

## GOVERNANCE COMMITTEE LATE REPORTS

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\*\* Item includes confidential papers

**GOVERNANCE COMMITTEE NO. 1**

**18 FEBRUARY 2020**

LATE REPORTS

7. **MONTHLY PERFORMANCE REPORT - DECEMBER 2019**

This is a report concerning Council performance for the period ending 31 December 2019, submitted in accordance with section 204 of the Local Government Regulation 2012.

**RECOMMENDATION**

That the Interim Administrator of Ipswich City Council resolve:

That the report be received and the contents noted.

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**\*\* Item includes confidential papers**

and any other items as considered necessary.

Doc ID No: A6031616

*The Chairperson has determined this matter is of real urgency and approval has been given to refer this report to the Governance Committee as a late item.*

ITEM: 7

SUBJECT: MONTHLY PERFORMANCE REPORT - DECEMBER 2019

AUTHOR: MANAGER, FINANCE

DATE: 7 FEBRUARY 2020

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## **EXECUTIVE SUMMARY**

This is a report concerning Council performance for the period ending 31 December 2019, submitted in accordance with section 204 of the Local Government Regulation 2012.

## **RECOMMENDATION/S**

**That the Interim Administrator of Ipswich City Council resolve:**

**That the report be received and the contents noted.**

## **RELATED PARTIES**

There are no related party matters associated with this report.

## **ADVANCE IPSWICH THEME**

Strengthening our local economy and building prosperity

## **PURPOSE OF REPORT/BACKGROUND**

The attached report shows the financial results for Ipswich City Council as at 31 December 2019. The total Net Result (including capital revenues) is \$45.4m compared to the YTD budget of \$44.8m. Council's YTD operating deficit (excluding capital revenue) is approximately \$5.9m compared to the YTD budget deficit of \$8.7m (the full year budget surplus is \$2.6m). Additional operating revenue of \$3m YTD for items such as QUU tax and operational grants has driven the current positive position.

Capital expenditure including the CBD Redevelopment as at 31 December is \$652k below the YTD budget. Approximately \$105.3m has been expended to 31 December compared to the current YTD capital expenditure budget of \$106m.

Commentary and analysis of the results is included in the report. Items to note include:

- As highlighted previously Council's rates and utility charges continue to be impacted by lower than forecast property growth (especially from Quarter 4 in the 18/19

financial year). There is a risk that Council's rates and utility charges revenue will be less than forecast by year end and will be reviewed further as part of a budget review.

- Town planning fees again showed improved results for the month however remain under budget year to date due to a downturn in the development industry. These improved results occurred in line with predictions of increased applications received in the lead up to Christmas and YTD revenue is now \$838k below budget. Whilst trends are showing positive results over the last 2 months it has been identified full recovery of town planning fees is unlikely to occur by year end. This has been included for consideration in the February budget amendment.
- Employee expenses are currently over budget due to additional labour contracts to fill staff vacancies, the impact of EBA rate increases on leave provisions and contractual payments. Employee expenses are being carefully monitored and reviewed by the Executive Leadership Team.
- Material and services expenses continue to be below budget as a result of underspends in service contracts due to: previously drier conditions; works not commencing as expected; and lower than expected maintenance costs. A review is currently being undertaken in relation to the phasing and timing of expenditure during the year.
- Capital revenue from developer contributions and donated assets is still behind budget and will be monitored.
- Whilst the capital expenditure on the CBD Redevelopment has exceeded the YTD budget by \$9.7m, the timing of the cash flow for the project over the 19/20 and 20/21 financial years is currently being reviewed to better align with the project schedule. Any required changes will be reflected in the February budget amendment. Capital expenditure on other capital projects including the ICT and Infrastructure programs, are below YTD budget by \$10.4m as a result of delays with services relocations, detailed designs and implementation of the ICT Strategy. The capital program delivery schedule and forecast expenditure by financial year end is currently being reviewed in detail by the Infrastructure and Environment Department and Corporate Services Department.
- Considering the results above, cash currently held is slightly above forecasted cash balances.

#### **LEGAL/POLICY BASIS**

This report and its recommendations are consistent with the following legislative provisions:  
*Local Government Regulation 2012*

#### **RISK MANAGEMENT IMPLICATIONS**

The implications of the financial results YTD will be monitored by management and any changes or risks to Council's forecast position will be considered as part of Council's budget amendments.

As highlighted above there is a risk to Council's forecast rates and utility charges revenue as a result of lower than forecast growth (especially from Quarter 4 in the 2018-2019 financial year). Year to date this has not been recovered and will be considered in the February budget amendment.

Town planning fees together with employee expenses and deferred capital projects will also be included for consideration in the February budget amendment.

#### **FINANCIAL/RESOURCE IMPLICATIONS**

There are no specific financial implications as a result of this report.



#### **COMMUNITY AND OTHER CONSULTATION**

The contents of this report did not require any community consultation. Analysis and explanations of the variances is undertaken in conjunction with the various Departments.

#### **CONCLUSION**

The monthly performance report for December 2019 is included at Attachment 1.

#### **ATTACHMENTS AND CONFIDENTIAL BACKGROUND PAPERS**

1.	Monthly Performance Report - December 2019  
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Jeffrey Keech  
**MANAGER, FINANCE**

I concur with the recommendations contained in this report.

Sonia Cooper  
**GENERAL MANAGER CORPORATE SERVICES**

I concur with the recommendations contained in this report.

David Farmer  
**CHIEF EXECUTIVE OFFICER**

***"Together, we proudly enhance the quality of life for our community"***



Ipswich City Council

Performance Report

DECEMBER 2019

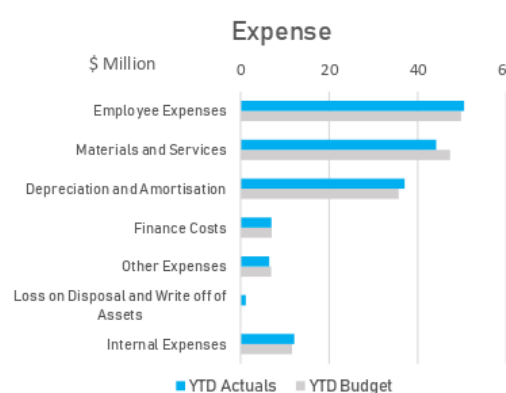
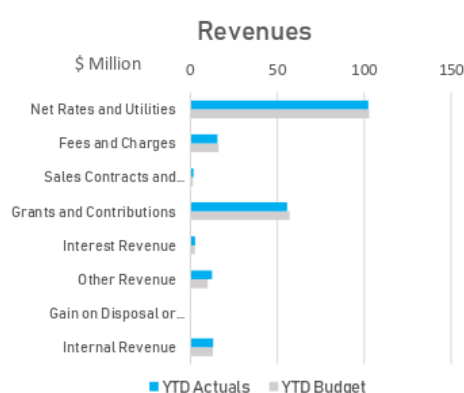
## Item 7 / Attachment 1.

## FINANCIAL EXECUTIVE SUMMARY

DECEMBER 2019

	Annual		YTD				Trend from NOV 2019
	Original Budget \$'000s	Current Budget \$'000s	Current Budget \$'000s	Actuals \$'000s	Variance \$'000s	Variance %	
Operating Revenue	322,435	320,821	149,405	152,417	3,012	2.0%	▲
Operating Expense	319,336	318,210	158,152	158,281	(129)	(0.1%)	▲
Operating Surplus/(Deficit)	3,099	2,611	(8,747)	(5,864)	2,883	(33.0%)	▲
Capital Revenue	104,398	104,398	53,510	51,216	(2,294)	(4.3%)	▲
Net Result	107,497	107,009	44,763	45,352	589	1.3%	▲

Construction Program and Asset Purchase	131,008	131,008	50,318	39,930	10,389	20.6%	▲
CBD	111,608	131,744	20,782	30,433	(9,651)	(46.4%)	▼
Donated Assets	69,732	69,732	34,854	34,940	(86)	(0.2%)	▼
Total Capital Expenditure	312,348	332,484	105,954	105,303	652	0.6%	▼

**Net Result**

The total Net Result (including capital revenues) for Ipswich City Council as at 31 December 2019 is \$45.4m compared to the YTD budget of \$44.8m. Council's operating deficit (excluding capital revenue) is approximately \$5.9m compared to the YTD budget deficit of \$8.7m.

**Operating revenue is \$3 million above the YTD Budget**

The \$3million variance is made up of: rates and utilities revenue \$466k under budget which is impacted by growth, fees and charges \$666k under budget in town planning fees as a result of a downturn in the development industry, operational grant revenue \$884k over budget, other revenue \$3 million over budget, Sales Contracts and Recoverable Works \$243k over budget and internal revenue \$166k over budget. These items are discussed further in this report.

**Operating expenses is \$129k above the YTD Budget as a result of:**

The \$129k variance is made up of: employee expenses including labour contracts \$693k over budget, as a result to changes in the payroll system calculation method, and other expenses \$2 million due to depreciation and loss on disposal of assets. This is partially offset by materials and services \$3.1m under budget primarily due to drier than expected weather conditions. These items are discussed further in this report.

**Capital Expenditure**

Capital expenditure including CBD as at 31 December is \$652k below the YTD budget. Approximately \$105.3m has been expended to 31 December compared to the current YTD capital expenditure budget of \$106m.

- The Infrastructure Program is approx. \$8 million under the YTD Budget. Actual costs are \$32.5 million compared to the current YTD budget of \$40.5 million.
- Community, Cultural and Economic Department is \$1.9 million under budget. Actual costs are \$287k compared to the YTD budget of \$2.2 million. This primarily relates to delays in commencing work in the Community Safety and Innovation Branch and delays in the opening of the Rosewood Library.
- CBD over budget approx. \$9.7 million. Actual costs are \$30.4 million compared to the YTD budget of \$20.8 million. Overspend relates to works being ahead of schedule as well as approved scope changes. A Budget Amendment was processed in December for additional capital expenditure of \$43.6 million (\$20.1 million in 2019-20) relating to the CBD retail precincts.
- CP over budget approx. \$1.6 million. Actual costs are \$3.4 million compared to the YTD budget of \$1.7 million. Overspend relates to a timing variance with the budget.

## FINANCIAL EXECUTIVE SUMMARY

DECEMBER 2019

	Annual		YTD				Trend from NOV 2019	Note	Variance \$'000s by Department					
	Original Budget \$'000s	Current Budget \$'000s	Current Budget \$'000s	Actuals \$'000s	Variance \$'000s	Variance %			CP	CS	CE	IE	IWS	PR
<b>Revenue</b>														
Net rates and utilities charges	208,482	207,482	102,832	102,367	(465)	(0.5%)	▲	1	N/A	(266)	N/A	(44)	(81)	(75)
Fees and charges	32,563	32,563	16,152	15,486	(666)	(4.1%)	▲	2	N/A	(44)	24	1	(208)	(438)
Gov't grants and subsidies	18,260	18,260	8,481	9,166	685	8.1%	▲	3	N/A	319	219	208	N/A	(61)
Internal revenue	25,613	25,613	12,916	13,082	166	1.3%	▲	4	N/A	(136)	98	(44)	246	0
Other revenue (incl Donated Assets & Cash Contributions)	141,915	141,301	62,533	63,531	998	1.6%	▲	5	482	1,758	(1,333)	325	(220)	(12)
<b>Total Revenue</b>	<b>426,833</b>	<b>425,219</b>	<b>202,914</b>	<b>203,632</b>	<b>718</b>	<b>0.4%</b>	<b>▲</b>		<b>482</b>	<b>1,631</b>	<b>(992)</b>	<b>446</b>	<b>(263)</b>	<b>(586)</b>
<b>Expense</b>														
Employee expenses	97,438	97,438	48,657	48,212	445	0.9%	▲	6	(162)	227	(46)	333	69	23
Labour contracts	2,070	2,070	1,094	2,232	(1,138)	(104.0%)	▼	6	(80)	(321)	297	(439)	(456)	(138)
Materials and services	97,302	97,302	47,280	44,177	3,103	6.6%	▲	7	216	(211)	753	2,728	(670)	287
Internal expense	22,963	22,963	11,594	12,101	(507)	(4.4%)	▼	8	(3)	8	(58)	(441)	(11)	0
Other expenses	99,563	98,437	49,526	51,557	(2,031)	(4.1%)	▼	9	95	(8)	(102)	(2,312)	275	18
<b>Total Expenses</b>	<b>319,336</b>	<b>318,210</b>	<b>158,151</b>	<b>158,279</b>	<b>(128)</b>	<b>(0.1%)</b>	<b>▲</b>		<b>66</b>	<b>(305)</b>	<b>844</b>	<b>(131)</b>	<b>(793)</b>	<b>190</b>
<b>Net Result</b>	<b>107,497</b>	<b>107,009</b>	<b>44,763</b>	<b>45,353</b>	<b>590</b>	<b>1.3%</b>	<b>▲</b>		<b>548</b>	<b>1,326</b>	<b>(148)</b>	<b>315</b>	<b>(1,056)</b>	<b>(396)</b>

Revenue Variance



Expense Variance



## Revenue

- The net rates variance continues to be impacted by growth. We will continue to monitor growth however, based on current patterns Council is unlikely to recover full budget by year end.
- Fees and charges under budget \$666k which includes \$438k in town planning and development fees due to a slight downturn in the development industry. P&R Department have reviewed the results and have indicated the reduced revenue may not be fully recovered by year end. This is partially offset by higher than expected animal registrations, food business licences and parking infringements. Also under budget \$208k in IWS relating to skip services and recycling refuse.
- Grants revenue \$685k over budget with variance relating to the receipt of an unbudgeted grant from the Department of Employment, Small Business and Training for the First Start Program in CS, receipt of a Home Assist grant earlier than budgeted in CE and a number of operational and capital grants received in IE that were not budgeted for.
- Internal revenue over budget in IWS relates to SLA recovery for domestic services carried out by the commercial trucks. This is partially offset in CS due to lower than expected tax equivalents revenue.
- Over budget relates to higher than expected QUU Tax Revenue (\$1.2m) in CS, retail operations in the CBD (\$652k) and various other revenues. This is partially offset by under budget in cash contributions in CE which are developer driven. Also previously stated, based on the Queensland Urban Utilities Corporate Plan an additional \$3.9m of Dividend revenue is likely to be received during 2019-20 and will need to be considered in a future budget amendment.

## Expenses

- Employee expenses including Labour contracts was on budget for December leaving YTD results over budget \$693k or 1.4%. As mentioned previously this YTD result is primarily caused by recalculation of leave provisions due to EBA rate increases which, prior to eHub implementation, were calculated in June (approx. \$300k) as well as long service leave entitlement hours error which is being investigated. This also includes approximately 37 net budgeted FTEs being vacant year to date which is partially offset by contractual termination payments and higher costs of labour contracts.
- Materials and services (excluding labour contracts) under budget \$3.1 million primarily in service contracts. The variance of \$2.7 million in IE relates to: drier conditions, works not commencing as expected and lower than expected maintenance costs. \$753k underspend in CE relates to a delay with the preparations for the CBD Library move and costs for Christmas and New Years Eve event costs not yet receipted. Under budget in service contracts (\$252k) primarily relating to Community Safety and Innovation in the fire and security management section.
- Internal trading expense variance relates to fleet cost recovery and indicates a lower utilisation of assets compared to budgeted expectations.
- Other expenses over budget in IE primarily relates to depreciation (\$947k) and the loss on disposal of assets (also \$1.2m).



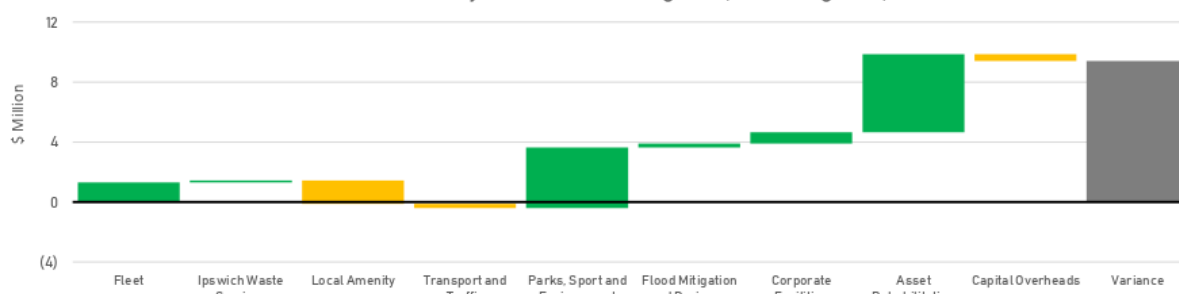
## FINANCIAL EXECUTIVE SUMMARY

DECEMBER 2019

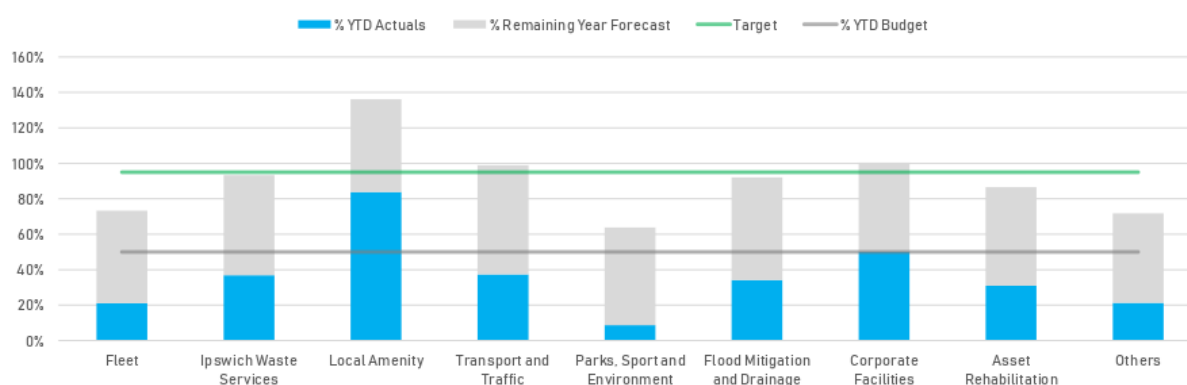
### Capital

	Annual		YTD				Trend from NOV 2019
	Original Budget \$'000s	Current Budget \$'000s	Current Budget \$'000s	Actuals \$'000s	Variance \$'000s	Variance %	
Coordination and Performance	111,608	136,494	22,517	33,805	(11,288)	(50.1%)	▼
Corporate Services	17,255	17,255	2,414	1,919	495	20.5%	▼
Community, Cultural and Economic Development	5,067	5,067	2,209	287	1,922	87.0%	▲
Infrastructure and Environment	108,156	103,406	43,828	34,352	9,476	21.6%	▲
Planning and Regulatory Services	530	530	133	0	132	100.0%	▲
Net Result	242,616	262,752	71,100	70,362	738	1.0%	▲

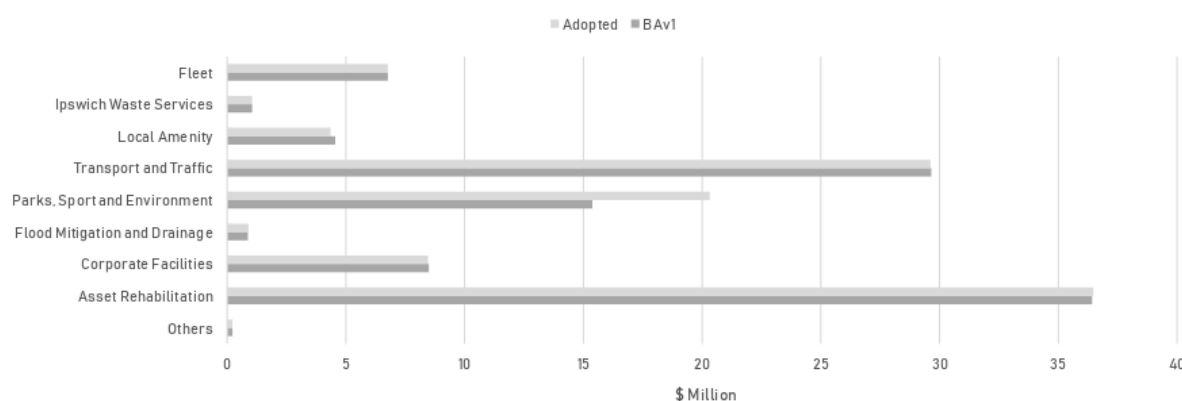
YTD Variance by Construction Program (Excluding CBD)



Capital Program (Excluding CBD)  
Actual and Forecast % of FY Budget



Capital Program (Excluding CBD)  
Budget Version Comparison



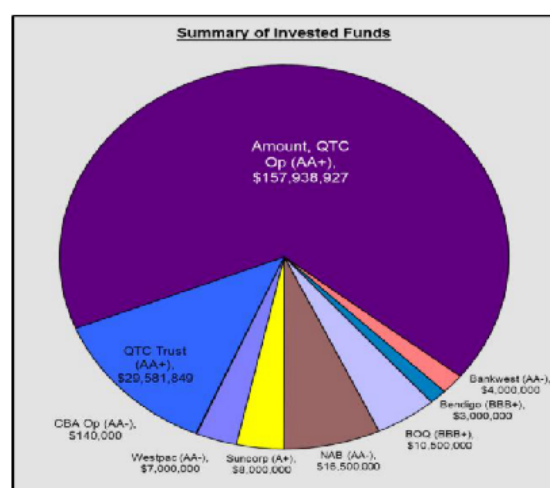
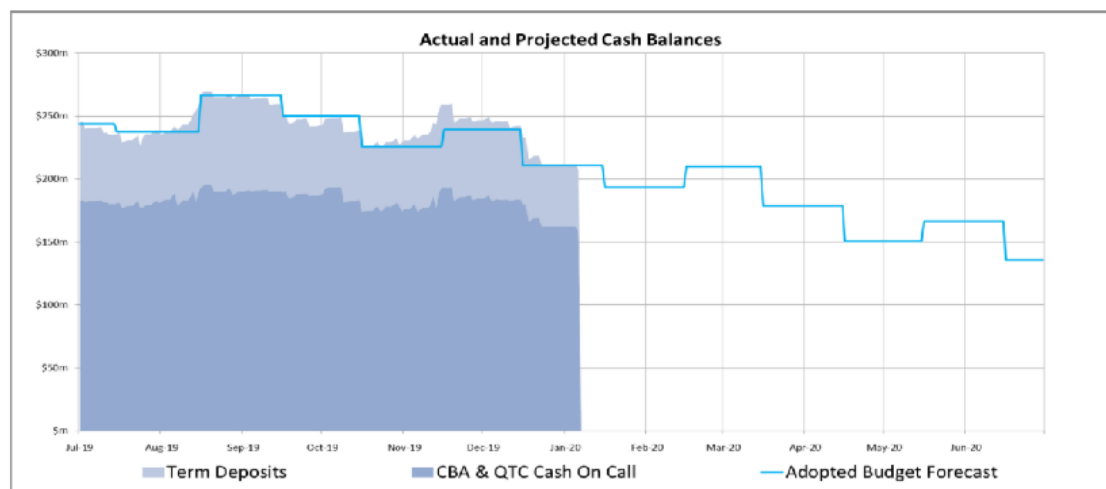
## Item 7 / Attachment 1.

CAPITAL SUMMARY AS AT DECEMBER 2019								
	MTD Actual \$'000s	MTD Budget \$'000s	MTD Variance \$'000s	YTD Actual \$'000s	YTD Budget \$'000s	YTD Variance \$'000s	Full Year Budget \$'000s	EOY Forecast \$'000s
Comments								
<b>Whole of Council</b>								
Construction Program and Asset Purchase	16,076	16,088	12	70,362	71,100	738	262,752	261,401
Donated Assets	10,117	5,809	(4,308)	34,940	34,854	(86)	69,732	69,732
<b>Total Capital Expenditure</b>	<b>26,193</b>	<b>21,897</b>	<b>(4,296)</b>	<b>105,303</b>	<b>105,954</b>	<b>652</b>	<b>332,484</b>	<b>331,133</b>
<b>Coordination and Performance</b>								
Construction Program and Asset Purchase	1,037	500	(537)	3,372	1,735	(1,637)	4,750	4,750
CBD Development	9,267	4,630	(4,637)	30,433	20,782	(9,651)	131,744	131,744
							CP - Overspend relates to timing variance of Springfield Sports Stadium.	
							CBD - Overspend relates to works being ahead of schedule. Phasing adjustment is expected to be completed in February to better align expected spend.	
<b>Total Capital Expenditure</b>	<b>10,304</b>	<b>5,130</b>	<b>(5,173)</b>	<b>33,805</b>	<b>22,517</b>	<b>(11,288)</b>	<b>136,494</b>	<b>136,494</b>
<b>Corporate Services</b>								
Construction Program and Asset Purchase	461	(34)	(496)	1,919	2,414	495	17,255	17,255
							ICT - Under budget due to delays in timing of projects. A review of the delivery of ICT projects in 2019-20 is currently being completed.	
<b>Total Capital Expenditure</b>	<b>461</b>	<b>(34)</b>	<b>(496)</b>	<b>1,919</b>	<b>2,414</b>	<b>495</b>	<b>17,255</b>	<b>17,255</b>
<b>Community, Cultural and Economic Development</b>								
Construction Program and Asset Purchase	98	1,562	1,464	287	2,209	1,922	5,067	5,067
							Library - Under budget approximately \$930k relates to a delay in the opening of the Rosewood Library.	
							Civic Centre - Under budget approximately \$50k relates to timing issues. Audio desk tender documentation has been completed and is expected to go out in January.	
							Art Gallery - Under budget approximately \$26k relates to delays in acquiring artworks due to procurement restrictions.	
							Community Safety and Innovation - Under budget due to delays in completing a number of projects including: CBD fibre relocation (\$250k), access control upgrades, security camera upgrades expected to be completed in January and the key system upgrade (\$250k). Budget will be rephased in January to better align with expected expenditure.	
<b>Total Capital Expenditure</b>	<b>98</b>	<b>1,562</b>	<b>1,464</b>	<b>287</b>	<b>2,209</b>	<b>1,922</b>	<b>5,067</b>	<b>5,067</b>
<b>Infrastructure and Environment</b>								
Infrastructure Program	4,938	7,986	3,049	32,493	40,468	7,975	95,371	94,412
							IE - Under budget \$8 million in Infrastructure Program. Under budget in asset rehabilitation (\$5.2 million) due to delays in the drainage, sealed road, parks and sports facility rehabilitation sub-programs. Under budget in parks, sport and environment (\$4.1 million) due to the potential deferral of projects in the strategic parks and sports and Enviroplan sub-programs. This is partially offset by over budget in Local Amenity (\$1.6 million) due to 2018-19 expenditure on Kerb and Channel and Streetscape improvements occurring in the current financial year.	
Equipment	17	55	38	47	110	63	220	211
Waste	19	96	77	387	525	138	1,050	1,162
Fleet	239	1,160	921	1,425	2,725	1,300	6,765	6,269
							Fleet - Under budget \$1.3 million in Fleet primarily relates to longer than expected lead times. Trucks and major plant originally budgeted in December are now expected to be delivered in January, April and May.	
<b>Total Capital Expenditure</b>	<b>5,213</b>	<b>9,297</b>	<b>4,084</b>	<b>34,352</b>	<b>43,828</b>	<b>9,476</b>	<b>103,406</b>	<b>102,055</b>
<b>Planning and Regulatory Services</b>								
Construction Program and Asset Purchase	0	133	133	0	133	132	530	530
							Cemeteries - Under budget relates to works on Tallegalla Cemetery being undertaken by the IE Department on behalf of PR. Approximately \$61k has been expended to date and will be transferred to the Department once the project is complete.	
<b>Total Capital Expenditure</b>	<b>0</b>	<b>133</b>	<b>133</b>	<b>0</b>	<b>133</b>	<b>132</b>	<b>530</b>	<b>530</b>
<b>Donated Assets</b>								
Coordination and Performance	0	0	0	0	0	0	0	0
Corporate Services	0	0	0	0	0	0	0	0
Community, Cultural and Economic Development	0	0	0	128	0	(128)	28	28
Infrastructure and Environment	10,117	5,809	(4,308)	34,813	34,854	41	69,704	69,704
Planning and Regulatory Services	0	0	0	0	0	0	0	0
<b>Total Donated Assets</b>	<b>10,117</b>	<b>5,809</b>	<b>(4,308)</b>	<b>34,940</b>	<b>34,854</b>	<b>(86)</b>	<b>69,732</b>	<b>69,732</b>

FINANCIAL EXECUTIVE SUMMARY

DECEMBER 2019

Cash and Investments



Investments and Earnings Summary	Margin	% Return	\$
CBA Operating Account	0.004	1.25%	\$140,000
Term Deposit Investments	0.008	1.69%	\$49,000,000
QTC Trust Fund Account	0.009	1.83%	\$29,581,849
QTC Operating Account - CBD	0.009	1.83%	\$50,598,792
QTC Operating Account - General	0.009	1.83%	\$107,340,135
<b>QTC Operating Account - Total</b>	<b>0.009</b>	<b>1.83%</b>	<b>\$157,938,927</b>
Total Invested funds (W.Avg return)	0.009	1.80%	\$236,660,776
<b>Total Operating Funds (Ex Trust)</b>	<b>0.009</b>	<b>1.80%</b>	<b>\$207,078,927</b>

Cashflow

Council's cash and cash equivalents balance as at 31 December 2019 was \$207.1 million. The end of period cash holdings includes \$51 million of carried forward unspent loan funds invested with QTC. Council's investments are made in accordance with Council's Investment Policy (adopted as part of the annual budget) with an average return percentage of 1.8%.