

8.4. Cash position at 30 June 2024

Author: Shane Norman, Manager Finance

Summary

This report provides Council with information on its cash position at 30 June 2024. In summary there has been an improvement in Council's cash position over the previous year mainly due to:

- planned improvement through the adopted Annual Budget for 2023/24 and the associated Long Term Financial Plan
- employee vacancies
- WorkCover premium coming in significantly less than budgeted.

Four new internally restricted reserves have been established to appropriately prepare for future financial obligations.

Recommendation

1. THAT Council note the report on the Cash Position at 30 June 2024; and
2. THAT Council endorse the establishment of the four new internal reserves:
 - a. Pre Paid Rates in Advance
 - b. Plant and vehicle replacement
 - c. Rural Fire Service
 - d. Insurance Recoveries - Flood Works

Background

Annual financial statements are required to be prepared each financial year in accordance with the:

- Local Government Act 1993 and associated Regulations,
- Australian Accounting Standards and professional pronouncements, and
- Local Government Code of Accounting Practice and Financial Reporting.

Financial statements for the year ended 30 June 2024 have been reviewed by Council's external auditors and submitted to the Office of Local Government.

The Local Government Act 1993 also provides a number of principles to provide guidance to enable councils to carry out their functions in a way that facilitates local communities that are strong, healthy and prosperous. In particular Section 8B provides relevant principles of sound financial management.

In the statutory financial statements Council's cash position is attributed to three categories:

- External restrictions
- Internal restrictions or allocations
- Unrestricted

Federation Council Ordinary Council Meeting

17 December 2024

At 30 June 2024, Council had \$67.87 million in cash, cash equivalents and investments as detailed in the following table.

	2023	2024
	\$	\$
Cash - external restrictions	31,227,000	38,699,000
Cash - internal restrictions	20,631,000	24,291,000
Unrestricted	2,471,000	4,880,000
Total cash, cash equivalents and investments	54,329,000	67,870,000

This is a significant improvement in Council's financial position when compared to 2023, with unrestricted cash increasing from \$2.47 million to \$4.88 million. This improvement has been primarily due to:

- a \$600,000 planned improvement through the Annual Budget and Long Term Financial Plan
- employee vacancies, primarily in human resources, economic development, town planning and building, corporate, property, engineering and asset management resulting in an underspend of \$730,000
- WorkCover premium coming in less than budgeted (\$460,000).

This report details the restrictions that are contained in the 2023-24 Financial Statements.

External restrictions

External restrictions are where there is a legislated or external contractual requirement for the funds to be set aside for a particular purpose.

At 30 June 2024, Council had \$38.7 million of cash that was externally restricted. The table below details the external restrictions that are in place for these funds.

	2024	Restriction
	\$	
Water Fund (incl. developer contributions)	15,734,000	Local Government Act 1993 s409(3)(b)
Sewer Fund (incl. developer contributions)	10,444,000	Local Government Act 1993 s409(3)(b)
General Fund (developer contributions)	406,000	Local Government Act 1993 s409(3)(b)
Contract liability (further details below)	4,134,000	Local Government Act 1993 s409(3)(c)
Unexpended Grant funds (general fund) (further details below)	7,981,000	Local Government Act 1993 s409(3)(c)
Waste Fund (domestic waste management)	0	Local Government Act 1993 s409(3)(a)
Total cash - externally restricted	38,699,000	

External restrictions - Contract liability

Contract liabilities are where Council has received funds in advance and has a contract to perform a task with those funds.

At 30 June 2024, Council has \$4.13 million that is a contract liability as included in the above externally restricted cash. The below tables details the breakdown of the liability.

Federation Council Ordinary Council Meeting

17 December 2024

Operational Contract Liability

W/O	Description	Amount \$	Notes
3151	SSWP286 - Strategic Planning Project (Sewer)	177,594	Funding Received -Expenditure will be in 24-25
2590	Regional NSW Planning Portal Grant	34,548	Funding Received -Expenditure will be in 24-25
2998	SCCF Round 5 - Youth Strategy, Implementation Plan and Programs	68,863	Funding Received -Expenditure will be in 24-25
3237	Regional Housing Strategic Planning Fund	223,468	Funding Received -Expenditure will be in 24-25
	Total	504,473	

Capital Contract Liability

W/O	Description	Amount \$	Notes
3178	FLR Program R4 - Federation Whitehead St Rehab	1,751,143	Funding Received -Expenditure will be in 24-25
2983	Upgrade of Federation Way Daysdale - HVSPG Grant	570,968	Funding Received -Expenditure will be in 24-25
3226	LRCI grant - R4 - Funding income	707,213	Funding Received -Expenditure will be in 24-25
2933	Places to Swim Grant Program	33,279	Funding Received -Expenditure will be in 24-25
	Stronger Country Communities Funds Round 4 Projects	64,428	Funding Received -Expenditure will be in 24-25
	Stronger Country Communities Funds Round 5 Projects	446,966	Funding Received -Expenditure will be in 24-25
	Total	3,573,997	

Operational Contract Liability already in 2024-25 Budget

W/O	Description	Amount \$	Notes
2778	Corowa Aquatic Centre - Membership paid in advance	17,768	Money Received -Expenditure will be in 24-25
2738	Ball Park Caravan Park - Bookings paid in advance	21,038	Money Received -Expenditure will be in 24-25
1242	Urana Caravan Park - Bookings paid in advance	16,959	Money Received -Expenditure will be in 23-24
	Total	55,765	Resolution 243/2023FC

External restrictions - Unexpended Grant Funds

Unexpended grant funds are where Council has received funds in advance for a grant that is for a specific purpose.

At 30 June 2024, Council has \$7.981 million that is unexpended grant funds and this is included in

Federation Council Ordinary Council Meeting

17 December 2024

the above externally restricted cash. The below table details the breakdown of the unexpended grants.

W/O	Description	Amount	Notes
2910	Grant Severe Weather	870,301	Funding Received -Expenditure will be in 24-25
2950	Regional and Local Roads Repair Program	7,110,583	Funding Received - Expenditure to be spent by October 2027
	Total	7,980,884	

Internal restrictions

Internal restrictions are where Council has resolved to allocate funds for a particular purpose. Council retains discretion on the allocation of these funds and can reprioritise where these funds are expended.

At 30 June 2024, Council had \$24.29 million that was internally restricted or allocated. The two tables below details the internal allocations that are in place for these funds and how these funds may be accessed.

Existing Reserves

Reserve	30 June 2024 \$	Note	Access to allocation
Employee leave entitlement	3,402,000	Refer Note 1	Delegate access to General Manager if required to pay any entitlements that are consistent with the Award and provide a report to Council if > \$200,000.
Carry Forward works	2,985,000	Resolution 272/2024FC	From 1 July 2024
Special Rate Variation - Carry Over Works	560,000	Resolution 192/2024FC	From 1 July 2024
Gravel pits restoration	1,352,000	Refer Note 2	For rehabilitation works on quarries subject to Council resolution
Waste restoration	735,000	Refer Note 3	Access subject to Council resolution.
Urana Aquatic Centre upgrade	137,000	Refer Note 4	Access subject to Council resolution.
Cemetery	35,000	Refer Note 5	Access subject to Council resolution.
Preschool building asbestos removal	30,000	Refer Note 4	Access subject to Council resolution.
Combined town and recreation S355 Committees	125,000	Refer Note 6	Delegated to the General Manager, Directors and Managers subject to S355 Committee request.
Weir repairs reserve	28,000	Urana Council resolution 425/13	Access subject to Council resolution.
Creditors Reserve	3,255,000	Resolution 269/2023FC	From 1 July 2024
Security bonds, deposit and	950,000	Resolution	From 1 July 2024

Federation Council Ordinary Council Meeting

17 December 2024

retention reserve		269/2023FC	
Financial Assistance Grants received in advance	7,626,000	Resolution 323/21FC	From 1 July 2024
Industrial Land Sales	1,121,000	Resolution 323/21FC	Delegated to the General Manager and Deputy General Manager as required to repay borrowings incurred for development of the industrial land in Howlong and Mulwala.
Total cash - internal restricted	22,341,000		

Notes

1. At 30 June 2024 Council has an Employee Leave Entitlement (ELE) Liability of \$3.402 million. Over time it is important that Council has the funds required to pay this liability as it is utilised, cashed out or as an employee departs. At 30 June 2024, 100% of the ELE was supported by cash reserves.
2. A Gravel Pits Restoration Reserve was established to fund the future rehabilitation of the quarries that are operated by Council. During 2023-24 Council crushed gravel at the gravel pits and added \$150,000 through royalties so it can be moved to the reserve.
3. A Waste Restoration Reserve has increased by \$535,000 based on the Waste Facility / Environmental Levy that was applied to all properties across the Council area for 2023-24.
4. This reserve was established by the former Urana Shire Council and has been carried forward into Federation Council's internal reserves.
5. The Cemetery Reserve was established by the former Corowa Shire Council and has been carried forward into Federation Council's internal reserves. This is to fund future expansion of the Corowa lawn Cemetery.
6. This reserve is the consolidation of all reserves relating to S355 Committees of Council.

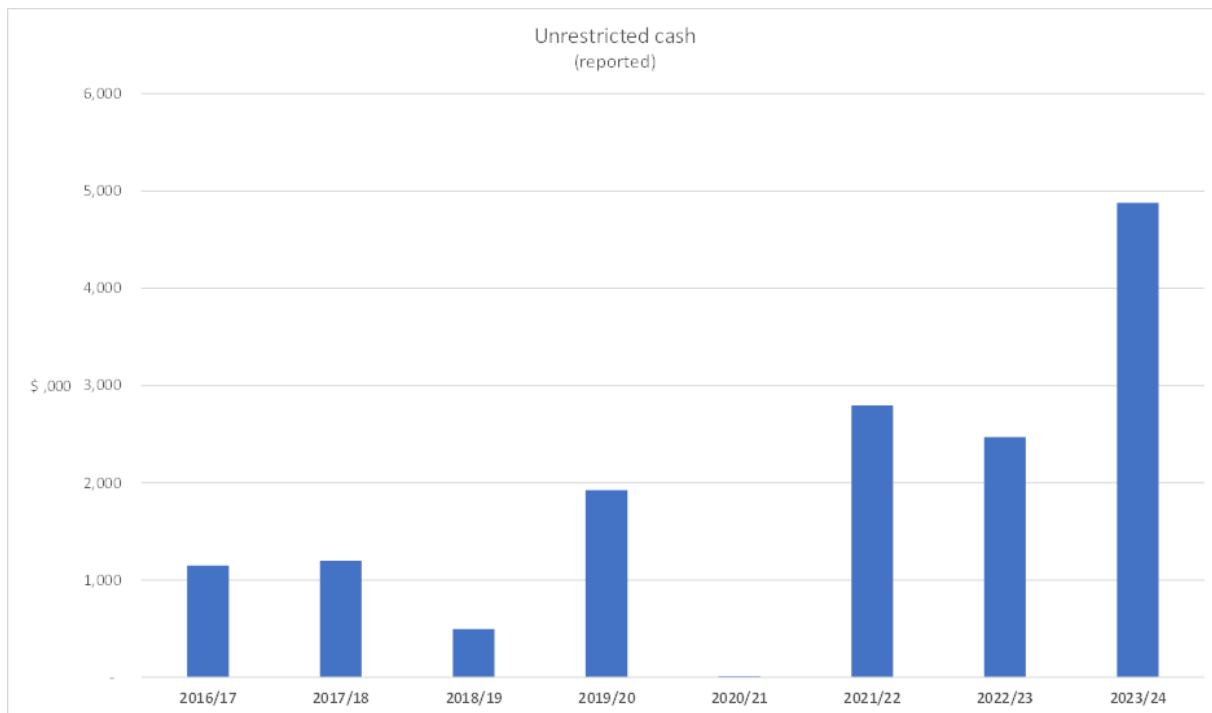
To better manage Council's future obligations four new internal reserves have been established:

- a. Pre Paid Rates in Advance reserve - to internally restrict funds that have been paid by the ratepayers in advance, i.e. Ratepayers that have paid for 2024-25 rates prior to 30th June 2024.
- b. Plant and vehicle replacement - to internally restrict funds that are needed in the future for the purchase of plant & equipment. This amount has been calculated from the internal charges that council charges for the plant and fleet minus the running expenditure and depreciation of Council's plant & fleet for 2023-24.
- c. Rural Fire Service reserve - to internally restrict funds that haven't been spent from the grant Council receives each year. Council receives grant funds from NSW Government each year for running of the Rural fire service building, fleet and support. This is the amount that has been unspent from the grant over the last 5 years.
- d. Insurance Recoveries - Flood Works reserve - Council received insurance monies for the 2022 Flood damage and this was the amount unspent at 30 June 2024.

New Reserves

Reserve	30 June 2024 \$	Access to allocation
Pre Paid Rates in Advance	804,000	From 1 July 2024
Plant and vehicle replacement	650,000	Access subject to Council resolution.
Rural Fire Service	207,000	Access subject to Council resolution.
Insurance Recoveries - Flood Works	289,000	From 1 July 2024
Total	1,950,000	

The following graph reports the unrestricted cash reported in financial statements since the establishment of Federation Council.



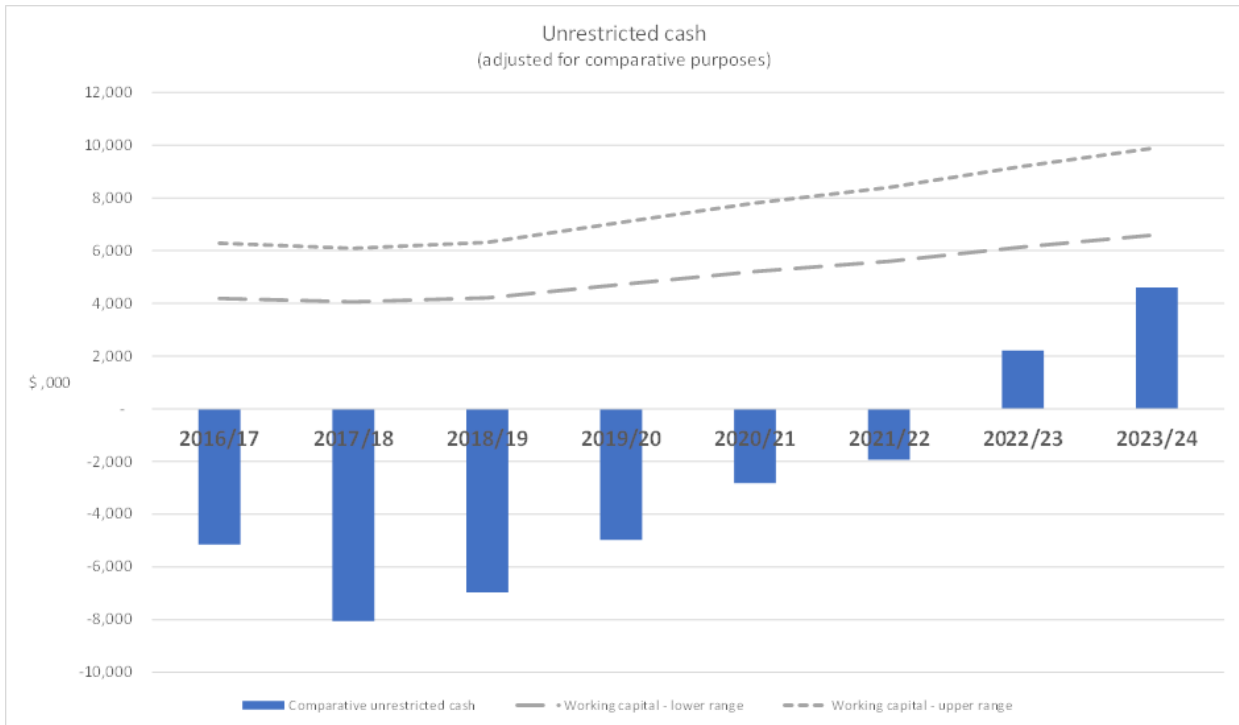
As displayed, there are significant fluctuations in this measure from year to year. This is primarily as a result of changed accounting practices for internally restricted funds. In 2020/21, the advance payment of Financial Assistance Grants was internally restricted. This was introduced to acknowledge that these funds were paid to Council in the year prior to when they were expected to be used (for example, the payment would be made in June for the following financial year's contribution so cash holdings would be higher than planned). Prior to this time, the advance payment was included in unrestricted cash. In 2023/24, a further change to accounting practices was implemented to internally restrict funds that Council currently owes to creditors and suppliers.

To provide a more meaningful comparison, a review of unrestricted funds in previous years has been undertaken, with unrestricted funds adjusted for these changed accounting practices.

Federation Council Ordinary Council Meeting

17 December 2024

The following graph reports the unrestricted cash adjusted for comparative purposes since the establishment of Federation Council.



This provides a significantly different view of Council's underlying unrestricted cash and one that is more reflective of Council's true position. As displayed, there has been a favourable trend in Council's underlying unrestricted cash since 2017/18. This is a result of deferring the renewal of assets, seeking funding for asset renewal projects, increasing internal controls and providing more information for decision making. Progress is being made on building up an appropriate level of working capital (with the recommended range being between 2 and 3 months of operating expenditure).

Community Engagement

Final financial statements were presented to Council following audit sign off. A seven day notice period was provided to enable community members to make submissions. No submissions were made.

Attachments

None

Links to Councils Integrated Planning Framework

Community Strategic Plan 2023 – 2033 'Our Community Our Opportunity'

Theme: Well Governed Federation

Outcome: *Strong civic leadership and governance supporting equity across communities and effective communication with residents.*

Delivery Program 4 year plan: 5.3 *Ensure good governance and administration.*

Delivery Program 4 year plan: 5.6 *Provide operational efficiency and effectiveness to ensure a resilient and responsive organisation.*

Operational Plan Action 2023-2024: 5.6.3 *Implement Long Term Financial Plan and associated strategies.*

Financial Implications

Establishing the internal reserves will provide greater clarity to Council and Council officers on Council's financial position and support Council's financial sustainability strategy.

Financial Sustainability

Proceeding will have a neutral impact on Council's 2024-2034 Long Term Financial Plan - Financial Sustainability indicators, it will also enhance the information available to decision makers which will better support financially responsible decision making.

Risk Implications

When funds received in advance are not formally recognised (such as the Financial Assistance Grants advance payment or unspent insurance funds), it can be easy to inadvertently misinterpret Council's unrestricted cash balance. The establishment of the recommended reserves will reduce this risk and provide greater surety that Council can meet its ongoing obligations.

Legal Implications

Section 8B of the Local Government Act 1993 provides specific principles for sound financial management as detailed below.

8B Principles of sound financial management

The following principles of sound financial management apply to councils—

- (a) Council spending should be responsible and sustainable, aligning general revenue and expenses.
- (b) Councils should invest in responsible and sustainable infrastructure for the benefit of the local community.
- (c) Councils should have effective financial and asset management, including sound policies and processes for the following—
 - (i) performance management and reporting,
 - (ii) asset maintenance and enhancement,
 - (iii) funding decisions,
 - (iv) risk management practices.
- (d) Councils should have regard to achieving intergenerational equity, including ensuring the following—
 - (i) policy decisions are made after considering their financial effects on future generations,
 - (ii) the current generation funds the cost of its services.

The recommendation presented to Council is consistent with these principles.



Federation Council Ordinary Council Meeting
17 December 2024

Options

