

5.11. FINANCIAL REPORT MARCH 2021

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DEPARTMENT Finance and Corporate Services

RECOMMENDATION

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

EXECUTIVE SUMMARY

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

- Operating revenue is ahead of budget by \$113K.
- Operating expenditure is under budget by \$1.6M.
- The Operating Surplus is currently \$5.1m, compared to a budgeted Surplus of \$3.4M

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 March 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 88% 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 \$31k, this is due to several factors including a recorded decrease in water consumption \$24k to budget. 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 \$84k behind budget. This includes refunds of \$19k for Covid Relief measures. This variance will continue to be monitored closely.
- Other fees and charges are currently \$64k behind budget, there are a number of variances within this category:
 - Refuse Tipping fees are currently \$34k ahead of budget.
 - Licence Fees are currently \$157k behind budget. A delay in issuing prescribed activity fees \$38k and the effective deferral of Food & Accommodation licences \$140k causes this variance but is partially offset by the issuing of film permits.
 - Property fees continue to grow and are currently \$167k ahead of budget. This includes Search Fees which are \$35k ahead of budget, which continues to reflect the reported increased movement in properties.
 - Other fees and charges are currently \$108k behind budget. Mossman Pool is \$25k behind and Facility hire is \$106k behind. This includes Port Douglas Markets which is \$46k behind budget and \$14k in refunds due to venue cancellations. Caravan park fees and Cemetery fees are slightly ahead of budget.
- Grants and subsidies are \$186k 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 \$29k ahead of budget. \$8.5k of this is due to holding more cash due to the delay in expenditure, both operational and capital.
- Other recurrent income is ahead of budget \$76k. An additional State works contract for Alchera drive works has impacted this result. Budgeted Income has also 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 \$3.1M, which include Annual purchase orders for major contracts such as Ferry, Waste removal, etc.
- Employee benefits are currently \$350k 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, which will likely be paid in June 2021. Employee voting was completed, the EBA was endorsed by the Unions and it is now with the Queensland Industrial Relations commission for finalisation.

- Depreciation expense is currently \$253k 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 \$17k under budget, this is due to timing of bank merchant fees charged which increase significantly in line with payments for rates and utility charges.

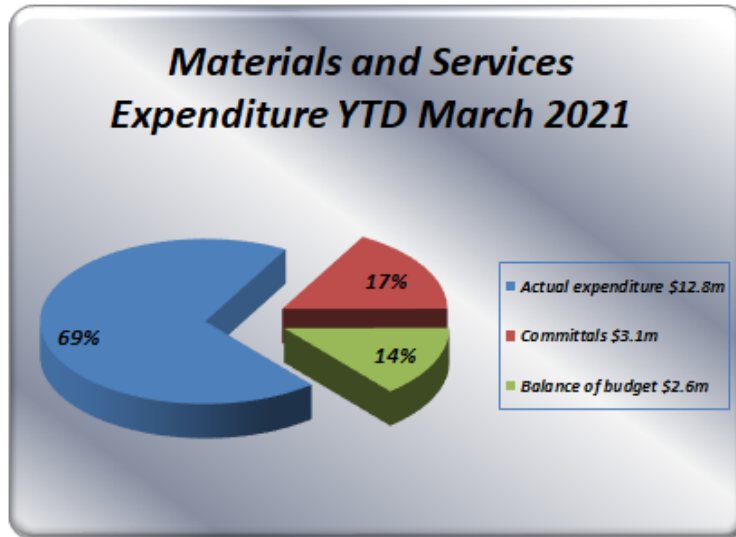


Figure 1.

Capital Revenue and Expenditure

Key point:

- Council has received 37% of its annual budgeted capital grants and subsidies and \$312k in developer contributions.

It should be noted that in addition to year-to-date capital expenditure of \$11m, a further \$9.5m had been committed as at the end of March 21.

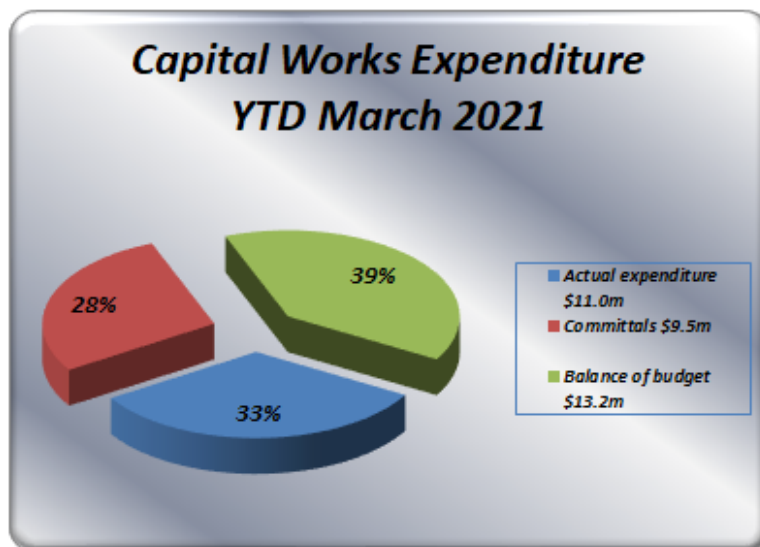


Figure 2.

Operating Result

Key point:

- The operating result is \$1.7m ahead of budget with an operating Surplus of \$5.1m compared to a budgeted Surplus of \$3.4m.



Figure 3.

PROPOSAL

The Financial Report for the period ended 31 March 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 March 2021 [5.11.1 - 1 page]

Douglas Shire Council Statement of Comprehensive Income Financial Report March 2021	Actual YTD 21 \$	Budget YTD 21 \$	Variance \$	Budget 20/21 \$	Actual as % of Budget 20/21
Operating Revenue					
Rates and utility charges	33,617,886	33,642,711	(24,825)	36,123,565	93%
less: Discounts	(150,091)	(146,313)	(3,778)	(146,313)	103%
less: Remissions (incl. Pensioners)	(507,510)	(505,188)	(2,322)	(512,449)	99%
Net rates and utility charges	32,960,284	32,991,210	(30,926)	35,464,803	93%
Daintree River Ferry fees & charges	1,651,213	1,735,520	(84,307)	2,571,448	64%
Fees and charges (excluding Ferry)	2,011,199	2,075,341	(64,142)	2,697,371	75%
Grants and subsidies	1,461,535	1,275,839	185,696	2,327,568	63%
Interest received	278,586	249,034	29,552	347,185	80%
Other recurrent income	821,627	744,032	77,595	1,117,156	74%
Total Operating Revenue	39,184,445	39,070,976	113,469	44,525,531	88%
Operating Expenses					
Employee benefits	11,681,792	12,031,921	350,129	16,396,741	71%
Materials and services	12,841,141	13,849,355	1,008,214	18,554,154	69%
Depreciation	9,502,442	9,754,944	252,503	13,054,728	73%
Finance costs	53,353	69,999	16,646	183,556	29%
Total Recurrent Expenses	34,078,727	35,706,219	1,627,492	48,189,179	71%
Operating Result	5,105,718	3,364,757	1,740,961	(3,663,648)	(139%)
Capital Revenue					
Capital grants and subsidies	6,448,868	17,614,958	(11,166,090)	17,614,958	37%
Contributions from developers	311,856	250,000	61,856	250,000	125%
Total capital revenue	6,760,724	17,864,958	(11,104,234)	17,864,958	38%
Net Result	11,866,442	21,229,715	(9,363,273)	14,201,310	84%
Capital Works Program					
Capital additions	11,005,477	33,713,453	22,707,976	33,713,453	33%
Total capital additions	11,005,477	33,713,453	22,707,976	33,713,453	33%