

5.10. FINANCIAL REPORT OCTOBER 2021

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DEPARTMENT	Finance and Corporate Services

RECOMMENDATION

That Council notes the Financial Report for October 2021.

EXECUTIVE SUMMARY

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

- Operating revenue is ahead of budget by \$893k.
- Operating expenditure is under budget by \$288k.
- The Operating Surplus is currently \$5.2m, compared to a budgeted Surplus of \$4.0m.

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 October 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 46% 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 \$108k behind budget. The October water billing is \$142k behind budget. This may be attributed to several factors, including a COVID-19 impacted tourism season, and the Winter rain showers that were experienced. This has been partially offset with the issue of supplementary Rates notices due to the receipt of data in relation to 2 recent subdivisions.
- Daintree Ferry revenue is currently \$286k 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 \$223k ahead of budget. There are a number of variances within this category:
 - Refuse Tipping fees are currently \$3k ahead of budget.
 - Licence Fees are currently \$27k behind budget due to timing of issuing notices.
 - Property fees are currently \$162k ahead of budget. This includes payment of development application fees. Property Search Fees also continue strongly and are \$56k ahead of budget.
 - Other fees and charges are currently \$85k ahead of budget and the variance is caused by several areas including but not limited to: Van Parks \$58k ahead of budget, Cemetery Fees \$9k ahead and increased volume of Septage, sees this area also ahead of budget \$12k. The timing of charges for the School Swimming programs sees the Pool currently ahead of budget \$18k. Some changes to agreements for Flagstaff hill see this area \$15k behind budget. Revenue for Port Douglas Markets is also \$8k behind budget.
- Grants and subsidies are \$458k ahead of budget. This is partially 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. A new SES grant \$40k for the provision of a vehicle and \$8k for the continuation of the Move it program. 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. Council has also received \$127.5k DRFA funding for Emergent Expenses incurred during the Monsoonal low in April. Timing of the receipt of the Annual SES subsidy accounts for a further \$20k.
- Interest Income is currently \$16k behind budget. Collection of outstanding rates & water, the timing of the budgets along with the provision of a 30-day interest free grace period for payment of the recent rates levied has contributed to this variance.
- Other recurrent income is \$623k ahead of budget. This includes revenue for Works performed for TMR (Transport & Main Roads) including the Macrossan Street works, Pedestrian crossings and DRFA works. The future impact of this will be considered when the budget revision occurs with the majority of this revenue being 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 \$60k under budget. This variance is primarily due to timing of receipt of invoices and commencement of operational projects. Significant expenditure has occurred and will continue to occur for the TMR works and will be factored in the budget revision currently underway. Committals are currently \$7.1M, which include annual purchase orders for major contracts such as Ferry, Waste removal, etc.
- Employee benefits are currently \$121k 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 currently \$106.6k under budget. This variance is impacted by the timing of completion of capital projects.
- Finance costs are currently online with budget.

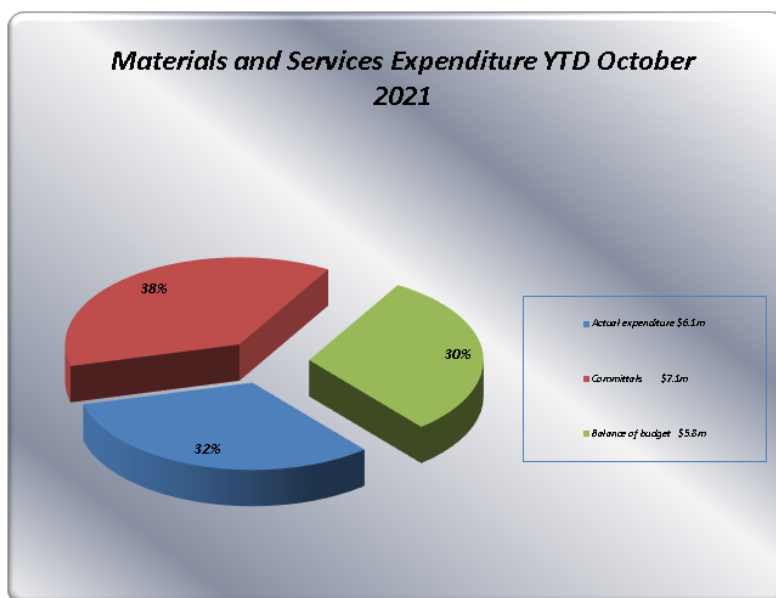


Figure 1 - Materials & Services

Capital Revenue and Expenditure

Key point:

- Council has received \$2.3m in capital grants and subsidies and \$630k in contributions from developers.

It should be noted that in addition to year-to-date capital expenditure of \$11.1m a further \$13.1m was committed at the end of October 21. The Expenditure and commitment amounts include carry forward costs from unfinished 2020/21 projects which will be included in the revised budget.

Operating Result

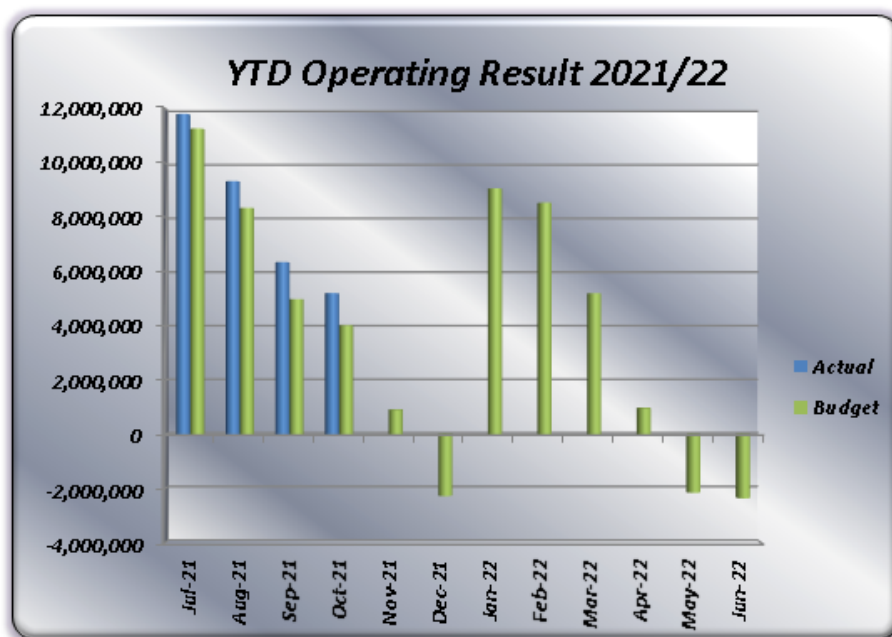


Figure 2 - Operating Results

Key point:

- The operating result is \$1.2m ahead of budget with an operating Surplus of \$5.2m compared to a budgeted Surplus of \$4m.

PROPOSAL

The Financial Report for the period ended 31 October 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 October 2021 [5.10.1 - 1 page]

Douglas Shire Council Statement of Comprehensive Income Financial Report October 2021	Actual YTD 22 \$	Budget YTD 22 \$	Variance \$	Budget 21/22 \$	Actual as % of Budget 21/22
Operating Revenue					
Rates and utility charges	17,537,996	17,640,000	(102,004)	37,784,630	46%
less: Financial Assistance, Remissions (incl. Pensioners)	(267,768)	(262,044)	(5,724)	(524,088)	51%
Net rates and utility charges	17,270,243	17,377,956	(107,913)	37,260,543	46%
Daintree River Ferry Fees & Charges	1,267,674	1,553,763	(286,089)	3,780,791	34%
Fees and charges (excluding Ferry)	1,390,680	1,168,024	222,656	2,824,724	49%
Grants and subsidies	792,255	334,388	457,867	2,380,383	33%
Interest received	93,849	110,267	(16,418)	355,040	26%
Other recurrent income	906,852	283,873	622,979	997,274	91%
Total Operating Revenue	21,721,353	20,828,271	893,082	47,598,755	46%
Operating Expenses					
Employee benefits	5,808,130	5,929,630	121,500	16,833,359	35%
Materials and services	6,117,928	6,177,416	59,488	19,049,586	32%
Depreciation	4,574,642	4,681,242	106,600	13,896,369	33%
Finance costs	23,245	23,323	78	175,705	13%
Total Recurrent Expenses	16,523,944	16,811,611	287,667	49,955,019	33%
Operating Result	5,197,409	4,016,660	1,180,749	(2,356,264)	(221%)
Capital Revenue					
Capital grants and subsidies	2,265,911	4,597,318	(2,331,407)	4,597,318	49%
Contributions from developers	629,846	250,000	379,846	250,000	252%
Total capital revenue	2,895,756	4,847,318	(1,951,562)	4,847,318	60%
Net Result	8,093,165	8,863,978	(770,813)	2,491,054	325%
Capital Works Program					
Capital additions	11,140,167	16,046,559	4,906,392	16,046,559	69%
Total capital additions	11,140,167	16,046,559	4,906,392	16,046,559	69%