

7.2 FINANCE AND BUSINESS

7.2.1 AUGUST 2012 FINANCIAL PERFORMANCE REPORT

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Finance and Business

Appendix: [App A - August 2012 Financial Performance Report](#) (Att Pg 123)

PURPOSE

To meet council's legislative obligations, a monthly report is to be presented to council on its financial performance.

EXECUTIVE SUMMARY

The monthly financial performance report provides council with a summary of performance against budget at the end of each month. The key items reported on are the performance against budget in relation to the operating result and in terms of delivering the capital program.

There are a number of timing issues that exist at the end of August 2012 that make it difficult to compare year to date budget and actual results. The main issues are as follows:

- 2011/2012 carry-over budgets have not been loaded;
- the impacts of year end adjustments (eg accruals) processed in June 2012 which have not been reversed by receipts or payments; and
- 2012/2013 capital budget profiling is yet to be finalised.

The report also identifies minor budget adjustments that have occurred during the month to allow work to continue in a responsive manner. More significant budget reviews are carried out during the year.

The operational result at 31 August 2012 show a negative variance of \$5.1 million compared to the forecast position. The main issue is a timing difference in relation to prior year reversals however there are issues that will impact on the year end position. The operating result is a key financial performance measure and ongoing surpluses will be critical.

The 31 August 2012 operating surplus variation is made up of lower than expected revenue of \$7.7 million (5.3%) and lower than anticipated operating expenses of \$2.6 million (5.1%). Further detail is provided in the proposal section of this report.

At 31 August 2012, \$15.8 million (10.7%) of council's \$148.2 million 2012/2013 Capital Works Program was financially complete.

During August 2012, the 2012/2013 Operating and Capital Budgets were adjusted to accommodate reallocations between budget categories or line items. Details are set out in **Appendix A**.

OFFICER RECOMMENDATION

That Council:

- (a) receive and note the report titled “August 2012 Financial Performance Report”; and
- (b) approve the budget amendments for operating as outlined in the August 2012 Financial Performance Report (Appendix A).

FINANCE AND RESOURCING

This report incorporates reallocations within the 2012/2013 operating budgets. There has been no change to the operating result as a result of these allocations.

CORPORATE PLAN

Corporate Plan Theme: *Great Governance*

Emerging Priority: 8.1 Ethical, accountable and transparent decision-making
Strategy: 8.1.2 Ensure legislative compliance and awareness

Corporate Plan Theme: *Great Governance*

Emerging Priority: 8.2 Effective business management
Strategy: 8.2.1 Develop indicators and measure the performance of council and the success in achieving its vision

Corporate Plan Theme: *Great Governance*

Emerging Priority: 8.3 Strong financial management
Strategy: 8.3.2 Ensure council’s financial performance is well managed and leads to a strong financial position

CONSULTATION

Internal Consultation

All departments or branches participated in the formation of the recommendations associated with this report.

External Consultation

No external consultation is required for this report.

Community Engagement

No community engagement is required for this report.

PROPOSAL

Council’s financial results at 31 August 2012 show the organisation with a \$5.1 million lower than forecasted operating position against the full year budget.

There are a number of timing issues that exist at the end of August 2012 that make it difficult to compare year to date budget and actual results. The main issues are as follows:

- 2011/12 carry-over budgets have not been loaded;
- the impacts of year end adjustments (eg accruals) processed in June 2012 which have not been reversed by receipts or payments; and
- 2012/2013 capital budget profiling is yet to be finalised.

The 31 August 2012 operating surplus variation is made up of lower than expected revenue of \$7.7 million and lower than anticipated operating expenses of \$2.6 million.

The operating revenue unfavourable variance of \$7.7 million (5.3%) is largely due to outstanding dividend and tax equivalents from Unitywater of approximately \$8.3 million. This \$8.3 million is a result of end of financial year accounting treatment with the revenue being accrued in the 2011/2012 council's financial statements and the reversal showing in the 2012/2013 accounts. This means that the unfavourable variance will remain until the revenue has been receipted, that is, the cash received by council. Receipt of these funds will not occur until Unitywater present their financial statements to the State Government in September/October 2012.

The operating expense favourable variance of \$2.6 million (5.1%) is made up of a lower than budgeted expenditure on Materials & Services. Of this, \$1.3 million relates to 2011/2012 election costs which has accrued as part of end of financial year. Council is awaiting an invoice from the Electoral Commission and staff have made contact on a number of occasions. Furthermore, there is \$1.2 million variance within contract services which is spread across several branches in Finance & Business and Infrastructure Services departments however individual variances amount to \$200,000-\$300,000.

At 31 August 2012, \$15.8 million (10.7%) of council's \$148.2 million 2012/13 Capital Works Program was financially complete.

The capital expenditure in instances may be higher than budgeted which is largely attributed to the carryover process.

During August 2012, the 2012/2013 Operating and Capital Budgets were adjusted to accommodate reallocations between budget categories or line items. Details are set out in **Appendix A**.

Legal

There are no legal implications to this report.

Policy

There are no policy implications associated with this report.

Risk

There are three current risks.

In June 2012 the Federal Government pre-paid half of the 2012/2013 Financial Assistance Grant. In past, one quarter of the grant has been pre-paid and the adopted budget anticipated this practice to continue. Since half of the grant was pre-paid into 2011/2012 there is a potential shortfall of \$2.6 million in the current budget.

Secondly, the expected full year growth in rateable properties is less than forecast, with lower revenue than budgeted of \$1.5 million.

Thirdly, the achievement of the \$5 million savings target that is included in the budget. There are a number of reviews and initiatives that are underway however the above issues will make the achievement of the savings target more difficult.

Previous Council Resolution

On 27 June 2012, council adopted the 2012/2013 budget.

Related Documentation

There is no related documentation for this report.

Critical Dates

There are no critical dates that relate to this report.

Implementation

If the recommendations are adopted by council, the budget will be amended to reflect the adjustments included in the report.

Sunshine Coast
Council

FINANCIAL PERFORMANCE REPORT



August 2012



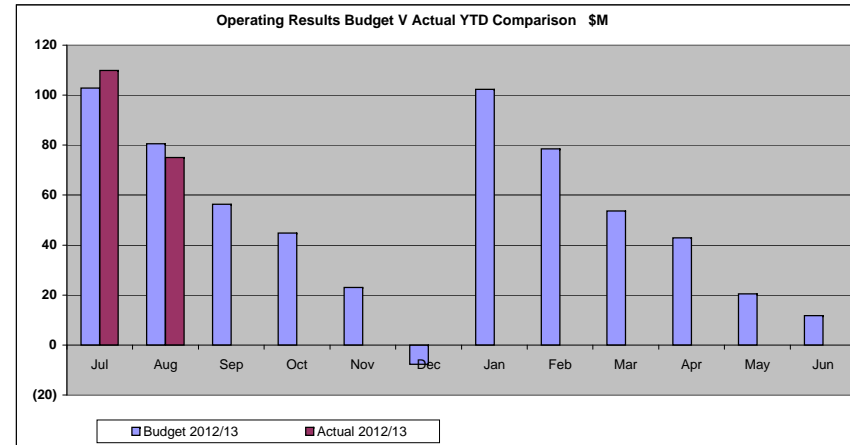
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Summary Operating Statement

31 August 2012

SUMMARY OPERATING STATEMENT						
For the Period Ending 31 August 2012						
	Annual Original Budget \$000s	Annual Current Budget \$000s	YTD Current Budget \$000s	YTD Actuals \$000s	Variance \$000s	Variance %
Operating Revenue	425,130	424,650	146,603	138,863	(7,740)	(5.3%)
Operating Expenses	330,693	330,213	51,940	49,302	(2,638)	(5.1%)
Interest Expense	14,261	14,261	2,431	2,403	28	(1.1%)
Depreciation	72,496	72,496	12,083	12,083	(0)	0.0%
Operating Surplus/(Deficit)	7,680	7,680	80,149	75,075	(5,074)	4.7%
Transfer from Reserves	7,973	7,973	7,973	7,973	0	0.0%
Transfer to Reserves	(2,876)	(2,876)	(2,876)	(2,876)	0	0.0%
Balance	12,778	12,778	85,247	80,172	(5,074)	(6.0%)



Operating Net Result

Council's financial results at 31 August 2012 shows the organisation with a \$5.1 million lower than forecasted operating position against the year to date budget.

This operating surplus variation is partly made up of lower than profiled revenue of \$7.7 million and lower than profiled operating expenses of \$2.6 million.

It should be noted that it is difficult to compare year to date budgets and actual results with any degree of certainty until:

- 1) 2011/12 carry-over works are loaded into the 2012/13 Budget as part of Budget Review 1 (report due to council ordinary meeting 20 September 2012);
- 2) the impact of accruals from June 2012 are matched to physical payments; and
- 3) 2012/13 budget profiling is finalised.

Operating Revenue

The unfavourable revenue variance of \$7.7 million is largely a result of outstanding dividend and tax equivalents from Unitywater of \$8.3 million from 2011/12. Receipt of these funds will not occur until after Unitywater present their annual financial statements to the State Government, in September/October 2012. Loss of interest on these funds equates to roughly \$35,000 per month.

Operating Expenses

The favourable variance in operating expenses of \$2.6 million which is due to materials and services expense variance that relates to contract services. An element relates to an accrual from prior year accrual totalling \$1.3 million for election costs. The invoice for this service has not yet be received by Council and staff have contacted the Electoral Commission on a number of occasions requesting invoice for payment. Furthermore there several branches across Finance and Business and Infrastructure Services departments that individually have a variance of \$200,000 -\$300,000, but cumulatively totals \$1.2 million.

Operating Revenue **31 August 2012**

Operating Revenue

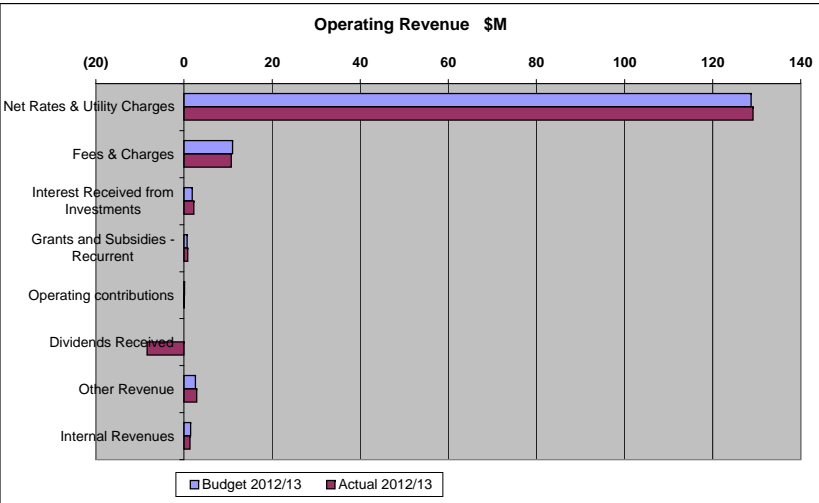
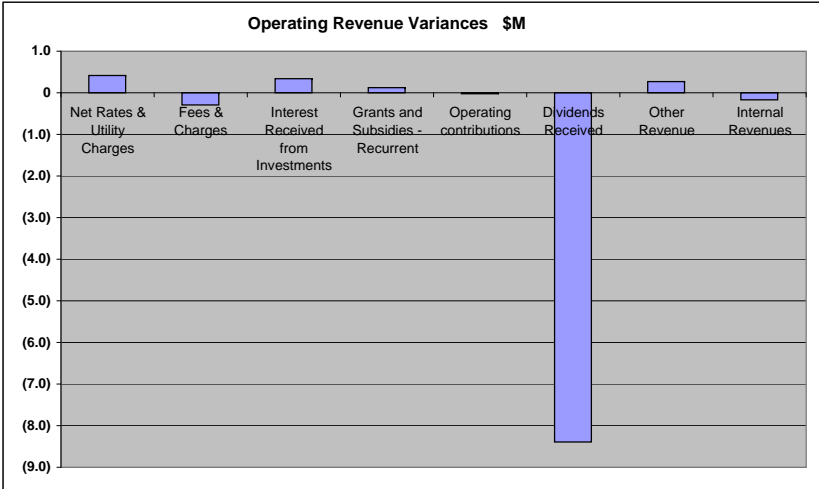
As at 31 July 2012 operating revenues are unfavourable to budget by \$7.7 million or 5.3%.

This is largely a result of outstanding dividend and tax equivalents from Unitywater of \$8.3 million from 2011/12. Receipt of these funds will not occur until Unitywater have their annual financial statements presented to the State Government. Loss of interest on these funds equates to roughly \$35,000 per month.

Furthermore, it should be noted that it is difficult to compare year to date budgets and actual results with any degree of certainty until:

- 1) 2011/12 carry-over works are loaded into the 2012/13 Budget as part of Budget Review 1 (report due to council ordinary meeting 20 September 2012);
- 2) the impact of accruals from June 2012; and
- 3) 2012/13 budget profiling is finalised.

There are no other operating revenue issues at 31 August 2012.



Operating Expenses

31 August 2012

Operating Expenses

At 31 August 2012, operating expenses were \$2.6 million or 5.1% under budget due to contract services variance within materials and services expense.

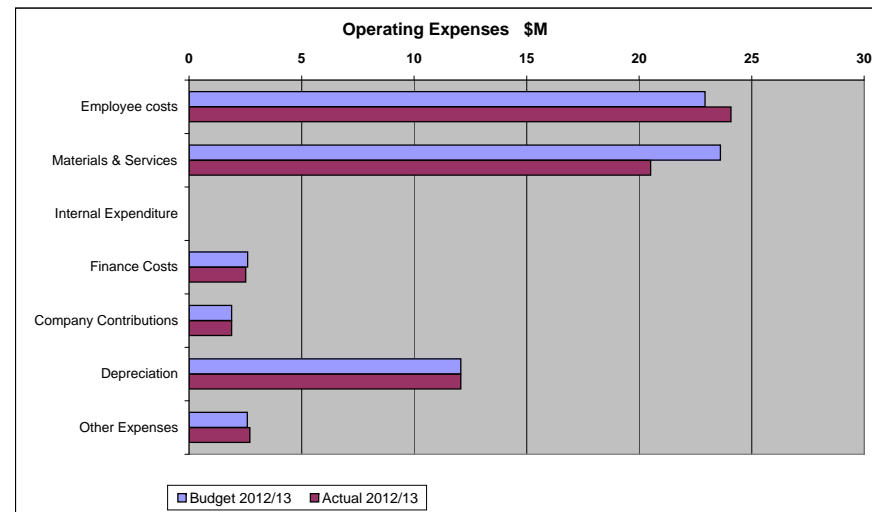
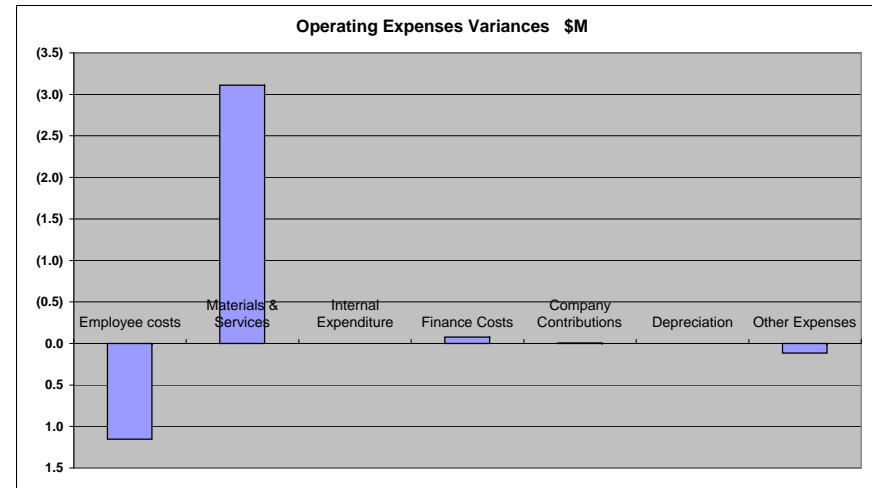
An element relates to an accrual from prior year accrual totalling \$1.3 million for election costs. The invoice for this service has not yet be received by council and staff have contacted the Electoral Commission on more than one occasion requesting invoice for payment.

In addition, there several branches across Finance and Business and Infrastructure Services Department's that individually have a variance of \$200,000 -\$300,000 but cumulatively totals \$1.2 million.

Furthermore, it should be noted that it is difficult to compare year to date budgets and actual results with any degree of certainty until:

- 1) 2011/12 carry-over works are loaded into the 2012/13 Budget as part of Budget Review 1 (report due to council ordinary meeting 20 September 2012);
- 2) the impact of accruals from June 2012 are matched to physical payments; and
- 3) 2012/13 budget profiling is finalised.

There are no other operating expenditure issues at 31 August 2012.



Summary Capital Statement

31 August 2012

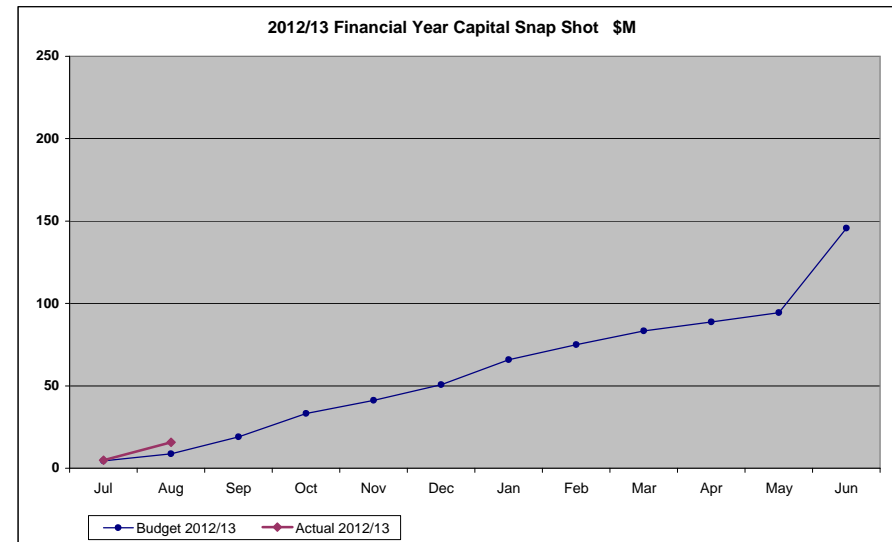
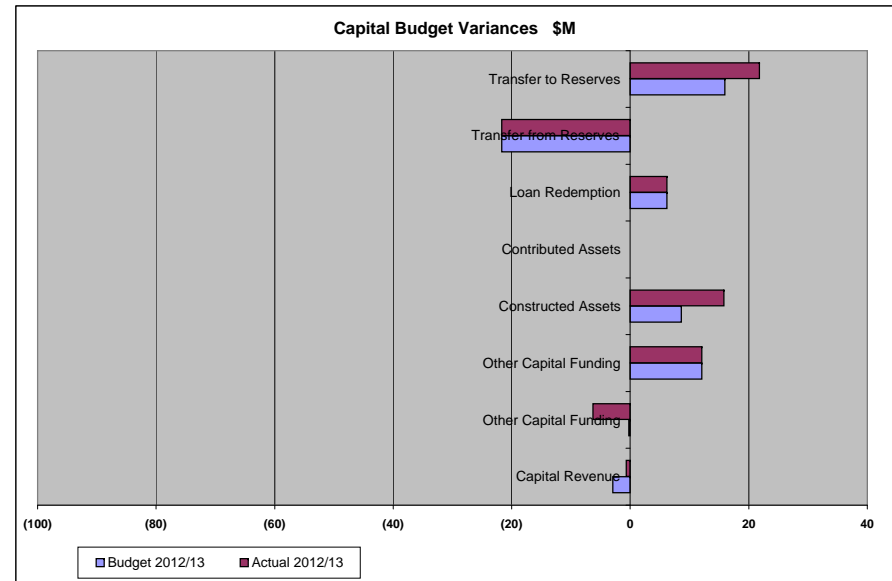
SUMMARY CAPITAL STATEMENT For the Period Ending 31 August 2012						
	Annual Original Budget \$000s	Annual Current Budget \$000s	YTD Current Budget \$000s	YTD Actuals \$000s	Variance \$000s	Variance %
Operating Contribution / Shortfall	12,778	12,778	85,247	80,172	(5,074)	(6.0%)
Capital Revenue	(51,182)	(53,611)	(2,932)	(668)	2,265	(77.2%)
Other Capital Funding	(117,646)	(117,646)	(12,297)	(18,382)	(6,085)	49.5%
Constructed Assets	145,770	148,198	8,629	15,787	7,158	83.0%
Contributed Assets	28,500	28,500	0	0	0	0.0%
Loan Redemptions	13,023	13,023	6,187	6,188	1	0.0%
Net Capital Result	5,687	5,687	(85,660)	(77,247)	8,413	(9.8%)
Transfer from Reserves	(21,658)	(21,658)	(21,658)	(21,658)	0	0.0%
Transfer to Reserves	15,971	15,971	15,971	21,774	5,803	36.3%
Balance	(0)	0	(91,347)	(77,132)	14,216	0.0%

Capital Net Result

Council's capital result at 31 August 2012, shows the organisation with a \$9.1 million better than anticipated result, with revenues above budget by \$3.8 million. In relation to capital expenditure, at the end of August 2012, \$15.8 million of council's \$148.2 million 2012/13 Capital Works Program was financially complete.

The capital expenditure is higher than budget and largely attributed to carryover process. These budgets are yet to be adopted by council and are due to the council meeting on 20 September 2012. This will correct some of these expenditure variances.

The favourable variance for capital revenues of \$6.1 million relates to a parcel of land sold during August, totalling \$5.8 million, that has been transferred to the Strategic Land Reserve.



Capital Works Program **31 August 2012**

Capital Expenditure

At 31 August 2012, \$15.8 million or 10.7% of council's \$148.2 million 2012/13 Capital Works Program was financially complete.

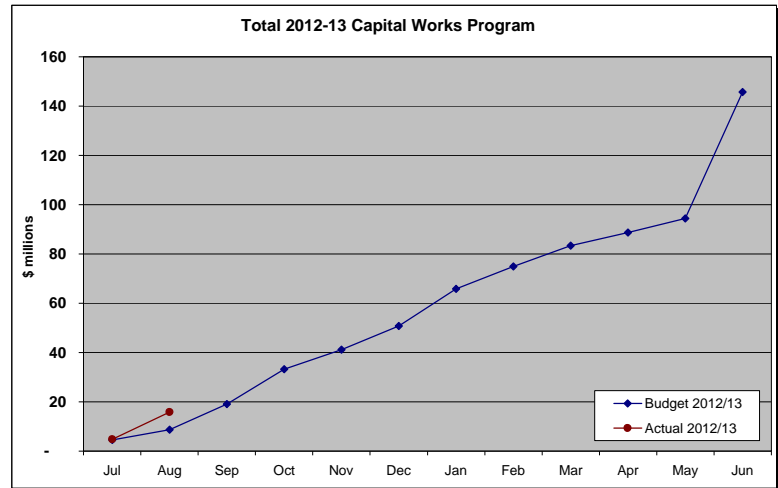
The capital expenditure being higher than budget is largely attributed to carryover process, and once these budgets are adopted by council, it will correct some of these expenditure variances.

It should be noted that it is difficult to comment on capital results with any degree of certainty until:

- 1) 2011/12 carry-over works are loaded into the Budget as part of Budget Review 1 (due to council ordinary committee 20 September 2012);
- 2) the impact of accruals from June 2012 are matched to physical payments; and
- 3) 2012/13 budget profiling is yet to be finalised.

There are no other capital expenditure issues at 31 August 2012.

Program	Original Budget \$000s	Current Budget \$000s	Year to Date Actual \$000s	% of Annual Budget Spent
Buildings and Facilities	9,609	9,609	845	8.8%
Coast and Canals	1,218	1,218	236	19.4%
Divisional Allocations	3,145	3,047	60	2.0%
Environmental Assets	290	290	60	20.8%
Fleet	2,000	2,000	0	0.0%
Parks and Gardens	9,644	9,714	1,512	15.6%
Stormwater	4,526	4,526	159	3.5%
Transportation	53,997	56,453	7,536	13.3%
Information Technology	4,566	4,566	908	19.9%
Strategic Land & Comm Properties	31,674	31,674	677	2.1%
Sunshine Coast Airport	7,705	7,705	806	10.5%
SC Holiday Parks	1,555	1,555	613	39.4%
Quarries	655	655	609	92.9%
Waste	15,186	15,186	1,763	11.6%
TOTAL	145,770	148,198	15,784	10.7%



Monthly Budget Amendments - Operating

31-August-2012

Branch	Operation/Job number & Name	Description	Income & Expense Stmt Line	Amount Dr/(Cr)
				\$000
Community Facilities	37209 - Aquatic Centres Coordination	Move ISP to Operations Manager	Internal Sales/Recoveries	(12)
Buildings and Facility Services	11745 - Aquatic Centres Ops Budget	Move ISP to Operations Manager	Internal Sales/Recoveries	12
Community Development	37691 - Visitor Info Service Tourism Levy Component	Consolidate pmnts to SCDL in one place	Materials & Services	(1,320)
Economic Development	57920 - Levy Payments to SCDL	Consolidate pmnts to SCDL in one place	Materials & Services	1,320
Community Facilities	37369 - Coolum Childcare Centre	Tfr depreciation budget to IS Dept	Depreciation Expense	(13)
Civil Works Services	11116 - Maroochydore Depot Ops & Mtce	Tfr depreciation budget from CS Dept	Depreciation Expense	13
Total Increase / Decrease to Operating Program for Period				(0)

Monthly Budget Amendments - Capital

PROGRAM	JOB NUMBER	JOB NUMBER DESCRIPTION	Amount
			\$'000
COUNCILLOR REALLOCATIONS			
Divisional Allocations	D1013	12/13 Councillor Minor OP Works - Mayor	(5)
Divisional Allocations	B1309	Alexandra Pde Maroochydore-beach seat	5
Divisional Allocations	A0717	11/12 Councillor Minor OP Works - Div 4	(4)
Divisional Allocations	B1356	Bindaree Crc Mooloolaba-table seat combo	4
Divisional Allocations	D1006	12/13 Councillor Minor OP Works - Div 6	(5)
Divisional Allocations	B1366	Ballinger Pk tennis Buderim-fence repair	5
Divisional Allocations	D1013	12/13 Councillor Minor OP Works - Mayor	(5)
Divisional Allocations	B1364	Montville-Mapleton Rd Flaxton-footpath	5
Total Increase /(Decrease) to Capital Program for Period			0