

8.3.1 SEPTEMBER 2015 FINANCIAL PERFORMANCE REPORT

File No: Financial Reports
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 Corporate Services Department
Attachments: Att 1 - September 2015 Financial Performance Report

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.

Operating Performance

The operating result at 30 September 2015 of \$70.2 million shows a positive variance of \$7.4 million compared to the forecast position. The current budget has been updated to reflect the adjustments approved in Budget Review 1 2015/16.

Table 1: Operating Result as at 30 September 2015

September 2015	Current Budget \$000	YTD Current Budget \$000	YTD Actual \$000	YTD Variance \$000	Variance %
Operating Revenue	386,259	152,905	157,217	4,312	2.8
Operating Expenses	368,840	90,071	86,975	(3,096)	(3.4)
Operating Result	17,419	62,834	70,242	7,408	11.8

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

Capital Performance

As at 30 September 2015, \$25.2 million (11.0%) of Council's \$229.4 million 2015/16 Capital Works Program was financially expended. The year to date anticipated spend was \$26.3 million, with financial expenditure 4.1% behind schedule.

Budget Review 2 2015/16 will assess the delivery capacity of the current program.

Investment Performance & Cash holdings

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

For the month ending 30 September 2015 Council had \$345.3 million in investment cash (excluding Trust Fund) with an average interest rate of 2.75%, being 0.61% above benchmark.

Council's financial ledger shows a cash balance of \$333.1 million, the difference to the investment cash being timing differences in revenue received on 30 September 2015. This cash position is \$30.3 million higher than projected.

OFFICER RECOMMENDATION

That Council receive and note the report titled “September 2015 Financial Performance Report”.

FINANCE AND RESOURCING

There are no finance and resourcing implications from this report.

CORPORATE PLAN

Corporate Plan Goal: *A public sector leader*
Outcome: 5.2 - A financially sustainable organisation
Operational Activity: 5.2.2 - Ensure council's finances are well managed and systems are in place to analyse performance, generate revenue, reduce costs and manage contracts

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 operating result at 30 September 2015 of \$70.2 million shows a positive variance of \$7.4 million compared to the forecast position.

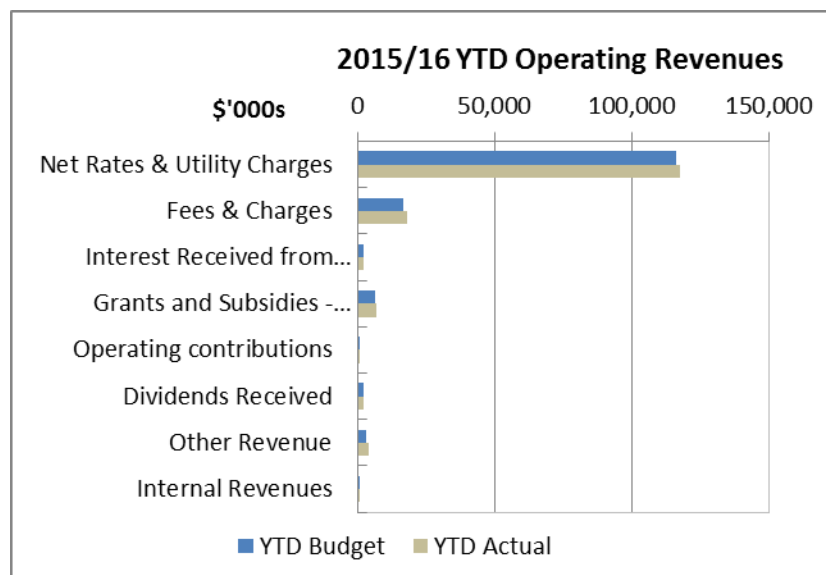
Achievement of the full year budgeted operating result will allow Council to meet its debt repayments and capital expenditure commitments.

Operating Revenue

Year to Date (YTD) actual revenues as at 30 September 2015 of \$157.2 million shows a positive variance of \$4.3 million.

Table 2: Substantial Revenue variances as at 30 September 2015

Large Variances	YTD Current Budget \$000	YTD Actual \$000	YTD Variance \$000	Variance %
Net Rates & Utility Charges	116,062	117,558	1,496	1.3
Fees & Charges	16,720	17,967	1,247	7.5
Other Revenue	3,080	3,790	710	23.1
Interest Received from Investments	1,925	2,301	376	19.6



Net Rates and Utility Charges

Of the favourable variance, \$760,000 in net rates & utilities is due to higher than anticipated cleansing charges. This variance is currently being analysed to determine if revenue is to be increased at the next budget review. Also \$860,000 of the favourable variance is being generated through prepaid rates adjustments. This is expected to be a timing variance, however will continue to be monitored.

Fees and Charges

Through Budget Review 1 2015/16, fees & charges income was increased by \$1.8 million. \$1.4 million of this increase was anticipated to come from development application fees relating to the superseded planning scheme applications.

Fees & charges continue to show a favourable variance of \$1.2 million. The favourable variance in fees and charges is mainly due to the following items exceeding the year to date budget:

- \$500,000 in development application revenue relating to plumbing inspections, operational works fees and building lodgement fees. This trend will be monitored and it is currently anticipated that another increase in forecasted revenue will be required in Budget Review 2 2015/16. Additional staff may be required to maintain this increase in workload.
- There are a number of small variances, none of which exceed \$150,000, which make up the remainder of the favourable fees & charges variance. At this stage these have been flagged as timing and will fall into line by end of year.

Other Revenue

Other revenue has exceeded the year to date budget by \$710,000 (23.1%) and mainly relates to the following unbudgeted items:

- \$264,000 received due to cost recovery action following legal proceedings – to be recognised in Budget Review 2 2015/16.
- \$110,000 payroll tax refund, this revenue will be recognised in Budget Review 2 2015/16 to offset the federal assistance grant being lower than budget.

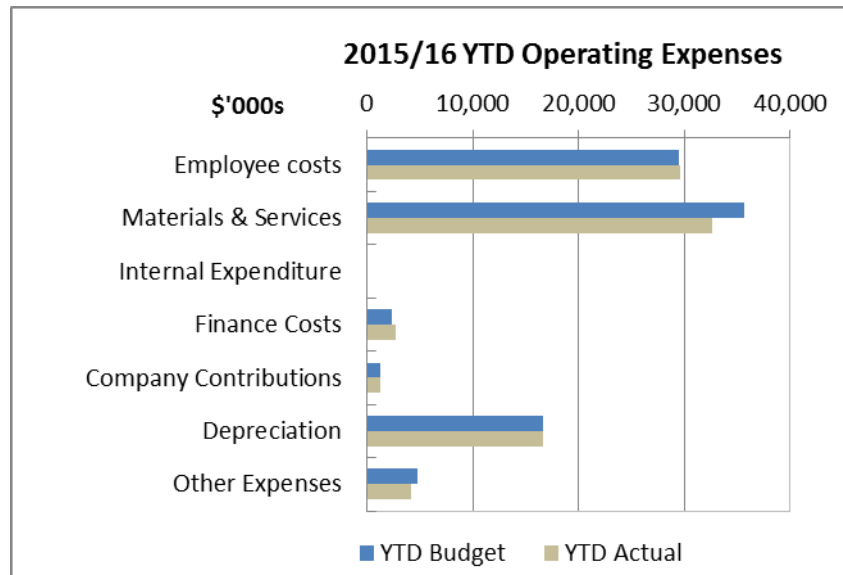
Interest from Investments

Interest from investments has exceeded the year to date budget by \$376,000 (19.6%) due to higher than budgeted cash balances. There is potential for a favourable adjustment in Budget Review 2 2015/16.

Operating Expenses

Table 3: Substantial Expenditure variances as at 30 September 2015

Large Variances	YTD Current Budget \$000	YTD Actual \$000	YTD Variance \$000	Variance %
Employee Costs	29,428	29,650	221	0.8
Materials & Services	35,732	32,631	(3,102)	(8.7)
Other Expenses	4,741	4,168	(573)	(12.1)



Employee Costs

As at 30 September 2015, employee costs of \$29.6 million were higher than the year to date budget by \$221,000 (0.8%).

As at the September 2015, a total of 1504.8 FTE hours were paid against an approved establishment of 1506.1. As the actual FTE hours match budget, the 3% vacancy rate built into the employee cost budget is not currently being achieved across Council.

The release of the Nambour Civic Centre lease has resulted in an unfavourable employee cost variance of \$183,000 at the end of September 2015. Work is currently being undertaken to establish a full year forecast for the Nambour Civic Centre, the result of which will be tabled in Budget Review 2 2015/16.

Materials and Services

As at 30 September 2015, materials and services costs of \$32.6 million were below budget by \$3.1 million (8.7%).

\$2.5 million of this favourable variance relates to operating or levy funded projects. At this stage these variances continue to be monitored and have been identified as timing differences.

Capital Revenue

Table 4: Capital revenue variances as at 30 September 2015

Large Variances	YTD Current Budget \$000	YTD Actual \$000	YTD Variance \$000	Variance %
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Capital Grants and Subsidies	866	1,129	262	30.3
Capital Contributions	3,018	10,841	7,823	259.2
Contributed Assets	6,156	-	(6,156)	(100.0)

Capital revenues, at \$11.9 million, are above the year to date budget by \$1.9 million (19.2%).

- Capital grants are expected to increase by at least \$2.5 million in Budget Review 2 2015/16. The grants require matched additional expenditure from Council, so will increase the capital works program.
- Capital contributions, at \$10.8 million, are \$7.8 million ahead of budget. Analysis is currently being undertaken on revised full year expected revenue.
- Council hasn't received any contributed assets to date, at this stage no change is required to the full year forecast.

Capital Expenditure

As at 30 September 2015, \$25.2 million (11.0%) of Council's \$229.4 million 2015/16 Capital Works Program was financially expended.

The capital program for 2015/16 contains core Sunshine Coast Council projects as well as significant region making projects.

The core Sunshine Coast capital program has expended \$20.2 million against a target of \$23.1 million (-12.7%). The region making projects have expended \$5.0 million against a target of \$3.1 million (+57.5%).

Table 5: Capital expenditure variances by program as at 30 September 2015

Capital Works Program	Current Budget \$'000	YTD Budget \$'000	YTD Actual \$'000	% Variance on YTD budget
Buildings and Facilities	9,276	1,436	1,202	(16.3)
Coast and Canals	2,022	390	299	(23.5)
Divisional Allocations	3,762	475	533	12.3
Environmental Assets	1,408	198	197	(0.6)
Fleet	3,935	665	55	(91.7)
Parks and Gardens	14,148	2,694	2,297	(14.7)
Stormwater	7,014	1,815	2,075	14.3
Transportation	75,419	11,204	8,874	(20.8)
Information Communication Technology	4,592	945	659	(30.3)
Strategic Land & Commercial Properties	5,481	1,320	1,174	(11.1)
Aerodromes	533	48	56	16.2
Sunshine Coast Airport	7,534	567	873	54.0
Holiday Parks	1,260	163	101	(37.7)
Quarries	809	35	94	165.7
Waste	9,876	1,169	1,710	46.3
Total SCC Base Capital Program	147,069	23,124	20,198	(12.7)
Maroochydore City Centre	34,060	3,084	4,543	47.3
Solar Farm	43,328	115	494	329.7
Palmview	5,000	-	-	-
Total Region Making Capital Program	82,389	3,199	5,037	57.5
TOTAL	229,458	26,323	25,236	(4.1)

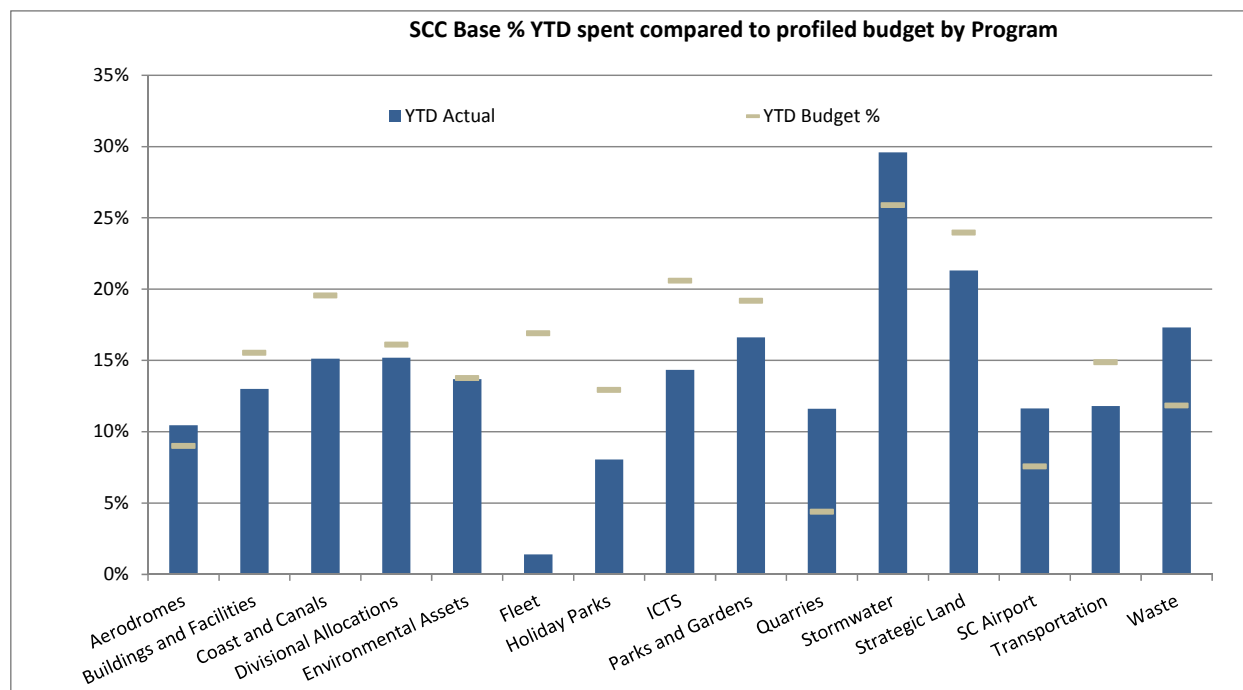


Table 6: Capital job quantities and budgeted value by status as at 30 September 2015 (excluding region making projects)

Project summary by Job status (SCC Base only)	Number of Capital Jobs	%	Current Budget \$000	%
Not Started	513	46.9	46,681	31.7
Works in progress	389	35.5	85,420	58.0
Complete	169	15.4	10,651	7.2
On hold	22	2.0	4,317	2.9
Total	1,093		147,069	

Budget Review 2 2015/16 will assess the delivery capacity of the current program.

Investment Performance & Cash Holdings

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

For the month ending 30 September 2015 Council had \$345.3 million in investment cash (excluding Trust Fund) with an average interest rate of 2.75%, being 0.61% above benchmark.

Comparing these results to the same period last year, Council held \$273.3 million in cash (excluding Trust Fund) and the average interest rate was 3.44%, being 0.94% 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.

Council’s financial ledger shows a cash balance of \$333.1 million, the difference to the investment cash being timing differences in revenue received on 30 September 2015. This cash position is \$30.3 million higher than projected.

Table 7: Cash Flow variances as at 30 September 2015

Net Cash Flows	YTD Current Budget \$000	YTD Actual \$000	YTD Variance \$000	Variance %
Operating Activities	59,940	77,442	17,502	29.2
Investing Activities	(37,714)	(24,819)	12,895	(34.1)
Financing Activities	(6,873)	(6,873)	0.0	0.0

This higher cash holding is made up of:

- Higher than anticipated cash from operating activities of \$17.5 million, this reflects the higher income and lower expenditure, highlighted in this report.
- Lower than anticipated cash spent on investing activities \$12.9 million, which highlights that the capital expenditure is lower than budget and income from capital contributions and grants is higher than budget.

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 2015/16 Investment Policy, 2015/16 Debt Policy, 2015/16 Revenue Policy and Revenue Statement.

Corporate Services Credit Accounts, Debt Collection and Write Off 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 25 June 2015, Council adopted the 2015/2016 budget - Council Resolution (SM15/20)

That Council:

- receive and note the report titled "Adoption of the 2015/2016 Budget and Forward Estimates for the 2016/2017 to 2024/2025 Financial Years"*
- adopt the 2015/2016 Capital Works Program, endorse the indicative four-year program for the period 2016/2017 to 2019/2020, and note the five-year program for the period 2020/2021 to 2024/2025 (Appendix A) and*
- adopt the 2015/2016 Budget Schedules (Appendix B) including Forward Estimates.*

Ordinary Meeting 17 September 2015, Council adopted the Budget Review 1 2015/16 (OM15/151)

That Council:

- receive and note the report titled "Budget Review 1 2015/16"*
- adopt the amended 2015/16 Budget Financial Statements to include the identified operating and capital budget adjustments (Appendix A)*

- (c) establish a Natural Disaster Restricted Cash Component of \$5 million, funded from the 2014/15 operating result and*
- (d) in addition to (b) and (c), amend the budget to include the sum of \$90,000 in 2015/16 budget for Caloundra Skate Park as part of the Aquatic Centre complex.*

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.



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September 2015



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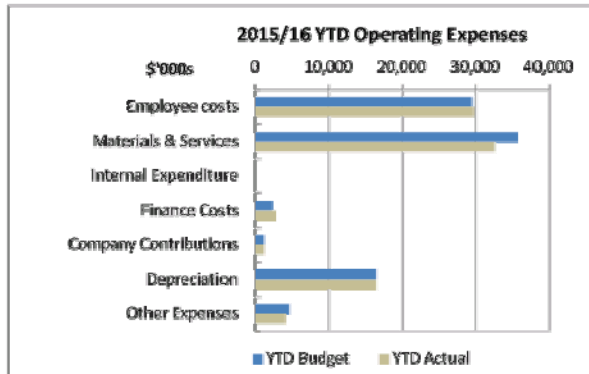
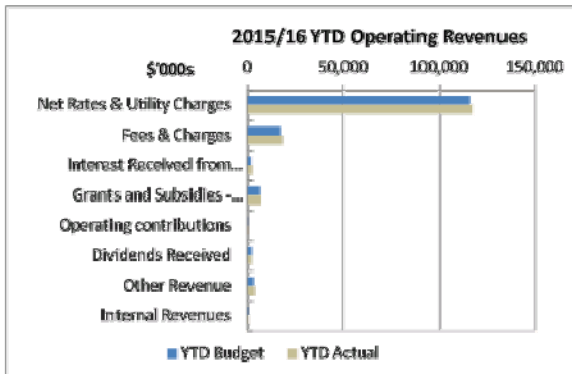
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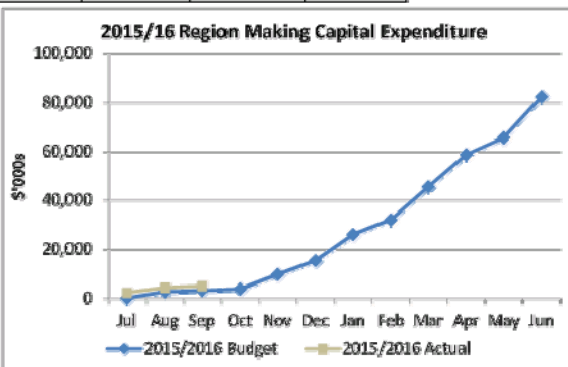
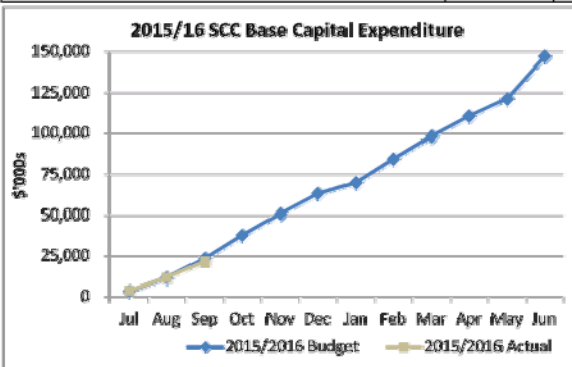
HEADLINE - OPERATING

	Annual		YTD			
	Original Budget \$000	Current Budget \$000	Current Budget \$000	Actuals \$000	Variance \$000	Variance %
Operating Revenue	386,108	386,259	152,905	157,217	4,312	2.8%
Operating Expenses	364,651	368,840	90,071	86,975	(3,096)	(3.4%)
Operating Result	21,456	17,419	62,834	70,242	7,408	11.8%
NET Result	62,974	63,898	72,875	82,212	9,337	12.8%



HEADLINE - CAPITAL

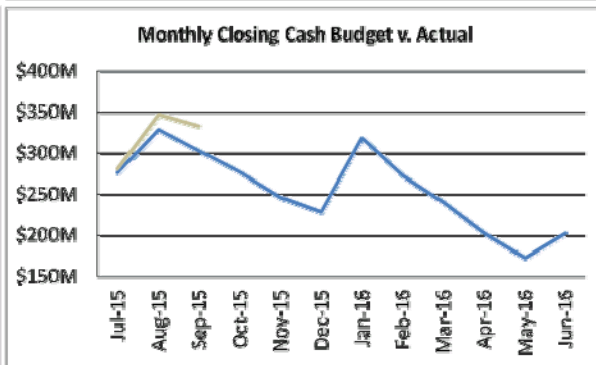
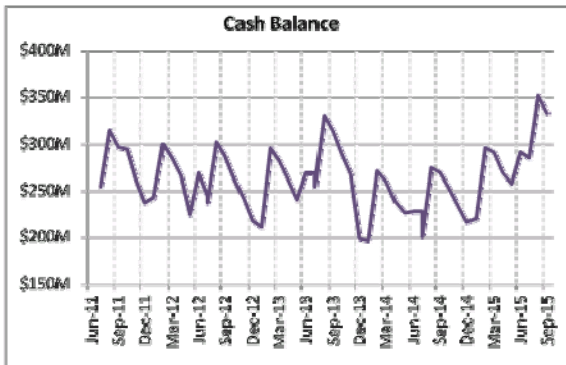
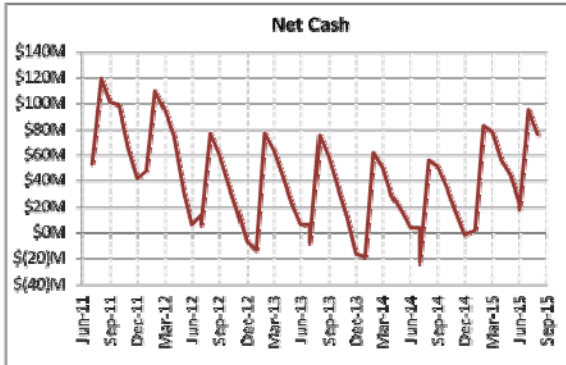
	Annual		YTD			
	Original Budget \$000	Current Budget \$000	Current Budget \$000	Actuals \$000	Variance \$000	Variance %
Capital Revenues (included in NET Result)	41,518	46,479	9,106	11,970	2,864	
Other Capital Revenues	111,768	112,188	16,575	16,982	407	
Total Capital Revenues	153,286	158,667	25,681	28,952	3,271	
Capital Works Expenditure	183,368	229,458	26,323	25,236	(1,088)	(4.1%)
Other Capital Expenditure	40,154	40,154	21,686	10,306	(11,380)	
Total Capital Expenditure	223,522	269,612	48,009	35,542	(12,467)	
Funds from General Revenue	70,236	110,945	22,328	6,590	(15,738)	



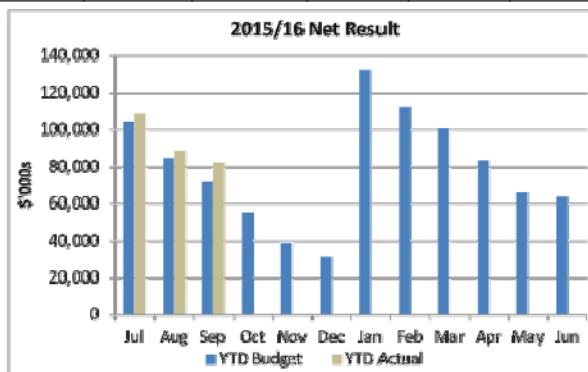
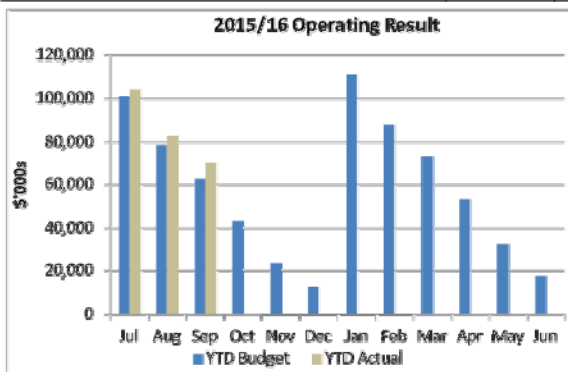
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HEADLINE - CASH & BALANCE SHEET

	Annual		YTD		Variance \$000
	Original Budget \$000	Current Budget \$000	Actuals \$000	Forecast Budget \$000	
CASH FLOWS					
Opening Cash	229,692	287,386	287,386	287,386	-
Net Cash Inflow/(Outflows) from:					
Operating Activities	71,562	91,006	77,442	59,940	17,502
Investing Activities	(153,590)	(206,813)	(24,819)	(37,714)	12,895
Financing Activities	29,181	30,964	(6,873)	(6,873)	(0)
Net Increase/(decrease) in Cash Held	(52,848)	(52,848)	45,750	15,353	30,397
Cash at year/period end	176,844	176,844	333,136	302,739	30,397
BALANCE SHEET					
Total Current Assets	223,041	251,180	388,684		
Total Non Current Assets	4,471,353	4,814,052	4,523,811		
Total Assets	4,694,394	5,065,233	4,912,494		
Total Current Liabilities	92,112	94,668	99,695		
Total Non Current Liabilities	311,641	310,037	278,879		
Total Liabilities	403,753	404,705	378,574		
Net Community Assets/ Total Community Equity	4,290,641	4,660,528	4,533,920		

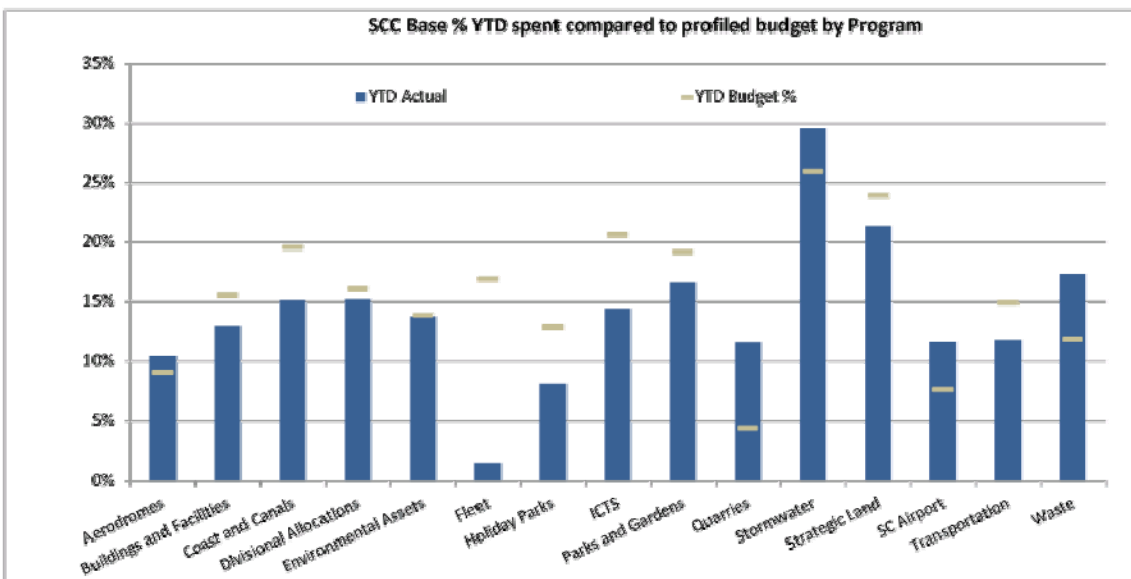


FINANCIAL PERFORMANCE REPORT							September 2015
STATEMENT OF INCOME & EXPENSES							
	Annual		YTD				Annual
	Original Budget \$000	Current Budget \$000	Current Budget \$000	Actuals \$000	Variance \$000	Variance %	Forecast Budget \$000
Operating Revenue							
Gross Rates & Utility Charges	253,289	251,074	121,329	123,010	1,681	1.4%	251,074
Interest from Rates & Utilities	1,527	1,527	382	236	(146)	-38.3%	1,527
Less Discounts, Pensioner Remissions	(11,435)	(11,435)	(5,649)	(5,688)	(39)	0.7%	(11,435)
Net Rates & Utility Charges	243,381	241,166	116,062	117,558	1,496	1.3%	241,166
Fees & Charges	54,733	56,626	16,720	17,967	1,247	7.5%	56,625
Interest Received from Investments	7,700	7,700	1,925	2,301	376	19.6%	7,700
Grants and Subsidies - Recurrent	11,946	11,985	6,417	6,631	214	3.3%	11,985
Operating contributions	696	696	174	326	152	87.4%	696
Interest received from Unitywater	23,933	23,933	5,822	5,821	(1)	0.0%	23,933
Dividends Received	26,162	26,162	2,145	2,147	2	0.1%	26,162
Other Revenue	11,132	11,568	3,080	3,790	710	23.1%	11,568
Internal Revenues	6,424	6,424	560	675	115	20.5%	7,120
Community Service Obligations	(0)	(0)	0	-	(0)	-100.0%	(0)
Total Operating Revenue	386,107	386,259	152,905	157,217	4,312	2.8%	386,955
Operating Expenses							
Employee costs	121,667	122,321	29,428	29,650	221	0.8%	122,321
Materials & Services	148,334	150,262	35,732	32,631	(3,102)	-8.7%	150,262
Internal Expenditure	-	-	-	(0)	(0)	0.0%	696
Finance Costs	9,505	9,505	2,376	2,734	358	15.1%	9,505
Company Contributions	1,218	1,218	1,218	1,218	-	0.0%	1,218
Depreciation	67,059	67,059	16,575	16,575	-	0.0%	67,058
Other Expenses	16,868	18,474	4,741	4,168	(573)	-12.1%	18,474
Competitive Neutrality Adjustments	0	0	0	-	(0)	-100.0%	0
Total Operating Expenses	364,651	368,840	90,071	86,975	(3,096)	-3.4%	369,534
Operating Result	21,456	17,419	62,834	70,242	7,408	11.8%	17,421
Capital Revenue							
Capital Grants and Subsidies	4,894	9,826	866	1,129	262	30.3%	9,826
Capital Contributions	12,000	12,028	3,018	10,841	7,823	259.2%	12,028
Contributed Assets	24,624	24,624	6,156	-	(6,156)	-100.0%	24,624
Other Capital Revenue	-	-	-	-	-	0.0%	-
Total Capital Revenue	41,518	46,479	10,041	11,970	1,929	19.2%	46,478
Net Result	62,974	63,898	72,875	82,212	9,337	12.8%	63,899



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CAPITAL EXPENDITURE							
Capital Works Program	Annual		YTD			Annual	Forecast Budget \$000
	Original Budget \$000	Current Budget \$000	Budget \$000	Actual \$000	Variance on YTD budget	% of FY budget spent	
Buildings and Facilities	6,422	9,276	1,436	1,202	-16.3%	13.0%	9,276
Coast and Canals	1,900	2,022	390	299	-23.5%	14.8%	2,022
Divisional Allocations	3,590	3,762	475	533	12.3%	14.2%	3,762
Environmental Assets	975	1,408	198	197	-0.6%	14.0%	1,408
Fleet	3,118	3,935	665	55	-91.7%	1.4%	3,935
Parks and Gardens	9,975	14,148	2,694	2,297	-14.7%	16.2%	14,148
Stormwater	5,972	7,014	1,815	2,075	14.3%	29.6%	7,014
Transportation	49,499	75,419	11,204	8,874	-20.8%	11.8%	75,419
Information Communication Technology	3,620	4,592	945	659	-30.3%	14.3%	4,592
Strategic Land & Comm Properties	1,350	5,481	1,320	1,174	-11.1%	21.4%	5,481
Aerodromes	215	533	48	56	16.2%	10.4%	533
Sunshine Coast Airport	5,056	7,534	567	873	54.0%	11.6%	7,534
Holiday Parks	770	1,260	163	101	-37.7%	8.1%	1,260
Quarries	630	809	35	94	165.7%	11.6%	809
Waste	4,387	9,876	1,169	1,710	46.3%	17.3%	9,876
Total SCC Base Capital Program	97,479	147,069	23,124	20,198	-12.7%	13.7%	147,069
Maroochydore City Centre	31,660	34,060	3,084	4,543	47.3%	13.3%	34,060
Solar Farm	49,228	43,328	115	494	329.7%	1.1%	43,328
Palmview	5,000	5,000	-	-	0.0%	0.0%	5,000
Total Region Making Capital Program	85,889	82,389	3,199	5,037	57.5%	6.1%	82,389
TOTAL	183,368	229,458	26,323	25,236	-4.1%	11.0%	458,915



Project summary by Job status (SCC Base only)	Number of Capital Jobs	%	Current Budget \$000	%
Not Started	513	46.9%	46,681	31.7%
Works in progress	389	35.6%	85,420	58.1%
Complete	169	15.5%	10,651	7.2%
On hold	22	2.0%	4,317	2.9%
Total	1093		147,069	

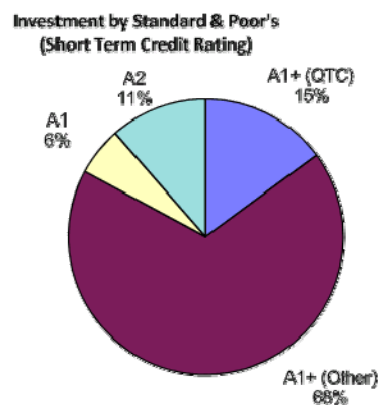
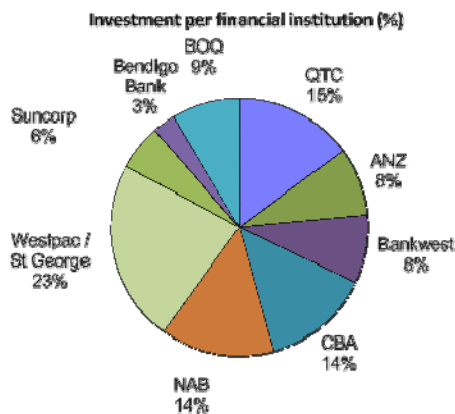
FINANCIAL PERFORMANCE REPORT September 2015
INVESTMENT PERFORMANCE

Liquidity as at: 30/09/2015		
\$000		
At-call accounts		
QTC + CBA (excl. trust)	\$95,339	27.25%
Maturities within 7 days	\$0	0.00%
Total at-call	\$95,339	27.25%
Investment Policy Target		10.00%

Term deposits maturing:		
	\$000	Count
within 30 days	\$30,000	3
30-59 days	\$30,000	3
60-89 days	\$60,000	5
90-179 days	\$130,000	12
180-364 days	\$0	0
1 year - 3 years	\$0	0
Total	\$250,000	23

	INVESTMENT SUMMARY (including Trust) as at:			Investment Policy				
	30/09/2015		31/08/2015		30/09/2014		Individual Limit	Group Limits
A1+ (QTC)	\$52,175	14.9%	\$122,035	34.8%	\$84,584	30.5%	100%	100%
A1+ (Other)	\$237,673	67.9%	\$169,074	48.2%	\$132,874	47.9%	35%	100%
A1	\$20,000	5.7%	\$20,000	5.7%	\$30,000	10.8%	30%	40%
A2	\$40,000	11.4%	\$40,000	11.4%	\$30,000	10.8%	15%	35%
Total Funds	\$349,849		\$351,109		\$277,458			
FUND SUMMARY								
General Funds	\$345,339		\$346,663		\$273,369			
Trust Funds	\$4,510		\$4,447		\$4,089			
Total Funds	\$349,849		\$351,109		\$277,458			

Investment Portfolio



Investment Performance

