

## 5.7. FINANCIAL REPORT DECEMBER 2020

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**DEPARTMENT** Finance and Corporate Services

### RECOMMENDATION

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

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### EXECUTIVE SUMMARY

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

- Operating revenue is ahead of budget by \$96K.
- Operating expenditure is under budget by \$1.6m.
- The Operating Deficit is currently \$1.8m, compared to a budgeted Deficit of \$3.5m.

### 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 31 December 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 47% 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 \$8k ahead of budget primarily due to an increase in water consumption.
- Daintree Ferry revenue is currently \$49k behind budget. This includes refunds of \$19k for the adopted 50% Bus ferry travel refund. A strong December has clawed back some of the shortfall of \$82k which was reported in November. This will need to be monitored closely.
- Other fees and charges are behind budget by \$2k. This is due to the following:
  - Refuse Tipping fees are currently \$15k ahead of budget.
  - Licence Fees are currently \$17k ahead budget. Issue of film permits contributes to this variance.
  - Property fees are currently \$56k ahead of budget. This includes Search Fees which are \$22k ahead of budget, with increased movement in properties.
  - Other fees and charges are currently \$90k behind budget, Van parks are \$10k behind budget primarily due to changes to Wonga Beach. Mossman Pool is \$12k behind budget, Facility hire is \$53k behind budget which includes a further \$14k in refunds due to cancellations.
- Grants and subsidies are \$3k behind budget.
- Interest Income is currently \$13k ahead of budget.
- Other recurrent income is ahead of budget \$129k. An additional State works contract for Alchera drive works has impacted this result. Income has 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 \$3.3m, which include Annual purchase orders for major contracts such as Ferry, Waste removal, etc.
- Employee benefits are currently \$261k 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 is nearly finalised.
- Depreciation expense is currently \$279k under budget and is impacted by completion of projects.
- Finance Costs are currently \$6k under budget, this is due to timing of bank merchant fees charged.

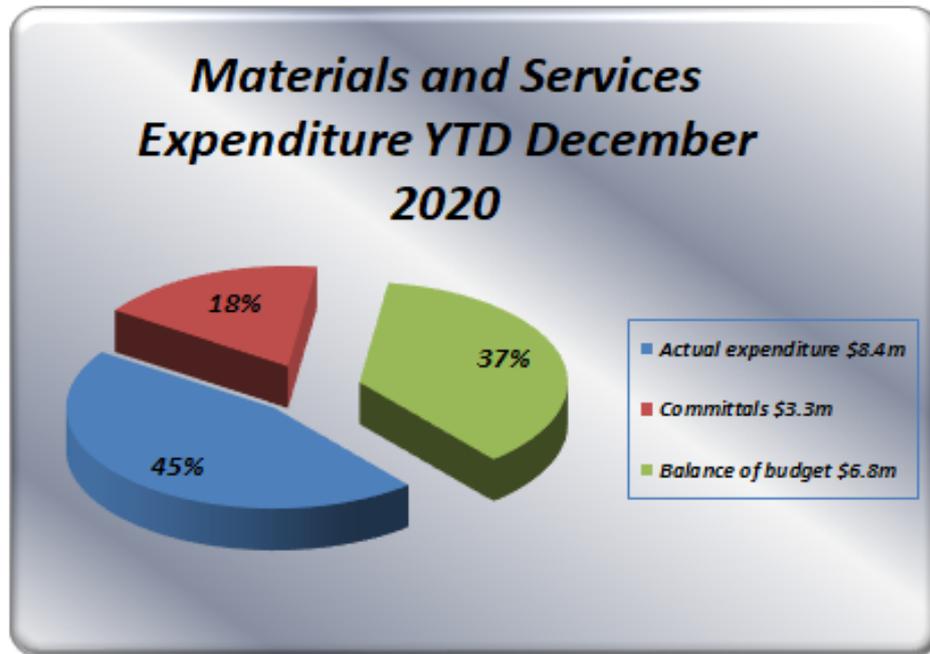


Figure 1.

### Capital Revenue and Expenditure

#### Key point:

- Council has received 27% 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 \$8.4m, a further \$7m had been committed as at the end of December 2020.

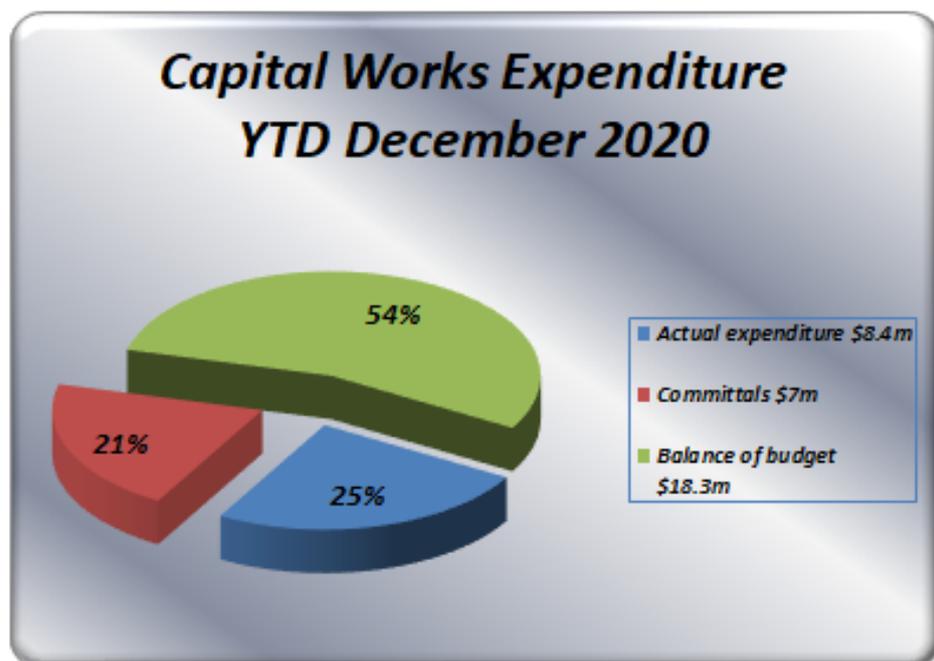


Figure 2.

## Operating Result

### Key point:

- The operating result is \$1.7m ahead of budget with an operating deficit of \$1.8m compared to a budgeted Deficit of \$3.5m.

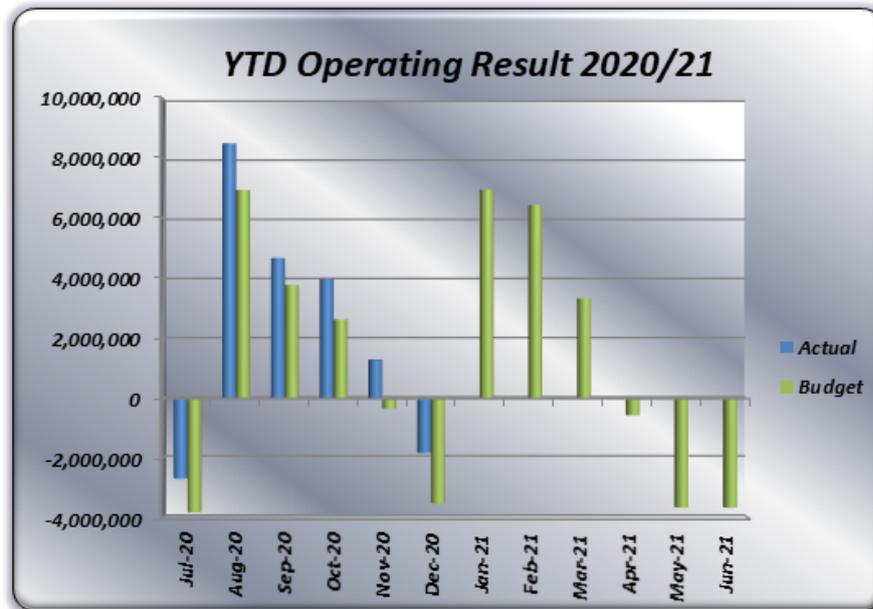


Figure 3.

## PROPOSAL

The Financial Report for the period ended 31 December 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.

## 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:

<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 December 2020 [5.7.1 - 1 page]

<b>Douglas Shire Council Statement of Comprehensive Income Financial Report December 2020</b>	<b>Actual YTD 21 \$</b>	<b>Budget YTD 21 \$</b>	<b>Variance \$</b>	<b>Budget 20/21 \$</b>	<b>Actual as % of Budget 20/21</b>
<b>Operating Revenue</b>					
Rates and utility charges	16,868,364	16,861,125	7,239	36,123,565	47%
less: Discounts	(72,796)	(73,156)	361	(146,313)	50%
less: Remissions (incl. Pensioners)	(252,689)	(252,619)	(70)	(512,449)	49%
Net rates and utility charges	16,542,879	16,535,350	7,529	35,464,803	47%
Daintree River Ferry fees & charges	1,255,249	1,304,457	(49,208)	2,571,448	49%
Fees and charges (excluding Ferry)	1,407,118	1,408,705	(1,587)	2,697,371	52%
Grants and subsidies	871,674	874,416	(2,742)	2,327,568	37%
Interest received	188,102	175,372	12,730	347,185	54%
Other recurrent income	628,196	499,298	128,898	1,117,156	56%
<b>Total Operating Revenue</b>	<b>20,893,218</b>	<b>20,797,598</b>	<b>95,620</b>	<b>44,525,531</b>	<b>47%</b>
<b>Operating Expenses</b>					
Employee benefits	7,973,772	8,234,805	261,033	16,396,741	49%
Materials and services	8,444,737	9,489,293	1,044,556	18,554,154	46%
Depreciation	6,271,412	6,550,768	279,356	13,054,728	48%
Finance costs	33,151	39,245	6,094	183,556	18%
<b>Total Recurrent Expenses</b>	<b>22,723,073</b>	<b>24,314,111</b>	<b>1,591,038</b>	<b>48,189,179</b>	<b>47%</b>
<b>Operating Result</b>	<b>(1,829,855)</b>	<b>(3,516,513)</b>	<b>1,686,658</b>	<b>(3,663,648)</b>	<b>50%</b>
<b>Capital Revenue</b>					
Capital grants and subsidies	4,814,718	17,614,958	(12,800,240)	17,614,958	27%
Contributions from developers	-	250,000	(250,000)	250,000	0%
<b>Total capital revenue</b>	<b>4,814,718</b>	<b>17,864,958</b>	<b>(13,050,240)</b>	<b>17,864,958</b>	<b>27%</b>
<b>Net Result</b>	<b>2,984,864</b>	<b>14,348,445</b>	<b>(11,363,581)</b>	<b>14,201,310</b>	<b>21%</b>
<b>Capital Works Program</b>					
Capital additions	8,399,754	33,713,453	25,313,699	33,713,453	25%
<b>Total capital additions</b>	<b>8,399,754</b>	<b>33,713,453</b>	<b>25,313,699</b>	<b>33,713,453</b>	<b>25%</b>