

5.10. FINANCIAL REPORT APRIL 2021

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 30 April 2021.

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2020/21 revised budget for the period ended 30 April 2021. Key points to note include the following:

- Operating revenue is ahead of budget by \$152K.
- Operating expenditure is under budget by \$1.9M.
- The Operating Surplus is currently \$1.5m, compared to a budgeted deficit of \$525k

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 and revised on the 24 November 2020. The attached financial report details progress against revised budget for the period ended 30 April 2021.

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 90% of its annual budgeted operating revenue
- Year to date operating expenditure is currently under budget.

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

- Rates and utility charges are currently behind budget \$28k, this is due to several factors including a recorded decrease in water consumption and \$15k in concealed water leak rebates as per council policy. This is offset by an increase in other utility charges \$20k which includes the Aged Care facility. Pension remission costs and discounts exceed budget. General Rates are behind budget \$23k, Council is waiting for the issue of Titles for 2 small subdivisions which will impact this result.
- Daintree Ferry revenue is currently \$100k behind budget. This includes refunds of \$19k for Covid Relief measures. This variance will continue to be monitored closely.
- Fees and charges are currently \$94k ahead budget, there are a number of variances within this category:
 - Refuse Tipping fees continue strongly and are currently \$59k ahead of budget.
 - Licence Fees are currently \$31k behind budget, a timing delay in issuing prescribed activity fees, primarily causes this variance.
 - Property fees are currently \$165k ahead of budget. This includes Search Fees which are \$57k ahead of YTD budget. This reflects the reported increased movement in properties.
 - Other fees and charges are currently \$98k behind budget. Mossman Pool is \$30k behind and Facility hire is \$91k behind. This includes Port Douglas Markets which is \$53k behind budget and also includes \$14k in refunds issued due to venue cancellations. Caravan park bookings have been strong and are now \$22k ahead of budget. Cemetery fees are also \$10k ahead of budget.
- Grants and subsidies are \$196k ahead of budget and includes funding for Sustainable Fishing \$13.5k, \$7.5k for Wangetti revegetation & DFRA funding of \$296k has been transferred from Capital. This is partially offset by the timing of receipts for other grants.
- Interest Income is currently \$26k ahead of budget. \$11.7k of this is due to holding more cash due to the delay in expenditure, both operational and capital.
- Other recurrent income is behind budget \$36k. Budgeted Income has been moved to offset waste levy expense as per Audit advice. An additional State works contract for Alchera drive works has offset this impact. Other revenue can also be impacted by the timing of income from the sale 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 \$1.2M. This variance is primarily due to timing of receipt of invoices and commencement of operational projects, Committals are currently \$3.4M, which include Annual purchase orders for major contracts such as Ferry, Waste removal, etc. It is important to note that just under \$1m remains uncommitted in the material & services budget with 2 months remaining. The infrastructure team have incurred additional expenditure due to the recent rain event.
- Employee benefits are currently \$408k 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. This variance includes an allowance for the impact of the new EBA changes and subsequent backpays, which are still to be processed.

- Depreciation expense is currently \$275k under budget and is impacted by the timing of completion of projects. There is expected to be a small permanent saving.
- Finance Costs are currently \$14k under budget. Timing of bank merchant fees charged increase significantly in line with payments for rates and utility charges. A large take up in Bpay has likely contributed to this cost decrease.

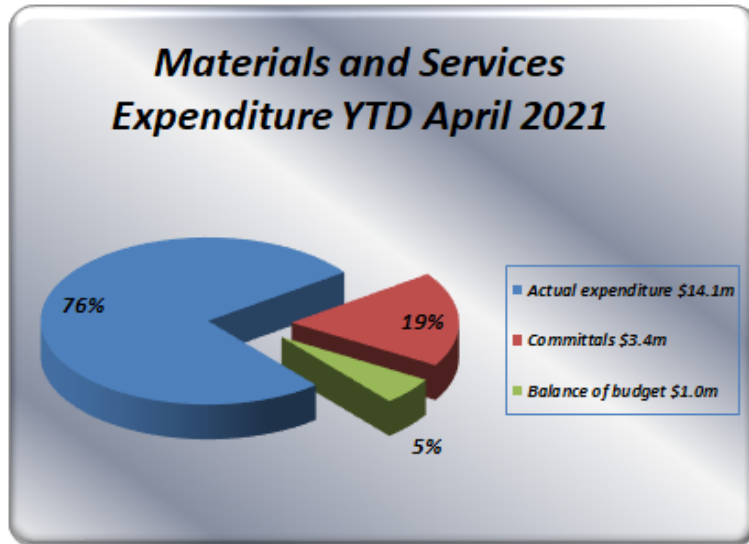


Figure 1.

Capital Revenue and Expenditure

Key point:

- Council has received 39% of its annual budgeted capital grants and subsidies and \$312k in developer contributions which are \$62k ahead of budget.

It should be noted that in addition to year-to-date capital expenditure of \$12.9m, a further \$9.4m had been committed as at the end of April 21.

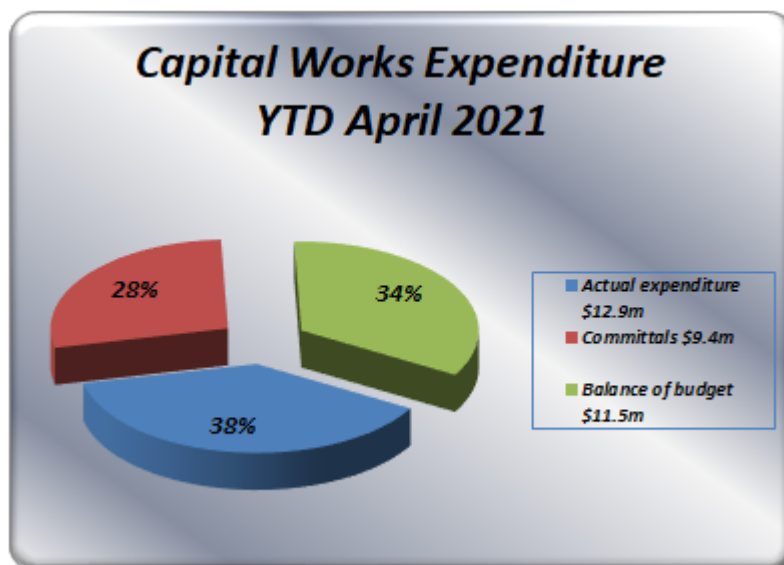


Figure 2.

Operating Result

Key point:

- The operating result is \$2.1m ahead of budget with an operating Surplus of \$1.5m compared to a budgeted deficit of \$525km.

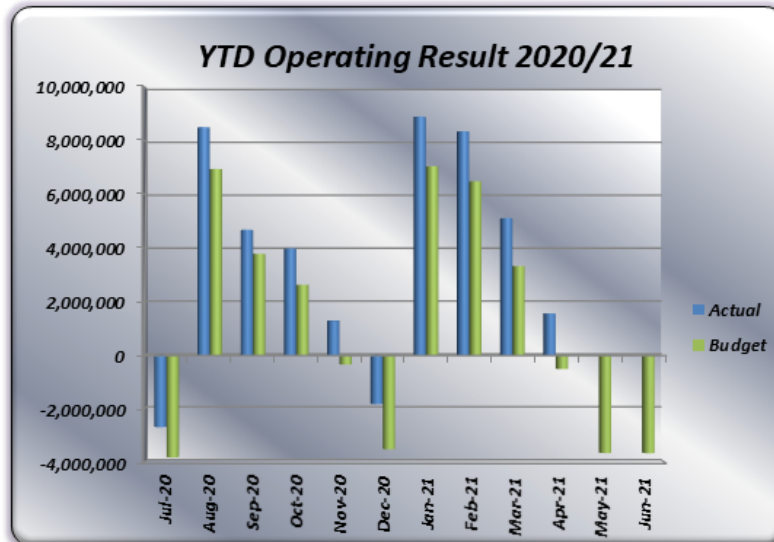


Figure 3.

PROPOSAL

The Financial Report for the period ended 30 April 2021 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.

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. Financial Report April 2021 [5.10.1 - 1 page]

Douglas Shire Council Statement of Comprehensive Income Financial Report April 2021	Actual YTD 21 \$	Budget YTD 21 \$	Variance \$	Budget 20/21 \$	Actual as % of Budget 20/21
Operating Revenue					
Rates and utility charges	33,619,378	33,642,711	(23,333)	36,123,565	93%
less: Discounts	(149,086)	(146,313)	(2,773)	(146,313)	102%
less: Remissions (incl. Pensioners)	(506,982)	(505,188)	(1,794)	(512,449)	99%
Net rates and utility charges	32,963,310	32,991,210	(27,900)	35,464,803	93%
Daintree River Ferry fees & charges	1,927,257	2,027,496	(100,239)	2,571,448	75%
Fees and charges (excluding Ferry)	2,362,335	2,268,361	93,974	2,697,371	88%
Grants and subsidies	1,472,535	1,275,839	196,696	2,327,568	63%
Interest received	308,100	282,123	25,977	347,185	89%
Other recurrent income	859,360	895,520	(36,160)	1,117,156	77%
Total Operating Revenue	39,892,897	39,740,549	152,348	44,525,531	90%
Operating Expenses					
Employee benefits	13,591,555	13,999,136	407,581	16,396,741	83%
Materials and services	14,140,890	15,360,630	1,219,740	18,554,154	76%
Depreciation	10,557,956	10,833,005	275,049	13,054,728	81%
Finance costs	58,891	72,672	13,781	183,556	32%
Total Recurrent Expenses	38,349,291	40,265,443	1,916,152	48,189,179	80%
Operating Result	1,543,606	(524,894)	2,068,500	(3,663,648)	(42%)
Capital Revenue					
Capital grants and subsidies	6,914,811	17,614,958	(10,700,147)	17,614,958	39%
Contributions from developers	311,856	250,000	61,856	250,000	125%
Total capital revenue	7,226,667	17,864,958	(10,638,291)	17,864,958	40%
Net Result	8,770,273	17,340,064	(8,569,791)	14,201,310	62%
Capital Works Program					
Capital additions	12,861,366	33,713,453	20,852,087	33,713,453	38%
Total capital additions	12,861,366	33,713,453	20,852,087	33,713,453	38%