

## 5.9. MONTHLY FINANCIAL REPORT FOR DECEMBER 2019

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**MANAGER** Mark Stoermer, Chief Executive Officer

**DEPARTMENT** Finance and Corporate Services

### RECOMMENDATION

**That Council notes the Financial Report for the period ended 31 December 2019.**

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### EXECUTIVE SUMMARY

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

- Operating revenue is ahead of budget by \$165k.
- Operating expenditure is under budget by \$1.4m.
- The operating Surplus is currently \$600k, compared to a budgeted deficit of \$1m.

### 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 December 2019. 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 49% 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:

- Fees and charges are ahead of budget by \$28k. This is due to the following:
  - Daintree Ferry revenue currently \$97k ahead of budget
  - Refuse Tipping fees are currently \$31k behind budget
  - Licences are currently \$41k behind budget due to the timing of raising charges
  - Other fees and charges are currently \$3k ahead of budget
- Grants and subsidies are ahead of budget by \$93k. Consisting of additional funding \$38k Emergent, \$19k CHAS and timing of various other grants and subsidies.
- Other recurrent income is ahead of budget \$68k primarily due to 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 \$1m. Timing in relation to receipt of invoices, commencement of projects are primarily responsible for this variance. Committals are currently \$5.1m which include Annual purchase orders for major contracts such as Ferry, Waste removal etc.
- Employee benefits are currently \$277k 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 \$145k behind budget. The movement in this variance will change subject to the timing of asset capitalisation.

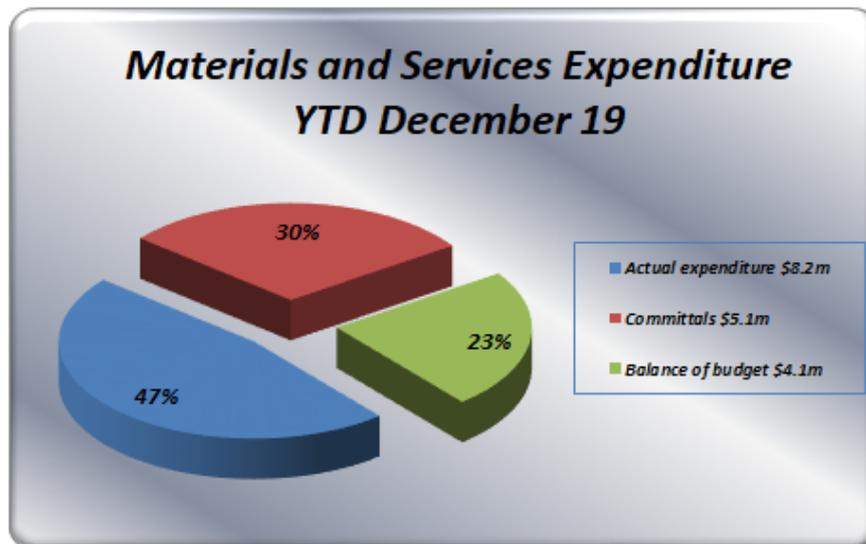


Figure 1.

## Capital Revenue and Expenditure

Key point:

- Council has received 20% of its annual revised budgeted capital grants and subsidies

It should be noted that in addition to year to date capital expenditure a further \$11.3m had been committed as at the end of December.

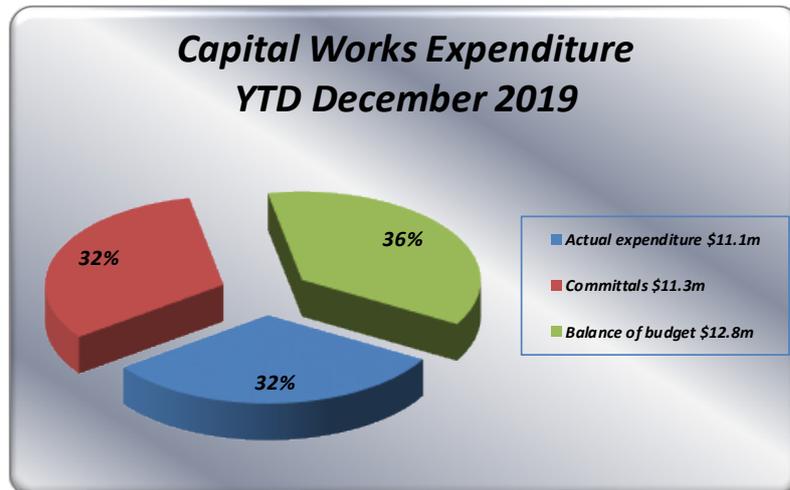


Figure 2.

## 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 December was ahead of budget and operating expenditure was under budget. This has resulted in an operating surplus of \$.6m compared to a budgeted deficit of \$1.0m.

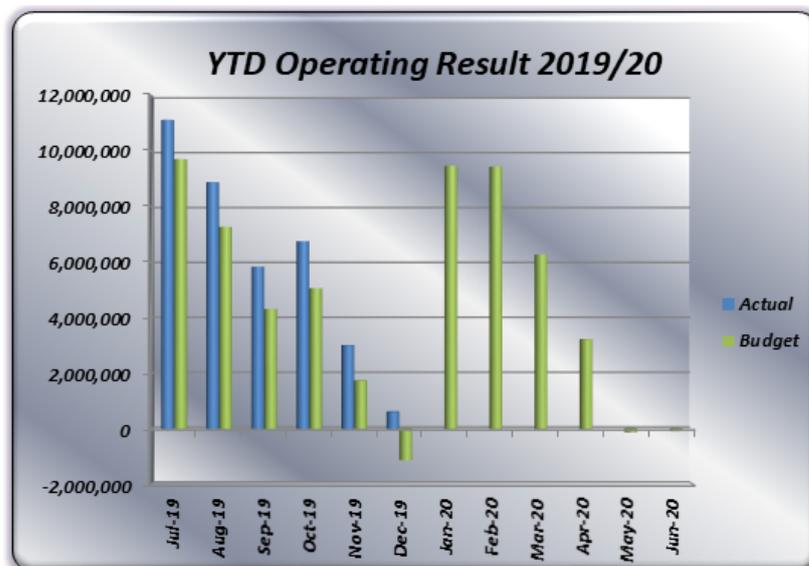


Figure 3.

## PROPOSAL

The Financial Report for the period ended 31 December 2019 be received and noted by Council.

## FINANCIAL/RESOURCE IMPLICATIONS

The results as at the end of 31 December 2019 have not revealed any significant negative impacts on the 2019/20 budget.

## 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 adopted the first budget surplus since de-amalgamation which, if achieved will 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:

**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 December 2019 [**5.9.1** - 1 page]

<b>Douglas Shire Council Statement of Comprehensive Income For the month of December 2019</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	16,095,348	16,096,212	(864)	34,849,270	46%
Fees and charges	3,532,558	3,504,207	28,351	5,844,226	60%
Grants and subsidies	1,756,081	1,663,238	92,843	2,876,893	61%
Interest received	408,997	432,146	(23,149)	833,575	49%
Other recurrent income	618,067	549,900	68,167	1,101,299	56%
<b>Total Operating Revenue</b>	<b>22,411,051</b>	<b>22,245,703</b>	<b>165,348</b>	<b>45,505,263</b>	<b>49%</b>
<b>Operating Expenses</b>					
Employee benefits	7,454,339	7,731,853	277,514	15,258,213	49%
Materials and services	8,171,147	9,171,103	999,956	17,355,767	47%
Depreciation	6,136,665	6,281,830	145,165	12,616,241	49%
Finance costs	38,549	38,981	432	188,127	20%
<b>Total Recurrent Expenses</b>	<b>21,800,700</b>	<b>23,223,767</b>	<b>1,423,067</b>	<b>45,418,348</b>	<b>48%</b>
<b>Operating Result</b>	<b>610,351</b>	<b>(978,064)</b>	<b>1,588,415</b>	<b>86,915</b>	<b>702%</b>
<b>Capital Revenue</b>					
Capital grants and subsidies	3,150,691	15,637,880	(12,487,189)	15,637,880	20%
Contributions from developers	1,098,152	1,100,000	(1,848)	1,100,000	100%
<b>Total capital revenue</b>	<b>4,248,842</b>	<b>16,737,880</b>	<b>(12,489,038)</b>	<b>16,737,880</b>	<b>25%</b>
<b>Net Result</b>	<b>4,859,193</b>	<b>15,759,816</b>	<b>(10,900,623)</b>	<b>16,824,795</b>	<b>29%</b>
<b>Capital Works Program</b>					
Capital additions	11,121,522	35,170,816	24,049,294	35,170,816	32%
<b>Total capital additions</b>	<b>11,121,522</b>	<b>35,170,816</b>	<b>24,049,294</b>	<b>35,170,816</b>	<b>32%</b>
<b>NDRRA portion of Capital Works Program (included above)</b>					
Capital grants and subsidies	1,627,000	11,215,500	(9,588,500)	11,215,500	
Capital additions	2,569,869	11,959,500	9,389,631	11,959,500	
<b>Net position</b>	<b>(942,869)</b>	<b>(744,000)</b>	<b>(198,869)</b>	<b>(744,000)</b>	