

ORDINARY MEETING 16 OCTOBER 2024	6
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FINANCIAL PERFORMANCE REPORT FOR THE PERIOD ENDED 27 SEPTEMBER 2024

F&BS | 63/17/2-01 | #7500147

RECOMMENDATION:

That Council note the financial performance report for the period ended 27 September 2024.

INTERESTED PARTIES:

Not applicable

EXECUTIVE SUMMARY:

This report contains the financial performance report for the period ended 27 September 2024.

SEPTEMBER FINANCIALS AT A GLANCE				
Comprehensive Income	YTD Actual \$000	YTD Budget \$000	YTD Variance \$000	Full Year Budget \$000
Total operating revenue	108,248	107,714	534	406,288
Total operating expenses	(96,702)	(97,150)	448	(394,822)
Net Operating Result	11,546	10,564	982	11,466
Capital revenue	39,459	31,269	8,190	156,581
Net Result	51,005	41,833	9,172	168,047
Treasury Performance	YTD Actual \$000	YTD Budget \$000	YTD Variance \$000	Full Year Budget \$000
Operating result - (ex depreciation)	37,553	37,097	456	120,298
Infrastructure charges revenue	1,704	4,010	(2,306)	16,042
Grants & other capital revenue	40,952	31,109	9,843	136,878
Net Capital Funding	80,209	72,216	7,993	273,218
Capital expenditure	(61,978)	(60,923)	(1,055)	(383,254)
Net Funding Surplus/(Deficit)	18,231	11,293	6,938	(110,036)

The operating result is favourable to budget by \$982K driven by favourable variances in finance costs (\$699K), fees and charges (\$657K), depreciation (\$527K), materials and services (\$299K) and interest revenue (\$206K). This has been offset by unfavourable variances in employee benefits (\$1.1M) and net rates and utility charges (\$464K).

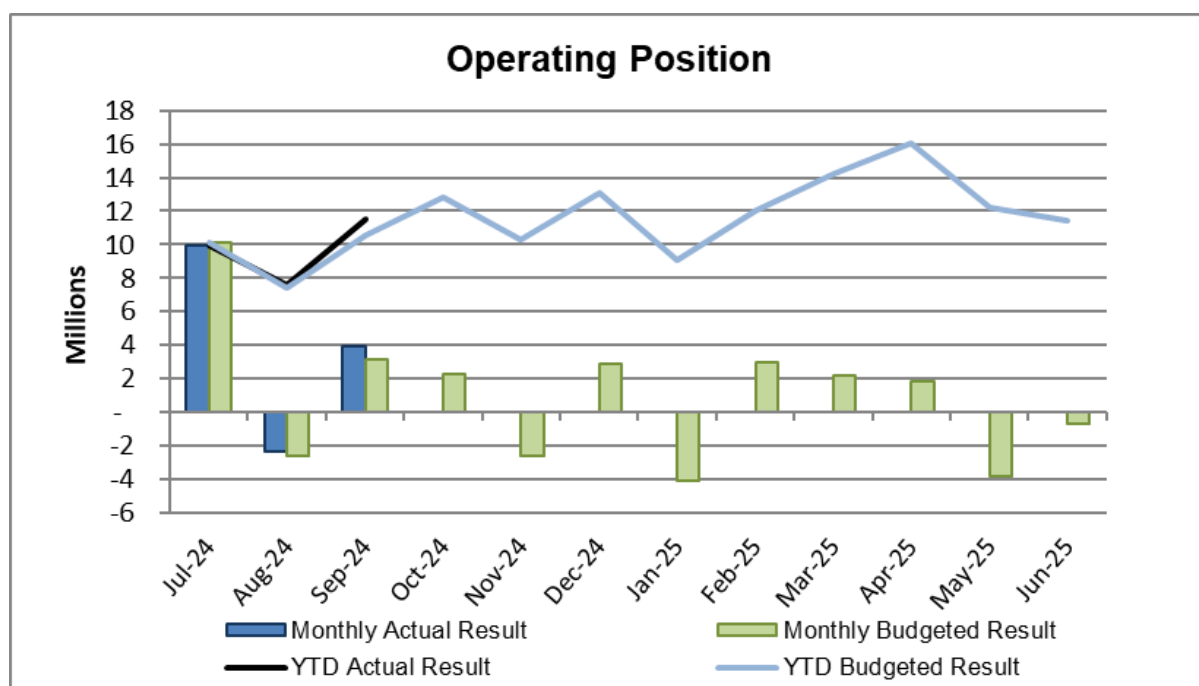
The net capital funding available is \$80.2M which is \$8.0M favourable to budget. This is due to a combination of favourable grants and other capital revenue (\$9.8M) slightly offset by infrastructure charges revenue (\$2.3M).

Capital works expenditure is \$61.6M resulting in a \$635K timing variance to budget.

COMMENT:

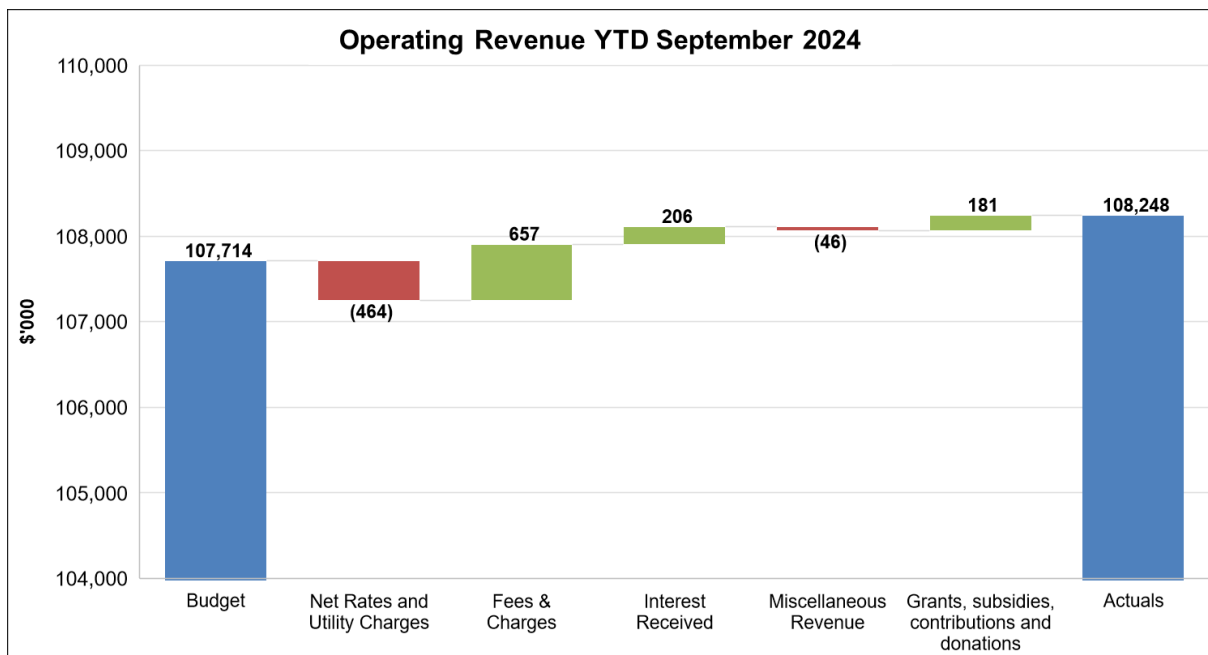
Each month, year to date financial statements are prepared in order to monitor actual performance against budget. Attached are the financial statements for the period ended 27 September 2024. Actual amounts are compared against year to date Budget 2024/25 figures. See Appendix one for detailed financial statements and Appendix two for statements of comprehensive income by directorate.

OPERATING POSITION



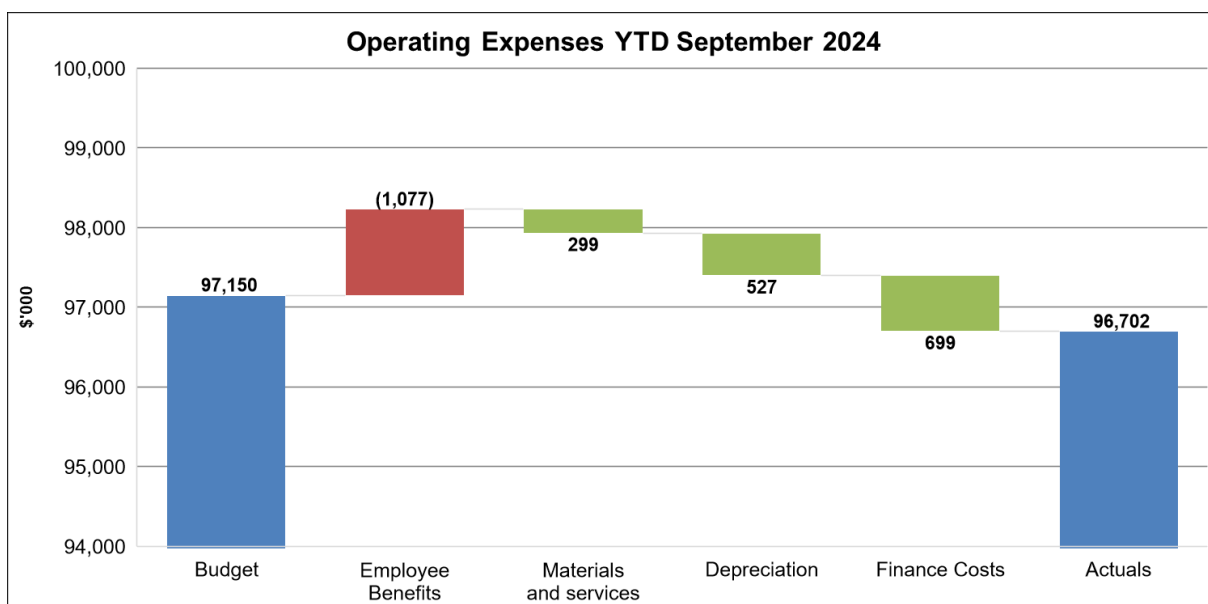
Council's operating position at the end of September was a surplus of \$11.5M, \$982K favourable to budget. This result is mainly due to favourable variances in finance costs (\$699K), fees and charges (\$657K), depreciation (\$527K), materials and services (\$299K) and interest revenue (\$206K). This has been offset by unfavourable variances in employee benefits (\$1.1M) and net rates and utility charges (\$464K).

OPERATING REVENUE



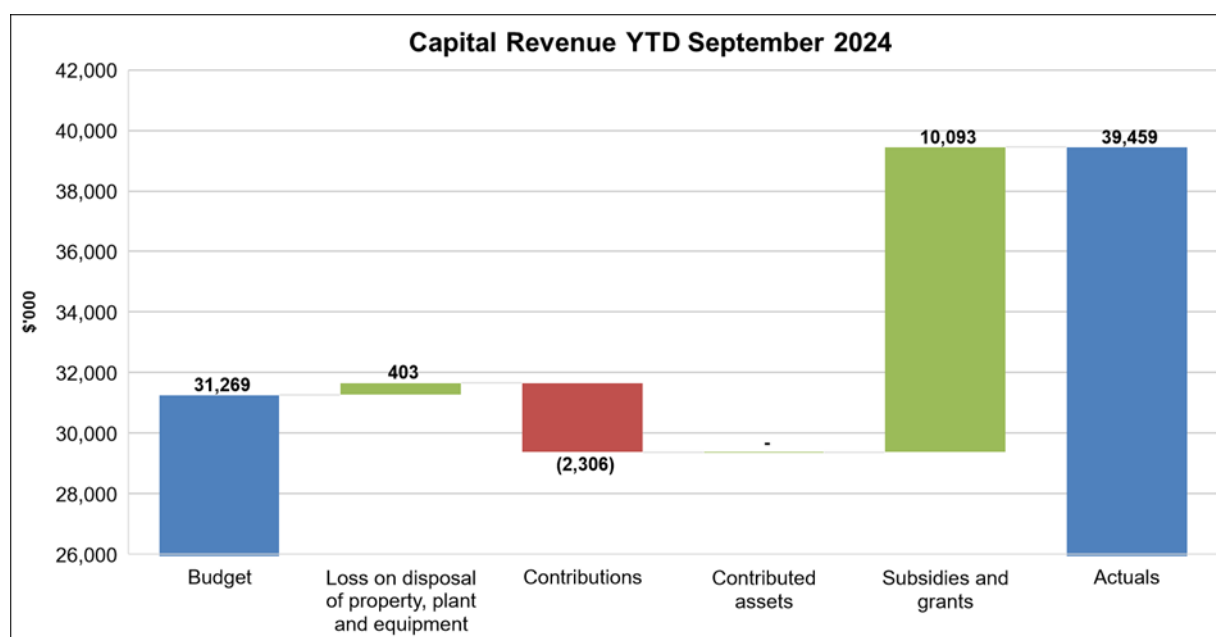
Operating revenue is favourable to budget by \$534K driven by greater than anticipated fees and charges (\$657K, including favourable year to date activity in parking (\$278K), transfer stations fees (\$88K) and trade waste fees (\$50K)), interest revenue (\$206K) and grants, subsidies, contributions and donations (\$181K). This has been slightly offset by less than anticipated net rates and utility charges (\$464K, including lower than expected growth in residential rates / access charges (\$166K) and lower than expected water usage (\$154K)).

OPERATING EXPENDITURE



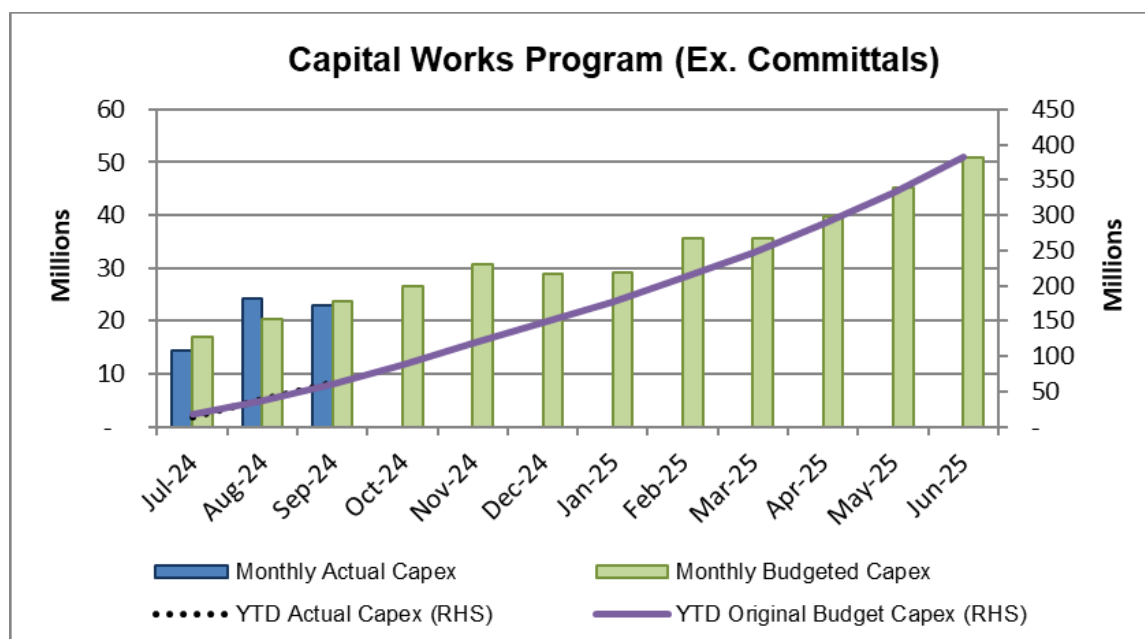
Operating expenditure is \$448K favourable to budget. This is largely driven by less than anticipated finance costs (\$699K, including less loan interest than anticipated mainly due to the \$20M loan drawdown budgeted in June 2024 not being required as a result of delays in delivery of the capital works program in 2023/24 (\$259K) and capitalised interest expense), depreciation (\$527K) and materials and services (\$299K). This has been offset by greater than anticipated employee benefits (\$1.1M, due mainly to lower than expected vacancy rates and less capitalisation than anticipated).

CAPITAL REVENUE



Capital revenue is \$8.2M favourable to budget mainly due to greater than anticipated subsidies and grants (\$10.1M), offset by lower than anticipated contributions (\$2.3M). The favourable variance in capital grants is due largely to the grant associated with the Cairns Water Security Strategy (CWSS) project, which has funding committed that is \$87.5M higher than budget.

CAPITAL EXPENDITURE



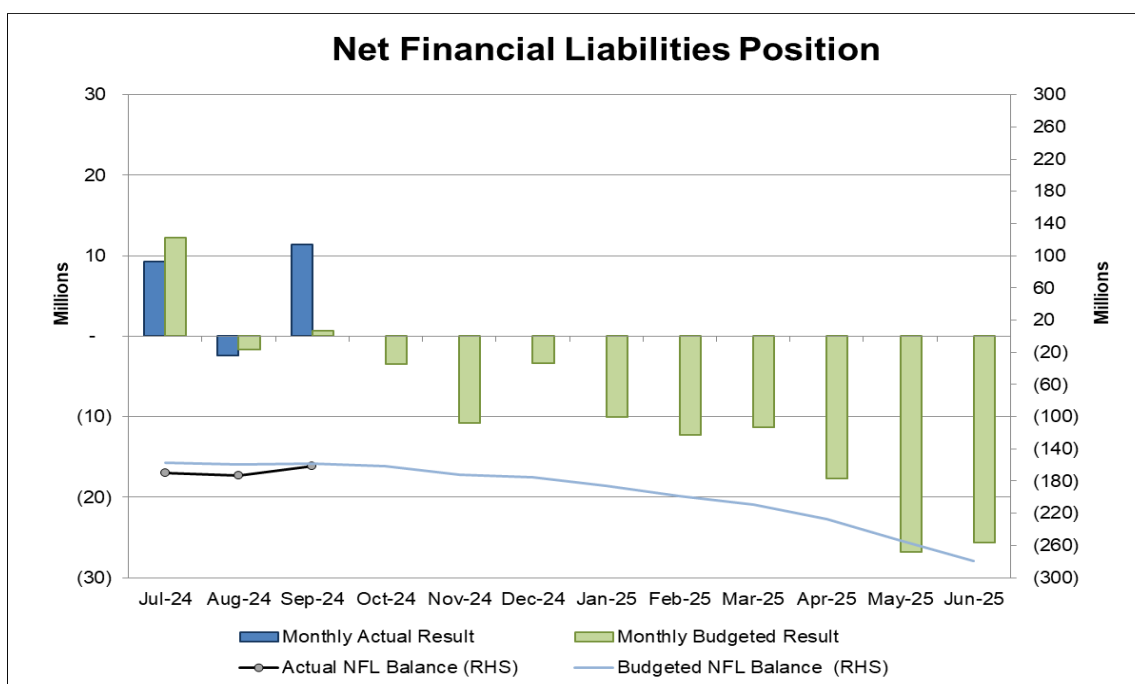
Actual capital works expenditure year to date is \$61.6M, compared to a budget of \$60.9M. The following table illustrates year to date 2024/25 capital works program against the full year budget.

Portfolio	Year to Date Actual \$000	Year to Date Budget \$000	Year to Date Variance \$000	Full Year Budget \$000
Buildings & Fleet	2,599	1,516	(1,083)	9,629
Community Life	103	103	-	1,019
Community Spaces	7,437	6,495	(942)	16,978
Creative Life	561	1,968	1,407	3,440
Drainage	1,360	2,612	1,252	8,525
Finance & Business Services	67	650	583	3,850
Major Projects	25,343	22,516	(2,827)	217,737
Resource Recovery	392	360	(32)	1,275
Transport	9,890	12,886	2,996	43,495
Wastewater	6,333	3,127	(3,206)	32,474
Water	7,473	8,380	907	43,832
Councillor	-	310	310	1,000
CAPITAL WORKS TOTAL	61,558	60,923	(635)	383,254
Capitalised Interest	420	-	(420)	-
CAPITAL EXPENDITURE	61,978	60,923	(1,055)	383,254

YTD actual expenditure	\$ 61,558	
Unspent capital expenditure	\$ 321,696	
Full year budget capital expenditure	\$ 383,254	

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 September, Council's NFL is \$3.2M unfavourable to budget. This is driven by an unfavourable \$10.1M carry forward position from the previous financial year, largely due to the 2023/24 operating deficit and timing of capital grants offset by a \$6.9M 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	108,248	107,712	536	406,288
Operating Expenses (ex Dep)	(70,695)	(70,615)	(80)	(285,990)
Capital Revenue - Infra Charges	1,704	4,010	(2,306)	16,042
Capital Revenue - Grants & Other	40,952	31,109	9,843	136,878
Net Capital Funding	80,209	72,216	7,993	273,218
Capital Expenditure	(61,978)	(60,923)	(1,055)	(383,254)
Net Funding Surplus/(Deficit)	18,231	11,293	6,938	(110,036)

Year to date net capital funding totals \$80.2M which is \$8.0M favourable to budget, mainly due to higher than anticipated grants and other capital revenue (\$9.8M, due largely to the grant associated with the Cairns Water Security Strategy (CWSS) project, which has funding committed that is \$87.5M higher than budget), offset by lower than anticipated infrastructure charges revenue (\$2.3M).

Capital expenditure at the end of September is \$1.1M unfavourable to budget. Combined with a favourable net capital funding variance (\$8.0M), this results in a favourable \$6.9M net funding surplus variance year to date.

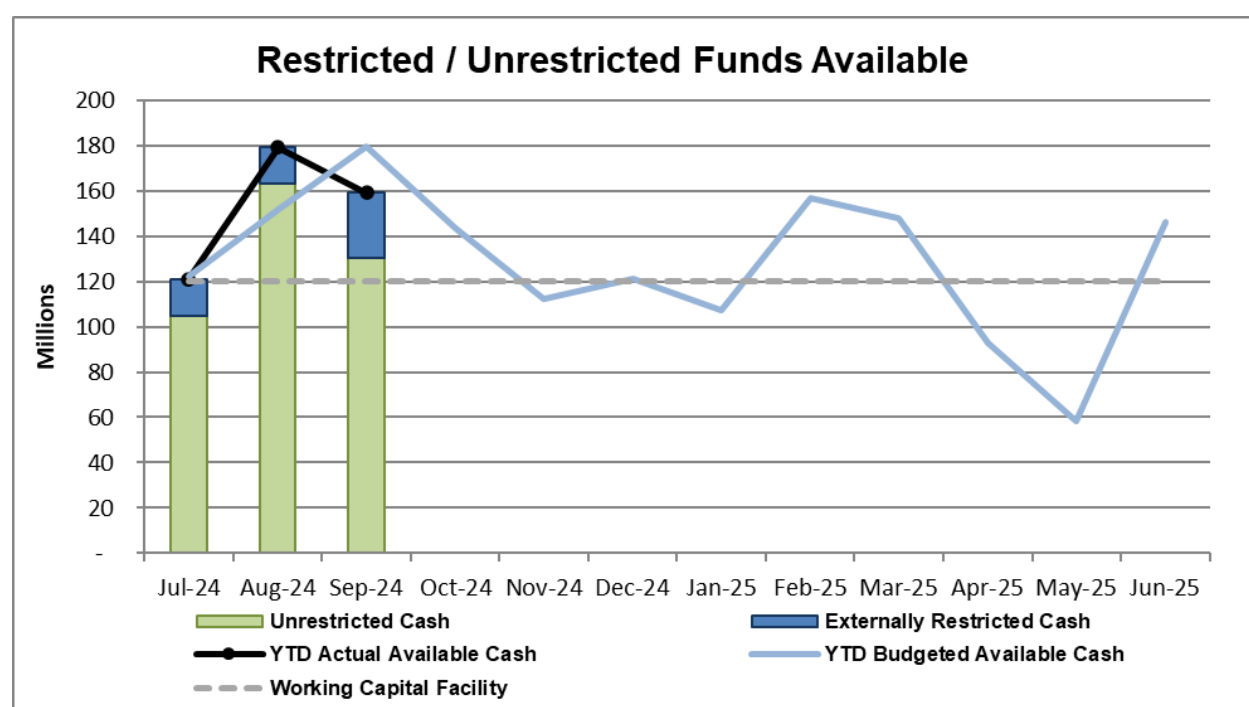
LIQUIDITY

	Actual \$000	Budget \$000	Variance \$000
Cash and cash equivalents	39,232	59,235	(20,003)
Working capital facility	-	-	-
Long term loans	(122,139)	(141,604)	19,465
NET DEBT POSITION	(82,907)	(82,369)	(538)

Council's net debt position is broadly on budget. The long term loans and cash balance variances are mainly due to the \$20M loan drawdown budgeted in June 2024 not being required as a result of delays in delivery of the capital works program in 2023/24.

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 \$159.2M. Excluding funds subject to external restrictions of \$28.6M, the unconstrained funds available to meet ongoing operational expenses is \$130.7M.

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	10.7%	> 0%	<input checked="" type="checkbox"/>	2.8%
	Operating Cash Ratio	Cash operating performance (less depreciation and other non-cash items)	35.3%	> 0%	<input checked="" type="checkbox"/>	30.5%
Liquidity	Unrestricted Cash Expense Cover Ratio	Unconstrained liquidity available to Council	5.6	> 2 months	<input checked="" type="checkbox"/>	3.6
Debt Servicing Capacity	Leverage Ratio	Ability to repay existing debt	N/A	0 - 4 times	N/A	2.0
Asset Management	Asset Sustainability Ratio	Capital renewals program performance	N/A	> 60%	N/A	94.5%
	Asset Consumption Ratio	Extent to which assets are being consumed	69.2%	> 60%	<input checked="" type="checkbox"/>	67.9%
	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
Chief Financial Officer

Attachment 1: Financial Statements

Attached are the financial statements for the period ended 27 September 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 27 September 2024			
	Actual	Original Budget	Variance
	\$000	\$000	\$000
Income			
Revenue			
Operating Revenue			
Net rates and utility charges	85,945	86,409	(464)
Fees and charges	10,019	9,362	657
Interest received	1,185	979	206
Miscellaneous Revenue	5,019	5,065	(46)
Grants, subsidies, contributions and donations	6,080	5,899	181
Total Operating revenue	108,248	107,714	534
Expenses			
Operating Expenses			
Employee benefits	35,106	34,029	(1,077)
Materials and services	34,935	35,234	299
Depreciation	26,008	26,535	527
Finance costs	653	1,352	699
Total Operating Expenses	96,702	97,150	448
Capital Revenue			
Loss on disposal of property, plant and equipment	(3,197)	(3,600)	403
Contributions	1,704	4,010	(2,306)
Subsidies and grants	40,952	30,859	10,093
Net Capital Revenue	39,459	31,269	8,190
Net result attributable to Council in period	51,005	41,833	9,172
Council's net result for September 2024 is a surplus of \$51.0M, \$9.2M higher than budgeted.			
Operating revenue is \$534K favourable to budget driven mainly by greater than anticipated fees and charges (\$657K), interest received (\$206K) and grants, subsidies, contributions and donations (\$181K). This has been slightly offset by less than anticipated net rates and utility charges (\$464K).			
Operating expenses are \$448K favourable to budget due to less than anticipated finance costs (\$699K), depreciation (\$527K) and materials and services (\$299K). This has been offset by greater than anticipated employee benefits (\$1.1M).			
Capital revenue is \$8.2M favourable to budget mainly due to greater than anticipated subsidies and grants related to the CWSS grant (\$10.1M), which has been slightly offset by less than anticipated contributions (\$2.3M).			

Statement of Financial Position				
For the Period Ended 27 September 2024				
	Note	Actual	Original Budget	Variance
		\$000	\$000	\$000
Assets				
Current Assets				
Cash and cash equivalents	1	39,232	59,235	(20,003)
Receivables	2	138,616	106,151	32,465
Inventories		4,788	4,809	(21)
		182,636	170,195	12,441
Non-Current Assets				
Property, plant and equipment	3	4,992,780	4,753,234	239,546
		4,992,780	4,753,234	239,546
Total Assets		5,175,416	4,923,429	251,987
Liabilities				
Current Liabilities				
Trade and other payables	4	76,142	60,167	(15,975)
Borrowings		27,830	29,549	1,719
Provisions		27,270	26,724	(546)
Other liabilities	5	99,286	81,111	(18,175)
		230,528	197,551	(32,977)
Non-Current Liabilities				
Borrowings	1	94,309	112,055	17,746
Provisions		13,597	13,537	(60)
Other liabilities		5,667	5,296	(371)
		113,573	130,888	17,315
Total Liabilities		344,101	328,439	(15,662)
NET COMMUNITY ASSETS		4,831,315	4,594,990	236,325
Community Equity				
Retained surplus/deficit		2,835,140	2,812,432	22,708
Asset revaluation surplus		1,996,175	1,782,558	213,617
TOTAL COMMUNITY EQUITY		4,831,315	4,594,990	236,325
1	The variance in cash and non-current borrowings is due to the loan drawdown budgeted in June 2024 not being required as a result of delays in delivery of the capital works program in 2023/24.			
2	The variance in receivables is mainly due to a debtor of \$50M for CWSS grant funding being recognised earlier than budgeted. This has been offset by lower than anticipated accrued revenue.			
3	Property, plant and equipment is favourable to budget due to the higher than anticipated result of annual asset valuations in 2023/24.			
4	Trade and other payables are unfavourable mainly due to lower than budgeted cash payments for property, plant and equipment (\$10M).			
5	The variance in other current liabilities is due to timing of receipt of capital grant payments associated with the Cyclone Jasper Flood Emergency.			

Statement of Cash Flows				
For the Period Ended 27 September 2024				
	Note	Actual	Original Budget	Variance
		\$000	\$000	\$000
Cash Flows from Operating Activities:				
Receipts from customers	1	154,188	159,544	(5,356)
Payments to suppliers and employees		(73,606)	(74,268)	662
Interest received		1,185	982	203
Borrowing costs		(702)	(935)	233
Net cash inflow (outflow) from operating activities		81,065	85,323	(4,258)
Cash Flows from Investing Activities				
Grants, subsidies and contributions for capital acquisitions	2	3,228	13,753	(10,525)
Proceeds from disposal of property, plant and equipment		334	250	84
Payments for property, plant, equipment and CWIP	3	(51,760)	(60,963)	9,203
Net cash inflow (outflow) from investing activities		(48,198)	(46,960)	(1,238)
Cash Flows from Financing Activities:				
Repayment of borrowings		(7,088)	(7,467)	379
Proceeds from working capital facility		26,492	-	26,492
Repayment of working capital facility		(26,492)	-	(26,492)
Net cash inflow (outflow) from financing activities		(7,088)	(7,467)	379
NET INCREASE/(DECREASE) IN CASH HELD		25,779	30,896	(5,117)
Cash at beginning of year		13,453	28,339	(14,886)
CASH AT END OF PERIOD		39,232	59,235	(20,003)
<p>1 Receipts from customers are slightly less than anticipated due to the timing of rates receipts. This variance is expected to reduce over the coming months.</p> <p>2 The unfavourable variance in cash receipts from capital grants and contributions is a timing issue only which will reduce over the coming months.</p> <p>3 The timing of delivery of the capital works program has caused lower than anticipated payments for property, plant and equipment.</p>				

Attachment 2: Directorate Reports

Directorate operating statements provide information on the performance of each directorate for the period ended 27 September 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 27 September 2024				
Office of the CEO				
	Actual	Budget	Variance	Variance
	\$000	\$000	\$000	%
Operating Revenue				
Other income	197	206	(9)	(4)%
Total Operating Revenue	197	206	(9)	(4)%
Operating Expenditure				
Employee Benefits	870	905	35	4 %
Materials and services	188	175	(13)	(7)%
Total Expenses	1,058	1,080	22	2 %
OPERATING CAPABILITIES BEFORE CAPITAL ITEMS	(861)	(874)	13	1 %
Office of the CEO is tracking to budget.				

Appendix B – Finance & Business Services

Operating Statement				
For the Period Ended 27 September 2024				
Finance & Business Services				
	Actual	Budget	Variance	Variance
	\$000	\$000	\$000	%
Operating Revenue				
Net rates and utility charges	35,473	35,605	(132)	(0) %
Fees and charges	197	150	47	31 %
Interest	757	603	154	26 %
Other income	86	84	2	2 %
Grants, Subsidies and Contributions	4,441	5,216	(775)	(15) %
Total Operating Revenue	40,954	41,658	(704)	(2) %
Operating Expenditure				
Employee benefits	4,310	4,446	136	3 %
Materials and services	313	516	203	39 %
Depreciation and amortisation expenses	695	729	34	5 %
Finance Costs	380	1,084	704	65 %
Total Expenses	5,698	6,775	1,077	16 %
OPERATING CAPABILITIES BEFORE CAPITAL ITEMS	35,256	34,883	373	1 %
<p>The Finance & Business Services directorate is \$373K favourable to budget largely due to favourable interest expense, employee costs and materials and services. This is partially offset by a lower than expected Financial Assistance Grant payment for 2024/25.</p>				

Appendix C – People & Organisational Performance

Operating Statement				
For the Period Ended 27 September 2024				
People & Organisational Performance				
	Actual	Budget	Variance	Variance
	\$000	\$000	\$000	%
Operating Revenue				
Fees and charges	1	1	-	0 %
Grants, Subsidies and Contributions	88	243	(155)	(64) %
Total Operating Revenue	89	244	(155)	(64) %
Operating Expenditure				
Employee benefits	3,256	3,169	(87)	(3) %
Materials and services	1,697	1,994	297	15 %
Depreciation and Amortisation Expenses	94	100	6	6 %
Total Expenses	5,047	5,263	216	4 %
OPERATING CAPABILITIES BEFORE CAPITAL ITEMS	(4,958)	(5,019)	61	1 %
The People & Organisational Performance directorate is \$61K favourable to budget largely across various materials and services expenses.				

Appendix D – Planning, Growth & Sustainability

Operating Statement				
For the Period Ended 27 September 2024				
Planning, Growth & Sustainability				
	Actual	Budget	Variance	Variance
	\$000	\$000	\$000	%
Operating Revenue				
Fees and charges	1,981	1,840	141	8 %
Other income	373	374	(1)	(0) %
Grants, subsidies, contributions and donations	106	74	32	43 %
Total Operating Revenue	2,460	2,288	172	8 %
Operating Expenditure				
Employee Benefits	2,298	2,354	56	2 %
Materials and services	692	720	28	4 %
Finance Costs	12	14	2	14 %
Total Expenses	3,002	3,088	86	3 %
OPERATING CAPABILITIES BEFORE CAPITAL ITEMS	(542)	(800)	258	32 %
Planning, Growth and Sustainability is \$258K favourable to budget due to timing of fees and charges incomes.				

Appendix E – Lifestyle & Community

Operating Statement				
For the Period Ended 27 September 2024				
Lifestyle & Community				
	Actual	Budget	Variance	Variance
	\$000	\$000	\$000	%
Operating Revenue				
Fees and charges	5,188	4,874	314	6 %
Other income	1,311	1,552	(241)	(16) %
Grants, subsidies, contributions and donations	852	366	486	133 %
Total Operating Revenue	7,351	6,792	559	8 %
Operating Expenditure				
Employee benefits	9,596	9,154	(442)	(5) %
Materials and services	10,887	11,358	471	4 %
Depreciation and amortisation expenses	3,599	3,706	107	3 %
Finance Costs	260	253	(7)	(3) %
Total Expenses	24,342	24,471	129	1 %
OPERATING CAPABILITIES BEFORE CAPITAL ITEMS	(16,991)	(17,679)	688	4 %
<p>Lifestyle & Community is \$688K favourable to budget. Revenue favourables are from parking fees & charges and the timing of grant receipts. Unfavourable other income is in creative venues due to the timing of events, this is offset by favourable material & services costs. Employee costs are up in part due to Council events based staff.</p>				

Appendix F – Cairns Infrastructure and Assets – Engineering Services

Operating Statement				
For the Period Ended 27 September 2024				
Cairns Infrastructure and Assets - Engineering Services				
	Actual	Budget	Variance	Variance
	\$000	\$000	\$000	%
Operating Revenue				
Fees and charges	13	14	(1)	(7)%
Total Operating Revenue	13	14	(1)	(7)%
Operating Expenditure				
Employee benefits	2,941	2,462	(479)	(19)%
Materials and services	646	834	188	23 %
Depreciation and amortisation expenses	9,016	9,009	(7)	(0)%
Total Expenses	12,603	12,305	(298)	(2)%
OPERATING CAPABILITIES BEFORE CAPITAL ITEMS	(12,590)	(12,291)	(299)	(2)%
Engineering Services is \$299K unfavourable to budget due to higher than budgeted operating employee costs.				

Appendix G – Cairns Infrastructure and Assets – Service Delivery

Operating Statement				
For the Period Ended 27 September 2024				
Cairns Infrastructure and Assets - Service Delivery				
	Actual	Budget	Variance	Variance
	\$000	\$000	\$000	%
Operating Revenue				
Net rates and utility charges	50,472	50,802	(330)	(1) %
Fees and charges	2,640	2,483	157	6 %
Interest revenue	428	376	52	14 %
Other income	3,052	2,849	203	7 %
Grants, Subsidies and Contributions	593	-	593	100 %
Total Operating Revenue	57,185	56,510	675	1 %
Operating Expenditure				
Employee benefits	11,571	11,206	(365)	(3)%
Materials and services	19,129	18,085	(1,044)	(6)%
Depreciation and amortisation expenses	12,603	12,990	387	3 %
Total Expenses	43,303	42,281	(1,022)	(2)%
OPERATING CAPABILITIES BEFORE CAPITAL ITEMS	13,882	14,229	(347)	(2)%
<p>Service Delivery is within 2% of budget. Major variances include revenue due to below budget water usage and residential water sewer rates; above budget employee costs including agency; above budget materials and services expenditure in Facilities Management; and ahead of schedule drain and path maintenance. Disaster Recovery works in materials & services are offset by grant funding.</p>				

Appendix H – Economic Development & Advocacy

Operating Statement				
For the Period Ended 27 September 2024				
Economic Development & Advocacy				
	Actual	Budget	Variance	Variance
	\$000	\$000	\$000	%
Operating Revenue				
Other income	-	-	-	0 %
Total Operating Revenue	-	-	-	0 %
Operating Expenditure				
Employee benefits	264	332	68	20 %
Materials and services	1,385	1,554	169	11 %
Total Expenses	1,649	1,886	237	13 %
OPERATING CAPABILITIES BEFORE CAPITAL ITEMS	(1,649)	(1,886)	237	13 %
The Economic Development & Advocacy directorate is \$237K favourable to budget, largely 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.