

LORD HOWE ISLAND BOARD

Business Paper

OPEN SESSION

ITEM

Finance Report

RECOMMENDATION

It is recommended that the Board:

1. Note the information provided in this paper
2. Approve the proposed budget adjustments
3. Approve a Board Meeting for Monday 19 October 2020

BACKGROUND

The following report for the financial year 2020/21 is attached:

- Budget Variations

CURRENT POSITION

General Funded Operations

Financial reporting for the current year is not available as yet and will commence at the December meeting for the period to October 2020. Expenditure is occurring in accordance with the balanced cash budget for the year 20-21 as approved in June 2020. DPIE/ NSW Treasury have advised of delays in providing normal Government Contributions in July with half being delayed until November 2020.

The Administration will be providing the Annual Financial Statements for approval at a Board Meeting proposed for Monday 19 October 2020 to link into Government reporting requirements.

Grant Funded Projects

The grant funded projects are included in both operating (\$1.4m) and capital works (\$1.8m) functions. Capital works is for infrastructure projects including solar and roads-to recovery. Operational grants are predominantly associated with Weed Management (\$1.1m) with the bowling club, flood study and aquatic club also included.

- **Hybrid Renewable Energy (Solar) Project.** This project is expected to be completed this calendar year. Whilst the Board has already budgeted for a contingency of

\$250,000 the significant budgeted expenses for this year, (\$4.1m) will be funded partly by further ARENA grants with the majority coming from the pre-approved T'Corp loan agreement. This budget approval will bring the T'Corp loan amount to just under \$5.6m from an original loan approval of up to \$5.9m.

- **Environment Management Grants.** Budgeted to receive \$1,087,111 this year and spend \$1,425,801 across a number of project areas, as listed.
- **Other operating Grants.** The Bowling Club and Aquatic Club funding is not included in the Capital budget as they are assets owned by the clubs themselves, with costs incurred shown against the report.

Capital Expenditure

Capital Works will be reported by the Manager Engineering & Infrastructure Services on an ongoing basis, with totals per the financial system, shown here from the next meeting.

Debtors

End of year reporting is still being finalised. Debtors however are a significant issue for the Board and the commercial and residential communities. It gives some indication of the position of the Board especially in relation to COVID-19 impacts.

Debtors are grouped and reported from 2 modules being:

- Sundry debtors – includes grants, liquor store, intra-government charges and miscellaneous items
- Rates debtors – includes electricity, waste, leases, licences and permits

A summary of Sundry debtors as at 4 August 2020 totalled \$480,826 and was as follows:

30 Days	60 Days	90 Days
\$80,956	\$131,755	\$180,529

The Liquor Store debtors are \$63k and grant invoices due being \$265k. It is especially important in the Board's current cash flow position that these overdue amounts are paid. Details in regards to individual accounts can only be discussed in closed session.

A summary of Rates debtors as at 6 August 2020 totalled \$391,689 and was as follows:

Current	Arrears (90 Days)
\$309,477	\$82,212

This report was printed on 6 August and so small delays on payments are normal, but as the amount is significant, close attention to these accounts including payment plans is important. The larger commercial businesses are the major contributors to the arrears. Specific discussion regarding these debts can be held in closed session in accordance with Board policy.

Budget Variations

Proposed adjustments to the approved budget are presented to the Board for consideration on a quarterly basis.

In June 2020 the Board approved the budget for the 2019/20 financial year. This budget covered recurrent costs and capital works funded locally and through the NSW Government. Additions to the Budget are based on recognition of carried forward restricted funds. These Grant funded projects are fully funded, either by carried forward funds, new Grant income or, in the case of the Solar Project, loan funds.

The amounts identified are those that the Administration has projected can be completed in the coming financial year. This approval provides authority to proceed with these projects. The list in Attachment A provides detail of the specific grants relating to the budget variations.

RECOMMENDATION

It is recommended that the Board:

1. Note the information provided in this paper
2. Approve the proposed budget adjustments
3. Approve a Board Meeting for Monday 19 October 2020.

Prepared: John van Gaalen Manager Business and Corporate Services

Endorsed: Justin Sauvage Acting Chief Executive Officer

Attachments:

Attachment A: Budget Adjustments April 2020 - Open

Operating Income / Expenditure Adjustments

	Revenue	Expenditure	Forecast
2020/21 Original Forecast including Depreciation	-8,847,000	11,855,700	3,008,700
Bowling club	-231,320	339,793	
Flood study	-44,624	14,160	
Aquatic Club	-50,000	50,000	
World Heritage	-177,000	221,601	
Weed Eradication Program	-10,000	10,000	
Weed Action program	-17,800	28,087	
Little Mountain Palm	-266,075	372,211	
Biosecurity improvements	0	20,059	
Tide is turning	0	99,039	
Blackburn Island	-2,567	19,827	
Laguniara Swamp	-6,300	10,196	
Sallywood swamp	-24,938	55,933	
S.O.S.	-382,432	388,847	
Biosecurity Support	-100,000	100,000	
Guarding Paradise	-100,000	100,000	
Amended Operating Forecast including Depreciation (\$)	-10,260,056	13,685,454	3,425,399
Original Operating Position	-8,847,000	11,855,700	3,008,700
Changes to Operating budget	0	0	0
Grant funded programs	-1,413,056	1,829,754	416,699
	-10,260,056	13,685,454	3,425,399
Source of Grant Expenditure 2020/21	-1,413,056	-431,931	15,233
	Grant Income	Funds @ 1/7/20	Funds @ 30/6/21

Capital Income / Expenditure Amendments

	Revenue	Expenditure	Forecast
2020/21 Original Forecast Capital Expenditure (\$)	-1,090,000	1,090,000	0
Solar Project	-519,997	4,069,750	
R2R (2020-24)	-257,144	257,144	
Skate park	0	5,500	
Powerhouse site	-241,156	7,512	
Steven's reserve	-196,253	391,862	
Skate park	0	76,230	
Fitness trail	-6,795	468	
Upgrade of WMF	-25,050	0	
Erosion mitigation	0	390,213	
Slipway, ramp	-423,267	390,000	
Playground Upgrade	-116,480	86,000	
CBD amenities & wastewater	-54,814	6,100	
Amended Forecast Capital Expenditure (\$)	-2,930,956	6,770,779	3,839,823
Funding source of CapEx 2020/21			
Amended CapEx approval - Original Budget			-1,090,000
Restricted Cash - as at 1 July 2020			-673,522
Grant Income - capital			-1,840,956
Loan borrowing T'Corp - refers Solar Project			-3,285,495
Restricted Cash - as at 30 June 2021			119,194
			-6,770,779