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## **Cessnock City Council's Long Term Financial Plan 2011-2021**

This is the Long Term Financial Plan for Cessnock City Council prepared in accordance with the requirements of the NSW Integrated Planning and Reporting Framework.

The Long Term Financial Plan was prepared by Council's Financial & Administrative Services Section with assistance from Council's Governance & Corporate Planning Manager and Corporate Projects Manager, following consultation with Councillors and the Executive Team.

The Plan reflects Council's intentions at the time of publication. As with any plan or budget, the actual results may vary from that forecast.

For further information contact Council's Financial Services Manager on (02) 4993 4300 or email [council@cessnock.nsw.gov.au](mailto:council@cessnock.nsw.gov.au).

Cessnock City Council  
62 – 78 Vincent Street  
Cessnock NSW 2325.  
Telephone (02) 4993 4300  
Facsimile (02) 4993 2503  
Email [council@cessnock.nsw.gov.au](mailto:council@cessnock.nsw.gov.au)  
Website [www.cessnock.nsw.gov.au](http://www.cessnock.nsw.gov.au)

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## Foreword

We are pleased to present the Cessnock City Council Long Term Financial Plan 2011 – 2021. This is the first Long Term Financial Plan prepared by Cessnock City Council in accordance with the State Government's Integrated Planning and Reporting Framework requirements.

Council's Long Term Financial Plan 2011 – 2021 is part of our Resourcing Strategy, helping to ensure that the community's long term goals and objectives, as expressed in the Cessnock 2020 Community Plan are met. Our Long Term Financial Plan links directly with our Cessnock City Council Delivery Program 2011/12 – 2012/13.

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.

Cr Alison Davey  
MAYOR

Lea Rosser  
GENERAL MANAGER



## I. Executive Summary

The Long Term Financial Plan provides an indication of Cessnock City Council's future financial position from 2011/12 to 2020/21 if it follows the path outlined in its Community Strategic Plan.

The Long Term Financial Plan presents three scenarios:

Scenario 1 – Base Case with no Special Rate Variation approved

This is the financial forecast based on the proposed 2011/12 budget, indexed for forecast movements in the major areas of cost impacts for every year out to 2021.

The key assumptions are:

Activity	% Change
Rates & Revenue	3.0%
Fees & Charges	1.5%
Investment Return	2.7%
Employee Costs	2.5%
Electricity, Insurance and Other Expenses	2.5%
Materials & Contracts	1.5%

The Base Case financial position allows Council to continue achieving a balanced budget. However, this scenario does not address the continued deterioration of Council's infrastructure assets, with projections under Council's Asset Management System of ongoing deterioration in asset levels, whereas Scenarios 2 and 3 attempt to address this.

Scenario 2 – Continuation of the existing special rate variation of 6.26%

This is the financial forecast based on the proposed 2011/12 budget, indexed for forecast movements in the major areas of cost impacts for every year out to 2021.

The key assumptions are:

Activity	% Change
Rates & Revenue	9.06%
Fees & Charges	1.5%
Investment Return	2.7%
Employee Costs	2.5%
Electricity, Insurance and Other Expenses	2.5%
Materials & Contracts	1.5%

Under this scenario, Council will continue to achieve a balanced budget, while applying much needed funding to roads infrastructure which will slow the deterioration of the road network.



Scenario 3 – Total rates income has been increased to achieve the income necessary to raise the quality of all Council assets to a satisfactory standard.

This is the financial forecast based on the proposed 2011/12 budget, indexed for forecast movements in the major areas of cost impacts for every year out to 2021 and increased rate revenue to match additional expenditure required.

The key assumptions are:

Activity	% Change
Rates & Revenue	As required
Fees & Charges	1.5%
Investment Return	2.7%
Employee Costs	2.5%
Electricity, Insurance and Other Expenses	2.5%
Materials & Contracts	1.5%

Under this scenario rates income has been increased to fund the additional expenditure required to bring all Council assets up to a satisfactory level.

### Recommendation

Council at its Ordinary Council Meeting of 16 March 2011 resolved that Scenario 2 be adopted. This scenario will allow Council to continue to achieve its long term goals of a balanced budget and financial sustainability while continuing to provide additional funding for the maintenance of Council's road infrastructure.

## 2. Current Financial Position of Council

An analysis of Council's financial performance over 2009-2010 indicates the Council has been performing satisfactorily against the following Indicators:

- Unrestricted Current Ratio;
- Debt Service Ratio;
- Rates & Annual Charges Coverage Ratio; and
- Rates & Annual Charges Outstanding Percentage.

However, the long term financial vulnerability of the Council remains a significant challenge over 2011-2021.

## 3. Long-Term Financial Plan Objectives

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

- maintain the existing service levels to the community;
- provide adequate funding to support Council's asset management plans;
- maintain a strong cash position;
- maintain a balanced annual budget;
- 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 plan for incorporation into the Long Term Financial Plan.

Council has a commitment to the community for the delivery of strategies outlined in the Cessnock 2020 Community Plan. The development of the Long Term Financial Plan alongside the Strategic Plan will assist Council to assess the financial impact of the strategic directions.

The Long Term Financial Plan is only an initial starting point and many of the strategic options will require further investigation before the next Long Term Financial Plan is prepared. Council aims to operate with a balanced budget and is commencing a number of initiatives to improve efficiencies and review future revenue opportunities and cost containment strategies. The impact of these strategies will be incorporated into future Long Term Financial Plans.

## 4. Performance Monitoring and Review

Performance reporting will be in accordance with Note 13 – Statement of Performance Measurement of the current Local Government Code of Accounting Practice and agreed key performance indicators.

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 has also developed key performance indicators to assess its long term financial sustainability. Council uses a range of indicators including:

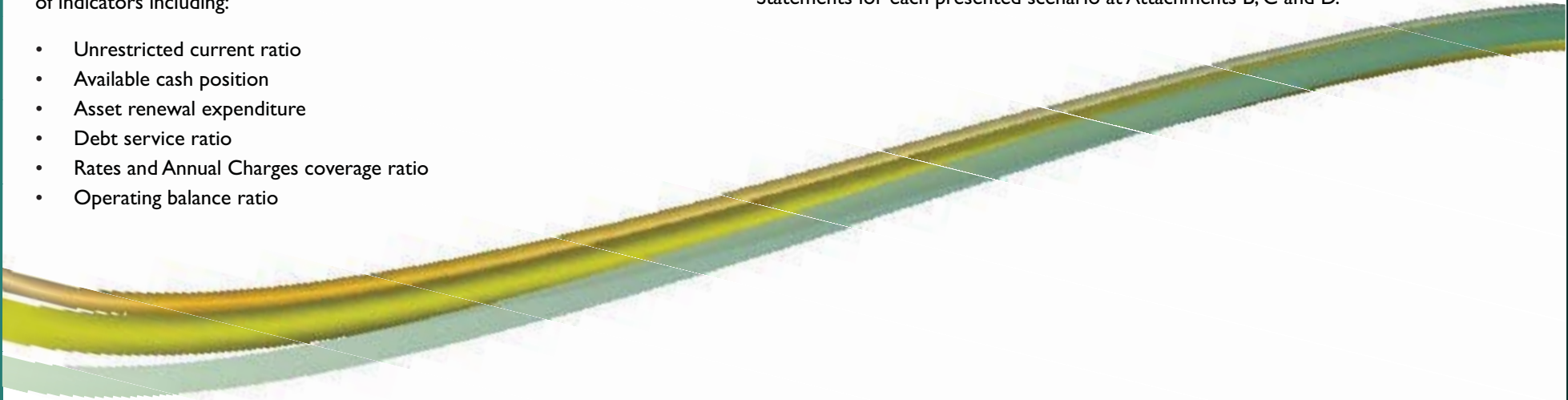
- Unrestricted current ratio
- Available cash position
- Asset renewal expenditure
- Debt service ratio
- Rates and Annual Charges coverage ratio
- Operating balance ratio

- Rates and Annual Charges outstanding percentage
- Building and Infrastructure renewals ratio
- Broad liabilities ratio
- Investment rate of return (% greater than 90 day BBSW Bank Bill Index)

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 three to nine months after each local government election. The Resourcing Strategy, including the Long Term Financial Plan, will be reviewed and updated and a draft Community Strategic Plan and resourcing options presented to the community.

Performance will be monitored by Council's Executive Team via monthly performance reporting against the Operational Plan and the annual budget.

Council's Key Financial Performance Indicator projections are included in the Financial Statements for each presented scenario at Attachments B, C and D.



## 5. Planning Assumptions

The 2010-11 revised budget (as per the December quarterly review) is the base year for the Long Term Financial Plan 2011-2021. 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 2020 Community Plan. A summary of Council's significant financial policies that govern financial management is available at Attachment A.

The longer the time frame the greater the uncertainty so forecasts and financial projections over 2011-2021 may vary in the future particularly in the closing years of this period. However the plan will be reviewed annually and where appropriate changes will be made to the assumptions used.

### Service Levels

The following general assumptions in relation to service levels have underpinned the development of the Long Term Financial Plan 2011-2021:

- the Council will continue to be responsible for providing the current range of services but levels of service may not remain the same given the Council's continuing financial challenges;
- the quantity and location of assets may not remain the same given the Council's continuing financial challenges; and
- the current philosophy and practices of condition based maintenance will continue.

### Workforce Levels

Workforce levels are assumed to remain largely the same. However, future workforce levels and organisation structure will need to reflect the changing needs of the business, the Community Strategic Plan and the Council's financial position.

### Population Growth

At 30 June 2009, it was estimated that Cessnock City had a population of 50,834 (Australian Bureau of Statistics Estimate of Resident Population). Council's City Wide Settlement Strategy predicts a population growth within

the City of between two and three percent over the next ten years. This growth will predominantly be accommodated through the development of the Huntlee New Town area near Branxton and from developments in Bellbird North and Cliftleigh. The development of infrastructure in the new townships will be at the expense of the developer. The Long Term Financial Plan assumes an increase in income generated by development of 0.5%. This increase in income will be utilised in the maintenance and servicing of the townships and so an equivalent expenditure increase has been assumed.

### Economic Growth

The Long Term Financial Plan assumes minimal increased economic activity in the Cessnock City Local Government Area over 2011-2021. The Council is actively working to facilitate increased economic growth through its Economic Development strategies and economic development assumptions underpinning future revisions to the Long Term Financial Plan will be reflected appropriately.

### Inflation/Consumer Price Index Forecasts

The consumer price index of 2.5% has been used in the preparation of the Long Term Financial Plan. CPI is a measure of price movements of a standard basket of goods including food, alcohol, tobacco, clothing and footwear, housing and housing contents. However, CPI alone is not a sufficient measure of the rise in costs for a local government authority e.g. CPI does not include increases in road construction costs. For these other items additional indices have been used.

### Depreciation

Depreciation has not been adjusted by CPI or any percentage. The depreciation amount used in each of the scenarios is calculated on a straight-line basis using asset cost data, revaluated asset data and standard depreciation periods for major asset groups. Adjustments have been made for large capital purchases planned in the Capital Works Program.

### Interest Rate Movements

The uncertainty of future interest rate movements over a 10 year period has led to the assumption of interest income remaining the same over this period.



### Employee costs

Employee costs make up 47.4% of projected 2011-12 operating expenditure. This is reflective of 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. As it makes up such a large proportion of the operating expenditure budget and movements in rates of pay are determined through industry-wide Award negotiations and market forces, the Council is sensitive to unplanned changes in employee costs. The Long Term Financial Plan assumes annual increases of 2.5% (CPI) to employee costs.

The Council's ability to put in place the necessary workforce to achieve the community's aspirations for the future is affected by several internal and external factors. The internal challenges include:

- the rising cost of employment;
- skill shortages;
- staff turnover; and
- the attraction and retention capacity of Council.

External challenges include:

- an increase in the defined benefits superannuation scheme contribution rate;
- projected superannuation increases;
- award salary increases above CPI and rate pegging; and
- changes in service levels in response to community priorities.

Any significant changes in these employee costs will have major impacts on the Council Long Term Financial Plan and the organisation would need to quickly adapt its original planned operations to offset movements in this area.

### Materials and Contracts

Materials and contracts make up 21.4% of projected 2011-12 operating expenditure. This is reflective of the considerable number of assets held, constructed and maintained by Council. This places the Council at considerable pressure from rising raw material costs including fuel. Any major unplanned rises in these costs will impact the Long Term Financial Plan. Any new assets, including major projects, will also increase materials and contracts due to increased maintenance requirements.

### Interest and Investment Losses

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 Councils 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 associated with developments that may affect the valuation of its investment portfolio during the period of this Long Term Financial Plan.

### Capital Works Program

All capital expenditure is based on Council's asset management plans and other short and medium term plans. Rising material and employment costs greater than forecast remains a threat to the Council achieving its budgeted outcomes. The Capital Works Program projected in the Long Term Financial Plan is particularly sensitive to any variations to the planned program as a result of these pressures.

## 6. Available Financial Strategies

### 6.1. Rates and Levies

#### Rates and Annual Charges

Rates and Annual Charges make up almost 64.5% of the projected 2011-12 operating revenue. The Council cannot apply a rate increase greater than the rate pegging limit imposed annually without a Special Rate Variation application.

Council has been the recipient of a 6.05% special rate variation for the period of 2006/7 to 2010/11. Council has resolved to apply to the Independent Pricing and Regulatory Tribunal for a 2 year special rate variation from 2011/12 to 2012/13 under Section 508 (2) of the Local Government Act 1993. It is Council's intention to undertake a further review of its financial requirements with a view to continuing a Special Rate Variation, including extensive community consultation during 2012/13 prior to consideration of a further application for Special Rate Variation under Section 508 A of the Local Government Act 1993.

In the Long Term Financial Plan, the three scenarios have been included which show the impact of rate pegging and special rate variations as follows:

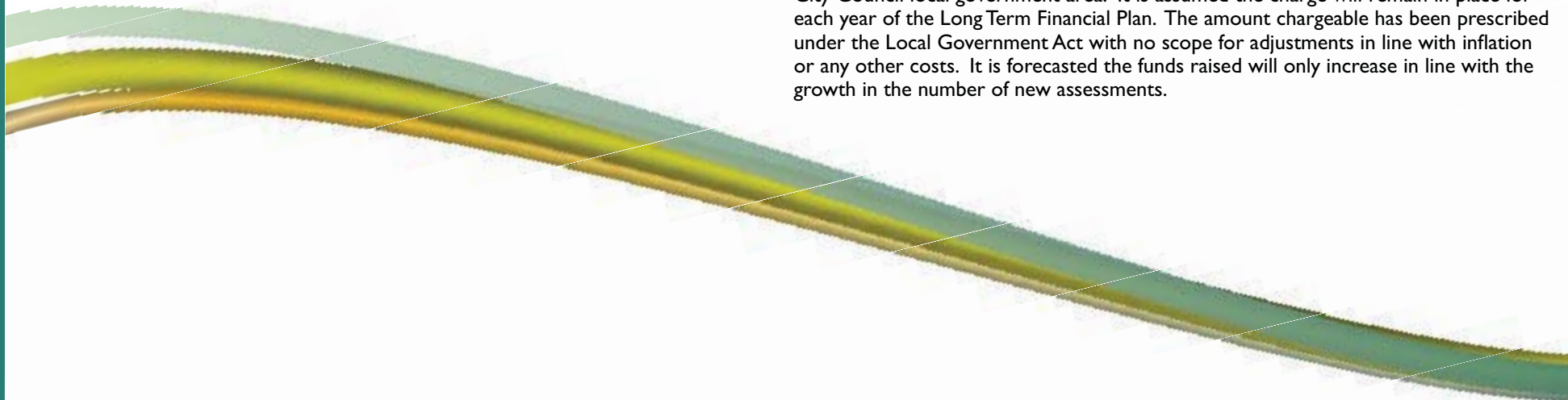
**Scenario 1:** It is assumed rate pegging will continue for the life of the Long Term Financial Plan and has been set at 2.8% for 2011/12 and 3% per annum from 2013 to 2021.

**Scenario 2:** It is assumed rate pegging will continue for the life of the Long Term Financial Plan and has been set at 3% per annum from 2013 to 2021. In addition, a Special Rate Variation of 9.06% (inclusive of the general increase of 2.8% for 2011/12) is applied. Scenario 2 assumes that the variation that has been in place since 2010/11 will continue until 2020/21.

**Scenario 3:** Council's Asset Management Plans indicate that significant funds will be required to return Council's assets to a 'good' condition rating. Under Integrated Planning and Reporting guidelines councils are encouraged to work with their communities to determine an acceptable level of rate revenue to deliver expected facilities and services. In this scenario total rates income has been increased to achieve the income necessary to raise the quality of facilities to a good condition rating.

#### 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 across the Cessnock City Council local government area. 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. It is forecasted the funds raised will only increase in line with the growth in the number of new assessments.



### **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 management 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.

The Department of Environment, Climate Change and Water have advised the Waste Levy charged to the council will increase by \$10 per annum plus CPI per tonne of waste for the next six years. The Waste Levy will increase from \$64.92 per tonne in 2010/11 to \$75.00 per tonne in 2011/12. This equates to a 15.5% increase in the Waste Levy in 2011-12 alone (an additional \$10.08). The impact of this increase has been factored in the Domestic Waste Strategy.

### **6.2. Fees and Charges**

#### **User Fees and Charges**

It is assumed these services will continue to be provided on the same pricing basis. Increases are based on the forecasted rise in the cost of the provision of these services.

For user fees and charges under statutory control, Council has no discretion to determine the amount of the fee for a service when the amount is fixed by regulation or by another authority. Examples of statutory fees include development assessment fees and planning certificates. The majority of statutory charges do not provide for annual increases in line with CPI or the cost of providing the service.

#### **Commercial Activities**

Fees for the Performing Arts Centre and Swimming Pools are expected to increase in line with CPI and employee costs.

#### **Section 94 fees**

Section 94 is a contribution towards capital expenditure from a developer relating to new facilities and services required for the increased population.

The Section 94 Plans adopted by Council determine contribution rates and works programs. Council has a number of site specific Section 94 plans and intends to undertake a review of its Section 94 Plan Framework during 2011/12.

### **6.3. Property Development**

There is no provision in the Long Term Financial Plan for any property development. This will be subject to review from time to time as property development opportunities arise.

### **6.4. 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 rate of 0.75% above the forecasted 90 day BBSW rate. Movements in cash reserves have also been factored into the scenarios.

### **6.5. Grants and Subsidies**

It is assumed all recurrent grant funds will be maintained at current levels with CPI adjustments.

### **6.6. 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.

### **6.7. Cash Reserves**

Transfers to and from reserves have been made in accordance with Reserves Strategy and the financial plans supporting the various reserves. A detailed list of Council's Cash Reserves is included at Attachment E.

Transfers to the Employee Leave Entitlements reserve have been made based on the strategy outlined in Council's Draft Workforce Strategy. The Council has made estimates regarding leave payments required in the future and determined a target reserve balance. The current reserve target is 20% of the Employee Leave Entitlements liability, which is equivalent to \$1.2 million. While this percentage is expected to increase as the workforce ages the actual value of the reserve is anticipated to fall as the Council continues to focus on staff leave management.

## 7. Sensitivity Analysis

The Long Term Financial Plan contains a number of assumptions based on various sources such as legislation, inflation, current service provision and wage markets. Variations in these assumptions during the life of the plan may have a significant impact on the Council's future financial plans. The Long Term Financial Plan will be updated 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 in compliance with the Local Government Act. 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.

In 2009-10 the Council's interest earnings fell due to economic factors with this impacting the Council's general operating fund. Service levels and capital expenditure are impacted by fluctuations in interest rates.

**Rate Pegging and Special Rates Variations:** Changes in rate pegging from the assumed 3.0% will impact revenue forecasts. Special Rate Variations accepted by the community and the Independent Pricing and Regulatory Tribunal other than that forecast in Scenarios 2 and 3 will also impact revenues for these Scenarios.

**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 the employee leave entitlements' reserve and liability as well as recruitment and training costs.

**Population Growth:** Cessnock City Council's population growth is above the NSW state average. The Long Term Financial Plan is based on 0.5% rates base growth. Should the population growth vary from this rate both service levels and rating income will be impacted.

**Grants:** The Long Term Financial Plan scenarios only include recurring grants and capital grants that have already been awarded. The Council does not have a strong reliance on grants revenue in comparison with other sources of revenue. 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 is approximately \$5 million. If this grant was eliminated the Council would need to reduce capital expenditure and service levels.

## 8. Scenario Development

Financial modeling has been used to create three scenarios. Each Scenario presents a different financial result depending on what capital funding was assumed to provide, renew and maintain assets at different condition levels and how, in each scenario, this impacted on achieving the Council's ten year performance measures for becoming more financially sustainable. The scenarios were developed by varying the following:

- Budgeted revenue;
- Budgeted non capital expenditure;
- Budgeted capital expenditure.

## 9. Scenario 1: Base Case - 2.8% Rate Pegging Increase for year 1 and 3.0% applied for years 2 to 10

**Attachment B shows the financial statements for Scenario 1.**

### **Assumptions** (for years 2 to 10)

#### Operating Revenue

- General Rates have been increased based upon rate pegging of 3.0% and rate base growth of 0.5%
- Other Rates, Reimbursements and Other Revenue have been increased by 2.5% (CPI)
- User Charges and Commercial Activity Revenue have been increased by 1.5% which is less than rates based income as these revenues can be affected by movements in the broader economy
- General Purpose Grants (mostly the Financial Assistance Grant) have been increased by 1.5% to be conservative as these movements can be inconsistent
- Statutory Charges (Stormwater Levy) is based on a fixed amount per assessment and have not been increased
- Specific Grants and Investments Income have not been increased due to the possible external influences that could cause them to move in either direction

#### Operating Expenses

- Salaries have been increased by 3.2% up to year 3 to be consistent with the current EBA and at 2.5% thereafter
- Electricity, Insurance and Other Expenses have been increased by 2.5% (CPI)
- Materials have been increased by 1.5% to be conservative at these movements can be effected by external factors
- Changes in the Finance Expenses are reflective of the movement in the Loan Borrowings

#### Capital Revenue

- Roads Grants have been increased only marginally while other Grants and Contributions have been left static due to possible external influences that could cause them to move in either direction

#### Capital Expenditure

- Moderate increases based on the draft budget for year 1 have been allowed

### **Commentary on Trends**

The trend of the Income Statement shows consistent and gradually increasing surpluses, for both before and after capital revenue, right through the 10 year forecast.

The cash flow balance trend is to gradually decrease. This is also reflected in the gradual decrease of net current assets in the balance sheet.

The trend of the cash flow suggests that reserves will also be decreasing as Council is continuing to spend (marginally) beyond its means. This is an ongoing situation that is not financially sustainable. So while surpluses can appear positive, they are not sufficient to adequately support the ongoing capital expenditure of the organisation. This would suggest that there needs to be an adjustment to the level of services provided.

### **Summary**

This is the “benchmark” reflecting Council’s current expenditure. It is assumed that service levels will not alter significantly over the next ten years. The future year projections taking into account various inflationary factors including adjustments for CPI, wages index and other increases in revenue and costs.

In this scenario, the operational revenue is not sufficient to meet the total expenditure and over time a growing cash flow gap results from the continuing erosion of reserves. Under this scenario, to be sustainable, Council will need to adjust the levels of services provided to the community.



## 10. Scenario 2: 2.8% Rate Pegging Increase plus 6.26% Special Rate Variation each year for 10 years from 2011/12

**Attachment C shows the financial statements for Scenario 2.**

### **Assumptions** (for years 2 to 10)

Same as Scenario 1 plus:

#### **Operating Revenue**

- Special Rate Variation increases rates revenue by \$1.426 million in year 1 and this special rate variation is included in all years to year 10

#### **Capital Expenditure**

- Expenditure equivalent to the Special Rate Variation increase has been included in all years and is to be spent on roads capital works

#### **Commentary on Trends**

In comparison to Scenario 1 the trend of the Income Statement shows more substantial increasing surpluses, for both before and after capital revenue, right through the 10 year forecast.

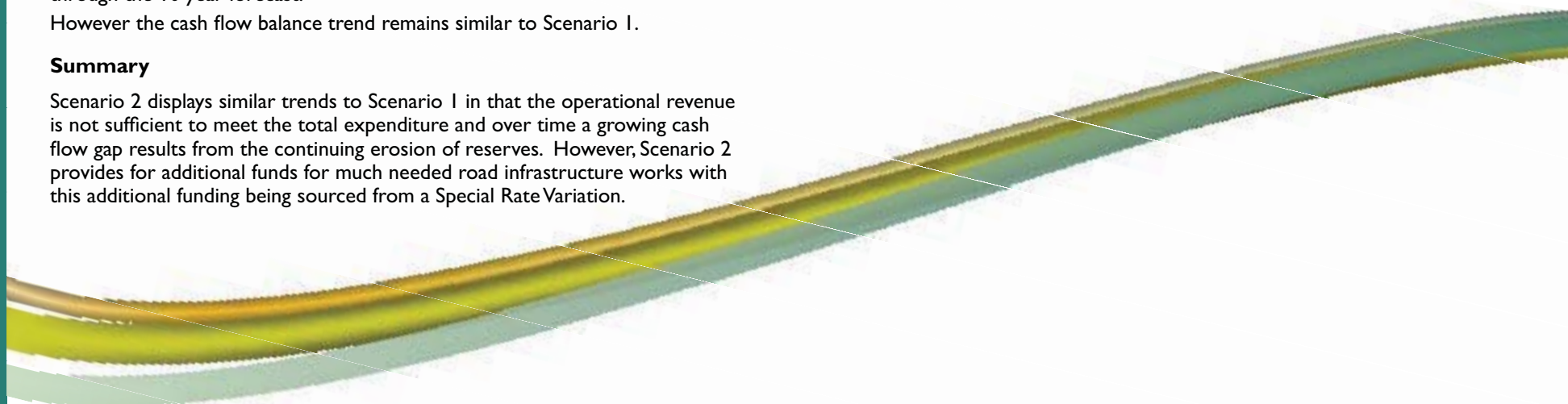
However the cash flow balance trend remains similar to Scenario 1.

#### **Summary**

Scenario 2 displays similar trends to Scenario 1 in that the operational revenue is not sufficient to meet the total expenditure and over time a growing cash flow gap results from the continuing erosion of reserves. However, Scenario 2 provides for additional funds for much needed road infrastructure works with this additional funding being sourced from a Special Rate Variation.

While this scenario provides short to medium term acceptable financial sustainability, Council recognises that a more thorough review of service levels, asset management requirements and associated income levels and sources needs to be undertaken in order to achieve Council's goal of long term financial sustainability.

Cessnock City Council has had a 6.05% special rate variation in place for the past five years which has been primarily utilised on improving the Council's road network infrastructure. Council has applied under Section 508(2) of the Local Government Act for a special rate variation of 9.06% (inclusive of the general increase of 2.8%) for a two year fixed term. The purpose of the special rate variation is to provide Council with the necessary funds to continue with its road network programs improvements and to allow time to undertake the necessary reviews and adjustments as previously discussed.



## 11. Scenario 3: 2.8% Rate Pegging Increase plus Special Rate Variations each year for 10 years from 2011/12

Attachment D shows the financial statements for Scenario 3.

### Assumptions

Same as Scenario 1 plus:

- Increased expenditure to a point where optimum service levels will be achieved over time.
- Increased loan borrowings and rate levy increases have been included to cover this additional expenditure.

### Commentary on Trends

The higher value of income and expenditure only exacerbates the decreasing cash flow to the point that Council requires an overdraft.

### Summary

This scenario has been based upon the premise of bringing all Council assets up to a satisfactory condition. This is only possible by considerable increases in rates levied and loan borrowings, with the level of rates placing a significant burden on ratepayers and adversely affecting the “capacity to pay” with over a 60% rate increase required and the level of loan repayments reaching an unaffordable level for Council with the debt service ratio exceeding 13%.

In comparison to Scenario 1 the trend of the Income Statement shows more substantial increasing surpluses, for both before and after capital revenue, right through the 10 year forecast.

However the cash flow balance trend remains similar to Scenario 1.

## 12. Conclusions and Recommendations

The recommendation of this plan is Scenario 2. Scenario 2 provides for a continuation of the existing special rate variation and the Council has applied to IPART in accordance with this scenario. Scenario 2 provides better long term cash retention, increases funds available for road infrastructure works and in the short to medium term meets Council's financial objectives of retaining a balanced budget and ensuring financial sustainability.

The additional income raised from the proposed special rate increase will be committed to priority areas of Council's road network and will enable a continuation of needed infrastructure improvements.

Scenario 2 provides a trend of increasing Income Statement surpluses, for both before and after capital revenue, right through the 10 year forecast and the cash flow projections suggest that reserves will also be decreasing as Council is continuing to spend (marginally) beyond its means. In the long term this is not financially sustainable. So while surpluses can appear positive, they are not sufficient to adequately support the ongoing capital expenditure of the Council. This would suggest that there needs to be an adjustment to the level of services provided and this is a situation Council will need to address during its budget deliberations over the next 12-18 months to ensure financial sustainability.

Scenario 1 is not recommended as it does not provide the additional funding provided for in Scenario 2 for much needed road infrastructure works. Scenario 3 is discounted as the impost on both the community from increased rates and to Council from increased borrowing is not sustainable.

## Attachment A: Council's Financial Policies

In developing the Cessnock City Council "Long Term Financial Plan 2011-2021" 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](http://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 are not able to be sourced from existing budgets.

### Investment Policy

Council must comply with the Ministerial Investment (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 and can be summarised 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;
- Maximise earnings from authorised investments and ensure the security of Council funds;
- 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; and
- 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.

### 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 Disposal; Plant and Equipment; Lawn Cemetery and Columbariums; Bridge Replacement and Land and Property Acquisition/Development.

### 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.

## Attachment B: Financial Statements - Scenario I

Scenario I features a 2.8% rate pegging increase plus no special rate variation each year for 10 years from 2011/12.

### Projected Income and Expenditure Statement for 10 Year Period 2011/12 – 2020/21

LTFP 10 Year Model - Scenario I - AAS27 Operating Statement											
Year Ended	2011 \$('000)	2012 \$('000)	2013 \$('000)	2014 \$('000)	2015 \$('000)	2016 \$('000)	2017 \$('000)	2018 \$('000)	2019 \$('000)	2020 \$('000)	2021 \$('000)
<b>Operating Revenue</b>											
Rates	26,079	25,742	26,643	27,575	28,540	29,539	30,573	31,643	32,751	33,897	35,083
Other Rates	7,571	7,871	8,068	8,270	8,477	8,688	8,906	9,128	9,356	9,590	9,830
Statutory Charges	460	460	460	460	460	460	460	460	460	460	460
User Charges	1,738	1,661	1,678	1,695	1,712	1,729	1,746	1,764	1,781	1,799	1,817
Operating Grants & Subsidies	7,493	7,537	7,641	7,747	7,854	7,963	8,073	8,185	8,299	8,415	8,532
Investment Income	973	976	976	976	976	976	976	976	976	976	976
Reimbursements	1,649	1,882	1,929	1,978	2,027	2,078	2,130	2,183	2,237	2,293	2,351
Gain on Disposal of Non Current Assets	1,062	-	-	-	-	-	-	-	-	-	-
Commercial Activity Revenue	5,853	5,331	5,411	5,492	5,574	5,658	5,743	5,829	5,916	6,005	6,095
New Initiatives Revenue	-	-	-	-	-	-	-	-	-	-	-
Other	723	660	677	693	711	729	747	765	785	804	824
<b>Total Operating Revenue</b>	<b>53,601</b>	<b>52,120</b>	<b>53,482</b>	<b>54,885</b>	<b>56,330</b>	<b>57,819</b>	<b>59,353</b>	<b>60,934</b>	<b>62,562</b>	<b>64,240</b>	<b>65,969</b>

## Projected Income and Expenditure Statement for 10 Year Period 2011/12 – 2020/21 Cont.

LTFP 10 Year Model - Scenario 1 - AAS27 Operating Statement											
Year Ended	2011 \$('000)	2012 \$('000)	2013 \$('000)	2014 \$('000)	2015 \$('000)	2016 \$('000)	2017 \$('000)	2018 \$('000)	2019 \$('000)	2020 \$('000)	2021 \$('000)
<b>Operating Expenses</b>											
Employee Costs	23,842	24,361	25,140	25,945	26,594	27,258	27,940	28,638	29,354	30,088	30,840
Contractual Services	-	-	-	-	-	-	-	-	-	-	-
Materials	10,917	11,015	11,192	11,372	11,555	11,741	11,930	12,123	12,318	12,517	12,719
Finance/Interest Expenses	610	640	587	617	548	523	492	458	393	361	306
Depreciation	8,093	8,243	8,410	8,441	8,466	8,498	8,522	8,555	8,578	8,612	8,634
Loss on Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	6,727	7,189	7,369	7,553	7,742	7,936	8,134	8,337	8,546	8,759	8,978
New Initiatives - OpEx	-	-	300	340	380	420	460	500	540	580	620
<b>Operating Expenses Total</b>	<b>50,189</b>	<b>51,448</b>	<b>52,998</b>	<b>54,268</b>	<b>55,285</b>	<b>56,376</b>	<b>57,478</b>	<b>58,611</b>	<b>59,729</b>	<b>60,917</b>	<b>62,098</b>
Productivity Savings	-	-	-	-	-	-	-	-	-	-	-
<b>Operating Expenses Net of Savings</b>	<b>50,189</b>	<b>51,448</b>	<b>52,998</b>	<b>54,268</b>	<b>55,285</b>	<b>56,376</b>	<b>57,478</b>	<b>58,611</b>	<b>59,729</b>	<b>60,917</b>	<b>62,098</b>
<b>Operating Surplus/(Deficit) before Capital Revenues</b>	<b>3,412</b>	<b>672</b>	<b>484</b>	<b>617</b>	<b>1,046</b>	<b>1,443</b>	<b>1,875</b>	<b>2,322</b>	<b>2,833</b>	<b>3,322</b>	<b>3,871</b>
<b>Capital Revenue</b>											
Capital Grants: Subsidies & Contributions	3,263	1,593	1,866	1,869	1,872	1,875	1,878	1,881	1,884	1,887	1,890
Physical Resources received FOC	-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Revenue</b>	<b>3,263</b>	<b>1,593</b>	<b>1,866</b>	<b>1,869</b>	<b>1,872</b>	<b>1,875</b>	<b>1,878</b>	<b>1,881</b>	<b>1,884</b>	<b>1,887</b>	<b>1,890</b>
<b>Operating Surplus/(Deficit) after Capital Revenues</b>	<b>6,675</b>	<b>2,265</b>	<b>2,350</b>	<b>2,486</b>	<b>2,918</b>	<b>3,318</b>	<b>3,753</b>	<b>4,203</b>	<b>4,717</b>	<b>5,209</b>	<b>5,761</b>



## Projected Balance Sheet for Period 2011/12 – 2020/21

### LTFP 10 Year Model - Scenario I - AAS27 Statement of Financial Position

Year Ended	2011 \$('000)	2012 \$('000)	2013 \$('000)	2014 \$('000)	2015 \$('000)	2016 \$('000)	2017 \$('000)	2018 \$('000)	2019 \$('000)	2020 \$('000)	2021 \$('000)
<b>Current Assets</b>											
Cash & Investments	16,063	17,026	17,807	17,721	17,719	17,437	16,897	16,105	15,243	14,159	13,041
Receivables - Rates (net)	1,800	1,802	1,865	1,930	1,998	2,068	2,140	2,215	2,293	2,373	2,456
Receivables - other	3,600	3,690	3,782	3,877	3,974	4,073	4,175	4,279	4,386	4,496	4,608
Inventory	800	800	800	800	800	800	800	800	800	800	800
Other	503	503	503	503	503	503	503	503	503	503	503
<b>Total Current Assets</b>	<b>22,766</b>	<b>23,821</b>	<b>24,758</b>	<b>24,831</b>	<b>24,994</b>	<b>24,881</b>	<b>24,515</b>	<b>23,903</b>	<b>23,225</b>	<b>22,331</b>	<b>21,408</b>
<b>Current Liabilities</b>											
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-
Creditors - Trade	8,500	7,711	7,834	7,960	8,089	8,219	8,351	8,486	8,623	8,762	8,904
Creditors - Other	-	-	-	-	-	-	-	-	-	-	-
Provisions	6,500	6,663	6,829	7,000	7,175	7,354	7,538	7,726	7,920	8,118	8,321
Loans	926	820	1,174	866	899	936	990	917	985	912	345
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>15,926</b>	<b>15,193</b>	<b>15,838</b>	<b>15,826</b>	<b>16,162</b>	<b>16,509</b>	<b>16,879</b>	<b>17,129</b>	<b>17,527</b>	<b>17,791</b>	<b>17,569</b>
<b>Net Current Assets/(Current Liabilities)</b>	<b>6,840</b>	<b>8,628</b>	<b>8,920</b>	<b>9,005</b>	<b>8,832</b>	<b>8,372</b>	<b>7,636</b>	<b>6,774</b>	<b>5,698</b>	<b>4,539</b>	<b>3,839</b>

## Projected Balance Sheet for Period 2011/12 – 2020/21 Cont.

### LTFP 10Year Model - Scenario I - AAS27 Statement of Financial Position

Year Ended	2011 \$('000)	2012 \$('000)	2013 \$('000)	2014 \$('000)	2015 \$('000)	2016 \$('000)	2017 \$('000)	2018 \$('000)	2019 \$('000)	2020 \$('000)	2021 \$('000)
<b>Non-Current Assets</b>											
Receivables	82	82	82	82	82	82	82	82	82	82	82
Inventory	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
Investments	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Land	53,721	53,721	53,721	53,721	53,721	53,721	53,721	53,721	53,721	53,721	53,721
Buildings	67,696	67,089	66,490	65,899	65,316	64,741	64,174	63,615	63,064	62,521	61,986
Infrastructure	518,696	519,665	521,590	524,057	527,072	530,628	534,733	539,378	544,573	550,307	556,592
Equipment	8,823	8,619	8,678	8,838	9,099	9,461	9,924	10,488	11,153	11,919	12,786
Furniture & Fittings	221	220	219	218	217	216	215	214	213	212	211
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-Current Assets</b>	<b>653,339</b>	<b>653,496</b>	<b>654,880</b>	<b>656,915</b>	<b>659,607</b>	<b>662,949</b>	<b>666,949</b>	<b>671,598</b>	<b>676,906</b>	<b>682,862</b>	<b>689,478</b>
<b>Total Assets</b>	<b>676,105</b>	<b>677,317</b>	<b>679,638</b>	<b>681,746</b>	<b>684,601</b>	<b>687,830</b>	<b>691,464</b>	<b>695,501</b>	<b>700,131</b>	<b>705,193</b>	<b>710,886</b>
<b>Non-Current Liabilities</b>											
Creditors	500	500	500	500	500	500	500	500	500	500	500
Provisions	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700
Loans	8,758	8,438	7,764	7,398	7,000	6,564	6,075	5,658	5,173	4,762	4,917
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>20,958</b>	<b>20,638</b>	<b>19,964</b>	<b>19,598</b>	<b>19,200</b>	<b>18,764</b>	<b>18,275</b>	<b>17,858</b>	<b>17,373</b>	<b>16,962</b>	<b>17,117</b>
<b>Net Assets</b>	<b>639,220</b>	<b>641,485</b>	<b>643,836</b>	<b>646,322</b>	<b>649,239</b>	<b>652,557</b>	<b>656,310</b>	<b>660,513</b>	<b>665,230</b>	<b>670,439</b>	<b>676,200</b>
<b>Equity</b>											
Accumulated Surplus	425,818	428,083	430,434	432,920	435,837	439,155	442,908	447,111	451,828	457,037	462,798
Asset Revaluation Reserve	213,402	213,402	213,402	213,402	213,402	213,402	213,402	213,402	213,402	213,402	213,402
Other Reserves	-	-	-	-	-	-	-	-	-	-	-
<b>Total Equity</b>	<b>639,220</b>	<b>641,485</b>	<b>643,836</b>	<b>646,322</b>	<b>649,239</b>	<b>652,557</b>	<b>656,310</b>	<b>660,513</b>	<b>665,230</b>	<b>670,439</b>	<b>676,200</b>

## Projected Cash Flow Statement for Years Ended 30 June 2011/12 – 2020/21

### LTFP 10 Year Model - Scenario 1 - AAS27 Statement of Cash Flows

Year Ended	2011 \$('000)	2012 \$('000)	2013 \$('000)	2014 \$('000)	2015 \$('000)	2016 \$('000)	2017 \$('000)	2018 \$('000)	2019 \$('000)	2020 \$('000)	2021 \$('000)
<b>Cash Flows from Operating Activities</b>											
- Receipts		52,120	53,482	54,885	56,330	57,819	59,353	60,934	62,562	64,240	65,969
- Adjustments - Receivables		(92)	(155)	(160)	(164)	(169)	(174)	(179)	(185)	(190)	(195)
- Payments		(43,205)	(44,588)	(45,827)	(46,819)	(47,878)	(48,956)	(50,056)	(51,151)	(52,305)	(53,464)
- Adjustments - Payables		(627)	291	297	303	310	316	323	330	337	344
<b>Net Cash Used in Operating Activities</b>		<b>8,196</b>	<b>9,030</b>	<b>9,195</b>	<b>9,651</b>	<b>10,081</b>	<b>10,539</b>	<b>11,021</b>	<b>11,556</b>	<b>12,082</b>	<b>12,654</b>
<b>Cash Flows from Investing Activities</b>											
Receipts - Capital Grants/Subsidies/Contributions		1,593	1,866	1,869	1,872	1,875	1,878	1,881	1,884	1,887	1,890
Receipts - Proceeds from Sale of Assets		900	900	900	900	900	900	900	900	900	900
Cash Movements - Non Current Investments		-	-	-	-	-	-	-	-	-	-
Payments - CapEx on Renewal/Replacement of Assets		(7,398)	(8,750)	(9,390)	(10,030)	(10,670)	(11,310)	(11,950)	(12,590)	(13,230)	(13,870)
Payments - CapEx on New Assets		(1,902)	(1,944)	(1,986)	(2,028)	(2,070)	(2,112)	(2,154)	(2,196)	(2,238)	(2,280)
<b>Net Cash Used in Investing Activities</b>		<b>(6,807)</b>	<b>(7,928)</b>	<b>(8,607)</b>	<b>(9,286)</b>	<b>(9,965)</b>	<b>(10,644)</b>	<b>(11,323)</b>	<b>(12,002)</b>	<b>(12,681)</b>	<b>(13,360)</b>
<b>Cash Flows from Financing Activities</b>											
Receipts - Borrowings		500	500	500	500	500	500	500	500	500	500
Receipts - Repayment of loans to Community Groups		-	-	-	-	-	-	-	-	-	-
Payments - Principal Repayments		(926)	(820)	(1,174)	(866)	(899)	(936)	(990)	(917)	(985)	(912)
Payments - Loans to Community Groups		-	-	-	-	-	-	-	-	-	-
<b>Net Cash Used in Financing Activities</b>		<b>(426)</b>	<b>(320)</b>	<b>(674)</b>	<b>(366)</b>	<b>(399)</b>	<b>(436)</b>	<b>(490)</b>	<b>(417)</b>	<b>(485)</b>	<b>(412)</b>
<b>Net Increase/(Decrease) in Cash Held</b>		<b>963</b>	<b>782</b>	<b>(86)</b>	<b>(2)</b>	<b>(282)</b>	<b>(541)</b>	<b>(791)</b>	<b>(862)</b>	<b>(1,084)</b>	<b>(1,118)</b>
<b>Opening Cash Balance</b>		<b>16,063</b>	<b>17,026</b>	<b>17,807</b>	<b>17,721</b>	<b>17,719</b>	<b>17,437</b>	<b>16,897</b>	<b>16,105</b>	<b>15,243</b>	<b>14,159</b>
<b>Closing Cash Balance</b>	<b>16,063</b>	<b>17,026</b>	<b>17,807</b>	<b>17,721</b>	<b>17,719</b>	<b>17,437</b>	<b>16,897</b>	<b>16,105</b>	<b>15,243</b>	<b>14,159</b>	<b>13,041</b>

## Key Financial Performance Indicators

Indicator	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Balance Ratio (%)	4.22	6.37	1.29	0.91	1.12	1.86	2.50	3.16	3.81	4.53	5.17	5.87
Unrestricted Current Ratio (%)	1.91	1.80	2.03	2.00	2.01	1.96	1.89	1.80	1.72	1.61	1.51	1.46
Rates & Annual Charges Outstanding Ratio (%)	5.49	5.06	5.09	5.11	5.12	5.13	5.14	5.15	5.16	5.17	5.18	5.19
Debt Service Ratio	3.62	3.56	3.04	2.66	3.30	2.54	2.48	2.43	2.40	2.11	2.11	1.86
Broad Liabilities Ratio (%)	158.0	167.3	171.3	166.3	160.8	156.0	151.3	146.7	142.1	137.7	133.4	129.2
Asset Renewals Ratio	212.33	205.94	89.75	104.04	111.24	118.47	125.56	132.72	139.68	146.77	153.62	160.64

**Note:**

*Operating balance ratio is the net operating result (excluding capital items) as a percentage of operating revenue (excluding capital items).*

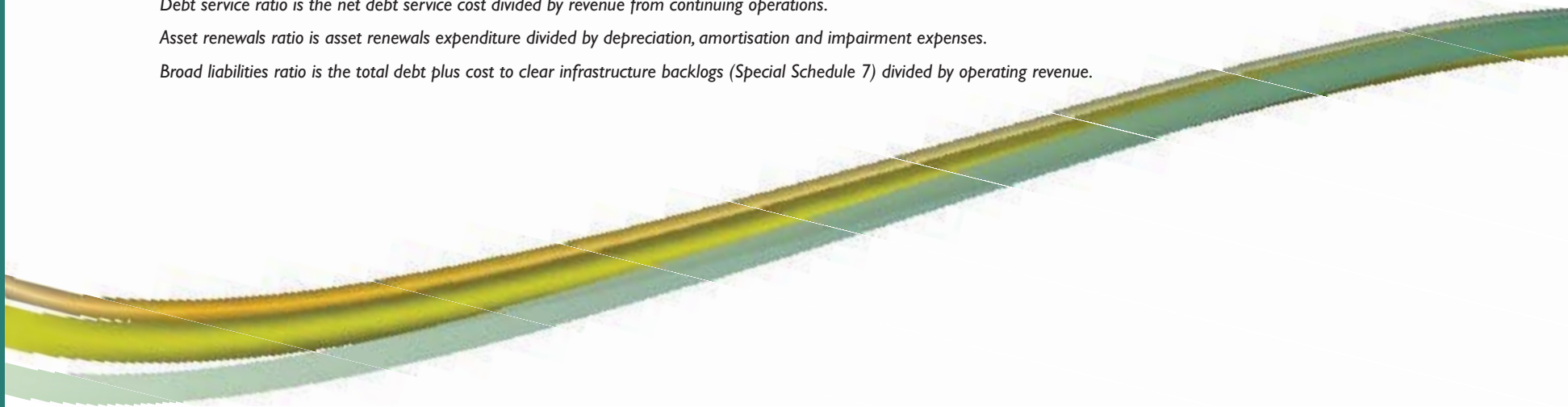
*Unrestricted current ratio is the unrestricted current assets divided by unrestricted current liabilities. "Unrestricted" means there is no restriction on the asset or liability imposed by regulation or some other externally imposed constraint. Eg. restricted assets include developer contributions.*

*Rates and annual charges ratio is the rates and annual charges divided by operating expenses.*

*Debt service ratio is the net debt service cost divided by revenue from continuing operations.*

*Asset renewals ratio is asset renewals expenditure divided by depreciation, amortisation and impairment expenses.*

*Broad liabilities ratio is the total debt plus cost to clear infrastructure backlogs (Special Schedule 7) divided by operating revenue.*



## Attachment C: Financial Statements - Scenario 2

Scenario 2 features a 2.8% rate pegging increase plus 6.26% special rate variation each year for 10 years from 2011/12.

### Projected Income and Expenditure Statement for 10 Year Period 2011/12 – 2020/21

LTFP 10 Year Model - Scenario 2 - AAS27 Operating Statement											
Year Ended	2011 \$('000)	2012 \$('000)	2013 \$('000)	2014 \$('000)	2015 \$('000)	2016 \$('000)	2017 \$('000)	2018 \$('000)	2019 \$('000)	2020 \$('000)	2021 \$('000)
<b>Operating Revenue</b>											
Rates	26,079	27,168	28,118	29,103	30,121	31,175	32,267	33,396	34,565	35,775	37,027
Other Rates	7,571	7,871	8,068	8,270	8,477	8,688	8,906	9,128	9,356	9,590	9,830
Statutory Charges	460	460	460	460	460	460	460	460	460	460	460
User Charges	1,738	1,661	1,678	1,695	1,712	1,729	1,746	1,764	1,781	1,799	1,817
Operating Grants & Subsidies	7,493	7,537	7,641	7,747	7,854	7,963	8,073	8,185	8,299	8,415	8,532
Investment Income	973	976	976	976	976	976	976	976	976	976	976
Reimbursements	1,649	1,882	1,929	1,978	2,027	2,078	2,130	2,183	2,237	2,293	2,351
Gain on Disposal of Non Current Assets	1,062	-	-	-	-	-	-	-	-	-	-
Commercial Activity Revenue	5,853	5,331	5,411	5,492	5,574	5,658	5,743	5,829	5,916	6,005	6,095
New Initiatives Revenue	-	-	-	-	-	-	-	-	-	-	-
Other	723	660	677	693	711	729	747	765	785	804	824
<b>Total Operating Revenue</b>	<b>53,601</b>	<b>53,546</b>	<b>54,958</b>	<b>56,413</b>	<b>57,912</b>	<b>59,456</b>	<b>61,047</b>	<b>62,686</b>	<b>64,376</b>	<b>66,117</b>	<b>67,912</b>



## Projected Income and Expenditure Statement for 10 Year Period 2011/12 – 2020/21 Cont.

LTFP 10 Year Model - Scenario 2 - AAS27 Operating Statement											
Year Ended	2011 \$('000)	2012 \$('000)	2013 \$('000)	2014 \$('000)	2015 \$('000)	2016 \$('000)	2017 \$('000)	2018 \$('000)	2019 \$('000)	2020 \$('000)	2021 \$('000)
<b>Operating Expenses</b>											
Employee Costs	23,842	24,361	25,140	25,945	26,594	27,258	27,940	28,638	29,354	30,088	30,840
Contractual Services	-	-	-	-	-	-	-	-	-	-	-
Materials	10,917	11,015	11,192	11,372	11,555	11,741	11,930	12,123	12,318	12,517	12,719
Finance/Interest Expenses	610	640	587	617	548	523	492	458	393	361	306
Depreciation	8,093	8,243	8,410	8,441	8,466	8,498	8,522	8,555	8,578	8,612	8,634
Loss on Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	6,727	7,189	7,369	7,553	7,742	7,936	8,134	8,337	8,546	8,759	8,978
New Initiatives - OpEx	-	-	300	340	380	420	460	500	540	580	620
<b>Operating Expenses Total</b>	<b>50,189</b>	<b>51,448</b>	<b>52,998</b>	<b>54,268</b>	<b>55,285</b>	<b>56,376</b>	<b>57,478</b>	<b>58,611</b>	<b>59,729</b>	<b>60,917</b>	<b>62,098</b>
Productivity Savings	-	-	-	-	-	-	-	-	-	-	-
<b>Operating Expenses Net of Savings</b>	<b>50,189</b>	<b>51,448</b>	<b>52,998</b>	<b>54,268</b>	<b>55,285</b>	<b>56,376</b>	<b>57,478</b>	<b>58,611</b>	<b>59,729</b>	<b>60,917</b>	<b>62,098</b>
<b>Operating Surplus/(Deficit) before Capital Revenues</b>	<b>3,412</b>	<b>2,098</b>	<b>1,960</b>	<b>2,144</b>	<b>2,627</b>	<b>3,079</b>	<b>3,569</b>	<b>4,075</b>	<b>4,647</b>	<b>5,200</b>	<b>5,814</b>
<b>Capital Revenue</b>											
Capital Grants: Subsidies & Contributions	3,263	1,593	1,866	1,869	1,872	1,875	1,878	1,881	1,884	1,887	1,890
Physical Resources received FOC	-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Revenue</b>	<b>3,263</b>	<b>1,593</b>	<b>1,866</b>	<b>1,869</b>	<b>1,872</b>	<b>1,875</b>	<b>1,878</b>	<b>1,881</b>	<b>1,884</b>	<b>1,887</b>	<b>1,890</b>
<b>Operating Surplus/(Deficit) after Capital Revenues</b>	<b>6,675</b>	<b>3,691</b>	<b>3,826</b>	<b>4,013</b>	<b>4,499</b>	<b>4,954</b>	<b>5,447</b>	<b>5,956</b>	<b>6,531</b>	<b>7,087</b>	<b>7,704</b>

## Projected Balance Sheet for Period 2011/12 – 2020/21

### LTFP 10 Year Model - Scenario 2 - AAS27 Statement of Financial Position

Year Ended	2011 \$('000)	2012 \$('000)	2013 \$('000)	2014 \$('000)	2015 \$('000)	2016 \$('000)	2017 \$('000)	2018 \$('000)	2019 \$('000)	2020 \$('000)	2021 \$('000)
<b>Current Assets</b>											
Cash & Investments	16,063	16,926	17,704	17,614	17,608	17,323	16,778	15,982	15,115	14,027	12,905
Receivables - Rates (net)	1,800	1,902	1,968	2,037	2,108	2,182	2,259	2,338	2,420	2,504	2,592
Receivables - other	3,600	3,690	3,782	3,877	3,974	4,073	4,175	4,279	4,386	4,496	4,608
Inventory	800	800	800	800	800	800	800	800	800	800	800
Other	503	503	503	503	503	503	503	503	503	503	503
<b>Total Current Assets</b>	<b>22,766</b>	<b>23,821</b>	<b>24,757</b>	<b>24,831</b>	<b>24,994</b>	<b>24,881</b>	<b>24,514</b>	<b>23,902</b>	<b>23,224</b>	<b>22,330</b>	<b>21,408</b>
<b>Current Liabilities</b>											
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-
Creditors - Trade	8,500	7,711	7,834	7,960	8,089	8,219	8,351	8,486	8,623	8,762	8,904
Creditors - Other	-	-	-	-	-	-	-	-	-	-	-
Provisions	6,500	6,663	6,829	7,000	7,175	7,354	7,538	7,726	7,920	8,118	8,321
Loans	926	820	1,174	866	899	936	990	917	985	912	345
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>15,926</b>	<b>15,193</b>	<b>15,837</b>	<b>15,826</b>	<b>16,162</b>	<b>16,509</b>	<b>16,879</b>	<b>17,129</b>	<b>17,527</b>	<b>17,791</b>	<b>17,569</b>
<b>Net Current Assets/(Current Liabilities)</b>	<b>6,840</b>	<b>8,628</b>	<b>8,920</b>	<b>9,005</b>	<b>8,832</b>	<b>8,372</b>	<b>7,635</b>	<b>6,773</b>	<b>5,697</b>	<b>4,539</b>	<b>3,839</b>

## Projected Balance Sheet for Period 2011/12 – 2020/21 Cont.

### LTFP 10 Year Model - Scenario 2 - AAS27 Statement of Financial Position

Year Ended	2011 \$('000)	2012 \$('000)	2013 \$('000)	2014 \$('000)	2015 \$('000)	2016 \$('000)	2017 \$('000)	2018 \$('000)	2019 \$('000)	2020 \$('000)	2021 \$('000)
<b>Non-Current Assets</b>											
Receivables	82	82	82	82	82	82	82	82	82	82	82
Inventory	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
Investments	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Land	53,721	53,721	53,721	53,721	53,721	53,721	53,721	53,721	53,721	53,721	53,721
Buildings	67,696	67,089	66,490	65,899	65,316	64,741	64,174	63,615	63,064	62,521	61,986
Infrastructure	518,696	521,091	524,492	528,487	533,083	538,275	544,074	550,472	557,481	565,093	573,321
Equipment	8,823	8,619	8,678	8,838	9,099	9,461	9,924	10,488	11,153	11,919	12,786
Furniture & Fittings	221	220	219	218	217	216	215	214	213	212	211
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-Current Assets</b>	<b>653,339</b>	<b>654,922</b>	<b>657,782</b>	<b>661,345</b>	<b>665,618</b>	<b>670,596</b>	<b>676,290</b>	<b>682,692</b>	<b>689,814</b>	<b>697,648</b>	<b>706,207</b>
<b>Total Assets</b>	<b>676,105</b>	<b>678,743</b>	<b>682,539</b>	<b>686,176</b>	<b>690,612</b>	<b>695,477</b>	<b>700,804</b>	<b>706,594</b>	<b>713,038</b>	<b>719,978</b>	<b>727,615</b>
<b>Non-Current Liabilities</b>											
Creditors	500	500	500	500	500	500	500	500	500	500	500
Provisions	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700
Loans	8,758	8,438	7,764	7,398	7,000	6,564	6,075	5,658	5,173	4,762	4,917
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>20,958</b>	<b>20,638</b>	<b>19,964</b>	<b>19,598</b>	<b>19,200</b>	<b>18,764</b>	<b>18,275</b>	<b>17,858</b>	<b>17,373</b>	<b>16,962</b>	<b>17,117</b>
<b>Net Assets</b>	<b>639,220</b>	<b>642,911</b>	<b>646,738</b>	<b>650,751</b>	<b>655,250</b>	<b>660,204</b>	<b>665,651</b>	<b>671,607</b>	<b>678,138</b>	<b>685,225</b>	<b>692,929</b>
<b>Equity</b>											
Accumulated Surplus	425,818	429,509	433,336	437,349	441,848	446,802	452,249	458,205	464,736	471,823	479,527
Asset Revaluation Reserve	213,402	213,402	213,402	213,402	213,402	213,402	213,402	213,402	213,402	213,402	213,402
Other Reserves	-	-	-	-	-	-	-	-	-	-	-
<b>Total Equity</b>	<b>639,220</b>	<b>642,911</b>	<b>646,738</b>	<b>650,751</b>	<b>655,250</b>	<b>660,204</b>	<b>665,651</b>	<b>671,607</b>	<b>678,138</b>	<b>685,225</b>	<b>692,929</b>

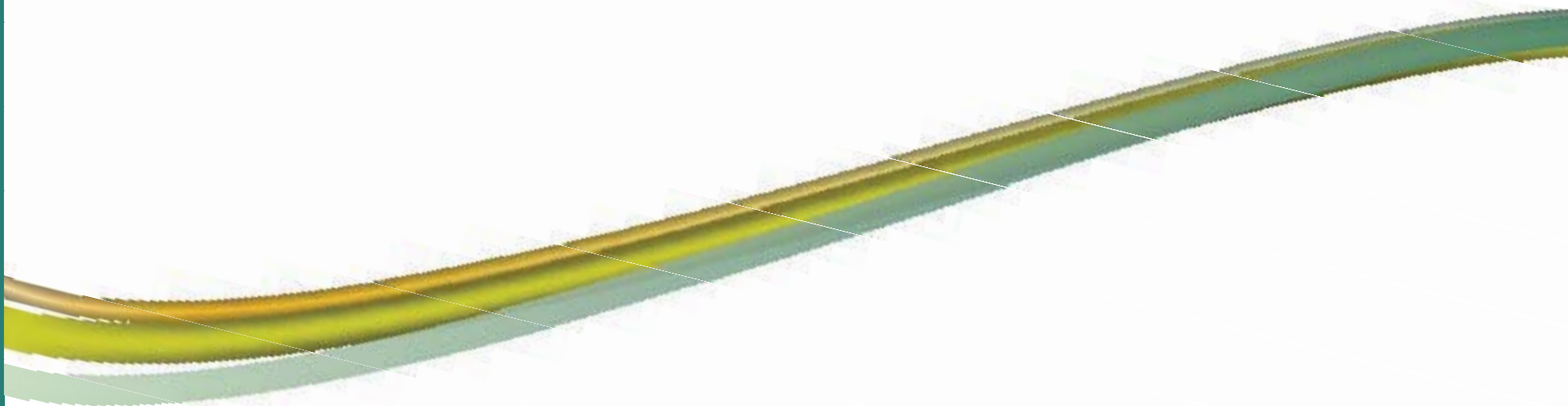
## Projected Cash Flow Statement for Years Ended 30 June 2011/12 – 2020/21

### LTFP 10 Year Model - Scenario 2 - AAS27 Statement of Cash Flows

Year Ended	2011 \$('000)	2012 \$('000)	2013 \$('000)	2014 \$('000)	2015 \$('000)	2016 \$('000)	2017 \$('000)	2018 \$('000)	2019 \$('000)	2020 \$('000)	2021 \$('000)
<b>Cash Flows from Operating Activities</b>											
- Receipts		53,546	54,958	56,413	57,912	59,456	61,047	62,686	64,376	66,117	67,912
- Adjustments - Receivables		(192)	(159)	(163)	(168)	(173)	(178)	(183)	(189)	(194)	(200)
- Payments		(43,205)	(44,588)	(45,827)	(46,819)	(47,878)	(48,956)	(50,056)	(51,151)	(52,305)	(53,464)
- Adjustments - Payables		(627)	291	297	303	310	316	323	330	337	344
<b>Net Cash Used in Operating Activities</b>		<b>9,522</b>	<b>10,502</b>	<b>10,719</b>	<b>11,228</b>	<b>11,714</b>	<b>12,229</b>	<b>12,770</b>	<b>13,366</b>	<b>13,955</b>	<b>14,593</b>
<b>Cash Flows from Investing Activities</b>											
Receipts - Capital Grants/Subsidies/Contributions		1,593	1,866	1,869	1,872	1,875	1,878	1,881	1,884	1,887	1,890
Receipts - Proceeds from Sale of Assets		900	900	900	900	900	900	900	900	900	900
Cash Movements - Non Current Investments		-	-	-	-	-	-	-	-	-	-
Payments - CapEx on Renewal/Replacement of Assets		(8,824)	(10,226)	(10,918)	(11,611)	(12,306)	(13,004)	(13,703)	(14,404)	(15,108)	(15,813)
Payments - CapEx on New Assets		(1,902)	(1,944)	(1,986)	(2,028)	(2,070)	(2,112)	(2,154)	(2,196)	(2,238)	(2,280)
<b>Net Cash Used in Investing Activities</b>		<b>(8,233)</b>	<b>(9,404)</b>	<b>(10,135)</b>	<b>(10,867)</b>	<b>(11,601)</b>	<b>(12,338)</b>	<b>(13,076)</b>	<b>(13,816)</b>	<b>(14,559)</b>	<b>(15,303)</b>
<b>Cash Flows from Financing Activities</b>											
Receipts - Borrowings		500	500	500	500	500	500	500	500	500	500
Receipts - Repayment of loans to Community Groups		-	-	-	-	-	-	-	-	-	-
Payments - Principal Repayments		(926)	(820)	(1,174)	(866)	(899)	(936)	(990)	(917)	(985)	(912)
Payments - Loans to Community Groups		-	-	-	-	-	-	-	-	-	-
<b>Net Cash Used in Financing Activities</b>		<b>(426)</b>	<b>(320)</b>	<b>(674)</b>	<b>(366)</b>	<b>(399)</b>	<b>(436)</b>	<b>(490)</b>	<b>(417)</b>	<b>(485)</b>	<b>(412)</b>
<b>Net Increase/(Decrease) in Cash Held</b>		<b>863</b>	<b>778</b>	<b>(90)</b>	<b>(5)</b>	<b>(286)</b>	<b>(545)</b>	<b>(796)</b>	<b>(866)</b>	<b>(1,089)</b>	<b>(1,122)</b>
<b>Opening Cash Balance</b>		<b>16,063</b>	<b>16,926</b>	<b>17,704</b>	<b>17,614</b>	<b>17,608</b>	<b>17,323</b>	<b>16,778</b>	<b>15,982</b>	<b>15,115</b>	<b>14,027</b>
<b>Closing Cash Balance</b>	<b>16,063</b>	<b>16,926</b>	<b>17,704</b>	<b>17,614</b>	<b>17,608</b>	<b>17,323</b>	<b>16,778</b>	<b>15,982</b>	<b>15,115</b>	<b>14,027</b>	<b>12,905</b>

## Key Financial Performance Indicators

Indicator	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Balance Ratio (%)	4.22	6.37	3.92	3.57	3.80	4.54	5.18	5.85	6.50	7.22	7.86	8.56
Unrestricted Current Ratio (%)	1.91	1.80	2.03	2.00	2.01	1.96	1.89	1.80	1.72	1.61	1.51	1.46
Rates & Annual Charges Outstanding Ratio (%)	5.49	5.06	5.15	5.17	5.19	5.21	5.23	5.24	5.26	5.28	5.30	5.32
Debt Service Ratio	3.62	3.56	2.96	2.59	3.21	2.47	2.42	2.36	2.33	2.05	2.05	1.81
Broad Liabilities Ratio (%)	158.0	167.3	166.7	161.8	156.5	151.8	147.2	142.6	138.1	133.8	129.6	125.5
Asset Renewals Ratio	212.33	205.94	107.85	121.59	129.34	137.15	144.81	152.59	160.18	167.92	175.43	183.15





## Attachment D: Financial Statements - Scenario 3

Scenario 3 features a 2.8% rate pegging increase plus special rate variations each year for 10 years from 2011/12 to fund expenditure identified in asset management plans for all classes of Council's assets which will result in all assets being at a satisfactory standard by 2020/21. There is also a significant increase in loan borrowings associated with this scenario leaving Council with a debt service ratio of over 13% in 2020/21.

### Projected Income and Expenditure Statement for 10 Year Period 2011/12 – 2020/21

LTFP 10 Year Model - Scenario 3 - AAS27 Operating Statement											
Year Ended	2011 \$('000)	2012 \$('000)	2013 \$('000)	2014 \$('000)	2015 \$('000)	2016 \$('000)	2017 \$('000)	2018 \$('000)	2019 \$('000)	2020 \$('000)	2021 \$('000)
<b>Operating Revenue</b>											
Rates	26,079	43,574	41,020	41,714	43,801	47,106	46,139	50,593	51,098	54,137	55,337
Other Rates	7,571	7,871	8,068	8,270	8,477	8,688	8,906	9,128	9,356	9,590	9,830
Statutory Charges	460	460	460	460	460	460	460	460	460	460	460
User Charges	1,738	1,661	1,678	1,695	1,712	1,729	1,746	1,764	1,781	1,799	1,817
Operating Grants & Subsidies	7,493	7,537	7,641	7,747	7,854	7,963	8,073	8,185	8,299	8,415	8,532
Investment Income	973	976	976	976	976	976	976	976	976	976	976
Reimbursements	1,649	1,882	1,929	1,978	2,027	2,078	2,130	2,183	2,237	2,293	2,351
Gain on Disposal of Non Current Assets	1,062	-	-	-	-	-	-	-	-	-	-
Commercial Activity Revenue	5,853	5,331	5,411	5,492	5,574	5,658	5,743	5,829	5,916	6,005	6,095
New Initiatives Revenue	-	70	2	2	2	2	2	2	2	2	2
Other	723	660	677	693	711	729	747	765	785	804	824
<b>Total Operating Revenue</b>	<b>53,601</b>	<b>70,022</b>	<b>67,861</b>	<b>69,027</b>	<b>71,594</b>	<b>75,389</b>	<b>74,921</b>	<b>79,886</b>	<b>80,911</b>	<b>84,482</b>	<b>86,224</b>

## Projected Income and Expenditure Statement for 10 Year Period 2011/12 – 2020/21 Cont.

LTFP 10 Year Model - Scenario 3 - AAS27 Operating Statement											
Year Ended	2011 \$('000)	2012 \$('000)	2013 \$('000)	2014 \$('000)	2015 \$('000)	2016 \$('000)	2017 \$('000)	2018 \$('000)	2019 \$('000)	2020 \$('000)	2021 \$('000)
<b>Operating Expenses</b>											
Employee Costs	23,842	24,361	25,140	25,945	26,594	27,258	27,940	28,638	29,354	30,088	30,840
Contractual Services	-	-	-	-	-	-	-	-	-	-	-
Materials	10,917	11,015	11,192	11,372	11,555	11,741	11,930	12,123	12,318	12,517	12,719
Finance/Interest Expenses	610	764	1,422	2,111	2,642	3,156	3,596	3,960	4,214	4,328	4,273
Depreciation	8,093	8,243	8,410	8,441	8,466	8,498	8,522	8,555	8,578	8,612	8,634
Loss on Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	6,727	7,189	7,369	7,553	7,742	7,936	8,134	8,337	8,546	8,759	8,978
New Initiatives - OpEx	-	966	816	867	913	959	1,005	1,051	1,097	1,143	1,189
<b>Operating Expenses Total</b>	<b>50,189</b>	<b>52,538</b>	<b>54,349</b>	<b>56,289</b>	<b>57,912</b>	<b>59,549</b>	<b>61,127</b>	<b>62,664</b>	<b>64,107</b>	<b>65,448</b>	<b>66,634</b>
Productivity Savings	-	-	-	-	-	-	-	-	-	-	-
<b>Operating Expenses Net of Savings</b>	<b>50,189</b>	<b>52,538</b>	<b>54,349</b>	<b>56,289</b>	<b>57,912</b>	<b>59,549</b>	<b>61,127</b>	<b>62,664</b>	<b>64,107</b>	<b>65,448</b>	<b>66,634</b>
<b>Operating Surplus/(Deficit) before Capital Revenues</b>	<b>3,412</b>	<b>17,484</b>	<b>13,512</b>	<b>12,738</b>	<b>13,682</b>	<b>15,840</b>	<b>13,794</b>	<b>17,221</b>	<b>16,804</b>	<b>19,034</b>	<b>19,590</b>
<b>Capital Revenue</b>											
Capital Grants: Subsidies & Contributions	3,263	1,593	1,866	1,869	1,872	1,875	1,878	1,881	1,884	1,887	1,890
Physical Resources received FOC	-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Revenue</b>	<b>3,263</b>	<b>1,593</b>	<b>1,866</b>	<b>1,869</b>	<b>1,872</b>	<b>1,875</b>	<b>1,878</b>	<b>1,881</b>	<b>1,884</b>	<b>1,887</b>	<b>1,890</b>
<b>Operating Surplus/(Deficit) after Capital Revenues</b>	<b>6,675</b>	<b>19,077</b>	<b>15,378</b>	<b>14,607</b>	<b>15,554</b>	<b>17,715</b>	<b>15,672</b>	<b>19,102</b>	<b>18,688</b>	<b>20,921</b>	<b>21,480</b>

## Projected Balance Sheet for Period 2011/12 – 2020/21

### LTFP 10 Year Model - Scenario 3 - AAS27 Statement of Financial Position

Year Ended	2011 \$('000)	2012 \$('000)	2013 \$('000)	2014 \$('000)	2015 \$('000)	2016 \$('000)	2017 \$('000)	2018 \$('000)	2019 \$('000)	2020 \$('000)	2021 \$('000)
<b>Current Assets</b>											
Cash & Investments	16,063	15,485	17,699	16,557	15,302	13,636	10,666	6,635	2,455	-	-
Receivables - Rates (net)	1,800	5,229	4,922	5,006	5,256	5,653	5,537	6,071	6,132	6,496	6,640
Receivables - other	3,600	3,690	3,782	3,877	3,974	4,073	4,175	4,279	4,386	4,496	4,608
Inventory	800	800	800	800	800	800	800	800	800	800	800
Other	503	503	503	503	503	503	503	503	503	503	503
<b>Total Current Assets</b>	<b>22,766</b>	<b>25,707</b>	<b>27,706</b>	<b>26,742</b>	<b>25,835</b>	<b>24,665</b>	<b>21,681</b>	<b>18,288</b>	<b>14,276</b>	<b>12,295</b>	<b>12,552</b>
<b>Current Liabilities</b>											
Bank Overdraft	-	-	-	-	-	-	-	-	-	2,309	6,314
Creditors - Trade	8,500	7,711	7,834	7,960	8,089	8,219	8,351	8,486	8,623	8,762	8,904
Creditors - Other	-	-	-	-	-	-	-	-	-	-	-
Provisions	6,500	6,663	6,829	7,000	7,175	7,354	7,538	7,726	7,920	8,118	8,321
Loans	1,028	1,562	2,610	3,053	3,899	4,817	5,825	6,786	7,496	7,423	6,754
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>16,028</b>	<b>15,935</b>	<b>17,273</b>	<b>18,013</b>	<b>19,162</b>	<b>20,390</b>	<b>21,715</b>	<b>22,998</b>	<b>24,038</b>	<b>26,612</b>	<b>30,293</b>
<b>Net Current Assets/(Current Liabilities)</b>	<b>6,738</b>	<b>9,772</b>	<b>10,433</b>	<b>8,729</b>	<b>6,672</b>	<b>4,275</b>	<b>(34)</b>	<b>(4,710)</b>	<b>(9,763)</b>	<b>(14,316)</b>	<b>(17,741)</b>

## Projected Balance Sheet for Period 2011/12 – 2020/21 Cont.

### LTFP 10 Year Model - Scenario 3 - AAS27 Statement of Financial Position

Year Ended	2011 \$('000)	2012 \$('000)	2013 \$('000)	2014 \$('000)	2015 \$('000)	2016 \$('000)	2017 \$('000)	2018 \$('000)	2019 \$('000)	2020 \$('000)	2021 \$('000)
<b>Non-Current Assets</b>											
Receivables	82	82	82	82	82	82	82	82	82	82	82
Inventory	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
Investments	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Land	53,721	53,721	53,721	53,721	53,721	53,721	53,721	53,721	53,721	53,721	53,721
Buildings	67,696	70,186	72,675	75,165	77,672	80,178	82,687	85,214	87,740	90,212	92,759
Infrastructure	518,696	540,672	560,019	580,414	601,145	623,360	644,331	668,020	690,862	715,464	739,988
Equipment	8,823	8,626	8,685	8,845	9,106	9,468	9,931	10,495	11,160	11,926	12,793
Furniture & Fittings	221	220	219	218	217	216	215	214	213	212	211
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-Current Assets</b>	<b>653,339</b>	<b>677,607</b>	<b>699,501</b>	<b>722,545</b>	<b>746,043</b>	<b>771,125</b>	<b>795,067</b>	<b>821,846</b>	<b>847,878</b>	<b>875,717</b>	<b>903,654</b>
<b>Total Assets</b>	<b>676,105</b>	<b>703,314</b>	<b>727,207</b>	<b>749,287</b>	<b>771,878</b>	<b>795,790</b>	<b>816,748</b>	<b>840,134</b>	<b>862,154</b>	<b>888,012</b>	<b>916,206</b>
<b>Non-Current Liabilities</b>											
Creditors	500	500	500	500	500	500	500	500	500	500	500
Provisions	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700	11,700
Loans	8,656	16,881	24,058	30,791	36,679	41,648	45,610	48,611	50,902	53,266	56,298
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>20,856</b>	<b>29,081</b>	<b>36,258</b>	<b>42,991</b>	<b>48,879</b>	<b>53,848</b>	<b>57,810</b>	<b>60,811</b>	<b>63,102</b>	<b>65,466</b>	<b>68,498</b>
<b>Net Assets</b>	<b>639,220</b>	<b>658,298</b>	<b>673,676</b>	<b>688,283</b>	<b>703,836</b>	<b>721,551</b>	<b>737,223</b>	<b>756,326</b>	<b>775,014</b>	<b>795,935</b>	<b>817,415</b>
<b>Equity</b>											
Accumulated Surplus	425,818	444,896	460,274	474,881	490,434	508,149	523,821	542,924	561,612	582,533	604,013
Asset Revaluation Reserve	213,402	213,402	213,402	213,402	213,402	213,402	213,402	213,402	213,402	213,402	213,402
Other Reserves	-	-	-	-	-	-	-	-	-	-	-
<b>Total Equity</b>	<b>639,220</b>	<b>658,298</b>	<b>673,676</b>	<b>688,283</b>	<b>703,836</b>	<b>721,551</b>	<b>737,223</b>	<b>756,326</b>	<b>775,014</b>	<b>795,935</b>	<b>817,415</b>

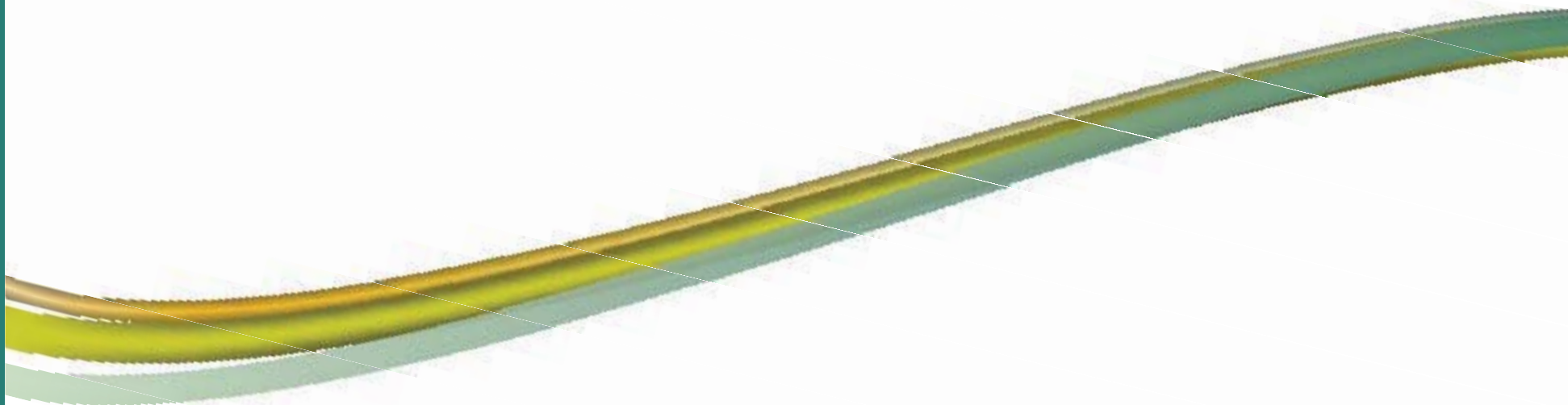
## Projected Cash Flow Statement for Years Ended 30 June 2011/12 – 2020/21

### LTFP 10Year Model - Scenario 3 - AAS27 Statement of Cash Flows

Year Ended	2011 \$('000)	2012 \$('000)	2013 \$('000)	2014 \$('000)	2015 \$('000)	2016 \$('000)	2017 \$('000)	2018 \$('000)	2019 \$('000)	2020 \$('000)	2021 \$('000)
<b>Cash Flows from Operating Activities</b>											
- Receipts		70,022	67,861	69,027	71,594	75,389	74,921	79,886	80,911	84,482	86,224
- Adjustments - Receivables		(3,519)	214	(178)	(347)	(496)	14	(639)	(168)	(474)	(256)
- Payments		(44,295)	(45,939)	(47,848)	(49,446)	(51,051)	(52,605)	(54,109)	(55,529)	(56,836)	(58,000)
- Adjustments - Payables		(627)	291	297	303	310	316	323	330	337	344
<b>Net Cash Used in Operating Activities</b>		<b>21,582</b>	<b>22,427</b>	<b>21,297</b>	<b>22,103</b>	<b>24,152</b>	<b>22,646</b>	<b>25,460</b>	<b>25,545</b>	<b>27,509</b>	<b>28,312</b>
<b>Cash Flows from Investing Activities</b>											
Receipts - Capital Grants/Subsidies/Contributions		1,593	1,866	1,869	1,872	1,875	1,878	1,881	1,884	1,887	1,890
Receipts - Proceeds from Sale of Assets		900	900	900	900	900	900	900	900	900	900
Cash Movements - Non Current Investments		-	-	-	-	-	-	-	-	-	-
Payments - CapEx on Renewal/Replacement of Assets		(7,398)	(8,750)	(9,390)	(10,030)	(10,670)	(11,310)	(11,950)	(12,590)	(13,230)	(13,870)
Payments - CapEx on New Assets		(26,013)	(22,454)	(22,995)	(22,834)	(23,810)	(22,054)	(24,284)	(22,920)	(24,121)	(23,601)
<b>Net Cash Used in Investing Activities</b>		<b>(30,918)</b>	<b>(28,438)</b>	<b>(29,616)</b>	<b>(30,092)</b>	<b>(31,705)</b>	<b>(30,586)</b>	<b>(33,453)</b>	<b>(32,726)</b>	<b>(34,564)</b>	<b>(34,681)</b>
<b>Cash Flows from Financing Activities</b>											
Receipts - Borrowings		9,787	9,787	9,787	9,787	9,787	9,787	9,787	9,787	9,787	9,787
Receipts - Repayment of loans to Community Groups		-	-	-	-	-	-	-	-	-	-
Payments - Principal Repayments		(1,028)	(1,562)	(2,610)	(3,053)	(3,899)	(4,817)	(5,825)	(6,786)	(7,496)	(7,423)
Payments - Loans to Community Groups		-	-	-	-	-	-	-	-	-	-
<b>Net Cash Used in Financing Activities</b>		<b>8,758</b>	<b>8,225</b>	<b>7,177</b>	<b>6,733</b>	<b>5,888</b>	<b>4,970</b>	<b>3,961</b>	<b>3,001</b>	<b>2,291</b>	<b>2,364</b>
<b>Net Increase/(Decrease) in Cash Held</b>		<b>(578)</b>	<b>2,214</b>	<b>(1,142)</b>	<b>(1,255)</b>	<b>(1,666)</b>	<b>(2,970)</b>	<b>(4,031)</b>	<b>(4,180)</b>	<b>(4,764)</b>	<b>(4,005)</b>
<b>Opening Cash Balance</b>		<b>16,063</b>	<b>15,485</b>	<b>17,699</b>	<b>16,557</b>	<b>15,302</b>	<b>13,636</b>	<b>10,666</b>	<b>6,635</b>	<b>2,455</b>	<b>(2,309)</b>
<b>Closing Cash Balance</b>	<b>16,063</b>	<b>15,485</b>	<b>17,699</b>	<b>16,557</b>	<b>15,302</b>	<b>13,636</b>	<b>10,666</b>	<b>6,635</b>	<b>2,455</b>	<b>(2,309)</b>	<b>(6,314)</b>

## Key Financial Performance Indicators

Indicator	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Balance Ratio (%)	4.22	6.37	24.97	19.91	18.45	19.11	21.01	18.41	21.56	20.77	22.53	22.72
Unrestricted Current Ratio (%)	1.91	1.79	2.07	2.00	1.82	1.61	1.41	1.12	0.85	0.59	0.43	0.38
Rates & Annual Charges Outstanding Ratio (%)	5.49	5.06	9.80	9.65	9.65	9.70	9.80	9.72	9.85	9.83	9.90	9.90
Debt Service Ratio	3.62	3.56	2.58	4.44	6.90	8.02	9.43	11.32	12.34	13.70	14.10	13.66
Broad Liabilities Ratio (%)	158.0	167.3	140.6	157.2	164.9	168.4	167.8	175.4	169.5	171.0	166.5	165.9
Asset Renewals Ratio	212.33	205.94	89.75	104.04	111.24	118.47	125.56	132.72	139.68	146.77	153.62	160.64



## Attachment E: Council Reserves

Reserve	Purpose
<b>Externally Restricted Assets</b>	
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.
Section 94 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.
<b>Internally Restricted Assets - Non-Discretionary</b>	
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.



Reserve	Purpose
<b>Internally Restricted Assets - Discretionary</b>	
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.
Land and Property Acquisition/Development	Net proceeds from land and property dealings are transferred to this Reserve for future land and property acquisition or development so that advantage may be taken of any opportunities which may arise.
Single Invitation Contracts	Any surpluses or profits made on RTA 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.