

**8.2.1 NOVEMBER 2014 FINANCIAL PERFORMANCE REPORT**

**File No:** Financial Reports  
**Author:** Acting Coordinator Financial Services  
Corporate Services Department  
**Attachments:** Att 1 - November 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 30 November 2014 shows a positive variance of \$10.4 million compared to the forecast position.

The operating result variation is made up of higher than expected revenue of \$5.0 million (3.0%) and lower than expected operating expenses of \$5.4 million (3.7%). Further detail is provided in the proposal section of this report.

As at 30 November 2014, \$46.0 million (30.7%) of council's \$149.6 million 2014/2015 Capital Works Program was financially expended.

This report also contains a recommendation to write off an amount of unrecoverable income with further detail contained in the proposal section of the report.

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

As Budget Review 2 was approved in December 2014, related budget adjustments are not included in the budget comparative figures for this November 2014 report.

**OFFICER RECOMMENDATION**

**That Council:**

- (a) receive and note the report titled "November 2014 Financial Performance Report" and**
- (b) write-off unrecoverable income of \$172,711 GST exclusive (\$189,982.14 GST inclusive) in relation to Australian Aviation Career Services (AACS).**

**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 participated in the formation of the recommendations associated with this report.

### External Consultation

Consultation with a lessee at the Sunshine Coast Airport was undertaken over many months in regards to unrecoverable income.

### Community Engagement

No community engagement is required for this report.

## PROPOSAL

As Budget Review 2 was approved in December 2014, related budget adjustments are NOT included in the budget comparative figures for this November 2014 report.

The operating result at 30 November 2014 shows a positive variance of \$10.4 million compared to the forecast position.

This operating result variation is made up of higher than expected revenue of \$5.0 million and lower than expected operating expenses of \$5.4 million.

### Operating Revenue

#### Net Rates and Utility Charges

The favourable variance of \$1.1 million 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 increase to Net Rates & Utility charges of \$1.5 million was included in Budget Review 2.

#### Fees and Charges

The \$2.2 million favourable variance in fees and charges mainly relates to the following items:-

- Development application revenue \$1.8 million higher than the year to date budget
- Tip fees lower than the year to date budget by \$310,000
- Caloundra Music Festival sales exceeded the full year budget by \$345,000, offset by expenditure being higher than budget by \$167,000.

An increase to Fees & Charges of \$1.4 million was included in Budget Review 2.

Other items impacting the favourable result and exceeding the year to date budget are:

- Sunshine Coast Holiday Park revenue \$177,000. This is offset by additional commission paid of \$33,000.
- Change of Ownership and Search Fee revenue \$96,000.

These items will be monitored and included in Budget Review 3 if appropriate.

### **Other Revenue**

Other Revenue has exceeded the year to date budget by \$811,000 and is mainly due to:

- \$200,000 received from the waste collection contractors to support the Waste & Resource Management Education Centre program and \$40,000 to conduct a waste characterisation study
- \$113,000 London Creek Revegetation Offset
- \$60,000 Commission – Emergency Management Levy
- \$53,000 bond call up revenue
- \$50,000 Mooloolaba dredging contribution from State Government.

An increase to Other Revenue of \$358,000 was included in Budget Review 2.

Other items impacting the favourable result and exceeding the year to date budget include:-

- \$94,000 sale of recovered material (Waste), and
- \$66,000 Airport ground transport income.

These items will be monitored and included in Budget Review 3 if appropriate.

### **Operating Expenses**

#### **Employee Costs**

As at 30 November 2014, employee costs were below budget by \$1.3 million or 2.8%.

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

In addition, some vacant positions are in the process of being filled.

#### **Materials and Services**

As at 30 November 2014, Materials and Services costs were below budget by \$3.7 million or 6.4%.

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

- \$986,000 for utilities such as fuel, electricity, water & sewerage and telecommunications.
  - Fuel has the largest variance at \$476,000 behind the year to date budget. \$150,000 of this relates to timing with the balance attributable to differing fuel prices as well as 14 vehicles returned to the lease company this financial year, that have not been replaced. In terms of fuel pricing, the budget was prepared based on an average fuel price of \$1.57 per litre, with the average price paid so far this financial year being \$1.32 per litre.
- \$428,000 operating projects
- \$395,000 council property maintenance

The balance of the favourable variance is attributable to timing in various service delivery areas.

These will be monitored through the year to gauge the impact on the year end result with adjustments included in the next budget review if appropriate.

### **Capital Revenue**

Capital Revenues, at \$15.4 million, are less than the year to date budget by \$364,000 or 2.3%. However, an increase of \$4.3 million was included in Budget Review 2 to account for the receipt of unbudgeted items as follows:-

- \$1.6 million Cycle Network Local Government Grants Program
- \$1.2 million grants – Parks and Gardens
- \$403,000 Transport Infrastructure Development Scheme
- \$357,000 Passenger Transport Accessible Infrastructure Program
- \$112,000 other.

### **Capital Expenditure**

As at 30 November 2014, \$46.0 million (30.7%) 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	890	11.3%
Coasts and Canals	2,070	2,651	695	26.2%
Divisional Allocations	3,335	3,452	720	20.8%
Environmental Assets	926	1,141	230	20.1%
Fleet	1,290	1,290	105	8.2%
Parks and Gardens	9,027	13,066	6,385	48.9%
Stormwater	6,202	6,599	1,756	26.6%
Transportation	47,286	55,845	17,405	31.2%
Information Technology	2,768	3,884	1,310	33.7%
Strategic Land & Commercial Properties	18,751	29,150	7,460	25.6%
Aerodromes	581	912	40	4.4%
Sunshine Coast Airport	5,148	5,741	1,259	21.9%
Holiday Parks	1,158	2,119	851	40.2%
Quarries	1,950	2,204	241	10.9%
Waste	8,403	13,727	6,641	48.4%
<b>TOTAL COUNCIL</b>	<b>113,892</b>	<b>149,637</b>	<b>45,988</b>	<b>30.7%</b>

### **Write-off of unrecoverable income**

Australian Aviation Career Services (AACS) lease has been terminated by Council due to non-payment of rent. The training operations of the company have ceased.

The partially constructed hangar on the site has transferred to Council's ownership as a result of termination of the lease.

Sunshine Coast Airport has made every endeavour and accommodation to support Australian Aviation Career Services' (AACS) expansion, cognisant of the significant contribution a facility like this can make to the region. Extensive communication between

Sunshine Coast Airport's Coordinator Business and Commercial, General Manager Airports, and the company has been ongoing over the period.

A debt of \$189,982.14 (GST incl) remains and is recommended for write-off in this report.

### **Investment Performance**

- All investment parameters remain within the guidelines established by the Investment Policy.
- For the month ending 30 November 2014, council had \$231 million cash (excluding Trust Fund) with an average interest rate of 3.44%, being 0.67% above benchmark. This is compared to the same period last year with \$261 million cash (excluding Trust Fund) where the average interest rate was 3.71%, being 1.09% 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 2014/2015 Investment Policy.

### **Risk**

There are no known current material financial risks.

### **Previous Council Resolution**

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

*That Council:*

- receive and note the report titled "Adoption of the 2014/2015 Budget and Forward Estimates for the 2015/2016 to 2023/2024 Financial Years"*
- 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*
- adopt the 2014/2015 Budget Schedules (Appendix A) including Forward Estimates.*

#### **Ordinary Meeting 24 July 2014 - Council Resolution (OM 14/100)**

*That Council:*

- receive and note the report titled "May 2014 Financial Performance Report" and*
- 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 – Council Resolution (OM14/131)**

*That Council:*

- receive and note the report titled "**Budget Review 1 2014/15**" and*
- 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 Resolution (OM 14/132)**

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

**Ordinary Meeting 16 October 2014 – Council Resolution (OM 14/140)**

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

**Ordinary Meeting 13 November 2014 – Council Resolution (OM14/157)**

*That Council receive and note the report titled “September 2014 Financial Performance Report”.*

**Ordinary Meeting 11 December 2014 – Council Resolution (OM14/173)**

*That Council:*

- (a) receive and note the report titled “Budget Review 2 2014/2015” and*
- (b) adopt the amended 2014/2015 Budget Financial Statements to include the identified operating and capital budget adjustments (Appendix A).*

**Related Documentation**

There is no related documentation for this report.

**Critical Dates**

There are no critical dates for this report.

**Implementation**

There are no implementation details to include in this report.



# Financial Performance Report

## November 2014



FINANCIAL PERFORMANCE REPORT

November 2014

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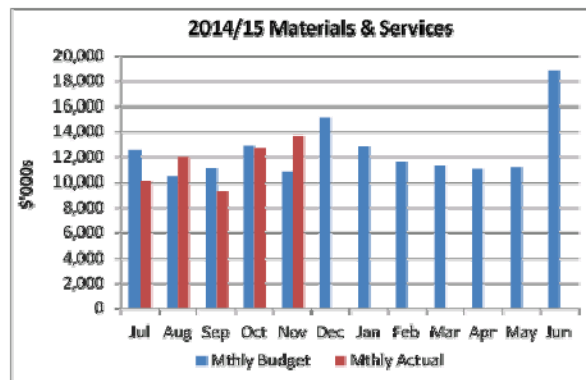
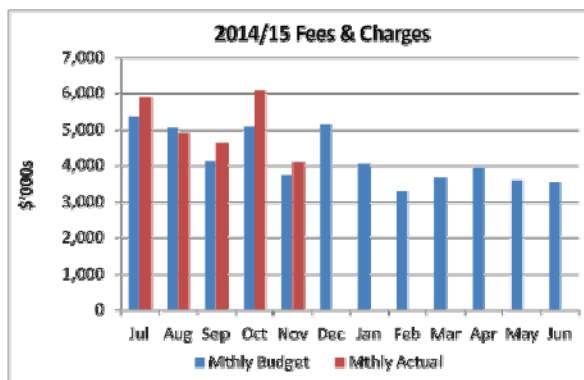
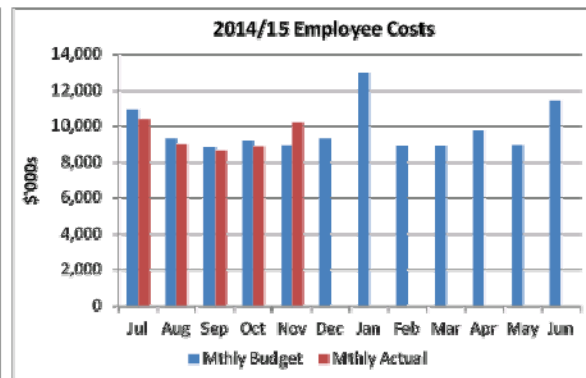
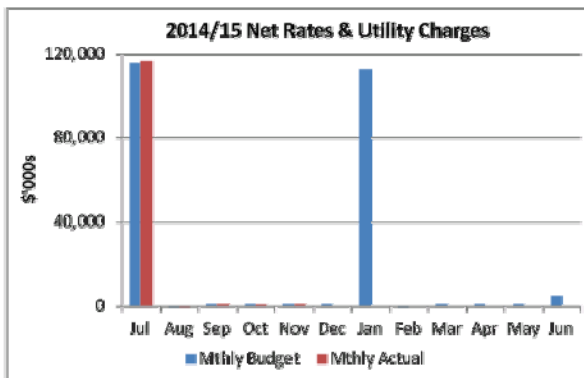
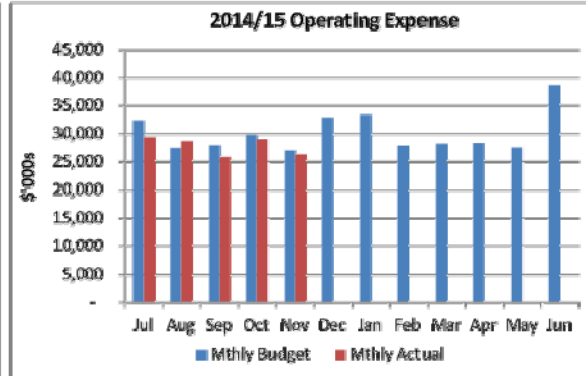
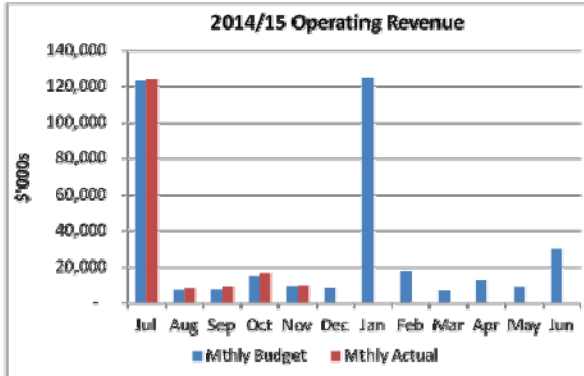
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**HEADLINE - OPERATING**

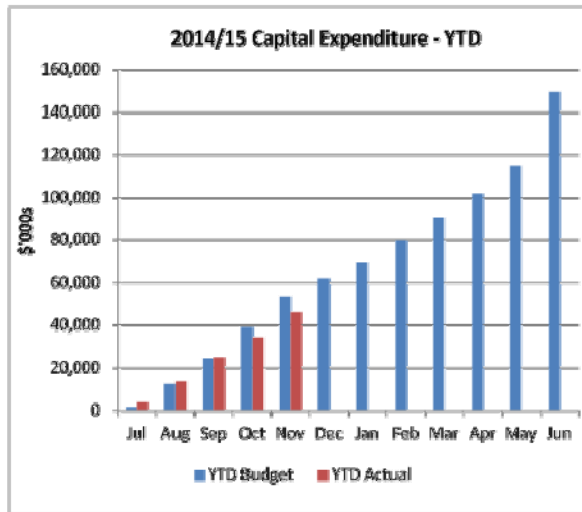
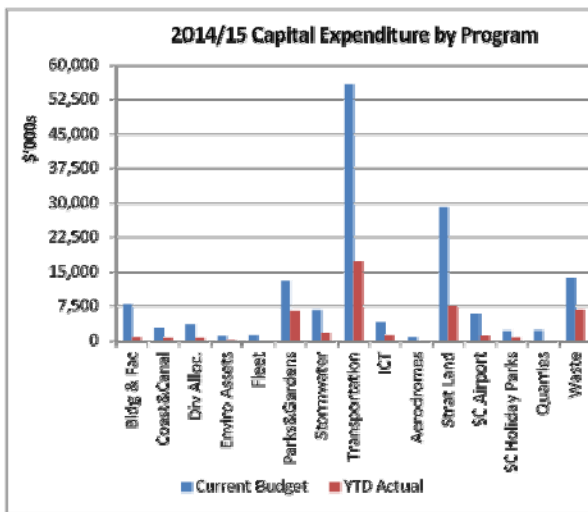
	Annual		YTD			
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %
Operating Revenue	370,949	373,019	163,340	168,300	4,960	3.0%
Operating Expenses	357,872	361,728	144,751	139,359	(5,392)	(3.7%)
<b>Operating Result</b>	<b>13,077</b>	<b>11,291</b>	<b>18,589</b>	<b>28,941</b>	<b>10,353</b>	<b>55.7%</b>
<b>NET Result</b>	<b>51,580</b>	<b>51,843</b>	<b>34,326</b>	<b>44,314</b>	<b>9,988</b>	<b>29.1%</b>



**FINANCIAL PERFORMANCE REPORT** November 2014

**HEADLINE - CAPITAL**

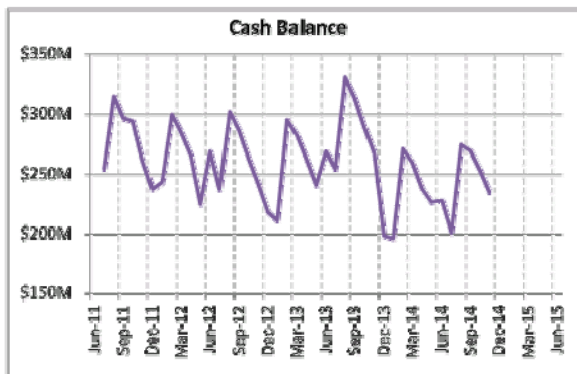
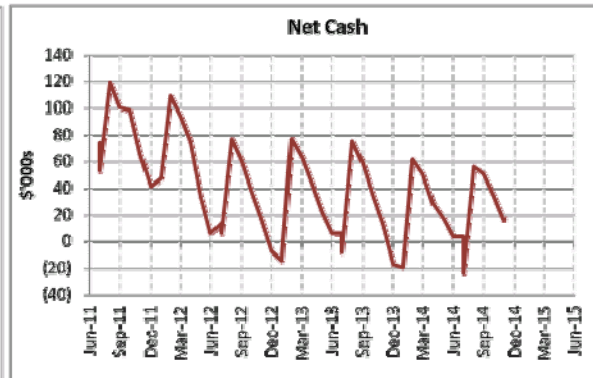
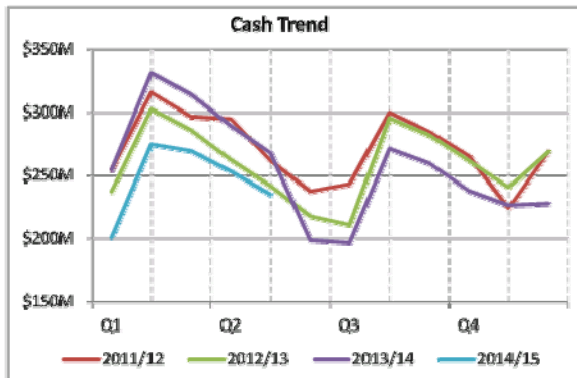
	Annual		YTD			
	Original Budget \$000	Current Budget \$000	Current Budget \$000	Actuals \$000	Variance \$000	Variance %
Capital Revenues (included in NET Result)	33,720	35,769	14,541	14,207	(334)	
Other Capital Revenues	83,486	83,486	32,786	29,166	(3,619)	
<b>Total Capital Revenues</b>	<b>117,206</b>	<b>119,255</b>	<b>47,327</b>	<b>43,373</b>	<b>(3,954)</b>	
Capital Works Expenditure	113,892	149,637	53,445	45,988	(7,457)	(14.0%)
Other Capital Expenditure	38,005	38,005	17,002	12,469	(4,533)	
<b>Total Capital Expenditure</b>	<b>151,897</b>	<b>187,642</b>	<b>70,447</b>	<b>58,458</b>	<b>(11,990)</b>	
<b>Funds from General Revenue</b>	<b>34,691</b>	<b>68,387</b>	<b>23,120</b>	<b>15,084</b>	<b>(8,036)</b>	



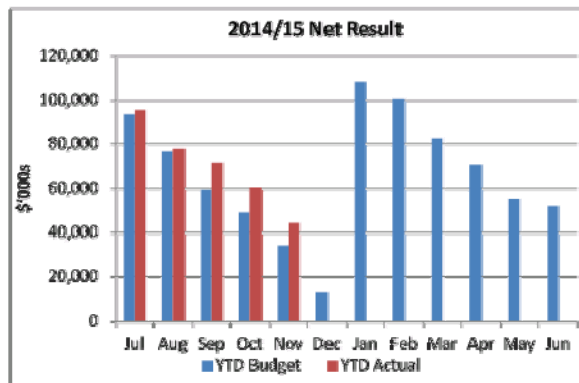
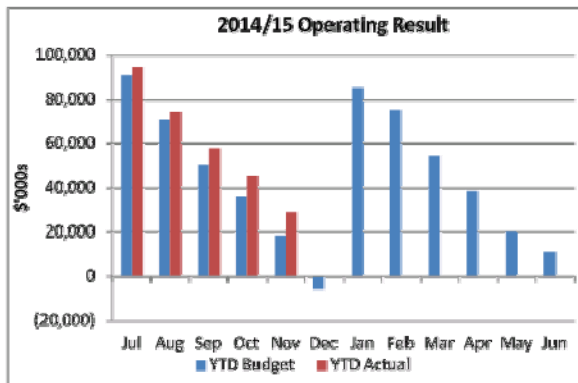
**FINANCIAL PERFORMANCE REPORT** November 2014

**HEADLINE - CASH & BALANCE SHEET**

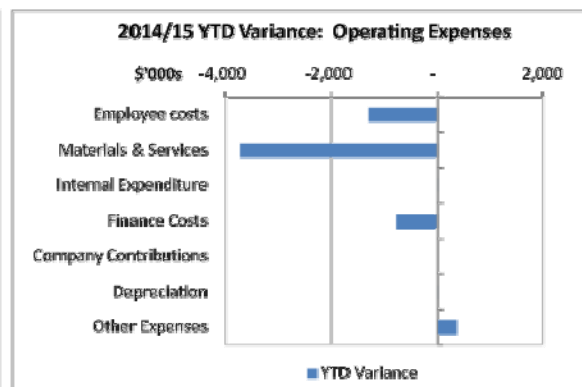
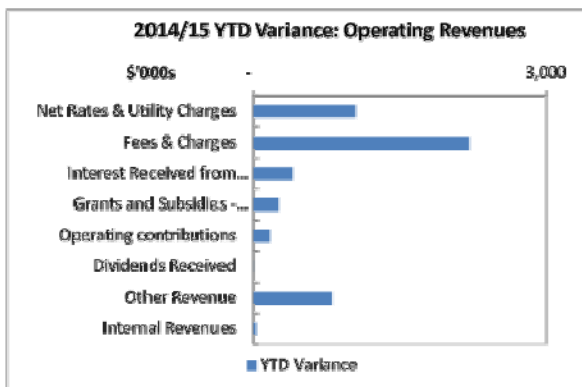
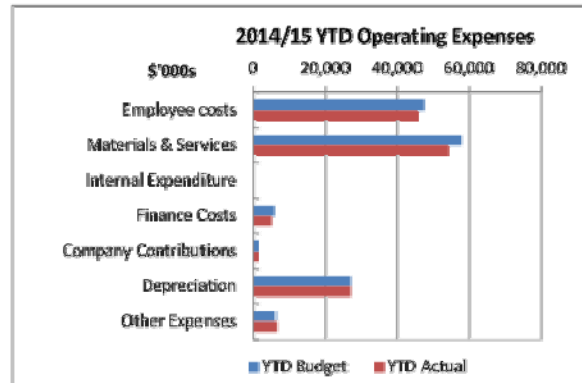
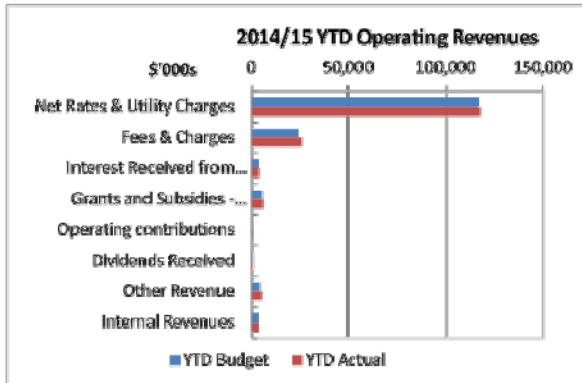
	Annual		YTD
	Original Budget \$000s	Current Budget \$000s	Actuals \$000s
<b>CASH FLOWS</b>			
Opening Cash	169,876	221,423	216,845
Net Cash Inflow/(Outflows) from:			
Operating Activities	79,105	77,619	949,035
Investing Activities	(94,598)	(128,294)	(934,494)
Financing Activities	1,306	1,306	(490)
<b>Net Increase/(decrease) in Cash Held</b>	<b>(14,187)</b>	<b>(49,369)</b>	<b>14,051</b>
<b>Cash at year end</b>	<b>155,689</b>	<b>172,054</b>	<b>230,896</b>
<b>BALANCE SHEET</b>			
Total Current Assets	204,627	220,992	265,506
Total Non Current Assets	4,566,635	4,559,438	4,179,235
<b>Total Assets</b>	<b>4,771,262</b>	<b>4,780,430</b>	<b>4,444,741</b>
Total Current Liabilities	70,488	70,488	58,479
Total Non Current Liabilities	238,841	238,841	237,040
<b>Total Liabilities</b>	<b>309,329</b>	<b>309,329</b>	<b>295,519</b>
<b>Net Community Assets/ Total Community Equity</b>	<b>4,461,933</b>	<b>4,471,101</b>	<b>4,149,222</b>



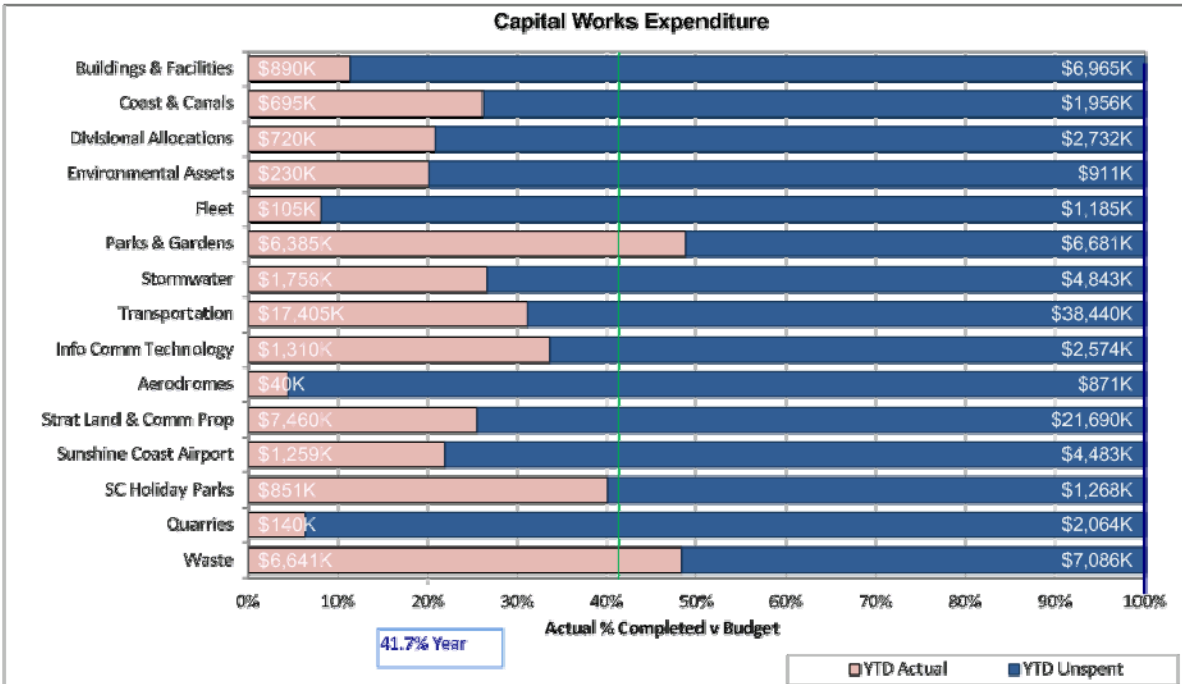
FINANCIAL PERFORMANCE REPORT							November 2014
STATEMENT OF INCOME & EXPENSES							
	Annual		YTD				Annual
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %	Forecast Budget \$000s
<b>Operating Revenue</b>							
Gross Rates & Utility Charges	245,558	245,558	121,485	122,643	1,158	1.0%	247,079
Interest from Rates & Utilities	1,527	1,527	636	462	(174)	-27.4%	1,527
Less Discounts, Pensioner Remissions	(11,265)	(11,265)	(5,365)	(5,493)	72	-1.3%	(11,265)
<b>Net Rates &amp; Utility Charges</b>	<b>235,819</b>	<b>235,819</b>	<b>116,556</b>	<b>117,612</b>	<b>1,055</b>	<b>0.9%</b>	<b>237,341</b>
Fees & Charges	50,668	50,767	23,420	25,633	2,213	9.5%	52,167
Interest Received from Investments	7,336	7,336	3,257	3,658	401	12.3%	7,336
Grants and Subsidies - Recurrent	9,569	11,770	5,564	5,831	267	4.8%	11,933
Operating contributions	541	406	169	343	174	102.8%	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	777	0	0.0%	26,162
Other Revenue	10,085	9,855	4,304	5,115	811	18.8%	10,213
Internal Revenues	6,835	6,970	3,280	3,309	30	0.9%	7,815
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>163,340</b>	<b>168,300</b>	<b>4,960</b>	<b>3.0%</b>	<b>377,307</b>
<b>Operating Expenses</b>							
Employee costs	117,212	117,261	47,124	45,827	(1,297)	-2.8%	118,028
Materials & Services	146,431	149,854	57,849	54,137	(3,712)	-6.4%	150,948
Internal Expenditure	(0)	(0)	(0)	(0)	0	-94.2%	(0)
Finance Costs	13,406	13,406	5,833	5,072	(760)	-13.0%	11,966
Company Contributions	1,187	1,187	1,187	1,187	0	0.0%	1,187
Depreciation	64,186	64,186	26,744	26,747	3	0.0%	64,186
Other Expenses	15,450	15,836	6,014	6,388	374	6.2%	16,042
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>144,751</b>	<b>139,359</b>	<b>(5,392)</b>	<b>-3.7%</b>	<b>362,357</b>
<b>Operating Result</b>	<b>13,077</b>	<b>11,291</b>	<b>18,589</b>	<b>28,941</b>	<b>10,353</b>	<b>55.7%</b>	<b>14,950</b>
<b>Capital Revenue</b>							
Capital Grants and Subsidies	2,320	4,184	1,346	3,549	2,204	163.8%	8,359
Capital Contributions	7,400	7,585	3,196	4,031	835	26.1%	7,650
Contributed Assets	24,000	24,000	10,000	6,627	(3,373)	-33.7%	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>15,737</b>	<b>15,373</b>	<b>(364)</b>	<b>-2.3%</b>	<b>44,792</b>
<b>Net Result</b>	<b>51,580</b>	<b>51,843</b>	<b>34,326</b>	<b>44,314</b>	<b>9,988</b>	<b>29.1%</b>	<b>59,742</b>



**FINANCIAL PERFORMANCE REPORT** November 2014  
**STATEMENT OF INCOME & EXPENSES**



FINANCIAL PERFORMANCE REPORT						November 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	4,997	7,855	1,834	890	11.3%	7,913
Coast and Canals	2,070	2,651	1,372	695	26.2%	2,651
Divisional Allocations	2,888	3,452	1,431	720	20.8%	3,253
Environmental Assets	946	1,141	253	230	20.1%	1,241
Fleet	1,290	1,290	538	105	8.2%	1,290
Parks and Gardens	9,349	13,066	5,414	6,385	48.9%	14,683
Stormwater	6,202	6,599	2,947	1,756	26.6%	6,584
Transportation	47,391	55,845	22,303	17,405	31.2%	51,332
Information Communication Technology	2,768	3,884	1,937	1,310	33.7%	4,034
Strategic Land & Comm Properties	18,751	29,150	6,350	7,460	25.6%	26,737
Aerodromes	581	912	327	40	4.4%	912
Sunshine Coast Airport	5,148	5,741	1,536	1,259	21.9%	5,741
SC Holiday Parks	1,158	2,119	1,122	851	40.2%	2,119
Quarries	1,950	2,204	1,499	241	10.9%	2,204
Waste	8,403	13,727	4,583	6,641	48.4%	15,942
<b>TOTAL</b>	<b>113,892</b>	<b>149,637</b>	<b>53,445</b>	<b>45,988</b>	<b>30.7%</b>	<b>146,637</b>



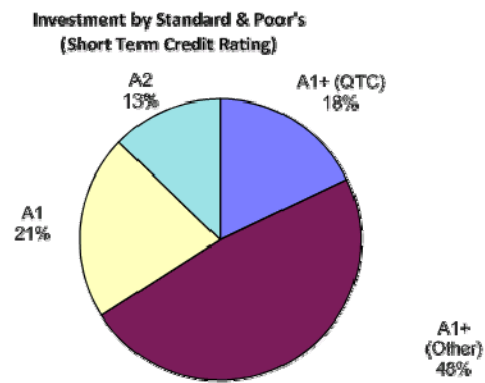
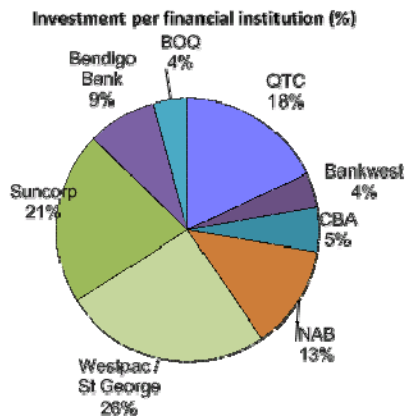
**FINANCIAL PERFORMANCE REPORT** November 2014  
**INVESTMENT PERFORMANCE**

Liquidity as at:	30/11/2014	
	\$'000's	
<b>At-call accounts</b>		
QTC + CBA (excl. trust)	\$50,954	21.68%
Maturities within 7 days	\$10,000	4.25%
<b>Total at-call</b>	<b>\$60,954</b>	<b>25.93%</b>
Investment Policy Target		10.00%

Term deposits maturing:	\$'000's	Count
within 30 days	\$60,000	5
30-59 days	\$30,000	3
60-89 days	\$40,000	4
90-179 days	\$60,000	6
180-364 days	\$0	0
1 year - 3 years	\$0	0
<b>Total</b>	<b>\$190,000</b>	<b>18</b>

	INVESTMENT SUMMARY (including Trust) as at:			Investment Policy				
	30/11/2014		31/10/2014		30/11/2013		Individual Limit	Group Limits
A1+ (QTC)	\$42,194	18.0%	\$62,043	24.5%	\$66,262	24.7%	100%	100%
A1+ (Other)	\$112,870	48.0%	\$131,267	51.8%	\$126,943	47.3%	35%	100%
A1	\$50,000	21.3%	\$30,000	11.8%	\$30,000	11.2%	30%	40%
A2	\$30,000	12.8%	\$30,000	11.8%	\$45,000	16.8%	15%	35%
<b>Total Funds</b>	<b>\$235,064</b>		<b>\$253,310</b>		<b>\$268,205</b>			
<b>FUND SUMMARY</b>								
General Funds	\$230,954		\$249,153		\$260,705			
Trust Funds	\$4,110		\$4,156		\$7,500			
<b>Total Funds</b>	<b>\$235,064</b>		<b>\$253,310</b>		<b>\$268,205</b>			

Investment Portfolio



Investment Performance

