

# Late item 8.11

## Ordinary Meeting

**Thursday, 12 December 2019**

**commencing at 9:00am**

**Council Chambers, Corner Currie and Bury Streets, Nambour**



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**8 REPORTS DIRECT TO COUNCIL****8.11 BUDGET REVIEW 2 2019/20**

<b>File No:</b>	<b>Council Meetings</b>
<b>Author:</b>	<b>Coordinator Financial Services Business Performance Group</b>
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**PURPOSE**

To amend the 2019/20 budget to reflect Council's anticipated revenue and expenditure forecasts to 30 June 2020 following the first budget review.

**EXECUTIVE SUMMARY**

Section 170 of the *Local Government Regulation 2012* allows Council to amend its budget by resolution at any time before the end of the financial year. Major budget reviews are undertaken on a periodic basis to reflect management's best estimate of its financial position at the end of a financial year.

The result of this budget review will increase the 2019/20 operating result by \$98,000 to \$20.1 million. Capital revenues have increased by \$1.3 million from \$115.5 million to \$116.8 million. Expenditure under the Capital Program decrease by \$1.8 million, from \$357.4 million to \$355.6 million.

The amendments in this budget review will decrease the 2019/20 forecast closing cash balance by \$1.6 million to \$249.8 million as at 30 June 2020.

**OFFICER RECOMMENDATION**

That Council:

- (a) receive and note the report titled "Budget Review 2 2019/20"
- (b) adopt Appendix A as tabled, pursuant to 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
- (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, and
  - (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.

## FINANCE AND RESOURCING

Adoption of the recommendation of this report will formally amend the 2019/20 Budget.

The amendments in this budget review will decrease the closing cash position by \$1.6 million to \$249.8 million as at 30 June 2020.

Loan borrowings for 2019/20 will decrease by \$8.9 million as a result of construction timing for debt funded projects.

Maintaining cash and reducing core debt balances were two key principles for development of the 2019/20 budget.

## 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

### Councillor Consultation

A workshop was held with Councillors in November 2019.

### Internal Consultation

All Groups of Council were consulted in the course of the review.

### External Consultation

No external consultation is required for this report.

### Community Engagement

No community engagement is required for this report.

## PROPOSAL

Section 170 of *the Local Government Regulation 2012* allows Council to amend its budget by resolution at any time before the end of the financial year.

Budget reviews are undertaken on a periodic basis to reflect management's best estimate of its financial position at the end of a financial year. Prudent financial management also requires Council to amend its budget if there are material changes to expected revenue or expenses for the year.

This report, being the second and last major budget review for 2019/20, identifies required adjustments to revenue, expenses, non-cash expenses, and items referred to a budget review by Council Resolution. The recommended amendments to the 2019/20 budget reflect anticipated revenues, expenses and capital expenditure for the 2019/20 financial year.

Table 1 summaries the revenue and expenditure requests in this budget review, for operating and capital.

**Table 1: Summary of Budget Review 2 requests (net revenue and expense)  
(Details contained in Attachments 1 & 2)**

	PART A Funded \$000	PART B Council Resolution \$000	PART C Unfunded \$000	PART D Transfers \$000	PART E Deferral/ Bring Forward \$000	Total Adjustment \$000
Operating	0	0	0	99	0	99
Capital	15,258	0	480	670	(18,544)	(2,141)

The results of this budget review will increase the 2019/20 operating result by \$98,000 to \$20.1 million. Capital revenues have increased by \$1.3 million from \$115.5 million to \$116.8 million. Capital expenditure decreases by \$1.8 million, from \$357.4 million to \$355.6 million.

The closing cash balance for 2019/20 will decrease by \$1.6 million to \$249.8 million as at 30 June 2020.

Table 2 summarises the impacts of this budget review on the operating result, capital expenditure and cash.

**Table 2: Revised 2019/20 Budget Summary  
(Details contained in Appendix A)**

	2019/20 Current Budget \$'000	2019/20 Budget Review 2 \$'000	Change \$'000
Operating Revenue	470,347	470,450	103
Operating Expenditure	450,315	450,319	5
<b>Operating Result</b>	<b>20,032</b>	<b>20,130</b>	<b>99</b>
Capital Revenue	115,478	116,772	1,294
Capital Expenditure - SCC Core	177,507	179,354	1,850
Capital Expenditure - Corporate Major Projects	13,607	9,918	(3,689)
Capital Expenditure - Region Shaping	166,315	166,315	-
<b>Total Capital Expenditure</b>	<b>357,429</b>	<b>355,588</b>	<b>(1,841)</b>
<b>Estimated Closing Cash Balance*</b>	<b>251,420</b>	<b>249,850</b>	<b>(1,570)</b>

### Legal

The report complies with Council's legislative obligations to amend its budget in accordance with Section 170 of the *Local Government Regulation 2012*.

### Policy

There are no policy implications associated with this report.

### Risk

There are no risks associated with this report.

**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:*

- (a) *adopt Appendix A as tabled, pursuant to section 170A 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; and*
  - (xii) *Endorse the full time equivalent establishment as per the Sunshine Coast Council Establishment 2019/2020 report.*



**Related Documentation**

2019/20 Adopted Budget.

**Critical Dates**

Following adoption of this report, the proceeding month's financial reports will reflect the amendments in the current budget.

**Implementation**

Council's budget will be formally adjusted following the Council resolution and included in future monthly reports.





**Sunshine Coast Council - Total  
 Statement of Income and Expense (i)**

For Period Ending 30 June

	Current Budget	Revised Budget	Forecast								
	2020	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating Revenue</b>											
Gross Rates & Utility Charges	326,703	326,703	340,059	353,987	368,512	383,735	401,068	418,104	437,482	456,119	477,322
Interest from Rates & Utilities	670	670	699	730	762	796	835	872	914	955	1,001
Less Discounts, Pensioner Remissions	(14,871)	(14,871)	(15,525)	(16,208)	(16,922)	(17,666)	(18,532)	(19,347)	(20,295)	(21,188)	(22,226)
<b>Net Rates &amp; Utility Charges</b>	<b>312,502</b>	<b>312,502</b>	<b>325,233</b>	<b>338,509</b>	<b>352,353</b>	<b>366,865</b>	<b>383,371</b>	<b>399,628</b>	<b>418,101</b>	<b>435,886</b>	<b>456,097</b>
Fees & Charges	57,857	57,857	59,506	61,202	62,946	64,803	66,715	69,016	71,397	73,861	76,409
Interest Received from Investments	8,838	8,838	8,838	8,838	8,838	8,838	8,838	8,838	8,838	8,838	8,838
Grants and Subsidies - Recurrent	7,796	7,796	12,318	12,318	12,318	12,318	12,318	12,318	12,318	12,318	12,318
Operating contributions	319	319	319	319	319	319	319	319	319	319	319
Unitywater Participation	49,838	49,838	49,838	49,838	49,838	49,838	49,838	49,838	49,838	49,838	49,838
Other Revenue	25,095	25,198	42,252	62,593	33,447	40,279	21,083	21,105	42,332	45,774	39,802
Internal Revenues	8,101	8,101	8,332	8,569	8,814	9,074	9,341	9,664	9,997	10,342	10,699
<b>Total Operating Revenue</b>	<b>470,346</b>	<b>470,449</b>	<b>506,636</b>	<b>542,186</b>	<b>528,872</b>	<b>552,334</b>	<b>551,823</b>	<b>570,725</b>	<b>613,140</b>	<b>637,175</b>	<b>654,319</b>
<b>Operating Expenses</b>											
Employee costs	146,478	147,021	152,093	157,340	162,769	168,384	174,193	180,203	186,420	192,852	199,505
Materials & Services	183,934	183,464	194,630	213,846	202,379	210,054	211,800	219,645	235,858	245,579	250,168
Finance Costs	10,025	10,025	10,922	13,933	10,440	10,012	9,144	8,191	6,973	5,999	4,809
Company Contributions	1,527	1,527	1,556	1,586	1,616	1,648	1,681	1,723	1,766	1,810	1,855
Depreciation	79,076	79,076	81,837	84,402	87,036	89,493	92,407	95,635	99,029	102,387	105,935
Other Expenses	21,378	21,378	21,981	22,608	23,252	23,938	24,644	25,494	26,374	27,284	28,225
Recurrent Capital Expenses	7,887	7,829	5,459	6,005	4,694	4,882	4,385	4,393	4,685	4,699	4,384
<b>Total Operating Expenses</b>	<b>450,315</b>	<b>450,319</b>	<b>468,478</b>	<b>499,720</b>	<b>492,184</b>	<b>508,411</b>	<b>518,254</b>	<b>535,284</b>	<b>561,105</b>	<b>580,610</b>	<b>594,881</b>
<b>Operating Result</b>	<b>20,032</b>	<b>20,130</b>	<b>38,158</b>	<b>42,466</b>	<b>36,688</b>	<b>43,922</b>	<b>33,569</b>	<b>35,441</b>	<b>52,035</b>	<b>56,565</b>	<b>59,438</b>
<b>Non-recurrent Revenue &amp; Expenses</b>											
<b>Capital Revenue</b>											
Capital Grants and Subsidies	23,879	25,173	8,871	8,871	8,871	8,871	8,871	8,871	8,871	8,871	8,871
Capital Contributions	31,599	31,599	31,631	28,631	29,642	29,483	29,403	29,403	29,403	23,634	23,634
Contributed Assets	60,000	60,000	55,000	50,000	45,000	46,125	47,278	48,460	49,672	50,913	52,186
<b>Total Capital Revenue</b>	<b>115,478</b>	<b>116,772</b>	<b>95,502</b>	<b>87,502</b>	<b>83,514</b>	<b>84,479</b>	<b>85,553</b>	<b>86,735</b>	<b>87,946</b>	<b>83,419</b>	<b>84,692</b>
<b>Non-recurrent Expenses</b>											
Profit/Loss on disposal, revaluation & impairment	-	-	-	-	-	-	-	-	-	-	-
Movements in landfill and quarry provisions	(4,592)	(4,592)	(2,985)	(3,042)	(3,099)	(3,161)	(3,225)	(3,305)	(3,388)	(3,472)	(3,559)
Assets transferred to third parties	-	-	-	-	-	-	-	-	-	-	-
<b>NET RESULT</b>	<b>130,918</b>	<b>132,310</b>	<b>130,675</b>	<b>126,927</b>	<b>117,102</b>	<b>125,241</b>	<b>115,897</b>	<b>118,871</b>	<b>136,594</b>	<b>136,512</b>	<b>140,570</b>

**Sunshine Coast Council - Total  
 Statement of Financial Position (ii)**

For Period Ending 30 June

	Current Budget	Revised Budget	Forecast									
	2020	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Current Assets</b>												
Cash & Investments	251,420	249,850	222,083	267,269	263,719	262,985	251,493	252,414	248,483	236,169	242,504	
Trade and other receivables	16,069	16,073	16,864	17,494	18,150	18,839	19,612	20,395	21,273	22,127	23,084	
Inventories	17,526	17,526	16,824	13,289	12,595	12,728	13,575	14,664	13,560	12,485	12,415	
Other Financial Assets	25,128	25,128	25,605	26,245	26,901	27,574	28,263	28,970	29,694	30,436	31,197	
Non-current assets classified as held for sale	0	0	0	0	0	0	0	0	0	0	0	
<b>Total Current Assets</b>	<b>310,143</b>	<b>308,577</b>	<b>281,377</b>	<b>324,298</b>	<b>321,366</b>	<b>322,126</b>	<b>312,944</b>	<b>316,443</b>	<b>313,011</b>	<b>301,218</b>	<b>309,201</b>	
<b>Non-Current Assets</b>												
Trade and other receivables	461,208	461,208	461,208	446,208	446,208	446,208	446,208	446,208	446,208	446,208	446,208	
Property, plant & equipment	4,842,343	5,055,801	5,390,321	5,359,121	5,595,722	5,826,479	6,073,606	6,322,844	6,586,914	6,851,426	6,959,784	
Investment in associates	538,213	538,213	538,213	538,213	538,213	538,213	538,213	538,213	538,213	538,213	538,213	
Long Term Inventories	35,957	35,957	32,977	19,801	16,665	16,438	18,718	21,840	17,181	12,607	11,569	
Intangible assets	11,914	11,914	11,914	11,914	11,914	11,914	11,914	11,914	11,914	11,914	11,914	
<b>Total Non-Current Assets</b>	<b>5,889,635</b>	<b>6,103,093</b>	<b>6,434,633</b>	<b>6,375,257</b>	<b>6,608,722</b>	<b>6,839,252</b>	<b>7,088,659</b>	<b>7,341,018</b>	<b>7,600,430</b>	<b>7,860,368</b>	<b>7,967,688</b>	
<b>TOTAL ASSETS</b>	<b>6,199,778</b>	<b>6,411,670</b>	<b>6,716,009</b>	<b>6,699,555</b>	<b>6,930,088</b>	<b>7,161,378</b>	<b>7,401,603</b>	<b>7,657,462</b>	<b>7,913,441</b>	<b>8,161,587</b>	<b>8,276,889</b>	
<b>Current Liabilities</b>												
Trade and other payables	77,891	77,892	64,933	67,048	69,026	71,281	73,733	76,375	79,119	81,972	84,937	
Short Term Borrowings	23,131	23,131	293,649	32,774	37,509	40,581	43,859	48,064	50,483	51,932	37,546	
Provisions	44,476	44,476	45,744	47,322	48,955	50,644	52,391	54,198	56,068	58,003	59,453	
Other	40,390	40,390	41,158	42,186	43,241	44,322	45,430	46,566	47,730	48,923	50,146	
<b>Total Current Liabilities</b>	<b>185,889</b>	<b>185,890</b>	<b>445,483</b>	<b>189,330</b>	<b>198,731</b>	<b>206,828</b>	<b>215,414</b>	<b>225,203</b>	<b>233,401</b>	<b>240,829</b>	<b>232,081</b>	
<b>Non-Current Liabilities</b>												
Long Term Borrowings	554,637	546,400	355,267	365,782	347,568	316,633	297,344	283,821	247,158	215,853	186,169	
Long Term Provisions	50,175	50,175	51,605	53,386	55,228	57,133	59,104	61,143	63,253	65,435	67,071	
<b>Total Non-Current Liabilities</b>	<b>604,812</b>	<b>596,576</b>	<b>406,873</b>	<b>419,167</b>	<b>402,795</b>	<b>373,766</b>	<b>356,448</b>	<b>344,964</b>	<b>310,410</b>	<b>281,288</b>	<b>253,240</b>	
<b>TOTAL LIABILITIES</b>	<b>790,701</b>	<b>782,466</b>	<b>852,356</b>	<b>608,498</b>	<b>601,526</b>	<b>580,594</b>	<b>571,861</b>	<b>570,167</b>	<b>543,811</b>	<b>522,117</b>	<b>485,321</b>	
<b>NET COMMUNITY ASSETS</b>	<b>5,409,077</b>	<b>5,629,204</b>	<b>5,863,654</b>	<b>6,091,057</b>	<b>6,328,562</b>	<b>6,580,784</b>	<b>6,829,741</b>	<b>7,087,295</b>	<b>7,369,630</b>	<b>7,639,469</b>	<b>7,791,568</b>	
<b>Community Equity</b>												
Asset revaluation surplus	1,102,128	1,365,665	1,469,439	1,577,156	1,697,559	1,824,540	1,957,601	2,096,283	2,242,025	2,375,352	2,386,880	
Retained Earnings	4,306,949	4,263,539	4,394,214	4,513,901	4,631,004	4,756,244	4,872,141	4,991,012	5,127,606	5,264,118	5,404,688	
<b>TOTAL COMMUNITY EQUITY</b>	<b>5,409,077</b>	<b>5,629,204</b>	<b>5,863,654</b>	<b>6,091,057</b>	<b>6,328,563</b>	<b>6,580,784</b>	<b>6,829,742</b>	<b>7,087,295</b>	<b>7,369,631</b>	<b>7,639,470</b>	<b>7,791,568</b>	

**Sunshine Coast Council - Total  
 Statement of Changes in Equity (iii)**

For Period Ending 30 June

	Current Budget	Revised Budget	Forecast									
	2020	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Capital Accounts</b>												
<b>Asset Revaluation Reserve</b>												
<b>Balance at beginning of period</b>	<b>1,265,004</b>	<b>1,265,004</b>	<b>1,365,665</b>	<b>1,469,439</b>	<b>1,577,156</b>	<b>1,697,559</b>	<b>1,824,540</b>	<b>1,957,601</b>	<b>2,096,283</b>	<b>2,242,025</b>	<b>2,375,352</b>	
Asset revaluation adjustments	100,661	100,661	103,774	107,716	120,403	126,981	133,061	138,682	145,742	133,327	11,528	
Transfers to capital, reserves and shareholdings	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at end of period</b>	<b>1,365,665</b>	<b>1,365,665</b>	<b>1,469,439</b>	<b>1,577,156</b>	<b>1,697,559</b>	<b>1,824,540</b>	<b>1,957,601</b>	<b>2,096,283</b>	<b>2,242,025</b>	<b>2,375,352</b>	<b>2,386,880</b>	
<b>Retained Earnings</b>												
<b>Balance at beginning of period</b>	<b>4,176,030</b>	<b>4,131,228</b>	<b>4,263,539</b>	<b>4,394,214</b>	<b>4,513,901</b>	<b>4,631,004</b>	<b>4,756,244</b>	<b>4,872,141</b>	<b>4,991,012</b>	<b>5,127,606</b>	<b>5,264,118</b>	
Net result for the period	130,918	132,310	130,675	119,687	117,102	125,241	115,897	118,871	136,594	136,512	140,570	
Transfers to capital, reserves and shareholdings	-	-	-	-	-	-	-	-	-	-	-	-
Transfers from capital, reserves and shareholdings	-	-	-	-	-	-	-	-	-	-	-	-
Asset revaluation adjustments	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at end of period</b>	<b>4,306,949</b>	<b>4,263,539</b>	<b>4,394,214</b>	<b>4,513,901</b>	<b>4,631,004</b>	<b>4,756,244</b>	<b>4,872,141</b>	<b>4,991,012</b>	<b>5,127,606</b>	<b>5,264,118</b>	<b>5,404,688</b>	
<b>Total</b>												
<b>Balance at beginning of period</b>	<b>5,441,034</b>	<b>5,396,232</b>	<b>5,629,204</b>	<b>5,863,654</b>	<b>6,091,057</b>	<b>6,328,563</b>	<b>6,580,784</b>	<b>6,829,742</b>	<b>7,087,295</b>	<b>7,369,631</b>	<b>7,639,470</b>	
Net result for the period	130,918	132,310	130,675	119,687	117,102	125,241	115,897	118,871	136,594	136,512	140,570	
Transfers to capital, reserves and shareholdings	-	-	-	-	-	-	-	-	-	-	-	-
Transfers from capital, reserves and shareholdings	-	-	-	-	-	-	-	-	-	-	-	-
Asset revaluation adjustments	100,661	100,661	103,774	107,716	120,403	126,981	133,061	138,682	145,742	133,327	11,528	
<b>Balance at end of period</b>	<b>5,672,614</b>	<b>5,629,204</b>	<b>5,863,654</b>	<b>6,091,057</b>	<b>6,328,563</b>	<b>6,580,784</b>	<b>6,829,742</b>	<b>7,087,295</b>	<b>7,369,631</b>	<b>7,639,470</b>	<b>7,791,568</b>	

**Sunshine Coast Council - Total  
 Statement of Cash Flow (iv)**

For Period Ending 30 June

	Current Budget	Revised Budget	Forecast								
	2020 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	2024 \$'000	2025 \$'000	2026 \$'000	2027 \$'000	2028 \$'000	2029 \$'000
<b>Cash flows from operating activities</b>											
Operating Result	20,032	20,130	38,158	42,466	36,688	43,922	33,569	35,441	52,035	56,565	59,438
Adjustments for:											
Depreciation	79,076	79,076	81,837	84,402	87,036	89,493	92,407	95,635	99,029	102,387	105,935
Interest and dividends received	(58,676)	(58,676)	(58,676)	(58,676)	(58,676)	(58,676)	(58,676)	(58,676)	(58,676)	(58,676)	(58,676)
Landfill Quarry Provision	(4,592)	(4,592)	(2,985)	(3,042)	(3,099)	(3,161)	(3,225)	(3,305)	(3,388)	(3,472)	(3,559)
Finance Costs	10,025	10,025	10,922	13,933	10,440	10,012	9,144	8,191	6,973	5,999	4,809
Change in Working Capital	9,983	9,980	(7,084)	36,943	9,025	5,663	2,690	1,924	12,048	12,215	6,664
<b>Net cash inflow (outflow) from operating activities</b>	<b>55,848</b>	<b>55,943</b>	<b>62,172</b>	<b>116,027</b>	<b>81,413</b>	<b>87,253</b>	<b>75,909</b>	<b>79,209</b>	<b>108,021</b>	<b>115,018</b>	<b>114,610</b>
<b>Cash flows from investing activities</b>											
Payments for property, plant and equipment	(342,885)	(336,944)	(260,843)	(191,058)	(156,552)	(146,538)	(159,284)	(157,452)	(168,469)	(164,935)	(164,087)
Proceeds from disposal non current assets	-	-	-	290,000	-	-	-	-	-	-	-
Capital grants, subsidies, contributions, donations	55,478	56,772	40,502	37,502	38,514	38,354	38,274	38,274	38,274	32,506	32,506
Interest and dividends received	58,676	58,676	58,676	58,676	58,676	58,676	58,676	58,676	58,676	58,676	58,676
Finance Costs	(10,025)	(10,025)	(10,922)	(13,933)	(10,440)	(10,012)	(9,144)	(8,191)	(6,973)	(5,999)	(4,809)
<b>Net cash inflow (outflow) from investing activities</b>	<b>(238,756)</b>	<b>(231,521)</b>	<b>(172,587)</b>	<b>181,187</b>	<b>(69,802)</b>	<b>(59,519)</b>	<b>(71,477)</b>	<b>(68,692)</b>	<b>(78,491)</b>	<b>(79,753)</b>	<b>(77,714)</b>
<b>Cash flows from financing activities</b>											
Proceeds from borrowings	192,678	183,778	108,520	47,625	21,950	11,696	26,707	36,400	16,462	5,546	6,288
Repayment of borrowing	(21,772)	(21,772)	(25,872)	(299,653)	(37,111)	(40,164)	(42,631)	(45,996)	(49,923)	(53,125)	(36,850)
<b>Net cash inflow (outflow) from financing activities</b>	<b>170,906</b>	<b>162,006</b>	<b>82,648</b>	<b>(252,028)</b>	<b>(15,161)</b>	<b>(28,468)</b>	<b>(15,924)</b>	<b>(9,596)</b>	<b>(33,461)</b>	<b>(47,580)</b>	<b>(30,562)</b>
<b>Net increase (decrease) in cash held</b>	<b>(12,002)</b>	<b>(13,572)</b>	<b>(27,767)</b>	<b>45,186</b>	<b>(3,550)</b>	<b>(734)</b>	<b>(11,492)</b>	<b>921</b>	<b>(3,931)</b>	<b>(12,314)</b>	<b>6,334</b>
Cash at beginning of reporting period	263,422	263,422	249,850	222,083	267,269	263,719	262,985	251,494	252,415	248,484	236,170
<b>Cash at end of reporting period</b>	<b>251,420</b>	<b>249,850</b>	<b>222,083</b>	<b>267,269</b>	<b>263,719</b>	<b>262,985</b>	<b>251,494</b>	<b>252,415</b>	<b>248,484</b>	<b>236,170</b>	<b>242,504</b>

**Sunshine Coast Council - Total  
 Measures of Financial Sustainability (v)**

For Period Ending 30 June

	Current Budget	Revised Budget	Forward Estimate								
	2020	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating Performance</b>											
Operating Performance Ratio (%)	4.3%	4.3%	7.5%	7.8%	6.9%	8.0%	6.1%	6.2%	8.5%	8.9%	9.1%
<b>Fiscal Flexibility</b>											
Council controlled revenue (%)	78.7%	78.7%	75.9%	73.7%	78.5%	78.2%	81.6%	82.1%	79.8%	80.0%	81.4%
Total debt service cover ratio (times)	2.9 x	2.9 x	2.9 x	0.4 x	2.8 x	2.8 x	2.5 x	2.5 x	2.7 x	2.7 x	2.8 x
Net Financial Liabilities Ratio (%)	103.4%	100.7%	112.6%	52.4%	52.9%	46.7%	46.9%	44.4%	37.6%	34.6%	26.9%
<b>Liquidity</b>											
Cash expense cover ratio (months)	6.9	8.4	8.4	7.2	8.1	8.1	7.8	7.3	7.1	6.6	6.0
<b>Asset Sustainability</b>											
Asset Sustainability Ratio (%)	69.7%	69.7%	68.3%	66.0%	69.5%	68.9%	70.7%	70.6%	70.9%	71.7%	71.3%

**Operating Performance Ratio**

Measures the extent to which operating revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.  
Calculation: Operating Result (excluding capital items) as a percentage of operating revenue

Target: between 0% and 10%

**Council Controlled Revenue Ratio**

Indicates the degree of reliance on external funding sources such as operating subsidies, donations and contributions. Council's financial flexibility improves the higher the level of its own source revenue.  
Calculation: Net rates, levies and charges & fees and charges / total operating revenue.

Target: Greater than 60%

**Total Debt Service Cover Ratio**

Indicates the ability to repay loan funds. A low cover indicates constrained financial flexibility and limited capacity to manage unforeseen financial shocks.  
Calculation: (Operating result (excluding capital items) + depreciation and amortisation + gross interest expense) / (gross interest expense + prior year current interest bearing liabilities)

Target: Greater than 2 times

**Net Financial Liabilities Ratio**

Measures the extent to which the net financial liabilities of Council can be repaid from operating revenues.  
Calculation: (Total liabilities - current assets) / total operating revenue (excl. capital items)

Target: not greater than 60%.

**Cash Expense Cover Ratio**

Indicates the number of months council can continue paying its immediate expenses without additional cash loans.  
Calculation: (Current year's cash and cash equivalents balance / (total operating expenses - depreciation and amortisation - finance costs charged by QTC - interest paid on overdraft) \* 12

Target: Greater than 3 months.

**Asset Sustainability Ratio**

This ratio reflects the extent to which the infrastructure assets managed by Council are being replaced as they reach the end of their useful lives.  
Calculation: Capital expenditure on replacement assets (renewals) / depreciation expense

Target: greater than 90%.



## Sunshine Coast Council

### Capital Program (in 2019 dollars) (vi)

For Period Ending 30 June

	Current	Revised	Forecast								
	Budget	Budget	2021	2022	2023	2024	2025	2026	2027	2028	2029
	2020	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Sunshine Coast Council Core Capital Program</b>											
Aerodromes	450	275	1,480	200	200	200	200	200	200	200	200
Buildings & Facilities	21,409	17,568	45,737	32,995	14,093	4,753	5,860	4,191	5,730	8,443	6,221
Coast & Canals	2,080	2,080	3,080	2,245	2,850	2,237	2,450	2,150	2,090	1,290	2,090
Divisional Allocations	7,451	5,547	4,631	4,631	4,631	4,631	4,631	4,631	4,631	4,631	4,631
Environmental Assets	1,360	1,450	1,625	1,800	2,900	1,710	2,800	2,800	2,800	2,800	2,800
Fleet	2,879	2,772	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Holiday Parks	4,756	4,718	801	2,415	2,365	505	205	415	3,855	1,105	1,065
Information Communication Technology	8,317	8,906	5,879	5,235	3,575	3,725	3,375	3,975	3,450	3,750	3,642
Parks & Gardens	19,802	20,981	12,916	13,968	13,680	12,592	13,142	12,831	15,540	9,840	12,300
Quarries	1,234	1,234	555	635	610	210	485	160	160	160	160
Stormwater	5,628	5,174	7,741	7,567	7,970	8,835	8,291	7,236	6,354	6,366	7,220
Strategic Land & commercial Properties	16,785	21,958	19,770	12,550	10,300	7,200	11,450	14,700	4,500	11,000	7,900
Transportation	65,200	66,736	61,991	58,151	66,413	53,640	52,884	51,161	61,637	59,425	55,005
Waste	20,156	19,956	18,213	20,955	11,450	10,740	10,229	5,614	10,568	4,648	1,011
<b>Total Sunshine Coast Council Core Capital Progra</b>	<b>177,507</b>	<b>179,355</b>	<b>187,419</b>	<b>166,346</b>	<b>144,036</b>	<b>113,977</b>	<b>119,001</b>	<b>113,063</b>	<b>124,515</b>	<b>116,658</b>	<b>107,244</b>
<b>Corporate Major Projects Capital Program</b>											
Corporate Major Projects	13,607	9,918	15,884	300	-	-	-	-	-	-	-
<b>Total Corporate Major Projects Capital Program</b>	<b>13,607</b>	<b>9,918</b>	<b>15,884</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Region Shaping Capital Program</b>											
Maroochydore City Centre	20,657	20,657	22,876	22,803	8,622	23,025	14,552	17,168	12,466	15,011	14,054
Sunshine Coast Airport Runway Project	129,884	129,884	19,180	-	-	-	-	-	-	-	-
Sunshine Coast International Broadband Network	15,774	15,774	-	-	-	-	-	-	-	-	-
<b>Total Region Shaping Capital Program</b>	<b>166,315</b>	<b>166,315</b>	<b>42,056</b>	<b>22,803</b>	<b>8,622</b>	<b>23,025</b>	<b>14,552</b>	<b>17,168</b>	<b>12,466</b>	<b>15,011</b>	<b>14,054</b>
<b>SCC Total Capital Works Program</b>	<b>357,429</b>	<b>355,588</b>	<b>245,359</b>	<b>189,449</b>	<b>152,657</b>	<b>137,002</b>	<b>133,554</b>	<b>130,232</b>	<b>136,981</b>	<b>131,669</b>	<b>121,298</b>





## Strategic Policy

### 2019/20 Debt Policy

Corporate Plan reference:	5.6 Information, systems and process underpin quality decisions and enhance customer relationships 5.6.19 – Sustainable financial position maintained
Endorsed by Council on:	19 September 2019                      Reference Number: OM19/148
Manager responsible for policy:	Chief Financial Officer, Business Performance Group

### Policy purpose

The purpose of this policy is to ensure the sound management of Council's existing and future debt.

### Policy outcome

The policy will provide clear guidance for staff in the management of Council's debt portfolio and maintenance of appropriate debt and debt service levels.

### Policy scope

This policy applies to all Councillors and council staff and extends to all borrowing activities of Council and any controlled entities.

### Policy statement

New borrowings will only be made to fund capital expenditure, for a period less than or equal to the estimated useful life of the asset(s) and for no more than 20 years.

New borrowings will be undertaken in accordance with the Queensland Treasury Corporation Guidelines, the *Statutory Bodies Financial Arrangements Act 1982* and Section 192 of the *Local Government Regulation 2012*.

### Borrowing Purposes

- Council will not utilise loan funding to finance operating activities or recurrent expenditure.
- Council undertakes full analysis of all funding options as outlined in the Long Term Financial Forecast, including a forward program of capital works, to determine loan funding requirements.
- Council recognises that infrastructure demands placed upon Council can often only be met through borrowings, but will always be mindful of the additional cost incurred by the community when assets are acquired through borrowings, as this increases the cost of providing capital infrastructure.
- Council will endeavour to fund all capital renewal projects from operating cash flows and borrow only for new or upgrade capital projects, having regard to sound financial management principles and giving consideration to inter-generational equity for the funding of long term infrastructure projects.

- Where capital expenditure is deferred from one year to the next, the drawdown of approved loan funds will be reviewed to minimise interest expenses.
- Borrowings for infrastructure that provides a return on assets will take priority over borrowing for other assets.

#### **Debt Term**

Where capital projects are financed through borrowings, Council will repay the loans within a term not exceeding the life of those assets, and over a term that optimises cash flow efficiency. Loans undertaken for core Sunshine Coast capital investment are planned to be repaid within a twelve (12) year period. Loans undertaken for Region Making projects may have a term of greater than twelve years.

- If surplus funds become available, and where it is advantageous to Council, one-off loan repayments will be made to reduce the term of existing loans.
- In an environment of fluctuating interest rates, and where there is a distinct economic advantage to Council, consideration will be given to renegotiating any outstanding loans to obtain the best long-term benefit to Council.

#### **Repayment Ability**

Council will maintain close scrutiny of debt levels to ensure that relative sustainability indicators will not exceed target parameters recommended by Queensland Treasury Corporation and *Local Government Regulation 2012*.

#### **Borrowing Sources**

Council will raise all external borrowings at the most competitive rates available and from sources available as defined by legislation. Consideration will be given to provision of loans to business units from surplus cash reserves held by Council by way of an internal loan.

#### **Proposed Borrowings**

Proposed Borrowings planned for the current financial year and the next nine financial years are outlined in Appendix A, in accordance with Section 192 *Local Government Regulation 2012*.

#### **Internal Loans**

The provision and approval of an internal loan will depend on the availability of surplus funds at the time of application and the capacity of the business unit or operational activity to repay the loan.

- All applications for internal loans will be made by reference to the Finance Branch for consideration in accordance with the Long Term Financial Forecast.
- The term of the loan will be appropriate to the life of the asset being financed.
- In all cases, where business units are subject to the provisions of the National Competition Policy, the cost to the business unit will be no less than what would apply to an equivalent private sector business. The interest rate will be the sum of:
  - (a) the equivalent QTC borrowing rate for the proposed term;
  - (b) the QTC administration charge; and
  - (c) an additional margin above the QTC borrowing rate.
- The interest rate applicable to internal loans relating to operational activities of Council will be the actual borrowing cost from QTC including administrative charges.

Council may, upon reasonable notice being given, require repayment of part or all of the balance of the loan at any time, which would require the business unit to convert the outstanding balance of the loan to an external facility.

- Provision for the repayment of the loan will be included in the annual budget for the business unit.

## Guiding principles

The purpose of establishing this policy is to:

- Provide a comprehensive view of Council's long term debt position and the capacity to fund infrastructure growth for the region;
- Increase awareness of issues concerning debt management;
- Enhance the understanding between Councillors, community groups and council staff by documenting policies and guidelines;
- Demonstrate to government and lending institutions that Council has a disciplined approach to borrowing.

## Roles and responsibilities

Pursuant to Section 192 *Local Government Regulation 2012*, Council must prepare a debt policy each year that states the new borrowings planned for the current financial year and the next nine financial years.

The Finance Branch will review the cash flow requirements prior to loan proceeds being drawn down to minimise interest expenses.

## Measurement of success

Financial sustainability indicators remain within target ranges and the provision of necessary infrastructure is not constrained through the lack of capital funding.

Details of outstanding loans will be reported annually in Council's Financial Statements and Annual Report.

## Definitions

**Business unit** – A business activity within Council structure subject to the application of full cost pricing principles as defined under the National Competition Policy.

**Inter-generational equity** – This relates to the fairness of the distribution of the costs and benefits of a policy when costs and benefits are borne by different generations (i.e. the principle whereby those who derive a direct benefit from the service or infrastructure provided actually pay for that service).

**QTC** – Queensland Treasury Corporation.

## Related policies and legislation

- *Local Government Act 2009*
- *Local Government Regulation 2012*
- *Statutory Bodies Financial Arrangements Act 1982*
- *Statutory Bodies Financial Arrangements Regulation 2007*

Version control:

Version	Reason/ Trigger	Change (Y/N)	Endorsed/ Reviewed by	Date
1.0	Adopted			2 June 2015
1.1	Annual Review	Y		19 February 2016
	Endorsement		Council	16 June 2016
1.2	Annual Review	Y		
	Endorsement		Council	15 June 2017
1.3	Annual Review	Y		
	Endorsement		Council	17 May 2018
1.4	Annual Review	Y		
	Endorsement		Council	23 May 2019
1.5	Budget Review 1	Y	Council	19 Sep 2019

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**Appendix A**

Schedule of proposed external borrowings:

\$'000	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
SCC Business Units	\$27,031	\$71,701	\$47,625	\$21,950	\$11,696	\$11,707	\$6,400	\$16,462	\$5,546	\$1,288
Maroochydore City Centre Project	\$10,000	\$0	\$0	\$0	\$0	\$15,000	\$30,000	\$0	\$0	\$5,000
Sunshine Coast Airport Runway	\$143,247	\$36,819	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sunshine Coast International Broadband Network	\$3,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$183,778	\$108,520	\$47,625	\$21,950	\$11,696	\$26,707	\$36,400	\$16,462	\$5,546	\$6,288

Note that Council operates a central treasury model and as such does not generally provide debt funding for specific projects or assets but rather uses debt funding to finance Council's balance sheet, with the exception being for strategic projects.

**FINANCIAL PERFORMANCE REPORT**  
**Statement of Income & Expenses**

**30 June 2020**

	Annual	Budget Review 2					Annual
	Current Budget \$000	PART A \$000	PART B \$000	PART C \$000	PART D \$000	PART E \$000	Revised Budget \$000
<b>Operating Revenue</b>							
Net Rates and Utility Charges	312,502	0	0	0	0	0	312,502
Fees and Charges	57,857	0	0	0	0	0	57,857
Interest Received from Investments	8,838	0	0	0	0	0	8,838
Operating Grants and Subsidies	7,796	0	0	0	0	0	7,796
Operating Contributions	319	0	0	0	0	0	319
Unitywater Participation	49,838	0	0	0	0	0	49,838
Other Revenue	25,095	0	0	0	103	0	25,198
Internal Sales/Recoveries	8,101	0	0	0	0	0	8,101
<b>Total Operating Revenue</b>	<b>470,347</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>103</b>	<b>0</b>	<b>470,450</b>
<b>Operating Expenses</b>							
Employee Costs	146,478	0	0	0	543	0	147,021
Materials and Services	183,943	0	0	0	(480)	0	183,463
Finance Costs	10,025	0	0	0	0	0	10,025
Company Contributions	1,527	0	0	0	0	0	1,527
Depreciation Expense	79,076	0	0	0	0	0	79,076
Other Expenses	21,378	0	0	0	0	0	21,378
Recurrent Capital Expenses	7,888	0	0	0	(59)	0	7,829
<b>Total Operating Expenses</b>	<b>450,315</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>450,319</b>
<b>Operating Result</b>	<b>20,032</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>99</b>	<b>0</b>	<b>20,130</b>
<b>Capital Revenue</b>							
Capital Grants and Subsidies	23,879	1,294	0	0	0	0	25,173
Capital Contributions - Cash	31,599	0	0	0	0	0	31,599
Capital Contributions - Fixed Assets	60,000	0	0	0	0	0	60,000
<b>Total Capital Revenue</b>	<b>115,478</b>	<b>1,294</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>116,772</b>
<b>Non-recurrent Expenses</b>							
Profit/Loss on disposal, revaluation & Movements in landfill and quarry prov	0	0	0	0	0	0	0
Assets Transferred to Third Parties	(4,592)	0	0	0	0	0	(4,592)
<b>Total Non-recurrent Expenses</b>	<b>(4,592)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,592)</b>
<b>Net Result</b>	<b>130,917</b>	<b>1,294</b>	<b>0</b>	<b>0</b>	<b>99</b>	<b>0</b>	<b>132,310</b>



2019/20 Budget Review 2								
Capital Project Requests Summary By Program								
Program	2019/20 Current Budget	Part A	Part B	Part C	Part D	Part E	Net Budget Request \$'000	2019/20 Revised Budget
		Funded Request \$'000	Council Resolution \$'000	Unfunded Request \$'000	Transfers \$'000	Deferral/ Bring Forw \$'000		
Aerodromes	450	-	-	-	(925)	750	(175)	275
Buildings and Facilities	21,937	327	-	130	1,044	(5,870)	(4,369)	17,568
Coast and Canals	2,080	-	-	-	-	-	-	2,080
Environmental Assets	1,450	-	-	-	-	-	-	1,450
Fleet	2,879	-	-	-	(107)	-	(107)	2,772
Holiday Parks	4,756	(50)	-	-	11	-	(39)	4,718
Information Technology	8,179	-	-	350	447	(70)	727	8,906
Parks and Gardens	20,304	676	-	-	-	-	676	20,981
Quarries	1,234	-	-	-	-	-	-	1,234
Stormwater	5,628	259	-	-	(135)	(578)	(454)	5,174
Strategic Land and Commercial Properties	16,785	11,665	-	-	-	(6,493)	5,172	21,958
Transportation	65,860	2,681	-	-	152	(1,957)	876	66,736
Waste	20,156	-	-	-	-	(200)	(200)	19,956
<b>Total - SCC Core Capital Program</b>	<b>171,698</b>	<b>15,558</b>	<b>0</b>	<b>480</b>	<b>487</b>	<b>-14,418</b>	<b>2,107</b>	<b>173,805</b>
Corporate Major Projects	13,744	-	-	-	300	(4,126)	(3,826)	9,918
Divisional Allocations	5,670	(5)	-	-	(118)	-	(123)	5,547
Maroochydore City Centre	20,657	-	-	-	-	-	-	20,657
Submarine Cable IBN	15,774	-	-	-	-	-	-	15,774
Sunshine Coast Airport Runway	129,884	-	-	-	-	-	-	129,884
<b>Total - Council</b>	<b>357,428</b>	<b>15,553</b>	<b>0</b>	<b>480</b>	<b>670</b>	<b>-18,544</b>	<b>-1,841</b>	<b>355,587</b>
<i>The following items are included in project expenditure and funded as part of the Capital Works Program</i>								
Recurrent Expenses to Operating		-	-	-	(58)	-	(58)	
Non-Recurrent Expenses to Operating		-	-	-	-	-	-	

Notes:

**PART\_A** Additional request with associated funding  
 Additional requests with associated funding (revenue, restricted cash, savings), Additional unrestricted revenue or expenditure savings,

**PART\_B** Council Resolution  
 Projects where a council resolution requires a budget increase

**PART\_C** Additional Requests - Unfunded  
 Additional requests or increases to existing budgets with no funding source

**PART\_D** Change in reporting lines/Transfers to or from Capital  
 Transfers to/from operating. Recognition of expenditure components of capital projects

**PART\_E** Movements between Financial Years  
 Defer a project to the following financial year OR bring forward funds endorsed in a later year of the long term forecasts