

Agenda

Special Meeting (Budget Adoption 2015/2016)

Thursday, 25 June 2015

commencing at 9.00 am

Council Chambers, Corner Currie and Bury Streets, Nambour

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1 DECLARATION OF OPENING

On establishing there is a quorum, the Chair will declare the meeting open.

2 RECORD OF ATTENDANCE AND LEAVE OF ABSENCE**3 OBLIGATIONS OF COUNCILLORS****3.1 DECLARATION OF MATERIAL PERSONAL INTEREST ON ANY ITEM OF BUSINESS**

Pursuant to Section 172 of the *Local Government Act 2009*, a councillor who has a material personal interest in an issue to be considered at a meeting of the local government, or any of its committees must –

- (a) inform the meeting of the councillor's material personal interest in the matter; and
- (b) leave the meeting room (including any area set aside for the public), and stay out of the meeting room while the matter is being discussed and voted on.

3.2 DECLARATION OF CONFLICT OF INTEREST ON ANY ITEM OF BUSINESS

Pursuant to Section 173 of the *Local Government Act 2009*, a councillor who has a real or perceived conflict of interest in a matter to be considered at a meeting of the local government, or any of its committees must inform the meeting about the councillor's personal interest the matter and if the councillor participates in the meeting in relation to the matter, how the councillor intends to deal with the real or perceived conflict of interest.

4 REPORTS DIRECT TO COUNCIL**4.1 CORPORATE SERVICES****4.1.1 REVENUE STATEMENT 2015/2016****File No:** Budget Development**Author:** Manager Finance
Corporate Services Department**Appendices:** App A - Revenue Statement 2015/2016 13

PURPOSE

The purpose of this report is for council to adopt the Revenue Statement 2015/2016.

EXECUTIVE SUMMARY

Section 169(2)(b) of the *Local Government Regulation 2012* requires council to include a Revenue Statement in the annual budget. The Revenue Statement is an explanatory statement, detailing the revenue measures adopted in the budget (**Appendix A**).

Section 172 of the *Local Government Regulation 2012* details what must be contained in the Revenue Statement and Section 193(2) states that the guidelines for preparing the Revenue Statement may be included in the Revenue Policy.

The key inclusions in the attached Revenue Statement include:

- Bottom line rates increase of 2.7%
- An overall general rate increase of 3%
- A 2.6% increase for 240 litre and 140 litre wheelie bin services
- A 2.6% increase for holding tank pump out services
- No increase in key levies such as the environment, public transport and heritage
- Tourism and Major Events Levy increased by 10% or a minimum of \$82.50
- Continuation of pensioner concessions, currently estimated at \$3.1 million
- Continuation of the early payment discount, currently estimated at \$7.6 million

The effects of property valuations conducted by the Department of Natural Resources & Mines have been incorporated. Note that some properties will experience a change greater or less than the average of 2.7% due to above average fluctuations in property valuations.

OFFICER RECOMMENDATION

That Council:

- (a) receive and note the report titled "Revenue Statement 2015/2016"
- (b) pursuant to Section 81 of the *Local Government Regulation 2012* has determined that for the purpose of levying differential general rates for the 2015/2016 financial year the different categories of rateable land and a description of those categories is as follows:

- (i) differential category 1, being land where a primary production concession is granted by the Department of Natural Resources & Mines in accordance with Chapter 2, Part 2, Division 5, Subdivision 2 of the *Land Valuation Act 2010*
- (ii) differential categories 2 to 4 inclusive being commercial and industrial land that is used primarily for commerce or industry in particular urban centres and rural localities, other than land used for another rural production industry
 - (1) differential category 2 valuation to \$175,000
 - (2) differential category 3 valuation from \$175,001 to \$400,000
 - (3) differential category 4 valuation over \$400,000
- (iii) differential category 5 being commercial and industrial land that is used solely for extractive industries
- (iv) differential categories 6 to 15 inclusive, being vacant land or residential land that is used for residential purposes in particular urban centres and rural localities, and is the owner's principal place of residence
 - (1) differential category 6 valuation to \$280,000
 - (2) differential category 7 valuation from \$280,001 to \$450,000
 - (3) differential category 8 valuation from \$450,001 to \$550,000
 - (4) differential category 9 valuation from \$550,001 to \$700,000
 - (5) differential category 10 valuation from \$700,001 to \$800,000
 - (6) differential category 11 valuation from \$800,001 to \$920,000
 - (7) differential category 12 valuation from \$920,001 to \$1,100,000
 - (8) differential category 13 valuation from \$1,100,001 to \$1,400,000
 - (9) differential category 14 valuation from \$1,400,001 to \$2,500,000
 - (10) differential category 15 valuation over \$2,500,000
- (v) differential categories 16 to 19 inclusive, being residential land that is used for residential purposes in particular urban centres and rural localities, and is not the owner's principal place of residence
 - (1) differential category 16 valuation to \$420,000
 - (2) differential category 17 valuation from \$420,001 to \$500,000
 - (3) differential category 18 valuation from \$500,001 to \$750,000
 - (4) differential category 19 valuation over \$750,000
- (vi) differential category 20 being vacant land, including land comprising of more than one registered lot where a single valuation has been issued for the multiple lots, with a valuation greater than \$1,000,000 and a total area greater than 1500 square meters
- (vii) differential category 21, being land that is
 - (1) subject to a Stock Grazing Permit, or
 - (2) a Pump Station, or
 - (3) a small lot or strata garage less than 20 square metres
- (viii) differential category 22, being vacant land subject to Chapter 2, Part 2, Division 5, Subdivision 3 of the *Land Valuation Act 2010*
- (ix) differential category 23, being land that is used for retirement villages purposes and/or aged people home providing non-medical care, or a mixture of medical and non-medical care

- (x) differential categories 24 to 26 inclusive, being land that is used for shopping centre purposes, or has the potential predominant use by virtue of its improvements or activities conducted upon the land of shopping centre purposes
 - (1) differential category 24 valuation from \$3,000,000 to \$10,000,000
 - (2) differential category 25 valuation over \$10,000,000, which does not fall into differential category 26
 - (3) differential category 26 applies to land in Maroochydore where the rateable value is over \$30,000,000
- (xi) differential categories 27 and 29, being residential land that is used for residential purposes, subject to a community title, and is not the owner's principal place of residence:
 - (1) differential category 27 all strata units within a complex containing greater than 4 stories above the ground
 - (2) differential category 29 all strata units within a complex containing a maximum of 4 stories above the ground
- (xii) differential categories 28 and 30, being residential land that is used for residential purposes, subject to a community title, and is the owner's principal place of residence:
 - (1) differential category 28 all strata units within a complex containing greater than 4 stories above the ground
 - (2) differential category 30 all strata units within a complex containing a maximum of 4 stories above the ground
- (xiii) other land being any other type of land
- (c) adopts the 2015/16 Revenue Statement (Appendix A) ("the Revenue Statement") in accordance with Section 169(2)(b) of the Local Government Regulation 2012 and also adopts pursuant to Section 94 of the Local Government Regulation 2012 the overall plans for the special rates and charges for the following and appearing in the Revenue Statement, namely:
 - (i) Montville Beautification Levy
 - (ii) Twin Waters Maintenance Charge
 - (iii) Tourism and Major Events Levy
 - (iv) Rural Fire Charge
 - (v) Brightwater Estate Landscaping Charge
 - (vi) Sunshine Cove Maintenance Charge and
 - (vii) Mooloolah Island Maintenance Charge
- (d) levies differential general rates, special rates and charges for those properties identified in the Overall Plan relevant to their area, utility charges and separate rates and charges for the 2015/2016 financial year pursuant to Section 94 of the Local Government Act 2009 at the rates included within the Revenue Statement
- (e) has determined, pursuant to Section 118 of the Local Government Regulation 2012, that rates and charges must be paid within 30 days after issuing of rates notices
- (f) has determined to allow a discount of 5% of the general rate or \$200 per annum (whichever is the lesser) for the payment of rates and charges pursuant to Section 130 of the Local Government Regulation 2012 in accordance with the Revenue Statement

- (g) has determined to allow payment of certain rates and/or charges by instalments and concessions to certain classes of ratepayer pursuant to Section 129 and Section 119 of the Local Government Regulation 2012 in accordance with the Revenue Statement
- (h) has determined that where payment has not been received by the due date for rates and charges, pursuant to section 120 of the Local Government Regulation 2012, council will assess and may apply upon application a Rates and Charges Debt Concession subject to conditions and
- (i) has determined that where some or all of the rates & charges have been outstanding for greater than 3 years, council by resolution may commence the sale of land process pursuant to Sections 140 - 143 of the Local Government Regulation 2012.

FINANCE AND RESOURCING

The 2015/2016 Budget has been developed with the inclusion of the rates and charges as detailed in the Revenue Statement.

An operating surplus of \$21.5 million has been achieved with net rates and utility charges of \$243.4 million.

CORPORATE PLAN

Corporate Plan Theme: *A public sector leader*

Emerging Priority: 5.2 - A financially sustainable organisation

Strategy: 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 and contract performance

CONSULTATION

Internal Consultation

The development of the 2015/2016 Revenue Statement has involved consultation and engagement through Councillor meetings and discussions, including:

- Budget Workshop, 3 November 2014
- Budget Workshop, 16 & 17 February 2015
- Budget Workshop, 16 & 17 March 2015
- Budget Workshop, 20 & 21 April 2015
- Budget Workshop, 11 & 12 May 2015
- Special Budget Statutory Meeting, 1 June 2015

External Consultation

No external consultation was required for this report.

Community Engagement

No community engagement was required for this report.

PROPOSAL

Following recent budget discussions and the adoption of the Revenue Policy at the Statutory Budget Meeting on 1 June 2015, council is now in a position to adopt the Revenue

Statement for the 2015/2016 financial year. The average bottom line rate increase for all general rates, waste management charges and levies will be 2.7%.

The general rate revenue for the 2015/2016 financial year will continue to be levied using a system of differential general rating. The system includes 30 differential categories with 17 differential bands used for residential properties and a minimum general rate set at \$1,110.

The general rate increase of 3% results in a minimum general rate for the 2015/2016 financial year of \$1,110, an increase of \$32 per annum from \$1,078 per annum in 2014/2015. 67% of residential ratepayers are on the minimum general rate, consistent with previous years.

The effects of property valuations conducted by the Department of Natural Resources & Mines have been incorporated. Note that some properties will experience a change greater or less than the average of 2.7% due to above average fluctuations in property valuations.

The three separate charges levied in the region remain unchanged, the Environment Levy at \$60 per annum, the Public Transport Levy at \$20 per annum, and the Heritage Levy at \$5 per annum.

The charge for higher level services for Sunshine Cove Maintenance and Mooloolah Island Maintenance have increased in the 2015/2016 year. The Twin Waters Maintenance Charge and the Brightwater Estate Landscaping Charge have had a decrease in the charge from the 2014/2015 year. The Montville Beautification Levy remains unchanged from the previous year.

The continuation of pensioner concessions for the 2015/2016 financial year is currently estimated at \$3.1 million. There are approximately 20,000 eligible pensioner properties comprising of:

- 9,000 properties have sole title to their property
- 11,000 properties have more than one pensioner owner.

Waste Management charges for the 2015/2016 financial year have been increased for:

- the cost of a 140 litre wheelie bin has increased by \$6.00, from \$229.00 to \$235.00
- the cost of a 240 litre wheelie bin has increased by \$6.90, from \$264.50 to \$271.40
- the cost for a holding tank pump out (fortnightly services) has increased by \$68.50, from \$2644.00 to \$2712.50 per annum.

The percentage change in total rates and utility charges from 2014/15 to 2015/16 is:

Total Rates & Charges	2014/2015	2015/2016	\$ Variation	% Variation
Minimum general rate	\$1,078.00	\$1,110.00	\$32.00	3.0%
240 litre wheelie bin	\$264.50	\$271.40	\$6.90	2.6%
Environment Levy	\$60.00	\$60.00	\$0.00	0.0%
Public Transport Levy	\$20.00	\$20.00	\$0.00	0.0%
Heritage Levy	\$5.00	\$5.00	\$0.00	0.0%
Gross Rates & Charges	\$1,427.50	\$1466.40	\$38.90	2.7%
Discount (general rate only)	\$53.90	\$55.50	\$1.60	
Net Rates & Charges	\$1,373.60	\$1,410.90	\$37.30	2.7%

In addition to the Net Rates & Charges, ratepayers who currently have a waste management service will receive a carbon tax refund of approximately \$17.00 in the July 2015 Rates Notice.

Legal

Section 169(2)(b) of the *Local Government Regulation 2012* requires that council include in the annual budget a Revenue Statement.

Section 172 of the *Local Government Regulation 2012* details what must be included in the Revenue Statement.

Policy

The Revenue Statement 2015/2016 is consistent with the Revenue Policy 2015/2016.

Risk

Budget parameters include general rates growth of 1.4%. The growth rate will need to be closely monitored throughout the year with any changes reflected in budget reviews.

Previous Council Resolution

At the Council Special Budget Meeting held on 1 June 2015, council made the following resolution (SM15/13):

That Council:

- (a) receive and note the report titled "Revenue Policy 2015/2016" and*
- (b) adopt the 2015/2016 Revenue Policy (Appendix A).*

Related Documentation

Revenue Statement has been developed in accordance with the principals outlined in the Revenue Policy 2015/2016.

Critical Dates

The Revenue Statement must be adopted as part of the annual budget, any delay to the 25 June 2015 adoption impacts on the ability to issue rate notices in July 2015.

Implementation

The Revenue Statement sets out the details of the rates and charges that will be levied during the 2015/2016 financial year.

4.1.2 ADOPTION OF 2015/2016 BUDGET AND FORWARD ESTIMATES FOR THE 2016/2017 TO 2024/2025 FINANCIAL YEARS

File No:	SCRC Budget Development
Author:	Acting Coordinator Financial Services Corporate Services Department
Appendices:	App A - Schedule of Capital Works77 App B - 2015/2016 Budget Schedules.....79
Attachments:	Att 1 - Maroochydore City Centre Project 2015/2016 Budget Schedules91

PURPOSE

This report presents the 2015/2016 Budget and forward estimates for the Sunshine Coast Council for adoption.

EXECUTIVE SUMMARY

Sections 169 to 171 of the *Local Government Regulation 2012* prescribe the requirements for the adoption of Council's budget. This report complies with and exceeds the disclosure requirements of the Regulation.

Included in the appendices are the following financial statements and forward estimates:

Sunshine Coast Council Total

Appendix A

- Schedule of Capital Works

Appendix B

- Statements of Income and Expenses
- Change in Rates and Utility charges
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Measures of Financial Sustainability
- Revenue Policy

Included in the attachment are the following financial statements and forward estimates:

Maroochydore City Centre

- Statement of Income and Expenses
- Statement of Financial Position
- Statement of Cash Flows

The 2015/2016 budget has been developed to ensure long term financial sustainability for the Sunshine Coast Council. The 2015/2016 Budget totals \$588 million with some of the more significant highlights of the budget being:

- A budget which includes a positive operating result of \$21.5 million
- A bottom line rate increase of 2.7%
- No increase in key levies such as the Environment, Transport and the Heritage levies
- A general rate increase of 3%
- Tourism and Major Events Levy increase of 10%, with a minimum of \$82.50
- Continuation of pensioner concessions, estimated at \$3.1 million for the 2015/2016 year
- Continuation of early payment discounts, estimated at \$7.6 million for the 2015/2016 year
- A total Capital Works Program of \$183 million
- 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 \$300 million worth of public realm assets such as roads, parks, waterways and community infrastructure. Council has included \$31.7 million in the capital budget for 2015/2016 and anticipates to invest \$400 million over the life of the project, which will be recouped from land sales.

No capital expenditure has been included for the Sunshine Coast Airport Runway development, as Council is awaiting the outcome of an Environmental Impact Statement. Further information will be provided to Council throughout 2015/2016.

Under the *Local Government Regulation 2012*, Council must prepare an accrual based budget for each financial year which is consistent with Council's Long Term Financial Forecast (summary included in the appendices), 5-year Corporate Plan and Annual Operational Plan. To comply with the Regulation, Council must also publish results against a series of measures of financial sustainability for the budget year and the next nine (9) financial years.

The budgeted statements are aligned with Council's Long Term Financial Forecast, Financial Plan, Corporate Plan, Operational Plan and with the exception of the Asset Sustainability Ratio (reflecting the ongoing development of Council's asset management plans), Council is meeting or exceeding the Department of Local Government, Community Recovery and Resilience financial sustainability measures in the 2015/2016 budget year and each of the subsequent nine (9) years.

National Competition Policy reform provisions contained in the *Local Government Act 2009* (the Act) require Council's nominated 'business activities' to apply the competitive neutrality principle to their operations.

OFFICER RECOMMENDATION

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.**

FINANCE AND RESOURCING

This report sets the budget for 2015/2016 financial year and outlines the forecast financial position of Council over the subsequent nine (9) years, including projected cash levels, capital works and intended borrowings.

CORPORATE PLAN

Corporate Plan Goal:	<i>A public sector leader</i>
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 and contract performance

CONSULTATION

Internal Consultation

The development of the 2015/2016 budget has involved consultation and engagement through councillor meetings and discussions including:

- Budget Workshop, 3 November 2014
- Officer-level meetings December 2014 to April 2015
- Budget Workshop, 16 & 17 February 2015
- Budget Workshop, 16 & 17 March 2015
- Individual Councillor meetings during March 2015
- Budget Workshop, 20 & 21 April 2015
- Budget Workshop, 11 & 12 May 2015
- Special Budget Statutory Meeting, 1 June 2015

All departments and branches have participated in the formation of the attachments and recommendations associated with this report.

External Consultation

Consultation with Queensland Treasury Corporation (QTC) was undertaken upon their delivery of a credit review of Council's financial capacity. Council was rated by QTC as "strong with a neutral outlook" which is the second highest possible rating, as per the 2014 Sunshine Coast Council Credit Review.

The review also took into consideration the future financial impacts of the Solar Farm and Maroochydore City Centre.

A strong and neutral credit rating reflects that Council has a strong capacity to meet its financial commitments in the short, medium and long term. There are no known foreseeable events that would have a direct impact on Council's capacity to meet its financial commitments.

The rating reflects:

- Council's operating result with historical and forecast operating surpluses
- Council's willingness to implement regular rate increases
- Low level of borrowings and a strong debt servicing capacity
- Sound liquidity and financial flexibility
- Consistent investment in its asset base to support the growing population

Although Council will be undertaking a number of significant projects with substantial financial risks, appropriate measures are being taken to manage these risks.

The purpose of the QTC Credit Review was to assess

1. Council's capacity to service;
 - Its current portfolio of debt
 - The proposed increase in debt arising from future loans.
2. Credit and other risks which may affect Council's debt servicing capacity and the financial vulnerability of Council to those risks.

This result reflects the highest rating currently given by QTC to any Queensland council.

Community Engagement

No community engagement is required for this report.

PROPOSAL

The 2015/2016 budget has been developed to ensure long term financial sustainability for the Sunshine Coast region and totals \$588 million.

Sunshine Coast Council's budgeted operating result for the 2015/2016 year is a \$21.5 million operating surplus. The 2015/2016 budget has been developed with no reduction of existing services, and includes the budgeted operating impacts of the Solar Farm and Maroochydoore City Centre. This operating surplus is used to fund key growth infrastructure projects included in the Capital Works Program as well as service Council's debt.

For Sunshine Coast Council, an operating surplus in excess of \$20 million is very important to ensure sufficient cash is generated to service our debt.

The bottom line rate increase is 2.7%, with no increase in key levies such as the Environment, Transport and Heritage levies. In addition, pensioner concessions and early payment discounts will continue. There has been an increase in the Tourism and Major Events Levy of 10% with a minimum of \$82.50.

Consolidated asset management plans were used to frame the development of the \$183 million 2015/2016 Capital Works Program.

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 2015/2016 financial result.

The following revenue streams from Unitywater are included in the budget:

- Interest on shareholder loans \$23.9 million
- dividends \$19.8 million
- tax equivalents \$6.3 million.

Section 169(3) of the *Local Government Regulation 2012* requires the statement of income and expenditure to include each of the following:

- (a) rates and utility charges excluding discounts and rebates
- (b) contributions from developers
- (c) fees and charges
- (d) interest
- (e) grants and subsidies
- (f) depreciation

- (g) finance costs
- (h) net result and
- (i) estimated costs of significant business activities and commercial business units.

The above items are included in **Appendix B**.

The regulation also requires the inclusion of the following measures of financial sustainability:-

- asset sustainability ratio
- net financial liabilities ratio
- operating surplus ratio

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.

Results and commentary follow.

Key Financial Ratios, Definitions and Benchmarks

2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Operating Performance									
<u>Operating surplus ratio (%)</u>									
Target: 0% - 10%									
5.5	5.3	4.8	4.3	4.3	4.8	5.5	6.0	6.4	6.9
Fiscal Flexibility									
<u>Council controlled revenue ratio (%)</u>									
Target: greater than 60%									
77.2	76.1	76.1	76.5	77.1	78.1	78.4	78.8	79.3	79.4
<u>Total debt service cover ratio (times)</u>									
Target: Greater than 2 times									
4.8	5.1	5.3	5.5	5.8	6.0	6.4	6.8	7.3	7.9
<u>Net financial liabilities ratio (%)</u>									
Target: Less than 60%									
46.8	50.4	48.1	48.1	49.2	48.0	44.9	40.6	36.0	34.1
Liquidity									
<u>Cash expense cover ratio (months)</u>									
Target: Greater than 3 months									
7.3	7.0	6.7	6.4	5.9	5.5	5.4	5.1	5.2	5.1
Asset Sustainability									
<u>Asset sustainability ratio (%)</u>									
Target: Greater than 90%									
82.9	78.2	86.8	85.4	77.7	78.8	73.5	80.4	65.8	69.2

The Operating Surplus Ratio measures the extent to which operating revenues raised cover operational expenses only, or is available for capital funding purposes or other purposes.

The Council Controlled Revenue Ratio indicates the degree of reliance on external funding sources such as operating subsidies, donations and contributions. Council's financial flexibility improves the higher the level of its Council controlled revenue.

The Total Debt Service Cover Ratio indicates the ability to repay loan funds. A low cover indicates constrained financial flexibility and limited capacity to manage unforeseen financial shocks.

The Net Financial Liabilities Ratio measures the extent to which the net financial liabilities of Council can be repaid from operating revenues.

The Cash Expense Cover Ratio indicates the number of months Council can continue paying its immediate expenses without additional cash loans.

The Asset Sustainability Ratio reflects the extent to which the infrastructure assets managed by Council are being replaced as they reach the end of their useful lives.

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

The 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 \$300 million worth of public realm assets such as roads, parks, waterways and community infrastructure.

Budgeted capital expenditure of \$31.7 million in 2015/2016, will be funded from new loans. Over the 10 year forecast period, budgeted capital expenditure of \$142 million will be funded through new loans and sale of developed lots.

The Maroochydore City Centre debt will peak at \$132 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 proposed Valdora Solar Farm facility,

when built, 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.

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

No capital expenditure has been included for the Sunshine Coast Airport Runway development, as Council is awaiting the outcome of an Environmental Impact Statement. Further information will be provided to Council throughout 2015/2016.

Budget in detail

Brief discussions on each of the major line items of the budget are outlined below.

Operating Revenue

Net Rates and Utility Charges \$243.4 million

General rates have increased by 3% and Waste Management charges for a 240 litre wheelie bin by 2.6%. The Tourism and Major Events Levy has increased by 10% (\$82.50 minimum).

The Environment Levy at \$60, Transport Levy at \$20 and the Heritage Levy at \$5 have not increased in the 2015/2016 Budget. Pensioner concessions, estimated at \$3.1 million for the 2015/2016 year, and the 5% early payment discount, estimated at \$7.6 million for the 2015/2016 year, have been maintained in the 2015/2016 budget.

A conservative approach has been taken with regards to anticipated growth in properties, with 1.4% growth incorporated into the 2015/2016 budget.

Full details of Council's rates and charges are outlined in the Revenue Statement 2015/2016.

Fees and Charges \$54.7 million

The two major components of fees and charges are general (\$43.2 million revenue) and development assessment (\$11.5 million revenue). Fees and Charges revenue is projected to increase by \$1.5 million over the prior financial year.

Interest Received from Investments \$7.7 million

Interest from investment of surplus cash throughout the year is estimated at \$7.7 million. Interest from Council's investments has been negatively impacted by the reduction in interest rates.

Grants and Subsidies - Recurrent \$11.9 million

The major recurrent grants and subsidies include general purpose Federal grants \$10.4 million and State library grant \$1.4 million. These amounts are in line with the prior year.

Operating Contributions \$696,000

This line predominantly relates to the revenue Council receives from sale of recycled materials managed at the Materials Recovery Facility. The new contract entered into at the start of 2014/2015 has provided a better return to Council than the prior arrangement, although it is not without risk as the revenue is dependent on market prices for sale of paper, plastics and metal. This risk has been factored into the preparation of budget 2015/2016.

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 \$11.1 million

Council revenues in this line are mainly attributable to lease revenue of \$6.2 million, sale of recovered materials from transfer stations of \$2.6 million and commissions and sundry revenue of \$2.3 million. Forecast for 2015/2016 is \$1.0 million higher than the prior year due to forecast increases in lease revenue and sale of recyclables.

Internal Revenues \$6.4 million

The \$6.4 million of internal revenues represent "sales" from Council's internal service providers to the capital program. Major "sales" include quarry products (\$4.7 million) and heavy plant hire (\$1.2 million).

Operating Expenses**Employee Costs \$121.7 million**

Employee costs of \$121.7 million represent the operational employee costs of the organisation with an additional \$12.0 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 3.0% which includes an additional 3 staff for our Customer Contact Centres.

Materials and Services \$148.3 million

The 2015/2016 budget for materials and services has been increased by applicable allowances for growth and price.

The major expense in this category is \$82.4 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 \$6.8 million, made up of \$2.6 million in community partnerships, grants and sports field maintenance programs, \$708,000 in cultural programs, \$625,000 for the events program (New Year's Eve, Festive Season Trees and Banners, Australia Day and citizenship ceremonies) and \$170,000 in the Regional Arts Development Fund (RADF).

Finance Costs \$9.5 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 \$727,000.

Company Contributions \$1.2 million

This represents Council's contribution to its wholly owned company The Events Centre, of \$1.2 million and represents an increase of 2.6% compared to the prior year.

Depreciation \$67.1 million

The budget includes depreciation expense of \$67.1 million and has increased by \$2.9 million over the prior year due to Council's investment in capital works and increased asset base.

Other Expenses \$16.9 million

Major components include software maintenance, licenses and subscriptions \$4.4 million, motor vehicle leases \$4.2 million, contributions and donations \$3.2 million, office equipment leases \$2.2 million, and building leases \$827,000.

Contributions and donations are made up of major events funding of \$1.4 million, payments to the rural fire brigade \$385,000 and payments to community organisations for Christmas festivities \$169,000.

Community Service Obligations and Competitive Neutrality Adjustments

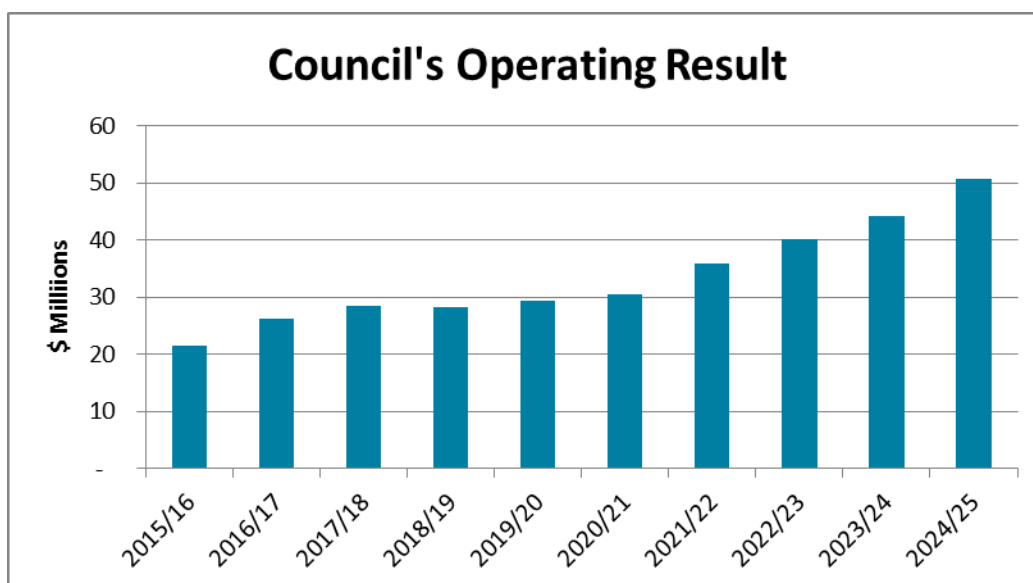
At the Ordinary Meeting of 21 May 2015 (SM15/72), Council applied the National Competition Policy reforms to its business activities. Full Cost Pricing was applied to the Waste & Resource Management significant business activity and the Code of Competitive Conduct was applied to Sunshine Coast Airport, Sunshine Coast Holiday Parks and the Quarries Business Units.

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.

Operating Result

The following graph, which shows Council's operating result for the period 2015/2016 to 2024/2025 net of capital revenues, is a strong indicator of Council's ongoing financial sustainability.



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.

Statement of Financial Position

Non current assets are estimated to grow to \$5,855 million by 2025 – an increase of \$1,384 million. This growth reflects Council’s strong investment in capital works. It is planned that Council’s debt will increase by \$46 million to \$313 million in 2025. Of this \$313 million, \$132 million relates to the investment in Maroochydore City Centre. Even with this increase in debt levels, Council’s ability to service this debt is confirmed by the financial ratios.

Financial Sustainability

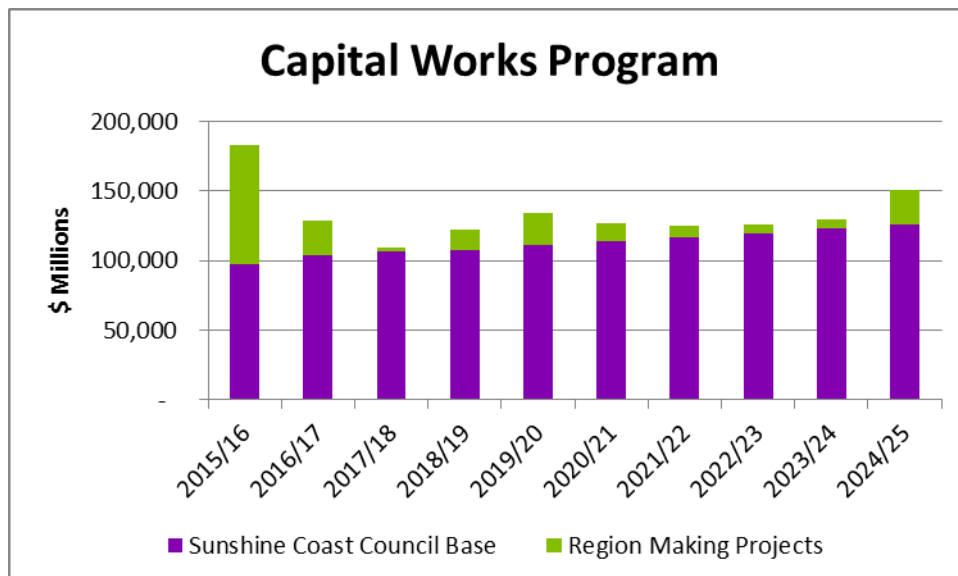
Under the *Local Government Regulation 2012*, Council must prepare an accrual based budget for each financial year which is consistent with Council’s Long Term Financial Forecast, five (5) year Corporate Plan and Annual Operational Plan. To comply with the Regulation, Council must also publish results against a series of measures of financial sustainability for the budget year and the next nine (9) years.

The 2015/2016 budget results against each of the Department of Local Government, Community Recovery and Resilience financial sustainability measures are provided in Appendix B. With the exception of the asset sustainability ratio, Council is meeting or bettering the LGA indicator in the 2015/2016 budget year and each of the subsequent 9 years. The result for the asset sustainability ratio reflects the development phase of Council’s asset management plans and is also linked to the planned review of asset replacement values and useful lives.

Capital Expenditure

The 10-year financial forecast has identified moderate increases in general rates required to finance increasing costs associated with growth of the asset base and scope of activities required. The forecast identifies the investment in infrastructure assets of almost \$1.2 billion funded from the operating surplus, depreciation, capital contributions from State and Commonwealth Government grants, developers, and loan funding.

A graph of the estimated Capital Works Program by year for the period 2015/2016 to 2024/2025 is below.



Legal

Section 169 of the *Local Government Regulation 2012* identifies all elements required for inclusion in Council’s budget.

Under Section 170 of *Local Government Regulation 2012*, a local government must adopt its budget for a financial year after 31 May in the year before the financial year and before 1 August in the financial year, or a later day decided by the Minister.

Under this regulation, Council must prepare an accrual based budget for each financial year which is consistent with Council's Long Term Financial Forecast, Financial Plan, five (5) year Corporate Plan and annual Operational Plan (as previously adopted).

The budget must show prescribed financial information for the current year and two out years together with details of relevant measures of financial sustainability (ratios) for the current year and nine out years.

Policy

These financial statements have been prepared in accordance with Council's Financial Sustainability Plan and adopted strategies.

This report complies with Council's legislative obligations and the Organisation Policy on Competition Reform Compliance.

Risk

The 2015/2016 budget includes revenue that is based upon growth assumptions for general rates, waste management and fees and charges.

Previous Council Resolution

Ordinary Meeting 21 May 2015, Council Resolution (SM15/72) Application of National Competition Policy Reform 2015-2016:

That Council:

- (a) *receive and note the report titled "**Application of National Competition Policy Reform 2015-2016**" and*
- (b) *apply Full Cost Pricing to the Waste and Resource Management significant business activity for the 2015-2016 financial year in accordance with section 44(1)(b) of the Local Government Act 2009 and*
- (c) *apply the Code of Competitive Conduct to the following business activities for the 2015-2016 financial year in accordance with section 47 of the Local Government Act 2009:*
 - (i) *Sunshine Coast Airport*
 - (ii) *Sunshine Coast Holiday Parks and*
 - (iii) *Quarries.*

Special Meeting 1 June 2015, Council Resolution (SM15/12) Investment and Debt Policy for 2015/2016:

That Council:

- (a) *receive and note the report titled "**Investment Policy and Debt Policy for 2015/2016**"*
- (b) *adopt the 2015/2016 Investment Policy (Appendix A) and*
- (c) *adopt the 2015/2016 Debt Policy (Appendix B).*

Special Meeting 1 June 2015, Council Resolution (SM15/16) Proposed 2015/2016 Budget for Adoption 25 June 2015:

That Council:

- (a) *receive and note the report titled "**Proposed 2015/2016 Budget for Adoption 25 June 2015**" and*
- (b) *receive the proposed 2015/16 Budget included as Appendix A to this report.*

Special Meeting 1 June 2015, Council Resolution (SM15/13) Revenue Policy 2015/2016:

That Council:

- (a) *receive and note the report titled “Revenue Policy 2015/2016” and*
- (b) *adopt the 2015/2016 Revenue Policy (Appendix A).*

Special Meeting 1 June 2015, Council Resolution (SM 15/14) 2015/2016 Procurement Policy:

That Council:

- (a) *receive and note the report titled “2015/2016 Procurement Policy” and*
- (b) *adopt the 2015/2016 Procurement Policy (Appendix A).*

Special Meeting 1 June 2015, Council Resolution (SM15/11) Register of Cost-Recovery Fees and Commercial Charges 2015/2016:

That Council:

- (a) *receive and note the report titled “Register of General Cost-recovery Fees and Commercial Charges 2015/2016”*
- (b) *adopt the fees detailed in the Register of General Cost-recovery Fees and Commercial Charges 2015/2016 (Appendix A)*
- (c) *resolve that, in relation to those cost-recovery fees to which Section 97 of the Local Government Act 2009 apply:*
 - (i) *the applicant is the person liable to pay these fees and*
 - (ii) *the fee must be paid at or before the time the application is lodged and*
- (d) *delegate to the Chief Executive Officer the power to amend commercial charges to which Section 262(3)(c) of the Local Government Act 2009 apply.*

Special Meeting 1 June 2015, Council Resolution (SM15/10) Register of Cost-Recovery Fees and Commercial Charges for Development Services 2015/2016:

That Council:

- (a) *receive and note the report titled “Register of Cost-Recovery Fees and Commercial Charges for Development Services 2015/2016”*
- (b) *adopt the fees detailed in the Register of Cost-recovery Fees and Commercial Charges for Development Services 2015/16 (Appendix A)*
- (c) *resolve that, in relation to those cost-recovery fees to which Section 97 of the Local Government Act 2009 apply:*
 - (i) *the applicant is the person liable to pay these fees; and*
 - (ii) *the fee must be paid at or before the time the application is lodged; and*
- (d) *delegate to the Chief Executive Officer the power to amend commercial charges to which section 262(3)(c) of the Local Government Act 2009 apply.*

Special Meeting 1 June 2015, Council Resolution (SM15/15) 2015/2016 to 2024/2025 Capital Works Program:

That Council:

- (a) *receive and note the report titled “Capital Works Program 2015/2016 to 2024/2025” and*
- (b) *endorse the 2015/2016 to 2024/2025 Capital Works Program, as outlined in Appendix A, for inclusion of the 2015/2016 Capital Works Program in the budget adoption on 25 June 2015*

Related Documentation

2015/2016 Budget reports.

Critical Dates

Whilst the budget must be adopted before 1 August 2015, any delay to the 25 June 2015 adoption of the budget impacts on the ability to issue rate notices in July 2015.

Implementation

When adopted, the budget will be loaded in Council's finance system in preparation for the new financial year and will be monitored via monthly reports to Council and regular budget reviews.

5 CONFIDENTIAL SESSION

6 NEXT MEETING

Nil

7 MEETING CLOSURE