

8.4.1 AUGUST 2017 FINANCIAL PERFORMANCE REPORT

File No: Financial Reports

Author: Coordinator Financial Services
Corporate Services Department

Attachments: Att 1 - August 2017 Financial Performance Report
Att 2 - Additional Information (*Additional Information*) -
Confidential

PURPOSE

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

EXECUTIVE SUMMARY

This monthly financial performance report provides Council with a summary of performance against budget as at 31 August 2017 in terms of the operating result and delivery of the capital program.

Budget Review 1 was adopted by Council at the September 2017 Ordinary Meeting. At the 31 August 2017 the forecast revised budget was available for comparison to the August actual results. Therefore this financial report to 31 August 2017 details the original adopted budget and the forecast budget. The year to date results are reported against the forecast budget, incorporating the anticipated results of budget review 1.

The adoption of Budget Review 1 decreased the 2017/18 operating result by \$10.2 million, from \$24.9 million to \$14.7 million. Capital revenues have increased by \$3.8 million from \$97.2 million to \$101.0 million. Capital expenditure increases by \$25.8 million, from \$236.8 million to \$262.7 million.

The operating result at 31 August 2017 shows a positive variance of \$6.6 million compared to the forecast position. The variation is made up of higher than profiled operating revenue and lower than profiled operating expenses as shown in the table below. Further detail is provided in the proposal section of this report.

Operating Performance

Table 1: Operating Result as at 31 August 2017

August 2017	Forecast Budget \$000	YTD Forecast Budget \$000	YTD Actual \$000	YTD Variance \$000	Variance %
Operating Revenue	434,821	147,537	151,522	3,986	2.7
Operating Expenses	420,565	65,883	63,312	(2,571)	(3.9)
Operating Result	14,256	81,653	88,210	6,557	8.0

Achievement of the full year budgeted operating result will allow Council to meet its debt repayments and capital expenditure commitments.

As at 31 August 2017, \$28.4 million (10.8%) of Council's \$264.1 million 2017/18 Capital Works Program was financially expended.

The core Council Capital Program has progressed 14.8% of budget, an actual spend of \$20.7 million.

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

OFFICER RECOMMENDATION

That Council receive and note the report titled “August 2017 Financial Performance Report”.

FINANCE AND RESOURCING

There are no finance and resourcing implications from this report.

CORPORATE PLAN

Corporate Plan Goal: *An outstanding organisation*
Outcome: 5.3 - A financially sustainable organisation
Operational Activity: 5.3.7 - Sustainable financial position maintained.

CONSULTATION

Portfolio Councillor Consultation

Consultation has been undertaken with the Portfolio Councillor.

Internal Consultation

All departments and 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

This monthly financial performance report provides Council with a summary of performance against budget as at 31 August 2017 in terms of the operating result and delivery of the capital program.

Budget Review 1 was adopted by Council at the September 2017 Ordinary Meeting. At the 31 August 2017 the forecast revised budget was available for comparison to the August actual results. Therefore this financial report to 31 August 2017 details the original adopted budget and the forecast budget. The year to date results are reported against the forecast budget, incorporating the anticipated adjustments of Budget Review 1.

The adoption of Budget Review 1 decreased the 2017/18 operating result by \$10.2 million, from \$24.9 million to \$14.7 million. Capital revenues have increased by \$3.8 million from \$97.2 million to \$101.0 million. Capital expenditure increases by \$25.8 million, from \$236.8 million to \$262.7 million.

The operating result at 31 August 2017 shows a positive variance of \$6.6 million compared to the forecast position.

Operating Revenue

Year to date revenues as at 31 August 2017 of \$151.5 million shows a positive variance of \$4.0 million.

Table 2: Substantial Revenue variances as at 31 August 2017

Operating Revenue Large Variances	YTD Forecast Budget \$000	YTD Actual \$000	YTD Variance \$000	Variance %
Net Rates and Utility Charges	131,130	132,562	1,432	1.1
Fees and Charges	9,997	11,453	1,456	14.6
Other Revenue	822	1,912	1,089	132.5

Net Rates and Utility Charges

The favourable variance of \$1.4 million relates somewhat to slightly higher growth in general rates than anticipated, however the variance is mostly attributable to higher cleansing charges. Growth in cleansing charges follows the general rates growth experienced in 2016/17 as well as the take up of services at the Sunshine Coast University Hospital.

Fees and Charges

Fees and charges revenue of \$11.5 million, is \$1.5 million ahead of year to date budget as at 31 August 2017. The significant items contributing to this variance are:

- \$575,000 in Waste Management predominantly due to a higher instance of construction and demolition waste than is usual
- \$409,000 variance relating to higher application volumes in Development Services, predominantly in plumbing services and
- \$261,000 higher fee revenue for Holiday Parks

Other Revenue

Other revenue is ahead of the profiled budget to date by \$1.0 million this is made up of:

- \$479,000 Recovery from Sunshine Coast Airport for employee costs. The revenue and expenditure associated with Sunshine Coast Airport employee costs was not budgeted for due to the contractual arrangements with Palisade Investment Partners for the Airport to operate as a standalone business from July 1
- \$166,000 Event Sponsorship for Horizon due to timing issue and
- \$188,000 in Waste Management for higher sales of recyclables and additional revenues through the resource recovery centres.

Operating Expenses

Year to date expenditure as at 31 August 2017 of \$63.3 million shows a variance under budget of \$2.6 million.

Materials and Services

Materials and services account for the majority of the expenditure variance as at 31 August 2017, having underspent budget by \$3.2 million. The variance to budget predominantly relates to core programs and is consistent across all departments. This is in line with the usual trend for the early part of the financial year.

Employee Costs

As at 31 August 2017 employee costs were above budget by \$389,000. The overrun relates to \$479,000 of employee costs recovered from Sunshine Coast Airport Pty Ltd. Sunshine Coast Airport employee costs were not included in the budget due to the contractual arrangement with Palisade Investment Partners for the business to operate on a standalone basis from July 1. Employee costs are otherwise in-line with or below the YTD profile for 31 August 2017 across all departments.

Capital Expenditure

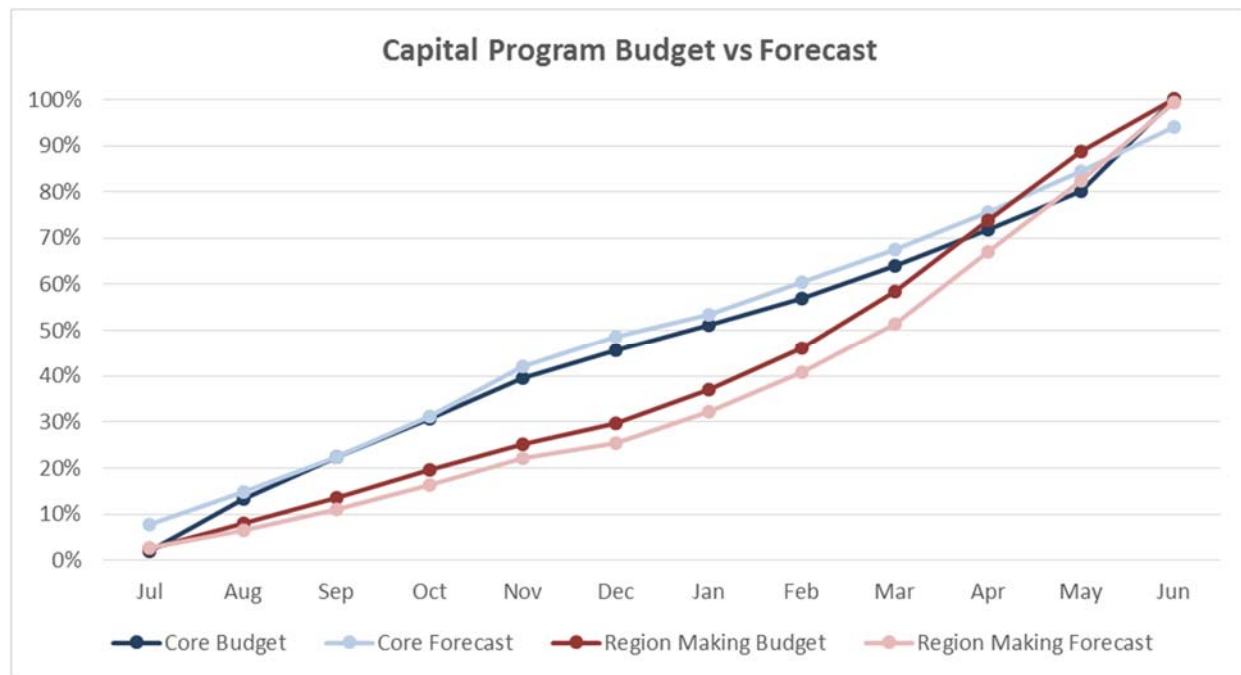
As at 31 August 2017, \$28.4 million (10.8%) of Council's \$264.1 million 2017/18 Capital Works Program was financially expended.

The core Council Capital Program has progressed 14.8% of budget, an actual spend of \$20.7 million. The Actual YTD includes all works that have been goods received and accrued as at 31 August 2017.

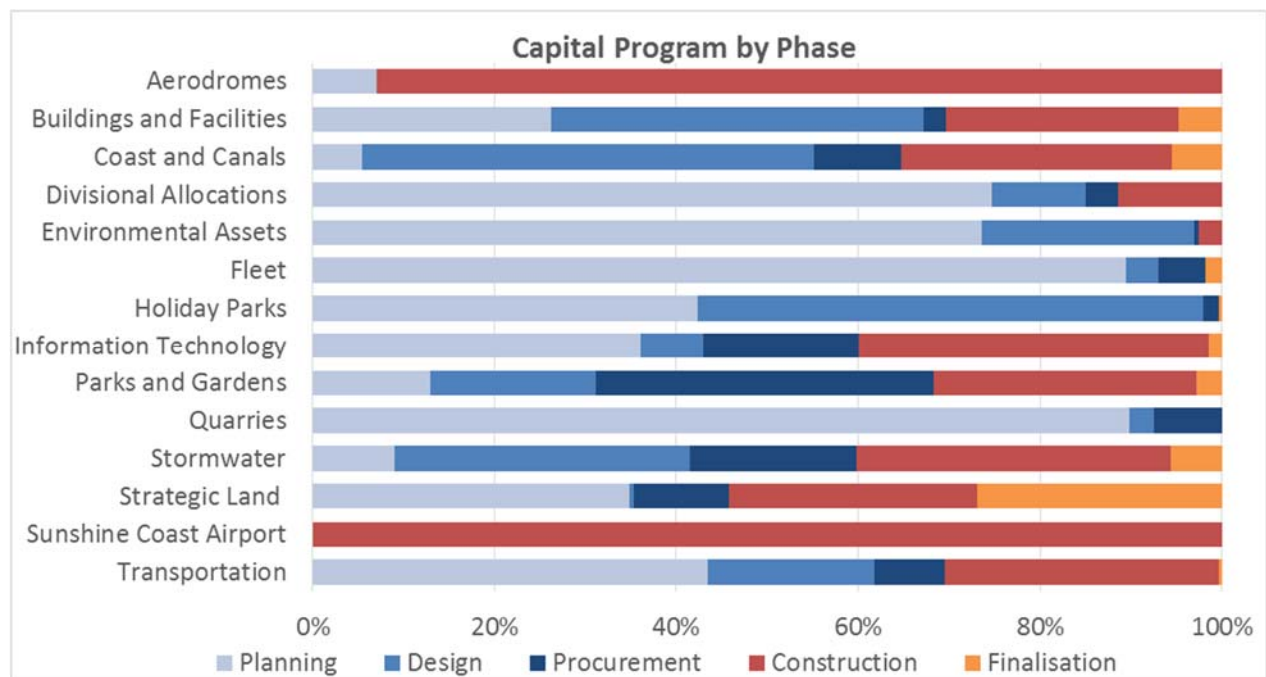
Table 3: Capital Expenditure by Program at 31 August 2017

Capital Works Program	Forecast Budget \$000	YTD Forecast Budget \$000	YTD Actual \$000	YTD Variance
Aerodromes	497	11	0	(11)
Buildings and Facilities	12,974	1,279	1,644	365
Coast and Canals	2,363	85	41	(44)
Divisional Allocations	5,238	7	113	106
Environmental Assets	670	2	6	4
Fleet	3,000	56	6	(50)
Holiday Parks	1,433	72	62	(10)
Information Technology	3,983	232	277	45
Parks and Gardens	15,272	3,120	2,800	(320)
Quarries	1,308	4	4	(0)
Stormwater	7,549	818	768	(50)
Strategic Land	8,633	4,104	4,361	257
Sunshine Coast Airport	1,123	646	646	0
Transportation	58,723	7,778	9,028	1,250
Waste	17,152	690	961	270
Total SCC Core Capital Program	139,919	18,904	20,716	1,812
Corporate Major Projects	9,546	11	1,558	1,547
Maroochydore City Centre	47,162	9,390	5,200	(4,190)
Sunshine Coast Airport Runway	67,501	494	934	440
Total Other Capital Program	124,208	9,895	7,692	(2,203)
TOTAL	264,127	28,799	28,408	(391)

The following graph shows the Core and Region Making Programs budget profile compared to the latest year end forecasts for 2017/18. Currently the core program is forecasting 94% of program delivery at year end.



As it is early in the financial year there are currently no exceptions being reported. The following graph shows the delivery phases for each program as at 31 August 2017.



Investment Performance

- All investment parameters remain within the guidelines established by the Investment Policy.
- For the month ending 31 July 2017 Council had \$327 million cash (excluding Trust Fund) with an average interest rate of 2.59%, being 0.89% above benchmark. This is compared to the same period last year with \$385 million cash (excluding Trust Fund) with an average interest rate of 3.05%, being 1.08% above benchmark.
- The benchmark used to measure performance of cash funds is Bloomberg AusBond Bank Bill Index (BAUBIL) and the Bank Bill Swap Rate (BBSW) for term deposits.

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 2017/18 Investment Policy; 2017/18 Debt Policy.

Risk

Failure to achieve the budgeted operating result will negatively impact Council's capacity to complete its capital expenditure program.

Previous Council Resolution**Special Meeting Budget 15 June 2017 (SM17/34)**

That Council:

- (a) *receive and note the report titled "Adoption of the 2017/18 Budget and Forward Estimates for the 2018/19 to 2026/27 Financial Years"*
- (b) *adopt the 2017/18 Budget Schedules (Appendix A) including Forward Estimates and*
- (c) *adopt the 2017/18 Capital Works Program, endorse the indicative four-year program for the period 2018/19 to 2021/22, and note the five-year program for the period 2022/23 to 2026/27 (Appendix B).*

Related Documentation

2017/18 Adopted Budget

Critical Dates

There are no critical dates for this report.

Implementation

There are no implementation details to include in this report.

Financial Performance Report

August 2017

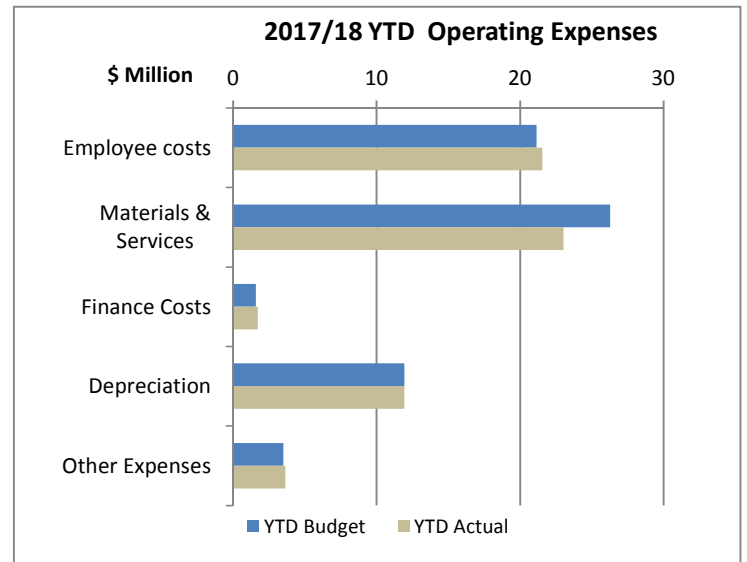
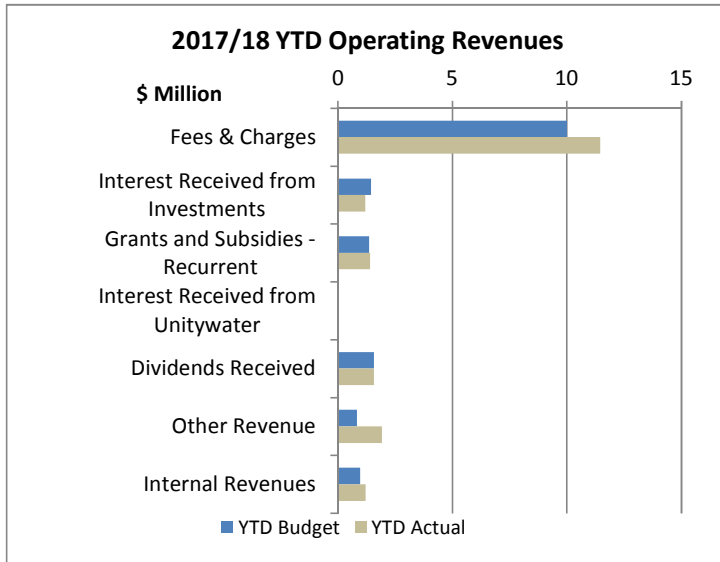


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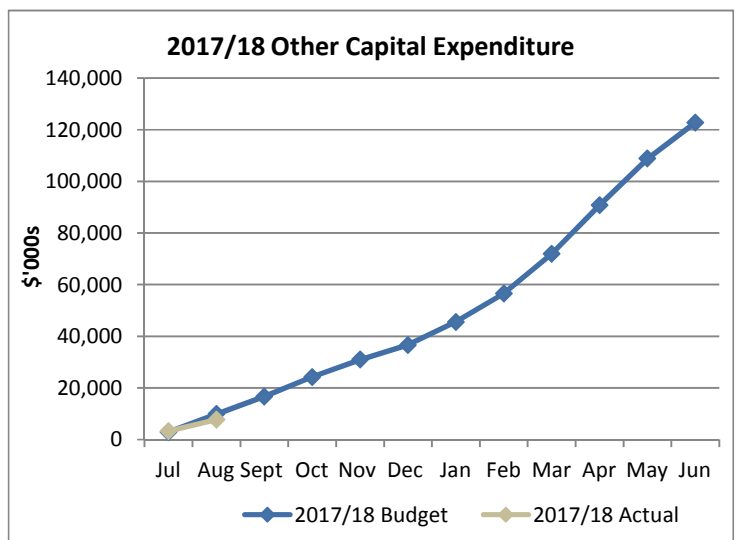
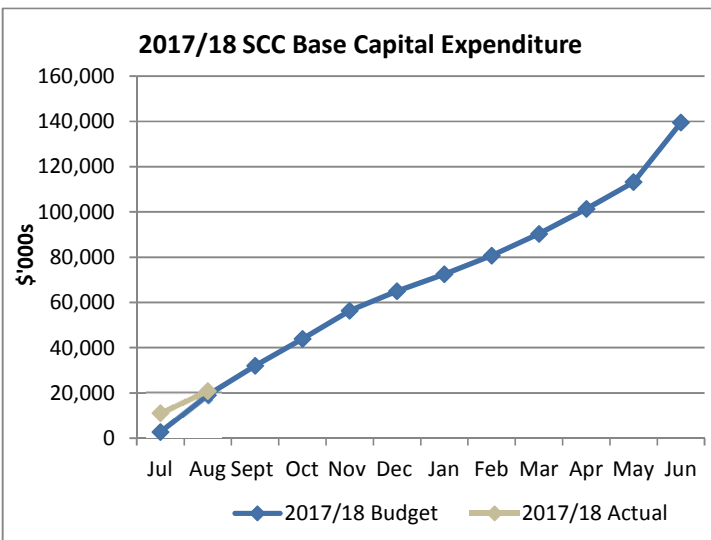
HEADLINE - OPERATING

	Annual		YTD			
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %
Operating Revenue	439,342	434,821	147,537	151,522	3,986	2.7%
Operating Expenses	414,480	420,565	65,883	63,312	(2,571)	(3.9%)
Operating Result	24,862	14,256	81,653	88,210	6,557	8.0%
NET Result	122,048	115,253	86,499	92,858	6,359	7.4%



HEADLINE - CAPITAL

	Annual		YTD			
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %
Capital Revenue	97,186	100,997	4,846	4,648	198	
Other Capital Revenues	71,643	71,643	11,940	11,922	18	
Total Capital Revenues	168,829	172,640	16,786	16,570	216	
Capital Works Expenditure	236,833	262,217	24,727	28,408	(3,682)	14.89%
Other Capital Expenditure	60,000	60,000	0	25,934	(25,934)	
Total Capital Expenditure	296,833	322,217	24,727	54,343	(29,616)	
Funds from General Reserve	128,005	149,577	7,940	37,773	(29,832)	



HEADLINE - CASH AND BALANCE SHEET

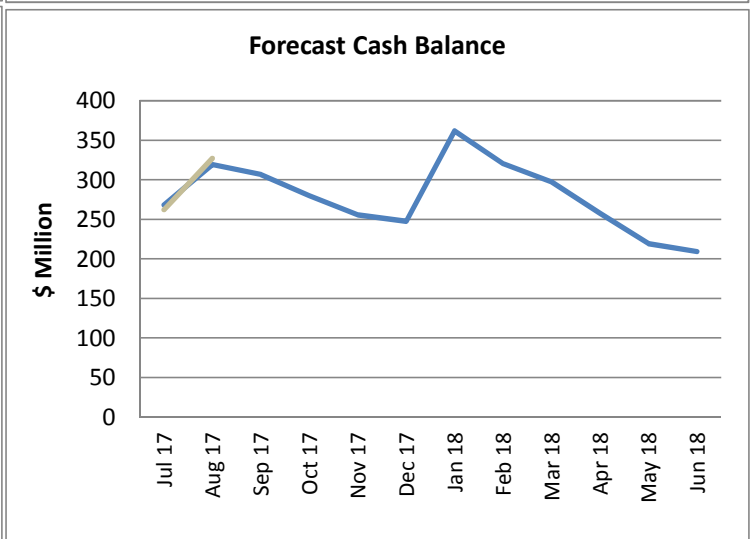
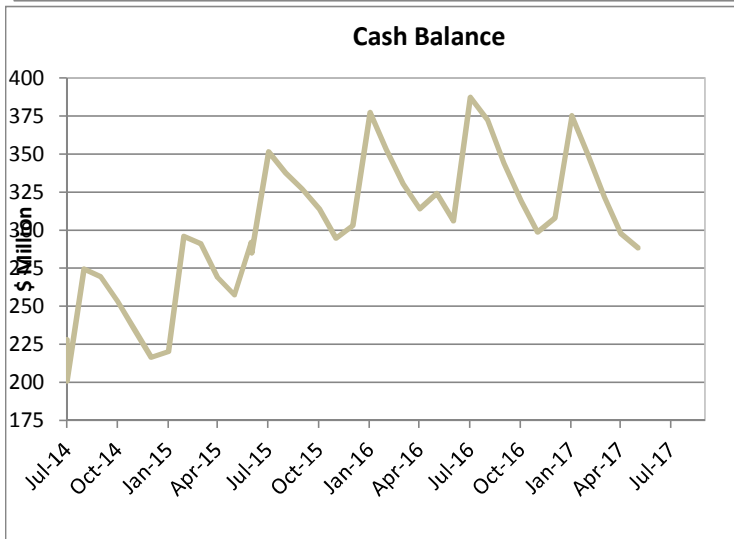
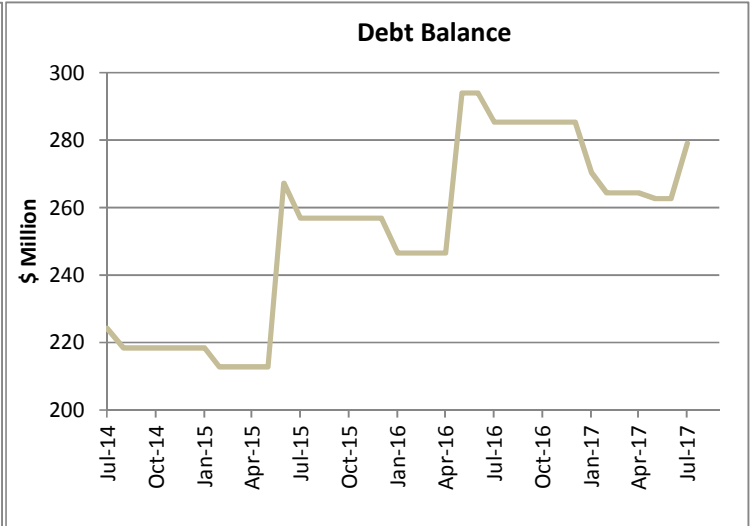
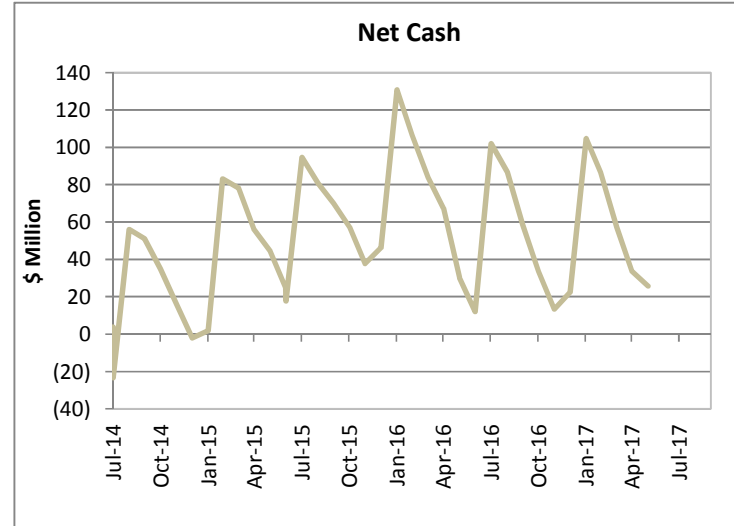
	Annual		YTD		
	Original Budget	Forecast Budget	Actuals	Forecast Budget	Variance
	\$000s	\$000s	\$000s	\$000s	\$000s

CASH FLOWS

Opening Cash	243,557	282,377	282,377	282,377	0
Net Cash Inflow/(Outflows) from:					
Operating Activities	93,495	85,463	76,026	78,729	(2,702)
Investing Activities	(130,027)	(152,050)	(23,265)	(21,908)	(1,357)
Financing Activities	2,218	2,218	(7,956)	(7,956)	0
Net Increase/(decrease) in Cash Held	(34,314)	(64,368)	44,805	48,864	(4,059)
Closing Cash Balance	209,242	218,008	327,182	331,241	(4,059)

BALANCE SHEET

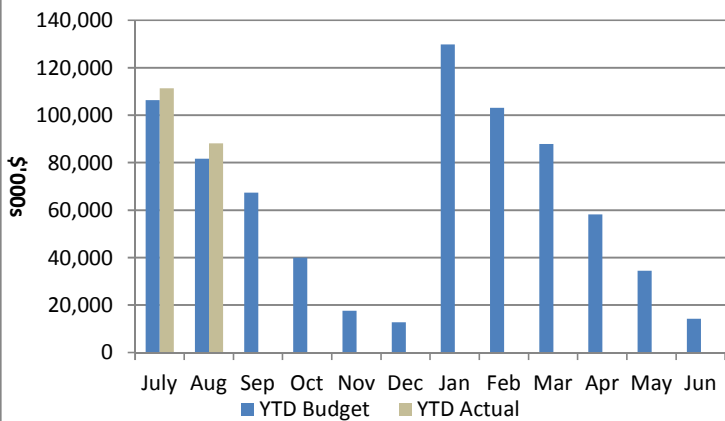
Current Assets	270,756	278,373	387,899
Non Current Assets	5,194,889	5,191,904	5,018,356
Total Assets	5,465,644	5,470,277	5,406,254
Current Liabilities	111,736	112,713	62,989
Non Current Liabilities	311,390	311,390	320,953
Total Liabilities	423,125	424,103	383,942
Net Community Assets/ Total Community Equity	5,042,519	5,046,175	5,022,312



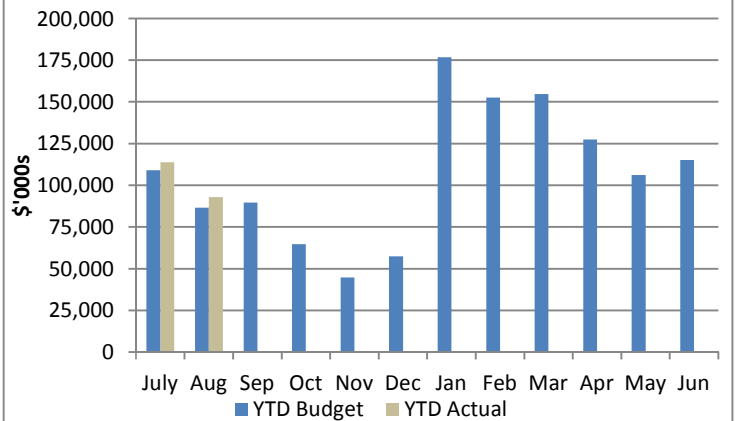
STATEMENT OF INCOME & EXPENSES

	Annual		YTD				Annual
	Original Budget \$000s	Forecast Budget \$000s	Forecast Budget \$000s	Actuals \$000s	Variance \$000s	Variance %	Forecast Budget \$000s
Operating Revenue							
Net Rates and Utility Charges	275,190	275,190	131,130	132,562	1,432	1.1%	275,190
Fees and Charges	57,183	57,183	9,997	11,453	1,456	14.6%	57,183
Interest Received from Investments	9,374	9,374	1,437	1,184	(253)	(17.6%)	9,374
Operating Grants and Subsidies	12,007	7,103	1,361	1,401	41	3.0%	7,103
Operating Contributions	1,301	1,301	261	240	(21)	(8.1%)	1,301
Interest Received from Unity Water	23,933	23,933	0	0	0	0.0%	23,933
Dividends Received	26,162	26,162	1,566	1,566	0	0.0%	26,162
Other Revenue	28,381	28,763	822	1,912	1,089	132.5%	28,763
Internal Sales/Recoveries	5,812	5,812	963	1,204	241	25.0%	5,812
Community Service Obligations	0	0	0	0	(0)	(100.0%)	0
Total Operating Revenue	439,342	434,821	147,537	151,522	3,986	2.7%	434,821
Operating Expenses							
Employee Costs	135,509	135,894	21,151	21,540	389	1.8%	135,894
Materials and Services	175,003	179,566	26,267	23,019	(3,248)	(12.4%)	179,566
Internal Materials and Services	0	0	0	0	0	0.0%	0
Finance Costs	9,410	9,410	1,568	1,711	143	9.1%	9,410
Company Contributions	1,464	1,464	1,464	1,464	0	0.0%	1,464
Depreciation Expense	71,643	71,643	11,940	11,940	0	0.0%	71,643
Other Expenses	21,451	22,588	3,492	3,637	146	4.2%	22,588
Competitive Neutrality Adjustments	(0)	(0)	(0)	0	0	(100.0%)	(0)
Total Operating Expenses	414,480	420,565	65,883	63,312	(2,571)	(3.9%)	420,565
Operating Result	24,862	14,256	81,653	88,210	6,557	8.0%	14,256
Capital Revenue							
Capital Grants and Subsidies	4,912	8,598	0	104	104	0.0%	8,598
Capital Contributions - Cash	32,274	32,399	4,846	4,544	(302)	(6.2%)	32,399
Capital Contributions - Fixed Assets	60,000	60,000	0	0	0	0.0%	60,000
Total Capital Revenue	97,186	100,997	4,846	4,648	(198)	(4.1%)	100,997
Net Result	122,048	115,253	86,499	92,858	6,359	7.4%	115,253

2017/18 Operating Result



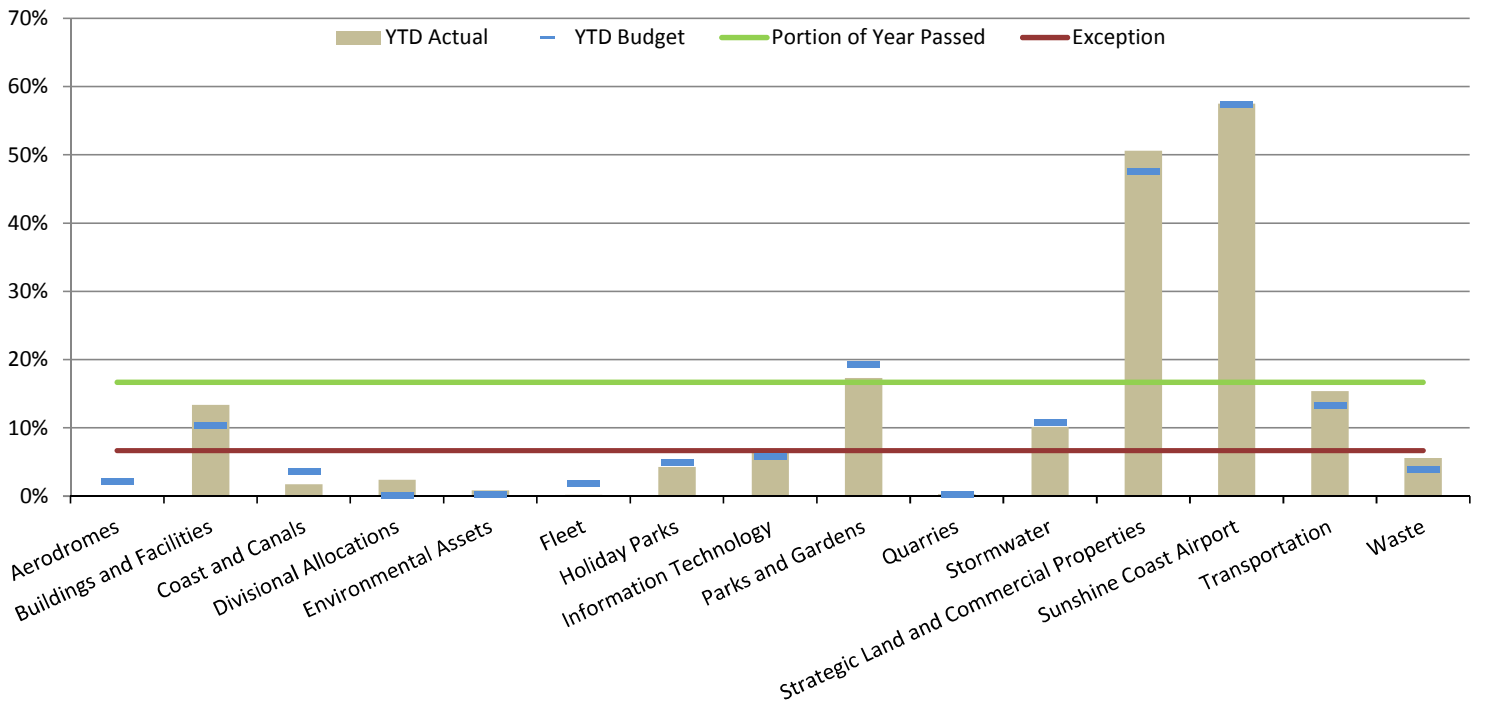
2017/18 Net Result



CAPITAL EXPENDITURE

Capital Works Program	Annual		YTD			% of FY budget spent	YTD Variance \$000s
	Original Budget \$000s	Forecast Budget \$000s	Forecast Budget \$000s	Actuals \$000s	Variance on YTD budget		
Aerodromes	470	497	11	0	-96.6%	0.1%	(11)
Buildings and Facilities	9,154	12,974	1,279	1,644	28.6%	12.7%	365
Coast and Canals	2,200	2,363	85	41	-51.4%	1.8%	(44)
Divisional Allocations	4,475	5,238	7	113	1446.0%	2.2%	106
Environmental Assets	770	670	2	6	288.0%	0.9%	4
Fleet	3,000	3,000	56	6	-89.5%	0.2%	(50)
Holiday Parks	1,337	1,433	72	62	-13.7%	4.3%	(10)
Information Technology	3,695	3,983	232	277	19.4%	6.9%	45
Parks and Gardens	13,749	15,272	3,120	2,800	-10.3%	18.3%	(320)
Quarries	1,210	1,308	4	4	-0.7%	0.3%	(0)
Stormwater	6,816	7,549	818	768	-6.1%	10.2%	(50)
Strategic Land and Commercial Properties	1,440	8,633	4,104	4,361	6.3%	50.5%	257
Sunshine Coast Airport	0	1,123	646	646	0.0%	57.5%	0
Transportation	52,726	58,723	7,778	9,028	16.1%	15.4%	1,250
Waste	16,570	17,152	690	961	39.2%	5.6%	270
Total SCC Base Capital Program	117,612	139,919	18,904	20,716	9.6%	14.8%	1,812
Corporate Major Projects	12,962	9,546	11	1,558	14062.8%	16.3%	1,547
Maroochydore City Centre	44,198	47,162	9,390	5,200	-44.6%	11.0%	(4,190)
Sunshine Coast Airport Runway	62,062	67,501	494	934	89.1%	1.4%	440
Total Region Making Capital Program	119,221	124,208	9,895	7,692	-22.3%	6.2%	(2,203)
TOTAL	236,833	264,127	28,799	28,408	-1.4%	10.8%	(391)

SCC Base % YTD spent compared to profiled budget by Program



INVESTMENT PERFORMANCE

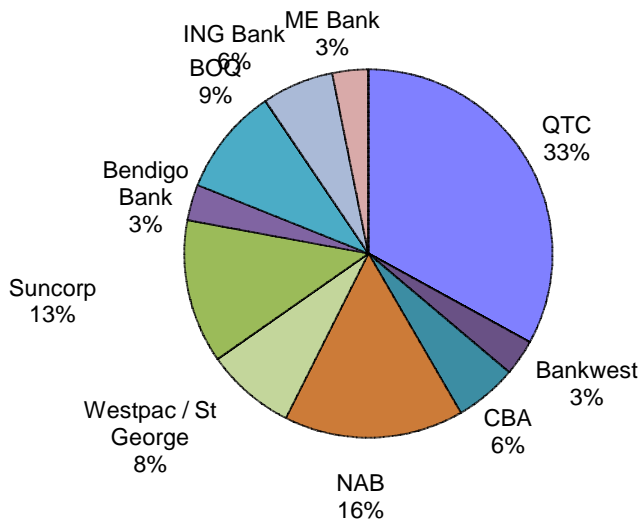
Liquidity as at:	31/07/2017	
	\$'000's	
At-call accounts		
QTC + CBA (excl. trust)	\$86,850	26.06%
Maturities within 7 days	\$10,000	3.00%
Total at-call	\$96,850	29.06%
Investment Policy Target		10.00%

Term deposits maturing:	\$'000's	Count
within 30 days	\$30,000	3
30-59 days	\$30,000	3
60-89 days	\$50,000	5
90-179 days	\$130,000	13
180-364 days	\$10,000	1
1 year - 3 years	\$0	0
Total	\$250,000	25

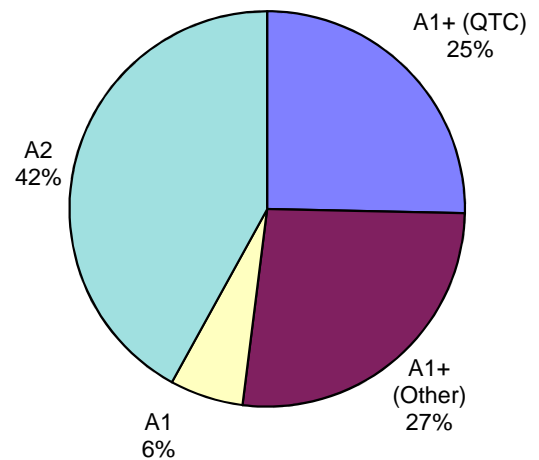
INVESTMENT SUMMARY (including Trust) as at:				Investment Policy				
	31/08/2017		31/05/2017		31/08/2016		Individual Limit	Group Limits
A1+ (QTC)	\$84,458	25.3%	\$94,776	31.7%	\$199,347	51.0%	100%	100%
A1+ (Other)	\$88,819	26.7%	\$88,996	29.8%	\$121,637	31.1%	40%	100%
A1	\$20,000	6.0%	\$35,000	11.7%	\$50,000	12.8%	30%	50%
A2	\$140,000	42.0%	\$80,000	26.8%	\$10,000	2.6%	30%	45%
A3	\$0	0.0%	\$0	0.0%	\$10,000	2.6%	5%	10%
Total Funds	\$333,277		\$298,772		\$390,985			
FUND SUMMARY								
General Funds	\$326,850		\$292,710		\$385,222			
Trust Funds	\$6,427		\$6,062		\$5,762			
Total Funds	\$333,277		\$298,772		\$390,985			

Investment Portfolio

Investment per financial institution (%)

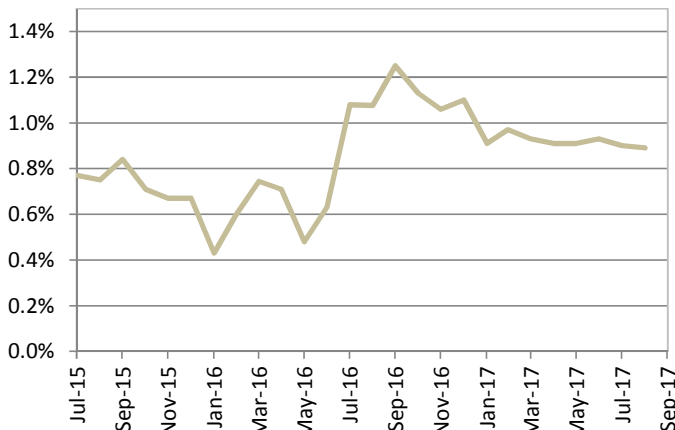


Investment by Standard & Poor's (Short Term Credit Rating)



Investment Performance

Margin Above Benchmark



Investment Performance

