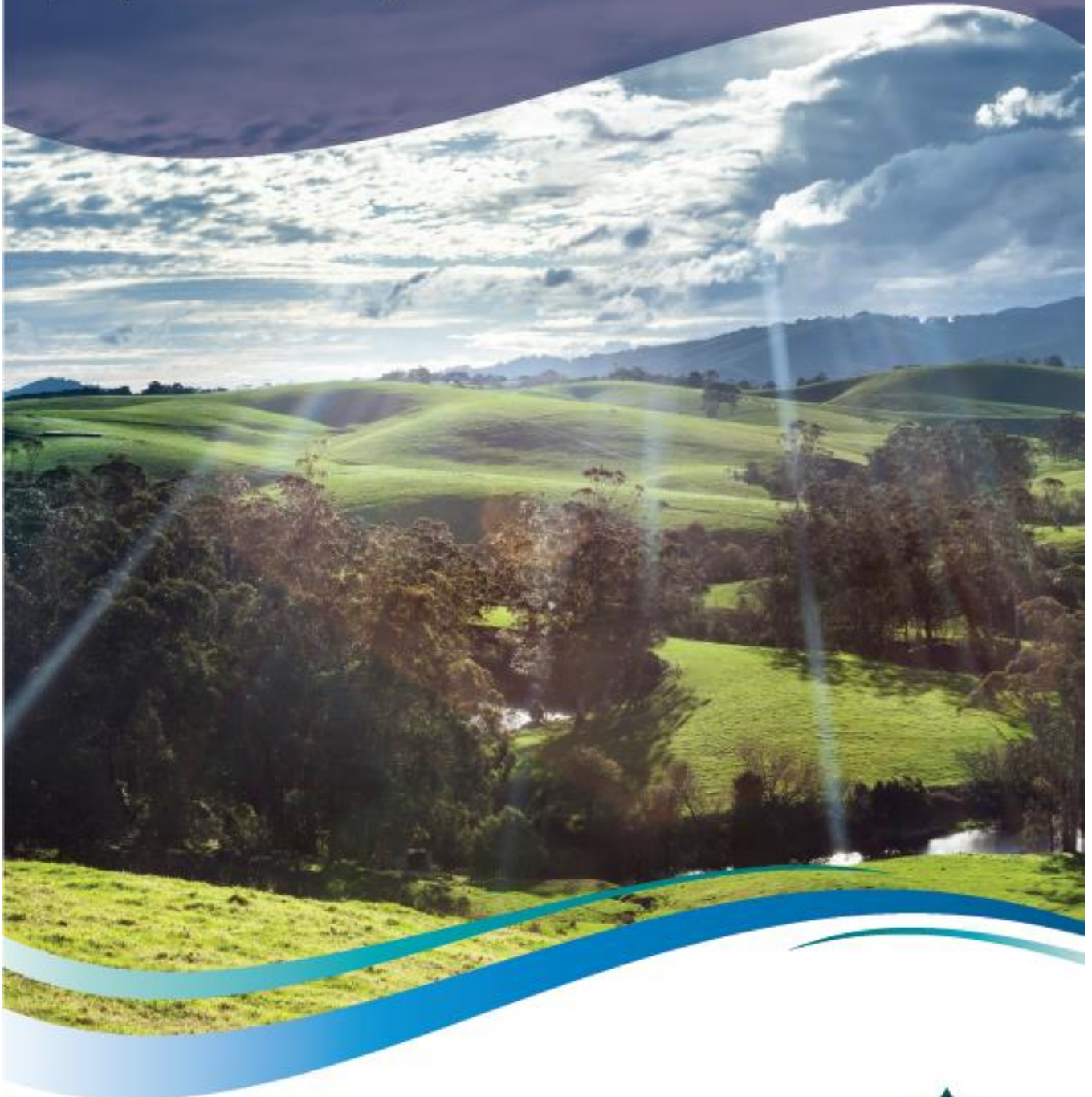


SOUTH GIPPSLAND SHIRE COUNCIL

# Financial Performance Report

## July 2019 - May 2020



*South Gippsland  
Shire Council*

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## Financial Summary

For the period 1 July 2019 to 31 May 2020

### **OPERATING EXPENDITURE**

#### **YTD Actual**

Operating result for the period ended 31 May 2020 is a surplus of \$11.6M. This is a \$8.6M (293%) favourable result compared to the budgeted operating surplus of \$3M.

The favourable operating result is represented by:

**Income:** Favourable variance to budget of \$4.9M – largely due to 50% of the 2020/21 VGC allocation being paid early in May 2020 (↑\$5.4M)

**Expense:** Favourable variance to budget of \$3.8M – largely due to timing of materials and consumables (↓\$1.8M) across a number of areas and other expenses (↓\$0.36M) related to West Gippsland Library projects not spent.

For further detail on variances, see the Income Statement – Variances section.

#### **Forecast**

The forecast operating result for the full year ended 30 June 2020 is a surplus \$7.4M. This is a favourable change of \$2.2M compared to the original surplus of \$5.2M.

The favourable change in forecast is represented by:

**Income:** Favourable increase in income of \$3.1M – due to changes in operating grants (↑\$7.2M) largely due to updating the forecast for the 50% VGC allocation offset by capital grants (↓\$2.7M) due to timing.

**Expense:** Unfavourable increase in expenses of (\$882K) – largely due to materials and consumables (↑\$1.2M) as a result of Long Jetty Restoration project carried forward from 2018-19 and new flood events in August.

For further detail on the forecast changes, see the Income Statement – Variances section.

### **CAPITAL WORKS**

#### **YTD Actual**

Capital works expenditure for the period ended 31 May 2020 is \$12.4M, this is \$7.9M behind the YTD budget of \$20.3M largely due to expected timing of completion pushing into 2019/20. For further detail on variances, see the Capital Works Statement.

#### **Forecast**

The original budgeted capital works program for 2019/20 was \$32.4M. An additional \$2.4M of capital works was carried forward from 2018/19 after adoption of the original budget. As of 31 May 2020, \$15.2M of these works have been carried forward to 2020/21 or future budgets. The carry forwards are a change in timing, and not a change in the planned works. After adjusting for the timing of projects carried forward, the budgeted capital works to be completed in 2019/20 is \$19.6M. The forecast capital works for the full year ended 30 June 2020 is \$19M. This represents a decrease in capital works planned for 2019/20, not related to timing of projects, of \$0.6M.

### **CASH POSITION**

As at 31 May 2020, the cash and investments balance was \$44.3M.

Represented by:

Cash and cash equivalents (\$'000)	8,030
Investments (\$'000)	<u>36,277</u>
	<u>44,307</u>

Council has reserve and carry-forward commitments as detailed below:

Reserves (\$'000)	1,628
Trust funds and deposits (\$'000)	829
Carry-forward projects to 2020/21 (\$'000)	<u>15,232</u>
	<u>17,689</u>

Operating cash flows for the period ended 31 May 2020 was a positive result of \$24M and total cash flow for the period was a positive result of \$1M.

Operating cash flows are forecast to be a positive result of \$19.3M for the full year ended 30 June 2020 and total cash flow forecast to be a positive result of \$13.6M.

## Financial Statements

Income Statement for the period 1 July 2019 to 31 May 2020.

	YTD				Full Year			
	YTD Actual \$'000	YTD Revised Budget \$'000	YTD Variance \$'000 %		Forecast to 30 June 2020 \$'000	Original Budget 2019/20 \$'000	Full Year Forecast Variance \$'000 %	
<b>INCOME</b>								
Rates and charges	40,257	40,232	25	0%	43,869	43,869	0	0%
Statutory fees and fines	768	848	(80)	-9%	924	919	5	1%
User fees	3,565	3,731	(166)	-4%	4,185	4,335	(150)	-3%
Grants - operating	14,290	9,583	4,707	49% <b>1</b>	13,799	6,609	7,190	109% <b>8</b>
Grants - capital	4,720	3,914	806	21% <b>2</b>	5,735	8,406	(2,671)	-32% <b>9</b>
Contributions - monetary	171	148	23	16%	360	1,140	(780)	-68% <b>10</b>
Contributions - non-monetary	21	-	21	100%	395	395	0	0%
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	(296)	65	(361)	-555% <b>3</b>	(261)	145	(406)	-280% <b>11</b>
Other income	1,463	1,573	(110)	-7% <b>4</b>	1,636	1,710	(74)	-4%
<b>Total Income</b>	<b>64,959</b>	<b>60,094</b>	<b>4,865</b>	<b>8%</b>	<b>70,642</b>	<b>67,528</b>	<b>3,114</b>	<b>5%</b>
<b>EXPENSES</b>								
Employee costs	22,228	22,870	642	3%	25,223	24,817	(406)	-2%
Materials and consumables	18,644	20,481	1,837	9% <b>5</b>	23,079	21,909	(1,170)	-5% <b>12</b>
Bad and doubtful debts	13	-	(13)	100%	-	-	0	0%
Depreciation	9,863	10,876	1,013	9% <b>6</b>	11,865	11,939	74	1%
Borrowing costs	76	63	(13)	-21%	68	108	40	37%
Other expenses	2,488	2,844	356	13% <b>7</b>	3,001	3,581	580	16% <b>13</b>
<b>Total Expenses</b>	<b>53,312</b>	<b>57,134</b>	<b>3,822</b>	<b>7%</b>	<b>63,236</b>	<b>62,354</b>	<b>(882)</b>	<b>-1%</b>
<b>Surplus / (Deficit)</b>	<b>11,647</b>	<b>2,960</b>	<b>8,687</b>	<b>293%</b>	<b>7,406</b>	<b>5,174</b>	<b>2,232</b>	<b>43%</b>

### Income Statement – Variances

(Variances greater than \$100,000 and 5%)

#### YTD Actual to YTD Budget Variances

1. **Favourable – Grants – operating \$4.7M:** Largely due to 50% of the 2020/21 VGC allocation being paid early in May 2020 (↑\$5.4M), this has since been adjusted in the forecast to 30 June 2020. This is offset by timing of expected funding for various storm events.
2. **Favourable – Grants – capital \$806K:** Due to earlier timing of grant payments for Community Hub – Korumburra (↑\$750K), Federal Blackspot Program (↑\$272K), Timms Road Bridge (↑\$160K) and Mirboo North Pool (↑\$193K) than expected.
3. **Unfavourable – Net gain/(loss) on disposal of property, infrastructure, plant and equipment (\$361K):** Due to a combination of fewer plant and vehicles sold along with lower proceeds on those sales than expected.
4. **Unfavourable – Other income (\$110K):** During the year there have been reduced legal costs in pursuing unpaid rates, resulting in a corresponding lower reimbursement (through Other income) of these fees. This is offset by lower legal expenses in materials and consumables for rates.
5. **Favourable – Materials and consumables \$1.8M:** Due to timing of costs across all areas. Most notably, legal fees for non-payment of rates (↓\$127K), software support and licenses (↓\$308K) and resheets and gravel roads (↓\$784K).
6. **Favourable – Depreciation \$1M:** As a result of fewer capital additions than budgeted.
7. **Favourable – Other expenses \$356K:** Largely due to West Gippsland Library budget for library projects (↓\$180K) as of 30 May. These amounts have not been spent and will likely be carried forward to 2020/21.

#### Full Year Forecast to Full Year Original 2019/20 Budget Variances:

8. **Favourable – Grants – operating \$7.2M:** Largely due to increasing the forecast for the 50% 2020/21 VGC allocation paid early in May 2020 (↑\$5.4M). Additional increase due to various projects carried forward from 2018/19, most notably Long Jetty Restoration (\$1M) and various past Storm Events (\$0.4M)
9. **Unfavourable – Grants – capital (\$2.7M):** Decrease due to timing of projected funding in 2019/20 for Korumburra Community Hub and Great Southern Rail Trail carried forward to 2020/21.
10. **Unfavourable – Contributions – monetary (\$780K):** Decrease due to timing of community contribution to Mirboo North Pool carried forward to 2020/21 (↓\$700K).
11. **Unfavourable – Net gain/(loss) on disposal of property, infrastructure, plant and equipment (\$406K):** Due to fewer plant and vehicle sales projected.
12. **Unfavourable – Materials and consumables (\$1.5M):** Due to new flood events in August (↑\$716K) and Long Jetty Restoration (\$195K) carried forward from 2018/19.
13. **Favourable – Other expenses \$580K:** Due to Councillor allowances included in the original budget (↓\$317K) offset by an increase in the labour budget for Administrators' wages. Further, there was a decrease in the projected Library contributions budget (↓\$200K) for library projects down from \$400K to \$200K.

## Balance Sheet as at 31 May 2020

	YTD Actual May 2020 \$'000	YTD Actual May 2019 \$'000	Year over Year Variance		Original Budget June 2020 \$'000
			\$'000	%	
<b>Current Assets</b>					
Cash and cash equivalents	8,030	20,016	(11,986)	-60% <b>1</b>	9,062
Trade and other receivables	7,367	6,164	1,203	20% <b>2</b>	5,610
Other financial assets	36,277	13,000	23,277	179% <b>3</b>	9,000
Inventories	204	253	(49)	-19%	281
Other assets	0	18	(18)	-100%	61
<b>Total Current Assets</b>	<b>51,878</b>	<b>39,451</b>	<b>12,427</b>	<b>31%</b>	<b>24,014</b>
<b>Non-Current Assets</b>					
Investments in associates and joint ventures	1,359	1,238	121	10% <b>4</b>	1,237
Property, infrastructure, plant and equipment	558,558	524,934	33,624	6% <b>5</b>	576,189
Right-of-use-assets	174	0	174	100% <b>6</b>	0
Investment property	586	762	(176)	-23% <b>7</b>	763
<b>Total Non-Current Assets</b>	<b>560,677</b>	<b>526,934</b>	<b>33,743</b>	<b>6%</b>	<b>578,189</b>
<b>TOTAL ASSETS</b>	<b>612,555</b>	<b>566,385</b>	<b>46,170</b>	<b>8%</b>	<b>602,203</b>
<b>Current Liabilities</b>					
Trade and other payables	5,815	2,690	(3,125)	-116% <b>8</b>	3,883
Trust funds and deposits	829	597	(232)	-39% <b>9</b>	911
Provisions	6,039	5,862	(177)	-3%	6,811
Interest bearing loans and borrowings	0	3,350	3,350	100% <b>10</b>	340
Lease liabilities	87	0	(87)	-100%	0
Unearned rates revenue	3,617	0	(3,617)	-100% <b>11</b>	0
<b>Total Current Liabilities</b>	<b>16,387</b>	<b>12,499</b>	<b>(3,888)</b>	<b>100%</b>	<b>11,945</b>
<b>Non-Current Liabilities</b>					
Provisions	3,700	2,773	(927)	-33% <b>12</b>	2,084
Interest bearing loans and borrowings	446	0	(446)	100% <b>13</b>	2,953
Lease liabilities	91	0	(91)	100%	0
<b>Total Non-Current Liabilities</b>	<b>4,237</b>	<b>2,773</b>	<b>(1,464)</b>	<b>-53%</b>	<b>5,037</b>
<b>TOTAL LIABILITIES</b>	<b>20,624</b>	<b>15,272</b>	<b>(5,352)</b>	<b>-35%</b>	<b>16,982</b>
<b>NET ASSETS</b>	<b>591,931</b>	<b>551,113</b>	<b>40,818</b>	<b>7%</b>	<b>585,221</b>
<b>Equity</b>					
Accumulated Surplus	240,908	223,736	17,172	8% <b>14</b>	232,604
Asset Revaluation Reserve	349,395	322,972	26,423	8% <b>15</b>	350,499
Other Reserves	1,628	4,405	(2,777)	-63% <b>16</b>	2,118
<b>TOTAL EQUITY</b>	<b>591,931</b>	<b>551,113</b>	<b>40,818</b>	<b>7%</b>	<b>585,221</b>

**Year over Year Variances**

1. **Unfavourable – Cash and cash equivalents (\$12M):** Due to timing of classification between cash equivalents and other financial assets in 2018-19. This is offset by favourable other financial assets by \$23.3M. Overall, combined Cash and cash equivalents and Other financial assets is favourable by \$11.3M as a result of positive operating result since May 2019.
2. **Favourable – Trade and other receivables \$1.2M:** Due to outstanding rate debtors balance being \$1M higher in May 2020 compared to May 2019. This is due to timing of the last instalment date, which was the 31<sup>st</sup> of May last year but not until the 1<sup>st</sup> of June this year.
3. **Favourable – Other financial assets \$23.3M:** Refer Note 1.
4. **Favourable – Investments in associates and joint ventures \$121K:** Due to recognizing Council's portion of West Gippsland Regional Library's income for the year-ended 30 June 2019.
5. **Favourable – Property, infrastructure, plant and equipment \$33.6M:** Largely due to the revaluation recorded as of 30 June 2019 of \$25.2M, consistent with the increase in the Asset Revaluation Reserve.
6. **Favourable – Right-of-use-assets \$174K:** As a result of new lease accounting standards effective 2019-20, assets Council has the right to use during a lease as recorded as an asset. The current figure is due to the Leongatha Library lease.
7. **Unfavourable – Investment Property (\$176K):** As a result of a decrease in fair value recorded for the Foster Stockyard Gallery as of 30 June 2019.
8. **Unfavourable – Trade and other payables (\$3.1M):** Largely a result of recording unearned grant revenue due to new accounting standards in 2019-20 to recognize grant revenue through-out the length of a project as opposed to when received. Unearned grant revenue is \$2.4M as of 31 May 2020. Remaining variance due to timing of payments near month-end.
9. **Unfavourable – Trust funds and deposits (\$232K):** Due to a decrease in the amount of contractors providing a bank guarantee and instead using the retention method, where a portion of each invoice is left unpaid for retention and recorded as Trust funds and deposits owing.
10. **Favourable – Current Interest-bearing loans and borrowings \$3.4M:** Due to the interest-only loan maturing and being repaid in November 2019.
11. **Unfavourable – Unearned rates revenue (\$3.6M):** Unearned rates revenue represents the pro rata rates and charges generated at the beginning of the year for June 2020. In 2019-20, rates and charges are recognized through-out the full financial year. In 2018-19, the full amount of rates and charges raised was recognized at the beginning of the year and no unearned revenue was recorded.
12. **Unfavourable – Non-Current Provisions (\$927K):** Due to increase in the landfill provision estimate as of 30 June 2019.
13. **Unfavourable – Non-Current Interest bearing loans and borrowings (\$446K):** Due to the first construction drawing on the loan for the Mirboo North Pool.
14. **Favourable – Accumulated Surplus \$17.2M:** Due to positive operating result since May 2019.
15. **Favourable – Asset Revaluation Reserve \$26.4M:** Due to revaluation recorded as of 30 June 2019.
16. **Unfavourable – Other Reserves (\$2.8M):** Largely due to transferring Loan Reserve of \$3.4M to accumulated surplus to pay the loan that matured in November 2019.



## Statement of Cash flows for the period 1 July 2019 to 31 May 2020

	YTD Actual \$'000	Forecast to 30 June 2020 \$'000	Original Budget 2019/20 \$'000	Full Year Forecast Variance	
				\$'000	%
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Rates and charges	42,031	43,869	43,869	0	0%
Statutory fees and fines	768	924	919	5	1%
User fees	4,087	4,185	4,335	(150)	-3%
Grants - operating	16,675	13,799	6,609	7,190	109% <b>1</b>
Grants - capital	4,720	5,735	8,407	(2,672)	-32% <b>2</b>
Contributions - monetary	171	360	1,140	(780)	-68% <b>3</b>
Interest received	659	550	550	0	0%
Other receipts	941	1,087	1,161	(74)	-6%
Employee costs	(22,867)	(25,117)	(24,712)	(405)	2%
Materials and services	(20,627)	(23,078)	(21,909)	(1,169)	5% <b>4</b>
Other payments	(2,488)	(3,001)	(3,581)	580	-16% <b>5</b>
<b>Net cash provided by (used in) operating activities</b>	<b>24,070</b>	<b>19,313</b>	<b>16,788</b>	<b>2,525</b>	<b>15%</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for property, infrastructure, plant & equipment	(12,423)	(18,977)	(32,449)	13,472	-42% <b>6</b>
Proceeds from sale of property, infrastructure, plant & equipment	454	739	1,145	(406)	-35% <b>7</b>
Payments for / from Other Financial Assets	(8,004)	16,000	7,000	9,000	129% <b>8</b>
<b>Net cash provided by (used in) investing activities</b>	<b>(19,973)</b>	<b>(2,238)</b>	<b>(24,304)</b>	<b>22,066</b>	<b>-91%</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>					
Finance costs	(87)	(68)	(108)	40	-37%
Proceeds from borrowings	446	0	3,600	(3,600)	-100% <b>9</b>
Repayment of borrowings	(3,350)	(3,350)	(3,657)	307	-8% <b>10</b>
Repayment of leases	(76)	(84)	0	(84)	-100%
<b>Net cash provided by (used in) financing activities</b>	<b>(3,067)</b>	<b>(3,502)</b>	<b>(165)</b>	<b>(3,337)</b>	<b>2022%</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,030</b>	<b>13,573</b>	<b>(7,681)</b>	<b>21,254</b>	<b>-277%</b>
Cash and cash equivalents at the beginning of the financial year	7,000	7,000	16,743	(9,743)	-58% <b>11</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>8,030</b>	<b>20,573</b>	<b>9,062</b>	<b>11,511</b>	<b>127%</b>

**Full Year Forecast to Full Year Original 2019/20 Budget Variances:**

1. **Favourable cash flows from Grants – Operating \$7.2M:** Largely due to increasing the forecast for the 50% 2020/21 VCG allocation paid early in May 2020 (↑\$5.4M).
2. **Unfavourable cash flows from Grants – Capital (\$2.7M):** Due to decrease in projected funding in 2019/20 for Korumburra Community Hub and Great Southern Rail Trail carried forward to 2020/21.
3. **Unfavourable cash flows from Contributions – monetary (\$780K):** Due to community contribution to Mirboo North Pool carried forward to 2020/21 (↓\$700K).
4. **Unfavourable cash flows for Materials and services (\$1.2M):** Due to new flood events in August (↑\$716K) and Long Jetty Restoration (\$195K) carried forward from 2018/19.
5. **Favourable cash flows for Other payments (\$580K):** Due to Councillor allowances included in the original budget (↓\$317K) offset by an increase in the labour budget for Administrators' wages. In addition, there is a decrease in the projected Library contributions budget (↓\$200K) for library projects down from \$400K to \$200K.
6. **Favourable cash flows for payments for property, infrastructure, plant & equipment \$13.5M:** Due to projects carried forward to 2020/21 or future years. Refer to Statement of Capital works for further details.
7. **Unfavourable cash flows from proceeds from sale of property, infrastructure, plant & equipment (\$406K):** Due to sale of various plant and fleet deferred to 2020/21.
8. **Unfavourable cash flows from proceeds from borrowings (\$3.6M):** Proceeds from borrowings forecast for Mirboo North Pool pushed back to 2020/21 due to delay in project. Council has received \$446K as of 31 May 2020.
9. **Favourable cash flows from payments from other financial assets \$9M: Refer to Note 11**
10. **Favourable cash flows for repayment of borrowings \$307K:** Due to repayments on the Mirboo North Pool loan not expected until 2020/21 due to change in timing of construction.
11. **Unfavourable Cash and cash equivalents at the beginning of the financial year (\$9.8M):** 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.

## Capital Works

## Capital Works Statement for the period 1 July 2019 to 31 May 2020

	YTD				Full Year						
	YTD Actual \$'000	YTD Revised Budget \$'000	YTD Variance \$'000	%	Forecast to 30 June 2020 \$'000	Original Budget 2019/20 (A) \$'000	Carry forwards from 2018/19 (B) \$'000	Carry forwards to 2020/21 onwards (C) \$'000	Adjusted Budget 2019/20 (A + B + C) \$'000	Full Year Forecast Variance \$'000	%
<b>Property</b>											
Land	73	0	73	100%	750	0	0	0	0	750	100% 9
Buildings	1,438	2,358	(920)	-39% 1	1,989	4,693	677	(2,863)	2,507	(518)	-10% 10
<b>Total Property</b>	<b>1,511</b>	<b>2,358</b>	<b>(847)</b>	<b>-36%</b>	<b>2,739</b>	<b>4,693</b>	<b>677</b>	<b>(2,863)</b>	<b>2,507</b>	<b>232</b>	<b>4%</b>
<b>Plant and equipment</b>											
Plant, machinery and equipment	1,946	2,750	(804)	-29% 2	2,302	3,615	30	(1,185)	2,460	(158)	-4%
Computers and telecommunications	323	1,820	(1,497)	-82% 3	2,054	1,999	0	0	1,999	55	3%
<b>Total Plant and Equipment</b>	<b>2,269</b>	<b>4,570</b>	<b>(2,301)</b>	<b>-50%</b>	<b>4,356</b>	<b>5,614</b>	<b>30</b>	<b>(1,185)</b>	<b>4,459</b>	<b>(103)</b>	<b>-2%</b>
<b>Infrastructure</b>											
Roads	5,293	6,721	(1,428)	-21% 4	6,698	6,809	1,025	(980)	6,854	(156)	-2%
Bridges	263	598	(335)	-56% 5	563	916	102	(422)	596	(33)	-3%
Major culverts	45	88	(43)	-49%	47	95	0	(50)	45	2	2%
Footpaths and cycleways	604	1,068	(464)	-43% 6	855	2,801	231	(1,579)	1,453	(598)	-20% 11
Drainage	153	260	(107)	-41% 7	174	100	160	(86)	174	0	0%
Other infrastructure	2,286	4,638	(2,352)	-51% 8	3,543	11,421	170	(8,067)	3,524	19	0%
<b>Total Infrastructure</b>	<b>8,644</b>	<b>13,373</b>	<b>(4,729)</b>	<b>-35%</b>	<b>11,880</b>	<b>22,142</b>	<b>1,688</b>	<b>(11,184)</b>	<b>12,646</b>	<b>(766)</b>	<b>-3%</b>
<b>Total Capital Works Expenditure</b>	<b>12,424</b>	<b>20,301</b>	<b>(7,877)</b>	<b>-39%</b>	<b>18,975</b>	<b>32,449</b>	<b>2,395</b>	<b>(15,232)</b>	<b>19,612</b>	<b>(637)</b>	<b>-2%</b>

## Capital Works Statement – Variances

YTD Actual to YTD Budget Variances

- Under budget – Buildings (\$920K):** Most notably due to Community Hub – Korumburra (↓\$390K), Renewal Program (↓\$217K) and Waratah Bay Caravan Park upgrade (↓\$187K). \$630K of buildings has since been carried forward to 2020/21.
- Under budget – Plant, machinery and equipment (\$804K):** Made up of a number of large plant purchases not yet made. \$548K of plant, machinery and equipment has since been carried forward to 2020/21.
- Under budget – Computers and telecommunications (\$1.5M):** Due to projects that were on hold for Shared services arrangements expected, these projects will likely be carried forward to 2020/21.
- Under budget – Roads (\$1.4M):** Most notably due to Federal Blackspot Program (↓\$730K) and sealed rehab program (↓\$585K). \$1.3M of roads has since been carried forward to 2020/21.
- Under budget – Bridges (\$335K):** Most notably due to Timms Road Bridge (↓\$278K). \$470K of bridges has since been carried forward to 2020/21.
- Under budget – Footpaths and cycleways (\$464K):** Most notably due to Jumbunna Road, Korumburra extension (↓\$539K), offset by other projects ahead of schedule. \$784K of footpaths has since been carried forward to 2020/21.
- Under budget – Drainage (\$107K):** Most notably due to Walkerville Retarding Basin upgrade works (↓\$86K). \$86K of drainage has since been carried forward to 2020/21.
- Under budget – Other infrastructure (\$2.4M):** Most notably due to Mirboo North Pool (↓\$1.4M), Leongatha Business Precinct (↓\$513K), Pools renewal program (↓\$195K) and Baromi Park (↓\$161K). \$2.1M of other infrastructure has since been carried forward to 2020/21.

**Full Year Forecast to Full Year Adjusted Original 2019/20 Budget Variances (Variances not related to carry forwards):**

9. **Increase – Land - \$750K:** To purchase land for a new Foster depot
10. **Decrease – Buildings (\$518K):** Largely due to decrease in Coal Creek and Long Jetty Caravan Park capital budgets that were not carried forward to the future.
11. **Decrease – Footpaths and cycleways (\$598K):** Due to changes in the Great Southern Rail Trail capital budget not carried forward.

## Financial Ratios

### Underlying Result

Measures strength of financial result and compares recurrent income and expenditure. The underlying result does not include developer contributions, special rates income or capital grants.

	YTD Actual May 2020	Original Budget 2019/20	Forecast 2019/20
<b>Underlying Result (\$'000)</b>	6,878	(4,434)	1,122
<b>Underlying Result %</b>	11.43%	-7.66%	1.74%

The target for this financial indicator is > 0%. The original budget was forecast to be in the yellow-zone as a result of \$4.9M of the 2019/20 VGC allocation recognized in 2018/19 as it was received in June 2019. The YTD actual and forecast are now in the green-zone as a result of \$5.4M of the 2020/21 VGC allocation now being recognized as it was received in May 2020.

### Underlying Working Capital Ratio

Measures ability to pay existing liabilities. It is calculated as current assets over current liabilities

	YTD Actual May 2020	Original Budget 2019/20	Forecast 2019/20
<b>Working Capital Ratio</b>	3.07	2.80	3.02

The target for this financial indicator is > 1.25. Council has low risk of not being able to meet obligations when they are due.

### Sustainability Index

Measures level of spending on assets. It is calculated as property and infrastructure renewal and upgrade spending over related depreciation.

	YTD Actual May 2020	Original Budget 2019/20	Forecast 2019/20
<b>Sustainability Index</b>	1.19	2.46	1.43

The target for this financial indicator is > 1. Council has low risk that they are not spending enough of asset renewals and upgrades.

**Indebtedness**

Measures the ability to cover long term liabilities from own revenue. Calculated as non-current liabilities over own sourced revenue (not including grants or contributions).

	YTD Actual May 2020	Original Budget 2019/20	Forecast 2019/20
<b>Indebtedness</b>	9.20%	9.91%	7.58%

The target for this financial indicator is < 60%. Council has low risk over the ability to repay debt from its own sourced revenue.

**Debt as a % of Rate Revenue**

Measures level of debt relative to rate income. Calculated as interest bearing loans and borrowings over rate income.

	YTD Actual May 2020	Original Budget 2019/20	Forecast 2019/20
<b>Debt as a % of Rate revenue</b>	1.11%	0%	0.00%

The target for this financial indicator is < 60%. Council has a reasonable reliance on rate revenue to fund debt.

**Debt servicing costs as a % of Total Revenue**

Measures portion of revenue committed to fund debt finance costs.

	YTD Actual May 2020	Original Budget 2019/20	Forecast 2019/20
<b>Debt servicing costs as a % of Total Revenue</b>	0.10%	0.10%	0.10%

The target for this financial indicator is <5%. Council has an appropriate proportion of total revenue to fund debt finance costs.

## Cash and Investments

		<b>\$'000</b>
<b>Cash</b>	General Bank Accounts	5,587
	Call Accounts	2,441
	Petty Cash / Floats	<u>2</u>
		<b>8,030</b>
<b>Investments</b>	AMP Bank	4,000
	Australian Military Bank	6,000
	Bendigo and Adelaide	6,277
	BOQ	6,000
	ING Direct	6,000
	Macquarie Bank	3,000
	NAB	<u>5,000</u>
		<b>36,277</b>

Average current interest rate on the term-deposits held is 1.56%.

	<b>Month \$'000</b>	<b>YTD \$'000</b>
Investment Return	45	502
Budgeted return	46	504
Variance (\$)	- 1	- 2
Variance (%)	-2%	0%

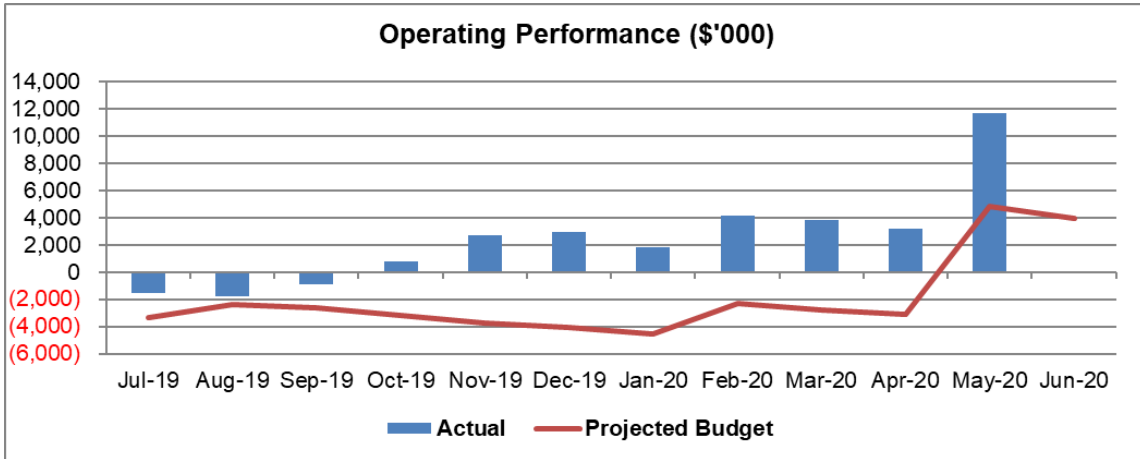
Despite decreasing interest rates through-out the financial year. The investment return has been consistent with the budget due to greater investments held, due to capital works carried-forward to 2020/21.

### 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.

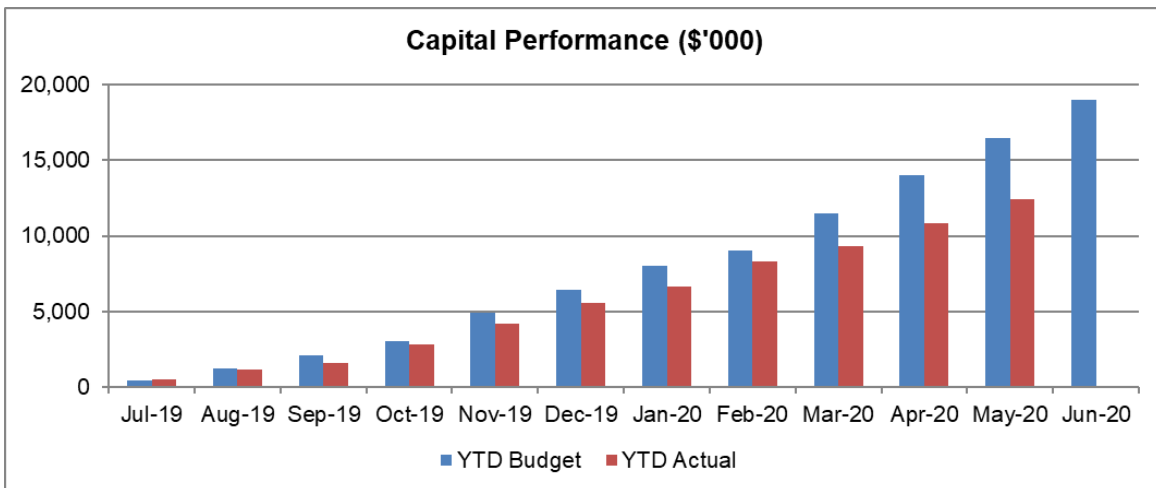
#### Operating Performance

The operating result is a \$11.6M surplus for the period July 2019 to May 2020. This is a favourable variation of \$6.7M compared to the projected budget surplus of \$4.9M for the period July 2019 to May 2020. Further detail can be found on the Income Statement for the period ended 31<sup>st</sup> May 2020.



#### Capital Performance

The capital expenditure is \$12.4M for the period July 2019 to May 2020. This is \$4.1M behind the projected budget of \$16.5 for the period July 2019 to May 2020. Further detail can be found on the Statement of Capital Works for the period ended 31<sup>st</sup> May 2020.

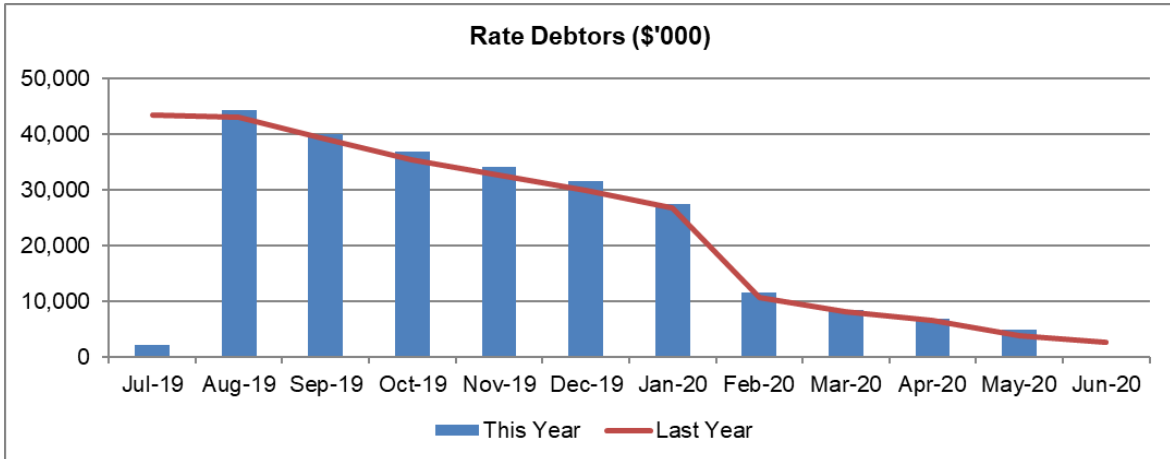


**Rate Debtors**

The outstanding rates balance as at May 2020 is \$4.8M

The outstanding rates balance as at May 2019 was \$3.8M

The outstanding rates balance has increased \$1M (26%) from the same period last year. This is due to timing of the last instalment date, which was the 31<sup>st</sup> of May last year but not until the 1<sup>st</sup> of June this year.

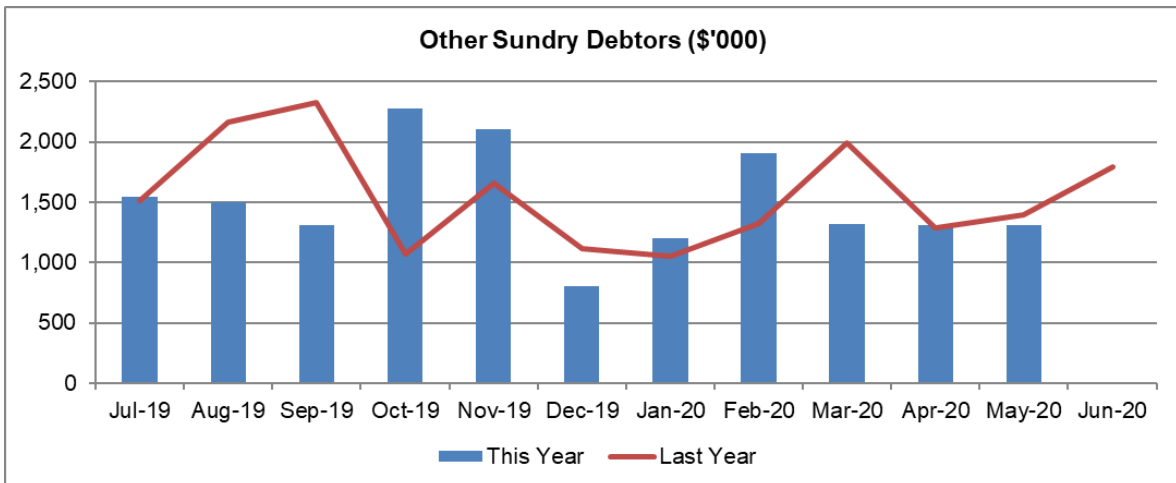


**Other Sundry Debtors**

The outstanding other sundry debtors balance as at May 2020 is \$1.3M.

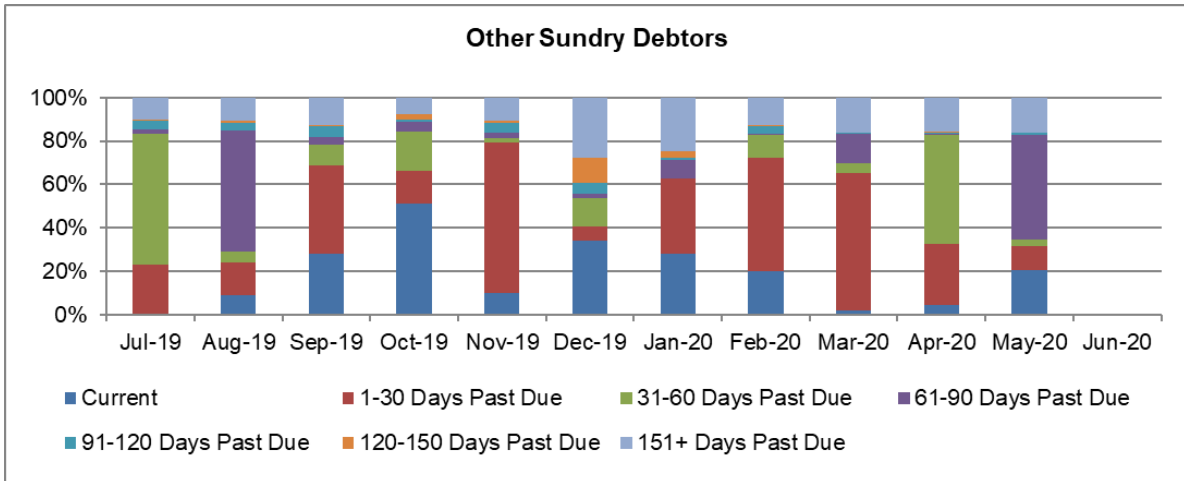
The outstanding other sundry debtors balance as at May 2019 was \$1.4M.

The outstanding other sundry debtors balance has decreased \$0.1M (7%) from the same period last year.





Approximately 48% of other sundry debtors outstanding are 61-90 Days Past Due. One invoice to Vic Roads for \$600K for a grant instalment is the reason for the significant amount outstanding 61-90 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.

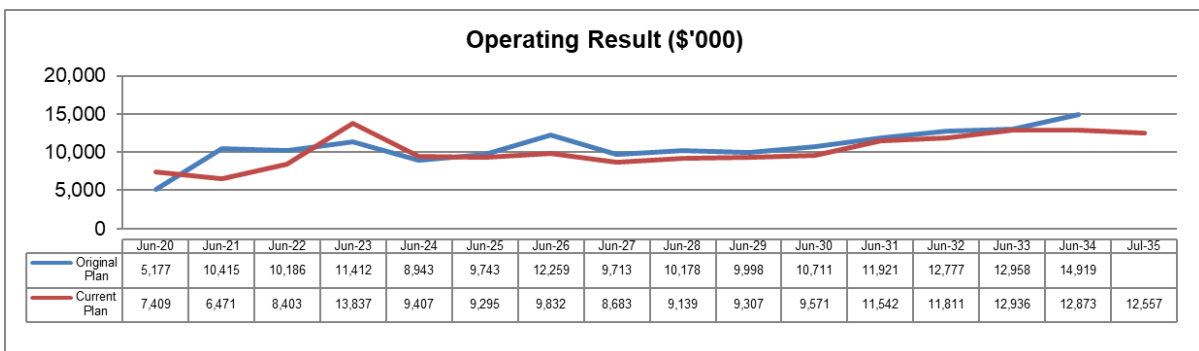
The Long Term Financial Plan analysis report compares the current 2019/20 Budget and Long Term Financial Plan forecasts to the original plan. The Annual Budget and Long Term Financial Plan were adopted for 2019/20 on 31 July 2019.

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)

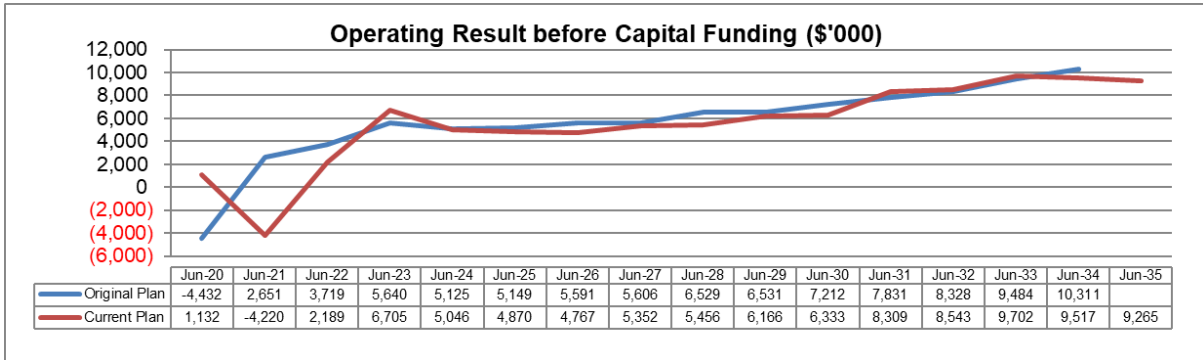
The projected operating results in the forward budget are overall in line with the adopted 2019/20 budget. The projected decrease for the 2020/21 financial year is due to bringing forward 50% of the 2020/21 VGC allocation which was paid in advance in May 2020.



**Operating Result before Capital Funding**

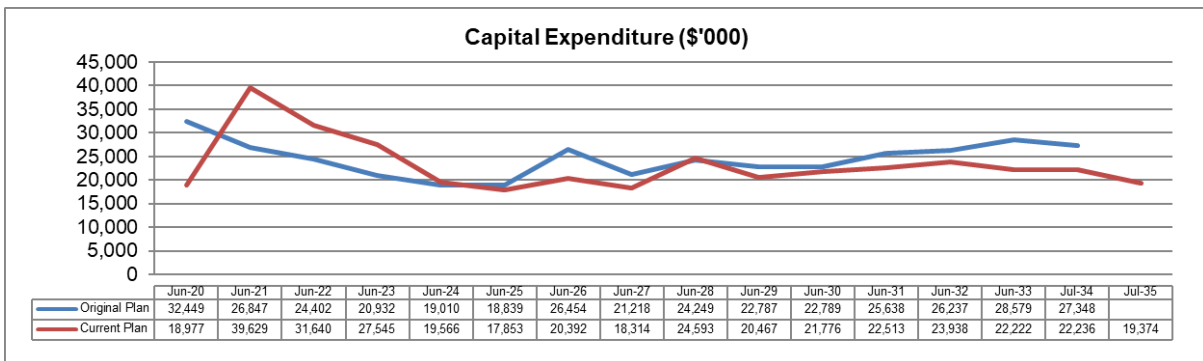
The operating result before capital funding is sometimes referred to as the underlying financial result. Capital grants and contributions that artificially improve the operating result are removed to disclose the true underlying financial result.

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. The projected decrease for the 2020/21 financial year is due to bringing forward 50% of the 2020/21 VGC allocation which was paid in advance in May 2020.



**Capital Expenditure**

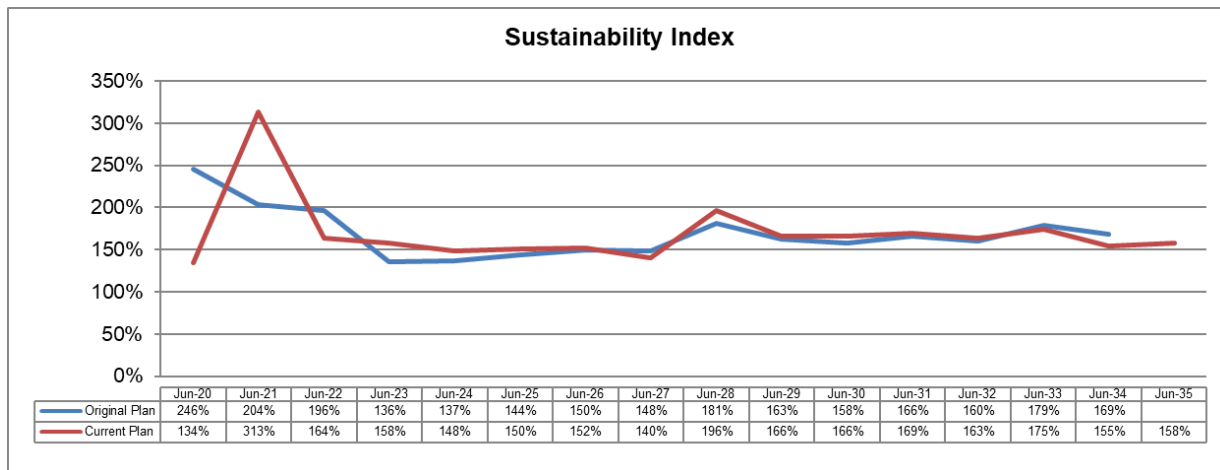
The current year’s capital expenditure is projected to be \$13.5M less than the original plan. These have been primarily carried forward to 2020/21 where the capital spend in that year is now \$12.8M above the original plan.



Sustainability Index for Capital Assets

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

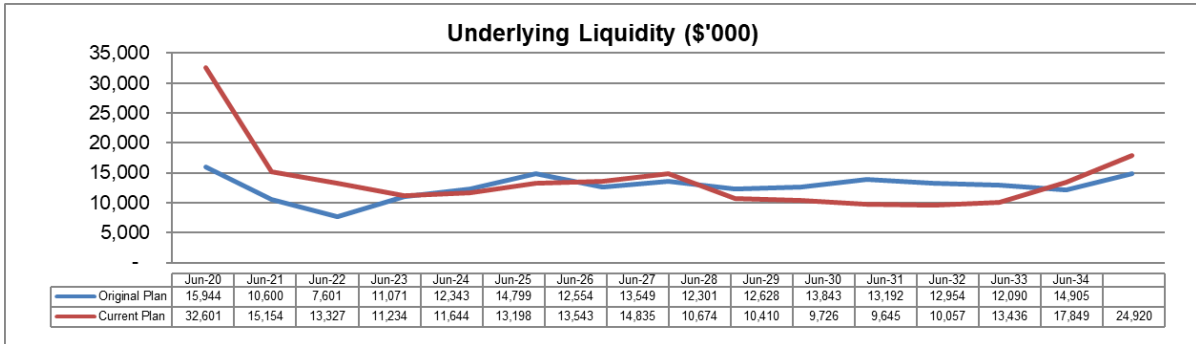
The sustainability index for 2019/20 and 2020/21 has changed as a result of the capital works carried forward to 2020/21. Over the remainder of the Long Term Financial Plan the index has remained consistent with the original budget.



**Underlying Liquidity**

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

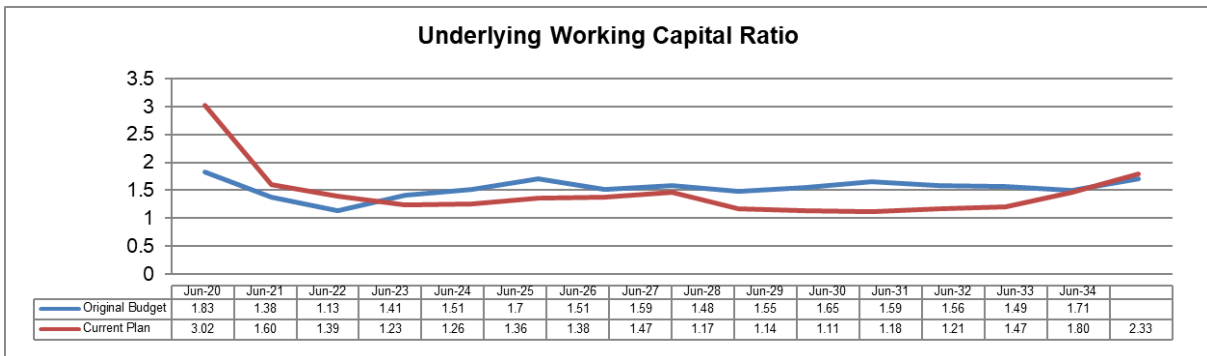
The current plan’s forecast underlying liquidity position is significantly better than that of the original plan for the current year due to lower capital expenditure planned. Overall the current plan remains in line with the original plan.



**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 significantly 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 LTFP 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>LTFP</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	1.75%	-6.95%	3.35%	9.66%	7.28%	6.91%	6.58%	7.19%	7.12%	7.84%	7.83%	9.93%	9.88%	11.05%	10.54%	10.08%
Underlying Working Capital	3.02	1.60	1.39	1.23	1.26	1.36	1.38	1.47	1.17	1.14	1.11	1.18	1.21	1.47	1.80	2.33
<b>Funding capacity</b>																
Sustainability Index	143%	282%	154%	148%	151%	150%	149%	146%	186%	160%	160%	163%	158%	167%	153%	132%
<b>Borrowing capacity</b>																
Indebtedness	7.58%	12.80%	27.69%	23.61%	21.51%	18.97%	16.25%	13.68%	11.18%	8.83%	7.08%	6.65%	6.54%	6.59%	6.54%	6.58%
Total Debt as a % of Rate revenue	0.00%	7.26%	26.00%	22.58%	19.25%	16.01%	12.93%	9.99%	7.19%	4.53%	1.99%	0.14%	0.00%	0.00%	0.00%	0.00%
Debt servicing costs as a % of Total revenue	0.10%	0.05%	0.17%	0.15%	0.14%	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 2020/21 as a result of having to bring to account \$5.4m of Victoria Grants Commission allocation for 2020/21 in the current financial year (2019/20) because it was received in May 2020. 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 is in the yellow or green zone for all future years. The dipping into the yellow zone is a result of introducing the COVID-19 Community Support Package of \$2M in the proposed budget for 2020/21. Council will monitor the underlying working capital and work towards balancing back to green.

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. 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.