

5.8. FINANCIAL REPORT NOVEMBER 2020

REPORT AUTHOR Joanne Nicholson, Acting Chief Financial Officer

MANAGER Mark Stoermer, Chief Executive Officer

DEPARTMENT Finance and Corporate Services

RECOMMENDATION

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

EXECUTIVE SUMMARY

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

- Operating revenue is behind budget by \$154K.
- Operating expenditure is under budget by \$1.8m.
- The Operating Surplus is currently \$1.3m, compared to a budgeted Deficit of \$355k.

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 30 November 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 45% of its annual budgeted operating revenue
- Year to date operating expenditure is currently under budget

Operating revenue is currently behind budget, with variations occurring primarily within the categories as follows:

- Rates and utility charges are currently \$6k ahead of budget primarily due to an increase in water consumption
- Daintree Ferry revenue is currently \$82k behind budget. This includes refunds of \$15k for the adopted 50% Bus ferry travel and a major decline in revenue which is on average \$15k per week behind November 2019. This will need to be monitored closely as decrease is significantly behind forecast.
- Other fees and charges are behind budget by \$14k. This is due to the following:
 - Refuse Tipping fees are currently \$5k ahead of budget.
 - Licence Fees are currently \$16k ahead budget. Issue of film permits contributes to this variance
 - Property fees are currently \$25k ahead of budget.
 - Other fees and charges are currently \$60k behind budget, Van parks are \$7k behind budget primarily due to changes to Wonga Beach. Facility hire is \$51k behind budget which includes a further \$14k in refunds due to cancellations.
- Grants and subsidies are ahead of budget by \$8k.
- Interest Income is currently \$9k ahead of budget. \$7k of this is due to interest on overdue rates and charges.
- Other recurrent income is behind budget \$80k, \$35k is due to the transfer of Income to Offset waste levy expense as per Audit advice this is expected to be a recurring variance, and other revenue is behind due to 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 \$1.2m. This variance is primarily due to timing of receipt of invoices and commencement of operational projects, Committals are currently \$3.9m, which include Annual purchase orders for major contracts such as Ferry, Waste removal, etc.
- Employee benefits are currently \$351k 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 any EBA change which is nearly finalised.
- Depreciation expense is currently \$227k under budget and is impacted by completion of projects.
- Finance Costs are currently \$7k under budget, this is due to timing of bank merchant fees charged.

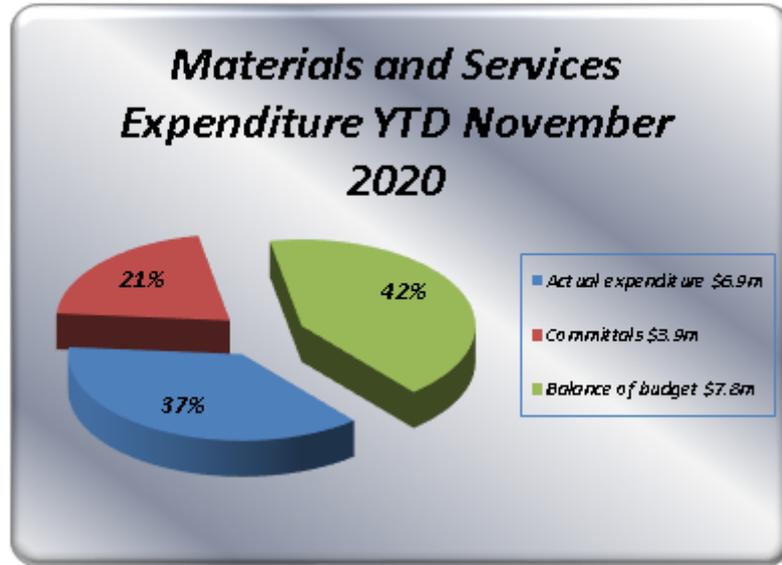


Figure 1.

Capital Revenue and Expenditure

Key point:

- Council has received 24% 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 \$7.1m, a further \$4.9m had been committed as at the end of November 2020.

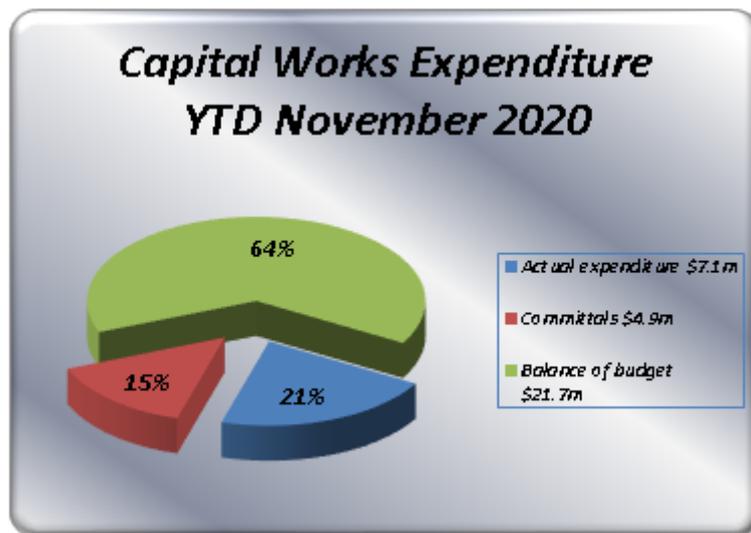


Figure 2.

Operating Result

Key point:

- The operating result is \$1.6m ahead of budget with an operating surplus of \$1.3m compared to a budgeted Deficit of \$355k.

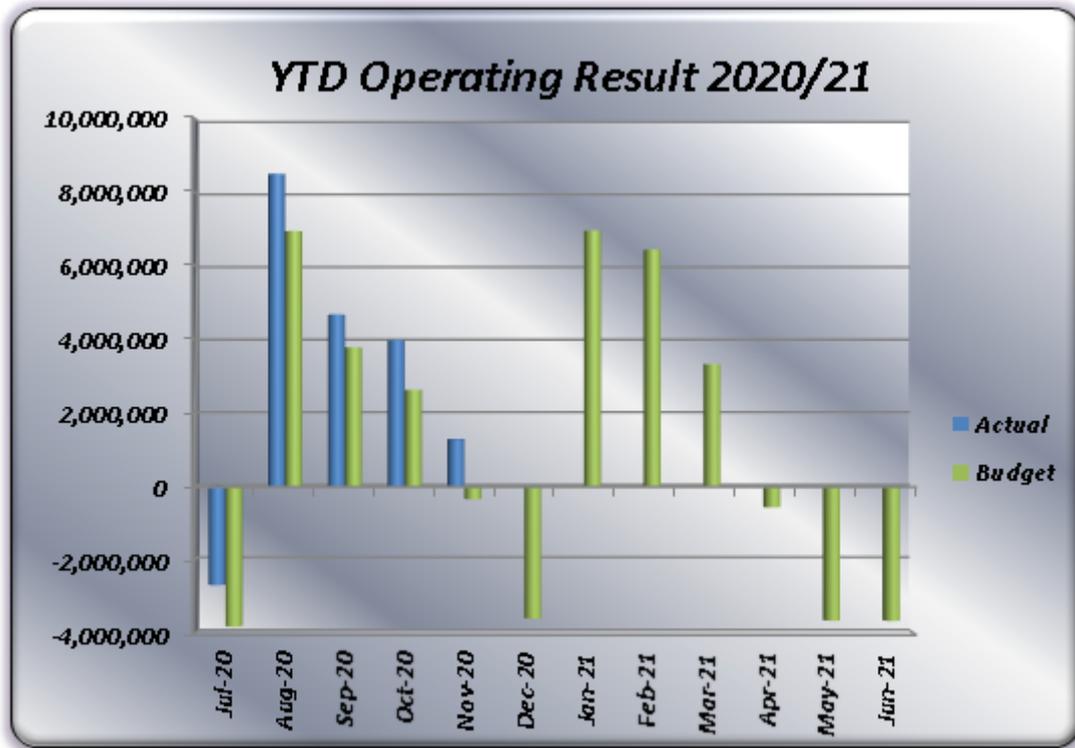


Figure 3.

PROPOSAL

The Financial Report for the period ended 30 November 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. Financial Report November 2020 [5.8.1 - 1 page]

Douglas Shire Council Statement of Comprehensive Income Financial Report November 2020	Actual YTD 21 \$	Budget YTD 21 \$	Variance \$	Budget 20/21 \$	Actual as % of Budget 20/21
Operating Revenue					
Rates and utility charges	16,867,424	16,861,125	6,299	36,123,565	47%
less: Discounts	(73,159)	(73,156)	(3)	(146,313)	50%
less: Remissions (incl. Pensioners)	(252,775)	(252,619)	(156)	(512,449)	49%
Net rates and utility charges	16,541,490	16,535,350	6,140	35,464,803	47%
Daintree River Ferry fees & charges	1,055,673	1,138,169	(82,496)	2,571,448	41%
Fees and charges (excluding Ferry)	1,261,965	1,275,848	(13,883)	2,697,371	47%
Grants and subsidies	862,397	854,866	7,531	2,327,568	37%
Interest received	161,054	152,311	8,743	347,185	46%
Other recurrent income	343,064	423,466	(80,402)	1,117,156	31%
Total Operating Revenue	20,225,643	20,380,010	(154,367)	44,525,531	45%
Operating Expenses					
Employee benefits	6,756,133	7,107,603	351,470	16,396,741	41%
Materials and services	6,943,683	8,144,731	1,201,048	18,554,154	37%
Depreciation	5,220,525	5,447,106	226,581	13,054,728	40%
Finance costs	28,348	35,521	7,173	183,556	15%
Total Recurrent Expenses	18,948,689	20,734,961	1,786,272	48,189,179	39%
Operating Result	1,276,953	(354,951)	1,631,904	(3,663,648)	(35%)
Capital Revenue					
Capital grants and subsidies	4,189,718	17,614,958	(13,425,240)	17,614,958	24%
Contributions from developers	-	250,000	(250,000)	250,000	0%
Total capital revenue	4,189,718	17,864,958	(13,675,240)	17,864,958	23%
Net Result	5,466,672	17,510,007	(12,043,335)	14,201,310	38%
Capital Works Program					
Capital additions	7,142,911	33,713,453	26,570,542	33,713,453	21%
Total capital additions	7,142,911	33,713,453	26,570,542	33,713,453	21%