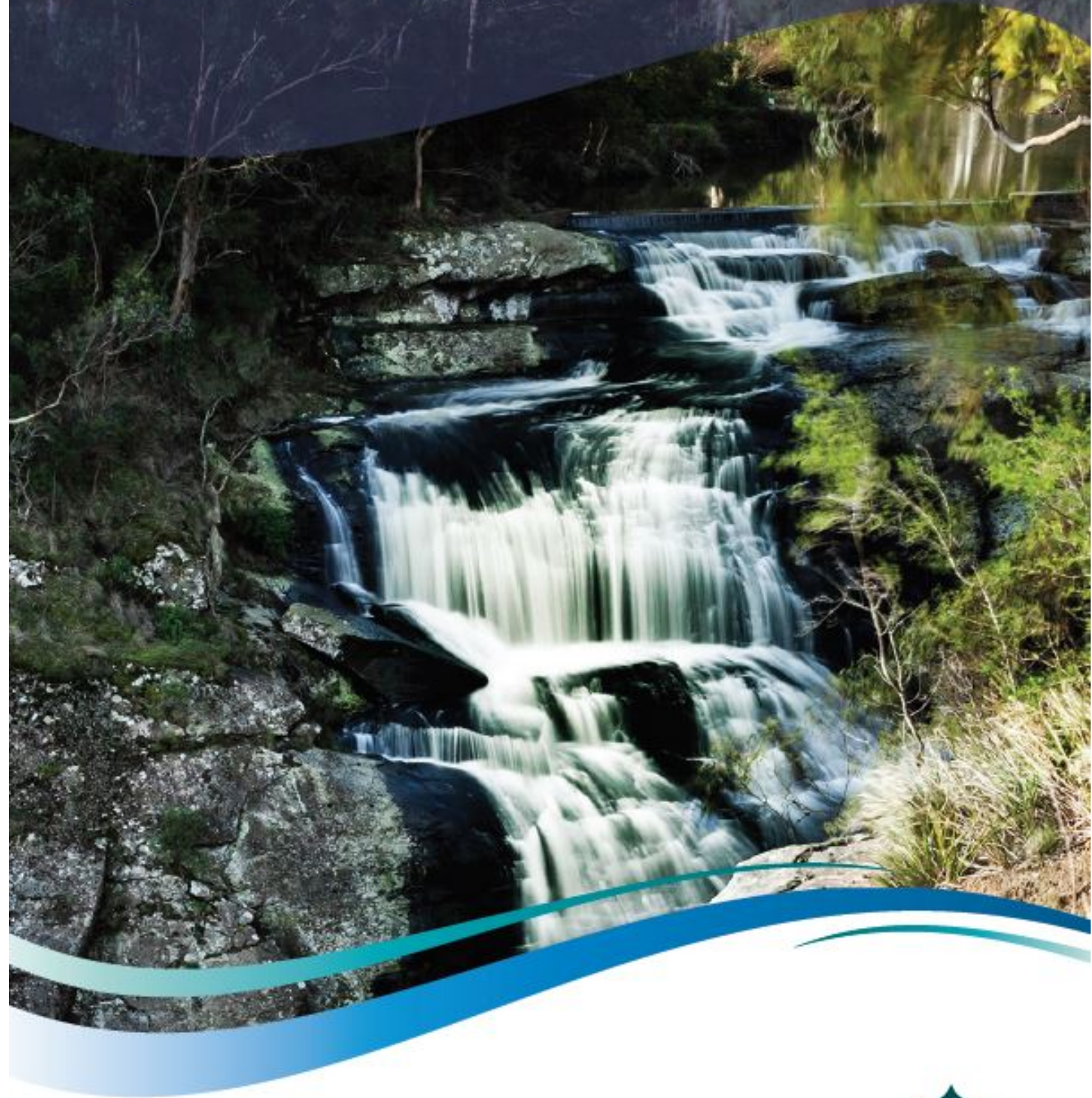


# Financial Performance Report

## July 2019 - February 2020



## Executive Summary

The financial performance report for the eight months to the 29<sup>th</sup> February 2020 is presented for Council's information.

### Operating Statement

The Year to Date (YTD) surplus of \$3.69M is favourable compared with the YTD budget surplus of \$0.60M by \$3.09M. This is largely as a result of timing of expenditure primarily due to materials and consumables (↓\$2.14M) across a number of areas that are behind schedule or require profiling adjustments.

The Forecast is projecting a \$4.23M surplus for the end of the financial year. This is \$0.94M below the Original Budget surplus of \$5.17M, largely due to expenditures related to the August 2019 Flood events (\$0.72M) and reclassification of wages from capital to operating (\$0.45M).

Further detail can be found under the Financial Statements section, "Income Statement for the period ending 29<sup>th</sup> February 2020".

### Capital Expenditure

The YTD result for capital expenditure shows that Council is behind the YTD budget by \$1.26M, with actual expenditure of \$8.33M compared to YTD budget of \$9.59M. This is made up primarily of variances for Computers and telecommunications (↓\$1.16M) due to projects on hold pending Shared Services outcomes.

The forecast capital expenditure for 19/20 is now \$25.07M. This is \$7.38M less than the original budget adopted by Council for the 19/20 financial year in line with capital works program amendments approved by Council at the Council meeting held on 18 December 2019. The decrease is due to a number of projects being postponed or extended until 20/21 including Korumburra Community Hub (\$2M), Great Southern Rail Trail (\$835K), Leongatha Business Precinct (\$1.5M) and Mirboo North pool (\$2M).

Further detail can be found under the Financial Statements section, "Capital Works Statement for the period ending 29<sup>th</sup> February 2020".

### Cash

During the eight months to the end of February, there was an overall increase in cash of \$0.42M from \$7.0M opening cash to \$7.42M closing cash. The net change includes a positive cash flow from operating results of \$17.89M, negative cash flow from investing activities of \$14.03M and outflow of cash for financing activities of \$3.44M due to repayment of borrowings for a loan maturing in November 2019.

Cash and cash equivalents of \$7.42M is made up of cash at bank of \$3.16M and short-term investments (with original maturity dates of less than 90 days) of \$4.26M.

Total cash and investments held at the end of February was \$41.7M, which includes cash and cash equivalents of \$7.42M and other financial assets (term deposit investments with original maturity dates of greater than 90 days) of \$34.28M. Cash on hand and investments are predominantly held to fund current and future budgeted capital works, future reserve expenses, employee entitlements and current working capital.

Projected cash and investments to be held as at 30 June 2020 is \$23.56M. This is \$5.5M favourable compared to the original budget of \$18.06M largely due to capital works expenditures carried forward to 2020/21. These funds will be primarily used to fund the future planned capital works program.

Further details on cash can be found under the Financial Statements section, "Cash Flow Statement for the period ended 29<sup>th</sup> February 2020".



The Long Term Financial Plan has been updated to reflect the current forecast for 2019/20 as well as changes from the current draft 2020/21 budget. All indicators remain in the green zone for 2019/20 and all forward budgets, with the exception of the 2019/20 underlying result due to 50% of the 2019/20 VGC grant allocation being received in 2018/19. See further details in the Long Term Financial Plan Analysis

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## Financial Statements

Income Statement for the period ended 29<sup>th</sup> February 2020

	YTD			Full Year		
	Actual \$'000	Forecast \$'000	Variance (Actual v Forecast) \$'000	Original Budget \$'000	Draft Forecast \$'000	Variance (Draft Forecast v Original) \$'000
<b><u>Income</u></b>						
Rates and charges	29,345	29,302	43	43,869	43,869	0
Statutory fees and fines	549	630	(81)	919	924	5
User fees	2,621	2,403	218 <sup>1</sup>	4,335	4,232	(103) <sup>2</sup>
Grants - operating	6,904	6,578	326 <sup>3</sup>	6,609	10,091	3,482 <sup>4</sup>
Grants - capital	2,389	3,167	(778) <sup>5</sup>	8,406	5,983	(2,423) <sup>6</sup>
Contributions - monetary	171	131	40	1,140	1,191	51
Contributions - non monetary	21	0	21	395	395	0
Net gain/ (loss) on disposal of property, infrastructure, plant and equipment	(95)	(136)	41	145	22	(123) <sup>7</sup>
Other income	1,106	1,177	(71)	1,710	1,738	28
<b>TOTAL INCOME</b>	<b>43,011</b>	<b>43,252</b>	<b>(241)</b>	<b>67,528</b>	<b>68,445</b>	<b>917</b>
<b><u>Expenses</u></b>						
Employee costs	16,705	17,086	381 <sup>8</sup>	24,817	25,567	(750) <sup>9</sup>
Materials and consumables	13,155	15,292	2,137 <sup>10</sup>	21,909	23,591	(1,682) <sup>11</sup>
Bad and doubtful debts	3	0	(3)	0	0	0
Depreciation	7,320	7,851	531 <sup>12</sup>	11,939	11,778	161 <sup>13</sup>
Borrowing costs	74	39	(35)	108	59	49
Other expenses	2,068	2,382	314 <sup>14</sup>	3,581	3,217	364 <sup>15</sup>
<b>TOTAL EXPENSES</b>	<b>39,325</b>	<b>42,650</b>	<b>3,325</b>	<b>62,354</b>	<b>64,212</b>	<b>(1,858)</b>
<b>SURPLUS / ( DEFICIT )</b>	<b>3,686</b>	<b>602</b>	<b>3,084</b>	<b>5,174</b>	<b>4,233</b>	<b>(941)</b>

<sup>1</sup> Higher YTD user fees compared to YTD forecast is largely due to the accommodation sales for the Caravan Parks coming in \$133K higher than expected over the peak period. Projected total user fees have not yet been adjusted for the Caravan Parks as it is unlikely to continue throughout the slow period. Other areas with higher user fees include Local Laws (\$49K), which is offset by lower statutory fees and fines and Landfill Operations (\$44K).

<sup>2</sup> Lower projected user fees are due to \$47K from eliminating Boat Ramp fees in 2019/20 as grants have been received instead and \$50K projected decrease in Landfill council fees & charges.

<sup>3</sup> Higher YTD operating grants compared to YTD forecast is due to SRO Valuation Grant profiled for April but recorded already of \$130K and Maternal and Child Health grant being \$111K higher than expected.

<sup>4</sup> Higher projected operating grants is due to \$2.3M carried forward from 2018/19 and an increase in VGC allocation projected of \$216K, as well as \$672.6K new for the August 2019 Flood Events.

<sup>5</sup> Lower YTD capital grants compared to YTD forecast is due to \$1.2M for Roads to Recovery that was profiled for February and has not yet been received. This is offset by monies received for the Federal Blackspot Program of \$272K and Timms Road (\$160K) that were not yet profiled for February.

<sup>6</sup> Lower projected capital grants compared to the original budget is due to a reduction in projected grants for Korumburra Community Hub (\$1.1M) and Great Southern Rail Trail (\$1.5M), net of an additional grant for Federal Blackspot Program of \$1.2M.

<sup>7</sup> Lower net gain on disposal of property, infrastructure, plant and equipment is due to carrying forward sales of various fleet and plant to 2020/21. This is consistent with a decrease in the projected plant and equipment purchases per the Statement of Capital Works.

<sup>8</sup> Higher YTD employee costs is due to \$113K budget for Civil – Operating Works Design that was moved from capital to operating in the forecast while the actuals have not yet been adjusted and depot operations being \$287K under budget due to depot staff working on more capital projects than anticipated.

<sup>9</sup> Higher projected employee costs of \$750K is partially due to including the Administrators wages (\$318k) not previously accounted for and is offset by a reduction in other expenses for Councillor Allowances. Remaining increase is due to reclassification of wages from capital to operating relating to Design, Roadside Vegetation, Resheets and Gravel Roads.

<sup>10</sup> Lower YTD actual materials and consumables compared to YTD forecast has the following variances above \$100K:

- Garbage and Recycling Collections - \$192K due to delay in the kerbside contract annual price adjustment delaying payment for February into March.
- Information technology - \$186.1K unspent software support and licenses
- Long Jetty Restoration - \$195K due to profiling needed
- Resheets and gravel roads – total of \$461.7K due to being behind schedule

<sup>11</sup> Higher projected materials and consumables of \$809K is due to projects carried forward from 2018/19, as well as \$716.3K new for the August 2019 Flood Events.

<sup>12</sup> Lower YTD depreciation is due to fewer capital expenditure additions than expected.

<sup>13</sup> Lower projected depreciation is due to updating forecasts based on 2018/19 fixed asset additions and valuations that were not available for the original budget.

<sup>14</sup> Lower YTD other expenses is largely due to West Gippsland Regional Library contributions, \$267K is included in the YTD budget for library projects that was a carry forward from 2018/19. This allocation has not yet been used and requires a profiling adjustment.

<sup>15</sup> Lower projected other expenses are as a result of taking out Councillor allowances that were previously included in the original budget. This is offset by the higher employee costs as a result of including the Administrators wages.

Balance Sheet as at 29<sup>th</sup> February 2020

	YTD	Full Year		
	Actual \$'000	Original Budget \$'000	Draft Forecast \$'000	Variance (Draft Forecast v Original) \$'000
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	7,422	9,062	11,302	2,240 <sup>1</sup>
Trade and other receivables	15,388	5,610	5,518	(92)
Other financial assets	34,277	9,000	12,273	3,273 <sup>2</sup>
Inventories	209	281	240	(41)
Other assets	0	61	58	(3)
	<b>57,296</b>	<b>24,014</b>	<b>29,391</b>	<b>5,377</b>
<b>NON CURRENT ASSETS</b>				
Investments in associates and joint ventures	1,359	1,237	1,359	122
Property, infrastructure, plant and equipment	553,133	576,189	564,931	(11,258) <sup>3</sup>
Investment property	586	763	586	(177)
	<b>555,078</b>	<b>578,189</b>	<b>566,876</b>	<b>(11,313)</b>
<b>TOTAL ASSETS</b>	<b>612,374</b>	<b>602,203</b>	<b>596,267</b>	<b>(5,396)</b>
<b><u>LIABILITIES</u></b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	5,473	3,883	3,500	(383)
Trust funds and deposits	868	911	1,025	114
Provisions	6,068	6,811	5,936	(875) <sup>4</sup>
Interest bearing loans and borrowings	199	340	0	(340) <sup>5</sup>
Unearned revenue	14,469	0	0	0
	<b>27,077</b>	<b>11,945</b>	<b>10,461</b>	<b>(1,484)</b>
<b>NON CURRENT LIABILITIES</b>				
Provisions	3,770	2,084	3,732	1,648 <sup>6</sup>
Interest bearing loans and borrowings	0	2,953	0	(2,953) <sup>7</sup>
	<b>3,770</b>	<b>5,037</b>	<b>3,732</b>	<b>(1,305)</b>
<b>TOTAL LIABILITIES</b>	<b>30,847</b>	<b>16,982</b>	<b>14,193</b>	<b>(2,789)</b>
<b>NET ASSETS</b>	<b>581,527</b>	<b>585,221</b>	<b>582,074</b>	<b>(3,147)</b>
<b><u>REPRESENTED BY</u></b>				
Accumulated Surplus	231,750	232,604	233,680	1,076
Reserves	349,777	352,617	348,394	(4,223) <sup>8</sup>
<b>TOTAL EQUITY</b>	<b>581,527</b>	<b>585,221</b>	<b>582,074</b>	<b>(3,147)</b>

<sup>1</sup> Refer to the Cash Flow Statement for the period ended 29<sup>th</sup> February 2020 for further details

<sup>2</sup> Increase in projected other financial assets is due to an improved 2018/19 operating result resulting in higher cash and investments as of 30 June 2019 than projected at the time of the original budget.

<sup>3</sup> Decrease in projected property, infrastructure, plant and equipment compared to the original budget is largely due to a decrease in projected capital works for 2019/20 by \$7.4M. The remaining difference is due to removing the forecast for the revaluation reserve adjustment for 2019/20 by \$27.5M as it is not reliable to estimate and does not impact the operating surplus, offset by updating the forecasts for the actual 2018/19 valuation adjustment to roads and bridges by \$25.2M. The decrease is consistent with the decrease in reserves.

<sup>4</sup> Change in projected current and non-current provisions is due to the original budget being prepared based on 2017/18 actuals, and the 2019/20 forecast being adjusted for the 2018/19 results.

<sup>5</sup> Decrease in projected current and non-current interest bearing loans is due to the loan for the Mirboo North Pool pushed back to 2020/21 due to delay in the project. The actual YTD figure for current interest bearing loans of \$206K is due to changes in accounting standards requiring leases to be recognized on the balance sheet as liabilities as of 1 July 2019, that has not currently been included in the original or projected budget.

<sup>6</sup> See Note 4

<sup>7</sup> See Note 5

<sup>8</sup> Decrease in projected reserves compared to the original budget is due to removing the forecast for the revaluation reserve adjustment for 2019/20 of \$27.5M as it is not reliable to estimate and does not impact the operating surplus, offset by updating forecasts based on the 2018/19 valuation adjustment to roads and bridges was not available for the original budget of \$25.2M. The decrease is consistent with the decrease in property, infrastructure, plant and equipment.

Statement of Changes in Equity for the period ended February 29<sup>th</sup> 2020

	YTD	Full Year		
	Actual \$'000	Original Budget \$'000	Draft Forecast \$'000	Variance (Draft Forecast v Original) \$'000
<b><u>ACCUMULATED SURPLUS</u></b>				
Balance at beginning of the period	224,713	224,537	224,713	176
Surplus/(deficit) for the period	3,686	5,174	4,233	(941)
Transfers to other reserves	0	(1,612)	(1,516)	96
Transfers from other reserves	3,350	4,505	6,250	1,745
	<b>231,749</b>	<b>232,604</b>	<b>233,680</b>	<b>1,076</b>
<b><u>ASSET REVALUATION RESERVE</u></b>				
Balance at beginning of the period	348,149	322,973	348,149	25,176
Net asset revaluation increment/(decrement)	0	27,526	0	(27,526)
	<b>348,149</b>	<b>350,499</b>	<b>348,149</b>	<b>(2,350)</b>
<b><u>OTHER RESERVES</u></b>				
Balance at beginning of the period	4,979	5,011	4,979	(32)
Transfers to other reserves	(3,350)	(4,505)	(6,250)	(1,745)
Transfers from other reserves	0	1,612	1,516	(96)
	<b>1,629</b>	<b>2,118</b>	<b>245</b>	<b>(1,873)</b>
<b><u>TOTAL</u></b>				
Balance at beginning of the period	577,841	552,521	577,841	25,320 <sup>1</sup>
Surplus/(deficit) for the period	3,686	5,174	4,233	(941) <sup>2</sup>
Net asset revaluation increment/(decrement)	0	27,526	0	(27,526) <sup>3</sup>
<b><u>TOTAL EQUITY</u></b>	<b>581,527</b>	<b>585,221</b>	<b>582,074</b>	<b>(3,147)</b>



<sup>1</sup> Since the original budget, the beginning equity balance has been updated to reflect the asset revaluation reserve adjustment for 2018/19 by \$25.2M.

<sup>2</sup> Refer to the Income Statement for the period ended 29<sup>th</sup> February 2020 for further details.

<sup>3</sup> The forecast net revaluation increment for 2019/20 for \$27.5M has been removed as it is not reliable to estimate and has no impact on the operating surplus.

Cash Flow Statement for the period ended 29<sup>th</sup> February 2020

	YTD	Full Year		
	Actual \$'000	Original Budget \$'000	Draft Forecast \$'000	Variance (Draft Forecast v Original) \$'000
<b><u>Cash flows from operating activities</u></b>				
Rates and charges	36,704	43,869	43,869	0
Statutory fees and fines	549	919	924	5
User fees	2,644	4,335	4,232	(103)
Grants - operating	6,904	6,609	10,090	3,481 <sup>1</sup>
Grants - capital	2,389	8,407	5,984	(2,423) <sup>2</sup>
Contributions- monetary	171	1,140	1,191	51
Interest received	522	550	550	0
Other receipts	722	1,161	1,189	28
Employee costs	(17,317)	(24,712)	(25,462)	(750) <sup>3</sup>
Materials and services	(13,329)	(21,909)	(23,591)	(1,682) <sup>4</sup>
Other payments	(2,068)	(3,581)	(3,217)	364
<b>Net cash provided by / (used in) operating activities</b>	<b>17,891</b>	<b>16,788</b>	<b>15,759</b>	<b>(1,029)</b>
<b><u>Cash flows from investing activities</u></b>				
Payments for property, infrastructure, plant and equipment	(8,333)	(32,449)	(25,069)	7,380 <sup>5</sup>
Proceeds from sale of property, infrastructure, plant and equipment	305	1,145	1,021	(124)
Payments (for) / from other financial assets	(6,004)	7,000	16,000	9,000 <sup>6</sup>
<b>Net cash provided by / (used in) investing activities</b>	<b>(14,032)</b>	<b>(24,304)</b>	<b>(8,048)</b>	<b>16,256</b>
<b><u>Cash flows from financing activities</u></b>				
Finance costs	(87)	(108)	(59)	49
Proceeds from borrowing	0	3,600	0	(3,600) <sup>7</sup>
Repayment of borrowings	(3,350)	(3,657)	(3,350)	307
<b>Net cash provided by / (used in) financing activities</b>	<b>(3,437)</b>	<b>(165)</b>	<b>(3,409)</b>	<b>(3,244)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>422</b>	<b>(7,681)</b>	<b>4,302</b>	<b>11,983</b>
Cash and cash equivalents at the beginning of the financial year	7,000	16,743	7,000	(9,743) <sup>8</sup>
Cash and cash equivalents at the end of the period	<b>7,422</b>	<b>9,062</b>	<b>11,302</b>	<b>2,240</b>

<sup>1</sup> See Note 4 on the Income Statement for the period ended 29<sup>th</sup> February 2020 for higher projected operating grants.

<sup>2</sup> See Note 6 on the Income Statement for the period ended 29<sup>th</sup> February 2020 for lower projected capital grants.

<sup>3</sup> See Note 9 on the Income Statement for the period ended 29<sup>th</sup> February 2020 for higher projected employee costs.

<sup>4</sup> See Note 11 on the Income Statement for the period ended 29<sup>th</sup> February 2020 for higher projected materials and consumables.

<sup>5</sup> Refer to the Capital Works Statement for the period ended 29<sup>th</sup> February 2020 for the changes projected payments for property, infrastructure, plant and equipment.

<sup>6</sup> The original budget assumed cash and cash equivalents at the beginning of the financial year of \$16.7M. The actual beginning cash and cash equivalents was \$7.0M as a result of reclassifying investments to other financial assets. To keep cash flows consistent, the projected proceeds from financial assets was increased by \$9M.

<sup>7</sup> Proceeds from borrowings for Mirboo North Pool pushed back to 2020/21 due to delay in project.

<sup>8</sup> See above Note 6

Capital Works Statement for the period ended 31<sup>st</sup> January 2020

	YTD			Full Year		
	Actual \$'000	Forecast \$'000	Variance (Actual v Forecast) \$'000	Original Budget \$'000	Draft Forecast \$'000	Variance (Draft Forecast v Original) \$'000
<b><u>Property</u></b>						
Land	0	0	0	0	750	(750) <sup>1</sup>
Buildings	1,183	1,659	(476) <sup>2</sup>	4,693	2,420	(2,273) <sup>3</sup>
<b>TOTAL PROPERTY</b>	<b>1,183</b>	<b>1,659</b>	<b>(476)</b>	<b>4,693</b>	<b>3,170</b>	<b>(1,523)</b>
<b><u>Plant and equipment</u></b>						
Plant, machinery and equipment	1,429	998	431 <sup>4</sup>	3,615	2,851	(764) <sup>5</sup>
Computers and telecommunications	222	1,382	(1,160) <sup>6</sup>	1,999	2,054	55
<b>TOTAL PLANT AND EQUIPMENT</b>	<b>1,651</b>	<b>2,380</b>	<b>(729)</b>	<b>5,614</b>	<b>4,905</b>	<b>(709)</b>
<b><u>Infrastructure</u></b>						
Roads	3,920	3,490	430 <sup>7</sup>	6,809	8,486	1,677 <sup>8</sup>
Bridges	210	298	(88)	916	903	(13)
Major Culverts	8	64	(56)	95	96	1
Footpaths and cycleways	387	518	(131) <sup>9</sup>	2,801	1,690	(1,111) <sup>10</sup>
Drainage	135	107	28	100	260	160
Other infrastructure	839	1,078	(239) <sup>11</sup>	11,421	5,559	(5,862) <sup>12</sup>
<b>TOTAL INFRASTRUCTURE</b>	<b>5,499</b>	<b>5,555</b>	<b>(56)</b>	<b>22,142</b>	<b>16,994</b>	<b>(5,148)</b>
<b>TOTAL CAPITAL WORKS EXPENDITURE</b>	<b>8,333</b>	<b>9,594</b>	<b>(1,261)</b>	<b>32,449</b>	<b>25,069</b>	<b>(7,380)</b>
<b><u>Represented by:</u></b>						
Asset renewal expenditure	7,484	8,289	(805)	27,889	21,228	(6,661)
Asset expansion expenditure	500	949	(449)	3,764	2,220	(1,544)
Asset upgrade expenditure	349	356	(7)	796	1,621	825
<b>TOTAL CAPITAL WORKS EXPENDITURE</b>	<b>8,333</b>	<b>9,594</b>	<b>(1,261)</b>	<b>32,449</b>	<b>25,069</b>	<b>(7,380)</b>

<sup>1</sup> Higher projected land purchases is made up of \$750K to purchase land for a new Foster depot.

<sup>2</sup> Lower YTD buildings capital works is largely made up of Korumburra Community Hub of \$329.5 largely due to the entire design work being profiled for December but not yet completed.

<sup>3</sup> Lower projected buildings capital works is due to \$2M for the construction of Korumburra Community Hub postponed until 2020/21.

<sup>4</sup> Higher YTD plant, machinery and equipment purchases is due to various plant and fleet items being delivered earlier than anticipated.

<sup>5</sup> Lower projected plant, machinery and equipment purchases is due to delaying the purchase of 4 heavy trucks of \$864K to 2020/21.

<sup>6</sup> Lower YTD IT capital works is due to projects on hold for Shared services arrangements in place, once the status of the Shared services arrangements is known these projects will likely be carried forward to 2020/21.

<sup>7</sup> Higher YTD roads capital works is due to both Reseal Preparation and Sealed Rehab program being ahead of schedule.

<sup>8</sup> Higher projected roads capital works is due to Reseals works carried forward from 2018/19 of \$806K and \$1.2M additional works forecasted as a result of a \$1.2M grant received for the Federal Blackspot Program.

<sup>9</sup> Lower YTD footpaths and cycleways is due to the Jumbunna Road, Korumburra extension running behind original program, works are currently expected to start in March.

<sup>10</sup> Lower projected footpaths and cycleways capital works is due to \$835K for the Great Southern Rail Trail postponed until 2020/21.

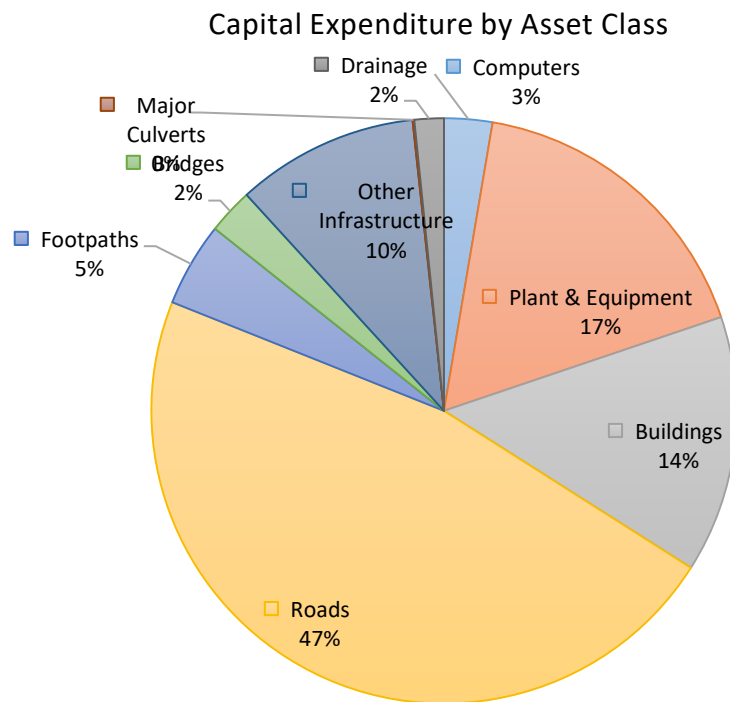
<sup>11</sup> Lower YTD other infrastructure is largely due to Baromi Park Masterplan & Associated works behind schedule by \$195K. The works are currently out to tender.

<sup>12</sup> Lower projected other infrastructure capital works is due to \$1.5M for the Leongatha Business Precinct Project, \$2M for the Mirboo North pool and other smaller projects postponed until 2020/21.



## Capital Expenditure for the period ended 29<sup>th</sup> February 2020

Nearly half of the capital expenditure for the period July 2019 to February 2020 was on Roads. The largest individual roads projects being Loch Main Street Renewal (\$660K), Sealed Rehab Program (\$1.2MK), Reseal Preparation (\$890K) and Reseals (\$624K).

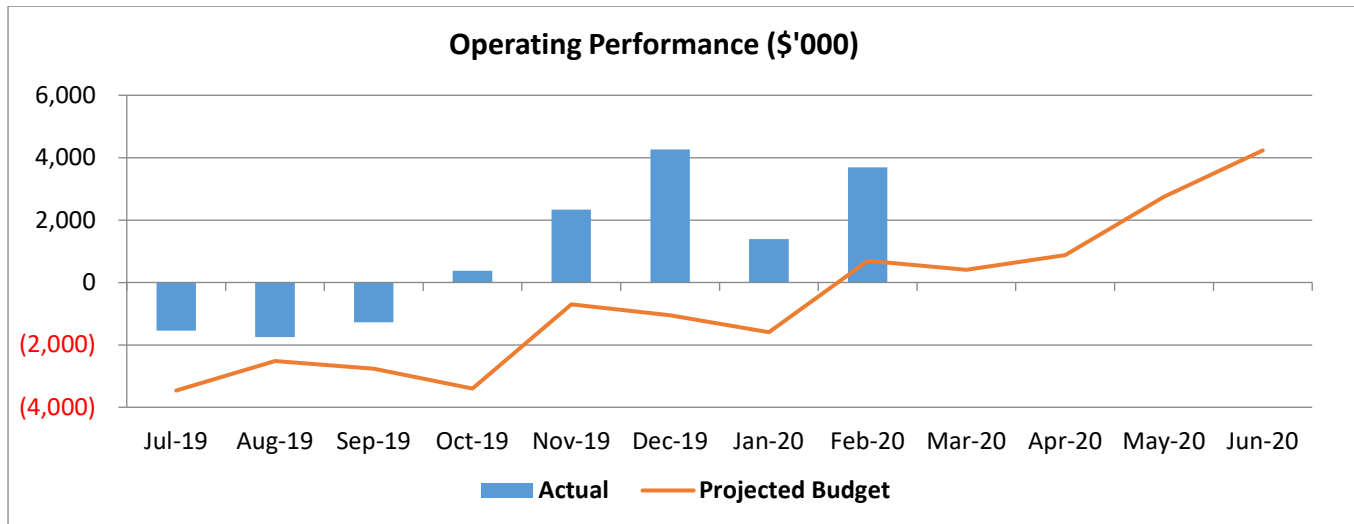


## Annual Year to Date Financial Analysis

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

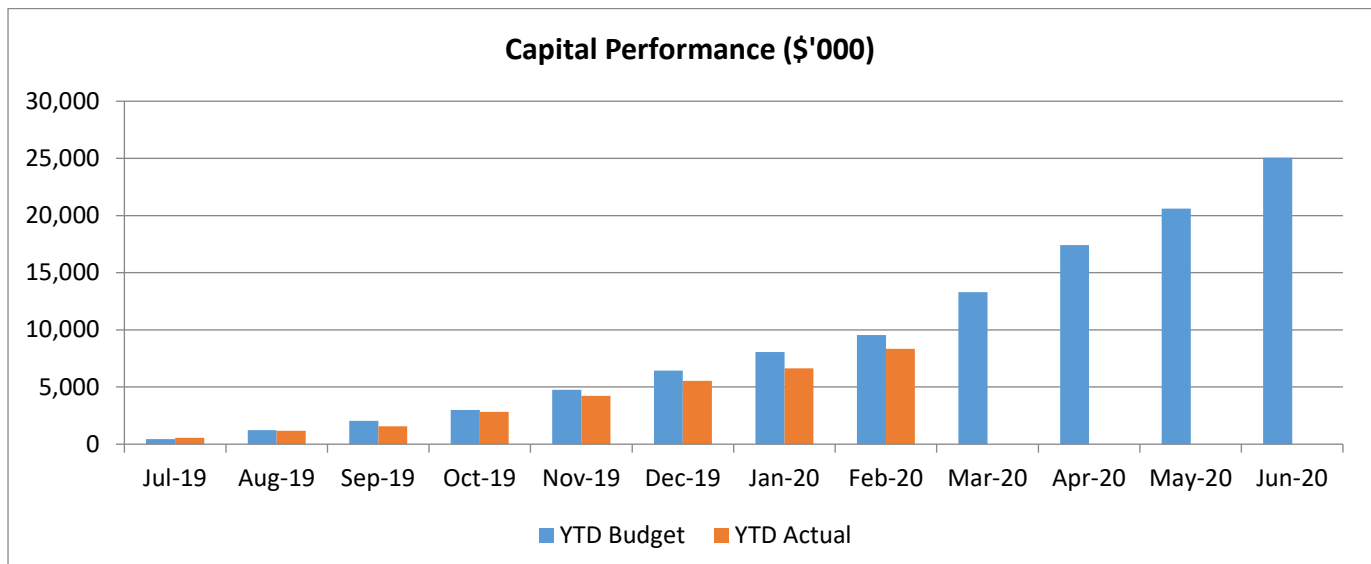
### Operating Performance

The operating result is \$3.7M surplus for the period July 2019 to February 2020. This is a favourable variation of \$3.0M compared to the projected budget surplus of \$0.7M for the period July 2019 to February 2020. Further detail can be found on the Income Statement for the period ended 29<sup>th</sup> February 2020 on Page 4



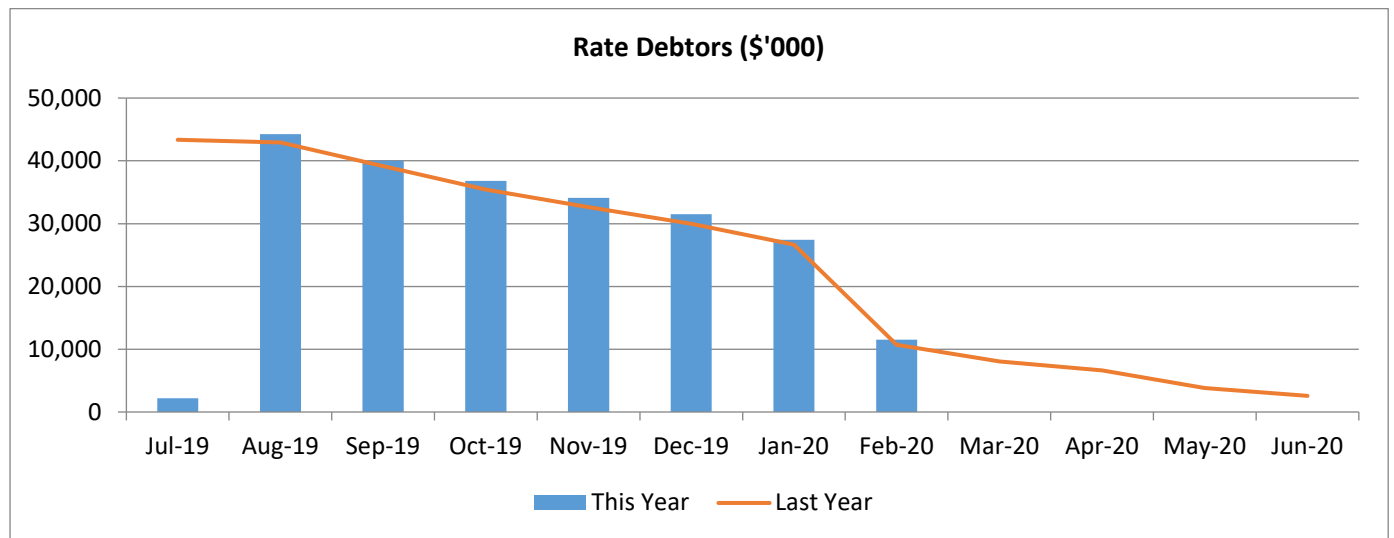
### Capital Performance

The capital expenditure is \$8.3M for the period July 2019 to February 2020. This is \$1.2M behind the projected budget of \$9.5 for the period July 2019 to February 2020. Further detail can be found on the Statement of Capital Works for the period ended 29<sup>th</sup> February 2020 on Page 11.



### Rate Debtors

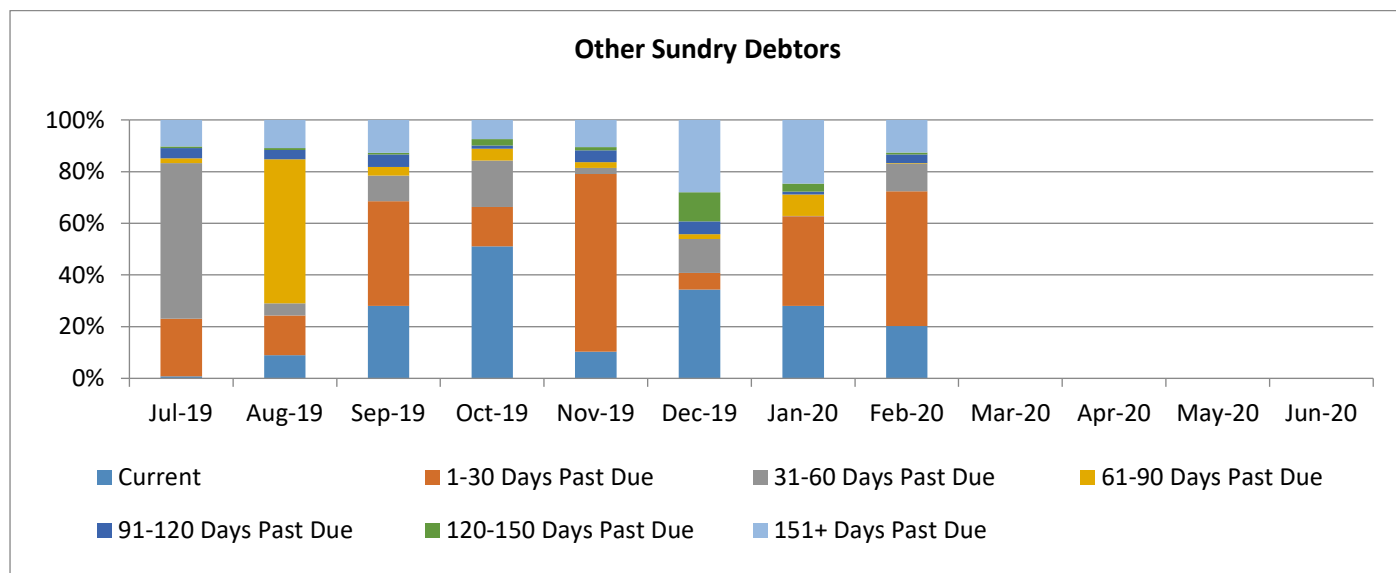
The outstanding rates balance as at February 2020 is \$11.5M. This is comparable to the outstanding rates balance the same time last year of \$10.7M at November 2019.



### Other Sundry Debtors

The other sundry debtors outstanding balance as at February 2020 is \$1.9M. The other sundry debtors outstanding balance as at February 2019 was \$1.3M.

Approximately 72% of other sundry debtors outstanding are current or 1-30 Days Past Due. One invoice to the State Revenue Office for \$175K makes up the majority of the 31-60 Days Past Due. Former Caravan Park permit holders make up a large proportion of the outstanding balances greater than 151 Days Past Due, these balances have been allowed for in the provision for doubtful debts.



## Long Term Financial Plan Analysis

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

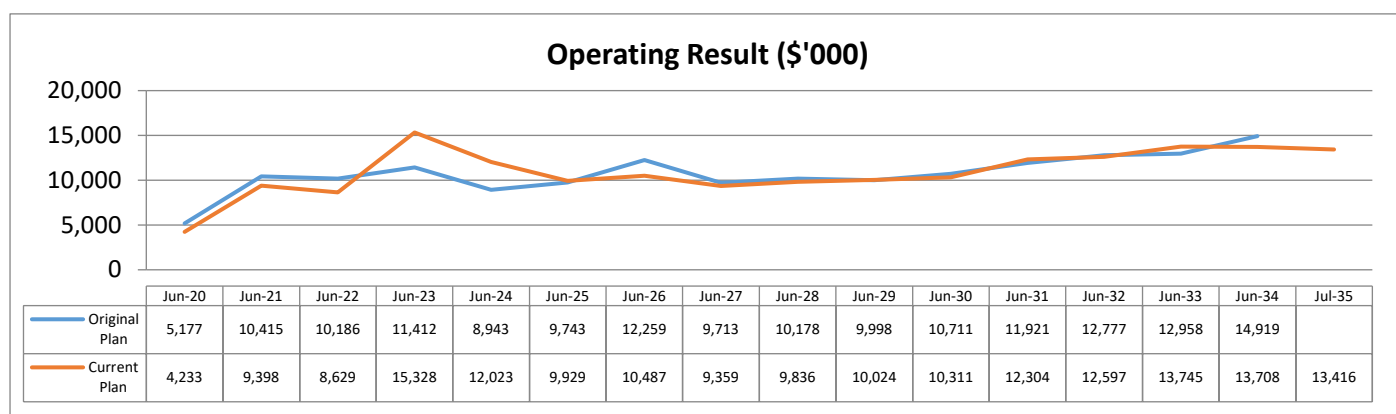
The Long Term Financial Plan analysis report compares the current 2019/20 Budget and Long Term Financial Plan forecasts to the original plan. The Annual Budget and Long Term Financial Plan were adopted for 2019/20 on 31 July 2019.

The lines in the following graphs are as follows:

- Original Plan – Blue Line – Original 2019/20 Budget and Long Term Financial Plan
- Current Plan – Red Line – Forecast 2019/20 and Long Term Financial Plan

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

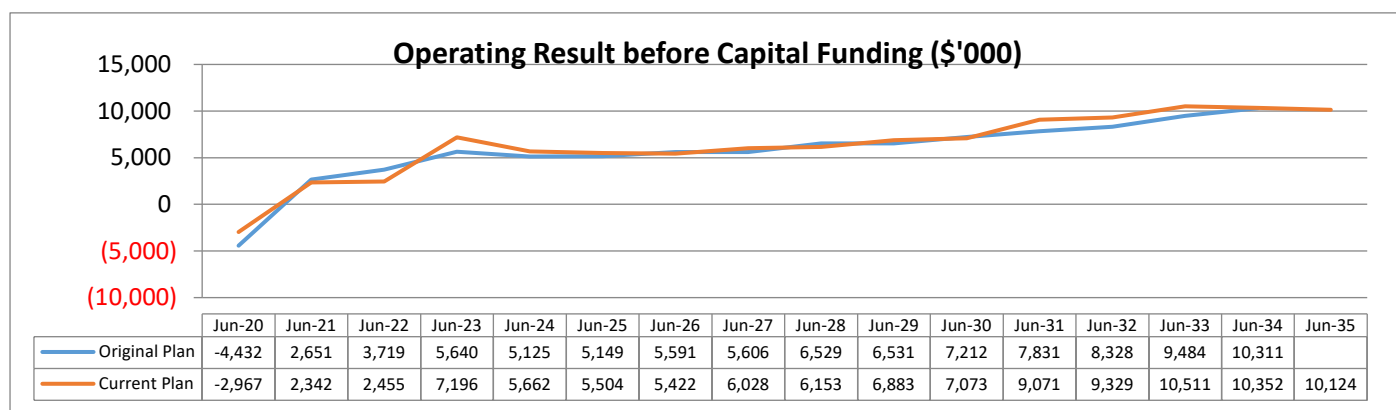
The projected operating results in the forward budget are overall in line with the adopted 2019/20 budget. The significant projected increase for the 2022/23 financial year is due to a projected increase in capital grants by \$2.75M and projected land sales of \$1.75M.



### 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 Council's recurrent operating activities. The current plan's underlying result projection largely maintains parity with the original plan.

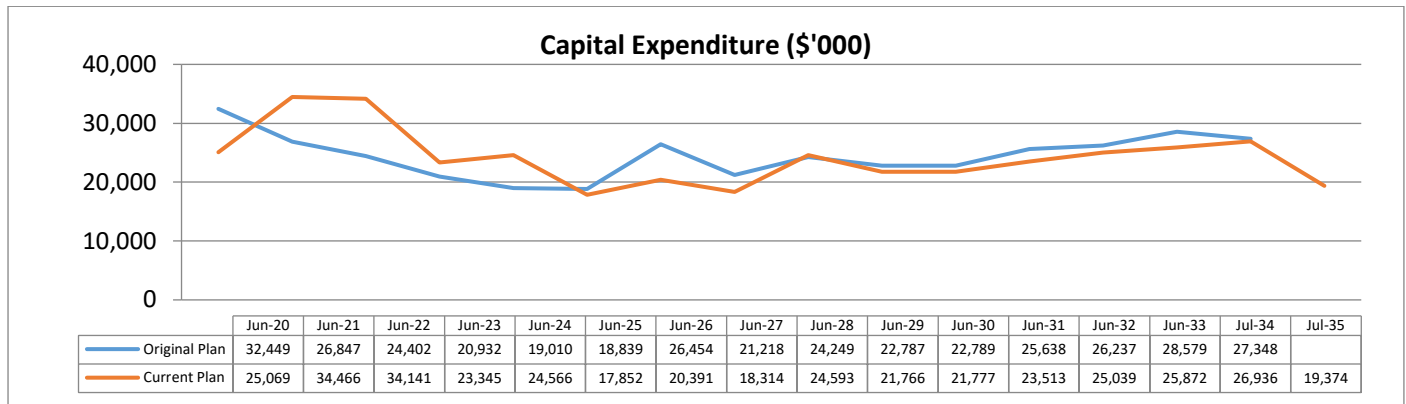




### Capital Expenditure

The current year's capital expenditure is projected to be \$7.4M less than the original plan. These have been primarily carried forward to 2020/21 where the capital spend in that year is now \$7.7M above the original plan. There are also now \$9.7M additional capital works planned for 2021/22.

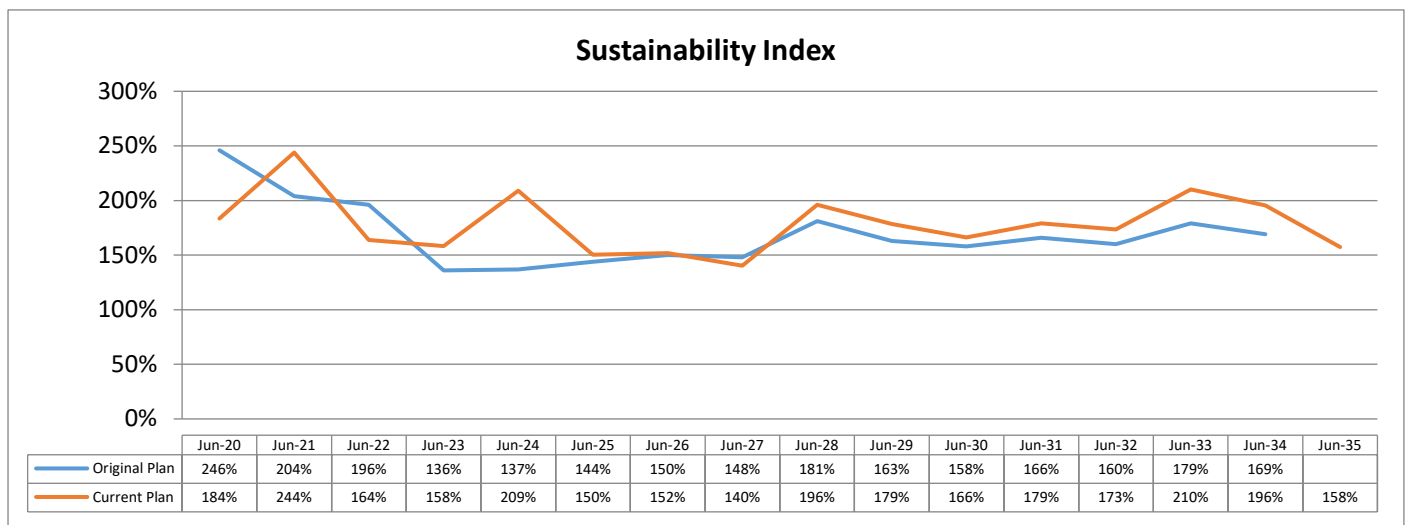
In later years, the capital program maintains parity in line with the adopted original budget over the life of the plan.



### Sustainability Index for Capital Assets

The 'Sustainability Indicator' assesses asset renewal and upgrade expenditure spend effort over a period of time.

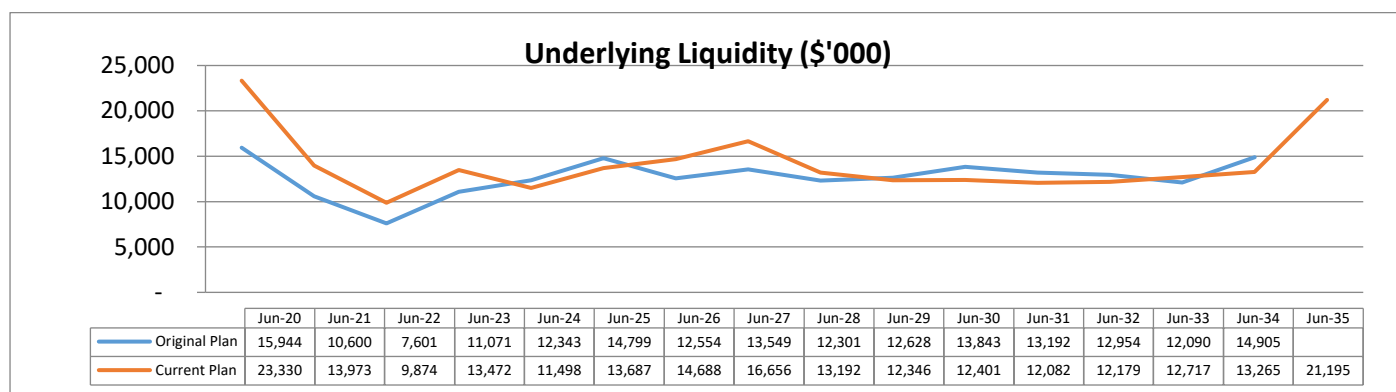
The sustainability index has improved over the course of the Long Term Financial Plan due to additional update and renewal capital works planned.



### Underlying Liquidity

Underlying liquidity represents cash and investments at a point in time excluding internal reserves.

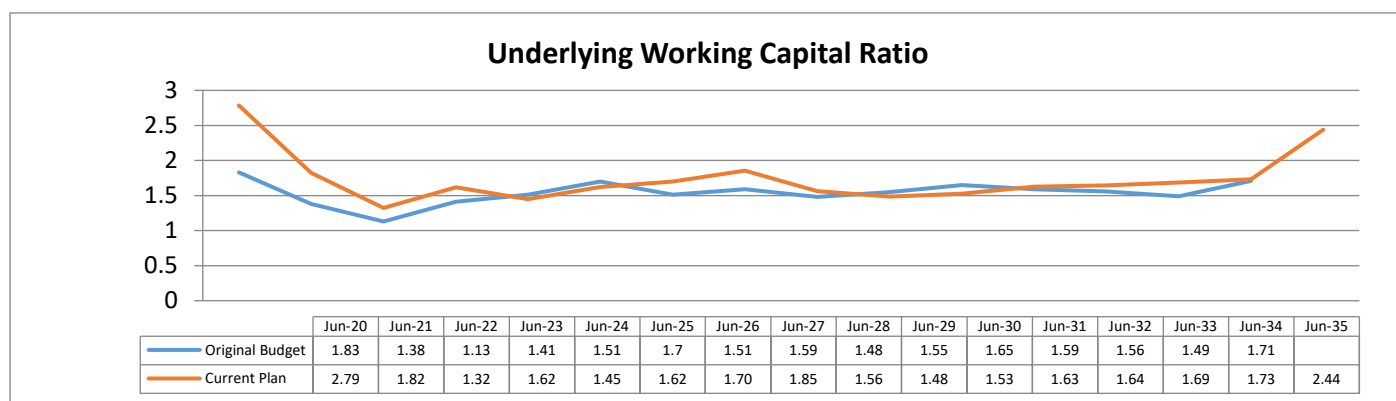
The current plan's forecast underlying liquidity position is slightly better than that of the original plan for the current year due to a favourable cash result in 2018/19. Overall the current plan remains in line with the original plan.



### 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 underlying working capital ratio has slightly improved for the current year consistent with higher projected underlying liquidity. Overall the current plan remains in line with the original plan.



## Conclusion – Long Term Financial Impact

Council manages its Long Term Financial position continuously by reference to a number of strategic financial indicators. These indicators form part of Council's Long Term Financial Strategies and are listed below.

The following financial indicators are used as measures for the 2019/20 Annual Budget:

- Underlying result >0%
- Underlying working capital ratio >1.25%
- Sustainability Index >95%
- Indebtedness < 40%
- Total Debt as a % of Rate revenue <60%
- Debt servicing costs as a % of Total revenue <5%

The proposed budget graphic below represents the Original adopted budget and the current Projected Actual position. The Projected Actual position is changed to the Original budget reflecting the current forecast for 2019/20 as well as changes as a result of preparing for the 2020/21 budget.

<b>Projected Actual</b>	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
<b>Financial performance</b>																
Underlying result	-4.86%	3.62%	3.73%	10.30%	8.10%	7.74%	7.42%	8.03%	7.97%	8.68%	8.68%	10.17%	9.67%	11.88%	11.38%	10.94%
Underlying Working Capital	2.79	1.82	1.32	1.62	1.45	1.62	1.70	1.85	1.56	1.48	1.53	1.63	1.64	1.69	1.73	2.44
<b>Funding capacity</b>																
Sustainability Index	184%	244%	164%	158%	209%	150%	152%	140%	196%	179%	166%	179%	173%	210%	196%	158%
<b>Borrowing capacity</b>																
Indebtedness	7.35%	12.81%	27.17%	23.06%	20.95%	18.45%	15.78%	13.26%	10.81%	8.50%	6.81%	6.57%	6.49%	6.53%	6.48%	6.52%
Total Debt as a % of Rate revenue	0.00%	7.26%	25.92%	22.41%	19.05%	15.85%	12.80%	9.89%	7.12%	4.48%	1.97%	0.14%	0.00%	0.00%	0.00%	0.00%
Debt servicing costs as a % of Total revenue	0.09%	0.04%	0.17%	0.15%	0.13%	0.12%	0.10%	0.08%	0.06%	0.04%	0.02%	0.01%	0.00%	0.00%	0.00%	0.00%
<b>2019/20 Original Budget</b>																
<b>Financial performance</b>																
Underlying result	-7.65%	4.08%	5.68%	8.28%	7.41%	7.24%	7.64%	7.46%	8.44%	8.20%	8.80%	9.30%	9.62%	10.65%	11.26%	299.12%
Underlying Working Capital	1.83	1.38	1.13	1.41	1.51	1.70	1.51	1.59	1.48	1.55	1.65	1.59	1.56	1.49	1.71	4.56
<b>Funding capacity</b>																
Sustainability Index	246%	204%	196%	136%	137%	144%	150%	148%	181%	163%	158%	166%	160%	179%	169%	93%
<b>Borrowing capacity</b>																
Indebtedness	9.88%	9.09%	8.32%	7.46%	6.85%	6.16%	5.50%	4.88%	4.27%	4.23%	4.25%	4.23%	4.22%	4.30%	4.32%	14.69%
Total Debt as a % of Rate revenue	7.51%	6.53%	5.60%	4.70%	3.84%	3.02%	2.23%	1.47%	0.75%	0.06%	0.00%	0.00%	0.00%	0.00%	0.00%	14.95%
Debt servicing costs as a % of Total revenue	0.16%	0.07%	0.06%	0.05%	0.04%	0.04%	0.03%	0.02%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.53%

Ratios coloured green denote low risk, yellow medium risk and red indicates either short term/immediate sustainability concerns.

The 'Underlying Result' compares recurrent income and recurrent expenditure. The underlying result is forecast to be in the yellow zone in 2019/20 as a result of having to bring to account \$4.92m of Victoria Grants Commission allocation for 2019/20 in the prior financial year (2018/19) because it was received in June 2019. The dipping of the ratio into the yellow zone does not present any strategic concern.

The 'Underlying Working Capital' assesses Balance Sheet strength and in particular Council's ability to pay existing liabilities. In the forward plan, the ratio exceeds the strategic target of 1.25 to 1 in all forward years. Council has limited financial capacity to accommodate unforeseen strategic opportunities or unavoidable cost events that may arise in future years.

The 'Sustainability Indicator' assesses asset renewal and upgrade expenditure spend effort over a period of time as a percentage of depreciation expense. In the forward years it remains in the green. 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 2019/20 and all the forward budgets. Due to the inherent strength of the 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 2019/20 Proposed Budget / Long Term Financial Plan is financially sustainable. Council will continue to monitor the Long Term Financial Plan in line with the Long Term Financial Strategies on a month by month basis to ensure that it remains that way.

## Glossary

	Definition
Capital Expenditure	The purchase or construction of assets that are expected to have a life of more than 1 year.
Capital Grants	Grants that are received to fund projects of a capital nature, including capital expenditure on Council owned land and operating expenditure of a capital nature on Crown land.
Cash	Includes cash on hand and highly liquid investments.
Contributions	Includes income for works performed by Council on behalf of third parties, contributions from community groups towards the construction or upgrade of community assets, contributions either in cash or in kind from developers, and minor recoups of some operating expenditure.
Current Assets	Assets that are expected to be consumed or converted into cash within 1 year such as stock on hand, debtors, cash and investments.
Current Liabilities	Amounts owed to third parties by the Council that are expected to be settled within 1 year, such as trust funds, sundry creditors, and annual leave accrued.
Debt Servicing	The interest expense of borrowings.
Depreciation	The systematic allocation of the net cost of a long-term asset over its useful life. Depreciation is an annual operating expense; therefore, it is the annual process of expensing long-term costs.
Employee Costs	Wages and salaries paid to employees plus labour on-costs such as superannuation, WorkCover premium, long service leave and Fringe Benefits Tax.
Grants	Includes granted assets (usually cash) received from third parties such as Government Departments towards the cost of programs and capital expenditure.
LTFP	Long Term Financial Plan. This sets out Council's financial strategy over a 15-year period.
Materials and Services	Includes payments to third parties for goods received and services rendered.
Non-Current Assets	Assets with a useful life of more than 1 year, such as land, buildings, plant and machinery, furniture and equipment, and infrastructure.
Non-Current Liabilities	Amounts owed to third parties by the Council that are not expected to be settled within 1 year, such as long-term loans.
Operating Expenditure	Expenditure on Materials and Services, employee costs, depreciation and debt servicing.
Income	Income received from rates and charges, grants and subsidies, contributions and recoupments, user fees, interest on investments and net gain/(loss) on disposal.
Underlying Result from Operations	The annual operating surplus or deficit in a 'normal' year. It excludes major 'one-off' items (developer contributions, special rates or capital grants) that distort the true financial performance of the Council.
Underlying Working Capital Ratio	The ratio of current assets compared to current liabilities excluding cash-backed reserves.
WDV of Assets Sold	The Written Down Value of an asset is an operating expense, represent the undepreciated net cost of a long-term asset at the time it is sold. In the case of land sales, it represents the cost of land sold.
YTD	Year to Date
Working Capital Ratio	The <b>ratio</b> is the relative proportion of an entity's current assets to its current liabilities, and shows the ability of a business to pay for its current liabilities with its current assets