

7.2.1 OCTOBER 2013 FINANCIAL PERFORMANCE REPORT

File No: Financial Reports
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Finance & Business Department
Attachments: Att 1 - October 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.

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 October 2013 shows a positive variance of \$7.0 million compared to the forecast position.

This operating result variation is made up of higher than expected revenue of \$3.1 million (1.7%) and lower than anticipated operating expenses of \$3.9 million (2.7%). Further detail is provided in the proposal section of this report.

As at 31 October 2013, \$43.3 million (24.4%) of council's \$177.7 million 2013/2014 Capital Works Program was financially expended.

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

A recommendation has been made to write-off three unrecoverable debts for the overall value of \$135,730.80. As the individual amounts are greater than the \$10,000 delegation from council, it is required to be approved by council. The amounts have been included in the provision for doubtful debts within the 2012/2013 audited financial statements.

OFFICER RECOMMENDATION

That Council:

- (a) receive and note the report titled "October 2013 Financial Performance Report" and**
- (b) write-off unrecoverable income of \$11,000.00 in relation to Petrac Leisure NNS-S Pty Ltd, \$75,556.30 in relation to Whites Waste Pty Ltd (T/A Jim's Skip Bins) and \$49,174.50 in relation to Caravan Park Management.**

FINANCE AND RESOURCING

The unrecoverable debts totalling \$135,730.80 have been provided for in the provision for doubtful debts, and will be written off following Council approval. There will be no impact to the net financial position of Council.

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 October 2013 shows a positive variance of \$7 million compared to the forecast position.

This operating result variation is made up of higher than expected revenue of \$3.1 million (1.7%) and lower than anticipated operating expenses of \$3.9 million (2.7%). Further detail is provided in the proposal section of this report.

The external audit of council's 2012/2013 financial statements continues into November 2013, which may result in further end of financial year adjustments.

Operating Revenue

Fees and Charges

Of the \$1.5 million favourable variance in fees and charges, \$1million relates to development applications, with the volume being approximately 14% higher in 2013/2014 than compared to same time in 2012/2013. Change of ownership fees, search fees, Caloundra Music Festival tickets sales and an increase in Airport fees are also contributing to this favourable variance.

Grants and Subsidies

The favourable variation of \$261,000 is a result of various grants, namely Get Ready Qld state government grant (\$85,000), Flood Mapping Hazard (\$57,000) and Creative Collective Skills (\$42,000). The additional revenue has all been recognised as part of the Budget Review 2 2013/2014 requests.

Other Revenue

Of the \$1.3 million favourable variance in other revenue, \$700,000 relates to a refund from the Office of State Revenue for over charged payroll tax. \$200,000 relates to the Roads Maintenance Performance Contract program being ahead of budget and \$150,000 relates to higher than anticipated sales of recyclable materials.

Operating Expense**Materials and Services**

The favourable variance of \$3 million is largely due to variations of:

- \$720,000 for the Information Communication Technology Services Branch, of which \$540,000 relates to telecommunication reimbursement from overcharges in previous invoices
- \$680,000 for the Environmental Operations Branch, which relates to levy and grant projects currently underspent
- \$580,000 for the Civil Works Branch, which has been addressed through Budget Review 2 requests
- \$460,000 for the Economic Development Branch, where anticipated expenditure has not yet occurred
- \$400,000 for the Waste Branch, where contractor invoices are yet to be received
- a general underspend across majority of branches within Council, in part due to the uncertainty that de-amalgamation and organisational review may impact on budgets.

These favourable variations have been offset by an over spend of \$1.2 million in legal fees, primarily the required funding for the Thompson case.

Other Expenses

The favourable variance of \$650,000 in other expenses is made up of:

- \$265,000 for the Economic Development Branch due to timing issues with event sponsorships and donations
- \$160,000 for audit fees, due to delays in the audit process (relating to de-amalgamation), the invoice has not been received
- \$185,000 for underspend on leased office equipment.

Capital Expenditure

As at 31 October 2013, \$43.3 million of council's \$177.7 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	7,666	2,418	32%
Coast and Canals	1,949	2,388	262	11%
Divisional Allocations	3,100	4,948	1,188	24%
Environmental Assets	1,238	1,276	88	7%
Fleet	1,000	1,000	688	69%
Parks and Gardens	10,317	11,580	2,288	20%
Stormwater	4,161	4,309	1,559	36%
Transportation	52,952	62,411	17,386	28%
Information Communication Technology	3,927	4,687	1,072	23%
Strategic Land & Comm Properties	9,422	48,967	10,266	21%
Aerodromes	-	107	2	1%
Sunshine Coast Airport	3,400	7,992	3,519	44%
SC Holiday Parks	1,455	3,093	247	8%
Quarries	150	637	303	48%
Waste	9,651	16,596	2,000	12%
TOTAL COUNCIL	109,270	177,658	43,286	24%

Investment Performance

All investment parameters remained within the guidelines established under the Investment Policy. The official cash rate remains at 2.50%.

Council has maintained a strong return in the current market conditions with \$282.5 million cash (excluding Trust Fund) as at 31 October 2013 with an average interest rate of 3.72%, being 1.12% above benchmark. This is compared to 31 October 2012 with \$259.3 million cash (excluding Trust Fund) where the average interest rate was 5.03%, being 1.48% above benchmark.

The benchmark used to measure performance of cash funds is the UBS Bank Bill Index, whereas the Bank Bill Swap Rate (BBSW) is applied against term deposits. These rates fluctuate daily and the conditions prevailing as at the date of the original investment decision may be significantly different to the position as at the reporting date.

It was previously mentioned in the September 2013 Financial Performance Report that Interest Received from Investments had an unfavourable variance. During October 2013 the budget projection was amended following a review of interest rates and cash position, with the results being a minimal variance for month end October 2013.

Write-off of unrecoverable income

The three amounts determined as unrecoverable relate to \$11,000.00 owed by Petrac Leisure NNS-S Pty Ltd, \$75,556.30 owed by Whites Waste Pty Ltd (T/A Jim's Skip Bins) and \$49,174.50 for Caravan Park Management.

1. In relation to the Petrac matter, an invoice was issued to the company for Sponsorship of Noosa Regional Gallery travelling scholarship on 5 August 2008.

In October 2008, the company was put in the hands of Receivers and Managers, Ferrier Hodgson. Council is an unsecured creditor and it has been advised that it is likely that no dividend distribution will be paid to unsecured creditors.

2. In relation to the Whites matter, a number of outstanding invoices were issued for usage of the Noosa, Nambour and Caloundra landfills between October 2010 and June 2011.

On 3 November 2011, the Australian Government advised Council the company was bankrupt. On 8 November 2011, Council contacted Australian Government Insolvency and Trustee Service Australia who advised no likelihood of dividends being paid.

3. In relation to Caravan Park Management, a number of outstanding charges were issued for waste water disposal between July 2010 to 15 November 2011. However, the invoice for these charges was sent in February 2012. In addition, the property was sold 16 November 2011. These charges are not applicable to the new owners of the property.

Advice has been received from Legal Services, and in this instance the cost of pursuing the matter through litigation will likely exceed any money recovered.

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.

Council has delegated authority to the Chief Executive Officer to write-off unrecoverable debts up to a maximum of \$10,000 - Delegation of Authority 2008-03.

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 of \$1.0 million
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 after separation occurs 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.

Related Documentation

There is no related documentation for this report.

Critical Dates

The 2012/2013 Financial Statements remain under external audit review and may not be signed off until 31 December 2013.

Implementation

There are no implementation details to include in this report.

Sunshine Coast
Council

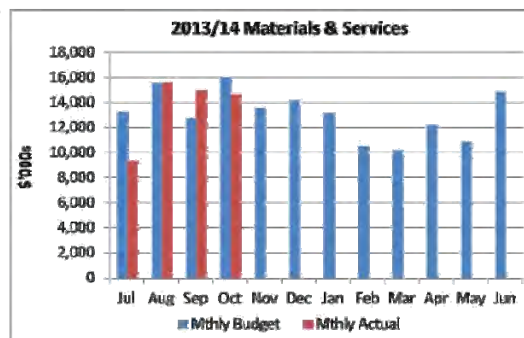
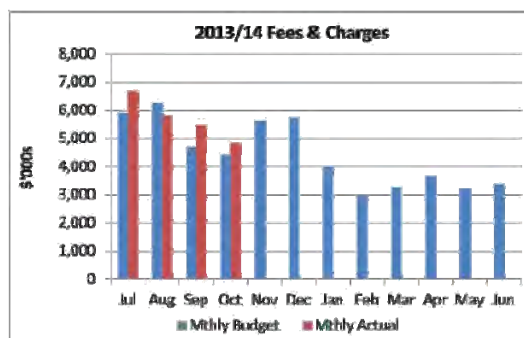
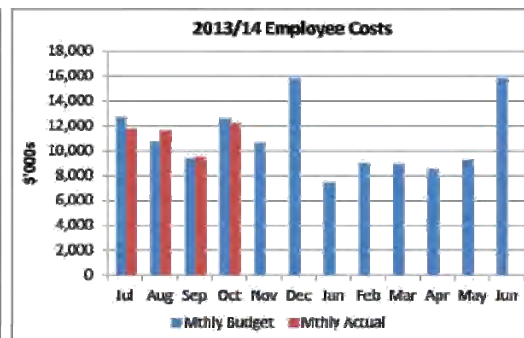
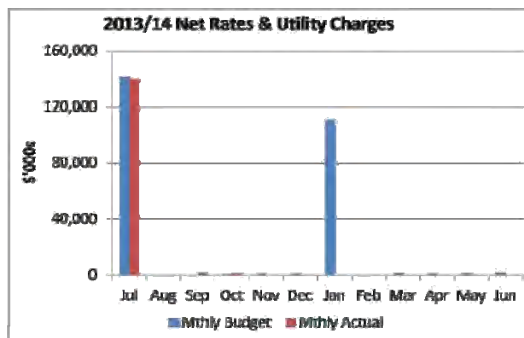
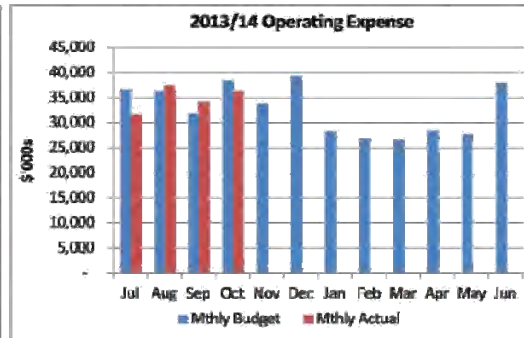
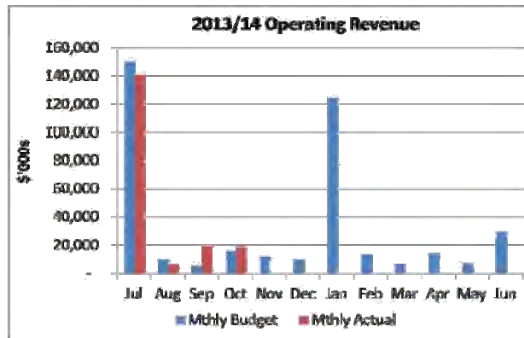
FINANCIAL PERFORMANCE REPORT
October 2013



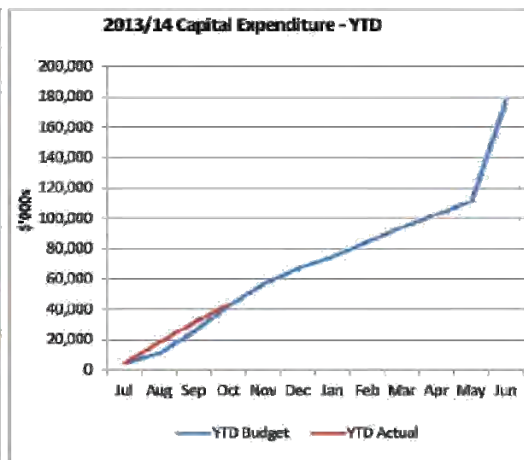
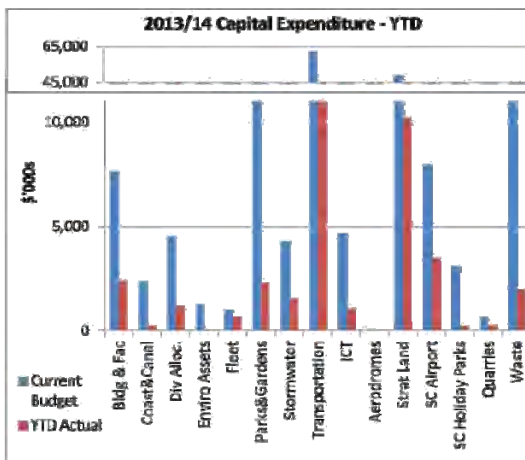
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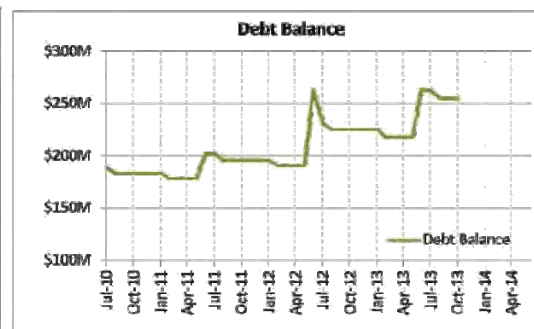
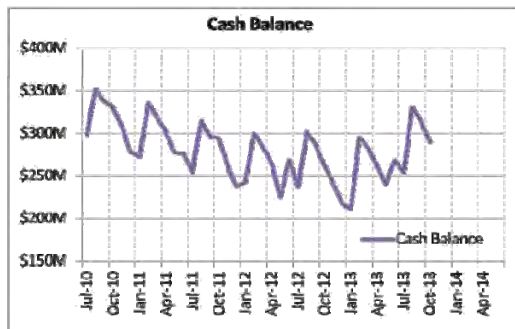
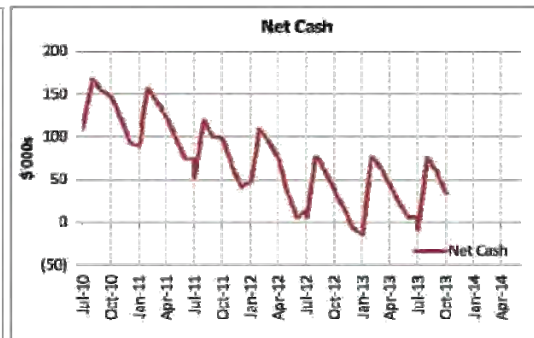
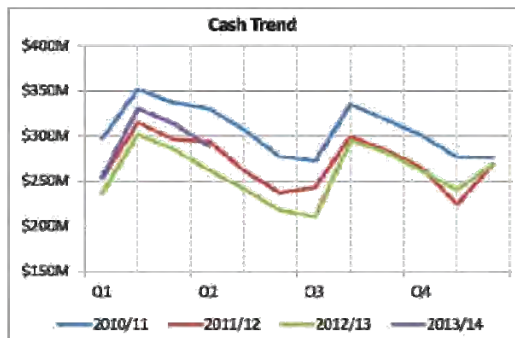
FINANCIAL PERFORMANCE REPORT							October 2013
HEADLINE - OPERATING							
	Annual		YTD				
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %	
Operating Revenue	400,295	400,285	182,661	185,795	3,135	1.7%	
Operating Expenses	387,582	392,514	143,454	139,606	(3,847)	(2.7%)	
Operating Result	12,713	7,771	39,207	46,189	6,982	17.8%	
NET Result	54,287	46,359	51,978	58,813	6,834	13.1%	



FINANCIAL PERFORMANCE REPORT							October 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	34,115	11,682	11,534	(148)		
Other Capital Revenues	86,410	86,409	26,864	27,676	812		
Total Capital Revenues	123,511	120,525	38,546	39,210	664		
Capital Works Expenditure	109,270	177,658	42,036	43,286	1,251	3.0%	
Other capital Expenditure	41,150	33,550	10,085	10,065	(20)		
Total Capital Expenditure	150,420	211,208	52,121	53,351	1,231		
Funds from General Revenue	26,909	90,684	13,574	14,141	567		



FINANCIAL PERFORMANCE REPORT		October 2013	
HEADLINE - CASH & BALANCE SHEET			
	Annual		YTD
	Original Budget \$000s	Current Budget \$000s	Actuals \$000s
CASH FLOWS			
Opening Cash	196,241	254,747	261,336
Net Cash Inflow/(Outflows) from:			
Operating Activities	48,186	43,454	63,345
Investing Activities	(93,037)	(157,471)	(32,988)
Financing Activities	476	476	(1,466)
Net Increase/(decrease) in Cash Held	(45,035)	(113,541)	28,891
Cash at year end	151,206	151,206	290,227
BALANCE SHEET			
Total Current Assets	216,289	216,289	330,603
Total Non Current Assets	4,511,393	4,511,393	5,317,360
Total Assets	4,727,682	4,727,682	5,647,963
Total Current Liabilities	70,183	70,183	61,257
Total Non Current Liabilities	240,480	240,480	279,449
Total Liabilities	310,663	310,663	340,706
Net Community Assets/ Total Community Equity	4,417,019	4,417,019	5,307,258



FINANCIAL PERFORMANCE REPORT

October 2013

HEADLINE - COMMENTARY

Income & Expense Statement

Council's financial results at 31 October 2013 shows the organisation with a \$7million higher than forecasted operating position against the year to date budget. This operating result variation is made up of operating revenue being \$3.1 million higher than the year to date budget, along with operating expenses being \$3.9 million lower than the year to date budget.

Operating Revenues

Of the \$1.5 million favourable variance in fees and charges, \$1million relates to development applications, with the volume being approximately 14% higher in 2013/2014 than compared to same time in 2012/2013.

Of the \$1.3 favourable variance in other revenue, \$700,000 relates to a refund from the Office of State Revenue for over charged payroll tax.

Operating Expenses

The favourable variance in operating expenses of \$3.8 million relates to Materials & Services (\$3 million) and Other expenses (\$650,000).

Materials and Services relates to underspends in the following branches: ICTS (\$720,000), Environmental Operations (\$680,000), Civil Works (\$580,000), Economic Development (\$480,000) and Waste (\$400,000)

Other expenses relates to timing difference on event sponsorships and donations

Capital Expenditure

As at 30 October 2013, \$43.3 million (24.4%) of council's \$177.7 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 of \$1.0 million.

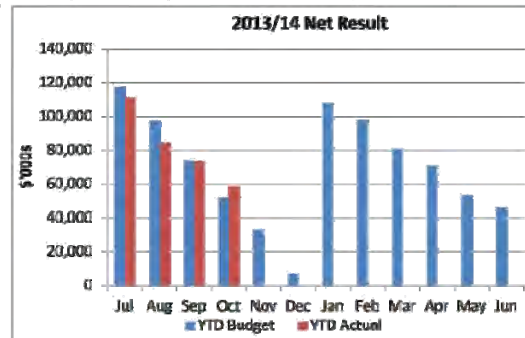
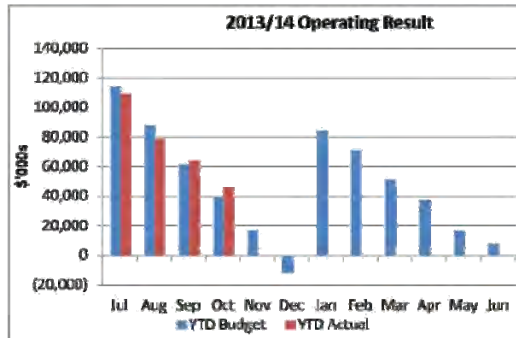
2. Financial Assistance Grant - during 2012/2013 more than one half of the grant (\$6.3 million) was paid early into June 2012. This prepayment has created a budget impact of \$2.1 million in the current 2013/2014 budget.

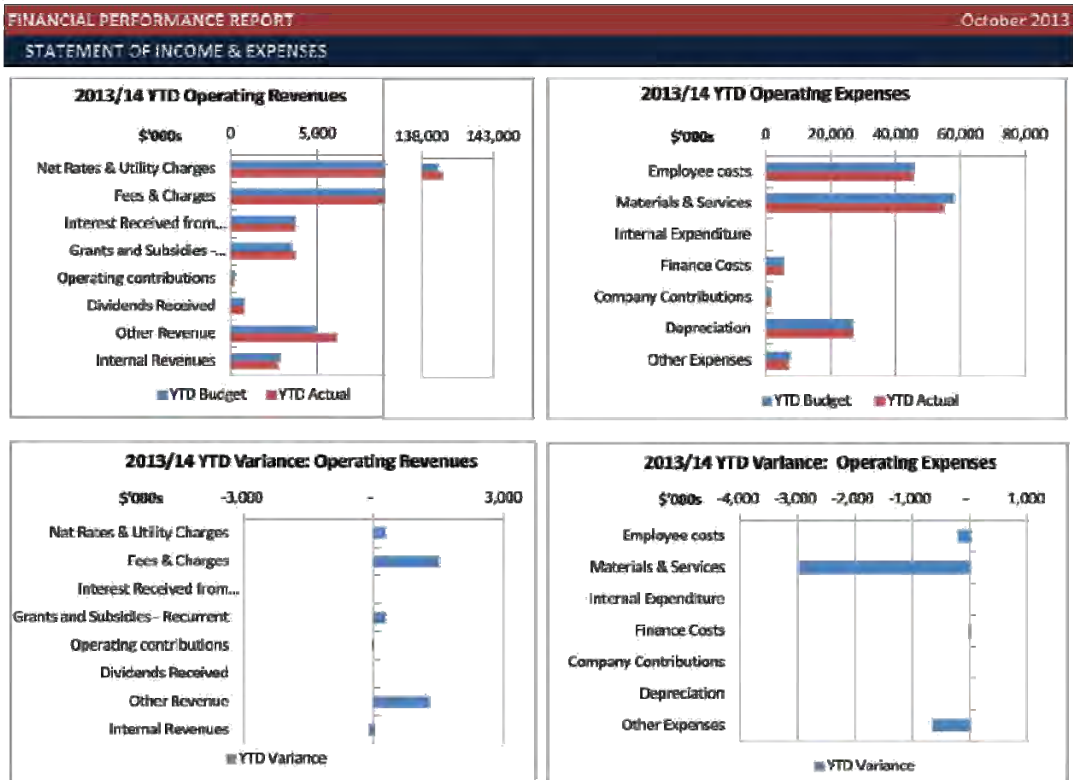
3. Organisation Review - \$4.7 million net savings loaded into the budget.

4. De-amalgamation - risk that not all costs associated with the de-amalgamation are being charged to Noosa Shire Council.

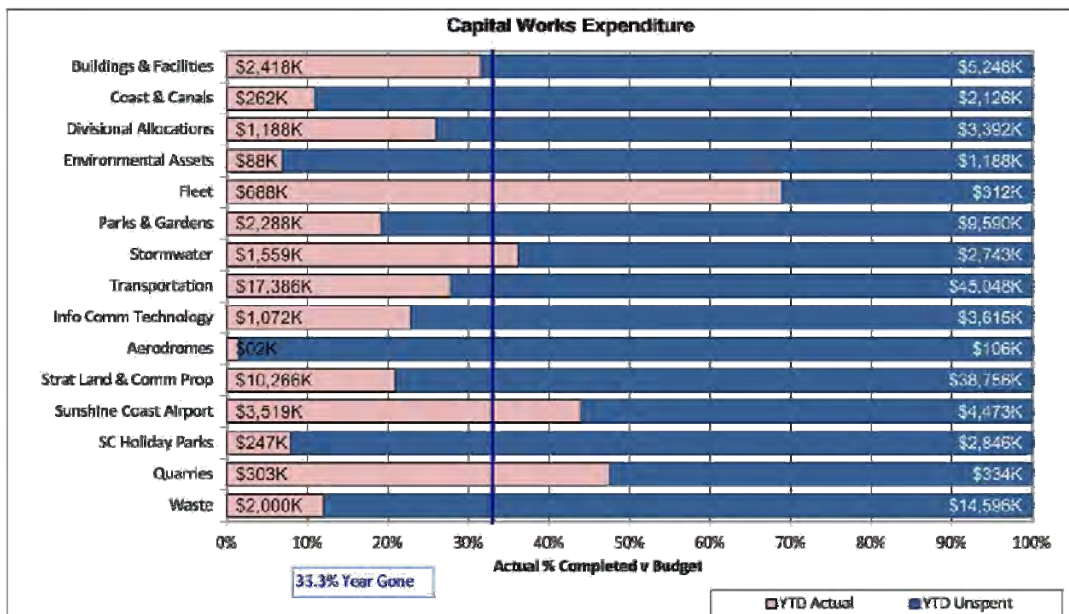
5. Employee Vacancy Factor - \$4.4 million loaded in the budget. May be difficult to achieve this saving along with Organisation Review.

FINANCIAL PERFORMANCE REPORT							October 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	252,411	144,419	144,861	442	0.3%	262,480
Interest from Rates & Utilities	2,053	2,053	918	908	(10)	-1.1%	2,053
Less Discounts, Pensioner Remissions	(11,374)	(11,374)	(6,283)	(6,449)	(165)	2.6%	(11,374)
Net Rates & Utility Charges	253,090	253,090	139,054	139,320	267	0.2%	253,159
Fees & Charges	53,274	53,274	21,317	22,812	1,495	7.0%	51,811
Interest Received from Investments	8,512	8,512	3,675	3,674	(1)	0.0%	8,512
Grants and Subsidies - Recurrent	10,780	10,780	3,434	3,696	261	7.6%	11,091
Operating contributions	570	570	210	181	(28)	-13.6%	570
Interest received from Unitywater	26,205	26,205	6,662	6,662	(1)	0.0%	26,205
Dividends Received	27,001	27,001	735	735	0	0.0%	27,001
Other Revenue	13,249	13,249	4,765	6,027	1,262	26.5%	13,485
Internal Revenues	7,614	7,603	2,809	2,688	(120)	-4.3%	7,603
Community Service Obligations	0	0	0	0	0	0.0%	0
Total Operating Revenue	400,295	400,285	182,661	185,795	3,135	1.7%	399,436
Operating Expenses							
Employee costs	130,879	131,340	45,373	45,163	(210)	-0.5%	130,166
Materials & Services	152,860	157,081	57,737	54,770	(2,966)	-5.1%	157,458
Internal Expenditure	0	0	0	0	0	0.0%	0
Finance Costs	14,197	14,197	5,251	5,230	(21)	-0.4%	14,197
Company Contributions	1,152	1,152	1,152	1,152	0	0.0%	1,152
Depreciation	70,510	70,510	26,531	26,531	0	0.0%	70,510
Other Expenses	17,984	18,234	7,411	6,760	(650)	-8.8%	18,483
Competitive Neutrality Adjustments	0	0	(0)	0	0	-100.0%	0
Total Operating Expenses	387,582	392,514	143,454	139,606	(3,847)	-2.7%	391,966
Operating Result	12,713	7,771	39,207	46,189	6,982	17.8%	7,470
Capital Revenue							
Capital Grants and Subsidies	2,900	7,514	6,593	6,027	(566)	-8.6%	12,047
Capital Contributions	7,201	7,201	2,689	3,127	438	16.3%	7,201
Contributed Assets	27,000	19,400	2,400	2,380	(20)	-0.8%	19,400
Other Capital Revenue	4,472	4,472	1,090	1,090	0	0.0%	4,472
Total Capital Revenue	41,573	38,587	12,772	12,624	(148)	-1.2%	43,120
Net Result	54,287	46,358	51,979	58,813	6,834	13.1%	50,590





FINANCIAL PERFORMANCE REPORT							October 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	7,666	3,169	2,418	31.5%	7,324	
Coast and Canals	1,949	2,388	549	262	11.0%	2,388	
Divisional Allocations	3,100	4,948	1,259	1,188	24.0%	4,718	
Environmental Assets	1,238	1,276	199	88	6.9%	1,276	
Fleet	1,000	1,000	686	688	68.8%	1,000	
Parks and Gardens	10,317	11,580	2,619	2,288	19.8%	12,194	
Stormwater	4,161	4,309	1,137	1,559	36.2%	4,241	
Transportation	52,952	62,411	18,341	17,386	27.9%	65,577	
Information Communication Technology	3,927	4,687	1,251	1,072	22.9%	4,871	
Strategic Land & Comm Properties	9,422	48,967	6,842	10,266	21.0%	50,034	
Aerodromes	-	107	2	2	1.4%	399	
Sunshine Coast Airport	3,400	7,992	3,123	3,519	44.0%	8,237	
SC Holiday Parks	1,455	3,093	305	247	8.0%	3,093	
Quarries	150	637	183	303	47.6%	637	
Waste	9,651	16,596	2,371	2,000	12.1%	19,103	
TOTAL	169,270	177,658	42,036	43,286	24.4%	185,092	



FINANCIAL PERFORMANCE REPORT October 2013
INVESTMENT PERFORMANCE

Liquidity as at:		31/10/2013	
		\$'000's	
At-call accounts			
QTC + CBA (exc trust)	\$63,896	22.04%	
Investments Maturing within 7 days			
Westpac	\$15,000	5.18%	
Total at-call	\$78,896	27.22%	
Investment Policy Target		10.00%	

	INVESTMENT SUMMARY AS AT			Investment Policy				
	31/10/2013		30/09/2013		31/10/2012		Individual Limit	Group Limits
A1+ (QTC)	\$63,896	22.0%	\$68,165	21.0%	\$21,290	8.0%	100%	100%
A1+ (Other)	\$110,955	38.3%	\$171,475	52.8%	\$215,347	80.8%	35%	100%
A1	\$60,000	20.7%	\$20,000	6.2%	\$20,000	7.5%	30%	30%
A2	\$55,000	19.0%	\$65,000	20.0%	\$10,000	3.8%	10%	30%
TOTAL	\$289,852		\$324,640		\$266,637			

Investment Portfolio

