

5.5. FINANCIAL REPORT DECEMBER 2021

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DEPARTMENT	Finance and Corporate Services

RECOMMENDATION

That Council notes the Financial Report for December 2021.

EXECUTIVE SUMMARY

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

- Operating revenue is ahead of budget by \$4k.
- Operating expenditure is under budget by \$1.1m.
- The Operating Deficit is currently \$1m, compared to a budgeted Deficit of \$2.1m.

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 and revised on the 30 November 2021. The attached financial report details progress against revised budget for the period ended 31 December 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 48% of its annual budgeted operating revenue
- Year to date operating expenditure is currently under budget.

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

- Rates and utility charges are currently \$13k behind budget. Council have received a number of requests for financial assistance under the Concealed Water Leak Policy.
- Daintree Ferry revenue is currently \$119k behind budget. This variance will continue to be monitored closely as revenue has continued to decline since the preparation of the revised budget.
- Fees and charges are currently \$25k ahead of budget. There are a number of variances within this category:
 - Refuse Tipping fees are currently online with budget.
 - Licence Fees are currently \$17k behind budget due to timing of issuing prescribed activity notices.
 - Property fees are currently \$23k ahead of budget. This includes Property Search fees which are currently \$12k ahead.
 - Other fees and charges are currently \$19k ahead of budget, this includes Mossman Van Park which is currently \$13k ahead of budget.
- Grants and subsidies are \$43k behind budget. This is due to the timing of completion and subsequent payment for the Parks Hiptage Grant.
- Interest Income is currently \$22k behind budget. Some significant property arrears have been paid.
- Other recurrent income is \$176.4k ahead of budget. This variance is primarily due to the budgeted timing of invoices being 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 \$621k under budget. This variance is primarily due to timing of receipt of invoices and commencement of operational projects. Committals are currently \$6.4m, which include annual purchase orders for major contracts such as Ferry, Waste removal, etc. It is noted that total materials and services expended is 45% of the annual budgeted amount.
- Employee benefits are currently \$332k 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 \$136k under budget. This variance is impacted by the timing of completion of capital projects.
- Finance costs are currently \$2.5k under budget.

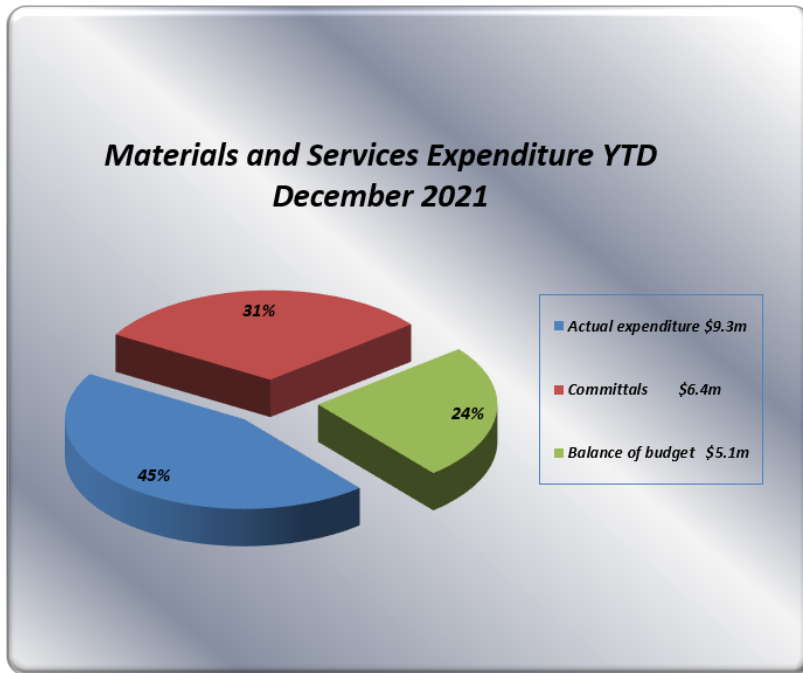


Figure 1 - Materials & Services

Capital Revenue and Expenditure

Key point:

- Council has received \$3m in capital grants and subsidies and \$630k in contributions from developers. Significant grant revenue will forthcoming upon completion of several large disaster related projects.

It should be noted that in addition to year-to-date capital expenditure of \$17.6m a further \$8.3m was committed at the end of December 21.

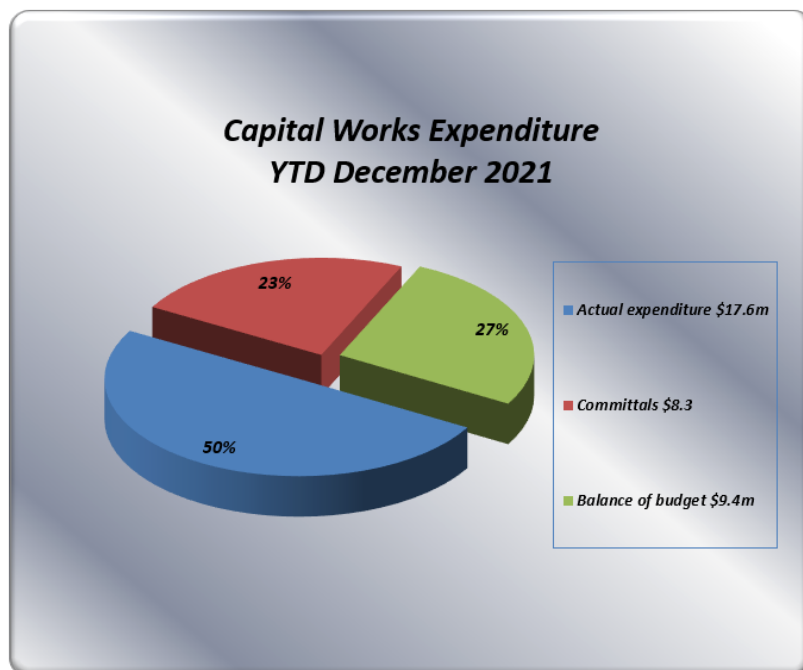


Figure 2 - Capital Expenditure

Operating Result

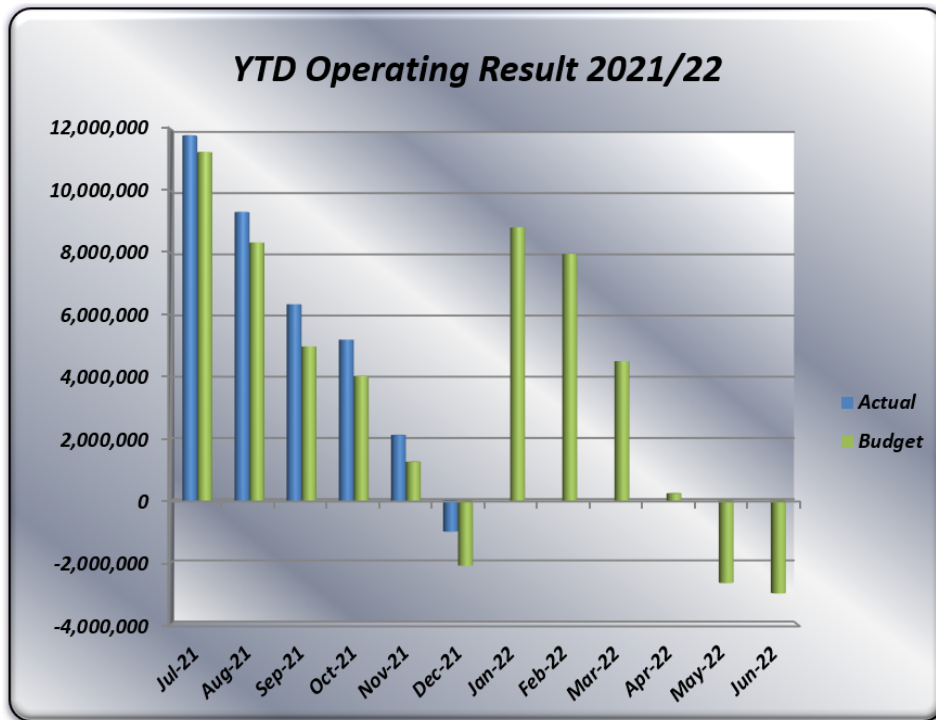


Figure 3 - Operating Results

Key point:

- The operating result is \$1.1m ahead of budget with an operating Deficit of \$1m compared to a budgeted Deficit of \$2.1m.

PROPOSAL

The Financial Report for the period ended 31 December 2021 be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

It is noted that continued uncertainty regarding COVID-19 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.

Council has received notification that the annual Financial Assistance Grant will have a significant increase for Financial Year 2023, which should have a positive impact on Council Results. The timing of the first payment, which has previously been received in June of the prior Financial Year has not yet been advised.

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 December 2021 [5.5.1 - 1 page]

Douglas Shire Council					
Statement of Comprehensive Income					
Financial Report December 2021					
	Actual YTD 22	Budget YTD 22	Variance	Budget 21/22	Actual as % of
	\$	\$	\$	\$	Budget 21/22
Operating Revenue					
Rates and utility charges	17,541,668	17,545,934	(4,266)	37,684,964	47%
less: Financial Assistance, Remissions (incl. Pensioners)	(273,110)	(264,544)	(8,566)	(529,088)	52%
Net rates and utility charges	17,268,558	17,281,390	(12,832)	37,155,876	46%
Daintree River Ferry Fees & Charges	1,601,040	1,719,830	(118,790)	3,440,791	47%
Fees and charges (excluding Ferry)	1,792,836	1,767,782	25,054	3,096,489	58%
Grants and subsidies	1,021,322	1,064,590	(43,268)	2,686,858	38%
Interest received	134,102	156,209	(22,107)	355,040	38%
Other recurrent income	1,519,181	1,342,778	176,403	2,133,205	71%
Total Operating Revenue	23,337,038	23,332,579	4,459	48,868,259	48%
Operating Expenses					
Employee benefits	8,154,837	8,487,249	332,412	16,829,577	48%
Materials and services	9,258,002	9,879,114	621,112	20,781,849	45%
Depreciation	6,895,857	7,032,300	136,443	14,098,367	49%
Finance costs	29,018	31,558	2,540	150,705	19%
Total Recurrent Expenses	24,337,713	25,430,221	1,092,508	51,860,498	47%
Operating Result	(1,000,676)	(2,097,642)	1,096,966	(2,992,238)	33%
Capital Revenue					
Capital grants and subsidies	3,045,248	19,169,392	(16,124,144)	19,169,392	16%
Contributions from developers	629,846	250,000	379,846	250,000	252%
Total capital revenue	3,675,093	19,419,392	(15,744,299)	19,419,392	19%
Net Result	2,674,418	17,321,750	(14,647,332)	16,427,154	16%
Capital Works Program					
Capital additions	17,631,042	35,338,962	17,707,920	35,338,962	50%
Total capital additions	17,631,042	35,338,962	17,707,920	35,338,962	50%