

5.6. FINANCIAL REPORT JULY 2021

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DEPARTMENT	Finance and Corporate Services

RECOMMENDATION

That Council notes the Financial Report for July 2021.

EXECUTIVE SUMMARY

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

- Operating revenue is ahead of budget by \$473k.
- Operating expenditure is under budget by \$63k.
- The Operating Surplus is currently \$11.8m, compared to a budgeted Surplus of \$11.3m.

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 July 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 33% 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 \$19k behind budget. Council is waiting on titles to issue for 2 sub-divisions which is also impacting revenue raised. This will be adjusted once received and supplementary rate notices issued.
- Daintree Ferry revenue is currently \$70k ahead of budget. A conservative approach was taken to budget due to the economic uncertainty. This variance will continue to be monitored closely and already appears to be declining significantly due to border closures now in place at time of report writing.
- Other fees and charges are currently \$210k ahead of budget, there are a number of variances within this category:
 - Refuse Tipping fees are currently online with budget.
 - Licence Fees are currently \$54k ahead of budget. This is due to the timing of issuing fees in late July, that were budgeted for issue in August.
 - Property fees are currently \$138k ahead of budget. This includes payment of development application fees. Search Fees also continue strongly and are \$16k ahead of budget.
 - Other fees and charges are currently \$18k ahead of budget. Van Parks are \$35k ahead of budget with both holding strong advance bookings. Some changes to agreements for Flagstaff hill see this area \$16k behind budget. Cemetery Fees are also \$5k behind budget.
- Grants and subsidies are \$212k ahead of budget. This is primarily 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. 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.
- Interest Income is currently \$2k behind budget.
- Other recurrent income is ahead of budget \$2k.

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

- Materials and services expenditure is currently online with budget
- Employee benefits are currently \$64k 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 reported as online with budget, whilst the 2020/21 End of Year is finalised and all assets capitalised.
- Finance costs are currently online with budget.

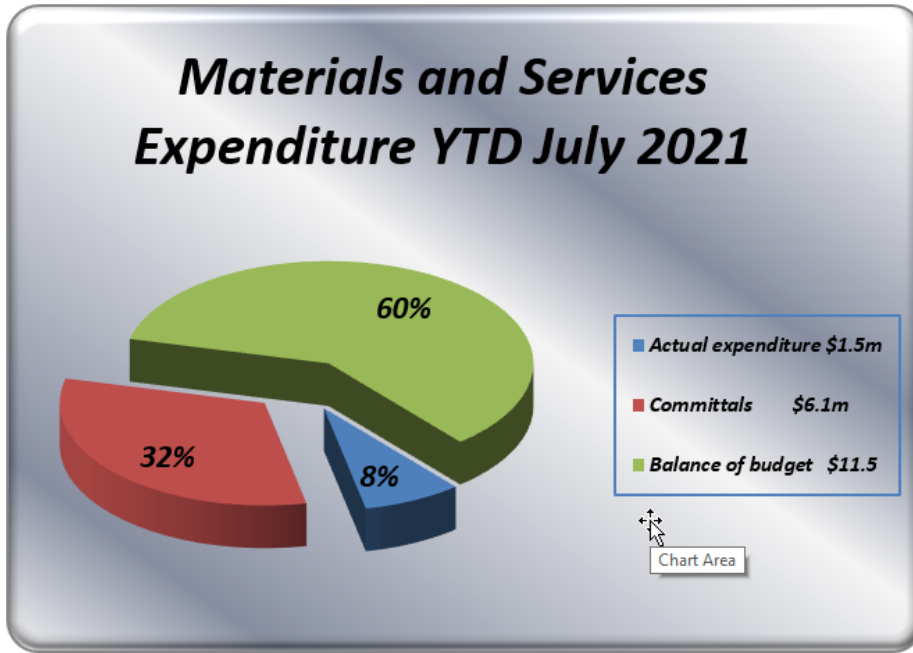


Figure 1. Materials & Services

Capital Revenue and Expenditure

Key point:

- Council has received 17% of its annual budgeted capital grants and subsidies and \$6k contribution from developers.

It should be noted that in addition to year-to-date capital expenditure of \$815k, a further \$11.8m was committed at the end of July 21. This committal amount does include carry forward commitments from unfinished 2020/21 projects.

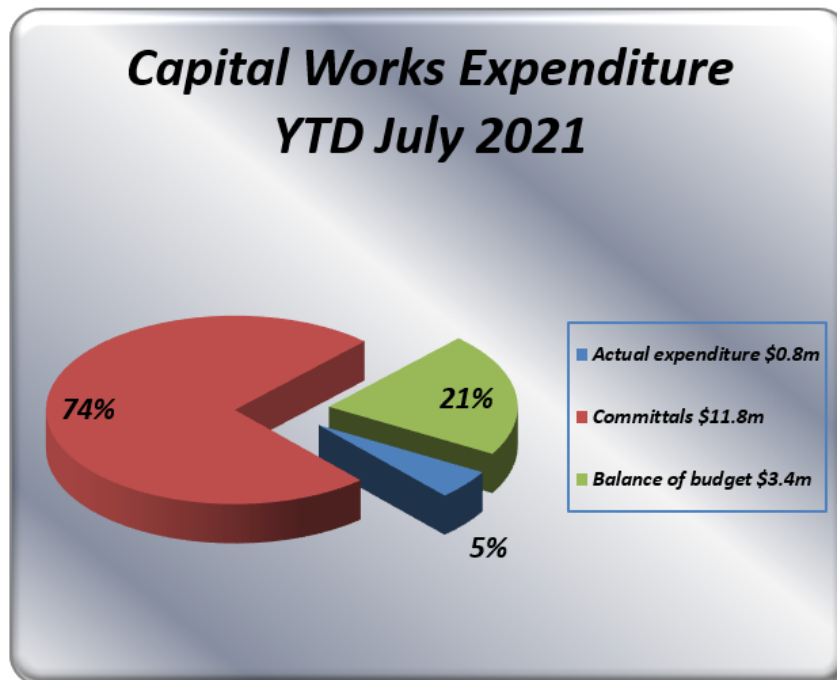


Figure 2. Capital Works

Operating Result

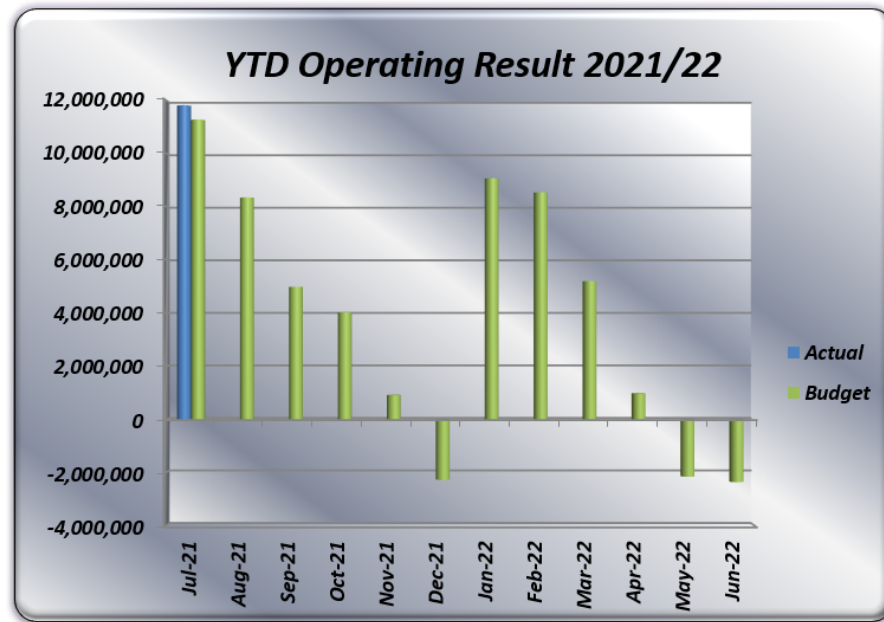


Figure 3.

Key point:

- The operating result is \$536k ahead of budget with an operating Surplus of \$11.8m compared to a budgeted Surplus of \$11.3m.

PROPOSAL

The Financial Report for the period ended 31 July 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 July 2021 [5.6.1 - 1 page]

Douglas Shire Council Statement of Comprehensive Income Financial Report July 2021	Actual YTD 22 \$	Budget YTD 22 \$	Variance \$	Budget 21/22 \$	Actual as % of Budget 21/22
Operating Revenue					
Rates and utility charges	14,677,856	14,699,368	(21,512)	37,784,630	39%
less: Remissions (incl. Pensioners)	(259,426)	(262,044)	2,618	(524,088)	50%
Net rates and utility charges	14,418,430	14,437,324	(18,894)	37,260,543	39%
Daintree River Ferry fees & charges	487,199	417,312	69,887	3,780,791	13%
Fees and charges (excluding Ferry)	598,787	388,988	209,799	2,824,724	21%
Grants and subsidies	241,924	30,000	211,924	2,380,383	10%
Interest received	6,148	7,897	(1,749)	355,040	2%
Other recurrent income	24,528	22,437	2,091	997,274	2%
Total Operating Revenue	15,777,016	15,303,958	473,058	47,598,755	33%
Operating Expenses					
Employee benefits	1,310,586	1,374,885	64,299	16,833,359	8%
Materials and services	1,492,219	1,491,490	(729)	19,049,586	8%
Depreciation	1,179,520	1,179,520	-	13,896,369	8%
Finance costs	847	417	(430)	175,705	0%
Total Recurrent Expenses	3,983,172	4,046,312	63,140	49,955,019	8%
Operating Result	11,793,843	11,257,646	536,197	(2,356,264)	(501%)
Capital Revenue					
Capital grants and subsidies	759,011	4,597,318	(3,838,307)	4,597,318	17%
Contributions from developers	6,134	250,000	(243,866)	250,000	2%
Total capital revenue	765,145	4,847,318	(4,082,173)	4,847,318	16%
Net Result	12,558,988	16,104,964	(3,545,976)	2,491,054	504%
Capital Works Program					
Capital additions	815,506	16,046,559	15,231,053	16,046,559	5%
Total capital additions	815,506	16,046,559	15,231,053	16,046,559	5%