

## 5.2. INTERIM FINANCIAL REPORT JUNE 2022

**REPORT AUTHOR** Tara Killeen, Chief Financial Officer

**MANAGER** Rachel Brophy, Chief Executive Officer

**DEPARTMENT** Finance and Corporate Services

### RECOMMENDATION

**That Council notes the Interim Financial Report June 2022 and the Estimated Financial Position for the 2021-22 financial year.**

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### EXECUTIVE SUMMARY

The attached Interim Financial Report details the progress of the 2021-22 annual budget for the period ended 30 June 2022. Key points to note include the following:

- Operating revenue is currently ahead of budget \$710k.
- Operating expenditure is under budget by \$2.5m.
- The Operating Surplus is currently \$250k, compared to a budgeted deficit of \$3m.
- The Forecasted operating Deficit for 2021-22 is \$1.2m, an improvement vs revised budget of \$1.8m

### 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 2021-2022 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 30 June 2022.

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

In reviewing this financial report, it should be noted that the figures presented are interim and are subject to any adjustments required as part of the end of financial year and audit processes. These adjustments will include:

- Accrual of any revenue earned but not yet received such as investment interest & water revenue.
- Review of all expenditure committals recorded via the purchase requisition process in Council's financial system and expensing of these committals where appropriate.

- Accrual of any June expenses yet to be invoiced (that are not part of the purchase requisition process), for example utility charges such as electricity and telephone.
- Accrual of final Salaries & Wages expense including leave provision adjustments.

## Operating Revenue and Expenditure

### Key points:

- Council has exceeded annual budgeted operating revenue by \$710k.
- 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 and a change to the depreciation methodology for the Killaloe landfill facility.
- It is noted that there will be some permanent gain in revenue and savings in operational expenditure in the 2022 financial year.

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 \$334k. Property Growth has contributed \$40k, and Water Revenue is ahead of budget \$314K due to higher than anticipated water usage. Water leak financial assistance is higher than budget \$20k.
- Daintree Ferry revenue is currently \$147k behind budget due to the impact of Covid with border closures longer than originally anticipated. June revenue has been particularly strong, \$47k over budget.
- Fees and charges are currently \$295k ahead of budget. There are a number of variances within this category:
  - Refuse Tipping fees are currently \$61k ahead of budget.
  - Licence Fees are currently \$19K ahead of budget.
  - Property fees are currently \$52k ahead of budget. This is predominantly Property Search fees \$48k ahead due to large volumes of property sales.
  - Other fees and charges are currently \$163k ahead of budget, this includes Mossman Van Park currently \$55k ahead, Pool \$12k ahead, Wonga Van Park \$18k ahead, Cemetery Fees \$15k ahead. It also includes \$20k for a major Water connection. Port Douglas Markets are currently \$5k ahead of budget. Disposal fees for Biosolids are also ahead of budget \$12k.
- Grants and subsidies are currently \$128k ahead of budget. The increase in the Financial Assistance Grant has seen a permanent improvement of \$436k. It is forecast that this will be offset by the transfer of revenue for new and uncompleted grant projects to the FY2023.

- Interest Income is currently \$55k behind budget. \$48k 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. The recent lift in RBA cash rate will improve Council's interest revenue from its operating account.
- Other recurrent income is \$155k ahead of budget which includes proceeds from recycled materials, now \$154k ahead of budget, nursery sales \$21k ahead, and a further \$18k relates to invoices issued for works performed for Transport & Main roads. Income and sponsorships for Carnivale were \$35k behind budget.

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

- Materials and services expenditure is currently \$1.3m under budget. This variance is primarily due to timing of receipt of invoices and commencement of operational projects. A significant volume of invoices will be received in July which will relate to FY2022 and will be accrued as part of the end of year process.
- Employee benefits are currently \$239k under budget. 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. This variance may also be impacted by the end of year adjustments for employee provisions.
- Depreciation expense is currently \$931k under budget. This variance is impacted by the timing of completion of capital projects. There will be a permanent saving in the depreciation expense recorded for the Landfill Sites of approximately \$640k, due to a change in methodology recommended by QAO external auditors. There are further savings forecast due to uncompleted capital works.
- Finance costs are currently \$91k under budget. This expense will be finalised as part of the end of year process for the landfill provision adjustment.

## Capital Revenue and Expenditure

### Key point:

- Council has received \$10.4m in capital grants and subsidies and \$790k in contributions from developers.

It should be noted that in addition to year-to-date capital expenditure of \$26.3m a further \$6m was committed at the end of June 2022.

Outstanding capital projects and grant income attributed to these will be carried forward in the 2023 budget revision.

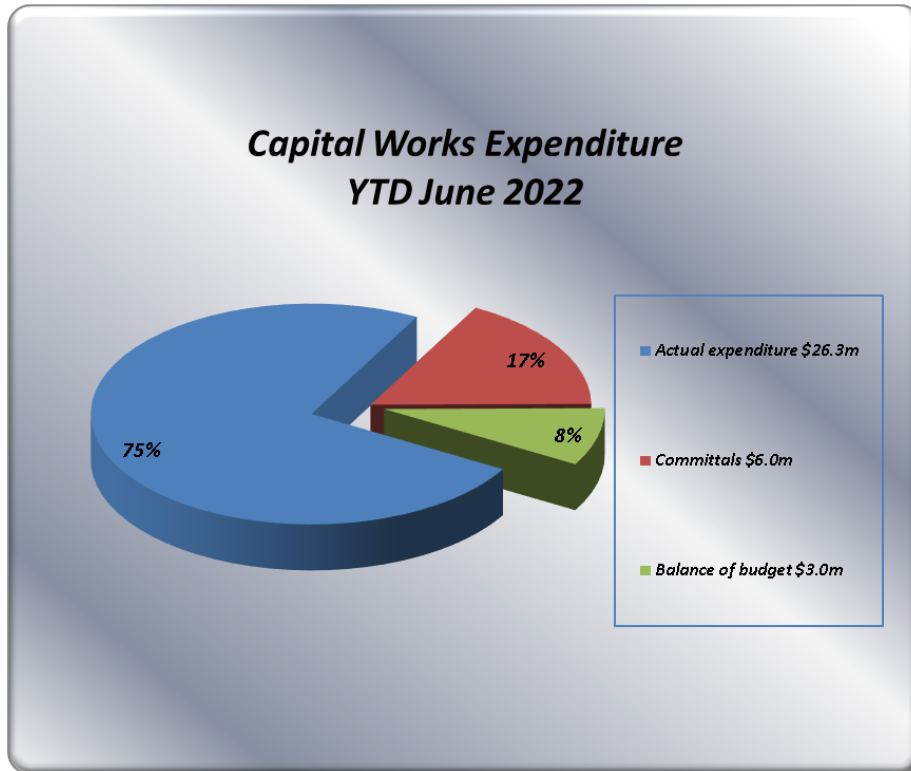


Figure 1 - Capital Expenditure

### Operating Result

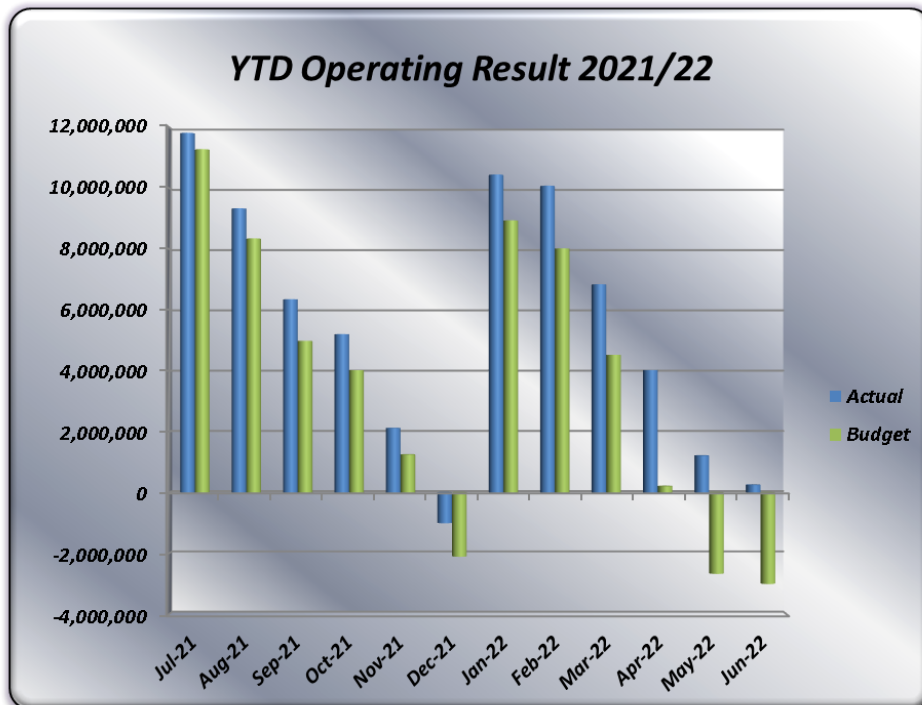


Figure 2 - Operating Results

Key point:

- The operating result is \$3.2m ahead of budget with an operating Surplus of \$250k compared to a budgeted deficit of \$3m. It is anticipated that some of this variance will be permanent.

As previously mentioned, this result is an interim result, which is still subject to the end of financial year and audit processes.

## PROPOSAL

The Interim Financial Report for the period ended 30 June 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 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 installment 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:

<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 Financial Report June 2022 [5.2.1 - 1 page]

<b>Douglas Shire Council Statement of Comprehensive Income Interim Financial Report June 2022</b>						<b>Statement of Estimated Financial Position Financial Year June 2022</b>	
	<b>Actual YTD 22</b>	<b>Budget YTD 22</b>	<b>Variance</b>	<b>Budget 21/22</b>	<b>Actual as % of Budget 21/22</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	38,045,832	37,691,565	354,267	37,684,964	101%	38,039,231	354,267
less: Financial Assistance, Remissions (incl. Pensioners)	(549,398)	(529,088)	(20,310)	(529,088)	104%	(549,398)	(20,310)
Net rates and utility charges	37,496,433	37,162,477	333,956	37,155,876	101%	37,489,833	333,957
Daintree River Ferry Fees & Charges	3,294,159	3,440,791	(146,632)	3,440,791	96%	3,294,159	(146,632)
Fees and charges (excluding Ferry)	3,385,082	3,089,889	295,193	3,096,489	109%	3,391,682	295,193
Grants and subsidies	2,815,182	2,686,858	128,324	2,686,858	105%	2,613,682	(73,176)
Interest received	299,492	355,040	(55,548)	355,040	84%	299,492	(55,548)
Other recurrent income	2,288,042	2,133,205	154,837	2,133,205	107%	2,243,042	109,837
<b>Total Operating Revenue</b>	<b>49,578,391</b>	<b>48,868,260</b>	<b>710,131</b>	<b>48,868,259</b>	<b>101%</b>	<b>49,331,890</b>	<b>463,631</b>
<b>Operating Expenses</b>							
Employee benefits	16,590,563	16,829,577	239,014	16,829,577	99%	16,590,563	239,014
Materials and services	19,510,540	20,781,849	1,271,309	20,781,849	94%	20,459,901	321,948
Depreciation	13,167,674	14,098,367	930,693	14,098,367	93%	13,333,367	765,000
Finance costs	59,534	150,705	91,171	150,705	40%	150,705	-
<b>Total Recurrent Expenses</b>	<b>49,328,310</b>	<b>51,860,498</b>	<b>2,532,188</b>	<b>51,860,498</b>	<b>95%</b>	<b>50,534,536</b>	<b>1,325,962</b>
<b>Operating Result</b>	<b>250,080</b>	<b>(2,992,238)</b>	<b>3,242,318</b>	<b>(2,992,238)</b>	<b>(8%)</b>	<b>(1,202,646)</b>	<b>1,789,592</b>
<b>Capital Revenue</b>							
Capital grants and subsidies	10,361,594	19,169,392	(8,807,798)	19,169,392	54%	19,169,392	-
Contributions from developers	790,443	250,000	540,443	250,000	316%	790,443	540,443
<b>Total capital revenue</b>	<b>11,152,037</b>	<b>19,419,392</b>	<b>(8,267,355)</b>	<b>19,419,392</b>	<b>57%</b>	<b>19,959,835</b>	<b>540,443</b>
<b>Net Result</b>	<b>11,402,117</b>	<b>16,427,154</b>	<b>(5,025,037)</b>	<b>16,427,154</b>	<b>69%</b>	<b>18,757,188</b>	<b>2,330,034</b>
<b>Capital Works Program</b>							
Capital additions	26,354,193	35,338,962	8,984,769	35,338,962	75%	35,338,962	-
<b>Total capital additions</b>	<b>26,354,193</b>	<b>35,338,962</b>	<b>8,984,769</b>	<b>35,338,962</b>	<b>75%</b>	<b>35,338,962</b>	<b>-</b>