

5. AGENDA ITEMS

5.1. FINANCIAL REPORT OCTOBER 2020

REPORT AUTHOR Tara Killeen, Chief Financial Officer

MANAGER Mark Stoermer, Chief Executive Officer

DEPARTMENT Finance and Corporate Services

RECOMMENDATION

That Council notes the Financial Report for the period ended 31 October 2020.

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2020/21 budget for the period ended 31 October 2020. Key points to note include the following:

- Operating revenue is behind budget by \$126K.
- Operating expenditure is under budget by \$1.5m.
- The Operating Surplus is currently \$4m, compared to a budgeted Surplus of \$2.6m.

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.

COMMENT

The 2020/21 annual budget was adopted on 30 June 2020. The attached financial report details progress against budget for the period ended 31 October 2020.

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

Operating Revenue and Expenditure

Key points:

- Council has received 43% of its annual budgeted operating revenue
- Year to date operating expenditure is currently under budget

Operating revenue is currently behind budget, with variations occurring primarily within the categories as follows:

- Rates and utility charges are currently \$4k ahead of budget. This relates to an increase in Pensioner Remission currently \$15k over budget but has been offset by an increase in water revenue
- Daintree Ferry revenue is currently \$7k behind budget. A significant refund for prepaid tickets of \$10k contributed to this shortfall.
- Other fees and charges are behind budget by \$40k. This is due to the following:
 - Refuse Tipping fees are currently \$20k ahead of budget.
 - Licence Fees are currently \$74k behind budget. Timing in the issue of prescribed activity and annual swimming pool renewals cause this variance. The new scheduled issue date will be reflected in the upcoming budget review.
 - Property fees are currently \$36k ahead of budget. A significant development fee has been received which has contributed to this result.
 - Other fees and charges are currently \$22k behind budget, Van parks are performing well and are up to budget, this is offset however by Pool fees and Facility hire which are both currently running behind budget.
- Grants and subsidies are ahead of budget by \$33k. This includes \$18k for an increase in the Financial Assistance Grant, and funds from the new Reef Assist Grant.
- Interest Income is currently \$46k behind budget.
 - There has been a continual decline in rates offered for Council investments. With the recent drop-in rates from RBA, council's guaranteed rate will reduce further from 0.75% to 0.6%.
- Other recurrent income is behind budget \$70k, primarily due to timing of payments for processing of recycled materials

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

- Materials and services expenditure is currently under budget \$1.1m. This variance is primarily due to timing of receipt of invoices, Committals are currently \$4m, which include Annual purchase orders for major contracts such as Ferry, Waste removal, etc.
- Employee benefits are currently \$210k 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 \$203k under budget and is impacted by completion of projects.
- Finance Costs are currently \$6k under budget, this is due to timing of bank merchant fees charged.

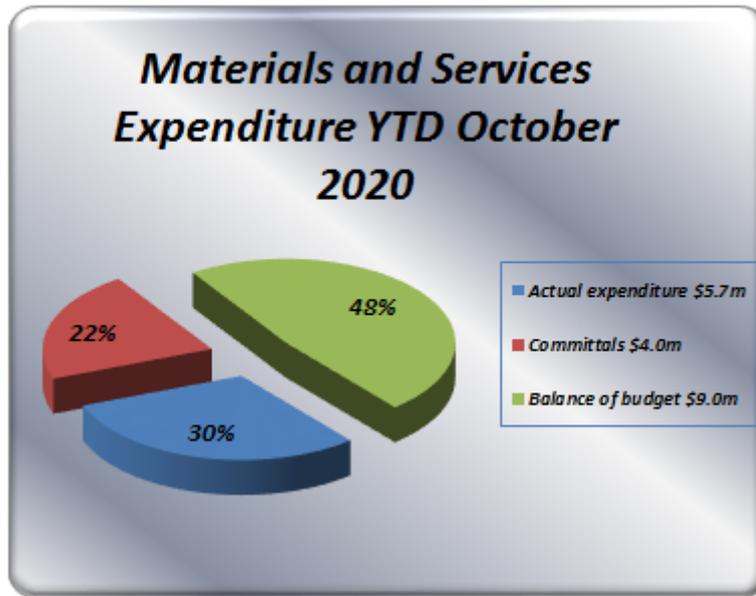


Figure 1.

Capital Revenue and Expenditure

Key point:

- Council has received 39% of its annual budgeted capital grants and subsidies and no contributions from developers at this stage.

It should be noted that in addition to year-to-date capital expenditure of \$5.2m, a further \$5.4m had been committed as at the end of October 2020.

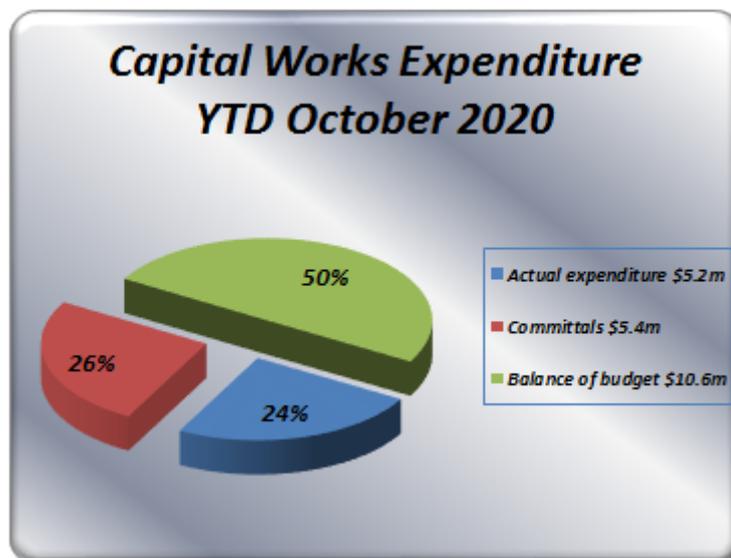


Figure 2.

Operating Result

Key point:

- The operating result is \$1.4m ahead of budget with an operating surplus of \$4m compared to a budgeted surplus of \$2.6m.

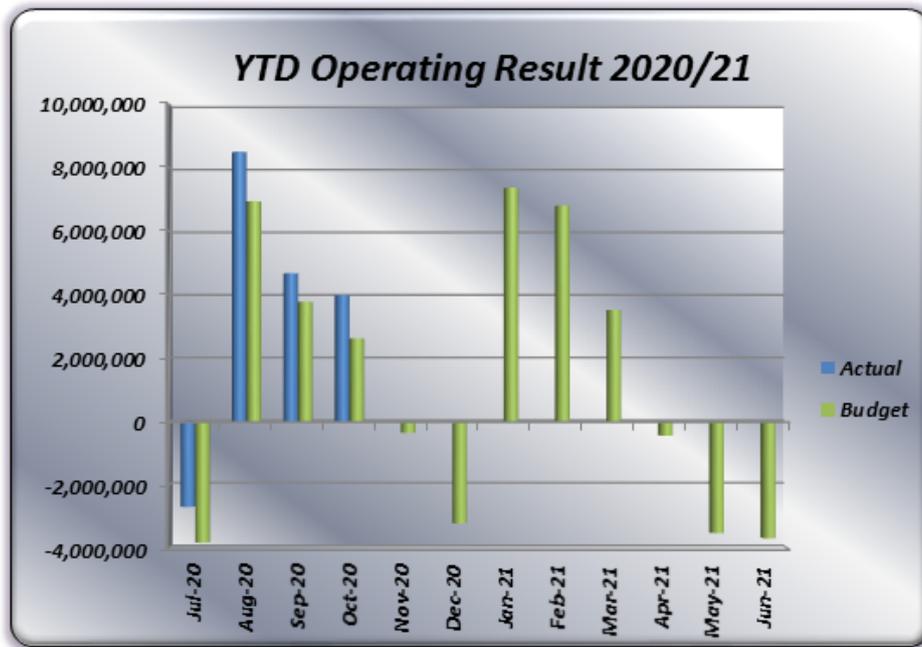


Figure 3.

PROPOSAL

The Financial Report for the period ended 31 October 2020 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 budget reflects a return to a more normal revenue pattern later in 2020. The continued impact of falling interest rates will need to be monitored carefully. These issues are to be addressed in the 2020-2021 budget revision.

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. October 2020 Financial Report [5.1.1 - 1 page]

Douglas Shire Council Statement of Comprehensive Income Financial Report October 2020	Actual YTD 21 \$	Budget YTD 21 \$	Variance \$	Budget 20/21 \$	Actual as % of Budget 20/21
Operating Revenue					
Rates and utility charges	16,779,628	16,759,926	19,702	36,123,565	46%
less: Discounts	(73,518)	(73,156)	(362)	(146,317)	50%
less: Remissions (incl. Pensioners)	(253,041)	(237,619)	(15,422)	(475,192)	53%
Net rates and utility charges	16,453,070	16,449,151	3,919	35,502,064	46%
Daintree River Ferry fees & charges	904,215	911,572	(7,357)	2,684,717	34%
Fees and charges (excluding Ferry)	1,043,035	1,082,798	(39,763)	2,645,371	39%
Grants and subsidies	534,424	501,298	33,126	2,121,038	25%
Interest received	130,725	176,496	(45,771)	525,060	25%
Other recurrent income	286,022	356,232	(70,210)	1,117,156	26%
Total Operating Revenue	19,351,491	19,477,547	(126,056)	44,595,406	43%
Operating Expenses					
Employee benefits	5,497,578	5,707,928	210,350	16,333,228	34%
Materials and services	5,679,984	6,742,745	1,062,761	18,708,087	30%
Depreciation	4,175,846	4,379,045	203,199	13,054,728	32%
Finance costs	24,972	31,304	6,332	183,556	14%
Total Recurrent Expenses	15,378,380	16,861,022	1,482,642	48,279,599	32%
Operating Result	3,973,111	2,616,525	1,356,586	(3,684,193)	(108%)
Capital Revenue					
Capital grants and subsidies	4,117,628	10,502,311	(6,384,683)	10,502,311	39%
Contributions from developers	-	250,000	(250,000)	250,000	0%
Total capital revenue	4,117,628	10,752,311	(6,634,683)	10,752,311	38%
Net Result	8,090,739	13,368,836	(5,278,097)	7,068,118	114%
Capital Works Program					
Capital additions	5,180,586	21,172,745	15,992,159	21,172,745	24%
Total capital additions	5,180,586	21,172,745	15,992,159	21,172,745	24%