

MONTHLY FINANCIAL REPORT - DECEMBER 2023

Author: Senior Accountant
Financial Controller
Executive Manager Finance

Authoriser: General Manager Corporate

Attachments: 1. Monthly Financial Report - December 2023

RECOMMENDATIONS

THAT the report entitled Monthly Financial Report – December 2023 be received and noted.

PURPOSE

The purpose of this report is to provide a summary of the financial position of Council for the period ended 31 December 2023.

Further, this report and the contents are required to be presented to Council in compliance with the *Local Government (General) Regulations 2021*.

KEY ISSUES

The Monthly Financial Report includes:

- Income Statement, which compares actual YTD income and expenditure against YTD budget.
- Fund Flow Statement (Monthly Operating Position), which outlines the effect on General Funds.
- Statement of Financial Position (Balance Sheet), which outlines what Council owns (assets) and what it owes (liabilities) at a point in time.
- Notes to the Balance Sheet, this includes further details on the Cash Balance, Trade Debtors, Trade Creditors, and a statement on Council's current payment and reporting obligations.
- Investments, which provides details of treasury activities, investments as at 31 December 2023.
- Rates and Receivables Report which provides a summary of outstanding rates and debtors.
- Procurement Reporting, which is a summary of contract variations and exempt procurement.
- Capital Expenditure and Funding, which compares YTD capital expenditure and funding against YTD budget.
- Planned Major Projects Capital Works, provides a high-level financial overview of our major projects at a point in time.

DISCUSSION

December 2023 – Year to Date Result

The year-to-date operating result until 31 December 2023 is a **deficit of (\$5.2M)** compared to a **YTD Budgeted deficit of (\$10.0M)** as highlighted in the table below.

After including capital income, the **Net Surplus is \$4.2M** against the YTD budgeted **deficit of (\$1.5M)**. This has resulted in a favourable **\$4.8M** variance overall (as shown in the income statement).

	Actual	Budget	Variance
	\$'000	\$'000	\$'000
Net Operating Surplus/ (Deficit)	(5,195)	(9,994)	4,798 Favourable

Commentary

The Net Operating Position has a favourable variance to the year-to-date revised budget of \$5.2M. The variance results from lower than budgeted materials and contracts, employee costs, and interest expense, offset by lower than anticipated fees and charges for the period ending 31 December 2023. Please find below additional commentary for the material variances:

Income

Total Operating Income is tracking below budget by \$0.7M.

User Fees & Charges

The unfavourable variance is \$2.6M. This is mainly due to Waste Fees & Charges being under YTD expectations and is offset by a decrease in waste related expenditure.

Interest / Investment Income

The favourable variance mainly relates to the increase in returns received on investments due to the high RBA cash rate and higher cash balances.

Expenditure

Total Expenses are under budget by \$5.5M. This is due to underspends in Materials & Contracts \$3.9M, and Employee Expenses of \$1.5M.

Materials & Contracts

Materials and Contracts expenses has an annual budget of \$63.9M and this incorporates various expenditure types. Combined, this budget line is under budget with a variance of \$3.9M. This largely relates to expenses associated with waste management at Shoal Bay Waste Management Facility (SBWMF), which is partially offset by a reduction in revenue. The favourable variance is currently forecast to become a realised favourable variance and the budget will be adjusted at the 2nd Budget Review.

Other variances mainly relate to timing of programs. A timing variance relates to a budgeted revenue or expense that has not occurred at the time it was expected, but which is still expected to occur within the budget year. That is, the financial transaction will still occur - but just in a different month. With the timing variances there should be no impact on the projected budget.

Employee Expenses

Employee costs report a positive variance to budget of \$1.5M. The variance has slightly decreased from the previous month and will reduce when leave provisioning is adjusted at year end.

Depreciation and Amortisation

Depreciation is over budget by \$1M, this is a non-cash expense and will be considered at a future budget review.

Interest Expenses

Interest expenses show a positive variance (\$1M) due to loan offsets been utilised against the variable loans and timing of the draw down for loan SBWMF Stage 2 Expansion, Phase 1.

Statement of Fund Flows

The variances are related to a mismatch in the timing of projects and budget profiles, and the reasons described above under operating statement commentary. Purchase of Infrastructure, Property, Plant & Equipment variance relates to timing of capital projects.

Cash and Investments Note A

City of Darwin has achieved 4.76% on weighted average interest rate on its December 2023 cash and investment portfolio of \$90M (excluding loan offset \$37.5M). There have been no investment policy breaches in this month.

The Investment Reports include surplus cash funds that are placed against variable loans. These funds are considered 'at call' as they can be accessed in short time frames.

Treasury Comment

The RBA met on the 7th of December 2023 and there was an increase of 25 basis points in the cash rate target. The RBA board does not meet until the 6th of February 2024. Any increase/decrease by the RBA will increase/decrease the City of Darwin's interest (borrowing) expenses and increase interest income.

Accounts Receivable (Trade Debtors) Note B

This section considers the receipt timing of Rates collection and any general Debtors outstanding. The report also includes information on aged debtors including general debtors, infringements, and Rates arrears.

Accounts Payable (Trade Creditors) Note C

Accounts Payable owing at 31 December 2023 was \$5.8M at the time of reporting. City of Darwin recognises the liability of invoices once goods are receipted as received.

Other notes to the financial reports

The Council has met its payment and reporting obligations for GST, Fringe Benefits Tax, PAYG withholding tax, superannuation, and insurance for the month of December 2023.

Our internal accounting conventions for monthly reporting currently recognise the Council Rates that are attributable to that month and then progressively throughout the year.

Please note that these reports are unaudited management financial reports. Information contained in the reports was current as at the date of the reports and may not reflect any event or circumstances which occurred after the date the reports were completed.

Procurement Reporting

Under the Local Government (General) Regulations, Council is required to disclose at the next Council meeting and on the City of Darwin website:

- contract variations:
 - where a tender was not required, however the total cost exceeds \$100,000, or
 - where a contract requiring a tender is varied by 10%.
- exempt procurement greater than \$100,000

Contract Variations

There were no reportable contract variations for December 2023.

Exempt Procurement

Vendor	Supply	Cost	Applicable Exemption
Department of Infrastructure, Planning and Logistics	Traffic Signals Maintenance	\$121,000	Reg 39(1)(a) Purchase from Northern Territory Government

Certification by the CEO to the Council

That, to the best of the CEO’s knowledge, information and belief:

- (1) The internal controls implemented by the council are appropriate; and
- (2) The council’s financial report best reflects the financial affairs of the council.



CEO Signed
31/01/2024

PREVIOUS COUNCIL RESOLUTION

N/A

STRATEGIC PLAN ALIGNMENT

6 Governance Framework
6.3 Decision Making and Management

<p>BUDGET / FINANCIAL / RESOURCE IMPLICATIONS</p>	<p>N/A</p>
<p>LEGISLATION / POLICY CONTROLS OR IMPACTS</p>	<p>Part 2 Division 7 the <i>Local Government (General) Regulations 2021</i> require that a monthly financial report is presented to Council each month setting out:</p> <p>(a) the actual income and expenditure of the council for the period from the commencement of the financial year up to the end of the previous month; and</p> <p>(b) the most recently adopted annual budget; and</p> <p>(c) details of any material variances between the most recent actual income and expenditure of the council and the most recently adopted annual budget.</p> <p>Regulation 17(5) Part 2 Division 7 the <i>Local Government (General) Regulations 2021</i> require that the monthly report must be accompanied by:</p> <p>(a) a certification, in writing, by the CEO to the council that, to the best of the CEO's knowledge, information and belief:</p> <p>(i) the internal controls implemented by the council are appropriate; and</p> <p>(ii) the council's financial report best reflects the financial affairs of the council; or</p> <p>(b) if the CEO cannot provide the certification – written reasons for not providing the certification.</p> <p>The report is compliant with the requirements of the <i>Local Government Act 2019</i> and <i>Local Government (General) Regulations 2021</i>.</p>
<p>CONSULTATION, ENGAGEMENT & COMMUNICATION</p>	<p>N/A</p>
<p>DECLARATION OF INTEREST</p>	<p>The report author does not have a conflict of interest in relation to this matter.</p> <p>The report authoriser does not have a conflict of interest in relation to this matter.</p> <p>If a conflict of interest exists, staff will not act in the matter, except as authorised by the CEO or Council (as the case requires).</p>