

5.15. FINANCIAL REPORT AUGUST 2021

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MANAGER	Juanita Warner, Acting Chief Executive Officer
DEPARTMENT	Finance and Corporate Services
RECOMMENDATION	

That Council notes the Financial Report for August 2021

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2021/22 annual budget for the period ended 31 August 2021. Key points to note include the following:

- Operating revenue is ahead of budget by \$368k.
- Operating expenditure is under budget by \$619k.
- The Operating Surplus is currently \$9.3m, compared to a budgeted Surplus of \$8.3m.

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 2021/22 annual budget was adopted on 15 June 2021. The attached financial report details progress against budget for the period ended 31 August 2021.

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 35% of its annual budgeted operating revenue
- Year to date operating expenditure is currently under budget.

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

- Rates and utility charges are currently \$7k ahead of budget.
- Daintree Ferry revenue is currently \$110k behind budget. This variance will continue to be monitored closely as revenue has declined significantly since the last report due to border closures in place.
- Fees and charges are currently \$173k ahead of budget, there are a number of variances within this category:
 - Refuse Tipping fees are currently \$2k ahead of with budget.
 - Licence Fees are currently online with budget.
 - Property fees are currently \$158k ahead of budget. This includes payment of development application fees. Property Search Fees also continue strongly and are \$33k ahead of budget.
 - Other fees and charges are currently \$13k ahead of budget and the variance is caused by several areas. Van Parks are \$65k ahead of budget with both holding strong advance bookings. Cemetery Fees are \$2k ahead of budget Trade Waste Fees are \$37k behind budget due to a timing delay in issuing invoices. Some changes to agreements for Flagstaff hill see this area \$15k behind budget. Revenue for Port Douglas Markets is also \$7k behind budget.
- Grants and subsidies are \$268k ahead of budget. This is primarily due to the carry forward of uncompleted grants received in the 2020/21 Financial Year, Mental Wellbeing \$75k, Safe Cycle \$18k & North Queensland Resilience & Recovery Grant \$170k. There will be offsetting expenditure that has not been budgeted for these Grants, so the impact will not be permanent, and will be considered when the budget revision occurs.
- Interest Income is currently \$1k ahead of budget.
- Other recurrent income is \$29k ahead of budget. This includes revenue for the Macrossan Street works being conducted for TMR (Transport & Main Roads) and will be considered when the budget revision occurs. This increase will however be offset by corresponding expenditure.

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

- Materials and services expenditure is currently \$486k under budget. This variance is primarily due to timing of receipt of invoices including Workcover \$280k and commencement of operational projects. Committals are currently \$6.3M, which include annual purchase orders for major contracts such as Ferry, Waste removal, etc.
- Employee benefits are currently \$133k 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 reported as online with budget, whilst the 2020/21 end of year is finalised and all assets are capitalised.
- Finance costs are currently online with budget.

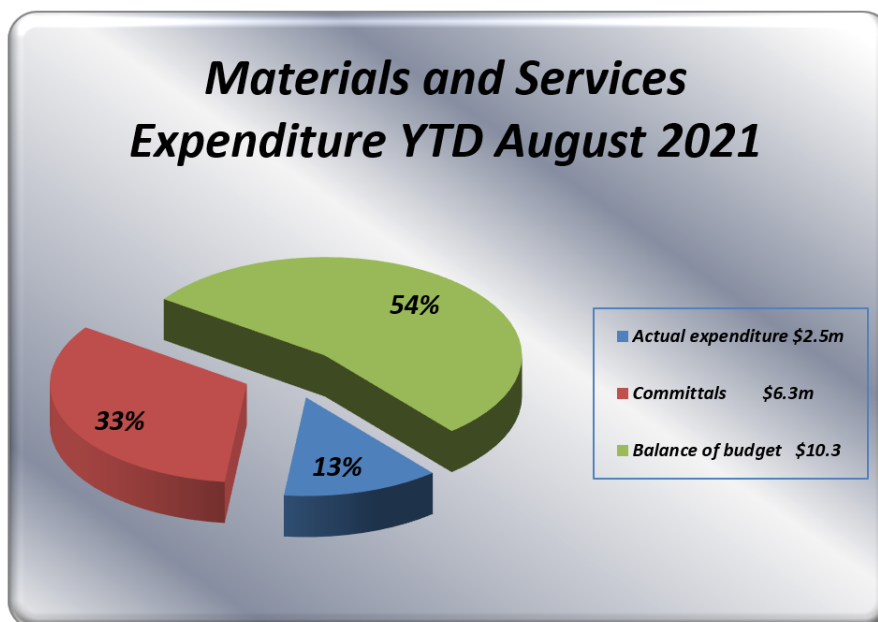


Figure 1 - Materials & Services

Capital Revenue and Expenditure

Key point:

- Council has received \$2.3m in capital grants and subsidies and \$6k in contributions from developers.

It should be noted that in addition to year-to-date capital expenditure of \$2.7m a further \$11.8m was committed at the end of August 21. This committal amount does include carry forward commitments from unfinished 2020/21 projects.

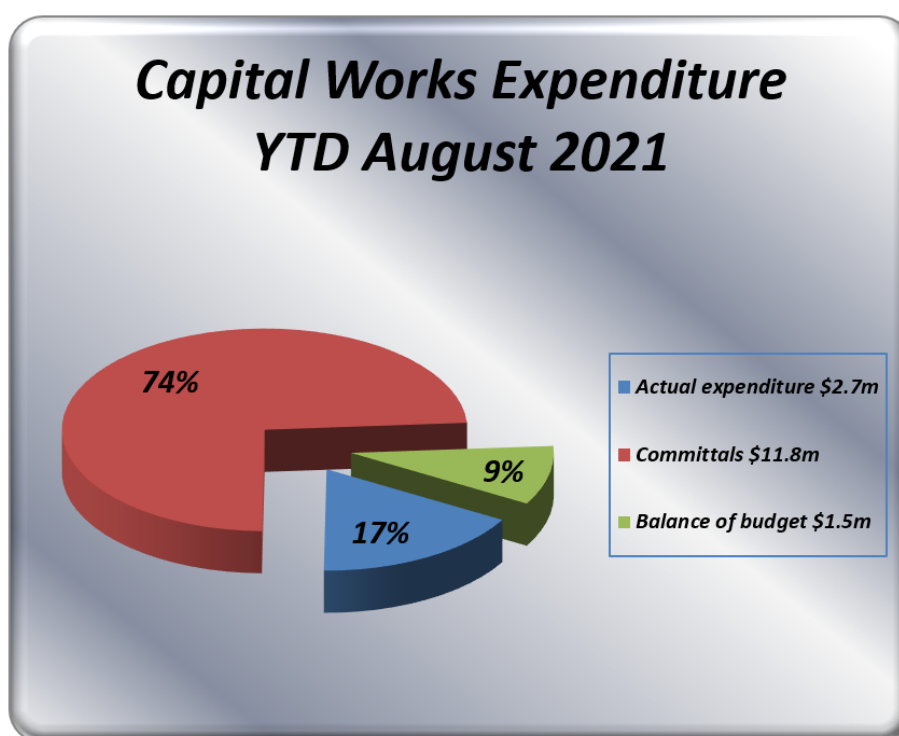


Figure 2 - Capital Works

Operating Result

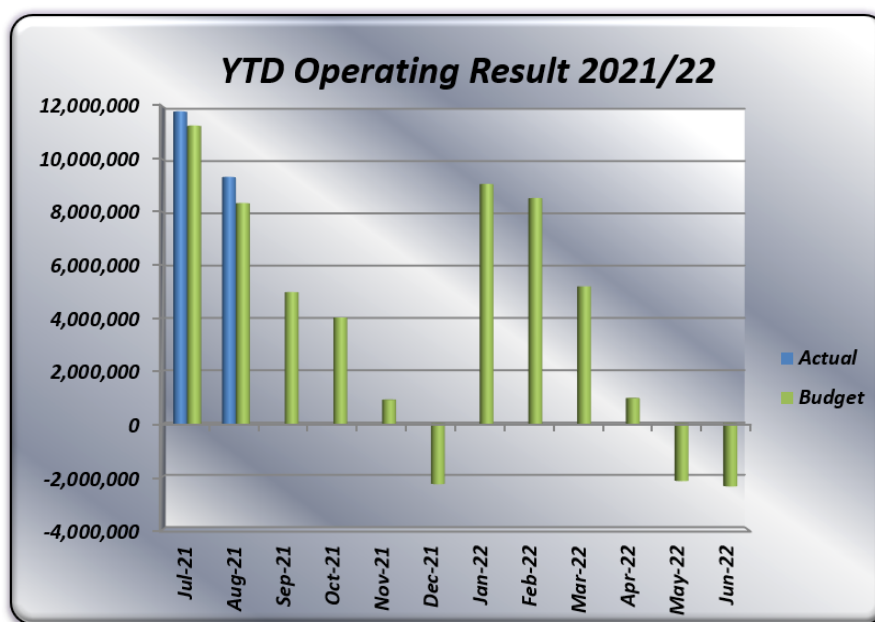


Figure 3 - Operating Results

Key point:

- The operating result is \$986k ahead of budget with an operating Surplus of \$9.3m compared to a budgeted Surplus of \$8.3m.

PROPOSAL

The Financial Report for the period ended 31 August 2021 be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

It is noted that continued uncertainty with border closures may negatively impact the Tourism Sector.

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 likely 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 forecast is to meet all three of the 'measures of financial sustainability' within an eight-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 August 2021 [5.15.1 - 1 page]

Douglas Shire Council
Statement of Comprehensive Income
Financial Report August 2021

	Actual YTD 22 \$	Budget YTD 22 \$	Variance \$	Budget 21/22 \$	Actual as % of Budget 21/22
Operating Revenue					
Rates and utility charges	14,706,181	14,699,368	6,813	37,784,630	39%
less: Remissions (incl. Pensioners)	(261,856)	(262,044)	188	(524,088)	50%
Net rates and utility charges	14,444,297	14,437,324	6,973	37,260,543	39%
Daintree River Ferry fees & charges	719,560	829,480	(109,920)	3,780,791	19%
Fees and charges (excluding Ferry)	869,683	697,101	172,582	2,824,724	31%
Grants and subsidies	507,621	239,807	267,814	2,380,383	21%
Interest received	41,573	40,771	802	355,040	12%
Other recurrent income	115,994	86,670	29,324	997,274	12%
Total Operating Revenue	16,698,726	16,331,153	367,573	47,598,755	35%
Operating Expenses					
Employee benefits	2,553,770	2,686,589	132,819	16,833,359	15%
Materials and services	2,457,718	2,943,453	485,735	19,049,586	13%
Depreciation	2,359,040	2,359,040	-	13,896,369	17%
Finance costs	7,281	7,353	72	175,705	4%
Total Recurrent Expenses	7,377,810	7,996,435	618,625	49,955,019	15%
Operating Result	9,320,916	8,334,718	986,198	(2,356,264)	(396%)
Capital Revenue					
Capital grants and subsidies	2,309,484	4,597,318	(2,287,834)	4,597,318	50%
Contributions from developers	6,134	250,000	(243,866)	250,000	2%
Total capital revenue	2,315,618	4,847,318	(2,531,700)	4,847,318	48%
Net Result	11,636,534	13,182,036	(1,545,502)	2,491,054	467%
Capital Works Program					
Capital additions	2,709,189	16,046,559	13,337,370	16,046,559	17%
Total capital additions	2,709,189	16,046,559	13,337,370	16,046,559	17%