

## 5.11. FINANCIAL REPORT JANUARY 2021

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

### RECOMMENDATION

**That Council notes the Financial Report for the period ended 31 January 2021.**

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### EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2020/21 revised budget for the period ended 31 January 2021. Key points to note include the following:

- Operating revenue is ahead of budget by \$22K.
- Operating expenditure is under budget by \$1.8M.
- The Operating Surplus is currently \$8.9m, compared to a budgeted Surplus of \$7.0M

### 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 31 January 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 79% 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 \$8k ahead of budget this is due to a number of factors including increase in water consumption \$6k, growth in charges \$17k which includes the Aged Care facility. This is offset by the cost of discounts for timely payments, currently over budget \$15k.
- Daintree Ferry revenue is currently \$79k behind budget. This includes refunds of \$19k. It has been noted that there was a significant drop in revenue in the later part of January. This will need to be monitored closely.
- Other fees and charges are behind budget by \$36k. This is due to the following:
  - Refuse Tipping fees are currently \$15k ahead of budget.
  - Licence Fees are currently \$19k ahead budget. Issue of film permits contributes to this variance.
  - Property fees are currently \$74k ahead of budget. This includes Search Fees which are \$29k ahead of budget, which reflects the reported increased movement in properties.
  - Other fees and charges are currently \$144k behind budget, Van parks are \$8k behind budget primarily due to changes to Wonga Beach. Mossman Pool is \$19k behind budget, Facility hire is \$60k behind budget which includes \$14k in refunds due to cancellations. A timing delay in issuing Mooring Fees \$32k also contributes to the shortfall.
- Grants and subsidies are \$4k behind budget.
- Interest Income is currently \$9k ahead of budget.
- Other recurrent income is ahead of budget \$124K. An additional State works contract for Alchera drive works has impacted this result. Income has been moved to offset waste levy expense as per Audit advice. 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 \$1M. This variance is primarily due to timing of receipt of invoices and commencement of operational projects, Committals are currently \$3.0M, which include Annual purchase orders for major contracts such as Ferry, Waste removal, etc.
- Employee benefits are currently \$470k 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 an EBA change. Employee voting has completed, and the EBA has now moved forward in the process and will be sent to Unions and Queensland Industrial Relations commission for finalisation.
- Depreciation expense is currently \$330k 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.

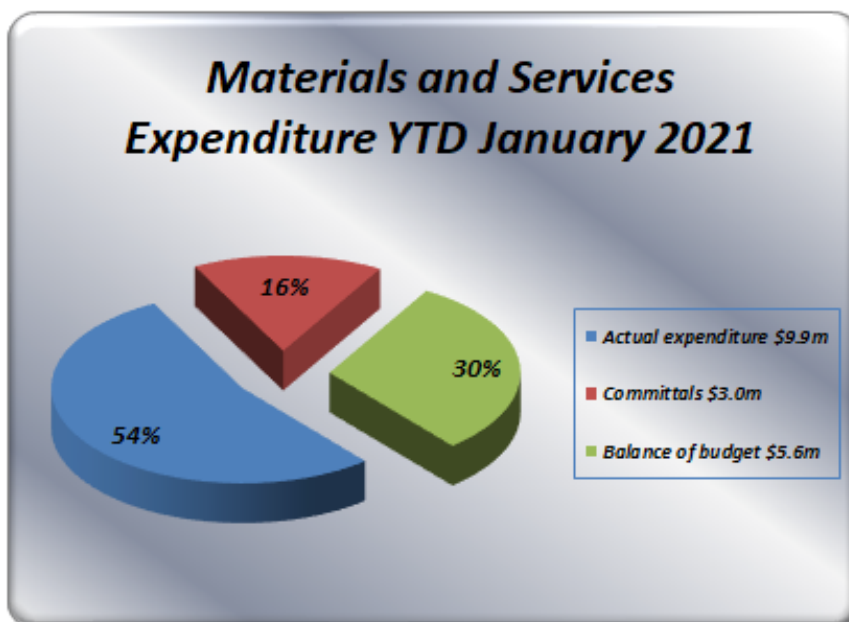


Figure 1.

### Capital Revenue and Expenditure

Key point:

- Council has received 32% 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 \$9.2m, a further \$7m had been committed as at the end of January 2021.

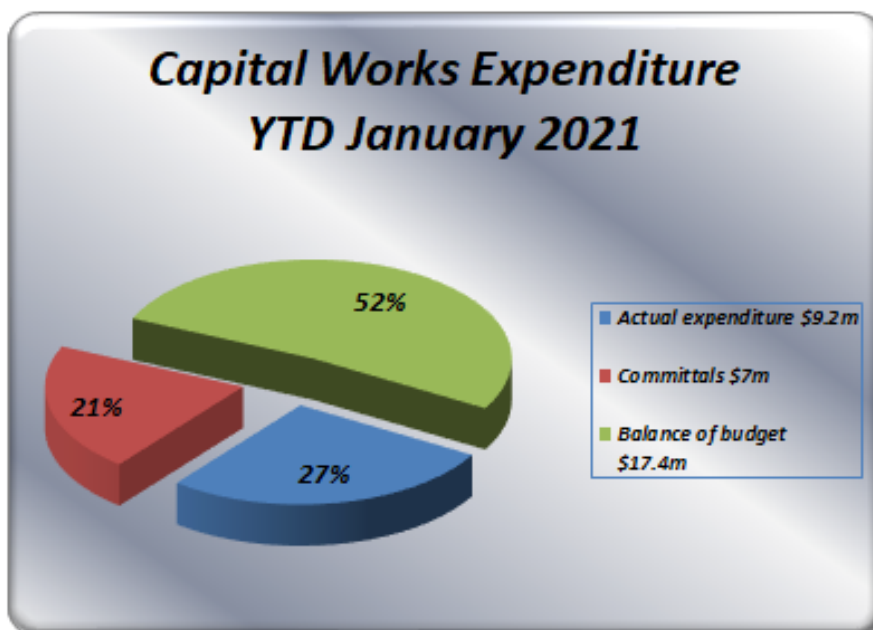


Figure 2.

## Operating Result

### Key point:

- The operating result is \$1.9m ahead of budget with an operating Surplus of \$8.9m compared to a budgeted Surplus of \$7.0m.



Figure 3.

## PROPOSAL

The Financial Report for the period ended 31 January 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:

<b>Custodian</b>	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.
<b>Regulator</b>	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 January 2021 [5.11.1 - 1 page]

<b>Douglas Shire Council Statement of Comprehensive Income Financial Report January 2021</b>	<b>Actual YTD 21 \$</b>	<b>Budget YTD 21 \$</b>	<b>Variance \$</b>	<b>Budget 20/21 \$</b>	<b>Actual as % of Budget 20/21</b>
<b>Operating Revenue</b>					
Rates and utility charges	31,052,578	31,029,350	23,228	36,123,565	86%
less: Discounts	(87,815)	(73,156)	(14,659)	(146,313)	60%
less: Remissions (incl. Pensioners)	(506,076)	(505,188)	(888)	(512,449)	99%
Net rates and utility charges	30,458,687	30,451,006	7,681	35,464,803	86%
Daintree River Ferry fees & charges	1,406,049	1,484,958	(78,909)	2,571,448	55%
Fees and charges (excluding Ferry)	1,608,365	1,644,614	(36,249)	2,697,371	60%
Grants and subsidies	900,211	904,416	(4,205)	2,327,568	39%
Interest received	213,125	203,677	9,448	347,185	61%
Other recurrent income	686,083	562,226	123,857	1,117,156	61%
<b>Total Operating Revenue</b>	<b>35,272,521</b>	<b>35,250,897</b>	<b>21,624</b>	<b>44,525,531</b>	<b>79%</b>
<b>Operating Expenses</b>					
Employee benefits	9,101,789	9,571,963	470,174	16,396,741	56%
Materials and services	9,916,600	10,939,318	1,022,718	18,554,154	53%
Depreciation	7,324,018	7,654,430	330,412	13,054,728	56%
Finance costs	38,457	44,109	5,652	183,556	21%
<b>Total Recurrent Expenses</b>	<b>26,380,864</b>	<b>28,209,820</b>	<b>1,828,956</b>	<b>48,189,179</b>	<b>55%</b>
<b>Operating Result</b>	<b>8,891,657</b>	<b>7,041,077</b>	<b>1,850,580</b>	<b>(3,663,648)</b>	<b>(243%)</b>
<b>Capital Revenue</b>					
Capital grants and subsidies	5,632,258	17,614,958	(11,982,700)	17,614,958	32%
Contributions from developers	-	250,000	(250,000)	250,000	0%
<b>Total capital revenue</b>	<b>5,632,258</b>	<b>17,864,958</b>	<b>(12,232,700)</b>	<b>17,864,958</b>	<b>32%</b>
<b>Net Result</b>	<b>14,523,914</b>	<b>24,906,035</b>	<b>(10,382,121)</b>	<b>14,201,310</b>	<b>102%</b>
<b>Capital Works Program</b>					
Capital additions	9,233,682	33,713,453	24,479,771	33,713,453	27%
<b>Total capital additions</b>	<b>9,233,682</b>	<b>33,713,453</b>	<b>24,479,771</b>	<b>33,713,453</b>	<b>27%</b>