8,920) |
| Net increase/(decrease) in cash held | (11,837) | (11,502) |
| Cash and cash equivalents at the beginning of the financial year | 369,794 | 361,444 |
| Cash and cash equivalents at the end of the period | 357,958 | 349,941 |

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Moreton Bay Regional Council STATEMENT OF SOURCES AND APPLICATIONS OF CAPITAL FUNDING For the period ended 30 June 2020

| | Original Budget 2019/20 \$'000 | Amended Budget 2019/20 \$'000 | YTD Actuals 2019/20 \$'000 |
|---|--------------------------------------|--|----------------------------------|
| <u>Capital Funding Sources</u> | | | |
| Cash Utilised | 203,011 | 200,424 | 179,667 |
| Capital Grants and Subsidies received | 33,368 | 36,750 | 33,832 |
| Contributed Assets and assets not previously recognised | 40,000 | 40,000 | 84,921 |
| Loans received | 25,000 | 25,000 | 25,000 |
| Total Capital Funding Sources | 301,380 | 302,174 | 323,420 |
| <u>Capital Funding Applications</u> | | | |
| Capital Expenditure | 227,464 | 228,259 | 204,600 |
| Contributed Assets and assets not previously recognised | 40,000 | 40,000 | 84,921 |
| Loan Redemption | 33,916 | 33,916 | 33,899 |
| Total Capital Funding Applications | 301,380 | 302,174 | 323,420 |

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Analysis of Results by Segment

| For the period ended 30 June 2020 | Operating Revenue \$'000 | Operating Expenses \$'000 | Operating Result \$'000 | Capital Revenue \$'000 | Capital Expenses \$'000 | Net Result \$'000 |
|---|-----------------------------|------------------------------|----------------------------|---------------------------|----------------------------|----------------------|
| Operational Plan | | | | | | |
| Engineering, Construction & Maintenance | 56,330 | (170,720) | (114,390) | 11,169 | 682 | (102,540) |
| Community & Environmental Services | 22,318 | (69,470) | (47,152) | - | 813 | (46,339) |
| Office of CEO | 198 | (12,800) | (12,601) | - | - | (12,601) |
| Finance and Corporate Services | 448,144 | (198,061) | 250,083 | 136,035 | (23,558) | 362,561 |
| Planning | 17,067 | (16,198) | 869 | 22,869 | - | 23,737 |
| Total Council | 544,057 | (467,248) | 76,809 | 170,073 | (22,063) | 224,818 |

Analysis of Results by Entity

| For the period ended 30 June 2020 | Operating Revenue \$'000 | Operating Expenses \$'000 | Operating Result \$'000 | Capital Revenue \$'000 | Capital Expenses \$'000 | Net Result \$'000 |
|-----------------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|----------------------------|----------------------|
| Entity | | | | | | |
| General | 491,442 | (420,192) | 71,250 | 169,655 | (21,401) | 219,503 |
| Waste | 52,615 | (47,056) | 5,559 | 418 | (662) | 5,315 |
| Total Council | 544,057 | (467,248) | 76,809 | 170,073 | (22,063) | 224,818 |

The Performance at a Glance
for 2019/20

Synopsis

- * 100% of the financial year is complete.
- * The operating result is \$76.81 million.

Operating Revenue

- * Rates and Utility charges for the full financial year finalised have tracked slightly over budget at 102.62%.
 - A change in accounting standards for financial year forecasted to affect prepaid rate revenue had a reduced impact. This is contributing to the bulk of the favourable revenue variance of \$8 million.
 - Property growth also contributing to the favourable variance.
- * Overall fees and charges revenue came in \$3 million less than what was budgeted. Influencing this outcome has been the Covid 19 pandemic as Council refunded food licencing fees (approximately \$788,000) during April, and closed a number of Council facilities such as Pools, Caravan Parks, Entertainment and Sport Centres. Development application fees and building and plumbing fees also trended under their annual target as revenue slowed down during the last quarter. Waste fees however remained steady and exceeded budget slightly for the year.
- * Operating Grants and Subsidies have tracked behind the budget for the financial year.
 - The waste abatement payment received from the State Gov't and budgeted as revenue is required to be offset against the waste levy expenses incurred in operating expenses, when taking this into consideration Council received all operational grants as expected during 2019/20.
- * Interest revenue finished well below the budget target due to;
 - The very low interest rate market, severely impacting returns on invested cash, \$4 million less than budget.
 - Interest returns from Unitywater fell short by approximately \$1 million, however any shortfall in interest revenue is made up for in tax equivalent payments Unitywater makes to Council.
- * Other revenues exceeded budget by approximately \$3 million
 - This was due to Unitywater paying Council more tax equivalents than budgeted.
- * Share of Profit of associate (Unitywater)
 - This revenue is not cash but relates to the proportion of Unitywaters net profit after tax that Council recognises based on its participation rights percentage in Unitywater. The budget is historically set at a conservative level hence why the actual result is quite favourable.

The Performance at a Glance
as at 30 June 2020

Operating Expenditure

- * Employee Expenses tracked slightly over the budget this year with the increased level of staff recruited in the last half of the year plus the additional flow on costs associated (superannuation, leave entitlements and recruitment).
- * Material and Services have come in slightly under budget.
- * Finance Costs were slightly under budget for financial year.
- * Depreciation exceeded the budget due to the revaluation effects of assets from the previous financial year and increased levels of contributed assets received during the year.

Capital Revenue

- * Infrastructure Cash Contributions exceeded the target of \$45 million for the financial year with contributions reaching \$50 million. Interestingly, Council received almost \$8 million in contributions in June alone.
- * Contributed Assets recognised by Council were double (\$84 million) compared to what was budgeted (\$40 million).
- * Capital grants and subsidies have ended up \$3 million below the budget for the year due entirely to some projects not reaching milestones where Council could claim the grant funds. This revenue will be forthcoming in 2020/21 when the projects are completed.

Capital Expenses

- * Capital expenses represent the disposal value of assets as they are decommissioned and renewed through capital works. These expenses are shown but have no cash impact on the budget.

Other Comprehensive Income

- * The increase in revaluation surplus is due to asset revaluations completed during the year. The revaluations undertaken this relate to the asset classes of Land and Buildings. As with capital expenses the impact of this has no cash impact on the budget but is shown for completeness.

Capital Expenditure

- * For 2019/20 \$204.6 million was expended on capital works, (which represents 89.64% of the capital expenditure program). Incomplete projects will be "carried over" and completed during 2020/21.

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Comparative Table 2017/18 and 2018/19 to 2019/20*

Year to date result as at: 30 June 2020

100% of the year elapsed

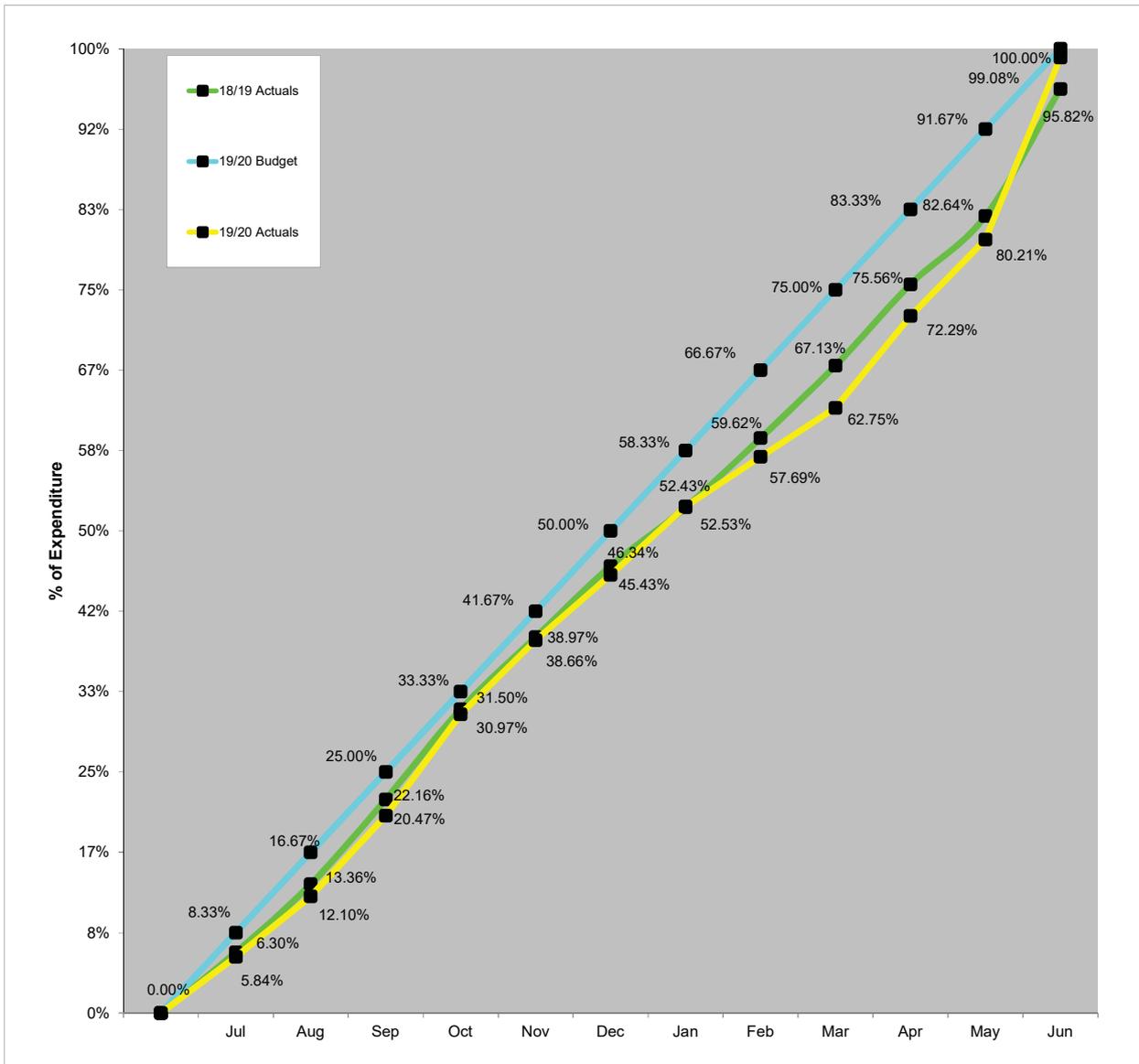
| | Original Budget 2019/20 \$'000 | YTD Actuals 2019/20 \$'000 | Actuals to Original Budget 2019/20 % | Actuals to Original Budget 2018/19 % | Actuals to Original Budget 2017/18 % | Comments |
|--|---|----------------------------------|--|--|--|---|
| Operating Revenue | | | | | | |
| Rates & Utility Charges | 313,151 | 321,366 | 103% | 101% | 101% | Revenue has exceeded budget after fourth quarter rates levy. |
| User Fees & Charges | 37,288 | 34,101 | 91% | 100% | 104% | Impacted by the refund of food licencing fees in April, closure of facilities and a general tapering off in revenues. |
| Interest Revenue | 45,898 | 40,045 | 87% | 95% | 104% | The % for FY19/20 has tracked under the budget and is below previous years. |
| Operating Expenses | | | | | | |
| Employee Expenses & Material and Services | 344,392 | 341,212 | 99% | 96% | 94% | Expenditure has tracked to budget for FY19/20. |
| External Loan Interest Expense | 20,379 | 20,182 | 99% | 101% | 101% | Expenditure has tracked to budget and is comparable to previous years. |
| Capital Revenues | | | | | | |
| Infrastructure Cash Contributions | 45,000 | 50,994 | 113% | 191% | 184% | Infrastructure cash contributions have exceeded the budget for FY19/20. |
| Contributed Assets | 40,000 | 84,921 | 212% | 204% | 196% | All contributed assets have been recognised. |
| Grants & Subsidies | 36,750 | 33,832 | 92% | 100% | 66% | The % of grants and subsidies received have tracked below budget. |
| Capital Expenditure | | | | | | |
| Total Capital Expenditure** | 228,259 | 204,600 | 90% | 75% | 73% | Capital expenditure reached 90%, better than previous years. |
| <p>* The data presented reflects the position of Council as at 30 June 2020 compared to the position of Council as at 30 June 2019 and 30 June 2018.</p> <p>The table focuses on key items of revenue and expenses across the comparative period and is useful guide in understanding what may have changed with regard to revenue and expense streams across the three financial years.</p> | | | | | | |

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Operating Expenditure

This graph compares the major components of operating expenditure (being employee expenses plus materials and services) on a percentage expended basis for the 2019/20 and 2018/19 years. The graph includes continuing service delivery expenses and operating initiative expenses.

The budgeted expenditure trend is set at 8.33% for each month. The cumulative actual expenditure trend for each month is graphed alongside the budget expenditure.

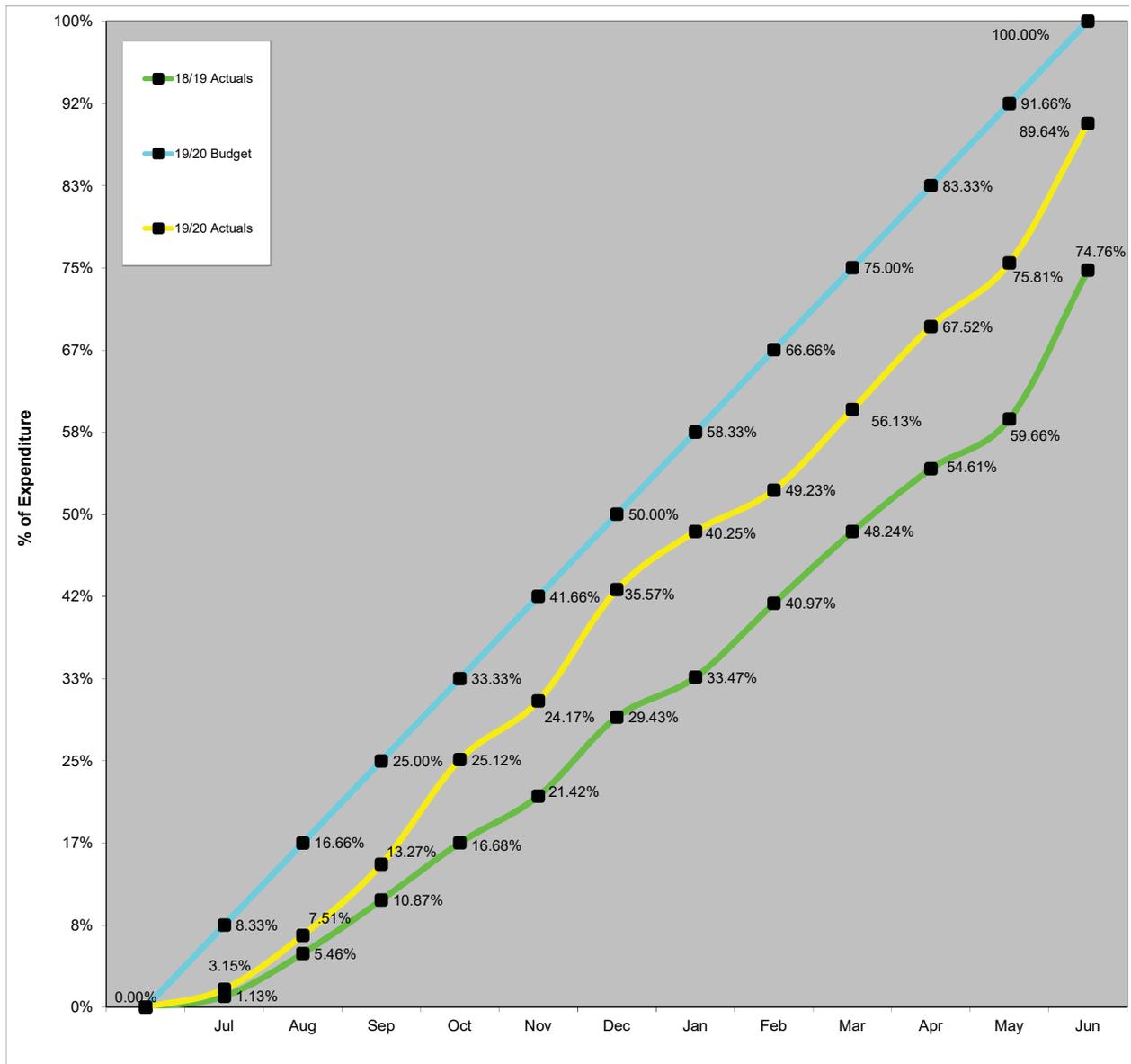


| | Budget \$'000 | June \$'000 | Actuals to Budget % spent |
|----------------|---------------|-------------|---------------------------|
| 2018/19 | 301,469 | 288,883 | 95.82% |
| 2019/20 | 344,392 | 341,212 | 99.08% |

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Capital Expenditure

This graph compares the capital percentage expended for the 2019/20 and 2018/19 years. The budgeted expenditure trend is set at 8.33% for each month. The cumulative actual expenditure trend for each month is graphed alongside the budget expenditure. The graph excludes capital expenditure associated with the University Project.



| | Budget \$'000 | June \$'000 | Actuals to Budget % spent |
|----------------|---------------|-------------|---------------------------|
| 2018/19 | 266,145 | 198,965 | 74.76% |
| 2019/20 | 228,259 | 204,600 | 89.64% |

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TREASURY REPORT

The Treasury Report highlights key areas of performance and compliance relating to Council's cash, investments and borrowings.

Investments

At 30 June 2020 all of Council's investments are in accordance with the approved Investment Policy. As at this date Council held 63.55% of funds outside of the Queensland Treasury Corporation (QTC).

Investment Portfolio - Summary of Cash and Investments Held

| Current Cash Investments | | | | | |
|--------------------------|------------------------------|----------------|----------------------|--|---------------------|
| Short Term Rating | Institution | Return | Term | Cash and Investment balance as at 30 June 2020 | Interest earned YTD |
| A1+ | Qld Treasury Corp* | 0.71% | Short Term (45 days) | 120,903,643 | 1,675,431 |
| A1+ | ANZ | 0.97% | At Call | 22,788,885 | 150,066 |
| A1+ | National Australia Bank | 1% | At Call | 46,248,951 | 844,811 |
| A1+ | ANZ | 1.49% to 1.56% | 183 to 365 days | 30,000,000 | 737,462 |
| A1+ | Bankwest | | | | 65,342 |
| A1+ | National Australia Bank | 0.9% to 1.48% | 181 to 273 days | 50,000,000 | 651,203 |
| A1+ | Westpac | 1.5% | 364 days | 20,000,000 | 880,288 |
| A1 | Suncorp | 1.5% | 125 days | 20,000,000 | 112,192 |
| A2 | Bank of Queensland | 1.4% to 1.6% | 182 days | 30,000,000 | 559,151 |
| A2 | IMB | | | | 83,199 |
| A2 | AMP Bank | 1.65% to 1.85% | 181 to 184 days | 10,000,000 | 217,712 |
| A2 | Macquarie Bank | | | | 130,630 |
| | Petrie Paper Mill Site Funds | | | | 49,586 |
| | Trust Investments | | | | 147,995 |
| | | | | * | |
| | | | | 349,941,478 | 6,305,068 |

* The QTC rate presented is the annualised interest rate for the month as provided by the Queensland Treasury Corporation.

Council has achieved a weighted average interest rate on all cash held of 1.63% pa in 2019/20.

| Non-Current Investments | | | | |
|-----------------------------------|-----------------|----------------------|-----------------------|-------------------------|
| Institution | Product | Term | Invested Value \$'000 | Realisable Value \$'000 |
| Queensland Investment Corporation | QIC Growth Fund | Greater than 5 years | 100,000 | 103,142 |

Performance to Budget - Year to Date (YTD) Summary

100% of the year has elapsed

| | Original Budget \$'000 | Amended Budget \$'000 | Actual YTD \$'000 | Actual % Achieved \$'000 | Comments |
|-------------------------------------|------------------------|-----------------------|-------------------|--------------------------|-----------------------------|
| Interest Revenue on Investments | 10,391 | 10,863 | 6,305 | 58% | Interest Rates are very low |
| Interest on Debt held in Unitywater | 34,000 | 34,000 | 32,903 | 97% | Tracking close to Budget |
| Total Investment Income | 44,391 | 44,863 | 39,208 | 87% | |

Borrowings

| Debt Position | \$ '000 |
|-------------------------------------|----------------|
| Debt held as at 1 July 2019 | 378,992 |
| New borrowings | 25,000 |
| Borrowings repaid | (33,899) |
| Debt held as at 30 June 2020 | 370,093 |

As at 30 June 2020 the weighted average interest rate of all Council debt is 5.25%