

5.14. FINANCIAL REPORT FEBRUARY 2021

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DEPARTMENT Finance and Corporate Services

RECOMMENDATION

That Council notes the Financial Report for the period ended 28 February 2021.

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2020/21 revised budget for the period ended 28 February 2021. Key points to note include the following:

- Operating revenue is ahead of budget by \$13K.
- Operating expenditure is under budget by \$1.9M.
- The Operating Surplus is currently \$8.3m, compared to a budgeted Surplus of \$6.5M

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 28 February 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 86% 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 \$9k behind budget this is due to several factors including a recorded decrease in water consumption \$24k to budget. This is offset by an increase in other charges \$17k which includes the Aged Care facility. Pension remission costs exceed budget by \$2k.
- Daintree Ferry revenue is currently \$105k 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 online with budget, however there are a number of variances within this category:
 - Refuse Tipping fees are currently \$24k ahead of budget.
 - Licence Fees are currently \$14k behind budget. A delay in issuing prescribed activity fees \$38k causes this variance but is partially offset by issuing of film permits.
 - Property fees are currently \$110k ahead of budget. This includes Search Fees which are \$40k ahead of budget, which continues to reflect the reported increased movement in properties.
 - Other fees and charges are currently \$120k behind budget. Mossman Pool is \$26k behind and Facility hire is \$106k behind. This includes Port Douglas Markets which is \$64k behind budget and \$14k in refunds due to venue cancellations.
- Grants and subsidies are \$30k ahead of budget and includes funding for Sustainable Fishing \$13.5k & \$7.5k for Wangetti revegetation.
- Interest Income is currently \$17k ahead of budget.
- Other recurrent income is ahead of budget \$81k. 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 \$1.1M. This variance is primarily due to timing of receipt of invoices and commencement of operational projects, Committals are currently \$2.0M, which include Annual purchase orders for major contracts such as Ferry, Waste removal, etc.
- Employee benefits are currently \$441k 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 has been sent to Queensland Industrial Relations commission for finalisation.
- Depreciation expense is currently \$269k under budget and is impacted by completion of projects.
- Finance Costs are currently \$8k under budget, this is due to timing of bank merchant fees charged.

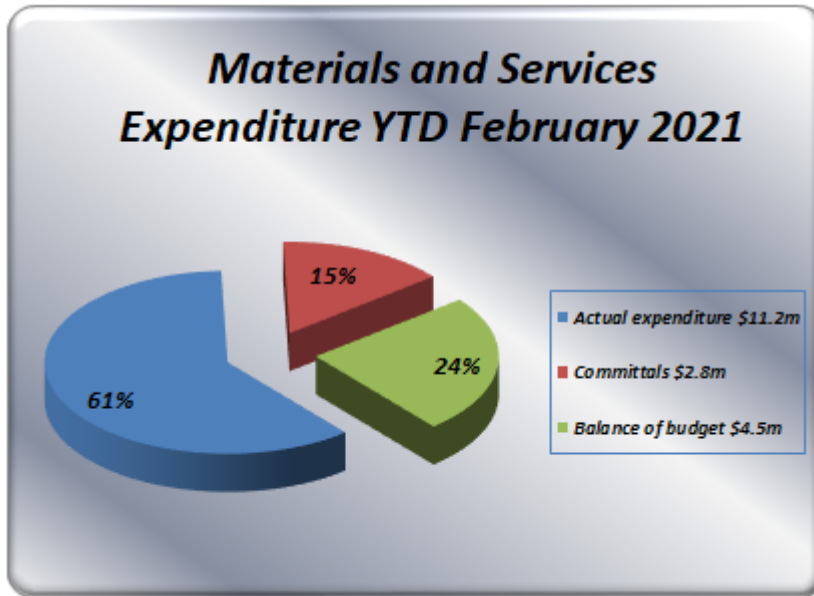


Figure 1.

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 \$10m, a further \$7m had been committed as at the end of February 21.

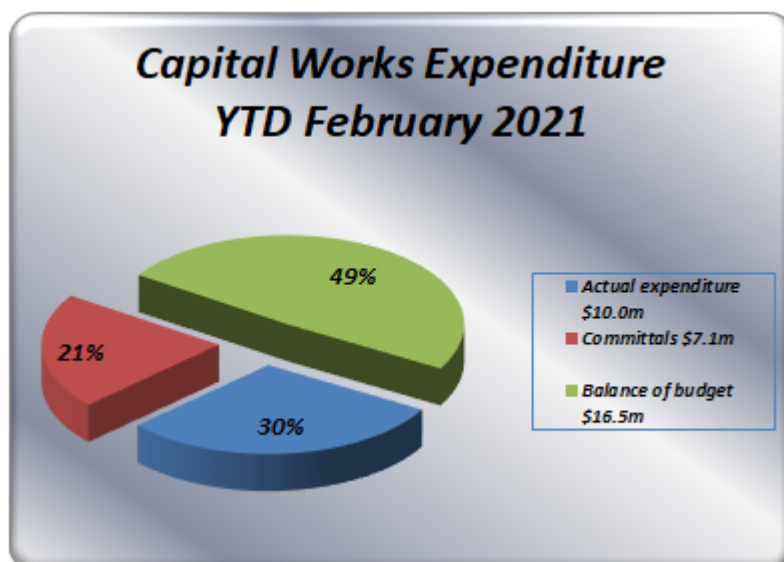


Figure 2.

Operating Result

Key point:

- The operating result is \$1.9m ahead of budget with an operating Surplus of \$8.3m compared to a budgeted Surplus of \$6.5m.

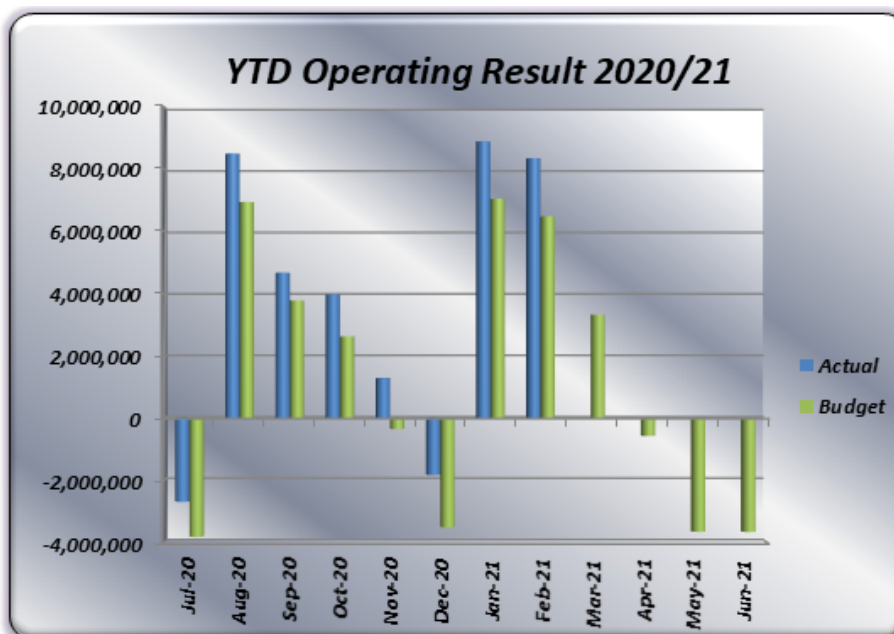


Figure 3.

PROPOSAL

The Financial Report for the period ended 28 February 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 February 2021 [5.14.1 - 1 page]

Douglas Shire Council Statement of Comprehensive Income Financial Report February 2021	Actual YTD 21 \$	Budget YTD 21 \$	Variance \$	Budget 20/21 \$	Actual as % of Budget 20/21
Operating Revenue					
Rates and utility charges	33,617,783	33,624,461	(6,678)	36,123,565	93%
less: Discounts	(146,821)	(146,313)	(508)	(146,313)	100%
less: Remissions (incl. Pensioners)	(507,366)	(505,188)	(2,178)	(512,449)	99%
Net rates and utility charges	32,963,596	32,972,960	(9,364)	35,464,803	93%
Daintree River Ferry fees & charges	1,494,397	1,599,847	(105,450)	2,571,448	58%
Fees and charges (excluding Ferry)	1,819,116	1,818,853	263	2,697,371	67%
Grants and subsidies	1,144,062	1,114,117	29,945	2,327,568	49%
Interest received	241,084	224,212	16,872	347,185	69%
Other recurrent income	705,820	625,252	80,568	1,117,156	63%
Total Operating Revenue	38,368,075	38,355,241	12,834	44,525,531	86%
Operating Expenses					
Employee benefits	10,360,662	10,801,942	441,280	16,396,741	63%
Materials and services	11,234,674	12,372,373	1,137,699	18,554,154	61%
Depreciation	8,382,652	8,651,282	268,630	13,054,728	64%
Finance costs	42,651	50,588	7,937	183,556	23%
Total Recurrent Expenses	30,020,639	31,876,185	1,855,546	48,189,179	62%
Operating Result	8,347,436	6,479,056	1,868,380	(3,663,648)	(228%)
Capital Revenue					
Capital grants and subsidies	5,723,462	17,614,958	(11,891,497)	17,614,958	32%
Contributions from developers	-	250,000	(250,000)	250,000	0%
Total capital revenue	5,723,462	17,864,958	(12,141,497)	17,864,958	32%
Net Result	14,070,898	24,344,014	(10,273,116)	14,201,310	99%
Capital Works Program					
Capital additions	10,052,633	33,713,453	23,660,820	33,713,453	30%
Total capital additions	10,052,633	33,713,453	23,660,820	33,713,453	30%