

5.10. FINANCIAL REPORT SEPTEMBER 2021

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DEPARTMENT	Finance and Corporate Services

RECOMMENDATION

That Council notes the Financial Report for September 2021.

EXECUTIVE SUMMARY

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

- Operating revenue is ahead of budget by \$627k.
- Operating expenditure is under budget by \$737k.
- The Operating Surplus is currently \$6.3m, compared to a budgeted Surplus of \$5.0m.

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 30 September 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 37% 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 \$6k ahead of budget.
- Daintree Ferry revenue is currently \$171k behind budget. This variance will continue to be monitored closely as revenue has declined significantly since the last report due to border closures in place.
- Fees and charges are currently \$187k ahead of budget. There are a number of variances within this category:
 - Refuse Tipping fees are currently \$1k behind budget.
 - Licence Fees are currently \$18k behind budget due to timing of issuing notices.
 - Property fees are currently \$156k ahead of budget. This includes payment of development application fees. Property Search Fees also continue strongly and are \$44k ahead of budget.
 - Other fees and charges are currently \$50k ahead of budget and the variance is caused by several areas. Van Parks are \$47k ahead of budget with both holding strong advance bookings. Cemetery Fees are \$8k ahead of budget, increased volume of Septage, sees this area ahead of budget \$9k. Some changes to agreements for Flagstaff hill see this area \$15k behind budget. Revenue for Port Douglas Markets is also \$6k behind budget.
- Grants and subsidies are \$418k ahead of budget. This is partially 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. Council has also received \$127.5k DRFA funding for Emergent Expenses incurred during the Monsoonal low in April.
- Interest Income is currently \$8k behind budget. The provision of a 30 day interest free grace period for payment of the recent rates levied has contributed to this variance.
- Other recurrent income is \$196k ahead of budget. This includes revenue for Works performed for TMR (Transport & Main Roads) including the Macrossan Street works and DRFA works and the future impact of this will be considered when the budget revision occurs. Majority of this revenue will be offset by corresponding expenditure.

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

- Materials and services expenditure is currently \$710k under budget. This variance is primarily due to timing of receipt of invoices and commencement of operational projects. Committals are currently \$7.6M, which include annual purchase orders for major contracts such as Ferry, Waste removal, etc.
- Employee benefits are currently \$35k 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 are capitalised.
- Finance costs are currently \$8k behind budget, this is due to the timing of the receipt of invoices.

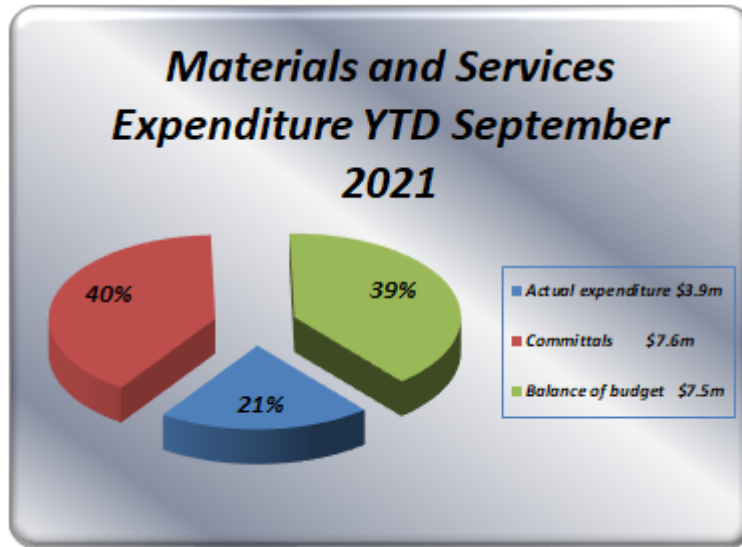


Figure 1 - Materials & Services

Capital Revenue and Expenditure

Key point:

- Council has received \$2.2m 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 \$5m a further \$13.4m was committed at the end of September 21. The Expenditure and commitment amounts include carry forward costs from unfinished 2020/21 projects which will be included in the revised budget.

Operating Result

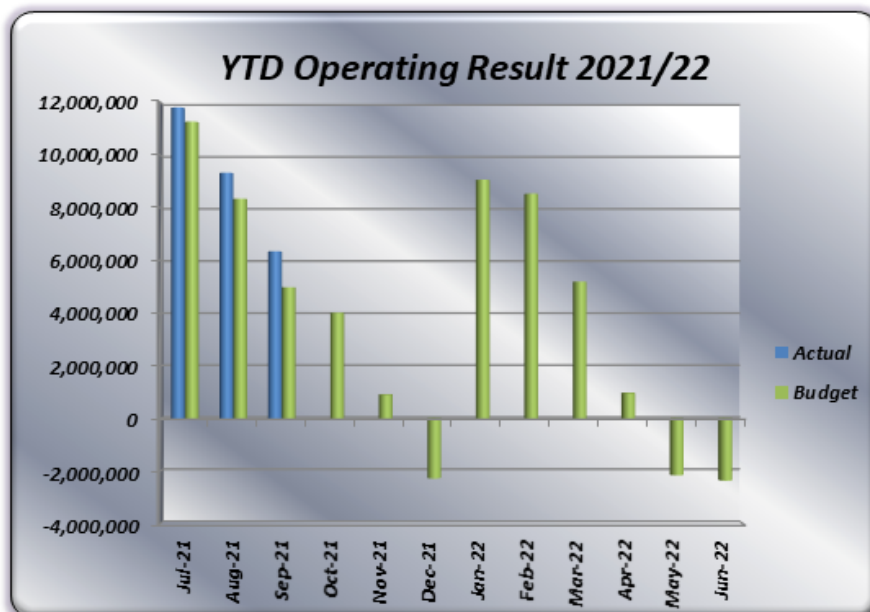


Figure 3 - Operating Results

Key point:

- The operating result is \$1.4m ahead of budget with an operating Surplus of \$6.3m compared to a budgeted Surplus of \$5m.

PROPOSAL

The Financial Report for the period ended 30 September 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 September 2021 [5.10.1 - 1 page]

Douglas Shire Council					
Statement of Comprehensive Income					
Financial Report September 2021					
	Actual YTD 22	Budget YTD 22	Variance	Budget 21/22	Actual as % of
	\$	\$	\$	\$	Budget 21/22
Operating Revenue					
Rates and utility charges	14,706,559	14,699,368	7,191	37,784,630	39%
less: Remissions (incl. Pensioners)	(262,849)	(262,044)	(805)	(524,088)	50%
Net rates and utility charges	14,443,537	14,437,324	6,213	37,260,543	39%
Daintree River Ferry fees & charges	1,031,179	1,202,567	(171,388)	3,780,791	27%
Fees and charges (excluding Ferry)	1,115,966	929,335	186,631	2,824,724	40%
Grants and subsidies	702,647	284,918	417,729	2,380,383	30%
Interest received	67,426	75,472	(8,046)	355,040	19%
Other recurrent income	403,244	207,683	195,561	997,274	40%
Total Operating Revenue	17,763,999	17,137,299	626,700	47,598,755	37%
Operating Expenses					
Employee benefits	3,963,490	3,998,293	34,803	16,833,359	24%
Materials and services	3,938,119	4,647,891	709,772	19,049,586	21%
Depreciation	3,501,722	3,501,722	-	13,896,369	25%
Finance costs	19,852	12,241	(7,611)	175,705	11%
Total Recurrent Expenses	11,423,183	12,160,147	736,964	49,955,019	23%
Operating Result	6,340,816	4,977,152	1,363,664	(2,356,264)	(269%)
Capital Revenue					
Capital grants and subsidies	2,240,049	4,597,318	(2,357,269)	4,597,318	49%
Contributions from developers	629,846	250,000	379,846	250,000	252%
Total capital revenue	2,869,895	4,847,318	(1,977,423)	4,847,318	59%
Net Result	9,210,711	9,824,470	(613,759)	2,491,054	370%
Capital Works Program					
Capital additions	5,040,639	16,046,559	11,005,920	16,046,559	31%
Total capital additions	5,040,639	16,046,559	11,005,920	16,046,559	31%