



AGENDA APPENDIX
Council Meeting
Wednesday 23 September 2015

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 AUGUST 2015

Appendix 1 – Financial Performance Report August 2015

Financial Performance Report – August 2015

The Financial Performance Report covers the 2 month period from July 2015 to August 2015.

Overview

Income Statement

Annual year to date performance:

- Operating result: \$578,000 surplus which is \$1.742 million favourable compared the year to date budget projection of \$1.165 million deficit.

Balance Sheet

Projected year end result:

- Underlying working capital ratio 1.83 to 1 (original budget 1.82 to 1)

Cash Flow Statement

Projected year end result:

- Cash assets: \$12.867 million (original budget \$14.201 million)

Financial carry forwards and other budget adjustments – Impact on projected results

- The projected operating result for 2015/16 is a \$1.528 million surplus. This is \$3.763 million unfavourable compared to the original \$5.291 million surplus. This has been largely impacted by receiving \$4.3 million 2015/16 VGC grant allocations in the previous financial year (June 2015).
- The \$1.734 million increase in capital expenditure when compared to the original budget can be partly attributed to unexpended capital budgets at 30 June 2015 (\$241,000) being brought forward as well as a net increase in capital project expenditure \$1.49 million.
- The longer term financial performance indicators show that the current 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 financial 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 August 2015								
	Y.T.D. Actual \$'000	Y.T.D. Budget \$'000	Y.T.D. Variance \$'000	Note	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
INCOME								
Rates and charges	7,578	6,466	1,112	1	38,275	38,275	0	
Statutory fees and fines	87	90	(3)		576	610	34	
User fees	721	864	(143)		4,179	4,240	61	
Grants - Operating	1,913	1,717	196		13,215	8,972	(4,243)	A
Grants - Capital	19	0	19		5,516	6,203	687	B
Contributions - monetary	14	(42)	56		344	298	(46)	
Contributions - non monetary	0	0	0		370	370	0	
Net gain/ (loss) on disposal of property, infrastructure, plant and equipment	13	(87)	100		423	424	1	
Other income	307	307	0		2,178	2,213	35	
TOTAL INCOME	10,652	9,315	1,337		65,076	61,605	-3,471	
EXPENSES								
Employee costs	3,664	3,790	126		23,089	22,759	330	C
Materials and consumables	3,664	3,854	190		22,035	22,544	(509)	D
Bad and doubtful debts	0	0	0		1	1	0	
Depreciation	1,838	1,861	23		11,166	11,166	0	
Borrowing costs	0	0	0		142	142	0	
Other expenses	908	975	67		3,352	3,465	(113)	
TOTAL EXPENSES	10,074	10,480	406		59,785	60,077	(292)	
SURPLUS / (DEFICIT)	578	(1,165)	1,743		5,291	1,528	(3,763)	

NOTES: MATERIAL VARIATIONS IN YEAR TO DATE FINANCIAL PERFORMANCE

Note 1 Income: Rates and Charges - \$1.112 million ahead

- \$880,000 additional rate revenue received that is expected to be considerably reduced in coming months pending expected review of charge under special provision of the Electricity Act.
- \$209,000 increase in supplementary rates due to decision of Council to mandatorily rate the residents of Venus bay for garbage and recycling for six months.

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note A Income: Grants- Operating \$4.243 million unfavourable

- Reduced \$4.34 million Victoria Grants Commission (VGC) grants originally expected to be received in 2015/16 was received in advance in previous 2014/15 financial year.
- Additional \$72,000 for Community Strengthening program.
- Additional \$50,000 for Sustainability program.

Note B Income: Grants- Capital - \$687,000 favourable

- Additional \$666,000 for federal Blackspot program.
- Additional \$21,000 for Traffic Accident Commission (TAC) Community Road Safe program.

Note C Expenditure: Employee costs - \$330,000 favourable

- \$349,000 reduction in employee costs resulting from organisation restructure.

Note D Expenditure: Materials and consumables - \$509,000 unfavourable

- \$349,000 restructure savings offset against \$280,000 productivity budget allocation.
- Additional \$121,000 for recurrent plant operating costs.
- Additional \$103,000 for Community Strengthening projects.
- Less \$59,000 for Council business operations.

South Gippsland Shire Council					
BALANCE SHEET					
For the Period Ending 31 August 2015					
	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
<u>ASSETS</u>					
CURRENT ASSETS					
Cash and cash equivalents	8,920	13,850	8,555	(5,295)	A
Trade and other receivables	46,932	4,624	3,815	(809)	
Other financial assets	4,313	351	4,312	3,961	B
Inventories	312	248	292	44	
Other assets	0	212	301	89	
	60,477	19,285	17,275	(2,010)	
NON CURRENT ASSETS					
Investments in associates and joint ventures	752	776	752	(24)	
Property, infrastructure, plant and equipment	485,559	517,104	519,666	2,562	C
Investment property	716	716	716	0	
	487,027	518,596	521,134	2,538	
TOTAL ASSETS	547,504	537,881	538,409	528	
<u>LIABILITIES</u>					
CURRENT LIABILITIES					
Trade and other payables	6,136	4,202	2,531	(1,671)	D
Trust funds and deposits	698	526	1,065	539	
Provisions	5,082	5,893	5,869	(24)	
Interest bearing loans and borrowings	0	0	0	0	
	40,405	10,621	9,465	(1,156)	
NON CURRENT LIABILITIES					
Provisions	1,264	315	825	510	
Interest bearing loans and borrowings	3,350	3,350	3,350	0	
	4,614	3,665	4,175	510	
TOTAL LIABILITIES	45,019	14,286	13,640	(646)	
NET ASSETS	502,485	523,595	524,769	1,174	
<u>REPRESENTED BY</u>					
Accumulated Surplus	201,470	197,687	198,860	1,173	
Reserves	301,015	325,908	325,909	1	
TOTAL EQUITY	502,485	523,595	524,769	1,174	

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note A Current Assets: Cash and cash equivalents \$5.295 million

- \$3.961 million financial assets (investments with maturity above 3 months) reclassified as Financial assets. The cash was also impacted by levels of accounts payable and receivable at year end that vary to budgeted year end projections.

Note B Current Assets: Financial Assets \$3.961 million

- \$3.961 million financial assets (investments with maturity above 3 months) reclassified as Financial assets.

Note C Non Current Assets: Property, infrastructure, plant and equipment \$2.562 million

- \$2.562 million variance projection predominantly due to asset closing position for previous 2014/15 year being less than originally anticipated.

Note D Current Liabilities: Trade and other payables \$1.671 million

- \$1.671 million variance projection for 'Trade and other payables' because the balances will tend to fluctuate year to year depending on level of accounts payable the preceding year.

South Gippsland Shire Council
CASH FLOW STATEMENT
For the Period Ending 31 August 2015

	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
CASHFLOWS FROM OPERATING ACTIVITIES					
Rates and charges	(3,664)	38,275	38,275	0	
Statutory fees & fines	90	576	610	34	
User fees	293	4,179	4,240	61	
Grants - operating	1,913	13,215	8,972	(4,243)	A
Grants - capital	19	5,516	6,203	687	
Contributions- monetary	14	344	298	(46)	
Interest received	79	491	491	0	
Other receipts	247	1,687	1,722	35	
Employee costs	(3,906)	(22,991)	(22,661)	330	
Materials and services	(117)	(22,036)	(22,544)	(508)	
Other payments	(910)	(3,352)	(3,465)	(113)	
Net cash provided by (used in) operating activities	(5,942)	15,904	12,141	(3,763)	
CASHFLOWS FROM INVESTING ACTIVITIES					
Payments for property, infrastructure, plant & equipment	(583)	(18,475)	(20,209)	(1,734)	B
Proceeds from sale of property, infrastructure, plant and equipment	13	1,344	1,345	1	
Trust Funds and deposits	12	0	0	0	
Net cash provided by (used in) investing activities	(558)	(17,131)	(18,864)	(1,733)	
CASHFLOWS FROM FINANCING ACTIVITIES					
Finance costs	0	(142)	(142)	0	
Proceeds from borrowing	0	0	0	0	
Repayment of borrowings	0	0	0	0	
Net cash provided by (used in) financing activities	0	(142)	(142)	0	
Net increase (decrease) in cash and cash equivalents	(6,500)	(1,369)	(6,865)	(5,496)	
Cash and cash equivalents at the beginning of the financial year	15,420	15,218	15,420	202	
Cash and cash equivalents at the end of the period	8,920	13,849	8,555	(5,294)	

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note A Cash inflows from operations: Grants operating \$4.243 million unfavourable

- Reduced \$4.34 million Victoria Grants Commission (VGC) grants originally expected to be received in 2015/16 was received in advance in previous 2014/15 financial year.
- Additional \$72,000 for Community Strengthening program.
- Additional \$50,000 for Sustainability program

Note C Cash outflows from Investing Activities: Payment for property, infrastructure plant and equipment \$1.734 million increase

- \$241,000 capital expenditure originally expected to be incurred in 2014/15 have had budgets carried forward into this financial year.
- Additional \$716,000 for Princess St Korumburra.
- Additional \$465,000 for A Beckett St Leongatha.
- Restructure savings \$35,000 for Civil capital works design.
- Additional \$199,000 for Korumburra Child Care Hub.
- Less \$51,000 for Wonthaggi Road Loch- budgets re-profiled.
- Less \$108,000 for Buffalo Rd Waratah- budgets re-profiled.
- Less \$309,000 for Bass Valley Rd Bena - budgets re-profiled.
- Less \$308,000 for A'beckett Street, Leongatha - budgets re-profiled.
- Less \$41,000 for Leongatha Yarragon Rd Leongatha- budgets re-profiled.
- Additional \$284,000 for Station St Korumburra - budgets re-profiled.

FINANCIAL CARRY FORWARDS

Financial carried forwards from 2014/15 to 2015/16 are listed below:

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$	Capital	Grant Related
2110	Grants Office	General	Grants, Contributions and Discretionary Funds	109,220		
3290	Aged and Disability Services Management	Minor Capital	Minor Furniture, Plant and Equipment	14,679		Yes
3360	Supported Playgroups	General	Contractors	4,844		Yes
3365	Early Years Services	Linking Learning	Contractors	5,000		Yes
1225	Treasury	General	Grants Commission Allocation (recurrent)	2,571,450		Yes
8030	Information Services	MS Lync, Exchange and Symantec Vault	Software Purchases and Enhancements	45,169	Yes	
1110	Development Services Management	Korumburra Round Table	Contractors	122		Yes
1640	Museum / Curatorial	Veterans` Affairs	Materials	6,000		Yes
1655	Education Programs	Strategic Partnership Program Grant	Materials	(20)		Yes
1655	Education Programs	Veterans` Affairs	Materials	(74)		Yes
1670	Other - CCHV - Capital Projects	General	Contractors	(32)	Yes	Yes
2505	Economic Development	Business Continuity and Resilience	Contractors	882		Yes

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$	Capital	Grant Related
3451	Yanakie Caravan Park Capital	General	Minor Furniture, Plant and Equipment	24,045	Yes	
2410	Strategic Planning	Housing and Settlement Strategy	Consultancies	(335)		Yes
2410	Strategic Planning	Korumburra Streetscape Master Plan	Contractors	(7,500)		Yes
2430	Municipal Building	Bushfire Planning Permit Project	Contractors	20,000		No
3325	Environmental Health	Community Sharps Program	Contractors	2,181		No
2230	Assets	Korumburra Cenotaph Restoration	Consultancies	16,050		Yes
2244	Service Management - Minor Works	General	Materials	2,823		
8292	Roads - Victory Avenue - Foster	General	Contractors	207,572	Yes	
8309	Bridge - Black Spur Bridge Investigation - Koonwarra	General	Contractors	(30,354)		Yes
8567	Waste - Landfills	Cell Construction	Contractors	(112,626)	Yes	
8770	Civil - Capital Works Design	Survey / Design	Consultancies	51,622	Yes	
8834	Yanakie Recreation Reserve Development	General	Contractors	(78,577)		Yes
8885	Corner Inlet Tourism - Great Southern Rail Trail	General	Contractors	30,680		Yes
9096	Roads - Henrys Road - Nyora	General	Contractors	17,406	Yes	
9425	Buildings - Child Care Hub - Korumburra	General	Contractors	(198,921)	Yes	Yes

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$	Capital	Grant Related
9578	Recreation - Leongatha Skate Park	General	State Government Grant (non recurrent)	90,000		Yes
9578	Recreation - Leongatha Skate Park	General	Contractors	(20,933)		Yes
9602	Recreation - Community Infrastructure Projects	General	Contractors	14,020	Yes	
9602	Recreation - Community Infrastructure Projects	General	Contractors	64,501	Yes	
9604	Mirboo North Soccer Club Lighting Project	General	Contractors	20,899		Yes
9605	Korumburra Recreation Centre - Training Centre of Excellence	General	Contractors	(569)		Yes
9606	Meeniyen Recreation Reserve - Community Play Space	General	Contractors	(48,175)		Yes
9607	Mirboo North Netball Courts Project	General	Contractors	4,486		Yes
9620	Recreation - Nyora Hall	General	Contractors	1,269	Yes	
9705	Bridge - Allambee Estate Rd Bridge Rehab - Allambee Reserve	General	Contractors	(33,965)	Yes	
9721	Drainage - Rehabilitation Program	General	Contractors	14,168	Yes	
9827	Synthetic Green Redevelopment - Korumburra Bowls Club	Green 1 (Bottom) - Korumburra Bowls Club	Other Contributions - Operating	46,000		Yes
1250	Local Roads Funding	Local Roads	Grants Commission Allocation (recurrent)	1,702,693		Yes

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$	Capital	Grant Related
8050	Plant - Plant Purchases	Mc Connell Reach Mower	Plant Sales - Major Items	(15,000)	Yes	
2115	Sustainability Services	Revolving Sustainability Fund	Materials	(1,680)		Yes
2115	Sustainability Services	Sustainability Wiki	Contractors	3,344		Yes
2290	Landfills Aftercare	Foster	Contractors	22,515		
3210	Access and Inclusion Program	Disability Inclusive Businesses	Grants, Contributions and Discretionary Funds	4,267		
3210	Access and Inclusion Program	Living Safer Sexual Lives Program	Contractors	6,413		Yes
3275	Building Inclusive Communities	Rural Access Program	Materials	5,132		Yes
3375	Community Building	Lower Tarwin Communities Project	Contractors	6,859		Yes
8098	Municipal Precinct Investigation	General	Consultancies	86,376	Yes	
9523	Buildings - Public Toilets Reconstruction - Toora	General	Contractors	25,440	Yes	
9524	Buildings - Public Toilets Reconstruction - Fish Creek	General	Contractors	34,266	Yes	
3210	Access and Inclusion Program	South Coast Access Alliance	Contractors	2,997		
3350	Arts and Culture	Gippsland Network Creative Gippsland	Contractors	3,419		

This translated to a net \$4.51 million decrease in the operating result (budgets carried forward for income grants).

Similarly the capital expenditure budget has been increased by \$241,000 to account for capital works that were budgeted to be completed by 30 June but were not actually completed.

The overall net cash impact is \$4.741 million reduction.

SECTION 2 – ANNUAL YEAR TO DATE FINANCIAL ANALYSIS

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

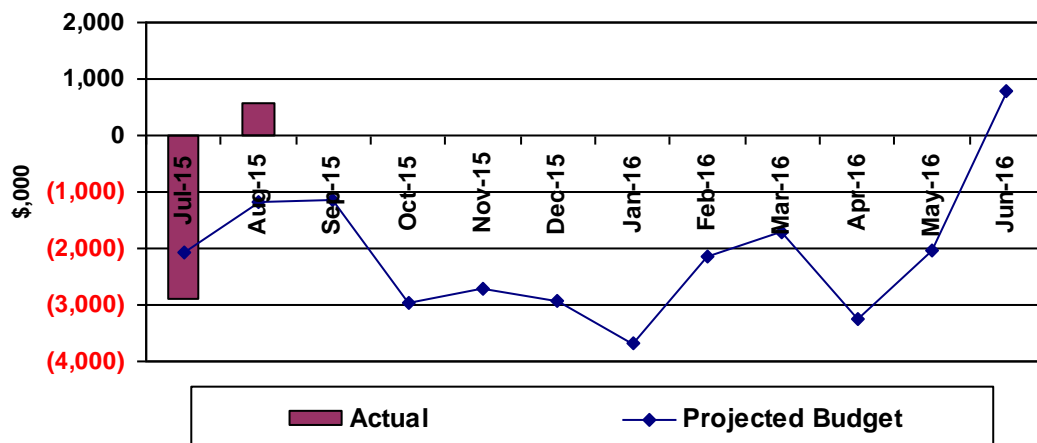
Operating Performance

Operating Budget \$ 1.16 million Deficit for the period Jul-15 to Aug-15

Operating Result \$ 0.58 million Surplus for the period Jul-15 to Aug-15

The operational result varies by \$1.74 million to the projected year to date budget. Variation is due to timing of actual costs to year to date budgets, predominantly impacted by receiving additional rate income.

Operating Performance (\$'000)



Capital Performance

Capital Budget \$0.45 million for the period Jul-15 to Aug-15

Actual Expenditure \$0.58 million for the period Jul-15 to Aug-15

Capital Expenditure \$0.13 million ahead of year to date budgets

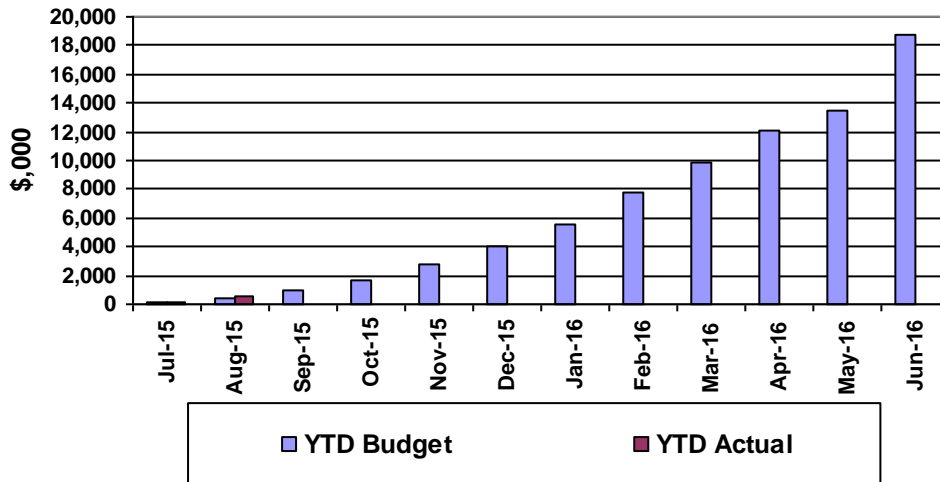
The Capital Works Program is running ahead of year to date budgets.

Projects running behind / (ahead) schedule as at 31 Aug 2015 are detailed in the following table:

Directorate	Department	Cost Centre	Expenditure Major Variation \$	Major Variation Explanation
Corporate and Community Services	Innovation, Technology and Council Business	8030 - Information Services Total	156,461	GIS System replacement and Aerial photography project yet to be completed. Budget to be reforecast
Sustainable Communities and Infrastructure	Operations	8040 - Fleet - Fleet Purchases Total	200,563	Under expenditure is due to profiling. Will reprofile next month.
Sustainable Communities and Infrastructure	Sustainable Communities	8060 - General Land Purchases / Sales Total	(247,029)	Expenditure increased due to property purchase - deposit paid.
Sustainable Communities and Infrastructure	Sustainable Communities	8098 - Municipal Precinct Investigation Total	(36,007)	Profiling error. Budget not allocated for August.
Sustainable Communities and Infrastructure	Engineering and Assets	8567 - Waste - Landfills Total	(72,023)	Remedial works to entrance haulage road undertaken as well as additional works on the rehabilitation cap,
Sustainable Communities and Infrastructure	Engineering and Assets	8770 - Civil - Capital Works Design Total	56,825	Some projects not invoiced.
Sustainable Communities and Infrastructure	Engineering and Assets	9425 - Buildings - Child Care Hub - Korumburra Total	(203,556)	Negative budget a result of a carry forward from 2014/15 financial year, due to early settlement of property acquisition.

Sustainable Communities and Infrastructure	Sustainable Communities	9523 - Buildings - Public Toilets Reconstruction - Toora Total	30,152	Project has reached completion this week. Contractor's financial claim is lagging.
Sustainable Communities and Infrastructure	Sustainable Communities	9524 - Buildings - Public Toilets Reconstruction - Fish Creek Total	30,838	Project will be completed in 2 weeks. Contractor's financial claims are lagging.
Sustainable Communities and Infrastructure	Engineering and Assets	9705 - Bridge - Allambee Estate Rd Bridge Rehab - Allambee Reserve Total	(35,860)	Negative carry forward from previous financial year.

Capital Performance (\$'000)



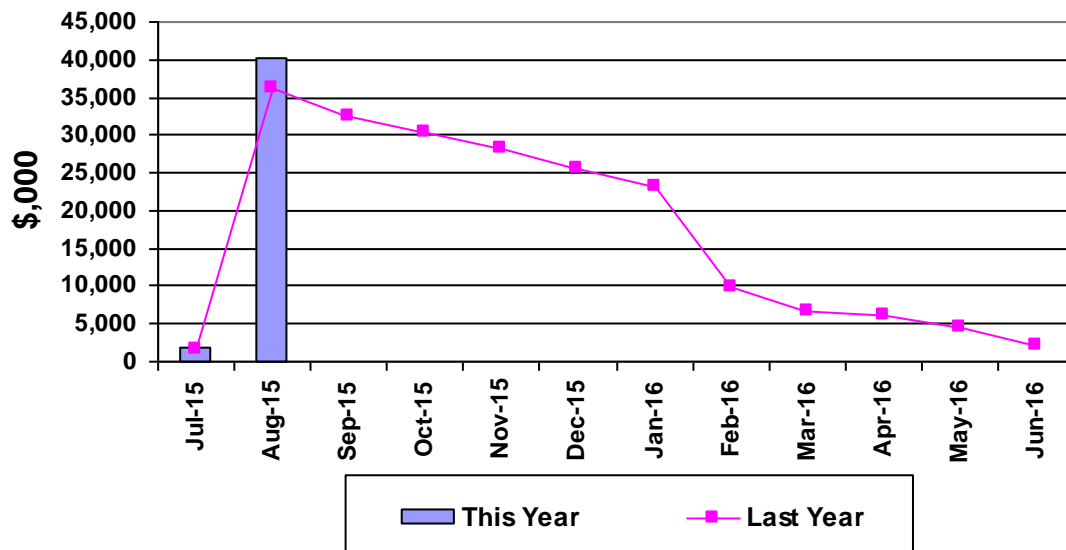
Rate Debtors

Outstanding 15/16 \$40.34 million as at Aug-15

Outstanding 14/15 \$36.29 million as at Aug-14

The outstanding rates as at 31 Aug 2015 have parity to last year. It is to be expected that the current years outstanding rates are slightly higher than last year because rates increase each year.

Rate Debtors (\$,000)



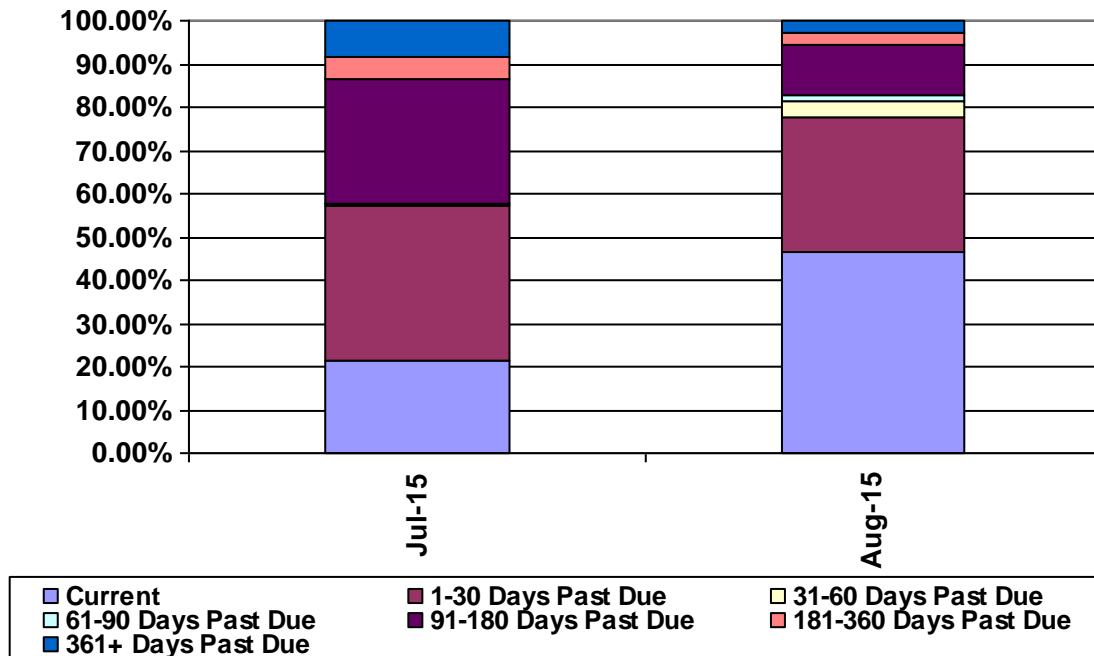
Other Sundry Debtors

Outstanding 15/16 \$ 1.21 million as at Aug-15

Outstanding 14/15 \$ 1.24 million as at Aug-14

The Current and 1-30 Days Past Due make up approx. 77% of total debtors outstanding.

Other Sundry Debtors



SECTION 3 – LONG TERM FINANCIAL PLAN ANALYSIS

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

The Long Term Financial Plan analysis report normally compares the current 2015/16 Budget and Long Term Financial Plan forecasts to the original plan (the Annual Budget & Long Term Financial Plan was adopted for 2015/16 on 24 June 2015).

The lines in the following graphs are as follows

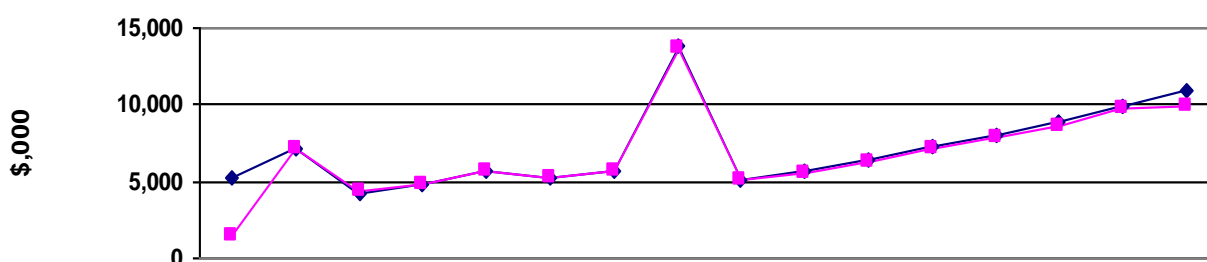
- Original plan – Blue line –original 2015/16 Budget and Long Term Financial Plan
- Current Plan – Purple line - 2015/16 Budget and Long Term Financial Plan

Operating Result (including gain /loss on asset disposals)

As expected so early in the new financial year, the current plan's projected operating results correlates closely with the original plan. The unfavourable financial impact of receiving \$4.34 million 2015/16 VGC grant allocations in the previous financial year (June 2015) can be seen in the reduced projected operating result for 2015/16.

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

Operating Result (\$,000)



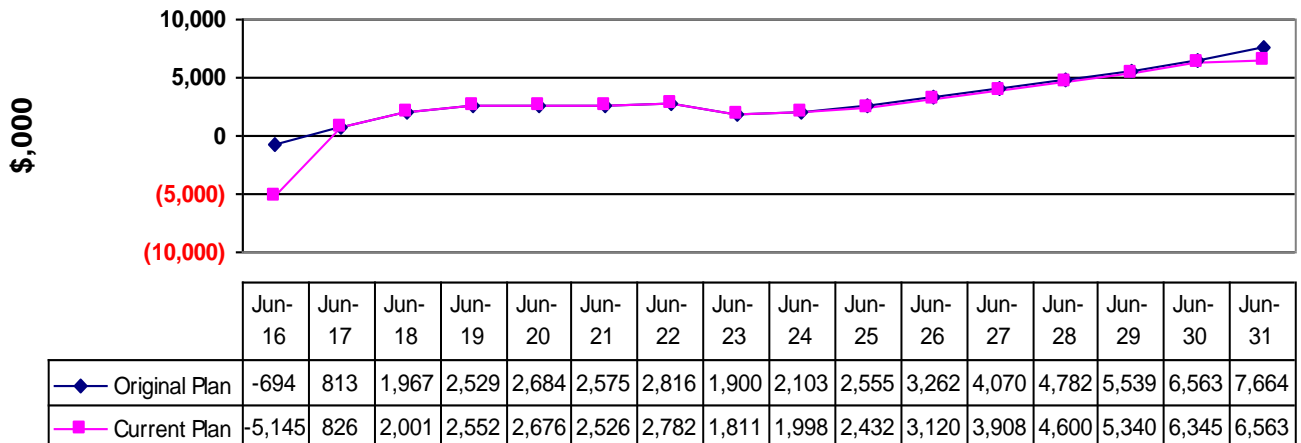
	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31
Original Plan	5,292	7,082	4,273	4,793	5,684	5,289	5,649	13,837	5,153	5,654	6,409	7,267	8,031	8,841	9,920	10,858
Current Plan	1,528	7,096	4,307	4,816	5,676	5,240	5,615	13,748	5,048	5,531	6,267	7,105	7,849	8,642	9,702	9,920

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)

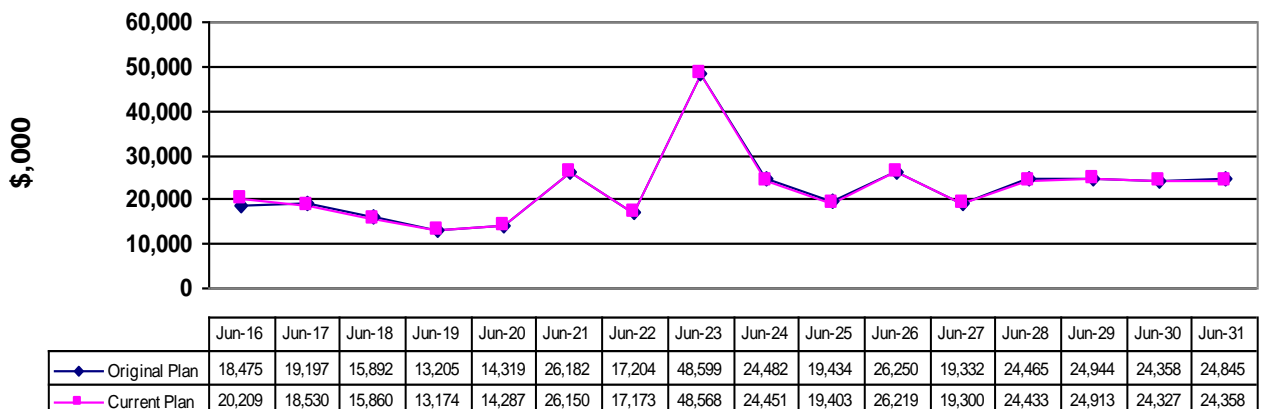


Capital Expenditure

The 2015/16 budget was adjusted to take into account the financial ramifications of carrying forward funds for projects that were not expected to be completed by 30 June 2015. In total, \$1.83 million funds were carried forward from 2014/15 (this includes \$1.59 million identified during the 2015/16 budget development process and an additional \$241,000 identified at financial year end).

As expected so early in the new financial year, the current plan’s projected capital works program for the current plan correlates closely with the original plan.

Capital Expenditure (\$,000)

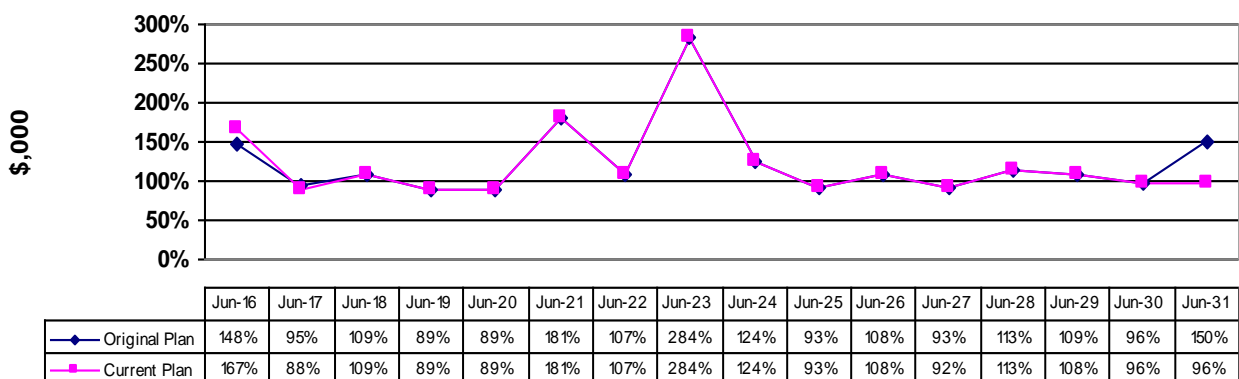


Sustainability Index for Capital Assets

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. The impact of carrying forward significant amounts of capital renewal expenditure from 2014/15 to the following financial year is evident in the 2015/16 sustainability indicator.

As expected so early in the financial year, the current plan's sustainability index correlates closely when benchmarked with the original Long Term Financial Plan. The strategic target is to exceed 95%. There are no asset renewals funding gaps for all major classes of assets in the current plan.

Sustainability Index

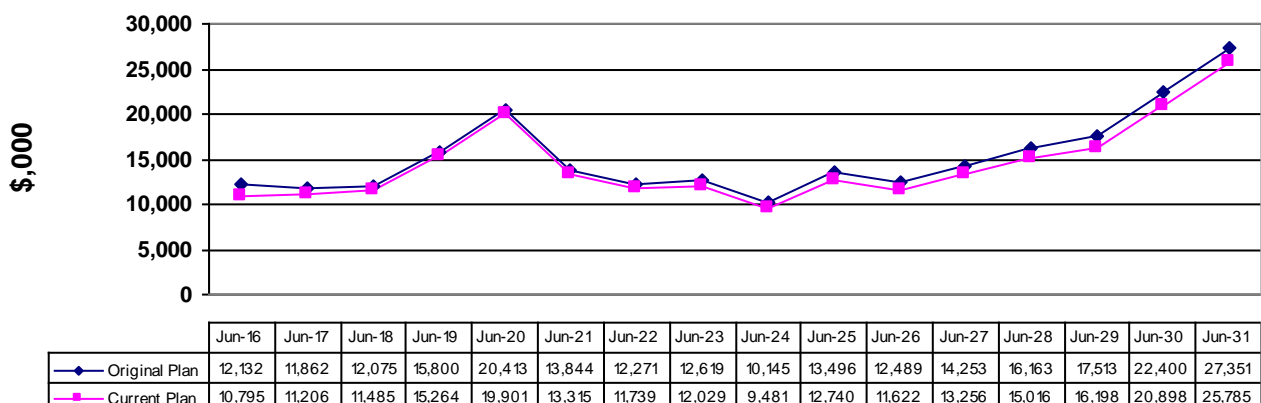


Underlying Liquidity

The current plan's forecast underlying cash position is marginally weaker than the original plan in the early to mid years. The reason is due to the change of mix of accounts receivables and accounts payable at financial year end to budget forecasts.

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)

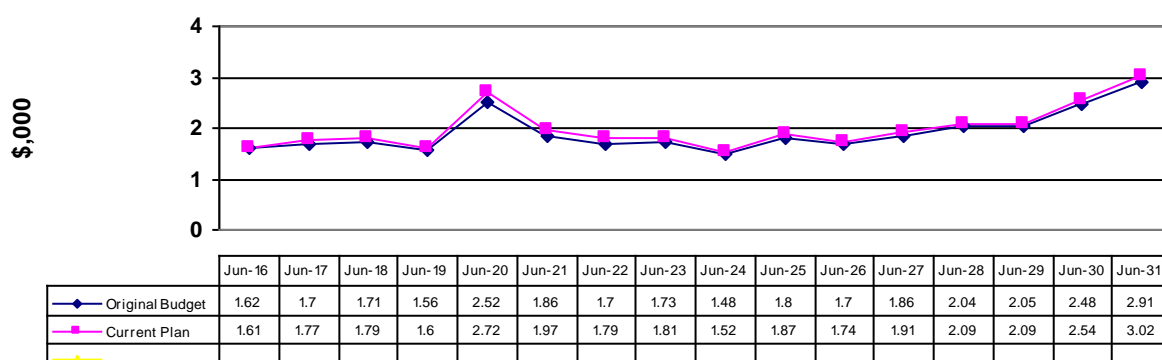


Underlying Working Capital Ratio

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. Again, as expected so early in the new financial year the current plan's underlying working capital ratio correlates closely to the original plan.

The underlying working capital ratio shows a gradually strengthening over the forward years and exceeds the 1 to 1.50 target in all years.

Underlying Working Capital Ratio



Conclusion

The table below shows several key financial performance indicators targets set when the 2015/16 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.

2015/16 Original Budget	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	2028/29	2029/30
Financial performance																
Underlying result	4.08%	-1.17%	1.39%	3.26%	4.04%	4.17%	3.86%	4.09%	2.66%	2.84%	3.30%	4.07%	4.86%	5.5%	6.1%	6.9%
Underlying Working Capital	1.95	1.62	1.70	1.71	1.56	2.52	1.86	1.70	1.73	1.48	1.80	1.70	1.86	2.04	2.05	2.48
Funding capacity																
Self-financing	26.06%	24.58%	29.01%	26.22%	27.02%	27.74%	27.52%	21.51%	37.43%	30.03%	30.46%	31.09%	31.45%	30.93%	31.46%	32.18%
Sustainability Index	99%	148%	95%	109%	89%	89%	181%	107%	284%	124%	93%	108%	93%	113%	109%	96%
Borrowing capacity																
Indebtedness	9.61%	8.11%	7.90%	7.75%	1.00%	1.10%	1.20%	1.30%	25.69%	27.77%	26.73%	25.74%	14.71%	14.23%	9.75%	8.74%
Total Debt as a % of Rate revenue	9.35%	8.75%	8.44%	8.14%	7.85%	0.00%	0.00%	0.00%	28.31%	30.98%	29.61%	28.31%	15.22%	14.55%	10.07%	8.81%
Debt servicing costs as a % of Total revenue	0.20%	0.22%	0.22%	0.23%	0.22%	0.08%	0.00%	0.00%	1.15%	1.25%	1.19%	1.15%	0.62%	0.60%	0.40%	0.38%

The table below shows the current status of key financial indicators. The majority of indicators remain within strategic thresholds targets. It is marginally stronger than the original plan.

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

Contributors to this include a combination of:-

- \$1.6m grant for Korumburra Child Care Hub for 2016/17.
- Final net budget projection saving of \$650k (for the previous 2014/15 year).
- Updated advice that Victoria Grants Commission (VGC) allocations will be \$230,000 greater than previously advised; and
- Additional \$170,000 favourable outcome for 2014/15 when comparing actual financial outcomes relative to final budget projections (discussed above).

Proposed Budget	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	2028/29	2029/30
Financial performance																
Underlying result	9.80%	-9.37%	1.41%	3.32%	4.08%	4.15%	3.78%	4.04%	2.53%	2.70%	3.15%	3.89%	4.67%	5.29%	5.89%	6.72%
Underlying Working Capital	2.59	1.61	1.77	1.79	1.60	2.72	1.97	1.79	1.81	1.52	1.87	1.74	1.91	2.09	2.09	2.54
Funding capacity																
Self-financing	28.64%	19.83%	29.01%	26.28%	27.05%	27.73%	27.45%	21.46%	37.32%	29.90%	30.31%	30.92%	31.26%	30.73%	31.24%	31.96%
Sustainability Index	126%	167%	88%	109%	89%	89%	181%	107%	284%	124%	93%	108%	92%	113%	108%	96%
Borrowing capacity																
Indebtedness	10.82%	9.21%	8.98%	8.79%	2.01%	2.07%	2.14%	2.20%	26.46%	28.60%	27.53%	26.51%	15.45%	14.94%	10.43%	9.39%
Total Debt as a % of Rate revenue	9.36%	8.75%	8.44%	8.14%	7.85%	0.00%	0.00%	0.00%	28.31%	30.98%	29.61%	28.31%	15.22%	14.55%	10.07%	8.81%
Debt servicing costs as a % of Total revenue	0.18%	0.23%	0.22%	0.23%	0.22%	0.08%	0.00%	0.00%	1.15%	1.25%	1.19%	1.15%	0.62%	0.60%	0.40%	0.38%

The Essential Services Commission (ESC) has released its draft report 'Local Government Rates Capping & Variation Framework Review'. It provides forecast annual rate caps;

- 2016/17 3.05%
- 2017/18 2.85%
- 2018/19 2.80%

Council's current LTFP has modelled 3% rate rises up until 2022/23 and then 4% thereafter.

Taking the above comments into consideration very preliminary calculations indicates that council will receive \$700k less rate revenue over a 5 year period, \$8.5m less over 10 years or \$30m over 15 years (assuming that the rate cap will be floored at 2.5% in 2024/15 meaning that efficiency factor is capped at 0.35% pa). This will negatively impact on Council's financial sustainability by 2025/26.

This situation will need to be strategically managed as part of the development of the forthcoming 2016/17 Annual Budget / LTFP.