

3.9. STATEMENT OF ESTIMATED FINANCIAL POSITION 2019-2020

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RECOMMENDATION

1. Pursuant to section 205 of the Local Government Regulation 2012, the Statement of the Financial Operations and Financial Position of the Council in respect of the 2019/20 financial year (“the Statement of Estimated Financial Position”) be received and its contents noted.

2. The Financial Report for the period ended 31 May 2020 be noted.

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2019/20 budget for the period ended 31 May 2020 and provides a "statement of estimated financial position" for the 2019/20 financial year. Key points to note include the following:

- Operating revenue is behind budget by \$737k.
- Operating expenditure is under budget by \$1.2m.
- The Operating Surplus is currently \$1.1m, compared to a budgeted Surplus of \$615k.

BACKGROUND

In accordance with section 204 of the Local Government Regulation 2012 the Chief Executive Officer must present to Council a financial report, which states the progress that has been made in relation to the current financial year’s budget. This report must be presented to Council on a monthly basis and cover the period up to a day as near as practicable to the end of the preceding month.

Additionally, section 205 of the Local Government Regulation 2012 requires the Chief Executive Officer to present to the annual budget meeting a Statement of Estimated Financial Position. Accordingly, the attached financial report also includes the Estimated Financial Position for the financial year ending 30 June 2020 based on the budget adopted by Council in June 2019 and subsequently revised in December 2019.

COMMENT

The 2019/20 annual budget was adopted on 25 June 2019 and revised on 3 December 2019. The attached financial report details progress against revised budget for the period ended 31 May 2020. The report is prepared on an accrual basis and includes revenue earned and expenditure incurred during this period.

The following information is provided to assist with interpreting the report, including the provision of relevant graphs.

PROGRESS AGAINST BUDGET FOR THE PERIOD ENDING 31 MAY 2020

Operating Revenue and Expenditure

Key points:

- Council has received 91% of its annual budgeted operating revenue
- Year to date operating expenditure is currently under budget

Overall year to date operating revenue is \$737k behind budget, with the impacts of Covid-19 and the support measures offered being realised.

Fees and charges are behind budget by \$630k. This is due to the following:

- Daintree Ferry revenue currently \$456k behind budget.
- Refuse Tipping fees are currently \$11k behind budget.
- Licences \$22k behind budget
- Property fees \$27k behind budget
- Other fees and charges are currently \$92k behind budget including Venue Hire, Van Parks.
- Additionally \$22k of Fees & Charges has been waived / refunded as part of Covid-19 measures

Grants and subsidies are \$27k behind budget. And can be partially attributed to the movement under the new accounting standards of some grants to the 20/2021 Financial Year.

Interest Income is currently \$116k behind budget. There has been a continual decline in rates offered for Council investments. Interest rates being offered are now as low as 1% pa.

Other recurrent income is ahead of budget \$45k, primarily due to Roads Maintenance Performance Contract works which are expected to exceed budget by \$100k and funding received for revegetation works at Saltwater Creek. Venue Cancellations and Lease Rental relief of \$23k offset this positive result.

On the operating expenditure side, year to date expenditure variations to budget are as follows:

- Materials and services expenditure is currently under budget \$829k. This variance is primarily due to timing of receipt of invoices. Committals are currently \$2.0m, which include Annual purchase orders for major contracts such as Ferry, Waste removal, etc.
- Employee benefits are currently \$149k under budget. This can be impacted by various factors, such as staff vacancies, the amount and timing of leave taken and the allocation of costs to capital expenditure.
- Depreciation expense is currently \$260k behind budget. This variance is subject to the timing of asset capitalisation.

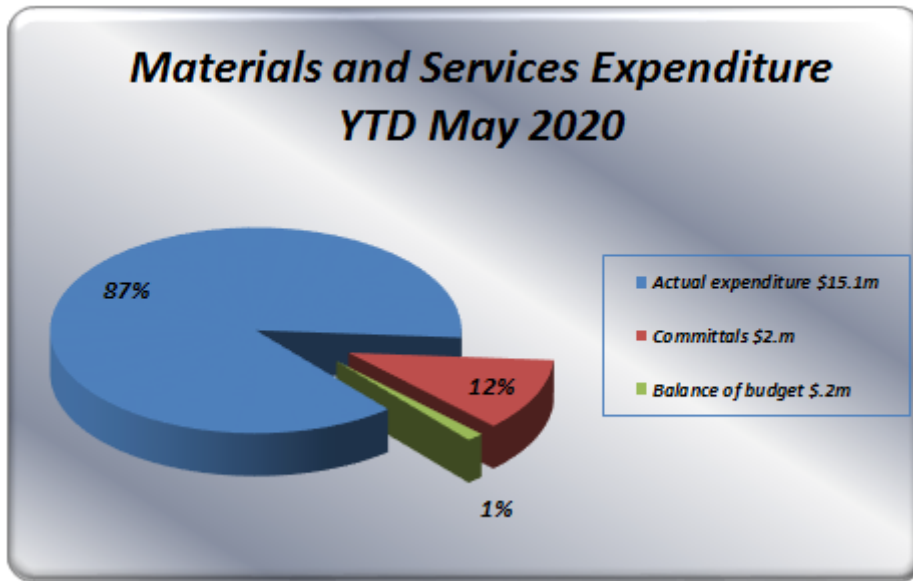


Figure 1.

Capital Revenue and Expenditure

Key point:

- Council has received 56% of its annual revised budgeted capital grants and subsidies.

It should be noted that in addition to year to date capital expenditure of \$21.1m, a further \$9m had been committed as at the end of May 2020.

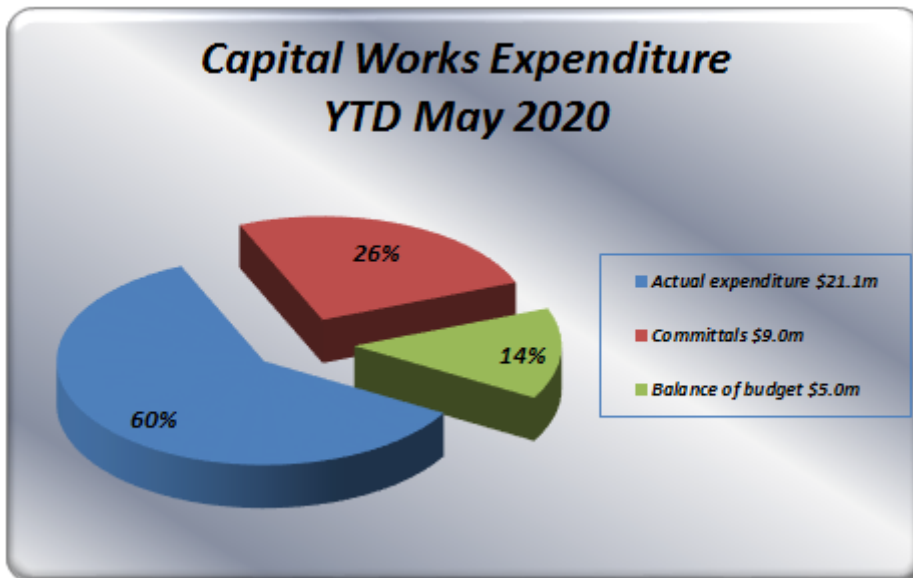


Figure 2.

Operating Result

Key point:

- The operating result is \$508k ahead of budget.

As reflected in the attached report, total operating revenue at the end of May was ahead of budget and operating expenditure was under budget.

This has resulted in an operating surplus of \$1.1m compared to a budgeted surplus of \$615K.

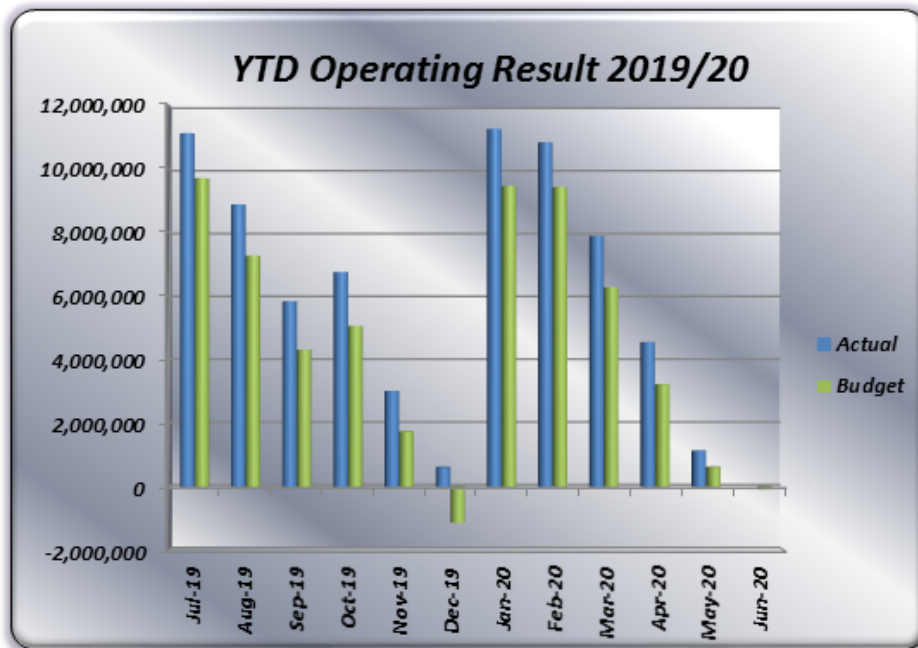


Figure 3.

ESTIMATED FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDING 30 JUNE 2020

Two columns have been added to the attached financial report to show the Estimated Financial Position and variance to budget for the financial year ending 30 June 2020. This estimate is based on information available (including the variance explanations outlined above) and assumptions made at the time of preparing this report.

The operating result is predicted to be a \$1.4m deficit vs budget \$87k surplus. The deficit is primarily due to the loss of revenue which is estimated to be \$1.1m behind original budget. This includes the following estimated revenue shortfalls: \$745k Daintree Ferry Revenue, \$156k Interest Revenue

Operational Expenditure is expected to be \$362k over budget. This includes a reduction in Employee benefits \$299k and an increase in Materials & services of \$661k. The estimated increase in Materials & Services includes \$110k additional costs for the State Roads Maintenance work, which is offset by additional revenue, increased costs for IT, Mossman Pool and additional Training costs.

Council has also incurred costs to enable the workforce to be mobilised during the pandemic. A re-allocation of \$200k from employee benefits to Materials & Services for insurance is also reflected in these estimates. Council's estimated financial position as at 30 June 2020 will be dependent upon the outcomes of the end of financial year adjustments and final audit processes.

PROPOSAL

The Financial Report for the period ended 31 May 2020 and the Statement of Estimated Financial Position for the 2019/20 financial year be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

The results as at the 31 May 2020 have revealed that a continued decline in interest rates & the freezing of Penalty interest has negatively affected the end of year result.

Daintree Ferry travel restrictions and subsequent free travel period, closure of Van Parks, cancellation of venue hires and Covid-19 relief measures have all had a significant impact on revenue.

RISK MANAGEMENT IMPLICATIONS

Monthly financial reporting keeps Council informed of the progress in relation to the budget and allows for timely corrective action if required.

SUSTAINABILITY IMPLICATIONS

Economic: Council has been impacted financially by the Covid-19 pandemic. Council has devised a long term financial forecast that enables recovery to a surplus position within ten years. If achieved, this would see Council meet all three of the 'measures of financial sustainability'.

Environmental: Nil

Social: Nil

CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

Corporate Plan 2019-2024 Initiatives:

Theme 5 - Robust Governance and Efficient Service Delivery

Strong governance and financial management are the foundations of the way in which Council will conduct its business and implement the initiatives of the Corporate Plan.

Goal 1 - *We will conduct Council business in an open and transparent manner with strong oversight and open reporting.*

Goal 3 - *We will make sound financial decisions by ensuring robust strategic planning, financial management and reporting.*

COUNCIL'S ROLE

Council can play a number of different roles in certain circumstances and it is important to be clear about which role is appropriate for a specific purpose or circumstance. The implementation of actions will be a collective effort and Council's involvement will vary from information only through to full responsibility for delivery.

The following areas outline where Council has a clear responsibility to act:

Custodian Council owns and manages infrastructure, facilities, reserves, resources and natural areas. In fulfilling its role as custodian, Council will be mindful of the community, the economy, the environment and good governance.

Regulator Council has a number of statutory obligations detailed in numerous regulations and legislative Acts. Council also makes local laws to ensure that the Shire is well governed. In fulfilling its role as regulator, Council will utilise an outcomes-based approach that balances the needs of the community with social and natural justice.

ATTACHMENTS

1. Monthly Financial Report May 2020 and Statement of Estimated Financial Position June 2020 [3.9.1 - 1 page]

| Douglas Shire Council Statement of Comprehensive Income For the month of May 2020 | | | | | | Statement of Estimated Financial Position June 2020 | |
|--|-----------------------------|-----------------------------|------------------------|----------------------------|--|--|------------------------|
| | Actual YTD 20 \$ | Budget YTD 20 \$ | Variance \$ | Budget 19/20 \$ | Actual as % of Budget 19/20 | Actual \$ | Variance \$ |
| Operating Revenue | | | | | | | |
| Net rates and utility charges | 32,333,216 | 32,343,078 | (9,862) | 34,849,270 | 93% | 34,849,270 | - |
| Fees and charges | 4,693,583 | 5,323,384 | (629,801) | 5,844,226 | 80% | 4,833,425 | (1,010,801) |
| Grants and subsidies | 2,850,172 | 2,876,893 | (26,721) | 2,876,893 | 99% | 2,850,172 | (26,721) |
| Interest received | 648,953 | 764,886 | (115,933) | 833,575 | 78% | 677,642 | (155,933) |
| Other recurrent income | 1,058,634 | 1,013,775 | 44,859 | 1,101,299 | 96% | 1,201,158 | 99,859 |
| Total Operating Revenue | 41,584,559 | 42,322,016 | (737,457) | 45,505,263 | 91% | 44,411,668 | (1,093,595) |
| Operating Expenses | | | | | | | |
| Employee benefits | 13,954,502 | 14,103,080 | 148,578 | 15,258,213 | 91% | 14,959,278 | 298,935 |
| Materials and services | 15,141,946 | 15,971,389 | 829,443 | 17,355,767 | 87% | 18,016,702 | (660,935) |
| Depreciation | 11,293,063 | 11,553,280 | 260,217 | 12,616,241 | 90% | 12,616,241 | - |
| Finance costs | 72,540 | 79,486 | 6,946 | 188,127 | 39% | 188,127 | - |
| Total Recurrent Expenses | 40,462,052 | 41,707,235 | 1,245,183 | 45,418,348 | 89% | 45,780,348 | (362,000) |
| Operating Result | 1,122,507 | 614,781 | 507,726 | 86,915 | 1291% | (1,368,680) | (1,455,595) |
| Capital Revenue | | | | | | | |
| Capital grants and subsidies | 8,770,388 | 15,637,880 | (6,867,492) | 15,637,880 | 56% | 15,637,880 | - |
| Contributions from developers | 1,194,763 | 1,100,000 | 94,763 | 1,100,000 | 109% | 1,194,763 | - |
| Total capital revenue | 9,965,151 | 16,737,880 | (6,772,729) | 16,737,880 | 60% | 16,832,643 | - |
| Net Result | 11,087,658 | 17,352,661 | (6,265,003) | 16,824,795 | 66% | 15,463,963 | (1,455,595) |
| Capital Works Program | | | | | | | |
| Capital additions | 21,142,745 | 35,170,816 | 14,028,071 | 35,170,816 | 60% | 35,170,816 | - |
| Total capital additions | 21,142,745 | 35,170,816 | 14,028,071 | 35,170,816 | 60% | 35,170,816 | - |
| NDRRA portion of Capital Works Program (included above) | | | | | | | |
| Capital grants and subsidies | 6,599,030 | 11,215,500 | (4,616,470) | 11,215,500 | | 11,215,500 | - |
| Capital additions | 5,544,892 | 11,959,500 | 6,414,608 | 11,959,500 | | 11,959,500 | - |
| Net position | 1,054,138 | (744,000) | 1,798,138 | (744,000) | | (744,000) | - |