



Item No: 2.1
Title: Monthly Finance Report September 2023
Department: Corporate Services

31 October 2023 Ordinary Council Meeting

Reference: F2020/03205 - D15846745
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Recommendation

That Council:

- 1 Receives the report Monthly Financial Reports – September 2023.***
- 2 Approves the movement of funds into the Emergency Loan Repayment Restriction over the period until the loan is due to be refinanced in December 2023 at a rate that will enable the extinguishment of the loan.***

Report purpose

To present to Council the monthly financial report for September 2023.

The content of the monthly financial reports is currently under review with the aim to provide reports that capture overall organisational performance, and to measure performance against the relevant mandated benchmarks.

Executive Summary

This report presents the September 2023 monthly financial report.

For 2023/2024 FY Council has budgeted an operating surplus before capital income of \$2.8M. The budgeted net operating position will fluctuate throughout the financial year, reflecting income and expenditure timing.

As at 30 September 2023, on a consolidated basis, Council has an operating surplus of \$8.5M against a budgeted operating deficit of (\$3.7M).

The financial results included in this report are subject to change due to adjustments that may be requested as part of the audit by the NSW Audit Office of the 2022/2023 FY Annual Financial Statements.

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.

Consultation

The preparation of the September 2023 monthly financial report included consultation with business units across Council to ensure all revenue and expenditure attributable to the 2023/2024 FY is captured.

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.

Consolidated Operating Statement

As at 30 September 2023, Council has a consolidated net operating surplus of \$8.5M, before capital income, which is favourable to budget by \$12.1M and a net operating surplus including capital income of \$24.8M which is favourable to budget by \$26.9M.

Consolidated Operating Statement										
										
September 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	Year End Forecast
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Income										
Rates and Annual Charges	35,694	35,751	(57)	101,964	101,903	62	94,240	389,283	421,456	421,456
User Charges and Fees	15,371	14,718	653	40,126	39,648	478	37,441	164,977	163,782	163,782
Other Revenue	1,020	1,080	(60)	4,268	3,060	1,208	4,004	21,086	13,683	13,683
Interest	3,362	1,801	1,560	8,810	5,346	3,464	3,794	23,888	15,244	15,244
Grants and Contributions	1,023	1,821	(798)	4,003	3,585	418	5,440	56,621	49,880	49,880
Gain on Disposal	-	-	-	(13)	-	(13)	1,034	7,785	-	-
Other Income	842	858	(16)	2,886	2,341	545	2,383	9,754	8,775	8,775
Internal Revenue	4,429	4,781	(352)	13,982	15,030	(1,048)	15,363	61,923	60,701	60,701
Total Income attributable to Operations	61,742	60,812	930	176,026	170,913	5,113	163,700	735,318	733,521	733,521
Operating Expenses										
Employee Costs	14,575	14,780	205	44,715	44,597	(118)	41,307	184,873	195,069	195,069
Borrowing Costs	719	951	232	2,417	2,291	(126)	2,671	13,073	13,746	13,746
Materials and Services	16,586	19,465	2,879	50,603	57,444	6,840	47,156	216,095	237,509	237,783
Depreciation and Amortisation	15,471	15,471	-	46,441	46,441	-	36,369	176,598	192,226	192,226
Other Expenses	4,775	4,767	(9)	11,081	10,989	(93)	11,984	44,044	44,523	44,523
Loss on Disposal	-	-	-	-	-	-	-	22,060	-	-
Internal Expenses	3,699	4,097	398	12,307	12,824	517	13,223	50,087	47,634	47,634
Overheads	0	0	-	(0)	(0)	-	-	(0)	(0)	(0)
Total Expenses attributable to Operations	55,825	59,530	3,705	167,565	174,585	7,020	152,711	706,831	730,708	730,982
Operating Result after Overheads and before Capital Amounts	5,917	1,282	4,635	8,461	(3,672)	12,133	10,988	28,487	2,813	2,539
Capital Grants	2,142	-	2,142	7,534	-	7,534	9,055	48,684	59,854	59,854
Capital Contributions	876	545	331	8,825	1,634	7,191	3,973	69,368	17,500	17,500
Grants and Contributions Capital Received	3,018	545	2,473	16,358	1,634	14,725	13,027	118,051	77,354	77,354
Net Operating Result	8,934	1,826	7,108	24,820	(2,038)	26,858	24,016	146,538	80,167	79,893

An overview of consolidated financial performance against budget, and variance analysis is as follows:

Operating Revenue – \$5.1M favourable to budget

- **Rates and Annual Charges < +\$0.1M**
On track with no material variation to budget.
- **User charges and fees +\$0.4M**
 - User charges
 - (\$0.5M) unfavourable variance in water supply user charges.
 - (\$0.5M) unfavourable variance in trade waste user charges.
 - Fees
 - \$0.7M favourable variance from statutory and regulatory function fees.
 - \$0.3M favourable variance in CCB Childcare Fee Relief
 - \$0.3M favourable variance in Pool Fees
 - \$0.1M favourable variance in Ground Fees
- **Other revenue +\$1.2M**
 - \$1.6M favourable variance in unrealised gain on investments, floating rate notes and bonds. Net unrealised gain of \$1.2M September YTD.
 - (\$0.4M) unfavourable variance in event/ticketing income

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- **Interest +\$3.5M**
Favourable variance predominantly from an increased interest rate environment, hence receiving more interest on investments than budgeted.
- **Grants and contributions +\$0.4M**
Favourable, timing only difference relating to:
 - \$0.3M additional Financial Assistance Grant instalment that was unbudgeted for this period.
 - \$0.1M in other operating grants relating to Bushfire and Emergency Services.
- **Gain on Disposal < (\$0.1M)**
YTD is on track with no material variation to budget.
- **Other Income +\$0.5M**
 - \$0.3M favourable variance in Community Facilities rental income.
 - \$0.1M favourable variance in Commercial rental income.
 - \$0.1M favourable variance in recovery of outgoings from rental properties.

The above variances are mainly timing differences.

- **Internal revenue (\$1.0M)**
 - (\$1.5M) unfavourable variance in external plant hire.
 - (\$0.5M) unfavourable variance in plant and fleet permanent hire.
 - (\$0.2M) unfavourable variance in internal water usage charges.
 - \$1.1M favourable variance in internal tipping fees.

Operating Expenses – \$7.0M favourable to budget

- **Employee costs (\$0.1M)**
Overall employee costs and associated expense is on track (within 0.3% of budget). Underspend in salaries and wages is offset by the movement in leave provisions being higher than estimated for the period.
- **Borrowing costs (\$0.1M)**
On track with no material variation to budget.
- **Materials and services +\$6.8M**
 - \$2.7M favourable variance in contract, labour hire and consultant costs.
 - \$2.0M favourable variance in materials purchased.
 - \$0.4M favourable variance in training costs.
 - \$0.3M favourable variance in garbage collection.

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- \$0.3M favourable variance in software and other licenses and software expenses.
- \$0.2M favourable variance in Bank and EFTPOS charges.
- \$0.2M favourable variance in external plant hire costs.
- \$0.2M favourable variance in postage and printing costs.
- \$0.2M favourable variance in mobile telecommunication costs.
- \$0.2M favourable variance in Contracts - Green Waste Processing.
- \$0.2M favourable variance in legal fees.

Some of these variances are timing differences only.

- *Depreciation*
On track with no variation to budget.
- *Other expenses (\$0.1M)*
On track with no material variation to budget.
- *Loss on Disposal*
YTD is on track with no variation to budget.
- *Internal expenses +0.5M*
 - \$0.5M favourable variance in Plant and Fleet permanent hire costs.

Capital Items – \$14.7M favourable to budget

- *Capital Grants +\$7.5M*
Favourable, timing only difference relating to:
 - Water and Sewer projects \$4.0M
 - RMS related capital projects \$2.0M
 - Library projects \$1.1M
 - Community centres projects \$0.3M
 - Other capital grants \$0.2M
- *Capital Contributions +\$7.1M*
Timing only difference relating to:
 - \$2.7M favourable variance in developer contributions in Open Space Works.
 - \$1.7M favourable variance in non-cash contributions.
 - \$1.1M favourable variance in developer contributions in GCIP.
 - \$0.6M favourable variance in developer contributions in Roads Works.
 - \$0.5M favourable variance in developer contributions in Community Facilities Works.

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- o \$0.5M favourable variance in other s7.12 developer contributions.

Financial Performance by Fund

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

Total General (+ Drainage & Waste) Fund										
Operating Statement										
September 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	Year End Forecast
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Income										
Rates and Annual Charges	26,298	25,990	309	75,899	75,555	344	72,846	302,073	312,872	312,872
User Charges and Fees	7,479	6,580	899	18,262	17,027	1,234	17,252	79,306	72,227	72,227
Other Revenue	1,020	1,080	(60)	3,306	3,060	246	3,658	19,957	13,683	13,683
Interest	2,572	1,564	1,008	6,728	4,634	2,094	2,340	18,149	12,336	12,336
Grants and Contributions	1,005	1,821	(816)	3,919	3,585	333	5,431	56,253	49,880	49,880
Gain on Disposal	-	-	-	(13)	-	(13)	1,034	7,785	-	-
Other Income	842	858	(16)	2,886	2,341	545	2,383	9,752	8,763	8,763
Internal Revenue	4,103	4,582	(479)	13,588	14,430	(842)	14,987	59,248	58,030	58,030
Total Income attributable to Operations	43,319	42,475	844	125,175	120,632	4,542	120,531	552,521	527,792	527,792
Operating Expenses										
Employee Costs	12,035	12,163	128	36,993	36,647	(346)	35,297	156,491	163,347	163,347
Borrowing Costs	202	351	(149)	579	492	(87)	655	5,280	5,358	5,358
Materials and Services	13,835	16,007	(2,172)	41,361	48,143	(6,782)	39,184	181,380	190,650	190,924
Depreciation and Amortisation	9,080	9,080	-	27,267	27,267	-	21,471	104,422	113,759	113,759
Other Expenses	4,684	4,767	(83)	10,990	10,989	(1)	11,754	43,291	44,523	44,523
Loss on Disposal	-	-	-	-	-	-	-	19,882	-	-
Internal Expenses	2,676	3,056	(380)	8,892	9,597	(705)	10,365	37,851	35,857	35,857
Overheads	(2,067)	(2,067)	-	(6,200)	(6,200)	-	-	(20,067)	(24,801)	(24,801)
Total Expenses attributable to Operations	40,444	43,357	2,913	119,883	126,935	7,052	118,725	528,529	528,692	528,966
Operating Result after Overheads and before Capital Amounts	2,875	(882)	3,757	5,292	(6,302)	11,594	1,806	23,992	(900)	(1,174)
Capital Grants	47	-	47	3,510	-	3,510	5,393	30,264	35,318	35,318
Capital Contributions	625	-	625	6,838	-	6,838	2,282	60,874	10,964	10,964
Grants and Contributions Capital Received	672	-	672	10,348	-	10,348	7,675	91,138	46,282	46,282
Net Operating Result	3,547	(882)	4,428	15,640	(6,302)	21,942	9,481	115,130	45,381	45,108

Total Water & Sewer Fund Operating Statement



September 2023

	CURRENT MONTH			YEAR TO DATE				FULL YEAR		
	Actuals	Adopted Budget	Variance	Actuals	Adopted Budget	Variance	Last Year YTD	Last Year Actual	Original Budget	Year End Forecast
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Income										
Rates and Annual Charges	9,396	9,761	(366)	26,066	26,348	(282)	21,395	87,209	108,584	108,584
User Charges and Fees	7,892	8,139	(246)	21,864	22,621	(757)	20,189	85,672	91,555	91,555
Other Revenue	-	-	-	361	-	361	346	1,130	-	-
Interest	790	237	553	2,082	712	1,370	854	5,739	2,908	2,908
Grants and Contributions	18	-	18	84	-	84	10	368	-	-
Gain on Disposal	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	2	12	12
Internal Revenue	326	199	127	394	600	(206)	376	2,676	2,671	2,671
Total Income attributable to Operations	18,422	18,337	86	50,851	50,280	571	43,169	182,796	205,729	205,729
Operating Expenses										
Employee Costs	2,540	2,616	76	7,721	7,949	228	6,010	28,383	31,722	31,722
Borrowing Costs	517	600	83	1,838	1,799	(39)	2,016	7,794	8,389	8,389
Materials and Services	2,751	3,458	707	9,242	9,300	58	7,973	34,716	46,859	46,859
Depreciation and Amortisation	6,391	6,391	-	19,174	19,174	-	14,898	72,177	78,468	78,468
Other Expenses	92	-	(92)	92	-	(92)	230	752	-	-
Loss on Disposal	-	-	-	-	-	-	-	2,178	-	-
Internal Expenses	1,023	1,041	18	3,415	3,227	(188)	2,858	12,236	11,777	11,777
Overheads	2,067	2,067	-	6,200	6,200	-	-	20,067	24,801	24,801
Total Expenses attributable to Operations	15,381	16,173	793	47,682	47,650	(32)	33,986	178,301	202,015	202,015
Operating Result after Overheads and before Capital Amounts	3,042	2,163	878	3,169	2,630	539	9,183	4,495	3,713	3,713
	-	-	-	-	-	-	-	-	-	-
Capital Grants	2,095	-	2,095	4,024	-	4,024	3,661	18,420	24,537	24,537
Capital Contributions	251	545	(294)	1,986	1,634	353	1,631	8,494	6,536	6,536
Grants and Contributions Capital Received	2,346	545	1,801	6,010	1,634	4,376	5,352	26,913	31,072	31,072
Net Operating Result	5,387	2,708	2,679	9,180	4,264	4,915	14,535	31,409	34,786	34,786

Financial Performance Benchmarks

Below is a summary of Council’s performance, by Fund, against main financial performance benchmarks set by the Office of Local Government and compared to Council benchmarks set out in the current adopted Financial Strategy. The Financial Strategy is currently under review, and the Council set benchmarks may be revised to align with mandated benchmarks and taking into consideration Council’s current and projected performance.

<i>Financial Performance Ratio</i>	<i>Fund</i>	<i>Benchmark Ratio (Office of Local Government)</i>	<i>Benchmark Ratio (Council current Financial Strategy)</i>	<i>Actual Ratio as at September 2023</i>
Operating Performance Ratio	Consolidated	>0%	1% - 8%	4.5%
Unrestricted Current Ratio	Consolidated	>1.5x	>1.5x	1.9x
Unrestricted Cash Position	Consolidated	N/A	3% – 10%	30.7%
	General & Drainage			16.4%
	Water			(2.1%)
	Sewer			124.1%
	Domestic Waste			26.6%

As at the end of the September 2023, on a consolidated basis, Council exceeded the mandated benchmark for the operating result, achieving 4.5%, which is within the parameters set in Council’s current Financial Strategy.

Council has also performed favourably against the unrestricted current ratio, achieving 1.9% against a benchmark of >1.5%. This ratio considers all assets and liabilities, including cash.

Council maintained positive performance regarding unrestricted cash, exceeding target for all but the Water Fund.

Cash and Investments

Details on cash and investments as at September 2023 is included in the Monthly Investment Report September 2023, included as a separate report in this business paper.

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Restricted Funds

A summary of restricted and unrestricted funds is as follows:

Fund	General Fund	Drainage Fund	Consolidated General Fund	Water Fund	Sewer Fund	Domestic Waste Fund
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
External Restricted Funds	221,818	35,776	257,594	16,001	29,783	104,437
Internal Restricted Funds	160,998	68	161,066	974	935	45
Total Restricted Funds	382,816	35,844	418,660	16,975	30,718	104,482
Unrestricted Funds	100,138	(35,845)	64,293	(2,142)	123,600	20,698
Total funds by Fund	482,954	(1)	482,953	14,833	154,318	125,182

Details on Council's external and internal restriction balances as at September 2023 is included in the Monthly Investment Report September 2023, included as a separate report in this business paper.

Emergency Loans

In accordance with Council's resolution at its November 2022 Council meeting, an internal restriction was created to set aside funds to make an early loan repayment against the \$100M emergency loan which is due for refinancing in December 2023.

An amount of \$4M was transferred each month following the resolution. At its meeting on 25 June 2023 Council resolved to transfer an additional \$11.0M to the restriction.

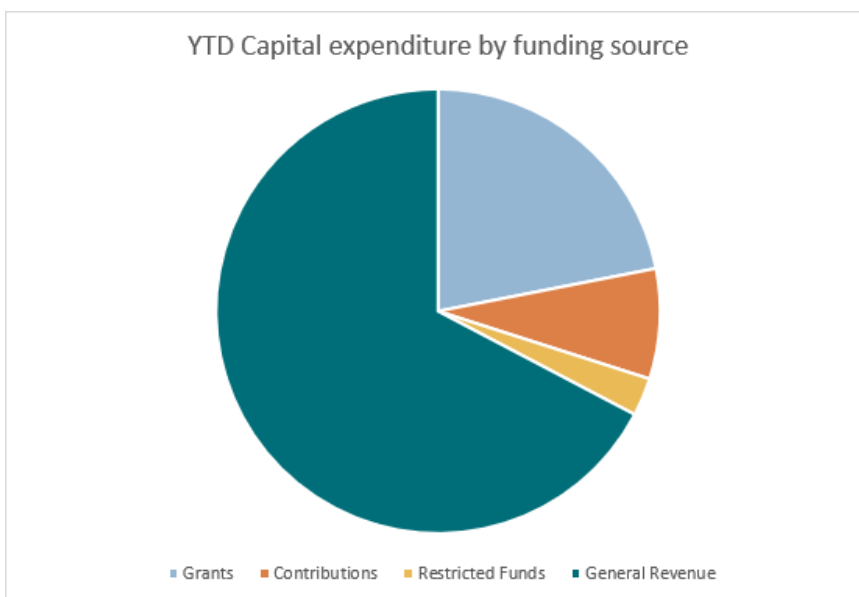
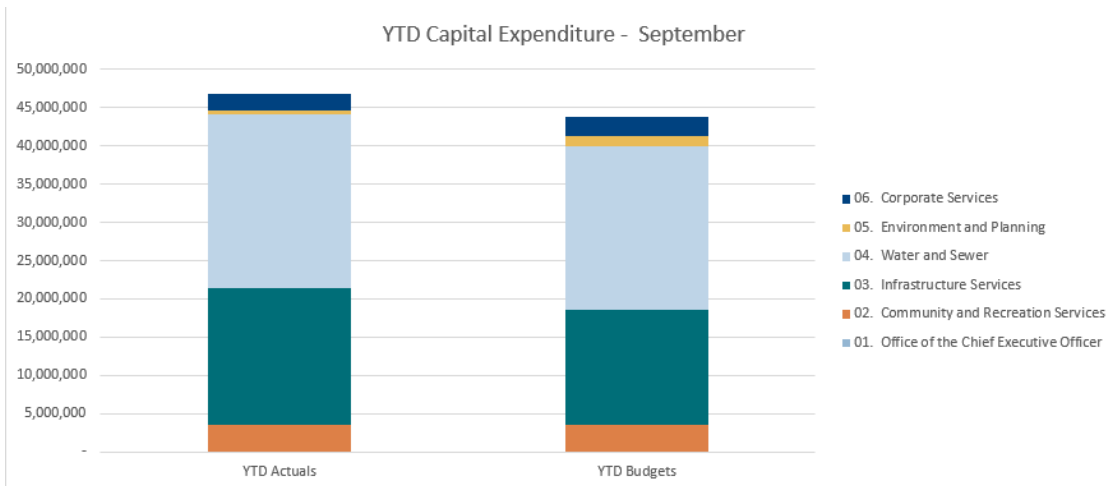
In the first three months of the 2023/24 FY, based on the available total cash and liquidity requirements, there was capacity to continue to restrict \$4M a month continuing from the previous financial year. As at September 2023, the Emergency Loan Repayment restriction has a balance of \$55.0M.

Council's operating surplus for the 2022/23 FY has a direct positive impact on Council's unrestricted cash. The current level of unrestricted cash is surplus to immediate operating requirements and consideration could be given to restricting further funds to the Emergency Loan Repayment Restriction to enable the extinguishing of the full amount due to be refinanced in December 2023.

Capital Works

As at 30 September 2023 capital expenditure is \$46.9M against a YTD budget of \$43.8M for the same period, and a 2023/2024 FY budget of \$203.0M.

Department	YTD Actuals	YTD Budgets	YTD Variance	Full Year Approved Budget
01. Office of the Chief Executive Officer	-	-	-	-
02. Community and Recreation Services	3,574,398	3,546,300	(28,098)	24,487,240
03. Infrastructure Services	17,780,346	15,044,222	(2,736,124)	65,646,731
04. Water and Sewer	22,772,746	21,414,876	(1,357,870)	84,155,136
05. Environment and Planning	525,098	1,314,449	789,351	10,490,536
06. Corporate Services	2,247,105	2,486,000	238,895	18,236,000
Total	46,899,693	43,805,847	(3,093,846)	203,015,643



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

Nil