

5.2. MONTHLY FINANCIAL REPORT FOR FEBRUARY 2020

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DEPARTMENT Finance and Corporate Services

RECOMMENDATION

That Council notes the Financial Report for the period ended 29 February 2020

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2019/20 revised budget for the period ended 29 February 2020. Key points to note include the following:

- Operating revenue is ahead of budget by \$90k.
- Operating expenditure is under budget by \$1.3m.
- The Operating Surplus is currently \$10.8m, compared to a budgeted Surplus of \$9.4m.

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 2019/20 annual budget was adopted on 25 June 2019 and revised on 3 December 2019. The attached financial report details progress against revised budget for the period ended 29 February 2020. The report is prepared on an accrual basis and includes revenue earned and expenditure incurred during this period.

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

Overall year to date operating revenue is ahead of budget, with variations occurring primarily within the categories as follows:

- Rates and utility charges are currently behind by \$28k. There is a growth factor budgeted in the month of January 2020. Council is waiting for titles to be issued for the recent stage of the development in Cooya. Water Revenue is \$37k ahead of budget.
- Fees and charges are ahead of budget by \$55k. This is due to the following:
 - Daintree Ferry revenue currently \$52k ahead of budget. This positive variance has stabilised since the January report of \$50k however could still be further impacted by the potential impact on the Tourism industry from the Coronavirus and Southern disasters.
 - Refuse Tipping fees are currently \$16k behind budget.
 - Licences are currently \$19k behind budget due to the timing of raising charges.
 - Other fees and charges are currently \$38k ahead of budget including Property fees, which received a \$20k development application fee.
- Grants and subsidies are ahead of budget by \$45k. This is attributable to an additional \$38k Emergent funding.
- Interest Income is currently \$54k behind budget. There has been a continual decline in rates offered for Council investments. This is anticipated to be a permanent impact to budget. Interest rates being offered are now as low as 1% pa.
- Other recurrent income is ahead of budget \$71k, primarily due to timing of Roads Maintenance Performance Contract works and funding received for revegetation works at Saltwater Creek.

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

- Materials and services expenditure is currently under budget \$908k. This variance is primarily due to timing of receipt of invoices and commencement of projects. Committals are currently \$3.9m, which include Annual purchase orders of over \$3m for major contracts such as Ferry, Waste removal, etc.
- Employee benefits are currently \$231k 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 \$178k behind budget. This variance is subject to the timing of asset capitalisation.

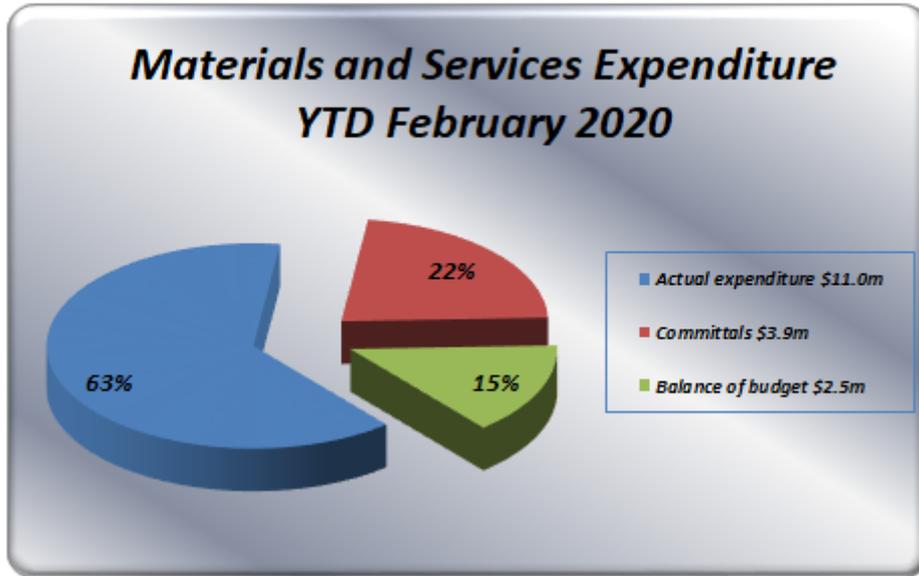


Figure 1.

Capital Revenue and Expenditure

Key point:

- Council has received 38% of its annual revised budgeted capital grants and subsidies

It should be noted that in addition to year to date capital expenditure of \$14.5m, a further \$12.1m had been committed as at the end of February 2020.

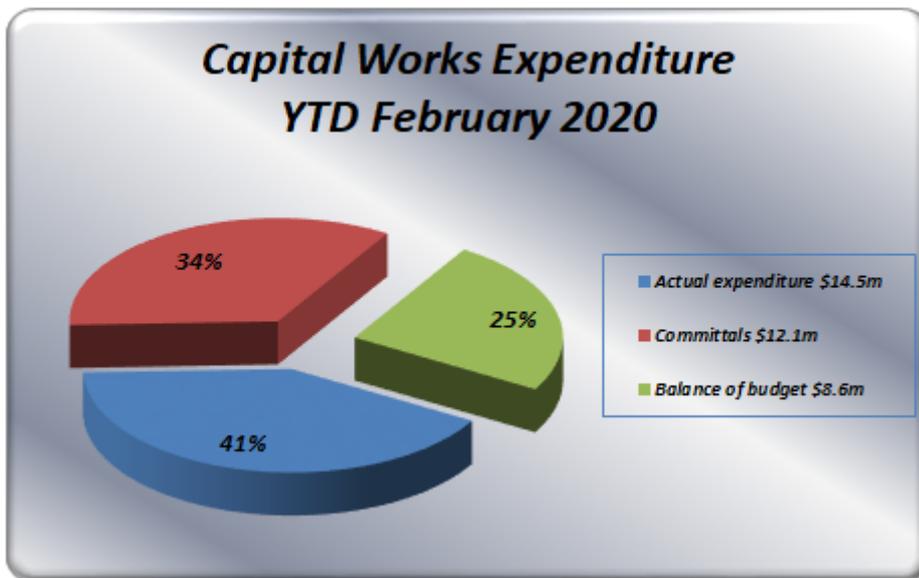


Figure 2.

Operating Result

Key point:

- The operating result is \$1.4m ahead of budget

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

This has resulted in an operating surplus of \$10.8m compared to a budgeted surplus of \$9.4m.

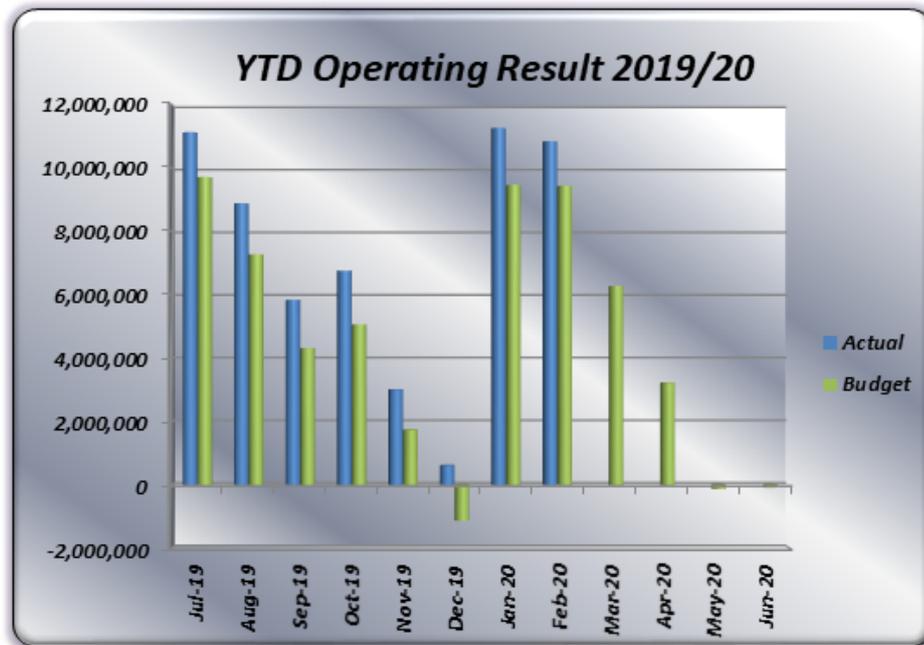


Figure 3.

PROPOSAL

The Financial Report for the period ended 29 February 2020 be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

The results as at the 29 February 2020 have revealed that a continued decline in interest rates may negatively affect the end of year result.

There is also potential for a decline in tourism to have an impact on the Daintree Ferry revenue for the remainder of the year.

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: Council has adopted the first budget surplus since de-amalgamation which, if achieved will see Council meet all three of the ‘measures of financial sustainability’.

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 2020 [5.2.1 - 1 page]

Douglas Shire Council Statement of Comprehensive Income For the month of February 2020	Actual YTD 20 \$	Budget YTD 20 \$	Variance \$	Budget 19/20 \$	Actual as % of Budget 19/20
Operating Revenue					
Net rates and utility charges	32,315,539	32,343,078	(27,539)	34,849,270	93%
Fees and charges	4,299,253	4,243,707	55,546	5,844,226	74%
Grants and subsidies	1,990,671	1,945,379	45,292	2,876,893	69%
Interest received	505,969	560,102	(54,133)	833,575	61%
Other recurrent income	745,699	674,713	70,986	1,101,299	68%
Total Operating Revenue	39,857,130	39,766,979	90,151	45,505,263	88%
Operating Expenses					
Employee benefits	9,811,704	10,043,119	231,415	15,258,213	64%
Materials and services	10,965,074	11,872,795	907,721	17,355,767	63%
Depreciation	8,195,580	8,373,615	178,035	12,616,241	65%
Finance costs	50,922	48,499	(2,423)	188,127	27%
Total Recurrent Expenses	29,023,280	30,338,028	1,314,748	45,418,348	64%
Operating Result	10,833,850	9,428,951	1,404,899	86,915	12465%
Capital Revenue					
Capital grants and subsidies	5,970,979	15,637,880	(9,666,901)	15,637,880	38%
Contributions from developers	1,149,415	1,100,000	49,415	1,100,000	104%
Total capital revenue	7,120,395	16,737,880	(9,617,485)	16,737,880	43%
Net Result	17,954,245	26,166,831	(8,212,586)	16,824,795	107%
Capital Works Program					
Capital additions	14,458,352	35,170,816	20,712,464	35,170,816	41%
Total capital additions	14,458,352	35,170,816	20,712,464	35,170,816	41%
NDRRA portion of Capital Works Program (included above)					
Capital grants and subsidies	4,039,422	11,215,500	(7,176,078)	11,215,500	
Capital additions	3,644,939	11,959,500	8,314,561	11,959,500	
Net position	394,482	(744,000)	1,138,482	(744,000)	