

**8.2.1 OCTOBER 2014 FINANCIAL PERFORMANCE REPORT**

**File No:** Financial Reports  
**Author:** Acting Coordinator Financial Services  
Corporate Services Department  
**Attachments:** Att 1 - October 2014 Financial Performance Report

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**PURPOSE**

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

**EXECUTIVE SUMMARY**

The monthly financial performance report provides council with a summary of performance against budget at the end of each month in terms of the operating result and delivery of the capital program.

The operating result at 31 October 2014 shows a positive variance of \$9.4 million compared to the forecast position.

The operating result variation is made up of higher than expected revenue of \$4.7 million (3.0%) and lower than expected operating expenses of \$4.7 million (4.0%). Further detail is provided in the proposal section of this report.

As at 31 October 2014, \$34.3 million (22.9%) of council's \$149.6 million 2014/2015 Capital Works Program was financially expended.

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

**OFFICER RECOMMENDATION**

**That Council receive and note the report titled "October 2014 Financial Performance Report".**

**FINANCE AND RESOURCING**

There are no finance and resourcing implications from this report.

**CORPORATE PLAN**

**Corporate Plan Goal:** *A public sector leader*  
**Outcome:** 5.2 - A financially sustainable organisation  
**Operational Activity:** 5.2.2 - Ensure council's finances are well managed and systems are in place to analyse performance, generate revenue and reduce costs and manage contracts and contract performance

## **CONSULTATION**

### **Internal Consultation**

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

### **External Consultation**

No external consultation is required for this report.

### **Community Engagement**

No community engagement is required for this report.

## **PROPOSAL**

The operating result at 31 October 2014 shows a positive variance of \$9.4 million compared to the forecast position.

This operating result variation is made up of higher than expected revenue of \$4.7 million and lower than expected operating expenses of \$4.7 million.

### **Operating Revenue**

#### **Net Rates and Utility Charges**

The favourable variance of \$965,000 is mainly due to budget estimates for cleansing charges that differ to actuals as follows:

- The mix between internal and external revenue
- Estimates around the number of services lost due to de-amalgamation
- New services identified due to data cleansing.

An adjustment to this item is included in Budget Review 2 2014/2015.

#### **Fees and Charges**

The \$1.8 million favourable variance in fees and charges mainly relates to the following items which are higher than the year to date budget:-

- \$1.4 million development application revenue
- \$146,000 Sunshine Coast Holiday Park offset by additional commission paid of \$11,000
- \$79,000 change of ownership/search fee revenue
- Caloundra Music Festival sales exceeded the full year budget by \$382,000, offset by other revenue being \$100,000 less than budget and employee costs being \$36,000 higher than budget.

These positive Fees & Charges variances are offset by tip fees being less than the year to date budget by \$278,000.

#### **Other Revenue**

The \$827,000 favourable variance in other revenue is mainly due to:

- \$200,000 from waste collection contractors, as per contract arrangements, to support the Waste & Resource Management Education Centre programs. This is offset by expenditure
- \$113,000 London Creek Revegetation Offset revenue not budgeted
- \$50,000 Mooloolaba dredging contribution from State Government

as well as favourable year to date variances in recoverable works, road maintenance levy and rent/lease revenue.

### **Operating Expenses**

#### **Employee Costs**

As at 31 October 2014, employee costs were below budget by \$1.3 million or 3.4%.

The budget allows for a Certified Agreement increase but the actuals do not reflect this. A new Certified Agreement has not yet been finalised and it may contain a retrospective pay increase.

#### **Materials and Services**

As at 31 October 2014, Materials and Services costs were below budget by \$2.9 million or 6.1%.

A range of items are less than the year to date budget including:

- \$805,000 for utilities such as fuel, electricity, water & sewerage and telecommunications
- \$510,000 Environmental Operations timing of works mainly Natural Areas and Minyama desilting
- \$371,000 operating projects
- \$293,000 Waste costs
- \$240,000 council property maintenance.

### **Capital Revenue**

Capital Revenues, at \$15.0 million, are higher than the year to date budget by \$2.1 million or 16.1%. This is made up of unbudgeted grants and subsidies, as well as developer contributions at \$3.6 million and contributed assets at \$6.6 million being higher than the year to date budget.

The unbudgeted grants and subsidies will be included in Budget Review 2 2014/2015 and are as follows:

- \$1.2 million NDRRA (Natural Disaster Relief & Recovery Arrangements)
- \$1.1 million received for Cycle Network Local Government Grants Program
- \$300,000 for Central Park, Arthur Street
- \$19,000 Energy Efficiency Grant funding for solar hot water pumps at the Holiday Parks.

### **Capital Expenditure**

As at 31 October 2014, \$34.3 million (22.9%) of council's \$149.6 million 2014/2015 Capital Works Program was financially expended.

Detail by Capital Works Program is outlined below:

<b>Program</b>	<b>Original Budget \$000</b>	<b>Current Budget \$000</b>	<b>YTD Actual \$000</b>	<b>% of Annual Budget Spent</b>
Buildings and Facilities	4,997	7,885	622	7.9%
Coasts and Canals	2,070	2,651	622	23.5%
Divisional Allocations	3,335	3,452	599	17.4%
Environmental Assets	926	1,141	209	18.3%
Fleet	1,290	1,290	105	8.2%
Parks and Gardens	9,027	13,066	4,158	31.8%
Stormwater	6,202	6,599	959	14.5%

Transportation	47,286	55,845	15,060	27.0%
Information Technology	2,768	3,884	937	24.1%
Strategic Land & Commercial Properties	18,751	29,150	3,785	13.0%
Aerodromes	581	912	34	3.8%
Sunshine Coast Airport	5,148	5,741	1,169	20.4%
Holiday Parks	1,158	2,119	612	28.9%
Quarries	1,950	2,204	64	2.9%
Waste	8,403	13,727	5,398	39.3%
<b>TOTAL COUNCIL</b>	<b>113,892</b>	<b>149,637</b>	<b>34,336</b>	<b>22.9%</b>

### **Investment Performance**

- All investment parameters remain within the guidelines established by the Investment Policy.
- For the month ending 31 October 2014, council had \$253 million cash (excluding Trust Fund) with an average interest rate of 3.43%, being 0.71% above benchmark. This is compared to the same period last year with \$282 million cash (excluding Trust Fund) where the average interest rate was 3.72%, being 1.12% above benchmark.
- The benchmark used to measure performance of cash funds is the UBS Bank Bill Index and the Bank Bill Swap Rate (BBSW) for term deposits.

### **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 2014/15 Investment Policy.

### **Risk**

The current risks associated with the operating result are as follows:

1. There is a claim for an additional \$22.8 million in cash transfer from Noosa Shire Council. The Minister has initiated an independent process to determine the validity of the Noosa Shire Council claim. An additional \$22.8 million in cash transfer would be shown as a loss on disposal and decrease the Sunshine Coast cash balance.
2. Due to the State Government Award Modernisation process, council has been unable to finalise a new Certified Agreement with staff and the unions. A new Certified Agreement may contain a retrospective pay increase.

### **Previous Council Resolution**

Special Meeting Budget 26 June 2014, council adopted the 2014/2015 budget (Council Resolution SM14/24)

*That Council:*

- (a) receive and note the report titled "Adoption of the 2014/2015 Budget and Forward Estimates for the 2015/2016 to 2023/2024 Financial Years"

- (b) *adopt the 2014/2015 Capital Works Program, endorse the indicative four-year program for the period 2015/2016 to 2018/2019, and note the five-year program for the period 2019/2020 to 2023/2024 (Appendix A) and*
- (c) *adopt the 2014/2015 Budget Schedules (Appendix A) including Forward Estimates.*

Ordinary Meeting 24 July 2014 - Council Resolution OM 14/100

*That Council:*

- (a) *receive and note the report titled "May 2014 Financial Performance Report" and*
- (b) *amend the 2014/2015 Budget by increasing the Strategic Land Capital Program by the amount of \$450,000 to accommodate the requirements of the Council resolution OM14/82.*

Ordinary Meeting 18 September 2014, council adopted the Budget Review 1 2014/2015.

*That Council:*

- (a) *receive and note the report titled "**Budget Review 1 2014/15**" and*
- (b) *adopt the amended 2014/15 Budget Financial Statements to include the identified operating and capital budget adjustments (Appendix A).*

Ordinary Meeting 18 September 2014, council made the following resolution (OM 14/132)

*That Council receive and note the report titled "July 2014 Financial Performance Report".*

At the Ordinary Meeting 16 October 2014, council made the following resolution (OM 14/140)

*That Council receive and note the report titled "August 2014 Financial Performance Report".*

### **Related Documentation**

There is no related documentation for this report.

### **Critical Dates**

There are no critical dates for this report.

### **Implementation**

There are no implementation details to include in this report.

# **Financial Performance Report**

## **October 2014**

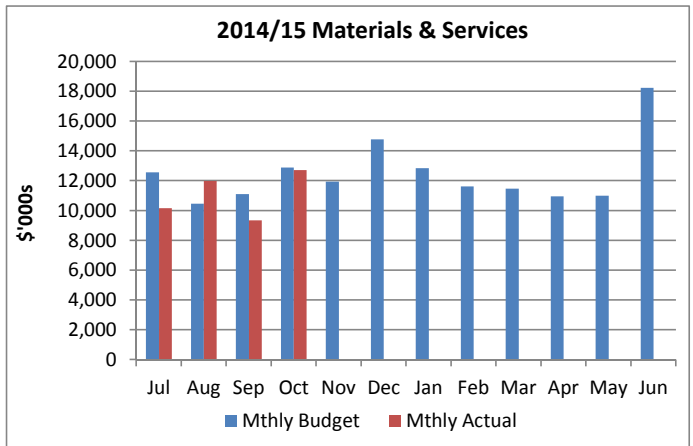
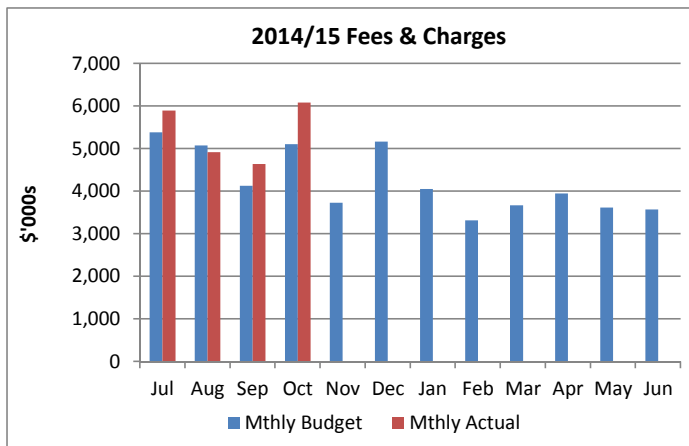
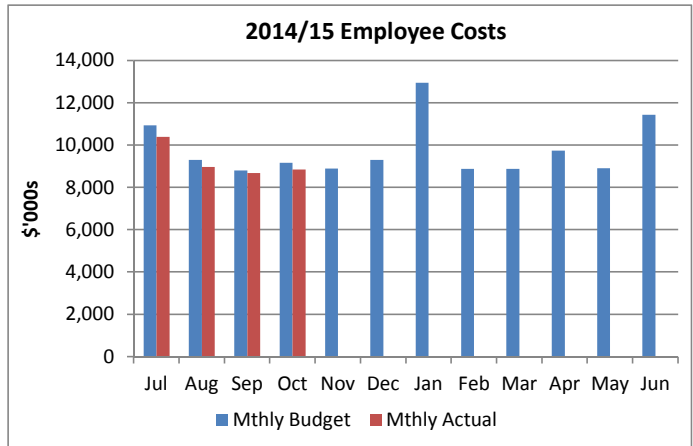
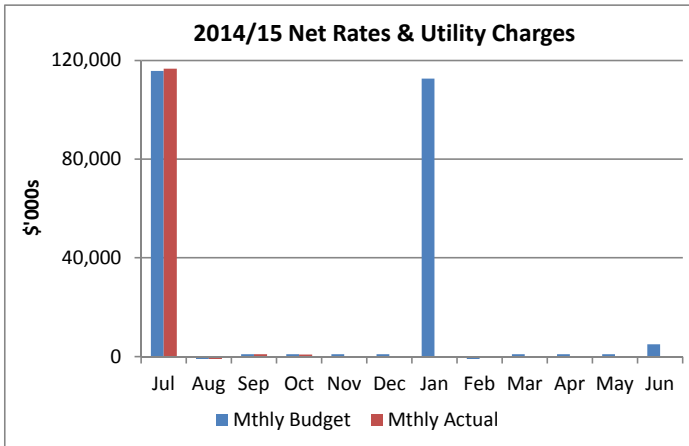
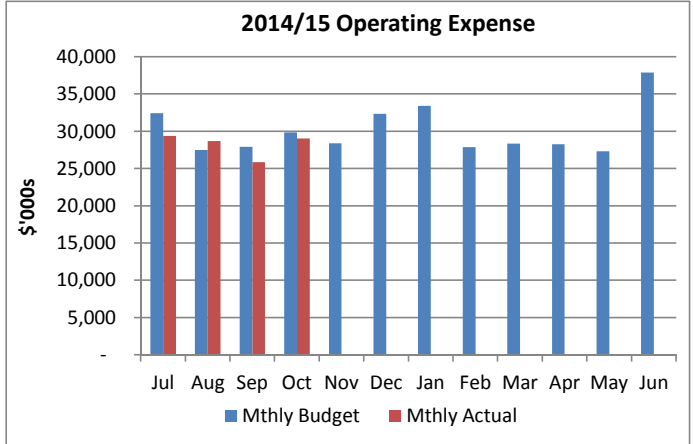
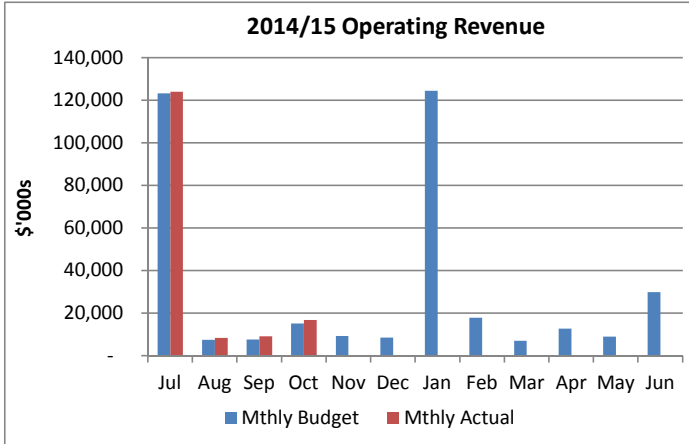


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HEADLINE - OPERATING

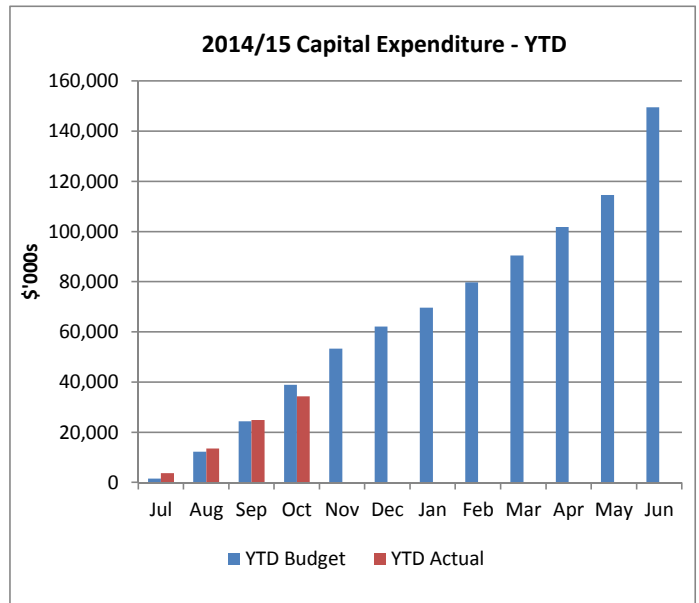
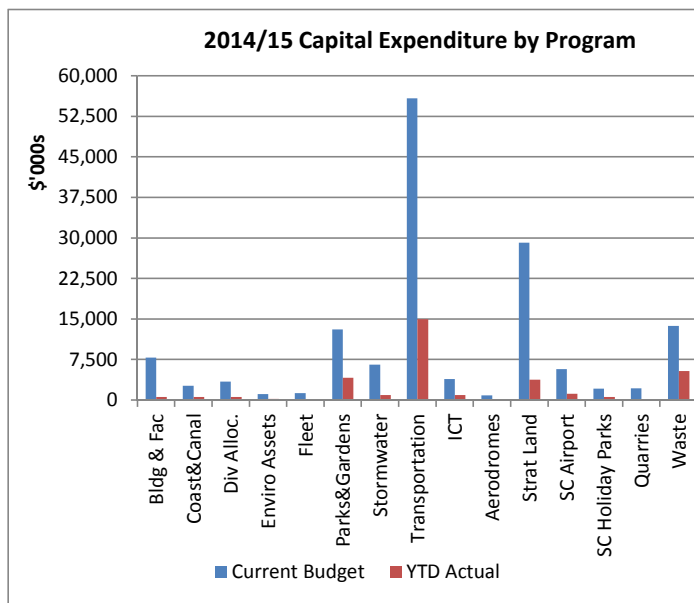
	Annual		YTD			
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %
Operating Revenue	370,949	373,019	153,865	158,526	4,661	3.0%
Operating Expenses	357,872	361,728	117,734	113,005	(4,729)	(4.0%)
<b>Operating Result</b>	<b>13,077</b>	<b>11,291</b>	<b>36,131</b>	<b>45,521</b>	<b>9,390</b>	<b>26.0%</b>
<b>NET Result</b>	<b>51,580</b>	<b>51,843</b>	<b>49,035</b>	<b>60,507</b>	<b>11,472</b>	<b>23.4%</b>





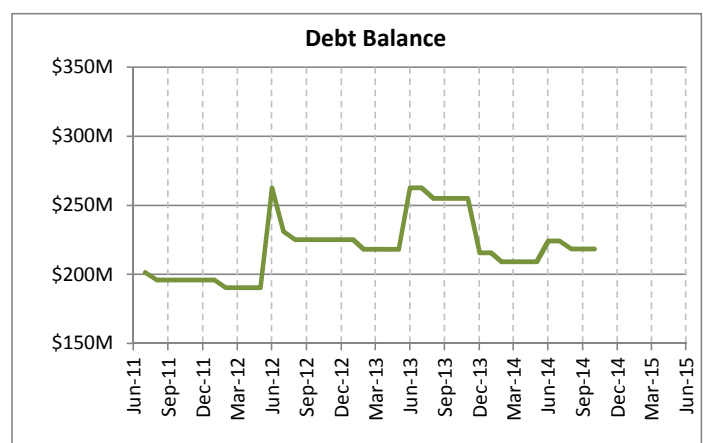
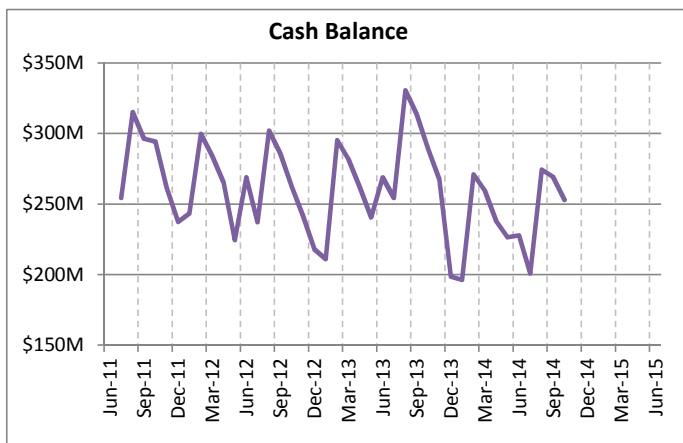
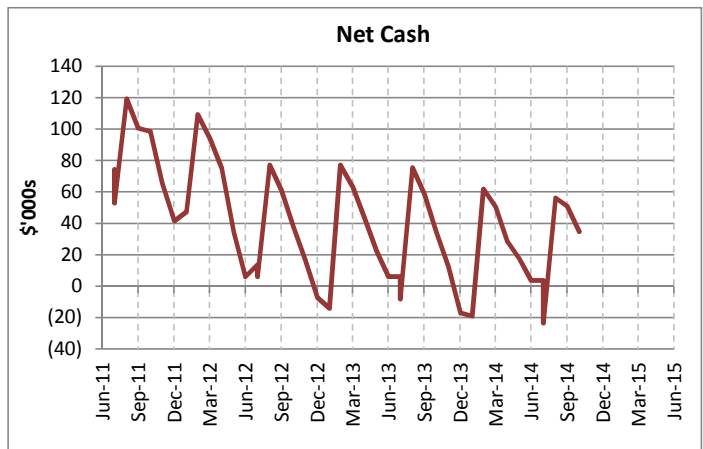
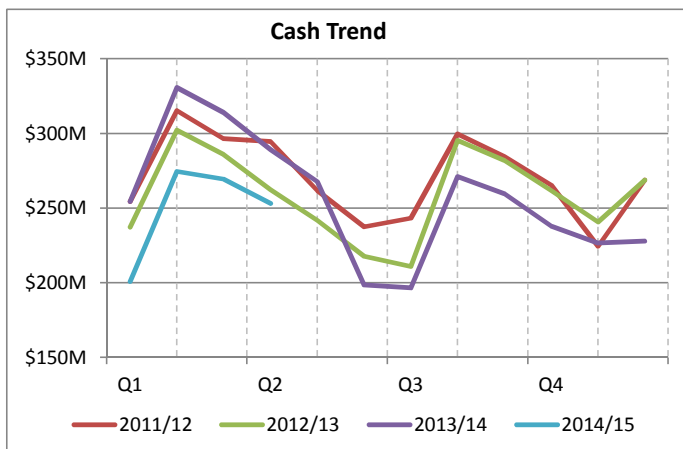
HEADLINE - CAPITAL

	Annual		YTD			
	Original Budget \$000	Current Budget \$000	Current Budget \$000	Actuals \$000	Variance \$000	Variance %
Capital Revenues (included in NET Result)	33,720	35,769	11,709	13,820	2,111	
Other Capital Revenues	83,486	83,486	26,229	23,618	(2,611)	
<b>Total Capital Revenues</b>	<b>117,206</b>	<b>119,255</b>	<b>37,938</b>	<b>37,438</b>	<b>(500)</b>	
Capital Works Expenditure	113,892	149,637	38,915	34,336	(4,578)	(11.8%)
Other Capital Expenditure	38,005	38,005	15,002	12,469	(2,533)	
<b>Total Capital Expenditure</b>	<b>151,897</b>	<b>187,642</b>	<b>53,917</b>	<b>46,806</b>	<b>(7,111)</b>	
<b>Funds from General Revenue</b>	<b>34,691</b>	<b>68,387</b>	<b>15,980</b>	<b>9,368</b>	<b>(6,612)</b>	



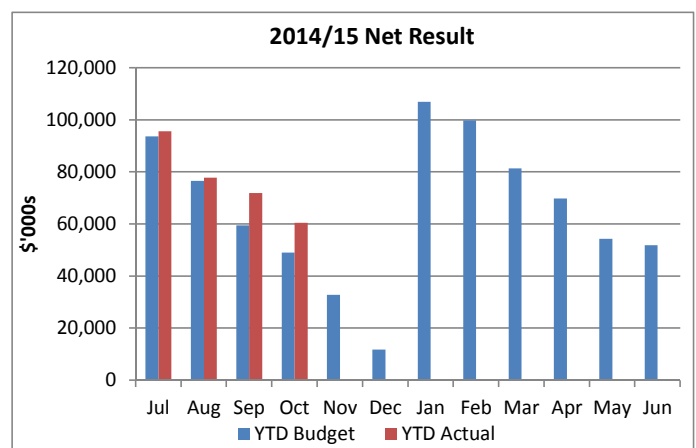
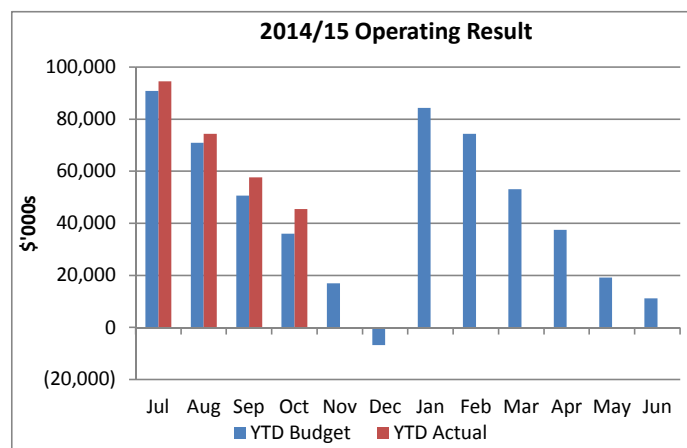
HEADLINE - CASH & BALANCE SHEET

	Annual		YTD
	Original Budget	Current Budget	Actuals
	\$000s	\$000s	\$000s
<b>CASH FLOWS</b>			
Opening Cash	169,876	169,876	223,871
Net Cash Inflow/(Outflows) from:			
Operating Activities	79,105	79,105	956,877
Investing Activities	(94,598)	(95,048)	(924,303)
Financing Activities	1,306	1,306	(1,506)
<b>Net Increase/(decrease) in Cash Held</b>	<b>(14,187)</b>	<b>(14,637)</b>	<b>31,067</b>
<b>Cash at year end</b>	<b>155,689</b>	<b>155,239</b>	<b>254,939</b>
<b>BALANCE SHEET</b>			
Total Current Assets	204,627	204,177	287,070
Total Non Current Assets	4,566,635	4,567,085	4,174,006
<b>Total Assets</b>	<b>4,771,262</b>	<b>4,771,262</b>	<b>4,461,076</b>
Total Current Liabilities	70,488	70,488	58,712
Total Non Current Liabilities	238,841	238,841	236,948
<b>Total Liabilities</b>	<b>309,329</b>	<b>309,329</b>	<b>295,660</b>
<b>Net Community Assets/ Total Community Equity</b>	<b>4,461,933</b>	<b>4,461,933</b>	<b>4,165,416</b>

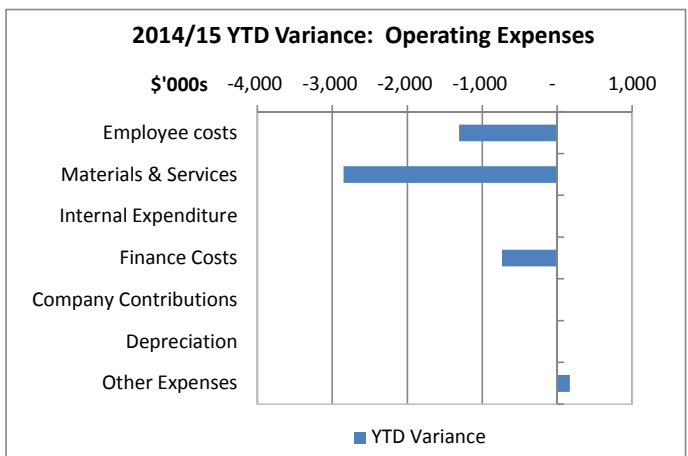
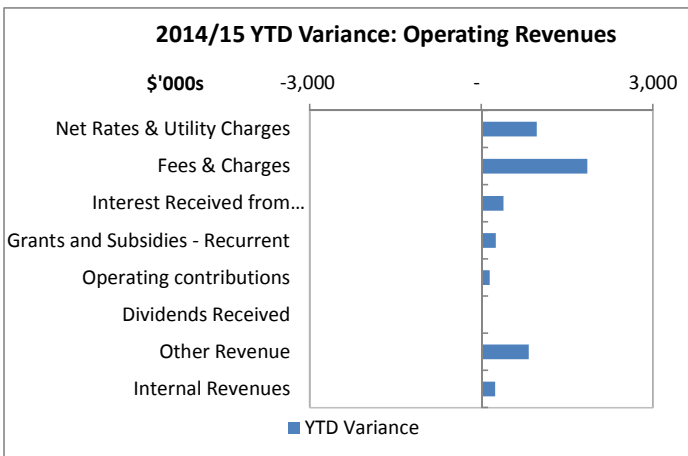
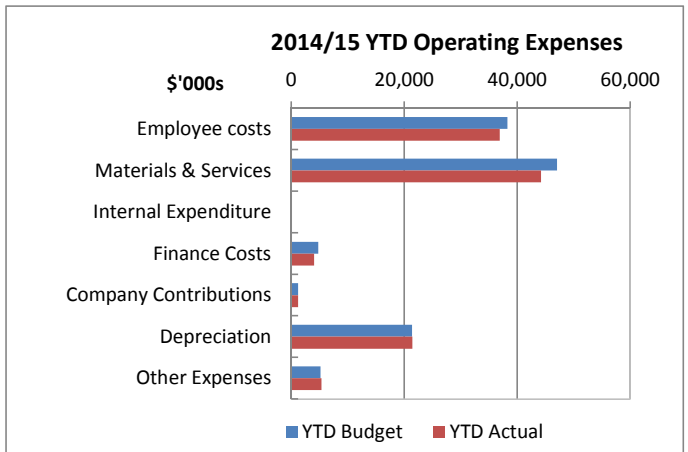
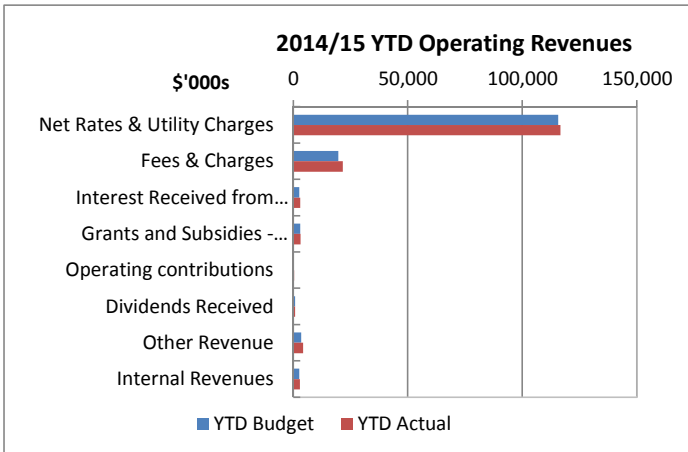


STATEMENT OF INCOME & EXPENSES

	Annual		YTD				Annual
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %	Forecast Budget \$000s
<b>Operating Revenue</b>							
Gross Rates & Utility Charges	245,558	245,558	120,645	121,634	988	0.8%	245,558
Interest from Rates & Utilities	1,527	1,527	509	408	(101)	-19.8%	1,527
Less Discounts, Pensioner Remissions	(11,265)	(11,265)	(5,565)	(5,488)	77	-1.4%	(11,265)
Net Rates & Utility Charges	235,819	235,819	115,589	116,554	965	0.8%	235,819
Fees & Charges	50,668	50,767	19,689	21,538	1,849	9.4%	50,767
Interest Received from Investments	7,336	7,336	2,645	3,029	384	14.5%	7,336
Grants and Subsidies - Recurrent	9,569	11,770	2,941	3,189	248	8.4%	11,770
Operating contributions	541	406	135	278	143	105.6%	406
Interest received from Unitywater	23,933	23,933	6,013	6,022	9	0.1%	23,933
Dividends Received	26,162	26,162	776	776	(0)	0.0%	26,162
Other Revenue	10,085	9,855	3,445	4,272	827	24.0%	9,855
Internal Revenues	6,835	6,970	2,631	2,868	237	9.0%	6,970
Community Service Obligations	0	0	0	0	0	0.0%	0
<b>Total Operating Revenue</b>	<b>370,949</b>	<b>373,019</b>	<b>153,865</b>	<b>158,526</b>	<b>4,661</b>	<b>3.0%</b>	<b>373,019</b>
<b>Operating Expenses</b>							
Employee costs	117,212	117,261	38,230	36,921	(1,310)	-3.4%	117,261
Materials & Services	146,431	149,869	47,046	44,195	(2,852)	-6.1%	149,869
Internal Expenditure	(0)	(0)	(0)	(0)	0	-93.4%	(0)
Finance Costs	13,406	13,406	4,738	4,001	(737)	-15.6%	13,406
Company Contributions	1,187	1,187	1,187	1,187	0	0.0%	1,187
Depreciation	64,186	64,186	21,395	21,399	3	0.0%	64,186
Other Expenses	15,450	15,821	5,137	5,304	167	3.2%	15,821
Competitive Neutrality Adjustments	0	0	0	0	0	0.0%	0
<b>Total Operating Expenses</b>	<b>357,872</b>	<b>361,728</b>	<b>117,734</b>	<b>113,005</b>	<b>(4,729)</b>	<b>-4.0%</b>	<b>361,728</b>
<b>Operating Result</b>	<b>13,077</b>	<b>11,291</b>	<b>36,131</b>	<b>45,521</b>	<b>9,390</b>	<b>26.0%</b>	<b>11,291</b>
<b>Capital Revenue</b>							
Capital Grants and Subsidies	2,320	4,184	1,152	3,554	2,401	208.4%	4,184
Capital Contributions	7,400	7,585	2,557	3,640	1,083	42.4%	7,585
Contributed Assets	24,000	24,000	8,000	6,627	(1,373)	-17.2%	24,000
Other Capital Revenue	4,783	4,783	1,196	1,166	(30)	-2.5%	4,783
<b>Total Capital Revenue</b>	<b>38,503</b>	<b>40,552</b>	<b>12,905</b>	<b>14,986</b>	<b>2,081</b>	<b>16.1%</b>	<b>40,552</b>
<b>Net Result</b>	<b>51,580</b>	<b>51,843</b>	<b>49,035</b>	<b>60,507</b>	<b>11,472</b>	<b>23.4%</b>	<b>51,843</b>



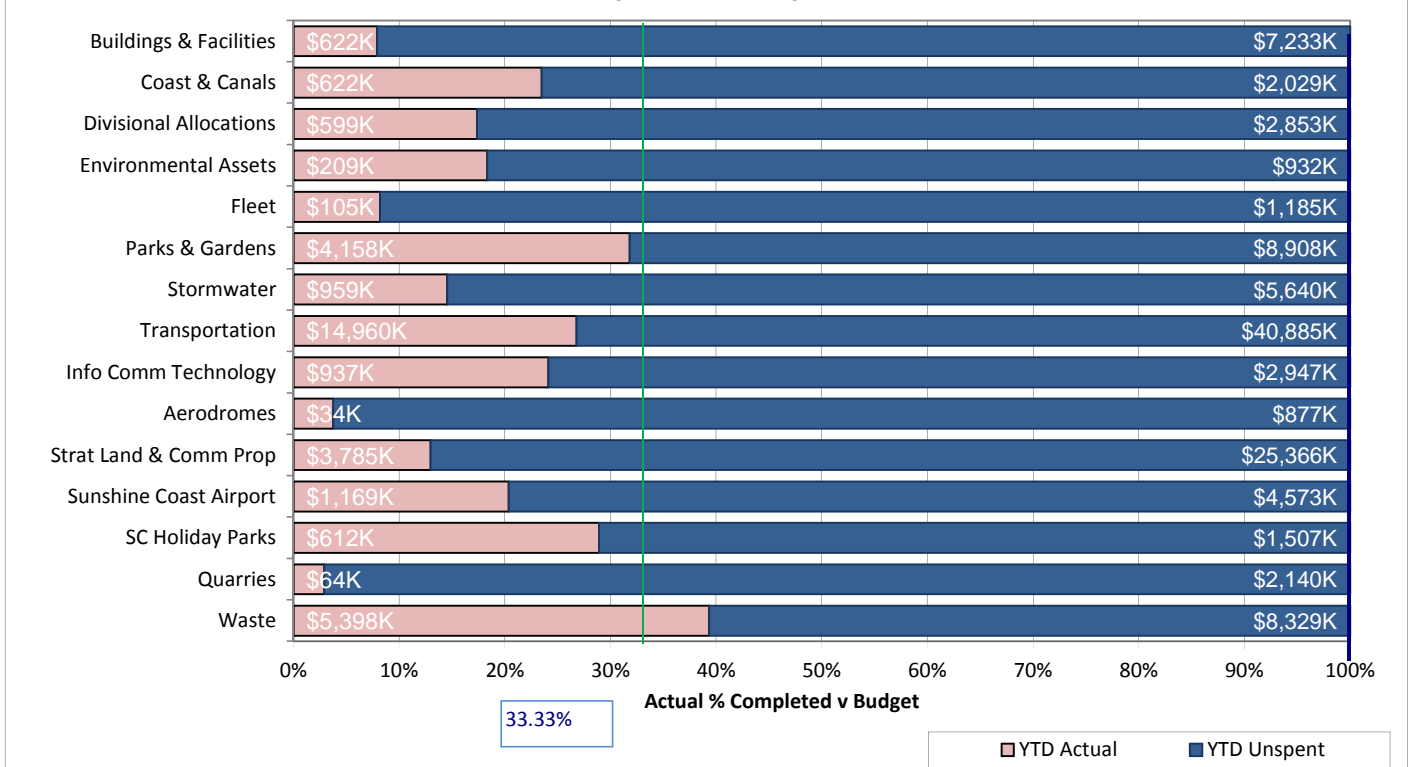
STATEMENT OF INCOME & EXPENSES



CAPITAL EXPENDITURE

Capital Works Program	Annual		YTD			Annual
	Original Budget \$000s	Current Budget \$000s	Budget \$'000s	Actual \$000s	% of Annual Budget Spent	Forecast Budget \$000s
Buildings and Facilities	4,997	7,855	999	622	7.9%	7,855
Coast and Canals	2,070	2,651	1,175	622	23.5%	2,651
Divisional Allocations	2,888	3,452	1,101	599	17.4%	3,452
Environmental Assets	946	1,141	162	209	18.3%	1,141
Fleet	1,290	1,290	430	105	8.2%	1,290
Parks and Gardens	9,349	13,066	4,089	4,158	31.8%	13,066
Stormwater	6,202	6,599	1,572	959	14.5%	6,599
Transportation	47,391	55,845	18,663	14,960	26.8%	55,845
Information Communication Technology	2,768	3,884	1,560	997	25.7%	3,884
Strategic Land & Comm Properties	18,751	29,150	3,942	3,785	13.0%	29,150
Aerodromes	581	912	41	34	3.8%	912
Sunshine Coast Airport	5,148	5,741	795	1,169	20.4%	5,741
SC Holiday Parks	1,158	2,119	792	612	28.9%	2,119
Quarries	1,950	2,204	650	64	2.9%	2,204
Waste	8,403	13,727	2,943	5,398	39.3%	13,727
<b>TOTAL</b>	<b>113,892</b>	<b>149,637</b>	<b>38,915</b>	<b>34,336</b>	<b>22.9%</b>	<b>149,637</b>

Capital Works Expenditure



INVESTMENT PERFORMANCE

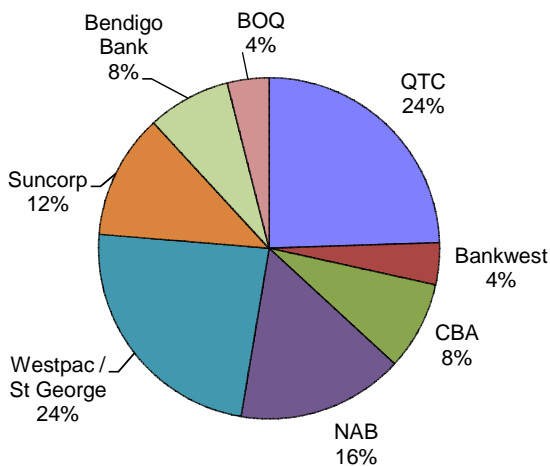
Liquidity as at: 31/10/2014		
\$'000's		
<b>At-call accounts</b>		
QTC + CBA (excl. trust)	\$79,153	31.25%
Maturities within 7 days	\$10,000	3.95%
<b>Total at-call</b>	<b>\$89,153</b>	<b>35.20%</b>
Investment Policy Target		10.00%

Term deposits maturing:		
	\$'000's	Count
within 30 days	\$40,000	4
30-59 days	\$50,000	4
60-89 days	\$50,000	5
90-179 days	\$40,000	4
180-364 days	\$0	0
1 year - 3 years	\$0	0
<b>Total</b>	<b>\$180,000</b>	<b>17</b>

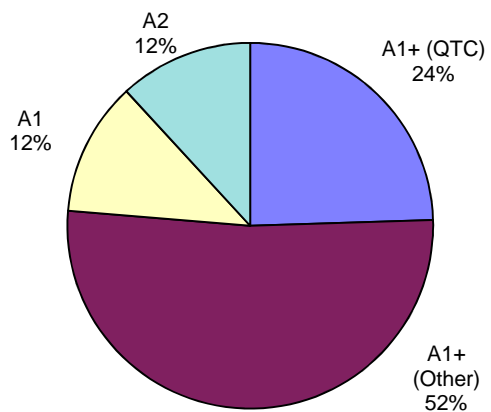
INVESTMENT SUMMARY AS AT (including Trust)							Investment Policy	
	31/10/2014		30/09/2014		31/10/2013		Individual Limit	Group Limits
A1+ (QTC)	\$62,043	24.5%	\$84,584	30.5%	\$63,896	22.0%	100%	100%
A1+ (Other)	\$131,267	51.8%	\$132,874	47.9%	\$140,955	48.6%	35%	100%
A1	\$30,000	11.8%	\$30,000	10.8%	\$30,000	10.4%	30%	40%
A2	\$30,000	11.8%	\$30,000	10.8%	\$55,000	19.0%	15%	35%
<b>TOTAL</b>	<b>\$253,310</b>		<b>\$277,458</b>		<b>\$289,852</b>			

Investment Portfolio

% Invested per financial institution



% invested by Standard & Poor's Short Term Credit Rating



Investment Performance

