

Ashfield Council

Long Term Financial Plan

2016 - 2025



Ashfield
Council



**Ashfield
Council**

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1.1 INTRODUCTION

The purpose of this Long Term Financial Plan for Ashfield Council is to provide a framework to assist future decision making that will secure the economic sustainability of the organisation and ensure adequate funds are generated into the future to achieve desirable outcomes for the community.

This plan forms part of Councils' Resourcing Strategy. The Resourcing Strategy is made up of the Long Term Financial Plan, the Workforce Management Plan and Asset Management Plans.

The financial model within the Plan predicts Council's future funding requirements in order to maintain a strong financial position and deliver the facilities and services expected by our community.

Setting the strategic direction of a financial plan promotes the sustainability of the organisation and ensures the availability of funds in future years to achieve all of Councils' goals and objectives laid out in the Community Strategic Plan – Ashfield 2023 – Our Place, Our Future.

This Plan establishes a framework, mechanism and financial targets for the Council. It is the basis or benchmark to guide Council in the decision making process across multiple years. It contains guiding philosophies to promote a consistent financial direction spanning 10 financial years and 2 Council terms.

The Policy Statements contained in this Plan provide the framework to guide decision making, future budgets and establish a mechanism to fund future investment decisions.

1.2 POLICY FRAMEWORK

A policy framework is necessary to help guide the development of Council budgeting and long term financial planning. Future resource use and decision making by the Council can be guided by the structure provided in the policy framework. Council's Long Term Financial Plan has been drafted to comply with the following policies:

1.2.1 Unrestricted Current Ratio

This is a measure of liquidity. Council, as a prudent financial manager should set a minimum level at which its Unrestricted Current Ratio should be maintained.

The Unrestricted Current Ratio provides a guide as to Council's ability to pay its debts as and when they fall due. The ratio reports the assets available to fund each one dollar of debt.

	30-Jun-14	30-Jun-13	30-Jun-12
Unrestricted Current Ratio	3.23 : 1	3.01 : 1	3.02 : 1

Council aims to maintain a ratio in excess of 1.50 : 1 which, within the industry, is considered a satisfactory result.

1.2.2 Unrestricted Working Funds Balance

This is a measure of liquidity or net financial position. Council, as a prudent financial manager should set a minimum level at which its Working Funds should be maintained. A minimum level of Working Funds ensures Council retains an appropriate level of liquidity on an ongoing basis.

The unrestricted working funds balance provides an appropriate buffer for unforeseen circumstances. A target which is linked to Council's level of activities would be appropriate.

	30-Jun-14 \$'000	30-Jun-13 \$'000	30-Jun-12 \$'000
Working Funds Balance	2,000	1,895	2,817
Total Income from Continuing Operations	36,461	36,810	35,357
	5.49%	5.14%	7.96%

Whilst Working Funds are not reported in the statutory financial accounts, the level of working funds is used by the external auditors when assessing Councils short-term financial position.

It is recommended that Council aims to maintain a working funds balance in excess of 5%.

1.2.3 Employee Leave Entitlements Coverage

At any point in time there will be outstanding leave entitlements owed to the employees of Ashfield Council. These entitlements create a liability for Council that needs to be met at some point of time in the future.

Council does not maintain cash reserves to fully extinguish the leave liabilities because, as a going concern, Council does not expect to pay these liabilities in full at any one

point in time. However, given the size of the liability and the potential for large payments on termination or resignation of employees it is prudent to have an appropriate level of cash reserves to minimise any adverse impact on Council's operating budget and working funds position.

Also, the cash reserves earn interest for Council and this interest offsets the growth in the employee entitlement liability due to award increases and pay scale increments.

A target which is linked to the age of employees is most appropriate as it takes into account the actual demographics of the workforce and the fact that the larger payouts are triggered by employee retirements.

Should Council experience an unusually high level of termination payments which cannot be funded from the current budget then the payments should be funded from the ELE restriction. Where this occurs a strategy should be adopted to restore the restriction to a satisfactory level over a period of two to three years.

The following are the suggested aged based targets.

Age as at 30 June each year	Minimum Goal	Maximum Goal
50 & under	0%	0%
51	0%	10%
52	0%	20%
53	0%	30%
54	0%	40%
55	10%	50%
56	20%	60%
57	30%	70%
58	40%	80%
59	50%	90%
60	60%	100%
61	70%	100%
62	80%	100%
63	90%	100%
64	100%	100%
65 and over	100%	100%

These targets currently exceed the industry minimum target of 15% over the entire workforce.

1.2.4 Efficiency and Productivity Factor

Each year as part of annual budget process, Council applies an efficiency and productivity target of at least \$500k. Achievement of this target is monitored monthly by the Council Executive and form part of Senior Management KPIs.

1.2.5 Investment Fund

An Investment Fund provides a reserve of cash to allow Council to fund projects that result in additional recurrent income or reduced recurrent costs.

Whilst Council does not currently have an Investment Fund, it is prudent to have a policy in case Council has a windfall gain, enabling the establishment of such a fund.

All unrestricted revenues from non-recurrent sources will be added to the Investment Fund. For example, the proceeds from a one off sale of an under-utilised Council asset would be directed into Council's Investment Fund. Expenditure from the Fund should be limited to projects with identifiable benefits.

An annual dividend will be paid from the Investment Fund to unrestricted funds equivalent to 50% of the benefits realised by investments from the fund. The dividend from income generated by the Investment Fund will provide an additional revenue stream for the Council to relieve the burden placed on Council by the impact of rate-pegging.

The remaining income generated by the Investment Fund will remain in the Investment Fund. This reinvestment will provide capital for future investments, enabling the fund to grow over time and provide a growing revenue stream for Council.

1.2.6 Unrestricted Budget Funds

Non-recurrent sources of income such as special rate variations (SRV's) or one off asset sales must be directed to an internal restriction and used for specific purposes or allocated to Council's Investment Fund. The remaining recurrent revenue sources are unrestricted and available to fund Council's operations.

1.2.7 Bonds and Deposits Coverage

Similar to employee leave entitlements, it is unlikely that Council would need to repay all its bonds and deposits in one year.

Until recently, Council maintained an internal restriction of \$ for \$ of bonds and deposits held. This was an overly conservative approach as an analysis of prior years has shown that Council generally is able to repay any bonds returned in a given year by the new deposits that have been received in that year. Council's policy now is to maintain a small restriction of \$250 - \$300k as a safety net to cover unforeseen needs.

1.2.8 External Borrowings

Council currently has \$8.4m in external debt. The loan terms are 7 years and 10 years respectively. The 7 year loan will be settled in May 2016 and the 10 year loan is due for settlement on 2022.

Council will also borrow a further \$1.6m to fund the accelerated footpath program during 2014/15 via the LIRS program and this loan will be paid over a 10 year period.

Council is redeveloping its Aquatic Centre for the cost of \$14m. Council will be funding this redevelopment project through borrowing of \$14m and repayment of this loan will be met with SRV funding. Expected commencement of this project will take place during financial year 2015/16 and expected to be completed in 2016/17.

Having differing loan terms reduces Council's interest rate risk by providing an opportunity to go back to the market without incurring penalty interest charges, also reducing the risk of having to refinance all of the debt at one time.

Council's remaining borrowing capacity performs an important risk management role by providing a source of emergency funds. For example, to fund significant unforeseen infrastructure repairs.

Council's current borrowings are well within accepted industry benchmarks and Council will assess the merits of any future borrowings on a case by case basis.

1.2.9 Infrastructure Reserve

With a focus on asset management, Council created an Infrastructure Reserve in its first LTFP to assist Council to fund the maintenance and renewal of existing assets.

Favourable budget results are directed into the reserve for future expenditure on asset management.

Depending upon needs at the time, the ideal goal would see the capital in the reserve preserved and a dividend of 50% of the interest income generated by the investment available each year for asset management expenditure. The remaining interest income would be retained in the reserve so that the reserve and income generated will grow over time.

Preference is given to expenditure from the reserve for maintenance and renewal of existing assets over the upgrade of Infrastructure.

1.2.10 Election Reserve

Local Government elections are held every 4 years with the next election due in September 2016.

Council transfers 25% of the estimated cost of holding the election into a reserve each year. The final 25% of the estimated cost is transferred in the year of the election together with any adjustments between the estimate and the actual costs.

1.2.11 Plant & Vehicle Replacement Reserve

Council's current policy is that it owns its fleet of trucks, plant and passenger vehicles.

The plant and vehicle replacement program is funded in each annual budget. However the plant and replacement reserve serves as a buffer to be drawn on in high expenditure years or in the case of unforeseen or emergency plant replacements.

1.2.12 Information & Technology Reserve

Council needs to maintain regular investment towards Information Technology and Communication Assets. Therefore it is prudent to set aside some funding towards this reserve on a yearly basis considering the ICT projects in hand in line with Council's IT Strategy.

Council's current policy is that it leases all IT equipment including printers, photocopiers and the telephone system. These are operating leases with a term of either 3 or 4 years which corresponds to the equipment's useful life.

Council also has a significant investment in computer software and licences. Minor IT software upgrades are covered through the annual licensing fees. Every few years there is a need to substantially upgrade the IT platform or acquire new products. As these purchases involve a significant period of planning, they can be factored into Council's recurrent budget over several years where necessary.

1.2.13 Investment Income

Council's investment income is determined by the level of funds together with the prevailing interest rates available.

Council budgets to receive investment income on its restricted and unrestricted cash balances. Any interest earned on its restricted cash balances (External Restrictions) should be transferred back to those restrictions to maintain the purchasing power of the funds.

Reference should also be made to Council's Investment Policy for suitable investments and procedures.

1.2.14 Building & Infrastructure Renewal Ratio

Council is required to calculate the Building & Infrastructure Renewal Ratio each year.

A key component in the calculation of the Building & Infrastructure Renewal Ratio is the amount spent on Buildings & Infrastructure.

In order to ensure Council maximises this ratio:

1. administration costs such as the employee costs associated with the design, design review and supervision of the project in the costs of the project should be included;
2. Council's maintenance program should be reviewed to better identify works which have extended the useable life of assets and therefore can be capitalised;
3. the works program should be delivered within the year to minimise any carried forward works; and
4. factors which determine the annual depreciation charge should be reviewed on an ongoing basis.

The Asset Management Plans are the key tool in assessing whether Council is allocating sufficient financial resources to meet long term objectives and infrastructure service levels.

1.2.15 Rating Policy

Council rating policy is that 80% of rate revenue comes from residential properties and 20% from business properties.

As the rating legislation limits the amount of rating revenue which Council can raise, changes to Council's rating policy or land values will not have any effect on the overall income generated from rates.

Other Council policies relating to rates include:

- providing the mandatory/voluntary level of pensioner rebates;
- withholding legal action to recover rate debts from pensioners provided they have entered into a repayment agreement; and
- allowing pensioners to accumulate rate debts where repayments are not sufficient to repay the existing debt. These types of debts are not significant [in relation to the value of the property or adversely impacting Council's ability to fund its operations], are accruing interest and are secured by the property.

1.3 CURRENT FINANCIAL POSITION OF COUNCIL

As at 30 June 2014

Council's overall cash position increased from \$23m to \$25m and Council maintained a reasonable financial position with the working funds of \$2.0 m, which is 5.49% of the Total Revenue.

Council was able to achieve satisfactory KPIs as follows:

Operating Performance Ratio	-1%
Own Source Operating Revenue Ratio	92%
Unrestricted Current Ratio	3.23
Debt to Service Cover Ratio	4%

1.4 SIGNIFICANT FORECASTING ASSUMPTIONS, UNCERTAINTIES AND RISKS

The following assumptions, risks and uncertainties have been prepared in accordance with the Council's legislative requirements, and in reference to the Council's Community Plan. Uncertainty increases as the number of years of prospective financial information increases. These forecast financial statements must be read with caution utilising the details of financial assumptions contained in this statement. Financial years 2019/20 to 2023/24 must be read with considerable caution even though in broad terms the business of the Council should continue as has been forecast in the Community Plan.

Uncontrollable external events will significantly affect the forecast. The most significant risks that may impact on the forecast financial statements include unexpected changes to legislation and/or regulations including those arising from the State Government's Fit for the Future program.

As at January 2015, and in the absence of certain information it has been assumed that the organisational structure of Ashfield Council and the environmental conditions will not significantly change over the next 10 years. This will need to be reviewed over the next 12 months.

1.4.1 Service Priorities

It is assumed that the community will continue to endorse the current range of services that the Council provides consistent with the feedback received through Council's integrated planning community engagement. Extensive consultation has been conducted as part of the development of the Community Plan to determine the range of current and future services expected by the community ensuring meaningful, relevant and innovative programs are delivered.

1.4.2 Population Growth Projections

Council has projected growth in accordance with census data trends over recent years together with State Government planning requirements. Local area population projections, according to estimates from the 2011 Australian Bureau of Statistics and NSW Department of Planning in April 2013, indicate that the population for the Ashfield local government area is projected to increase from 44,175 in 2013 to 47,481 in 2023 an increase of 0.8% per annum. Significant population growth above budgeted levels is not expected over the life of this plan.

Rates income growth over the period due to an increase in the number of residences has been estimated at 0.1% due to the already higher than average density levels.

1.4.3 Asset Ownership and Management

There are no major asset sales or change in management of significant assets that is forecast in this plan. Any sale funds will be dealt with in accordance with the financial policy framework previously laid out in this plan.

Ashfield Council will continue to manage its large infrastructure stock in accordance with the Asset Management Plans detailed as part of the Resourcing Strategy. Technology and further asset information may impact on the Council's Asset Management Strategy. However, significant changes to Council's strategy are not anticipated over the life of this plan.

1.4.4 Natural Disasters

The funding provisions in this plan assume that there will be no major natural disaster of a type that causes widespread and significant damage to Ashfield Council's infrastructure.

1.4.5 External Factors

There will be no unexpected changes to legislation, national standards, or other external factors which alter the nature or extent of services provided by Council. This assumption may need to be reviewed at the end of 2015 when the State Government releases details of its proposed changes to the Local Government Act.

1.4.6 Interest Rates

Council borrowed \$2.1m in June 2012 [5.62%], and has a 7 year fixed interest loan of \$3.8m which will be settled in May 2016 [8.64% p.a.]. During 2014/15 Council will be borrowing \$1.6m at a fixed rate of approximately 5.97% over 10 years to fund the accelerated footpath program.

Interest on unrestricted cash invested is estimated at 4.0% pa.

1.4.7 Depreciation and Useful Lives

Estimates are based on Council's accounting policies and useful lives as stated in Council's Asset Management Plans.

Future revaluations will have an impact on infrastructure remaining lives as well as future depreciation charges and therefore the Building & Infrastructure Renewal ratio. This plan does not anticipate significant valuation movements that would significantly change depreciation charges on infrastructure.

1.4.8 Outsourcing

Where Council outsources physical works and professional services, it is assumed this practice will continue over the life of the plan. There are no plans to alter the current mix of in house / outsourced delivered services.

1.4.9 Asset Renewal

There is a risk of deferred maintenance resulting in additional funding requirements and/or reduced service levels.

The estimates used in the LTFP correspond with the Asset Management Plans.

1.4.10 Changes to Planned Service Levels

Where changes to services levels are anticipated, the Council assumes that any services not provided for, or not fully provided for in the Community Plan will be considered by the Council in the future, and in a manner that is consistent with the requirements of the Local Government Act.

In doing so it is assumed that the capacity of the Council to fund these services will be assessed against the key financial management ratios and financial policy framework stated in this plan.

1.4.11 Rate-Pegging

The Independent Pricing and Regulatory Tribunal of New South Wales (IPART) determines the rate peg that applies to Council's general income.

IPART determines the rate peg that will apply to all councils for the year using a Local Government Cost Index. This Index attempts to calculate the changes in the operational costs of councils in New South Wales.

The rate peg percentage is then calculated by subtracting a determined productivity factor for councils from the Local Government Cost Index.

The rate peg for 2015/16 is calculated by:

- Taking the increase in the Local Government Cost Index (LGCI) for the year to September 2014 of 2.47%.
- Deducting a productivity factor of 0.04%, and
- Rounding adjustment of 0.03%

The following table provides the history of rate-pegs.

Year	Rate Peg
2015-2016	2.4%
2014-2015	2.3%
2013-2014	3.4%
2012-2013	3.6%
2011-2012	2.8%
2010-2011	2.6%
2009-2010	3.5%
2008-2009	3.2%
2007-2008	3.4%
2006-2007	3.6%
2005-2006	3.5%

On 2 December 2014, IPART announced that the rate peg to apply in the 2015/16 financial year will be 2.4%.

1.4.12 Rates Growth

Given the low level of expected growth in population and the already higher than average density levels, rates growth has been based on a forecasted 70 new strata plan assessments per annum. An additional 0.1% in rates growth has been used in the LTFP.

1.4.13 Stormwater Management Charge

The Stormwater Management Charge was introduced in the 2007-08 financial year to establish a sustainable funding source for providing improved stormwater management across the Local Government Area. This charge does not form part of Council's General Rate.

The amount chargeable has been prescribed under the Local Government Act with no scope for adjustments in line with inflation or any other costs. It is assumed the charge will remain in place for each year of the LTFP and it is forecasted the funds raised will only increase in line with the growth in the number of new assessments i.e. rates growth.

1.4.14 Inflation - CPI

The following table provides the consumer price index as forecasted by Global Market Research – Commonwealth Bank (November 2014):

Inflation Year	Consumer Price Index
2015-2016	3.00%
2016-2017	2.50%
2017-2018	2.50%
2018-2019	2.50%
2019-2020	2.50%
2020-2021	2.50%
2021-2022	2.50%
2022-2023	2.50%
2023-2024	2.50%
2024-2025	2.50%

The correlation between the CPI and the rate-peg, although not perfect, minimises the impact of increases in costs. Therefore the relativity between the estimate of rate-peg increases and Inflation - CPI is more important than estimating the likely movement in costs such as electricity and gas charges.

In the current LTFP a rate of 2.5% has been used for all years.

1.4.15 Section 94 Contributions

As the timing of the receipt of Section 94 contributions is outside Council's control and the fact that Section 94 contributions must be used for specific purposes, Section 94 contributions have been excluded from the LTFP. Given the nature of the LGA, Council receives very low levels of S94 funding on a relative basis.

1.4.16 Employee Costs and Superannuation

The Federal Government recently introduced changes that increase the superannuation guarantee rate (charge percentage) from 9% to 12%. The current contribution rate of 9.5% is eventually increased to 12% by 2025/26.

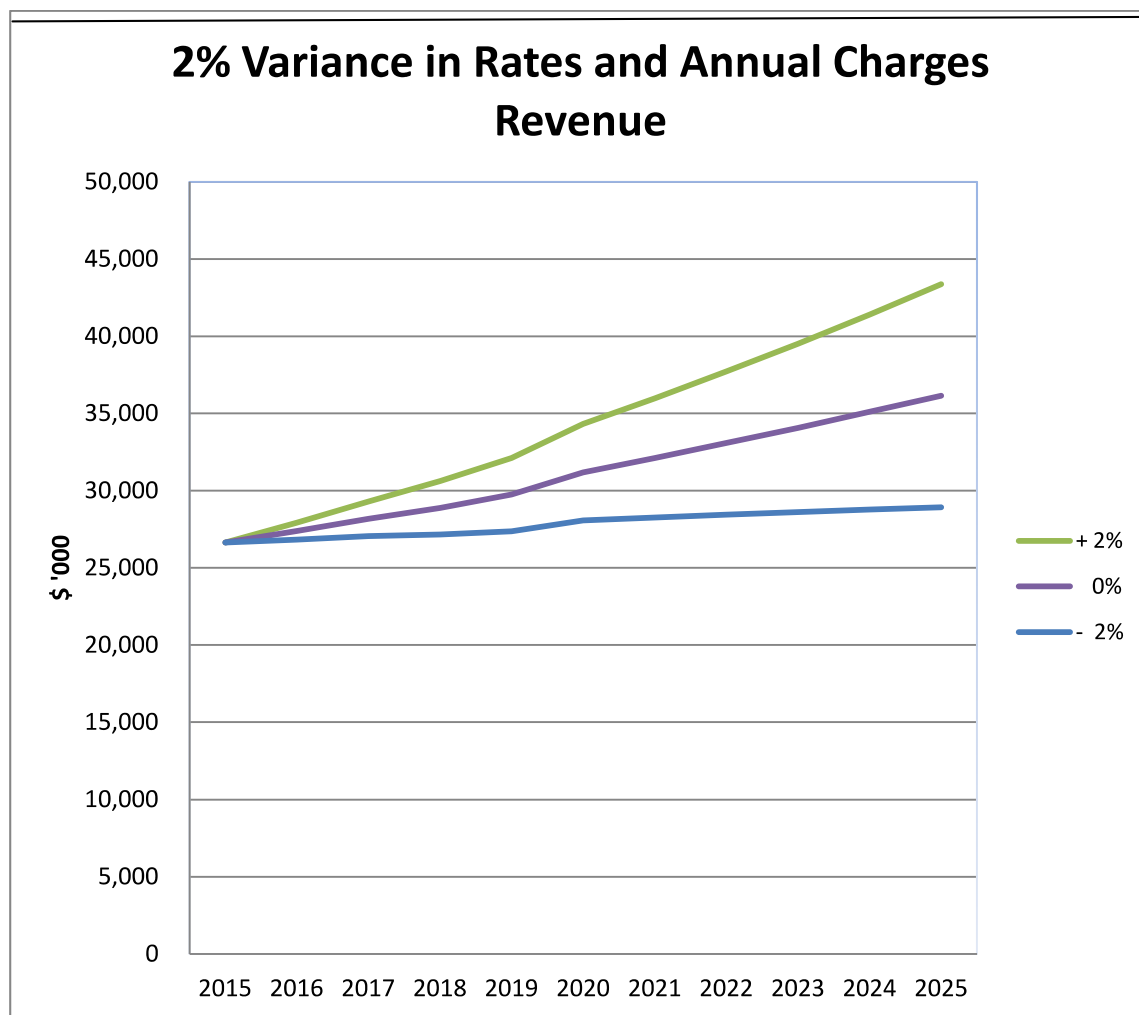
The LTFP has used an annual increase of 3.5% for employee costs. This rate includes general award increases plus performance increases.

1.5 SENSITIVITY ANALYSIS

1.5.1 Rate and Annual Charges Revenue

The following graph demonstrates the sensitivity of the assumption that rates and annual charges will increase at 3.0% per annum.

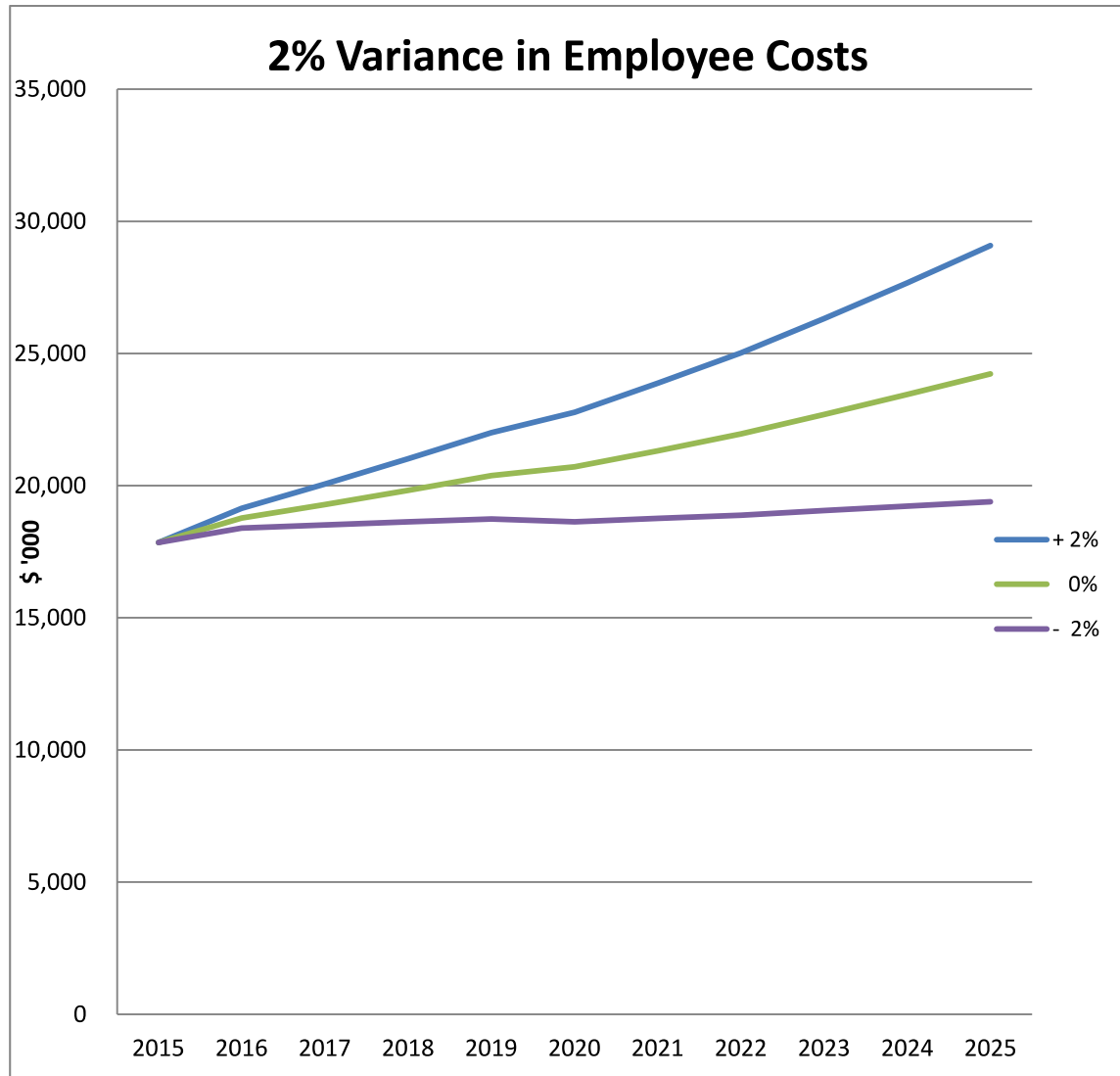
The key finding is that a difference of 2% in the rate peg per year accumulates and after 10 years has a \$7.2m impact on Council's rates and annual charges revenue.



1.5.2 Employee Costs

The following graph demonstrates the sensitivity of the assumption that employee costs will increase at 3.5% per annum.

The value of 3.5% is a combination of award increases, competency / performance increases and changes in staff levels. The key finding is that a difference of 2% accumulates and after 10 years has a \$4.8m impact on Council's overall employee costs.



1.6 SCENARIO 1 - Extrapolation of Council's Current Activities (Base Case)

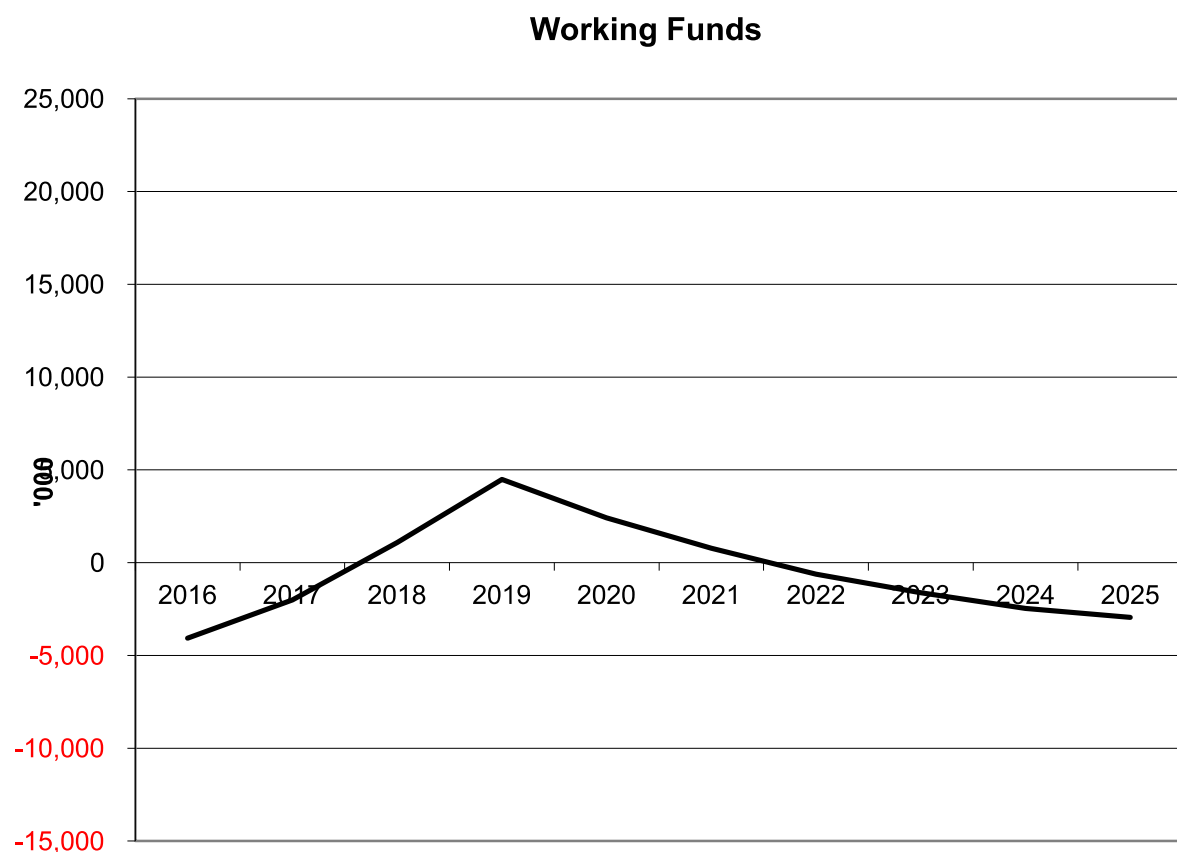
1.6.1 Description

Scenario 1 is an extrapolation of Council's current activities over the next 10 years. With this model Council maintains the current level of capital expenditure, without raising any additional revenue for new services or capital works.

In this model, Council's expenditure on capital works is averaged around \$3.5m. This produces a Building & Infrastructure Renewals ratio of about 57%.

1.6.2 Outcome

Council's working funds position is increasing in 2019 to \$4,488k and subsequently decreasing and moving downwards. This clearly shows that Council is unable to continue to meet current service levels in the long term without additional sources of revenue.



1.6.3 Review of KPI's

KPI	Benchmark	Rating
Operating Performance Ratio	0%	Average ratio of -1.0%, which is below the bench mark level of 0%. However this ratio is trending upwards and moving in to the positive territory in 2020 and beyond. It should be noted that these outer years of the plan are less reliable in terms of budget forecasts.
Own Source Operating Revenue Ratio	60%	Average ratio is 94%, which above the benchmark level of 60%. This is due to Council's lower level of reliance on grant funding and contributions.
Unrestricted Current Ratio	1.50	Average ratio of 2.10, which is above the bench mark level of 1.50
Working Funds		Unsatisfactory and moving towards an unsustainable position.
Working Funds Ratio		Unsatisfactory and moving into an unsustainable position without any additional infusion of new revenue source.
Debt Service Ratio (Principal & Interest)	5%	Average ratio of 2.1%, which is below the benchmark level of 5%.
Building & Infrastructure Renewals Ratio	100%	Average ratio of 57%, which is well below the benchmark level of 100%. Additional capital funding is required to be channelled towards capital renewals program to improve this ratio.
Capital Expenditure Ratio	110%	Average ratio of 68% which is below the benchmark level of 110%. Additional funding needs to be channelled to the capital works program in order to improve this ratio.

1.6.4 Funding Summary

Long Term Financial Model - Funding Summary - Scenario 1 - Without SRV Scenario

	year ending 30 June										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Revenue											
Rates & annual charges	27,380	28,180	28,885	29,745	31,192	32,125	33,086	34,076	35,095	36,145	
User charges & fees	3,770	3,920	4,077	4,240	4,367	4,498	4,633	4,772	4,915	5,063	
Interest	911	947	984	1,023	600	600	600	600	600	600	
Other revenue	2,096	2,180	2,267	2,357	2,428	2,501	2,576	2,653	2,732	2,814	
Gain from Sale of Assets	73	73	73	74	0	0	0	0	0	0	
Grants/contributions - Operating	2,244	2,139	2,166	2,193	2,259	2,327	2,396	2,468	2,542	2,619	
Grants/contributions - Capital	154	160	166	173	178	184	189	195	201	207	
Total Revenue	36,628	37,599	38,618	39,805	41,024	42,234	43,480	44,764	46,086	47,447	
Expenses											
Employee Benefits & On Costs	18,769	19,288	19,822	20,372	20,705	21,316	21,950	22,687	23,448	24,232	
Borrowing Costs	511	155	134	113	91	68	42	20	8	0	
Materials & Contracts	9,796	10,114	9,503	9,812	10,151	10,503	10,867	11,243	11,633	12,036	
Depreciation & Amortisation	4,901	4,950	4,999	5,049	5,124	5,201	5,279	5,358	5,438	5,519	
Other Expenses	4,653	4,678	4,963	4,728	4,752	4,776	5,060	4,824	4,848	4,872	
Total Expenses	38,630	39,185	39,421	40,074	40,823	41,864	43,198	44,132	45,375	46,659	
Operating Surplus (Deficit)	-2,002	-1,586	-803	-269	201	369	282	632	711	788	
Non-Cash Transactions											
Annual Depreciation	4,901	4,950	4,999	5,049	5,124	5,201	5,279	5,358	5,438	5,519	
Gain from Sale of Assets	-73	-73	-73	-74	0	0	0	0	0	0	
	4,828	4,877	4,926	4,975	5,124	5,201	5,279	5,358	5,438	5,519	
Adjusted Operating Surplus (Deficit)	2,826	3,291	4,123	4,706	5,325	5,570	5,561	5,990	6,149	6,307	
Sources of Funds											
Proceeds from Sale of Plant & Vehicles	224	224	224	224	0	0	0	0	0	0	
New Loan Funds	0	0	0	0	0	0	0	0	0	0	
s94 - Funding of Capital Works	2,098	0	0	0	0	0	0	0	0	0	
Transfer from Restrictions	1,900	0	260	0	0	0	260	0	0	0	
	4,222	224	484	224	0	0	260	0	0	0	
Uses of Funds											
Principal Loan Repayments	4,269	338	357	378	400	425	445	195	207	0	
Capital Works Program incl Plant & Vehicles	5,229	1,102	1,114	1,126	3,162	3,199	3,237	3,274	3,312	3,351	
Capitalised Expenditure	762	728	732	735	735	735	735	735	735	735	
Decrease / (Increase) in ELE Provisions	-818	-818	-818	-818	-940	-973	-1,007	-1,042	-1,078	-1,116	
Transfer to Restrictions	115	115	115	115	4,034	3,815	3,815	3,824	3,824	3,824	
	9,557	1,465	1,500	1,536	7,392	7,202	7,225	6,987	7,001	6,794	
Net Budget Funding Surplus	-2,509	2,050	3,107	3,394	-2,066	-1,631	-1,403	-997	-852	-487	

1.6.5 Balance Sheet

Long Term Financial Model - Balance Sheet - Scenario 1 - Without SRV Scenario

	year ending 30 June										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Current Assets											
Cash and cash equivalents	9,738	11,904	14,866	18,376	20,343	22,526	24,678	27,502	30,474	33,811	
Receivables	2,231	2,231	2,231	2,231	2,231	2,231	2,231	2,231	2,231	2,231	
Stores and Materials	37	37	37	37	37	37	37	37	37	37	
Other Current Assets	175	175	175	175	175	175	175	175	175	175	
Total Current Assets	12,181	14,347	17,309	20,819	22,786	24,969	27,121	29,945	32,917	36,254	
Non-Current Assets											
Investments	242	242	242	242	242	242	242	242	242	242	
Receivables	172	172	172	172	172	172	172	172	172	172	
Infrastructure, Property, Plant & Equipment	278,655	275,384	272,080	268,742	267,515	266,249	264,941	263,592	262,202	260,769	
Other Non-Current Assets	0	0	0	0	0	0	0	0	0	0	
Total Non-Current Assets	279,069	275,798	272,494	269,156	267,929	266,663	265,355	264,006	262,616	261,183	
Total Assets	291,250	290,145	289,803	289,975	290,715	291,632	292,476	293,951	295,533	297,437	
Current Liabilities											
Payables	5,570	5,570	5,570	5,570	5,570	5,570	5,570	5,570	5,570	5,570	
Borrowings	338	357	378	400	425	445	195	207	0	0	
Provisions	5,307	6,126	6,944	7,762	8,702	9,675	10,681	11,723	12,801	13,917	
Total Current Liabilities	11,215	12,053	12,892	13,732	14,697	15,690	16,446	17,500	18,371	19,487	
Non-Current Liabilities											
Payables	0	0	0	0	0	0	0	0	0	0	
Borrowings	2,410	2,054	1,675	1,275	850	405	210	0	0	0	
Provisions	130	130	130	130	130	130	130	130	130	130	
Total Non-Current Liabilities	2,540	2,184	1,805	1,405	980	535	340	130	130	130	
Total Liabilities	13,755	14,237	14,697	15,137	15,677	16,225	16,786	17,630	18,501	19,617	
Net Assets	277,495	275,908	275,106	274,838	275,038	275,407	275,690	276,322	277,032	277,820	
Equity											
Retained earnings and reserves	279,497	277,495	275,909	275,106	274,837	275,038	275,408	275,690	276,322	277,033	
YTD Surplus (Deficit)	-2,002	-1,586	-803	-269	201	369	282	632	711	788	
Total Equity	277,495	275,909	275,106	274,837	275,038	275,408	275,690	276,322	277,033	277,821	

1.6.6 Statement of Cashflow

Long Term Financial Model - Cashflow - Scenario 1 - Without SRV Scenario											
	year ending 30 June										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Cashflow from Operations											
Operating Surplus (Deficit)	-2,002	-1,586	-803	-269	201	369	282	632	711	788	
Depreciation	4,901	4,950	4,999	5,049	5,124	5,201	5,279	5,358	5,438	5,519	
Gain on Sale	-73	-73	-73	-74	0	0	0	0	0	0	
Movement in ELE Provisions	818	818	818	818	940	973	1,007	1,042	1,078	1,116	
Net Cashflow from Operations	3,644	4,109	4,941	5,524	6,265	6,543	6,568	7,031	7,227	7,423	
Cashflow from Investing Activities											
Purchasing Investments	0	0	0	0	0	0	0	0	0	0	
Acquisition of Assets	-5,991	-1,830	-1,846	-1,861	-3,897	-3,934	-3,972	-4,009	-4,047	-4,086	
Proceeds Sale of Assets	224	224	224	224	0	0	0	0	0	0	
Net Cashflow from Investing Activities	-5,767	-1,606	-1,622	-1,637	-3,897	-3,934	-3,972	-4,009	-4,047	-4,086	
Cashflow from Financing Activities											
Funds moved from Reserves	0	0	0	0	0	0	0	0	0	0	
Loan Proceeds	0	0	0	0	0	0	0	0	0	0	
Loan Repayments	-4,269	-338	-357	-378	-400	-425	-445	-195	-207	0	
Net Cashflow from Financing Activities	-4,269	-338	-357	-378	-400	-425	-445	-195	-207	0	

1.6.7 KPI's

Long Term Financial Model - KPI - Scenario 1 - Without SRV Scenario

	year ending 30 June									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating Performance Ratio	-5.91%	-4.66%	-2.52%	-1.12%	0.06%	0.44%	0.22%	0.98%	1.11%	1.23%
Own Source Operating Revenue Ratio	93.45%	93.89%	93.96%	94.06%	94.06%	94.06%	94.05%	94.05%	94.05%	94.05%
Unrestricted Current Ratio	1.11	1.42	1.84	2.33	2.25	2.20	2.23	2.27	2.41	2.54
Working Funds	-4,065	-2,014	1,093	4,488	2,421	789	-614	-1,614	-2,466	-2,953
Working Funds Ratio	-11.10%	-5.36%	2.83%	11.27%	5.90%	1.87%	-1.41%	-3.61%	-5.35%	-6.22%
Debt Service Ratio (Principal & Interest)	13.13%	1.32%	1.28%	1.24%	1.20%	1.17%	1.12%	0.48%	0.47%	0.00%
Building & Infrastructure Renewals Ratio	73.43%	24.10%	24.11%	24.11%	70.58%	70.37%	70.17%	69.96%	69.76%	69.56%
Capital Expenditure Ratio	122.24%	36.97%	36.93%	36.86%	76.06%	75.64%	75.23%	74.83%	74.43%	74.04%

1.6.8 Conclusion

A KPI review indicates that this scenario will not be a sustainable model into the future due to Council being unable to meet KPI benchmark levels on ratios such as Operating Performance Ratio, Working Funds Ratio, Building and Infrastructure Ratio and Capital Expenditure Ratio.

Operating Performance Ratio

This ratio measures a Council's achievements of containing operating expenditure within operating revenue. It is important to distinguish that this ratio is focusing on operating performance and hence capital grants and contributions, fair value adjustments and reversal or revaluation decrements are excluded. The Benchmark is greater than 0% and Ashfield Council averaged -1.0% under this model.

Own Source Operating Revenue Ratio

This ratio measures financial flexibility, it is the degree of reliance on external funding sources such as operating grants and contributions. A Council's financial flexibility improves the higher the level of its own source of revenue. The Benchmark is greater than 60% and Council averaged 94% under this model.

Unrestricted Current Ratio

The Unrestricted Current Ratio is specific to local government and is designed to represent a Council's ability to meet short term obligations as they fall due. Restrictions placed on various funding sources (i.e Section 94 developer contributions) complicate traditional current ratios used to assess liquidity of a business. The Benchmark is greater than 1.5 and Council averaged 2.1 under this model.

Debt Service Ratio

This ratio measures the availability of operating cash to service debt including interest and principal and lease payments. The Benchmark is less than 5% and Council averaged 2.1% under this model.

Building and Infrastructure Ratio

This ratio assesses the rate at which infrastructure assets are being renewed relative to the rate at which they are depreciated. The Benchmark is greater than 100% and Council averaged 57% under this model indicating that more spending is required on infrastructure renewals.

Capital Expenditure Ratio.

This ratio assesses the extent the Council is expanding its asset base through capital expenditure on both new assets and the replacement and renewals of existing assets. The Benchmark is greater than 110% and Council averaged 68% under this model.

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1.7 SCENARIO 2 – Full Special Rate Variation Approved

1.7.1 Description

Scenario 1 assumes that IPART approves in full Council's application for a Special Rate Variation to commence from the 2015/16 financial year.

Scenario 1 assumes the business as usual scenario with the addition of increases in infrastructure spending as follows.

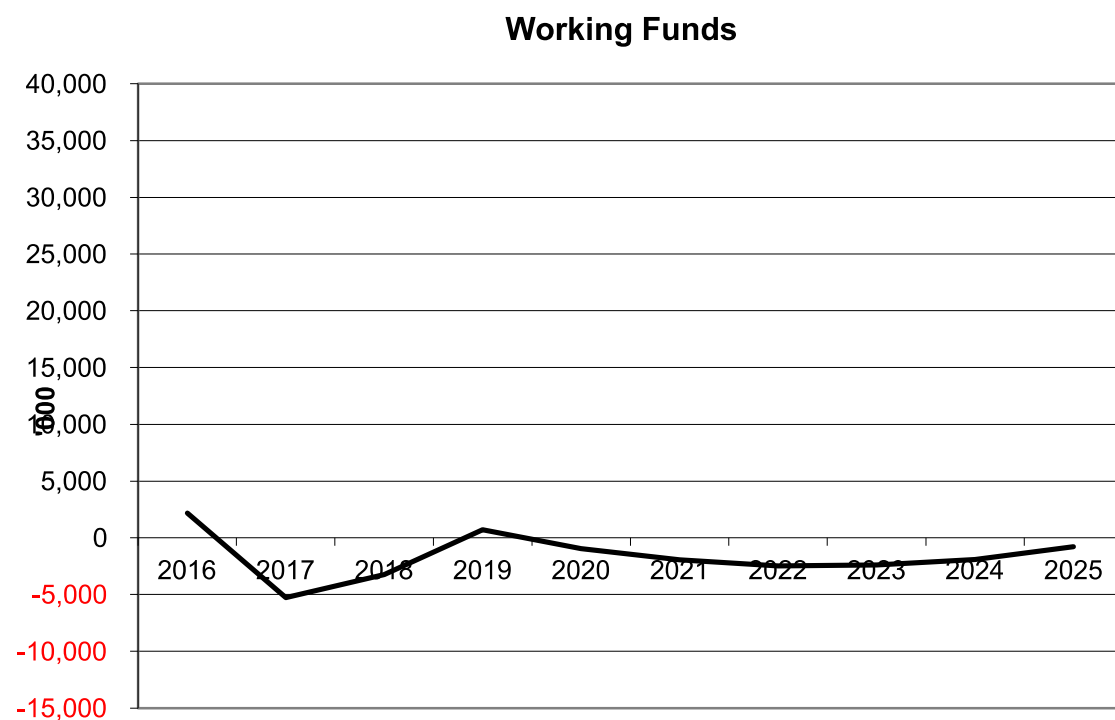
- Redevelopment of the Ashfield Aquatic Centre at a cost of \$7m in 2015/16 and \$7m in 2016/17.
- Servicing of a loan to fund the project costs for the Aquatic Centre Redevelopment over each year of the plan.
- An additional \$2.7m per annum in infrastructure renewals (\$1.1m on Roads / Footpath, \$1.0m on Buildings, \$0.1m on Stormwater and \$0.5m on Parks)

The borrowing of \$14m for the redevelopment will have an impact on Council's borrowing capacity and capital renewals ratios.

In this model, Council's expenditure on capital works is averaged around \$8.0m over the 10 year period.

1.7.2 Outcome

Council's working funds position is declining to -\$5.3m in 2017, this is due to completion of the Aquatic Centre redevelopment project in 2 years. After the completion of this project, the working funds position is improving to a positive territory in 2019 and then declining from 2020 onwards.



1.7.3 Review of KPI's

KPI	Benchmark	Rating
Operating Performance Ratio	0%	The operating performance ratio improves over each year of the plan, moving above the benchmark in 2018 onwards.
Own Source Operating Revenue Ratio	60%	Average ratio is 95%, which is above the benchmark level of 60%. This is due to Council's lower level of reliance on grant funding and contributions.
Unrestricted Current Ratio	1.50	Average ratio of 1.60, which is above the benchmark level of 1.50. This shows Council is in a favourable financial position to meet its working capital to fulfil its obligations in the short term for unrestricted activities.
Working Funds		Unsatisfactory.
Working Funds Ratio		Unsatisfactory.
Debt Service Ratio (Principal & Interest)	5%	Average ratio of 6%, which is above the benchmark level of 5%. However peaking in 2016 due to repayment of a loan and trending lower below the benchmark level thereafter.
Building & Infrastructure Renewals Ratio	100%	Average ratio of 126%, which is above the benchmark level of 100%. Under this scenario Council is spending more funds towards its infrastructure assets renewals.
Capital Expenditure Ratio	110%	Average ratio of 155%, peaking in the early years with the Aquatic centre Redevelopment.

1.7.4 Funding Summary

Long Term Financial Model - Funding Summary - Scenario 2 - With SRV Scenario

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue										
Rates & annual charges	28,376	30,298	32,408	34,932	36,425	37,517	38,642	39,801	40,994	42,223
User charges & fees	3,770	3,920	4,077	4,240	4,367	4,498	4,633	4,772	4,915	5,063
Interest	911	947	984	1,023	1,054	1,085	1,118	1,151	1,186	1,222
Other revenue	2,096	2,180	2,267	2,357	2,428	2,501	2,576	2,653	2,732	2,814
Gain from Sale of Assets	73	73	73	74	0	0	0	0	0	0
Grants/contributions - Operating	2,244	2,139	2,166	2,193	2,259	2,327	2,396	2,468	2,542	2,619
Grants/contributions - Capital	154	160	166	173	178	184	189	195	201	207
Total Revenue	37,624	39,717	42,141	44,992	46,711	48,111	49,554	51,040	52,571	54,147
Expenses										
Employee Benefits & On Costs	18,769	19,288	19,822	20,372	20,705	21,316	21,950	22,687	23,448	24,232
Borrowing Costs	1,215	801	719	634	544	450	349	248	152	57
Materials & Contracts	9,902	10,221	9,612	9,921	10,264	10,620	10,988	11,368	11,762	12,169
Depreciation & Amortisation	4,901	4,950	4,999	5,049	5,124	5,201	5,279	5,358	5,438	5,519
Other Expenses	4,653	4,678	4,963	4,728	4,752	4,776	5,060	4,824	4,848	4,872
Total Expenses	39,440	39,938	40,115	40,704	41,389	42,363	43,626	44,485	45,648	46,849
Operating Surplus (Deficit)	-1,816	-221	2,026	4,288	5,322	5,748	5,928	6,555	6,923	7,298
Non-Cash Transactions										
Annual Depreciation	4,901	4,950	4,999	5,049	5,124	5,201	5,279	5,358	5,438	5,519
Gain from Sale of Assets	-73	-73	-73	-74	0	0	0	0	0	0
	4,828	4,877	4,926	4,975	5,124	5,201	5,279	5,358	5,438	5,519
Adjusted Operating Surplus (Deficit)	3,012	4,656	6,952	9,263	10,446	10,949	11,207	11,913	12,361	12,817
Sources of Funds										
Proceeds from Sale of Plant & Vehicles	224	224	224	224	0	0	0	0	0	0
New Loan Funds	14,000	0	0	0	0	0	0	0	0	0
s94 - Funding of Capital Works	2,098	0	0	0	0	0	0	0	0	0
Transfer from Restrictions	1,900	0	260	0	0	0	260	0	0	0
	18,222	224	484	224	0	0	260	0	0	0
Uses of Funds										
Principal Loan Repayments	5,368	1,495	1,575	1,660	1,750	1,846	1,941	1,770	1,865	1,746
Capital Works Program incl Plant & Vehicles	14,929	10,802	3,814	3,826	6,526	6,526	6,526	6,526	6,526	6,526
Capitalised Expenditure	762	728	731	735	735	735	735	735	735	735
Decrease / (Increase) in ELE Provisions	-818	-818	-818	-818	-940	-973	-1,007	-1,042	-1,078	-1,116
Transfer to Restrictions	115	115	115	115	4,034	3,815	3,815	3,824	3,824	3,824
	20,356	12,322	5,417	5,518	12,105	11,949	12,010	11,814	11,872	11,715
Net Budget Funding Surplus	878	-7,442	2,019	3,969	-1,659	-1,001	-543	100	489	1,102

Long Term Financial Model - Balance Sheet - Scenario 2 - With SRV Scenario

	year ending 30 June										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Current Assets											
Cash and cash equivalents	15,966	8,641	10,515	14,600	16,975	19,789	22,801	26,721	31,034	35,960	
Receivables	2,231	2,231	2,231	2,231	2,231	2,231	2,231	2,231	2,231	2,231	
Stores and Materials	37	37	37	37	37	37	37	37	37	37	
Other Current Assets	175	175	175	175	175	175	175	175	175	175	
Total Current Assets	18,409	11,084	12,958	17,043	19,418	22,232	25,244	29,164	33,477	38,403	
Non-Current Assets											
Investments	242	242	242	242	242	242	242	242	242	242	
Receivables	172	172	172	172	172	172	172	172	172	172	
Infrastructure, Property, Plant & Equipment	288,355	294,784	294,179	293,541	295,678	297,738	299,720	301,623	303,446	305,188	
Other Non-Current Assets	0	0	0	0	0	0	0	0	0	0	
Total Non-Current Assets	288,769	295,198	294,593	293,955	296,092	298,152	300,134	302,037	303,860	305,602	
Total Assets	307,178	306,282	307,551	310,998	315,510	320,384	325,378	331,201	337,337	344,005	
Current Liabilities											
Payables	5,570	5,570	5,570	5,570	5,570	5,570	5,570	5,570	5,570	5,570	
Borrowings	1,495	1,575	1,660	1,750	1,846	1,941	1,770	1,865	1,746	0	
Provisions	5,307	6,126	6,944	7,762	8,702	9,675	10,681	11,723	12,801	13,917	
Total Current Liabilities	12,372	13,271	14,174	15,082	16,118	17,186	18,021	19,158	20,117	19,487	
Non-Current Liabilities											
Payables	0	0	0	0	0	0	0	0	0	0	
Borrowings	14,154	12,581	10,920	9,170	7,325	5,384	3,614	1,746	0	0	
Provisions	130	130	130	130	130	130	130	130	130	130	
Total Non-Current Liabilities	14,284	12,711	11,050	9,300	7,455	5,514	3,744	1,876	130	130	
Total Liabilities	26,656	25,982	25,224	24,382	23,573	22,700	21,765	21,034	20,247	19,617	
Net Assets	280,522	280,300	282,327	286,616	291,937	297,684	303,613	310,167	317,090	324,389	
Equity											
Retained earnings and reserves	282,338	280,522	280,301	282,327	286,615	291,937	297,685	303,613	310,168	317,091	
YTD Surplus (Deficit)	-1,816	-221	2,026	4,288	5,322	5,748	5,928	6,555	6,923	7,298	
Total Equity	280,522	280,301	282,327	286,615	291,937	297,685	303,613	310,168	317,091	324,389	

1.7.6 Statement of Cashflow

Long Term Financial Model - Cashflow - Scenario 2 - With SRV Scenario											
	year ending 30 June										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Cashflow from Operations											
Operating Surplus (Deficit)	-1,816	-221	2,026	4,288	5,322	5,748	5,928	6,555	6,923	7,298	
Depreciation	4,901	4,950	4,999	5,049	5,124	5,201	5,279	5,358	5,438	5,519	
Gain on Sale	-73	-73	-73	-74	0	0	0	0	0	0	
Movement in ELE Provisions	818	818	818	818	940	973	1,007	1,042	1,078	1,116	
Net Cashflow from Operations	3,830	5,474	7,770	10,081	11,386	11,921	12,214	12,955	13,439	13,933	
Cashflow from Investing Activities											
Purchasing Investments	0	0	0	0	0	0	0	0	0	0	
Acquisition of Assets	-15,691	-11,530	-4,545	-4,561	-7,261	-7,261	-7,261	-7,261	-7,261	-7,261	
Proceeds Sale of Assets	224	224	224	224	0	0	0	0	0	0	
Net Cashflow from Investing Activities	-15,467	-11,306	-4,321	-4,337	-7,261	-7,261	-7,261	-7,261	-7,261	-7,261	
Cashflow from Financing Activities											
Funds moved from Reserves (net)	0	0	0	0	0	0	0	0	0	0	
Loan Proceeds	14,000	0	0	0	0	0	0	0	0	0	
Loan Repayments	-5,368	-1,495	-1,575	-1,660	-1,750	-1,846	-1,941	-1,770	-1,865	-1,746	
Net Cashflow from Financing Activities	8,632	-1,495	-1,575	-1,660	-1,750	-1,846	-1,941	-1,770	-1,865	-1,746	
Cashflow											
Net Cashflow	-3,005	-7,327	1,874	4,084	2,375	2,814	3,012	3,924	4,313	4,926	
Opening Balance	19,213	16,210	8,883	10,758	14,842	17,217	20,031	23,039	26,964	31,277	
Cash at End of the Period	16,208	8,883	10,757	14,842	17,217	20,031	23,043	26,963	31,276	36,202	

1.7.7 KPI's

Long Term Financial Model - KPI - Scenario 2 - With SRV Scenario										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating Performance Ratio	-5.26%	-0.96%	4.43%	9.18%	11.05%	11.61%	11.63%	12.51%	12.84%	13.15%
Own Source Operating Revenue Ratio	93.63%	94.21%	94.47%	94.74%	94.78%	94.78%	94.78%	94.78%	94.78%	94.78%
Unrestricted Current Ratio	1.72	0.81	1.03	1.50	1.47	1.49	1.58	1.73	1.98	2.87
Working Funds	2,163	-5,277	-3,258	712	-947	-1,948	-2,491	-2,395	-1,906	-804
Working Funds Ratio	5.75%	-13.29%	-7.73%	1.58%	-2.03%	-4.05%	-5.03%	-4.69%	-3.63%	-1.48%
Debt Service Ratio (Principal & Interest	17.60%	5.82%	5.47%	5.13%	4.93%	4.79%	4.64%	3.97%	3.85%	3.34%
Building & Infrastructure Renewals Ratio	138.70%	88.60%	87.86%	87.12%	147.92%	145.74%	143.59%	141.48%	139.39%	137.34%
Capital Expenditure Ratio	320.16%	232.93%	90.92%	90.33%	141.71%	139.61%	137.54%	135.52%	133.52%	131.56%

1.7.8 Conclusion

This scenario indicates a reasonably healthy overall financial position with the exception of the working funds position and working funds ratio, which are declining.

Operating Performance Ratio

This ratio measures a Council's achievements of containing operating expenditure within operating revenue. It is important to distinguish that this ratio is focusing on operating performance and hence capital grants and contributions, fair value adjustments and reversal or revaluation decrements are excluded. The Benchmark is greater than 0% and Council averaged 8% under this model.

Own Source Operating Revenue Ratio

This ratio measures financial flexibility, it is the degree of reliance on external funding sources such as operating grants and contributions. A Council's financial flexibility improves the higher the level of its own source of revenue. The Benchmark is greater than 60% and Council averaged 95% under this model.

Unrestricted Current Ratio

The Unrestricted Current Ratio is specific to local government and is designed to represent a Council's ability to meet short term obligations as they fall due. Restrictions placed on various funding sources (i.e Section 94 developer contributions) complicate traditional current ratios used to assess liquidity of a business. The Benchmark is greater than 1.5 and Council averaged 1.6 under this model.

Debt Service Ratio

This ratio measures the availability of operating cash to service debt including interest and principal and lease payments. The Benchmark is less than 5% and Council averaged 6% under this model.

Building and Infrastructure Ratio

This ratio assesses the rate at which infrastructure assets are being renewed relative to the rate at which they are depreciated. The Benchmark is greater than 100% and Council averaged 126% under this model.

Capital Expenditure Ratio.

This ratio assesses the extent the Council is expanding its asset base through capital expenditure on both new assets and the replacement and renewals of existing assets. The Benchmark is greater than 110% and Council averaged 155% under this model.

1.8 SCENARIO 3 – Partial SRV (includes Infrastructure component without the Aquatic Centre redevelopment)

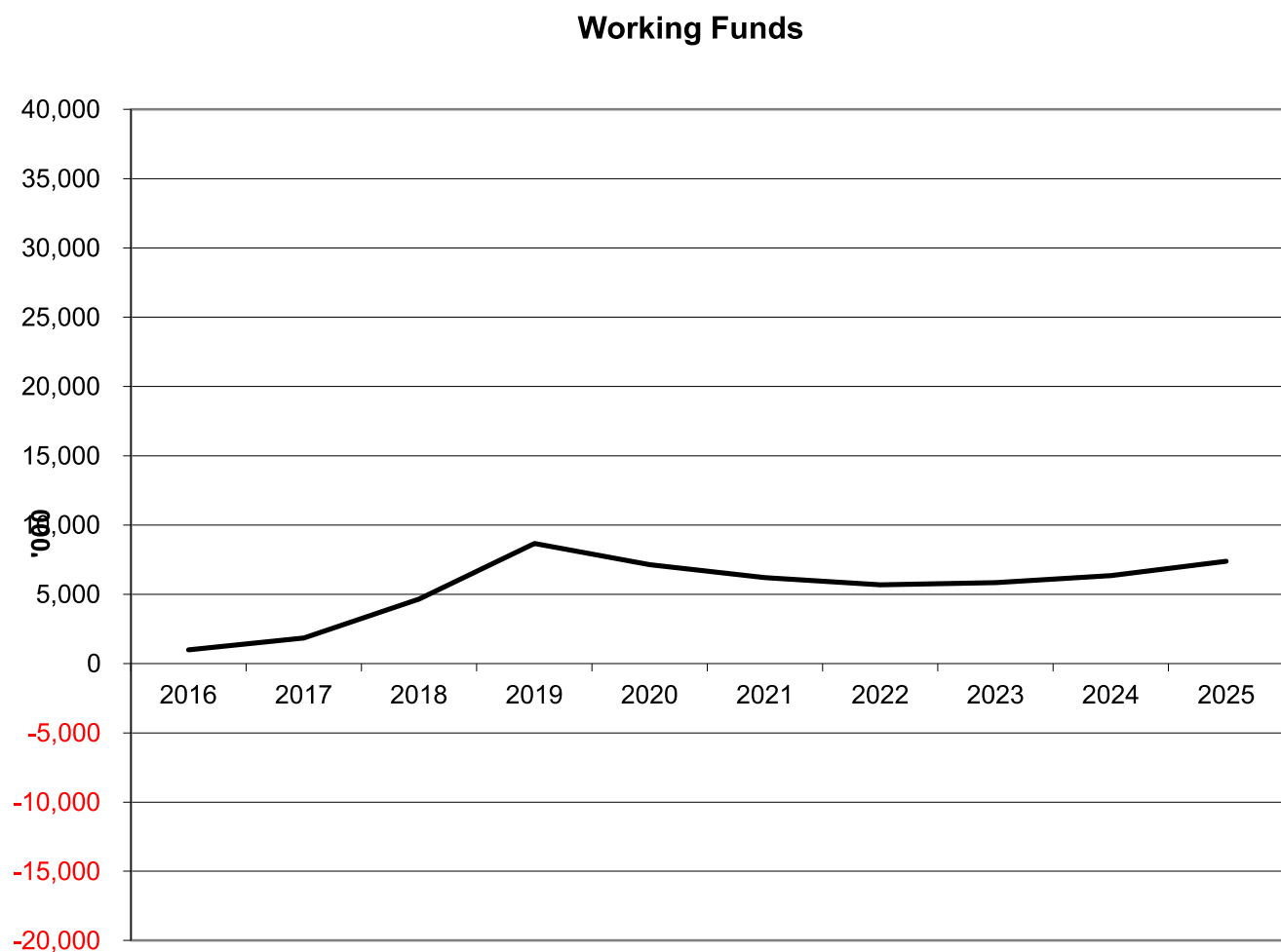
1.8.1 Description

Scenario 3 is an extrapolation of Council's current activities over the next 10 years and models a partial SRV (\$2.7m in additional capital expenditure projects each year) to maintain infrastructure assets in line with the community's expected / desired service levels.

In this model, Council's expenditure on capital works is assumed around \$6.1m. This produces a Building & Infrastructure Renewals ratio of about 116%.

1.8.2 Outcome

Council's working funds position is improving to a healthy position, this is due to timing of completing \$2.7m infrastructure projects.



1.8.3 Review of KPI's

KPI	Benchmark	Rating
Operating Performance Ratio	0%	Average ratio of 6.40%, which is above the benchmark level of 0%. This ratio is trending upwards from year 2018 onwards.
Own Source Operating Revenue Ratio	60%	Average ratio is 94%, which is above the benchmark level of 60%. This is due to Council's lower level of reliance on grant funding and contributions.
Unrestricted Current Ratio	1.50	Average ratio of 2.90, which is above the benchmark level of 1.50. This shows Council is in a healthy position to meet its obligations in the short term for unrestricted activities.
Working Funds		Satisfactory and trending upwards.
Working Funds Ratio		Satisfactory and trending upwards.
Debt Service Ratio (Principal & Interest)	5%	Average ratio of 2.1%, which is below the benchmark level of 5%.
Building & Infrastructure Renewals Ratio	100%	Average ratio of 116%, which is above the benchmark level of 100%. This ratio shows that Council is spending more funds towards its infrastructure asset renewals.
Capital Expenditure Ratio	110%	Average ratio of 119% which is above the benchmark level of 110%.

Long Term Financial Model - Funding Summary - Scenario 3 - With partial SRV Scenario

	year ending 30 June										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Revenue											
Rates & annual charges	28,271	29,808	31,435	33,160	34,154	35,178	36,232	37,319	38,438	39,590	
User charges & fees	3,770	3,920	4,077	4,240	4,367	4,498	4,633	4,772	4,915	5,063	
Interest	911	947	984	1,023	1,054	1,085	1,118	1,151	1,186	1,222	
Other revenue	2,096	2,180	2,267	2,357	2,428	2,501	2,576	2,653	2,732	2,814	
Gain from Sale of Assets	73	73	73	74	0	0	0	0	0	0	
Grants/contributions - Operating	2,244	2,139	2,166	2,193	2,259	2,327	2,396	2,468	2,542	2,619	
Grants/contributions - Capital	154	160	166	173	178	184	189	195	201	207	
Total Revenue	37,519	39,227	41,168	43,220	44,440	45,772	47,144	48,558	50,015	51,514	
Expenses											
Employee Benefits & On Costs	18,769	19,288	19,822	20,372	20,114	20,705	21,316	21,950	22,687	23,448	
Borrowing Costs	511	155	134	113	91	68	42	20	8	0	
Materials & Contracts	9,902	10,222	9,612	9,921	10,264	10,620	10,988	11,368	11,762	12,169	
Depreciation & Amortisation	4,901	4,950	4,999	5,049	5,124	5,201	5,279	5,358	5,438	5,519	
Other Expenses	4,653	4,678	4,963	4,728	4,752	4,776	5,060	4,824	4,848	4,872	
Total Expenses	38,736	39,293	39,530	40,183	40,345	41,370	42,685	43,520	44,743	46,008	
Operating Surplus (Deficit)	-1,217	-66	1,638	3,037	4,095	4,402	4,458	5,039	5,271	5,506	
Non-Cash Transactions											
Annual Depreciation	4,901	4,950	4,999	5,049	5,124	5,201	5,279	5,358	5,438	5,519	
Gain from Sale of Assets	-73	-73	-73	-74	0	0	0	0	0	0	
	4,828	4,877	4,926	4,975	5,124	5,201	5,279	5,358	5,438	5,519	
Adjusted Operating Surplus (Deficit)	3,611	4,811	6,564	8,012	9,219	9,603	9,737	10,397	10,709	11,025	
Sources of Funds											
Proceeds from Sale of Plant & Vehicles	224	224	224	224	0	0	0	0	0	0	
New Loan Funds	0	0	0	0	0	0	0	0	0	0	
s94 - Funding of Capital Works	2,098	0	0	0	0	0	0	0	0	0	
Transfer from Restrictions	1,900	0	260	0	0	0	260	0	0	0	
	4,222	224	484	224	0	0	260	0	0	0	
Uses of Funds											
Principal Loan Repayments	4,269	338	357	378	400	425	445	195	207	0	
Capital Works Program incl Plant & Vehicles	3,799	3,833	3,830	3,826	6,526	6,526	6,526	6,526	6,526	6,526	
Capitalised Expenditure	762	728	731	735	735	735	735	735	735	735	
Decrease / (Increase) in ELE Provisions	-818	-818	-818	-818	-940	-973	-1,007	-1,042	-1,078	-1,116	
Transfer to Restrictions	115	115	115	115	4,034	3,815	3,815	3,824	3,824	3,824	
	8,127	4,196	4,215	4,236	10,755	10,528	10,514	10,239	10,214	9,969	
Net Budget Funding Surplus	-294	839	2,833	4,000	-1,536	-925	-517	158	495	1,056	

1.8.5 Balance Sheet

Long Term Financial Model - Balance Sheet - Scenario 3 - With partial SRV Scenario

	year ending 30 June										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Current Assets											
Cash and cash equivalents	14,794	15,749	18,437	22,553	25,050	27,939	30,978	34,958	39,277	44,156	
Receivables	2,231	2,231	2,231	2,231	2,231	2,231	2,231	2,231	2,231	2,231	
Stores and Materials	37	37	37	37	37	37	37	37	37	37	
Other Current Assets	175	175	175	175	175	175	175	175	175	175	
Total Current Assets	17,237	18,192	20,880	24,996	27,493	30,382	33,421	37,401	41,720	46,599	
Non-Current Assets											
Investments	242	242	242	242	242	242	242	242	242	242	
Receivables	172	172	172	172	172	172	172	172	172	172	
Infrastructure, Property, Plant & Equipment	277,225	276,685	276,096	275,458	277,595	279,655	281,637	283,540	285,363	287,105	
Other Non-Current Assets	0	0	0	0	0	0	0	0	0	0	
Total Non-Current Assets	277,639	277,099	276,510	275,872	278,009	280,069	282,051	283,954	285,777	287,519	
Total Assets	294,876	295,291	297,390	300,868	305,502	310,451	315,472	321,355	327,497	334,118	
Current Liabilities											
Payables	5,570	5,570	5,570	5,570	5,570	5,570	5,570	5,570	5,570	5,570	
Borrowings	338	357	378	400	425	445	195	207	0	0	
Provisions	5,307	6,126	6,944	7,762	8,702	9,675	10,681	11,723	12,801	13,917	
Total Current Liabilities	11,215	12,053	12,892	13,732	14,697	15,690	16,446	17,500	18,371	19,487	
Non-Current Liabilities											
Payables	0	0	0	0	0	0	0	0	0	0	
Borrowings	2,410	2,054	1,675	1,275	850	405	210	0	0	0	
Provisions	130	130	130	130	130	130	130	130	130	130	
Total Non-Current Liabilities	2,540	2,184	1,805	1,405	980	535	340	130	130	130	
Total Liabilities	13,755	14,237	14,697	15,137	15,677	16,225	16,786	17,630	18,501	19,617	
Net Assets	281,121	281,054	282,693	285,731	289,825	294,226	298,686	303,725	308,996	314,502	
Equity											
Retained earnings and reserves	282,338	281,121	281,055	282,693	285,730	289,825	294,227	298,686	303,725	308,996	
YTD Surplus (Deficit)	-1,217	-66	1,638	3,037	4,095	4,402	4,458	5,039	5,271	5,506	
Total Equity	281,121	281,055	282,693	285,730	289,825	294,227	298,686	303,725	308,996	314,502	

1.8.6 Statement of Cashflow

Long Term Financial Model - Cashflow - Scenario 3 - With partial SRV Scenario

	year ending 30 June										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Cashflow from Operations											
Operating Surplus (Deficit)	-1,217	-66	1,638	3,037	4,095	4,402	4,458	5,039	5,271	5,506	
Depreciation	4,901	4,950	4,999	5,049	5,124	5,201	5,279	5,358	5,438	5,519	
Gain on Sale	-73	-73	-73	-74	0	0	0	0	0	0	
Movement in ELE Provisions	818	818	818	818	940	973	1,007	1,042	1,078	1,116	
Net Cashflow from Operations	4,429	5,629	7,382	8,830	10,159	10,576	10,744	11,438	11,787	12,141	
Cashflow from Investing Activities											
Purchasing Investments	0	0	0	0	0	0	0	0	0	0	
Acquisition of Assets	-4,561	-4,561	-4,561	-4,561	-7,261	-7,261	-7,261	-7,261	-7,261	-7,261	
Proceeds Sale of Assets	224	224	224	224	0	0	0	0	0	0	
Net Cashflow from Investing Activities	-4,337	-4,337	-4,337	-4,337	-7,261	-7,261	-7,261	-7,261	-7,261	-7,261	
Cashflow from Financing Activities											
Funds moved from Reserves (net)	0	0	0	0	0	0	0	0	0	0	
Loan Proceeds	0	0	0	0	0	0	0	0	0	0	
Loan Repayments	-4,269	-338	-357	-378	-400	-425	-445	-195	-207	0	
Net Cashflow from Financing Activities	-4,269	-338	-357	-378	-400	-425	-445	-195	-207	0	
Cashflow											
Net Cashflow	-4,177	954	2,688	4,115	2,498	2,890	3,038	3,982	4,319	4,880	
Opening Balance	19,213	15,037	15,991	18,680	22,794	25,291	28,182	31,218	35,200	39,518	
Cash at End of the Period	15,036	15,991	18,679	22,795	25,292	28,181	31,220	35,200	39,519	44,398	

1.8.7 KPI's

Long Term Financial Model - KPI - Scenario 3 - With partial SRV Scenario										
	year ending 30 June									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating Performance Ratio	-3.67%	-0.58%	3.59%	6.65%	8.85%	9.25%	9.09%	10.02%	10.18%	10.33%
Own Source Operating Revenue Ratio	93.61%	94.14%	94.34%	94.53%	94.52%	94.52%	94.52%	94.52%	94.52%	94.52%
Unrestricted Current Ratio	1.84	1.97	2.35	2.93	2.92	2.97	3.15	3.37	3.75	4.11
Working Funds	991	1,831	4,664	8,665	7,128	6,202	5,686	5,842	6,337	7,392
Working Funds Ratio	2.64%	4.67%	11.33%	20.05%	16.04%	13.55%	12.06%	12.03%	12.67%	14.35%
Debt Service Ratio (Principal & Interest	12.82%	1.26%	1.20%	1.14%	1.11%	1.08%	1.04%	0.44%	0.43%	0.00%
Building & Infrastructure Renewals Ratio	38.87%	89.35%	88.24%	87.12%	147.92%	145.74%	143.59%	141.48%	139.39%	137.34%
Capital Expenditure Ratio	93.06%	92.14%	91.24%	90.33%	141.71%	139.61%	137.54%	135.52%	133.52%	131.56%

1.8.8 Conclusion

This model indicates a healthy overall financial position. Council is able to meet benchmark KPI's such as Operating Performance Ratio, Own Source Operating Revenue Ratio, Unrestricted Current Ratio, Workings Funds Ratio, Debt to Service Ratio, Building and Infrastructure Ratio and Capital Expenditure Ratio. This model clearly shows that Council's financial position is sustainable and Council is in a position to meet the services levels of the community.

Operating Performance Ratio

This ratio measures a Council's achievements of containing operating expenditure within operating revenue. It is important to distinguish that this ratio is focusing on operating performance and hence capital grants and contributions, fair value adjustments and reversal or revaluation decrements are excluded. The Benchmark is greater than 0% and Council averaged 6.4% under this model.

Own Source Operating Revenue Ratio

This ratio measures financial flexibility, it is the degree of reliance on external funding sources such as operating grants and contributions. A Council's financial flexibility improves the higher the level of its own source of revenue. The Benchmark is greater than 60% and Council averaged 94% under this model.

Unrestricted Current Ratio

The Unrestricted Current Ratio is specific to local government and is designed to represent a Council's ability to meet short term obligations as they fall due. Restrictions placed on various funding sources (i.e Section 94 developer contributions) complicate traditional current ratios used to assess liquidity of a business. The Benchmark is greater than 1.5 and Council averaged 2.9 under this model.

Debt Service Ratio

This ratio measures the availability of operating cash to service debt including interest and principal and lease payments. The Benchmark is less than 5% and Council averaged 2% under this model.

Building and Infrastructure Ratio

This ratio assesses the rate at which infrastructure assets are being renewed relative to the rate at which they are depreciated. The Benchmark is greater than 100% and Council averaged 116% under this model.

Capital Expenditure Ratio.

This ratio assesses the extent the Council is expanding its asset base through capital expenditure on both new assets and the replacement and renewals of existing assets. The Benchmark is greater than 110% and Council averaged 119% under this model.

1.9 ANNUAL REVIEW

In order to keep this plan current for use as a decision support tool Council will review the plan annually to assess the underlying assumptions as well as the performance against the forecasts.

The Long Term Financial Plan will be updated annually to enable the development of the annual Operational Plan for Council.

Future budgets will be prepared so that they remain consistent with the targets set by this Plan. Annual budgets will need to be reassessed in light of any changes to the range of services delivered, service levels or funding available and any decisions taken in relation to Fit For The Future.