

# Monthly Financial Report

September 2018



MAKE A  
**DIFFERENCE**  
MAKE IT  
**COUNT**

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## 1. EXECUTIVE SUMMARY

This monthly report illustrates the financial performance and position of Redland City Council compared to its adopted budget at an organisational level for the period ended 30 September 2018. The year to date and annual revised budget referred to in this report incorporates the changes from the budget capital carryovers adopted by Council on 22 August 2018.

The opening balances for the current year are still to be certified by the Queensland Audit Office (QAO). As such, the financial position for the month of September may adjust over the coming months until Council receives QAO certification in mid-October 2018.

### Key Financial Highlights and Overview

| Key Financial Results (\$000)   | Annual Revised Budget | YTD Revised Budget | YTD Actual     | YTD Variance | YTD Variance % | Status<br>Favourable ✓<br>Unfavourable ✗ |
|---------------------------------|-----------------------|--------------------|----------------|--------------|----------------|--|
| Operating Surplus / (Deficit)   | (2,951)               | 715                | <b>3,434</b>   | 2,719        | 380%           | ✓  |
| Recurrent Revenue               | 279,136               | 67,638             | <b>66,438</b>  | (1,200)      | -2%            | ✗  |
| Recurrent Expenditure           | 282,087               | 66,923             | <b>63,004</b>  | (3,919)      | -6%            | ✓  |
| Capital Works Expenditure       | 83,981                | 16,759             | <b>13,477</b>  | (3,282)      | -20%           | ✓  |
| Closing Cash & Cash Equivalents | 148,305               | 129,658            | <b>131,571</b> | 1,913        | 1%             | ✓  |

Council reported a year to date operating surplus of \$3.43M which is favourable to the revised budget by \$2.72M due to less than budget recurrent expenditure. The favourable variance in materials and services expense is attributed to lower than anticipated bulk water purchase costs. The favourable variance in depreciation expense is due to lower opening asset balances for 2018/2019 which include the results from the 2017/2018 asset revaluation decrement primarily in roads and stormwater assets, as well as lower developer contributed assets. These end of year adjustments influenced the decrease in depreciation expense and along with vacancies across the organisation contributed to the favourable variance in recurrent expenditure.

Capital grants, subsidies and contributions are below budget due to timing of developer cash contributions.

Council's capital works expenditure is below budget by \$3.28M due to timing of works for a number of infrastructure projects in progress.

Cash balance is higher than budget mainly due to the transfer of \$3.8M funds held in trust to the general reserve account following Council's resolution dated 8 August. Constrained cash reserves represent 78% of the cash balance.

## 2. KEY PERFORMANCE INDICATORS

### Key Performance Indicators

| Financial Stability Ratios and Measures of Sustainability | Status<br>Achieved ✓<br>Not achieved ✗ | Annual Revised Budget | YTD September 2018 | Target   |
|---|--|-----------------------|--------------------|--|
| Operating Surplus Ratio (%)                               | ✓                                      | -1.06%                | <b>5.17%</b>       | Between 0% and 10% (on average over the long-term) |
| Asset Sustainability Ratio (%)                            | ✗                                      | 54.46%                | <b>45.26%</b>      | Greater than 90% (on average over the long-term)   |
| Net Financial Liabilities (%)*                            | ✓                                      | -36.82%               | <b>-149.78%</b>    | Less than 60% (on average over the long-term)      |
| Level of Dependence on General Rate Revenue (%)           | ✓                                      | 34.93%                | <b>35.97%</b>      | Less than 40%                                      |
| Ability to Pay Our Bills - Current Ratio                  | ✓                                      | 3.50                  | <b>4.17</b>        | Between 1.1 & 4.1                                  |
| Ability to Repay Our Debt - Debt Servicing Ratio (%)      | ✓                                      | 2.81%                 | <b>11.80%</b>      | Less than or equal to 15%                          |
| Cash Balance \$M  | ✓                                      | \$148.305M            | <b>\$131.571M</b>  | Greater than or equal to \$50M                     |
| Cash Balances - Cash Capacity in Months                   | ✓                                      | 8.19                  | <b>6.34</b>        | Greater than 3 months                              |
| Longer Term Financial Stability - Debt to Asset Ratio (%) | ✓                                      | 1.34%                 | <b>1.20%</b>       | Less than or equal to 10%                          |
| Operating Performance (%)                                 | ✓                                      | 21.91%                | <b>11.16%</b>      | Greater than or equal to 10%                       |
| Interest Coverage Ratio (%)**                             | ✓                                      | -0.67%                | <b>-0.89%</b>      | Less than 5%                                       |

\* The net financial liabilities ratio exceeds the target range when current assets are greater than total liabilities (and the ratio is negative)

\*\* The interest coverage ratio exceeds the target range when interest revenue is greater than interest expense (and the ratio is negative)

The budgeted and actual results are based on unaudited opening balances which are subject to change until Queensland Audit Office certification is obtained in October 2018. The annual revised budgeted balances for 2018/2019 include the changes from the budget carryovers adopted by Council on 22 August 2018. However, until the first budget review is adopted by Council, the balances will reconcile to the financial management system and may be different to the published carryover budget.

### 3. STATEMENT OF COMPREHENSIVE INCOME

#### STATEMENT OF COMPREHENSIVE INCOME

For the period ending 30 September 2018

|   | Annual<br>Original<br>Budget<br>\$000 | Annual<br>Revised<br>Budget<br>\$000 | YTD<br>Revised<br>Budget<br>\$000 | YTD<br>Actual<br>\$000 | YTD<br>Variance<br>\$000 |
|---|---------------------------------------|--------------------------------------|-----------------------------------|------------------------|--------------------------|
| <b>Recurrent revenue</b>                            |                                       |                                      |                                   |                        |                          |
| Rates charges                                       | 100,486                               | 100,486                              | 25,273                            | 24,599                 | (674)                    |
| Levies and utility charges                          | 146,618                               | 146,618                              | 36,410                            | 34,969                 | (1,441)                  |
| Less: Pensioner remissions and rebates              | (3,493)                               | (3,493)                              | (873)                             | (818)                  | 55                       |
| Fees  | 13,673                                | 13,673                               | 3,391                             | 3,676                  | 285                      |
| Rental income                                       | 912                                   | 912                                  | 248                               | 226                    | (22)                     |
| Interest received                                   | 4,289                                 | 4,289                                | 1,092                             | 1,216                  | 124                      |
| Dividend received                                   | 1,000                                 | 1,000                                | -                                 | -                      | -                        |
| Sales revenue                                       | 3,735                                 | 3,735                                | 985                               | 1,057                  | 72                       |
| Other income  | 694                                   | 694                                  | 98                                | 234                    | 136                      |
| Grants, subsidies and contributions                 | 11,223                                | 11,223                               | 1,014                             | 1,279                  | 265                      |
| <b>Total recurrent revenue</b>                      | <b>279,136</b>                        | <b>279,136</b>                       | <b>67,638</b>                     | <b>66,438</b>          | <b>(1,200)</b>           |
| <b>Recurrent expenses</b>                           |                                       |                                      |                                   |                        |                          |
| Employee benefits                                   | 86,248                                | 86,758                               | 21,826                            | 20,780                 | (1,046)                  |
| Materials and services                              | 129,100                               | 129,190                              | 28,599                            | 26,486                 | (2,113)                  |
| Finance costs                                       | 2,840                                 | 2,840                                | 712                               | 731                    | 19                       |
| Depreciation and amortisation                       | 63,505                                | 63,505                               | 15,876                            | 15,021                 | (855)                    |
| Other expenditure                                   | 507                                   | 507                                  | 93                                | 187                    | 94                       |
| Net internal costs                                  | (713)                                 | (713)                                | (183)                             | (201)                  | (18)                     |
| <b>Total recurrent expenses</b>                     | <b>281,487</b>                        | <b>282,087</b>                       | <b>66,923</b>                     | <b>63,004</b>          | <b>(3,919)</b>           |
| <b>OPERATING SURPLUS / (DEFICIT)</b>                | <b>(2,351)</b>                        | <b>(2,951)</b>                       | <b>715</b>                        | <b>3,434</b>           | <b>2,719</b>             |
| <b>Capital revenue</b>                              |                                       |                                      |                                   |                        |                          |
| Grants, subsidies and contributions                 | 32,501                                | 32,727                               | 7,114                             | 2,561                  | (4,553)                  |
| Non-cash contributions                              | 6,868                                 | 6,868                                | -                                 | -                      | -                        |
| <b>Total capital revenue</b>                        | <b>39,369</b>                         | <b>39,595</b>                        | <b>7,114</b>                      | <b>2,561</b>           | <b>(4,553)</b>           |
| <b>Capital expenses</b>                             |                                       |                                      |                                   |                        |                          |
| (Gain) / loss on disposal of non-current assets     | 289                                   | 101                                  | 52                                | (88)                   | (140)                    |
| <b>Total capital expenses</b>                       | <b>289</b>                            | <b>101</b>                           | <b>52</b>                         | <b>(88)</b>            | <b>(140)</b>             |
| <b>TOTAL INCOME</b>                                 | <b>318,505</b>                        | <b>318,731</b>                       | <b>74,752</b>                     | <b>68,999</b>          | <b>(5,753)</b>           |
| <b>TOTAL EXPENSES</b>                               | <b>281,776</b>                        | <b>282,188</b>                       | <b>66,975</b>                     | <b>62,916</b>          | <b>(4,059)</b>           |
| <b>NET RESULT</b>                                   | <b>36,729</b>                         | <b>36,543</b>                        | <b>7,777</b>                      | <b>6,083</b>           | <b>(1,694)</b>           |
| <b>Other comprehensive income / (loss)</b>          |                                       |                                      |                                   |                        |                          |
| Items that will not be reclassified to a net result |                                       |                                      |                                   |                        |                          |
| Revaluation of property, plant and equipment        | -                                     | -                                    | -                                 | -                      | -                        |
| <b>TOTAL COMPREHENSIVE INCOME</b>                   | <b>36,729</b>                         | <b>36,543</b>                        | <b>7,777</b>                      | <b>6,083</b>           | <b>(1,694)</b>           |



### 3. STATEMENT OF COMPREHENSIVE INCOME - CONTINUED

#### LEVIES AND UTILITY CHARGES ANALYSIS For the period ending 30 September 2018

|   | 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>Levies and utility charges</b>       |                             |                            |                            |                 |                   |
| Refuse collection rate charge           | 24,307                      | 24,307                     | 6,077                      | <b>6,016</b>    | (61)              |
| Special charges                         | 723                         | 723                        | 301                        | <b>302</b>      | 1                 |
| SES separate charge                     | 478                         | 478                        | 120                        | <b>120</b>      | -                 |
| Environment separate charge             | 8,180                       | 8,180                      | 2,045                      | <b>2,036</b>    | (9)               |
| Separate charge landfill remediation    | 3,106                       | 3,106                      | 776                        | <b>773</b>      | (3)               |
| Wastewater charges                      | 44,951                      | 44,951                     | 11,238                     | <b>10,985</b>   | (253)             |
| Water access charges                    | 18,665                      | 18,665                     | 4,666                      | <b>4,633</b>    | (33)              |
| Water consumption charges               | 46,207                      | 46,207                     | 11,187                     | <b>10,104</b>   | (1,083)           |
| <b>Total levies and utility charges</b> | <b>146,618</b>              | <b>146,618</b>             | <b>36,410</b>              | <b>34,969</b>   | <b>(1,441)</b>    |

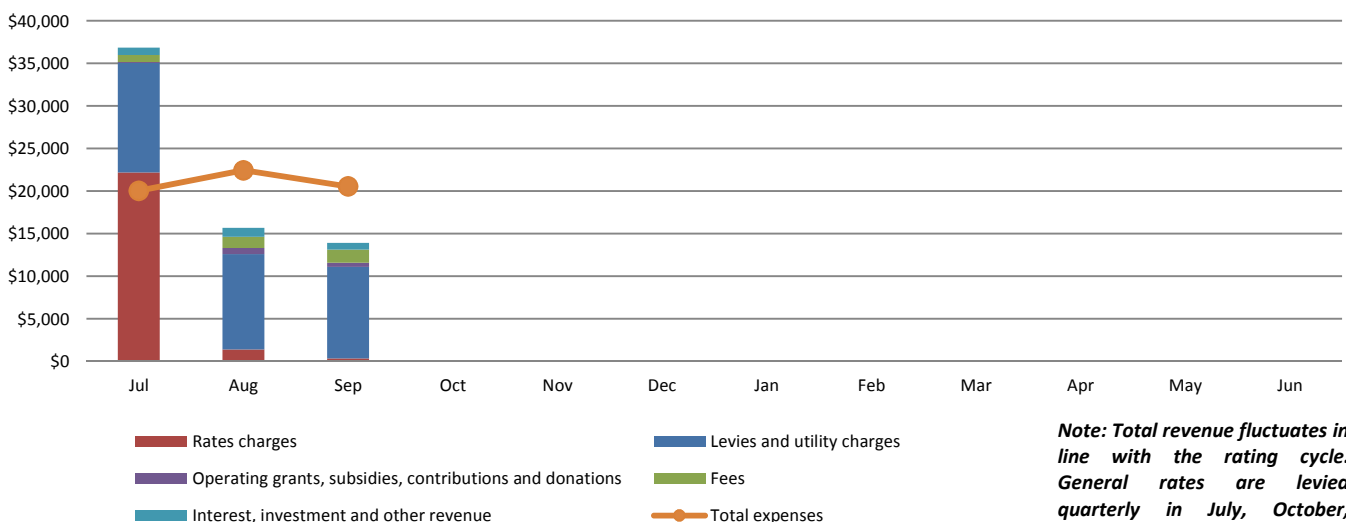
#### MATERIALS AND SERVICES ANALYSIS For the period ending 30 September 2018

|                                     | 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>Materials and services</b>       |                             |                            |                            |                 |                   |
| Contractors                         | 33,755                      | 33,784                     | 6,176                      | <b>6,075</b>    | (101)             |
| Consultants                         | 4,500                       | 4,338                      | 537                        | <b>379</b>      | (158)             |
| Other Council outsourcing costs*    | 16,902                      | 16,972                     | 3,788                      | <b>3,861</b>    | 73                |
| Purchase of materials               | 48,229                      | 48,228                     | 12,084                     | <b>10,526</b>   | (1,558)           |
| Office administration costs         | 8,649                       | 8,529                      | 2,000                      | <b>1,964</b>    | (36)              |
| Electricity charges                 | 5,786                       | 5,786                      | 1,492                      | <b>1,371</b>    | (121)             |
| Plant operations                    | 4,190                       | 4,223                      | 1,075                      | <b>897</b>      | (178)             |
| Information technology resources    | 2,820                       | 2,988                      | 668                        | <b>660</b>      | (8)               |
| General insurance                   | 1,423                       | 1,423                      | 353                        | <b>340</b>      | (13)              |
| Community assistance**              | 1,583                       | 1,655                      | 267                        | <b>264</b>      | (3)               |
| Other material and service expenses | 1,263                       | 1,264                      | 159                        | <b>149</b>      | (10)              |
| <b>Total materials and services</b> | <b>129,100</b>              | <b>129,190</b>             | <b>28,599</b>              | <b>26,486</b>   | <b>(2,113)</b>    |

\* Other Council outsourcing costs are various outsourced costs including refuse collection and disposal, waste disposal, legal services, traffic control, external training, valuation fees, etc.

\*\* Community assistance costs represent community related costs including community grants, exhibitions & awards, donations and sponsorships.

#### Actuals - Total Revenue and Expenses (\$000)



**Note: Total revenue fluctuates in line with the rating cycle. General rates are levied quarterly in July, October, January and April.**

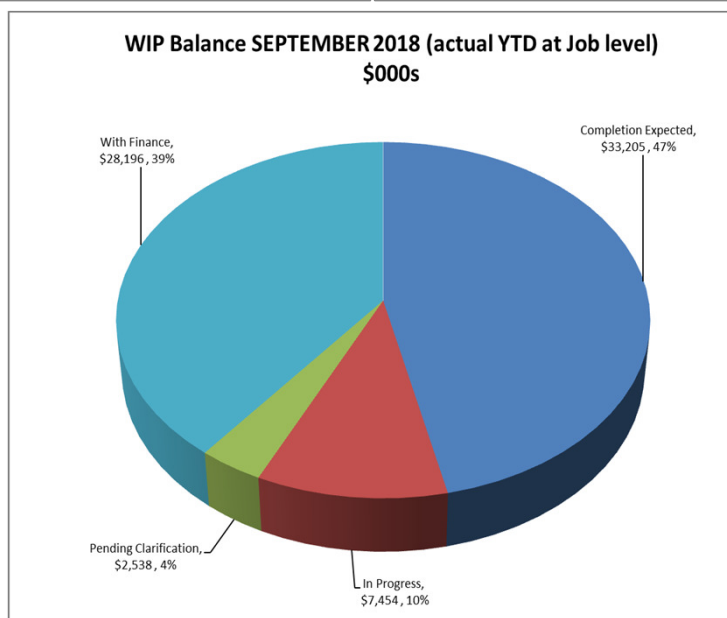
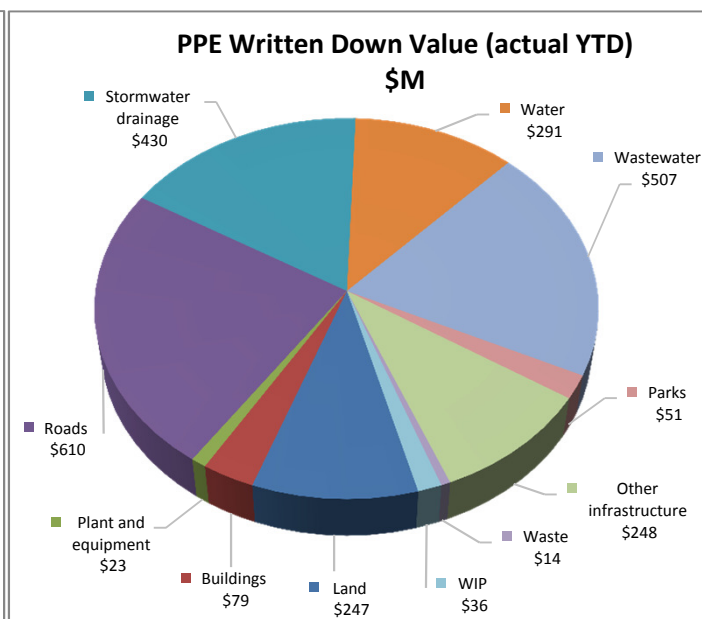
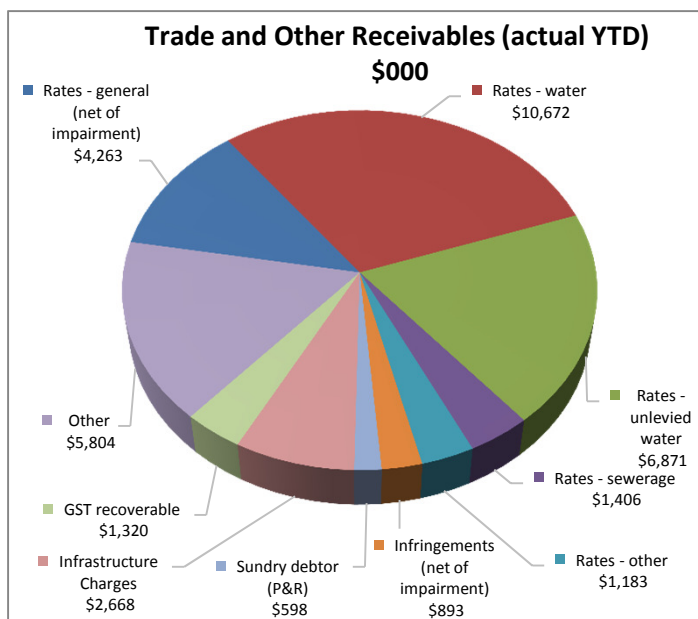
## 4. STATEMENT OF FINANCIAL POSITION

### STATEMENT OF FINANCIAL POSITION As at 30 September 2018

|                                      | Annual                      | Annual                     | YTD                        | YTD              |
|--------------------------------------|-----------------------------|----------------------------|----------------------------|------------------|
|                                      | Original<br>Budget<br>\$000 | Revised<br>Budget<br>\$000 | Revised<br>Budget<br>\$000 | Actual<br>\$000  |
| <b>CURRENT ASSETS</b>                |                             |                            |                            |                  |
| Cash and cash equivalents            | 167,263                     | 148,305                    | 129,658                    | <b>131,571</b>   |
| Trade and other receivables          | 27,273                      | 40,744                     | 40,744                     | <b>35,678</b>    |
| Inventories                          | 556                         | 1,108                      | 1,108                      | <b>985</b>       |
| Non-current assets held for sale     | 262                         | 11,113                     | 11,113                     | <b>11,113</b>    |
| Other current assets                 | 2,073                       | 2,033                      | 2,033                      | <b>2,387</b>     |
| <b>Total current assets</b>          | <b>197,428</b>              | <b>203,303</b>             | <b>184,656</b>             | <b>181,734</b>   |
| <b>NON-CURRENT ASSETS</b>            |                             |                            |                            |                  |
| Investment property                  | 1,091                       | 1,091                      | 1,091                      | <b>1,091</b>     |
| Property, plant and equipment        | 2,608,476                   | 2,564,255                  | 2,538,359                  | <b>2,536,299</b> |
| Intangible assets                    | 826                         | 1,014                      | 1,744                      | <b>1,782</b>     |
| Other financial assets               | 73                          | 73                         | 73                         | <b>73</b>        |
| Investment in other entities         | 14,712                      | 14,791                     | 14,791                     | <b>14,791</b>    |
| <b>Total non-current assets</b>      | <b>2,625,178</b>            | <b>2,581,224</b>           | <b>2,556,058</b>           | <b>2,554,036</b> |
| <b>TOTAL ASSETS</b>                  | <b>2,822,606</b>            | <b>2,784,527</b>           | <b>2,740,714</b>           | <b>2,735,770</b> |
| <b>CURRENT LIABILITIES</b>           |                             |                            |                            |                  |
| Trade and other payables             | 40,840                      | 31,435                     | 21,243                     | <b>19,214</b>    |
| Borrowings - current                 | 7,713                       | 7,728                      | 7,728                      | <b>7,728</b>     |
| Provisions - current                 | 13,742                      | 14,284                     | 13,738                     | <b>12,650</b>    |
| Other current liabilities            | 1,747                       | 4,654                      | 4,654                      | <b>4,038</b>     |
| <b>Total current liabilities</b>     | <b>64,041</b>               | <b>58,101</b>              | <b>47,363</b>              | <b>43,630</b>    |
| <b>NON-CURRENT LIABILITIES</b>       |                             |                            |                            |                  |
| Borrowings - non current             | 29,651                      | 29,520                     | 25,211                     | <b>25,232</b>    |
| Provisions - non current             | 12,115                      | 12,905                     | 12,905                     | <b>13,364</b>    |
| <b>Total non-current liabilities</b> | <b>41,766</b>               | <b>42,425</b>              | <b>38,116</b>              | <b>38,596</b>    |
| <b>TOTAL LIABILITIES</b>             | <b>105,807</b>              | <b>100,526</b>             | <b>85,479</b>              | <b>82,226</b>    |
| <b>NET COMMUNITY ASSETS</b>          | <b>2,716,799</b>            | <b>2,684,001</b>           | <b>2,655,235</b>           | <b>2,653,544</b> |
| <b>COMMUNITY EQUITY</b>              |                             |                            |                            |                  |
| Asset revaluation surplus            | 1,070,838                   | 1,003,168                  | 1,003,168                  | <b>1,003,168</b> |
| Retained surplus                     | 1,517,043                   | 1,567,125                  | 1,548,958                  | <b>1,547,171</b> |
| Constrained cash reserves            | 128,918                     | 113,708                    | 103,109                    | <b>103,205</b>   |
| <b>TOTAL COMMUNITY EQUITY</b>        | <b>2,716,799</b>            | <b>2,684,001</b>           | <b>2,655,235</b>           | <b>2,653,544</b> |

The budgeted and actual results are based on unaudited opening balances which are subject to change until Queensland Audit Office certification is obtained in October 2018. The annual revised budgeted balances for 2018/2019 include the changes from the budget carryovers adopted by Council on 22 August 2018. However, until the first budget review is adopted by Council, the balances will reconcile to the financial management system and may be different to the published carryover budget.

#### 4. STATEMENT OF FINANCIAL POSITION - CONTINUED



#### PROPERTY, PLANT AND EQUIPMENT (PPE) MOVEMENT\*

For the period ending 30 September 2018

|  | Annual<br>Original<br>Budget<br>\$000 | Annual<br>Revised<br>Budget<br>\$000 | YTD<br>Revised<br>Budget<br>\$000 | YTD<br>Actual<br>Balance<br>\$000 |
|--|---------------------------------------|--------------------------------------|-----------------------------------|-----------------------------------|
| <b>PPE movement</b>                                |                                       |                                      |                                   |                                   |
| Opening balance (includes WIP from previous years) | 2,598,959                             | 2,537,638                            | 2,537,638                         | <b>2,537,638</b>                  |
| Acquisitions and WIP in year movement              | 73,748                                | 90,848                               | 16,759                            | <b>13,454</b>                     |
| Depreciation in year                               | (62,532)                              | (62,532)                             | (15,633)                          | <b>(14,793)</b>                   |
| Disposals  | (1,699)                               | (1,699)                              | (405)                             | -                                 |
| Other adjustments**                                | -                                     | -                                    | -                                 | -                                 |
| <b>Closing balance</b>                             | <b>2,608,476</b>                      | <b>2,564,255</b>                     | <b>2,538,359</b>                  | <b>2,536,299</b>                  |

\* This table includes movement relating to property, plant and equipment only and is exclusive of intangible assets.

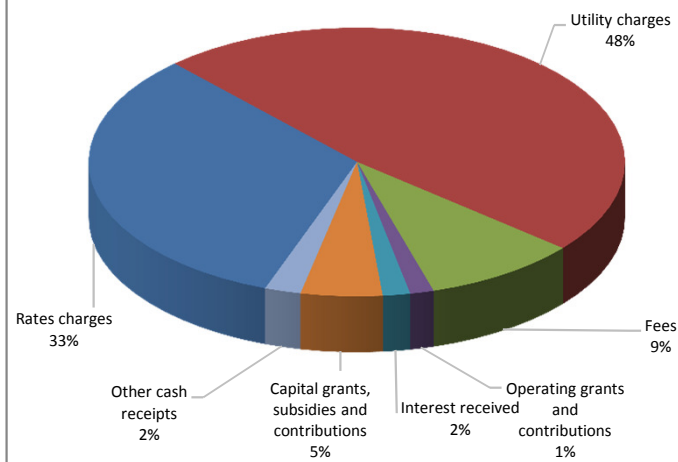
\*\* Other adjustments include transfers between asset classes, revaluation adjustments, prior period adjustments and depreciation thereon.

## 5. STATEMENT OF CASH FLOWS

### STATEMENT OF CASH FLOWS For the period ending 30 September 2018

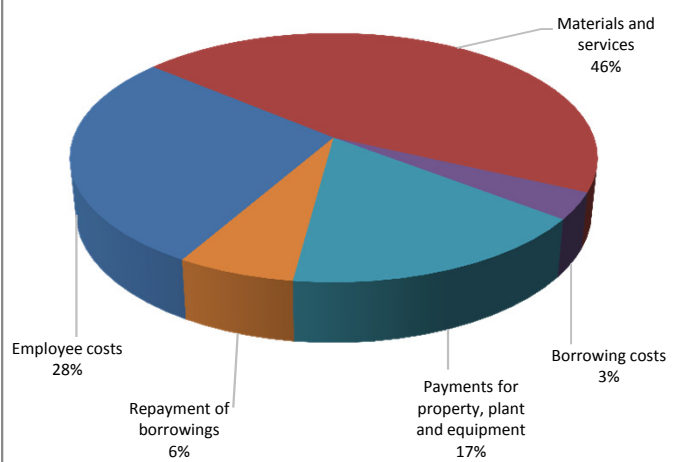
|   | Annual<br>Original<br>Budget<br>\$000 | Annual<br>Revised<br>Budget<br>\$000 | YTD<br>Revised<br>Budget<br>\$000 | YTD<br>Actual<br>\$000 |
|---|---------------------------------------|--------------------------------------|-----------------------------------|------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |                                       |                                      |                                   |                        |
| Receipts from customers   | 261,712                               | 261,712                              | 65,284                            | <b>67,537</b>          |
| Payments to suppliers and employees                                 | (213,794)                             | (214,394)                            | (59,407)                          | <b>(59,410)</b>        |
|   | <b>47,919</b>                         | <b>47,318</b>                        | <b>5,877</b>                      | <b>8,127</b>           |
| Interest received   | 4,289                                 | 4,289                                | 1,092                             | <b>1,216</b>           |
| Rental income   | 912                                   | 912                                  | 248                               | <b>226</b>             |
| Non-capital grants and contributions                                | 11,223                                | 11,223                               | 1,014                             | <b>1,055</b>           |
| Borrowing costs   | (2,809)                               | (2,809)                              | (2,809)                           | <b>(2,809)</b>         |
| <b>Net cash inflow / (outflow) from operating activities</b>        | <b>61,533</b>                         | <b>60,933</b>                        | <b>5,422</b>                      | <b>7,815</b>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                         |                                       |                                      |                                   |                        |
| Payments for property, plant and equipment                          | (66,880)                              | (83,981)                             | (16,758)                          | <b>(13,454)</b>        |
| Payments for intangible assets                                      | -                                     | -                                    | -                                 | <b>(23)</b>            |
| Proceeds from sale of property, plant and equipment                 | 1,410                                 | 1,598                                | 353                               | <b>88</b>              |
| Capital grants, subsidies and contributions                         | 32,501                                | 32,727                               | 7,114                             | <b>3,618</b>           |
| Other cash flows from investing activities                          | 1,000                                 | 1,000                                | -                                 | <b>-</b>               |
| <b>Net cash inflow / (outflow) from investing activities</b>        | <b>(31,969)</b>                       | <b>(48,656)</b>                      | <b>(9,291)</b>                    | <b>(9,771)</b>         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                         |                                       |                                      |                                   |                        |
| Proceeds of borrowings  | 2,500                                 | 2,500                                | -                                 | <b>-</b>               |
| Repayment of borrowings   | (5,035)                               | (5,035)                              | (5,035)                           | <b>(5,035)</b>         |
| <b>Net cash inflow / (outflow) from financing activities</b>        | <b>(2,535)</b>                        | <b>(2,535)</b>                       | <b>(5,035)</b>                    | <b>(5,035)</b>         |
| <b>Net increase / (decrease) in cash held</b>                       | <b>27,030</b>                         | <b>9,743</b>                         | <b>(8,904)</b>                    | <b>(6,991)</b>         |
| Cash and cash equivalents at the beginning of the year              | 140,234                               | 138,562                              | 138,562                           | <b>138,562</b>         |
| Cash and cash equivalents at the end of the financial year / period | 167,263                               | 148,305                              | 129,658                           | <b>131,571</b>         |

#### Cash Inflow (actual YTD)



|  |               |
|--|---------------|
| <b>Total Cash Funding (Actual YTD)</b>     | <b>73,740</b> |
| Total Cash Funding (Annual Revised Budget) | 315,961       |
| <b>% of Budget Achieved YTD</b>            | <b>23%</b>    |

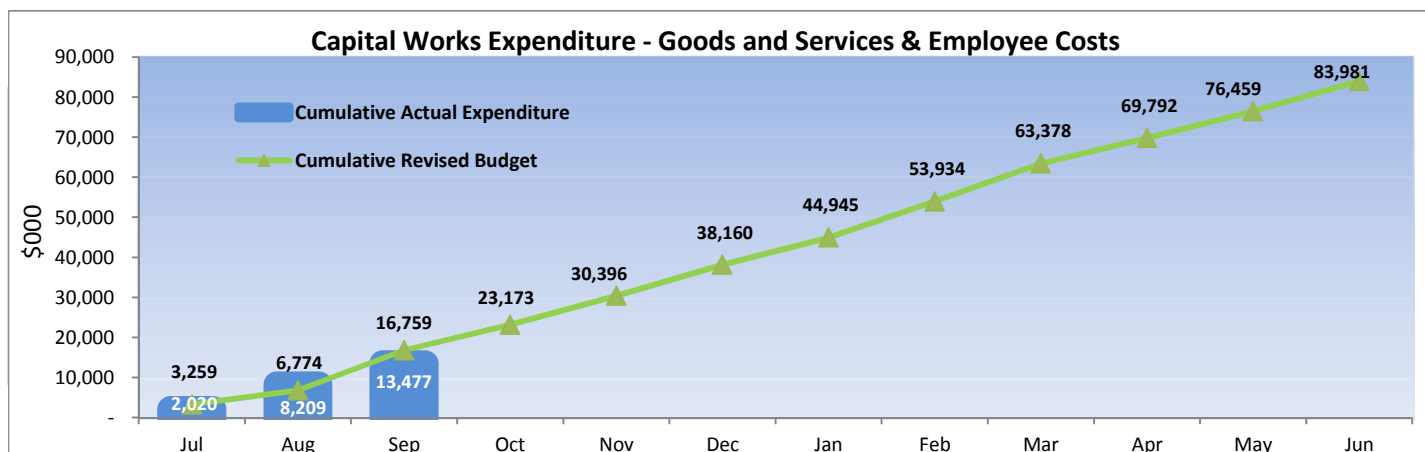
#### Cash Outflow (actual YTD)



|  |               |
|--|---------------|
| <b>Total Cash Expenditure (Actual YTD)</b>     | <b>80,731</b> |
| Total Cash Expenditure (Annual Revised Budget) | 306,218       |
| <b>% of Budget Achieved YTD</b>                | <b>26%</b>    |



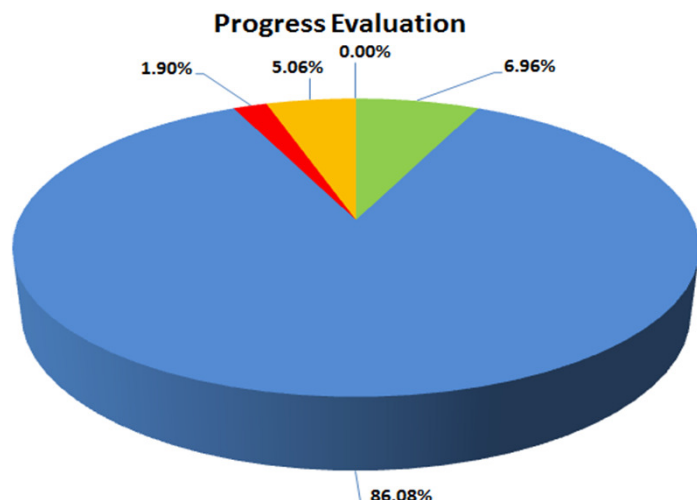
## 6. CAPITAL EXPENDITURE



|                                | Annual Revised Budget \$'000 | YTD Revised Budget \$'000 | YTD Actual \$'000 | YTD Variance \$'000 |
|--------------------------------|------------------------------|---------------------------|-------------------|---------------------|
| Capitalised goods and services | 76,884                       | 14,684                    | 11,655            | (3,029)             |
| Capitalised employee costs     | 7,097                        | 2,075                     | 1,822             | (253)               |
| <b>Total</b>                   | <b>83,981</b>                | <b>16,759</b>             | <b>13,477</b>     | <b>(3,282)</b>      |

## 7. PROGRAM AND PROJECT UPDATE

|  |   |   |  |   |
|--|---|---|--|---|
| <span style="color: green;">■</span> Favourable (budget under / schedule on track) | <span style="color: blue;">■</span> Meeting expectations (budget and schedule on track) | <span style="color: orange;">■</span> Within tolerance (one of budget or schedule not on track) | <span style="color: red;">■</span> Unfavourable (budget and schedule not on track) | <span style="color: yellow;">■</span> Others (schedule to be tracked) |
|--|---|---|--|---|



Projects and Programs are what Council uses to introduce change to achieve corporate outcomes. They allow new infrastructure, products, systems, procedures and services to be delivered. Projects may be undertaken on a standalone basis or as part of a program. Programs and projects may span multiple financial years.

Council is currently progressing 158 programs and projects.

|   | Annual Revised Budget \$'000 | YTD Actual \$'000 | Commitments \$'000 |
|---|------------------------------|-------------------|--------------------|
| Total Programs and Projects in Progress |                              |                   |                    |
| Capital*                                | 71,037                       | 11,201            | 16,379             |
| Operational                             | 10,978                       | 1,457             | 2,699              |

\*The capital spend on programs and projects is a subset of Council's total capital budget which includes business as usual capital spend such as replacement of computers, fleet etc.

## Notable Projects

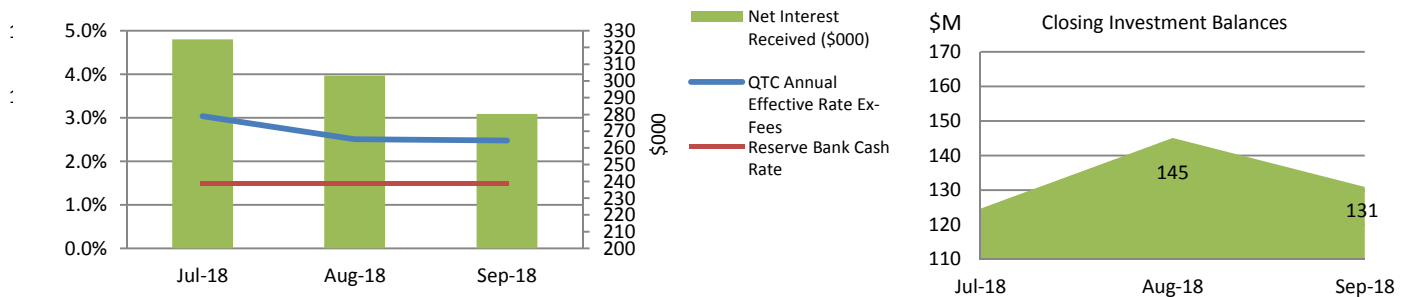
Financially significant projects with an annual budget of more than \$1M constitute 20 projects out of 158 and accounts for 65% of the total programs and project budget. The status of two notable projects are as follows:

| Project description   | Progress                  |
|---|---------------------------|
| Advance Queensland funded partnership project with the goal of growing the local innovation ecosystem. Activities include mentoring, capability development and innovation spaces to connect entrepreneurs with each other and industry, and to coordinate local efforts. | This project is on track. |
| Upgrade and expansion of the drainage network will continue to provide the community with acceptable service levels and reduce network deficiencies and reactive maintenance requirements.  | This project is on track. |

## 8. INVESTMENT & BORROWINGS REPORT

For the period ending 30 September 2018

### INVESTMENT RETURNS - QUEENSLAND TREASURY CORPORATION (QTC)



#### Total Investment at End of Month was \$130.85M

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

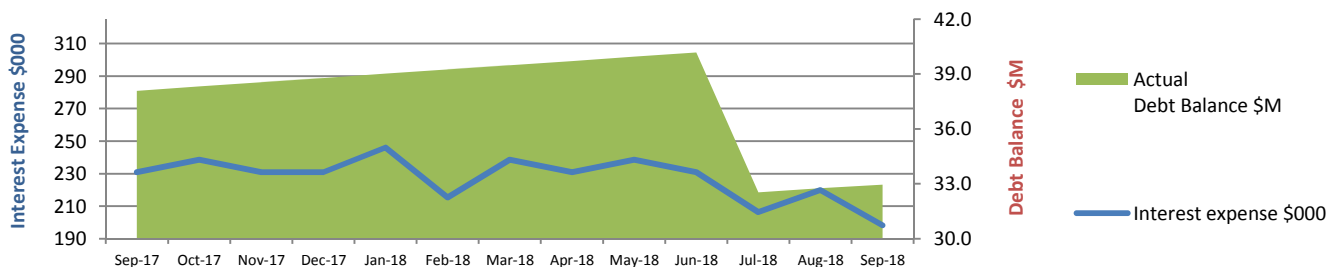
The movement in interest earned is indicative of both the interest rate and the surplus cash balances held, the latter of which is affected by business cash flow requirements on a monthly basis as well as the rating cycle.

Note: the Reserve Bank reduced the cash rate down to 1.5% in the August 2016 sitting - this has not changed in subsequent months.

On a daily basis, cash surplus to requirements is deposited with QTC to earn higher interest as QTC is offering a higher rate than what is achieved from Council's transactional bank accounts. The current annual effective interest rate paid by QTC of 2.48% exceeds the Bloomberg AusBond Bank Bill Index (previously the UBS Bank Bill Index) of 1.88% as at the end of September 2018 in accordance with Corporate POL-3013. Term deposit rates are being monitored to identify investment opportunities to ensure Council maximises its interest earnings.

Council adopted its revised Investment Policy (POL-3013) in June 2018 for the 2018/2019 financial year

### BORROWINGS AND BORROWING COSTS



The existing loan accounts were converted to fixed rate loans on 1 April 2016 following a QTC restructure of loans and policies. In line with Council's debt policy, debt repayment of \$7.84M, being \$5.03M principal and \$2.81M interest has been made *annually* in advance for 2018/2019 which will result in the loans being repaid approximately one year earlier.

The debt balance shows a decrease as the Annual Debt Service Payment (ADSP) was made during July 2018. Interest will accrue monthly on a daily balance until next ADSP in July 19 which is reflected in the increasing debt balance.

#### Total Borrowings at End of Month were \$32.96M

General pool allocated to capital works is 99.42% and 0.58% is attributable to RedWaste.

Council adopted its revised Debt Policy (POL-1838) in June 2018 for the 2018/2019 financial year

## 9. CONSTRAINED CASH RESERVES

| Reserves as at 30 September 2018                           | Purpose of reserve   | Opening Balance                        | To Reserve    | From Reserve   | Closing Balance |
|--|--|--|---------------|----------------|-----------------|
|  |  | \$000                                  | \$000         | \$000          | \$000           |
| <b>Special Projects Reserve:</b>                           |  |  |               |                |                 |
| Weinam Creek Reserve                                       | Maintenance and improvements associated with Weinam Creek projects                                   | 3,625                                  | 151           | (9)            | 3,767           |
| Red Art Gallery Commissions & Donations Reserve            | Purchases of art work for the RCC art collection   | 7                                      | -             | (7)            | 0               |
| Raby Bay Revetment Wall Reserve                            | To fund Raby Bay revetment wall works program  | -                                      | 744           | (8)            | 736             |
| Fleet Plant & Capital Equipment Reserve                    | To support the long term fleet replacement program   | -                                      | 5,410         | (435)          | 4,975           |
|  |  | <b>3,632</b>                           | <b>6,305</b>  | <b>(459)</b>   | <b>9,478</b>    |
| <b>Constrained Works Reserve:</b>                          |  |  |               |                |                 |
| Public Parks Trunk Infrastructure Reserve                  | Capital projects for public parks trunk infrastructure   | 7,324                                  | 307           | (1,433)        | 6,198           |
| Land for Community Facilities Trunk Infrastructure Reserve | Land for community facilities trunk infrastructure   | 2,192                                  | 49            | -              | 2,241           |
| Water Supply Trunk Infrastructure Reserve                  | Upgrade, expansion or new projects for water supply trunk infrastructure                             | 10,107                                 | 3,819         | -              | 13,926          |
| Sewerage Trunk Infrastructure Reserve                      | Upgrade, expansion or new projects for sewerage trunk infrastructure                                 | 9,222                                  | 320           | (4)            | 9,538           |
| Constrained Works Reserve-Capital Grants & Contributions   | Unexpended capital grants and contributions received for specific projects                           | 651                                    | -             | (16)           | 635             |
| Local Roads Trunk Infrastructure Reserve                   | Capital projects for local roads trunk infrastructure  | 35,922                                 | 624           | (453)          | 36,093          |
| Cycleways Trunk Infrastructure Reserve                     | Capital projects for cycleways trunk infrastructure  | 10,783                                 | 259           | -              | 11,042          |
| Stormwater Trunk Infrastructure Reserve                    | Capital projects for stormwater trunk infrastructure   | 8,884                                  | 122           | -              | 9,006           |
| Constrained Works Reserve-Operating Grants & Contributions | Unexpended operating grants and contributions received for specific projects                         | 919                                    | -             | (35)           | 884             |
| Tree Planting Reserve                                      | Acquisition and planting of trees on footpaths   | 88                                     | 11            | (4)            | 95              |
|  |  | <b>86,092</b>                          | <b>5,511</b>  | <b>(1,945)</b> | <b>89,658</b>   |
| <b>Separate Charge Reserve - Environment:</b>              |  |  |               |                |                 |
| Environment Charge Acquisition Reserve                     | Acquisitions in land and facilities to support or enhance environmental outcomes                     | 234                                    | 305           | -              | 539             |
| Environment Charge Maintenance Reserve                     | Ongoing conservation and maintenance operations  | 1,708                                  | 1,731         | (1,124)        | 2,315           |
| SES Separate Charge Reserve                                | On-going costs of maintaining the Redlands SES   | -                                      | 120           | (90)           | 30              |
|  |  | <b>1,942</b>                           | <b>2,156</b>  | <b>(1,214)</b> | <b>2,884</b>    |
| <b>Special Charge Reserve - Other:</b>                     |  |  |               |                |                 |
| Bay Island Rural Fire Levy Reserve                         | Pass on revenue collected from levy to the Bay Island Rural Fire Brigade                             | -                                      | 55            | -              | 55              |
| SMBI Translink Reserve                                     | Offset payment made to the State Govt. to assist with transport service to the Bay Islands           | (8)                                    | 242           | -              | 234             |
|  |  | <b>(8)</b>                             | <b>297</b>    | <b>-</b>       | <b>289</b>      |
| <b>Special Charge Reserve - Canals:</b>                    |  |  |               |                |                 |
| Aquatic Paradise Canal Reserve                             | Maintenance and repairs of Aquatic Paradise canals   | 743                                    | 2             | -              | 745             |
| Sovereign Waters Lake Reserve                              | Maintenance and repairs of Sovereign Lake  | 422                                    | 1             | -              | 423             |
| 1718 Raby Bay Canal Reserve                                | Service, facility or activity of works in respect of the canals of the Raby Bay canal estate         | 1,036                                  | -             | (757)          | 279             |
| 1718 Aquatic Paradise Canal Reserve                        | Service, facility or activity of works in respect of the canals of the Aquatic Paradise canal estate | (495)                                  | -             | -              | (495)           |
| 1718 Sovereign Waters Lake Reserve                         | Service, facility or activity of works in respect of the lake  | (56)                                   | -             | -              | (56)            |
|  |  | <b>1,650</b>                           | <b>3</b>      | <b>(757)</b>   | <b>896</b>      |
| <b>TOTALS</b>  |  | <b>93,308</b>                          | <b>14,272</b> | <b>(4,375)</b> | <b>103,205</b>  |
|  |  | Closing cash and cash equivalents      |               |                | <b>131,571</b>  |
|  |  | Reserves as percentage of cash balance |               |                | <b>78%</b>      |

## 10. REDLAND WATER STATEMENTS

### REDLAND WATER SUMMARY OPERATING STATEMENT For the period ending 30 September 2018

|  | 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 |
| Total revenue  | 112,745                     | 112,745                    | 27,820                     | 26,559          | (1,261)           |
| Total expenses   | 66,297                      | 66,297                     | 16,715                     | 15,466          | (1,249)           |
| Earnings before interest, tax and depreciation (EBITD) | 46,448                      | 46,448                     | 11,105                     | 11,093          | (12)              |
| Interest expense                                       | 15,352                      | 15,352                     | 3,838                      | 3,838           | -                 |
| Depreciation   | 23,228                      | 23,228                     | 5,807                      | 5,855           | 48                |
| <b>Operating surplus / (deficit)</b>                   | <b>7,868</b>                | <b>7,868</b>               | <b>1,460</b>               | <b>1,400</b>    | <b>(60)</b>       |

### REDLAND WATER CAPITAL FUNDING STATEMENT For the period ending 30 September 2018

|  | 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 |
| Capital contributions, donations, grants and subsidies | 6,798                       | 6,798                      | 1,700                      | 372             | (1,328)           |
| Net transfer (to) / from constrained capital reserves  | (6,608)                     | (4,398)                    | (1,667)                    | (4,135)         | (2,468)           |
| Non-cash contributions                                 | 6,648                       | 6,648                      | -                          | -               | -                 |
| Funding from utility revenue                           | 5,614                       | 6,261                      | 353                        | 4,121           | 3,768             |
| <b>Total sources of capital funding</b>                | <b>12,452</b>               | <b>15,309</b>              | <b>386</b>                 | <b>358</b>      | <b>(28)</b>       |
| Contributed assets                                     | 6,648                       | 6,648                      | -                          | -               | -                 |
| Capitalised expenditure                                | 5,804                       | 8,661                      | 386                        | 358             | (28)              |
| <b>Total application of capital funds</b>              | <b>12,452</b>               | <b>15,309</b>              | <b>386</b>                 | <b>358</b>      | <b>(28)</b>       |

## 11. REDWASTE STATEMENTS

### REDWASTE OPERATING STATEMENT For the period ending 30 September 2018

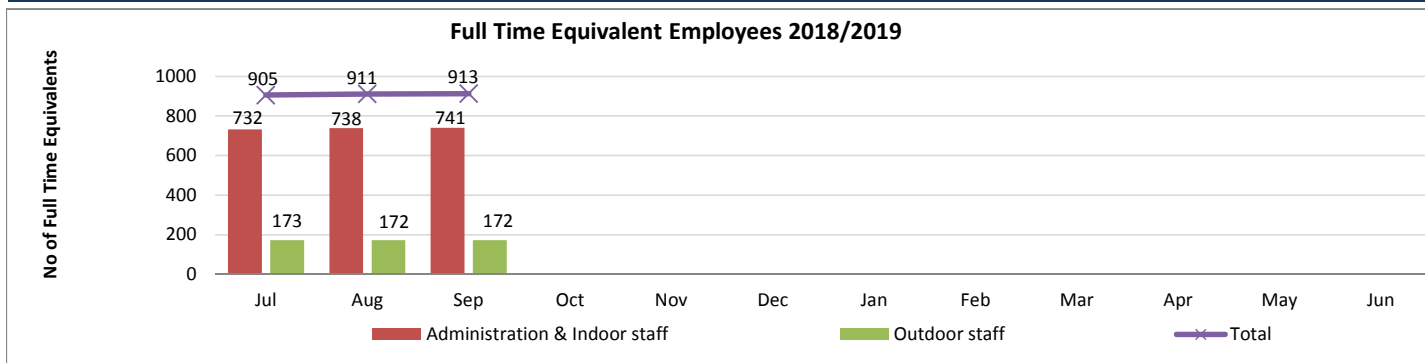
|  | Annual                      | Annual                     | YTD                        | YTD             | YTD               |
|--|-----------------------------|----------------------------|----------------------------|-----------------|-------------------|
|  | Original<br>Budget<br>\$000 | Revised<br>Budget<br>\$000 | Revised<br>Budget<br>\$000 | Actual<br>\$000 | Variance<br>\$000 |
| Total revenue  | 25,901                      | 25,901                     | 6,473                      | 6,499           | 26                |
| Total expenses   | 19,155                      | 19,155                     | 4,788                      | 4,633           | (155)             |
| Earnings before interest, tax and depreciation (EBITD) | 6,746                       | 6,746                      | 1,685                      | 1,866           | 181               |
| Interest expense                                       | 30                          | 30                         | 8                          | 7               | (1)               |
| Depreciation   | 216                         | 216                        | 54                         | 42              | (12)              |
| <b>Operating surplus / (deficit)</b>                   | <b>6,500</b>                | <b>6,500</b>               | <b>1,623</b>               | <b>1,817</b>    | <b>194</b>        |

### REDWASTE CAPITAL FUNDING STATEMENT For the period ending 30 September 2018

|   | 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 |
| Non-cash contributions                    | -                           | -                          | -                          | -               | -                 |
| Funding from utility revenue              | 547                         | 547                        | 200                        | 164             | (36)              |
| <b>Total sources of capital funding</b>   | <b>547</b>                  | <b>547</b>                 | <b>200</b>                 | <b>164</b>      | <b>(36)</b>       |
| Capitalised expenditure                   | 456                         | 456                        | 90                         | 54              | (36)              |
| Loan redemption                           | 91                          | 91                         | 110                        | 110             | -                 |
| <b>Total application of capital funds</b> | <b>547</b>                  | <b>547</b>                 | <b>200</b>                 | <b>164</b>      | <b>(36)</b>       |

## 12. APPENDIX: ADDITIONAL AND NON-FINANCIAL INFORMATION

### Workforce Reporting



| Workforce reporting - September 2018: Headcount | Employee Type |                     |           |           |           |           |       |
|---|---------------|---------------------|-----------|-----------|-----------|-----------|-------|
| Department Level                                | Casual        | Contract of Service | Perm Full | Perm Part | Temp Full | Temp Part | Total |
| Office of CEO                                   | 6             | 2                   | 30        | 4         | 6         | 2         | 50    |
| Organisational Services                         | 7             | 5                   | 163       | 19        | 25        | 6         | 225   |
| Community and Customer Service                  | 31            | 5                   | 238       | 63        | 26        | 9         | 372   |
| Infrastructure and Operations                   | 10            | 6                   | 309       | 14        | 19        | 2         | 360   |
| Total   | 54            | 18                  | 740       | 100       | 76        | 19        | 1007  |

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

| Days Overdue | Sep-18             | % Overdue     | Sep-17             | % Overdue     | \$ Variance        | % Variance   | Comment  |
|--------------|--------------------|---------------|--------------------|---------------|--------------------|--------------|--|
| 0 - 30       | \$1,112            | 0.00%         | \$3,477            | 0.01%         | -\$2,365           | -0.01%       | Monitoring of overdue rates will be continuously implemented. Further support to the Revenue Collection team through upskilling and training of staff is expected to reduce overdue rates balance. |
| 31 - 60      | \$3,602,724        | 4.89%         | \$3,180,950        | 4.63%         | \$421,774          | 0.26%        |  |
| 61 - 90      | \$432              | 0.00%         | \$2,081            | 0.00%         | -\$1,649           | 0.00%        |  |
| 91 - 180     | \$1,714,466        | 2.33%         | \$1,324,479        | 1.93%         | \$389,987          | 0.40%        |  |
| >180         | \$3,443,598        | 4.68%         | \$2,504,929        | 3.65%         | \$938,669          | 1.03%        |  |
| <b>Total</b> | <b>\$8,762,332</b> | <b>11.90%</b> | <b>\$7,015,916</b> | <b>10.22%</b> | <b>\$1,746,416</b> | <b>1.68%</b> |  |



## 13. GLOSSARY

### Key Terms

**Written Down Value:**

*This is the value of an asset after accounting for depreciation or amortisation, and it is also called book value or net book value.*

**Work In Progress:**

*This represents an unfinished project that costs are still being added to. When a project is completed, the costs will be either capitalised (allocated to relevant asset class) or written off.*

### Definition of Ratios

**Operating Surplus Ratio\*:**

*This is an indicator of the extent to which revenues raised cover operational expenses only or are available for capital funding purposes*

Net Operating Surplus

Total Operating Revenue

**Asset Sustainability Ratio\*:**

*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*

Capital Expenditure on Replacement of Infrastructure Assets (Renewals)

Depreciation Expenditure on Infrastructure Assets

**Net Financial Liabilities\*:**

*This is an indicator of the extent to which the net financial liabilities of Council can be serviced by operating revenues*

Total Liabilities - Current Assets

Total Operating Revenue

**Level of Dependence on General Rate Revenue:**

*This ratio measures Council's reliance on operating revenue from general rates (excludes utility revenues)*

General Rates - Pensioner Remissions

Total Operating Revenue - Gain on Sale of Developed Land

**Current Ratio:**

*This measures the extent to which Council has liquid assets available to meet short term financial obligations*

Current Assets

Current Liabilities

**Debt Servicing Ratio:**

*This indicates Council's ability to meet current debt instalments with recurrent revenue*

Interest Expense + Loan Redemption

Total Operating Revenue - Gain on Sale of Developed Land

**Cash Balance - \$M:**

*Cash balance include cash on hand, cash at bank and other short term investments.*

Cash Held at Period End

**Cash Capacity in Months:**

*This provides an indication as to the number of months cash held at period end would cover operating cash outflows*

Cash Held at Period End

[[Cash Operating Costs + Interest Expense] / Period in Year]

**Longer Term Financial Stability - Debt to Asset Ratio:**

*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*

Current and Non-current loans

Total Assets

**Operating Performance:**

*This ratio provides an indication of Redland City Council's cash flow capabilities*

Net Cash from Operations + Interest Revenue and Expense

Cash Operating Revenue + Interest Revenue

**Interest Coverage Ratio:**

*This ratio demonstrates the extent which operating revenues are being used to meet the financing charges*

Net Interest Expense on Debt Service

Total Operating Revenue

\* 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.