

7.2.1 DECEMBER 2013 FINANCIAL PERFORMANCE REPORT

File No: Corporate

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Attachments: Att 1 - December 2013 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.

To amend the 2013/2014 budget to increase capital expenditure to reflect council resolution OM14/17.

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.

The operational result at 31 December 2013 shows a positive variance of \$2.3 million compared to the forecast position.

This operating result variation is made up of higher than expected revenue of \$4.3 million (1.9%) and higher than expected operating expenses of \$1.9 million (0.9%). Further detail is provided in the proposal section of this report.

As at 31 December 2013, \$80.5 million (43.5%) of council's \$185 million 2013/2014 Capital Works Program was financially expended.

As at 31 December 2013 an interim transfer of \$32 million in cash and \$40 million in debt was transferred to Noosa Shire Council.

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

In response to council's resolution at the 30 January 2014 Ordinary Meeting, the report includes a recommendation to increase the Strategic Land and Commercial Properties capital budget by an amount of \$755,000. The funds are for the acquisition of land, stamp duty, valuation costs and funds to commence the preparation of an impact assessable development application. This increased budget allocation is to be funded via an internal loan. Information will be presented to council through the 2014/15 budget process in relation to the allocation of additional funds and the potential funding of the entire project via an external loan.

OFFICER RECOMMENDATION

That Council:

- (a) receive and note the report titled “December 2013 Financial Performance Report” and
- (b) amend the 2013/2014 budget by increasing the Strategic Land and Commercial Properties capital budget by an amount of \$755,000 funded via an internal loan for land acquisition and associated matters.

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 December 2013 shows a positive variance of \$2.3 million compared to the forecast position.

This operating result variation is made up of higher than expected revenue of \$4.3 million and higher than expected operating expenses of \$1.9 million.

Operating Revenue

Fees and Charges

Of the \$2.6 million favourable variance in fees and charges, \$2 million relates to development applications revenue. The volume of applications has exceeded the previous month's trend and now shows a 20% increase on 2012/2013 volumes. Sunshine Coast Airport fees are up \$380,000 on budget. Sunshine Coast Holiday Park revenue is also up \$230,000 compared to budget, but this is offset by higher than budgeted expenditure.

Other Revenue

Of the \$1.2 million favourable variance in other revenue, \$800,000 relates to a refund from the Office of State Revenue for over charged payroll tax. \$200,000 relates to higher than anticipated sales of recyclable materials.

Operating Expense**Materials and Services**

As at December 2013 month end, materials and services spend is overspent by \$1.5 million

This variance is made up of an overspend on legal costs of \$1.6 million. This overspend is a consequence of additional expenditure on the Settler's Cove case of \$2.11 million. This case was transferred to Noosa Shire Council as at 1 January 2014, so no further costs will be incurred by Sunshine Coast Council.

Capital Expenditure

As at 31 December 2013, \$80.5 million (43.5%) of council's \$185 million 2013/2014 Capital Works Program was financially expended. Detail by Capital 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	4,827	66%
Coast and Canals	1,949	2,388	714	30%
Divisional Allocations	3,100	4,540	2,450	54%
Environmental Assets	1,238	1,276	116	9%
Fleet	1,000	1,000	703	70%
Parks and Gardens	10,317	12,228	3,718	30%
Stormwater	4,161	4,241	2,786	66%
Transportation	52,952	65,632	28,202	43%
Information Communication Technology	3,927	4,871	1,802	37%
Strategic Land & Comm Properties	9,422	50,034	19,838	40%
Aerodromes	-	399	8	2%
Sunshine Coast Airport	3,400	8,237	5,287	64%
SC Holiday Parks	1,455	3,093	347	11%
Quarries	150	637	698	109%
Waste	9,651	19,103	8,999	47%
TOTAL COUNCIL	109,270	185,003	80,494	44%

Balance Sheet

As at 31 December 2013 an interim transfer of \$32 million in cash and \$40 million in debt was made to Noosa Shire Council. The confirmed cash, debt and asset transfers will be finalised over the coming months, with a target completion date of 14 February 2014.

Investment Performance

All investment parameters remain within the guidelines established by the Investment Policy.

For the quarter ending 31 December 2013, council has maintained a fairly strong return in the current market conditions with \$194 million cash (excluding Trust Fund) with an average interest rate of 3.73%, being 1.17% above benchmark. This is compared to 31 December 2012 with \$211 million cash (excluding Trust Fund) where the average interest rate was 4.69%, being 1.25% 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%.

Budget Amendments

In response to council's resolution at the 30 January 2014 Ordinary Meeting, the report includes a recommendation to increase the Strategic Land and Commercial Properties capital budget by an amount of \$755,000. The funds are for the acquisition of land, stamp duty, valuation costs and funds to commence the preparation of an impact assessable development application. This increased budget allocation is to be funded via an internal loan. Information will be presented to council through the 2014/15 budget process in relation to the allocation of additional funds and the potential funding of the entire project via an external loan.

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 is \$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 and
5. there is \$4.4 million employee vacancy savings loaded into the budget which may be difficult to achieve along with the Organisational Review.

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.

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
December 2013



FINANCIAL PERFORMANCE REPORT

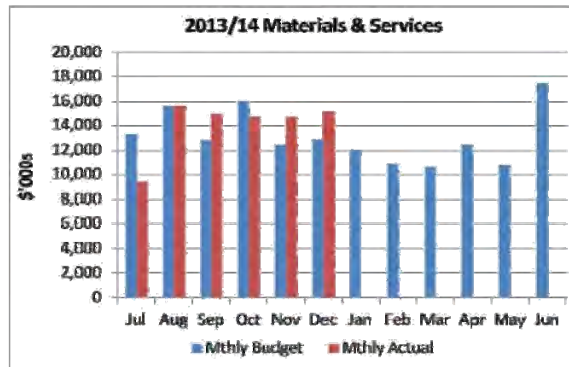
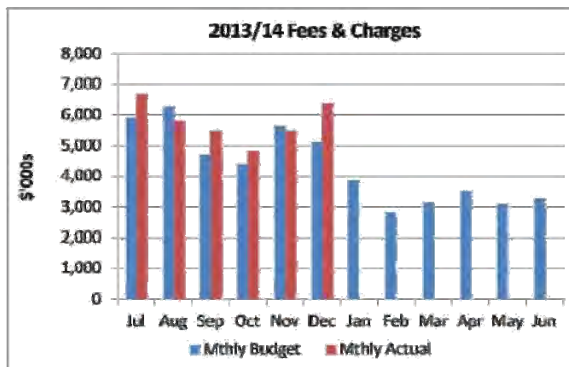
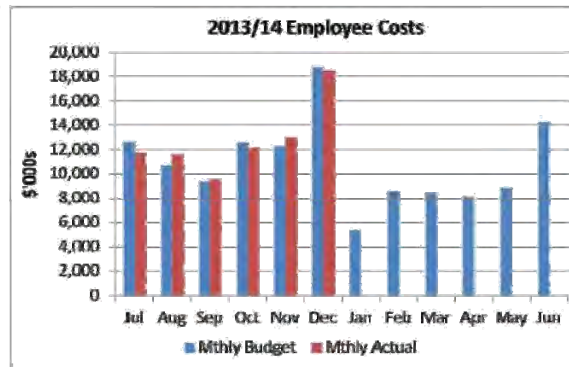
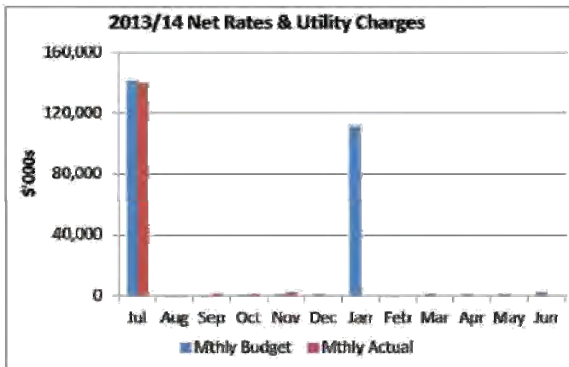
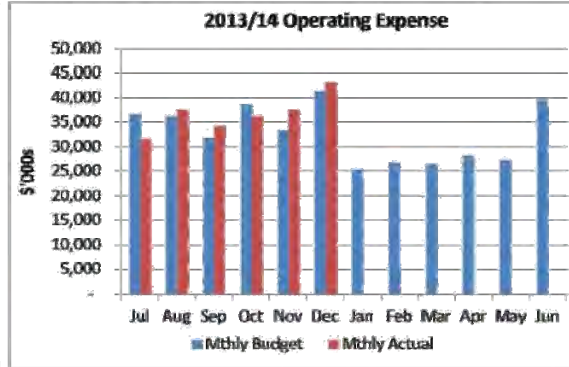
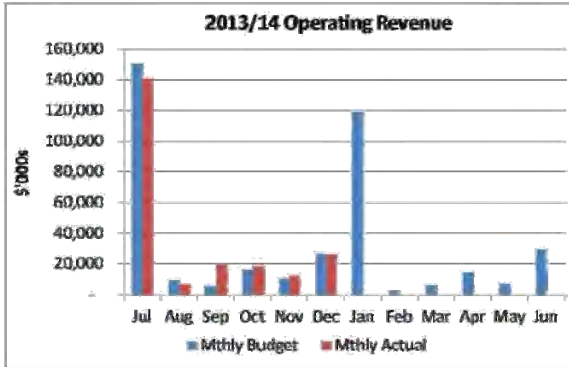
December 2013

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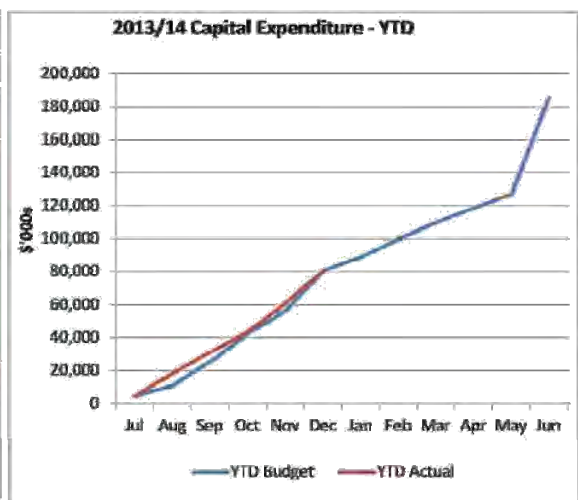
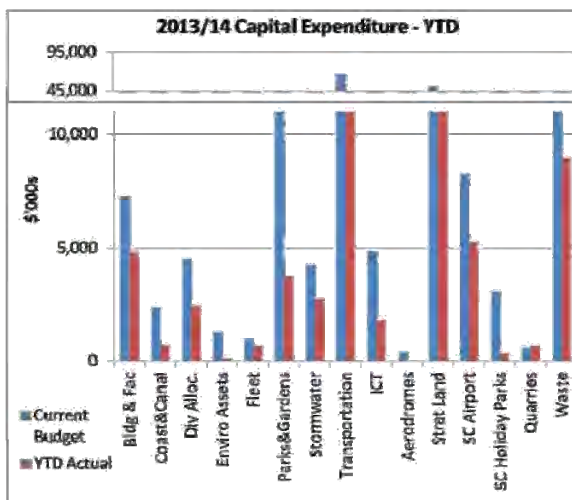
FINANCIAL PERFORMANCE REPORT December 2013
HEADLINE - OPERATING

	Annual		YTD			
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %
Operating Revenue	400,295	399,438	220,281	224,555	4,274	1.9%
Operating Expenses	387,582	391,938	218,273	220,205	1,933	0.9%
Operating Result	12,713	7,500	2,008	4,350	2,341	116.6%
NET Result	54,287	50,621	22,482	25,699	3,217	14.3%

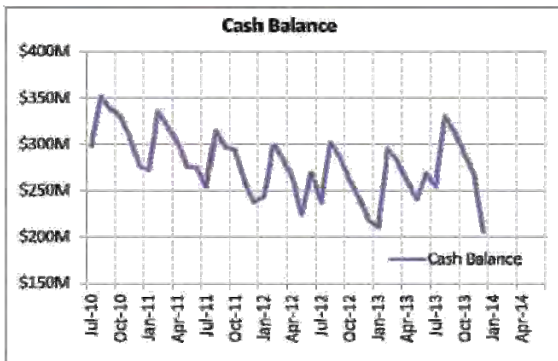
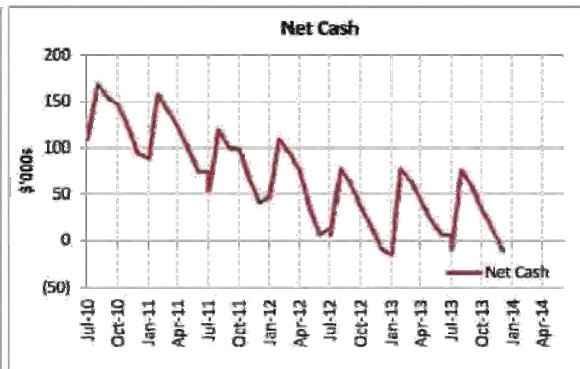
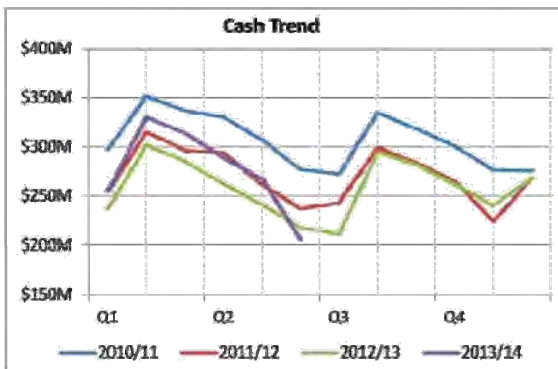


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December 2013 Financial Performance Report

FINANCIAL PERFORMANCE REPORT							December 2013
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	18,275	19,151	876		
Other Capital Revenues	86,410	86,409	40,797	40,747	(50)		
Total Capital Revenues	123,511	125,057	59,072	59,898	826		
Capital Works Expenditure	109,270	185,003	80,185	80,493	308	0.4%	
Other capital Expenditure	41,150	33,550	16,685	16,115	(570)		
Total Capital Expenditure	150,420	218,553	96,870	96,609	(262)		
Funds from General Revenue	26,909	93,496	37,799	36,711	(1,088)		



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	54,636
Investing Activities	(93,697)	(157,471)	(67,857)
Financing Activities	476	476	(40,048)
Net Increase/(decrease) in Cash Held	(45,035)	(113,541)	(53,269)
Cash at year end	151,206	151,206	208,067
BALANCE SHEET			
Total Current Assets	216,289	216,289	249,412
Total Non Current Assets	4,511,393	4,511,393	5,301,261
Total Assets	4,727,682	4,727,682	5,550,673
Total Current Liabilities	70,183	70,183	83,064
Total Non Current Liabilities	240,480	240,480	239,127
Total Liabilities	310,663	310,663	322,191
Net Community Assets/ Total Community Equity	4,417,019	4,417,019	5,228,482



* In December 2013 \$32 million in cash and \$40 million in debt were transferred to Noosa. Final cash and debt figures are still being calculated and are expected to be transferred by the end of February 2014

FINANCIAL PERFORMANCE REPORT

December 2013

HEADLINE - COMMENTARY

Income & Expense Statement

Council's financial results at 31 December 2013 shows the organisation with a \$2.3 million higher than forecasted operating position against the year to date budget. This operating result variation is made up of operating revenue being \$4.3 million higher than the year to date budget, along with operating expenses being \$1.9 higher than the year to date budget.

Operating Revenues

Of the \$2.6 million favourable variance in fees and charges, \$2 million relates to development applications, with the volume being approximately 20% higher in 2013/2014 than compared to same time in 2012/2013.

Of the \$1.2 favourable variance in other revenue, \$800,000 relates to a refund from the Office of State Revenue for over charged payroll tax.

Operating Expenses

The unfavourable variance in operating expenses of \$1.9 million relates to Materials & Services of \$1.5 million.

Materials and Services relates to an overspend on legal fees of \$1.6 million. This overspend is due to a \$2.1 million spend on the Settler's Cove case, which was transferred to Noosa shire Council as at 1 January 2014.

Capital Expenditure

As at 31 December 2013, \$80.5 million (43.5%) of council's \$185 million 2013/2014 Capital Works Program was financially expended.

Cash Flows & Balance Sheet

As at 31 December 2013, \$32 million in cash and \$40 million in debt was transferred to Noosa Shire Council. The remaining balance sheet transfers will occur over the coming months.

Investing activities are tracking \$90 million behind the full year budget. Investing activities follows the trend of capital spend. This variance will decrease as the remaining \$100 million is spent on fulfilling the capital program.

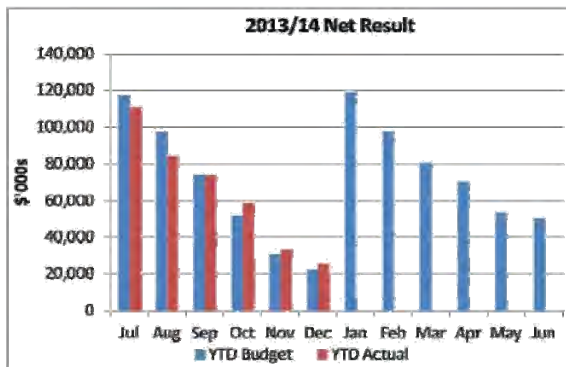
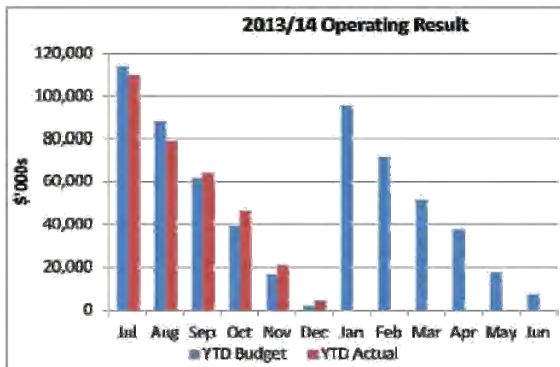
HEADLINE - RISKS

Income & Expense Statement

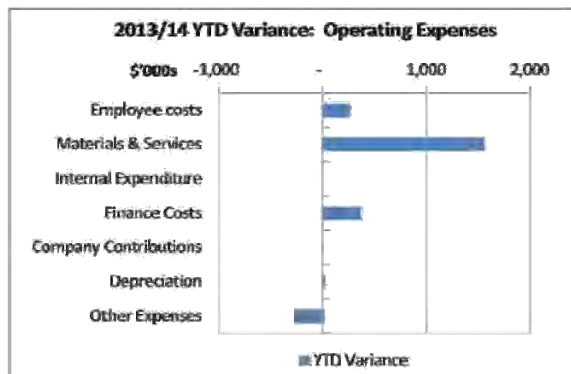
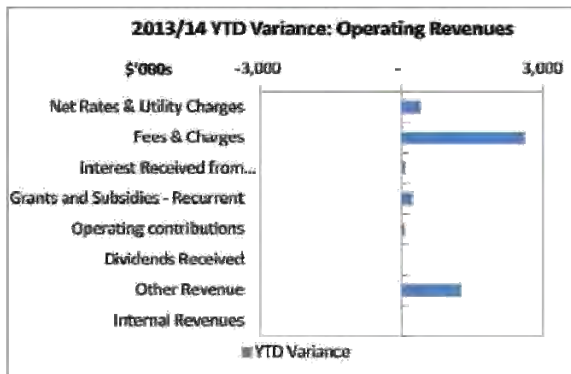
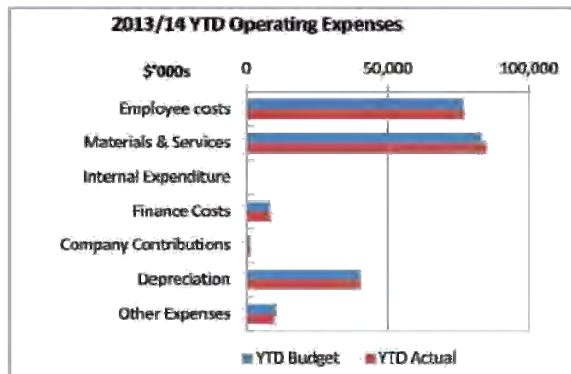
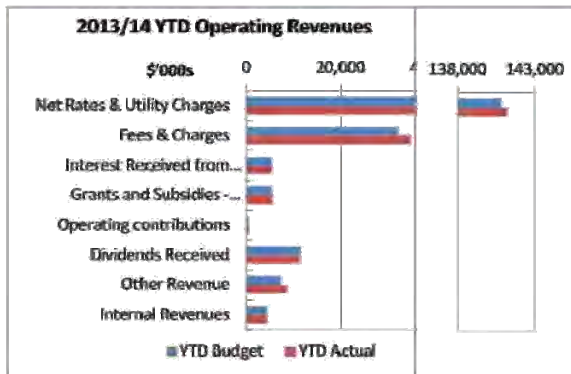
1. General Rates growth - lower than anticipated growth of rateable properties of 1.0% against forecast of 1.5%. This approximately equates to lower revenue than budgeted.
2. Financial Assistance Grant - during 2012/2013 more than one half of the grant (\$6.3 million) was paid early into June 2012. This prepayment has created a budget impact of \$2.1 million in the current 2013/2014 budget.
3. Organisation 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 Organisation Review.

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December 2013 Financial Performance Report

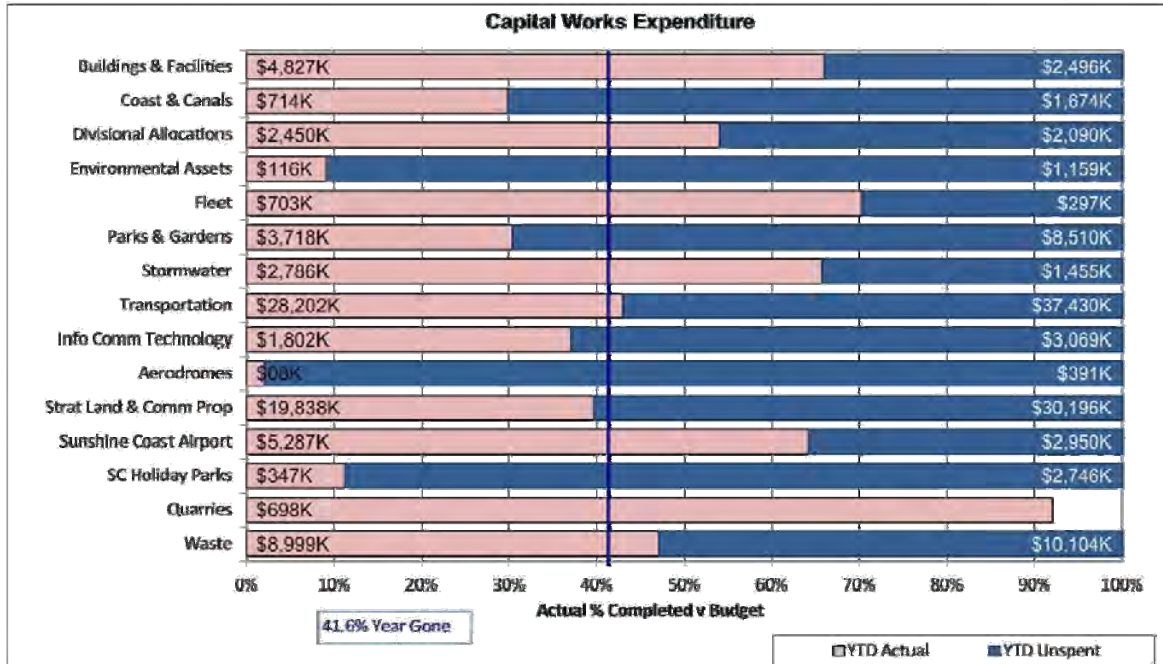
FINANCIAL PERFORMANCE REPORT							December 2013
STATEMENT OF INCOME & EXPENSES							
	Annual		YTD				Annual
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %	Forecast Budget \$000s
Operating Revenue							
Gross Rates & Utility Charges	262,411	262,480	145,788	147,573	1,785	1.2%	262,480
Interest from Rates & Utilities	2,053	2,053	1,300	1,207	(93)	-7.1%	2,053
Less Discounts, Pensioner Remissions	(11,374)	(11,374)	(6,283)	(7,587)	(1,304)	20.8%	(11,374)
Net Rates & Utility Charges	253,090	253,159	140,804	141,192	388	0.3%	253,159
Fees & Charges	53,274	51,841	32,086	34,679	2,592	8.1%	51,841
Interest Received from Investments	8,512	8,512	5,316	5,362	46	0.9%	8,512
Grants and Subsidies - Recurrent	10,780	11,091	5,365	5,575	210	3.9%	11,091
Operating contributions	570	570	315	367	52	16.4%	570
Interest received from Unitywater	26,205	26,205	13,565	13,305	(260)	-1.9%	26,205
Dividends Received	27,001	27,001	11,215	11,215	(0)	0.0%	27,001
Other Revenue	13,249	13,485	7,309	8,546	1,236	16.9%	13,485
Internal Revenues	7,614	7,575	4,306	4,316	10	0.2%	7,575
Community Service Obligations	0	0	0	0	0	0.0%	0
Total Operating Revenue	400,295	399,438	220,281	224,555	4,274	1.9%	399,438
Operating Expenses							
Employee costs	130,879	130,235	76,495	76,756	261	0.3%	130,235
Materials & Services	152,860	157,321	83,087	84,641	1,554	1.9%	157,321
Internal Expenditure	0	0	0	0	0	0.0%	0
Finance Costs	14,197	14,197	7,747	8,112	365	4.7%	14,197
Company Contributions	1,152	1,152	1,152	1,152	0	0.0%	1,152
Depreciation	70,510	70,510	39,797	39,816	20	0.0%	70,510
Other Expenses	17,984	18,522	9,996	9,729	(267)	-2.7%	18,522
Competitive Neutrality Adjustments	0	0	(0)	0	0	-100.0%	0
Total Operating Expenses	387,582	391,938	218,273	220,205	1,933	0.9%	391,938
Operating Result	12,713	7,500	2,008	4,350	2,341	116.6%	7,500
Capital Revenue							
Capital Grants and Subsidies	2,900	12,042	5,237	5,974	736	14.1%	12,042
Capital Contributions	7,201	7,206	4,038	4,223	186	4.6%	7,206
Contributed Assets	27,000	19,400	9,000	8,954	(46)	-0.5%	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	20,473	21,349	876	4.3%	43,120
Net Result	54,287	50,620	22,482	25,699	3,217	14.3%	50,620



FINANCIAL PERFORMANCE REPORT December 2013
STATEMENT OF INCOME & EXPENSES



FINANCIAL PERFORMANCE REPORT						December 2013
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	5,498	4,813	65.7%	7,324
Coast and Canals	1,949	2,388	1,040	714	29.9%	2,388
Divisional Allocations	3,100	4,540	2,420	2,450	54.0%	4,540
Environmental Assets	1,238	1,276	204	116	9.1%	1,276
Fleet	1,000	1,000	934	703	70.3%	1,000
Parks and Gardens	10,317	12,228	4,975	3,718	30.4%	12,228
Stormwater	4,161	4,241	1,956	2,786	65.7%	4,241
Transportation	52,952	65,632	29,347	28,202	43.0%	65,632
Information Communication Technology	3,927	4,871	2,610	1,802	37.0%	4,871
Strategic Land & Comm Properties	9,422	50,034	19,796	19,838	39.6%	50,034
Aerodromes	-	399	7	8	2.1%	399
Sunshine Coast Airport	3,400	8,237	5,359	5,287	64.2%	8,237
SC Holiday Parks	1,455	3,093	913	347	11.2%	3,093
Quarries	150	637	184	698	109.4%	637
Waste	9,651	19,103	4,943	9,014	47.2%	19,103
TOTAL	109,270	185,003	80,185	80,493	43.5%	185,003

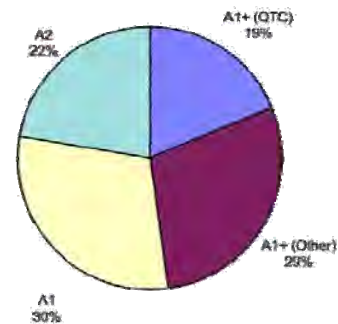
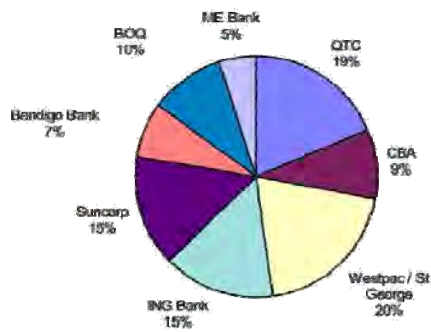


FINANCIAL PERFORMANCE REPORT December 2013
INVESTMENT PERFORMANCE

Liquidity as at:	31/12/2013 \$'000's	
At-call accounts		
QTC + CBA (exc trust)	\$37,539	18.66%
Investments Maturing within 7 days	\$0	0.00%
Total at-call	\$37,539	18.66%
Investment Policy Target		10.00%

	INVESTMENT SUMMARY AS AT			Investment Policy				
	31/12/2013		30/11/2013		31/12/2012		Individual Limit	Group Limits
A1+ (QTC)	\$37,539	18.7%	\$66,262	24.7%	\$13,884	6.7%	100%	100%
A1+ (Other)	\$58,599	29.1%	\$126,943	47.3%	\$134,146	64.5%	35%	100%
A1	\$60,000	29.8%	\$30,000	11.2%	\$30,000	14.4%	30%	30%
A2	\$45,000	22.4%	\$45,000	16.8%	\$30,000	14.4%	10%	30%
TOTAL	\$201,138		\$268,205		\$208,030			

Investment Portfolio



Investment Performance

