

5.4. FINANCIAL REPORT JANUARY 2022

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DEPARTMENT	Finance and Corporate Services

RECOMMENDATION

That Council notes the Financial Report for January 2022.

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2021/22 annual budget for the period ended 31 January 2022. Key points to note include the following:

- Operating revenue is behind budget by \$181k.
- Operating expenditure is under budget by \$1.7m.
- The Operating Surplus is currently \$10.4m, compared to a budgeted Surplus of \$8.9m.

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 31 January 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 79% 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 online with budget.
- Daintree Ferry revenue is currently \$177k 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 \$101k ahead of budget. There are a number of variances within this category:
 - Refuse Tipping fees are currently \$8k ahead of budget.
 - Licence Fees are currently \$21K ahead of budget due to timing of issuing notices
 - Property fees are currently \$14k ahead of budget. This is predominantly Property Search fees.
 - Other fees and charges are currently \$58k ahead of budget, this includes Mossman Van Park currently \$12k ahead, Pool \$10k ahead and Cemetery Fees are \$16k ahead.
- Grants and subsidies are currently online with budget
- Interest Income is currently \$31k behind budget. \$21k is from Rates & utility charges, where some significant property arrears have been paid. Investment interest should start to increase with the receipt of capital grant funds.
- Other recurrent income is \$75k behind 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 \$988K under budget. This variance is primarily due to timing of receipt of invoices and commencement of operational projects. Committals are currently \$5.7m, which include annual purchase orders for major contracts such as Ferry, Waste removal, etc.
 - Employee benefits are currently \$505k 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 \$189k under budget. This variance is impacted by the timing of completion of capital projects.
 - Finance costs are currently \$2k under budget.

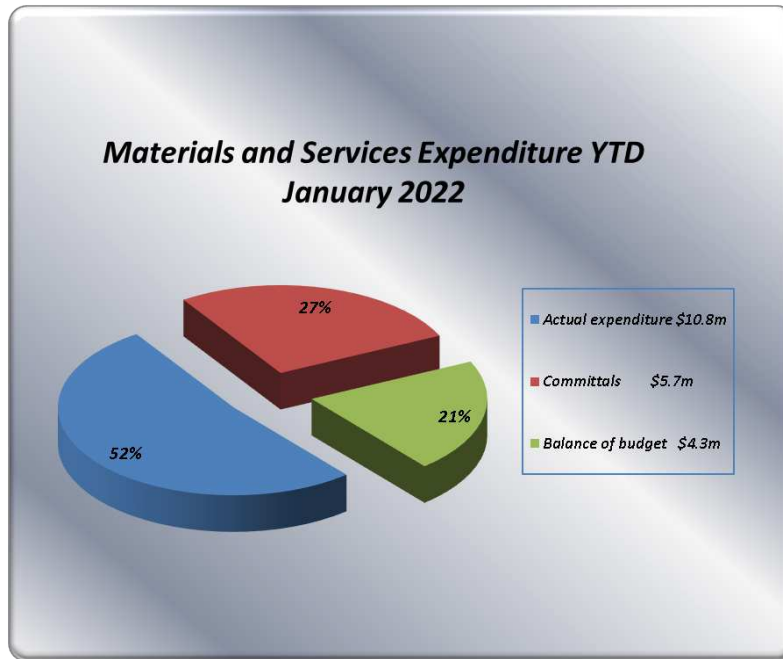


Figure 1 - Materials & Services

Capital Revenue and Expenditure

Key point:

- Council has received \$6.7m in capital grants and subsidies and \$630k in contributions from developers. \$3.7m was received in January for Disaster related Projects.

It should be noted that in addition to year-to-date capital expenditure of \$19.1 a further \$8m was committed at the end of January 2022.

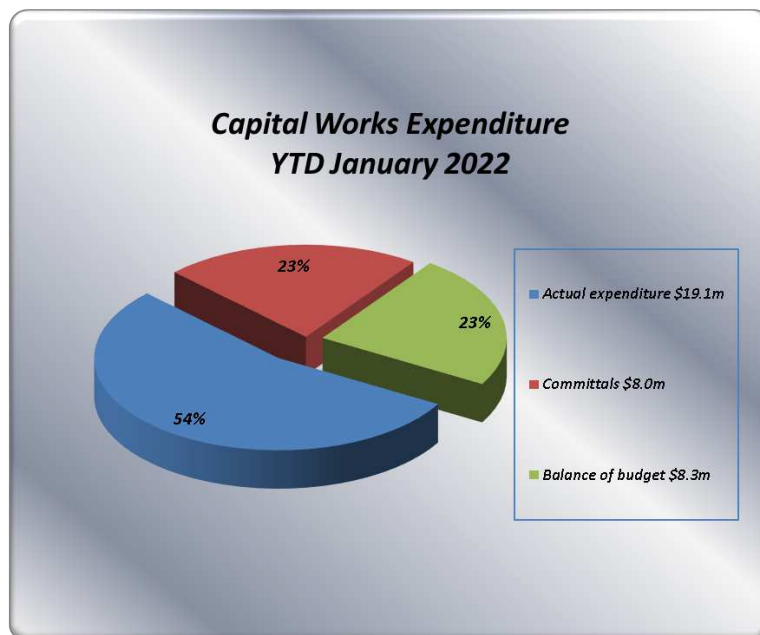


Figure 2 - Capital Expenditure

Operating Result



Figure 3 - Operating Results

Key point:

- The operating result is \$1.5m ahead of budget with an operating Surplus of \$10.4m compared to a budgeted Surplus of \$8.9m.

PROPOSAL

The Financial Report for the period ended 31 January 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 January 2022 [5.4.1 - 1 page]

Douglas Shire Council					
Statement of Comprehensive Income					
Financial Report January 2022					
	Actual YTD 22	Budget YTD 22	Variance	Budget 21/22	Actual as % of
	\$	\$	\$	\$	Budget 21/22
Operating Revenue					
Rates and utility charges	32,392,660	32,387,243	5,417	37,684,964	86%
less: Financial Assistance, Remissions (incl. Pensioners)	(534,086)	(529,088)	(4,998)	(529,088)	101%
Net rates and utility charges	31,858,264	31,858,155	109	37,155,876	86%
Daintree River Ferry Fees & Charges	1,857,164	2,034,095	(176,931)	3,440,791	54%
Fees and charges (excluding Ferry)	2,096,003	1,994,519	101,484	3,096,489	68%
Grants and subsidies	1,104,404	1,104,538	(134)	2,686,858	41%
Interest received	152,984	183,957	(30,973)	355,040	43%
Other recurrent income	1,547,308	1,622,266	(74,958)	2,133,205	73%
Total Operating Revenue	38,616,128	38,797,530	(181,402)	48,868,259	79%
Operating Expenses					
Employee benefits	9,338,912	9,843,521	504,609	16,829,577	55%
Materials and services	10,761,906	11,749,970	988,064	20,781,849	52%
Depreciation	8,052,066	8,240,676	188,610	14,098,367	57%
Finance costs	34,508	36,883	2,375	150,705	23%
Total Recurrent Expenses	28,187,391	29,871,050	1,683,659	51,860,498	54%
Operating Result	10,428,736	8,926,480	1,502,256	(2,992,238)	(349%)
Capital Revenue					
Capital grants and subsidies	6,735,404	19,169,392	(12,433,988)	19,169,392	35%
Contributions from developers	629,846	250,000	379,846	250,000	252%
Total capital revenue	7,365,250	19,419,392	(12,054,142)	19,419,392	38%
Net Result	17,793,986	28,345,872	(10,551,886)	16,427,154	108%
Capital Works Program					
Capital additions	19,091,967	35,338,962	16,246,995	35,338,962	54%
Total capital additions	19,091,967	35,338,962	16,246,995	35,338,962	54%