

**SPECIAL BUDGET MEETING**

1 JULY 2020

**25****STATEMENT OF ESTIMATED FINANCIAL POSITION**

M Gray | 63/2/7-01 | #6398786

**RECOMMENDATION:**

**That Council note the Statement of Estimated Financial Position in accordance with section 205 of the *Local Government Regulation 2012*.**

**EXECUTIVE SUMMARY:**

This report provides a comparison of Council's financial operations and financial position between the 2019/20 budget and the 2019/20 forecast. The report is comprised of a Budgeted Statement of Income and Expenditure, Budgeted Financial Position and Budgeted Statement of Cash Flows.

**BACKGROUND:**

In accordance with section 205 of the *Local Government Regulation 2012* Council is required to present a Statement of Estimated Financial Position during the budget meeting to enable a review of the previous year.

This report provides a comparison of Council's financial operations and financial position between the 2019/20 budget adopted in July 2019 and the 2019/20 forecast. The 2019/20 forecast is based upon Council's actual results for the period 1 July 2019 up to 27 March 2020 and an estimated forecast for the remainder of the period.

The report is comprised of a Budgeted Statement of Income and Expenditure, Budgeted Financial Position and Budgeted Statement of Cash Flows (refer to attachments).

**COMMENT:**

Council is forecasting a deficit of \$1.9M for 2019/20. This forecast results incorporates the anticipated financial impact of COVID-19.

The most significant impacts have been and will continue to be on Council revenue streams. Some are by choice, as is the case with the initiatives that Council has taken to date in response to COVID-19, others are a consequence of the reduced activity as a result of the lockdowns and economic downturn:

- Response measures
  - Outdoor Dining Fee waivers
  - Reduction in commercial rent
  - Extended payment terms on fees and charges
  - Extended rates due date

- Reduced activity
  - Parking revenue
  - Developer contributions
  - Fees and charges generally

Whilst the lockdowns have had a temporary impact on some of the services Council provides e.g libraries and events, Council operations, and therefore expenses, have largely been unaffected.

In addition to the above, outstanding rates debts owed to Council have increased due to ratepayers being adversely affected by the pandemic and unable to meet their usual financial commitments to Council.

The above are a mixture of both temporary and permanent cash impacts.

The anticipated cash flow impact of COVID-19 for 2019/20 is in the order of \$20M. This is made up of permanent cash shortfall of \$3.8M and an additional \$15M of outstanding rates which represents a temporary cash shortfall.

The cash impacts of COVID-19 have been offset to some extent by less than anticipated forecast capital works expenditure as at 30 June 2020.

Council's actual results are compared against year to date budgeted results on a monthly basis and reported each month to Council. This analysis includes commentary on variances.

### **CONSIDERATIONS:**

#### Statutory:

This report has been prepared in accordance with section 205 of the *Local Government Regulation 2012*.

### **ATTACHMENTS:**

- Budgeted Statement of Income and Expenditure;
- Budgeted Financial Position; and
- Budgeted Statement of Cash Flows



Jason Ritchie  
Manger Finance



Lisa Whitton  
Chief Financial Officer

**BUDGETED FINANCIAL STATEMENTS****Cairns Regional Council - Budgeted Statement of Income and Expenditure**

	2019/20 Budget \$'000	2019/20 Forecast \$'000	Variance \$'000	Variance %
<b>Operating Revenue</b>				
Rates and utility charges	270,357	269,873	( 484)	(0.18%)
Less: rebates	( 4,433)	( 4,612)	( 179)	(4.04%)
<b>Net rates and utility charges</b>	<b>265,924</b>	<b>265,261</b>	<b>( 663)</b>	<b>(0.25%)</b>
Fees and charges	25,427	22,042	( 3,385)	(13.31%)
Interest revenue	2,605	2,370	( 235)	(9.02%)
Grants, subsidies and contributions	7,523	7,760	237	3.15%
Other operating income	14,197	15,579	1,382	9.73%
<b>TOTAL OPERATING REVENUE</b>	<b>315,676</b>	<b>313,012</b>	<b>( 2,664)</b>	<b>(0.84%)</b>
<b>Operating Expenses</b>				
Employee benefits	110,715	110,612	103	0.09%
Materials and services	107,839	111,098	( 3,259)	(3.02%)
Depreciation	92,808	89,434	3,374	3.64%
Finance costs	4,314	3,799	515	11.94%
<b>TOTAL OPERATING EXPENSES</b>	<b>315,676</b>	<b>314,943</b>	<b>733</b>	<b>0.23%</b>
<b>Operating Surplus / (Deficit)</b>	<b>-</b>	<b>( 1,931)</b>	<b>( 1,931)</b>	<b>(100.00%)</b>
<b>Capital Income and Expenditure</b>				
Capital grants and subsidies	21,847	24,750	2,903	13.29%
Contributions from developers	12,000	7,000	( 5,000)	(41.67%)
Contributed assets	19,485	19,485	-	0.00%
Gain/(loss) on sale of non-current assets	( 12,109)	( 10,580)	1,529	12.63%
<b>TOTAL CAPITAL INCOME AND EXPENDITURE</b>	<b>41,223</b>	<b>40,655</b>	<b>( 568)</b>	<b>(1.38%)</b>
<b>Net Result</b>	<b>41,223</b>	<b>38,724</b>	<b>( 2,499)</b>	<b>(6.06%)</b>
<b>Other Comprehensive Income</b>				
Increase/(decrease) in asset revaluation surplus	48,454	31,602	( 16,852)	(34.78%)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>89,677</b>	<b>70,326</b>	<b>( 19,351)</b>	<b>(21.58%)</b>

**Cairns Regional Council - Budgeted Financial Position**

	2019/20 Budget \$'000	2019/20 Forecast \$'000	Variance \$'000	Variance %
<b>Current Assets</b>				
Cash assets and equivalents	20,646	4,211	( 16,435)	(79.60%)
Receivables	38,492	51,195	12,703	33.00%
Inventories	2,272	2,204	( 68)	(2.99%)
	<u>61,410</u>	<u>57,610</u>	<u>( 3,800)</u>	<u>(6.19%)</u>
<b>Non-Current Assets</b>				
Property, plant and equipment	4,029,388	4,047,920	18,532	0.46%
	<u>4,029,388</u>	<u>4,047,920</u>	<u>18,532</u>	<u>0.46%</u>
<b>TOTAL ASSETS</b>	<u>4,090,798</u>	<u>4,105,530</u>	<u>14,732</u>	<u>0.36%</u>
<b>Current Liabilities</b>				
Trade and other payables	48,234	51,852	( 3,618)	(7.50%)
Interest bearing liabilities	16,849	20,219	( 3,370)	(20.00%)
Provisions	4,763	6,575	( 1,812)	(38.04%)
	<u>69,846</u>	<u>78,646</u>	<u>( 8,800)</u>	<u>(12.60%)</u>
<b>Non-Current Liabilities</b>				
Interest bearing liabilities	151,574	146,358	5,216	3.44%
Provisions	21,112	24,319	( 3,207)	(15.19%)
	<u>172,686</u>	<u>170,677</u>	<u>2,009</u>	<u>1.16%</u>
<b>TOTAL LIABILITIES</b>	<u>242,532</u>	<u>249,323</u>	<u>( 6,791)</u>	<u>(2.80%)</u>
<b>NET COMMUNITY ASSETS</b>	<u>3,848,266</u>	<u>3,856,207</u>	<u>7,941</u>	<u>0.21%</u>
<b>Community Equity</b>				
Asset revaluation surplus	1,204,711	1,204,326	( 385)	(0.03%)
Retained surplus / (deficit)	2,643,555	2,651,881	8,326	0.31%
<b>TOTAL COMMUNITY EQUITY</b>	<u>3,848,266</u>	<u>3,856,207</u>	<u>7,941</u>	<u>0.21%</u>

## Cairns Regional Council - Budgeted Statement of Cash Flows

	2019/20 Budget \$'000	2019/20 Forecast \$'000	Variance \$'000	Variance %
<b>Cash flows from operating activities</b>				
Receipts				
Receipts from customers	303,917	297,878	( 6,039)	(1.99%)
Interest revenue	2,605	1,563	( 1,042)	(40.00%)
Operating grants and contributions	8,363	7,465	( 898)	(10.74%)
	<u>314,885</u>	<u>306,906</u>	<u>( 7,979)</u>	<u>(2.53%)</u>
Payments				
Payments to suppliers and employees	( 217,863)	( 232,517)	( 14,654)	(6.73%)
Finance costs	( 3,272)	( 2,856)	416	12.70%
	<u>( 221,135)</u>	<u>( 235,373)</u>	<u>( 14,238)</u>	<u>(6.44%)</u>
<b>Cash provided by / (used in) operational activities</b>	<b><u>93,750</u></b>	<b><u>71,533</u></b>	<b><u>( 22,217)</u></b>	<b><u>(23.70%)</u></b>
<b>Cash flows from investing activities</b>				
Receipts				
Proceeds/ (loss) from the sale of non-current assets	1,500	1,755	255	17.00%
Proceeds from developers and government for capital projects	33,847	25,520	( 8,327)	(24.60%)
	<u>35,347</u>	<u>27,275</u>	<u>( 8,072)</u>	<u>(22.84%)</u>
Payments				
Payments for property, plant and equipment	( 165,247)	( 155,002)	10,245	6.20%
	<u>( 165,247)</u>	<u>( 155,002)</u>	<u>10,245</u>	<u>6.20%</u>
<b>Cash provided by / (used in) investing activities</b>	<b><u>( 129,899)</u></b>	<b><u>( 127,727)</u></b>	<b><u>2,172</u></b>	<b><u>1.67%</u></b>
<b>Cash flows provided from financing activities</b>				
Receipts				
Proceeds from borrowings	52,000	60,000	8,000	15.38%
Payments				
Repayment of borrowings	( 13,665)	( 14,307)	( 642)	(4.70%)
<b>Cash provided by / (used in) financing activities</b>	<b><u>38,335</u></b>	<b><u>45,693</u></b>	<b><u>7,358</u></b>	<b><u>19.19%</u></b>
<b>Net increase / (decrease) in cash held</b>	<b><u>2,186</u></b>	<b><u>( 10,501)</u></b>	<b><u>( 12,687)</u></b>	<b><u>(580.32%)</u></b>
Cash at beginning of reporting period	18,460	14,712	( 3,748)	(20.30%)
<b>Cash at end of reporting period</b>	<b><u>20,646</u></b>	<b><u>4,211</u></b>	<b><u>( 16,435)</u></b>	<b><u>(79.60%)</u></b>