

8.3.3 SEPTEMBER 2016 FINANCIAL PERFORMANCE REPORT

File No: Financial Reports
Author: Coordinator Financial Services
 Corporate Services Department
Attachments: Att 1 - September 2016 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

This monthly financial performance report provides Council with a summary of performance against budget as at 30 September 2016 in terms of the operating result and delivery of the capital program.

The operating result at 30 September 2016 shows a positive variance of \$5 million compared to the forecast position.

Operating Performance**Table 1: Operating Result as at 30 September 2016**

September 2016	Current Budget \$000	YTD Current Budget \$000	YTD Actual \$000	YTD Variance \$000	Variance %
Operating Revenue	418,433	161,397	164,577	3,179	2.0
Operating Expenses	391,493	93,333	91,516	(1,817)	1.9
Operating Result	26,940	68,064	73,061	4,997	7.3

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

As at 30 September 2016, \$40.9 million (15.5%) of Council's \$263.7 million 2016/17 Capital Works Program was financially expended.

The core Council Capital Program is on track with an actual spend of \$25.3 million, which is 2.9% ahead of forecast.

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

OFFICER RECOMMENDATION

That Council receive and note the report titled "September 2016 Financial Performance Report".

FINANCE AND RESOURCING

There are no finance and resourcing implications from this report.

CORPORATE PLAN

Corporate Plan Goal:	<i>An outstanding organisation</i>
Outcome:	5.2 - A financially sustainable organisation
Operational Activity:	5.2.2.1 - Ensure Council's finances are well managed and systems are in place to analyse performance, generate revenue and reduce costs

CONSULTATION

Portfolio Councillor Consultation

No consultation with the Portfolio Councillor is required for this report

Internal Consultation

All departments or branches participated in the formation of the recommendations associated with this report.

External Consultation

No external consultation is required for this report.

Community Engagement

No community engagement is required for this report.

PROPOSAL

The operating result at 30 September 2016 shows a positive variance of \$5.0 million compared to the forecast position.

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

Operating Revenue

Year to date revenues as at 30 September 2016 of \$164.6 million shows a positive variance of \$3.2 million.

Table 2: Substantial Revenue variances as at 30 September 2016

Operating Revenue Large Variances	YTD Current Budget \$000	YTD Actual \$000	YTD Variance \$000	Variance %
Net Rates and Utility Charges	125,355	126,800	1,445	1.2
Fees and Charges	18,291	19,364	1,074	5.9
Other Revenue	2,690	3,384	694	25.8

Net Rates and Utility Charges

Of the favourable variance of \$1.4 million, \$475,000 relates to higher than anticipated growth and year to date profiling for the first rates run. Property numbers grew by 1.3% between the January 2016 and June 2016 rate runs. The full year budgeted growth is 1.9%.

Fees and Charges

Fees and charges revenue of \$19.4 million, is \$1.1 million ahead of year to date budget. Significant variances include:

- \$575,000 relates to increased revenues at the Sunshine Coast Holiday Parks, overall Holiday Parks are favourable to budget \$566,000.

- \$313,000 relates to development service revenue ahead of budget, with volumes 0.6% ahead of the same time last year. Growth in the development area is mixed, with non-plumbing application volumes down 14% and lot approval up 5% on last year.
- \$120,000 across community response branch

Other Revenue

Other revenue has exceeded the year to date budget by \$694,000, this is made up of:

- Royalty payments for the sale of carbon credits and increase in the sale of recoverable materials at the Waste facilities of \$180,000
- Additional grant revenue received in community relations of \$150,000, which will be recognised with offsetting expenditure in Budget Review 2.

Operating Expenses

Year to date expenditure as at 30 September 2016 of \$60.6 million shows a positive variance of \$2.7 million.

Table 3: Substantial Expenditure variances as at 30 September 2016

Operating Expenditure Large Variances	YTD Current Budget \$000	YTD Actual \$000	YTD Variance \$000	Variance %
Employee Costs	30,242	30,788	547	1.8
Materials and Services	37,535	34,840	(2,695)	(7.2)
Finance Costs	2,544	3,017	473	18.6

Employee Costs

As at 30 September 2016 employee costs were above budget by \$547,000 or 1.8%. \$86,000 of this variance relates to the operating component of capital projects. These projects are budgeted against materials and services, however delivery is through a combination of internal and external resources.

A further \$70,000 relates to lower than budgeted capitalisation of labour. There are some timesheets that have not been submitted and therefore this could be a timing difference.

The remaining variance is in part due to higher than anticipated overtime and the organisation not achieving the 3% vacancy rate.

Materials and Services

As at 30 September 2016, materials and services costs were below budget by \$2.7 million. The variance is in line with the usual trend for the early part of the financial year, with further work to be completed on profiling budgets and initiating projects.

Finance Costs

As a result of the recent audit by Queensland Audit Office (QAO), finance costs relating to the Solar Farm Project are to be expensed. This will result in an increase of \$1.2 million for finance costs for the year. This change will be included in Budget Review 2.

Capital Revenue

Capital revenues are \$26.3 million favourable to the year to date current budget. Cash contributions are ahead of budget by \$3.2 million, which will be recognised at Budget Review 2 with offsetting expenditure.

Contributed assets are at 63.6% of the full year budget. This is in part due to additional resources in the asset accounting team expediting the constructed asset write-on process. However it is also an indication of another strong year of assets being contributed by developers, and will be analysed and adjusted as part of the Budget Review 2 process.

Table 4: Capital revenue variances as at 30 September 2016

Capital Revenue	YTD Current Budget \$000	YTD Actual \$000	YTD Variance \$000	Variance %
Capital Contributions - Cash	5,615	8,828	3,213	57.2
Contributed Assets	15,000	38,169	23,169	154.5

Capital Expenditure

As at 30 September 2016, \$40.9 million (15.5%) of Council's \$263.7 million 2016/17 Capital Works Program was financially expended.

The core Council Capital Program is on track with an actual spend of \$25.3 million, which is 2.9% ahead of forecast.

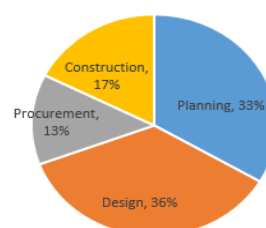
Table 5: Capital expenditure variances by program as at 30 September 2016

Capital Works Program	Forecast Budget \$000	YTD Forecast Budget \$000	YTD Actual \$000	YTD Variance	% Variance on YTD budget
Aerodromes	372	7	25	18	268.5
Buildings and Facilities	10,072	2,303	2,568	265	11.5
Coast and Canals	1,375	223	238	16	7.0
Divisional Allocations	4,101	119	290	171	143.7
Environmental Assets	4,628	540	1,404	864	160.0
Fleet	3,000	45	3	(42)	(93.2)
Holiday Parks	2,279	781	665	(116)	(14.8)
Information Technology	3,007	600	531	(68)	(11.4)
Parks and Gardens	14,290	4,015	4,289	274	6.8
Quarries	674	-	105	105	-
Stormwater	4,927	594	739	145	24.4
Strategic Land and Commercial Properties	7,867	2,477	3,336	859	34.7
Sunshine Coast Airport	5,746	1,206	914	(292)	(24.2)
Transportation	56,553	9,414	8,212	(1,201)	(12.8)
Waste	12,680	2,271	1,975	(295)	(13.0)
Total SCC Core Capital Program	131,571	24,593	25,295	702	2.9
Corporate Major Projects	21,646	13	26	13	107.9
Maroochydore City Centre - Council delivery	11,519	2,827	3,393	566	20.0
Maroochydore City Centre - SunCentral delivery	41,289	1,714	541	(1,173)	(68.4)
Solar Farm	32,408	11,866	11,458	(408)	(3.4)
Sunshine Coast Airport Runway	25,223	66	230	164	249.0
Total Other Capital Program	132,084	16,485	15,648	(837)	(5.1)
TOTAL	263,655	41,077	40,943	(135)	(0.3)

Table 6: Projects by status

Project summary by Job status (SCC Base only)	Number of Capital Jobs	%	Current Budget \$000	%
Not Started	361	36.5%	28,397	21.6%
Works in Progress	510	51.5%	98,365	74.8%
Complete	109	11.0%	4,320	3.3%
On Hold	10	1.0%	490	0.4%
Total	990		131,571	

Work In Progress by Phase

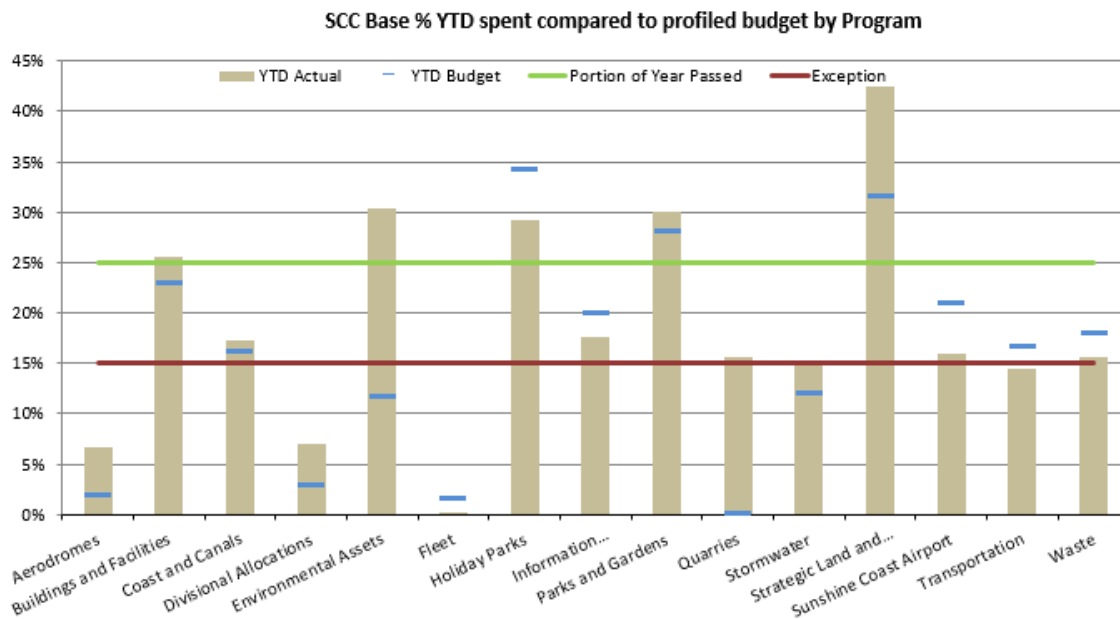


The targeted capital completion rate for 2016/17 is 81.3%. This is due to a number of multi-year projects and whole of region accounts.

At the end of September 109 jobs were in a completed status, which is a good indication that the 2015/16 projects which were carried over in Budget Review 1 are being completed.

Additionally 510 jobs are in a work in progress status, and the additional graph indicates which phase the WIP jobs are up to. This is additional information that is being captured by the new Project on-line system.

Table 7: Capital Exceptions Graph



Aerodromes

The aerodromes program is scheduled for works to occur in the second half of the year. Works are currently ahead of the budgeted schedule.

Fleet

The first major purchase for the fleet program is scheduled for January 2017. There are a large number of smaller plant acquisitions planned for the second half of the financial year, which will include trucks, mowers, graders and boats.

Transportation

Coming in just under the exception line, the transportation program is currently \$1.6 million behind forecast budget. This variance is coming from the reseals and rehabilitation sub program, which is \$1.5 million behind budget. Two contracts for the reseal program were awarded in September, with major works to begin in October 2016.

Investment Performance

- All investment parameters remain within the guidelines established by the Investment Policy.
- For the month ending 30 September 2016 Council had \$375.7 million cash (excluding Trust Fund) with an average interest rate of 2.98%, being 1.25% above benchmark. This is compared to the same period last year with \$345.3 million cash (excluding Trust Fund) where the average interest rate was 3.44%, being 0.84% above benchmark.
- The benchmark used to measure performance of cash funds is Bloomberg AusBond Bank Bill Index (BAUBIL) and the Bank Bill Swap Rate (BBSW) for term deposits.

- The Cash in Council's ledger as at 30 September 2016 was only \$367 million, due to some late deposits from Unitywater not being processed until the October period.

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 2016/17 Investment Policy.

Risk

Failure to achieve the budgeted operating result will negatively impact Council's capacity to complete its capital expenditure program.

Previous Council Resolution

Special Meeting Budget 16 June 2016, Council adopted the 2016/2017 budget - Council Resolution (SM16/16)

That Council:

- receive and note the report titled "Adoption of the 2016/2017 Budget and Forward Estimates for the 2017/2018 to 2025/2026 Financial Years"*
- adopt the 2016/2017 Budget Schedules (Appendix A) including Forward Estimates and*
- adopt the 2016/2017 Capital Works Program, endorse the indicative four-year program for the period 2017/2018 to 2020/2021, and note the five-year program for the period 2021/2022 to 2025/2026 (Appendix B).*

Ordinary Meeting Budget 15 September 2016, Council adopted the Budget Review 1 2016/2017 (OM16/163)

That Council:

- receive and note the report titled "Budget Review 1 2016/17 "* and
- adopt the amended 2016/17 Budget Financial Statements to include the identified operating and capital budget adjustments (Appendix A).*

Related Documentation

There is no related documentation for this report.

Critical Dates

There are no critical dates for this report.

Implementation

There are no implementation details to include in this report.

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FINANCIAL PERFORMANCE REPORT

September 2016

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Financial Performance Report

September 2016



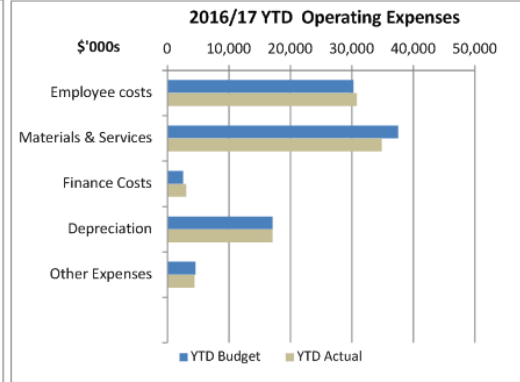
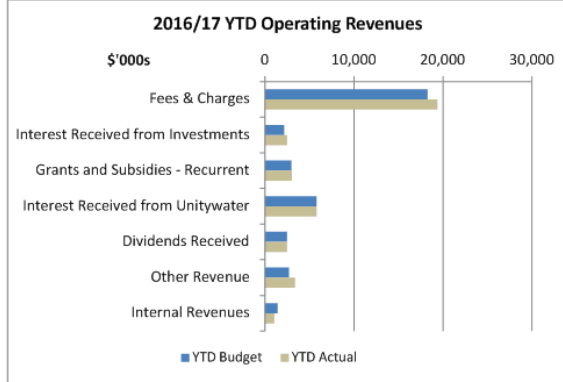
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FINANCIAL PERFORMANCE REPORT September 2016

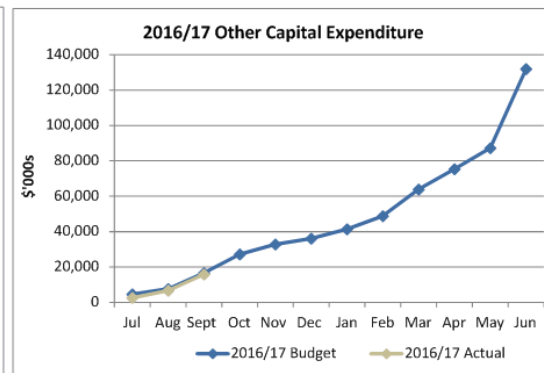
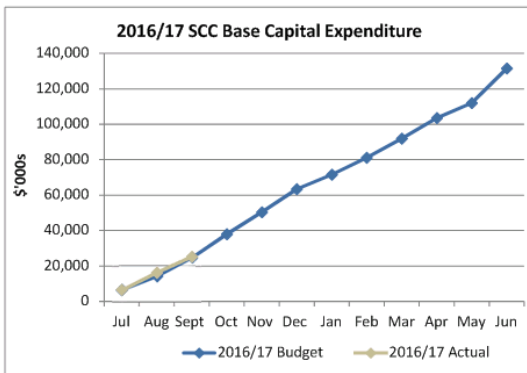
HEADLINE - OPERATING

	Annual		YTD			
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %
Operating Revenue	418,965	418,433	161,397	164,577	3,179	2.0%
Operating Expenses	388,041	391,493	93,333	91,516	(1,817)	(1.9%)
Operating Result	30,924	26,940	68,064	73,061	4,997	7.3%
NET Result	125,449	127,285	91,282	122,629	31,347	34.3%



HEADLINE - CAPITAL

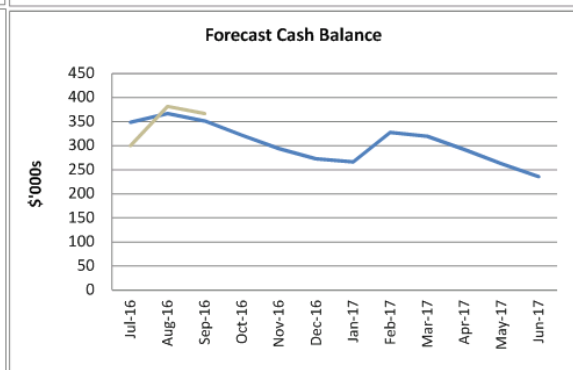
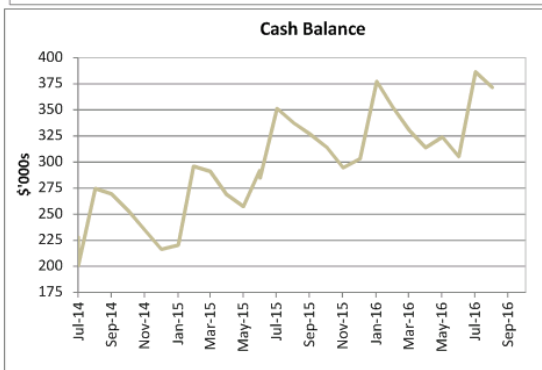
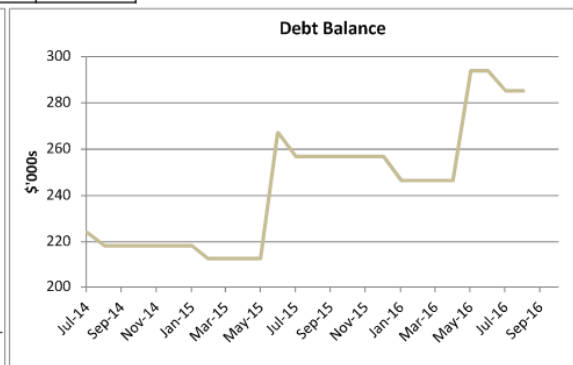
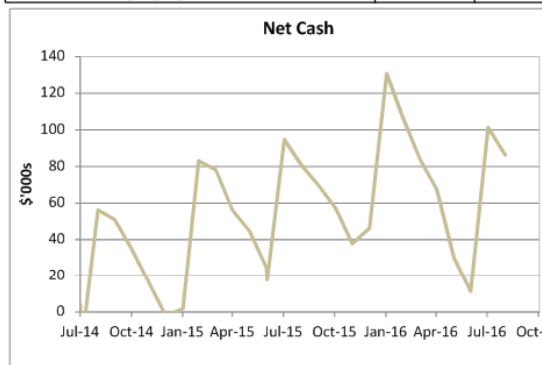
	Annual		YTD			
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %
Capital Revenue	94,525	100,345	23,218	49,568	(26,350)	
Other Capital Revenues	68,920	68,787	17,098	18,553	(1,455)	
Total Capital Revenues	163,445	169,132	40,316	68,121	(27,805)	
Capital Works Expenditure	252,677	263,655	41,077	41,139	(61)	0.15%
Other Capital Expenditure	60,000	60,000	15,000	46,846	(31,846)	
Total Capital Expenditure	312,677	323,655	56,077	87,984	(31,907)	
Funds from General Reserve	149,232	154,523	15,761	19,863	(4,102)	



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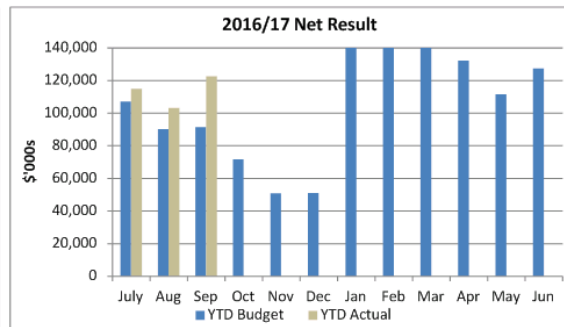
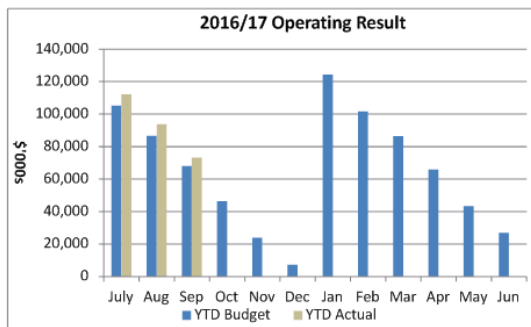
FINANCIAL PERFORMANCE REPORT September 2016
HEADLINE - CASH AND BALANCE SHEET

	Annual		YTD		
	Original Budget \$000s	Current Budget \$000s	Actuals \$000s	Forecast Budget \$000s	Variance \$000s
CASH FLOWS					
Opening Cash	295,509	318,556	318,556	318,556	0
Net Cash Inflow/(Outflows) from:					
Operating Activities	90,790	80,652	101,588	69,364	32,224
Investing Activities	(212,119)	(208,276)	(44,834)	(36,853)	(7,981)
Financing Activities	44,869	44,867	(8,677)	(8,677)	0
Net Increase/(decrease) in Cash Held	(76,460)	(82,757)	48,077	23,833	24,244
Cash at year end	219,049	235,799	366,633	342,390	24,244
BALANCE SHEET					
Current Assets	275,784	302,382	424,683		
Non Current Assets	5,119,828	4,997,332	4,733,161		
Total Assets	5,395,612	5,299,714	5,157,844		
Current Liabilities	100,614	115,129	95,012		
Non Current Liabilities	344,682	351,895	306,334		
Total Liabilities	445,296	467,024	401,346		
Net Community Assets/ Total Community Equity	4,950,316	4,832,690	4,756,498		



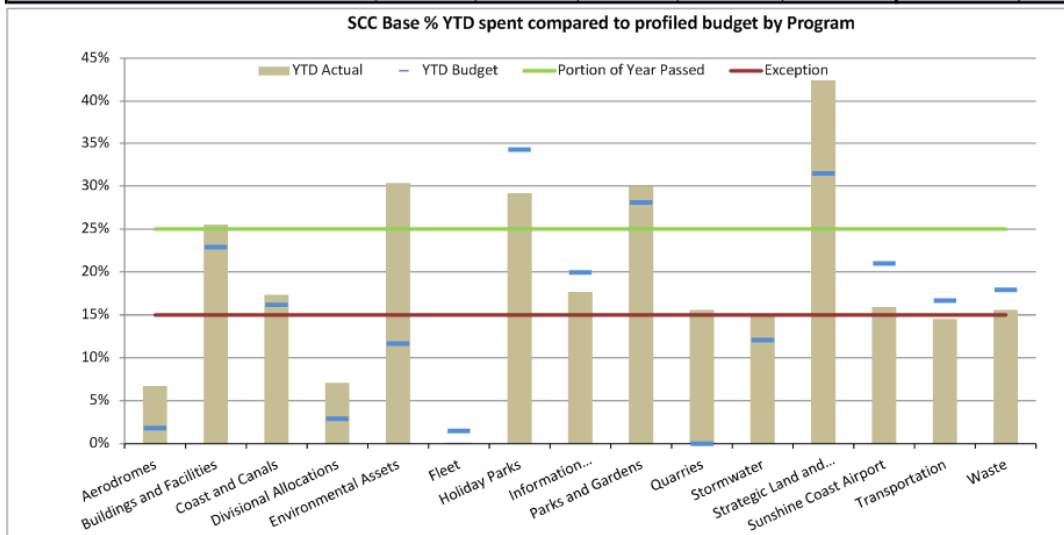
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FINANCIAL PERFORMANCE REPORT							September 2016
STATEMENT OF INCOME & EXPENSES							
	Annual		YTD				Annual
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %	Forecast Budget \$000s
Operating Revenue							
Net Rates and Utility Charges	259,339	259,339	125,355	126,800	1,445	1.2%	259,339
Fees and Charges	62,787	62,787	18,291	19,364	1,074	5.9%	62,787
Interest Received from Investments	8,603	8,603	2,151	2,488	337	15.7%	8,603
Operating Grants and Subsidies	12,077	12,154	2,982	3,017	34	1.2%	12,154
Operating Contributions	706	906	249	222	(28)	(11.1%)	906
Interest Received from Unity Water	23,933	23,933	5,789	5,789	0	0.0%	23,933
Dividends Received	26,162	26,162	2,476	2,476	(0)	(0.0%)	26,162
Other Revenue	19,189	18,840	2,690	3,384	694	25.8%	18,840
Internal Sales/Recoveries	6,170	5,710	1,415	1,038	(377)	(26.6%)	5,710
Community Service Obligations	0	0	(0)	0	0	(100.0%)	0
Total Operating Revenue	418,965	418,433	161,397	164,577	3,179	2.0%	418,433
Operating Expenses							
Employee Costs	128,393	128,734	30,242	30,788	547	1.8%	128,734
Materials and Services	161,701	163,268	37,535	34,840	(2,695)	(7.2%)	163,268
Internal Materials and Services	0	0	0	0	0	0.0%	0
Finance Costs	9,684	9,684	2,544	3,017	473	18.6%	9,684
Company Contributions	1,421	1,400	1,400	1,400	0	0.0%	1,400
Depreciation Expense	68,920	68,787	17,098	17,104	7	0.0%	68,787
Other Expenses	17,924	19,620	4,515	4,366	(148)	(3.3%)	19,620
Competitive Neutrality Adjustments	(0)	(0)	0	0	(0)	(100.0%)	(0)
Total Operating Expenses	388,041	391,493	93,333	91,516	(1,817)	(1.9%)	391,493
Operating Result	30,924	26,940	68,064	73,061	4,997	7.3%	26,940
Capital Revenue							
Capital Grants and Subsidies	12,525	17,885	2,603	2,571	(32)	(1.2%)	17,885
Capital Contributions - Cash	22,000	22,460	5,615	8,828	3,213	57.2%	22,460
Capital Contributions - Fixed Assets	60,000	60,000	15,000	38,169	23,169	154.5%	60,000
Total Capital Revenue	94,525	100,345	23,218	49,568	26,350	113.5%	100,345
Net Result	125,449	127,285	91,282	122,629	31,347	34.3%	127,285



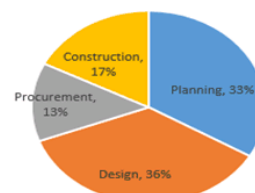
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FINANCIAL PERFORMANCE REPORT						September 2016	
CAPITAL EXPENDITURE							
Capital Works Program	Annual		YTD			% of FY budget spent	YTD Variance \$000s
	Original Budget \$000s	Current Budget \$000s	Budget \$000s	Actuals \$000s	Variance on YTD budget		
Aerodromes	175	372	7	25	268.5%	6.7%	18
Buildings and Facilities	9,156	10,072	2,303	2,568	11.5%	25.5%	265
Coast and Canals	1,220	1,375	223	238	7.0%	17.3%	16
Divisional Allocations	4,424	4,101	119	290	143.7%	7.1%	171
Environmental Assets	4,837	4,628	540	1,404	160.0%	30.3%	864
Fleet	3,000	3,000	45	3	-93.2%	0.1%	(42)
Holiday Parks	2,254	2,279	781	665	-14.8%	29.2%	(116)
Information Technology	2,827	3,007	600	531	-11.4%	17.7%	(68)
Parks and Gardens	12,814	14,290	4,015	4,289	6.8%	30.0%	274
Quarries	580	674	0	105	0.0%	15.6%	105
Stormwater	4,697	4,927	594	739	24.4%	15.0%	145
Strategic Land and Commercial Properties	5,431	7,867	2,477	3,336	34.7%	42.4%	859
Sunshine Coast Airport	4,133	5,746	1,206	914	-24.2%	15.9%	(292)
Transportation	54,179	56,553	9,414	8,212	-12.8%	14.5%	(1,201)
Waste	12,793	12,680	2,271	1,975	-13.0%	15.6%	(295)
Total SCC Core Capital Program	122,519	131,571	24,593	25,295	2.9%	19.2%	702
Corporate Major Projects	21,271	21,646	13	26	107.9%	0.1%	13
Maroochydore City Centre - Council	11,012	11,519	2,827	3,393	20.0%	29.5%	566
Maroochydore City Centre - Suncentral	42,071	41,289	1,714	541	-68.4%	1.3%	(1,173)
Solar Farm	30,915	32,408	11,866	11,458	-3.4%	35.4%	(408)
Sunshine Coast Airport Runway	24,890	25,223	66	230	249.0%	0.9%	164
Total Region Making Capital Program	130,158	132,084	16,485	15,648	-5.1%	11.8%	(837)
TOTAL	252,677	263,655	41,077	40,943	-0.3%	15.5%	(135)



Project summary by Job status (SCC Base only)	Number of Capital Jobs	%	Current Budget \$000	%
Not Started	361	36.5%	28,397	21.6%
Works in Progress	510	51.5%	98,365	74.8%
Complete	109	11.0%	4,320	3.3%
On Hold	10	1.0%	490	0.4%
Total	990		131,571	

Work In Progress by Phase



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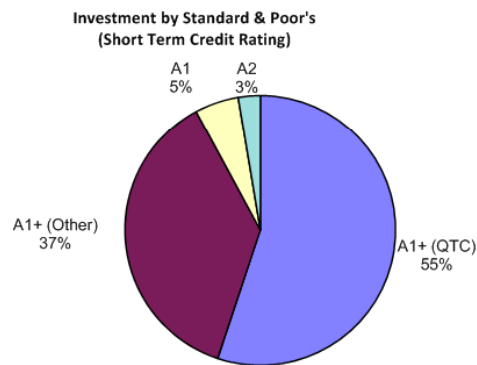
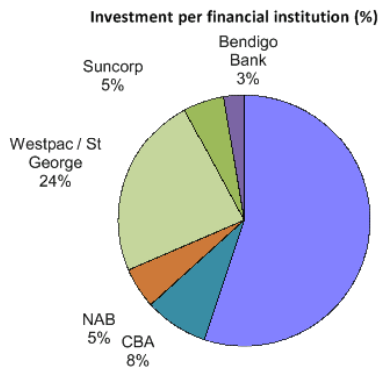
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INVESTMENT PERFORMANCE

Liquidity as at:		30/09/2016	
		\$'000's	
At-call accounts			
QTC + CBA (excl. trust)		235,717	61.81%
Maturities within 7 days			
		\$10,000	2.62%
Total at-call		\$245,717	64.43%
Investment Policy Target			10.00%

Term deposits maturing:		
	\$'000's	Count
within 30 days	\$30,000	6
30-59 days	\$30,000	3
60-89 days	\$65,000	3
90-179 days	\$5,000	2
180-364 days	\$10,000	1
1 year - 3 years	\$0	
Total	\$140,000	15

INVESTMENT SUMMARY (including Trust) as at:						Investment Policy		
	30/09/2016		30/06/2016		30/09/2015		Individual Limit	Group Limits
A1+ (QTC)	\$210,206	55.1%	\$107,885	33.3%	\$52,175	14.9%	100%	100%
A1+ (Other)	\$141,166	37.0%	\$91,162	28.1%	\$237,673	67.9%	35%	100%
A1	\$20,000	5.2%	\$70,000	21.6%	\$20,000	5.7%	30%	40%
A2	\$10,000	2.6%	\$45,000	13.9%	\$40,000	11.4%	15%	35%
A3	\$0	0.0%	\$10,000	3.1%	\$0	0.0%		
Total Funds	\$381,373		\$324,047		\$349,849			
FUND SUMMARY								
General Funds	\$375,717		\$318,244		\$345,339			
Trust Funds	\$5,656		\$5,802		\$4,510			
Total Funds	\$381,373		\$324,047		\$349,849			

Investment Portfolio



Investment Performance

