



**AGENDA APPENDIX**  
**Council Meeting**  
**Wednesday 25 June 2014**

AGENDA ITEM FOR SEPARATE DISTRIBUTION TO COUNCILLORS AND EXECUTIVE LEADERSHIP TEAM DUE TO DOCUMENT SIZE.

THE ITEM IS ACCESSIBLE VIA THE COUNCIL WEBSITE OR BY CONTACTING COUNCIL ON 03 5662 9200.

**D.1 FINANCIAL PERFORMANCE REPORT JULY 2013 - MAY 2014**

Appendix 1 – Financial Performance Report – May 2014

# Financial Performance Report – May 2014

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The Financial Performance Report covers the 11 month period from July 2013 to May 2014.

## Overview

### Income Statement

Annual year to date performance:

- Operating result: \$2.644 million deficit which is \$3.790 million favourable compared to the year to date budget projection of \$6.434 million deficit.
- Underlying result: \$5.739 million deficit which is \$2.730 million favourable compared with year to date budget projection of a \$8.469 million underlying deficit

### Balance Sheet

Projected year end result:

- Underlying working capital ratio 1.19 to 1 (original budget 1.44 to 1)

### Cash Flow Statement

Projected year end result:

- Cash assets: \$9.17 million (original budget \$7.64 million)

### Capital Works program

- Expenditure \$11.235 million which is \$1.027 million ahead year to date budget projection of \$10.208 million

The longer term financial performance indicators show that the Financial Plan, adjusted for budget carry forward and other budget adjustments, is financially sustainable.

The balance of this Financial Performance Report is broken down to the following sections:

Section 1 - Year to date financial performance and projected financial results (including internal reserves).

Section 2 – Annual year to date financial analysis.

Section 3 – Long Term Financial Plan analysis.

## SECTION 1 – YEAR TO DATE FINANCIAL PERFORMANCE AND PROJECTED FINANCIAL RESULTS

This section discusses variations in year to date performance and budget projections. The information is presented in the budgeted financial statements format.

### YEAR TO DATE FINANCIAL PERFORMANCE AND PROJECTED FINANCIAL RESULTS

<b>South Gippsland Shire Council</b>								
<b>INCOME STATEMENT</b>								
<b>For the Period Ending 31 May 2014</b>								
	Y.T.D. Actual \$'000	Y.T.D. Budget \$'000	Y.T.D. Variance \$'000	Note	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
<b>REVENUE</b>								
Rates and charges	30,925	30,958	(33)		33,924	33,710	(214)	
Operating grants	8,010	7,129	881	1	9,205	11,834	2,629	A
Reimbursements	410	393	17		380	478	98	
Contributions	260	246	14		60	296	236	
Interest	491	484	7		589	537	(52)	
User charges	3,066	3,263	(197)		3,024	3,565	541	
Statutory fees	485	404	81		519	436	(83)	
Net gain / (loss) on disposal of assets	(14)	(72)	58		372	180	(192)	
Other income	1,144	852	292		931	934	3	
<b>TOTAL REVENUE</b>	<b>44,777</b>	<b>43,657</b>	<b>1,120</b>		<b>49,004</b>	<b>51,970</b>	<b>2,966</b>	
<b>EXPENSES</b>								
Employee costs	19,202	19,547	345		21,133	21,158	(25)	
Materials and consumables	18,923	19,814	891	2	19,843	21,896	(2,053)	B
Depreciation	9,179	9,190	11		9,300	10,061	(761)	
Other expenses	3,109	3,471	362		3,286	3,403	(117)	
Borrowing cost expenses	103	104	1		195	140	55	
<b>TOTAL EXPENSES</b>	<b>50,516</b>	<b>52,126</b>	<b>1,610</b>		<b>53,757</b>	<b>56,658</b>	<b>(2,901)</b>	
<b>UNDERLYING RESULT</b>	<b>(5,739)</b>	<b>(8,469)</b>	<b>2,730</b>		<b>(4,753)</b>	<b>(4,688)</b>	<b>65</b>	
Capital grants/contributions	3,095	2,035	1,060	3	4,659	3,453	(1,206)	C
Donated / Granted Assets	0	0	0		1,304	1,304	0	
<b>SURPLUS / ( DEFICIT )</b>	<b>(2,644)</b>	<b>(6,434)</b>	<b>3,790</b>		<b>1,210</b>	<b>69</b>	<b>(1,141)</b>	

## **NOTES: MATERIAL VARIATIONS IN YEAR TO DATE FINANCIAL PERFORMANCE**

### **Note 1 Income: Operating Grants - \$881,000 ahead**

- \$647,000 Storm response recovery grant received ahead of year to date budget projection.
- \$200,000 grant from Corner Inlet Tourism received ahead of year to date budget projection.

### **Note 2 Expenditure: Materials and consumables - \$891,000 behind**

- Expenditure on materials and consumables vary compared to year to date budgets across a number of departments due to a variety of reasons including delays because of inclement weather.

### **Note 3 Income: Capital Grants / Contributions - \$1.06 million ahead**

- \$1.00 million grant for Vic Roads Bridge maintenance received ahead of year to date budget projection.

## **NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET**

### **Note A Income: Operating grants - \$2.63 million favourable**

- Additional \$419,000 grants for Engineering Services Directorate community projects
- Additional \$1.80 million for Storm response / recovery grants
- Additional \$104,000 grants for Civil Infrastructure Maintenance program
- Additional \$147,000 grants for Community Service programs
- Additional \$72,000 grant for Strategic Planning and Development programs

### **Note B Expenditure: Materials and Consumables - \$2.05 million unfavourable**

- \$2.24 million additional expenditure for severe rain event.
- \$155,000 expenditure originally budgeted to be expended on grant funded programs have had budgets reduced in 2013/14 and have been carried forward into 2014/15

### **Note C Income: Capital grants / contributions- \$1.21 million unfavourable**

- \$1.25 million Local Government Infrastructure Program Grant not received.

**South Gippsland Shire Council**  
**BALANCE SHEET**  
For the Period Ending 31 May 2014

	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash assets	9,202	7,638	9,172	1,534	1
Receivables	6,914	3,566	4,345	779	
Other financial assets	1,700	3,750	1,700	(2,050)	2
Assets held for resale	0	0	0	0	
Inventories	353	317	219	(98)	
Other	69	320	113	(207)	
	<b>18,238</b>	<b>15,591</b>	<b>15,549</b>	<b>(42)</b>	
<b>NON CURRENT ASSETS</b>					
Receivables	-	-	-	-	
Investments	1,277	478	603	125	
Fixed Assets	96,932	143,492	140,749	(2,743)	3
Roads Streets & Bridges	371,536	384,323	379,191	(5,132)	4
	<b>469,745</b>	<b>528,293</b>	<b>520,543</b>	<b>(7,750)</b>	
<b>TOTAL ASSETS</b>	<b>487,983</b>	<b>543,884</b>	<b>536,092</b>	<b>(7,792)</b>	
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Payables	3,139	4,944	3,399	(1,545)	5
Prepaid Income	2,786	0	0	0	
Trust funds	509	369	529	160	
Provisions	5,680	4,953	5,249	296	
Interest Bearing Liabilities	3,350	514	3,350	2,836	6
	<b>15,464</b>	<b>10,780</b>	<b>12,527</b>	<b>1,747</b>	
<b>NON CURRENT LIABILITIES</b>					
Provisions	901	321	1,217	896	
Interest Bearing Liabilities	0	2,997	0	(2,997)	7
	<b>901</b>	<b>3,318</b>	<b>1,217</b>	<b>(2,101)</b>	
<b>TOTAL LIABILITIES</b>	<b>16,365</b>	<b>14,098</b>	<b>13,744</b>	<b>(354)</b>	
<b>NET ASSETS</b>	<b>471,618</b>	<b>529,786</b>	<b>522,348</b>	<b>(7,438)</b>	
<b>REPRESENTED BY</b>					
Accumulated Surplus	187,416	195,164	190,783	(4,381)	
Reserves	284,201	334,622	331,565	(3,057)	
<b>TOTAL EQUITY</b>	<b>471,617</b>	<b>529,786</b>	<b>522,348</b>	<b>(7,438)</b>	

## **NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET**

### **Note 1 Current Assets: Cash Assets \$1.534 million favourable**

- \$2.051.5349 million favourable cash outcome due to timing differences of payables and receivables at last financial year end and reclassification of financial assets.

### **Note 2 Current Assets: Other Financial Assets \$2.050 million unfavourable**

- \$2.05 million financial assets (investments with maturity above 3 months) reclassified as cash and cash equivalents.

### **Note 3 Non Current Assets: Fixed Assets \$2.743 million unfavourable**

- \$2.743 million unfavourable projection predominantly due to no asset revaluation adjustments made in previous year.

### **Note 4 Non Current Assets: Roads, Streets & Bridges \$5.132 million unfavourable**

- \$5.132 million unfavourable projection predominantly due to asset revaluation adjustments being less than anticipated and capital project funding being carried forward into 2014/15.

### **Note 5 Current Liabilities: Payables \$1.545 million favourable**

- \$1.545 million favourable projection fluctuate year to year depending on level of accounts payable the preceding year.

### **Note 6 Current Liabilities: Interest Bearing Liabilities \$2.836 million unfavourable**

- \$2.836 million unfavourable projection due to requirement to classify borrowing owing as current liability.

### **Note 7 Non Current Liabilities: Interest Bearing Liabilities \$2.997 million favourable**

- \$2.997 million favourable projection due to requirement to classify borrowing owing as current liability.

**South Gippsland Shire Council**  
**CASH FLOW STATEMENT**  
**For the Period Ending 31 May 2014**

	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
<b><u>CASHFLOWS FROM OPERATIONS</u></b>					
Receipts from Rate payers	30,677	33,924	33,710	(214)	
Statutory fees and fines	454	517	414	(103)	
User fees and other fines	2,936	3,034	2,890	(144)	
Grants	11,112	13,866	15,289	1,423	1
Reimbursements	408	373	471	98	
Other Receipts	1,198	661	980	319	
Interest received	473	589	537	(52)	
Rents	878	329	953	624	
Payments to suppliers	(20,171)	(20,691)	(22,818)	(2,127)	2
Payments to employees	(19,121)	(21,297)	(21,323)	(26)	
Other Expenses	(2,648)	(2,837)	(2,881)	(44)	
<b>Net cash from Operating</b>	<b>6,196</b>	<b>8,468</b>	<b>8,222</b>	<b>(246)</b>	
<b><u>CASHFLOWS FROM INVESTING</u></b>					
Proceeds from sales of property, plant & equipment	652	924	731	(193)	
Payments for property, plant & equipment	(10,749)	(14,595)	(12,849)	1,746	3
Loan advances to community groups					
Repayment of loans and advances					
<b>Net Cash from Investing</b>	<b>(10,097)</b>	<b>(13,671)</b>	<b>(12,118)</b>	<b>1,553</b>	
<b><u>CASHFLOWS FROM FINANCING</u></b>					
Proceeds from borrowings	4,000	4,000	4,000	0	
Repayment of loans and advances					
Repayment of borrowings	(784)	(623)	(784)	(161)	
Loan advances to community groups					
Finance costs	(104)	(195)	(140)	55	
<b>Net Cash from Financing</b>	<b>3,112</b>	<b>3,182</b>	<b>3,076</b>	<b>(106)</b>	
<b>Net increase (decrease) in cash held</b>	<b>(789)</b>	<b>(2,021)</b>	<b>(820)</b>	<b>1,201</b>	
<b>Cash at beginning of the year</b>	<b>9,992</b>	<b>9,659</b>	<b>9,992</b>	<b>333</b>	
<b>Cash at the end of the period</b>	<b>9,203</b>	<b>7,638</b>	<b>9,172</b>	<b>1,534</b>	

## **NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET**

### **Note 1 Cash inflows from operations: Grants \$1.42 million favourable**

- Net positive impact of adjustments made to projected budgets for operating and capital grants. Favourable adjustments include additional grants of \$3.102 million grants originally expected to be received in 2012/13 for storm recovery events have had budgets carried forward into this financial year.
- Additional \$135,000 grant for Stoney Creek Dollar Road.
- \$1.250 million Local Government Infrastructure Program grant budgeted to be received in 2013/14 actually recognised as revenue in 2012/13.
- \$115,000 grant for Meeniyah Netball court redevelopment.
- Additional \$1.8 million grant for severe rain event.
- \$53,000 capital grant for Outtrim Moyarra Road.
- \$150,000 grant for Stoney Creek Road Dollar improvements.
- \$163,000 grant for Public Jetty upgrade at Port Welshpool.
- \$133,000 grant for TP Taylor reserve.
- \$2.735 million grants originally expected to be received in 2013/14 for storm recovery events have had budgets carried forward into 2014/15 financial year

### **Note 2 Cash outflows from operations: Payment to suppliers \$2.13 million unfavourable**

- \$750,000 expenditure originally budgeted to be spent in 2012/13 on grant funded expenditure have had budgets carried forward into this financial year.
- \$900,000 of 30 June 2013 accounts payables actually paid to suppliers in 2013/14.
- \$1.5 million additional expenditure for severe rain event.
- \$284,000 additional expenditure for Yanakie Caravan Park.
- \$133,000 additional expenditure for environmental services.
- \$100,000 expenditure for a turf wicket at Korumburra Recreation Reserve.
- \$180,000 less expenditure on Sealed Roads.
- \$70,000 less expenditure on re-sheets.

### **Note 23 Cash outflows from investing: Payment for property, plant and equipment \$1.75 million favourable**

- \$1.99 million of capital projects will not be completed by 30 June 2014 and budgets will be carried forward into 2014/15.



## SECTION 2 – ANNUAL YEAR TO DATE FINANCIAL ANALYSIS

This section analyses the implications of the year to date performance, the projected outcome for the financial year end as well as commentary on the 'financial' Key Strategic Activities (KSA).

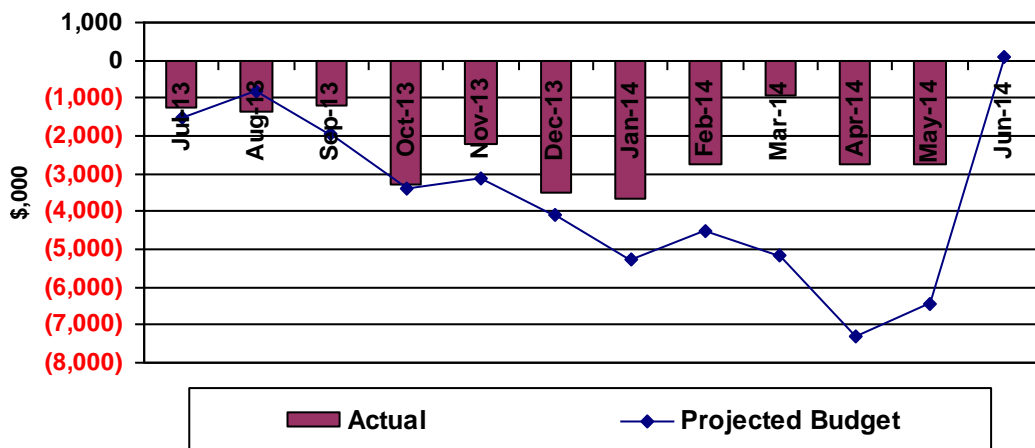
### Operating Performance

Operating Budget \$6.43 million Deficit for the period Jul-13 to May-14

Operating Result \$2.64 million Deficit for the period Jul-13 to May-14

The operational result varies by \$3.79 million to the projected year to date budget. Variation is due to timing of actual costs to year to date budgets.

#### Operating Performance (\$'000)



### Capital Performance

Capital Budget \$10.21 million for the period Jul-13 to May-14

Actual Expenditure \$11.24 million for the period Jul-13 to May-14

Capital Expenditure \$ 1.03 million ahead year to date budgets

The Capital Works Program is running ahead year to date budgets. \$2.69 million funding for capital works program was carried forward from 2012/13 to 2013/14 (for projects that were not completed by 30 June 2013).

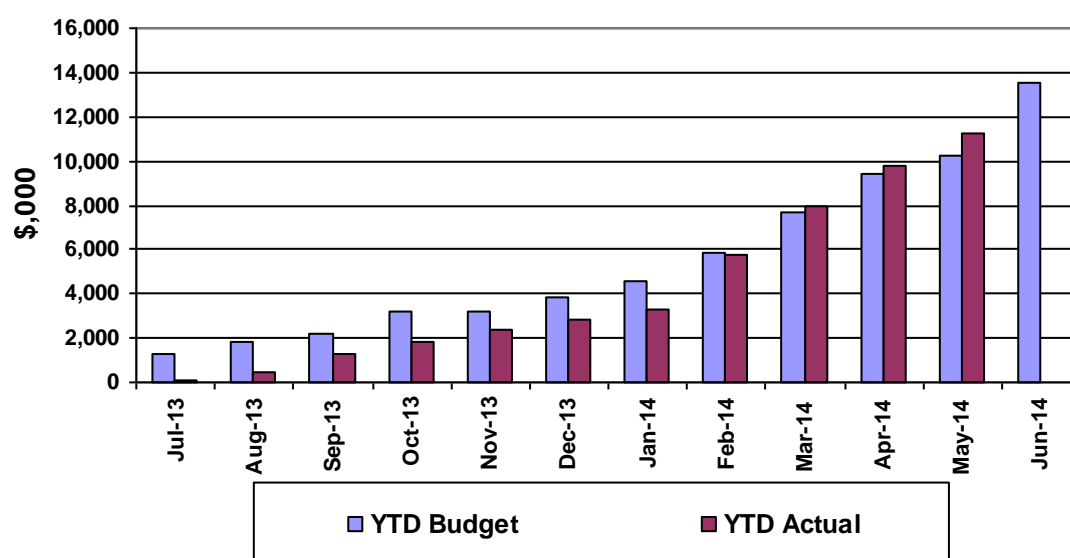
Projects running behind / (ahead) schedule as at 31 May 2014 are detailed in the following table:

Expenditure				
Directorate	Department	Cost Centre	Major Variation \$	Major Variation Explanation
Engineering Services	Property	3451 - Yanakie Caravan Park Capital Total	(21,816)	Purchase of cabins and equipment higher than budgeted.
Engineering Services	Property	3461 - Long Jetty Caravan Park Capital Total	21,748	Purchase of cabins and equipment lower than budgeted.
Corporate Services	Information Services	8030 - Information Services Total	108,631	Favourable variance is due to projects not commencing as scheduled. Work is in progress to refine the business cases for approval by the steering committee board. Two further business cases have been approved by the IT Governance Board. These will commence implementation immediately.
Engineering Services	Operations	8050 - Plant - Plant Purchases Total	(654,310)	Some new plant has arrived earlier than expected.
Engineering Services	Engineering and Projects	8152 - Roads - Rehabilitation Program (CRandB and R2R) Total	(520,791)	Works ahead of program.
Engineering Services	Engineering and Projects	8559 - Waste - Koonwarra Landfill Cells 1 and 2 Cap Total	22,946	EPA are reviewing the proposed - contour plan, the consultant is progressing the cap design, and in the interim we have stockpiled suitable topsoil on site from other projects throughout the Shire.
Engineering Services	Engineering and Projects	8567 - Waste - Koonwarra Cell Construction - (LGIP - Partial funding 13/14) Total	(521,459)	The cell construction is complete, awaiting consultant Q.A. reports and Environmental Auditor sign off. Cost overrun due to fluctuation in Currency (HDPE liner purchased in U.S. dollars), higher supply and installation rate of liner due to small size of project.

Expenditure				
Directorate	Department	Cost Centre	Major Variation \$	Major Variation Explanation
Engineering Services	Operations	8774 - Roads - Reseal Preparation Total	214,054	Program behind schedule.
Engineering Services	Engineering and Projects	8841 - Footpaths - Renewal Total	29,223	Program running behind original schedule due to contractors being used on Council's other capital works projects. Expect completion of footpath renewals during June.
Engineering Services	Engineering and Projects	9425 - Buildings - Child Care Hub - Korumburra Total	25,835	Full construction documentation will be complete within the next 3 weeks. Invoicing will be finalised at this time.
Engineering Services	Operations	9563 - Playgrounds - Replacement Program Total	(54,822)	Program is ahead of schedule.
Engineering Services	Engineering and Projects	9570 - Recreation - Footpath Existing to CBD - Venus Bay Total	23,277	Grant variation has been approved. The materials for the shelter will arrive in 2 weeks, when payment will be finalised.
Engineering Services	Engineering and Projects	9577 - Recreation - TP Taylor Reserve Open Space Enhancement Project Total	97,865	Works behind original project schedule due to delays in obtaining relevant permits.
Engineering Services	Engineering and Projects	9706 - Bridge - Goads Road Bridge Replacement - Dumbalk North (CRandB) Total	116,333	Work is progressing in accordance with program.

Expenditure				
Directorate	Department	Cost Centre	Major Variation \$	Major Variation Explanation
Engineering Services	Engineering and Projects	9748 - Roads - Kongwak Inverloch Rd - Kongwak (R2R) Total	(291,712)	Works carried out ahead of schedule and now completed. Budget adjustment has been submitted.
Engineering Services	Operations	9762 - Roads - Station Street Rehabilitation - Korumburra (R2R) Total	417,497	Project delayed due to negotiations with South Gippsland Water to relocate a water main.
Engineering Services	Engineering and Projects	9790 - Roads - Bridge Street (ID 239) - Korumburra Total	(83,113)	Works completed ahead of schedule.
Engineering Services	Property	9814 - Roads - Deviation of Koonwarra-Pound Creek Road - Leongatha Total	21,000	Project running behind schedule.

## Capital Performance (\$'000)



The following projects have had funds carried forward from 2013/14 to 2014/15:

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$
1670	Other - CCHV - Capital Projects	General	Contractors	108,714
8004	Office Accommodation	General	Contractors	20,094
2459	Betterment Works - NDFA	General	Contractors	280,000
9563	Playgrounds - Replacement Program	General	Materials	50,271
8559	Waste - Koonwarra Landfill Cells 1 and 2 Cap	General	Contractors	357,000
8882	Meeniyah Dumbalk United (MDU) Football Netball Club - Netball Court Redevelopment Project	General	Contractors	20,000
8895	Footpaths - Station Road, Foster	General	Contractors	23,360
9425	Buildings - Child Care Hub - Korumburra	General	Contractors	190,000
9531	Buildings - Caravan Park Rotunda and Camp Kitchen - Waratah Bay	General	Contractors	50,000

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$
9577	Recreation - TP Taylor Reserve Open Space Enhancement Project	General	Materials	45,000
8152	Roads - Rehabilitation Program (CRandB and R2R)	Ashenden Street, Leongatha	Materials	180,576
8152	Roads - Rehabilitation Program (CRandB and R2R)	Watsons Road, Leongatha	Materials	267,790
8152	Roads - Rehabilitation Program (CRandB and R2R)	Tilson Court, Leongatha	Materials	56,953
9511	Recreation - Kindergartens Playground Replacement Program	General	Contractors	15,000
9814	Roads - Deviation of Koonwarra-Pound Creek Road - Leongatha	Land Acquisition		21,000
8004	Office Accommodation	General		- 20,816
8030	Information Services	iExpense Implementation	Software Purchases and Enhancements	32,556
8030	Information Services	Governance Software	Software Purchases and Enhancements	42,000
8030	Information Services	Compliance Software	Software Purchases and Enhancements	15,000
8030	Information Services	Grants Software	Software Purchases and Enhancements	12,000
8030	Information Services	Online Induction Software	Software Purchases and Enhancements	30,000
9425	Buildings - Child Care Hub - Korumburra	General	Contractors	10,000
9762	Roads - Station Street Rehabilitation - Korumburra (R2R)	General	Contractors	58,843
9577	Recreation - TP Taylor Reserve Open Space Enhancement Project	General	Materials	67,250
9739	Roads - Anderson St Town Entrance - Leongatha	General	Contractors	11,000

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$
8152	Roads - Rehabilitation Program (CRandB and R2R)	Watts Road, Nyora	Materials	61,990
9705	Bridge - Allambee Estate Rd Bridge Rehab - Allambee Reserve	General	Contractors	- 6,917

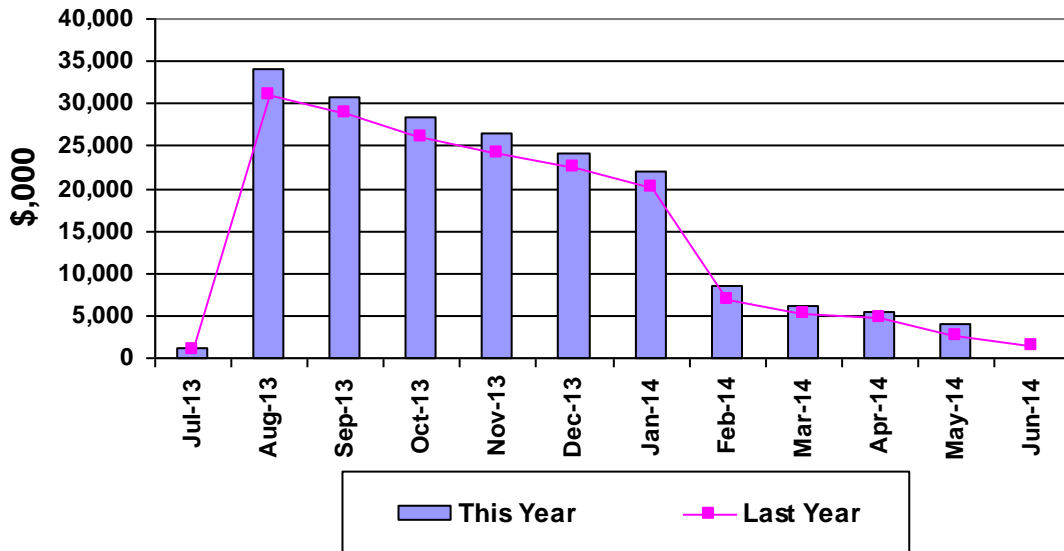
### **Rate Debtors**

Outstanding 13/14 \$4.08 million as at May-14

Outstanding 12/13 \$2.63 million as at May-13

The outstanding rates as at 31 May 2014 have parity to last year. It is to be expected that the current years' outstanding rates are slightly higher than last year because the amount of rates we are dealing with increase each year.

Rate Debtors (\$,000)



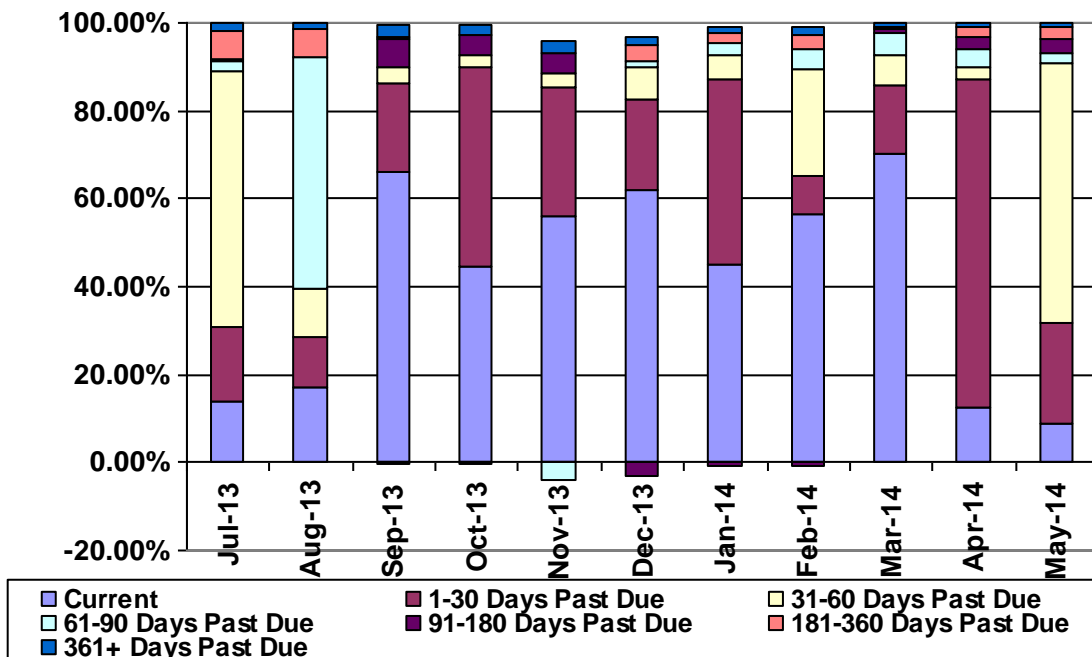
**Other Sundry Debtors**

Outstanding 13/14 \$ 1.72 million as at May-14

Outstanding 12/13 \$ 1.44 million as at May-13

The Current and 1-30 Days Past Due make up approx. 31.8% of total outstanding Debtors.

Other Sundry Debtors





## Financial Key Strategic Activity (KSA)

Council uses a series of financial performance, funding and borrowing capacity indicators to set and assess its annual financial performance. The indicators used are the weighted average of 5 key financial ratios being indebtedness, underlying working capital ratio, self-financing, investment gap and underlying result.

The current status is above the 98% target.

<b>Target</b>	<b>Current Status</b>
>98%	105 %

## SECTION 3 – LONG TERM FINANCIAL PLAN ANALYSIS

This section benchmarks and strategically analyses the financial impact of the year's projected financial results against the adopted Annual Budget, Long Term Financial Plan and the Financial Strategy's key performance indicators.

The Long Term Financial Plan analysis report normally compares the current 2013/14 Budget and Long Term Financial Plan forecasts to the original plan (the Annual Budget & Long Term Financial Plan was adopted for 2013/14 on 26 June 2013).

Council on 16 April 2014 prepared a proposed budget for 2014/15. This now supersedes the 2013/14 Budget and Long Term Financial Plan forecasts. The current plan now includes the proposed 2014/15 budget that has been updated with budget carry forward adjustments and other budget adjustments made since 16 April. Other budget adjustments include revised Victoria Grants Commission allocations as well as revised capital works indexing for the forward budgets.

The lines in the following graphs are as follows

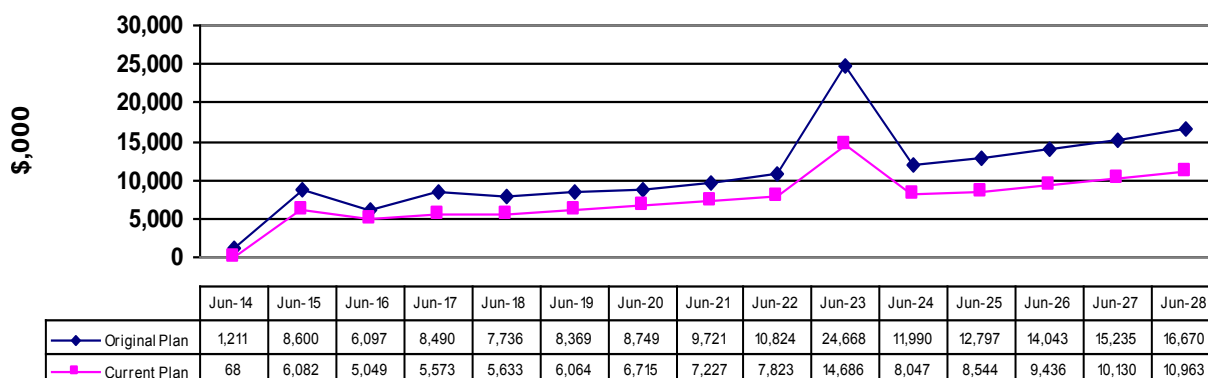
- Original plan – Blue line –original 2013/14 Budget and Long Term Financial Plan
- Current Plan – Purple line – Draft 2014/15 Budget and Long Term Financial Plan

### Operating Result (including gain /loss on asset disposals)

The current plan's projected operating results for the current plan although weaker, generally correlates closely with the original plan. Importantly the longer term trend is positive.

The positive flow on impact of strengthening operating outcomes can be readily seen in the underlying operating, cash and working capital ratios that are discussed later in this report.

### Operating Result (\$,000)

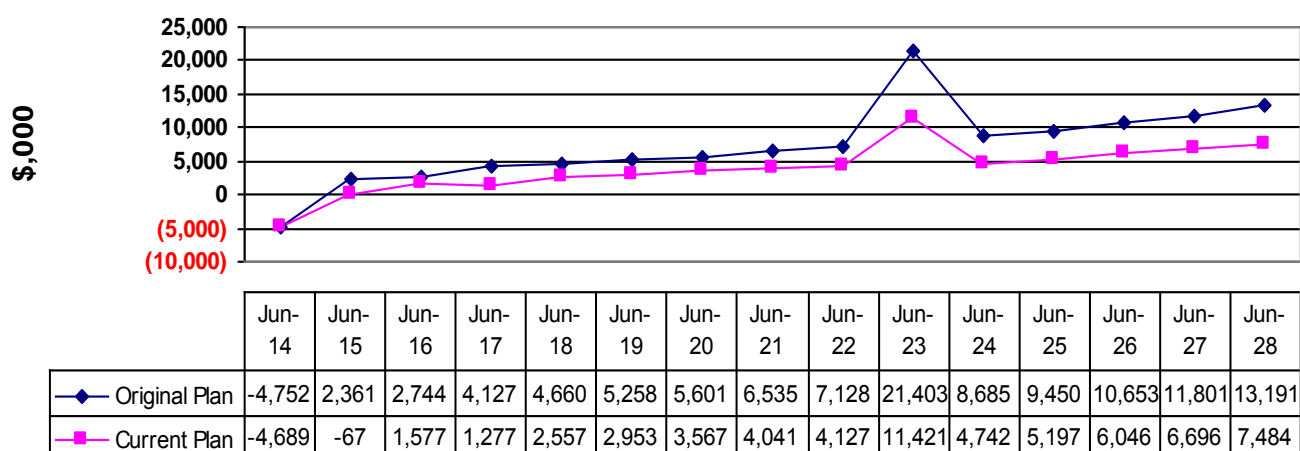


## Operating Result before Capital Funding

The operating result before capital funding is sometimes referred to as the underlying financial result. Capital grants and contributions that artificially improve the operating result are removed to disclose the true underlying financial result.

The underlying result shows more clearly the income sources relative to the expenses for the recurrent operating activities of Council. The current plan underlying result mirrors the operating result outcomes discussed immediately above.

### Operating Result before Capital Funding (\$,000)

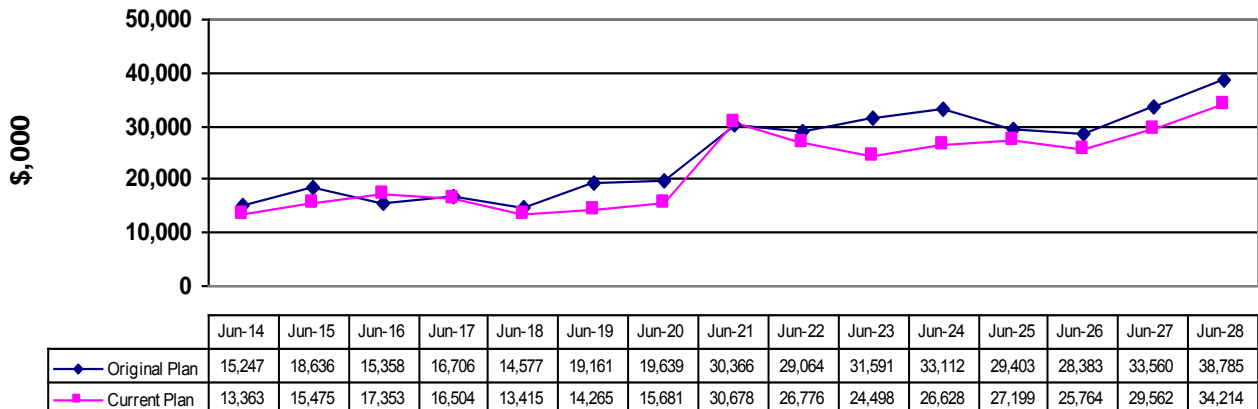


## Capital Expenditure

The 2013/14 budget was adjusted to take into account the financial ramifications of carrying forward funds for projects that are not expected to be completed by 30 June 2013. In total, \$2.69 million funds were carried forward from 2012/13 (this includes \$2.15 million identified during the 2013/14 budget development process and an additional \$542,000 identified at financial year end).

The current plan's projected capital works program incorporates the cash flow implications of the Engineering Services mid year review process and resulting proposed budget for 2014/15 that now includes budget carry forward adjustments. The forward capital works program index increase has been reduced from 4.25% to 3.8%. The overall expenditure requirements are less than the original plan. It still generally correlates with the original plan. The expenditure in later years is heavily reliant on significant developer contributions.

## Capital Expenditure (\$,000)

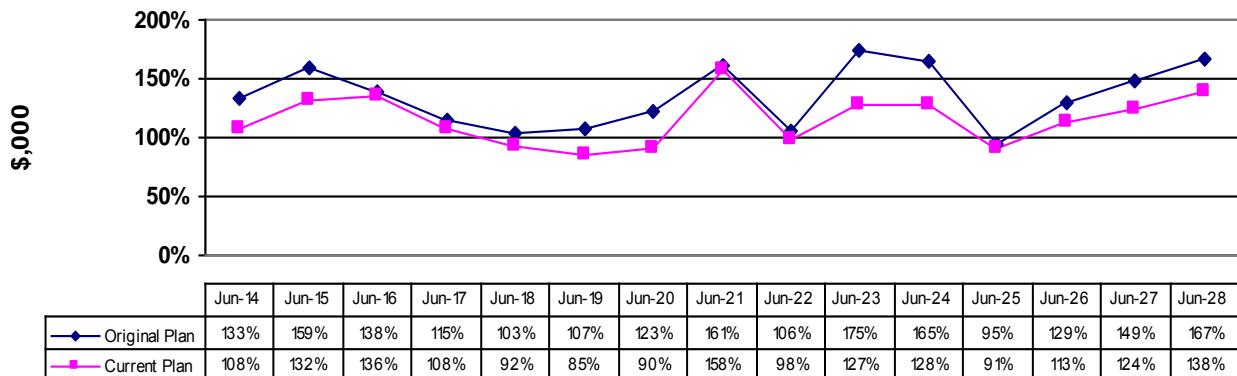


## Sustainability Index for Capital Assets

The sustainability index expresses as a percentage the amount of expenditure incurred on capital renewal and upgrade infrastructure works relative to the amount of depreciation on infrastructure assets that are expensed to the Income Statement.

The strategic target is to exceed 95%. Even though reducing the capital works index from 4.25% to 3.8% has an adverse impact on the sustainability ratio it generally trends above the 95% target. There are no asset renewals funding gaps for all major classes of assets in the current plan's draft budget.

## Sustainability Index

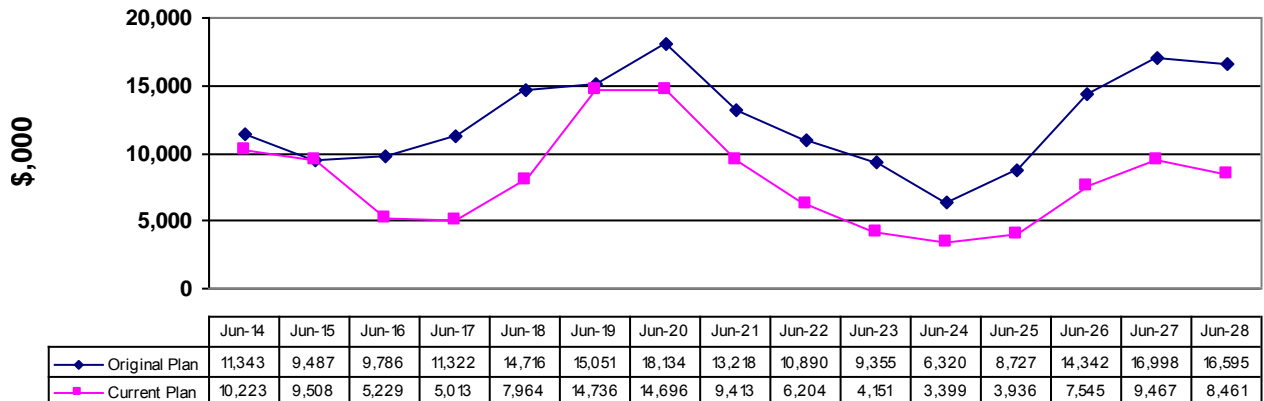


## Underlying Liquidity

Due to the inherent volatility of debtors and creditors on the cash position at any point in time the underlying cash is always assessed in conjunction with the underlying working capital ratio.

Longer term, the forecast underlying cash position is significantly weaker than the original plan. This is as a result of a combination of tapering down rate rises in future years as well as increasing allocations to cash backed internal reserves in forward budgets.

## Underlying Liquidity (\$,000)

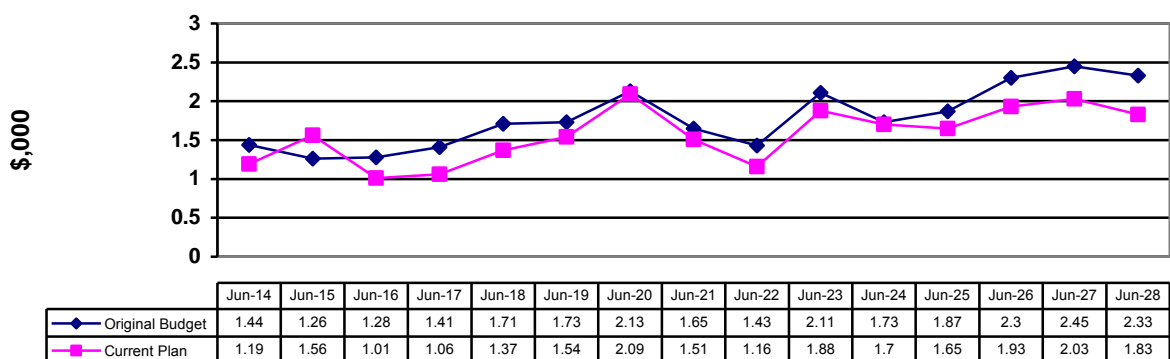


## Underlying Working Capital Ratio

The underlying working capital ratio assesses the relationships between current assets and liabilities in the Balance Sheet after excluding cash backed reserves. It is a very important strategic financial indicator.

The reduced capital works expenditure requirement in the mid to later years has a positive impact on the ratio. In the later years it will exceed the 1 to 1.50 target. There is potential to reduce the level of rate income requirements in the mid to later years and / or bridge funding gaps or provide additional services.

## Underlying Working Capital Ratio



## Conclusion

The table below shows several key financial performance indicator targets set when the 2013/14 Budget and Long Term Financial Plan was adopted. Ratios coloured red indicate either short term / immediate sustainability concerns, yellow denotes medium risk and green low risk.

<b>2013/14 Original Budget</b>	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	
<b>Financial performance</b>																
Underlying result	-9.70%	-4.37%	4.95%	6.83%	7.47%	8.81%	8.16%	8.94%	9.34%	22.87%	10.30%	10.67%	11.46%	12.10%	12.9%	
Underlying Working Capital	1.44	1.31	1.33	1.46	1.76	1.70	2.08	1.70	1.40	2.16	1.78	1.52	2.25	2.58	2.30	
<b>Funding capacity</b>																
Self-financing	16.99%	25.49%	26.94%	30.19%	29.08%	30.12%	30.47%	32.86%	32.86%	33.32%	34.81%	35.17%	35.91%	36.45%	37.18%	
Sustainability Index	133%	159%	138%	115%	102%	107%	123%	161%	106%	175%	165%	95%	129%	149%	167%	
<b>Borrowing capacity</b>																
Indebtedness	0.27%	6.58%	5.14%	3.74%	2.41%	1.19%	1.26%	1.33%	1.40%	1.23%	1.54%	1.60%	1.67%	1.72%	1.78%	
Total Debt as a % of Rate revenue	10.35%	8.17%	6.35%	4.60%	2.96%	1.44%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	
Debt servicing costs as a % of Total revenue	0.37%	0.28%	0.24%	0.18%	0.13%	0.08%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	

The table below shows the current status of key financial indicators. The majority of indicators remain within strategic thresholds targets. The underlying working capital ratio although weaker than the original plan, is projected to exceed the 1.50 to 1 strategic target in the forward years. Council has the potential opportunity to either reduce rate rises in forward years and / or bridge funding gaps or provide additional services.

The sustainability indicator negative trend does not present as a strategic concern. Longer term the Financial Plan is financially sustainable.

<b>Alternate Budget</b>	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
<b>Financial performance</b>																
Underlying result	-9.02%	-0.12%	2.80%	2.19%	4.13%	4.55%	5.27%	5.66%	5.55%	13.41%	5.83%	6.07%	6.74%	7.10%	7.58%	7.87%
Underlying Working Capital	1.19	1.56	1.01	1.06	1.37	1.54	2.09	1.51	1.16	1.88	1.70	1.65	1.93	2.03	1.83	1.89
<b>Funding capacity</b>																
Self-financing	15.76%	24.15%	25.00%	27.17%	26.84%	27.78%	28.04%	28.86%	29.78%	25.56%	31.38%	32.18%	32.59%	33.35%	33.84%	33.74%
Sustainability Index	108%	132%	136%	108%	92%	85%	90%	158%	98%	127%	128%	91%	113%	124%	138%	130%
<b>Borrowing capacity</b>																
Indebtedness	3.04%	10.28%	8.16%	9.48%	9.10%	2.47%	2.48%	2.52%	2.54%	2.31%	2.60%	2.62%	2.64%	2.67%	2.69%	2.71%
Total Debt as a % of Rate revenue	9.94%	9.39%	8.88%	8.41%	7.98%	7.59%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Debt servicing costs as a % of Total revenue	0.25%	0.23%	0.25%	0.24%	0.23%	0.22%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%