

PERFORMANCE MEASURES

Financial Analysis

A number of key indicators have been developed to monitor performance against the LTFP to assess Council’s long term sustainability. These key performance indicators will provide clear targets against which the council can report its progress to the community.

Cash / Liquidity Position

Cash and cash management is vital for the short and long term survival and of any business. The ability to convert an asset to cash quickly to meet current obligations/liabilities is an important part of managing Councils’ day to day business needs.

Unrestricted Current Ratio

Definition: $\frac{\text{Unrestricted Current Assets}}{\text{Unrestricted Current Liabilities}}$

Description:

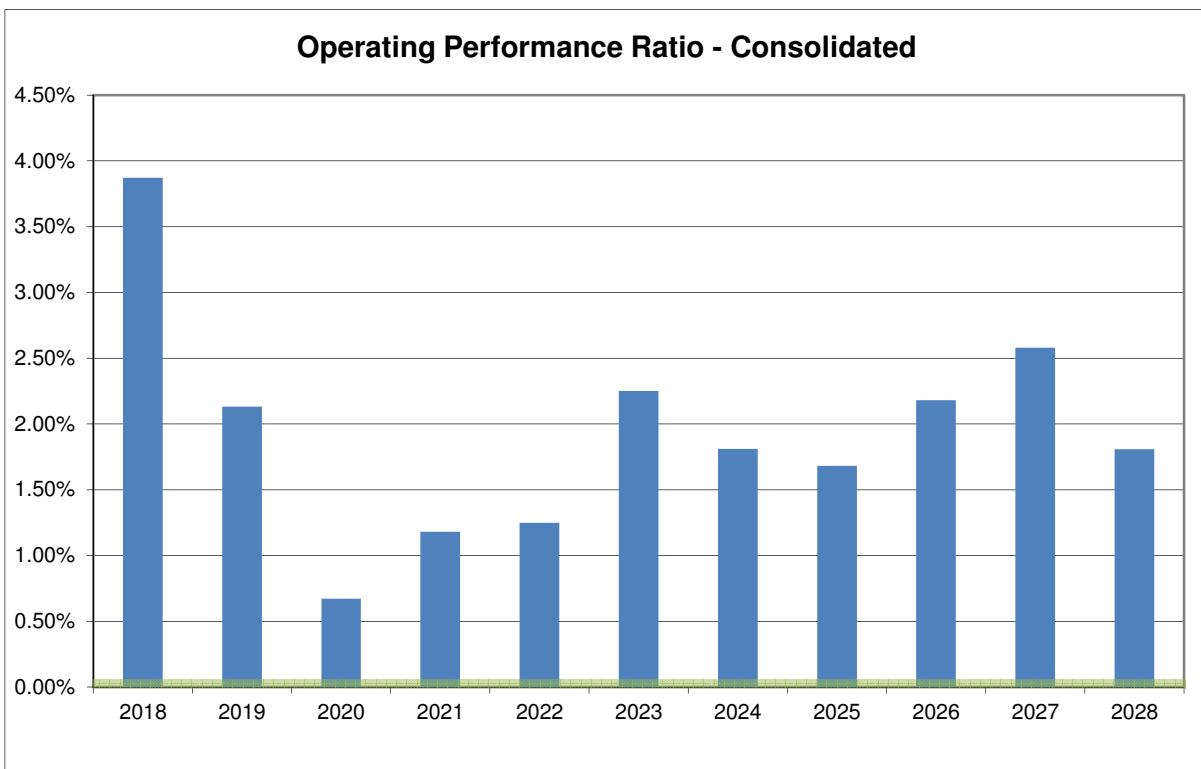
Measures the ability of council to pay its debts as and when they fall due.

Target:

Council aims to maintain a ratio above 2.0 at all times.

Projection:

That the ratio remains above 2.0 for the duration of the revised LTFP.



Cash Expense Cover Ratio

Definition: $\frac{\text{Unrestricted Current Assets}}{\text{Unrestricted Current Liabilities}}$

Description:

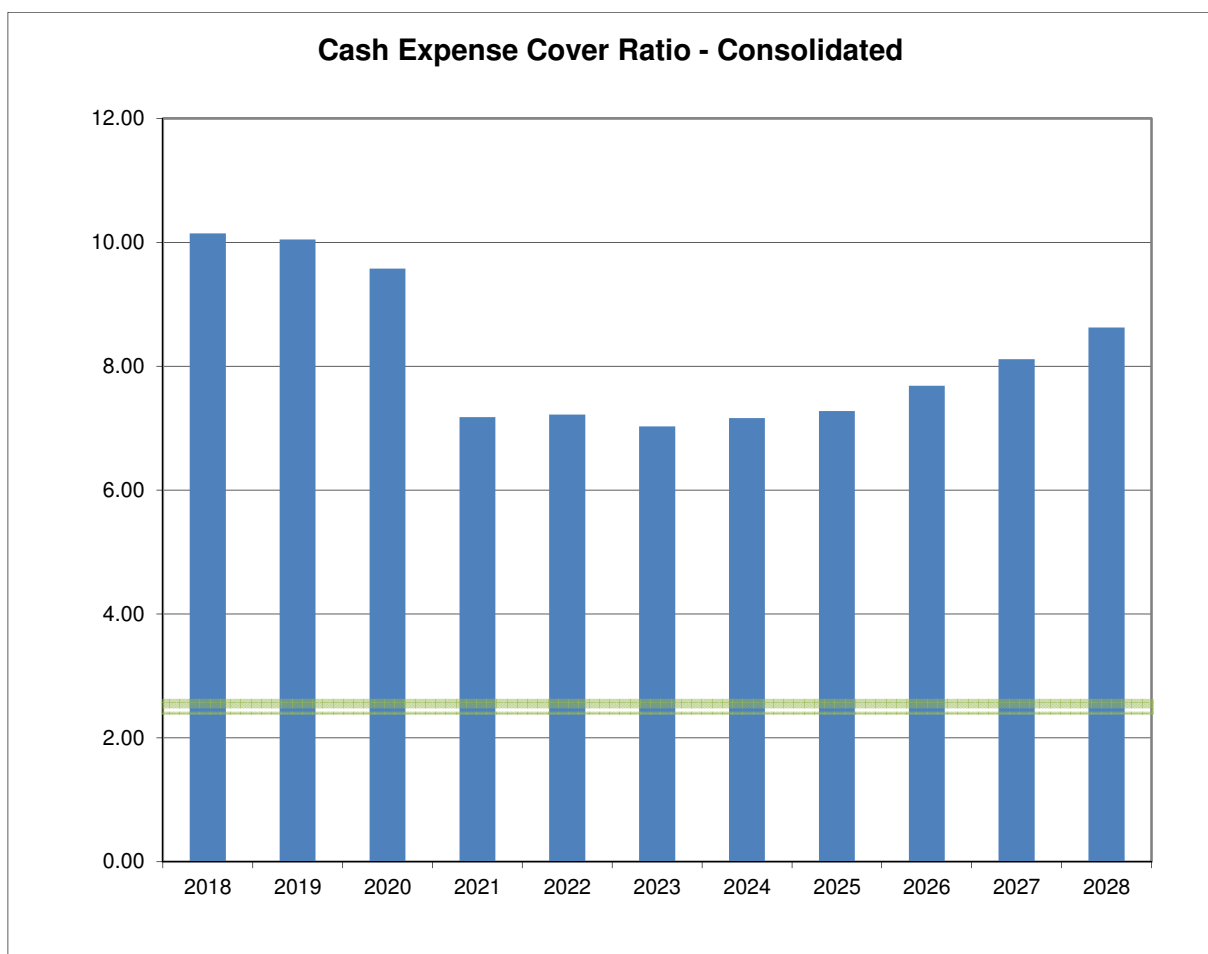
This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow..

Target:

Council aims to maintain a ratio above 2.5 months at all times.

Projection:

That the ratio remains above 2.5 months for the duration of the revised LTFP.



Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage

Definition:

The percentage of Rates, Annual Charges, Interest and Extra Charges uncollected at the end of the financial year.

Description:

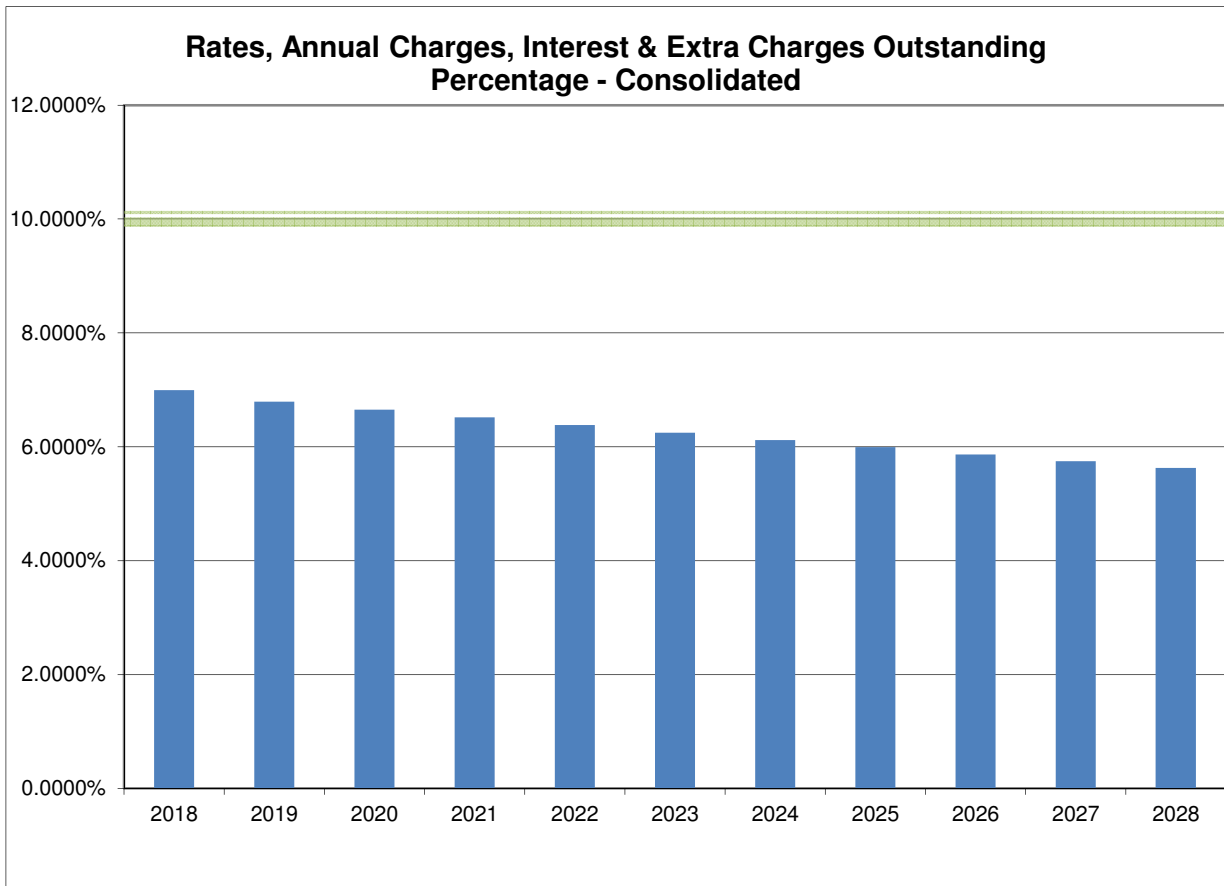
The purpose of this ratio is to assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts

Target:

Council aims to maintain this ratio below 10% at all times. A preferred position is to remain below 7.5%.

Projection:

The following graph projects the estimated percentage of the revised LTFF.



Operating Performance

Operating Performance Ratio

Definition:

Measure of Council's achievement of containing operating expenditure within operating revenue.

Description:

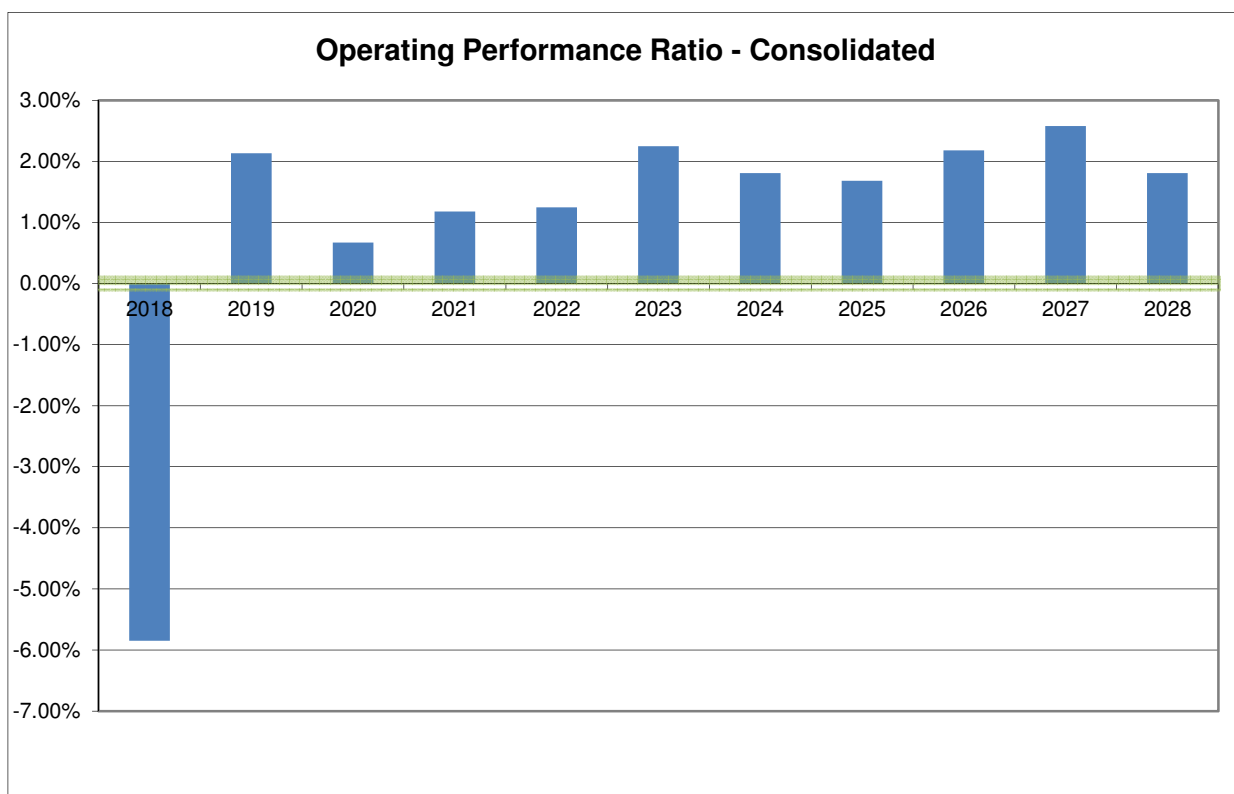
Councils operating result is normally regarded as an important criterion in measuring performance. The issue for Councils is whether the operating results can be maintained and in particular if those operating results can sustain the current level of services into the future.

Target:

To achieve an Operating Performance Ratio of a minimum -5% by year 10 of the LTFP.

Projection:

The following graph projects the estimated result for each year of the revised LTFP.



Debt Management

Prudent financial management dictates that a council does not over commit itself to debts that it cannot fulfil. It is important to assess the ongoing risk that is associated with meeting any debt and interest commitments to ensure there are sufficient funds available to meet any current and future liabilities of Council.

Debt Service Cover Ratio

Definition:

The availability of operating cash to service debt

Description:

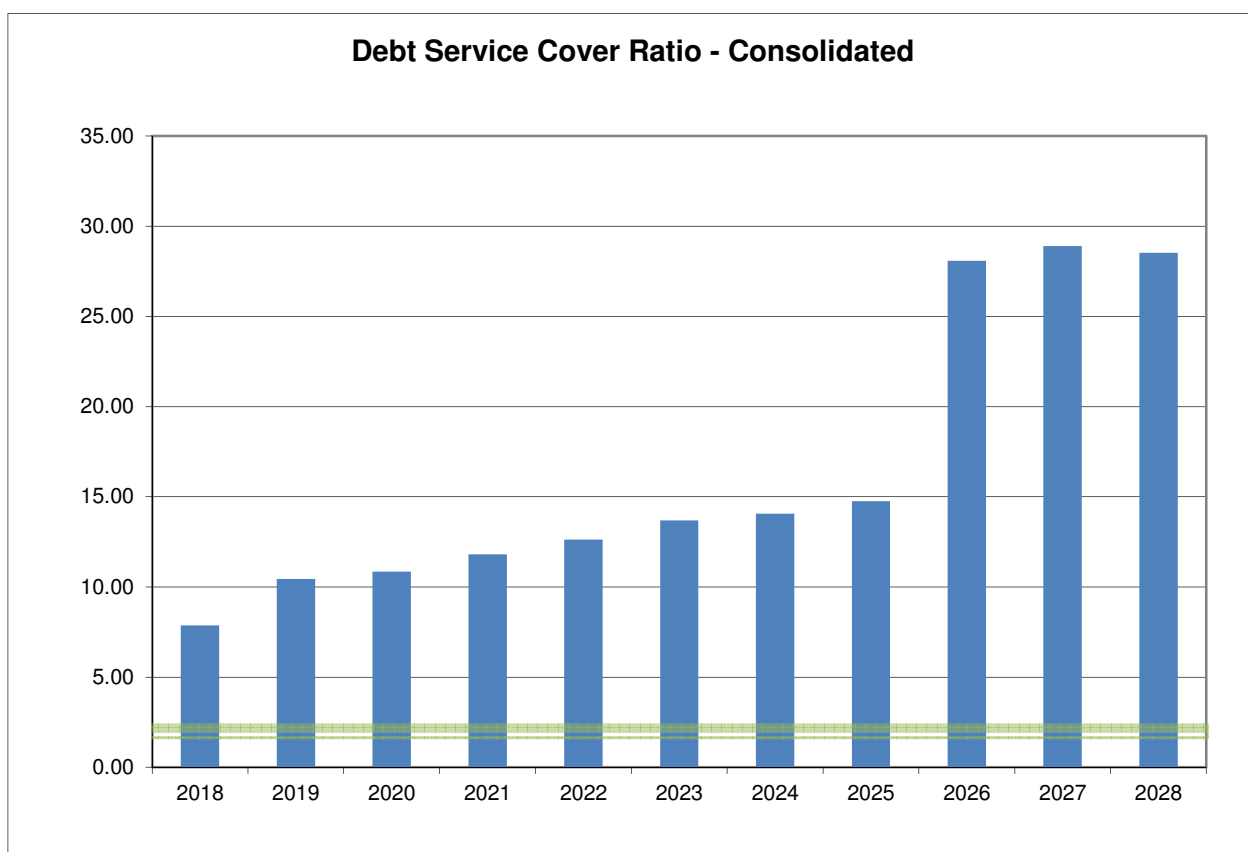
The Debt Service Cover Ratio measures the availability of operating cash to service debt including interest, principal and lease payments.

Target:

Council aims to maintain this ratio above 2.0 at all times.

Projection:

The following graph projects the estimated percentage of the revised LTFP.



Dependence on Revenue from Rates and Annual Charges

Councils throughout NSW have become dependent on Rating and Annual Charges Revenue to meet the various costs associated with servicing their communities. This dependence highlights the need for Council to look for new opportunities to ensure the long term sustainability of the Shire.

Own Source Operating Revenue Ratio

Definition:

Degree of reliance on external funding compared to own source revenue

Description:

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Projection:

The following graph projects the estimated percentage of the revised LTFP.

