



AGENDA APPENDIX
Council Meeting
Wednesday 24 June 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 FINANCE PERFORMANCE REPORT JULY 2014 – MAY 2015

Appendix 1 – Financial Performance Report

Financial Performance Report July 2014 – May 2015

The Financial Performance Report covers the 11 month period from July 2014 to May 2015.

Overview

Income Statement

Annual year to date performance:

- Year to date operating result is a \$6.211 million surplus which is \$2.234 million favourable compared with year to date budget projection. Income is ahead due to receiving grant income ahead of budget projections. Expenditure on material and services is behind year to date budget projections

Balance Sheet

Projected year end result:

- Underlying working capital ratio 1.95 to 1 (original budget 1.56 to 1)

Cash Flow Statement

Projected year end result:

- Cash assets: \$15.219 million (original budget \$9.657 million)

Capital Works program

- Expenditure \$10.242 million which is \$199,000 behind year to date budget projection of \$10.441 million

The longer term financial performance indicators show that the Financial Plan, adjusted for budget carry forward and other budget adjustments, is financially sustainable.

The balance of this Financial Performance Report is broken down to the following sections:

Section 1 - Year to date financial performance and projected financial results.

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 May2015								
	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	32,885	32,726	159		35,677	35,810	133	
Statutory fees and fines	512	540	(28)		551	537	(14)	
User fees	3,600	3,768	(168)		4,267	4,010	(257)	
Contributions - cash	275	257	18		66	247	181	
Contributions - non monetary assets	0	0	0		1,337	337	(1,000)	A
Grants - Operating (recurrent)	10,789	10,755	34		10,867	10,989	122	
Grants - Operating (non recurrent)	4,287	3,709	578	1	4,597	4,308	(289)	
Grants - Capital (recurrent)	1,672	1,254	418	2	1,636	1,672	36	
Grants - Capital (non recurrent)	414	328	86		3,176	477	(2,699)	B
Net gain/ (loss) on disposal of property, infrastructure, plant and equipment	(104)	186	(290)		291	(36)	(327)	
Other income	2,110	2,108	2		1,807	2,336	529	
TOTAL INCOME	56,440	55,631	809		64,272	60,687	-3,585	
EXPENSES								
Employee costs	20,313	20,489	176		22,241	22,014	227	
Materials and consumables	17,393	18,488	1,095	3	21,483	19,666	1,817	C
Bad and doubtful debts	1	0	(1)		1	1	0	
Depreciation	9,725	9,771	46		10,853	10,766	87	
Borrowing costs	103	104	1		151	123	28	
Other expenses	2,694	2,802	108		3,454	3,073	381	
TOTAL EXPENSES	50,229	51,654	1,425		58,183	55,643	2,540	
SURPLUS / (DEFICIT)	6,211	3,977	2,234		6,089	5,044	(1,045)	

NOTES: MATERIAL VARIATIONS IN YEAR TO DATE FINANCIAL PERFORMANCE

Note 1 Income: Grants – Operating (non recurrent) - \$578,000 ahead

- \$400,000 Corner Inlet Great Southern Rail Trail grant received in advance
- \$100,000 Yanakie Recreation Reserve Development grant received in advance
- \$239,000 Storm Response Recovery grant received in advance
- \$100,000 Mirboo North Soccer Club Lighting project grant not yet received
- \$103,000 Black Spur Bridge Investigation grant not yet received

Note 2 Income: Grants – Capital (recurrent) - \$418,000 ahead

- \$418,000 grant for Roads to Recovery grant received ahead of year to date budget.

Note 3 Expenses: Materials and consumables - \$1.10 million behind

- \$640,000 behind on material expenditure on Operation's department program activities
- \$576,000 behind on contactor payments for projects.
- \$160,000 behind on fuel and oil costs
- \$144,000 behind on training and professional development costs across the organisation
- \$101,000 behind on consultancy costs
- \$61,000 behind on insurance costs
- \$54,000 behind on printing and stationary expenses
- \$51,000 behind on apprenticeship payments
- \$49,000 behind on legal fees
- \$39,000 behind on Software Annual Support and Licences
- \$506,000 ahead on labour hire costs
- \$278,000 ahead on stock issued
- \$206,000 ahead on program maintenance costs

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note A Income: Contributions – non monetary assets- \$1 million unfavourable

- The volume and value of gifted assets is expected to be significantly less than the original budget. Budget projection revised down by \$1 million.

Note B Income: Grants- Capital (non-recurrent) - \$2.699 million favourable

- \$189,000 grants originally expected to be received in 2013/14 have had budgets carried forward into this financial year.
- Additional \$35,000 for McDonalds Track black spot.
- Additional \$50,000 for Timms Rd black spot.
- Additional \$100,000 for Mirboo Nth Soccer lights.
- Additional \$74,000 Korumburra Recreation Reserve.
- Additional \$255,000 for Recreation - Nyora Hall.
- Additional \$40,000 for Mossvale Park flood recovery.
- \$237,000 grants reclassified from the line item 'capital grants' to 'operating grants'.
- \$1.555 million less grants to be received for Korumburra Child Care Hub.
- \$28,000 less for Waratah Bay Caravan Park rotunda and camp kitchen
- \$1.700 million grant for Korumburra Child Care Hub carried forward to 2015/16
- \$25,000 grant for Nyora Hall carried forward to 2015/16
- \$200,000 grant for Allambie Estate bridge carried forward to 2015/16

Note C Expenditure: Materials and consumables - \$1.187 million favourable

- \$199,000 grant funded expenditure predominately for community services projects carried forward from 2013/14
- \$140,000 additional expenditure for Meeniyah Recreation Reserve
- \$355,000 additional expenditure for Yanakie Recreation Reserve
- \$1.18 million less expenditure on Black Spur Bridges
- \$384,000 increase in expenditure on a number of projects that were reclassified from capital to operating expenditure
- \$64,000 additional expenditure for landfill operations
- \$10,000 additional expenditure for GPS systems – asset management
- \$366,000 'other expenses' reclassified as 'material and consumable' expenses
- \$36,000 additional expenses on economic development program
- \$57,000 additional expenditure on storm response / recovery
- \$50,000 less for utility costs
- \$18,000 additional expenses for transfer stations
- \$11,000 additional expenses for people and culture program
- \$11,000 less expenditure for risk management
- \$16,000 additional expenses for Advancing Country Towns program
- \$35,000 additional expenses for Biodiversity program
- \$141,000 additional expenses for synthetic green for Korumburra Bowling Club
- \$30,000 additional expenses for Community Services program
- \$39,000 additional expenses for Engineering Services and Operations program
- \$220,000 additional expenses for private sealing works

- \$150,000 additional expenses for infrastructure maintenance program
- \$48,000 less expenditure for property / building program
- \$42,000 less expenditure for Fleet Operations
- \$41,000 less expenditure on Sustainability Services program
- \$2.0 million project funding carried forward into 2015/16 for a variety of projects including Strategic Planning, Biodiversity program, Black Spur Bridge investigation, Yanakie Recreation reserve development, Great Southern Rail Trail, Mirboo North Soccer Club lighting project, Korumburra Recreation Reserve, Meeniyah Recreation Reserve and Mirboo North Netball Court project.

South Gippsland Shire Council
BALANCE SHEET
For the Period Ending 31 May 2015

	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	16,167	9,657	15,219	5,562	A
Trade and other receivables	8,969	4,335	4,624	289	
Financial assets	348	1,700	351	(1,349)	B
Inventories	272	219	248	29	
Other assets	206	113	212	99	
	25,962	16,024	20,654	4,630	
NON CURRENT ASSETS					
Investments in regional library corporation	776	603	776	173	
Property, infrastructure, plant and equipment	484,491	532,318	486,832	(45,486)	C
Investment property	716	674	716	42	
	485,983	533,595	488,324	(45,271)	
TOTAL ASSETS	511,945	549,619	508,978	(40,641)	
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	3,566	3,389	4,202	813	
Trust funds and deposits	683	529	526	(3)	
Provisions	5,425	5,146	5,356	210	
Interest bearing loans and borrowings	0	0	0	0	
	12,612	9,064	10,084	1,020	
NON CURRENT LIABILITIES					
Provisions	1,226	1,057	1,094	37	
Interest bearing loans and borrowings	3,350	3,350	3,350	0	
	4,576	4,407	4,444	37	
TOTAL LIABILITIES	17,188	13,471	14,528	1,057	
NET ASSETS	494,757	536,148	494,450	(41,698)	
REPRESENTED BY					
Accumulated Surplus	194,586	195,666	193,434	(2,232)	
Reserves	300,171	340,482	301,016	(39,466)	D
TOTAL EQUITY	494,757	536,148	494,450	(41,698)	

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note A Current Assets: Cash and cash equivalents \$5.562 million favourable

- \$1.349 million financial assets (investments with maturity above 3 months) reclassified as cash and cash equivalent assets. The net cost impact of funds being carried forward for unfinished capital and grant funded projects has a positive effect on the projected cash position as at 30 June. 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 \$1.349 million unfavourable

- \$1.349 million financial assets (investments with maturity above 3 months) reclassified as cash and cash equivalent assets.

Note C Non Current Assets: Property, infrastructure, plant and equipment \$45.486 million unfavourable

- \$45.486 million unfavourable projection predominantly due to asset revaluation adjustments for previous 2013/14 year being less than anticipated.

Note D Equity: Reserves \$39.468 million unfavourable

- \$39.468 million unfavourable projection predominantly due to asset revaluation adjustments for previous 2013/14 year being less than anticipated.

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

	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
CASHFLOWS FROM OPERATING ACTIVITIES					
Rates and charges	32,611	35,677	35,810	133	
Statutory fees & fines	512	551	537	(14)	
User fees	2,421	4,267	4,010	(257)	
Contributions	275	66	247	181	
Grants - operating	15,076	15,464	15,297	(167)	
Grants - capital	2,086	4,812	2,149	(2,663)	A
Interest	393	529	442	(87)	
Other receipts	1,698	1,278	1,894	616	
Employee costs	(19,245)	(22,147)	(21,920)	227	
Materials and consumables	(17,956)	(20,812)	(18,749)	2,063	B
Utilities	(762)	(1,029)	(918)	111	
Other payments	(2,694)	(3,454)	(3,073)	381	
Net cash provided by (used in) operating activities	14,415	15,202	15,726	524	
CASHFLOWS FROM INVESTING ACTIVITIES					
Payments for property, infrastructure, plant & equipment	(10,242)	(15,476)	(12,410)	3,066	C
Proceeds from sale of property, infrastructure, plant and equipment	539	913	601	(312)	
Trust Funds and deposits	158	0	0	0	
Net cash provided by (used in) investing activities	(9,545)	(14,563)	(11,809)	2,754	
CASHFLOWS FROM FINANCING ACTIVITIES					
Finance costs	(127)	(151)	(123)	28	
Proceeds from borrowing	0	0	0	0	
Repayment of borrowings	0	0	0	0	
Net cash provided by (used in) financing activities	(127)	(151)	(123)	28	
Net increase (decrease) in cash and cash equivalents	4,743	488	3,794	3,306	
Cash and cash equivalents at the beginning of the financial year	11,425	9,169	11,425	2,256	
Cash and cash equivalents at the end of the period	16,168	9,657	15,219	5,562	

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note A Cash inflows from operations: Grants capital \$2.663 million unfavourable

- \$189,000 grants originally expected to be received in 2013/14 have had budgets carried forward into this financial year.
- Additional \$35,000 for McDonalds Track black spot.
- Additional \$50,000 for Timms Rd black spot.
- Additional \$100,000 for Mirboo Nth Soccer lights.
- Additional \$74,000 Korumburra Recreation Reserve.
- Additional \$255,000 for Recreation - Nyora Hall.
- Additional \$40,000 for Mossvale Park flood recovery.
- \$237,000 grants reclassified from the line item 'capital grants' to 'operating grants'.
- \$1.555 million less grants to be received for Korumburra Child Care Hub.
- \$28,000 less for Waratah Bay Caravan Park rotunda and camp kitchen
- \$1.700 million grant for Korumburra Child Care Hub carried forward to 2015/16
- \$25,000 grant for Nyora Hall carried forward to 2015/16
- \$200,000 grant for Allambie Estate bridge carried forward to 2015/16

Note C Cash outflows from Investing Activities: Payment for property, infrastructure plant and equipment \$3.066 million favourable

- \$1.006 million capital expenditure originally expected to be incurred in 2013/14 have had budgets carried forward into this financial year.
- Additional \$35,000 for McDonalds Track black spot.
- Additional \$51,000 for Timms Rd black spot.
- Less \$42,000 for playground equipment Lance Moon Park.
- Less \$41,000 on kerb and channel –Collis St Foster.
- Additional \$298,000 Recreation – Nyora Hall.
- Additional \$111,000 for Korumburra Recreation Centre.
- Less \$110,000 on Recreation Community Infrastructure projects.
- Additional \$41,000 for drainage rehabilitation program.
- Additional \$257,000 for Mirboo Nth Soccer club lights.
- Additional \$39,000 for office accommodation.
- Less \$26,000 for fleet purchase - invoice paid in 2013/14
- Less \$25,000 for Taylor Reserve Open Space Enhancement project – invoice paid in 2013/14
- Additional \$60,000 for Mirboo Nth Netball court project
- Less \$21,000 on Betterment works- now funding Hannah Rise / Melville Ave drainage

- Less \$60,000 on Yanakie Caravan Park and \$20,000 on Long Jetty Caravan Park
- Less \$20,000 on Station Street rehabilitation works now funding Station Street Korumburra
- Less \$61,000 on Meeniyah Dumbalk United project –reclassified as operating expense
- Less \$2.629 million on Korumburra Child Care Hub- project delayed
- Less \$8,000 on Goads Road bridge – now funding Summers Road bridge
- Additional \$207,000 Waste program landfill cover
- Less \$169,000 on Allambie Estate Road bridge
- Less \$39,000 on Goads Road bridge
- Less \$158,000 on Betterment works
- Less \$600,000 for Information technology systems
- Less \$95,000 on footpaths
- Less \$558,000 on fleet / plant purchases
- Additional \$165,000 on Roads rehabilitation program
- Additional \$340,000 on Koonwarra landfill
- Less \$192,000 on reseals
- Additional \$102,000 on reseal preparation works
- Less \$50,000 on playground replacement program
- Additional \$36,000 on Grey Street
- \$481,000 engineering projects carried forward to 2015/16
- \$110,000 Information technology projects carried forward to 2015/16
- \$115,000 Coal Creek carried forward to 2015/16
- \$113,000 net savings from final budget projections across a number of projects

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

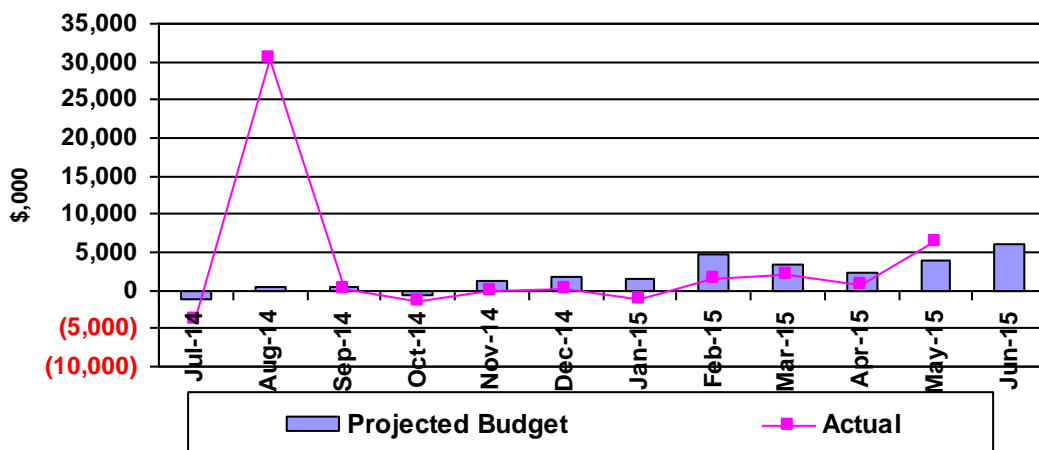
Operating Budget \$3.98 million Surplus for the period Jul-14 to May-15

Operating Result \$6.21 million Surplus for the period Jul-14 to May-15

The operational result varies by \$2.23 million to the projected year to date budget. Variation is due to timing of actual costs to year to date budgets.

The spike in August is a result of bringing to account full rate income for the year. In the following month the income has been adjusted to be proportionately prepaid throughout the year.

Operating Performance (\$'000)



Capital Performance

Capital Budget \$10.44 million for the period Jul-14 to May-15

Actual Expenditure \$10.24 million for the period Jul-14 to May-15

Capital Expenditure \$ 0.20 million behind year to date budgets

The Capital Works Program is running behind year to date budgets. \$0.2 million funding for Capital Works Program was carried forward from 2013/14 to 2014/15 (for projects that were not completed by 30 June 2014).

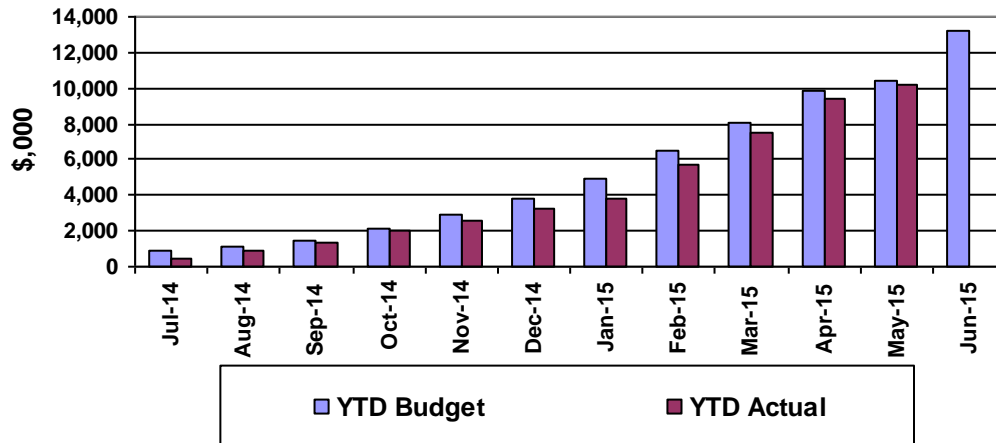
Projects running behind / (ahead) schedule as at 31 May 2015 are detailed in the following table:

			Expenditure Major Variation \$	
Directorate	Department	Cost Centre		Major Variation Explanation
Development Services	Coal Creek	1670 - Other - CCHV - Capital Projects Total	97,068	Electrical Tender come in over budget, money requested to be Carried Forward to determine the best option for this project.
Engineering Services	Property	3461 - Long Jetty Caravan Park Capital Total	29,177	Variation due to slow project delivery.
Corporate Services	Information Services	8030 - Information Services Total	107,541	Projects behind schedule
Engineering Services	Engineering and Assets	8040 - Fleet - Fleet Purchases Total	(58,761)	Capital Fleet Purchases are behind schedule for May due to 2 new purchase/deliveries will now be early June, budget is on track.
Engineering Services	Operations	8050 - Plant - Plant Purchases Total	47,785	Capital Plant is out due to late delivery of Plant Item 445 and some budget adjustments have been made.
Engineering Services	Property	8098 - Municipal Precinct Investigation Total	27,960	Pending invoice. Received on 1 June 2015.

Directorate	Department	Cost Centre	Expenditure Major Variation \$	Major Variation Explanation
Engineering Services	Engineering and Assets	8152 - Roads - Rehabilitation Program Total	(517,894)	Works commenced earlier than planned.
Engineering Services	Engineering and Assets	8292 - Roads - Victory Avenue - Foster Total	485,461	Works behind original schedule but expect completion within the times set in the contract.
Engineering Services	Engineering and Assets	8559 - Waste - Koonwarra Landfill Cells 1, 2 and 3 Cap - (PROVISION) Total	(764,507)	Project progressing well. On track to be completed by early July. Budget to be re-profiled due to budget carry forwards.
Engineering Services	Engineering and Assets	8770 - Civil - Capital Works Design Total	38,111	Design program running behind original schedule. Expect to pick up over coming month.
Engineering Services	Operations	8774 - Roads - Reseal Preparation Total	(123,417)	Profile issue, budget is sitting in June.
Engineering Services	Engineering and Assets	8841 - Footpaths - Renewal Total	52,262	Works behind schedule. Expect completion within contract timeframes.
Engineering Services	Engineering and Assets	9425 - Buildings - Child Care Hub - Korumburra Total	164,631	Awaiting settlement of property acquired by a public acquisition overlay.
Engineering Services	Property	9523 - Buildings - Public Toilets Reconstruction - Toora Total	106,189	Works are behind schedule. Structure has been prefabricated, but will be transported with the two other toilets.
Engineering Services	Property	9524 - Buildings - Public Toilets Reconstruction - Fish Creek Total	124,563	Works are behind schedule due to delays in the approval of a suitable septic system

Directorate	Department	Cost Centre	Expenditure Major Variation \$	Major Variation Explanation
Engineering Services	Engineering and Assets	9620 - Recreation - Nyora Hall Total	65,502	The additional works for the project are underway and progressing well, just behind schedule 95% of expected to be complete by end of June small Carry Forward requested.
Engineering Services	Engineering and Assets	9705 - Bridge - Allambee Estate Rd Bridge Rehab - Allambee Reserve Total	166,779	Project running behind original schedule. Project expected to be completed within contract timeframes.
Engineering Services	Engineering and Assets	9721 - Drainage - Rehabilitation Program Total	113,801	Extra projects added to this budget. Works to be completed by mid June.
Engineering Services	Engineering and Assets	9738 - Roads - Gray St - Leongatha Total	106,014	Project running behind original schedule, expect completion by end of financial year.
Engineering Services	Engineering and Assets	9758 - Bridge - Wyghts Bridge Replacement - Meeniyan (CRandB) Total	(81,390)	Project is complete.

Capital Performance (\$'000)



The following capital projects have had funds carried forward from 2014/15 to 2015/16:

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$
8876	Footpaths - Extension - Walkerville Road - Tarwin Lower	General	Contractors	93,825
8190	Playground Replacement - Mirboo North Bay Care Centre - Mirboo North	General	Contractors	15,638
8030	Information Services	GIS System Replacement	Software Purchases and Enhancements	80,000
8030	Information Services	Aerial Photography	Contractors	55,120
8030	Information Services	Technology Projects	Contractors	33,785
8050	Plant - Plant Purchases	General	Capital Plant Purchases	307,090
8040	Fleet - Fleet Purchases	General	Capital Plant Purchases	39,363
8030	Information Services	Compliance Software	Software Purchases and Enhancements	15,000
8030	Information Services	Online Induction Software	Software Purchases and Enhancements	30,000

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$
8030	Information Services	VOIP	Software Purchases and Enhancements	250,000
8030	Information Services	Public WiFi	Hardware	50,000
8030	Information Services	Governance Software	Software Purchases and Enhancements	42,000
9814	Roads - Deviation of Koonwarra-Pound Creek Road - Leongatha	Land Acquisition	Contractors	21,000
9705	Bridge - Allambee Estate Rd Bridge Rehab - Allambee Reserve	General	Contractors	70,000
8292	Roads - Victory Avenue - Foster	General	Contractors	30,000
1670	Other - CCHV - Capital Projects	General	Contractors	115,845
9425	Buildings - Child Care Hub - Korumburra	General	Contractors	250,000
9523	Buildings - Public Toilets Reconstruction - Toora	General	Contractors	40,000
9524	Buildings - Public Toilets Reconstruction - Fish Creek	General	Contractors	50,000
3451	Yanakie Caravan Park Capital	General	Contractors	10,000
3461	Long Jetty Caravan Park Capital	Cabin Replacement	Contractors	5,000
3461	Long Jetty Caravan Park Capital	Power Head Replacement Program	Minor Furniture, Plant and Equipment	7,500

Cost Centre	Cost Centre Name	Activity Name	Account Name	\$
3461	Long Jetty Caravan Park Capital	Recreation Room Refurbishment	Contractors	5,000

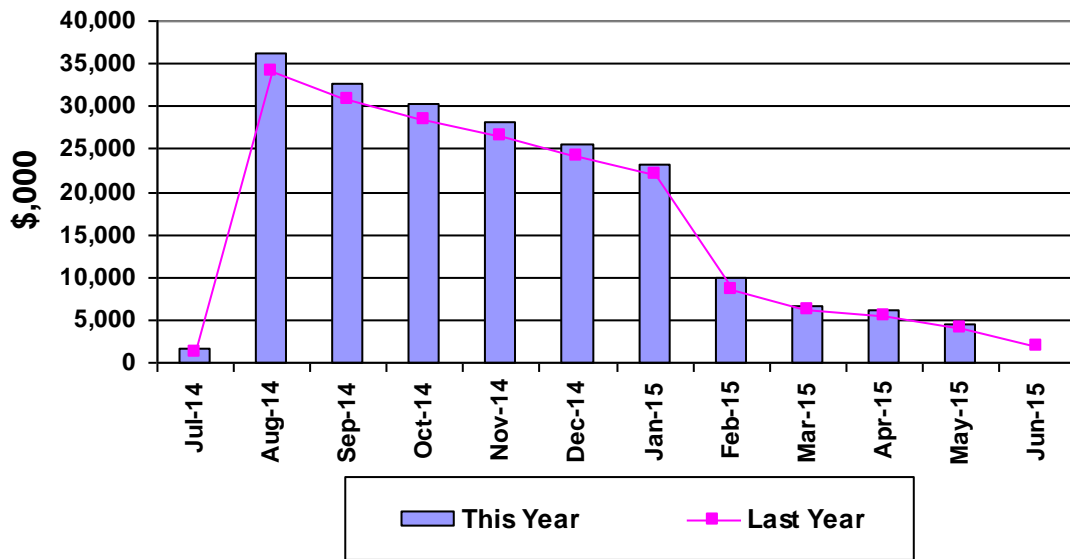
Rate Debtors

Outstanding 14/15 \$4.60 million as at May-15

Outstanding 13/14 \$4.08 million as at May-14

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

Rate Debtors (\$,000)



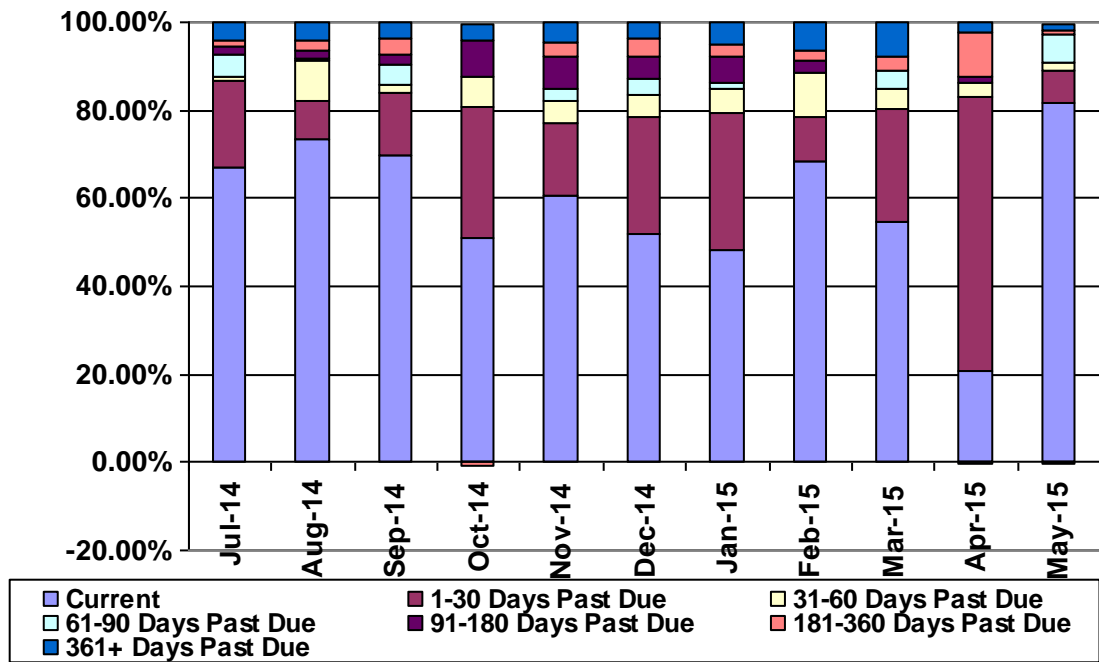
Other Sundry Debtors

Outstanding 14/15 \$ 3.23 million as at May-15

Outstanding 13/14 \$ 1.75 million as at May-14

The Current and 1-30 Days Past Due make up approx. 90% of total debtors outstanding. \$2,454,577 represents a claim for flood events in November 2012 and was paid on 1st June. There is approx. \$194,000 outstanding in the 61-90 Days Past Due relating to caravan park fees that were due on 31st March 2015.

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 2014/15 Budget and Long Term Financial Plan forecasts to the original plan (the Annual Budget & Long Term Financial Plan was adopted for 2014/15 on 25 June 2014).

Council on 25 March 2015 prepared a proposed budget for 2015/16. This now supersedes the 2014/15 Budget and Long Term Financial Plan forecasts. The current plan now includes the proposed 2015/16 budget that has been updated with budget carry forward adjustments and other budget adjustments made since 25 March.

The lines in the following graphs are as follows

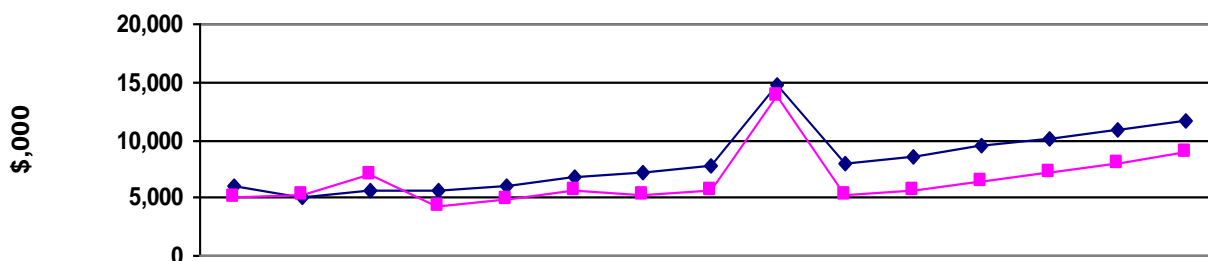
- Original plan – Blue line –original 2014/15 Budget and Long Term Financial Plan
- Current Plan – Purple line – Updated proposed 2015/16 Budget and Long Term Financial Plan

Operating Result

The current plan has factored in rates being capped from 2016/17. The current plan’s projected operating result is generally marginally weaker when compared to the original plan. The financial integrity of the budgeted financial statements has been retained.

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)



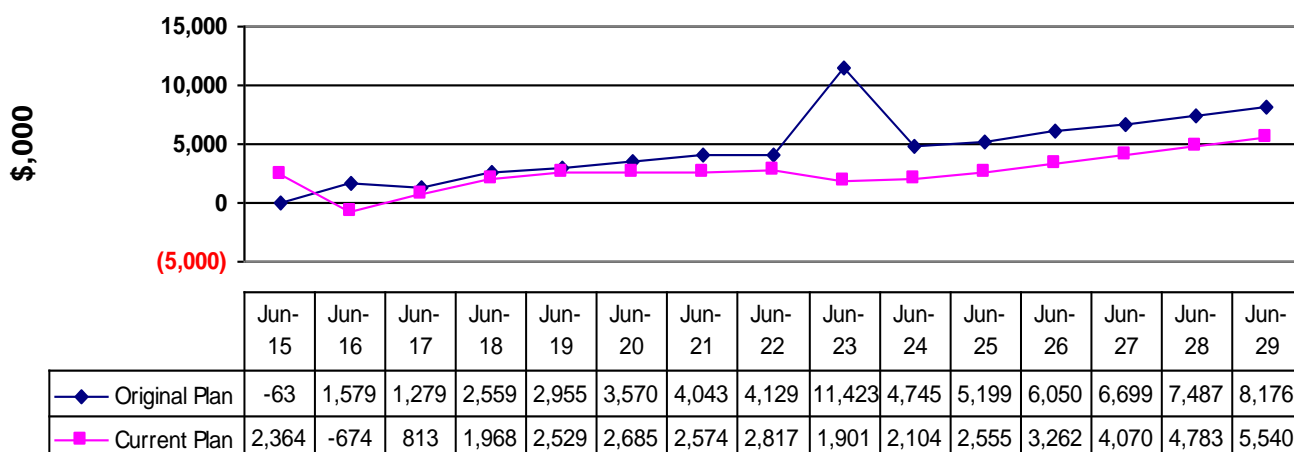
	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Jun-29
Original Plan	6,086	5,051	5,575	5,635	6,066	6,718	7,229	7,825	14,688	8,050	8,546	9,440	10,133	10,966	11,701
Current Plan	5,045	5,312	7,082	4,274	4,793	5,685	5,288	5,650	13,838	5,154	5,654	6,409	7,267	8,032	8,842

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 current plan no longer identifies Special Charge Rate income as recurrent income (cause of spike for 2022/23 in Original plan)

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 shows surpluses being achieved in all years except 2015/16 and generally mirrors the operating result outcomes discussed immediately above.

Operating Result before Capital Funding (\$,000)

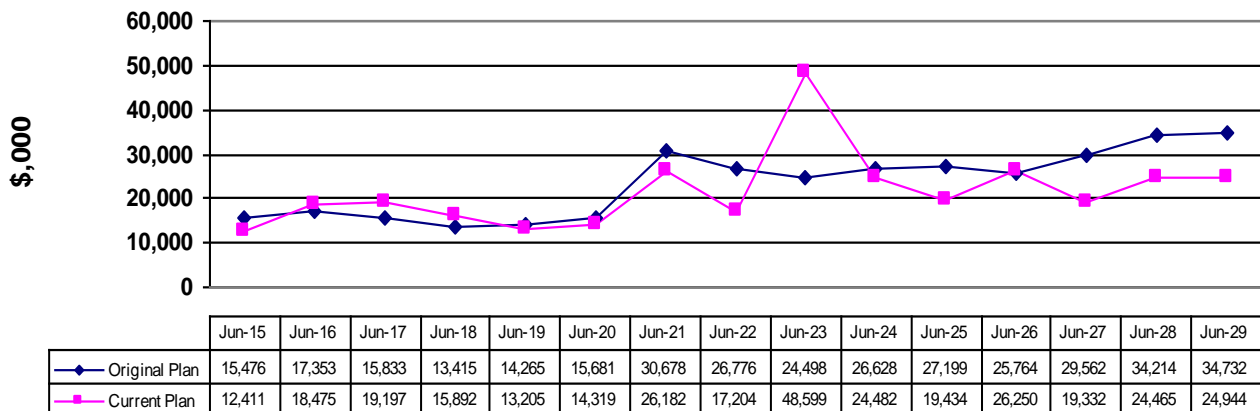


Capital Expenditure

The 2014/15 budget was adjusted to take into account the financial ramifications of carrying forward funds for projects that are not expected to be completed by 30 June 2014. In total, \$2.05 million funds were carried forward from 2013/14 (this includes \$2.04 million identified during the 2013/14 budget development process and an additional \$1.01 million identified at financial year end). \$1.6 million worth of capital projects have had funds carried forward from 2014/15 to 2015/16.

The projected Capital Works Program for the current plan generally correlates with the original plan. The spike in 2022/23 takes into account a major municipal development project proposal. Expenditure budgets in the mid to later years have been tapered down because less funding anticipated as a result of rate capping being introduced for all Victorian councils.

Capital Expenditure (\$,000)

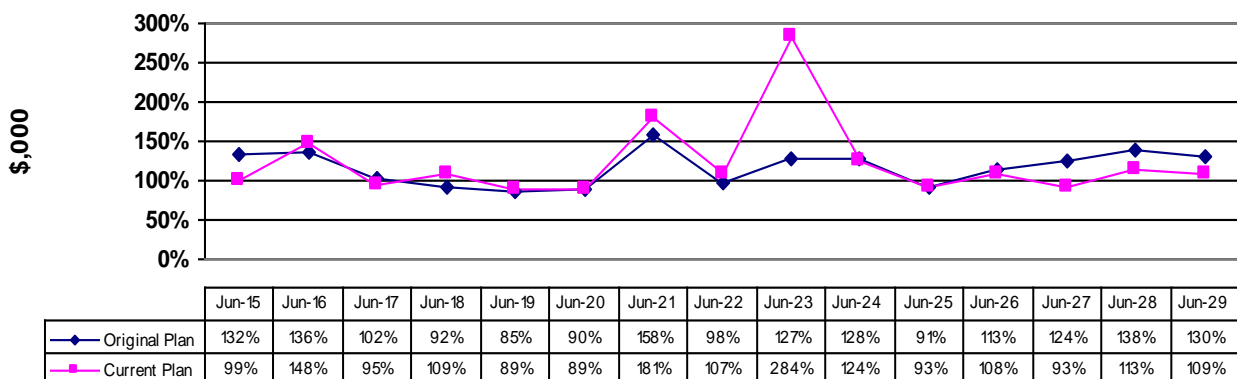


Sustainability Index for Capital Assets

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 current plan's sustainability index correlates 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's draft budget. .

Sustainability Index



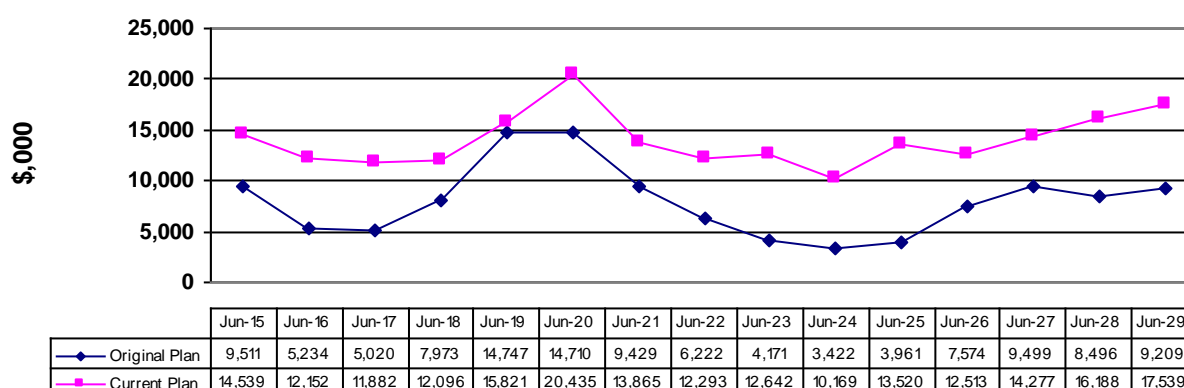
Underlying Liquidity

The current plan's forecast underlying cash position is stronger than the original plan in the early years. The reason is due to the change of mix of accounts receivables and accounts payable at financial year end to budget forecasts as well as reclassification of financial assets as cash and equivalents.

It also benefits from the net favourable budget projections being made for 2014/15 as well as from expecting to receive an additional \$1.6 million grant in 2016/17.

Due to the inherent volatility of debtors and creditors on cash position at any point in time the underlying cash is always assessed in conjunction with the underlying working capital ratio.

Underlying Liquidity (\$,000)

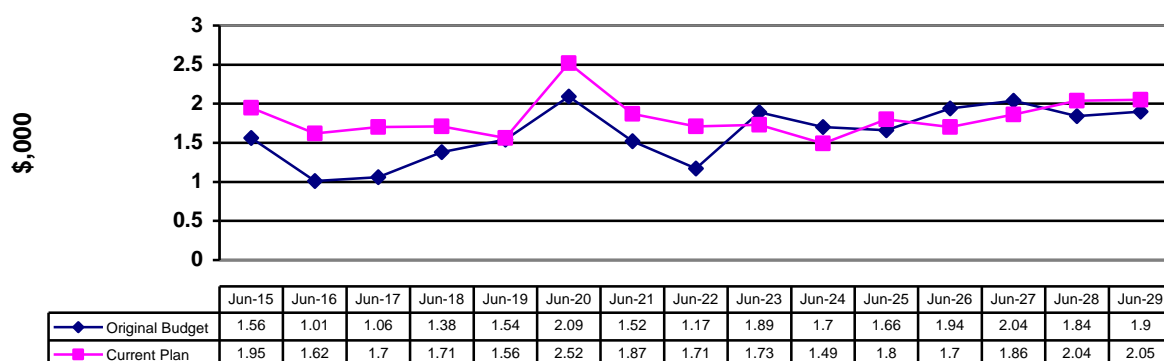


Underlying Working Capital Ratio

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

The current financial plan's underlying working capital is somewhat stronger for 2015/16 and the immediate years following than the original plan. This is as a result of costs being reduced in 2015/16 but rate income only being reduced in the following 2016/17 year. The favourable budget projection for 2014/15 coupled with the additional \$1.6m grant expected in 2016/17 strengthens the ratio in the short to mid term. Longer term it maintains parity with the previous plans.

Underlying Working Capital Ratio



Conclusion

The table below shows several key financial performance indicators targets set when the 2014/15 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.

2014/15 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
Financial performance															
Underlying result	-0.11%	2.01%	2.19%	4.13%	4.55%	5.27%	5.67%	5.55%	13.41%	5.83%	6.07%	6.75%	7.10%	7.6%	7.9%
Underlying Working Capital	1.56	1.01	1.06	1.38	1.54	2.09	1.52	1.17	1.89	1.70	1.66	1.94	2.04	1.84	1.90
Funding capacity															
Self-financing	24.16%	25.00%	26.06%	26.85%	27.79%	28.04%	28.87%	29.78%	25.56%	31.39%	32.19%	32.59%	33.35%	33.84%	33.74%
Sustainability Index	132%	136%	102%	92%	85%	90%	158%	90%	127%	128%	91%	113%	124%	138%	130%
Borrowing capacity															
Indebtedness	16.28%	8.21%	8.11%	7.80%	1.23%	1.31%	1.40%	1.46%	1.40%	1.64%	1.71%	1.77%	1.84%	1.91%	1.97%
Total Debt as a % of Rate revenue	9.39%	8.88%	8.41%	7.98%	7.59%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Debt servicing costs as a % of Total revenue	0.23%	0.25%	0.24%	0.23%	0.22%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The table on the following page shows the current status of updated proposed 2015/16 Budget and Long Term Financial Plan's key financial indicators.

The majority of indicators remain within strategic thresholds targets.

The underlying operating result longer term is trending weaker than the proposed budget that was adopted by Council on 25 March. The main contributor is the revised written down values of asset disposals in the forward plan. This is a non cash entry and does not present as a long term strategic concern.

The underlying working capital ratio trends stronger due to a combination of receiving additional \$1.6 million grant in 2016/17 and net favourable budget projections for 2015/16.

Longer term the financial plan is financially sustainable.

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
Financial performance															
Underlying result	4.08%	-1.14%	1.39%	3.26%	4.04%	4.17%	3.86%	4.09%	2.66%	2.84%	3.30%	4.07%	4.86%	5.50%	6.11%
Underlying Working Capital	1.95	1.62	1.70	1.71	1.56	2.52	1.87	1.71	1.73	1.49	1.80	1.70	1.86	2.04	2.05
Funding capacity															
Self-financing	26.06%	24.61%	29.01%	26.23%	27.02%	27.75%	27.52%	21.51%	37.43%	30.03%	30.46%	31.09%	31.45%	30.93%	31.46%
Sustainability Index	99%	148%	95%	109%	89%	89%	181%	107%	284%	124%	93%	108%	93%	113%	109%
Borrowing capacity															
Indebtedness	9.61%	8.11%	7.90%	7.75%	1.00%	1.10%	1.20%	1.30%	25.68%	27.76%	26.73%	25.74%	14.71%	14.23%	9.75%
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%
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%