



AGENDA APPENDIX
Council Meeting
Wednesday 16 April 2014

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 2013 - FEBRUARY 2014

Appendix 1 – Financial Performance Report – February 2014

Financial Performance Report – February 2014

The Financial Performance Report covers the 8 month period from July 2013 to February 2014.

Overview

Income Statement

Annual year to date performance:

- Operating result: \$2.750 million deficit which is \$1.779 million favourable compared to the year to date budget projection of \$4.529 million deficit.
- Underlying result: \$3.491 million deficit which is \$3.067 million favourable compared with year to date budget projection of a \$6.558 million underlying deficit

Balance Sheet

Projected year end result:

- Underlying working capital ratio 1.66 to 1 (original budget 1.44 to 1)

Cash Flow Statement

Projected year end result:

- Cash assets: \$9.69 million (original budget \$7.64 million)

Capital Works program

- Expenditure \$5.723 million which is \$114,000 behind year to date budget projection of \$5.838 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 (including internal reserves).

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 28 February 2014 | | | | | | | | |
| | 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 |
| REVENUE | | | | | | | | |
| Rates and charges | 22,570 | 22,599 | (29) | | 33,924 | 33,744 | (180) | |
| Operating grants | 5,664 | 5,242 | 422 | | 9,205 | 14,397 | 5,192 | A |
| Reimbursements | 249 | 197 | 52 | | 373 | 413 | 40 | |
| Contributions | 212 | 82 | 130 | | 60 | 183 | 123 | |
| Interest | 304 | 293 | 11 | | 589 | 589 | 0 | |
| User charges | 2,228 | 2,332 | (104) | | 3,031 | 3,672 | 641 | |
| Statutory fees | 347 | 350 | (3) | | 519 | 512 | (7) | |
| Net gain / (loss) on disposal of assets | 154 | (242) | 396 | | 372 | 416 | 44 | |
| Other income | 796 | 675 | 121 | | 931 | 902 | (29) | |
| TOTAL REVENUE | 32,524 | 31,528 | 996 | | 49,004 | 54,828 | 5,824 | |
| EXPENSES | | | | | | | | |
| Employee costs | 13,574 | 13,866 | 292 | | 21,133 | 21,316 | (183) | |
| Materials and consumables | 13,258 | 14,810 | 1,552 | 1 | 19,843 | 22,208 | (2,365) | B |
| Depreciation | 6,672 | 6,667 | (5) | | 9,300 | 10,032 | (732) | |
| Other expenses | 2,439 | 2,657 | 218 | | 3,286 | 3,488 | (202) | |
| Borrowing cost expenses | 72 | 86 | 14 | | 195 | 140 | 55 | |
| TOTAL EXPENSES | 36,015 | 38,086 | 2,071 | | 53,757 | 57,184 | (3,427) | |
| UNDERLYING RESULT | (3,491) | (6,558) | 3,067 | | (4,753) | (2,356) | 2,397 | |
| Capital grants/contributions | 741 | 2,029 | (1,288) | 2 | 4,659 | 3,993 | (666) | |
| Donated / Granted Assets | 0 | 0 | 0 | | 1,304 | 1,304 | 0 | |
| SURPLUS / (DEFICIT) | (2,750) | (4,529) | 1,779 | | 1,210 | 2,941 | 1,731 | |

NOTES: MATERIAL VARIATIONS IN YEAR TO DATE FINANCIAL PERFORMANCE

Note 1 Expenditure: Materials and consumables - \$1.55 million behind

- Expenditure on materials and consumables vary compared to year to date budgets across a number of departments due to a variety of reasons including delays because of inclement weather.

Note 2 Income: Capital Grants / Contributions - \$1.28 million behind

- \$1.17 million behind year to date budgets for Roads to Recovery grants
- \$120,000 behind year to date budgets for Public Jetty grant for Port Welshpool.

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note A Income: Operating grants - \$5.192 million favourable

- \$3.1 million grants originally expected to be received in 2012/13 have had budgets carried forward into this financial year.
- Additional \$135,000 grant for Stoney Creek Dollar Road.
- Additional \$1.6 million grant for severe rain event.

Note B Expenditure: Materials and Consumables - \$2.36 million unfavourable

- \$750,000 expenditure originally budgeted to be spent in 2012/13 on grant funded expenditure have had budgets carried forward into this financial year.
- \$40,000 additional expenditure for Black Spur bridge investigation.
- \$61,000 additional expenditure on plant maintenance – insurances.
- \$26,000 less expenditure on Corner Inlet Seawall maintenance project.
- \$175,000 additional expenditure on storm recovery event.
- \$750,000 additional expenditure for severe rain event.

South Gippsland Shire Council
BALANCE SHEET
For the Period Ending 28 February 2014

| | Y.T.D. Actual \$'000 | Original Budget \$'000 | Projected Budget \$'000 | Projected Variance \$'000 | Note |
|--------------------------------|----------------------------|------------------------------|-------------------------------|---------------------------------|------|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash assets | 18,186 | 7,638 | 9,697 | 2,059 | 1 |
| Receivables | 11,083 | 3,566 | 4,345 | 779 | |
| Other financial assets | 1,700 | 3,750 | 1,700 | (2,050) | 2 |
| Assets held for resale | 0 | 0 | 0 | 0 | |
| Inventories | 415 | 317 | 219 | (98) | |
| Other | 0 | 320 | 113 | (207) | |
| | 31,384 | 15,591 | 16,074 | 483 | |
| NON CURRENT ASSETS | | | | | |
| Receivables | - | - | - | - | |
| Investments | 1,277 | 478 | 603 | 125 | |
| Fixed Assets | 96,850 | 143,492 | 140,749 | (2,743) | 3 |
| Roads Streets & Bridges | 369,151 | 384,323 | 381,338 | (2,985) | 4 |
| | 467,278 | 528,293 | 522,690 | (5,603) | |
| TOTAL ASSETS | 498,662 | 543,884 | 538,764 | (5,120) | |
| LIABILITIES | | | | | |
| CURRENT LIABILITIES | | | | | |
| Payables | 11,144 | 4,944 | 3,399 | (1,545) | 5 |
| Prepaid Income | 500 | 0 | 0 | 0 | |
| Trust funds | 0 | 369 | 529 | 160 | |
| Provisions | 5,596 | 4,953 | 5,106 | 153 | |
| Interest Bearing Liabilities | 5,103 | 514 | 514 | 0 | |
| | 22,343 | 10,780 | 9,548 | (1,232) | |
| NON CURRENT LIABILITIES | | | | | |
| Provisions | 915 | 321 | 1,003 | 682 | |
| Interest Bearing Liabilities | 4,000 | 2,997 | 2,997 | 0 | |
| | 4,915 | 3,318 | 4,000 | 682 | |
| TOTAL LIABILITIES | 27,258 | 14,098 | 13,548 | (550) | |
| NET ASSETS | 471,404 | 529,786 | 525,216 | (4,570) | |
| REPRESENTED BY | | | | | |
| Accumulated Surplus | 187,204 | 195,164 | 194,100 | (1,064) | |
| Reserves | 284,201 | 334,622 | 331,116 | (3,506) | |
| TOTAL EQUITY | 471,405 | 529,786 | 525,216 | (4,570) | |

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note 1 Current Assets: Cash Assets \$2.059 million favourable

- \$2.059 million favourable cash outcome due to timing differences of payables and receivables at last financial year end and reclassification of financial assets.

Note 2 Current Assets: Other Financial Assets \$2.050 million unfavourable

- \$2.05 million financial assets (investments with maturity above 3 months) reclassified as cash and cash equivalents.

Note 3 Non Current Assets: Fixed Assets \$2.743 million unfavourable

- \$2.743 million unfavourable projection predominantly due to no asset revaluation adjustments made in previous year.

Note 4 Non Current Assets: Roads, Streets & Bridges \$2.985 million unfavourable

- \$2.985 million unfavourable projection predominantly due to asset revaluation adjustments being less than anticipated.

Note 5 Current Liabilities: Payables \$1.545 million favourable

- \$1.545 million favourable projection fluctuate year to year depending level of accounts payable the preceding year.

South Gippsland Shire Council
CASH FLOW STATEMENT
For the Period Ending 28 February 2014

| | Y.T.D. Actual \$'000 | Original Budget \$'000 | Projected Budget \$'000 | Projected Variance \$'000 | Note |
|--|----------------------------|------------------------------|-------------------------------|---------------------------------|------|
| <u>CASHFLOWS FROM OPERATIONS</u> | | | | | |
| Receipts from Rate payers | 25,666 | 33,924 | 33,744 | (180) | |
| Statutory fees and fines | 320 | 517 | 502 | (15) | |
| User fees and other fines | 2,941 | 3,034 | 3,010 | (24) | |
| Grants | 6,412 | 13,866 | 18,391 | 4,525 | 1 |
| Reimbursements | 258 | 373 | 446 | 73 | |
| Other Receipts | 824 | 661 | 840 | 179 | |
| Interest received | 315 | 589 | 589 | 0 | |
| Rents | 761 | 329 | 883 | 554 | |
| Payments to suppliers | (12,133) | (20,691) | (23,056) | (2,365) | 2 |
| Payments to employees | (13,686) | (21,297) | (21,482) | (185) | |
| Other Expenses | (2,089) | (2,837) | (3,039) | (202) | |
| Net cash from Operating | 9,589 | 8,468 | 10,828 | 2,360 | |
| <u>CASHFLOWS FROM INVESTING</u> | | | | | |
| Proceeds from sales of property, plant & equipment | 293 | 924 | 968 | 44 | |
| Payments for property, plant & equipment | (5,482) | (14,595) | (15,326) | (731) | |
| Loan advances to community groups | | | | | |
| Repayment of loans and advances | | | | | |
| Net Cash from Investing | (5,189) | (13,671) | (14,358) | (687) | |
| <u>CASHFLOWS FROM FINANCING</u> | | | | | |
| Proceeds from borrowings | 4,000 | 4,000 | 4,000 | 0 | |
| Repayment of loans and advances | | | | | |
| Repayment of borrowings | (134) | (623) | (623) | 0 | |
| Loan advances to community groups | | | | | |
| Finance costs | (72) | (195) | (140) | 55 | |
| Net Cash from Financing | 3,794 | 3,182 | 3,237 | 55 | |
| Net increase (decrease) in cash held | 8,194 | (2,021) | (293) | 1,728 | |
| Cash at beginning of the year | 9,992 | 9,659 | 9,992 | 333 | |
| Cash at the end of the period | 18,186 | 7,638 | 9,699 | 2,061 | |

NOTES: MATERIAL VARIATIONS PROJECTED BUDGET TO ORIGINAL BUDGET

Note 1 Cash inflows from operations: Grants \$4.52 million favourable

- Net positive impact of adjustments made to projected budgets for operating and capital grants. Favourable adjustments include additional grants of \$3.102 million grants originally expected to be received in 2012/13 for storm recovery events have had budgets carried forward into this financial year.
- Additional \$135,000 grant for Stoney Creek Dollar Road.
- \$1.250 million Local Government Infrastructure Program grant budgeted to be received in 2013/14 actually recognised as revenue in 2012/13.
- \$115,000 grant for Meeniyen Netball court redevelopment.
- Additional \$1.8 million grant for severe rain event.
- \$53,000 capital grant for Outtrim Moyarra Road.
- \$150,000 grant for Stoney Creek Road Dollar improvements.
- \$163,000 grant for Public Jetty upgrade at Port Welshpool.
- \$133,000 grant for TP Taylor reserve.

Note 2 Cash outflows from operations: Payment to suppliers \$2.36 million unfavourable

- \$750,000 expenditure originally budgeted to be spent in 2012/13 on grant funded expenditure have had budgets carried forward into this financial year.
- \$900,000 of 30 June 2013 accounts payables actually paid to suppliers in 2013/14.
- \$1.5 million additional expenditure for severe rain event.
- \$284,000 additional expenditure for Yanakie Caravan Park.
- \$133,000 additional expenditure for environmental services.
- \$100,000 expenditure for a turf wicket at Korumburra Recreation Reserve.
- \$180,000 less expenditure on Sealed Roads.
- \$70,000 less expenditure on re-sheets.

SECTION 2 – ANNUAL YEAR TO DATE FINANCIAL ANALYSIS

This section analyses the implications of the year to date performance, the projected outcome for the financial year end as well as commentary on the 'financial' Key Strategic Activities (KSA).

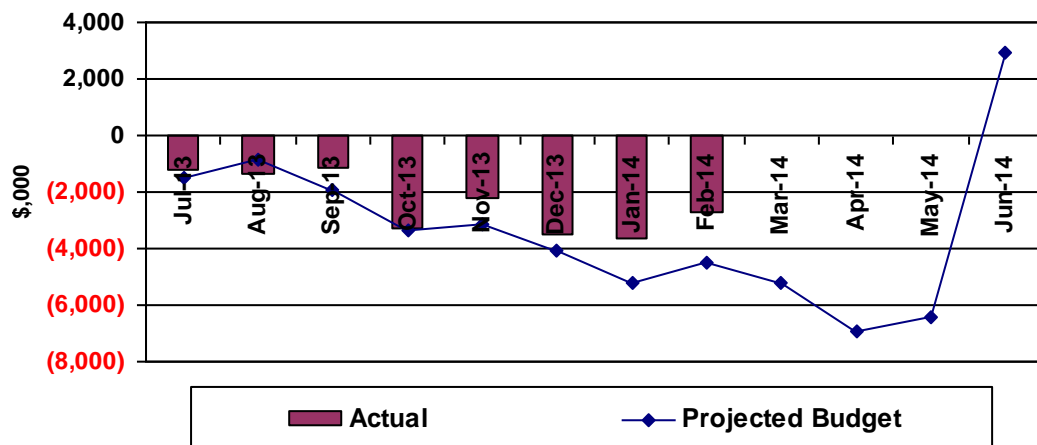
Operating Performance

Operating Budget \$4.53 million Deficit for the period Jul-13 to Feb-14

Operating Result \$2.75 million Deficit for the period Jul-13 to Feb-14

The operational result varies by \$1.78 million to the projected year to date budget. Variation is due to timing of actual costs to year to date budgets.

Operating Performance (\$'000)



Capital Performance

Capital Budget \$5.84 million for the period Jul-13 to Feb-14

Actual Expenditure \$5.72 million for the period Jul-13 to Feb-14

Capital Expenditure \$0.12 million behind year to date budgets

The Capital Works Program is running behind year to date budgets. \$2.69 million funding for capital works program was carried forward from 2012/13 to 2013/14 (for projects that were not completed by 30 June 2013).

Projects running behind / (ahead) schedule as at 28 February 2014 are detailed in the following table:

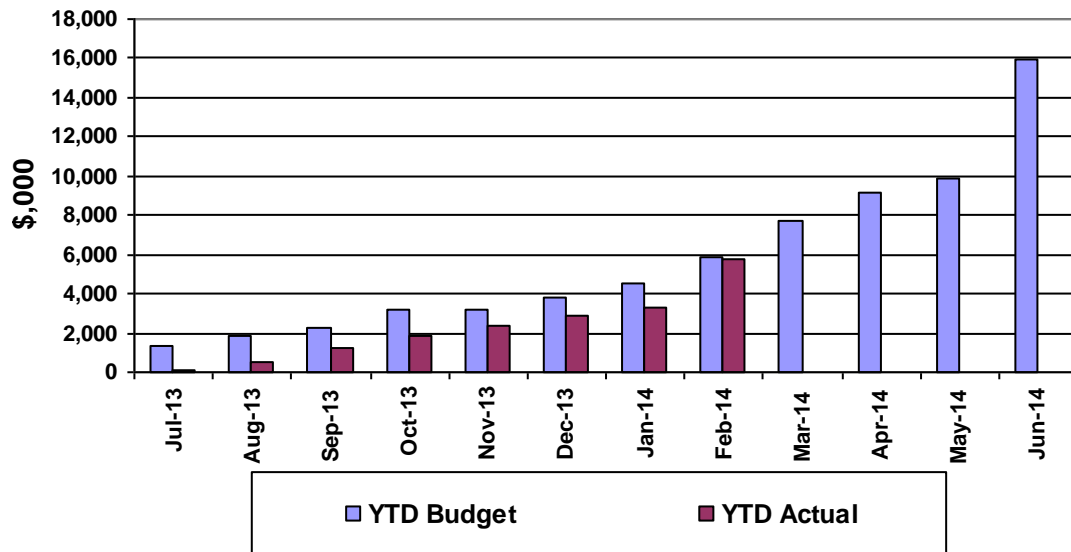
| | | | Expenditure Major | |
|----------------------|--------------------------|---|------------------------------|---|
| Directorate | Department | Cost Centre | Variation \$ | Major Variation Explanation |
| Engineering Services | Property | 3451 - Yanakie Caravan Park Capital Total | (21,816) | Capital purchases higher than originally budgeted. |
| Engineering Services | Property | 3461 - Long Jetty Caravan Park Capital Total | 21,748 | Capital purchases less than originally budgeted. |
| Corporate Services | Information Services | 8030 - Information Services Total | 139,043 | Favourable variance is due to projects not commencing as scheduled. Work is in progress to refine the business cases for approval by the Steering Committee Board. Projects have been placed on hold over the Christmas period also to accommodate staff leave. |
| Engineering Services | Assets | 8040 - Fleet - Fleet Purchases Total | (245,289) | Capital purchase running ahead of schedule due to new vehicle deliveries arriving earlier than anticipated. |
| Engineering Services | Operations | 8050 - Plant - Plant Purchases Total | (43,900) | Some new plant has arrived earlier than expected. |
| Engineering Services | Engineering and Projects | 8152 - Roads - Rehabilitation Program (CRandB and R2R) Total | (97,281) | Works on O'Connell Road, Foster brought forward to coincide with construction of new Foster Aged Care Facility. |
| Engineering Services | Engineering and Projects | 8559 - Waste - Koonwarra Landfill Cells 1 and 2 Cap Total | (36,943) | The cap design is with EPA for approval. Some additional preliminary works have been performed prior to the beginning of construction (stockpiling of topsoil for the finished cap) |
| Engineering Services | Engineering and Projects | 8567 - Waste - Koonwarra Cell Construction - (LGIP - Partial funding 13/14) Total | (282,223) | All earthworks are complete, awaiting auditor sign off and mobilisation of the HDPE geomembrane installer. |

| | | | Expenditure Major | |
|----------------------|--------------------------|---|------------------------------|--|
| Directorate | Department | Cost Centre | Variation \$ | Major Variation Explanation |
| Engineering Services | Engineering and Projects | 8697 - Drainage - Hanna Rise Cr, Jumbunna Rd and Melville Ave - Korumburra (LGIP) Total | 44,605 | Project running behind original schedule due to finding rock while excavating pipe trenches. Expect project completion late April. |
| Engineering Services | Operations | 8772 - Roads - Reseals (Partially funded R2R) Total | 1,039,998 | Asphalt work programed has been awarded, waiting scheduling of works. Spray seal program has been delayed due to the impact of bad weather on the preparation. Spray Sealing Team commence reseals 11 Feb and is progressing well. |
| Engineering Services | Operations | 8774 - Roads - Reseal Preparation Total | 60,422 | Expenditure down due to weather not conducive to sealed road maintenance. Works have commenced and will catch up over the coming months. |
| Engineering Services | Engineering and Projects | 8841 - Footpaths - Renewal Total | 57,512 | Program running behind original schedule due to contractors being used on Council's other capital works projects. Expect completion of footpath renewals during April. |
| Engineering Services | Engineering and Projects | 8881 - Leongatha Town Centre Bicycle Facility Total | 44,000 | Project running behind original schedule due to negotiations with Korumburra Business Association. Shelters have been ordered and will be installed during March/April. |
| Engineering Services | Engineering and Projects | 9425 - Buildings - Child Care Hub - Korumburra Total | (70,789) | Invoicing ahead of budget. Budget will be re-profiled next month. |

| | | | Expenditure | |
|----------------------|--------------------------|--|--------------|---|
| | | | Major | |
| Directorate | Department | Cost Centre | Variation \$ | Major Variation Explanation |
| Engineering Services | Engineering and Projects | 9531 - Buildings - Caravan Park Rotunda and Camp Kitchen - Waratah Bay Total | 64,156 | Project delayed until late April |
| Engineering Services | Operations | 9563 - Playgrounds - Replacement Program Total | (87,907) | Program is ahead of schedule. |
| Engineering Services | Engineering and Projects | 9570 - Recreation - Footpath Existing to CBD - Venus Bay Total | 25,234 | Project is complete and under budget. Currently applying for a variation to the grant funding agreement to be able to construct the shelter at Tarwin Lower on the river. |
| Engineering Services | Engineering and Projects | 9679 - Bridge - Summers Rd Bridge Replacement - Fish Creek (CRandB) Total | (80,213) | Project commenced ahead of schedule. |
| Engineering Services | Operations | 9762 - Roads - Station Street Rehabilitation - Korumburra (R2R) Total | (52,572) | Works have commenced. Budget requires profiling. |
| Engineering Services | Operations | 9764 - Roads - Lower Franklin Road Rehabilitation - Foster (LGIP) Total | (337,795) | Works well advanced and ahead of original schedule, expect completion early March. |
| Engineering Services | Operations | 9811 - Roads - Mossvale Park Flood Recovery Project - Berrys Creek Total | (53,439) | Works completed ahead of original schedule. |

| Expenditure Major | | | | |
|----------------------|--------------------------|--|--------------|---|
| Directorate | Department | Cost Centre | Variation \$ | Major Variation Explanation |
| Engineering Services | Property | 9814 - Roads - Deviation of Koonwarra-Pound Creek Road - Leongatha Total | 21,000 | No cost incurred this financial year. Road deviation in progress. |
| Engineering Services | Engineering and Projects | 9706 - Bridge - Goads Road Bridge Replacement - Dumbalk North (CRandB) Total | (59,831) | Works commenced ahead of schedule. |

Capital Performance (\$'000)



The following projects have had funds carried forward from 2013/14 to 2014/15:

- 8004 Office Accommodation \$480,000
- 1670 Coal Creek Heritage Village Projects \$112,539

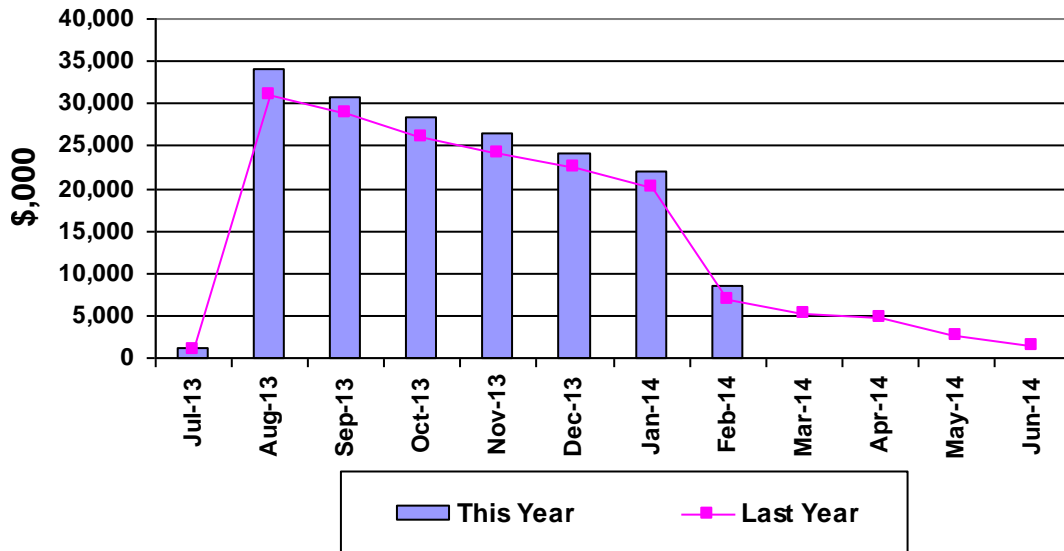
Rate Debtors

Outstanding 13/14 \$8.43 million as at Feb-14

Outstanding 12/13 \$6.89 million as at Feb-13

The outstanding rates as at 28 Feb 2014 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)



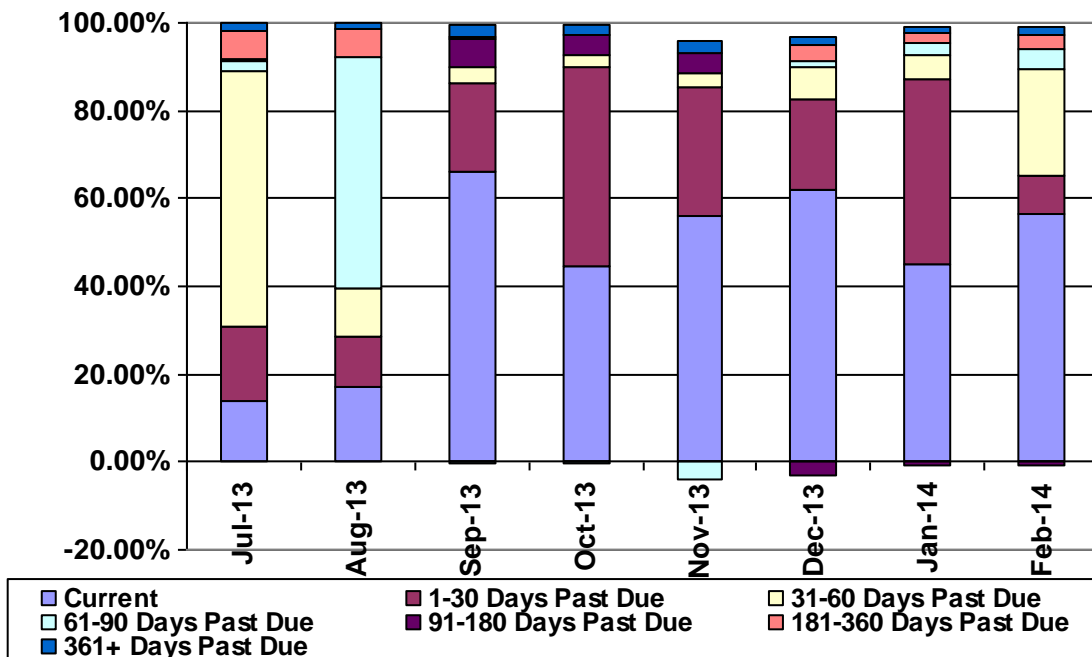
Other Sundry Debtors

Outstanding 13/14 \$ 1.02 million as at Feb-14

Outstanding 12/13 \$ 1.51 million as at Feb-13

The Current and 1-30 Days Past Due make up approx. 66.5% of total outstanding Debtors.

Other Sundry Debtors



Financial Key Strategic Activity (KSA)

Council uses a series of financial performance, funding and borrowing capacity indicators to set and assess its annual financial performance. The indicators used are the weighted average of 5 key financial ratios being indebtedness, underlying working capital ratio, self-financing, investment gap and underlying result.

The net financial impact of the financial carry forward budget changes to the projected result for 2013/14 has had a favourable financial impact on the financial KSA. The current status is comfortably above the 98% target.

| Target | Current Status |
|---------------|-----------------------|
| >98% | 126% |

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 Financial Strategy's key performance indicators.

The Long Term Financial Plan analysis report normally compares the current 2013/14 Budget and Long Term Financial Plan forecasts to the original plan (the Annual Budget & Long Term Financial Plan was adopted for 2013/14 on 26 June 2013).

The lines in the following graphs are as follows

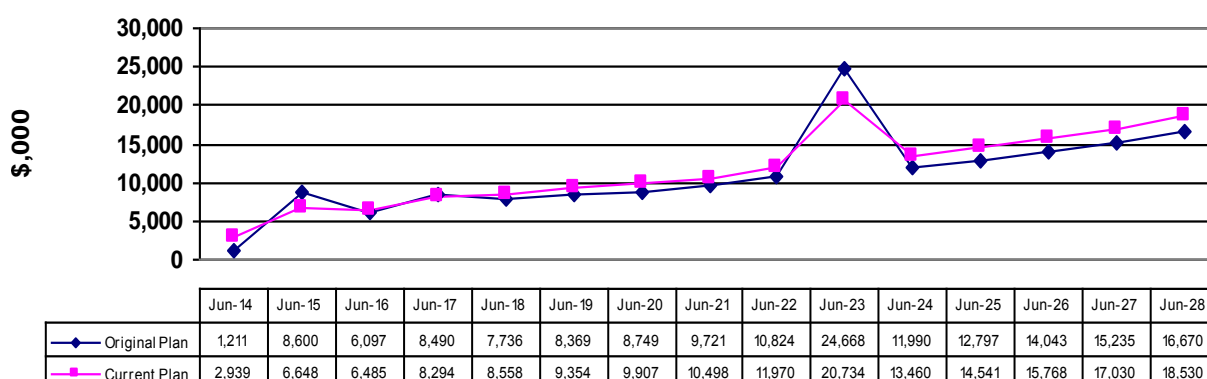
- Original plan – Blue line –original 2013/14 Budget and Long Term Financial Plan
- Current Plan – Purple line - 2013/14 Budget and Long Term Financial Plan

Operating Result (including gain /loss on asset disposals)

The current plan's projected operating results for the current plan is generally stronger and correlates closely with the original plan. The favourable financial impact of the 'financial carry forwards' can be seen in the slightly strengthened projected operating result for 2013/14.

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)

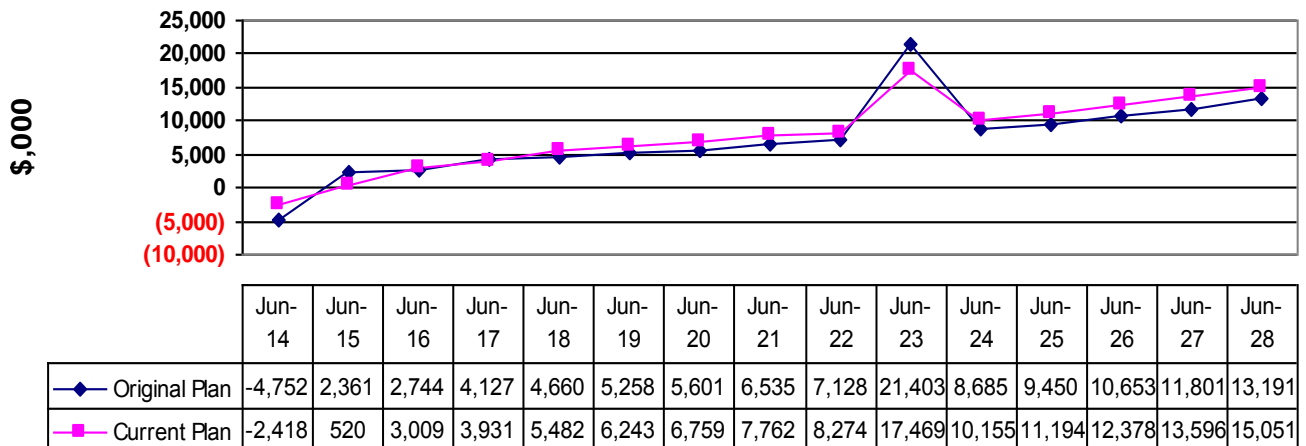


Operating Result before Capital Funding

The operating result before capital funding is sometimes referred to as the underlying financial result. Capital grants and contributions that artificially improve the operating result are removed to disclose the true underlying financial result.

The underlying result shows more clearly the income sources relative to the expenses for the recurrent operating activities of Council. The current plan underlying result mirrors the operating result outcomes discussed immediately above.

Operating Result before Capital Funding (\$,000)

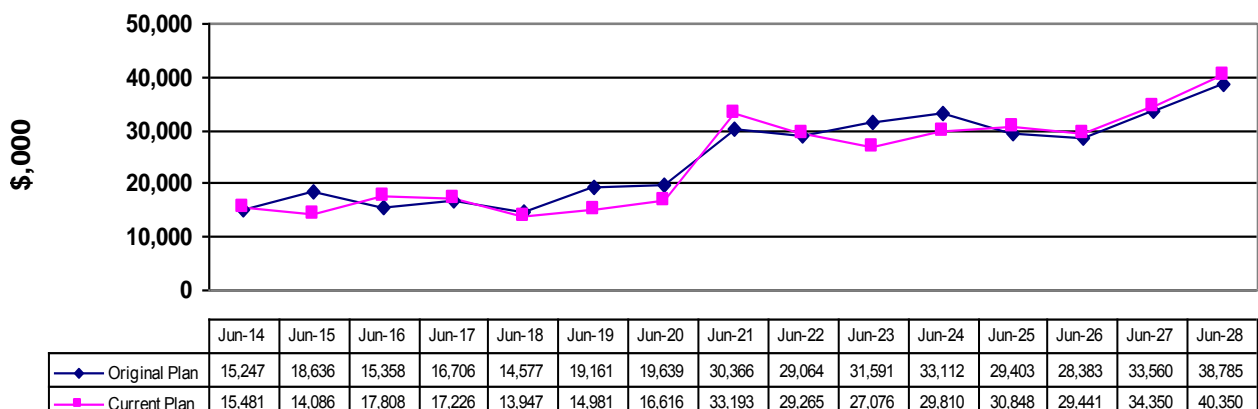


Capital Expenditure

The 2013/14 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 2013. In total, \$2.69 million funds were carried forward from 2012/13 (this includes \$2.15 million identified during the 2013/14 budget development process and an additional \$542,000 identified at financial year end).

The current plan’s projected capital works program incorporates the cash flow implications of the Engineering Services mid year review process and 1st draft budget for 2014/15. The overall expenditure requirements are less than the original plan. It still generally correlates with the original plan. The expenditure in later years is heavily reliant on significant developer contributions.

Capital Expenditure (\$,000)

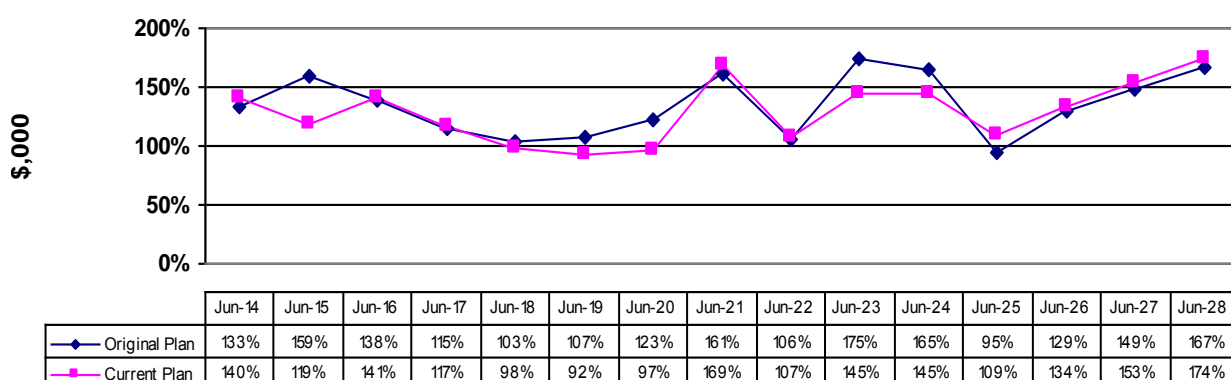


Sustainability Index for Capital Assets

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.

Individual capital projects reviewed in the mid year review process were by default flagged as all being 'renewal works' which had a distorting impact on the sustainability ratio. 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

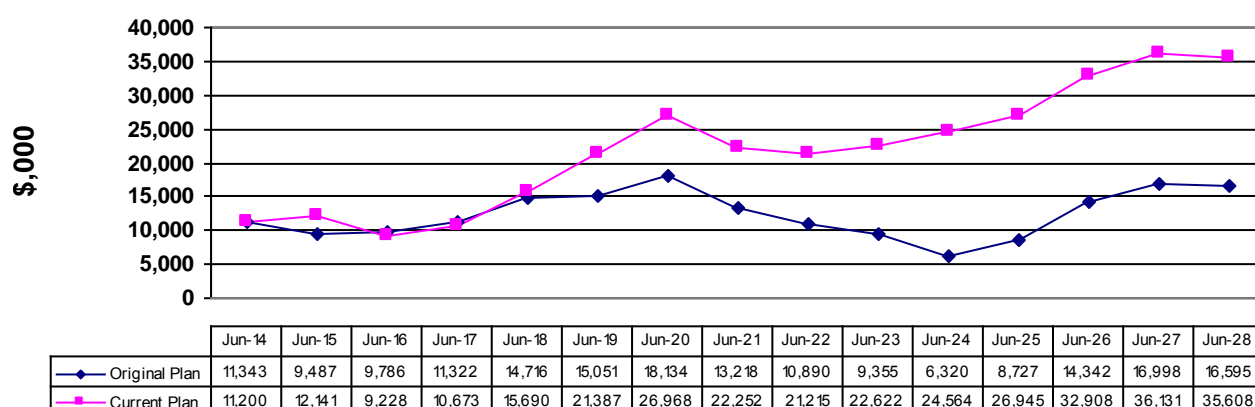


Underlying Liquidity

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.

Longer term, the forecast underlying cash position is significantly stronger than the original plan. This is as a result of the reduced capital works funding requirements in the mid to later years of the Financial Plan identified in the mid year budget review process.

Underlying Liquidity (\$,000)

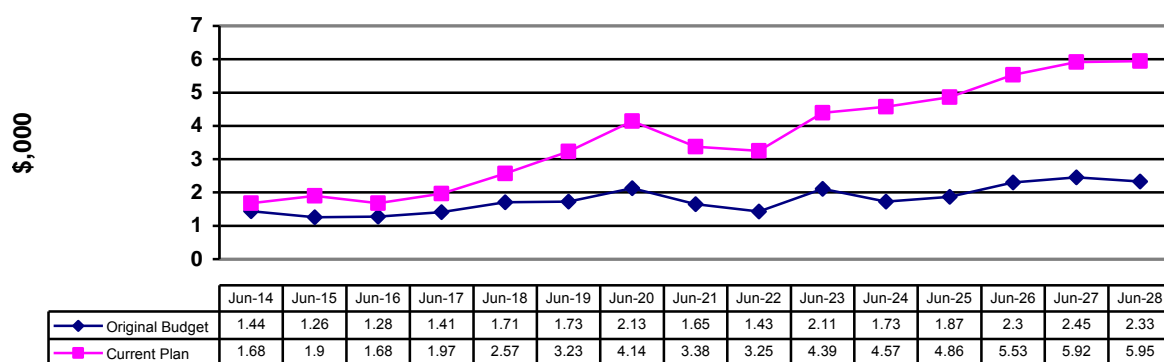


Underlying Working Capital Ratio

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 reduced capital works expenditure requirement in the mid to later years has a positive impact on the ratio. In the later years it will exceed the 1 to 1.50 target. There is potential to reduce the level of rate income requirements in the mid to later years and / or bridge funding gaps or provide additional services.

Underlying Working Capital Ratio



Conclusion

The table below shows several key financial performance indicator targets set when the 2013/14 Budget and Long Term Financial Plan was adopted. Ratios coloured red indicate either short term / immediate sustainability concerns, yellow denotes medium risk and green low risk.

| 2013/14 Original Budget | 2013/14 | 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 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Financial performance | | | | | | | | | | | | | | | |
| Underlying result | -9.70% | 4.37% | 4.95% | 6.93% | 7.47% | 8.01% | 8.16% | 8.94% | 9.34% | 22.87% | 10.30% | 10.67% | 11.46% | 12.10% | 12.9% |
| Underlying Working Capital | 1.44 | 1.31 | 1.33 | 1.46 | 1.76 | 1.78 | 2.18 | 1.70 | 1.48 | 2.16 | 1.78 | 1.92 | 2.35 | 2.50 | 2.38 |
| Funding capacity | | | | | | | | | | | | | | | |
| Self-financing | 16.99% | 29.49% | 26.94% | 30.19% | 29.08% | 30.12% | 30.47% | 32.16% | 32.86% | 33.32% | 34.81% | 35.17% | 35.91% | 36.45% | 37.10% |
| Sustainability Index | 133% | 159% | 138% | 115% | 103% | 107% | 123% | 161% | 106% | 175% | 165% | 95% | 129% | 149% | 167% |
| Borrowing capacity | | | | | | | | | | | | | | | |
| Indebtedness | 8.27% | 6.58% | 5.14% | 3.74% | 2.41% | 1.19% | 1.26% | 1.33% | 1.40% | 1.23% | 1.54% | 1.60% | 1.67% | 1.73% | 1.78% |
| Total Debt as a % of Rate revenue | 10.35% | 8.17% | 6.35% | 4.60% | 2.96% | 1.44% | 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 | 0.37% | 0.28% | 0.24% | 0.18% | 0.13% | 0.08% | 0.03% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

The table below shows the current status of key financial indicators. The majority of indicators remain within strategic thresholds targets. The underlying working capital ratio significantly strengthens in the forward years. Council has the potential opportunity to either reduce rate rises in forward years and / or bridge funding gaps or provide additional services.

The sustainability indicator negative trend does not present as a strategic concern. Individual capital projects reviewed in the mid year review and 1st draft 2013/14 Annual Budget process were by default flagged as all being ‘renewal works’ which had a distorting impact on the sustainability ratio.

The strengthening underlying liquidity has the effect of restoring financial capacity in the underlying working capital ratio. Longer term the Financial Plan is financially sustainable.

| Proposed Budget | 2013/14 | 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 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Financial performance | | | | | | | | | | | | | | | |
| Underlying result | -4.42% | 0.93% | 5.31% | 6.57% | 8.60% | 9.30% | 9.63% | 10.40% | 10.62% | 19.38% | 11.80% | 12.39% | 13.04% | 13.65% | 14.39% |
| Underlying Working Capital | 1.66 | 1.75 | 1.34 | 1.57 | 2.07 | 2.63 | 3.38 | 2.89 | 2.76 | 3.84 | 3.94 | 4.08 | 4.60 | 4.82 | 4.65 |
| Funding capacity | | | | | | | | | | | | | | | |
| Self-financing | 18.67% | 26.36% | 27.74% | 30.09% | 29.94% | 31.13% | 31.50% | 33.32% | 33.76% | 30.28% | 35.76% | 36.34% | 36.88% | 37.43% | 38.03% |
| Sustainability Index | 140% | 119% | 141% | 117% | 98% | 92% | 97% | 169% | 107% | 145% | 145% | 109% | 134% | 153% | 174% |
| Borrowing capacity | | | | | | | | | | | | | | | |
| Indebtedness | 9.84% | 8.06% | 5.00% | 5.03% | 3.65% | 2.39% | 2.39% | 2.40% | 2.43% | 2.18% | 2.47% | 2.48% | 2.50% | 2.53% | 2.55% |
| Total Debt as a % of Rate revenue | 10.40% | 8.26% | 6.40% | 4.63% | 2.98% | 1.45% | 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 | 0.24% | 0.28% | 0.24% | 0.18% | 0.13% | 0.07% | 0.03% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |