

8.5.1 FEBRUARY 2017 FINANCIAL PERFORMANCE REPORT

File No: Financial Reports
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 Corporate Services Department
Attachments: Att 1 - February 2017 Financial Performance Report

PURPOSE

To meet Council's legislative obligations, a monthly report is to be presented to Council on its financial performance and investments.

EXECUTIVE SUMMARY

This monthly financial performance report provides Council with a summary of performance against budget as at 28 February 2017 in terms of the operating result and delivery of the capital program.

The operating result at 28 February 2017 shows a positive variance of \$7.7 million compared to the forecast position.

Operating Performance**Table 1: Operating Result as at 28 February 2017**

February 2017	Current Budget \$000	YTD Current Budget \$000	YTD Actual \$000	YTD Variance \$000	Variance %
Operating Revenue	419,648	348,224	355,490	7,266	2.1
Operating Expenses	394,723	253,339	252,912	(427)	0.2
Operating Result	24,925	94,885	102,578	7,693	8.1

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

As at 28 February 2017, \$124 million (46.5%) of Council's \$267.2 million 2016/17 Capital Works Program was financially expended.

The core Council Capital Program has progressed to 58% of budget, an actual spend of \$79.5 million.

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

OFFICER RECOMMENDATION

That Council receive and note the report titled "February 2017 Financial Performance Report".

FINANCE AND RESOURCING

There are no finance and resourcing implications from this report.

CORPORATE PLAN

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

CONSULTATION

Portfolio Councillor Consultation

Consultation has been undertaken with the Portfolio Councillor.

Internal Consultation

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

External Consultation

No external consultation is required for this report.

Community Engagement

No community engagement is required for this report.

PROPOSAL

Achievement of the full year budgeted operating result of \$25 million will allow Council to meet its debt repayments and capital expenditure commitments.

Budget Review 3 will be undertaken during March and April and will address many of the variances seen in the February results.

The operating result at 28 February 2017 shows a positive variance of \$7.7 million compared to the forecast position.

Operating Revenue

Year to date revenues as at 28 February 2017 of \$355 million shows a positive variance of \$7.3 million.

Table 2: Substantial Revenue variances as at 28 February 2017

Operating Revenue Large Variances	YTD Current Budget \$000	YTD Actual \$000	YTD Variance \$000	Variance %
Fees and Charges	44,456	47,912	3,455	7.8
Net Rates and Utility Charges	254,338	256,343	2,004	0.8
Other Revenue	7,916	9,038	1,122	14.2

Fees and Charges

Fees and charges revenue of \$47.9 million, is \$3.5 million ahead of year to date budget. Significant variances include:

- \$861,000 relates to increased revenues at the Sunshine Coast Holiday Parks with some associated increased expenditure. This will be recognised in Budget Review 3 with some of the net operating result to fund additional capital costs.
- \$862,000 is attributable to development service revenue being ahead of budget. This relates to market driven volumes being above expectation and compensating for the adjustment for superseded planning scheme applications last financial year.

- \$803,000 across the Community Response Branch, predominantly relating to infringements. This variance has remained steady since the January results.

Net Rates and Utility Charges

The January 2017 rate run has resulted in a favourable variance of \$2 million, which will be recognised in Budget Review 3. This is mainly attributable to 2.6% growth which is higher than forecast by 0.7%.

Other Revenue

Other revenue has exceeded the year to date budget by \$1.1 million this is made up of:

- \$315,000 across the organisation for recoupment of expenditure
- Increase in the sale of recoverable materials at the Waste facilities of \$294,000.
- \$190,000 associated with fleet operations and the sale of minor, non-capital equipment.

Operating Expenses

Year to date expenditure as at 28 February 2017 of \$252.9 million shows a variance under budget of \$427,000.

Employee Costs

As at 28 February 2017 employee costs were above budget by \$277,000. Employee expenditure to deliver projects across capital, operating and region making is above budget by \$462,000, whereby funding is balanced at project level.

This is offset by core employee costs below budget by \$184,000. This variance has reduced marginally since January results.

Materials and Services

As at 28 February 2017, materials and services costs were below budget by \$1.9 million.

Project materials expenditure is under budget by \$1.3 million. Whilst there are employee cost overruns to partially offset this, the main variance is attributable to several projects experiencing delays that were scheduled to commence in February. The majority are still expected to be delivered this financial year and forecasting will be updated as part of Budget Review 3.

Waste management continue to carry a \$1 million variance having incurred contract expenses below budget year to date due to contract rises below expectations. Some operational and general site improvements have also resulted in savings for budgeted contingent activities. Additional costs will however be incurred later in the year for legal advice on legislative changes and revisions to concrete crushing contracts.

Finance Costs

Finance costs are ahead of budget by \$1 million as a result of further interest associated with Region Making Projects being expensed to operating along with an adjustment to the debt service payment to align with Queensland Treasury Corporation schedules.

Capital Revenue

Capital revenue is currently 88% of the full year budget as at 28 February 2017. Contributed assets account for a large portion of this with \$76.4 million recognised to date against a full year forecast budget of \$75 million.

Capital Expenditure

As at 28 February 2017, \$124.3 million (46.5%) of Council's \$267.2 million 2016/17 Capital Works Program was financially expended.

The core Council Capital Program is progressing well with an actual spend of \$79.5 million, which is 57.6% of the \$138.1 million program.

The Maroochydore City Centre Project has incurred some delays for the period to February. It will be reforecast at Budget Review 3 resulting in deferrals to 2017/18. Construction work for the Solar Farm has recommenced causing costs to date to exceed the project budget by \$625,000. Additional costs will be recognised at Budget Review 3.

Table 4: Capital expenditure variances by program as at 28 February 2017

Capital Works Program	Forecast Budget \$000	YTD Forecast Budget \$000	YTD Actual \$000	YTD Variance	% Variance on YTD budget
Aerodromes	372	95	76	(19)	(20.2)
Buildings and Facilities	10,916	6,192	6,352	159	2.6
Coast and Canals	1,590	1,163	849	(314)	(27.0)
Divisional Allocations	3,765	1,242	1,088	(154)	(12.4)
Environmental Assets	4,905	4,460	4,641	180	4.0
Fleet	3,000	1,170	1,077	(93)	(8.0)
Holiday Parks	2,576	1,903	1,932	29	1.5
Information Technology	3,144	1,678	1,437	(241)	(14.4)
Parks and Gardens	16,180	12,229	11,625	(604)	(4.9)
Quarries	674	95	155	60	63.4
Stormwater	4,623	2,564	1,705	(858)	(33.5)
Strategic Land and Commercial Properties	10,093	5,417	7,599	2,183	40.3
Sunshine Coast Airport	4,746	2,709	2,016	(693)	(25.6)
Transportation	58,840	33,506	31,958	(1,548)	(4.6)
Waste	12,680	7,927	7,024	(903)	(11.4)
Total SCC Core Capital Program	138,106	82,350	79,533	(2,816)	(3.4)
Corporate Major Projects	18,461	182	63	(119)	(65.4)
Maroochydore City Centre	52,808	21,285	9,176	(12,109)	(56.9)
Solar Farm	31,645	29,127	32,270	3,142	10.8
Sunshine Coast Airport Runway	26,223	3,199	3,220	21	0.6
Total Other Capital Program	129,136	53,794	44,729	(9,065)	(16.9)
TOTAL	267,242	136,143	124,262	(11,881)	(8.7)

Table 5: Projects by status (SCC Base Only)

Project summary by Job status (SCC Base only)	Number of Capital Jobs	%	Current Budget \$000	%
Not Started	57	5.2	1,827	1.3
Works in Progress	577	52.5	94,040	68.1
Complete	421	38.3	40,799	29.5
On Hold/Cancelled	45	4.1	1,440	1.0
Total	1,100		138,106	

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

At the end of February 577 jobs were in progress equating to 68.1% of the core capital budget. The following chart shows the phase these projects have progressed to.

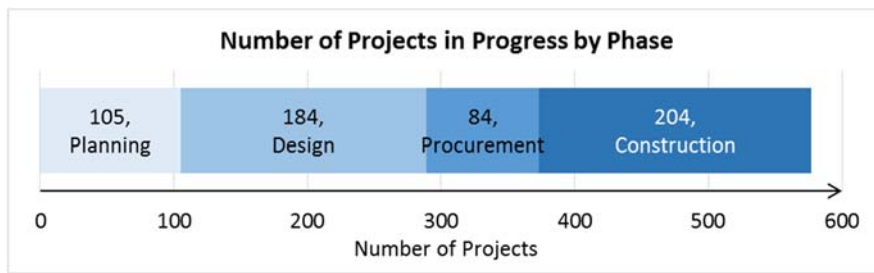
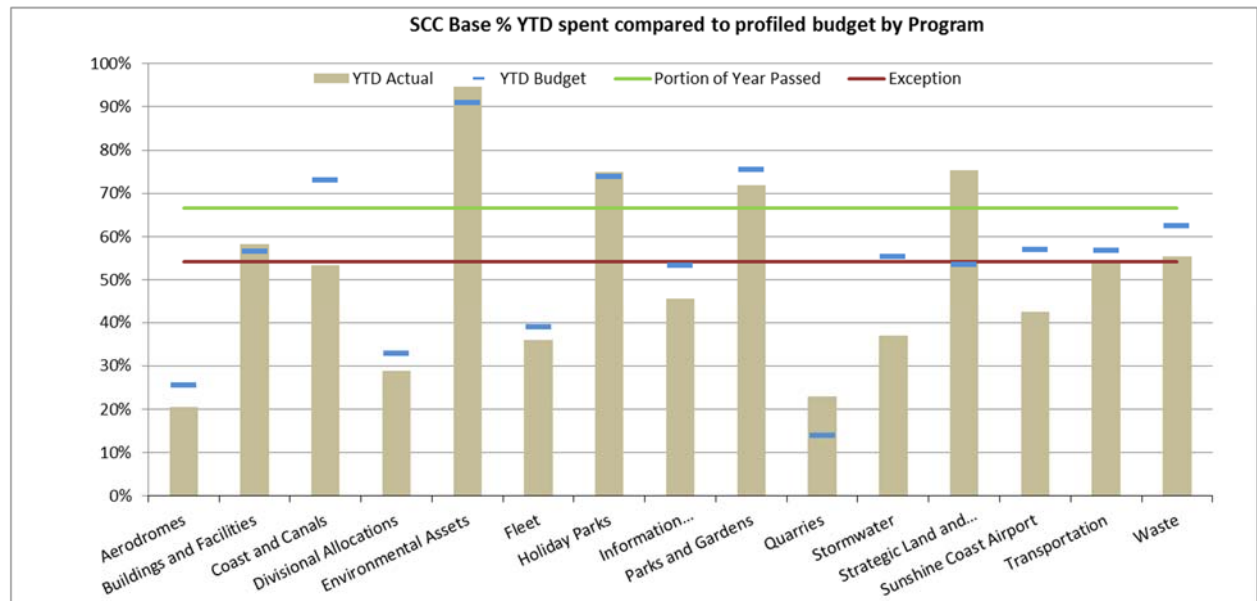


Table 6: Capital Exceptions Graph



Aerodromes

The aerodromes program is scheduled for some further works to occur in the second half of the year. However, a budget reduction will be recognised at Budget Review 3, due to:

- An extension of program timeframes for Caloundra Vegetation Clearing;
- T Hanger Invest and Design feasibility undertaken internally instead of externally, resulting in savings.

Coast and Canals

The program is showing a slight underspend against the current budget YTD, however, commitments have been raised and all projects are scheduled for completion by April end of month.

Fleet

36% of the Fleet program has been delivered to date with a further 56% committed. This is due to the long lead time required to procure plant and indicates that the 2016/17 program will be finalised by the end of the financial year.

Information Technology

The information technology program has suffered some delays and has been reviewed as part of Budget Review 3. Whilst some deferrals will be recognised at the next budget review these will not be significant and the remainder of the program will be delivered in full at year end.

Quarries

During 2016/17 the Quarry program will undertake resource modelling and drilling to allow the development of mining plans. Resource modelling was completed in January and the contract has been awarded for drilling which will commence late March. The mining plans will then be finalised in May/June. The other major works this financial year relates to the replacement of the weigh bridge software which progressed to tender during February. Implementation is forecast for April, however significant savings are anticipated of \$215,000.

Stormwater

Stormwater projects in construction phase are progressing well with 59% delivered to budget at the end of February. Some delays are being experienced with projects in design phase, due to approvals and easement acquisitions. This includes whole of region relining of damaged failing stormwater project which has experienced some procurement delays with contracts expected to be awarded in March and works to progress in April, May and June. Some savings have been identified within the stormwater program that are required for reallocation during Budget Review 3 to address emergent works before the end of financial year.

Investment Performance

- All investment parameters remain within the guidelines established by the Investment Policy.
- For the month ending 28 February 2017 Council had \$369 million cash (excluding Trust Fund) with an average interest rate of 2.75%, being 0.97% above benchmark. This is compared to the same period last year with \$296.6 million cash (excluding Trust Fund) where the average interest rate was 3.34%, being 0.6% above benchmark.
- The benchmark used to measure performance of cash funds is Bloomberg AusBond Bank Bill Index (BAUBIL) and the Bank Bill Swap Rate (BBSW) for term deposits.

Legal

This report ensures that Council complies with its legislative obligations with respect to financial reporting in accordance with Section 204 of the *Local Government Regulation 2012*.

Investment of funds is in accordance with the provisions of the *Statutory Bodies Financial Arrangements Act 1982* and the associated Regulations and the *Local Government Act 2009*.

Policy

Council's 2016/17 Investment Policy.

Risk

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

Previous Council Resolution

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

That Council:

- receive and note the report titled "Adoption of the 2016/2017 Budget and Forward Estimates for the 2017/2018 to 2025/2026 Financial Years"*
- adopt the 2016/2017 Budget Schedules (Appendix A) including Forward Estimates and*

- (c) *adopt the 2016/2017 Capital Works Program, endorse the indicative four-year program for the period 2017/2018 to 2020/2021, and note the five-year program for the period 2021/2022 to 2025/2026 (Appendix B).*

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

That Council:

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

Ordinary Meeting Budget 8 December 2016, Council adopted the Budget Review 2 2016/2017 (OM16/221)

That Council:

- (a) *receive and note the report titled “Budget Review 2 2016/17”*
(b) *adopt the amended 2016/17 Budget Financial Statements to include the identified operating and capital budget adjustments (Appendix A) and*
(c) *in addition to (b), amend the 2016/17 budget to include the additional sum of \$50,000 for the Maroochy Basketball Extension.*

Related Documentation

2016/17 Adopted Budget

Critical Dates

There are no critical dates for this report.

Implementation

There are no implementation details to include in this report.

Financial Performance Report

February 2017



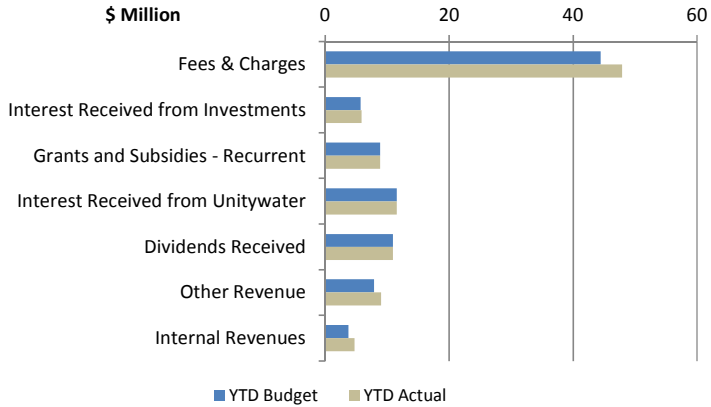
HEADLINE - OPERATING

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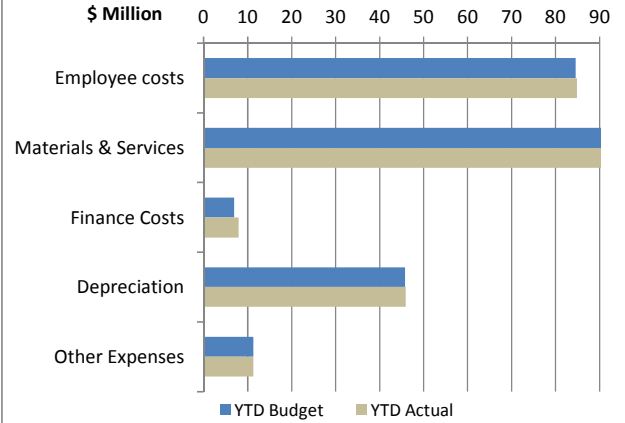
HEADLINE - OPERATING

	Annual		YTD			
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %
Operating Revenue	418,965	419,648	348,224	355,490	7,266	2.1%
Operating Expenses	388,041	394,723	253,339	252,912	(427)	(0.2%)
Operating Result	30,924	24,925	94,885	102,578	7,693	8.1%
NET Result	125,449	145,449	159,647	209,655	50,008	31.3%

2016/17 YTD Operating Revenues



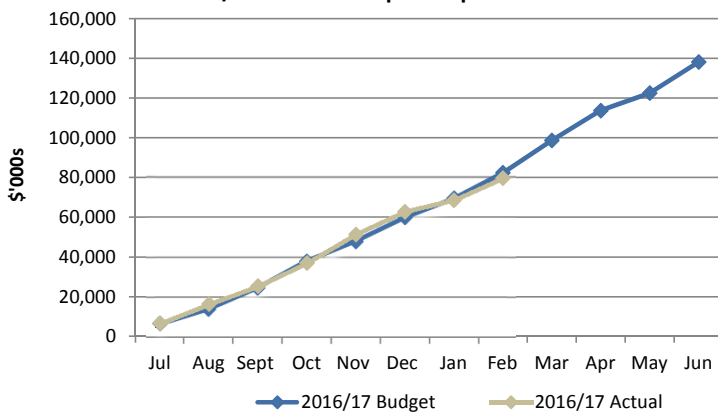
2016/17 YTD Operating Expenses



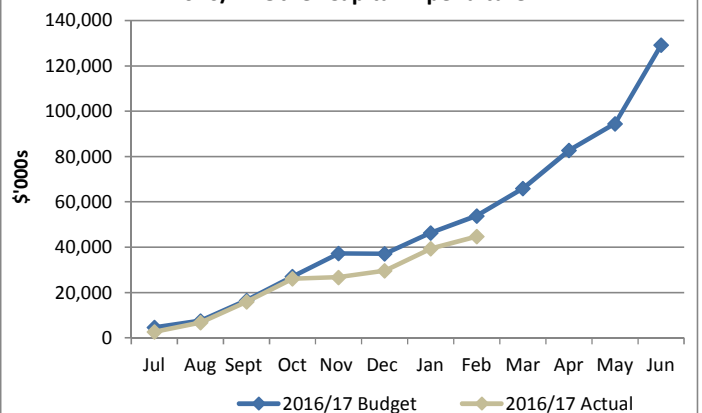
HEADLINE - CAPITAL

	Annual		YTD			
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %
Capital Revenue	94,525	120,523	64,762	107,077	(42,315)	
Other Capital Revenues	68,920	69,317	45,814	48,108	(2,294)	
Total Capital Revenues	163,445	189,841	110,577	155,185	(44,609)	
Capital Works Expenditure	252,677	267,242	136,143	124,262	11,881	(8.73%)
Other Capital Expenditure	60,000	75,000	37,500	100,116	(62,616)	
Total Capital Expenditure	312,677	342,242	173,643	224,378	(50,735)	
Funds from General Reserve	149,232	152,401	63,067	69,193	(6,126)	

2016/17 SCC Base Capital Expenditure

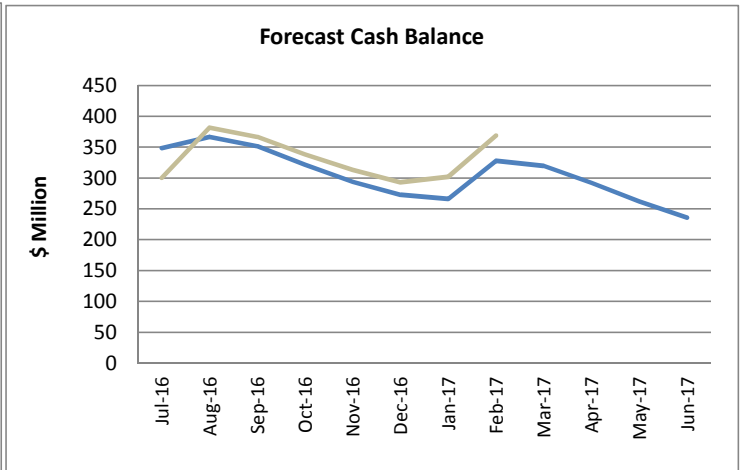
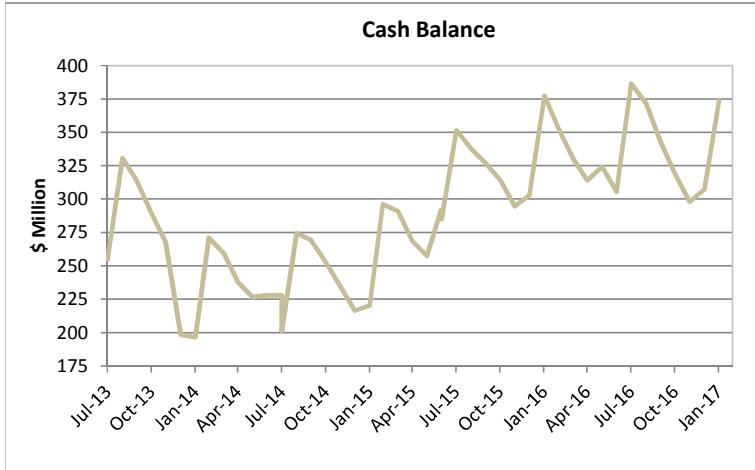
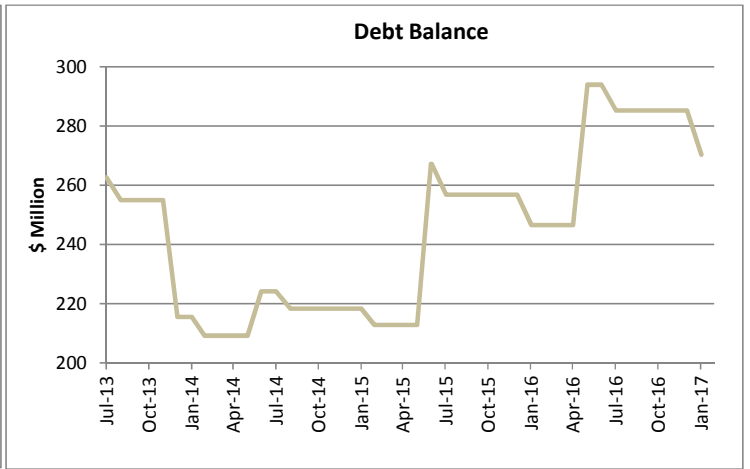
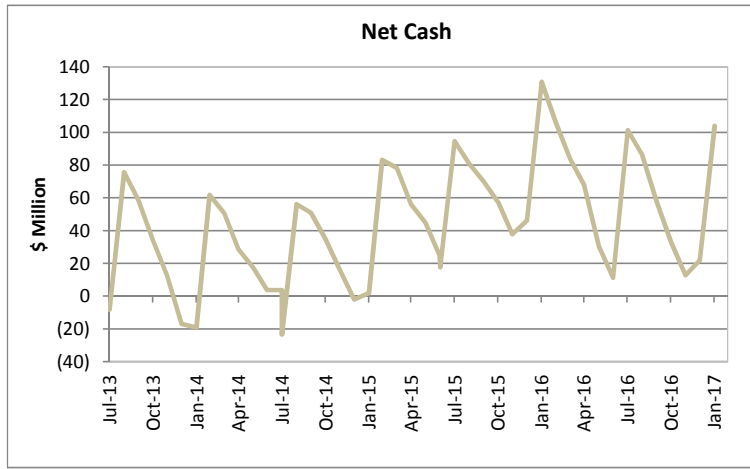


2016/17 Other Capital Expenditure



HEADLINE - CASH AND BALANCE SHEET

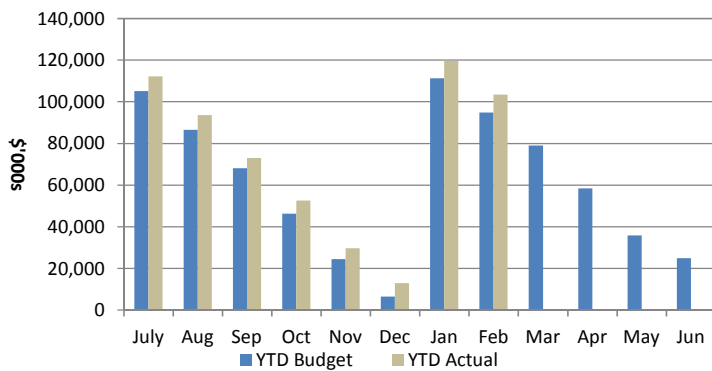
	Annual		YTD		
	Original Budget \$000s	Current Budget \$000s	Actuals \$000s	Forecast Budget \$000s	Variance \$000s
CASH FLOWS					
Opening Cash	295,509	318,556	318,556	318,556	0
Net Cash Inflow/(Outflows) from:					
Operating Activities	90,790	79,476	156,729	130,457	26,272
Investing Activities	(212,119)	(206,634)	(95,113)	(113,316)	18,203
Financing Activities	44,869	44,867	(17,693)	(16,169)	(1,524)
Net Increase/(decrease) in Cash Held	(76,460)	(82,290)	43,923	972	42,951
Cash at year end	219,049	236,266	362,480	319,529	42,951
BALANCE SHEET					
Current Assets	275,784	303,244	413,767		
Non Current Assets	5,119,828	5,004,787	4,824,477		
Total Assets	5,395,612	5,308,031	5,238,244		
Current Liabilities	100,614	111,333	88,328		
Non Current Liabilities	344,682	353,382	306,559		
Total Liabilities	445,296	464,715	394,886		
Net Community Assets/ Total Community Equity	4,950,316	4,843,316	4,843,358		



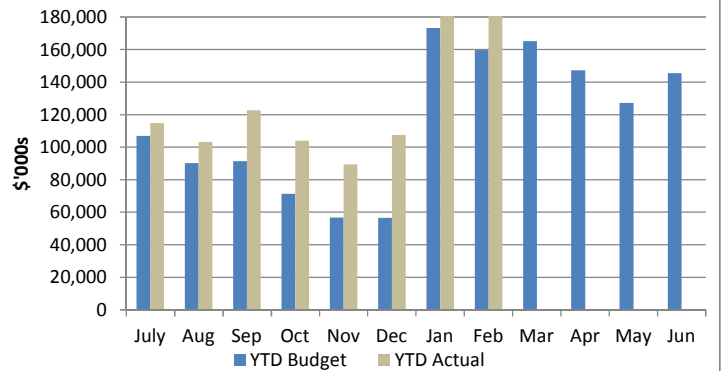
STATEMENT OF INCOME & EXPENSES

	Annual		YTD				Annual
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %	Forecast Budget \$000s
Operating Revenue							
Net Rates and Utility Charges	259,339	259,339	254,338	256,343	2,004	0.8%	259,339
Fees and Charges	62,787	63,404	44,456	47,912	3,455	7.8%	63,404
Interest Received from Investments	8,603	8,603	5,735	5,866	130	2.3%	8,603
Operating Grants and Subsidies	12,077	12,385	8,885	8,891	6	0.1%	12,385
Operating Contributions	706	906	625	1,014	390	62.4%	906
Interest Received from Unity Water	23,933	23,933	11,577	11,577	0	0.0%	23,933
Dividends Received	26,162	26,162	10,917	10,917	(0)	(0.0%)	26,162
Other Revenue	19,189	19,207	7,916	9,038	1,122	14.2%	19,207
Internal Sales/Recoveries	6,170	5,710	3,775	4,743	968	25.7%	5,710
Community Service Obligations	0	0	(0)	0	0	(100.0%)	0
Profit/Loss on Disposal of Assets	0	0	0	(811)	(811)	0.0%	0
Total Operating Revenue	418,965	419,648	348,224	355,490	7,266	2.1%	419,648
Operating Expenses							
Employee Costs	128,393	129,728	84,577	84,854	277	0.3%	129,728
Materials and Services	161,701	164,241	103,328	101,455	(1,873)	(1.8%)	164,230
Internal Materials and Services	0	0	0	0	0	0.0%	0
Finance Costs	9,684	10,447	6,933	7,976	1,043	15.0%	10,447
Company Contributions	1,421	1,400	1,400	1,400	0	0.0%	1,400
Depreciation Expense	68,920	68,787	45,814	45,894	80	0.2%	68,787
Other Expenses	17,924	20,120	11,287	11,333	46	0.4%	20,130
Competitive Neutrality Adjustments	(0)	(0)	(0)	0	0	(100.0%)	(0)
Total Operating Expenses	388,041	394,723	253,339	252,912	(427)	(0.2%)	394,723
Operating Result	30,924	24,925	94,885	102,578	7,693	8.1%	24,925
Capital Revenue							
Capital Grants and Subsidies	12,525	18,523	10,759	10,796	37	0.3%	18,523
Capital Contributions - Cash	22,000	27,000	16,503	19,836	3,333	20.2%	27,000
Capital Contributions - Fixed Assets	60,000	75,000	37,500	76,445	38,945	103.9%	75,000
Total Capital Revenue	94,525	120,523	64,762	107,077	42,315	65.3%	120,523
Net Result	125,449	145,449	159,647	209,655	50,008	31.3%	145,449

2016/17 Operating Result



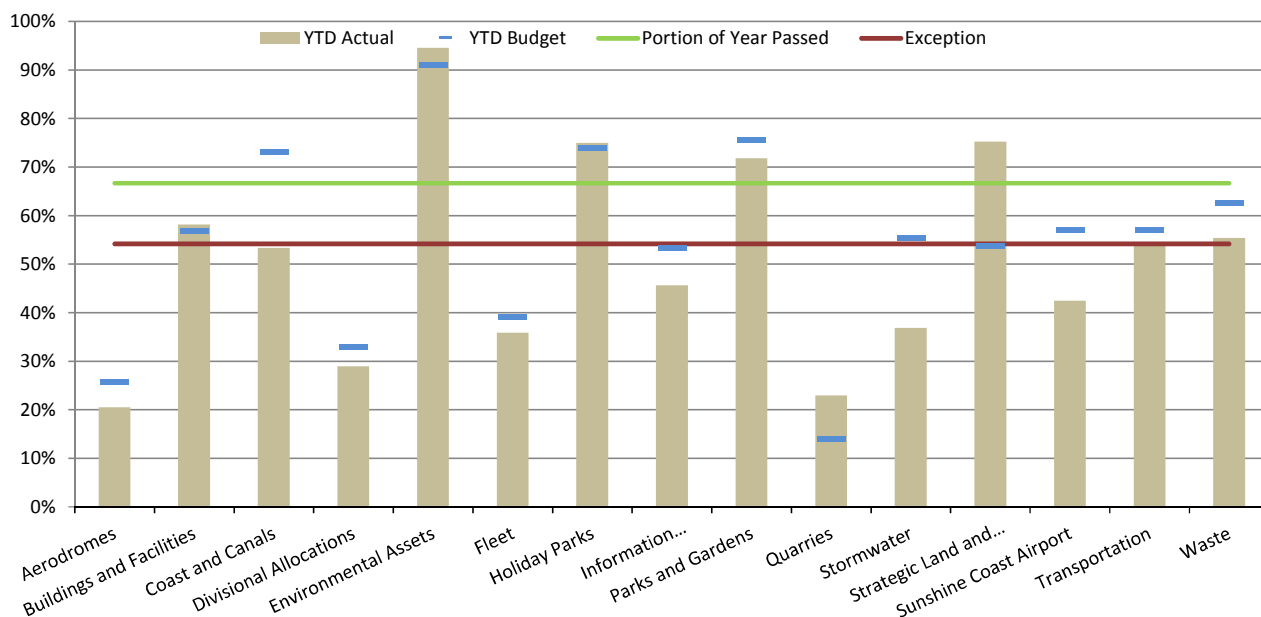
2016/17 Net Result



CAPITAL EXPENDITURE

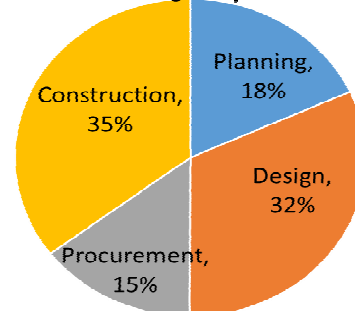
Capital Works Program	Annual		YTD			% of FY budget spent	YTD Variance \$000s
	Original Budget \$000s	Current Budget \$000s	Budget \$000s	Actuals \$000s	Variance on YTD budget		
Aerodromes	175	372	95	76	-20.2%	20.5%	(19)
Buildings and Facilities	9,156	10,916	6,192	6,352	2.6%	58.2%	159
Coast and Canals	1,220	1,590	1,163	849	-27.0%	53.4%	(314)
Divisional Allocations	4,424	3,765	1,242	1,088	-12.4%	28.9%	(154)
Environmental Assets	4,837	4,905	4,460	4,641	4.0%	94.6%	180
Fleet	3,000	3,000	1,170	1,077	-8.0%	35.9%	(93)
Holiday Parks	2,254	2,576	1,903	1,932	1.5%	75.0%	29
Information Technology	2,827	3,144	1,678	1,437	-14.4%	45.7%	(241)
Parks and Gardens	12,814	16,180	12,229	11,625	-4.9%	71.8%	(604)
Quarries	580	674	95	155	63.4%	22.9%	60
Stormwater	4,697	4,623	2,564	1,705	-33.5%	36.9%	(858)
Strategic Land and Commercial Properties	5,431	10,093	5,417	7,599	40.3%	75.3%	2,183
Sunshine Coast Airport	3,198	4,746	2,709	2,016	-25.6%	42.5%	(693)
Transportation	54,179	58,840	33,506	31,958	-4.6%	54.3%	(1,548)
Waste	12,793	12,680	7,927	7,024	-11.4%	55.4%	(903)
Total SCC Base Capital Program	121,584	138,106	82,350	79,533	-3.4%	57.6%	(2,816)
Corporate Major Projects	21,271	18,461	182	63	-65.4%	0.3%	(119)
Maroochydhore City Centre	53,083	52,808	21,285	9,176	-56.9%	17.4%	(12,109)
Solar Farm	30,915	31,645	29,127	32,270	10.8%	102.0%	3,142
Sunshine Coast Airport Runway	25,825	26,223	3,199	3,220	0.6%	12.3%	21
Total Region Making Capital Program	131,093	129,136	53,794	44,729	-16.9%	34.6%	(9,065)
TOTAL	252,677	267,242	136,143	124,262	-8.7%	46.5%	(11,881)

SCC Base % YTD spent compared to profiled budget by Program



Project summary by Job status (SCC Base only)	Number of Capital Jobs	%	Current Budget \$000	%
Not Started	57	5.2%	1,827	1.3%
Works in Progress	577	52.5%	94,040	68.1%
Complete	420	38.2%	40,786	29.5%
On Hold	45	4.1%	1,440	1.0%
Total	1,099		138,093	

Work In Progress by Phase



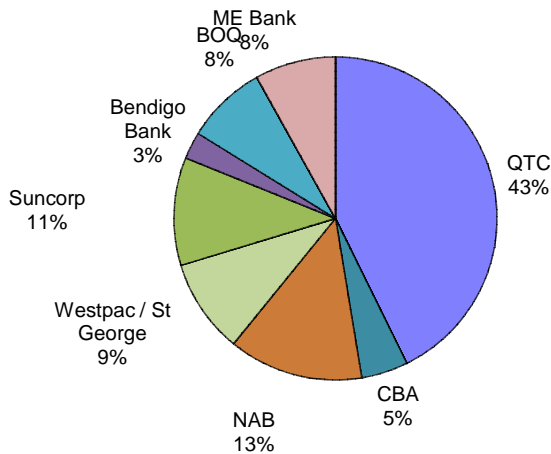
Liquidity as at:	28/02/2017 \$'000's	
At-call accounts		
QTC + CBA (excl. trust)	\$169,201	45.05%
Maturities within 7 days	\$0	0.00%
Total at-call	\$169,201	45.05%
Investment Policy Target		10.00%

Term deposits maturing:	\$'000's	Count
within 30 days	\$0	0
30-59 days	\$40,000	4
60-89 days	\$70,000	7
90-179 days	\$85,000	9
180-364 days	\$5,000	1
1 year - 3 years	\$0	0
Total	\$200,000	21

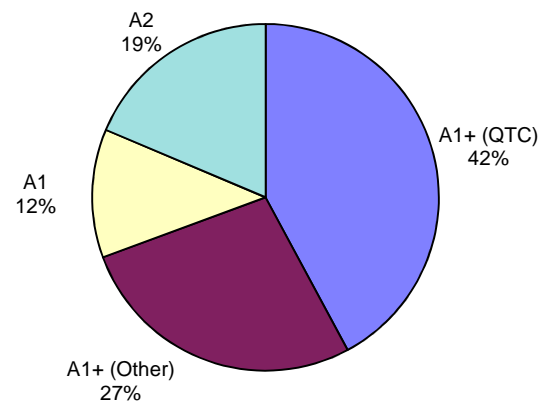
	INVESTMENT SUMMARY (including Trust) as at:				Investment Policy			
	28/02/2017		30/11/2016		28/02/2016		Individual Limit	Group Limits
A1+ (QTC)	\$158,291	42.1%	\$146,709	44.7%	\$114,417	30.1%	100%	100%
A1+ (Other)	\$102,282	27.2%	\$141,469	43.1%	\$180,656	47.5%	35%	100%
A1	\$45,000	12.0%	\$20,000	6.1%	\$40,000	10.5%	30%	40%
A2	\$70,000	18.6%	\$20,000	6.1%	\$45,000	11.8%	15%	35%
A3	\$0	0.0%	\$0	0.0%	\$0	0.0%	5%	10%
Total Funds	\$375,573		\$328,178		\$380,073			
FUND SUMMARY								
General Funds	\$369,201		\$322,478		\$374,671			
Trust Funds	\$6,373		\$5,700		\$5,402			
Total Funds	\$375,573		\$328,178		\$380,073			

Investment Portfolio

Investment per financial institution (%)

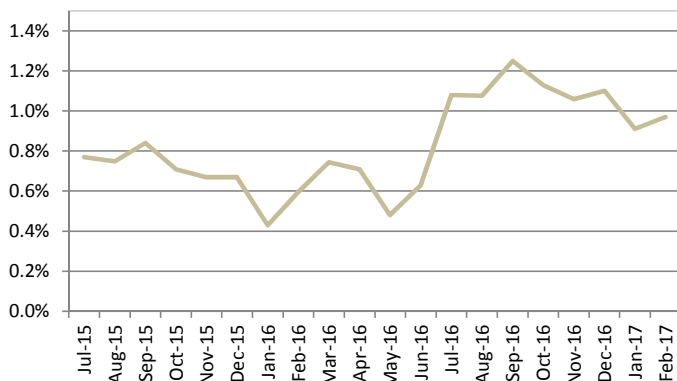


Investment by Standard & Poor's (Short Term Credit Rating)



Investment Performance

Margin Above Benchmark



Investment Performance

