

## 5.8. FINANCIAL REPORT INTERIM JUNE 2021

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**DEPARTMENT** Finance and Corporate Services

### RECOMMENDATION

**That Council notes the Interim Financial Report and the Estimated Financial Position for the 2020/21 financial year.**

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### EXECUTIVE SUMMARY

The attached Interim Financial Report details the progress of the 2020/21 revised budget for the period ended 30 June 2021. Key points to note include the following:

- Operating revenue is ahead of budget by \$757K.
- Operating expenditure is under budget by \$2.1M.
- The Operating deficit is currently \$816k, compared to a budgeted deficit of \$3.66m
- The Forecasted Operating deficit for 20/21 is currently estimated to be \$3.2m

### 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 2020/21 annual budget was adopted on 30 June 2020 and revised on the 24 November 2020. The attached interim financial report details progress against revised budget for the period ended 30 June 2021.

In reviewing this financial report, the following should be noted:

- 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 received 102% 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 ahead of budget \$40k, this is due to several factors including Aged Care facility coming online, and some revaluation adjustments. Council is waiting for the issue of Titles for 2 small subdivisions which may impact this result.
- Daintree Ferry revenue is now \$17k ahead of budget. This includes refunds of \$23k for Covid Relief measures. An exceptionally busy month for June, including the reissue of Ferry cards has contributed to this result.
- Fees and charges are currently \$192k ahead budget, there are a number of variances within this category:
  - Refuse Tipping fees continue strongly and are currently \$69k ahead of budget.
  - Licence Fees are currently \$12k ahead of budget
  - Property fees are currently \$190k ahead of budget. This includes Search Fees which are \$85k ahead. This reflects the reported increased movement in properties with over 600 property transfers in the past 6 months
  - Other fees and charges are currently \$79k behind budget. This is partially due to Mossman Pool \$41k behind and Facility hire \$96k behind, which includes Port Douglas Markets \$45k behind. It also includes refunds issued due to venue cancellations. Caravan Park bookings have been strong and are now \$63k ahead of budget. Cemetery fees are also \$19k ahead of budget.
- Grants and subsidies are \$350k ahead of budget and includes a \$105k increase in Financial Assistance Grant Funding, Sustainable Fishing \$13.5k, \$7.5k for Wangetti Revegetation. DRFA funding of \$296k has been transferred from Capital. A full analysis of grants is still to be undertaken to ensure compliance with accounting standards for carry forward amounts.
- Interest Income is currently \$15k ahead of budget. \$13.5k of this is due to holding more cash due to the delay in expenditure, both operational and capital.
- Other recurrent income is ahead of budget \$143k. State works are \$237k ahead of budget including an additional contract for Alchera drive. This has been offset by a drop in revenue for Carnivale sponsorship and concert tickets \$86k.

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

- Materials and services expenditure is currently under budget \$1.4m. This variance is primarily due to timing of receipt of invoices. Committals are currently \$1.9m, which include Annual purchase orders for major contracts such as Ferry, Waste removal, etc. A significant volume of invoices will be received in July which will relate to FY 2021 and will be accrued as part of the end of year process.
- Employee benefits are currently \$220k 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. This variance will be impacted by the end of financial year adjustments.
- Depreciation expense is currently \$325k under budget and is impacted by the timing of completion of projects. There are still many assets that are waiting to be capitalised. There is expected to be a small permanent saving.
- Finance Costs are currently \$115k under budget. This variance will be finalised as part of the end of year process for the landfill provision adjustment.

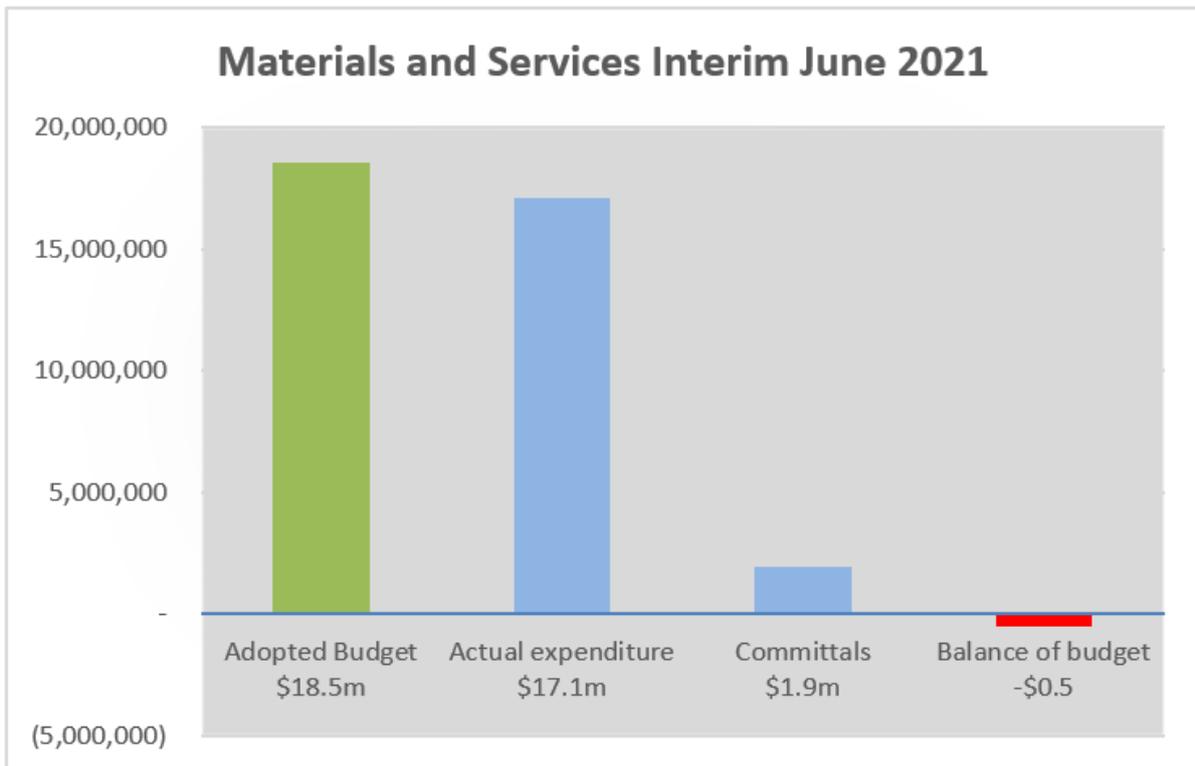


Figure 1. Materials & Services

### Capital Revenue and Expenditure

Key point:

- Council has received 42% of its annual budgeted capital grants and subsidies and \$312k in developer contributions which are \$62k ahead of budget.

It should be noted that in addition to year-to-date capital expenditure of \$23.4m, a further \$12.8m had been committed for capital as at the end of June 21.

Outstanding capital projects and grant income attributed to these will be carried forward in the 2022 budget revision.

## Operating Result

### Key point:

- The interim operating result is \$2.8m ahead of budget with an operating deficit of \$816k compared to a budgeted deficit of \$3.663m.

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 2021 be received and noted by Council.

## FINANCIAL/RESOURCE IMPLICATIONS

The forecast operating deficit is estimated to be a small improvement on budget.

## 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 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 a nine 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. Interim Financial Report June 2021 [5.8.1 - 1 page]

<b>Douglas Shire Council Statement of Comprehensive Income Interim Financial Report June 2021</b>	<b>Actual YTD 21 \$</b>	<b>Budget YTD 21 \$</b>	<b>Variance \$</b>	<b>Budget 20/21 \$</b>	<b>Actual as % of Budget 20/21</b>
<b>Operating Revenue</b>					
Rates and utility charges	36,160,869	36,123,565	37,304	36,123,565	100%
less: Discounts	(149,075)	(146,313)	(2,762)	(146,313)	102%
less: Remissions (incl. Pensioners)	(506,696)	(512,449)	5,753	(512,449)	99%
Net rates and utility charges	35,505,098	35,464,803	40,295	35,464,803	100%
Daintree River Ferry fees & charges	2,588,527	2,571,448	17,079	2,571,448	101%
Fees and charges (excluding Ferry)	2,888,969	2,697,371	191,598	2,697,371	107%
Grants and subsidies	2,677,866	2,327,568	350,298	2,327,568	115%
Interest received	361,693	347,185	14,508	347,185	104%
Other recurrent income	1,260,062	1,117,156	142,906	1,117,156	113%
<b>Total Operating Revenue</b>	<b>45,282,215</b>	<b>44,525,531</b>	<b>756,684</b>	<b>44,525,531</b>	<b>102%</b>
<b>Operating Expenses</b>					
Employee benefits	16,176,493	16,396,741	220,248	16,396,741	99%
Materials and services	17,123,867	18,554,154	1,430,287	18,554,154	92%
Depreciation	12,729,238	13,054,728	325,490	13,054,728	98%
Finance costs	68,817	183,556	114,739	183,556	37%
<b>Total Recurrent Expenses</b>	<b>46,098,415</b>	<b>48,189,179</b>	<b>2,090,764</b>	<b>48,189,179</b>	<b>96%</b>
<b>Operating Result</b>	<b>(816,200)</b>	<b>(3,663,648)</b>	<b>2,847,448</b>	<b>(3,663,648)</b>	<b>22%</b>
<b>Capital Revenue</b>					
Capital grants and subsidies	7,196,682	17,614,958	(10,418,276)	17,614,958	41%
Contributions from developers	311,856	250,000	61,856	250,000	125%
<b>Total capital revenue</b>	<b>7,508,538</b>	<b>17,864,958</b>	<b>(10,356,420)</b>	<b>17,864,958</b>	<b>42%</b>
<b>Net Result</b>	<b>6,692,338</b>	<b>14,201,310</b>	<b>(7,508,972)</b>	<b>14,201,310</b>	<b>47%</b>
<b>Capital Works Program</b>					
Capital additions	23,368,670	33,713,453	10,344,783	33,713,453	69%
<b>Total capital additions</b>	<b>23,368,670</b>	<b>33,713,453</b>	<b>10,344,783</b>	<b>33,713,453</b>	<b>69%</b>