



AGENDA APPENDIX
Council Meeting
Wednesday 24 September 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 – AUGUST 2014

Appendix 1 – Financial Performance Report July – August 2014

Financial Performance Report – August 2014

The Financial Performance Report covers the 2 month period from July 2014 to August 2014.

Overview

Income Statement

Annual year to date performance:

- Operating result: \$30.668 million surplus which is \$1.092 million favourable compared to the year to date budget projection of \$29.576 million surplus.

Balance Sheet

Projected year end result:

- Underlying working capital ratio 1.50 to 1 (original budget 1.56 to 1)

Cash Flow Statement

Projected year end result:

- Cash assets: \$8.600 million (original budget \$9.657 million)

Financial carry forwards and other budget adjustments – Impact on projected results

- The projected operating result for 2014/15 is a \$7.392 million surplus. This is \$1.303 million more favourable than the original \$6.089 million surplus. This has been largely impacted by the net \$646,000 carry forward of grant income and unexpended grant funded expenditure from 2013/14 brought to account in July.
- Changes to other income budget projections in August included: - \$555,000 capital non recurrent grants, \$139,500 contributions – capital cash and \$509,000 operating non recurrent grants.
- Changes to other expenditure budget projections included:- \$494,000 increase in materials and services (predominantly grant funded expenditure) as well as \$141,000 increase in employee costs (\$68,000 storm recovery and \$71,000 parks and garden apprentices being transferred to internal staff for three years).
- Similarly, the \$1.615 million increase in capital expenditure when compared to the original budget can be largely attributed to unexpended capital budgets at 30 June 2014 (\$1.006 million) being brought forward.
- 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 financial carry forwards).

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

South Gippsland Shire Council INCOME STATEMENT For the Period Ending 31 August 2014								
	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
INCOME								
Rates and charges	35,446	35,532	(86)		35,677	35,677	0	
Statutory fees and fines	126	93	33		588	588	0	
User fees	958	1,058	(100)		4,267	4,267	0	
Contributions - cash	(12)	5	(17)		66	240	174	
Contributions - non monetary assets	0	0	0		1,337	1,337	0	
Grants - Operating (recurrent)	2,530	2,522	8		10,867	10,880	13	
Grants - Operating (non recurrent)	275	134	141		4,597	5,793	1,196	A
Grants - Capital (recurrent)	0	0	0		1,636	1,636	0	
Grants - Capital (non recurrent)	189	0	189		3,176	3,920	744	B
Net gain/ (loss) on disposal of property, infrastructure, plant and equipment	153	8	145		291	291	0	
Other income	245	287	(42)		1,770	1,782	12	
TOTAL INCOME	39,910	39,639	271		64,272	66,411	2,139	
EXPENSES								
Employee costs	3,448	3,626	178		22,241	22,382	(141)	
Materials and consumables	3,275	3,793	518	1	21,483	22,177	(694)	C
Bad and doubtful debts	0	0	0		1	1	0	
Depreciation	1,581	1,809	228		10,853	10,853	0	
Borrowing costs	14	0	(14)		151	151	0	
Other expenses	924	835	(89)		3,454	3,455	(1)	
TOTAL EXPENSES	9,242	10,063	821		58,183	59,019	(836)	
SURPLUS / (DEFICIT)	30,668	29,576	1,092		6,089	7,392	1,303	

NOTES: MATERIAL VARIATIONS IN YEAR TO DATE FINANCIAL PERFORMANCE

Note 1 Expenditure: Materials and consumables - \$518,000 behind

- \$52,000 less expenditure than year to date budgets on utilities.
- \$276,000 less expenditure than year to date budgets on community services program areas.
- \$106,000 less expenditure than year to date budgets on engineering projects.
- \$138,000 less expenditure than year to date budgets on property.
- \$50,000 additional expenditure than year to date budgets on Information services.

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note A Income: Grants - Operating (non-recurrent) - \$1.196 million favourable

- \$687,000 grants originally expected to be received in 2013/14 have had budgets carried forward into this financial year.
- Additional \$106,000 for Storm response.
- Additional \$10,000 for Arts and Culture.
- Additional \$300,000 for Yanakie recreation reserve.
- Additional \$93,000 for Meeniyan recreation reserve.

Note B Income: Grants - Capital (non-recurrent) - \$744,000 favourable

- \$189,000 grants originally expected to be received in 2013/14 have had budgets carried forward into this financial year.
- Additional \$35,000 for McDonalds Track black spot.
- Additional \$50,000 for Timms Rd black spot.
- Additional \$100,000 for Mirboo Nth soccer lights.
- Additional \$74,000 Korumburra recreation reserve.
- Additional \$255,000 for Recreation - Nyora Hall.
- Additional \$40,000 for Mossvale Park flood recovery.

Note C Expenditure: Materials and consumables - \$694,000 unfavourable

- \$199,000 grant funded expenditure expected to be incurred in 2013/14 have had budgets carried forward into this financial year.
- Additional \$140,000 for Meeniyan recreation reserve.
- Additional \$355,000 for Yanakie recreation reserve.

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

	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	3,752	9,657	8,600	(1,057)	A
Trade and other receivables	42,181	4,335	4,621	286	
Financial assets	3,351	1,700	3,351	1,651	B
Inventories	294	219	248	29	
Other assets	0	113	502	389	
	49,578	16,024	17,322	1,298	
NON CURRENT ASSETS					
Investments in regional library corporation	776	603	776	173	
Property, infrastructure, plant and equipment	484,944	532,318	500,456	(31,862)	C
Investment property	716	674	716	42	
	486,436	533,595	501,948	(31,647)	
TOTAL ASSETS	536,014	549,619	519,270	(30,349)	
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	5,474	3,389	4,402	1,013	D
Trust funds and deposits	546	529	526	(3)	
Provisions	5,968	5,146	4,585	(561)	
Interest bearing loans and borrowings	3,350	0	0	0	
	15,338	9,064	9,513	449	
NON CURRENT LIABILITIES					
Provisions	904	1,057	1,782	725	
Interest bearing loans and borrowings	0	3,350	3,350	0	
	904	4,407	5,132	725	
TOTAL LIABILITIES	16,242	13,471	14,645	1,174	
NET ASSETS	519,772	536,148	504,625	(31,523)	
REPRESENTED BY					
Accumulated Surplus	219,601	195,666	195,539	(127)	
Reserves	300,171	340,482	309,086	(31,396)	E
TOTAL EQUITY	519,772	536,148	504,625	(31,523)	

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note A Current Assets: Cash and cash equivalents \$1.057 million unfavourable

- \$1.651 million financial assets (investments with maturity above 3 months) reclassified as Financial assets. The variance in cash is also impacted by balance sheet movements, in particular levels of accounts payable and receivable at year end that varied to budgeted year end projections.

Note B Current Assets: Financial Assets \$1.651 million favourable

- \$1.651 million financial assets (investments with maturity above 3 months) reclassified as Financial assets.

Note C Non Current Assets: Property, infrastructure, plant and equipment \$31.862 million unfavourable

- \$31.862 million unfavourable projection predominantly due to asset revaluation adjustments for previous 2013/14 year being less than anticipated.

Note D Current Liabilities: Trade and other payables \$1.013 million favourable

- \$1.013 million favourable projection fluctuate year to year depending on level of accounts payable the preceding year.

Note E Equity: Reserves \$31.396 million unfavourable

- \$31.396 million unfavourable projection predominantly due to asset revaluation adjustments for previous 2013/14 year being less than anticipated.

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

	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
CASHFLOWS FROM OPERATING ACTIVITIES					
Rates and charges	(3,234)	35,677	35,677	0	
Statutory fees & fines	126	588	588	0	
User fees	1,754	4,267	4,267	0	
Contributions	(12)	66	240	174	
Grants - operating	2,804	15,464	16,673	1,209	A
Grants - capital	189	4,812	5,556	744	B
Interest	94	529	529	0	
Other receipts	200	1,240	1,253	13	
Employee costs	(3,464)	(22,147)	(22,289)	(142)	
Materials and consumables	(1,353)	(20,812)	(21,149)	(337)	
Utilities	(97)	(1,029)	(1,029)	0	
Other payments	(924)	(3,454)	(3,455)	(1)	
Net cash provided by (used in) operating activities	(3,917)	15,201	16,861	1,660	
CASHFLOWS FROM INVESTING ACTIVITIES					
Payments for property, infrastructure, plant & equipment	(891)	(15,476)	(17,448)	(1,972)	C
Proceeds from sale of property, infrastructure, plant and equipment	153	913	913	0	
Trust Funds and deposits	21	0	0	0	
Net cash provided by (used in) investing activities	(717)	(14,563)	(16,535)	(1,972)	
CASHFLOWS FROM FINANCING ACTIVITIES					
Finance costs	(38)	(151)	(151)	0	
Proceeds from borrowing	0	0	0	0	
Repayment of borrowings	0	0	0	0	
Net cash provided by (used in) financing activities	(38)	(151)	(151)	0	
Net increase (decrease) in cash and cash equivalents	(4,672)	487	175	(312)	
Cash and cash equivalents at the beginning of the financial year	8,425	9,169	8,425	(744)	
Cash and cash equivalents at the end of the period	3,753	9,656	8,600	(1,056)	

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note A Cash inflows from operations: Grants operating \$1.209 million favourable

- \$687,000 grants originally expected to be received in 2013/14 have had budgets carried forward into this financial year.
- Additional \$106,000 for Storm response.
- Additional \$10,000 for Arts and Culture
- Additional \$300,000 for Yanakie recreation reserve.
- Additional \$93,000 for Meeniyen recreation reserve.

Note B Cash inflows from operations: Grants capital \$744,000 favourable

- \$189,000 grants originally expected to be received in 2013/14 have had budgets carried forward into this financial year.
- Additional \$35,000 for McDonalds Track black spot.
- Additional \$50,000 for Timms Rd black spot.
- Additional \$100,000 for Mirboo Nth soccer lights.
- Additional \$74,000 Korumburra recreation reserve.
- Additional \$255,000 for Recreation - Nyora Hall.
- Additional \$40,000 for Mossvale Park flood recovery.

Note C Cash outflows from Investing Activities: Payment for property, infrastructure plant and equipment \$1.972 million unfavourable

- \$1.006 million capital expenditure originally expected to be incurred in 2013/14 have had budgets carried forward into this financial year.
- Additional \$35,000 for McDonalds Track black spot.
- Additional \$51,000 for Timms Rd black spot.
- Less \$42,000 for playground equipment Lance Moon Park.
- Less \$41,000 on kerb and channel – Collis St Foster.
- Additional \$298,000 Recreation – Nyora Hall.
- Additional \$111,000 for Korumburra Recreation Centre.
- Less \$110,000 on recreation community infrastructure projects.
- Additional \$41,000 for drainage rehabilitation program.
- Additional \$257,000 for Mirboo Nth soccer club lights.

FINANCIAL CARRY FORWARDS

Financial carried forwards from 2013/14 to 2014/15 are listed below:

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$	Capital	Grant Related
2115	Sustainability Services	Revolving Sustainability Fund	Materials	9,250		
3210	Access and Inclusion Program	Living Safer Sexual Lives Program	Contractors	6,745		Yes
8030	Information Services	TRIM Upgrade	Contractors	4,903	Yes	
8030	Information Services	Disaster Recovery and Telecommunications	Contractors	12,299	Yes	
8030	Information Services	Contract Management	Contractors	52,000	Yes	
8030	Information Services	Contract Management	Software Purchases and Enhancements	81,000	Yes	
8030	Information Services	Volunteer Management	Contractors	5,000	Yes	
8030	Information Services	Volunteer Management	Software Purchases and Enhancements	4,184	Yes	
8030	Information Services	Councillor Technology Kits	Hardware	10,455	Yes	
2455	Environmental Services	Green Street Lighting Project	Contractors	4,805		Yes
2115	Sustainability Services	Sustainability Wiki	Contractors	0		Yes
8030	Information Services	Sundry Debtors BPay Option	Software Purchases and Enhancements	10,000	Yes	

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$	Capital	Grant Related
3375	Community Building	Lower Tarwin Communities Project	Materials	29,631		Yes
3375	Community Building	Gippsland Car Pool and Ride Share	Marketing, Advertising and Promotion	5,820		Yes
3350	Arts and Culture	Gippsland Network Creative Gippsland	Contractors	826		Yes
3275	Building Inclusive Communities	Rural Access Program	Materials	15,545		Yes
2425	Biodiversity	Jim Harvey Biodiversity Fund	Contractors	115,000		Yes
2115	Sustainability Services	Agricultural Resilience and Shared Climate Change	State Government Grant (non recurrent)	(30,000)		Yes
2115	Sustainability Services	Agricultural Resilience and Shared Climate Change	Contractors	7,190		Yes
2115	Sustainability Services	Radio Program	Marketing, Advertising and Promotion	2,130		Yes
2115	Sustainability Services	Sustainability Trailer	Materials	0		Yes
2115	Sustainability Services	Sustainability Development Alliance Projects	Materials	1,398		Yes
2255	Litter Bins	Roadside Litter Prevention Project	Materials	1,506		Yes

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$	Capital	Grant Related
8004	Office Accomodation	General	Contractors	43,482	Yes	
2115	Sustainability Services	Education Forums	Materials	1,071		Yes
2115	Sustainability Services	Food Directory and Mapping	Contractors	0		Yes
3360	Supported Playgroups	Childrens Week	Materials	533		Yes
3360	Supported Playgroups	Oral Health	Materials	1,000		Yes
3360	Supported Playgroups	Cook n Book	Materials	1,577		Yes
2405	Strategic Planning and Development Management	Walk to School Program	Materials	9,300		Yes
9620	Recreation - Nyora Hall	General	Contractors	42,500	Yes	
2110	Grants Office	General	Grants, Contributions and Discretionary Funds	30,185		
8001	Turf Wicket Korumburra Recreation Reserve	General	State Government Grant (non recurrent)	(6,600)		Yes
8095	Korumburra Bena Football/Netball Lighting	General	Other Contributions - Operating	(1,387)		Yes
8095	Korumburra Bena Football/Netball Lighting	General	State Government Grant (non recurrent)	(10,000)		Yes
8309	Bridge - Black Spur Bridge Investigation - Koonwarra	General	State Government Grant (non recurrent)	(3,000)		Yes
8309	Bridge - Black Spur Bridge Investigation - Koonwarra	General	Contractors	18,108		Yes

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$	Capital	Grant Related
8882	Meeniyar Dumbalk United (MDU) Football Netball Club - Netball Court Redevelopment Project	General	Capital - State Government Grant (non recurrent)	(61,000)	Yes	Yes
8882	Meeniyar Dumbalk United (MDU) Football Netball Club - Netball Court Redevelopment Project	General	Contractors	194	Yes	Yes
8885	Corner Inlet Tourism - Great Southern Rail Trail	General	State Government Grant (non recurrent)	(400,000)		Yes
8885	Corner Inlet Tourism - Great Southern Rail Trail	General	Contractors	(61,465)		Yes
9531	Buildings - Caravan Park Rotunda and Camp Kitchen - Waratah Bay	General	Capital - State Government Grant (non recurrent)	(48,000)	Yes	Yes
9531	Buildings - Caravan Park Rotunda and Camp Kitchen - Waratah Bay	General	Contractors	(16,865)	Yes	Yes
9577	Recreation - TP Taylor Reserve Open Space Enhancement Project	General	Capital - State Government Grant (non recurrent)	(79,800)	Yes	Yes
9577	Recreation - TP Taylor Reserve Open Space Enhancement Project	General	Materials	13,254	Yes	Yes
8152	Roads - Rehabilitation Program (CRandB and R2R)	Watsons Road, Leongatha	Materials	(76,187)	Yes	

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$	Capital	Grant Related
8271	Dredging Toora Channel	General	Contractors	111		
8314	Civil - Foster Streetscape (Main and Station Street)	General	Contractors	2,788	Yes	
8559	Waste - Koonwarra Landfill Cells 1 and 2 Cap	General	Contractors	1,271	Yes	
8567	Waste - Koonwarra Cell Construction - (LGIP - Partial funding 13/14)	General	Contractors	2,524	Yes	
8881	Leongatha Town Centre Bicycle Facility	General	Contractors	3,160	Yes	Yes
9425	Buildings - Child Care Hub - Korumburra	General	Contractors	10,456	Yes	Yes
9570	Recreation - Footpath Existing to CBD - Venus Bay	General	Contractors	11,426	Yes	
9706	Bridge - Goads Road Bridge Replacement - Dumbalk North (CRandB)	General	Contractors	49,530	Yes	
9739	Roads - Anderson St Town Entrance - Leongatha	General	Contractors	(1,275)	Yes	Yes
9762	Roads - Station Street Rehabilitation - Korumburra (R2R)	General	Contractors	88,801	Yes	
9817	Roads - Outtrim Moyarra Road Blackspot, Outtrim	General	Materials	5,581	Yes	No
2505	Economic Development	Small Business Festival	Contractors	309		Yes

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$	Capital	Grant Related
3210	Access and Inclusion Program	Disability Inclusive Businesses	Grants, Contributions and Discretionary Funds	520		Yes
8772	Roads - Reseals (Partially funded R2R)	General	#N/A	32,864	Yes	
8774	Roads - Reseal Preparation	General	Materials	206,524	Yes	
2466	Storm Event 26 September 2013	General	State Government Grant (non recurrent)	(236,898)		Yes
3376		General	Consultancies	29,162		Yes
8030		Network Infrastructure	Hardware	267,112	Yes	
8030		Council Website	Software Purchases and Enhancements	141,000	Yes	
1670	Other - CCHV - Capital Projects	General	Contractors	(2,199)	Yes	

Financial Carry Forward

359,354

This translated to a net \$646,000 increase in the operating result (budgets carried forward for income grants).

Similarly the capital expenditure budget has been increased by \$1.006 million to account for capital works that were budgeted to be completed by 30 June 2014 but were not actually completed.

The overall net cash impact is \$359,354.

SECTION 2 – ANNUAL YEAR TO DATE FINANCIAL ANALYSIS

This section analyses the implications of the year to date performance and the projected outcome for the financial year.

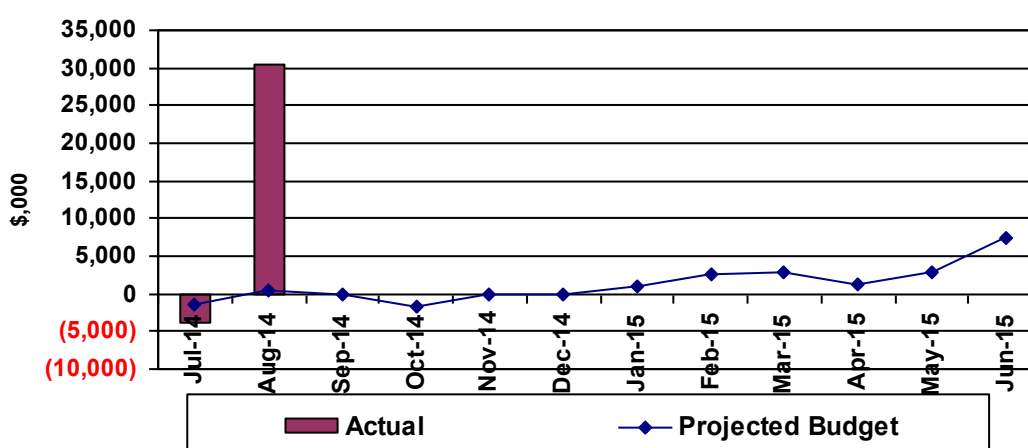
Operating Performance

Operating Budget \$0.33 million surplus for the period Jul-14 to Aug-14

Operating Result \$30.67 million surplus for the period Jul-14 to Aug-14

The operational result varies by \$30.34 million to the projected year to date budget. Variation is due to timing of actual costs to year to date budgets. In coming reporting periods the annual rate and income budget will be adjusted to be proportionately prepaid throughout the year.

Operating Performance (\$'000)



Capital Performance

Capital Budget \$1.37 million for the period Jul-14 to Aug-14

Actual Expenditure \$0.89 million for the period Jul-14 to Aug-14

Capital Expenditure \$0.48 million behind year to date budgets

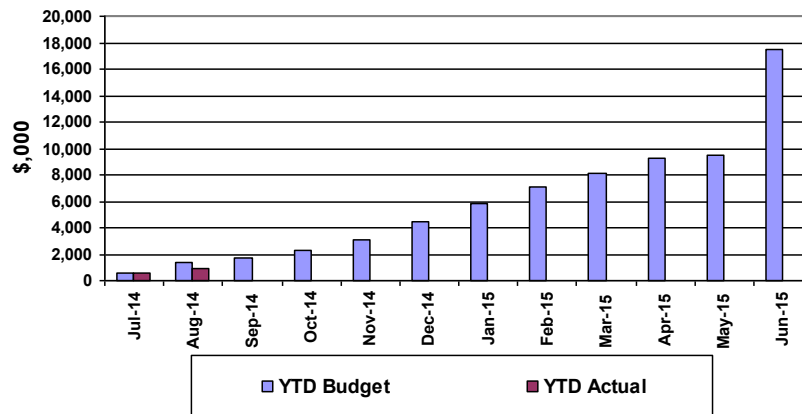
The Capital Works Program is running behind year to date budgets. \$1.01 million funding for capital works program was carried forward from 2013/14 to 2014/15 (for projects that were not completed by 30 June 2014).

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

Appendix 1 – Financial Performance Report August 2014

Directorate	Department	Cost Centre	Expenditure Major Variation \$	Major Variation Explanation
Engineering Services	Assets	8040 - Fleet - Fleet Purchases Total	(26,428)	Capital Expenditure Fleet; One purchase was delivered earlier than anticipated.
Engineering Services	Operations	8772 - Roads - Reseals (Partially funded R2R) Total	130,523	Variation of costs to budget due to profiling issue. This is being reviewed and will be adjusted in coming months.
Engineering Services	Operations	8774 - Roads - Reseal Preparation Total	277,027	Variation of costs to budget due to profiling issue. This is being reviewed and will be adjusted in coming months..
Engineering Services	Operations	8877 - Footpaths - Extension - Drouin Road - Poowong Total	21,533	Projects planning on starting this late September.
Engineering Services	Engineering and Projects	9577 - Recreation - TP Taylor Reserve Open Space Enhancement Project Total	47,162	Expenditure: Project running behind original timeframe due to delay in concreting works. Project will still be completed within budget and within timelines of the grant.
Engineering Services	Engineering and Projects	9762 - Roads - Station Street Rehabilitation - Korumburra (R2R) Total	21,172	Project completed. Awaiting final invoices.

Capital Performance (\$'000)



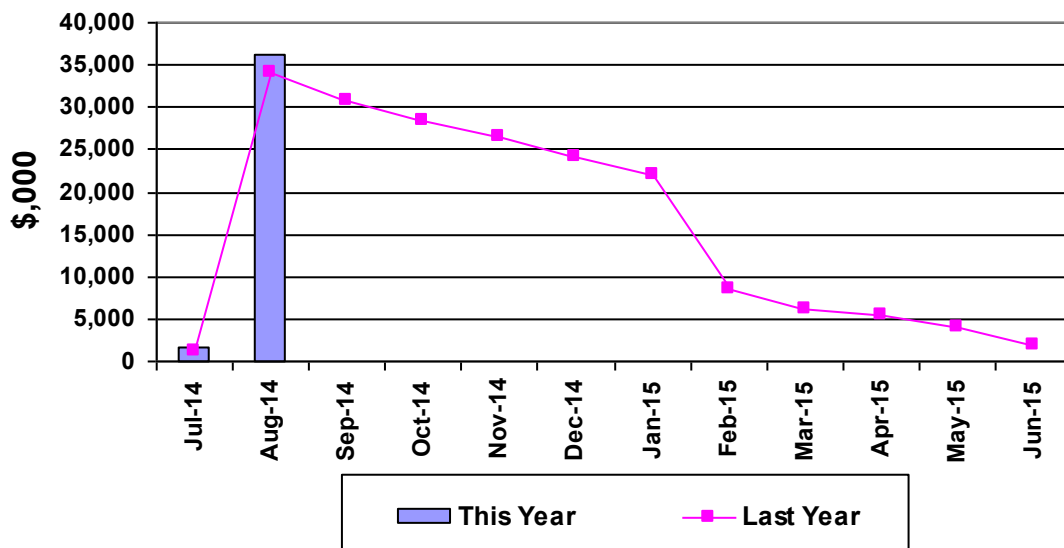
Rate Debtors

Outstanding 14/15 \$36.29 million as at Aug-14

Outstanding 13/14 \$34.19 million as at Aug-13

The outstanding rates as at 31 Aug 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)



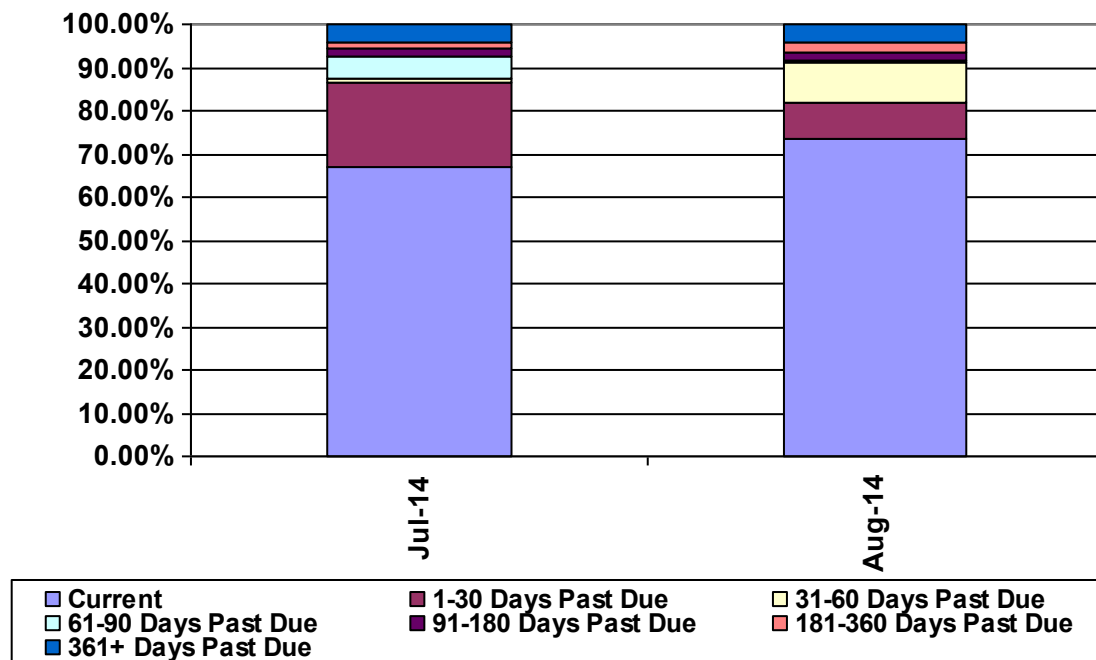
Other Sundry Debtors

Outstanding 14/15 \$1.24 million as at Aug 2014

Outstanding 13/14 \$0.95 million as at Aug 2013

The Current and 1-30 Days Past Due make up approx. 82% of total debtors outstanding.

Other Sundry Debtors



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 2014/15 Budget and Long Term Financial Plan forecasts to the original plan (the Annual Budget & Long Term Financial Plan was adopted for 2014/15 on 25 June 2014).

The lines in the following graphs are as follows

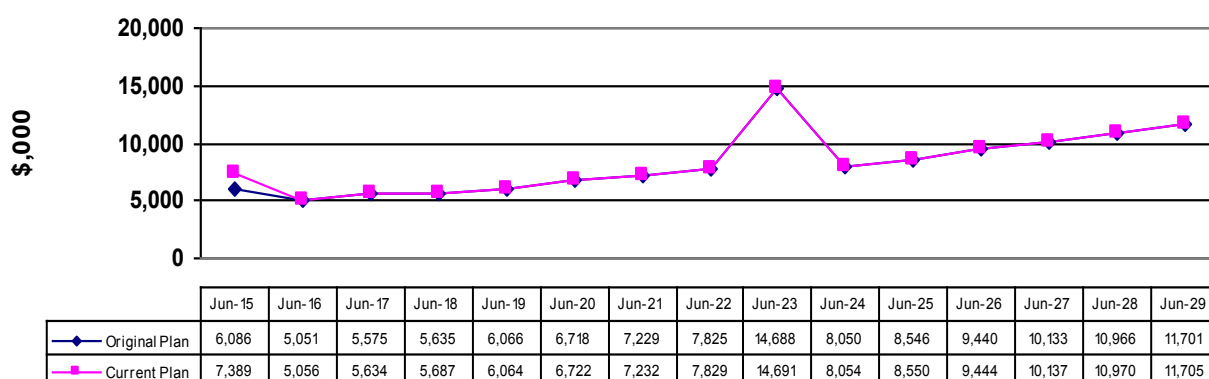
- Original plan – Blue line –original 2014/15 Budget and Long Term Financial Plan
- Current Plan – Purple line - 2014/15 Budget and Long Term Financial Plan

Operating Result (including gain /loss on asset disposals)

As expected so early in the new financial year, the current plan's projected operating results for the current plan correlates closely with the original plan. The favourable financial impact of the 'financial carry forwards' can be seen in the slightly strengthened projected operating result for 2014/15.

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)

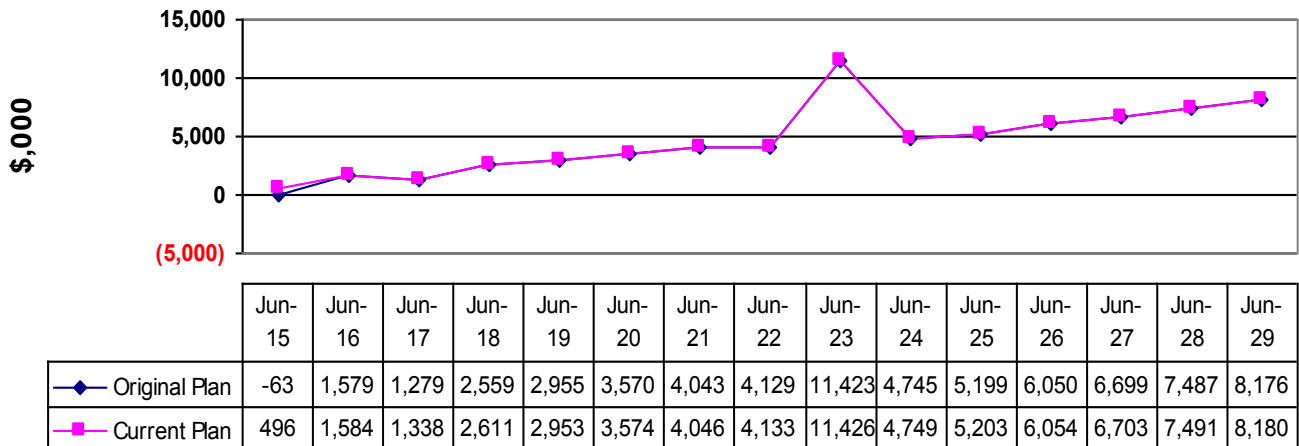


Operating Result before Capital Funding

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)

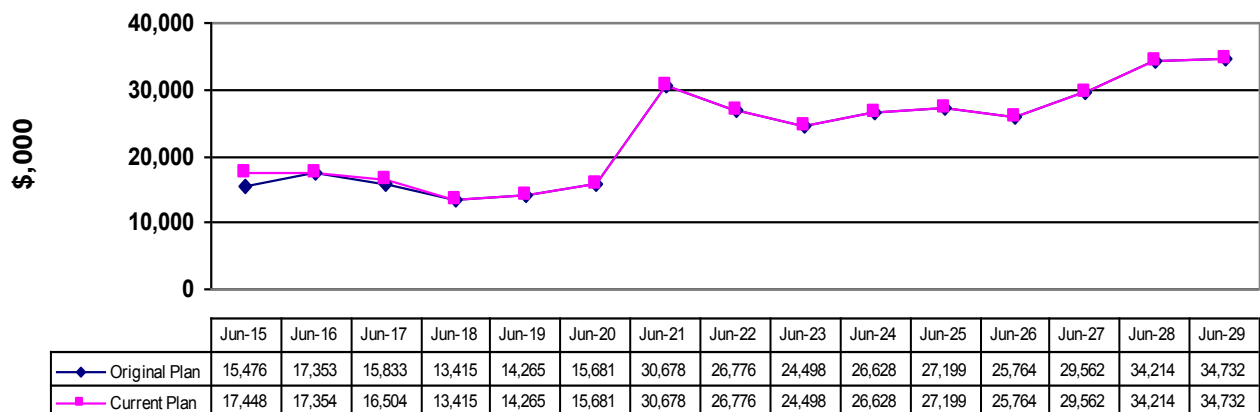


Capital Expenditure

The 2014/15 budget was adjusted to take into account the financial ramifications of carrying forward funds for projects that were not expected to be completed by 30 June 2014. In total, \$3.05 million funds were carried forward from 2013/14 (this includes \$2.04 million identified during the 2013/14 budget development process and an additional \$1.01 million identified at financial year end).

As expected so early in the new financial year, the current plan's projected capital works program for the current plan correlates closely with the original plan. The expenditure in later years is heavily reliant of significant developer contributions.

Capital Expenditure (\$,000)

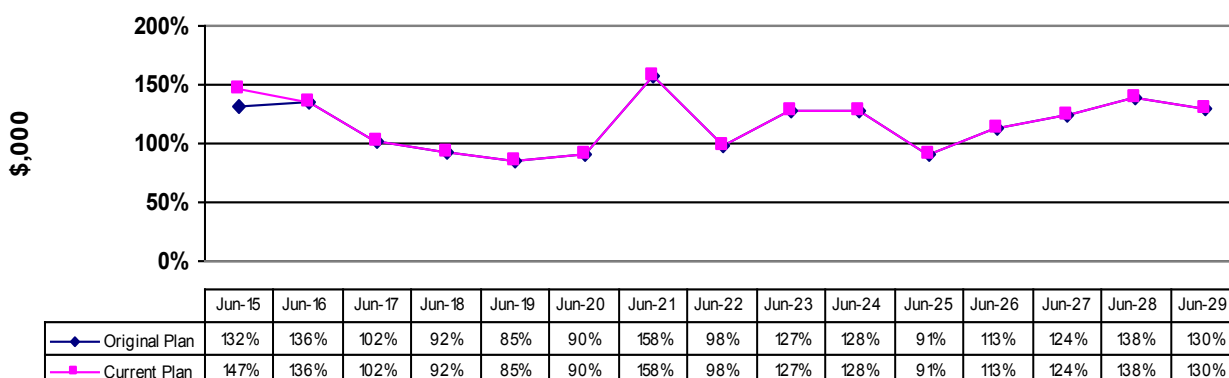


Sustainability Index for Capital Assets

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 impact of carrying forward significant amounts of capital renewal expenditure from 2013/14 to the following financial year is evident in the 2014/15 sustainability indicator.

As expected so early in the financial year, the current plan's sustainability index correlates closely when benchmarked with the original Long Term Financial Plan. The strategic target is to exceed 95%. There are no asset renewals funding gaps for all major classes of assets in the current plan's draft budget.

Sustainability Index



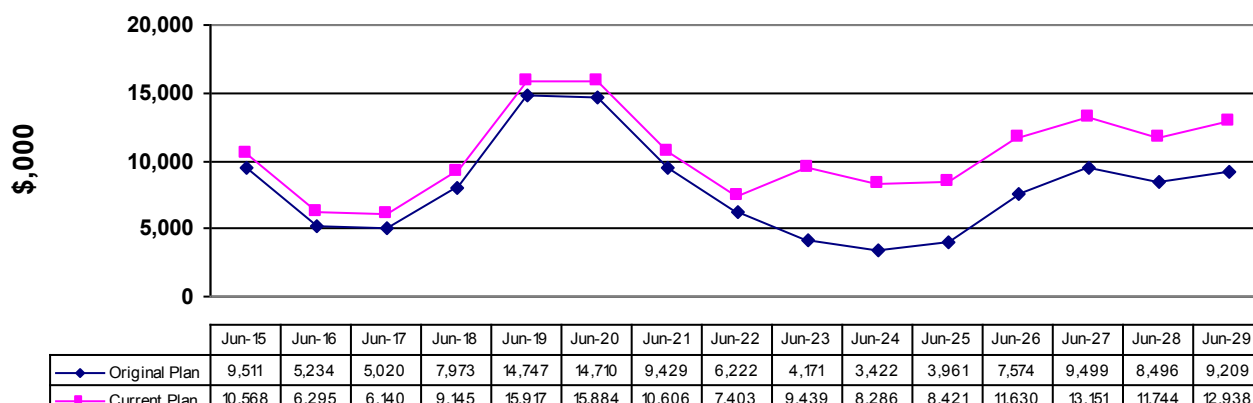
Underlying Liquidity

The current plan's forecast underlying cash position is marginally stronger than the original plan in the early to mid years. The reason is due to the change of mix of accounts receivables and accounts payable at financial year end to budget forecasts.

Mid to later it strengthens as a result of reviewing expected cash inflows profile from a Special Charge Scheme project scheduled for 2021/22.

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

Underlying Liquidity (\$,000)



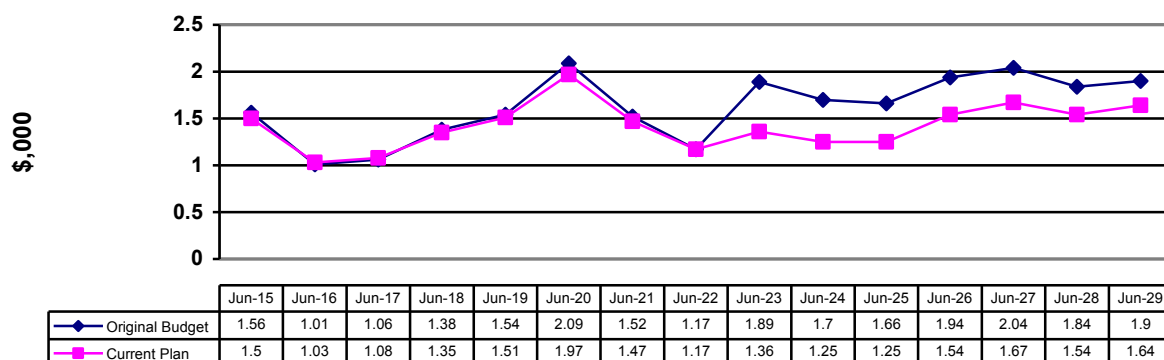
Underlying Working Capital Ratio

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. Again, as expected so early in the new financial year the current plan's underlying working capital ratio correlates closely to the original plan.

The underlying working capitals are projected to dip in 2015/16 and be somewhat weaker in the immediate years and not achieve the strategic target of 1.50 till 2018/19. This means that in the preceding years, it has very limited financial capacity to accommodate unforeseen strategic opportunities or unavoidable costs. In the later years it will exceed the 1 to 1.50 target.

The ratio weakens from 2022/23 onwards as a result of reclassifying the current and non current components of special rate income from that period onwards.

Underlying Working Capital Ratio



Conclusion

The table below shows several key financial performance indicators targets set when the 2014/15 Budget and Long Term Financial Plan were adopted. Ratios coloured red indicate either short term / immediate sustainability concerns, yellow denotes medium risk and green low risk.

2014/15 Original Budget	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
Financial performance															
Underlying result	-0.11%	2.81%	2.19%	4.13%	4.55%	5.27%	5.67%	5.59%	11.41%	5.83%	6.07%	6.75%	7.10%	7.6%	7.9%
Underlying Working Capital	1.56	1.01	1.06	1.38	1.54	2.09	1.52	1.17	1.89	1.70	1.66	1.94	2.04	1.84	1.90
Funding capacity															
Self-financing	24.18%	25.00%	26.88%	26.85%	27.73%	28.04%	28.67%	29.78%	25.56%	31.39%	32.19%	32.59%	33.36%	33.84%	33.74%
Sustainability Index	132%	136%	162%	92%	88%	90%	158%	98%	127%	128%	91%	113%	124%	138%	130%
Borrowing capacity															
Indebtedness	10.28%	8.21%	8.11%	7.80%	7.23%	7.31%	7.80%	7.48%	7.40%	7.64%	7.71%	7.77%	7.84%	7.91%	7.97%
Total Debt as a % of Rate revenue	9.39%	8.88%	8.41%	7.88%	7.59%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Debt servicing costs as a % of Total revenue	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%

The table on the following page shows the current status of key financial indicators. The majority of indicators remain within strategic threshold targets. It is marginally weaker than the original plan. Changes made to forward budgets are summarised below.

The \$7.15 million special charge scheme income budgeted for 2022/23 cash inflow profile has been adjusted to receive 1/3rd at the commencement of the scheme and the remaining 2/3rd over the following 5 years. The amount outstanding is apportioned between current and non current assets which impacts on the working capital ratio.

There is a marginal \$50,000 increase expected for financial assistance grants from the VGC over the next 15 years along with a \$141,000 Fires Services Levy grant from 2015/16 to 2017/18. It needs to be noted that Interest Revenue forecasts will need to be revised down for forward budget years. This budget forecast adjustment will be revised in following months.

The underlying working capital ratio in the immediate years indicates that Council in those years has less financial capacity to accommodate unforeseen strategic opportunities or unavoidable cost events that may arise in that period of time.

Longer term the financial plan is financially sustainable.

Proposed Budget	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
Financial performance															
Underlying result	0.83%	2.82%	2.29%	4.21%	4.55%	5.28%	5.67%	5.58%	11.42%	5.84%	6.08%	6.75%	7.11%	7.59%	7.88%
Underlying Working Capital	1.50	1.83	1.08	1.35	1.51	1.97	1.47	1.17	1.36	1.25	1.25	1.54	1.67	1.54	1.64
Funding capacity															
Self-financing	25.91%	25.82%	27.25%	26.91%	27.78%	28.04%	28.87%	29.78%	30.27%	30.90%	31.72%	32.14%	32.93%	33.44%	34.20%
Sustainability Index	147%	136%	102%	92%	88%	90%	158%	98%	122%	128%	91%	113%	124%	138%	130%
Borrowing capacity															
Indebtedness	0.57%	7.57%	7.48%	7.21%	0.66%	0.77%	0.88%	0.90%	0.98%	1.15%	1.28%	1.37%	1.46%	1.54%	1.62%
Total Debt as a % of Rate revenue	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	0.23%	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%