



Item No: 2.2
Title: Monthly Finance Report August 2024
Department: Corporate Services

29 October 2024 Ordinary Council Meeting

Reference: F2020/03205 - D16437188
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Recommendation

That Council receives the Monthly Financial Report – August 2024

Report purpose

To present to Council the financial performance as at 31 August 2024.

Executive Summary

For 2024-25 FY Council has budgeted, on a consolidated basis, an operating surplus before capital income of \$10.7M. As at 31 August 2024, Council has an operating surplus of \$6.9M, compared to a YTD budget of an operating deficit of \$2.0M.

The budgeted net operating position will fluctuate throughout the financial year, reflecting income and expenditure timing. This YTD variance of \$8.9M represents 1% of council's gross annual operating expenditure budget of \$776M.

As at the end of the reporting period, there are no concerns regarding Council's performance against the adopted budget.

As part of Council's financial management framework, actual results for income and expenditure, against the amounts estimated for the reporting period, are monitored monthly. Reasons for significant variations, as well as any mitigation actions required are identified. Any required budget changes are submitted to Council as part of the legislated Quarterly Budget Review process.

Background


The monthly financial report has been prepared in accordance with the requirements of the *Local Government Act 1993*, the Local Government (General) Regulation 2021, and the relevant accounting and reporting requirements of the Office of Local Government prescribed Code of Accounting Practice and Financial Reporting and Australian Accounting Standards.

Report

Consolidated Operating Statement

As at 31 August 2024, Council has a consolidated net operating surplus of \$6.9M, before capital income, which is favourable to YTD budget by \$8.9M. The overall variance is predominantly driven by a YTD favourable variance in operating expenses of \$9.1M, mostly in employee costs (\$2.0M), materials and services (\$6.8M). The unfavourable variance in Depreciation (\$2.3M) is also being monitored.

The net operating surplus including capital income is \$13.8M which is favourable to YTD budget by \$10.9M.

		Consolidated							
		Operating Statement							
		August 2024							
	PRIOR YEAR Actuals	Original Budget	FULL YEAR Budget	YTD Budget	YTD Actuals	Current Year Commitments	YTD Variance (excluding commitments)	YTD Variance (excluding commitments)	
	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	%	
Operating Income									
Rates and Annual Charges	421,528	460,606	460,606	70,639	73,698	-	3,059	4%	
User Charges and Fees	169,410	170,284	170,284	13,011	14,257	-	1,246	10%	
Other Revenue	24,155	15,532	15,532	(904)	766	-	1,670	185%	
Interest	38,249	26,022	26,022	2,163	2,722	-	559	26%	
Grants and Contributions	52,810	44,668	44,668	9,661	4,886	-	(4,775)	49%	
Gain on Disposal	3,084	-	-	-	193	-	193	100%	
Other Income	10,306	10,462	10,462	2,425	2,434	-	10	0%	
Internal Revenue	57,120	56,950	56,950	8,576	6,394	-	(2,181)	25%	
Total Income attributable to Operations	776,662	784,524	784,524	105,570	105,351	-	(219)	0%	
Operating Expenses									
Employee Costs	194,560	217,710	217,710	34,428	32,397	1	2,031	6%	
Borrowing Costs	12,466	12,010	12,010	462	292	-	170	37%	
Materials and Services	229,244	245,138	247,280	32,469	25,707	91,249	6,762	21%	
Depreciation and Amortisation	197,293	202,942	202,942	32,143	34,469	-	(2,326)	7%	
Other Expenses	43,096	47,217	47,217	778	8	-	770	99%	
Loss on Disposal	11,911	-	-	-	196	-	(196)	100%	
Internal Expenses	49,488	48,807	48,807	7,260	5,398	-	1,862	26%	
Overheads	(0)	-	-	(0)	(0)	-	(0)	100%	
Total Expenses attributable to Operations	738,060	773,823	775,965	107,540	98,467	91,250	9,073	8%	
Operating Result after Overheads and before Capital Amounts	38,602	10,701	8,559	(1,970)	6,883	-	8,853	449%	
Capital Grants	63,325	85,684	85,684	778	1,933	-	1,154	148%	
Capital Contributions	43,842	23,908	23,908	4,100	4,947	-	847	21%	
Grants and Contributions Capital Received	107,167	109,592	109,592	4,878	6,880	-	2,002	41%	
Net Operating Result	145,769	120,293	118,151	2,908	13,763	-	10,855	373%	

2.2 Monthly Finance Report August 2024 (cont'd)

Variance analysis on the consolidated operating result is as follows:

Operating Revenue

Rates and Annual Charges

\$3.1M Favourable to YTD budget.

- This variance relates to the timing of the budgets and will be corrected in Q1.

User Fees and Charges

\$1.3M Favourable to YTD budget. Main variances include:

- \$0.5M favourable Water and Sewer charges (timing variance).
- \$0.2M favourable on Education and Care fees aligned with higher than forecast activity (partly offset by operating expenses).
- \$0.2M favourable Sport Field hire with income being raised ahead of budget schedule.
- Balance is made up of minor variances across many business units.

Other Revenue

\$1.7M Favourable to YTD budget.

- \$1.3M favourable in unrealised gain on investments, floating rate notes and bonds. This item is not budgeted due to its unpredictable nature and will be monitored and reported monthly. Budgets will be allocated quarterly through the Quarterly Budget Review process.

Interest

\$0.6M Favourable to YTD budget.

- Favourable variance predominantly from the favourable interest rate environment, hence receiving more interest on investments than budgeted. A reforecast will be calculated as part of the upcoming Quarterly Budget Review process (Q1).

Operating Grants and Contributions

\$4.8M Unfavourable to YTD budget.

- Predominantly driven by the timing of the receipt of a significant portion of the Financial Assistance Grant in last financial year. The 2024-25FY grant entitlement will be re-phased based as part of Q1 based on the assumption that a pre-payment of this grant will occur again.

Gain on Disposal

\$0.2M Favourable to YTD budget.

\$0.2M favourable from disposals of plant & equipment through the programmed change overs.

Other Income

- On Track.

Internal revenue

\$2.2M Unfavourable to YTD budget.

- \$2.2M Unfavourable in Plant and Fleet internal charges due to a lag in the internal billing cycle. This is offset by internal operating expenses. Billing has been caught up in September 2024.

Operating Expenses

Employee Costs

\$2.0M Favourable to YTD budget.

- \$2.0M favourable due to staff vacancies trending higher than budgeted, and some budget timing issues.

Borrowing Costs

\$0.2M Favourable to YTD budget.

- Minor variance, mainly budget timing.

Materials and Services

\$6.8M Favourable to YTD budget. All variances are mainly timing in nature. A detailed review will be undertaken as part of Q1 to ensure that budgeted amounts remain aligned with service levels to be delivered. Main variances include:

- \$1.9M favourable in Water & Sewer.
- \$1.8M favourable in Waste Management.
- \$0.7M favourable in Plant and Fleet.
- \$0.3M favourable in Holiday Park Commission Payments (outside peak season).
- Other variances are spread across many delivery units of Council.

Depreciation

\$2.3M Unfavourable to YTD budget.

- This is partly due to budget timing difference related to the capitalisation processing and partly due to asset value indexation (permanent difference). A full year reforecast will be considered as part of Q1.

2.2 Monthly Finance Report August 2024 (cont'd)

Other Expenses

\$0.8M Favourable to YTD budget.

- \$0.8M favourable variance relates mainly to the timing of the payment of Council's contribution to the Art House. This has been processed in the September accounts.

Loss on Disposal

\$0.2M Unfavourable to YTD budget.

- Minor variance due to asset values having minor residual values at time of disposal due to earlier than anticipated infrastructure replacement.

Internal expenses

\$1.9M Favourable to YTD budget.

- \$2.0M Favourable variance in Plant and Fleet internal charges due to a lag in the internal billing cycle. This is offset by internal operating Income. Billing has been caught up in the September accounts.

Capital Income

Capital Grants

\$1.2M Favourable to YTD budget. Timing differences associated with the recognition of income with capital delivery and payment milestones with all grant income on track to be achieved for the year. Main variances include:

- \$0.4M favourable for Environmental Management projects.
- \$0.3M favourable in Open Space and Recreation.
- \$0.3M favourable in Roads and Drainage Infrastructure.

Budget timing will be reviewed as part of Q1.

Capital Contributions

\$0.8M Favourable to YTD budget, on track for full year.

- \$0.8M in Water and Sewer developer contributions
This variance is minor and consistent with the nature of forecasting the exact timing of these external payment activities.

Financial Performance by Fund

The following Tables summarise the financial performance for the reporting period by Fund.

Total General (+Drainage & Waste) Fund								
Operating Statement								
August 2024								
	PRIOR YEAR Actuals	Original Budget	FULL YEAR Budget	YTD Budget	YTD Actuals	Current Year Commitments	YTD Variance (excluding commitments)	YTD Variance (excluding commitments)
	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	%
Operating Income								
Rates and Annual Charges	313,733	329,428	329,428	52,641	55,583	-	2,942	6%
User Charges and Fees	76,366	75,789	75,789	10,659	11,381	-	721	7%
Other Revenue	22,826	15,532	15,532	(904)	608	-	1,512	167%
Interest	28,347	22,440	22,440	1,869	2,159	-	290	16%
Grants and Contributions	52,506	44,668	44,668	9,661	4,911	-	(4,750)	49%
Gain on Disposal	2,482	-	-	-	193	-	193	100%
Other Income	10,306	10,462	10,462	2,425	2,434	-	10	0%
Internal Revenue	52,827	54,085	54,085	8,511	6,325	-	(2,186)	26%
Total Income attributable to Operations	559,392	552,403	552,403	84,863	83,595	-	(1,268)	1%
Operating Expenses								
Employee Costs	159,433	177,004	177,004	28,005	26,514	1	1,491	5%
Borrowing Costs	4,934	3,352	3,352	244	75	-	169	69%
Materials and Services	183,599	191,871	194,012	25,952	21,072	79,229	4,880	19%
Depreciation and Amortisation	116,976	118,464	118,464	18,746	20,314	-	(1,568)	8%
Other Expenses	42,817	47,217	47,217	778	(2)	-	780	100%
Loss on Disposal	8,703	-	-	-	196	-	(196)	100%
Internal Expenses	36,876	34,518	34,518	5,089	3,564	-	1,525	30%
Overheads	(24,514)	(23,585)	(23,585)	(3,931)	(3,931)	-	(0)	0%
Total Expenses attributable to Operations	528,824	548,841	550,983	74,884	67,803	79,230	7,081	9%
Operating Result after Overheads and before Capital Amounts	30,569	3,562	1,420	9,979	15,792	-	5,813	58%
Capital Grants	52,066	65,482	65,482	-	1,123	-	1,123	100%
Capital Contributions	36,009	17,908	17,908	3,100	3,159	-	59	2%
Grants and Contributions Capital Received	88,075	83,390	83,390	3,100	4,282	-	1,182	38%
Net Operating Result	118,644	86,951	84,810	13,079	20,075	-	6,995	53%

Total Water & Sewer Fund								
Operating Statement								
August 2024								
	PRIOR YEAR Actuals	Original Budget	FULL YEAR Budget	YTD Budget	YTD Actuals	Current Year Commitments	YTD Variance (excluding commitments)	YTD Variance (excluding commitments)
	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	%
Operating Income								
Rates and Annual Charges	107,795	131,178	131,178	17,998	18,115	-	118	1%
User Charges and Fees	93,044	94,495	94,495	2,352	2,876	-	525	22%
Other Revenue	1,329	-	-	-	158	-	158	100%
Interest	9,902	3,582	3,582	294	563	-	269	92%
Grants and Contributions	304	-	-	-	(25)	-	(25)	100%
Gain on Disposal	602	-	-	-	-	-	-	100%
Other Income	-	-	-	-	-	-	-	100%
Internal Revenue	4,294	2,866	2,866	64	69	-	5	8%
Total Income attributable to Operations	217,269	232,122	232,122	20,707	21,756	-	1,049	5%
Operating Expenses								
Employee Costs	35,127	40,705	40,705	6,423	5,883	-	540	8%
Borrowing Costs	7,533	8,658	8,658	218	217	-	1	0%
Materials and Services	45,645	53,267	53,267	6,517	4,635	12,020	1,882	29%
Depreciation and Amortisation	80,317	84,478	84,478	13,397	14,155	-	(758)	6%
Other Expenses	279	-	-	-	11	-	(11)	100%
Loss on Disposal	3,208	-	-	-	-	-	-	100%
Internal Expenses	12,612	14,289	14,289	2,171	1,834	-	337	16%
Overheads	24,514	23,585	23,585	3,931	3,931	-	-	0%
Total Expenses attributable to Operations	209,236	224,982	224,982	32,656	30,664	12,020	1,992	6%
Operating Result after Overheads and before Capital Amounts	8,033	7,139	7,139	(11,949)	(8,909)	(12,020)	3,041	25%
Capital Grants	11,259	20,202	20,202	778	809	-	31	4%
Capital Contributions	7,833	6,000	6,000	1,000	1,788	-	788	79%
Grants and Contributions Capital Received	19,092	26,202	26,202	1,778	2,598	-	819	46%
Net Operating Result	27,125	33,341	33,341	(10,171)	(6,311)	(12,020)	3,860	38%

Financial Performance Benchmarks

Below is a summary of Council's performance, on a consolidated basis against main industry financial performance benchmarks set by the Office of Local Government.

Financial Performance Ratio	Industry Benchmark	Full year Forecast	Ratio – YTD Actuals	
Operating Performance Ratio	> 0%	1.47%	8.9%	✓
Own Source operating Revenue Ratio	> 60%	81.57%	89.1%	✓
Unrestricted Current Ratio	> 1.5x	2.57x	4.3x	✓
Cash Expense Cover Ratio	> 3 months	3.44 months	2.8 months	✓
Buildings and Infrastructure Renewals Ratio	n/a	138%	73.6%	
Infrastructure Maintenance Ratio	n/a	n/a	46.0%	

As at the end of the August 2024, on a consolidated basis, Council exceeded the mandated benchmark for the operating performance ratio, achieving 8.9%.

Council has also performed favourably against the unrestricted current ratio, achieving 4.3x against a benchmark of > 1.5x. This ratio considers all current assets and liabilities, including cash.

Council maintained positive performance regarding the cash expense cover. Council is in a strong liquidity position.

The infrastructure ratios are monitored each month and are based on a point in time. The Infrastructure Renewal Ratio is based on the actual renewal expenditure as at the end of the reporting period, compared to the depreciation over the same period. The Asset Maintenance Ratio is calculated based on actual maintenance as at the end of the reporting period compared to the required maintenance estimated over the same reporting period. Annual performance in regard to these ratios is included in the Special Schedules in the annual Financial Statements, noting that the infrastructure section within the Schedules does not form part of the NSW Audit Office audit.

Noting the volatility in the timing of asset renewal and maintenance, performance as at the end of a reporting period, is an indication only of Council's likely performance against the benchmark for the year. To further enhance the reliability of these measures, a cross unit project is currently underway to ensure that all maintenance and renewal activities are appropriately captured and accounted for.

Cash and Investments

Details on cash and investments as at 31 August 2024 are included in the Monthly Investment Report August 2024.

Emergency Loans

In 2020 Council obtained emergency loans totalling \$150M. These loans were required to finance Council’s working capital, cash reserves, maturing debt facilities and capital expenditure.

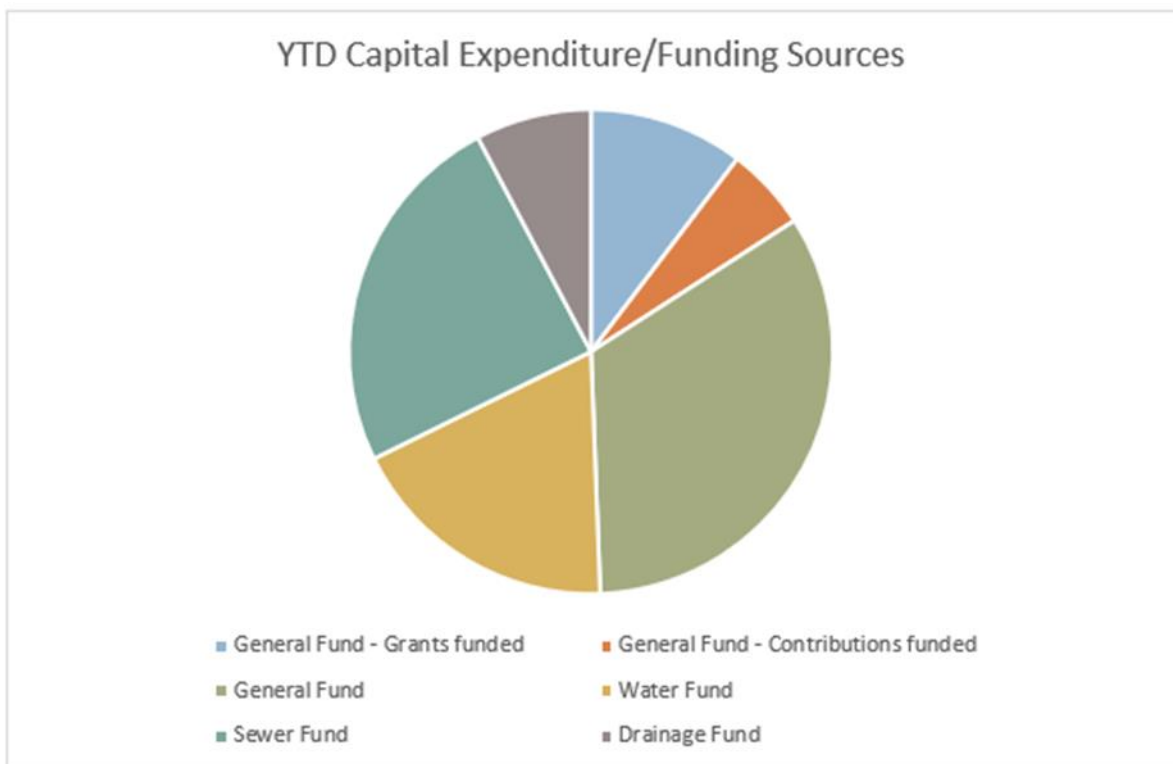
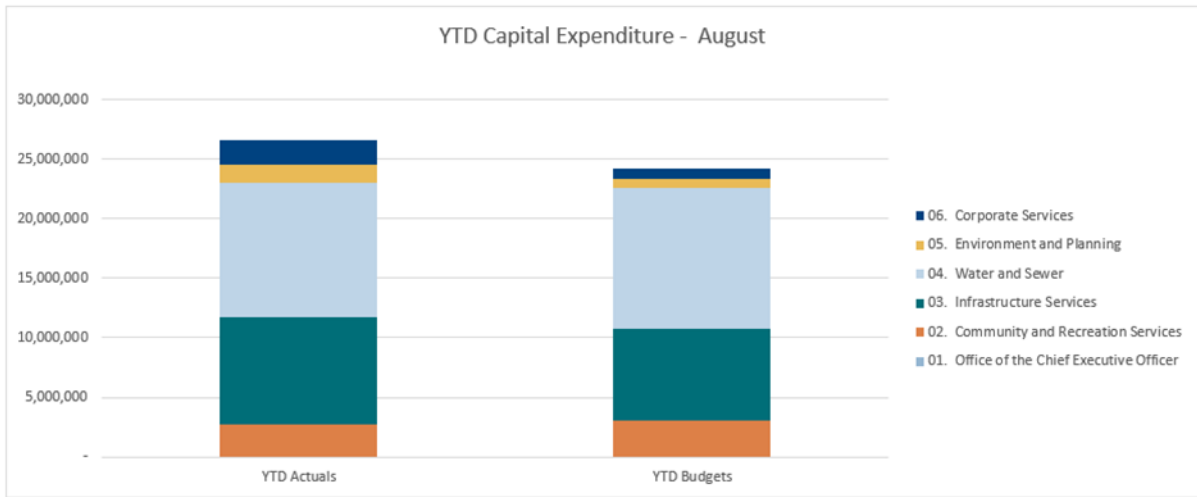
In December 2023, the \$100M Emergency Loan was settled and repaid in full, extinguishing the requirement to refinance any amount.

Council will continue to internally restrict funds with the aim of settling the remaining \$50M in November 2025, without the need to refinance any amount. The interest rates environment will be monitored and the timing and amount of any repayment or extinguishment of the loan will be optimised accordingly.

Capital Works

As at 31 August 2024 capital expenditure is \$26.6M against a YTD budget of \$24.2M for the same period, and a 2024-25 FY budget of \$304.7M. The variance mainly reflects budget timing, which will be reviewed as part of Q1.

Department	Original Budget	FULL YEAR Budget	YTD Budgets	YTD Actuals	Commitments	YTD Variance	YTD Variance
	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	%
01. Office of the Chief Executive Officer	-	-	-	-	-	-	-
02. Community and Recreation Services	51,420	49,865	3,063	2,737	6,475	326	10.6%
03. Infrastructure Services	106,650	104,016	7,740	8,969	18,030	(1,229)	-15.9%
04. Water and Sewer	122,366	122,366	11,746	11,290	56,102	457	3.9%
05. Environment and Planning	9,911	10,005	844	1,600	4,278	(756)	-89.6%
06. Corporate Services	18,180	18,436	792	2,023	8,873	(1,231)	-155.3%
Total	308,527	304,688	24,185	26,620	93,757	(2,434)	-10.1%



Stakeholder Engagement

The preparation of the August 2024 monthly financial report included consultation with business units across Council to identify the reasons and mitigation strategies for significant variances to budget.

Financial Considerations

Financial Year (FY) Implications

The proposal has cost and revenue implications for the current FY only.

Budget and Long-Term Financial Plan (LTFP) Impact.

The FY adopted budget includes the impact for this proposal.

This report presents the financial position of Council as at 31 August 2024. Variations from budgeted amounts are detailed and an explanation provided. To date, there are no concerns regarding Council's financial performance for the remainder of the financial year.

Link to Community Strategic Plan

Theme 4: Responsible

Goal G: Good governance and great partnerships

R-G3: Provide leadership that is transparent and accountable, makes decisions in the best interest of the community, ensures Council is financially sustainable and adheres to a strong audit process.

Risk Management

Council's financial management framework includes the monthly review and reporting of significant variances to budget. This ensures that any issues are identified and rectified in a timely manner, with any necessary adjustments being captured in the appropriate Quarterly Budget Review.

This process mitigates the risk of Council's financial performance deviating from the adopted budget and ultimately altering the trajectory of Council's Long Term Financial Plan.

Critical Dates or Timeframes

Council receives monthly financial reports to ensure that Council is kept up to date with Council's financial performance.

Attachments

Nil.