

Financial Performance Report – November 2017

The Financial Performance Report covers the five month period from July 2017 to November 2017.

Overview

Income Statement

Annual year-to-date performance:

- Operating result: \$0.59 million deficit which is \$1.53 million favourable compared to the year-to-date budget projection of a \$2.12 million deficit.

Capital Works

- Capital works: \$3.06 million expenditure which is \$1.59 million behind a year to date budget of \$4.65 million.

Balance Sheet

Projected year end result:

- Underlying working capital ratio 1.77 to 1 (original budget 1.65 to 1)

Cash Flow Statement

Projected year end result:

- Cash assets: \$12.69 million (original budget \$7.74 million)

The balance of this Financial Performance Report is broken down to the following sections:

Section 1 – Year-to-date financial performance and projected financial results.

Section 2 – Annual year to date financial analysis.

Section 3 – Long Term Financial Plan analysis.

SECTION 1 – YEAR-TO-DATE FINANCIAL PERFORMANCE AND PROJECTED FINANCIAL RESULTS

This section discusses variations in year-to-date performance and budget projections. The information is presented in the budgeted financial statements format.

YEAR-TO-DATE FINANCIAL PERFORMANCE AND PROJECTED FINANCIAL RESULTS

South Gippsland Shire Council								
INCOME STATEMENT								
For the Period Ending 30 November 2017								
	Y.T.D. Actual \$'000	Y.T.D. Budget \$'000	Y.T.D. Variance \$'000	Note	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
INCOME								
Rates and charges	17,160	17,104	56		40,995	41,165	170	A
Statutory fees and fines	370	339	31		618	813	195	
User fees	1,523	1,593	(70)		4,183	4,256	73	
Grants - Operating	3,669	3,803	(134)		8,228	12,355	4,127	B
Grants - Capital	1,673	300	1,373	1	8,669	4,642	(4,027)	C
Contributions - monetary	53	17	36		316	356	40	
Contributions - non monetary	0	0	0		479	379	(100)	
Net gain/ (loss) on disposal of property, infrastructure, plant and equipment	182	117	65		(329)	80	409	
Other income	731	721	10		2,388	1,815	(573)	D
TOTAL INCOME	25,361	23,994	1,367		65,547	65,861	314	
EXPENSES								
Employee costs	10,653	10,283	(370)	2	24,566	24,589	(23)	
Materials and consumables	8,464	8,947	483		24,079	27,490	(3,411)	E
Bad and doubtful debts	(1)	0	1		1	1	0	
Depreciation	5,180	5,170	(10)		11,883	9,990	1,893	F
Borrowing costs	72	71	(1)		142	142	0	
Other expenses	1,580	1,642	62		3,120	3,200	(80)	
TOTAL EXPENSES	25,948	26,113	165		63,791	65,412	(1,621)	
SURPLUS / (DEFICIT)	(587)	(2,119)	1,532		1,756	449	(1,307)	

NOTES: MATERIAL VARIATIONS IN YEAR-TO-DATE FINANCIAL PERFORMANCE**Note 1 Income: Grants – Capital - \$1.37 ahead of budget**

- Grant for Child Care Hub – Korumburra received earlier than anticipated \$240,000
- Grant for Roads to Recovery program received earlier than anticipated \$1,133,181

Note 2 Expenditure: Employee Costs

- This variance is caused by Council's work-cover premium expense being paid yearly in advance to take advantage of upfront payment savings. The budget however is currently based on an equal 12 monthly instalment plan.

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET**Note A Income: Rates and charges - \$0.17 million favourable**

- This variation has arisen as a result in legislative changes to the presentation of the Income Statement. Previously, interest on rates and charges was shown against the, "Other Income" line but now has to be shown as part of the, "Rates and charges" income line. The corresponding offset is a reduction in the, "Other income" line item.

Note B Income: Grants - Operating - \$4.13 million favourable

- This variation is due to grant funds for storm events that has been carried forward from the 16/17 financial year for \$920K
- A number of grants that were budgeted in 17/18 but recognised in 16/17 for \$360K so removed from 17/18
- Council received advice of additional VGC funds of \$170K due to underpayment of grants in 16/17
- A new grant for TAC Road Safety Strategic Plan that was not confirmed at budget time has now been confirmed and included as part of the 17/18 budget. \$23,500
- Removed Grant for Dredging Toora Channel \$300K
- Removed Contribution for Agnes Falls \$350K
- Increase in Grants for Meals on Wheels CHSP \$20,000
- Increase in Grants for Children's Crossings \$22,000
- Reduction in Grants for SES Contribution \$27,000
- Increase in Community Building grant \$11,000
- Increase in Property Services grant \$45,000
- Increase in Biodiversity grant \$46,000

- Recognition of Federal Government contribution of \$3,886,480 for Long Jetty Restoration project
- Recognition of grant for Resource Recovery Program \$8,500
- Recognition of grant for ResourceSmart Schools \$18,496

Note C Income: Grants - Capital - \$4.03 million unfavourable

- Carry forward grant for Powney's Road Bridge \$118,000 recognised in 2016/17
- Additional grant announced as part of Federal Blackspot Program for Farmers Road Dumbalk \$360,726
- Additional grant announced as part of Federal Blackspot Program for Old Thorpdale Road \$152,618
- New grant for Fish Creek Netball Courts \$80,000
- Carry forward of grant for Bair Street Streetscape Leongatha \$3,060,000
- Carry forward of grant for Bena Kongwak Bridge \$1,450,000
- Increase in grant for Fish Creek Netball Courts \$10,000

Note D Income: Other Income - \$0.57 million unfavourable

- Interest on rates and charges reclassified from Other income to Rates and charges \$170,000
- Removal of Private Works sealing income due to no longer undertaking these works \$410,000

Note E Expenditure: Materials and consumables - \$3.41 million favourable

July 2017

- \$680,000 of unspent budgets in 16/17 has been carried forward to form part of the 17/18 budget – Unfavourable

August 2017

- Carry forward item recognised in August for Leongatha Recreation Reserve not identified as part of original carry forward process. \$86,752 - Unfavourable
- Long Jetty Restoration project has identified that \$199,725 of the 17/18 budget won't be spent until 18/19 and has been reduced accordingly in 17/18 and increased in 18/19 - Favourable
- Temporary three month increase to a labour hire position has been allowed \$36,228 - Unfavourable
- Recognition of actual insurance premiums paid in 17/18 being higher than originally budgeted has added \$44,279 to the budget in 17/18 - Unfavourable
- Transfer of funds from Black Spur Bridge operating to Black Spur Bridge Capital for Tompkins Road (\$330,212) - Favourable
- Additional Community Building expenditure for TAC Road Safety Strategic Plan project, matched by corresponding grant (\$25,000) - Unfavourable

- Youth Development FReeZA project, grant received in 16/17 but funds not carried forward into 17/18 (\$25,000) - Unfavourable
- Garbage and Recycling Collections to now include Venus Bay 12 month service and reflect anticipated costs of service for 17/18 (\$35,833) - Unfavourable
- Landfills Operations budget has been restructured to reflect actual costs from 2016/17 plus 2% increase to the levy rate. Landfill income is also being adjusted upwards which offsets this increase. (\$67,934) – Unfavourable

September 2017

- Removal of Dredging Toora Channel project \$600,000 - Favourable
- Reduction in Agnes Fall contribution \$180,000 - Favourable
- Private works sealing expenditure removed \$227,000 - Favourable
- Period Drainage Maintenance reduced \$379,000 – Favourable

October 2017

- Reduction to Arts and Culture \$46,456 - Favourable
- Increase in Swimming Pools \$18,504 - Unfavourable
- Reduction in Accounting \$4,100 - Favourable
- Reduction in Environmental Health \$31,401 - Favourable
- Increase in Municipal Building \$10,000 – Unfavourable
- Reduction in Dredging Toora Channel \$50,000 - Favourable
- Increase in Public Amenities \$5,000 - Unfavourable
- Increase in Boat Ramps \$46,700 - Unfavourable
- Increase in Property Services \$45,000 - Unfavourable
- Increase in Biodiversity \$46,087 - Unfavourable
- Increase in Landfill Operations \$98,479 – Unfavourable

November 2017

- Recognition of costs for Long Jetty Restoration of \$4,086,205 as a result of receiving grant - Unfavourable
- Increase cost of leachate management due to wet weather and removal of stormwater bund in Cell 4 of \$71,000 - Unfavourable

Note F Expenditure: Depreciation - \$1.89 million favourable

- Review of depreciation has resulted in a changed methodology for valuing and calculating road based depreciation

South Gippsland Shire Council BALANCE SHEET For the Period Ending 30 November 2017				
	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	21,938	7,739	12,692	4,953
Trade and other receivables	35,757	4,203	4,449	246
Other financial assets		6,896	6,626	(270)
Inventories	294	195	304	109
Other assets	0	227	42	(185)
	57,989	19,260	24,113	4,853
NON CURRENT ASSETS				
Investments in associates and joint ventures	1,123	991	1,122	131
Property, infrastructure, plant and equipment	527,873	566,700	563,194	(3,506)
Investment property	729	729	729	0
	529,725	568,420	565,045	(3,375)
TOTAL ASSETS	587,714	587,680	589,158	1,478
<u>LIABILITIES</u>				
CURRENT LIABILITIES				
Trade and other payables	6,104	2,978	4,012	1,034
Prepaid Income	26,294		0	0
Trust funds and deposits	487	873	899	26
Provisions	6,027	5,085	6,150	1,065
Interest bearing loans and borrowings	0	0	0	0
	38,912	8,936	11,061	2,125
NON CURRENT LIABILITIES				
Provisions		2,313	2,604	291
Interest bearing loans and borrowings	3,350	3,350	3,350	0
	3,350	5,663	5,954	291
TOTAL LIABILITIES	42,262	14,599	17,015	2,416
NET ASSETS	545,452	573,081	572,143	(938)
<u>REPRESENTED BY</u>				
Accumulated Surplus	212,604	213,329	212,391	(938)
Reserves	332,848	359,752	359,752	0
TOTAL EQUITY	545,452	573,081	572,143	(938)

South Gippsland Shire Council CASH FLOW STATEMENT For the Period Ending 30 November 2017					
	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
<u>CASHFLOWS FROM OPERATING ACTIVITIES</u>					
Rates and charges	13,062	40,995	40,995	0	
Statutory fees & fines	370	618	813	195	
User fees	1,471	4,183	4,256	73	
Grants - operating	3,669	8,228	12,355	4,127	A
Grants - capital	1,673	8,669	4,642	(4,027)	B
Contributions- monetary	53	316	356	40	
Interest received	258	602	602	0	
Other receipts	556	1,786	1,383	(403)	
Employee costs	(10,785)	(24,586)	(24,609)	(23)	
Materials and services	(10,233)	(24,079)	(27,490)	(3,411)	C
Other payments	(1,580)	(3,120)	(3,200)	(80)	
Net cash provided by (used in) operating activities	(1,486)	13,612	10,103	(3,509)	
<u>CASHFLOWS FROM INVESTING ACTIVITIES</u>					
Payments for property, infrastructure, plant & equipment	(3,060)	(22,775)	(17,979)	4,796	D
Proceeds from sale of property, infrastructure, plant and equipment	274	1,150	933	(217)	
Trust Funds and deposits	0	0	0	0	
Payments for / from Other Financial Assets	16,581		10,076	10,076	
Net cash provided by (used in) investing activities	13,796	(21,625)	(6,970)	14,655	
<u>CASHFLOWS FROM FINANCING ACTIVITIES</u>					
Finance costs	(72)	(142)	(142)	0	
Proceeds from borrowing	(1)	0	0	0	
Repayment of borrowings	0	0	0	0	
Net cash provided by (used in) financing activities	(73)	(142)	(142)	0	
Net increase (decrease) in cash and cash equivalents	12,237	(8,155)	2,991	11,146	
Cash and cash equivalents at the beginning of the financial year	9,701	15,894	9,701	(6,193)	
Cash and cash equivalents at the end of the period	21,938	7,739	12,692	4,953	

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET**Cashflows from Operation Activities****Note A Income: Grants - Operating - \$4.13 million favourable**

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November 2017

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- Increase cost of leachate management due to wet weather and removal of stormwater bund in Cell 4 of \$71,000 - Unfavourable

Cashflows from Investing Activities

Note D - Payments for property, infrastructure, plant and equipment \$4.79 million decrease

July 2017

- Capital expenditure Carried forward from 16/17 \$1,322,000 – Unfavourable

August 2017

- Footpaths Renewal additional funds for Ogilvy Street \$107,812 – Unfavourable
- Federal Blackspot Program announced funds \$360,728 for Farmers Road Dumbalk – Unfavourable
- Federal Blackspot Program announced funds \$152,618 for Old Thorpdale Road, Mirboo North – Unfavourable
- Tompkins Road budget transferred from remaining Black Spur funds \$400,212 - Unfavourable
- Reduction in Roads - Reseal Preparation due to not doing program any longer \$255,390 – Favourable

September 2017

- Reduction in Footpaths Renewal 108,000 – Favourable
- Reduction in Guard Rails \$40,000 - Favourable
- Reduction in Line Item reallocation \$102,000 - Favourable
- Reseals increased by \$400,000 – Unfavourable
- Reseal Prep reduced \$74,000 – Favourable
- Sealed Rehab program reduced \$50,000 – Favourable
- Addition of Poowong South Road \$135,000 – Unfavourable
- Reduction in Playgrounds replacement program \$37,000 – Favourable
- Reduction in RSL/Carinos Land and Library Hub Investigation \$25,000 – Favourable
- Reduction in Buildings Renewal Program \$35,000 – Favourable

October 2017

- Decrease in IT Capital Works \$109,576 – Favourable
- Decrease in Footpaths Renewal \$23,637 – Favourable
- Decrease in Recreation - Korumburra Skate Park \$50,000 – Favourable

- Increase in Fish Creek Netball Courts \$260,000 – Unfavourable
- Decrease in Roads - Reseals \$1,091,434 – Favourable
- Increase in Roads - Reseal Preparation \$1,089,436 – Unfavourable
- Decrease in Plant Purchases \$23,659 – Favourable
- Decrease in Fleet Purchases \$200,586 - Favourable

November 2017

- Port Welshpool Caravan Park Toilet Block reduction \$376,419 – Favourable
- Waratah Bay Caravan Park Toilet Block reduction \$142,694 – Favourable
- Bair Street Streetscape expenditure carried forward to 18/19 \$4,554,890 – Favourable
- Increase in Road Reseals program \$200,000 – Unfavourable
- Reduction in Roads Reseal Preparation \$200,000 – Favourable
- Increase in Sealed Rehabilitation Program \$1,038,361 – Unfavourable
- Budget established for Grand Ridge Road \$40,000 – Unfavourable
- Increase in budget for Foster Streetscape (Main and Station Street) \$250,000 – Unfavourable
- Carry forward of funds for Bena Kongwak Bridge \$1,740,000 – Favourable
- Carry forward of funds for Baromi Park Masterplan & Associated Works \$180,000 – Favourable
- Carry forward of funds for Venus Bay Skate Park \$115,000 – Favourable
- Carry forward of funds for Venus Bay Environmental Projects \$110,000 – Favourable
- Carry forward of funds for Korumburra Recreation Centre \$75,000 – Favourable
- Carry forward of funds for Korumburra Recreation Reserve \$170,000 – Favourable
- Carry forward of funds for Leachate Waste Evaporation System \$351,556 – Favourable
- Reduction in Yanakie Caravan Park Capital \$99,134 – Favourable

SECTION 2 – ANNUAL YEAR TO DATE FINANCIAL ANALYSIS

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

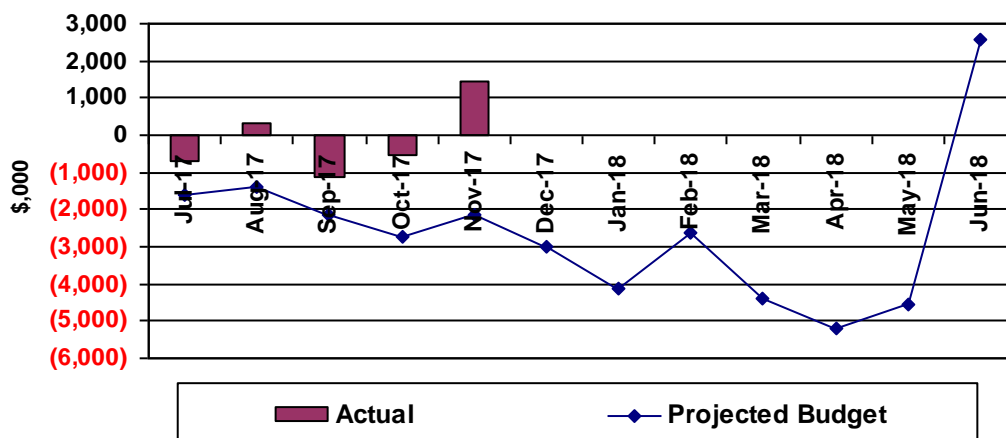
Operating Performance

Operating Budget \$ 2.12 million Deficit for the period Jul-17 to Nov-17

Operating Result \$ 1.44 million Surplus for the period Jul-17 to Nov-17

The operational result varies by \$3.56 million to the projected year to date budget. This variation is due to timing of actual costs to year to date budgets.

Operating Performance (\$'000)



Capital Performance

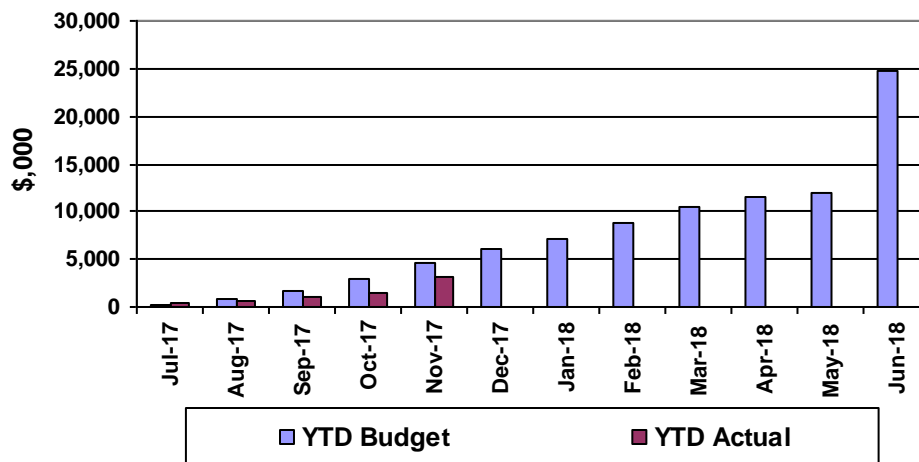
Capital Budget \$ 4.65 million for the period Jul-17 to Nov-17

Actual Expenditure \$ 3.06 million for the period Jul-17 to Nov-17

Capital Expenditure \$ 1.59 million behind year to date budgets

The Capital Works Program is running behind year to date budgets.

Capital Performance (\$'000)



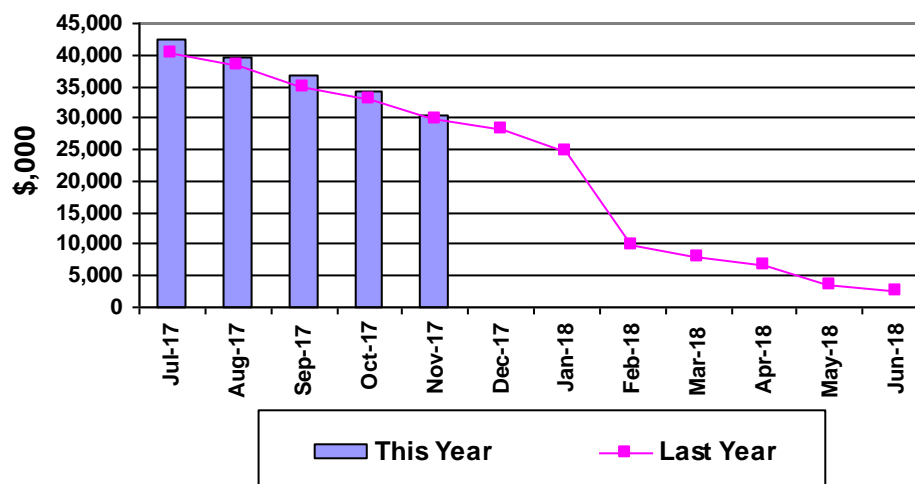
Rate Debtors

Outstanding 17/18 \$30.52 million as at Nov-17

Outstanding 16/17 \$29.74 million as at Nov-16

The outstanding rates as at 30 November 2017 has parity to last year.

Rate Debtors (\$,000)



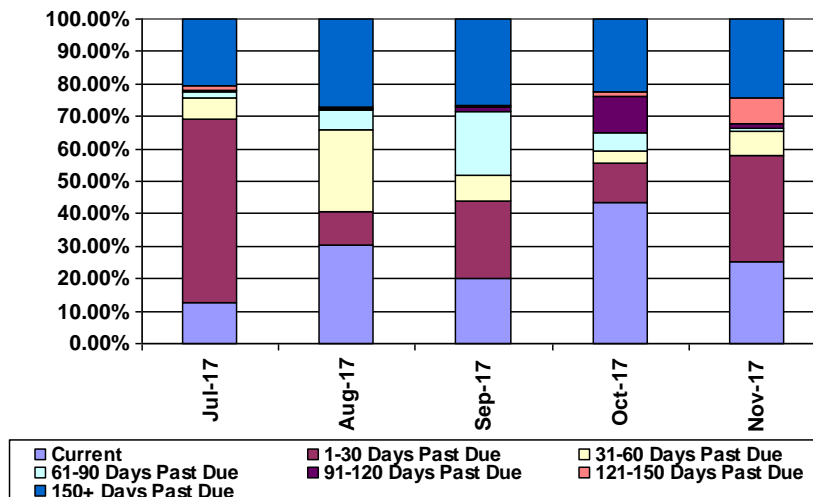
Other Sundry Debtors

Outstanding 17/18 \$ 0.86 Million as at Nov-17

Outstanding 16/17 \$ 0.98 Million as at Nov-16

The Current and 1-30 Days Past Due make up approximately 58% of total debtors outstanding. Caravan Park holders who have entered into payment arrangements make up a large proportion of the remaining outstanding.

Other Sundry Debtors



SECTION 3 – LONG TERM FINANCIAL PLAN ANALYSIS

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

The Long Term Financial Plan analysis report compares the current 2017/18 Budget and Long Term Financial Plan forecasts to the original plan. The Annual Budget & Long Term Financial Plan was adopted for 2017/18 on 28 June 2017.

The lines in the following graphs are as follows:

- Original plan – Green line – Original 2017/18 Budget and Long Term Financial Plan
- Current Plan – Purple line - 2017/18 Draft Budget and Long Term Financial Plan

Operating Result (including gain / loss on asset disposals)

The projected operating results in the forward budget are showing a significant improvement to that adopted in the original 2017/18 budget.

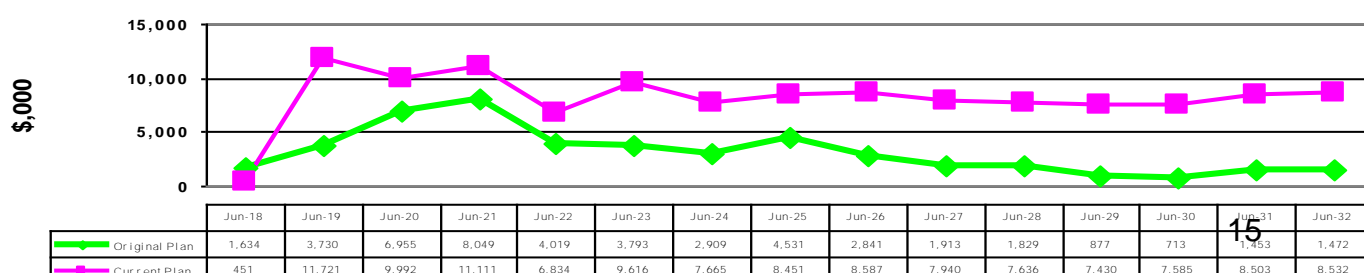
The main reason for the strengthened underlying result is due to a review of forward budget depreciation assumptions around asset valuations and the methodology employed, asset lives and depreciation rates. Following this review, forward depreciation estimates were significantly reduced which has resulted in the corresponding improvement in the operating result.

Depreciation is a non-cash expense which represents the reduction in the value of an asset over time, due in particular to wear and tear.

Even though depreciation is a non-cash expense, it is a material expense and is reported in the Operating statement each year accounting for approximately \$12M or 18% of our total operating expenditure.

The result of the review is reflected in the graph below with an improvement in operating results for each of the years in the long term plan.

Operating Result (\$,000)

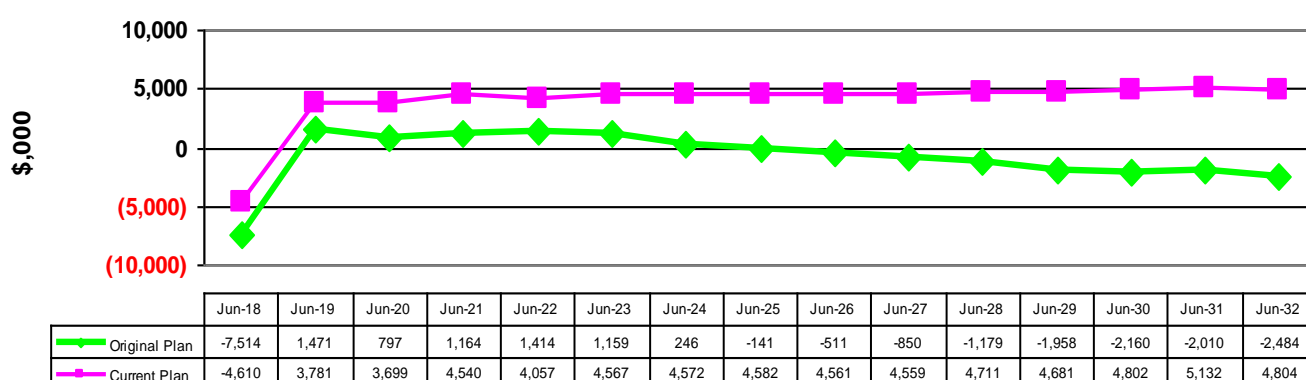


Operating Result before Capital Funding

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

The underlying result shows more clearly the income sources relative to the expenses for Council's recurrent operating activities. The current plan's underlying result projection has significantly improved as a result of the review of depreciation estimates in the forward plan. Consequently, the reduction of future depreciation estimates has had the effect of increasing the Operating result before capital funding.

Operating Result before Capital Funding (\$,000)



Capital Expenditure

The 2017/18 budget was adjusted to take into account the financial ramifications of carrying forward funds for projects that were not completed by 30 June 2017. In total, \$1.32 million was carried forward from 2016/17 identified at financial year end.

The current year's Capital expenditure is projected to be \$4.79M less than the Original plan. This is due in part to a number of projects originally planned for 17/18 now being carried forward to the 18/19 financial year. These have been listed below;

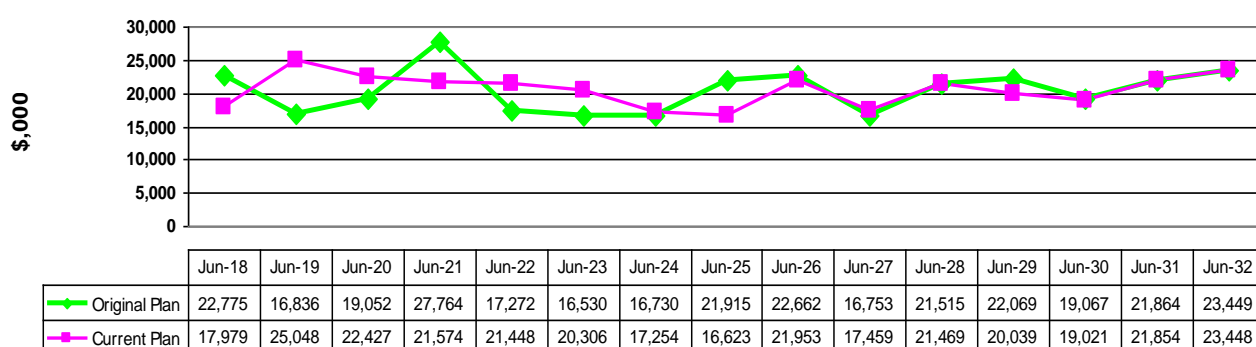
- Carry forward of funds for Bena Kongwak Bridge \$1,740,000
- Carry forward of funds for Bair Street Streetscape \$4,554,890
- Carry forward of funds for Baromi Park Masterplan & Associated Works \$180,000
- Carry forward of funds for Venus Bay Skate Park \$115,000
- Carry forward of funds for Venus Bay Environmental Projects \$110,000
- Carry forward of funds for Korumburra Recreation Centre \$75,000
- Carry forward of funds for Korumburra Recreation Reserve \$170,000
- Carry forward of funds for Leachate Waste Evaporation System \$351,556

For a detailed list of capital changes in 2017/18, please see Note D – Payments for property, infrastructure, plant and equipment under Cashflows from Investing Activities section on page 10.

In the forward years of the plan there have been movements of projects between years as well as new projects being included and some projects being removed as part of the first draft budget preparation for 2018/19. Over the 15 years there is a gross \$1.69M increase in funding requirements for the capital works program.

The change in net cash funding requirements (includes changes to both capital expenditure and associated capital income sources) for the capital works program over the 15 years is actually \$127,000 less than the Original budget.

Capital Expenditure (\$,000)

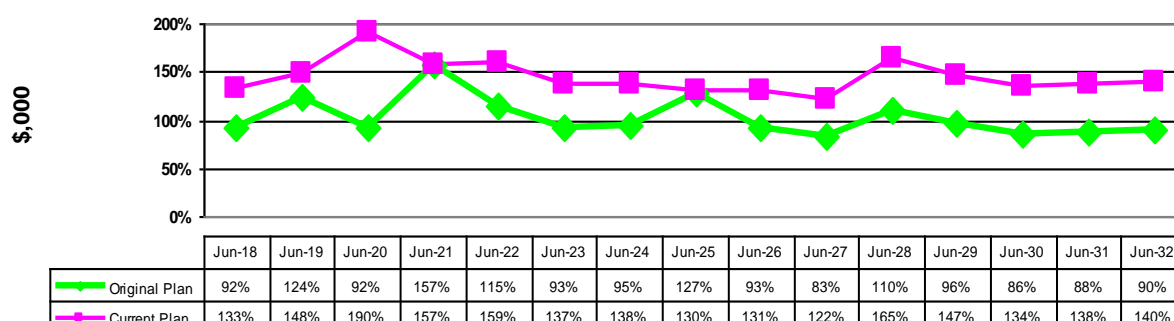


Sustainability Index for Capital Assets

The 'Sustainability Indicator' assesses asset renewal and upgrade expenditure spend effort over a period of time. The indicators across the plan have improved significantly when compared to the original budget due largely to the review of depreciation exercise mentioned earlier. As the forward plan depreciation estimates have decreased, the amount of renewal / upgrade expenditure as a proportion of this depreciation has increased.

As a result of the depreciation changes, the sustainability index is within Councils strategic range for each of the years of the Long Term Plan.

Sustainability Index



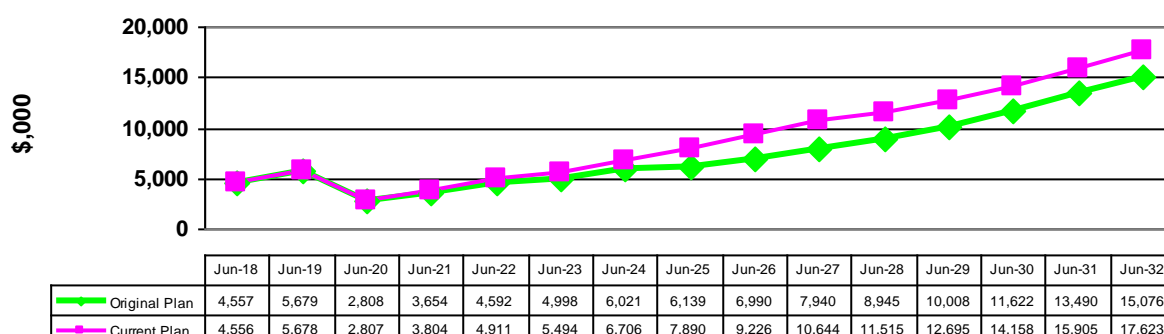
Underlying Liquidity

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

The current plan's forecast underlying cash position is slightly stronger than that of the original plan.

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

Underlying Liquidity (\$,000)

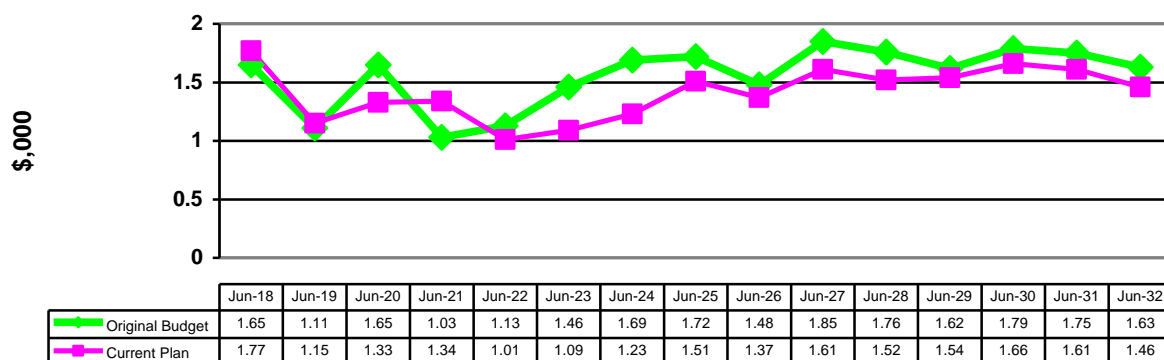


Underlying Working Capital Ratio

The underlying working capital ratio assesses the relationships between current assets and liabilities in the Balance Sheet after excluding cash backed reserves. It is a very important strategic financial indicator.

The underlying working capital ratio across the plan is comparable to the original plan with a slight improvement in the first two years and fourth years with each other year being marginally weaker. Year 2021/22 is the year of focus for Council as they begin their 2018/19 budget deliberations to ensure that the Underlying Working Capital ratio does not fall below 1.0.

Underlying Working Capital Ratio



Conclusion

Figure 1 below displays the key financial performance indicators that Council use to financially assess its ongoing financial integrity. These are detailed in Council's Long Term Financial Strategies document and strategy number 9 sets the desired target thresholds as follows;

- Underlying working capital ratio – greater than 1.25
- Underlying result – greater than 0.0
- Financial sustainability indicator – greater than 95%
- Self-financing – greater than 20%
- Indebtedness – less than 40%
- Total debt as a % of rate revenue – less than 60%
- Debt service costs as a % of total revenue – less than 5%

Ratios coloured green denote that Council is achieving or exceeding its target and presents as a low risk. Ratios coloured yellow denote that the desired target has not been achieved but needs to be monitored and presents as a medium risk. Ratios coloured red indicate either short term / immediate sustainability concerns and need to be carefully understood and addressed as a matter of priority.

Analysis of ratios in the red can identify that the ratio is acceptable due to certain circumstances beyond Council's control and is just a temporary blip on the radar. This was the case for the Underlying result in 2017/18 in the adopted budget due to a large portion of grant funds that were expected to be received in 2017/18 were actually received early in 2016/17.

Figure 1 represents the performance indicators that were adopted as part of the 2017/18 budget process.

2017/18 Original Budget	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Financial performance															
Underlying result	-13.32%	2.40%	1.25%	1.81%	2.14%	1.71%	0.36%	-0.20%	-0.70%	-1.13%	-1.54%	-2.48%	-2.68%	-2.42%	-2.93%
Underlying Working Capital	1.65	1.11	1.65	1.03	1.13	1.46	1.69	1.72	1.48	1.85	1.76	1.62	1.79	1.75	1.63
Funding capacity															
Self-financing	20.92%	25.85%	28.95%	31.09%	26.94%	27.21%	26.60%	28.47%	26.99%	26.35%	26.33%	25.85%	25.80%	26.25%	26.04%
Sustainability Index	92%	124%	92%	157%	115%	93%	95%	127%	93%	83%	110%	96%	86%	88%	90%
Borrowing capacity															
Indebtedness	11.83%	3.24%	3.29%	3.33%	3.36%	3.41%	3.46%	3.50%	3.55%	3.60%	3.65%	3.70%	3.74%	3.76%	3.79%
Total Debt as a % of Rate revenue	8.17%	7.96%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Debt servicing costs as a % of Total revenue	0.22%	0.22%	0.08%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Figure 2 displays the current status of key financial indicators for the 2017/18 Draft Budget / Long Term Financial Plan. The updated performance indicator table is the result of an internal budget process and represents Council's first draft budget for 2018/19 that Council will consider on the 20th December. The overall plan is stronger than the original budget as the ratios that were coloured red have been addressed and the underlying results are stronger across the plan.

Figure 2

Proposed Budget	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Financial performance															
Underlying result	-7.58%	6.02%	5.78%	7.02%	6.15%	6.72%	6.59%	6.42%	6.26%	6.08%	6.14%	5.93%	5.95%	6.19%	5.67%
Underlying Working Capital	1.77	1.15	1.33	1.34	1.01	1.09	1.23	1.51	1.37	1.61	1.52	1.54	1.66	1.61	1.46
Funding capacity															
Self-financing	30.81%	30.78%	29.09%	30.63%	26.98%	29.28%	26.84%	27.34%	27.40%	26.76%	26.02%	25.54%	25.52%	25.96%	25.66%
Sustainability Index	133%	148%	190%	157%	159%	137%	138%	130%	131%	122%	165%	147%	134%	138%	140%
Borrowing capacity															
Indebtedness	12.37%	3.81%	3.86%	3.88%	3.91%	3.94%	3.98%	4.01%	4.05%	4.09%	4.12%	4.16%	4.19%	4.20%	4.21%
Total Debt as a % of Rate revenue	8.14%	7.96%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Debt servicing costs as a % of Total revenue	0.22%	0.20%	0.08%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The dip in underlying results in 2017/18 is largely attributable to having to bring to account \$4.54m Victoria Grants Commission allocation for 2017/18 in the prior financial year (2016/17) because it is required to be accounted in June 2017 when it was received. The forward underlying result indicators are stronger in the current 2017/18 Long Term Financial Plan when benchmarked against the 2017/18 original plan.

The main reason for the strengthened underlying result performances is due to a review of forward budget depreciation assumptions around asset valuations and the methodology employed, asset lives and depreciation rates. Following this review, forward depreciation estimates were significantly reduced which has resulted in the corresponding improvement in the underlying result.

The underlying working capital ratio across the plan is comparable to the original plan with a slight improvement in the first two years and fourth years with each other year being marginally weaker. Year 2021/22 is the year of focus for Council as they begin their 2018/19 budget deliberations to ensure that the Underlying Working Capital ratio does not fall below 1.0.

The 'Sustainability Indicator' assesses asset renewal and upgrade expenditure spend effort over a period of time. The indicators across the plan have improved significantly when compared to the original budget due largely to the review of depreciation exercise mentioned earlier. As the forward plan depreciation estimates have decreased, the amount of renewal / upgrade expenditure as a proportion of this depreciation has increased.