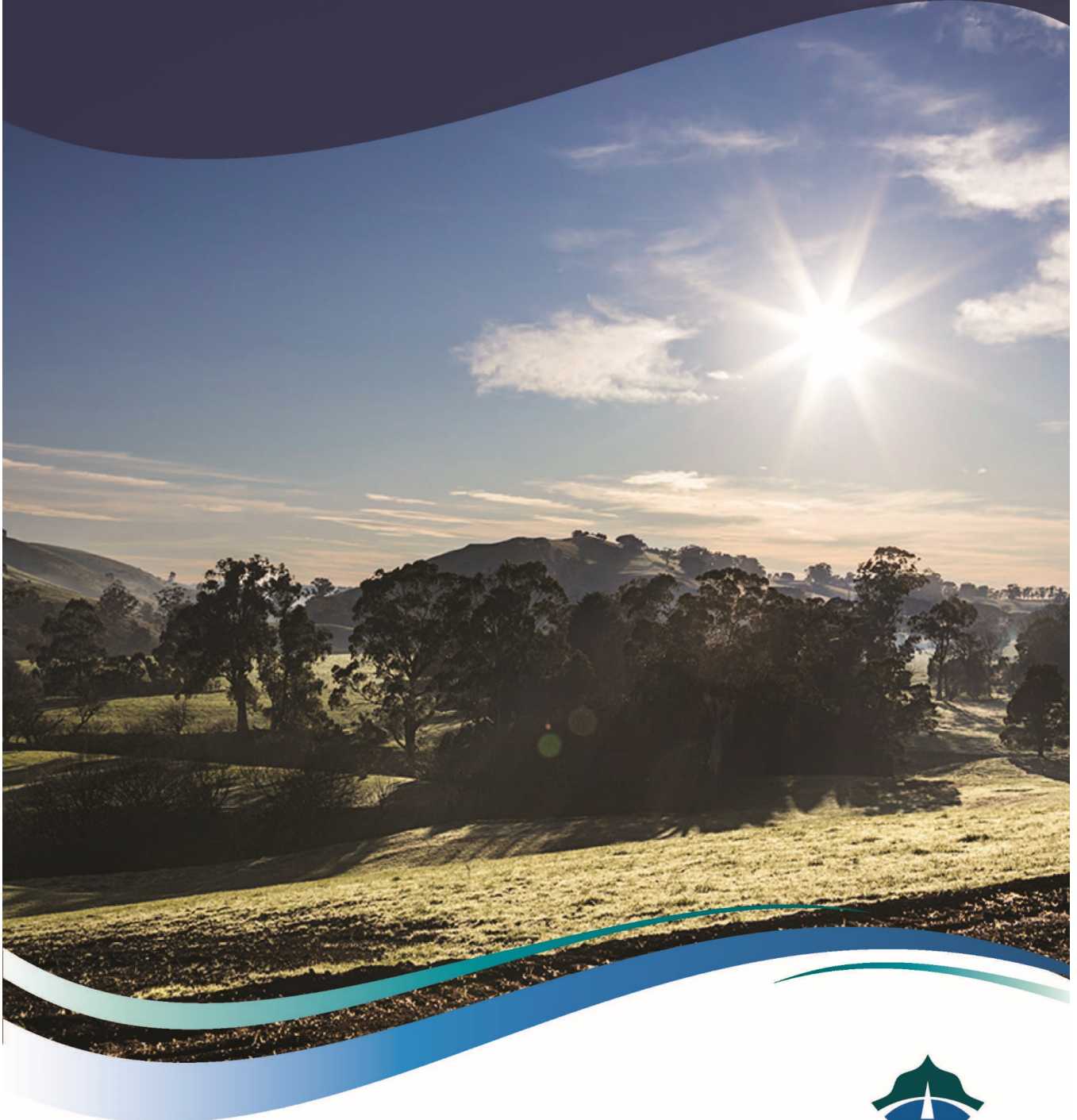


SOUTH GIPPSLAND SHIRE COUNCIL

Financial Performance Report

July 2020 - September 2020



*South Gippsland
Shire Council*

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Financial Summary

For the period 1 July 2020 to 30 September 2020

OPERATING EXPENDITURE

YTD Actual

Operating result for the period ended 30 September 2020 is a surplus of \$1.3M. This is a \$3.6M (155%) favourable result compared to the budgeted operating deficit of \$2.3M.

The favourable operating result is represented by:

Income: Favourable variance to budget of \$1.2M – largely due to capital grants received early or that were not previously expected (↑\$1.5M)

Expense: Favourable variance to budget of \$2.4M – largely due to timing of materials and consumables (↓\$2M) and other expenses (\$0.3M) across a number of areas

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

Forecast

The original budgeted operating result for the full year ended 30 June 2021 was a surplus of \$6.5M. Projects carried forward from or back to 2019/20 after adoption of the original budget have resulted in a decrease in revenue of \$0.1M and an increase in expenses of \$0.7M. These carry forwards are only a change in timing, and not a change in the overall projects themselves. After adjusting for the timing of the projects carried forward, the budgeted operating result for the full year ended 30 June 2021 is a surplus of \$5.7M. The forecast operating result for the full year ended 30 June 2021 is a surplus of \$11.3M. This represents an increase in the operating surplus for 2020/21, not related to timing, of \$5.6M.

The favourable change in forecast is represented by:

Income: Favourable increase in income of \$5.6M – due to new capital grants expected

CAPITAL WORKS

YTD Actual

Capital works expenditure for the period ended 30 September 2020 is \$5.3M, this is \$2.8M behind the YTD budget of \$8.1M. For further detail on variances, see the Capital Works Statement.

Forecast

The original budgeted capital works program for 2020/21 was \$39.6M. An additional \$2.8M of capital works was carried forward from 2019/20 after adoption of the original budget. As of 30 September, none of these works have yet been carried forward to 2021/22 or future budgets. The carry forwards are only 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 2020/21 is \$42.4M. The forecast capital works for the full year ended 30 June 2020 is \$47.6M. This represents that there was no change in capital works planned for 2020/21 that is not related to timing of projects. This represents an increase in the planned capital works for 2020/21, not related to timing, of \$5.2M due to adding in the new grant funded projects.

CASH POSITION

As at 30 September, the cash and investments balance was \$34.9M.

Represented by:

Cash and cash equivalents (\$'000)	8,638
Investments (\$'000)	26,279
	<u>34,917</u>

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

Reserves (\$'000)	273
Trust funds and deposits (\$'000)	732
Carry-forward projects from 2019/20 (\$'000)	18,054
	<u>19,059</u>

Operating cash flows for the period ended 30 September was a negative result of \$0.4M and total cash flow for the period was a positive result of \$0.8M.

Operating cash flows are forecast to be a positive result of \$23M for the full year ended 30 June 2021 and total cash flow forecast to be a negative result of \$6.8M as a result of the large capital works plan for the year.

Long-Term Financial Plan

The Long-Term Financial Plan has been updated to reflect carry forwards from 2019/20 and the current forecast for 2020/21. There have been minimal changes as a result and they largely represent a strengthening of the long-term financial plan compared to the original budget, with the exception of the underlying result for 2020/21 decreasing due to projects carried forward from 2019/20. See further details in the Long-Term Financial Plan analysis section.

LTFP

	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
Financial performance															
Underlying result	-8.99%	3.32%	9.73%	7.33%	6.96%	6.62%	7.22%	7.14%	7.88%	7.86%	9.92%	9.87%	11.00%	10.49%	10.03%
Underlying Working Capital	1.74	1.39	1.24	1.28	1.39	1.49	1.58	1.29	1.28	1.25	1.35	1.39	1.65	1.99	2.52
Funding capacity															
Sustainability Index	347%	168%	148%	151%	150%	133%	146%	186%	160%	160%	163%	158%	167%	153%	132%
Borrowing capacity															
Indebtedness	14.15%	28.52%	24.38%	22.29%	19.75%	17.04%	14.48%	12.00%	9.67%	7.68%	7.43%	7.31%	7.34%	7.27%	7.30%
Total Debt as a % of Rate revenue	7.63%	26.32%	22.85%	19.48%	16.23%	13.14%	10.20%	7.42%	4.77%	2.26%	0.14%	0.00%	0.00%	0.00%	0.00%
Debt servicing costs as a % of Total revenue	0.02%	0.10%	0.09%	0.08%	0.07%	0.06%	0.05%	0.03%	0.02%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%

2020/21 Original Budget

	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
Financial performance															
Underlying result	-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	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
Funding capacity															
Sustainability Index	282%	154%	148%	151%	150%	149%	146%	186%	160%	160%	163%	158%	167%	153%	132%
Borrowing capacity															
Indebtedness	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	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	0.05%	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%

Financial Statements

Income Statement for the period 1 July 2020 to 30 September 2020.

	YTD				Full Year						
	YTD Actual	YTD Revised Budget	YTD Variance		Forecast to 30 June 2021	Original Budget 2020/21 (A)	Carry forwards from (back to) 2019/20 (B)	Carry forwards to 2021/22 onwards (C)	Adjusted Budget 2020/21 (A + B + C)	Full Year Forecast Variance	
	\$'000	\$'000	\$'000	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
INCOME											
Rates and charges	11,383	11,386	(3)	0%	45,252	45,252	0	0	45,252	0	0%
Statutory fees and fines	246	227	19	8%	960	960	0	0	960	0	0%
User fees	492	505	(13)	-3%	4,251	4,387	0	0	4,387	(136)	-3%
Grants - operating	1,817	1,678	139	8% 1	7,313	7,862	(740)	0	7,122	191	3%
Grants - capital	3,670	2,199	1,471	67% 2	15,632	9,617	372	0	9,989	5,643	56% 8
Contributions - monetary	210	427	(217)	-51% 3	1,032	896	86	0	982	50	5%
Contributions - non-monetary	0	0	0	0%	404	404	0	0	404	0	0%
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	(16)	52	(68)	-131%	544	257	214	0	471	73	15%
Other income	400	593	(193)	-33% 4	1,666	1,771	0	0	1,771	(105)	-6% 9
Total Income	18,202	17,067	1,135	7%	77,054	71,406	(68)	0	71,338	5,716	8%
EXPENSES											
Employee costs	6,809	6,785	(24)	0%	26,517	26,330	0	0	26,330	(187)	-1%
Materials and consumables	6,163	8,115	1,952	24% 5	24,103	23,475	748	0	24,223	120	0%
Depreciation	2,825	3,056	231	8% 6	12,229	12,229	0	0	12,229	0	0%
Borrowing costs	2	2	0	0%	14	37	0	0	37	23	62%
Other expenses	1,138	1,406	268	19% 7	2,855	2,864	0	0	2,864	9	0%
Total Expenses	16,937	19,364	2,427	13%	65,718	64,935	748	0	65,683	(35)	0%
Surplus / (Deficit)	1,265	(2,297)	3,562	-155%	11,336	6,471	(816)	0	5,655	5,681	100%

Income Statement – Variances

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

YTD Actual to YTD Budget Variances

1. **Favourable – Grants – operating \$139K:** Due to receiving \$156K for a Storm Event in January 2019 that was not previously budgeted for.
2. **Favourable – Grants – capital \$1.5M:** Due to receiving a grant for \$904K for the Foster Indoor Stadium Redevelopment project that was not previously expected in addition to \$480K received for Great Southern Rail Trail that was expected later in the year.
3. **Unfavourable – Contributions – monetary (\$217K):** Due to \$335K local contributions for the Mirboo North Pool project expected in September, but not received until early October. This is offset by open space contributions being significantly above budget by \$92K.
4. **Unfavourable – Other income (\$193K):** Due to Rates and Charges legal fees reimbursed (↓\$164K) not received. This is consistent with no legal fees for Rates and Charges in materials and consumables.
5. **Favourable – Materials and consumables \$2M:** Due to timing of expenses across a number of areas, most notably COVID-19 Costs (↓\$404K partially due to \$256K being recorded in other expenses), Resheets (↓\$281K due to being behind schedule), Community Strengthening Coordination (↓\$256K due to no activity so far in the year due to COVID-19) and Rates and Charges (↓\$183K due to no legal fees, consistent with lower other income).
6. **Favourable – Depreciation \$231K:** Due to fewer IT capital additions than expected in the prior year.
7. **Favourable – Other expenses \$268K:** Due to timing of expenses across a number of areas, including Rates and Charges (↓\$111K in fees and charges needing profiling), Grants (↓\$210K due to grants needing profiling) and Recreation Facilities (↓\$80K due to the Rail Trail maintenance grant not yet being paid).

Full Year Forecast to Full Year Adjusted Original 2020/21 Budget Variances (Variances not related to carry forwards):

In the Income Statement, carry forwards represents income and expenses related to grant-funded projects (or other projects as approved by the respective director) which are not received or spent in the same financial year as originally budgeted. The carry forwards (back to) 2019/20 relate to projects which were previously forecast to be completed in 2019/20 and therefore not included in the 2020/21 original budget. The list of carry forwards from 2019/20 was reviewed and approved by the executive team prior to being recognised in August. Through-out the rest of the year any future carry forwards to be included in the 2021/22 original budget are updated as are other monthly forecast changes.

As these carry forwards are only timing differences and not overall changes in the budget, these have been added to the original budget to calculate an adjusted budget for 2020/21. Only variances between the forecast and this adjusted budget that are not due to timing will be identified and explained.

8. **Favourable – Grants – capital \$5.6M:** Due largely to new grants for the Foster Indoor Stadium Redevelopment project (\$2M) and for the August 2019 Flood Event (\$3.4M).
9. **Unfavourable – Other income (\$105K):** Due to reducing the forecast for revenue from Coal Creek due to the current closure (↓\$68K) as well as reducing the forecast for property rental income (↓\$30K) both as a result of COVID-19.

Balance Sheet as at 30 September 2020

	YTD Actual September 2020 \$'000	YTD Actual September 2019 \$'000	Year over Year Variance		Original Budget June 2021 \$'000
			\$'000	%	
Current Assets					
Cash and cash equivalents	8,638	7,717	921	12% 1	8,192
Trade and other receivables	46,807	46,156	651	1%	5,518
Other financial assets	26,279	22,275	4,004	18% 2	7,273
Inventories	210	232	(22)	-9%	240
Other assets	10	0	10	100%	58
Total Current Assets	81,944	76,380	5,564	7%	21,281
Non-Current Assets					
Investments in associates and joint ventures	1,542	1,359	183	13% 3	1,358
Property, infrastructure, plant and equipment	558,067	551,097	6,970	1%	586,083
Right-of-use-assets	156	232	(76)	-33%	80
Investment property	619	586	33	6%	587
Total Non-Current Assets	560,384	553,274	7,110	1%	588,108
TOTAL ASSETS	642,328	629,654	12,674	2%	609,389
Current Liabilities					
Trade and other payables	8,312	8,312	0	0%	5,652
Trust funds and deposits	732	678	(54)	-8%	1,025
Provisions	6,063	5,975	(88)	-1%	5,976
Interest-bearing loans and borrowings	0	3,350	3,350	100% 4	350
Lease liabilities	82	78	(4)	-5%	83
Unearned rates revenue	33,586	32,556	(1,030)	-3%	0
Total Current Liabilities	48,775	50,949	2,174	100%	13,086
Non-Current Liabilities					
Provisions	4,582	3,763	(819)	-22% 5	3,799
Interest-bearing loans and borrowings	2,612	0	(2,612)	100% 6	2,935
Lease liabilities	79	156	77	49%	0
Total Non-Current Liabilities	7,273	3,919	(3,354)	-86%	6,734
TOTAL LIABILITIES	56,048	54,868	(1,180)	-2%	19,820
NET ASSETS	586,280	574,786	11,494	2%	589,569
Equity					
Accumulated Surplus	228,857	221,659	7,198	3%	241,110
Asset Revaluation Reserve	357,150	348,149	9,001	3%	348,149
Other Reserves	273	4,978	(4,705)	-95% 7	310
TOTAL EQUITY	586,280	574,786	11,494	2%	589,569

Year over Year Variances

1. **Favourable – Cash and cash equivalents \$921K:** Higher cash inflows compared to same period in 2019-20.
2. **Favourable – Other financial assets \$4M:** Due to investment of unneeded cash through-out the year.
3. **Favourable – Investments in associates and joint ventures \$183K:** Due to recognizing Council's portion of West Gippsland Regional Library's income for the year-ended 30 June 2020.
4. **Favourable – Current Interest-bearing loans and borrowings \$3.4M:** Due to the interest-only loan maturing and being paid back in November 2019.
5. **Unfavourable – Non-Current Provisions (\$819K):** Increase in non-current provision is largely due to a reclassification between current and non-current long service leave provision at 30 June 2020. Overall both current and non-current provisions have increased as a result of more leave being accrued than taken.
6. **Unfavourable – Non-Current Interest-bearing loans and borrowings (\$2.6M):** Due to the construction drawings on the loan for the Mirboo North Pool.
7. **Unfavourable – Other Reserves (\$4.7M):** Largely due to transferring Loan Reserve of \$3.4M to accumulated surplus to pay the loan that matured in November 2019. In addition, the General Reserve was been reduced by \$1.9M in June 2020 to help fund the upcoming capital expenditures expected in 2020-21.

Statement of Cash flows for the period 1 July 2020 to 30 September 2020

	YTD Actual \$'000	Forecast to 30 June 2021 \$'000	Original Budget 2020/21 \$'000	Full Year Forecast Variance \$'000	%
CASH FLOWS FROM OPERATING ACTIVITIES					
Rates and charges	8,344	45,252	45,252	0	0%
Statutory fees and fines	246	960	960	0	0%
User fees	(121)	4,251	4,387	(136)	-3%
Grants - operating	2,721	7,313	7,862	(549)	-7% 1
Grants - capital	2,766	15,632	9,617	6,015	63% 2
Contributions - monetary	210	1,032	896	136	15% 3
Interest received	76	550	550	0	0%
Other receipts	286	1,117	1,221	(104)	-9% 4
Employee costs	(7,307)	(26,344)	(26,223)	(121)	0%
Materials and services	(6,497)	(23,891)	(23,475)	(416)	2%
Other payments	(1,138)	(2,856)	(2,864)	8	0%
Net cash provided by (used in) operating activities	(414)	23,016	18,183	4,833	27%
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, infrastructure, plant & equipment	(5,303)	(47,572)	(39,629)	(7,943)	20% 5
Proceeds from sale of property, infrastructure, plant & equipment	64	1,190	904	286	32% 6
Payments for / from Other Financial Assets	4,721	14,000	5,000	9,000	180% 7
Net cash provided by (used in) investing activities	(518)	(32,382)	(33,725)	1,343	-4%
CASHFLOWS FROM FINANCING ACTIVITIES					
Finance costs	0	(14)	(37)	23	-62%
Proceeds from borrowings	1,000	2,788	3,600	(812)	-23% 8
Repayment of borrowings	800	(146)	(315)	169	-54% 9
Repayment of leases	(22)	(87)	(87)	0	0%
Net cash provided by (used in) financing activities	1,778	2,541	3,161	(620)	-20%
Net increase (decrease) in cash and cash equivalents	846	(6,825)	(12,381)	5,556	-45%
Cash and cash equivalents at the beginning of the financial year	7,792	7,792	20,573	(12,781)	-62% 10
Cash and cash equivalents at the end of the period	8,638	967	8,192	(7,225)	-88%

Full Year Forecast to Full Year Original 2020/21 Budget Variances:

- 1. Unfavourable cash flows from Grants – Operating (\$549K):** Largely due to grants for the 5 July 2016 and 17 July 2018 storm events being included in the original budget, but actually received early towards the end of last year.
- 2. Favourable cash flows from Grants – Capital \$6M:** Due largely to new grants for the Foster Indoor Stadium Redevelopment project (\$2M) and for the August 2019 Flood Event (\$3.4M).
- 3. Favourable cash flows from Contributions – monetary \$136K:** Largely due to carry forwards from 2019-20.
- 4. Unfavourable cash flows from other receipts (\$104K):** Due to reducing the forecast for revenue from Coal Creek due to the current closure (↓\$68K) as well as reducing the forecast for property rental income (↓\$30K) both as a result of COVID-19.
- 5. Unfavourable cash flows for payments for property, infrastructure, plant & equipment \$(7.9M):** Largely due to capital works carried forward from 2019-20 of \$2.7M and new grant funded projects for \$4.9M.
- 6. Favourable cash flows from proceeds from sale of property, infrastructure, plant & equipment \$286K:** Largely due to carrying forward sales of various plant and fleet vehicles from 2019-20.
- 7. Favourable cash flows from payments for/from Other Financial Assets \$9M:** Due to additional payments from Other Financial Assets expected to fund the capital works program for 2020-21.
- 8. Unfavourable cash flows from proceeds from borrowings (\$812K):** Due to the original budget including the full drawdown of the construction loan for the Mirboo North Pool, however \$812K was received in 2019-20.
- 9. Favourable cash flows for repayment of borrowings \$169K:** Due to the original budget projecting repayments starting 1 July 2020, and has since been updated to 1 January 2021.
- 10. Unfavourable Cash and cash equivalents at the beginning of the financial year (\$12.8M):** The original budget assumed cash and cash equivalents at the beginning of the financial year of \$20.6M. The actual beginning cash and cash equivalents was \$7.8M as a result of purchasing additional term-deposit investments.

Capital Works

Capital Works Statement for the period 1 July 2020 to 30 September 2020

	YTD				Full Year						
	YTD Actual	YTD Revised Budget	YTD Variance		Forecast to 30 June 2021	Original Budget 2020/21 (A)	Carry forwards from 2019/20 (B)	Carry forwards to 2021/22 onwards (C)	Adjusted Budget 2020/21 (A + B + C)	Full Year Forecast Variance	
	\$'000	\$'000	\$'000	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
Property											
Land	0	0	0	100%	0	0	0	0	0	0	0%
Buildings	203	1,459	(1,256)	-86% 1	8,982	7,031	451	0	7,482	1,500	20% 9
Total Property	203	1,459	(1,256)	-86%	8,982	7,031	451	0	7,482	1,500	20%
Plant and equipment											
Plant, machinery and equipment	468	1,046	(578)	-55% 2	3,815	3,659	156	0	3,815	0	0%
Computers and telecommunications	161	367	(206)	-56% 3	2,273	763	1,514	0	2,277	(4)	0%
Total Plant and Equipment	629	1,413	(784)	-55%	6,088	4,422	1,670	0	6,092	(4)	0%
Infrastructure											
Roads	1,176	1,371	(195)	-14% 4	14,227	10,325	275	0	10,600	3,627	34% 10
Bridges	414	27	387	1433% 5	968	974	(6)	0	968	0	0%
Major culverts	3	159	(156)	-98% 6	686	686	0	0	686	0	0%
Footpaths and cycleways	493	613	(120)	-20% 7	4,131	4,053	78	0	4,131	0	0%
Drainage	0	0	0	0%	108	86	22	0	108	0	0%
Car parks	0	0	0	0%	0	0	0	0	0	0	0%
Land stabilisation	19	0	19	100%	0	0	0	0	0	0	0%
Waste	0	0	0	0%	82	0	0	0	0	82	0%
Other infrastructure	2,367	3,038	(671)	-22% 8	12,300	12,052	248	0	12,300	0	0%
Total Infrastructure	4,472	5,208	(736)	-14%	32,502	28,176	617	0	28,793	3,709	13%
Total Capital Works Expenditure	5,304	8,080	(2,776)	-34%	47,572	39,629	2,738	0	42,367	5,205	12%

Capital Works Statement – Variances

YTD Actual to YTD Budget Variances

- Under budget – Buildings (\$1.3M):** Due to Community Hub – Korumburra (↓\$1.2M) behind schedule. Reprofiling to be performed when tender awarded.
- Under budget – Plant, machinery and equipment (\$578K):** Due to profiling throughout the year being required, this has been done and will be reflected in the next report.
- Under budget – Computers and telecommunications (\$206K):** Due to slower purchases than expected due to COVID-19.
- Under budget – Roads (\$195K):** Due to reseal preparation (\$↓201K) behind budget. Program to begin in October and will align with the budget in the coming months.
- Over budget – Bridges \$387K:** Due to Timms Road bridge project (\$389K) being completed in September but was not projected until later in the year.
- Under budget – Major culverts (\$156K):** Due to profiling required. Project will start in the summer months.
- Under budget – Footpaths and cycleways (\$120K):** Due to Jumbunna Road, Korumburra (↓\$102K) being behind schedule due to wet weather delays.
- Under budget – Other infrastructure (\$671K):** Due to a number of projects including Venus Bay Activity Centre (↓\$156K delay due to cultural heritage study and additional community consultation), Yanakie Caravan Park (↓\$129K due to project not yet commencing), Business Precinct Project – Bair Street (↓\$122K

due to electrical works being delayed) and Mirboo North Pool Refurbishment (↓\$106K due to works so far being less than anticipated).

Full Year Forecast to Full Year Adjusted Original 2020/21 Budget Variances (Variances not related to carry forwards):

- 9. Increase – Buildings \$1.5M:** Due to grants being awarded for the Foster Indoor Stadium redevelopment project. This project was originally scheduled for 2025/26.
- 10. Increase – Roads \$3.6M:** Largely due to capital works required for the August 2019 Flood Events and is grant funded (\$3.4M).

Cash and Investments

		\$'000
Cash	General Bank Accounts	5,443
	Call Accounts and term deposits	3,193
	Petty Cash / Floats	2
		8,638
Investments	AMP Bank	4,000
	Australian Military Bank	4,000
	Bendigo and Adelaide	2,279
	BOQ	5,000
	ING Direct	5,000
	Macquarie Bank	3,000
	NAB	3,000
		26,279

Average current interest rate on the term-deposits held is 1.33%.

	Month \$'000	YTD \$'000
Investment Return	34	113
Budgeted return	46	138
Variance (\$)	- 12	- 25
Variance (%)	-26%	-18%

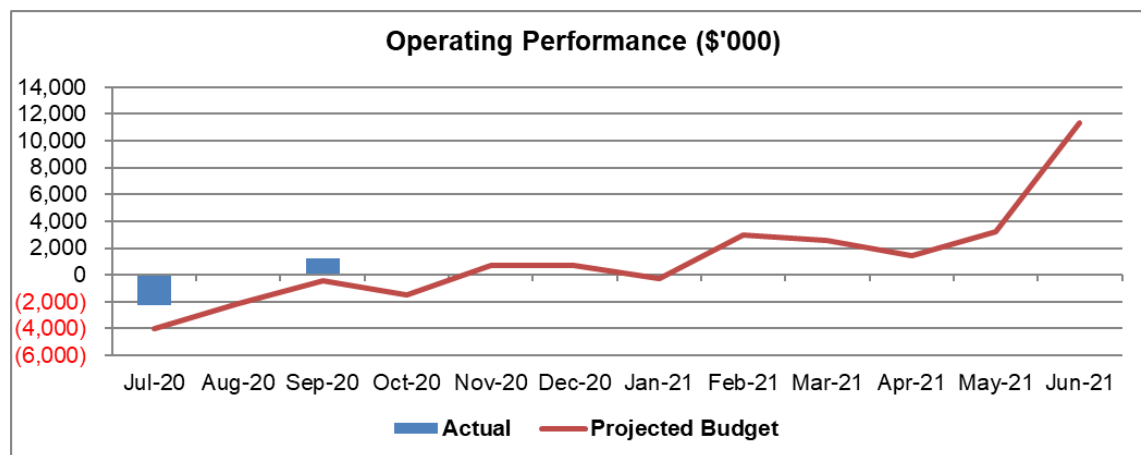
Due to decreasing interest rates through-out the financial year.

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.

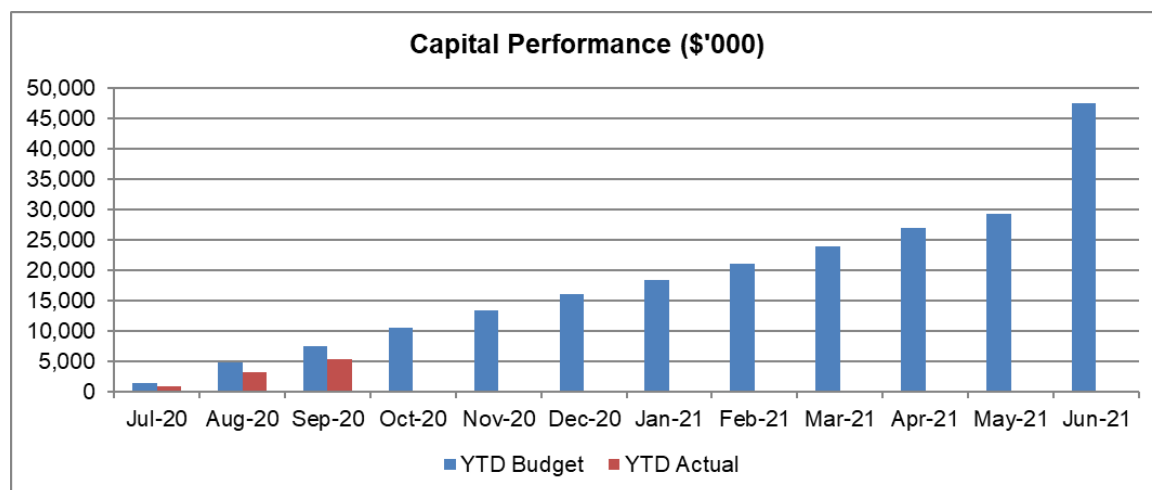
Operating Performance

The operating result is a \$1.3M surplus for the period July 2020 to September 2020. This is a favourable variation of \$1.7M compared to the projected budget deficit of \$0.4M for the period July 2019 to May 2020. Further detail can be found on the Income Statement for the period ended 30th September 2020.



Capital Performance

The capital expenditure is \$5.3M for the period July 2020 to September 2020. This is \$2.2M behind the projected budget of \$7.5M for the period July 2020 to September 2020. Further detail can be found on the Statement of Capital Works for the period ended 31st May 2020.

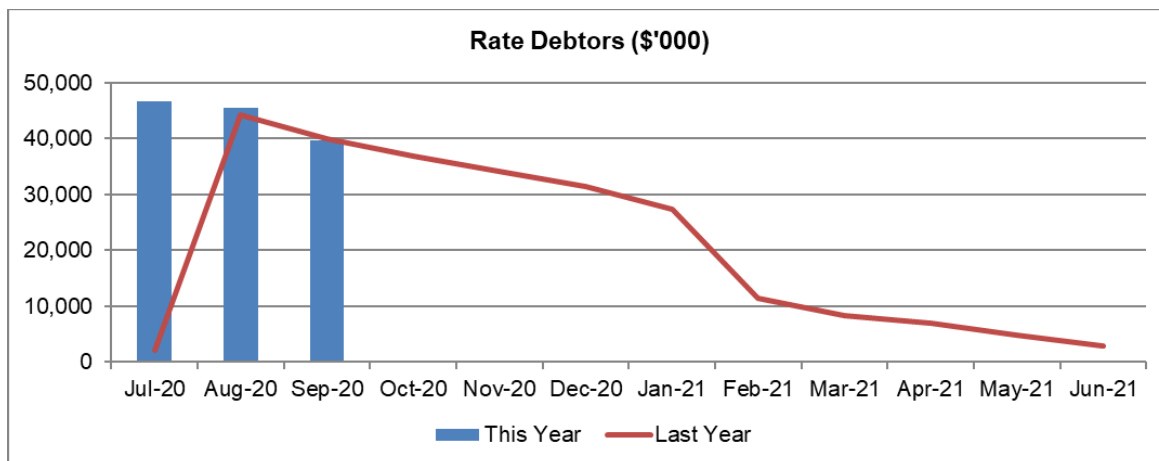


Rate Debtors

The outstanding rates balance as at September 2020 is \$39.7M.

The outstanding rates balance as at September 2019 was \$40.0M

The outstanding rates balance has decreased \$0.3M (1%) from the same period last year.

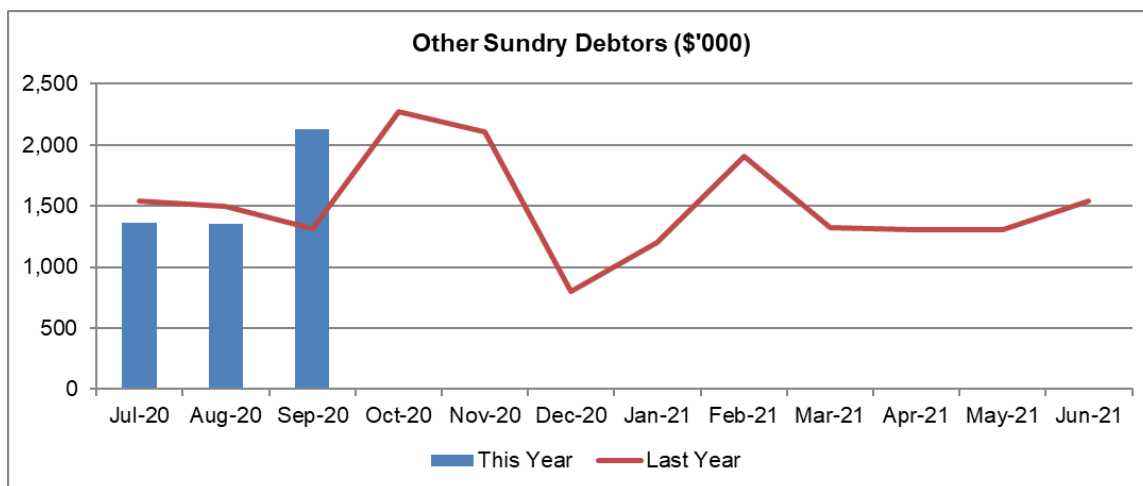


Other Sundry Debtors

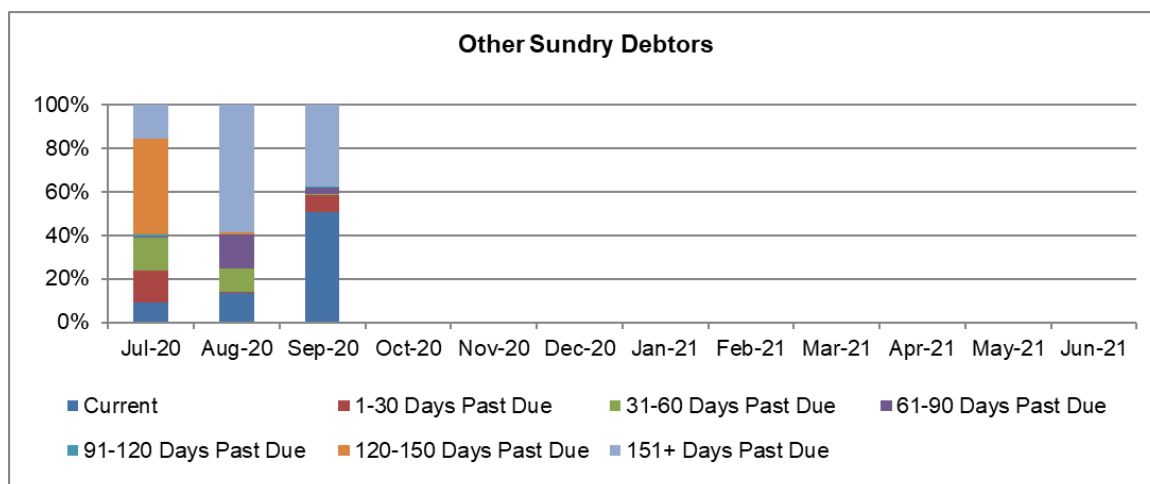
The outstanding other sundry debtors balance as at September 2020 is \$2.1M.

The outstanding other sundry debtors balance as at September 2019 was \$1.3M.

The outstanding other sundry debtors balance has increased \$0.8M (62%) from the same period last year due to one invoice owing Department of Transport for the Blackspot program claim for \$0.9M.



Approximately 51% of other sundry debtors outstanding are current. One invoice to Vic Roads for \$600K for a grant instalment is the reason for the significant amount outstanding greater than 151 Days Past Due. Former Caravan Park permit holders make up a large proportion of the remaining 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.

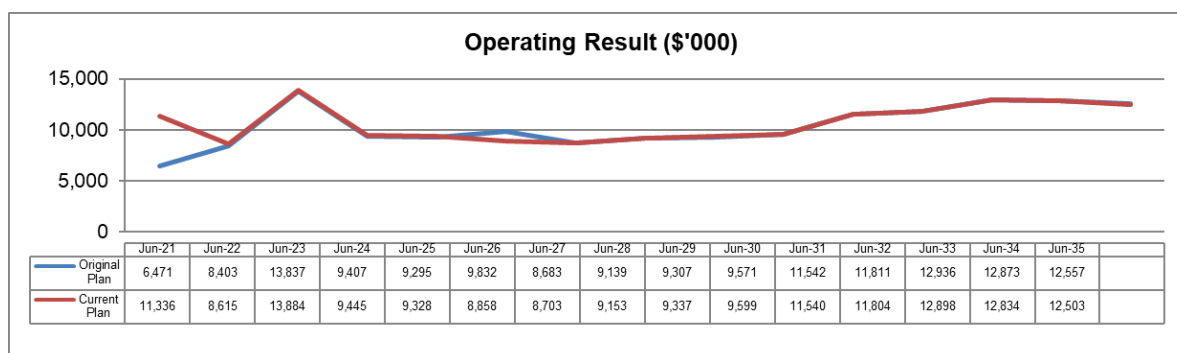
The Long-Term Financial Plan analysis report compares the current 2020/21 Budget and Long-Term Financial Plan forecasts to the original plan. The Annual Budget and Long-Term Financial Plan were adopted for 2019/20 on 24 June 2020.

The lines in the following graphs are as follows:

- Original Plan – Blue Line – Original 2020/21 Budget and Long-Term Financial Plan
- Current Plan – Red Line – Forecast 2020/21 and Long-Term Financial Plan

Operating Result (including gain/loss on asset disposals)

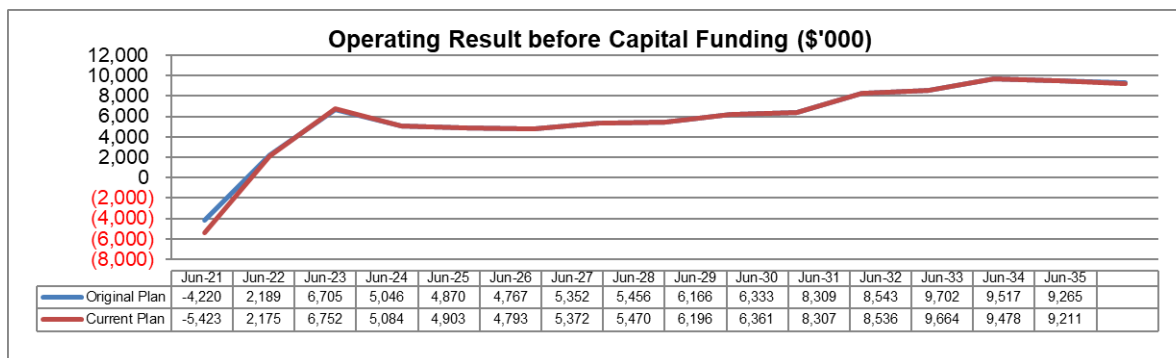
The projected operating results in the forward budget are overall in line with the adopted 2020/21 budget. The projected increase for the 2020/21 financial year is due to new capital grants funding expected of approximately \$5.6M.



Operating Result before Capital Funding

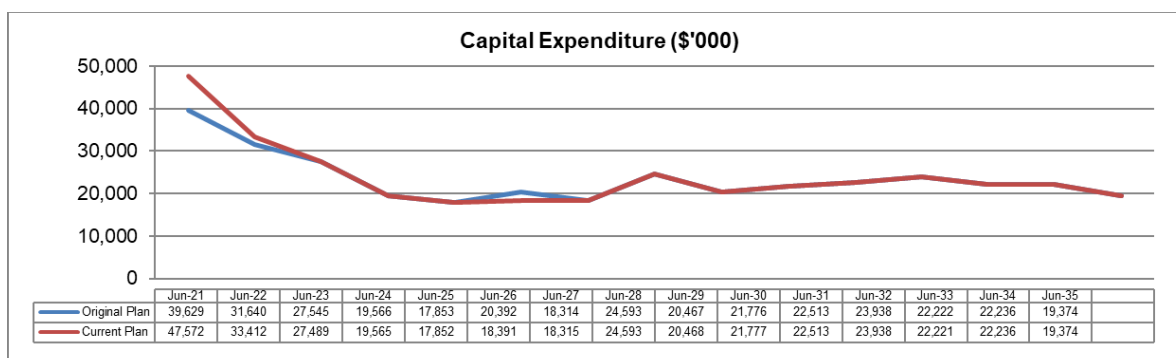
The operating result before capital funding is sometimes referred to as the underlying financial result. Capital grants and contributions that artificially improve the operating result are removed to disclose the true underlying financial result.

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

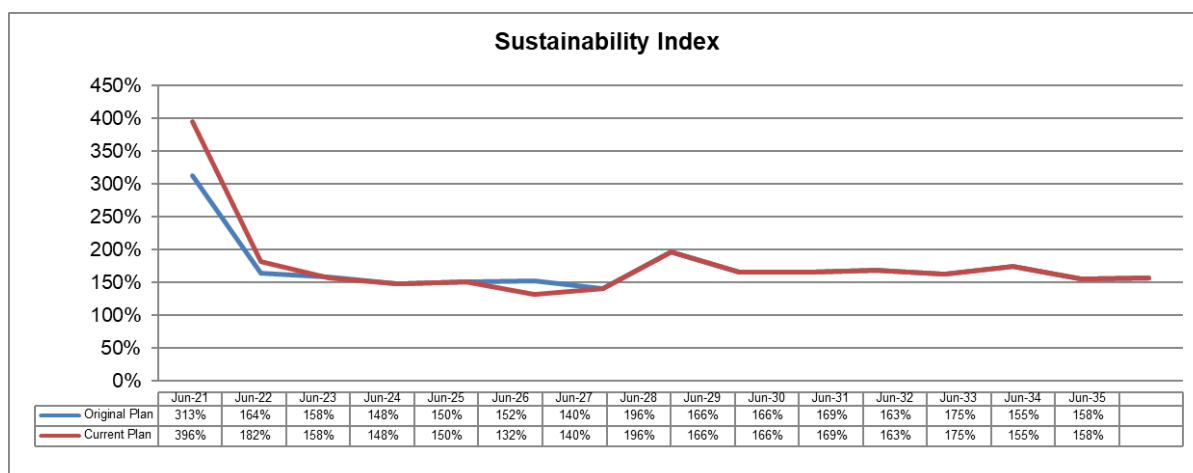
The current year's capital expenditure is projected to be \$7.9M more than the original plan largely due to capital works carried forward from 2019-20 of \$2.7M and new grant funded projects for \$4.9M.



Sustainability Index for Capital Assets

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

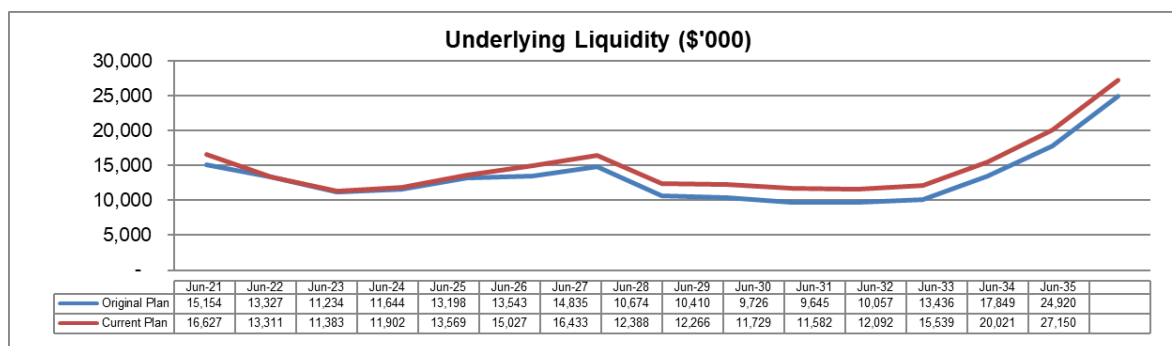
The sustainability index for 2020/21 has changed as a result of the capital works carried forward from 2019/20 and new capital works planned. Over the remainder of the Long-Term Financial Plan the index has remained consistent with the original budget.



Underlying Liquidity

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

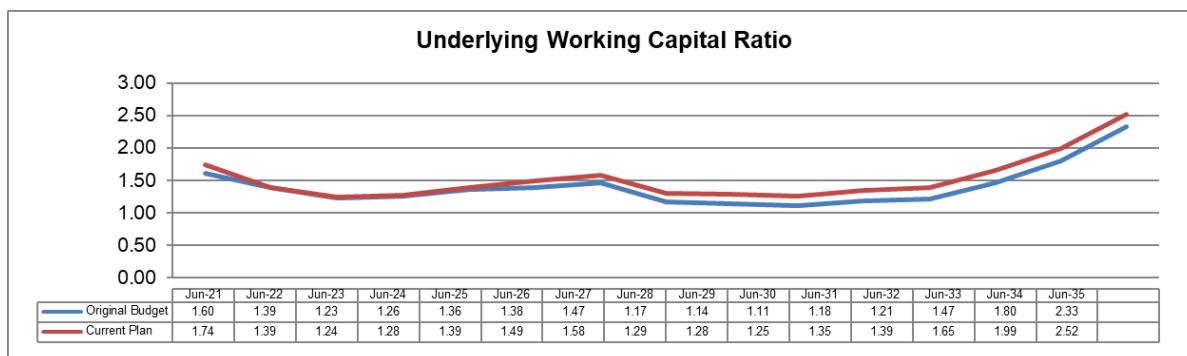
Overall the current plan remains in line with the original plan. The slight increase in later years is due to \$1.5M of planned works in 2025/26 being moved forward to 2020/21.



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.

Overall the current plan remains in line with the original plan. The slight increase in later years is consistent with the increase in underlying liquidity.



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 2020/21 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. There have been minor changes to the LTFP as a result of carry forwards from 2019-20 and forecast changes.

LTFP	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
Financial performance															
Underlying result	-8.99%	3.32%	9.73%	7.33%	6.96%	6.62%	7.22%	7.14%	7.88%	7.86%	9.92%	9.87%	11.00%	10.49%	10.03%
Underlying Working Capital	1.74	1.39	1.24	1.28	1.39	1.49	1.58	1.29	1.28	1.25	1.35	1.39	1.65	1.99	2.52
Funding capacity															
Sustainability Index	347%	168%	148%	151%	150%	133%	146%	186%	160%	160%	163%	158%	167%	153%	132%
Borrowing capacity															
Indebtedness	14.15%	28.52%	24.38%	22.29%	19.75%	17.04%	14.48%	12.00%	9.67%	7.68%	7.43%	7.31%	7.34%	7.27%	7.30%
Total Debt as a % of Rate revenue	7.63%	26.32%	22.85%	19.48%	16.23%	13.14%	10.20%	7.42%	4.77%	2.26%	0.14%	0.00%	0.00%	0.00%	0.00%
Debt servicing costs as a % of Total revenue	0.02%	0.10%	0.09%	0.08%	0.07%	0.06%	0.05%	0.03%	0.02%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%
2020/21 Original Budget															
Financial performance															
Underlying result	-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	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
Funding capacity															
Sustainability Index	282%	154%	148%	151%	150%	149%	146%	186%	160%	160%	163%	158%	167%	153%	132%
Borrowing capacity															
Indebtedness	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	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	0.05%	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%

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 largely as a result of having to bring to account \$5.4m of Victoria Grants Commission allocation for 2020/21 in the prior 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 LTFP has improved over the original budget.

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.

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 2020/21 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.