



**AGENDA APPENDIX**  
**Council Meeting**  
**Wednesday 24 April 2013**

**AGENDA ITEM FOR SEPARATE DISTRIBUTION TO COUNCILLORS AND EXECUTIVE LEADERSHIP TEAM DUE TO DOCUMENT SIZE.**

**THE ITEM IS ACCESSIBLE VIA THE COUNCIL WEBSITE OR BY CONTACTING COUNCIL ON 03 5662 9200.**

**E.11 SOUTH GIPPSLAND SHIRE COUNCIL - FINANCE PERFORMANCE REPORT – JULY 2012 - MARCH 2013**

**APPENDIX 1**

## Financial Performance Report – March 2013

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The Financial Performance Report covers the 9 month period from July 2012 to March 2013.

### **Overview**

#### Income Statement

Annual performance:

- Operating result: \$3.540 million deficit which is \$97,000 favourable compared with the year to date budget projection of 3.637 million deficit.
- Underlying result: \$5.972 million deficit which is \$524,000 favourable compared with year to date budget projection of a \$6.496 million underlying deficit.

#### Balance Sheet

Projected year end result:

- Underlying working capital ratio 1.07 to 1 (original budget 1.52 to 1)

#### Cash Flow Statement

Projected year end result:

- Cash assets: \$8.97 million (original budget \$9.42 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

<b>South Gippsland Shire Council</b>								
<b>INCOME STATEMENT</b>								
<b>For the Period Ending 31 March 2013</b>								
	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
<b>REVENUE</b>								
Rates and charges	23,611	23,589	22		31,601	31,362	(239)	
Operating grants	7,456	6,730	726	1	12,252	17,506	5,254	A
Reimbursements	268	190	78		302	341	39	
Contributions	287	275	12		37	302	265	
Interest	577	517	60		844	750	(94)	
User charges	1,559	1,637	(78)		2,709	2,349	(360)	
Statutory fees	342	391	(49)		517	564	47	
Net gain / (loss) on disposal of assets	(6)	362	(368)	2	627	479	(148)	
Other income	776	942	(166)		1,144	968	(176)	
<b>TOTAL REVENUE</b>	<b>34,870</b>	<b>34,633</b>	<b>237</b>		<b>50,033</b>	<b>54,621</b>	<b>4,588</b>	
<b>EXPENSES</b>								
Employee costs	14,222	14,311	89		19,665	19,429	236	
Materials and consumables	17,495	17,558	63		20,462	29,257	(8,795)	B
Depreciation	6,801	6,817	16		9,137	8,749	388	
Other expenses	2,309	2,428	119		2,912	3,073	(161)	
Borrowing cost expenses	15	15	0		24	24	0	
<b>TOTAL EXPENSES</b>	<b>40,842</b>	<b>41,129</b>	<b>287</b>		<b>52,200</b>	<b>60,532</b>	<b>(8,332)</b>	
<b>UNDERLYING RESULT</b>	<b>(5,972)</b>	<b>(6,496)</b>	<b>524</b>		<b>(2,167)</b>	<b>(5,911)</b>	<b>(3,744)</b>	
Capital grants/contributions	2,432	2,859	(427)	3	1,636	2,879	1,243	C
Donated / Granted Assets	0	0	0		1,242	1,242	0	
<b>SURPLUS / ( DEFICIT )</b>	<b>(3,540)</b>	<b>(3,637)</b>	<b>97</b>		<b>711</b>	<b>(1,790)</b>	<b>(2,501)</b>	

## **NOTES: MATERIAL VARIATIONS IN YEAR TO DATE FINANCIAL PERFORMANCE**

### **Note 1 Income: Operating grants - \$726,000 ahead**

- \$1.228 million grant received ahead of schedule for Local Government Infrastructure program.
- \$349,000 not yet received for Community projects.
- \$97,000 not yet received for Engineering Services program projects.
- \$100,000 grant not yet received for Storm response / recovery event.

### **Note 2 Income: Net gain / (loss) on disposal of assets - \$368,000 behind**

- \$400,000 behind in budgeted land sales as settlement is still to occur for Pioneer Street, Foster.
- \$116,000 behind in minor plant sales.
- \$154,000 favourable variation in net book value of assets sold.

### **Note 3 Income: Capital grants and Contributions - \$426,000 behind**

- \$426,000 behind in capital grants for community and other recreation projects in the Engineering Services department.

## **NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET**

### **Note A Income: Operating grants - \$5.254 million favourable**

- Additional \$5.3 million grants expected to be received for storm events that have occurred during the year.
- Additional \$103,000 grant for Street Lighting.
- Additional \$496,000 grants for community building projects.
- Additional \$900,000 grant for Great Southern Rail Trail.
- Additional \$850,000 grant for Advancing Country Town projects
- Reduction of \$2.4 million Victoria Grants Commission allocations.
- \$160,000 operating grant reclassified as a capital grant.

### **Note B Expenditure: Materials and Consumables - \$8.795 million unfavourable**

- \$5.8 million increase in materials and consumables is in relation to costs associated with flood and severe rain events.
- Additional \$587,000 expenditure on community building projects.
- Additional \$277,000 expenditure on waste management.

- Additional \$52,000 to pay Library unfunded superannuation contribution prior to July deadline
- Additional \$28,000 for Community Visioning project.
- Additional \$116,000 for Parks & Gardens
- Reduction of \$200,000 for revised private works program
- \$763,000 funds carried forward from previous financial year for projects that were not completed by 30 June 2012.
- \$800,000 costs reallocated from capital works program to operating budget in Engineering Services Department.

**Note C Income: Capital grants - \$1.243 million favourable**

- \$160,000 operating grant reclassified as a capital grant.
- \$250,000 grant received for waste management program.
- \$412,000 grant for Sandy Point neighbourhood house
- \$150,000 grant for Stony Creek Dollar Road.
- \$250,000 grant carried forward from previous financial year for Venus Bay footpath.

**South Gippsland Shire Council**  
**BALANCE SHEET**  
**For the Period Ending 31-Dec-2012**

	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash assets	7,638	9,417	8,459	(958)	1
Receivables	23,974	3,237	3,577	340	
Other financial assets	0	0	0	0	
Assets held for resale	0	0	0	0	
Inventories	306	252	317	65	
Other	0	361	320	(41)	
	<b>31,918</b>	<b>13,267</b>	<b>12,673</b>	<b>(594)</b>	
<b>NON CURRENT ASSETS</b>					
Receivables	-	-	-		
Investments	1,152	932	478	(454)	
Fixed Assets	97,330	137,831	133,891	(3,940)	2
Roads Streets & Bridges	366,484	351,911	341,645	(10,266)	3
	<b>464,966</b>	<b>490,674</b>	<b>476,014</b>	<b>(14,660)</b>	
<b>TOTAL ASSETS</b>	<b>496,884</b>	<b>503,941</b>	<b>488,687</b>	<b>(15,254)</b>	
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Payables	6,467	3,626	9,567	5,941	4
Prepaid Income	15,529	0	0	0	
Trust funds	507	141	369	228	
Provisions	5,312	4,052	4,913	861	
Interest Bearing Liabilities	161	135	134	(1)	
	<b>27,976</b>	<b>7,954</b>	<b>14,983</b>	<b>7,029</b>	
<b>NON CURRENT LIABILITIES</b>					
Provisions	196	468	271	(197)	
Interest Bearing Liabilities	134	0		0	
	<b>330</b>	<b>468</b>	<b>271</b>	<b>(197)</b>	
<b>TOTAL LIABILITIES</b>	<b>28,306</b>	<b>8,422</b>	<b>15,254</b>	<b>6,832</b>	
<b>NET ASSETS</b>	<b>468,578</b>	<b>495,519</b>	<b>473,433</b>	<b>(22,086)</b>	
<b>REPRESENTED BY</b>					
Accumulated Surplus	184,809	193,560	185,728	(7,832)	
Reserves	283,769	301,959	287,705	(14,254)	
<b>TOTAL EQUITY</b>	<b>468,578</b>	<b>495,519</b>	<b>473,433</b>	<b>(22,086)</b>	

## **NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET**

### **Note 1 Current Assets: Cash Assets \$958,000 million unfavourable**

- \$958,000 million unfavourable projection due to a combination of \$700,000 unfavourable variation of actual year end result to projected outcome for 2011/12 and adjustments made to budget projections during the year.

### **Note 2 Non Current Assets: Fixed Assets \$3.94 million unfavourable**

- \$3.94 million unfavourable projection predominantly due to asset revaluation adjustments made in previous year end being less than anticipated.

### **Note 3 Non Current Assets: Roads Streets & bridges \$10.26 million unfavourable**

- \$10.26 million unfavourable projection predominantly due to asset revaluation adjustments made in previous year end being less than anticipated.

### **Note 4 Current Liabilities: Payables \$5.94 million unfavourable**

- \$5.94 million unfavourable projection predominantly as a result of recognising unfunded superannuation commitments as a current liability.

**South Gippsland Shire Council**  
**CASH FLOW STATEMENT**  
**For the Period Ending 31-Dec-2012**

	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
<b><u>CASH INFLOWS FROM OPERATIONS</u></b>					
Rates	9,659	31,601	31,352	(249)	
Grants	5,729	13,888	20,013	6,125	1
Statutory fees and fines	225	517	552	35	
User fees and other fines	1,999	2,659	2,328	(331)	
Interest received	371	844	785	(59)	
Contributions	229	37	349	312	
Rents	184	327	327	0	
Reimbursements	211	302	338	36	
Other	245	866	884	18	
<b>Total Revenue from Operations</b>	<b>18,852</b>	<b>51,041</b>	<b>56,928</b>	<b>5,887</b>	
<b><u>CASH OUTFLOWS FROM OPERATIONS</u></b>					
Employee costs	9,682	19,851	19,833	(18)	
Payments to suppliers	14,730	21,150	30,103	8,953	2
Bad & Doubtful debts	0	1	1	0	
Other	1,170	2,649	2,644	(5)	
<b>Total Expenses from Operations</b>	<b>25,582</b>	<b>43,651</b>	<b>52,581</b>	<b>8,930</b>	
<b>Net Cash provided by operating activities</b>	<b>(6,730)</b>	<b>7,390</b>	<b>4,347</b>	<b>(3,043)</b>	
<b><u>CASHFLOWS FROM INVESTING ACTIVITIES</u></b>					
Payments for property, equipment & infrastructure assets	(3,615)	(14,867)	(14,483)	384	
Proceeds from sales of property, plant & equipment	415	1,468	1,334	(134)	
Purchase of Investments	0	0	0	0	
<b>Net Cash used in investing activities</b>	<b>(3,200)</b>	<b>(13,399)</b>	<b>(13,149)</b>	<b>250</b>	
<b><u>CASHFLOWS FROM FINANCING ACTIVITIES</u></b>					
Debt Redemption	(156)	(317)	(317)	-	
Finance costs	(15)	(24)	(24)	-	
Trust Funds	139	-	-	-	
<b>Net Cash provided by by (used in) financing activities</b>	<b>(32)</b>	<b>(341)</b>	<b>(341)</b>	<b>0</b>	
<b>Net increase (decrease) in cash held</b>	<b>(9,962)</b>	<b>(6,350)</b>	<b>(9,143)</b>	<b>(2,793)</b>	
<b>Cash at beginning of the year</b>	<b>17,602</b>	<b>15,768</b>	<b>17,602</b>	<b>1,834</b>	
<b>Cash at the end of the period</b>	<b>7,640</b>	<b>9,418</b>	<b>8,459</b>	<b>(959)</b>	



**NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET**

**Note 1 Cash inflows from operations: Grants \$6.12 million favourable**

- Net positive impact of adjustments made to projected budgets for operating and capital grants. Favourable adjustments include additional grants for flood events, street lighting, community building projects and waste management. Unfavourable projections include reduced Victoria Grants Commission allocations.

**Note 2 Cash outflows from operations: Payment to suppliers \$8.95 million unfavourable**

- Relates predominantly to costs associated with flood and severe rain events, additional expenditure on community building projects and funds carried forward for uncompleted projects.

## SECTION 2 – ANNUAL YEAR TO DATE FINANCIAL ANALYSIS

This section analyses the implications of the year to date performance, the projected outcome for the financial year end as well as commentary on the 'financial' Key Strategic Activities (KSA).

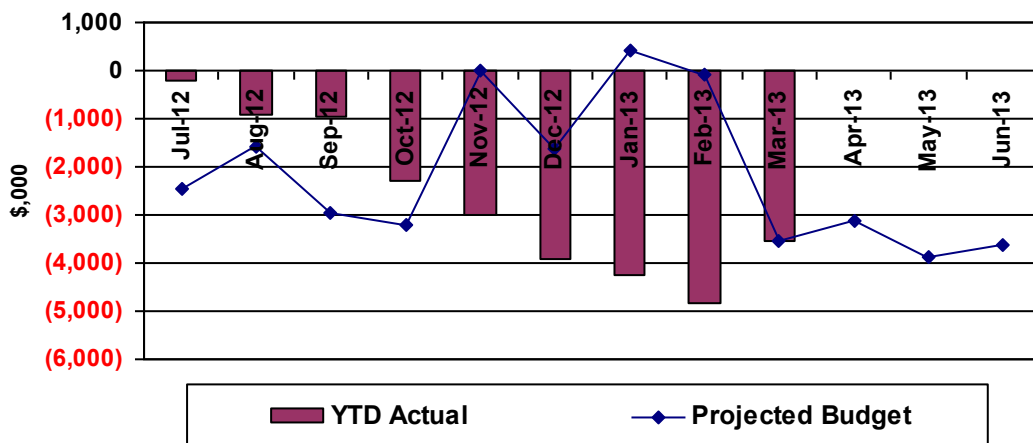
### Operating Performance

Operating Budget   \$3.64 million Deficit for the period Jul-12 to Mar-13

Operating Result   \$3.54 million Deficit for the period Jul-12 to Mar-13

The operational result varies by \$97,000 to the projected year to date budget. Variation is due to timing of actual costs to year to date budgets.

#### Operating Performance (\$'000)



### Capital Performance

Capital Budget               \$9.07 million for the period Jul-12 to Mar-13

Actual Expenditure       \$7.17 million for the period Jul-12 to Mar-13

Capital Expenditure       \$1.90 million behind year to date budgets

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

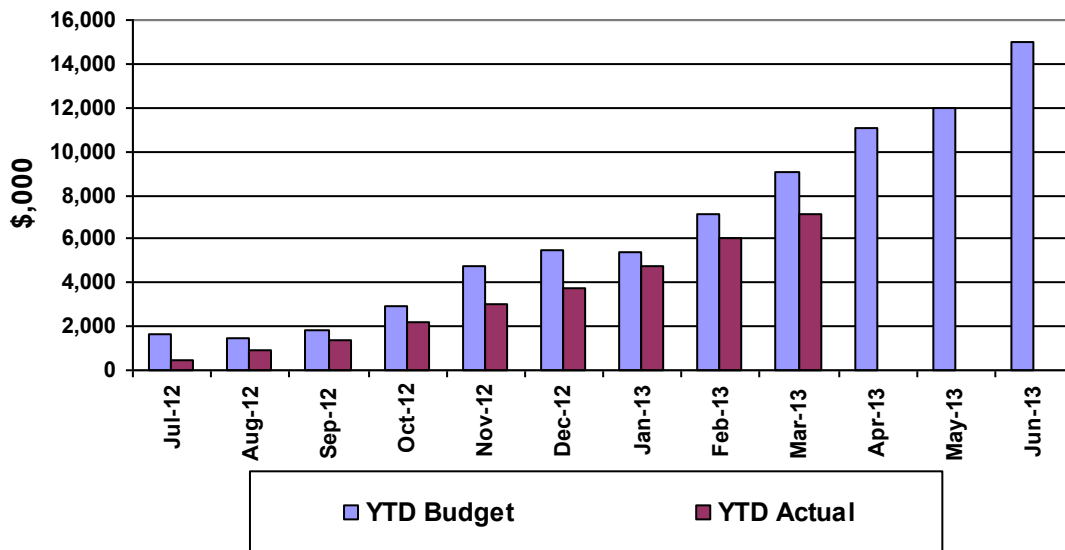
Projects running behind / (ahead) schedule as at 31 March 2013 are detailed in the following table:

Appendix 1 – Financial Performance Report March 2013

Cost Centre	Original Budget	Revised Budget	YTD Budget	YTD Actual	Favourable / (Unfavourable)	Major Variation Explanation
8045 - InfoTech - Asset Management	88,121	85,141	0	20,984	(20,984)	Awaiting a decision from IT Governess to initiate training and software implementation for Confirm or updating existing Conquest software.
8157 - Roads - Stabilisation Program (R2R)	0	656,600	164,150	8,316	155,834	Program commenced and programmed to be completed by early May.
8567 - Waste - Koonwarra Cell Construction	95,400	196,400	146,000	97,298	48,702	Budget adjustment required to transfer expenditure to 8568.
8568 - Waste - Landfill ET Cap	0	24,688	24,688	410	24,278	Invoices have been paid from cost code 8567will be transferred.
8841 - Footpaths - Renewal	252,495	252,495	252,495	148,370	104,125	Works progressing well, final contract payment to be made at end of April.
8872 - Footpaths - Welshpool Road Extension - Toora (LGIP)	29,680	46,059	46,059	18,182	27,877	Project to be completed by mid April, final contract payment will follow.
9510 - Recreation - Public Jetty Upgrade - Port Welshpool	0	195,864	0	(76,131)	76,131	Contract has just closed and will be awarded in early April.
9526 - Buildings - Depot Site Shed - Foster	63,500	63,500	63,500	0	63,500	Slight delay in start date but works scheduled to begin in April and be completed by end of May.
9570 - Recreation - Footpath Existing to CBD - Venus Bay	331,010	332,534	332,534	198,487	134,047	Expenditure: Works are under budget estimates to date. Works were postponed during holiday period and construction staff diverted to land slip rehabilitation. Remainder of project to be delivered during April/May

<b>Cost Centre</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>YTD Budget</b>	<b>YTD Actual</b>	<b>Favourable / (Unfavourable)</b>	<b>Major Variation Explanation</b>
9582 - Pools - Replace Chemical Shed - Toora	175,000	136,000	136,000	106,493	29,507	Final contract payment will be made in April upon approval of outstanding works by the building surveyor.
9748 - Roads - Kongwak Inverloch Rd - Kongwak (R2R)	614,000	667,379	485,000	87,871	397,129	Works progressing well, contract claims are lagging profiled budget figures.
9815 - Roads - Stony Creek Dollar Road Improvements - Stony Creek	0	200,000	65,000	16,077	48,923	Grant paperwork not yet finalised.
9816 - Buildings - Neighbourhood Safer Place - Sandy Point	0	515,183	333,520	262,711	70,809	Land purchase completed. Vegetation removal delayed due to public consultation period.
8050 - Plant / Fleet - Plant Purchases	2,571,610	2,558,607	1,593,652	811,452	782,200	Waiting on delivery of a number of plant items.
8772 - Roads - Reseals	1,611,913	1,002,639	903,378	1,069,189	(165,811)	Program nearing completion. Costs are being finalised. Expect to come in on budget.
8858 - Footpaths - Toora Road - Foster	72,652	72,652	24,000	114	23,886	Project running behind original schedule. Works set to commence second week of April.
9563 - Playgrounds - Replacement Program	151,497	151,497	0	30,149	(30,149)	Program has commenced slightly ahead of schedule.
9575 - Bridge - Major Repairs Bridges	222,600	255,056	23,488	90,578	(67,090)	Program underway but delayed due to staff re-deployment to emergency works. Expect program to be completed within original budget.
9666 - Drainage - Sealed Road Drainage Program (CRandB)	0	0	0	(31,050)	31,050	Tidied up outstanding Purchase Order from last year-will correct with Budget Adjustment next month.
9771 - Roads - Dollar Road - Dumbalk (LGIP)	285,233	285,311	285,311	220,985	64,326	Project nearly complete. Expect to come in under budget. Budget adjustment returning \$35k to bottom line.
9977 - Culvert - Mirboo Road - Mirboo	0	132,530	132,530	157,571	(25,041)	Project nearly complete. Budget adjustment to cover over expenditure.

Capital Performance (\$'000)



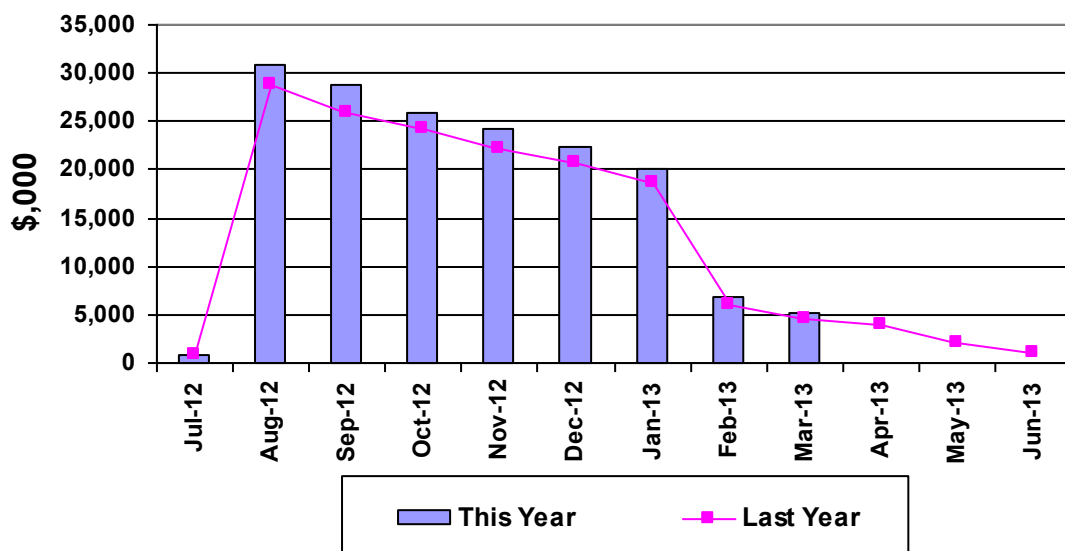
Rate Debtors

Outstanding 12/13 \$22.39 million as at Mar-13

Outstanding 11/12 \$20.72 million as at Mar-12

The outstanding rates as at 31 March 2013 have parity to last year. It is to be expected that the current years outstanding rates are slightly higher than last year because the amount of rates we are dealing with increase each year.

Rate Debtors (\$,000)



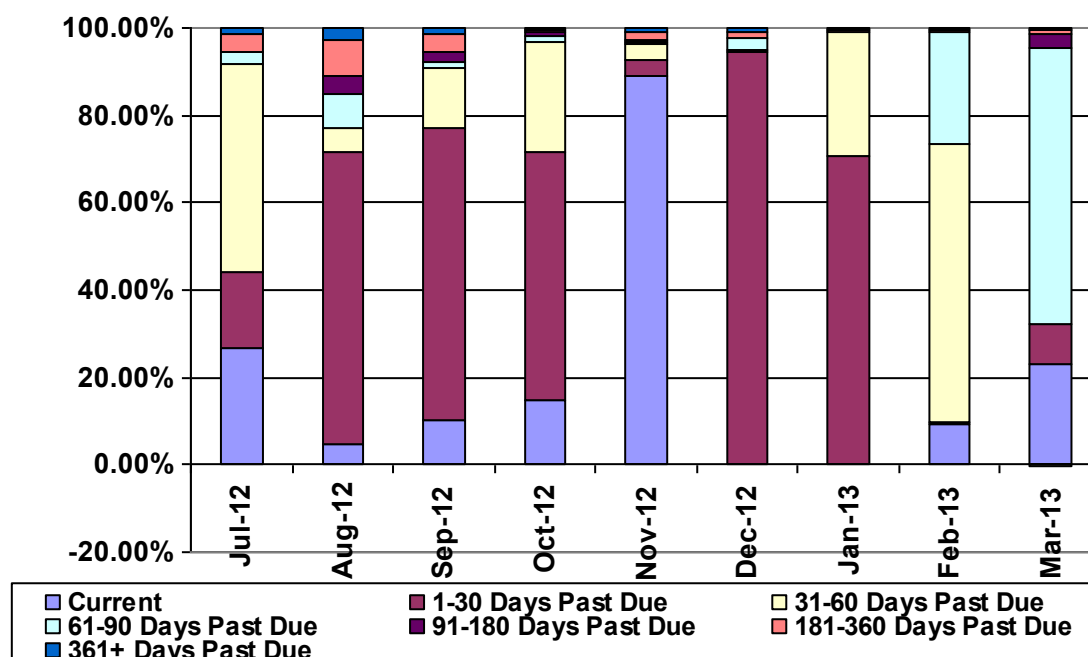
## Other Sundry Debtors

Outstanding 12/13 \$ 0.64 million as at Mar-13

Outstanding 11/12 \$ 0.47 million as at Mar-12

The majority of Sundry Debtors (96%) is either current or less than 60 days past due when you take into account an invoice outstanding for \$900,000 with Regional Development Victoria for 1st instalment – Great Southern Rail Trail extension project.

### Other Sundry Debtors



## Financial Key Strategic Activity (KSA)

Council uses a series of financial performance, funding and borrowing capacity indicators to set and assess its annual financial performance. The indicators used are the weighted average of 5 key financial ratios being indebtedness, underlying working capital ratio, self-financing, investment gap and underlying result.

The combination of net unfavourable financial outcome for 2011/12, financial carry forwards, unfunded superannuation liability expense, reduced Victoria Grants Commission funds and additional unbudgeted items has had an unfavourable impact on the financial KSA.

Target	Current Status
>98%	81.94%

## SECTION 3 – LONG TERM FINANCIAL PLAN ANALYSIS

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

The Long Term Financial Plan analysis report normally compares the current 2012/13 Budget and Long Term Financial Plan forecasts to the original plan (the Annual Budget & Long Term Financial Plan was adopted for 2012/13 on 27 June 2012).

Because Council is midway through its 2013/14 budget and Long Term Financial Plan development process, the current plan has been adjusted to take into account the costings from the 3<sup>rd</sup> draft 2013/14 budget that Council considered at a briefing session held on 3 April 2013.

The lines in the following graphs are as follows

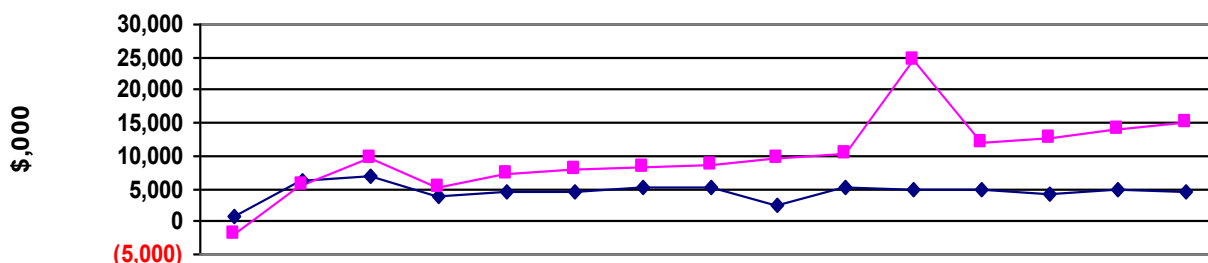
- Original plan – Blue line – 2012/13 original 2012/13 Budget and Long Term Financial Plan
- Current Plan – Purple line - Draft 2013/14 Budget and Long Term Financial Plan

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

The current plan's projected operating results for the forward budget compares favourably with the original plan. The spike in 2022/23 takes into account modelled Special Charge income.

The positive flow on impact of strengthening operating outcomes can be readily seen in the underlying operating, cash and working capital ratios that are discussed later in this report.

### Operating Result (\$,000)



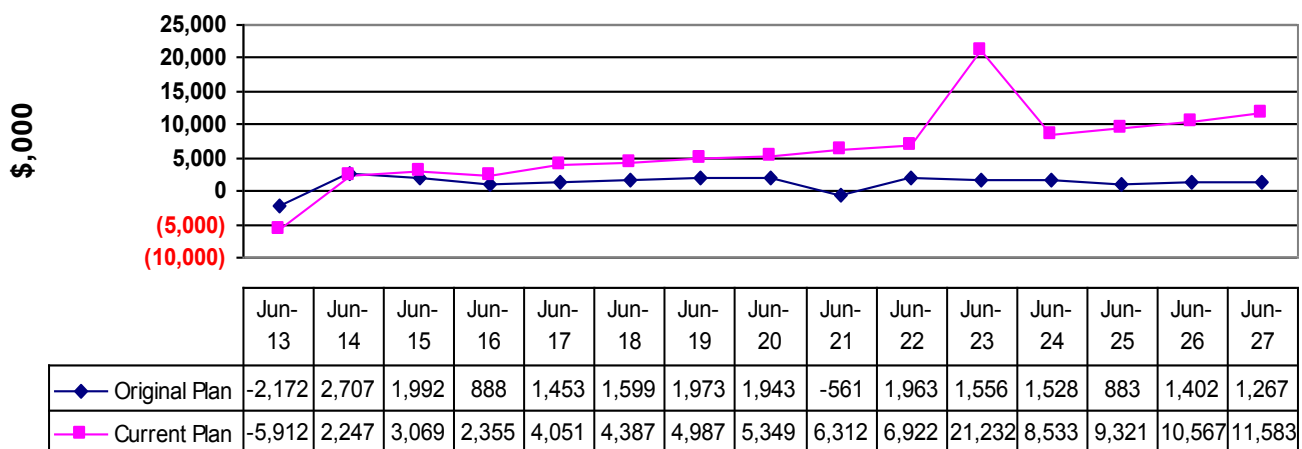
	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27
Original Plan	706	6,111	7,054	3,862	4,460	4,640	5,049	5,055	2,588	5,150	4,782	4,793	4,189	4,750	4,615
Current Plan	-1,791	5,400	9,527	5,361	7,091	7,847	8,098	8,497	9,498	10,147	24,497	11,838	12,668	13,957	15,017

## Operating Result before Capital Funding

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

The underlying result shows more clearly the income sources relative to the expenses for the recurrent operating activities of Council. The current plan underlying result mirrors the operating result outcomes discussed immediately above.

### Operating Result before Capital Funding (\$,000)

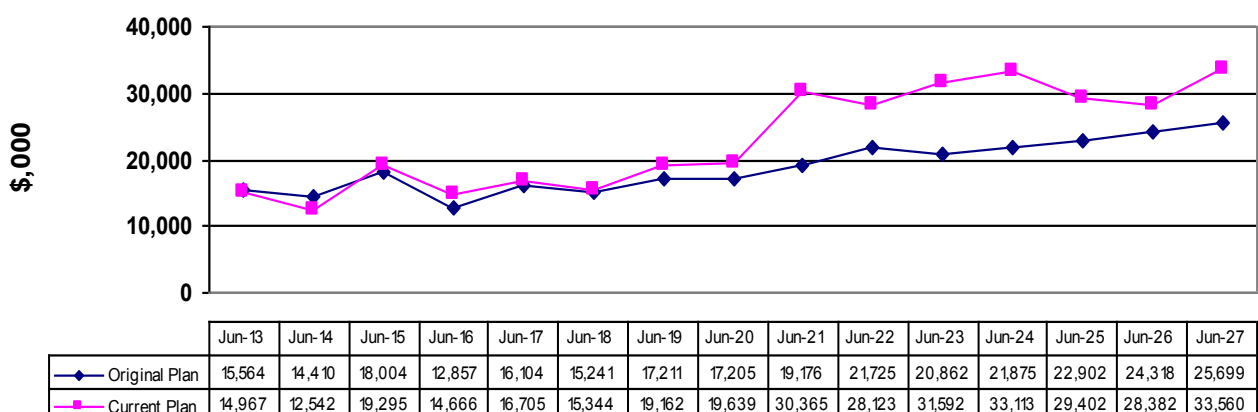


## Capital Expenditure

The 2012/13 budget was adjusted to take into account the financial ramifications of carrying forward funds for uncompleted projects as at 30 June 2012.

The current capital works program varies significantly with the original plan, particularly in the mid to later years. It needs to be noted that the costings in the current plan draft budget are still 'work in progress' figures.

### Capital Expenditure (\$,000)



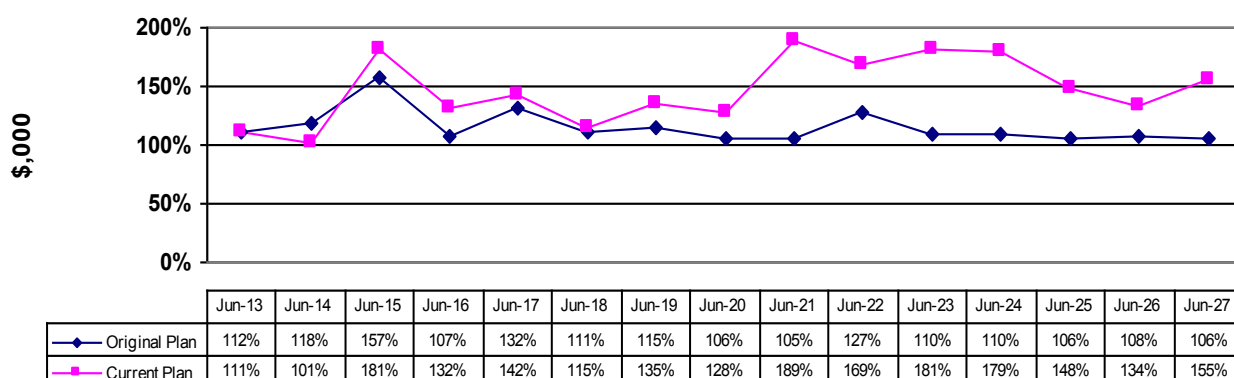


## Sustainability Index for Capital Assets

The sustainability index expresses as a percentage the amount of expenditure incurred on capital renewal infrastructure works relative to the amount of depreciation on infrastructure assets that is expensed to the Income Statement.

As expected the current plan's sustainability index compares favourably when benchmarked with the original Long Term Financial Plan. The strategic target is to exceed 95%. There are no asset renewal funding gaps for all major classes of assets in the current plan's draft budget.

### Sustainability Index

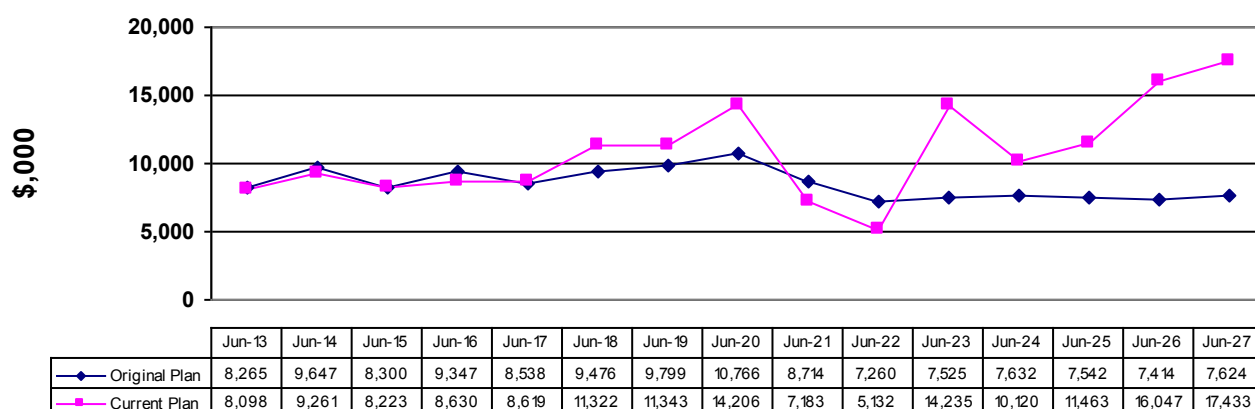


## Underlying Liquidity

The current plan's forecast underlying cash position in 2012/13 has parity with the original plan in the immediate years and is significantly stronger in the mid to later years.

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

### Underlying Liquidity (\$,000)

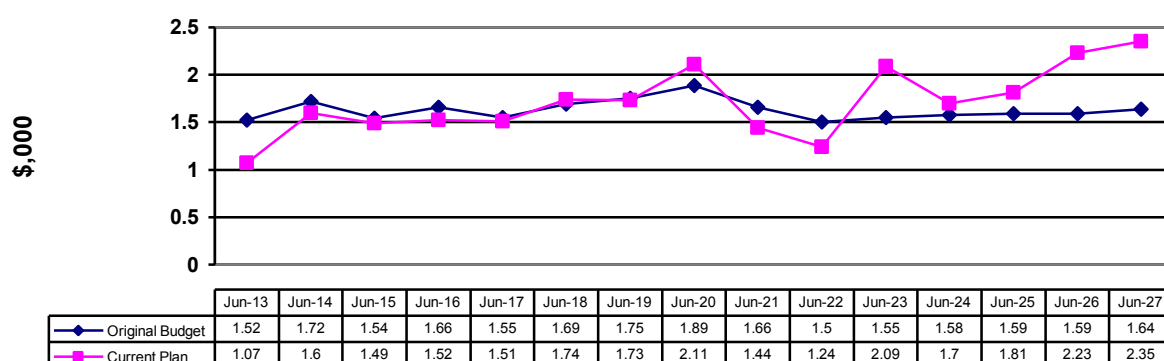


## Underlying Working Capital Ratio

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 favourable outcomes described above have a positive impact on the underlying working capital ratio. The underlying working capital is projected to have parity with the strategic target of 1.50 in the immediate years. In the later years it will exceed the 1 to 1.50 target.

### Underlying Working Capital Ratio



## Conclusion

The table below shows several key financial performance indicator targets set when the 2012/13 Budget and Long Term Financial Plan were adopted. Ratios coloured red indicate either short term / immediate sustainability concerns, yellow denotes medium risk and green low risk.

<b>2012/13 Original Budget</b>	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
<b>Financial performance</b>															
Underlying result	-4.34%	5.27%	3.80%	1.67%	2.59%	2.74%	3.22%	3.06%	-0.87%	2.83%	2.16%	2.03%	1.13%	1.72%	1.49%
Underlying Working Capital	1.52	1.54	1.46	1.59	1.48	1.62	1.68	1.82	1.58	1.42	1.48	1.51	1.52	1.52	1.57
<b>Funding capacity</b>															
Self-financing	15.65%	27.11%	28.87%	24.83%	25.95%	26.21%	27.23%	27.26%	25.59%	27.91%	28.13%	28.19%	28.17%	28.79%	29.64%
Sustainability Index	112%	118%	157%	107%	132%	111%	115%	106%	105%	127%	110%	110%	106%	108%	106%
<b>Borrowing capacity</b>															
Indebtedness	1.22%	1.33%	1.39%	1.46%	1.51%	2.03%	2.51%	2.96%	3.35%	3.74%	4.08%	4.38%	4.67%	4.92%	5.14%
Total Debt as a % of Rate revenue	0.43%	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%	0.00%
Debt servicing costs as a % of Total revenue	0.05%	0.01%	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%

The table on the following page shows the current status of key financial indicators. The majority of indicators remain within strategic thresholds targets. Aside from the impact of unfavourable cost events on the 2012/13 financial indicators, longer term the financial plan is financially sustainable.

<b>Proposed Budget</b>	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
<b>Financial performance</b>																
Underlying result	-10.82%	4.22%	5.58%	4.25%	6.79%	7.04%	7.60%	7.80%	8.65%	9.08%	22.70%	10.13%	10.54%	11.38%	11.88%	12.83%
Underlying Working Capital	1.07	1.60	1.49	1.52	1.51	1.74	1.73	2.11	1.44	1.24	2.09	1.70	1.81	2.23	2.35	2.22
<b>Funding capacity</b>																
Self-financing	9.30%	16.00%	30.44%	25.85%	28.43%	29.03%	29.65%	30.01%	31.72%	32.03%	42.30%	33.41%	33.83%	34.66%	35.11%	35.95%
Sustainability Index	111%	101%	181%	132%	142%	115%	135%	128%	189%	169%	181%	179%	148%	134%	155%	174%
<b>Borrowing capacity</b>																
Indebtedness	0.73%	8.29%	6.59%	5.14%	3.74%	2.41%	1.19%	1.26%	1.33%	1.40%	1.23%	1.54%	1.60%	1.66%	1.72%	1.78%
Total Debt as a % of Rate revenue	0.43%	10.33%	8.16%	6.34%	4.59%	2.96%	1.43%	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	0.04%	0.36%	0.28%	0.25%	0.18%	0.13%	0.08%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%