

## 8.2.1 JANUARY 2014 FINANCIAL PERFORMANCE REPORT

**File No:** Report

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**Attachments:** Att 1 - January 2014 Financial Performance Report

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### PURPOSE

To meet council's legislative obligations, a monthly report is to be presented to council on its financial performance and investments.

### EXECUTIVE SUMMARY

The monthly financial performance report provides council with a summary of performance against budget at the end of each month in terms of the operating result and delivery of the capital program.

The operational result at 31 January 2014 shows a positive variance of \$3.7 million compared to the forecast position.

This operating result variation is made up of higher than expected revenue of \$4.8 million (1.5%) and higher than expected operating expenses of \$1.1 million (0.5%). Further detail is provided in the proposal section of this report.

The positive variance in the operating result of \$3.7 million at the end of January 2014 should be considered in the context of the key financial risks to council's full year operating result identified in the Risk section of this report.

As at 31 January 2014, \$86.2 million (46.6%) of council's \$185 million 2013/2014 Capital Works Program was financially expended.

Council's investment portfolio remains within the guidelines established under the Investment Policy.

### OFFICER RECOMMENDATION

That Council receive and note the report titled "January 2014 Financial Performance Report".

### FINANCE AND RESOURCING

There are no financing and resourcing implications as this is an information only report.

### CORPORATE PLAN

**Corporate Plan Theme:** *Great governance*

**Emerging Priority:** 8.1 - Ethical, accountable and transparent decision-making

**Strategy:** 8.1.2 - Ensure legislative compliance and awareness

<b>Corporate Plan Theme:</b>	<b>Great governance</b>
<b>Emerging Priority:</b>	8.3 - Strong financial management
<b>Strategy:</b>	8.3.1 - Develop long term financial plans and indicators to achieve optimum use of resources and alignment to strategic priorities
<b>Corporate Plan Theme:</b>	<b>Great governance</b>
<b>Emerging Priority:</b>	8.3 - Strong financial management
<b>Strategy:</b>	8.3.2 - Ensure council's financial performance is well managed and leads to a strong financial position

Consultation

### **Internal Consultation**

All departments or branches participated in the formation of the recommendations associated with this report.

### **External Consultation**

No external consultation is required for this report.

### **Community Engagement**

No community engagement is required for this report.

## **PROPOSAL**

The operational result at 31 January 2014 shows a positive variance of \$3.7 million compared to the forecast position.

This operating result variation is made up of higher than expected revenue of \$4.8 million and higher than expected operating expenses of \$1.1 million.

The positive variance in the operating result of \$3.7 million at the end of January 2014 should be considered in the context of the key financial risks to council's full year operating result identified in the Risk section of this report.

### **Operating Revenue**

#### **Net Rates and Utilities**

The January rate run has resulted in an unfavourable variance of \$716,000. Discount profiling will correct the variance in February, 2014.

#### **Fees and Charges**

Of the \$3.1 million favourable variance in fees and charges, \$2.2 million relates to development applications revenue. The volume of applications shows a 14% increase on 2012/2013 applications.

Sunshine Coast Holiday Park revenue is also up \$410,000 compared to budget. This favourable variance is offset by an increase in expenditure of \$132,000.

#### **Other Revenue**

Of the \$1.6 million favourable variance in other revenue, \$800,000 relates to a refund from the Office of State Revenue for over charged payroll tax. \$322,000 relates to higher than anticipated sales of recovered materials which are diverted from landfill.

### **Operating Expense**

**Employee Costs**

As at January 2014 month end, employee costs were over budget by \$1.1 million. A total of \$1.2 million in Sunshine Coast Council employee costs were spent on de-amalgamation activities up to 23 December 2013. This amount has been refunded to Sunshine Coast Council via the working capital facility set up by the Queensland Treasury Corporation to fund de-amalgamation. This refund will be reflected as revenue in the February 2014 financial report.

**Materials and Services**

As at January 2014 month end, materials and services costs were overspent by \$199,000.

This variance is made up of higher than budgeted legal costs of \$1.6 million.

As at 31 January 2014, \$1.13 million had been spent on materials and services setting up the new Noosa Shire Council. This amount has been refunded to Sunshine Coast Council via the working capital facility set up by the Queensland Treasury Corporation to fund de-amalgamation. This refund will be reflected as revenue in the February 2014 financial report.

This overspend has been offset by underspends in the Infrastructure Services Department of \$2.2 million. This underspend is across a majority of branches and includes:

- \$1.0 million on levy and project timing differences
- \$650,000 in the Civil Works and Fleet Branch
- \$283,000 in the Waste and Resource Management branch

**Capital Expenditure**

As at 31 January 2014, \$86.2 million (46.6%) of council's \$185 million 2013/2014 Capital Works Program was financially expended. Detail by Capital Program is outlined below:

Program	Original Budget \$000	Current Budget \$000	YTD Actual \$000	% of Annual Budget Spent
Buildings and Facilities	6,548	7,324	4,940	67%
Coast and Canals	1,949	2,388	711	30%
Divisional Allocations	3,100	4,540	2,728	60%
Environmental Assets	1,238	1,276	117	9%
Fleet	1,000	1,000	703	70%
Parks and Gardens	10,317	12,228	3,949	32%
Stormwater	4,161	4,241	3,017	71%
Transportation	52,952	65,632	29,693	45%
Information Communication Technology	3,927	4,871	1,958	40%
Strategic Land & Comm Properties	9,422	50,034	22,117	44%
Aerodrome	-	399	9	2%
Sunshine Coast Airport	3,400	8,237	5,758	70%
SC Holiday Parks	1,455	3,093	351	11%
Quarries	150	637	748	117%
Waste	9,651	19,103	9,416	49%
<b>TOTAL COUNCIL</b>	<b>109,270</b>	<b>185,003</b>	<b>86,215</b>	<b>47%</b>

Information on any Program with expenditure of less than 20% of the annual budget is provided below.

### **Environmental Assets**

- Contractors now appointed for three projects that constitute \$1.021 million, or 80% of the program.
- All projects are underway and expected to be completed by 30 June.

### **Aerodrome**

Delay in expenditure at Caloundra Aerodrome has resulted from our pursuit of State Government approvals for clearing of future developable areas along with investigations and resolution related to the development of an additional airside allotment to the north of the Caloundra Aerodrome. It is expected that budgeted amounts will be expended prior to 30 June, 2014.

### **Sunshine Coast Holiday Parks**

- Permanent saving of \$557,000 for works planned for Noosa Holiday Parks up to 31 December 2013 that did not proceed or were not completed.
- Permanent saving of \$700,000 relating to an allocation for nine new cabins that have now been delayed indefinitely due to market conditions.
- \$400,000 allocated at Mudjimba for purchase of State land has been delayed by inaction from the relevant State department.
- \$200,000 for Mooloolaba refurbishment has been re-scheduled to 2014/2015.

**Investment Performance**

All investment parameters remain within the guidelines established by the Investment Policy.

For the month ending 31 January 2014, council has maintained a fairly strong return in the current market conditions with \$194 million cash (excluding Trust Fund) with an average interest rate of 3.65%, being 1.09% above benchmark. This is compared to 31 January 2013 with \$203 million cash (excluding Trust Fund) where the average interest rate was 4.64%, being 1.43% above benchmark. Note that \$32 million transferred to Noosa on 31 December 2013.

The benchmark used to measure performance of cash funds is the UBS Bank Bill Index and the Bank Bill Swap Rate (BBSW) for term deposits.

The Reserve Bank of Australia (RBA) cash rate remains unchanged at 2.5%.

**Legal**

This report ensures that council complies with its legislative obligations, with respect to financial reporting in accordance with Section 204 of the *Local Government Regulation 2012*.

Investment of funds is in accordance with the provisions of the *Statutory Bodies Financial Arrangements Act 1982* and the associated Regulations and the *Local Government Act 2009*.

**Policy**

Council's Investment Policy.

**Risk**

The current risks associated with the operating result are as follows:

1. the expected full year growth in rateable properties is less than forecast, with lower revenue than budgeted
2. in June 2013 the Federal Government pre-paid half of the 2013/2014 Financial Assistance Grant of \$6.3 million. Since half of the grant was pre-paid into 2012/2013 there is a potential shortfall of \$2.1 million in the current budget
3. there is \$4.7 million net savings for the Organisational Review loaded into the budget
4. the achievement of de-amalgamation reductions in Materials & Services budget occurs after separation from 1 January 2014
5. there is \$4.4 million employee vacancy savings loaded into the budget which may be difficult to achieve along with the Organisational Review and
6. the risk that the State Government will transfer SPER debt back to local councils, who will then have to manage their own debt collection.

**Previous Council Resolution**

On 25 June 2013, council adopted the 2013/2014 budget.

On 19 September 2013, council adopted the Budget Review 1 2013/2014.

On 12 December 2013, council adopted the Budget Review 2 2013/2014.

**Related Documentation**

There is no related documentation for this report.

**Critical Dates**

There are no critical dates for this report.

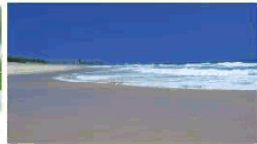
**Implementation**

There are no implementation details to include in this report.

Sunshine Coast  
Council

# FINANCIAL PERFORMANCE REPORT

## January 2014



FINANCIAL PERFORMANCE REPORT

January 2014

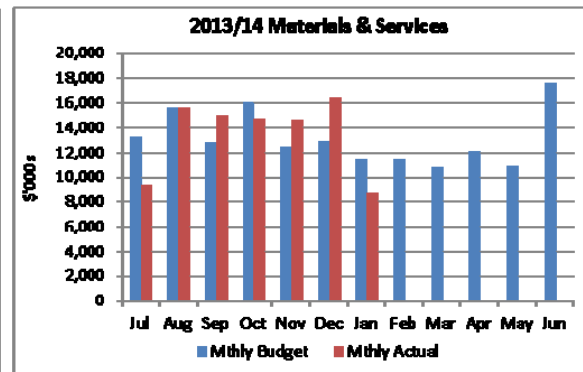
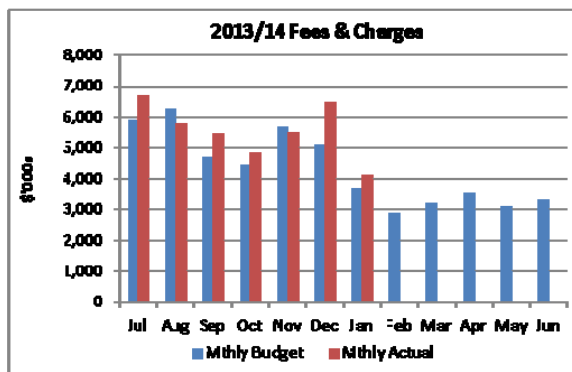
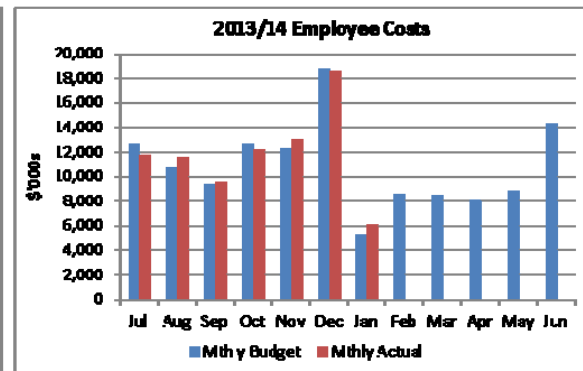
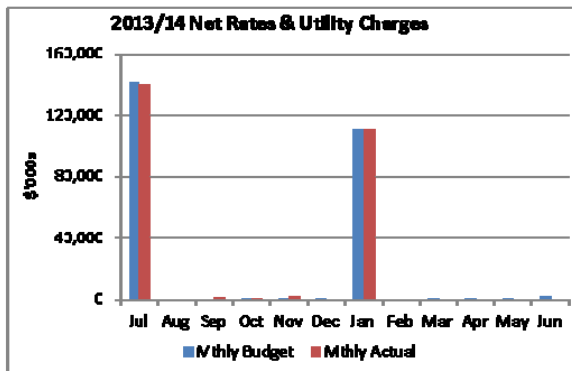
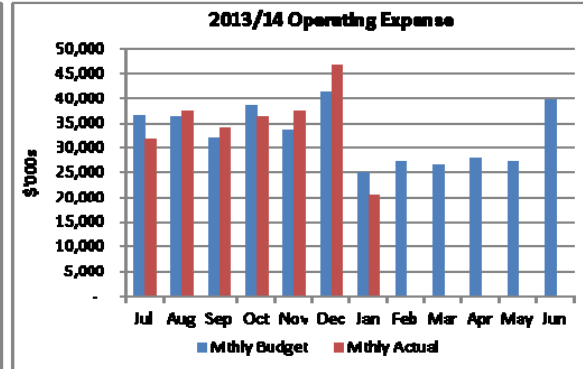
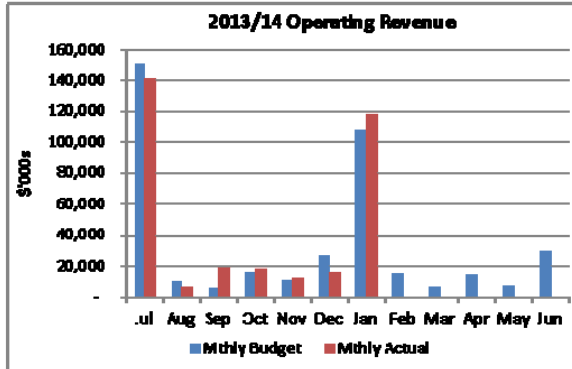
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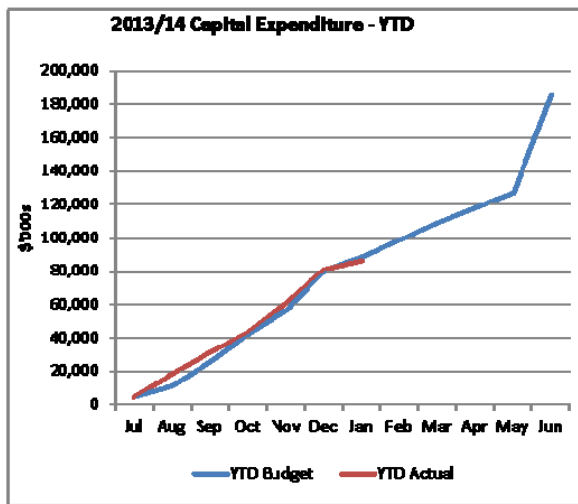
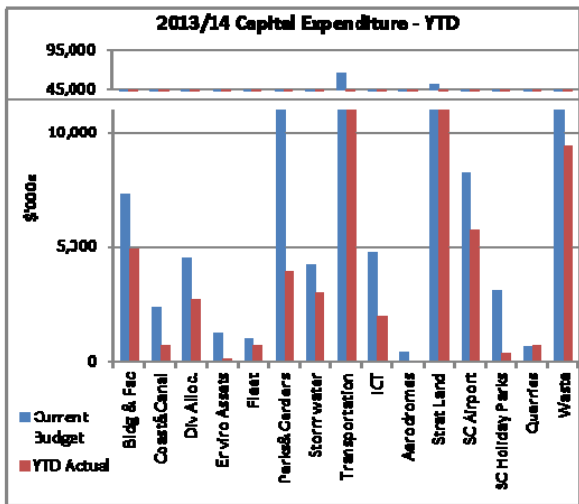


**FINANCIAL PERFORMANCE REPORT** January 2014  
**HEADLINE OPERATING**

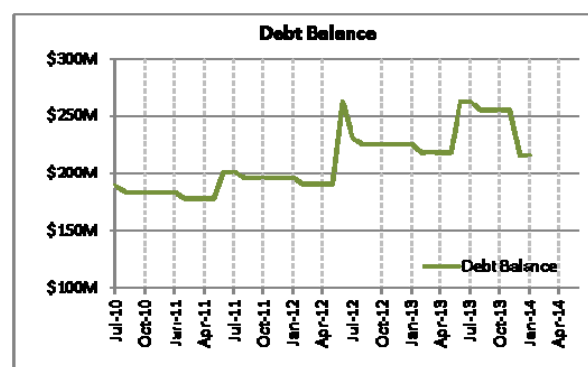
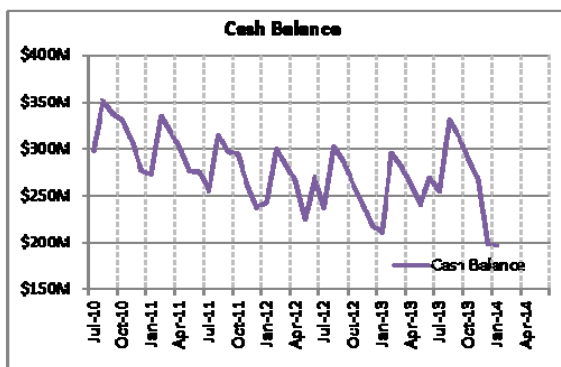
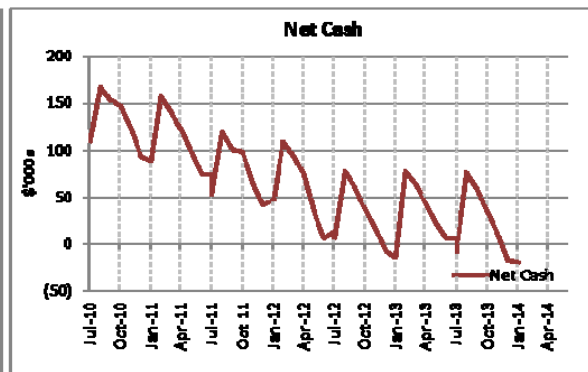
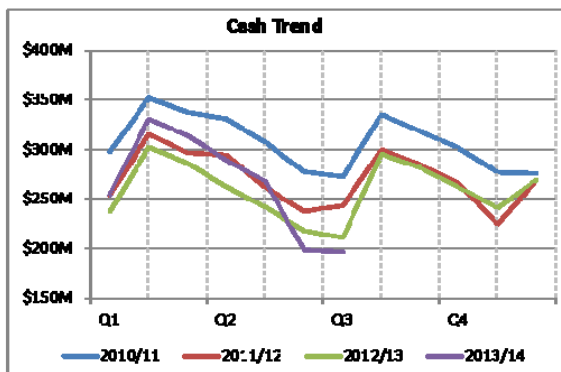
	Annual		YTD			
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %
Operating Revenue	400,295	399,438	327,595	332,435	4,840	1.5%
Operating Expenses	387,582	392,020	243,133	244,265	1,135	0.5%
Operating Result	12,713	7,418	84,465	88,170	3,705	4.4%
NET Result	54,287	50,538	107,784	110,473	2,689	2.5%



FINANCIAL PERFORMANCE REPORT						
HEADLINE CAPITAL						
	Annual		YTD			
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %
Capital Revenues (included in NET Result)	37,101	39,648	21,121	20,105	(1,016)	
Other Capital Revenues	86,410	86,409	45,916	45,860	(56)	
<b>Total Capital Revenues</b>	<b>123,511</b>	<b>125,057</b>	<b>67,036</b>	<b>65,964</b>	<b>(1,072)</b>	
Capital Works Expenditure	109,270	185,003	88,560	86,215	(2,345)	(2.6%)
Other capital Expenditure	41,150	33,550	18,722	16,115	(2,607)	
<b>Total Capital Expenditure</b>	<b>150,420</b>	<b>218,553</b>	<b>107,282</b>	<b>102,330</b>	<b>(4,951)</b>	
Funds from General Revenue	26,909	93,496	40,245	36,366	(3,879)	



FINANCIAL PERFORMANCE REPORT			
HEADLINE CASH & BALANCE SHEET			
	Annual		YTD
	Original Budget \$000s	Current Budget \$000s	Actuals \$000s
<b>CASH FLOWS</b>			
Opening Cash	196,241	264,747	261,336
Net Cash Inflow/(Outflows) from:			
Operating Activities	48,186	43,454	(16,853)
Investing Activities	(93,697)	(157,471)	(7,180)
Financing Activities	476	476	(38,973)
Net Increase/(decrease) in Cash Held	(45,035)	(113,541)	(63,006)
Cash at year end	151,206	151,206	198,330
<b>BALANCE SHEET</b>			
Total Current Assets	216,289	216,289	334,834
Total Non Current Assets	4,511,393	4,511,393	4,362,678
Total Assets	4,727,682	4,727,682	4,697,512
Total Current Liabilities	70,183	70,183	(853,721)
Total Non Current Liabilities	240,480	240,480	236,706
Total Liabilities	310,663	310,663	(817,015)
Net Community Assets/ Total Community Equity	4,417,019	4,417,019	5,314,527



FINANCIAL PERFORMANCE REPORT

January 2014

HEADLINE COMMENTARY

**Income & Expense Statement**

Council's financial results at 31 January 2014 shows the organisation with a \$3.7 million higher than forecasted operating position against the year to date budget. This operating result variation is made up of operating revenue being \$4.8 million higher than the year to date budget, along with operating expenses being \$1.1 million higher than the year to date budget.

**Operating Revenues**

The January rate run has resulted in an unfavourable variance of \$716,000. It is anticipated that this variance relates to lower than forecasted growth.

Of the \$3.1 million favourable variance in fees and charges, \$2.2 million relates to development applications, with the volume being approximately 14% higher in 2013/2014 than compared to same time in 2012/2013.

Of the \$1.6 million favourable variance in other revenue, \$800,000 relates to a refund from the Office of State Revenue for over charged payroll tax.

**Operating Expenses**

The unfavourable variance in operating expenses of \$1.1 million relates to employee costs

\$1.2 million in Sunshine Coast Council employee costs were spent on de-amalgamation activities up to 23 December 2013. This amount has been refunded to SCC and will be reflected as revenue to offset this overspend in the February financial report.

**Capital Expenditure**

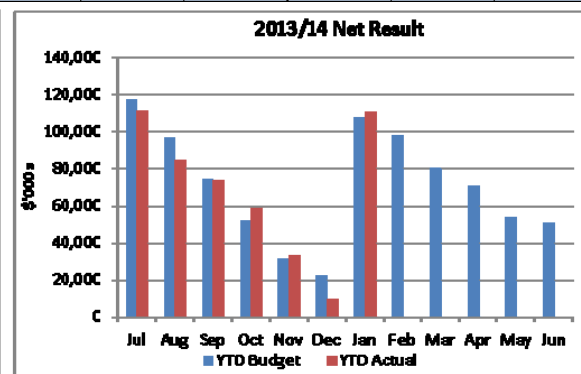
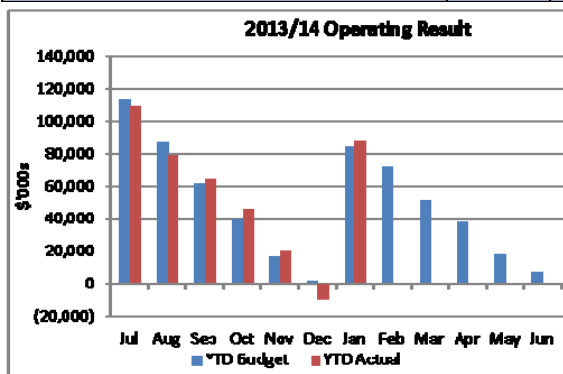
As at 31 January 2014, \$86.2 million (46.6%) of council's \$185 million 2013/2014 Capital Works Program was financially expended.

HEADLINE - RISKS

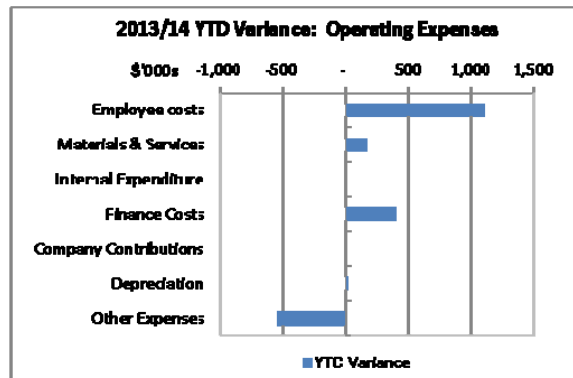
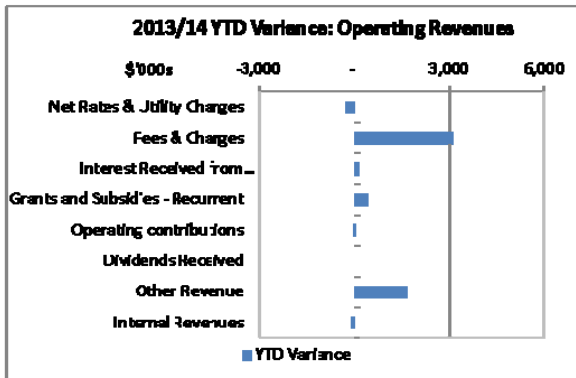
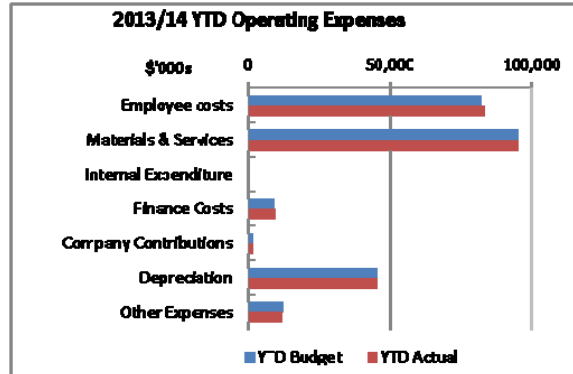
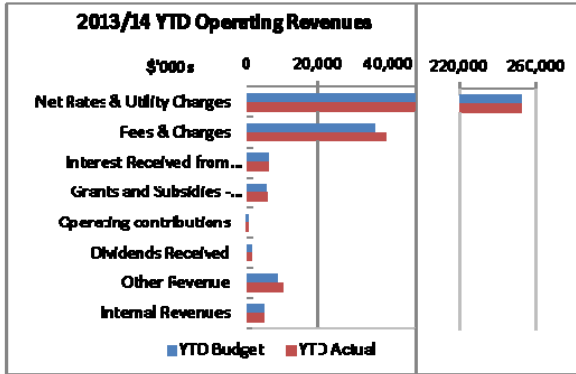
**Income & Expense Statement**

1. General Rates growth - lower than anticipated growth of rateable properties of 1.0% against forecast of 1.5%. This approximately equates to lower revenue than budgeted
2. Financial Assistance Grant - during 2012/2013 more than one half of the grant (\$6.3 million) was paid early into June 2012. This prepayment has created a budget impact of \$2.1 million in the current 2013/2014 budget.
3. Organisation Review - \$4.7 million net savings loaded into the budget.
4. De amalgamation risk that not all costs associated with the de amalgamation are being charged to Noosa Shire Council.
5. Employee Vacancy Factor - \$4.4 million loaded in the budget. May be difficult to achieve this saving along with Organisation Review.
6. the risk that the State Government will transfer SPER debt back to local councils, who will then have to manage their own debt collection

FINANCIAL PERFORMANCE REPORT							
STATEMENT OF INCOME & EXPENSES							
	Annual		YTD				Annual
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %	Forecast Budget \$000s
<b>Operating Revenue</b>							
Gross Rates & Utility Charges	262,411	262,480	257,988	259,900	1,911	0.7%	262,480
Interest from Rates & Utilities	2,053	2,053	1,411	1,382	(29)	-2.0%	2,053
Less Discounts, Pensioner Remissions	(11,374)	(11,374)	(7,291)	(9,890)	(2,598)	35.6%	(11,374)
Net Rates & Utility Charges	253,090	253,159	252,108	251,392	(716)	-0.3%	253,159
Fees & Charges	53,274	51,841	35,798	38,877	3,080	8.6%	51,841
Interest Received from Investments	8,512	8,512	5,942	6,082	140	2.3%	8,512
Grants and Subsidies - Recurrent	10,780	11,091	5,372	5,793	421	7.9%	11,091
Operating contributions	570	570	357	391	34	9.5%	570
Interest received from Unitywater	26,205	26,205	13,331	13,305	(26)	-0.2%	26,205
Dividends Received	27,001	27,001	1,543	1,540	(3)	0.0%	27,001
Other Revenue	13,249	13,485	8,342	9,990	1,648	19.8%	13,485
Internal Revenues	7,614	7,575	4,805	5,063	258	5.4%	7,575
Community Service Obligations	0	0	0	0	0	0.0%	0
<b>Total Operating Revenue</b>	<b>400,295</b>	<b>399,438</b>	<b>327,595</b>	<b>332,435</b>	<b>4,840</b>	<b>1.5%</b>	<b>399,438</b>
<b>Operating Expenses</b>							
Employee costs	130,879	130,318	81,837	82,932	1,095	1.3%	130,318
Materials & Services	152,860	157,306	94,491	94,657	166	0.2%	157,306
Internal Expenditure	0	0	0	0	0	0.0%	0
Finance Costs	14,197	14,197	8,823	9,219	396	4.5%	14,197
Company Contributions	1,152	1,152	1,152	1,152	0	0.0%	1,152
Depreciation	70,510	70,510	44,916	44,935	19	0.0%	70,510
Other Expenses	1,984	18,537	11,915	11,369	(546)	-4.6%	18,537
Competitive Neutrality Adjustments	0	0	(0)	0	0	-100.0%	0
<b>Total Operating Expenses</b>	<b>387,582</b>	<b>392,020</b>	<b>243,130</b>	<b>244,265</b>	<b>1,135</b>	<b>0.5%</b>	<b>392,020</b>
<b>Operating Result</b>	<b>12,713</b>	<b>7,418</b>	<b>84,465</b>	<b>88,170</b>	<b>3,705</b>	<b>4.4%</b>	<b>7,418</b>
<b>Capital Revenue</b>							
Capital Grants and Subsidies	2,900	12,042	5,237	5,974	736	14.1%	12,042
Capital Contributions	7,201	7,206	4,644	5,177	(527)	-7.3%	7,206
Contributed Assets	27,000	19,400	11,243	8,954	(2,289)	-20.3%	19,400
Other Capital Revenue	4,472	4,472	2,198	2,198	0	0.0%	4,472
<b>Total Capital Revenue</b>	<b>41,573</b>	<b>43,120</b>	<b>23,319</b>	<b>22,303</b>	<b>(1,016)</b>	<b>-4.4%</b>	<b>43,120</b>
<b>Net Result</b>	<b>54,287</b>	<b>50,538</b>	<b>107,784</b>	<b>110,473</b>	<b>2,689</b>	<b>2.5%</b>	<b>50,538</b>

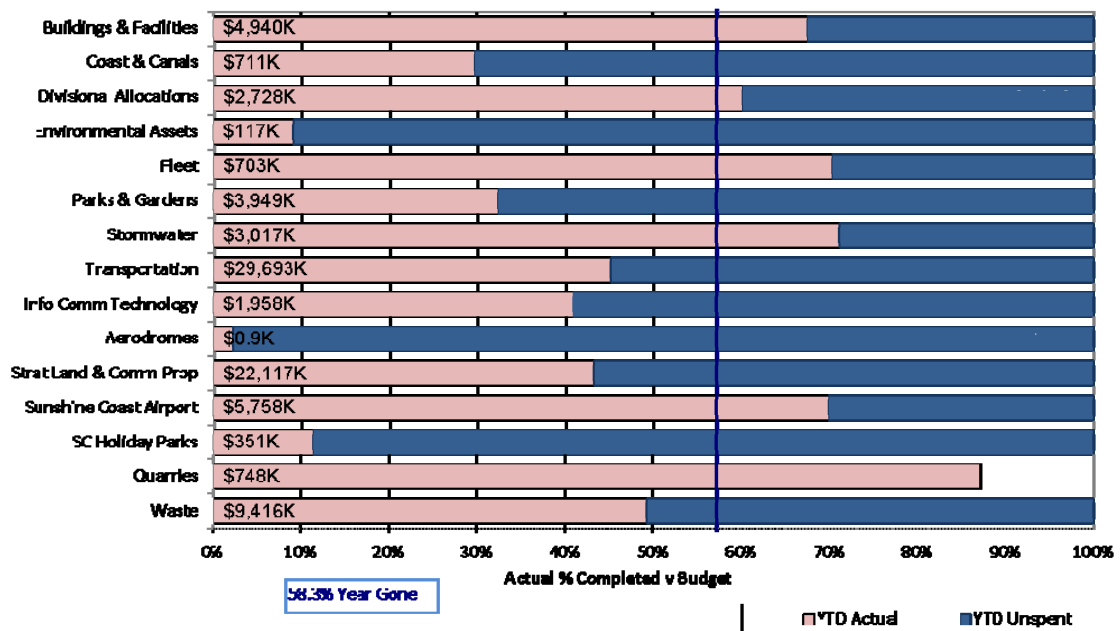


**FINANCIAL PERFORMANCE REPORT** January 2014  
**STATEMENT OF INCOME & EXPENSES**



FINANCIAL PERFORMANCE REPORT						
CAPITAL EXPENDITURE						
Capital Works Program	Annual		YTD			Annual
	Original Budget \$000s	Current Budget \$000s	Budget \$'000s	Actual \$000s	% of Annual Budget Spent	Forecast Budget \$000s
Buildings and Facilities	6,548	7,324	5,957	4,940	67.5%	7,324
Coast and Canals	1,949	2,388	1,286	711	29.8%	2,388
Divisional Allocations	3,100	4,540	2,567	2,728	60.1%	4,540
Environmental Assets	1,238	1,276	211	117	9.2%	1,276
Fleet	1,000	1,000	934	703	70.3%	1,000
Parks and Gardens	10,317	12,228	6,194	3,949	32.3%	12,221
Stormwater	4,161	4,241	2,226	3,017	71.1%	4,241
Transportation	52,952	65,632	33,543	29,693	45.2%	65,632
Information Communication Technology	3,927	4,871	3,006	1,958	40.2%	4,795
Strategic Land & Comm Properties	9,422	50,034	19,986	22,117	44.2%	51,134
Aerodromes	-	399	7	9	2.3%	399
Sunshine Coast Airport	3,400	8,237	5,874	5,758	69.9%	8,237
SC Holiday Parks	1,455	3,093	913	351	11.3%	3,093
Quarries	150	637	183	748	117.3%	637
Waste	9,651	19,103	5,673	9,416	49.3%	19,103
<b>TOTAL</b>	<b>109,270</b>	<b>185,003</b>	<b>88,560</b>	<b>86,215</b>	<b>46.6%</b>	<b>186,020</b>

**Capital Works Expenditure**



**FINANCIAL PERFORMANCE REPORT** Page 10 of 11  
**INVESTMENT PERFORMANCE**

Liquidity as at:	31/01/2014 \$'000's	
<b>At-call accounts</b>		
QTC + CBA (exc trust)	\$63,574	31.97%
Investments Maturing within 7 days	\$10,000	5.03%
<b>Total at-call</b>	<b>\$73,574</b>	<b>37.00%</b>
Investment Policy Target		10.00%

	INVESTMENT SUMMARY AS AT			Investment Policy				
	31/01/2014		31/12/2013		31/01/2013		Individual Limit	Group Limits
A1+ (QTC)	\$51,855	26.1%	\$37,539	18.7%	\$23,530	11.2%	100%	100%
A1+ (Other)	\$77,004	38.7%	\$89,599	44.0%	\$91,872	43.7%	35%	100%
A1	\$35,000	17.6%	\$33,000	14.9%	\$40,000	19.0%	30%	30%
A2	\$35,000	17.6%	\$45,000	22.4%	\$55,000	26.1%	10%	30%
<b>TOTAL</b>	<b>\$198,860</b>		<b>\$201,138</b>		<b>\$210,402</b>			

**Investment Portfolio**

