

## 6. OFFICERS REPORTS

### 6.1. FINANCIAL REPORTS MAY 2023

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**MANAGER** Rachel Brophy, Chief Executive Officer

**DEPARTMENT** Finance and Corporate Services

#### RECOMMENDATION

**That Council notes the Financial Reports, comprising of the Statement of Comprehensive Income and the Statement of Financial Position for May 2023.**

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#### EXECUTIVE SUMMARY

The Statement of Comprehensive Income details the progress of the 2022-2023 budget for the period ended 31 May 2023. Additionally, the Statement of Financial Position which reports the Council's Assets and Liabilities at 31 May 2023. Attached are the Financial Reports for period end 31 May 2023.

Key points to note include the following:

- Operating revenue is ahead of budget by \$632k. Expenditure is behind budget \$9k. The operating deficit is currently \$19k compared to a budgeted deficit of \$642k.
- The Statement of Financial Position reflects net Community Assets of \$470m.

#### 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 2022-2023 annual budget was adopted on 28 June 2022 and revised on the 13 December 2022. The attached financial report details progress against revised budget for the period ended 31 May 2023.

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

## FINANCIAL REPORT – Statement of Comprehensive Income

### Operating Revenue and Expenditure

#### Key points:

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

- Rates & Utility Charges are ahead of budget by \$304k. This is primarily due to water consumption, which is currently \$271k ahead of budget. Financial assistance for Water leaks is currently behind budget \$19k. Significant leaks have been detected quickly with the installation of smart meters. This project is ongoing and expecting to be completed mid-year.
- Fees and charges are behind budget by \$117k. This is due to the following:
  - Daintree Ferry revenue currently \$152k behind budget. A slowing in Tourism and inclement weather may contribute to this variance, along with the Ferry closure in March.
  - Licence fees are ahead of budget \$35k.
  - Building and Property related fees currently \$86k behind budget, which includes property search fees which are currently \$18k behind budget.
  - Refuse Tipping fees are ahead of budget \$34k
  - Other Fees and charges are \$52k ahead of budget. Infringements are \$24k ahead, Port Douglas Markets \$10k ahead of budget and Hall hire, including Sugar Wharf \$18k ahead of budget.
- Grants and Subsidies are \$11k ahead of budget.
- Interest is \$271k ahead of budget. Continued interest rate increases, combined with increased Council cash holdings, continue to have a positive effect on Council revenue.
- Other recurrent income is \$164k ahead of budget. There have been additional works on the Port Douglas pontoon \$30k, additional Income from recyclable materials \$31k, and additional works for the State Road maintenance contract contribute to this variance.

Regarding year-to-date expenditure, variations to budget are as follows:

- Employee benefits expenditure is \$527k under budget and may be impacted by various factors, such as staff vacancies and the amount and timing of leave taken. Difficulties in recruitment and filling vacant positions has seen this variance partially offset, with the use of Contract staff.
- Materials and services expenditure is \$597k over budget year to date. This includes expenditure in Temporary staff to offset staff vacancies and materials and service expenditure for Emergent Works. Committals are currently \$4m including purchase orders for annual expenditure for items such as Ferry and Waste. It is unknown at this time, when Council will receive reimbursement for the Emergent Works cost for the Monsoon events.
- Depreciation expense is currently \$57k under budget.

## Operating Result

### Key point:

- The operating result is \$623k ahead of budget.

As reflected in the attached report, total operating revenue at the end of May 2023 was \$632K ahead of budget and operating expenditure \$9k over budget. This has resulted in an operating deficit of \$19k compared to a budgeted deficit of \$642k for year to date.

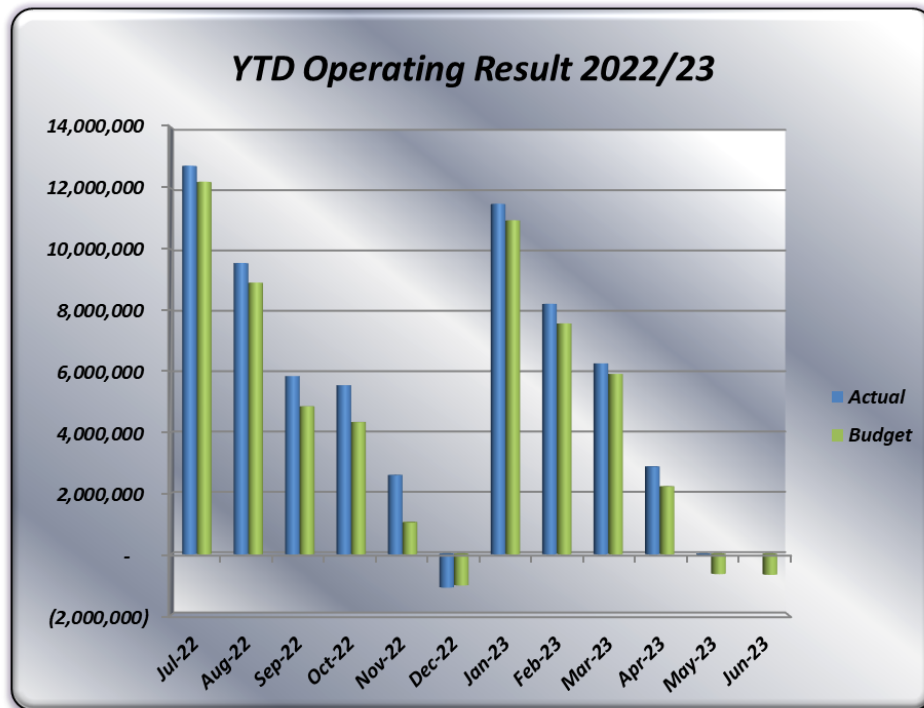


Figure 1.

## Capital Revenue and Expenditure

### Key point:

- Council has received 39%, \$3.6m of its annual budgeted capital grants and subsidies. \$1m has also been received in Developer Contributions.
- The \$187k Loss on non-current assets is attributed to road infrastructure and water assets.
- Full budget amounts for capital revenue and expenditure are allocated in the report to July and December 2022.

Capital works income and expenditure budgets include projects that may be completed across multiple financial years.

It should be noted that in addition to year-to-date capital expenditure of \$13.2m a further \$6.8m had been committed as at the end of May 2023.

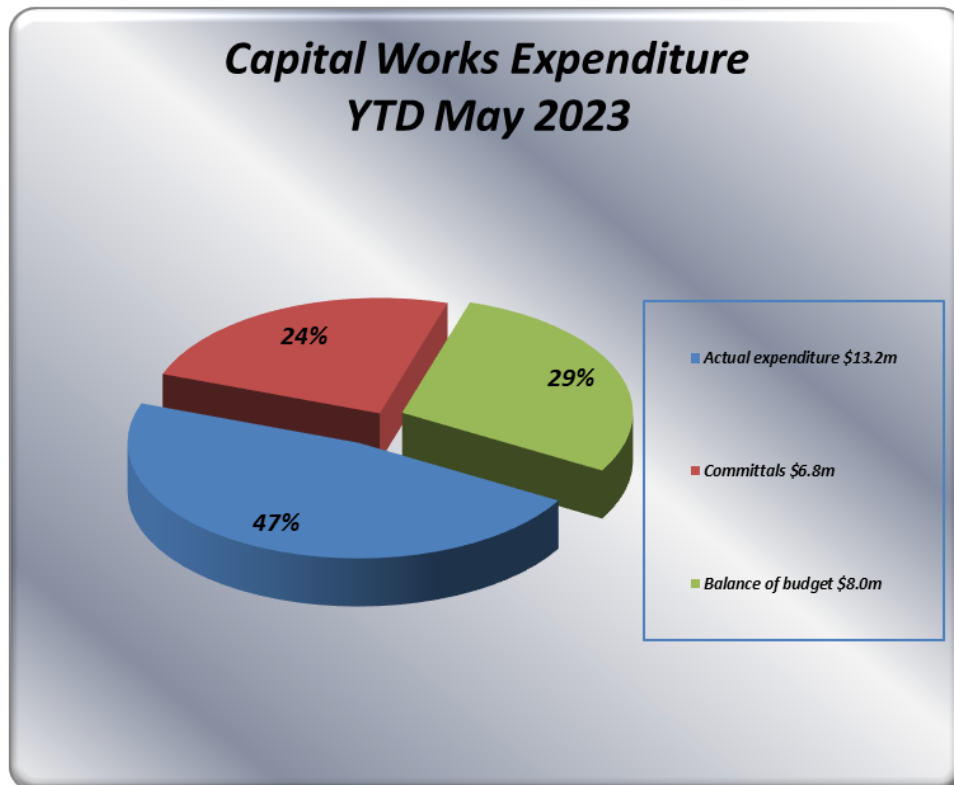


Figure 2.

## FINANCIAL STATEMENT - Statement of Financial Position

The Statement of Financial Position reflects Net Community assets of \$470.3m

## PROPOSAL

That Council notes the Financial Reports, comprising of the Statement of Comprehensive Income and the Statement of Financial Position for May 2023.

## FINANCIAL/RESOURCE IMPLICATIONS

Council has received advice that the Financial Assistance Grant for FY23-2024 will be prepaid in full prior to 30 June 2023. This will have a significant impact on the FY22-2023 financial year result.

## 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

|                       |  |
|-----------------------|--|
| <b>Economic:</b>      | The aim of the long-term financial forecast is to meet all three of the 'measures of financial sustainability' |
| <b>Environmental:</b> | Nil  |
| <b>Social:</b>        | 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. Statement of Comprehensive Income May 2023 [6.1.1 - 1 page]
2. Statement of Financial Position May 2023 [6.1.2 - 1 page]

| <b>Douglas Shire Council<br/>Statement of Comprehensive Income<br/>Financial Report May 2023</b> |                      |                      |                    |                     |  |
|--|----------------------|----------------------|--------------------|---------------------|--|
|  | <b>Actual YTD 23</b> | <b>Budget YTD 23</b> | <b>Variance</b>    | <b>Budget 22/23</b> | <b>Actual as % of<br/>Budget 22/23</b> |
|  | <b>\$</b>            | <b>\$</b>            | <b>\$</b>          | <b>\$</b>           |  |
| <b>Operating Revenue</b>   |                      |                      |                    |                     |  |
| Rates and utility charges  | 37,187,352           | 36,904,503           | 282,849            | 39,626,789          | 94%                                    |
| less: Financial Assistance, Remissions (incl. Pensioners)  | (608,286)            | (629,690)            | 21,404             | (630,090)           | 97%                                    |
| Net rates and utility charges  | 36,579,066           | 36,274,813           | 304,253            | 38,996,699          | 94%                                    |
| Fees and charges   | 7,140,229            | 7,257,507            | (117,278)          | 8,008,782           | 89%                                    |
| Grants and subsidies   | 2,508,384            | 2,497,649            | 10,735             | 4,302,488           | 58%                                    |
| Interest received  | 939,178              | 668,024              | 271,154            | 727,937             | 129%                                   |
| Other recurrent income   | 1,223,823            | 1,060,177            | 163,646            | 1,213,218           | 101%                                   |
| <b>Total Operating Revenue</b>   | <b>48,390,679</b>    | <b>47,758,170</b>    | <b>632,509</b>     | <b>53,249,124</b>   | <b>91%</b>                             |
| <b>Operating Expenses</b>  |                      |                      |                    |                     |  |
| Employee benefits  | 16,036,430           | 16,563,193           | 526,763            | 18,251,821          | 88%                                    |
| Materials and services   | 19,946,124           | 19,349,953           | (596,171)          | 22,001,120          | 91%                                    |
| Depreciation   | 12,367,588           | 12,424,441           | 56,853             | 13,540,429          | 91%                                    |
| Finance costs  | 59,979               | 63,050               | 3,071              | 121,550             | 49%                                    |
| <b>Total Recurrent Expenses</b>  | <b>48,410,122</b>    | <b>48,400,637</b>    | <b>(9,485)</b>     | <b>53,914,920</b>   | <b>90%</b>                             |
| <b>Operating Result</b>  | <b>(19,442)</b>      | <b>(642,467)</b>     | <b>623,025</b>     | <b>(665,796)</b>    | <b>3%</b>                              |
| <b>Capital Revenue</b>   |                      |                      |                    |                     |  |
| Capital grants and subsidies   | 3,626,117            | 9,216,699            | (5,590,582)        | 9,216,699           | 39%                                    |
| Contributions from developers  | 948,763              | 845,191              | 103,572            | 845,191             | 112%                                   |
| Gain/(Loss) non current assets   | (186,869)            | (145,000)            | 41,869             | (145,000)           | 129%                                   |
| <b>Total capital revenue</b>   | <b>4,388,011</b>     | <b>9,916,890</b>     | <b>(5,528,879)</b> | <b>9,916,890</b>    | <b>44%</b>                             |
| <b>Net Result</b>  | <b>4,368,569</b>     | <b>9,274,423</b>     | <b>(4,905,854)</b> | <b>9,251,094</b>    | <b>47%</b>                             |
| <b>Capital Works Program</b>   |                      |                      |                    |                     |  |
| Capital additions  | 13,225,379           | 28,018,068           | 14,792,689         | 28,018,068          | 47%                                    |
| <b>Total capital additions</b>   | <b>13,225,379</b>    | <b>28,018,068</b>    | <b>14,792,689</b>  | <b>28,018,068</b>   | <b>47%</b>                             |

**Douglas Shire Council**  
**Statement of Financial Position**  
**May 2023**

|   | 2023               | 2022               |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| <b>Current assets</b>                                     |                    |                    |
| Cash and cash equivalents                                 | 10,276,163         | 13,016,606         |
| Investments   | 20,060,000         | 10,000,000         |
| Trade and other receivables, Contract Assets, Prepayments | 1,437,182          | 8,600,546          |
| Inventories   | 104,330            | 93,356             |
| <b>Total current assets</b>                               | <b>31,877,675</b>  | <b>31,710,508</b>  |
| <b>Non-current assets</b>                                 |                    |                    |
| Property, plant and equipment                             | 452,280,716        | 457,043,657        |
| Intangible assets   | 93,800             | 93,800             |
| <b>Total non-current assets</b>                           | <b>452,374,516</b> | <b>457,137,457</b> |
| <b>Total assets</b>                                       | <b>484,252,191</b> | <b>488,847,965</b> |
| <b>Current liabilities</b>                                |                    |                    |
| Trade and other payables                                  | 5,114,694          | 8,872,284          |
| Provisions  | 3,604,516          | 3,513,536          |
| <b>Total current liabilities</b>                          | <b>8,719,210</b>   | <b>12,385,819</b>  |
| <b>Non-current liabilities</b>                            |                    |                    |
| Borrowings  |                    | -                  |
| Provisions  | 4,774,882          | 4,774,883          |
| Unearned Revenue  | 460,977            | 460,977            |
| <b>Total non-current liabilities</b>                      | <b>5,235,859</b>   | <b>5,235,860</b>   |
| <b>Total liabilities</b>                                  | <b>13,955,069</b>  | <b>17,621,679</b>  |
| <b>Net community assets</b>                               | <b>470,297,122</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.*