



AGENDA

General Committee Meeting

Monday, 14 March 2022

commencing at 10am

Council Chambers, 9 Pelican Street, Tewantin

Committee: Crs Frank Wilkie (Chair), Karen Finzel, Joe Jurisevic, Amelia Lorentson, Clare Stewart, Brian Stockwell, Tom Wegener

“Noosa Shire – different by nature”

TABLE OF CONTENTS

ITEM	PAGE
1. ATTENDANCE & APOLOGIES	3
2. CONFIRMATION OF MINUTES	3
3. PRESENTATIONS	3
4. DEPUTATIONS	3
5. ITEMS REFERRED FROM COMMITTEES	4
1 MCU19/0089.02 & OPW19/0160.02 – MINOR CHANGE TO DEVELOPMENT APPROVAL FOR RETAIL BUSINESS TYPE 5 VEHICLE USES, RETAIL BUSINESS TYPE 2 SHOP AND OPERATIONAL WORKS – SIGNAGE AT 52 – 54 MARY STREET NOOSAVILLE	4
2 NOOSA RIVER STAKEHOLDER ADVISORY COMMITTEE UPDATE	4
6. REPORTS DIRECT TO GENERAL COMMITTEE	5
3 NOOSA NORTH SHORE FERRY REVIEW AND PROPOSED TENDER	5
4 FINANCIAL PERFORMANCE REPORT – FEBRUARY 2022	17
7. CONFIDENTIAL SESSION	29

1. ATTENDANCE & APOLOGIES

2. CONFIRMATION OF MINUTES

The Minutes of the General Committee Meeting held on 14 February 2022 be received and confirmed.

3. PRESENTATIONS

Nil.

4. DEPUTATIONS

Nil.

5. ITEMS REFERRED FROM COMMITTEES

PLANNING & ENVIRONMENT COMMITTEE

- 1 **MCU19/0089.02 & OPW19/0160.02 – MINOR CHANGE TO DEVELOPMENT APPROVAL FOR RETAIL BUSINESS TYPE 5 VEHICLE USES, RETAIL BUSINESS TYPE 2 SHOP AND OPERATIONAL WORKS – SIGNAGE AT 52 – 54 MARY STREET NOOSAVILLE**

(Planning & Environment Committee Agenda, 8 March 2022, Item 2, Page 25)

Reason for referral – for further consideration.

- 2 **NOOSA RIVER STAKEHOLDER ADVISORY COMMITTEE UPDATE**

(Planning & Environment Committee Agenda, 8 March 2022, Item 4, Page 39)

Reason for referral – for further consideration.

SERVICES & ORGANISATION COMMITTEE

Nil

6. REPORTS DIRECT TO GENERAL COMMITTEE**3 NOOSA NORTH SHORE FERRY REVIEW AND PROPOSED TENDER**

Author Property Advisor, Denis Wallace
Corporate Services Department

Index ECM/LEAS13/0040/59.05 Noosa River Ferry Services

Attachments

1. AEC Review - Extracts of Benchmarked Cable Ferry Services
2. AEC Review - Extract of Operating Models Available to Council
3. AEC Review - Extracts of Recommended Operating Model Opportunities & Risks

EXECUTIVE SUMMARY

This report provides feedback on the outcomes and recommendations of an independent review of the Noosa North Shore Ferry service operating model. Council commissioned the review by AEC Group economic consultants to inform its upcoming procurement process for the next service commencing in 2024 following the expiry of the existing lease. The review benchmarked Noosa's existing service against other cable ferry operations in Eastern Australia, indicating it is one of the most highly patronised and financially sustainable services in the country.

AEC assessed the range of operating models available to Council and recommends two primary models, which involve the outsourced operation of the service and either Council owned or contractor owned vessels. Market sounding indicates an active market appears to exist for both these operating models.

Staff recommend the fully outsourced model is pursued through a new tender, as it retains the demonstrated financial sustainability strengths of Noosa's historic model, which have avoided ratepayer subsidisation. This tender approach will allow competitive market responses from a range of experience operators having different procurement opportunities for vessels.

A recommended tender process is outlined, which aims to award a contract in late-2022 for the next service term commencing on July 1, 2024.

RECOMMENDATION

That Council note the report by the Property Advisor to the General Committee Meeting dated 14 March 2022 and agree to proceed to the tender process for a new ferry service to commence in July 2024, based on the fully outsourced operating model identified as Option 2 and the recommended tender approach outlined in the report.

REPORT

The purpose of this report is to provide feedback on the outcome of an independent review of the Noosa North Shore Ferry service model and outline a recommended tender approach to procure the next ferry service commencing in July 2024.

1. Background

Council operates the Noosa North Shore Ferry service via a commercial lease agreement currently held by Noosa North Shore Ferries Pty Ltd (NNSF). The service provides the primary vehicle access to residents, workers and visitors to the Noosa North Shore.

In April 2019, Council considered a report providing a review of the ferry service and recommending award of a lease extension available under the agreement with NNSF. Council decided to award

a 3-year extension only at that time, rather the 5-year extension recommended by staff, and resolved that “the remaining balance 2 year extension period to be further considered prior to the lease expiry to allow Council to investigate opportunities for digital technology introduction”.

In August 2021 Council considered a report providing an update on the status of digital technology investigations into opportunities, progress of an independent review of the service and seeking agreement to award the balance 2-year lease extension to NNSF. Council agreed to award the extension and NNSF’s lease agreement is now scheduled to expire on 30 June 2024.

2. Independent Ferry Review

Economic consultants, AEC Group, were commissioned in mid-2021 to undertake a broad review of the Noosa North Shore ferry service to inform the upcoming service renewal process. AEC’s review was completed in February 2022. Key extracts from the review are contained in this report, and supporting attachments. However, the review in its entirety has not been attached to this report due to the commercial-in-confidence nature of market responses and financial assessment which may impact the upcoming service tender process.

AEC’s review addresses:

- The current ferry service model and operating environment
- Benchmarking of 17 existing cable ferry services in Eastern Australia
- Engagement with local stakeholders
- Market sounding of potential service providers
- Financial and non-financial evaluation of potential operating models
- Service level considerations for the future service
- Procurement process considerations and recommendations

Notable findings in the report include:

- The existing Noosa River service is one of the busiest cable ferry services in Australia (if not the busiest), servicing approximately 300,000 – 400,000 crossings annually. See annual crossing history in **Figure 1** below.

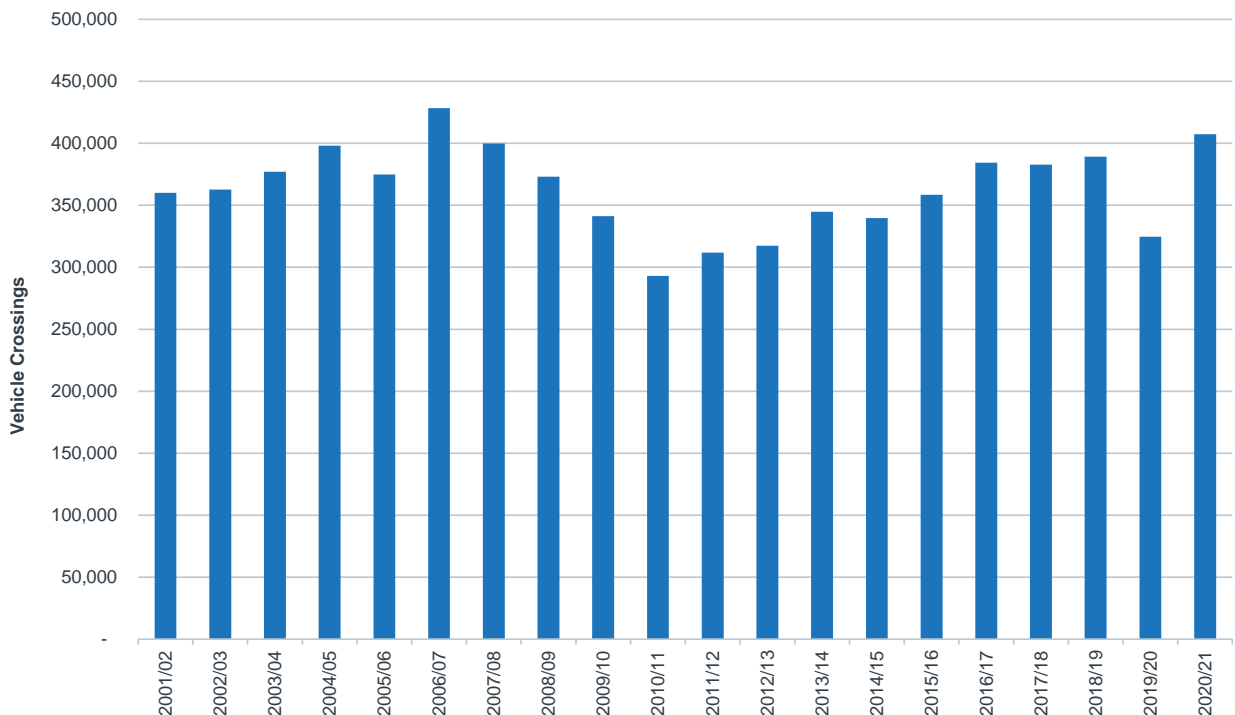


Fig. 1 - Annual Vehicle Crossings (excluding freight vehicles)

- Noosa's service appears to be the only double cable ferry service in Australia, with this providing carrying capacity, traffic movement and maintenance scheduling advantages.
- Contractual models, crossing fees and carrying capacity vary widely across the benchmarked services. Most services are State-run, with only a few run by local governments. The majority of services are either heavily or fully taxpayer/ratepayer subsidised. Only the Noosa, Daintree and Jardine River services appear to run on cost-recovery basis. Extracts of the benchmarked services' details are included in Attachment 1.
- A number of local governments are actively looking to transfer their ferry operations to State Government responsibility.
- The benchmarked operating models are predominantly via contractual agreement, with the responsible authority owning the vessel and the contractor operating the service. Only the Noosa North Shore and Moggill ferry services involve the contractor owning the vessel/s, though the Daintree River service also previously operated in this way.
- Only one benchmarked service provided a priority resident lane, being the Daintree River northern approach operated for 3 months of the year. Most services operate with remotely operated boom gates, there is limited video monitoring for queuing, payment methods are a mix of cash only and EFTPOS, and the majority use payments on-board the vessel.
- Benchmarked services include a range of resident concessions, with Noosa's level of concession one of the highest.
- Stakeholder feedback themes included hours of operation, fees, payment options, crossing infrastructure and Cooloola Recreation Area visitation pressures. These inform AEC's service level and procurement recommendations. Some stakeholders requested their feedback remain confidential.
- QPWS indicates it is seeking to address sustainable visitation for the Cooloola Recreation Area and observed that "peak period loads are where impacts are most evident and potential management measures may include influencing a 'spread' of total annual visitation to transfer a percentage of peak usage to under-utilised times and/or sites".
- Market sounding indicates an active market appears to exist for both the own-and-operate and operate-only contracting models.

Importantly, AEC's financial modelling points to sufficient revenue and return for the service to continue to contribute to Council's general revenue and avoid ratepayer subsidisation under the recommended operating models, which are discussed further below.

AEC identifies 10 different operating options, being combinations of council-owned and contractor-owned vessel models under different fee and revenue share arrangements - see extract in Attachment 2. AEC recommends Council considers two primary models outlined below. An extract of AEC's assessment of the associated risks for both options is included as Attachment 3.

Option 1. Council owned and contracted operations under a fixed fee for service plus revenue share - *on the basis that Council has access to cheaper capital to fund the vessel purchases, the fixed fee component reduces the revenue fluctuation risk for the contractor, and the revenue share component provides a financial incentive for the contractor to ensure that vehicles are transported in an expedited and efficient manner.*

This option sees Council procure its own vessels and outsource the operation of the service. Identified strengths are Council's lower cost of finance and ability to enter into a shorter-term contract for the operation. Weaknesses of this option are Council's lack of expertise and capacity to procure and maintain vessels and the asset management and maintenance imposts that would transfer to Council for marine infrastructure, which is not an existing area of its core business. There is also greater potential for less contractor oversight and maintenance of Council-owned vessels.

Option 2. Contractor owned and operated under a fixed fee for service plus revenue share - *on the basis that Council does not have the capability to design and procure suitable vessels for the*

contractor, the fixed fee component reduces the revenue fluctuation risk for the contractor, and the revenue share component provides a financial incentive for the contractor to ensure that vehicles are transported in an expedited and efficient manner.

This option sees the contractor provide its own vessels for it to operate the service, consistent with Council's approach for the full history of its involvement in the service. Identified strengths are the ability to seek timely, competitive market responses for the supply and maintenance of the vessels, greater contractor oversight of its own ferries and leveraging of available expertise of existing operators. Weaknesses of this option are the need for longer contract terms, which limit future contracting alternatives.

Proceeding to a tender for the fully outsourced operating model in Option 2 is recommended by staff, as it retains the demonstrated strengths of Noosa's outsourced model, which have avoided ratepayer subsidisation, and would allow competitive market responses from a range of experienced operators having different procurement opportunities for new or existing vessels.

A key element to the new service arrangement is adaptability; in particular to accommodate long-term changes to technology, demand, legislation or environmental conditions. Provisions for future adaptability are proposed via a draft Service Agreement contract prepared by King and Company solicitors, which will form part of the tender package.

3. Recommended Tender Approach

Staff recommend Council proceeds to tender for the fully outsourced service model identified as Option 2 above. Indicative tender details are proposed as follows:

Service	Supply and Operation of Vehicle Ferries
Contract Type	Service Agreement
Term	10 - 20 years
Option	5 years
Commencement Date	1 July 2024
Payment Structure	Fixed fee + revenue share
Minimum Vessel Sizes	2 x 10 vehicle ferries
Operating Hours	Per existing times but subject to variation by agreement should need arise
Responsibility for Setting Crossing Fees and Concessions	Council
Mandatory Service Components	Electronic payments, Service Plan, Insurances
Tender Response Period	3 - 4 months

The Service Plan listed above will be a key tender component requiring submitters to extensively detail their proposed service provision systems, methods and processes, together with proposed improvements over the current service. The Service Plan will provide opportunities to identify market driven innovation and consider new queue management approaches, technology or infrastructure needs.

Proposed tender assessment weighting criteria are as follows:

Criteria	Weighting
Price	40%
Service Plan	30%
Track Record and Capacity	12.5%
WH&S and Quality Systems	5%
Contribution to Local Economy	5%
Environment and Sustainability	7.5%

Timing for the tender is expected to involve:

Tender release	May 2022
Tender close	August 2022
Report to Council on the tender outcome	October 2022
Potential tender award	November/December 2022

Given the importance of the contract, staff intend to engage an independent probity advisor to support and monitor the tender process.

Previous Council Consideration

Ordinary Meeting, 19 August April 2021, Item 6, Page 17

That Council note the report by the Manager Property to the Services & Organisation Committee Meeting dated 10 August 2021 regarding the Noosa North Shore Ferry lease and:

- A. Agree to award the remaining 2-year lease extension to Noosa North Shore Ferries Pty Ltd; and*
- B. Agree to consider a further report at Council's February 2022 round of Council meetings regarding proposed ferry service operating models, contractual arrangements and tender process for the purpose of proceeding to procure a new ferry service operation commencing 1 July 2024.*

Ordinary Meeting, 18 April 2019, Item 4, Page 11

That Council note the report by the Property Advisor to the Services & Organisation Committee Meeting dated 9 April 2019 and:

- A. Note the operator's request for a 5-year extension to the existing ferry lease;*
- B. Subject to obtaining the operator's agreement, agree to only extend the lease for 3 years from 1 July 2019 to 30 June 2022 at this time, with the remaining balance 2 year extension period to be further considered prior to the lease expiry to allow Council to investigate opportunities for digital technology introduction; and*
- C. Request staff further investigate opportunities for a simplified concession system, as outlined in the report.*

Finance

The existing ferry lease agreement with NNSF operates on a revenue share basis and is current until 30 June 2024. The current service agreement provides a return which contributes to Council's general revenue. The service arrangement and fee structures applied by Council has ensured the ferry service has historically never needed ratepayer subsidisation, with the return achieved offsetting general rate revenue requirements to support Council in meeting its financial sustainability targets.

AEC's financial analysis across a range of modelled scenarios suggests an ongoing ability to maintain the revenue-positive outcome for the service. Though, given the desired service improvements sought, such as electronic payment options and queue management, there is potential for increased contractor costs that would erode current revenue levels. Revenue and crossing fee implications will be considered as part of the tender assessment process and will be reported to Council.

Risks & Opportunities

The report seeks a timely Council determination in the lead up to the expiry to the current ferry lease agreement. The timeline detailed in Section 3 above seeks to allow sufficient time for a successful tenderer to procure new vessels if required (18 months). There would be risks in the event of a lapsed agreement or the need to proceed to an alternate procurement process.

The recommended tender process seeks to leverage the expertise of an identified field of potential tenderers to obtain competitive market responses from experienced operators.

Council is a member of the Teewah Cooloola Working Group, which has sought to address the issue of sustainable use levels for the area. Potential for future permit limits on Noosa North Shore visitors are noted in the QPWS feedback above. Under the current lease agreement, such revenue impacts are predominantly borne by Council. Similarly, the proposed fixed fee component to be tendered for the new service would be intended to provide financial surety to the contractor.

Consultation

External Consultation - Community & Stakeholder

- AEC Group
- King and Company Solicitors
- Teewah Landowners Association*
- North Shore Residents Association*
- Queensland Parks & Wildlife Service*
- Beach Road Holiday Homes*
- Noosa North Shore Resort*
- Noosa North Shore Ferries*

**Via consultant stakeholder engagement*

Internal Consultation

Departments/Sections Consulted:

- | | | |
|--|--|---|
| <input type="checkbox"/> Chief Executive Officer
Executive Support | <input checked="" type="checkbox"/> Community Services
Director
Community Development
Community Facilities
Libraries & Galleries
Local Laws
x Waste & Environmental Health | <input checked="" type="checkbox"/> Corporate Services
x Director
x Financial Services
Fleet
ICT
x Procurement
x Property
Revenue Services |
| <input type="checkbox"/> Executive Services
Director
Community Engagement
Customer Service
Governance
People and Culture | <input type="checkbox"/> Environment & Sustainable Development
Director
Building & Plumbing Services
Development Assessment
Economic Development
Environmental Services
Strategic Land Use Planning | <input type="checkbox"/> Infrastructure Services
Director
Asset Management
Buildings and Facilities
Civil Operations
Disaster Management
Infrastructure Planning,
Design and Delivery |

ATTACHMENT 1. AEC Ferry Review - Extracts of Benchmarked Cable Ferry Services

Table 3.1. Cabled Service Benchmarking Sample

Ferry Service	State	Ferry Service	State	Ferry Service	State
Daintree River	QLD	Hibbard	NSW	Speewa	NSW
Jardine River	QLD	Lawrence	NSW	Ulmarra	NSW
Moggill	QLD	Lower Portland	NSW	Webbs Creek	NSW
Berowra Waters	NSW	Mortlake	NSW	Wisemans	NSW
Bombah Point	NSW	Sackville	NSW	Wymah	NSW
Burns Point	NSW	Settlement Point	NSW		

Source: AEC

Table 3.4. Annual Cabled Service Capacity and Usage

Ferry Service	Vehicle Capacity	Vehicles	Notes
Noosa North Shore	2 x 10	407,282	2020-21
Daintree River	27	335,946	Estimate based on 2020-21 ticket sales
Moggill	20	180,000	Estimate based on 500 vehicles per day in 2015-16
Berowra Waters	15	276,000	Estimate based on 23,000 vehicles per month
Bombah Point	6	n.a.	No data
Burns Point	12	n.a.	No data
Hibbard	15	n.a.	No data
Jardine River	6	n.a.	No data
Lawrence	18	n.a.	No data
Lower Portland	4	26,000	Estimate based on 509 vehicles per week in February 2019
Mortlake	18	n.a.	No data
Sackville	15	185,000	Estimate based on more per day than per week for Lower Portland
Settlement Point	21	450,000	Estimate provided by Port Macquarie Hastings Council
Speewa	3	n.a.	No data
Ulmarra	6	n.a.	No data
Webbs Creek	24	n.a.	No data
Wisemans	24	n.a.	No data
Wymah	3	n.a.	No data

Source: Consultation with ferry providers, online data sources

Table 3.5. Ownership and Operating Model by Cabled Service

Ferry Service	Operating Model	Responsible Authority	Owner	Operator
Local Government Authorities				
Noosa North Shore	Contractual Agreement	Noosa Shire Council	Noosa-North Shore Ferries Pty Ltd	Noosa-North Shore Ferries Pty Ltd
Burns Point	Self-Operated	Ballina Shire Council	Ballina Shire Council	Ballina Shire Council
Daintree River	Contractual Agreement	Douglas Shire Council	Douglas Shire Council	Entrada Travel Group
Hibbard	Contractual Agreement	Port Macquarie-Hastings Council	Port Macquarie-Hastings Council	Ferryman (Port Macquarie) Pty Ltd
Jardine River	Self-Operated	Northern Peninsula Area Regional Council	Northern Peninsula Area Regional Council	Northern Peninsula Area Regional Council
Lower Portland	Contractual Agreement	The Hills Shire/ Hawkesbury City Councils	Hawkesbury City Council	Tono Services Pty Ltd
Settlement Point	Contractual Agreement	Port Macquarie-Hastings Council	Port Macquarie-Hastings Council	Ferryman (Port Macquarie) Pty Ltd
State Government Authorities				
Berowra Waters	Contractual Agreement	Transport for NSW	Transport for NSW	Tono Services Pty Ltd
Bombah Point	Self-Operated	NSW National Parks & Wildlife Service	NSW National Parks & Wildlife Service	NSW National Parks & Wildlife Service
Lawrence	Contractual Agreement	Transport for NSW	Transport for NSW	Tono Services Pty Ltd
Moggill	Contractual Agreement	Department of Transport & Main Roads	Sealink SEQ	Sealink SEQ
Mortlake	Contractual Agreement	Transport for NSW	Transport for NSW	Macca Ferries Pty Ltd
Sackville	Contractual Agreement	Transport for NSW	Transport for NSW	Tono Services Pty Ltd
Speewa	Contractual Agreement	Transport for NSW	Transport for NSW	Ferryman (Port Macquarie) Pty Ltd
Ulmarra	Contractual Agreement	Transport for NSW	Transport for NSW	Tono Services Pty Ltd
Webbs Creek	Contractual Agreement	Transport for NSW	Transport for NSW	Tono Services Pty Ltd
Wisemans	Contractual Agreement	Transport for NSW	Transport for NSW	Tono Services Pty Ltd
Wymah	Contractual Agreement	Transport for NSW	Transport for NSW	Ferryman (Port Macquarie) Pty Ltd

Source: NSW Tenderlink, consultation with ferry providers, online data sources

Table 3.10. Payment Methods by Cabled Service

Ferry Service	Details of Payment Methods
Local Government Authorities	
Noosa North Shore	<ul style="list-style-type: none"> • Cash payment only with silver coins not accepted • Payment is made upon boarding the vessel • Minor trialling of EFTPOS has been undertaken since 2020
Burns Point	<ul style="list-style-type: none"> • EFTPOS payment only • EFTPOS payment infrastructure utilising CBA Albert EFTPOS tablets • Payment is made at the ferry cabin after boarding the vessel • No issues reported with EFTPOS
Daintree River	<ul style="list-style-type: none"> • EFTPOS and cash payments available • Ferry tickets are purchased at the ticket booth on the southern side or on board the ferry • EFTPOS can drop out on the ferry and may take 1-2 minutes per transaction and as such all transactions are processed at the ticket booth on the southern side either upon entering or exiting the ferry to avoid delays • All transactions are processed on board the ferry outside of ticket booth operating hours • Cash payments are required when the EFTPOS is down
Hibbard + Settlement Point	<ul style="list-style-type: none"> • EFTPOS and cash payments available • EFTPOS payment infrastructure utilises Square readers connected to the ferry operator's smart phone – there were concerns with traditional mobile EFTPOS terminals in rain/adverse weather conditions which is why the Square option was selected • Payment is made upon boarding the vessel • 20-30 second processing time per vehicle for EFTPOS
Jardine River	<ul style="list-style-type: none"> • EFTPOS and online payments only • Payment and proof of purchase is provided at the Jardine Ferry Roadhouse prior to boarding
State Government Authorities	
Bombah Point	<ul style="list-style-type: none"> • Cash payment only • Payment is made upon boarding the vessel • No reason provided for cash only, but given its location access to existing infrastructure, limited mobile coverage within a national park, and limited patronage and level of service provided may be reasons why EFTPOS is not provided
Moggill	<ul style="list-style-type: none"> • Bookings not taken as vessel operates as an on-demand service • Cash payment only • Payment is made upon boarding the vessel • Contractor was unable to be contacted to provide insight into why the service is cash only

Source: Consultation with ferry providers, online data sources

ATTACHMENT 2. AEC Ferry Review – Extract of Operating Models Available to Council

Table E.1. Available Ferry Service Operating Models

Operating Model	Description
Vessels Owned by Council	
Council Operated with Own Resources	<ul style="list-style-type: none"> • Council owns the vessels and associated infrastructure and equipment. • Council is responsible for resourcing the service with its own staff.
Contracted Operations with Revenue Share	<ul style="list-style-type: none"> • Council owns the vessels and associated infrastructure and equipment. • Council pays the contractor a variable payment based on a set share of the revenue received from users of the service.
Contracted Operations with Fixed Fee for Service	<ul style="list-style-type: none"> • Council owns the vessels and associated infrastructure and equipment. • Council pays a fixed amount to the contractor for an agreed level of service irrespective of the revenue received.
Contracted Operations with Fixed Fee for Service plus Revenue Share	<ul style="list-style-type: none"> • Council owns the vessels and associated infrastructure and equipment. • Council pays a lower fixed base amount to the contractor for an agreed level of service, plus a variable payment based on a set share of the revenue received from users of the service.
Contracted Operations with Minimum Fee for Service plus Revenue Share Above a Certain Threshold	<ul style="list-style-type: none"> • Council owns the vessels and associated infrastructure and equipment. • Council guarantees the payment of a minimum amount to the contractor for an agreed level of service, plus a variable payment based on a set share of the revenue received from users of the service above a certain threshold.
Vessels Owned by Contractor	
Fully Outsourced Operation with Fixed Annual Payment to Council	<ul style="list-style-type: none"> • Contractor owns the vessels and associated infrastructure and equipment. • Contractor sets prices (potentially with set restrictions during the contract term) and pays Council a fixed annual fee.
Revenue Share	<ul style="list-style-type: none"> • Contractor owns the vessels and associated infrastructure and equipment. • Council pays the contractor a variable payment based on a set share of the revenue received from users of the service.
Fixed Fee for Service	<ul style="list-style-type: none"> • Contractor owns the vessels and associated infrastructure and equipment. • Council pays a fixed amount to the contractor for an agreed level of service irrespective of the revenue received.
Fixed Fee for Service plus Revenue Share	<ul style="list-style-type: none"> • Contractor owns the vessels and associated infrastructure and equipment. • Council pays a lower fixed base amount to the contractor for an agreed level of service, plus a variable payment based on a set share of the revenue received from users of the service.
Minimum Fee for Service plus Revenue Share Above a Certain Threshold	<ul style="list-style-type: none"> • Contractor owns the vessels and associated infrastructure and equipment. • Council guarantees the payment of a minimum amount to the contractor for an agreed level of service, plus a variable payment based on a set share of the revenue received from users of the service above a certain threshold.

Source: AEC

ATTACHMENT 3. AEC Ferry Review – Extract of Recommended Operating Models Opportunities & Risks

Option 1 – Council Owned Vessels

NOOSA NORTH SHORE FERRY REVIEW



Model	Opportunities	Risks	Risk Score
Contracted Operations with Fixed Fee for Service plus Revenue Share			
Operational/ Service Delivery	<ul style="list-style-type: none"> Council utilises a contractor with the requisite ferry / marine industry experience to operate the service. Technology improvements to improve the customer experience (EFTPOS, booking systems, etc.) can be advanced via conditions in the new contract. Council will remain to some extent at arm's length regarding the ferry operation and day-to-day issues. Council can, via conditions in the new contract, ensure the contractor handles the day-to-day customer service enquiries / complaints relating to the ferry operation. Contractor performance monitoring against service benchmarks / KPI's will be able to be conditioned in the new contract. Contractor has a strong incentive to move as many vehicles as possible during the day. 	<ul style="list-style-type: none"> Less flexibility to adapt to current and future Council plan and strategy adoption requiring negotiation and potential compensation should contractual requirements not be clear or need to be amended. Ongoing customer and or political enquiries / complaints relating to the ferry operation. 	<p>Medium (M32)</p> <p>Medium (M28)</p>
Governance/ Legal/ Regulatory	<ul style="list-style-type: none"> Procuring a contractor with the required expertise in the marine / ferry regulatory environment and operations will mitigate some legal and regulatory exposure. Contractor relationship management and performance will be guided via the new contract terms and conditions. Council still has an opportunity to undertake business planning to guide future contract management performance. Ferry marketing and communication can be delegated to the contractor via new contract conditions. 	<ul style="list-style-type: none"> Council does not have the capability to design and procure suitable vessels for the contractor. Legitimate contractors are dissuaded from tendering under a fixed fee for service plus revenue share model given associated financial risks. Contractual renegotiation and financial compensation associated with potential State Government imposed permits/restrictions. Council is exposed to ICT security breaches if technology obligations are not passed on to the contractor. 	<p>Extreme (E88)</p> <p>Medium (M52)</p> <p>High (H72)</p> <p>High (H72)</p>
Human Resources	<ul style="list-style-type: none"> Council will avoid the need to directly employ and manage staff under existing local government awards / Council's enterprise agreement conditions, reducing pressure on internal services and Property branch management. 	<ul style="list-style-type: none"> Contractor may not be able to find suitable resources. 	<p>Medium (M32)</p>
Financial/ Economic	<ul style="list-style-type: none"> Tendered prices will exclude a commercial return on capital component given Council would be purchasing the ferries. Upside revenue fluctuation benefits resulting from increased crossing volumes above budget forecast will be shared with the contractor, but annual price increases do not need to be shared with the contractor if a unit-based system based on the contract year fees is established (as per the current contract). Financial efficiencies achieved by the contractor via employing staff under non-local government awards should be reflected in tendered pricing. 	<ul style="list-style-type: none"> The upfront capital investment required in new / upgraded ferry infrastructure results in deferral / delay of other priority projects in Council's capital plan. Financial exposure from reduced crossing volumes compared to budget forecast, including exposure to any State Government imposed permits/restrictions. Current fees may not be sufficient to maintain Council's return from the ferry operation due to increased tender prices and capital costs associated with new ferry acquisitions. Contractor will tender a revenue share arrangement based on conservative demand estimates to reduce financial risk over the course of the contract term. 	<p>Medium (M32)</p> <p>High (M40)</p> <p>High (H60)</p> <p>High (H60)</p>
Asset	<ul style="list-style-type: none"> Council can lever off existing internal asset management resourcing and expertise to ensure appropriate asset service levels are maintained. 	<ul style="list-style-type: none"> Additional asset management resourcing requirements due to ferry ownership (asset management planning, establishment and delivery of annual preventative and reactive maintenance regimes, renewals forecasting, etc.). 	<p>Medium (M40)</p>
Political/ Reputational	<ul style="list-style-type: none"> Nil. 	<ul style="list-style-type: none"> Direct political intervention/adverse decision making leading to sub-optimal commercial outcomes and additional Council / Property branch staff pressure and workloads. 	<p>High (H52)</p>

Option 2 – Contractor Owned Vessels

NOOSA NORTH SHORE FERRY REVIEW



Model	Opportunities	Risks	Risk Score
Fixed Fee for Service plus Revenue Share			
Operational/ Service Delivery	<ul style="list-style-type: none"> Council utilises a contractor with the requisite ferry / marine industry experience to operate the service. Technology improvements to improve the customer experience (EFTPOS, booking systems, etc.) can be advanced via conditions in the new contract. Council will remain to some extent at arm's length regarding the ferry operation and day-to-day issues. Council can, via conditions in the new contract, ensure the contractor handles the day-to-day customer service enquiries / complaints relating to the ferry operation. Contractor performance monitoring against service benchmarks / KPI's will be able to be conditioned in the new contract. 	<ul style="list-style-type: none"> Less flexibility to adapt to current and future Council plan and strategy adoption requiring negotiation and potential compensation should contractual requirements not be clear or need to be amended. Ongoing customer and or political enquiries / complaints relating to the ferry operation. 	<p>Medium (M32)</p> <p>Medium (M28)</p>
Governance/ Legal/ Regulatory	<ul style="list-style-type: none"> Procuring a contractor with the required expertise in the marine / ferry regulatory environment and operations will mitigate some legal and regulatory exposure. Contractor relationship management and performance will be guided via the new contract terms and conditions. Council still has an opportunity to undertake business planning to guide future contract management performance. Ferry marketing and communication can be delegated to the contractor via new contract conditions. 	<ul style="list-style-type: none"> Legitimate contractors are dissuaded from tendering under a fixed fee for service plus revenue share model given associated financial risks. Contractual renegotiation and financial compensation associated with potential State Government imposed permits/restrictions. Council is exposed to ICT security breaches if technology obligations are not passed on to the contractor. 	<p>Medium (M52)</p> <p>High (H72)</p> <p>High (H72)</p>
Human Resources	<ul style="list-style-type: none"> Council will avoid the need to directly employ and manage staff under existing local government awards / Council's enterprise agreement conditions, reducing pressure on internal services and Property branch management. 	<ul style="list-style-type: none"> Contractor may not be able to find suitable resources. 	<p>Medium (M32)</p>
Financial/ Economic	<ul style="list-style-type: none"> Council will avoid the need for significant upfront capital funding required to procure new / upgraded ferry infrastructure (not currently included in 10-year capital investment forecasts). Upside revenue fluctuation benefits resulting from increased crossing volumes above budget forecast will be shared with the contractor, but annual price increases do not need to be shared with the contractor if a unit-based system based on the contract year fees is established (as per the current contract). Financial efficiencies achieved by the contractor via employing staff under non-local government awards should be reflected in tendered pricing. 	<ul style="list-style-type: none"> Financial exposure from reduced crossing volumes compared to budget forecast, including exposure to any State Government imposed permits/restrictions. Current fees may not be sufficient to maintain Council's return from the ferry operation due to increased tender prices and capital costs associated with new ferry acquisitions. Contractor will tender a revenue share arrangement based on conservative demand estimates to reduce financial risk over the course of the contract term. 	<p>High (M40)</p> <p>Extreme (E88)</p> <p>High (H60)</p>
Asset	<ul style="list-style-type: none"> Asset management responsibilities will reside with the contractor. 	<ul style="list-style-type: none"> 'Asset sweating' and resulting potential performance failures if contract conditions are not explicit regarding asset management responsibilities. 	<p>High (H72)</p>
Political/ Reputational	<ul style="list-style-type: none"> Nil. 	<ul style="list-style-type: none"> Direct political intervention / adverse decision resulting in sub optimal commercial outcomes and additional Council / Property branch staff pressure / workloads. 	<p>High (H60)</p>

4 FINANCIAL PERFORMANCE REPORT – FEBRUARY 2022

Author Financial Services Manager (Acting), Pauline Coles
Corporate Services Department

Index ECM/ Subject / 22.09 – Monthly Financial Performance Report

- Attachments**
1. Statement of Income and Expenditure (Profit & Loss and Capital)
 2. Statement of Financial Position
 3. Statement of Cash Flows
 4. Summary of Materials and Services Expenditure

EXECUTIVE SUMMARY

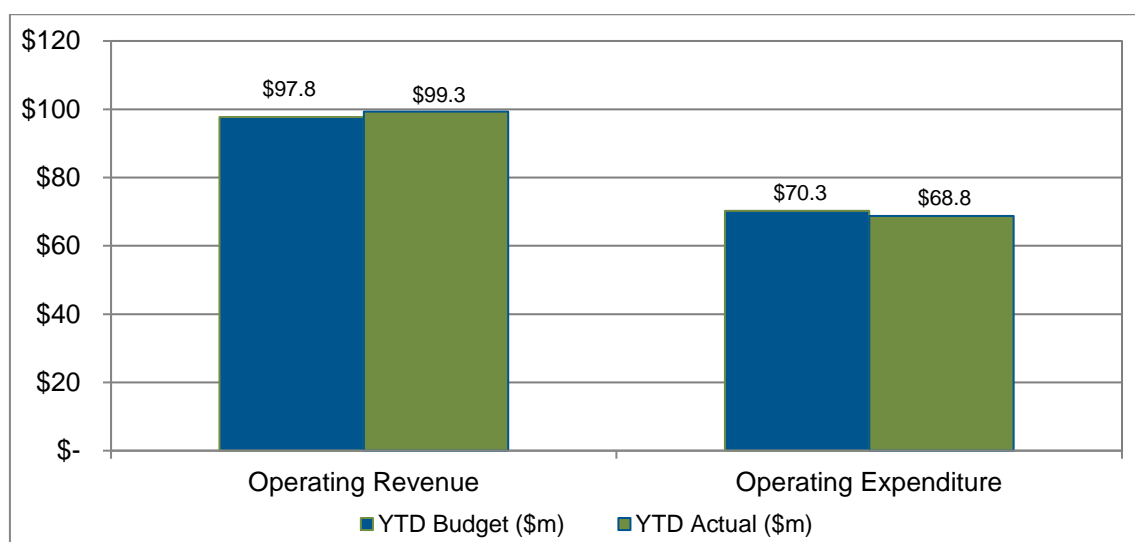
Year-to-date (YTD) performance against current budget as at 28 February 2022 is positive with operating revenues outperforming forecast and operating expenditure below budget. The YTD budget and actual operating position is high reflecting revenue associated with the second annual rates and charges levied in January. This will degrade through to June as expenditure is incurred for service delivery. The Capital revenues are in line with forecast with capital expenditure behind due to the timing of project delivery.

YTD Financial Performance Summary					
	Budget \$m	Actual \$m	Variance \$m	Variance %	Status
Operating Revenue	\$97.8	\$99.3	\$1.6	1.6%	On Track
Operating Expense	\$70.1	\$68.8	\$1.3	1.8%	On Track
Operating Position	\$27.3	\$30.5	\$3.2	11.6%	
Capital Revenue	\$12.5	\$12.8	\$0.4	3.1%	On Track
Capital Expenditure*	\$24.8	\$20.6	\$4.2	16.9%	Below Budget

* Reflects constructed assets and intangibles only (excludes contributed)

Financial statements including Statement of Income & Expenditure, Statement of Financial Position (balance sheet), and Statement of Cash Flows are included as attachments for information for Council.

Figure 1: Actual Performance Compared to Budget



Council's performance against key measures of financial sustainability has been calculated as at February 2022. These indicators enable the reader to assess Council's success in managing its budget, cash and debt as well as undertaking sustainable asset management. The table below contains a snapshot of a number of key measures, with full detail included in the report.

YTD Measures of Financial Sustainability				
	Target	Current Budget	Actual YTD	Status
Operating Surplus Ratio	0-10%	-0.6%	30.8%	On Track
Net Financial Liabilities Ratio	<60%	-12.7%	-58.2%	Above Target
Cash Cover Ratio	3 months	8.8 months	14.2 months	Above Target
Asset Sustainability Ratio	> 90%	130.1%	51.0%	On Track

RECOMMENDATION

That Council note the report by the Financial Services Manager (Acting) to the General Committee Meeting dated 14 March 2022 outlining February 2022 year to date financial performance against budget, including changes to the financial performance report with the inclusion of key financial sustainability indicators.

REPORT

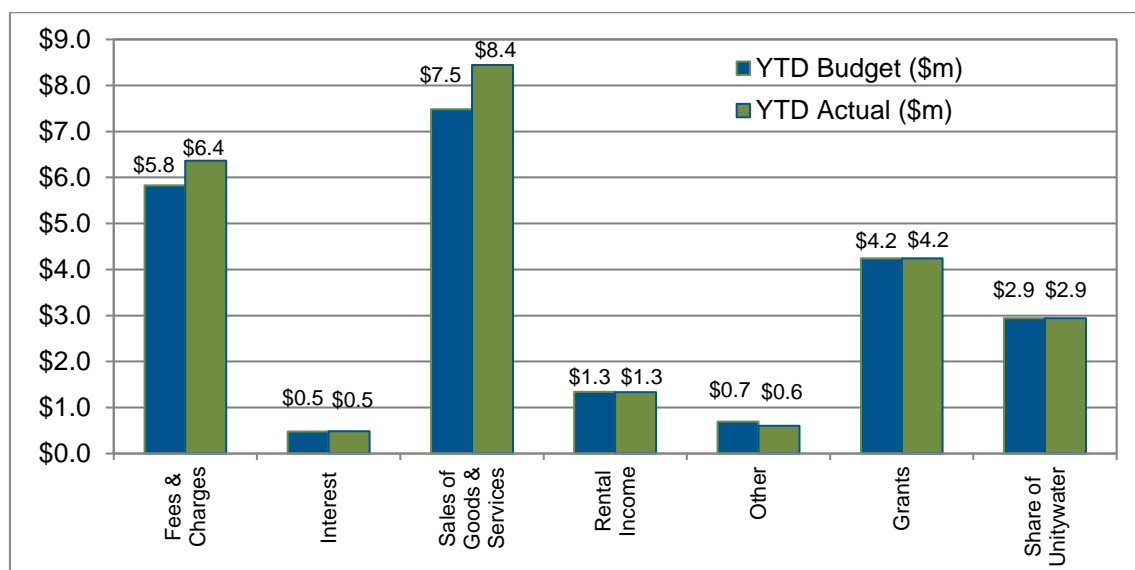
Operating Revenue (YTD Benchmark 66.67%)

Council has received 91% (\$99.3 million) of its operating revenue budget (\$109.6 million). Commentary on each revenue category is provided below.

Category	Summary	Comments
Rates and Levies	\$74.9 million (100%) of the annual budget of \$74.8 million has been earned	<ul style="list-style-type: none"> Waste utility charges \$360k above YTD budget (101.7% or \$13.5 million of \$13.2 million annual budget earned) General rate (net of discounts) \$219k below YTD budget (99.8% or \$56.1 million of \$56.2 million annual budget earned)
Fees and Charges	\$6.4 million (77%) of the \$8.2 million annual budget has been earned	<ul style="list-style-type: none"> Plumbing application fees \$142k above YTD budget (85.2% or \$1.1 million of \$1.3 million annual budget earned) Local Laws fees \$107k above YTD budget (81% or \$1.3 million of \$1.6 million annual budget earned) Property and Facility fees \$99k above YTD budget (76% or \$310k of \$408k annual budget earned) Development assessment fees \$97k above YTD budget (73.3% or \$1.7 million of \$2.4 million annual budget earned)
Sale of Goods and Services	\$8.5 million (76%) of the \$11.1 million annual budget has been received	<ul style="list-style-type: none"> Holiday Park sales \$515k above YTD budget (84% or \$2.6 million of \$3.1 million annual budget earned) – Positive revenue variances that hold through the financial year will be offset in part by additional variable operating costs Waste management sale of recoverable materials \$265k above YTD budget (100% or \$1.1 million of \$1.1 million annual budget earned) Waste disposal fees \$63k above YTD budget (67% or \$2.7 million of \$4.0 million annual budget earned)

Category	Summary	Comments
		<ul style="list-style-type: none"> Noosa Aquatic Centre revenue \$63k above YTD budget (71.5% or \$1.2 million of \$1.7 million annual budget earned)
Interest Received	\$486k (73%) of the \$670k annual budget has been earned	<ul style="list-style-type: none"> Interest revenues on cash invested will need ongoing monitoring to ensure returns on surplus funds are maximised as investment rates begin to increase.
Other Revenue	\$1.9m (62%) of the \$3.1 million annual budget has been earned	<ul style="list-style-type: none"> Waste sulo bin recoveries below YTD budget \$88k (27.8% or \$63k of \$226k annual budget earned) Holiday Park electricity recoupment below YTD budget \$79k. No revenue recouped YTD due to supplier delays from COVID. Installation has now commenced and is in implementation phase.
Operating Grants, Subsidies	\$4.2 million (72%) of the \$5.9 million annual budget has been received	<ul style="list-style-type: none"> Operating grants are in line with budget expectations at this stage. 50% (\$1.2 million) of the financial assistance grant was again prepaid in June 2021 and may impact on Council's 2021/22 final operating position if the prepayment approach is discontinued by the Australian government.
Unitywater Distributions	On track	<ul style="list-style-type: none"> Unitywater distributions are fixed each year so little budget variance risk

Figure 2: Operating Revenue Position by Type (Excluding Rates)



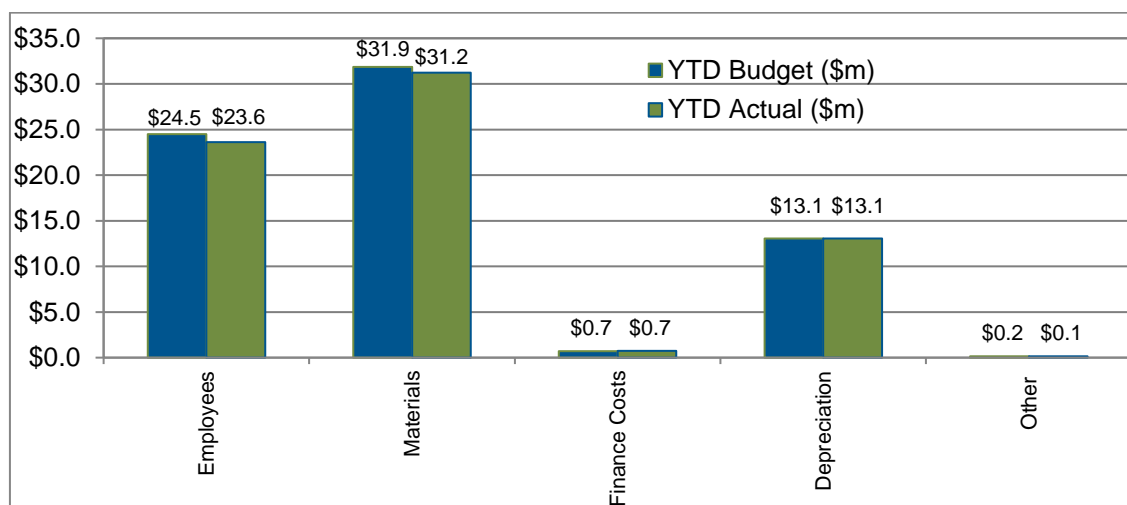
Operating Expenditure (YTD Benchmark 66.67%)

Actual operating expenditure is currently 62% (\$68.8 million) of full year budget (\$110.1 million). Detailed commentary for each expenditure category is provided below.

Category	Summary	Comments
Employee Costs	\$23.6 million (62%) of the annual budget of \$38.1 million has been expended	<ul style="list-style-type: none"> YTD under expenditure for permanent staff salaries and wages (\$2.75 million) due to position vacancies, partially offset by additional spend on casual staff and external labour hire (\$1.1 million).

Category	Summary	Comments
Materials and Services	\$31.3 million (61%) of the \$51.1 million annual budget has been expended.	<ul style="list-style-type: none"> Environment Services costs \$304k below YTD budget (30.9% or \$1.1 million of \$3.6 million annual budget spent) – COVID-19 impacts on staff have delayed project delivery YTD. Libraries & Galleries \$256k below YTD budget (47% or \$860k of \$1.8 million annual budget spent) – timing of heritage programs and operational contract services Waste Management \$216k below YTD budget (62% or \$7.1 million of \$11.3 million annual budget spent) Development Assessment \$190k below YTD budget (48% or \$807k of \$1.6 million annual budget spent) – timing of development appeal costs. Holiday Parks \$446k above YTD budget (89% or \$1.5 million of \$1.67 million annual budget spent) – offset by additional revenue.
Finance Costs	On track	Nil
Depreciation	On track	Nil
Other Expenses	On track	Nil

Figure 3: Operating Expenditure Position by Type



Tourism and Economic Development Investment Summary

Council resolved to report on a monthly basis, investment details for tourism and economic development. Expenditure at 28 February 2022 is outlined below:

Expenditure	Annual Budget \$m	YTD Budget \$m	YTD Actual \$m	YTD Variance
Payment to Tourism Noosa	\$2.52	\$2.52	\$2.52	-
Economic Development	\$1.06	\$0.43	\$0.57	(\$0.14)
Total	\$3.58	\$2.95	\$3.09	(\$0.14)

All instalments payable under the Tourism Noosa agreement for the 2021-22 financial year have been made. Note, the current agreement expires at 30 June 2022 but has been granted a 12 month extension to 30 June 2023.

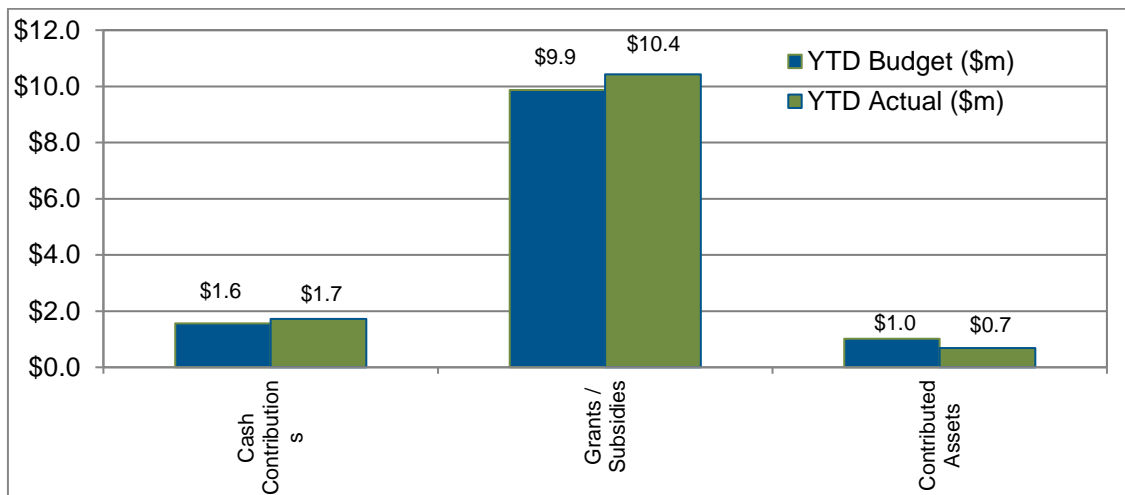
YTD Economic Development expenditure is below budget due to lower employee costs (\$58k), due the Branch Manager acting as Director of Environment & Sustainable Development for part of the financial year. This has also impacted timing for delivery of initiatives under the Local Economic Plan (\$76k).

Tourism and economic development activity is funded through the general rate, with 5.8% of the annual general rate committed towards tourism and economic development. Should actual general rate revenue fall below budget, this does not impact Council’s contractual commitment to fully fund all tourism and economic development activity. Any general rate revenue shortfall is funded through other general revenue sources to ensure all planned activities are undertaken in full.

Capital Revenue

YTD capital revenue of \$12.8 million received comprises cash contributions from developers (\$1.7 million) and capital grants (\$10.4 million). Note that the timing of capital grant receipts are generally dependent on the timing of grant conditions and also capital delivery performance, and that the timing of the receipt of developer contributions (both cash and contributed) is unpredictable.

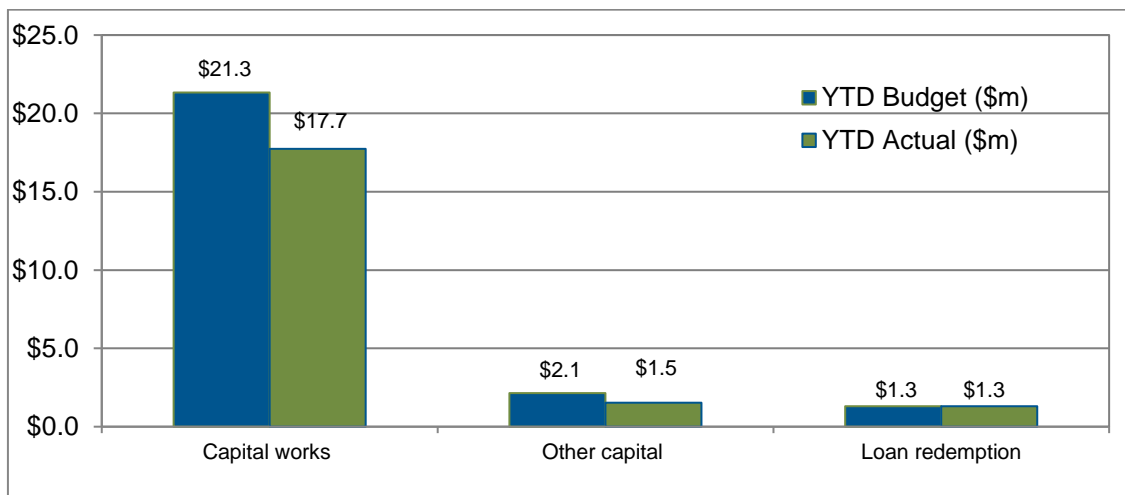
Figure 4: Capital Revenue by Type



Capital Program

Actual capital expenditure (excluding commitments) is \$20.6 million (YTD budget \$24.8 million). Detailed discussion of progress in the delivery of the capital works program is provided through a separate quarterly report by the Asset Planning Manager.

Figure 5: Capital Program Delivery Performance

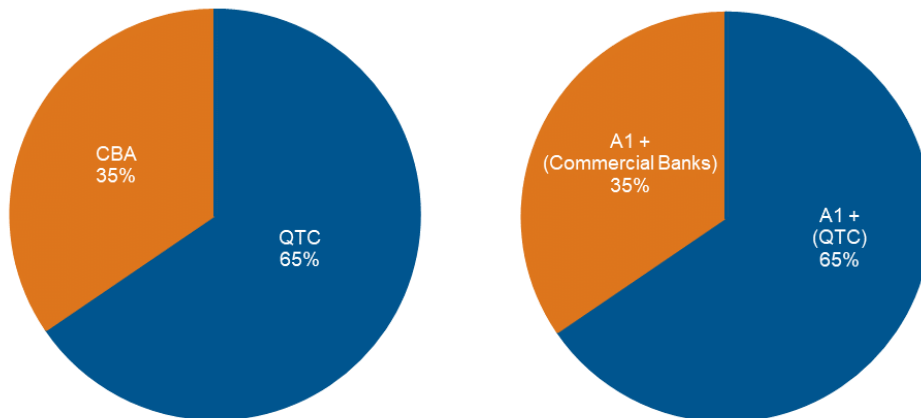


Cash Management and Investment Performance

Total cash on hand at the end of February was \$106.1 million. Included in this balance are funds held in trust and for restricted purposes (e.g. unexpended levy and grant funds), prepaid grants including the financial assistance grant and other capital works grants, January rates payments received, and unspent monies committed for funding capital projects which are underway and will continue during the financial year.

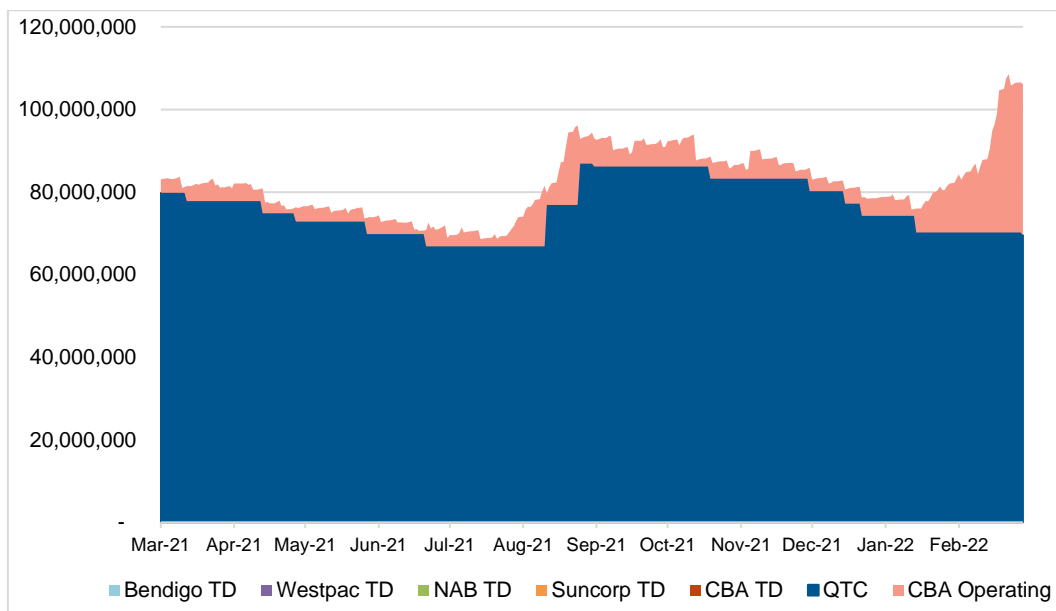
The following pie charts present the mix of cash held at February 2022 by agency (graph on the left) and by credit risk rating (graph on the right). All funds have been invested in accordance with the Investment Policy and in consideration of the principles of ethical investment, preservation of capital, return on investment and counterparty thresholds.

Figure 6: Closing Cash Held by Agency and Credit Rating



The following chart monitors the 12 month trend on total cash and the agencies invested. Payments received in February from bi-annual rates generated a significant increase in cash, which have and will be invested in short term QTC deposits in line with Council’s Investment Policy. The QTC cash rate currently offers the best available short term investment rate when compared to rates being offered by the commercial institutions.

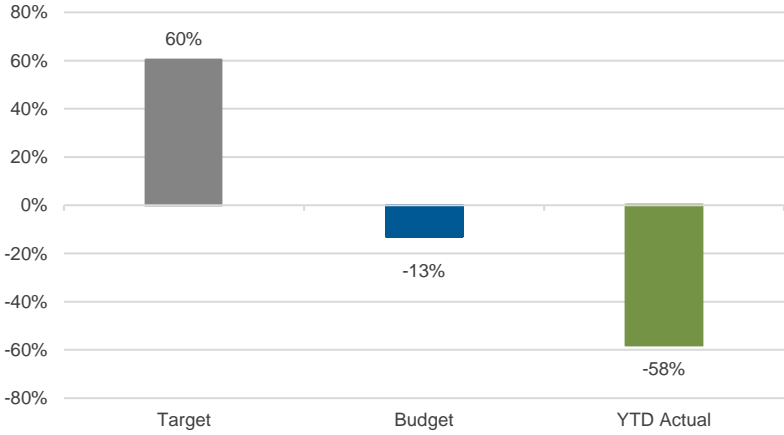
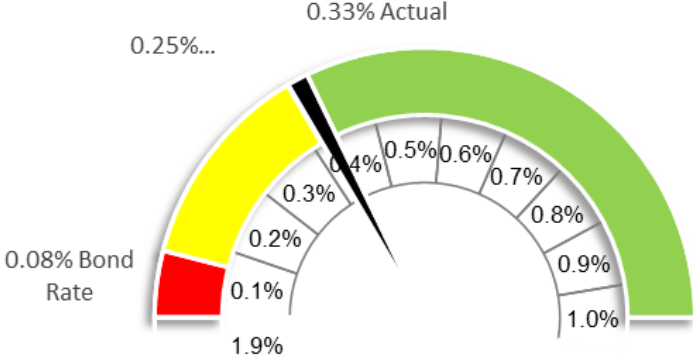
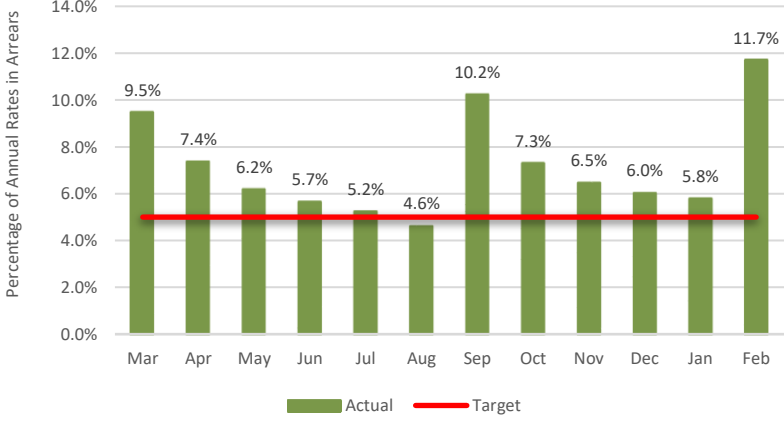
Figure 7: 12 Month Trend of Cash Invested by Agency



Measures of Financial Sustainability

The following table incorporates a set of financial sustainability indicators to further assist in managing Council financial performance. There are no current emerging risks regarding performance noting the early stage of the financial year.

Category	Comments																																																																	
<p>Operating Surplus Ratio</p> <table border="1"> <caption>Operating Surplus Ratio Data</caption> <thead> <tr> <th>Month</th> <th>Actual (%)</th> <th>Budget (%)</th> <th>Target (%)</th> </tr> </thead> <tbody> <tr><td>Jul</td><td>82.6%</td><td>82.6%</td><td>10%</td></tr> <tr><td>Aug</td><td>60.9%</td><td>60.9%</td><td>10%</td></tr> <tr><td>Sep</td><td>44.5%</td><td>44.5%</td><td>10%</td></tr> <tr><td>Oct</td><td>30.5%</td><td>30.5%</td><td>10%</td></tr> <tr><td>Nov</td><td>18.3%</td><td>18.3%</td><td>10%</td></tr> <tr><td>Dec</td><td>8.3%</td><td>8.3%</td><td>10%</td></tr> <tr><td>Jan</td><td>39.0%</td><td>39.0%</td><td>10%</td></tr> <tr><td>Feb</td><td>30.8%</td><td>30.8%</td><td>10%</td></tr> <tr><td>Mar</td><td></td><td></td><td>10%</td></tr> <tr><td>Apr</td><td></td><td></td><td>10%</td></tr> <tr><td>May</td><td></td><td></td><td>10%</td></tr> <tr><td>Jun</td><td></td><td></td><td>10%</td></tr> </tbody> </table>	Month	Actual (%)	Budget (%)	Target (%)	Jul	82.6%	82.6%	10%	Aug	60.9%	60.9%	10%	Sep	44.5%	44.5%	10%	Oct	30.5%	30.5%	10%	Nov	18.3%	18.3%	10%	Dec	8.3%	8.3%	10%	Jan	39.0%	39.0%	10%	Feb	30.8%	30.8%	10%	Mar			10%	Apr			10%	May			10%	Jun			10%	<ul style="list-style-type: none"> Intent: Identifies the extent to which revenues cover operational expenses, to ensure community equity is not degraded Target: 0 – 10% Result: 30.8% Comment: The ratio is at the second peak for the year following the issue of rates and levies in January. This ratio will slowly decline as expenditure on operations occurs through to the end of the financial year at 30 June 2022. 													
Month	Actual (%)	Budget (%)	Target (%)																																																															
Jul	82.6%	82.6%	10%																																																															
Aug	60.9%	60.9%	10%																																																															
Sep	44.5%	44.5%	10%																																																															
Oct	30.5%	30.5%	10%																																																															
Nov	18.3%	18.3%	10%																																																															
Dec	8.3%	8.3%	10%																																																															
Jan	39.0%	39.0%	10%																																																															
Feb	30.8%	30.8%	10%																																																															
Mar			10%																																																															
Apr			10%																																																															
May			10%																																																															
Jun			10%																																																															
<p>Cash Expense Cover</p> <table border="1"> <caption>Cash Expense Cover Data</caption> <thead> <tr> <th>Month</th> <th>Actual (Months)</th> <th>Minimum (>0 months)</th> <th>Target (3 months)</th> <th>Maximum (6 months)</th> </tr> </thead> <tbody> <tr><td>Mar</td><td>12.2</td><td>0</td><td>3</td><td>6</td></tr> <tr><td>Apr</td><td>11.6</td><td>0</td><td>3</td><td>6</td></tr> <tr><td>May</td><td>10.9</td><td>0</td><td>3</td><td>6</td></tr> <tr><td>Jun</td><td>10.1</td><td>0</td><td>3</td><td>6</td></tr> <tr><td>Jul</td><td>10.4</td><td>0</td><td>3</td><td>6</td></tr> <tr><td>Aug</td><td>12.8</td><td>0</td><td>3</td><td>6</td></tr> <tr><td>Sep</td><td>12.5</td><td>0</td><td>3</td><td>6</td></tr> <tr><td>Oct</td><td>11.9</td><td>0</td><td>3</td><td>6</td></tr> <tr><td>Nov</td><td>11.8</td><td>0</td><td>3</td><td>6</td></tr> <tr><td>Dec</td><td>10.8</td><td>0</td><td>3</td><td>6</td></tr> <tr><td>Jan</td><td>11.2</td><td>0</td><td>3</td><td>6</td></tr> <tr><td>Feb</td><td>14.2</td><td>0</td><td>3</td><td>6</td></tr> </tbody> </table>	Month	Actual (Months)	Minimum (>0 months)	Target (3 months)	Maximum (6 months)	Mar	12.2	0	3	6	Apr	11.6	0	3	6	May	10.9	0	3	6	Jun	10.1	0	3	6	Jul	10.4	0	3	6	Aug	12.8	0	3	6	Sep	12.5	0	3	6	Oct	11.9	0	3	6	Nov	11.8	0	3	6	Dec	10.8	0	3	6	Jan	11.2	0	3	6	Feb	14.2	0	3	6	<ul style="list-style-type: none"> Intent: Indicates how long council can continue paying its day-to-day expenses from cash at bank without needing additional cash flows Target: > 3 months Result: 14.2 months Comment: Council is forecast to remain above target for the financial year. Business as usual expenditure through to 30 June 2022 will continue to diminish Council's cash holdings, albeit not below the target range of 3 – 6 months.
Month	Actual (Months)	Minimum (>0 months)	Target (3 months)	Maximum (6 months)																																																														
Mar	12.2	0	3	6																																																														
Apr	11.6	0	3	6																																																														
May	10.9	0	3	6																																																														
Jun	10.1	0	3	6																																																														
Jul	10.4	0	3	6																																																														
Aug	12.8	0	3	6																																																														
Sep	12.5	0	3	6																																																														
Oct	11.9	0	3	6																																																														
Nov	11.8	0	3	6																																																														
Dec	10.8	0	3	6																																																														
Jan	11.2	0	3	6																																																														
Feb	14.2	0	3	6																																																														
<p>Asset Sustainability Ratio</p> <table border="1"> <caption>Asset Sustainability Ratio Data</caption> <thead> <tr> <th>Month</th> <th>Actual Renewal Spend (%)</th> <th>Target (%)</th> <th>Renewals Budget (%)</th> </tr> </thead> <tbody> <tr><td>Jul</td><td>0.9%</td><td>90%</td><td>0.9%</td></tr> <tr><td>Aug</td><td>6.6%</td><td>90%</td><td>6.6%</td></tr> <tr><td>Sep</td><td>10.3%</td><td>90%</td><td>10.3%</td></tr> <tr><td>Oct</td><td>18.2%</td><td>90%</td><td>18.2%</td></tr> <tr><td>Nov</td><td>27.5%</td><td>90%</td><td>27.5%</td></tr> <tr><td>Dec</td><td>32.9%</td><td>90%</td><td>32.9%</td></tr> <tr><td>Jan</td><td>39.8%</td><td>90%</td><td>39.8%</td></tr> <tr><td>Feb</td><td>51.0%</td><td>90%</td><td>51.0%</td></tr> <tr><td>Mar</td><td></td><td>90%</td><td></td></tr> <tr><td>Apr</td><td></td><td>90%</td><td></td></tr> <tr><td>May</td><td></td><td>90%</td><td></td></tr> <tr><td>Jun</td><td></td><td>90%</td><td>130.1%</td></tr> </tbody> </table>	Month	Actual Renewal Spend (%)	Target (%)	Renewals Budget (%)	Jul	0.9%	90%	0.9%	Aug	6.6%	90%	6.6%	Sep	10.3%	90%	10.3%	Oct	18.2%	90%	18.2%	Nov	27.5%	90%	27.5%	Dec	32.9%	90%	32.9%	Jan	39.8%	90%	39.8%	Feb	51.0%	90%	51.0%	Mar		90%		Apr		90%		May		90%		Jun		90%	130.1%	<ul style="list-style-type: none"> Intent: Measures the extent to which assets are being replaced as their condition degrades to ensure service potential is maintained Target: 90% of depreciation budget spent on renewals annually Result: In line with budget Comment: The capital works program remains on track and this ratio will continue to increase each month as expenditure on renewals occurs. 													
Month	Actual Renewal Spend (%)	Target (%)	Renewals Budget (%)																																																															
Jul	0.9%	90%	0.9%																																																															
Aug	6.6%	90%	6.6%																																																															
Sep	10.3%	90%	10.3%																																																															
Oct	18.2%	90%	18.2%																																																															
Nov	27.5%	90%	27.5%																																																															
Dec	32.9%	90%	32.9%																																																															
Jan	39.8%	90%	39.8%																																																															
Feb	51.0%	90%	51.0%																																																															
Mar		90%																																																																
Apr		90%																																																																
May		90%																																																																
Jun		90%	130.1%																																																															

Category	Comments																																							
<p>Net Financial Liabilities Ratio</p>  <table border="1"> <caption>Net Financial Liabilities Ratio Data</caption> <thead> <tr> <th>Category</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>Target</td> <td>60%</td> </tr> <tr> <td>Budget</td> <td>-13%</td> </tr> <tr> <td>YTD Actual</td> <td>-58%</td> </tr> </tbody> </table>	Category	Value	Target	60%	Budget	-13%	YTD Actual	-58%	<ul style="list-style-type: none"> Intent: Outlines the level that net Council debt can be serviced by operating revenues. A ratio below zero implies that liabilities are less than cash (and other current assets) and there is adequate borrowing capacity available if needed. Target: less than 60% Result: -58% Comment: Council has low debt levels and strong cash holdings. 																															
Category	Value																																							
Target	60%																																							
Budget	-13%																																							
YTD Actual	-58%																																							
<p>Investment Return</p>  <table border="1"> <caption>Investment Return Data</caption> <thead> <tr> <th>Value</th> </tr> </thead> <tbody> <tr> <td>0.33% Actual</td> </tr> <tr> <td>0.25% Target</td> </tr> <tr> <td>0.08% Bond Rate</td> </tr> <tr> <td>0.1%</td> </tr> <tr> <td>0.2%</td> </tr> <tr> <td>0.3%</td> </tr> <tr> <td>0.4%</td> </tr> <tr> <td>0.5%</td> </tr> <tr> <td>0.6%</td> </tr> <tr> <td>0.7%</td> </tr> <tr> <td>0.8%</td> </tr> <tr> <td>0.9%</td> </tr> <tr> <td>1.0%</td> </tr> <tr> <td>1.9%</td> </tr> </tbody> </table>	Value	0.33% Actual	0.25% Target	0.08% Bond Rate	0.1%	0.2%	0.3%	0.4%	0.5%	0.6%	0.7%	0.8%	0.9%	1.0%	1.9%	<ul style="list-style-type: none"> Intent: Ensure appropriate return on investment yield for cash at bank. Target: 0.25% above current Bloomberg commonwealth 10-year bond rate yield (0.08%) Result: 0.33% Comment: Regardless of the current levels of low long-term bond and interest rates Council's investment return still remains above target. <p>As investment rates increase opportunities to maximise returns on surplus funds will be explored in line with Council's investment policy.</p>																								
Value																																								
0.33% Actual																																								
0.25% Target																																								
0.08% Bond Rate																																								
0.1%																																								
0.2%																																								
0.3%																																								
0.4%																																								
0.5%																																								
0.6%																																								
0.7%																																								
0.8%																																								
0.9%																																								
1.0%																																								
1.9%																																								
<p>Rates in Arrears</p>  <table border="1"> <caption>Rates in Arrears Data</caption> <thead> <tr> <th>Month</th> <th>Actual (%)</th> <th>Target (%)</th> </tr> </thead> <tbody> <tr> <td>Mar</td> <td>9.5%</td> <td>5%</td> </tr> <tr> <td>Apr</td> <td>7.4%</td> <td>5%</td> </tr> <tr> <td>May</td> <td>6.2%</td> <td>5%</td> </tr> <tr> <td>Jun</td> <td>5.7%</td> <td>5%</td> </tr> <tr> <td>Jul</td> <td>5.2%</td> <td>5%</td> </tr> <tr> <td>Aug</td> <td>4.6%</td> <td>5%</td> </tr> <tr> <td>Sep</td> <td>10.2%</td> <td>5%</td> </tr> <tr> <td>Oct</td> <td>7.3%</td> <td>5%</td> </tr> <tr> <td>Nov</td> <td>6.5%</td> <td>5%</td> </tr> <tr> <td>Dec</td> <td>6.0%</td> <td>5%</td> </tr> <tr> <td>Jan</td> <td>5.8%</td> <td>5%</td> </tr> <tr> <td>Feb</td> <td>11.7%</td> <td>5%</td> </tr> </tbody> </table>	Month	Actual (%)	Target (%)	Mar	9.5%	5%	Apr	7.4%	5%	May	6.2%	5%	Jun	5.7%	5%	Jul	5.2%	5%	Aug	4.6%	5%	Sep	10.2%	5%	Oct	7.3%	5%	Nov	6.5%	5%	Dec	6.0%	5%	Jan	5.8%	5%	Feb	11.7%	5%	<ul style="list-style-type: none"> Intent: Ensuring that the amount of unpaid rates remains sustainable and does not negatively impact cash flows Target: 5% industry benchmark Result: 11.7% Comment: Rates arrears are at its bi-annual peak following the due date for the January rates issue. This ratio will continue to decline from the high point in the cycle as payments are received. Recovery action may be considered where appropriate.
Month	Actual (%)	Target (%)																																						
Mar	9.5%	5%																																						
Apr	7.4%	5%																																						
May	6.2%	5%																																						
Jun	5.7%	5%																																						
Jul	5.2%	5%																																						
Aug	4.6%	5%																																						
Sep	10.2%	5%																																						
Oct	7.3%	5%																																						
Nov	6.5%	5%																																						
Dec	6.0%	5%																																						
Jan	5.8%	5%																																						
Feb	11.7%	5%																																						

Previous Council Consideration

Nil.

Finance

As above.

Risks & Opportunities

Council’s risk register identifies a number of risks that could impact on its ongoing financial sustainability. In order to manage and mitigate these risks, Council uses various tools which include monthly ongoing financial reporting to identify and address issues, conservative budgeting and compliance with the Financial Sustainability Policy, regular budget reviews, effective liquidity management to ensure sufficient fiscal flexibility, as well as the Reserves and Restricted Cash policy requiring both a disaster management reserve and 3 months cash cover reserves to fund emergent matters.

Some examples of potential risks that may impact on Council’s operational performance, capital program delivery, cashflow and cash reserves include:

- Substantial damage to or failure of Council infrastructure due to natural disaster or other emergent issue that may require significant unplanned investment;
- Closure of Council facilities due to ongoing Covid 19 restrictions;
- A prolonged IT system failure affecting Council’s ability to deliver services or issue rates notices;
- Economic conditions affecting ratepayers’ ability to pay rates;
- Market driven increases in construction and operational costs significantly above estimates;
- Labour and material shortages and delays.

Given the recent flooding event, assessments are currently underway to assess what impact this may have on Council’s financial position and what disaster funding opportunities may available to offset this expenditure.

Consultation

External Consultation - Community & Stakeholder

Nil.

Internal Consultation

All areas of Council are consulted as part of the regular monitoring of budget performance.

Departments/Sections Consulted:

<p><input checked="" type="checkbox"/> Chief Executive Officer Executive Support</p>	<p><input checked="" type="checkbox"/> Community Services Director Community Development Community Facilities Libraries & Galleries Local Laws Waste & Environmental Health</p>	<p><input checked="" type="checkbox"/> Corporate Services X Director X Financial Services Fleet ICT Procurement Property Revenue Services</p>
<p><input checked="" type="checkbox"/> Executive Services Director Community Engagement Customer Service Governance People and Culture</p>	<p><input checked="" type="checkbox"/> Environment & Sustainable Development Director Building & Plumbing Services Development Assessment Economic Development Environmental Services Strategic Land Use Planning</p>	<p><input checked="" type="checkbox"/> Infrastructure Services Director Asset Management Buildings and Facilities Civil Operations Disaster Management Infrastructure Planning, Design and Delivery</p>

ATTACHMENT 1

Noosa Council**Statement of Income and Expenditure**

For the Year Ended 30 June 2022

As at 28 February 2022

	Current Budget 2022 (\$'000)	Current Budget YTD (\$'000)	Actual YTD (\$'000)	Variance YTD (\$'000)	Annual Budget %
Profit and Loss Statement					
Revenue					
Recurrent Revenue					
Rates, levies and charges	74,794	74,755	74,909	154	100%
Fees and charges	8,248	5,827	6,364	537	77%
Interest received	670	476	486	10	73%
Sale of Goods and major services	11,094	7,484	8,447	963	76%
Sale of contract and recoverable works	23	-	0	0	1%
Rental & lease income	1,885	1,343	1,334	(10)	71%
Other income	1,244	698	605	(91)	49%
Grants, subsidies, contributions and donations	5,925	4,240	4,243	3	72%
Unitywater Distributions	5,650	2,944	2,944	-	52%
	109,530	97,766	99,333	1,567	91%
Expenses					
Recurrent Expenses					
Employee benefits	38,134	24,479	23,615	864	62%
Materials and services	51,091	31,851	31,222	629	61%
Finance costs	1,114	724	736	(12)	66%
Depreciation	19,589	13,060	13,061	(2)	67%
Other expenses	233	158	130	28	56%
	110,161	70,272	68,765	1,507	62%
Operating Result	(631)	27,494	30,568	3,074	
Summary of Capital Expenditure and Funding					
Capital Funding					
Capital cash contributions and infrastructure charges	1,397	1,565	1,717	152	123%
Contributed assets	1,500	1,011	688	(322)	46%
Capital grants and subsidies	18,963	9,875	10,433	558	56%
Cash / revenue	22,860	13,332	9,305	(4,027)	41%
New loan borrowings	4,859	-	-	-	0%
Other capital revenue	-	-	-	-	0%
Total Capital Funding	49,579	25,783	22,144	(3,639)	
Capital Expenditure					
Contributed assets	1,500	1,011	688	(322)	46%
Capital works - constructed assets	42,440	21,334	17,740	(3,594)	42%
Capital works - other capital	4,342	2,141	1,537	(605)	36%
Loan redemption	1,297	1,297	1,297	-	100%
Other capital expenses	-	-	881	881	0%
Total Capital Expenditure	49,579	25,783	22,144	(3,639)	

ATTACHMENT 2

Noosa Council

Statement of Financial Position

For the Year Ended 30 June 2022

As at 28 February 2022

	2022 Year End Forecast (\$'000)	2022 YTD (\$'000)	2021 (\$'000)
Current Assets			
Cash and cash equivalents	65,875	106,201	68,895
Trade and other receivables	10,286	11,998	7,467
Inventories	144	153	144
Contract Assets	-	487	487
Other current assets	3,425	3,099	4,955
	<u>79,730</u>	<u>121,939</u>	<u>81,948</u>
Non Current Assets held for sale	-	-	-
Total Current Assets	<u>79,730</u>	<u>121,939</u>	<u>81,948</u>
Non Current Assets			
Trade and other receivables	53,761	49,468	49,468
Other non current Assets	-	-	-
Investments	88,040	92,434	92,434
Investment property	3,000	2,900	2,900
Property, plant and equipment	999,038	959,076	952,579
Right of Use Assets	89	89	89
Intangible assets	2,925	2,771	3,036
Total Non Current Assets	<u>1,146,853</u>	<u>1,106,737</u>	<u>1,100,506</u>
Total Assets	<u>1,226,584</u>	<u>1,228,676</u>	<u>1,182,454</u>
Current Liabilities			
Trade and other payables	7,334	14,817	10,468
Contract Liabilities	4,377	4,377	4,377
Borrowings	946	-4	955
Lease Liabilities	25	25	25
Provisions	8,103	5,121	4,947
Other	3,998	2,943	2,898
Total Current Liabilities	<u>24,783</u>	<u>27,279</u>	<u>23,669</u>
Non Current Liabilities			
Borrowings	24,390	20,258	20,258
Lease Liabilities	66	66	66
Provisions	16,555	16,555	16,555
Total Non Current Liabilities	<u>41,011</u>	<u>36,879</u>	<u>36,879</u>
Total Liabilities	<u>65,794</u>	<u>64,158</u>	<u>60,549</u>
Net Community Assets	<u>1,160,791</u>	<u>1,164,517</u>	<u>1,121,905</u>
Community Equity			
Asset Revaluation Surplus	126,129	108,561	108,473
Retained Surplus / (Deficiency)	-	-	-
Shire Capital	1,034,661	1,013,432	999,512
Current Year Net Earnings	-	42,525	13,920
Total Community Equity	<u>1,160,790</u>	<u>1,164,517</u>	<u>1,121,905</u>

ATTACHMENT 3

Noosa Council**Statement of Cash Flows**

For the Year Ended 30 June 2022

As at 28 February 2022

	Current Budget 2022 (\$'000)	Actual YTD 2022 (\$'000)	Actual Full Year 2021 (\$'000)
Cash flows from operating activities			
Cash Flows from Operating Activities			
Receipts from Customers	94,649	92,273	93,975
Payments to Suppliers and Employees	(90,088)	(55,488)	(84,528)
	4,582	36,807	9,447
Receipts:			
Investment and Interest Revenue Received	3,270	1,495	3,401
Rental Income	1,873	1,334	1,365
Non Capital Grants and Contributions	5,887	4,243	6,085
Income Tax Equivalent Received	1,200	1,088	1,450
Income from Equity Investments	1,850	847	1,600
Payments:			
Borrowing Costs	-	-	(2,499)
Interest Expense	(516)	(86)	(131)
Net Cash Inflow/(Outflow) from Operating Activities	18,146	45,728	20,719
Cash Flows from Investing Activities			
Receipts:			
Proceeds of Sale of Property, Plant and Equipment	-	103	217
Grants, Subsidies, Contributions and Donations	20,360	12,150	13,679
Payments:			
Payments of Property, Plant and Equipment	(45,953)	(19,139)	(22,721)
Payments for Intangible Assets	(829)	(361)	(1,385)
Net Movement in Loans and Advances	-	125	125
Net Cash Inflow/(Outflow) from Investing Activities	(26,422)	(7,122)	(10,085)
Cash Flows from Financing Activities			
Receipts:			
Proceeds from Borrowings	4,859	-	2,500
Payments:			
Repayment of Borrowings	(736)	(1,299)	(1,263)
Net Cash Inflow/(Outflow) from Financing Activities	4,123	(1,299)	1,237
Net Increase/(Decrease) in Cash and Cash Equivalents held	(4,153)	37,306	11,871
Cash and Cash Equivalents at the beginning of the reporting period	70,028	68,894	57,023
Cash and Cash Equivalents at the end of the reporting period	65,875	106,201	68,894

ATTACHMENT 4

Noosa Council

Summary of Key Materials and Services Expenditure
 For the Year Ended 30 June 2022
 As at 28 February 2022

	Current Budget 2022 (\$'000)	Current Budget YTD (\$'000)	Actual YTD (\$'000)	Variance YTD (\$'000)	Annual Budget %
Materials and services					
Advertising and Marketing	227	154	140	14	62%
Administration Supplies and Consumables	751	482	439	42	59%
Audit Expenditure	174	11	12	(1)	7%
Communications and IT	684	522	612	(91)	90%
Commission Paid	1,218	784	997	(213)	82%
Consultancy Services	1,279	658	795	(136)	62%
Contract Services	24,287	14,547	14,296	252	59%
Contributions, Donations, Sponsorship and Prizes	3,471	3,059	3,170	(111)	91%
Electricity	1,729	1,147	1,132	15	65%
Internal Fleet Costs and External Plant Hire	1,668	1,079	1,156	(77)	69%
Grants Paid to Community Organisations	1,939	1,152	1,232	(80)	64%
Insurance	703	679	656	23	93%
Legal Expenses	1,866	1,059	863	196	46%
Operating Leases and Rentals	302	218	233	(15)	77%
Software and Maintenance	2,166	1,472	1,384	88	64%
Subscriptions and Registrations	369	289	302	(13)	82%
Waste Levy Payments	1,460	973	1,067	(94)	73%
Water and Sewerage Charges	1,090	697	531	166	49%
All Other Materials and Services	5,708	2,870	2,205	664	39%
	51,091	31,851	31,222	629	61%

7. CONFIDENTIAL SESSION

Nil