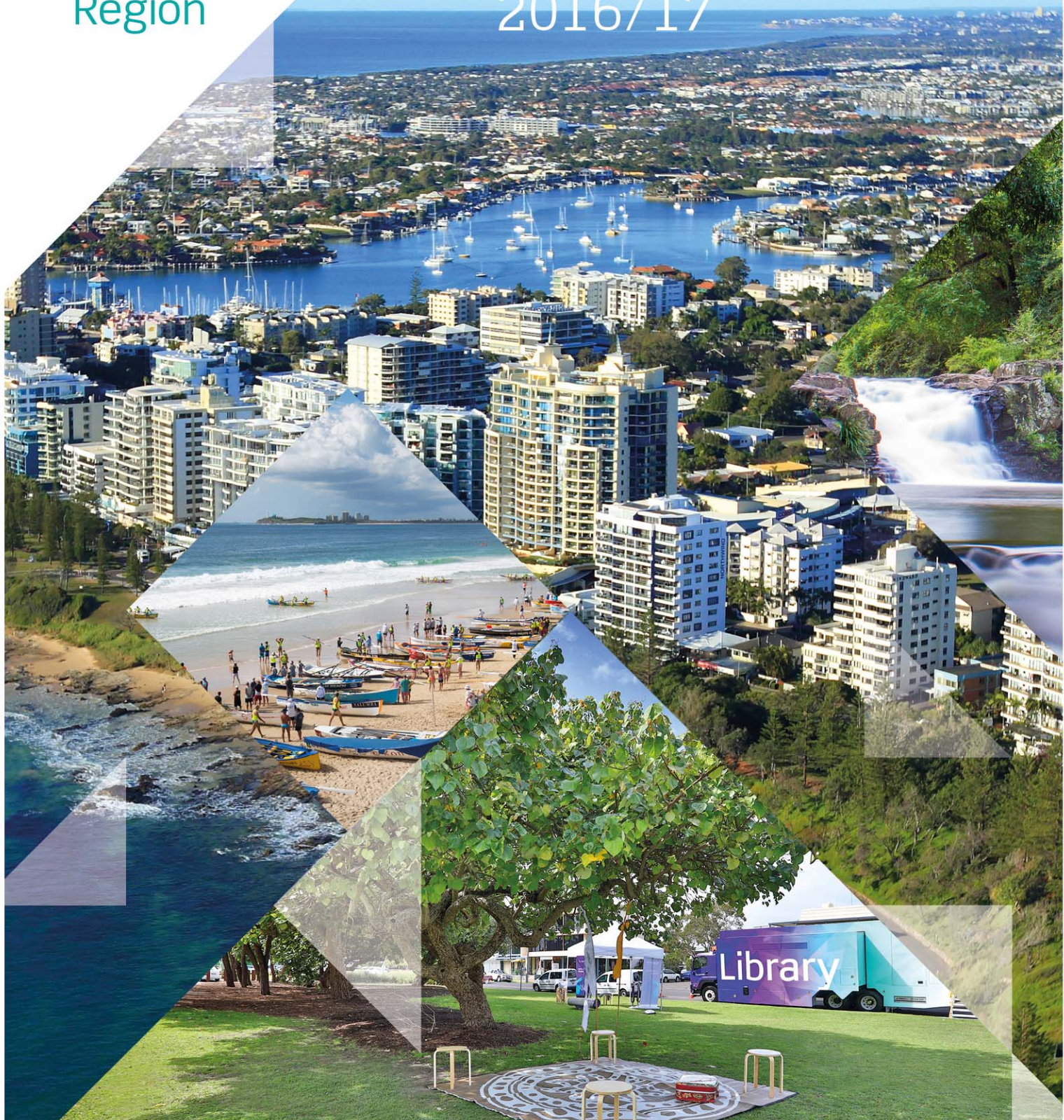




Building  
Australia's  
Smart  
Region

# Community Budget Report 2016/17



© Sunshine Coast Regional Council 2009-current.  
Sunshine Coast Council™ is a registered trademark  
of Sunshine Coast Regional Council.

[www.sunshinecoast.qld.gov.au](http://www.sunshinecoast.qld.gov.au)  
[mail@sunshinecoast.qld.gov.au](mailto:mail@sunshinecoast.qld.gov.au)  
T 07 5475 7272 F 07 5475 7277  
Locked Bag 72 Sunshine Coast Mail Centre Qld 4560

**Acknowledgements**

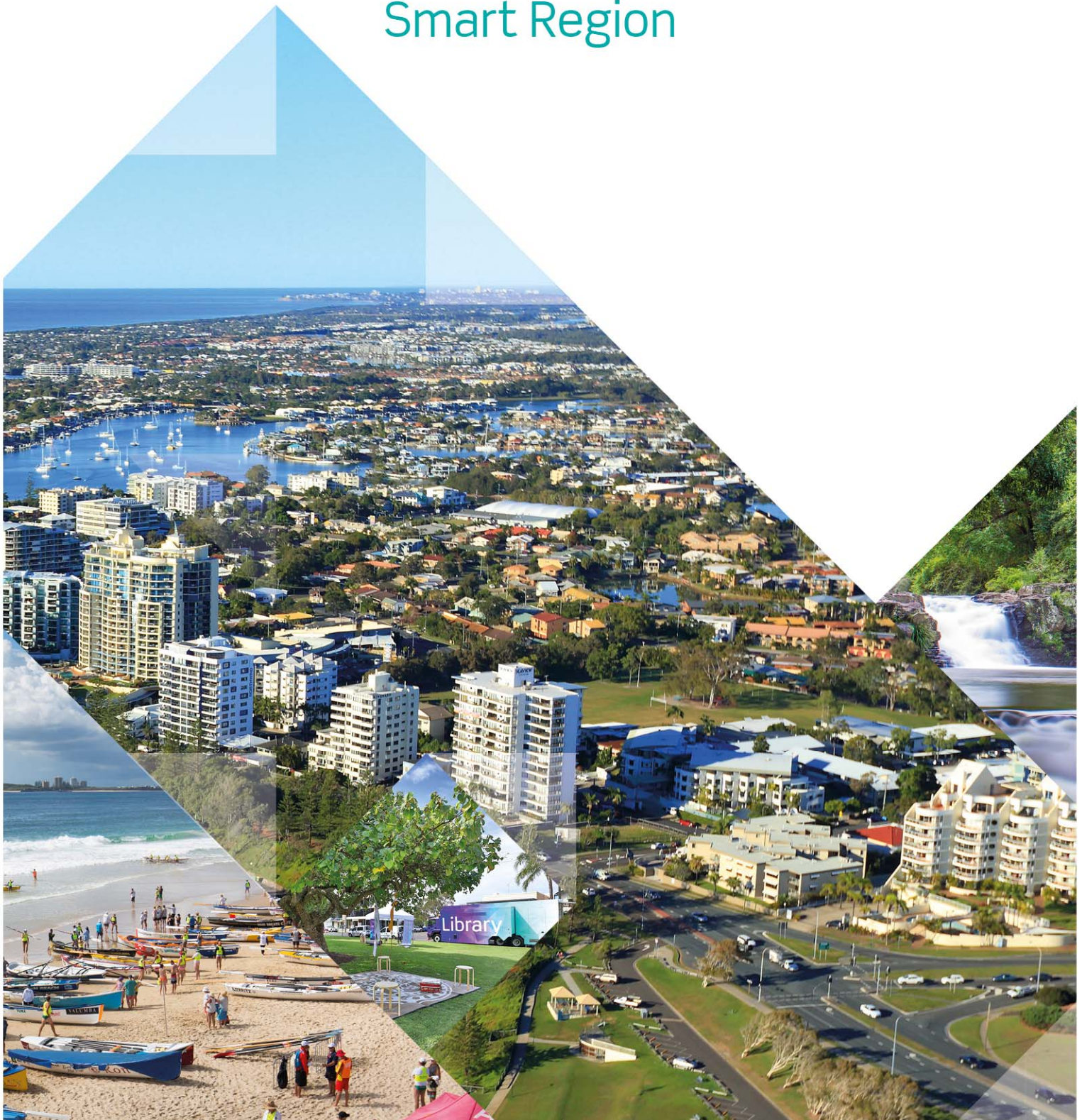
Council wishes to thank all contributors and stakeholders involved in the development of this document.

**Disclaimer**

Information contained in this document is based on available information at the time of writing. All figures and diagrams are indicative only and should be referred to as such. While the Sunshine Coast Regional Council has exercised reasonable care in preparing this document it does not warrant or represent that it is accurate or complete. Council or its officers accept no responsibility for any loss occasioned to any person acting or refraining from acting in reliance upon any material contained in this document.

# Community Budget Report 2016/17

Building Australia's  
Smart Region



# 2016/17 COMMUNITY BUDGET REPORT

## Contents

- 1. MAYOR'S MESSAGE.....5
- 2. BUDGET AT A GLANCE .....10
- 3. FINANCIAL STATEMENTS .....10
- 4. RATING COMPARISON.....19
- 5. REGION MAKING PROJECTS .....19
- 6. CONCLUSION .....20

# 2016/17 COMMUNITY BUDGET REPORT

## 1. MAYOR'S MESSAGE

### ***Building Australia's Smart Region***

Each year I have the opportunity to deliver on behalf of Council, our annual budget. This is a responsibility I take very seriously. Our residents and ratepayers have put their trust in us to be caretakers of this region we are all fortunate enough to call home.

It is an honour to have the opportunity to build on the successes of those men and women who came before us. To build a future Sunshine Coast our children and grandchildren will also be proud to call home. A future that offers opportunities – to pursue a career, to access services, to make our communities thrive and to preserve our outstanding natural environment.

And this year it is an honour because we have delivered a budget that helps us to achieve that - and much more.

The 2016/17 budget delivers confidence, opportunity and prosperity. Our record \$717 million budget is the largest council budget of all time on the Sunshine Coast.

And fittingly, it is a budget that focuses on building Australia's smart and healthy region...economically, socially and environmentally – while also delivering the core services which continue to grow a strong community. A budget for a region made up of a variety of divisions and locations, all with different needs.

We have all recognised that our task is to balance those needs so that residents across the region benefit from our strong stewardship of Council's finances and the programs and services we deliver for all communities.

### ***Regional Performance***

In the last four years, this region has gone from strength to strength.

We are the fifth largest local government and the second fastest growing region in Queensland. Through our efforts in the last term, we have become the second strongest performing regional economy in Queensland. We have been recording some of the highest business confidence levels in the State.

We committed to work hard to generate new job opportunities for our region. And the evidence shows we are doing that. The Sunshine Coast's unemployment rate is now at 4.5%, below Queensland's rate of 6.2%. We have one of the lowest levels of youth unemployment in Queensland at 8.8%, which is down from 14.4% just over a year ago. And our annual employment growth rate is almost four times the state average at 4.5%.

And we have a pipeline of over \$10 billion in private sector and public sector investment occurring on the Sunshine Coast.

These important foundations place our region in a good position to shape a prosperous future for our region.

For our residents who live here today, and those who will move here in the future. Our important responsibility as Council is to build on these foundations, enabling new opportunities to grow and at the same time, maintaining the lifestyle and vibrancy of our communities that our residents value so highly.

## ***Budget Highlights***

To achieve this, in our budget today, we have allocated:

- \$100 million to maintain, renew and replace roads, pathways and stormwater. This includes \$22.8 million for our road reseal program
- There's also \$33 million for libraries, galleries and community facilities
- \$46 million for economic initiatives, including major events, investment attraction, business support and holiday parks
- \$63 million to maintain, renew and replace Council's many parks, gardens and sporting facilities
- \$59 million for environmental initiatives, including beach, foreshore and bushland conservation and delivering our new solar farm
- And \$7 million for community events and grants.

Our budget also includes a \$253 million capital works program – again, the largest council capital works budget in the region's history. Our capital program represents a significant investment in the liveability and future of our communities. It also provides opportunity for local businesses to secure contracts with Council.

Just in our last year alone, \$158 million in our total procurement spend was with local business. This helps to employ people, support families and generate flow on business across the region.

## ***Game Changing Initiatives***

This financial year, we are investing \$53 million in the Maroochydore City Centre – Australia's only greenfield CBD within an existing urban area. A project which will create 30,000 jobs by 2040 and inject \$5.9 billion into the Queensland economy over that period. An investment that will help deliver over \$300 million in improved community facilities and a public realm for our residents to enjoy for years to come.

And an investment that will be recouped in the years ahead through land sales and other charges.

The Sunshine Coast Airport Expansion Project will also receive a \$25 million investment to start design and planning works for the new runway. Due to be completed in 2020, the airport expansion project will deliver 2230 jobs, inject \$4.1 billion into the local economy through to 2040 and result in 3500 fewer dwellings being affected by noise each day by 2020.

Each of our game-changer projects is visionary and innovative, will build our economy, create jobs and will add significantly to the liveability of our region, now and into the future.

They incorporate smart technology to deliver the best outcomes possible for our economy, our environment and our community. Exactly what you would expect from a smart and healthy region.

## ***Improving Council Services***

Importantly however is that the largest share of our budget is devoted to the core services that we provide as a Council every day, in support of our residents and our communities.

To this end, Council is investing \$13 million on our much-loved parks and gardens and \$6 million on our community and sporting facilities. Our environmental assets and coast, canals and waterways are the focus of another \$6 million investment. \$59 million will be invested in transport and stormwater projects and \$13 million on waste management infrastructure.

## ***Environmental Initiatives***

As mentioned earlier, our environmental credentials will be further strengthened with more than \$59 million to support beach, foreshore and bushland conservation programs and the delivery of our Solar Farm.

Our Council will become Australia's first local government to build a solar farm to offset its entire electricity consumption with energy from a renewable source. The Sunshine Coast Solar Farm, due for completion in 2017, will provide \$22 million in savings – after costs – over a 30 year period.

It will be the biggest solar farm in Queensland. Overall, a winner for our region, our community and our environment – and one that is attracting attention across Australia and the Globe.

The Environment Levy will raise \$9.3 million, further enabling Council to deliver on its long-term strategic approach to environmental management. This will support land acquisitions for conservation purposes, grants and partnerships such as the very successful Land for Wildlife Program, environmental management and education programs, coastal dunal rehabilitation and river restoration activities. All essential ingredients to ensure we remain at the forefront of environmental management and reliable custodians of our natural assets.

### ***Community Initiatives***

It is appreciated, the importance we place on building cohesion, connectivity and vitality in our communities.

Our \$7 million to community events and grants will give a helping hand to clubs and associations who are the backbone of our community, contribute to our lifestyle and help many others.

The popular Coastal Pathway program will also receive \$690,000 in 2016/17, for planning, renewing and extending various sections of the pathway around Bokarina, Maroochydore, Mooloolaba and Kings Beach. The pathway is a key feature of our relaxed coastal lifestyle and will receive an \$11 million injection over the next 10 years.

And preserving our heritage is equally important. This was made very clear to all of us during our recent election campaign.

The Heritage Levy - which will raise \$1.06 million – will assist Council to maintain and nurture our region's rich cultural heritage. This includes identifying and understanding the places and buildings that have shaped this region. A new Cultural Heritage Study, which is currently underway, will inform how we manage these heritage places.

We will also establish an accumulative Heritage Futures Fund which will provide a long term savings plan to fund those bigger projects this region may require in the future, such as a regional interpretation and storage space for heritage collections. Connecting communities is also a priority for our residents in a region the size of the Sunshine Coast.

The Transport Levy enables Council to play its part in helping our residents to move around. The Transport Levy will raise \$3.58 million to fund service improvements, bus stop upgrades to comply with the Disability Discrimination Act and undertake research, planning and investigations. The levy will also contribute to the Transport Futures Fund for projects such as Sunshine Coast Light Rail.

### ***Revenue Initiatives – How the budget is funded?***

We know these are large numbers and the question many will ask is “How will this be funded?” We understand every dollar counts, and Council has kept the bottom line on the rates notice as low as possible.

General rates for the majority of ratepayers will increase by \$28 to \$1138 per annum. And the cost of collection of a 240 litre wheelie bin will increase by \$4.60 to \$276 per annum. The combined increase of 2.2% is in line with the LGAQ Council Cost Index.

For the first time in eight years, Council will increase:

- the Environment Levy by \$10 to \$70;
- the Transport Levy by \$7 to \$27 and
- the Heritage Levy by \$3 to \$8 per annum,

A combined annual increase of \$20.

When included with the general rates and waste collection, the combined effect of the increase is less than \$1 a week for the majority of our ratepayers.

So where does your average general rate of \$1138 go?

- \$385 goes towards building roads, bridges and other transport initiatives;
- \$325 goes towards community projects and programs, such as our libraries, grants and support for sport, recreation and the art gallery;
- \$249 goes towards our parks and gardens;
- \$128 is spent on environmental programs and services, including protecting, preserving and promoting our natural assets;
- And \$51 is invested in economic initiatives to create jobs and prosperity on the Sunshine Coast.

### ***Managing waste***

As part of our continuing commitment to our environment, we must be vigilant in reducing waste going into our landfills and encouraging residents to reduce, reuse and recycle. That's why the green waste bin charge remains the same at \$60 per annum.

Council's decision last year to introduce no-cost dumping of mattresses and fridges at its resource recovery facilities is proving a success with figures showing a 50% increase in recycling these items over the last 12 months. The number of mattresses disposed of at the resource recovery facilities in the past financial year is up 51%, and the number of fridges has increased by 54%. Residents can continue to dispose of their unwanted mattress and non-degassed fridge for free.

Clean timber loads and clean plasterboard loads can be disposed of at \$50 per tonne, down from \$161 per tonne two years ago.

I know these fee reductions are helping residents and businesses and, just as importantly, the quality of our environment that we enjoy today and want to see in place in years to come.

### ***Tourism and Major Events Levy***

This year we worked with Visit Sunshine Coast and proudly launched The World is Coming campaign.

Sunshine Coast is hosting 60 major sporting, music and lifestyle events that are estimated to contribute about \$100 million to the region's economy. The economic injection from these events flows back to businesses across the region.

We want to continue that success – and continue to invest in securing new event product for the region. To this end, the tourism and major events levy – which just over 10% of ratepayers contribute to – will rise by 10%.

In 2016/17, our Council will invest \$1.66 million of the Tourism and Major Events Levy raised, to sponsor major events which benefit our businesses and the community, including:

- The Australasian Police and Emergency Services Games
- Mooloolaba Triathlon
- The Queensland Garden Expo
- The Ironman 70.3 World Championship
- And the lists goes on.

The Tourism and Major Events levy is a small investment which offers significant returns as it supports activities that import money from outside the region. Latest figures also show Sunshine Coast recorded a 7.1% increase in international visitor nights to 2.9 million visitor nights in the year ending March 2016.

That success doesn't happen by accident.



To this end, our Council will contribute \$4.06 million from the Tourism and Major Events Levy to Visit Sunshine Coast to continue marketing our region. Tourism provides almost 14% of total employment on the Coast and currently injects more than \$2.53 billion of direct expenditure into the region. We want to attract more visitors – particularly those from overseas – and generate more expenditure locally.

This is why continuing our support for Visit Sunshine Coast is so important.

### ***Conclusion – positioning our region for the future***

In February, the Sunshine Coast was identified by Infrastructure Australia as one of five cities that – along with the State capitals – will be the focal points for the future productivity of the Australian economy. That is where we should be – a leading, smart and healthy region that offers fantastic opportunity and an unrivalled quality of life. Our budget continues to ensure we remain on that path.

We have environmental assets and a natural landscape that are second to none. And the Sunshine Coast is recognised as one of the healthiest communities in Australia.

We are all proud of our achievements to date as we continue to place Sunshine Coast ahead of the pack – economically, environmentally and as a community. And underpinning this is our Council's strong financial position which makes us one of the highest performing councils in Australia.

Council has achieved:

- An Operating Surplus Ratio of 7.4% - ahead of benchmark, allowing council to invest in growth capital projects and to pay back its loans
- A Net Financial Liabilities Ratio of 40.5% - ahead of benchmark, meaning that council has sustainable debt levels
- And an Asset Sustainability Ratio of 85.5% - shows that council is investing in renewing its existing assets, as all reputable and high performing organisations should.

On behalf of us all, I am proud to deliver the Sunshine Coast Council 2016/17 budget.

A budget that I commend wholeheartedly to our community.

**Mark Jamieson**  
**Mayor**

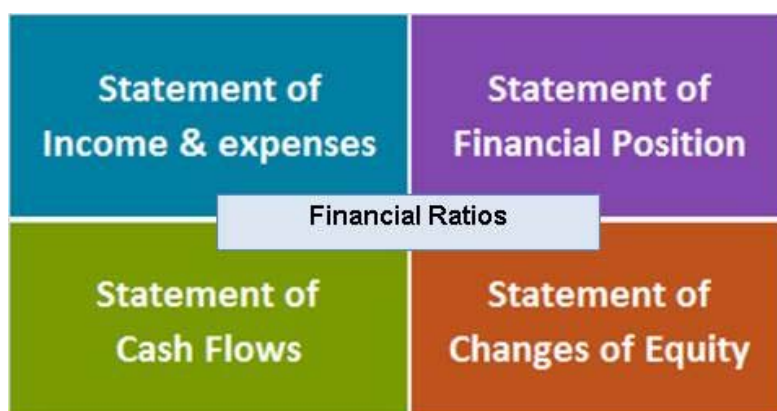
## 2. BUDGET AT A GLANCE

The 2016/17 Budget was adopted by Sunshine Coast Council on 16 June 2016 at a Special Statutory Meeting. The budget has been developed to ensure long term financial sustainability for Sunshine Cast Council. The 2016/17 Budget totals \$717 million with some of the more significant highlights of the budget being:

- A budget which includes a positive operating result of \$30.9 million
- A general rate increase of 2.5%
- A 1.7% increase to Waste Management charges for a wheelie bin
- Combined this results in a 2.2% increase which is in line with the LGAQ CCI
- The LGAQ Council Cost Index is calculated from a 50% weighted, 5 year moving average of changes in the CPI for Brisbane and the Road and Bridge Construction Cost Index for Queensland (ABS).
- \$20 total increase to key levies of Environment, Transport and the Heritage levies to allow Council to continue to invest in the environment, and plan for future transport and heritage initiatives. This will be the first increase for the Environment and Heritage levies since amalgamation, and the first increase for the Transport levy since its introduction in 2009/10.
- Tourism and Major Events Levy increase of 10%, with a minimum of \$90.80
- Continuation of pensioner concessions, estimated at \$3.3 million for the 2016/17 year
- Continuation of early payment discounts, estimated at \$8.1 million for the 2016/17 year
- A total Capital Works Program of \$252 million including three Region Making Projects for the 2016/17 and future years.

## 3. FINANCIAL STATEMENTS

The Financial Statements have been prepared in accordance with legislative requirements and reflect the anticipated operational activities of Council over the 2016/17 financial year, plus forecast for the following 9 years. Council's financial position continues to be strong over the budgeted period.



Financial Statements contained within this report include:

- **Statement of Income and Expenses** – presents Council's consolidated operational revenues and expenses (where money comes from and how it is spent); along with a summary of capital expenditure.
- **Statement of Financial Position** – identifies the predicted financial position of Council, including Assets (what we own); Liabilities (what we owe); and Equity (our net worth)

- **Statement of Cash Flows** – reports how revenue received and expenses paid impact on Council’s cash balances
- **Statement of Changes in Equity** – reports all changes to equity (Council’s assets net of liabilities) during the financial period
- **Financial Sustainability Ratios** – key financial indicators that measure Council’s financial performance

**Statement of Income & Expenses**

Illustrated in the graph below is the forecasted positive operating result for the new and outer financial years. Council has strategically developed the budget taking into consideration both operational and the scheduled Capital Works Program to ensure spending is in line with Statement of Income and Expenses

**Operating Result**

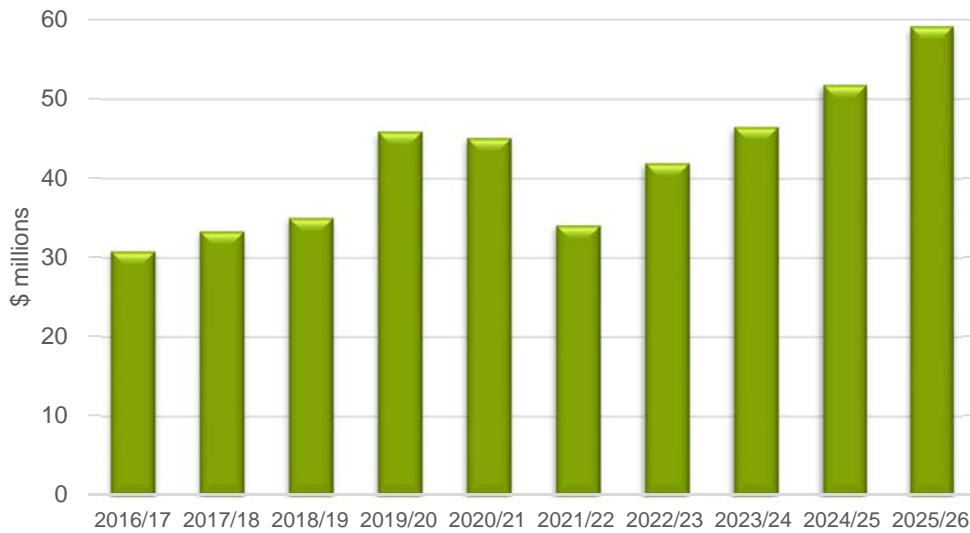


Figure 1 - Operating Result

**Operating Revenue 2016/17**

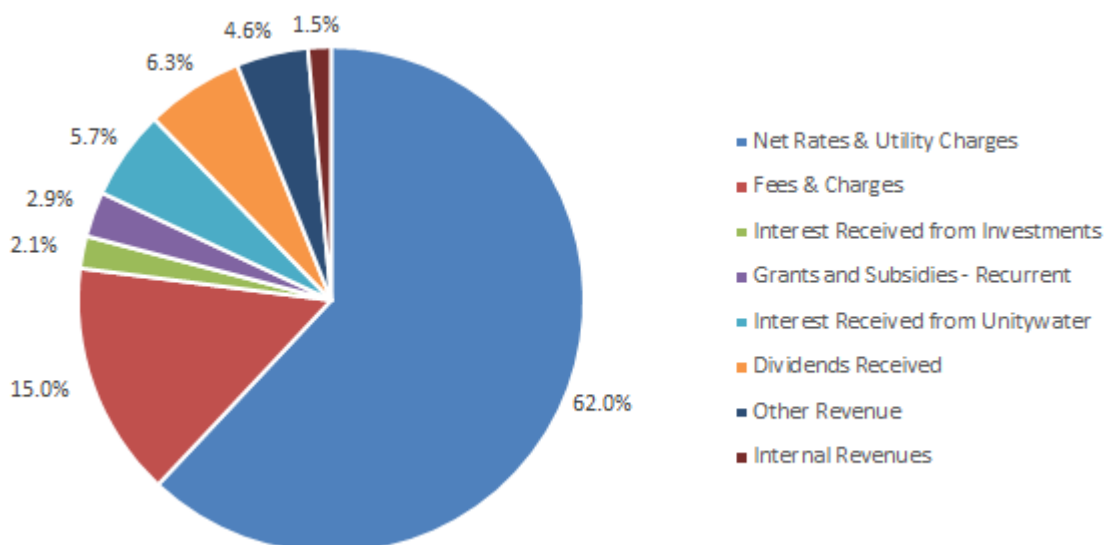


Figure 2- Operating Revenue

The Operating Revenue above shows the break-down of Council's revenue. It is important to note that Council does not rely heavily on funds from other tiers of government, and therefore has a high level of control over funding sources. Council continues to invest in Sunshine Coast Airport and Sunshine Coast Holiday Parks with revenue from these businesses reducing reliance on rates and supporting the local economy.

Total operating revenue for Sunshine Coast Council is forecast to be \$418.96 million in 2016/17.

## **Operating Revenue**

### Net Rates and Utility Charges \$259.3 million

General rates have increased by 2.5% and Waste Management charges for a wheelie bin by 1.7%. The Tourism and Major Events Levy has increased by 10% (\$90.80 minimum).

The key levies of Environment, Transport and Heritage levies have increased collectively by \$20 to allow Council to continue to invest in the environment, and plan for future transport and heritage initiatives. This will be the first increase for the Environment and Heritage levies since amalgamation, and the first increase for the Transport levy since its introduction in 2009/10.

Pensioner concessions and early payment discounts will continue, with budgets of \$3.3 million and \$8.1 million respectively.

A conservative approach has been taken with regards to anticipated growth in properties, with 1.9% growth incorporated into the 2016/17 budget.

Full details of Council's rates and charges are outlined in the Revenue Statement 2016/17.

### Fees and Charges \$62.8 million

The major components of fees and charges are general (\$48.7 million revenue) and development assessment (\$14.1 million revenue). Fees and Charges revenue is projected to increase by \$2.9 million over the prior financial year.

### Interest Received from Investments \$8.6 million

Interest from investment of surplus cash throughout the year is estimated at \$8.6 million. Interest from Council's investments continue to be negatively impacted by the reduction in interest rates.

### Grants and Subsidies - Recurrent \$12.1 million

The major recurrent grants and subsidies include general purpose Federal grants \$10.3 million and State library grant \$1.5 million. These amounts are in line with the prior year.

### Operating Contributions \$706,000

This line predominantly relates to the revenue Council receives from sale of recycled materials managed at the Materials Recovery Facility.

### Interest Received from Unitywater \$23.9 million

Interest from Council's Unitywater investment has been estimated at \$23.9 million and remains unchanged from the prior year.

### Dividends Received \$26.1 million

This item consists of Unitywater dividends of \$19.8 million and tax equivalents of \$6.3 million. The amounts are in line with the prior year.

### Other Revenue \$19.2 million

Council revenues in this line are mainly attributable to lease revenue of \$7.8 million, sale of recovered materials from transfer stations of \$1.7 million, commissions and sundry revenue of \$2.4 million. The Maroochydore City Centre development has forecast \$7.3 million of land sales and contributions for the 2016/17 year.

### Internal Revenues \$6.2 million

The \$6.2 million of internal revenues represent “sales” from Council’s internal service providers to the capital program. Major “sales” include quarry products (\$5.0 million) and heavy plant hire (\$1.2 million).

### Operating Expenses 2016/17

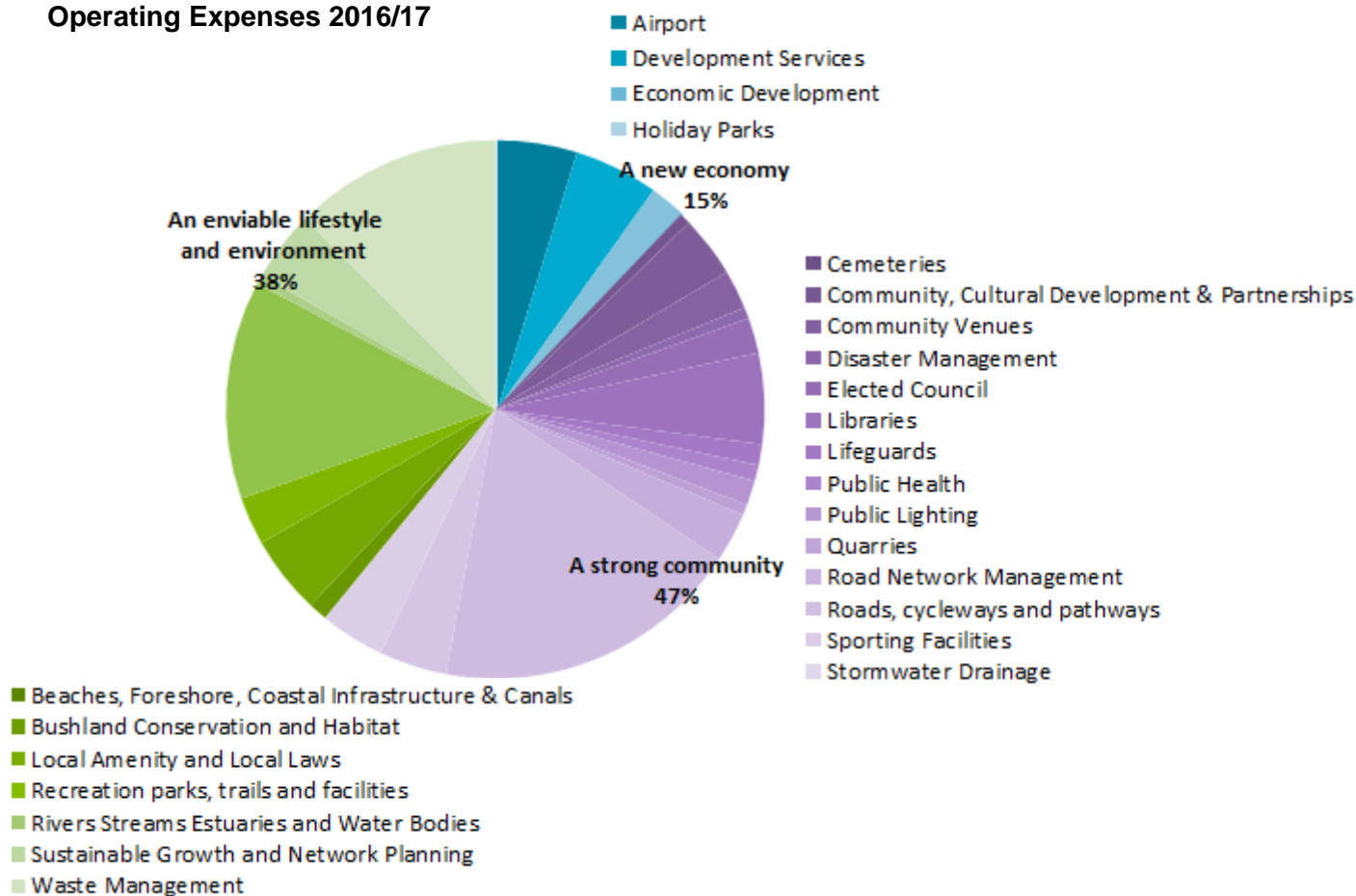


Figure 3 - Operating Expenses

The above graph illustrates the expenditure by service. The largest portion of the expenses is for payments to external agencies and contractors for the provision of services to the community. Council’s Procurement Policy has an underlying principle to encourage the development of competitive local business and industry and this leads to a significant investment in the regional economy. In 2015/16, this amounted to 65.29% of the available procurement spend of \$274.3 million.

The total operating expenses are forecasted to be \$388 million for 2016/17.

### Operating Expenses

#### Employee Costs \$128.4 million

Employee costs of \$128.4 million represent the operational employee costs of the organisation with an additional \$7.0 million of employee costs being charged directly to capital. Employee costs include all employee related expenditure including items such as superannuation, fringe benefits tax and workers compensation insurance. Total increase over the prior year is 4.2% which includes an additional 16.9 full time equivalent (FTE) established positions, bringing the total organisation establishment to 1,526 FTE.

### Materials and Services \$161.7 million

The 2016/2017 budget for materials and services has been increased by applicable allowances for growth and price.

The major expense in this category is \$86.7 million worth of contract services for waste collection and disposal and maintenance of parks, gardens, roads, beaches and foreshores to maintain Council's current service levels.

Other components in this category include events and grants of \$7.7 million, made up of \$2.6 million in community partnerships, grants and sports field maintenance programs, \$1.0 million in cultural programs, \$625,000 for the events program (New Year's Eve, Festive Season Trees and Banners, Australia Day, Naming of the Sunshine Coast and citizenship ceremonies) and \$253,000 in the Regional Arts Development Fund (RADF).

### Finance Costs \$9.7 million

This line item is made up of interest on Council's loans from Queensland Treasury Corporation of \$8.8 million and bank and merchant fees of \$842,000.

### Company Contributions \$1.4 million

This represents Council's contribution to its wholly owned company The Events Centre, of \$1.4 million and represents an increase of 16.7% compared to the prior year.

### Depreciation \$68.9 million

The budget includes depreciation expense of \$68.9 million and has increased by \$2.1 million over the prior year due to Council's investment in capital works and increased asset base.

### Other Expenses \$17.9 million

Major components include software maintenance, licenses and subscriptions \$5.1 million, motor vehicle leases \$4.0 million, contributions and donations \$3.8 million, office equipment leases \$2.0 million, and building leases \$827,000.

Contributions and donations are made up of major events funding of \$1.9 million, Sunshine Coast Investment Scheme of \$840,000, payments to the rural fire brigade \$386,000 and payments to community organisations for Christmas festivities \$146,000.

### Community Service Obligations and Competitive Neutrality Adjustments

The application of National Competition Policy Reform for 2016/2017 will be presented to Council at the 16 June 2016 Ordinary Meeting. The key recommendations for the 2016-2017 financial year resulting from the annual review of the application of National Competition Policy reforms to Council's business activities are outlined in this report.

The recommended business activity structure for 2016/17 is as follows:

- Apply Full Cost Pricing to the Waste & Resources Management significant business activity
- Apply the Code of Competitive Conduct to Sunshine Coast Airport, Sunshine Coast Holiday Parks, and Quarries business activities.

National Competition Policy reform provisions contained in the Act require Council's nominated "business activities" to apply the competitive neutrality principle to their operations. Competitive neutrality aims to promote efficient competition between Council businesses and private sector businesses. Specifically, the application of competitive neutrality seeks to ensure that Council's business activities do not benefit from competitive advantages over their private sector competitors simply by virtue of their public sector ownership.

A key component of competitive neutrality is full cost pricing. Prices are required to be set to fully recover all the relevant costs of supplying a product or service, including the recovery of all of the direct and indirect costs of running the business.

## Statement of Financial Position

Non-current assets are estimated to grow to \$7,005 million by 2026 – an increase of \$1,886 million over 10 years. This growth reflects Council's strong investment in capital works. The majority of works for the Solar Farm will occur during 2016/17. The solar farm is scheduled to be operational in April 2017.

Work has commenced on a range of pre-construction activities that are necessary to ensure adequate preparation for the delivery of the construction stage of the Sunshine Coast Airport Runway Project. These activities are vital in ensuring that sufficient information is available to proceed to determine the delivery strategy which achieves best value for money, adequately identifies and assigns risk, and facilitates the completion of the Project within the defined timeframe.

Actual physical work on the project site will not commence until final approval has been received from the Federal Department of Environment in relation to matters regulated under the *Environment Protection and Biodiversity Conservation Act 1999*. The Sunshine Coast Airport Runway project has scheduled completion planned for 2020/21.

The Maroochydore City Centre development is a 20 year project, with non-current assets estimated to increase to \$257 million by 2026.

It is planned that Council's overall debt will decrease by \$44 million to \$250 million in 2026. Council's debt will peak at \$658 million in 2020/21. The transaction relating to the Sunshine Coast Airport Runway Project has been estimated to decrease debt by \$347 million in 2021/22.

Consultation with Queensland Treasury Corporation (QTC) was undertaken for the financial assessment of the Sunshine Coast Airport Runway Project, particularly Council's ability to manage the Net Financial Liabilities ratio. QTC have stated their acceptance of Council exceeding the target Net Financial Liabilities ratio range for years 2019 to 2021, subject to further review of the Sunshine Coast Airport Runway Project business case.

## Capital Works Program

Consolidated asset management plans were used to frame the development of the \$252 million 2016/2017 Capital Works Program. The Capital Works Program includes three Region Making Projects for the 2016/17 and future years:

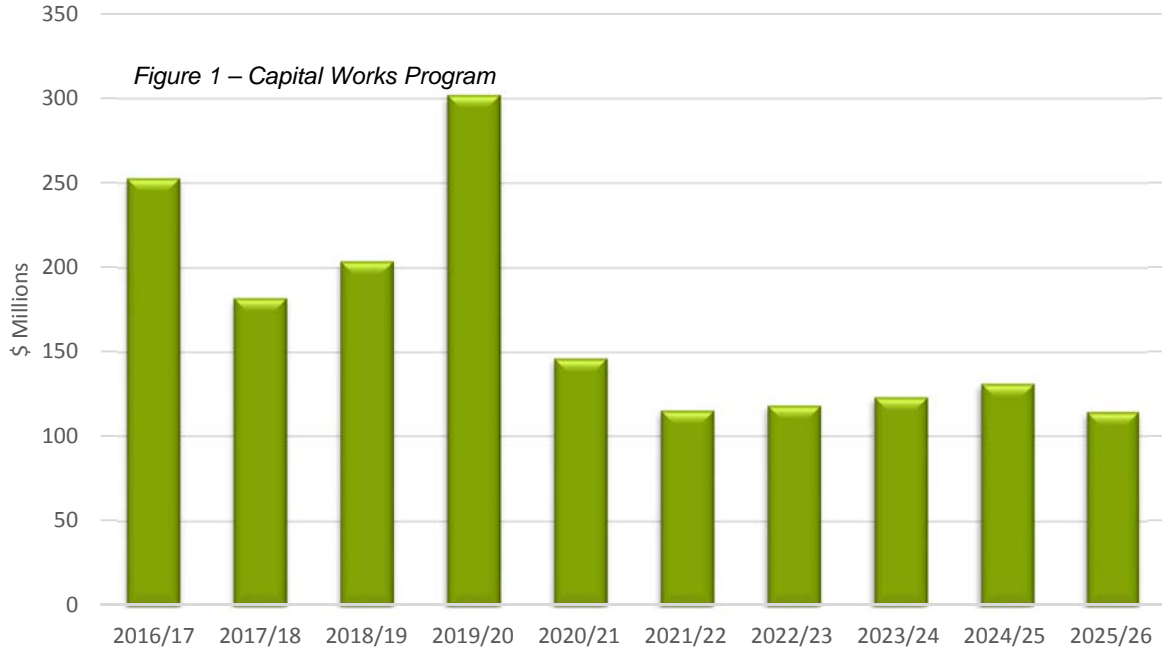
- \$53 million for the continuation of the development of the new Maroochydore City Centre, which is projected to be cash neutral over the life of the project (i.e. no net cost to the ratepayer) and will yield \$330 million worth of public realm assets such as roads, parks, waterways and community infrastructure. Council anticipates to invest \$430 million over the life of the project, which will be recouped from land sales.
- \$31 million to complete the development of the Solar Farm which will see Sunshine Coast Council become Australia's first local government organisation to build a utility scale solar farm to offset its entire electricity consumption.
- \$25 million for the Sunshine Coast Airport Runway Project. The project will deliver a new runway fully compliant with regulatory standards, runway end taxiway loops, an expanded apron and terminal facilities, a new air traffic control tower and associated infrastructure

Council has a number of commercial business activities with Sunshine Coast Airport, Waste and Resource Management, Sunshine Coast Holiday Parks and Quarries contributing to the overall 2016/17 financial result.

The 10 year forecast identifies the investment in infrastructure assets of almost \$1.7 billion funded from the operating surplus, revenue raised to fund depreciation, capital contributions from State and Commonwealth Government grants, developers, and loan funding. The Sunshine Coast Airport Runway Project has estimated capital works of \$347 million over 5 years commencing 2016/17.

A graph of the estimated Capital Works Program by year for the period 2016/17 to 2025/26 is below.

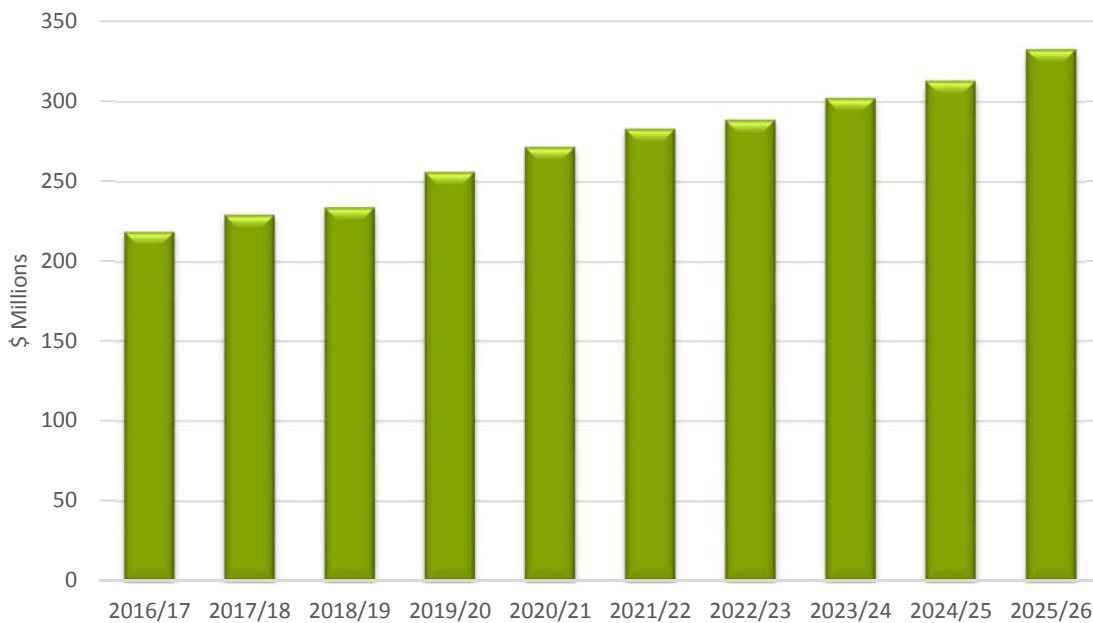
### Capital Works Program



### Statement of Cash Flows

Over the coming 10 years it is anticipated that Council will maintain a consistent cash balance at above QTC minimum requirements, while investing in key region making projects.

### Cash as at 30 June



*Figure 2 – Forecast Cash Position*



### ***Financial Sustainability Ratios***

The Asset Sustainability Ratio (reflecting the ongoing development of Council's asset management plans) is in line with Council's targeted ratio, considering Council's relatively young asset base. Council has determined an Asset Sustainability Ratio range of between 70% and 80%.

The Net Financial Liabilities Ratio (reflecting the extent to which the net financial liabilities of Council can be repaid from operating revenue) exceeds the target range in years 2019 to 2021. The 10 year Capital Works Program includes \$347 million for Sunshine Coast Airport Runway Project over 5 years commencing from 2016/17. Council's debt funding of the Sunshine Coast Airport Runway Project will require the Net Financial Liabilities Ratio target to be exceeded in years 2019 to 2021.

The Department of Infrastructure, Local Government and Planning Financial Management (Sustainability) Guideline 2013 states – "High average Net Financial Liabilities ratio projections over the long-term are typically indicative of a local government that is undertaking / has undertaken significant infrastructure projects. Whilst some local governments may not achieve the recommended target for Net Financial Liabilities Ratio on average over the long-term, this does not necessarily indicate that a local government is likely to be unsustainable over the long-term. In such cases, well-managed local governments with robust financial management systems and the ability to service current and projected debt levels, can maintain long-term sustainability and average Net Financial Liabilities ratio projections over the long-term that exceed the recommended target".

The following additional measures are also included to further demonstrate Council's long term financial sustainability:

- Council controlled revenue ratio
- total debt service cover ratio
- cash expense cover ratio.

### Key Financial Ratios, Definitions and Benchmarks

2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
---------	---------	---------	---------	---------	---------	---------	---------	---------	---------

<b>Operating Performance</b>									
<u>Operating surplus ratio (%)</u>									
Target: 0% - 10%									
7.4%	7.7%	7.8%	9.5%	9.2%	6.7%	8.3%	8.9%	9.5%	10.4%

<b>Fiscal Flexibility</b>									
<u>Council controlled revenue ratio (%)</u>									
Target: greater than 60%									
76.9%	76.5%	77.0%	75.3%	77.3%	78.3%	77.2%	77.7%	78.2%	78.6%
<u>Total debt service cover ratio (times)</u>									
Target: Greater than 2 times									
4.7	4.3	4.1	4.3	4.0	3.6	3.7	3.7	3.7	3.6
<u>Net financial liabilities ratio (%)</u>									
Target: Less than 60%									
40.5%	51.9%	65.2%	92.7%	93.3%	16.9%	13.0%	8.7%	5.8%	0.0%

<b>Liquidity</b>									
<u>Cash expense cover ratio (months)</u>									
Target: Greater than 3 months									
8.5	8.5	8.5	8.8	9.1	8.9	9.3	9.4	9.4	9.6

<b>Asset Sustainability</b>									
<u>Asset sustainability ratio (%)</u>									
Target: Greater than 90%									
85.5%	76.3%	76.5%	73.6%	76.2%	75.6%	77.5%	72.9%	74.5%	73.4%

Consultation with Queensland Treasury Corporation (QTC) was undertaken for the financial assessment of the Sunshine Coast Airport Runway Project, particularly Council's ability to manage the Net Financial Liabilities ratio. QTC have stated their acceptance of Council exceeding the target Net Financial Liabilities ratio range for years 2019 to 2021, subject to further review of the Sunshine Coast Airport Runway Project business case.

## 4. RATING COMPARISON

To illustrate the comparisons of rates for base level property, is shown in the table below.

The general rate revenue for the 2016/17 financial year will continue to be levied using a system of differential general rating. The system includes 30 differential categories with 18 differential bands used for residential properties and a minimum general rate set at \$1,138.

The general rate increase of 2.5% results in a minimum general rate for the 2016/17 financial year of \$1,138, an increase of \$28 per annum from \$1,110 per annum in 2015/16. There are 62% of residential ratepayers on the minimum general rate.

The effects of property valuations conducted by the Department of Natural Resources and Mines have been incorporated. Note that some properties will experience a change greater or lesser than the general rates increase of 2.5% due to fluctuations in property valuations.

General rates have increased by 2.5%, and Waste Management charges for a wheelie bin by 1.7%. Combined this results in a 2.2% increase which is in line with the LGAQ Council Cost Index.

The three separate charges levied in the region have increased collectively by \$20:

- Environment Levy increased by \$10 to \$70 per annum
- Public Transport Levy increased by \$7 to \$27 per annum
- Heritage Levy increased by \$3 to \$8 per annum.

The change in total rates and utility charges from 2015/16 to 2016/17 is:

<b>Total Rates and Charges</b>	<b>2015/16</b>	<b>2016/17</b>	<b>\$ Variation</b>
Minimum general rate	\$1,110.00	\$1,138.00	\$28.00
240 litre wheelie bin	\$271.40	\$276.00	\$4.60
Environment Levy	\$60.00	\$70.00	\$10.00
Public Transport Levy	\$20.00	\$27.00	\$7.00
Heritage Levy	\$5.00	\$8.00	\$3.00
<b>Gross Rates and Charges</b>	<b>\$1,466.40</b>	<b>\$1,519.00</b>	<b>\$52.60</b>
Discount (general rate only)	\$55.50	\$56.90	\$1.40
<b>Net Rates and Charges</b>	<b>\$1,410.90</b>	<b>\$1,462.10</b>	<b>\$51.20</b>

For the purpose of comparison, the State Emergency Management Levy, Pensioner Concessions and other localised benefited area levies have been omitted in the above example.

## 5. REGION MAKING PROJECTS

The following region making projects align with Council's vision - "to be Australia's most sustainable region – vibrant, green, diverse", from an economic, social and environmental perspective.

### ***Maroochydore City Centre***

Maroochydore City Centre will be instrumental in building and strengthening the region, providing a mix of residential, commercial, retail, civic and community uses in order to develop a thriving and vibrant business district and city centre, complementing and enhancing Maroochydore's existing business offering.

The project will also enable the delivery of much needed infrastructure to the Sunshine Coast community as well as creating significant opportunities for economic development and employment.

The Maroochydore City Centre development is projected to be cash neutral over the life of the project (i.e. no net cost to the ratepayer), and will yield \$330 million worth of public realm assets such as roads, parks, waterways and community infrastructure.

Budgeted capital expenditure of \$53.1 million in 2016/17 will be funded from loans. Over the 10 year forecast period, budgeted capital expenditure of \$218 million will be funded through new loans and sale of developed lots.

The Maroochydore City Centre debt will peak at \$136 million in 2024/2025 which includes the initial purchase of the site from the Horton Park Golf Club.

Council's Key Financial Ratios demonstrate that borrowings for this region making project do not adversely impact Council's long term financial sustainability.

### ***Solar Farm***

Sunshine Coast Council has taken the next step in becoming Australia's first local government organisation to build a solar farm. The Valdora Solar Farm facility will offset Sunshine Coast Council's entire electricity consumption at its facilities and operations.

The project will see a 15 megawatt (MW) solar farm installed on Council-owned property on Yandina-Coolum Road in Valdora. The solar farm will cover 24 hectares of the 49 hectare site. \$31 million has been budgeted to complete the development of the Solar Farm in the 2016/17 year. The solar farm is scheduled to be operational in April 2017.

Council's Key Financial Ratios demonstrate that borrowings for this region making project do not adversely impact Council's long term financial sustainability.

### ***Sunshine Coast Airport Runway Project***

The Sunshine Coast Airport Runway Project represents the ongoing development of an airport that has been operating and evolving for more than 50 years. As the region continues to grow the airport must expand to meet the needs of the community and to continue to support the development of the region's economy.

The Runway Project will deliver a new 2450m x 45m runway fully compliant with regulatory standards, runway end taxiway loops, an expanded apron and terminal facilities, a new air traffic control tower and associated infrastructure.

The project will enable direct flights to more destinations across Australia, Asia and the Western Pacific, enhancing national and global connections. It will generate jobs and economic growth, boost tourism, help export businesses and secure air access to the Sunshine Coast for generations to come.

The Queensland State Coordinator General's report delivered on 19 May 2016 has approved the Environmental Impact Statement (EIS) for the Sunshine Coast Airport Expansion Project.

It is envisaged the new runway will be open and operating in 2020. \$25 million has been budgeted for the Sunshine Coast Airport Runway Project in 2016/17.

## **6. CONCLUSION**

Sunshine Coast Council continues to focus on building Australia's smart region – economically and environmentally, while also delivering core services which continue to grow a strong community.

The 2016/17 budget delivers confidence, opportunity and prosperity and includes a capital works program of \$253 million and with Council investing \$1.7 billion into the region over years.

The Credit Review conducted by Queensland Treasury Corporation in November 2014, rated Council as strong with a neutral outlook. This is support and evident by the strong forecasted operating surpluses achieved each year and the financial sustainability measures implemented to obtain such outstanding results.

The 2016/17 budget is about building Australia's smart region.





[www.sunshinecoast.qld.gov.au](http://www.sunshinecoast.qld.gov.au)

[mail@sunshinecoast.qld.gov.au](mailto:mail@sunshinecoast.qld.gov.au)

T 07 5475 7272 F 07 5475 7277

Locked Bag 72 Sunshine Coast Mail Centre Qld 4560

