

## 5.9. INTERIM FINANCIAL REPORT JUNE 2020

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**DEPARTMENT** Finance and Corporate Services

### RECOMMENDATION

**That Council notes the Interim Financial Report and the Estimated Financial Position for the 2019/20 financial year.**

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### EXECUTIVE SUMMARY

The attached Interim Financial Report details the progress of the 2019/20 budget for the period ended 30 June 2020. Key points to note include the following:

- Operating revenue is behind budget by \$1.3m.
- Operating expenditure is under budget by \$921k.
- The Operating deficit is currently \$299k, compared to a budgeted Surplus of \$87k.
- The Operating deficit is currently estimated to be \$1.4m

### 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 30 June 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.

In reviewing this financial report, the following should be noted:

- The figures presented are interim and are subject to any adjustments required as part of the end of financial year and audit processes. These adjustments will include:
- Accrual of any revenue earned but not yet received such as investment Interest & Water Revenue
- Review of all expenditure committals recorded via the purchase requisition process in Council's financial system and expensing of these committals where appropriate
- Accrual of any June expenses yet to be invoiced (that are not part of the purchase requisition process), for example utility charges such as electricity and telephone
- Accrual of final Salaries & Wages Expense including leave provision adjustments

## PROGRESS AGAINST BUDGET FOR THE PERIOD ENDING 30 JUNE 2020

### Operating Revenue and Expenditure

Key points:

- Council has received 97% of its annual budgeted operating revenue
- Year to date operating expenditure is currently under budget

Overall year to date operating revenue is \$1.3m behind budget, with the impacts of Covid-19 and the support measures offered being realised.

Fees and charges are behind budget by \$1.1m. This is due to the following:

- Daintree Ferry revenue currently \$746k behind budget.
- Refuse Tipping fees are currently \$21k behind budget.
- Licences \$44k behind budget.
- Building and property application fees \$72k behind budget.
- Other fees and charges are currently \$197k behind budget including Venue Hire \$73k and Van Parks \$76k.

Grants and subsidies are \$22k behind budget. This is partially attributed to the new accounting standards moving some grants to the 2020/2021 Financial Year.

Interest Income is currently \$172k behind budget. There has been a continual decline in rates offered for Council investments. Interest rates being offered are now lower than 1% p.a.

Other recurrent income is behind budget \$14k, this includes lease rental relief, and the loss of revenue budgeted for the Carnivale concert. The Roads Maintenance Performance Contract works income is expected to exceed budget by \$100k and funding received for revegetation works at Saltwater Creek, will also assist in offsetting this loss.

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

- Materials and services expenditure are currently under budget \$465k. This variance is primarily due to timing of receipt of invoices. Committals are currently \$1.1m, which include Annual purchase orders for major contracts such as Ferry, Waste removal, etc. Timing of invoices impact this result and are accrued as part of the end of year process.
- Employee benefits are currently \$51k 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. As discussed above, end of financial year adjustments will impact this figure.
- Depreciation expense is currently \$290k behind budget. There are many assets awaiting capitalisation (including disaster related assets).
- Finance Costs are \$115k behind budget, this variance will be cleared as part of the end of year process for the Landfill provision adjustment.

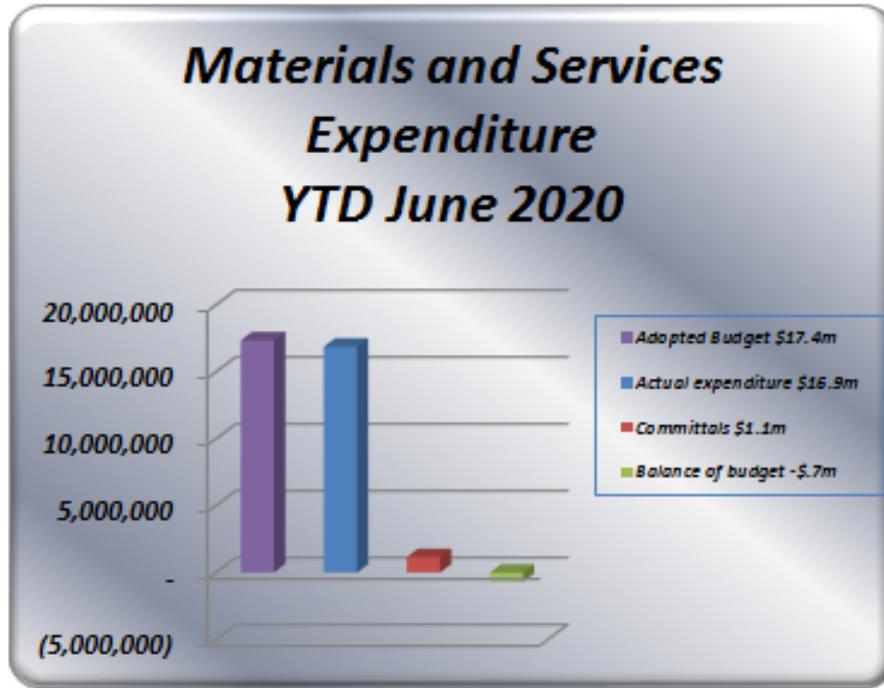


Figure 1.

### Capital Revenue and Expenditure

Key point:

- Council has received 58% of its annual revised budgeted capital grants and subsidies.

It should be noted that in addition to year to date capital expenditure of \$23.6m, a further \$7.5m had been committed as at the end of June 2020. End of year adjustments are still pending for items such as revaluations. All outstanding expenditure commitments will be carried forward to the FY21 and will be addressed in the upcoming budget revision.

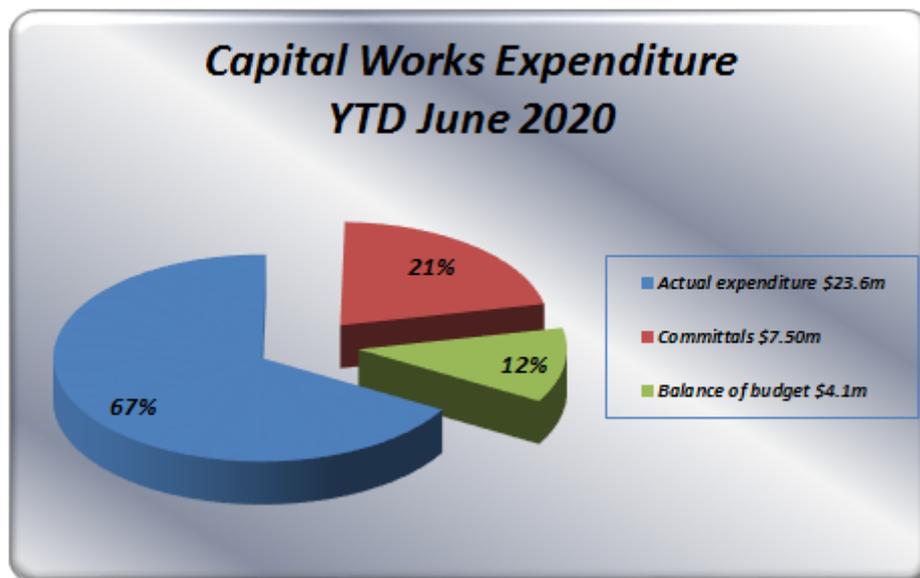


Figure 2.

## Operating Result

### Key point:

The Interim operating result is currently \$386k behind budget. The operating result has been significantly affected by the impacts of Covid-19, and the relief measures that have been offered by Council, significantly reducing Council revenue.

As previously mentioned, this result is an interim result, which is still subject to the end of financial year and audit processes.

## PROPOSAL

The Financial Report for the period ended 30 June 2020 and the Estimated Financial Position for the 2019/20 financial year be received and noted by Council.

## FINANCIAL/RESOURCE IMPLICATIONS

The results as at 30 June 2020 have revealed that a continued decline in interest rates & the freezing of Penalty interest has negatively affected the end of year result.

Daintree Ferry travel restrictions and subsequent free travel period, closure of Van Parks, cancellation of venue hires and Covid-19 relief measures have all had a significant impact on 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:** Council has been impacted financially by the Covid-19 pandemic. Council has devised a long term financial forecast that enables recovery to a surplus position within ten years. If achieved, this would 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:

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|------------------|--|
| <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. Interim Financial Report June 2020 [5.9.1 - 1 page]

<b>Douglas Shire Council Statement of Comprehensive Income Interim Financial Report June 2020</b>						<b>Estimated Financial Position Financial Year June 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>Actual \$</b>	<b>Variance \$</b>
<b>Operating Revenue</b>							
Net rates and utility charges	34,837,977	34,856,410	(18,433)	34,849,270	100%	34,849,270	-
Fees and charges	4,756,366	5,837,088	(1,080,722)	5,844,226	81%	4,786,204	(1,058,022)
Grants and subsidies	2,855,172	2,876,893	(21,721)	2,876,893	99%	2,855,172	(21,721)
Interest received	661,245	833,575	(172,330)	833,575	79%	661,245	(172,330)
Other recurrent income	1,087,352	1,101,299	(13,947)	1,101,299	99%	1,164,652	63,353
<b>Total Operating Revenue</b>	<b>44,198,112</b>	<b>45,505,265</b>	<b>(1,307,153)</b>	<b>45,505,263</b>	<b>97%</b>	<b>44,316,543</b>	<b>(1,188,720)</b>
<b>Operating Expenses</b>							
Employee benefits	15,207,032	15,258,213	51,181	15,258,213	100%	14,959,278	298,935
Materials and services	16,890,646	17,355,767	465,121	17,355,767	97%	17,981,702	(625,935)
Depreciation	12,326,387	12,616,241	289,854	12,616,241	98%	12,616,241	-
Finance costs	72,891	188,127	115,236	188,127	39%	188,127	-
<b>Total Recurrent Expenses</b>	<b>44,496,957</b>	<b>45,418,348</b>	<b>921,391</b>	<b>45,418,348</b>	<b>98%</b>	<b>45,745,348</b>	<b>(327,000)</b>
<b>Operating Result</b>	<b>(298,845)</b>	<b>86,917</b>	<b>(385,762)</b>	<b>86,915</b>	<b>(344%)</b>	<b>(1,428,805)</b>	<b>(1,515,720)</b>
<b>Capital Revenue</b>							
Capital grants and subsidies	9,125,494	15,637,880	(6,512,387)	15,637,880	58%	15,637,880	-
Contributions from developers	1,194,763	1,100,000	94,763	1,100,000	109%	1,194,763	-
<b>Total capital revenue</b>	<b>10,320,257</b>	<b>16,737,880</b>	<b>(6,417,623)</b>	<b>16,737,880</b>	<b>62%</b>	<b>16,832,643</b>	<b>-</b>
<b>Net Result</b>	<b>10,021,412</b>	<b>16,824,797</b>	<b>(6,803,385)</b>	<b>16,824,795</b>	<b>60%</b>	<b>15,403,838</b>	<b>(1,515,720)</b>
<b>Capital Works Program</b>							
Capital additions	23,567,093	35,170,816	11,603,723	35,170,816	67%	35,170,816	-
<b>Total capital additions</b>	<b>23,567,093</b>	<b>35,170,816</b>	<b>11,603,723</b>	<b>35,170,816</b>	<b>67%</b>	<b>35,170,816</b>	<b>-</b>
<b>NDRRA portion of Capital Works Program (included above)</b>							
Capital grants and subsidies	6,884,135	11,215,500	(4,331,365)	11,215,500		11,215,500	-
Capital additions	6,201,562	11,959,500	5,757,938	11,959,500		11,959,500	-
<b>Net position</b>	<b>682,573</b>	<b>(744,000)</b>	<b>1,426,573</b>	<b>(744,000)</b>		<b>(744,000)</b>	<b>-</b>