Long Term Financial Plan 2017-2027

Our place...Our future

The Bluett Award
LITHGOW CITY COUNCIL
2015 WINNER




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Introduction

The Integrated Planning and Reporting reforms implemented by the State Parliament, requires Council to adopt a strong sustainability focus with a business planning framework. Council's Resourcing Strategy consists of the Long Term Financial Plan which is aimed at making a transparent financial direction to achieve community priorities for the Lithgow Local Government area over the next ten years along with the Strategic Asset Management Strategy and Workforce Strategy.

The Integrated Planning and Reporting Framework (below) provides a holistic approach to strategic planning. The Framework is based on a perpetual planning and reporting cycle which encourages an inclusive and transparent approach to the development of a sustainable local government area and responsible civic leadership.

The financial modeling supporting the Long Term Financial Plan is used to forecast the Councils financial future over 10 years. The Strategy is a tool which provides for decision making and problem solving, enabling decisions to be made on how to best achieve the Council's corporate objectives while addressing its long term financial challenges. The Long Term Financial Plan is not intended as a document to indicate what services or proposals should be allocated funds, but rather it addresses areas that impact on Council's ability to fund its services and capital works whilst maintaining financial sustainability.

The 2017/18 to 2026/27 Long Term Financial Plan presents the strategic aims, financial objectives, financial indicators and strategies Council will use to continue its progress to meet financial sustainability challenges from 2017/18 to 2026/27.

The plan will be reviewed and updated annually to retain a 10 year horizon meeting the requirements of integrated planning and reporting reforms and addressing Council's ability to meet future demands, community needs and economic growth.

2017/18 to 2026/27 Long Term Financial Plan

Financial Sustainability

A financially sustainable Council can meet its funding requirements relative to the provision of required services including maintenance, renewal and replacement of assets without imposing excessive debt on current or future generations and also without unplanned rate revenue increases.

A successful Long Term Financial Plan will predict Council's performance and position to improve not only infrastructure levels but also standards without the need for unplanned increases in rates or reductions to services.

When reviewing the financial sustainability of all Council's in 2009, IPART noted that a council had to improve their financial performance or achieve strong financial sustainability using a combination of the following:

- Adopting special rate variations to progressively lift or maintain revenue relative to total revenue;
- Maintain a strong rate base equivalent to 50% or more of total revenue;
- Record operating surpluses, excluding capital over a period of time;
- Addressing infrastructure backlogs on a regular basis;
- Retain or reduce expenditure on traditional service levels as a percentage of total expenditure.

Strategic Aim for Financial Sustainability

The strategic aim for financial sustainability is to:

- Demonstrate financial sustainability by 2026/27 whilst at the same time deliver the required services in response to community priorities previously identified in Our Place…Our Future Community Strategic Plan 2026.
- Generate funding needed to address community service priorities and maintain assets in a serviceable condition by 2026/27.

Objectives to Achieve Financial Sustainability

The 2017/18 to 2026/27 financial objectives for achieving financial sustainability are to:

- Improve on the operating result from continuing operations.
- Improve the operating balance ratio.
- Improve the 'Rates Coverage Ratio', while considering the communities capacity to pay.
- Address the 'Asset Renewal Ratio'.
- Maintain the 'Debt Service Ratio' at a sustainable level.
- Strive to maintain the capital expenditure ratio at or above benchmark.

2015: Local Government Reform – Fit for the Future

In 2015, All NSW Council's were required to prepare and submit a proposal by 30 June on how they plan to be "Fit for the Future" in accordance with the nominated criteria set by the NSW Government.

The proposal was required to address the four criteria:

- Scale and capacity to engage effectively across community, industry and governments
- Sustainability
- Effectively managing infrastructure and delivering services for communities
- Efficiency.

Benchmarks were identified for the above. These included:

1. Sustainability
- Operating Performance Ratio
- Own Source Revenue Ratio
- Building and Asset Renewal

2. Effective Infrastructure and service management
- Infrastructure Backlog Ratio
- Asset Maintenance Ratio
- Debt Service Ratio

3. Efficiency
- Real Operating Expenditure

On Tuesday 20 October 2015 the Independent Pricing and regulatory Tribunal's (IPART's) final assessment of councils' Fit for the Future proposals was publicly released. The Fit for the Future (FFTF) reforms aim to improve the strength and effectiveness of local government in providing services and infrastructure that communities need.

The Government asked IPART to perform the role of the independent Expert Panel to assess how council proposals meet the FFTF criteria. According to the Terms of Reference, IPART was to:

1. Develop a methodology for assessing proposals
2. Undertake the assessments of whether each council is FFTF, consistent with the methodology,
3. Provide the Government with a final assessment report by 16 October 2015.

Lithgow Council's submission was prepared after being work shopped with councilors. The starting point of this submission was the Local Government Independent Review Panel recommendation that Lithgow Council be a:

"Council in Central West JO"

Therefore the Panel believed that Lithgow City Council already had the scale and capacity.

Council's submission was prepared on the basis of a "stand alone" Council. The submission put forward by Council met four of the seven of the FFTF benchmark criteria that were set by the NSW Government for its financial sustainability over the next five years in respect of sustainability, infrastructure and service management and efficiency. In addition to the above:

- TCorp assessed Council as being financially sustainable, with a 'Sound' financial sustainability rating.
- Lithgow City Council was involved in an amalgamation process in 2004 where areas of the former Evans and Rylstone shires were included in the Lithgow LGA.
- Lithgow City Council has a long track record of operating under regional arrangements, including shared services and resource sharing through CENTROC and strategic alliances.

- Council is operating as per the Independent Review Panel Recommendation as a Council in a Joint Organisation.
- Lithgow City Council is a strong performer in the delivery of large capital projects partnering with State and Federal Government funding bodies.
- Council has implemented all recommendations from the 2007 Office of Local Government Promoting Better Practice Review, indicating that it is operating at best practice across all its operations.
- Council participates in the NSW Local Government Professionals *Operational and Management Effectiveness Survey* demonstrating Council's commitment to benchmarking performance and enabling management decisions to improve its performance.
- Council was given a rating of 'moderate' in the OLG Infrastructure Audit demonstrating its performance in managing infrastructure

Lithgow City Council was considered as 'not fit' according to the criteria set. The IPART report indicated the following;

- The council satisfies the scale and capacity criterion.
- The council does not satisfy the financial criteria overall. While it satisfies the infrastructure and service management criterion, it does not satisfy the sustainability and efficiency criteria.
- The council does not satisfy the sustainability criterion as a result of its forecast for a negative operating performance ratio by 2019-20.
- We consider a council's operating performance ratio is a key measure of financial sustainability that all Fit for the Future (FTFF) councils should meet; therefore the council is not fit.
- The council proposal is consistent with the ILGRP's option to stand alone.
- As the ILGRP did not identify another option for this council, it was not required to demonstrate how it met each of the elements of scale and capacity.
- Our analysis has not identified evidence for a better alternative to the council's proposal to stand alone.

The assessment by IPART was expected given that Council submitted an application that met four of the seven benchmark criteria that the Government had set. Council also submitted an 'Improvement Plan' with the aim to achieve the targets in the longer term.

The IPART assessment does not mean that Council is in a poor financial condition it means Council did not meet the criteria set by the Government.

Lithgow Council has demonstrated that it is progressive, innovative and improving. This was done through the recent winning of the AR Bluett Memorial Award. This in itself is a very significant achievement in terms of Local Government in NSW and the ability of the Council.

The Independent Local Government Review Panel (ILGRP) also stated that Lithgow City Council has the scale and capacity to stand alone.

Financial Performance Indicators

The 2017/18 to 2026/27 Long Term Financial Plan measures 'financial sustainability' using indicators reported in the Treasury Corp Report and those now included in the Local Government Code of Accounting Practice and Financial Reporting. It should be noted that the performance indicators are calculated at a consolidated level and this may mask any adverse results at Individual Fund level.

The indicators selected in this plan are:

1. **Capital Expenditure Ratio:** This is calculated by dividing the forecast capital expenditure by the annual depreciation. The benchmark for this ratio is considered to be 110%. As can be seen in Appendix 4, the ratio declines under the benchmark reflecting the reduced availability of Capital Grants currently forecast for the period. The Capital Grants income figures have been set at a conservative level; historically Council has received sizeable capital grants to fund key capital projects.

2. **Cash Expense Ratio:** This ratio is a measure of the period of time in months that Councils expected Cash Balance can be used to fund both cash operating expenses and loan repayments. The benchmark is considered to be satisfactory at a level of 3 months or better. Council exceeds this ratio for the life of the Plan.

3. **Debt Service Cover Ratio:** This measures the capacity of Council to fund its loan principal and interest repayments out of its operating result after capital revenue and removing the impact of non-cash depreciation and investment income. The benchmark in a ratio of in excess of two times. Council's ratio exceeds this benchmark over the life of the Plan.

4. **Interest Cover Ratio:** This is a similar ratio to the Debt Service Cover Ratio and measures the capacity of Council to service its interest payments on loan borrowings. The benchmark considered satisfactory is a ratio in excess of 4 times. Council exceeds this benchmark over the life of the Plan.

5. **Operating Performance Ratio:** This measures the capacity of Council to contain its operating expenditure within its operating revenue. The minimum benchmark for this ratio is better than the breakeven net operating result before capital is considered to be very desirable to maintain financial sustainability. The Plan indicates that Council has operating deficits throughout the life of the plan. Council does not meeting the benchmark of 0%, in the 2017/18 year the ratio is -3.1% with consistent improvement to 2026/27 -0.4%. This indicates that Council needs to review its sources of revenue available and Council's underlying operating expenses. Council is reviewing its operating position as part of the Fit for the Future Program.

6. **Own Source Operating Revenue:** This measures the degree of reliance by Council on external funding sources to finance its operations. The benchmark to aim for is considered to be in excess of 60%. Council exceeds this ratio over the life of the Plan. This indicates that Council has a good degree of financial flexibility in funding its operations and is not overly reliant on external grants and contributions.

7. **Real Operating Expenditure per Capita**: This measures the amount of Council expenditure per person of the LGA's population. The benchmark is to decrease real operating expenditure per capita over time. Council does not meet this benchmark, per capita expenditure in 2017/18 is $2.09 and increases to $2.46 in 2026/27.

8. **Debt Service Ratio**: This measures Council's cost of debt (principal and interest payments) against total operating revenue to show what percent that is used to fund financing activities. The benchmark for this ratio is 0-20%. Council meets this ratio over the life of the Plan.

9. **Asset Maintenance Ratio**: This measures Council's ability to keep up with required annual maintenance of assets. The benchmark for this ratio is 100%. This indicates that Council needs to review its asset maintenance plan for future years as the benchmark is not met until the last three years of the plan.

10. **Infrastructure Backlog Ratio**: This measures Council backlog of expenditure needed to bring assets back to a satisfactory condition. The benchmark for this ratio is less than 2% which is met in the fifth and following years of the Plan.

Strategies for Financial Sustainability

Major Planned Capital Expenditure 2016/17 - 2017/18

A summarised listing of planned capital expenditure over the remaining two years of Councils current delivery program is presented as Appendix 5 to the Long Term Financial Plan. From this point forward broad dollar values for capital expenditure have been presented within the Long Term Financial Plan.

Strategies for Increasing Revenue

Council has in the Delivery Program and Operational Plan identified specific strategies aimed at increasing revenue.

These are:

- Adoption of annual rate pegging
- Annual review of Fees and Charges
- Special Rate Variations
- Indentifying revenue generating initiatives
- Maximising rental properties.

Annual Rate Pegging

Rates are set annually by the Independent Pricing and Regulatory Authority (IPART) after taking into account an annual review of the Local Government Cost Index (LGCI). The increase for 2016/17 was 1.8% based upon a short term trend in low economic growth.

From 2017/18 the Plan is based upon an indexation of 2.4%.The higher indexation factor has been selected, as historically, the local government cost index is slightly higher than inflation as measured by the consumer price index (CPI).

Special Rate Variation

At its meeting held on 9 March 2009, Council resolved to apply for a special variation to the ordinary rate to fund infrastructure improvements. On 3 July 2009, the Minister for Local Government approved a special variation to the ordinary rate which involves a 4.77% increase to the ordinary rate for infrastructure improvements, roads and buildings. This special rate will be ongoing for 10 years including 2009/10 to 2018/19.

For the purposes of the Plan it has been assumed that an application for a new SRV will be made at the same level as the expiring SRV. The funds raised by the SRV are utilised by Council to fund high priority renewal works on Council's buildings and transport asset network.

Fees & Charges

Fees and charges that are controllable by Council are reviewed each year to ensure that they change in accordance with the underlying costs of providing the service. The costs of providing services also need to incorporate the cost of renewing the underlying assets that provide the service. This requires consideration of the whole of life costs of all assets which incorporates operational, maintenance and renewal costs.

The Plan incorporates an annual increase of 3% in fees and charges that are controlled by Council. Some fees and charges are set by legislation and Council must accept the fee determined by other tiers of Government. This includes many building and development application fees, Section 603 fees and some trade waste fees.

Rental Properties

Council is actively seeking to maximize its commercial returns on properties. Where Council buildings are being used on the basis of a community subsidy, then Council will review that arrangement to assess if the arrangement is in accord with Council's Community Strategic Plan. Any community use subsidies should be disclosed so that the impact is transparent to all parties.

The Plan generally assumes that other income including rentals increase by 3% per annum over the life of the plan.

Grants & Subsidies

Council will continue to seek grant and partnership funding for a range of projects and programs, which will be reflected in budgets and the Long Term Financial Plan. It is expected that Lithgow will continue to have reasonable success in this area, but is not making assumptions that this source of income can be relied upon for forward forecasting and financial sustainability. Successful increases in revenue through grants will be treated as they become available, and will in turn improve our financial position. Due to the reasoning above the assumption has been to hold all levels of operating grants and contributions static over the life of the plan.

Strategies to Maintain or Reduce Expenditure

Council has identified specific strategies aimed at maintaining or reducing expenditure. These are:

- Continually reviewing operating expenditure
- Managing employment costs
- Service and Asset Management Planning.

Maintaining or reducing operational expenditure to produce recurrent savings

To meet operational obligations to the community in the future it is important for Council to manage operational expenditure by continually reviewing costs and aiming for savings.

Service Planning

Service planning presents an opportunity to improve access and equity in existing services and to introduce more innovative service delivery approaches that are affordable. Changes in assets will require a detailed service planning approach.

The ultimate aim with regard to service planning is that Council is able to provide satisfactory, equitable and affordable services to the community at a consistent level whilst at the same time reducing costs and the financial impact on Councils position.

2017/18 – 2026/27 Long Term Financial Plan Assumptions

To develop the Long Term Financial Plan financial modeling has been done to develop scenarios that assist in problem solving and decision making. The modeling which uses high level summary data allows a number of financial scenarios to be tested. The high level summary enables Managers to reflect the impact of different influences by allowing for adjustment to expenditure and revenue at activity level and the impact of movement due to inflation and other known factors.

In developing the 2017/18–2026/27 Long Term Financial Plan the following general assumptions have been used to predict income and expenditure and a number of challenges for revenue and expenditure in future years has been focused on, such as:

- Responding to forecast economic parameters, CPI
- Reflecting on the strategic priorities of the Council against the communities expectations and financial policies
- Predicting responsible forward forecasts using financial sustainability indicators
- Monitoring the adopted Delivery Program and Annual Operational Plan
- Ensuring the Long Term Financial Plan is developed as an early step in the Integrated Planning cycle and is based on the Sustainable Resourcing Principles

If the assumptions stated above are not realised then it will be necessary for Council to reconsider the current expenditure and revenue strategies to realign the Long Term financial Plan to fund changes in future costs or revenue projections.

Rates and Annual Charges

Rates and annual charges account for a large portion of income in future years.

Council relies on the annual rate pegging increase set by the Independent Pricing and Regulatory Tribunal (IPART). The Long Term Financial Plan assumes an annual increase of 1.8% up to 2017/18 rising to 2.4% across the remaining life of the plan. It is anticipated inflation and the Local Government Cost Index will increase during this period.

Indications are that the population of the Local government area will be maintained but with an aging population base. Council will need to consider the write off of rate income due to pension rebates and as a result issues for rating as a revenue source become evident. The issues may be:

- Income from rates and annual charges including general rates from residential, business, farmland, rural and mining. Parking, waste and ongoing special infrastructure rate levy is restricted by annual rate pegging.
- The ageing population is likely to limit scope to raise income due to the populations' ability to pay and the fact that more pensioner rebates will be being processed resulting in less rate revenue.

The constant level of revenue will be required to fund the upgrade of assets and infrastructure from 2017/18 to 2026/27 and as a result Council currently considers it to be plausible to seek a continuation of the special infrastructure rate levy beyond 2018/2019.

Water and Sewerage Charges

The pricing of water and sewerage services is guided by State Government Best Practice Pricing Guidelines. Council has adopted a two part tariff for water supply, consisting of an access charge and a usage charge. Access charges are related to the size of the water meter for non-residential properties and account for 25% of operating income. The guidelines also require that at least 75% of water revenue for residential customers should be generated through the usage component. Sewerage tariffs adopted by Council consist of a uniform sewerage charge for residential properties, a two part tariff for non-residential customers and appropriate fees and charges for liquid trade waste dischargers.

Operating Grants and Contributions

Operating grants and contributions, specifically the financial assistance grant, is based on the population of the local government area and the current stagnate population could affect the level of funding available in the future. There has been some level of debate in respect of changing the financial assistance grant formula but an adjustment for this has not been made at this time because of the significance on Council total revenue. Due to announcements in last year's Federal Budget the assumption has been to hold all levels of operating grants and contributions static over the life of the plan.

Interest on Investments

Interest on investments is assumed at 3% for the life of the long term financial plan. Interest rates across the financial markets have been falling for the past twelve months; a low expectation has been set to ensure conservative revenue forecasts. Interest has been calculated on the average balance of funds invested for the year.

Employee Costs

Employee costs make up approximately 35% of the annual projected expenditure. This is reflective of the service based nature of a large proportion of activities as well as the construction and maintenance of infrastructure owned by Council. Movement in employee costs is determined through industry wide award negotiations and market forces and Council is aware unplanned changes may occur with employee costs. The Long Term Financial Plan assumes employee costs will increase by 2.5% annually.

Council also needs to consider its ability to retain the necessary workforce to achieve the community's expectations for future projects. This will be affected by several internal and external factors such as the rising cost of employment, skills shortages, staff turnover, attraction and retention of Council, an increase in superannuation benefits, maternity and paternity leave, award increases and changes in service levels.

Materials and Contracts

Materials and contracts account for approximately 25% of projected annual expenditure which is reflective of capital works to be constructed and maintained. Considerable pressure is placed on the cost of materials and contracts due to rising raw material costs including fuel and freight. Should unplanned major increases be experienced it will impact on the Long Term Financial Plan. Fuel and energy are subjected to pressure from oil prices and market fluctuations.

Interest on Borrowings

The interest for existing loans is as provided for in the existing agreements and the interest assumed on new loans has been calculated at 5% for loans with a tenure of up to 20 years. This interest rate is typical of the interest rates that were on offer in the market place at the time the Long Term Financial Plan was updated, and is consistent with a subsequent cut in official interest rates by the Reserve Bank of Australia

Depreciation

Depreciation cost will be based on estimated useful life of assets and reviewed every year. In the Long Term Financial Plan, depreciation in future years is increased by 1.25% with additions to account for the depreciation expected for the planned construction of major works.

Other Expenses

All other expenditure for continuing operations is assumed to increase by 2% in line with the expectations in growth of the local government cost index.

The Long Term Financial Plan also provides for the additional cost of operations and maintenance of newly constructed or upgraded assets.

Unexpected Events

The Long Term Financial Plan is prepared on the basis of existing knowledge and cannot take into account any unexpected events that may impact on the forecasts.

Issues for consideration that may have a significant impact on the forecasts are:

1. **Developing Assets Management Plans:** Council has commenced an asset management planning process that will allow for forecasting of assets maintenance and replacement costs but at this early stage a variation may occur with estimates.

2. **Premature Asset Failure:** Council has endeavored to ensure that infrastructure assets remain in a satisfactory condition for the benefit of the community. Maintenance and improvements have been carried out to match available resources, however in some cases infrastructure assets may fail earlier than expected and this will place additional financial pressure on Council and the Long Term Financial Plan.

3. **Natural Disasters:** Natural disasters may occur without notice and ultimately impact on Council resources. The Long Term Financial Plan does not allow for, or provide a contingency for any impact caused.

4. **Unexpected Population Growth:** With the increasing pressure on housing within the Sydney metropolitan area it is possible that there may be pressure in the long term for significant growth in the population moving west over the mountains. No allowance has been provided for with respect to an unexpected shift in the population.

Review and Monitoring

The LTFP is subject to annual review. Council also review the budget as presented in the Delivery/Operational Plan on a quarterly basis.

Quarterly Reporting

Each quarter, all Managers are required to review their actual and forecast performance for the relevant financial year and report reasons for variation to their budgets as approved by council. Managers are also tasked with identifying opportunities for improved financial result.

Long Term Financial Plan Appendices

The following summary documents are provided as appendices to the Long Term Financial Plan document. They provide a summary of the financial projections of Council over the next ten years. It is important that these documents are considered as a total package and not in isolation to gain a clear picture of council's financial position over the next ten years.

Appendix 1

Base Case Scenario - Income Statement

Appendix 2

Base Case Scenario -Balance Sheet

Appendix 3

Base Case Scenario -Statement of Cash Flows

Appendix 4

Base Case Scenario - Financial Sustainability Indicators

Appendix 5

Base Case Scenario - Capital Works Program

Appendix 1 – Base Case Scenario - Budgeted Income and Expenditure Statement

2017/18 to 2026/27 Base Case Scenario – Budgeted Income and Expenditure Statement										
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
INCOME FROM CONTINUING OPERATIONS										
Revenue										
Rates & Annual Charges	25,702	26,319	26,951	27,598	28,260	28,938	29,633	30,344	31,072	31,818
User Charges & Fees	6,373	6,564	6,761	6,964	7,172	7,388	7,609	7,838	8,073	8,315
Interest & Investment Revenue	619	639	698	756	794	857	866	876	954	1,126
Other Revenues	1,415	1,458	1,501	1,546	1,593	1,641	1,690	1,741	1,793	1,847
Grants & Contributions provided for Operating Purposes	8,396	8,396	8,396	8,396	8,396	8,396	8,396	8,396	8,396	8,396
Grants & Contributions provided for Capital Purposes	575	575	575	575	575	575	575	575	575	575
Other Income										
Net gains from the disposal of assets	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	43,080	43,951	44,882	45,835	46,790	47,795	48,769	49,769	50,863	52,077
Expenses from Continuing Operations										
Employee Benefits & On-Costs	16,532	16,946	17,369	17,803	18,248	18,705	19,172	19,652	20,143	20,646
Depreciation & Amortisation	11,988	12,275	12,428	12,584	12,741	12,900	13,062	13,225	13,390	13,558
Borrowing Costs	1,170	1,091	1,011	942	874	810	754	696	678	640
Materials & Contracts	9,695	9,889	10,087	10,289	10,494	10,704	10,918	11,137	11,359	11,587
Other Expenses	4,431	4,519	4,610	4,702	4,796	4,892	4,990	5,090	5,191	5,295
Total Expenses from Continuing Operations	43,816	44,720	45,505	46,320	47,154	48,011	48,896	49,799	50,762	51,726
Net Operating Result for the Year	(1,311)	(1,344)	(1,198)	(1,060)	(939)	(791)	(702)	(604)	(474)	(224)
Net Operating Result before Grants and Contributions provided for Capital Purposes	(1,886)	(1,919)	(1,773)	(1,635)	(1,514)	(1,366)	(1,277)	(1,179)	(1,049)	(799)

Appendix 2 – Base Case Scenario – Balance Sheet Forecasts

2017/18 to 2026/27 Base Case Scenario – Balance Sheet Forecasts										
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
ASSETS										
Current Assets										
Cash & Cash Equivalents	21,170	23,282	25,199	26,452	28,579	28,879	29,208	31,801	35,178	38,875
Receivables	5,460	5,460	5,460	5,460	5,460	5,460	5,460	5,460	5,460	5,460
Inventories	691	691	691	691	691	691	691	691	691	691
Other	204	204	204	204	204	204	204	204	204	204
Total Current Assets	27,525	29,637	31,554	32,807	34,934	35,234	35,563	38,156	41,533	45,230
Non Current Assets										
Inventories										
Receivables										
Infrastructure, Property, Plant & Equipment	405,392	400,327	395,685	392,416	388,296	386,321	384,324	380,236	375,540	373,368
Investment Property										
Total Non-Current Assets	405,392	400,327	395,685	392,416	388,296	386,321	384,324	380,236	375,540	373,368
TOTAL ASSSETS	432,917	429,964	427,239	425,222	423,230	421,555	419,887	418,393	417,073	418,597
LIABILITIES										
Current Liabilities										
Bank Overdraft	-	-	-	-	-	-	-	-	-	-
Payables	2,904	2,904	2,904	2,904	2,904	2,904	2,904	2,904	2,904	2,904
Borrowings	-	-	-	-	-	-	-	-	-	-
Provisions	4,377	4,377	4,377	4,377	4,377	4,377	4,377	4,377	4,377	4,377
Total Current Liabilities	7,281	7,281	7,281	7,281	7,281	7,281	7,281	7,281	7,281	7,281
Non-Current Liabilities										
Borrowings	25,972	24,138	22,410	21,276	20,071	19,061	17,994	17,030	16,112	15,567
Provisions	10,696	10,696	10,696	10,696	10,696	10,696	10,696	10,696	10,696	10,696
Total Non-Current Liabilities	36,668	34,834	33,106	31,972	30,767	29,757	28,690	27,726	26,808	26,263
TOTAL LIABILITIES	43,949	42,115	40,387	39,253	38,048	37,038	35,971	35,007	34,089	33,544
Net Assets	388,968	387,849	386,852	385,970	385,183	384,517	383,917	383,385	382,984	385,053
EQUITY										
Retained Earnings	245,704	244,585	243,588	242,706	241,919	241,254	240,653	240,121	239,720	241,989
Revaluation Reserves	143,264	143,264	143,264	143,264	143,264	143,264	143,264	143,264	143,264	143,064
TOTAL EQUITY	388,968	387,849	386,852	385,970	385,183	384,518	383,917	383,385	382,984	385,053

Appendix 3 – Base Case Scenario – Cash Flow Statement Forecasts

2017/18 to 2026/27 Base Case Scenario – Cash Flow Statement Forecasts										
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
CASH FLOWS FROM OPERATING ACTIVITIES										
Receipts										
Rates & Annual Charges	25,702	26,319	26,951	27,598	28,260	28,938	29,633	30,344	31,072	31,818
User Charges & Fees	7,788	8,021	8,262	8,510	8,765	9,028	9,299	9,578	9,865	10,161
Interest & Investment Revenue Received	619	639	698	756	794	857	866	876	954	1,126
Grants & Contributions	8,971	8,971	8,971	8,971	8,971	8,971	8,971	8,971	8,971	8,971
Payments										
Employee Benefits & On-costs	(16,532)	(16,946)	(17,369)	(17,803)	(18,248)	(18,705)	(19,172)	(19,652)	(20,143)	(20,646)
Materials & Contracts	(9,695)	(9,889)	(10,087)	(10,289)	(10,494)	(10,704)	(10,918)	(11,137)	(11,359)	(11,587)
Borrowing Costs	(1,170)	(1,091)	(1,011)	(942)	(874)	(810)	(754)	(696)	(678)	(640)
Other	(4,431)	(4,519)	(4,610)	(4,702)	(4,796)	(4,892)	(4,990)	(5,090)	(5,191)	(5,295)
Net Cash provided (or used in) Operating Activities	11,252	11,506	11,806	12,099	12,377	12,684	12,935	13,195	13,491	13,908
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Sale of Investment Securities	-	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	-	-	-	-	-	-	-	-	-	-
Payment										
Purchase of Infrastructure, Property, Plant & Equipment	(8,778)	(7,361)	(7,960)	(9,513)	(8,844)	(11,176)	(11,337)	(9,438)	(9,438)	(9,438)
Net Cash provided (or used in) Investing activities	(8,778)	(7,361)	(7,960)	(9,513)	(8,844)	(11,176)	(11,337)	(9,438)	(9,438)	(9,438)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Proceeds from Borrowings & Advances	1,600	-	-	-	-	-	-	-	-	-
Payments										
Repayment of Borrowings & Advances	(1,798)	(2,035)	(1,928)	(1,335)	(1,405)	(1,210)	(1,267)	(1,164)	(709)	(745)
Net Cash Flow provided (used in) Financing Activities	(198)	(2,035)	(1,928)	(1,335)	(1,405)	(1,210)	(1,267)	(1,164)	(709)	(745)
Net Increase/(Decrease) in Cash & Cash Equivalents	2,276	2,110	1,918	1,251	2,128	298	331	2,594	3,346	3,729
Plus: Cash, Cash Equivalents & Investments – Beginning of year	18,895	21,171	23,282	25,200	26,451	28,579	28,877	29,208	31,801	35,147
Cash & Cash Equivalents – End of Year	21,171	23,282	25,200	26,451	28,579	28,877	29,208	31,801	35,147	38,877

Appendix 4 – Base Case Scenario – Sustainability Indicators

2017/18 to 2026/27 Base Case Scenario – Sustainability Indicators											
Benchmark		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
110%	Capital Expenditure Ratio	75%	61%	65%	77%	70%	88%	88%	72%	71%	70%
	Capital Expenditure	8,778	7,361	7,960	9,513	8,844	11,176	11,337	9,438	9,438	9,438
	Depreciation	11,706	11,988	12,275	12,428	12,584	12,741	12,900	13,062	13,225	13,390
3.0	Cash Expense Ratio	7.6	8.1	8.6	9.1	9.6	9.5	9.4	10.1	11.1	12.0
	Current Year’s Cash and Cash Equivalent	21,170	23,282	25,199	26,452	28,579	28,879	29,208	31,801	35,178	38,875
	Cash provided for Operating and Financing Activities divided by 12	2,802	2,873	2,917	2,923	2,985	3,027	3,092	3,145	3,173	3,243
2.0	Debt Service Cover Ratio	4.2	4.0	4.4	5.7	5.8	6.7	6.8	7.5	10.2	10.5
	Operating Result after Capital Grants before Interest and Depreciation	12,422	12,597	12,817	13,041	13,251	13,494	13,689	13,891	14,169	14,548
	Principal Repayments plus Interest Expense	2,968	3,126	2,939	2,277	2,279	2,020	2,021	1,860	1,387	1,385
4.0	Interest Cover Ratio	10.6	11.5	12.7	13.8	15.2	16.7	18.2	20.0	20.9	22.7
	Operating Result after Capital Grants before Interest and Depreciation	12,422	12,597	12,817	13,041	13,251	13,494	13,689	13,891	14,169	14,548
	Interest Expense	1,170	1,091	1,011	942	874	810	754	696	678	640
0	Operating Performance Ratio	(3.1%)	(3.1%)	(2.7%)	(2.3%)	(2.0%)	(1.7%)	(1.5%)	(1.2%)	(0.9%)	(0.4%)
	Operating Revenue less Capital Grants and Contributions less Operating Expenses	(1,311)	(1,344)	(1,198)	(1,060)	(939)	(791)	(702)	(604)	(474)	(224)
	Operating Revenue less Capital Grants and Contributions	42,505	43,376	44,307	45,260	46,215	47,220	48,194	49,194	50,288	51,502
60%	Own Source Operating Revenue Ratio	74%	75%	75%	75%	76%	76%	76%	77%	77%	77%
	Rates, Annual Charges, and User Charges	32,075	32,883	33,712	34,561	35,433	36,326	37,242	38,182	39,145	40,133
	Total Operating Revenue	43,080	43,951	44,882	45,835	46,790	47,795	48,769	49,769	50,863	52,077
Decreasing	Real Operating Expenditure per Capita	$2.09	$2.13	$2.17	$2.21	$2.25	$2.29	$2.33	$2.37	$2.42	$2.46
	Operating Expenses	43,816	44,720	45,505	46,320	47,154	48,011	48,896	49,799	50,762	51,726
	Population	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000

2017/18 to 2026/27 Base Case Scenario – Sustainability Indicators											
Benchmark		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
0-20%	Debt Service Ratio	7.0%	7.2%	6.6%	5.0%	4.9%	4.3%	4.2%	3.8%	2.8%	2.7%
	Cost of Debt (Principle and Interest)	2,968	3,126	2,939	2,277	2,279	2,020	2,021	1,860	1,387	1,385
	Total operating revenue less capital grants and contributions	42,505	43,376	44,307	45,260	46,215	47,220	48,194	49,194	50,288	51,502
100%	Asset Maintenance Ratio	76%	79%	82%	85%	89%	92%	96%	100%	104%	108%
	Actual Annual Maintenance	10,610	10,928	11,256	11,594	11,942	12,300	12,669	13,049	13,440	13,844
	Required Annual Maintenance	13,998	13,858	13,719	13,582	13,446	13,312	13,179	13,047	12,916	12,787
2%	Infrastructure Backlog Ratio	6.5%	4.6%	3.2%	2.2%	1.6%	1.1%	0.8%	0.5%	0.4%	0.3%
	Estimated Cost to bring to Satisfactory condition	23,991	17,274	12,437	8,955	6,447	4,642	3,342	2,406	1,733	1,248
	WDV of Infrastructure, other structures and depreciable land	366,326	377,315	388,635	400,294	412,303	424,672	437,412	450,534	464,050	477,972

Appendix 5 – Base Case Scenario – Capital Works Program

Major Projects - New Assets		2016/17	2017/18
		$'000	**$'000**
	Buildings	799	560
	Furniture and Fittings	131	6
	Library Books	61	63
	Office Equipment	120	50
	Other Assets	450	455
	Other Structures	504	448
	Plant and Equipment	1,531	1,200
	Roads Bridges and Footpaths	1,363	1,784
	Sewerage Assets	1,510	1,140
	Storm water	50	152
	Swimming Pools		
	Tip Remediation	280	550
	Water Supply	1,700	1,509
	Total Capital	**8,499**	**7,917**