

## 5.9. FINANCIAL REPORT APRIL 2022

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

### RECOMMENDATION

**That Council notes the Financial Report for April 2022.**

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### EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2021/2022 annual budget for the period ended 30 April 2022. Key points to note include the following:

- Operating revenue is currently ahead of budget \$1.6m.
- Operating expenditure is under budget by \$2.2m.
- The Operating Surplus is currently \$4.0m, compared to a budgeted Surplus of \$208K.

### 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 2021/2022 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 April 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 92% of its annual budgeted operating revenue which is ahead of previous year (2021 90%). This variance is due to the timing of the Financial Assistance Grant payment (\$1.3m) received in April 2022.
- 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.

- It is noted that there will be some permanent gain in revenue and savings in operational expenditure in this financial year.

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 \$202k. Water Revenue is ahead of budget \$217K likely due to the timing of February's water meter reads.
- Daintree Ferry revenue is currently \$247k behind budget due to the impact of Covid with border closures longer than originally anticipated. April revenue was tracking online however fell behind budget later in the month due the inclement weather experienced from the Easter weekend.
- Fees and charges are currently \$169k ahead of budget. There are a number of variances within this category:
  - Refuse Tipping fees are currently \$26k ahead of budget.
  - Licence Fees are currently \$25K behind budget primarily due to the timing of issuing Accommodation Fees, which have been delayed to June 2022.
  - Property fees are currently \$50k ahead of budget. This is predominantly Property Search fees \$41k ahead due to large volumes of property sales.
  - Other fees and charges are currently \$118k ahead of budget, this includes Mossman Van Park currently \$57k ahead, Pool \$17k ahead, Wonga Van Park \$10k ahead, Cemetery Fees are \$16k ahead. It also includes \$20k for a major Water connection. Port Douglas Markets are currently \$4k behind budget.
- Grants and subsidies are currently \$1.34m ahead of budget. The Financial Assistance Grant of \$1.3m has been received in April vs budgeted in June \$851k. It is anticipated there will be a permanent improvement of approximately \$430k.
- Interest Income is currently \$43k behind budget. \$29k is from Rates & utility charges, where some significant property arrears have been paid. Investment interest \$14k 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. The recent lift in RBA cash rate will improve Council's interest revenue from it's operating account. Council have recently secured two \$5m Term Deposits at 1.23% & 1.54% which will assist with this variance.
- Other recurrent income is \$177k ahead of budget which includes proceeds from recycled materials, now \$119k ahead of budget, Nursery sales \$21k ahead, and a further \$58k relates to timing of invoices issued for works performed for Transport & Main roads.

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

- Materials and services expenditure is currently \$1.5m under budget. This variance is primarily due to timing of receipt of invoices and commencement of operational projects.

Committals are currently \$4.1m, which include annual purchase orders for major contracts such as Ferry, Waste removal, etc. This leaves 5% of the Materials and Services budget uncommitted.

- Employee benefits are currently \$453k 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 \$210k under budget. This variance is impacted by the timing of completion of capital projects.
- Finance costs are currently \$8k under budget, this is due to timing of the finance charges for rates & water payments.

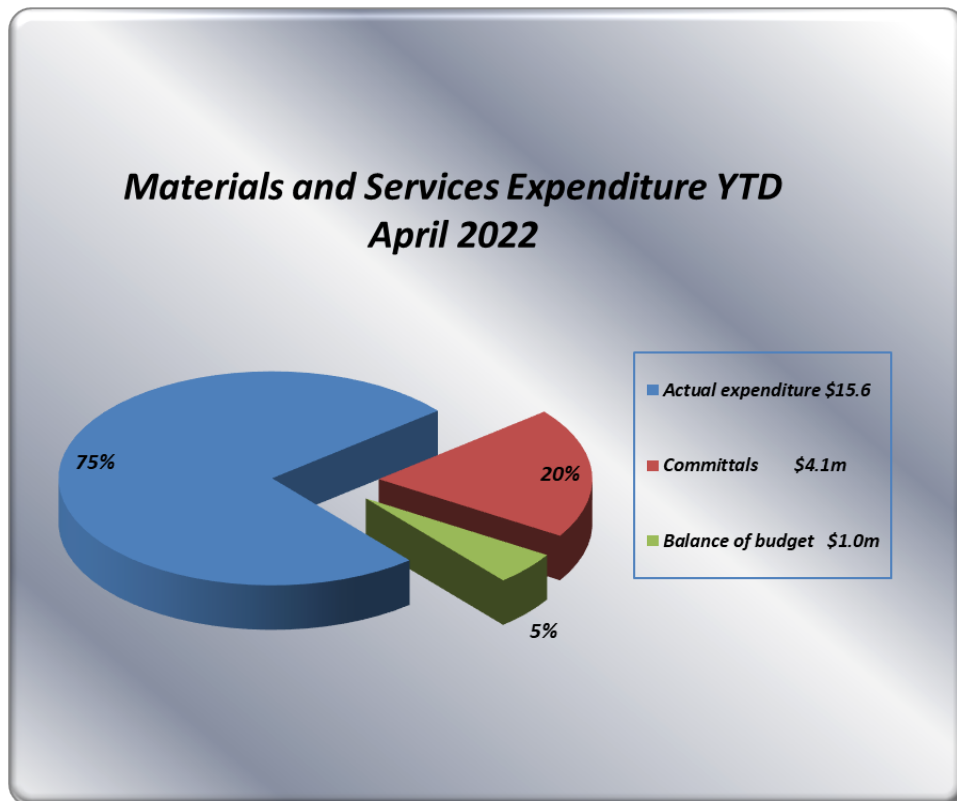


Figure 1 - Materials & Services

## Capital Revenue and Expenditure

### Key point:

- Council has received \$9.4m in capital grants and subsidies and \$706k in contributions from developers.

It should be noted that in addition to year-to-date capital expenditure of \$22.9m a further \$6.7m was committed at the end of April 2022.

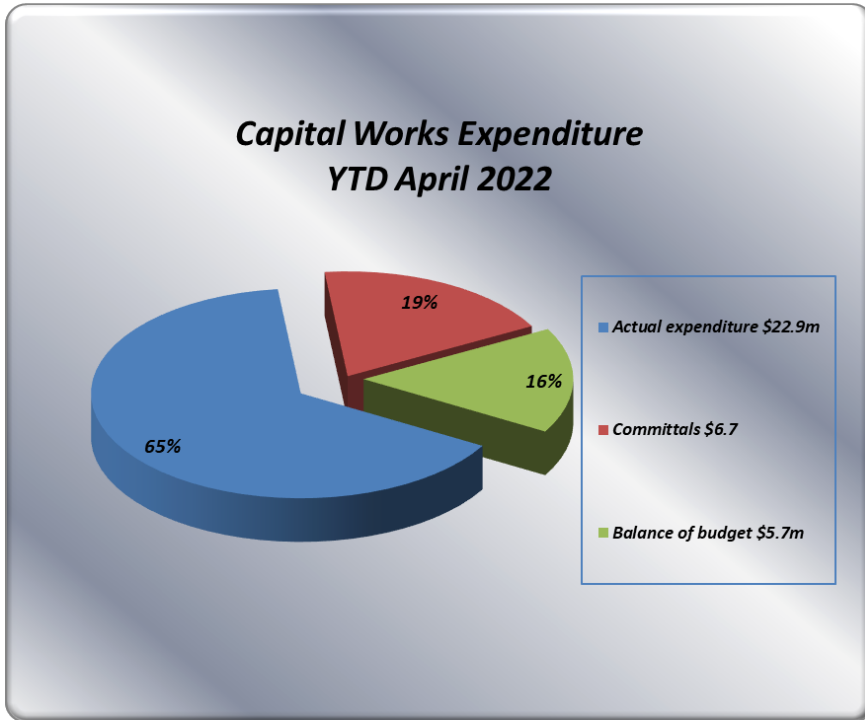


Figure 2 - Capital Expenditure

**Operating Result**

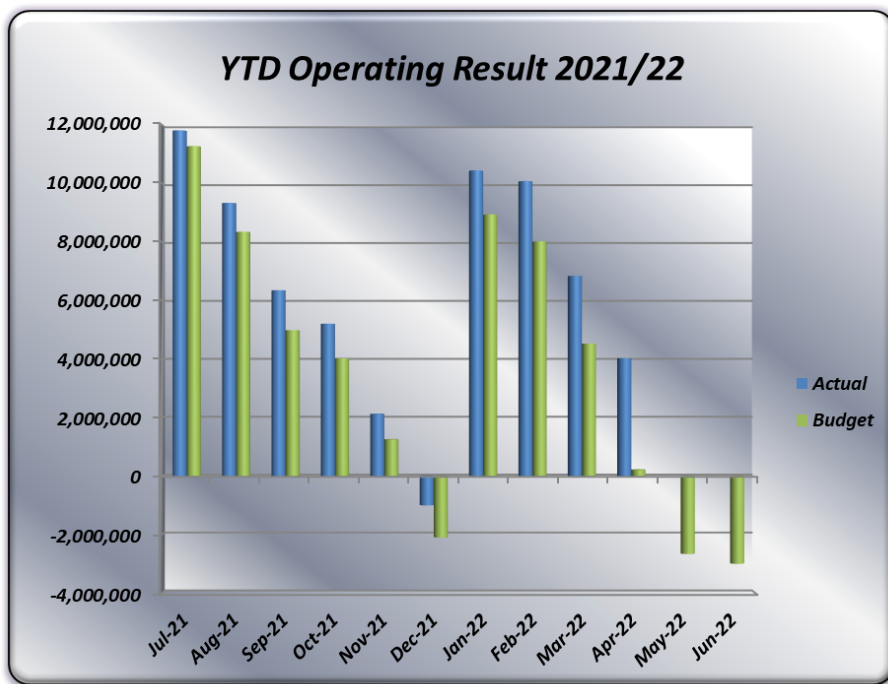


Figure 3 - Operating Results

Key point:

- The operating result is \$3.8m ahead of budget with an operating Surplus of \$4m compared to a budgeted Surplus of \$208k. It is anticipated that some of this variance will be permanent.

## PROPOSAL

The Financial Report for the period ended 30 April 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 be significantly increased, which should have a positive impact on Council results. The first adjusted instalment has been received in April 2022.

**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 April 2022 [**5.9.1** - 1 page]

<b>Douglas Shire Council</b>					
<b>Statement of Comprehensive Income</b>					
<b>Financial Report April 2022</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	35,309,339	35,090,463	218,876	37,684,964	94%
less: Financial Assistance, Remissions (incl. Pensioners)	(546,384)	(529,088)	(17,296)	(529,088)	103%
Net rates and utility charges	34,762,954	34,561,375	201,579	37,155,876	94%
Daintree River Ferry Fees & Charges	2,484,341	2,731,552	(247,211)	3,440,791	72%
Fees and charges (excluding Ferry)	2,819,574	2,651,018	168,556	3,096,489	91%
Grants and subsidies	2,660,225	1,316,366	1,343,859	2,686,858	99%
Interest received	232,172	274,728	(42,556)	355,040	65%
Other recurrent income	2,102,905	1,926,273	176,632	2,133,205	99%
<b>Total Operating Revenue</b>	<b>45,062,171</b>	<b>43,461,312</b>	<b>1,600,859</b>	<b>48,868,259</b>	<b>92%</b>
<b>Operating Expenses</b>					
Employee benefits	13,844,141	14,297,522	453,381	16,829,577	82%
Materials and services	15,635,605	17,175,219	1,539,614	20,781,849	75%
Depreciation	11,508,425	11,718,447	210,022	14,098,367	82%
Finance costs	54,238	61,971	7,733	150,705	36%
<b>Total Recurrent Expenses</b>	<b>41,042,409</b>	<b>43,253,159</b>	<b>2,210,750</b>	<b>51,860,498</b>	<b>79%</b>
<b>Operating Result</b>	<b>4,019,762</b>	<b>208,153</b>	<b>3,811,609</b>	<b>(2,992,238)</b>	<b>(134%)</b>
<b>Capital Revenue</b>					
Capital grants and subsidies	9,438,095	19,169,392	(9,731,297)	19,169,392	49%
Contributions from developers	706,610	250,000	456,610	250,000	283%
<b>Total capital revenue</b>	<b>10,144,705</b>	<b>19,419,392</b>	<b>(9,274,687)</b>	<b>19,419,392</b>	<b>52%</b>
<b>Net Result</b>	<b>14,164,467</b>	<b>19,627,545</b>	<b>(5,463,078)</b>	<b>16,427,154</b>	<b>86%</b>
<b>Capital Works Program</b>					
Capital additions	22,939,359	35,338,962	12,399,603	35,338,962	65%
<b>Total capital additions</b>	<b>22,939,359</b>	<b>35,338,962</b>	<b>12,399,603</b>	<b>35,338,962</b>	<b>65%</b>