



2013–2024 Long-Term Financial Plan

Contents

Foreword

1. Executive Summary	4
2. Council's Financial Policies	4
3. Current Financial Position of Council	5
4. Long-Term Financial Plan Objectives	6
5. Performance Monitoring and Review	6
6. Planning Assumptions	7
7. Available Financial Strategies	8
8. Sensitivity Analysis	9
9. Scenario Development	10
10. Scenario 0: Base Case	10
11. Scenario 1: Preferred Case	10
12. Scenario 2: Optimum Case	11
13. Conclusions	11
Attachment A: Financial Statements - Scenario 0	12
Attachment B: Financial Statements - Scenario 1	16
Attachment C: Council Reserves	20

Foreword

We are pleased to present the Cessnock City Council Long Term Financial Plan 2013 - 2024. Prepared by Cessnock City Council in accordance with the State Government's integrated planning and reporting framework requirements.

Council's Long-Term Financial Plan 2013 – 2024 is part of our Resourcing Strategy, helping to ensure that the community's long term goals and objectives, as expressed in the *Cessnock 2023 Community Plan* are met. Our Long-Term Financial Plan links directly with our Cessnock City Council Delivery Program.

The Long-Term Financial Plan is a financial projection that quantifies the cost of Council's services for the next ten years. It is more comprehensive than a budget and includes, in addition to financial statements, a written commentary, sensitivity analysis and scenario options. It examines the impact of Council's revenue, operational and capital expenditure forecasts, taking into account assumptions for economic factors and changes to service delivery levels.

Long term financial planning provides the following benefits for Council:

- establishes greater transparency and accountability of Council to the community;

- provides an opportunity for early identification of financial issues and any likely impacts in the longer term;
- provides a mechanism to solve financial problems as a whole, see how various plans fit together and understand the impact of some decisions on other plans or strategies;
- provides a means of measuring Council's success in implementing strategies; and
- confirms that Council can remain financially sustainable in the longer term.

Our Long Term Financial Plan does not provide any specific recommendations on what or how Council should provide its services and works, this is addressed by the Delivery Program. Instead, the Plan helps identify the potential impact of the operational and capital decisions that Council may make as part of the budget process.

This document will help guide the activities and decision making of the organisation into the future. The initiatives will be reviewed annually to ensure applicability in the changing environment and to also incorporate community feedback.



1. EXECUTIVE SUMMARY

The Long-Term Financial Plan provides an indication of Cessnock City Council's future financial position from 2013-14 to 2023-24 if it follows the path outlined in its Community Strategic Plan. The Long-Term Financial Plan presents two scenarios:

A summary of the scenarios follows:

Scenario 0 – Base Case – based upon the 2015-16 adopted budget with continuation of 'business as usual'.

This is the financial forecast based on the 2015-16 adopted budget, indexed for forecast movements in the major areas of cost impacts for every year out to 2024.

This scenario does not include the proposed impacts from Council's Fit for the Future Improvement Proposal.

Scenario 1 – Preferred Case – based upon the 2015-16 adopted budget

This is the financial forecast based on the 2015-16 adopted budget, indexed for forecast movements in the major areas of cost impacts for every year out to 2024. This scenario includes conservatively estimated anticipated impacts from Council's Fit for the Future Improvement Proposal.

This scenario does not include the optimum expenditures on Council's infrastructure assets, consistent with the projections in Council's Asset Management Plans.

Scenario 2 – Optimum Case

This scenario will be incorporated into this Long-Term Financial Plan once the Draft Asset Management Plans have been adopted later in 2015.

2. COUNCIL'S FINANCIAL POLICIES

In developing the Cessnock City Council "Long Term Financial Plan 2013-2024" the following significant financial policies of the Council have been taken into account. The policies may be viewed at Council's website www.cessnock.nsw.gov.au.

Loan Borrowings

This policy is to establish guidelines for loan borrowings. Council uses loan funds when Council considers that it is in the best interests of the community to carry out capital works or purchase assets and the funding of these purchases is not able to be sourced from existing budgets.

Investment Policy

Council must comply with the Ministerial Investment Order (revised on a periodic basis) which notifies forms of investment for the purposes of section 625 (2) of the Local Government Act 1993.

Council has an investment policy which meets the requirements of the Order and the Act.

Financing Internal Restricted Assets Policy

Council has internally (discretionary) restricted reserves and externally (non- discretionary) restricted reserves. All reserves have a purpose, which has been resolved by Council. Reserves exist for Employees Leave Entitlements; Waste Depot and Rehabilitation; Plant and Vehicles; Lawn Cemetery and Columbariums; Bridge Replacement and Property Investment Fund.

Voted Funds

The objective of this policy is to ensure that all funds voted at budget time are effectively and efficiently spent during the ensuing year with only exceptional circumstances necessitating a carry over of funds to the following year.

Revenue (user charges)

Council has a broad Fees & Charges Policy, which is adopted through the annual operational plan process. Council's fees and charges range from regulatory prescribed fees, minimum contribution to full cost and overhead recovery.

3. CURRENT FINANCIAL POSITION OF COUNCIL

Council must remain vigilant to meet all of the Fit for the Future benchmarks and secure its long-term financial position. While Council has traditionally embraced a balanced cash budget strategy, current operations continue to exert considerable pressure on Council's capacity to manage its financial position and, at times, internal borrowings may be necessary to "smooth" annual results.

In April 2013, Council received the results from the NSW Treasury Corporation (TCorp) assessment of the financial capacity and sustainability of all 152 councils in NSW. TCorp has prepared a Financial Sustainability Rating (FSR) and Outlook for each council, in order to provide an overall position of the sustainability of councils when compared with other councils within NSW.

Cessnock City Council has been assessed as:

Financial Sustainability Rating (FSR)
- Moderate

Outlook - Negative

The report states, a council with a FSR of Moderate and an Outlook of Negative, is assessed as being in a deteriorating position or at risk of being down graded from Moderate to Weak. As TCorp considers an FSR of lower than Moderate to be at much greater risk of being unsustainable, councils in this position need to be considering options for addressing the areas of poor performance that are contributing to council's assessed FSR and Outlook.

TCorp has issued definitions for the above ratings, as follows:-

1) Financial Sustainability Rating (FSR) – Moderate

- A local government with an adequate capacity to meet its financial commitments in the short to medium term and an acceptable capacity in the long term.
- While it has some record of reporting minor to moderate operating deficits the local government may also have recently reported a significant operating deficit.

- It is likely able to address its operating deficits, manage unforeseen financial shocks and any adverse changes in its business, with moderate revenue and/or expense adjustments. The expense adjustments are likely to result in a number of changes to the range of and/or quality of services offered.
- Its capacity to manage core business risks is moderate.

2) Outlook – Negative

- As a result of a foreseeable event or circumstance occurring, there is the potential for deterioration in the local government's capacity to meet its financial commitments (short and/or long term) and resulting change in its rating. However, it does not necessarily indicate that a rating change may be forthcoming.

The TCorp assessment confirms Council's long-term financial forecasting; that the continuation of Council's current spending and income patterns is not sustainable.

A key part of Council's response to this assessment has been the adoption of a Financial Sustainability Initiative.

The Financial Sustainability Initiative, is an umbrella for a number of projects that aim to ensure that, over the long-term, council generates sufficient funds to provide the levels of service and infrastructure agreed with our community.

One of the Financial Sustainability Initiative's projects is a special rate variation strategy that will be re-visited in the medium term.

4. LONG-TERM FINANCIAL PLAN OBJECTIVES

The Long-Term Financial Plan intends to achieve the following objectives over the ten year time frame:

- provide services to the community;
- maintain adequate funding to support Council's asset management plans;
- maintain a strong cash position;
- maintain a sufficient Employee Leave Entitlements cash reserve based on the age and entitlements of all staff in accordance with the Council's Workforce Strategy; and
- ensure that all adopted plans or strategies have a ten-year financial forecasts for incorporation into the Long-Term Financial Plan.

Council has a commitment to the community for the delivery of strategies outlined in the *Cessnock 2023* Community Strategic Plan. The development of the Long-Term Financial Plan alongside the strategic plan will assist Council to assess the financial impact of the future strategic directions.

The Long-Term Financial Plan is only a starting point and many of the strategic options will require further investigation before the next iteration of the Long-Term Financial Plan is prepared. Council has traditionally aimed to operate with a balanced cash budget and is embracing, through the Financial Sustainability Initiative, a number of projects to reduce costs, increase revenues and improve value-for-money.

5. PERFORMANCE MONITORING AND REVIEW

Performance reporting will be in accordance with the Fit for the Future measures included in Note 13 – Statement of Performance Measurement as defined by the current Local Government Code of Accounting Practice.

Council will review the Long Term Financial Plan each year as part of the development of the annual Operational Plan. The review will include an assessment of the previous year's performance in terms of the accuracy of the projections made in the Long Term Financial Plan compared to the actual results. Evaluation will include reviewing and amending estimates and scenarios, where long term goals are not being achieved or where changes have affected set goals and strategies. Assumptions will be adjusted to improve the accuracy of the Long Term Financial Plan over the longer term.

Council will not only monitor its performance against the Long-Term Financial Plan and the annual budget, but will also assess its long-term financial sustainability against the following indicators including:

- Operating performance ratio
- Own source revenue ratio
- Building and infrastructure asset renewal ratio
- Debt service ratio

Council will thoroughly evaluate the Long-Term Financial Plan every four years, in line with the review of the Community Strategic Plan. This will occur after each local government election.

These key indicators are included in the financial projections for each scenario.

6. PLANNING ASSUMPTIONS

The 2014-15 budget is the base year for the Long-Term Financial Plan 2013-2024. The following assumptions have been used to forecast growth in both income and expenditure over the next ten years. The assumptions have been prepared in accordance with the Council's legislative requirements and in reference to the *Cessnock 2023 Community Strategic Plan*.

The longer the time frame the greater the uncertainty so forecasts and financial projections may vary in the future particularly in the closing years of this period.

Service Levels

The following general assumptions in relation to service levels have underpinned the development of the Long-Term Financial Plan 2013-2024:

- the Council will continue to be responsible for providing services to the community however the range and levels of service may not remain the same depending on the outcomes of the Service Review;
- the quantity and location of assets may not remain the same as Council's asset management practices mature; and
- the current philosophy and practices of condition based maintenance will continue.

Workforce

The composition of the workforce will be reviewed as the Financial Sustainability Initiative projects progress to ensure that the Fit for the Future benchmarks are met.

Population Growth

At 30 June 2014, it was estimated that Cessnock City had a population of 54,979 (Australian Bureau of Statistics Estimate of Resident Population). The NSW Department of Planning forecasts a population of 66,400 by 2031 (an increase of 24% from the 2011 census). This growth will predominantly be accommodated through the development of "Huntlee" near Branxton and from developments in Bellbird North and Cliftleigh. Infrastructure in the new townships will

be provided by developers. The Long-Term Financial Plan assumes an increase in income generated from development of 0.3%. This increase in income will be utilised in the maintenance and servicing of these new areas.

Economic Growth

The Long-Term Financial Plan assumes a continuation of steady economic activity in the Cessnock City Local Government Area over 2013-2024. The Council is actively working to facilitate increased economic growth through its Economic Development Strategy.

Inflation Forecasts

The Local Government Cost Index (produced by the Independent Pricing & Regulatory Tribunal) of 2.5% has been used in the preparation of the base case of the Long-Term Financial Plan.

Depreciation

Depreciation is based on the 2013-14 actuals adjusted for expensing of road inventory components plus growth in line with new/additional assets.

Interest Rates

Interest rates are anticipated to remain steady at 5% for new loans and 2.5% for interest on investments.

Employee costs

Employee costs made up 36% of Council's 2013-14 operating expenditure. This reflects the service-based nature of a significant proportion of Council activities as well as the construction and maintenance of the considerable infrastructure owned by Council. Movements in rates of pay are determined through industry-wide Award negotiations. The base case of the Long-Term Financial Plan assumes annual Award increases of 2.8% from 2016-17.

Materials and Contracts

Materials and contracts made up 23% of 2013-14 operating expenditure. The base case of the Long-Term Financial Plan assumes annual increases of 2.5% in line with the Local Government Cost Index.

Investment Policy

Council has an adopted Investment Policy with the following objectives:-

- To undertake authorised investment of surplus funds not required to meet commitments after consideration of credit risk and diversification limits as set out in the policy.
- To maximise earnings from authorised investments and ensure the security of Council funds.
- To ensure the availability of sufficient funds to meet Council's ongoing commitments for salary, wages, loan repayments, contract payments and general payments and limit usage of the overdraft facility.
- To meet obligations under Council's Charter as the custodian and trustee of public assets and to effectively account for and manage those assets for which it is responsible.

The Investment Policy is designed to minimise potential risks that may affect the valuation of its investment portfolio during the period of this Long-Term Financial Plan.

Capital Works Program

Capital expenditure is based on Council's asset management plans with an emphasis on the renewal of infrastructure assets.

7. AVAILABLE FINANCIAL STRATEGIES

7.1. Rates and Levies

Rates and Annual Charges

Rates and Annual Charges made up 56% of the 2013-14 operating revenue. The Council cannot apply a rate increase greater than the annual rate pegging limit without a special rate variation.

In the Long-Term Financial Plan, the scenarios do not include any proposed special rate variations.

The Long-Term Financial Plan assumes an annual rate peg of 2.4% (the Local Government Cost Index less 0.1% efficiency) plus 0.3% growth in assessments. The exception to this is in 2016-17 when a one-off total increase of 3.1% is included to account for the major "Huntlee" development.

Stormwater Management Service Charge

This charge was introduced in the 2007-08 financial year to establish a sustainable funding source for providing improved stormwater management. It is assumed the charge will remain in place for each year of the Long-Term Financial Plan. The amount chargeable has been prescribed under the Local Government Act with no scope for adjustments in line with inflation or any other costs.

Domestic Waste Management Charge

All ratepayers who have access to domestic waste collection services incur a domestic waste management charge. This charge includes waste and recycling collections, educational programs, illegal dumping management, cleanup collections, waste collection facilities operations and remediation of landfill sites.

The Domestic Waste Management Strategy is supported by a ten year financial strategy which determines the annual charge. The estimated increase in the charge has been set in accordance with the Strategy.

In addition, the Waste Levy has been assumed from 2016-17, to increase by 2.5% per annum in line with the Local Government Cost Index.

7.2. Fees and Charges

User Fees and Charges

For statutory fees and charges the amount is fixed by regulation or by another authority. Examples of statutory fees include development assessment fees and planning certificates. The revenue from Statutory Fees & Charges has been assumed in Scenario 1, to increase by 1.5% per annum.

Commercial Activities

Fees for the Performing Arts Centre, airport and swimming pools are expected to increase by 2.0% per annum.

Section 94 Contributions

Section 94 contributions provide the facilities required for the increased population resulting from new developments. The Section 94 Plans adopted by Council determine contribution rates and works programs.

Review

A comprehensive review of Council's fees and charges has been identified as a project in Council's Financial Sustainability Initiative to develop a consistent, robust and equitable pricing methodology that generates revenue to supplement the traditional rate base.

7.3. Interest on Investments

Investments will be made in accordance with the Minister's Investment Order and the Council's Investment Policy. Expected investment returns have been based on a 2.5% rate of return.

7.4. Grants and Subsidies

In the base case of the Long-Term Financial Plan it is assumed all recurrent grant funds will be maintained at current levels.

7.5. Borrowings

Council has traditionally taken out loan borrowings each year to supplement the drainage construction program. A continuation of the drainage loan borrowings of \$500,000 per year has been included in the Long-Term Financial Plan.

7.6. Cash Reserves

Transfers to and from reserves have been made in accordance with the Reserves Strategy and the financial plans supporting the various reserves. A detailed list of Council's cash reserves is included at Attachment C, and reserve movements and balances are reported with the quarterly budget review statements and in Council's annual financial reports.

Transfers to the Employee Leave Entitlements reserve have been made based on the strategy of an annual budget allocation in the Operational Plan. The Council has made estimates regarding leave payments required in the future and determined a target reserve balance based on the age profile of employees.

8. SENSITIVITY ANALYSIS

The Long-Term Financial Plan contains a number of assumptions and any variations in these assumptions during the life of the plan may have a significant impact on the Council's future financial position. The Long-Term Financial Plan will be reviewed annually to ensure the assumptions continually reflect the latest information available.

Interest on Investments: The Council has a modest investment portfolio that is subject to movements in interest rates. Investments are placed and managed in accordance with the Council's adopted Investment Policy. As a custodian of the community's funds, the Council ensures funds are invested with the same care, diligence and skill that a prudent person would exercise.

Rate Pegging and Special Rates Variations: Changes in rates revenue from the assumed 2.7% will impact the Plan's forecasts. Any future special rate variations will also impact revenues.

Inflation: Changes in inflation will impact both revenue and expenditure.

Employee Costs: Changes in employee costs will impact Council's expenditure. Staff turnover patterns will impact recruitment and training costs.

Population Growth: Variations in the population growth forecasts will impact rating revenues.

Grants: The Long Term Financial Plan scenarios only include recurring grants and capital grants that have already been awarded. The Council has a high proportion of own-source revenue and does not have a strong reliance on grants. A number of the grants that are received fund specific programs that may not be offered by the Council if the grants were eliminated. The general purpose component of the Council's Financial Assistance Grant exceeds \$5 million. If this grant was eliminated the Council would need to reduce service levels and/or asset management expenditure.

9. SCENARIO DEVELOPMENT

Financial modelling has been used to create two scenarios. Each Scenario presents a different financial result depending on the underlying assumptions. The scenarios were developed by varying budgeted revenues and expenditures.

10. SCENARIO 0: BASE CASE

Attachment A shows the financial statements for Scenario 0. Assumptions (for years 3 to 10)

Operating Revenue

- General Rates have been increased by 2.7% based upon rate pegging of 2.4% plus rate base growth of 0.3%
- Statutory Fees and Charges have not been increased
- Commercial Activity Revenue has been increased by 2.0% per annum
- General Purpose Grants (including the Financial Assistance Grant) have not been increased
- Specific Purpose Grants have not been increased.

Operating Expenses

- Salaries have been increased by 2.8% from year 3 in line with anticipated Award increases
- Electricity, insurance and other expenses have been increased by 2.5% per annum
- Materials and contracts have been increased by 2.5% in line with the Local Government Cost Index.

Capital Expenditure

- Major planned expenditures are from Council's Delivery Program, asset management plans and development contribution plans.

Commentary on Trends

The Income Statement shows gradually increasing deficits (excluding capital revenue).

The cash flow balance is also decreasing.

This is a situation that is not financially sustainable.

Summary

In this scenario, revenue is not sufficient to meet the total operating and capital expenditure and over time a growing cash flow gap results from the continuing erosion of reserves.

In addition, this scenario does not meet the Fit for the Future benchmark for the Operating Performance Ratio.

11. SCENARIO 1: PREFERRED CASE

Attachment B shows the financial statements for Scenario 1. Assumptions (for years 3 to 10)

Operating Revenue

- General Rates have been increased by 2.7% based upon rate pegging of 2.4% plus rate base growth of 0.3%
- Commercial Activity Revenue has been increased by 2.0%
- General Purpose Grants (including the Financial Assistance Grant) have been increased by 1.0% per annum
- Statutory Fees and Charges have been increased by 1.5% per annum
- Specific Purpose Grants have not been increased.

Operating Expenses

- Salaries have not been increased in year 3 (2016-17) and from year 4 have been increased by 2.0% per annum
- Materials and contracts have been increased by 1.0% per annum
- Electricity, insurance and other expenses have been increased by 2.5% per annum.



Capital Expenditure

- Major planned expenditures are from Council's Delivery Program, asset management plans and development contribution plans.

Commentary on Trends

The Income Statement shows gradually increasing surpluses (excluding capital revenue).

The cash flow balance is also gradually increasing.

Summary

This is the preferred scenario reflecting Council's desire to be "Fit for the Future". It incorporates the conservatively estimated impacts from the Financial Sustainability Initiative projects.

Under this scenario all of the Fit for the Future benchmarks are met by 2019-20.

12. SCENARIO 2: OPTIMUM CASE

Council's Asset Management Plans are currently under review and, once adopted, a third scenario ("Optimum Case") will be incorporated into the Long-Term Financial Plan describing the optimum asset funding option.

13. CONCLUSIONS

Scenario 0 is a continuation of the status quo and is not financially sustainable.

Scenario 1 incorporates the estimated outcomes of the Financial Sustainability Initiative projects and meets the Fit for the Future benchmarks.

Scenario 2 will be incorporated following adoption of the Asset Management Plans.

Attachment A: Financial Statements - Scenario 0

Scenario 0 - Base Case

PROJECTED INCOME STATEMENT FOR 10 YEAR PERIOD 2013/14 – 2023/24

LTFP 10 YEAR MODEL - SCENARIO 0 (BASE CASE) - INCOME STATEMENT

YEAR END	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
INCOME											
Rates & Annual Charges	(41,262,388)	(42,191,052)	(43,225,186)	(44,471,100)	(45,657,800)	(46,876,800)	(48,128,700)	(49,414,000)	(50,734,100)	(52,089,800)	(53,482,300)
User Charges & Fees	(8,767,523)	(7,523,836)	(7,232,141)	(7,155,000)	(7,201,500)	(7,248,900)	(7,297,200)	(7,346,500)	(7,396,900)	(7,448,200)	(7,500,500)
Interest & Investment Revenue	(1,359,525)	(949,400)	(729,100)	(755,100)	(755,100)	(726,100)	(693,100)	(630,100)	(545,100)	(464,100)	(384,100)
Other Revenues	(1,666,560)	(1,209,428)	(1,058,190)	(1,072,000)	(1,086,000)	(1,100,200)	(1,115,100)	(1,130,300)	(1,145,700)	(1,161,500)	(1,177,600)
Grants & Contributions for Operating Purposes	(11,789,417)	(11,222,603)	(12,674,579)	(11,163,000)	(11,179,400)	(11,196,200)	(11,163,600)	(11,181,300)	(11,199,400)	(11,218,100)	(11,237,300)
Grants & Contributions for Capital Purposes	(8,324,246)	(11,374,583)	(6,052,000)	(4,222,000)	(302,000)	(302,000)	(302,000)	(302,000)	(302,000)	(302,000)	(302,000)
TOTAL INCOME	(73,169,658)	(74,470,902)	(70,971,196)	(68,838,200)	(66,181,800)	(67,450,200)	(68,699,700)	(70,004,200)	(71,323,200)	(72,683,700)	(74,083,800)
EXPENDITURE											
Employee Benefits & On Costs	24,981,697	24,688,104	25,704,750	26,162,300	26,768,700	27,467,900	28,187,400	28,927,300	29,687,500	30,468,300	31,271,500
Borrowing Costs	606,666	792,096	566,708	568,029	548,377	529,271	510,924	491,267	479,066	473,678	465,625
Materials & Contracts	16,069,396	14,472,526	13,881,395	14,055,200	14,265,900	15,200,700	15,817,300	16,149,700	16,491,700	16,839,200	17,194,200
Depreciation & Amortisation	12,848,159	13,056,500	13,015,000	12,445,400	12,456,000	12,466,800	12,477,900	12,489,200	12,500,600	12,512,300	12,524,200
Other Expenses	11,118,706	10,891,321	11,638,431	12,212,100	12,198,500	12,479,200	12,772,800	13,373,800	13,388,100	13,697,600	14,020,900
Loss on Sale of Assets	3,711,527	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENDITURE	69,336,152	63,900,547	64,806,284	65,443,029	66,237,477	68,143,871	69,766,324	71,431,267	72,546,966	73,991,078	75,476,425
Operating Result (Profit)/Loss	(3,833,506)	(10,570,355)	(6,164,912)	(3,395,171)	55,677	693,671	1,066,624	1,427,067	1,223,766	1,307,378	1,392,625
Operating Result (Profit)/Loss excluding Grants & Contributions for Capital	4,490,740	804,228	(112,912)	826,829	357,677	995,671	1,368,624	1,729,067	1,525,766	1,609,378	1,694,625

PROJECTED BALANCE SHEET FOR 10 YEAR PERIOD 2013/14 – 2023/24

LTFP 10 YEAR MODEL - SCENARIO 0 (BASE CASE) - BALANCE SHEET

YEAR END	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
CURRENT ASSETS											
Cash & Cash Equivalents & Investments	30,823,430	30,914,301	27,053,449	27,024,820	25,893,414	24,575,487	22,021,465	18,657,480	15,406,038	12,210,891	8,873,973
Receivables	3,173,586	3,285,475	3,330,963	3,379,338	3,424,383	3,470,658	3,518,178	3,566,963	3,617,068	3,668,523	3,721,378
Inventories	343,213	343,213	343,213	343,213	343,213	343,213	343,213	343,213	343,213	343,213	343,213
Other	79,922	79,922	79,922	79,922	79,922	79,922	79,922	79,922	79,922	79,922	79,922
TOTAL CURRENT ASSETS	34,420,152	34,622,912	30,807,548	30,827,294	29,740,933	28,469,281	25,962,779	22,647,579	19,446,242	16,302,550	13,018,486
NON-CURRENT ASSETS											
Receivables	21,492	21,492	21,492	21,492	21,492	21,492	21,492	21,492	21,492	21,492	21,492
Inventories	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164
Infrastructure, Property, Plant & Equipment	712,416,507	724,589,710	737,082,264	740,048,718	740,647,564	741,291,432	742,437,940	743,822,498	745,473,966	747,299,374	749,515,738
TOTAL NON-CURRENT ASSETS	713,708,164	725,881,367	738,373,921	741,430,375	741,939,221	742,583,089	743,729,597	745,114,155	746,765,623	748,591,031	750,807,395
CURRENT LIABILITIES											
Payables	(7,121,240)	(10,130,768)	(12,249,033)	(12,370,696)	(12,518,186)	(13,172,546)	(13,604,166)	(13,836,846)	(14,076,246)	(14,319,496)	(14,567,996)
Borrowings	(1,133,354)	(1,162,218)	(1,241,985)	(1,312,760)	(1,312,000)	(1,471,391)	(1,472,655)	(1,325,603)	(1,004,164)	(698,142)	(503,180)
Provisions	(7,218,734)	(7,218,734)	(7,765,321)	(7,982,750)	(8,206,267)	(8,436,042)	(8,672,252)	(8,915,075)	(9,164,697)	(9,421,308)	(9,685,105)
TOTAL CURRENT LIABILITIES	(15,473,328)	(18,511,721)	(21,256,339)	(21,666,206)	(22,036,453)	(23,079,980)	(23,749,073)	(24,077,524)	(24,245,107)	(24,438,947)	(24,756,281)
NON-CURRENT LIABILITIES											
Payables	(603,200)	(603,200)	(603,200)	(603,200)	(603,200)	(603,200)	(603,200)	(603,200)	(603,200)	(603,200)	(603,200)
Borrowings	(8,892,839)	(7,660,055)	(7,418,070)	(6,605,310)	(5,793,310)	(4,821,919)	(3,849,264)	(3,023,661)	(2,519,497)	(2,321,355)	(2,318,175)
Provisions	(11,368,465)	(11,368,465)	(11,378,109)	(11,372,031)	(11,381,946)	(11,375,698)	(11,385,890)	(11,379,467)	(11,389,944)	(11,383,341)	(11,394,112)
TOTAL NON-CURRENT LIABILITIES	(20,864,504)	(19,631,720)	(19,399,379)	(18,580,541)	(17,778,455)	(16,800,816)	(15,838,353)	(15,006,327)	(14,512,641)	(14,307,896)	(14,315,486)
EQUITY	711,790,484	722,360,839	728,525,751	731,920,922	731,865,245	731,171,574	730,104,950	728,677,883	727,454,117	726,146,739	724,754,114

PROJECTED STATEMENT OF CASH FLOWS FOR 10 YEAR PERIOD 2013/14 – 2023/24

LTFP 10 YEAR MODEL - SCENARIO 0 (BASE CASE) - STATEMENT OF CASH FLOWS

YEAR END	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
CASH FLOWS FROM OPERATING ACTIVITIES											
RECEIPTS											
Rates & Annual Charges		42,079,163	43,179,699	44,422,724	45,612,755	46,830,525	48,081,180	49,365,215	50,683,995	52,038,345	53,429,445
User Charges & Fees		7,523,836	7,232,141	7,155,000	7,201,500	7,248,900	7,297,200	7,346,500	7,396,900	7,448,200	7,500,500
Interest & Investment Revenue		949,400	729,100	755,100	755,100	726,100	693,100	630,100	545,100	464,100	384,100
Other Revenues		1,209,428	1,058,190	1,072,000	1,086,000	1,100,200	1,115,100	1,130,300	1,145,700	1,161,500	1,177,600
Grants & Contributions for Operating Purposes		22,597,186	18,726,579	15,385,000	11,481,400	11,498,200	11,465,600	11,483,300	11,501,400	11,520,100	11,539,300
PAYMENTS											
Employee Benefits & On-Costs		(24,688,104)	(25,148,519)	(25,950,949)	(26,535,269)	(27,244,373)	(27,940,999)	(28,690,900)	(29,427,401)	(30,218,291)	(30,996,933)
Borrowing Costs		(792,096)	(566,708)	(568,029)	(548,377)	(529,271)	(510,924)	(491,267)	(479,066)	(473,678)	(465,625)
Materials & Contracts		(11,462,998)	(11,763,130)	(13,933,537)	(14,118,410)	(14,546,340)	(15,385,680)	(15,917,020)	(16,252,300)	(16,595,950)	(16,945,700)
Other Expenses		(10,891,321)	(11,638,431)	(12,212,100)	(12,198,500)	(12,479,200)	(12,772,800)	(13,373,800)	(13,388,100)	(13,697,600)	(14,020,900)
NET CASH PROVIDED (OR USED IN) OPERATING ACTIVITIES		26,524,494	21,808,920	16,125,210	12,736,199	12,604,741	12,041,777	11,482,428	11,726,228	11,646,726	11,601,787
CASH FLOWS FROM INVESTING ACTIVITIES											
RECEIPTS											
PAYMENTS											
Purchase of IPP&E		(25,229,703)	(25,507,554)	(15,411,854)	(13,054,846)	(13,110,668)	(13,624,408)	(13,873,758)	(14,152,068)	(14,337,708)	(14,740,564)
NET CASH PROVIDED (OR USED IN) INVESTING		(25,229,703)	(25,507,554)	(15,411,854)	(13,054,846)	(13,110,668)	(13,624,408)	(13,873,758)	(14,152,068)	(14,337,708)	(14,740,564)
CASH FLOWS FROM FINANCING ACTIVITIES											
RECEIPTS											
Proceeds from Borrowings		0	1,000,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
PAYMENTS											
Repayment of Borrowings		(1,203,920)	(1,162,218)	(1,241,985)	(1,312,760)	(1,312,000)	(1,471,391)	(1,472,655)	(1,325,603)	(1,004,164)	(698,142)
NET CASH PROVIDED (OR USED IN) FINANCING		(1,203,920)	(162,218)	(741,985)	(812,760)	(812,000)	(971,391)	(972,655)	(825,603)	(504,164)	(198,142)
Net Increase/ (Decrease) in Cash		90,871	(3,860,852)	(28,629)	(1,131,407)	(1,317,927)	(2,554,022)	(3,363,985)	(3,251,443)	(3,195,146)	(3,336,919)
Cash & Investments Opening Balance		30,823,430	30,914,301	27,053,449	27,024,820	25,893,414	24,575,487	22,021,465	18,657,480	15,406,038	12,210,891
Cash & Investments Closing Balance		30,914,301	27,053,449	27,024,820	25,893,414	24,575,487	22,021,465	18,657,480	15,406,038	12,210,891	8,873,973

KEY FINANCIAL PERFORMANCE INDICATORS

INDICATOR	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operating Performance Ratio	-0.023	-0.002	-0.009	-0.008	-0.005	-0.011	-0.013	-0.020	-0.022	-0.023	-0.022
Own Source Revenue Ratio (%)	75.9%	72.9%	71.9%	73.6%	78.0%	81.1%	83.0%	83.3%	83.6%	83.9%	84.1%
Building & Infrastructure Renewal Ratio (%)	106.9%	142.9%	153.0%	154.4%	121.0%	106.7%	100.2%	102.3%	105.5%	107.4%	109.3%
Debt Service Ratio (%)	2.57%	2.70%	2.77%	2.88%	2.76%	2.79%	2.82%	2.82%	2.54%	2.47%	2.05%

Attachment B: Financial Statements - Scenario I

Scenario 1 (Preferred Case)

PROJECTED INCOME STATEMENT FOR 10 YEAR PERIOD 2013/14 – 2023/24

LTFP 10 YEAR MODEL - SCENARIO 1 (PREFERRED CASE) - INCOME STATEMENT

YEAR END	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
INCOME											
Rates & Annual Charges	(41,262,388)	(42,191,052)	(43,225,186)	(44,471,100)	(45,657,800)	(46,876,800)	(48,128,700)	(49,414,000)	(50,734,100)	(52,089,800)	(53,482,300)
User Charges & Fees	(8,767,523)	(7,523,836)	(7,232,141)	(7,191,300)	(7,277,900)	(7,365,700)	(7,455,400)	(7,546,700)	(7,639,700)	(7,734,000)	(7,829,900)
Interest & Investment Revenue	(1,359,525)	(949,400)	(729,100)	(755,100)	(769,100)	(772,100)	(785,100)	(782,100)	(776,100)	(790,100)	(824,100)
Other Revenues	(1,666,560)	(1,209,428)	(1,058,190)	(1,063,200)	(1,068,200)	(1,073,200)	(1,078,700)	(1,084,200)	(1,089,700)	(1,095,300)	(1,101,000)
Grants & Contributions for Operating Purposes	(11,789,417)	(11,222,603)	(12,674,579)	(11,174,800)	(11,277,300)	(11,381,100)	(11,436,300)	(11,542,700)	(11,650,500)	(11,759,800)	(11,870,400)
Grants & Contributions for Capital Purposes	(8,324,246)	(11,374,583)	(6,052,000)	(4,222,000)	(302,000)	(302,000)	(302,000)	(302,000)	(302,000)	(302,000)	(302,000)
TOTAL INCOME	(73,169,658)	(74,470,902)	(70,971,196)	(68,877,500)	(66,352,300)	(67,770,900)	(69,186,200)	(70,671,700)	(72,192,100)	(73,771,000)	(75,409,700)
EXPENDITURE											
Employee Benefits & On Costs	24,981,697	24,688,104	25,704,750	25,465,000	25,839,200	26,316,200	26,802,000	27,297,800	27,803,000	28,318,600	28,844,100
Borrowing Costs	606,666	792,096	566,708	568,029	548,377	529,271	510,924	491,267	479,066	473,678	465,625
Materials & Contracts	16,069,396	14,472,526	13,881,395	13,915,600	13,919,500	14,642,600	15,031,800	15,124,500	15,218,400	15,311,500	15,404,500
Depreciation & Amortisation	12,848,159	13,056,500	13,015,000	12,445,400	12,456,000	12,466,800	12,477,900	12,489,200	12,500,600	12,512,300	12,524,200
Other Expenses	11,118,706	10,891,321	11,638,431	12,204,900	12,183,900	12,456,900	12,742,500	13,335,300	13,341,300	13,642,200	13,956,600
Loss on Sale of Assets	3,711,527	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENDITURE	69,336,152	63,900,547	64,806,284	64,598,929	64,946,977	66,411,771	67,565,124	68,738,067	69,342,366	70,258,278	71,195,025
Operating Result (Profit)/Loss	(3,833,506)	(10,570,355)	(6,164,912)	(4,278,571)	(1,405,323)	(1,359,129)	(1,621,076)	(1,933,633)	(2,849,734)	(3,512,722)	(4,214,675)
Operating Result (Profit)/Loss excluding Grants & Contributions for Capital	4,490,740	804,228	(112,912)	(56,571)	(1,103,323)	(1,057,129)	(1,319,076)	(1,631,633)	(2,547,734)	(3,210,722)	(3,912,675)

PROJECTED BALANCE SHEET FOR 10 YEAR PERIOD 2013/14 – 2023/24
LTFP 10 YEAR MODEL - SCENARIO 1 (PREFERRED CASE) - BALANCE SHEET

YEAR END	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
CURRENT ASSETS											
Cash & Cash Equivalents & Investments	30,823,430	30,914,301	27,053,449	27,589,505	27,708,598	28,220,329	28,122,639	27,869,943	28,439,225	29,797,326	31,797,783
Receivables	3,173,586	3,285,475	3,330,963	3,379,338	3,424,383	3,470,658	3,518,178	3,566,963	3,617,068	3,668,523	3,721,378
Inventories	343,213	343,213	343,213	343,213	343,213	343,213	343,213	343,213	343,213	343,213	343,213
Other	79,922	79,922	79,922	79,922	79,922	79,922	79,922	79,922	79,922	79,922	79,922
TOTAL CURRENT ASSETS	34,420,152	34,622,912	30,807,548	31,391,979	31,556,117	32,114,123	32,063,953	31,860,042	32,479,428	33,888,985	35,942,297
NON-CURRENT ASSETS											
Receivables	21,492	21,492	21,492	21,492	21,492	21,492	21,492	21,492	21,492	21,492	21,492
Inventories	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164	1,270,164
Infrastructure, Property, Plant & Equipment	712,416,507	724,589,710	737,082,264	740,048,718	740,647,564	741,291,432	742,437,940	743,822,498	745,473,966	747,299,374	749,515,738
TOTAL NON-CURRENT ASSETS	713,708,164	725,881,367	738,373,921	741,340,375	741,939,221	742,583,089	743,729,597	745,114,155	746,765,623	748,591,031	750,807,395
CURRENT LIABILITIES											
Payables	(7,121,240)	(10,130,768)	(12,249,033)	(12,272,976)	(12,275,706)	(12,781,876)	(13,054,316)	(13,119,206)	(13,184,936)	(13,250,106)	(13,315,206)
Borrowings	(1,133,354)	(1,162,218)	(1,241,985)	(1,312,760)	(1,312,000)	(1,471,391)	(1,472,655)	(1,325,603)	(1,004,164)	(698,142)	(503,180)
Provisions	(7,218,734)	(7,218,734)	(7,765,321)	(7,765,321)	(7,920,627)	(8,079,040)	(8,240,621)	(8,405,433)	(8,573,542)	(8,745,013)	(8,919,913)
TOTAL CURRENT LIABILITIES	(15,473,328)	(18,511,721)	(21,256,339)	(21,351,057)	(21,508,334)	(22,332,307)	(22,767,592)	(22,850,242)	(22,762,642)	(22,693,261)	(22,738,299)
NON-CURRENT LIABILITIES											
Payables	(603,200)	(603,200)	(603,200)	(603,200)	(603,200)	(603,200)	(603,200)	(603,200)	(603,200)	(603,200)	(603,200)
Borrowings	(8,892,839)	(7,660,055)	(7,418,070)	(6,605,310)	(5,793,310)	(4,821,919)	(3,849,264)	(3,023,661)	(2,519,497)	(2,321,355)	(2,318,175)
Provisions	(11,368,465)	(11,368,465)	(11,378,109)	(11,368,465)	(11,380,850)	(11,371,012)	(11,383,645)	(11,373,611)	(11,386,496)	(11,376,261)	(11,389,404)
TOTAL NON-CURRENT LIABILITIES	(20,864,504)	(19,631,720)	(19,399,379)	(18,576,975)	(17,777,359)	(16,796,131)	(15,836,108)	(15,000,472)	(14,509,192)	(14,300,816)	(14,310,779)
EQUITY	711,790,484	722,360,839	728,525,751	732,804,322	734,209,645	735,568,774	737,189,850	739,123,483	741,973,217	745,485,939	749,700,614

PROJECTED STATEMENT OF CASH FLOWS FOR 10 YEAR PERIOD 2013/14 – 2023/24 L
TFP 10 YEAR MODEL - SCENARIO 1 (PREFERRED CASE) - STATEMENT OF CASH FLOWS

YEAR END	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
CASH FLOWS FROM OPERATING ACTIVITIES											
RECEIPTS											
Rates & Annual Charges		42,079,163	43,179,699	44,422,724	45,612,755	46,830,525	48,081,180	49,365,215	50,683,995	52,038,345	53,429,445
User Charges & Fees		7,523,836	7,232,141	7,191,300	7,277,900	7,365,700	7,455,400	7,546,700	7,639,700	7,734,000	7,829,900
Interest & Investment Revenue		949,400	729,100	755,100	769,100	772,100	785,100	782,100	776,100	790,100	824,100
Other Revenues		1,209,428	1,058,190	1,063,200	1,068,200	1,073,200	1,078,700	1,084,200	1,089,700	1,095,300	1,101,000
Grants & Contributions for Operating Purposes		22,597,186	18,726,579	15,396,800	11,579,300	11,683,100	11,738,300	11,844,700	11,952,500	12,061,800	12,172,400
PAYMENTS											
Employee Benefits & On-Costs		(24,688,104)	(25,148,519)	(25,474,644)	(25,671,509)	(26,167,625)	(26,627,787)	(27,143,021)	(27,622,006)	(28,157,364)	(28,656,057)
Borrowing Costs		(792,096)	(566,708)	(568,029)	(548,377)	(529,271)	(510,924)	(491,267)	(479,066)	(473,678)	(465,625)
Materials & Contracts		(11,462,998)	(11,763,130)	(13,891,657)	(13,916,770)	(14,136,430)	(14,759,360)	(15,059,610)	(15,152,670)	(15,246,330)	(15,339,400)
Other Expenses		(10,891,321)	(11,638,431)	(12,204,900)	(12,183,900)	(12,456,900)	(12,742,500)	(13,335,300)	(13,341,300)	(13,642,200)	(13,956,600)
NET CASH PROVIDED (OR USED IN) OPERATING ACTIVITIES		26,524,494	21,808,920	16,689,895	13,986,699	14,434,399	14,498,109	14,593,717	15,546,953	16,199,973	16,939,163
CASH FLOWS FROM INVESTING ACTIVITIES											
RECEIPTS											
PAYMENTS											
Purchase of IPP&E		(25,229,703)	(25,507,554)	(15,411,854)	(13,054,846)	(13,110,668)	(13,624,408)	(13,873,758)	(14,152,068)	(14,337,708)	(14,740,564)
NET CASH PROVIDED (OR USED IN) INVESTING		(25,229,703)	(25,507,554)	(15,411,854)	(13,054,846)	(13,110,668)	(13,624,408)	(13,873,758)	(14,152,068)	(14,337,708)	(14,740,564)
CASH FLOWS FROM FINANCING ACTIVITIES											
RECEIPTS											
Proceeds from Borrowings		0	1,000,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
PAYMENTS											
Repayment of Borrowings		(1,203,920)	(1,162,218)	(1,241,985)	(1,312,760)	(1,312,000)	(1,471,391)	(1,472,655)	(1,325,603)	(1,004,164)	(698,142)
NET CASH PROVIDED (OR USED IN) FINANCING		(1,203,920)	(162,218)	(741,985)	(812,760)	(812,000)	(971,391)	(972,655)	(825,603)	(504,164)	(198,142)
Net Increase/ (Decrease) in Cash		90,871	(3,860,852)	536,056	119,093	511,731	(97,690)	(252,696)	569,282	1,358,101	2,000,457
Cash & Investments Opening Balance		30,823,430	30,914,301	27,053,449	27,589,505	27,708,598	28,220,329	28,122,639	27,869,943	28,439,225	29,797,326
Cash & Investments Closing Balance		30,914,301	27,053,449	27,589,505	27,708,598	28,220,329	28,122,639	27,869,943	28,439,225	29,797,326	31,797,783

KEY FINANCIAL PERFORMANCE INDICATORS

INDICATOR	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operating Performance Ratio	-0.023	-0.002	-0.009	-0.003	0.007	0.011	0.017	0.019	0.026	0.034	0.044
Own Source Revenue Ratio (%)	75.9%	72.9%	71.9%	73.6%	77.9%	81.0%	82.8%	83.0%	83.2%	83.4%	83.7%
Building & Infrastructure Renewal Ratio (%)	106.9%	142.9%	153.0%	154.4%	121.0%	106.7%	100.2%	102.3%	105.5%	107.4%	109.3%
Debt Service Ratio (%)	2.57%	2.70%	2.77%	2.88%	2.76%	2.78%	2.81%	2.80%	2.73%	2.44%	2.02%

ATTACHMENT C: COUNCIL RESERVES

RESERVE	PURPOSE
EXTERNALLY RESTRICTED ASSETS	
Domestic Waste Management	Funds received from the Domestic Waste Management Charge but not expended in the current financial year must be transferred to the Reserve to be expended in future years for this purpose. It also acts as a buffer to allow for any domestic waste management income fluctuations, rounding errors, changes in statutory charges etc after budgets are completed (e.g. Increases in Section 88 levies or tip fees) and/or bad debt provisions. It also provides a mechanism to accumulate funding for special projects (including tender renewals) and to be able to spread the associated costs over a number of years.
Environmental Stormwater Management	Funds received but not expended on stormwater management in the current financial year must be transferred to the Reserve to be expended in future years for this purpose.
Developer Contributions	The Section 94 Plans adopted by Council levy contributions for the various projects within various Section 94 Plans. Funds received but not yet expended must be placed in this Reserve to be expended in future years.
Specific Purpose Unexpended Grants	Grant funds from State and Federal Governments and other bodies received for specific purposes but not expended in the current financial year must be carried forward to the next period.
INTERNALLY RESTRICTED ASSETS - DISCRETIONARY	
Employee Leave Entitlements	To meet Council's liabilities in respect of future employee leave entitlements for staff. Funds not expended in the current financial year, must be carried forward to the next period.
Unexpended Loan Funds	Funds borrowed but not expended in the current financial year. Unexpended loan funds must be carried forward to the next financial year and be recorded separately as unexpended loan funds.
Insurance Reserve	To fund any unexpected increases in insurance costs. Also any insurance savings are transferred to this Reserve.
Information Technology Reserve	Funds allocated for the purchase of information technology hardware and software, but not completed within the current financial year and carried forward to the next period. Also includes additional transfers to this Reserve for future IT requirements.
Plant and Equipment	To fund the replacement of Council's heavy plant, equipment and vehicles.
Waste Disposal Plant, Depot and Rehabilitation	To fund the replacement of Council's waste management plant, future depot works and future rehabilitation of landfill sites.
Lawn Cemetery and Columbariums	Any surpluses from the Lawn Cemeteries operations are transferred to this Reserve for the purpose of future developments.
Bridge Replacement	Unspent funds from the Financial Assistance Grant (Bridge component) are transferred to this Reserve to supplement future bridge capital works.
Property Investment Fund	In line with Council's resolution of 17 September 2014 80% of the return on investment generated from the Property Investment Fund will be re-invested while the balance of the proceeds will be used to fund infrastructure, services and facilities in line with Council's adopted Delivery Program.
Single Invitation Contracts	Any surpluses or profits made on RMS Work Orders are transferred to this Reserve to supplement future expenditure on road infrastructure and provide funding for future warranty works should they arise.
Special Projects	Any unspent funds for minor and major projects are transferred to this Reserve to fund future expenditure on projects.
Rezoning Fees	Unspent funds received for rezoning applications are transferred to this Reserve to fund future rezoning expenses.