



ORDINARY MEETING OF COUNCIL SUPPLEMENTARY ITEMS

To be held at 5pm on

Tuesday 15 August 2023

Council Chambers

11 Manning Street, KIAMA NSW 2533

Members

Mayor

Councillor N Reilly

Deputy Mayor

Councillor I Draisma

Councillor M Brown

Councillor M Croxford

Councillor J Keast

Councillor S Larkins

Councillor K Renkema-Lang

Councillor K Rice

Councillor W Steel

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18 LATE ITEMS

18.1 June 2023 Quarterly Budget Review

CSP Objective: Outcome 12: Public funds and assets are managed strategically, transparently and efficiently

CSP Strategy: 12.1 Manage Public Funds in accordance with Financial Management Standards and the Local Government Act

Delivery Program: 12.1.1 Improved financial reporting and legislative compliance through reporting, scrutiny and oversight processes.

Summary

This report outlines proposed June Quarterly Budget Review Adjustments and provides an end of year budget results overview. It should be read in conjunction with *June 2023 Monthly Financial Report and Preliminary 2022/23 Financial Year End Results* report.

Financial implication

This report relates directly to the financial performance of Council.

Policy

Local Government Act 1993

Local Government (General) Regulation 2021

Consultation (internal)

Chief Executive Officer

Chief Financial Officer

Management Accountants

Communication/Community engagement

N/A

Attachments

- 1 Quarterly Budget Review Statement - June 2023 [↗](#)

Enclosures

Nil

RECOMMENDATION

That Council :

1. Receive the June 2023 Quarterly Budget Review Statement Report.
2. Adopt the budget adjustments as outlined in the June 2023 Quarterly Budget Review Document.
3. Adopt 2024/25 Capital Budget program allocation as outlined in this report.

Supplementary Reports

18.1 June 2023 Quarterly Budget Review (cont)

Background

Despite there being no statutory obligation for a Council to produce a quarterly budget review for the quarter ending June, the Finance team has strived to align with the best practice of other Councils and present this report in conjunction with an annual review of budgetary performance which is included in *June 2023 Monthly Financial Report and Preliminary 2022/23 Financial Year End Results* report. The two reports should be read in conjunction. It is important to note that whilst both reports present the same financial information, internal expenses and income are disclosed as stand-alone lines in the June monthly report.

KPI summary (QBR 4)**Operating performance ratio**

This ratio measures Council's achievement of containing operating expenditure within operating revenue. The accepted benchmark for this KPI is a ratio of greater than 0%.

The attached KPI's review statement shows that Kiama Council has had a continuous year on year improvement in this KPI, up from -13.3% in 2019/20 to a projected QBR 4 operating performance ratio for 2022/23 of 10.5%. This highlights that Kiama Council is currently projected to be able to cover its budgeted operational expenditure for the 2022/23 financial year. The main reason this ratio has improved in 202/23 is net gain from disposal of Akuna Street property which is included in operating revenue. Excluding gain on sale of assets, the ratio is -7%

Own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions. The accepted benchmark for this KPI is a ratio of greater than 60%. The attached KPI's review statement shows that Kiama Council has had a continuous year on year improvement in this KPI, up from 69.3% in 2019/20 to a projected QBR 4 operating performance ratio for 2022/23 of 77.8%. The main reason this ratio has improved in 202/23 is net gain from disposal of Akuna Street property which is included in operating revenue. Excluding gain on sale, the ratio is 61%.

Capital expenditure ratio

This ratio assesses the extent to which a Council is expanding its asset base through capital expenditure on both new assets and the replacement and renewal of existing assets. The accepted benchmark for this KPI is a ratio of greater than 100%. The attached KPI's review statement shows that an increase in the capital program of \$521K in this quarterly review has resulted in Kiama Council's ratio sitting at 103.6%. This has worsened from the 171.3% found in the original adopted budget. This is mainly due to intentional reduction in capital works program funded from general funds and the re-phasing of grant funded projects (notably Hindmarsh Park delays) decreasing the overall expenditure against a static estimate of depreciation for the year.

Supplementary Reports

18.1 June 2023 Quarterly Budget Review (cont)

Budget changes (Quarterly Budget Review quarter ending June 2023)

As it is not legislated, nor has it been a regular annual undertaking of Kiama Council in recent years, the development of a fourth quarter budget review and adjustment process has been done at the conclusion of the 2022/23 financial year.

As such, changes recommended for adoption by Council in the QBR are primarily necessary adjustments that have been identified to realign the budget in areas that may have otherwise misrepresented the true picture of Council's financial performance or that contained material errors.

It is the best industry practice to report on preliminary budget results for the year and incorporate necessary budget adjustments in June Quarterly Budget Review (QBR) in order to provide timely and relevant information to Council and community.

<u>QBR 4 Budget changes summary (Operational and Capital)</u>				
\$'000	QBR3 Adopted Budget	QBR4 Forecast Budget	QBR4 Changes	Notes
Operational budget (Surplus)	16,226	16,357	131	Increased budgeted surplus
Capital budget (Expenditure)	11,066	11,587	(521)	Increased budgeted expenditure
Total	5,160	4,770	(390)	

The net effect of year-end (QBR 4) budget changes resulted in the net increase in operating surplus by \$131K and \$521K increase in capital expenditure. Further details of the composition of the recommended changes can be found in the Quarterly Budget Review Statement attached.

Operational Budget Adjustments

The majority of changes to the operational budget have NIL impact on the bottom line as they relate to removal of internal expenses and revenue that were overestimated in the adopted budget. The only material adjustment that has impact on the bottom line is reclassification of operational budget to capital.

Capital Budget Adjustments

\$521K of amendments to the capital budget have been made at the conclusion of the 2022/23 financial year. A consultation and review process between finance and the infrastructure and liveability team have resulted in the identification of unspent budgets to be carried forward into the 2023/24 financial year, in addition to reallocations and retirement of excess capital budget funds.

Supplementary Reports

18.1 June 2023 Quarterly Budget Review (cont)

After application of the identified changes to the adopted capital budget, it can be noted that the budget variance is largely immaterial at \$60K unfavourable or 1%.

Tables below summarise budget adjustments and actuals vs budget results for capital budget.

2022/23 Capital Program - Quarterly Budget Reviews Summary (\$'000)											
Program	Adopted budget	Carry over	QBR 1	QBR 2	QBR 3	QBR 4	QBR 4 Changes	2022/23 Actuals	Var (\$)	Var (%)	Fav/(Unfav)
Blue Haven	690	690	340	340	340	340	-	434	94	28%	(U)
Buildings & Facilities	2,568	2,589	1,509	1,509	1,204	877	(327)	871	(7)	(1%)	(F)
Carparks	31	31	31	31	-	-	-	-	-	-	(-)
Commercial - Holiday Parks	2,984	2,984	1,694	1,694	242	-	(242)	0	0	-	(-)
Commercial Business	200	545	545	545	2,089	1,584	(505)	1,611	27	2%	(U)
Footpaths & cycleways	2,683	2,955	2,224	2,243	534	440	(94)	406	(33)	(8%)	(F)
ICT	850	850	760	760	300	300	-	377	77	26%	(U)
Plant & Equipment	2,361	2,361	1,460	1,468	1,468	1,307	(161)	1,307	0	0%	(U)
Waste Services	220	220	120	340	320	151	(169)	151	0	0%	(U)
Playgrounds	125	396	271	294	134	271	137	224	(47)	(17%)	(F)
Recreation and Open Space	3,706	4,158	3,857	5,017	916	566	(350)	541	(24)	(4%)	(F)
Roads and Bridges	2,000	2,000	1,630	1,992	2,778	5,501	2,723	5,473	(28)	(1%)	(F)
Stormwater Assets	590	590	560	560	208	69	(139)	71	2	3%	(U)
Traffic Facilities	150	150	209	584	534	182	(352)	182	(0)	(0%)	(F)
Total	19,157	20,517	15,209	17,376	11,066	11,587	521	11,648	60	1%	(U)

Capital projects that had commenced or were partially completed, however had not fully expended their budgets by June 2023 and were identified as necessary for carry forward into 2023/24 were identified as part of the QBR 4 process. A total of 9 projects, totalling \$506K across 3 programs were identified to be carried forward. Approximately 70% of the total carry over projects are to be funded from reserves, with the remaining 30% being funded from unrestricted cash.

It is important to note that budget carry forwards identified in June QBR relate to projects that have capital commitments and as such, do not require Council resolution.

Project to be carried forward are listed below:

Supplementary Reports

18.1 June 2023 Quarterly Budget Review (cont)

Project	Carry forward amount	Funding Source
Bombo Headland Eco Walk	54,662	Revenue
Council Administration Building Upgrade	50,000	Revenue
Administration Building Main Air Conditioning System	50,000	Revenue
Kiama HS Raised Pedestrian Crossing	43,266	Grant
Kiama Public School Raised Pedestrian Crossing	99,470	Grant
Minnamurra PS - Upgrade of Kiss & Drop Zone	42,309	Grant
Gerringong PS - Pedestrian Refuge Upgrade	37,846	Grant
Bong Bong St Ped Crossing Black Spot	79,471	Grant
Crooked River Rd Gateway Black Spot	49,572	Grant
Total	506,596	

Item 18.1

Proposed 2024/25 Capital Budget Allocation

As a part of the Long-Term Financial Plan, Council has approved total allocation of \$9.5M to capital works program for 2024/25 financial year. It is recommended for Council to now endorse a capital program allocation at the project level as outlined in the table below.

This will allow management to continue delivering major capital works program that span over multiple years. It will also allow management to seek budget to be brought forward from 2024/25 into this financial year (2023/24) if the delivery of the project runs ahead of schedule.

<u>2024/25 Capital Program - LTFP for adoption</u>	
Program	LTFP Budget Total
Blue Haven	200,668
Buildings & Facilities	262,962
Carparks	25,000
Commercial - Holiday Parks	45,157
Commercial Business	1,778,824
Parks & Reserves	8,128
Footpaths & cycleways	1,250,860
ICT	123,731
Plant & Equipment	410,931
Waste Services	98,138
Playgrounds	40,000
Recreation and Open Space	4,588,452
Roads and Bridges	432,760
Stormwater Assets	219,555
Traffic Facilities	29,081
Total	9,514,246

Supplementary Reports

18.1 June 2023 Quarterly Budget Review (cont)

Contractor & Consultant Costs

Information regarding the April – June 2023 expenditure is provided in the tables below. Additionally as requested by Council at a previous meeting, the expenditure for the Forensic Review in March - April 2022 is also noted.

Item 18.1



KIAMA MUNICIPAL COUNCIL

QUARTERLY BUDGET REVIEW

For the Period Ending 30 June 2023

KIAMA MUNICIPAL COUNCIL
QUARTERLY BUDGET REVIEW
For the Period Ending 30 June 2023



Responsible Accounting Officer Statement

The following statement is made in accordance with Clause 203(2) of the Local Government (General) Regulations 2021: 30 June 2023

It is my opinion that the Quarterly Budget Review Statement for Kiama Municipal Council for the quarter ended 30/06/23 indicates that Council's projected financial position at 30/06/23 will be satisfactory at year end, having regard to the projected estimates of income and expenditure and the original budgeted income and expenditure.

Signed: _____

Olena Tulubinska
Responsible accounting officer

9/08/2023

KIAMA MUNICIPAL COUNCIL
OPERATIONAL QUARTERLY BUDGET REVIEW
For the Period Ending 30 June 2023



2022/23 Operational Budget - Quarterly Budget Reviews Summary (\$'000)												
	Adopted budget	Carry over	QBR 1	QBR 2	QBR 3	QBR 4	QBR 4 Changes	Notes	2022/23 Preliminary Actuals	Variance (\$)	Variance (%)	Favourable / Unfavourable
Income from continuing operations												
Rates and annual charges	29,246	29,246	29,246	29,246	29,246	27,156	(2,090)	1,3	27,215	59	0%	(F)
User charges and fees	25,107	25,107	24,915	25,042	24,874	24,323	(552)	5	24,570	247	1%	(F)
Other revenue	6,304	6,304	6,304	7,438	7,251	7,251	-	-	7,254	3	0%	(F)
Grants and contributions provided for operating purposes	17,345	17,345	15,985	16,227	16,228	16,228	-	-	20,198	3,970	24%	(F)
Grants and contributions provided for capital purposes	5,568	5,568	6,249	6,249	6,374	6,374	-	-	5,560	(814)	(13%)	(U)
Interest and investment income	741	741	752	686	1,471	1,471	-	-	1,781	310	21%	(F)
Other income	2,381	2,381	2,381	2,381	2,351	2,351	(30)	9	2,097	(254)	(11%)	(U)
Net gain/(loss) from the disposal of assets	14,410	14,410	14,410	18,609	16,637	16,637	-	-	17,085	449	3%	(F)
Total income from continuing operations	101,102	101,102	100,242	105,878	104,462	101,790	(2,672)		105,761	3,971	4%	(F)
Employee benefits and on-costs	38,267	38,267	36,976	36,672	36,541	36,541	-	-	36,432	(109)	(0%)	(F)
Materials and services	38,203	38,203	37,571	38,585	35,645	32,842	(2,803)	4,2,6,14	33,387	545	2%	(U)
Borrowing costs	1,827	1,827	1,601	1,601	1,601	1,601	-	-	2,295	694	43%	(U)
Depreciation, amortisation and impairment for non financial ass.	11,186	11,186	11,186	11,186	11,186	11,186	-	-	11,186	(0)	(0%)	(F)
Other expenses	2,683	2,683	2,683	2,405	3,263	3,263	-	-	3,092	(171)	(5%)	(F)
Total Expenses from continuing operations	92,166	92,166	90,017	90,450	88,236	85,433	(2,803)		86,392	959	1%	(U)
Operating result from continuing operations	8,936	8,936	10,225	15,428	16,226	16,357	131		19,368	3,011	18%	(F)

KIAMA MUNICIPAL COUNCIL
OPERATIONAL QUARTERLY BUDGET REVIEW
For the Period Ending 30 June 2023



Recommended changes to revised budget

<u>Note</u>	<u>Details</u>	<u>Budget Adjustment</u>
Rates and Annual Charges		
1	Remove excess revenue and expenditure budget that were identified in the process of a clean-up of the waste services budget, which is currently in the process of being reviewed and re-designed	2,010,000
3	Remove excess revenue and expenditure budget that were identified in the process of a clean-up of the waste services budget, which is currently in the process of being reviewed and re-designed	80,000
	Total User charges and fees	2,090,000
User charges and fees		
5	Remove excess revenue and expenditure budget that were identified in the process of a clean-up of the waste services budget, which is currently in the process of being reviewed and re-designed	551,738
	Total User charges and fees	551,738
Interest and Investment Income		
7	An inter-entity reappropriation of interest on investments was conducted to more accurately represent the amount of interest revenue on investments that should be recognised against Blue Haven	455,425
8	An inter-entity reappropriation of interest on investments was conducted to more accurately represent the amount of interest revenue on investments that should be recognised against Council	(455,425)
	Total Interest and Investment Income	-
Other Revenue		
9	Remove excess revenue and expenditure budget that were identified in the process of a clean-up of the waste services budget, which is currently in the process of being reviewed and re-designed	30,000
10	Reallocation of Blue Haven management recharge budget to realign internal recharges within the Blue Haven entity	1,492,831
11	Reallocation of Blue Haven management recharge budget to realign internal recharges within the Blue Haven entity	(1,492,831)
	Total Other Revenue	30,000
Other expenses		
12	Reallocation of Blue Haven management recharge budget to realign internal recharges within the Blue Haven entity	(1,492,831)
13	Reallocation of Blue Haven management recharge budget to realign internal recharges within the Blue Haven entity	1,492,831
	Total Other expenses	-
Materials and services		
14	Move operational budget to capital from operational due to misallocations	(161,176)
4	Remove excess revenue and expenditure budget that were identified in the process of a clean-up of the waste services budget, which is currently in the process of being reviewed and re-designed	(80,000)
2	Remove excess revenue and expenditure budget that were identified in the process of a clean-up of the waste services budget, which is currently in the process of being reviewed and re-designed	(2,010,000)
6	Remove excess revenue and expenditure budget that were identified in the process of a clean-up of the waste services budget, which is currently in the process of being reviewed and re-designed	(551,738)
	Total Materials and services	(2,802,914)
	Total Revenue Adjustments - (Increased revenue)/Decreased revenue	2,671,738
	Total Expenditure Adjustments - Increased expenditure/(Decreased expenditure)	(2,802,914)
	Effect on budget - (Increased surplus)/Decreased surplus	(131,176)



June Quarterly Budget Contracts Budget Review Statement

Contracts Listing (contracts entered into between April to June 2023)

Contractor	Contract detail & Purpose	Contract Value	Start Date	Duration of Contract	Budget Y/N
BG&E Pty Limited	SP1 - Bridges Rd - Detailed Design	84,889	21-Mar-23	12 months	Y
BG&E Pty Limited	SP2 - Jamberoo - Detailed Design	56,282	21-Mar-23	12 months	Y
GT Civil Pty Ltd	Site 1 Gipps Street	84,388	11-Jan-23	10 months	Y
GT Civil Pty Ltd	Site 5 - Cliff Drive	68,183	11-Jan-23	10 months	Y
Cool Blue Air Conditioning Pty Ltd	Admin Building A/C renewal	368,128	08-Nov-22	10 months	Y
Wagbuild Management Pty Ltd	Project Management Services	70,770	08-Mar-23	12 months	Y
Beau Cropper TA Beau Building Consultancy	Gerry Emery Reserve Project Management	50,997	08-Mar-23	12 months	Y
Civil and Civic Group	Site 2A - Wallaby Hill Rd	253,830	23-Jan-23	10 months	Y
Civil and Civic Group	Site 2C - Wallaby Hill Road	125,241	06-Apr-23	8 months	Y
Habitus	Organisational Culture	81,818	05-Jun-23	12 months	Y
Hays Specialist Recruitment (Australia) Pty Ltd	CP IT Support Donna Harland	65,100	09-Jun-23	8 months	Y
Print Mail Logistics	Printing - Debtors Full Year Printing - Rates Full Year	52,921	13-Jun-23	12 months	Y



June Quarterly Budget Consultancy and Legal Expenses Budget Review Statement

Consultancy & Legals Expenses Overview

Expenses	YTD Expenses (exc Commitments)	Budget Y/N
Consultants - Economic	10,831	Y
Consultants - Building & Valuations	52,914	Y
Consultants - Other	1,697,157	Y
Legal Fees	1,431,800	N

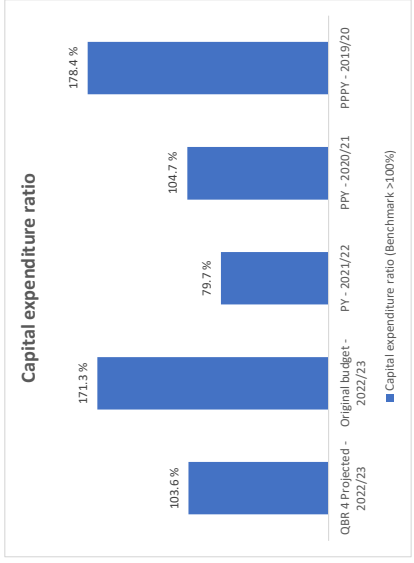
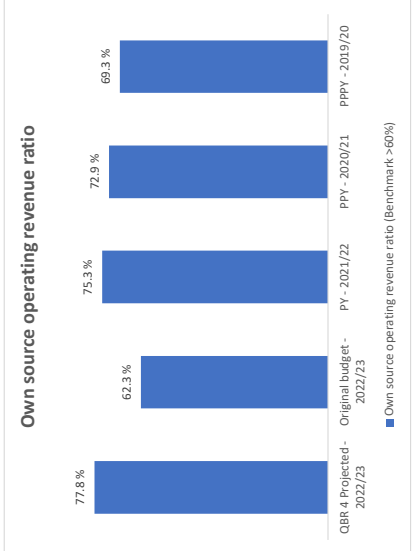
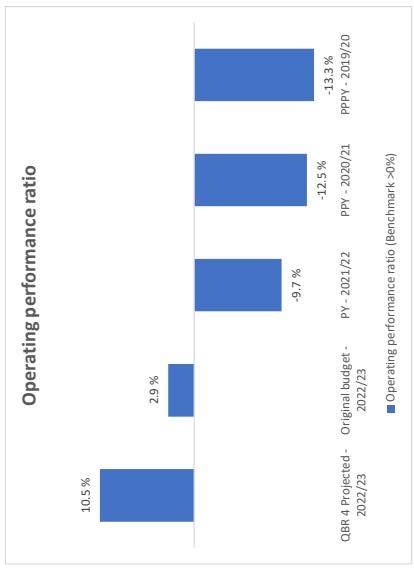
As per Council's request, additional information is provided in relation to Forsyths Business Services:
 Total expenditure for this supplier is \$94,775 (Exclusive of GST).

Definition of a consultant: is defined as a person or organisation engaged under contract on a temporary basis to provide recommendations or high level specialist or professional advice to assist decision-making by management. Generally it is the advisory nature of the work that differentiates a consultant from other contractors.



June Quarterly Budget KPI's Review Statement

Key performance indicators budget review statement	KPI Calculations (\$'000)					
	QBR 4 Budget 2022/23	Original budget 2022/23	Prior Year 2021/22	Current projection 2022/23	Original budget 2022/23	PPY 2019/20
NSW local government industry key performance indicators (OLG):						
Operating performance						
Operating revenue (excl. capital grants & contributions) - operating expenses	9,983	2,741	(7,844)	10.5 %	2.9 %	-13.3 %
Operating revenue (excl. capital grants & contributions)	95,416	94,903	80,875			
This ratio measures Council's achievement of containing operating expenditure within operating revenue.						
Own source operating revenue						
Operating revenue (excl. ALL grants & contributions)	79,188	23,793	62,375	77.8 %	62.3 %	69.3 %
Total Operating revenue (incl. capital grants & cont)	101,790	38,203	82,852			
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.						
Capital expenditure ratio						
Annual capital expenditure	11,587	19,157	9,098	103.6 %	171.3 %	178.4 %
Annual depreciation	11,186	11,186	11,419			
To assess the extent to which a Council is expanding its asset base through capital expenditure on both new assets and the replacement and renewal of existing assets.						





2022/23 Capital Program - Quarterly Budget Reviews Summary (\$'000)												
Program	Adopted budget	Carry over	QBR 1	QBR 2	QBR 3	QBR 4	QBR 4 Changes	Notes	2022/23 Preliminary Actuals	Variance (\$)	Variance (%)	Favourable / Unfavourable
Blue Haven	690	690	340	340	340	340	-		434	94	28%	(U)
Buildings & Facilities	2,568	2,589	1,509	1,509	1,204	877	(327)	3	871	(7)	(1%)	(F)
Carparks	31	31	31	31	-	-	-		-	-	-	(-)
Commercial - Holiday Parks	2,984	2,984	1,694	1,694	242	-	(242)	8	0	0	-	(-)
Commercial Business	200	545	545	545	2,089	1,584	(505)	8	1,611	27	2%	(U)
Footpaths & cycleways	2,683	2,955	2,224	2,243	534	440	(94)	1	406	(33)	(8%)	(F)
ICT	850	850	760	760	300	300	-		377	77	26%	(U)
Plant & Equipment	2,361	2,361	1,460	1,468	1,468	1,307	(161)	5	1,307	0	0%	(U)
Waste Services	220	220	120	340	320	151	(169)	10	151	0	0%	(U)
Playgrounds	125	396	271	294	134	271	137	6	224	(47)	(17%)	(F)
Recreation and Open Space	3,706	4,158	3,857	5,017	916	566	(350)	2	541	(24)	(4%)	(F)
Roads and Bridges	2,000	2,000	1,630	1,992	2,778	5,501	2,723	4	5,473	(28)	(1%)	(F)
Stormwater Assets	590	590	560	560	208	69	(139)	7	71	2	3%	(U)
Traffic Facilities	150	150	209	584	534	182	(352)	9	182	(0)	(0%)	(F)
Total	19,157	20,517	15,209	17,376	11,066	11,587	521		11,648	59	1%	(U)



KIAMA MUNICIPAL COUNCIL
CAPITAL QUARTERLY BUDGET REVIEW
For the Period Ending 30 June 2023

Recommended changes to revised budget

<u>Note</u>		<u>Capital Program/Details</u>	<u>Budget Adjustment</u>
Footpaths & cycleways:			
1	Eco Walk project, with works to continue into 2023/24.	Proposed to reduce the 2022/23 budget for Coastal Walk Track signage project, with savings released in to general fund (\$55K) and carry over remainder budget of the Bombo Headland	(94,111)
2	2022/23 budget reduced for projects such as Kiama Show ground and Hindmarsh Park projects which have been already included in the 2023/24 Capital budget.		(349,942)
Buildings and Facilities			
3	Budget carried forward into 2023/24 for administration building works.		(326,663)
Roads and Bridges:			
4	Increased budget for Landslide Repair projects of various sites, with funding from the Disaster Assistance Arrangement Program allocated to these projects. With the major variance of approximately \$2.3M. Additional budget of \$330K added for Regional Road Repair program (grant funded).		2,723,467
Plant & Equipment			
5	Unspent Budget to be transferred back to plant replacement reserve.		(161,199)
Playgrounds			
6	Increased budget for the Old School Park Reserve playground - grant funded project, original budget was incorrect.		160,000
Stormwater Assets:			
7	2022/23 FY budget reduced to match actual expenditures. Grant funded projects were carried forward into 2023/24, the rest transferred back to stormwater reserve.		(138,553)
Commercial Business:			
8	22/23 FY budget reduced to match actual expenditure with unspent funds for Holiday Parks Renewal returned the Crown Holiday Parks Reserve.		(747,388)
Traffic Facilities:			
9	22/23 FY budget reduced to match actual expenditure with unspent budget of \$352K to be carried over into 2023/24 FY as works are to be carried out for works such as the Pedestrian Crossing Black Spot Program.		(351,934)
Waste Services:			
10	22/23 FY budget reduced to match actual expenditure with savings relating to projects for Waste returned to Waste Reserve.		(192,544)
Net decrease in capital budget:			521,132

18.2 June 2023 Monthly Financial Report and Preliminary 2022/23 Financial Year End Results

CSP Objective: Outcome 12: Public funds and assets are managed strategically, transparently and efficiently

CSP Strategy: 12.1 Manage Public Funds in accordance with Financial Management Standards and the Local Government Act

Delivery Program: 12.1.1 Improved financial reporting and legislative compliance through reporting, scrutiny and oversight processes.

Summary

The aim of this report is to act as a furtherment to the suite of reporting that has been developed and improved upon throughout this year and to provide relevant and timely information to Council and the community on Council's financial performance for the 2022/23 financial year against its budget.

Financial implication

This report relates directly to the financial performance of Council.

Policy

Local Government Act 1993

Local Government (General) Regulation 2021

Consultation (internal)

Chief Executive Officer

Chief Financial Officer

Management Accountants

Communication/Community engagement

N/A

Attachments

Nil

Enclosures

Nil

RECOMMENDATION

That Council receive and adopt the Monthly Financial Report for June 2023 which includes preliminary 2022/23 financial year results and analysis.

Background

The Monthly Financial Report for June 2023 has been prepared to provide Council an overview of the current year to date financial performance. As June is the last month of the financial year this report provides an overview of preliminary financial results of

Supplementary Reports

18.2 June 2023 Monthly Financial Report and Preliminary 2022/23 Financial Year End Results (cont)

2022/23 financial year and compares these to the forecasted budget which includes proposed QBR4 adjustments as outlined in June Quarterly Budget Review Statement.

It is important to note that various year-end accounting processes and adjustments are yet to be completed which will impact year end results, notwithstanding any possible further auditor adjustments during the year end audit which will commence in February 2024, noting the 2022 Audit is currently being completed.

Item 18.2

Consolidated Income and Expenditure Statement

Throughout the 2022/23 financial year, Kiama Council has continued to undertake its ordinary operations, including running its commercial businesses, its Blue Haven aged care facility and associated services and acting in its administrative duties as a Council.

On conclusion of the year, it can be noted that Council at a consolidated level has outperformed its budgeted expectations by \$3.01M or 18.4%. This favourable outcome is a result of Kiama Council exceeding its budgeted income by \$3.97M or 3.9%, whilst concurrently overspending on budgeted expenditure by \$959K or 1.1% (unfavourable).

Kiama Council's general operations (excluding Blue Haven and Holiday Parks) have delivered a favourable outcome to expected operating results of \$2.58M. The main drivers of this are higher than expected interest income on investments and additional streams of grant income.

Council (excluding Blue Haven and Holiday parks) budgeted expenditure across all reporting levels however is neatly in line with preliminary actuals, which highlights improvement in budgetary management.

Contributing \$1.17M (approximately 30% of the consolidated favourable variance of \$3.01M), Kiama Council's holiday park operations have favourably exceeded both budgeted income and expense estimates. Kiama's six holiday park sites have delivered \$574K of additional revenue above budget estimates, whilst managing to simultaneously underspend on budgeted expenditure by \$596K. In addition to strong bookings sales, driven by increased tourism associated with numerous events being held in the Kiama LGA and surrounds, it should be noted that quarterly budget adjustments of projected revenue and expenditure were highly conservative. Prior years comparison information that was heavily impacted by Covid-19 restrictions, caused uncertainty to park managers in accurately forecasting expected patronage to their parks and subsequently resulting in minimal adjustments to budgets.

For summary of actuals vs budget per entity please refer to the table below. Note the figures shown are rounded to the nearest thousand (\$'000).

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18.2 June 2023 Monthly Financial Report and Preliminary 2022/23 Financial Year End Results (cont)

2022/23 Operational Budget - Variance Summary per Entity				
	Consolidated	Kiama General Operations (exc. BH & HP)	Blue Haven	Holiday Parks
Income Actual	105,761	70,227	24,329	11,205
Income Budget (QBR4)	101,790	67,643	23,516	10,631
Income Variance \$	3,971	2,584	813	574
Income Variance %	3.9%	3.8%	3.5%	5.4%
Expenses Actual	86,392	54,283	26,001	6,109
Expenses Budget (QBR4)	85,433	54,284	24,445	6,704
Expenses Variance	959	(1)	1,556	(595)
Expense Variance %	1.1%	(0.0%)	6.4%	(8.9%)
Actual operating results	19,368	15,944	(1,672)	5,096
Budgeted (QBR4) operating results	16,357	13,359	(929)	3,927
Operating results variance	3,011	2,585	(743)	1,170
Operating results Variance %	18.4%	19.3%	79.9%	29.8%

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Income from continuing operationsRates and annual charges

Actuals and budget are in alignment, with an immaterial favourable variance of \$47K.

User charges and fees

Actuals and budget are in alignment, with an immaterial favourable variance of \$72K. Councils commercial operations, primarily its Holiday Parks (\$501K favourable), Pavilion (\$48K favourable) and Leisure Centre (\$148K favourable) have each contributed to recording higher than expected revenue from user charges and fees, offsetting shortfalls in budgeted revenue in other areas.

Grants and contributions provided for operating and capital purposes

Grant revenue, both operating and capital combined are favourable against budget by \$3.15M. This is in part due to the receipt of the 2023/24 Financial Assistance Grant in advance of \$2.16M in June 2023 (\$800K above budget).

In addition, grant funding was secured from Transport for NSW under the Natural Disaster Relief and Recovery – Essential Public Asset Restoration program of \$2.04M, which had not previously been considered. Lastly, Funding was secured from the NSW Office of Sport – Sport Infrastructure Recovery Fund – Essential Community Sport Assets Program for the Gainsborough Oval Sport Facility upgrade (\$345K) and the Gerry Emery Reserve Athol Noble Oval Sport Facility Upgrade (\$496K). A full

Supplementary Reports

18.2 June 2023 Monthly Financial Report and Preliminary 2022/23 Financial Year End Results (cont)

reconciliation of grants is to be performed as a part of the 2022/23 financial statement preparation process.

Interest and investment income

Interest and investment income is favourable by \$310K. The adopted budget was already increased by \$784K in quarter ending March 2023, yet Council has still exceeded budget results at year end.

Net gain from the disposal of assets

A favourable variance of \$449K can be explained by Council having sold various items of plant and equipment throughout the year but are yet to have processed the relevant accounting disposal entries which will subsequently recognise a net gain or loss on sale. These entries will form a part of the 2022/23 financial statement preparation process, and it is expected that this variance will reduce.

Expenses from continuing operationsEmployee benefits and on-costs

The resulting budget variance for employee costs for the year was minor, being favourable by \$109K. Throughout the course of the financial year, ongoing employee turnover led to subsequent vacancies across many areas of Council's operations. The provision established in the budget for vacancies was sufficient to offset these savings.

Materials and services

Materials and services are unfavourable by \$372K. The primary drivers of this deviation from budget relates to expenditure on contractors, consultants, and agency staff across Council's operations, but specifically within the Blue Haven aged care facility. Lower than expected recruitment coupled with a nationwide shortage in aged care staff has resulted in higher than expected agency staff usage. Consultants and contracts costs have exceeded budget due to shortfalls in staff in certain areas. Council's involvement in various legal proceeding has also seen expenditure in this area exceed original estimates and are likely to be ongoing in the 2023/24 financial year.

Borrowing costs

Borrowing costs are unfavourable by \$694K. This is largely as a result of Kiama Council making early repayment on two loans to NSW Treasury Corp (t-Corp) with the interest expenses being brought forward for repayments. The interest resulting from this early repayment was \$277K, which would have ordinarily coincided with the repayments previously scheduled to occur within the 2023/24 financial year. The early repayments were not considered during the original budget or subsequent quarterly amendments. In addition, further adjustments to accruals are required and are to be completed as a part of the 2022/23 financial statement preparation, which account for the remaining variance. Overall though, putting aside the timing difference regarding the early repayment, the interest rate market was favourable to Council in clearing the debt earlier than August 2023.

Supplementary Reports

18.2 June 2023 Monthly Financial Report and Preliminary 2022/23 Financial Year End Results (cont)

Depreciation, amortisation, and impairment for non-financial assets

Depreciation entries are to form part of the 2022/23 financial statement process, which has yet to commence. Current depreciation actuals are based on budget estimates. As a result, budget variance for depreciation is nil.

Other income, other revenue and other expenses

An immaterial variance can be seen across these areas, highlighting that the alignment between actuals and budget were maintained, with no material occurrences being found.

Blue Haven Income and Expenditure Statement

Blue Haven performed worse than expected, delivering a \$1.67M loss to Council which had been forecast to be closer to \$930K for the year, leading to an unfavourable variance of \$743K or 79.9%.

Blue Havens expenditure budget was exceeded by 6%, equating to a \$1.55M overspend across all expenditure classes. This includes \$733K over expenditure of borrowing costs as noted earlier. Tightening of aged care regulatory environment, coupled with consistent price increases of key materials and supplies used in Blue Havens daily operations, driven by economic inflationary pressures were other contributing factors. In addition, nationwide shortages in aged care staff, coupled with significant employee turnover has resulted in the use of contractors, agency staff and casual employees to conduct its operations, significantly adding to operational costs.

Recent improvements to the rostering process has ensured more consistent staffing levels, an issue that was highlighted in the Business Case Review, which does increase costs. However due to RAC Manager turnover and the intervening recruitment period, occupancy dropped to 78% compared to the 88%-90% target.

When comparing to 2021/22 year-end results, excluding borrowing costs and depreciation recognised in 2022/23 but not in 2021/22, Blue Haven's results have not changed significantly.

Consolidated Statement of Financial Position

The Statement of Financial Position is similar to the previous month from a broad net equity perspective. Total cash reserves (cash + investments) have decreased mainly due to the TCORP loan repayment on 23 June 2023 of \$14.97M. Accordingly, the associated liability has decreased. This amount was funded from externally restricted reserves.

Current Asset Ratio

The ratio of 0.35 is calculated on figures reported in the consolidated balance sheet which is a decrease in from May report of 0.39. The current asset ratio would be approximately 3.46 with the exclusion of Blue Haven current assets and current liabilities from the calculation.

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18.2 June 2023 Monthly Financial Report and Preliminary 2022/23 Financial Year End Results (cont)

	Year to Date				Full Year					
	Actual		QBR 4 Forecast Budget		Last Year Actual		Original Budget		QBR 4 Forecast Budget	
	2023	2023	2023	2023	2022	2023	2023	2023	2023	2023
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income from continuing operations										
Rates and annual charges	26,983	26,936	47	27,439	27,439	26,919	26,919	26,936		
User charges and fees	22,956	22,884	72	20,898	20,898	22,305	22,305	22,884		
Other revenue	5,848	5,833	15	5,821	5,821	4,861	4,861	5,833		
Grants and contributions provided for operating purposes	20,198	16,228	3,970	17,524	17,524	16,717	16,717	16,228		
Grants and contributions provided for capital purposes	5,560	6,374	(814)	1,751	1,751	6,195	6,195	6,374		
Interest and investment income	1,781	1,471	310	290	290	741	741	1,471		
Other income	-	0	(0)	-	-	2,373	2,373	0		
Net gain/(loss) from the disposal of assets	17,085	16,637	449	925	925	14,410	14,410	16,637		
Internal Revenue	5,349	5,427	(78)	7,817	7,817	6,576	6,576	5,427		
Total income from continuing operations	105,761	101,790	3,971	82,466	82,466	101,099	101,099	101,790		
Expenses from continuing operations										
Employee benefits and on-costs	36,431	36,541	(109)	35,702	35,702	38,340	38,340	36,541		
Materials and services	30,138	29,766	372	30,489	30,489	33,031	33,031	29,766		
Borrowing costs	2,295	1,601	694	1,511	1,511	1,827	1,827	1,601		
Depreciation, amortisation and impairment for non financial assets	11,186	11,186	(0)	-	-	11,186	11,186	11,186		
Other expenses	993	912	81	1,596	1,596	1,202	1,202	912		
Internal Expenditure	5,349	5,427	(78)	8,172	8,172	6,576	6,576	5,427		
Total Expenses from continuing operations	86,392	85,433	959	77,471	77,471	92,163	92,163	85,433		
Operating result from continuing operations	19,368	16,357	3,011	4,995	4,995	8,937	8,937	16,357		
Net operating results for the year	19,368	16,357	3,011	4,995	4,995	8,937	8,937	16,357		
Net operating result for the year before grants and contributions provided for capital purposes	13,809	9,983	3,825	3,245	3,245	2,742	2,742	9,983		

KIAMA MUNICIPAL COUNCIL
Summary Consolidated Operating Results
For the Period Ending 30 June 2023



Supplementary Reports

18.2 June 2023 Monthly Financial Report and Preliminary 2022/23 Financial Year End Results (cont)



KIAMA MUNICIPAL COUNCIL
Council General Operations (exc Blue Haven and Holiday Parks)
For the Period Ending 30 June 2023

	Year to Date				Full Year	
	Actual	QBR 4 Forecast	Variance	Last Year Actual	Last Year Actual	QBR 4 Forecast
		2023	Budget	2023	2022	Budget
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income from continuing operations						
Rates and annual charges	26,983	26,936	47	27,439	27,439	26,936
User charges and fees	6,874	7,224	(350)	5,029	5,029	7,224
Other revenue	1,358	1,445	(87)	1,128	1,128	1,445
Grants and contributions provided for operating purposes	6,964	4,039	2,925	5,289	5,289	4,039
Grants and contributions provided for capital purposes	5,560	6,374	(814)	1,682	1,682	6,374
Interest and investment income	1,372	1,057	315	280	280	1,057
Other income	-	-	-	-	-	-
Net loss from the disposal of assets	17,085	16,637	449	925	925	16,637
Internal Revenue	4,030	3,931	98	6,541	6,541	3,931
Total income from continuing operations	70,227	67,643	2,584	48,314	48,314	67,643
Expenses from continuing operations						
Employee benefits and on-costs	23,359	23,813	(454)	22,736	22,736	23,813
Materials and services	18,299	18,188	111	17,788	17,788	18,188
Borrowing costs	105	133	(28)	122	122	133
Depreciation, amortisation and impairment for non financial assets	9,929	9,929	(0)	-	-	9,929
Other expenses	697	479	218	1,043	1,043	479
Internal Expenditure	1,894	1,742	152	4,819	4,819	1,742
Total Expenses from continuing operations	54,283	54,284	(1)	46,508	46,508	54,284
Operating result from continuing operations	15,944	13,359	2,585	1,806	1,806	13,359
Net operating results for the year	15,944	13,359	2,585	1,806	1,806	13,359
Net operating result for the year before grants and contributions provided for capital purposes	10,384	6,985	3,399	124	124	6,985

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18.2 June 2023 Monthly Financial Report and Preliminary 2022/23 Financial Year End Results (cont)

	Year to Date				Full Year	
	Actual	QBR 4 Forecast		Last Year Actual	QBR 4 Forecast	
		2023	Budget		2023	Budget
	2023	2023	2023	2022	2023	2023
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
			Variance			
			2023	2022		
			\$'000	\$'000		
Income from continuing operations						
Rates and annual charges	-	-	-	-	-	-
User charges and fees	4,951	5,031	(80)	5,529	5,529	5,031
Other revenue	4,488	4,386	101	4,692	4,692	4,386
Grants and contributions provided for operating purposes	13,234	12,189	1,046	12,234	12,234	12,189
Grants and contributions provided for capital purposes	-	-	-	-	-	-
Interest and investment income	409	414	(5)	10	10	414
Other income	-	0	(0)	-	-	0
Internal Revenue	1,247	1,496	(249)	1,265	1,265	1,496
Total income from continuing operations	24,329	23,516	813	23,729	23,729	23,516
Expenses from continuing operations						
Employee benefits and on-costs	12,712	12,307	405	12,647	12,647	12,307
Materials and services	6,693	6,022	671	7,708	7,708	6,022
Borrowing costs	2,103	1,369	733	1,278	1,278	1,369
Depreciation, amortisation and impairment for non financial assets	1,257	1,257	(0)	-	-	1,257
Other expenses	2	-	2	15	15	-
Net loss from the disposal of assets	-	-	-	-	-	-
Internal Expenditure	3,234	3,489	(256)	3,168	3,168	3,489
Total Expenses from continuing operations	26,001	24,445	1,556	24,815	24,815	24,445
Operating result from continuing operations	(1,672)	(929)	(743)	(1,086)	(1,086)	(929)
Net operating results for the year	(1,672)	(929)	(743)	(1,086)	(1,086)	(929)
Net operating result for the year before grants and contributions provided for capital purposes	(1,672)	(929)	(743)	(1,086)	(1,086)	(929)

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18.2 June 2023 Monthly Financial Report and Preliminary 2022/23 Financial Year End Results (cont)

	Year to Date				Full Year	
	Actual	QBR 4 Forecast Budget	Variance	Last Year Actual	Last Year Actual	QBR 4 Forecast Budget
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income from continuing operations						
Rates and annual charges	-	-	-	-	-	-
User charges and fees	11,131	10,629	502	10,341	10,341	10,629
Other revenue	2	2	0	1	1	2
Grants and contributions provided for operating purposes	0	-	0	2	2	-
Grants and contributions provided for capital purposes	-	-	-	69	69	-
Interest and investment income	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Internal Revenue	72	-	72	11	11	-
Total income from continuing operations	11,205	10,631	574	10,423	10,423	10,631
Expenses from continuing operations						
Employee benefits and on-costs	360	420	(60)	319	319	420
Materials and services	5,146	5,556	(410)	4,994	4,994	5,556
Borrowing costs	87	98	(12)	111	111	98
Depreciation, amortisation and impairment for non financial assets	-	-	-	-	-	-
Other expenses	294	433	(139)	539	539	433
Net loss from the disposal of assets	-	-	-	-	-	-
Internal Expenditure	221	196	25	185	185	196
Total Expenses from continuing operations	6,109	6,704	(596)	6,148	6,148	6,704
Operating result from continuing operations	5,096	3,927	1,170	4,275	4,275	3,927
Net operating results for the year	5,096	3,927	1,170	4,275	4,275	3,927
Net operating result for the year before grants and contributions provided for capital purposes	5,096	3,927	1,170	4,206	4,206	3,927

KIAMA MUNICIPAL COUNCIL
Holiday Parks Operating Results
For the Period Ending 30 June 2023



Supplementary Reports

18.2 June 2023 Monthly Financial Report and Preliminary 2022/23 Financial Year End Results (cont)



KIAMA MUNICIPAL COUNCIL
 Summary Blue Haven (BH) Departmental Summary Operating Results
 For the Period Ending 30 June 2023

	Year to Date				Full Year					
	RACF		COMMUNITY PROGRAMS		BARROUL HOUSE		BH MANAGEMENT		TOTAL BLUEHAVEN	
	Actual	2023 \$'000	Actual	2023 \$'000	Actual	2023 \$'000	Actual	2023 \$'000	Actual	2023 \$'000
Income from continuing operations										
Rates and annual charges	3,469	1,358	123	-	-	-	-	-	-	-
User charges and fees	17	4,349	29	93	-	-	-	-	5,529	5,031
Other revenue	8,713	-	4,522	-	-	-	-	-	4,692	4,386
Grants and contributions provided for operating purposes									12,234	12,189
Grants and contributions provided for capital purposes	248	167	(6)	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	-	-	-	10	414
Other income	-	-	426	-	-	-	821	-	-	0
Internal Revenue	-	-	-	-	-	-	-	-	1,265	1,496
Total income from continuing operations	12,446	5,874	5,094	93	821	821	24,329	23,516	23,729	23,516
Expenses from continuing operations										
Employee benefits and on-costs	8,632	200	3,007	233	640	12,712	405	12,647	12,647	12,307
Materials and services	5,008	871	703	45	67	6,693	671	7,708	7,708	6,022
Borrowing costs	1,472	630	-	-	-	2,103	733	1,278	1,278	1,369
Depreciation, amortisation and impairment for non financial assets	1,122	-	-	-	135	1,257	(0)	-	-	1,257
Other expenses	-	2	-	-	-	2	2	2	15	-
Net loss from the disposal of assets	-	-	-	-	-	-	-	-	-	-
Internal Expenditure	1,136	781	1,287	24	6	3,234	3,489	(256)	3,168	3,489
Total Expenses from continuing operations	17,370	2,484	4,997	302	848	26,001	1,556	24,815	24,815	24,445
Operating result from continuing operations	(4,924)	3,391	97	(209)	(26)	(1,672)	(743)	(1,086)	(1,086)	(929)
Net operating results for the year	(4,924)	3,391	97	(209)	(26)	(1,672)	(743)	(1,086)	(1,086)	(929)
Net operating result for the year before grants and contributions provided for capital purposes	(4,924)	3,391	97	(209)	(26)	(1,672)	(743)	(1,086)	(1,086)	(929)

Item 18.2

Supplementary Reports

18.2 June 2023 Monthly Financial Report and Preliminary 2022/23 Financial Year End Results (cont)

KIAMA MUNICIPAL COUNCIL**Consolidated**

Statement of Financial Position

For the Period Ended 30 June 2023



	Notes	Actual 12 Months 2023 \$'000	Actual 12 Months 2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	C1-1 1CA01	43,058	1,574
Investments	C1-2 1CA02	3,025	46,237
Receivables	C1-4 1CA03	2,942	2,484
Inventories	C1-5 1CA04	287	302
Contract assets and contract cost assets	C1-6 1CA08	105	216
Current assets classified as 'held for sale'	C1-7 1CA06	-	20,178
Other	1CA05	1,296	111
Total current assets		50,712	71,102
Non current assets			
Investments	C1-2 1NCA01	750	6,000
Receivables	C1-4 1NCA02	197	191
Infrastructure, property, plant and equipment	C1-8 1NCA03	497,933	600,041
Investment property	C1-9 1NCA05	139,078	139,030
Right of use assets	C2-1 1NCA09	41	122
Total non current assets		637,999	745,384
Total assets		688,712	816,485
LIABILITIES			
Current liabilities			
Payables	C3-1 2CL01	135,800	139,485
Contract liabilities	C3-2 2CL05	2,692	3,719
Lease liabilities	C2-1 2CL04	36	36
Borrowings	C3-3 2CL02	1,064	1,000
Employee benefit provisions	C3-4 2CL03	7,154	7,718
Total current liabilities		146,746	151,957
Non current liabilities			
Payables	C3-1 2NCL01	27	24
Lease liabilities	C2-1 2NCL04	6	6
Borrowings	C3-3 2NCL02	20,440	51,427
Employee benefit provisions	C3-4 2NCL03	768	741
Total non current liabilities		21,242	52,197
Total Liabilities		167,988	204,155
Net Assets		520,724	612,330
EQUITY			
Retained earnings	3EQ01	199,554	205,926
Revaluation reserves	3EQ02	302,166	425,127
Current Year Net Earnings		19,004	-18,723
Total equity		520,724	612,330

18.3 Statement of Investments - July 2023

CSP Objective: Outcome 12: Public funds and assets are managed strategically, transparently and efficiently

CSP Strategy: 12.1 Manage Public Funds in accordance with Financial Management Standards and the Local Government Act

Delivery Program: 12.1.1 Improved financial reporting and legislative compliance through reporting, scrutiny and oversight processes.

Summary

This report provides an overview of Councils cash and investment portfolio and investment performance at 31 July 2023 and endorsement of the restricted funds position.

Financial implication

Investments are undertaken based upon the best rate on the day and after consideration of spreading Council's Investment risk across various institutions as per the Investment Policy and section 625 of the Local Government Act 1993. The distinction between restricted and unrestricted funds is a key operational and financial understanding.

Risk implication

The risk related to this information is non-compliance with Council's Investment Policy and Office of Local Government guidelines for appropriate monitoring and reporting of changes and the position of restricted funds.

Policy

Clause 625 of the *Local Government Act 1993*

Clause 212 of the Local Government (General) Regulation 2021

Kiama Municipal Council – Investment Policy

Kiama Municipal Council – Restricted Funds Policy

Consultation (internal)

Chief Executive Officer

Chief Financial Officer

Financial Accountant

Communication/Community engagement

N/A

Attachments

1 Investment Report July 2023 [↓](#)

Enclosures

Nil

Supplementary Reports

18.3 Statement of Investments - July 2023 (cont)

RECOMMENDATION

That Council:

1. Receives the information relating to the Statement of Investments as at 31 July 2023.
2. Approves the transfer of \$500,000 from the Land Development Reserve to Unrestricted Funds and endorses the restricted funds position outlined in the report as amended.

Item 18.3

Background

Council is required to invest its surplus funds in accordance with the Ministerial Investment Order and Office of Local Government guidelines. The Order reflects a conservative approach and restricts the investment types available to Council. In compliance with the Order and Office of Local Government guidelines, Council adopted an Investment Policy in August 2021. The Investment Policy provides a framework for the credit quality, institutional diversification, and maturity constraints that Council's portfolio can be exposed to. Council's investment portfolio was controlled by Council's Finance Division during the period to ensure compliance with the Investment Policy.

Council's direct investments are often rolled over on maturity with the same financial institution, if competitive, and based on whether funds are required for operations. External investment broker advice is also considered at the time.

Movement in investments

Council's average weighted return for July 2023 was 4%. Investment rate average of 4.04% compares to 3.59% last month. The 90 Day Bank Bill Swap Rate (BBSW) benchmark return of 4.48% as at 31 July 2023. This difference is because market interest rates are increasing, and Council have longer term fixed investments at lower rates. As a result, Council's return on funds will lag the actual real time 90 Day BBSW until such time as interest rate movements in the economy settle and all of Council's investments have matured and are invested at the settled prevailing (higher) market rates.

If funds are not required, maturing investments will be renewed for shorter terms to take advantage of the rising rate market and allow for cashflows in times where cash outflows are required to meet demand. The expected plateauing of the interest rate market will be considered in coming months regarding future investment timing decisions. Council have also negotiated with its banker, Westpac, an interest rate on its General Account which is linked to the 30 Day BBSW. As at 31 July, this rate was 3.77%.

Over the past 12 months, Council's investments portfolio has decreased by 19.1% or \$10.7 million from the total investments held in July 2022. Repayments of TCorp loan tranches being key outflows and partially offset by property sales inflows.

One investment matured during July 2023, with the following action taken under delegation:

Supplementary Reports

18.3 Statement of Investments - July 2023 (cont)

- Westpac \$5 million redeemed and not reinvested

It is important to note that there are two term deposits maturing on 31 July 2023:

- BOQ \$4 million
- CBA \$25 million

The investment portfolio is regularly reviewed to maximise investment performance and minimise risk. Comparisons are made between existing investments with available products that are not part of Council's portfolio. Independent advice is sought on new investment opportunities.

Restricted funds movements

During the month of July some movements in restricted funds were amended where required.

The restricted fund movement and balance is contained in *Table 2: Application of Invested Funds*; in the attachment and summarised in the table below.

Description	Jun-23	Movement	Jul-23
Externally Restricted	30,703,043	(84,073)	30,618,970
Developer Contributions	11,235,635	521,000	11,756,635
Unexpended Grants	1,455,511		1,455,511
Domestic Waste	4,104,551		4,104,551
Loan Restrictions - Tcorp	805,073	(805,073)	0
Blue Haven Terralong ILU Maintenance Levy	1,640,021		1,640,021
Blue Haven Bonaira ILU Maintenance Levy	178,016		178,016
Blue Haven RAC Prudential Liquidity Manageme	4,800,000	200,000	5,000,000
Blue Haven Community Transport Vehicle	315,000		315,000
Blue Haven Home Care Client credit Balance	408,706		408,706
Crown Holiday parks	3,061,624	0	3,061,624
Leisure Centre Unspent Loan Funding	500,000		500,000
Stormwater Levy	227,206	0	227,206
Security bonds, Deposits & Retentions	1,971,700	0	1,971,700
Internally Restricted	15,082,475	100,000	15,182,475
Carry Over Works	20,500		20,500
Council Elections	49,776		49,776
Employee Leave Liabilities	4,000,000		4,000,000
Land development	5,002,000		5,002,000
Plant replacement	280,475		280,475
Risk Improvement Incentive	106,237		106,237
Waste Business Unit	865,308	0	865,308
Waste and Sustainability	558,180		558,180
Blue Haven ILU Prudential Cover	4,200,000	100,000	4,300,000
Unrestricted Funds	2,626,815	(3,109,991)	(483,175)
Total Investments	48,412,334	(3,094,064)	45,318,270

Supplementary Reports

18.3 Statement of Investments - July 2023 (cont)

Movements are the result of adjustments made to Blue Haven liquidity reserves and new developer contributions received.

Holiday parks and waste reserves were not adjusted in July due to year-end roll over process and will be reflected in August. The TCorp adjustment is due to recent repayments of 2x\$15M or \$30M and the new loan extension of \$15M or specifically the trigger for the repayment of the new loan extension being linked directly to the Bonaira sale.

Unrestricted funds for future strategic or operational expenditure

The Unrestricted Funds balance as at 31 July 2023 is negative \$483,000 primarily due to significant payments made in July and rates being not due until August.

It is recommended that \$500,000 be transferred from the Internally Restricted Land Development Reserve to provide a positive Unrestricted Funds balance to meet future expenditure requirements in accordance with section 6 of Council's Restricted Funds Policy which states:

"Council may decide to review its internal restrictions at any time to meet financial obligations and requirements of Council's Long Term Financial Plan.

A Council resolution is required to return funds no longer required to unrestricted cash. If an urgent, unplanned or emergency need arises during the year to access internally restricted funds Council may resolve to do so outside of the annual review process."

This transfer does not preclude Council utilising the funds transferred to unrestricted cash for purposes the Land Development Reserve was established should the need arise.

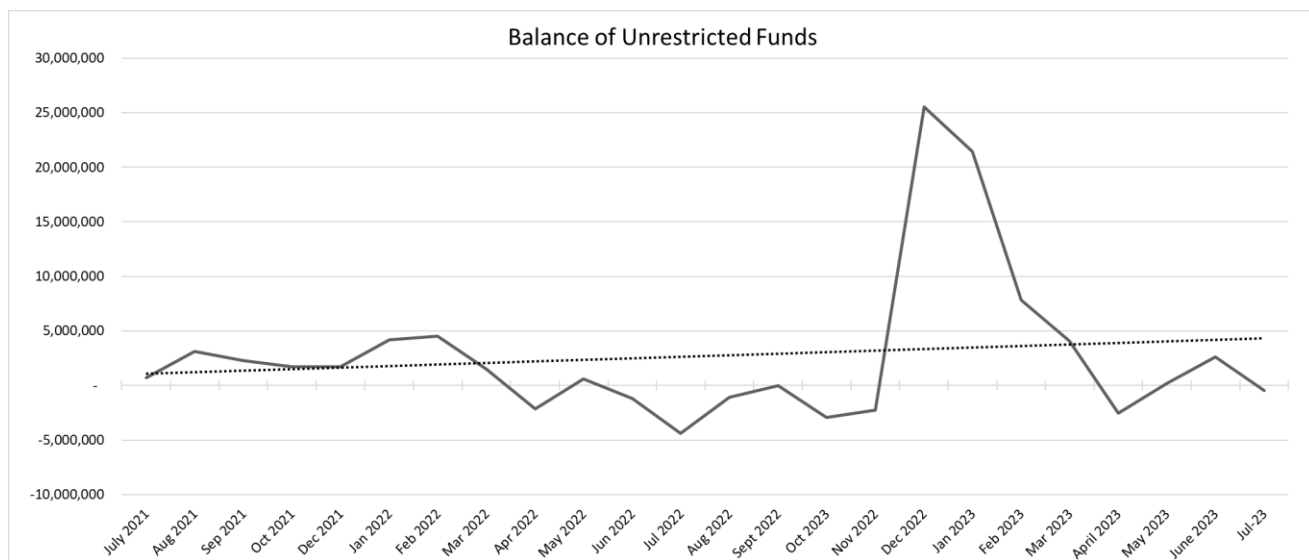
The unrestricted cash position will be monitored during the coming months with a view of returning funds to the Land Development Reserve when this becomes possible.

The decrease in unrestricted cash is primarily due to some significant payments made to suppliers in July including annual software payments and expenses associated with landslide repair projects (to be reimbursed by Transport of NSW). On the other hand, cash inflow from rates was insignificant in July as rate payments are not due until August.

The graph below shows the negative unrestricted funds position this month.

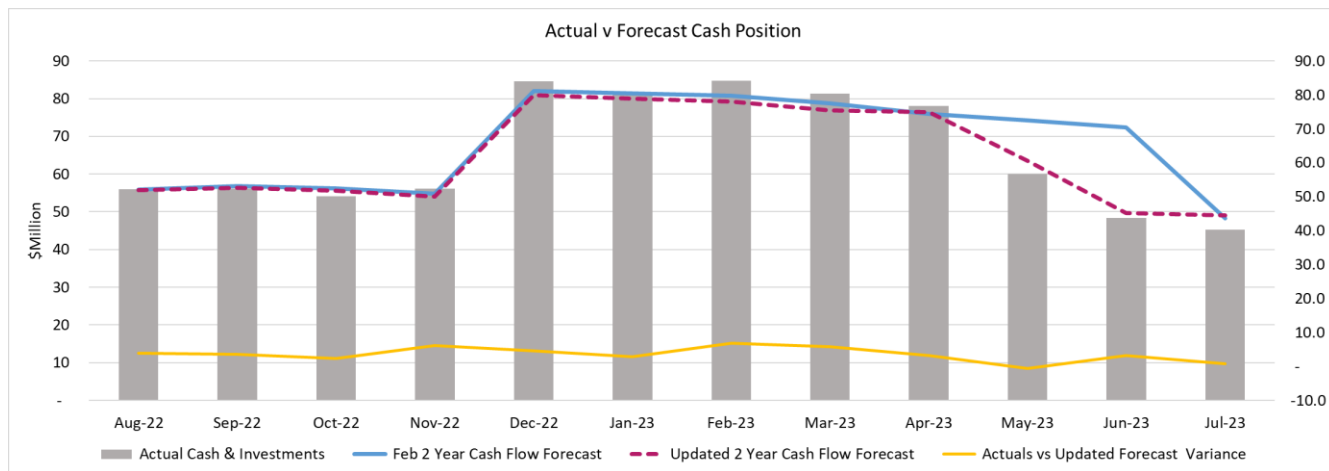
Supplementary Reports

18.3 Statement of Investments - July 2023 (cont)



Consolidated cash position and Cash Flow Forecast

The recent 2 Year cash flow and Financial Sustainability Strategy are key documents that note Council’s plans to progress through its current financial position. The chart below shows a comparison of actual total cash reserves against the forecast as presented in February 2023 and an updated cash flow forecast.



Certification – Responsible Accounting Officer

I hereby certify that the investments listed in this report have been made in accordance with Section 625 of the *Local Government Act 1993*, clause 212 of the *Local Government (General) Regulation 2021* and Council’s Investment Policy.

Olena Tulubinska
Chief Financial Officer

09/08/2023



Council Investments as at 31 July, 2023

INSTITUTION	S & P RATING	MARKET VALUE	INVESTMENT TYPE	DATE LODGED	MATURITY DATE	TERM (DAYS)	RATE %
Bank of Qld	BBB+	4,000,000	Term Deposit	09-Jan-23	31-Jul-23	203	4.45
Commonwealth Bank	AA-	25,000,000	Term Deposit	16-Dec-22	31-Jul-23	227	4.42
NAB	AA-	1,000,000	Term Deposit	11-Aug-21	11-Aug-23	730	0.60
NAB	AA-	3,000,000	Term Deposit	20-Feb-23	21-Aug-23	182	4.49
Commonwealth Bank	AA-	2,000,000	Term Deposit	24-Feb-23	25-Sep-23	213	4.72
Commonwealth Bank	AA-	3,000,000	Term Deposit	16-Dec-22	18-Dec-23	367	4.67
AMP	BBB	750,000	Term Deposit	27-Sep-22	26-Sep-24	730	4.95
Total Term Deposits & FRNs		38,750,000					4.04
Tcorp/IM Cash Fund	AAA	-	Cash Fund				
Westpac (All Bank Accounts)	AA-	6,568,270	Bank Account				3.77%
Total 'At Call' Funds		6,568,270					
TOTAL CASH & INVESTMENTS		45,318,270					
					Average Rate- Jul 2023		4.00%
					Average Rate- Jul 2022		0.96%

TOTAL CASH & INVESTMENTS Jun 2023 48,412,334 Change in total investment over prev 1 month -6.39%

TOTAL CASH & INVESTMENTS Jul 2022 56,019,112 Change in total investment over prev 12 months -19.10%

Note: As at 30 June 2023 unrepresented cheques totalled \$563540

Long Term Credit Ratings (S&P or Moodys or Fitch)	Policy Maximum	Current Holding %	Current Investment \$
A, A+, AA-, AA, AA+, AAA	100%	88%	\$34,000,000
A-	40%	0%	\$0
BBB to BBB+	30%	12%	\$4,750,000
BBB- and below	5%	0%	\$0
			\$38,750,000

** This includes all Term Deposits

Application of Invested Funds

Restricted Funds	Category	Subcategory	Description	Jun-23	Movement	Jul-23
Externally Restricted				30,703,043	(84,073)	30,618,970
	Developer Contributions	Major Works	Developer Contributions	11,235,635	521,000	11,756,635
	Operational	Timing Adjustments	Unexpended Grants	1,455,511		1,455,511
	Operational	Statutory/ External Restriction	Domestic Waste	4,104,551		4,104,551
	Operational	Statutory/ External Restriction	Loan Restrictions - Tcorp	805,073	(805,073)	0
	Operational	Statutory/ External Restriction	Blue Haven Terralong ILU Maintenance Levy	1,640,021		1,640,021
	Operational	Statutory/ External Restriction	Blue Haven Bonaira ILU Maintenance Levy	178,016		178,016
	Operational	Statutory/ External Restriction	Blue Haven RAC Prudential Liquidity Management	4,800,000	200,000	5,000,000
	Operational	Statutory/ External Restriction	Blue Haven Community Transport Vehicle	315,000		315,000
	Operational	Accumulated Liabilities	Blue Haven Home Care Client credit Balance	408,706		408,706
	Asset Management	Specific	Crown Holiday parks	3,061,624	0	3,061,624
	Strategic	Community	Leisure Centre Unspent Loan Funding	500,000		500,000
	Stormwater Levy	Statutory/ External Restriction	Stormwater Levy	227,206	0	227,206
	Operational	Statutory/ External Restriction	Security bonds, Deposits & Retentions	1,971,700	0	1,971,700
Internally Restricted				15,082,475	100,000	15,182,475
	Asset Management	Specific	Carry Over Works	20,500		20,500
	Strategic	Community	Council Elections	49,776		49,776
	Operational	Accumulated Liabilities	Employee Leave Liabilities	4,000,000		4,000,000
	Asset Management	Specific	Land development	5,002,000		5,002,000
	Asset Management	Light Fleet and Plant Acquisition	Plant replacement	280,475		280,475
	Strategic	Community	Risk Improvement Incentive	106,237		106,237
	Strategic	Community	Waste Business Unit	865,308	0	865,308
	Strategic	Community	Waste and Sustainability	558,180		558,180
	Operational	Specific	Blue Haven ILU Prudential Cover	4,200,000	100,000	4,300,000
Unrestricted Funds			Funds to meet current budgeted expenditure	2,626,815	(3,109,991)	483,175
Total Investments				48,412,334	(3,094,064)	45,318,270

Note:
The above Application of Invested Funds will change subject to the preparation of the financial statements.

