

### 3.9. STATEMENT OF ESTIMATED FINANCIAL POSITION 2022-2023

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<b>DEPARTMENT</b>	Finance and Corporate Services

#### RECOMMENDATION

**1. Pursuant to s 205 of the *Local Government Regulation 2012*, the Statement of the Financial Operations and Financial Position of the Council in respect of the 2022-2023 financial year (“the Statement of Estimated Financial Position”) be received and its contents noted.**

**2. The Financial Reports for the period ended 30 June 2023, comprising of the Interim Statement of Comprehensive Income, and the Interim Statement of Financial Position for June 2023 be noted**

#### EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2022-2023 budget for the period ended 30 June 2023 and provides a "statement of estimated financial position" for the 2022-2023 financial year. Key points to note include the following:

- Interim Operating revenue is ahead of budget by \$3.3m.
- Interim Operating expenditure is under budget by \$182k
- The Interim Operating surplus is currently \$2.8m, compared to a budgeted deficit of \$666k

#### BACKGROUND

In accordance with s 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.

Additionally, s 205 of the *Local Government Regulation 2012* requires the Chief Executive Officer to present to the annual budget meeting a Statement of Estimated Financial Position.

#### COMMENT

The 2022-2023 annual budget was adopted on 28 June 2022 and revised on 13 December 2022. The attached interim financial report details progress against revised budget for the period ended 30 June 2023. Also included in the report is the estimated financial position for the financial year ending 30 June 2023.

The following information is provided to assist with interpreting the report, including the provision of relevant graphs.

## PROGRESS AGAINST BUDGET FOR THE PERIOD ENDING 30 JUNE 2023

### Operating Revenue and Expenditure

Key points:

Council is currently undertaking End of Financial Year processes, and results are only interim to 30 June 2023.

Overall year to date operating revenue is \$3.3m ahead of budget.

- Rates and Utility charges are currently ahead of budget \$59k.
- Fees and charges are currently behind budget by \$22k This is primarily due to the following:
  - Daintree River Ferry revenue is currently \$102k behind budget
  - Refuse Tipping fees are currently \$10k ahead of budget and now exceed the annual budget.
  - Licence fees \$8k ahead of budget,
  - Property fees \$3k behind budget.
  - Other fees and charges are currently \$65k ahead of budget including infringements \$26k
- Grants and subsidies are \$2.8m ahead of budget. The Financial Assistance Grant FY 23-2024 has been fully prepaid and was received in June 2023.
- Interest Income is currently \$325k ahead of budget. Ongoing lifts in RBA Cash rate has improved this result.
- Other recurrent income is \$138k ahead of budget. This includes increased works for State Roads maintenance contract

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

- Materials and services expenditure are currently \$744k over budget. This includes Temporary staff costs to cover various vacancies, unbudgeted expenditure on Emergent works and additional dredging for Daintree River Ferry.
- Employee benefits are currently \$828k under budget. This can be impacted by numerous factors, such as staff vacancies, the amount and timing of leave taken and the allocation of costs to capital expenditure. Some of this saving has been offset by the use of temporary staff to fill vacancies.
- Depreciation expense is currently \$39k behind budget. This variance is subject to the timing of asset capitalisation.
- Finance costs are currently \$59k behind budget, this cost will form part of the end of year processes.

## Capital Revenue and Expenditure

Key point:

- Council has received \$3.9m 42% of its revised budgeted capital grants and subsidies, and \$982k in Developer contributions.

Note that in addition to year-to-date capital expenditure of \$17m, a further \$5m was committed as of the end of June 2023.

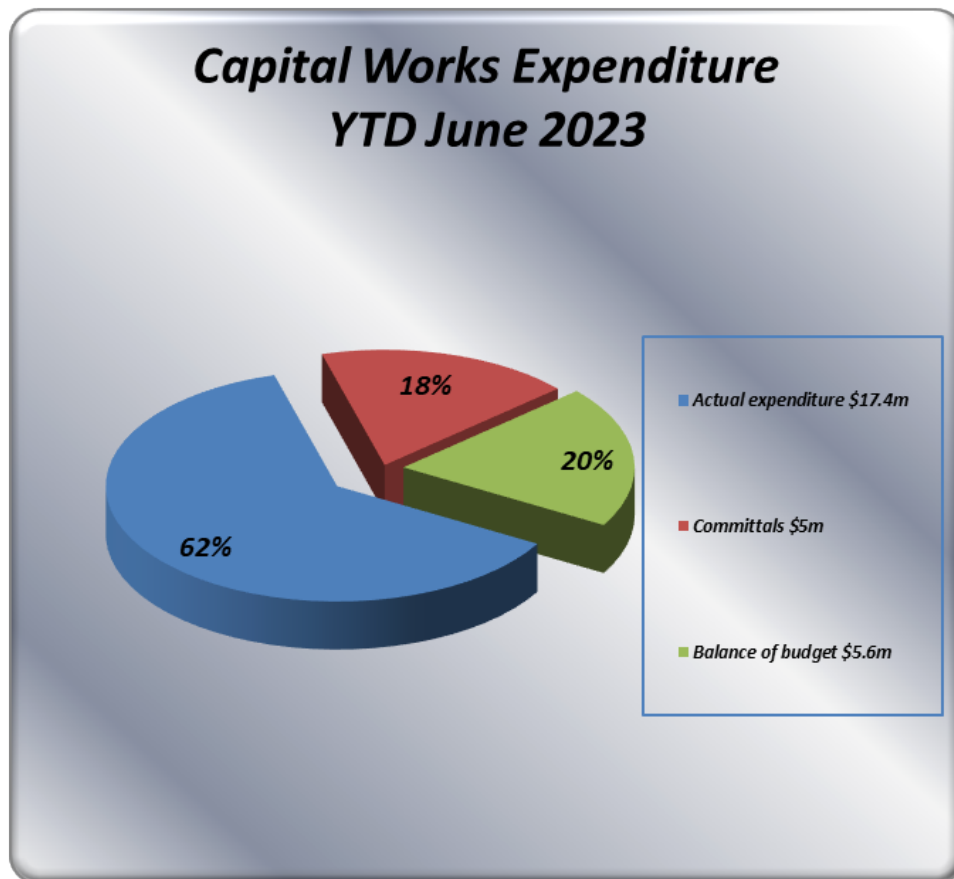


Figure 1.

## Operating Result

### Key point:

- The interim operating result is \$3.5m ahead of budget.

As reflected in the attached report, total operating revenue at the end of June was ahead of budget and operating expenditure was under budget.

This has resulted in an operating Surplus of \$2.8m compared to a budgeted deficit of \$666k.

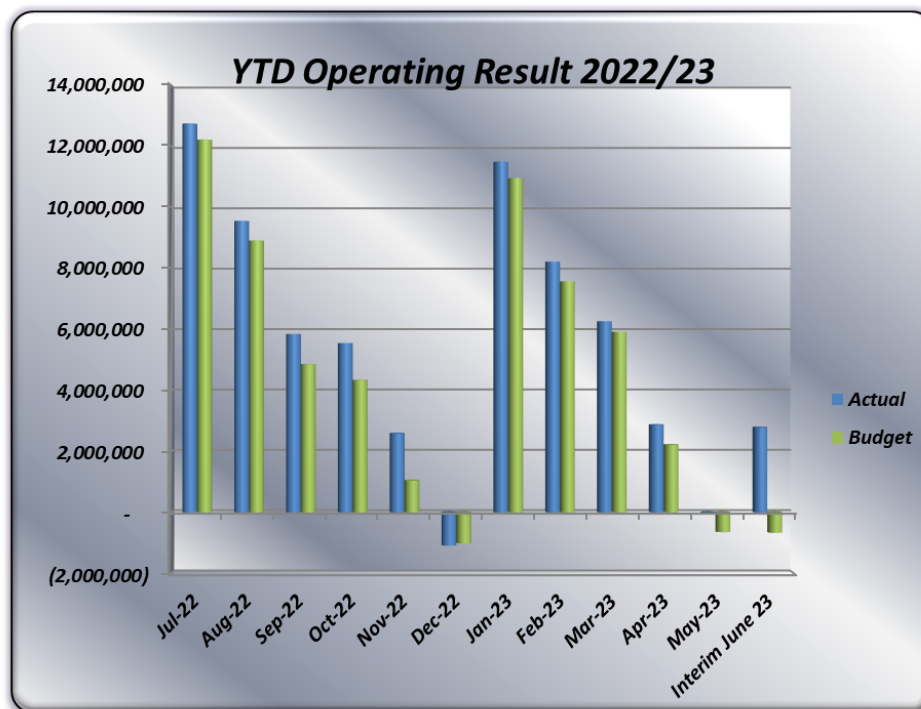


Figure 2.

## ESTIMATED FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDING 30 JUNE 2023

Two columns have been added to the attached financial report to show the Estimated Financial Position and variance to budget for the financial year ending 30 June 2023. This estimate is based on information available (including the variance explanations outlined above) and analysis made at the time of preparing this report. Please note the final result is subject to the finalisation of end of year processes.

The operating result is predicted to be a \$1.6m surplus vs budget deficit \$666k, an improvement of \$2.2m

Operational Revenue is expected to be \$3.2m ahead of budget, which includes \$2.6m for an increase in the Financial Assistance Grant due to an increase in funding and the timing of receipt of payment.

Rates & Utilities are forecast to be \$204k ahead of budget, due to property growth, and an increase in Water usage.

Fees and charges are expected to be behind budget \$86k. This includes Daintree Ferry revenue which is forecast to be \$102k behind budget.

Interest revenue is forecast to be \$325k ahead of budget due to interest rate rises and other recurrent income will be \$150k ahead of budget. This includes increased works for State Roads maintenance contract.

Operational Expenditure is expected to be \$1m over budget including costs for Emergent works caused by the monsoonal weather events \$396k, additional Daintree River Ferry dredging \$157k, Temporary staff cost to fill vacancies \$572k. There is a forecast saving in Employee benefits of \$500k.

Developer Contributions have been forecast to be \$137k ahead of budget.

Capital Grants and Subsidies and Capital Works Expenditure have not been forecast and will be revisited at 2023-2024 budget review as in prior years. It is likely there will be carried forward Capital Works balances from the 2022-2023 financial year.

Council's financial position as at 30 June 2023 will be dependent upon the outcomes of the end of financial year adjustments and final audit processes.

## PROPOSAL

The Interim Financial Reports for the period ended 30 June 2023 and the Statement of Estimated Financial Position for the 2022-2023 financial year be received and noted by Council.

## FINANCIAL/RESOURCE IMPLICATIONS

The forecast end of year financial result for 2022-2023 would see an improvement of \$2.2m vs the budgeted operating result. Primarily due to the early payment of the 2023-2024 Financial Assistance Grant.

## 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 aim of the long-term financial forecast is to meet all three of the 'measures of financial sustainability'.

Council has received prepayment of the 2023-2024 Financial Assistance Grant which has also been significantly increased. This will have a positive impact on Council results.

**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.*

### Operational Plan 2022-2023 Actions:

Legislative requirement.

## 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:

<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 Statement of Comprehensive Income June 2023 and Estimated Financial Position 22-2023 [3.9.1 - 1 page]
2. Interim Statement of Financial Position June 2023 [3.9.2 - 1 page]

<b>Douglas Shire Council Statement of Comprehensive Income Interim Financial Report June 2023</b>						<b>Statement of Estimated Financial Position Financial Year June 2023</b>	
	<b>Actual YTD 23</b>	<b>Budget YTD 23</b>	<b>Variance</b>	<b>Budget 22/23</b>	<b>Actual as % of Budget 22/23</b>	<b>Actual</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>		<b>\$</b>	<b>\$</b>
<b>Operating Revenue</b>							
Rates and utility charges	39,663,814	39,626,789	37,025	39,626,789	100%	39,808,814	182,025
less: Financial Assistance, Remissions (incl. Pensioners)	(608,173)	(630,090)	21,917	(630,090)	97%	(608,173)	21,917
Net rates and utility charges	39,055,641	38,996,699	58,942	38,996,699	100%	39,200,641	203,942
Fees and charges	7,987,252	8,008,782	(21,530)	8,008,782	100%	7,922,971	(85,811)
Grants and subsidies	7,077,438	4,302,488	2,774,950	4,302,488	164%	6,945,915	2,643,427
Interest received	1,052,590	727,937	324,653	727,937	145%	1,052,590	324,653
Other recurrent income	1,350,997	1,213,218	137,779	1,213,218	111%	1,363,218	150,000
<b>Total Operating Revenue</b>	<b>56,523,919</b>	<b>53,249,124</b>	<b>3,274,795</b>	<b>53,249,124</b>	<b>106%</b>	<b>56,485,336</b>	<b>3,236,212</b>
<b>Operating Expenses</b>							
Employee benefits	17,423,883	18,251,821	827,938	18,251,821	95%	17,751,821	500,000
Materials and services	22,744,984	22,001,120	(743,864)	22,001,120	103%	23,467,975	(1,466,855)
Depreciation	13,501,521	13,540,429	38,908	13,540,429	100%	13,540,429	-
Finance costs	62,849	121,550	58,701	121,550	52%	161,550	(40,000)
<b>Total Recurrent Expenses</b>	<b>53,733,237</b>	<b>53,914,920</b>	<b>181,683</b>	<b>53,914,920</b>	<b>100%</b>	<b>54,921,775</b>	<b>(1,006,855)</b>
<b>Operating Result</b>	<b>2,790,682</b>	<b>(665,796)</b>	<b>3,456,478</b>	<b>(665,796)</b>	<b>(419%)</b>	<b>1,563,561</b>	<b>2,229,357</b>
<b>Capital Revenue</b>							
Capital grants and subsidies	3,908,037	9,216,699	(5,308,662)	9,216,699	42%	9,216,699	-
Contributions from developers	982,305	845,191	137,114	845,191	116%	982,305	137,114
Gain/(Loss) non current assets	(260,911)	(145,000)	115,911	(145,000)	180%	(260,911)	(115,911)
<b>Total capital revenue</b>	<b>4,629,431</b>	<b>9,916,890</b>	<b>(5,287,459)</b>	<b>9,916,890</b>	<b>47%</b>	<b>9,938,093</b>	<b>21,203</b>
<b>Net Result</b>	<b>7,420,113</b>	<b>9,251,094</b>	<b>(1,830,981)</b>	<b>9,251,094</b>	<b>80%</b>	<b>11,501,654</b>	<b>2,250,560</b>
<b>Capital Works Program</b>							
Capital additions	17,451,919	28,018,068	10,566,149	28,018,068	62%	28,018,068	-
<b>Total capital additions</b>	<b>17,451,919</b>	<b>28,018,068</b>	<b>10,566,149</b>	<b>28,018,068</b>	<b>62%</b>	<b>28,018,068</b>	<b>-</b>

**Douglas Shire Council**  
**Interim Statement of Financial Position**  
**June 2023**

	2023	2022
	\$	\$
<b>Current assets</b>		
Cash and cash equivalents	14,007,096	13,016,606
Investments	15,060,000	10,000,000
Trade and other receivables, Contract Assets, Prepayments	3,885,744	8,600,546
Inventories	80,076	93,356
<b>Total current assets</b>	<b>33,032,916</b>	<b>31,710,508</b>
<b>Non-current assets</b>		
Property, plant and equipment	451,150,539	457,043,657
Intangible assets	93,800	93,800
<b>Total non-current assets</b>	<b>451,244,339</b>	<b>457,137,457</b>
<b>Total assets</b>	<b>484,277,255</b>	<b>488,847,965</b>
<b>Current liabilities</b>		
Trade and other payables	4,252,329	8,872,284
Provisions	3,641,424	3,513,536
<b>Total current liabilities</b>	<b>7,893,752</b>	<b>12,385,819</b>
<b>Non-current liabilities</b>		
Borrowings		-
Provisions	4,774,882	4,774,883
Unearned Revenue	508,645	460,977
<b>Total non-current liabilities</b>	<b>5,283,527</b>	<b>5,235,860</b>
<b>Total liabilities</b>	<b>13,177,279</b>	<b>17,621,679</b>
<b>Net community assets</b>	<b>471,099,975</b>	<b>471,226,286</b>

*\*\* Statement of Financial Position is a representation of Council's financial position at a point in time. No adjustments or considerations have been assessed or made for outstanding revenues or expenses or ongoing Contract assets or liabilities which arise from the receipt of Grant funding. Assessments of Leave provisions, Landfill provisions are undertaken annually.*