

## 5.8. FINANCIAL REPORT MARCH 2022

<b>REPORT AUTHOR</b>	Tara Killeen, Chief Financial Officer
<b>MANAGER</b>	Rachel Brophy, Chief Executive Officer
<b>DEPARTMENT</b>	Finance and Corporate Services

### RECOMMENDATION

**That Council notes the Financial Report for March 2022.**

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### EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2021/22 annual budget for the period ended 31 March 2022. Key points to note include the following:

- Operating revenue is currently ahead of budget \$268k.
- Operating expenditure is under budget by \$2m.
- The Operating Surplus is currently \$6.8m, compared to a budgeted Surplus of \$4.5m.

### 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.

### COMMENT

The 2021/22 annual budget was adopted on 15 June 2021 and revised on the 30 November 2021. The attached financial report details progress against revised budget for the period ended 31 March 2022.

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 88% of its annual budgeted operating revenue which is in line with previous years (2021 88%).
- Year to date operating expenditure is currently under budget due to the timing of invoices for materials and services, extended staff vacancies and depreciation variance attributed to completion of capital projects.

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

- Rates and utility charges are currently ahead of budget \$200K. Supplementary Rates notices have been issued, and this has seen a lift in Rates & Sewer charges which now exceed their budget by \$10k. Waste revenue is behind budget \$7k and \$17k rebates have been processed in line with the Water Leak Policy. Water Revenue is ahead of budget \$210K after the calculation of the February water notices. The continued hot & dry weather may be a factor along with timing of water meter reads.
- Daintree Ferry revenue is currently \$172k behind budget due to the impact of Covid with border closures longer than originally anticipated. This variance is a slight improvement on February, and will continue to be monitored closely.
- Fees and charges are currently \$47k ahead of budget. There are a number of variances within this category:
  - Refuse Tipping fees are currently \$20k ahead of budget.
  - Licence Fees are currently \$152K behind budget primarily due to timing of issuing Food licences, which have been delayed to May 2022.
  - Property fees are currently \$48k ahead of budget. This is predominantly Property Search fees \$36k ahead due to large volumes of property sales.
  - Other fees and charges are currently \$131k ahead of budget, this includes Mossman Van Park currently \$47k ahead, Pool \$18k ahead, Wonga Van Park \$10k ahead, Cemetery Fees are \$20k ahead. It also includes \$20k for a major Water connection.
- Grants and subsidies are currently \$61k ahead of budget. This includes \$83k for Part 2 of the illegal dumping grant, part of which will likely be carried forward to financial year 2023 as the project work will continue into the next year.
- Interest Income is currently \$39k behind budget. \$20k is from Rates & utility charges, where some significant property arrears have been paid. Investment interest has been less than anticipated at budget review due to low interest rates. Investment interest should start to increase with the receipt of capital grant funds. Council have recently secured 2 \$5m Term Deposits at 1.23% & 1.54% which will assist with this variance.
- Other recurrent income is \$172k ahead of budget. Proceeds from recycled materials are now \$82k ahead of budget, this variance to budget will be permanent and continues to grow. Nursery sales \$22k ahead, and a further \$50k relates to timing of invoices issued for works performed for Transport & Main roads, including works on the pedestrian crossings.

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

- Materials and services expenditure is currently \$1.4m under budget. This variance is primarily due to timing of receipt of invoices and commencement of operational projects. Committals are currently \$4.6m, which include annual purchase orders for major contracts such as Ferry, Waste removal, etc.

- Employee benefits are currently \$411k 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. Some of this variance will be offset in Materials & Services with the use of Temporary staff to cover vacancies. Labour skills shortage has seen a longer timeframe to fill vacant positions.
- Depreciation expense is currently \$189k under budget. This variance is impacted by the timing of completion of capital projects.
- Finance costs are currently \$10k under budget, this is due to timing of the finance charges for rates & water payments.

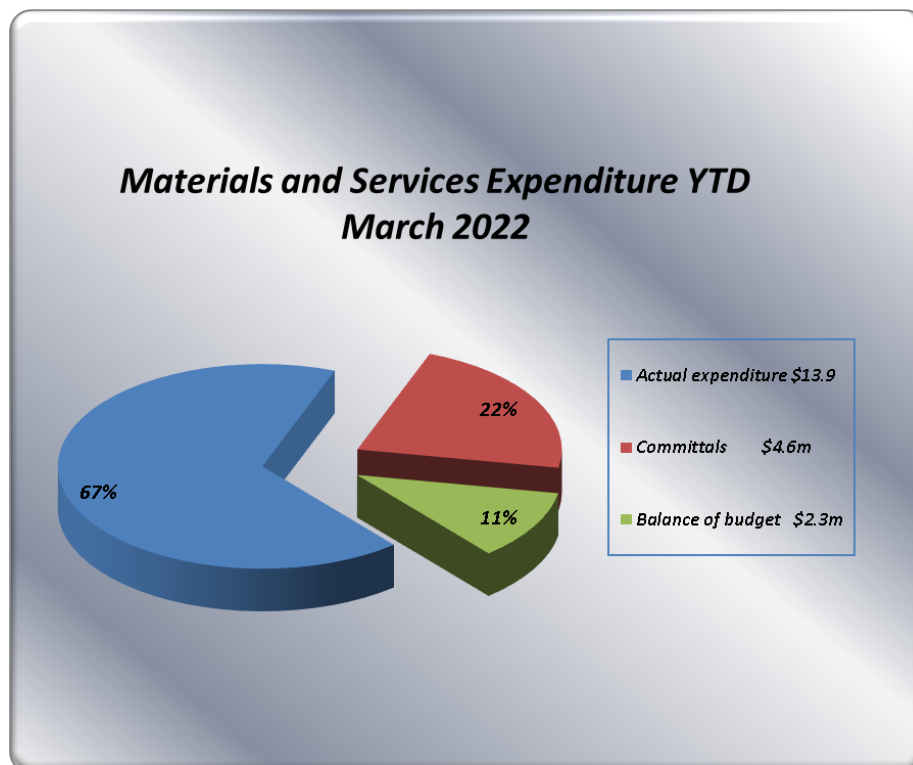


Figure 1 - Materials & Services

### Capital Revenue and Expenditure

Key point:

- Council has received \$6.9m in capital grants and subsidies and \$676k in contributions from developers.

It should be noted that in addition to year-to-date capital expenditure of \$21.8m a further \$6.8m was committed at the end of March 2022.

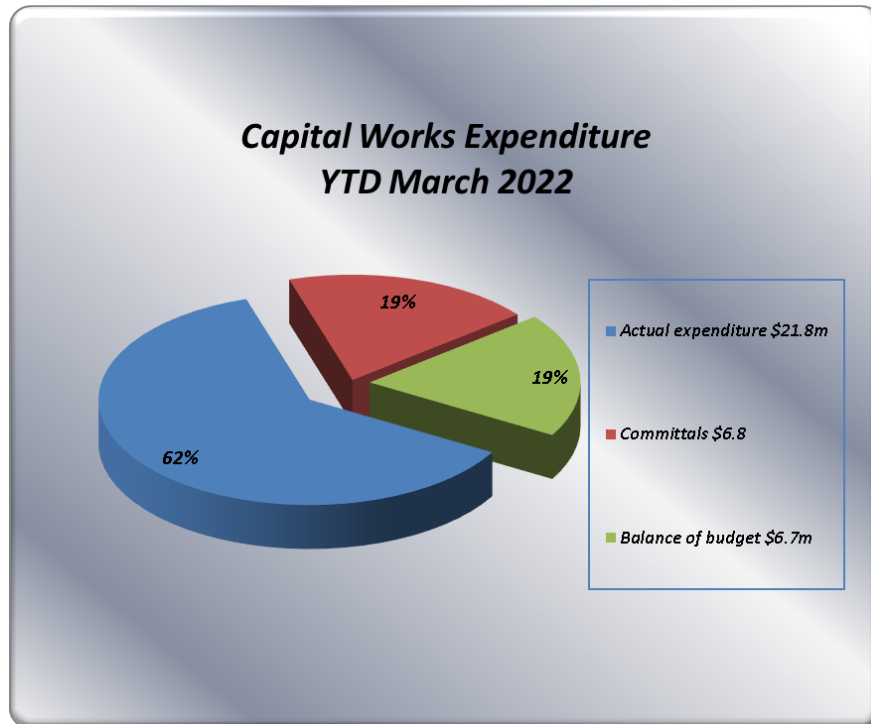


Figure 2 - Capital Expenditure

**Operating Result**

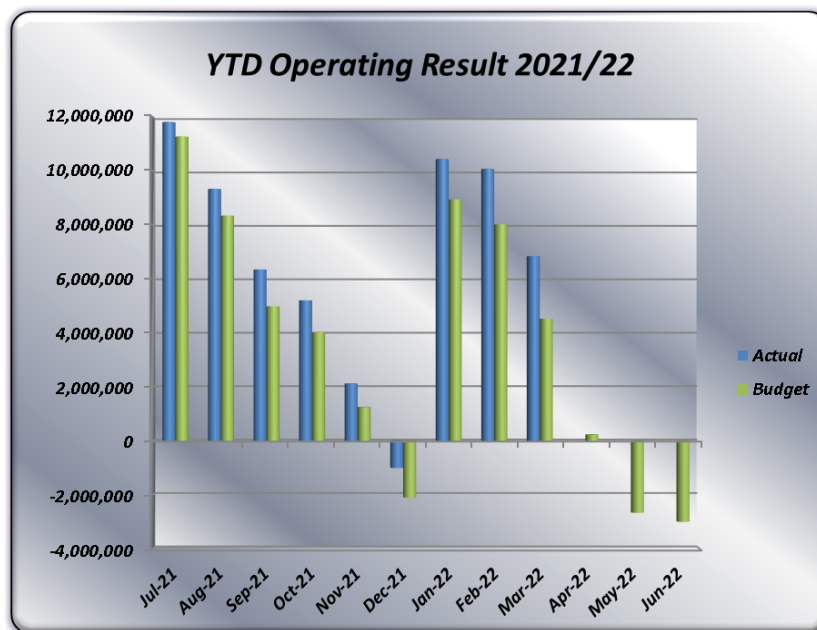


Figure 3 - Operating Results

Key point:

- The operating result is \$2.3m ahead of budget with an operating Surplus of \$6.8m compared to a budgeted Surplus of \$4.5m. It is anticipated that some of this variance will be permanent.

## PROPOSAL

The Financial Report for the period ended 31 March 2022 be received and noted by Council.

## FINANCIAL/RESOURCE IMPLICATIONS

It is noted that continued uncertainty regarding COVID-19 may impact the Shire.

## 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.

Council has received notification that the annual Financial Assistance Grant will be significantly increased, which should have a positive impact on Council results. The timing of the first adjusted instalment will likely be received in June 2022.

**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 March 2022 [**5.8.1** - 1 page]

<b>Douglas Shire Council</b>					
<b>Statement of Comprehensive Income</b>					
<b>Financial Report March 2022</b>					
	<b>Actual YTD 22</b>	<b>Budget YTD 22</b>	<b>Variance</b>	<b>Budget 21/22</b>	<b>Actual as % of</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>Budget 21/22</b>
<b>Operating Revenue</b>					
Rates and utility charges	35,303,979	35,090,463	213,516	37,684,964	94%
less: Financial Assistance, Remissions (incl. Pensioners)	(542,144)	(529,088)	(13,056)	(529,088)	102%
Net rates and utility charges	34,761,333	34,561,375	199,958	37,155,876	94%
Daintree River Ferry Fees & Charges	2,177,343	2,349,803	(172,460)	3,440,791	63%
Fees and charges (excluding Ferry)	2,537,619	2,490,762	46,857	3,096,489	82%
Grants and subsidies	1,372,740	1,311,366	61,374	2,686,858	51%
Interest received	202,297	241,264	(38,967)	355,040	57%
Other recurrent income	1,952,827	1,781,196	171,631	2,133,205	92%
<b>Total Operating Revenue</b>	<b>43,004,160</b>	<b>42,735,766</b>	<b>268,394</b>	<b>48,868,259</b>	<b>88%</b>
<b>Operating Expenses</b>					
Employee benefits	11,868,331	12,279,441	411,110	16,829,577	71%
Materials and services	13,897,139	15,332,426	1,435,287	20,781,849	67%
Depreciation	10,357,773	10,546,909	189,136	14,098,367	73%
Finance costs	49,835	59,373	9,538	150,705	33%
<b>Total Recurrent Expenses</b>	<b>36,173,078</b>	<b>38,218,149</b>	<b>2,045,071</b>	<b>51,860,498</b>	<b>70%</b>
<b>Operating Result</b>	<b>6,831,082</b>	<b>4,517,617</b>	<b>2,313,465</b>	<b>(2,992,238)</b>	<b>(228%)</b>
<b>Capital Revenue</b>					
Capital grants and subsidies	6,872,760	19,169,392	(12,296,632)	19,169,392	36%
Contributions from developers	676,021	250,000	426,021	250,000	270%
<b>Total capital revenue</b>	<b>7,548,781</b>	<b>19,419,392</b>	<b>(11,870,611)</b>	<b>19,419,392</b>	<b>39%</b>
<b>Net Result</b>	<b>14,379,863</b>	<b>23,937,009</b>	<b>(9,557,146)</b>	<b>16,427,154</b>	<b>88%</b>
<b>Capital Works Program</b>					
Capital additions	21,844,184	35,338,962	13,494,778	35,338,962	62%
<b>Total capital additions</b>	<b>21,844,184</b>	<b>35,338,962</b>	<b>13,494,778</b>	<b>35,338,962</b>	<b>62%</b>