



Item No: 2.1
Title: Monthly Finance Report October 2024
Department: Corporate Services

26 November 2024 Ordinary Council Meeting

Reference: F2020/03205 - D16439207
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Recommendation

That Council receives the Monthly Financial Report – October 2024

Report purpose

To present to Council the monthly financial report for October 2024.

It is noted that the monthly financial report for November 2024 to be submitted to the December 2024 Council meeting will be a high level summary only report due to the timing of the meeting.

Executive Summary

For 2024-25 FY Council has budgeted, on a consolidated basis, an adopted operating surplus before capital income of \$8.6M (Original Budget \$10.7M). As at 31 October 2024, Council has an operating surplus of \$8.4M, compared to a YTD budgeted operating deficit of \$7.3M.

The budgeted net operating position will fluctuate throughout the financial year, reflecting income and expenditure timing. This YTD variance of \$15.7M represents 2% 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. Based on financial performance as at the end of the reporting period, Council is tracking to achieve a better operating result than budgeted.

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 October 2024, Council has a consolidated net operating surplus of \$8.4M, before capital income, which is favourable to YTD budget by \$15.7M. The overall variance is predominantly driven by a YTD favourable variance in operating income, being an overall favourable YTD variance of \$8.2M (1% of full year budget) of operating income and a YTD favourable variance in operating expenses against budget of \$7.4M (1% of full year budget)

The net operating surplus including capital income is \$37.2M which is favourable to YTD budget by \$32.8M.

Variances are summarised and detailed below.

It is noted that, where relevant, budget adjustments to address these variances have been included in the Q1 Quarterly Budget Review (Q1 Review) that is included as a separate item in this business paper. Proposed changes include permanent full year forecast changes, re-alignment of budget timing with expected trends, and changes to reflect grants and contributions not previously included in the budget. As this is the first Quarter of the financial year some variances have been identified but not adjusted for at this stage. Ongoing monitoring will continue and if required further adjustments will be proposed in future Quarterly reviews.

Table 1 – Consolidated (all Funds) Operating Statement October 2024

<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: center;"> <h2 style="margin: 0;">Consolidated</h2> <p style="margin: 0;">Operating Statement October 2024</p> </div>  </div>								
	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	148,712	150,522	-	1,810	1%
User Charges and Fees	169,410	170,284	170,284	40,481	44,526	-	4,045	10%
Other Revenue	24,155	15,532	15,532	1,259	2,986	-	1,727	137%
Interest	38,249	26,022	26,022	6,488	7,788	-	1,299	20%
Grants and Contributions	52,810	44,668	44,668	12,446	10,030	-	(2,416)	19%
Gain on Disposal	3,084	-	-	-	265	-	265	100%
Other Income	10,306	10,462	10,462	4,398	4,191	-	(207)	5%
Internal Revenue	57,120	56,950	56,950	18,249	19,963	-	1,714	9%
Total Income attributable to Operations	776,662	784,524	784,524	232,033	240,272	-	8,239	4%
Operating Expenses								
Employee Costs	194,560	217,710	217,710	71,606	68,334	0	3,272	5%
Borrowing Costs	12,466	12,010	12,010	2,053	1,445	-	608	30%
Materials and Services	229,244	245,138	247,280	76,486	64,981	81,773	11,505	15%
Depreciation and Amortisation	197,293	202,942	202,942	64,213	68,671	-	(4,458)	7%
Other Expenses	43,096	47,217	47,217	8,929	11,066	214	(2,136)	24%
Loss on Disposal	11,911	-	-	-	466	-	(466)	100%
Internal Expenses	49,488	48,807	48,807	16,028	16,895	-	(867)	5%
Overheads	(0)	-	-	(0)	0	-	(0)	100%
Total Expenses attributable to Operations	738,060	773,823	775,965	239,316	231,857	81,987	7,458	3%
Operating Result after Overheads and before Capital Amounts	38,602	10,701	8,559	(7,282)	8,415	-	15,697	216%
Capital Grants	63,325	85,684	85,684	3,151	6,378	-	3,227	102%
Capital Contributions	43,842	23,908	23,908	8,510	22,418	-	13,908	163%
Grants and Contributions Capital Received	107,167	109,592	109,592	11,661	28,796	-	17,135	147%
Net Operating Result	145,769	120,293	118,151	4,378	37,210	-	32,832	750%

Variance analysis on the consolidated operating result is as follows:

Operating Revenue

Rates and Annual Charges

\$1.8M Favourable to YTD budget.

- This variance relates to a combination of timing of income recognition against budget and also a permanent favourable variance to budget in General Rates and Domestic Waste revenue. The relevant proposed budget adjustments are included in the Q1 Review.

User Fees and Charges

\$4.0M Favourable to YTD budget. Main variances include:

- \$2.0M favourable Water and Sewer charges (predominantly timing variance).

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- \$0.6M favourable on Waste Management fees aligned with higher than forecast activity (income is subject to market forces and is being monitored at this stage).
- \$0.4M favourable on Education and Care fees predominantly relates to higher than forecast childcare utilisation rates (partly offset by operating expenses. Income is subject to external factors and is being monitored at this stage).
- \$0.3M favourable on Holiday Park fees aligned with higher than forecast activity (addressed as part of the Q1 review).
- Balance is made up of variances across various operations.

Other Revenue

\$1.7M Favourable to YTD budget.

- \$1.7M 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. (addressed as part of the Q1 review).

Interest

\$1.3M Favourable to YTD budget.

- Favourable variance from the favourable interest rate environment predominantly in the Water and Sewer funds, hence receiving more interest on investments than budgeted (addressed as part of the Q1 review).

Operating Grants and Contributions

\$2.4M Unfavourable to YTD budget.

- \$6.4M unfavourable 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 has been re-phased as part of Q1 based on the assumption that a pre-payment of this grant will occur again.
- \$4.4M favourable associated with the receipt of emergency services grant funding for works completed in prior years (addressed as part of the Q1 review).

Gain on Disposal

\$0.3M Favourable to YTD budget.

- \$0.3M favourable from disposals of plant & equipment through the programmed change overs.

Other Income

\$0.2M Unfavourable to YTD budget.

- \$0.2M unfavourable commercial lease income (budget timing difference).

Internal revenue

\$1.7M Favourable to YTD budget. Minor variance that will be monitored.

- \$1.2M favourable due to internal tipping activities higher than budgeted for the first 4 months of the year.

Operating Expenses

Employee Costs

\$3.3M Favourable to YTD budget.

- \$3.3M favourable due to staff vacancies trending higher than budgeted and some timing differences.

Borrowing Costs

\$0.6M Favourable to YTD budget.

- Minor variance, mainly budget timing (addressed as part of the Q1 review).

Materials and Services

\$11.5M Favourable to YTD budget. Variances are mainly timing in nature. A review has been undertaken as part of Q1 review to ensure that budgeted amounts remain aligned with service levels to be delivered. Main variances include:

- \$3.7M favourable in Governance Risk and Legal relating to timing of election expense payments against budget (addressed as part of the Q1 review)
- \$2.2M favourable in Water & Sewer
- \$1.3M favourable in Information Technology (timing of contract payments)
- \$2.0M unfavourable in Waste Management (timing of contract payments)
- \$0.9M favourable in Economic Development and Property (timing of contract payments)
- Balance is made up of variances across various operations

Depreciation

\$4.5M Unfavourable to YTD budget.

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- Predominantly timing in nature, this variance relates to the timing of capitalisation processing, asset value indexation (permanent difference), and the recognition of donated assets. (YTD variance addressed as part of the Q1 review, with ongoing monitoring to continue).

Other Expenses

\$2.1M Unfavourable to YTD budget.

- Increased EPA levy in line with increased tipping revenue as at the end of the reporting period. It is noted that this is an unfavourable variance as at the end of the reporting period only, with the full year forecast being reflected in the Q1 review for both revenue and the associated levy.

Loss on Disposal

\$0.5M Unfavourable to YTD budget.

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

Internal expenses

\$0.9M Unfavourable to YTD budget.

- \$0.8M Increased Internal tipping and plant hire activity in relation to externally funded Roads Maintenance (budget timing difference).

Capital Income

Capital Grants

\$3.2M Favourable to YTD budget. Timing differences associated with the recognition of income with capital delivery and payment milestones.

Budget timing has been reviewed as part of Q1 review to refine in alignment with the revised capital works delivery program.

Capital Contributions

\$13.9M Favourable to YTD budget.

- Predominantly driven by the recognition of donated assets. A review is currently underway to strengthen the process to proactively identify donated assets

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applicable to the financial year and the timing thereof. Any relevant budget adjustments will be included in future quarterly reviews.

This variance is 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.

Table 2 – General (including Drainage and Waste) Fund Operating Statement - October 2024

Total General (+Drainage & Waste) Fund Operating Statement October 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	108,163	110,294	-	2,131	2%
User Charges and Fees	76,366	75,789	75,789	22,506	24,529	-	2,023	9%
Other Revenue	22,826	15,532	15,532	1,259	2,685	-	1,426	113%
Interest	28,347	22,440	22,440	5,608	5,876	-	269	5%
Grants and Contributions	52,506	44,668	44,668	12,446	10,049	-	(2,398)	19%
Gain on Disposal	2,482	-	-	-	265	-	265	100%
Other Income	10,306	10,462	10,462	4,398	4,191	-	(207)	5%
Internal Revenue	52,827	54,085	54,085	17,587	18,756	-	1,168	7%
Total Income attributable to Operations	559,392	552,403	552,403	171,967	176,644	-	4,677	3%
Operating Expenses								
Employee Costs	159,433	177,004	177,004	57,748	55,663	0	2,086	4%
Borrowing Costs	4,934	3,352	3,352	518	299	-	219	42%
Materials and Services	183,599	191,871	194,012	62,051	52,771	70,410	9,280	15%
Depreciation and Amortisation	116,976	118,464	118,464	37,419	40,363	-	(2,944)	8%
Other Expenses	42,817	47,217	47,217	8,929	11,053	214	(2,123)	24%
Loss on Disposal	8,703	-	-	-	462	-	(462)	100%
Internal Expenses	36,876	34,518	34,518	11,576	12,560	-	(984)	8%
Overheads	(24,514)	(23,585)	(23,585)	(7,862)	(7,862)	-	(0)	0%
Total Expenses attributable to Operations	528,824	548,841	550,983	170,380	165,309	70,624	5,071	3%
Operating Result after Overheads and before Capital Amounts	30,569	3,562	1,420	1,587	11,335	-	9,748	614%
Capital Grants	52,066	65,482	65,482	733	3,507	-	2,774	378%
Capital Contributions	36,009	17,908	17,908	6,510	18,970	-	12,460	191%
Grants and Contributions Capital Received	88,075	83,390	83,390	7,243	22,477	-	15,234	210%
Net Operating Result	118,644	86,951	84,810	8,830	33,812	-	24,982	283%



Table 3 – Water and Sewer Fund Operating Statement - October 2024

Total Water & Sewer Fund								
Operating Statement								
October 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	40,549	40,229	-	(320)	1%
User Charges and Fees	93,044	94,495	94,495	17,975	19,997	-	2,023	11%
Other Revenue	1,329	-	-	-	301	-	301	100%
Interest	9,902	3,582	3,582	881	1,911	-	1,031	117%
Grants and Contributions	304	-	-	-	(19)	-	(19)	100%
Gain on Disposal	602	-	-	-	-	-	-	100%
Other Income	-	-	-	-	-	-	-	100%
Internal Revenue	4,294	2,866	2,866	662	1,208	-	546	82%
Total Income attributable to Operations	217,269	232,122	232,122	60,066	63,628	-	3,562	6%
Operating Expenses								
Employee Costs	35,127	40,705	40,705	13,858	12,671	-	1,187	9%
Borrowing Costs	7,533	8,658	8,658	1,535	1,146	-	389	25%
Materials and Services	45,645	53,267	53,267	14,436	12,211	11,363	2,225	15%
Depreciation and Amortisation	80,317	84,478	84,478	26,794	28,308	-	(1,514)	6%
Other Expenses	279	-	-	-	13	-	(13)	100%
Loss on Disposal	3,208	-	-	-	3	-	(3)	100%
Internal Expenses	12,612	14,289	14,289	4,452	4,335	-	117	3%
Overheads	24,514	23,585	23,585	7,862	7,862	-	-	0%
Total Expenses attributable to Operations	209,236	224,982	224,982	68,935	66,548	11,363	2,387	3%
Operating Result after Overheads and before Capital Amounts	8,033	7,139	7,139	(8,869)	(2,920)	-	5,949	67%
Capital Grants	11,259	20,202	20,202	2,418	2,871	-	453	19%
Capital Contributions	7,833	6,000	6,000	2,000	3,448	-	1,448	72%
Grants and Contributions Capital Received	19,092	26,202	26,202	4,418	6,319	-	1,901	43%
Net Operating Result	27,125	33,341	33,341	(4,451)	3,398	-	7,850	176%

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.

Table 4 – Financial Performance Benchmarks - October 2024

Financial Performance Ratio	Industry Benchmark	Full year Forecast	Ratio – YTD Actuals	
Operating Performance Ratio	> 0%	1.47%	3.3%	✓
Own Source operating Revenue Ratio	> 60%	81.57%	84.3%	✓
Unrestricted Current Ratio	> 1.5x	2.57x	3.2x	✓
Cash Expense Cover Ratio	> 3 months	3.44 months	3.6 months	✓
Buildings and Infrastructure Renewals Ratio	100%	138%	90.8%	
Infrastructure Maintenance Ratio	100%	n/a	51.2%	

As at the end of the October 2024, on a consolidated basis, Council exceeded the mandated benchmark for the operating performance ratio, achieving 3.3%.

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Council has also performed favourably against the unrestricted current ratio, achieving 3.2x 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 October 2024 are included in the Monthly Investment Report October 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 October 2024 capital expenditure is \$77.7M against a YTD budget of \$72.3M for the same period, and a 2024-25 FY budget of \$304.7M. Commitments (approved purchase orders to external suppliers) of \$82.2M have been raised for delivery this year.

The current expenditure against budget indicates that delivery of works is trending slightly ahead of anticipated timing, noting that delivery of works will accelerate in the second half of the financial year. Delivery of works is impacted by a number of factors including weather conditions, availability of suppliers, and any required approval processes.

A number of budget and timing adjustments relating to capital works are included in the Q1 review, and subject to Council adoption, will be reflected in the reported budgeted amounts in future monthly reports.

Table 5 – Capital Expenditure - October 2024

Department	Original Budget \$ 000s	FULL YEAR Budget \$ 000s	YTD Budgets \$ 000s	YTD Actuals \$ 000s	Commitments \$ 000s	YTD Variance \$ 000s	YTD Variance %
01. Office of the Chief Executive Officer	-	-	-	-	-	-	-
02. Community and Recreation Services	51,420	49,865	9,410	9,422	5,442	(12)	-0.1%
03. Infrastructure Services	106,650	104,016	27,854	25,701	23,295	2,153	7.7%
04. Water and Sewer	122,366	122,366	28,939	35,377	41,017	(6,438)	-22.2%
05. Environment and Planning	9,911	10,005	2,080	1,900	3,739	180	8.6%
06. Corporate Services	18,180	18,436	3,974	5,273	8,746	(1,299)	-32.7%
Total	308,527	304,688	72,256	77,672	82,239	(5,416)	-7.5%

Figure 1 – Capital Expenditure by Directorate

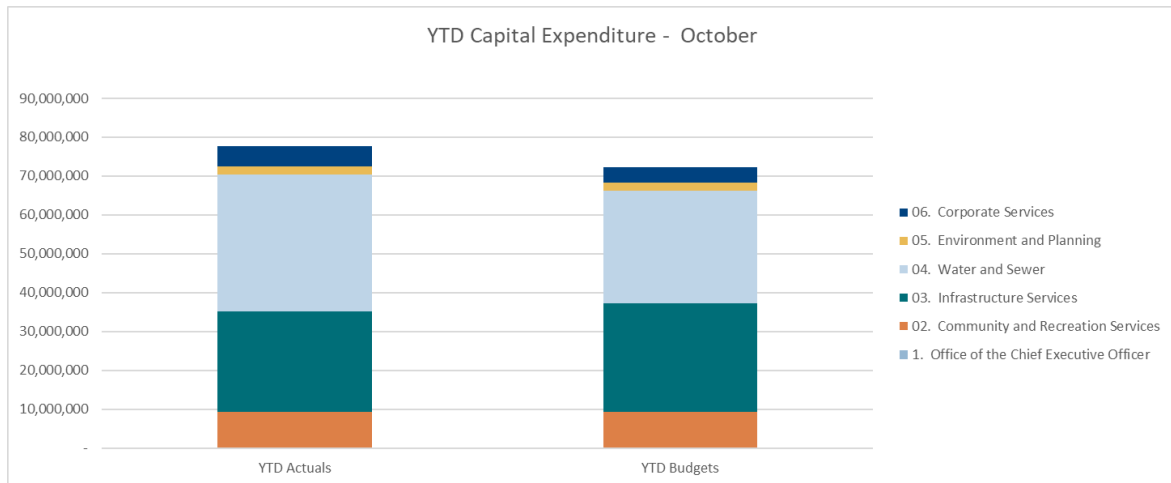
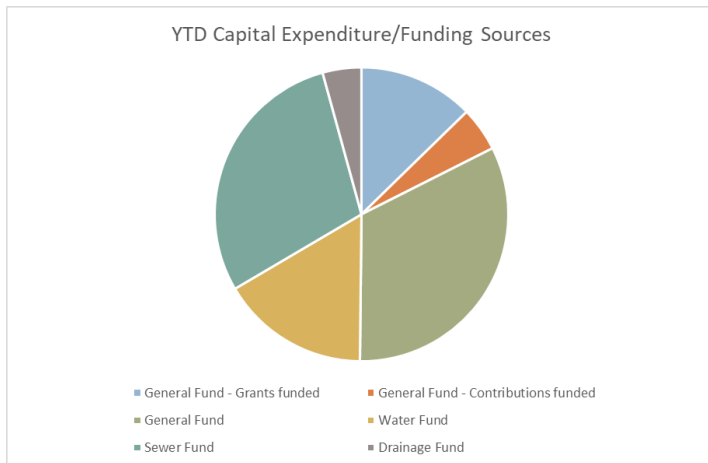


Figure 2 – Capital Expenditure by Funding Source



Stakeholder Engagement

The preparation of the October 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 funding for this proposal.

This report presents the financial position of Council as at 31 October 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.

Options

That Council receives the Monthly Financial Report – October 2024

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.