

3.9. STATEMENT OF ESTIMATED FINANCIAL POSITION 2021-2022

REPORT AUTHOR	Tara Killeen, Chief Financial Officer
MANAGER	Rachel Brophy, Chief Executive Officer
DEPARTMENT	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 2021-2022 financial year (“the Statement of Estimated Financial Position”) be received and its contents noted.**
- 2. The Financial Report for the period ended 31 May 2022 be noted.**

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2021-2022 budget for the period ended 31 May 2022 and provides a "statement of estimated financial position" for the 2021-2022 financial year. Key points to note include the following:

- Operating revenue is ahead of budget by \$1.6m.
- Operating expenditure is under budget by \$2.3m.
- The Operating surplus is currently \$1.2m, compared to a budgeted deficit of \$2.7m.

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 2021-2022 annual budget was adopted on 15 June 2021 and revised on 30 November 2021. The attached financial report details progress against revised budget for the period ended 31 May 2022. Also included in the report is the estimated financial position for the financial year ending 30 June 2022.

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

PROGRESS AGAINST BUDGET FOR THE PERIOD ENDING 31 MAY 2022

Operating Revenue and Expenditure

Key points:

- Council has received 94% of its annual budgeted operating revenue
- Year to date operating expenditure is currently under budget

Overall year to date operating revenue is \$1.6m ahead of budget.

- Rates and Utility charges are currently ahead of budget \$240k. A number of factors impact this result including the supplementary rating for the subdivision at Craiglie. This is reflected in an increase in Rates & Utilities revenue of \$39k. Water is currently \$219k ahead of budget, however Council has one more Water notice to be issued in late June; the timing of these notices may impact the variance. Rates rebates, including concealed water leak claims exceed budget by \$18k.
- Daintree Ferry revenue is currently \$217k behind budget.
- Fees and charges are ahead of budget by \$252k. This is primarily due to the following:
 - Refuse Tipping fees are currently \$37k ahead of budget and now exceed the annual budget.
 - Licence fees \$21k ahead of budget, which includes issuing of prescribed activity charges.
 - Property fees \$56k ahead budget. This includes rates search fees which are \$50k ahead of budget. This now exceeds the annual budget. More than 1200 properties have changed ownership this financial year.
 - Other fees and charges are currently \$138k ahead of budget including Van Parks \$66k, Trade Waste \$ 14k, Water Connections \$25k, Cemetery fees \$16k and Pool \$9k.
- Grants and subsidies are \$1.2m ahead of budget. The Financial Assistance Grant was received in April vs budgeted in June \$851k. It is anticipated there will be a permanent improvement of approximately \$436k for this Grant.
- Interest Income is currently \$41k behind budget. \$38k is from Rates & utility charges, where some significant property arrears have been paid. Investment interest \$3k has been less than anticipated at budget review due to low interest rates. The recent lift in RBA cash rate will improve Council's interest revenue from it's operating account. Council have recently secured two \$5m Term Deposits at 1.23% & 1.54% which will assist with this variance.
- Other recurrent income is \$163k ahead of budget, which includes proceeds from recycled materials \$130k ahead of budget, Nursery sales \$31k ahead.

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

- Materials and services expenditure is currently under budget \$1.6m. This variance is primarily due to timing of receipt of invoices. Committals are currently \$3.4m, which include Annual purchase orders for major contracts such as Ferry, Waste removal, etc. Committals at the same time last year were \$3m. Difficulties in procuring supplies is contributing to this variance.
- Employee benefits are currently \$406k 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.
- Depreciation expense is currently \$268k behind budget. This variance is subject to the timing of asset capitalisation. There is expected to be a small permanent saving.
- Finance costs are currently \$11k behind budget.

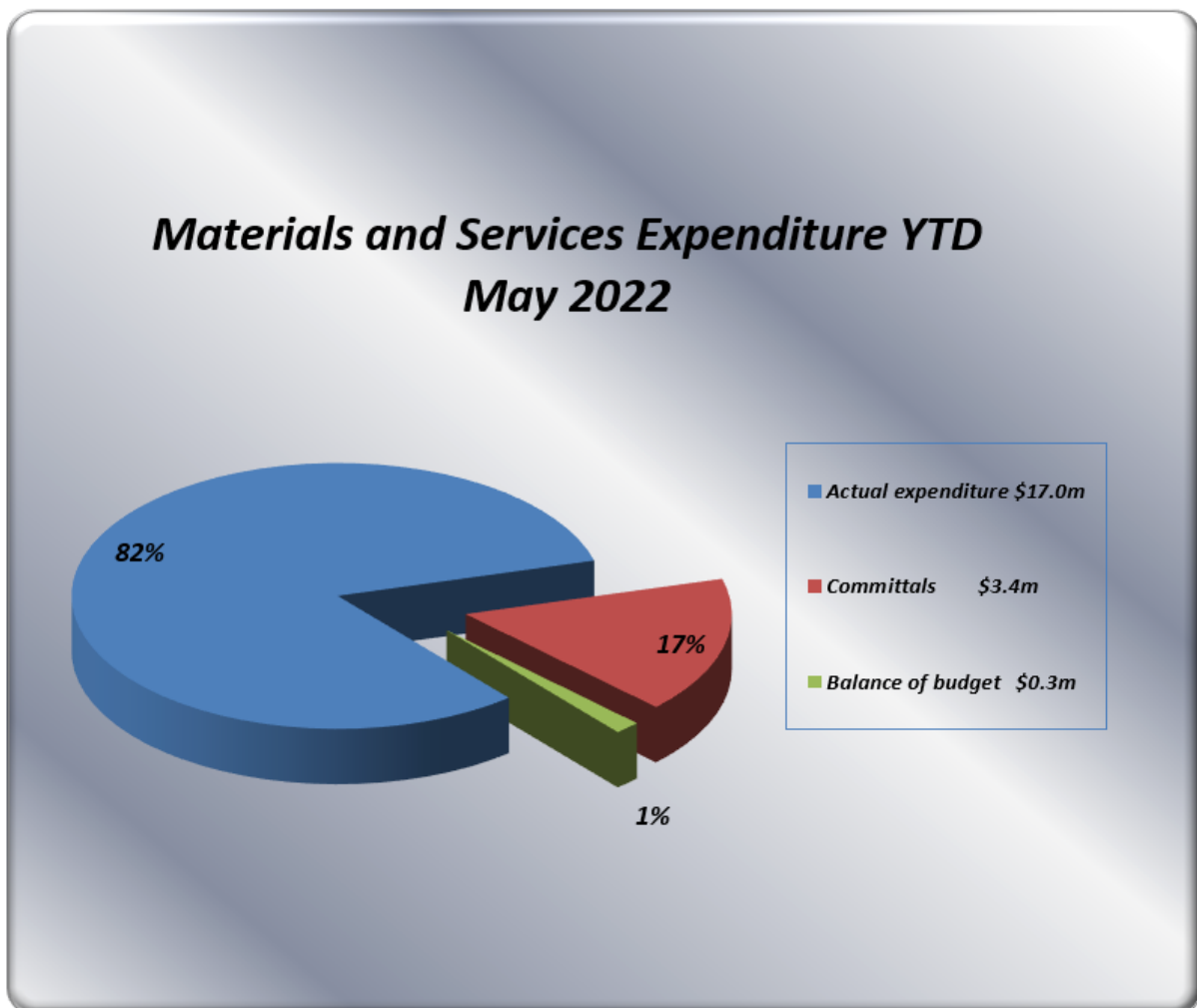


Figure 1.

Capital Revenue and Expenditure

Key point:

- Council has received 52% of its revised budgeted capital grants and subsidies, and \$734k in Developer contributions.

It should be noted that in addition to year-to-date capital expenditure of \$24m, a further \$6.8m had been committed as at the end of May 2022.

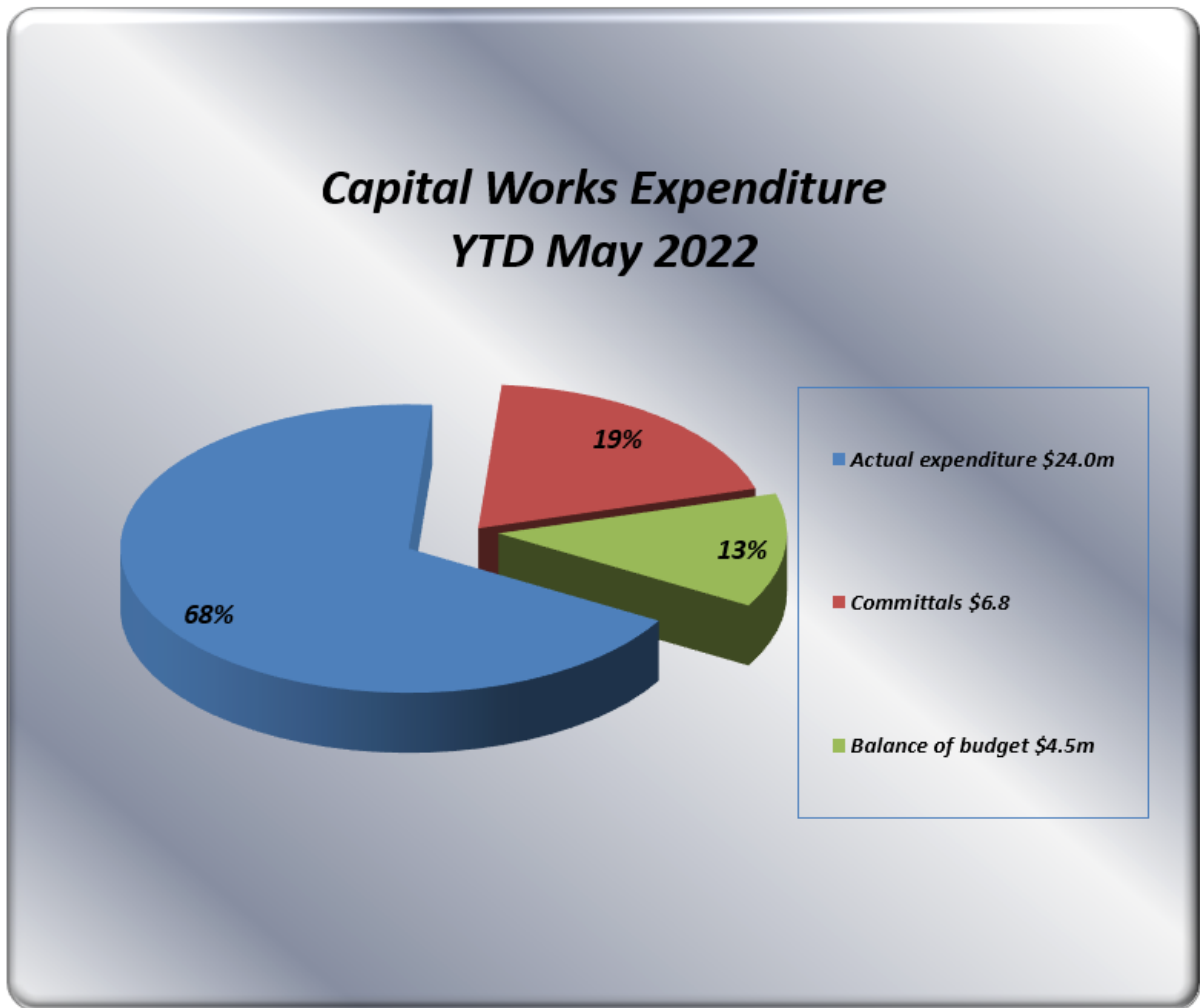


Figure 2.

Operating Result

Key point:

- The operating result is \$3.9m ahead of budget.

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

This has resulted in an operating Surplus of \$1.2m compared to a budgeted deficit of \$2.7m.

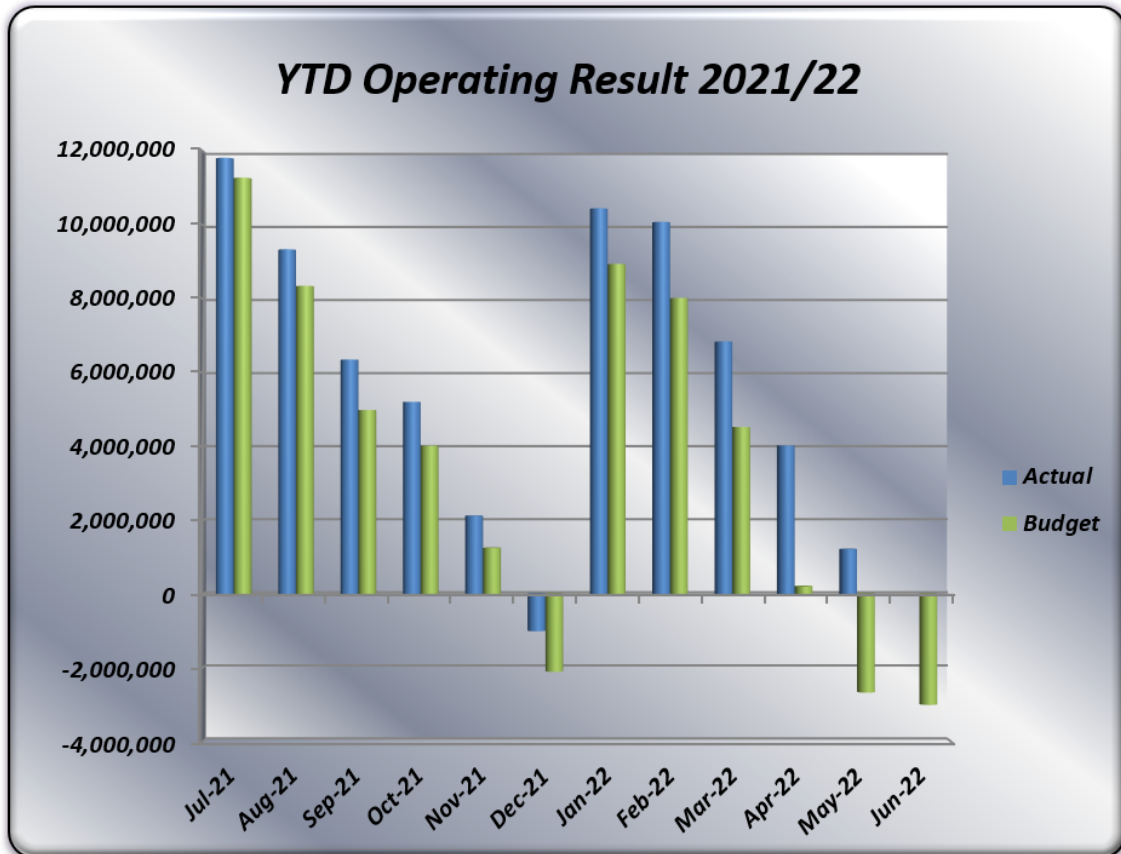


Figure 3.

ESTIMATED FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDING 30 JUNE 2022

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 2022. This estimate is based on information available (including the variance explanations outlined above) and analysis made at the time of preparing this report.

The operating result is predicted to be a \$1.9m deficit vs budget deficit \$3.0m, an improvement of \$1.1m

Operational Revenue is expected to be \$193k ahead of budget, which includes \$436k for an increase in the Financial Assistance Grant. This is offset by grants that have been received in 2022 financial year, which will need to be carried forward to the 2023 financial year, resulting in a net grant increase of \$28k. Rates & Utilities are forecast to be \$97k ahead of budget, due to property growth, and increase in Water usage.

Daintree Ferry revenue is forecast to be \$220k behind budget. Other fees and charges such as refuse, van park fees, water connections and search fees are forecast to be \$252k ahead of budget.

Operational Expenditure is expected to be \$872k under budget. This includes a forecast saving in Employee benefits of \$350k. This is primarily due to vacant positions.

There is a forecast saving in Materials & services of \$522k. This estimated savings is due to various uncompleted projects which have been carried forward to 2023. Savings in Depreciation are difficult to quantify at this time due to large asset capitalisations in progress and have not been forecast.

Developer Contributions have been forecast to be \$484k ahead of budget.

Capital Grants and Subsidies and Capital Works Expenditure have not been forecast and will be revisited at 2022-2023 budget review as in prior years. It is likely there will be carried forward Capital Works balances from the 2021-2022 financial year.

Council's financial position as at 30 June 2022 will be dependent upon the outcomes of the end of financial year adjustments and final audit processes.

PROPOSAL

The Financial Report for the period ended 31 May 2022 and the Statement of Estimated Financial Position for the 2021/22 financial year be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

The forecast end of year financial result for 2021-2022 would see an improvement of \$1.1m vs the budgeted operating result. Council is moving towards a more sustainable financial position and is overcoming the impact of COVID-19.

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 has had a negative impact on the economic sustainability of Douglas Shire Council and may impact sustainability ratios. The aim of the long-term financial forecast is to meet all three of the 'measures of financial sustainability'.

Council has received notification that the annual Financial Assistance Grant will be significantly increased, which will have a positive impact on Council results. A prepaid instalment of the grant has been received in April 2022. This has been reflected in the current forecast and the 2023 Budget.

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. Statement of Estimated Financial Position 2021-2022 [3.9.1 - 1 page]

Douglas Shire Council Statement of Comprehensive Income Financial Report May 2022						Statement of Estimated Financial Position Financial Year June 2022	
	Actual YTD 22	Budget YTD 22	Variance	Budget 21/22	Actual as % of Budget 21/22	Actual	Variance
	\$	\$	\$	\$		\$	\$
Operating Revenue							
Rates and utility charges	35,348,504	35,090,463	258,041	37,684,964	94%	37,801,964	117,000
less: Financial Assistance, Remissions (incl. Pensioners)	(547,384)	(529,088)	(18,296)	(529,088)	103%	(549,088)	(20,000)
Net rates and utility charges	34,801,096	34,561,375	239,721	37,155,876	94%	37,252,876	97,000
Daintree River Ferry Fees & Charges	2,830,120	3,047,160	(217,040)	3,440,791	82%	3,220,791	(220,000)
Fees and charges (excluding Ferry)	3,092,044	2,839,810	252,234	3,096,489	100%	3,348,489	252,000
Grants and subsidies	2,941,455	1,766,952	1,174,503	2,686,858	109%	2,714,858	28,000
Interest received	267,340	308,851	(41,511)	355,040	75%	315,040	(40,000)
Other recurrent income	2,192,912	2,029,864	163,048	2,133,205	103%	2,209,705	76,500
Total Operating Revenue	46,124,967	44,554,012	1,570,955	48,868,259	94%	49,061,759	193,500
Operating Expenses							
Employee benefits	15,190,351	15,596,633	406,282	16,829,577	90%	16,479,577	350,000
Materials and services	17,006,479	18,622,657	1,616,178	20,781,849	82%	20,259,849	522,000
Depreciation	12,658,596	12,926,826	268,230	14,098,367	90%	14,098,367	-
Finance costs	56,017	67,569	11,552	150,705	37%	150,705	-
Total Recurrent Expenses	44,911,443	47,213,685	2,302,242	51,860,498	87%	50,988,498	872,000
Operating Result	1,213,525	(2,659,673)	3,873,198	(2,992,238)	(41%)	(1,926,739)	1,065,499
Capital Revenue							
Capital grants and subsidies	9,920,675	19,169,392	(9,248,717)	19,169,392	52%	19,169,392	-
Contributions from developers	734,202	250,000	484,202	250,000	294%	734,202	484,202
Total capital revenue	10,654,877	19,419,392	(8,764,515)	19,419,392	55%	19,903,594	484,202
Net Result	11,868,401	16,759,719	(4,891,318)	16,427,154	72%	17,976,855	1,549,701
Capital Works Program							
Capital additions	24,019,120	35,338,962	11,319,842	35,338,962	68%	35,338,962	-
Total capital additions	24,019,120	35,338,962	11,319,842	35,338,962	68%	35,338,962	-