



AGENDA APPENDIX
Council Meeting
Wednesday 26 June 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.5 FINANCIAL PERFORMANCE REPORT

APPENDIX 1

Financial Performance Report – May 2013

The Financial Performance Report covers the 11 month period from July 2012 to May 2013.

Overview

Income Statement

Annual performance:

- Operating result: \$2.509 million deficit which is \$1.299 million unfavourable compared with the year to date budget projection of 1.210 million deficit.
- Underlying result: \$6.028 million deficit which is \$831,000 unfavourable compared with year to date budget projection of a \$5.197 million underlying deficit.

Balance Sheet

Projected year end result:

- Underlying working capital ratio 1.62 to 1 (original budget 1.52 to 1)

Cash Flow Statement

Projected year end result:

- Cash assets: \$13.464 million (original budget \$9.42 million)

Budgeted carry forwards

\$2.18 million capital projects and \$1.47 million of projects in the Income Statement budgets are being carried forward from 2012/13 to 2013/14. Over the two years this has a net neutral impact on the overall cash position.

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 budgeted carry forwards).

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 31 May 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	28,791	28,774	17		31,601	31,374	(227)	
Operating grants	11,779	10,706	1,073	1	12,252	17,568	5,316	A
Reimbursements	337	302	35		302	377	75	
Contributions	306	300	6		37	316	279	
Interest	700	665	35		844	740	(104)	
User charges	2,051	2,073	(22)		2,689	2,436	(253)	
Statutory fees	409	479	(70)		510	482	(28)	
Net gain / (loss) on disposal of assets	76	74	2		627	356	(271)	
Other income	974	910	64		1,170	981	(189)	
TOTAL REVENUE	45,423	44,283	1,140		50,032	54,630	4,598	
EXPENSES								
Employee costs	18,197	17,689	(508)	2	19,665	19,237	428	
Materials and consumables	22,381	20,708	(1,673)	3	20,462	25,559	(5,097)	B
Depreciation	8,104	8,128	24		9,137	8,744	393	
Other expenses	2,754	2,940	186		2,912	3,118	(206)	
Borrowing cost expenses	15	15	0		24	24	0	
TOTAL EXPENSES	51,451	49,480	(1,971)		52,200	56,682	(4,482)	
UNDERLYING RESULT	(6,028)	(5,197)	(831)		(2,168)	(2,052)	116	
Capital grants/contributions	3,519	3,987	(468)	4	1,636	5,237	3,601	C
Donated / Granted Assets	0	0	0		1,242	1,242	0	
SURPLUS / (DEFICIT)	(2,509)	(1,210)	(1,299)		710	4,427	3,717	

NOTES: MATERIAL VARIATIONS IN YEAR TO DATE FINANCIAL PERFORMANCE

Note 1 Income: Operating grants - \$1.073 million ahead

- \$1.228 million grant received ahead of schedule for Local Government Infrastructure program.
- \$289,000 not yet received for Community projects.
- \$102,000 received ahead of schedule for HACC services.
- \$111,000 received ahead of schedule for Statutory Planning projects.

Note 2 Expenditure: Employee costs - \$508,000 ahead

- \$241,000 ahead in employee oncost application accounts (annual leave and long service leave)
- \$220,000 ahead of year to date budgets in Development directorate departments employee costs (Coal Creek, Information Services, Planning and Environmental Health)

Note 3 Expenditure: Materials and consumables - \$1.67 million ahead

- \$2.28 million ahead of year to date budget for Storm Response / Recovery related expenditure.
- \$452,000 behind in Engineering Services Projects expenditure.
- \$186,000 behind in a number of Strategic Planning and Development Department's programs (Economic Development, Strategic Planning and Tourism)

Note 4 Income: Capital grants and Contributions - \$468,000 behind

- \$468,000 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 - \$5.326 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.
- \$1.25 million Local Government Infrastructure Project grant reclassified as capital income.
- \$2.74 million storm grants carried forward to new financial year.
- \$4.0 million advance payment of ½ of the 2013/14 Victoria Grants Commission allocation.
- \$91,000 additional HACC grants.

Note B Expenditure: Materials and Consumables - \$5.097 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.
- \$1.47 million reduction in expenditure as a result of carrying forward budgets into the 2013/14 financial year.

Note C Income: Capital grants - \$3.601 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.
- \$1.25 million operating grant for Local Government Infrastructure projects reclassified as a capital grant
- \$1.00 million Local Government Infrastructure project grant paid in advance.

South Gippsland Shire Council
BALANCE SHEET
For the Period Ending 31 May 2013

	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
ASSETS					
CURRENT ASSETS					
Cash assets	13,887	9,417	13,464	4,047	1
Receivables	4,798	3,237	3,577	340	
Other financial assets	0	0	0	0	
Assets held for resale	0	0	0	0	
Inventories	432	252	317	65	
Other	0	361	320	(41)	
	19,117	13,267	17,678	4,411	
NON CURRENT ASSETS					
Receivables	-	-	-		
Investments	1,152	932	478	(454)	
Fixed Assets	97,199	137,831	133,962	(3,869)	2
Roads Streets & Bridges	367,719	351,911	339,111	(12,800)	3
	466,070	490,674	473,551	(17,123)	
TOTAL ASSETS	485,187	503,941	491,229	(12,712)	
LIABILITIES					
CURRENT LIABILITIES					
Payables	7,094	3,626	4,955	1,329	4
Prepaid Income	2,588	0	0	0	
Trust funds	529	141	369	228	
Provisions	5,460	4,052	4,913	861	
Interest Bearing Liabilities	161	135	134	(1)	
	15,832	7,954	10,371	2,417	
NON CURRENT LIABILITIES					
Provisions	270	468	271	(197)	
Interest Bearing Liabilities	134	0	0	0	
	404	468	271	(197)	
TOTAL LIABILITIES	16,236	8,422	10,642	2,220	
NET ASSETS	468,951	495,519	480,587	(14,932)	
REPRESENTED BY					
Accumulated Surplus	185,183	193,560	193,147	(413)	
Reserves	283,769	301,959	287,440	(14,519)	
TOTAL EQUITY	468,952	495,519	480,587	(14,932)	

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note 1 Current Assets: Cash Assets \$4.047 million favourable

- \$4.047 million favourable projection predominantly due to receiving \$4.0 million advance payment of ½ of 2013/14 Victoria Grants Commission allocation.

Note 2 Non Current Assets: Fixed Assets \$3.869 million unfavourable

- \$3.869 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 \$10.800 million unfavourable

- \$10.800 million unfavourable projection predominantly due to asset revaluation adjustments made in previous year end being less than anticipated.

Note 4 Current Liabilities: Payables \$1.329 million unfavourable

- \$1.329 million unfavourable projection fluctuates year to year depending level of accounts payable the preceding year.

South Gippsland Shire Council
CASH FLOW STATEMENT
For the Period Ending 31 May 2013

	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
<u>CASH INFLOWS FROM OPERATIONS</u>					
Rates	29,769	31,601	31,374	(227)	
Grants	15,255	13,888	22,700	8,812	1
Statutory fees and fines	407	510	470	(40)	
User fees and other fines	2,288	2,646	2,405	(241)	
Interest received	776	844	740	(104)	
Contributions	351	37	411	374	
Rents	309	327	327	0	
Reimbursements	337	302	387	85	
Other	694	885	696	(189)	
Total Revenue from Operations	50,186	51,040	59,510	8,470	
<u>CASH OUTFLOWS FROM OPERATIONS</u>					
Employee costs	17,691	19,851	24,037	4,186	2
Payments to suppliers	25,233	21,150	26,442	5,292	3
Bad & Doubtful debts	0	1	1	0	
Other	2,346	2,649	2,659	10	
Total Expenses from Operations	45,270	43,651	53,139	9,488	
Net Cash provided by operating activities	4,916	7,389	6,371	(1,018)	
<u>CASHFLOWS FROM INVESTING ACTIVITIES</u>					
Payments for property, equipment & infrastructure assets	(9,309)	(14,867)	(11,379)	3,488	4
Proceeds from sales of property, plant & equipment	686	1,468	1,211	(257)	
Purchase of Investments	0	0	0	0	
Net Cash used in investing activities	(8,623)	(13,399)	(10,168)	3,231	
<u>CASHFLOWS FROM FINANCING ACTIVITIES</u>					
Debt Redemption	(156)	(317)	(317)	-	
Finance costs	(15)	(24)	(24)	-	
Trust Funds	160	-	-	-	
Net Cash provided by by (used in) financing activities	(11)	(341)	(341)	0	
Net increase (decrease) in cash held	(3,718)	(6,351)	(4,138)	2,213	
Cash at beginning of the year	17,602	15,768	17,602	1,834	
Cash at the end of the period	13,884	9,417	13,464	4,047	

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note 1 Cash inflows from operations: Grants \$8.812 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 and advanced payment of ½ of 2013/14 Victoria Grants Commission allocations. Unfavourable projections include reduced Victoria Grants Commission allocations (from previous financial year).

Note 2 Cash outflows from operations: Payment to employee costs \$4.186 million unfavourable

- Relates predominantly to costs associated with paying Council portion of its unfunded defined benefits superannuation obligations ahead of schedule (due date was 1 July 2013).

Note 2 Cash outflows from operations: Payment to suppliers \$3.488 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.

BUDGETED CARRY FORWARDS

Capital budgets carried forward

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$
8004	Office Accomodation	General	Contractors	440,855
9425	Buildings - Korumburra Child Care Hub	General	Contractors	215,756
8314	Civil - Foster Streetscape (Main and Station Street)	General	Contractors	9,625
9510	Recreation - Port Welshpool - Public Jetty Upgrade	General	Contractors	120,864
9515	RECREATION - Leongatha McIndoe Park Rotunda Extension	General	Contractors	42,900
9739	Roads - Anderson St , Leongatha - Entrance (LGIP)	General	Contractors	16,294
9815	Roads - Stony Creek Dollar Road Improvements	General	Contractors	180,000
8050	Plant / Fleet - Plant Purchases	Hino 500 series flocon	Plant Purchases	307,631
8050	Plant / Fleet - Plant Purchases	Jetpatcher - SUY064	Plant Sales - Major Items	(40,000)
1670	Other - CCHV - Capital Projects	General	Contractors	87,179
8568	Waste - Landfill ET Cap	General	Consultancies	24,002
9748	Roads - Kongwak Inverloch Rd, Kongwak (R2R)	General	Contractors	260,000
9790	Roads - 239-Bridge Street, Korumburra (LGIP)	General	Contractors	64,720
9816	Buildings - Sandy Point Neighbourhood Safer Place	Car Park Construction	Contractors	172,155
9816	Buildings - Sandy Point Neighbourhood Safer Place	Vegetation Works	Contractors	18,508
9816	Buildings - Sandy Point Neighbourhood Safer Place	Land Acquisition	Land Purchases	7,326
9816	Buildings - Sandy Point Neighbourhood Safer Place	Building Modifications	Materials	22,500
9816	Buildings - Sandy Point Neighbourhood Safer Place	New Stove	Materials	10,000
8567	Waste - Koonwarra Cell Construction	Design Cell 3 Stage 2	Contractors	20,400

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$
8567	Waste - Koonwarra Cell Construction	Design Rehab Cells 1 and 2	Contractors	4,420
8567	Waste - Koonwarra Cell Construction	Design of Cell 4	Contractors	30,000
8567	Waste - Koonwarra Cell Construction	Road Earthworks	Materials	24,226
8567	Waste - Koonwarra Cell Construction	Survey / Design	Contractors	8,927
9570	Recreation - Venus Bay Footpath - Existing to CBD	General	Contractors	80,000
9814	Roads - Deviation of Koonwarra-Pound Creek Road, Leongatha	Land Acquisition	Contractors	21,000
9577	Recreation - TP Taylor Reserve Redevelopment, Sandy Point	General	Materials	34,250

TOTAL 2,183,538

Operating statement budgets carried forward

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$
2455	Environment	Green Street Lighting Project	Non Recurrent Grant - Federal Gov	- 13,687
2455	Environment	Green Street Lighting Project	Contractors	79,506
3360	Supported Playgroups	General	Materials	4,000
3360	Supported Playgroups	Cook n Book	Materials	5,000
2425	Biodiversity	Jim Harvey Biodiversity Fund	Contractors	100,000
3213	Community Register Project	General	Office Costs	18,000
3290	Aged and Disability Services Management	Minor Capital	Minor Furniture and Equipment	73,916
3290	Aged and Disability Services Management	Improving Liveability for Older People	Materials	10,500
3375	Community Building	Lower Tarwin Communities Project	#N/A	15,011
2115	Sustainability Services	Sustainability Wiki	Contractors	102,115

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$
3365	Early Years Services	Universal Access to Early Childhood Education	Consultancies	10,000
3290	Aged and Disability Services Management	Minor Capital	Minor Furniture and Equipment	25,000
3105	Corporate Services Management	Community Vision Project	Contractors	30,000
2452	Storm Damage 25/05/2012	Milford Road	Contractors	90,000
2452	Storm Damage 25/05/2012	Mirboo Road	Contractors	81,000
2452	Storm Damage 25/05/2012	General	Non Recurrent Grant - State Gov	- 100,121
2453	Storm Damage 03/06/2012	Toora Gunyah Road, Mt Best	Materials	257,000
2453	Storm Damage 03/06/2012	Ross and Witherdons Rd	Materials	120,000
2453	Storm Damage 03/06/2012	Dollar Woorarra West Road	Materials	102,000
2453	Storm Damage 03/06/2012	General	Non Recurrent Grant - State Gov	- 819,079
2454	Severe Rain Event 21 June 2012	LOCH WONTHAGGI ROAD	Materials	90,000
2454	Severe Rain Event 21 June 2012	Pines Rd (Mirboo Nth)	Materials	20,000
2454	Severe Rain Event 21 June 2012	Grandridge Road - Trida	Materials	63,453
2454	Severe Rain Event 21 June 2012	Bena Kongwak Road	External Plant Hire	96,538
2454	Severe Rain Event 21 June 2012	General	Non Recurrent Grant - State Gov	- 990,499
8885	Corner Inlet Tourism - Great Southern Rail Trail	General	Contractors	395,545
8271	Dredging Toora Channel	General	Contractors	56,918
8097	Community Hall Projects	Mt Best Hall	Contractors	158,000
8097	Community Hall Projects	Hedley Hall	Contractors	84,271
2430	Municipal Building	Bushfire Planning Permit Project	Contractors	20,000
2510	Tourism Development and Promotion	Yanakie Information Bay	Consultancies	5,000
3115	Community Services Management	Health and Wellbeing Project	Consultancies	2,000
2455	Environment	Green Street Lighting Project	Contractors	23,607

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$
2425	Biodiversity	Jim Harvey Biodiversity Fund	Contractors	20,000
2425	Biodiversity	Fire Management Planning	Contractors	22,540
2115	Sustainability Services	Sustainability Wiki	Contractors	5,000
2115	Sustainability Services	Sustainability Wiki	Materials	1,747
2410	Strategic Planning	Housing and Settlement Strategy	Consultancies	69,478
2410	Strategic Planning	MSS Review	Consultancies	4,768
2410	Strategic Planning	Eastern Districts Structure Planning	Consultancies	12,286
2410	Strategic Planning	Korumburra Town Centre Framework Plan	Contractors	34,762
2410	Strategic Planning	Port Welshpool Master Plan	Materials	45,185
2410	Strategic Planning	Industrial Land Study - Leongatha	Contractors	22,386
2410	Strategic Planning	Leongatha Traffic Study	Consultancies	140,978
2410	Strategic Planning	Korumburra Traffic Study	Consultancies	110,000
2410	Strategic Planning	Drainage - Functional Design Nyora Sth.	Consultancies	40,000
3375	Community Building	Gippsland Car Pool and Ride Share	Non Recurrent Grant - State Gov	-42500
3105	Corporate Services Management	Community Vision Project	Ordinary Labour - Payroll Use Only	18,740
3105	Corporate Services Management	Community Vision Project	Oncost - Payroll Use Only	4,540
8097	Community Hall Projects	Toora Hall	Contractors	27,229
3290	Aged and Disability Services Management	Projects	Contractors	5,000
3290	Aged and Disability Services Management	Improving Liveability for Older People	Materials	16,495
2454	Severe Rain Event 21 June 2012	Buchanans Road	Materials	56,000
2454	Severe Rain Event 21 June 2012	Canavans Rd	Materials	82,000

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$
2454	Severe Rain Event 21 June 2012	Foster Boolarra Road	Materials	203,000
2454	Severe Rain Event 21 June 2012	Leongatha Yarragon Road	Materials	147,000
2454	Severe Rain Event 21 June 2012	MAIN SOUTH ROAD	Materials	108,000
2454	Severe Rain Event 21 June 2012	Old Canavans	Materials	110,000
			TOTAL	1,479,628

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).

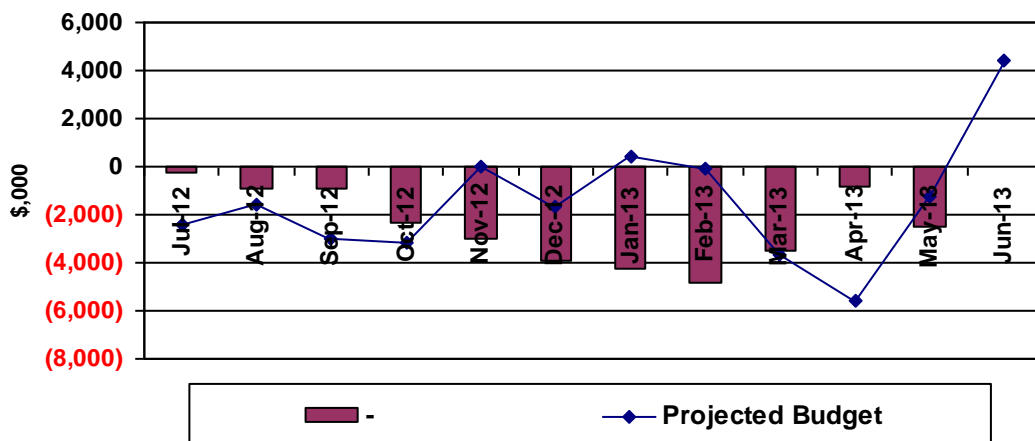
Operating Performance

Operating Budget \$1.21 million Deficit for the period Jul-12 to May-13

Operating Result \$2.51 million Deficit for the period Jul-12 to May-13

The operational result varies by \$1.30 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 \$11.79 million for the period Jul-12 to May-13

Actual Expenditure \$ 9.72 million for the period Jul-12 to May-13

Capital Expenditure \$ 2.07 million behind year to date budgets

The Capital Works Program is running behind year to date budgets. \$2.18 million funding for capital works program is being carried forward from 2012/13 to 2013/14 (for projects that will not be completed by 30 June 2013).

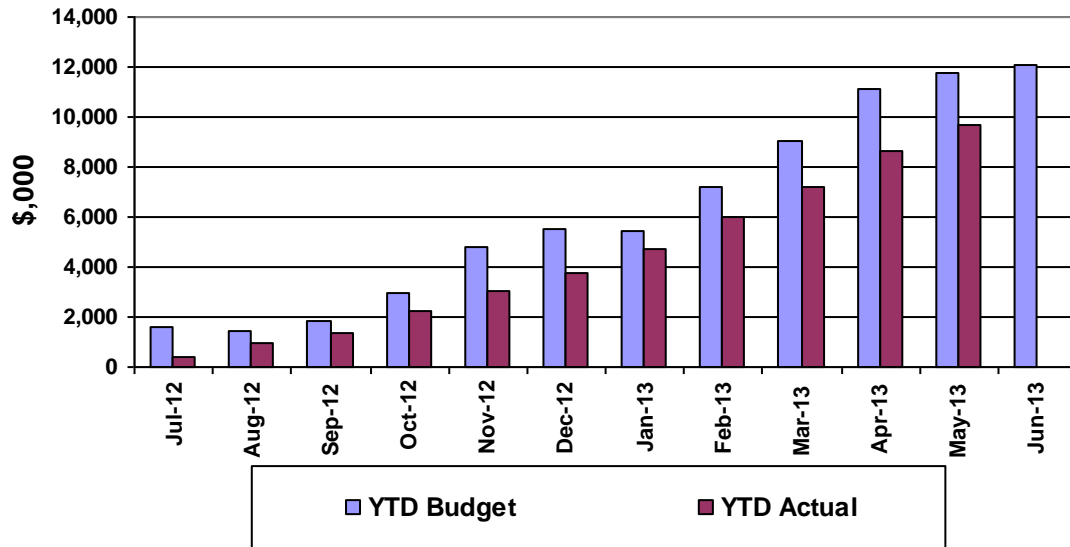
Projects running behind / (ahead) schedule as at 31 May 2013 are detailed in the following table:

Appendix 1 – Financial Performance Report May 2013

Cost Centre	Original Budget	Revised Budget	YTD Budget	YTD Actual	Favourable / (Unfavourable)	Major Variation Explanation
8030 - Information Services	1,270,043	971,905	237,809	341,124	(103,315)	Expenditure on capital works for the Pathway system has been made ahead of schedule. This is a timing issue that will be rectified in June.
8045 - InfoTech - Asset Management	88,121	85,141	0	20,984	(20,984)	Conquest licence paid earlier than anticipated.
8050 - Plant / Fleet - Plant Purchases	2,571,610	2,558,607	2,250,976	1,490,979	759,997	Income & Expenditure: Waiting on delivery of a number of plant items. Carry forward arranged.
8157 - Roads - Stabilisation Program	0	656,600	492,450	377,456	114,994	Program nearing completion.
8567 - Waste - Koonwarra Cell Construction - (LGIP - Partial funding 13/14)	95,400	196,400	146,000	101,234	44,766	Expenditure: Only minor remedial works are required, majority of funds will not be spent this fin. year. This is in the process of being adjusted.
8568 - Waste - Landfill ET Cap	0	24,688	24,688	686	24,002	Expenditure: Costs to date have been allocated against cost code 8567-Koonwarra Landfill cell 3, therefore outstanding monies will not be spent.
8772 - Roads - Reseals (Partially funded R2R)	1,611,913	1,002,639	983,244	1,041,627	(58,383)	Budget adjusted back from Routine Maintenance
8774 - Roads - Reseal Preparation	696,595	696,595	643,658	554,666	88,992	Works are currently underway for preparation for next years Reseal Program. This budget will be fully expended by the end of the financial year.
9425 - Buildings - Child Care Hub - Korumburra	265,614	297,000	130,000	42,761	87,239	Expenditure: Architectural works have begun but are in the early stages, therefore invoicing is lagging. Property settlement for 22 Princes St. will occur next month.

Cost Centre	Original Budget	Revised Budget	YTD Budget	YTD Actual	Favourable / (Unfavourable)	Major Variation Explanation
9510 - Recreation - Public Jetty Upgrade - Port Welshpool	0	75,000	75,000	(74,313)	149,313	Expenditure: Contract awarded during April. Works on-site set to commence mid June. Budget carry forward.
9570 - Recreation - Footpath Existing to CBD - Venus Bay	331,010	335,743	335,743	221,432	114,311	Income: Cannot raise invoice for remaining funds until further expenditure occurs. 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 June/July. Budget carry forward to complete next financial year.
9575 - Bridge - Major Repairs Bridges	222,600	178,772	178,772	157,783	20,989	Expenditure: Program lagging behind original schedule. Expect program completion during June.
9666 - Drainage - Sealed Road Drainage Program (CRandB)	0	0	0	(31,050)	31,050	Reversal of purchase order from 2011/2012
9748 - Roads - Kongwak Inverloch Rd - Kongwak (R2R)	614,000	667,379	667,379	254,667	412,712	Expenditure: Works progressing slowly due to poor road material conditions, contract claims are lagging seasonalized budget figures. Project to be completed during 2013/14 financial year.
9764 - Roads - Lower Franklin Road Rehabilitation - Foster (LGIP)	0	222,509	222,509	1,295	221,214	Expenditure: Project behind schedule. Budget carry forward.
9790 - Roads - Bridge Street (ID 239) - Korumburra	194,400	65,811	65,811	1,091	64,720	Expenditure: Project behind original schedule due to change in scope of works. Budget carry forward.
9816 - Buildings - Neighbourhood Safer Place - Sandy Point	0	515,183	341,028	281,519	59,510	Expenditure: Land purchase completed. Vegetation removal delayed due to public consultation period. Budget carry forward.

Capital Performance (\$'000)



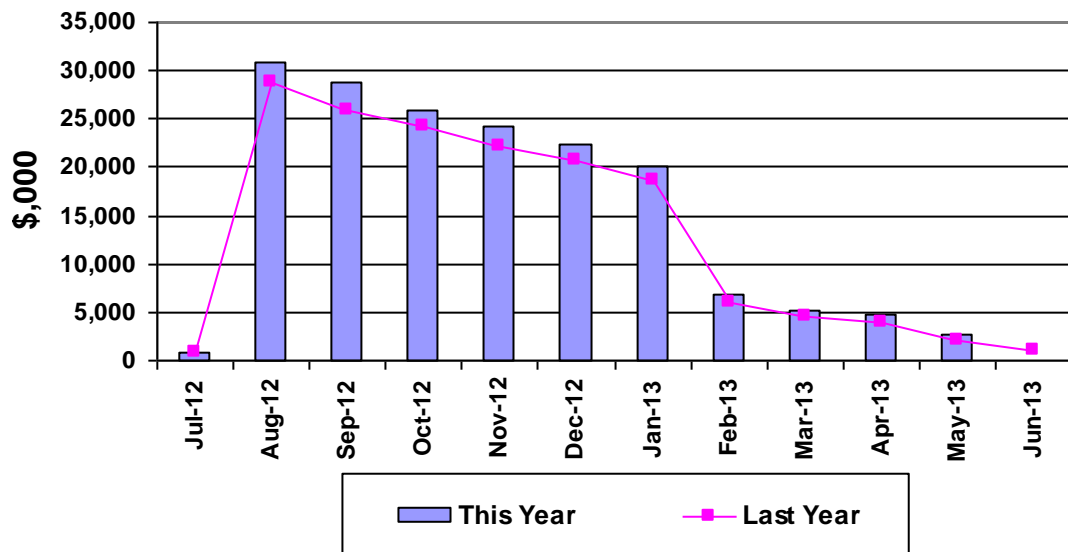
Rate Debtors

Outstanding 12/13 \$2.63 million as at May-13

Outstanding 11/12 \$2.09 million as at May-12

The outstanding rates as at 31 May 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)



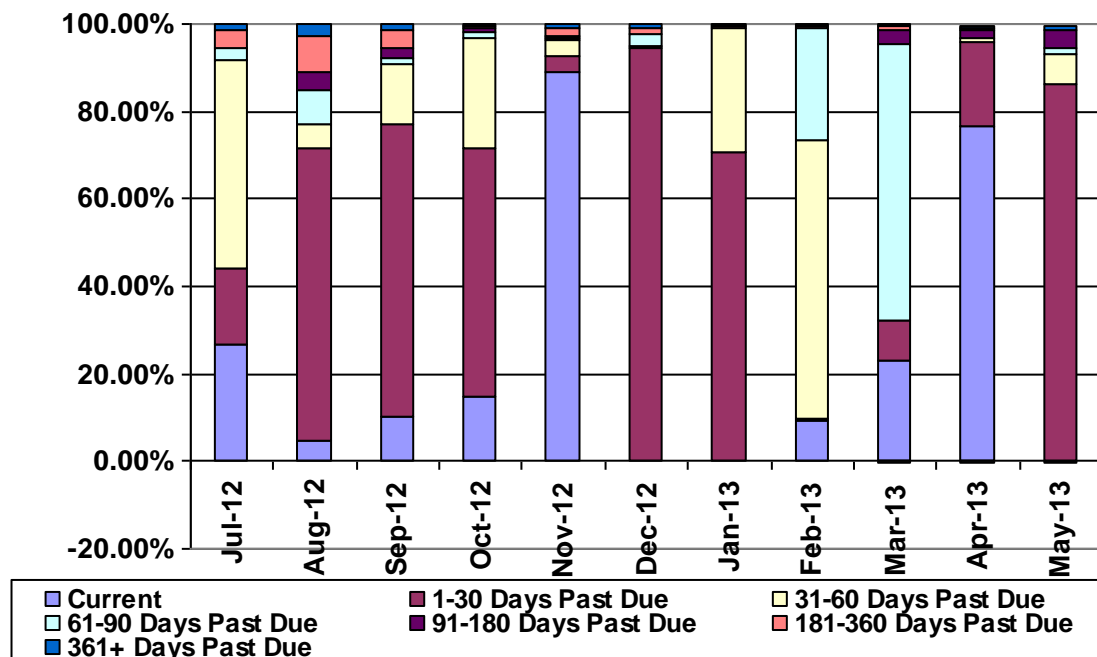
Other Sundry Debtors

Outstanding 12/13 \$ 1.45 million as at May-13

Outstanding 11/12 \$ 2.07 million as at May-12

The majority of Sundry Debtors (82%) is either current or less than 60 days past due when you take into account an invoice outstanding for \$1,115,603 with Vic Roads and \$58,100 with the Department of Sustainability and Environment.

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 receiving in advance \$4 million Victoria Grants Commission funds and carrying forward net \$3.66 million budgets from 2012/13 to 2013/14 has had a favourable impact on the financial KSA.

Target	Current Status
>98%	99.51%

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 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 'Prepared 2013/14 budget' (with updated budget carry forwards and other budget adjustments) that Council considered at its meeting held on 24 April 2013.

The lines in the following graphs are as follows

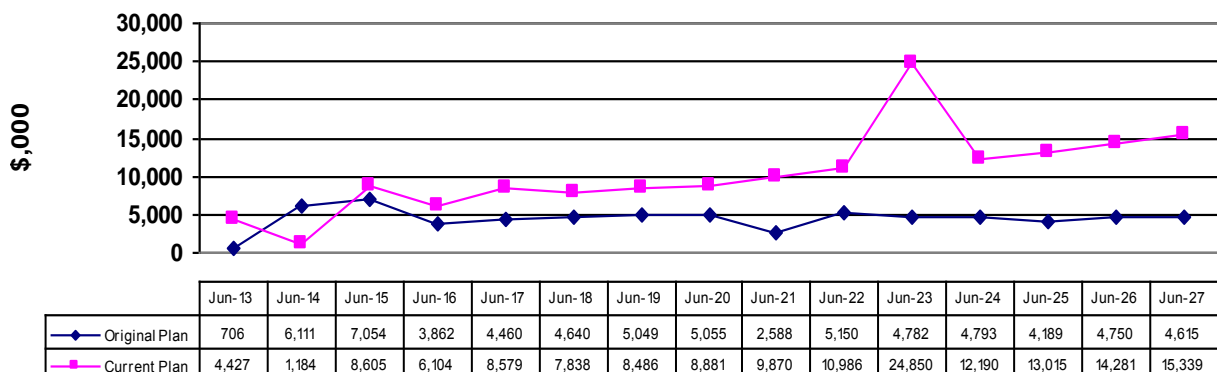
- Original plan – Blue line – 2012/13 original 2012/13 Budget and Long Term Financial Plan
- Current Plan – Purple line - 2013/14 Budget and Long Term Financial Plan

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 detrimental impact on 2013/14 of receiving ½ VGC allocations in advance in 2012/13 is very evident. 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)

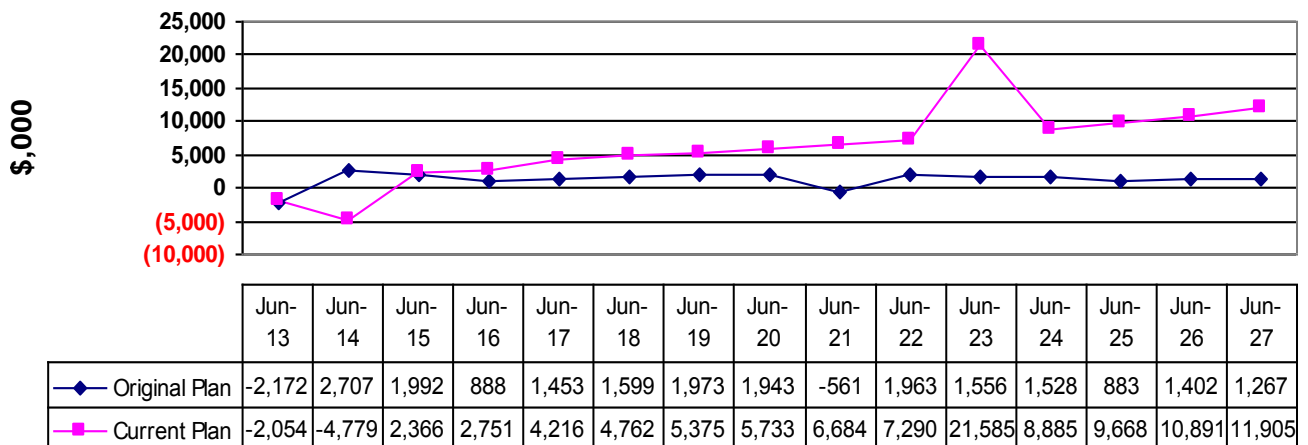


Operating Result before Capital Funding

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)

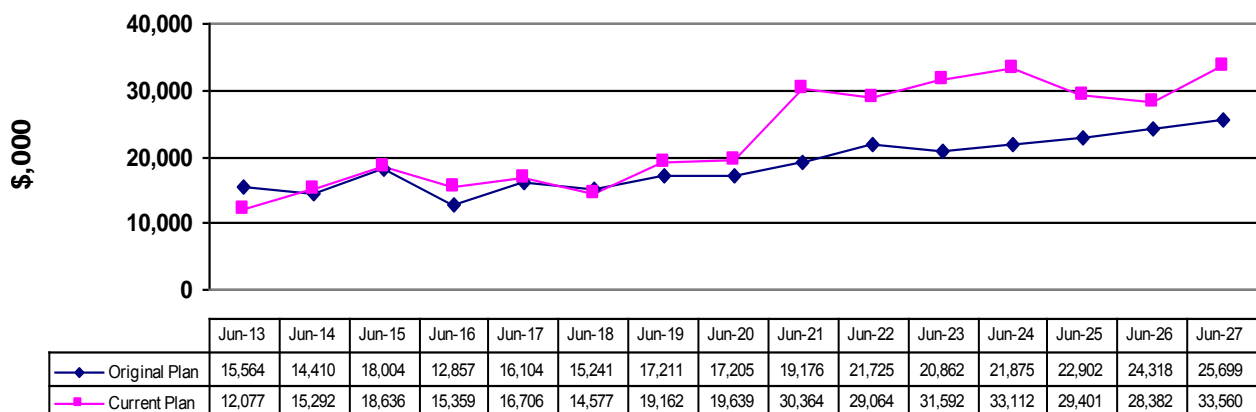


Capital Expenditure

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.

The current capital works program varies significantly with the original plan, particularly in the mid to later years. The expenditure in later years is heavily reliant of significant developer contributions.

Capital Expenditure (\$,000)

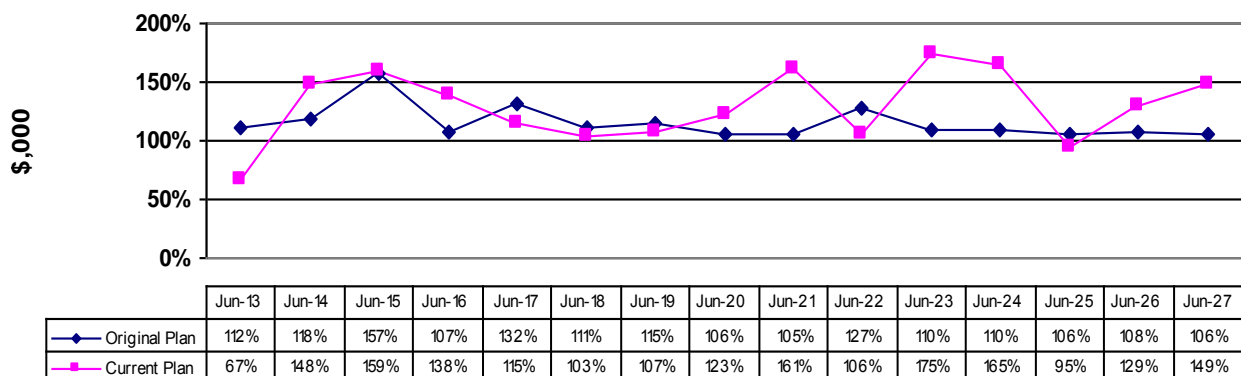


Sustainability Index for Capital Assets

The sustainability index expresses as a percentage the amount of expenditure incurred on capital renewal infrastructure works relative to the amount of depreciation on infrastructure assets that is expensed to the Income Statement. The impact of carrying forward significant amounts of capital renewal expenditure from 2012/13 to 2013/14 is evident in the sustainability indicator in those two years.

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

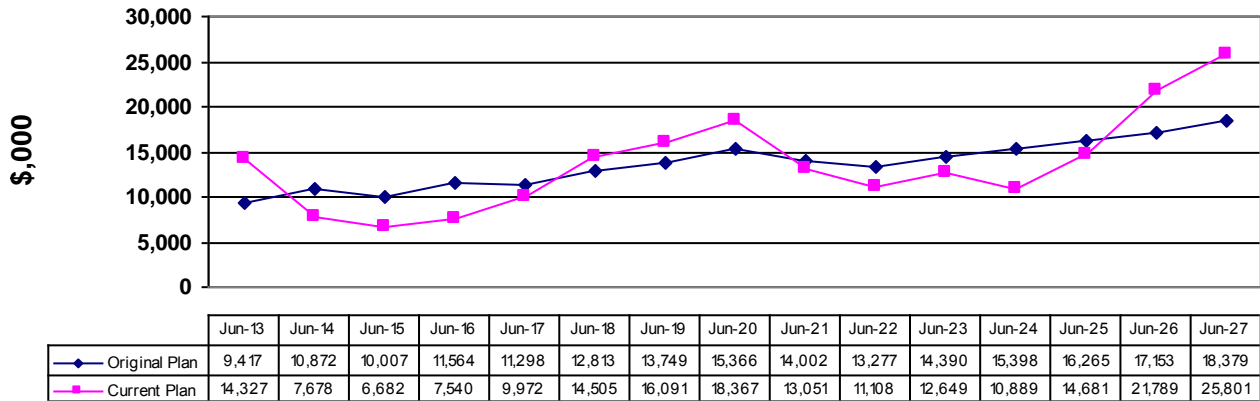


Underlying Liquidity

The current plan's forecast underlying cash position in the immediate years is somewhat weaker than the previous year's plan. It improves significantly 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)

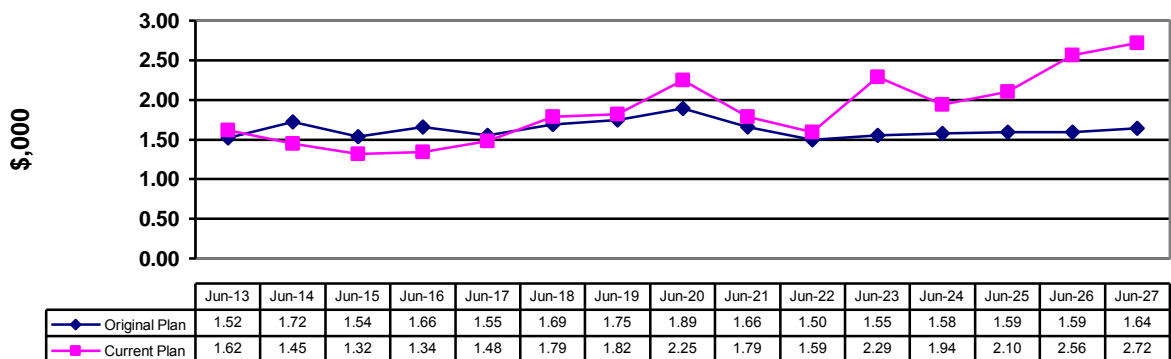


Underlying Working Capital Ratio

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 underlying working capital is projected to somewhat weaker in the immediate years and not achieve the strategic target of 1.50 till 2017/18. This means that in the preceding years, it has very limited financial capacity to accommodate unforeseen strategic opportunities or unavoidable costs. 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.

2012/13 Original Budget	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
Financial performance															
Underlying result	-4.34%	5.27%	3.80%	1.67%	2.59%	2.74%	3.22%	3.86%	-0.87%	2.83%	2.16%	2.03%	1.13%	1.72%	1.49%
Underlying Working Capital	1.52	1.64	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
Funding capacity															
Self-financing	15.63%	27.81%	28.87%	24.83%	25.95%	26.21%	27.23%	27.26%	25.59%	27.94%	28.13%	28.19%	28.17%	28.79%	29.64%
Sustainability Index	112%	110%	157%	107%	132%	111%	115%	106%	105%	127%	110%	110%	106%	108%	106%
Borrowing capacity															
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	0.65%	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.

The underlying result for 2012/13 is impacted by a series of unavoidable cost events brought to account in that year. The sustainability indicator is significantly below the strategic target as a result of reduced expenditure being incurred on capital renewal works. Projects that will not be completed by 30 June 2013 have had their budgets carried forward into 2013/14.

The underlying operating result in 2013/14 is adversely impacted by having to recognise ½ Victoria Grants commission allocation income (\$4 million) in 2012/13.

The underlying working capital ratio in the immediate years indicates that Council in those years has less financial capacity to accommodate unforeseen strategic opportunities or unavoidable cost events that may arise in that period of time.

Longer term the financial plan is financially sustainable.

Proposed Budget	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
Financial performance																
Underlying result	-3.76%	9.71%	4.36%	4.94%	7.05%	7.69%	8.15%	8.32%	9.18%	9.51%	22.97%	10.45%	10.87%	11.66%	12.15%	12.96%
Underlying Working Capital	1.62	1.45	1.32	1.34	1.48	1.79	1.82	2.25	1.79	1.59	2.29	1.94	2.10	2.56	2.72	2.61
Funding capacity																
Self-financing	11.81%	16.98%	29.44%	26.89%	30.25%	29.16%	30.20%	30.55%	32.25%	32.95%	33.40%	34.90%	35.26%	36.01%	36.40%	37.07%
Sustainability Index	79%	148%	159%	138%	115%	103%	107%	123%	161%	106%	175%	165%	93%	129%	149%	167%
Borrowing capacity																
Indebtedness	0.73%	0.22%	0.55%	0.11%	0.72%	2.40%	1.18%	1.26%	1.32%	1.40%	1.22%	1.53%	1.59%	1.66%	1.72%	1.77%
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%	0.00%
Debt servicing costs as a % of Total revenue	0.64%	0.36%	0.28%	0.24%	0.18%	0.13%	0.08%	0.07%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%