



AGENDA APPENDIX
Council Meeting
Wednesday 18 December 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.

D.1 – FINANCIAL PERFORMANCE REPORT

Appendix 1 – Financial Performance Report July – November 2013

Financial Performance Report – November 2013

The Financial Performance Report covers the 5 month period from July 2013 to November 2013.

Overview

Income Statement

Annual year to date performance:

- Operating result: \$2.214 million deficit which is \$870,000 favourable compared the year to date budget projection of \$3.084 million deficit.
- Underlying result: \$2.908 million deficit which is \$816,000 favourable compared with year to date budget projection of a \$3.724 million underlying deficit

Balance Sheet

Projected year end result:

- Underlying working capital ratio 1.58 to 1 (original budget 1.44 to 1)

Cash Flow Statement

Projected year end result:

- Cash assets: \$8.93 million (original budget \$7.64 million)

Capital Works program

- Expenditure \$2.414 million which is \$763,000 behind year to date budget projection of \$3.177 million

The longer term financial performance indicators show that the financial plan (adjusted for budget carry forward and other budget adjustments) is financially sustainable.

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 (including internal reserves).

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 2013								
	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
REVENUE								
Rates and charges	14,236	14,417	(181)		33,924	33,924	0	
Operating grants	3,641	3,605	36		9,205	14,010	4,805	A
Reimbursements	139	133	6		373	373	0	
Contributions	67	61	6		60	183	123	
Interest	189	194	(5)		589	589	0	
User charges	1,485	1,331	154		3,031	3,703	672	B
Statutory fees	237	224	13		519	512	(7)	
Net gain / (loss) on disposal of assets	(14)	(132)	118		372	416	44	
Other income	329	300	29		931	882	(49)	
TOTAL REVENUE	20,309	20,133	176		49,004	54,592	5,588	
EXPENSES								
Employee costs	9,092	8,895	(197)	1	21,133	20,951	182	
Materials and consumables	8,518	8,933	415	2	19,843	23,231	(3,388)	C
Depreciation	4,173	4,167	(6)		9,300	10,032	(732)	
Other expenses	1,401	1,813	412	3	3,286	3,495	(209)	
Borrowing cost expenses	33	49	16		195	195	0	
TOTAL EXPENSES	23,217	23,857	640		53,757	57,904	(4,147)	
UNDERLYING RESULT	(2,908)	(3,724)	816		(4,753)	(3,312)	1,441	
Capital grants/contributions	694	640	54		4,659	3,979	(680)	D
Donated / Granted Assets	0	0	0		1,304	1,304	0	
SURPLUS / (DEFICIT)	(2,214)	(3,084)	870		1,210	1,971	761	

NOTES: MATERIAL VARIATIONS IN YEAR TO DATE FINANCIAL PERFORMANCE

Note 1 Expenditure: Employee costs - \$197,000 ahead

- Variation predominantly in relation to timing differences in employee oncost application accounts including payments made for Workcover, training expenses and long service leave entitlements.

Note 2 Expenditure: Materials and consumables - \$415,000 behind

- Expenditure on materials and consumables vary compared to year to date budgets across a number of departments due to a variety of reasons including delays because of inclement weather.

Note 2 Expenditure: Other expenses - \$412,000 behind

- \$239,000 behind year to date budgets for grants and contributions
- \$104,000 behind year to date budgets for community grants program

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note A Income: Operating grants - \$4.805 million favourable

- \$3.1 million grants originally expected to be received in 2012/13 have had budgets carried forward into this financial year.
- Additional \$135,000 grant for Stoney Creek Dollar Road.
- Additional \$1.3 million grant for severe rain event

Note B Income: User Charges - \$672,000 favourable

- Additional \$661,000 caravan park user fees which were not accommodated in the original budget.

Note C Expenditure: Materials and Consumables - \$3.38 million unfavourable

- \$750,000 expenditure originally budgeted to be spent in 2012/13 on grant funded expenditure have had budgets carried forward into this financial year.
- \$40,000 additional expenditure for Black Spur bridge investigation
- \$25,000 additional expenditure on Korumburra Bena Football Netball club lighting
- \$61,000 additional expenditure on plant maintenance - insurances

- \$26,000 less expenditure on Corner Inlet Seawall maintenance project
- \$175,000 additional expenditure on storm recovery event
- \$1.3 million additional expenditure for severe rain event

Note D Income: Capital grants - \$680,000 unfavourable

- \$1.25 million LGIP grant budgeted to be received in 2013/14 actually recognised as revenue in 2012/13
- \$115,000 for Meeniyan Netball court redevelopment
- \$53,000 capital grant for Outtrim Moyarra Road
- \$150,000 grant for Stoney Creek Road Dollar improvements
- \$163,000 grant for Public Jetty upgrade at Port Welshpool
- \$133,000 grant for TP Taylor reserve

South Gippsland Shire Council
BALANCE SHEET
For the Period Ending 30 November 2013

	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
ASSETS					
CURRENT ASSETS					
Cash assets	9,805	7,638	8,930	1,292	1
Receivables	31,053	3,566	4,345	779	
Other financial assets	0	3,750	1,700	(2,050)	2
Assets held for resale	0	0	0	0	
Inventories	393	317	219	(98)	
Other	0	320	113	(207)	
	41,251	15,591	15,307	(284)	
NON CURRENT ASSETS					
Receivables	-	-	-		
Investments	1,277	478	603	125	
Fixed Assets	96,827	143,492	140,749	(2,743)	3
Roads Streets & Bridges	368,485	384,323	381,138	(3,185)	4
	466,589	528,293	522,490	(5,803)	
TOTAL ASSETS	507,840	543,884	537,797	(6,087)	
LIABILITIES					
CURRENT LIABILITIES					
Payables	4,956	4,944	3,399	(1,545)	5
Prepaid Income	19,501	0	0	0	
Trust funds	483	369	529	160	
Provisions	5,774	4,953	5,106	153	
Interest Bearing Liabilities	134	514	514	0	
	30,848	10,780	9,548	(1,232)	
NON CURRENT LIABILITIES					
Provisions	244	321	1,003	682	
Interest Bearing Liabilities		2,997	2,997	0	
	244	3,318	4,000	682	
TOTAL LIABILITIES	31,092	14,098	13,548	(550)	
NET ASSETS	476,748	529,786	524,249	(5,537)	
REPRESENTED BY					
Accumulated Surplus	187,848	195,164	193,153	(2,011)	
Reserves	284,201	334,622	331,096	(3,526)	
TOTAL EQUITY	472,049	529,786	524,249	(5,537)	

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note 1 Current Assets: Cash Assets \$1.292 million favourable

- \$1.292 million favourable cash outcome due to timing differences of payables and receivables at last financial year end and reclassification of financial assets.

Note 2 Current Assets: Other Financial Assets \$2.050 million unfavourable

- \$2.05 million financial assets (investments with maturity above 3 months) reclassified as cash and cash equivalents.

Note 3 Non Current Assets: Fixed Assets \$2.743 million unfavourable

- \$2.743 million unfavourable projection predominantly due to no asset revaluation adjustments made in previous year.

Note 4 Non Current Assets: Roads, Streets & Bridges \$3.185 million unfavourable

- \$3.185 million unfavourable projection predominantly due to asset revaluation adjustments being less than anticipated.

Note 5 Current Liabilities: Payables \$1.545 million favourable

- \$1.545 million favourable projection fluctuate year to year depending level of accounts payable the preceding year.

South Gippsland Shire Council
CASH FLOW STATEMENT
For the Period Ending 30 November 2013

	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
<u>CASH INFLOWS FROM OPERATIONS</u>					
Rates	5,236	33,924	33,924	0	
Grants	3,877	13,866	17,990	4,124	1
Statutory fees and fines	223	517	502	(15)	
User fees and other fines	2,679	3,034	3,042	8	
Interest received	198	589	589	0	
Contributions	66	60	183	123	
Rents	545	329	883	554	
Reimbursements	149	373	406	33	
Other	189	601	637	36	
Total Revenue from Operations	13,162	53,293	58,156	4,863	
<u>CASH OUTFLOWS FROM OPERATIONS</u>					
Employee costs	8,930	21,297	21,120	(177)	2
Payments to suppliers	7,120	20,690	24,105	3,415	3
Bad & Doubtful debts	0	1	1	0	
Other	1,168	2,837	3,019	182	
Total Expenses from Operations	17,218	44,825	48,245	3,420	
Net Cash provided by operating activities	(4,056)	8,468	9,911	1,443	
<u>CASHFLOWS FROM INVESTING ACTIVITIES</u>					
Payments for property, equipment & infrastructure assets	(2,329)	(14,595)	(14,944)	(349)	
Proceeds from sales of property, plant & equipment	114	924	789	(135)	
Purchase of Investments	0	0	0	0	
Net Cash used in investing activities	(2,215)	(13,671)	(14,155)	(484)	
<u>CASHFLOWS FROM FINANCING ACTIVITIES</u>					
Debt Redemption	-	(623)	(623)	-	
Proceeds from borrowings	4,000	4,000	4,000	-	
Finance costs	(33)	(195)	(195)	-	
Trust Funds	(46)	-	-	-	
Net Cash provided by by (used in) financing activities	3,921	3,182	3,182	0	
Net increase (decrease) in cash held	(2,350)	(2,021)	(1,062)	959	
Cash at beginning of the year	9,992	9,659	9,992	333	
Cash at the end of the period	7,642	7,638	8,930	1,292	

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note 1 Cash inflows from operations: Grants \$4.12 million favourable

- Net positive impact of adjustments made to projected budgets for operating and capital grants. Favourable adjustments include additional grants of \$3.102 million grants originally expected to be received in 2012/13 for storm recovery events have had budgets carried forward into this financial year.
- Additional \$135,000 grant for Stoney Creek Dollar Road.
- \$1.250 million Local Government Infrastructure Program grant budgeted to be received in 2013/14 actually recognised as revenue in 2012/13
- \$115,000 grant for Meeniyen Netball court redevelopment
- \$53,000 capital grant for Outtrim Moyarra Road
- Additional \$1.3 million grant for severe rain event
- \$53,000 capital grant for Outtrim Moyarra Road
- \$150,000 grant for Stoney Creek Road Dollar improvements
- \$163,000 grant for Public Jetty upgrade at Port Welshpool
- \$133,000 grant for TP Taylor reserve

Note 2 Cash outflows from operations: Employee costs \$177,000 unfavourable

- Variation predominantly in relation to timing differences in employee oncost application accounts including payments made for Workcover, training expenses and long service leave entitlements.

Note 3 Cash outflows from operations: Payment to suppliers \$3.41 million unfavourable

- 750,000 expenditure originally budgeted to be spent in 2012/13 on grant funded expenditure have had budgets carried forward into this financial year.
- \$900,000 of 30 June 2013 accounts payables actually paid to suppliers in 2013/14
- \$29,000 additional expenditure for Community Strengthening
- \$40,000 additional expenditure - Black Spur bridge investigation
- \$25,000 additional expenditure on Korumburra Bena Football Netball Club lighting
- \$61,000 additional expenditure on plant maintenance;- insurances
- \$26,000 less expenditure on Corner Inlet Seawall maintenance project
- \$175,000 additional expenditure on storm recovery event
- \$1.3 million additional expenditure for severe rain event

INTERNAL RESERVES

The original adopted 2013/14 Annual Budget included the following budgeted transfers to and from various internal reserves.

Reserve	Opening balance \$	Transfer to reserve \$	Interest transfer \$	Transfer from reserve \$	Closing balance \$
Open Space Contributions	297,662	50,000	14,883	362,545	0
Corner Inlet Seawall Drainage	25,129	0	1,256	26,385	0
Henry's Road Nyora	43,096	0	2,155		45,251
General Reserve	485,836	318,000		803,836	0
Caravan Park	324,179	321,070	16,209	661,458	0
Total	1,175,902	689,070	34,503	1,854,224	45,251

\$723,573 was to be transferred from the accumulated surplus to internal reserves. This reflects the allocation of funds from Open Space Contributions to the internal reserve (\$50,000), allocations to the General reserve (\$318,000) and to the Caravan Park reserve (\$321,070). Further inflation adjustment transfers are scheduled to be made for Open Space Contributions (\$14,883), Corner Inlet Drainage (\$1,256), Henry's Road Nyora (\$2,155), and Caravan Parks (\$16,209).

\$1.85m was to be transferred out of the internal reserves to the accumulated surplus. This includes \$362,545 from the Open Space Contributions (fund Corner Inlet Tourism – Great Southern Rail Trail project), \$26,385 from the Corner Inlet Seawall Drainage (fund Section 86 Committee's costs), \$803,836 from the General reserve (fund defined benefit scheme unfunded superannuation call) and \$661,458 from the Caravan Park reserve (fund Toilet Block, Rotunda and Camp Kitchen in Waratah Bay).

The projected 2013/14 budgeted transfers to and from various internal reserves now are:

Reserve	Opening balance \$	Transfer to reserve \$	Interest transfer \$	Transfer from reserve \$	Closing balance \$
Open Space Contributions	402,332	50,000	16,093	468,425	0
Great Southern Rail Trail	0	600,000	0	600,000	0
Corner Inlet Seawall Drainage	20,049	0	802	20,851	0
Henry's Road Nyora	43,096	0	1,724	0	44,820
General Reserve	485,669	318,000	0	803,669	0
Caravan Park	354,144	853,180	13,806	1,212,130	0
Total	1,296,290	1,821,180	34,425	3,105,075	44,820

\$1.85m is now to be transferred from the accumulated surplus to internal reserves. This reflects the allocation of funds from Open Space Contributions to the internal reserve (\$50,000), allocation from Corner Inlet Tourism – Great Southern Rail Trail (\$600,000), allocations to the General reserve (\$318,000) and to the Caravan Park reserve (\$853,180). Further inflation adjustment transfers are scheduled to be made for Open Space Contributions (\$16,093), Corner Inlet Drainage (\$802), Henry's Road Nyora (\$1,724), and Caravan Parks (\$13,806).

\$3.10m is now to be transferred out of the internal reserves to the accumulated surplus. This includes \$468,425 from the Open Space Contributions and \$600,000 from Great Southern Rail Trail (fund Corner Inlet Tourism – Great Southern Rail Trail project), \$20,851 from the Corner Inlet Seawall Drainage (fund Section 86 Committee's costs), \$803,669 from the General reserve (fund defined benefit scheme unfunded superannuation call) and \$1,212,130 from the Caravan Park reserve (fund Rotunda and Camp Kitchen in Waratah Bay and other capital costs associated with Yanakie Caravan Park).

There have been significant changes to caravan park transfers to / from reserves and projects being funded in current and forward years.

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).

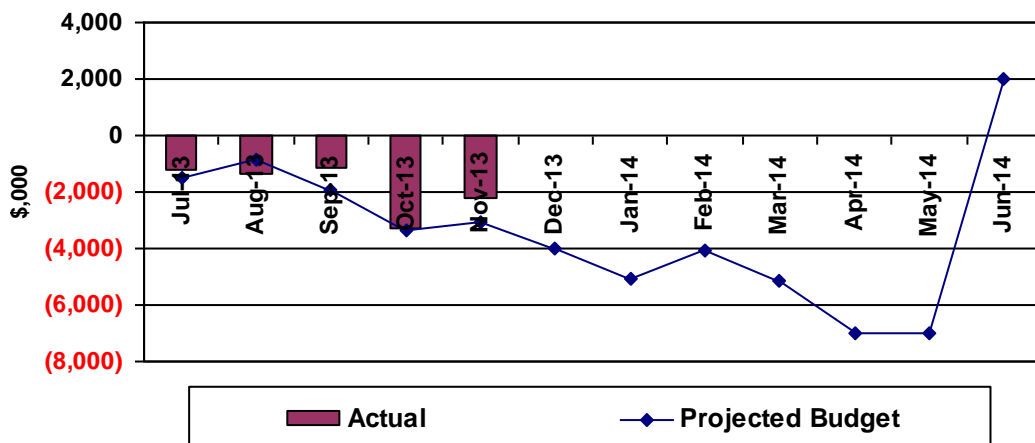
Operating Performance

Operating Budget \$3.08 million Deficit for the period Jul-13 to Nov-13

Operating Result \$2.21 million Deficit for the period Jul-13 to Nov-13

The operational result varies by \$0.87 million 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 \$3.17 million for the period Jul-13 to Nov-13

Actual Expenditure \$2.41 million for the period Jul-13 to Nov-13

Capital Expenditure \$0.76 million behind year to date budgets

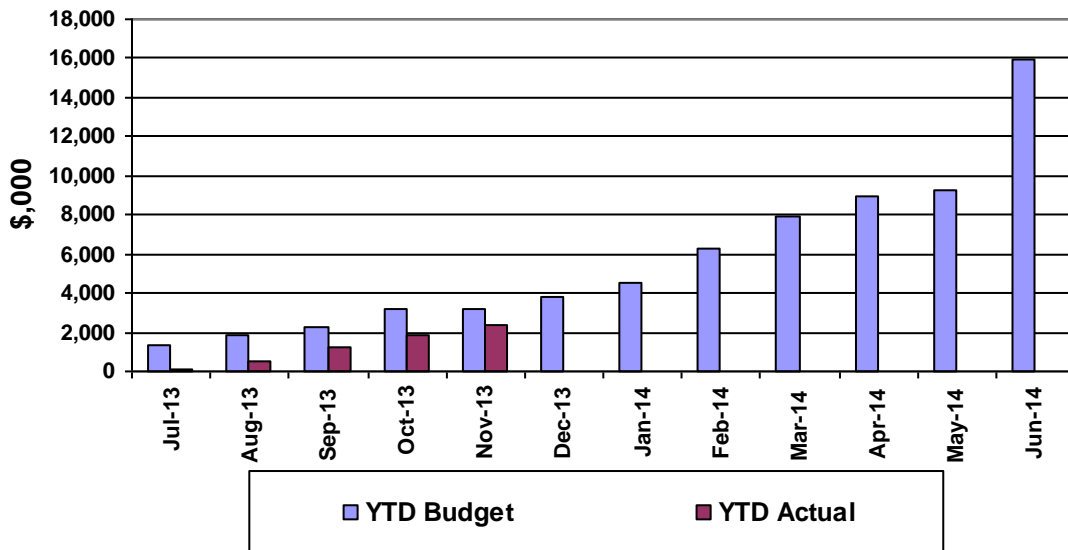
The Capital Works Program is running behind year to date budgets. \$2.69 million funding for capital works program was carried forward from 2012/13 to 2013/14 (for projects that were not completed by 30 June 2013).

Projects running behind / (ahead) schedule as at 30 November 2013 are detailed in the following table:

Cost Centre	Expenditure Major Variation \$	Major Variation Explanation
3451 - Yanakie Caravan Park Capital Total	(21,816)	Capital purchases made for the Yanakie Caravan Park (Cabins, Utes etc). This is an initial start up cost as previously identified.
3461 - Long Jetty Caravan Park Capital Total	25,268	Unspent funds allocated towards the purchase of cabins and materials from the existing tenant at Long Jetty Caravan Park. Settlement occurred on 22 November 2013.
8030 - Information Services Total	88,608	Unfavourable variance is related to profiling as process completed previously was incorrect. IT Project that were planned are yet to commence due to business units requiring extra time to complete business cases and subsequent project plans. The variance will be rectified in December.
8152 - Roads - Rehabilitation Program (CRandB and R2R) Total	(74,718)	Works on O'Connell Road, Foster brought forward to coincide with construction of new Foster Aged Care Facility.
8559 - Waste - Koonwarra Landfill Cells 1 and 2 Cap Total	499,231	This a newly created cost code with budget monies transfered from CC 8567, and has yet to be profiled. Budget will be profiled in December. Cap design in progress and will be presented to EPA on 10 December.
8697 - Drainage - Hanna Rise Cr, Jumbunna Rd and Melville Ave - Korumburra (LGIP) Total	(24,605)	Project commenced ahead of original schedule..
8770 - Civil - Capital Works Design Total	(29,611)	Design program running ahead of original schedule.
8772 - Roads - Reseals (Partially funded R2R) Total	213,240	Asphalt work programed is currently being evaluated for awarding to contract.
8774 - Roads - Reseal Preparation Total	198,638	Expenditure down due to weather not conducive to sealed road maintenance. Works have commenced and will catch up over the coming months.
9425 - Buildings - Child Care Hub - Korumburra Total	(102,543)	Invoicing ahead of budget forecast
9510 - Recreation - Public Jetty Upgrade - Port Welshpool Total	22,055	Project completed within available budget. Budget adjustment submitted.
9570 - Recreation - Footpath Existing to CBD - Venus Bay Total	39,612	Delay to sealing of the path which is weather dependant.

Cost Centre	Expenditure Major Variation \$	Major Variation Explanation
9764 - Roads - Lower Franklin Road Rehabilitation - Foster (LGIP) Total	(37,297)	Drainage works have commenced ahead of original program.
9811 - Roads - Mossvale Park Flood Recovery Project - Berrys Creek Total	(47,023)	Works completed ahead of original schedule.

Capital Performance (\$'000)



The following projects have had funds carried forward from 2013/14 to 2014/15:

- 8004 Office Accommodation \$480,000
- 1670 Coal Creek Heritage Village Projects \$112,539

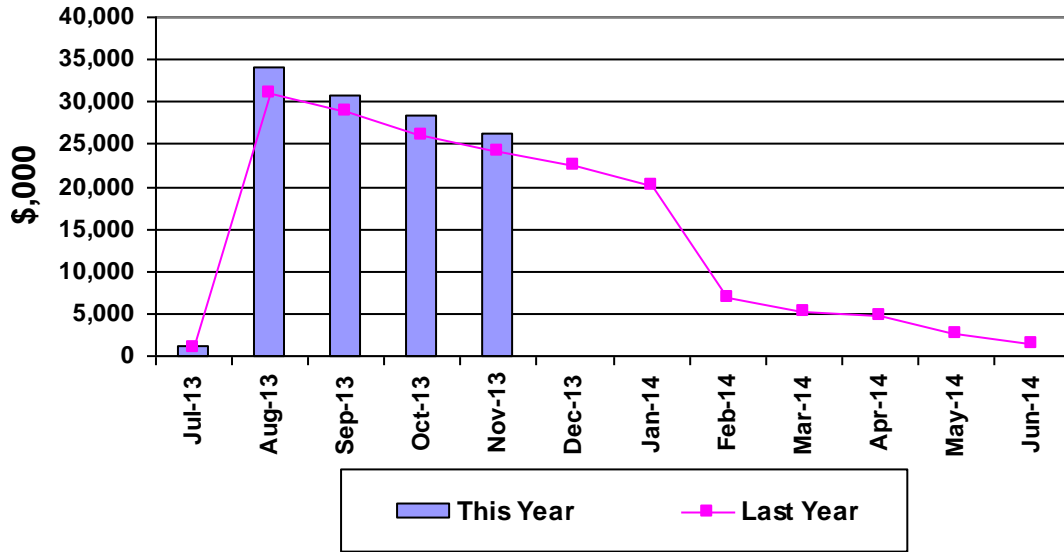
Rate Debtors

Outstanding 13/14 \$26.19 million as at Nov-13

Outstanding 12/13 \$24.14 million as at Nov-12

The outstanding rates as at 30 Nov 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)



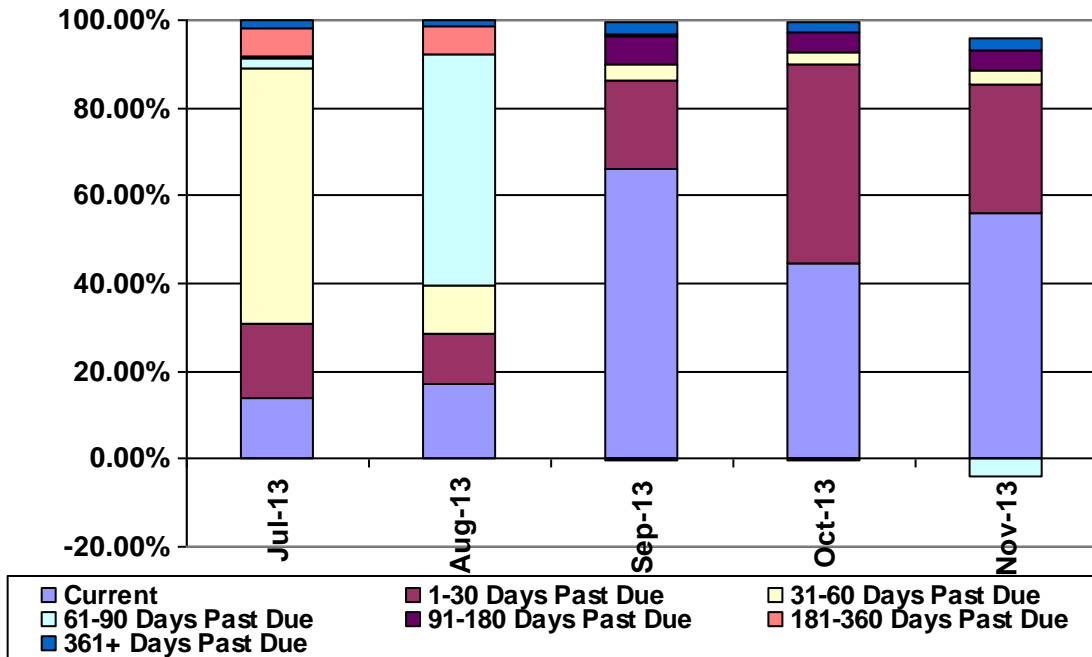
Other Sundry Debtors

Outstanding 13/14 \$ 0.53 million as at Nov-13

Outstanding 12/13 \$ 0.67 million as at Nov-12

The Current and 1-30 Days Past Due make up approx. 93% of total outstanding Debtors.

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 net financial impact of the financial carry forward budget changes to the projected result for 2013/14 has had a favourable financial impact on the financial KSA. The current status is comfortably above the 98% target.

Target	Current Status
>98%	110%

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 Financial Strategy's key performance indicators.

The Long Term Financial Plan analysis report normally compares the current 2013/14 Budget and Long Term Financial Plan forecasts to the original plan (the Annual Budget & Long Term Financial Plan was adopted for 2013/14 on 26 June 2013).

The lines in the following graphs are as follows

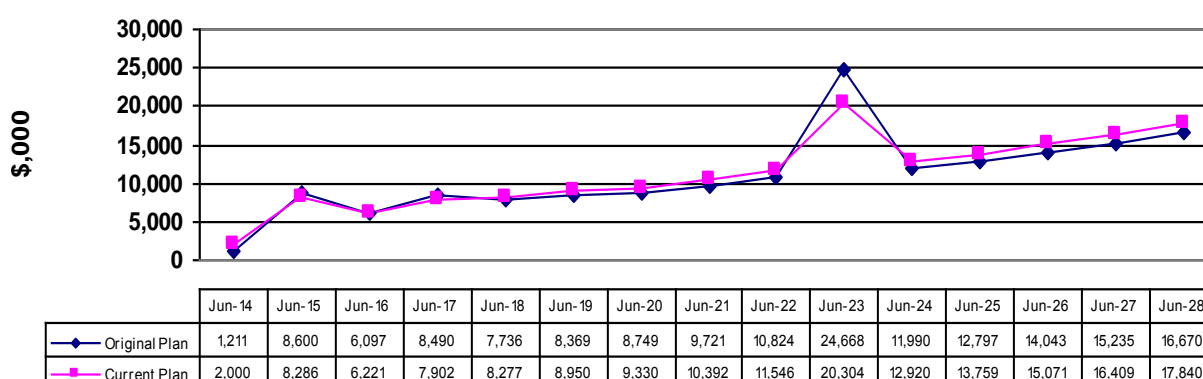
- Original plan – Blue line –original 2013/14 Budget and Long Term Financial Plan
- Current Plan – Purple line - 2013/14 Budget and Long Term Financial Plan

Operating Result (including gain /loss on asset disposals)

The current plan's projected operating results for the current plan correlates closely with the original plan. The favourable financial impact of the 'financial carry forwards' can be seen in the slightly strengthened projected operating result for 2013/14.

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)

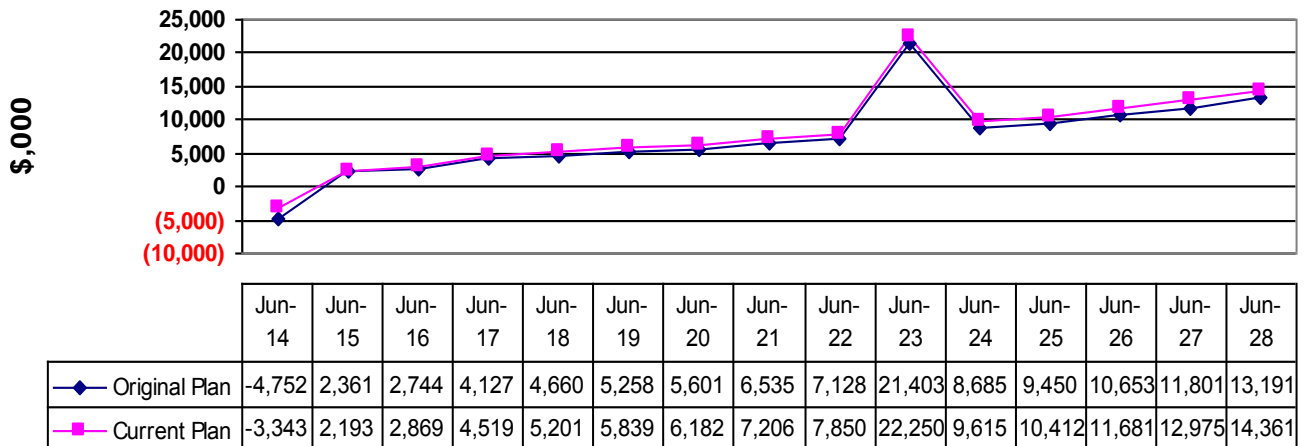


Operating Result before Capital Funding

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)

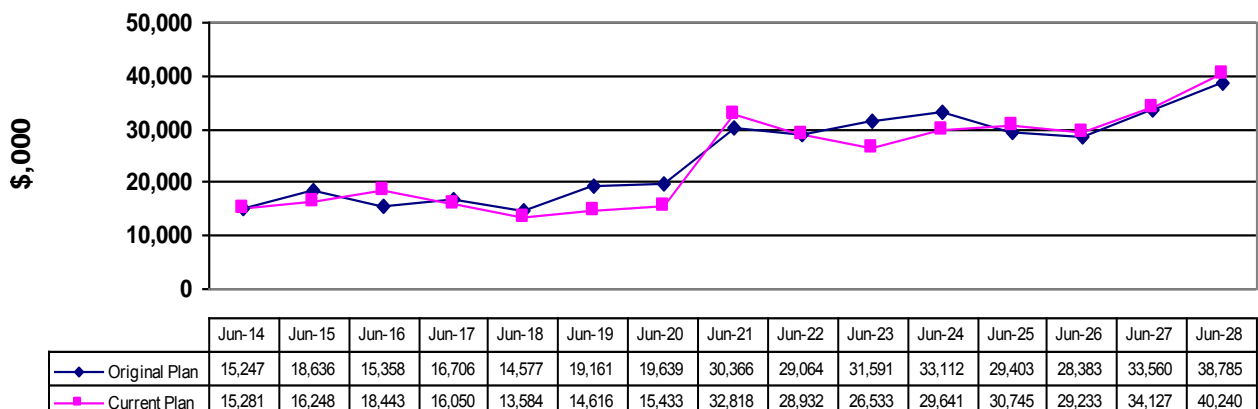


Capital Expenditure

The 2013/14 budget was adjusted to take into account the financial ramifications of carrying forward funds for projects that are not expected to be completed by 30 June 2013. In total, \$2.69 million funds were carried forward from 2012/13 (this includes \$2.15 million identified during the 2013/14 budget development process and an additional \$542,000 identified at financial year end).

The current plan’s projected capital works program incorporates the cash flow implications of the Engineering Services mid year review process. The overall expenditure requirements are less than the original plan. It still general correlates with the original plan. The expenditure in later years is heavily reliant of significant developer contributions.

Capital Expenditure (\$,000)

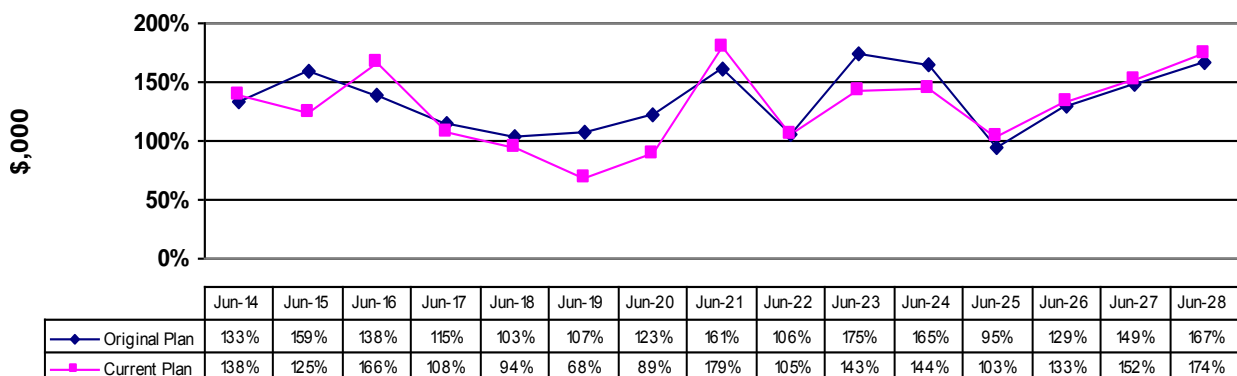


Sustainability Index for Capital Assets

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

Individual capital projects reviewed in the mid year review process were by default flagged as all being 'renewal works' which had a distorting impact on the sustainability ratio. The strategic target is to exceed 95%. There are no asset renewals funding gaps for all major classes of assets in the current plan's draft budget.

Sustainability Index



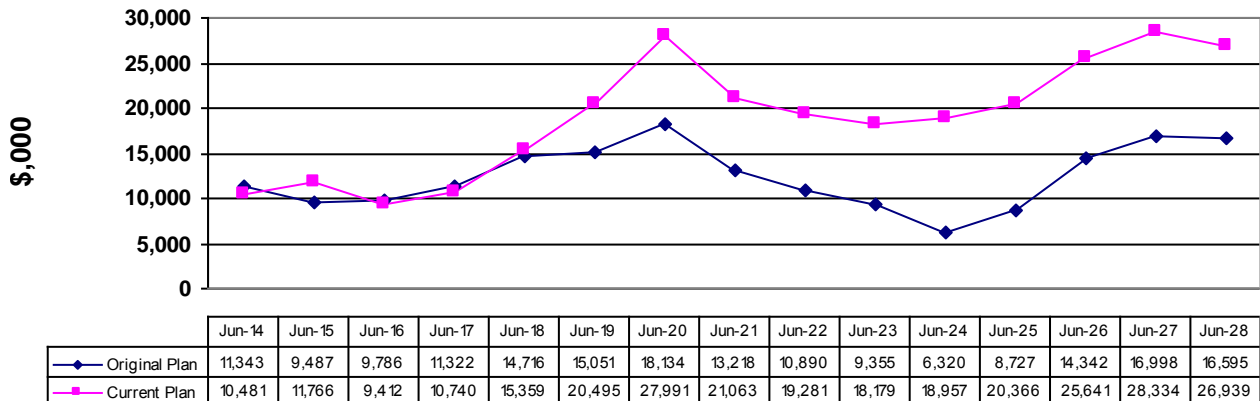
Underlying Liquidity

The current plan's immediate forecast underlying cash position is somewhat weaker than the original plan. The reason is due to the change of mix of accounts receivables and accounts payable at financial year end to budget forecasts. This variation is not unexpected and does not present as a strategic concern.

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.

Longer term, the forecast underlying cash position is significantly stronger than the original plan. This is as a result of the reduced capital works funding requirements in the mid to later years of the Financial Plan identified in the mid year budget review process.

Underlying Liquidity (\$,000)



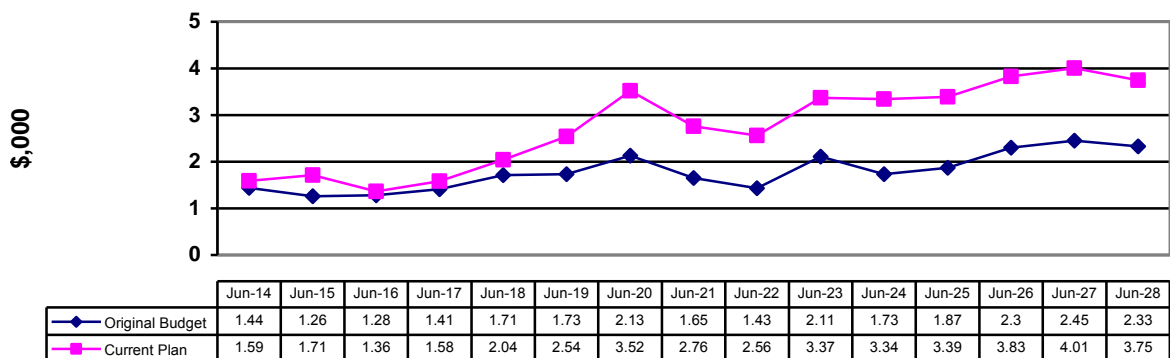
Underlying Working Capital Ratio

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 capitals are projected to be weaker in the immediate years and not achieve the strategic target of 1.50 till 2016/17 and beyond. This means that in the preceding years, it has very limited financial capacity to accommodate unforeseen strategic opportunities or unavoidable costs.

The reduced capital works expenditure requirement in the mid to later years has a positive impact on the ratio. In the later years it will exceed the 1 to 1.50 target. There may be potential to reduce the level of rate income requirements in the mid to later years.

Underlying Working Capital Ratio



Conclusion

The table below shows several key financial performance indicators targets set when the 2013/14 Budget and Long Term Financial Plan was adopted. Ratios coloured red indicate either short term / immediate sustainability concerns, yellow denotes medium risk and green low risk.

2013/14 Original Budget	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
Financial performance															
Underlying result	-9.70%	4.37%	4.95%	6.93%	7.47%	8.01%	8.16%	8.94%	9.34%	22.87%	10.30%	10.67%	11.46%	12.10%	12.9%
Underlying Working Capital	1.44	1.31	1.33	1.46	1.76	1.78	2.18	1.70	1.48	2.16	1.78	1.92	2.35	2.50	2.38
Funding capacity															
Self-financing	16.99%	29.49%	26.94%	30.19%	29.08%	30.12%	30.47%	32.16%	32.86%	33.32%	34.81%	35.17%	35.91%	36.45%	37.10%
Sustainability Index	133%	159%	138%	115%	103%	107%	123%	161%	106%	175%	165%	95%	129%	149%	167%
Borrowing capacity															
Indebtedness	8.27%	6.58%	5.14%	3.74%	2.41%	1.19%	1.26%	1.33%	1.40%	1.23%	1.54%	1.60%	1.67%	1.73%	1.78%
Total Debt as a % of Rate revenue	10.35%	8.17%	6.35%	4.60%	2.96%	1.44%	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	0.37%	0.28%	0.24%	0.18%	0.13%	0.08%	0.03%	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. It correlates very closely with the original plan. The sustainability indicator negative trend does not present as a strategic concern. Individual capital projects reviewed in the mid year review process were by default flagged as all being 'renewal works' which had a distorting impact on the sustainability ratio.

The strengthening underlying liquidity has the effect of restoring financial capacity in the underlying working capital ratio. Longer term the financial plan is financially sustainable.

Proposed Budget	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
Financial performance															
Underlying result	-6.18%	3.93%	5.01%	7.38%	8.11%	8.65%	8.78%	9.61%	10.03%	23.30%	11.13%	11.48%	12.28%	12.99%	13.71%
Underlying Working Capital	1.58	1.70	1.35	1.57	2.02	2.52	3.49	2.73	2.53	3.34	3.31	3.34	3.79	3.96	3.70
Funding capacity															
Self-financing	17.19%	29.41%	27.27%	28.36%	29.43%	30.47%	30.79%	32.50%	33.16%	29.81%	35.09%	35.43%	36.17%	36.71%	37.35%
Sustainability Index	138%	125%	166%	108%	94%	68%	89%	179%	105%	143%	144%	103%	133%	152%	174%
Borrowing capacity															
Indebtedness	9.80%	8.01%	4.99%	3.62%	2.33%	1.13%	1.21%	1.27%	1.35%	1.18%	1.48%	1.55%	1.61%	1.67%	1.73%
Total Debt as a % of Rate revenue	10.35%	8.17%	6.35%	4.60%	2.96%	1.44%	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	0.34%	0.28%	0.24%	0.18%	0.13%	0.07%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%