



Item No: 2.2
Title: Monthly Finance Report January 2025
Department: Corporate Services

25 February 2025 Ordinary Council Meeting

Reference: F2025/00016 - D16658879
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Recommendation

That Council receives the Monthly Financial Report – January 2025

Report purpose

To present to Council the monthly financial report for January 2025.

Executive Summary

For 2024-25 FY Council has budgeted, on a consolidated basis, an adopted operating surplus before capital income of \$17.3M (Original Budget \$10.7M). As at 31 January 2025, Council has an operating surplus of \$18.8M, compared to a YTD budgeted operating surplus of \$4.2M.

The budgeted net operating position will fluctuate throughout the financial year, reflecting income and expenditure timing. This YTD operating surplus variance of \$14.6M represents 2% of Council's gross annual operating expenditure budget of \$779M.

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 January 2025, Council has a consolidated net operating surplus of \$18.8M, before capital income, which is favourable to YTD budget by \$14.6M. The overall variance is predominantly driven by a YTD favourable variance in operating income, being an overall favourable YTD variance of \$12.4M (1.6% of full year budget) of operating income and a YTD favourable variance in operating expenses against budget of \$2.2M (0.3% of full year budget).

The net operating surplus including capital income is \$106.6M which is favourable to YTD budget by \$70.0M.

Variances are summarised and detailed below.

It is noted that, where relevant, budget adjustments to address these variances have been included in the Q2 Quarterly Budget Review (Q2 Review) which 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. Ongoing monitoring will continue and if required further adjustments will be proposed in the Quarter 3 review.

Table 1 – Consolidated (all Funds) Operating Statement January 2025

Consolidated							
Operating Statement							
January 2025							
	PRIOR YEAR Actuals	Original Budget	FULL YEAR Budget	YTD Budget	YTD Actuals	YTD Variance (excluding commitments)	YTD Variance (excluding commitments)
	\$'000	\$'000		\$'000	\$'000	\$'000	%
Operating Income							
Rates and Annual Charges	421,528	460,606	461,704	268,471	266,862	(1,608)	1%
User Charges and Fees	169,410	170,284	171,739	86,120	92,020	5,900	7%
Other Revenue	24,155	15,532	16,696	6,127	8,490	2,363	39%
Interest	38,249	26,022	26,790	13,766	17,113	3,347	24%
Grants and Contributions	52,810	44,668	51,656	15,640	16,440	800	5%
Gain on Disposal	3,084	-	265	265	631	365	138%
Other Income	10,306	10,462	10,585	7,062	6,451	(612)	9%
Internal Revenue	57,120	56,950	56,648	32,046	33,900	1,854	6%
Total Income attributable to Operations	776,662	784,524	796,083	429,497	441,907	12,410	3%
Operating Expenses							
Employee Costs	194,560	217,710	218,564	125,922	123,692	2,230	2%
Borrowing Costs	12,466	12,010	11,119	4,437	4,378	59	1%
Materials and Services	229,244	245,138	249,418	129,182	122,011	7,171	6%
Depreciation and Amortisation	197,293	202,942	204,068	119,638	122,268	(2,630)	2%
Other Expenses	43,096	47,217	46,743	19,101	20,218	(1,117)	6%
Loss on Disposal	11,911	-	-	-	2,153	(2,153)	100%
Internal Expenses	49,488	48,807	48,889	27,025	28,438	(1,412)	5%
Overheads	(0)	-	-	(0)	(0)	(0)	100%
Total Expenses attributable to Operations	738,060	773,823	778,800	425,305	423,158	2,148	1%
Operating Result after Overheads and before Capital Amounts	38,602	10,701	17,284	4,192	18,749	14,557	347%
Capital Grants	63,325	85,684	80,767	18,225	34,560	16,335	90%
Capital Contributions	43,842	23,908	24,684	14,107	53,249	39,142	277%
Grants and Contributions Capital Received	107,167	109,592	105,452	32,332	87,810	55,478	172%
Net Operating Result	145,769	120,293	122,735	36,524	106,559	70,035	192%

Variance analysis on the consolidated operating result is as follows:

Operating Revenue

Rates and Annual Charges

\$1.6M Unfavourable to YTD budget.

- This variance predominantly relates to budget phasing, which is being adjusted in Q2 Review.

User Fees and Charges

\$5.9M Favourable to YTD budget.

- \$2.2M favourable Water and Sewer charges due to dry weather driving higher water usage. The relevant proposed budget adjustments are included in the Q2 Review.

- \$0.8M favourable for externally funded Road Maintenance works.
- \$0.6M favourable in Holiday Park fees aligned with favourable activity. The relevant proposed budget adjustments are included in the Q2 Review.
- \$1.4M favourable in Waste Management fees relating to higher tipping activities (partly offset by operating expenses). Income is subject to external factors and is being monitored at this stage.
- \$0.2M favourable in Development regulatory fees with slightly higher than forecast activity (partly recognised in Q2 review and being closely monitored).
- \$0.4M favourable in Leisure Facility fees driven by increased patronage. The relevant proposed budget adjustments are included in the Q2 Review.
- \$0.1M favourable in education and care fees driven by higher than forecast utilisation of Council services. The relevant proposed budget adjustments are included in the Q2 Review.
- \$0.2M favourable in property certificates. The relevant proposed budget adjustments are included in the Q2 Review.
- \$0.2M unfavourable in across various Compliance and Inspection fees.
- Balance is made up of variances across various operations.

Other Revenue

\$2.4M Favourable to YTD budget.

- \$0.7M favourable in unrealised gain on investments, floating rate notes and bonds. This income item is subject to volatility as it is driven by external market forces. Accordingly, the budget is updated each quarter based on actual unrealised gains recorded at that point in time. This approach is applied to minimise the risk of significant adverse budget impacts in the event of a major market downturn. The relevant proposed budget adjustments are included in the Q2 Review.
- \$0.7M favourable as a result of the sale of biodiversity credits. The relevant proposed budget adjustments are included in the Q2 Review.
- \$0.4M favourable in Community Event and the associated sales and sponsorship revenue.
- Balance is made up of variances across various operations.

Interest

\$3.3M Favourable to YTD budget.

- Favourable variance from the favourable interest rate environment, that is: receiving more interest on investments than budgeted. The relevant proposed budget adjustments are included in the Q2 Review.

Operating Grants and Contributions

\$0.8M Favourable to YTD budget.

- \$1.0M favourable driven by the Libraries Per Capita grant being received earlier than budgeted.
- Further grant income and associated expenditure across various operations has been recognised or re-aligned with delivery through the Q2 review.

Gain on Disposal

\$0.4M Favourable to YTD budget.

- \$0.4M favourable from disposals of plant and equipment through the programmed change overs.

Other Income

\$0.6M Unfavourable to YTD budget.

- \$0.6M Unfavourable predominantly due to the timing of income recognition for commercial leases and community facilities (timing difference only and on track for full year).

Internal revenue

\$1.9M Favourable to YTD budget.

- \$1.4M favourable due to internal tipping activities higher than budgeted for the first 6 months of the year predominantly in Roads Construction and Maintenance. Increased income is offset by increased internal operating expense and increased waste levies. The relevant proposed budget adjustments are included in the Q2 Review.
- \$0.9M favourable in relation to the internal sealing program running ahead of schedule.

Operating Expenses

Employee Costs

\$2.2M Favourable to YTD budget.

- \$2.2M favourable predominantly due to staff vacancies trending higher than budget, offset by unfavourable variances in other employee costs.

Materials and Services

\$7.2M Favourable to YTD budget. Variances are mainly timing in nature. A review has been undertaken as part of Q2 review to ensure that budgeted amounts remain aligned with service levels to be delivered. Main variances include:

- \$2.7M favourable in Governance Risk and Legal predominantly relating to timing of election expense payments against budget
- \$1.9M favourable in Water & Sewer. Partly related to timing of project delivery and partly to reduced main breaks. The relevant proposed budget adjustments are included in the Q2 Review.
- \$0.2M favourable in Streetlighting costs. The relevant proposed budget adjustments are included in the Q2 Review.
- \$5.0M unfavourable in Information Technology (timing of contract payments).
- \$1.3M favourable in Waste Management (timing of contract payments).
- \$1.7M favourable in Roads Maintenance delivery (timing of contract payments).
- \$0.7M favourable in Community and Culture due to timing of program delivery and invoicing.
- \$0.7M favourable in Customer Marketing and Economic Development due to timing of program delivery and invoicing.
- \$1.2M favourable in Environmental Management due to timing of program delivery and invoicing. The relevant proposed budget adjustments are included in the Q2 Review.
- \$0.7M favourable in Commercial Property and Holiday Parks (timing of contract payments).
- Balance is made up of variances across various operations, of under \$0.5M individually.

Depreciation

\$2.6M Unfavourable to YTD budget.

- This variance relates to the timing of completion and subsequent capitalisation of projects and the recognition of donated assets. The relevant proposed budget adjustments are included in the Q2 Review, with ongoing monitoring to continue.

Other Expenses

\$1.1M Unfavourable to YTD budget.

- Increased EPA levy in line with increased tipping revenue as at the end of the reporting period. The full year forecast for tipping revenue and the associated EPA Levy is being reflected in the Q2 review.

Loss on Disposal

\$2.2M 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

\$1.4M Unfavourable to YTD budget.

- Predominantly related to increased internal tipping and plant hire activity in relation to the delivery of externally funded roads maintenance programs. Internal expenses are offset by internal income. The relevant proposed budget adjustments are included in the Q2 Review.

Capital Income

Capital Grants

\$16.3M 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 Q2 review to refine in alignment with the revised capital works delivery program.

Capital Contributions

\$39.1M Favourable to YTD budget.

- Predominantly driven by the recognition of donated assets and some favourable activity in Water and Sewer developer contributions. Budget adjustments are included in future quarterly reviews as assets are recognised.

This variance is consistent with the nature of forecasting the exact timing of these external 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 - January 2025


Total General (+Drainage & Waste) Fund 							
Operating Statement January 2025							
	PRIOR YEAR Actuals	Original Budget	FULL YEAR Budget	YTD Budget	YTD Actuals	YTD Variance (excluding commitments)	YTD Variance (excluding commitments)
	\$'000	\$'000		\$'000	\$'000	\$'000	%
Operating Income							
Rates and Annual Charges	313,733	329,428	330,525	193,836	192,241	(1,594)	1%
User Charges and Fees	76,366	75,789	76,393	45,896	49,596	3,700	8%
Other Revenue	22,826	15,532	16,446	5,877	8,060	2,183	37%
Interest	28,347	22,440	22,331	11,185	12,597	1,412	13%
Grants and Contributions	52,506	44,668	51,560	15,586	16,437	850	5%
Gain on Disposal	2,482	-	265	265	631	365	138%
Other Income	10,306	10,462	10,585	7,062	6,451	(612)	9%
Internal Revenue	52,827	54,085	52,683	29,902	31,821	1,919	6%
Total Income attributable to Operations	559,392	552,403	560,788	309,610	317,834	8,224	3%
Operating Expenses							
Employee Costs	159,433	177,004	177,604	101,846	100,945	901	1%
Borrowing Costs	4,934	3,352	3,352	764	741	24	3%
Materials and Services	183,599	191,871	196,080	103,557	98,238	5,318	5%
Depreciation and Amortisation	116,976	118,464	119,223	70,101	72,573	(2,472)	4%
Other Expenses	42,817	47,217	46,743	19,101	20,154	(1,053)	6%
Loss on Disposal	8,703	-	-	-	1,908	(1,908)	100%
Internal Expenses	36,876	34,518	34,557	19,493	21,041	(1,548)	8%
Overheads	(24,514)	(23,585)	(23,585)	(13,758)	(13,758)	(0)	0%
Total Expenses attributable to Operations	528,824	548,841	553,974	301,105	301,842	(737)	0%
Operating Result after Overheads and before Capital Amounts	30,569	3,562	6,814	8,506	15,992	7,486	88%
Capital Grants	52,066	65,482	62,238	9,594	26,971	17,377	181%
Capital Contributions	36,009	17,908	17,908	9,830	48,448	38,618	393%
Grants and Contributions Capital Received	88,075	83,390	80,146	19,424	75,418	55,995	288%
Net Operating Result	118,644	86,951	86,960	27,929	91,410	63,481	227%

Table 3 – Water and Sewer Fund Operating Statement - January 2025

Total Water & Sewer Fund							
Operating Statement							
January 2025							
	PRIOR YEAR Actuals	Original Budget	FULL YEAR Budget	YTD Budget	YTD Actuals	YTD Variance (excluding commitments)	YTD Variance (excluding commitments)
	\$'000	\$'000		\$'000	\$'000	\$'000	%
Operating Income							
Rates and Annual Charges	107,795	131,178	131,178	74,635	74,621	(14)	0%
User Charges and Fees	93,044	94,495	95,345	40,224	42,424	2,200	5%
Other Revenue	1,329	-	250	250	430	180	72%
Interest	9,902	3,582	4,460	2,581	4,516	1,935	75%
Grants and Contributions	304	-	96	54	3	(51)	94%
Gain on Disposal	602	-	-	-	-	-	100%
Other Income	-	-	-	-	-	-	100%
Internal Revenue	4,294	2,866	3,966	2,144	2,079	(65)	3%
Total Income attributable to Operations	217,269	232,122	235,295	119,887	124,073	4,186	3%
Operating Expenses							
Employee Costs	35,127	40,705	40,960	24,076	22,747	1,329	6%
Borrowing Costs	7,533	8,658	7,767	3,672	3,637	35	1%
Materials and Services	45,645	53,267	53,337	25,625	23,773	1,852	7%
Depreciation and Amortisation	80,317	84,478	84,845	49,537	49,695	(158)	0%
Other Expenses	279	-	-	-	64	(64)	100%
Loss on Disposal	3,208	-	-	-	245	(245)	100%
Internal Expenses	12,612	14,289	14,332	7,532	7,396	136	2%
Overheads	24,514	23,585	23,585	13,758	13,758	-	0%
Total Expenses attributable to Operations	209,236	224,982	224,826	124,201	121,316	2,885	2%
Operating Result after Overheads and before Capital Amounts	8,033	7,139	10,470	(4,313)	2,758	7,071	164%
Capital Grants	11,259	20,202	18,529	8,632	7,590	(1,042)	12%
Capital Contributions	7,833	6,000	6,777	4,277	4,802	525	12%
Grants and Contributions Capital Received	19,092	26,202	25,306	12,908	12,391	(517)	4%
Net Operating Result	27,125	33,341	35,775	8,595	15,149	6,554	76%

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 – January 2025

Financial Performance Ratio	Industry Benchmark	Full year Forecast	Ratio – YTD Actuals	
Operating Performance Ratio	> 0%	1.47%	5.0%	✓
Own Source operating Revenue Ratio	> 60%	81.57%	78.8%	✓
Unrestricted Current Ratio	> 1.5x	2.57x	4.8x	✓
Cash Expense Cover Ratio	> 3 months	3.44 months	4.5 months	✓
Buildings and Infrastructure Renewals Ratio	100%	138%	117%	
Infrastructure Maintenance Ratio	100%	n/a	45.2%	

As at the end of the January 2025, on a consolidated basis, Council exceeded the mandated benchmark for the operating performance ratio, achieving 5.0%.

Council has also performed favourably against the unrestricted current ratio, achieving 4.8x 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 quoted performance is indicative of trend, with actual performance being formally measured on an annual basis. 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.

Council is currently renewing its assets at a faster rate than the annual depreciation, therefore exceeding the 100% renewal benchmark. This reflects Council's focus on addressing the backlog of assets in less than satisfactory condition. Further, when assessing the most cost-effective intervention, a renewal approach may be chosen over a maintenance approach. This results in increased renewal and reduces reactive maintenance, and consequently a temporary lower than benchmark asset maintenance ratio.

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. The required maintenance will be subject to ongoing review within the context of the level of renewal being undertaken, and if required, will be adjusted on an annual basis.

Cash and Investments

Details on cash and investments as at 31 January 2025 are included in the Monthly Investment Report January 2025.

Loans

As at 31 January 2025 Council has borrowings totalling \$211.1M, across all Funds and including the remaining Emergency Loan that is due to be fully paid in November 2025.

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Table 5 – Outstanding loan borrowings by fund – January 2025

Fund	General Fund (\$'000)	Drainage Fund (\$'000)	General Fund Consolidated with Drainage Fund (\$'000)	Water and Sewer Fund (\$'000)
External loans – current	4,390	581	4,971	15,736
External loans - non current (excluding emergency loan)	9,005	5,997	15,002	139,284
Emergency loan	36,111	0	36,111	0
Total external loans	49,506	6,578	56,084	155,020

Current loans refer to loans payable this financial year, while non-current loans are those payable in future financial years.

Borrowing for infrastructure assets such as sewer, water and drainage assets, that benefit multiple generations is appropriate, and is good practice, to achieve intergenerational equity. During January 2025, \$10M was drawn down on the borrowing facility to fund the Mardi Water Treatment Plant major upgrade.

General Fund Debt

After the extinguishment of one of the emergency loans taken out in 2020, Council has the second emergency loan due to be refinanced or extinguished in November 2025.

During the month of January 2025, a repayment of \$0.3M was made against the emergency loan, reducing the balance from \$36.4M reported as at the end of December 2024 to \$36.1M as at the end of this reporting period.

Council is setting aside \$1.4M each month in an internal restriction to be able to repay the Emergency Loan in November 2025 without the need to refinance any part of the loan, and without impacting on unrestricted cash at time of payment.

Excluding the outstanding emergency loan, Council has a relatively low level of debt considering the size of this Council.

Capital Works

As at 31 January 2025 capital expenditure is \$138.3M against a YTD budget of \$153.8M for the same period, and a 2024-25 FY budget of \$316.5M. Commitments (approved purchase orders to external suppliers) of \$65.5M have been raised for delivery this year.

The current expenditure against budget indicates that delivery of works is trending slightly behind of anticipated timing, noting that delivery of works will accelerate in the second half

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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 Q2 review, and subject to Council adoption, will be reflected in the reported budgeted amounts in future monthly reports.

Table 5 – Capital Expenditure – January 2025

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	49,697	21,383	15,982	6,324	5,400	25.3%
03. Infrastructure Services	106,650	115,084	62,098	54,438	16,484	7,660	12.3%
04. Water and Sewer	122,366	122,366	57,757	55,957	33,315	1,800	3.1%
05. Environment and Planning	9,911	10,787	3,630	3,299	1,475	330	9.1%
06. Corporate Services	18,180	18,560	8,929	8,594	7,922	335	3.8%
Total	308,527	316,495	153,796	138,270	65,520	15,526	10.1%

Figure 1 – Capital Expenditure by Directorate

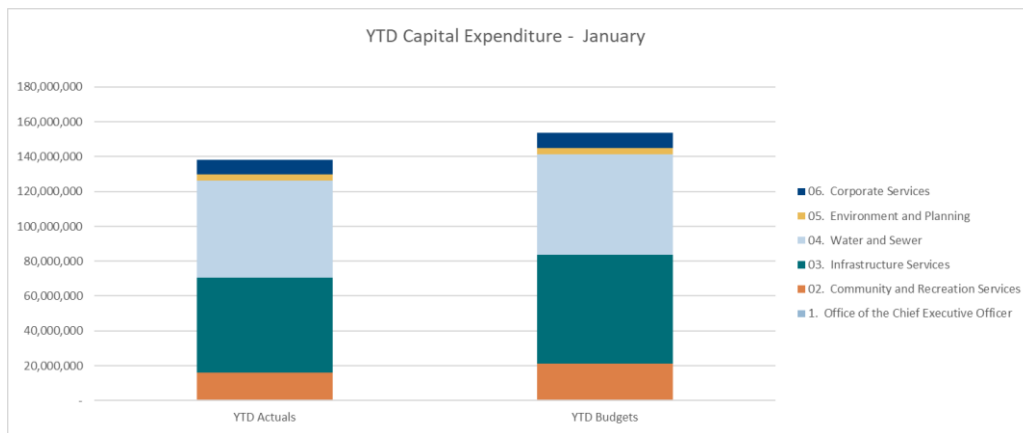
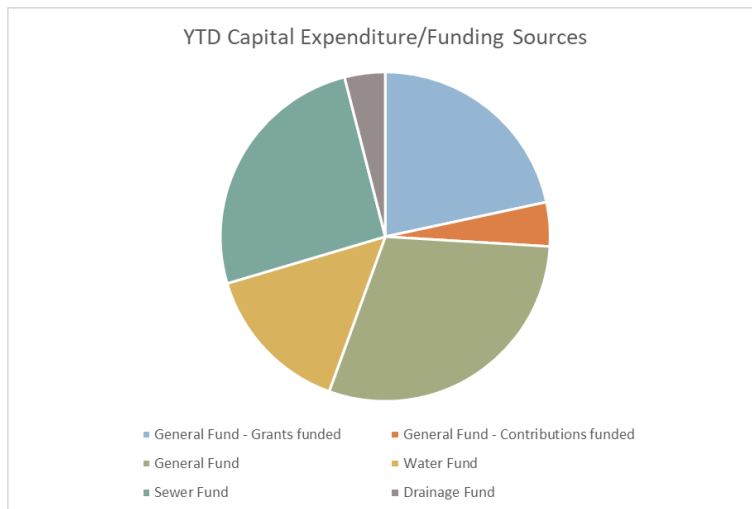


Figure 2 – Capital Expenditure by Funding Source



Stakeholder Engagement

The preparation of the January 2025 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 January 2025. 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 E: Environmental resources for the future

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.