Sunshine Coast Council
Financial Sustainability Plan 2015-2025

Corporate Services Department

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Acknowledgements

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1. INTRODUCTION

The Sunshine Coast Council (SCC) vision is '*to be Australia's most sustainable region – vibrant, green, diverse'*. To be a leader and driver towards this vision, the SCC organisation must be sustainable in its own right.

The SCC Financial Sustainability Plan is an essential tool the organisation will use to achieve and maintain sustainable operations, asset management, and service delivery to our community into the future.

The Financial Sustainability Plan defines the high level financial policies, commitments, positions, and parameters that guide the development of service levels, rating and other income, expenditure, and treasury management.

In their April 2010 review of Council's financial position, the Queensland Treasury Corporation (QTC) rated Council as *"strong with a developing outlook."* Council's 2010/2011 budget further strengthened the financial position and in October 2010 QTC upgraded Council's rating to *"strong with a neutral outlook"*.

The November 2014 review by QTC, has continued the October 2010 rating of "*strong with a neutral outlook".*

QTC state:

*"The **strong** rating describes a local government with a strong capacity to meet its financial commitments in the short, medium and long-term. It generally has a record of operating surpluses and may occasionally report minor operating deficits. It is able to address its operating deficits, manage major unforeseen financial shocks and any adverse changes in its business, with minor revenue and/or expense adjustments. The expense adjustments are likely to result in only minor changes to the range of and/or quality of services offered. Its capacity to manage core business risks is strong"*

*"The **neutral** outlook indicates that there are no known foreseeable events that would have a direct impact on the local government's capacity to meet its financial commitments. It may be possible for a rating upgrade or downgrade to occur from a neutral outlook, if such an event or circumstance warranted as such."*

2. SCOPE

The *Local Government Regulation 2012* and *Financial Management (Sustainability) Guideline 2013* Version 1 contain direction for financial sustainability and accountability:

Local Government Regulation 2012

- Section 164 (1) requires Council to *'keep a written record stating the following:*
  a) *the risks the local government's operations are exposed to, to the extent they are relevant to financial management;*
  b) *the control measures adopted to manage the risks.'*
- Section 169 (2) requires Council's budget for each financial year to '*include a long-term financial forecast; and a revenue statement; and a revenue policy.'*
- Section 169 (4) states that '*the budget must include each of the relevant measures of financial sustainability for the financial year for which it is prepared and the next 9 financial years.'*
- Section 169 (5) defines the relevant measures of financial sustainability.
- Section 191 requires Council to prepare and adopt an investment policy.
- Section 192 requires Council to prepare and adopt a debt policy for a financial year.

Financial Management (Sustainability) Guideline 2013 Version 1

- Attachment 1 sets out the minimum data set that ten year financial forecasts should typically contain.

The Financial Sustainability Plan will be a ten year rolling plan with the annual budget. This Financial Sustainability Plan will be applied for the period 1 July 2015 to 30 June 2025.

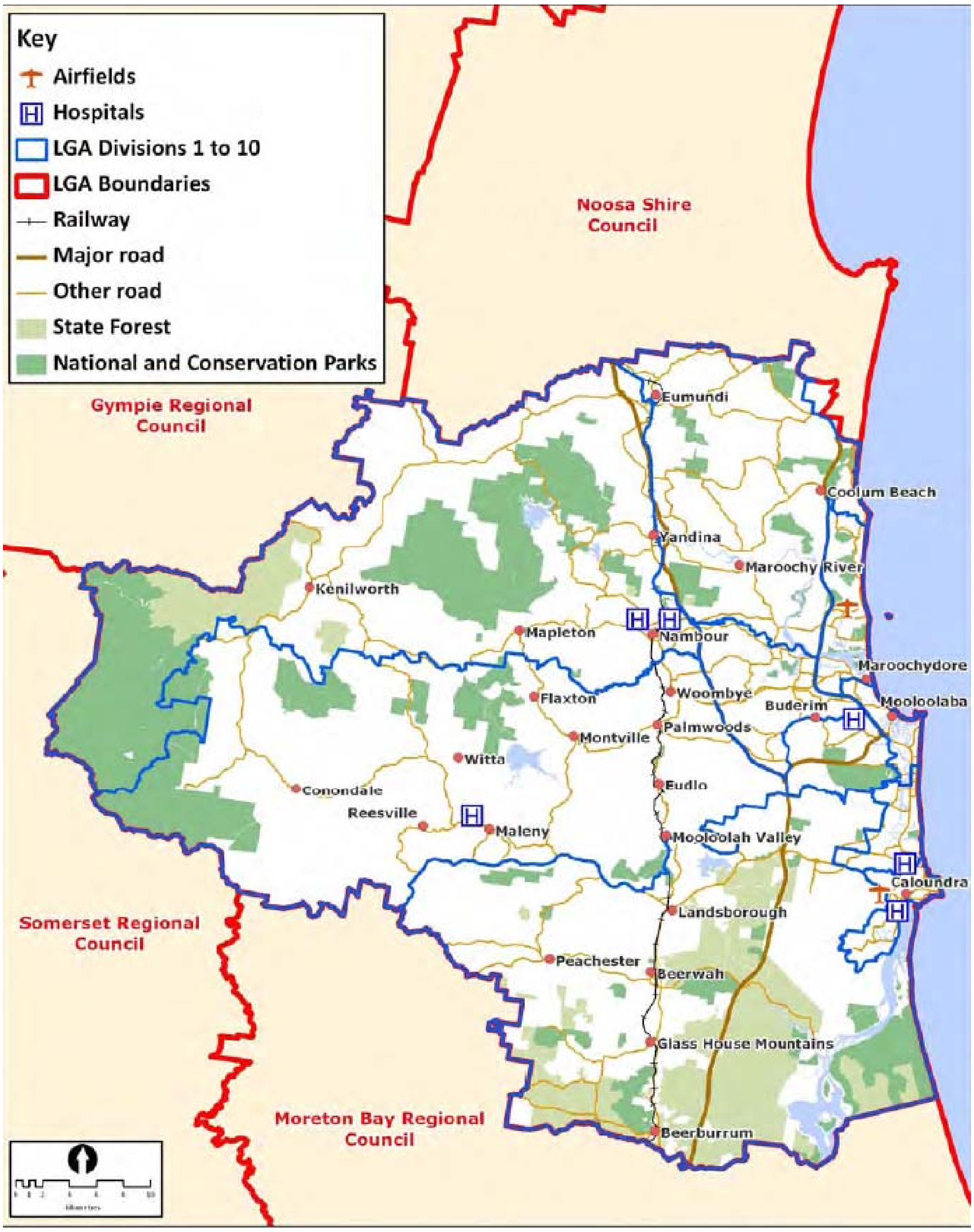
As part of the annual budget process, all the data and assumptions that are used in the development of the Financial Sustainability Plan will be reviewed and reset if necessary.

All policies and commitments will also be reviewed annually to ensure they reflect the current requirements of the community and desires of Council.

3. BACKGROUND

The Sunshine Coast region covers an area of 2,291square kilometres, including over 3,700 kilometres of waterways. The region has more than 130 kilometres of coastline, over 2,900 kilometres of roads, nearly 1,200 kilometres of pathways, and over 6,800 hectares of parks and environmental reserves.

Map of the Sunshine Coast Council (SCC) region.



The SCC has approximately 1,545 full time equivalent employees and has forecasted annual operating revenues of in excess of $386 million.

4. STRATEGIC ALIGNMENT

The Sunshine Coast Council (SCC) is committed to an integrated approach to strategic planning. The overall direction for the SCC is provided by the community.

The SCC Corporate Plan 2014-2019 was adopted by Council on 12 May 2014. The goals and priorities in the Corporate Plan 2014-2019 have been guided by the policy foundations already laid down by Council, which have been considered and developed through broad community consultation processes. These foundations support council’s aspirational vision for the Sunshine Coast:

“To be Australia’s most sustainable region – vibrant, green, diverse”

Considering the opportunities and challenges that are shaping our future and the vision it has embraced, council has identified five goals that it will pursue over the period 2014-2019.

Each goal is supported by defined outcomes which will be achieved through a set of priority actions each year that are responsive to the needs of the community.

Sunshine Coast Council’s 5 Corporate Goals:

1. **A new economy**
   Providing the regional policy, regulatory settings and identity that shape a globally competitive economy

   Outcomes for 2014-2019

   1.1 Strong economic leadership, collaboration and identity
   1.2 New capital investment in region
   1.3 Investment and growth in high-value industries
   1.4 Strong local to global connections
   1.5 A natural, major and regional event destination

2. **A strong community**
   Supporting an engaged, resilient and inclusive community that embraces diversity

   Outcomes for 2014-2019

   2.1 Safe and healthy communities
   2.2 Resilient and engaged communities
   2.3 Culture, heritage and diversity are valued and embraced
   2.4 People and places are connected

3. **An enviable lifestyle and environment**
   Maintaining and enhancing the region's natural assets, liveability and environmental credentials

   Outcomes for 2014-2019

   3.1 Healthy natural ecosystems and protected remnant vegetation
   3.2 Well-managed and maintained open space, waterways and foreshore assets
   3.3 A reputation for innovative environmental practices
   3.4 A region shaped by clever planning and design

4. **Service excellence**
   Providing value-for-money services responsive to the needs of the community

   Outcomes for 2014-2019

   4.1 Customer focussed services
   4.2 Services and assets are efficient, appropriately maintained and managed to meet the needs of a growing community
   4.3 Sustainable waste and resource management services

5. **A public sector leader**
   Delivering a high performance organisation, supported by good governance and robust decision-making

   Outcomes for 2014-2019

   5.1 Robust and transparent decision-making
   5.2 A financial sustainable organisation
   5.3 An employer of choice
   5.4 Productive, professional partnerships

   Strategy 5.2.1 under this goal of our Corporate Plan requires Council to:

   "Develop and implement long-term financial and asset management plans to guide the optimal utilisation of resources".

Annually, Council produces a budget and operational plan to guide the organisation through the delivery of services, activities and projects for the year. The Financial Sustainability Plan provides the linkage between all underlying plans and overarching organisational strategies.

5. FINANCIAL SUSTAINABILITY DEFINED

The Sustainability and Reporting process for Queensland local governments commenced in 2009 with the implementation of the *National Frameworks for Sustainability.* These Frameworks seek to ensure that all local governments in Australia adopt long-term financial and asset management planning processes.

In Queensland, the *Local Government Act 2009* promotes longer term planning by councils, and includes separate but related planning requirements:

- a 5-year corporate plan that incorporates community engagement
- a long-term asset management plan
- a long-term financial forecast
- an annual budget including revenue statement
- an annual operational plan.

The Queensland Government Financial Management (Sustainability) Guideline 2013 details the key indicators of Sustainability that have been adopted in Queensland.

Sources of funding	An appropriate reliance on the use of debt and own-source revenues.
Asset management and renewal	The long-term financial forecast incorporates the long-term asset management financial forecasts.
Infrastructure capital sustainability	There are no apparent financial difficulties in funding the required long-term infrastructure asset renewals. The infrastructure asset base is being renewed at a rate that is consistent with its long-term consumption.
Financial capital sustainability/viability	Balanced budgets or consistent operating surpluses are expected on average, over the long-term.

Income generating efforts

Rates:

The following characteristics indicate a need for closer examination:

- Where adopted rate increases that have fluctuated substantially
- Where rates are at a level that are considerably different to a group median of comparable councils, particularly where councils indicate a long term inability to maintain and renew assets, have persistent underlying operating deficits, and significant debt.

(Note: At annual budget discussions, a comparison of Council general rates with four similar councils will be undertaken and presented for consideration).

Other own sources income:

The following characteristics may indicate a need for closer examination:

- Where there is a lack of transparency in the determination of the pricing of services.

Operating costs:

The following characteristics may indicate a need for closer examination:

- Where significant and continuous annual increases in operating costs per assessment have been incurred
- Where operating costs are well above the group median.

Operating results:

For these purposes the operating result refers to a surplus or deficit, calculated on an accrual basis, excluding asset revaluations, developer contributions, capital grants and accounting corrections.

The following characteristics may indicate a need for closer examination:

- Where operating deficits have been consistently incurred
- Where a resource plan has been adopted that does not make adequate provision to rectify the situation.

Efficiently delivered services that are appropriate to needs

Councils should be delivering services appropriate to the needs of their communities in an efficient manner. Use of best value type assessments may be considered together with changes in operating costs.

The following characteristics may indicate a need for closer examination:

- Where there is an absence of robust community engagement processes to determine appropriate service standards and levels.

Short and long term cash and debt management

Liquidity:

The following characteristics may indicate a need for closer examination:

- Where difficulty in meeting short term financial obligations is being experienced
- Where no prospect of improvement is evident.

Debt:

Councils may be considered less sustainable if they:

- Have debt which limits their capacity to fund essential needs and negatively impacts on the capacity to provide operational services
- Leave future generations of ratepayers facing an unimaginable bill for services provided for current ratepayers
- The level of net interest costs associated with debt cannot be met comfortably from a council's operating revenue.

Ability to maintain, renew and upgrade assets

The following characteristics may indicate a need for closer examination:

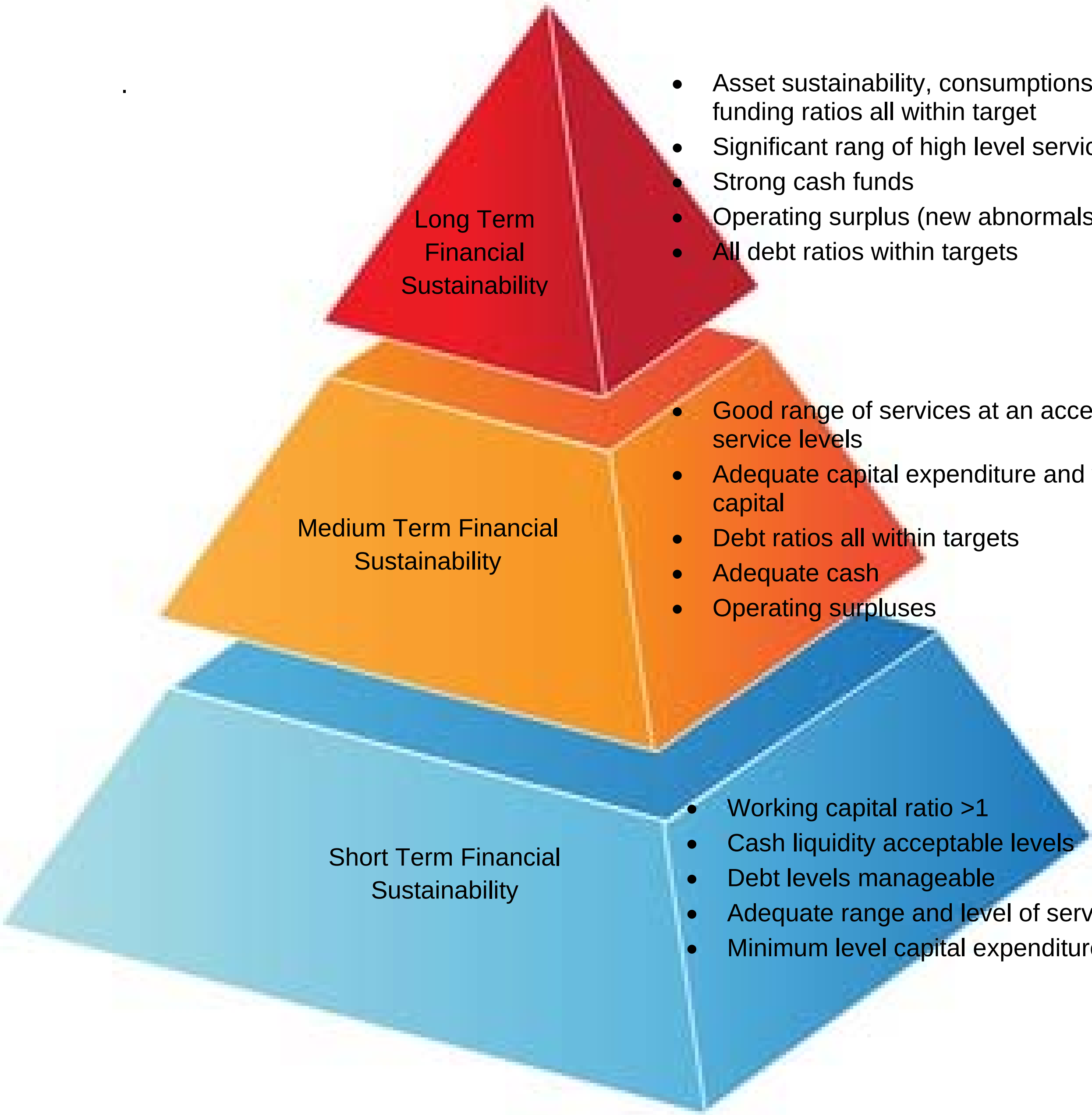
- Where spending is considerably less on capital works compared to depreciation expense; or (preferably)
- Where renewal levels as stipulated in asset management plans are not being met, that is, there is a renewal gap that is not being considered.

SCC's current and projected financial performance is included as ten year financial statements in Attachments A and B including results against financial performance measures and indicators.

The Queensland State Government has defined financial sustainability for Queensland Local Governments as:

*"A local government is **financially sustainable** if the local government is able to maintain its financial capital and infrastructure capital over the long-term."*

The Financial Sustainability Pyramid



- Asset sustainability, consumptions, renewal funding ratios all within target
- Significant rang of high level services
- Strong cash funds
- Operating surplus (new abnormals & cap funding)
- All debt ratios within targets

- Good range of services at an acceptable service levels
- Adequate capital expenditure and working capital
- Debt ratios all within targets
- Adequate cash
- Operating surpluses

- Working capital ratio >1
- Cash liquidity acceptable levels
- Debt levels manageable
- Adequate range and level of service
- Minimum level capital expenditure

Council is committed to working towards achieving all asset sustainability ratios (refer to Section 9.3). Until that time, Council is considered to be achieving medium term sustainability.

6. FINANCIAL OBJECTIVES AND OUTCOMES

Consistent with Council's vision, the key objective of the Financial Sustainability Plan is:

"To ensure the organisation is financially sustainable in the short, medium, and long term".

Specifically, Council will maintain:

- Council is committed to working towards achieving all asset sustainability ratios.
- Council's ability to pay short term obligations.
- Net operating surpluses exclusive of abnormal items or capital revenues.
- Council's ability to service its net liabilities.
- Council's capacity to meet interest expense payments.

A financially sustainable council will provide assurance to ratepayers and the community that:

- Council is only raising enough rating revenue to meet the delivery of expected services at desired service levels and standards.
- Assets are being well maintained and renewed to meet current and future needs
- Services and service levels and standards provide the best possible value for money that council can provide.
- Capital expenditure is targeted at those projects that provide the best value for the organisation and the community.
- The organisation is operating as efficiently as possible.
- Financial management within council is open and accountable.

7. FINANCIAL RISKS

The *Local Government Regulation 2012* requires Council to keep a written record of 'the risks the local government's operations are exposed to, to the extent they are relevant to financial management' and 'the control measures adopted to manage the risks.'

Under each financial policy area in Section 9 of this Financial Sustainability Plan, risks will be identified that exist or may arise that will impact on council's ability to implement its financial policies or deliver the outcomes expected. If a risk is classified as a high (orange) or extreme (red) risk, a risk treatment strategy will be put forward and implemented.

The treatment strategy will detail how the risk can be:

- Avoided – eliminated or withdrawn from
- Reduced – mitigated or optimised
- Shared – transferred, insured against, or outsourced
- Retained – accepted and budgeted for.

Council's Risk Management approach applies consequences/likelihood matrixes to evaluate risks under the categories of:

- Economic
- Financial
- Legislative
- Environmental
- Community and Social
- Political
- Workplace and Public Safety
- Business Activities
- Assets
- Reputation and Public Image.

The Risk Matrix will be used in this Financial Sustainability Plan. Council's risk assessment methodology follows AS/NZS ISO 31000:2009 Risk Management.

Sunshine Coast Council Risk Matrix:

Likelihood	Financial	Consequences: Insignificant	Minor	Moderate	Major	Catastrophic
		Insignificant **Corporate Focus:** Zero $ loss – low (i.e. <$100K) **Economic:** None to minimal impact or inconvenience to single business	**Minor** **Corporate Focus:** Low to Medium $ loss (i.e. $100K-$1M) **Economic:** Inconvenience to a group of businesses in one sector or locally within the SCC region	**Moderate** **Corporate Focus:** Medium to High $ loss (i.e. $1M-$10M) **Economic:** Group of businesses in one sector or locally within the SCC region put at risk	**Major** **Corporate Focus:** Major $ loss (i.e. $10M-$25M) **Economic:** A minor industry or whole sector of the SCC region put at risk	**Catastrophic** **Corporate Focus:** Huge $ loss (i.e. >$25M) **Economic:** One or more major industries (eg Tourism, Agriculture, Education, Construction, Manufacturing, Retail, Fishing) within the SCC region threatened
Likelihood	**Almost Certain** *is expected to occur at most times (e.g. several times a year)*	M-28	M-40	H-60	E-88	E-100
	Likely *will probably occur at most times (e.g. about once per year)*	L-16	M-36	H-56	E-84	E-96
	Possible *might occur at some time (e.g. once every 5 years)*	L-12	M-32	M-52	H-72	E-92
	Unlikely *could occur at some time (e.g. once every 5 to 15 years)*	L-8	L-24	M-48	H-68	H-80
	Rare *may occur in rare circumstances (e.g. unlikely during the next 15 years)*	L-4	L-20	M-44	H-64	H-76

8. ECONOMIC SETTING

Council's 2015-2025 Financial Sustainability Plan takes effect at a time of significant economic challenges for all levels of government in Australia and across the world. Some key issues that will continue to have an impact on Council's capacity to reach and maintain a financially sustainable position include:

Global Economic Trends

<u>The International Economy</u>
The global economy is still struggling to gain momentum as many high-income countries continue to struggle with legacies of the global financial crisis, and emerging economies are less dynamic than in the past.

Global growth in 2014, at 2.6% is expected to rise moderately to 3.0% in 2015, and average about 3.3% through 2017.

<u>The Australian Economy</u>
With the GDP growth history released for the financial year 2013/14 at 2.2%, the forecasted increase is expected to be between 2.7% - 3.3% over the next 4 years and an inflation increase of 1.7% over the same period (statistical data extracted from Reserve Bank of Australia at 25 February 2015).

With business investment expected to be weak for the remainder of 2015, the Australian economy is expected to grow at a below-trend pace of 2.75% for most of 2015. With the labour market forecasted to tighten and with interest rate cuts currently being best policy to support domestic demand and maintain downward pressure on the Australian dollar.

<u>Building a strong future</u>

As well as providing essential, day to day services, Council is also building a strong future for the Sunshine Coast by progressing a number of major regional projects:

- Maroochydore City Centre Project
- Sunshine Coast Solar Farm
- Sunshine Coast Airport Expansion.

Maroochydore City Centre Project

Maroochydore is fast tracked to become the business, community and employment hub of the Sunshine Coast. The state government announced in July 2013 that the Maroochydore City Centre will be a Priority Development Area (PDA). This declaration was made on 19 July 2013, at the request of council. The declaration of a PDA at Maroochydore will renew the region by:

- supporting economic development,
- providing much needed infrastructure,
- creating a new central business district for the Sunshine Coast. Council adopted the Maroochydore Principal Activity Centre Structure Plan and Planning Scheme Policy on 15 December 2010. The adopted amendments took effect on 17 December 2010.

On 11 July 2014 the Maroochydore City Centre PDA Development Scheme was approved by the State Government marking a significant milestone in this 'game changing' project for the Sunshine Coast.

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.

Artist impression – Maroochydore City Centre

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 project:

- Creates employment opportunities through the allocation of 150,000 m2 of new commercial floor space by 2031
- Allocates 65,000 m2 of new retail floor space by 2031
- Proposes 4000 new dwellings within the principal activity centre
- Retains 40 per cent of the golf course site as public open space
- Proposes significant community facilities such as a regional arts and entertainment centre, a transit plaza, regional library, public amphitheatre and civic plaza and urban open space
- Mandates sub-tropical design that embraces Maroochydore's unique sub-tropical, coastal and waterfront qualities.

There will be visible signs of project commencement at the site as early as the second half of 2015. The entire development is anticipated to take 20 years to complete. Upon completion, the project will provide almost $300m of interconnected public open space and infrastructure for the community. The development will establish Maroochydore as the business, community and employment hub of the Sunshine Coast, and provide a CBD for more than 9,600 workers in the next 25 years.

Development of the Maroochydore City Centre is projected to be cash neutral over the life of the project. It is anticipated to yield $300 million worth of public realm assets such as roads, parks waterways and community infrastructure. Council expects to invest $400 million over the life of the project, which will be recouped from land sales.

Refer to Attachment C for Maroochydore City Centre Project financial statements.

Solar Farm

Sunshine Coast Council has taken the next step in becoming Australia's first local government organisation to build a solar farm.

Project scope:

The project will see a 15 megawatt (MW) solar farm installed at 909 Yandina-Coolum Road in Valdora. It will be installed on 24 hectares of a 49 hectare site.

The project will:

- See council proactively take control of its electricity supply
- Provide council facilities and operations with renewable electricity
- Combat rising electricity costs
- Reduce council's carbon footprint
- Contribute to council's goal to become carbon neutral by 2020
- Complement the Sunshine Coast's 30,000 solar rooftops.

The solar farm is estimated to save Sunshine Coast Council millions of dollars over a 30-year period, based on today's electricity costs, which are anticipated to increase substantially in the future.

Indicative perspective concept 1 for completed Stage 1 and 2. Image extracted from GHD Report to Council - Development Application for Material Change of Use at 909 Yandina

Construction will commence during the 2015/16 financial year and be completed within 1 year. It is proposed that the solar farm will offset Sunshine Coast Council's entire electricity consumption at is facilities and operations.

Sunshine Coast Airport – Airport Expansion Project

The existing main runway (Runway 18/36) at Sunshine Coast Airport (SCA) first opened in 1961 and has been instrumental in the development of the Sunshine Coast economy over the past 50 years.

The challenge for Sunshine Coast Council (SCC) is to ensure the airport can support a growing Sunshine Coast economy. As identified in the 2007 SCA Master Plan, the current runway infrastructure, due to its length and width (1,797m x 30m) constrains airline services to Sunshine Coast residents.

In adopting the 2007 SCA Master Plan, SCC determined the preferred option for the future of SCA was to develop a new, fully compliant main runway of 2,450m x 45m, aligned in a south- east / north-west direction.

A possible change of orientation for the airport's main runway has been discussed since the early 1980s. The length, width and orientation of the existing runway were recognised as constraints to growth in passenger numbers, destinations and freight capacity.

Artist's impression of the proposed Sunshine Coast Airport Expansion Project

The proposed Sunshine Coast Airport Expansion Project includes:

- A new 2,450m long x 45m wide runway aligned to the
- north- west/south-east (Runway 13/31)
- Two runway end taxiway loops and navigation aids
- Expansion of the apron at the existing terminal
- A combined new Air Traffic Control tower and Aviation Rescue and Fire Fighting station, access road and utilities.

If the Project is approved, this would lead to:

- Use of the existing Runway 18/36 for General Aviation
- (light aircraft) only when weather dictates
- Closure of the existing secondary runway (Runway 12/30)
- Relocation of navigational aids
- Revised flight paths.

The proposed new runway:

The new runway would be able to cater for existing B737 and A320 aircraft without constraints, and other aircraft such as the A330 and Boeing 787. It would have an orientation of 128 degrees/308 degrees magnetic, giving the runway its 13/31 designation.

Runway 13/31 would have two, end-taxiway loops. The end taxiway loops allow for more efficient movement of aircraft on the runway, as an aircraft can be waiting on the taxiway loop while another aircraft is using the runway to land or take-off. The new runway would be served by the existing terminal.

To accommodate larger aircraft, the apron at the existing terminal would be extended.

While the new runway is designed to cater for existing and larger aircraft, light aircraft and helicopters would continue to operate from the airport.

Runway 13/31 would intersect the existing Runway 18/36 slightly north of the current connection to the cross runway. The alignment of the new runway was chosen to avoid topographical constraints including Mt Coolum and Mt Ninderry.

The location of the runway within the site was influenced by the following factors:

- Meeting all aviation standards
- Reducing the number of residents affected by aircraft noise
- Avoiding poor geotechnical conditions immediately east of the
- Sunshine Motorway at the north-west end of the runway
- Reduction of potential flood impacts.

No capital expenditure has been included in the adopted 2015/16 budgeted 10 year financial statements for the Sunshine Coast Airport Runway development, as Council are awaiting the outcome of an Environmental Impact Statement. Further information will be provided to Council throughout 2015/16.

Caloundra South and Palmview

In June 2008, the SEQ Greenfield Land Supply Review identified Caloundra South and Palmview as "bring forward" Greenfield areas.

Caloundra South:

The Caloundra South Urban Development Area Development Application was designed to accommodate a population of 50,000 people and includes details of future land use including a new town centre, four district centres, 20,000 new dwellings, new road networks, community facilities and open space areas.

Palmview:

As part of the structure planning for Palmview, council has negotiated an infrastructure agreement package with the landowners to deliver $600 million worth of infrastructure at no cost to ratepayers.

The final plan and agreement will deliver:

- 615 hectares of land for ecological protection and rehabilitation
- more than 130 hectares of land for local, district and regional community, sport and recreation facilities
- a dedicated public and active transport link or 'greenlink' to encourage residents to use alternatives to private vehicles, connecting Palmview to Sippy Downs and to Kawana
- 12.5 per cent of dwellings to be provided for affordable housing
- extensive road, water, sewer, pedestrian, bicycle and telecommunications infrastructure
- energy and water efficient urban design, which aims to reduce water consumption by 80 per cent on the site.

Council has fought hard for the best outcomes for community amenity and environmental sustainability within the confines of the state government's conditions.

Population Demographics

The Sunshine Coast is home to approximately 285,000 people. The last census data showed that the median age of the population in the Sunshine Coast region was 41 years compared to the State median of 36 years. The data also showed that the proportion of the population over 65 years of age was 18% compared to the State average of 13%. The percentage of the region's population over 65 years of age at the 2001 census was 15.8%.

This ageing population for the region brings with it a range of issues for SCC such as the possible need for different social infrastructure and the reduced number of residents available for the Sunshine Coast's workforce.

Government Funding and Cost Shifting

Policy decisions at both State and Federal level over the past few years have seen a reduction in funding to Local Government in real terms. This reduction, together with a general trend of moving more services under Local Government responsibility without commensurate funding has put pressure on SCC's operating position.

The government funding arrangements as at 1 July 2014 are assumed to continue for the duration of the Financial Sustainability Plan.

9. FINANCIAL COMMITMENTS

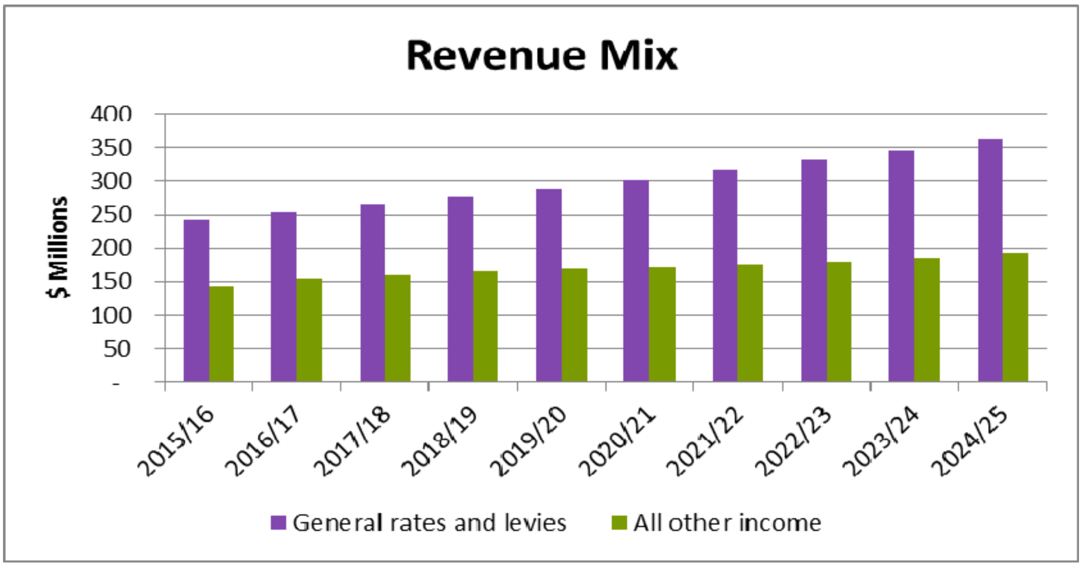
Commitment
Council will target an operating surplus each year rather than just a balanced budget position.

Outcomes
An operating surplus will guarantee additional funds for capital works expenditure beyond existing sources.

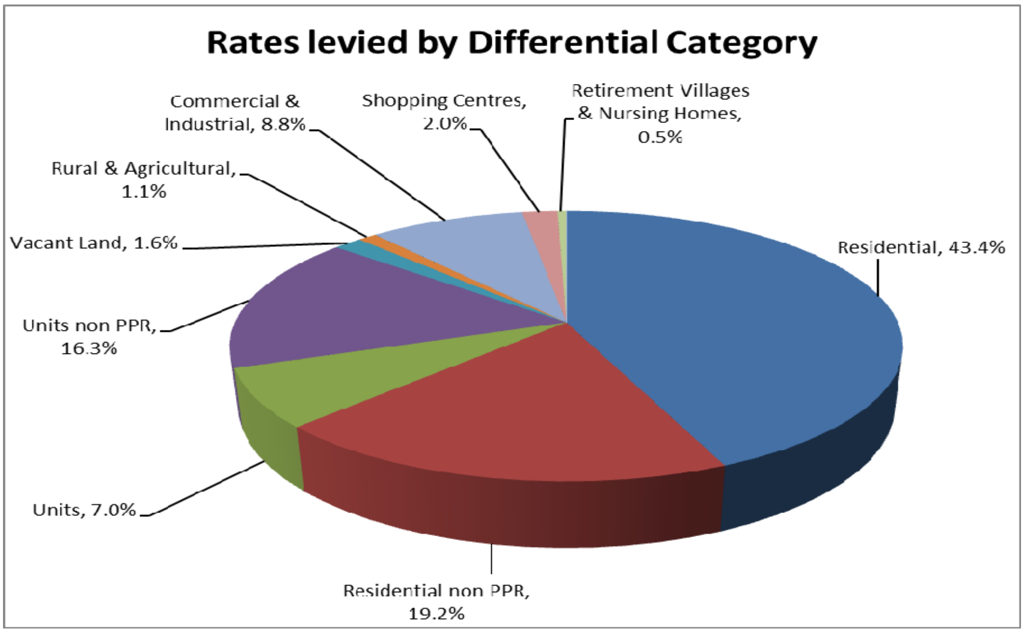
Comments
Council collects operating revenue in the form of separate and special rate levies that incur capital expenditure commitments. An overall operating surplus ensures a breakeven position in other operating areas.

9.1. Revenue

The total operating revenue of council increases from $386 million in 2015/16 to $555 million in 2024/25.



9.1.1. Rates and Utility Charges



Rates & Utility Charges are levied on ratepayers to provide revenue for a broad range of services. This revenue category includes special and separate rates that are levied on specific ratepayers or for a specific purpose. The 2015/16 revenue from Rates & Utility Charges is estimated to be $253.3 million.

From the above graph, the four rating categories that generate the most rates are

1. Residential (permanent place of residence [PPR]) 43.4%
2. Residential (non PPR) 19.2%
3. Units (non PPR) 16.3%
4. Commercial and Industrial 8.8%

From a financial perspective, these four rating categories will have the highest impact on Council's financial sustainability.

9.1.1.1 <u>**Commitment**</u>

The parameter used in the Long Term Financial Model (LTFM) to assist in the determination of the annual general rate increase will be the Local Government Association Queensland (LGAQ) Council Cost Index (CCI).

<u>Outcomes</u>

The use of a tailored price index that reflects the movement in local government costs will ensure that general revenues and costs will move in unison.

<u>Comments</u>

The LGAQ Council Cost Index is published each year based on the December quarter cost indices published by the Australian Bureau of Statistics.

9.1.1.2 **Commitment**

Early payment discounts will be maintained at 5% of the general rate or $200 per annum, whichever is the lesser amount. Any future loss of discount will be offset by a reduction in the general rate take equal to the total discount that would have applied.

Outcomes

All ratepayers will be levied a rate that reflects their rating category.

The overall impact on Council revenue will be neutral.

Operational efficiencies may be achieved through not having to manage the discount scheme, whilst encouraging early payment to optimise cash flow opportunities.

Comments

The management of early payment discounts is time consuming, costly, and creates significant issues for Councillors and staff in dealing with ratepayer complaints when discount is missed.

The Local Government Regulation 2012 (s133) provides for overdue interest to be charged on late rate payments at 11%. This raises the question as to whether any other incentive is required to ensure cash flows are maintained.

9.1.1.3 **Commitment**

Council will maintain its support of pensioners by continuing the pensioner rebate on rate payments. The annual Revenue Statement will define the quantum and eligibility for this rebate.

Outcomes

Pensioners will receive continued support by Council to offset rate payments.

Comments

Council's pensioner rebate is in addition to the rebate supplied by the State Government.

9.1.1.4 **Commitment**

a) Council will use a differential rating system to levy general rates.

b) Council will aim to have two thirds of residential ratepayers on the minimum general rate

c) When Council sets rates in the dollar, consideration will be given to the contribution to the total rate take by the seven key rating groups, currently within the following ranges:

- **Rural & Agricultural 1% to 1.2%**
- **Commercial & Industrial 8.0% to 10.0%**
- **Residential (PPR and Non PPR) 62% to 64%**
- **Vacant Land 1.5% to 1.9%**
- **Retirement Villages & Nursing Homes 0.3% to 0.5%**
- **Shopping Centres 1.6% to 2.0%**
- **Units (high and low rise, PPR and Non PPR) 23% to 25%.**

d) Non PPR Residential will be set at 20% above PPR Residential

Outcomes

A more equitable distribution of general rates charges is achieved.

Comments

Council applies a differential rate to 30 sub-categories.

9.1.1.5 **Commitment**

Council supports the use of levies through special charges where appropriate for ratepayers who benefit by the provision of a specific service, facility, or activity.

Legislation for special charges requires an overall plan for charges and expenditure to be presented at the annual budget meeting.

Council supports the use of separate charges that will be levied on all ratepayers. A schedule of projected charges and expenditure will be presented at the annual budget meeting for each separate charge.

Outcomes

Applying charges that reflect specific benefits received supports council's rating principle of equitable distribution of the general rates burden as broadly as possible.

Comments

Council continues to support this commitment with 11 special or separate levies.

9.1.2. Fees and Charges

Fees and charges account for 14% of total Council revenue. Council's business activities account for 58% of all fees and charges. Fees and charges can be classified as either:

- Regulatory fees that Council levies under a statutory power. These fees must not be charged at greater than the full cost to council to administer the fee.
- Commercial charges that Council is able to charge for any service other than regulatory fees. These charges may contain a commercial margin.

9.1.2.1 **Commitment**

All fees and charges will be set with reference to full cost pricing. Cost recovery fees will be charged at a maximum of full cost. Commercial charges will be at commercial rates.

Outcome

Council will maximise its revenue from fees and charges. Recipients of services related to regulatory fees and commercial charges will be charged appropriately.

Comment

Whilst many regulatory activities are constrained through State legislative parameters, Council currently adopts the principle of user pays for fees and charges. Systems and process must be in place to support cost recovery practices.

9.1.3. Business Activities

Council operates four business activities in accordance with Chapter 3 Part 2 Division 2 of the Local Government Act 2009.

Business activity structure based on the annual business activity review and identification conducted in accordance with the legislation is to:

- Apply the Full Cost Pricing in accordance with section 44(1)(b) of the *Local Government Act 2009* to the Waste and Resource Management significant business activity.
- Apply the Code of Competitive Conduct to the following activities, in accordance with sections 47 of the *Local Government Act 2009*:
  - Sunshine Coast Airport
  - Sunshine Coast Holiday Parks and
  - Quarries.

Sunshine Coast Airport is a Commercialised Business, Waste Operations is a Type 2 Business and Sunshine Coast Holiday Parks, and Quarries, are Type 3 business activities subject to the Code of Competitive Conduct.

Business Activity Target Return on Capital	
Business Activity	**Target***
Sunshine Coast Airport	12.1%
Waste and Resource Management	9.5%
Sunshine Coast Holiday Parks	12.2%
Quarries	11.2%

* Note: Targets revised annually. The 2015/16 Target Rate of Return is shown above.

Return on capital reflects the cost of the business activity's capital, incorporating the cost of debt and the cost of/return on shareholder equity. Essentially, it reflects the actual and opportunity cost of one investment over another.

9.1.3.1 <u>Commitment</u>

Each business activity classified under Chapter 3 Part 2 Division 2 of the Local Government Act 2009 will target a return to Council equal to an appropriate pre-tax weighted average cost of capital for the business by June 2015. Actual performance against budgeted targets will be published annually in the Community Financial Report.

<u>Outcomes</u>

The community is receiving the maximum allowable financial benefits from council's business activities.

<u>Comments</u>

Council's Competition Reform Policy defines the Return on Capital and Return on Cost Calculations to apply to business activities, having regard to the nature of business activity (whether a regulated activity as compared to commercial business operations).

9.1.4. Investment Returns

Council's external investment returns are from:

- Investments of surplus cash
- Loans to Unitywater under the categories of Working Capital Loan, Senior Debt, and Subordinated Debt
- Participation Rights in Unitywater
- Property investments.

The controls and policy direction for the investment of surplus cash is comprehensively covered in Council's Investment Policy. The Investment Policy is adopted annually with Council's budget. In accordance with legislation, the Investment Policy will form part of the Financial Sustainability Plan and is an attachment to this document.

9.1.4.1. **Commitment**

As per the Investment Policy, Council will maintain an active investment strategy with the following goals:

- **Maximise investment returns from investment activities.**
- **Exceed the current QTC benchmark.**
- **Invest only in investments as authorised under current legislation.**
- **Invest only with approved institutions.**
- **Invest to protect capital value of investments.**

Outcomes

Council's investment returns from surplus cash will be maximised with minimised credit risk.

Comment

These policy commitments are currently being strictly adhered to.

Unitywater Investments

9.1.4.2. **Commitment**

Unitywater revenue streams will be reviewed annually in conjunction with the release of the Unitywater annual audited financial statements

Outcomes

Council will maximise these returns and will adhere to the principles of fairness and equity.

Comment

Under the South East Queensland Water (Distribution and Retail) Restructuring Act 2009, Council has been granted Participation Rights in Unitywater as compensation for transferring its remaining water and sewerage assets to this entity. Returns from these Participation rights will be in the form of loans to Unitywater that will earn interest, and access to annual Participation Returns.

Loans to Unitywater are subject to certified deeds and arrangements that control and direct the management of the loans and are categorised as Senior and Subordinated Loans. Senior and Subordinated loans are interest only, with interest received quarterly. Currently the interest rates applying to all these loans are greater than Council is paying QTC on its borrowings.

Council will receive an annual Participation Return in relation to its Participation Rights in Unitywater. All aspects of this revenue to Council are contained in the certified Unitywater document Participation *Returns (Dividend) Policy*.

Property Investments
Council owns a number of properties that are leased or rented to external parties.

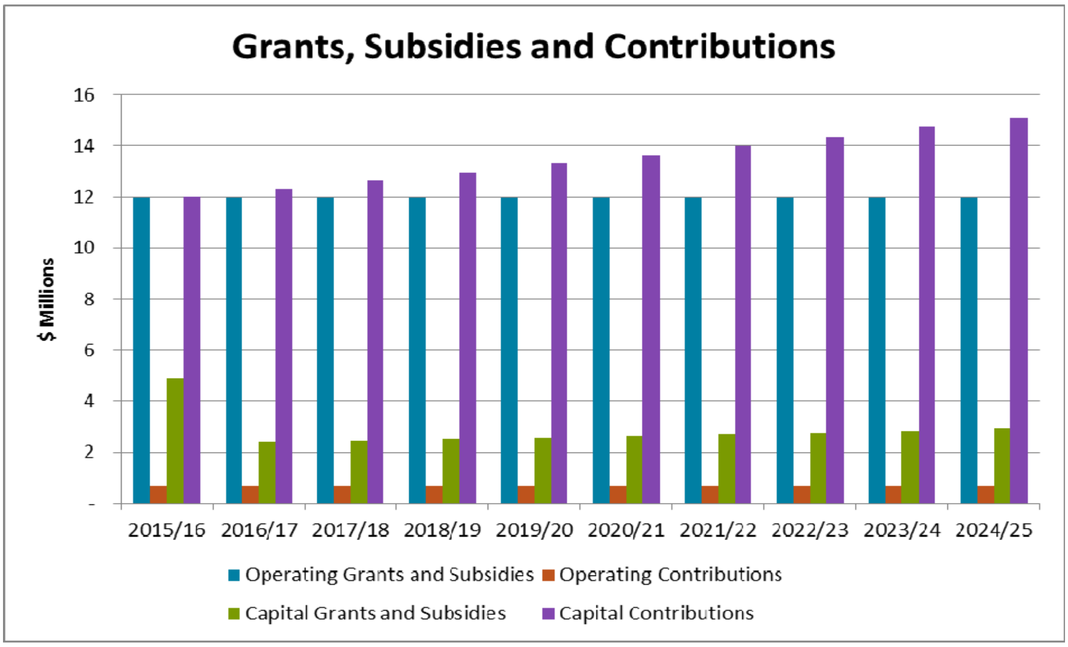
9.1.4.3. <u>**Commitment**</u>

All returns from Council owned properties will be at commercial rates and on commercial terms with the exception of leased community use assets.

<u>Outcome</u>
Council will maximise these returns and will adhere to the principles of fairness and equity.

<u>Comment</u>
All such Council leases comply with this policy commitment.

9.1.5. Grants, Subsidies and Contributions



Council actively identifies, manages and advocates for capital and operational grants and subsidies to assist fund capital works and provide services to the community. Capital contributions are also received through development applications and are to be spent in accordance with the infrastructure agreements or local government infrastructure plans under which they were received.

Due to its direct link with expenditure, capital funding is considered further under Section 9.3.2 Capital Expenditure of this Financial Sustainability Plan.

9.1.5.1 **Commitment**

Council will continually seek out federal and state government contributions, grant funding and subsidy opportunities and explore partnership funding opportunities with the private and not-for-profit sector to deliver projects before allocating general revenue.

Outcome

All external funding sources for delivery of capital and operating programs and projects is maximised.

Comment

Council currently employs a Coordinator - Funding Partnerships to research, identify, consider and source funding opportunities.

9.1.6. Revenue Risks

Risk	Likelihood	Consequence	Rating
1. Change of Council direction after election impacts revenue raising	Likely	Moderate	H-56
2. State legislative changes resulting in reduced revenues	Possible	Moderate	M-52
3. LGAQ CCI lower than expected	Possible	Moderate	M-52
4. LGAQ CCI higher than expected	Possible	Minor	M-32
5. Cessation of government funding	Possible	Major	H-72
6. Unitywater dividends less than expected	Unlikely	Major	H-68
7. Regional growth rates lower resulting in lower general rates	Possible	Minor	M-32
8. Development slower than expected resulting in reduced developer contributions	Likely	Moderate	H-56

Risk Control Measures

- **Revenue Risk 1** – Change of Council direction after an election impacts revenue raising.

Control Measure – Mitigate. Include a comprehensive induction and training program with the new council on the Financial Sustainability Plan policy commitments and implications of changes.

- **Revenue Risk 5** – Cessation of government funding.

Control Measure – Mitigate. Include a reduced reliance on grants and subsidies across the 10 year financial forecasts. Operating grants and subsidies, which mainly come from Federal and State Governments, are estimated to reduce from 2.6% of operating revenue in 2014/15 to 1.8% in 2023/24. Capital Grants and Subsidies increase from 2.0% of capital works in 2014/15 to 2.6% of capital works in 2023/24.

- **Revenue Risk 6** – Unitywater dividends are less than expected.

Control measure – Retain and budget. The 10 year financial model has very conservative forward estimates for Unitywater dividends, reducing from 7.1 % of operating revenue in 2014/15 to 4.4% of operating revenue in 2023/24.

- **Revenue Risk 8** – Development slower than expected resulting in reduced developer contributions.

Control measure – Eliminate. Align related capital expenditure directly with developer contributions received, that is, expenditure is capped at the level of contributions.

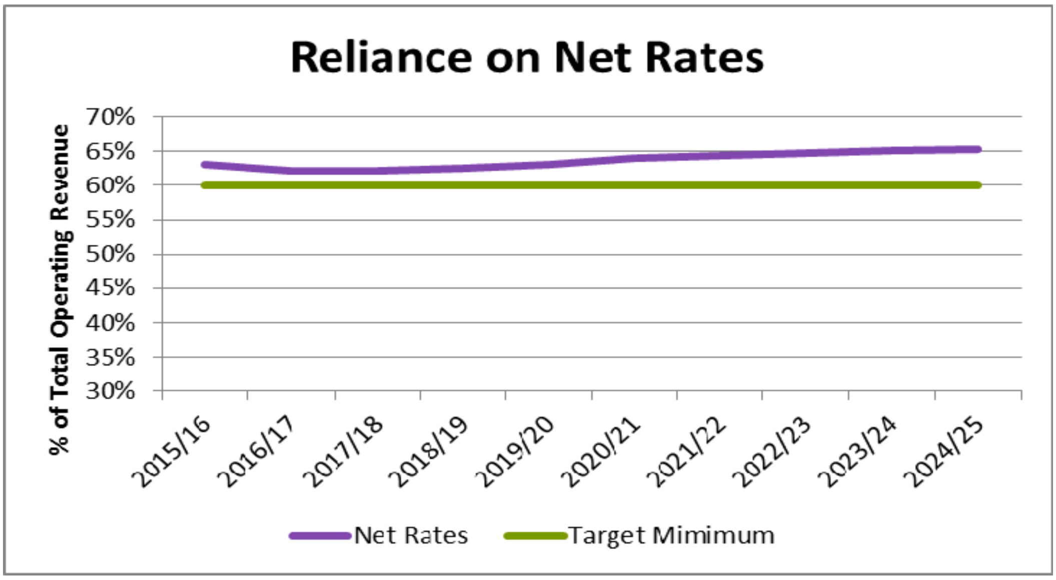
9.1.7. Assumptions, Parameters and KPIs

The revenue assumptions and parameters included in the Ten Year Financial Model are:

- General rates and fees and charges will increase in line with the LGAQ CCI.
- Rental and other income will increase in line with the Brisbane underlying CPI.
- Operating grants and subsidies will remain static from 2015/16.
- A growth factor of 1.5% in line with the low level Planning Information and Forecasting Unit (PIFU) projections has been applied to rates, utility charges, and fees and charges.
- All other revenue related policies except those expressly addressed in the Financial Sustainability Plan will continue in their current form for the life of the Financial Model.

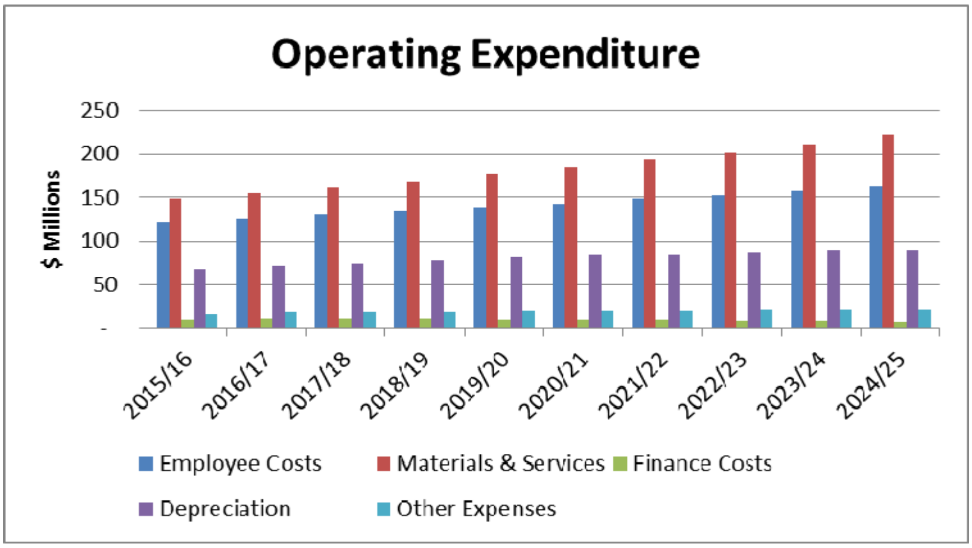
The only financial key performance indicator related directly to revenue is the Council Controlled Revenue Ratio. This ratio measures net rates as a percentage of total operating revenue and indicates the degree of reliance on external funding sources such as operating subsidies, donations and contributions. Council's financial flexibility improves the higher the level of its council controlled revenue with the optimum target being greater than 60%.

The ratio is above the target amount of 60% across all years of the Financial Model.



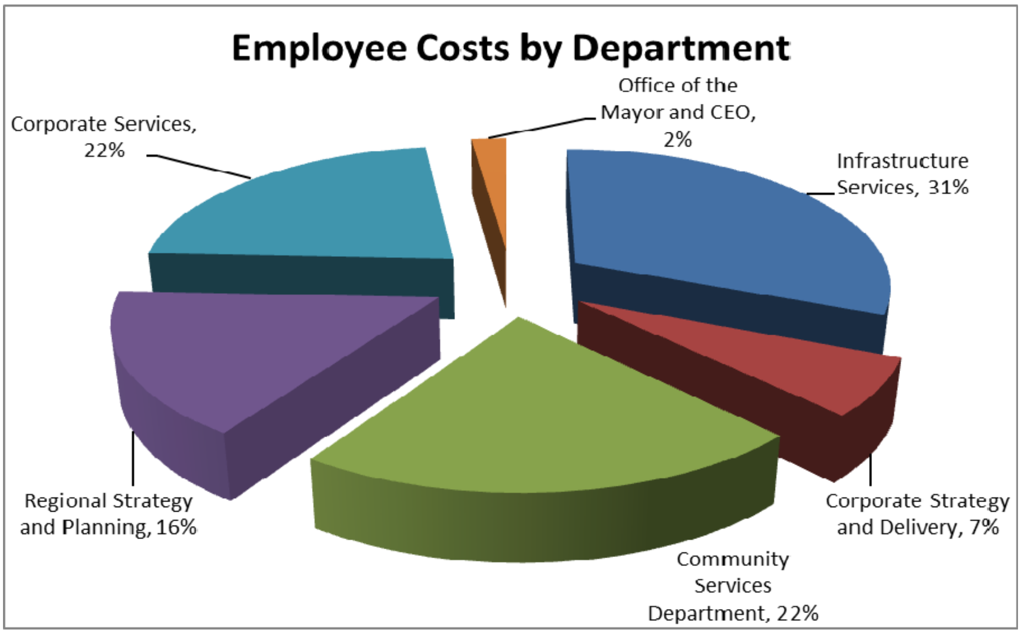
9.2. Operating Expenditure

Total operating expenditure is estimated to increase from $364.6 million in 2015/16 to $504.0 million in 2024/25. Interest expense will be considered under Section 9.5, Debt Management.



9.2.1 Employee Costs

Employee costs in the financial model reflect estimated pay increases associated with certified agreement negotiations. The increases are based largely on Brisbane CPI forecasts. Limited growth components for establishment numbers have been applied to forward years.



9.2.1.1 **<u>Commitment</u>**

Growth of employee numbers will need to be requested on an annual basis.

<u>Outcome</u>

Council will recognise the costs involved in providing services to a growing community.

<u>Comment</u>

Note that growth is considered separate to any increments associated with wages indexation under the Certified Agreements.

9.2.1.2 **<u>Commitment</u>**

In each year, a vacancy factor of 3% will be deducted from the full establishment costs to produce budgeted employee costs.

<u>Outcome</u>

The estimated employee costs will more closely reflect reality. Revenue will not be raised from the community unnecessarily.

<u>Comment</u>

Each year Council will experience a turnover in staff of from 5% and up to 12% depending on economic circumstances. In 2014 the annual turnover of permanent staff was 8%. In most instances, positions are unfilled from the time of vacancy to new employment. A reduction of employee costs from full establishment costs will reflect this.

There is capacity, as directed by the Executive Leadership Team, for certain council areas to be exempt from this commitment.

9.2.1.3 **Commitment**

Council is committed to continuously review services delivered, service levels and standards.

Outcome

Services provided by Council will be those that are appropriate for Council to deliver and will be at service levels and standards required by the community.

Comment

The benefits arising from the Organisation Review are expected to be realised over a number of years.

9.2.2 **Materials and Services**

Materials and services make up 41% of the 2015/16 operating expense budget and are the largest component of costs. The Operating Expenditure graph above shows materials and services increasing from $148.3 million in 2015/16 to $221.4 million in 2024/25.

The program of implementation of asset management plans and the subsequent link between these plans and operating expenses will have an impact on future expenses.

Ongoing implementation of establishing sound contracts with suppliers of goods and services and capturing what otherwise might be considered contract leakage from ad hoc procurement. Efficiencies will be achieved both in dollar terms and performance.

9.2.2.1 **Commitment**

Council is committed to balancing long term financial sustainability with the recognition and inclusion of all operating costs directly evolving from asset management plans into budgets.

Outcome

All operating costs arising from new or existing assets will be budgeted for where possible, with regard to long term financial sustainability.

Comment

All asset management plans will contain forward schedules of costs. A process will be developed to ensure these costs are clearly identified in future budgets.

9.2.2.2 **Commitment**

Growth of materials and services costs needs to be requested on an annual basis and limited to half of general rates growth for forward years.

Outcome

Council will recognise the costs involved in providing services to a growing community.

Comment

Note that growth is considered separate to any price indexation associated with materials and services costs.

9.2.2.3 **<u>Commitment</u>**

Council is committed to continuously review services delivered, service levels and standards.

<u>Outcome</u>

A program of continuous improvement to all facets of service delivery will become the norm for Council.

<u>Comments</u>

Services, and related delivery methods are to be continuously reviewed.

9.2.2.4 **<u>Commitment</u>**

Ongoing review of goods and services expenditure will be carried out to identify opportunity for appropriate contract control for identified operating expenses.

<u>Outcome</u>

The benefit of establishing contracts for expenditure which is otherwise carried out on an ad hoc basis will directly impact Council's operating budget.

<u>Comment</u>

Council's procurement policy identifies the principles, objectives and strategies that apply to achieve effective, efficient and sound contracts with suppliers.

9.2.2.5 **<u>Commitment</u>**

Operating projects that are known to be delayed to a future year will be incorporated into regular budget reviews and reconsidered in the following year.

<u>Outcomes</u>

Cash and debt management will be improved. Projects that have not commenced and are delayed to a future year will be reprioritised against the future year projects.

<u>Comment</u>

A specific component of the budget review process will be the identification of delayed or saved operating costs.

9.2.3 Depreciation

Depreciation is generally defined as the consumption of future economic benefits or service potential embodied in non-current assets with limited useful lives. This consumption of future economic benefit is recognised as an expense in the Operating Statement.

With long-lived infrastructure and other assets valued in excess of $4 billion, annual depreciation expense ($67 million in 2015/16) has a significant impact on Council’s annual operating result.

There has been considerable discussion within local government circles on the appropriateness of the current depreciation methodology on infrastructure assets. These assets usually have a very long life, are complex in nature (some assets are made up of numerous parts), and they are constantly rehabilitated during the course of their lives.

9.2.3.1 **<u>Commitment</u>**

A comprehensive review of all components and variables used to determine annual depreciation will be undertaken during 2015/16, with any outcomes incorporated into the budget, having regard to the outcome of adopted asset management plans.

<u>Outcome</u>

Depreciation expense will reflect the best possible estimate of the annual use and service potential of assets.

<u>Comment</u>

The infrastructure asset management plans will provide input into this depreciation review.

9.2.4 Operating Expense Risks

Risk	Likelihood	Consequence	Rating
1. Inflation is significantly higher than estimated	Likely	Moderate	H-56
2. Future Certified Agreements may limit the capacity of service reviews	Likely	Moderate	H-56
3. The unemployment rate is higher or lower than expected	Possible	Moderate	M-52
4. The unemployment rate is lower than expected	Possible	Moderate	M-52
5. Cost Shifting from other levels of government occurs without commensurate funding	Likely	Major	E-84

<u>Risk Control Measures</u>

- **Operating Expense Risk 1** – Inflation is significantly higher than estimated.
  <u>Control Measure</u> – Accept and budget for. While higher than expected inflation will increase operating costs, it will also flow through to general rate and fees and charges increases, minimising the impacts.
- **Operating Expense Risk 2** – Future Certified Agreements may limit the capacity of service reviews.
  <u>Control Measure</u> – Mitigate. Future Certified Agreements should include clauses to allow for service review efficiencies to be realised. A basic principle of these Agreements is to offset wage increases by productivity improvements.
- **Operating Expense Risk 5** – Cost Shifting from other levels of government occurs without commensurate funding.
  <u>Control Measure</u> – Mitigate. Strongly support existing LGAQ and Council of Mayors campaigns on this issue.

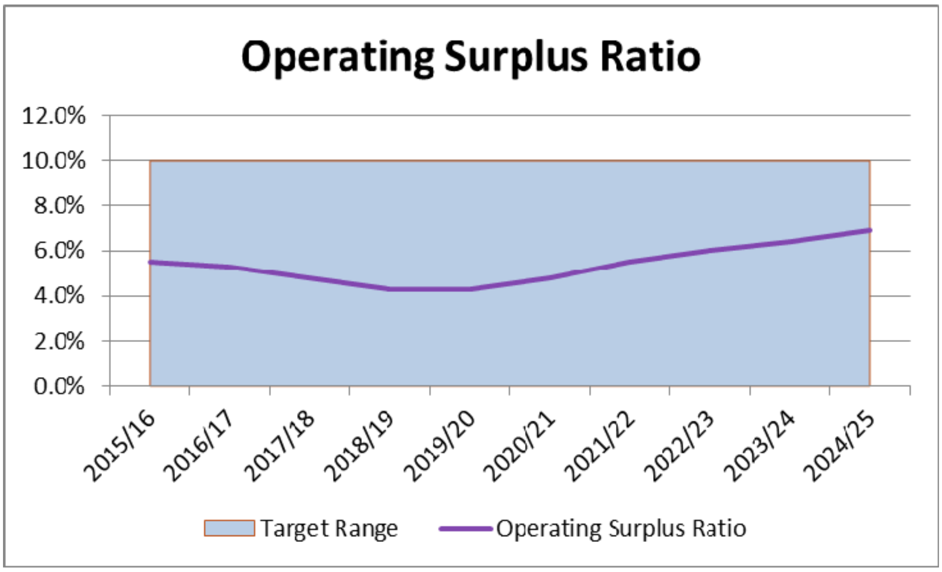
9.2.5 Operating Expense Assumptions, Parameters, KPIs

The Operating Expense assumptions and parameters included in the ten year Financial Model are:

- Certified Agreement pay increases will be used to escalate employee costs across the forward years.
- Escalation factors for water, electricity and fuel are specific to the types of costs. The Council CPI will be used to escalate general goods and services
- A growth factor of 0.7% (half general rates growth) will be applied to employee costs and materials and services from 2015/16. No growth or cost reduction factors are applied to any operating costs.
- A vacancy factor of 3% will be deducted from full establishment costs to produce budgeted employee costs each year

The KPI applying to operating costs and operating surpluses is:

- Operating Surplus Ratio (excluding capital revenues) – measures the extent to which operating revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.
    - o Calculation: Operating Result (excluding capital items) divided by total operating revenue, expressed as a %.
    - o Target: between 0% and 10%.



9.3 Asset Management and Capital Expenditure

9.3.1 Asset Management Plans

Section 167 of the Local Government Regulation 2012 requires Council to prepare a long-term asset management plan. Section 168 of this Regulation stipulates that the long-term asset management plan must:

- Provide for strategies to ensure the sustainable management of the assets mentioned in the local government's asset register and infrastructure of the local government; and
- State the estimated capital expenditure for renewing, upgrading and extending assets for the period covered by the plan; and
- Be part of, and consistent with, the long-term financial forecast.

Council adopted an Asset Management Policy in April 2010 that states 'Council will develop asset management plans in accordance with the guidelines set out in the International Infrastructure Management Manual 2006 (IIMM 2006). Plans will apply to all built and natural assets under its stewardship. The asset management plans will:

- Identify asset quantities and asset conditions
- Give consideration to the whole of life costs of the asset and/or service
- Provide information on current and future maintenance, operational and capital works requirements
- Identify the level of service that will be delivered by the asset and how the service will be monitored
- Identify funding needs on a short term and long term basis, and provide guidance to develop programs to optimise the asset value and minimise funding commitments
- Provide the basis for long term financial planning for assets under the custodianship of Council.

9.3.1.1 Commitment

Council will continue to advance asset management through the further development and update of asset management plans, asset management systems and processes.

Outcome

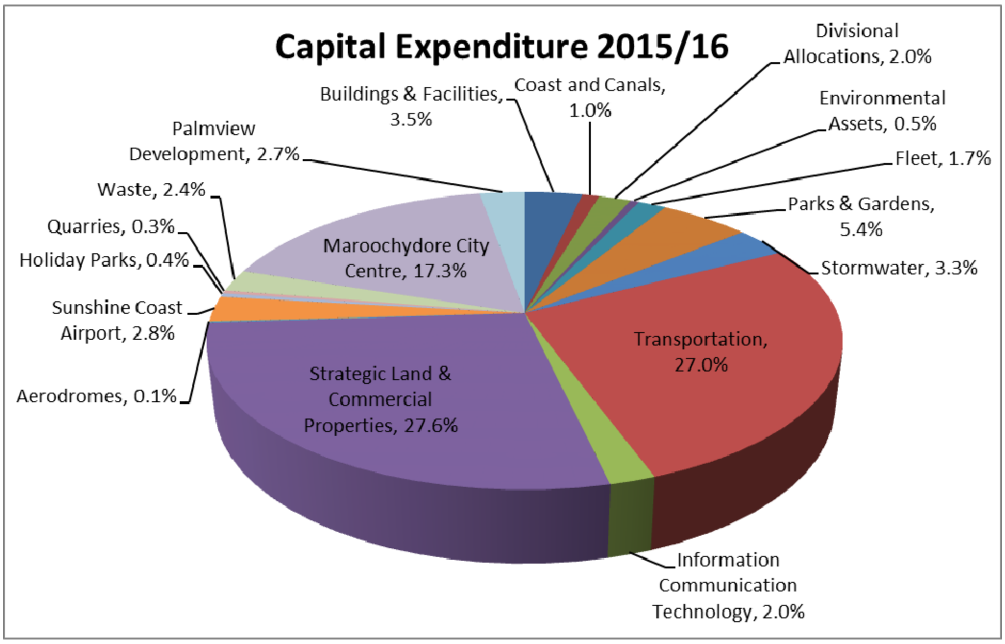
Council will have a robust and compliant asset management system. Council's financial model will reflect the costs of asset renewal, upgrades, and maintenance.

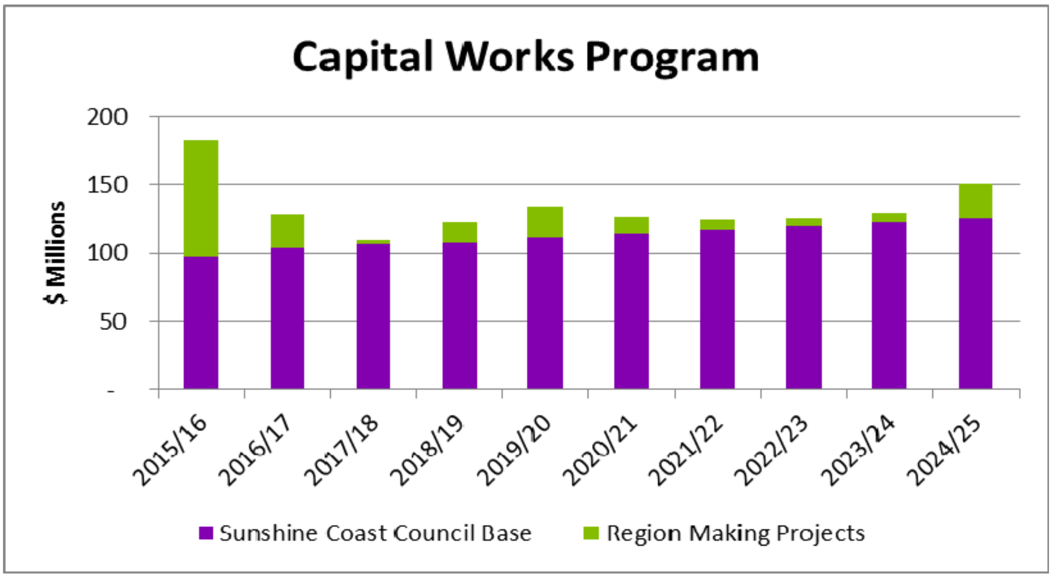
Comment

It is expected that the ten year financial model will reflect all expenditure defined in Asset Management Plans by June 2016.

9.3.2 **Capital Expenditure**

Council has budgeted to outlay $183 million on capital expenditure in 2015/16.





9.3.2.1 **Commitments**

Council's Asset Management Policy adopted in April 2010 contains the following commitments:

- **All assets will be managed from a whole of life perspective in accordance with the IMM2006.**
- **A ten year Capital works program will be developed and reviewed annually as part of Council's budget process.**
- **New assets will only be approved where there is the required growth, a Council commitment or a deficient level of service.**
- **Development and commitment to long term capital works and financial plans that support and are responsive to the needs of the community and meet State Government legislation will be incorporated into Asset Planning (Capital Works).**
- **The ongoing review of opportunities for additional funding sources and partnerships e.g. benefited areas levies, external grants and funding partnerships.**

Outcomes

These commitments will ensure a robust approach to the allocation of capital expenditure.

Comments

The completion of advanced asset management plans will complement these commitments.

9.3.2.2 **Commitment**

The capital works model will contain estimates by project or major expenditure type for ten years and will form an integral part of the ten year financial model and will include whole of life cost analysis. Overall management of the integrated models will be undertaken by the Financial Services Unit. Each Department will be responsible for the maintenance of any capital expenditure forecasts under their control. These forecasts will only be updated during budget review or annual budget processes and will align with formal approvals.

Outcome

Responsibilities for data within the model will be clearly defined.

Comment

This commitment strengthens the integration of the financial model and capital works model but does not reduce the key responsibility for ownership of capital forecasts.

9.3.2.3 **Commitment**

New developments will pay Infrastructure Charges and provide contributed trunk and non-trunk assets under conditioning powers vested in Council's Local Government Infrastructure Plan (LGIP) and the Planning Scheme respectively. Additionally, Infrastructure Agreements may call up land, works or monetary contributions over and above that identified through the

LGIP and the Planning Scheme. This ensures that development contributes appropriately to fund its share of the cost of trunk infrastructure. (Where a developer provides trunk infrastructure, Council reimburses the cost in full to avoid “double dipping”.) Council will fund infrastructure directly related to bringing existing infrastructure to desired standards of service. A separate and distinct section of the capital works model will be established solely for growth related trunk infrastructure, (LGIP), transparently showing development and Council funding for capital expenditure.

Infrastructure Charges will be used only for identified trunk infrastructure projects.

As a general principle, no capital expenditure related to growth infrastructure will be expended unless sufficient available funding exists in the External Restricted Cash account(s), or unless a clear funding stream has been identified.

<u>Outcome</u>

Developments will pay the full cost of the growth component of the infrastructure required as a consequence of the development.

<u>Comment</u>

This timing of LGIP capital expenditure and the receipt of Infrastructure Charges and other cash contributions from development will be across different years. The commitment will be met by considering the receipt of Charges and the proposed LGIP capital expenditure over the ten year timeframe of the forecast. A full review of the general rate contribution to LGIP capital expenditure will need to be undertaken.

Where assets are constructed by developers and contributed to Council as part of any development, Council will ensure that the assets are of a required standard having regard to the whole of life cost and sustainable asset principles.

9.3.2.4 **<u>Commitment</u>**

All capital expenditure projects will be evaluated, ranked, and selected in line with current Council evaluation methods, asset management plans, adopted strategies and policies during the annual budget process or regular budget reviews.

<u>Outcome</u>

Asset sustainability will be enhanced.

<u>Comment</u>

Current council project ranking methodologies will have to be revised to consider asset management plans’ requirements along with prioritisation of adopted strategies.

9.3.2.5 **<u>Commitment</u>**

Capital expenditure related to projects that are known to be delayed to a future year will be incorporated into regular budget reviews and reconsidered in future years as a first priority. Final year end carried forward capital expenditure will be limited to those projects that were not able to be completed within the financial year.

Outcomes

Cash and debt management will be improved. Projects that have not commenced and are delayed to a future year will be reprioritised against the future year projects. This also caters for projects that span more than one financial year and have been staged in both the adopted budget and capital works program.

Comment

A specific component of the regular budget review process will be delayed capital projects.

9.3.2.6 **Commitment**

Council is committed to working towards achieving all asset sustainability ratios.

Outcomes

Council can claim to have achieved long term sustainability by maintaining all ratios within or better than targets related to renewal expenditure and asset management plans. Annual targets will be developed based on estimated renewals.

Comment

Council also maintains other key financial ratios in addition to those defined under State legislation.

9.3.3 Asset Management/Capital Expenditure Risks

Risk	Likelihood	Consequence	Rating
1. Development slower than expected resulting in reduced developer contributions	Likely	Moderate	H-56
2. Assets are not maintained, renewed, or rehabilitated resulting in public liability claims	Likely	Moderate	H-56
3. Major asset failure due to inadequate maintenance, renewal, or rehabilitation	Unlikely	Major	H-68
4. Inflation is significantly higher than estimated	Likely	Moderate	H-56

Risk Control Measures

- **Asset Management/Capital Expenditure Risk 1 -** Development slower than expected resulting in reduced developer contributions.

  Control Measure - Eliminate. Align related capital expenditure directly with developer contributions received, that is, expenditure is capped at the level of contributions.

- **Asset/Management/Capital Expenditure Risk 2** - Assets are not maintained, renewed, or rehabilitated resulting in public liability claims.

  Control Measure –Transfer. Maintain adequate insurance cover.

- **Asset Management/Capital Expenditure Risk 3 –** Major asset failure due to inadequate maintenance, renewal, or rehabilitation.
  Control Measure – Mitigate. Strictly maintain asset management policies.
- **Asset Management/Capital Expenditure Risk 4 –** Inflation is significantly higher than estimated.
  Control Measure – Accept and budget for. While higher than expected inflation will increase capital expenditure costs, it will also flow through to general rate and fees and charges increases, minimising the impacts. Note that the rating for this risk should be reviewed in line with changing economic conditions.

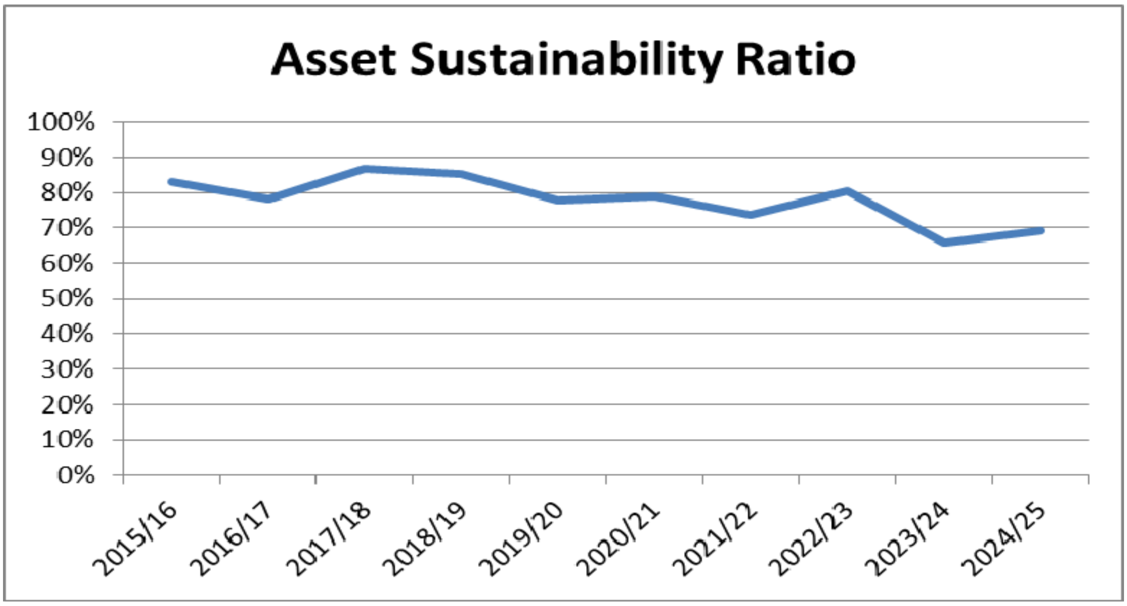
9.3.4 **Capital Expenditure Assumptions, Parameters, KPIs**

The capital expenditure assumptions and parameters included in the ten year Financial Model are:

- Capital expenditure is shown in forward estimates in the dollars of the year it has been scheduled.

The KPIs applying to operating costs and operating surpluses are:

- Asset Sustainability Ratio – This ratio reflects the extent to which the infrastructure assets managed by Council are being replaced as they reach the end of their useful lives.
  - Calculation: capital expenditure on the replacement of infrastructure assets (renewals) divided by depreciation expense, expressed as a %.
  - Target: Council is committed to working towards achieving all asset sustainability ratios.



The above graph is based on the 2015/16 adopted budget and associated forward estimates.

9.4 Cash Management

9.4.1 Working Capital

An organisation is said to be insolvent if they are unable to pay their debts when they fall due.

The working capital of an organisation is the difference between current assets and current liabilities at a point in time. If this difference is positive, the organisation can be said to be solvent at that time. Thus, management of working capital is a fundamental requirement for any organisation.

The key components of working capital are cash, inventories, debtors, and creditors. Cash will be considered under section 9.4.2 of this Plan.

Council's inventories are mainly stores and are less than 1% of current assets.

Debtors are mainly related to rates and utility charges. Council has an absolute right under legislation to collect all outstanding rates through a number of means. Additionally, any overdue rates and utility charges will attract an interest rate of 11%. Financially, outstanding rates debtors are not a burden on the organisation.

Council has to weigh up its obligation to be a good corporate citizen by paying its creditors in an appropriate timeframe against the obligation to manage its cash advantageously for ratepayers.

9.4.1.1 **Commitment**

Council will use all options under legislation to recover overdue rates and utility charges.

Outcome

All ratepayers will be treated fairly in relation to payment of rates.

Comment

Council's rates debtors at 30 June 2015 of $5.5 million are 1.4% of total operating revenue.

9.4.1.2 **Commitment**

Council will pay creditors strictly in accordance with commercial trading terms of 30 days from invoice date or in accordance with any contractual obligations.

Outcome

Council will fulfil its obligations to the community in this area.

Comment

Council currently operates on these terms.

9.4.1.3 **Commitment**

Council will always maintain a working capital ratio of greater than 1.

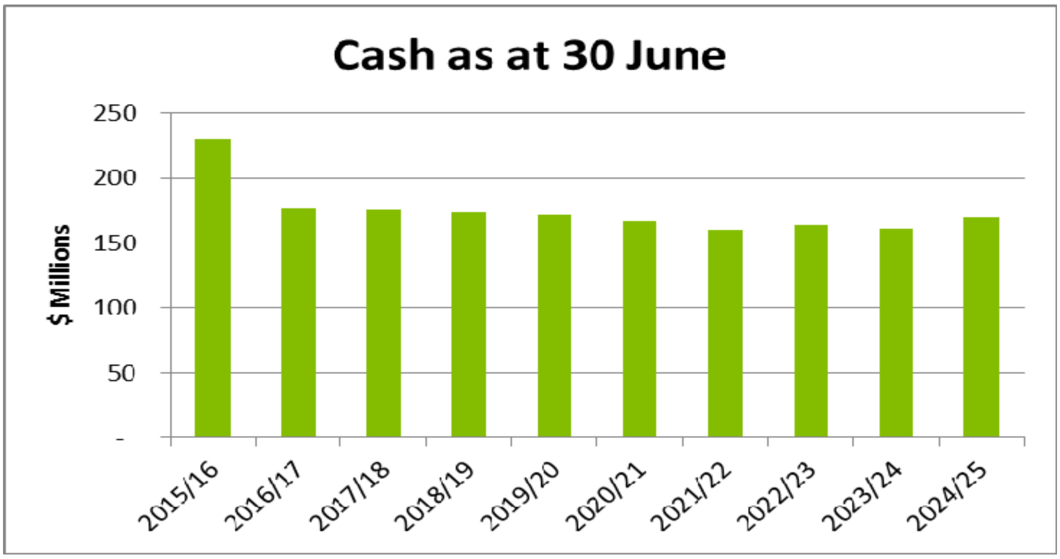
Outcome

Council will be able to pay debts when they are due.

Comment

Council's working capital ratio is well above this requirement across all years of the forecast.

9.4.2 **Cash Balances – Restricted and Unrestricted**



Maintaining adequate cash balances is a fundamental requirement of every organisation.

For a local government, a number of factors must be considered when determining what is the correct level of cash to hold. These include:

- The timing of the rating cycle, that is, three monthly, six monthly, or annual
- The level of restricted cash
- The ease or otherwise of borrowing funds.

Council currently operates on a six-monthly rating cycle. This means that the main cash inflows will also be on a six-monthly cycle.

Council's cash balance is subject to a number of internal and external restrictions that limit the amount of cash available for discretionary or future use. If Council wishes to identify an amount of the cash balance for a specific use, it can create a restricted cash obligation for that purpose. These restrictions were previously allocated as reserves. Thus, when determining an amount that may be classed as 'surplus' cash, amounts assigned to restricted cash must be taken into consideration.

Once created (by Council resolution of inclusion in the original budget), movements to restricted cash reflect revenue and expenditure directly related to the purpose of the restricted cash obligation.

Council uses a number of rating levies to raise revenue for specific purposes. This revenue is either spent for the specific purpose over the next and future years, or can be used to repay debt when expenditure has been made in advance of receiving the revenue.

Council currently sources all loan funds from the Queensland Treasury Corporation (QTC). Borrowing applications and approvals are finalised with QTC prior to the commencement of a financial year. Loans can be drawn down during a year at Council's discretion (for the purposes defined in the approval), subject to minimum drawdown amounts. Thus, Council has a very flexible availability of loan funds for defined capital works.

With cash investment rates usually lower than borrowing rates, maintaining excess cash balances is an inefficient use of this resource.

Investment of surplus cash was considered under Section 9.1.3 of this Plan.

9.4.2.1 **Commitment**

During a year, Council will maintain a cash balance of between at least three and five months of cash operating requirements.

Outcome

An efficient level of cash will be maintained and will be in line with the main cash receipts cycle.

Comment

This commitment is aligned to operating requirements. Closing cash balances at year end will also consider restricted cash requirements.

9.4.2.2 **Commitment**

A restricted cash account will be created for every separate or special rating levy. All rating revenues for each levy will be accounted for as movements to the appropriate restricted cash account and expenditures related to the specific purpose will be accounted for as movements from the appropriate restricted cash account. All special or separate rating levy restricted cash accounts will be classified as externally restricted for the purposes of considering cash surplus to requirements.

Outcome

A transparent process will be in place for the management of separate and special rating levies.

Comment

Standard accounting processes will be in place to meet these requirements.

9.4.2.3 **Commitment**

Closing cash balances at year end will be maintained at greater than the minimum balances as per the QTC Cash Management Review for determining optimum cash levels. This will be subject to annual review.

Outcome

Council will be able to meet the commitments of externally restricted cash.

Comment

This consideration will be a part of standard practices leading up to year end.

9.4.3 **Cash Management Risks**

Risk	Likelihood	Consequence	Rating
1. Investment rates lower than expected	Likely	Moderate	H-56
2. Global financial issues severely limit credit availability	Possible	Major	H-72
3. Unforeseen events delay levying of rates	Unlikely	Major	H-68
4. Economic circumstances result in an increase in overdue rates fees and charges	Possible	Minor	M-32
5. Unitywater is unable to pay dividends, or interest on Council loans	Unlikely	Catastrophic	H-80

Risk Control Measures

- **Cash Management Risk 1** – Investment rates lower than expected.
  Control Measure – Mitigate. Manage investments daily and diversify investments across allowable products.
- **Cash Management Risk 2 –** Global financial issues severely limit credit availability.
  Control Measure – Mitigate. Maintain cash balances at the higher end of targets in the short term and reduce the capital program to align with available borrowings.
- **Cash Management Risk 3 –** Unforeseen events delay levying of rates
  Control Measure – Mitigate. Always maintain a cash balance target of at least three months. Maintain borrowing capacity to allow for a short term working capital facility.
- **Cash Management Risk 4 –** Unitywater is unable to pay dividends, or interest on Council loans.
  Control Measure - Mitigate. Maintain a periodic and thorough review of Unitywater's financial position.

9.4.4 **Cash Management Assumptions, Parameters, KPIs.**

Cash Management assumptions and parameters included in the ten year Financial Model are:

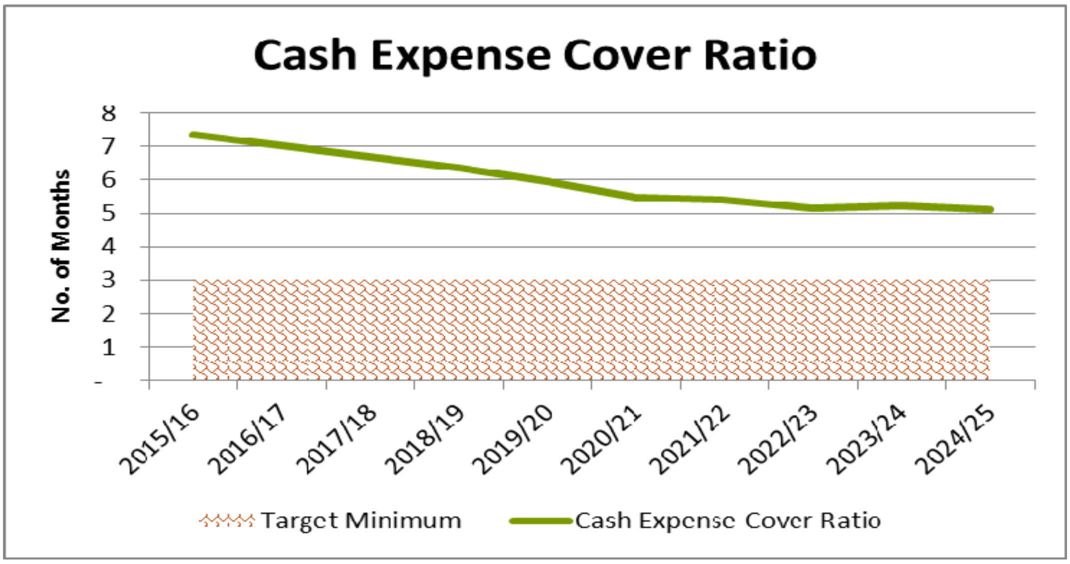
- Interest rates applied for the investment of surplus cash are 3.0% from 2015/16 to 2024/25

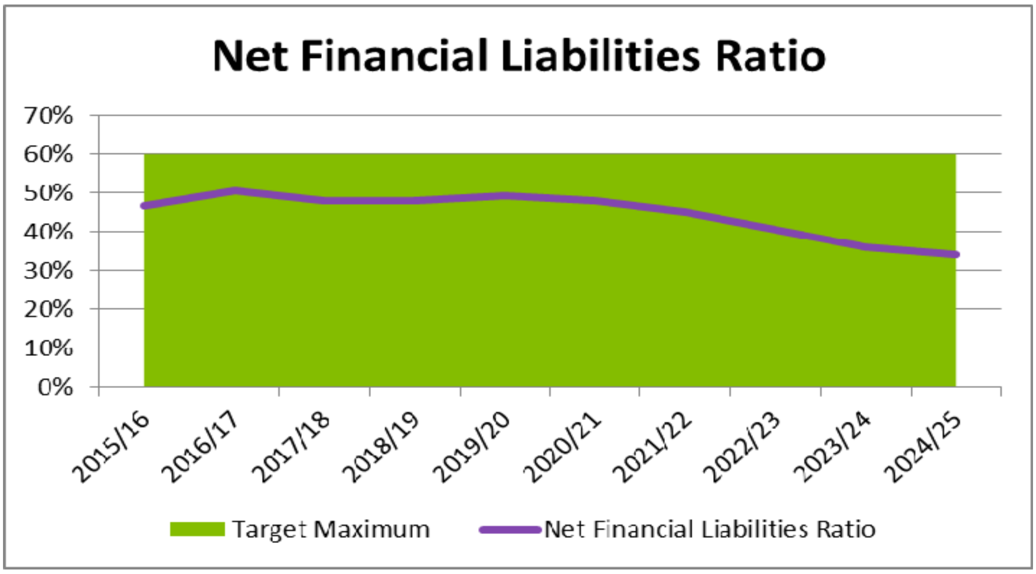
The KPIs applying to cash management are:

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

- o Calculation: (Current year's cash and cash equivalents balance / (total operating expenses – depreciation and amortisation – finance costs charged by QTC – interest paid on overdraft) *12.
- o Target: Greater than 3 months

- Net Financial Liabilities Ratio – Measures the extent to which the net financial liabilities of council can be repaid from operating revenues.
  - o Calculation: (total liabilities less current assets) divided by total operating revenue, expressed as a %.
  - o Target: not greater than 60%.



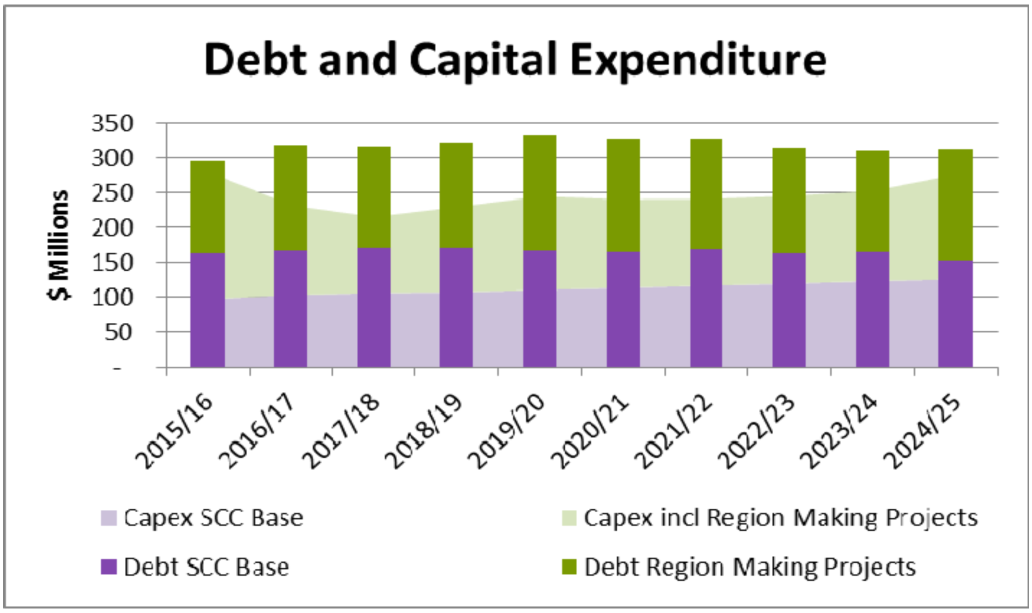


9.5 Debt Management

9.5.1 Debt Purposes, Terms and Repayments

Council's debt is estimated to be $296 million at June 2015, and $313 million in 2024/25. The separation between Sunshine Coast Council Base (SCC Base) and Region Making Projects is illustrated in the graph below.

Region Making Projects include Maroochydore City Centre, Palmview and the Solar Farm.



Total Debt	15/16 $000	16/17 $000	17/18 $000	18/19 $000	19/20 $000	20/21 $000	21/22 $000	22/23 $000	23/24 $000	24/25 $000
Total SCC	**296,309**	**318,797**	**315,956**	**321,836**	**331,145**	**328,770**	**328,036**	**315,587**	**310,816**	**312,578**
SCC + Business Units	162,988	167,794	171,164	171,614	167,837	164,178	168,589	164,000	165,565	154,557
Region Making Projects	133,321	151,003	144,792	150,223	163,308	164,592	159,447	151,587	145,251	158,021
Borrowing projections as outlined in the adopted budget schedule										

Debt relating to water and sewerage assets transferred to Unitywater will remain with Council. The balance of water and sewerage developer contributions as at 30 June 2010 will also remain with Council and be used to fund loan commitments.

The controls and policy direction for the borrowing of funds is comprehensively covered in Council's Debt Policy. The Debt Policy is adopted annually with Council's budget. In accordance with legislation, the Debt Policy will form part of the Financial Sustainability Plan and is an attachment to this document.

Council's schedule of proposed external borrowings is detailed in the following table.

Proposed Borrowings	15/16 $000	16/17 $000	17/18 $000	18/19 $000	19/20 $000	20/21 $000	21/22 $000	22/23 $000	23/24 $000	24/25 $000
Total SCC	**44,711**	**39,900**	**16,772**	**27,474**	**32,845**	**23,018**	**26,609**	**17,542**	**27,465**	**35,301**
SCC + Business Units	8,050	14,875	14,266	12,826	9,550	10,096	19,013	11,717	21,202	10,777
Maroochydore City Centre	31,660	21,025	2,506	14,648	23,295	12,921	7,596	5,825	6,263	24,524
Palmview Development	5,000	4,000								
Capital works projects as outlined in the adopted budget schedule										

Note that Council operates a central treasury model and as such does not generally provide debt funding for specific projects or assets but rather uses debt funding to finance council's balance sheet, with the exception being for strategic (region-making) projects.

9.5.1.1 The key **commitments** within the Debt Policy are:

Borrowing Purposes

- **Council will not utilise loan funding to finance operating activities or recurrent expenditure.**
- **Council undertakes full analysis of all funding options as outlined in the Long Term Financial Forecast, including a forward program of capital works, to determine loan funding requirements.**
- **Council recognises that infrastructure demands placed upon Council can often only be met through borrowings, but will always be mindful of the additional cost incurred by the community when assets are acquired through borrowings which increases the cost of providing capital infrastructure.**
- **Council will endeavour to fund all capital renewal projects from operating cash flows and borrow only for revenue generating business unit's capital projects, having regard to sound financial management principles and giving consideration to inter-generational equity for the funding of long term infrastructure projects.**

- **Where capital expenditure is deferred from one year to the next, the drawdown of approved loan funds will be reviewed to minimise interest expenses.**
- **Borrowings for infrastructure that provides a return on assets will take priority over borrowing for other assets.**

Debt Term

Where capital projects are financed through borrowings, Council will repay the loans within a term not exceeding the life of those assets, and over a term that optimises cash flow efficiency. Current loans are planned to be repaid within a twelve (12) year term. This is notwithstanding any new strategic projects that may require a longer debt term.

- **If surplus funds become available, and where it is advantageous to Council, one-off loan repayments will be made to reduce the term of existing loans.**
- **In an environment of fluctuating interest rates, and where there is a distinct economic advantage to Council, consideration will be given to renegotiating any outstanding loans to obtain the best long-term benefit to Council.**

Repayment Ability

Council will maintain close scrutiny of debt levels to ensure that relative sustainability indicators will not exceed target parameters recommended by the Queensland Treasury Corporation and Local Government Regulations 2012.

Borrowing Source

Council will raise all external borrowings at the most competitive rates available and from sources available as defined by legislation. Consideration will be given to provision of loans to business units from surplus cash held by council by way of an internal loan.

Outcome

Sustainable levels of debt will be maintained and managed efficiently.

Comment

Debt is managed in accordance with these policy commitments. Where opportunities for sustainable capital expenditure are identified (e.g. energy and/or water efficiency programs), consideration will be given to funding the initial investment from loans where it is considered economically viable.

9.5.2 Debt Management Risks

Risk	Likelihood	Consequence	Rating
1. Global financial issues severely limit credit availability	Possible	Major	H-72
2. Council is unable to afford loan repayments	Unlikely	Major	H-68
3. Queensland State Government receives further credit downgrades	Possible	Moderate	M-52

Risk Control Measures

Debt Management Risk 1 - Global financial issues severely limit credit availability.

Control Measure – Mitigate. Maintain cash balances at the higher end of targets in the short term and reduce the capital program to align with available borrowings.

Debt Management Risk 2 – Council is unable to afford loan repayments.

Control Measure – Avoid. Maintain all cash and debt sustainability ratios within targets.

9.5.3 Debt Management Assumptions, Parameters, KPIs

Debt Management assumptions and parameters included in the ten year Financial Model are:

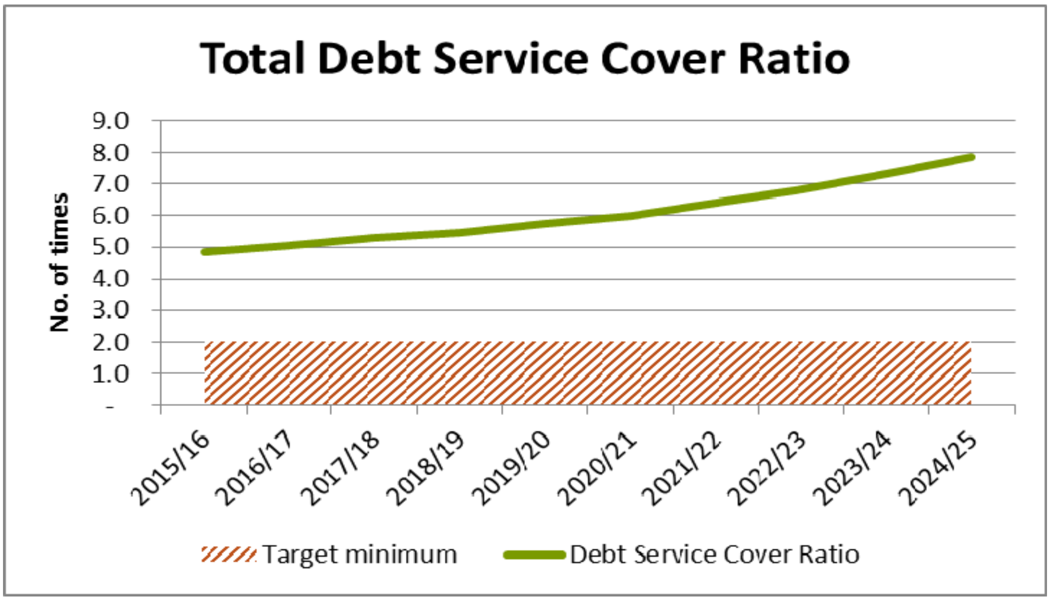
- Interest rates applied for new loans at 3.6%
- All loans required by Council across the forward years will be approved and provided by QTC.

The KPIs applying to cash management are:

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

Calculation: (Operating result (excluding capital items) + depreciation and amortisation + gross interest expense) / (gross interest expense + prior year current interest bearing liabilities)

Target: Greater than 2 times.



9.6 Commercial Management

Council's Corporate Plan includes the development of commercial opportunities when they arise.

9.6.1 **Commitment**

Council's commercial decision-making will be guided by business case evaluations that identify opportunities, determine viability of options, consider implications, and assess risks to provide the best value for money outcome.

Outcome

Well considered commercial outcomes for managing business activities and value for money delivery of public infrastructure and services.

Comment

Council has comprehensive business case guidelines which draw on information published by various levels of government in Australia and the United Kingdom.

Council operates a number of commercial business activities to reduce the reliance of rate funding and ease the burden on ratepayers.

9.6.2 **Commitment**

Council will maintain a policy framework for applying national competition policy reform and manage business activities in accordance with the reform principles.

Outcome

Well managed commercial business activities that are competitive and provide a return on Council's investment.

Comment

Council has comprehensive guidelines for the application of national competition policy and compliance with competition reform principles.

9.7 Procurement

Council's 2014/15 budget includes over $260 million for materials, services and constructed assets that result in more than 100 large-sized procurement contracts being established each year.

9.7.1 **Commitment**

Council will provide value-adding procurement strategies and sound contract management practices to maximise contractors and supplier's delivery performance and service levels.

Outcome

Sound procurement and contracting practices are maintained that pursue Council's vision of being Australia's most sustainable region – vibrant, green and diverse, and timely delivery of community infrastructure and service programs within legislative requirements.

Comment

Council has adopted an innovative procurement policy and has developed a comprehensive governance and probity framework to apply the procurement principles, objectives and strategy.

9.8 Strategic Opportunities

9.8.1 **Commitment**

Council will investigate all available options to achieve ongoing economic, ecological, and social sustainability.

Outcome

Council needs to ensure sufficient flexibility to enable optimisation of opportunities as they arise. Such opportunities can provide ongoing security and sustainability for the Region as a whole.

Comment

Council is committed to reviewing for continuous improvement opportunities as well as investigating strategic business opportunities to ensure that Council provides value for money services to the ratepayers. Where economically feasible all opportunities should be appropriately resourced to ensure Council's strategic objectives are attained.

Parameters	**Budget 2015/16**	**Forward Estimate 2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
Growth Parameters										
General Rates	1.4%	1.4%	1.4%	1.4%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
Rate Levies	1.4%	1.4%	1.4%	1.4%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
Waste	1.4%	1.4%	1.4%	1.4%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
Fees and Charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Employee Costs	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.6%	0.6%	0.6%
Materials and Services	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.6%	0.6%	0.6%
Price Parameters										
General Rates	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Rate Levies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Waste	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Fees and Charges	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Employee Costs	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Fuel	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Water	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
Electricity	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Other Materials and Services	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Additional Parameters										
Vacancy Factor	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%
Maintenance on new assets	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

STATEMENT OF INCOME AND EXPENSES

for the period ending 30 June 2016 — **SUNSHINE COAST COUNCIL TOTAL**

	Estimated Position 2014/15 $000	Budget 2015/16 $000	Forward Estimate 2016/17 $000	2017/18 $000	2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000
Operating Revenue											
Gross Rates & Utility Charges	247,295	253,289	263,851	274,867	286,357	299,814	313,919	328,703	344,199	360,442	377,469
Interest from Rates & Utilities	1,527	1,527	1,536	1,543	1,551	1,559	1,567	1,575	1,582	1,590	1,598
Less Discounts, Pensioner Remissions	(11,265)	(11,435)	(11,867)	(12,317)	(12,785)	(13,322)	(13,883)	(14,470)	(15,084)	(15,726)	(16,398)
Net Rates & Utility Charges	237,557	243,381	253,519	264,093	275,123	288,051	301,603	315,808	330,698	346,306	362,669
Fees & Charges	53,252	54,733	56,860	59,077	61,386	63,857	66,435	69,125	71,933	74,864	77,924
Interest Received from Investments	7,636	7,700	9,119	9,144	9,309	9,333	9,394	9,848	11,019	11,415	11,242
Grants and Subsidies - Recurrent	12,263	11,946	11,946	11,946	11,946	11,946	11,946	11,946	11,946	11,946	11,946
Operating contributions	706	696	696	696	696	696	696	696	696	696	696
Interest Received from Unitywater	23,933	23,933	25,163	25,555	25,903	25,903	25,903	25,903	25,903	25,903	25,903
Dividends Received	26,162	26,162	24,722	24,321	23,966	23,967	24,003	23,999	23,967	23,967	23,971
Other Revenue	10,655	11,132	19,038	22,830	24,295	25,552	24,007	25,861	27,088	28,203	31,985
Internal Revenues	7,935	6,424	6,617	6,815	7,020	7,230	7,447	7,671	7,901	8,138	8,382
Community Service Obligations	-	-	-	-	-	-	-	-	-	-	-
Total Operating Revenue	**380,099**	**386,108**	**407,681**	**424,478**	**439,645**	**456,536**	**471,435**	**490,857**	**511,151**	**531,439**	**554,718**
Operating Expenses											
Employee costs	118,138	121,667	125,716	129,899	134,221	138,617	143,156	147,844	152,607	157,524	162,600
Materials & Services	149,190	148,334	155,191	161,770	169,021	176,527	184,508	193,042	201,777	210,975	221,441
Internal Expenditure	-	-	-	-	-	-	-	-	-	-	-
Finance Costs	11,966	9,505	10,653	10,667	10,441	10,107	9,546	8,964	8,608	7,911	7,436
Company Contributions	1,187	1,218	1,249	1,282	1,315	1,349	1,384	1,420	1,457	1,495	1,534
Depreciation	64,186	67,059	71,335	74,712	78,208	81,848	83,062	84,033	86,291	88,522	89,828
Other Expenses	16,392	16,868	17,307	17,757	18,218	18,692	19,178	19,677	20,188	20,713	21,252
Competitive Neutrality Adjustments	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	**361,059**	**364,651**	**381,450**	**396,087**	**411,424**	**427,140**	**440,834**	**454,981**	**470,929**	**487,140**	**504,089**
Operating Result	**19,040**	**21,457**	**26,231**	**28,391**	**28,221**	**29,396**	**30,601**	**35,876**	**40,222**	**44,299**	**50,629**
Capital Revenue											
Capital Grants and Subsidies	8,409	4,894	2,380	2,442	2,506	2,571	2,638	2,706	2,777	2,849	2,923
Capital Contributions	14,669	12,000	12,312	12,632	12,961	13,298	13,643	13,998	14,362	14,735	15,118
Contributed Assets	24,000	24,624	25,272	25,920	26,592	27,288	28,008	28,728	29,472	30,240	31,028
Other Capital Revenue	4,783	-	-	-	-	-	-	-	-	-	-
Net Result	**70,902**	**62,975**	**66,195**	**69,386**	**70,279**	**72,552**	**74,890**	**81,309**	**86,832**	**92,123**	**99,699**

STATEMENT OF FINANCIAL POSITION
for the period ending 30 June 2016

SUNSHINE COAST COUNCIL TOTAL

	Estimated Position 2014/15 $000	Budget 2015/16 $000	Forward Estimate 2016/17 $000	2017/18 $000	2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000
CURRENT ASSETS											
Cash & Investments	236,496	176,844	175,714	174,103	171,864	166,511	159,397	163,153	161,215	169,961	173,311
Trade and other receivables	16,157	16,000	18,604	20,025	21,408	22,902	24,480	26,191	28,006	29,926	29,926
Inventories	1,494	3,596	3,738	4,086	4,375	4,717	5,167	5,441	5,683	6,660	7,731
Other Financial Assets	26,602	26,600	28,004	28,732	29,479	30,245	31,031	31,838	32,666	33,515	33,515
Non-current assets classified as held for sale	-	-	-	-	-	-	-	-	-	-	-
	280,749	223,040	226,060	226,946	227,126	224,375	220,075	226,623	227,570	240,062	244,483
NON CURRENT ASSETS											
Trade and other receivables	434,394	448,476	448,476	448,476	448,476	448,476	448,476	448,476	448,476	448,476	448,476
Property, plant & equipment	3,173,559	3,303,707	3,450,779	3,586,377	3,735,309	3,894,734	4,047,358	4,199,737	4,353,829	4,510,487	4,685,068
Investment in associates	576,867	576,867	576,867	576,867	576,867	576,867	576,867	576,867	576,867	576,867	576,867
Capital works in progress	118,677	125,813	131,873	131,784	132,496	135,355	136,830	135,537	133,993	133,391	135,019
Intangible assets	16,491	16,491	16,473	15,335	13,587	11,213	10,160	10,118	10,082	10,052	10,052
	4,319,988	4,471,353	4,624,468	4,758,839	4,906,735	5,066,644	5,219,692	5,370,735	5,523,247	5,679,273	5,855,482
TOTAL ASSETS	**4,600,737**	**4,694,394**	**4,850,528**	**4,985,784**	**5,133,862**	**5,291,020**	**5,439,767**	**5,597,358**	**5,750,817**	**5,919,335**	**6,099,965**
CURRENT LIABILITIES											
Trade and other payables	57,185	57,209	57,325	57,385	57,447	57,511	57,576	57,643	57,712	57,783	57,783
Borrowings	11,380	11,380	11,494	11,609	11,725	11,842	11,960	12,080	12,201	12,323	12,446
Provisions	13,584	13,584	14,560	15,044	15,544	16,054	16,580	17,124	17,677	18,248	18,248
Other	9,939	9,939	10,462	10,734	11,013	11,299	11,593	11,894	12,203	12,520	12,520
	92,088	92,112	93,841	94,772	95,729	96,706	97,709	98,741	99,793	100,874	100,997
NON CURRENT LIABILITIES											
Borrowings	255,748	284,929	307,303	304,348	310,112	319,303	316,809	315,956	303,386	298,493	300,132
Provisions	26,035	26,712	26,712	26,712	26,712	26,712	26,712	26,712	26,712	26,712	26,712
	281,783	311,641	334,015	331,060	336,824	346,015	343,521	342,668	330,098	325,205	326,844
TOTAL LIABILITIES	**373,871**	**403,753**	**427,856**	**425,831**	**432,552**	**442,721**	**441,231**	**441,409**	**429,891**	**426,079**	**427,841**
NET COMMUNITY ASSETS	**4,226,866**	**4,290,641**	**4,422,672**	**4,559,953**	**4,701,310**	**4,848,298**	**4,998,536**	**5,155,948**	**5,320,925**	**5,493,256**	**5,672,124**
COMMUNITY EQUITY											
Asset revaluation surplus	695,598	695,598	713,684	732,239	751,278	770,811	790,852	811,414	832,511	854,156	876,364
Retained Earnings	173,373	236,348	302,543	371,929	442,207	514,760	589,650	670,958	757,791	849,914	949,613
Capital	3,357,895	3,358,695	3,406,446	3,455,785	3,507,825	3,562,728	3,618,034	3,673,576	3,730,624	3,789,186	3,846,147
TOTAL COMMUNITY EQUITY	**4,226,866**	**4,290,641**	**4,422,672**	**4,559,953**	**4,701,310**	**4,848,299**	**4,998,536**	**5,155,948**	**5,320,926**	**5,493,256**	**5,672,124**

STATEMENT OF CASH FLOWS
for the period ending 30 June 2016

SUNSHINE COAST COUNCIL TOTAL

	Estimated Position 2014/15 $000	Budget 2015/16 $000	Forward Estimate 2016/17 $000	2017/18 $000	2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000
Cash flows from operating activities											
Receipts from customers	329,938	321,889	342,060	358,643	373,447	390,103	404,688	423,436	442,361	462,016	485,220
Payments to suppliers and employees	(281,024)	(296,603)	(304,302)	(309,529)	(322,555)	(337,230)	(348,933)	(359,830)	(373,716)	(390,163)	(408,744)
Interest and dividends received	57,731	57,795	59,004	59,020	59,178	59,203	59,300	59,750	60,889	61,285	61,116
Finance costs	(13,181)	(11,520)	(11,942)	(12,063)	(11,621)	(11,220)	(10,721)	(10,054)	(9,574)	(8,783)	(8,216)
Net cash inflow (outflow) from operating activities	**93,464**	**71,562**	**84,820**	**96,071**	**98,449**	**100,856**	**104,334**	**113,303**	**119,960**	**124,356**	**129,376**
Cash flows from investing activities											
Payments for property, plant and equipment	(156,600)	(168,952)	(121,567)	(108,021)	(120,176)	(129,312)	(122,928)	(123,010)	(124,191)	(126,269)	(143,814)
Proceeds from disposal non current assets	4,783	800	800	800	800	800	800	800	800	800	800
Capital grants, subsidies, contributions and donations	23,078	16,894	14,692	15,074	15,466	15,868	16,281	16,704	17,139	17,584	18,041
Finance costs (interest)	(1,763)	(2,332)	(2,478)	(2,810)	(2,774)	(2,992)	(3,345)	(3,427)	(3,317)	(3,076)	(2,939)
Net cash inflow (outflow) from investing activities	**(130,502)**	**(153,590)**	**(108,552)**	**(94,957)**	**(106,683)**	**(115,635)**	**(109,192)**	**(108,933)**	**(109,570)**	**(110,961)**	**(127,911)**
Cash flows from financing activities											
Proceeds from borrowings	53,700	44,711	39,900	16,772	27,474	32,845	23,018	26,609	17,542	27,465	35,301
Repayment of borrowing	(11,380)	(15,530)	(17,298)	(19,498)	(21,479)	(23,419)	(25,275)	(27,223)	(29,870)	(32,114)	(33,416)
Net cash inflow (outflow) from financing activities	**42,320**	**29,181**	**22,602**	**(2,725)**	**5,996**	**9,426**	**(2,257)**	**(614)**	**(12,328)**	**(4,649)**	**1,885**
Net increase (decrease) in cash held	**5,282**	**(52,848)**	**(1,130)**	**(1,611)**	**(2,238)**	**(5,353)**	**(7,115)**	**3,756**	**(1,938)**	**8,746**	**3,350**
Cash at beginning of reporting period	224,410	229,692	176,844	175,714	174,103	171,864	166,511	159,397	163,153	161,215	169,961
Cash at end of reporting period	**229,692**	**176,844**	**175,714**	**174,103**	**171,864**	**166,511**	**159,397**	**163,153**	**161,215**	**169,961**	**173,311**

MEASURES OF FINANCIAL SUSTAINABILITY

for the period ending 30 June 2016 **SUNSHINE COAST COUNCIL TOTAL**

	Estimated Position 2014/15 %	Forward Estimate									
		2015/16 %	2016/17 %	2017/18 %	2018/19 %	2019/20 %	2020/21 %	2021/22 %	2022/23 %	2023/24 %	2024/25 %
Operating Performance											
Operating surplus ratio (%)	5.0%	5.5%	5.3%	4.8%	4.3%	4.3%	4.8%	5.5%	6.0%	6.4%	6.9%
Fiscal Flexibility											
Council controlled revenue ratio (%)	76.5%	77.2%	76.1%	76.1%	76.5%	77.1%	78.1%	78.4%	78.8%	79.3%	79.4%
Total debt service cover ratio (times)	4.1	4.8	5.1	5.3	5.5	5.8	6.0	6.4	6.8	7.3	7.9
Net financial liabilities ratio (%)	24.5%	46.8%	50.4%	48.1%	48.1%	49.2%	48.0%	44.9%	40.6%	36.0%	34.1%
Liquidity											
Cash expense cover ratio (months)	10.0	7.3	7.0	6.7	6.4	5.9	5.5	5.4	5.1	5.2	5.1
Asset Sustainability											
Asset sustainability ratio (%)	72.0%	82.9%	78.2%	86.8%	85.4%	77.7%	78.8%	73.5%	80.4%	65.8%	69.2%

Operating Surplus Ratio
Measures the extent to which operating revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.
Calculation: Operating Result (excluding capital items) as a percentage of operating revenue.
Target: between 0% and 10%

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.
Calculation: Net rates, levies and charges & fees and charges / total operating revenue.
Target: Greater than 60%

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.
Calculation: (Operating result (excluding capital items) + depreciation and amortisation + gross interest expense) / (gross interest expense + prior year current interest bearing liabilities)
Target: Greater than 2 times

Net Financial Liabilities Ratio
Measures the extent to which the net financial liabilities of Council can be repaid from operating revenues.
Calculation: (Total liabilities - current assets) / total operating revenue (excluding capital items)
Target: not greater than 60%.

Cash Expense Cover Ratio
Indicates the number of months Council can continue paying its immediate expenses without additional cash loans.
Calculation: (Current year's cash and cash equivalents balance / (total operating expenses - depreciation and amortisation - finance costs charged by QTC - interest paid on overdraft) * 12
Target: Greater than 3 months.

Asset Sustainability Ratio
This ratio reflects the extent to which the infrastructure assets managed by Council are being replaced as they reach the end of their useful lives.
Calculation: Capital expenditure on replacement assets (renewals) / depreciation expense
Target: greater than 90%.

MAROOCHYDORE CITY CENTRE PROJECT

STATEMENT OF INCOME AND EXPENSES

for the period ending 30 June 2016

	Estimated Position 2014/15 $000	Budget 2015/16 $000	Forward Estimate								
			2016/17 $000	2017/18 $000	2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000
Operating Revenue											
Other Revenue	-	-	7,572	7,821	8,931	9,823	10,903	12,369	13,197	13,902	17,261
Total Operating Revenue	**-**	**-**	**7,572**	**7,821**	**8,931**	**9,823**	**10,903**	**12,369**	**13,197**	**13,902**	**17,261**
Operating Expenses											
Materials & Services	-	-	2,096	2,165	2,472	2,719	3,018	3,424	3,653	3,849	4,778
Depreciation	-	408	749	778	844	1,028	1,196	1,316	1,411	1,443	1,686
Total Operating Expenses	**-**	**408**	**2,845**	**2,943**	**3,316**	**3,747**	**4,214**	**4,740**	**5,065**	**5,292**	**6,465**
Operating Result	**-**	**(408)**	**4,727**	**4,878**	**5,615**	**6,076**	**6,689**	**7,629**	**8,133**	**8,610**	**10,796**
Net Result	**-**	**(408)**	**4,727**	**4,878**	**5,615**	**6,076**	**6,689**	**7,629**	**8,133**	**8,610**	**10,796**

Note: The above represents Council's Maroochydore City Centre Project and forms part of the consolidated Sunshine Coast Council Total Budget Schedules.

MAROOCHYDORE CITY CENTRE PROJECT

STATEMENT OF FINANCIAL POSITION

for the period ending 30 June 2016 **MAROOCHYDORE CITY CENTRE**

	Estimated Position 2014/15 $000	Budget 2015/16 $000	Forward Estimate 2016/17 $000	2017/18 $000	2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000
CURRENT ASSETS											
Cash & Investments	(500)	(5,269)	(7,002)	(9,966)	(11,997)	(14,203)	(17,097)	(19,545)	(21,794)	(21,834)	(17,353)
Trade and other receivables	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	2,096	2,165	2,472	2,719	3,018	3,424	3,653	3,849	4,778	5,849
Other Financial Assets	-	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-	-	-	-	-	-	-	-
	(500)	(3,173)	(4,837)	(7,494)	(9,278)	(11,185)	(13,673)	(15,892)	(17,945)	(17,056)	(11,504)
NON CURRENT ASSETS											
Trade and other receivables	-	-	-	-	-	-	-	-	-	-	-
Property, plant & equipment	35,868	60,936	76,753	80,305	94,631	115,126	126,471	134,907	141,298	145,890	164,970
Investment in associates	500	500	500	500	500	500	500	500	500	500	500
Capital works in progress	24,726	31,862	37,922	37,833	38,545	41,404	42,879	41,586	40,042	39,440	41,068
	61,094	93,298	115,175	118,638	133,676	157,030	169,850	176,993	181,840	185,831	206,539
TOTAL ASSETS	**60,594**	**90,126**	**110,338**	**111,143**	**124,399**	**145,844**	**156,177**	**161,101**	**163,895**	**168,775**	**195,034**
CURRENT LIABILITIES											
Trade and other payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
NON CURRENT LIABILITIES											
Borrowings	60,594	90,534	106,019	101,946	109,587	124,956	128,600	125,895	120,557	116,826	132,290
Provisions	-	-	-	-	-	-	-	-	-	-	-
	60,594	90,534	106,019	101,946	109,587	124,956	128,600	125,895	120,557	116,826	132,290
TOTAL LIABILITIES	**60,594**	**90,534**	**106,019**	**101,946**	**109,587**	**124,956**	**128,600**	**125,895**	**120,557**	**116,826**	**132,290**
NET COMMUNITY ASSETS	**0**	**(408)**	**4,319**	**9,197**	**14,812**	**20,888**	**27,577**	**35,206**	**43,338**	**51,948**	**62,745**
COMMUNITY EQUITY											
Asset revaluation surplus	-	-	-	-	-	-	-	-	-	-	-
Retained Earnings	-	(408)	4,319	9,197	14,812	20,888	27,577	35,206	43,338	51,948	62,745
Capital											
TOTAL COMMUNITY EQUITY	**-**	**(408)**	**4,319**	**9,197**	**14,812**	**20,888**	**27,577**	**35,206**	**43,338**	**51,948**	**62,745**

Note: The above represents Council's Maroochydore City Centre Project and forms part of the consolidated Sunshine Coast Council Total Budget Schedules.

MAROOCHYDORE CITY CENTRE PROJECT

STATEMENT OF CASH FLOWS

for the period ending 30 June 2016 **MAROOCHYDORE CITY CENTRE**

	Estimated Position 2014/15 $000	Budget 2015/16 $000	Forward Estimate								
			2016/17 $000	2017/18 $000	2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000
Cash flows from operating activities											
Receipts from customers			7,572	7,821	8,931	9,823	10,903	12,369	13,197	13,902	17,261
Payments to suppliers and employees		(8,516)	(6,937)	(987)	(2,252)	(4,764)	(3,725)	(1,270)	(1,340)	(3,304)	(6,697)
Interest and dividends received											
Finance costs	(1,215)	(716)	(1,289)	(1,396)	(1,180)	(1,113)	(1,175)	(1,089)	(966)	(872)	(781)
Net cash inflow (outflow) from operating activities	**(1,215)**	**(9,231)**	**(653)**	**5,438**	**5,499**	**3,946**	**6,003**	**10,009**	**10,891**	**9,726**	**9,783**
Cash flows from investing activities											
Payments for property, plant and equipment	(1,862)	(23,145)	(14,088)	(1,519)	(12,396)	(18,531)	(9,196)	(6,325)	(4,485)	(2,960)	(17,827)
Proceeds from disposal non current assets											
Capital grants, subsidies, contributions and donations	(500)										
Finance Costs (Interest)	(1,763)	(2,332)	(2,478)	(2,810)	(2,774)	(2,992)	(3,345)	(3,427)	(3,317)	(3,076)	(2,939)
Net cash inflow (outflow) from investing activities	**(4,125)**	**(25,477)**	**(16,566)**	**(4,329)**	**(15,170)**	**(21,523)**	**(12,541)**	**(9,752)**	**(7,802)**	**(6,036)**	**(20,766)**
Cash flows from financing activities											
Proceeds from borrowings	4,840	31,660	21,025	2,506	14,648	23,295	12,921	7,596	5,825	6,263	24,524
Repayment of borrowing		(1,721)	(5,539)	(6,579)	(7,008)	(7,925)	(9,277)	(10,301)	(11,163)	(9,993)	(9,061)
Net cash inflow (outflow) from financing activities	**4,840**	**29,940**	**15,486**	**(4,073)**	**7,640**	**15,369**	**3,644**	**(2,706)**	**(5,338)**	**(3,730)**	**15,463**
Net increase (decrease) in cash held	**(500)**	**(4,769)**	**(1,733)**	**(2,964)**	**(2,030)**	**(2,207)**	**(2,894)**	**(2,448)**	**(2,248)**	**(40)**	**4,481**
Cash at beginning of reporting period		(500)	(5,269)	(7,002)	(9,966)	(11,997)	(14,203)	(17,097)	(19,545)	(21,794)	(21,834)
Cash at end of reporting period	**(500)**	**(5,269)**	**(7,002)**	**(9,966)**	**(11,997)**	**(14,203)**	**(17,097)**	**(19,545)**	**(21,794)**	**(21,834)**	**(17,353)**

Note: The above represents Council's Maroochydore City Centre Project and forms part of the consolidated Sunshine Coast Council Total Budget Schedules.

Sunshine Coast COUNCIL

Strategic policy

2015/16 Procurement Policy

Corporate Plan reference:	**1. A New Economy** 1.3 Investment in growth and high-value industries **5. A public sector leader** 5.1 Robust and transparent decision-making 5.2 A financially sustainable organisation
Endorsed by Council on:	1 June 2015 Reference Number: SM15/14
Manager responsible for policy:	Manager Procurement & Contracts

Policy purpose

The purpose of this Procurement Policy is to outline the procurement framework and principles the Sunshine Coast Council (Council) will adopt and apply when conducting Contracting Activities, which include contracts for the procurement of goods and services and the disposal of assets.

Policy outcome

Council's desired policy outcomes are to:

a) provide a framework for undertaking Contracting Activities, within an effective governance framework and sound probity environment;

b) encourage strategic decision-making and sustainable procurement practices;

c) facilitate efficient and timely delivery of Council's capital works, operational activities, or the disposal of assets;

d) deliver value for money;

e) encourage an open, efficient and competitive market place;

f) encourage development of competitive local business and industry;

g) manage Council's risk exposure; and

h) comply with all applicable laws including the *Local Government Act 2009 (Qld) (LGA 2009)* and *Local Government Regulation 2012 (Qld) (LGR 2012).*

Policy scope

This Procurement Policy applies to Local Government Employees and Councillors of Council who undertake any part of a Contracting Activity on behalf of Council.

This policy is supported by the following organisational guidelines and delegations:

- Procurement and Disposal Contracting Activities Guideline;
- Purchase Cards Guideline;
- Councillors Acceptable Request Guidelines;

- All relevant Delegations of power and authority.

Note: In the event of conflict between any guideline/s or procedure/s and this policy, the policy will prevail to the extent of any inconsistency.

Prohibition on Contractors conducting Contracting Activities

Local Government Employees and/or Councillors of Council are the only persons authorised to initiate any procurement process, or to contract on behalf of Council.

Persons engaged by Council in Contracts for Service (for example: Contractors such as consultants and project managers are not permitted to commence or control any Contracting Activity. For clarity, Contractors may participate in a Contracting Activity, such as by providing technical advice during the evaluation of tenders; however they are not permitted to undertake any action that results in them commencing or forming a contract from (on behalf of Council) a Contracting Activity.

Guiding principles

Council will ensure it is financially sustainable by establishing a financial management system that ensures regard is had for the Sound Contracting Principles when contracting for the supply of goods or services (including the carrying out of works[1]) and the disposal of assets.[2]

Council will apply the Sound Contracting Principles in the coming financial year[3] in relation to its Contracting Activities.

The Sound Contracting Principles are:

a) value for money; and
b) open and effective competition; and
c) the development of competitive local business and industry; and
d) environmental protection; and
e) ethical behaviour and fair dealing.

Regard will be had for each principle, although each principle may not receive equal consideration.[4]

Council will apply, and have regard for, the Sound Contracting Principles in the following manner:

Value for money

The concept of value for money is not restricted to the price of the goods, services or works. Council will consider a number of factors when assessing value for money, including:

a) whole-of-life costs including acquisition, use, maintenance and disposal costs;
b) contribution to the achievement of Council's policies and priorities;
c) fitness for purpose, quality, service and support;
d) internal administration costs;
e) technical compliance costs;
f) risk exposure; and
g) the value of any associated environmental benefits.

[1] *LGA 2009,* s.104 (4).
[2] *LGA 2009,* s.104.
[3] *LGR 2012*, s.198.
[4] *LGA 2009*, s.104(8).

Open and effective competition

All Contracting Activities will be conducted by Council using an open and competitive process. Open and effective competition will be achieved by ensuring that:

a) procedures and processes for contracting are visible to Council, suppliers and the community;
b) prospective suppliers are given fair and reasonable consideration; and
c) evaluation of offers is undertaken pursuant to the legislation, procedures and evaluation criteria applicable to the Contracting Activity.

The development of competitive local business and industry

Council encourages the development of competitive local businesses and will endeavour to promote and support competitive local industry while conducting Contracting Activities.

In addition to price, capability, performance, quality and suitability, Council may also consider the following factors when conducting a Contracting Activities:

a) creation of local employment opportunities;
b) economic growth within the local area;
c) readily available servicing support and supply chain capability; and
d) the benefit to Council of contracting with local suppliers and the associated local commercial transactions that flow from that contracting.

Environmental protection

Council will seek to complement its broader environmental commitments and initiatives when conducting Contracting Activities. While conducting those activities, Council will have regard to a range of environmental factors including:

a) the environmental benefits and impacts for the whole life cycle of products and services including manufacture, supply, use, maintenance and disposal;
b) procurement of environmentally responsible products, services, works and assets that satisfy whole-of-life cost and value for money criterion;
c) products that use fewer resources and have reduced environmental impacts throughout their life cycle, evidenced by:
   - reduced toxicity;
   - reduced packaging;
   - reducing waste to landfill;
   - greater energy efficient and/or reduced carbon pollution,
   - greater water efficient and/or reduced water use;
d) use of products made from recycled materials, recycled green organics and/or recycled plastic products; and
e) providing an example to business, industry and the community in promoting the use of environmentally responsible goods and services.

Ethical behaviour and fair dealing

Council will conduct Contracting Activities with impartiality, fairness, independence, openness and integrity to ensure probity, transparency and accountability for outcomes. Council will promote ethical behaviour and fair dealing by:

a) ensuring legislative and policy compliance in Contracting Activities;
b) ensuring compliance with Employee and Councillor Codes of Conduct;
c) creating and maintaining a robust and effective procurement process that operates in a mature probity environment;

d) identifying and managing possible, real or perceived conflicts of interest between Council, Local Government Employee's, Councillors and prospective or existing contractors;
e) ensuring equal and impartial treatment of all prospective and existing contractors.

Roles and responsibilities

Council Officers with a role or responsibility to Contracting Activities are:

Director, Corporate Services Department is responsible for overviewing all financial management systems and services, including Contracting Activities.

Manager Procurement & Contracts is responsible for implementing and maintaining a framework for undertaking efficient and sustainable Contracting Activities, within an effective governance framework and sound probity environment. This includes creating appropriate guidelines, processes, procedures and documents.

All Managers are responsible for ensuring all Officers comply with this Procurement Policy and associated guidelines, processes and procedures.

Procurement Contracts Committee is responsible for providing an effective decision making forum regarding Contracting Activities.

All Officers are responsible for complying with this Procurement Policy and associated guidelines, processes and procedures. Only Officers delegated the authority to conduct Contracting Activities as per Delegation No 2 – Procurement and Contracting Activity Delegation are permitted to commence or bind Council in contract resulting from a Contracting Activity, and only within the limits of the relevant financial authority set in that delegation.

Measurement of success

The success of this Procurement Policy will be measured by:

- Percentage of total spend from Procurement Contracting Activities with local suppliers;
- Percentage of Procurement Contracting Activities with an environmental criterion;
- Audit Reports rating the procurement function with a strong outcome or better; and
- Number of invitations to change tenders under *LGR 2012*, 228(7) during the financial year.

Policy statement

Council adopts the *LGR 2012*, Chapter 6 Contracting, Part 3 Default contracting procedures (ss.216 & 223 - 238) for entering into contracts for the:

a) supply of goods and services (including carrying out work); and
b) disposal of non-current assets.[5]

Council will comply with these procedures when conducting Contracting Activities.

[5] *LGR 2012*, s.216.

Value Thresholds – Procurement or disposal activities

Council will engage an appropriate Contracting Activity by considering the following:

Thresholds for procurement activities

The *LGR 2012* identifies two contract value thresholds. These determine which procurement process must be adopted to contract for the provision of goods and services.

Those thresholds are:

- A medium-sized contractual arrangement is a contractual arrangement with a supplier that is expected to be worth, exclusive of GST, $15,000 or more but less than $200,000 in a financial year, or over the proposed term of the contractual arrangement;[6]
- A large-sized contractual arrangement is a contractual arrangement with a supplier that is expected to be worth, exclusive of GST, $200,000 or more in a financial year, or over the proposed term of the contractual arrangement.[7]

Aggregation of contractual arrangements

The expected value of a contractual arrangement with a supplier for a financial year, or over the proposed term of the contractual arrangement, is the total expected value of all of Council's contracts with the supplier for goods and services of a similar type under the arrangement.[8]

Council will monitor the expected value of contractual arrangements with its various suppliers to ensure that the correct Procurement Contracting Activity is adopted.

Thresholds for Valuable Non-Current Assets

The *LGR 2012* provides that a Valuable Non-Current Asset is:

- land; or
- another non-current asset that has an apparent value that is equal to or more than a limit set by Council.[9]

Council sets the value for Valuable Non-Current Assets, other than land at:

- for plant or equipment - $5,000;
- for another type of non-current asset - $10,000.

For clarity, items with a greater value than the above figures are Valuable Non-Current Assets.

[6] *LGR 2012,* s.224(2).
[7] *LGR 2012,* s.224 (3).
[8] *LGR 2012,* s.224 (4).
[9] *LGR 2012,* s.224(6).

Application to Council Contracting

Unless one of the exceptions applies (outlined later in this policy), Council will conduct Contracting Activities, in the following manner:

Table 1: Contracting Activity thresholds

Contract Type	Legislative requirement
Large-sized contractual arrangement: $200,000+ (GST exclusive) *LGR 2012*, s.226;	Council will not enter into a large-sized contractual arrangement, without: (a) inviting written tenders; or (b) inviting expressions of interest (EOI) (but only following a resolution of Council that it would be in the public interest to invite EOI's before inviting written tenders), before considering whether to invite written tenders. Invitations for written tenders or EOI's, will, as a minimum, be advertised in a newspaper circulating in the local government area. Invitations will remain open for at least 21 days after the advertisement is published. Where Council invites an EOI before considering whether to invite written tenders, Council may prepare a short-list from respondents to the invitation to EOI and invite written tenders from that shortlist. Council may decide not to accept any tenders it receives. If Council decides to accept a tender, Council must accept the tender most advantageous to it having regard to the Sound Contracting Principles.
Medium sized contractual arrangement: $15,000 to $200,000 (GST exclusive) *LGR 2012*, s.225	Council will not enter into a medium-sized contractual arrangement, without first inviting written quotes for the Contract from at least three persons the Council considers can meet the Council's requirements at competitive prices. Council may decide not to accept any of the quotes it receives. If the Council does accept a quote, it must accept the quote most advantageous to it, having regard to the Sound Contracting Principles.
Low value contractual arrangements Worth less than $15,000 (GST exclusive).	Council will implement an appropriate and effective procurement process for contractual arrangements worth less than $15,000 (GST exclusive). The process will ensure regard is had for the Sound Contracting Principles.

Contract Type	Legislative requirement
Contract for disposal of a Valuable Non-Current Asset Plant or equipment- $5,000 Any other type of valuable non- current asset - $10,000	Council will not enter into a contract for the disposal of a Valuable Non-current Asset without: (a) offering the Valuable Non-Current Asset for sale by auction; (b) inviting written tenders; or (c) inviting EOI's (but only following a resolution of Council that it would be in the public interest to invite EOI's before inviting written tenders), before considering whether to invite written tenders. The invitation mentioned in (b) or (c) will, as a minimum, be advertised in a newspaper circulating in the local government area. The invitation will remain open for at least 21 days after the advertisement is published. Where Council invites an EOI before considering whether to invite written tenders, Council may prepare a short-list from respondents to the invitation to EOI and invite written tenders from that shortlist. Council may decide not to accept any tenders it receives.
Low value contracts for disposal of non-current assets For disposal where the value does not reach the threshold of a Valuable Non-Current Asset	Council will implement an appropriate and effective process for the disposing of non-current assets worth less than the threshold set by Council for Valuable Non-Current Assets. The process will ensure regard is had for the Sound Contracting Principles.

Exceptions for Medium and Large Sized Contractual Arrangements

The *LGR 2012* provides a number of exceptions when Council may enter into:

a) a medium-sized contractual arrangement without first inviting written quotes; or
b) a large-sized Contract without first inviting written tenders.

Those exceptions and the circumstances under which they may be exercised are as follows:

Table 2: Exceptions for Procurement Contracting Activities

Exception	Council may enter into a medium or large-sized contractual arrangement without first inviting written quotes or tenders, if:
Quote or Tender Consideration Plan *LGR 2012*, s.230	Council decides by *resolution* to prepare a Quote or Tender Consideration Plan and then later *adopts* the plan.
Approved Contractor List *LGR 2012*, s.231	A services Contract is made with a person from an Approved Contractor List.
Register of Pre-Qualified Suppliers *LGR 2012*, s.232	The Contract is entered into with a supplier from a Register of Pre-Qualified Suppliers (RPQS). An RPQS will only be established by inviting written tenders from Suppliers to be on the RPQS. Council may establish a RPQS of particular goods or services only if: (a) the preparation and evaluation of invitations every time the goods or services are needed would be costly; or (b) the capability or financial capacity of the supplier of the goods or services is critical; or (c) the supply of the goods or services involves significant security considerations; or (d) a precondition of an offer to contract for the goods or services is compliance with particular standards or conditions set by the local government; or (e) the ability of local business to supply the goods or services needs to be discovered or developed. A ***pre-qualified supplier*** is a supplier who has been assessed by the local government as having the technical, financial and managerial capability necessary to perform contracts on time and in accordance with agreed requirements.

Exception	Council may enter into a medium or large-sized contractual arrangement without first inviting written quotes or tenders, if:
Preferred Supplier Arrangement *LGR 2012*, s.233	The Contract is entered into with a supplier from a Preferred Supplier Arrangement (PSA). A PSA will only be established by inviting written tenders from Suppliers to be on the PSA. This exception only applies to a medium or large-sized contractual arrangement for goods or services, if, Council: (a) needs the goods or services in large volumes or frequently; and (b) is able to obtain better value for money by accumulating the demand for the goods or services; and (c) is able to describe the goods or services in terms that would be well understood in the relevant industry.
Local Government Association Arrangement *LGR 2012*, s.234	The Contract is entered into under a LGA Arrangement.
Sole Supplier *LGR 2012*, s.235(a)	Council *resolves* it is satisfied that there is only one supplier who is reasonably available.
Specialised Supplier *LGR 2012*, s.235(b)	Council *resolves* that, because of the specialised or confidential nature of the services that are sought, it would be impractical or disadvantageous for Council to invite quotes or tenders.
Genuine Emergency *LGR 2012*, s.235(c)	A Genuine Emergency exists.
Auction Purchase *LGR 2012*, s.235(d)	The Contract is for the purchase of goods and is made by auction.
Second-hand Goods *LGR 2012*, s.235(e)	The Contract is for the purchase of second-hand goods.
Governmental Arrangement *LGR 2012*, s. 235(f)	The Contract is made with, or under an arrangement with, a Government Agency.

Exceptions for Valuable Non-Current Asset Contracts

The *LGR 2012* provides a number of exceptions when Council may dispose of Valuable Non-Current Assets other than by tender of auction.[10]

Council may dispose of a Valuable Non-Current Asset other than by tender or auction if:

Table 3: Exceptions for Disposal Contracting Activities (Valuable Non-Current Assets).

<table>
<tr><th>Exception</th><th>Legislative requirement</th></tr>
<tr><td>Previous offer for sale or auction
LGR 2012, s.236(1)(a)</td><td>The Valuable Non-Current Asset was previously offered for sale by tender or auction but was not sold; and is being sold for more than the highest tender or auction bid that was received.</td></tr>
<tr><td>Government Agency or Community Organisation
LGR 2012, s.236(1)(b)</td><td>The Valuable Non-Current Asset is disposed of to a Government Agency or a Community Organisation.
Point (b) immediately below this table does not apply to this exception.</td></tr>
<tr><td rowspan="5">Forms of disposal for land or an interest in land
LGR 2012, s.236(1)(c)</td><td>(a) For the disposal of <u>land</u> or an <u>interest in land</u>:</td></tr>
<tr><td>The land will not be rateable land after the disposal;</td></tr>
<tr><td>The land is disposed of to a person whose restored enjoyment of the land is consistent with Aboriginal tradition or Island custom;
Point (b) immediately below this table does not apply to this exception.</td></tr>
<tr><td>The disposal is for the purpose of renewing the lease of land to the existing tenant of the land.</td></tr>
<tr><td>The land is disposed of to a person who owns adjoining land if:
(i) the land is not suitable to be offered for disposal by tender or auction for a particular reason, including, for example, the size or the existence of infrastructure; and
(ii) there is not another person who owns other adjoining land who wishes to acquire the land; and
(iii) it is in the public interest to dispose of the land without a tender or auction; and
(iv) the disposal is otherwise in accordance with the Sound Contracting Principles.</td></tr>
</table>

Continued Table 3 - Exceptions (valuable non-current asset contracts)

[10] *LGR 2012,* s.236.

<table>
<tr><th>Exception</th><th>Legislative requirement</th></tr>
<tr><td rowspan="3">Forms of disposal for land or an interest in land
LGR 2012, s.236(1)(c) continued.</td><td>All or some of the consideration for the disposal is consideration other than money, for example, other land in exchange for the disposal, provided:
(i) it is in the public interest to dispose of the land without a tender or auction; and
(ii) the disposal is otherwise in accordance with the Sound Contracting Principles.</td></tr>
<tr><td>The disposal is for the purpose of a lease for a telecommunication tower.</td></tr>
<tr><td>The disposal is of an interest in land that is used as an airport or for related purposes, provided:
(i) it is in the public interest to dispose of the land without a tender or auction; and
(ii) the disposal is otherwise in accordance with the Sound Contracting Principles.</td></tr>
<tr><td>Forms of disposal – Other than land
LGR 2012, s.236(1)(d)</td><td>The disposal of a valuable non-current asset, other than land, by way of a trade-in for the supply of goods or services to Council, provided:
(i) the supply is, or is to be, made under this part; and
(ii) the disposal is, or is to be, part of the contract for the supply.</td></tr>
<tr><td>Forms of disposal – Specific to leasing
LGR 2012, s.236(1)(e)</td><td>The disposal of a valuable non-current asset, by the grant of a lease, if the grant of lease has been previously offered by tender or auction, but a lease has not been entered into.</td></tr>
<tr><td>Ministerial exemption
LGR 2012, s.236(1)(f)</td><td>The Minister exempts Council from complying with section 227.
An exemption given under this subsection may be given subject to conditions.
Points (a) and (b) immediately below this table do not apply to this exception.</td></tr>
</table>

Exercise of the aforementioned exceptions is subject to the following qualifications:

a) For exceptions mentioned in subsections 236(1)(a) to (e), before the disposal, Council decides by resolution that the exception may apply to that particular disposal.[11]

[11] *LGR 2012*, s.236(2).

b) For exceptions relating to disposal of land or an interest in land, the consideration for the disposal would be equal to, or more than, the market value of the land or the interest in land including the market value of any improvements.[12] A written report about the market value from a valuer registered under the *Valuers Registration Act 1992* (not an employee of Council) will be sufficient evidence of the market value.[13]

c) Point (b) immediately above does not apply to disposal of land or an interest in land which is disposed of under sections 236(1)(b), (1)(c)(ii) or (1)(f).[14]

Other legislative obligations

Powers to delegate (*LGA 2009*, ss.257, 259 & *LGR 2012*, s.238)

Council may delegate by resolution, a power under the *LGA 2009* or another Act to the Chief Executive Officer (CEO).[15] Any delegation to the CEO will be reviewed annually.[16] The Council must not delegate a power that an Act states must be exercised by resolution.[17] Council may delegate a power with conditions.

Council has delegated to the CEO powers related to Contracting Activities. The CEO has in turn delegated these powers onto appropriately qualified Local Government Employees. These delegations are recorded in the delegations register maintained by the CEO.[18]

Requirement to keep record of particular matters (*LGR 2012*, s.164)

Council will keep a written record stating the risks the Council's operations are exposed to, to the extent they are relevant to financial management and the control measures adopted to manage the risks. Council will keep a copy of the Procurement Policy with that record.

Unauthorised spending (*LGR 2012*, s.173)

Council will only spend money in a financial year if it is adopted in the budget for the financial year; or before adopting its budget for the financial year, if it then provides for the spending in the budget for that financial year.

Council may spend money, not authorised in its budget, for genuine emergency or hardship. In this instance Council must make a resolution about spending the money; either before, or as soon as practicable after, the money is spent. The resolution will state how the spending is to be funded.

Other contents - Annual Report – changes to tenders (*LGR 2012*, s.190)

Council will include the number of invitations to change tenders under the *LGR 2012*, Section 228(7) during that financial year in its annual report for the financial year.

Procurement Policy – annual review (*LGR 2012*, s.198)

Council will prepare and adopt a Procurement Policy that will be reviewed annually. The Procurement Policy will include details of the principles, including the Sound Contracting Principles that Council will apply to purchasing goods and services.

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[12] *LGR 2012,* s.236(3).
[13] *LGR 2012,* s.236(5).
[14] *LGR 2012,* s.236(4).
[15] *LGA 2009,* s.257(1)(b).
[16] *LGA 2009,* s.257(4).
[17] *LGA 2009,* s.257(2).
[18] *LGA 2009,* s.260.

Public access to relevant financial and planning documents (*LGR 2012*, s.199)

Council will allow the public to inspect this Procurement Policy by making it available:

a) on its website (http://www.sunshinecoast.qld.gov.au/); and
b) at Council's public office.

Council will also make a copy of the Procurement Policy available for purchase at a cost of no more than it costs Council to make it available.

Publishing details of contractual arrangements worth $200,000 or more (*LGR 2012*, s.237)

Council will, as soon as practicable after entering into a contractual arrangement worth $200,000 or more (GST exclusive) publish the relevant details of the contractual arrangement:

a) on its website http://www.sunshinecoast.qld.gov.au ; and
b) in a conspicuous place in a public office.

Relevant details of a Contract means:

a) the person with whom Council has entered into the contractual arrangement;
b) the value of the contractual arrangement; and
c) the purpose of the contractual arrangement.

Councillor requests for information

The *LGA 2009* provides the circumstances under which Councillors may request information or assistance from Local Government Employees.[19] A framework for this process has been established by the Councillors Acceptable Request Guidelines. This guideline outlines the processes for Councillors requesting, and Local Government Employees providing, information.

Councillors and Local Government Employees should comply with the legislation, the relevant Guideline and the respective Codes of Conduct when dealing with matters relating to Contracting Activities.

Councillors should direct any issues regarding Contracting Activities to the CEO.[20] They should not attempt to influence any Contracting Activity. Attempts to do so may constitute a breach of legislation and/or the Councillor Code of Conduct. Further, attempts may cause the favoured industry participant to be disqualified from consideration under Council's probity conditions established under its procurement process and general conditions of offer.

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[19] *LGA 2009,* s.170A.
[20] *LGA 2009,* s.170.

Definitions

Approved Contractor List is a list of persons who Council considers to be appropriately qualified to provide services established pursuant to the *LGR 2012*, s.231.

Community Organisation means:

a) an entity that carries on activities for a public purpose; or
b) another entity whose primary object is not directed at making a profit.

Contract means a contract (including purchase orders and purchase card transactions) for:

a) the supply of goods or services; or
b) the carrying out of work; or
c) the disposal of non-current assets.

In this policy, the term does not include a contract of employment between Council and a Local Government Employee (as defined in the *LGA 2009*).

Contracting Activity means a Procurement Contracting Activity and/or a Disposal Contracting Activity.

Contract for Service means a contract to which an independent contractor is a party and that relates to the performance of work by the independent contractor.

Genuine Emergency includes:

a) Any time that the Local Disaster Coordinator is performing a function under the *Disaster Management Act 2003*; or
b) Any time an event occurs resulting in actual or likely loss of life or serious injury to person/s and where action from Council may prevent or reduce the actual or likely loss of life or serious injury to person/s, or aid and assist in response to the event; or
c) Any time an event occurs resulting in actual or likely serious damage to property and where action from Council may prevent or reduce the actual or likely serious damage, or aid and assist in response to the event.

Disposal Contracting Activity means an activity for the making of a contract to dispose of a Council asset, including a Valuable Non-Current Asset.

Government Agency is:

a) the State, a government entity, a corporatised business entity or another local government; or
b) another Australian government or an entity of another Australian government; or
c) a local government of another State.

Large-sized contractual arrangement means a contractual arrangement with a supplier that is expected to be worth, exclusive of GST, $200,000 or more in a financial year.

Local Government Employees means a Local Government Employee (as that term is defined in the *LGA 2009*) of the Sunshine Coast Regional Council, but does not include a person engaged on a Contract for Service for a defined time or designated project.

LGA Arrangement means an arrangement established pursuant to the *LGR 2012*, s.234.

Medium-sized contractual arrangement means contractual arrangement with a supplier that is expected to be worth, exclusive of GST, $15,000 or more but less than $200,000 in a financial year.

Preferred Supplier Arrangement is an arrangement established by Council pursuant to the *LGR 2012*, s.233.

Procurement Contracting Activity means an activity for the making of a contract for the provision of goods and services.

Quote or Tender Consideration Plan means a plan established by Council pursuant to the *LGR 2012*, s.230.

Register of Pre-Qualified Suppliers is a register of suppliers established by Council pursuant to the *LGR 2012*, s.232.

Sound Contracting Principles means the principles provided in the *LGA 2009*, s.104.

Valuable Non-Current Asset means land or another non-current asset that has a value equal to or more than the limit set by Council.

Related policies and legislation

- *Local Government Act 2009 (Qld)*
- *Local Government Regulation 2012 (Qld)*
- *Statutory Bodies Financial Arrangements Act 1982 (Qld)*
- *Public Sector Ethics Act 1994 (Qld)*
- *Disaster Management Act 2003 (Qld)*
- Council's current Corporate Plan
- Council's current Operational Plan
- Council's current delegations
- Councillors Acceptable Request Guidelines
- Employee Code of Conduct
- Code of Conduct for Councillors.

Version control:

Version	Reason/ Trigger	Change (Y/N)	Endorsed/ Reviewed by	Date
1.0	Review	Y	Mgr Procurement & Contracts	15/04/2015
	Endorsement		Council	1/06/2015

Sunshine Coast COUNCIL

Strategic Policy	
2015/16 Debt Policy	
Corporate Plan reference:	5. A public sector leader 5.2 - A financially sustainable organisation
Endorsed by Council on:	1 June 2015 Reference Number: SM15/12
Manager responsible for policy:	Director Corporate Services, Corporate Services Department

Policy purpose

The purpose of this policy is to ensure the sound management of council's existing and future debt.

Policy outcome

The policy will provide clear guidance for staff in the management of council's debt portfolio and maintenance of appropriate debt and debt service levels.

Policy scope

This policy applies to all Councillors and council staff and extends to all borrowing activities of council and any controlled entities.

Policy statement

New borrowings will only be made to fund capital expenditure, for a period less than or equal to the estimated useful life of the asset(s) and for no more than 20 years.

New borrowings will be undertaken in accordance with the Queensland Treasury Corporation Guidelines, the *Statutory Bodies Financial Arrangements Act 1982* and Section 192 of the *Local Government Regulation* 2012.

Borrowing Purposes

- Council will not utilise loan funding to finance operating activities or recurrent expenditure.
- Council undertakes full analysis of all funding options as outlined in the Long Term Financial Forecast, including a forward program of capital works, to determine loan funding requirements.
- Council recognises that infrastructure demands placed upon council can often only be met through borrowings, but will always be mindful of the additional cost incurred by the community when assets are acquired through borrowings which increases the cost of providing capital infrastructure.
- Council will endeavour to fund all capital renewal projects from operating cash flows and borrow only for new or upgrade capital projects, having regard to sound financial management principles and giving consideration to inter-generational equity for the funding of long term infrastructure projects.

- Where capital expenditure is deferred from one year to the next, the drawdown of approved loan funds will be reviewed to minimise interest expenses.
- Borrowings for infrastructure that provides a return on assets will take priority over borrowing for other assets.

Debt Term

Where capital projects are financed through borrowings, council will repay the loans within a term not exceeding the life of those assets, and over a term that optimises cash flow efficiency. Current loans are planned to be repaid within a twelve (12) year term and major capital projects as the Sunshine Coast Solar Farm and Maroochydore City Centre, the loan period to be a term of 20 years.

- Council currently re-balances the portfolio back to a 12-year term following each transaction and with any draw down of new loan funds.
- If surplus funds become available, and where it is advantageous to council, one-off loan repayments will be made to reduce the term of existing loans.
- In an environment of fluctuating interest rates, and where there is a distinct economic advantage to council, consideration will be given to renegotiating any outstanding loans to obtain the best long-term benefit to council.

Repayment Ability

Council will maintain close scrutiny of debt levels to ensure that relative sustainability indicators will not exceed target parameters recommended by Queensland Treasury Corporation and *Local Government Regulation 2012*.

Borrowing Sources

Council will raise all external borrowings at the most competitive rates available and from sources available as defined by legislation. Consideration will be given to provision of loans to business units from surplus cash reserves held by council by way on an internal loan.

Proposed Borrowings

Proposed Borrowings planned for the current financial year and the next nine financial years are outlined in Appendix A, in accordance with Section 192 *Local Government Regulation 2012*.

Internal Loans

The provision and approval of an internal loan will depend on the availability of surplus funds at the time of application and the capacity of the business unit or operational activity to repay the loan.

- All applications for internal loans will be made by reference to the Finance Branch for consideration in accordance with the Long Term Financial Forecast.
- The term of the loan will be appropriate to the life of the asset being financed.
- In all cases, where business units are subject to the provisions of the National Competition Policy, the cost to the business unit will be no less than what would apply to an equivalent private sector business. The interest rate will be the sum of:
  - (a) the equivalent QTC borrowing rate for the proposed term;
  - (b) the QTC administration charge; and
  - (c) an additional margin above the QTC borrowing rate.
- The interest rate applicable to internal loans relating to operational activities of council will be the actual borrowing cost from QTC including administrative charges.

Council may, upon reasonable notice being given, require repayment of part or all of the balance of the loan at any time, which would require the business unit to convert the outstanding balance of the loan to an external facility.

- Provision for the repayment of the loan will be included in the annual budget for the business unit.

Guiding principles

The purpose of establishing this policy is to:

- Provide a comprehensive view of council's long term debt position and the capacity to fund infrastructure growth for the Region;
- Increase awareness of issues concerning debt management;
- Enhance the understanding between Councillors, community groups and council staff by documenting policies and guidelines;
- Demonstrate to government and lending institutions that council has a disciplined approach to borrowing.

Roles and responsibilities

Pursuant to Section 192 *Local Government Regulation 2012*, council must prepare a debt policy each year that states the new borrowings planned for the current financial year and the next nine financial years.

The Finance Branch will review the cash flow requirements prior to loan proceeds being drawn down to minimise interest expenses.

Measurement of success

Financial sustainability indicators remain within target ranges and the provision of necessary infrastructure is not constrained through the lack of capital funding.

Details of outstanding loans will be reported annually in council's Financial Statements and Annual Report.

Definitions

Business unit – A business activity within council structure subject to the application of full cost pricing principles as defined under the National Competition Policy.

Inter-generational equity – This relates to the fairness of the distribution of the costs and benefits of a policy when costs and benefits are borne by different generations. (i.e. The principle whereby those who derive a direct benefit from the service or infrastructure provided actually pay for that service).

QTC – Queensland Treasury Corporation.

Maroochydore City Centre – The Maroochydore City Centre was declared by the state government as a Priority Development Area (PDA) on 19 July 2013, at the request of council to renew the region by supporting economic development, providing such needed infrastructure and creating a new central business district for the Sunshine Coast.

Related policies and legislation

- *Local Government Act 2009*
- *Local Government Regulation 2012*
- *Statutory Bodies Financial Arrangements Act 1982*
- *Statutory Bodies Financial Arrangements Regulation 2007*

Version control:

Version	Reason/ Trigger	Change (Y/N)	Endorsed/ Reviewed by	Date
1.0	Adopted			02/06/2014
	Review			23/03/2015
	Endorsement		Council	1/6/2015

Appendix A

Schedule of proposed external borrowings:

	2015/16 $,000	2016/17 $,000	2017/18 $,000	2018/19 $,000	2019/20 $,000	2020/21 $,000	2021/22 $,000	2022/23 $,000	2023/24 $,000	2024/25 $,000
Total SCC Proposed Borrowings	44,711	39,900	16,772	27,474	32,845	23,018	26,609	17,542	27,465	35,301
SCC + Business Units	8,050	14,875	14,266	12,826	9,550	10,096	19,013	11,717	21,202	10,777
Maroochydore City Centre	31,660	21,025	2,506	14,648	23,295	12,921	7,596	5,825	6,263	24,524
Palmview Development	5,000	4,000								
Capital works projects as outlined in the adopted budget schedule										

Note that council operates a central treasury model and as such does not generally provide debt funding for specific projects or assets but rather uses debt funding to finance council's balance sheet, with the exception being for strategic projects.

Sunshine Coast COUNCIL

Strategic Policy

2015/16 Investment Policy

Corporate Plan reference:	5. A public sector leader 5.2 A financially sustainable organisation
Endorsed by Council on:	1 June 2015 Reference Number: SM15/12
Manager responsible for policy:	Director Corporate Services, Corporate Services Department

Policy purpose

The intent of this document is to outline Sunshine Coast Council's investment policy and guidelines regarding the investment of surplus funds, with the objective to maximise earnings within approved risk guidelines and to ensure the security of funds.

Policy outcome

The objectives of this Policy are to maximise investment earnings within investment parameters whilst ensuring the security of funds.

Policy scope

This policy applies to the investment of all funds held by Sunshine Coast Council (hereafter "Council").

Policy statement

Council will maintain an active investment strategy with the following goals:

- Maximise investment returns from investment activities
- Exceed the benchmark of the United Bank of Switzerland (UBS) 90 day Bank Bill rate
- Invest only in investments as authorised under current legislation
- Invest only with approved institutions
- Invest to protect capital value of investments

Guiding principles

Council's overall objective is to invest its funds at the most advantageous rate of interest available to it at the time, for that investment type, and in a way that it considers most appropriate given the circumstances. The investment portfolio will maintain sufficient liquidity to meet all reasonably anticipated operating cash flow requirements of council, as and when they fall due, without incurring significant transaction costs due to being required to sell an investment.

Investment activities shall preserve capital as a principal objective of the investment portfolio. Investments will be performed in a manner that seek to ensure security of principal of the overall portfolio. This would include managing credit and interest rate risk with given risk management parameters and avoiding any transactions that would prejudice confidence in council or its associated entities.

Credit Risk

Council will evaluate and assess credit risk prior to investment. Credit risk is the risk of loss due to the failure of an investment issuer or guarantor. The investment officer will minimise credit risk in the investment portfolio by prequalifying all transactions including the brokers/securities dealers with which they do business, diversify the portfolio and limit transactions to secure investments.

Interest Rate Risk

The investment officers shall seek to minimise the risk of a change in the market value of the portfolio because of a change in interest rates. This would be achieved by considering the cash flow requirements of council and structuring the portfolio accordingly. This will avoid having to sell securities prior to maturity in the open market. Secondly, interest rate risk can be limited by investing in shorter term securities.

Investment Parameters and Guidelines

For the purposes of this policy, investable funds are the moneys available for investment at any one time and include the Sunshine Coast Council's bank account balance. Included in this balance is any moneys held by council on behalf of external parties (for example developer contributions).

Council investments are limited to those prescribed by Section 6 of the *Statutory Bodies Financial Arrangements Act 1982* (hereafter "SBFAA") for local governments with Category 2 investment powers, which allows for investment with Queensland Treasury Corporation or Queensland Investment Corporation, along with a range of other higher-rated counterparties without further approval.

The SBFAA includes a list of prohibited investments without first seeking the Treasurer approvals, including, but not conclusive list, derivative based instruments, non-Australian dollars and maturity maximum greater than three years.

It is noted that for the purposes of this investment portfolio, the percentage limits apply effective from the date of purchase as a percentage of the market value of the portfolio. No more than 20 per cent of the portfolio is to be invested in Floating Rate Notes.

The following table sets council's investment parameters, where maximum percentage of funds can be invested within each category:

Short Term Rating (Standard & Poor's) or equivalent	***Individual Counterparty Limit***	***Total Limit***
QIC / QTC Pooled Cash Management Fund	100%	100%
A1+ - Financial Institutions	35%	100%
A1+ - Bond Mutual Funds	30%	50%
A1 – Financial Institutions	30%	40%
A2 – Financial Institutions	15%	35%
A3 – Financial Institutions	5%	10%
Unrated	Nil	Nil

Maturity

The maturity structure of the portfolio will reflect a maximum term to maturity of three (3) years and includes an interest rate reset of no longer than twelve (12) months.

Liquidity requirement

Given the nature of the funds invested, no more than 20 per cent of the investment portfolio will be held in illiquid securities and at least 10 per cent of the portfolio can be called at no cost or will mature within 0-7 days.

AUTHORITY

Council has been granted authority to exercise Category 2 investment power under Part 6 of the SBFAA.

Authority for implementation of the Investment Policy is delegated by council to the Chief Executive Officer. The Chief Executive Officer has then delegated authority to the Director Corporate Services, Manager Finance and the Coordinator Financial Accounting in accordance with the *Local Government Act 2009*, Section 257 (1) (b) – Delegation of local government powers.

For the purposes of the appointment of an external fund manager pursuant to Section 59 of the SBFAA, to operate in a manner consistent with this policy will constitute compliance.

New investment products

A new investment product requires a full risk assessment by the Manager Finance and Coordinator Financial Accounting (including compliance with the Act).

Breaches

Deposits are in the first instance deemed to be “unbreakable”, that is, no early exit. Where council holds an investment that is downgraded below the minimum acceptable rating level, as prescribed under regulation for the investment arrangement, or where limits for different risk categories or where counterparty limits are breached, an assessment will be undertaken once the change becomes known. Any breach of this Investment Policy is to be reported to the Director Corporate Services and Manager Finance.

Roles and responsibilities

The Director Corporate Services, the Manager Finance and the Coordinator Financial Accounting are authorised to invest Sunshine Coast Council’s operating funds at their discretion in investments consistent with this Investment Policy and legislation. The Treasury team are responsible for the operations and management of the funds.

The standard of prudence is to be used by investment officers when managing the overall portfolio. Investments will be managed with the care, diligence and skill that a prudent person would exercise in managing the affairs of other persons. This includes having in place appropriate reporting requirements that ensure the investments are being reviewed and overseen regularly.

Investment officers are to manage the investment portfolios not for speculation, but for investment and in accordance with the spirit of this Investment Policy. Investment officers are to avoid any transaction that might harm confidence in council. They will consider the safety of capital and income objectives when making an investment decision.

Ethics and conflicts of interest

Consideration will be given to ethical investment principles in determining the approved counterparty lists for investment of funds.

Investment officers/employees shall refrain from personal activities that would conflict with the proper execution and management of Sunshine Coast Council’s investment portfolio. This includes activities that would impair the investment officer’s ability to make impartial decisions.

This policy requires that employees and investment officials disclose to the Chief Executive Officer any conflict of interest or any investment positions that could be related to the investment portfolio.

Delegation of authority

Authority for implementation of the Investment Policy is delegated by council to the Chief Executive Officer in accordance with the *Local Government Act 2009*, Section 257 (1) (b) – Delegation of local government powers.

Authority for the day-to-day management of Council's Investment Portfolio is to be delegated by the Chief Executive Officer to the Director Corporate Services, the Manager Finance, and to the Coordinator Financial Accounting, in accordance with Section 259 of the *Local Government Act 2009*, and subject to regular reviews from the Chief Executive Officer.

Criteria of authorised dealers and broker

Council will maintain a list of authorised financial institutions and securities brokers that the investment officers may deal with. These financial intermediaries must have a minimum long term rating of at least either A+/A1/A+ from Standard and Poor's, Moody's or Fitch IBCA.

All transactions undertaken on behalf of the investment portfolio of council will be executed either by Sunshine Coast Council directly, or through securities brokers registered as Australian Financial Service Licensees (ASIC) with an established sales presence in Australia, or direct issuers that directly issue their own securities which are registered on Sunshine Coast Council's approved list of brokers/dealers and direct issuers.

Safekeeping and custody

Each transaction will require written confirmation by the broker/dealer/bank. Council will hold security documents, or alternatively a third party custodian authorised by the Manager Finance and evidenced by safekeeping receipts may hold security documents.

Measurement of success

A summary of investments, amount invested and comparison above benchmark, at a minimum, is included in the monthly Financial Performance Report to council Ordinary Meetings.

The benchmark target is to be set equal to or above the benchmark yield and consider the expected types of securities held in each portfolio, that is, the portfolio will be compared to the UBS Australia Bank Bill Index and/or the Bank Bill Swap Reference Rate.

Definitions

BBSW – Bank Bill Swap Rate – This is the daily calculation of the yields on bank bills of 1, 2, 3, 4, 5, and 6 month maturities used for the setting of financial arrangements.

Ethical Investment Principles – Investment in companies or industries that promote positive approaches to environmental, social and corporate governance issues; or the avoidance of investment in industries deemed harmful to health or the environment. These principles have been recognised by the United Nations Principles for Responsible Investment.[1]

Financial Institution is defined as an authorised deposit-taking institution within the meaning of the *Banking Act 1959 (Cwlth)*, Section 5.[2]

[1] Further information on the United Nations Principles for Responsible Investment, including a schedule of Australian signatories, can be obtained from the following website **http://www.unpri.org/principles/**

[2] For a list of authorised deposit taking institutions, refer to the website of the Australian Prudential Regulation Authority: **http://www.apra.gov.au/adi/**.

Investments are defined as arrangements that are undertaken or acquired for producing income and apply only to the cash investments of Sunshine Coast Council.

Market Value of the portfolio is the book value of fixed term fixed interest deposits plus a market value assessment of commercial paper, bank bills, and bonds or floating rate notes.

QIC – Queensland Investment Corporation.

QTC – Queensland Treasury Corporation.

UBS Bank Bill Index – widely considered to be the industry benchmark for short term cash fund performance and is used by market participants as a means of comparing the returns generated by the various cash funds available in the market.

Related policies and legislation

Statutory Bodies Financial Arrangements Act 1982

Statutory Bodies Financial Arrangements Regulation 2007

Local Government Act 2009

Banking Act 1959 (Cwlth)

Version control:

Version	Reason/ Trigger	Change (Y/N)	Endorsed/ Reviewed by	Date
1.0	Created	N	Special Statutory Budget Meeting	2/6/2014
1.0	Review	N	Manager Finance	25/3/2015
1.0	Endorsement		Council	1/6/2015

Sunshine Coast COUNCIL

Strategic Policy

2015/16 Revenue Policy

Corporate Plan reference:	5. A public sector leader 5.2 - A financially sustainable organisation	
Endorsed by Council on:	1 June 2015	Reference Number: SM15/13
Manager responsible for policy:	Director Corporate Services, Corporate Services Department	

Policy purpose

The purpose of this Revenue Policy is to set out the principles used by Council for:

- the levying of rates and charges; and
- granting concessions for rates and charges; and
- the recovery of overdue rates and charges; and
- cost-recovery methods.

Policy outcome

The Revenue Policy will be applied by council in the development of the annual budget for the 2015/16 financial year.

Policy scope

The Revenue Policy applies to all areas identified in Section 193 of the *Local Government Regulation 2012*.

Policy statement

The Levying of Rates and Charges

Council levies rates and charges to fund the provision of valuable services to our community. When adopting its annual budget council will set rates and charges at a level that will provide for both current and future community requirements. Council will apply the principle of transparency in making rates and charges.

1. General Rates

General Rate revenue provides essential whole of community services not funded through subsidies, grants, contributions or donations received from other entities, or not provided for by other levies or charges. Council will consider all full cost recovery options before calculating the general rate.

Council is required to raise an amount of revenue it sees as being appropriate to maintain assets and provide services to the region as a whole. In deciding how that revenue is raised, Council has formed the opinion that a differential general rating scheme, based primarily on land use, provides the most equitable basis for the distribution of the general rate burden.

The rateable value for each property is the basis for determining the amount of the general rate levied. Council recognises that significant valuation fluctuations may have an adverse effect on pensioners. Council has implemented a Deferment of General Rates Policy to provide eligible pensioners with the opportunity to apply for a deferment of general rates.

2. Special and Separate Rates and Charges

Where appropriate Council will fund certain services, facilities or activities by means of separate or special rates or charges.

In accordance with Section 94 of the *Local Government Regulation 2012* council will levy special rates and charges on certain properties that are considered to be specially benefited by the provision of a specific service, facility or activity.

Special rates are based on the rateable value of the land and special charges are a flat charge per property, where this is considered to provide a more equitable basis for the sharing of the cost.

In accordance with Section 103 of the *Local Government Regulation 2012* council will levy a separate rate or charge on all rateable land in the region to fund a particular service, facility or activity where council believes that the service, facility or activity is a key in achieving council's vision to be Australia's most sustainable region - vibrant, green, diverse.

3. Other Charges

In general, council will be guided by the principle of user pays in making all other charges.

The Levying of Rates and Charges

In levying rates and charges, council will apply the principles of:

- consistency by scheduling the issue of rate notices on a half yearly basis;
- communication by advising ratepayers about rate notice issue dates and discount dates;
- clarity by providing meaningful information on rate notices to enable ratepayers to clearly understand their responsibilities; and
- flexibility by providing payment arrangements to ratepayers in financial difficulty, along with a wide array of payment options.

In making and levying rates and charges, council will be guided by the principles of:

- equitable distribution of the general rates burden as broadly as possible;
- transparency in the making and levying of rates;
- flexibility, to take account of changes in the local economy;
- clarity in terms of responsibilities (council's and ratepayers') in regard to the rating process;
- National Competition Policy legislation where applicable; and
- having in place a rating regime that is efficient to administer.

The Purpose of and Granting of Concessions for rates and charges

Council has determined that pensioners as defined by the *Local Government Regulation 2012* are entitled to receive concessions on rates and various other services that council provides to the community. Council may grant a concession for land that is owned by a pensioner under Section 120(1)(a) of the *Local Government Regulation 2012.* The purpose of the concessions for pensioners is to assist pensioner property owners to remain in their own home by reducing the financial impact of rates and charges.

In accordance with Section 120(1)(b) of the *Local Government Regulation 2012* other charitable organisations, community groups, and sporting associations may also be entitled to concessions.

The purpose of these concessions is to encourage and support charitable organisations, community groups, and sporting associations as they contribute to the health and well-being of the community and the social cohesion of the region.

In accordance with Section 120(1)(d) of the *Local Government Regulation 2012* concessions may be granted if the concession will encourage economic development of all or part of the local government area. Per the provisions of the Sunshine Coast Investment Incentive Scheme an approved business or enterprise may be entitled to a concession in the form of a deferment of general rates for such period as Council may determine from time to time.

In exercising these concession powers council will be guided by the principles of:

- transparency by making clear the requirements necessary to receive concessions; and
- communication by raising the awareness of target groups that may qualify for these concessions; and;
- equity by ensuring that all applicants of the same type receive the same concession.

The Recovery of Rates and Charges

Council will exercise its rate recovery powers pursuant to the provisions of Chapter 4 Part 12 of the *Local Government Regulation 2012* in order to reduce the overall rate burden on ratepayers, and will be guided by the principles of:

- equity by treating all ratepayers in similar circumstances in the same manner and by having regard to their capacity to pay;
- transparency by making clear the obligations of ratepayers and the processes used by council in assisting them to meet their financial obligations; and
- flexibility by accommodating ratepayers' needs through short-term payment arrangements.

Cost Recovery Fees

All fees and charges will be set with reference to full cost pricing. Cost recovery fees will be charged up to a maximum of full cost. Commercial charges will be at commercial rates. Council acknowledges the community benefit associated with not-for-profit organisations conducting activities on the Sunshine Coast, and therefore all not-for-profit organisations are exempt from cost recovery fees for applications to conduct activities requiring an approval on public and private land within the region.

New Development Costs

Developer contributions for infrastructure are determined each year in accordance with the philosophy that a developer should pay reasonable and relevant contributions towards the capital cost of the provision of infrastructure to meet past and future augmentation costs associated with this new development, subject to State Government requirements. Infrastructure agreements are negotiated outcomes between Council and the developer.

Guiding principles

Council is required to prepare and adopt a Revenue Policy in accordance with Section 193 of the *Local Government Regulation 2012*. The Revenue Policy must be reviewed annually and in sufficient time to allow an annual budget that is consistent with the Revenue Policy to be adopted for the next financial year.

Accordingly, the principles contained within the Revenue Policy are applied in the determination of the Revenue Statement, rates, fees and charges.

Roles and responsibilities

All council staff are bound by the principles outlined in this policy in determining the level of rates, fees and charges, and in the application of concessions relating to those rates, fees and charges.

Measurement of success

Financial sustainability indicators remain within target ranges and council maintains a strong financial position through adequate and equitable revenue streams.

Definitions

All words within this policy have the meaning assigned under the Dictionary from the schedule contained within the *Local Government Regulation 2012*

Related policies and legislation

Local Government Act 2009

Local Government Regulation 2012

Version control:

Version	Reason/ Trigger	Change (Y/N)	Endorsed/ Reviewed by	Date
1.0	Created	N	Special Statutory Budget Meeting	2/6/2014
1.0	Review	N	Manager Finance	25/3/2015
1.0	Endorsement	N	Council	1/6/2015

Attachment E - Summary of Commitments

Budget Development Workshop	Section	Commitment No.	Commitment	Outcomes	Comments
1	9.1 Revenue - Rates & Utility Charges	9.1.1.1	The parameter used in the Long Term Financial Model (LTFM) to assist in the determination of the annual general rate increase will be the Local Government Association Queensland (LGAQ) Council Cost Index (CCI).	The use of a tailored price index that reflects the movement in local government costs will ensure that general revenues and costs will move in unison.	The LGAQ Council Cost Index is published each year based on the December quarter cost indices published by the Australian Bureau of Statistics.
3	9.1 Revenue - Rates & Utility Charges	9.1.1.2	Early payment discounts will be maintained at 5% of the general rate or $200 per annum, whichever is the lesser amount. Any future loss of discount will be offset by a reduction in the general rate take equal to the total discount that would have applied.	All ratepayers will be levied a rate that reflects their rating category. The overall impact on Council revenue will be neutral. Operational efficiencies may be achieved through not having to manage the discount scheme, whilst encouraging early payment to optimise cash flow opportunities.	The management of early payment discounts is time consuming, costly, and creates significant issues for Councillors and staff in dealing with ratepayer complaints when discount is missed. The Local Government Regulation 2012 (s133) provides for overdue interest to be charged on late rate payments at 11%. This raises the question as to whether any other incentive is required to ensure cash flows are maintained.
3	9.1 Revenue - Rates & Utility Charges	9.1.1.3	Council will maintain its support of pensioners by continuing the pensioner rebate on rate payments. The annual Revenue Statement will define the quantum and eligibility for this rebate.	Pensioners will receive continued support by Council to offset rate payments.	Council's pensioner rebate is in addition to the rebate supplied by the State Government.
3	9.1 Revenue - Rates & Utility Charges	9.1.1.4	a) Council will use a differential rating system to levy general rates. b) Council will aim to have 2/3 of residential ratepayers on the minimum general rate c) When Council sets rates in the dollar, consideration will be given to the contribution to the total rate take by the seven key rating groups, currently within the following ranges: • Rural & Agricultural 1% to 1.2%. • Commercial & Industrial 8.0% to 10.0%. • Residential (PPR and Non PPR) 62% to 64%. • Vacant Land 1.5% to 1.9%. • Retirement Villages & Nursing Homes 0.3% to 0.5%. • Shopping Centres 1.6% to 2.0%. • Units (high and low rise, PPR and Non PPR) 23% to 25%. d) Non PPR Residential/Units will be set at 20% above PPR	A more equitable distribution of general rates charges is achieved.	Council applies a differential rate to 30 sub-categories.
3	9.1 Revenue - Rates & Utility Charges	9.1.1.5	Council supports the use of levies through special charges where appropriate for ratepayers who benefit by the provision of a specific service, facility, or activity. Legislation for special charges requires an overall plan for charges and expenditure to be presented at the annual budget meeting. Council supports the use of separate charges that will be levied on all ratepayers. A schedule of projected charges and expenditure will be presented at the annual budget meeting for each separate charge.	Applying charges that reflect specific benefits received supports council's rating principle of equitable distribution of the general rates burden as broadly as possible.	Council continues to support this commitment with 11 special or separate levies.
4	9.1.2 Revenue - Fees & Charges	9.1.2.1	All fees and charges will be set with reference to full cost pricing. Cost recovery fees will be charged at a maximum of full cost. Commercial charges will be at commercial rates.	Council will maximise its revenue from fees and charges. Recipients of services related to regulatory fees and commercial charges will be charged appropriately.	Whilst many regulatory activities are constrained through State legislative parameters, Council currently adopts the principle of user pays for fees and charges. Systems and process must be in place to support cost recovery practices.
4	9.1.3 Revenue - Business Activities	9.1.3.1	Each business activity classified under Chapter 3 Part 2 Division 2 of the Local Government Act 2009 will target a return to Council equal to an appropriate pre-tax weighted average cost of capital for the business by June 2015. Actual performance against budgeted targets will be published annually in the Community Financial Report.	The community is receiving the maximum allowable financial benefits from council's business activities.	Council's Competition Reform Policy defines the Return on Capital and Return on Cost Calculations to apply to business activities, having regard to the nature of business activity (whether a regulated activity as compared to commercial business operations).
May Ordinary Meeting	9.1.4 Revenue - Investment Returns	9.1.4.1	As per the Investment Policy, Council will maintain an active investment strategy with the following goals: • Maximise investment returns from investment activities. • Exceed the benchmark of the United Bank of Switzerland (UBS) 90 day Bank Bill rate. • Invest only in investments as authorised under current legislation. • Invest only with approved institutions. • Invest to protect capital value of investments	Council's investment returns from surplus cash will be maximised with minimised credit risk.	These policy commitments are currently being strictly adhered to.

Budget Development Workshop	Section	Commitment No.	Commitment	Outcomes	Comments
May Ordinary Meeting	9.1.4 Revenue - Investment Returns	9.1.4.2	Unitywater revenue streams will be reviewed annually in conjunction with the release of the Unitywater annual audited financial statements	Council will maximise these returns and will adhere to the principles of fairness and equity.	Under the South East Queensland Water (Distribution and Retail) Restructuring Act 2009, Council has been granted Participation Rights in Unitywater as compensation for transferring its remaining water and sewerage assets to this entity. Returns from these Participation rights will be in the form of loans to Unitywater that will earn interest, and access to annual Participation Returns. Loans to Unitywater are subject to certified deeds and arrangements that control and direct the management of the loans and are categorised as Senior and Subordinated Loans. Senior and Subordinated loans are interest only, with interest received quarterly. Currently the interest rates applying to all these loans are greater than Council is paying QTC on its borrowings. Council will receive an annual Participation Return in relation to its Participation Rights in Unitywater. All aspects of this revenue to Council are contained in the certified Unitywater document Participation Returns (Dividend) Policy.
5	9.1.4 Revenue - Investment Returns	9.1.4.3	All returns from Council owned properties will be at commercial rates and on commercial terms with the exception of leased community use assets.	Council will maximize these returns and will adhere to the principles of fairness and equity.	All such Council leases comply with this policy commitment.
5	9.1.5 Revenue - Grants, Subsidies & Contributions	9.1.5.1	Council will continually seek out federal and state government contributions, grant funding and subsidy opportunities and explore partnership funding opportunities with the private and not-for-profit sector to deliver projects before allocating general revenue.	All external funding sources for delivery of capital and operating programs and projects is maximised.	Council currently employs a Coordinator - Funding Partnerships to research, identify, consider and source funding opportunities.
1	9.2 Operating Expenditure - Employee Costs	9.2.1.1	Growth of employee numbers will need to be requested on an annual basis.	Council will recognise the costs involved in providing services to a growing community.	Note that growth is considered separate to any increments associated with wages indexation under the Certified Agreements.
1	9.2 Operating Expenditure - Employee Costs	9.2.1.2	In each year, a vacancy factor of 3% will be deducted from the full establishment costs to produce budgeted employee costs.	The estimated employee costs will more closely reflect reality. Revenue will not be raised from the community unnecessarily.	Each year Council will experience a turnover in staff of from 5% and up to 12% on depending economic circumstances. In 2014 the annual turnover of permanent staff was 8%. In most instances, positions are unfilled from the time of vacancy to new employment. A reduction of employee costs from full establishment costs will reflect this. There is capacity, as directed by the Executive Leadership Team, for certain council areas to be exempt from this commitment.
1	9.2 Op Expenditure - Employee Costs	9.2.1.3	Council is committed to continuously review services delivered, service levels and standards.	Services provided by Council will be those that are appropriate for Council to deliver and will be at service levels and standards required by the community.	The benefits arising from the Organisation Review are expected to be realised over a number of years.
5	9.2 Op Expenditure - Material & Services	9.2.2.1	Council is committed to balancing long term financial sustainability with the recognition and inclusion of all operating costs directly evolving from asset management plans into budgets.	All operating costs arising from new or existing assets will be budgeted for where possible, with regard to long term financial sustainability.	All asset management plans will contain forward schedules of costs. A process will be developed to ensure these costs are clearly identified in future budgets.
1	9.2 Op Expenditure - Material & Services	9.2.2.2	Growth of materials and services costs needs to be requested on an annual basis and limited to half of general rates growth for forward years.	Council will recognise the costs involved in providing services to a growing community.	Note that growth is considered separate to any price indexation associated with materials and services costs.
1	9.2 Op Expenditure - Material & Services	9.2.2.3	Council is committed to continuously review services delivered, service levels and standards.	A program of continuous improvement to all facets of service delivery will become the norm for Council.	Services, and related delivery methods are to be continuously reviewed.
1	9.2 Op Expenditure - Material & Services	9.2.2.4	Ongoing review of goods and services expenditure will be carried out to identify opportunity for appropriate contract control for identified operating expenses.	The benefit of establishing contracts for expenditure which is otherwise carried out on an ad hoc basis will directly impact Council's operating budget.	Council's procurement policy identifies the principles, objectives and strategies that apply to achieve effective, efficient and sound contracts with suppliers.
5	9.2 Op Expenditure - Material & Services	9.2.2.5	Operating projects that are known to be delayed to a future year will be incorporated into regular budget reviews and reconsidered in the following year.	Cash and debt management will be improved. Projects that have not commenced and are delayed to a future year will be reprioritised against the future year projects.	A specific component of the budget review process will be the identification of delayed or saved operating costs.
4	9.2 Op Expenditure - Material & Services	9.2.3.1	A comprehensive review of all components and variables used to determine annual depreciation will be undertaken during 2015/16, with any outcomes incorporated into the budget, having regard to the outcome of adopted asset management plans.	Depreciation expense will reflect the best possible estimate of the annual use and service potential of assets.	The infrastructure asset management plans will provide input into this depreciation review.
4	9.3 Asset Management & Capital Expenditure - Asset Management Plans	9.3.1.1	Council will continue to advance asset management through the further development and update of asset management plans, asset management systems and processes.	Council will have a robust and compliant asset management system. Council's financial model will reflect the costs of asset renewal, upgrades, and maintenance.	It is expected that the ten year financial model will reflect all expenditure defined in Asset Management Plans by June 2016.

Budget Development Workshop	Section	Commitment No.	Commitment	Outcomes	Comments
4	9.3 Asset Management & Capital Expenditure - Capital Expenditure	9.3.2.1	Council's Asset Management Policy adopted in April 2010 contains the following commitments: • All assets will be managed from a whole of life perspective in accordance with the IMM2006. • A ten year Capital works program will be developed and reviewed annually as part of Council's budget process. • New assets will only be approved where there is the required growth, a Council commitment or a deficient level of service. • Development and commitment to long term capital works and financial plans that support and are responsive to the needs of the community and meet State Government legislation will be incorporated into Asset Planning (Capital Works). • The ongoing review of opportunities for additional funding sources and partnerships e.g. benefited areas levies, external grants and funding partnerships.	These commitments will ensure a robust approach to the allocation of capital expenditure.	The completion of advanced asset management plans will complement these commitments.
4	9.3 Asset Management & Capital Expenditure - Capital Expenditure	9.3.2.2	The capital works model will contain estimates by project or major expenditure type for ten years and will form an integral part of the ten year financial model and will include whole of life cost analysis. Overall management of the integrated models will be undertaken by the Financial Services Unit. Each Department will be responsible for the maintenance of any capital expenditure forecasts under their control. These forecasts will only be updated during budget review or annual budget processes and will align with formal approvals.	Responsibilities for data within the model will be clearly defined.	This commitment strengthens the integration of the financial model and capital works model but does not reduce the key responsibility for ownership of capital forecasts.
4	9.3 Asset Management & Capital Expenditure - Capital Expenditure	9.3.2.3	New developments will pay Infrastructure Charges and provide contributed trunk and non-trunk assets under conditioning powers vested in Council's Local Government Infrastructure Plan (LGIP) and the Planning Scheme respectively. Additionally, Infrastructure Agreements may call up land, works or monetary contributions over and above that identified through the LGIP and the Planning Scheme. This ensures that development contributes appropriately to fund its share of the cost of trunk infrastructure. (Where a developer provides trunk infrastructure, Council reimburses the cost in full to avoid "double dipping".) Council will fund infrastructure directly related to bringing existing infrastructure to desired standards of service. A separate and distinct section of the capital works model will be established solely for growth related trunk infrastructure, (LGIP), transparently showing development and Council funding for capital expenditure. Infrastructure Charges will be used only for identified trunk infrastructure projects. As a general principle, no capital expenditure related to growth infrastructure will be expended unless sufficient available funding exists in the External Restricted Cash account(s), or unless a clear funding stream has been identified.	Developments will pay the full cost of the growth component of the infrastructure required as a consequence of the development.	This timing of LGIP capital expenditure and the receipt of Infrastructure Charges and other cash contributions from development will be across different years. The commitment will be met by considering the receipt of Charges and the proposed LGIP capital expenditure over the ten year timeframe of the forecast. A full review of the general rate contribution to LGIP capital expenditure will need to be undertaken. Where assets are constructed by developers and contributed to Council as part of any development, Council will ensure that the assets are of a required standard having regard to the whole of life cost and sustainable asset principles.
4	9.3 Asset Management & Capital Expenditure - Capital Expenditure	9.3.2.4	All capital expenditure projects will be evaluated, ranked, and selected in line with current Council evaluation methods, asset management plans, adopted strategies and policies during the annual budget process or regular budget reviews.	Asset sustainability will be enhanced.	Current council project ranking methodologies will have to be revised to consider asset management plans' requirements along with prioritisation of adopted strategies.
4	9.3 Asset Management & Capital Expenditure - Capital Expenditure	9.3.2.5	Capital expenditure related to projects that are known to be delayed to a future year will be incorporated into regular budget reviews and reconsidered in future years as a first priority. Final year end carried forward capital expenditure will be limited to those projects that were not able to be completed within the financial year.	Cash and debt management will be improved. Projects that have not commenced and are delayed to a future year will be reprioritised against the future year projects. This also caters for projects that span more than one financial year and have been staged in both the adopted budget and capital works program.	A specific component of the regular budget review process will be deferring delayed capital projects.
4	9.3 Asset Management & Capital Expenditure - Capital Expenditure	9.3.2.6	Council is committed to working towards achieving all asset sustainability ratios.	Council can claim to have achieved long term sustainability by maintaining all ratios within or better than targets related to renewal expenditure and asset management plans. Annual targets will be developed based on estimated renewals.	Council also maintains other key financial ratios in addition to those defined under State legislation.
5	9.4 Cash Management - Working Capital	9.4.1.1	Council will use all options under legislation to recover overdue rates and utility charges.	All ratepayers will be treated fairly in relation to payment of rates.	Council's rates debtors at 30 June 2014 of $9.5 million are 2.5% of total operating revenue.
2	9.4 Cash Management - Working Capital	9.4.1.2	Council will pay creditors strictly in accordance with commercial trading terms of 30 days from invoice date or in accordance with any contractual obligations.	Council will fulfil its obligations to the community in this area.	Council currently operates on these terms.
2	9.4 Cash Management - Working Capital	9.4.1.3	Council will always maintain a working capital ratio of greater than 1.	Council will be able to pay debts when they are due.	Council's working capital ratio is well above this requirement across all years of the forecast.
2	9.4 Cash Management - Cash Balances & Reserves	9.4.2.1	During a year, Council will maintain a cash balance of between at least three and five months of cash operating requirements.	An efficient level of cash will be maintained and will be in line with the main cash receipts cycle.	This commitment is aligned to operating requirements. Closing cash balances at year end will also consider restricted cash requirements.

Budget Development Workshop	Section	Commitment No.	Commitment	Outcomes	Comments
5	9.4 Cash Management - Cash Balances & Reserves	9.4.2.2	A restricted cash account will be created for every separate or special rating levy. All rating revenues for each levy will be accounted for as movements to the appropriate restricted cash account and expenditures related to the specific purpose will be accounted for as movements from the appropriate restricted cash account. All special or separate rating levy restricted cash accounts will be classified as externally restricted for the purposes of considering cash surplus to requirements.	A transparent process will be in place for the management of separate and special rating levies.	Standard accounting processes will be in place to meet these requirements.
2	9.4 Cash Management - Cash Balances & Reserves	9.4.2.3	Closing cash balances at year end will be maintained at greater than the minimum balances as per the QTC Cash Management Review for determining optimum cash levels. This will be subject to annual review.	Council will be able to meet the commitments of externally restricted cash.	This consideration will be a part of standard practices leading up to year end.
May Ordinary Meeting	9.5 Debt Management - Debt Purposes, Terms & Repayments	9.5.1.1	**Borrowing Purposes** • Council will not utilize loan funding to finance operating activities or recurrent expenditure. • Council undertakes full analysis of all funding options as outline in the Long Term Financial Forecast, including a forward program of capital works, to determine loan funding requirements. • Council recognizes that infrastructure demands placed upon Council can often only be met through borrowings, but will always be mindful of the additional cost incurred by the community when assets are acquired through borrowings which increases the cost of providing capital infrastructure. • Council will endeavour to fund all capital renewal projects from operating cash flows and borrow only for revenue generating business units, having regard to sound financial management principles and giving consideration to inter-generational equity for the funding of long term infrastructure projects. • Where capital expenditure is deferred from one year to the next, the drawdown of approved loan funds will be reviewed to minimise interest expenses. • Borrowings for infrastructure that provides a return on assets will take priority over borrowing for other assets.	Sustainable levels of debt will be maintained and managed efficiently.	Debt is managed in accordance with these policy commitments. Where opportunities for sustainable capital expenditure are identified (e.g. energy and/or water efficiency programs), consideration will given to funding the initial investment from loans where it is considered economically viable.
May Ordinary Meeting	9.5 Debt Management - Debt Purposes, Terms & Repayments	9.5.1.1 continued	**Debt Term** Where capital projects are financed through borrowings, Council will repay the loans within a term not exceeding the life of those assets, and over a term that optimizes cash flow efficiency. Current loans are planned to be repaid within a twelve (12) year term. This is notwithstanding any new strategic projects that may require a longer debt term. • If surplus funds become available, and where it is advantageous to Council, one-off loan repayments will be made to reduce the term of existing loans. • In an environment of fluctuating interest rates, and where there is a distinct economic advantage to Council, consideration will be given to renegotiating any outstanding loans to obtain the best long-term benefit to Council. **Repayment Ability** Council will maintain close scrutiny of debt levels to ensure that relative sustainability indicators will not exceed target parameters recommended by the Queensland Treasury Corporation and Local Government Regulations 2012. **Borrowing Source** Council will raise all external borrowings at the most competitive rates available and from sources available as defined by legislation. Consideration will be given to provision of loans to business units from surplus cash held by council by way of an internal loan.	Sustainable levels of debt will be maintained and managed efficiently.	Debt is managed in accordance with these policy commitments. Where opportunities for sustainable capital expenditure are identified (e.g. energy and/or water efficiency programs), consideration will given to funding the initial investment from loans where it is considered economically viable.
4	9.6 Commercial Management	9.6.1	Council's commercial decision-making will be guided by business case evaluations that identify opportunities, determine viability of options, consider implications, and assess risk to provide the best value for money outcome.	Well considered commercial outcomes for managing business activities and value for money delivery of public infrastructure and services.	Council has comprehensive business case guidelines which draw on information published by various levels of government in Australia and the United Kingdom. Council operates a number of commercial business activities to reduce the reliance of rate funding and ease the burden on ratepayers.
4	9.6 Commercial Management	9.6.2	Council will maintain a policy framework for applying national competition policy reform and manage business activities in accordance with the reform principles.	Well managed commercial business activities that are competitive and provide a return on Council's investment.	Council has comprehensive guidelines for the application of national competition policy and compliance with competition reform principles.
May Ordinary Meeting	9.7 Procurement	9.7.1	Council will provide value-adding procurement strategies and sound contract management practices to maximise contractors and supplier's delivery performance and service levels.	Sound procurement and contracting practices are maintained that pursue Council's vision of being Australia's most sustainable region - vibrant, green and diverse, and timely delivery of community infrastructure and service programs within legislative requirements.	Council has adopted an innovative procurement policy and has developed a comprehensive governance and probity framework to apply the procurement principles, objectives and strategy.

Budget Development Workshop	Section	Commitment No.	Commitment	Outcomes	Comments
1	9.8	9.8.1	Council will investigate all available options to achieve ongoing economic, ecological, and social sustainability.	Council needs to ensure sufficient flexibility to enable optimisation of opportunities as they arise. Such opportunities can provide ongoing security and sustainability for the Region as a whole.	Council is committed to reviewing for continuous improvement opportunities as well as investigating strategic business opportunities to ensure that Council provides value for money services to the ratepayers. Where economically feasible all opportunities should be appropriately resourced to ensure Council's strategic objectives are attained.