

7.2.1 AUGUST 2013 FINANCIAL PERFORMANCE REPORT

File No: Financial Reports
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Attachments: Att 1 - Financial Performance Report August 2013

PURPOSE

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

EXECUTIVE SUMMARY

The monthly financial performance report provides council with a summary of performance against budget at the end of each month. The key items reported on are the performance against budget in relation to the operating result and in terms of delivering the capital program.

It is still early in the 2013/14 financial year and therefore difficult to compare year to date budget and actual results with any degree of certainty. There are a number of timing issues that exist at the end of August 2013, namely:

- The 2012/13 carry-over budgets have not been loaded
- the impacts of year-end adjustments (e.g. accruals) processed in June 2013 which have not been reversed by receipts or payments and
- the 2012/13 year-end process is yet to be finalised.

The operational result at 31 August 2013 shows a negative variance of \$8.9 million compared to the forecast position. This negative variance is predominantly the result of the timing in relation to the receipt of dividends from Unitywater totalling \$8.8 million.

This operating result variation is made up of lower than expected revenue of \$12.8 million (3.2%) and lower than anticipated operating expenses of \$3.8 million (1.0%). Further detail is provided in the proposal section of this report.

As at 31 August 2013, \$18.4 million (16.8%) of council's \$109.3 million 2013/14 Capital Works Program was financially expended.

A recommendation has been made to write-off unrecoverable income for the value of \$291,842.07. As this amount is greater than the \$10,000 delegation from council, it is required to be approved by council. The amount has been included in the provision for doubtful debts within the 2012/13 audited financial statements.

OFFICER RECOMMENDATION

That Council:

- receive and note the report titled "August 2013 Financial Performance Report" and**
- write-off unrecoverable income of \$291,842.07 in relation to Rocky Point Green Power Pty Ltd.**

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
Corporate Plan Theme:	Great governance
Emerging Priority:	8.3 - Strong financial management
Strategy:	8.3.1 - Develop long term financial plans and indicators to achieve optimum use of resources and alignment to strategic priorities
Corporate Plan Theme:	Great governance
Emerging Priority:	8.3 - Strong financial management
Strategy:	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

Council's financial results at 31 August show the organisation with a \$8.9 million lower than forecasted operating position against the full year budget.

It is still early in the 2013/14 financial year and therefore difficult to compare year to date budget and actual results with any degree of certainty. There are a number of timing issues that exist at the end of August 2013, namely:

- the 2012/13 carry-over budgets have not been loaded
- the impacts of year-end adjustments (e.g. accruals) processed in June 2013 which have not been reversed by receipts or payments and
- the 2012/13 year-end process is yet to be finalised.

This operating result variation is made up of lower than expected revenue of \$12.8 million and lower than anticipated operating expenses of \$3.8 million.

Operating Revenue

The operating revenue unfavourable variance of \$12.8 million is largely due to outstanding dividend from Unitywater of approximately \$8.8 million. This \$8.8 million is a result of end of financial year accounting treatment with the revenue being accrued in the 2012/13 accounts.

The unfavourable variance will remain until the revenue has been receipted, that is, the cash received by council. Receipt of these funds will not occur until Unitywater present their financial statements to the State Government in September/ October 2013.

Net Rates and Utility Charges

Net Rates and Utility Charges have an unfavourable variance of \$2.9 million. General rates have an unfavourable variance of \$5.4 million that is offset by pre-paid rates of \$2.6 million. Overall, the main risk is there was a lower general rates growth than anticipated, that is, 1.0% growth against 1.5% budget. This equates to a financial risk of \$1.0 million.

Operating Expense

The favourable variance in operating expenses of \$3.8 million relates to Materials & Services and is largely due to profiling with variations of:

- \$3.0 million relating to contracts due to a slow start and some budget profiling, mainly projects of \$1.7 million for Infrastructure Services Department and \$535,000 for Community Services Department and
- \$670,000 of Water and Sewerage charges (Unitywater charges) yet to be processed.

Capital Expenditure

As at 31 August 2013, \$18.4 million of council's \$109.3 million 2013/14 Capital Works Program was financially expended. Detail by Capital Program is outlined below:

Program	Original Budget \$000	Current Budget \$000	Year to Date Actual \$000	% of Annual Current Budget Spent
Buildings and Facilities	6,548	6,548	619	9.4%
Coast and Canals	1,949	1,949	54	2.8%
Divisional Allocations	3,100	3,100	471	15.8%
Environmental Assets	1,238	1,238	43	3.5%
Fleet	1,000	1,000	0	0.0%
Parks and Gardens	10,317	10,317	1,111	10.8%
Stormwater	4,161	4,161	851	20.5%
Transportation	52,952	52,952	6,757	12.8%
Information Communication Technology	3,927	3,927	510	13.0%
Strategic Land and Commercial Properties	9,422	9,422	6,346	67.4%
Sunshine Coast Airport	3,400	3,400	698	20.5%
Holiday Parks	1,455	1,455	44	3.0%
Quarries	150	150	217	144.5%
Waste	9,651	9,651	645	6.7%
Total Council	109,270	109,270	18,366	16.8%

Write-off of unrecoverable income

An amount of \$291,842.07 owed by Rocky Point Green Power Pty Ltd has been determined as unrecoverable.

This relates to outstanding invoices issued to the company for mulch.

In February 2012, the company was put in the hands of administrators, SV Partners. On 10 January 2013 the receivers and managers resigned, after distributing a dividend to the company's secured creditor and also advised it appears there will not be a dividend distribution to unsecured creditors of the company, such as Sunshine Coast Council.

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*.

Policy

Council has delegated authority to the Chief Executive Officer to write-off unrecoverable debts up to a maximum of \$10,000 - Delegation of Authority 2008-03.

Risk

The current risks are as follows:

1. in June 2013 the Federal Government pre-paid half of the 2013/14 Financial Assistance Grant of \$6.3 million. Since half of the grant was pre-paid into 2012/13 there is a potential shortfall of \$2.1 million in the current budget
2. the expected full year growth in rateable properties is less than forecast, with lower revenue than budgeted of \$1.0 million and
3. the achievement of de-amalgamation reductions in Materials & Services budget after separation occurs 1 January 2014.

Previous Council Resolution

On 25 June 2013, council adopted the 2013/14 budget.

Related Documentation

There is no related documentation for this report.

Critical Dates

The financial results in this report do not include the final year-end financial performance for council as further year end processing is yet to be completed. Final audited statements are expected to be presented to the 14 November 2013 Ordinary Meeting.

Implementation

There are no implementation details to include in this report.

Sunshine Coast
Council

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HEADLINE - OPERATING

	Annual		YTD			
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %
Operating Revenue	400,295	400,295	160,837	148,074	(12,762)	(7.9%)
Operating Expenses	387,582	387,582	72,934	69,109	(3,825)	(5.2%)
Operating Result	12,713	12,713	87,903	78,965	(8,938)	(10.2%)
NET Result	54,287	54,287	97,147	84,706	(12,441)	(12.8%)

