



Monthly Financial Report

July 2015

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1. EXECUTIVE SUMMARY

The 2015/2016 financial year is off to a good start with an operating surplus ahead of the original budget. As this is only the first month of the year, trends will start to emerge as the first quarter progresses. The opening balances for the current year are still to be finalised and audited. As such, the financial position for the month of July may adjust over the coming months until Council receives Queensland Audit Office certification at the end of October 2015.

Key financial highlights and overview

Key Financial Results	Annual Original Budget \$000	YTD Original Budget \$000	YTD Actual \$000	YTD Variance \$000	YTD Variance %	Status
Operating Surplus/(Deficit)	106	14,780	16,770	1,990	13%	✓
Recurrent Revenue	238,152	33,967	35,769	1,802	5%	✓
Recurrent Expenditure	238,046	19,187	18,999	(188)	-1%	✓
Capital Works Expenditure	78,098	5,028	2,060	(2,968)	-59%	✓
Closing Cash & Cash Equivalents	61,896	135,897	112,003	(23,894)	-18%	✗

Status Legend:

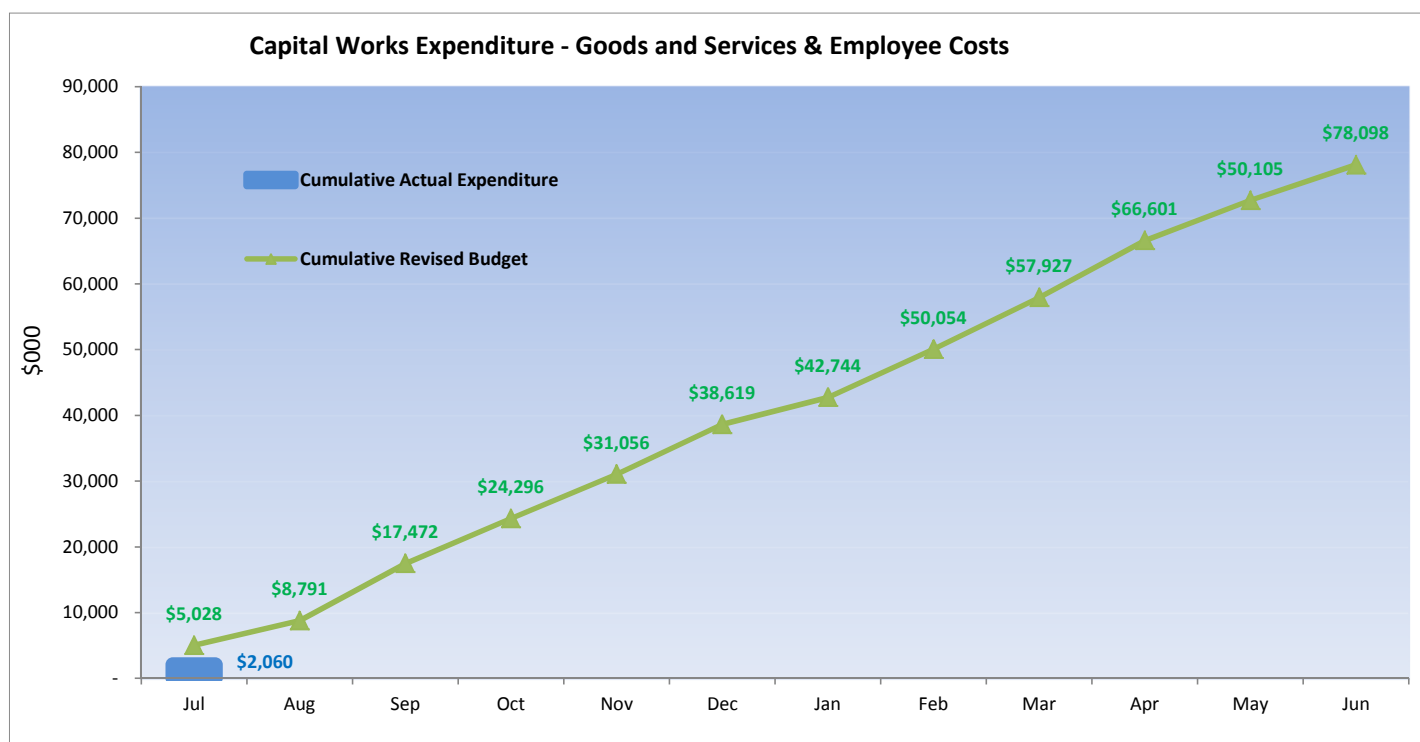
Above budgeted revenue or under budgeted expenditure	✓
Below budgeted revenue or over budgeted expenditure <10%	⚠
Below budgeted revenue or over budgeted expenditure >10%	✗

Note: all amounts are rounded to the nearest thousand dollars.

Council reported an operating surplus for the month of \$16.77M. The Q1 general rates notices were issued in July 2015, however income generated from the general rates levy was partially offset by \$1.21M in credits held during the rates run. Additionally, \$2.58M in grants from the Department of Local Government Infrastructure and Planning were received earlier than anticipated.

Temporary agency staff costs during the month of July 2015 were slightly higher than originally anticipated. Budget phasing of goods and services costs contributed to the favourable variance in this line item, however the bulk water purchase costs were lower than anticipated due to lower water consumption rates as well as the timing of water purchases.

The \$2.97M favourable variance in capital works expenditure is due to a number of projects which have not yet commenced during the 2015/2016 financial year or are still in the early stages of being progressed.



2. KEY PERFORMANCE INDICATORS

Key performance indicators

Financial Stability Ratios and Measures of Sustainability	Target	Original Budget 2015/2016	July 2015	Status
Operating Surplus Ratio (%)	Target between 0% and 10% (on average over the long-term)	0.04%	46.88%	✓
Asset Sustainability Ratio (%)	Target greater than 90% (on average over the long-term)	76.54%	10.59%	✗
Net Financial Liabilities (%)	Target less than 60% (on average over the long-term)	-2.13%	-191.22%	✓
Level of Dependence on General Rate Revenue (%)	Target less than 37.5%	33.58%	52.60%	✗
Ability to Pay Our Bills - Current Ratio	Target between 1.1 & 4.1	2.98	3.73	✓
Ability to Repay Our Debt - Debt Servicing Ratio (%)	Target less than or equal to 10%	3.34%	1.85%	✓
Cash Balance \$M	Target greater than or equal to \$40M	\$61.896M	\$112.003M	✓
Cash Balances - Cash Capacity in Months	Target 3 to 4 months	3.86	5.06	✓
Longer Term Financial Stability - Debt to Asset Ratio (%)	Target less than or equal to 10%	2.24%	2.38%	✓
Operating Performance (%)	Target greater than or equal to 20%	18.08%	-33.25%	✗
Interest Cover Ratio (%)	Target between 0% & 5%	-0.04%	-0.06%	✓

Status Legend

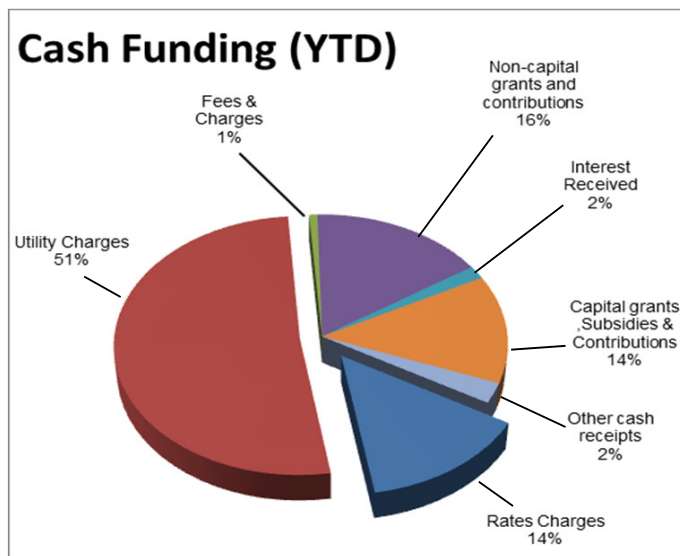
KPI target achieved or exceeded	✓	KPI target not achieved	✗
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3. STATEMENT OF COMPREHENSIVE INCOME

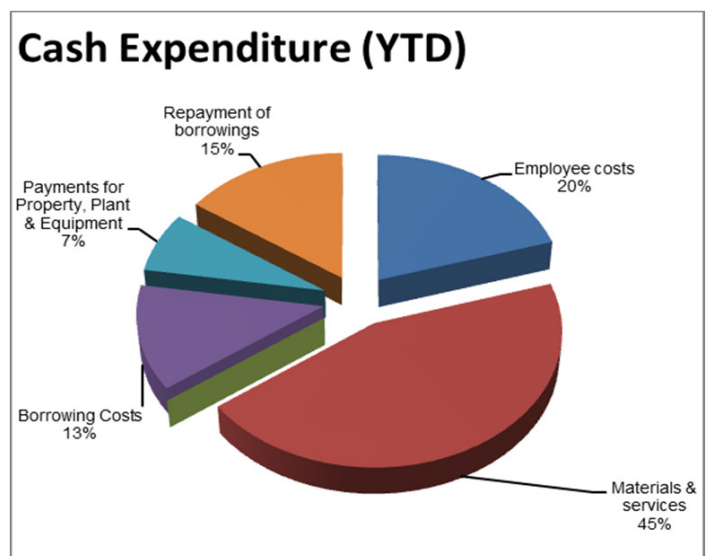
STATEMENT OF COMPREHENSIVE INCOME				
For the period ending 31 July 2015				
	Annual	YTD	YTD	YTD
	Original Budget \$000	Original Budget \$000	Actual \$000	Variance \$000
Recurrent revenue				
Rates, levies and charges	207,421	32,020	30,971	(1,049)
Fees and charges	11,638	691	924	233
Rental income	890	39	92	53
Interest received	3,355	280	310	30
Investment returns	3,234	-	-	-
Sales revenue	3,385	312	336	24
Other income	645	26	51	25
Grants, subsidies and contributions	7,584	599	3,085	2,486
Total recurrent revenue	238,152	33,967	35,769	1,802
Capital revenue				
Grants, subsidies and contributions	13,176	1,260	2,609	1,349
Non-cash contributions	3,079	7	-	(7)
Total capital revenue	16,255	1,267	2,609	1,342
TOTAL INCOME	254,407	35,234	38,378	3,144
Recurrent expenses				
Employee benefits	77,404	7,035	7,609	574
Materials and services	106,010	7,691	6,906	(785)
Finance costs	4,657	296	306	10
Depreciation and amortisation	49,975	4,165	4,178	13
Total recurrent expenses	238,046	19,187	18,999	(188)
Capital expenses				
(Gain)/Loss on disposal of non-current assets	412	162	(8)	(170)
Total capital expenses	412	162	(8)	(170)
TOTAL EXPENSES	238,458	19,349	18,991	(358)
NET RESULT	15,949	15,885	19,387	3,502
Other comprehensive income/(loss)				
Items that will not be reclassified to a net result				
Revaluation of property, plant and equipment	-	-	-	-
TOTAL COMPREHENSIVE INCOME	15,949	15,885	19,387	3,502

4. STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS		
For the period ending 31 July 2015		
	Annual	YTD
	Original Budget \$000	Actual \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	223,088	13,131
Payments to suppliers and employees	(189,183)	(17,764)
	33,905	(4,633)
Interest received	3,355	310
Rental income	890	92
Non-capital grants and contributions	7,584	3,085
Borrowing costs	(3,257)	(3,596)
Other cash flows from operating activities	-	(783)
Net cash inflow / (outflow) from operating activities	42,477	(5,525)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(77,998)	(2,060)
Payments for intangible assets	(100)	-
Proceeds from sale of property, plant and equipment	1,716	8
Capital grants, subsidies and contributions	13,176	2,609
Other cash flows from investing activities	3,234	-
Net cash inflow / (outflow) from investing activities	(59,972)	557
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of borrowings	-	-
Repayment of borrowings	(4,696)	(4,357)
Net cash inflow / (outflow) from financing activities	(4,696)	(4,357)
Net increase / (decrease) in cash held	(22,191)	(9,325)
Cash and cash equivalents at the beginning of the year	84,087	121,327
Cash and cash equivalents at the end of the financial year / period	61,896	112,003



Total Cash Funding (Actual YTD)	19,235
Total Cash Funding (Annual Original Budget)	253,043



Total Cash Expenditure (Actual YTD)	28,560
Total Cash Expenditure (Annual Original Budget)	275,234

5. STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION As at 31 July 2015

	Annual	YTD
	Original Budget \$000	Actual Balance \$000
CURRENT ASSETS		
Cash and cash equivalents	61,896	112,003
Trade and other receivables	26,046	57,486
Inventories	845	781
Non-current assets held for sale	354	9,493
Other current assets	1,154	9,176
Total current assets	90,295	188,939
NON-CURRENT ASSETS		
Investment property	893	893
Property, plant and equipment	2,118,731	2,081,127
Intangible assets	916	3,729
Other financial assets	73	73
Investment in other entities	10,063	1,160
Total non-current assets	2,130,676	2,086,982
TOTAL ASSETS	2,220,971	2,275,921
CURRENT LIABILITIES		
Trade and other payables	15,369	11,937
Borrowings	5,559	4,375
Provisions	8,053	18,298
Other current liabilities	1,282	16,045
Total current liabilities	30,263	50,655
NON-CURRENT LIABILITIES		
Borrowings	44,200	49,704
Provisions	10,769	20,181
Total non-current liabilities	54,969	69,885
TOTAL LIABILITIES	85,232	120,540
NET COMMUNITY ASSETS	2,135,739	2,155,381
COMMUNITY EQUITY		
Asset revaluation surplus	668,685	668,791
Retained surplus	1,415,250	1,405,495
Constrained cash reserves	51,804	81,095
TOTAL COMMUNITY EQUITY	2,135,739	2,155,381

6. OPERATING STATEMENT

OPERATING STATEMENT For the period ending 31 July 2015

	Annual	YTD	YTD	YTD
	Original Budget \$000	Original Budget \$000	Actual \$000	Variance \$000
Revenue				
Rates charges	82,760	20,690	19,483	(1,207)
Levies and utility charges	128,121	12,072	12,197	125
<i>Less: Pensioner remissions and rebates</i>	(3,460)	(742)	(709)	33
Fees and charges	11,638	691	924	233
Operating grants and subsidies	7,053	582	3,067	2,485
Operating contributions and donations	531	17	18	1
Interest external	3,355	280	310	30
Investment returns	3,234	-	-	-
Other revenue	4,920	377	479	102
Total revenue	238,152	33,967	35,769	1,802
Expenses				
Employee benefits	77,404	7,035	7,609	574
Materials and services	106,542	7,748	6,870	(878)
Finance costs other	1,400	25	20	(5)
Other expenditure	347	17	28	11
Net internal costs	(879)	(74)	7	81
Total expenses	184,814	14,751	14,534	(217)
Earnings before interest, tax and depreciation (EBITD)	53,338	19,216	21,235	2,019
Interest expense	3,257	271	287	16
Depreciation and amortisation	49,975	4,165	4,178	13
OPERATING SURPLUS/(DEFICIT)	106	14,780	16,770	1,990

Levies and utility charges breakup For the period ending 31 July 2015

	Annual	YTD	YTD	YTD
	Original Budget \$000	Original Budget \$000	Actual \$000	Variance \$000
Levies and utility charges				
Refuse charges	20,051	1,671	1,631	(40)
Special charges	3,874	968	983	15
Environment levy	5,830	1,457	1,470	13
Landfill remediation charge	2,677	223	225	2
Wastewater charges	40,114	3,343	3,439	96
Water access charges	17,817	1,485	1,481	(4)
Water consumption charges	37,758	2,925	2,968	43
Total Levies and utility charges	128,121	12,072	12,197	125

7. CAPITAL FUNDING STATEMENT

CAPITAL FUNDING STATEMENT For the period ending 31 July 2015

	Annual	YTD	YTD	YTD
	Original Budget \$000	Original Budget \$000	Actual \$000	Variance \$000
Sources of capital funding				
Capital contributions and donations	6,133	1,260	842	(418)
Capital grants and subsidies	7,043	-	1,767	1,767
Proceeds on disposal of non-current assets	1,716	15	8	(7)
Capital transfers (to)/ from reserves	14,566	(1,248)	(842)	406
Non-cash contributions	3,079	7	-	(7)
New loans	-	-	-	-
Funding from general revenue	53,336	5,392	661	(4,731)
Total sources of capital funding	85,873	5,426	2,436	(2,990)
Application of capital funds				
Contributed assets	3,079	7	-	(7)
Capitalised goods and services	72,366	4,625	1,535	(3,090)
Capitalised employee costs	5,732	403	525	122
Loan redemption	4,696	391	376	(15)
Total application of capital funds	85,873	5,426	2,436	(2,990)
Other budgeted items				
Transfers to constrained operating reserves	(11,131)	(2,391)	(2,622)	(231)
Transfers from constrained operating reserves	10,509	325	204	(121)
WDV of assets disposed	2,128	177	-	(177)

8. REDLAND WATER & REDWASTE STATEMENTS

REDLAND WATER SUMMARY OPERATING STATEMENT For the Period Ending 31 July 2015

	Annual	YTD	YTD	YTD
	Original Budget \$000	Original Budget \$000	Actual \$000	Variance \$000
Total revenue	98,219	7,963	8,166	204
Total expenses	54,542	3,923	3,460	(463)
Earnings before interest, tax and depreciation (EBITD)	43,677	4,039	4,706	667
Interest expense	-	-	-	-
Depreciation	17,081	1,423	1,387	(37)
Operating surplus/(deficit)	26,596	2,616	3,319	704

REDLAND WATER CAPITAL FUNDING STATEMENT For the Period Ending 31 July 2015

	Annual	YTD	YTD	YTD
	Original Budget \$000	Original Budget \$000	Actual \$000	Variance \$000
Capital contributions, donations, grants & subsidies	3,500	262	268	6
Net transfer (to)/from constrained capital reserves	(2,714)	(262)	(268)	(6)
Other	3,000	-	-	-
Funding from utility revenue	17,680	1,299	390	(909)
Total sources of capital funding	21,466	1,299	390	(909)
Contributed assets	3,000	-	-	-
Capitalised expenditure	18,466	1,299	390	(909)
Loan redemption	-	-	-	-
Total applications of capital funds	21,466	1,299	390	(909)

REDWASTE SUMMARY OPERATING STATEMENT For the Period Ending 31 July 2015

	Annual	YTD	YTD	YTD
	Original Budget \$000	Original Budget \$000	Actual \$000	Variance \$000
Total revenue	23,375	1,954	2,051	97
Earnings before interest, tax and depreciation (EBITD)	6,132	380	487	107
Interest expense	42	3	3	-
Depreciation	553	46	43	(3)
Operating surplus/(deficit)	5,537	331	440	110

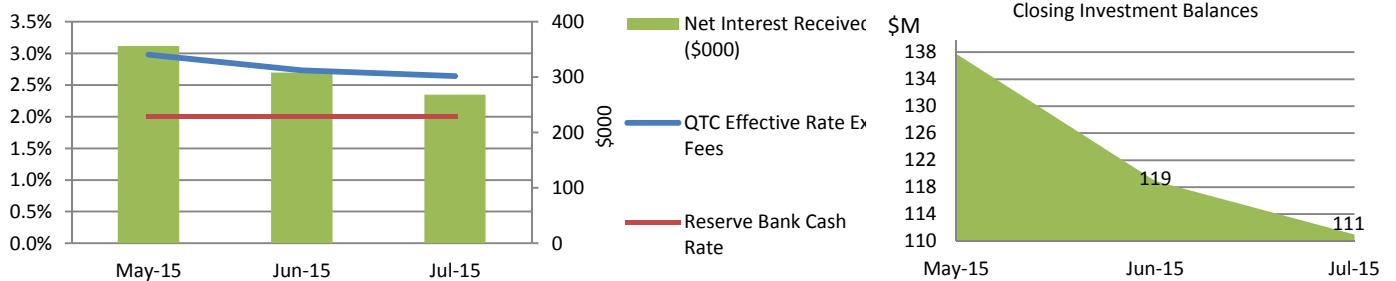
REDWASTE CAPITAL FUNDING STATEMENT For the Period Ending 31 July 2015

	Annual	YTD	YTD	YTD
	Original Budget \$000	Original Budget \$000	Actual \$000	Variance \$000
Capital contributions, donations, grants & subsidies	-	-	-	-
Net transfer (to)/from constrained capital reserves	-	-	-	-
Other	-	-	-	-
Funding from utility revenue	1,639	463	24	(439)
Total sources of capital funding	1,639	463	24	(439)
Contributed assets	-	-	-	-
Capitalised expenditure	1,570	457	18	(439)
Loan redemption	69	6	6	-
Total applications of capital funds	1,639	463	24	(439)

9. INVESTMENT & BORROWINGS REPORT

For the Period Ending 31 July 2015

INVESTMENT RETURNS



Total Investment at End of Month was \$111.39M

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 movement in investment balances are reflective of the rating cycle as well as end of financial year cash flow patterns.

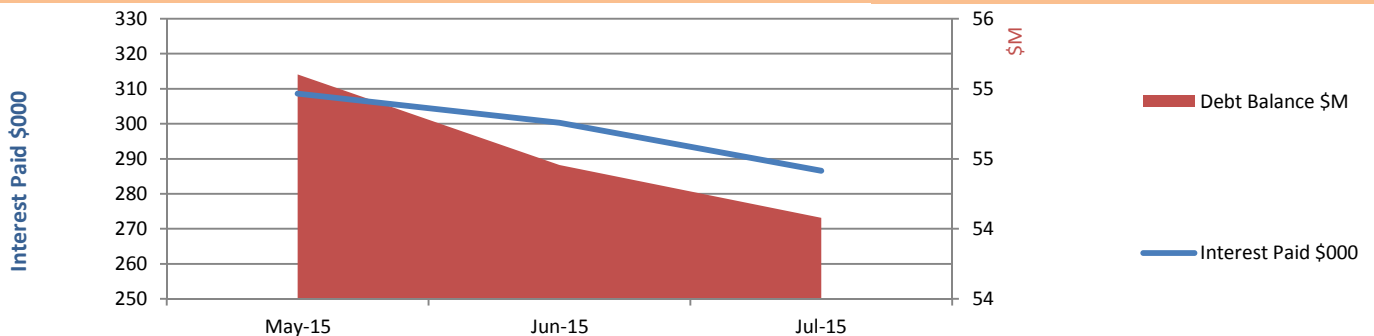
Note: the Reserve Bank reduced the cash rate down to 2% in its May sitting and maintained this position through to its August sitting.

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 has now completed procurement procedures to achieve this outcome and is reviewing term deposit rates in the market to take advantage of any opportunities.

In the meantime the Team ensures Council maximises its interest earnings 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 2015 for the 2015-16 financial year

BORROWING COSTS



Total Borrowings at End of Month was \$54.08M



Current Position

Debt is split into 6, 9 and 12 year pools with repayment made *annually* in advance for 2015-16.

By prepaying the interest annually in 2015-16, it is expected that Council will save in excess of \$50,000 in interest over the financial year.

The movement in interest expense is reflective of the capitalisation of the interest each month along with market movements.

Council adopted its revised Debt Policy in June 2015 for the 2015-16 financial year

10. CONSTRAINED CASH RESERVES

Reserves as at 31 July 2015	Opening Balance	To Reserve	From Reserve	Closing Balance
	\$000	\$000	\$000	\$000
Special Projects Reserve:				
Weinam Creek Reserve	2,492	0	0	2,492
Red Art Gallery Commissions & Donations Res	2	-	0	2
	2,494	0	0	2,494
Utilities Reserve:				
Redland Water Reserve	8,300	-	-	8,300
Redland WasteWater Reserve	1,600	-	-	1,600
	9,900	0	-	9,900
Constrained Works Reserve:				
Tree Planting Reserve	23	4	-	27
Parks Reserve	6,006	133	0	6,139
East Thornlands Road Infra Reserve	674	-	-	674
Community Facility Infrastructure Reserve	979	20	-	999
Retail Water Renewal & Purchase Reserve	7,478	62	0	7,540
Sewerage Renewal & Purchase Reserve	9,500	205	0	9,705
Constrained Works Res-Cap Grants & Contribs	1,410	-	0	1,410
Transport Trunk Infrastructure Reserve	13,565	262	-	13,827
Cycling Trunk Infrastructure Reserve	3,099	103	-	3,202
Stormwater Infrastructure Reserve	3,722	52	-	3,774
Constrained Works Res-Opr Grants & Contribs	1,246	-	(43)	1,203
	47,702	841	(43)	48,500
Separate Charge Reserve - Environment:				
Environment Charge Acquisition Reserve	6,878	-	0	6,878
Environment Charge Maintenance Reserve	1,729	1,470	(161)	3,038
	8,607	1,470	(161)	9,916
Special Charge Reserve - Other:				
Bay Island Rural Fire Levy Reserve	-	18	0	18
SMBI Translink Reserve	2	240	0	242
	2	258	0	260
Special Charge Reserve - Canals:				
Raby Bay Canal Reserve	5,807	666	0	6,473
Aquatic Paradise Canal Reserve	2,836	216	0	3,052
Sovereign Waters Lake Reserve	487	13	0	500
	9,130	895	0	10,025
TOTALS	77,835	3,464	(204)	81,095

Closing Cash & Cash Equivalents	112,003
Reserves as percentage of cash balance	72%

11. GLOSSARY

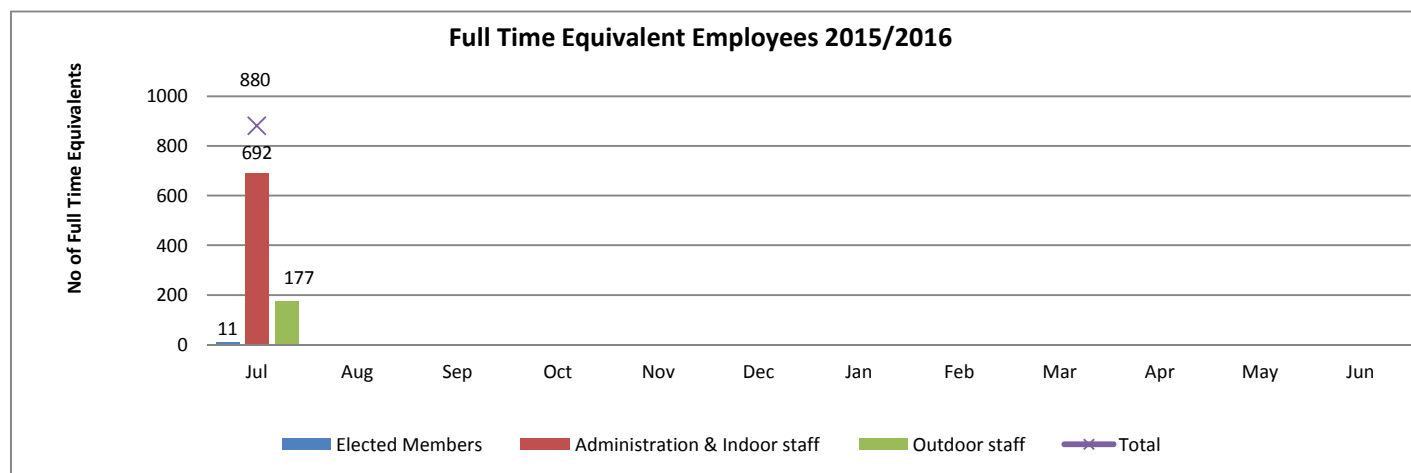
Definition of ratios

Level of Dependence on General Rate Revenue: <i>This ratio measures Council's reliance on operating revenue from general rates (excludes utility revenues)</i>	$\frac{\text{General Rates - Pensioner Remissions}}{\text{Total Operating Revenue - Gain on Sale of Developed Land}}$
Current Ratio: <i>This measures the extent to which Council has liquid assets available to meet short term financial obligations</i>	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt Servicing Ratio: <i>This indicates Council's ability to meet current debt instalments with recurrent revenue</i>	$\frac{\text{Interest Expense + Loan Redemption}}{\text{Total Operating Revenue - Gain on Sale of Developed Land}}$
Cash Balance - \$M:	Cash Held at Period End
Cash Capacity in Months: <i>This provides an indication as to the number of months cash held at period end would cover operating cash outflows</i>	$\frac{\text{Cash Held at Period End}}{[(\text{Cash Operating Costs} + \text{Interest Expense}) / \text{Period in Year}]}$
Debt to Asset Ratio: <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>	$\frac{\text{Current and Non-current loans}}{\text{Total Assets}}$
Operating Performance: <i>This ratio provides an indication of Redland City Council's cash flow capabilities</i>	$\frac{\text{Net Cash from Operations + Interest Revenue and Expense}}{\text{Cash Operating Revenue + Interest Revenue}}$
Operating Surplus Ratio*: <i>This is an indicator of the extent to which revenues raised cover operational expenses only or are available for capital funding purposes</i>	$\frac{\text{Net Operating Surplus}}{\text{Total Operating Revenue}}$
Net Financial Liabilities*: <i>This is an indicator of the extent to which the net financial liabilities of Council can be serviced by operating revenues</i>	$\frac{\text{Total Liabilities - Current Assets}}{\text{Total Operating Revenue}}$
Interest Cover Ratio: <i>This ratio demonstrates the extent which operating revenues are being used to meet the financing charges</i>	$\frac{\text{Net Interest Expense on Debt Service}}{\text{Total Operating Revenue}}$
Asset Sustainability Ratio*: <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>	$\frac{\text{Capital Expenditure on Replacement of Assets (Renewals)}}{\text{Depreciation Expenditure}}$

* 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.

12. APPENDIX: ADDITIONAL AND NON-FINANCIAL INFORMATION

Workforce reporting



Workforce reporting - July 2015: Headcount	Employee Type						
	Casual	Contract of Service	Perm Full	Perm Part	Temp Full	Temp Part	Grand Total
Office of CEO	18	4	81	10	10	2	125
Organisational Services	5	5	103	8	7	5	133
Community and Customer Service	34	5	253	48	25	6	371
Infrastructure and Operations	14	6	296	10	19	0	345
Total	71	20	733	76	61	13	974

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 (excluding agency staff) and does not include a workload weighting. It includes casual staff in their non-substantive roles as at the end of the period where relevant.

Overdue rates debtors

Comparison July 2014 to July 2015

Days Overdue	Total		Mainland		Nth Stradbroke Is / Coochiemudlo Is / Garden Is		SMBI	
	Jul-14	% Overdue	Jul-15	% Overdue	Jul-14	% Overdue	Jul-15	% Overdue
<90	\$2,269,780	3.55%	\$1,813,998	2.89%	\$75,017	0.12%	\$65,075	0.10%
90 - 180 days	\$974,100	1.52%	\$953,030	1.52%	\$21,988	0.03%	\$42,747	0.07%
>180 days	\$2,188,593	3.42%	\$2,562,254	4.08%	\$43,964	0.07%	\$79,198	0.13%
Total	\$5,432,474	8.49%	\$5,329,282	8.49%	\$140,968	0.22%	\$187,020	0.30%

Days Overdue	Total		Mainland		Nth Stradbroke Is / Coochiemudlo Is / Garden Is		SMBI	
	Jul-14	% Overdue	Jul-15	% Overdue	Jul-14	% Overdue	Jul-15	% Overdue
<90	\$1,603,898	2.51%	\$1,244,585	1.98%	\$590,865	0.92%	\$504,338	0.80%
90 - 180 days	\$629,586	0.98%	\$601,382	0.96%	\$322,527	0.50%	\$308,901	0.49%
>180 days	\$1,254,187	1.43%	\$1,254,187	2.00%	\$1,228,620	1.92%	\$1,228,869	1.96%
Total	\$3,487,671	4.92%	\$3,100,154	4.94%	\$2,142,011	3.35%	\$2,042,108	3.25%

Days Overdue	Total		Mainland		Nth Stradbroke Is / Coochiemudlo Is / Garden Is		SMBI	
	Jul-14	% Overdue	Jul-15	% Overdue	Jul-14	% Overdue	Jul-15	% Overdue
<90	\$75,017	0.12%	\$65,075	0.10%	\$590,865	0.92%	\$504,338	0.80%
90 - 180 days	\$21,988	0.03%	\$42,747	0.07%	\$322,527	0.50%	\$308,901	0.49%
>180 days	\$43,964	0.07%	\$79,198	0.13%	\$1,228,620	1.92%	\$1,228,869	1.96%
Total	\$140,968	0.22%	\$187,020	0.30%	\$2,142,011	3.35%	\$2,042,108	3.25%

Days Overdue	Total		Mainland		Nth Stradbroke Is / Coochiemudlo Is / Garden Is		SMBI	
	Jul-14	% Overdue	Jul-15	% Overdue	Jul-14	% Overdue	Jul-15	% Overdue
<90	\$590,865	0.92%	\$504,338	0.80%	\$75,017	0.12%	\$65,075	0.10%
90 - 180 days	\$322,527	0.50%	\$308,901	0.49%	\$21,988	0.03%	\$42,747	0.07%
>180 days	\$1,228,620	1.92%	\$1,228,869	1.96%	\$43,964	0.07%	\$79,198	0.13%
Total	\$2,142,011	3.35%	\$2,042,108	3.25%	\$140,968	0.22%	\$187,020	0.30%