

**SUPPLEMENTARY ITEMS**

**COUNCIL MEETING ON 19 JANUARY 2023**

- 16. **OFFICERS' REPORTS:**
  - 16.8 Monthly Financial Performance Report - November and December  
2022..... 3



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*This matter has been determined to be of a significant nature and approval has been given to refer this report to the Council as a late item.*

ITEM: 16.8

SUBJECT: MONTHLY FINANCIAL PERFORMANCE REPORT - NOVEMBER AND DECEMBER 2022

AUTHOR: PRINCIPAL FINANCIAL ACCOUNTANT

DATE: 13 DECEMBER 2022

### **EXECUTIVE SUMMARY**

This is a report concerning Council's financial performance for the periods ending 30 November 2022 and 31 December 2022, submitted in accordance with section 204 of the *Local Government Regulation 2012*.

### **RECOMMENDATION/S**

**That the report on Council's financial performance for the periods ending 30 November 2022 and 31 December 2022, submitted in accordance with section 204 of the *Local Government Regulation 2012*, be considered and noted by Council.**

### **RELATED PARTIES**

Not applicable.

### **IFUTURE THEME**

A Trusted and Leading Organisation

### **PURPOSE OF REPORT/BACKGROUND**

This report outlines the financial results for Ipswich City Council at 30 November 2022 and 31 December 2022.

The commentary below will focus on the latest December month end results.

The total net result (including capital revenue) for Ipswich City Council as at 31 December 2022 is \$39.2 million compared to the year to date (YTD) budget of \$41.6 million.

Council's YTD operating deficit (excluding capital revenue) is approximately \$6.6 million compared to the YTD budget deficit of \$7.5 million.

Overall, capital expenditure including the Nicholas Street Redevelopment YTD is \$2.4 million ahead of budget. Asset donations as at 31 December 2022 are \$14 million below the YTD budget.

### December

As the December month end results are the most recent financial results, the commentary below relates to these encompassing the full year to date impacts.

#### *Revenue*

Operating revenue continues to be further ahead of budget and is now \$8 million ahead of budget primarily due to additional interest revenue of \$2.9 million as well as additional fees and charges, rates and utilities revenue.

Rates and utilities revenue is ahead of budget due to growth in residential rates, a lower portion of rate payers taking advantage of on time payment discounts than expected and other rates adjustments.

Fees and charges revenue continued the trend of tracking above budget for December 2022. This is primarily related to Plumbing Town Planning Fees which are ahead of budget by \$925k and waste disposal fees which are \$843k over budget.

Total grant revenue, including capital and operating grants, is ahead of budget approximately \$9.7 million. The variance relates to the recognition of \$6.2 million relating to the Voluntary Home Buy Back Scheme, Road to Recovery capital grant revenue received earlier than budgeted, LCRI 20/21 Phase 1 Grant received this year, which was budgeted in the prior financial year, the receipt of \$655k relating to flood recovery from the QRA, and the recognition of the \$1 million flood recovery funding received in advance and fully acquitted in December. The above are partially offset by lower financial assistance grant revenue.

Other revenue is tracking ahead of budget for the year which is primarily due to interest revenue being \$2.9 million ahead of budget, profit from the sale of fleet assets of \$383k and greater tax revenue to date than budget from Urban Utilities of \$513k.

Donated asset and cash contributions revenue is \$11.9 million below the YTD budget which is driven primarily by asset donations being \$14 million lower than budget expectations, and partially offset by cash contributions being \$2.1 million above budget.

#### *Expenses*

Overall operating expenses are approximately \$7.1 million above the YTD budget.

Employee expenses (including labour contracts) are above budget by \$2.7 million which is mainly due to flood recovery, use of contract labour, overtime, and allowances.

The variance includes \$1.2m employee expenses related to flood recovery as set out in the table later in the report. Additional overtime has been incurred resulting in overtime being \$825k over budget YTD relating to Resource Recovery (\$346k), associated with truck downtime, and staffing requirements for Works and Field Services (\$244k).

Materials and services (excluding labour contracts) are over budget \$2.4 million which primarily relates to unbudgeted flood recovery expenses of \$3 million and an unallocated

efficiency target of \$1.6 million. Flood recovery expenditure will continue to be incurred throughout the year and will be considered as part of a budget amendment. Variance also relates to higher fuel prices, kerbside collection and legal appeals that have also been incurred. These overspends are partially offset by lower-than-expected cleaning, security, power, and water costs for the Nicholas Street Precinct.

Other expenses are \$515k over budget which is primarily due to interest expenses being \$364k over budget due to higher interest rates.

Depreciation is over budget YTD and includes increased depreciation expenses as a result of revaluation increments recorded for the Roads, Bridges and Footpaths, Buildings and Structures and Drainage asset classes. These over budget amounts are partially offset by lower than expected capitalised projects and the impact of the change in accounting treatment of software as a service at 30 June 2022.

#### *Flood Recovery*

The total operating and capital expenditure on flood recovery since the flood events is \$21 million, of which \$14.4 million has been incurred in the 2022-2023 financial year. A breakdown of the flood recovery revenue and expenditure is included in the table below:

	<b>2022-2023</b> <b>(\$' 000)</b>	<b>Project to date</b> <b>(\$' 000)</b>
<b>Operational funding received from QRA</b>	<b>655 *</b>	<b>655*</b>
<b>Voluntary Home Buy Back Program Funding</b>	<b>20,000</b>	<b>20,000</b>
<b>Operating expenses incurred</b>		
Employee expenses	1,266	3,151
Materials and services	3,510	6,789
Other	337	1,043
<b>Total operating expenses incurred</b>	<b>5,113</b>	<b>10,983</b>
Capital expenditure incurred (incl flood buy back)	9,358	10,034
<b>Total expenses incurred</b>	<b>14,471</b>	<b>21,017</b>

Funding of \$690k received from the QRA relates to CDO and Emergency Works claims. Capital revenue of \$20m relates to funding from the QRA for the Voluntary Home Buy Back Program.

\* Additionally, an advance payment of \$1 million which was received from the QRA in 2021-2022, was recognised as revenue during December 2022, as QRA has approved claims which have been acquitted against this advance payment.

The operational spending has been focused on clean up and restoration works across impacted sport and recreational spaces.

The capital spending has been primarily in the focused on repairing gravel and sealed road network (\$700k in December).

Of the \$21 million incurred as flood recovery, based on a high-level estimate, approximately \$18.2 million is recoverable from the QRA. Further review of the costs continues to be undertaken as part of collating claims to QRA which will provide more clarity of the amount recoverable.

Council has provided detailed submissions to the QRA for reconstruction projects for extraordinary funding (Category D) Community and Recreational Assets Program. These remain in the assessment phase with QRA at the date of this report.

### *Capital Expenditure*

The total YTD capital expenditure (including the Nicholas Street Redevelopment) is \$76.8 million compared to the YTD budget of \$74.4 million.

The Nicholas Street Precinct Redevelopment is tracking under budget by approximately \$4 million YTD.

IED YTD capital expenditure (excluding flood recovery and voluntary home buy back) is \$56.1 million compared to a YTD budget of \$52 million. The overspend relates to works carrying over from the 2021-22 financial year in the infrastructure program.

IED are currently forecasting full year capital expenditure (excluding Nicholas Street Precinct Redevelopment and voluntary home buy back) to be \$16.9 million over budget which includes expenditure on projects carried over from 2021-22. Work is currently underway with IED on the likely delivery timing of these projects in addition to flood recovery projects to confirm forecasts.

### *Cash Balances*

Council's cash and cash equivalents balance as at 31 December 2022 was \$226 million and is higher than forecast as a result of funds received for the Voluntary Home Buy Back Program and Waste Levy.

### November

Please see the attached report for further discussion of the November 2022 position.

### **LEGAL/POLICY BASIS**

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

### **RISK MANAGEMENT IMPLICATIONS**

The operating result being a \$6.6 million deficit against a budgeted deficit of \$7.5 million is favourable and primarily been driven by greater than expected interest revenue. Expenses remain over budget across all categories, and flood expenses are impacting the result as

mentioned. The discussion around strategies to achieve the efficiency targets will be important for managing the budget across the year.

Some of the additional expenditure will be considered as part of a future budget amendment and some relates to timing differences which will resolve as the year continues. The Executive Leadership Team will also continue to monitor and consider the efficiency targets in the adopted budget or any budgetary impacts.

The operational costs of the flood recovery remain an ongoing issue to be monitored and reported. The impacts on the capital expenditure will also be reported, including any constraints on resourcing to complete the capital program alongside the flood recovery.

Regular reporting on labour and labour contracts to the Executive Leadership Team will continue, in response to the identified risks. This will include monitoring of FTEs, vacancies, overtime, annual leave taken and forecast employee expenses.

The increased monthly depreciation resulting from the revaluation increases to three of Council's major asset classes will be monitored, and the impact on the budget position considered.

#### **HUMAN RIGHTS IMPLICATIONS**

<b>HUMAN RIGHTS IMPACTS</b>
<b>RECEIVE AND NOTE REPORT</b>
The Recommendation states that the report be received, and the contents noted. The decision to receive and note the report does not limit human rights. Therefore, the decision is compatible with human rights.

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

There are no specific 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 are undertaken in conjunction with the various departments.

#### **CONCLUSION**

Regular reporting and monitoring of expenditure will continue monthly during the financial year as part of Council's regular governance and reporting process.

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

1.	Monthly Financial Performance - December 2022 <a href="#">↓</a> 
2.	Monthly Financial Performance - November 2022 <a href="#">↓</a> 

Barbara Watson  
**PRINCIPAL FINANCIAL ACCOUNTANT**

I concur with the recommendations contained in this report.

Jeffrey Keech  
**CHIEF FINANCIAL OFFICER**

I concur with the recommendations contained in this report.

Matt Smith  
**GENERAL MANAGER CORPORATE SERVICES**

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





**Ipswich City Council**

**Performance Report**

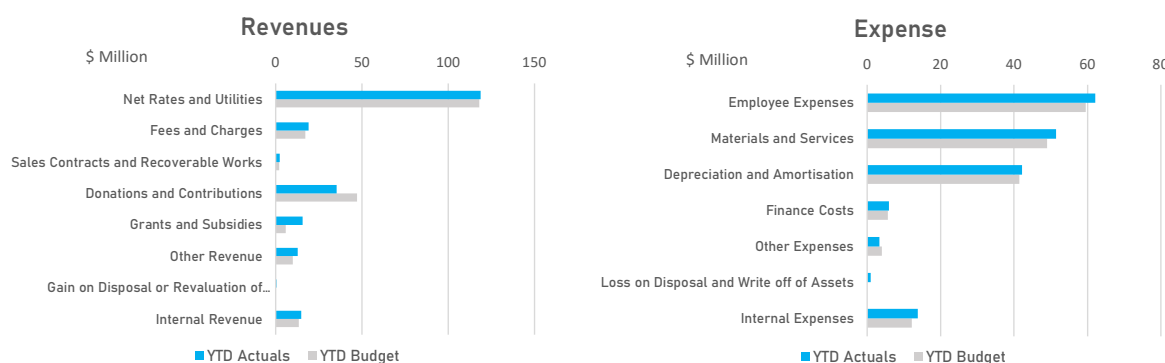
**DECEMBER 2022**

**FINANCIAL EXECUTIVE SUMMARY**

**DECEMBER 2022**

	YTD				Annual Current Budget \$'000s	Trend from NOV 2022
	Actuals	Current Budget	Variance	Variance		
	\$'000s	\$'000s	\$'000s	%		
Operating Revenue	172,266	164,218	8,048	4.9%	348,544	▲
Operating Expense	178,833	171,761	(7,072)	(4.1%)	347,566	▲
Operating Surplus/(Deficit)	(6,567)	(7,543)	976	(12.9%)	978	▼
Capital Revenue	46,312	49,177	(2,865)	(5.8%)	121,326	▼
Other Capital Income (Asset disposals)	367	0	367	N/A	0	▲
Capital Loss (Asset write-off)	910	0	(910)	N/A	0	▼
<b>Net Result</b>	<b>39,202</b>	<b>41,634</b>	<b>(2,432)</b>	<b>(5.8%)</b>	<b>122,304</b>	<b>▲</b>

Construction Program and Asset Purchase	69,297	62,854	(6,442)	(10.2%)	187,336	▼
CBD	7,512	11,553	4,041	35.0%	41,607	▲
Donated Assets	21,743	35,763	14,020	39.2%	71,518	▲
<b>Total Capital Expenditure</b>	<b>98,552</b>	<b>110,171</b>	<b>11,619</b>	<b>10.5%</b>	<b>300,461</b>	<b>▲</b>



**Net Result**

The total Net Result (including capital revenues) for Ipswich City Council as at 31 December 2022 is \$39.2 million compared to the YTD budget of \$41.6 million. Council's operating deficit (excluding capital revenue) is approximately \$6.6 million compared to the YTD budget deficit of \$7.5 million.

**Operating revenue is \$8 million above the YTD budget**

The \$8 million variance is made up of: net rates and utilities \$951k over budget, fees and charges \$2 million over budget, operational grant revenue \$705k over budget, other revenue \$100k under budget, sales contracts and recoverable works \$298k over budget, interest revenue \$2.9 million over budget, and internal revenue \$1.4 million over budget. These items are discussed further in this report.

**Operating expenses are \$7.1 million above the YTD budget**

The \$7.1 million variance is made up of: employee expenses including labour contracts \$2.7 million over budget, materials and services \$2.4 million over budget, other expenses \$710k under budget, depreciation and amortisation \$708k over budget, finance costs \$298k over budget, and internal expenses \$1.7 million over budget. These items are discussed further in this report.

**Capital Expenditure**

Capital expenditure including CBD as at 31 December is \$2.4 million over the YTD budget. Approximately \$76.8 million has been expended to 31 December compared to the YTD capital expenditure budget of \$74.4 million.

- The Infrastructure Program actual expenditure was over the December monthly budget by approximately \$903k. Actual YTD costs are \$47.2 million compared to the current YTD budget of \$39.8 million.
- CBD redevelopment is approximately \$4 million under budget. Actual YTD costs are \$7.5 million compared to the current YTD budget of \$11.6 million.

Asset donations as at 31 December are \$14 million under the YTD budget. Approximately \$21.7 million has been recognised to 31 December compared to the YTD donated assets budget of \$35.8 million.



































