

5.11. FINANCIAL REPORT AUGUST 2020

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DEPARTMENT Finance and Corporate Services

RECOMMENDATION

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

EXECUTIVE SUMMARY

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

- Operating revenue is ahead of budget by \$204k.
- Operating expenditure is under budget by \$1.4m.
- The Operating Surplus is currently \$8.5m, compared to a budgeted Surplus of \$6.9m.

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 August 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 35% 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 currently \$66k ahead of budget. \$52k of this relates to the timing of budget for the discount offered as due date for rates is early September. As rates collections are in line with expectations this saving will not carry forward.
- Daintree Ferry revenue is currently \$77k ahead of budget. It is important to note that budget was reduced for Covid impact and that at year to date August 2019 ferry revenue was approximately \$330k more than has been received year to date this financial year.
- Other fees and charges are ahead of budget by \$43k. This is due to the following:
 - Refuse Tipping fees are currently \$20k. ahead of budget.
 - Licences are currently \$9k ahead of budget. A strong take up of Dog Registrations represents the majority of this variance.
 - Property fees are currently \$24k behind budget.
 - Other fees and charges are currently \$38k ahead of budget, of which \$31k is due to the timing of raising Mooring fees.
- Grants and subsidies are ahead of budget by \$70k. This includes \$18k for an increase in the Financial Assistance Grant and \$40k for Library grants.
- Interest Income is currently \$9k behind budget.
 - There has been a continual decline in rates offered for Council investments. Currently rates of 0.75% are being offered.
- Other recurrent income is behind budget \$43k, primarily due to timing of Roads Maintenance Performance Contract works and the receipt of payments for 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, including TPDD, Workcover and Stormtide Grant Expenditure. Committals are currently \$4.6m, which include Annual purchase orders for major contracts such as Ferry, Waste removal, etc.
- Employee benefits are currently \$157k 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.

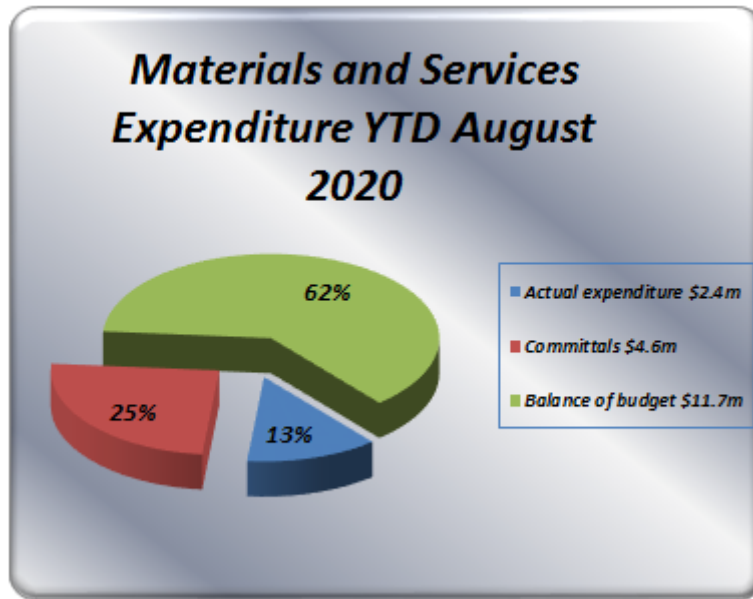


Figure 1.

Capital Revenue and Expenditure

Key point:

- Council has received 5% of its annual budgeted capital grants and subsidies and no contributions from developers at this stage.

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 August 2020.

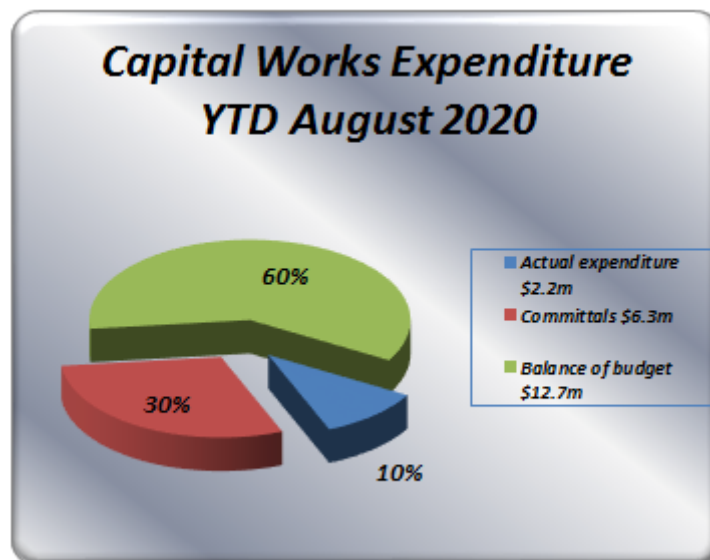


Figure 2.

Operating Result

Key point:

- The operating result is \$1.6m ahead of budget.

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

This has resulted in an operating surplus of \$8.5m compared to a budgeted surplus of \$6.9m.

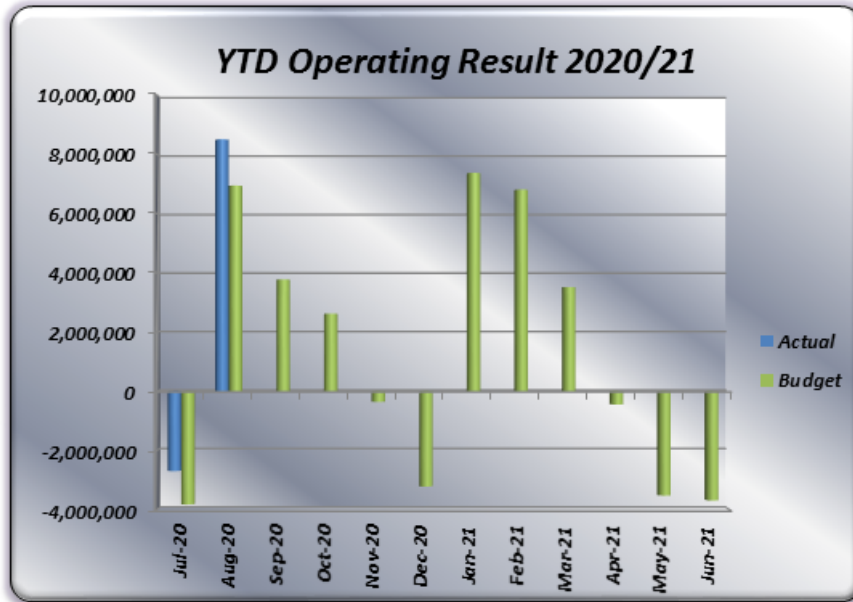


Figure 3.

PROPOSAL

The Financial Report for the period ended 31 August 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. August 2020 Financial Report [5.11.1 - 1 page]

Douglas Shire Council Statement of Comprehensive Income Financial Report August 2020	Actual YTD 21 \$	Budget YTD 21 \$	Variance \$	Budget 20/21 \$	Actual as % of Budget 20/21
Operating Revenue					
Rates and utility charges	14,063,992	14,037,228	26,764	36,123,565	39%
less: Discounts	(20,872)	(73,156)	52,284	(146,317)	14%
less: Remissions (incl. Pensioners)	(250,624)	(237,619)	(13,005)	(475,192)	53%
Net rates and utility charges	13,792,496	13,726,453	66,043	35,502,064	39%
Daintree River Ferry fees & charges	443,394	366,378	77,016	2,684,717	17%
Fees and charges (excluding Ferry)	628,943	585,925	43,018	2,645,371	24%
Grants and subsidies	486,035	416,185	69,850	2,121,038	23%
Interest received	71,848	80,579	(8,731)	525,060	14%
Other recurrent income	100,716	143,652	(42,936)	1,117,156	9%
Total Operating Revenue	15,523,433	15,319,172	204,261	44,595,406	35%
Operating Expenses					
Employee benefits	2,428,602	2,585,263	156,661	16,333,228	15%
Materials and services	2,379,802	3,578,208	1,198,406	18,708,087	13%
Depreciation	2,207,322	2,207,322	-	13,054,728	17%
Finance costs	8,603	9,058	455	183,556	5%
Total Recurrent Expenses	7,024,329	8,379,851	1,355,522	48,279,599	15%
Operating Result	8,499,104	6,939,321	1,559,783	(3,684,193)	(231%)
Capital Revenue					
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%
Total capital revenue	475,333	10,752,311	(10,276,978)	10,752,311	4%
Net Result	8,974,437	17,691,632	(8,717,195)	7,068,118	127%
Capital Works Program					
Capital additions	2,215,171	21,172,745	18,957,574	21,172,745	10%
Total capital additions	2,215,171	21,172,745	18,957,574	21,172,745	10%