



AGENDA APPENDIX
Council Meeting
Wednesday 16 December 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 NOVEMBER 2015

Appendix 1 – Financial Performance Report - November 2015

Financial Performance Report – November 2015

The Financial Performance Report covers the 5 month period from July 2015 to November 2015.

Overview

Income Statement

Annual year to date performance:

- Operating result: \$2.19 million deficit which is \$0.38 million favourable compared the year to date budget projection of \$2.57 million deficit.

Balance Sheet

Projected year end result:

- Underlying working capital ratio 1.70 to 1 (original budget 1.62 to 1)

Cash Flow Statement

Projected year end result:

- Cash assets: \$9.641 million (original budget \$13.850 million)

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

The November Financial Performance Report does not include the 1st Draft 2016/17 Budget and forward budgets that are currently being considered by Council. They are very preliminary costings and are subject to change.

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 30 November 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	16,394	16,241	153		38,275	38,542	267	
Statutory fees and fines	208	248	(40)		576	543	(33)	
User fees	1,696	1,795	(99)		4,179	4,197	18	
Grants - Operating	3,702	3,655	47		13,215	8,987	(4,228)	A
Grants - Capital	646	855	(209)		5,516	7,266	1,750	B
Contributions - monetary	91	(26)	117		344	392	48	
Contributions - non monetary	0	0	0		370	370	0	
Net gain/ (loss) on disposal of property, infrastructure, plant and equipment	(10)	(178)	168		423	434	11	
Other income	1,019	808	211		2,178	2,250	72	
TOTAL INCOME	23,746	23,398	348		65,076	62,981	-2,095	
EXPENSES								
Employee costs	10,001	9,859	(142)		23,089	22,867	222	
Materials and consumables	9,730	9,739	9		22,035	23,150	(1,115)	C
Bad and doubtful debts	0	0	0		1	1	0	
Depreciation	4,584	4,619	35		11,166	11,090	76	
Borrowing costs	53	52	(1)		142	142	0	
Other expenses	1,565	1,702	137		3,352	3,474	(122)	
TOTAL EXPENSES	25,933	25,971	38		59,785	60,724	(939)	
SURPLUS / (DEFICIT)	(2,187)	(2,573)	386		5,291	2,257	(3,034)	

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note A Income: Grants- Operating \$4.228 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 \$92,000 for Community Strengthening program.
- Additional \$50,000 for Sustainability program.
- Less \$5,000 for immunisation program.

Note B Income: Grants- Capital - \$1.750 million favourable

- Additional \$666,000 for federal Blackspot program.
- Additional \$21,000 for Traffic Accident Commission (TAC) Community Road Safe program.
- Additional \$1.43 million Road to Recovery grants.
- Less \$346,000 for Foster Streetscape.
- Less \$23,000 for Allambee Bridge rehabilitation.

Note C Expenditure: Materials and consumables - \$1.115 million 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.
- Additional \$55,000 for community strengthening – recreation programs.
- Additional \$500,000 for resheet program.
- Additional \$150,000 for Venus Bay garbage collections.
- Less \$20,000 for biodiversity program.
- Additional \$28,000 for building operations.
- Less \$21,000 for property services.
- Additional \$30,000 for innovation technology and Council business.
- Additional \$48,000 for corporate information management.
- Additional \$29,000 for strategic planning.
- Less \$280,000 productivity savings.

South Gippsland Shire Council					
BALANCE SHEET					
For the Period Ending 30 November 2015					
	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	10,396	13,850	9,641	(4,209)	A
Trade and other receivables	36,069	4,624	3,815	(809)	
Other financial assets	4,312	351	4,312	3,961	B
Inventories	302	248	292	44	
Other assets	0	212	303	91	
	51,079	19,285	18,363	(922)	
NON CURRENT ASSETS					
Investments in associates and joint ventures	752	776	752	(24)	
Property, infrastructure, plant and equipment	484,191	517,104	519,309	2,205	C
Investment property	716	716	716	0	
	485,659	518,596	520,777	2,181	
TOTAL ASSETS	536,738	537,881	539,140	1,259	
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	7,301	4,202	2,531	(1,671)	D
Trust funds and deposits	639	526	1,065	539	
Provisions	5,472	5,893	5,869	(24)	
Interest bearing loans and borrowings	0	0	0	0	
	35,570	10,621	9,465	(1,156)	
NON CURRENT LIABILITIES					
Provisions	1,337	315	825	510	
Interest bearing loans and borrowings	3,350	3,350	3,350	0	
	4,687	3,665	4,175	510	
TOTAL LIABILITIES	40,257	14,286	13,640	(646)	
NET ASSETS	496,481	523,595	525,500	1,905	
REPRESENTED BY					
Accumulated Surplus	195,466	197,687	199,419	1,732	
Reserves	301,015	325,908	326,081	173	
TOTAL EQUITY	496,481	523,595	525,500	1,905	

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note A Current Assets: Cash and cash equivalents \$4.209 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 \$2.205 million

- \$2.205 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 30 November 2015					
	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
CASHFLOWS FROM OPERATING ACTIVITIES					
Rates and charges	6,571	38,275	38,542	267	
Statutory fees & fines	208	576	543	(33)	
User fees	1,202	4,179	4,197	18	
Grants - operating	3,702	13,215	8,987	(4,228)	A
Grants - capital	646	5,516	7,266	1,750	B
Contributions- monetary	91	344	392	48	
Interest received	217	491	471	(20)	
Other receipts	854	1,687	1,779	92	
Employee costs	(9,009)	(22,991)	(22,769)	222	
Materials and services	(5,638)	(22,036)	(23,150)	(1,114)	C
Other payments	(1,565)	(3,352)	(3,474)	(122)	
Net cash provided by (used in) operating activities	(2,721)	15,904	12,784	(3,120)	
CASHFLOWS FROM INVESTING ACTIVITIES					
Payments for property, infrastructure, plant & equipment	(2,255)	(18,475)	(19,776)	(1,301)	D
Proceeds from sale of property, infrastructure, plant and equipment	71	1,344	1,355	11	
Trust Funds and deposits	(47)	0	0	0	
Net cash provided by (used in) investing activities	(2,231)	(17,131)	(18,421)	(1,290)	
CASHFLOWS FROM FINANCING ACTIVITIES					
Finance costs	(72)	(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	(72)	(142)	(142)	0	
Net increase (decrease) in cash and cash equivalents	(5,024)	(1,369)	(5,779)	(4,410)	
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	10,396	13,849	9,641	(4,208)	

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note A Cash inflows from operations: Grants operating \$4.228 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 \$92,000 for Community Strengthening program.
- Additional \$50,000 for Sustainability program.
- Less \$5,000 for Immunisation program

Note B Cash inflows from operations: Grants capital \$1.750 million favourable

- Additional \$666,000 for federal Blackspot program.
- Additional \$21,000 for Traffic Accident Commission (TAC) Community Road Safe program.
- Additional \$1.43 million Road to Recovery grants.
- Less \$346,000 for Foster Streetscape.
- Less \$23,000 for Allambee Bridge rehabilitation.

Note C Cash outflows from operations: Materials and Services \$1.114 million favourable

- \$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.
- Additional \$55,000 for community strengthening – recreation programs.
- Additional \$500,000 for resheet program.
- Additional \$150,000 for Venus Bay garbage collections.
- Less \$20,000 for biodiversity program.
- Additional \$28,000 for building operations.
- Less \$21,000 for property services.
- Additional \$30,000 for innovation technology and Council business.
- Additional \$48,000 for corporate information management.
- Additional \$29,000 for strategic planning.
- Less \$280,000 productivity savings.

Note D Cash outflows from Investing Activities: Payment for property, infrastructure plant and equipment \$1.301 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 becket Street- budgets re-profiled.
- Less \$41,000 for Leongatha Yarragon Rd Leongatha- budgets re-profiled.
- Additional \$284,000 for Station St Korumburra - budgets re-profiled.
- Additional \$296,000 Sealed Roads rehabilitation program.
- Additional \$94,000 for fleet.
- Less \$215,000 on landfills.
- Less \$1.2 million on Nth Poowong Road.
- Less \$33,000 on Allambee Estate Road bridge.
- Additional \$10,000 on drainage rehabilitation program.
- Additional \$55,000 on Guardrail replacement program.
- Additional \$1.1 million on Grand Ridge Road.
- Additional \$500,000 on Carmodys Road Leongatha.
- Less \$116,000 on playground replacement program.

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.

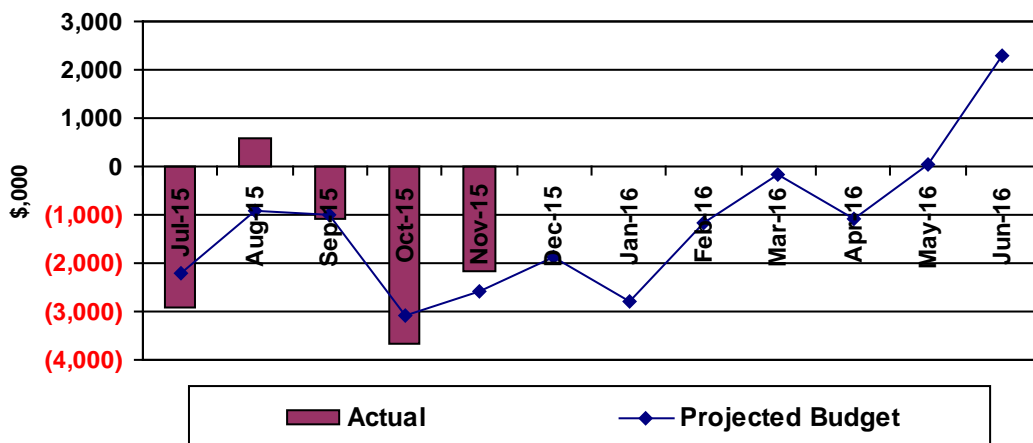
Operating Performance

Operating Budget \$ 2.57 million Deficit for the period Jul-15 to Nov-15

Operating Result \$ 2.19 million Deficit for the period Jul-15 to Nov-15

The operational result varies by \$0.38 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 \$3.39 million for the period Jul-15 to Nov-15

Actual Expenditure \$2.26 million for the period Jul-15 to Nov-15

Capital Expenditure \$1.13 million behind year to date budgets

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

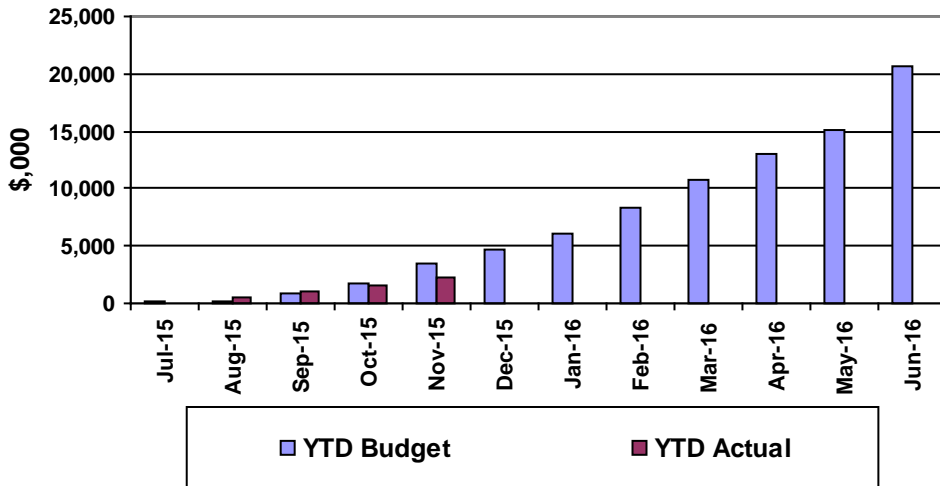
Projects running behind / (ahead) schedule as at 30 November 2015 are detailed in the following table:

Directorate	Department	Cost Centre	Expenditure Major Variation \$	Major Variation Explanation
Corporate and Community Services	Innovation, Technology and Council Business	8030 - IT Capital Works Total	120,989	Variance relates to GIS replacement system where invoices have not yet been received for the new system. This is being checked with the vendor
Sustainable Communities and Infrastructure	Operations	8040 - Fleet - Fleet Purchases Total	(91,601)	Fleet capital expenditure is over budget due to purchase of vehicles not originally budgeted for.
Sustainable Communities and Infrastructure	Operations	8050 - Plant - Plant Purchases Total	(49,931)	Over expenditure is due to zero turn mower and vibrating wacker plate purchased ahead of schedule.
Sustainable Communities and Infrastructure	Sustainable Communities	8060 - General Land Purchases / Sales Total	(247,029)	Expenditure increased due to purchase of property - deposit paid.
Sustainable Communities and Infrastructure	Sustainable Communities	8098 - Municipal Precinct Investigation Total	(28,779)	Savings in budget of \$86,376.00. \$36,007 = carry forward allocation of balance of consultancy fees/payment.
Sustainable Communities and Infrastructure	Operations	8289 - Grand Ridge Road, Leongatha Total	(71,181)	Project added to Capital Works Program due to deferral of North Poowong Road project. Budget profiling to be done at next available opportunity.
Sustainable Communities and Infrastructure	Engineering and Assets	8292 - Roads - Victory Avenue - Foster Total	232,038	Final works delayed on the project due to softer than expected ground conditions. Expect completion end of December.

Sustainable Communities and Infrastructure	Engineering and Assets	8567 - Waste - Landfills Total	271,017	The construction tender has been awarded, but was held up due to design sign off by EPA. Construction due to begin in December.
Sustainable Communities and Infrastructure	Operations	8772 - Roads - Reseals (Partially funded R2R) Total	25,577	Asphalt works are about to commence within the next month. Anticipate commencing spray sealing before Christmas
Sustainable Communities and Infrastructure	Engineering and Assets	8841 - Footpaths - Renewal Total	60,827	Program running behind original schedule. Expect completion within the terms of the contract.
Sustainable Communities and Infrastructure	Operations	8849 - Footpaths - Extension Program Total	78,333	Projects running to schedule, savings potentially realised against nominated projects.
Sustainable Communities and Infrastructure	Engineering and Assets	9000 - Federal Blackspot Program Total	213,237	Works are well underway but running behind original schedule.
Sustainable Communities and Infrastructure	Engineering and Assets	9081 - Roads - North Poowong Road, Poowong Total	(21,265)	Money spent on design and planning investigations earlier than anticipated. Project to be carried forward to 2016/17 due to planning issues.
Sustainable Communities and Infrastructure	Engineering and Assets	9425 - Buildings - Child Care Hub - Korumburra Total	444,903	Expenditure: The contractor has made a claim this month which has not yet been processed. Works have been delayed due to power relocation issues with Ausnet Services, and slab redesign. Awaiting a revised construction program from the contractor and will reprofile upon acceptance.
Sustainable Communities and	Engineering and Assets	9524 - Buildings - Public Toilets Reconstruction - Fish Creek Total	28,669	Project completed within budget.

Infrastructure				
Sustainable Communities and Infrastructure	Engineering and Assets	9721 - Drainage - Rehabilitation Program Total	44,212	Works well underway but running behind original schedule.
Sustainable Communities and Infrastructure	Operations	9722 - Roads - Sealed Rehabilitation Program Total	163,796	Works are progressing well due to favourable weather conditions. Budget profiles need to be amended when open for adjustment.

Capital Performance (\$'000)



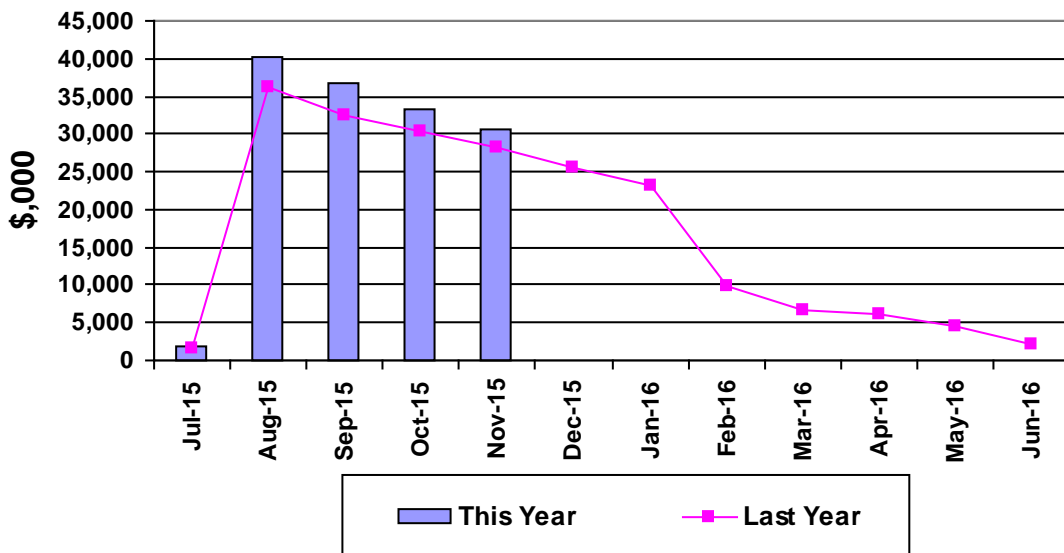
Rate Debtors

Outstanding 15/16 \$30.57 million as at Nov-15

Outstanding 14/15 \$28.25 million as at Nov-14

The outstanding rates as at 30 Nov 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)



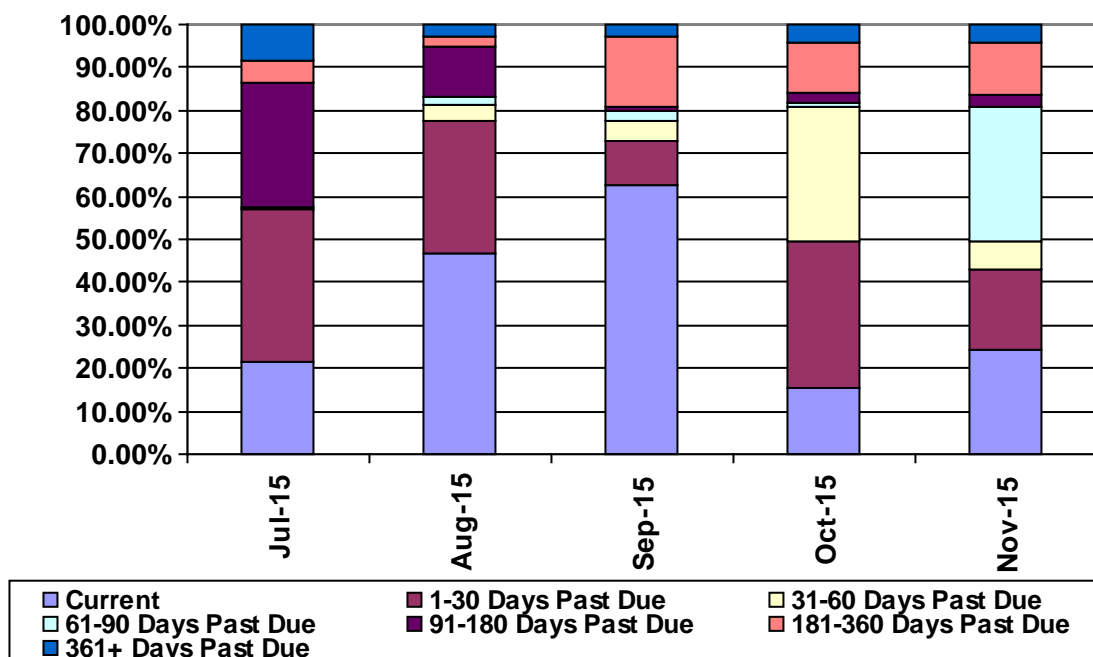
Other Sundry Debtors

Outstanding 15/16 \$ 0.98 million as at Nov-15

Outstanding 14/15 \$ 1.14 million as at Nov-14

The Current and 1-30 Days Past Due make up approx. 43% of total debtors outstanding. There is \$307,000 outstanding in the 61-90 Days Past Due. \$50,000 of this relates to a Fire Services Levy grant owed by the State Revenue Office for work undertaken by the Valuation department and the remaining relates to Caravan Park holders whose annual payment was due on the 30th September but have entered into payment arrangements.

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 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).

Council in November began preparing a draft 2016/17 Budget / Long Term Financial Plan. The November Financial Performance Report does not include the 1st Draft 2016/17 Budget and forward budgets that are currently being considered by Council. They are very preliminary costings and are subject to change.

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)

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.

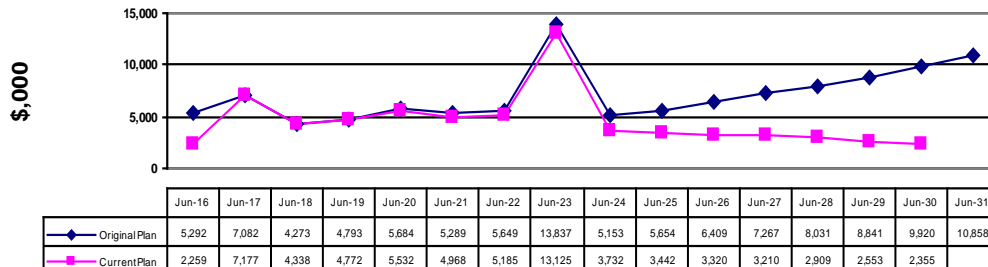
The rate rises in the forward years of the 'original' adopted 2015/16 Budget/Long Term Financial Plan had been set at 3.0% from 2016/17 to 2022/23 and thereafter at 4.0%.

The Essential Services Commission (ESC) in July 2015 released its draft report 'Local Government Rates Capping & Variation Framework Review'. It provided forecast annual rate caps;

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

The current plan has factored in the forecast rate caps made by the Essential Services Commission. Longer term, rates and income budget projections have been reduced by \$30 million. This has an unfavourable impact on the mid to longer term operating result projections.

Operating Result (\$,000)

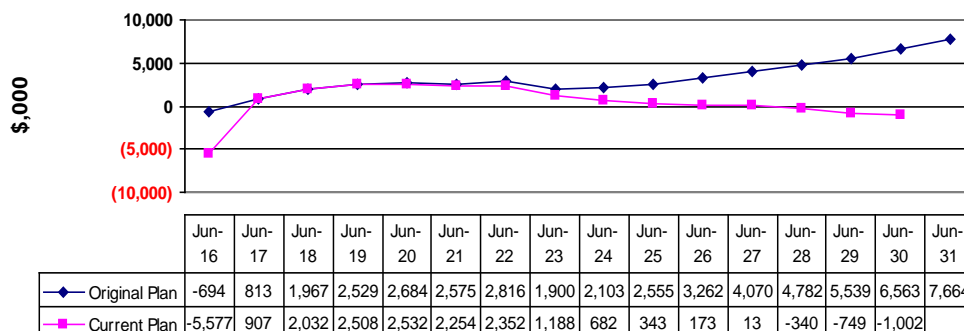


Operating Result before Capital Funding

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)

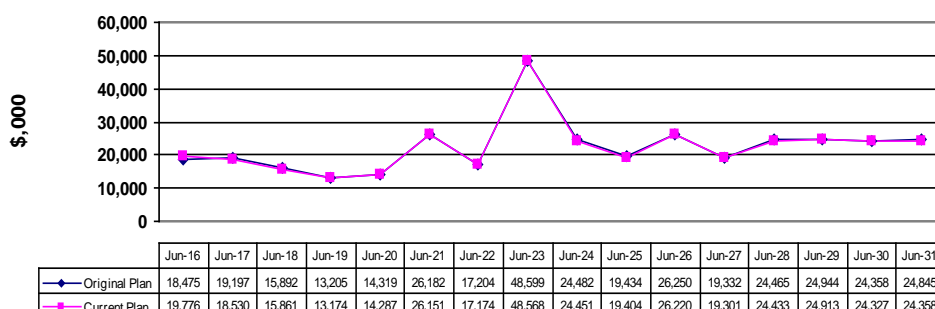


Capital Expenditure

The 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).

The current plan's projected capital works program for the current plan correlates closely with the original plan.

Capital Expenditure (\$,000)

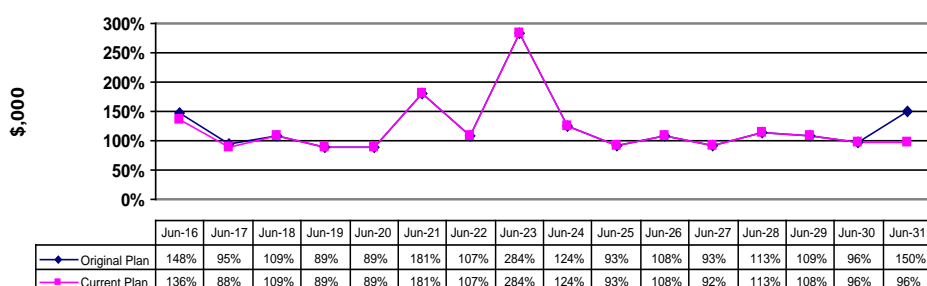


Sustainability Index for Capital Assets

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.

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

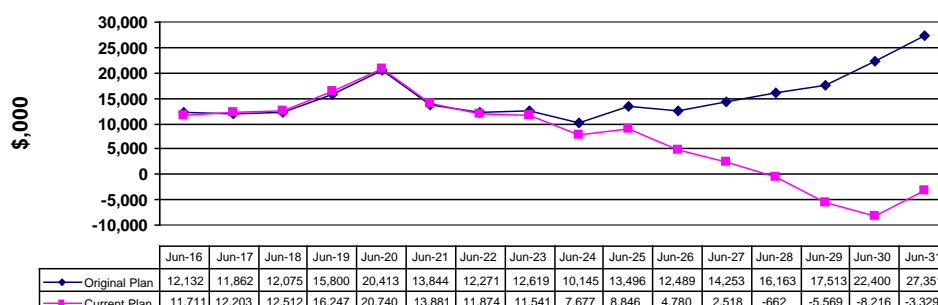


Underlying Liquidity

The current plan's forecast underlying cash position is weaker than the original plan, particularly in the mid to later years.

The current plan has factored in the forecast rate caps made by the Essential Services Commission. Longer term, rates and income budget projections have been reduced by \$30 million. This has an unfavourable impact on the mid to longer term underlying liquidity position of Council.

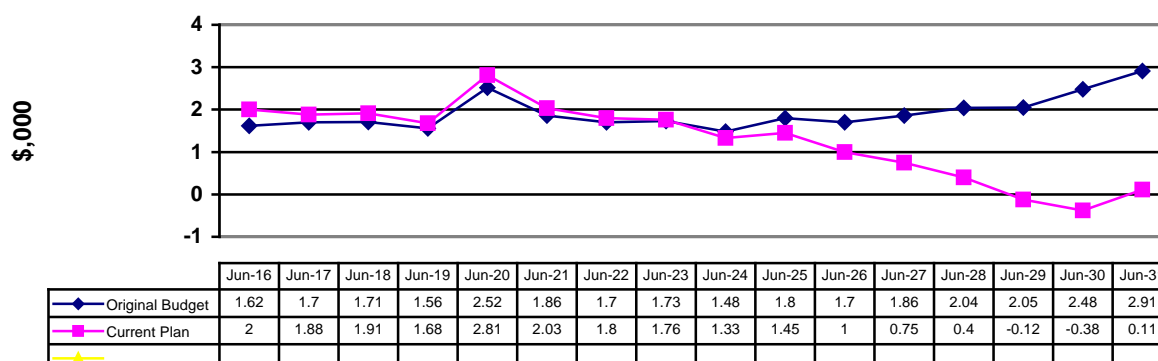
Underlying Liquidity (\$,000)



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 the forecast rate caps has an unfavourable impact on the mid to longer term underlying working capital ratio.

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 in the immediate years. Longer term however Council faces a real risk of becoming financially unsustainable.

The underlying working capital ratio indicates that Council in the immediate 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).

The deterioration of Council's financial position longer term is due factoring in forecast rate caps made by the Essential Services Commission. Longer term, rates and income budget projections have been reduced by \$30 million.

Proposed Budget	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	2030/31
Financial performance																
Underlying result	-10.11%	1.54%	3.36%	4.01%	3.94%	3.39%	3.43%	1.68%	0.94%	0.46%	0.22%	0.02%	-0.41%	-0.88%	-1.15%	6.95%
Underlying Working Capital	1.70	1.88	1.91	1.68	2.81	2.03	1.80	1.76	1.33	1.45	1.00	0.75	0.40	(0.12)	(0.38)	0.11
Funding capacity																
Self-financing	20.42%	29.07%	26.29%	26.98%	27.55%	27.14%	20.96%	36.82%	28.65%	28.42%	28.36%	28.00%	26.67%	26.44%	26.38%	32.18%
Sustainability Index	136%	88%	109%	89%	89%	181%	107%	284%	124%	93%	108%	92%	113%	108%	96%	96%
Borrowing capacity																
Indebtedness	9.08%	8.95%	8.77%	2.01%	2.07%	2.15%	2.22%	26.64%	29.17%	28.40%	27.68%	16.33%	16.00%	11.32%	10.33%	8.82%
Total Debt as a % of Rate revenue	8.69%	8.42%	8.12%	7.85%	0.00%	0.00%	0.00%	28.61%	31.78%	30.79%	29.85%	16.28%	15.80%	11.11%	9.87%	7.98%
Debt servicing costs as a % of Total revenue	0.23%	0.22%	0.23%	0.22%	0.08%	0.00%	0.00%	1.16%	1.27%	1.22%	1.19%	0.65%	0.63%	0.42%	0.42%	0.38%

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