

May 2015

Monthly Financial Report

Surf Coast Shire Council



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1. Executive Summary

1.1 Overview

	Forecast YTD May-15	Actual YTD May-15	Indicator
Rates Collected	81.0%	89.8%	
Income Statement Operating Surplus	\$12.393m	\$13.747m	
Cash and Investments	\$19.343m	\$23.375m	
Sundry Debtors		\$0.423m	
Special Charge Scheme Debtors		\$0.366m	
Infringement Debtors		\$0.901m	
Borrowings	\$16.198m	\$16.192m	
Balance Sheet Working Capital	280%	364%	
Total Revenue	\$62.659m	\$62.299m	
Total Operating Expenditure	\$50.265m	\$48.551m	
Capital Revenue	\$3.669m	\$3.549m	
Total Capital Works	\$13.204m	\$10.863m	
New Initiatives Revenue	\$0.527m	\$0.466m	
New Initiatives Expenditure	\$1.849m	\$1.240m	

Indicator Legend

	No action required
	Requires active monitoring
	Immediate action required

1.2 Operating performance

	May YTD Actual \$'000	May YTD Forecast \$'000	May YTD Variance \$'000		Adopted Budget \$'000	Revised Forecast \$'000	Full Year Variance \$'000	
Operating								
Revenue	57,506	57,363	143 F		57,132	58,073	941 F	
Expenditure	(48,415)	(50,129)	1,714 F		(59,532)	(59,659)	(127) U	
Underlying surplus/(deficit) from operations	9,091	7,234	1,857 F		(2,400)	(1,586)	814 F	
Capital								
Capital Grants	3,347	3,582	(235) U		2,244	3,996	1,752 F	
Special Charge Revenue	162	161	1 F		148	161	13 F	
Contributions	176	62	114 F		-	72	72 F	
Asset writeoffs	(136)	(136)	-		(1,409)	(1,409)	-	
Developer contributions	908	769	139 F		1,387	1,049	(338) U	
Gain(loss) on disposal of assets	200	721	(521) U		586	775	189 F	
Granted assets	-	-	-		2,902	2,902	-	
Net surplus (deficit)	13,747	12,393	1,354 F		3,458	5,961	2,503 F	

The year to date operating surplus is \$13,747,000 which is \$1,354,000 favourable to forecast. This variance is mainly due to:

- Materials and services favourable to forecast \$1,331,000 including Consultants \$345,000, Royalties (timing issue) \$273,000, Sub-Contractor Services \$258,000 and fuel costs \$106,000
- User Charges favourable to forecast \$164,000 including Gherang Gravel Pit royalties \$120,000 and waste disposal fees \$91,000 partially offset by debt collection \$84,000
- Employee costs favourable to forecast \$228,000 mainly due to wages \$213,000 and training \$51,000 partially offset by Fringe Benefits Tax \$31,000
- Developer contributions favourable to forecast \$139,000 mainly due to Torquay Jan Juc DCP contributions \$140,000

These are partially offset by:

- Gain on disposal of assets unfavourable to forecast \$521,000 mainly due to the delay of sale of land in Winchelsea (these funds will be used to fund the purchase of land in Winchelsea)
- Capital Grants unfavourable to forecast \$235,000 mainly due to funding for the CCP Stage 3 Soccer Pitch project \$90,000 (the acquittal has been submitted and the funds are expected to be received in June), Lorne Men's Shed \$60,000 grant is to be received directly by Lorne Men's Shed and CCP Playzone Banyul \$50,000.

1.3 Capital works and new initiatives performance

	May YTD Actual \$'000	May YTD Forecast \$'000	May YTD Variance \$'000		Adopted Budget \$'000	Revised Forecast \$'000	Full Year Variance \$'000	
Total capital works	10,863	13,204	2,341	F	15,192	15,781	(589)	U
Total new initiatives	1,240	1,849	609	F	1,910	2,473	(563)	U

The year to date capital works program is \$10,863,000 which is \$2,341,000 favourable to forecast. This variance is mainly due to timing:

- Anglesea Transfer Station Upgrade Stg 2 \$324,000, delay in associated road works, to be completed by the end of June
- Spring Valley Play Space & Car Park \$218,000, design has been finalised, awaiting cultural heritage approval
- Pollocksford Road \$170,000, this project is now completed, savings to be used on Murrell and Gosney Street works and reseal works brought forward from 2015/16 as adopted by Council as part of the April finance report
- Spring Creek Recreation Reserve Play Space \$129,000, design has been finalised, awaiting cultural heritage approval
- Horseshoe Bend Road and Quay Boulevard Roundabout Widening \$93,000, to be completed by the end of June
- West Coast Business Park Drainage Works \$93,000, awaiting developer to enter a Section 173 agreement
- Spring Creek fishing platforms \$92,000, design has been finalised, awaiting cultural heritage approval

These are partially offset by Replacement of light fleet which is unfavourable to forecast \$125,000, due to timing.

The year to date new initiatives is \$1,240,000 which is \$609,000 favourable to forecast. This variance is mainly due to timing:

- Torquay VIC & Surf World Refurbishment \$54,000, the contract has been awarded, the project is expected to be completed in August
- Torquay Central Business Area \$50,000, awaiting confirmation of funding from state government
- Great Ocean Road Vegetation Management \$30,000, project commenced, will be completed in 2015/16
- Customer Service focus review - statutory planning \$28,000, project commenced
- Building Key System Replacement \$27,000, project commenced
- Surf Lifesaving clubs policy development \$26,000, project commenced, to be completed by the end of June
- Land Development - Thompson Valley \$24,000, awaiting confirmation of funding from state government

1.4 Financial position

	<i>May YTD Actual \$'000</i>	<i>May YTD Forecast \$'000</i>	<i>May YTD Variance \$'000</i>		<i>Adopted Budget \$'000</i>	<i>Revised Forecast \$'000</i>	<i>Full Year Variance \$'000</i>	
Cash and cash equivalents	21,875	17,843	4,032	F	16,176	17,134	958	F
Net current assets (working capital)	22,200	18,429	3,771	F	4,448	8,253	3,805	F
Net assets and total equity	380,009	378,656	1,353	F	378,876	381,180	2,304	F

The financial position as at 31 May 2015 shows a cash balance of \$21,875,000, which is \$4,032,000 favourable to forecast due to receipts from customers \$2,171,000 and payments for property plant and equipment \$2,300,000, partially offset by payments to suppliers being unfavourable to forecast \$561,000.

Net assets and total equity is \$380,009,000, which is \$1,353,000 favourable to forecast. This variance is due to the net surplus favourable to forecast \$1,354,000.

2. Financial Analysis

2.1 Operating performance

2.1.1 Operating revenue

	May YTD Actual \$'000	May YTD Forecast \$'000	May YTD Variance \$'000		Adopted Budget \$'000	Revised Forecast \$'000	Full Year Variance \$'000	
Revenues								
Rates and charges	42,821	42,761	60 F		42,535	42,761	226 F	
Operating grants	6,707	6,725	(18) U		6,486	6,960	474 F	
Capital grants	3,347	3,582	(235) U		2,244	3,996	1,752 F	
Contributions	2,328	2,228	100 F		2,533	2,589	56 F	
Interest	693	656	37 F		823	741	(82) U	
User charges	5,632	5,468	164 F		5,683	5,767	84 F	
Statutory fees	570	518	52 F		608	537	(71) U	
Total operating revenue	62,099	61,938	161 F		60,911	63,351	2,440 F	
Net gain (loss) on disposal of property infrastructure, plant and equipment	200	721	(521) U		586	775	189 F	
Granted assets	-	-	-		2,902	2,902	-	
Total revenue	62,299	62,659	(360) U		64,401	67,028	2,627 F	

2.1.2 Major operating revenue variances

	Var	YTD (unfav) \$000's	FY (unfav) \$000's
Rates and Charges		60	226
Operating Grants		(18)	474
Jan Juc Kindergarten	P	74	134
Municipal Emergency Resourcing Program	T		54
Victorian Adaption & Sustainability Partnership	R		(60)
Capital Grants		(235)	1,752
Lorne Visitor Centre extension	LR		557
Mount Moriac Res Master Plan - Stage 1	LR		65
Anglesea Cell 3 Liner - Stage A	LR		500
Anglesea Football Pavilion Redevelopment	LR		100
Torquay North Community Precinct Soccer Pitch	P	(90)	100
Anglesea Transfer Station Upgrade Stg 2	P		200
Lorne Mens Shed		(60)	
CCP Playzone Banyul	T	(50)	(150)
Torq Nth Early Learning Centre Design	P		(220)
Spring Creek Pathway	P		450
Black Spot Projects	P		162
Anglesea Bowling Club Synthetic Green	P		50
Contributions / Grants		100	56
Contributions & Recoupments	LR	67	409
Family Day Care Services	P		63
Surf Lifesaving clubs policy development	P		75
Pensioner Rate Concession Recoupment	T	(88)	
Torquay Jan Juc Developer Contributions Plan	P	140	(341)
Interest		37	(82)
Interest Charges Debtors	P		(64)
User Charges		164	84
Parking Penalties	P	64	
Kindergarten Program Fees	T		153
Visitor Information Centre/Surfworld Museum Sales	T		51
Waste Disposal Fees	P	91	
Sundry Fees & Charges	P		(79)
Royalties	P	120	
Debt Collection	T	84	
Statutory Fees		52	(71)
Net gain (loss) on disposal of property infrastructure, plant and equipment		(521)	189
Proceeds from Sale of Assets		(412)	620
Proceeds from Sale of Heavy Plant	P	(122)	(59)
Proceeds from Sale of Light Fleet	T	(69)	(99)
Proceeds from Sale of Land and Buildings	LR	(343)	620
Asset Sales Proceeds	T		163
Written Down Value of Assets Sold	P		(431)
WDV of Heavy Plant Sold	P	(70)	70
WDV of Light Fleet Sold	T		93
WDV of Land Sold	LR		(431)
WDV of Plant & Equipment	T		(200)

Note: Var T = Timing P = Permanent R = Rollover 2015/16 LR = Rollover from 2013/14

2.1.3 Operating expenses

	May YTD Actual \$'000	May YTD Forecast \$'000	May YTD Variance \$'000		Adopted Budget \$'000	Revised Forecast \$'000	Full Year Variance \$'000
Expenses							
Employee benefits	21,230	21,458	228 F		24,231	23,942	289 F
Materials and services	16,610	17,941	1,331 F		23,563	24,017	(454) U
Bad and doubtful debts	94	69	(25) U		62	69	(7) U
Finance costs	1,051	1,051	-		1,159	1,150	9 F
Depreciation	9,431	9,610	179 F		10,516	10,480	36 F
Asset write offs	136	136	-		1,409	1,409	-
Total operating expenses	48,551	50,265	1,714 F		60,940	61,068	(128) U

2.1.4 Major operating expense variances

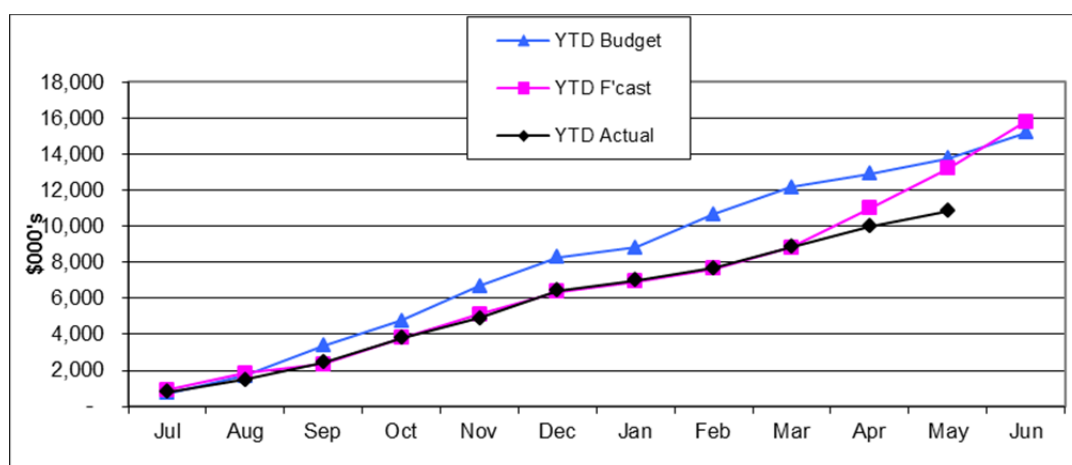
	Var	YTD (unfav) \$000's	FY (unfav) \$000's
Employee Benefits		228	289
Wages	P	232	162
Wages OT	T		81
Conferences / Training Costs	T	51	
Apprenticeships / Traineeships	T		76
Oncost Recovery	T		(64)
Materials & Services		1,331	(454)
Expenses Capital Works	P		673
Contract Labour	P		(334)
Contract Services	P	285	(192)
Tendered Contract Services	T	123	(130)
Consultants - General	LR	388	(186)
Consultants - Accounting / Audit	P		(96)
Consultants - Legal	T	(50)	(97)
Grants / Contributions	T	65	73
Debt Collection	T	54	
Tendered Contract - Revaluation Expenses	T	77	
Royalties	T	273	
Miscellaneous	LR		(87)
Plant Operations Maintenance	T	(127)	
Fuel	T	106	
Plant Recovery	T	57	
Bad & Doubtful Debts		(25)	(7)
Debt Servicing			9
Depreciation	P	179	36
Motor Vehicles & Plant	P	174	

Note: Var T = Timing P = Permanent R = Rollover 2015/16 LR = Rollover from 2013/14

2.2 Capital works performance

	May YTD Actual \$'000	May YTD Forecast \$'000	May YTD Variance \$'000		Adopted Budget \$'000	Revised Forecast \$'000	Full Year Variance \$'000
Capital works							
Information Technology	329	359	29 F		340	359	(19)
Roads and Streets Special Projects	423	431	8 F		400	431	(31)
Parks and Reserves Special Projects	25	60	35 F		60	60	-
Asset Preservation	3,153	3,491	338 F		3,670	3,674	(4)
Community Buildings	780	945	165 F		1,624	1,793	(169)
Gravel Pits	95	95	-		-	95	(95)
Drainage	59	312	253 F		250	312	(62)
Recreation Facilities	1,582	2,287	705 F		2,369	2,742	(373)
Special Capex Projects	20	68	48 F		445	464	(19)
Transport	2,035	2,322	287 F		2,928	2,684	244
Waste Management	1,242	1,647	405 F		1,716	1,718	(2)
Infrastructure Development Special Projects	59	58	(1) U		-	58	(58)
Fleet Replacement	1,062	1,131	69 F		1,391	1,391	-
Total capital works	10,863	13,204	2,341 F		15,192	15,781	(589)

2.2.1 Capital works YTD & budget expenditure cumulative



Capital Projects - not subject to special charge schemes	Adopted Budget \$'000	Revised Forecast \$'000	YTD Actual \$'000
Completed or expected to be delivered in 2014/15	12,168	12,806	10,100
May not be delivered in 2014/15	705	240	2
Will not be delivered in 2014/15 or to be carried forward to 2015/16	2,095	2,504	534

Capital Projects - subject to special charge schemes	Adopted Budget \$'000	Revised Forecast \$'000	YTD Actual \$'000
Completed or expected to be delivered in 2014/15	224	231	227
May not be delivered in 2014/15	-	-	-
Will not be delivered in 2014/15 or to be carried forward to 2015/16	-	-	-

2.2.2 Major capital works variances

	Var	YTD (unfav) \$000's	FY (unfav) \$000's
Information Technology		29	(19)
Roads & Streets Special Projects		8	(31)
Parks & Reserves Special Projects		35	
Asset Preservation		338	(4)
Unsealed Road Renewal	T	57	
Sealed Road Renewal	T	63	
Road Safety Program		68	
Park Furniture Renewal		57	
Playground Equipment Renewal	P		(58)
Community Buildings		165	(169)
CCP Standby Generator	P	2	(200)
Mt Moriac Depot rehabilitation	P	55	54
Great Ocean Road Heritage Centre	LR		(154)
Mt Moriac Reserve Pavillion Redevelopment	P		(80)
Eastern Reserve Land Purchase	P		(150)
Torq Nth Early Learning Centre Design	P		400
Gravel Pits			(95)
Gherang Gravel Pits - Site clean up	LR		(95)
Drainage		253	(62)
West Coast Business Park Drainage Works		93	
Surfworld/Skate Park catchment upgrade	T	77	
Jan Juc Creek Daylighting	T		(70)

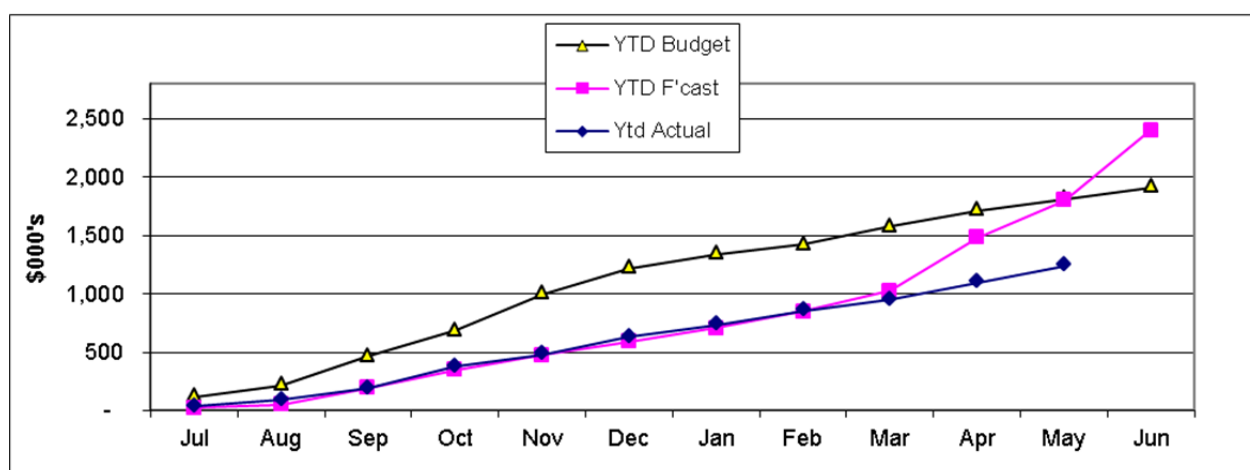
	Var	YTD (unfav) \$000's	FY (unfav) \$000's
Recreation Facilities		705	(373)
Community & Civic Precinct Recreation Facilities	P		138
Open Space & Build Future Project Design		58	50
Playground Strategy Implementation	P		374
Aireys Inlet Skate Park Upgrade	P		(144)
Town Parks upgrade		60	
Torquay Spring Creek Reserve - Aurora Cr	LR		(70)
Community & Civic Precinct Playzone Banyul	R		200
Merrans Nature Res land purch & design	P		64
Spring Creeek fishing platforms	P	92	(105)
Spring Creek Rec Reserve Play Space	P	129	(136)
Spring Creek design and ancillary works	P		(95)
Spring Creek Pathway	P		62
CCP Grenville Oval	P	81	(100)
Anglesea Bowling Club Synthetic Green	p		(50)
Special Projects		48	(19)
Transport		287	244
Aireys Inlet Painkalac Creek Pathway	P		60
Pollocksford Rd Widening - South	P		575
Lorne Swing Bridge pathway			65
Pollocksford Rd Widening - North	P	170	(622)
Murrel & Gosney St Intersection upgrade	P	(68)	
Horseshoe Bend & Quay R`about Widening		93	
Bike Lane Design at Spring Creek - GOR		58	
South Beach Rd/Surfcoast Hwy Intersectio	R		385
Black Spot Projects	P		(162)
Waste Management		405	(2)
Anglesea Transfer Station Gatehouse Repl	P		(111)
Anglesea Cell 3 Liner - stage B	R		93
Anglesea Transfer Station Upgrade Stage 2	P	324	(135)
Anglesea Groundwater Bore Installation	P		50
Infrastructure Development Special Projects		1	(58)
Shopping Centre Refurbishment Program	T		(58)
Fleet Replacement		69	
Replacement of Heavy Plant	T	87	

Note: Var T = Timing P = Permanent R = Rollover 2015/16 LR = Rollover from 2013/14

2.3 New Initiatives expenditure performance

	May YTD Actual \$'000	May YTD Forecast \$'000	May YTD Variance \$'000		Adopted Budget \$'000	Revised Forecast \$'000	Full Year Variance \$'000
New Initiatives							
Culture & Community	452	624	172 F		637	758	(121) U
Environment & Development	733	1,137	404 F		1,167	1,604	(437) U
Governance & Infrastructure	54	88	34 F		106	111	(5) U
Total new initiatives	1,240	1,849	609 F		1,910	2,473	(563) U

2.3.1 New initiatives YTD & budget cumulative



New Initiatives	Adopted Budget \$'000	Revised Forecast \$'000	YTD Actual \$'000
Completed or expected to be delivered in 2014/15	1,384	1,742	906
May not be delivered in 2014/15	35	65	54
Will not be delivered in 2014/15 or to be carried forward to 2015/16	491	666	280

2.3.2 Major new initiatives variances

	YTD (unfav) \$000's	FY (unfav) \$000's
Culture & Community	172	(121)
Aged & Family Services		
8369 - Kindergarten Universal Access to 15hrs		19
8370 - HACC Bushfire Heatwave Preparation	5	(26)
8526 - Torq. Nth Family&Childrens Hub Planning	(1)	(25)
8556 - Health and Wellbeing Plan Implementation	21	(1)
8564 - HACC Cafe Style Support	19	(29)
Community Relations		
8358 - Regional Motor Cycle Facility Contrib		90
8466 - Surf Lifesaving clubs policy development	26	(75)
8485 - Transport Innovations	(1)	(6)
8503 - Open space strategy review	6	(30)
8506 - Aireys Inlet community resrv feasibility		20
8509 - Review Aquatic Ctr feasibility study	15	
8539 - Anglesea Primary School Stadium Toilets	18	
8551 - Planning for community buildings in SCS	14	
Environment & Development	404	(437)
Economic Development		
8470 - Land Development - Thompson Valley	24	
8493 - Torquay central business area	50	
8552 - Torquay VIC & Surf World Refurbishment	54	
8554 - Tourism strategy and marketing		50
Environment & Community Safety		
8451 - Municipal Emergency Resourcing Program	2	(149)
8480 - Grass Tree Park Restoration Works	2	(22)
8488 - Winchelsea Common lead shot management	(1)	(70)
8489 - Great Ocean Road Vegetation Management P	30	(60)
8521 - VASP Adaption Plan & Risk Register		65
Planning & Development		
8531 - Growing Winchelsea Placemaking Strategy	(1)	(123)
8541 - CustomerService focus review - stat plan	28	
8543 - Spring Creek Urban Growth Area	16	(36)
8545 - Aireys to Easter View Struc Plan review	23	(45)
8568 - Market Sounding Torquay	13	(20)
8569 - ANSM Rebrand Project	20	(20)
Governance & Infrastructure	34	(5)
Contracts & Capital Works		
8461 - Buildings Keying System Replacement	27	(3)

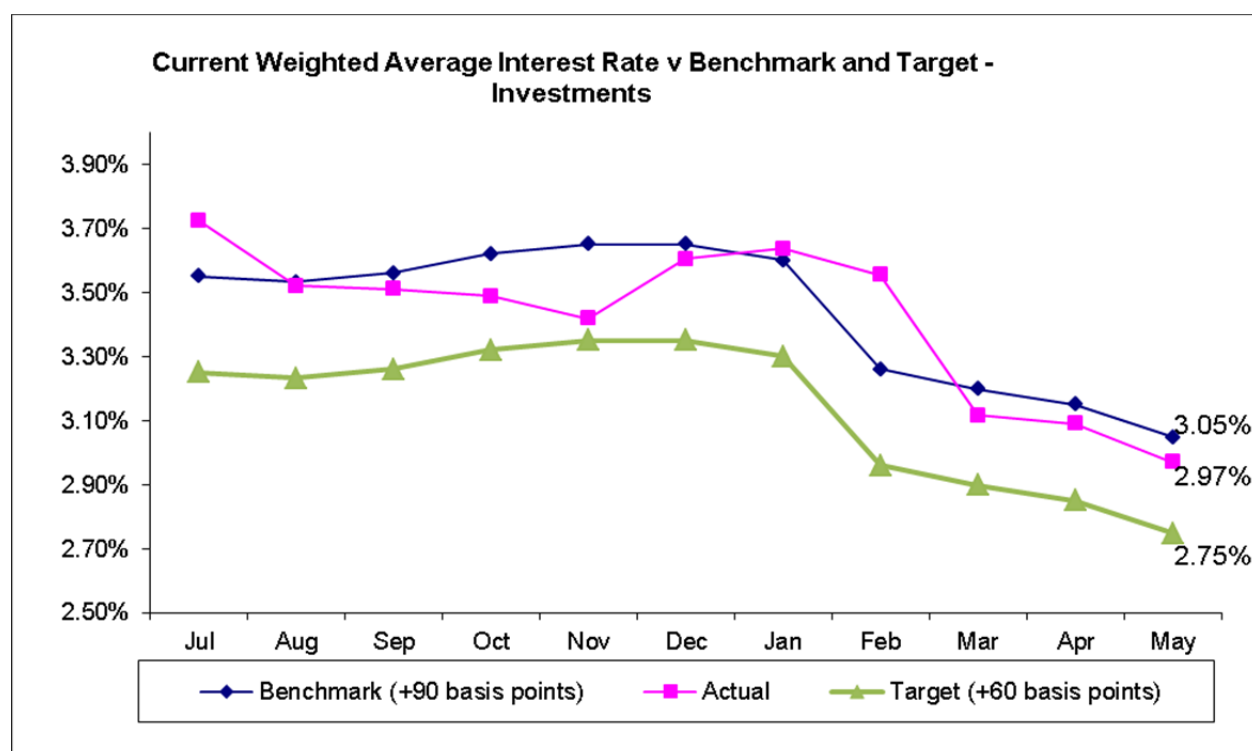
2.4 Financial Position

2.4.1 Cash and Investments (including long term investments)

Available Funds:	\$000's
Total Investments	22,517
Cash at Bank and cash on hand	858
Total Cash and Investments	23,375

Represented by:	
Legislative Reserve	
Main Drainage	216
Open Space Development	1,410
Aireys Inlet Aged Units	337
Total Legislative Reserves	1,963
Policy Reserves	
Waste Reserve	4,832
Plant Replacement Reserve	982
Developer Contribution Reserve (DCP)	3,730
Gherang Gravel Pits Reserve	1,226
Asset Development Reserve	60
Total Policy Reserves	10,830
Unrestricted Cash and Investments	10,582
Total Cash and Investments	23,375

Balance Sheet:	\$000's
Cash & Cash Equivalents (current)	21,875
Investments (non-current)	1,500
Total Cash and Investments	23,375

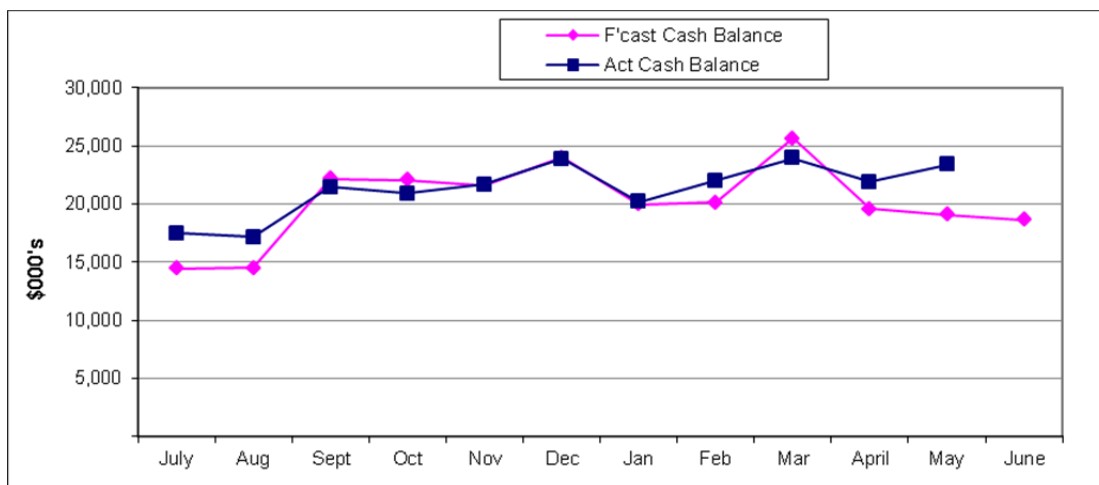


Current Weighted Interest Rate is the weighted average interest rate of investments at the end of each month.

The **Benchmark** is calculated using BBSW 90 days + 90bps (Bank Bill Swap Rate for 90 days as published by the Reserve Bank plus 90 basis points).

The **Target** is calculated using BBSW 90 days + 60bps.

Interest Rate Update: at its meeting on Tuesday 2 June the Reserve Bank of Australia maintained the official interest rate at 2.00%. The term deposit market remains flat in the wake of weak economic data. The latest NAB Wealth Survey ([///Business.nab.com.au](http://Business.nab.com.au)) notes: 'an increase in business confidence in the last quarter, however the economy is still struggling to offset the impact of sharply lower mining investment'. Most commentators do not foresee an increase in the official interest rate in the short term, but do believe that any further cuts would be highly unlikely.



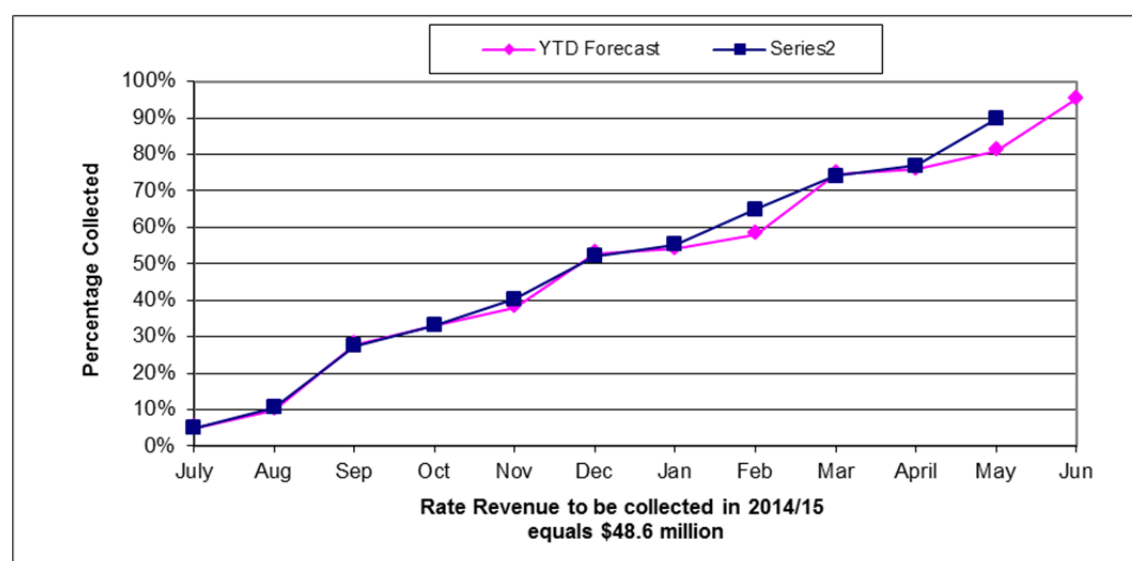
2.4.2 Rates and Charges Collection

Rates collection as at 31 May 2015

Current Rates Outstanding	2014/15 \$000's
Balance brought forward (including interest) - Arrears	1,758
General rates, municipal and garbage charges	42,478
Fire Services Property Levy (collected on behalf of State Revenue Office)	4,327
Supplementary assessments	416
Interest	139
Less pensioner rebates	(517)
To be collected	48,601
Collected	(43,644)
Percentage collected to date	89.8%
Balance outstanding	4,957
Forecast balance outstanding at 30 June 2015	2,000

Note: \$1,241,000 (71%) of the arrears at the beginning of the year have been subsequently collected.

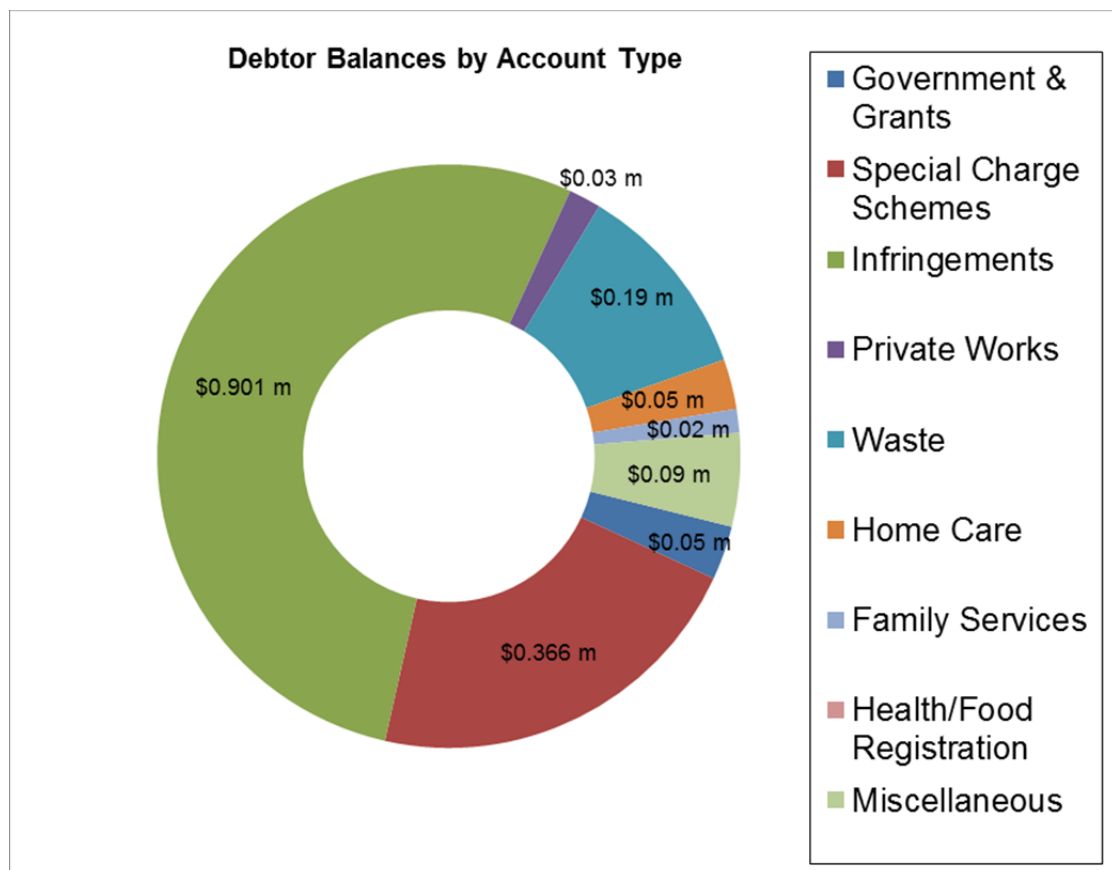
Actual & budget rates received percentage



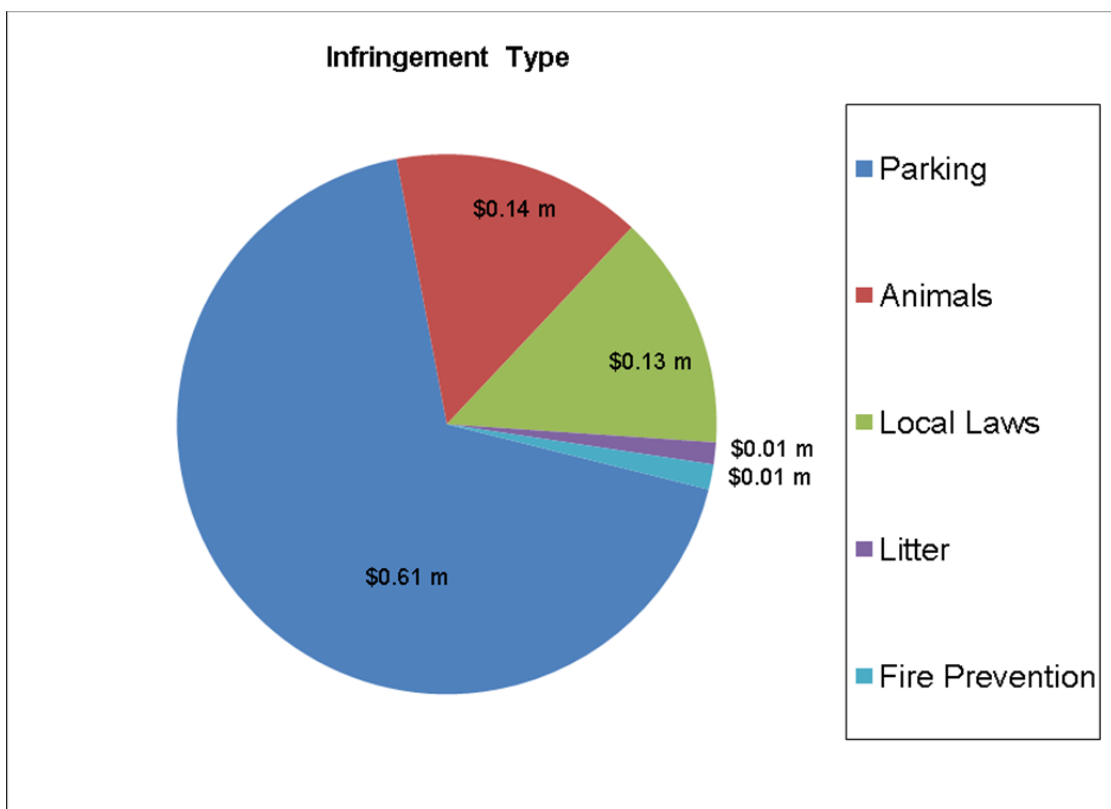
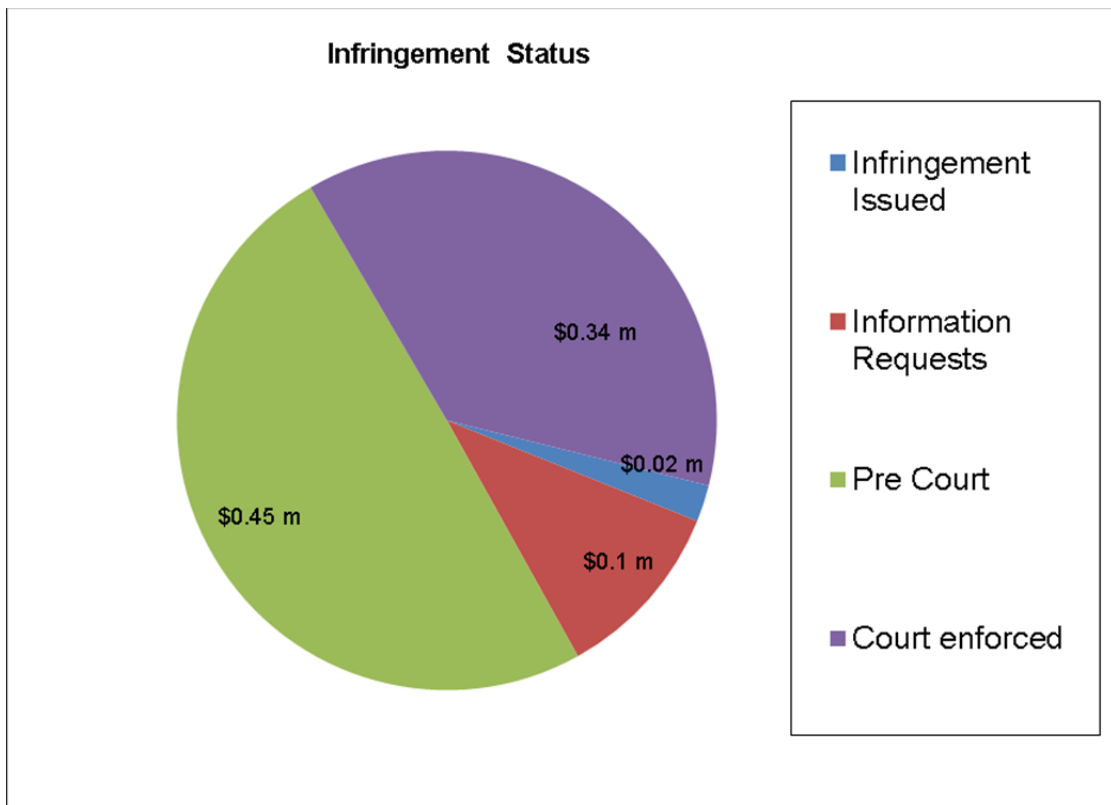
2.4.3 Non Rate Debtors and Infringements

An aged trial balance of debtors at month end is summarised below:

Category	April 2015 \$'000	May 2015 \$'000	Change fav/(unfav) \$'000	Prior Year May 2014 \$'000
Current	254	237	17	220
>30 days	98	98	0	171
>60 days	31	17	15	10
>90 days	75	71	4	43
Sundry Debtors	458	423	35	444
Special Charge Scheme Debtors	384	366	18	796
Infringement Debtors	925	901	24	842
Total	1,767	1,689	78	2,082

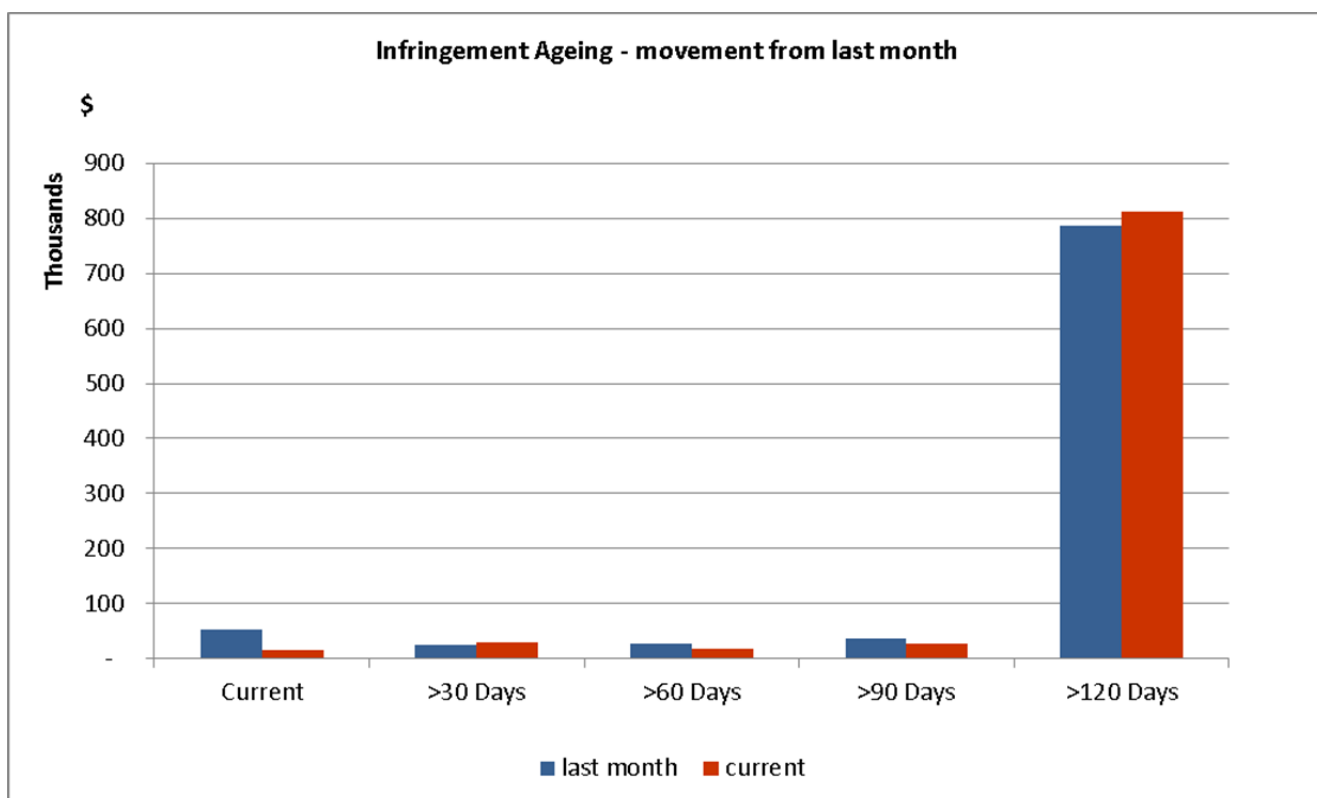
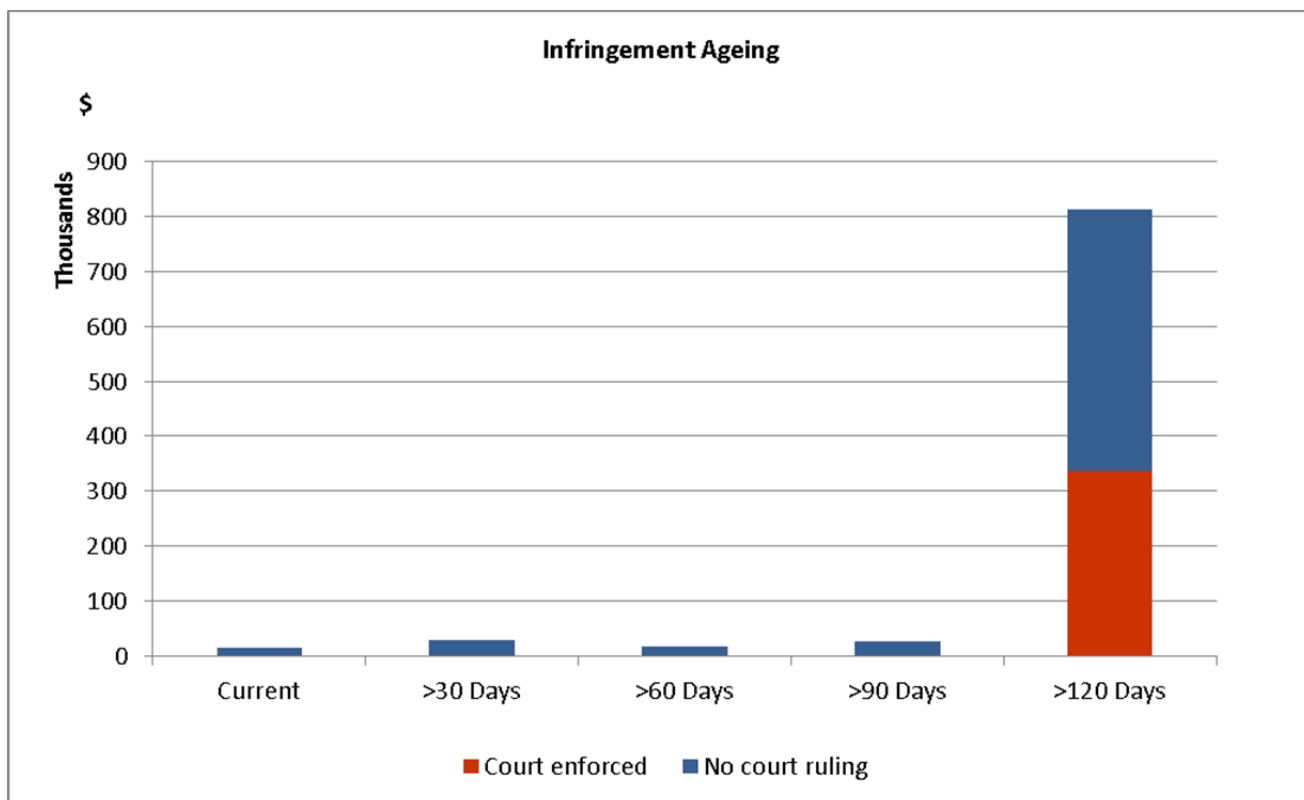


Infringement Debtors



There have been 462 infringement notices withdrawn year to date at a value of \$57,040. 451 of the withdrawn notices related to parking infringements, and 11 related to animal infringements.

A total of 5,244 infringement notices have been issued year to date at a value of \$600,000. Council budgeted \$532,000 in infringement revenue for 2014/15.

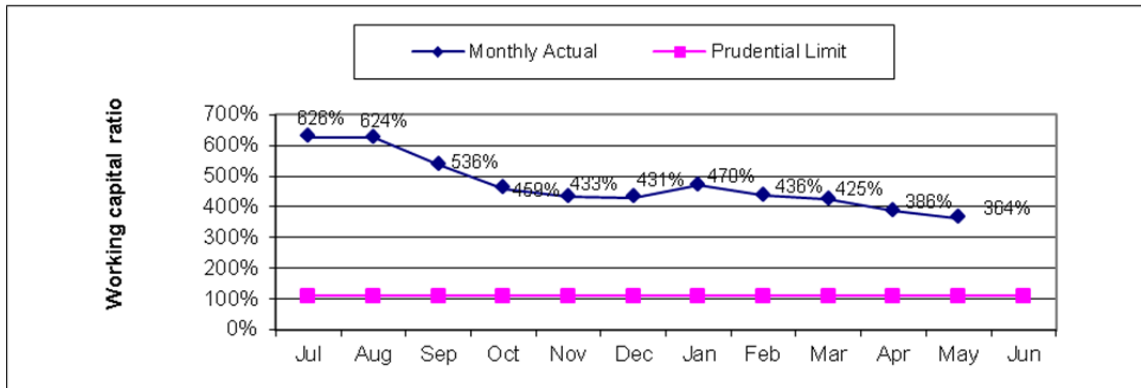


Note: Infringements >120 Days with no court ruling may be due to:

- Court capacity to process cases
- Information requests from courts/customers
- Summons preparation in progress
- Information requests sent to Vic Roads awaiting reply

2.4.4 Working Capital

	May YTD Actual \$'000	May YTD Forecast \$'000	Adopted Budget \$'000	Revised Forecast \$'000	Prudential limit
Current assets	30,616	28,688	19,486	22,285	
Current liabilities	8,414	10,269	15,039	14,032	
Net current assets	22,203	18,419	4,448	8,253	
Working capital ratio	364%	279%	130%	159%	110%



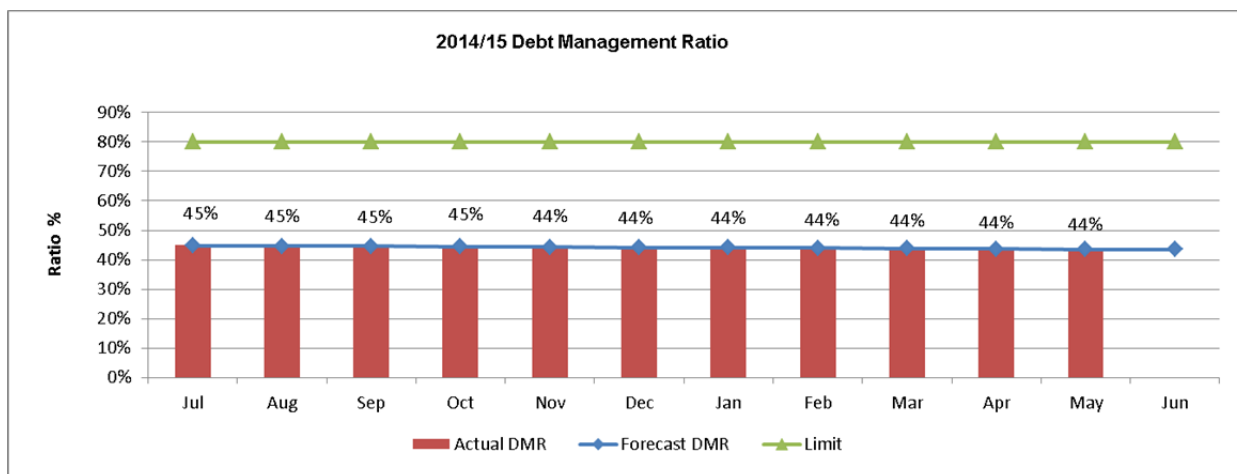
Prudential limit:

Working capital ratio (Current Assets/Current Liabilities)

110%

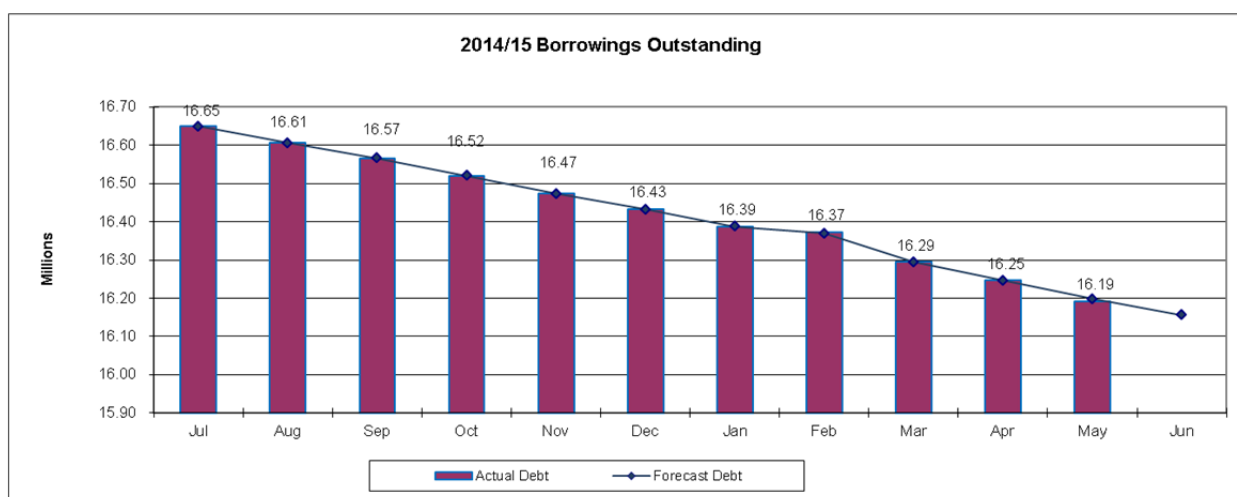
2.4.5 Borrowings

	YTD Actual \$'000	YTD Forecast \$'000	Adopted Budget \$'000	Revised Forecast \$'000	Prudential limit
Debt management ratio (Total Debt/Rate Rev)	44%	44%	44%	43%	80%
Debt commitment ratio (Principal & Int/Rate Rev)	4.58%	4.58%	4.61%	4.57%	N/A
Debt servicing ratio (Loan Int/Total Rev)	1.82%	1.82%	1.90%	1.82%	5%



Loan Details

Loan ID	Principal \$m	Loan Term	Maturity Date	Balance \$m	Interest Details
Loan 1	7.00	20 years	21/06/2030	6.10	Fixed - 10 years @ 7.49%, 10 years @ 7.15%
Loan 2	5.26	20 years	29/06/2031	4.73	Fixed - 10 years @ 7.31%, 10 years @ 7.15%
Loan 3	5.87	20 years	29/12/2031	5.31	Fixed - 10 years @ 6.31%, option to repay or refinance on 29/12/2021
Loan 4	0.08	10 years	31/05/2021	0.05	Fixed - 10 years @ 6.50%
				16.19	



2.4.6 Financial Sustainability Indicators

The Victorian Auditor-General's Office (VAGO) releases financial sustainability indicator assessments annually for each Victorian council in its annual report to parliament on local government audits. To be financially sustainable, entities need to be able to meet current and future expenditure as it falls due. VAGO created a number of short and long term sustainability indicators to provide an insight into the financial sustainability of councils.

Indicator	VAGO Target	Budget 2014/15	Forecast 2014/15	Var to VAGO Target	Trend over next 3 years
Self Financing % ¹	> 20%	20%	21%	U	Consistent
Indebtedness % ²	< 40%	53%	54%	U	Favourable
Adjusted Indebtedness % ^{2a}	< 40%	-	44%	U	Favourable
Capital Replacement ³ (5 years to June 14)	> 1.5	2.1	2.1	F	Consistent
Renewal Gap ⁴ (5 years to June 14)	> 1.0	0.8	0.8	U	Consistent
Underlying Result % ⁵ (5 years to June 14)	> 0%	5%	5%	F	Favourable
Liquidity ⁶ (5 years to June 14)	>1.5	1.3	1.6	F	Favourable

1. Self Financing

Self Financing indicates if Council is generating sufficient operating cash flows to invest in asset renewal and repay debt that may have been incurred in the past, by comparing net operating cash flows to underlying revenue.
This is an annual measure (calculated over 12 months)

2. Indebtedness

Indebtedness is a measure to indicate if Council is overly reliant on debt to fund capital programs, by comparing non-current liabilities to own-source revenue. This indicator should be reviewed in conjunction with available working capital. The non current liabilities number reported for Council is inflated by \$9.2m of provisions held for landfill rehabilitation, of which \$6.0m is cash backed.
This is an annual measure (calculated over 12 months)

2. Adjusted Indebtedness

The Adjusted Indebtedness measure reflects the above ratio excluding the cash reserves held for landfill rehabilitation.

3. Capital Replacement

Capital replacement (also known as "Investment Gap") indicates whether Council is replacing assets at a rate consistent with their consumption by comparing the rate of spending on assets to depreciation.
*This is an annual measure, but reported as a rolling average to show long term trend
Over the previous 5 year period.*

4. Renewal Gap

The Renewal Gap indicates whether Council has been maintaining existing assets at a consistent rate by comparing renewal and upgrade expenditure to depreciation.
*This is an annual measure, but reported as a rolling average to show long term trend
Over the previous 5 year period.*

5. Underlying Result

The Underlying Result indicates whether Council is generating enough revenue to cover operating costs (including the cost of replacing assets, and is reflected in the depreciation expense) by comparing an adjusted net surplus to total underlying revenue.
*This is an annual measure, but reported as a rolling average to show long term trend
Over the previous 5 year period.*

6. Liquidity

Liquidity measures the ability to pay existing liabilities in the next 12 months
This is an annual measure (calculated over 12 months)

Comments: The Capital Replacement indicator is forecast to remain above the VAGO target in 2014/15 and future years, however will reduce from its current level which is heavily influenced by the construction of the Torquay North Community Precinct in 2011/2012.
The Indebtedness ratio has increased above the VAGO target due to recognition of future liability to rehabilitate the landfill at Anglesea to EPA standards.

SURF COAST SHIRE**Income Statement****For the 11 months ended 31 May 2015**

	<i>May YTD Actual \$'000</i>	<i>May YTD Forecast \$'000</i>	<i>May YTD Variance \$'000</i>	<i>Adopted Budget \$'000</i>	<i>Revised Forecast \$'000</i>	<i>Full Year Variance \$'000</i>
Revenues from ordinary activities						
Rates and charges	42,821	42,761	60	42,535	42,761	226
Operating grants	6,707	6,725	(18)	6,486	6,960	474
Capital grants	3,347	3,582	(235)	2,244	3,996	1,752
Contributions	2,328	2,228	100	2,533	2,589	56
Interest	693	656	37	823	741	(82)
User charges	5,632	5,468	164	5,683	5,767	84
Statutory fees	570	518	52	608	537	(71)
Total revenues	62,099	61,938	160	60,911	63,351	2,440
Expenses from ordinary activities						
Employee benefits	21,230	21,458	228	24,231	23,942	(289)
Materials and services	16,610	17,941	1,331	23,563	24,017	454
Bad and doubtful debts	94	69	(25)	62	69	7
Finance costs	1,051	1,051	-	1,159	1,150	(9)
Depreciation	9,431	9,610	179	10,516	10,480	(36)
Asset write offs	136	136	-	1,409	1,409	-
Landfill rehabilitation works	-	-	-	-	-	-
Total expenses	48,551	50,265	1,714	60,940	61,068	128
Net gain (loss) on disposal of property infrastructure, plant and equipment	200	721	(521)	586	775	189
Granted assets	-	-	-	2,902	2,902	-
Net surplus/(deficit)	13,747	12,393	1,354	3,458	5,961	2,503

SURF COAST SHIRE

Balance Sheet

As at 31 May 2015

	May YTD Actual \$'000	May YTD Forecast \$'000	May YTD Variance \$'000	Adopted Budget \$'000	Revised Forecast \$'000	Full Year Variance \$'000
Current assets						
Cash & cash equivalents	21,875	17,843	4,032	16,176	17,134	958
Trade and other receivables	8,008	10,122	(2,114)	3,004	4,418	1,414
Inventories	303	303	-	306	303	(3)
Land held for resale	430	430	-	-	430	430
Total current assets	30,616	28,698	1,918	19,486	22,285	2,799
Non current assets						
Trade and other receivables	353	520	(167)	460	1,774	1,314
Investments	1,500	1,500	-	1,500	1,500	-
Property plant & equipment, infrastructure	385,543	387,779	(2,236)	398,294	396,334	(1,960)
Investment in library	589	589	-	580	589	9
Total non current assets	387,985	390,388	(2,403)	400,834	400,197	(637)
Total assets	418,601	419,086	(485)	420,320	422,481	2,161
Current liabilities						
Trade and other payables	1,871	3,739	1,868	5,409	4,486	(923)
Provisions	4,771	4,771	-	7,808	7,763	(45)
Interest bearing liabilities	626	633	7	792	584	(208)
Trust funds and deposits	1,146	1,126	(20)	1,030	1,199	169
Total current liabilities	8,414	10,269	1,855	15,039	14,032	(1,007)
Non current liabilities						
Trade and other payables	-	-	-	-	-	-
Provisions	14,611	14,596	(15)	11,096	11,704	608
Interest bearing liabilities	15,565	15,565	-	15,309	15,565	256
Total non current liabilities	30,176	30,161	(15)	26,405	27,269	864
Total liabilities	38,590	40,430	1,840	41,444	41,301	(143)
Net assets	380,011	378,656	1,355	378,876	381,180	2,304
Equity						
Accumulated surplus	188,727	187,701	1,026	178,071	180,311	2,240
Assets revaluation reserve	178,488	178,488	-	188,100	187,445	(655)
Other reserves	12,794	12,467	327	12,705	13,425	720
Total equity	380,009	378,656	1,353	378,876	381,180	2,304

SURF COAST SHIRE
Cash Flow Statement
For the 11 months ended 31 May 2015

	May YTD Actual \$'000	May YTD Forecast \$'000	May YTD Variance \$'000	Adopted Budget \$'000	Revised Forecast \$'000	Full Year Variance \$'000
Cash flow from operating activities						
Receipts from customers	46,794	44,622	2,172	51,487	50,407	(1,080)
Payments to suppliers	(19,140)	(18,579)	(561)	(25,118)	(24,183)	935
Payments to employees	(21,215)	(21,458)	243	(23,667)	(23,568)	99
	6,439	4,585	1,854	2,702	2,657	(46)
Interest received	693	656	37	823	741	(82)
Government receipts	10,108	9,874	234	8,863	9,868	1,005
Net cash inflow/ (outflow) from operating activities	17,240	15,116	2,124	12,388	13,266	877
Cash Flows from investing activities						
Payments for property, plant, equipment & infrastructure	(10,905)	(13,204)	2,299	(11,947)	(12,709)	(762)
Proceeds from sale of property, plant & equipment	400	812	(412)	912	1,532	620
Net cash inflow/ (outflow) from investing activities	(10,505)	(12,392)	1,887	(11,035)	(11,177)	(142)
Cash flows from financing activities						
Deposits received/refunded	(53)	(73)	20	-	-	-
Debt servicing	(1,051)	(1,051)	-	(1,159)	(1,150)	9
Proceeds from interest bearing loans and borrowings	-	-	-	-	-	-
Repayment of interest bearing loans and borrowings	(500)	(500)	-	(542)	(549)	(7)
Net cash inflow/ (outflow) from financing activities	(1,604)	(1,624)	20	(1,701)	(1,699)	(2)
Net increase (decrease) in cash held	5,131	1,099	4,032	(348)	389	737
Cash at the beginning of the period	16,743	16,743	-	16,524	16,743	219
Cash at the end of the period	21,875	17,843	4,032	16,176	17,134	958

Appendix B
Capital Project Variations

Project Variations/Reserve Movements Approved by Chief Executive Officer (\$5,000 and under)

Savings

Account	Project Name	Comment	Project Budget \$	Project Cost \$	Variation \$
Accumulated Unallocated Reserve					
9492	CCP Standby Generator	Project Completed - savings	200,000	198,109	1,891
8557	Aireys Inlet Open Mic Festival	Project Completed - savings	15,000	13,635	1,365
8444	Regional Victoria Living Expo	Project Completed - savings	10,000	8,775	1,225
8479	PS Amend TP173 134-235 Austin Street Winch	Project Completed - private works amendment	0	0	74
Funds Returned to Accumulated Unallocated Cash Reserve:					4,555
Additional Funds Required					
Accumulated Unallocated Reserve					
8008	National Youth Week	Project Completed	2,000	2,296	(296)
8461	Buildings Keying System Replacement	Required to complete project	52,935	55,144	(2,209)
Funds Requested from Accumulated Unallocated Reserve:					(2,505)
Net transfer to Accumulated Unallocated Cas Reserve (fund transfers approved by Chief Executive officer)					2,050

Project Variations/Reserve Movements > \$5,000

Savings

Account	Project Name	Comment	Project Budget \$	Project Cost \$	Variation \$
Accumulated Unallocated Reserve					
Funds Returned to Accumulated Unallocated Cash Reserve:					0
Waste Reserve					
9381	Torquay Transfer Station Design	A Barwon South West Region waste group strategy has confirmed that a Torquay Transfer station is not justified and so this project is not proceeding.	45,000	0	45,000
Funds Returned to Waste Reserve:					45,000
Additional Funds Required					
Accumulated Unallocated Reserve					
9362	Playground Strategy Implementation	Additional works required at Bark Hut Reserve following community consultation, relocation of path and playground	268,665	274,575	(5,910)
9404	Bellbrae Old Tennis Club Toilet	Original scope involved toilet installation only. Revised direction from Leisure & Wellbeing to provide pathway, security lighting and fencing	9,000	15,860	(6,860)
9512	GOR Service Rd Upgrade at Elkington Rd -	Design of this project has been necessary this year to ensure delivery of the service road upgrade in 2015/16. This includes the vegetation assesment and approvals.	0	0	(21,157)
Funds Requested from Accumulated Unallocated Reserve:					(33,927)
Waste Reserve					
9422	Anglesea Transfer Station Gatehouse Replacement	The Anglesea transfer station gatehouse incurred additional expenditure to meet some additional workcover requirements for a new boom gate and changes to the building access to suit this.	66,141	111,141	(45,000)
Funds Requested from Waste Reserve:					(45,000)
Net transfer from Reserves					(33,927)

Project Variations with \$0.00 net cost to Council

No Cost to Council					
Account	Project Name	Comment	Project Budget \$	Project Cost \$	Variation \$
9500	Anglesea Bowling Club Synthetic Green	Anglesea Bowling club contribution to fund the Synthetic Green upgrade	(50,000)	(150,000)	100,000
9500	Anglesea Bowling Club Synthetic Green	Project expenditure Budget in relation to contribution	50,000	150,000	(100,000)
9512	GOR Service Rd Upgrade at Elkiington Rd	Developers contribution to fund Design	0	0	13,186
9512	GOR Service Rd Upgrade at Elkiington Rd	Project expenditure Budget in relation to contribution	0	0	(13,186)
9248	Pathway Ancillary Program	Grant funding - balance of Anglesea Riverbank Open Space lighting initiative - Community Safety Grant. Program complete.	(9,000)	(10,000)	1,000
9248	Pathway Ancillary Program	Project expenditure Budget in relation to grant funding - Project complete	28,000	29,000	(1,000)
9410	Bridge over Spring Creek to Aurora Cr	Spring Creek Critical Links project funded by Council, Putting Locals first grant, Department of Primary industries fishing platform grant and Developers contribution. Reallocation of project budgets following completion of Spring Creek Pathway and Bridge. No change to scope of project and total project budget remains unchanged.	200,000	178,685	21,315
9478	Spring Valley Play Space & Car Park		333,700	347,728	(14,028)
9480	Spring Creek fishing platforms		105,000	81,100	23,900
9481	Spring Creek Rec Reserve Play Space		135,500	153,385	(17,885)
9482	Spring Creek design and ancillary works		95,362	138,618	(43,256)
9484	Spring Creek Pathway		437,837	411,183	26,654
9485	Aurora Cres Carpark and Picnic Area		42,100	38,800	3,300
8527	Surf Industry Impact Analysis	Project completed	19,212	19,212	0
8536	Modewarre Cricket Pitch Cover	Project completed	25,000	25,000	0
8526	Torquay North Family & Childrens Hub Planning	Project Completed	25,900	25,900	0
9448	Lorne Men's Shed	Remove grant budget - to be received by Lorne Men's Shed	(90,000)	(30,000)	(60,000)
9448	Lorne Men's Shed	Reduce budget by grant funding			60,000
No Cost to Council					0

Appendix C
Accumulated Unallocated Reserve

	\$	\$
February Finance Report Movements Approved March 2015		(29,962)
March Finance Report Movements Approved April 2015		25,644
Council Meeting Report 28 April 2015		(117,000)
Council Meeting Report 28 April 2015 - Torquay Nth Family and Children's Centre Operational Project		(30,000)
April Finance Report Movements Approved May 2015		
8409 Improving Liveability for Older People	5,261	
Mayoral Charity Fund	13,712	
9357 Mt Moriac Reserve Pavilion Redevelopment	(60,000)	
8482 Roadside Weeds & Pest Mgt Program	617	
8284 Priority Master Plan Development	1,447	
9444 Irrigation System Renewal	130	
9165 Torquay Deep Creek Master Plan	237	
9365 Aireys Inlet Skate Park Upgrade	277	
8518 Support Small Business Day	26	
8526 Torquay North Family & Children's Hub Planning	(900)	
8538 Gilbert Street Revitalisation	(4,237)	
8426 Estuary Management Plan Review	(219)	
8485 Transport Innovations	(908)	
9418 Bellbrae Primary School Traffic Management	(2,072)	
9443 Pearse Road Construction	(908)	
8477 Seniors Festival	(343)	
8463 Bells Beach Master Plan Community Visioning	(337)	
8516 Coastal Printz - Graffiti Prevent/Remove	(26)	
		(48,243)
Total Approved Accumulated Unallocated Reserve Movements to 31 May 2015		(199,561)

Glossary of Terms

Asset Revaluation Reserve	Revaluation increases in property, plant and equipment and infrastructure asset values over time.
Asset Write Offs	Property, plant and equipment and infrastructure assets or asset components that have been replaced by new asset expenditure (renewal), deteriorated assets and assets transferred to external parties.
Capital Works	Renewal, upgrade, or expansion of existing Council owned or controlled assets or new assets, including Crown Land assets managed by Council. Includes property, plant and equipment and infrastructure (road pavements and other structures, street furniture, drainage, passive recreation facilities).
Cash & Cash Equivalents	Cash on hand, deposits at call and other highly liquid investments with original maturity dates of three months or less and investments are in accordance with Council's SCS-016 Cash Management Policy.
Contributions	Contributions included in Revenues from Ordinary Activities include developer contributions, operational subsidies and recoupment of expenditures from governments, agencies and customers.
Debt Commitment Ratio	Compares funds paid on loan principal and loan interest to rate revenue. An increasing trend indicates a higher burden on the current rate revenue base.
Debt Management Ratio	Measures the level of indebtedness compared to the rate base. An increasing trend may indicate an over-reliance on sources of funds other than rate revenue to fund debt redemption.
Debt Servicing Ratio	Compares funds paid on loan interest to all revenue sources. An increasing trend indicates a higher burden on the current revenue base.
Developer Contribution	Cash contribution from developer relating to subdivision works, drainage levy or open space contribution to be applied at a future date in accordance with the relevant infrastructure plan for the area and approved by Council.
Granted Asset	Infrastructure and property asset gifted to Council at the cost of completed subdivision works by developers. Includes roads, street furniture, drainage, passive recreation facilities and land assets.
Interest Bearing Liabilities	Includes bank loans.
Operating Performance	Operating Surplus/(Deficit) reported in the annual Financial Statements
New Initiatives	One-off project expenditures that do not constitute the creation of an asset. New Initiatives may, however, span more than one financial year.
Provisions	Liabilities where current obligating events exist that require Council to make a future outlay to meet that obligation. Includes annual leave, long service leave and future landfill rehabilitation.
Trust funds and deposits	Contract deposits, planning and building permit deposits, subdividers holding deposits, hall booking, citronella collar and baby capsule bonds. These monies are anticipated to be returned to the payer when the refund conditions have been met.
Other Reserves	Council holds cash-backed reserve funds for legislative and policy purposes. Legislative reserves are restricted and are applied for a prescribed purpose, including main drainage levies, open space contributions and the Aireys Inlet Housing Project. Policy reserves are held for plant replacement, subdivider contributions, mayoral charity, tourism infrastructure, waste management operations, asset development and work in progress.
Underlying Surplus	Operating surpluses without the inclusion of capital income. The objective is to provide additional capacity to fund required capital works from operations.
User Charges	Special rates declared under Special Charge Schemes and user charges,

fees, penalties and fines in accordance with the Fees & Charges Schedule adopted in the annual Council Budget.