Appendix B – Underlying Financial Plan Assumptions

Item	Assumption	Factor	2015/16 Budget	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget
Labour costs	Wages increases are based on current levels of staffing. The % increase has been calculated with reference to the Local Government (State) Award and an allowance for grade increases associated with the Council Salary System.	Salary & Wages	2.70%	2.80%	2.75%	2.75%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Materials and contracts	Operational expenditures that have a mix of wage and material costs have been increased by 2.90%. Reference is made to the LGCI Index and the 2.7% increase in labour costs and 3.2% increase in construction costs.	LGCI	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%
	For operational expenditures without a wage component a factor of 2.5% based on CPI movements has been applied.	CPI	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	Utility charges has been factored to increase by 3% for Water and 5% to 10% for electricity.	0	3% - 10%									

Item	Assumption	Factor	2015/16 Budget	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget
Ordinary Rates	SRV of 10% above the rate peg has been allowed for 2014/2015 to 2016/2017 and 4% in 2017/2018 and thereafter based on a rate pegging increase of 3% annually.	Ordinary Rates	10.00%	10.00%	4.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
User charges and fees	User charges and fees have been increased by 2.50%, by reference to the average increase in the CPI for Sydney All Groups 2011/12 to 2013/14.	CPI	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Water Charges	The pricing path determined based on Operational and Capital Costs.	Water Charges	5.00%	5.00%	5.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Sewer Charges	The pricing path determined based on Operational and Capital Costs.	Sewer Charges	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	5.00%	5.00%	5.00%
Capital expenditure	The LTFP provides primarily for the renewal of existing assets. These costs were indexed by 2.90% per annum thereafter in line with Councils estimate for a combination of wage and material cost increases.	LGCI	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%
Depreciation expense	Depreciation has been indexed by 2.90% in line with the factor applied to capital expenditure	LGCI	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%

Item	Assumption	Factor	2015/16 Budget	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget
Investment return	A conservative return on investments has been allowed for and will be used to fund operational expenditure.	Return on Investment	3.40%	4.60%	4.80%	4.50%	4.25%	4.25%	4.80%	4.80%	5.00%	5.00%
Loan interest	Water & Sewer Loan borrowing are based on a 20 year term, the budget does not provide for any further General Fund loan borrowings.		6.50%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Operational grants	Recurrent grant revenues have been indexed by 2.5% per annum except where they are tied to program costs.	СРІ	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%