

3.9. STATEMENT OF ESTIMATED FINANCIAL POSITION 2020-2021

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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 2020/21 financial year (“the Statement of Estimated Financial Position”) be received and its contents noted.

2. The Financial Report for the period ended 31 May 2021 be noted.

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2020/21 budget for the period ended 31 May 2021 and provides a "statement of estimated financial position" for the 2020/21 financial year. Key points to note include the following:

- Operating revenue is ahead of budget by \$403k.
- Operating expenditure is under budget by \$2.1m.
- The Operating deficit is currently \$1.1m, compared to a budgeted deficit of \$3.6m.

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 2021 based on the budget adopted by Council in June 2020 and subsequently revised in November 2020.

COMMENT

The 2020/21 annual budget was adopted on 30 June 2020 and revised on 24 November 2020. The attached financial report details progress against revised budget for the period ended 31 May 2021. Also included in the report is the estimated financial position for the financial year ending 30 June 2021.

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 2021

Operating Revenue and Expenditure

Key points:

- Council has received 92% of its annual budgeted operating revenue
- Year to date operating expenditure is currently under budget

Overall year to date operating revenue is \$403k ahead of budget.

- Rates and Utility charges are currently ahead of budget \$24k. A number of factors impact this result including the reissue of rates notice due to Valuation changes, growth in utility charges which includes the aged care facility. Note: Council has one more Water notice to be issued in June.
- Daintree Ferry revenue is currently \$98k behind budget. This includes \$19k for Covid refunds.

Fees and charges are ahead of budget by \$151k. This is primarily due to the following:

- Refuse Tipping fees are currently \$69k ahead budget and now exceed the annual budget.
- Licence fees \$15k ahead of budget
- Property fees \$153k ahead budget. This includes rates search fees which are \$59k ahead of budget. This now exceeds the annual budget.
- Other fees and charges are currently \$86k behind budget including PD Markets \$68k behind, Venue Hire \$48k behind, Mossman Pool \$34k behind. These are partially offset by Van Parks \$48k ahead of budget and \$16k ahead in other sundry fees including Cemeteries.

Grants and subsidies are \$306k ahead of budget. This includes a re-allocation from capital for Disaster Recovery Funding Arrangements (DRFA) of \$296k, which is offset by an increase in materials and services for the same value.

Interest Income is currently \$23k ahead of budget. This is partially attributable to holding more cash due to the delay in expenditure, both operational and capital.

Other recurrent income is behind budget \$2k, Roads Maintenance Performance Contract works are ahead of budget by \$115k. This has been offset by a reduction in revenue from Sponsorship, Carnivale and Concert \$86k, also budgeted trade waste revenue being transferred to offset against expenditure per Audit advice.

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

- Materials and services expenditure is currently under budget \$1.4m. This variance is primarily due to timing of receipt of invoices. Committals are currently \$3.0m, which include Annual purchase orders for major contracts such as Ferry, Waste removal, etc. They also include \$375k for Macrossan St works.

- Employee benefits are currently \$429k under budget. This can be impacted by numerous factors, such as staff vacancies, the amount and timing of leave taken and the allocation of costs to capital expenditure. This variance also includes an allowance for the impact of the EBA changes and subsequent backpays, which are still to be processed.
- Depreciation expense is currently \$308k behind budget. This variance is subject to the timing of asset capitalisation. There is expected to be a small permanent saving.
- Finance costs are currently \$10k behind budget. This is likely to be a permanent saving to budget.

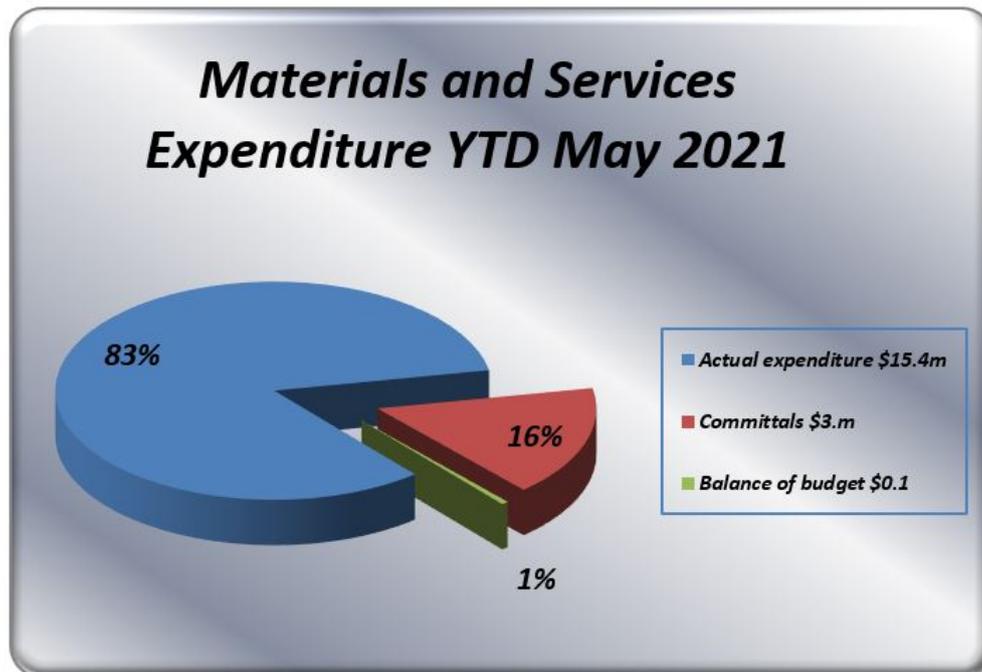


Figure 1.

Capital Revenue and Expenditure

Key point:

- Council has received 40% of its annual revised budgeted capital grants and subsidies.

It should be noted that in addition to year-to-date capital expenditure of \$15.8m, a further \$8.8m had been committed as at the end of May 2021.

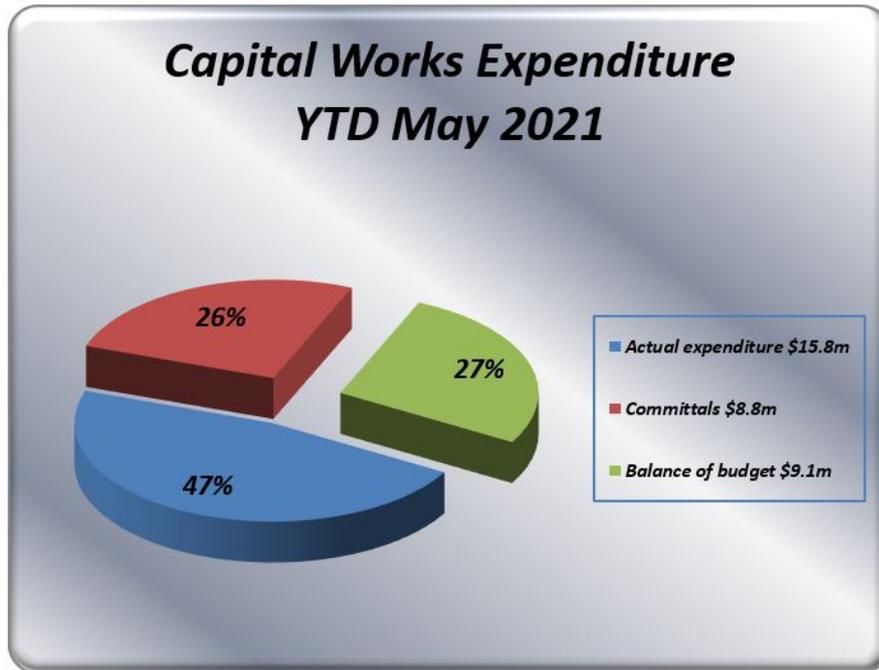


Figure 2.

Operating Result

Key point:

- The operating result is \$2.5m 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 deficit of \$1.1m compared to a budgeted deficit of \$3.6m.

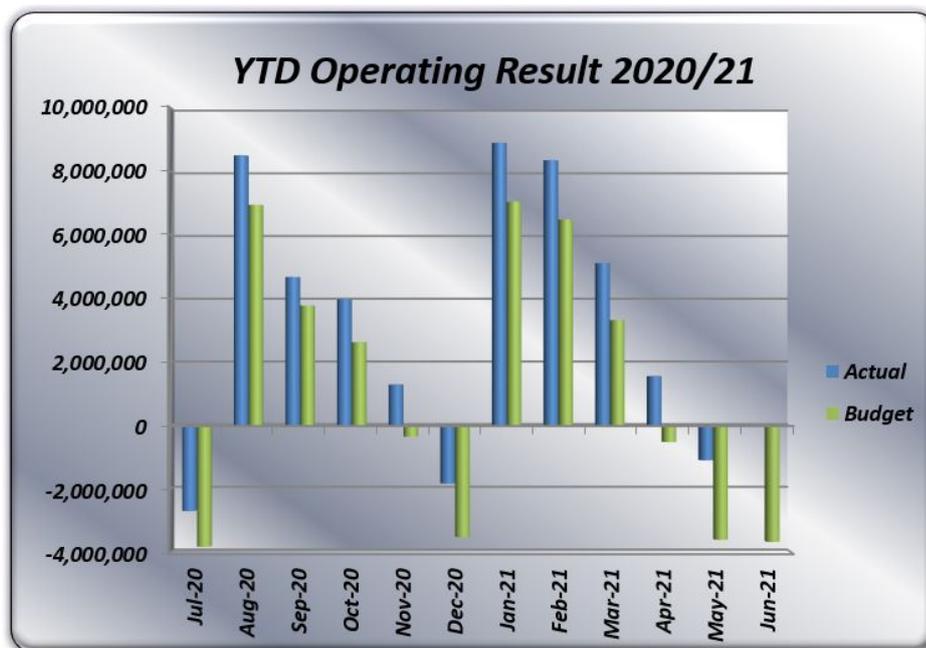


Figure 3.

ESTIMATED FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDING 30 JUNE 2021

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 2021. 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 \$3.6m deficit vs budget deficit \$3.7m, an improvement of \$108k.

Operational Revenue is expected to be \$709k ahead of budget. Which includes \$594k in revenue for Grants & Other recurrent income, there is a corresponding increase in materials and services. As expected, Daintree Ferry revenue is likely to be \$100k behind budget. Other fees and charges are expected to be \$195k over budget including property fees and refuse fees.

Operational Expenditure is expected to be \$608k over budget. This includes a forecast saving in Employee benefits \$107k and a forecast overrun in Materials & services of \$795k. The estimated increase in Materials & Services includes additional costs for the State Roads Maintenance works & expenditure for DRFA grants transferred from Capital, these are partially offset by the additional revenue. The following expenses are also forecast to come in under budget - Depreciation \$70k and Finance merchant fees \$10k.

Council's estimated financial position as at 30 June 2021 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 2021 and the Statement of Estimated Financial Position for the 2020/21 financial year be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

Continued uncertainty with border closures may negatively impact the Tourism Sector. This will likely result in a reduction in Daintree Ferry Revenue. The overall forecast financial position is estimated to be a small improvement on budget.

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: The Covid-19 pandemic will have a negative impact on the economic sustainability of Douglas Shire Council and may impact sustainability ratios. This will be closely managed by Council and mitigated where possible. The aim of the long-term financial plan is to meet all three of the "measures of financial sustainability within a ten-year time frame.

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. Statement of Estimated Financial Position 2020-2021 [3.9.1 - 1 page]

Douglas Shire Council Statement of Comprehensive Income Financial Report May 2021						Estimated Financial Position Financial Year June 2021	
	Actual YTD 21	Budget YTD 21	Variance	Budget 20/21	Actual as % of Budget 20/21	Actual	Variance
	\$	\$	\$	\$		\$	\$
Operating Revenue							
Rates and utility charges	33,671,361	33,642,711	28,650	36,123,565	93%	36,123,565	-
less: Discounts	(149,711)	(146,313)	(3,398)	(146,313)	102%	(146,313)	-
less: Remissions (incl. Pensioners)	(506,821)	(505,188)	(1,633)	(512,449)	99%	(512,449)	-
Net rates and utility charges	33,014,829	32,991,210	23,619	35,464,803	93%	35,464,803	-
Daintree River Ferry fees & charges	2,160,831	2,259,042	(98,211)	2,571,448	84%	2,471,448	(100,000)
Fees and charges (excluding Ferry)	2,598,033	2,446,624	151,409	2,697,371	96%	2,893,780	195,000
Grants and subsidies	1,787,153	1,481,129	306,024	2,327,568	77%	2,633,592	300,000
Interest received	339,169	316,371	22,798	347,185	98%	367,185	20,000
Other recurrent income	1,000,730	1,003,213	(2,483)	1,117,156	90%	1,411,156	294,000
Total Operating Revenue	40,900,744	40,497,589	403,155	44,525,531	92%	45,241,964	709,000
Operating Expenses							
Employee benefits	14,862,939	15,291,757	428,818	16,396,741	91%	16,289,741	107,000
Materials and services	15,419,676	16,772,070	1,352,394	18,554,154	83%	19,349,154	(795,000)
Depreciation	11,648,674	11,956,667	307,993	13,054,728	89%	12,984,728	70,000
Finance costs	65,026	75,345	10,319	183,556	35%	173,556	10,000
Total Recurrent Expenses	41,996,314	44,095,839	2,099,525	48,189,179	87%	48,797,179	(608,000)
Operating Result	(1,095,570)	(3,598,250)	2,502,680	(3,663,648)	30%	(3,555,215)	108,433
Capital Revenue							
Capital grants and subsidies	7,023,747	17,614,958	(10,591,211)	17,614,958	40%	17,614,958	-
Contributions from developers	311,856	250,000	61,856	250,000	125%	311,856	61,856
Total capital revenue	7,335,603	17,864,958	(10,529,355)	17,864,958	41%	17,926,814	61,856
Net Result	6,240,033	14,266,708	(8,026,675)	14,201,310	44%	14,371,599	170,289
Capital Works Program							
Capital additions	15,834,367	33,713,453	17,879,086	33,713,453	47%	33,713,453	-
Total capital additions	15,834,367	33,713,453	17,879,086	33,713,453	47%	33,713,453	-