

## 5.4. MONTHLY FINANCIAL REPORT MARCH 2020

<b>REPORT AUTHOR</b>	Tara Killeen, Chief Financial Officer
<b>MANAGER</b>	Mark Stoermer, Chief Executive Officer
<b>DEPARTMENT</b>	Finance and Corporate Services
<b>RECOMMENDATION</b>	

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

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### EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2019/20 revised budget for the period ended 31 March 2020. Key points to note include the following:

- Operating revenue is ahead of budget by \$127k.
- Operating expenditure is under budget by \$1.5m.
- The Operating Surplus is currently \$7.9m, compared to a budgeted Surplus of \$6.3m.

### 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 31 March 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 89% 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 \$31k. 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 \$27k ahead of budget.
- Fees and charges are ahead of budget by \$54k. This is due to the following:
  - Daintree Ferry revenue currently \$20k ahead of budget. This variance will decline significantly with the restrictions on Ferry travel. Ferry revenue budget for April – June 2020 is \$768K.
  - Refuse Tipping fees are currently \$13k behind budget. This will decline further with changes to general access to facilities.
  - Licences are currently \$22k behind budget due to the timing of raising charges. There may be some charges that will need to be refunded and consideration given to licences being extended, due to restrictions on trade by restaurants, cafes and hotels imposed by Covid-19.
  - Other fees and charges are currently \$69k ahead of budget including Property fees, which received a \$20k development application fee.
- Grants and subsidies are ahead of budget by \$60k. This is attributable to an additional \$38k Emergent funding.
- Interest Income is currently \$40k behind budget.
  - There has been a continual decline in rates offered for Council investments. This has been partially offset with the use of QTC for daily cash management. There is anticipated to be a permanent impact to budget.
  - Freezing of Interest charged to overdue Rates and Utility accounts will reduce revenue further, this budget for April to June is \$52k.
- Other recurrent income is ahead of budget \$83k, 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 \$1.1m. This variance is primarily due to timing of receipt of invoices and commencement of projects. Committals are currently \$3.5m, which include Annual purchase orders for major contracts such as Ferry, Waste removal, etc.
- Employee benefits are currently \$207k 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 \$207k behind budget. This variance is subject to the timing of asset capitalisation.

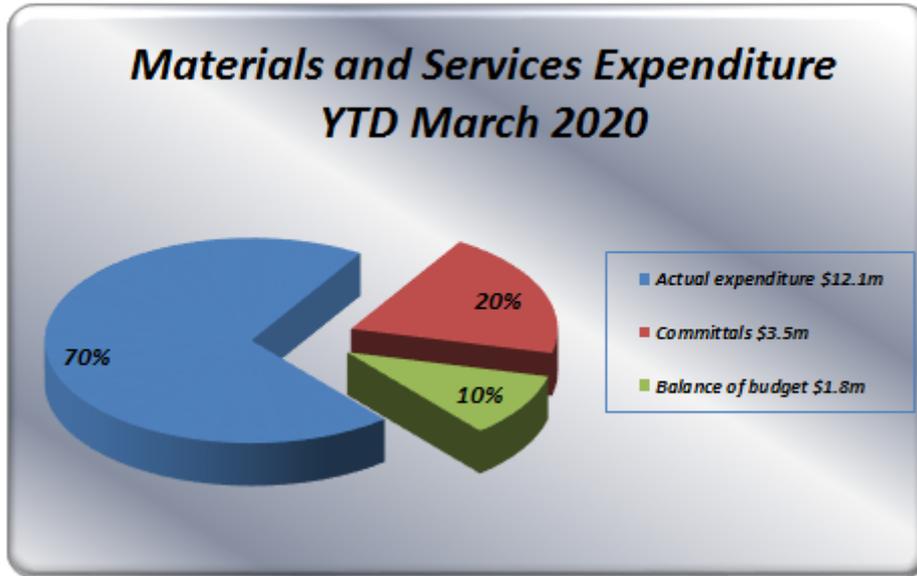


Figure 1.

### Capital Revenue and Expenditure

Key point:

- Council has received 40% of its annual revised budgeted capital grants and subsidies

It should be noted that in addition to year to date capital expenditure of \$16.9m, a further \$10.6m had been committed as at the end of March 2020.

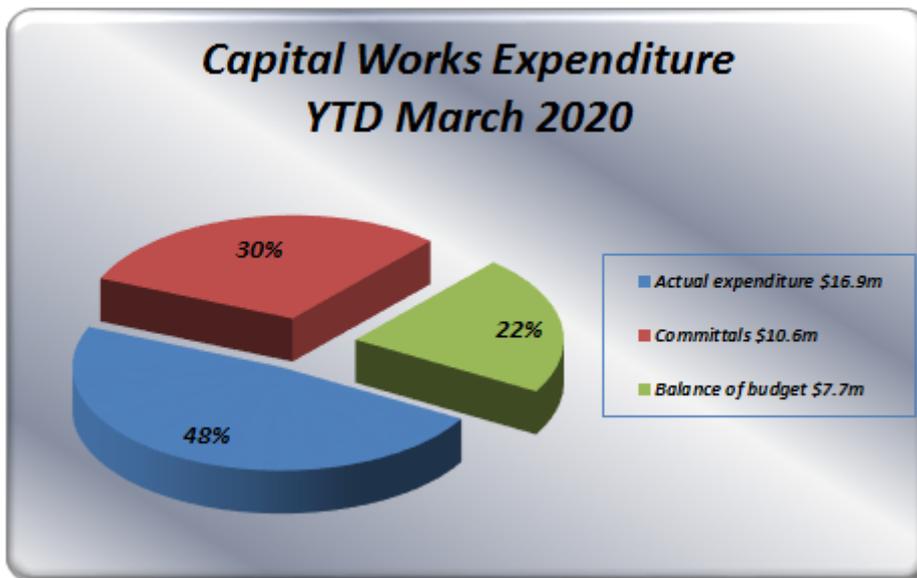


Figure 2.

## 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 March was ahead of budget and operating expenditure was under budget.

This has resulted in an operating surplus of \$7.9m compared to a budgeted surplus of \$6.3m.

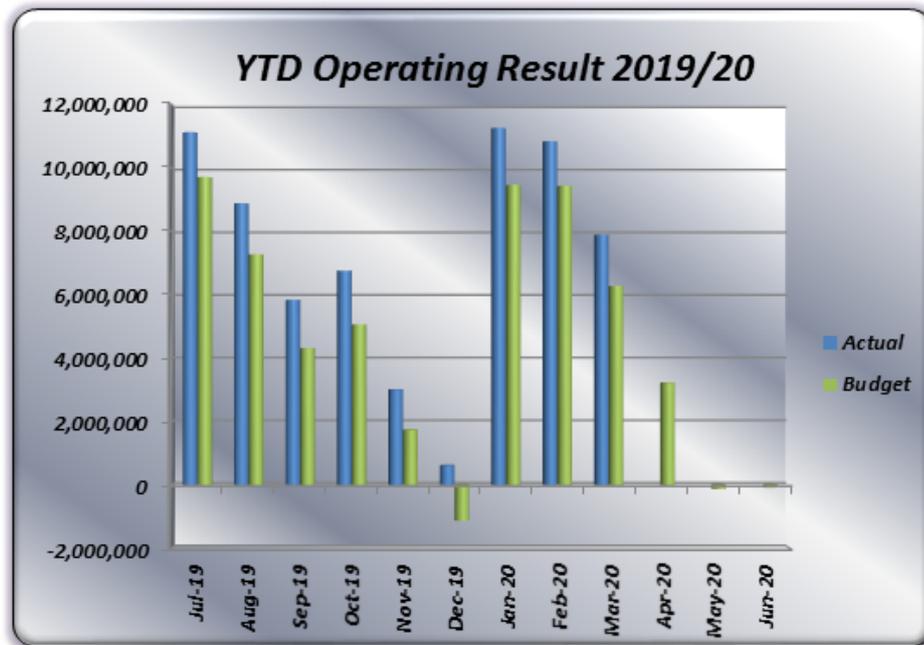


Figure 3.

## PROPOSAL

The Financial Report for the period ended 31 March 2020 be received and noted by Council.

## FINANCIAL/RESOURCE IMPLICATIONS

The results as at the 31 March 2020 have revealed that a continued decline in interest rates, and the freezing of Interest charge to overdue accounts will negatively affect the end of year result.

Daintree Ferry travel restrictions will have a significant impact on revenue for the remainder of the year. Budgeted revenue for the next quarter is \$768k.

Council is awaiting advice as to the extent of cover that may be provided by State Government Disaster funding.

## 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

<b>Economic:</b>	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'. The financial impact of Coronavirus on the Region is immense. It is now likely that Council may not meet budget unless disaster funding is received.
<b>Environmental:</b>	Nil
<b>Social:</b>	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 March 2020 [5.4.1 - 1 page]

<b>Douglas Shire Council Statement of Comprehensive Income For the month of March 2020</b>	<b>Actual YTD 20 \$</b>	<b>Budget YTD 20 \$</b>	<b>Variance \$</b>	<b>Budget 19/20 \$</b>	<b>Actual as % of Budget 19/20</b>
<b>Operating Revenue</b>					
Net rates and utility charges	32,312,393	32,343,078	(30,685)	34,849,270	93%
Fees and charges	4,546,843	4,493,005	53,838	5,844,226	78%
Grants and subsidies	2,005,363	1,945,379	59,984	2,876,893	70%
Interest received	584,233	623,799	(39,566)	833,575	70%
Other recurrent income	855,818	772,766	83,052	1,101,299	78%
<b>Total Operating Revenue</b>	<b>40,304,650</b>	<b>40,178,027</b>	<b>126,623</b>	<b>45,505,263</b>	<b>89%</b>
<b>Operating Expenses</b>					
Employee benefits	10,990,980	11,198,252	207,272	15,258,213	72%
Materials and services	12,138,415	13,205,317	1,066,902	17,355,767	70%
Depreciation	9,225,030	9,431,967	206,937	12,616,241	73%
Finance costs	63,229	71,310	8,081	188,127	34%
<b>Total Recurrent Expenses</b>	<b>32,417,654</b>	<b>33,906,846</b>	<b>1,489,192</b>	<b>45,418,348</b>	<b>71%</b>
<b>Operating Result</b>	<b>7,886,996</b>	<b>6,271,181</b>	<b>1,615,815</b>	<b>86,915</b>	<b>9074%</b>
<b>Capital Revenue</b>					
Capital grants and subsidies	6,319,519	15,637,880	(9,318,361)	15,637,880	40%
Contributions from developers	1,149,415	1,100,000	49,415	1,100,000	104%
<b>Total capital revenue</b>	<b>7,468,935</b>	<b>16,737,880</b>	<b>(9,268,945)</b>	<b>16,737,880</b>	<b>45%</b>
<b>Net Result</b>	<b>15,355,931</b>	<b>23,009,061</b>	<b>(7,653,130)</b>	<b>16,824,795</b>	<b>91%</b>
<b>Capital Works Program</b>					
Capital additions	16,886,886	35,170,816	18,283,930	35,170,816	48%
<b>Total capital additions</b>	<b>16,886,886</b>	<b>35,170,816</b>	<b>18,283,930</b>	<b>35,170,816</b>	<b>48%</b>
<b>NDRRA portion of Capital Works Program (included above)</b>					
Capital grants and subsidies	4,039,422	11,215,500	(7,176,078)	11,215,500	
Capital additions	4,554,898	11,959,500	7,404,602	11,959,500	
<b>Net position</b>	<b>(515,476)</b>	<b>(744,000)</b>	<b>228,524</b>	<b>(744,000)</b>	