

Item 8.8

Ordinary Meeting

Thursday, 14 November 2019

commencing at 9:00am

Council Chambers, 1 Omrah Avenue, Caloundra

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8 REPORTS DIRECT TO COUNCIL**8.8 OCTOBER 2019 FINANCIAL PERFORMANCE REPORT****File No:** Financial Reports**Author:** Coordinator Financial Services
Business Performance Group**Attachments:** Att 1 - October 2019 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 October 2019 in terms of the operating result and delivery of the capital program.

The operating result at 31 October 2019 shows a favourable variance of \$1.8 million compared to the budgeted position. The variation is mainly attributable to higher 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 October 2019**

	Current Budget \$000	YTD Budget \$000	YTD Actuals \$000	YTD Variance \$000	YTD Variance %
Total Operating Revenue	470,347	203,937	204,114	177	0.1%
Total Operating Expenses	450,315	147,123	145,498	(1,625)	-1.1%
Operating Result	20,032	56,814	58,616	1,802	3.2%

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

As at 31 October 2019, \$112.3 million (31.4%) of Council's \$357.4 million 2019/20 Capital Works Program was financially expended.

The core Council Capital Program has progressed 35.7% of budget, an actual spend of \$61.2 million.

Council's closing cash balance at 31 October 2019 of \$235.2 million.

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

OFFICER RECOMMENDATION

That Council receive and note the report titled "October 2019 Financial Performance Report".

FINANCE AND RESOURCING

This report sets out the details of Council's financial performance and investments for the month ending 31 October 2019 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 October 2019 in terms of the operating result and delivery of the capital program.

The operating result at 31 October 2019 shows a favorable variance of \$1.8 million compared to the budgeted position.

Operating Revenue

Year to date revenue as at 31 October 2019 of \$204.1 million shows a favorable variance of \$177,000.

Table 2: Substantial Revenue variances as at 31 October 2019

	YTD Budget \$000	YTD Actuals \$000	YTD Variance \$000	YTD Variance %
Interest Received from Investments	2,946	2,027	(919)	-31.2%
Other Revenue	5,287	6,406	1,118	21.2%

Interest Received from Investments

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

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

Operating Expenses

Year to date expenditure as at 31 October 2019 of \$103.9 million shows a variance under budget of \$1.6 million.

Materials and Services

Materials and services are under budget as at 31 October 2019 by \$1.4 million. \$285,000 relates to an underspend in Council's levy programs, with the remaining \$1.1m in contract services across all Groups.

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

Capital Expenditure

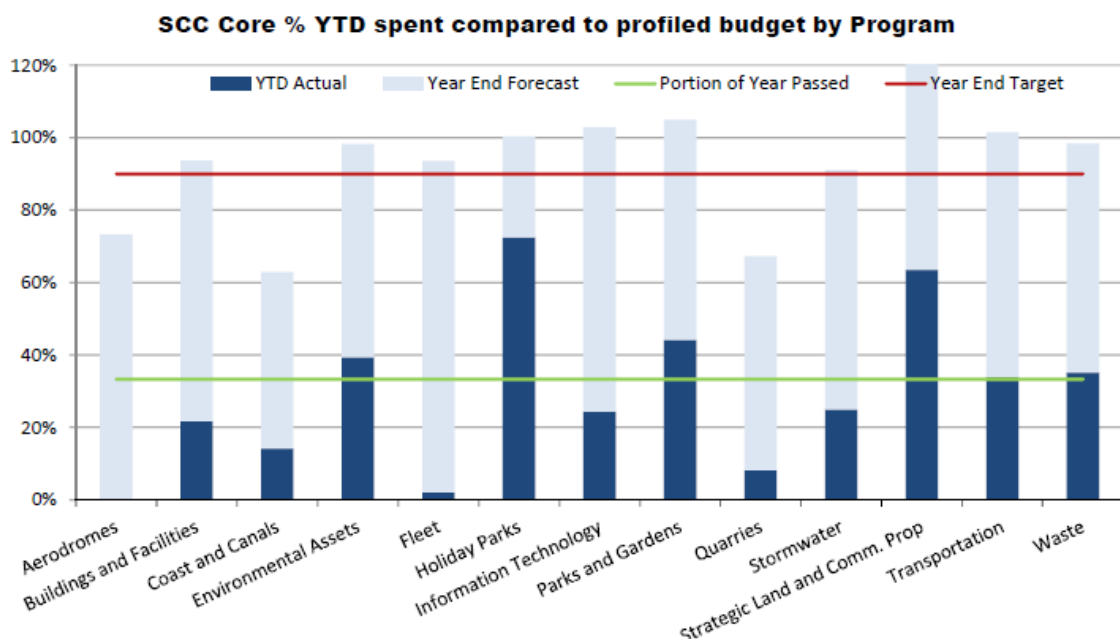
As at 31 October 2019, \$112.3 million (31.4%) of Council's \$357.4 million 2019/20 Capital Works Program was financially expended.

The Core Council Capital Program has progressed 35.7% of budget, an actual spend of \$61.2m. The Actual YTD includes all works that have been goods receipted and accrued as at 31 October 2019.

Table 4: Capital Expenditure by Program at 31 October 2019

	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	450	0	0.0%	330	(120)
Buildings and Facilities	19,103	21,937	4,656	21.2%	20,051	(1,886)
Coast and Canals	2,080	2,080	294	14.2%	1,309	(771)
Environmental Assets	1,300	1,450	535	36.9%	1,336	(114)
Fleet	2,900	2,879	60	2.1%	2,693	(186)
Holiday Parks	4,302	4,756	3,447	72.5%	4,768	12
Information Technology	5,830	8,179	1,999	24.4%	8,409	230
Parks and Gardens	15,966	20,194	8,795	43.6%	20,849	655
Quarries	1,311	1,234	101	8.2%	830	(404)
Stormwater	7,014	5,628	1,405	25.0%	5,123	(504)
Strategic Land and Commercial Properties	14,563	16,785	10,670	63.6%	21,958	5,173
Transportation	69,115	65,858	22,175	33.7%	66,126	268
Waste	20,622	20,156	7,088	35.2%	19,828	(327)
Total SCC Core Capital Program	164,556	171,587	61,226	35.7%	173,611	2,025
Corporate Major Projects	14,968	13,744	1,087	7.9%	10,810	(2,934)
Divisional Allocations	5,336	5,781	1,097	19.0%	3,261	(2,521)
Maroochydore City Centre	16,579	20,657	9,089	44.0%	20,393	(265)
Submarine Cable IBN	14,390	15,774	8,713	55.2%	14,686	(1,088)
Sunshine Coast Airport Runway	104,836	129,884	31,106	23.9%	125,689	(4,195)
Total Other Capital Program	156,109	185,841	51,092	27.5%	174,838	(11,003)
TOTAL	320,666	357,428	112,318	31.4%	348,449	(8,978)

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:

- Aerodromes – Replacement of the runway lighting and heavy helicopter pads at the Caloundra Aerodrome are in the early procurement phase of delivery. Construction is scheduled to occur in the latter half of the financial year.
- Buildings and Facilities – Construction of the Beerwah Aquatic Centre has been scheduled for delivery within winter and is close to completion. The replacement of the netball club house at Victory Park is also underway and due for completion in November.
- 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 human resource systems have caused an underspend for the financial year. Both projects continue to move through the implementation phase and will be finalised later this financial year.
- Transportation – Construction continues for Council's significant road upgrade projects at Sippy Downs Drive, Sippy Downs and Parklands Boulevard, Little Mountain. Both projects remain on schedule and budget. 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 26% completion in October.

Investment Performance

- All investment parameters remain within the guidelines established by the Investment Policy.
- For the month ending 31 October 2019 Council had \$235.2 million cash (excluding Trust Fund) with an average interest rate of 2.08%, being 0.7% above benchmark. This is compared to the same period last year with \$241.9 million cash (excluding Trust Fund) with an average interest rate of 2.77%, being 0.97% 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 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.



Financial Performance Report

October 2019



FINANCIAL PERFORMANCE REPORT

October 2019

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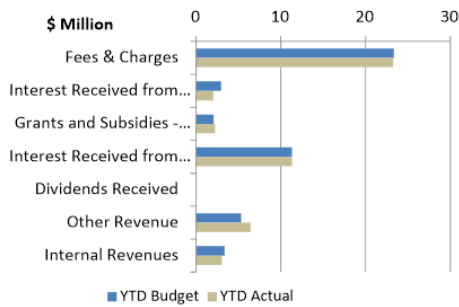
FINANCIAL PERFORMANCE REPORT

October 2019

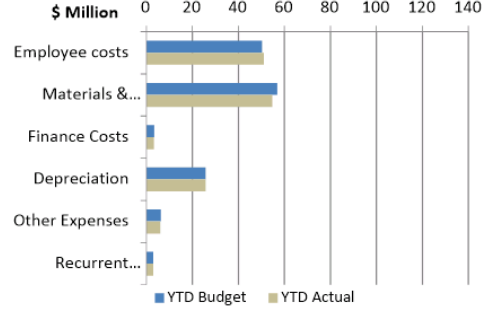
Headline - Operating

	Annual		YTD			
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %
Operating Revenue	487,063	470,347	203,937	204,114	177	0.1%
Operating Expenses	452,200	442,428	144,124	142,465	(1,660)	-1.2%
Recurrent Capital Expenses	5,240	7,887	2,999	3,033	35	1.2%
Operating Result	29,622	20,032	56,814	58,616	1,802	3.2%
Capital Revenue	104,244	115,478	11,828	14,537	2,709	22.9%
Non-recurrent Expenses	4,592	4,592	1,531	1,549	18	1.2%
Net Result	129,274	130,917	67,112	71,604	4,493	6.7%

Operating Revenues



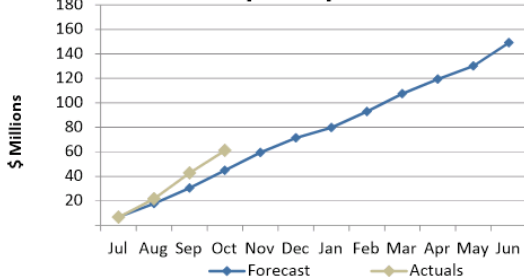
Operating Expenses



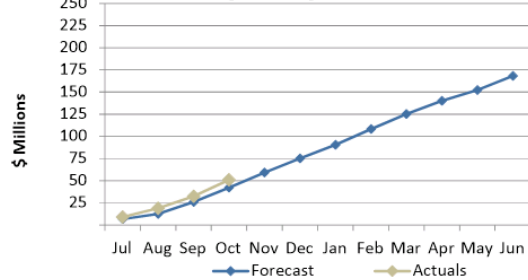
Headline - Capital

	Annual		YTD			
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %
Capital Revenue (included in Net R	104,244	115,878	11,828	14,537	2,709	22.9%
Other Capital Revenue	79,076	79,076	25,763	25,763	0	0.0%
Total Capital Revenues	183,320	194,954	37,592	40,300	2,709	7.2%
Capital Works Expenditure	322,676	356,788	108,572	109,274	702	0.6%
Total Capital Expenditure	322,676	356,788	108,572	109,274	702	0.6%
Funds from General Reserve	139,355	161,834	70,980	68,974	(2,007)	-2.8%

SCC Base Capital Expenditure



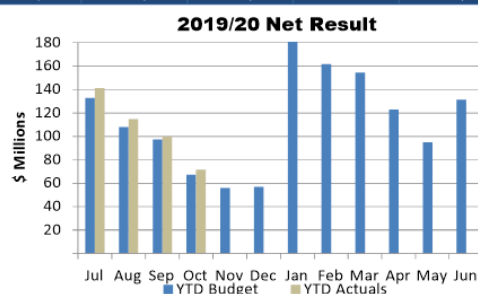
Other Capital Expenditure



FINANCIAL PERFORMANCE REPORT
Statement of Income & Expenses

October 2019

	Annual		YTD			Variance %	Annual Forecast Budget \$000
	Original Budget \$000	Current Budget \$000	Current Budget \$000	Actuals \$000	Variance \$000		
Operating Revenue							
Net Rates and Utility Charges	321,489	312,502	155,508	155,719	211	0.1%	312,502
Fees and Charges	57,857	57,857	23,316	23,255	(62)	-0.3%	57,857
Interest Received from Investments	8,838	8,838	2,946	2,027	(919)	-31.2%	8,838
Operating Grants and Subsidies	12,329	7,796	2,059	2,219	159	7.7%	7,796
Operating Contributions	319	319	168	163	(5)	-3.2%	319
Unitywater Participation	49,838	49,838	11,297	11,297	0	0.0%	49,838
Other Revenue	25,016	25,095	5,287	6,406	1,118	21.2%	25,095
Internal Sales/Recoveries	8,101	8,101	3,355	3,029	(326)	-9.7%	8,101
Total Operating Revenue	483,788	470,347	203,937	204,114	177	0.1%	470,347
Operating Expenses							
Employee Costs	145,197	146,478	50,617	51,065	448	0.9%	146,478
Materials and Services	191,895	183,944	56,536	54,770	(1,765)	-3.1%	183,957
Finance Costs	10,025	10,025	3,396	3,285	(111)	-3.3%	10,025
Company Contributions	1,527	1,527	1,527	1,527	0	0.0%	1,527
Depreciation Expense	79,076	79,076	25,763	25,763	0	0.0%	79,076
Other Expenses	21,206	21,378	6,286	6,054	(232)	-3.7%	21,378
Recurrent Capital Expenses	5,240	7,887	2,999	3,033	35	1.2%	7,890
Total Operating Expenses	454,165	450,315	147,123	145,498	(1,625)	-1.1%	450,332
Operating Result	29,622	20,032	56,814	58,616	1,802	3.2%	20,015
Capital Revenue							
Capital Grants and Subsidies	12,245	23,879	1,772	2,251	479	27.0%	23,879
Capital Contributions - Cash	31,999	31,599	10,056	12,175	2,119	21.1%	31,999
Capital Contributions - Fixed Assets	60,000	60,000	0	110	110	0.0%	60,000
Total Capital Revenue	104,244	115,478	11,828	14,537	2,709	22.9%	115,878
Non-recurrent Expenses							
Profit/Loss on disposal, revaluation & Movements in landfill and quarry prov	0	0	0	0	0	0.0%	0
Assets Transferred to Third Parties	4,592	4,592	1,531	1,531	0	0.0%	4,592
Total Non-recurrent Expenses	4,592	4,592	1,531	1,549	18	1.2%	4,592
Net Result	129,274	130,918	67,112	71,604	4,493	6.7%	131,300



FINANCIAL PERFORMANCE REPORT
Capital Expenditure

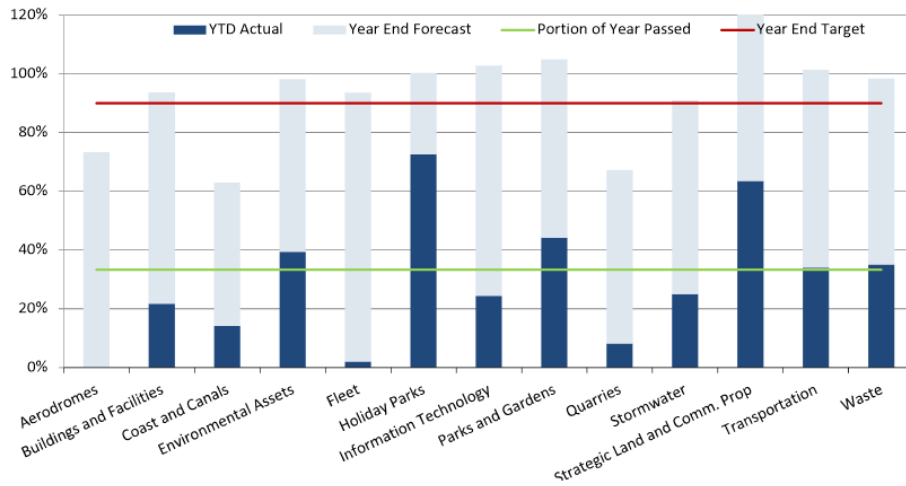
October 2019

	Annual		YTD		Year End	
	Original Budget \$000s	Current Budget \$000s	Actuals \$000s	% of FY Budget Spent	Forecast Year End Actual	Forecast Year End Variance to Budget
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Stormwater	7,014	5,628	1,405	25.0%	5,123	(504)
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Divisional Allocations	5,336	5,781	1,097	19.0%	3,261	(2,521)
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Total Other Capital Program	156,109	185,841	51,092	27.5%	174,838	(11,003)
TOTAL	320,666	357,428	112,318	31.4%	348,449	(8,978)

The above program of works includes recurrent and non-recurrent expenditure, as reporting in the operating statement

Recurrent Expenses	5,240	7,890	3,033	38.4%
Non-Recurrent Expenses	4,592	4,592	1,549	33.7%

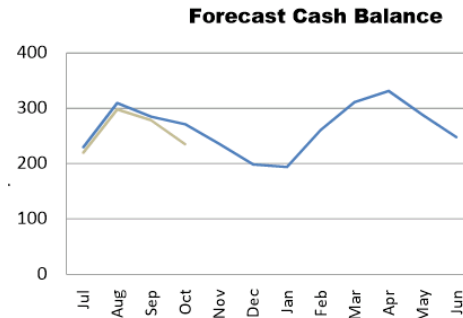
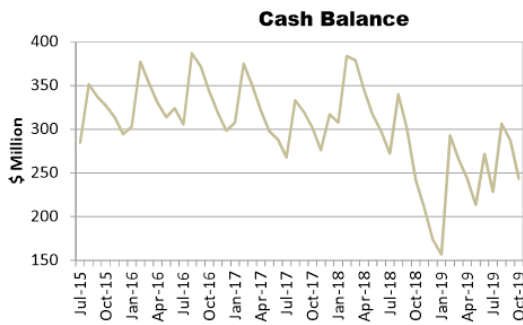
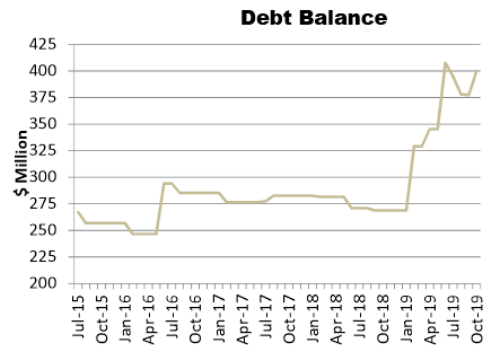
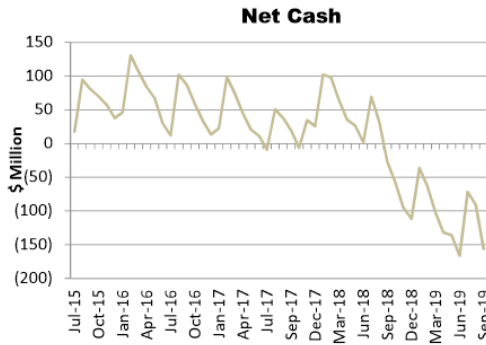
SCC Core % YTD spent compared to profiled budget by Program



FINANCIAL PERFORMANCE REPORT
Cash and Balance Sheet

October 2019

	Annual		YTD
	Original Budget \$000s	Current Budget \$000s	Actuals \$000s
CASH FLOWS			
Opening Cash	201,182	263,421	263,421
Net Cash Inflow/(Outflows) from:			
Operating Activities	66,248	49,949	63,244
Investing Activities	(216,950)	(238,756)	(92,928)
Financing Activities	157,963	170,906	1,415
Net Increase/(decrease) in Cash Held	7,261	(17,901)	(28,269)
Cash at year end	208,443	245,520	235,152
BALANCE SHEET			
Current Assets	267,703	304,243	352,747
Non Current Assets	5,840,644	5,895,535	5,564,592
Total Assets	6,108,347	6,199,778	5,917,340
Current Liabilities	136,326	185,889	39,344
Non Current Liabilities	589,563	604,812	413,911
Total Liabilities	725,889	790,701	453,255
Net Community Assets/ Total Community Equity	5,382,458	5,409,077	5,464,085



FINANCIAL PERFORMANCE REPORT

Investment Performance

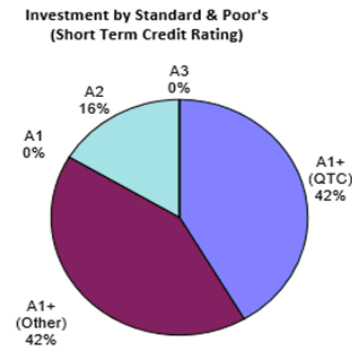
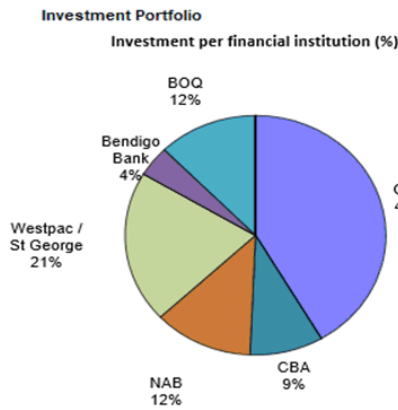
October 2019

Liquidity as at:	31/10/2019	
	\$'000's	
At-call accounts		
QTC + CBA (excl. trust)	\$115,250	47.37%
Maturities within 7 days	\$10,000	4.11%
Total at-call	\$125,250	51.48%
Investment Policy Target		10.00%

Term deposits maturing:	\$'000's	Count
within 30 days	\$40,000	4
30-59 days	\$40,000	4
60-89 days	\$30,000	3
90-179 days	\$10,000	1
180-364 days	\$0	0
1 year - 3 years	\$0	0
Total	\$120,000	12

INVESTMENT SUMMARY (including Trust) as at:	31/10/2019				31/07/2019		31/10/2018		Investment Policy	
									Individual Limit	Group Limits
A1+ (QTC)	\$101,187	41.6%	\$63,287	27.7%	\$40,144	16.6%	\$40,144	16.6%	100%	100%
A1+ (Other)	\$102,133	42.0%	\$104,934	46.0%	\$91,818	37.9%	\$91,818	37.9%	40%	100%
A1	\$0	0.0%	\$20,000	8.8%	\$30,000	12.4%	\$30,000	12.4%	30%	50%
A2	\$40,000	16.4%	\$40,000	17.5%	\$80,000	33.1%	\$80,000	33.1%	30%	45%
A3	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	5%	10%
Total Funds	\$243,320		\$228,222		\$241,961		\$241,961			
FUND SUMMARY										
General Funds	\$235,250		\$219,779		\$234,094		\$234,094			
Trust Funds	\$8,070		\$8,442		\$7,867		\$7,867			
Total Funds	\$243,320		\$228,222		\$241,961		\$241,961			

Investment Portfolio



Investment Performance

