

5.7. FINANCIAL REPORT FEBRUARY 2022

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DEPARTMENT	Finance and Corporate Services

RECOMMENDATION

That Council notes the Financial Report for February 2022.

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2021/22 annual budget for the period ended 28 February 2022. Key points to note include the following:

- Operating revenue is currently ahead of budget \$196k.
- Operating expenditure is under budget by \$1.86m
- The Operating Surplus is currently \$10m, compared to a budgeted Surplus of \$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 2021/22 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 28 February 2022.

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 87% of its annual budgeted operating revenue which is in line with previous years (2021 86%).
- 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.

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 \$227K. Supplementary Rates notices have been issued, and this has seen a lift in Rates & Sewer charges which now exceed their budget by \$31k. Waste revenue is behind budget \$7k and \$12k rebates have been processed in line with the Water Leak Policy. Water Revenue is ahead of budget \$211K after the calculation of the February water notices. The continued hot & dry weather may be a factor along with timing of water meter reads.
- Daintree Ferry revenue is currently \$195k behind budget due to the impact of Covid with border closures longer than originally anticipated. 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 \$101k ahead of budget. There are a number of variances within this category:
 - Refuse Tipping fees are currently \$9k ahead of budget.
 - Licence Fees are currently \$6K behind budget due to timing of issuing notices
 - Property fees are currently \$23k ahead of budget. This is predominantly Property Search fees due to large volumes of property sales.
 - Other fees and charges are currently \$75k ahead of budget, this includes Mossman Van Park currently \$22k ahead, Pool \$14k ahead, Cemetery Fees are \$20k ahead. It also includes \$20k for a major Water connection.
- Grants and subsidies are currently \$61k ahead of budget. This includes \$83k for Part 2 of the illegal dumping grant, part of which will likely be carried forward to financial year 2023 as the project work will continue into the next year.
- Interest Income is currently \$38k behind budget. \$21k 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. Investment interest should start to increase with the receipt of capital grant funds.
- Other recurrent income is \$39k 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 \$1.3m under budget. This variance is primarily due to timing of receipt of invoices and commencement of operational projects. Committals are currently \$4.9m, which include annual purchase orders for major contracts such as Ferry, Waste removal, etc.

- Employee benefits are currently \$448k 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 \$131k under budget. This variance is impacted by the timing of completion of capital projects.
- Finance costs are currently \$5k under budget, this is due to timing of the finance charges for rates payments.

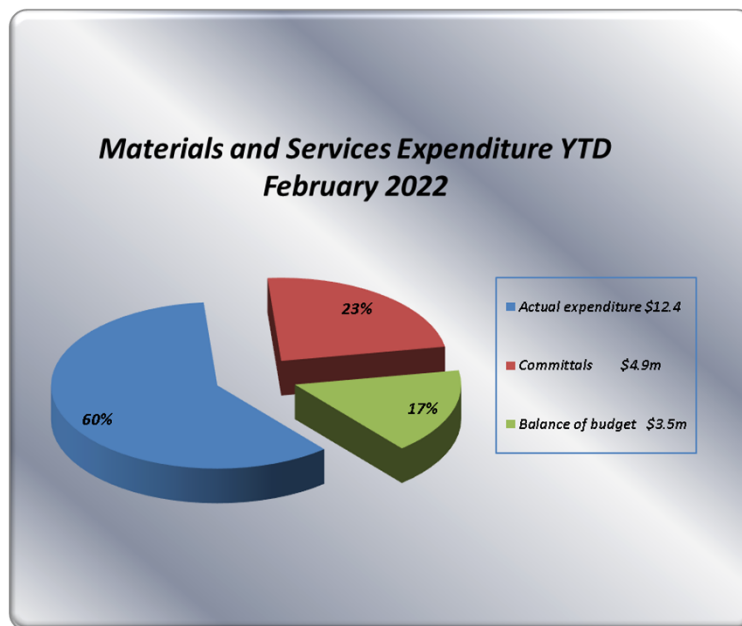


Figure 1 - Materials & Services

Capital Revenue and Expenditure

Key point:

- Council has received \$6.7m 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 \$20.6m a further \$6.4m was committed at the end of February 2022.

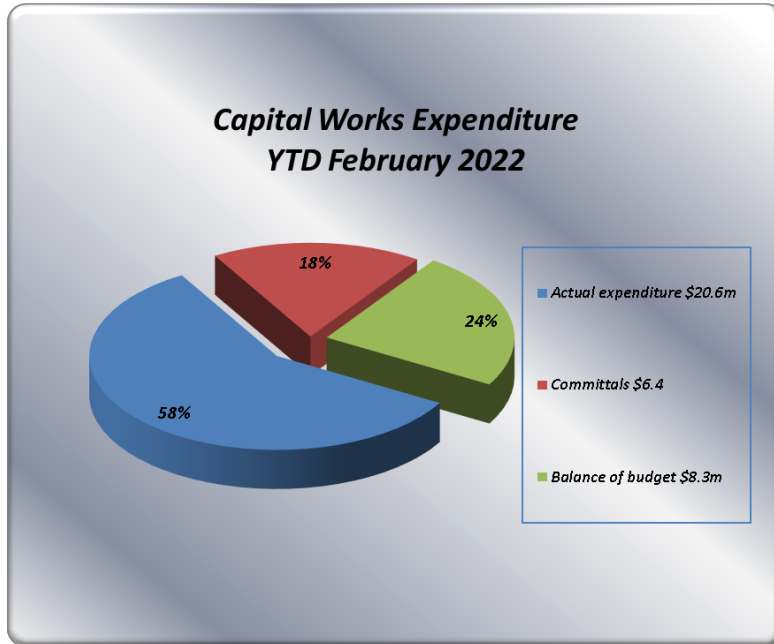


Figure 2 - Capital Expenditure

Operating Result

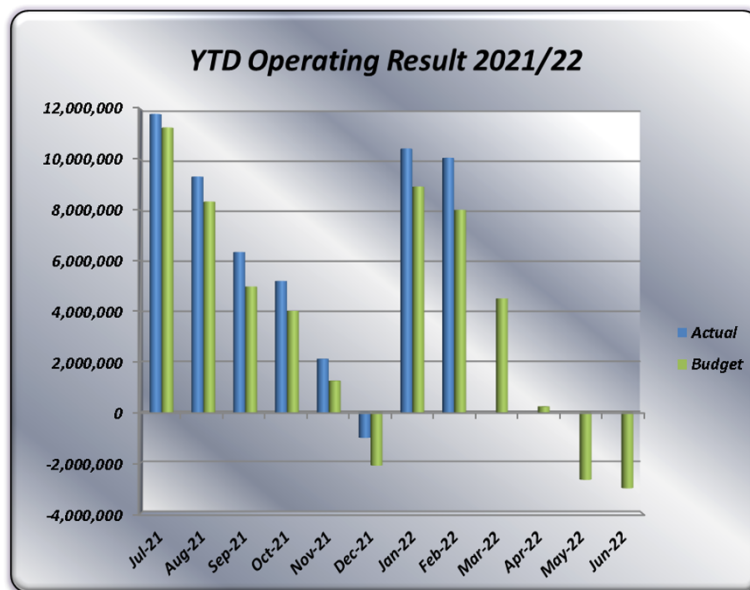


Figure 3 - Operating Results

Key point:

- The operating result is \$2m ahead of budget with an operating Surplus of \$10m compared to a budgeted Surplus of \$8m.

PROPOSAL

The Financial Report for the period ended 28 February 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 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 February 2022 [5.7.1 - 1 page]

Douglas Shire Council					
Statement of Comprehensive Income					
Financial Report February 2022					
	Actual YTD 22	Budget YTD 22	Variance	Budget 21/22	Actual as % of
	\$	\$	\$	\$	Budget 21/22
Operating Revenue					
Rates and utility charges	35,305,662	35,070,463	235,199	37,684,964	94%
less: Financial Assistance, Remissions (incl. Pensioners)	(537,065)	(529,088)	(7,977)	(529,088)	102%
Net rates and utility charges	34,768,191	34,541,375	226,816	37,155,876	94%
Daintree River Ferry Fees & Charges	1,984,177	2,178,855	(194,678)	3,440,791	58%
Fees and charges (excluding Ferry)	2,297,618	2,196,414	101,204	3,096,489	74%
Grants and subsidies	1,372,740	1,311,366	61,374	2,686,858	51%
Interest received	173,459	211,367	(37,908)	355,040	49%
Other recurrent income	1,736,748	1,697,918	38,830	2,133,205	81%
Total Operating Revenue	42,332,933	42,137,295	195,638	48,868,259	87%
Operating Expenses					
Employee benefits	10,598,884	11,046,481	447,597	16,829,577	63%
Materials and services	12,426,307	13,702,500	1,276,193	20,781,849	60%
Depreciation	9,207,121	9,338,533	131,412	14,098,367	65%
Finance costs	37,980	43,287	5,307	150,705	25%
Total Recurrent Expenses	32,270,292	34,130,801	1,860,509	51,860,498	62%
Operating Result	10,062,641	8,006,494	2,056,147	(2,992,238)	(336%)
Capital Revenue					
Capital grants and subsidies	6,755,054	19,169,392	(12,414,338)	19,169,392	35%
Contributions from developers	629,846	250,000	379,846	250,000	252%
Total capital revenue	7,384,899	19,419,392	(12,034,493)	19,419,392	38%
Net Result	17,447,540	27,425,886	(9,978,346)	16,427,154	106%
Capital Works Program					
Capital additions	20,561,691	35,338,962	14,777,271	35,338,962	58%
Total capital additions	20,561,691	35,338,962	14,777,271	35,338,962	58%