

## 5.10. FINANCIAL REPORT JULY 2020

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<b>DEPARTMENT</b>	Finance and Corporate Services

### RECOMMENDATION

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

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### EXECUTIVE SUMMARY

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

- Operating revenue is ahead of budget by \$187k.
- Operating expenditure is under budget by \$938k.
- The Operating Deficit is currently \$2.7m, compared to a budgeted Deficit of \$3.8m.

### 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 July 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 2% of its annual budgeted operating revenue
- Year to date operating expenditure is currently under budget

Overall at this very early stage of the year; operating revenue is ahead of budget, with variations occurring primarily within the categories as follows:

- Rates and utility charges are budgeted this year to be issued in August 20. The small variance of \$2k to budget is due to the reversal of the 19/20 end of year Water accrual.
- Fees and charges are ahead of budget by \$114k. This is due to the following:
  - Daintree Ferry revenue currently \$31.1k ahead of budget. It is important to note that budget had been reduced for July by 50% for Covid impact.
  - Refuse Tipping fees are currently \$3.3k ahead of budget.
  - Licences are currently \$21.2k ahead of budget. A strong take up of Dog Registrations represents \$13.3k of this variance.
  - Other fees and charges are currently \$58.4k ahead of budget, of which \$31.5k is due to the timing of raising Mooring fees.
- Grants and subsidies are ahead of budget by \$94.1k. This includes \$51.1k for illegal dumping and \$40k for Library grants.
- Interest Income is currently \$14.7k behind budget.
  - There has been a continual decline in rates offered for Council investments. Currently rates of 0.7% are being offered.
- Other recurrent income is behind budget \$8.5k, primarily due to timing of Roads Maintenance Performance Contract works.

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

- Materials and services expenditure is currently under budget \$698k. This variance is primarily due to timing of receipt of invoices including the Workcover insurance invoice for approx. \$225k. Committals are currently \$5.5m, which include Annual purchase orders for major contracts such as Ferry, Waste removal, etc.
- Employee benefits are currently \$240k 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 reported in line with budget.



Figure 1.

## Capital Revenue and Expenditure

### Key point:

- Council has received 5% of its annual budgeted capital grants and subsidies

It should be noted that in addition to year to date capital expenditure of \$2.2m, a further \$6.3m had been committed as at the end of July 2020.

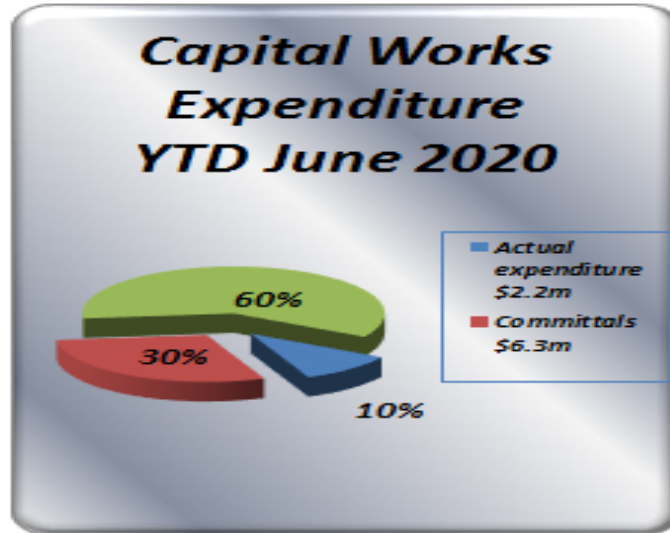


Figure 2.

## Operating Result

### Key point:

- The operating result is \$1.1m ahead of budget

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

This has resulted in an operating deficit of \$2.7m compared to a budgeted deficit of \$3.8m.

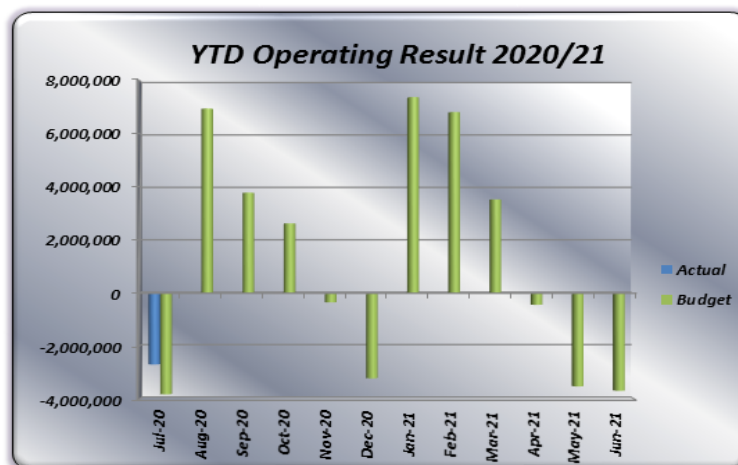


Figure 3.

## PROPOSAL

The Financial Report for the period ended 31 July 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.

## 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. July 2020 End of Month Financial Report [5.10.1 - 1 page]

<b>Douglas Shire Council</b>					
<b>Statement of Comprehensive Income</b>					
<b>Financial Report July 2020</b>					
	<b>Actual YTD 21</b>	<b>Budget YTD 21</b>	<b>Variance</b>	<b>Budget 20/21</b>	<b>Actual as % of</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>Budget 20/21</b>
<b>Operating Revenue</b>					
Net rates and utility charges	(122,971)	(125,000)	2,029	35,502,064	0%
Fees and charges	563,976	449,905	114,071	5,330,088	11%
Grants and subsidies	281,272	187,128	94,144	2,121,038	13%
Interest received	25,081	39,779	(14,698)	525,060	5%
Other recurrent income	35,793	44,304	(8,511)	1,117,156	3%
<b>Total Operating Revenue</b>	<b>783,150</b>	<b>596,116</b>	<b>187,034</b>	<b>44,595,406</b>	<b>2%</b>
<b>Operating Expenses</b>					
Employee benefits	1,081,305	1,320,979	239,674	16,333,228	7%
Materials and services	1,289,996	1,988,128	698,132	18,708,087	7%
Depreciation	1,103,660	1,103,660	-	13,054,728	8%
Finance costs	759	759	0	183,556	0%
<b>Total Recurrent Expenses</b>	<b>3,475,719</b>	<b>4,413,526</b>	<b>937,807</b>	<b>48,279,599</b>	<b>7%</b>
<b>Operating Result</b>	<b>(2,692,569)</b>	<b>(3,817,410)</b>	<b>1,124,841</b>	<b>(3,684,193)</b>	<b>73%</b>
<b>Capital Revenue</b>					
Capital grants and subsidies	475,333	10,502,311	(10,026,978)	10,502,311	5%
Contributions from developers	-	250,000	(250,000)	250,000	0%
<b>Total capital revenue</b>	<b>475,333</b>	<b>10,752,311</b>	<b>(10,276,978)</b>	<b>10,752,311</b>	<b>4%</b>
<b>Net Result</b>	<b>(2,217,236)</b>	<b>6,934,901</b>	<b>(9,152,137)</b>	<b>7,068,118</b>	<b>(31%)</b>
<b>Capital Works Program</b>					
Capital additions	2,215,171	21,172,745	18,957,574	21,172,745	10%
<b>Total capital additions</b>	<b>2,215,171</b>	<b>21,172,745</b>	<b>18,957,574</b>	<b>21,172,745</b>	<b>10%</b>