

FINANCIAL PERFORMANCE REPORT FOR THE PERIOD ENDED 31 MAY 2024

63/17/2-01 | #7424424

RECOMMENDATION:

That Council notes the financial performance report for the period ended 31 May 2024.

INTERESTED PARTIES:

Not applicable

EXECUTIVE SUMMARY:

This report contains the financial performance report for the period ended 31 May 2024.

MAY FINANCIALS AT A GLANCE				
Comprehensive Income	YTD Actual \$000	YTD Budget \$000	YTD Variance \$000	Full Year Budget \$000
Total operating revenue	358,262	346,087	12,175	377,916
Total operating expenses	(362,591)	(347,642)	(14,949)	(377,666)
Net Operating Result	(4,329)	(1,555)	(2,774)	250
Capital revenue	18,272	16,418	1,854	42,319
Net Result	13,943	14,863	(920)	42,569
Treasury Performance	YTD Actual \$000	YTD Budget \$000	YTD Variance \$000	Full Year Budget \$000
Operating result - (ex depreciation)	94,643	95,779	(1,136)	106,239
Infrastructure charges revenue	11,352	12,934	(1,582)	15,200
Grants & other capital revenue	8,170	17,780	(9,610)	20,536
Net Capital Funding	114,165	126,493	(12,328)	141,975
Capital expenditure	(121,198)	(148,828)	27,630	(166,209)
Net Funding Surplus/(Deficit)	(7,033)	(22,335)	15,302	(24,234)

The year to date operating result is unfavourable to budget by \$2.8M. Included in this is an unbudgeted net cost of \$3.5M related to TC Jasper recovery works (\$15.3M in expenses offset by \$11.8M in funding). In addition, miscellaneous revenue (\$2.6M) and interest revenue (\$1.5M) are greater than anticipated which has been slightly offset by lower than anticipated net rates and utility charges (\$2.0M) and higher depreciation (\$1.6M).

The net capital funding available is \$114.2M which is \$12.3M unfavourable to budget. This is due to a combination of unfavourable grants and other capital revenue (\$9.6M), and infrastructure charges revenue (\$1.6M).

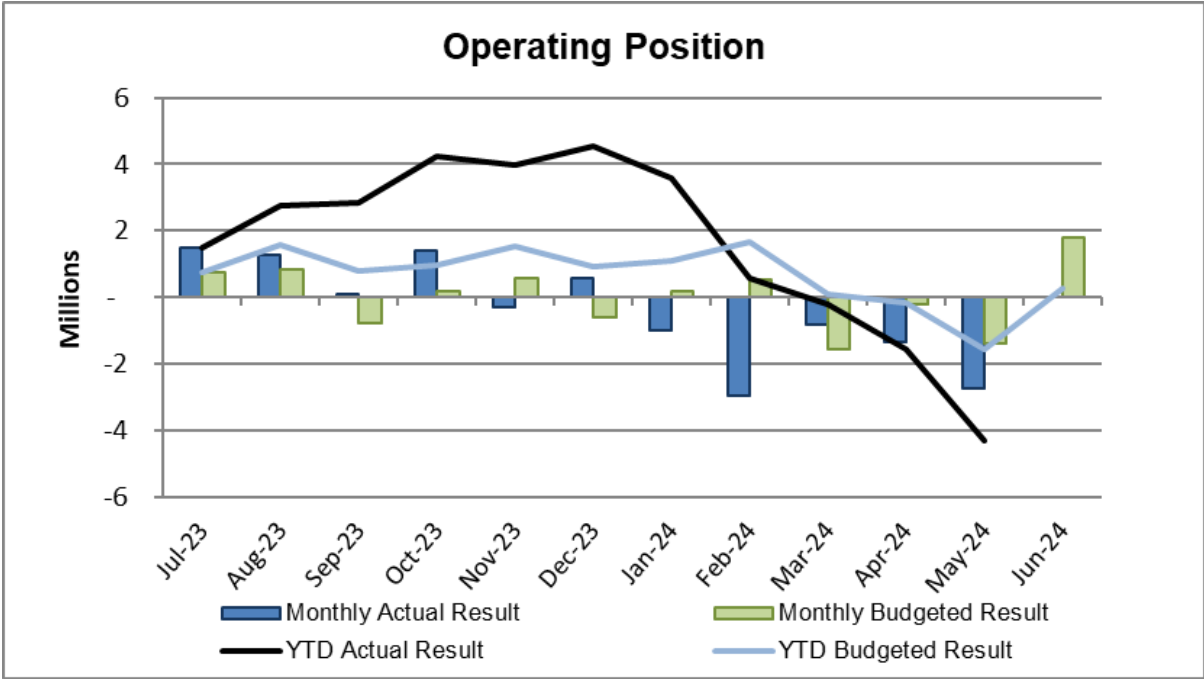
Capital expenditure is \$120.6M resulting in a \$26.9M timing variance to budget.

The full impact of the Cyclone Jasper Flood Emergency on Council’s financial position is still being worked through, with the remediation works expected to exceed \$100M. Whilst funding programs such as DRFA (Disaster Recovery Funding Arrangements), particularly the REPA (Reconstruction of Essential Public Assets) portion, are expected to cover elements of these costs there is still expected to be a significant portion that is not externally funded. To date, approximately \$15.3M of recovery related expenditure has been recognised in Council’s operating expenses, \$11.8M of which is expected to be recoverable through external funding streams.

COMMENT:

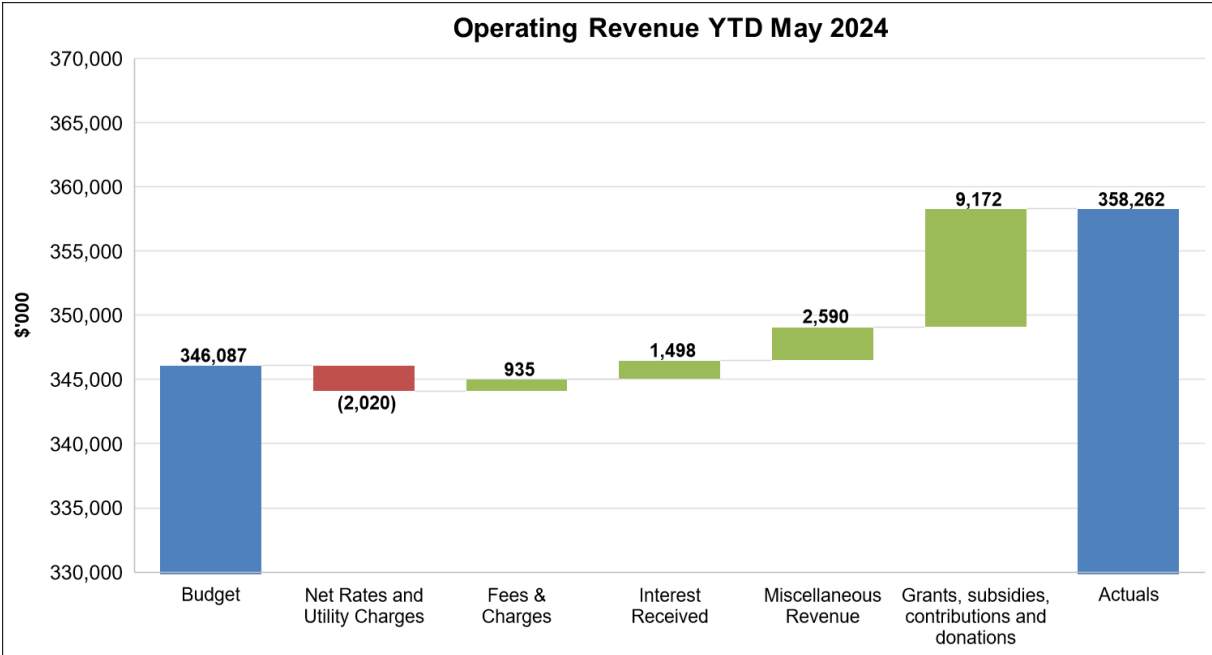
Each month, year to date financial statements are prepared in order to monitor actual performance against budget. Attached are the financial statements for the period ended 31 May 2024. Actual amounts are compared against year to date Budget 2023/24 figures. See Appendix one for detailed financial statements and Appendix two for statements of comprehensive income by directorate.

OPERATING POSITION



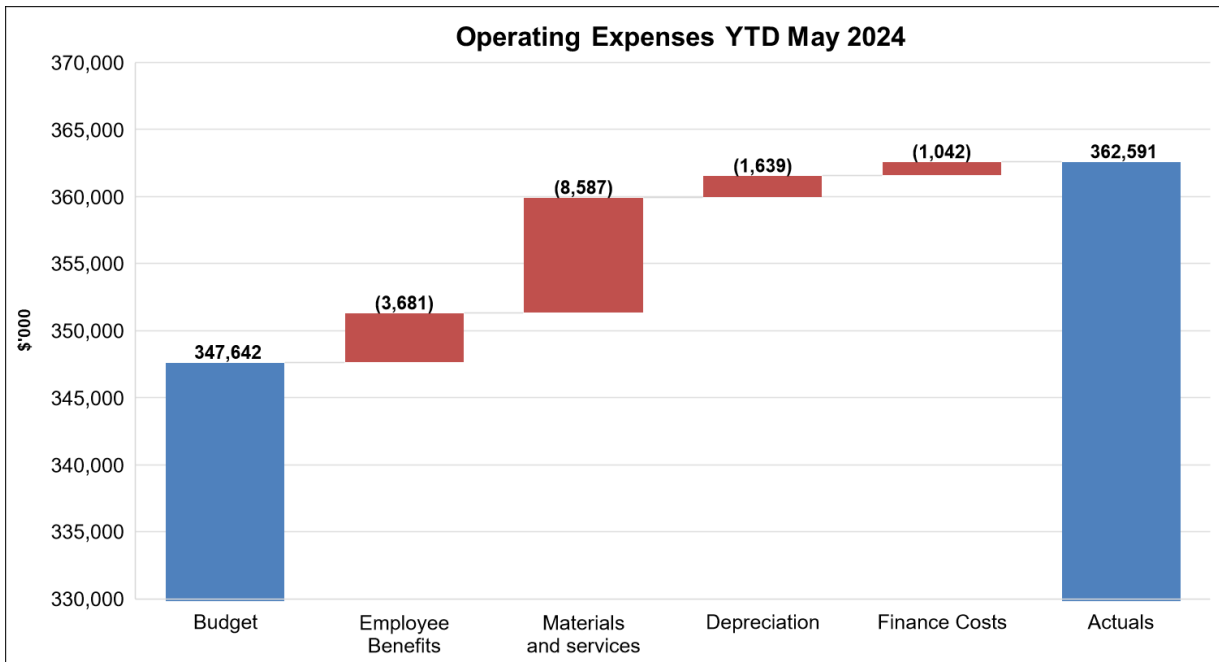
Council’s operating position at the end of May was a deficit of \$4.3M, \$2.8M unfavourable to budget. This result is mainly due to unfavourable variances in materials and services and employee benefits due to unbudgeted expenditure relating to the Cyclone Jasper Flood Emergency (\$15.3M). Also contributing to the variance is lower than anticipated net rates and utility charges (\$2.0M) and higher than anticipated depreciation (\$1.6M). Offsetting the unfavourable variances is the unbudgeted grant funds for the Cyclone Jasper Flood Emergency (\$11.8M) as well as higher than anticipated miscellaneous revenue (\$2.6M) and interest revenue (\$1.5M).

OPERATING REVENUE



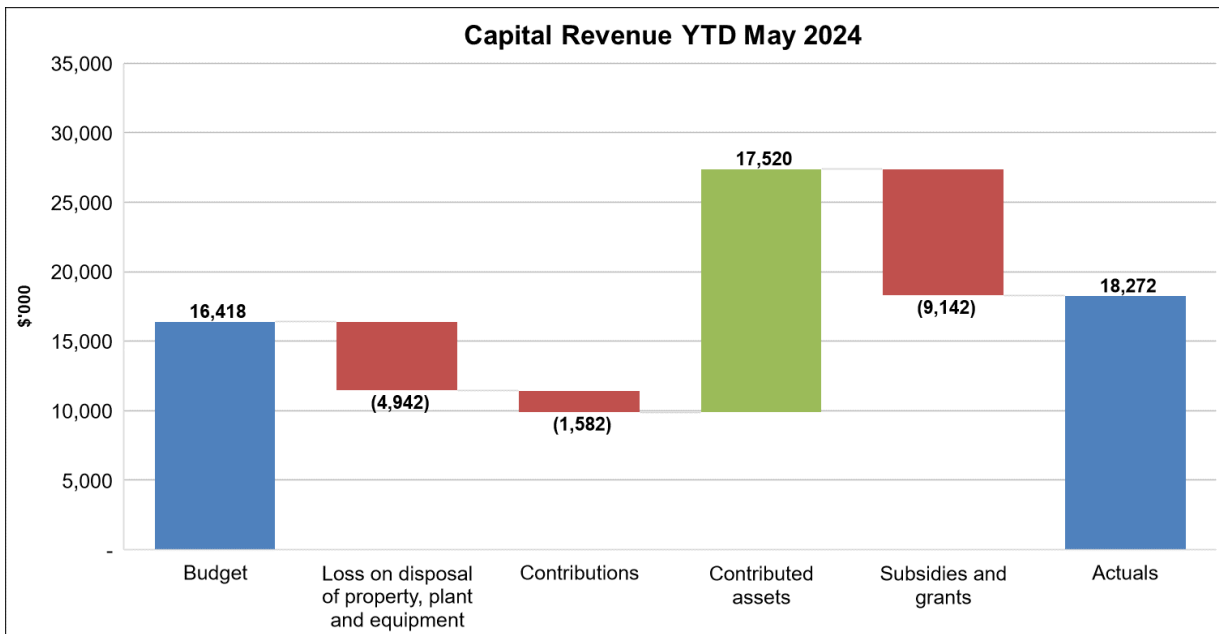
Operating revenue is favourable to budget by \$12.2M driven by greater than anticipated grants, subsidies, contributions and donations (\$9.2M) due to the unbudgeted receipt of funding for the Cyclone Jasper Flood Emergency of (\$11.8M), as well as higher miscellaneous revenue (\$2.6M) and interest received (\$1.5M). This has been slightly offset by less than anticipated net rates and utility charges (\$2.0M).

OPERATING EXPENDITURE



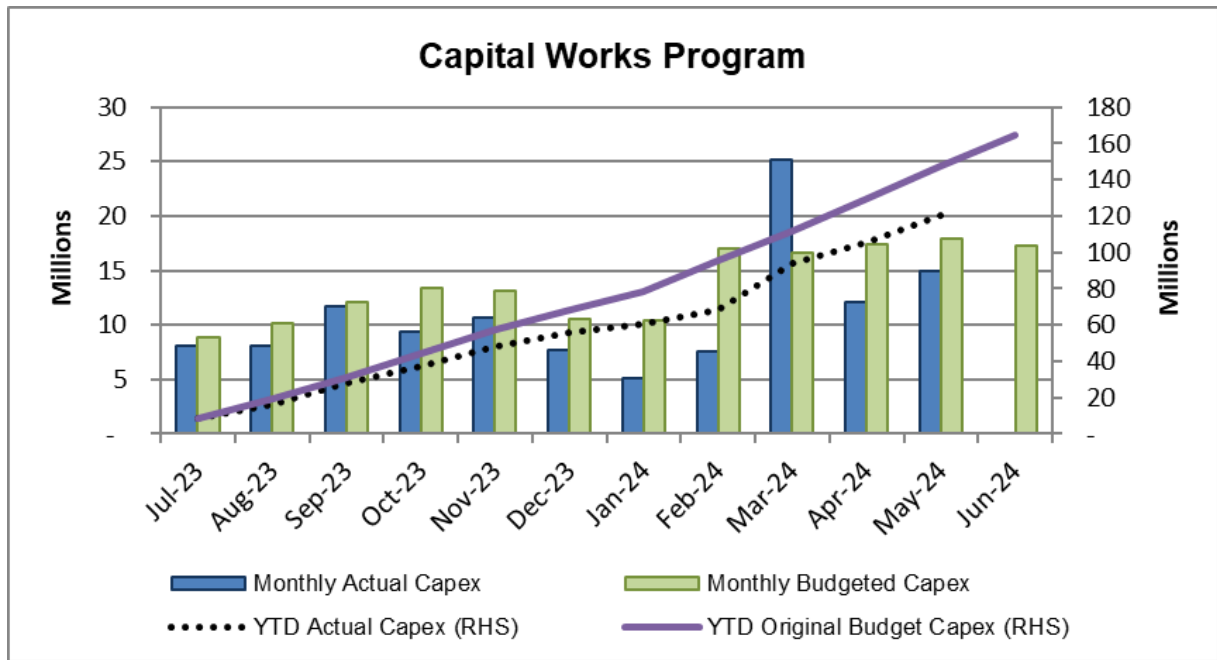
Operating expenditure is \$14.9M unfavourable to budget. This is largely driven by greater than anticipated materials and services (\$8.6M) and employee benefits (\$3.7M) mainly due to unbudgeted expenditure relating to the Cyclone Jasper Flood Emergency, as well as higher depreciation (\$1.6M).

CAPITAL REVENUE



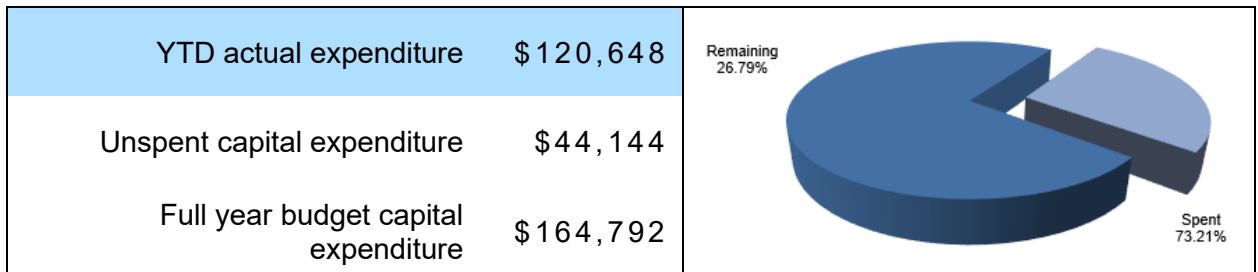
Capital revenue is \$1.9M favourable to budget mainly due to greater than anticipated contributed assets (\$17.5M). Whilst the variance is significant this is largely due to timing of recognition being earlier than budgeted. This has been slightly offset by less than anticipated subsidies and grants (\$9.1M) and greater than anticipated loss on disposal of property, plant and equipment (\$4.9M). The unfavourable capital grant revenue is due largely to the timing of the capital works program as revenue is recognised in line with expenditure.

CAPITAL EXPENDITURE



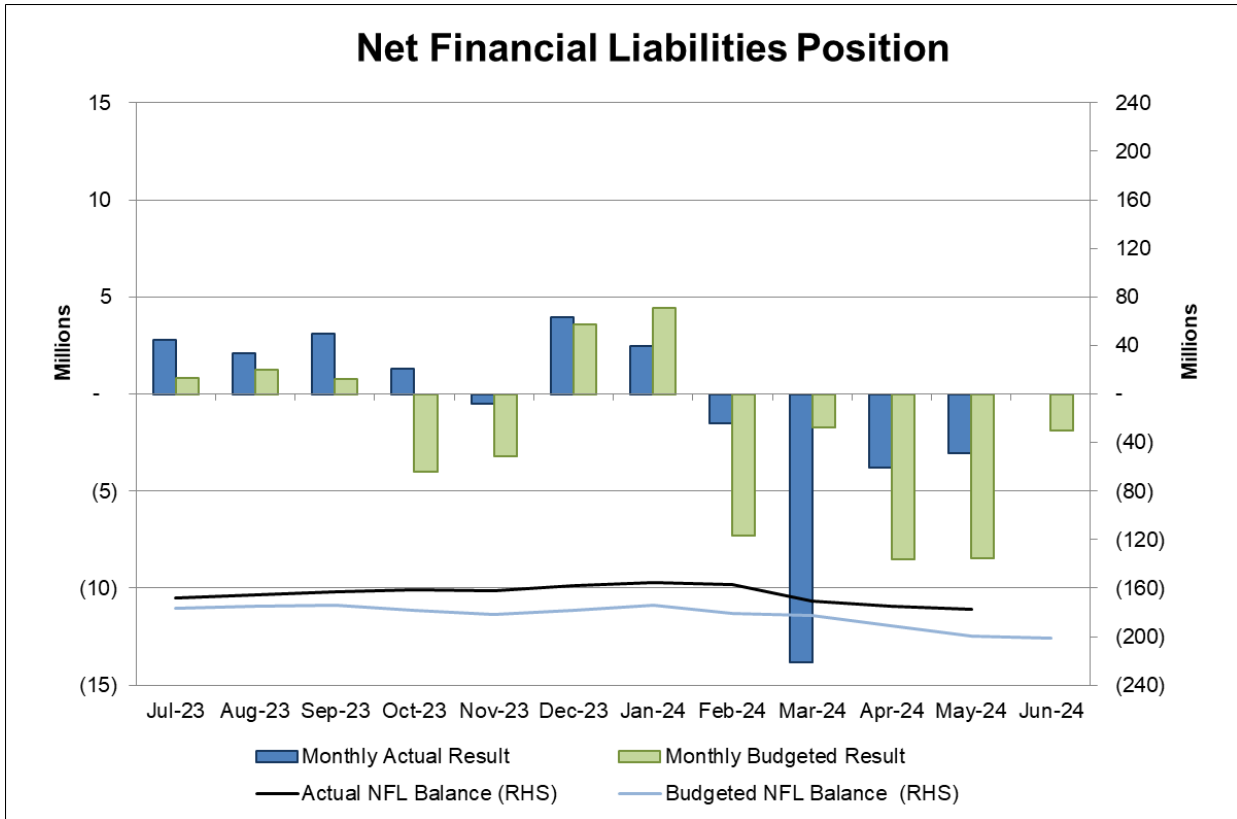
Actual capital works expenditure year to date is \$120.6M, compared to a budget of \$147.5M. The following table illustrates year to date 2023/24 capital works program against the full year budget.

Directorate	Year to Date Actual \$000	Year to Date Budget \$000	Year to Date Variance \$000	Full Year Budget \$000
Finance & Business Services	694	2,500	1,806	2,950
Lifestyle & Community	27,215	36,195	8,980	38,867
CIA – Engineering Services	25,862	24,170	(1,692)	27,898
CIA – Service Delivery	66,877	84,665	17,788	95,077
CAPITAL WORKS TOTAL	120,648	147,530	26,882	164,792
Capitalised Interest	550	1,298	748	1,417
CAPITAL EXPENDITURE	121,198	148,828	27,630	166,209



TREASURY PERFORMANCE

The following graph has been developed to provide an indication of Council's net financial liabilities monthly variance to budget.



Net financial liabilities (NFL) is a broader measure of indebtedness than the level of borrowings. It includes items such as trade payables, employee long-service leave entitlements and other amounts payable as well as taking account of Council's cash holdings. An increase in net financial liabilities will increase interest associated with borrowings and will impact negatively on Council's operating result.

As at the end of May, Council's NFL is \$21.9M favourable to budget. This is driven by a favourable \$6.6M carry forward position from the previous financial year combined with a \$15.3M favourable net funding year to date variance.

Net Funding Result – Year to Date

Financial Items	Actuals YTD \$'000	Budget YTD \$'000	Variance YTD \$'000	Budget Full Year \$'000
Operating Revenue	358,262	346,087	12,174	377,916
Operating Expenses (ex Dep)	(263,619)	(250,308)	(13,310)	(271,677)
Capital Revenue - Infra Charges	11,352	12,934	(1,582)	15,200
Capital Revenue - Grants & Other	8,170	17,780	(9,610)	20,536
Net Capital Funding	114,165	126,493	(12,328)	141,975
Capital Expenditure	(121,198)	(148,828)	27,630	(166,209)
Net Funding Surplus/(Deficit)	(7,033)	(22,335)	15,302	(24,234)

Year to date net capital funding totals \$114.2M which is \$12.3M unfavourable to budget, mainly due to less than anticipated grants and other capital revenue (\$9.6M) and net rates and utility charges (\$2.0M) as well as greater than anticipated materials and services (\$8.6M) and employee benefits (\$3.7M). This has been slightly offset by favourable grants, subsidies, contributions and donations operating revenue (\$9.2M).

Capital expenditure at the end of May is \$27.6M favourable to budget. Combined with an unfavourable net capital funding variance (\$12.3M), this results in a favourable \$15.3M net funding surplus variance year to date.

Whilst the net funding variance is favourable, unspent capital expenditure from 2023/24 will be incurred in future years and does not represent a permanent cash saving.

LIQUIDITY

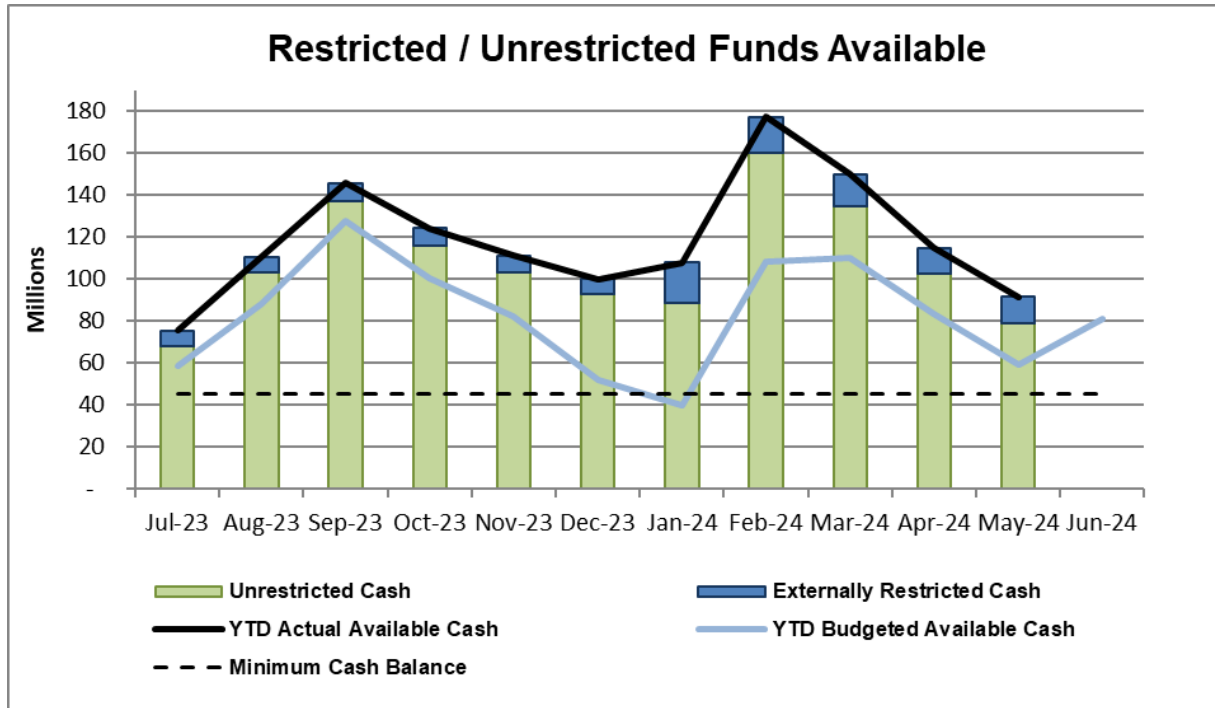
	Actual \$000	Budget \$000	Variance \$000
Cash and cash equivalents	31,404	-	31,404
Working capital facility	-	(570)	570
Long term loans	(131,490)	(134,350)	2,860
NET DEBT POSITION	(100,086)	(134,920)	34,834

Council's net debt position is \$34.8M favourable to budget due to the favourable \$13.5M position carried forward from the 2022/23 financial year and the favourable year to date net funding surplus position of \$15.3M, due largely to the progress on the capital works program.

Also contributing is the unspent portion of funds from the QLD Reconstruction Authority for future grant applications associated with the Cyclone Jasper Flood Emergency sitting within other current liabilities (\$8.2M).

UNRESTRICTED FUNDS POSITION

Restricted cash represents cash and cash equivalents that are subject to a number of external restrictions that limit amounts available for discretionary or future use. It is comprised of unspent government grants and developer contributions set aside for specific capital works. A summary of Council's restricted funds position is provided below.



Including the working capital facility, the total funds available is \$91.4M. Excluding funds subject to external restrictions of \$12.1M, the unconstrained funds available to meet ongoing operational expenses is \$79.3M.

DEPARTMENT OF HOUSING, LOCAL GOVERNMENT, PLANNING AND PUBLIC WORKS (DHLGPPW) FINANCIAL SUSTAINABILITY RATIOS

In accordance with s169 (6) of the *Local Government Regulation 2012*, the DHLGPPW financial sustainability ratios have been provided. The ratios are designed to provide an indication of the performance of Council against key financial sustainability criteria which must be met to ensure the prudent management of financial risks.

As the information required for the leverage ratio and asset sustainability ratio is based on full year results, it is not feasible to report these ratios on a monthly basis. These ratios will be provided in the budget and annual financial statements as regulated.

Type	Measure	Rationale	Actual Result	Benchmark	Within limits	FY Budget
Operating Performance	Operating Surplus Ratio	Holistic overview of Council operating performance	(1.2%)	> 0%	<input type="checkbox"/>	0.4%
	Operating Cash Ratio	Cash operating performance (less depreciation and other non-cash items)	27.5%	> 0%	<input checked="" type="checkbox"/>	29.4%
Liquidity	Unrestricted Cash Expense Cover Ratio	Unconstrained liquidity available to Council	3.5	> 2 months	<input checked="" type="checkbox"/>	4.7
Debt Servicing Capacity	Leverage Ratio	Ability to repay existing debt	N/A	0 - 4 times	N/A	1.6
Asset Management	Asset Sustainability Ratio	Capital renewals program performance	N/A	> 60%	N/A	68.4%
	Asset Consumption Ratio	Extent to which assets are being consumed	67.9%	> 60%	<input checked="" type="checkbox"/>	68.1%
	Asset Renewal Funding Ratio	Asset replacement program performance	Contextual purposes only and not audited by QAO.			
Financial Capacity	Council Controlled Revenue	Capacity to generate revenue internally	Contextual purposes only and not audited by QAO.			
	Population Growth	Population growth/decline pressures on Council	Contextual purposes only and not audited by QAO.			

CONSIDERATIONS:

Risk Management:

Financial statements report on a historical basis, therefore there are no financial implications or risk on decisions or options. DHLGPPW ratios are submitted with financial statements which provide an indication of the performance of Council to ensure prudent management of financial risks.

In terms of financial performance and risk, the approach taken sees the Finance Team working with the various business directorates to understand and report on financial outcomes whilst also considering what those outcomes indicate for the future, particularly the requirement to deliver within budget. It is expected this forward-looking approach will allow the management team to implement timely rectification actions to emerging trends.

ATTACHMENTS:

Attachment 1: Financial Statements

Attachment 2: Directorate Reports

Attachment 3: Explanation of Financial Statement Items



Jason Ritchie
Executive Manager Finance



Lisa Whitton
Director Finance & Business Services

Attachment 1: Financial Statements

Attached are the financial statements for the period ended 31 May 2024. Actual amounts are compared against the year-to-date Budget figures.

Financial statements included:

- **Statement of Comprehensive Income** – Displays Council's year to date profit and loss up to the period end.
- **Statement of Financial Position** – Displays the Assets (what we own), Liabilities (what we owe) and Community Equity (our net worth).
- **Statement of Cash Flows** – Reports how income received, and expenses paid impacts on Council's cash balances.

Statement of Comprehensive Income			
For the Period Ended 31 May 2024			
	Actual	Original Budget	Variance
	\$000	\$000	\$000
Income			
Revenue			
Operating Revenue			
Net rates and utility charges	291,973	293,993	(2,020)
Fees and charges	27,075	26,140	935
Interest received	5,743	4,245	1,498
Miscellaneous Revenue	19,410	16,820	2,590
Grants, subsidies, contributions and donations	14,061	4,889	9,172
Total Operating revenue	358,262	346,087	12,175
Expenses			
Operating Expenses			
Employee benefits	122,513	118,832	(3,681)
Materials and services	137,248	128,661	(8,587)
Depreciation	98,973	97,334	(1,639)
Finance costs	3,857	2,815	(1,042)
Total Operating Expenses	362,591	347,642	(14,949)
Capital Revenue			
Loss on disposal of property, plant and equipment	(17,863)	(12,921)	(4,942)
Contributions	11,352	12,934	(1,582)
Contributed assets	17,520	-	17,520
Subsidies and grants	7,263	16,405	(9,142)
Net Capital Revenue	18,272	16,418	1,854
Net result attributable to Council in period	13,943	14,863	(920)
Council's net result for May 2024 is a surplus of \$13.9M, \$920K less than budgeted.			
Operating revenue is \$12.2M favourable to budget driven mainly by greater than anticipated grants, subsidies, contributions and donations (\$9.2M) due to the unbudgeted receipt of funding for the Cyclone Jasper Flood Emergency (\$11.8M) as well as higher miscellaneous revenue (\$2.6M) and interest received (\$1.5M). This has been slightly offset by less than anticipated net rates and utility charges (\$2.0M).			
Operating expenses are \$14.9M unfavourable to budget due to greater than anticipated materials and services (\$8.6M) and employee benefits (\$3.7M) mainly due to unbudgeted expenditure relating to the Cyclone Jasper Flood Emergency, as well as higher depreciation (\$1.6M).			
Capital revenue is \$1.9M favourable to budget mainly due to greater than anticipated contributed assets \$17.5M. This has been offset slightly by less than anticipated subsidies and grants (\$9.1M) as a result of timing and greater than anticipated loss on disposal of property, plant and equipment (\$4.9M).			

**Statement of Financial Position
For the Period Ended 31 May 2024**

	Note	Actual	Original Budget	Variance
		\$000	\$000	\$000
Assets				
Current Assets				
Cash and cash equivalents	1	31,404	-	31,404
Receivables		56,351	53,730	2,621
Inventories		5,209	3,597	1,612
		92,964	57,327	35,637
Non-Current Assets				
Property, plant and equipment	2	4,687,318	4,719,774	(32,456)
		4,687,318	4,719,774	(32,456)
Total Assets		4,780,282	4,777,101	3,181
Liabilities				
Current Liabilities				
Trade and other payables		52,067	49,015	(3,052)
Borrowings		22,723	20,662	(2,061)
Working capital facility		-	570	570
Provisions		14,436	12,366	(2,070)
Other liabilities	1	53,235	45,012	(8,223)
		142,461	127,625	(14,836)
Non-Current Liabilities				
Borrowings		108,767	113,688	4,921
Provisions		13,483	13,896	413
Other liabilities	3	5,944	1,747	(4,197)
		128,194	129,331	1,137
Total Liabilities		270,655	256,956	(13,699)
NET COMMUNITY ASSETS		4,509,627	4,520,145	(10,518)
Community Equity				
Retained surplus/deficit		2,744,194	2,754,888	(10,694)
Asset revaluation surplus		1,765,433	1,765,257	176
TOTAL COMMUNITY EQUITY		4,509,627	4,520,145	(10,518)

- 1 The cash and cash equivalents variance is largely due the favourable opening cash balance as at 1 July. Also contributing is the unbudgeted prepayment from the QLD Reconstruction Authority for future grant applications associated with the Cyclone Jasper Flood Emergency, of which \$8.2M is unspent. This has resulted in a corresponding unfavourable variance in other current liabilities.
- 2 Property, plant and equipment is unfavourable to budget due to lower than anticipated capital additions in 2022/23 and 2023/24.
- 3 Other non-current liabilities are unfavourable to budget due to Council's lease liabilities being brought to account in 2022/23 which has resulted in a \$4.2M variance to budget.

Statement of Cash Flows				
For the Period Ended 31 May 2024				
	Note	Actual	Original Budget	Variance
		\$000	\$000	\$000
Cash Flows from Operating Activities:				
Receipts from customers	1	364,310	377,342	(13,032)
Payments to suppliers and employees		(259,776)	(264,149)	4,373
Interest received		5,743	2,297	3,446
Borrowing costs		(2,049)	(2,876)	827
Net cash inflow (outflow) from operating activities		108,228	112,614	(4,386)
Cash Flows from Investing Activities				
Grants, subsidies and contributions for capital acquisitions		26,502	25,301	1,201
Proceeds from disposal of property, plant and equipment		860	1,375	(515)
Payments for property, plant, equipment and CWIP	2	(115,098)	(146,594)	31,496
Net cash inflow (outflow) from investing activities		(87,736)	(119,918)	32,182
Cash Flows from Financing Activities:				
Proceeds from borrowings		-	3,000	(3,000)
Repayment of borrowings		(24,911)	(27,757)	2,846
Proceeds from working capital facility		-	570	(570)
Repayment of working capital facility		-	1,932	(1,932)
Net cash inflow (outflow) from financing activities		(24,911)	(22,255)	(2,656)
NET INCREASE/(DECREASE) IN CASH HELD		(4,419)	(29,559)	25,140
Cash at beginning of year		35,823	29,559	6,264
CASH AT END OF PERIOD		31,404	-	31,404
1 The unfavourable variance in receipts from customers is largely due to timing and is expected to reduce over the remainder of the year.				
2 The timing of delivery of the capital works program has caused lower than anticipated payments for property, plant and equipment.				

Attachment 2: Directorate Reports

Directorate operating statements provide information on the performance of each directorate for the period ended 31 May 2024.

The following are the directorate operating statements included in this report (in order):

Appendix:

- A. Office of the CEO
- B. Finance & Business Services
- C. People & Organisational Performance
- D. Planning, Growth & Sustainability
- E. Lifestyle & Community
- F. Cairns Infrastructure and Assets – Engineering Services
- G. Cairns Infrastructure and Assets – Service Delivery
- H. Economic Development & Advocacy

Appendix A – Office of the CEO

Operating Statement				
For the Period Ended 31 May 2024				
Office of the CEO				
	Actual	Budget	Variance	Variance
	\$000	\$000	\$000	%
Operating Revenue				
Other income	761	717	44	6 %
Total Operating Revenue	761	717	44	6 %
Operating Expenditure				
Employee Benefits	3,124	2,895	(229)	(8)%
Materials and services	496	610	114	19 %
Total Expenses	3,620	3,505	(115)	(3)%
OPERATING CAPABILITIES BEFORE CAPITAL ITEMS	(2,859)	(2,788)	(71)	(3)%
Office of the CEO is \$71K unfavourable to budget YTD, due to a temporary movement of leave provisions, partially offset by materials and services expenditure.				

Appendix B – Finance & Business Services

**Operating Statement
For the Period Ended 31 May 2024**

Finance & Business Services

	Actual	Budget	Variance	Variance
	\$000	\$000	\$000	%
Operating Revenue				
Net rates and utility charges	125,111	125,457	(346)	(0) %
Fees and charges	537	612	(75)	(12) %
Interest	4,271	2,902	1,369	47 %
Other income	364	278	86	31 %
Grants, Subsidies and Contributions	274	3,010	(2,736)	(91) %
Total Operating Revenue	130,557	132,259	(1,702)	(1) %
Operating Expenditure				
Employee benefits	17,451	18,949	1,498	8 %
Materials and services	1,022	2,668	1,646	62 %
Depreciation and amortisation expenses	2,844	3,089	245	8 %
Finance Costs	2,720	2,203	(517)	(23) %
Total Expenses	24,037	26,909	2,872	11 %
OPERATING CAPABILITIES BEFORE CAPITAL ITEMS	106,520	105,350	1,170	1 %

The Finance & Business Services directorate is \$1.2M favourable to budget with favourable variances in employee benefits and materials and services offsetting unfavourable grant revenue which is due to the early bring forward of the Financial Assistance Grant in 2022/23.

Appendix C – People & Organisational Performance

**Operating Statement
For the Period Ended 31 May 2024**

People & Organisational Performance

	Actual	Budget	Variance	Variance
	\$000	\$000	\$000	%
Operating Revenue				
Fees and charges	1	4	(3)	(75) %
Other income	35	6	29	483 %
Grants, Subsidies and Contributions	316	465	(149)	(32) %
Total Operating Revenue	352	475	(123)	(26) %
Operating Expenditure				
Employee benefits	8,294	8,271	(23)	(0) %
Materials and services	6,488	7,374	886	12 %
Total Expenses	14,782	15,645	863	6 %
OPERATING CAPABILITIES BEFORE CAPITAL ITEMS	(14,430)	(15,170)	740	5 %

The People & Organisational Performance directorate is \$740K favourable to budget largely across various materials and service expenses.

Appendix D – Planning, Growth & Sustainability

**Operating Statement
For the Period Ended 31 May 2024**

Planning, Growth & Sustainability

	Actual	Budget	Variance	Variance
	\$000	\$000	\$000	%
Operating Revenue				
Fees and charges	3,974	4,216	(242)	(6) %
Other income	748	551	197	36 %
Grants, subsidies, contributions and donations	218	35	183	523 %
Total Operating Revenue	4,940	4,802	138	3 %
Operating Expenditure				
Employee Benefits	7,875	8,276	401	5 %
Materials and services	2,759	3,897	1,138	29 %
Finance Costs	63	36	(27)	(75) %
Total Expenses	10,697	12,209	1,512	12 %
OPERATING CAPABILITIES BEFORE CAPITAL ITEMS	(5,757)	(7,407)	1,650	22 %

Planning, Growth and Sustainability is \$1.7M favourable to budget due to lower than budgeted materials and services and employee vacancies.

Appendix E – Lifestyle & Community

**Operating Statement
For the Period Ended 31 May 2024**

Lifestyle & Community

	Actual	Budget	Variance	Variance
	\$000	\$000	\$000	%
Operating Revenue				
Fees and charges	13,449	12,303	1,146	9 %
Other income	5,249	5,460	(211)	(4) %
Grants, subsidies, contributions and donations	2,934	1,246	1,688	135 %
Total Operating Revenue	21,632	19,009	2,623	14 %
Operating Expenditure				
Employee benefits	33,021	31,007	(2,014)	(6) %
Materials and services	39,050	37,952	(1,098)	(3) %
Depreciation and amortisation expenses	13,198	12,707	(491)	(4) %
Finance Costs	1,037	576	(461)	(80) %
Total Expenses	86,306	82,242	(4,064)	(5) %
OPERATING CAPABILITIES BEFORE CAPITAL ITEMS	(64,674)	(63,233)	(1,441)	(2) %

Lifestyle & Community is \$1.4M unfavourable to budget. Fees & charges revenue is favourable due to animal management, parking and CPAC venue hires all exceeding expectations - this is partially offset by an increase in finance costs and reduced other income. Grants revenue is favourable due to disaster funding which is offset by employee costs and material & services.

Appendix F – Cairns Infrastructure and Assets – Engineering Services

Operating Statement				
For the Period Ended 31 May 2024				
Cairns Infrastructure and Assets - Engineering Services				
	Actual	Budget	Variance	Variance
	\$000	\$000	\$000	%
Operating Revenue				
Fees and charges	96	48	48	100 %
Other income	79	-	79	100 %
Grants, Subsidies and Contributions	21	18	3	17 %
Total Operating Revenue	196	66	130	197 %
Operating Expenditure				
Employee benefits	9,108	8,964	(144)	(2)%
Materials and services	2,528	3,584	1,056	29 %
Depreciation and amortisation expenses	35,725	35,551	(174)	(0)%
Total Expenses	47,361	48,099	738	2 %
OPERATING CAPABILITIES BEFORE CAPITAL ITEMS	(47,165)	(48,033)	868	2 %
Engineering Services is \$868K favourable to budget due to lower than budgeted external services.				

Appendix G – Cairns Infrastructure and Assets – Service Delivery

Operating Statement				
For the Period Ended 31 May 2024				
Cairns Infrastructure and Assets - Service Delivery				
	Actual	Budget	Variance	Variance
	\$000	\$000	\$000	%
Operating Revenue				
Net rates and utility charges	166,861	168,536	(1,675)	(1) %
Fees and charges	9,018	8,956	62	1 %
Interest revenue	1,472	1,343	129	10 %
Other income	12,174	9,808	2,366	24 %
Grants, Subsidies and Contributions	10,298	115	10,183	8,855 %
Total Operating Revenue	199,823	188,758	11,065	6 %
Operating Expenditure				
Employee benefits	42,630	39,358	(3,272)	(8)%
Materials and services	80,302	67,269	(13,033)	(19)%
Depreciation and amortisation expenses	47,206	45,986	(1,220)	(3)%
Finance costs	38	-	(38)	(100)%
Total Expenses	170,176	152,613	(17,563)	(12)%
OPERATING CAPABILITIES BEFORE CAPITAL ITEMS	29,647	36,145	(6,498)	(18)%
<p>Service Delivery is unfavourable to budget. Below budget water usage unfavourably impacts rates. Disaster Recovery works are offset by grant funding and below budget maintenance works as resources were diverted to recovery. Disaster recovery works that are ineligible for funding are partially offset by favourable stock adjustments.</p>				

Appendix H – Economic Development & Advocacy

**Operating Statement
For the Period Ended 31 May 2024**

Economic Development & Advocacy

	Actual	Budget	Variance	Variance
	\$000	\$000	\$000	%
Operating Revenue				
Other income	-	-	-	0 %
Total Operating Revenue	-	-	-	0 %
Operating Expenditure				
Employee benefits	1,008	1,112	104	9 %
Materials and services	4,602	5,307	705	13 %
Total Expenses	5,610	6,419	809	13 %
OPERATING CAPABILITIES BEFORE CAPITAL ITEMS	(5,610)	(6,419)	809	13 %

The Economic Development & Advocacy directorate is \$809K favourable to budget in consultancies and events.

Attachment 3: Explanation of Financial Statement Items

This appendix is a general explanation of Council's revenues, costs, assets and liabilities to aid in understanding the budget to actual comparison in the monthly financial report.

STATEMENT OF COMPREHENSIVE INCOME	
OPERATING REVENUE	
Net Rates and Utility Charges	Rates are the taxes levied on ratepayers within Council. Whilst the rates notices are mainly issued in July and January, revenue is accounted for on an accrual basis throughout the year.
Fees and Charges	Revenue includes a mixture of regulated fees and user fees. Regulated fees are levied by Council and the amount of the fee or fine is often set externally and the payment is compulsory. User fees are charged for the use of goods and services and are entered into at the election of the user. The pattern of revenue for fees and charges reflects a mixture of billing cycles and seasonal variations.
Interest Received	Interest is earned on surplus cash fund balances and is also charged on overdue rates. The interest earned fluctuates throughout the year due to the timing of rates collections.
Miscellaneous Revenue	Miscellaneous revenue comprises of items that don't meet the definition for other categories. It includes reimbursements and recoveries, rentals and external contract works.
Grants, Subsidies, Contributions & Donations	Council receives support to fund and assist in the delivery of services. Financial assistance grants are federally funded and allocated via state and territory-based Grant Commissions, whilst tiered grants are generally linked to the delivery of specific programs.
OPERATING EXPENSES	
Employee Benefits	Represents the total cost of staff employed in the delivery of Council services. Costs include wages, superannuation, employee leave entitlements and other on costs. They will not include the costs of engaging contractors providing services to the Council on an outsourced basis.
Materials and Services	Costs incurred in the purchase of material or other services necessary to deliver Council services.
Depreciation	Represents the consumption of property, plant and equipment and the reduction of the future value of the assets is recognised as a cost to Council. While this is a significant cost, it does not represent a cash outflow to Council.
Finance Costs	Interest on loans, bank charges and doubtful debts expense.
CAPITAL ITEMS	
Loss on Disposal of Property, Plant and Equipment	Loss on disposal of property, plant and equipment represents the accounting value of an asset when it is retired. As it is an accounting entry only, it does not have a cash impact for Council.
Contributions	Contributions are comprised of both cash and offset infrastructure charges which are to be used for the construction of trunk community assets.
Subsidies and Grants	Capital subsidies and grants are used by Council for the construction of specific assets and are recognised over time in line with completion of the construction works.
Contributed Assets	Assets acquired by Council at nominal or no cost usually by way of agreement with property developers or other government entities. They are valued at their estimated cost of construction utilising appropriate valuation unit rates.

TREASURY PERFORMANCE	
Net Capital Funding	Net capital funding represents the cash available to fund Council's capital works program. The funding available is represented by the net result from the statement of comprehensive income adjusted for non-cash items including depreciation, contributed assets and loss on disposal.
Capital Expenditure	Capital expenditure reflects the money spent on the capital works program to maintain, improve and expand Council's community assets.
Net Funding Surplus/(Deficit)	The net funding result impacts Council's net financial liabilities which is also a measure of indebtedness. A surplus will improve Council's net financial liabilities position whilst a deficit will deteriorate the financial position and likely result in additional long-term loan borrowings.
Net Financial Liabilities	Net financial liabilities is a broader and more appropriate measure of indebtedness than the level of borrowings, because it includes items such as employee long-service leave entitlements and other amounts payable in future as well as taking account of Council's cash holdings and invested monies. An increase in indebtedness will increase interest associated with borrowings and will impact negatively on Council's operating result.
STATEMENT OF FINANCIAL POSITION	
Current Assets	Cash and other assets, like trade receivables, that are easily converted into cash. The actual cash balance will vary significantly throughout the year as rate receipts, loans and major payments are processed. Cash investment is managed by Council's Treasury Section.
Non-Current Assets	The value of property, plant and equipment and infrastructure assets including land, transport, drainage, water and sewerage infrastructure after depreciation, renewals, new capital works, contributed assets and revaluations are accounted for.
Current Liabilities	Obligations that Council has to make payments for within the next financial year. This includes accounts payable and provisions for employee entitlements to annual and long service leave. It also includes the expected loan payment due in the next financial year.
Non-Current Liabilities	The financial obligations relating to provisions for employee entitlements and debt that is not required to be paid within the next financial year.
Community Equity	Equity includes accumulated retained surpluses and asset revaluation reserves which record the valuation adjustments to Council's existing non-current assets.