

7.4.1 JULY 2013 FINANCIAL PERFORMANCE REPORT

File No: Financial Reports
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Finance & Business Department
Attachments: Att 1 - Financial Performance Report July 2013

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.

It is still early in the 2013/14 financial year and therefore difficult to compare year to date budget and actual results with any degree of certainty. There are a number of timing issues that exist at the end of July 2013, namely:

- The 2012/13 carry-over budgets have not been loaded
- the impacts of year-end adjustments (e.g. accruals) processed in June 2013 which have not been reversed by receipts or payments
- the 2012/13 year-end process is yet to be finalised and
- 2013/14 capital budget profiling is yet to be finalised.

The operational result at 31 July 2013 shows a negative variance of \$4.4 million compared to the forecast position.

This operating result variation is made up of lower than expected revenue of \$9.4 million (6.2%) and lower than anticipated operating expenses of \$5.0 million (13.7%). Further detail is provided in the proposal section of this report.

As at 31 July 2013, \$4.6 million (4.2%) of council's \$109.3 million 2013/14 Capital Works Program was financially expended.

OFFICER RECOMMENDATION

That Council receive and note the report titled "July 2013 Financial Performance Report".

FINANCE AND RESOURCING

There are no financing and resourcing implications as this is an information only report.

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:	8.3 - Strong financial management
Strategy:	8.3.1 - Develop long term financial plans and indicators to achieve optimum use of resources and alignment to strategic priorities
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 July show the organisation with a \$4.4 million lower than forecasted operating position against the full year budget.

It is still early in the 2013/14 financial year and therefore difficult to compare year to date budget and actual results with any degree of certainty. There are a number of timing issues that exist at the end of July 2013, namely:

- The 2012/13 carry-over budgets have not been loaded
- the impacts of year-end adjustments (e.g. accruals) processed in June 2013 which have not been reversed by receipts or payments
- the 2012/13 year-end process is yet to be finalised and
- 2013/14 capital budget profiling is yet to be finalised.

The 31 July 2013 operating result variation is made up of lower than expected revenue of \$9.4 million and lower than anticipated operating expenses of \$5.0 million.

Operating Revenue

The operating revenue unfavourable variance of \$9.4 million is largely due to outstanding dividend from Unitywater of approximately \$8.8 million. This \$8.8 million is a result of end of financial year accounting treatment with the revenue being accrued in the 2012/13 accounts. 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 2013.

Net Rates and Utility Charges

Net Rates and Utility Charges has an unfavourable variance of \$1.5 million. General rates has an unfavourable variance of \$5.4 million, which is due to pre-paid rates of \$5.3 million being applied, that is, cash was received in 2012/13. There is also a further \$1.7 million pre-paid rates that offsets the Net variance. Discounts and Pensioner Remissions has a favourable variance of \$1.5 million. Overall, the main risk is there was lower general rates growth than anticipated, that is, 1.0% growth against 1.5% budget. This equates to \$1.0 million financial risk.

Fees and Charges

The favourable variance in Fees and Charges of \$800,000 is due to Holiday Parks Fees of \$300,000 and Licensing and Permits of \$430,000 being higher actuals than forecast.

Operating Expense

The favourable variance in operating expenses of \$5.0 million is due to Materials & Services of \$3.9 million and Employee Costs of \$900,000. The final year end processing is yet to be completed and it is expected these variances in Materials & Services and Employee Costs to reduce.

Employee Costs

The favourable variance in Employee Costs of \$1.5 million mainly relates to budget profiling around the organisation review.

Materials and Services

The favourable variance in Materials & Services is largely due profiling with variations relating to:

- \$2.3 million relating to contacts, mainly \$1.4 million projects (Infrastructure Services profiling); \$400,000 lifeguard contract; \$600,000 due to a slow start for the new Levy Programs and lower than average spend on DA Appeals
- \$350,000 timing of community grants payments and
- \$318,000 timing of payment for water and sewerage charges.

Capital Expenditure

At 31 July 2013, \$4.6 million (4.2%) of council's \$109.3 million 2013/14 Capital Works Program was financially expended. Detail by Capital Program is outlined below:

Program	Original Budget \$000	Current Budget \$000	Year to Date Actual \$000	% of Annual Current Budget Spent
Buildings and Facilities	6,548	6,548	275	4.2%
Coast and Canals	1,949	1,949	0	0.0%
Divisional Allocations	3,100	3,100	72	2.3%
Environmental Assets	1,238	1,238	7	0.6%
Fleet	1,000	1,000	0	0.0%
Parks and Gardens	10,317	10,317	201	2.0%
Stormwater	4,161	4,161	380	9.1%
Transportation	52,952	52,952	2,164	4.1%
Information Communication Technology	3,927	3,927	193	4.9%

Program	Original Budget \$000	Current Budget \$000	Year to Date Actual \$000	% of Annual Current Budget Spent
Strategic Land and Commercial Properties	9,422	9,422	719	7.6%
Sunshine Coast Airport	3,400	3,400	188	5.5%
Holiday Parks	1,455	1,455	23	1.6%
Quarries	150	150	171	113.7%
Waste	9,651	9,651	233	2.4%
Total Council	109,270	109,270	4,626	4.2%

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*.

Policy

There are no policy implications associated with this report.

Risk

The current risks are as follows:

1. In June 2013 the Federal Government pre-paid half of the 2013/14 Financial Assistance Grant of \$6.3 million. Since half of the grant was pre-paid into 2012/13 there is a potential shortfall of \$2.1 million in the current budget
2. The expected full year growth in rateable properties is less than forecast, with lower revenue than budgeted of \$1.0 million. That is, 1.5% anticipated growth against 1.0% for the July 2013 period as a comparative to July 2012 and
3. The achievement of de-amalgamation reductions in Materials & Services budget after separation occurs 1 January 2014.

Previous Council Resolution

On 25 June 2013, council adopted the 2013/14 budget.

Related Documentation

There is no related documentation for this report.

Critical Dates

The financial results in this report do not include the final year-end financial performance for council as further year end processing is yet to be completed. Planned completion is 9 August 2013 with 2012/13 Financial Statements by 30 August 2013. Final audited statements are expected to be presented to the 14 November 2013 Ordinary Meeting.

Implementation

There are no implementation details to include in this report.

Sunshine Coast
Council

FINANCIAL PERFORMANCE REPORT
July 2013



FINANCIAL PERFORMANCE REPORT

July 2013

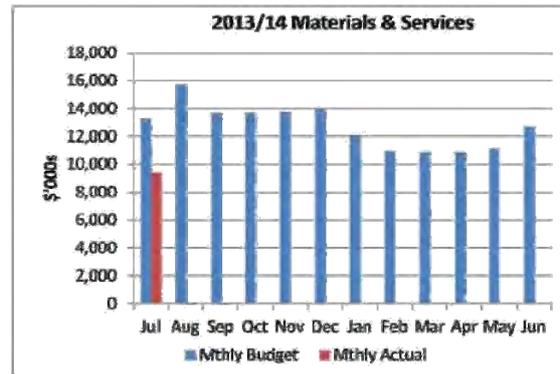
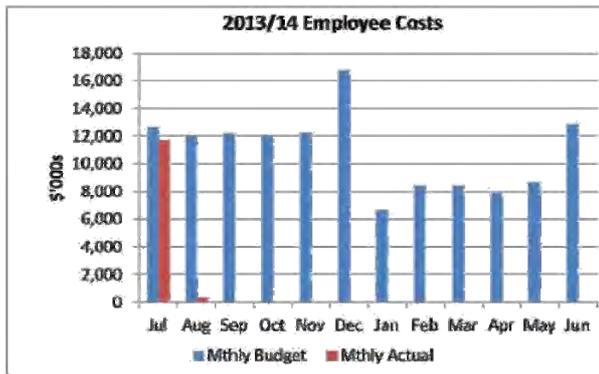
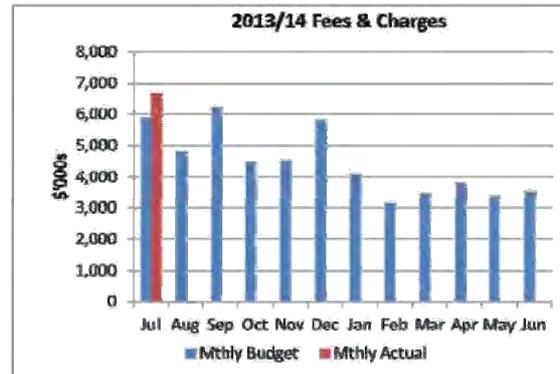
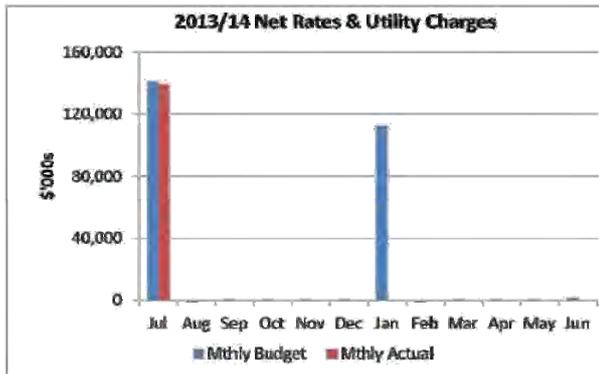
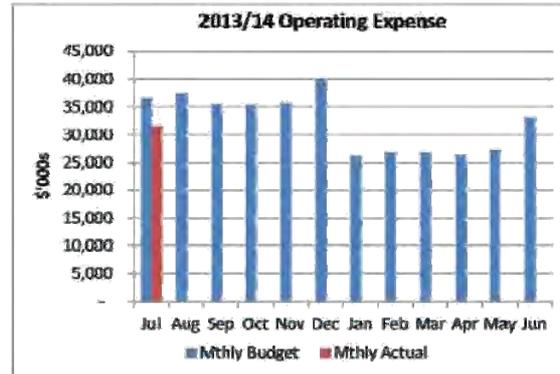
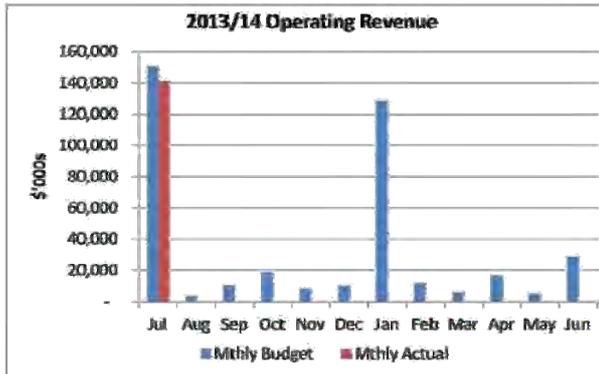
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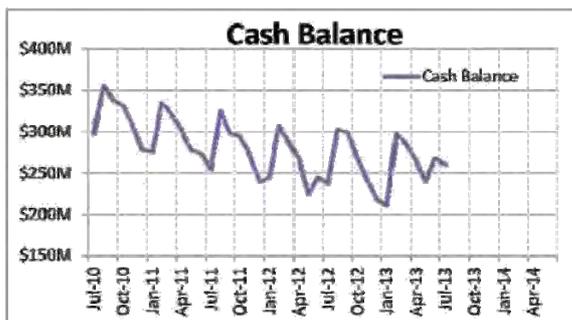
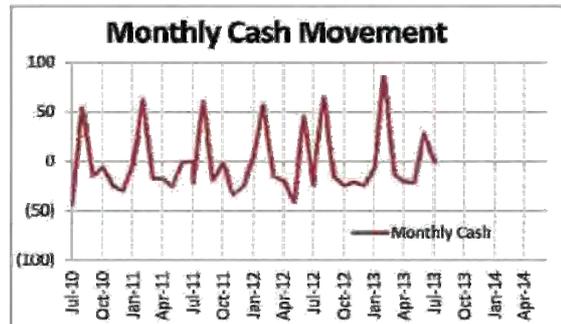
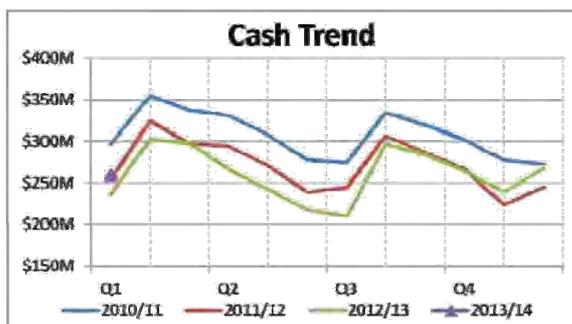
HEADLINE - OPERATING

	Annual		YTD			
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %
	Operating Revenue	400,295	400,295	150,786	141,393	(9,394)
Operating Expenses	387,582	387,582	36,653	31,618	(5,034)	(13.7%)
Operating Result	12,713	12,713	114,133	109,774	(4,359)	(3.8%)
NET Result	54,287	54,287	117,547	110,971	(6,576)	(5.6%)



FINANCIAL PERFORMANCE REPORT July 2013
HEADLINE - CASH & BALANCE SHEET

	Annual		YTD
	Original Budget \$000s	Current Budget \$000s	Actuals \$000s
CASH FLOWS			
Opening Cash	196,241	261,336	261,336
Net Cash Inflow/(Outflows) from:			
Operating Activities	68,186	97,808	(12,071)
Investing Activities	(93,697)	(81,582)	(3,421)
Financing Activities	476	16,220	1,115
Net Increase/(decrease) in Cash Held	(25,035)	32,446	(14,377)
Cash at year end	171,206	293,782	246,959
BALANCE SHEET			
Total Current Assets	313,579	313,579	428,844
Total Non Current Assets	5,318,687	5,318,687	5,251,813
Total Assets	5,632,267	5,632,267	5,680,657
Total Current Liabilities	130,890	130,890	119,294
Total Non Current Liabilities	254,452	254,452	253,282
Total Liabilities	385,343	385,343	372,576
Net Community Assets/ Total Community Equity	5,246,924	5,246,924	5,308,080



FINANCIAL PERFORMANCE REPORT

July 2013

HEADLINE - COMMENTARY

Income & Expense Statement

Council's financial results at 31 July 2013 show the organisation with a \$4.4 million lower than forecasted operating position against the full year budget. This operating result variation is made up of operating revenue being \$9.4 million lower than the full year budget, along with operating expenses being \$5.0 million lower than the full year budget.

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

- 1) 2012/13 carry-over works are loaded into the 2013/14 Budget as part of Budget Review 1;
- 2) the impact of accruals from June 2013 are matched to physical payments; and
- 3) 2013/14 budget profiling is finalised.

Operating Revenues

The unfavourable revenue variance of \$9.4 million is largely a result of outstanding dividend from Unitywater of \$8.8 million from 2012/13. Receipt of these funds will not occur until after Unitywater present their annual financial statements to the State Government, around September/October.

Net Rates and Utility Charges has an unfavourable variance of \$1.5 million. General rates has an unfavourable variance of \$5.4 million, which is due to pre-paid rates of \$5.3 million being applied, that is, cash was received in 2012/13. Also there is a further \$1.7 million pre-paid rates that offsets the Net variance. Discounts and Pensioner Remissions favourable variance of \$1.5 million. Overall the main risk is there was lower general rate growth than anticipated, that is, 1.0% growth against 1.5% budget. This equates to \$1.0 million financial risk.

Operating Expenses

The favourable variance in operating expenses of \$5.0 million is due to Materials & Services of \$3.4 million and Employee Costs of \$900,000.

The favourable variance in Materials & Services can be largely due to profiling and attributed to:-

\$2.3 million relating to contracts, mainly \$1.4 million projects (Infrastructure Services profiling); \$400,000 lifeguard contract; \$600,00 due to a slow start for the new Levy Programs and lower than average spend on DA Appeals.

\$350,000 timing of community grants payments.

\$318,000 timing of payment for Water & Sewerage charges.

The favourable variance in Employee Costs relates to mainly to profiling around the organisation review.

Capital Program

At 31 July 2013, \$4.2 million or 4.2% of council's \$109.3 million Capital Works Program was financially expended.

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

- 1) 2012/13 carry-over works are loaded into the 2013/14 Budget as part of Budget Review 1;
- 2) the impact of accruals from June 2013 are matched to physical payments; and
- 3) 2013/14 budget profiling is finalised.

HEADLINE - RISKS

Income & Expense Statement

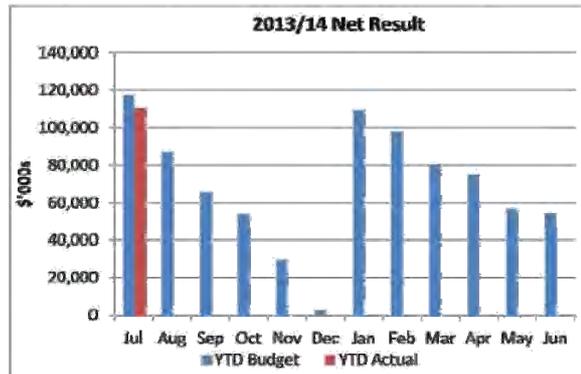
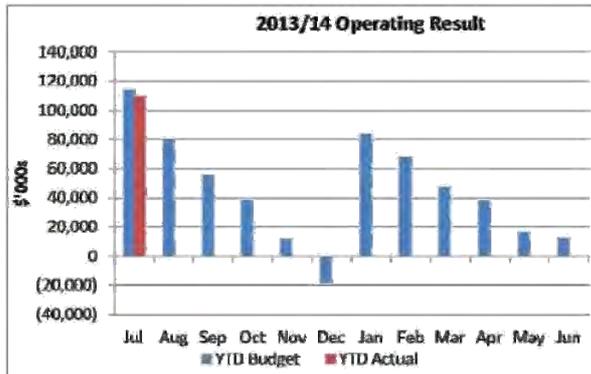
1. General Rates growth - lower than anticipated growth of rateable properties of 1.0% against forecast of 1.5%. This approximately equates to lower revenue than budgeted of \$1.0 million.

2. Financial Assistance Grant - during 2012/13 more than one half of the grant (\$6.3 million) was paid early into June 2012. This prepayment has created a budget impact of \$2.1 million in the current 2012/13 budget.

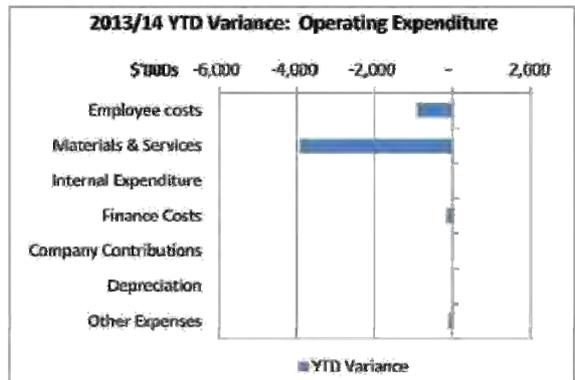
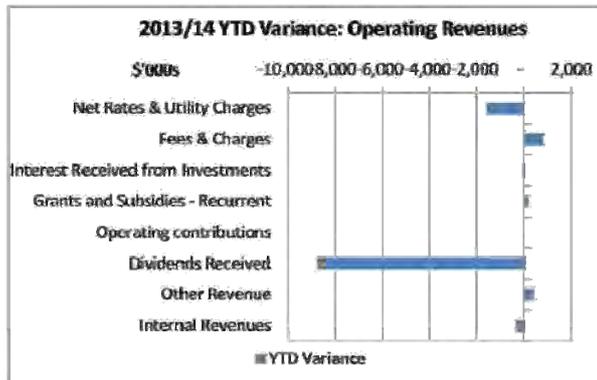
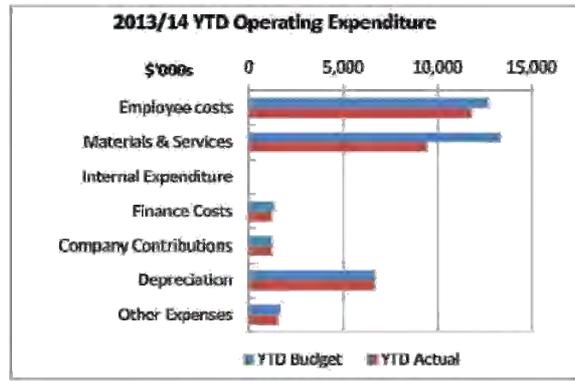
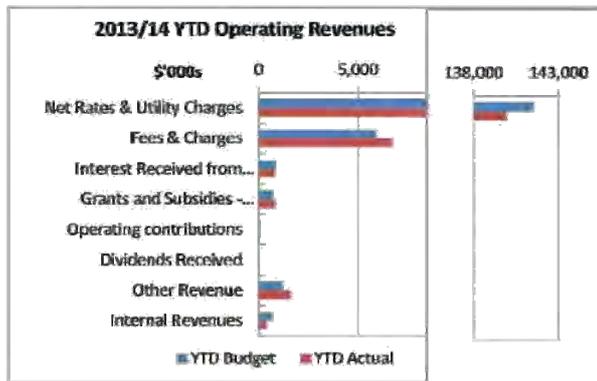
3. Organisation Review - \$4.7 million savings loaded into the budget.

4. De-amalgamation - risk that not all costs associated with the de-amalgamation are being charged to Noosa Shire Council.

FINANCIAL PERFORMANCE REPORT							July 2013
STATEMENT OF INCOME & EXPENSES							
	Annual		YTD				Annual
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %	Forecast Budget \$000s
Operating Revenue							
Gross Rates & Utility Charges	262,411	262,411	142,428	142,294	(134)	54.2%	262,41
Interest from Rates & Utilities	2,053	2,053	191	322	131	15.7%	2,05
Less Discounts, Pensioner Remissions	(11,374)	(11,374)	(1,142)	(2,715)	(1,573)	23.9%	(11,374)
Net Rates & Utility Charges	253,090	253,090	141,477	139,900	(1,577)	55.3%	253,09
Fees & Charges	53,274	53,274	5,898	6,691	793	12.6%	53,27
Interest Received from Investments	8,512	8,512	815	752	(63)	8.8%	8,51
Grants and Subsidies - Recurrent	10,780	10,780	658	823	164	7.6%	10,78
Operating contributions	570	570	52	40	(13)	7.0%	57
Interest received from Unitywater	26,205	26,205	0	0	0	0.0%	26,20
Dividends Received	27,001	27,001	0	(8,749)	(8,749)	-32.4%	27,00
Other Revenue	13,249	13,249	1,181	1,561	379	11.8%	13,24
Internal Revenues	7,614	7,614	704	375	(329)	4.9%	7,61
Community Service Obligations	0	0	0	0	0	0.0%	
Total Operating Revenue	400,295	400,295	150,786	141,393	(9,394)	35.3%	400,29
Operating Expenses							
Employee costs	130,879	130,879	12,676	11,768	(908)	9.0%	131,30
Materials & Services	152,860	152,860	13,292	9,399	(3,893)	6.1%	152,43
Internal Expenditure	0	0	0	0	0	0.0%	
Finance Costs	14,197	14,197	1,293	1,153	(139)	8.1%	14,19
Company Contributions	1,152	1,152	1,152	1,152	0	100.0%	1,15
Depreciation	70,510	70,510	6,633	6,633	0	9.4%	70,51
Other Expenses	17,984	17,984	1,608	1,513	(95)	8.4%	17,98
Competitive Neutrality Adjustments	0	0	(0)	0	0	0.0%	
Total Operating Expenses	387,582	387,582	36,653	31,618	(5,034)	8.2%	387,58
Operating Result	12,713	12,713	14,133	10,774	(4,359)	863.4%	12,71
Capital Revenue							
Capital Grants and Subsidies	2,900	2,900	242	711	469	24.5%	2,90
Capital Contributions	7,201	7,201	672	486	(186)	6.8%	7,20
Contributed Assets	27,000	27,000	2,500	0	(2,500)	0.0%	27,00
Other Capital Revenue	4,472	4,472	0	0	0	0.0%	4,47
Total Capital Revenue	41,573	41,573	3,414	1,197	(2,217)	31.3%	41,57
Net Result	54,287	54,287	17,547	10,971	(6,576)	204.4%	54,28



FINANCIAL PERFORMANCE REPORT July 2013
STATEMENT OF INCOME & EXPENSES



FINANCIAL PERFORMANCE REPORT							July 2013
CAPITAL EXPENDITURE							
Capital Works Program	Annual Original Budget \$000s	Annual Current Budget \$000s	YTD Budget \$'000s	YTD Actual \$000s	% of Annual Budget Spent	Annual Forecast Budget \$000s	
Buildings and Facilities	6,548	6,548	562	275	4.2%	6,548	
Coast and Canals	1,949	1,949	100	(41)	-2.1%	1,949	
Divisional Allocations	3,100	3,100	4	72	2.3%	3,100	
Environmental Assets	1,238	1,238	18	7	0.6%	1,238	
Fleet	1,000	1,000	-	-	0.0%	1,000	
Parks and Gardens	10,317	10,317	425	201	2.0%	10,317	
Stormwater	4,161	4,161	430	380	9.1%	4,161	
Transportation	52,952	52,952	2,756	2,164	4.1%	52,952	
Information Communication Technology	3,927	3,927	275	193	4.9%	3,927	
Strategic Land & Comm Properties	9,422	9,422	-	719	7.6%	9,422	
Sunshine Coast Airport	3,400	3,400	157	188	5.5%	3,400	
SC Holiday Parks	1,455	1,455	8	23	1.6%	1,455	
Quarries	150	150	-	171	113.7%	150	
Waste	9,651	9,651	10	233	2.4%	9,651	
TOTAL	109,270	109,270	4,700	3,588	4.2%	109,270	

