



Item No: 3.1
Title: Monthly Finance Report May 2023
Department: Corporate Services

27 June 2023 Ordinary Council Meeting

Reference: F2020/03205 - D15720226
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Recommendation

That Council receive the report Monthly Financial Reports – May 2023.

Report purpose

To present to Council the monthly financial reports for May 2023.

Executive Summary

This report presents the May 2023 monthly financial reports for Central Coast Council.

Background

The monthly financial reports have been prepared in accordance with the requirements of the *Local Government Act 1993* ("**LG Act**"), the *Local Government (General) Regulation 2005* ("**LG Reg**"), 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.

The May 2023 financial report follows the same format as in previous months. The June 2023 financial report will be a high-level summary report aimed at providing an estimated financial position for 2022/2023 FY, subject to end of financial year adjustments and any adjustments arising from the audit of Council's Financial Statements.

A review of monthly financial reports has also been undertaken to ensure reports are concise and easy to read and understand. Monthly financial reports for the 2023/2024 FY will be focused on key results and mandatory financial performance indicators and will include a high level analysis of any material variances to the 20223/2023 budgeted financial performance.

Report

The reports disclose the year-to-date financial results in Operating Statement format, by Fund.

The Local Government Code of Accounting Practice and Financial Reporting (Guidelines) require Council to recognise rates income at the beginning of the financial year when levied. However, for internal reporting purposes Council recognises rates revenue on a continual basis throughout the financial year thereby aligning revenue with Council's expenditure for the delivery of services to the community.

Consultation

In the preparation and finalisation of the monthly reports for May 2023, all business areas of Council contributed to the information contained within the financial reports.

Financial Considerations

At its meeting held 19 October 2020, Council resolved the following:

1108/20 That any motions put before Council for the remainder of this term of Council that have financial implications require the Chief Executive Officer to provide a report on how those additional costs will be met.

The following statement is provided in response to this resolution of Council.

Financial Strategy Ratios

This Report is prepared in conjunction with Council's Financial Strategy, adopted by Council on 23 August 2022 and reports the following financial performance ratios:

- **Operating Performance Ratio** - measures Council's achievement of containing operating expenditure within operating revenue and is set between 1% and 8%.
- **Unrestricted Current Ratio** - identifies whether there are sufficient funds available to meet short term obligations and is set at the industry benchmark of 1.5.
- **Unrestricted Cash Position** - funds available to cover operational needs and unexpected or emergency costs within each fund. Council will aim to maintain unrestricted cash in each fund and set a target band of between 3% and 10% for each fund. This will monitor the targeted use of unrestricted funds on community services and infrastructure.
- **Loan Principal Payments** - the operating result (excluding capital grants and contributions) for each fund for the year plus if necessary, pre-existing

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unrestricted cash reserves in each fund needs to at least cover the net loan principal repayments of that fund for that same year. (see Note below the Table)

- Capital Program Funding** - Council's intent is to provide at least sufficient funds from operations for the capital budget to replace assets as they fall due. The depreciation target is currently used as a proxy for the long-term annual funding requirement to replace Council's assets at their gross replacement value. Council will aim to achieve the industry benchmark of 100% in each fund.

A summary of performance against the financial strategy ratios is below. For further information on each ratio including the formula, refer to the May 2023 monthly financial report attachment.

Financial Performance Ratio	Fund	Benchmark Ratio	Actual Ratio as at May 2023	Commentary (if applicable)
Operating Performance Ratio	Consolidated	1% - 8%	7.2%	
Unrestricted Current Ratio	Consolidated	1.5x	1.5x	
Unrestricted Cash Position	Consolidated	3 – 10%	32.1%	
	General & Drainage		15.8%	
	Water		7.5%	
	Sewer		140.9%	
	Domestic Waste		13.0%	
Capital Program Funding	Consolidated	100%	97.6%	Due to the water fund asset base, as explained below.
	General & Drainage		107.8%	
	Water		44.4%	Due to recent revaluation and indexation of the water fund asset base, the depreciation budget has exceeded the Capex budget, which was initially set by IPART.
	Sewer		125.2%	

Note: The Principal Loan Repayment ratio has been removed from the Table above pending review. It is proposed to align ratios within the Financial Strategy to the mandatory ratios reported in the Annual Financial Statements.

Operating Statement

The attached financial reports record actual revenue and expenditure, tracking against the Q3 adjusted budget and for the year-to-date reporting period to 31 May 2023.

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For the month of May 2023, Council is reporting an operating result surplus of \$9.8M, before capital income, which was favourable to budget by \$19.5M and a net operating surplus including capital income of \$29.2M which was favourable to budget by \$30.7M.

May 2023 year-to-date, Council is reporting an operating result surplus of \$43.1M, before capital income, which was favourable to budget by \$25.5M and a net operating surplus including capital income of \$109.7M which was favourable to budget by \$29.9M.

Consolidated Operating Statement											
May 2023											
	CURRENT MONTH			YEAR TO DATE				FULL YEAR			
	Actuals	Adopted Budget	Variance	Actuals	Adopted Budget	Variance	Last Year YTD Actuals	Last Year Actual	Original Budget	Adopted Changes	Year End Forecast
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Income											
Rates and Annual Charges	37,015	37,196	(181)	363,884	364,526	(642)	338,412	365,740	390,335	150	390,485
User Charges and Fees	12,666	16,229	(3,542)	147,336	146,663	655	128,254	140,237	145,542	14,226	159,769
Other Revenue	1,974	2,947	(973)	18,435	12,208	6,227	10,976	12,856	9,666	3,607	13,273
Interest	2,640	6,954	(4,314)	20,669	16,953	3,716	4,337	5,470	4,890	13,548	18,438
Grants and Contributions	2,622	4,549	(1,928)	23,269	27,535	(4,266)	46,500	47,717	34,046	14,214	48,260
Gain on Disposal	4,643	738	3,905	7,360	2,557	4,803	25,179	26,056	5,294	(2,737)	2,557
Other Income	788	1,089	(301)	8,796	8,352	444	7,127	7,909	7,917	1,103	9,020
Internal Revenue	6,238	4,930	1,308	55,752	54,719	1,033	61,938	68,851	58,441	941	59,381
Total Income attributable to Operations	68,608	74,631	(6,024)	645,503	633,532	11,971	622,725	674,838	656,131	45,053	701,184
Operating Expenses											
Employee Costs	13,756	11,803	(1,953)	156,133	159,219	3,086	146,475	162,831	180,750	(1,967)	178,783
Borrowing Costs	991	1,060	69	9,517	9,580	43	11,945	12,940	11,421	1,515	12,936
Materials and Services	20,254	18,652	(1,602)	189,525	199,304	9,779	149,573	174,256	205,479	16,236	221,715
Depreciation and Amortisation	15,186	38,359	(23,173)	159,282	158,897	(385)	147,643	169,041	158,781	18,827	177,608
Other Expenses	3,124	2,352	(773)	38,567	36,983	(1,584)	32,065	50,717	38,252	3,034	41,287
Loss on Disposal	705	8,384	(7,679)	4,354	8,384	4,030	271	4,469	-	10,200	10,200
Internal Expenses	4,807	3,737	(1,071)	44,991	43,589	(1,401)	54,657	60,136	51,691	(174)	51,516
Overheads	0	0	0	(0)	0	0	0	(0)	-	0	0
Total Expenses attributable to Operations	58,822	84,346	25,523	602,369	615,937	13,567	542,629	634,390	646,373	47,672	694,045
Operating Result after Overheads and before Capital Amounts	9,786	(9,714)	19,499	43,134	17,596	25,538	80,096	40,447	9,758	(2,618)	7,140
Capital Grants	3,996	10,327	(6,331)	31,700	44,557	(12,857)	29,136	35,785	55,740	(2,738)	53,002
Capital Contributions	15,405	(2,147)	17,552	34,882	17,675	17,207	22,603	29,841	20,143	(1,038)	19,105
Grants and Contributions Capital Received	19,401	8,180	11,222	66,582	62,232	4,351	51,739	65,626	75,883	(3,776)	72,106
Net Operating Result	29,186	(1,535)	30,721	109,716	79,828	29,889	131,835	106,073	85,640	(6,395)	79,246

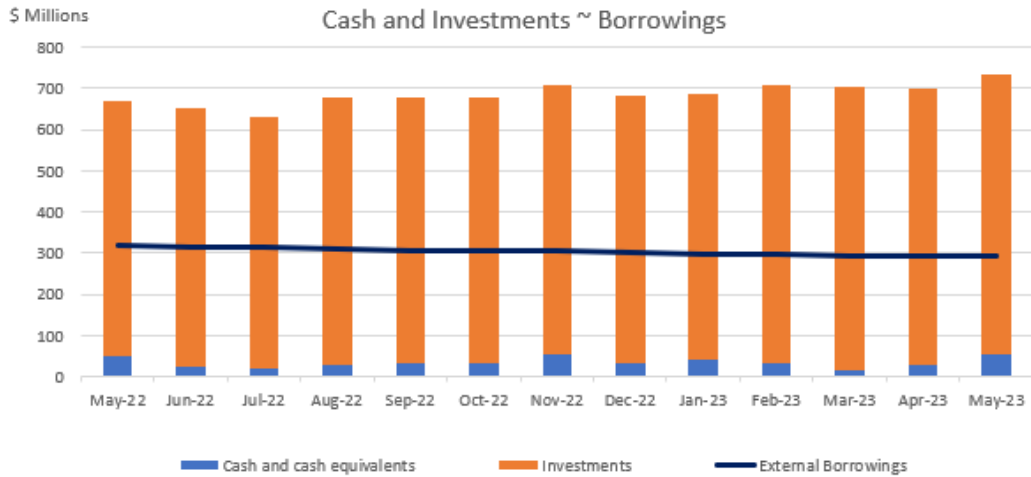
The year-end forecast of an operating surplus (before capital income) of \$7.1M and a net operating surplus of \$79.2M, (including capital income) reflects the budget adjustments included in the March 2023 Quarterly Budget Review.

Cash and Investments / External Borrowings / Cash Flows

During May 2023, total cash and investments increased by \$33M from \$700.4M to \$733.4M. External borrowings as of 31 May 2023 were \$292.1M.

During May 2023, principal loan repayments of \$1.6M fell due and were repaid bringing total year-to-date principal loan repayments to \$21.2M which is in line with the lending institutions loan repayments schedules.

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CONSOLIDATED CASH FLOW MOVEMENTS	Actual YTD @ 31 May 2023 \$'000	Rolling Forecast @31 May 2023 \$'000	Variance \$'000	Revised Forecast @ 30 June 2023 \$'000	Original Forecast @ 30 June 2023 \$'000
Opening cash & investments @ 1 July 2022	652,137	652,137	-	652,137	652,137
Income receipts (incl Capital grants & contributions)	673,295	592,999	80,296	732,612	726,530
Operational payments	(441,827)	(408,383)	(33,445)	(499,391)	(483,681)
Net operating cash inflow / (outflow)	231,467	184,616	46,851	233,221	242,849
Capital projects payments	(138,774)	(115,925)	(22,850)	(162,256)	(176,509)
Asset sales	9,720	5,011	4,709	9,720	24,940
Financing receipts	0	(0)	0	0	80,000
Financing repayments	(21,204)	(19,922)	(1,282)	(25,417)	(157,485)
Total cash inflow / (outflow)	81,209	53,780	27,429	55,268	13,795
Closing cash & investments @ 31 May 2023	733,346	705,917	27,429	707,405	665,932

ACTUAL v FORECAST MONTHLY CASH FLOW GENERAL FUND (incl DRAINAGE FUND)	Actual YTD @ 31 May 2023 \$'000	Rolling Forecast @ 31 May 2023 \$'000	Variance \$'000	Revised Forecast @ 30 June 2023 \$'000	Original Forecast @ 30 June 2023 \$'000
Opening cash & investments @ 1 July 2022	407,088	407,088	0	407,088	407,088
Income receipts (incl Capital grants & contributions)	412,289	351,460	60,828	456,114	447,897
Operational payments	(288,046)	(257,603)	(30,443)	(326,930)	(303,844)
Net operating cash inflow / (outflow)	124,243	93,857	30,386	129,184	144,053
Capital projects payments	(90,894)	(80,225)	(10,669)	(103,927)	(113,579)
Asset sales	9,720	5,011	4,709	9,720	24,940
Financing receipts	1,105	999	106	1,105	50,000
Financing repayments	(10,502)	(10,224)	(278)	(11,220)	(113,314)
Total cash inflow / (outflow)	33,671	9,418	24,253	24,862	(7,900)
Closing cash & investments @ 31 May 2023	440,759	416,506	24,253	431,950	399,188

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Restricted Funds

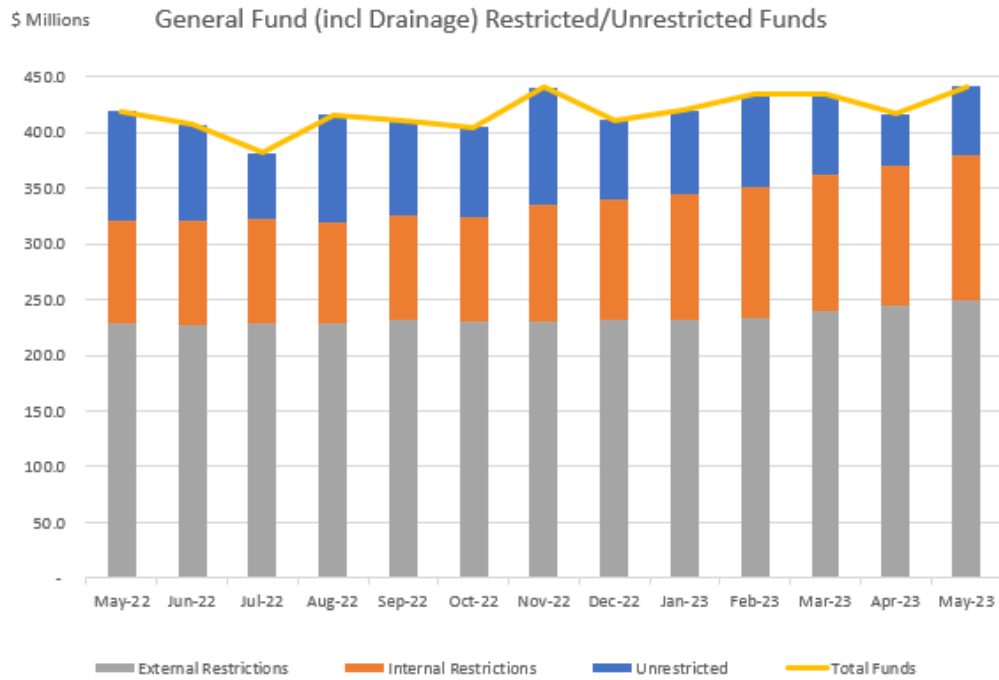
Total Funds by Fund						
Fund	General Fund	Drainage Fund	Consolidated General Fund	Water Fund	Sewer Fund	Domestic Waste Fund
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External Restricted Funds	208,328	40,175	248,503	14,203	32,292	99,771
Internal Restricted Funds	130,842	20	130,862	908	877	47
Total Restricted Funds	339,171	40,195	379,365	15,111	33,169	99,818
Unrestricted Funds	99,398	- 38,004	61,394	6,406	128,112	9,971
Total Funds by Fund	438,569	2,190	440,759	21,517	161,281	109,789

Note: The above table consolidates General Fund and Drainage Fund. From 1 July 2026, Drainage Fund fees and charges will no longer be regulated by IPART and will become part of Council's General Fund.

The General Fund unrestricted balance (inclusive of Council's Drainage Fund) is currently \$61.4M. The graph below highlights Council General Fund unrestricted cash position including the Drainage Fund.

In accordance with the 'Establishment of new Internal Restrictions and Update of Restricted Funds Policy' adopted at the November Council meeting, two new Internal Restrictions were created and during May 2023, \$4.0M was transferred to the Emergency Loan Repayment restricted funds account to cover the \$50M repayment scheduled for December 2023. As at 31 May 2023, the Emergency Loan Repayment restriction has a balance of \$28.0M. The unrestricted funds balances across Council's five Funds will fluctuate during the year as revenues are received and expenditures occur at different periods throughout the financial year.

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Capital Works

Council is reporting year-to-date capital works expenditure to 31 May 2023 of \$142.3M compared to a YTD budget of \$155.8M. Council currently has 130 active capex projects.

Summary of Capital Expenditure					
Department	YTD Actuals	YTD Budgets	YTD Variance (\$)	YTD Variance (%)	Full Year Approved Budget
	000's	000's	000's	%	000's
01. Office of the Chief Executive Officer	-	-	-	-	-
02. Community and Recreation Services	13,248	15,439	(2,191)	-14.2%	17,595
03. Infrastructure Services	61,414	68,512	(7,098)	-10.4%	73,881
04. Water and Sewer	53,250	54,145	(895)	-1.7%	62,109
05. Environment and Planning	5,825	8,278	(2,453)	-29.6%	10,402
06. Corporate Services	8,554	9,387	(833)	-8.9%	10,740
Total	142,291	155,762	(13,470)	-8.6%	174,727

Link to Community Strategic Plan

Theme 4: Responsible

Goal G: Good governance and great partnerships

R-G2: Engage and communicate openly and honestly with the community to build a relationship based on trust, transparency, respect and use community participation and feedback to inform decision making.

Attachments

1	Financial Performance - Monthly Finance Report May 2023	Provided Under Separate Cover	D15722497
2	00 Consolidated and By Fund May 2023 Monthly Financial Report	Provided Under Separate Cover	D15722506