

# Financial Performance Report

for the period July 2017  
to February 2018



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## Executive Summary

### Actual results (Actual vs YTD)

Operating performance	Year to date Actuals \$'000	Year to date Budgets \$'000	Variance \$'000	
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Recurrent income	40,423	40,570	(148)	Unfav
Recurrent expenditure	38,709	41,811	(3,102)	Fav
<b>Operating result</b>	<b>1,714</b>	<b>(1,241)</b>	<b>2,954</b>	<b>Fav</b>

Capital Expenditure	Year to date Actuals \$'000	Year to date Budgets \$'000	Variance \$'000	
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<b>Expenditure</b>	<b>5,201</b>	<b>9,040</b>	<b>3,839</b>	<b>(Behind)</b>
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Year to date operating result is a \$1.71M surplus which is \$2.95 million favourable compared with the year to date budget projection of \$1.24M deficit. Previous month Year to date operating result was a \$1.81M surplus which was \$4.63 million favourable compared with the year to date budget projection of \$2.82M deficit

The majority of the favourable recurrent expenditure is due a number of projects running behind YTD budgets and include in part:

- Long Jetty Restoration \$1,221,620
- Re-sheets Program \$434,207
- Leongatha Football Netball club – Court Development \$263,788
- Depreciation \$217,607
- Parks and Gardens \$204,217
- Garbage and Recycling Collections \$190,718
- Plant expenditure \$169,599
- Employee On-costs \$149,158
- HACC – Aged and Disability Services Management \$134,583
- Information Technology \$126,289

Capital spending Year to Date (YTD) is \$5.20M which is \$3.84M behind the year to date budget of \$9.04M. A full list of Capital projects with their Year to Date (Y.T.D.) details as at the 28th February is included in Appendix 1.

**Projected results (Proposed Budget changes)**

Operating performance	Original Budget \$'000	Current Budget \$'000	Projected Result \$'000	Note	Variation Projected to Current budget \$'000	
Recurrent income	65,547	65,890	66,913	A	1,023	Increase
Recurrent expenditure	63,791	65,467	65,428	B	39	Decrease
<b>Operating result</b>	<b>1,757</b>	<b>422</b>	<b>1,484</b>		<b>1,062</b>	<b>Fav</b>

Capital Expenditure	Original Budget \$'000	Current Budget \$'000	Projected Result \$'000	Note	Variation Projected to Current budget \$'000	
<b>Expenditure</b>	<b>22,775</b>	<b>17,979</b>	<b>18,144</b>	<b>C</b>	<b>(165)</b>	<b>Increase</b>

**Note A**

Material changes to Recurrent Income are detailed below;

- Bena Kongwak Bridge \$650,000 – Income will be received from VicTrack before the end of the current financial year
- Walkerville North – Road and Retaining Wall protection \$221,367 – Anticipated financial contribution to project from Walkerville Foreshore Committee of Management.
- Grants \$60,000 – new hierarchy structure budget transferring to Major Projects and Emergency Management
- Environmental Health \$65,049 – Council Fees and Charges quantity updated.
- Environmental Services \$52,620 – solar feasibility project budget entered.

A full list of projected recurrent income changes are listed in Appendix 2.

**Note B**

Material changes to Recurrent expenditure are detailed below;

- Design Services \$190,270 reduction – labour reduced due to vacancies
- Landfill Operations \$75,000 increase – leachate management increase in 17/18 due to Leachate volumes higher than anticipated.

A full list of projected recurrent expenditure changes are listed in Appendix 3.

**Note C**

Material changes to Capital Expenditure are detailed below.

- Pools – Splash Hydro Therapy Pool and Gymnasium \$70,000 – Per Council discussion. Removing \$70,000 for Hydrotherapy and Gym in 17/18. Adding \$30,000 in 18/19 for Design work of the Seating in the Stadium.

- Civil – Korumburra Commercial Streetscape \$159,393 – \$20K kept this year for feature survey and preliminary design costs, the remaining \$159,393 to be carried forward to 2018/19
- Walkerville North – Road and Retaining Wall Protections \$283,216 – per council resolution expenditure increased to match funding from Walkerville Foreshore Committee and well as commit additional expenditure due to the Committee agreeing to contribute funds.

A full list of projected Capital changes for the YTD period July 2017 to February 2018 is listed in Appendix 1.

## Financial Statements as at 28<sup>th</sup> Feb 2018

South Gippsland Shire Council						
INCOME STATEMENT						
For the Period Ending 28 February 2018						
	Y.T.D.	Y.T.D.	Y.T.D.	Original	Projected	Projected
	Actual	Budget	Variance	Budget	Budget	Variance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>INCOME</b>						
Rates and charges	27,390	27,370	20	40,995	41,165	170
Statutory fees and fines	549	555	(6)	618	798	180
User fees	2,609	2,514	95	4,183	4,231	48
Grants - Operating	6,488	7,685	(1,197)	8,228	12,478	4,250
Grants - Capital	1,763	1,300	463	8,669	5,292	(3,377)
Contributions - monetary	188	34	154	316	587	271
Contributions - non monetary	0	0	0	479	379	(100)
Net gain/ (loss) on disposal of property, infrastructure, plant and equipment	147	(27)	174	(329)	80	409
Other income	1,289	1,139	150	2,388	1,902	(486)
<b>TOTAL INCOME</b>	<b>40,423</b>	<b>40,570</b>	<b>(147)</b>	<b>65,547</b>	<b>66,912</b>	<b>1,365</b>
<b>EXPENSES</b>						
Employee costs	15,854	16,225	371	24,566	24,408	158
Materials and consumables	14,054	16,623	2,569	24,079	27,666	(3,587)
Bad and doubtful debts	0	0	0	1	1	0
Depreciation	6,461	6,523	62	11,883	9,955	1,928
Borrowing costs	72	71	(1)	142	142	0
Other expenses	2,268	2,369	101	3,120	3,256	(136)
<b>TOTAL EXPENSES</b>	<b>38,709</b>	<b>41,811</b>	<b>3,102</b>	<b>63,791</b>	<b>65,428</b>	<b>(1,637)</b>
<b>SURPLUS / ( DEFICIT )</b>	<b>1,714</b>	<b>(1,241)</b>	<b>2,955</b>	<b>1,756</b>	<b>1,484</b>	<b>(272)</b>



<b>South Gippsland Shire Council</b>				
<b>BALANCE SHEET</b>				
<b>For the Period Ending 28 February 2018</b>				
	<b>Y.T.D. Actual \$'000</b>	<b>Original Budget \$'000</b>	<b>Projected Budget \$'000</b>	<b>Projected Variance \$'000</b>
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	35,705	7,739	13,525	5,786
Trade and other receivables	12,645	4,203	4,449	246
Other financial assets		6,896	6,626	(270)
Inventories	255	195	304	109
Other assets	0	227	42	(185)
	<b>48,605</b>	<b>19,260</b>	<b>24,946</b>	<b>5,686</b>
<b>NON CURRENT ASSETS</b>				
Investments in associates and joint ventures	1,123	991	1,122	131
Property, infrastructure, plant and equipment	528,644	566,700	563,393	(3,307)
Investment property	729	729	729	0
	<b>530,496</b>	<b>568,420</b>	<b>565,244</b>	<b>(3,176)</b>
<b>TOTAL ASSETS</b>	<b>579,101</b>	<b>587,680</b>	<b>590,190</b>	<b>2,510</b>
<b><u>LIABILITIES</u></b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	5,698	2,978	4,012	1,034
Prepaid Income	16,141		0	0
Trust funds and deposits	487	873	899	26
Provisions	5,672	5,085	6,150	1,065
Interest bearing loans and borrowings	0	0	0	0
	<b>27,998</b>	<b>8,936</b>	<b>11,061</b>	<b>2,125</b>
<b>NON CURRENT LIABILITIES</b>				
Provisions		2,313	2,604	291
Interest bearing loans and borrowings	3,350	3,350	3,350	0
	<b>3,350</b>	<b>5,663</b>	<b>5,954</b>	<b>291</b>
<b>TOTAL LIABILITIES</b>	<b>31,348</b>	<b>14,599</b>	<b>17,015</b>	<b>2,416</b>
<b>NET ASSETS</b>	<b>547,753</b>	<b>573,081</b>	<b>573,175</b>	<b>94</b>
<b><u>REPRESENTED BY</u></b>				
Accumulated Surplus	214,905	213,329	213,424	95
Reserves	332,848	359,752	359,751	(1)
<b>TOTAL EQUITY</b>	<b>547,753</b>	<b>573,081</b>	<b>573,175</b>	<b>94</b>

<b>South Gippsland Shire Council</b>				
<b>CASH FLOW STATEMENT</b>				
<b>For the Period Ending 28 February 2018</b>				
	<b>Y.T.D. Actual \$'000</b>	<b>Original Budget \$'000</b>	<b>Projected Budget \$'000</b>	<b>Projected Variance \$'000</b>
<b><u>CASHFLOWS FROM OPERATING ACTIVITIES</u></b>				
Rates and charges	35,338	40,995	41,165	170
Statutory fees & fines	549	618	798	180
User fees	2,894	4,183	4,231	48
Grants - operating	6,488	8,228	12,478	4,250
Grants - capital	1,763	8,669	5,292	(3,377)
Contributions- monetary	188	316	587	271
Interest received	471	602	492	(110)
Other receipts	948	1,786	1,410	(376)
Employee costs	(16,317)	(24,586)	(24,307)	279
Materials and services	(15,685)	(24,079)	(27,667)	(3,588)
Other payments	(2,268)	(3,120)	(3,256)	(136)
<b>Net cash provided by (used in) operating activities</b>	<b>14,369</b>	<b>13,612</b>	<b>11,223</b>	<b>(2,389)</b>
<b><u>CASHFLOWS FROM INVESTING ACTIVITIES</u></b>				
Payments for property, infrastructure, plant & equipment	(5,201)	(22,775)	(18,144)	4,631
Proceeds from sale of property, infrastructure, plant and equipment	326	1,150	933	(217)
Payments for / from Other Financial Assets	16,581		9,955	9,955
<b>Net cash provided by (used in) investing activities</b>	<b>11,707</b>	<b>(21,625)</b>	<b>(7,257)</b>	<b>14,368</b>
<b><u>CASHFLOWS FROM FINANCING ACTIVITIES</u></b>				
Finance costs	(72)	(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>(72)</b>	<b>(142)</b>	<b>(142)</b>	<b>0</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>26,004</b>	<b>(8,155)</b>	<b>3,824</b>	<b>11,979</b>
Cash and cash equivalents at the beginning of the financial year	9,701	15,894	9,701	(6,193)
Cash and cash equivalents at the end of the period	<b>35,705</b>	<b>7,739</b>	<b>13,525</b>	<b>5,786</b>



## Major Variation Explanations

### Major Variation comments – Income (Items > \$20,000 and 5% variation)

		Actual	Revised Budget	Variance \$	Variance %	Variance Comments
Department	Cost Centre	YTD	YTD	YTD	YTD	Month
Development Services Management	21710 - Yanakie Caravan Park	437,172	283,132	154,040	54%	Accommodation sales have exceeded original budget. Will put in a budget revision.

**Major Variation comments – Expenditure (Items > \$20,000 and 5% variation)**

		Actual	Revised Budget	Variance \$	Variance %	Variance Comments
Department	Cost Centre	YTD	YTD	YTD	YTD	Month
Development Services Management	21710 - Yanakie Caravan Park	424,706	338,288	-86,418	-26%	Contractors budget exceeded due to works required during the seasonal period and use of contractors to backfill vacant cleaning roles
Infrastructure Delivery	82260 - Civil - Foster Streetscape (Main and Station Street)	900,767	1,130,348	229,581	20%	Streetscape works complete. Laneway project delayed until April 2018.
Infrastructure Delivery	82280 - Federal Blackspot Program	161,332	513,346	352,014	69%	Works well underway but running behind original programme. Works still on track for completion per contract end date.
Infrastructure Delivery	85090 - Bridge - Powneys Road Bridge (WB370)	3,294	320,000	316,706	99%	Contract awarded and works set to commence on site during March 2018.
Infrastructure Delivery	65570 - Leongatha Football Netball Club - Court Development	6,212	270,000	263,788	98%	Works delayed due to water main and fireplug relocation works.
Infrastructure Planning	82200 - Roads - Hudsons Road, Korumburra South	303,440	751,000	447,560	60%	Works well underway but running behind original schedule.
Operations	82110 - Roads - Reseals	41,462	564,976	523,514	93%	Program underway, slightly behind schedule.
Operations	82120 - Roads - Reseal Preparation	661,237	1,315,388	654,151	50%	Program underway. Budget has been re-profiled
Operations	45130 - Resheets	1,177,227	1,611,435	434,207	27%	Program on schedule. Budget has been re-profiled

## 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.

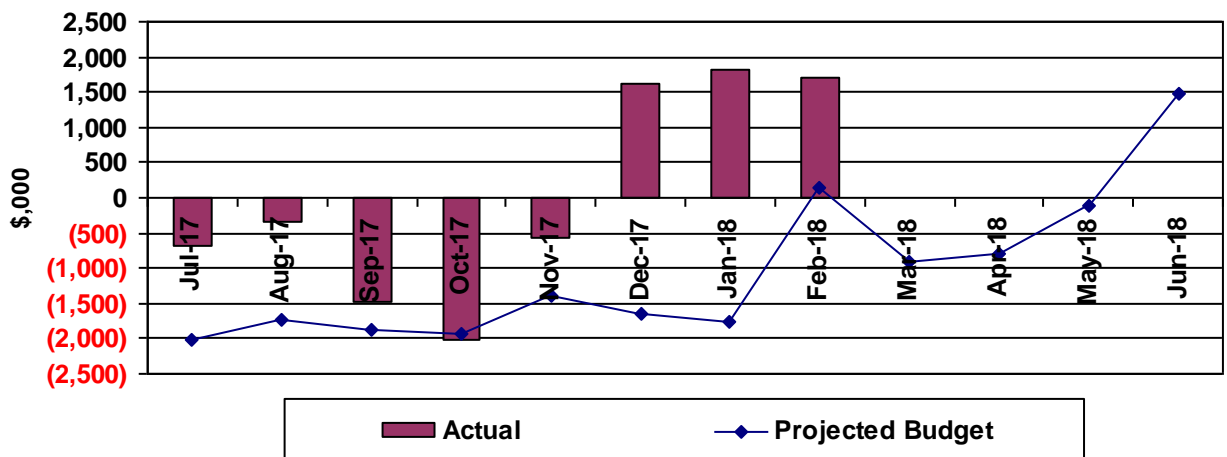
### Operating Performance

Operating Budget \$ 0.56 million surplus for the period Jul-17 to Feb-18

Operating Result \$ 1.72 million surplus for the period Jul-17 to Feb-18

The operational result varies by \$1.56 million to the projected year to date budget. This variation is due to timing of actual costs to year to date budgets.

#### Operating Performance (\$'000)



### Capital Performance

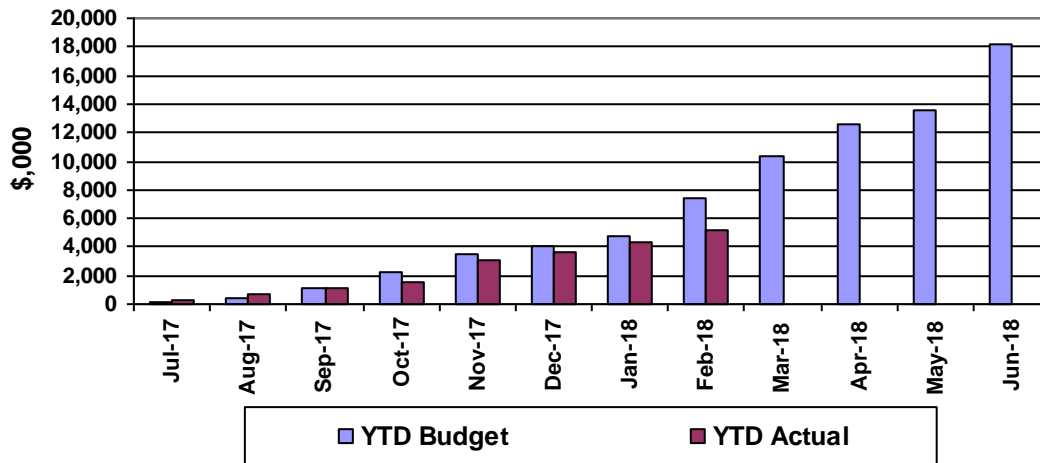
Capital Budget \$ 9.04 million for the period Jul-17 to Feb-18

Actual Expenditure \$ 5.20 million for the period Jul-17 to Feb-17

Capital Expenditure \$ 3.84 million behind year to date budgets

The Capital Works Program is running behind year to date budgets. For a full list of Capital projects, please refer to Appendix 1.

Capital Performance (\$'000)



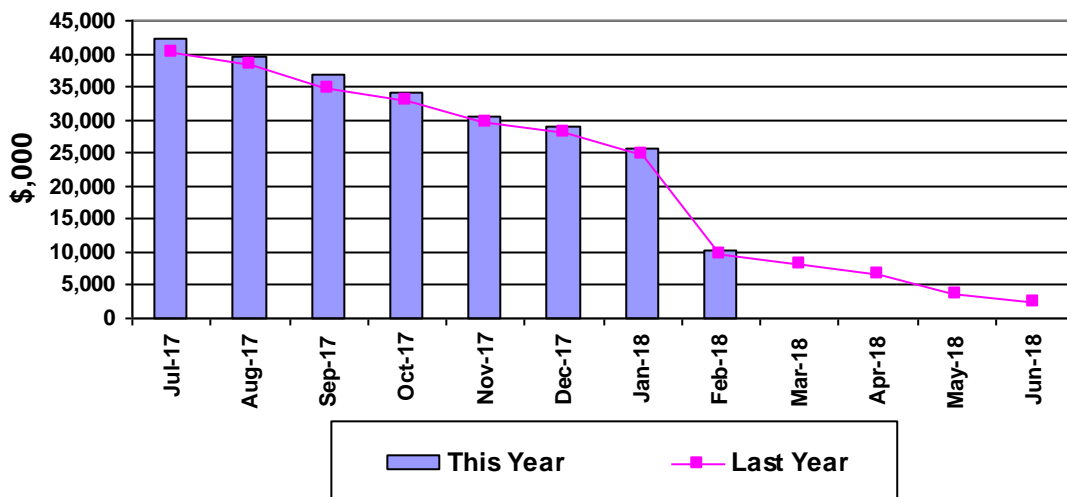
**Rate Debtors**

Outstanding 17/18 \$10.20 million as at Feb-18

Outstanding 16/17 \$ 9.77 million as at Feb-17

The outstanding rates as at 28 February 2018 has parity to last year.

Rate Debtors (\$,000)



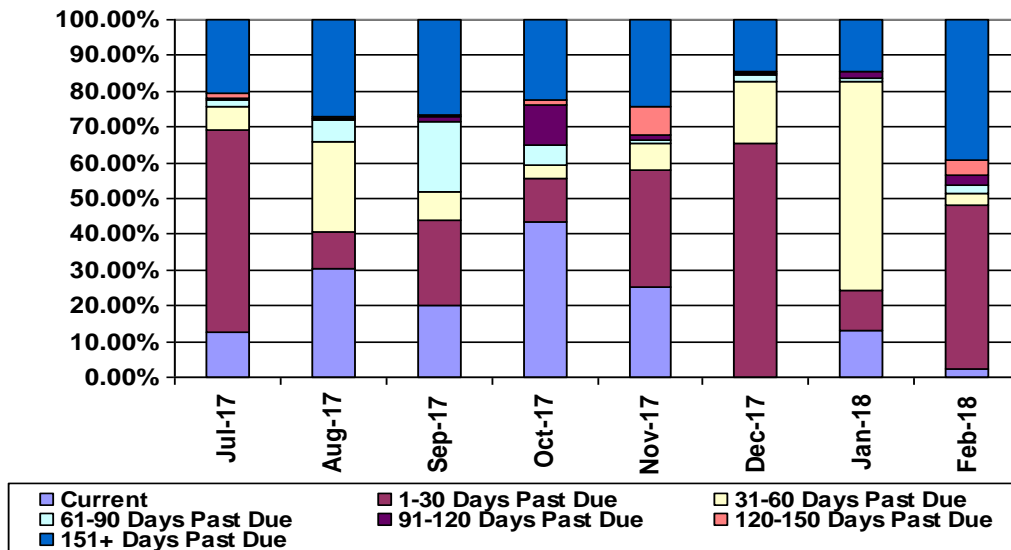
**Other Sundry Debtors**

Outstanding 17/18 \$ 0.67 Million as at Feb-18

Outstanding 16/17 \$ 1.42 Million as at Feb-17

The Current and 1-30 Days Past Due make up approximately 48% of total debtors outstanding. Caravan Park holders who have entered into payment arrangements make up a large proportion of the remaining outstanding.

Other Sundry Debtors



## 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 2017/18 Budget and Long Term Financial Plan forecasts to the original plan. The Annual Budget & Long Term Financial Plan was adopted for 2017/18 on 28 June 2017.

The lines in the following graphs are as follows:

- Original plan – Green line – Original 2017/18 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 are showing a significant improvement to that adopted in the original 2017/18 budget.

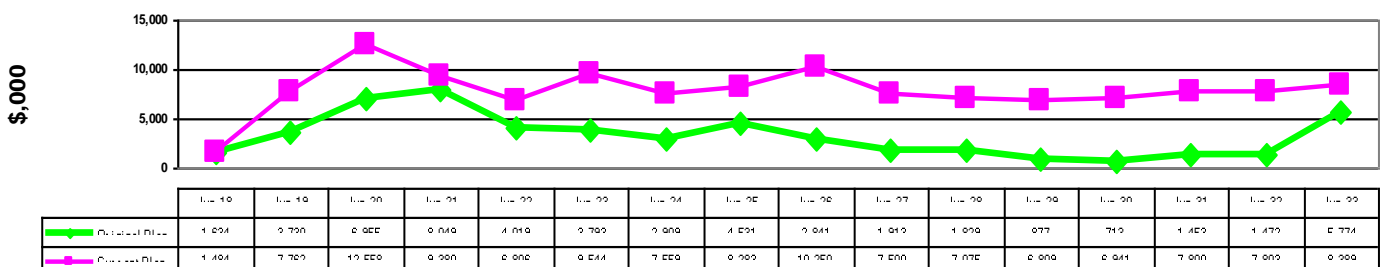
The main reason for the strengthened underlying result is due to a review of forward budget depreciation assumptions around asset valuations and the methodology employed, asset lives and depreciation rates. Following this review, forward depreciation estimates were significantly reduced which has resulted in the corresponding improvement in the operating result.

Depreciation is a non-cash expense which represents the reduction in the value of an asset over time, due in particular to wear and tear.

Even though depreciation is a non-cash expense, it is a material expense and is reported in the Operating statement each year accounting for approximately \$12M or 18% of our total operating expenditure.

The result of the review is reflected in the graph below with an improvement in operating results for each of the years in the long term plan.

### Operating Result (\$,000)

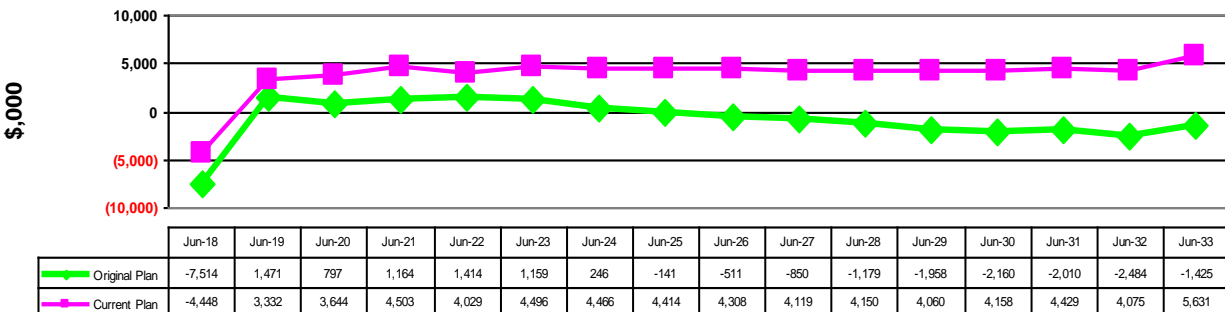


## Operating Result before Capital Funding

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 has significantly improved as a result of the review of depreciation estimates in the forward plan. Consequently, the reduction of future depreciation estimates has had the effect of increasing the Operating result before capital funding.

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



## Capital Expenditure

The current year's Capital expenditure is projected to be \$4.63M less than the Original plan. This is due in part to a number of projects originally planned for 17/18 now being carried forward to the 18/19 financial year. These have been listed below;

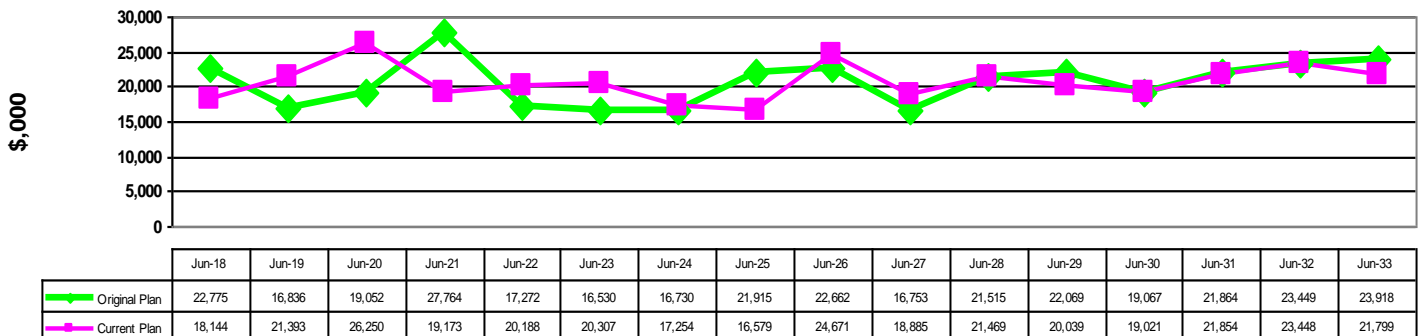
- Carry forward of funds for Bena Kongwak Bridge \$1,740,000
- Carry forward of funds for Bair Street Streetscape \$4,554,890
- Carry forward of funds for Baromi Park Masterplan & Associated Works \$180,000
- Carry forward of funds for Caravan Park Toilet Block – Port Welshpool \$376,419
- Carry forward of funds for Caravan Park Toilet Block – Waratah Bay \$142,694
- Carry forward of funds for Venus Bay Skate Park \$115,000
- Carry forward of funds for Venus Bay Environmental Projects \$110,000
- Carry forward of funds for Korumburra Recreation Centre \$75,000
- Carry forward of funds for Korumburra Recreation Reserve \$170,000
- Carry forward of funds for Leachate Waste Evaporation System \$351,556
- Carry forward of funds for Korumburra Commercial Streetscape \$159,393



A detailed list of all capital changes in 2017/18 is included in Appendix 1.

In the forward years of the plan there have been movements of projects between years as well as new projects being included and some projects being removed as part of the proposed draft budget preparation for 2018/19. Over the 15 years there is a gross \$303k increase in funding requirements for the capital works program when comparing the Original 2017/18 Plan to the current plan.

**Capital Expenditure (\$,000)**

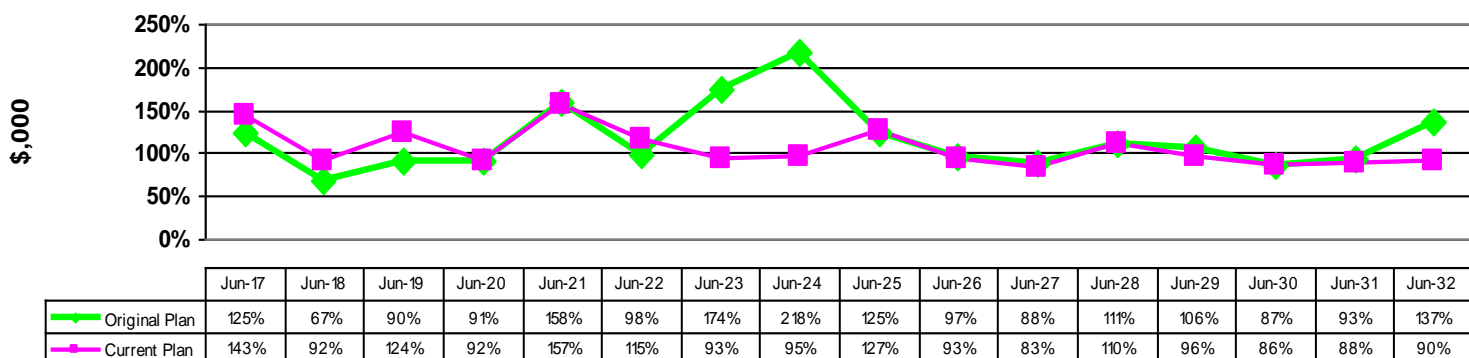


**Sustainability Index for Capital Assets**

The ‘Sustainability Indicator’ assesses asset renewal and upgrade expenditure spend effort over a period of time. The indicators across the plan have improved significantly when compared to the original budget due largely to the review of depreciation exercise mentioned earlier. As the forward plan depreciation estimates have decreased, the amount of renewal / upgrade expenditure as a proportion of this depreciation has increased.

As a result of the depreciation changes, the sustainability index is within Councils strategic range for each of the years of the Long Term Plan.

**Sustainability Index**

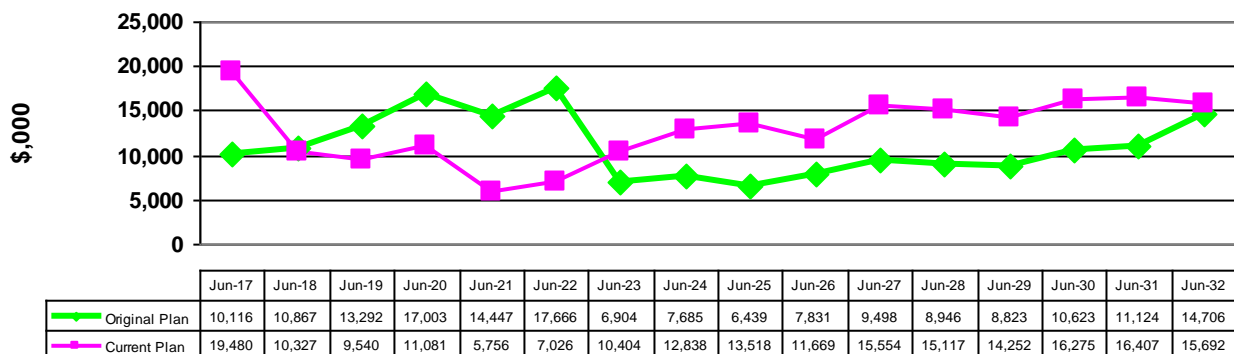


### Underlying Liquidity

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

The current plan’s forecast underlying cash position is slightly stronger than that of the original 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 cash has improved slightly over the course of the 15 years of the Long Term Financial Plan.

#### Underlying Liquidity (\$,000)

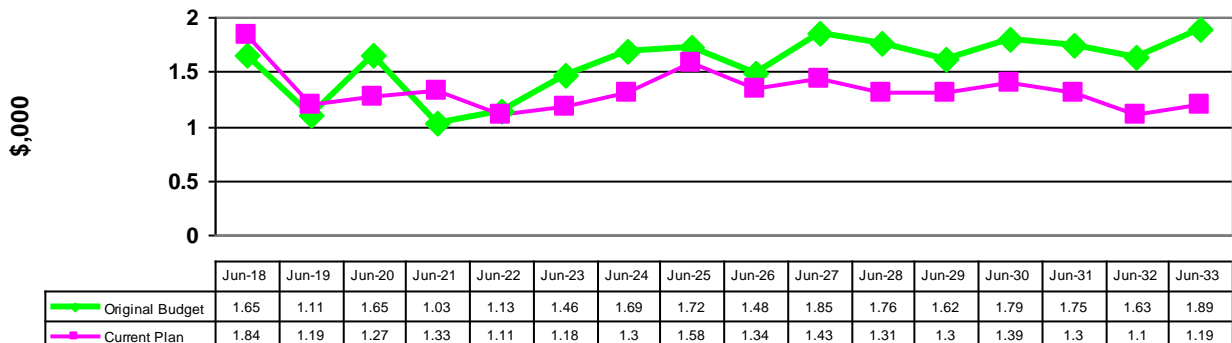


### Underlying Working Capital Ratio

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 underlying working capital ratio across the plan is comparatively weaker than the original plan from Year 2021-22 onwards. The change in the underlying working capital ratio relates to the 18/19 budget process that has been undertaken.

#### Underlying Working Capital Ratio



## Conclusion

### Long Term Financial Impact

<b>Proposed Budget</b>	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	2032/33
<b>Financial performance</b>																
Underlying result	-7.29%	5.30%	5.70%	6.96%	6.11%	6.63%	6.45%	6.20%	5.92%	5.51%	5.43%	5.17%	5.18%	5.37%	4.83%	6.52%
Underlying Working Capital	1.84	1.19	1.27	1.33	1.11	1.18	1.30	1.58	1.34	1.43	1.31	1.30	1.39	1.30	1.10	1.19
<b>Funding capacity</b>																
Self-financing	16.87%	26.39%	31.64%	28.88%	26.88%	29.15%	26.67%	27.14%	28.95%	26.48%	25.70%	25.19%	25.14%	25.54%	25.23%	26.90%
Sustainability Index	143%	184%	184%	155%	161%	139%	140%	132%	135%	122%	164%	146%	134%	137%	139%	137%
<b>Borrowing capacity</b>																
Indebtedness	12.36%	3.81%	3.86%	3.88%	3.92%	3.95%	3.99%	4.03%	4.06%	4.11%	4.14%	4.18%	4.22%	4.23%	4.24%	4.35%
Total Debt as a % of Rate revenue	8.14%	7.95%	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%	0.00%
Debt servicing costs as a % of Total revenue	0.21%	0.21%	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%	0.00%
<b>Current budget</b>																
<b>Financial performance</b>																
Underlying result	-7.58%	6.02%	5.78%	7.02%	6.15%	6.72%	6.59%	6.42%	6.26%	6.08%	6.14%	5.93%	5.95%	6.19%	5.67%	23.39%
Underlying Working Capital	1.77	1.15	1.33	1.34	1.01	1.09	1.23	1.51	1.37	1.61	1.52	1.54	1.66	1.61	1.46	1.36
<b>Funding capacity</b>																
Self-financing	30.81%	30.78%	29.09%	30.63%	26.98%	29.28%	26.84%	27.34%	27.40%	26.76%	26.02%	25.54%	25.52%	25.96%	25.66%	26.34%
Sustainability Index	133%	148%	190%	157%	159%	137%	138%	130%	131%	122%	165%	147%	134%	138%	140%	151%
<b>Borrowing capacity</b>																
Indebtedness	12.37%	3.81%	3.86%	3.88%	3.91%	3.94%	3.98%	4.01%	4.05%	4.09%	4.12%	4.16%	4.19%	4.20%	4.21%	4.35%
Total Debt as a % of Rate revenue	8.14%	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%	0.00%
Debt servicing costs as a % of Total revenue	0.22%	0.20%	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%	0.00%
<b>2017/18 Original Budget</b>																
<b>Financial performance</b>																
Underlying result	-13.32%	2.40%	1.25%	1.81%	2.14%	1.71%	0.36%	-0.20%	-0.70%	-1.13%	-1.54%	-2.48%	-2.68%	-2.42%	-2.93%	0.2%
Underlying Working Capital	1.65	1.11	1.65	1.03	1.13	1.46	1.69	1.72	1.48	1.85	1.76	1.62	1.79	1.75	1.63	2.26
<b>Funding capacity</b>																
Self-financing	20.92%	25.85%	28.95%	31.09%	26.94%	27.21%	26.60%	28.47%	26.99%	26.35%	26.33%	25.85%	25.80%	26.25%	26.04%	28.48%
Sustainability Index	92%	124%	92%	157%	115%	93%	95%	127%	93%	83%	110%	96%	86%	88%	90%	139%
<b>Borrowing capacity</b>																
Indebtedness	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%	13.12%
Total Debt as a % of Rate revenue	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%	12.63%
Debt servicing costs as a % of Total revenue	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%	0.51%

The Current budget graphic represents what has been provided to Council as part of the first draft budget. The Proposed Budget incorporates the minimal changes as detailed earlier

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

The 'Underlying Result' compares recurrent income and recurrent expenditure. The underlying result is forecast to be in the yellow zone in 2017/18 as a result of having to bring to account \$4.54m Victoria Grants Commission allocation for 2017/18 in the prior financial year (2016/17) because it was received in June 2017. The dipping of the ratio into the yellow zone does not present any strategic concern.

For the remainder of the forward plan, the underlying result trends in the green zone. This result has improved significantly from the 2017/18 Original Budget plan due to reclassifying asset valuation and depreciation methodology assumptions incorporated into a number of Council's major asset classes.

The 'Underlying Working Capital' assesses Balance Sheet strength and in particular Council's ability to pay existing liabilities. In the forward plan, the ratio marginally falls below the strategic target of 1.25 to 1 in 2018/19, 2020/21 and 2021/22 before strengthening again in the later years and then dipping again in 2031/32 and 2032/33 due primarily to a proposed significant road drainage scheme in 2031/32. Council has somewhat limited financial capacity to accommodate unforeseen strategic opportunities or unavoidable cost events that may arise in the immediate years.

The 'Self Financing' indicator compares net operating cash flows to underlying revenue and capital grants. It is forecast to be in the green zone in 2018/19 and all the forward budgets.

The 'Sustainability Indicator' assesses asset renewal and upgrade expenditure spend effort over a period of time. In the forward years it remains in the green. It is worth noting that there are no asset

renewal primary funding gaps for all major classes of assets over the 15 year Long Term Financial Plan. There are adequate funds for recurrent cost requirements for all major asset classes for the current defined service levels as documented in Asset Management Plans.

The three borrowing capacity indicators, 'Indebtedness', 'Total Debt as a percentage of Rate Revenue' and 'Debt Servicing Costs as a percentage of Total Revenue' are forecast to be in the green zone for 2018/19 and all the forward budgets. Due to the inherent strength of the Balance Sheet, Council has borrowing capacity in the forward years if it wishes to consider funding additional capital upgrade or extension projects.

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

The 2018/19 Proposed Budget / Long Term Financial Plan is financially sustainable. Council will continue to monitor the Long Term Financial Plan in line with the Long Term Financial Strategies on a month by month basis to ensure that it remains that way.

Overall, the Long Term Proposed Budget Financial Plan for 2018/19 is stronger than the previous year's 2017/18 Original plan.

The forward underlying result indicator is significantly stronger in the 2018/19 Proposed Budget when benchmarked against the 2017/18 Original Budget plan. This is due primarily to a change in the valuation of sealed road assets methodology and the resulting recalibration of infrastructure depreciation. The underlying working capital ratio is generally weaker across the Long Term Financial Plan and actually falls into the yellow zone in the 2031/32 and 2032/33 financial years. There are no concerns in relation to underlying working capital and Council will continue to monitor the strategic levels of this ratio over time as budgets are further refined.

When comparing capital expenditure outlays for the first four years of the current Long Term Financial Plan to the previous 2017/18 Original plan, Council has increased capital expenditure by \$6.1m. 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 Index indicator is significantly stronger in the current Proposed Budget plan compared to 2017/18 Original Budget plan and trends in the green zone for the entirety of the plan. This is due to a significant reduction in depreciation expense as a result of the change in sealed road assets valuation methodology mentioned earlier plus a refocus of the future capital program in favour of renewal expenditure over new asset expenditure.

The following financial indicators are used as measures for the 2018/19 Annual Budget:

- Indebtedness < 40%;
- Underlying working capital ratio >1.25%
- Self-financing >20%;
- Sustainability Index >95%; and
- Underlying result >0%.

## Appendix 1 - Capital Expenditure YTD

	17/18							18/19
	YTD			Full Year				Full Year
	Actual	Revised Budget	Variance	Original Budget	Revised Budget	Budget Requests	Draft Revised Budget	Draft Revised Budget
93130 - Recreation - Baromi Park Masterplan & Associated Works	11,000	8,000	-3,000	300,000	120,000	0	120,000	180,000
80110 - IT Capital Works	235,570	1,138,694	903,124	1,595,073	1,845,616	0	1,845,616	810,197
98010 - Long Jetty Caravan Park Capital	16,300	6,368	-9,932	86,710	31,639	0	31,639	228,660
73510 - Buildings - Caravan Park Toilet Block - Port Welshpool	0	0	0	376,419	0	0	0	376,419
98020 - Yanakie Caravan Park Capital	8,565	9,051	486	107,699	33,317	0	33,317	267,250
73620 - Coal Creek - Capital Projects	0	0	0	0	23,603	0	23,603	0
82250 - Civil - Capital Works Design	133,623	127,748	-5,875	195,135	194,128	0	194,128	198,804
82170 - Roads - Anderson St Town Entrance - Leongatha	495,787	479,953	-15,834	500,000	479,953	-25,047	505,000	0
82190 - Roads - Gray St - Leongatha	249	0	-249	0	0	0	0	0
88060 - Footpaths - Couper Street, Mirboo North	4,670	84,687	80,017	100,000	100,000	0	100,000	0
93080 - Pools - Splash Hydro Therapy Pool and Gymnasium- Leongatha	0	45,000	45,000	65,000	70,000	70,000	0	30,000
82040 - Roads - Bair Street Streetscape - Leongatha	31,622	0	-31,622	4,610,000	75,000	0	75,000	0
82260 - Civil - Foster Streetscape (Main and Station Street)	900,767	1,130,348	229,581	700,000	1,130,348	0	1,130,348	0
82270 - Civil - Korumburra Commercial Streetscape	0	10,000	10,000	179,393	179,393	159,393	20,000	159,393
95010 - Waste - Koonwarra Landfill Cells 1, 2 and 3 Cap - (PROVISION)	1,886	61,200	59,314	61,200	61,200	0	61,200	777,852
95020 - Waste - Landfills	81,139	80,000	-1,139	0	80,000	0	80,000	0
95030 - Waste - Leachate Evaporation System	0	0	0	431,574	0	0	0	351,556
88050 - Footpaths - Renewal	172,150	265,778	93,628	319,130	295,493	0	295,493	308,232

	17/18							18/19
	YTD			Full Year				Full Year
	Actual	Revised Budget	Variance	Original Budget	Revised Budget	Budget Requests	Draft Revised Budget	Draft Revised Budget
88030 - Footpaths - Extension - Walkerville Road - Tarwin Lower	0	0	0	0	0	0	0	0
82280 - Federal Blackspot Program	161,332	513,346	352,014	0	513,346	0	513,346	0
82140 - Roads - North Poowong Road, Poowong	143	0	-143	25,426	25,426	0	25,426	0
73520 - Buildings - Child Care Hub - Korumburra	1,200	0	-1,200	0	0	0	0	0
73540 - Buildings - Public Toilet Renewal	0	0	0	0	0	0	0	0
88020 - Footpath Extension - Drouin Road	0	0	0	0	0	0	0	0
73550 - Buildings - Public Toilets - Sandy Point	0	0	0	0	0	0	0	0
97020 - Car Park - Foster	0	0	0	0	0	0	0	0
88010 - Footpath Extension - Alison Street - Leongatha	0	0	0	0	0	0	0	0
97010 - Car Park - Cemetery Car Park - Korumburra	0	0	0	0	0	0	0	0
91010 - Drainage - Rehabilitation Program	13,443	76,108	62,665	133,644	136,930	0	136,930	231,998
82240 - Guard Rails - Replacement Program	43,578	110,691	67,113	173,907	133,907	0	133,907	113,455
82060 - Roads - Princes Street - Korumburra	0	0	0	0	0	0	0	0
73630 - Buildings - Community Hub - Korumburra	0	0	0	0	0	0	0	364,000
82300 - Roads - Jumbunna Rd, Bena Rd, Princess St and George St - Korumburra	0	0	0	0	0	0	0	0
73650 - Buildings - Kindergarten - Nyora	0	0	0	0	0	0	0	0
82320 - Roads - Roads/Drainage (Special Charge Scheme 33.33%) - Nyora	0	0	0	0	0	0	0	0
82350 - Civil - Loch Main Street Renewal (Stage-1)	0	0	0	0	0	0	0	710,582
73680 - Buildings - Municipal Precinct	0	0	0	0	0	0	0	0
99010 - Sun Shelter - Tarwin Lower to Venus Bay Walking Track	0	0	0	19,364	19,364	0	19,364	0
82310 - Roads - Sth Gipps Hwy and Radovick St - Korumburra	0	0	0	0	0	0	0	0

	17/18							18/19
	YTD			Full Year				Full Year
	Actual	Revised Budget	Variance	Original Budget	Revised Budget	Budget Requests	Draft Revised Budget	Draft Revised Budget
93110 - Fish Creek School Crossing Construction	150,597	113,550	-37,047	110,000	113,550	-30,000	143,550	0
93120 - Great Southern Rail Trail	13,135	0	-13,135	120,000	120,000	0	120,000	1,000,000
85060 - Bridge - Ruby Arawata Road (WB330)	0	0	0	0	0	0	0	470,000
85090 - Bridge - Powneys Road Bridge (WB370)	3,294	320,000	316,706	320,000	317,696	0	317,696	0
82400 - Tompkins Road, Meeniyana (Black Spur Remaining Funds)	349,329	400,212	50,883	0	400,212	0	400,212	0
88090 - Footpath Extension - Jumbunna Road, Korumburra	796	0	-796	0	0	0	0	922,500
82230 - Grand Ridge Road, Leongatha	22,366	22,400	34	0	40,000	0	40,000	0
85010 - Bena Kongwak Bridge	7,122	5,200	-1,922	2,100,000	360,000	0	360,000	1,740,000
88040 - Footpaths - Extension Program	130,728	184,097	53,369	221,450	221,450	0	221,450	184,500
82210 - Roads - Sealed Rehabilitation Program	392,751	468,509	75,757	1,137,348	2,146,631	0	2,146,631	1,307,819
93010 - Recreation - Community Infrastructure Projects	1,316	0	-1,316	0	0	0	0	31,084
93140 - Recreation - Venus Bay Skate Park	226	0	-226	125,000	10,000	0	10,000	115,000
93180 - Recreation - Korumburra Skate Park	0	0	0	50,000	0	0	0	250,000
93190 - Fish Creek Netball Courts	4,087	0	-4,087	0	260,000	0	260,000	0
73700 - RSL / Carinos Land and Library Hub Investigation	5,617	0	-5,617	25,000	0	0	0	0
73580 - Buildings - Renewal Program	52,463	30,000	-22,463	640,899	670,899	0	670,899	194,704
93070 - Pools - Renewal Program	172,975	173,383	408	529,118	552,501	0	552,501	42,029
73670 - Buildings - Caravan Park Toilet Block - Waratah Bay	0	0	0	142,694	0	0	0	435,216
99020 - Pools - Refurbishment Design - Mirboo North	36,996	130,935	93,939	180,000	190,935	0	190,935	3,800,000
93160 - Recreation - Korumburra Recreation Centre	12,582	0	-12,582	175,000	100,000	0	100,000	75,000
93170 - Recreation - Korumburra Recreation Reserve	0	0	0	175,000	5,000	0	5,000	170,000
73530 - Buildings - Early Years Renewal Program	0	0	0	0	0	0	0	308,200



	17/18							18/19
	YTD			Full Year				Full Year
	Actual	Revised Budget	Variance	Original Budget	Revised Budget	Budget Requests	Draft Revised Budget	Draft Revised Budget
82390 - Capital Labour, Plant and Materials Line Item Reallocation (Operations)	0	1	1	0	0	0	0	0
82050 - Roads - Station Street - Korumburra	19,527	0	-19,527	0	0	-19,527	19,527	0
82110 - Roads - Reseals	41,462	564,976	523,514	1,872,944	1,400,000	0	1,400,000	1,921,573
82120 - Roads - Reseal Preparation	661,237	1,315,388	654,151	829,348	1,823,708	0	1,823,708	850,512
82220 - Roads - South Road, Poowong	60,875	50,000	-10,875	0	135,000	0	135,000	0
82340 - Roads - Relocated Simons Lane Sealing - Leongatha	0	0	0	0	0	0	0	0
82370 - Walkerville North - Road and Retaining Wall Protection	0	1,500	1,500	130,650	130,650	-283,216	413,866	0
88070 - Footpaths - McCartin Street (Begg to Worthy Sts) - Leongatha	0	0	0	0	0	0	0	0
88080 - Footpaths - Pioneer Street (Ch 107 to 402) - Foster	-968	0	968	0	0	0	0	0
85040 - Bridge - Rehabilitation Program	34,672	0	-34,672	104,040	104,040	0	104,040	0
85050 - Major Culvert - Renewal Program	24,300	91,941	67,641	124,328	124,457	0	124,457	72,250
93020 - Recreation - Kindergartens Playground Replacement Program	0	12,396	12,396	18,598	18,598	0	18,598	20,015
93060 - Playgrounds - Replacement Program	-945	50,998	51,943	113,425	76,500	-36,925	113,425	204,405
79120 - Plant - Plant Purchases	221,457	75,230	-146,227	1,220,919	1,197,260	0	1,197,260	1,282,738
79110 - Fleet - Fleet Purchases	159,210	128,028	-31,182	1,036,586	836,000	0	836,000	740,050
82200 - Roads - Hudsons Road, Korumburra South	303,440	751,000	447,560	1,150,000	1,039,346	0	1,039,346	0
71120 - General Land Purchases	7,388	3,294	-4,094	0	3,294	0	3,294	0
82180 - Roads - Deviation of Koonwarra-Pound Creek Road - Leongatha	0	0	0	17,761	17,761	0	17,761	0
95060 - Waste - Landfill Cover	0	0	0	0	0	0	0	37,880

	17/18							18/19
	YTD			Full Year				Full Year
	Actual	Revised Budget	Variance	Original Budget	Revised Budget	Budget Requests	Draft Revised Budget	Draft Revised Budget
93150 - Recreation - Venus Bay Environmental Projects	0	0	0	125,000	15,000	0	15,000	110,000
<b>Total</b>	<b>5,201,059</b>	<b>9,040,008</b>	<b>3,838,950</b>	<b>22,774,782</b>	<b>17,979,151</b>	<b>-165,322</b>	<b>18,144,473</b>	<b>21,393,873</b>

## Appendix 2 – Operating Income Budget Requests

	17/18							18/19
	YTD			Full Year				Full Year
	Actual	Revised Budget	Variance	Original Budget	Revised Budget	Budget Requests	Draft Revised Budget	Draft Revised Budget
47410 - Arts and Culture	21,067	14,255	6,813	19,005	19,005	10,000	29,005	5,005
13110 - Grants	-	60,000	60,000	87,006	60,000	60,000	-	-
14220 - Treasury	2,539,171	2,485,464	53,707	4,083,565	4,252,338	60,000	4,312,338	7,039,603
15620 - Council Business Operations	35,405	23,046	12,359	14,981	23,046	-	14,981	-
23210 - Planning Management	13,282	-	13,282	-	-	33,615	33,615	25,000
23910 - Environmental Health	286,595	335,795	49,200	374,982	379,070	65,049	314,021	271,849
24310 - Local Laws	182,241	178,847	3,394	604,212	604,212	10,020	614,232	616,143
43630 - Recreation - South Gippsland Rural Cricket Facilities	10,000	-	10,000	-	-	10,000	10,000	-
85010 - Bena Kongwak Bridge	-	-	-	1,450,000	-	650,000	650,000	1,000,000
41950 - Major Projects and Emergency Management	60,000	-	60,000	-	-	60,000	60,000	60,000
82370 - Walkerville North - Road and Retaining Wall Protection	100,000	-	100,000	-	-	221,367	221,367	-
48710 - Environmental Services	-	-	-	-	-	52,620	52,620	10,000
49010 - Landfills Operations	1,187,467	1,144,970	42,497	1,860,591	1,940,642	40,104	1,980,746	1,979,477
41510 - Assets	38,243	40,954	2,711	161,133	61,133	8,633	69,766	62,404
<b>Total</b>	<b>4,473,470</b>	<b>4,283,331</b>	<b>190,139</b>	<b>8,655,475</b>	<b>7,339,445</b>	<b>1,023,245</b>	<b>8,362,689</b>	<b>11,069,480</b>

### Appendix 3 – Operating Expenditure Budget Requests

	17/18							18/19
	YTD			Full_Year				Full Year
	Actual	Revised Budget	Variance	Original Budget	Revised Budget	Budget Requests	Draft Revised Budget	Draft Revised Budget
47410 - Arts and Culture	79,374	64,157	(15,218)	147,933	155,490	(10,000)	165,490	133,338
13110 - Grants	270,789	291,966	21,177	562,738	439,601	18,101	421,500	307,038
14240 - Non Cash Operating Items	5,887,394	6,105,001	217,607	12,508,487	9,892,150	34,824	9,857,326	10,867,641
14930 - Risk and Insurances	654,488	692,689	38,201	734,792	781,850	14,000	767,850	797,334
14940 - Legal and Contracts	109,350	121,251	11,900	130,235	165,612	8,000	157,612	172,959
14950 - Corporate Overheads Costs	10,858	20,630	9,772	30,945	30,945	8,945	22,000	31,445
15620 - Council Business Operations	116,455	151,727	35,272	278,427	260,416	30,000	230,416	265,199
23210 - Planning Management	130,771	140,015	9,244	201,911	211,792	(35,280)	247,072	228,880
24310 - Local Laws	456,635	495,374	38,739	757,422	748,975	(31,662)	780,637	758,620
24510 - Municipal Building	259,375	187,979	(71,396)	405,576	287,918	(45,000)	332,918	285,969
42210 - Design Services	271,639	371,174	99,535	534,818	581,625	190,270	391,355	617,849
42220 - Service Management - Minor Works	52,041	39,549	12,492	39,549	39,549	20,000	59,549	40,340
43680 - Poowong Cenotaph Relocation Project	36,257	-	36,257	36,000	36,000	9,000	45,000	-
41950 - Major Projects and Emergency Management	132,347	120,513	11,834	-	184,669	18,101	202,770	205,663
48710 - Environmental Services	328,770	344,892	16,122	598,595	558,112	17,620	575,732	671,999
49010 - Landfills Operations	997,811	918,365	79,446	1,261,831	1,502,477	75,000	1,577,477	1,361,799
49210 - Sustainability Services	157,187	174,082	16,895	218,875	228,618	5,000	223,618	123,608
41510 - Assets	350,081	333,136	(16,945)	796,858	624,783	(8,637)	633,420	484,142
<b>Total</b>	<b>10,301,623</b>	<b>10,572,500</b>	<b>270,877</b>	<b>19,244,944</b>	<b>16,730,581</b>	<b>38,840</b>	<b>16,691,742</b>	<b>17,353,822</b>

