



I hereby give notice that a Special Meeting of Council will be held on:

Date: Friday, 3 December 2021
Time: 10:00am
Location: Council Chambers
Administration Office
10 Furneaux Street, Cooktown

AGENDA AND BUSINESS PAPERS

Special Council Meeting

3 December 2021

Linda Cardew
Chief Executive Officer

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1 ATTENDANCE**2 MEETING OPENED****3 APOLOGIES****4 ACKNOWLEDGEMENT OF COUNTRY**

On behalf of all Councillors, the Mayor acknowledged the Waymburr Warra people, Traditional Custodians of the land on which we meet today, and paid respects to their Elders past, present and emerging.

5 ORGANISATIONAL BUSINESS SERVICES - REPORTS

5.1 FINANCIAL STATEMENTS 2020/2021 FINANCIAL YEAR

File Number: D21/28098

Author: Audit and Risk Advisor

Authoriser: Heather Kelly, Director Organisational Business Services

Attachments: 1 Financial Statements 2020-21 - Cook Shire Council 

PRECIS

Council's General Purpose Financial Statements have been prepared in accordance with the requirements of sections 176 to 178 of the *Local Government Regulation 2012* and have been audited by the Queensland Audit Office (QAO) in accordance with section 212 of the *Local Government Regulation 2012*.

QAO have indicated that based on the information that has been assessed during the audit, it is expected that Council will be issued with an unmodified audit opinion. The official Management Letter will be issued in due course and will be presented to the next available Council Meeting following receipt.

The audit of the financial statements for the year ended 30 June 2021 has now been finalised and are presented to Council for adoption.

BACKGROUND/HISTORY

Council has a statutory requirement to prepare general purpose financial statements and these statements must be provided to the Auditor-General for auditing. The audit for the 2021 financial year has been finalised and the following commentary provides some key outcomes/results obtained for the financial year.

The Statement of Comprehensive Income records that Council had a net result of surplus \$7.458million as opposed to a deficit of \$5.767million in the 2020 financial year. This turnaround of \$13.225million can be mostly attributed to the following factors:

- Grants, subsidies, contributions and donations (Capital and Operational) – An increase in revenue of \$6.537million on previous financial year. This is generally due to the accounting treatment of grants and the recognition of contract assets and liabilities relative to the completion of capital projects.
- Council has to maintain a provision in its financial statements for the restoration of its landfill/tip sites and the variances in this provision, even though they are a non-cash transaction, impacts on Council's profit and loss result. In this financial year the following occurred:
 - An increase in capital income of approximately \$3million due to change in discount rates relating to the provisions for tip restoration; and
 - Capital expenditure reduced by approximately \$2.7million as there were no increases to the provision (as was the case in 2020 financial year)

Those above points account for \$12.2million of the \$13.2million variance between the two financial years, 2021 and 2020.

To further dissect the Statement of Comprehensive Income, the following table provides the results of operating revenue and expenditure for the financial year. To allow for comparison, there is the actual results for both financial years, 2021 and 2020 and the budget for 2021 financial year.

Description	Actual 2021 \$,000	Actual 2020 \$,000	Budget 2021 \$,000
Revenue			
Rates, Levies & Charges	7,877	7,736	7,836
Fees & Charges	1,024	629	939
Sales Revenue	867	640	715
Grants, subsidies, contributions and donations	49,151	52,104	55,644
Other Income	1,115	1,246	1,068
Total Operating Revenue	60,034	62,355	66,202
Expenditure			
Employee Benefits	14,427	13,919	14,377
Materials & Services	44,669	44,967	49,042
Finance Costs	66	904	308
Operating Expenditure Without Depreciation	59,162	59,790	63,727
Sub-Total – Revenue less Expenditure without Depreciation	872	2,565	2,475
Depreciation & Amortisation	11,098	10,590	10,970
Total Operating Expenditure	70,260	70,380	74,697
Net Operating Result (Surplus / Deficit)	-10,226	-8,025	-8,495

The net operating result has increased by approximately \$2.2million over the previous financial year to a deficit of \$10.226million. The major factor contributing to this increase was that operational grant funding did not achieve budget forecast and total grants received were approximately \$3million less than grant funding received in the 2020 financial year.

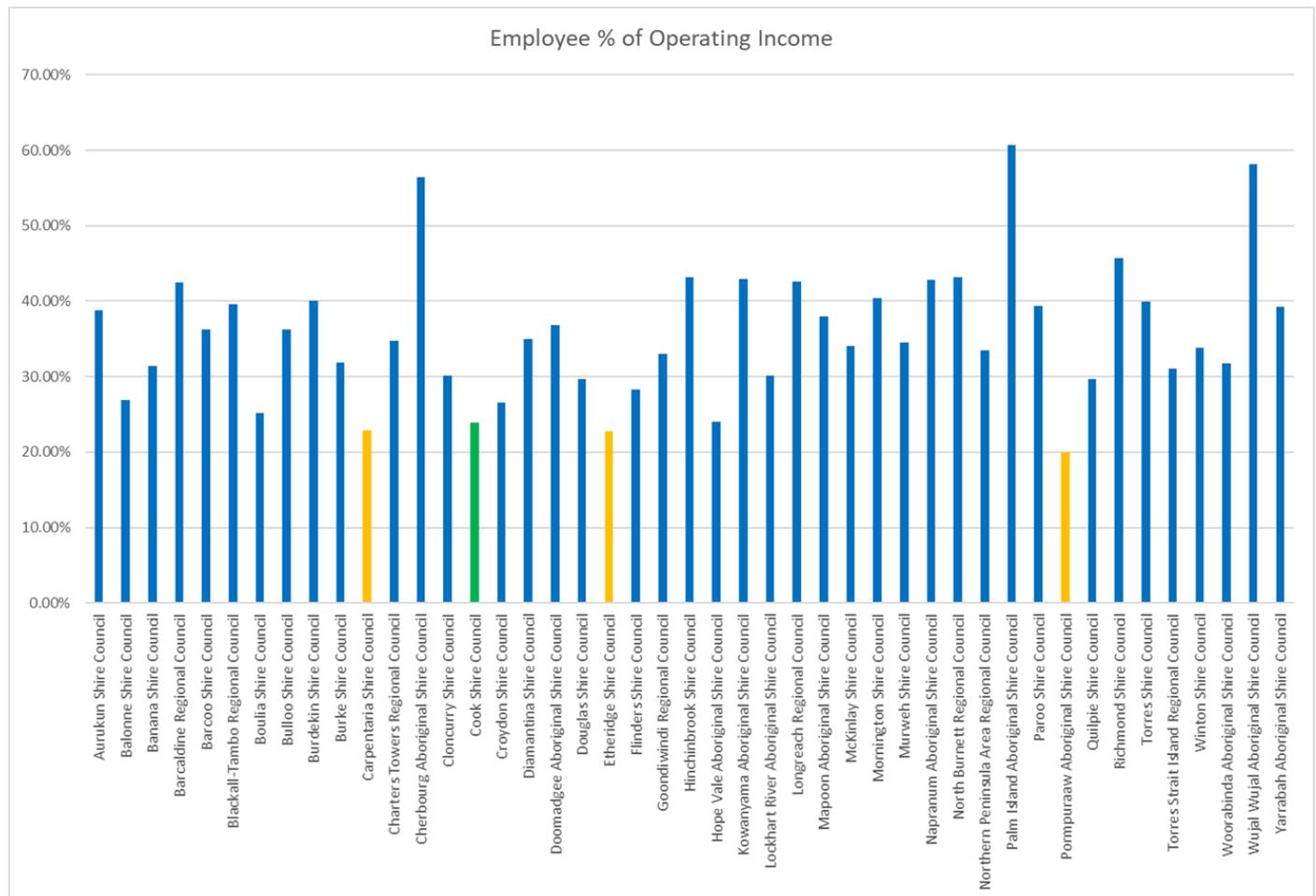
Council has a heavy reliance on grant funding and this source of revenue is in excess of 80% of Council's total revenue. The payment of grant funding is in an arrears' situation, in that Council does not receive or is able to recognise grant income until such times as the milestones are achieved and have been signed off by the grant provider.

All other sources of revenue exceeded budget forecasts for 2021 financial year.

The most significant result achieved for the financial year was that overall expenditure was contained to the same level as the previous financial despite increased costs across Council operations. Further analysis of expenditure is as follows:

- Employee Benefits – The actual expenditure exceeded budget by approximately \$50K which equates to an overrun of 0.35% and this is deemed to be a very favourable result. It should

also be noted that throughout Queensland there are 45 Category 1 Councils which is the category in which Cook Shire Council sits. Of these 45 Councils, Cook is the 4th lowest in employee costs as a percentage of Operating Income which effectively means that this organisation is continuing to provide a high level of community service with less cost.



- Materials and Services – The organisation, through prudent financial management, has been able to constrain expenditure to approximately \$300K less than the previous financial year in an environment of increasing costs. This is a considerable achievement as most financial operating deficits are a result of expenditure “blowouts” but this is definitely not the case with this organisation. Another example of Council being able to maintain quality community services with less resources.
- Finance costs – These costs were contained well within budget and is due to non-cash adjustments relating to the revaluation of the provision for tip restoration.
- Depreciation and Amortisation – The actual result for this financial year was approximately \$128K or 1.17% over budget. Depreciation is a non-cash transaction and represents the decline in value of Council’s assets over their lifecycle and is effectively unfunded at this time due to the operating deficit.

Whilst this can be a financial sustainability concern, Council has a sound and proven track record in being able to obtain grant funding to renew its key infrastructure and assets.

In the above table, there is a separate calculation (subtotal) of revenue less expenditure without depreciation, as it is a non-cash transaction. The purpose of this inclusion is to demonstrate that

although Council has recorded an operating deficit for the financial year, it is generating sufficient revenue to cover all cash expenditure. Therefore, is able to meet and cover all known liabilities.

In the Statement of Cashflows, there is a net decrease in cash and cash equivalents of \$8.512million. This can be attributed to a far more extensive capital works program in 2021 financial year of approximately \$18million as opposed to \$9.9million in 2020 financial year. Again, this can be related to timing of Council undertaking work and achieving grant milestones and the grant provider submitting grants funds for that particular milestone.

In summary, even though Council's operating deficit has increased, there are many significant achievements and financial results that validate Council continues to strive for excellence in services provided to the community when operating with reduced resources.

LINK TO CORPORATE PLAN

Corporate Values and Principles: 2 – Adopting honest and progressive systems of accountability and reporting.

Key Strategy Priority: Governance - Accountable, responsible and appropriate governance and management reflected in responsible long-term financial sustainability and clear strategic direction built around core local government business and affordable levels of service.

Strategy 1: Develop an achievable long term financial, resource and infrastructure plan to ensure ongoing capacity to fund operations and capital works programs that underpin Council's long-term strategy to achieve financial sustainability.

Objective 1a: Council's Long-Term Financial Plan is compiled and linked to Council's Corporate and Operational Plans.

Strategy 4: Work management systems and procedures are reviewed and adjusted to support improved organisational service provision, compliance and efficiency.

Objective 4f: Council activities comply with applicable legislation through well maintained policies, procedure and information systems that guide and facilitate good decision making.

CONSULTATION

As this is a legislative requirement for Council to have its financial statements audited, consultation, in this instance, is not undertaken.

LEGAL IMPLICATIONS (STATUTORY, BASIS, LEGAL RISKS)

Pursuant to section 212 of the *Local Government Regulation 2012*, Council is required to have its general purpose financial statements audited within 4 months after the end of the financial year to which the statements relate.

As it was impractical for Council to achieve this requirement, an extension of time was sought and granted to by the Minister of Local Government, Racing and Multicultural Affairs. This extension was until 31 December 2021 and the audit has been completed within this revised timeframe.

Therefore, in regards to the audit of its financial statements, Council is compliant with relevant legislation.

POLICY IMPLICATIONS

There are no policy implications with regards to the audit of Council's financial statements.

FINANCIAL AND RESOURCE IMPLICATIONS (BUDGETARY)

As the financial statement audit is an annual requirement, the cost of this audit is factored into Council's annual budget.

RECOMMENDATION

That Council adopts the Financial Statements for the year ended 30 June 2021 and that the Mayor and Acting Chief Executive Officer be authorised to execute the Management Certificate and Financial Sustainability Statements accordingly.