



# Monthly Financial Report

## October 2014

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## 1. INTRODUCTION AND OVERVIEW

This monthly report is designed to illustrate the financial performance and position of Redland City Council compared to its adopted budget at an organisational level for the period ended 31 October 2014. The year to date and annual budget referred to in this report reflects the Revised Budget as adopted by Council on 3 September 2014 and budget revisions adopted in the general meeting held on 8 October 2014. The first budget review is currently underway and should address some of the variances in this report. Note: all amounts are rounded to the nearest thousand dollars.

### Key financial highlights and overview

| Key Financial Results       | Annual Revised Budget \$000 | YTD Revised Budget \$000 | YTD Actual \$000 | YTD Variance \$000 | YTD Variance % | Status |
|-----------------------------|-----------------------------|--------------------------|------------------|--------------------|----------------|--------|
| Operating Surplus/(Deficit) | (10,656)                    | 6,453                    | 13,579           | 7,126              | 110%           | ✓      |
| Recurrent Revenue           | 231,012                     | 84,442                   | 87,958           | 3,516              | 4%             | ✓      |
| Recurrent Expenditure       | 241,667                     | 77,989                   | 74,379           | (3,610)            | -5%            | ✓      |
| Capital Works Expenditure   | 66,735                      | 14,086                   | 14,609           | 523                | 4%             | ⚠      |
| Closing Cash & Investments  | 60,308                      | 94,468                   | 97,035           | 2,567              | 3%             | ✓      |

#### Status Legend:

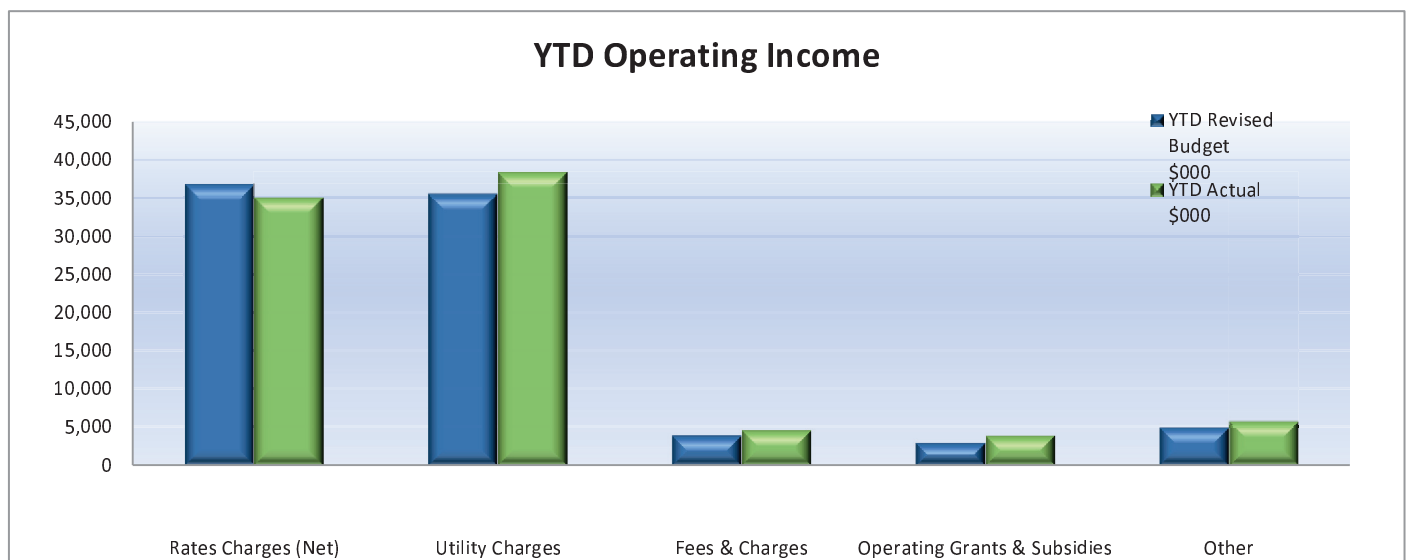
|  |   |
|--|---|
| Above budgeted revenue or under budgeted expenditure     | ✓ |
| Below budgeted revenue or over budgeted expenditure <10% | ⚠ |
| Below budgeted revenue or over budgeted expenditure >10% | ✘ |

### Operating results (p.7)

The year to date operating surplus of \$13.58M is \$7.13M above the year to date revised budget. The year to date favourable variance is primarily due to operating revenue higher than budget by \$3.52M and operating expenses and depreciation expenses being lower than budget by \$2.5M and \$1.12M respectively.

The favourable variance in revenue is mainly attributable to water revenue being higher than budget. Employee costs and goods & services are under budget by \$807K and \$1.78M respectively. During the month of October, Council has passed the savings from the repeal of the carbon tax on to ratepayers.

The graph below depicts the actual results compared to the revised budget for each of the five main income categories. Council monitors its reliance on general rates revenue through a key performance indicator to gauge the need to generate income from other sources. Refer to Key Performance Indicators (p.5).

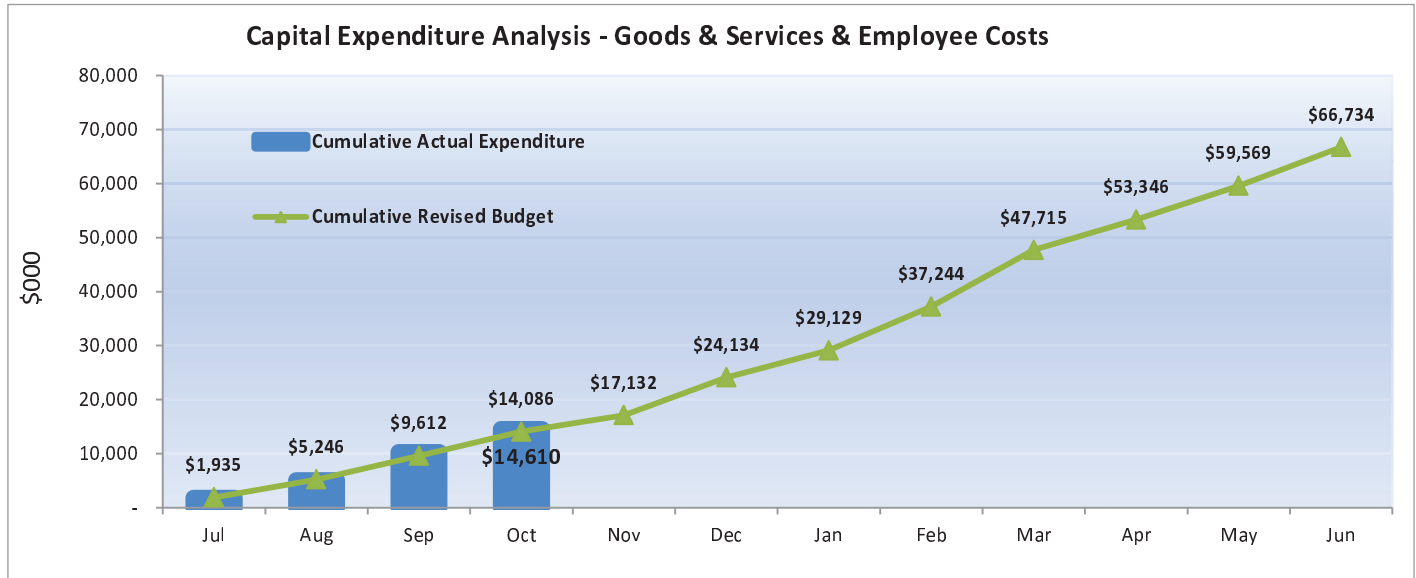


## 1. INTRODUCTION AND OVERVIEW (cont.)

### Capital works

Council's capital works expenditure is on track with year to date actual expenditure of \$14.61M which is only \$523K above year to date budget of \$14.09M.

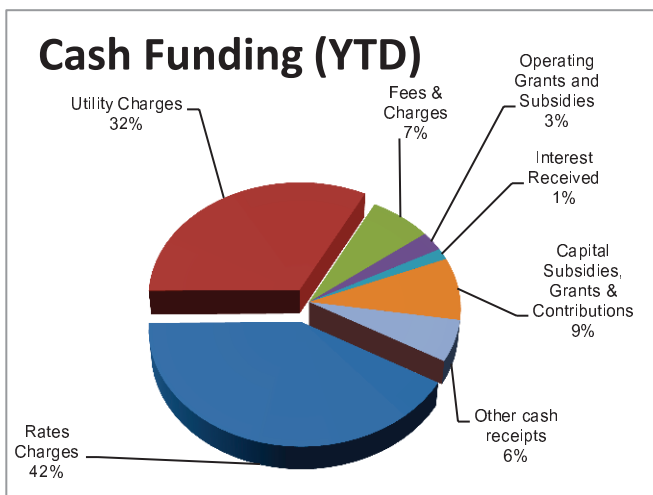
Total capital commitments at the end of October 2014 (where budget is approved) was \$1.49M.



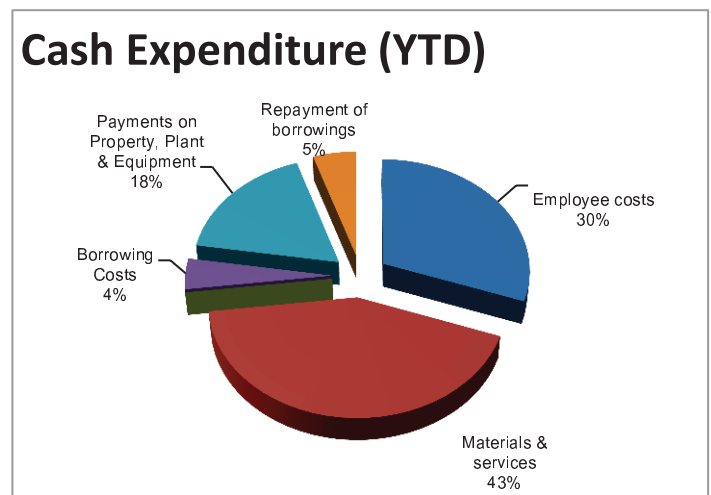
### Financial position and cash flow results

Council's Balance Sheet depicts a sustainable result with total current assets of \$156.12M and total current liabilities of \$54.84M (current ratio of 2.85 to 1).

Council's cash flow for the first four months exceeded the budgeted cash balance at the end of October 2014 (refer p.3). This result is attributable mainly to higher than anticipated cash collection for fees & charges, payments to suppliers lower than expected and higher than anticipated operating grants & subsidies. Of the \$97.04M cash balance at the end of the period, \$81.9M is held as cash constrained reserves and \$96.12M of the total cash balance was invested with Queensland Treasury Corporation (QTC) at the end of the period. The two graphs below depict the various range of sources of Council's cash funding, as well as the allocation of funding to services and activities needed to support the Redlands community, capital programs and other activities at Council.



|  |         |
|--|---------|
| Total Cash Funding (Actual YTD)            | 84,498  |
| Total Cash Funding (Annual Revised Budget) | 232,405 |
| % of Budget Achieved YTD                   | 36%     |



|  |         |
|--|---------|
| Total Cash Expenditure (Actual YTD)            | 83,699  |
| Total Cash Expenditure (Annual Revised Budget) | 268,330 |
| % of Budget Achieved YTD                       | 31%     |

## 2. KEY PERFORMANCE INDICATORS

| Financial Stability Ratios                                | Target                                | Annual Revised Budget 2014/2015 | October 2014 | Status |
|---|---------------------------------------|---------------------------------|--------------|--------|
| Level of Dependence on General Rate Revenue (%)           | Target less than 37.5%                | 33.00%                          | 39.95%       | ✘      |
| Ability to Pay Our Bills - Current Ratio                  | Target between 1.1 and 4.1            | 2.45                            | 2.85         | ✔      |
| Ability to Repay Our Debt - Debt Servicing Ratio (%)      | Target less than or equal to 10%      | 3.44%                           | 2.88%        | ✔      |
| Cash Balance \$M  | Target greater than or equal to \$40M | \$60.308M                       | \$97.035M    | ✔      |
| Cash Balances - Cash Capacity in Months                   | Target 3 to 4 months                  | 3.67                            | 5.98         | ✔      |
| Longer Term Financial Stability - Debt to Asset Ratio (%) | Target less than or equal to 10%      | 2.47%                           | 2.57%        | ✔      |
| Operating Performance (%)                                 | Target greater than or equal to 20%   | 7.6%                            | 15.43%       | ✘      |

| Financial Sustainability Ratios | Target  | Annual Revised Budget 2014/2015 | October 2014 | Status |
|---------------------------------|---|---------------------------------|--------------|--------|
| Operating Surplus Ratio (%)     | Target between 0% and 10% (on average over the long-term) | -4.61%                          | 15.44%       | ✔      |
| Net Financial Liabilities (%)   | Target less than 60% (on average over the long-term)      | 0.84%                           | -31.51%      | ✔      |
| Interest Cover Ratio (%)        | Target between 0% and 5%                                  | -0.22%                          | -0.22%       | ✔      |
| Asset Sustainability Ratio (%)  | Target greater than 90% (on average over the long-term)   | 52.68%                          | 23.50%       | ✘      |
| Asset Consumption Ratio (%)     | Target between 40% and 80%                                | 58.44%                          | 67.98%       | ✔      |

**Status Legend**

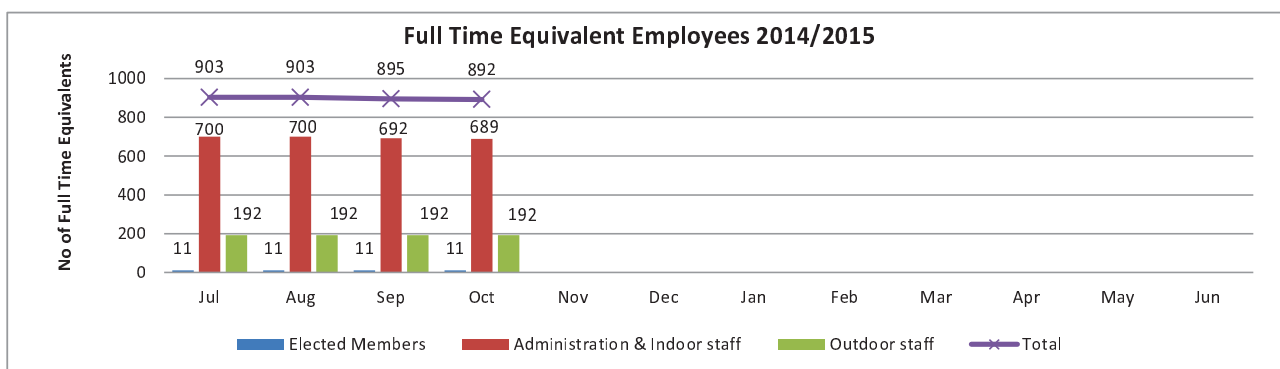
KPI target achieved or exceeded



KPI target not achieved



## 3. KEY NON-FINANCIAL INFORMATION



| Workforce reporting - October 2014: Headcount | Employee Type |                     |            |           |           |           |             |
|---|---------------|---------------------|------------|-----------|-----------|-----------|-------------|
|   | Casual        | Contract of Service | Perm Full  | Perm Part | Temp Full | Temp Part | Grand Total |
| Office of CEO                                 | 14            | 4                   | 83         | 10        | 8         | 1         | 120         |
| Organisational Services                       | 3             | 6                   | 99         | 9         | 8         | 5         | 130         |
| Community and Customer Service                | 33            | 5                   | 249        | 52        | 22        | 5         | 366         |
| Infrastructure and Operations                 | 13            | 6                   | 311        | 9         | 25        | 0         | 364         |
| <b>Total</b>                                  | <b>63</b>     | <b>21</b>           | <b>742</b> | <b>80</b> | <b>63</b> | <b>11</b> | <b>980</b>  |

Note: Full Time Equivalent Employees includes all full time employees at a value of 1 and all other employees, at a value less than 1. The table above demonstrates the headcount by department and does not include a workload weighting.



## 4. STATEMENT OF COMPREHENSIVE INCOME

### STATEMENT OF COMPREHENSIVE INCOME For the period ending 31 October 2014

|  | Annual                      | Annual                     | YTD                        | YTD             | YTD               |
|--|-----------------------------|----------------------------|----------------------------|-----------------|-------------------|
|  | Original<br>Budget<br>\$000 | Revised<br>Budget<br>\$000 | Revised<br>Budget<br>\$000 | Actual<br>\$000 | Variance<br>\$000 |
| <b>Recurrent Revenue</b>                         |                             |                            |                            |                 |                   |
| Rates Charges                                    | 81,366                      | 81,366                     | 40,682                     | 39,087          | (1,595)           |
| Levies & Utility Charges                         | 124,757                     | 124,757                    | 35,558                     | 38,438          | 2,880             |
| Less: Pensioner Remissions                       | (2,743)                     | (5,197)                    | (3,825)                    | (3,946)         | (121)             |
| Fees & Charges                                   | 10,629                      | 10,620                     | 3,953                      | 4,646           | 693               |
| Operating Grants & Subsidies                     | 3,983                       | 8,759                      | 3,019                      | 3,913           | 894               |
| Operating Contributions & Donations              | 260                         | 260                        | 67                         | 121             | 54                |
| Interest External                                | 3,872                       | 3,872                      | 1,291                      | 1,322           | 31                |
| Other Revenue                                    | 4,021                       | 6,575                      | 3,697                      | 4,377           | 680               |
| <b>Total Recurrent Revenue</b>                   | <b>226,144</b>              | <b>231,012</b>             | <b>84,442</b>              | <b>87,958</b>   | <b>3,516</b>      |
| <b>Capital revenue</b>                           |                             |                            |                            |                 |                   |
| Grants, Subsidies & Contributions                | 15,050                      | 15,200                     | 7,405                      | 7,372           | (33)              |
| Non-Cash Contributions                           | 3,146                       | 3,146                      | 27                         | -               | (27)              |
| <b>Total Capital Revenue</b>                     | <b>18,196</b>               | <b>18,346</b>              | <b>7,432</b>               | <b>7,372</b>    | <b>(60)</b>       |
| <b>TOTAL REVENUE</b>                             | <b>244,340</b>              | <b>249,357</b>             | <b>91,874</b>              | <b>95,330</b>   | <b>3,456</b>      |
| <b>Recurrent Expenses</b>                        |                             |                            |                            |                 |                   |
| Employee Costs                                   | 76,094                      | 76,713                     | 26,250                     | 25,443          | (807)             |
| Goods & Services                                 | 106,425                     | 110,095                    | 33,447                     | 31,769          | (1,678)           |
| Finance Costs                                    | 3,643                       | 3,644                      | 1,222                      | 1,212           | (10)              |
| Depreciation & Amortisation                      | 51,209                      | 51,214                     | 17,070                     | 15,955          | (1,115)           |
| <b>Total Recurrent Expenses</b>                  | <b>237,370</b>              | <b>241,667</b>             | <b>77,989</b>              | <b>74,379</b>   | <b>(3,610)</b>    |
| <b>Capital Expenses</b>                          |                             |                            |                            |                 |                   |
| (Gain)/Loss on Disposal of Non-Current Assets    | (3,192)                     | (3,192)                    | (591)                      | (144)           | 447               |
| <b>Total Capital Expenses</b>                    | <b>(3,192)</b>              | <b>(3,192)</b>             | <b>(591)</b>               | <b>(144)</b>    | <b>447</b>        |
| <b>TOTAL EXPENSES</b>                            | <b>234,178</b>              | <b>238,476</b>             | <b>77,398</b>              | <b>74,235</b>   | <b>(3,163)</b>    |
| <b>NET RESULT</b>                                | <b>10,161</b>               | <b>10,882</b>              | <b>14,476</b>              | <b>21,095</b>   | <b>6,619</b>      |
| <b>Other Comprehensive Income/(Loss)</b>         |                             |                            |                            |                 |                   |
| Increase/(decrease) in Asset Revaluation Surplus | -                           | -                          | -                          | -               | -                 |
| <b>TOTAL COMPREHENSIVE INCOME</b>                | <b>10,161</b>               | <b>10,882</b>              | <b>14,476</b>              | <b>21,095</b>   | <b>6,619</b>      |



## 5. OPERATING STATEMENT

### OPERATING STATEMENT For the period ending 31 October 2014

|   | Annual                | Annual               | YTD                  | YTD           | YTD            |
|---|-----------------------|----------------------|----------------------|---------------|----------------|
|   | Original Budget \$000 | Revised Budget \$000 | Revised Budget \$000 | Actual \$000  | Variance \$000 |
| <b>Revenue</b>  |                       |                      |                      |               |                |
| Rates Charges   | 81,366                | 81,366               | 40,682               | 39,087        | (1,595)        |
| Levies & Utility Charges  | 124,757               | 124,757              | 35,558               | 38,438        | 2,880          |
| <i>Less: Pensioner Remissions</i>                               | (2,743)               | (5,197)              | (3,825)              | (3,946)       | (121)          |
| Fees & Charges  | 10,629                | 10,620               | 3,953                | 4,646         | 693            |
| Operating Grants & Subsidies                                    | 3,983                 | 8,759                | 3,019                | 3,913         | 894            |
| Operating Contributions & Donations                             | 260                   | 260                  | 67                   | 121           | 54             |
| Interest External   | 3,872                 | 3,872                | 1,291                | 1,322         | 31             |
| Other Revenue   | 4,021                 | 6,575                | 3,697                | 4,377         | 680            |
| <b>Total Revenue</b>  | <b>226,144</b>        | <b>231,012</b>       | <b>84,442</b>        | <b>87,958</b> | <b>3,516</b>   |
| <b>Expenses</b>   |                       |                      |                      |               |                |
| Employee Costs  | 76,094                | 76,713               | 26,250               | 25,443        | (807)          |
| Goods & Services  | 107,098               | 110,769              | 33,669               | 31,885        | (1,784)        |
| Finance Costs Other   | 281                   | 282                  | 101                  | 86            | (15)           |
| Other Expenditure   | 315                   | 315                  | 107                  | 52            | (55)           |
| Net Internal Costs  | (988)                 | (988)                | (329)                | (168)         | 161            |
| <b>Total Expenses</b>   | <b>182,799</b>        | <b>187,091</b>       | <b>59,798</b>        | <b>57,298</b> | <b>(2,500)</b> |
| <b>Earnings Before Interest, Tax &amp; Depreciation (EBITD)</b> | <b>43,345</b>         | <b>43,921</b>        | <b>24,644</b>        | <b>30,660</b> | <b>6,016</b>   |
| Interest Expense  | 3,362                 | 3,362                | 1,121                | 1,126         | 5              |
| Depreciation  | 51,209                | 51,214               | 17,070               | 15,955        | (1,115)        |
| <b>Operating Surplus/(Deficit)</b>                              | <b>(11,226)</b>       | <b>(10,656)</b>      | <b>6,453</b>         | <b>13,579</b> | <b>7,126</b>   |

### Utility Charges Breakup For the period ending 31 October 2014

|                              | Annual                | Annual               | YTD                  | YTD           | YTD            |
|------------------------------|-----------------------|----------------------|----------------------|---------------|----------------|
|                              | Original Budget \$000 | Revised Budget \$000 | Revised Budget \$000 | Actual \$000  | Variance \$000 |
| <b>Utility Charges</b>       |                       |                      |                      |               |                |
| Refuse Charges               | 18,797                | 18,797               | 6,266                | 6,290         | 24             |
| Special Charges              | 3,795                 | 3,795                | 1,897                | 1,900         | 3              |
| Environment Levy             | 5,637                 | 5,637                | 2,818                | 2,832         | 14             |
| Landfill Remediation Charge  | 4,102                 | 4,102                | 1,368                | 1,377         | 9              |
| Wastewater Charges           | 38,161                | 38,161               | 12,720               | 13,340        | 620            |
| Water Access Charges         | 17,592                | 17,592               | 5,864                | 5,712         | (152)          |
| Water Consumption Charges    | 36,673                | 36,673               | 4,625                | 6,987         | 2,362          |
| <b>Total Utility Charges</b> | <b>124,757</b>        | <b>124,757</b>       | <b>35,558</b>        | <b>38,438</b> | <b>2,880</b>   |



## 5. OPERATING STATEMENT (cont.)

### REDLAND WATER SUMMARY OPERATING STATEMENT For the period ending 31 October 2014

|  | Annual       | Annual       | YTD            | YTD            | YTD          |
|--|--------------|--------------|----------------|----------------|--------------|
|  | Original     | Revised      | Budget         | Actual         | Variance     |
|  | Budget       | Budget       | Budget         | Actual         | Variance     |
|  | \$000        | \$000        | \$000          | \$000          | \$000        |
| Total Revenue  | 94,706       | 94,706       | 23,969         | 26,937         | 2,968        |
| Total Expenses                                       | 49,157       | 49,157       | 16,265         | 15,826         | (439)        |
| Earnings Before Interest, Tax & Depreciation (EBITD) | 45,550       | 45,550       | 7,704          | 11,111         | 3,407        |
| Interest Internal                                    | 21,681       | 21,681       | 7,227          | 7,227          | -            |
| Depreciation   | 16,987       | 16,987       | 5,662          | 5,485          | (177)        |
| <b>Operating Surplus/(Deficit)</b>                   | <b>6,881</b> | <b>6,881</b> | <b>(5,185)</b> | <b>(1,601)</b> | <b>3,584</b> |

### REDWASTE OPERATING STATEMENT For the period ending 31 October 2014

|  | Annual       | Annual       | YTD        | YTD          | YTD        |
|--|--------------|--------------|------------|--------------|------------|
|  | Original     | Revised      | Budget     | Actual       | Variance   |
|  | Budget       | Budget       | Budget     | Actual       | Variance   |
|  | \$000        | \$000        | \$000      | \$000        | \$000      |
| Total Revenue  | 19,967       | 20,058       | 6,475      | 6,474        | (1)        |
| Total Expenses                                       | 16,200       | 15,389       | 5,431      | 4,760        | (671)      |
| Earnings Before Interest, Tax & Depreciation (EBITD) | 3,767        | 4,670        | 1,044      | 1,714        | 670        |
| Interest Expense External                            | 42           | 42           | 14         | 13           | (1)        |
| Interest Internal                                    | 313          | 313          | 104        | 104          | -          |
| Depreciation   | 556          | 562          | 187        | 171          | (16)       |
| <b>Operating Surplus/(Deficit)</b>                   | <b>2,856</b> | <b>3,752</b> | <b>739</b> | <b>1,426</b> | <b>687</b> |





## 6. STATEMENT OF FINANCIAL POSITION

### STATEMENT OF FINANCIAL POSITION As at 31 October 2014

|  | Annual                      | Annual                     | YTD                        |
|--|-----------------------------|----------------------------|----------------------------|
|  | Original<br>Budget<br>\$000 | Revised<br>Budget<br>\$000 | Actual<br>Balance<br>\$000 |
| <b>CURRENT ASSETS</b>                          |                             |                            |                            |
| Cash & Investments                             | 49,157                      | 60,308                     | 97,035                     |
| Accounts Receivable                            | 34,311                      | 39,519                     | 49,930                     |
| Inventories                                    | 943                         | 845                        | 867                        |
| Prepaid Expenses                               | 1,320                       | 1,155                      | 7,930                      |
| Non-Current Assets - Held for Sale             | 467                         | 354                        | 354                        |
| <b>Total Current Assets</b>                    | <b>86,199</b>               | <b>102,181</b>             | <b>156,116</b>             |
| <b>NON-CURRENT ASSETS</b>                      |                             |                            |                            |
| Property, Plant & Equipment                    | 2,021,416                   | 2,101,318                  | 2,081,796                  |
| Financial Assets                               | -                           | -                          | 73                         |
| <b>Total Non-Current Assets</b>                | <b>2,021,416</b>            | <b>2,101,318</b>           | <b>2,081,869</b>           |
| <b>TOTAL ASSETS</b>                            | <b>2,107,615</b>            | <b>2,203,499</b>           | <b>2,237,985</b>           |
| <b>CURRENT LIABILITIES</b>                     |                             |                            |                            |
| Accounts Payable                               | 17,301                      | 18,913                     | 13,618                     |
| Current Employee Provisions                    | 2,468                       | 9,493                      | 13,110                     |
| Current Loans                                  | 5,247                       | 5,498                      | 4,375                      |
| Current Landfill Rehabilitation Provisions     | 1,144                       | 6,442                      | 6,172                      |
| Other Liabilities                              | 3,201                       | 1,283                      | 17,564                     |
| <b>Total Current Liabilities</b>               | <b>29,361</b>               | <b>41,629</b>              | <b>54,839</b>              |
| <b>NON-CURRENT LIABILITIES</b>                 |                             |                            |                            |
| Non-Current Loans                              | 49,149                      | 48,897                     | 53,197                     |
| Non-Current Employee Provisions                | 10,998                      | 2,013                      | 2,310                      |
| Non-Current Landfill Rehabilitation Provisions | 28,189                      | 11,113                     | 17,578                     |
| Non-Current Trade & Other Payables             | 693                         | 478                        | 478                        |
| <b>Total Non-Current Liabilities</b>           | <b>89,029</b>               | <b>62,501</b>              | <b>73,563</b>              |
| <b>TOTAL LIABILITIES</b>                       | <b>118,390</b>              | <b>104,130</b>             | <b>128,402</b>             |
| <b>NET ASSETS</b>                              | <b>1,989,225</b>            | <b>2,099,369</b>           | <b>2,109,583</b>           |
| <b>COMMUNITY EQUITY</b>                        |                             |                            |                            |
| Retained Earnings                              | 1,943,302                   | 2,031,710                  | 2,027,682                  |
| Cash Constrained Reserves                      | 45,923                      | 67,659                     | 81,901                     |
| <b>TOTAL COMMUNITY EQUITY</b>                  | <b>1,989,225</b>            | <b>2,099,369</b>           | <b>2,109,583</b>           |



## 7. CAPITAL FUNDING STATEMENT

### CAPITAL FUNDING STATEMENT For the period ending 31 October 2014

|  | Annual                      | Annual                     | YTD                        | YTD             | YTD               |
|--|-----------------------------|----------------------------|----------------------------|-----------------|-------------------|
|  | Original<br>Budget<br>\$000 | Revised<br>Budget<br>\$000 | Revised<br>Budget<br>\$000 | Actual<br>\$000 | Variance<br>\$000 |
| <b>Sources of Capital Funding</b>            |                             |                            |                            |                 |                   |
| Capital Contributions & Donations            | 6,188                       | 6,188                      | 6,211                      | 6,428           | 217               |
| Capital Grants & Subsidies                   | 8,862                       | 9,012                      | 1,195                      | 945             | (250)             |
| Proceeds on Disposal of Non-current Assets   | 4,049                       | 4,049                      | 877                        | 440             | (437)             |
| Capital Transfers (To) From Reserves         | 4,602                       | 5,694                      | (4,008)                    | (5,213)         | (1,205)           |
| Non-cash Contributions                       | 3,146                       | 3,146                      | 27                         | -               | (27)              |
| New Loans                                    | -                           | -                          | -                          | -               | -                 |
| Funding from General Revenue                 | 42,787                      | 46,380                     | 11,341                     | 13,420          | 2,079             |
| <b>Total Sources of Capital Funding</b>      | <b>69,633</b>               | <b>74,469</b>              | <b>15,643</b>              | <b>16,021</b>   | <b>378</b>        |
| <b>Applications of Capital Funds</b>         |                             |                            |                            |                 |                   |
| Contributed Assets                           | 3,146                       | 3,146                      | 27                         | -               | (27)              |
| Capitalised Goods & Services                 | 56,263                      | 61,099                     | 12,905                     | 12,876          | (29)              |
| Capitalised Employee Costs                   | 5,636                       | 5,636                      | 1,181                      | 1,733           | 552               |
| Loan Redemption                              | 4,589                       | 4,589                      | 1,530                      | 1,411           | (119)             |
| <b>Total Applications of Capital Funds</b>   | <b>69,633</b>               | <b>74,469</b>              | <b>15,643</b>              | <b>16,021</b>   | <b>378</b>        |
| <b>Other Budgeted Items</b>                  |                             |                            |                            |                 |                   |
| WDV of Assets Disposed                       | (857)                       | (857)                      | (286)                      | (296)           | (10)              |
| Transfers to Constrained Operating Reserves  | (13,124)                    | (13,124)                   | (5,240)                    | (6,234)         | (994)             |
| Transfer from Constrained Operating Reserves | 12,180                      | 12,451                     | 2,110                      | 2,227           | 117               |



## 8. STATEMENT OF CASH FLOWS

### STATEMENT OF CASH FLOWS For the period ending 31 October 2014

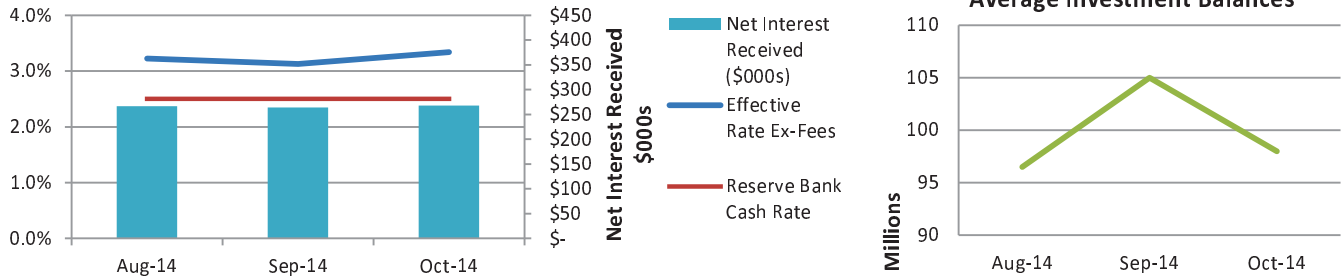
|  | Annual                      | Annual                     | YTD             |
|--|-----------------------------|----------------------------|-----------------|
|  | Original<br>Budget<br>\$000 | Revised<br>Budget<br>\$000 | Actual<br>\$000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                  |                             |                            |                 |
| Rates Charges (net)  | 78,623                      | 76,169                     | 35,141          |
| Utility Charges  | 111,427                     | 111,427                    | 27,529          |
| Fees & Charges   | 10,879                      | 10,870                     | 5,927           |
| Operating Grants & Subsidies                                 | 3,983                       | 3,983                      | 2,269           |
| Cash Contributions   | 260                         | 260                        | 121             |
| Other Revenue  | 4,021                       | 6,575                      | 4,377           |
| <b>Receipts from Customers</b>                               | <b>209,192</b>              | <b>209,284</b>             | <b>75,364</b>   |
| Employee costs   | (79,473)                    | (80,093)                   | (25,469)        |
| Materials & services   | (109,237)                   | (112,956)                  | (35,507)        |
| Other expenses   | (596)                       | (596)                      | (160)           |
| <b>Payments to Suppliers &amp; Employees</b>                 | <b>(189,306)</b>            | <b>(193,646)</b>           | <b>(61,136)</b> |
| Interest Received  | 3,872                       | 3,872                      | 1,322           |
| Borrowing Costs  | (3,362)                     | (3,362)                    | (3,719)         |
| <b>Net Cash Inflow / (Outflow) from Operating Activities</b> | <b>20,396</b>               | <b>16,147</b>              | <b>11,831</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                  |                             |                            |                 |
| Payments - Property, Plant & Equipment                       | (61,899)                    | (66,734)                   | (14,610)        |
| Proceeds - Capital Subsidies, Grants & Contributions         | 15,050                      | 15,200                     | 7,372           |
| Proceeds - Sale of Property, Plant & Equipment               | 4,049                       | 4,049                      | 440             |
| <b>Net Cash Inflow / (Outflow) from Investing Activities</b> | <b>(42,800)</b>             | <b>(47,486)</b>            | <b>(6,798)</b>  |
| Proceeds of Borrowings                                       | -                           | -                          | -               |
| Repayment of borrowings                                      | (4,589)                     | (4,589)                    | (4,234)         |
| <b>Net Cash Inflow / (Outflow) from Financing Activities</b> | <b>(4,589)</b>              | <b>(4,589)</b>             | <b>(4,234)</b>  |
| <b>Net Increase / (Decrease) in Cash Held</b>                | <b>(26,993)</b>             | <b>(35,927)</b>            | <b>799</b>      |
| Cash at Beginning of Year                                    | 76,150                      | 96,235                     | 96,235          |
| <b>Cash at End of Financial Period</b>                       | <b>49,157</b>               | <b>60,308</b>              | <b>97,035</b>   |



## 9. INVESTMENT & BORROWINGS REPORT

For the Period Ending 31 October 2014

### INVESTMENT RETURNS



**Total Investment at End of Month was \$96.12M**

#### Current Position

All Council investments are currently held in the Capital Guaranteed Cash Fund which is a fund operated by the Queensland Treasury Corporation (QTC).

The movement in interest earned is indicative of both the interest rate and the surplus cash balances held, the latter of which is affected by business cash flow requirements on a monthly basis. The sharp decline in average investment balances is a reflection of the rating cycle.

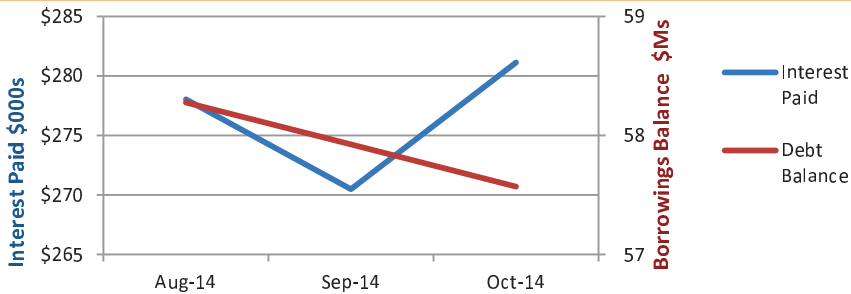
The QTC interest rate has consistently outperformed the UBS Australia Bank Bill Index benchmark in recent history.

#### Future Strategy

The Tax and Treasury Team's recommendation that Council diversify its investments outside of QTC to maximise returns has received approval from management. The Team is following procurement procedures to achieve this outcome. This will also require a change to the investment policy. In the meantime the Team ensures Council maximises its interest on a *daily* basis by depositing surplus funds at QTC for a higher rate than is achieved from the bank transaction account.

Council adopted its revised Investment Policy in April 2014 for the 2014-15 financial year

### BORROWING COSTS

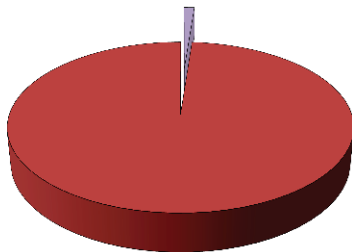


#### Current Position

Debt is split into 9, 12, and 15 year pools with repayment made *annually* in advance for 2014-15.

The increase in interest paid reflects compounding interest in the first quarter.

**Total Borrowings at End of Month was \$57.57M**



RedWaste 1.2%

General Pool allocated to capital works 98.8%

#### Future Strategy

Future strategy is to review the implications of repaying debt annually in advance to ensure that there is no market value realisation adjustments under the accounting standards in order to minimise interest expenses. Further analysis will also be undertaken as to the potential to better allocate the debt across Council business in order to appreciate the true cost of capital projects undertaken.

Council adopted its revised Debt Policy in June 2014 for the 2014-15 financial year

## 10. CONSTRAINED CASH RESERVES

| Reserves as at 31 October 2014                | Opening Balance | To Reserve    | From Reserve   | Closing Balance |
|---|-----------------|---------------|----------------|-----------------|
|   | \$000           | \$000         | \$000          | \$000           |
| <b>Special Projects Reserve:</b>              |                 |               |                |                 |
| Weinam Creek Reserve                          | 2,782           | 134           | (57)           | 2,859           |
| Redland Work Cover Reserve                    | 4,965           | 36            | (224)          | 4,777           |
| Red Art Gallery Commissions & Donations Res   | 17              | -             | -              | 17              |
| SMBI Capital Reserve                          | 3,894           | 579           | -              | 4,473           |
|   | <b>11,658</b>   | <b>749</b>    | <b>(281)</b>   | <b>12,126</b>   |
| <b>Utilities Reserve:</b>                     |                 |               |                |                 |
| RedWaste Reserve                              | 3,118           | 332           | (59)           | 3,391           |
| Redland Water Reserve                         | 8,300           | -             | -              | 8,300           |
| Redland WasteWater Reserve                    | 1,600           | -             | -              | 1,600           |
|   | <b>13,018</b>   | <b>332</b>    | <b>(59)</b>    | <b>13,291</b>   |
| <b>Constrained Works Reserve:</b>             |                 |               |                |                 |
| Tree Planting Reserve                         | 70              | 7             | -              | 77              |
| Parks Reserve                                 | 2,408           | 738           | -              | 3,146           |
| SP1 Wellington Pt Rd Infra Reserve            | 463             | -             | -              | 463             |
| Redland Bay Sth Rd Infra Reserve              | 647             | -             | -              | 647             |
| East Thornlands Road Infra Reserve            | 674             | -             | -              | 674             |
| Contributions to Car Parking Reserve          | 340             | -             | -              | 340             |
| Community Facility Infrastructure Reserve     | 441             | 123           | -              | 564             |
| Retail Water Renewal & Purchase Reserve       | 5,505           | 1,022         | (452)          | 6,075           |
| Sewerage Renewal & Purchase Reserve           | 7,384           | 1,611         | (322)          | 8,673           |
| Constrained Works Res-Cap Grants & Contribs   | 4,389           | -             | -              | 4,389           |
| Transport Trunk Infrastructure Reserve        | 5,846           | 2,022         | -              | 7,868           |
| Cycling Trunk Infrastructure Reserve          | 706             | 554           | -              | 1,260           |
| Stormwater Infrastructure Reserve             | 1,938           | 347           | -              | 2,286           |
| Constrained Works Res-Opr Grants & Contribs   | 919             | -             | (78)           | 841             |
|   | <b>31,730</b>   | <b>6,425</b>  | <b>(852)</b>   | <b>37,303</b>   |
| <b>Separate Charge Reserve - Environment:</b> |                 |               |                |                 |
| Environment Charge Acquisition Reserve        | 6,936           | -             | -              | 6,936           |
| Environment Charge Maintenance Reserve        | 1,505           | 2,832         | (1,323)        | 3,014           |
|   | <b>8,441</b>    | <b>2,832</b>  | <b>(1,323)</b> | <b>9,950</b>    |
| <b>Special Charge Reserve - Other:</b>        |                 |               |                |                 |
| Bay Island Rural Fire Levy Reserve            | -               | 55            | (39)           | 16              |
| SMBI Translink Reserve                        | 3               | 474           | (237)          | 240             |
|   | <b>3</b>        | <b>529</b>    | <b>(276)</b>   | <b>256</b>      |
| <b>Special Charge Reserve - Canals:</b>       |                 |               |                |                 |
| Raby Bay Canal Reserve                        | 5,187           | 1,327         | (640)          | 5,874           |
| Aquatic Paradise Canal Reserve                | 2,163           | 438           | (5)            | 2,596           |
| Sovereign Waters Lake Reserve                 | 480             | 28            | (3)            | 505             |
|   | <b>7,830</b>    | <b>1,793</b>  | <b>(648)</b>   | <b>8,975</b>    |
| <b>TOTALS</b>                                 | <b>72,680</b>   | <b>12,660</b> | <b>(3,439)</b> | <b>81,901</b>   |



## 11. OVERDUE RATES DEBTORS

### Overdue Rates & Charges position comments

#### Comparison October 2013 to October 2014

The overall October 2014 result is a marginally higher percentage overdue than the previous period in 2013.

#### Payments

From a payment perspective, considerably less payments were received in October 2014 than in the prior period of October 2013. However, it can be assumed that the variance is attributable to the due date of the October rate notice. The October 2013 rate notice was due on 4<sup>th</sup> November, while October 2014 rate notice is due 10<sup>th</sup> November, which is a difference of 6 days. Therefore, the majority of payments that would be received by the due date had been paid by the end of October 2013

| Month/Year | AustPost              |                 | Bpay                  |                 | IVR                   |               | Direct Debit          |               | Receipt               |                 | Internet              |               | Total                 |                 |
|------------|-----------------------|-----------------|-----------------------|-----------------|-----------------------|---------------|-----------------------|---------------|-----------------------|-----------------|-----------------------|---------------|-----------------------|-----------------|
|            | Count of Transactions | Sum of Amount   | Count of Transactions | Sum of Amount   | Count of Transactions | Sum of Amount | Count of Transactions | Sum of Amount | Count of Transactions | Sum of Amount   | Count of Transactions | Sum of Amount | Count of Transactions | Sum of Amount   |
| Oct-13     | 5,045                 | \$2,748,713     | 21,803                | \$10,250,024    | 2,694                 | \$1,866,750   | 2,119                 | \$171,770     | 4,269                 | \$3,931,276     | 1,719                 | \$1,180,252   | 37,649                | \$20,148,784    |
| Oct-14     | 3,306                 | \$1,704,408     | 17,480                | \$6,841,049     | 1,347                 | \$902,089     | 2,983                 | \$247,201     | 2,734                 | \$2,265,214     | 1,130                 | \$777,656     | 28,980                | \$12,737,617    |
| Variance   | -1,739                | -\$1,044,304.41 | -4,323                | -\$3,408,975.28 | -1,347                | -\$964,660.84 | 864                   | \$75,430.88   | -1,535                | -\$1,666,062.79 | -589                  | -\$402,595.14 | -8,669                | -\$7,411,167.58 |
| % Variance | -34%                  | -38%            | -20%                  | -33%            | -50%                  | -52%          | 41%                   | 44%           | -36%                  | -42%            | -34%                  | -34%          | -23%                  | -37%            |

#### Overall Trend September 2014 to October 2014.

The October month end percentage of 4.7%, which was a reduction of -5.71% on September's month end result.

A sale of land auction for unpaid rates and charges is scheduled to take place 24 November 2014, and this has prompted a number of owners with properties listed for sale to bring their accounts into order to avoid the land being sold. This has had a favourable impact on the >180 days category of SMBI.

### Comparison October 2013 to October 2014

| Total         |                    |              |                    |              |                  |              | Mainland      |                    |              |                    |              |                  |              |
|---------------|--------------------|--------------|--------------------|--------------|------------------|--------------|---------------|--------------------|--------------|--------------------|--------------|------------------|--------------|
| Days Overdue  | Oct-13             | % Overdue    | Oct-14             | % Overdue    | \$ Variance      | % Variance   | Days Overdue  | Oct-13             | % Overdue    | Oct-14             | % Overdue    | \$ Variance      | % Variance   |
| <90           | \$1,983,008        | 1.9%         | \$2,247,377        | 1.9%         | \$264,369        | 0.08%        | <90           | \$1,398,251        | 1.3%         | \$1,600,083        | 1.4%         | \$201,832        | 0.07%        |
| 90 - 180 days | \$893,671          | 0.8%         | \$990,392          | 0.9%         | \$96,721         | 0.02%        | 90 - 180 days | \$593,890          | 0.6%         | \$646,443          | 0.6%         | \$52,553         | 0.00%        |
| >180 days     | \$1,692,947        | 1.6%         | \$2,160,478        | 1.9%         | \$467,531        | 0.28%        | >180 days     | \$687,074          | 0.6%         | \$916,729          | 0.8%         | \$229,655        | 0.15%        |
| <b>Total</b>  | <b>\$4,569,626</b> | <b>4.28%</b> | <b>\$5,398,247</b> | <b>4.66%</b> | <b>\$828,621</b> | <b>0.38%</b> | <b>Total</b>  | <b>\$2,679,215</b> | <b>2.51%</b> | <b>\$3,163,255</b> | <b>2.73%</b> | <b>\$484,040</b> | <b>0.22%</b> |

| Nth Stradbroke Is / Coochiemudlo Is / Garden Is |                  |              |                  |              |                 |              | SMBI          |                    |              |                    |              |                  |              |
|---|------------------|--------------|------------------|--------------|-----------------|--------------|---------------|--------------------|--------------|--------------------|--------------|------------------|--------------|
| Days Overdue                                    | Oct-13           | % Overdue    | Oct-14           | % Overdue    | \$ Variance     | % Variance   | Days Overdue  | Oct-13             | % Overdue    | Oct-14             | % Overdue    | \$ Variance      | % Variance   |
| <90   | \$57,886         | 0.1%         | \$72,795         | 0.1%         | \$14,909        | 0.01%        | <90           | \$526,871          | 0.5%         | \$574,499          | 0.5%         | \$47,628         | 0.00%        |
| 90 - 180 days                                   | \$21,777         | 0.0%         | \$29,819         | 0.0%         | \$8,041         | 0.01%        | 90 - 180 days | \$278,004          | 0.3%         | \$314,130          | 0.3%         | \$36,126         | 0.01%        |
| >180 days                                       | \$29,397         | 0.0%         | \$44,532         | 0.0%         | \$15,135        | 0.01%        | >180 days     | \$976,476          | 0.9%         | \$1,199,217        | 1.0%         | \$222,742        | 0.12%        |
| <b>Total</b>                                    | <b>\$109,061</b> | <b>0.10%</b> | <b>\$147,145</b> | <b>0.13%</b> | <b>\$38,085</b> | <b>0.02%</b> | <b>Total</b>  | <b>\$1,781,351</b> | <b>1.67%</b> | <b>\$2,087,847</b> | <b>1.80%</b> | <b>\$306,496</b> | <b>0.13%</b> |

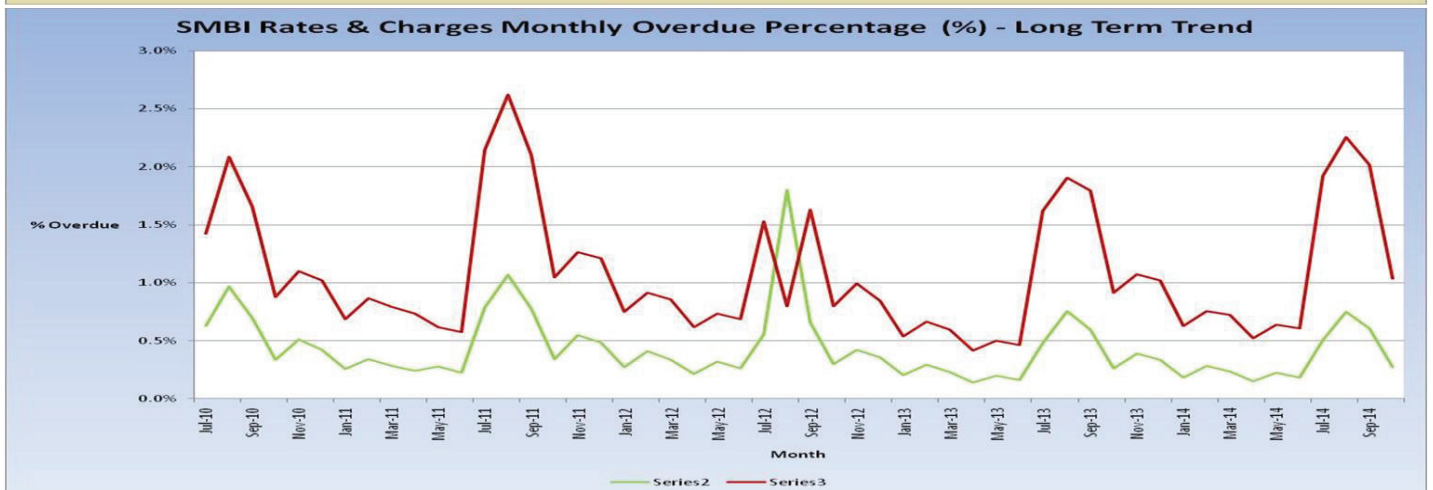
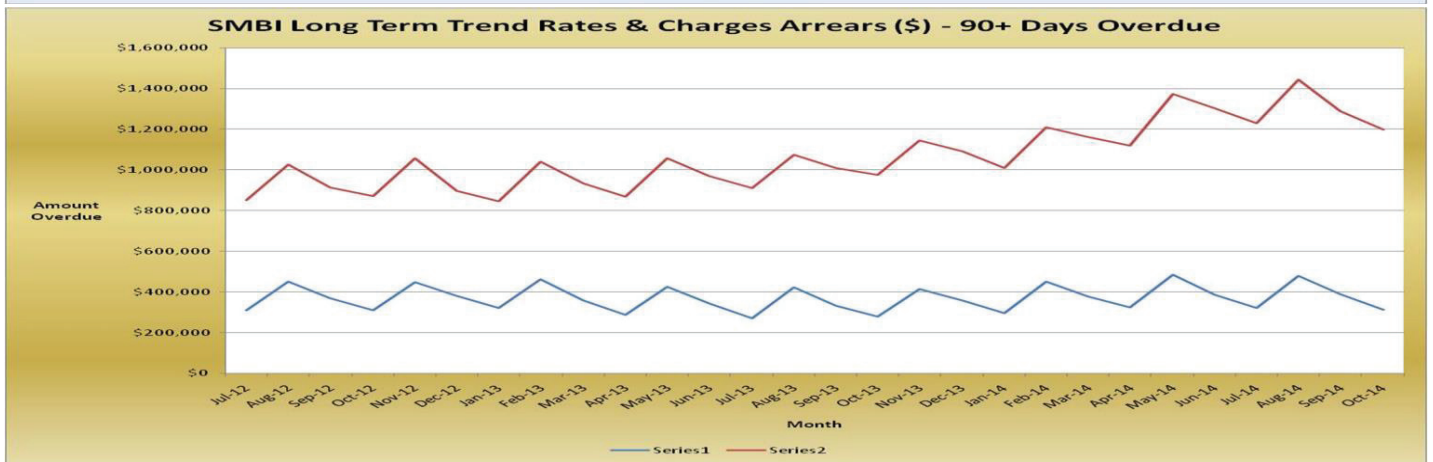
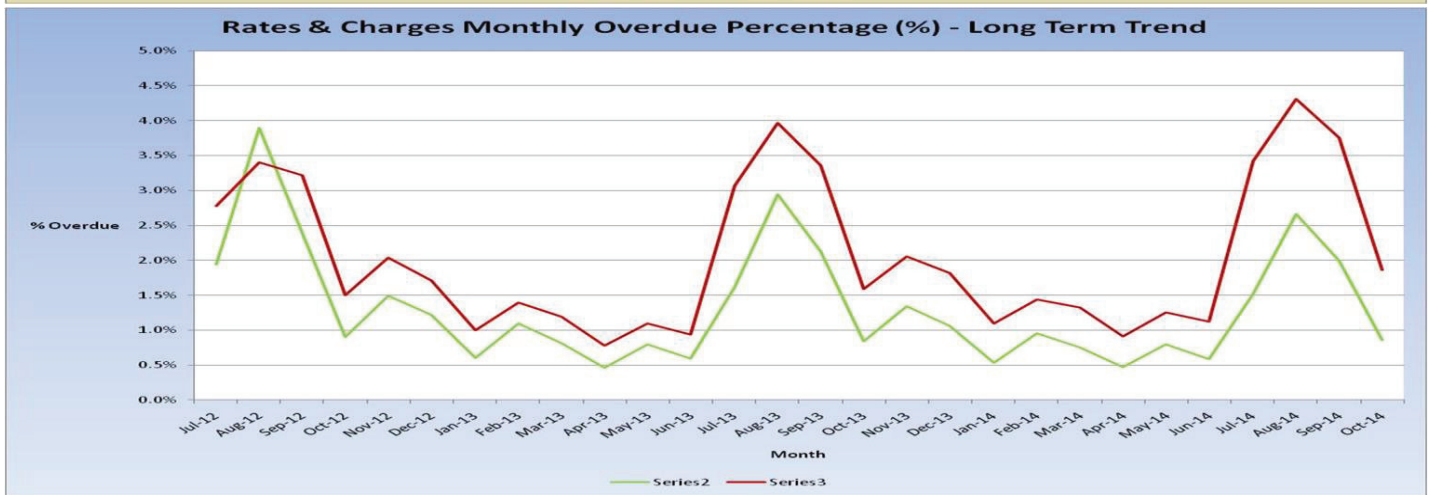
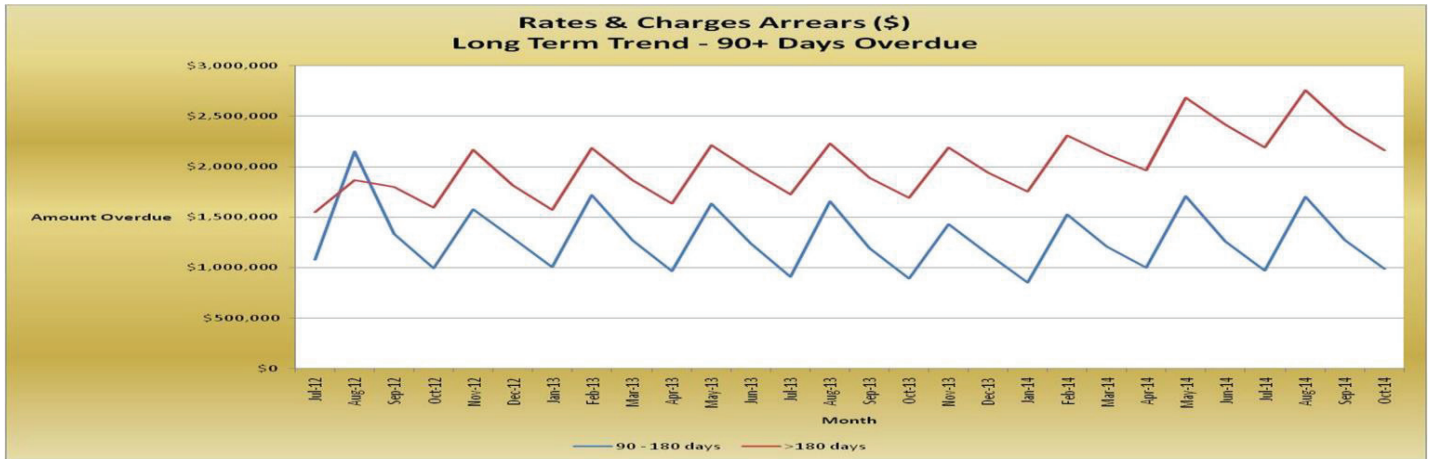
### Trend - September 2014 to October 2014

| Total         |                    |               |                    |              |                     |               | Mainland      |                    |              |                    |              |                   |               |
|---------------|--------------------|---------------|--------------------|--------------|---------------------|---------------|---------------|--------------------|--------------|--------------------|--------------|-------------------|---------------|
| Days Overdue  | Sep-14             | % Overdue     | Oct-14             | % Overdue    | \$ Variance         | % Variance    | Days Overdue  | Sep-14             | % Overdue    | Oct-14             | % Overdue    | \$ Variance       | % Variance    |
| <90           | \$2,953,137        | 4.6%          | \$2,247,377        | 1.9%         | -\$705,760          | -2.68%        | <90           | \$2,164,198        | 3.4%         | \$1,600,083        | 1.4%         | -\$564,115        | -2.01%        |
| 90 - 180 days | \$1,273,897        | 2.0%          | \$990,392          | 0.9%         | -\$283,505          | -1.14%        | 90 - 180 days | \$845,322          | 1.3%         | \$646,443          | 0.6%         | -\$198,879        | -0.76%        |
| >180 days     | \$2,399,640        | 3.8%          | \$2,160,478        | 1.9%         | -\$239,162          | -1.89%        | >180 days     | \$1,070,562        | 1.7%         | \$916,729          | 0.8%         | -\$153,833        | -0.88%        |
| <b>Total</b>  | <b>\$6,626,674</b> | <b>10.37%</b> | <b>\$5,398,247</b> | <b>4.66%</b> | <b>-\$1,228,427</b> | <b>-5.71%</b> | <b>Total</b>  | <b>\$4,080,082</b> | <b>6.38%</b> | <b>\$3,163,255</b> | <b>2.73%</b> | <b>-\$916,827</b> | <b>-3.65%</b> |

| Nth Stradbroke Is / Coochiemudlo Is / Garden Is |                  |              |                  |              |                  |               | SMBI          |                    |              |                    |              |                   |               |
|---|------------------|--------------|------------------|--------------|------------------|---------------|---------------|--------------------|--------------|--------------------|--------------|-------------------|---------------|
| Days Overdue                                    | Sep-14           | % Overdue    | Oct-14           | % Overdue    | \$ Variance      | % Variance    | Days Overdue  | Sep-14             | % Overdue    | Oct-14             | % Overdue    | \$ Variance       | % Variance    |
| <90   | \$87,370         | 0.1%         | \$72,795         | 0.1%         | -\$14,575        | -0.07%        | <90           | \$701,570          | 1.1%         | \$574,499          | 0.5%         | -\$127,070        | -0.60%        |
| 90 - 180 days                                   | \$40,406         | 0.1%         | \$29,819         | 0.0%         | -\$10,587        | -0.04%        | 90 - 180 days | \$388,170          | 0.6%         | \$314,130          | 0.3%         | -\$74,040         | -0.34%        |
| >180 days                                       | \$39,790         | 0.1%         | \$44,532         | 0.0%         | \$4,742          | -0.02%        | >180 days     | \$1,289,288        | 2.0%         | \$1,199,217        | 1.0%         | -\$90,070         | -0.98%        |
| <b>Total</b>                                    | <b>\$167,565</b> | <b>0.26%</b> | <b>\$147,145</b> | <b>0.13%</b> | <b>-\$20,420</b> | <b>-0.14%</b> | <b>Total</b>  | <b>\$2,379,027</b> | <b>3.72%</b> | <b>\$2,087,847</b> | <b>1.80%</b> | <b>-\$291,180</b> | <b>-1.92%</b> |





## 12. GLOSSARY

### Definition of Ratios

|  |   |
|--|---|
| <b>Level of Dependence on General Rate Revenue:</b><br><i>This ratio measures Council's reliance on operating revenue from general rates (excludes utility revenues)</i>                                   | $\frac{\text{General Rates - Pensioner Remissions}}{\text{Total Operating Revenue - Gain on Sale of Developed Land}}$                   |
| <b>Current Ratio:</b><br><i>This measures the extent to which Council has liquid assets available to meet short term financial obligations</i>   | $\frac{\text{Current Assets}}{\text{Current Liabilities}}$  |
| <b>Debt Servicing Ratio:</b><br><i>This indicates Council's ability to meet current debt instalments with recurrent revenue</i>  | $\frac{\text{Interest Expense} + \text{Loan Redemption}}{\text{Total Operating Revenue - Gain on Sale of Developed Land}}$              |
| <b>Cash Balance - \$M:</b>   | Cash Held at Period End   |
| <b>Cash Capacity in Months:</b><br><i>This provides an indication as to the number of months cash held at period end would cover operating cash outflows</i>   | $\frac{\text{Cash Held at Period End}}{[(\text{Cash Operating Costs} + \text{Interest Expense}) / \text{Period in Year}]}$              |
| <b>Debt to Asset Ratio:</b><br><i>This is total debt as a percentage of total assets, i.e. to what extent will our long term debt be covered by total assets</i>   | $\frac{\text{Current and Non-current loans}}{\text{Total Assets}}$  |
| <b>Operating Performance:</b><br><i>This ratio provides an indication of Redland City Council's cash flow capabilities</i>   | $\frac{\text{Net Cash from Operations} + \text{Interest Revenue and Expense}}{\text{Cash Operating Revenue} + \text{Interest Revenue}}$ |
| <b>Operating Surplus Ratio*:</b><br><i>This is an indicator of the extent to which revenues raised cover operational expenses only or are available for capital funding purposes</i>                       | $\frac{\text{Net Operating Surplus}}{\text{Total Operating Revenue}}$   |
| <b>Net Financial Liabilities*:</b><br><i>This is an indicator of the extent to which the net financial liabilities of Council can be serviced by operating revenues</i>                                    | $\frac{\text{Total Liabilities} - \text{Current Assets}}{\text{Total Operating Revenue}}$   |
| <b>Interest Cover Ratio:</b><br><i>This ratio demonstrates the extent which operating revenues are being used to meet the financing charges</i>  | $\frac{\text{Net Interest Expense on Debt Service}}{\text{Total Operating Revenue}}$  |
| <b>Asset Sustainability Ratio*:</b><br><i>This ratio indicates whether Council is renewing or replacing existing non-financial assets at the same rate that its overall stock of assets is wearing out</i> | $\frac{\text{Capital Expenditure on Replacement of Assets (Renewals)}}{\text{Depreciation Expenditure}}$                                |
| <b>Asset Consumption Ratio:</b><br><i>The average proportion of 'as new' value remaining in the infrastructure assets. This ratio seeks to highlight the aged condition of our physical assets</i>         | $\frac{\text{WDV of Infrastructure Assets}}{\text{Gross Current Replacement Cost of Infrastructure Assets}}$                            |

\* These targets are set to be achieved on average over the longer term and therefore are not necessarily expected to be met on a monthly basis.