

Item 8.2.2

Ordinary Meeting

Thursday, 17 May 2018

commencing at 9:00am

Council Chambers, 1 Omrah Avenue, Caloundra

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8 REPORTS DIRECT TO COUNCIL**8.2 BUSINESS PERFORMANCE****8.2.2 MARCH 2018 FINANCIAL PERFORMANCE REPORT**

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Author:	Coordinator Financial Services Business Performance Group	
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PURPOSE

To meet legislative obligations, a monthly report must be presented to Council regarding its financial performance and investments.

EXECUTIVE SUMMARY

This monthly financial performance report provides Council with a summary of performance against the current budget as at 31 March 2018 in terms of the operating result and delivery of the capital program.

The operating result of \$73.7 million at 31 March 2018 shows a favourable variance to the current budget of \$1.2 million. The variation is made up of higher than profiled operating revenue offset by marginally higher than profiled operating expenses as shown in the table below. Further detail is provided in the proposal section of this report.

Operating Performance**Table 1: Operating Result as at 31 March 2018**

February 2018	Current Budget \$000	YTD Current Budget \$000	YTD Actual \$000	YTD Variance \$000	Variance %
Operating Revenue	436,296	375,720	377,033	1,312	0.3
Operating Expenses	423,764	303,181	303,338	157	0.1
Operating Result	12,533	72,539	73,695	1,155	1.6

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

As at 31 March 2018, \$122.9 million (45.7%) of Council's \$268.7 million Forecast 2017/18 Capital Works Program was financially expended.

The core Council Capital Program has progressed 54.0% of budget, an actual spend of \$85.6 million.

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

A number of budget adjustments are proposed in the report and summarised in Finance and Resourcing to inform Council of the latest year end forecasts for operating and capital.

OFFICER RECOMMENDATION

That Council

- (a) receive and note the report titled “March 2018 Financial Performance Report” and
- (b) adopt the amended 2017/18 Budget Financial Statements to include the identified operating and capital budget adjustments (Appendix A).

FINANCE AND RESOURCING

This report sets out the details of Council’s financial performance and investments for the month of February 2018 and meets Council’s legislative reporting requirements.

A number of operating and capital budget adjustments are proposed in this report to inform Council of the latest year end forecast operating result and capital programs.

The proposed budget adjustments will result in:

- \$5.1 million decrease in the operating result from \$12.5 million to \$7.4 million
- \$35.8 million reduction to the capital program from \$268.7million to \$232.8 million
- \$26.8 million increase in closing cash balance at 30 June 2018, to \$245.7 million

The proposed budget adjustments for deferred projects (operating and capital) will be incorporated into the 2018/19 budget statements.

CORPORATE PLAN

Corporate Plan Goal: *An outstanding organisation*

Outcome: 5.6 - Information, systems and process underpin quality decisions and enhance customer relationships

Operational Activity: 5.6.19 - Sustainable financial position maintained.

CONSULTATION**Councillor Consultation**

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

Internal Consultation

All departments and branches participated in the formation of this report.

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 March 2018 in terms of the operating result and delivery of the capital program.

The operating result of \$73.7 million at 31 March 2018 shows a favourable variance to the current budget of \$1.2 million.

Operating Revenue

As at 31 March 2018, year to date revenues (of \$377 million) shows a positive variance of \$1.3 million, or 0.3%.

This is made up of:

- \$821,000 Fees and charges revenue relating predominantly to higher volumes in Holiday Park Fees \$183,000 and Waste Management \$308,000, both of which are offset by higher costs or lower revenues in other areas. Development Services is also ahead of budget by \$135,000.
- \$848,000 Other Revenue, generated through \$252,000 additional sales of recyclables in waste and \$116,000 due to favourable performance of the Solar Farm. \$343,000 has been recovered through recoupment of costs in Parks and Gardens, Civil Asset Management and Community Response with associated higher costs.
- The above favourable variances are partially offset by a slight variation in net rates and charges (\$147,000) which is associated with the timing of supplementary rates.

Year to date actuals has achieved 86% of the full year forecast revenue. Over half of the remaining forecast relates to revenue anticipated from the Maroochydore City Centre project and Unitywater. The remainder will predominantly be generated in fees and charges and other revenue.

Operating Expenses

Year to date expenditure as at 31 March 2018 is \$303.3 million a variance over budget of \$157,000.

Employee Costs

As at 31 March 2018, \$101 million has been incurred in employee costs, resulting in an unfavourable variance against year to date budget of \$1.2 million or 1.2%. The remaining available budget for April to June is 27% of full year. Having consideration for the current leave and occupancy trends, the full year actual may vary to be budget by 1%, noting the budget is developed up to 97% of costs.

Materials and Services

Materials and services are under budget as at 31 March 2018 by \$2.2 million.

Operating projects, including levy funds, are underspent against budget by \$1.6 million to date reflecting timing differences for project delivery. The remaining expenditure budget available for April to June is 46% of full year.

	Original Budget \$'000	Current Budget \$'000	YTD Actual \$'000	% Current Budget Expended
Levies	12,196	12,365	7,960	64%
Projects	7,665	10,184	4,172	41%
Total	19,860	22,548	12,132	54%

A favourable variance of \$575,000 relates to the delivery of core programs, with underspends in some groups offsetting over runs in others, mostly timing related. The larger variances are detailed below:

- \$317,000 Built Infrastructure – additional spends in Parks and Gardens due to severe weather events. Transport Infrastructure Policy has incurred higher costs in providing more discounts on Infrastructure Charges than budget which is difficult to estimate each year. The total spend in materials for the group to the end of March is 71.3% of full year budget.
- (\$511,000) Economic and Community Development – lower spends than budget to date for digital and collection services in libraries. Economic Development are also reporting several minor variances across a number of programs, particularly in the Higher Value Industries area. Most of this is offset by additional spend in Other Expenses for sponsorships and contributions.
- (\$617,000) Office of the Mayor and CEO – Insurance expenses incurred to date are lower than budget and difficult to estimate. The Communications branch and Office of the CEO are reporting several minor variances across most business areas, however further commitments are in progress.

Recurrent Capital Expenses

\$7.6 million expenditure to date in association with the capital program delivery, with no major variations applying as at 31 March 2018.

Proposed Operating Budget Adjustments

The following items have been identified as affecting Council's forecast operating result for 30 June 2018, and are proposed as adjustments to the Current Budget.

- Delays in Region Making Projects, including Maroochydore City Centre Land Sales \$9.6 million, net reduction to operating result.
- Materials reduction of \$300,000 relating to insurance expense and \$400,000 associated with discounts on infrastructure charges that should be offset with capital contributions.
- \$3.8 million expenditure reduction for deferrals to 2018/19 for projects (\$1.9 million), levies (\$1.7 million) and the grants program (\$250,000)

The above adjustments are detailed in Attachment 2 and will reduce Council's operating result by \$5.1 million from \$12.5 million to \$7.4 million.

Capital Expenditure

As at 31 March 2018, \$122.9 million (45.7%) of Council's \$268.7 million 2017/18 Capital Works Program was financially expended.

Table 5: Capital Expenditure by Program at 31 March 2018

Capital Works Program	Current Budget \$000s	Actuals \$000s	% of FY Budget Spent	Forecast Year End Actual
Aerodromes	415	16	3.8%	406
Buildings and Facilities	12,453	6,771	54.4%	11,327
Coast and Canals	2,363	1,399	59.2%	2,471
Environmental Assets	840	210	24.9%	641
Fleet	3,000	338	11.3%	2,968
Holiday Parks	1,289	662	51.3%	1,367
Information Technology	6,086	1,965	32.3%	5,794
Parks and Gardens	15,296	10,184	66.6%	14,193
Quarries	460	43	9.4%	392
Stormwater	6,938	2,524	36.4%	6,060

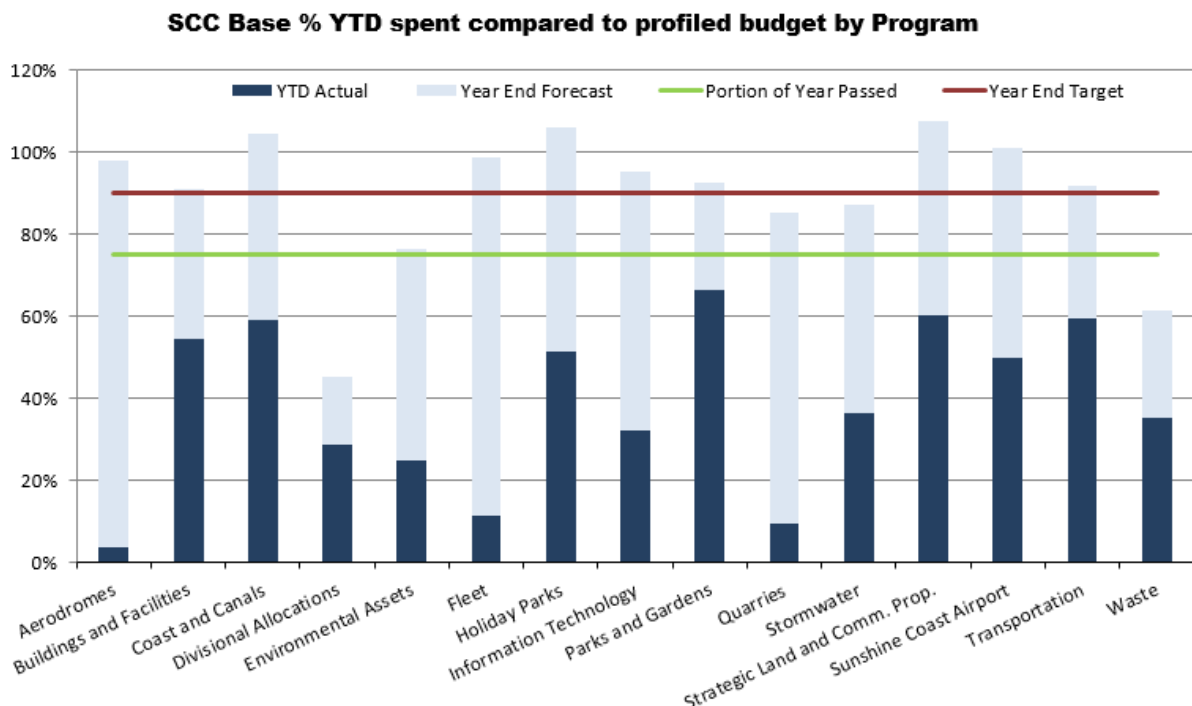
	Current Budget \$000s	Actuals \$000s	% of FY Budget Spent	Forecast Year End Actual
Capital Works Program				
Strategic Land and Commercial Properties	30,161	18,149	60.2%	32,470
Sunshine Coast Airport	1,358	675	49.7%	1,375
Transportation	63,386	37,781	59.6%	58,219
Waste	9,327	3,301	35.4%	5,738
Total SCC Base Capital Program	153,371	84,019	54.8%	143,421
Divisional Allocations	5,410	1,558	28.8%	2,459
Corporate Major Projects	11,189	460	4.1%	6,865
Maroochydore City Centre	48,209	21,794	45.2%	37,084
Sunshine Coast Airport Runway	50,481	15,050	29.8%	42,997
Total Other Capital Program	115,289	38,862	33.7%	89,404
TOTAL	268,660	122,881	45.7%	232,825

SCC Core Capital Program

The Core Council Capital Program, excluding Divisional Allocations has progressed 54.8% of budget, an actual spend of \$84.0 million. The Actual YTD includes all works that have been goods receipted and accrued as at 31 March 2018. The table above shows the actual expenditure against full year budget by program, as well a forecast actual at year end.

Currently the core program, excluding Divisional Allocations, is forecasting above the 90% target at 93.5% of program delivery. Deferrals have been identified across seven programs as a result of the \$10 million variance to the \$153 million program. Proposed budget adjustments are detailed below and in Attachment 3 to address anticipated underspends and to reflect additional land acquisitions identified.

The following graph shows the expenditure to date and year end forecast for each program, against the time period passed and the year-end delivery target of 90%.



A number of programs are reporting expenditure to the end of March significantly lower than benchmark.

Aerodromes – The program contains one major project, Caloundra Aerodrome - Apron Re-surfacing over \$300,000 to be delivered by year end.

Environmental Assets – 77% of new works against a budget of \$410,000 have been committed or expended at the end of March, including construction of the mountain trail bike path within the Caloundra Town Reserve. Over half of the renewal and upgrade works have been committed for delivery before year end. In particular the tracks and trails program for \$100,000 has been finalised for completion in the last quarter.

Fleet – 82% of the \$3,000 program is committed following finalisation of major procurement for expenditure to be delivered by year end. Fleet acquisitions generally have a long lead time from procurement to delivery particularly for heavy plant.

Holiday Parks – The renewals portion of the holiday park program totalling \$450,000 is currently 60% complete and tracking to be finalised by financial year end with a further 15% committed at the end of March. The new amenities block at Mudjimba Beach Holiday Park, which has a budget of \$640,000, commenced construction in February outside of the busy holiday period, and is fully committed for delivery this financial year.

Quarries – Of the \$460,000 program \$250,000 is identified for deferral with all remaining works anticipated to be expended by year end.

Stormwater – The \$1.9 million stormwater relining and pit structure replacements programs are currently 63% complete and are well on track for 100% delivery, remaining works have been tendered and are to be finalised prior to year end. The remaining works of \$4.9 million, will be reduced by \$915,000 predominantly due to delays associated with third party approvals. These works are 57% committed as at the end of March

Corporate Major Projects & Region Making Program

Other major projects have expended 33.7% of full year budget as at 31 March 2018, and are forecasting a year end result of 77.5% or \$89.4 million.

- Corporate Major Projects – Current forecasts reflect delivery of half the program, which will see expenditure on Palmview and smart city projects. A deferral is being recognised for Brisbane Road Car Park and Palmview will no longer be recognised as asset construction.
- Maroochydhore City Centre – 45.2% actual spend to date. The program is recognising a \$15 million deferral to 2018/19, following which expenditure to date reflects 66% of the revised budget.
- Sunshine Coast Airport Expansion – A year to date actual of 29.8% has been achieved. Significant expenditure is forecast for quarter 4. The program is currently forecasting to 85% of the forecast budget. The forecast underspend this financial year is largely due to a delay signing the Design and Construction contract and therefore a delay in starting the works.

Proposed Capital Budget Adjustments

The following core capital program reductions are detailed in Attachment 3:

Capital Works Program	Current Budget \$'000	Proposed Adjustment \$'000	Revised Budget \$'000
Aerodromes	415	0	415
Buildings and Facilities	12,453	(589)	11,864
Coast and Canals	2,363	160	2,203
Divisional Allocations	5,410	0	5,410
Environmental Assets	840	0	840
Fleet	3,000	0	3,000

	Current Budget \$'000	Proposed Adjustment \$'000	Revised Budget \$'000
Capital Works Program			
Holiday Parks	1,289	0	1,289
Information Technology	6,086	(1,200)	4,886
Parks and Gardens	15,296	(1,150)	14,146
Quarries	460	(245)	215
Stormwater	6,938	(915)	6,023
Strategic Land and Commercial Properties	30,161	1,690	31,851
Sunshine Coast Airport	1,358	0	1,358
Transportation	63,386	(5,166)	58,220
Waste	9,327	(3,175)	6,152
Total SCC Base Capital Program	158,781	(10,590)	148,191

The following adjustments are proposed to Corporate Major Projects:

	Current Budget \$'000	Proposed Adjustment \$'000	Revised Budget \$'000
Corporate Major Projects			
Solar Farm - deferral	1,632	(1,260)	372
Brisbane Road Carpark - deferral	5,000	(2,628)	2,372
Palmview Peter Crosby Way Construction	3,144	(3,144)	0
Smart City Network Solutions - deferral	926	(321)	604
Total Corporate Major Projects	11,189	(7,353)	3,836

Further to the above, expenditure for the Palmview project \$3.2 million will not be accounted for as a constructed asset, but moved to accounts receivable.

Deferrals will also be recognised in Region Making Projects of:

- \$15.0 million Maroochydore City Centre
- \$2.9 million Sunshine Coast Airport Expansion Project

The total capital program is reduced by \$35.8 million to \$232.8 million, as a result of all the core and region making adjustments noted above.

Investment Performance

- All investment parameters remain within the guidelines established by the Investment Policy.
- For the month ending 31 March 2018 Council had \$372 million cash (excluding Trust Fund) with an average interest rate of 2.58%, being 0.96% above benchmark. This is compared to the same period last year with \$345 million cash (excluding Trust Fund) with an average interest rate of 2.73%, being 0.93% 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

Council's 2017/18 Investment Policy; 2017/18 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, Budget Review 2, 22 February 2018 (OM18/19)**

That Council:

- (a) *receive and note the report titled "Budget Review 2 2017/18" and*
- (b) *adopt the amended 2017/18 Budget Financial Statements to include the identified operating and capital budget adjustments (Appendix A)*

Ordinary Meeting 9 November 2017 (OM17/211)

That Council

- (a) *receive and note the report titled "September 2017 Financial Performance Report" and*
- (b) *adopt the amended 2017/18 Budget Financial Statements to include the identified operating and capital budget adjustments (Appendix A).*

Ordinary Meeting 12 October 2017 (OM17/204)

That Council:

- (a) *delegate authority to the Chief Executive Officer to enter into negotiations and processes to execute and finalise the acquisitions as discussed in the confidential session*
- (b) *resolve, pursuant to section 236(2) of the Local Government Regulation 2012, that an exception to dispose of an interest in land (easement/s) on the sites as discussed in the confidential session, other than by tender or auction applies as the disposal is pursuant to s236(1)(b)(i) to a government agency and*
- (c) *request the Chief Executive Officer to provide a further report to Council on the outcomes of the negotiations with Department of Natural Resources Mines.*

Ordinary Meeting, Budget Review 1, 14 September 2017 (OM17/175)

That Council:

- (a) *receive and note the report titled "Budget Review 1 2017/18" and*
- (b) *adopt the amended 2017/18 Budget Financial Statements to include the identified operating and capital budget adjustments (Appendix A)*

Special Meeting Budget 15 June 2017 (SM17/34)

That Council:

- (a) *receive and note the report titled "Adoption of the 2017/18 Budget and Forward Estimates for the 2018/19 to 2026/27 Financial Years"*
- (b) *adopt the 2017/18 Budget Schedules (Appendix A) including Forward Estimates and*
- (c) *adopt the 2017/18 Capital Works Program, endorse the indicative four-year program for the period 2018/19 to 2021/22, and note the five-year program for the period 2022/23 to 2026/27 (Appendix B).*

Related Documentation

2017/18 Adopted Budget.

Critical Dates

There are no critical dates for this report.

Implementation

There are no implementation details to include in this report.

