



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

27 February 2024 Ordinary Council Meeting

Reference: F2020/03205 - D16047569
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Recommendation

That Council receives the Monthly Financial Report – December 2023.

Report purpose

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

Executive Summary

This report presents the December 2023 monthly financial report.

For 2023/2024 FY Council has budgeted an operating surplus before capital income of \$5.6M. The budgeted net operating position will fluctuate throughout the financial year, reflecting income and expenditure timing.

As at 31 December 2023, on a consolidated basis, Council has an operating surplus of \$17.3M against a budgeted operating deficit of (\$0.2M).

Background

The monthly financial reports have 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.

Consultation

The preparation of the December 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.

2.1 Monthly Finance Report December 2023 (cont'd)

Financial Considerations

This report presents the financial position of Council as at 31 December 2023. Variations from budgeted amounts are detailed and an explanation provided. For the reporting period, Council is performing better than budget. To date, there are no concerns regarding Council's financial performance for the remainder of the financial year.

Consolidated Operating Statement

As at 31 December 2023, Council has a consolidated net operating surplus of \$17.3M, before capital income, which is favourable to budget by \$17.5M, and a net operating surplus including capital income of \$51.0M which is favourable to budget by \$12.1M.

Consolidated Operating Statement											
December 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 (Q1)	Year End Forecast
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Income											
Rates and Annual Charges	30,499	30,760	(262)	206,870	210,785	(3,915)	195,790	389,283	421,456	296	421,752
User Charges and Fees	13,501	14,487	(986)	80,741	81,011	(269)	77,632	164,977	163,782	1,139	164,921
Other Revenue	2,049	1,138	911	10,750	6,150	4,600	9,487	21,086	13,683	271	13,955
Interest	3,355	1,966	1,389	18,709	14,420	4,288	9,371	23,888	15,244	4,690	19,934
Grants and Contributions	1,856	1,535	321	12,141	7,337	4,804	10,051	56,621	49,880	(3,126)	46,754
Gain on Disposal	93	-	93	812	-	812	1,014	7,785	-	-	-
Other Income	883	830	53	5,215	4,885	331	4,774	9,754	8,775	752	9,527
Internal Revenue	4,339	4,821	(482)	27,677	29,093	(1,415)	30,599	61,923	60,701	(2,105)	58,596
Total Income attributable to Operations	56,576	55,538	1,037	362,916	353,680	9,236	338,717	735,318	733,521	1,919	735,440
Operating Expenses											
Employee Costs	15,594	15,221	(373)	93,409	92,552	(857)	85,973	184,873	195,069	(279)	194,790
Borrowing Costs	793	1,736	943	4,907	5,530	622	5,295	13,073	13,746	1,243	14,989
Materials and Services	17,988	21,056	3,068	103,779	115,318	11,539	99,192	216,095	237,509	(560)	236,949
Depreciation and Amortisation	18,162	15,560	(2,602)	96,293	93,456	(2,838)	72,479	174,925	192,226	-	192,226
Other Expenses	4,844	5,102	258	22,342	22,718	376	23,053	44,044	44,523	127	44,649
Loss on Disposal	20	-	(20)	1,207	-	(1,207)	-	17,193	-	-	-
Internal Expenses	3,687	3,967	280	23,683	24,353	670	24,302	50,087	47,634	(1,401)	46,233
Overheads	0	0	-	(0)	(0)	-	0	(0)	(0)	-	(0)
Total Expenses attributable to Operations	61,088	62,642	1,554	345,621	353,926	8,305	310,294	700,290	730,708	(871)	729,837
Operating Result after Overheads and before Capital Amounts	(4,513)	(7,104)	2,591	17,295	(246)	17,541	28,423	35,028	2,813	2,790	5,603
Capital Grants	1,758	3,244	(1,486)	21,205	21,892	(687)	16,161	48,684	59,854	722	60,577
Capital Contributions	1,735	5,795	(4,060)	12,516	17,242	(4,726)	8,379	63,141	17,500	10,924	28,424
Grants and Contributions Capital Received	3,492	9,038	(5,546)	33,721	39,134	(5,414)	24,540	111,824	77,354	11,647	89,001
Net Operating Result	(1,020)	1,935	(2,955)	51,016	38,888	12,127	52,962	146,852	80,167	14,437	94,604

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

Operating Revenue – \$9.2M favourable to YTD Budget

- **Rates and Annual Charges (\$3.9M)**
 - unfavourable timing only variance relating to the receipt of the pensioner subsidy claim for Rates and Domestic Waste submitted to the Office of Local Government.
- **User charges and fees (\$0.3M)**
 - (\$1.1M) unfavourable variance in water supply user charges.

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- \$0.4M favourable variance in statutory and regulatory fees.
- \$0.2M favourable variance in sewer user charges.
- \$0.2M favourable variance in plumbing and drainage inspection fees.

- **Other revenue +\$4.6M**
 - \$3.4M favourable variance in unrealised gain on investments, floating rate notes and bonds.
 - \$0.4M favourable variance in fines income.
 - \$0.4M favourable variance in insurance recoveries.
 - \$0.2M favourable variance in Section 355 Committee income.
 - \$0.2M favourable variance in miscellaneous sales income.

- **Interest +\$4.3M**

Favourable variance predominantly from an increased interest rate environment, hence receiving more interest on investments than budgeted.

- **Grants and contributions +\$4.8M**

Favourable, timing only difference relating to:

 - \$2.8M in operating grants relating to Roads and Bridges Programs.
 - \$1.0M in operating grants relating to Library Programs.
 - \$0.6M in operating grants relating to Community Care.
 - \$0.4M in operating grants relating to Environmental Programs.

- **Gain on Disposal +\$0.8M**
 - \$0.8M favourable variance from disposals of plant & equipment.

- **Other Income +\$0.3M**
 - \$0.2M favourable variance in Community Facilities rental income.
 - \$0.1M favourable variance in recovery of outgoings from rental properties.

- **Internal revenue (\$1.4M)**
 - (\$0.9M) unfavourable variance in plant and fleet permanent hire.
 - (\$0.4M) unfavourable variance in plant pool hire.
 - (\$0.1M) unfavourable variance in internal water usage charge.

Operating Expenses – \$8.3M favourable to YTD Budget

- **Employee costs (\$0.9M)**

Overall employee costs and associated expense is on track (within 0.9% of budget).
- **Borrowing costs +\$0.6M**
 - \$0.6M favourable variance due to timing difference only.

- **Materials and services +\$11.5M**
 - \$7.3M favourable variance in contract, labour hire and consultant costs.
 - \$1.4M favourable variance in garbage collection.
 - \$0.8M favourable variance in materials purchased.
 - \$0.6M favourable variance in cleaning services.
 - \$0.5M favourable variance in software licenses, memberships and software expenses.
 - \$0.4M favourable variance in green waste processing contract costs.
 - \$0.3M favourable variance in audit fees.
 - \$0.2M favourable variance in training costs.

Some of these variances are timing differences only. Budget phasing of various expenditure lines has been reviewed as part of the Q2 Budget Review.

- **Depreciation (\$2.8M)**
 - (\$2.3M) unfavourable variance in depreciation of roads.
 - (\$0.2M) unfavourable variance in depreciation of sewerage network.
 - (\$0.1M) unfavourable variance in depreciation of buildings.
 - (\$0.1M) unfavourable variance in depreciation of plant and equipment.
 - (\$0.1M) unfavourable variance in depreciation of furniture and fittings.
- **Other expenses + \$0.4M**

Overall other expenses are on track (within 1.7% of budget).
- **Loss on Disposal (\$1.2M)**

Unfavourable variance due to disposals of assets being replaced that were unbudgeted for, including:

 - Roads (\$0.5M).
 - Stormwater Drainage (\$0.2M).
 - Open Space/Recreation Assets (\$0.2M).
 - Bridges (\$0.2M).
 - Plant and Equipment (\$0.1M).
- **Internal expenses +0.7M**
 - \$1.0M favourable variance in plant and fleet permanent hire.
 - (\$0.3M) unfavourable variance in external plant hire.

Capital Items – (\$5.4M) unfavourable to YTD Budget

- **Capital Grants (\$0.7M)**
Unfavourable, small timing only differences relating to multiple categories of capital grants.
- **Capital Contributions (\$4.7M)**
Unfavourable timing only differences, primarily relating to:
 - Open Space Works (\$3.3M).
 - Drainage Works (\$1.1M).
 - Other small amounts from multiple categories of Capital Contributions (\$0.3M).

Financial Performance by Fund

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

Total General (+ Drainage & Waste) Fund											
Operating Statement											
December 2023											
	CURRENT MONTH			YEAR TO DATE				FULL YEAR			
	Actuals \$'000	Adopted Budget \$'000	Variance \$'000	Actuals \$'000	Adopted Budget \$'000	Variance \$'000	Last Year YTD Actuals \$'000	Last Year Actual \$'000	Original Budget \$'000	Adopted Changes \$'000	Year End Forecast \$'000
Operating Income											
Rates and Annual Charges	25,243	25,330	(87)	154,106	157,958	(3,852)	153,161	302,073	312,872	662	313,534
User Charges and Fees	5,664	6,608	(944)	35,512	34,925	587	35,804	79,306	72,227	1,139	73,367
Other Revenue	1,904	1,138	666	9,961	6,150	3,811	8,326	19,957	13,683	271	13,955
Interest	2,516	1,558	958	14,219	11,971	2,247	7,654	18,149	12,336	2,640	14,976
Grants and Contributions	1,933	1,518	315	12,003	7,235	4,768	9,993	56,253	49,880	(3,330)	46,550
Gain on Disposal	93	-	93	812	-	812	1,014	7,785	-	-	-
Other Income	883	830	53	5,215	4,885	331	4,774	9,752	8,763	764	9,527
Internal Revenue	4,186	4,621	(435)	26,503	27,893	(1,290)	29,740	59,248	58,030	(2,105)	55,325
Total Income attributable to Operations	42,223	41,603	619	258,432	251,017	7,415	251,066	552,521	527,792	42	527,834
Operating Expenses											
Employee Costs	12,632	13,249	617	77,004	76,944	(60)	73,621	156,491	163,347	(279)	163,068
Borrowing Costs	207	1,189	982	1,150	1,803	653	1,284	5,280	5,358	1,265	6,622
Materials and Services	14,668	17,177	2,509	84,276	94,253	9,977	82,993	181,380	190,650	(947)	189,703
Depreciation and Amortisation	11,793	9,159	(2,634)	57,652	55,053	(2,599)	42,682	102,748	113,759	(106)	113,653
Other Expenses	4,842	5,102	260	22,143	22,718	575	22,792	43,291	44,523	127	44,649
Loss on Disposal	20	-	(20)	1,046	-	(1,046)	-	15,015	-	-	-
Internal Expenses	2,809	2,899	90	17,514	17,620	105	18,580	37,851	35,857	(2,157)	33,700
Overheads	(2,067)	(2,067)	-	(12,400)	(12,400)	-	(11,330)	(20,067)	(24,801)	(4,801)	(24,801)
Total Expenses attributable to Operations	44,905	46,709	1,804	249,386	255,991	7,605	230,622	521,989	528,692	(2,098)	526,594
Operating Result after Overheads and before Capital Amounts	(2,682)	(5,105)	2,423	10,046	(4,974)	15,019	20,444	30,533	(900)	2,140	1,240
Capital Grants	1,997	2,641	(644)	15,762	15,575	187	8,836	30,264	35,318	8,131	43,449
Capital Contributions	1,289	5,250	(3,961)	9,585	13,501	(3,915)	5,029	54,647	10,964	10,451	21,415
Grants and Contributions Capital Received	3,286	7,891	(4,605)	25,347	29,075	(3,729)	13,865	84,911	46,282	18,581	64,863
Net Operating Result	603	2,786	(2,183)	35,392	24,102	11,291	34,309	115,443	45,381	20,722	66,103

Total Water & Sewer Fund											
Operating Statement											
December 2023											
	CURRENT MONTH			YEAR TO DATE				FULL YEAR			
	Actuals	Adopted Budget	Variance	Actuals	Adopted Budget	Variance	Last Year YTD	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	5,255	5,430	(175)	52,764	52,827	(63)	42,628	87,209	108,584	(366)	108,218
User Charges and Fees	7,837	7,879	(42)	45,230	46,086	(856)	41,828	86,672	91,555	-	91,555
Other Revenue	245	-	245	789	-	789	561	1,130	-	-	-
Interest	839	408	431	4,430	2,449	2,041	1,717	5,739	2,908	2,050	4,958
Grants and Contributions	23	17	6	137	102	35	58	368	-	204	204
Gain on Disposal	-	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	2	12	(12)	-
Internal Revenue	153	200	(48)	1,074	1,199	(125)	859	2,676	2,671	-	2,671
Total Income attributable to Operations	14,352	13,935	417	104,484	102,663	1,821	87,651	182,796	205,729	1,876	207,605
Operating Expenses											
Employee Costs	2,962	1,972	(990)	16,405	15,608	(798)	12,352	28,383	31,722	(0)	31,722
Borrowing Costs	586	548	(38)	3,757	3,727	(31)	4,011	7,794	8,389	(22)	8,367
Materials and Services	3,320	3,879	559	19,903	21,065	1,162	16,199	34,716	46,859	387	47,246
Depreciation and Amortisation	6,369	6,400	32	38,641	38,403	(238)	29,797	72,177	78,468	106	78,574
Other Expenses	1	-	(1)	199	-	(199)	261	752	-	-	-
Loss on Disposal	-	-	-	161	-	(161)	-	2,178	-	-	-
Internal Expenses	878	1,068	190	6,169	6,733	565	5,722	12,236	11,777	756	12,534
Overheads	2,067	2,067	-	12,400	12,400	-	11,330	20,067	24,801	-	24,801
Total Expenses attributable to Operations	16,182	15,933	(249)	97,235	97,935	700	79,672	178,301	202,015	1,227	203,243
Operating Result after Overheads and before Capital Amounts	(1,830)	(1,998)	168	7,250	4,728	2,521	7,979	4,495	3,713	649	4,363
Capital Grants	(239)	603	(842)	5,443	6,317	(874)	7,324	18,420	24,537	(7,408)	17,128
Capital Contributions	446	545	(99)	2,931	3,742	(811)	3,350	8,494	6,506	474	7,009
Grants and Contributions Capital Received	207	1,147	(941)	8,374	10,059	(1,685)	10,675	26,913	31,072	(6,934)	24,138
Net Operating Result	(1,624)	(851)	(773)	15,623	14,787	837	18,654	31,409	34,786	(6,285)	28,501

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	Ratio as at 31/12/2023
Operating Performance Ratio	> 0%	4.9%
Own Source operating Revenue Ratio	> 60%	87.4%
Unrestricted Current Ratio	> 1.5x	3.0x
Cash Expense Cover Ratio	> 3 months	6.7 months
Buildings and Infrastructure Renewals Ratio	> = 100%	88.9% (year to date)

As at the end of the December 2023, on a consolidated basis, Council exceeded the mandated benchmark for the operating result, achieving 4.9%.

Council has also performed favourably against the unrestricted current ratio, achieving 3.0x against a benchmark of > 1.5x. This ratio considers all assets and liabilities, including cash. Council also maintained positive performance regarding the cash expense cover. Council is in a strong liquidity position.

As at 31 December 2023, Council was tracking well to meet the building and infrastructure renewals benchmark by the end of the financial year.

Cash and Investments

Details on cash and investments as at December 2023 was included in the Monthly Investment Report December 2023, submitted to the Council meeting on 23 January 2024.

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	221,864	36,159	258,023	16,320	28,736	105,263
Internal Restricted Funds	108,915	68	108,983	974	935	45
Total Restricted Funds	330,779	36,227	367,006	17,294	29,671	105,308
Unrestricted Funds	95,037	(34,242)	60,795	(475)	122,157	17,377
Total funds by Fund	425,816	1,985	427,801	16,819	151,828	122,685

Details on Council's restriction balances as at 31 December 2023 were included in the Monthly Investment Report December 2023, submitted to the Council meeting on 23 January 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.

As at 31 December 2023, the \$100M Emergency Loan was settled and repaid in full, with no requirement to refinance any amount. The remaining Emergency Loan of \$50M is due to be refinanced in November 2025.

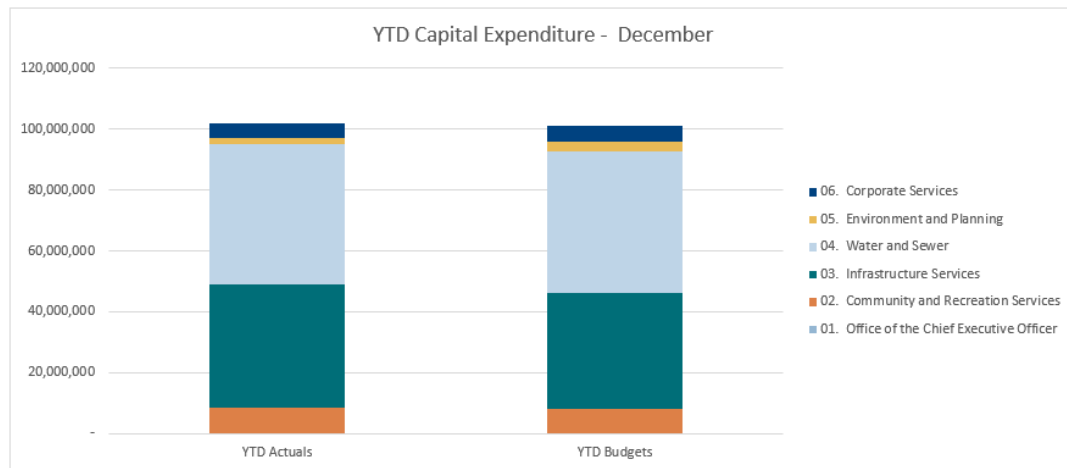
Council will continue to internally restrict funds with the aim of settling the remaining \$50M in November 2025, without the need to refinance any amount. The interest rates environment will be monitored and the timing and amount of any repayment or extinguishment of the loan will be optimised accordingly.

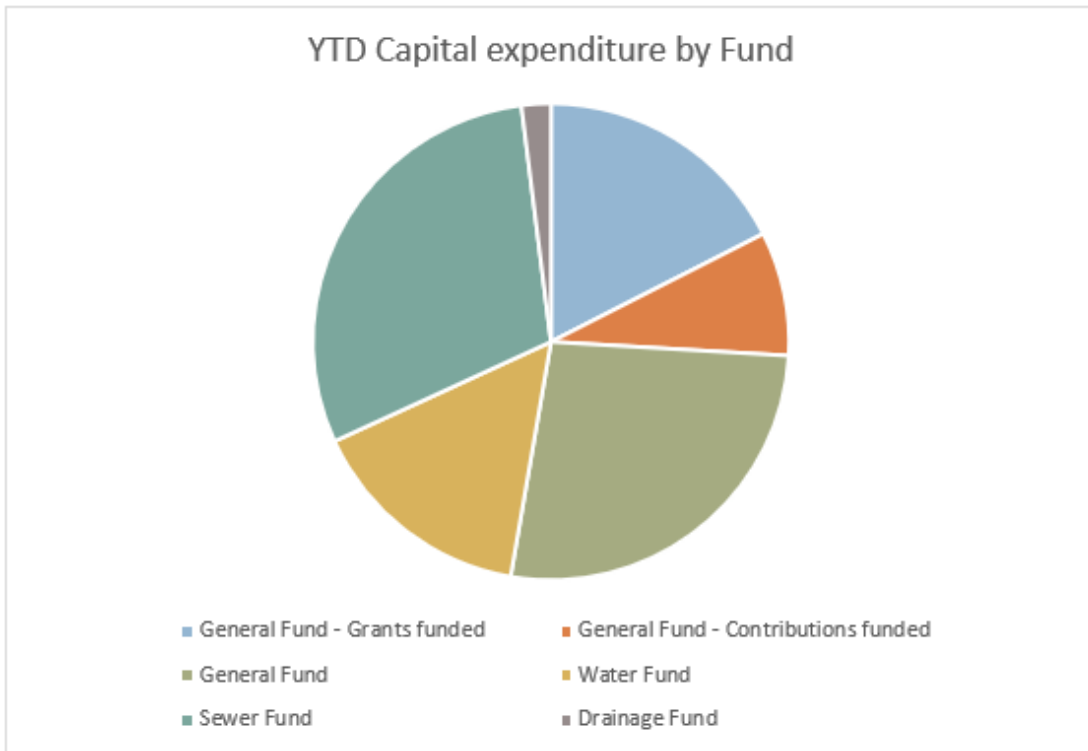
Capital Works

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As at 31 December 2023 capital expenditure is \$101.8M against a YTD budget of \$101.1M for the same period, and a 2023/2024 FY budget of \$216.5M.

Department	YTD Actuals	YTD Budgets	YTD Variance	Full Year Approved Budget
01. Office of the Chief Executive Officer	-	-	-	-
02. Community and Recreation Services	8,415,126	8,184,358	(230,768)	25,650,885
03. Infrastructure Services	40,522,496	38,029,292	(2,493,204)	77,857,305
04. Water and Sewer	46,129,559	46,646,793	517,235	84,155,137
05. Environment and Planning	2,245,830	2,941,686	695,857	10,600,536
06. Corporate Services	4,524,639	5,268,514	743,875	18,236,000
Total	101,837,649	101,070,643	(767,005)	216,499,862





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