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Mayor Mark Jamieson
Sunshine Coast Regional Council
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Dear Mayor Jamieson

Subject: Sunshine Coast Regional Council Budget 2017/18

Following a review of Council's 2017/18 budget, we wish to raise some concerns and to seek clarification on some specific issues.

Over the past 5 or 6 years, Council has been providing minimal information on its business units and significant investment project in both the annual accounts and the budget. These currently include, but are not limited to, SunCentral, the Solar Farm, and the Sunshine Coast Airport runway project.

We also note that in the 2017/18 budget package that the Financial Sustainability Plan, the Revenue Statement Report, and the Community Budget Report have been excluded from the budget package.

On a consolidated basis, total revenue (over 2015/16 actuals) is budgeted to decrease by 6.6% while total expenditure is budgeted to increase by 8.4%, resulting in a net operating result of \$122m. This result is a \$70m decrease on 2015/16 actuals or a 36% decline.

We acknowledge that the Balance Sheet remains strong with major movements being a \$111m decrease in Cash and Investments and a \$446m increase in Property, Plant and Equipment resulting in an increase in Community Equity of \$311m.

A significant portion of the Capital Works program relates to SunCentral, Maroochydhore Development area, the Solar Farm and the airport runway with expenditure close to \$800m over the next ten years. Given the significance and uniqueness of these projects, and given OSCAR's desire for open and transparent governance on the part of the Council in all matters, we believe the Council should provide greater information on the performance of these investments. Our specific queries relate to the following issues:

SC Airport and the Palisade deal

- 1 The budget papers are applying the total proceeds received from Palisade, ie \$372m, as proceeds from the sale of assets and writing off the balance of the value of the airport to nil by 2022. Does this mean that the arrangement made with Palisade is, in fact, a sale of the all of the airport assets including land and not just the existing business and the budgeted new improvements?
- 2 If so, why is it reported in the Budget papers that the initial \$82m, albeit only \$67m of which will be paid now, is a lease payment and not a deposit on the sale of an asset? While 99-year leases are often described as "sale by stealth", they are very rarely recorded as such in financial records.
- 3 Assuming our assumption in question 1 above, why is the Airport which shows a cost/value of over \$400m before finance charges being sold to Palisade for \$372m, resulting in a loss to

ratepayers of over \$39m as shown in the budget figures. Council has stated there would be no cost to ratepayers from the airport expansion. An amount of \$31.603m has been budgeted to be written off against Asset Revaluation reserves.

- 4 Considering details released, and the information in the budget, is it correct to assume that rate payers have not received any goodwill from the sale of the SC Airport business?
- 5 Has the agreement with Palisade been signed and completed?
- 6 What conditions has Palisade placed on the contract proceeding to finalisation, ie specified a date of completion, defects liability period, liquidated damages (for late delivery of runway), and various compliance approvals required by the EIS?
- 7 As it seems that the land on which the Airport is constructed is also included in the deal, what restrictions are being placed on Palisade as to what can be developed on that land?
- 8 Under what terms will Palisade hand back the Airport to Sunshine Coast Ratepayers in 2116?
- 9 Will there, in fact, be anything to hand back to the Sunshine Coast Ratepayers in 2116 or will all maintenance, improvements, etc. made by Palisade during the 99 years become their asset with it all sitting on land supposedly owned by SCRC?

Solar Farm

It is disappointing that Council has decided not to show the forecast costs and benefits from this project, which OSCAR believes is a significant initiative of Council, by indicating revenue from the project offset by electricity costs to demonstrate the soundness of this project given the significant investment by ratepayers. Will the Council be providing the community with the actual result from this project as previously indicated?

SunCentral

Given the Council is effectively both the approval agency and the developer of this significant project through its wholly owned SunCentral entity, OSCAR believes it is essential that the highest level of probity applies to all aspects of this development including the comprehensive reporting of the detailed financial arrangements relating to this project. Again, we ask whether the Council will provide the community with all financial arrangements relating to this project.

We hope that your responses to our questions will go a long way to providing our member organisations with a better understanding of the budget and forecast results through reporting of full details relating to Council's business units.

Yours sincerely



Greg Smith
President