Weddin Shire Council

Long Term Financial Plan

2015 – 2024

CONTENTS

1 Executive Summary

1.1 Introduction

The Long Term Financial Plan (LTFP) is one of three components of the Resourcing Strategy under the NSW Integrated Planning and Reporting framework (IP&R), and is an important part of Council's strategic planning process. The LTFP is the document that tests long-term community aspirations and goals against financial realities.

Weddin Shire Council's LTFP details Council's expected income, recurrent and capital expenditure, and the external environment that Council is expected to face in the coming ten years. The LTFP is in effect Council's financial road map for the ten year period commencing with the 2014/15 financial year.

This long term financial plan provides a framework in which the Weddin Shire Council can assess its revenue building capacity to meet the activities and level of services outlined in the Community Strategic Plan.

The plan has identified key financial issues and provides a means of ensuring that the Council can remain financially sustainable in the longer term.

Weddin Shire is a well-connected region within the Central West of New South Wales. With excellent connections to regional centres such as Forbes and Cowra, and within 2 hours of Orange, Canberra, Wagga Wagga and Dubbo, Weddin Shire combines the benefits of a rural location with proximity to a wide variety of regional centres.

The service Centre of Grenfell, at the heart of the region, has experienced significant growth over the last few years, attracting professionals seeking a high quality, low stress lifestyle. There is a strong sense of community in Weddin Shire.

While Weddin Shire's economy is focused around agriculture, which makes up 37% of the economy, other important sectors include education, public administration, transport and warehousing and healthcare.

The Council is custodian of $152 million of community built and natural assets and a key aspect of the financial plan is the development of strategies to ensure appropriate and affordable funding of maintenance and renewal of these assets over the next ten years.

1.2 Background to the Long Term Financial Plan

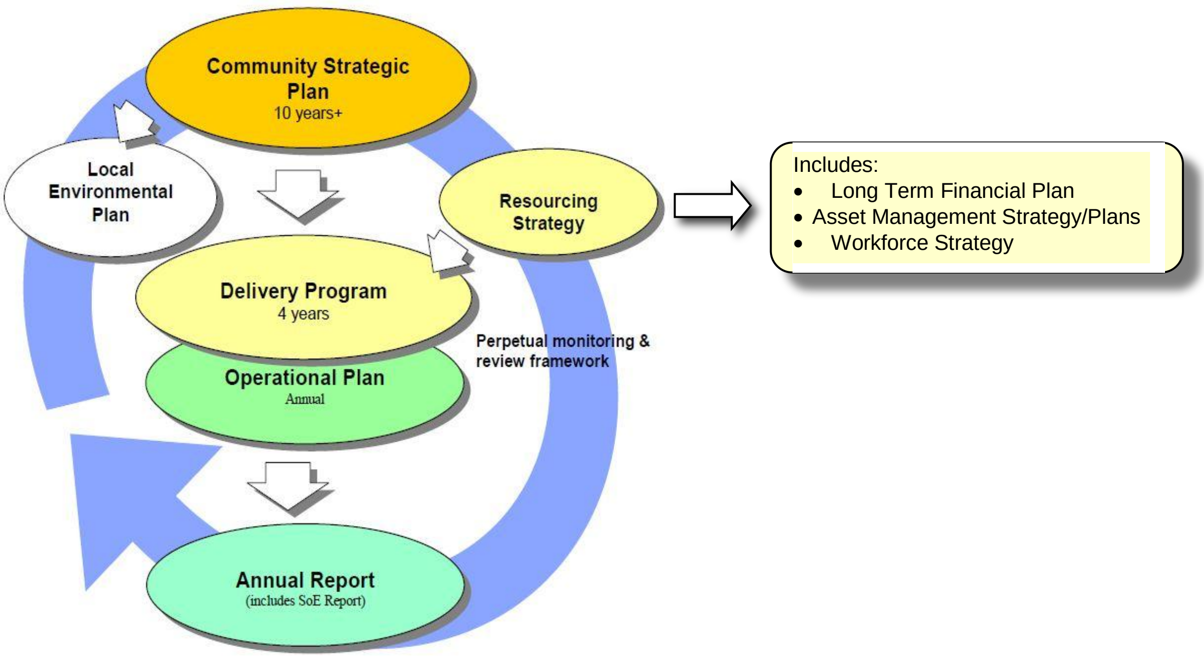
Weddin Shire's agriculturally-based economy is comprised of many family-owned farms specialising in grain and lamb production. While agricultural activity underpins the region's economy, there has been recent growth in the heritage tourism and the professional business sectors.

The most recent Census data (2011) estimates a population of 3665 that roughly equates to the 2006 data when the population of the Shire was 3,797. Males represent 50.7% of the population. Recently, the end of the drought has brought a return to some semblance of a healthy economy for the local rural producers.

The 2011 census indicates that there are 1832 private dwellings and 1045 families in the Shire.

Integrated Planning & Reporting (IP&R)

Under the IP&R framework councils are required to draw together the various plans (that is the Community Strategic Plan, LTFP, Asset Management Plans and Workforce Plan) to understand how these interact and ensure maximum leverage by planning holistically for the future. The *Community Strategic Plan* provides a vehicle for expressing long term community aspirations. However these aspirations can only be achieved if sufficient resources - time, money, assets and people – are allocated.



The Shire's 2012 – 2023 Community Strategic Plan expresses the community's priorities and aspirations for the future and presents the vision, objectives and strategies for achieving a more sustainable Shire. The Council and the community worked together in the development of this plan that has six interlinked key focus areas:

1. Strong, Diverse & Resilient Local Economy
2. Healthy, Safe, And Educated Community
3. Democratic And Engaged Community
4. Culturally Rich, Vibrant And Inclusive Community
5. Cared For Natural, Agricultural & Built Environments
6. Well Maintained & Improving Shire Assets And Services

The Community Strategic Plan was reviewed in 2013 as required by the Integrated Planning & Reporting legislation, with the determination that all assumptions were still valid.

Delivery Program & Operational Plan

Through the Delivery Program the Council outlines how the objectives of the Community Strategic Plan will be implemented through projects and services during the term of office of Council. The implementation will be within the resources identified in the accompanying Resourcing Strategy.

Resourcing Strategy

The Resourcing Strategy that underpins the community strategic plan consists of three components:

1. long term financial planning,
2. asset management planning and
3. Workforce planning.

The Resourcing Strategy is the critical link between the community strategic plan and the Delivery Program. Each component of the Resourcing Strategy is crucial to achieving the goals and objectives of the strategic plan.

The Resourcing Strategy is reviewed each year in line with preparation of the annual Operational Plan. It details the provision of resources required to implement strategies for which Council is responsible.

Long Term Financial Plan

The Long Term Financial Plan (LTFP) is a decision making tool. It is governed by a series of financial strategies and accompanying performance indicators that Council considers and adopts. The LTFP is not intended to be a document that specifically indicates what services/proposals funds should be allocated; rather it addresses the impact of the Council's ability to fund its services and capital works, whilst living within its means i.e. achieving financial sustainability. It establishes the financial framework upon which sound financial decisions are made in order to meet the levels of services outlined in the Shire's Community Strategic Plan.

The LTFP can be viewed as a roadmap of how Council will finance the expectations of the community as detailed in the Community Strategic Plan, and what the long term (over a ten year horizon) cost of these outcomes will be to the community.

The starting point for the LTFP is Council's expectations in relation to revenue that will be available to the council over the next ten years. The LTFP forecasts the projected revenue that Council will be able to obtain based on general planning assumptions such as demographic, economic and political trends and specific factors that affect individual revenue line items (e.g. rate pegging, projected new sources of revenue, and the future of individual grant programs).

Once Council has determined the level of revenue projected to be available over the ten year time frame, the next step is to assess the level of expenditure that will be required to meet the day to day cost to Council of providing services to the community.

Expenditure projections depend on both the future level of service forecast to be provided, the planning assumptions, as well as expectations regarding input costs such as expected salary increases, movements in materials costs, and movements in financing costs.

Expenditure of a capital nature such as on the construction of new assets and capital renewal will also impact on the future sustainability of Council. Capital expenditure is dependent on community expectations regarding service levels, as well as the future costs of inputs such as staff costs and material costs (e.g. fuel and bitumen). Capital expenditure is dealt with separately in great detail in the AMP, and assumptions around the future cost of asset construction and rehabilitation from the AMP have been incorporated into the LTFP. This information is captured in the ten year capital program from the AMP, which has been included in the LTFP.

The LTFP also deals with projected movements in balance sheet items such as the payment of loans, and projected movements in working capital.

The LTFP includes the financial statements for Council's base scenario (i.e. income statement, balance sheet, cash flow statement) and alternative scenarios that address weaknesses in the current position of Council.

A risk analysis and sensitivity analysis has been undertaken to strengthen the strategies arising from the plan.

1.3 Current Financial Position

In conducting financial sustainability reviews, NSW TCorp relies upon the following definition of sustainability to provide guidance:

"A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community."

As a result, the key elements of any NSW TC review will be:

- Evidence of community engagement on service levels and costs
- An ongoing infrastructure renewal program consistent with community expectations
- An ongoing operating surplus position.

NSW TC regards the recent history of the Council as being more reliable than the financial forecasts that have been provided. This is not unusual and many councils fail to demonstrate consistency between forward financial forecasts and actual planning processes and responses, including annual budgets.

The analysis utilises audited data for 2012-13 to 2013-14 and forecast data from the current LTFP for the period to 2023-24.

Overall, Council's financial sustainability would be questioned based on the forecasts provided.

- It has forecast a 40% reduction in revenue from Fees and Charges;
- It is not maintaining its infrastructure base, with renewal funding not appearing to be at expected levels;
- It has the capacity to borrow to fund capital expenditure as needed.

On this basis, Council's financial position would currently be regarded as weak with a negative outlook. It is clear however that Council has the capacity to alter its forecasts and improve its financial outlook.

The key aspects to the improvement are:

1. A plan to return to an operating surplus position, and
2. Reduce Service levels and community expectations for asset renewal.
3. Seek operating efficiencies where possible

It would be possible for council to revise its forecasts and underlying policy settings to further improve its sustainability outlook.

Council needs to consider a greater allocation of funding for renewals, either through use of its own cash and investments or through borrowings. Council would then need to consider the forecasts associated with its asset management plans. In doing this, an iterative process is needed that will:

- Match renewal funding requirements against available funding in the current LTFP, and
- Revise the renewal program to match available funding in the LTFP.

In balancing renewals with available funding, the Council will need to consider service and service level impacts and be prepared to make consequential changes to the asset register to incorporate the changes to expected remaining useful lives.

Council should seek to incorporate a balanced capital renewal program arising from its asset management planning processes with the LTFP.

Changes made to the asset register will affect forecast depreciation expense. Changes made to balance renewal expenditure to available funding will affect Infrastructure WDV forecasts and associated cash flows.

Council may need to reconsider all planned new /upgrade capital expenditures for the period of the forecast and consider renewal funding as a priority, other than for those infrastructure programs that are funded from contributions received previously.

Council needs to consider the operating position and the annual cash position and seek to reduce the annual operating deficit to sustainable levels.

1.4 Long Term Financial Plan Objectives

In accordance with the Division of Local Government's Long Term Financial Plan Guidelines (2013), the objectives of the Council's LTFP are to:

- establish a greater transparency and accountability of the Council to the community;
- provide an opportunity for early identification of financial issues and any likely impacts in the longer term;
- provide a mechanism to:
    - solve financial problems as a whole
    - see how various plans fit together
    - understand the impact of some decisions on other plans or strategies;
- provide a means of measuring the Council's success in implementing strategies;
- confirm that the Council can remain financially sustainable in the longer term; and
- Meet the requirements of the Division of Local Government's Integrated Planning & Reporting (IP&R) framework.

The LTFP links to the Organisation's key strategies in the following ways:

Asset Management Strategy and Strategic Asset Management Plans - through the capital works program figures and projected adjustments in future years, in particular;

- The Asset Management Strategy guides the planning, construction, maintenance and operation of the assets essential for the Council to provide services to the community. Funds have been allocated to achieve this in each year of the LTFP from sources such as grants, borrowings, revenue from special variations etc.
- The implementation of the Asset Management Strategy will ensure improved financial and asset management capacity within the Council.
- Asset Management Plans (AMPs) identify key expenditure priorities based on asset condition and risk.

HR Strategy

- Additional budget has been allocated to accommodate cost rises in the future for superannuation
- Scrutiny on employment costs will ensure the organisation tightly monitors future operational employment costs

Delivery Program

- Details initiatives, performance measures and resources required to deliver activities for the four years of the program.

The LTFP will be put to Council for adoption before 30 June 2015.

1.5 Performance Monitoring and Review

Council has at its disposal a wide array of financial performance measures that can be used to track and measure Council's long term financial viability and financial performance. Council will utilise the financial ratios associated with the Integrated Planning and Reporting Framework and as disclosed in the audited annual financial statements.

1. Unrestricted Current Ratio

2. Debt Service Ratio

3. Rates & Annual Charges Coverage Ratio

4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage

5. Building & Infrastructure Renewals Ratio

In addition, Council will also utilise three primary ratios to assess its long term financial sustainability:

1. Operating surplus ratio
2. Net financial liabilities ratio
3. Asset sustainability ratio

The financial projections associated with the LTFP will be reviewed whenever at least annually and whenever a major adjustment is made to the agreed budget. These ratios are further explained in the Attachments.

1.6 Planning Assumptions

Under the LTFP the Council sets out the approach it has developed to improve its ongoing financial sustainability. This will assist it to be in a better position to accommodate asset renewal needs as these fall due.

The key strategies under the LTFP are:

- Adjusting the capital expenditure on renewals profile to match available funding
- Balance the operating deficit over time
- Increase income
- Adjust services to match available ongoing funding

By following the above strategies, and ensuring that services are not expanded without corresponding revenue increases, by 2023-2024 the Council will be in a much stronger financial position.

1.7 Policy Assumptions

As with economic trends, the impact of political trends is extremely hard to measure. Council has assumed that the current political risks that Council faces include:

- Risk relating to grants and contributions from State and Federal government;
- Pressure on local Councils to amalgamate or share services;
- Increased federal and state pressure for local government to provide increased services without the commensurate financial support (cost shifting).

The main measurable impact of these trends on Council's financial position relates to the risk around Federal and State support. As Council receives roughly 65% (2014 figures, - 55% from 2015 onwards) from grants and contributions it faces significant revenue risk due to this heavy reliance on support from other levels of government.

For the purpose of this plan it has been assumed that there will be no amalgamations that affect Weddin Shire Council within the next ten years, and that the level of service sharing can't be estimated, nor can the potential financial impact that this would entail.

Although there may be a trend towards the responsibility for the provision of certain services being passed down to local government, Council is currently unable to predict what responsibilities would be transferred to Council, nor the financial impact of such transfers and has therefore not addressed this issue in the LTFP.

Rate Pegging

The Minister for Local Government regulates the growth of annual rates revenue through 'Rate Pegging'. Rate pegging determines the maximum amount by which Councils can increase their annual rates income. This limit applies to Council's total rates base, and individual rates may increase above the limit. Commencing from the 2011/12 financial year, responsibility for determining the annual rate peg has been delegated to the Independent Pricing and Regulatory Tribunal (IPART). Under this framework a new local government cost index has been established by IPART and this index, less a productivity coefficient, forms the basis for the rate peg each year.

The projections in the LTFP assume a rate peg of 2.4% for the 2015/16 financial year and later years (Source: 2015/16 Rate Peg Local Government Fact Sheet December 2014).

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:

Certain policy assumptions have been applied in creating the scenarios.

Debt	All Scenarios have assumed that the projected capital works program will be partly funded by loans and new borrowings will continue to have a 20 year repayment term. This has been the case in recent years.
Employment	All scenarios have assumed the employment establishment will not be constrained except as a direct result of reduced service levels.

Service Levels	An assumption of reducing service levels has been used in the LTFP planning process. Scenario's 2 & 3 assume reduction of the current service levels in the form of only funding what council can afford from the latest Asset Management Plans. The Scenarios include budget constraints that will impact service levels.
Special Variations	Scenario 3 includes allowance for a special rate variation
Maintenance	An assumption has been made that asset maintenance will continue at the current level. Reduced service levels actually reflect the current funding so required increases in operating and maintenance are factored into current numbers.
Grant Income	Grant income should only be accepted where it supports the current capital works program or Operational Plan. If additional grants are accepted then additional assets may be created that have ongoing renewal, maintenance, cleaning etc., costs that are not funded and other capital or operational projects that meet the strategic direction chosen by Council may be delayed.

1.8 Financial Management Strategies

The emphasis on asset management planning in local government arises as a result of the reliance that councils have on infrastructure to deliver services and support communities, particularly through the road and bridges network but also through community buildings, water and sewerage networks and stormwater management systems. This emphasis, combined with the broad range of estimates and assumptions associated with valuing and depreciating infrastructure, means that asset management planning practices and financial projections for renewal, maintenance and operations expenditures are critical to understanding and managing the financial position of any council.

Financial sustainability for a council means being able to manage likely developments and unexpected shocks in future periods without having to introduce substantial and economically significant or socially destabilising income or expenditure adjustments.

Expressed a different way, the decisions made by Council must ensure that the needs of the present generation are met without compromising the ability of future generations to meet their own needs[1].

The financial sustainability evaluation of a local government is undertaken with reference to a properly developed and complete long term financial plan. The financial plan should:

- be based on the achievement of projected performance against carefully developed financial sustainability targets
- fully accommodate in quantum and timing all expenditures as included in the asset management plans for the council's infrastructure assets
- Include a sensitivity analysis highlighting key factors or assumptions most likely to impact on achievement of plans' financial targets.

Financial sustainability indicators are used to support the analysis of a council's long term financial plan.

Evaluations based on the use of the ratios seek to identify whether the infrastructure assets of the council are being maintained whilst the council remains financially viable in the long term (operating surplus) and retains financial capacity to manage risks and unexpected events.

In balancing renewals with available funding, the Council will need to consider service and service level impacts and be prepared to make consequential changes to the asset register to incorporate the changes to expected remaining useful lives.

Council should seek to incorporate a balanced capital renewal program arising from its asset management planning processes within the LTFP.

Changes made to the asset register will affect forecast depreciation expense. Changes made to balance renewal expenditure to available funding will affect Infrastructure written down value (WDV) forecasts and associated cash flows.

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[1]Drawn from Brundtland Commission report "Our Common Future" 1987.

Council may need to reconsider all planned new /upgrade capital expenditures for the period of the forecast and consider renewal funding as a priority, other than for those infrastructure programs that are funded from tied contributions received previously.

Council needs to consider the operating position and the annual cash position and seek to reduce the annual operating deficit to sustainable levels. A focus on the asset register and depreciation expense will be beneficial in this regard.

1.9 Risk Analysis

The Long Term Financial Plan assumptions have been tested through a risk assessment process. Issues considered include:

- The accuracy of projected estimates of expenditure;
- The certainty of revenue streams;
- Scenarios which could impact on revenue and expenditures;
- The reliability of investment returns and borrowing costs.

The Council has considered a variety of options and alternatives and has chosen the option that is most likely to succeed whilst being able to manage current and emerging risks.

1.10 Sensitivity Analysis

The preferred strategy (Scenario 3) is sensitive to three primary elements:

1. An improvement in the operating position of $243,000 per annum (averaged over 8 years from 2016). This can be achieved through increasing revenue, decreasing costs or some combination of both.

2. A decrease in the level of capital expenditure allocated to new and upgrade projects. The current capital expenditure program of council is adding some $23,000 in depreciation expense each year (10 year total averaged), which is not being covered through any increase in operational revenues or reduction in other operational expenses.

3. Council is intending to borrow to fund new and upgrade capital expenditure projects, with borrowings over 20 years. As Council is currently generating operating deficits, the increase in interest expense associated with the borrowings will need to be covered by an increase in operating revenues. Council is intending to use a Special Rate Variation to fund its increase in interest expense.

2 Summary of Planning Scenarios

Under this LTFP, a number of scenarios have been modelled to assist the Council in developing the best plan to meet community requirements and expectations. In summary, these scenarios are:

1. **Base Position** – identifies the current financial sustainability position and outlook from maintaining "business as usual" policy settings
2. **Reduced Expenditure Position**– Reduced operating expenditures aiming at reducing operating deficit.
3. **Improved Total Operating Position** – Operating expenditure reductions and introduction of a special rate variation to increase revenue.

Each of these positions is outlined in the following sections of this Long Term Financial Plan.

Scenario 1 – Base Scenario

Scenario one is Council's base scenario, which assumes no major change in external and internal factors affecting Council's ability to provide its services to the Community.

In this scenario population levels are expected to remain relatively constant and local economic conditions are expected to be stable (GDP growth of 2.5%), with the cash rate averaging 2.4% (per current rate), CPI averaging 2.5% (per 20 year average), and fuel prices to increase slightly above CPI over the ten year LTFP timeframe. Capital Renewals are revised figures that will make up the basis of Asset Management Plans currently under review.

An additional charge for the Sewer fund of $58K is added along with an increase in other charges of $400K to bring the councils fee structure in line with its peers.
There is no forecast impact from political trends on Council's operations under this scenario, and it is assumed that Council will not increase service provision above current levels or discontinue any services.

Operational efficiencies are assumed and documented in the preferred strategy section. This scenario represents the current financial and forecast position of the Council.

Scenario 2 – Reduced Expenditure Position

Scenario 2 factors in the adoption of reduced operational expenditure and reduction in service levels over the period of the LTFP. Expenditure reductions are expected to be gained after the undertaking of a procurement and contract review
Economic assumptions remain the same as scenario 1, however depreciation is reduced with the re-assessment of useful lives and service levels. The adoption of proper componentization and residual values where applicable offers an improved operating position. Capital Renewals are in line with the current Asset Management Plans.

Scenario 3 – Improved Total Operating Position

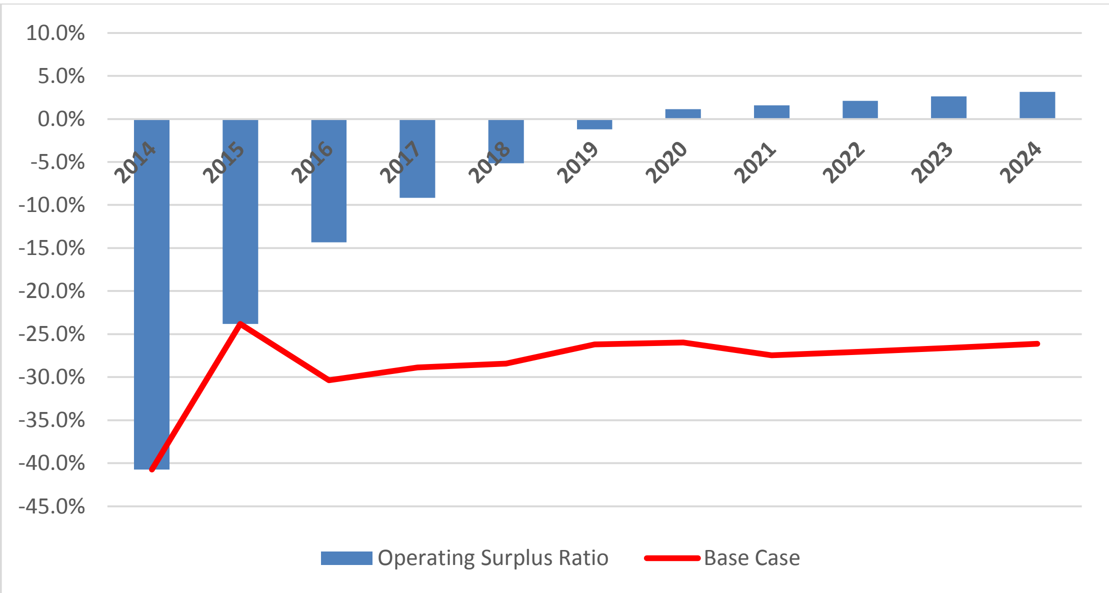
This scenario includes an increase in operating revenue via a special rate variation and loan borrowings to fund the capital program. A decrease in operational expenditures is also needed to return the Council to an operating surplus position. Capital Renewals are in line with the current Asset Management Plans.

Preferred Strategy
The preferred scenario is Scenario 3, which builds on Scenario 2 and provides a number of strategies for the Council to maintain a sustainable financial position as well as prioritising and addressing capital expenditure and related funding to improve the outlook in all projection years.

The primary strategies are:

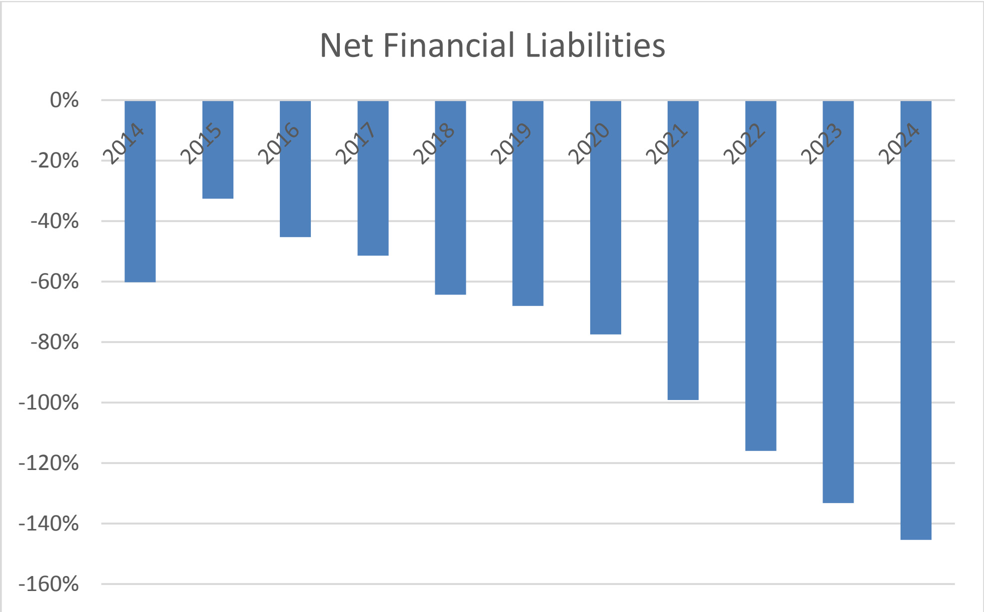
- A special rate variation introduced in 2015-16 of 6.4% 7% rounded) continued through till 2018-19. Thereafter the rate returns to 2.4% (3% rounded).
- Loan borrowings are expected to be available at 4% per annum as a result of the Local Infrastructure Subsidy or replacement Local Govt. body. The loan is assumed to be for a period of 20 years.
- Materials and Contracts are reduced for years 1 - 5 (10% in year 1) via a number of means in order to assist the return to an operating surplus position and would include among other things:
    - Participation in Procurement Road Mapping Program
    - Review of assets base & service provision
    - Transition to an assets preservation strategy
    - Cost savings achieved through regional collaboration through the Joint Organisation & back end service platforms shared with larger Councils (e.g. IT Services & Asset Management Plans & Strategies) as well as potential for regional leasing arrangements.
- Other expenses reduced by 7% /pa for years 1 - 5
- Operational revenues are increased annually after year 4.
- Reducing service levels by extending asset useful lives therefore affecting annual depreciation
- Introducing asset componentisation and residual values to improve the operating result
- Develop depreciation projections based on the actual movements in the asset base.
- Improve Council's cash collection practices to make additional cash available to fund capital expenditure without relying on loan borrowings.
- Generate a break-even position during the forecast period.

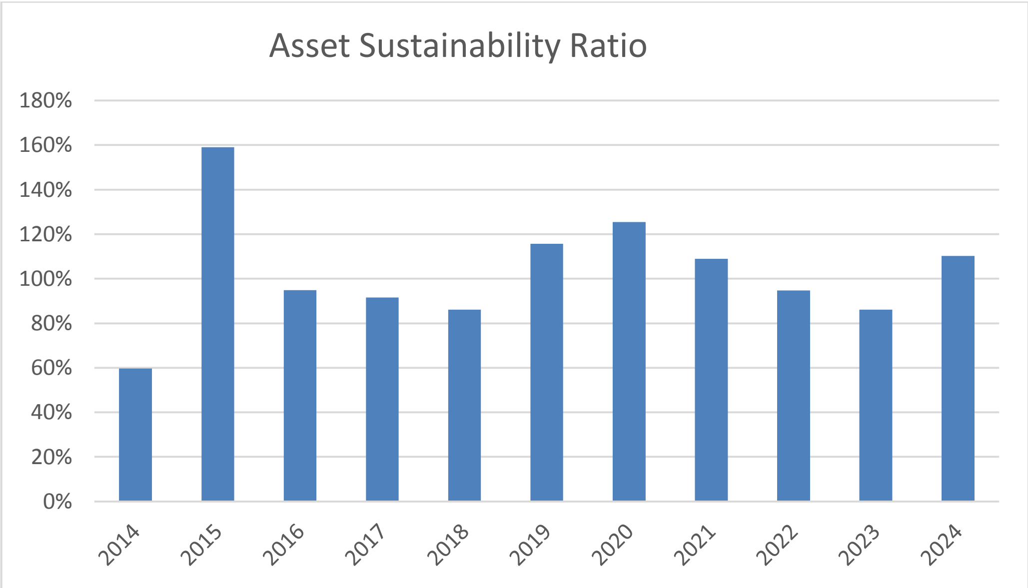
Financial Sustainability Evaluation – Preferred Strategy – Scenario 3



The additional revenue and cost reductions result in Council moving to a breakeven position over the forecast period.

The Council remains in a solid position to borrow additional funds as needed. Funding the interest payments should not challenge the council however the levels of borrowing should be managed closely.





The increase in capital expenditure and the increase in the proportion allocated to renewals results in Council investing at more appropriate levels throughout the forecast period.

On the basis of Scenario 3, Council would be regarded as being in a stable financial position with reduced service levels while minimising the risk factors of diminishing service potential across their entire asset portfolio.

3 MODEL - Base Case /Current Position

DESCRIPTION

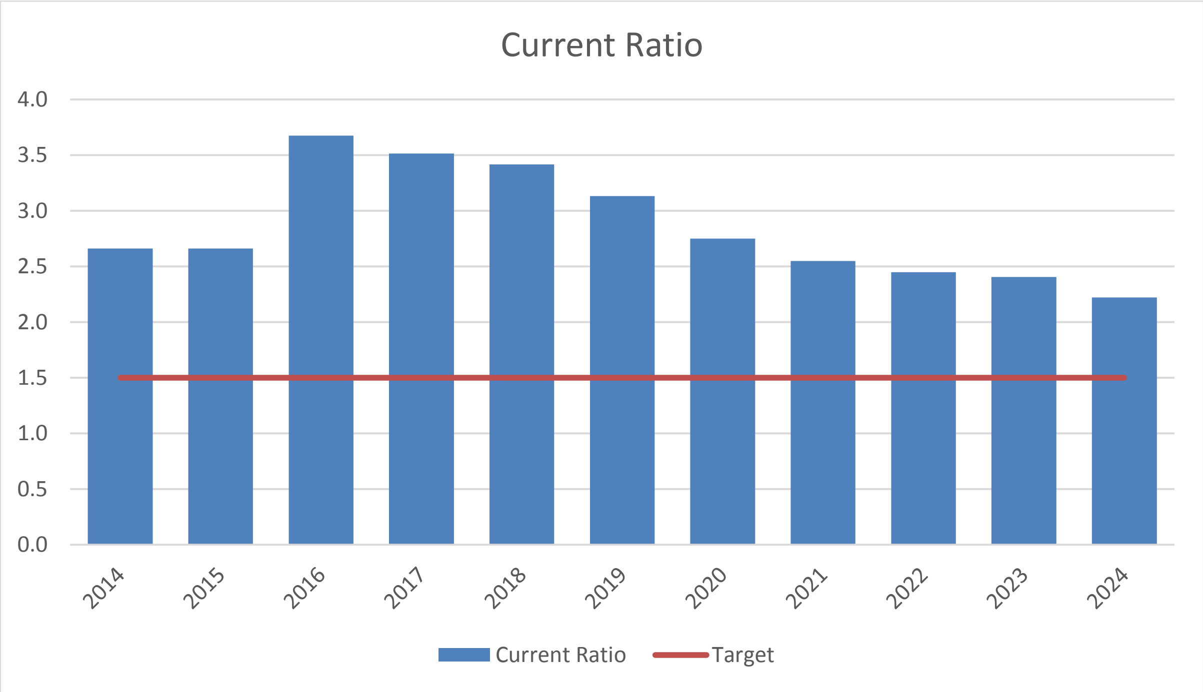
The starting point for the analysis of strategic options available to Council is the Base Case. The base case has been evaluated against a number of financial sustainability performance measures.

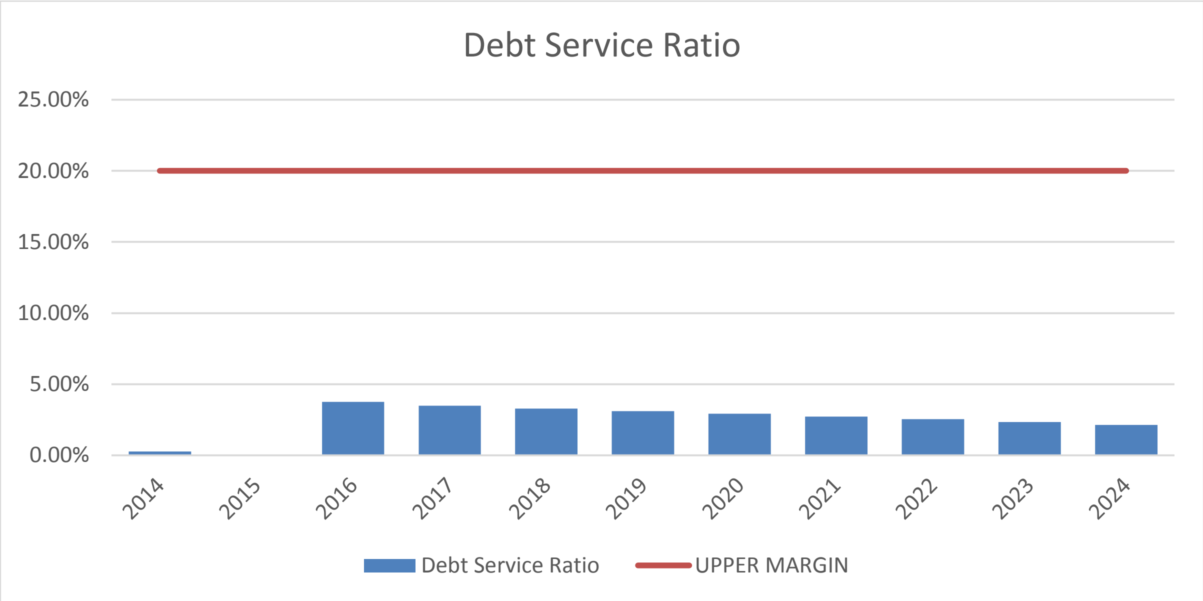
This will provide the basis for a comparison of the base case against other models and scenarios.

EXPLANATION OF PERFORMANCE MEASURES

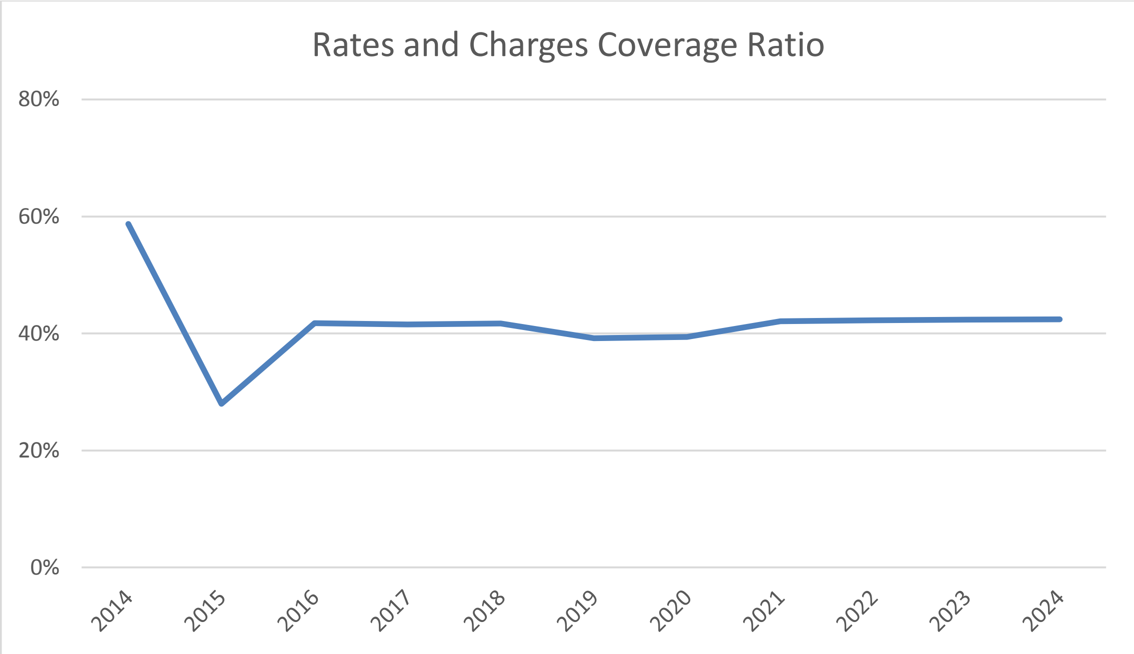
Unrestricted Current Ratio	This measure assesses the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council. The benchmark set by NSW TCorp is 1.5:1.
Debt Service Ratio	Assesses the impact of loan principal and interest repayments on the discretionary revenue of Council. The upper limit benchmark debt service ratio is 20%.
Rates & Annual Charges Coverage Ratio	The rates & annual charges coverage ratio assesses the degree of Council's dependence on rates & charges revenue and assesses the security of Council's income.
Rates and Annual Charges Outstanding	This ratio assesses the impact of uncollected rates and annual charges on the Council's liquidity and the adequacy of recovery efforts. A healthy range is under 5%.
Net Financial Liabilities Ratio	The net financial liabilities ratio is a broad measure of indebtedness. It includes items such as employee leave entitlements and other amounts payable as well as taking account of Council's cash and investments.
Building & Infrastructure Renewals Ratio	The buildings and infrastructure renewals ratio shows the amount of spending on renewals works as a proportion of depreciation expense. The ratio measures whether assets are being replaced at the rate at which these are wearing out.

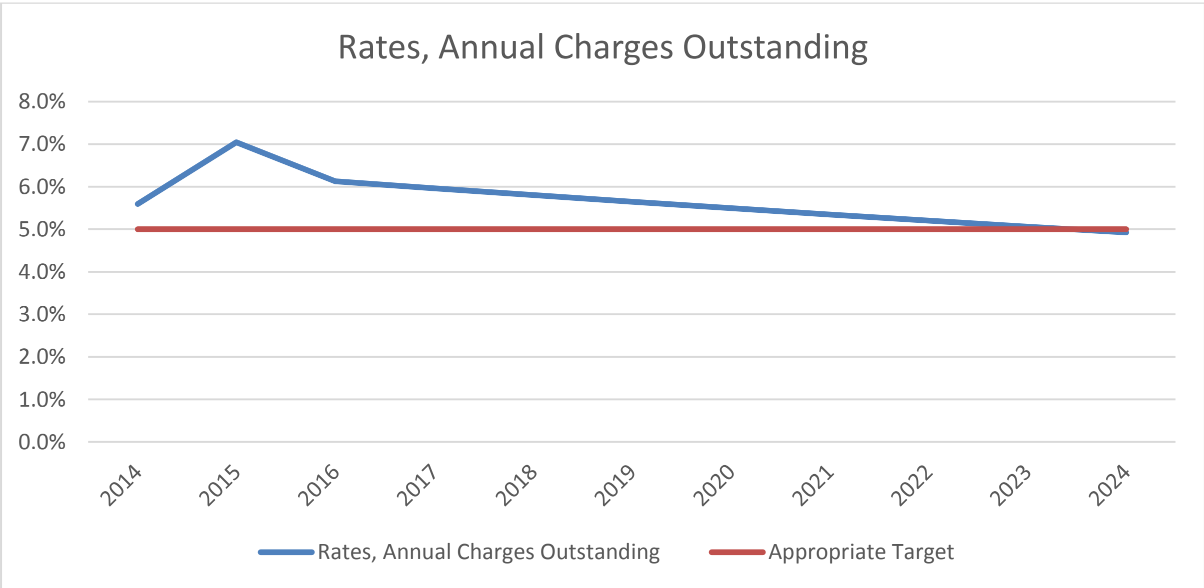
Financial Sustainability Ratios – Base Case



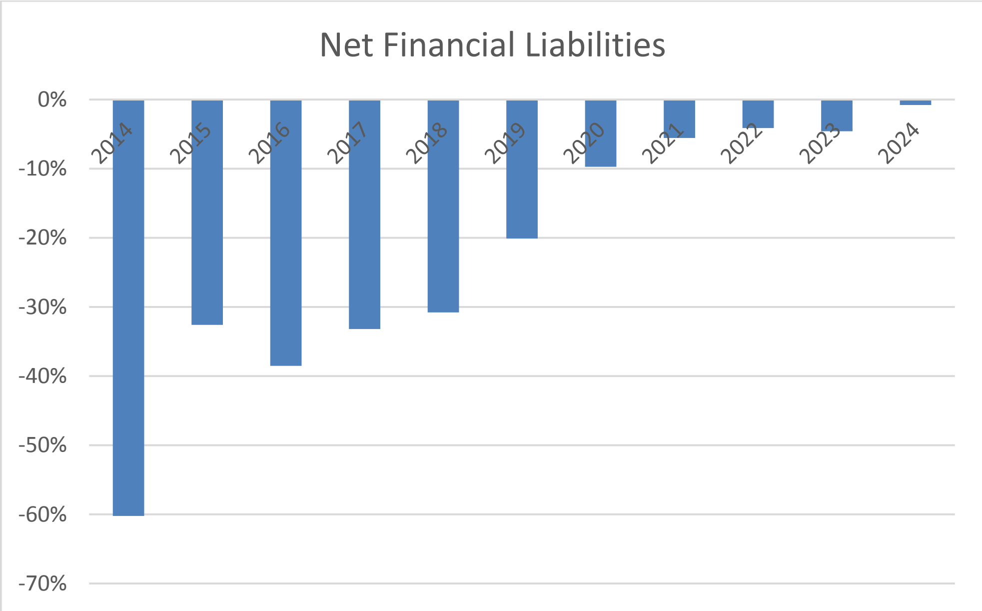


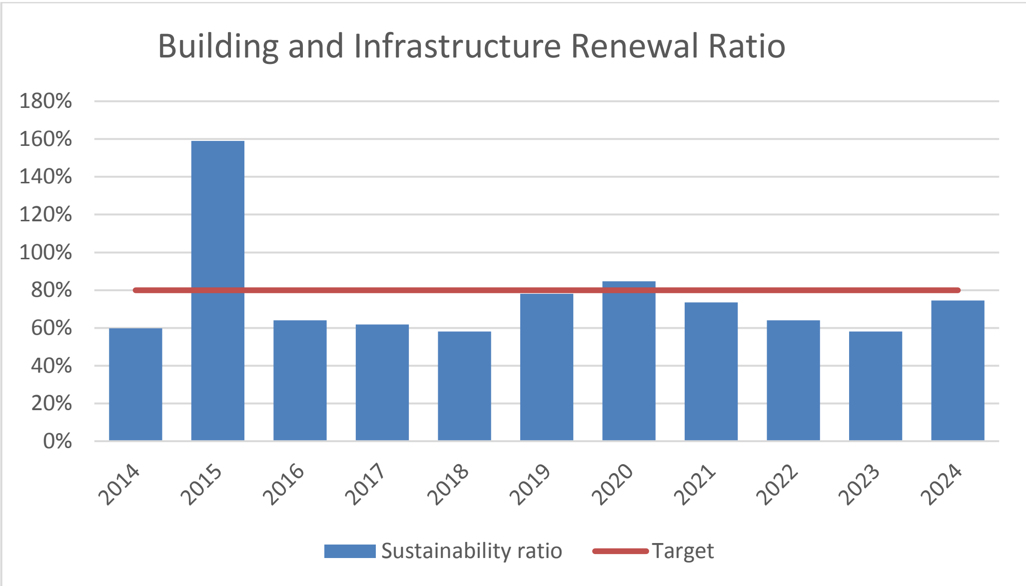
Financial Sustainability Ratios – Base Case (continued)





Financial Sustainability Ratios – Base Case (continued)





BASE CASE MEASURES - Summary

Unrestricted Current Ratio	The unrestricted current ratio is 2.5 in 14/15. The ratio increases to 3.5 in 2016 but decreases steadily towards 2 by 2023/24, which indicates a decrease in cash holdings.
Debt Service Ratio	The debt service ratio is 0.26% in 14/15 and is negligible throughout the forecast. As borrowing occur throughout the period the ratio does increase to 2.15%. The Net Financial Liabilities ratio indicates that Council has the capacity to increase the level of borrowings while the Current Ratio indicates that Council has access to additional cash as required.
Rates & Annual Charges Coverage Ratio	The rates & annual charges coverage ratio is 60% in 14/15. This reduces to 42% over time. Grants revenue represents 56% of Council income over the period, while rates and annual charges is only 23% of income. User charges are a further 18% of income.
Rates and Annual Charges Outstanding	This ratio is 5.6% in 2014/15 and reduces slightly to 4.9% over the period of the forecast. An ideal target is 5% and this ratio indicates that Council has an adequate collection management processes.
Net Financial Liabilities Ratio	The net financial liabilities ratio is -60% in 14/15 and remains in the negative until year 2024 in which it reaches -1%. This indicates that Council is utilising its loan borrowings potential. However it could be of concern if this trend continues too high as high dependence on loan borrowings is not desired.
Building & Infrastructure Renewals Ratio	The building & infrastructure renewals ratio is 60% in 14/15 and fluctuates over the period but settles around 75%by the end of the forecast. A much higher level of investment in infrastructure renewals is expected and the current low level of investment is not sustainable. Alternatively a reduction in service levels will enable planned expenditure to match projected more closely.

BASE CASE ASSUMPTIONS - Summary

Assumption percentages have been applied to all projection years. The percentages are an indication of the change in value on average over the ten year period, including CPI, and have been determined based on historical trends and external indicators.

Rates & Annual Charges	
Rates	3% in 2014-15, 3% thereafter IPART has used a 2.4% rate peg assumption for future years in providing its snapshot of SV applications. (rounded to 3% for this forecast)

User Charges & Fees
The factors which determine Council’s pricing principles are equity, user-pays and market rates.

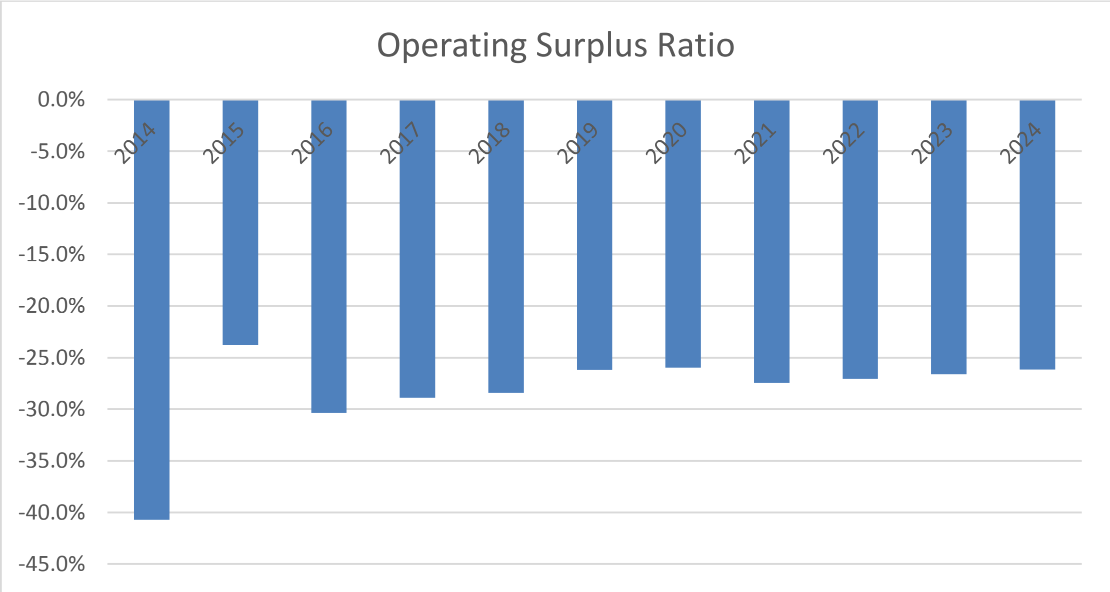
Waste	2.5%
Regulatory Fees	0.0% The best estimate is for regulatory fee income to remain stable for the projection years.
Discretionary Fees	2.5%
Grants & Contributions – Operating	
Financial Assistance Grant	2.5% Based on CPI
Special Purpose Grants	2.5%
Contributions	2.5%
Other Revenues	
Other Revenues	2.5%
Investment Revenues	2.5%
Profit from Disposal of Assets	Nil expected
Employee Costs	
Salaries, Wages & Employee Leave Entitlements	3.25%
Superannuation	7.3% to 9.5% Increases in superannuation are tied to increases in salaries and wages. In addition, the proposed staged increase in compulsory super contributions from 9% to 12% has also been included (likely to occur even though the changes are yet to be legislated).

Year	Super Contribution	Increase	Salaries Increase	Total Increase
2014	9.25	2.8%	4.50%	7.28%
2015	9.50	2.7%	4.20%	6.90%
2016	10.00	5.3%	4.20%	9.46%
2017	10.50	5.0%	4.20%	9.20%
2018	11.00	4.8%	4.20%	8.96%
2019	11.50	4.5%	4.20%	8.75%
2020	12.00	4.3%	4.20%	8.55%
2021	12.00		4.20%	4.20%
2022	12.00		4.20%	4.20%

Workers Compensation	3.5%

Other Employee Costs	5%

BASE CASE - OPERATING DEFICITS



The projected cumulative operating deficit (less capital revenues) for the base case for the period 2014-15 to 2023-24 is **$(36.1) M.** The council remains in deficit over the entire projected period despite the positive trend. The operating deficit results at $(3,404,000) for the final year 2023-24.

Other Scenarios

The remaining two scenarios are based on improving weaknesses in the Base Case. Adjustments have been made to show the impact on the Council from the adoption of revised financial management and asset management strategies.

These are discussed in the following sections.

4 MODEL – Improved Operating Position (Scenario 2)

The Improved Operating Position scenario includes a number of strategies for the Council to reduce the operating deficit and manage community expectations over the course of the LTFP.

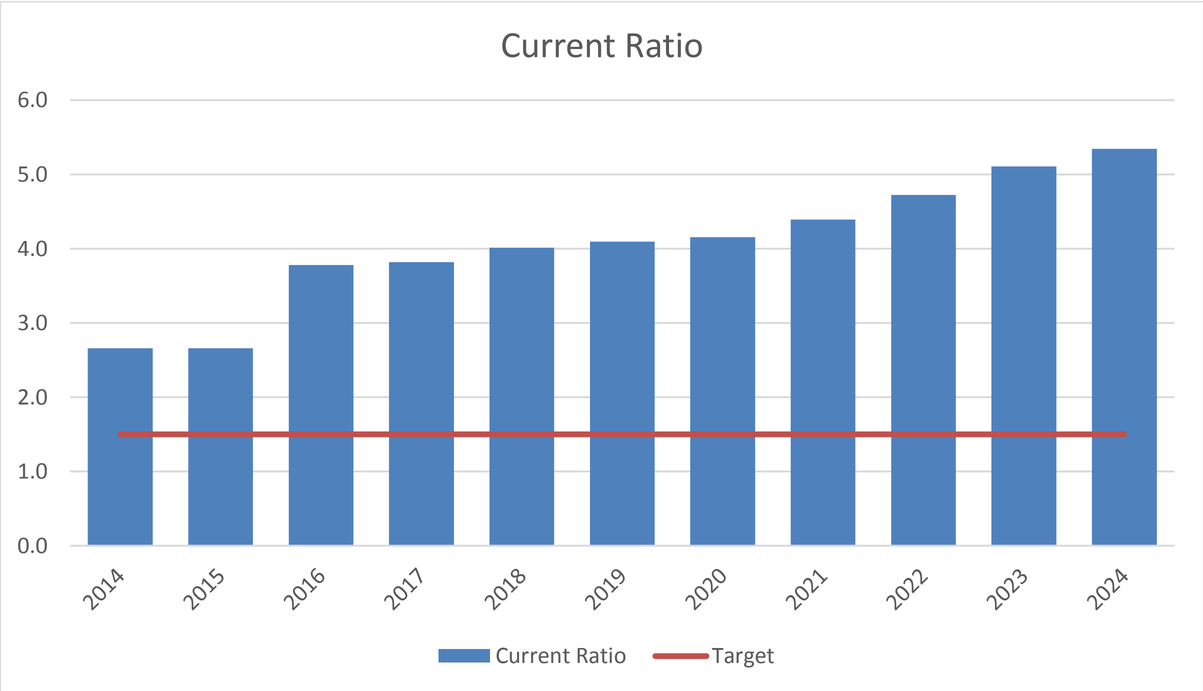
This scenario has altered a number of financial projections included in the base case. Its primary purpose however has been to utilise the Council's available funding to balance the level of capital expenditure undertaken. In Scenario 2 no special rate variations are envisaged.

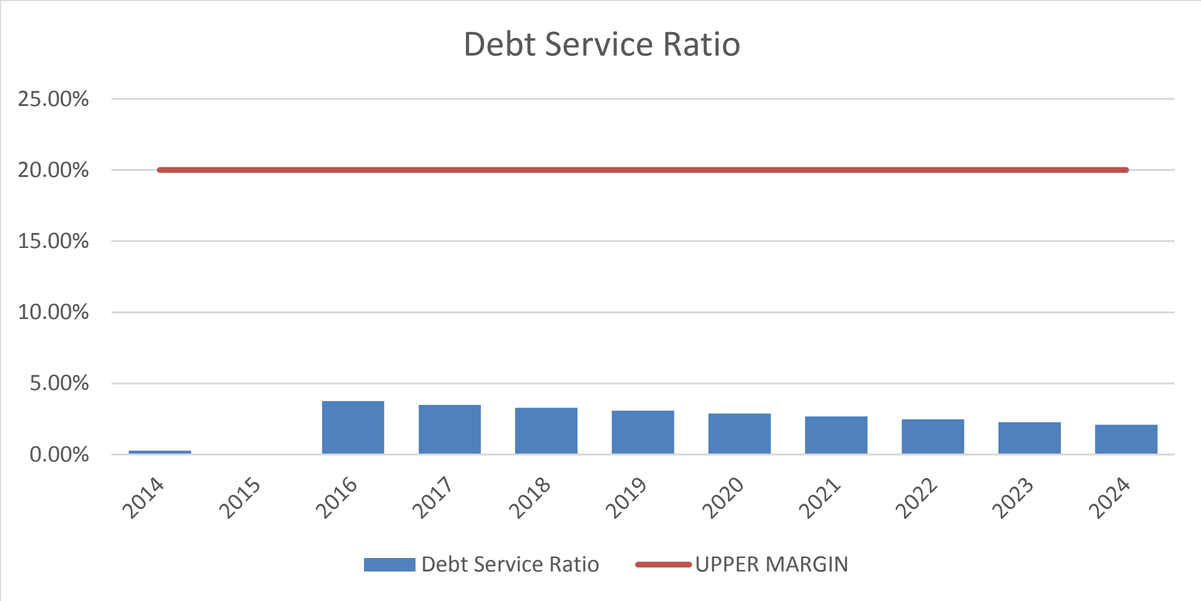
Changes to Assumptions from Base Case

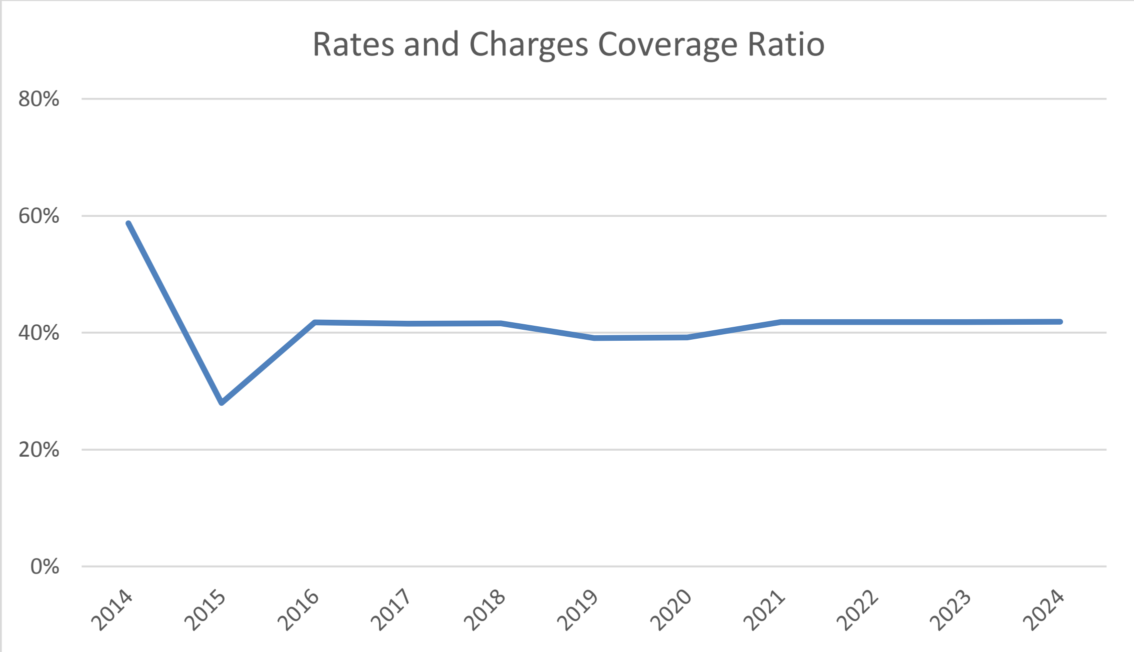
5% annual efficiency expected in materials and contracts and other expenses. Council is looking to streamline and improve this area of operational expense by 5% per annum over a 5 year period.

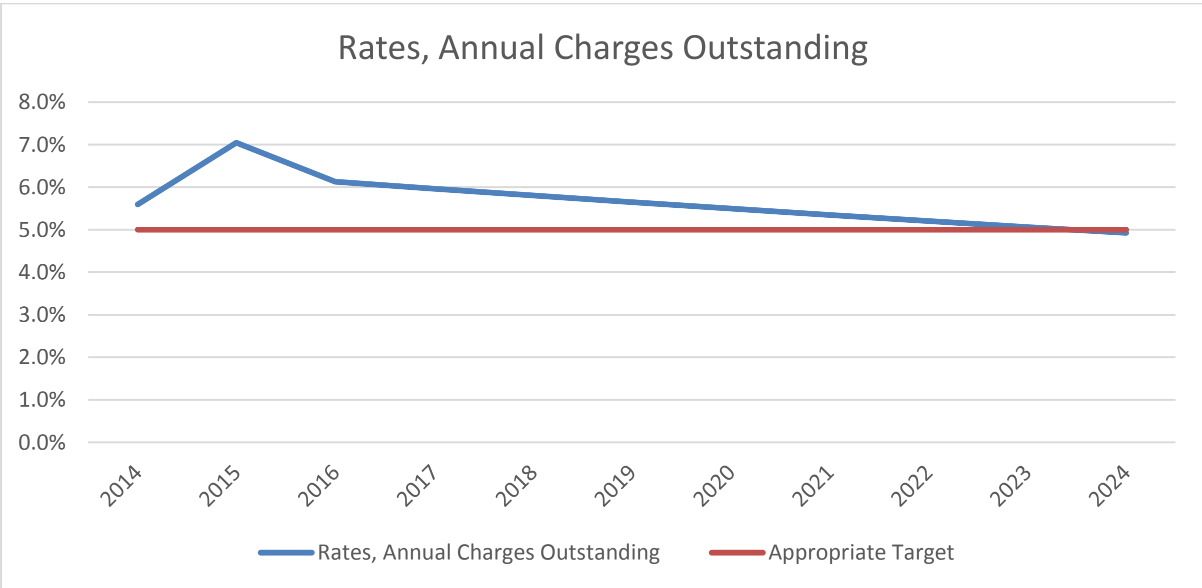
A revaluation of Infrastructure assets taking into account current asset performance is expected to reduce depreciation based on the extension of asset useful lives, adoption of proper componentisation and residual value where appropriate. Initial forecasts indicate this could be in excess of a 30% reduction in annual depreciation.

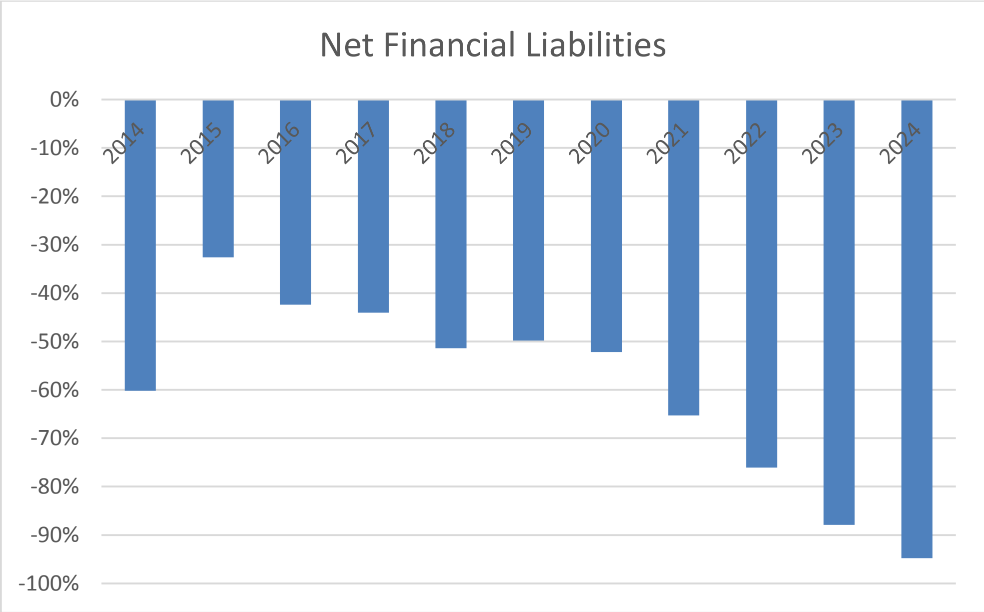
Performance Measures

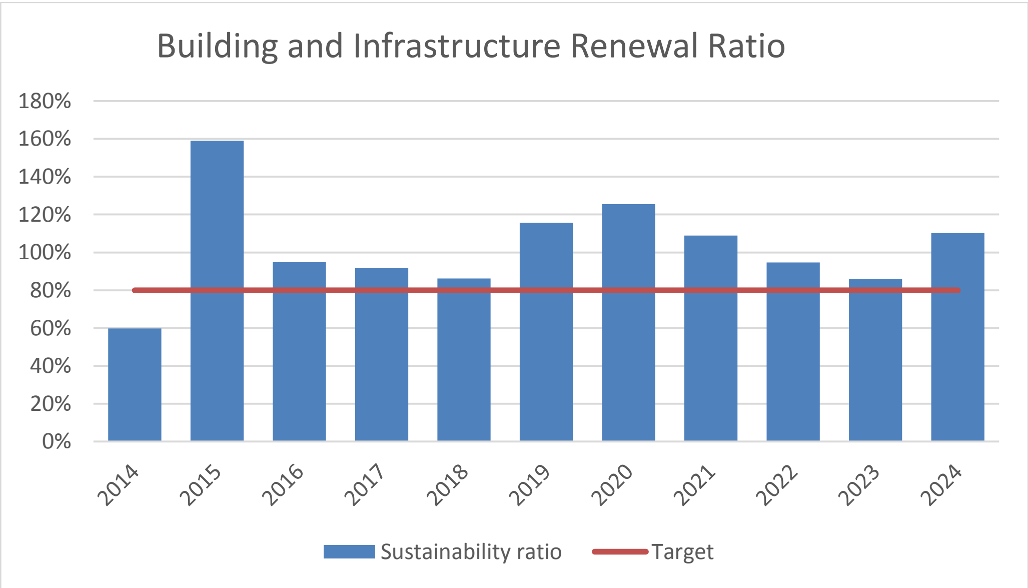



Debt Service Ratio
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
Debt Service Ratio
UPPER MARGIN


Rates and Charges Coverage Ratio
80%
60%
40%
20%
0%
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024


Rates, Annual Charges Outstanding
8.0%
7.0%
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
Rates, Annual Charges Outstanding
Appropriate Target


Net Financial Liabilities
0%
-10%
-20%
-30%
-40%
-50%
-60%
-70%
-80%
-90%
-100%
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024


Building and Infrastructure Renewal Ratio
180%
160%
140%
120%
100%
80%
60%
40%
20%
0%
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
Sustainability ratio
Target

Assumptions

This scenario includes the following adjustments to the projection years 2014-15 to 2022-23 to cater for the balanced capital expenditure on renewals.

Assumption percentages have been applied to all projection years. The percentages are an indication of the change in value on average over the ten year period, including CPI, and have been determined based on historical trends and external indicators.

Rates & Annual Charges	
Rates	3% in 2014-15, 3% thereafter
Annual Charges	2.5%
User Charges & Fees	
The factors which determine Council's pricing principles are equity, user-pays and market rates.	
Waste	3.5%
Regulatory Fees	0.0%
Discretionary Fees	3.5%
Grants & Contributions – Operating	
Financial Assistance Grant	2.5%
Special Purpose Grants	2.5%
Contributions	2.5%
Other Revenues	
Other Revenues	2.5%
Investment Revenues	2.5%
Profit from Disposal of Assets	Nil expected
Employee Costs	
Salaries, Wages & Employee Leave Entitlements	3.25%
Superannuation	7.3% to 9.5% Increases in superannuation are tied to increases in salaries and wages. In addition, the proposed staged increase in compulsory super

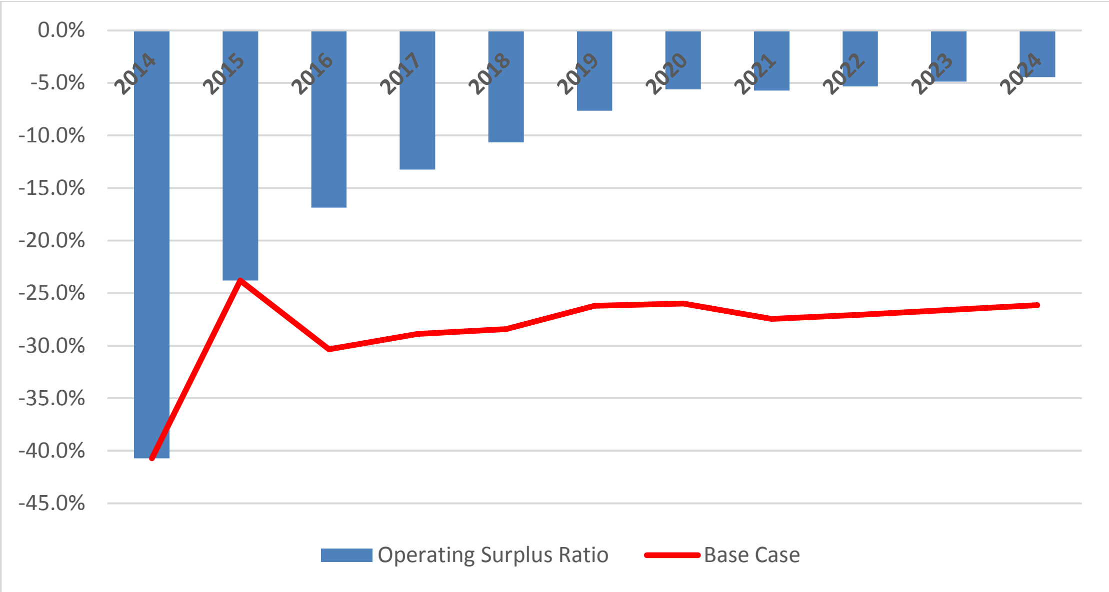
	contributions from 9% to 12% has also been included (likely to occur even though the changes are yet to be legislated).

Year	Super Contribution	Increase	Salaries Increase	Total Increase
2014	9.25	2.8%	4.50%	7.28%
2015	9.50	2.7%	4.20%	6.90%
2016	10.00	5.3%	4.20%	9.46%
2017	10.50	5.0%	4.20%	9.20%
2018	11.00	4.8%	4.20%	8.96%
2019	11.50	4.5%	4.20%	8.75%
2020	12.00	4.3%	4.20%	8.55%
2021	12.00		4.20%	4.20%
2022	12.00		4.20%	4.20%

Workers Compensation	3.5%
Other Employee Costs	5%
Materials and Contracts	-5% pa for 5 years
Other expenses	-5% pa for 3 years
Depreciation	Based on depreciable value of assets after allowing for acquisitions and disposals

MEASURES

Unrestricted Current Ratio	The unrestricted current ratio is 2.7 in 14/15 and increases to 5.3 in 2023-24 as cash isn't used to fund additional capital expenditure, resulting in a well above target position.
Debt Service Ratio	The debt service ratio is 0.26% in 14/15 and is negligible throughout the forecast. As borrowing occur throughout the period the ratio does increase to 2.08%. The Net Financial Liabilities ratio indicates that Council has the capacity to increase the level of borrowings while the Current Ratio indicates that Council has access to additional cash as required.
Rates & Annual Charges Coverage Ratio	The rates & annual charges coverage ratio is 59% reducing to 42% over the period of the forecast.
Rates and Annual Charges Outstanding	This ratio is 5.6% in 2013-14 before decreasing to 4.9% in 2022-23 as cash collection processes improve.
Net Financial Liabilities Ratio	The net financial liabilities ratio indicates that council retains capacity to borrow throughout the forecast. This is mitigated somewhat by the ongoing operating deficit position.
Building & Infrastructure Renewals Ratio	The building & infrastructure renewals ratio is 60% in 2014-15 and increases to 110% by the end of the forecast period.



The projected cumulative operating deficit (less capital revenues) for Scenario 2 for the projection years is **$(15.2) M.** Compared to the Base case there is an improvement however the council remains in deficit in the final year of the projection (2023-24), resulting in a $589,000 deficit.

5 MODEL – Increase in Revenue with Operational efficiencies Scenario (Scenario 3)

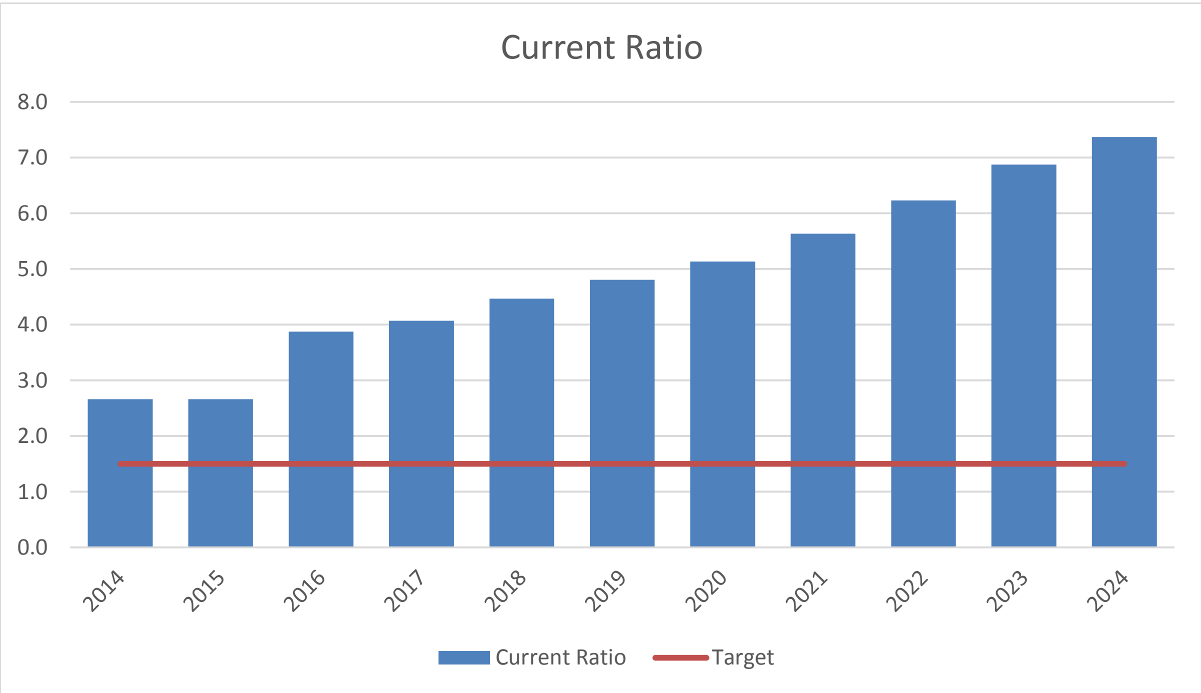
The Increase in Revenue scenario includes a number of strategies for the Council to maintain a sustainable financial position as well as prioritising and addressing asset funding to ensure sustainable capital investment and a balanced budget at the end of the LTFP period.

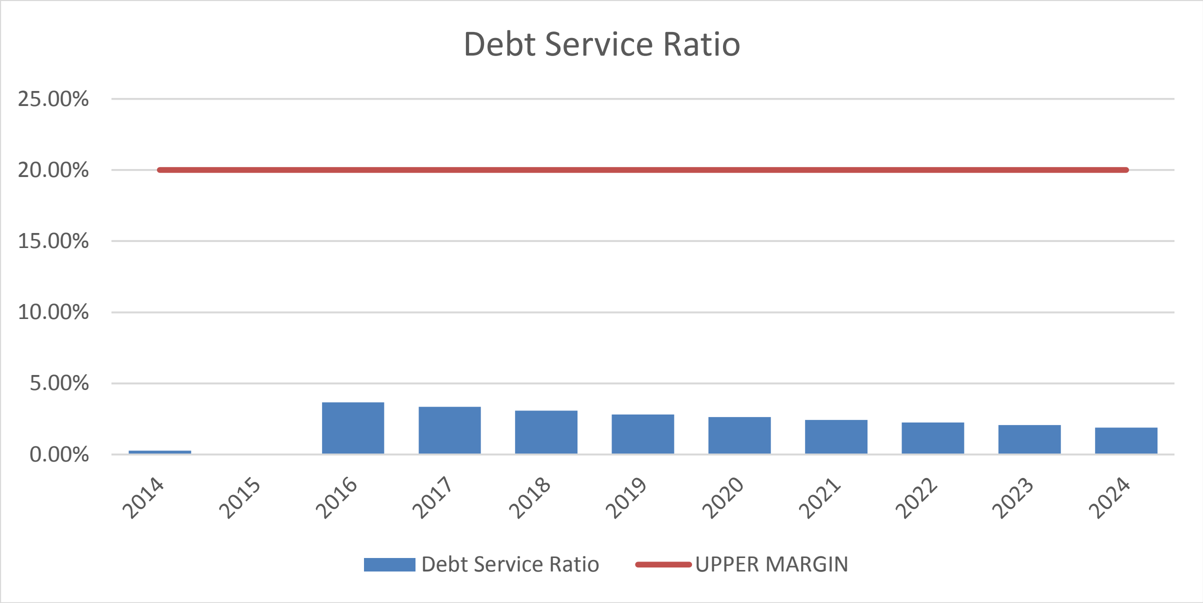
This scenario uses identical capital expenditure projections from the Scenario 2.Operational savings are higher however in 2015/16 with a 10% saving in expenditures.

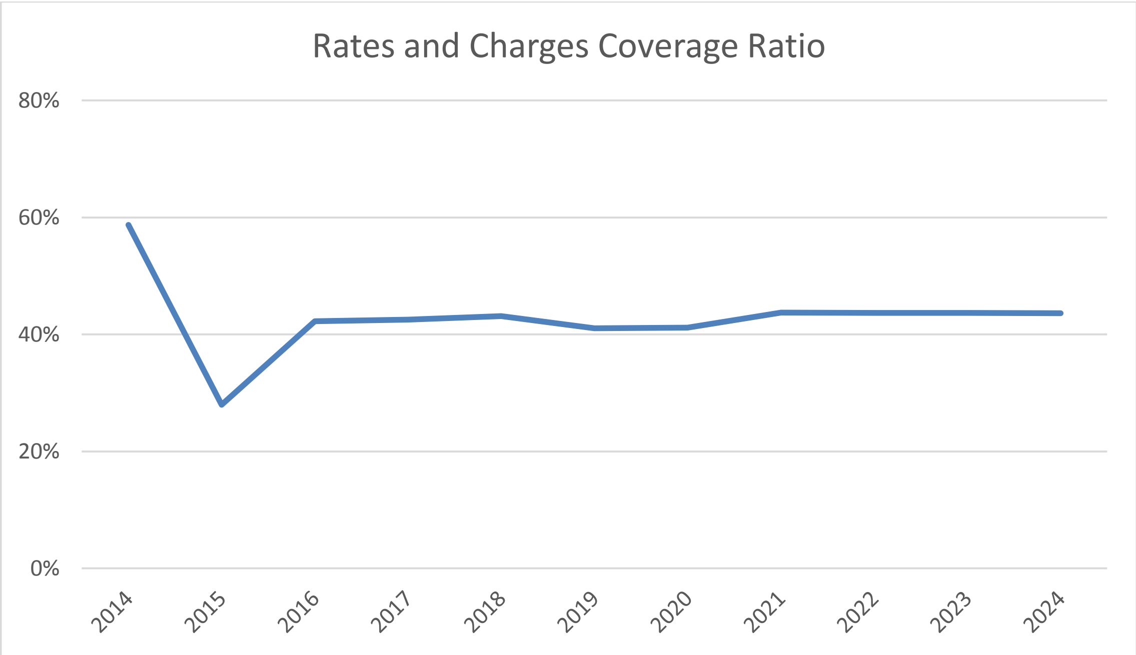
This scenario introduces revisions to proposed funding sources. These revisions are:

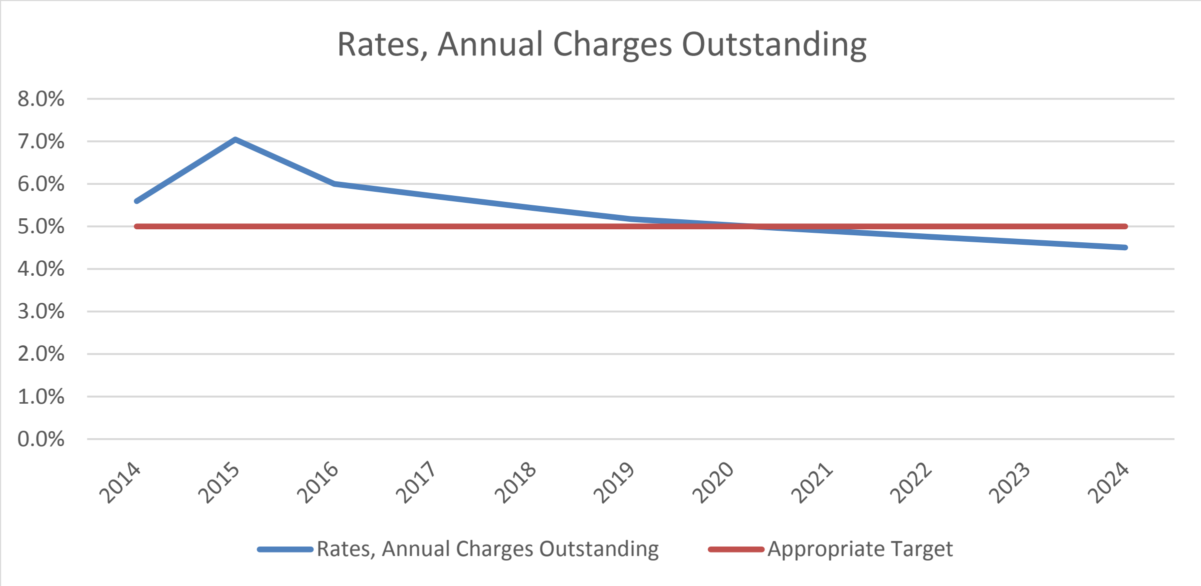
- A special rate variation of 6.4% over a 4 year period (rounded to 7%), years 2015-16 to 2018-19. Rates expected to grow at 2.4% (3% rounded) thereafter.

The key ratios associated with this scenario are below.

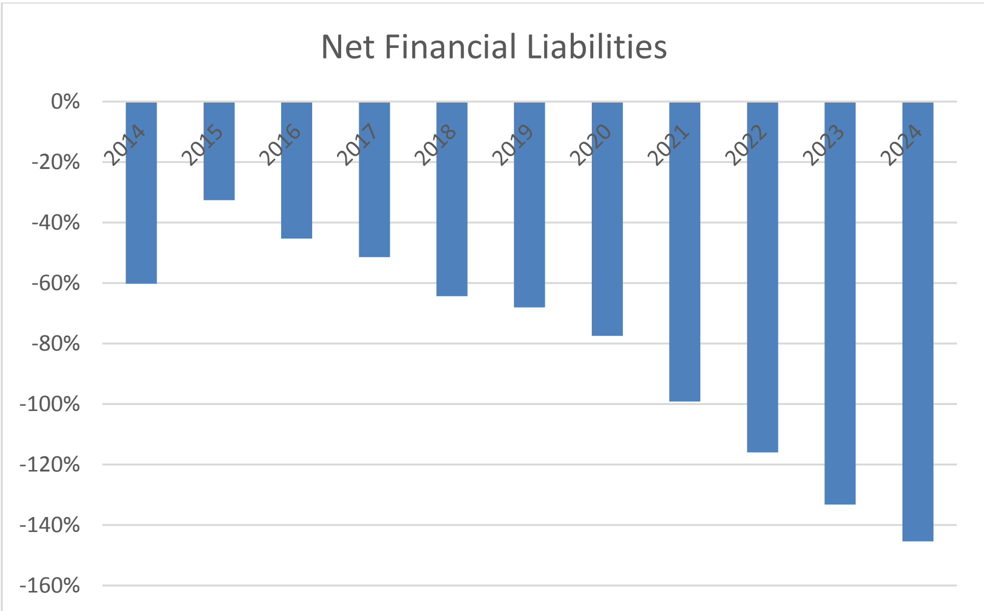



Debt Service Ratio
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
Debt Service Ratio
UPPER MARGIN

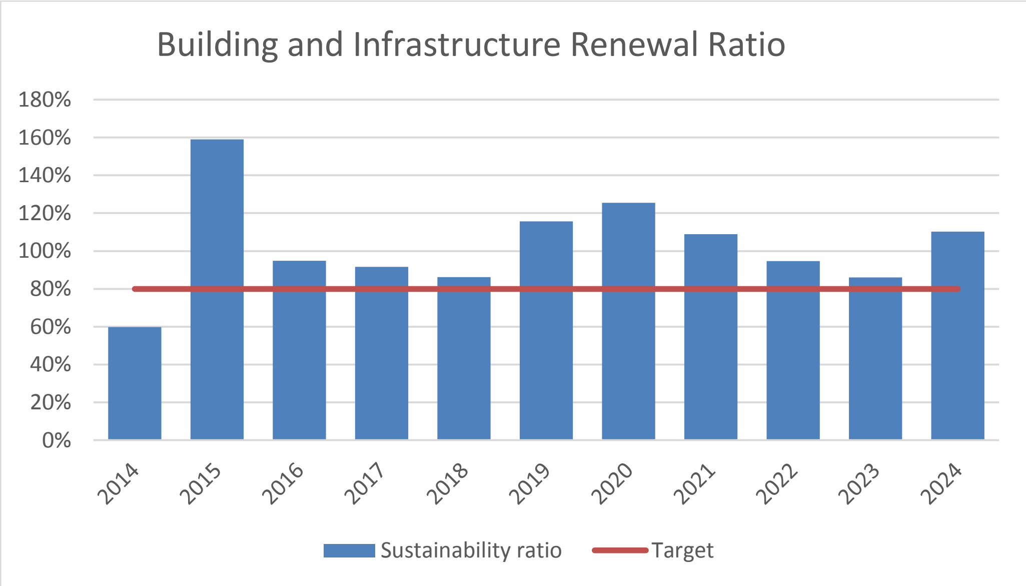

Rates and Charges Coverage Ratio
80%
60%
40%
20%
0%
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024



Rates, Annual Charges Outstanding
8.0%
7.0%
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
Rates, Annual Charges Outstanding
Appropriate Target



Net Financial Liabilities
0%
-20%
-40%
-60%
-80%
-100%
-120%
-140%
-160%
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024



Set out below is the impact of the scenario on the Council's key performance indicators.

Unrestricted Current Ratio	The unrestricted current ratio is 2.7 in 2014-15 and rises to 7.4 in 2023-24 as a result of the operational savings and improved revenue position.
Debt Service Ratio	The debt service ratio is 0.26% in 14/15 and is negligible throughout the forecast. As borrowing occur throughout the period the ratio does increase to 2.08%. The Net Financial Liabilities ratio indicates that Council has the capacity to increase the level of borrowings while the Current Ratio indicates that Council has access to additional cash as required.
Rates & Annual Charges Coverage Ratio	The rates & annual charges coverage ratio is 60% in 2013-14 and increases to 44% throughout the forecast period.
Rates and Annual Charges Outstanding	This ratio demonstrates improved cash management practices. The available cash should be used to eliminate loan borrowings.
Net Financial Liabilities Ratio	The net financial liabilities ratio is a high negative is -145% demonstrating the council's ability to mitigate operating deficits.
Building & Infrastructure Renewals Ratio	The asset sustainability ratio is 60% in 2014-15 and is increased to 110% throughout the forecast. The exception is 2016-17 where a further $ 2 M in renewals is planned. This demonstrates that the reduction in service levels is within council's capability to maintain and improve.

Assumptions

The starting point for this scenario is the scenario 2.

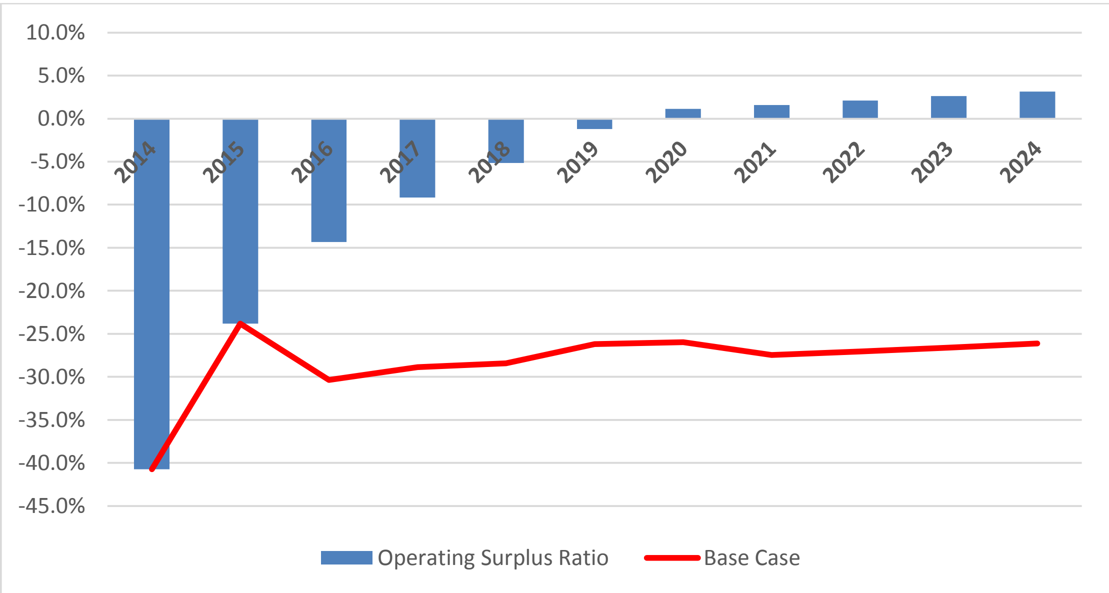
Assumption percentages have been applied to all projection years. The percentages are an indication of the change in value on average over the ten year period, including CPI, and have been determined based on historical trends and external indicators.

Rates & Annual Charges	
Rates	6.4% in 2014-15 – 2018-19, 2.4% thereafter (7% and 3% rounded respectively)
Annual Charges	2.5%
User Charges & Fees	
The factors which determine Council's pricing principles are equity, user-pays and market rates.	
Waste	2.5%
Regulatory Fees	0.0% The best estimate is for regulatory fee income to remain stable for the projection years.
Discretionary Fees	2.5%
Grants & Contributions – Operating	
Financial Assistance Grant	2.5%
Special Purpose Grants	2.5%
Contributions	2.5%
Other Revenues	
Other Revenues	2.5%
Investment Revenues	2.5%
Profit from Disposal of Assets	Nil expected
Employee Costs	
Salaries, Wages & Employee Leave Entitlements	3.25%
Superannuation	7.3% to 9.5%

Increases in superannuation are tied to increases in salaries and wages. In addition, the proposed staged increase in compulsory super contributions from 9% to 12% has also been included (likely to occur even though the changes are yet to be legislated).

Year	Super Contribution	Increase	Salaries Increase	Total Increase
2014	9.25	2.8%	4.50%	7.28%
2015	9.50	2.7%	4.20%	6.90%
2016	10.00	5.3%	4.20%	9.46%
2017	10.50	5.0%	4.20%	9.20%
2018	11.00	4.8%	4.20%	8.96%
2019	11.50	4.5%	4.20%	8.75%
2020	12.00	4.3%	4.20%	8.55%
2021	12.00		4.20%	4.20%
2022	12.00		4.20%	4.20%

Workers Compensation	3.5%
Other Employee Costs	5%
Materials and Contracts	-10% in 2015, -5% in 2016 – 18. Increases by 2.5 after
Other expenses	-10% in 2015, -5% in 2016 – 18. Increases by 2.5 after
Depreciation	Reduced by 32% based on assumption of extending useful lives and adopting appropriate componentisation and residual values



The projected cumulative operating deficit (less capital) for Scenario 3 for the projection years is **$(8.4) M.** The council moves into surplus in year 2019-20 and increase this trend for the remainder of the projected period, resulting in a $435,000 surplus for year 2023-24.

A1 Attachment – Financial Ratios

Local Government Industry Indicators

1. Unrestricted Current Ratio - To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Current Assets less all External Restrictions /
Current Liabilities less Specific Purpose Liabilities

2. Debt Service Ratio - To assess the impact of loan principal & interest repayments on the discretionary revenue of council.

Debt Service Cost /
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants Contributions

3. Rates & Annual Charges Coverage Ratio - To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.

Rates & Annual Charges /
Income from Continuing Operations

4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage - To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Rates, Annual & Extra Charges Outstanding /
Rates, Annual & Extra Charges Collectible

5. Building & Infrastructure Renewals Ratio - To assess the rate at which these assets are being renewed relative to the rate at which these are depreciating.

Asset Renewals /
Depreciation, Amortisation & Impairment

Financial Sustainability Indicators

An explanation of the three primary financial sustainability ratios is below.

Indicator	Measure /Target
<u>Infrastructure Capital Sustainability</u> This measure seeks to identify the infrastructure capital sustainability by looking at the level of renewal of the existing asset base	
1. asset sustainability ratio	greater than 90%
<u>Financial Capital Sustainability/Viability</u> These measures are seeking to identify the Financial capital sustainability/viability by looking at: • the financial capacity of the local government as represented in the statement of financial position • the ability to fund the ongoing operations of the local government	
2. operating surplus ratio 3. net financial liabilities ratio	between 0% and 10% Not greater than 60%.

Other measures are used to clarify particular aspects of the overall position, such as:

1. The level of cash holdings,
2. Depreciation expense,
3. The age of the infrastructure.

A2 Attachment – Financial Statements – Base Case / Current Position

Year Ending 30 June:	2014 Year 0 Actual $'000	2015 Year 1 Budget $'000	2016 Year 2 Plan $'000	2017 Year 3 Plan $'000	2018 Year 4 Plan $'000	2019 Year 5 Plan $'000	2020 Year 6 Plan $'000	2021 Year 7 Plan $'000	2022 Year 8 Plan $'000	2023 Year 9 Plan $'000	2024 Year 10 Plan $'000
Operating Revenue											
Rates	2,278	2,376	2,447	2,521	2,596	2,674	2,754	2,837	2,922	3,010	3,100
Charges	2,469	1,485	1,992	2,041	2,092	2,145	2,198	2,253	2,310	2,367	2,427
Grants - For Operating Purposes	2,607	3,420	3,506	3,593	3,683	3,775	3,869	3,966	4,065	4,167	4,271
Grants- For Capital Purposes	184	6,155	2,405	2,465	2,527	3,355	3,420	2,721	2,789	2,859	2,930
Investment Income	277	251	168	242	232	226	207	183	170	163	161
Net gain from disposal of Assets	0	5	0	0	0	0	0	0	0	0	0
Other	270	109	112	115	117	120	123	126	130	133	136
Total Operating Revenue	**8,085**	**13,801**	**10,629**	**10,977**	**11,248**	**12,295**	**12,573**	**12,087**	**12,385**	**12,699**	**13,025**
Operating Expenses											
Salaries & Wages	3,617	3,680	3,800	3,923	4,051	4,182	4,318	4,458	4,603	4,753	4,907
Materials & Contracts	3,205	2,917	2,990	3,065	3,141	3,220	3,300	3,383	3,467	3,554	3,643
Depreciation	3,535	3,494	3,622	3,639	3,656	3,672	3,696	3,723	3,739	3,756	3,775
Borrowing Costs	14	0	177	172	166	160	154	147	140	133	125
Net loss from disposal of Assets	0	0	0	0	0	0	0	0	0	0	0
Other	823	840	861	883	905	927	950	974	998	1,023	1,049
Total Operating Expenses	**11,194**	**10,931**	**11,450**	**11,681**	**11,918**	**12,161**	**12,419**	**12,685**	**12,948**	**13,219**	**13,500**
Operating Surplus / (Deficit)	**(3,109)**	**2,870**	**(821)**	**(705)**	**(671)**	**134**	**153**	**(598)**	**(563)**	**(520)**	**(475)**
Operating Surplus / (Deficit) less Capital Grants	**(3,293)**	**(3,285)**	**(3,226)**	**(3,170)**	**(3,197)**	**(3,221)**	**(3,266)**	**(3,319)**	**(3,352)**	**(3,379)**	**(3,405)**
Physical Resources Free of Charge	0	0	0	0	0	0	0	0	0	0	0
Amounts specifically for new or upgraded assets	0	0	3,493	(113)	(119)	(125)	(131)	(138)	(145)	(152)	(160)
Gain (loss) on revaluaion of I,PP&E	275	282	289	296	304	311	319	327	335	343	352
Net Surplus / (Deficit)	**(6,127)**	**(133)**	**(265)**	**(3,691)**	**(3,683)**	**(2,900)**	**(2,925)**	**(3,729)**	**(3,725)**	**(3,707)**	**(3,687)**
Other Comprehensive Income											
Total Comprehensive Income	**(6,127)**	**(133)**	**(265)**	**(3,691)**	**(3,683)**	**(2,900)**	**(2,925)**	**(3,729)**	**(3,725)**	**(3,707)**	**(3,687)**

As at 30 June:	2014 Year 0 Actual $'000	2015 Year 1 Budget $'000	2016 Year 2 Plan $'000	2017 Year 3 Plan $'000	2018 Year 4 Plan $'000	2019 Year 5 Plan $'000	2020 Year 6 Plan $'000	2021 Year 7 Plan $'000	2022 Year 8 Plan $'000	2023 Year 9 Plan $'000	2024 Year 10 Plan $'000
ASSETS											
Financial Assets											
Cash and Cash Equivalents	5,498	5,635	8,603	8,203	7,968	7,231	6,242	5,719	5,470	5,374	4,900
Current Trade & Other Receivables	852	873	873	873	873	873	873	873	873	873	873
Current Other Financial Assets	15	15	15	15	15	15	15	15	15	15	15
Inventories	175	179	179	179	179	179	179	179	179	179	179
Total Financial Assets	**6,540**	**6,704**	**9,671**	**9,271**	**9,036**	**8,299**	**7,310**	**6,787**	**6,538**	**6,442**	**5,968**
Non Financial Assets											
Inventories	0	0	0	0	0	0	0	0	0	0	0
Non-current Receivables	0	0	0	0	0	0	0	0	0	0	0
Infrastructure, Property, Plant & Equipment	138,965	142,439	142,217	141,896	141,448	142,367	143,628	143,648	143,405	143,031	143,176
Other Non-current Assets	0	0	0	0	0	0	0	0	0	0	0
Total Non Financial Assets	**138,965**	**142,439**	**142,217**	**141,896**	**141,448**	**142,367**	**143,628**	**143,648**	**143,405**	**143,031**	**143,176**
Total Assets	145,505	149,143	151,888	151,167	150,483	150,666	150,937	150,435	149,943	149,473	149,145
LIABILITIES											
Current Liabilities											
Trade & Other Payables	971	995	995	995	995	995	995	995	995	995	995
Borrowings	0	0	113	119	125	131	138	145	153	160	169
Provisions	1,486	1,523	1,523	1,523	1,523	1,523	1,523	1,523	1,523	1,523	1,523
Other Current Liabilities	0	0	0	0	0	0	0	0	0	0	0
	2,457	**2,518**	**2,631**	**2,637**	**2,643**	**2,649**	**2,656**	**2,663**	**2,671**	**2,678**	**2,687**

	2014 Year 0 Actual $'000	2015 Year 1 Budget $'000	2016 Year 2 Plan $'000	2017 Year 3 Plan $'000	2018 Year 4 Plan $'000	2019 Year 5 Plan $'000	2020 Year 6 Plan $'000	2021 Year 7 Plan $'000	2022 Year 8 Plan $'000	2023 Year 9 Plan $'000	2024 Year 10 Plan $'000
Non-current Liabilities											
Trade & Other Payables			0	0	0	0	0	0	0	0	0
Borrowings		0	0	0	0	0	0	0	0	0	0
Provisions	609	624	624	624	624	624	624	624	624	624	624
Other Non-current Liabilities			3,493	3,380	3,261	3,136	3,005	2,867	2,722	2,569	2,409
	609	624	4,117	4,004	3,885	3,760	3,629	3,491	3,346	3,193	3,033
Total Liabilities	3,066	3,143	6,749	6,642	6,529	6,410	6,286	6,155	6,018	5,872	5,721
Net Assets	142,439	146,000	145,140	144,525	143,955	144,256	144,652	144,280	143,926	143,601	143,424
EQUITY											
Retained Earnings	117,759	120,703	120,438	116,747	113,063	110,163	107,238	103,509	99,784	96,077	92,389
Asset Revaluation Reserves	24,680	25,297	25,297	25,297	25,297	25,297	25,297	25,297	25,297	25,297	25,297
Other Reserves			0	0	0	0	0	0	0	0	0
Adjustment to Cash & Borrowings for effects of inflation			(215)	(415)	(613)	(751)	(820)	(913)	(1,032)	(1,174)	(1,220)
Total Equity	142,439	146,000	145,520	141,628	137,748	134,709	131,715	127,893	124,049	120,200	116,467

Total Outstanding Borrowings / (Cash & Cash equivalents) discounted for effects of inflation

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Annual Inflation (cpi) rate			2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Total Borrowings / (Cash & Cash Equivalents)	(5,498)	(5,635)	(8,818)	(8,618)	(8,580)	(7,982)	(7,062)	(6,632)	(6,502)	(6,548)	(6,120)
Borrowings in real values			**(8,603)**	**(8,203)**	**(7,968)**	**(7,231)**	**(6,242)**	**(5,719)**	**(5,470)**	**(5,374)**	**(4,900)**
Cumulative Discount			**(215)**	**(415)**	**(613)**	**(751)**	**(820)**	**(913)**	**(1,032)**	**(1,174)**	**(1,220)**
P.a. Increase			**(215)**	**(200)**	**(197)**	**(138)**	**(70)**	**(93)**	**(119)**	**(142)**	**(46)**

A3 Attachment – Financial Statements – Operational Efficiencies Scenario

Year Ending 30 June:	2014 Year 0 Actual $'000	2015 Year 1 Budget $'000	2016 Year 2 Plan $'000	2017 Year 3 Plan $'000	2018 Year 4 Plan $'000	2019 Year 5 Plan $'000	2020 Year 6 Plan $'000	2021 Year 7 Plan $'000	2022 Year 8 Plan $'000	2023 Year 9 Plan $'000	2024 Year 10 Plan $'000
Operating Revenue											
Rates	2,278	2,376	2,447	2,521	2,596	2,674	2,754	2,837	2,922	3,010	3,100
Charges	2,469	1,485	1,992	2,041	2,092	2,145	2,198	2,253	2,310	2,367	2,427
Grants - For Operating Purposes	2,607	3,420	3,506	3,593	3,683	3,775	3,869	3,966	4,065	4,167	4,271
Grants- For Capital Purposes	184	6,155	2,405	2,465	2,527	3,355	3,420	2,721	2,789	2,859	2,930
Investment Income	277	251	168	249	252	265	271	276	292	315	342
Net gain from disposal of Assets	0	5	0	0	0	0	0	0	0	0	0
Other	270	109	112	115	117	120	123	126	130	133	136
Total Operating Revenue	**8,085**	**13,801**	**10,629**	**10,984**	**11,268**	**12,334**	**12,636**	**12,180**	**12,508**	**12,851**	**13,206**
Operating Expenses											
Salaries & Wages	3,617	3,680	3,800	3,923	4,051	4,182	4,318	4,458	4,603	4,753	4,907
Materials & Contracts	3,205	2,917	2,771	2,633	2,501	2,376	2,257	2,314	2,371	2,431	2,491
Depreciation	3,535	3,494	2,471	2,488	2,505	2,521	2,545	2,572	2,588	2,605	2,624
Borrowing Costs	14	0	177	172	166	160	154	147	140	133	125
Net loss from disposal of Assets	0	0	0	0	0	0	0	0	0	0	0
Other	823	840	798	758	720	684	650	666	683	700	717
Total Operating Expenses	**11,194**	**10,931**	**10,017**	**9,974**	**9,942**	**9,923**	**9,925**	**10,157**	**10,386**	**10,621**	**10,866**
Operating Surplus / (Deficit)	**(3,109)**	**2,870**	**612**	**1,010**	**1,325**	**2,411**	**2,712**	**2,023**	**2,122**	**2,230**	**2,341**
Operating Surplus / (Deficit) less Capital Grants	**(3,293)**	**(3,285)**	**(1,793)**	**(1,455)**	**(1,201)**	**(944)**	**(708)**	**(698)**	**(667)**	**(629)**	**(590)**
Physical Resources Free of Charge	0	0	0	0	0	0	0	0	0	0	0
Amounts specifically for new or upgraded assets	0	0	3,493	(113)	(119)	(125)	(131)	(138)	(145)	(152)	(160)
Gain (loss) on revaluaion of I,PP&E	275	282	289	296	304	311	319	327	335	343	352
Net Surplus / (Deficit)	**(6,127)**	**(133)**	**2,600**	**(262)**	**308**	**1,654**	**2,192**	**1,514**	**1,646**	**1,793**	**1,943**
Other Comprehensive Income											
Total Comprehensive Income	**(6,127)**	**(133)**	**2,600**	**(262)**	**308**	**1,654**	**2,192**	**1,514**	**1,646**	**1,793**	**1,943**

As at 30 June:	2014 Year 0 Actual $'000	2015 Year 1 Budget $'000	2016 Year 2 Plan $'000	2017 Year 3 Plan $'000	2018 Year 4 Plan $'000	2019 Year 5 Plan $'000	2020 Year 6 Plan $'000	2021 Year 7 Plan $'000	2022 Year 8 Plan $'000	2023 Year 9 Plan $'000	2024 Year 10 Plan $'000
ASSETS											
Financial Assets											
Cash and Cash Equivalents	5,498	5,635	8,878	9,008	9,537	9,782	9,975	10,629	11,551	12,619	13,301
Current Trade & Other Receivables	852	873	873	873	873	873	873	873	873	873	873
Current Other Financial Assets	15	15	15	15	15	15	15	15	15	15	15
Inventories	175	179	179	179	179	179	179	179	179	179	179
Total Financial Assets	**6,540**	**6,704**	**9,946**	**10,076**	**10,605**	**10,850**	**11,043**	**11,697**	**12,619**	**13,687**	**14,369**
Non Financial Assets											
Inventories	0	0	0	0	0	0	0	0	0	0	0
Non-current Receivables	0	0	0	0	0	0	0	0	0	0	0
Infrastructure, Property, Plant & Equipment	138,965	142,439	143,368	144,198	144,901	146,971	149,383	150,554	151,462	152,239	153,535
Other Non-current Assets	0	0	0	0	0	0	0	0	0	0	0
Total Non Financial Assets	**138,965**	**142,439**	**143,368**	**144,198**	**144,901**	**146,971**	**149,383**	**150,554**	**151,462**	**152,239**	**153,535**
Total Assets	145,505	149,143	153,314	154,273	155,506	157,821	160,425	162,251	164,081	165,926	167,905
LIABILITIES											
Current Liabilities											
Trade & Other Payables	971	995	995	995	995	995	995	995	995	995	995
Borrowings	0	0	113	119	125	131	138	145	153	160	169
Provisions	1,486	1,523	1,523	1,523	1,523	1,523	1,523	1,523	1,523	1,523	1,523
Other Current Liabilities	0	0	0	0	0	0	0	0	0	0	0
	2,457	**2,518**	**2,631**	**2,637**	**2,643**	**2,649**	**2,656**	**2,663**	**2,671**	**2,678**	**2,687**

	2014 Year 0 Actual $'000	2015 Year 1 Budget $'000	2016 Year 2 Plan $'000	2017 Year 3 Plan $'000	2018 Year 4 Plan $'000	2019 Year 5 Plan $'000	2020 Year 6 Plan $'000	2021 Year 7 Plan $'000	2022 Year 8 Plan $'000	2023 Year 9 Plan $'000	2024 Year 10 Plan $'000
Non-current Liabilities											
Trade & Other Payables			0	0	0	0	0	0	0	0	0
Borrowings			0	0	0	0	0	0	0	0	0
Provisions	609	624	624	624	624	624	624	624	624	624	624
Other Non-current Liabilities			3,493	3,380	3,261	3,136	3,005	2,867	2,722	2,569	2,409
	609	624	4,117	4,004	3,885	3,760	3,629	3,491	3,346	3,193	3,033
Total Liabilities	3,066	3,143	6,749	6,642	6,529	6,410	6,286	6,155	6,018	5,872	5,721
Net Assets	142,439	146,000	146,566	147,632	148,977	151,411	154,140	156,096	158,064	160,054	162,184
EQUITY											
Retained Earnings	117,759	120,703	123,303	123,041	123,349	125,003	127,195	128,709	130,355	132,147	134,090
Asset Revaluation Reserves	24,680	25,297	25,297	25,297	25,297	25,297	25,297	25,297	25,297	25,297	25,297
Other Reserves			0	0	0	0	0	0	0	0	0
Adjustment to Cash & Borrowings for effects of inflation			(222)	(456)	(733)	(1,016)	(1,311)	(1,697)	(2,179)	(2,756)	(3,310)
Total Equity	142,439	146,000	148,378	147,882	147,913	149,285	151,181	152,309	153,472	154,688	156,077

Total Outstanding Borrowings / (Cash & Cash equivalents) discounted for effects of inflation

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Annual Inflation (cpi) rate			2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Total Borrowings / (Cash & Cash Equivalents)	(5,498)	(5,635)	(9,100)	(9,464)	(10,270)	(10,798)	(11,286)	(12,326)	(13,730)	(15,375)	(16,611)
Borrowings in real values			(8,878)	(9,008)	(9,537)	(9,782)	(9,975)	(10,629)	(11,551)	(12,619)	(13,301)
Cumulative Discount			(222)	(456)	(733)	(1,016)	(1,311)	(1,697)	(2,179)	(2,756)	(3,310)
P.a. Increase			(222)	(234)	(277)	(282)	(295)	(387)	(482)	(577)	(554)

A4 Attachment – Financial Statements – Operational Efficiencies with Increased revenue Scenario

Year Ending 30 June:	2014 Year 0 Actual $'000	2015 Year 1 Budget $'000	2016 Year 2 Plan $'000	2017 Year 3 Plan $'000	2018 Year 4 Plan $'000	2019 Year 5 Plan $'000	2020 Year 6 Plan $'000	2021 Year 7 Plan $'000	2022 Year 8 Plan $'000	2023 Year 9 Plan $'000	2024 Year 10 Plan $'000
Operating Revenue											
Rates	2,278	2,376	2,542	2,720	2,911	3,114	3,208	3,304	3,403	3,505	3,611
Charges	2,469	1,485	1,992	2,041	2,092	2,145	2,198	2,253	2,310	2,367	2,427
Grants - For Operating Purposes	2,607	3,420	3,506	3,593	3,683	3,775	3,869	3,966	4,065	4,167	4,271
Grants- For Capital Purposes	184	6,155	2,405	2,465	2,527	3,355	3,420	2,721	2,789	2,859	2,930
Investment Income	277	251	168	255	268	295	318	341	375	416	460
Net gain from disposal of Assets	0	5	0	0	0	0	0	0	0	0	0
Other	270	109	112	115	117	120	123	126	130	133	136
Total Operating Revenue	**8,085**	**13,801**	**10,724**	**11,189**	**11,598**	**12,805**	**13,137**	**12,712**	**13,072**	**13,447**	**13,835**
Operating Expenses											
Salaries & Wages	3,617	3,680	3,800	3,923	4,051	4,182	4,318	4,458	4,603	4,753	4,907
Materials & Contracts	3,205	2,917	2,625	2,442	2,271	2,112	1,964	2,013	2,063	2,115	2,168
Depreciation	3,535	3,494	2,471	2,488	2,505	2,521	2,545	2,572	2,588	2,605	2,624
Borrowing Costs	14	0	177	172	166	160	154	147	140	133	125
Net loss from disposal of Assets	0	0	0	0	0	0	0	0	0	0	0
Other	823	840	781	727	676	628	584	599	614	629	645
Total Operating Expenses	**11,194**	**10,931**	**9,854**	**9,751**	**9,668**	**9,603**	**9,566**	**9,789**	**10,009**	**10,235**	**10,470**
Operating Surplus / (Deficit)	**(3,109)**	**2,870**	**869**	**1,438**	**1,931**	**3,202**	**3,571**	**2,923**	**3,063**	**3,212**	**3,365**
Operating Surplus / (Deficit) less Capital Grants	**(3,293)**	**(3,285)**	**(1,536)**	**(1,027)**	**(596)**	**(153)**	**151**	**202**	**274**	**354**	**435**
Physical Resources Free of Charge	0	0	0	0	0	0	0	0	0	0	0
Amounts specifically for new or upgraded assets	0	0	3,493	(113)	(119)	(125)	(131)	(138)	(145)	(152)	(160)
Gain (loss) on revaluaion of I,PP&E	275	282	289	296	304	311	319	327	335	343	352
Net Surplus / (Deficit)	**(6,127)**	**(133)**	**3,116**	**595**	**1,520**	**3,235**	**3,911**	**3,314**	**3,527**	**3,758**	**3,993**
Other Comprehensive Income											
Total Comprehensive Income	**(6,127)**	**(133)**	**3,116**	**595**	**1,520**	**3,235**	**3,911**	**3,314**	**3,527**	**3,758**	**3,993**

	2014 Year 0 Actual $'000	2015 Year 1 Budget $'000	2016 Year 2 Plan $'000	2017 Year 3 Plan $'000	2018 Year 4 Plan $'000	2019 Year 5 Plan $'000	2020 Year 6 Plan $'000	2021 Year 7 Plan $'000	2022 Year 8 Plan $'000	2023 Year 9 Plan $'000	2024 Year 10 Plan $'000
Non-current Liabilities											
Trade & Other Payables			0	0	0	0	0	0	0	0	0
Borrowings			0	0	0	0	0	0	0	0	0
Provisions	609	624	624	624	624	624	624	624	624	624	624
Other Non-current Liabilities			3,493	3,380	3,261	3,136	3,005	2,867	2,722	2,569	2,409
	609	624	4,117	4,004	3,885	3,760	3,629	3,491	3,346	3,193	3,033
Total Liabilities	3,066	3,143	6,749	6,642	6,529	6,410	6,286	6,155	6,018	5,872	5,721
Net Assets	142,439	146,000	146,817	148,285	150,177	153,298	156,740	159,409	162,087	164,786	167,621
EQUITY											
Retained Earnings	117,759	120,703	123,819	124,413	125,933	129,168	133,078	136,392	139,920	143,677	147,670
Asset Revaluation Reserves	24,680	25,297	25,297	25,297	25,297	25,297	25,297	25,297	25,297	25,297	25,297
Other Reserves			0	0	0	0	0	0	0	0	0
Adjustment to Cash & Borrowings for effects of inflation			(228)	(489)	(826)	(1,211)	(1,652)	(2,226)	(2,939)	(3,789)	(4,663)
Total Equity	142,439	146,000	148,887	149,221	150,404	153,253	156,723	159,463	162,278	165,185	168,304

Total Outstanding Borrowings / (Cash & Cash equivalents) discounted for effects of inflation

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Annual Inflation (cpi) rate			2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Total Borrowings / (Cash & Cash Equivalents)	(5,498)	(5,635)	(9,358)	(10,150)	(11,562)	(12,880)	(14,227)	(16,167)	(18,513)	(21,140)	(23,401)
Borrowings in real values			**(9,130)**	**(9,661)**	**(10,737)**	**(11,668)**	**(12,575)**	**(13,941)**	**(15,574)**	**(17,350)**	**(18,738)**
Cumulative Discount			**(228)**	**(489)**	**(826)**	**(1,211)**	**(1,652)**	**(2,226)**	**(2,939)**	**(3,789)**	**(4,663)**
P.a. Increase			**(228)**	**(261)**	**(336)**	**(386)**	**(441)**	**(574)**	**(712)**	**(851)**	**(874)**

As at 30 June:	2014 Year 0 Actual $'000	2015 Year 1 Budget $'000	2016 Year 2 Plan $'000	2017 Year 3 Plan $'000	2018 Year 4 Plan $'000	2019 Year 5 Plan $'000	2020 Year 6 Plan $'000	2021 Year 7 Plan $'000	2022 Year 8 Plan $'000	2023 Year 9 Plan $'000	2024 Year 10 Plan $'000
ASSETS											
Financial Assets											
Cash and Cash Equivalents	5,498	5,635	9,130	9,661	10,737	11,668	12,575	13,941	15,574	17,350	18,738
Current Trade & Other Receivables	852	873	873	873	873	873	873	873	873	873	873
Current Other Financial Assets	15	15	15	15	15	15	15	15	15	15	15
Inventories	175	179	179	179	179	179	179	179	179	179	179
Total Financial Assets	**6,540**	**6,704**	**10,198**	**10,729**	**11,805**	**12,736**	**13,643**	**15,009**	**16,642**	**18,419**	**19,806**
Non Financial Assets											
Inventories	0	0	0	0	0	0	0	0	0	0	0
Non-current Receivables	0	0	0	0	0	0	0	0	0	0	0
Infrastructure, Property, Plant & Equipment	138,965	142,439	143,368	144,198	144,901	146,971	149,383	150,554	151,462	152,239	153,535
Other Non-current Assets	0	0	0	0	0	0	0	0	0	0	0
Total Non Financial Assets	**138,965**	**142,439**	**143,368**	**144,198**	**144,901**	**146,971**	**149,383**	**150,554**	**151,462**	**152,239**	**153,535**
Total Assets	145,505	149,143	153,566	154,926	156,705	159,707	163,025	165,563	168,104	170,658	173,341
LIABILITIES											
Current Liabilities											
Trade & Other Payables	971	995	995	995	995	995	995	995	995	995	995
Borrowings	0	0	113	119	125	131	138	145	153	160	169
Provisions	1,486	1,523	1,523	1,523	1,523	1,523	1,523	1,523	1,523	1,523	1,523
Other Current Liabilities	0	0	0	0	0	0	0	0	0	0	0
	2,457	**2,518**	**2,631**	**2,637**	**2,643**	**2,649**	**2,656**	**2,663**	**2,671**	**2,678**	**2,687**

A5 Attachment – Assumptions

Weddin Shire Council LTFP Model - Assumptions

- 2014 figures are taken from financial statements actual figures
- 2015 Figures from budget extract provided
- Category figures for AMP/New Assets/Replacement Assets tabs are taken from AMP Data provided by Council
- CPI used for all scenarios 2.5% (As stated in LTFP report)

Base Case – Scenario 1

- Rate peg of 3%
- Grants increase at CPI
- $58K added to Sewer Fund Charge
- Fees and Charges also increased by $400K in 2016 – estimates look above budget by this amount
- Charges increase by CPI from 2016 onwards
- Assets increased by Cash Rate
- AMP Data taken from adopted Plans S2 data
- Salaries kept at same rate from previous LTFP Update 3.25%

Reduced Expenditure – Scenario 2

- Rate peg of 3%
- Grants increase at CPI
- $58K added to Sewer Fund Charge
- Fees and Charges also increased by $400K in 2016 – estimates look above budget by this amount
- Charges increase by CPI
- Assets increased by Cash Rate
- AMP Data taken from adopted Plans S2 data
- Salaries kept at same rate from previous LTFP Update 3.25%
- Expenses reduced by 5% pa for 5 years
- Other Expenses Reduced by 5% pa for 5 years
- Depreciation reduced – combination of reducing service levels and applying proper componentisation and residual values. Total reduction of 32%

Reduced Expenditure and Increased Revenue – Scenario 3

- Grants increase at CPI
- $58K added to Sewer Fund Charge
- Fees and Charges also increased by $400K in 2016 – estimates look above budget by this amount
- Charges increase by CPI
- Assets increased by Cash Rate
- AMP Data taken from adopted Plans S2 data
- Salaries kept at same rate from previous LTFP Update 3.25%

- Expenses reduced by 10% in Y2 and 7% pa for 4 years
- Other Expenses Reduced by 7% pa for 5 years
- Depreciation reduced – combination of reducing service levels and applying proper componentisation and residual values. Total reduction of 32%
- Rate revenue increased by 4% for years 2 – 5 inclusive total rate revenue increased by 7%

Assumptions for Depreciation reduction

The following numbers are a high level analysis taking into account current asset performance. Any actual changes in useful life should be conducted with the help of a professional valuer and should highlight the changes in future service levels, potential risks and be based on the best available evidence.

Transport reduced by 40%
- Sub Base non depreciable
- K & G increase life to 90 years
- All Bitumen Seals to 30 years
- Gravel re-sheets to 20years
- Culverts to 120 years

Buildings reduced by 30%
- Council Chambers Superstructure to 80 years
- Council Chambers floor to 20 years
- Depot, Library and Bank - componentised and lives extended. Residual added
- Doctors Surgery componentised and life extended
- Museum componentised and life extended
- Grandstand componentised and life extended
- swimming pool life extended

Drainage reduced by >30%
- Componentisation of pipework, trenching to become non depreciable and a preferred strategy of pipe re-lining for future works.
- Lives extended to 100 years for all pipes and pits

Parks & Rec reduced by 20%
- memorials to 120 years
- playgrounds to 20 years
- Skate park to 80 years
- Fencing to 30 years
- BBQ's 40 years

Plant & Equipment reduced by 20%
- Large plant to have lives extended to between 12 – 15 years

Sewerage reduced by 20%

- Extend lives to 100 years