



AGENDA APPENDIX
Council Meeting
Wednesday 22 June 2016

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 MAY 2016

Appendix 1 – Financial Performance Report May 2016

Financial Performance Report – May 2016

The Financial Performance Report covers the 11 month period from July 2015 to May 2016.

Overview

Income Statement

Annual year to date performance:

- Operating result: \$5.21 million surplus which is \$1.91 million favourable compared the year to date budget projection of \$3.30 million surplus.

Balance Sheet

Projected year end result:

- Underlying working capital ratio 1.87 to 1 (original budget 1.62 to 1)

Cash Flow Statement

Projected year end result:

- Cash assets: \$11.351 million (original budget \$13.850 million)

Capital Works program

- Expenditure \$14.351 million which is \$436,000 behind year to date budget projection of \$14.787 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.

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 May 2016								
	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	35,419	35,417	2		38,275	38,584	309	
Statutory fees and fines	480	450	30		576	471	(105)	
User fees	3,711	3,707	4		4,179	4,169	(10)	
Grants - Operating	7,963	8,508	(545)		13,215	8,307	(4,908)	A
Grants - Capital	7,557	6,149	1,408	1	5,516	7,593	2,077	B
Contributions - monetary	275	209	66		344	491	147	
Contributions - non monetary	0	0	0		370	370	0	
Net gain/ (loss) on disposal of property, infrastructure, plant and equipment	121	(39)	160		423	(272)	(695)	C
Other income	2,550	2,395	155		2,178	2,696	518	
TOTAL INCOME	58,076	56,796	1,280		65,076	62,409	-2,667	
EXPENSES								
Employee costs	20,924	21,012	88		23,089	22,858	231	
Materials and consumables	18,962	18,931	(31)		22,035	22,676	(641)	D
Bad and doubtful debts	15	0	(15)		1	1	0	
Depreciation	10,074	10,133	59		11,166	11,134	32	
Borrowing costs	123	123	0		142	142	0	
Other expenses	2,766	3,294	528		3,352	3,148	204	
TOTAL EXPENSES	52,864	53,493	629		59,785	59,959	(174)	
SURPLUS / (DEFICIT)	5,212	3,303	1,909		5,291	2,450	(2,841)	

NOTES: MATERIAL VARIATIONS IN YEAR TO DATE FINANCIAL PERFORMANCE

Note 1 Income: Grants- Capital - \$1.408 million ahead

- \$930,000 additional Roads to Recovery funds received in advance.
- \$480,000 funding for Korumburra Child Care Hub received in advance.

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note A Income: Grants- Operating \$4.908 million unfavourable

- Less \$4.34 million Victoria Grants Commission (VGC) grants originally expected to be received in 2015/16 was received in advance in previous 2014/15 financial year.
- Additional \$92,000 for Community Strengthening program for Deadly in Gippsland, Road Safety program and Warreeny Sports funding
- Additional \$50,000 for Sustainability program.
- Less \$5,000 for immunisation program as a “one-off” grant in 14/15 was inadvertently included as budgeted income in 15/16
- Less \$300,000 grant funding for Agnes Falls that is now expected to be received in 2016/17.
- Additional \$20,000 for footpaths.
- Additional \$41,000 for Supported Play Groups for an expanded program
- Additional \$12,000 for Youth development.
- Additional \$62,000 for severe rain event.
- Additional \$37,000 for Boating facilities program.
- Less \$103,000 for Black Spur Bridge investigation - grant funds carried forward into 2016/17.
- Less \$500,000 for Great Southern Rail Trail – grant funds carried forward into 2016/17.

Note B Income: Grants- Capital - \$2.077 million favourable

- Additional \$666,000 for federal Blackspot program.
- Additional \$21,000 for Traffic Accident Commission (TAC) Community Road Safe program.
- Additional \$1.43 million Roads to Recovery grants.
- Less \$346,000 for Foster Streetscape due to timing of grant because of deferral of project until 2016/17.
- Less \$23,000 for Allambee Bridge rehabilitation, as project completed under budget which reduced the grant.
- Additional \$54,000 for Leongatha CBD Recycling Project.
- Additional \$160,000 for Korumburra Child Care Centre.
- Additional \$113,000 late grant for Port Welshpool Jetty upgrade that was undertaken several years ago.

Note C Income: Net gain / loss on asset disposals - \$695,000 unfavourable

- Less \$550,000 expected from land sale
- Less \$144,000 from fleet sales that are now expected to occur in 2016/17

Note D Expenditure: Materials and consumables - \$641,000 unfavourable

- \$349,000 restructure savings offset against \$280,000 productivity budget allocation.
- Additional \$121,000 for recurrent plant operating costs.
- Additional \$103,000 for Community Strengthening projects, offset by increased Grant income
- Less \$59,000 for Council business operations due to a delay in community engagement expenditure and lower than anticipated salary and catering costs.
- Additional \$55,000 for community strengthening – recreation programs.
- Additional \$500,000 for resheet program.
- Additional \$150,000 for Venus Bay garbage collections, as service commenced after the 15/16 Budget had been adopted
- Less \$20,000 for biodiversity program.
- Additional \$28,000 for building operations.
- Less \$21,000 for property services.
- Additional \$30,000 for innovation technology and Council business for software, annual support, licences and website development not adequately budgeted
- Additional \$48,000 for corporate information management for digital archiving project
- Additional \$29,000 for strategic planning.
- Less \$280,000 productivity savings.
- Additional \$100,000 for Civil Infrastructure maintenance.
- Less \$409,000 for Engineering and Assets Directorate programs
- Additional \$81,000 in Operation department's programs
- Additional \$33,000 for Coal Creek operations.
- Less \$65,000 for garbage and recycling; lower than anticipated price adjustment
- Less \$38,000 net operating cost savings on fleet operating costs
- Increase \$200,000 costs associated with private works that has an offsetting \$260,000 increase in private work income
- Additional \$200,000 costs associated with autumn grading works for gravel roads
- Less \$100,000 'Material and Consumable' cost expenses reclassified to 'Other Expenses'
- Less \$30,000 for Records management system- funds carried forward to 2016/17
- Less \$30,000 costs forecast for green waste mulching costs
- Additional \$27,000 for landfill operations due to volumes being greater than originally projected.

- Less \$364,000 for Black Spur bridge investigation- funds carried forward to 2016/17.
- Less \$450,000 for Great Southern Rail Trail - funds carried forward to 2016/17.
- Less \$22,000 expected to be incurred for insurance excess costs.
- Less \$22,000 expected costs for sustainability services team – cost savings.
- Additional \$63,000 for Nyora development plan.
- Additional \$55,000 for Building on Slopes Review project – budget brought forward from 2016/17.
- Less \$125,000 for Biodiversity program - funds carried forward to 2016/17.
- Less \$15,000 for Fire management Planning - cost savings.
- Less \$13,000 for Native Vegetation project - funds carried forward to 2016/17.
- Additional \$400,000 for May 2016 Storm event.

South Gippsland Shire Council BALANCE SHEET For the Period Ending 31 May 2016					
	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	17,124	13,850	11,351	(2,499)	A
Trade and other receivables	6,671	4,624	3,815	(809)	
Other financial assets	4,312	351	4,310	3,959	B
Inventories	282	248	292	44	
Other assets	0	212	303	91	
	28,389	19,285	20,071	786	
NON CURRENT ASSETS					
Investments in associates and joint ventures	752	776	752	(24)	
Property, infrastructure, plant and equipment	489,297	517,104	517,761	657	C
Investment property	716	716	716	0	
	490,765	518,596	519,229	633	
TOTAL ASSETS	519,154	537,881	539,300	1,419	
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	2,748	4,202	2,531	(1,671)	D
Trust funds and deposits	503	526	1,065	539	
Provisions	5,676	5,893	5,869	(24)	
Interest bearing loans and borrowings	0	0	0	0	
	12,092	10,621	9,465	(1,156)	
NON CURRENT LIABILITIES					
Provisions	1,178	315	795	480	
Interest bearing loans and borrowings	3,350	3,350	3,350	0	
	4,528	3,665	4,145	480	
TOTAL LIABILITIES	16,620	14,286	13,610	(676)	
NET ASSETS	502,534	523,595	525,690	2,095	
REPRESENTED BY					
Accumulated Surplus	201,517	197,687	199,485	1,798	
Reserves	301,015	325,908	326,205	297	
TOTAL EQUITY	502,532	523,595	525,690	2,095	

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note A Current Assets: Cash and cash equivalents \$2.499 million

- \$3.959 million financial assets (investments with maturity above 3 months) reclassified as Financial assets. The cash was also impacted by levels of accounts payable and receivable at year end that vary to budgeted year end projections.

Note B Current Assets: Financial Assets \$3.959 million

- \$3.959 million financial assets (investments with maturity above 3 months) reclassified as Financial assets.

Note C Non Current Assets: Property, infrastructure, plant and equipment \$657,000

- \$657,000 variance projection predominantly due to asset closing position for previous 2014/15 year being less than originally anticipated.

Note D Current Liabilities: Trade and other payables \$1.671 million

- \$1.671 million variance projection for 'Trade and other payables' because the balances will tend to fluctuate year to year depending on level of accounts payable the preceding year.

South Gippsland Shire Council CASH FLOW STATEMENT For the Period Ending 31 May 2016					
	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
CASHFLOWS FROM OPERATING ACTIVITIES					
Rates and charges	37,195	38,275	38,584	309	
Statutory fees & fines	480	576	471	(105)	
User fees	2,458	4,179	4,169	(10)	
Grants - operating	7,963	13,215	8,307	(4,908)	A
Grants - capital	7,557	5,516	7,593	2,077	B
Contributions- monetary	275	344	491	147	
Interest received	489	491	586	95	
Other receipts	1,961	1,687	2,109	422	
Employee costs	(20,641)	(22,991)	(22,790)	201	
Materials and services	(18,949)	(22,036)	(22,676)	(640)	C
Other payments	(2,766)	(3,352)	(3,148)	204	
Net cash provided by (used in) operating activities	16,022	15,904	13,696	(2,208)	
CASHFLOWS FROM INVESTING ACTIVITIES					
Payments for property, infrastructure, plant & equipment	(14,351)	(18,475)	(18,248)	227	D
Proceeds from sale of property, infrastructure, plant and equipment	357	1,344	625	(719)	E
Trust Funds and deposits	(183)	0	0	0	
Net cash provided by (used in) investing activities	(14,177)	(17,131)	(17,623)	(492)	
CASHFLOWS FROM FINANCING ACTIVITIES					
Finance costs	(142)	(142)	(142)	0	
Proceeds from borrowing	0	0	0	0	
Repayment of borrowings	0	0	0	0	
Net cash provided by (used in) financing activities	(142)	(142)	(142)	0	
Net increase (decrease) in cash and cash equivalents	1,703	(1,369)	(4,069)	(2,700)	
Cash and cash equivalents at the beginning of the financial year	15,420	15,218	15,420	202	
Cash and cash equivalents at the end of the period	17,123	13,849	11,351	(2,498)	

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note A Cash inflows from operations: Grants operating \$4.908 million unfavourable

- Less \$4.34 million Victoria Grants Commission (VGC) grants originally expected to be received in 2015/16 was received in advance in previous 2014/15 financial year.
- Additional \$92,000 for Community Strengthening program for Deadly in Gippsland, Road Safety program and Warreeny Sports funding
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Note B Cash inflows from operations: Grants capital \$2.077 million favourable

- Additional \$666,000 for federal Blackspot program.
- Additional \$21,000 for Traffic Accident Commission (TAC) Community Road Safe program.
- Additional \$1.43 million Roads to Recovery grants.
- Less \$346,000 for Foster Streetscape due to timing of grant because of deferral of project until 2016/17.
- Less \$23,000 for Allambee Bridge rehabilitation, as project completed under budget which reduced the grant.
- Additional \$54,000 for Leongatha CBD Recycling Project.
- Additional \$160,000 for Korumburra Child Care Centre.
- Additional \$113,000 late grant for Port Welshpool Jetty upgrade that was undertaken several years ago.

Note C Cash outflows from operations: Materials and Services \$640,000 unfavourable

- \$349,000 restructure savings offset against \$280,000 productivity budget allocation.

- Additional \$121,000 for recurrent plant operating costs.
- Additional \$103,000 for Community Strengthening projects, offset by increased Grant income
- Less \$59,000 for Council business operations due to a delay in community engagement expenditure and lower than anticipated salary and catering costs.
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- Additional \$30,000 for innovation technology and Council business for software, annual support, licences and website development not adequately budgeted
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- Additional \$29,000 for strategic planning.
- Less \$280,000 productivity savings.
- Additional \$100,000 for Civil Infrastructure maintenance.
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- Additional \$55,000 for Building on Slopes Review project – budget brought forward from 2016/17.
- Less \$125,000 for Biodiversity program - funds carried forward to 2016/17.
- Less \$15,000 for Fire management Planning - cost savings.
- Less \$13,000 for Native Vegetation project - funds carried forward to 2016/17.
- Additional \$400,000 for May 2016 Storm event.

Note D Cash outflows from Investing Activities: Payment for property, infrastructure plant and equipment \$227,000 decrease

- \$241,000 capital expenditure originally expected to be incurred in 2014/15 have had budgets carried forward into this financial year.
- Additional \$716,000 for Princess St Korumburra.
- Additional \$465,000 for A Beckett St Leongatha.
- Restructure savings \$35,000 for Civil capital works design.
- Additional \$199,000 for Korumburra Child Care Hub.
- Less \$51,000 for Wonthaggi Road Loch- budgets re-profiled.
- Less \$108,000 for Buffalo Rd Waratah- budgets re-profiled.
- Less \$309,000 for Bass Valley Rd Bena - budgets re-profiled.
- Less \$308,000 for A'Beckett Street - budgets re-profiled.
- Less \$41,000 for Leongatha Yarragon Rd Leongatha- budgets re-profiled.
- Additional \$284,000 for Station St Korumburra - budgets re-profiled.
- Additional \$296,000 Sealed Roads rehabilitation program.
- Additional \$94,000 for fleet.
- Less \$215,000 on landfills.
- Less \$1.2 million on Nth Poowong Road that is now expected to be undertaken in 2016/17.
- Less \$33,000 on Allambee Estate Road bridge.
- Additional \$10,000 on drainage rehabilitation program.
- Additional \$55,000 on Guardrail replacement program.
- Additional \$1.1 million on Grand Ridge Road.
- Additional \$500,000 on Carmodys Road Leongatha.
- Less \$116,000 on playground replacement program.
- Less \$99,000 on Plant replacement program
- Less \$58,000 on Municipal Precinct Investigation
- Less \$54,000 in Information Technology purchases
- Additional \$76,000 on Leongatha CBD Recycling Project.
- Additional \$77,000 on Design and Service management
- Less \$564,000 on major plant and fleet that is now expected to be undertaken in 2016/17.
- Less \$400,000 on Agnes Falls that is now expected to be undertaken in 2016/17.
- Less \$100,000 on Public Toilets in Waratah Bay that is now expected to be undertaken in 2016/17.

- Less \$300,000 on Child care Hub Korumburra that is now expected to be undertaken in 2016/17.
- Less \$67,000 on Coal Creek that is now expected to be undertaken in 2016/17.
- Less \$377,000 on Port Welshpool Caravan park Toilets that is now expected to be undertaken in 2016/17.
- Less \$70,000 on SPLASH Hydrotherapy pool that is now expected to be undertaken in 2016/17.
- Additional \$130,000 on Carmody's Road.
- Less \$28,000 on public toilet reconstruction at Fish Creek – cost less than budget
- Less \$232,000 on Sealed roads rehabilitation program.
- Less \$17,000 for Koonwarra Pound Creek Road deviation - that is now expected to be undertaken in 2016/17.

Note E Cash inflows from Investing Activities: Proceeds from sale of property, infrastructure, plant and equipment \$719,000 decrease

- Less \$550,000 expected from land sale
- Less \$169,000 from fleet sales that are now expected to occur in 2016/17

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.

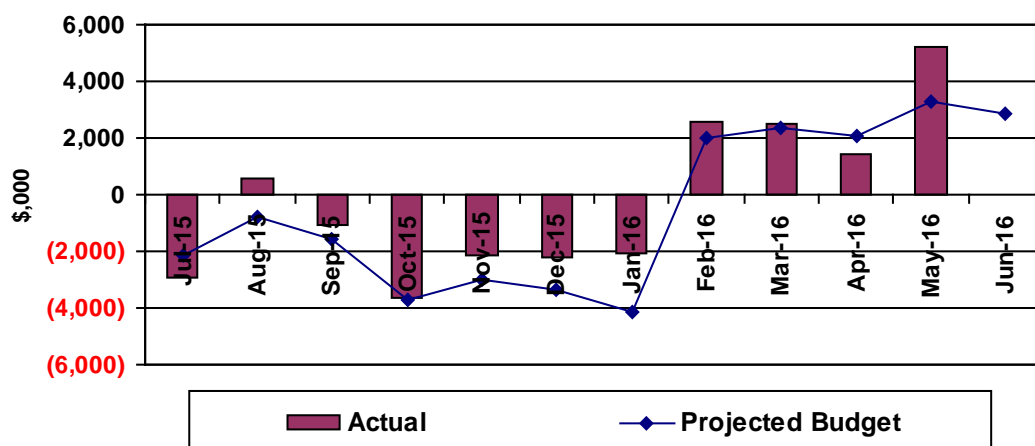
Operating Performance

Operating Budget \$ 3.30 million Surplus for the period Jul-15 to May-16

Operating Result \$ 5.21 million Surplus for the period Jul-15 to May-16

The operational result varies by \$1.91 million to the projected year to date budget. Variation is due to timing of actual costs to year to date budgets, predominantly impacted by receiving grant funds ahead of schedule.

Operating Performance (\$'000)



The following projects have had \$670,000 grant, contribution and other income funds carried forward from 2015/16 to 2016/17:

Cost Centre Name	Activity Name	Account Name	\$
Fleet - Fleet Purchases	General	Vehicle Sales	- 66,816
Bridge - Black Spur Bridge Investigation - Koonwarra	General	State Government Grant (non recurrent)	- 103,000
Corner Inlet Tourism - Great Southern Rail Trail	General	State Government Grant (non recurrent)	- 500,000

The following projects have had \$1.1 million expenditure funds carried forward from 2015/16 to 2016/17:

Cost Centre Name	Activity Name	Account Name	\$
Bridge - Black Spur Bridge Investigation - Koonwarra	General	Contractors	250,000
Corner Inlet Tourism - Great Southern Rail Trail	General	Contractors	450,000
Biodiversity	Jim Harvey Biodiversity Fund	Contractors	125,567
Biodiversity	Native Vegetation Offset	Contractors	13,166
Sustainability Services	Sustainability Wiki	Contractors	1,009
Sustainability Services	Agricultural Resilience and Shared Climate Change	Marketing, Advertising and Promotion	1,258
Sustainability Services	Agricultural Resilience and Shared Climate Change	Printing and Stationery	333
Sustainability Services	Agricultural Resilience and Shared Climate Change	Contractors	19,686
Sustainability Services	Agricultural Resilience and Shared Climate Change	Consultancies	1,931
Sustainability Services	Agricultural Resilience and Shared Climate Change	Catering	3,671
Recreation Facilities	Equestrian Park Business Case	Consultancies	15,000
Youth Development	Youth Project - FReeZA (3 years)	Training and Professional Development	1,500
Youth Development	Youth Project - FReeZA (3 years)	Contractors	3,000
Youth Development	Youth Project - FReeZA (3 years)	Materials	3,000
Access and Inclusion Program	Respectful Relationships	Materials	3,000
Building Inclusive Communities	Rural Access Program	Materials	10,000
Bridge - Black Spur Bridge Investigation - Koonwarra	General	Contractors	105,000
Strategic Planning	Nyora Development Plan and Developer Plan	Consultancies	62,380
Strategic Planning	Building on Steep Slopes Review	Consultancies	55,000

Capital Performance

Capital Budget	\$14.79 million for the period Jul-15 to May-16
Actual Expenditure	\$14.39 million for the period Jul-15 to May-16
Capital Expenditure	\$ 0.40 million behind year to date budgets

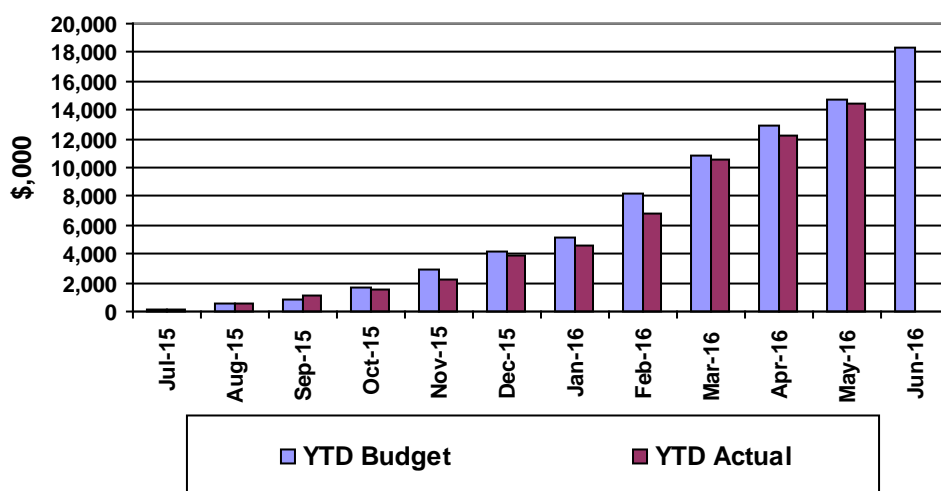
Projects running behind / (ahead) schedule as at 31 May 2016 are detailed in the following table:

Directorate	Department	Cost Centre	Expenditure Major Variation \$	Major Variation Explanation
Development Services	Economic Development, Tourism and Customer Service	3451 - Yanakie Caravan Park Capital Total	(27,003)	Expenditure variance primarily related to installation of fire fighting tank fittings.
Development Services	Economic Development, Tourism and Customer Service	3461 - Long Jetty Caravan Park Capital Total	(25,797)	The variation is due to delivery of a storage shed, cabin replacement and recreational room improvements completed earlier than originally planned.
Corporate and Community Services	Innovation, Technology and Council Business	8030 - IT Capital Works Total	(63,573)	Negative variance represents the first milestone payment for the Oracle upgrade. However, the annual budget allocation for IT Capital will be underspent with project funds being carried forward into 2016/17.
Sustainable Communities and Infrastructure	Operations	8040 - Fleet - Fleet Purchases Total	36,560	Fleet sales running behind, waiting on new deliveries.
Sustainable Communities and Infrastructure	Operations	8040 - Fleet - Fleet Purchases Total	(76,349)	Fleet sales running behind, waiting on new deliveries.
Sustainable Communities and Infrastructure	Operations	8050 - Plant - Plant Purchases Total	(108,069)	Deliveries received earlier than anticipated. Over the financial year we are still on budget.
Sustainable Communities and Infrastructure	Engineering and Assets	8279 - Roads - Princes Street - Korumburra Total	183,387	Contractor delayed in commencing work on site. Expect project to be completed a few weeks after the contract date around early June.

Directorate	Department	Cost Centre	Expenditure Major Variation \$	Major Variation Explanation
Sustainable Communities and Infrastructure	Engineering and Assets	8567 - Waste - Landfills Total	184,824	Lining works in the cell are nearing completion, the project will be nearing completion by the end of the financial year, works are slightly behind the original program due to weather.
Sustainable Communities and Infrastructure	Engineering and Assets	8770 - Civil - Capital Works Design Total	73,588	A number of projects running late.
Sustainable Communities and Infrastructure	Operations	8772 - Roads - Reseals (Partially funded R2R) Total	277,518	Works Completed for this season. Asphaltting works on IGA Carpark have been postponed to next Season - Balance to be carried forward.
Sustainable Communities and Infrastructure	Engineering and Assets	8876 - Footpaths - Extension - Walkerville Road - Tarwin Lower Total	86,884	Works well underway, delayed slightly due to weather. Expected completion mid June
Sustainable Communities and Infrastructure	Engineering and Assets	9000 - Federal Blackspot Program Total	202,454	Intersection works have been delayed due to wet weather, expected works will be complete early June.
Sustainable Communities and Infrastructure	Engineering and Assets	9081 - Roads - North Poowong Road, Poowong Total	32,316	Design and planning investigations are well advanced. Some budget will be carried forward to 2016/17 to complete planning and design process.
Sustainable Communities and Infrastructure	Engineering and Assets	9425 - Buildings - Child Care Hub - Korumburra Total	(144,851)	Project progressing well, works ahead of schedule and this is reflected in the increased contractor payments.

Directorate	Department	Cost Centre	Expenditure Major Variation \$	Major Variation Explanation
Sustainable Communities and Infrastructure	Engineering and Assets	9425 - Buildings - Child Care Hub - Korumburra Total	480,000	Project progressing well, works ahead of schedule and this is reflected in the increased contractor payments.
Sustainable Communities and Infrastructure	Engineering and Assets	9524 - Buildings - Public Toilets Reconstruction - Fish Creek Total	28,548	Project complete
Sustainable Communities and Infrastructure	Engineering and Assets	9550 - Buildings - Public Toilet Renewal Total	64,341	Riverside public toilet completed, Waratah Bay public toilet is currently be designed and works will begin shortly. Behind schedule due to retendering and consultation process.
Sustainable Communities and Infrastructure	Operations	9657 - Bridge - Rehabilitation Program Total	35,088	Project complete
Sustainable Communities and Infrastructure	Operations	9722 - Roads - Sealed Rehabilitation Program Total	(314,561)	Program ahead of schedule and close to complete.

Capital Performance (\$'000)



The following capital projects have had \$845,000 funds carried forward from 2015/16 to 2016/17:

Cost Centre Name	Activity Name	Account Name	\$
Fleet - Fleet Purchases	General	Capital Plant Purchases	380,634
Buildings - Caravan Park Toilet Block - Port Welshpool	General	Contractors	376,419
Roads - Deviation of Koonwarra-Pound Creek Road - Leongatha	Land Acquisition	Contractors	12,000
Roads - Deviation of Koonwarra-Pound Creek Road - Leongatha	Land Acquisition	Legal Fees	5,761
Pools - Splash Hydro Therapy Pool and Gymnasium- Leongatha	General	Contractors	70,000

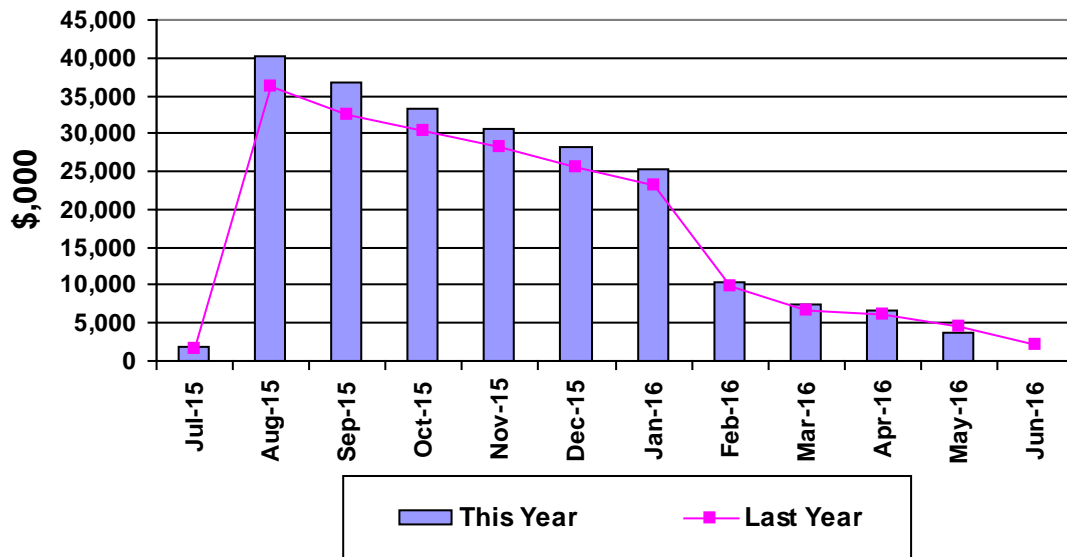
Rate Debtors

Outstanding 15/16 \$3.64 million as at May-16

Outstanding 14/15 \$4.60 million as at May-15

The outstanding rates as at 31 May have parity to last year.

Rate Debtors (\$,000)



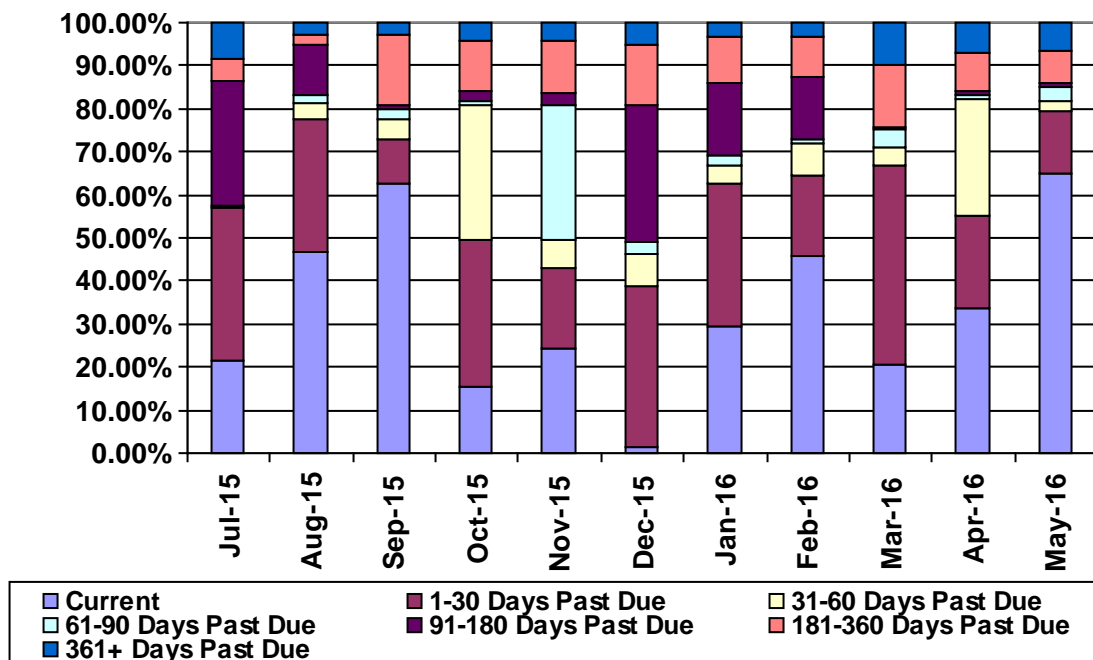
Other Sundry Debtors

Outstanding 15/16 \$ 2.14 million as at May-16

Outstanding 14/15 \$ 3.23 million as at May-15

The Current and 1-30 Days Past Due Date make up approximately 80% of total debtors outstanding. A majority of the outstanding amounts in the 91-180 Days Past Due Date and beyond are primarily made up of unpaid caravan park fees.

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 Long Term Financial Strategies key performance indicators.

The Long Term Financial Plan analysis report normally compares the current 2015/16 Budget and Long Term Financial Plan forecasts to the original plan (the Annual Budget & Long Term Financial Plan was adopted for 2015/16 on 24 June 2015).

Council on 23 March 2016 prepared a proposed budget for 2016/17. This now supersedes the 2015/16 Budget and Long Term Financial Plan forecasts. The current plan now includes the proposed 2016/17 budget that has been updated with budget carry forward adjustments and other budget adjustments made since 23 March.

The lines in the following graphs are as follows:

- Original plan – Blue line –original 2015/16 Budget and Long Term Financial Plan
- Current Plan – Purple line – Updated proposed 2016/17 Budget and Long Term Financial Plan

Operating Result (including gain /loss on asset disposals)

The unfavourable financial impact of receiving \$4.34 million 2015/16 VGC grant allocations in the previous financial year (June 2015) can be seen in the reduced projected operating result for 2015/16.

The rate rises in the forward years of the 'original' adopted 2015/16 Budget / Long Term Financial Plan had been set at 3.0% from 2016/17 to 2022/23 and thereafter at 4.0%.

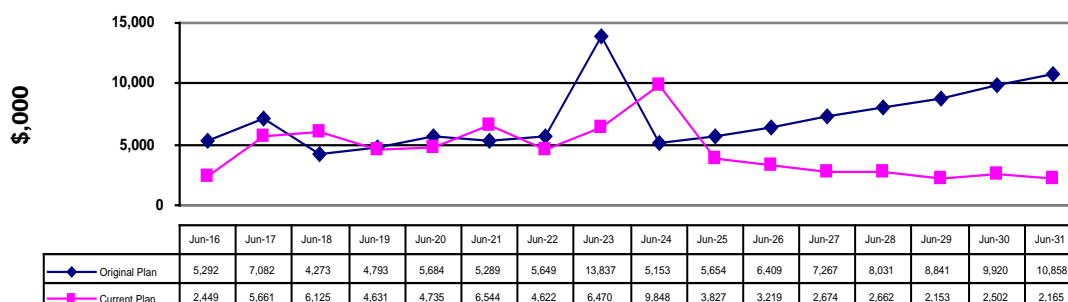
The Minister for Local Government Natalie Hutchins announced that Victorian council rate increases will be capped to the rate of inflation, 2.5% for 2016/17. The rate rises in the forward years have also been modelled at 2.5%.

Council will now receive \$37.8m less rates & charges revenue over a 14 year period when comparing the Current Plan 2016/17 Budget / LTFP to the previously adopted 2015/16 Budget / LTFP.

For 2016/17 and immediate years in the forward plan the operating result remains relatively stable. In the later years it trends down. Council is strategically managing this issue by allowing any future years' productivity gains that are identified to flow through to the bottom line in the later years, to begin addressing the downward trend in the forecast operating results.

The spike in 2023/24 is attributable to modelling that Council will receive \$6.76m Special Charge Scheme income for a major roads and drainage project.

Operating Result (\$,000)

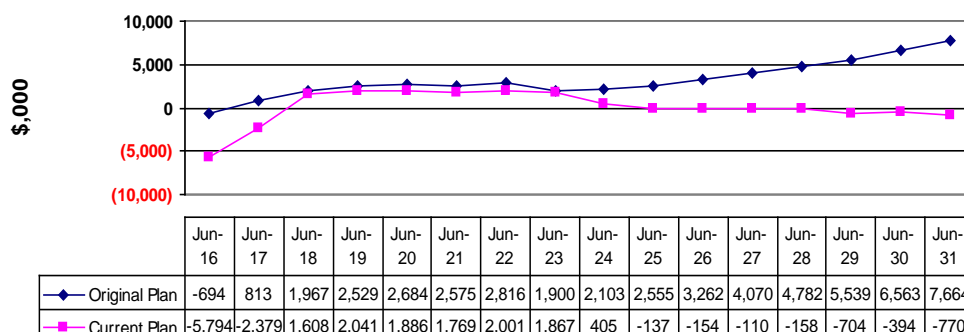


Operating Result before Capital Funding

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. It is forecast that from 2024/25 onwards that Council will begin producing deficit underlying results. Council is managing this by allowing any future years' productivity gains to flow through to the bottom line in the later years.

Operating Result before Capital Funding (\$,000)

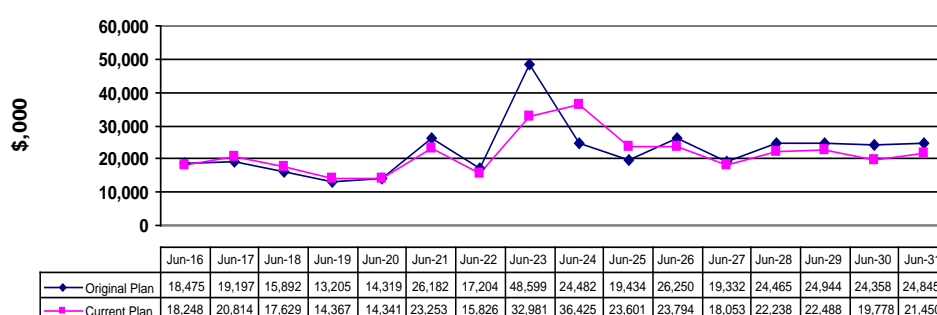


Capital Expenditure

The 2015/16 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 2015. In total, \$1.83 million funds were carried forward from 2014/15 (this includes \$1.59 million identified during the 2015/16 budget development process and an additional \$241,000 identified at financial year end). \$2.65 million of capital works originally budgeted to be undertaken in 2015/16 have been carried forward into 2016/17.

The Current Plan's projected capital works program correlates closely with the original plan. 2022/23 and 2023/24 includes \$24.72m funding for a municipal precinct, library and community centre project proposal as well as \$10.14m for a Roads / Drainage Special Charge Scheme in Nyora.

Capital Expenditure (\$,000)

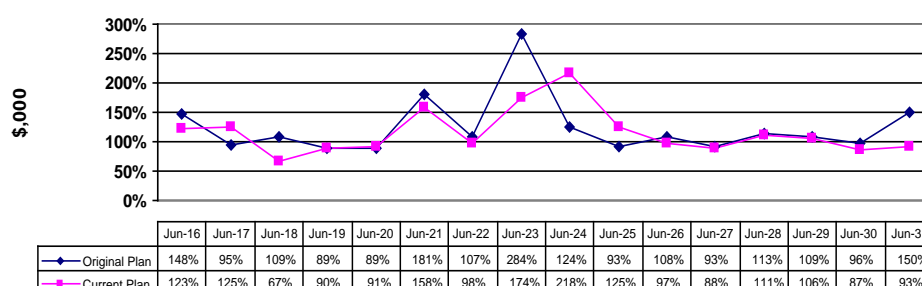


Sustainability Index for Capital Assets

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 capital renewal expenditure from 2015/16 to the following financial year is evident in the 2016/17 sustainability indicator.

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.

Sustainability Index



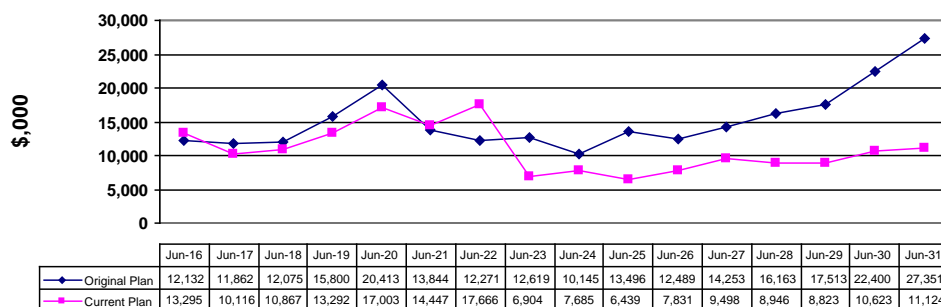
Underlying Liquidity

The current plan's forecast underlying cash position is weaker than the original plan, particularly in the mid to later years.

In the later years of the plan the projected underlying liquidity dips down before flattening and marginally trending up in the later years. This is due to the longer term impact of less rates revenue being generated as a result of rate capping.

Council is managing this issue by allowing productivity gains to flow through to the bottom line in the later years.

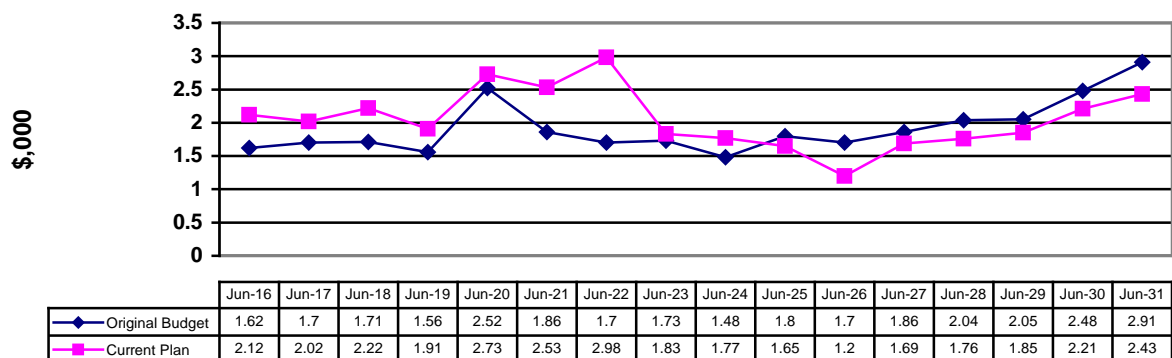
Underlying Liquidity (\$,000)



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 the rate cap has an unfavourable impact on the mid to longer term underlying working capital ratio. In the later years there is a marginal strengthening trend.

Underlying Working Capital Ratio



Conclusion

The table below shows several key financial performance indicators targets set when the 2015/16 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.

2015/16 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	2029/30
Financial performance																
Underlying result	4.08%	-1.17%	1.39%	3.26%	4.04%	4.17%	3.86%	4.09%	2.66%	2.84%	3.30%	4.07%	4.86%	5.5%	6.1%	6.9%
Underlying Working Capital	1.95	1.62	1.70	1.71	1.56	2.52	1.86	1.70	1.73	1.48	1.80	1.70	1.86	2.04	2.05	2.48
Funding capacity																
Self-financing	26.06%	24.58%	29.01%	26.22%	27.02%	27.74%	27.52%	21.51%	37.43%	30.03%	30.46%	31.09%	31.45%	30.93%	31.46%	32.18%
Sustainability Index	99%	148%	95%	109%	89%	89%	181%	107%	284%	124%	93%	108%	93%	113%	109%	96%
Borrowing capacity																
Indebtedness	9.61%	8.11%	7.90%	7.75%	1.00%	1.10%	1.20%	1.30%	25.69%	27.77%	26.73%	25.74%	14.71%	14.23%	9.75%	8.74%
Total Debt as a % of Rate revenue	9.35%	8.75%	8.44%	8.14%	7.85%	0.00%	0.00%	0.00%	28.31%	30.98%	29.61%	28.31%	15.22%	14.55%	10.07%	8.81%
Debt servicing costs as a % of Total revenue	0.20%	0.22%	0.22%	0.23%	0.22%	0.08%	0.00%	0.00%	1.15%	1.25%	1.19%	1.15%	0.62%	0.60%	0.40%	0.38%

The table below shows the current status of updated proposed 2016/17 Budget and Long Term Financial Plan's key financial indicators.

Proposed 2016/17 Budget	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	2029/30	2030/31
Financial performance																
Underlying result	-10.70%	-3.95%	2.68%	3.30%	2.98%	2.70%	2.97%	2.68%	0.57%	-0.19%	-0.20%	-0.14%	-0.20%	-0.85%	-0.46%	-0.88%
Underlying Working Capital	1.87	1.64	1.72	1.44	2.39	2.10	2.44	1.25	1.33	1.19	1.06	1.43	1.37	1.35	1.52	1.56
Funding capacity																
Self-financing	22.08%	25.37%	28.25%	26.91%	26.96%	29.07%	27.08%	29.05%	27.16%	28.67%	28.15%	27.67%	27.63%	27.32%	26.52%	26.30%
Sustainability Index	123%	125%	67%	90%	91%	158%	98%	174%	218%	125%	97%	88%	111%	106%	87%	93%
Borrowing capacity																
Indebtedness	9.08%	10.38%	8.51%	1.68%	1.76%	1.85%	1.92%	2.01%	22.77%	24.82%	20.36%	19.18%	18.03%	16.90%	15.78%	14.69%
Total Debt as a % of Rate revenue	8.68%	8.38%	8.13%	7.88%	0.00%	0.00%	0.00%	0.00%	24.13%	26.59%	25.78%	20.58%	19.13%	17.71%	16.32%	14.95%
Debt servicing costs as a % of Total revenue	0.23%	0.21%	0.22%	0.22%	0.08%	0.00%	0.00%	0.00%	0.84%	0.88%	0.86%	0.65%	0.66%	0.61%	0.57%	0.53%

The majority of indicators remain within strategic thresholds targets. It is marginally weaker than the original plan. The deterioration of Council's financial position longer term is due to the longer term impact of less rates revenue being generated as a result of rate capping.

The 'Underlying Result' compares recurrent income and recurrent expenditure. The underlying result is forecast to be in the red zone in 2015/16 as a result of having to recognise \$4.34m Victoria Grants Commission allocation for 2015/16 in the previous financial year (2014/15).

For 2016/17 and immediate years in the forward plan the underlying result trends into and remains in the green zone. In the later years it trends down into the yellow 'cautionary zone'. Council is managing this issue by allowing any future years' productivity gains to flow through to the bottom line in the later years, so as to strategically begin addressing the downward trend in the forecast underlying operating results.

The 'Underlying Working Capital' assesses Balance Sheet strength and in particular Council's ability to pay existing liabilities. In the forward plan the ratio marginally falls below the strategic target of 1.25 to 1 in 2022/23, 2024/25 and 2025/26 before strengthening again in the later years. Council still has financial capacity to

accommodate unforeseen strategic opportunities or unavoidable cost events that may arise.

The 'Self Financing' indicator compares net operating cash flows to underlying revenue and capital grants. It is forecast to be in the green zone in 2016/17 and all the forward budgets.

The 'Sustainability Indicator' assesses asset renewal and upgrade expenditure over a period of time. It is forecast to be in the green zone for 2016/17. In the following years it generally fluctuates between the green and yellow zone and even dips into the red zone in 2017/18, 2026/27 and 2029/30. This does not present as a strategic concern. It is worth noting that there are no asset renewal primary funding gaps for all major classes of assets over the 15 year Long Term Financial Plan. There are adequate funds for recurrent cost requirements for all major asset classes for the current defined service levels as documented in Asset Management Plans.

The three borrowing capacity indicators, 'Indebtedness', 'Total Debt as a percentage of Rate Revenue' and 'Debt Servicing Costs as a percentage of Total Revenue' are forecast to be in the green zone for 2016/17 and all the forward budgets. Due to the inherent strength of the current Balance Sheet, Council has borrowing capacity in the forward years if it wishes to consider funding additional capital upgrade or extension projects.

The key financial performance indicators in the Long Term Financial Plan serve as very important lead indicators to identify future years' financial ramifications of decisions that are made in the present period.

The updated proposed 2016/17 Budget / Long term Financial Plan is financially sustainable.