

8 REPORTS DIRECT TO COUNCIL**8.7 MARCH 2019 FINANCIAL PERFORMANCE REPORT**

File No:	Financial Reports
Author:	Coordinator Financial Services Business Performance Group
Appendices:	App A - 2019-2028 Budget Financial Statements 15
Attachments:	Att 1 - March 2019 Financial Performance Report 21

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 March 2019 in terms of the operating result and delivery of the capital program.

The operating result at 31 March 2019 shows a favourable variance of \$2.6 million compared to the budgeted position. The variation is due to lower than profiled operating expenses which are offset by lower than profiled fees and charges income 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 2019**

	Current Budget \$000	YTD Budget \$000	YTD Actuals \$000	YTD Variance \$000	YTD Variance %
Total Operating Revenue	448,923	392,490	391,215	(1,275)	-0.3%
Total Operating Expenses	434,541	310,071	306,204	(3,867)	-1.2%
Operating Result	14,383	82,420	85,011	2,592	3.1%

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

As at 31 March 2019, \$229.6 million (60.8%) of Council's \$378.4 million 2018/19 Capital Works Program was financially expended.

The core Council Capital Program has progressed 64% of budget, an actual spend of \$106.8 million.

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

OFFICER RECOMMENDATION

That Council:

- (a) receive and note the report titled “March 2019 Financial Performance Report” and
- (b) adopt the amended 2018/19 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 March 2019 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 program.

The proposed budget adjustments are a result of Council's decision to proceed with Sunshine Coast City Hall. The budget adjustments will result in:

- \$881,000 increase in the operating result from \$13.5 million to \$14.4 million
- \$119,000 increase to the capital program from \$377.5 million to \$377.6 million
- \$119,000 decrease in closing cash balance at 30 June 2019, to \$227.7 million

CORPORATE PLAN

Corporate Plan Goal: *An outstanding organisation*

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

Operational Activity: 5.6.5 - Manage Councils budget in alignment with sustainability ratios to ensure a sustainable financial position is maintained.

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 Finance 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 March 2019 in terms of the operating result and delivery of the capital program.

The operating result at 31 March 2019 shows a favorable variance of \$2.6 million compared to the budgeted position.

Operating Revenue

Year to date revenues as at 31 March 2019 of \$391.2 million shows an unfavorable variance of \$1.3 million.

Table 2: Substantial Revenue variances as at 31 March 2019

	YTD Budget \$000	YTD Actuals \$000	YTD Variance \$000	YTD Variance %
Fees and Charges	43,803	42,710	(1,093)	-2.5%
Interest Received from Investments	5,997	5,559	(439)	-7.3%
Other Revenue	9,711	10,946	1,235	12.7%

Fees and Charges

Fees and charges revenue of \$42.7 million is \$1.1 million (2.5%) lower than the year to date budget. The variance predominantly relates to building and plumbing applications and operational works applications. Although Council is under budget year to date, application revenue is currently tracking higher than the previous financial year.

Interest Received from Investments

Council's cash available for investment has decreased compared to the expected budget. This has resulted in a decline in interest received.

Other Revenue

A favorable variance of \$1.2 million applies to Other Revenue due to recoverable works for external agencies with associated expenditure

Operating Expenses

Year to date expenditure as at 31 March 2019 of \$306.2 million shows a variance under budget of \$3.9 million.

Employee Costs

As at 31 March 2019 employee costs were above budget by \$1.7 million or 1.6%. This unfavourable variance relates to utilisation of internal employees to deliver operating and levy funded projects which is offset by underspends in materials and services.

Council budgets a vacancy rate of 3% across the organisation including core maintenance areas. An overspend has been realised against the budget year to date due to the nature of maintenance delivery. Underspends have been sought within materials and services to align Council's operating result.

Materials and Services

Materials and services account for the majority of the expenditure variance as at 31 March 2019, with all groups underspent budget by a total of \$5.6 million.

\$1.15 million 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 61.5% of full year budget as at 31 March 2019.

Built Infrastructure are reporting an underspend mainly attributable to Civil Asset Management, Transport and Infrastructure Planning and Transport Infrastructure Management. A significant portion of this underspend can be attributed to the expected vacancy rate which is offset in higher employee costs.

Business Performance are reporting an underspend largely due to an increase in planned maintenance for Council's community facilities resulting in a decrease of costs. Council's data line charges for telecommunications are also trending below budget year to date.

Council currently has an underspend in its grants program for 2018/19. This is expected to be fully expended by the end of the financial year.

Recurrent Capital Expenditure

Council's decision to proceed with Sunshine Coast City Hall in the Maroochydhore PDA allows for the capitalisation of costs relating to the design and construction of the building. A budget adjustment of \$881,000 is being realised to reflect the appropriate accounting treatment in Council's financial statements. An additional \$119,000 is being included in the capital program to increase the budget for the project to \$1 million for 2018/19. A corresponding reduction will be included in 2019/20.

Capital Expenditure

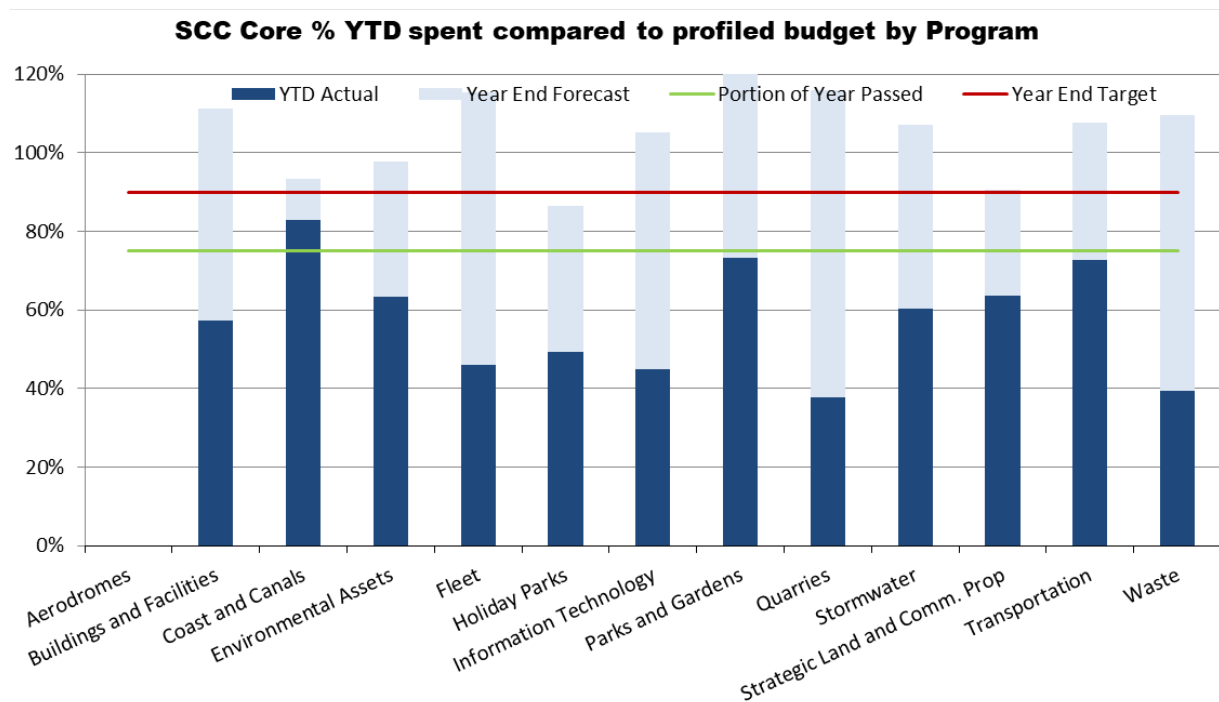
As at 31 March 2019, \$229.6 million (60.8%) of Council's \$377.6 million 2018/19 Capital Works Program was financially expended.

The Core Council Capital Program has progressed 64% of budget, an actual spend of \$106.8 million. The Actual YTD includes all works that have been goods receipted and accrued as at 31 March 2019.

Table 3: Capital Expenditure by Program at 31 March 2019

	Current Budget \$000s	YTD Actual \$000s	% of FY Budget Spent	Forecast Year End Actual
Capital Works Program				
Aerodromes	0	1	0.0%	23
Buildings and Facilities	18,640	10,569	57.2%	17,957
Coast and Canals	2,284	1,891	82.8%	1,986
Environmental Assets	1,196	758	63.4%	1,050
Fleet	3,000	1,384	46.1%	2,969
Holiday Parks	1,875	926	49.4%	1,345
Information Technology	8,738	3,933	45.0%	8,361
Parks and Gardens	17,261	12,659	73.3%	18,996
Quarries	486	184	37.8%	463
Stormwater	10,535	6,363	60.4%	10,379
Strategic Land and Commercial Properties	24,293	15,488	63.8%	20,944
Transportation	64,748	47,179	72.9%	63,929
Waste	13,848	5,457	39.4%	14,339
Total SCC Core Capital Program	166,854	106,792	64.0%	162,742
Corporate Major Projects	5,228	3,355	64.2%	3,228
Divisional Allocations	7,325	2,748	37.5%	3,406
Maroochydhore City Centre	30,413	20,080	66.0%	31,393
Submarine Cable IBN	20,610	6,256	30.4%	12,850
Sunshine Coast Airport Runway	147,138	90,371	61.4%	126,729
Total Other Capital Program	210,714	122,811	58.3%	177,607
TOTAL	377,569	229,603	60.8%	340,350

The following graph shows the Core Capital Programs progress to date and year end forecast. Currently the Core Capital Program is forecasting 97.6% delivery at year end.

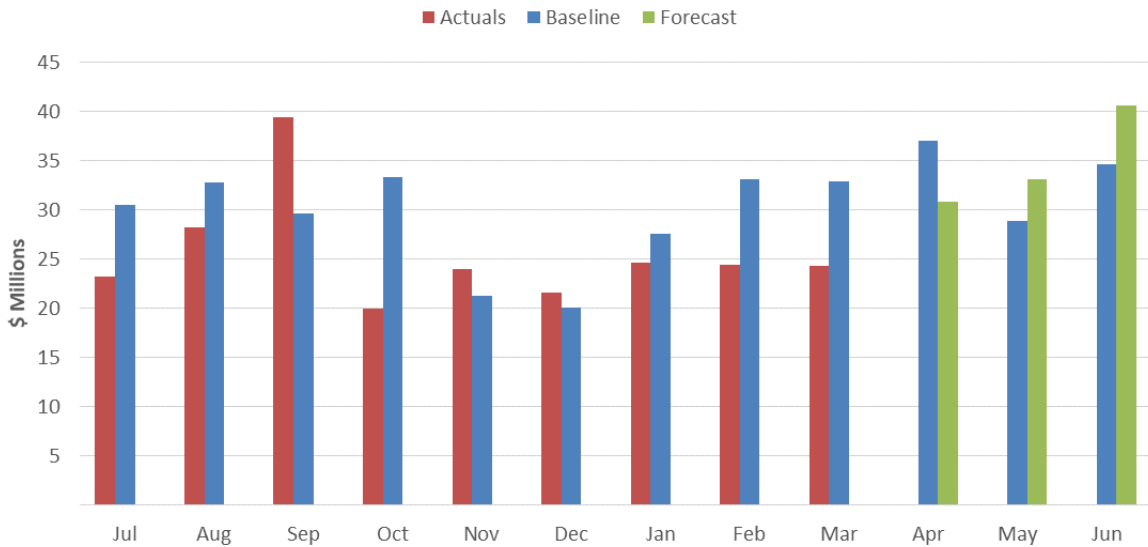


The following program updates are provided in relation to programs reporting lower expenditure to date:

- **Buildings and Facilities** – The Events Centre redevelopment has progressed significantly in recent months with construction scheduled to complete in May 2019. \$2 million of renewal and upgrade works to Council’s aquatic centres will be scheduled for the winter months. The program is forecasting 105% completion at year end.
- **Environmental Assets** – Council’s tracks and trails program is progressing as planned, with the final stages of the Glass House Mountains Regional trail being delivered in the coming months.
- **Fleet** - Significant orders in place and plant builds underway for delivery in April, a number of quotes underway to see all fleet delivered by May/June 2019.
- **Holiday Parks** – The major expenditure for the year relates to the replacement of the amenities at the Cotton Tree Caravan Park. A contractor has been appointed and construction has started and is expected to be finalised in April. Other significant expenditure relates to land acquisitions for future sites and is reliant on current purchase negotiations.
- **Information Technology** – Expenditure to date on corporate systems implementations for customer relations management are reflective of the project continuing through the procurement phase. Council’s asset management and human resource implementation is expected to incur expenditure in the second half of the financial year as the projects progress towards the implementation phase. The program is forecasting 100% completion at year end.
- **Waste** – The contract for the AWCS collection centre was awarded in October with site preparations commencing in November and construction to begin early 2019. Construction of the Caloundra Landfill Cell 12 has commenced, with deferrals expected in future financial reporting due to weather delays.
- **Stormwater Program** – Significant projects at Mooloolaba, Buderim, Meridan Plains and Maroochydore are scheduled to be constructed outside of the wet period.

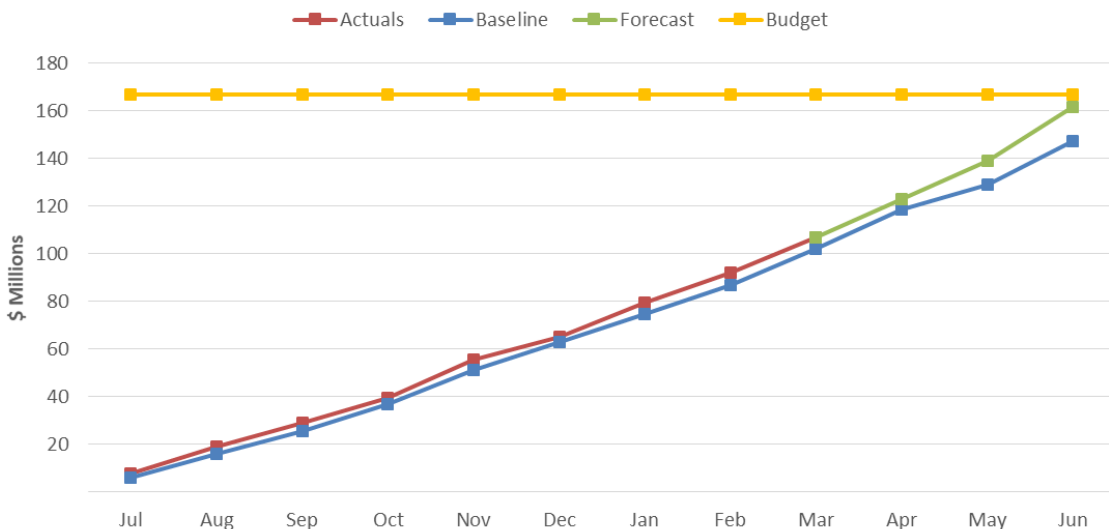
The following graph displays a baseline forecast for the Total Capital Works Program which was captured at the end of September, to include the impacts of Budget Review 1. The graph compares the actual to date and the most recent forecast for the remaining periods, against this baseline. The forecasts are prepared by project managers on each project to reflect their latest estimate of project expenditure up to June 2019.

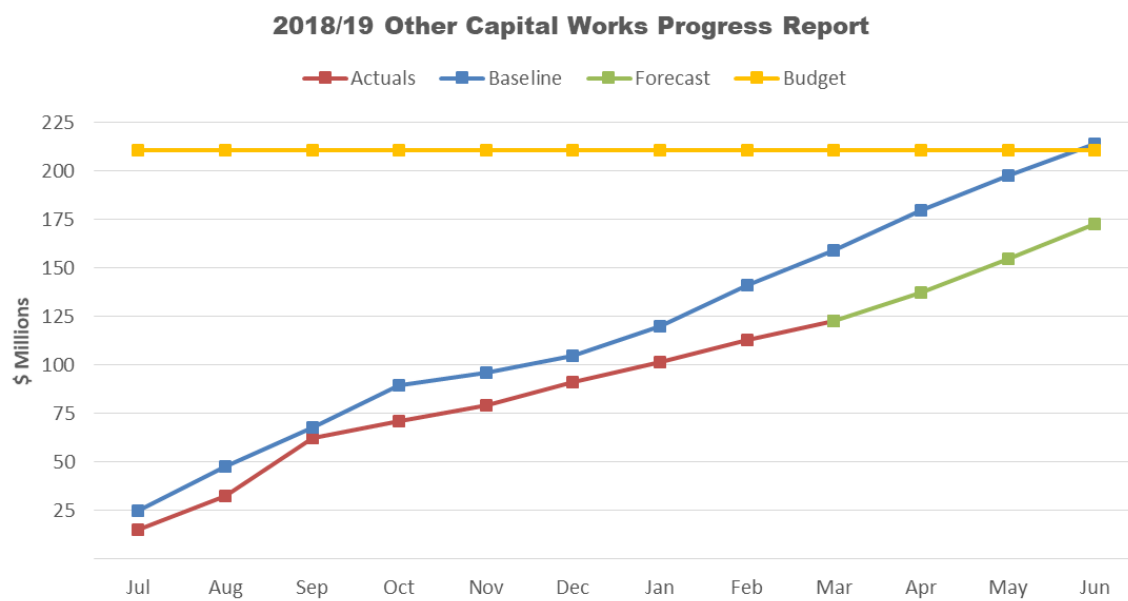
2018/19 Total Capital Works Progress Report



The following two graphs display the cumulative baseline, actual to date and latest forecast compared to the Current Budget provided for in the Core and Other Programs. The baseline reflects project managers estimated forecast following Budget Review 1. Whereas the forecast incorporates the latest information available to project managers in relation to project completion. This forecast will continue to be updated each month and reported against the baseline.

2018/19 Core Capital Works Progress Report





Council’s core and other capital works program is expected to incur budget adjustments in the next financial performance report.

Investment Performance

- All investment parameters remain within the guidelines established by the Investment Policy.
- For the month ending 31 March 2019 Council had \$259.7 million cash (excluding Trust Fund) with an average interest rate of 2.76%, being 0.79% above benchmark. This is compared to the same period last year with \$372.3 million cash (excluding Trust Fund) with an average interest rate of 2.58%, being 0.96% 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 2018/19 Investment Policy; 2018/19 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 28 February 2019, Budget Review 2 2018/19 (OM19/26)**

That Council:

- (a) *receive and note the report titled “**Budget Review 2 2018/19**” and*
- (b) *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 amended budget for 2018/19 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 and the Debt Policy.*

Ordinary Meeting 13 September 2018 (OM18/155)

That Council:

- (a) *receive and note the report titled “**Budget Review 1 2018/19**” and*
- (b) *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 amended budget for 2018/19 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 21 June 2018*
 - 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*
 - iv. the rates and charges to be levied for the 2018/19 financial year and other matters as adopted 21 June 2018.*

Special Meeting Budget 21 June 2018 (SM18/8)

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 2018/19 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*
 - 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 2018/19 Capital Works Program, endorse the indicative four-year program for the period 2020 to 2023, and note the five-year program for the period 2024 to 2028 and*
 - xii. the rates and charges to be levied for the 2018/19 financial year and other matters as detailed below in clauses 3 to 11.*

Related Documentation

2018/19 Adopted Budget

Critical Dates

There are no critical dates for this report.

Implementation

There are no implementation details to include in this report.

