

8.4.2 OCTOBER 2016 FINANCIAL PERFORMANCE REPORT

File No: Financial Reports
Author: Coordinator Financial Services
 Corporate Services Department
Attachments: Att 1 - October 2016 Financial Performance Report

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 October 2016 in terms of the operating result and delivery of the capital program.

The operating result at 31 October 2016 shows a positive variance of \$6.3 million compared to the forecast position.

Operating Performance**Table 1: Operating Result as at 31 October 2016**

October 2016	Current Budget \$000	YTD Current Budget \$000	YTD Actual \$000	YTD Variance \$000	Variance %
Operating Revenue	418,433	170,299	174,704	4,405	2.6
Operating Expenses	391,493	124,095	122,136	(1,959)	1.6
Operating Result	26,940	46,204	52,568	6,364	13.8

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

As at 31 October 2016, \$63 million (24%) of Council's \$263.7 million 2016/17 Capital Works Program was financially expended.

The core Council Capital Program is on track with an actual spend of \$37.9 million, in-line with the forecast.

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

OFFICER RECOMMENDATION

That Council receive and note the report titled "October 2016 Financial Performance Report".

FINANCE AND RESOURCING

There are no finance and resourcing implications from this report.

CORPORATE PLAN

Corporate Plan Goal:	<i>An outstanding organisation</i>
Outcome:	5.2 - A financially sustainable organisation
Operational Activity:	5.2.2.1 - Ensure Council's finances are well managed and systems are in place to analyse performance, generate revenue and reduce costs

CONSULTATION

Portfolio Councillor Consultation

No consultation with the Portfolio Councillor is required for this report

Internal Consultation

All departments and 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

The operating result at 31 October 2016 shows a positive variance of \$6.3 million compared to the forecast position.

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

Operating Revenue

Year to date revenues as at 31 October 2016 of \$174.7 million shows a positive variance of \$4.4 million.

Table 2: Substantial Revenue variances as at 31 October 2016

Operating Revenue Large Variances	YTD Current Budget \$000	YTD Actual \$000	YTD Variance \$000	Variance %
Net Rates and Utility Charges	126,109	127,777	1,668	1.3
Fees and Charges	23,149	24,469	1,320	5.7
Other Revenue	4,030	5,252	1,222	30.3

Net Rates and Utility Charges

The favourable variance of \$1.7 million, is mostly attributable to higher than anticipated growth. Property numbers grew by 1.3% between the January 2016 and June 2016 rate runs. The full year budgeted growth is 1.9%. Prepayments of rates is also having a marginal impact as it is difficult to estimate and will be balanced at the next rate run.

Fees and Charges

Fees and charges revenue of \$24.5 million, is \$1.3 million ahead of year to date budget.

Significant variances include:

- \$717,000 relates to increased revenues at the Sunshine Coast Holiday Parks, overall Holiday Parks are favourable to budget \$698,000. Some of these funds may need to be directed to finalise capital projects at Budget Review 2.

- \$277,000 is attributable to development service revenue ahead of budget. Growth in the development area is mixed, with non-plumbing application volumes down 14% and lot approval up 5% on last year. A realignment of fees and charges is contributing to the slight revenue increase despite activity being in-line with the previous year.
- \$298,000 across the Community Response Branch.

Other Revenue

Other revenue has exceeded the year to date budget by \$1.2 million, this is made up of:

- Royalty payments for the sale of carbon credits and increase in the sale of recoverable materials at the Waste facilities of \$200,000.
- \$180,000 was generated in rebates associated with fleet operations and the sale of minor, non-capital equipment.
- Additional sponsorship revenue received in Community Relations Branch of \$150,000, which will be recognised with offsetting expenditure in Budget Review 2.

Operating Expenses

Year to date expenditure as at 31 October 2016 of \$122.1 million shows a positive variance of \$2.0 million.

Table 3: Substantial Expenditure variances as at 31 October 2016

Operating Expenditure Large Variances	YTD Current Budget \$000	YTD Actual \$000	YTD Variance \$000	Variance %
Employee Costs	40,078	40,904	826	2.1
Materials and Services	50,540	47,600	(2,940)	(5.8)
Finance Costs	3,304	4,008	704	21.3

Employee Costs

As at 31 October 2016 employee costs were above budget by \$826,000 or 2.1%. An analysis of vacant positions has shown that at the end of October 2016 there were 115 vacancies compared to the average over the previous eleven months of 134. This lower than average position over the past few months is reflected in lower than budgeted 3% vacancy savings.

Additionally, there were 92 non established positions as at the end of October 2016 compared to 68 in December 2015. These positions are predominantly project roles where the total cost of the project is often budgeted under materials and services.

Both these issues will be monitored closely over the coming months.

Materials and Services

As at 31 October 2016, materials and services costs were below budget by \$2.9 million. The variance is in line with the usual trend for the early part of the financial year, and is consistent across all departments.

\$1 million relates to Waste and Resource Management which is reviewing timing of activities to budgets currently.

The Quarry Business is below budget for materials by \$492,000 due to the reseal program commencing major works in October and the budget requires profile to reflect this.

Information Communication Technology Services have \$440,000 variance relating to the operating portion of capital projects, however some of this expense has been incurred in employee costs and the overall program is ahead of benchmark.

Finance Costs

As a result of the recent audit by Queensland Audit Office (QAO), finance costs relating to the Solar Farm Project are to be expensed. This will result in an increase of \$1.2 million for finance costs for the year. This change will be included in Budget Review 2.

Capital Revenue

Capital revenues are \$26.4 million favourable to the year to date current budget. Cash contributions are ahead of budget by \$3.3 million, which will be recognised at Budget Review 2 with offsetting expenditure.

Contributed assets are at 63.6% of the full year budget. This is in part due to additional resources in the asset accounting team expediting the constructed asset write-on process. However it is also an indication of another strong year of assets being contributed by developers, and will be analysed and adjusted as part of the Budget Review 2 process.

Table 4: Capital revenue variances as at 31 October 2016

Capital Revenue	YTD Current Budget \$000	YTD Actual \$000	YTD Variance \$000	Variance %
Capital Contributions - Cash	7,487	10,767	3,281	43.8
Contributed Assets	15,000	38,169	23,169	154.5

Capital Expenditure

As at 31 October 2016, \$63.0 million (23.9%) of Council's \$263.7 million 2016/17 Capital Works Program was financially expended.

The core Council Capital Program is progressing well with an actual spend of \$37.9 million, which is 2.9% in line with forecast.

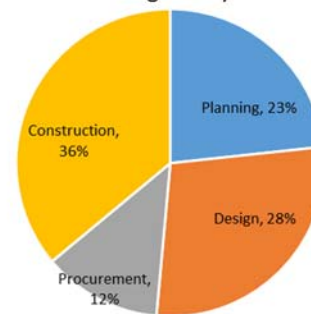
Table 5: Capital expenditure variances by program as at 31 October 2016

Capital Works Program	Forecast Budget \$000	YTD Forecast Budget \$000	YTD Actual \$000	YTD Variance	% Variance on YTD budget
Aerodromes	372	11	26	14	127.4
Buildings and Facilities	10,072	3,561	3,717	156	4.4
Coast and Canals	1,375	409	302	(107)	(26.1)
Divisional Allocations	4,088	120	522	402	334.3
Environmental Assets	4,628	1,154	1,450	296	25.6
Fleet	3,000	45	63	18	41.1
Holiday Parks	2,279	1,139	1,026	(112)	(9.9)
Information Technology	3,007	997	735	(263)	(26.3)
Parks and Gardens	14,304	5,997	5,645	(353)	(5.9)
Quarries	674	-	119	119	-
Stormwater	4,927	843	949	106	12.5
Strategic Land and Commercial Properties	7,867	3,597	6,495	2,897	80.5
Sunshine Coast Airport	5,746	1,456	2,197	741	50.9
Transportation	56,553	14,700	11,742	(2,958)	(20.1)
Waste	12,680	3,905	2,944	(962)	(24.6)
Total SCC Core Capital Program	131,571	37,936	37,931	(5)	(0.0)
Corporate Major Projects	21,646	23	35	12	53.7
Maroochydore City Centre - Council delivery	52,808	5,223	5,237	14	0.3
Maroochydore City Centre - SunCentral delivery	32,408	21,739	19,536	(2,203)	(10.1)
Solar Farm	25,223	66	255	189	286.2
Sunshine Coast Airport Runway	-	-	-	-	-
Total Other Capital Program	132,084	27,050	25,062	(1,988)	(7.3)
TOTAL	263,655	64,986	62,993	(1,993)	(3.1)

Table 6: Projects by status

Project summary by Job status (SCC Base only)	Number of Capital Jobs	%	Current Budget \$000	%
Not Started	114	11.2%	4,177	3.2%
Works in Progress	665	65.1%	115,616	87.9%
Complete	214	20.9%	9,123	6.9%
On Hold	29	2.8%	2,655	2.0%
Total	1,022		131,571	

Work In Progress by Phase

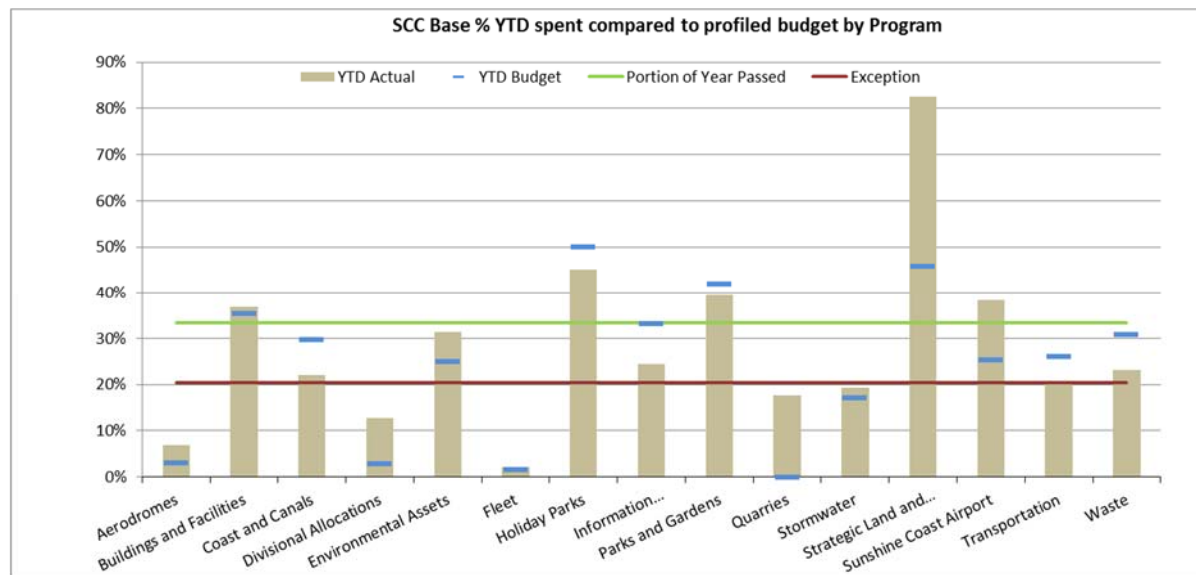


The targeted capital completion rate for 2016/17 is 81.3%. This is due to a number of multi-year projects and whole of region accounts.

At the end of October 214 jobs were in a completed status, which is a good indication that the 2015/16 projects which were carried over in Budget Review 1 have been completed.

Additionally 665 jobs are in a work in progress status, and the additional graph indicates which phase the WIP jobs are up to.

Table 7: Capital Exceptions Graph



Aerodromes

The aerodromes program is scheduled for works to occur in the second half of the year. Expenditure to date relates to the finalisation of projects that commenced last financial year.

Fleet

Whilst two minor fleet purchases were made in October the first major purchase is scheduled for January 2017. There are a large number of smaller plant acquisitions planned for the second half of the financial year, which will include trucks, mowers, graders and boats.

Quarries

Expenditure to date reflects the completion of projects commenced in 2015/16. Planning for quarry development works at Dulong and Image Flat have been finalised and funds allocated to resource modelling plans and drilling at both sites as well as the implementation of a new weighbridge system. Majority of works are scheduled for the latter half of the year.

Transportation

The transportation program has met the exception line for October which is a reflection of works continuing and significant headway made in the reseal and rehabilitation program during the month. The YTD expenditure at the end of October was below budget by \$2.4m however this is expected to be resolved in November with contracts in place and the program underway.

Investment Performance

- All investment parameters remain within the guidelines established by the Investment Policy.
- For the month ending 31 October 2016 Council had \$339.9 million cash (excluding Trust Fund) with an average interest rate of 2.88%, being 1.13% above benchmark. This is compared to the same period last year with \$324.0 million cash (excluding Trust Fund) where the average interest rate was 2.93%, being 0.66% 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 2016/17 Investment Policy.

Risk

Failure to achieve the budgeted operating result will negatively impact Council's capacity to complete its capital expenditure program.

Previous Council Resolution

Special Meeting Budget 16 June 2016, Council adopted the 2016/2017 budget - Council Resolution (SM16/16)

That Council:

- (a) *receive and note the report titled "Adoption of the 2016/2017 Budget and Forward Estimates for the 2017/2018 to 2025/2026 Financial Years"*
- (b) *adopt the 2016/2017 Budget Schedules (Appendix A) including Forward Estimates and*
- (c) *adopt the 2016/2017 Capital Works Program, endorse the indicative four-year program for the period 2017/2018 to 2020/2021, and note the five-year program for the period 2021/2022 to 2025/2026 (Appendix B).*

Ordinary Meeting Budget 15 September 2016, Council adopted the Budget Review 1 2016/2017 (OM16/163)

That Council:

- (a) *receive and note the report titled "Budget Review 1 2016/17 "* and
- (b) *adopt the amended 2016/17 Budget Financial Statements to include the identified operating and capital budget adjustments (Appendix A).*

Related Documentation

There is no related documentation for this report.

Critical Dates

There are no critical dates for this report.

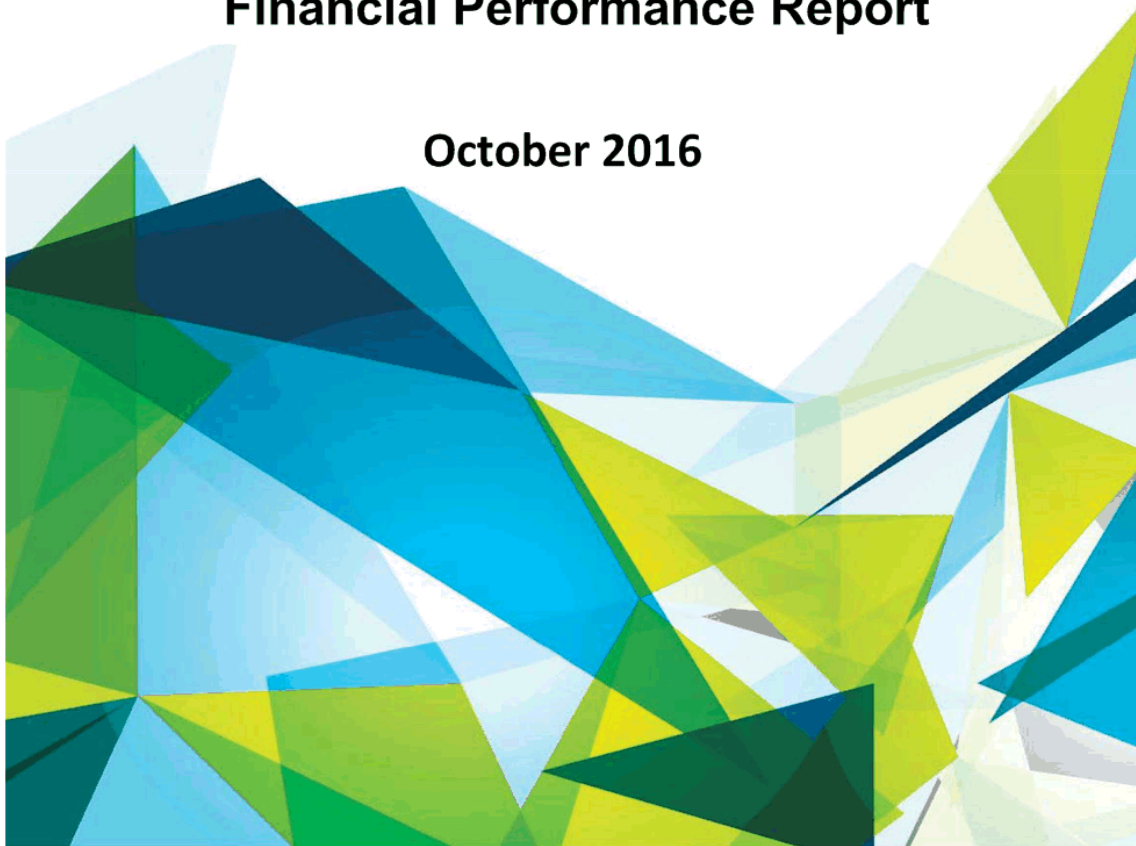
Implementation

There are no implementation details to include in this report.



Financial Performance Report

October 2016



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HEADLINE - OPERATING

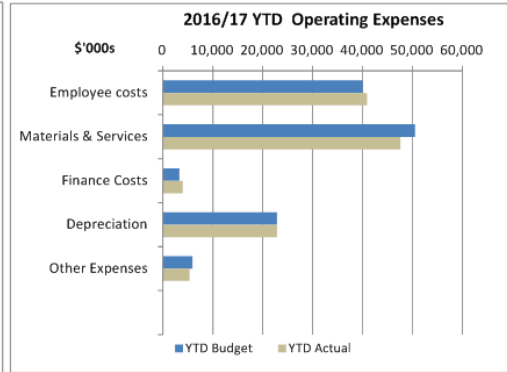
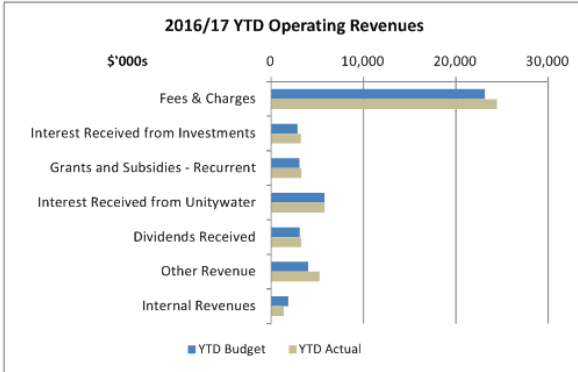
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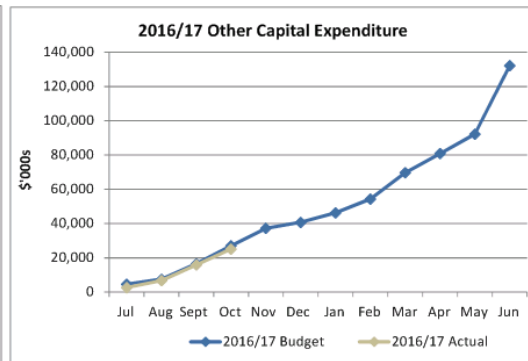
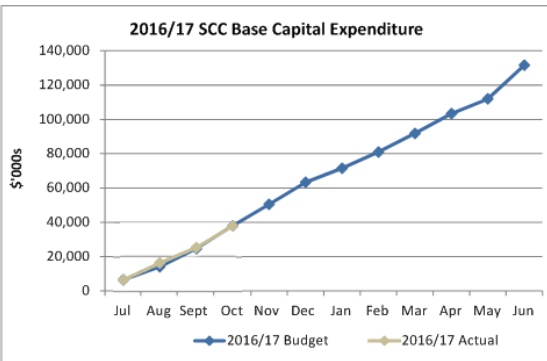
HEADLINE - OPERATING

	Annual		YTD			
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %
Operating Revenue	418,965	418,433	170,299	174,704	4,405	2.6%
Operating Expenses	388,041	391,493	124,095	122,136	(1,959)	(1.6%)
Operating Result	30,924	26,940	46,204	52,568	6,364	13.8%
NET Result	125,449	127,285	71,294	104,075	32,781	46.0%



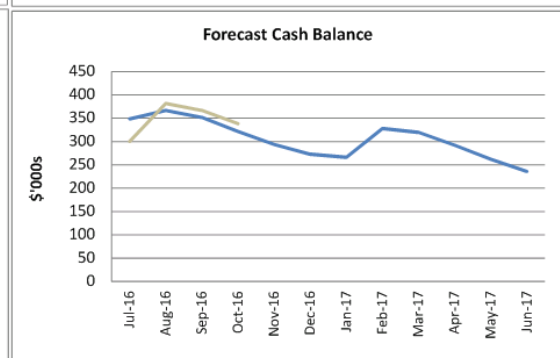
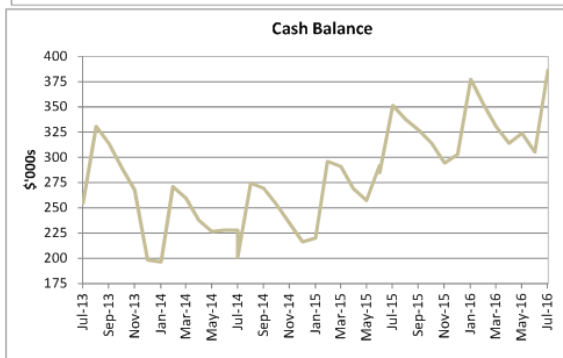
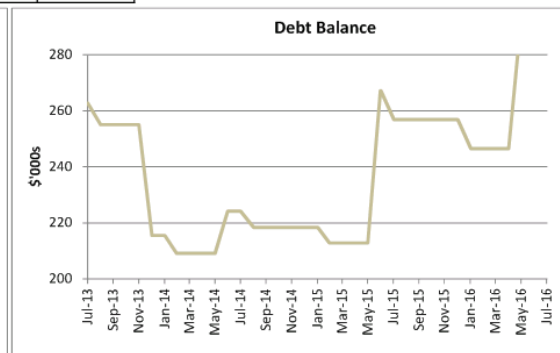
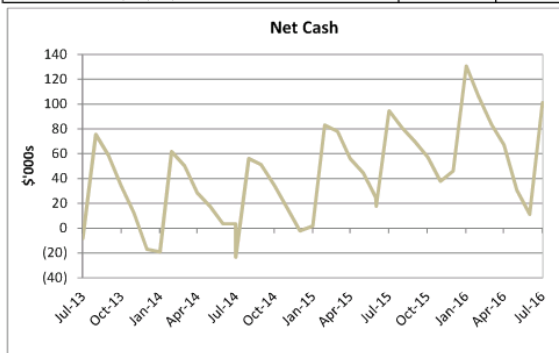
HEADLINE - CAPITAL

	Annual		YTD			
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %
Capital Revenue	94,525	100,345	25,090	51,507	(26,418)	
Other Capital Revenues	68,920	68,787	22,841	24,400	(1,559)	
Total Capital Revenues	163,445	169,132	47,931	75,907	(27,976)	
Capital Works Expenditure	252,677	263,655	64,986	62,993	1,993	(3.07%)
Other Capital Expenditure	60,000	60,000	15,000	46,846	(31,846)	
Total Capital Expenditure	312,677	323,655	79,986	109,839	(29,853)	
Funds from General Reserve	149,232	154,523	32,055	33,932	(1,876)	



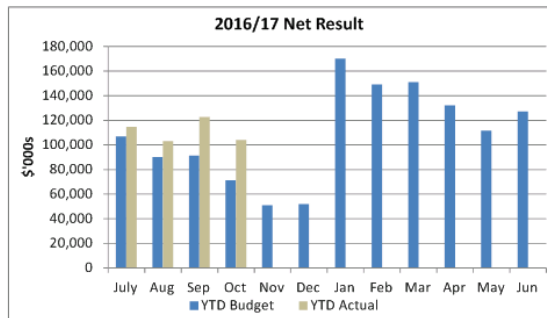
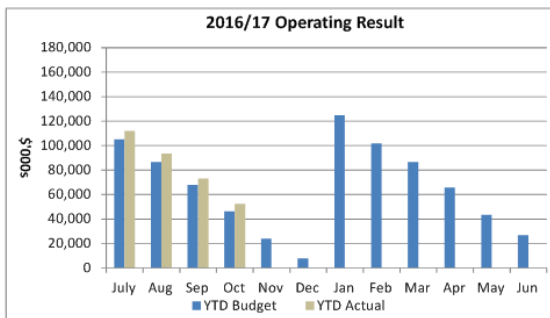
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FINANCIAL PERFORMANCE REPORT						October 2016
HEADLINE - CASH AND BALANCE SHEET						
	Annual		YTD			
	Original Budget \$000s	Current Budget \$000s	Actuals \$000s	Forecast Budget \$000s	Variance \$000s	
CASH FLOWS						
Opening Cash	295,509	318,556	318,556	318,556	0	
Net Cash Inflow/(Outflows) from:						
Operating Activities	90,790	80,652	91,535	50,879	40,656	
Investing Activities	(212,119)	(208,276)	(63,051)	(61,784)	(1,266)	
Financing Activities	44,869	44,867	(8,677)	(8,677)	0	
Net Increase/(decrease) in Cash Held	(76,460)	(82,757)	19,807	(19,583)	39,390	
Cash at year end	219,049	235,799	338,363	298,974	39,390	
BALANCE SHEET						
Current Assets	275,784	302,382	380,742			
Non Current Assets	5,119,828	4,997,332	4,749,173			
Total Assets	5,395,612	5,299,714	5,129,915			
Current Liabilities	100,614	115,129	85,757			
Non Current Liabilities	344,682	351,895	306,237			
Total Liabilities	445,296	467,024	391,994			
Net Community Assets/						
Total Community Equity	4,950,316	4,832,690	4,737,921			



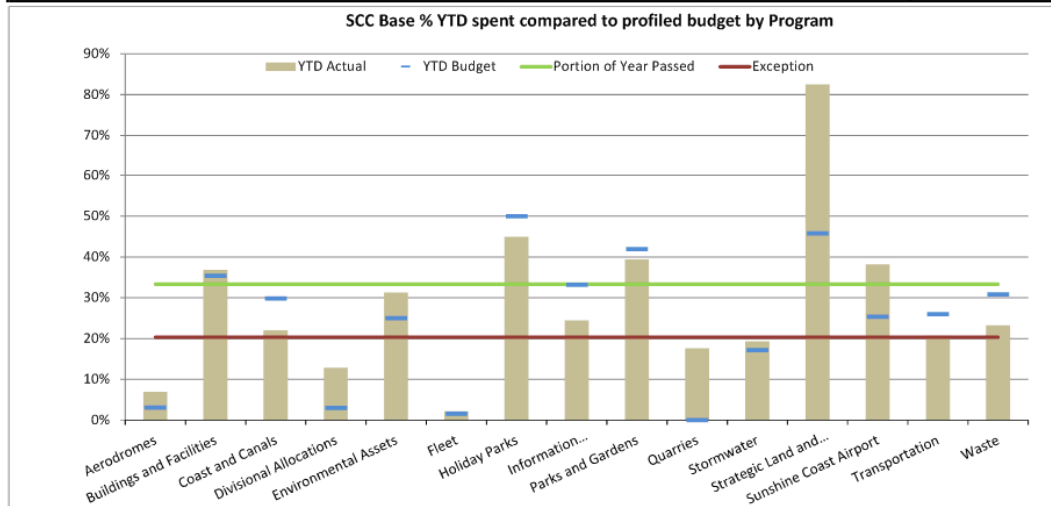
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FINANCIAL PERFORMANCE REPORT							October 2016
STATEMENT OF INCOME & EXPENSES							
	Annual		YTD				Annual
	Original Budget \$000s	Current Budget \$000s	Current Budget \$000s	Actuals \$000s	Variance \$000s	Variance %	Forecast Budget \$000s
Operating Revenue							
Net Rates and Utility Charges	259,339	259,339	126,109	127,777	1,668	1.3%	259,339
Fees and Charges	62,787	62,787	23,149	24,469	1,320	5.7%	62,787
Interest Received from Investments	8,603	8,603	2,868	3,229	361	12.6%	8,603
Operating Grants and Subsidies	12,077	12,154	3,063	3,277	214	7.0%	12,154
Operating Contributions	706	906	310	281	(28)	(9.2%)	906
Interest Received from Unity Water	23,933	23,933	5,789	5,789	0	0.0%	23,933
Dividends Received	26,162	26,162	3,104	3,248	144	4.6%	26,162
Other Revenue	19,189	18,840	4,030	5,252	1,222	30.3%	18,840
Internal Sales/Recoveries	6,170	5,710	1,878	1,382	(496)	(26.4%)	5,710
Community Service Obligations	0	0	(0)	0	0	(100.0%)	0
Total Operating Revenue	418,965	418,433	170,299	174,704	4,405	2.6%	418,433
Operating Expenses							
Employee Costs	128,393	128,734	40,078	40,904	826	2.1%	128,734
Materials and Services	161,701	163,268	50,540	47,600	(2,940)	(5.8%)	163,271
Internal Materials and Services	0	0	(2)	0	2	(100.0%)	0
Finance Costs	9,684	9,684	3,304	4,008	704	21.3%	9,684
Company Contributions	1,421	1,400	1,400	1,400	0	0.0%	1,400
Depreciation Expense	68,920	68,787	22,841	22,850	9	0.0%	68,787
Other Expenses	17,924	19,620	5,934	5,373	(561)	(9.5%)	19,617
Competitive Neutrality Adjustments	(0)	(0)	(0)	0	0	(100.0%)	(0)
Constructed Assets - Trunk	0	0	0	0	0	0.0%	0
Total Operating Expenses	388,041	391,493	124,095	122,136	(1,959)	(1.6%)	391,493
Operating Result	30,924	26,940	46,204	52,568	6,364	13.8%	26,940
Capital Revenue							
Capital Grants and Subsidies	12,525	17,885	2,603	2,571	(32)	(1.2%)	17,885
Capital Contributions - Cash	22,000	22,460	7,487	10,767	3,281	43.8%	22,460
Capital Contributions - Fixed Assets	60,000	60,000	15,000	38,169	23,169	154.5%	60,000
Total Capital Revenue	94,525	100,345	25,090	51,507	26,418	105.3%	100,345
Net Result	125,449	127,285	71,294	104,075	32,781	46.0%	127,285



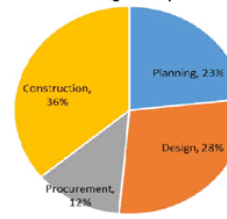
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CAPITAL EXPENDITURE							
Capital Works Program	Annual		YTD			% of FY budget spent	YTD Variance \$000s
	Original Budget \$000s	Current Budget \$000s	Budget \$000s	Actuals \$000s	Variance on YTD budget		
Aerodromes	175	372	11	26	127.4%	6.9%	14
Buildings and Facilities	9,156	10,072	3,561	3,717	4.4%	36.9%	156
Coast and Canals	1,220	1,375	409	302	-26.1%	22.0%	(107)
Divisional Allocations	4,424	4,088	120	522	334.3%	12.8%	402
Environmental Assets	4,837	4,628	1,154	1,450	25.6%	31.3%	296
Fleet	3,000	3,000	45	63	41.1%	2.1%	18
Holiday Parks	2,254	2,279	1,139	1,026	-9.9%	45.0%	(112)
Information Technology	2,827	3,007	997	735	-26.3%	24.4%	(263)
Parks and Gardens	12,814	14,304	5,997	5,645	-5.9%	39.5%	(353)
Quarries	580	674	0	119	0.0%	17.6%	119
Stormwater	4,697	4,927	843	949	12.5%	19.3%	106
Strategic Land and Commercial Properties	5,431	7,867	3,597	6,495	80.5%	82.6%	2,897
Sunshine Coast Airport	4,133	5,746	1,456	2,197	50.9%	38.2%	741
Transportation	54,179	56,553	14,700	11,742	-20.1%	20.8%	(2,958)
Waste	12,793	12,680	3,905	2,944	-24.6%	23.2%	(962)
Total SCC Base Capital Program	122,519	131,571	37,936	37,931	0.0%	28.8%	(5)
Corporate Major Projects	21,271	21,646	23	35	53.7%	0.2%	12
Maroochydore City Centre	53,083	52,808	5,223	5,237	0.3%	9.9%	14
Solar Farm	30,915	32,408	21,739	19,536	-10.1%	60.3%	(2,203)
Sunshine Coast Airport Runway	24,890	25,223	66	255	286.2%	1.0%	189
Total Region Making Capital Program	130,158	132,084	27,050	25,062	-7.3%	19.0%	(1,988)
TOTAL	252,677	263,655	64,986	62,993	-3.1%	23.9%	(1,993)



Project summary by Job status (SCC Base only)	Number of Capital Jobs	%	Current Budget \$000	%
Not Started	114	11.2%	4,177	3.2%
Works in Progress	665	65.1%	115,616	87.9%
Complete	214	20.9%	9,123	6.9%
On Hold	29	2.8%	2,655	2.0%
Total	1,022		131,571	

Work In Progress by Phase



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October 2016 Financial Performance Report

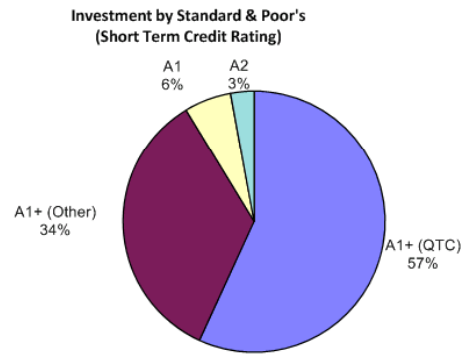
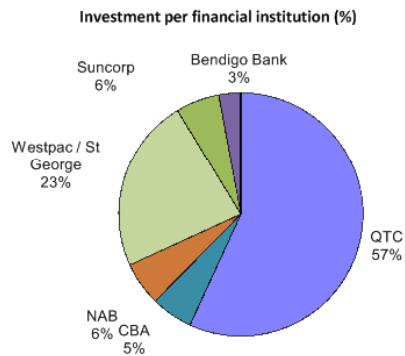
FINANCIAL PERFORMANCE REPORT October 2016
INVESTMENT PERFORMANCE

Liquidity as at:		31/10/2016	
		\$'000's	
At-call accounts			
QTC + CBA (excl. trust)	209,867	60.74%	
Maturities within 7 days	\$30,000	8.68%	
Total at-call	\$239,867	69.42%	
Investment Policy Target		10.00%	

Term deposits maturing:		
	\$'000's	Count
within 30 days	\$65,000	3
30-59 days	\$15,000	5
60-89 days	\$10,000	2
90-179 days	\$10,000	1
180-364 days	\$0	1
1 year - 3 years	\$0	0
Total	\$100,000	12

INVESTMENT SUMMARY (including Trust) as at:						Investment Policy		
	31/10/2016		31/07/2016		31/10/2015		Individual Limit	Group Limits
A1+ (QTC)	\$196,404	56.8%	\$138,988	44.6%	\$68,156	20.8%	100%	100%
A1+ (Other)	\$119,101	34.5%	\$67,988	21.8%	\$199,635	60.9%	35%	100%
A1	\$20,000	5.8%	\$70,000	22.4%	\$20,000	6.1%	30%	40%
A2	\$10,000	2.9%	\$25,000	8.0%	\$40,000	12.2%	15%	35%
A3	\$0	0.0%	\$10,000	3.2%	\$0	0.0%		
Total Funds	\$345,506		\$311,976		\$327,791			
FUND SUMMARY								
General Funds	\$339,867		\$306,335		\$323,371			
Trust Funds	\$5,638		\$5,641		\$4,420			
Total Funds	\$345,506		\$311,976		\$327,791			

Investment Portfolio



Investment Performance

