

8.3.1 MARCH 2014 FINANCIAL PERFORMANCE REPORT

File No: Financial Reports
Author: Coordinator Financial Services
Corporate Services Department
Attachments: Att 1 - March 2014 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.

Due to the meeting schedule, budget adjustments through BR3 that were adopted at the April Ordinary Meeting are not included in the current budget figures of this report.

The operational result at 31 March 2014 shows a positive variance of \$4.8 million compared to the forecast position.

This operating result variation is made up of higher than expected revenue of \$9.9 million (2.8%) and higher than expected operating expenses of \$5.1 million (1.7%). Further detail is provided in the proposal section of this report.

The positive variance in the operating result of \$4.8 million at the end of March 2014 should be considered in the context of the key financial risks to council's full year operating result identified in the Risk section of this report.

As at 31 March 2014, \$102.4 million (53.4%) of council's \$191.7 million 2013/2014 Capital Works Program was financially expended.

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

OFFICER RECOMMENDATION

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

FINANCE AND RESOURCING

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

CORPORATE PLAN

Corporate Plan Theme: *Great governance*

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

Strategy: 8.1.2 - Ensure legislative compliance and awareness

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

The operational result at 31 March 2014 shows a positive variance of \$4.8 million compared to the forecast position.

This operating result variation is made up of higher than expected revenue of \$9.9 million and higher than expected operating expenses of \$5.1 million.

The positive variance in the operating result of \$4.8 million at the end of March 2014 should be considered in the context of the key financial risks to council's full year operating result identified in the Risk section of this report.

Due to the meeting schedule, budget adjustments through BR3 that were adopted at the April Ordinary Meeting are not included in the current budget figures of this report.

Operating Revenue

Net Rates and Utilities

As at March 2014 net rates and utilities are showing an unfavourable variance of \$477,000. This variance is being generated by an increase in waste rates revenue of \$618,000, and is offset by lower than anticipated growth in general rates of \$1.0 million. Both of these variances will be addressed as part of Budget Review 3 (BR3).

Fees and Charges

Of the \$5 million favourable variance in fees and charges, \$2.9 million relates to development applications revenue, across all application types.

Other Fees & Charges that are showing favourable variances to budget include:

- Holiday Parks \$530,000
- Change in Ownership Fees \$430,000
- Sunshine Coast Airport \$410,000
- Quarries external sales \$367,000

Due to the nature of the business units, the increases in revenue are often offset by increases in the variable costs associated with providing the goods or services. Budget adjustments to reflect these increases in revenue are being addressed through BR3.

Interest Received from Investments

There is a favourable variance of \$760,000 at the end of March in interest received from investments, with budget adjustments addressed as part of BR3.

Grants and Subsidies

The favourable variance of \$535,000 is made up of a number of small grants received from the State and Federal Governments, with budget adjustments to reflect increases included in BR3.

Other Revenue

Of the \$3.8 million favourable variance in other revenue, \$2.3 million relates to the reimbursement of de-amalgamation costs up to the 23 December 2013 from the working capital facility. This reimbursement is for \$1.3 million in employee costs and \$1.0 million in Materials and Services, which covers costs incurred by the Sunshine Coast Council on de-amalgamation activities.

A further \$915,000 relates to a refund from the Office of State Revenue for over charged payroll tax. \$329,000 relates to higher than anticipated sales of recovered materials which are diverted from landfill.

Budget reflecting the favourable variances within other revenue will be adjusted as part of BR3.

Operating Expense

Employee Costs

As at March 2014 month end, employee costs were over budget by \$1.7 million.

A total of \$1.3 million in Sunshine Coast Council employee costs was spent on de-amalgamation activities up to 23 December 2013 with around 4% of this related to additional staff employed solely for de-amalgamation work. As reflected in other revenue, the reimbursement of this expenditure has been received, and BR3 will align the revenue and expenditure lines.

Materials and Services

As at March 2014 month end, Materials and Services costs were above budget by \$2.6 million.

This variance is made up of higher than budgeted legal costs of \$1.3 million.

As at 23 December 2013, \$1.0 million had been spent on Materials and Services setting up the new Noosa Shire Council. As reflected in other revenue, the reimbursement of this expenditure has been received, and BR3 will align the revenue and expenditure lines.

Capital Expenditure

As at 30 March 2014, \$102.4 million (53.4%) of council's \$191.7 million 2013/2014 Capital Works Program was financially expended. The Capital Works Program will be reduced to \$169.6 million once council adopts BR3, which would result in a financial completion of 60.3% for the month of March 2014. Detail by Capital Works Program is outlined below:

Program	Original Budget \$000	Current Budget \$000	YTD Actual \$000	% of Annual Budget Spent
Buildings and Facilities	6,548	7,324	5,151	70%
Coast and Canals	1,949	2,388	980	41%
Divisional Allocations	3,100	4,540	2,920	64%
Environmental Assets	1,238	1,276	342	27%
Fleet	1,000	1,000	745	75%
Parks and Gardens	10,317	12,228	5,232	43%
Stormwater	4,161	4,241	3,858	91%
Transportation	52,952	65,632	37,109	57%
Information Communication Technology	3,927	4,871	2,469	51%
Strategic Land & Comm Properties	9,422	56,709	25,278	45%
Aerodrome	-	399	16	4%
Sunshine Coast Airport	3,400	8,237	6,398	78%
SC Holiday Parks	1,455	3,093	425	14%
Quarries	150	637	805	126%
Waste	9,651	19,103	10,677	56%
TOTAL COUNCIL	109,270	191,678	102,404	53.4%

Information on low expenditure compared to annual budget is provided below.

Environmental Assets

- Contractors now appointed for three projects that constitute \$1.02 million, or 80% of the program.
- All projects are underway and expected to be completed by 30 June 2014.

Aerodrome

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

Sunshine Coast Holiday Parks

- \$557,000 of works planned for Noosa Holiday Parks that were not completed as at 31 December 2013 have been removed from the Sunshine Coast Council Capital Works Program as budget adjustments in BR3. These projects formed part of the de-amalgamation transfer process.

- Permanent saving of \$700,000 relating to an allocation for nine new cabins that have now been delayed indefinitely due to market conditions.
- \$400,000 allocated at Mudjimba for purchase of State land has been delayed by inaction from the relevant State department.
- \$200,000 for Mooloolaba refurbishment has been re-scheduled to 2014/2015.

Parks

Since Christmas a series of projects have been well under construction and will substantially increase year to date delivery results during the coming months – key projects currently in progress are:

Alex Headlands Foreshore; Russell Family Park; Lions Park Maroochydore; Elizabeth Daniels Park; Buderim Village Park

Moving forward there is a continued focus on fast tracking hand over of designs for construction with ongoing weekly design review and capital works status meetings between council's Recreation Projects and Landscape Design teams. If favourable weather continues, we are on track for 80% to 90% delivery of parks capital works.

Quarries

Emergency stormwater management works were required by the Department of Environment & Heritage Protection to be completed by the 23 December 2013. The department refused to consider any phasing of works. Due to the emergent nature of these works, the quarry program is currently over budget. Additional funding requests are being made as part of BR3 and will be funded from the Quarry restricted cash balance.

Strategic Land and Commercial Properties

\$11.4 million of the allocation for land purchases and other projects for the Maroochydore Principal Activity Centre will be removed from the 2013/2014 Capital Works Program through BR3. These projects will be included in the 2014/2015 Capital Works Program to be considered by Councillors.

Investment Performance

- All investment parameters remain within the guidelines established by the Investment Policy.
- For the month ending 31 March 2014, council has maintained a reasonably strong return in the current market conditions with \$257 million cash (excluding Trust Fund) with an average interest rate of 3.63%, being 1.03% above benchmark. This is compared to the same period last year with \$277 million cash (excluding Trust Fund) where the average interest rate was 4.46%, being 1.48% above benchmark.
- The benchmark used to measure performance of cash funds is the UBS Bank Bill Index and the Bank Bill Swap Rate (BBSW) for term deposits.
- The Reserve Bank of Australia (RBA) cash rate remains unchanged at 2.5%.

Legal

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

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

Policy

Council's Investment Policy.

Risk

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

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

Previous Council Resolution

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

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

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

On 18 February 2014 council resolved in SM14/12 section (b) to amend the 2013/2014 budget by increasing the Strategic Land and Commercial Properties capital budget by an amount of \$5.9 million.

On 27 February 2014, council resolved in OM14/19 section (b) to amend the 2013/2014 budget by increasing the Strategic Land and Commercial Properties capital budget by an amount of \$755,000.

Related Documentation

There is no related documentation for this report.

Critical Dates

There are no critical dates for this report.

Implementation

There are no implementation details to include in this report.

Sunshine Coast
Council

FINANCIAL PERFORMANCE REPORT
March 2014



FINANCIAL PERFORMANCE REPORT

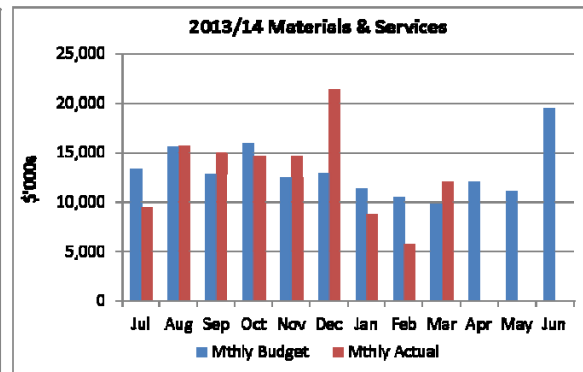
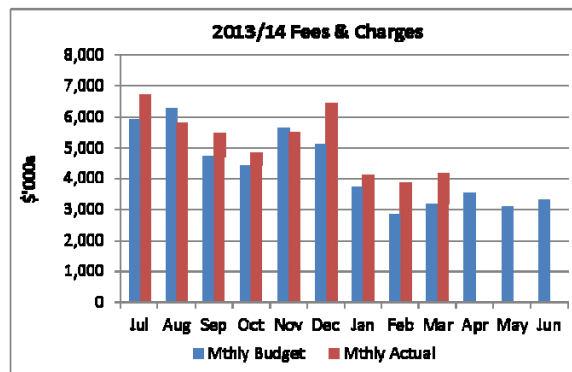
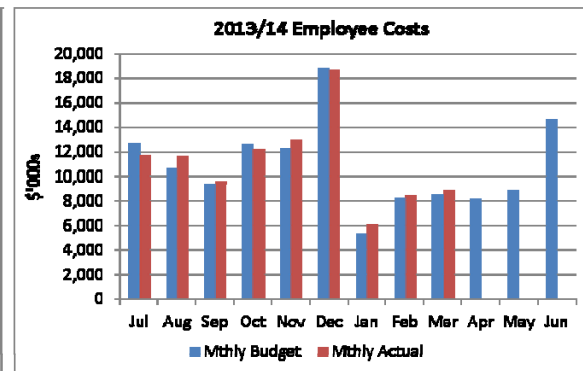
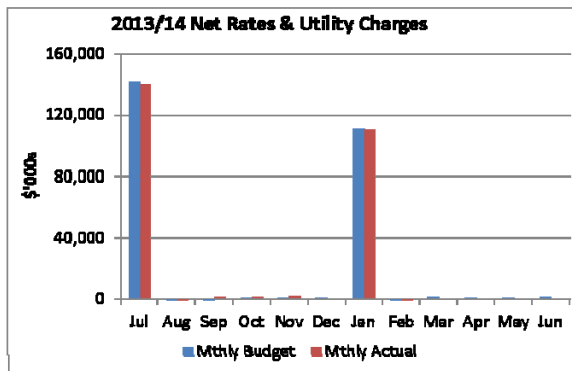
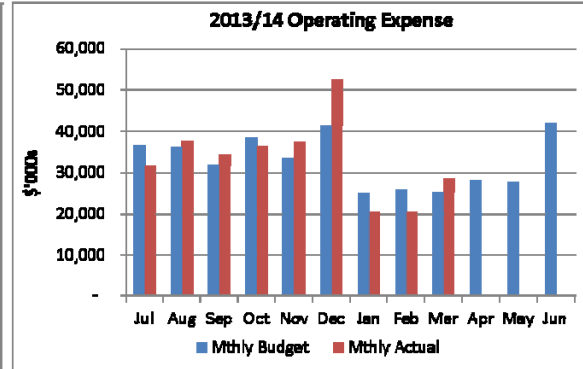
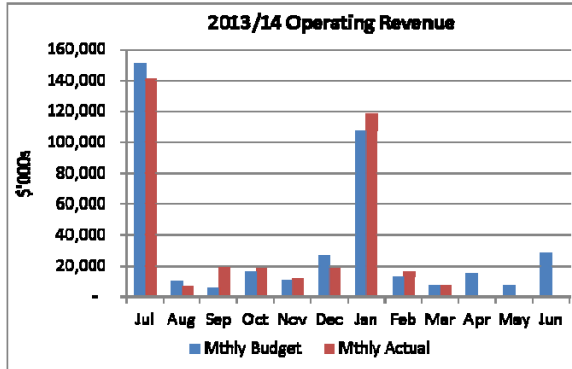
March 2014

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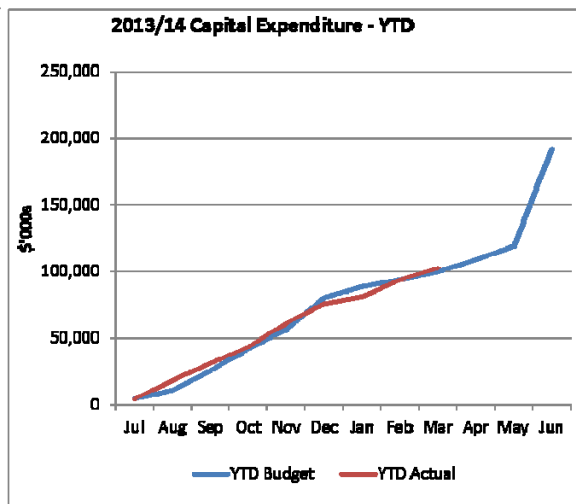
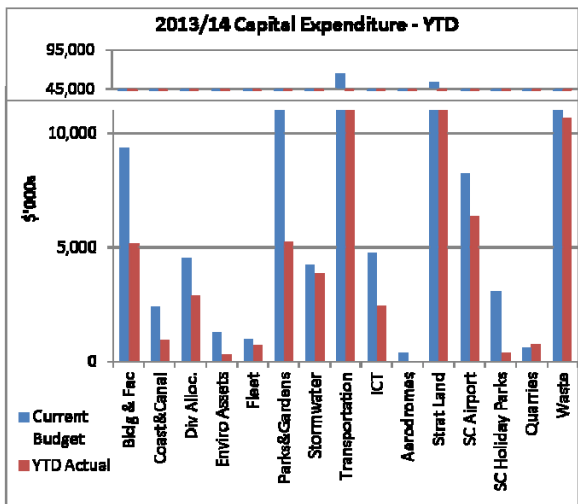
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HEADLINE - OPERATING

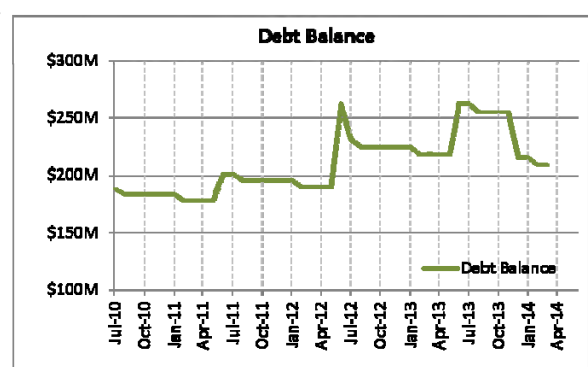
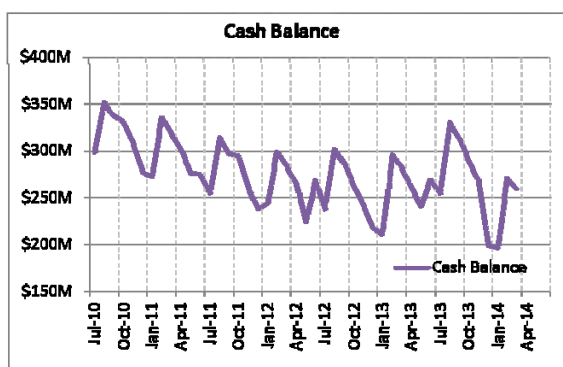
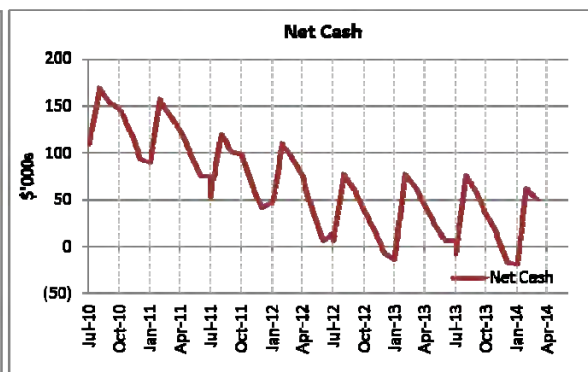
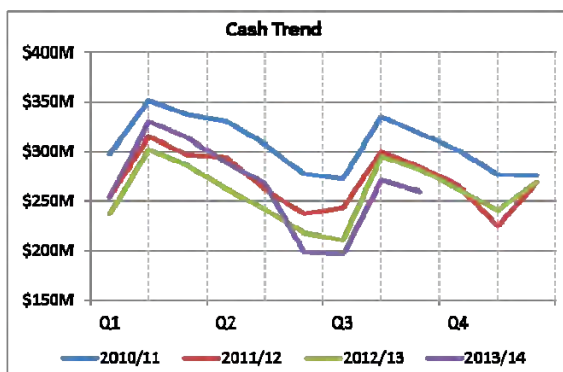
	Annual		YTD			
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %
Operating Revenue	400,295	399,438	348,453	358,360	9,907	2.8%
Operating Expenses	387,582	392,020	294,170	299,297	5,128	1.7%
Operating Result	12,713	7,418	54,283	59,063	4,779	8.8%
NET Result	54,287	50,538	82,494	95,859	13,365	16.2%



FINANCIAL PERFORMANCE REPORT							March 2014
HEADLINE - CAPITAL							
	Annual		YTD				
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %	
Capital Revenues (included in NET Result)	37,101	38,648	26,013	34,599	8,586		
Other Capital Revenues	86,410	86,409	56,153	56,581	427		
Total Capital Revenues	123,511	125,057	82,166	91,179	9,013		
Capital Works Expenditure	109,270	191,678	99,796	102,404	2,609	2.6%	
Other capital Expenditure	41,150	33,550	29,870	34,730	4,860		
Total Capital Expenditure	150,420	225,228	129,666	137,135	7,469		
Funds from General Revenue	26,909	100,171	47,500	45,955	(1,545)		



FINANCIAL PERFORMANCE REPORT			
HEADLINE - CASH & BALANCE SHEET			
	Annual		YTD
	Original Budget \$000s	Current Budget \$000s	Actuals \$000s
CASH FLOWS			
Opening Cash	196,241	264,747	261,336
Net Cash Inflow/(Outflows) from:			
Operating Activities	48,186	43,454	(106,815)
Investing Activities	(93,697)	(157,471)	46,346
Financing Activities	476	476	(43,060)
Net Increase/(decrease) in Cash Held	(45,035)	(113,541)	(103,529)
Cash at year end	151,206	151,206	157,807
BALANCE SHEET			
Total Current Assets	216,289	216,289	297,264
Total Non Current Assets	4,511,393	4,511,393	4,293,107
Total Assets	4,727,682	4,727,682	4,590,371
Total Current Liabilities	70,183	70,183	967,653
Total Non Current Liabilities	240,480	240,480	234,703
Total Liabilities	310,663	310,663	732,950
Net Community Assets/ Total Community Equity	4,417,019	4,417,019	5,323,321



FINANCIAL PERFORMANCE REPORT

March 2014

HEADLINE - COMMENTARY

Income & Expense Statement

Council's financial results at 30 March 2014 shows the organisation with a \$8.5 million higher than forecasted operating position against the year to date budget. This operating result variation is made up of operating revenue being \$10.2 million higher than the year to date budget, along with operating expenses being \$1.7 million higher than the year to date budget.

Operating Revenues

As at March 2014, net rates and utilities are showing an unfavourable variance of \$477,000. This variance is being generated by an increase in waste rates revenue of \$618,000, and is offset by lower than anticipated growth in general rates of \$1 million. Both of these variances will be addressed as part of Budget Review 3 (BR3).

Of the \$5 million favourable variance in fees and charges, \$2.9 million relates to development applications revenue, across all application types.

Of the \$3.8 million favourable variance in other revenue, \$2.3 million relates to the reimbursement of de-amalgamation costs up to the 23 December 2013 from the working capital facility. This reimbursement is for \$1.3 million in employee costs and \$1.0 million in Materials and Services, which covers costs incurred by the Sunshine Coast Council on de-amalgamation activities.

Operating Expenses

As at March 2014 month end, employee costs were over budget by \$1.7 million. Redundancy costs resulting from the Organisational Review are \$508,889 above budget. Due to staggered timing of redundancies, the employee cost savings in 2013/2014 are \$251,000 less than budgeted.

As at March 2014 month end, materials and services costs were above budget by \$2.6 million. This variance is made up of higher than budgeted legal costs of \$1.3 million. As at 23 December 2013, \$1 million had been spent on materials and services setting up the new Noosa Shire Council. As reflected in other revenue, the reimbursement of this expenditure has been received, and BR3 will align the revenue and expenditure lines.

Capital Expenditure

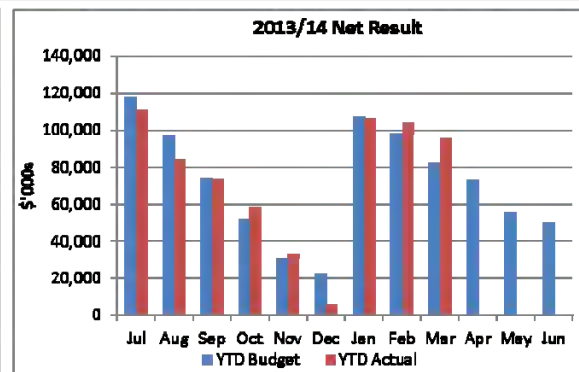
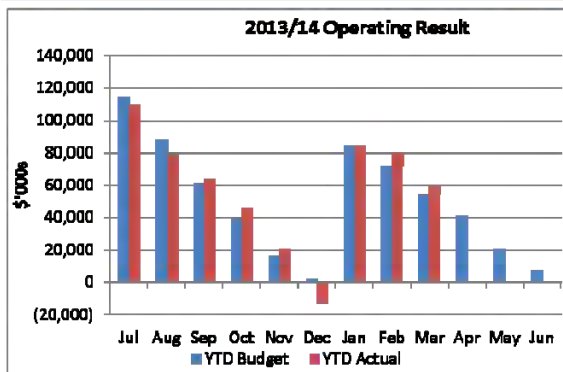
As at 30 March 2014, \$93.8 million (48.9%) of council's \$191.7 million 2013/2014 Capital Works Program was financially expended.

HEADLINE - RISKS

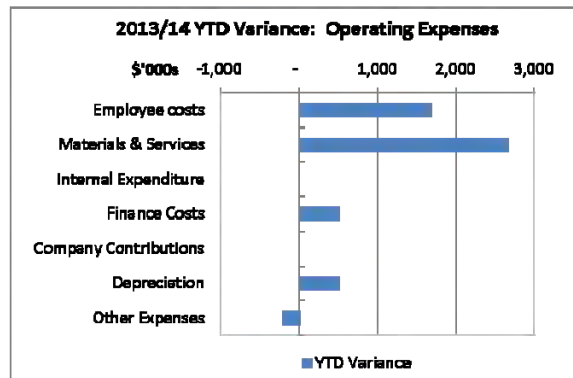
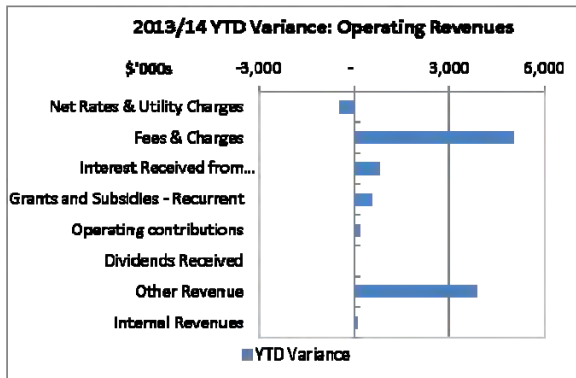
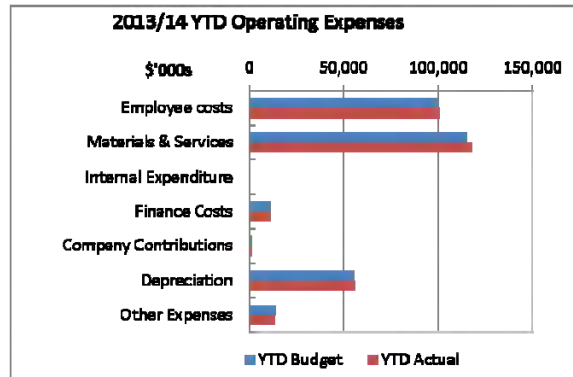
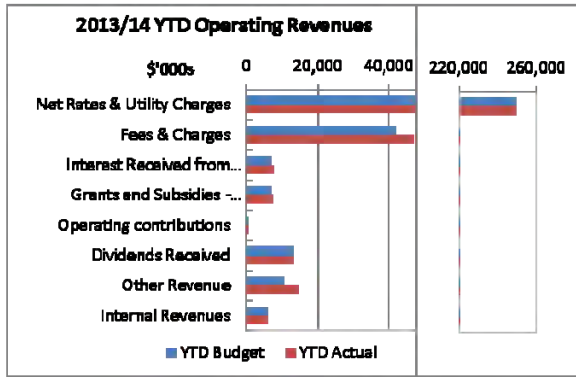
Income & Expense Statement

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

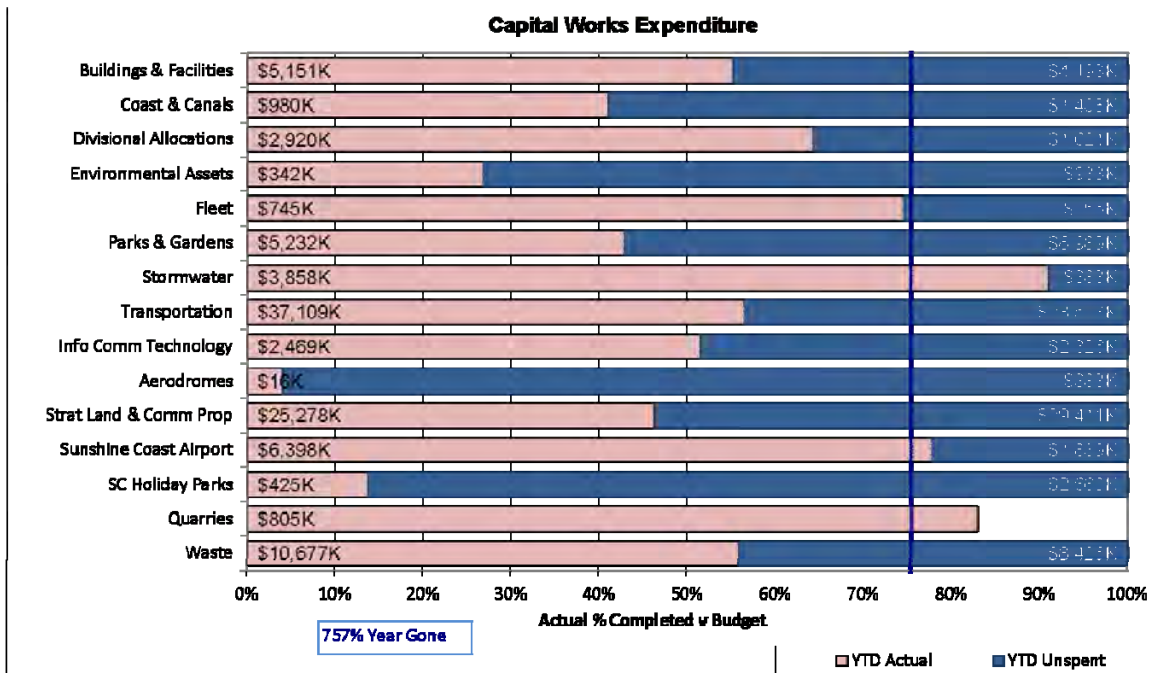
FINANCIAL PERFORMANCE REPORT							
STATEMENT OF INCOME & EXPENSES							
	Annual		YTD				Annual
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %	Forecast Budget \$000s
Operating Revenue							
Gross Rates & Utility Charges	262,411	262,480	259,348	260,387	1,039	0.4%	262,008
Interest from Rates & Utilities	2,053	2,053	1,790	1,746	(44)	-2.5%	2,053
Less Discounts, Pensioner Remissions	(11,374)	(11,374)	(11,332)	(12,804)	(1,471)	13.0%	(11,374)
Net Rates & Utility Charges	253,090	253,159	249,806	249,329	(477)	-0.2%	252,687
Fees & Charges	53,274	51,841	41,841	46,874	5,033	12.0%	54,684
Interest Received from Investments	8,512	8,512	6,896	7,656	760	11.0%	9,012
Grants and Subsidies - Recurrent	10,780	11,091	6,700	7,235	535	8.0%	11,391
Operating contributions	570	570	442	584	142	32.1%	570
Interest received from Unitywater	26,205	26,205	13,331	13,305	(26)	-0.2%	25,205
Dividends Received	27,001	27,001	12,826	12,817	(9)	-0.1%	28,001
Other Revenue	13,249	13,485	10,700	14,554	3,854	36.0%	16,333
Internal Revenues	7,614	7,575	5,910	6,006	95	1.6%	7,575
Community Service Obligations	0	0	0	0	0	0.0%	0
Total Operating Revenue	400,295	399,438	348,453	358,360	9,907	2.8%	405,457
Operating Expenses							
Employee costs	130,879	130,318	98,652	100,327	1,675	1.7%	130,596
Materials & Services	152,860	157,293	114,758	117,418	2,660	2.3%	162,434
Internal Expenditure	0	0	0	0	0	0.0%	0
Finance Costs	14,197	14,197	10,967	11,469	502	4.6%	14,564
Company Contributions	1,152	1,152	1,152	1,152	0	0.0%	1,152
Depreciation	70,510	70,510	55,153	55,663	510	0.9%	63,118
Other Expenses	17,984	18,551	13,488	13,269	(219)	-1.6%	18,569
Competitive Neutrality Adjustments	0	0	(0)	0	0	-100.0%	0
Total Operating Expenses	387,582	392,020	294,170	299,297	5,128	1.7%	390,433
Operating Result	12,713	7,418	54,283	59,063	4,779	8.8%	15,024
Capital Revenue							
Capital Grants and Subsidies	2,900	12,042	4,437	6,227	1,790	40.3%	12,662
Capital Contributions	7,201	7,206	5,855	7,157	1,302	22.2%	7,206
Contributed Assets	27,000	19,400	15,720	21,214	5,494	34.9%	19,400
Other Capital Revenue	4,472	4,472	2,198	2,198	0	0.0%	4,472
Total Capital Revenue	41,573	43,120	28,211	36,797	8,586	30.4%	43,740
Net Result	54,287	50,538	82,494	95,859	13,365	16.2%	58,764



FINANCIAL PERFORMANCE REPORT March 2014
 STATEMENT OF INCOME & EXPENSES



FINANCIAL PERFORMANCE REPORT						
CAPITAL EXPENDITURE						
Capital Works Program	Annual		YTD			Annual
	Original Budget \$'000s	Current Budget \$'000s	Budget \$'000s	Actual \$'000s	% of Annual Budget Spent	Forecast Budget \$'000s
Buildings and Facilities	6,548	7,324	5,235	5,151	70.3%	9,386
Coast and Canals	1,949	2,388	1,600	980	41.0%	2,315
Divisional Allocations	3,100	4,540	2,760	2,920	64.3%	4,468
Environmental Assets	1,238	1,276	281	342	26.8%	1,215
Fleet	1,000	1,000	734	745	74.5%	800
Parks and Gardens	10,317	12,228	6,190	5,232	42.8%	12,404
Stormwater	4,161	4,241	2,697	3,858	91.0%	4,094
Transportation	52,952	65,632	42,642	37,109	56.5%	59,304
Information Communication Technology	3,927	4,871	2,527	2,469	50.7%	4,958
Strategic Land & Comm Properties	9,422	56,709	20,287	25,278	44.6%	42,046
Aerodromes	-	399	7	16	4.0%	399
Sunshine Coast Airport	3,400	8,237	6,530	6,398	77.7%	8,237
SC Holiday Parks	1,455	3,093	963	425	13.8%	1,880
Quarries	150	637	183	805	126.2%	1,121
Waste	9,651	19,103	7,158	10,677	55.9%	16,942
TOTAL	109,270	191,678	99,796	102,404	53.4%	169,569

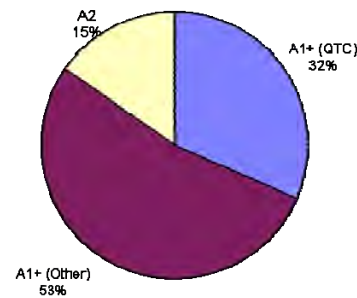
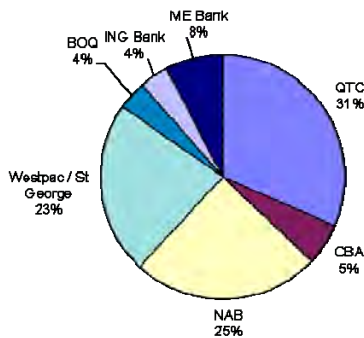


FINANCIAL PERFORMANCE REPORT March 2014
 INVESTMENT PERFORMANCE

Liquidity as at: 31/03/2014 \$'000's		
At-call accounts		
QTC + CBA (exc trust)	\$92,133	35.14%
Maturities within 7 days	\$10,000	3.81%
Total at-call	\$102,133	38.95%
Investment Policy Target:		10.00%

	INVESTMENT SUMMARY AS AT (including Trust)			Investment Policy				
	31/03/2014		28/02/2014		31/03/2013		Individual Limit	Group Limits
A1+ (QTC)	\$82,789	31.6%	\$91,905	33.7%	\$20,644	7.3%	100%	100%
A1+ (Other)	\$139,434	53.2%	\$126,107	46.2%	\$168,779	59.3%	35%	100%
A1	\$0	0.0%	\$10,000	3.7%	\$30,000	10.5%	30%	30%
A2	\$40,000	15.3%	\$45,000	16.5%	\$65,000	22.9%	10%	30%
TOTAL	\$262,223		\$273,012		\$284,423			

Investment Portfolio



Investment Performance

