

# Data Sheet 89 (DS 089)

## Unrestricted Current Ratio

### What are we monitoring?

The Unrestricted Current Ratio measures the adequacy of the Council's Working Capital and its ability to satisfy financial obligations in the short term, relative to the unrestricted activities of the Council. It is a measure of the Council's liquidity in terms of its ability to meet short term financial obligations such as loans, payroll and leave entitlements and fund expenditure requirements.

The calculation of the Unrestricted Current Ratio is Unrestricted Current Assets (excludes externally restricted assets) divided by Unrestricted Current Liabilities.

To meet the NSW Office of Local Government's (OLG) benchmark the Council must ensure it achieves a ratio that is greater than 1, but less than 2.

The Council has set its Unrestricted Current Ratio targets through its Long Term Financial Plan (LTFP) so that by 2019–2020 the Council continues to maintain the greater than 1, but less than 2 benchmark level. The graph and table below show the Council's progress with actual results compared to the predicted results set in the Council's LTFP and Delivery Program. The prediction for 2012–2013 came from the 2010–2013 Delivery Program and the predicted results thereafter were informed by the LTFP 2013–2023.

### What is the trend?

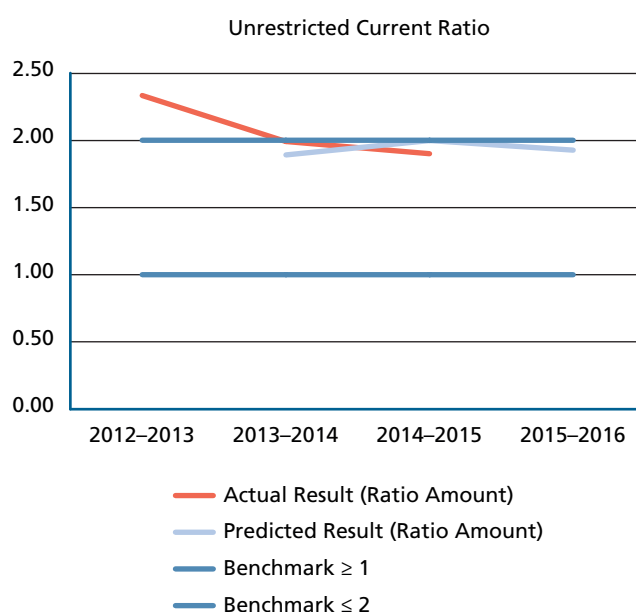
The ratio is favourably above the benchmark of greater than 1, but less than 2. Although the ratio has declined, it still remains favourable and well within the benchmark set by the Office of Local Government.

Continued implementation of the Council's Long Term Financial Plan will ensure the Council maintains its liquidity and favourably meets the benchmark set by the Office of Local Government.

This ratio has improved since 2014–2015 as a result of increased Property Disposal and Investment Fund sales and reduced current outstanding borrowing costs from the Council's debt reduction strategies.

### Why is monitoring this trend important?

The measure indicates that the Council has sufficient liquid assets to meet its short-term financial obligations and that the Council has adequate cash to manage risks, and other unexpected financial impacts, with minimal disruption to the delivery of services to the community.



Blue Mountains City Council Unrestricted Current Ratio

Year	2012–2013	2013–2014	2014–2015	2015–2016
Actual Result (Ratio Amount)	2.33	1.99	1.90	N/A
Predicted Result (Ratio Amount)	N/A	1.89	2.00	1.93
Benchmark Amount $\geq 1$	1.0	1.0	1.0	1.0
Benchmark Amount $\leq 2$	2.0	2.0	2.0	2.0

Source: BMCC Resourcing Strategy 2013–2023 for 2013–2014, 2014–2015 and 2015–2016, BMCC Annual Reports 2012–2013, 2013–2014 and 2014–2015 for Actual Results, noting that the 2015–2016 Actual Results will be available in November 2016 after they are audited and adopted by the Council