

5.4. MONTHLY FINANCIAL REPORT SEPTEMBER 2020

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DEPARTMENT Finance and Corporate Services

RECOMMENDATION

That Council notes the Financial Report for the period ended 30 September 2020.

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2020/21 budget for the period ended 30 September 2020. Key points to note include the following:

- Operating revenue is behind budget by \$48k.
- Operating expenditure is under budget by \$949k.
- The Operating Surplus is currently \$4.7m, compared to a budgeted Surplus of \$3.8m.

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. The attached financial report details progress against budget for the period ended 30 September 2020.

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 36% of its annual budgeted operating revenue
- Year to date operating expenditure is currently under budget

Overall, at this very early stage of the year; operating revenue is currently behind budget, with variations occurring primarily within the categories as follows:

- Rates and utility charges are currently \$8k behind budget. This primarily relates to remissions including pension which are \$15k over budget,
- Daintree Ferry revenue is currently \$38k ahead of budget. It is important to note that budget was reduced for Covid impact and that at year to date Sept 2019 ferry revenue was approximately \$460k more than has been received year to date this financial year.
- Other fees and charges are ahead of budget by \$14k. This is due to the following:
 - Refuse Tipping fees are currently \$21k ahead of budget.
 - Licences are currently \$25k behind budget due to the timing of prescribed activity fees
 - Property fees are currently \$31k ahead of budget. A significant development fee has been received which has contributed to this result.
 - Other fees and charges are currently \$13k behind budget which comprises of a reduction in Facility Hire offset by Van Park fees for Mossman and Wonga, which are currently ahead of budget.
- Grants and subsidies are ahead of budget by \$14k. This includes \$18k for an increase in the Financial Assistance Grant and \$40k for additional Library grant. However, timing of the receipt of funding for Hiptage eradication \$45k impacts this result.
- Interest Income is currently \$39k behind budget.
 - There has been a continual decline in rates offered for Council investments. Currently rates of 0.75% are being offered.
- Other recurrent income is behind budget \$66k, primarily due to timing of Roads Maintenance Performance Contract works and the receipt of payments for 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 \$739k. This variance is primarily due to timing of receipt of invoices. Committals are currently \$4.2m, which include Annual purchase orders for major contracts such as Ferry, Waste removal, etc.
- Employee benefits are currently \$198k 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 reported in line with budget.

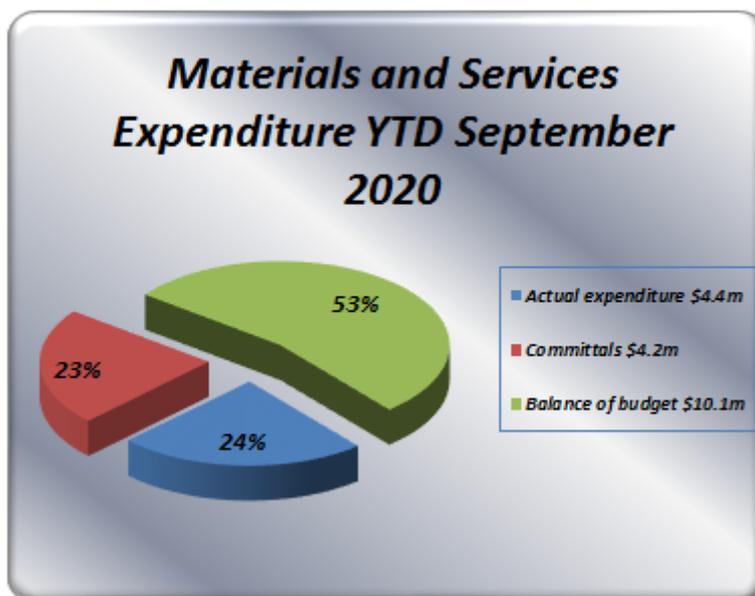


Figure 1.

Capital Revenue and Expenditure

Key point:

- Council has received 39% 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 \$4.2m, a further \$4.9m had been committed as at the end of September 2020.

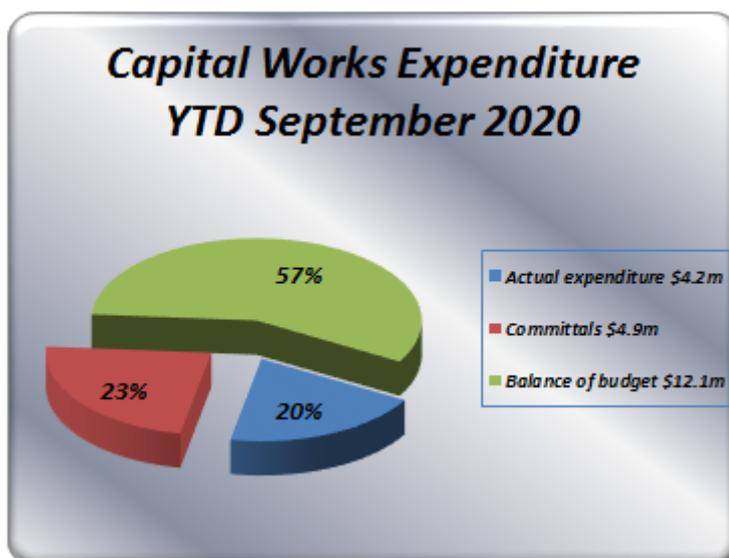


Figure 2.

Operating Result

Key point:

- The operating result is \$901k ahead of budget.

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

This has resulted in an operating surplus of \$4.7m compared to a budgeted surplus of \$3.8m.

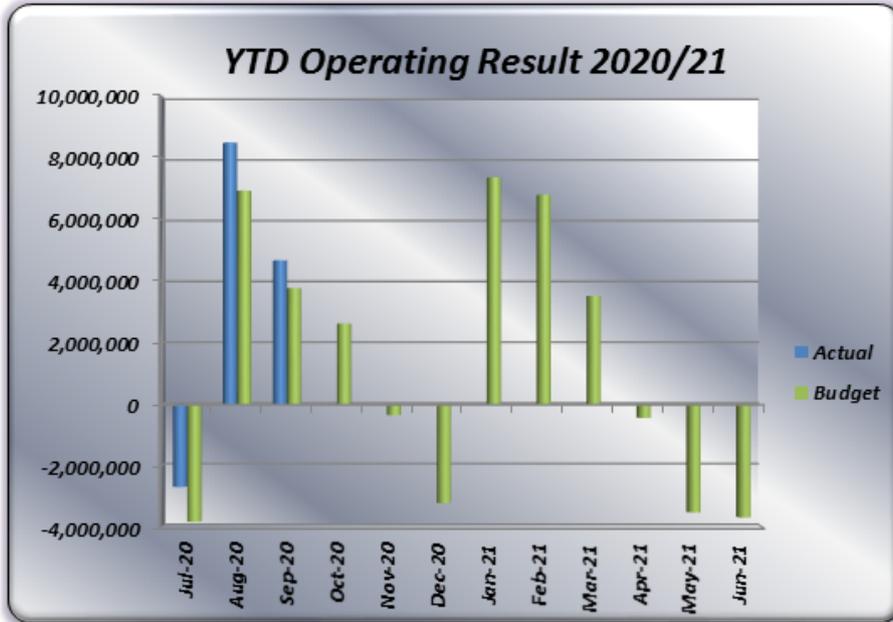


Figure 3.

PROPOSAL

The Financial Report for the period ended 30 September 2020 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. The budget reflects a return to a more normal revenue pattern later in 2020. The continued impact of falling interest rates will need to be monitored carefully.

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. September 2020 Financial Report [5.4.1 - 1 page]

Douglas Shire Council Statement of Comprehensive Income Financial Report September 2020	Actual YTD 21 \$	Budget YTD 21 \$	Variance \$	Budget 20/21 \$	Actual as % of Budget 20/21
Operating Revenue					
Rates and utility charges	14,063,697	14,055,478	8,219	36,123,565	39%
less: Discounts	(74,819)	(73,156)	(1,663)	(146,317)	51%
less: Remissions (incl. Pensioners)	(252,532)	(237,619)	(14,913)	(475,192)	53%
Net rates and utility charges	13,736,346	13,744,703	(8,357)	35,502,064	39%
Daintree River Ferry fees & charges	676,717	638,975	37,742	2,684,717	25%
Fees and charges (excluding Ferry)	859,783	846,074	13,709	2,645,371	33%
Grants and subsidies	496,511	482,458	14,053	2,121,038	23%
Interest received	93,402	132,723	(39,321)	525,060	18%
Other recurrent income	190,438	256,678	(66,240)	1,117,156	17%
Total Operating Revenue	16,053,197	16,101,611	(48,414)	44,595,406	36%
Operating Expenses					
Employee benefits	3,651,279	3,849,547	198,268	16,333,228	22%
Materials and services	4,441,170	5,180,006	738,836	18,708,087	24%
Depreciation	3,275,383	3,275,383	-	13,054,728	25%
Finance costs	13,666	26,028	12,362	183,556	7%
Total Recurrent Expenses	11,381,498	12,330,964	949,466	48,279,599	24%
Operating Result	4,671,699	3,770,647	901,052	(3,684,193)	(127%)
Capital Revenue					
Capital grants and subsidies	4,046,773	10,502,311	(6,455,538)	10,502,311	39%
Contributions from developers	-	250,000	(250,000)	250,000	0%
Total capital revenue	4,046,773	10,752,311	(6,705,538)	10,752,311	38%
Net Result	8,718,472	14,522,958	(5,804,486)	7,068,118	123%
Capital Works Program					
Capital additions	4,165,355	21,172,745	17,007,390	21,172,745	20%
Total capital additions	4,165,355	21,172,745	17,007,390	21,172,745	20%