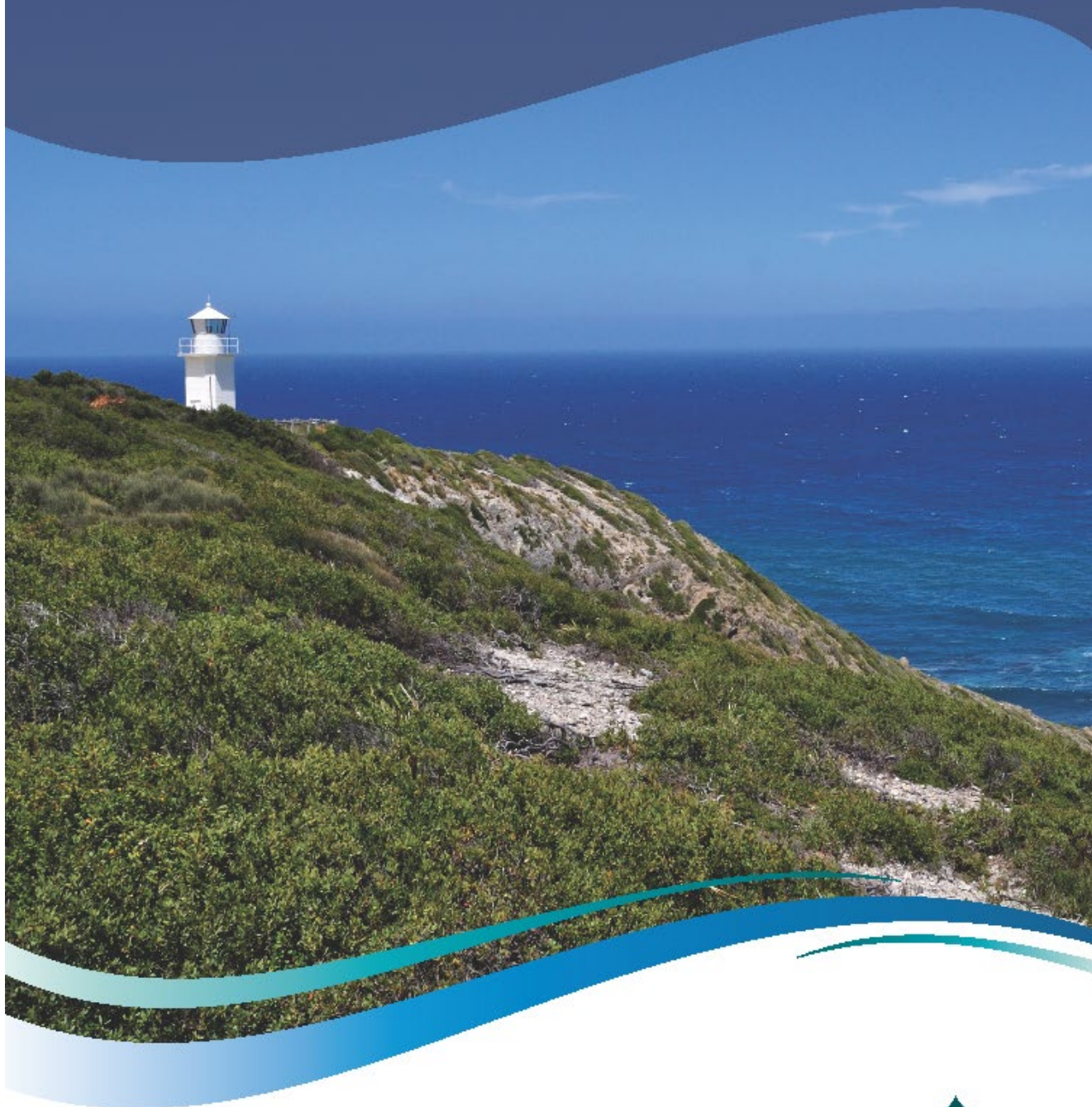


SOUTH GIPPSLAND SHIRE COUNCIL

Financial Performance Report

December 2020



*South Gippsland
Shire Council*

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Section 1 – Financial Performance Statement

For the period 1 July 2020 to 31 December 2020

	Note	YTD ACTUAL \$'000	YTD FORECAST \$'000	YTD VARIANCE \$'000	ANNUAL FORECAST \$'000	ANNUAL ADJUSTED BUDGET \$'000	ANNUAL ORIGINAL BUDGET \$'000
INCOME							
Rates and charges	A1	22,682	22,670	12	45,252	45,252	45,252
Statutory fees and fines		552	455	97	960	960	960
User fees		1,448	1,680	(232)	4,251	4,387	4,387
Grants - operating		4,143	3,757	386	7,836	7,122	7,862
Grants - capital		2,789	4,767	(1,978)	15,631	9,989	9,617
Contributions - monetary		836	808	28	1,034	982	896
Contributions - non-monetary		1,819	1,819	0	1,819	404	404
Net gain/(loss) on disposal of property, infrastructure, plant and equipment		22	310	(288)	681	471	257
Other income		822	816	6	1,728	1,771	1,771
Total Income		35,113	37,082	(1,969)	79,192	71,338	71,406
EXPENSES							
Employee costs	A2	12,740	12,906	166	26,807	26,330	26,330
Materials and consumables		11,037	13,302	2,265	24,808	24,223	23,475
Depreciation		6,352	6,608	256	13,219	12,229	12,229
Borrowing costs		6	3	(3)	14	37	37
Other expenses		2,021	1,795	(226)	2,854	2,864	2,864
Total Expenses		32,156	34,614	2,458	67,702	65,683	64,935
Net Surplus / (Deficit)		2,957	2,468	489	11,490	5,655	6,471

1.1 Overview

The surplus as at 31 December 2020 is favourable to forecast by \$0.489 million. This is largely due to lower expenditure across the organisation in:

- Materials and consumables are underspent across all areas, mainly in Sustainable Infrastructure (\$1.023 million) and Economic and Community Development (\$0.788 million).

Partly offsetting this favourable variance is lower Capital Grants than forecast (\$1.978 million) due to timing of recognition of income and will resolve during the financial year.

Capital works expenditure is tracking at \$12.8 million as compared to the year to date Adjusted Budget of \$16.6 million, mainly due to delayed works on the Korumburra Community Hub (\$2.5 million) and timing of plant and fleet purchases (\$0.815 million).

The Local Government Act 2020 requires that the second quarterly report of a financial year must include a statement by the CEO as to whether a revised budget is required. There is no indication that a revised budget will need to be adopted for the 2020/21 financial year.

1.2 Budget Information

- The Annual Original Budget referred to in the report is the budget adopted by Council at the meeting on 24 June 2020
- The Amended Budget is the Annual Original Budget plus carry forwards from the 2019/20 financial year
- The Annual Forecast includes any adjustments identified since the adoption of the budget (inclusive of carry forwards).
- The Year to Date Forecast represents the phased Annual Forecast to December 31 2020.

1.3 Annual Forecast

The November 2020 Monthly Financial Performance report detailed changes to the year-end forecast for 2020/21. These included:

- **Favourable – Grants – operating \$0.714 million:** Increase in forecast due to two new grants received in economic development (\$0.366 million), an increase in funding advised for Child and Maternal Health (\$0.202 million), HACC – Assessment funding being extended beyond 31 March 2021 (\$0.066 million) and from notifications of various storm event claims being accepted (\$0.071 million).
- **Favourable – Grants – capital \$5.6 million:** Due largely to new grants for the Foster Indoor Stadium Redevelopment project (\$2 million) and for the August 2019 Flood Event (\$3.4M).
- **Favourable – Contributions – non-monetary \$1.4 million:** Due to updating forecast based on assets handed over already during first quarter 2020/21.
- **Favourable – Net gain/(loss) on disposal of property, infrastructure, plant and equipment \$0.211 million:** Increase in projected proceeds on disposal as a result of setting detailed plant replacement program
- **Unfavourable – Depreciation (\$0.990 million):** Updated forecast to reflect valuation done as of 30 June 2020 and current capital works program.
- **Unfavourable - Capital Expense (\$5.3 million):** Due to the addition of new grant funded projects including the Foster Indoor Stadium redevelopment project and the August 2019 Flood Events

	Annual Original Budget (\$'000)	Annual Adjusted Budget (\$'000)	Annual Forecast (\$'000)	Variance Forecast to Adjusted Budget FAV/ (UNFAV) (\$'000)
Operating Income	71.4	71.3	79.2	7.9
Operating Expense	64.9	65.7	67.7	(2.0)
Operating Surplus	6.5	5.6	11.5	5.9
Capital Expense	39.6	42.3	47.6	(5.3)

1.4 Notes to the Financial Performance Statement

A1. Operating Income

The chart below shows the categories of operating income against their respective year to date forecasts.



Income for the period ended 31 December 2020 is unfavourable against budget. This is primarily due to the following:

Grants – capital (\$2.0 million unfavourable): Due to the accounting recognition of grant income. This should largely correct itself over the financial year as the various related capital works projects are completed.

Net gain/(loss) on disposal of property, infrastructure, plant and equipment (\$0.288 million unfavourable) : Plant sales have been delayed due to the delayed arrival of new plant.

User fees (\$0.232 million unfavourable): Reduced income due to the closure of facilities such as Coal Creek and the caravan due to COVID-19.

These unfavourable variances are partly offset by favourable variances in:

Grants – operating (\$0.386 million favourable): Due to receiving a number of grants that were not budgeted for or earlier than expected, including Valuations (↑\$164K that was not expected until February), Storm Event – 30 January 2019 (\$156K) and Flood Event – August 2019 (\$126K)

A2. Operating Expenses

The chart below shows the categories of operating expenses against their respective year to date forecasts.



Operating expenses for the period ended 31 December 2020 is favourable against budget. This is primarily due to the following:

Materials and consumables (\$2.3 million favourable): Overall underspend is due to timing of expenses across a number of areas. Major variances include:

- Favourable – Plant Purchases \$793K
- Favourable – COVID-19 Costs \$745K reclassified as other expenses (\$537K)
- Favourable – Re-sheets \$278K: Behind schedule, program is underway and will align later in the year
- Favourable – Economic Development \$248K
- Favourable – Footpaths Renewal \$102K
- Favourable – Federal Blackspots Program \$110K
- Favourable – Strategic Planning \$118K: Due to various projects not yet started

These favourable variances are partly offset by unfavourable variances in:

Unfavourable – Other Expenses \$226K: Largely due to the timing of Grants expenses (\$295K) and fees & charges of \$59K that need to be profiled across the year.

1.5 Capital Works Statement

As at 31 December 2020

	Note	YTD ACTUAL \$'000	YTD FORECAST \$'000	YTD Variance \$'000	ANNUAL FORECAST \$'000	ANNUAL ADJUSTED BUDGET \$'000	ANNUAL ORIGINAL BUDGET \$'000
Property	D 1						
Buildings		451	3,152	(2,701)	8,982	7,482	7,031
Total Property		451	3,152	(2,701)	8,982	7,482	7,031
Plant and equipment	D2						
Plant, machinery and equipment		798	1,613	(815)	3,868	3,778	3,659
Computers and telecommunications		504	855	(351)	2,242	2,277	763
Total Plant and Equipment		1,302	2,468	(1,166)	6,110	6,055	4,422
Infrastructure	D3						
Roads		3,198	2,030	1,168	14,227	10,600	10,325
Bridges		420	444	(24)	968	968	974
Major culverts		17	194	(177)	686	686	686
Footpaths and cycleways		913	1,048	(135)	4,131	4,131	4,053
Drainage		24	0	24	108	108	86
Land stabilisation		28	0	28	0	0	0
Waste		20	0	20	82	0	0
Other infrastructure		6,406	7,197	(791)	12,300	12,300	12,052
Total Infrastructure		11,026	10,913	113	32,502	28,793	28,176
Total Capital Works Expenditure		12,779	16,533	(3,754)	47,594	42,330	39,629

Notes to the Capital Works Statement

D1. Property

- **Under budget – Buildings (\$2.7M):** Due to Community Hub – Korumburra (↓\$2.5M) behind schedule due to pending VAT appeal. Profiling needs to occur when schedule is known. The Leongatha Hub Options Investigation has a budget of \$100K however no spent to date.

D2. Plant and Equipment

- **Under budget – Plant, machinery and equipment (\$815K):** Due to Plant purchases being (\$739K) under budget and Fleet purchases being (\$76K) under budget. Slower purchases than planned.
- **Under budget – Computers and telecommunications (\$351K):** Due to slower purchases than originally planned.

D3. Infrastructure

- **Over budget – Roads \$1.2M:** Due to Flood Event – August 2019 (↑\$932K) as works have started on landslip repairs but were not profiled until later in the year. The Sealed Rehabilitation Program is over budget by \$387K.
- **Under budget – Major culverts (\$177K):** Project has started however behind budget
- **Under Budget – Footpaths and cycleways (\$135K):** Due to the footpaths Renewal project being behind budget by (\$100K) and the Great Southern Rail Trial being behind budget by (\$41K).
- **Under budget – Other infrastructure (\$791K):** Due to a number of projects including Venus Bay Activity Centre (↓\$309K delay due to cultural heritage study and additional community consultation), Yanakie Caravan Park (↓\$259K due to project not yet commencing) and Business Precinct Project – Bair Street (↓\$458K due to electrical works previously being delayed). These have been offset by Mirboo North Pool Refurbishment being over budget by \$210K due to being ahead of schedule.

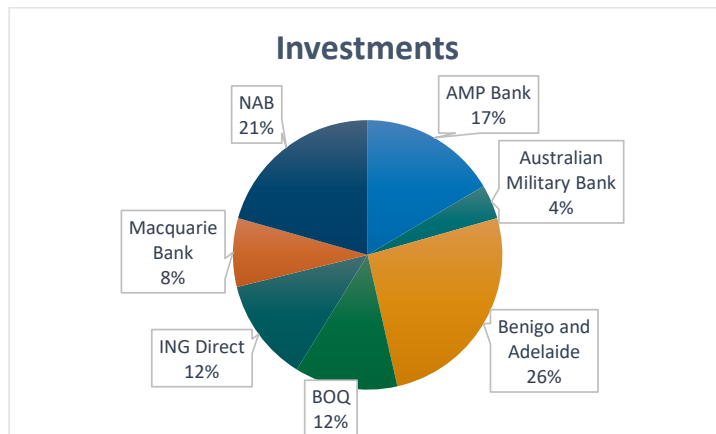
1.6 Treasury

1.6.1 Cash Position

Cash and investment holdings total \$32.403 million which has increased by \$6.652 million since 30 June 2020. Total cash and investment holdings are made up of operating cash (\$13.217 million) and restricted cash (\$19.186 million). Total cash flows for the period ended 31 December was a positive result of \$0.300 million.

Restricted cash includes:

- Carry forward projects \$18.054 million
- Trust funds and deposits \$0.859 million
- Reserves \$0.273 million

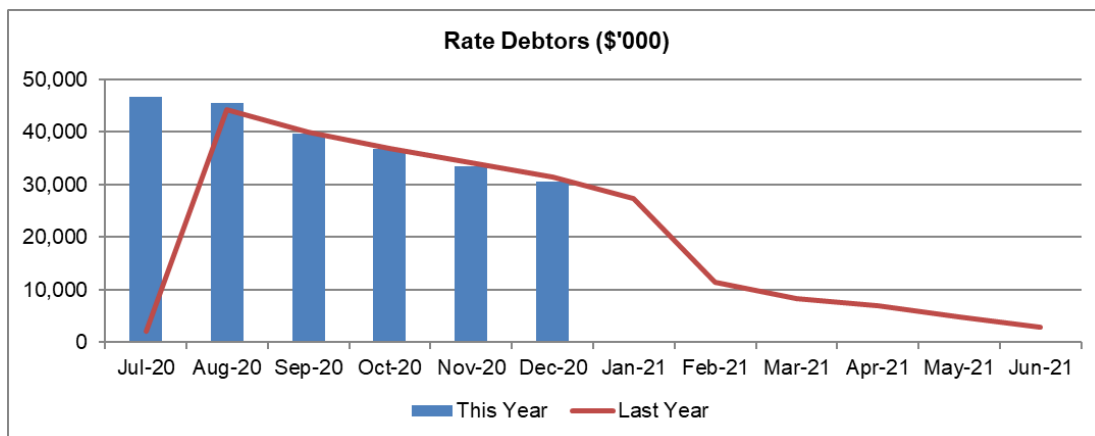


The average current interest rate on the term-deposits held is 0.87%.

1.6.2 Debtors

Rates Debtors

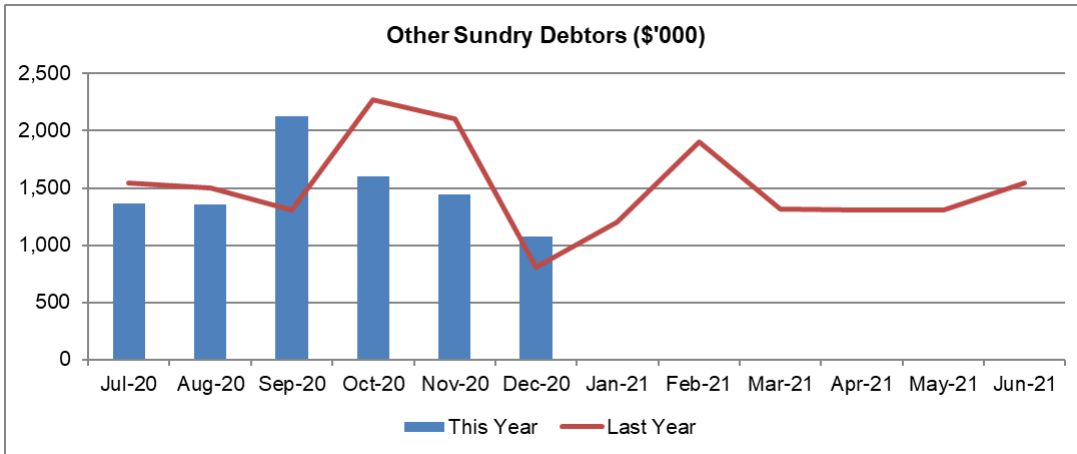
The outstanding rates balance as at December 2020 is \$30.5 million as compared to December 2019 (\$31.5 million) which is a decrease of \$1.0 million (3%).



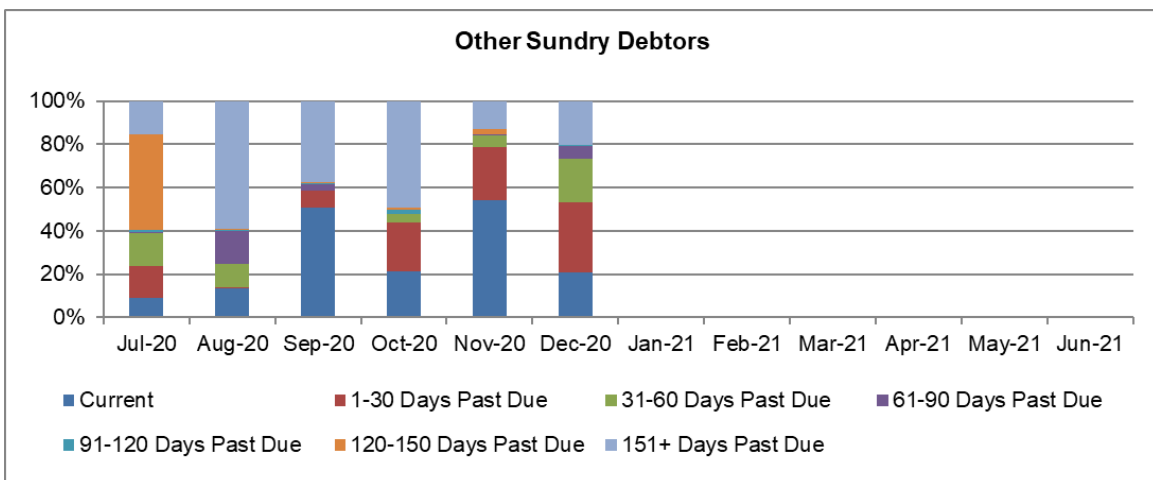
Other Sundry Debtors

The outstanding other sundry debtors balance as at December 2020 is \$1.1 million as compared to December 2019 which was \$0.8 million.

The outstanding other sundry debtors balance has increased \$0.3M (34%) from the same period last year due to an invoice owing from Department of Infrastructure and Regional Development for \$0.2M and an invoicing owing to the State Revenue Office of \$0.18M.



Approximately 21% of other sundry debtors outstanding are current. The largest invoices outstanding greater than 151 Days Past Due are Ausnet \$29K, Vic Roads \$14K, NBN \$12K, Veolia \$11K & Department of Transport \$8K. Former Caravan Park permit holders make up a large proportion of the remaining outstanding balances greater than 151 Days Past Due, these balances have been allowed for in the provision for doubtful debts.



Section 2 – Financial Statements

2.1 Balance Sheet

As at 31 December 2020

	Notes	YTD Actual December 2020 \$'000	YTD Actual December 2019 \$'000	Year over Year Variance \$'000	%	Original Budget June 2021 \$'000
Current Assets						
Cash and cash equivalents	B 1	8,124	4,475	3,649	82%	8,192
Trade and other receivables		35,885	36,492	(607)	-2%	5,518
Other financial assets		24,279	21,276	3,003	14%	7,273
Inventories		188	223	(35)	-16%	240
Other assets		10	0	10	100%	58
Total Current Assets		68,486	62,466	6,020	10%	21,281
Non-Current Assets						
Investments in associates and joint ventures	B 2	1,542	1,359	183	13%	1,358
Property, infrastructure, plant and Right-of-use-assets		564,489	552,085	12,404	2%	586,083
Investment property		132	211	(79)	-37%	80
		619	586	33	6%	587
Total Non-Current Assets		566,782	554,241	12,541	2%	588,108
TOTAL ASSETS		635,268	616,707	18,561	3%	609,389
Current Liabilities						
Trade and other payables	B 3	8,745	5,475	(3,270)	-60%	5,652
Trust funds and deposits		859	843	(16)	-2%	1,025
Provisions		6,297	6,071	(226)	-4%	5,976
Interest-bearing loans and borrowings		347	0	(347)	100%	350
Lease liabilities		60	57	(3)	-5%	83
Unearned rates revenue		22,391	21,704	(687)	-3%	0
Total Current Liabilities		38,699	34,150	(4,549)	100%	13,086
Non-Current Liabilities						
Provisions	B 4	4,473	3,770	(703)	-19%	3,799
Interest-bearing loans and borrowings		3,224	0	(3,224)	100%	2,935
Lease liabilities		79	156	77	49%	0
Total Non-Current Liabilities		7,776	3,926	(3,850)	-98%	6,734
TOTAL LIABILITIES		46,475	38,076	(8,399)	-22%	19,820
NET ASSETS		588,793	578,631	10,162	2%	589,569
Equity						
Accumulated Surplus		230,544	228,854	1,690	1%	241,110
Asset Revaluation Reserve		357,976	348,149	9,827	3%	348,149
Other Reserves	B 5	273	1,628	(1,355)	-83%	310
TOTAL EQUITY		588,793	578,631	10,162	2%	589,569

2.2 Cash Flow Statement

As at 31 December 2020

	Notes	YTD Actual \$'000	Annual Forecast \$'000	Annual Original Budget \$'000	Full Year Forecast Variance \$'000	%
CASH FLOWS FROM OPERATING ACTIVITIES	C1					
Rates and charges		17,041	45,252	45,252	0	0%
Statutory fees and fines		552	960	960	0	0%
User fees		1,949	4,251	4,387	(136)	-3%
Grants - operating		6,035	7,836	7,862	(26)	0%
Grants - capital		2,789	15,632	9,617	6,015	63%
Contributions - monetary		836	1,034	896	138	15%
Interest received		274	550	550	0	0%
Other receipts		618	1,179	1,221	(42)	-3%
Employee costs		(14,115)	(26,699)	(26,223)	(476)	2%
Materials and services		(10,556)	(24,808)	(23,475)	(1,333)	6%
Other payments		(2,021)	(2,856)	(2,864)	8	0%
Net cash provided by (used in) operating activities		3,402	22,331	18,183	4,148	23%
CASH FLOWS FROM INVESTING ACTIVITIES	C2					
Payments for property, infrastructure, plant & equipment		(12,780)	(47,594)	(39,629)	(7,965)	20%
Proceeds from sale of property, infrastructure, plant & equipment		276	1,328	904	424	47%
Payments for / from Other Financial Assets		6,721	14,000	5,000	9,000	180%
Net cash provided by (used in) investing activities		(5,783)	(32,266)	(33,725)	1,459	-4%
CASHFLOWS FROM FINANCING ACTIVITIES	C3					
Finance costs		(2)	(14)	(37)	23	-62%
Proceeds from borrowings		2,788	2,788	3,600	(812)	-23%
Repayment of borrowings		(29)	(146)	(315)	169	-54%
Repayment of leases		(44)	(87)	(87)	0	0%
Net cash provided by (used in) financing activities		2,713	2,541	3,161	(620)	-20%
Net increase (decrease) in cash and cash equivalents		332	(7,394)	(12,381)	4,987	-40%
Cash and cash equivalents at the beginning of the financial year	C4	7,792	7,792	20,573	(12,781)	-62%
Cash and cash equivalents at the end of the period		8,124	398	8,192	(7,794)	-95%

2.3 Notes to the Financial Statements

Balance Sheet

Council's net assets are valued at \$578.793 million at the end of December 2020.

Year over Year Variances

B.1 Current Assets

- **Favourable – Cash and cash equivalents (\$3.6M):** Higher cash inflows compared to same period in 2019-20.
- **Favourable – Other financial assets \$3M:** Due to investment of unneeded cash through-out the year.

B.2 Non- Current Assets

- **Favourable – Investments in associates and joint ventures \$183K:** Due to recognizing Council's portion of West Gippsland Regional Library's income for the year-ended 30 June 2020.

B.3 Current Liabilities

- **Unfavourable – Trade and other payables (\$3.3M):** Made up of higher unearned grant revenue by \$2.8M. The unearned grant revenue should correct itself by the end of the year as the various capital projects are completed. Invoices Pending was \$500K higher this year than last year.
- **Unfavourable – Current Interest-bearing loans and borrowings \$(347K):** Made up of the current portion of the Mirboo North Pool loan, construction drawings were converted to a loan in November 2020. Payments begin December 2020.

B.4 Non-current Liabilities

- **Unfavourable – Non-Current Provisions (\$703K):** Increase in non-current provision is largely due to a reclassification between current and non-current long service leave provision at 30 June 2020. Overall both current and non-current provisions have increased as a result of more leave being accrued than taken.
- **Unfavourable – Non-Current Interest-bearing loans and borrowings (\$3.2M):** Long-term portion of the Mirboo North Pool loan, construction drawings were converted to a loan in November 2020.

B.5 Equity

- **Unfavourable – Other Reserves (\$1.4M):** The General Reserve was been reduced by \$1.4M in June 2020 to help fund the upcoming capital expenditures expected in 2020-21.

Cashflow Statement

Forecast variances to budget:

C1. Operating Cashflows

- **Favourable cash flows from Grants – Capital \$6M:** Due largely to new grants for the Foster Indoor Stadium Redevelopment project (\$2M) and for the August 2019 Flood Event (\$3.4M).
- **Favourable cash flows from Contributions – monetary \$138K:** Largely due to carry forwards from 2019-20.
- **Unfavourable cash flows from materials and services (\$1.3M):** Due to carry forwards from 2019-20 of \$748K and additional projected materials and services of \$585K.

C2. Cash flows from investing activities

- **Unfavourable cash flows for payments for property, infrastructure, plant & equipment \$(8M):** Largely due to capital works carried forward from 2019-20 of \$2.7M and new grant funded projects for \$4.9M.
- **Favourable cash flows from proceeds from sale of property, infrastructure, plant & equipment \$424K:** Due to updating forecast based on setting detailed plant and fleet replacement program.

C3. Financing Cashflows

- **Favourable cash flows from payments for/from Other Financial Assets \$9M:** Due to additional payments from Other Financial Assets expected to fund the capital works program for 2020-21.
- **Unfavourable cash flows from proceeds from borrowings (\$812K):** Due to the original budget including the full drawdown of the construction loan for the Mirboo North Pool, however \$812K was received in 2019-20.
- **Favourable cash flows for repayment of borrowings \$169K:** Due to the original budget projecting repayments starting 1 July 2020, and has since been updated to 1 January 2021.

C4. Unfavourable Cash and cash equivalents at the beginning of the financial year (\$12.8M): The original budget assumed cash and cash equivalents at the beginning of the financial year of \$20.6M. The actual beginning cash and cash equivalents was \$7.8M as a result of purchasing additional term-deposit investments.

Section 3 - Long Term Financial Plan Analysis

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

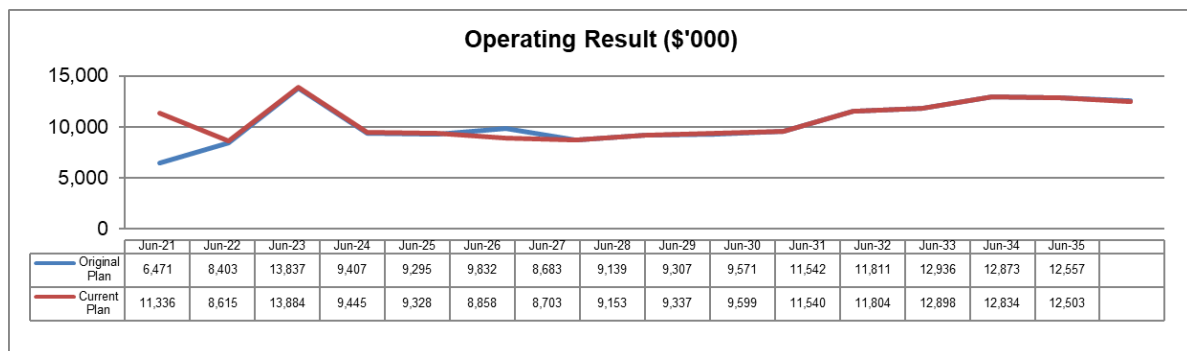
The Long-Term Financial Plan analysis report compares the current 2020/21 Budget and Long-Term Financial Plan forecasts to the original plan. The Annual Budget and Long-Term Financial Plan were adopted for 2019/20 on 24 June 2020.

The lines in the following graphs are as follows:

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

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

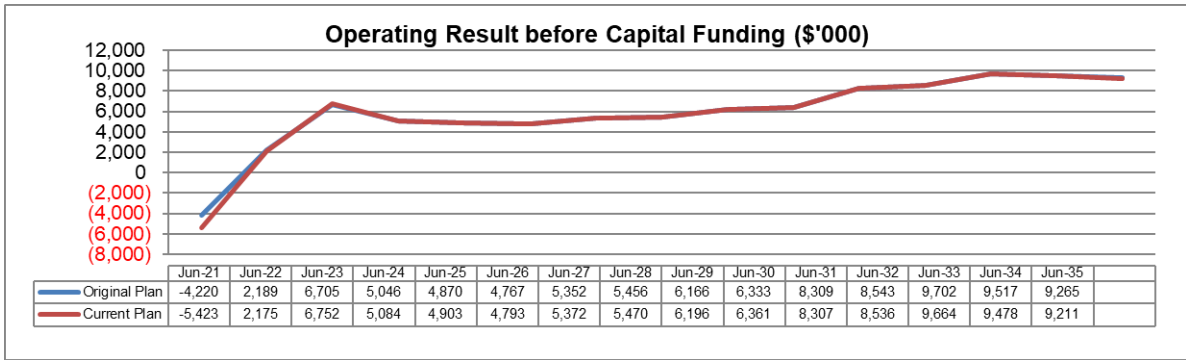
The projected operating results in the forward budget are overall in line with the adopted 2020/21 budget. The projected increase for the 2020/21 financial year is due to new capital grants funding expected of approximately \$5.6M.



3.2 Operating Result before Capital Funding

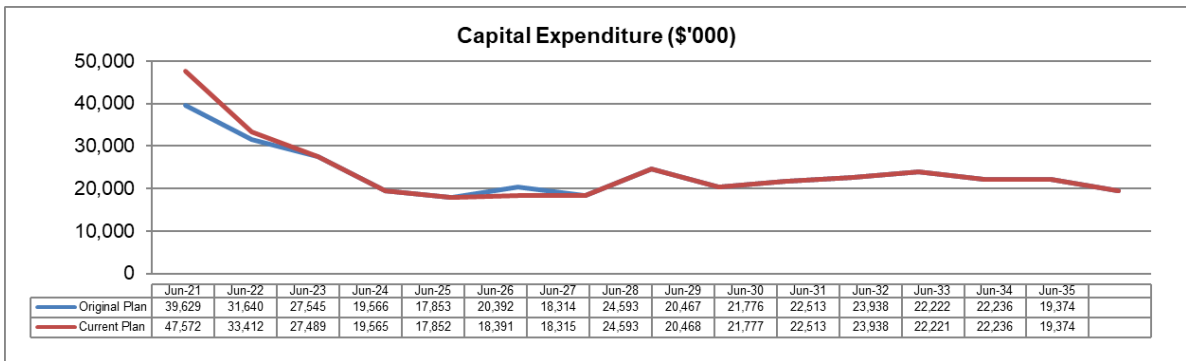
The operating result before capital funding is sometimes referred to as the underlying financial result. Capital grants and contributions that artificially improve the operating result are removed to disclose the true underlying financial result.

The underlying result shows more clearly the income sources relative to the expenses for Council's recurrent operating activities. The current plan's underlying result projection largely maintains parity with the original plan.



3.3 Capital Expenditure

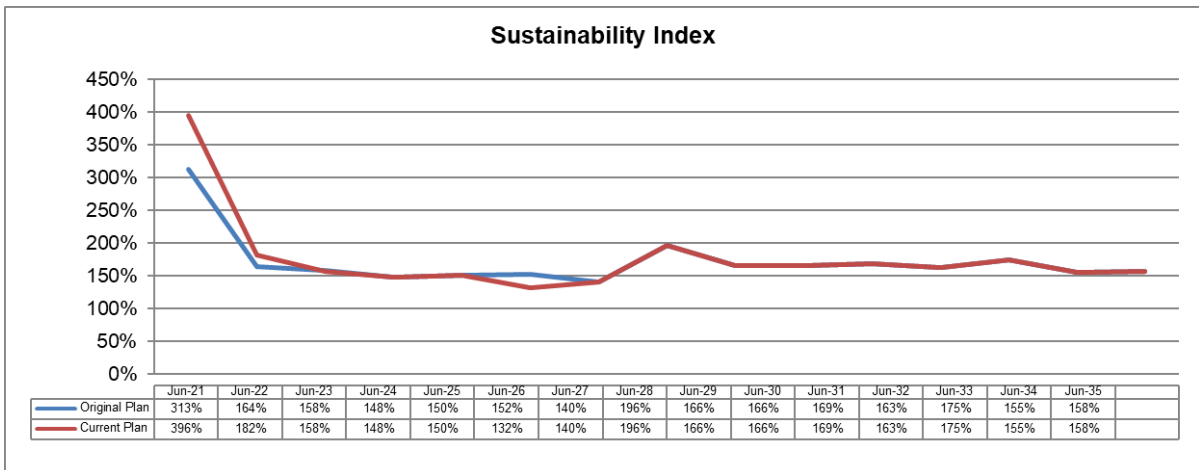
The current year’s capital expenditure is projected to be \$7.9M more than the original plan largely due to capital works carried forward from 2019-20 of \$2.7M and new grant funded projects for \$4.9M.



3.4 Sustainability Index for Capital Assets

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

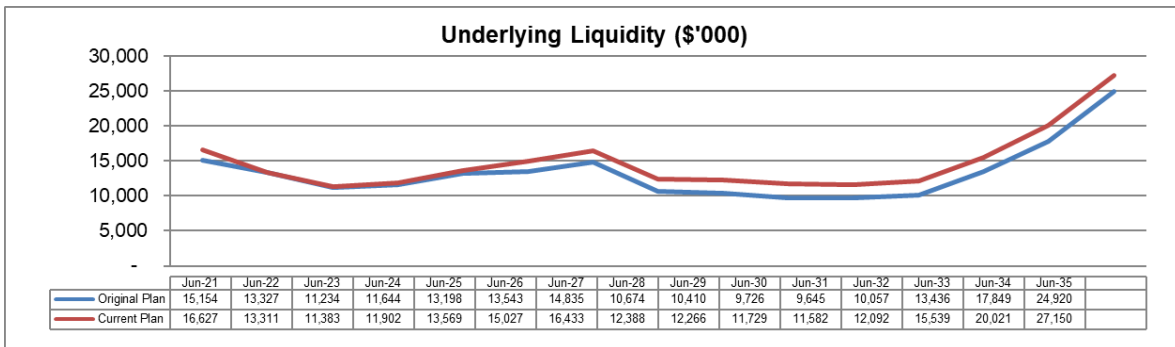
The sustainability index for 2020/21 has changed as a result of the capital works carried forward from 2019/20 and new capital works planned. Over the remainder of the Long-Term Financial Plan the index has remained consistent with the original budget.



3.5 Underlying Liquidity

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

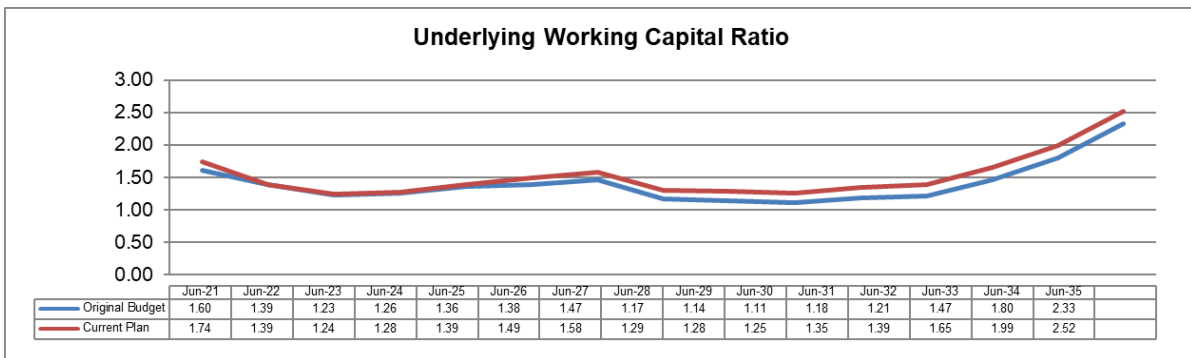
Overall the current plan remains in line with the original plan. The slight increase in later years is due to \$1.5M of planned works in 2025/26 being moved forward to 2020/21.



3.6 Underlying Working Capital Ratio

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

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



3.7 Conclusion – Long Term Financial Impact

Council manages its Long-Term Financial position continuously by reference to a number of strategic financial indicators. These indicators form part of Council’s Long-Term Financial Strategies and are listed below.

The following financial indicators are used as measures for the 2020/21 Annual Budget:

- Underlying result >0%
- Underlying working capital ratio >1.25
- Sustainability Index >95%
- Indebtedness < 40%
- Total Debt as a % of Rate revenue <60%
- Debt servicing costs as a % of Total revenue <5%

There have been a number of budget changes that have negatively impacted on the Underlying Result and Underlying Working Capital in future years from the previous month.

Overall the underlying result has weakened compared to the original budget as a result of forecast changes for depreciation from prior year results and the current capital works plan. This will be addressed during the next forecast review and drafting of the 2021/22 Annual Budget.

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
LTFP															
Financial performance															
Underlying result	-10.95%	0.01%	7.35%	3.39%	3.28%	2.87%	3.66%	3.42%	4.21%	4.04%	6.20%	6.07%	7.32%	6.67%	7.80%
Underlying Working Capital	1.69	1.32	1.15	1.15	1.24	1.32	1.39	1.07	1.04	0.98	1.02	1.03	1.26	1.56	1.90
Funding capacity															
Sustainability Index	321%	146%	132%	127%	125%	111%	123%	155%	133%	133%	134%	130%	137%	125%	131%
Borrowing capacity															
Indebtedness	14.10%	28.48%	24.35%	22.30%	19.74%	17.03%	14.47%	12.00%	9.67%	7.68%	7.42%	7.31%	7.34%	7.27%	7.21%
Total Debt as a % of Rate revenue	7.63%	26.32%	22.85%	19.48%	16.23%	13.14%	10.20%	7.42%	4.77%	2.26%	0.14%	0.00%	0.00%	0.00%	0.00%
Debt servicing costs as a % of Total revenue	0.02%	0.10%	0.09%	0.08%	0.07%	0.06%	0.05%	0.03%	0.02%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%
2019/20 Original Budget															
Financial performance															
Underlying result	-6.95%	3.35%	9.66%	7.28%	6.91%	6.58%	7.19%	7.12%	7.84%	7.83%	9.93%	9.88%	11.05%	10.54%	10.08%
Underlying Working Capital	1.60	1.39	1.23	1.26	1.36	1.38	1.47	1.17	1.14	1.11	1.18	1.21	1.47	1.80	2.33
Funding capacity															
Sustainability Index	282%	154%	148%	151%	150%	149%	146%	186%	160%	160%	163%	158%	167%	153%	132%
Borrowing capacity															
Indebtedness	12.80%	27.69%	23.61%	21.51%	18.97%	16.25%	13.68%	11.18%	8.83%	7.08%	6.65%	6.54%	6.59%	6.54%	6.58%
Total Debt as a % of Rate revenue	7.26%	26.00%	22.58%	19.25%	16.01%	12.93%	9.99%	7.19%	4.53%	1.99%	0.14%	0.00%	0.00%	0.00%	0.00%
Debt servicing costs as a % of Total revenue	0.05%	0.17%	0.15%	0.14%	0.12%	0.10%	0.08%	0.06%	0.04%	0.02%	0.01%	0.00%	0.00%	0.00%	0.00%

Ratios coloured green denote low risk, yellow medium risk and red indicates either short term/immediate sustainability concerns.

Glossary

The ‘Underlying Result’ compares recurrent income and recurrent expenditure. The underlying result is forecast to be in the yellow zone in 2020/21 largely as a result of having to bring to account \$5.4m of Victoria Grants Commission allocation for 2020/21 in the prior financial year (2019/20) because it was received in May 2020. The dipping of the ratio into the yellow zone does not present any strategic concern.

The ‘Underlying Working Capital’ assesses Balance Sheet strength and in particular Council’s ability to pay existing liabilities. In the forward plan, the ratio is in the yellow or green zone for all future years. The LTFP has improved over the original budget.

The ‘Sustainability Indicator’ assesses asset renewal and upgrade expenditure spend effort over a period of time as a percentage of depreciation expense. In the forward years it remains in the green.

The three borrowing capacity indicators, ‘Indebtedness’, ‘Total Debt as a percentage of Rate Revenue’ and ‘Debt Servicing Costs as a percentage of Total Revenue’ are forecast to be in the green zone for 2020/21 and all the forward budgets. Due to the inherent strength of the Balance Sheet, Council has borrowing capacity in the forward years if it wishes to consider funding additional capital upgrade or extension projects.

The key financial performance indicators in the Long-Term Financial Plan serve as very important lead indicators to identify future years’ financial ramifications of decisions that are made in the present period.

The 2020/21 Proposed Budget / Long Term Financial Plan is financially sustainable. Council will continue to monitor the Long Term Financial Plan in line with the Long Term Financial Strategies on a month by month basis to ensure that it remains that way.

Appendix 1 – Income Statements by Directorate

Income Statement – Performance & Innovation

	NOTE	YTD Actual \$'000	YTD FORECAST \$'000	YTD Variance \$'000	ANNUAL FORECAST \$'000	ANNUAL ORIGINAL BUDGET \$'000	ANNUAL ADJUSTED BUDGET \$'000	Full Year Forecast Variance \$'000
INCOME								
Rates and charges		20,946	20,960	(14)	41,838	41,838	41,838	0
Statutory fees and fines		24	20	4	40	40	40	0
Grants - operating	1	1,761	1,597	164	3,298	3,298	3,298	0
Grants - capital	2	(1,914)	0	(1,914)	0	0	0	0
Contributions - monetary		94	0	94	0	0	0	0
Contributions - non-monetary	6	1,819	1,819	0	1,819	404	404	1,415
Net gain/(loss) on disposal of property, infrastructure, plant and equipment		(255)	(324)	69	(647)	(647)	(647)	0
Other income		319	379	(60)	976	976	976	0
Total Income		22,794	24,451	(1,657)	47,324	45,909	45,909	1,415
EXPENSES								
Employee costs	3	5,241	5,566	325	10,781	10,489	10,489	(292)
Materials and consumables	4	2,611	2,954	343	4,766	4,941	4,941	175
Depreciation	7	5,887	6,150	263	12,300	11,346	11,346	(954)
Borrowing costs		6	3	(3)	14	37	37	23
Other expenses	5	1,350	865	(485)	1,832	1,832	1,832	0
Total Expenses		15,095	15,538	443	29,693	28,645	28,645	(1,048)
Surplus / (Deficit)		7,699	8,913	(1,214)	17,631	17,264	17,264	367

YTD Actual to YTD Forecast Variances

- Favourable – Grants – operating:** Due to receiving grant for Valuations (↑\$164K) that was not expected until February.
- Unfavourable – Grants – capital:** Due to accounting treatment of unearned grant income for the first quarter of 2020/21 (↓\$2M), which will largely correct itself over the financial year.
- Favourable – Employee costs:** Employee on-costs under budget by \$317K due to delayed adjustment in the organisation's annual leave provision
- Favourable – Materials and consumables:** Due to being under budget for COVID-19 costs (↓\$745K). Part of this is due to \$537K of COVID-19 costs being recorded as other expenses.
- Unfavourable – Other expenses:** Due to \$537K of COVID-19 costs in other expenses, whereas the budget is in materials and consumables.

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

- Favourable – Contributions – Non-monetary:** Due to updating forecast based on assets handed over already during first quarter 2020/21.
- Unfavourable – Depreciation:** Updated forecast to reflect revaluation done as of 30 June 2020 and current capital works program.

Income Statement – Economic and Community Development

	NOTE	YTD ACTUAL \$'000	YTD FORECAST \$'000	YTD VARIANCE \$'000	ANNUAL FORECAST \$'000	ANNUAL ADJUSTED BUDGET \$'000	ANNUAL ORIGINAL BUDGET \$'000	Full Year Forecast Variance \$'000
REVENUE								
Statutory fees and fines		491	435	56	870	870	870	0
User fees	1	504	661	(157)	1,821	1,958	1,958	(137)
Grants - operating	2	1,347	1,065	282	2,512	1,748	2,488	764
Contributions - monetary		109	33	76	65	65	65	0
Other income		9	71	(62)	181	255	255	(74)
Total Income		2,460	2,265	195	5,449	4,896	5,636	553
EXPENSES								
Employee costs		3,107	3,143	36	6,839	6,679	6,679	(160)
Materials and consumables	3	756	1,544	788	2,853	2,535	2,025	(318)
Depreciation		5	4	(1)	10	10	10	0
Other expenses		220	380	160	423	390	390	(33)
Total Expenses		4,088	5,071	983	10,125	9,614	9,104	(511)
Surplus / (Deficit)		(1,628)	(2,806)	1,178	(4,676)	(4,718)	(3,468)	42

YTD Actual to YTD Forecast Variances

- Unfavourable – User fees:** Reduced income from Coal Creek and the Caravan Parks due to the COVID-19 closures.
- Favourable – Grants – operating:** Due to receiving a number of grants that were not budgeted for, including Storm Event – 30 January 2019 (\$156K) and Flood Event – August 2019 (\$126K)
- Favourable – Materials and consumables:** Overall due to timing differences across nearly all areas.
- Favourable – Other expenses:** Largely due to timing of expenses in Grants.

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

- Unfavourable – User fees:** Due to reducing income for Coal Creek and the Caravan Parks to reflect the current closures as a result of COVID-19.
- Favourable – Grants – operating:** Due to new grant funding approved in Economic Development for business support service (↑\$116K) and Outdoor Dining and Entertainment (\$250K), an increase in funding advised for Child and Maternal Health (\$202K), grant funding being extended for HACC Assessment (↑\$65K), various storm event claims being accepted (\$71K) and a transfer of funding from the Sustainable Infrastructure directorate for Municipal Emergency Resourcing program due to the new organisational structure (\$60K).
- Unfavourable – Materials and consumables:** Largely due to expenditure for new grant funded project Outdoor Dining and Entertainment for \$250K.

Income Statement – Chief Executive Office

	NOTE	YTD ACTUAL \$'000	YTD FORECAST \$'000	YTD Variance \$'000	ANNUAL FORECAST \$'000	ANNUAL ORIGINAL BUDGET \$'000	ANNUAL ADJUSTED BUDGET \$'000	Full Year Forecast Variance \$'000
INCOME								
Grants - operating		21	0	21	0	0	0	0
Other income		85	0	85	0	0	0	0
Total Income		106	0	106	0	0	0	0
EXPENSES								
Employee costs		500	430	(70)	935	935	935	0
Materials and consumables	1	106	217	111	403	403	403	0
Other expenses		0	0	0	35	77	77	42
Total Expenses		606	647	41	1,373	1,415	1,415	42
Surplus / (Deficit)		(500)	(647)	147	(1,373)	(1,415)	(1,415)	42

YTD Actual to YTD Budget Variances

- Favourable – Materials and consumables:** Made up of Executive Services Management Legal Fees (↓\$64K) and Customer Information & Advocacy Management (↓\$39K). Variance in Executive Services Management is due to \$91K of legal fees being reimbursed from insurance out of this account this was offset by the timing of \$45K in legal fees that belonged to the previous year. Variance in Customer Information & Advocacy Management is due to an underspend so far in Marketing, Advertising & Promotion.

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

No material variances to note

Income Statement – Sustainable Infrastructure

	NOTE	YTD ACTUAL \$'000	YTD FORECAST \$'000	YTD VARIANCE \$'000	ANNUAL FORECAST \$'000	ANNUAL ORIGINAL BUDGET \$'000	ANNUAL ADJUSTED BUDGET \$'000	FULL YEAR FORECAST VARIANCE \$'000
INCOME								
Rates and charges		1,737	1,710	27	3,414	3,414	3,414	0
Statutory fees and fines		37	0	37	50	50	50	0
User fees		944	1,020	(76)	2,430	2,430	2,430	0
Grants - operating		1,014	1,095	(81)	2,026	2,076	2,076	(50)
Grants - capital		4,703	4,767	(64)	15,631	9,616	9,988	5,643
Contributions - monetary	1	633	776	(143)	969	831	917	52
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	2	276	634	(358)	1,328	904	1,118	210
Other income		409	364	45	571	540	540	31
Total income		9,753	10,366	(613)	26,419	19,861	20,533	5,886
EXPENSES								
Employee costs		3,892	3,766	(126)	8,251	8,229	8,229	(22)
Materials and consumables	3	7,564	8,587	1,023	16,786	16,104	16,342	(444)
Depreciation		461	454	(7)	909	873	873	(36)
Other expenses	4	450	551	101	565	565	565	0
Total Expenses		12,367	13,358	991	26,511	25,771	26,009	(502)
Surplus / (Deficit)		(2,614)	(2,992)	378	(92)	(5,910)	(5,476)	5,384

YTD Actual to YTD Forecast Variances

- Unfavourable – Contributions – monetary:** Due to Building capital works for the Mirboo North Pool Refurbishment being \$235K behind budget, offset with Great Southern Trial of \$57K and Poowong Netball Court development of \$37K.
- Unfavourable – Net gain/(loss) on disposal of property, infrastructure, plant and equipment:** Due to timing of plant sales, two items of plant will be traded-in when the new plant items are delivered.
- Favourable – Materials and consumables:** Due to timing of expenses across a number of areas, including Plant (↓\$193K largely due to insurance not yet being allocated) and Resheets (↓\$278K due to being behind schedule).
- Favourable – Other expenses:** Due to timing of expenses for Building, due to invoices not yet being submitted for a number of the grants and Recreation Facilities (↓\$80K due to the Rail Trail maintenance grant not yet being paid).

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

- Favourable – Grants – capital:** Due largely to new grants for the Foster Indoor Stadium Redevelopment project (\$2M) and for the August 2019 Flood Event (\$3.4M).
- Favourable – Net gain/(loss) on disposal of property, infrastructure, plant and equipment:** Increase in projected proceeds on disposal as a result of setting detailed plant replacement program