

8.3.1 FEBRUARY 2014 FINANCIAL PERFORMANCE REPORT

File No: Financial Management
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Corporate Services Department
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Corporate Services Department
Attachments: Att 1 - February 2014 Financial Performance Report

PURPOSE

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

EXECUTIVE SUMMARY

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

The operational result at 28 February 2014 shows a positive variance of \$8.5 million compared to the forecast position.

This operating result variation is made up of higher than expected revenue of \$10.2 million (3%) and higher than expected operating expenses of \$1.7 million (0.6%). Further detail is provided in the proposal section of this report.

The positive variance in the operating result of \$8.5 million at the end of February 2014 should be considered in the context of the key financial risks to council's full year operating result identified in the Risk section of this report.

As at 28 February 2014, \$93.8 million (48.9%) of council's \$191.7 million 2013/2014 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 "February 2014 Financial Performance Report".

FINANCE AND RESOURCING

There are no financing and resourcing implications as this is an information only report.

CORPORATE PLAN

Corporate Plan Theme: *Great governance*
Emerging Priority: 8.1 - Ethical, accountable and transparent decision-making

Strategy:	8.1.2 - Ensure legislative compliance and awareness
Corporate Plan Theme:	Great governance
Emerging Priority:	8.3 - Strong financial management
Strategy:	8.3.1 - Develop long term financial plans and indicators to achieve optimum use of resources and alignment to strategic priorities
Corporate Plan Theme:	Great governance
Emerging Priority:	8.3 - Strong financial management
Strategy:	8.3.2 - Ensure council's financial performance is well managed and leads to a strong financial position

CONSULTATION

Internal Consultation

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

External Consultation

No external consultation is required for this report.

Community Engagement

No community engagement is required for this report.

PROPOSAL

The operational result at 28 February 2014 shows a positive variance of \$8.5 million compared to the forecast position.

This operating result variation is made up of higher than expected revenue of \$10.2 million and higher than expected operating expenses of \$1.7 million.

The positive variance in the operating result of \$8.5 million at the end of February 2014 should be considered in the context of the key financial risks to council's full year operating result identified in the Risk section of this report.

Operating Revenue

Net Rates and Utilities

As at February 2014, net rates and utilities are showing a positive variance of \$725,000. This variance is being generated by an increase in waste rates revenue of \$618,000, which will be addressed as part of Budget Review 3 (BR3).

Currently there is still \$950,000 in prepaid rates for Noosa properties included in the actual year to date revenue. It has now been confirmed that this revenue will be removed from our operating statement in the month of March 2014. This will result in an unfavourable variance of \$1 million in General Rates, as per Risk 1 identified at the end of this report.

Fees and Charges

Of the \$4.1 million favourable variance in fees and charges, \$2.5 million relates to development applications revenue. The volume of applications shows a 30% increase on 2012/2013 applications (excluding full year Noosa applications and building and plumbing applications).

Sunshine Coast Holiday Parks revenue is also up \$578,000 compared to budget. However this favourable variance is offset by an increase in operating expenditure of \$346,000. There is a favourable variance in Change in Ownership and Search Fees of \$380,000, compared to budget. Budget adjustments to reflect these increases in revenue are being addressed through BR3.

Revenue for the Sunshine Coast Airport for the month of February is also favourable, up \$395,000, due to increased passenger fees.

Interest Received from Investments

There is a favourable variance of \$492,000 at the end of February in interest received from investments, with budget adjustments addressed as part of BR3.

Grants and Subsidies

Of the \$1.6 million favourable variance, \$1.1 million relates to a timing difference with the Federal Assistance Grant. This will be rectified for the March 2014 report. The remainder of the favourable variance is made up of a number of small grants received from the State and Federal Governments, with budget adjustments to reflect increases included in BR3.

Other Revenue

Of the \$3.4 million favourable variance in other revenue, \$2.3 million relates to the reimbursement of de-amalgamation costs up to the 23 December 2013 from the working capital facility. This reimbursement is for \$1.3 million in employee costs and \$1 million in materials and services, which covers costs incurred by the Sunshine Coast Council on de-amalgamation activities.

A further \$800,000 relates to a refund from the Office of State Revenue for over charged payroll tax. \$322,000 relates to higher than anticipated sales of recovered materials which are diverted from landfill.

Budget reflecting the favourable variances within other revenue will be adjusted as part of BR3.

Operating Expense

The de-amalgamation process required an interim financial year end as at 31 December 2013, resulting in increased expenses in the month of December, with corresponding decreases in the following months.

Employee Costs

As at February 2014 month end, employee costs were over budget by \$1.4 million.

Redundancy costs resulting from the organisation review are \$508,889 above budget. Due to staggered timing of redundancies, the employee cost savings in 2013/14 are \$251,000 less than budgeted.

A total of \$1.3 million in Sunshine Coast Council employee costs was spent on de-amalgamation activities up to 23 December 2013 with around 4% of this related to additional staff employed solely for de-amalgamation work. As reflected in other revenue, the reimbursement of this expenditure has been received, and BR3 will align the revenue and expenditure lines.

Materials and Services

As at February 2014 month end, materials and services costs were above budget by \$475,000.

This variance is made up of higher than budgeted legal costs of \$1.5 million.

As at 23 December 2013, \$1 million had been spent on materials and services setting up the new Noosa Shire Council. As reflected in other revenue, the reimbursement of this expenditure has been received, and BR3 will align the revenue and expenditure lines.

This above budget expenditure has been offset by underspends in the Infrastructure Services Department of \$1.8 million. The underspend is across a majority of branches and includes:

- \$460,000 on levy and project timing differences
- \$1.0 million in the Civil Works and Fleet Branch
- \$550,000 in the Waste and Resource Management Branch

Capital Expenditure

As at 28 February 2014, \$93.8 million (48.9%) of council's \$191.7 million 2013/2014 Capital Works Program was financially expended. Detail by Capital Program is outlined below:

Program	Original Budget \$000	Current Budget \$000	YTD Actual \$000	% of Annual Budget Spent
Buildings and Facilities	6,548	7,324	5,109	70%
Coast and Canals	1,949	2,388	826	35%
Divisional Allocations	3,100	4,540	2,773	61%
Environmental Assets	1,238	1,276	149	12%
Fleet	1,000	1,000	745	75%
Parks and Gardens	10,317	12,228	4,371	36%
Stormwater	4,161	4,241	3,522	83%
Transportation	52,952	65,632	33,281	51%
Information Communication Technology	3,927	4,871	2,217	46%
Strategic Land & Comm Properties	9,422	56,709	23,127	41%
Aerodrome	-	399	11	3%
Sunshine Coast Airport	3,400	8,237	6,198	75%
SC Holiday Parks	1,455	3,093	362	12%
Quarries	150	637	824	129%
Waste	9,651	19,103	10,286	54%
TOTAL COUNCIL	109,270	191,678	93,801	48.9%

Information on low expenditure compared to annual budget is provided below.

Environmental Assets

- Contractors now appointed for three projects that constitute \$1.02 million, or 80% of the program.
- All projects are underway and expected to be completed by 30 June 2014.

Aerodrome

Delay in expenditure at Caloundra Aerodrome has resulted from our pursuit of State Government approvals for clearing of future developable areas along with investigations and resolution related to the development of an additional airside allotment to the north of the Caloundra Aerodrome. It is expected that budgeted amounts will be expended prior to 30 June 2014.

Sunshine Coast Holiday Parks

- \$557,000 of works planned for Noosa Holiday Parks that were not completed as at 31 December 2013 have been removed from the Sunshine Coast Council capital program as budget adjustments in BR3. These projects formed part of the de-amalgamation transfer process.
- Permanent saving of \$700,000 relating to an allocation for nine new cabins that have now been delayed indefinitely due to market conditions.
- \$400,000 allocated at Mudjimba for purchase of State land has been delayed by inaction from the relevant State department.
- \$200,000 for Mooloolaba refurbishment has been re-scheduled to 2014/2015.

Parks

Since Christmas we have let a series of projects that are now well under construction and will substantially increase year to date delivery results during the coming months – key projects currently in progress:

Alex Headlands Foreshore; Russell Family park; Lions Park Maroochydoore;
Elizabeth Daniels Park; Buderim Village Park

Moving forward there is a continued focus on fast tracking hand over of designs for construction with ongoing weekly design review and capital works status meetings between Recreation Projects and Landscape Design teams and if we continue with good favourable weather we are on track for 80% to 90% delivery of parks capital works.

Quarries

Emergency stormwater management works were required by the Department of Environment & Heritage Protection to be completed by the 23 December 2013. The department refused to consider any phasing of works. Due to the emergent nature of these works, the quarry program is currently over budget. Additional funding requests are being made as part of BR3 and will be funded from the Quarry restricted cash balance.

Strategic Land and Commercial Properties

\$11.4 million of the allocation for land purchases and other projects for the Maroochydoore Principal Activity Centre will be removed from the 2013/14 capital program through BR3. These projects will be included in the 2014/15 capital program to be considered by Councillors.

Investment Performance

- All investment parameters remain within the guidelines established by the Investment Policy.
- For the month ending 28 February 2014, council has maintained a reasonably strong return in the current market conditions with \$268 million cash (excluding Trust Fund) with an average interest rate of 3.63%, being 1.00% above benchmark. This is compared to 28 February 2013 with \$289 million cash (excluding Trust Fund) where the average interest rate was 4.46%, being 1.49% 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.

- The Reserve Bank of Australia (RBA) cash rate remains unchanged at 2.5%.

Balance Sheet

As at the end of February 2014, a total value of \$1,089 million in assets and \$54 million in liabilities have been transferred to Noosa Shire Council. This includes approximately \$940 million in tangible assets (buildings, land, property plant and equipment etc.).

The interim cash amount of \$32 million was transferred to Noosa Shire Council as at 31 December 2013.

No further transfer of cash has been made to Noosa Shire Council, as the cash reconciliation process is still in progress.

Legal

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

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

Policy

Council's Investment Policy.

Risk

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

1. the expected full year growth in rateable properties is less than forecast, with lower revenue than budgeted;
2. in June 2013 the Federal Government pre-paid half of the 2013/2014 Financial Assistance Grant of \$6.3 million. Since half of the grant was pre-paid into 2012/2013 there is a potential shortfall of \$2.1 million in the current budget;
3. there is \$4.7 million net savings for the Organisational Review loaded into the budget;
4. the achievement of de-amalgamation reductions in Materials & Services budget occurs after separation from 1 January 2014;
5. there is \$4.4 million employee vacancy savings loaded into the budget which may be difficult to achieve along with the Organisational Review; and
6. the risk that the State Government will transfer State Penalties Enforcement Register (SPER) debt back to local councils, who will then have to manage their own debt collection.

Previous Council Resolution

On 25 June 2013, council adopted the 2013/2014 budget.

On 19 September 2013, council adopted the Budget Review 1 2013/2014.

On 12 December 2013, council adopted the Budget Review 2 2013/2014.

On 18 February 2014, council resolved in SM14/12, section (b) to amend the 2013/2014 budget by increasing the Strategic Land and Commercial Properties capital budget by an amount of \$5.9 million.

On 27 February 2014, council resolved in OM14/19, section (b) to amend the 2013/2014 budget by increasing the Strategic Land and Commercial Properties capital budget by an amount of \$755,000.

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

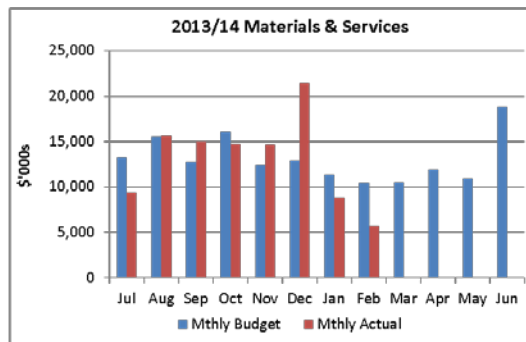
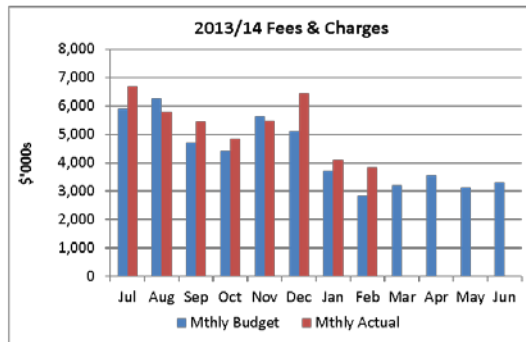
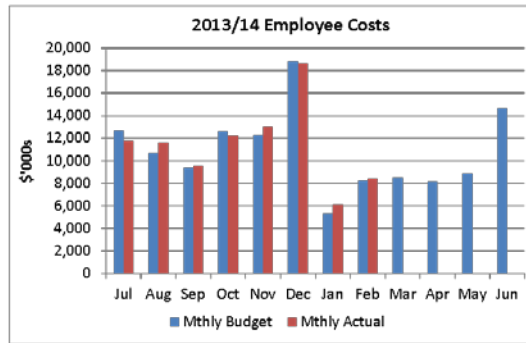
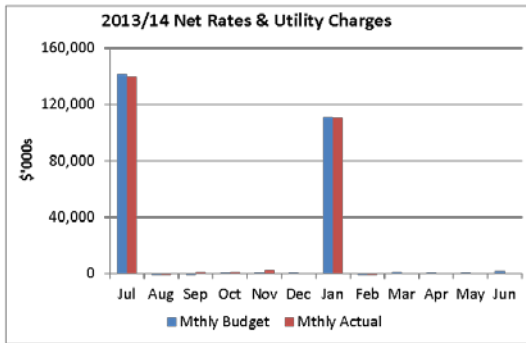
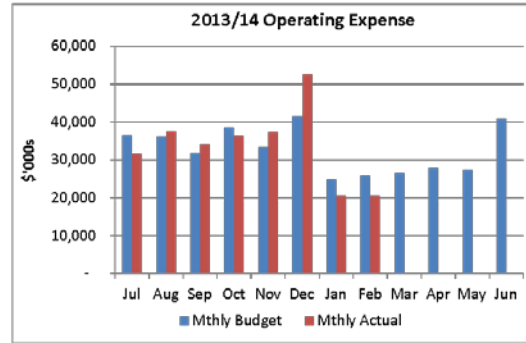
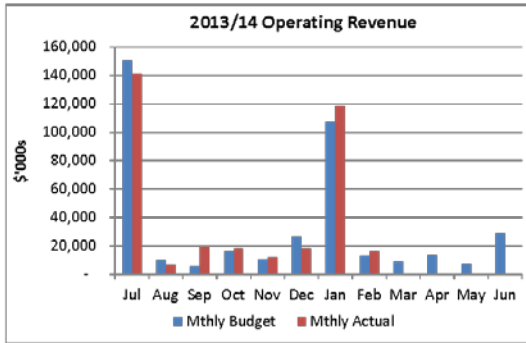
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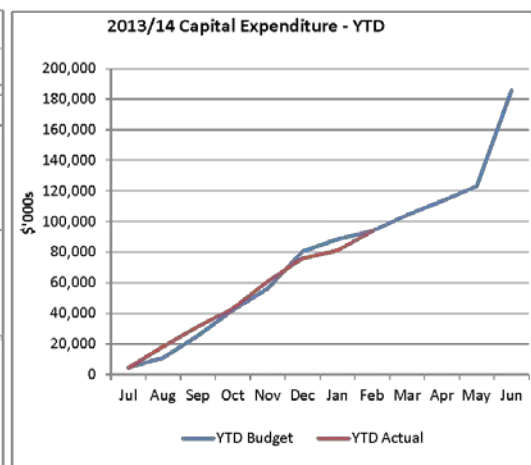
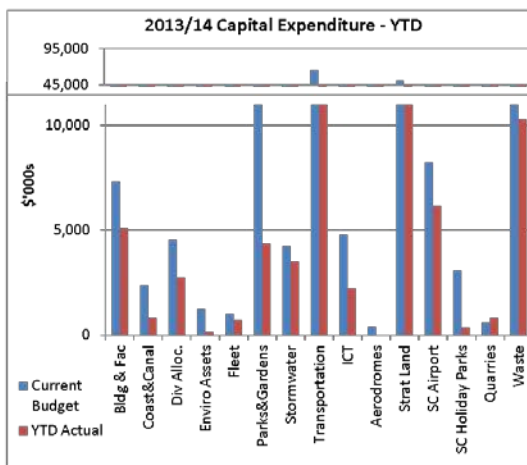
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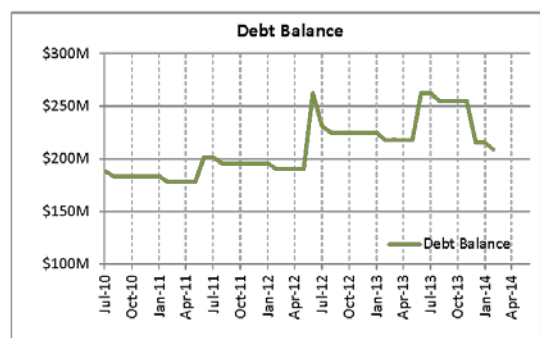
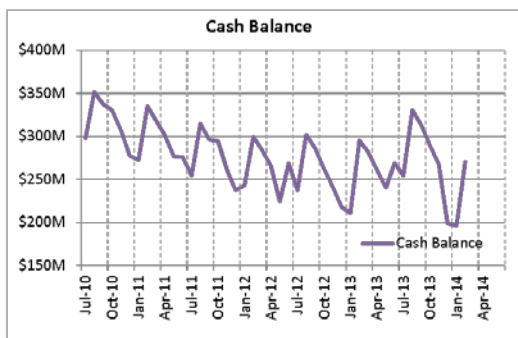
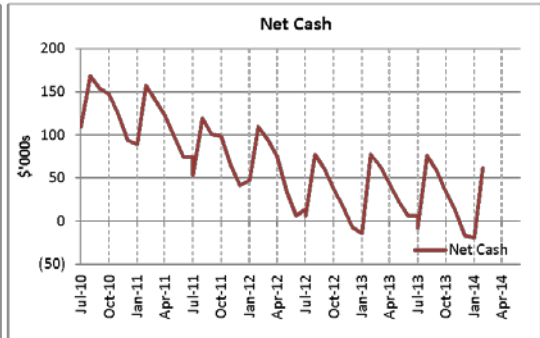
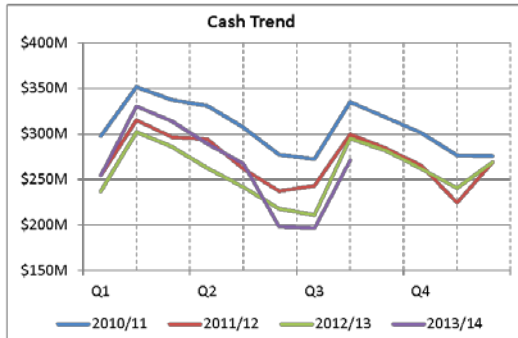
FINANCIAL PERFORMANCE REPORT							February 2014
HEADLINE - OPERATING							
	Annual		YTD				
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %	
Operating Revenue	400,295	399,438	340,924	351,114	10,191	3.0%	
Operating Expenses	387,582	392,020	269,065	270,759	1,694	0.6%	
Operating Result	12,713	7,418	71,859	80,356	8,497	11.8%	
NET Result	54,287	50,538	98,024	104,164	6,140	6.3%	



FINANCIAL PERFORMANCE REPORT						February 2014
HEADLINE - CAPITAL						
	Annual		YTD			
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %
Capital Revenues (included in NET Result)	37,101	38,648	23,967	21,610	(2,357)	
Other Capital Revenues	86,410	86,409	51,034	50,977	(57)	
Total Capital Revenues	123,511	125,057	75,001	72,587	(2,414)	
Capital Works Expenditure	109,270	191,678	93,836	93,801	(34)	(0.0%)
Other capital Expenditure	41,150	33,550	27,630	22,471	(5,160)	
Total Capital Expenditure	150,420	225,228	121,466	116,272	(5,194)	
Funds from General Revenue	26,909	100,171	46,465	43,685	(2,780)	



FINANCIAL PERFORMANCE REPORT			
			February 2014
HEADLINE - CASH & BALANCE SHEET			
	Annual		YTD
	Original Budget \$000s	Current Budget \$000s	Actuals \$000s
CASH FLOWS			
Opening Cash	196,241	264,747	261,336
Net Cash Inflow/(Outflows) from:			
Operating Activities	48,186	43,454	8,241
Investing Activities	(93,697)	(157,471)	53,780
Financing Activities	476	476	(44,078)
Net Increase/(decrease) in Cash Held	(45,035)	(113,541)	17,942
Cash at year end	151,206	151,206	279,279
BALANCE SHEET			
Total Current Assets	216,289	216,289	316,447
Total Non Current Assets	4,511,393	4,511,393	4,388,522
Total Assets	4,727,682	4,727,682	4,704,969
Total Current Liabilities	70,183	70,183	861,277
Total Non Current Liabilities	240,480	240,480	234,620
Total Liabilities	310,663	310,663	626,657
Net Community Assets/ Total Community Equity	4,417,019	4,417,019	5,331,626



FINANCIAL PERFORMANCE REPORT

February 2014

HEADLINE - COMMENTARY
Income & Expense Statement

Council's financial results at 28 February 2014 shows the organisation with a \$8.5 million higher than forecasted operating position against the year to date budget. This operating result variation is made up of operating revenue being \$10.2 million higher than the year to date budget, along with operating expenses being \$1.7 higher than the year to date budget.

Operating Revenues

As at the end of February 2014, net rates and utilities is showing a positive variance of \$725,000. This variance is being generated by an increase in waste rates revenue of \$618,000, which will be addressed as part of Budget Review 3 (BR3).

Of the \$4.1 million favourable variance in fees and charges, \$2.5 million relates to development applications revenue. The volume of applications shows a 30% increase on 2012/2013 applications (excluding full year Noosa applications and building and plumbing applications).

Of the \$3.4 million favourable variance in other revenue, \$2.3 million relates to the reimbursement of de-amalgamation costs up to the 23 December 2013 from the working capital facility. This reimbursement is for \$1.3 million in employee costs and \$1 million in materials and services, which covers costs incurred by the Sunshine Coast Council on de-amalgamation activities.

Operating Expenses

The de-amalgamation process required an interim financial year end as at 31 December 2013, resulting in increased expenses in the month of December, with corresponding decreases in the following months.

As at February 2014 month end, employee costs were over budget by \$1.4 million. A total of \$1.3 million in Sunshine Coast Council employee costs were spent on de-amalgamation activities up to 23 December 2013. As reflected in other revenue, the reimbursement of this expenditure has been received, and BR3 will align the revenue and expenditure lines.

As at February 2014 month end, materials and services costs were above budget by \$475,000.

This variance is made up of higher than budgeted legal costs of \$1.5 million.

As at 23 December 2013, \$1 million had been spent on materials and services setting up the new Noosa Shire Council. As reflected in other revenue, the reimbursement of this expenditure has been received, and BR3 will align the revenue and expenditure lines.

This above budget expenditure has been offset by underspends in the Infrastructure Services Department of \$1.8 million. This underspend is across a majority of branches and includes:

- o \$460,000 on levy and project timing differences
- o \$1.0 million in the Civil Works and Fleet Branch
- o \$550,000 in the Waste and Resource Management Branch

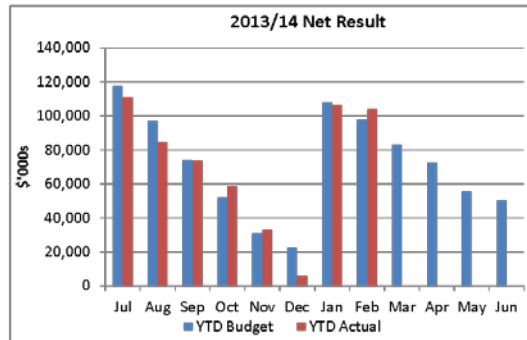
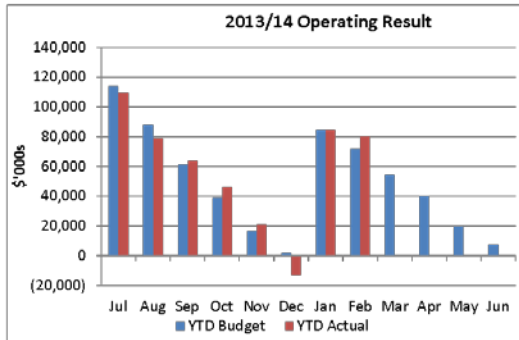
Capital Expenditure

As at 28 February 2014, \$93.8 million (48.9%) of council's \$191.7 million 2013/2014 Capital Works Program was financially expended.

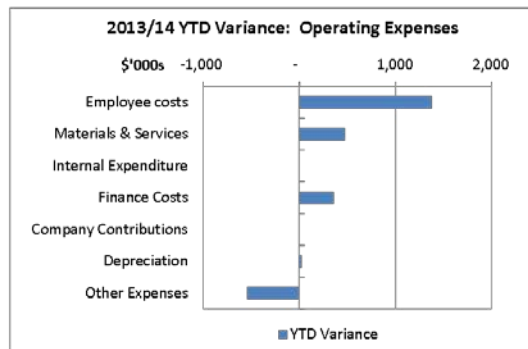
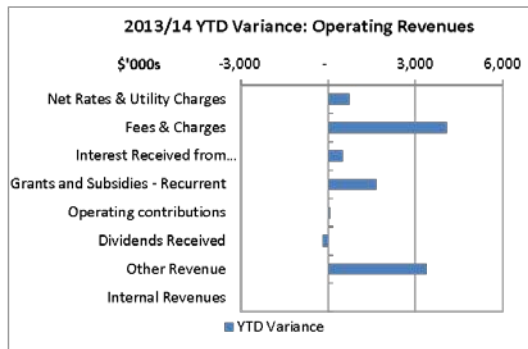
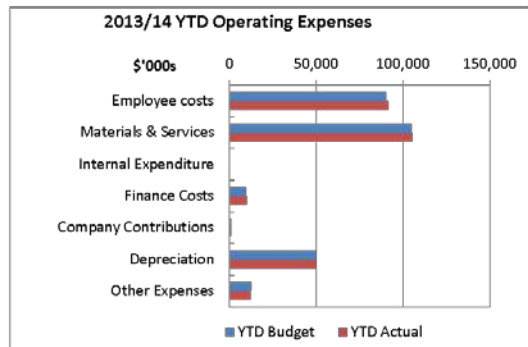
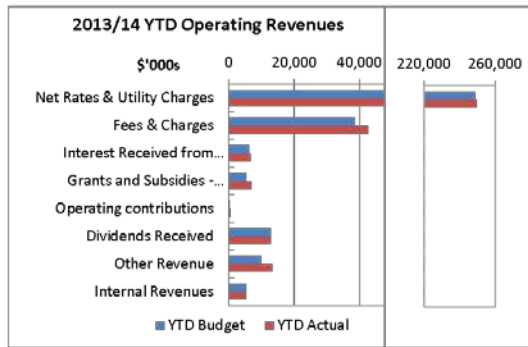
HEADLINE - RISKS
Income & Expense Statement

1. General Rates growth - lower than anticipated growth of rateable properties of 1.0% against forecast of 1.5%. This approximately equates to lower revenue than budgeted.
2. Financial Assistance Grant - during 2012/2013 more than one half of the grant (\$6.3 million) was paid early into June 2012. This prepayment has created a budget impact of \$2.1 million in the current 2013/2014 budget.
3. Organisation Review - \$4.7 million net savings loaded into the budget.
4. De-amalgamation - risk that not all costs associated with the de-amalgamation are being charged to Noosa Shire Council.
5. Employee Vacancy Factor - \$4.4 million loaded in the budget. May be difficult to achieve this saving along with Organisation Review.
6. The risk that the State Government will transfer SPER debt back to local councils, who will then have to manage their own debt collection.

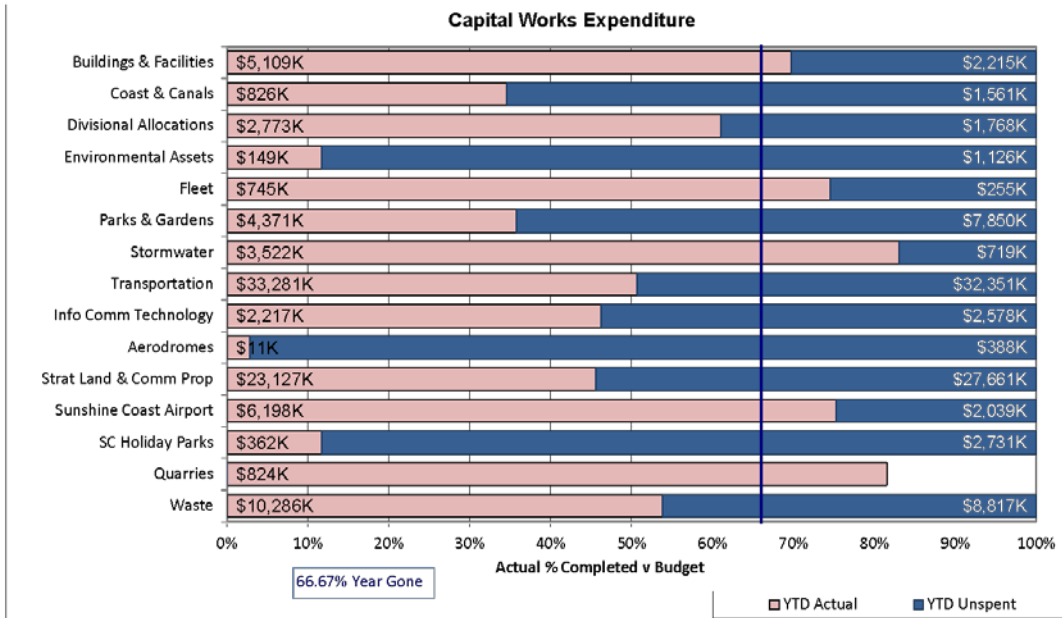
FINANCIAL PERFORMANCE REPORT							February 2014
STATEMENT OF INCOME & EXPENSES							
	Annual		YTD				Annual
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %	Forecast Budget \$000s
Operating Revenue							
Gross Rates & Utility Charges	262,411	262,480	258,668	260,885	2,216	0.9%	262,480
Interest from Rates & Utilities	2,053	2,053	1,411	1,381	(30)	-2.2%	2,053
Less Discounts, Pensioner Remissions	(11,374)	(11,374)	(11,326)	(12,786)	(1,461)	12.9%	(11,374)
Net Rates & Utility Charges	253,090	253,159	248,754	249,479	725	0.3%	253,159
Fees & Charges	53,274	51,841	38,637	42,717	4,079	10.6%	51,841
Interest Received from Investments	8,512	8,512	6,274	6,766	492	7.8%	8,512
Grants and Subsidies - Recurrent	10,780	11,091	5,266	6,929	1,662	31.6%	11,091
Operating contributions	570	570	400	471	71	17.7%	570
Interest received from Unitywater	26,205	26,205	13,331	13,305	(26)	-0.2%	26,205
Dividends Received	27,001	27,001	13,011	12,817	(195)	-1.5%	27,001
Other Revenue	13,249	13,485	9,892	13,278	3,387	34.2%	13,485
Internal Revenues	7,614	7,575	5,359	5,354	(4)	-0.1%	7,575
Community Service Obligations	0	0	0	0	0	0.0%	0
Total Operating Revenue	400,295	399,438	340,924	351,114	10,191	3.0%	399,438
Operating Expenses							
Employee costs	130,879	130,318	90,061	91,442	1,381	1.5%	130,318
Materials & Services	152,860	157,296	104,962	105,436	475	0.5%	157,296
Internal Expenditure	0	0	0	0	0	0.0%	0
Finance Costs	14,197	14,197	9,894	10,252	359	3.6%	14,197
Company Contributions	1,152	1,152	1,152	1,152	0	0.0%	1,152
Depreciation	70,510	70,510	50,034	50,056	21	0.0%	70,510
Other Expenses	17,984	18,547	12,963	12,420	(543)	-4.2%	18,547
Competitive Neutrality Adjustments	0	0	(0)	0	0	-100.0%	0
Total Operating Expenses	387,582	392,020	269,065	270,759	1,694	0.6%	392,020
Operating Result	12,713	7,418	71,859	80,356	8,497	11.8%	7,418
Capital Revenue							
Capital Grants and Subsidies	2,900	12,042	5,237	6,118	880	16.8%	12,042
Capital Contributions	7,201	7,206	5,249	6,538	1,288	24.5%	7,206
Contributed Assets	27,000	19,400	13,480	8,954	(4,526)	-33.6%	19,400
Other Capital Revenue	4,472	4,472	2,198	2,198	0	0.0%	4,472
Total Capital Revenue	41,573	43,120	26,165	23,808	(2,357)	-9.0%	43,120
Net Result	54,287	50,538	98,024	104,164	6,140	6.3%	50,538



FINANCIAL PERFORMANCE REPORT February 2014
STATEMENT OF INCOME & EXPENSES



FINANCIAL PERFORMANCE REPORT							February 2014
CAPITAL EXPENDITURE							
Capital Works Program	Annual		YTD			Annual	
	Original Budget \$'000s	Current Budget \$'000s	Budget \$'000s	Actual \$'000s	% of Annual Budget Spent	Forecast Budget \$'000s	
Buildings and Facilities	6,548	7,324	5,595	5,109	69.8%	7,324	
Coast and Canals	1,949	2,388	1,468	826	34.6%	2,388	
Divisional Allocations	3,100	4,540	2,680	2,773	61.1%	4,540	
Environmental Assets	1,238	1,276	250	149	11.7%	1,276	
Fleet	1,000	1,000	734	745	74.5%	1,000	
Parks and Gardens	10,317	12,228	5,869	4,371	35.7%	12,221	
Stormwater	4,161	4,241	2,379	3,522	83.0%	4,241	
Transportation	52,952	65,632	38,733	33,281	50.7%	65,632	
Information Communication Technology	3,927	4,871	2,477	2,217	45.5%	4,795	
Strategic Land & Comm Properties	9,422	56,709	19,660	23,127	40.8%	50,789	
Aerodromes	-	399	7	11	2.8%	399	
Sunshine Coast Airport	3,400	8,237	6,326	6,198	75.2%	8,237	
SC Holiday Parks	1,455	3,093	1,033	362	11.7%	3,093	
Quarries	150	637	183	824	129.3%	637	
Waste	9,651	19,103	6,440	10,286	53.8%	19,103	
TOTAL	109,270	191,678	93,836	93,801	48.9%	185,675	



FINANCIAL PERFORMANCE REPORT February 2014
INVESTEMENT PERFORMANCE

Liquidity as at:		28/02/2014	
		\$'000's	
At-call accounts			
QTC + CBA (exc trust)	\$102,701		37.62%
Maturities within 7 days	\$0		
Total at-call	\$102,701		37.62%
Investment Policy Target			10.00%

	INVESTMENT SUMMARY AS AT (including Trust)			Investment Policy				
	28/02/2014		31/01/2014		28/02/2013	Individual Limit	Group Limits	
A1+ (QTC)	\$91,905	33.7%	\$51,855	26.1%	\$34,250	11.5%	100%	100%
A1+ (Other)	\$126,107	46.2%	\$77,004	38.7%	\$157,500	53.1%	35%	100%
A1	\$10,000	3.7%	\$20,000	10.1%	\$40,000	13.5%	30%	30%
A2	\$45,000	16.5%	\$50,000	25.1%	\$65,000	21.9%	10%	30%
TOTAL	\$273,012		\$198,860		\$296,750			

Investment Portfolio

