

# Financial Performance Report – May 2017

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The Financial Performance Report covers the eleven month period from July 2016 to May 2017.

## **Overview**

### Income Statement

Annual year-to-date performance:

- Operating result: \$6.653m surplus which is \$5.062m favourable compared to the year-to-date budget projection of a \$1.591 surplus.

### Balance Sheet

Projected year end result:

- Underlying working capital ratio 2.71 to 1 (original budget 1.64 to 1)

### Cash Flow Statement

Projected year end result:

- Cash assets: \$15.894 million (original budget \$9.121 million)

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

<b>South Gippsland Shire Council</b>								
<b>INCOME STATEMENT</b>								
<b>For the Period Ending 31 May 2017</b>								
	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
<b>INCOME</b>								
Rates and charges	36,509	36,491	18		39,962	39,811	(151)	
Statutory fees and fines	641	557	84		606	625	19	
User fees	3,676	3,648	28		4,015	4,053	38	
Grants - Operating	12,008	12,645	(637)		13,106	18,047	4,941	A
Grants - Capital	5,338	1,479	3,859	1	7,660	7,656	(4)	
Contributions - monetary	313	297	16		218	497	279	
Contributions - non monetary	0	0	0		379	379	0	
Net gain/ (loss) on disposal of property, infrastructure, plant and equipment	561	793	(232)		81	104	23	
Other income	2,063	2,149	(86)		2,309	2,420	111	
<b>TOTAL INCOME</b>	<b>61,109</b>	<b>58,059</b>	<b>3,050</b>		<b>68,336</b>	<b>73,592</b>	<b>5,256</b>	
<b>EXPENSES</b>								
Employee costs	21,855	21,956	101		23,837	23,871	(34)	
Materials and consumables	19,504	21,153	1,649	2	23,797	22,542	1,255	B
Bad and doubtful debts	6	1	(5)		1	1	0	
Depreciation	10,143	10,193	50		11,797	11,208	589	
Borrowing costs	142	130	(12)		142	142	0	
Other expenses	2,806	3,035	229		3,102	3,213	(111)	
<b>TOTAL EXPENSES</b>	<b>54,456</b>	<b>56,468</b>	<b>2,012</b>		<b>62,676</b>	<b>60,977</b>	<b>1,699</b>	
<b>SURPLUS / ( DEFICIT )</b>	<b>6,653</b>	<b>1,591</b>	<b>5,062</b>		<b>5,660</b>	<b>12,615</b>	<b>6,955</b>	

## **NOTES: MATERIAL VARIATIONS IN YEAR-TO-DATE FINANCIAL PERFORMANCE**

### **Note 1 Income: Grants – Capital - \$3.86 million ahead**

- \$3.86 million grant for Roads to Recovery projects received in advance.

### **Note 2 Expenditure: Materials and Consumables - \$1.65 million behind**

- Majority of variation is due to timing differences between actual costs and year to date budgets. The more significant cost centres that are tracking behind year to date budgets include: Long jetty Restoration (\$916,000), Korumburra Showgrounds (\$295,000), Plant operating costs (\$234,000), Leongatha Recreation Reserve (\$208,000), Private Works Sealing (\$137,000), Re-sheets (\$116,000) and Executive Services Management (\$104,000). Cost centres expenditure ahead of year to date budgets include: Sealed Road (\$376,000) Periodic Drainage Management (251,000), Gravel Roads (\$187,000) and Great Southern Rail Trail (\$181,000).

## **NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET**

### **Note A Income: Grants- Operating - \$4.94m favourable**

- Grants of \$60,000 for Leongatha Skate Park and \$2,000 for recreation facilities carried forward from previous financial year.
- Additional \$11,000 grants for Victoria Grants commission Allocation, \$97,000 for Leongatha Golf Club, \$20,000 for Mirboo North, \$80,000 Sports Recreation Victoria project grants and \$25,000 for Seawall
- Less \$27,000 grant for State Emergency Services
- Grants of \$250,000 Toora Dredging, \$300,000 for Agnes Falls and \$50,000 Leongatha Rail Yards Landscape masterplan reduced in 2016/17 and carried forward to 2017/18
- Additional \$10,000 for Rural Cricket facilities,
- Additional \$12,000 for HACC services
- Additional \$100,000 for Foster Flood Study
- \$80,000 for strategic planning, \$12,000 for Toora dredging and \$53,000 for Black Spur Bridge grants carried forward into 2017/18
- Victoria Grants Commission allocation for 2017/18 of \$4.5m to be received in advance
- \$53,000 grant for Leongatha Golf Club carried forward into 2017/18.

## **Note B Expenditure: Materials and consumables - \$1.25m favourable**

- \$884,000 cost carried forward from the previous financial year for a range of projects that were not completed by 30 June 2016. The more material costs include \$21,000 Coal Creek Education program, \$53,000 Foster Depot masterplan, \$29,000 Paperless Planning Permit project, \$102,000 for Strategic Planning projects, \$196,000 costs associated with a storm event that occurred in May 2016, \$21,000 Community Register project, \$163,000 for HACC Aged & Disability project, \$20,000 Lower Tarwin Communities projects, \$26,000 Great Southern Rail Trail, \$43,000 Leongatha Skate Park and \$90,000 Rural Cricket Facilities project.
- 33,000 less of garbage and recycling services.
- Additional costs of 11,000 for risk and insurances, \$17,000 for corporate information management, \$220,000 for Leongatha Golf Club irrigation project, \$14,000 on Community buildings and \$8,000 on Arts & Culture.
- Costs reduced by \$554,000 for Toora Dredging, \$400,000 for Agnes Falls, and \$100,000 for Rail Yards masterplan and carried forward into 2017/18.
- Less \$271,000 for cost associated with land sales
- Additional \$107,000 for South Gippsland Rural Cricket facilities and \$43,000 for litter bins.
- Budget projection changes made in February as part of preparing a 2017/18 proposed budget include increases in costs for Long Jetty (\$61,000), Youth development (\$27,000), Minor works (\$21,000) and information technology (\$21,000) and decreased cost projections for Yanakie caravan park (\$55,000). Sustainable management (\$52,000) and litter bins (\$52,000).
- \$19,000 less for Information technology program
- Additional \$728,000 for Storm Event that occurred in March
- Additional \$10,000 for Sustainability services
- Funds of \$298,000 for Strategic planning, \$47,000 for Toora Dredging, \$24,000 for building inclusive communities, \$74,000 for Biodiversity program, \$300,000 for Korumburra showgrounds and \$250,000 for Black Spur bridge investigation all carried forward into 2017/18
- Additional costs of \$6,000 for caravan parks and \$20,000 expenditure environmental health.
- Additional \$27,000 cost for Finance, Risk and Procurement Management and \$10,000 for Planning management.
- Funds of \$999,000 for Long Jetty Restoration, \$30,000 for Council Business Operations and \$5,000 for Education programs all carried forward into 2017/18

**South Gippsland Shire Council**  
**BALANCE SHEET**  
**For the Period Ending 31 May 2017**

	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	21,873	9,121	15,894	6,773	A
Trade and other receivables	5,510	3,815	4,203	388	
Other financial assets		4,312	6,896	2,584	B
Inventories	284	292	195	(97)	
Other assets	0	303	227	(76)	
	<b>27,667</b>	<b>17,843</b>	<b>27,415</b>	<b>9,572</b>	
<b>NON CURRENT ASSETS</b>					
Investments in associates and joint ventures	991	752	991	239	
Property, infrastructure, plant and equipment	529,120	525,751	531,215	5,464	C
Investment property	729	716	729	13	
	<b>530,840</b>	<b>527,219</b>	<b>532,935</b>	<b>5,716</b>	
<b>TOTAL ASSETS</b>	<b>558,507</b>	<b>545,062</b>	<b>560,350</b>	<b>15,288</b>	
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Trade and other payables	3,905	2,531	2,978	447	
Prepaid Income	4,892		0	0	
Trust funds and deposits	479	1,065	873	(192)	
Provisions	6,053	5,238	5,045	(193)	
Interest bearing loans and borrowings	0	0	0	0	
	<b>15,329</b>	<b>8,834</b>	<b>8,896</b>	<b>62</b>	
<b>NON CURRENT LIABILITIES</b>					
Provisions		1,527	2,313	786	
Interest bearing loans and borrowings	3,350	3,350	3,350	0	
	<b>3,350</b>	<b>4,877</b>	<b>5,663</b>	<b>786</b>	
<b>TOTAL LIABILITIES</b>	<b>18,679</b>	<b>13,711</b>	<b>14,559</b>	<b>848</b>	
<b>NET ASSETS</b>	<b>539,828</b>	<b>531,351</b>	<b>545,791</b>	<b>14,440</b>	
<b>REPRESENTED BY</b>					
Accumulated Surplus	208,051	204,195	212,941	8,746	
Reserves	331,777	327,156	332,850	5,694	
<b>TOTAL EQUITY</b>	<b>539,828</b>	<b>531,351</b>	<b>545,791</b>	<b>14,440</b>	

## **NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET**

### **Note A Current Assets: Cash & cash equivalents \$6.773 million**

- \$2.2 million increase in cash due to net impact of carrying forward net expenditure budgets to 2017/18 for projects that will not be completed by 30 June 2017.
- \$4.5m Victoria Grants Commission allocation for 2017/18 to be received in advance.

### **Note B Current Assets: Other Financial Assets \$2.584 million**

- \$2.584 million investments with maturity above three months reclassified as 'other financial assets'.

### **Note B Non-Current Assets: Property, infrastructure, plant and equipment \$5.464 million**

- \$5.464 million variance projection predominantly due to asset closing position for 2015/16 being greater than originally anticipated. Infrastructure asset revaluations, particularly for bridges, were significantly increased.

**South Gippsland Shire Council**  
**CASH FLOW STATEMENT**  
**For the Period Ending 31 May 2017**

	Y.T.D. Actual \$'000	Original Budget \$'000	Projected Budget \$'000	Projected Variance \$'000	Note
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>					
Rates and charges	44,088	39,962	39,811	(151)	
Statutory fees & fines	641	606	625	19	
User fees	3,621	4,015	4,053	38	
Grants - operating	12,008	13,106	18,047	4,941	A
Grants - capital	5,338	7,660	7,656	(4)	
Contributions- monetary	313	218	497	279	
Interest received	545	602	602	0	
Other receipts	1,520	1,707	1,819	112	
Employee costs	(21,504)	(23,736)	(23,770)	(34)	
Materials and services	(24,336)	(23,797)	(22,543)	1,254	B
Other payments	(2,806)	(3,102)	(3,213)	(111)	
<b>Net cash provided by (used in) operating activities</b>	<b>19,428</b>	<b>17,241</b>	<b>23,584</b>	<b>6,343</b>	
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>					
Payments for property, infrastructure, plant & equipment	(17,092)	(20,813)	(20,409)	404	
Proceeds from sale of property, infrastructure, plant and equipment	1,432	1,487	1,510	23	
Trust Funds and deposits	0	0	0	0	
Payments for / from Other Financial Assets	15,316	0	8,418	8,418	C
<b>Net cash provided by (used in) investing activities</b>	<b>(346)</b>	<b>(19,326)</b>	<b>(10,481)</b>	<b>8,845</b>	
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>					
Finance costs	(142)	(142)	(142)	0	
Proceeds from borrowing	0	0	0	0	
Repayment of borrowings	0	0	0	0	
<b>Net cash provided by (used in) financing activities</b>	<b>(142)</b>	<b>(142)</b>	<b>(142)</b>	<b>0</b>	
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>18,940</b>	<b>(2,227)</b>	<b>12,961</b>	<b>15,188</b>	
Cash and cash equivalents at the beginning of the financial year	2,933	11,349	2,933	(8,416)	D
Cash and cash equivalents at the end of the period	21,873	9,122	15,894	6,772	

## **NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET**

### **Note A Cash inflows from operations: Grants operating \$4.941 million increase**

- Grants of \$60,000 for Leongatha Skate Park and \$2,000 for recreation facilities carried forward from previous financial year.
- Additional \$11,000 grants for Victoria Grants commission Allocation, \$97,000 for Leongatha Golf Club, \$20,000 for Mirboo North, \$80,000 Sports Recreation Victoria project grants and \$25,000 for Seawall
- Less \$27,000 grant for State Emergency Services
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- Victoria Grants Commission allocation for 2017/18 of \$4.5m to be received in advance
- \$53,000 grant for Leongatha Golf Club carried forward into 2017/18.

### **Note B Cash outflows from Operating Activities: Payment for materials and services \$1.254 million increase**

- \$884,000 cost carried forward from the previous financial year for a range of projects that were not completed by 30 June 2016. The more material costs include \$21,000 Coal Creek Education program, \$53,000 Foster Depot masterplan, \$29,000 Paperless Planning Permit project, \$102,000 for Strategic Planning projects, \$196,000 costs associated with a storm event that occurred in May 2016, \$21,000 Community Register project, \$163,000 for HACC Aged & Disability project, \$20,000 Lower Tarwin Communities projects, \$26,000 Great Southern Rail Trail, \$43,000 Leongatha Skate Park and \$90,000 Rural Cricket Facilities project.
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- Budget projection changes made in February as part of preparing a 2017/18 proposed budget include increases in costs for Long Jetty (\$61,000), Youth development (\$27,000), Minor works (\$21,000) and information technology (\$21,000) and decreased cost projections for Yanakie caravan park (\$55,000). Sustainable management (\$52,000) and litter bins (\$52,000).
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- Additional costs of \$6,000 for caravan parks and \$20,000 expenditure environmental health.
- Additional \$27,000 cost for Finance, Risk and Procurement Management and \$10,000 for Planning management.
- Funds of \$999,000 for Long Jetty Restoration, \$30,000 for Council Business Operations and \$5,000 for Education programs all carried forward into 2017/18

**Note C Cash inflows from Investing Activities: Payments for / from other financial assets \$8.418 million increase**

- Net movement in payments for / from 'other financial assets' to 'cash and cash equivalents'.

**Note D Cash and cash equivalents at the beginning of the financial year \$8.416 million decrease**

- The majority of this reduction is attributable to 'cash and cash equivalents' that are expected to have a maturity above 3 months being reclassified as 'other financial assets'.

## 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.

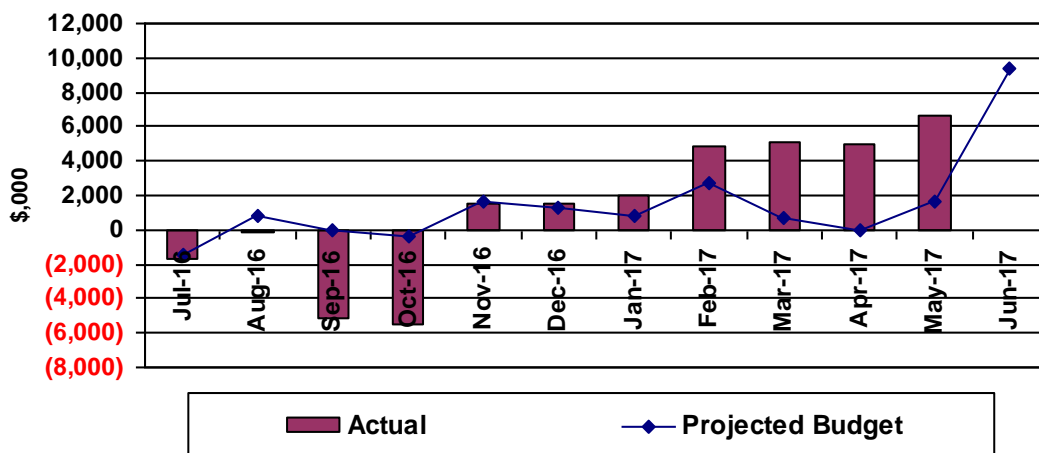
### Operating Performance

Operating Budget \$ 1.59 million Surplus for the period Jul-16 to May-17

Operating Result \$ 6.65 million Deficit for the period Jul-16 to May-17

The operational result varies by \$5.06 million to the projected year to date budget. This variation is due to timing of actual costs to year to date budgets, and is predominantly impacted by receiving \$3.86 million capital grants in advance and expenditure on materials and services being \$1.65 million behind year to date budgets.

### Operating Performance (\$'000)



### Capital Performance

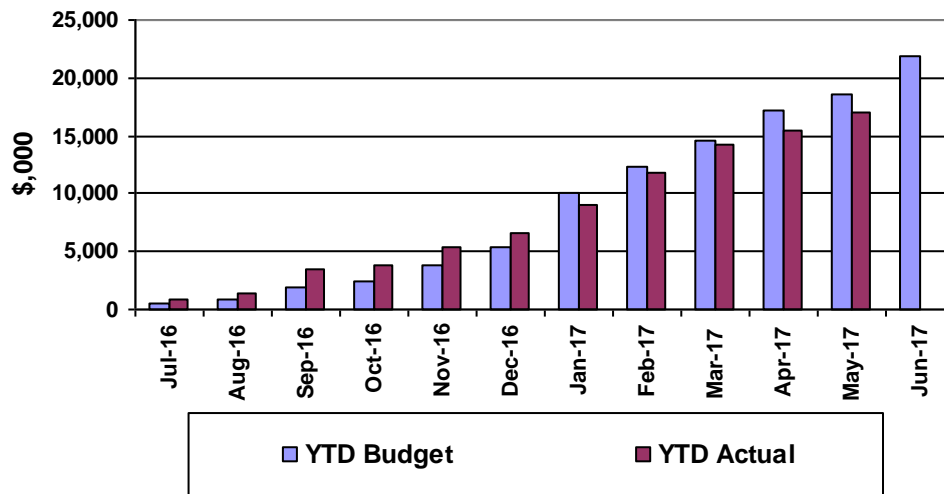
Capital Budget \$18.64 million for the period Jul-16 to May-17

Actual Expenditure \$17.09 million for the period Jul-16 to May-17

Capital Expenditure \$1.56 million behind year to date budgets

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

Capital Performance (\$'000)



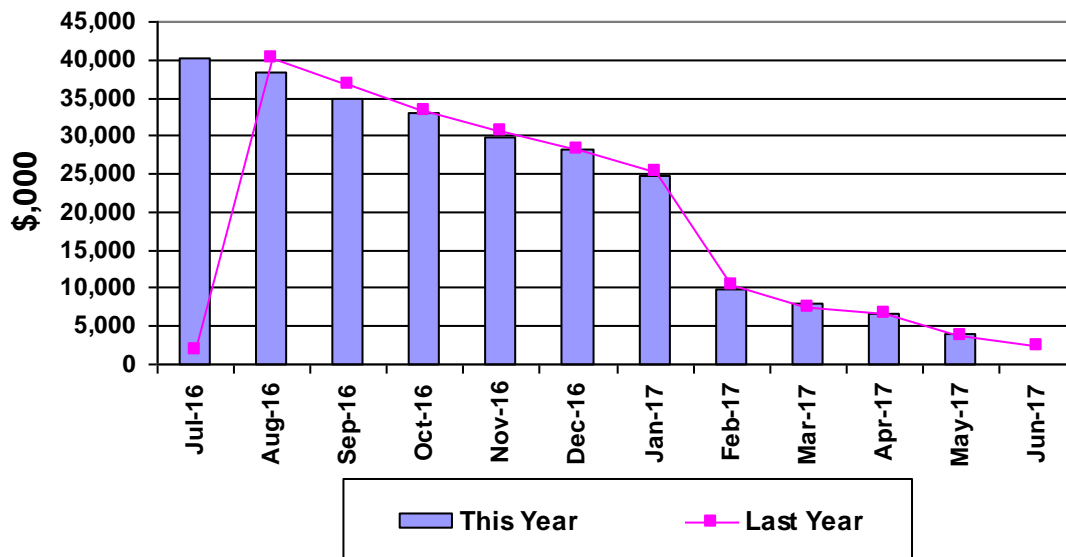
Rate Debtors

Outstanding 16/17 \$4.02 million as at May-17

Outstanding 15/16 \$3.64 million as at May-16

The outstanding rates as at 31 May 2017 has parity to last year.

Rate Debtors (\$,000)



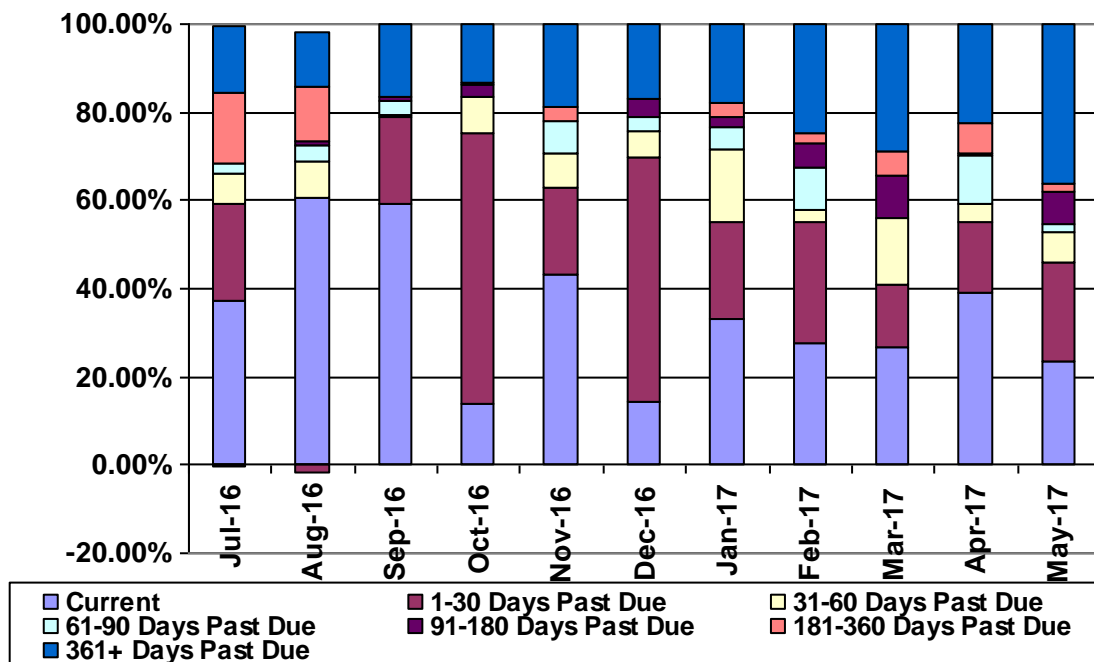
## Other Sundry Debtors

Outstanding 16/17 \$ 0.95 million as at May-17

Outstanding 15/16 \$ 2.14 million as at May-16

The Current and 1-30 Days Past Due make up approx. 46% of total debtors outstanding. Caravan Park holders whose annual payment was due on the 30<sup>th</sup> September but have entered into payment arrangements make up a large proportion of the remaining 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 2016/17 Budget and Long Term Financial Plan forecasts to the original plan (the Annual Budget & Long Term Financial Plan was adopted for 2016/17 on 22 June 2016).

In November Council began preparing a draft 2017/18 Budget / Long Term Financial Plan. The May Financial Performance Report includes the Draft 2017/18 Budget and forward budgets that will be considered by Council at the 2 Council meeting.

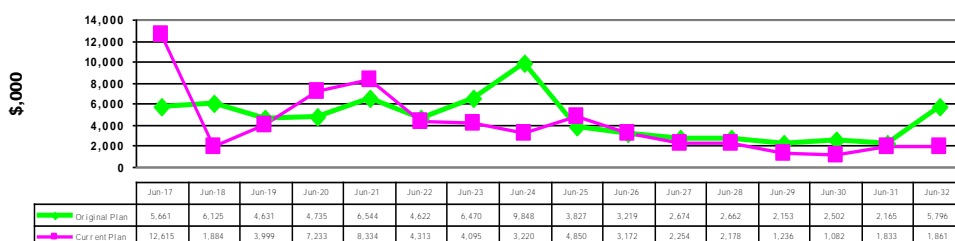
The lines in the following graphs are as follows:

- Original plan – Green line –Original 2016/17 Budget and Long Term Financial Plan
- Current Plan – Purple line - 2017/18 Draft Budget and Long Term Financial Plan

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

The projected operating results in the forward budget have a gradual downward trend. This is due to the longer term impact of less rates revenue being generated as a result of rate capping.

Operating Result  
(\$,000)

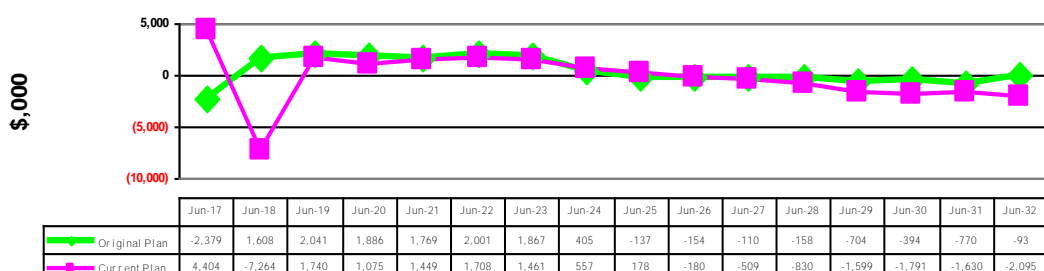


## Operating Result before Capital Funding

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 Council's recurrent operating activities. The current plan's underlying result projection of a longer term downward trend mirrors the operating result outcomes discussed immediately above.

### Operating Result before Capital Funding (\$,000)



## Capital Expenditure

The 2016/17 budget was adjusted to take into account the financial ramifications of carrying forward funds for projects that were not completed by 30 June 2016. In total, \$2.54 million was carried forward from 2015/16 (this includes \$1.43 million identified during the 2016/17 budget development process and an additional \$1.11 million identified at financial year end). \$4.2 million is now being carried forward from 2016/17 into 2017/18 for projects that are expected not to be completed by 30 June 2017.

The current plan's projected capital works program varies from the previous plan in two key areas, the first being the removing of the \$24.72m municipal precinct, library and community centre project from the 2022/23 and 2023/24 forward budget. Secondly, some of this financial capacity created by removing the municipal precinct, library and community centre project was reallocated to other project initiatives that have been included in the earlier years of the Long Term Financial Plan.

### Capital Expenditure (\$,000)

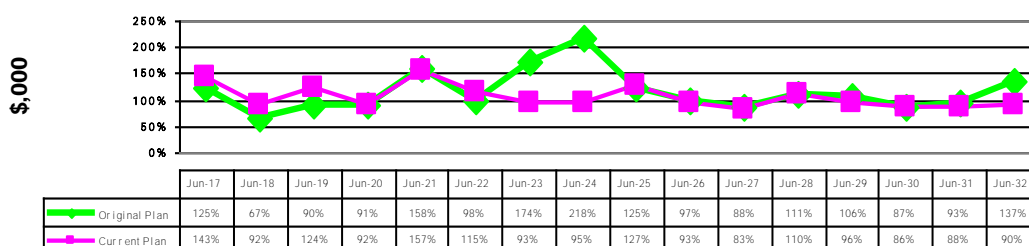


## Sustainability Index for Capital Assets

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 ratio marginally trends up in 2017/18 to account for the carrying forward of capital renewal expenditure from 2016/17. It also trends higher in the immediate years as a result of additional capital project initiatives that have now been included in the earlier years of the Long Term Financial Plan.

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 renewal funding gaps for all major classes of asset in the current plan.

### Sustainability Index

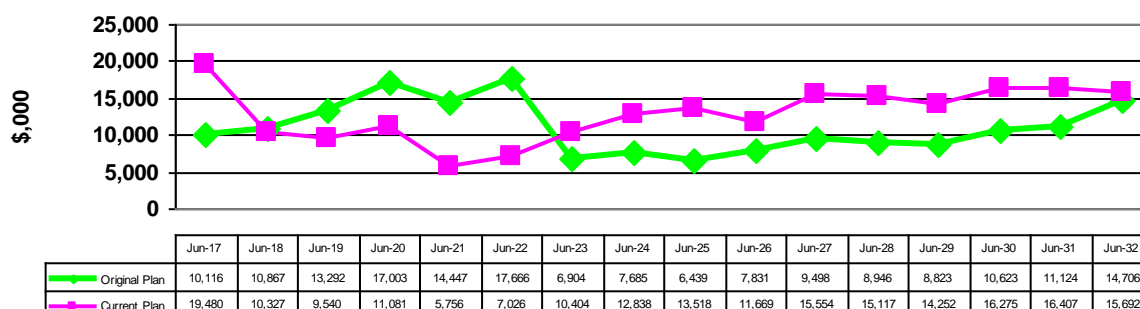


## Underlying Liquidity

The spike in 2016/17 is attributable to bringing to account \$4.54 million Victoria Grants Commission allocation for 2017/18 which was paid in advance. The current plan's forecast underlying cash position trends weaker than the original plan. In the earlier years there is an increased expenditure outlays on the capital works program. This is as a result of financial capacity created by removing the municipal precinct, library and community centre project from 2022/23 and 2023/23, some of which was reallocated to other project initiatives that have been included in the earlier years of the Long Term Financial Plan.

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

### Underlying Liquidity (\$,000)



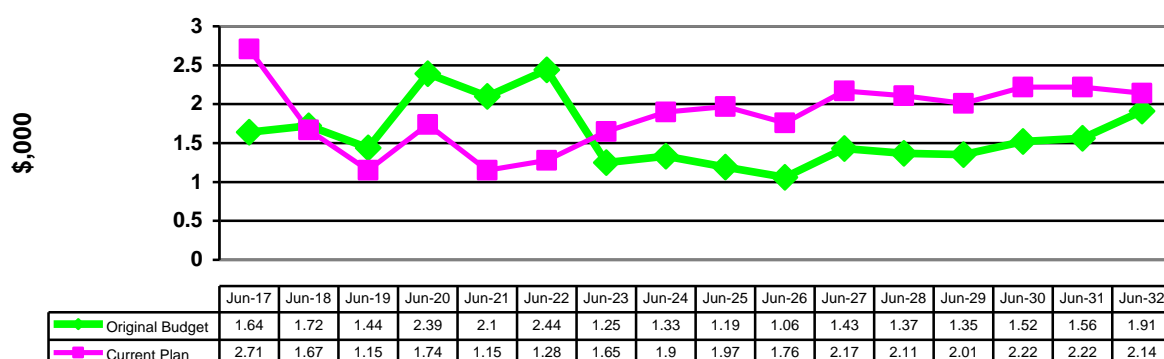
## Underlying Working Capital Ratio

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 spike in 2016/17 is attributable to bringing to account \$4.54 million Victoria Grants Commission allocation for 2017/18 which was paid in advance. The underlying working capital ratio shows a gradual downward trend in the early years of the forward budget as a result removing the municipal precinct, library and community centre project from 2022/23 and 2023/23, some of which was reallocated to other project initiatives that have been included in the earlier years of the Long Term Financial Plan.

The flat lining of the capital expenditure budgets requirements in the later years of the Long Term Financial Plan contribute to the gradual strengthening of the cash position. It would not be unreasonable to assume that in coming years there may be some upward rather than downward pressure on capital works program funding requirements

### Underlying Working Capital Ratio





## Conclusion

The table below shows several key financial performance indicators targets set when the 2016/17 Budget and Long Term Financial Plan were adopted. Ratios coloured green denote low risk, yellow medium risk and red indicate either short term / immediate sustainability concerns.

<b>2016/17 Original Budget</b>	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
<b>Financial performance</b>															
Underlying result	-3.95%	2.68%	3.30%	2.98%	2.70%	2.97%	2.68%	0.57%	-0.19%	-0.20%	-0.14%	-0.20%	-0.85%	-0.46%	-0.88%
Underlying Working Capital	1.64	1.72	1.44	2.39	2.10	2.44	1.25	1.33	1.19	1.06	1.43	1.37	1.35	1.52	1.56
<b>Funding capacity</b>															
Self-financing	25.37%	28.25%	26.91%	26.96%	29.07%	27.08%	29.05%	27.16%	28.67%	28.15%	27.67%	27.63%	27.32%	26.52%	26.30%
Sustainability Index	125%	67%	90%	91%	158%	98%	174%	218%	125%	97%	88%	111%	106%	87%	93%
<b>Borrowing capacity</b>															
Indebtedness	10.38%	8.51%	1.68%	1.76%	1.85%	1.92%	2.01%	22.77%	24.82%	20.36%	19.18%	18.03%	16.90%	15.78%	14.69%
Total Debt as a % of Rate revenue	8.38%	8.13%	7.88%	0.00%	0.00%	0.00%	0.00%	24.13%	26.59%	25.78%	20.58%	19.13%	17.71%	16.32%	14.95%
Debt servicing costs as a % of Total revenue	0.21%	0.22%	0.22%	0.08%	0.00%	0.00%	0.00%	0.84%	0.88%	0.86%	0.65%	0.66%	0.61%	0.57%	0.53%

The table below shows the current status of key financial indicators of the 2017/18 Draft Budget / Long Term Financial Plan. The majority of indicators remain within strategic thresholds targets. It is marginally weaker than the original plan.

<b>2017/18 Budget</b>	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	2031/32
<b>Financial performance</b>																
Underlying result	6.74%	-12.88%	2.84%	1.69%	2.25%	2.59%	2.15%	0.80%	0.25%	-0.25%	-0.68%	-1.08%	-2.03%	-2.22%	-1.97%	-2.47%
Underlying Working Capital	2.71	1.67	1.15	1.74	1.15	1.28	1.65	1.90	1.97	1.76	2.17	2.11	2.01	2.22	2.22	2.14
<b>Funding capacity</b>																
Self-financing	32.21%	21.30%	26.28%	29.35%	31.49%	27.37%	27.64%	27.04%	28.89%	27.42%	26.79%	26.77%	26.29%	26.24%	26.69%	26.48%
Sustainability Index	143%	92%	124%	92%	157%	115%	93%	95%	127%	93%	83%	110%	96%	86%	88%	90%
<b>Borrowing capacity</b>																
Indebtedness	12.05%	11.83%	3.24%	3.29%	3.33%	3.36%	3.41%	3.46%	3.50%	3.55%	3.60%	3.65%	3.70%	3.74%	3.76%	3.79%
Total Debt as a % of Rate revenue	8.41%	8.17%	7.96%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Debt servicing costs as a % of Total revenue	0.19%	0.22%	0.22%	0.08%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The spike and the dip in underlying results in 2016/17 and 2017/18 is largely attributable to having to bring to account \$4.54m Victoria Grants Commission allocation for 2017/18 in the prior financial year (2016/17) because it is expected to be received in June 2017. The forward underlying result indicator is generally weaker in the 2017/18 Long Term Financial Plan when benchmarked against the 2016/17 plan. This is due to the longer term impact of less rates revenue being generated as a result of rate capping.

To address the longer term downward trend in projected operating results, any net favourable productivity gains identified in 2017/18 and future years will be allowed to flow through to the bottom line in the later years, so as to strategically begin addressing the downward trend in the forecast underlying operating results:

The underlying working capital ratio is marginally weaker in the immediate years and then stronger in the mid to later years in the 2017/18 Long Term Financial Plan when benchmarked against the 2016/17 plan. The improving ratio in the later years can largely be partially attributed to the removing of the \$24.72m municipal precinct, library and community centre project from the 2022/23 and 2023/24 forward budget.

The other reason for the improvement in the ratio is that capital expenditure projection in the mid to later years somewhat flattens. It would not be unreasonable to assume that in coming years there may be some upward rather than downward pressure on capital expenditure funding requirements that in turn will impact on the ratio.

Some of this financial capacity created by removing the municipal precinct, library and community centre project was reallocated to other project initiatives that have been included in the earlier years of the Long Term Financial Plan. This pushes the ratio into caution territory for some of those years indicating that Council will have somewhat restricted financial capacity to accommodate unforeseen strategic opportunities or unavoidable cost events that may arise.

The 'Sustainability Indicator' assesses asset renewal and upgrade expenditure spend effort over a period of time. In the forward years it generally fluctuates between the green and yellow zone and even dips into the red zone in 2026/27, 2029/30 and 2030/31. This does not present as a strategic concern. This is expected because the nature of capital renewal expenditure requirements tends to have a profile that varies over the years.