

## 5.7. FINANCIAL REPORT NOVEMBER 2021

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<b>DEPARTMENT</b>	Finance and Corporate Services

### RECOMMENDATION

**That Council notes the Financial Report for November 2021.**

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### EXECUTIVE SUMMARY

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

- Operating revenue is behind budget by \$93k.
- Operating expenditure is under budget by \$962k.
- The Operating Surplus is currently \$2.1m, compared to a budgeted Surplus of \$1.2m.

### 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 30 November 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 behind budget, with variations occurring primarily within the categories as follows:

- Rates and utility charges are currently \$10k behind budget. Council have received a number of requests for financial assistance under the Concealed Water Leak Policy.
- Daintree Ferry revenue is currently \$48k 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 \$19k behind budget. There are a number of variances within this category:
  - Refuse Tipping fees are currently \$6k ahead of budget.
  - Licence Fees are currently \$41k behind budget due to timing of issuing notices.
  - Property fees are currently \$4k ahead of budget.
  - Other fees and charges are currently \$12k ahead of budget
- Grants and subsidies are \$40k behind budget. This is due to the timing of completion and subsequent payment for the Parks Hiptage Grant.
- Interest Income is currently \$11k behind budget.
- Other recurrent income is \$35k ahead of budget. This variance is primarily due to the timing of receipts for the sale of recycled materials.

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

- Materials and services expenditure is currently \$503k under budget. This variance is primarily due to timing of receipt of invoices and commencement of operational projects. Committals are currently \$6.6m, which include annual purchase orders for major contracts such as Ferry, Waste removal, etc.
- Employee benefits are currently \$367k 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 \$91k under budget. This variance is impacted by the timing of completion of capital projects.
- Finance costs are currently online with budget.

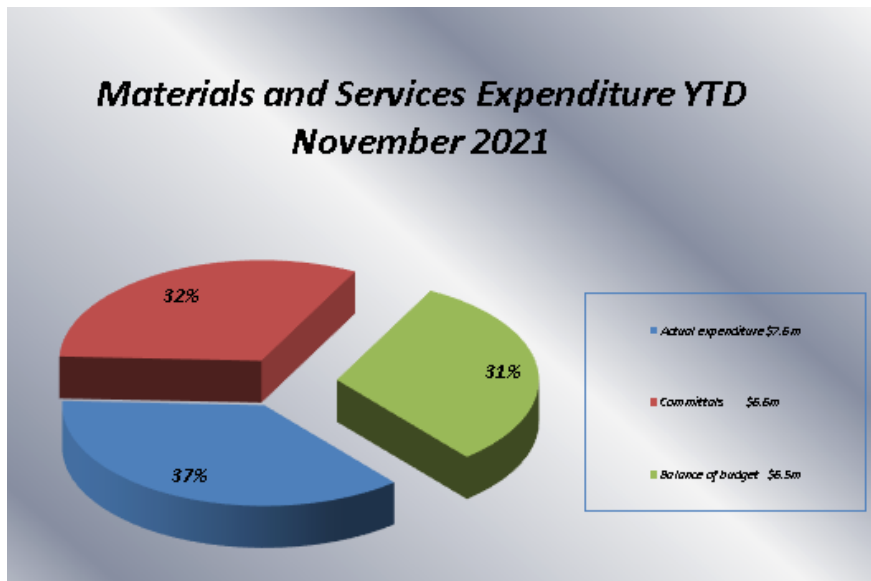


Figure 1 - Materials & Services

### Capital Revenue and Expenditure

Key point:

- Council has received \$2.9m 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 \$14.4m a further \$10.7m was committed at the end of November 21.

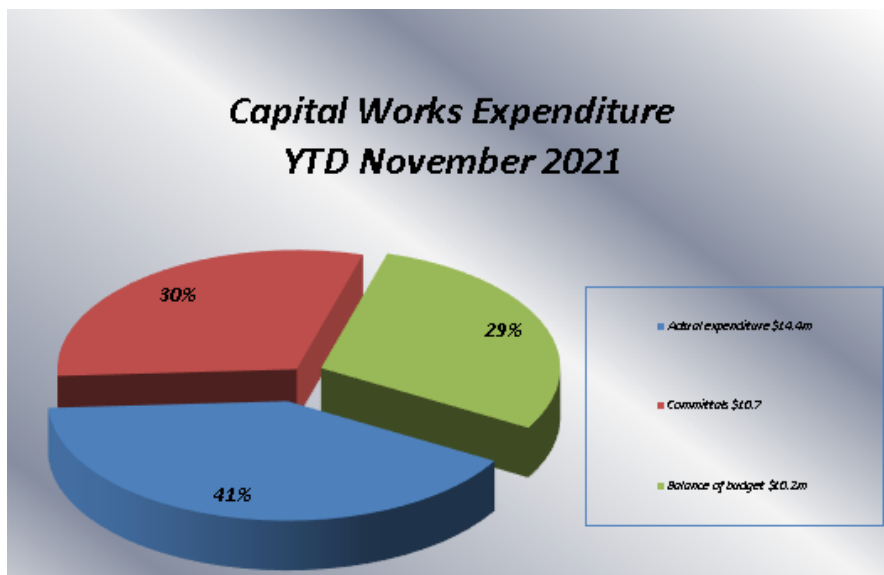


Figure 2 - Capital Expenditure

## Operating Result

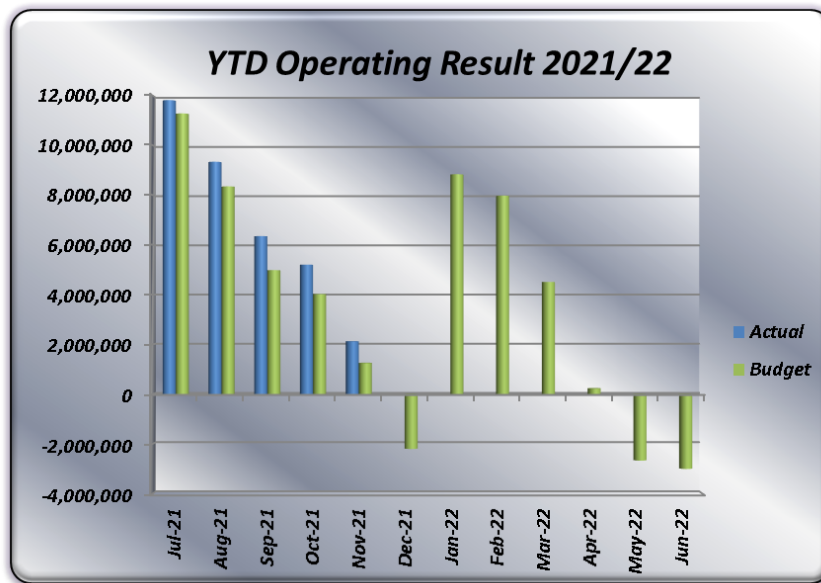


Figure 3 - Operating Results

### Key point:

- The operating result is \$870k ahead of budget with an operating Surplus of \$2.1m compared to a budgeted Surplus of \$1.2m.

## PROPOSAL

The Financial Report for the period ended 30 November 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:

<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. Financial Report November 2021 [5.7.1 - 1 page]

<b>Douglas Shire Council</b>					
<b>Statement of Comprehensive Income</b>					
<b>Financial Report November 2021</b>					
	<b>Actual YTD 22</b>	<b>Budget YTD 22</b>	<b>Variance</b>	<b>Budget 21/22</b>	<b>Actual as % of</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>Budget 21/22</b>
<b>Operating Revenue</b>					
Rates and utility charges	17,542,022	17,545,934	(3,912)	37,684,964	47%
less: Financial Assistance, Remissions (incl. Pensioners)	(270,898)	(264,544)	(6,354)	(529,088)	51%
Net rates and utility charges	17,271,124	17,281,390	(10,266)	37,155,876	46%
Daintree River Ferry Fees & Charges	1,405,823	1,453,696	(47,873)	3,440,791	41%
Fees and charges (excluding Ferry)	1,593,216	1,611,915	(18,699)	3,096,489	51%
Grants and subsidies	1,019,322	1,059,590	(40,268)	2,686,858	38%
Interest received	117,027	127,898	(10,871)	355,040	33%
Other recurrent income	1,124,831	1,089,388	35,443	2,133,205	53%
<b>Total Operating Revenue</b>	<b>22,531,344</b>	<b>22,623,877</b>	<b>(92,533)</b>	<b>48,868,259</b>	<b>46%</b>
<b>Operating Expenses</b>					
Employee benefits	7,011,466	7,378,591	367,125	16,829,577	42%
Materials and services	7,644,566	8,147,333	502,767	20,781,849	37%
Depreciation	5,732,453	5,823,924	91,471	14,098,367	41%
Finance costs	25,965	26,724	759	150,705	17%
<b>Total Recurrent Expenses</b>	<b>20,414,450</b>	<b>21,376,572</b>	<b>962,122</b>	<b>51,860,498</b>	<b>39%</b>
<b>Operating Result</b>	<b>2,116,895</b>	<b>1,247,305</b>	<b>869,590</b>	<b>(2,992,238)</b>	<b>(71%)</b>
<b>Capital Revenue</b>					
Capital grants and subsidies	2,874,748	19,169,392	(16,294,644)	19,169,392	15%
Contributions from developers	629,846	250,000	379,846	250,000	252%
<b>Total capital revenue</b>	<b>3,504,593</b>	<b>19,419,392</b>	<b>(15,914,799)</b>	<b>19,419,392</b>	<b>18%</b>
<b>Net Result</b>	<b>5,621,488</b>	<b>20,666,697</b>	<b>(15,045,209)</b>	<b>16,427,154</b>	<b>34%</b>
<b>Capital Works Program</b>					
Capital additions	14,410,878	35,338,962	20,928,084	35,338,962	41%
<b>Total capital additions</b>	<b>14,410,878</b>	<b>35,338,962</b>	<b>20,928,084</b>	<b>35,338,962</b>	<b>41%</b>