

8 REPORTS DIRECT TO COUNCIL**8.4 JANUARY 2020 FINANCIAL PERFORMANCE REPORT****File No:** Financial Reports**Author:** Coordinator Financial Services
Business Performance Group**Attachments:** Att 1 - January 2020 Financial Performance Report 13**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 31 January 2020 in terms of the operating result and delivery of the capital program.

The operating result at 31 January 2020 shows a favourable variance of \$2 million compared to the budgeted position. The variation is mainly attributable to lower than expected revenue and lower than budgeted expense. Further detail is provided in the proposal section of this report.

Operating Performance**Table 1: Operating Result as at 31 January 2020**

	Current Budget \$000	YTD Budget \$000	YTD Actuals \$000	YTD Variance \$000	YTD Variance %
Total Operating Revenue	470,449	397,141	396,155	(986)	-0.2%
Total Operating Expenses	450,320	250,806	247,840	(2,966)	-1.2%
Operating Result	20,130	146,336	148,316	1,980	1.4%

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

As at 31 January 2020, \$196 million (55.1%) of Council's \$355.6 million 2019/20 Capital Works Program was financially expended.

The core Council Capital Program has progressed 56.8% of budget, an actual spend of \$98.7 million.

Council's closing cash balance at 31 January 2020 of \$144.6 million.

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

OFFICER RECOMMENDATION

That Council receive and note the report titled "January 2020 Financial Performance Report".

FINANCE AND RESOURCING

This report sets out the details of Council's financial performance and investments for the month ending 31 January 2020 and meets Council's legislative reporting requirements.

CORPORATE PLAN

Corporate Plan Goal: *An outstanding organisation*

Outcome: 5.7 - A financially sustainable organisation

Operational Activity: 5.7.1 - Develop and monitor Council's budget, including legislated requirements.

CONSULTATION

Portfolio Councilor Consultation

Consultation has been undertaken with the Portfolio Councillor, Councillor T Dwyer.

Internal Consultation

This report has been written in conjunction with advice from:

- Group Executive Business Performance
- Chief Financial Officer
- Coordinator Financial Services

External Consultation

No external consultation is required for this report.

Community Engagement

No community engagement is required for this report.

PROPOSAL

This monthly financial performance report provides Council with a summary of performance against budget as at 31 January 2020 in terms of the operating result and delivery of the capital program.

The operating result at 31 January 2020 shows a favorable variance of \$1 million compared to the budgeted position.

Operating Revenue

Year to date revenue as at 31 January 2020 of \$234.1 million shows an unfavorable variance of \$1.3 million.

Table 2: Substantial Revenue variances as at 31 January 2020

	YTD Budget \$000	YTD Actuals \$000	YTD Variance \$000	YTD Variance %
Interest Received from Investments	5,156	3,049	(2,106)	-40.9%
Operating Grants and Subsidies	4,213	5,492	1,279	30.4%
Other Revenue	8,879	10,502	1,623	18.3%
Internal Sales/Recoveries	6,109	3,885	(2,224)	-36.4%

Interest Received from Investments

Interest rates available for term deposits continue to decline. This has resulted in a decline in interest received.

Operating Grants and Subsidies

Council has received a grant from the Federal Government of \$1 million relating to recent bushfire disaster recovery. A program of works is being developed to determine the correct usage of these funds.

Other Revenue

Council has received additional revenue for recoverable works within the Parks and Gardens and Environmental Operations areas. These works were predominantly generated from the Department of Transport and Main Roads and the expenditure has occurred in the previous financial year.

Council has also received a second quarterly payment for the State Government's container deposit scheme which has generated revenue in excess of the expected budget.

Unbudgeted sponsorship payments have also been received for various events undertaken by Council.

Operating Expenses

Year to date expenditure as at 31 January 2020 of \$247.8 million shows a variance under budget of \$3 million.

Materials and Services

Materials and services account for the majority of the expenditure variance as at 31 January 2020, having underspent budget by \$4.2 million.

\$850,000 of the favourable variance relates to the delivery of operating projects and is partially offset by higher employee costs and other expenses associated with resourcing projects. Total Project expenditure was 39% of full year budget as at 31 January 2020.

Timing of contract payments have cause underspends in Council's core works for Waste and Resource management as well as Civil Asset Management.

Council's expenses remain within 1% of budget as at 31 January 2020 while delivering on the 2019/20 operational plan.

Capital Expenditure

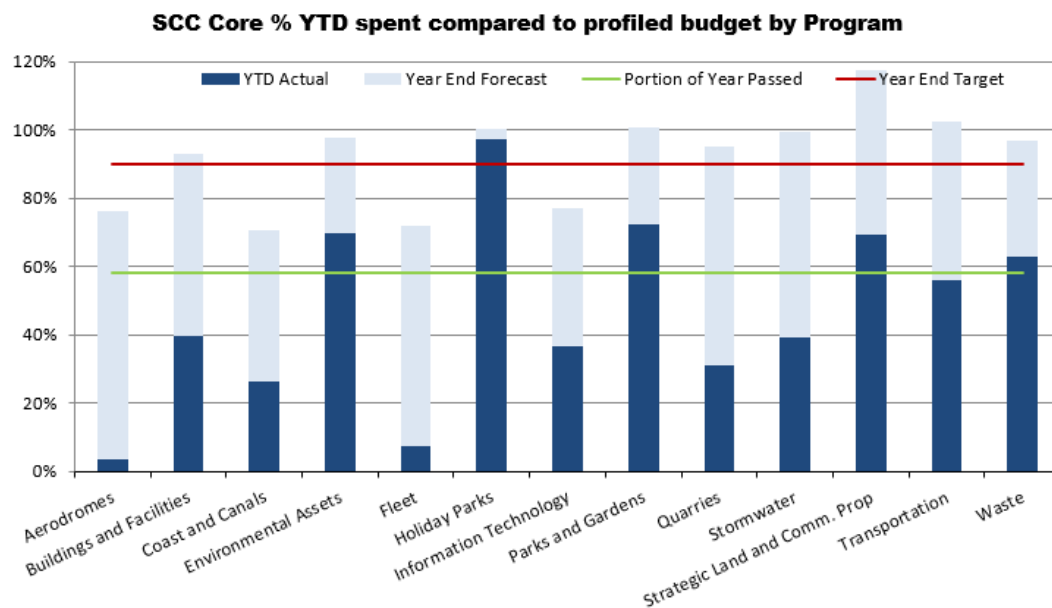
As at 31 January 2020, \$196 million (55.1%) of Council's \$355.6 million 2019/20 Capital Works Program was financially expended.

The Core Council Capital Program has progressed 56.8% of budget, an actual spend of \$98.6 million. The Actual YTD includes all works that have been goods receipted and accrued as at 31 January 2020.

Table 3: Capital Expenditure by Program at 31 January 2020

	Annual		YTD		Forecast	
	Original Budget \$000s	Current Budget \$000s	YTD Actual \$000s	% of FY Budget Spent	Forecast Year End Actual	Forecast Year End Variance to Budget
Capital Works Program						
Aerodromes	450	275	10	3.7%	275	0
Buildings and Facilities	19,103	17,568	5,850	33.3%	16,070	(1,498)
Coast and Canals	2,080	2,080	465	22.4%	1,409	(671)
Environmental Assets	1,300	1,450	930	64.1%	1,131	(319)
Fleet	2,900	2,772	176	6.4%	2,587	(185)
Holiday Parks	4,302	4,718	4,476	94.9%	4,414	(304)
Information Technology	5,830	8,906	2,898	32.5%	6,728	(2,178)
Parks and Gardens	15,966	20,981	12,855	61.3%	21,041	60
Quarries	1,311	1,234	258	20.9%	1,227	(7)
Stormwater	7,014	5,174	1,964	38.0%	4,991	(183)
Strategic Land and Commercial Properties	14,563	21,958	12,896	58.7%	23,643	1,685
Transportation	69,115	66,736	32,649	48.9%	62,407	(4,329)
Waste	20,622	19,956	10,246	51.3%	18,874	(1,082)
Total SCC Core Capital Program	164,556	173,808	85,671	49.3%	164,797	(9,011)
Corporate Major Projects	14,968	9,918	3,099	31.2%	9,125	(793)
Divisional Allocations	5,336	5,547	1,918	34.6%	3,608	(1,939)
Maroochydore City Centre	16,579	20,657	10,341	50.1%	19,693	(964)
Submarine Cable IBN	14,390	15,774	12,103	76.7%	14,879	(894)
Sunshine Coast Airport Runway	104,836	129,884	69,892	53.8%	129,629	(256)
Total Other Capital Program	156,109	181,780	97,353	53.6%	176,934	(4,846)
TOTAL	320,666	355,588	196,007	55.1%	349,087	(6,501)

The following graph shows the Core Capital Programs progress to date and forecast.



The following program updates are provided in relation to programs reporting lower expenditure to date:

- Buildings and Facilities – The design and construction contract for Sunshine Coast City Hall was finalised in December 2019. Design is scheduled to begin shortly and proceed through to the following financial year.
- Coast and Canals – Procurement of the Maroochy groynes replacement project is to begin shortly with construction to begin late in the financial year.
- Fleet – Council’s fleet replacement program requires a significant portion of the financial year for procurement of heavy plant. This procurement works is underway and the majority of replacements are scheduled to occur in May 2020.
- Information Technology - Delays in the implementation of Council’s corporate asset management and customer response systems have caused an underspend for the financial year. Both projects continue to move through the implementation phase throughout this financial year.
- Transportation – Construction continues for Council’s significant road upgrade project at Parklands Boulevard, Little Mountain. Detailed design continues for Brisbane Road Mooloolaba with construction schedule to progress later this financial year. Council’s \$20 million road reseal program has progressed 53% completion in December. Alongside the reseal program, the bus stop replacement and installation program has progressed to 52% completion of the \$2.4 million program.

Investment Performance

- All investment parameters remain within the guidelines established by the Investment Policy.
- For the month ending 31 January 2020 Council had \$144.6 million cash (excluding Trust Fund) with an average interest rate of 1.98%, being 1.01% above benchmark. This is compared to the same period last year with \$148.6 million cash (excluding Trust Fund) with an average interest rate of 2.77%, being 0.66% 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

Sunshine Coast Council's 2019/20 Investment Policy and

Sunshine Coast Council's 2019/20 Debt Policy.

Risk

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

Previous Council Resolution**Ordinary Meeting 12 December 2019, Budget Review 2 2019/20 (OM19/194)**

That Council:

- (a) *receive and note the report titled "**Budget Review 2 2019/20**"*
- (b) *adopt Appendix A as tabled, pursuant to section 169 and 170 of the Local Government Regulation 2012, Council's amended budget for 2019/20 financial year incorporating:*
 - (i) *the statement of income and expenditure*
 - (ii) *the statement of financial position*
 - (iii) *the statements of changes in equity*
 - (iv) *the statement of cash flow*
 - (v) *the relevant measures of financial sustainability*
 - (vi) *the long term financial forecast*
 - (vii) *the Debt Policy and*
- (c) *note the following documentation applies as adopted 20 June 2019*
 - (i) *the Revenue Policy*
 - (ii) *the total value of the change, expressed as a percentage, in the rates and utility charges levied for the financial year compared with the rates and utility charges levied in the previous budget*
 - (iii) *the Revenue Statement and the rates and charges to be levied for the 2019/20 financial year and other matters as adopted 20 June 2019.*

Ordinary Meeting 19 September 2019, Budget Review 1 2019/20 (OM19/148)

That Council:

- (a) *receive and note the report titled "**Budget Review 1 2019/20**"*
- (b) *adopt Appendix A as tabled, pursuant to section 107A of the Local Government Act 2009 and sections 169 and 170 of the Local Government Regulation 2012, Council's amended budget for 2019/20 financial year incorporating:*
 - (i) *the statement of income and expenditure*

- (ii) *the statement of financial position*
- (iii) *the statements of changes in equity*
- (iv) *the statement of cash flow*
- (v) *the relevant measures of financial sustainability*
- (vi) *the long term financial forecast*
- (vii) *the Debt Policy and*
- (c) *note the following documentation applies as adopted 20 June 2019*
 - (i) *the Revenue Policy*
 - (ii) *the total value of the change, expressed as a percentage, in the rates and utility charges levied for the financial year compared with the rates and utility charges levied in the previous budget*
 - (iii) *the Revenue Statement and*
 - (iv) *the rates and charges to be levied for the 2019/20 financial year and other matters as adopted 20 June 2019.*

Special Meeting Budget 20 June 2019 (SM19/13)

That Council:

adopt Appendix A as tabled, pursuant to section 107A of the Local Government Act 2009 and sections 169 and 170 of the Local Government Regulation 2012, Council's budget for 2019/20 financial year incorporating:

- i. the statement of income and expenditure*
- ii. the statement of financial position*
- iii. the statements of changes in equity*
- iv. the statement of cash flow*
- v. the relevant measures of financial sustainability*
- vi. the long term financial forecast*
- vii. the Debt Policy*
- viii. the Revenue Policy (adopted by Council resolution on 23 May 2019)*
- ix. the total value of the change, expressed as a percentage, in the rates and utility charges levied for the financial year compared with the rates and utility charges levied in the previous budget*
- x. the Revenue Statement*
- xi. Council's 2019/20 Capital Works Program, endorse the indicative four-year program for the period 2021 to 2024, and note the five-year program for the period 2025 to 2029*
- xii. the rates and charges to be levied for the 2019/20 financial year and other matters as detailed below in clauses 3 to 11 and*
- xiii. endorse the full time equivalent establishment as per the Sunshine Coast Council Establishment 2019/2020 report.*

Related Documentation

2019/20 Adopted Budget

Critical Dates

There are no critical dates for this report.

Implementation

There are no implementation details to include in this report.