Long Term Financial Plan 2013-2023

Upper Hunter Shire Council – a quality rural lifestyle

Contents

1. EXECUTIVE SUMMARY

The Long Term Financial Plan is an important part of Council's strategic planning process. This is the point where long-term community aspirations and goals are tested against financial realities. It is a decision making and problem solving tool but is not intended to be set in concrete, it is a guide for future action. The modelling that occurs as part of the plan will help Council to weather unexpected events. It will also provide an opportunity for Council to identify financial issues at an earlier stage and gauge the effect of these issues in the longer term.

The Long Term Financial Plan is built on four foundations:

- Planning assumptions used to develop the plan;
- Revenue forecasts;
- Expenditure forecasts; and
- Sensitivity analysis (factors/assumptions most likely to affect the plan);

The Long Term Financial Plan also includes financial modelling of 3 different scenarios; being:

1. Special Variation Scenario - shows the financial results of delivering enhanced levels of service, by increasing rates above the rate peg limit by 2.5% in years 1, 2 and 3 which remain permanently in the rate base. Rate peg applies from year 4 thereafter for the term of the plan.
2. Rate Peg Scenario - shows the financial results of delivering essential services, with increasing rates by the rate peg limit over the term of the plan.
3. No Rate Increase Scenario - shows the financial results of delivering essential services, without increasing rates over the term of the plan

The 'Special Variation Scenario' is the most prudent option for Council's longer term financial health. Council's operating result improves over the term of the plan, resulting in a forecasted surplus in 2022/23. Council's main objective of investing in infrastructure is achievable by increasing rates above the rate peg by 2.5% each year in the first 3 years of the plan. The objective of increasing investment in infrastructure renewal can be achieved by utilising the Local Infrastructure Renewal Scheme (LIRS) for road renewals and bridge replacement. All loan repayments under LIRS are to be funded from additional revenue earned by applying a special variation to rates.

The 'Rate Peg Scenario' allows Council to maintain 'business as usual' approach. Although this scenario indicates that the financial performance (i.e., operating result) improves over the term of the plan and liquidity remains strong, the objective of increasing investment in infrastructure is not achievable.

The 'No Rate Increase Scenario' is not a viable option for Council. Under this scenario, the operating deficit increases over the term of the plan severely impacting liquidity and the ability to maintain existing assets at an optimal level. Council will not be in a position to invest in infrastructure and will be confronted with failed assets and potentially significant renewal and replacement expenditure needs that cannot be accommodated without sudden large rate rises.

2. INTRODUCTION

2.1 Purpose of the Long Term Financial Plan

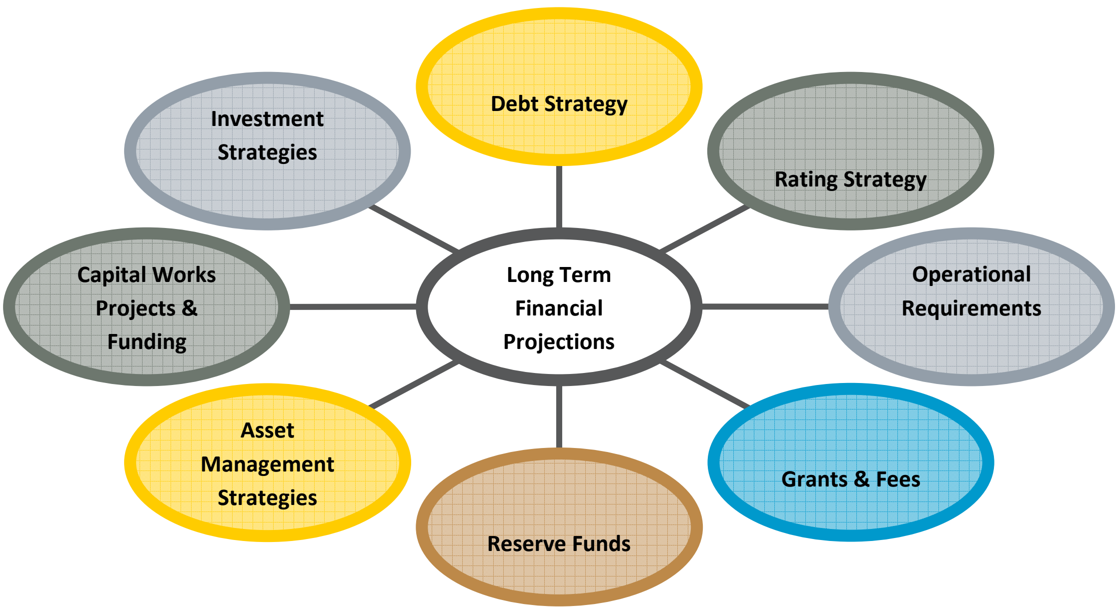
The Long Term Financial Plan exists primarily to facilitate the delivery of the objectives and strategies expressed in the Community Strategic Plan. The Long Term Financial Plan is not an end in itself but is a means of ensuring the objectives of integrated planning framework are matched by an appropriate resource plan.

In noting this feature it is therefore important to acknowledge that any significant changes to the financial strategies expressed in this document will have a consequent impact on Council's ability to deliver the outcomes expressed in the Delivery Program.

In addition to acting as a resource plan, the Long Term Financial Plan further endeavours to:

- Establish a prudent and sound financial framework, combining and integrating financial strategies to achieve a planned outcome
- Establish a financial framework against which Council's strategies, policies, and financial performance can be measured against
- Ensure that Council complies with sound financial management principles and plans for the long term financial sustainability of Council
- Allow Council to meet its obligations under the Council's Charter of the Local Government Act to provide adequate, equitable and appropriate services and facilities for the community and to ensure that those services and facilities are managed efficiently and effectively and also to have regard to the long term and cumulative effects of its decisions.

This Long Term Financial Plan represents a comprehensive approach to documenting and integrating the various financial strategies of Council. The development of the long term financial projections represents the output of several strategy areas, that when combined, produce the financial direction of Council as shown below:

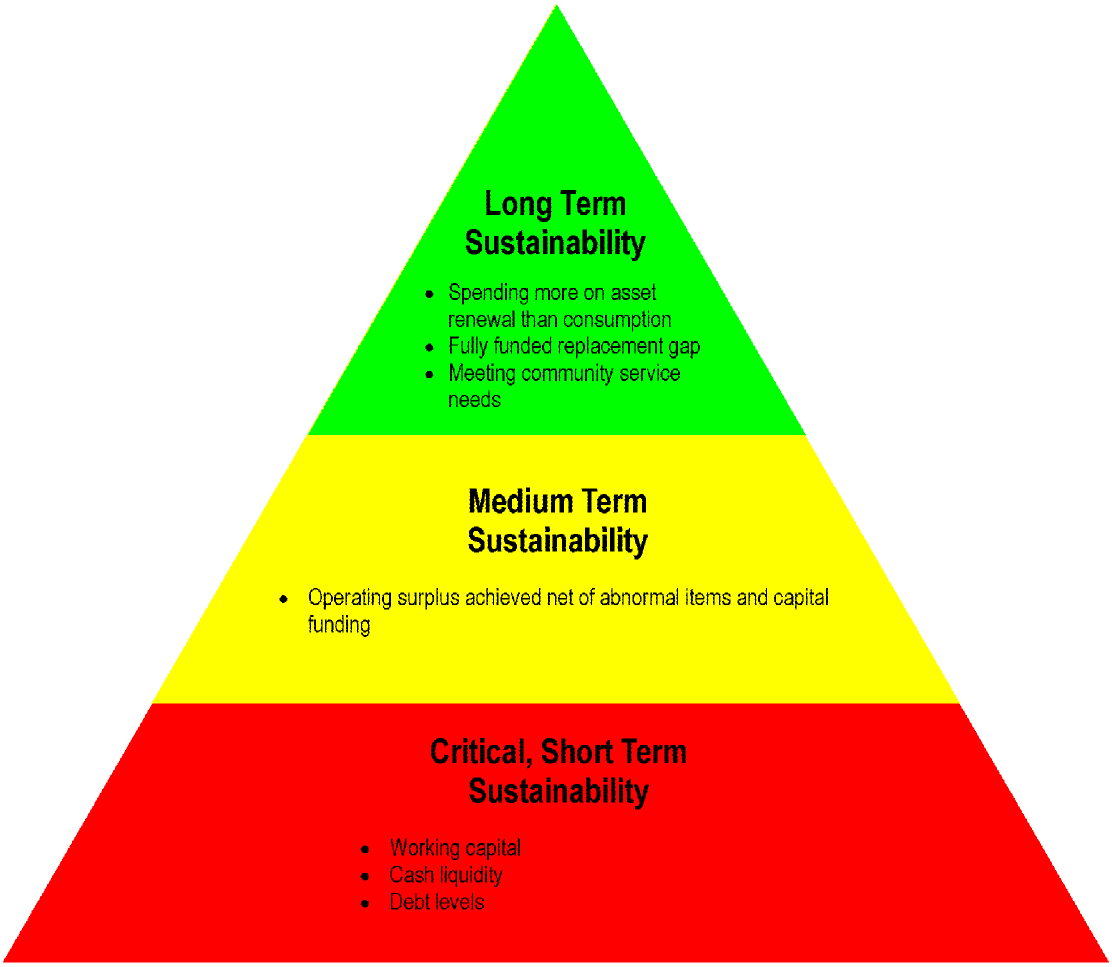


2.2 Objectives of the Long Term Financial Plan

The objectives that this Long Term Financial Plan are to achieve:

- An increased ability to fund asset renewal requirements
- Progressing Council towards a position of financial sustainability in the long term
- Rate and fee increases that are both manageable and sustainable
- Investment and funding strategies which promote intergenerational equity.

For the purposes of this strategy, financial sustainability is defined in the below diagram, modelled essentially on a hierarchy of needs approach.



Whilst Upper Hunter Shire Council has no short term sustainability issues, it has challenges in meeting asset renewal requirements on an annual basis and the current gap, inclusive of the backlog of works not completed, is an issue that can only be addressed over a long period.

3. LINK BETWEEN LONG TERM FINANCIAL PLAN and COUNCIL'S PLANNING FRAMEWORK

3.1 Workforce Planning

In order to deliver our Community Strategic Plan, we require a clear Workforce Management Plan that sets out what type of organisation we need to be and how we plan to get there.

Key trends and emerging issues considered in the development of the Workforce Management Plan include:

- Ageing population/workforce
- Change in patterns of work
- Skills shortages
- Changing workforce behaviour and attitudes

Council's Workforce Management Plan 2012/13 – 2016/17 sets the direction for development and identifies what can be done to strengthen the ability to deliver value to the community.

3.2 Asset Management

Upper Hunter Shire Council is responsible for a large and diverse asset base. These assets include roads, bridges, footpaths, drains, libraries, childcare centres, halls, parks, sporting facilities, fleet, buildings and technology related assets.

According to Council's charter under the Local Government Act, Council should:

- Provide directly or on behalf of other levels of government after due consultation, adequate, equitable and appropriate services and facilities for the community and to ensure that those services and facilities are managed effectively and efficiently.
- Have regard for the long term and cumulative effects of its decisions.
- Bear in mind that it is the custodian and trustee of public assets and to effectively plan for, account for and manage the assets for which it is responsible.

In order to manage this asset base, strategies and plans have been developed which are designed to address issues regarding asset life cycles and risk. Asset Management Plans have been developed for the following asset classes:

- Bridges
- Buildings
- Parks
- Roads
- Stormwater

4. FOUNDATIONS OF THE PLAN

The Long Term Financial Plan is built on four foundations:

1. Planning assumptions
2. Revenue Forecasts
3. Expenditure Forecasts
4. Sensitivity Analysis

4.1 Planning Assumptions

The 2013/14 draft budget is the base year for the Long Term Financial Plan. Some of the planning assumptions have come from the Community Strategic Plan whilst others have been derived from general financial planning practices. Assumptions from the Community Strategic Plan include:

Population forecasts
The number of rating assessments has been assumed, across the life of the plan, to increase by approximately 30 assessments per annum.

Inflation forecasts
The Consumer Price Index (CPI) All Groups Sydney for the 12 months to the December quarter each year is used to drive inflationary forecasts for the term of the plan. The CPI for quarter ending December 2012 was 2.5% and is the index used in the majority of income & expense items in 2013/14. Thereafter, a 2.8% inflation rate is assumed for the term of the plan.

4.2 Revenue Forecasts

In considering the likely revenue that will be available to meet the community's long-term objectives, the Long Term Financial Plan takes into consideration:

Capacity for rating
This is the major component of Councils revenue base. The planning process includes an assessment of the community's capacity and willingness to pay rates and whether there is the potential for changes in that capacity. In making that judgement, Council has reviewed information relating to:

- Opportunities for a special variation to general income
- The potential to reduce the reliance on rates through increased revenues from grants, fees, and user charges

Fees and charges
Many of the services provided by Council are offered on a 'user pay' basis. The fees charged for services provided by Council are detailed in the Fees and Charges Schedule.

Grants and contributions
Council receives general purpose Financial Assistance Grants from the Commonwealth Government and may also receive other grants and contributions through specific programs.

Borrowings
Council finances some of its capital expenditure through borrowings. These borrowings are for expenditure on major infrastructure projects. Borrowing the funds

allows the cost of these projects to be spread over a number of years in order to facilitate inter-generational equity for these long-lived assets.

4.3 Expenditure Forecasts

The Community Strategic Plan gives Council a good indication of the amount of money required to meet the community's expectations for the future. This should be considered along with the information Council already has about its ongoing operational costs.

In developing expenditure forecasts, consideration has been given to new expenditure items that are proposed in addition to Council's ongoing commitments. The relevant sources of information for ongoing commitments include Asset Management Plans, Workforce Strategies and repayment schedules on borrowings.

Appropriate phasing of costs across the term of the Long Term Financial Plan has been included. For example, with capital projects which are to be completed during the term of the plan, the cost reflects when specific expenditure for planning, construction, implementation and maintenance is expected to occur.

4.4 Sensitivity Analysis

Long term financial plans are inherently uncertain. They contain a wide range of assumptions, including assumptions about interest rates and the potential effect of inflation on revenues and expenditures. Some of these assumptions have a relatively limited impact if they are wrong, others can have a major impact on future financial plans. If the assumptions above are found to be inaccurate then it will be necessary for Council to reconsider the current strategies on expenditure and revenue and realign the LTFP to fund any changes in costs or revenues. The following assumptions have been used in the 2013/23 LTFP.

<u>Interest on Investments</u>

The Council has a cash 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.

Service levels and capital expenditure are impacted by fluctuations in interest rates.

<u>Rate Pegging</u>

Changes in rate pegging will impact revenue forecasts.

<u>Inflation</u>

Changes in inflation will impact both revenue and expenditure.

<u>Employee Costs</u>

Termination patterns will impact the employee leave entitlements' reserve and liability as well as recruitment and training costs.

Population Growth
The Long Term Financial Plan is based on minor population growth (30 rating assessments per year). Should the population grow faster than this rate both service levels and rating income will be impacted.

Grants
The LTFP models only included recurring grants and capital grants that have already been awarded. A number of the grants that are received fund specific programs that may not be offered by the Council if the grants were eliminated (e.g., Roads to Recovery).

5. FINANCIAL PERFORMANCE INDICATORS

The financial performance indicators are intended to be indicative of the financial health and good business management practices being conducted at Upper Hunter Shire Council.

A colour coded 'traffic light' system has been developed to rate and present the relative position of Council's financial performance under the financial performance indicators.

The Financial Performance Indicators calculated for each scenario are shown in the table below.

Financial Performance Indicator	**Traffic Light Indicator**		
	🟢	🟡	🔴
Operating Result	3 successive surpluses	Surplus	deficit
Unrestricted Current Ratio	>2	1-2	<1
Debt Service Ratio	<10%	>10% <15%	>15%
Building & Infrastructure Renewals Ratio	>100%	N/A	<100%

Operational Result before Capital Grants and Contributions
The issue for Council is whether operating surpluses are being achieved or can be maintained in the current fiscal regime. This indicator is calculated by taking the income from continuing operations less grants and contributions provided for capital purposes less expenses from continuing operations.

Unrestricted Current Ratio
This is a ratio of current assets to current liabilities after accounting for external reserves. This ratio demonstrates the ability of Council to satisfy our financial obligations in the short term, excluding the assistance of externally restricted funds.

Debt Service Ratio
This ratio demonstrates the cost of servicing Council's debt obligations (principal + interest) with available revenue from ordinary activities.

Building and Infrastructure Renewals Ratio
This measure is intended to reflect the extent to which Council is maintaining the condition of its assets. It is an indicator of the condition and cost to maintain public infrastructure and building assets which is assessed against annual depreciation.

6. STRUCTURE

The Long Term Financial Plan is structured as a series of 'scenarios', each of which shows a specific financial outlook.

This iteration of the Long Term Financial Plan presents financial forecasts associated with the following 3 scenarios:

1. Special Variation Scenario - shows the financial results of delivering enhanced levels of service, by increasing rates above the rate peg limit by 2.5% in years 1, 2 and 3 which remain permanently in the rate base. Rate peg applies from year 4 thereafter for the term of the plan.
2. Rate Peg Scenario – This shows the financial results of delivering essential services, with increasing rates by the rate pegging limit over the term of the plan.
3. No Rate Increase Scenario – This shows the financial results of delivering essential services, without an increase in rates over the term of the plan.

Financial statements have been prepared for each scenario to portray the projected financial position of Upper Hunter Shire Council over the next ten years.

The following financial statements, on a consolidated basis, are presented for each scenario:

- Income Statement
- Balance Sheet
- Cash Flow Statement

The statements are prepared based on current knowledge and service levels and will no doubt be affected by various events which will occur in future years. It is important that the long term financial outlook be revisited and updated on an annual basis.

6.1 Special Variation Scenario

6.1.1 Introduction

The Special Variation Scenario of the Long Term Financial Plan shows the financial results of delivering enhanced levels of service, by increasing rates above the rate peg limit in years 1, 2 & 3 which remain permanently in the rate base.

6.1.2 Revenue Forecasts

Rates and Annual Charges

General rates have been increased above the rate peg limit by the following amounts:

2013/14 – 2.5%
2014/15 – 2.5%
2015/16 – 2.5%

Thereafter, a 3.0% rate peg limit has been assumed for the term of the plan.

The table below shows the estimated total increase in rates when applying the Special Variation.

Year	Rate Peg	Special Variation	Increase in Rates
2013/14	3.4%	2.5%	5.9%
2014/15	3.0%	2.5%	5.5%
2015/16	3.0%	2.5%	5.5%
2016/17	3.0%	-	3.0%
2017/18	3.0%	-	3.0%
2018/19	3.0%	-	3.0%
2019/20	3.0%	-	3.0%
2020/21	3.0%	-	3.0%
2021/22	3.0%	-	3.0%
2022/23	3.0%	-	3.0%

Domestic Waste Management charges have been increased by 3.4% in 2013/14. Thereafter, a 3.0% increase has been assumed for the term of the plan.

Water supply charges have been increased by 7.5% each year for the term of the plan.

Sewerage services charges have been increased by 3.4% in 2013/14. Thereafter, a 3.0% increase has been assumed for the term of the plan.

User Charges and Fees

Fees and Charges, other than those set by statute, are increased by the Consumer Price Index (CPI) All Groups Sydney for the 12 months to the December quarter each year.

Council has included a 2.5% CPI increase in the majority of fees and charges for 2013/14 and thereafter assumed a 2.8% CPI increase to fees and charges for the term of the plan.

Grants & Contributions
The Long Term Financial Plan assumes that the financial assistance grant will increase at a rate of 2.8% per year for the term of the plan.

The majority of grants are tied to specific works and cannot be used for any other purpose. The expected grant income is included in the year that the grant is to be expended and where the grant funding is not forthcoming the grant component of the project is either deleted or deferred.

Interest on Investments
An assumed interest rate of 3.8% has been applied to all of Council's investments for years 1, 2 & 3 of the plan. From year 4 onwards, an interest rate of 4.7% has been applied.

The interest rate applied to outstanding rates and charges is in accordance with advice from the Division of Local Government.

Other Revenues
Council has included a 2.5% CPI increase in the majority of Other Revenues for 2013/14 and thereafter assumed a 2.8% CPI increase for the term of the plan.

6.1.3 Expenditure Forecasts

Employee Costs
The Long Term Financial Plan assumes an increase each year of 4% to cover wage increases and increases in employee on-costs.

Materials and Contracts
Budgets in the Operational Plan reflect all known information in relation to contracts and the Long Term Financial Plan assumes a 2.5% increase to materials and contracts expenses for 2013/14 and thereafter assumed a 2.8% increase for the term of the plan.

Borrowing Costs
Borrowing costs for each of Council's loans are calculated for each year and included in the Long Term Financial Plan. Future borrowings are included at an assumed interest rate of 5.5%.

Other Expenses
Council has included a 2.5% increase in the majority of Other Expenses for 2013/14 and thereafter assumed a 2.8% increase for the term of the plan.

6.1.4 Borrowings

Additional borrowings include:

- $2,015,000 for urban streets renewal and bridge replacement. An application will be submitted in round 2 of the Local Infrastructure Renewal Scheme to fund improved road infrastructure. Interest payments will be offset by 3% under the conditions of the scheme.
- $5,600,000 for the water augmentation scheme.

6.1.5 Financial Performance Indicators

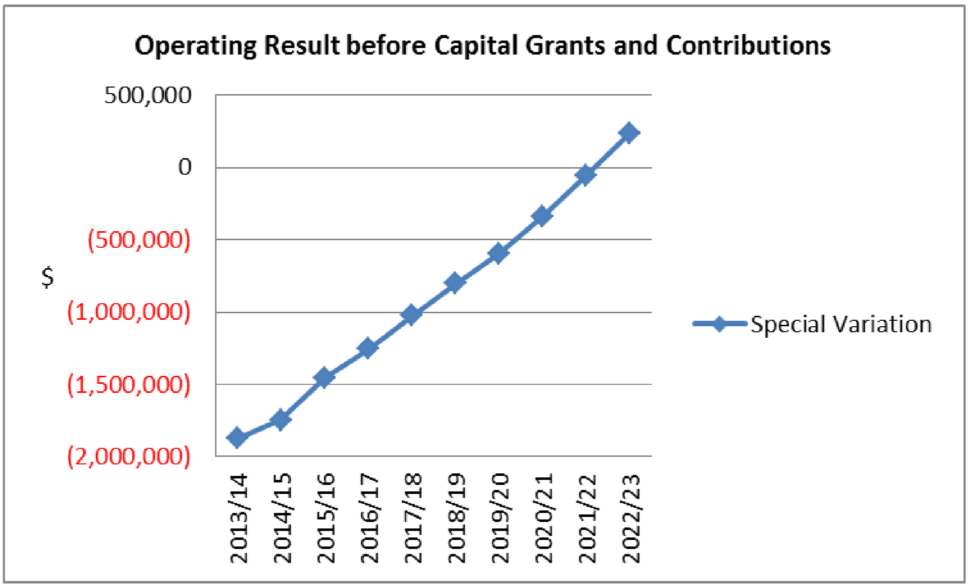
The financial performance indicators are intended to be indicative of the financial health and good business management practices being conducted at Upper Hunter Shire Council.

The Financial Performance Indicators calculated are shown below.

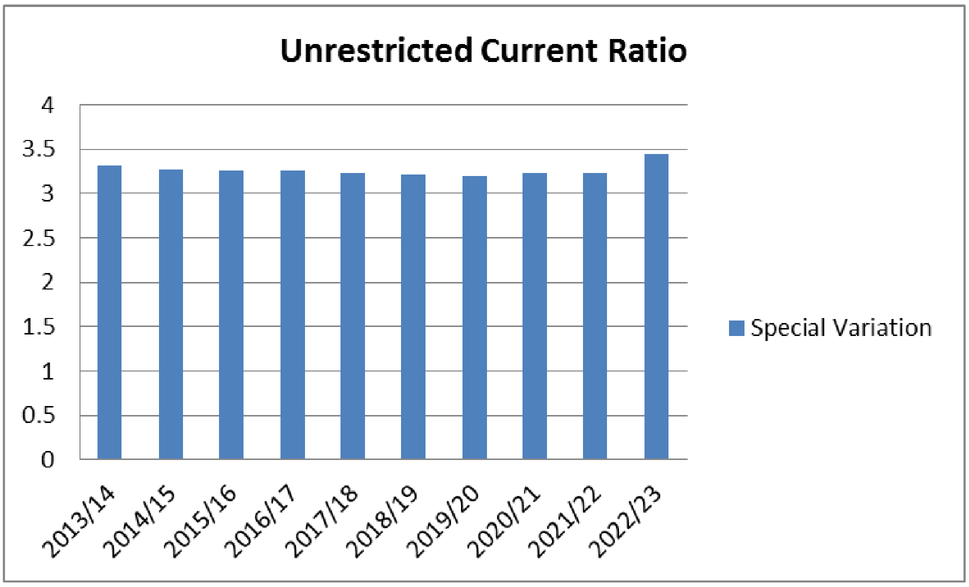
<u>Operating Result before Capital Grants & Contributions</u>

As depicted below, the Special Variation Scenario forecasts a reduction in the operating deficit over the term of the plan. The deficits decrease from $1.9 million in 2013/14 to a surplus of $240,000 in 2022/23.

The change of an operating deficit into an operating surplus is forecasted in 2020/21 and indicates that Council can operate sustainably in the future. Under this scenario, Council can maintain its standards of service to the community.

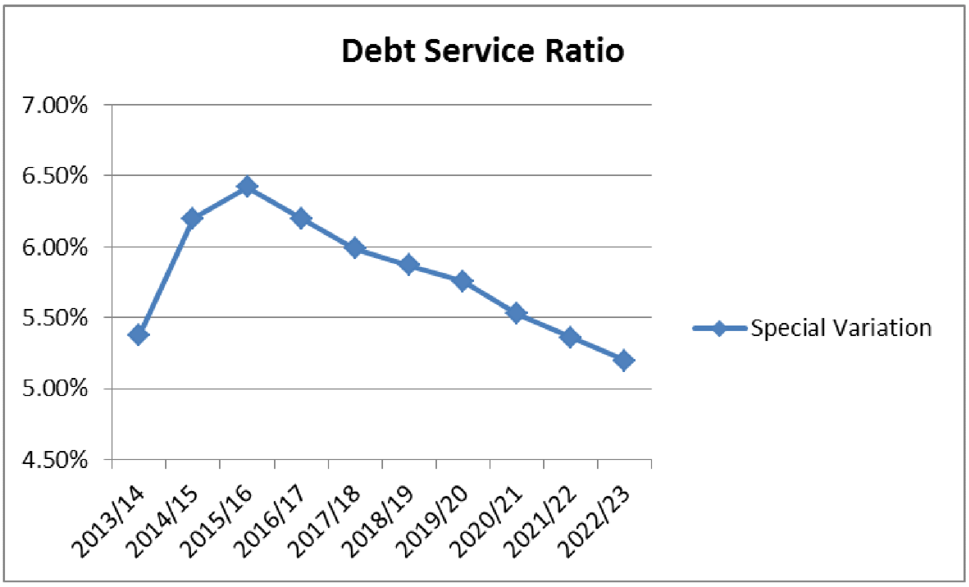


Unrestricted Current Ratio
Liquidity remains strong under the Special Variation scenario with the UCR remaining above 3:1 over the term of the plan. This indicates that Council will have little, if any, difficulty in meeting financial commitments as they fall due.



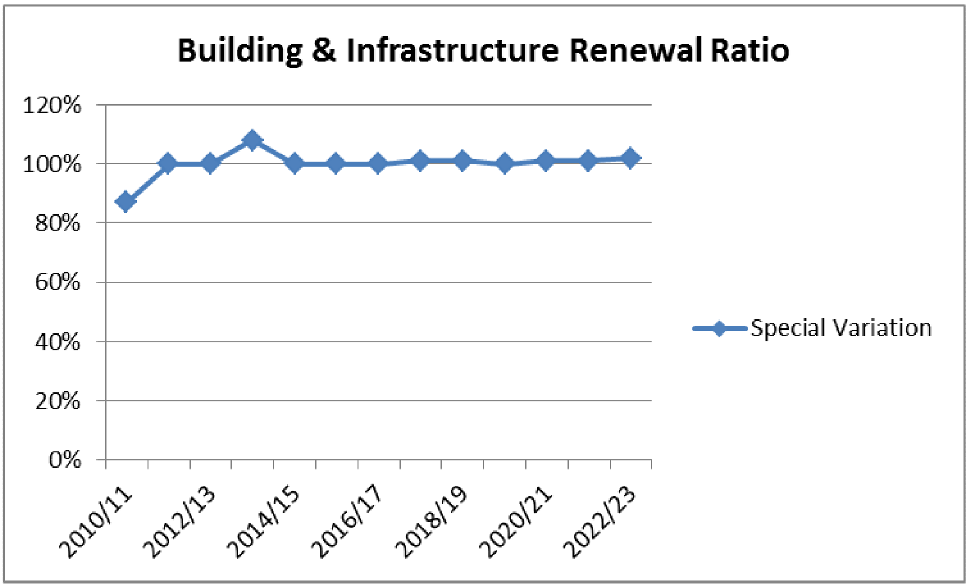
Debt Service Ratio
The DSR increases in the early years of the plan due to borrowings of $2 million under the LIRS Round 2 and $5.6 million for the water augmentation scheme. However, Council remains within the industry benchmark of 10%.

Under this scenario, Council has sufficient revenues to cover debt obligations.



Building and Infrastructure Renewals Ratio
The objective of increasing investment of infrastructure renewals is achieved with the buildings and infrastructure renewals ratio sitting on or above 100% for the term of the plan.

Expenditure on renewing or replacing existing assets is at least equal to depreciation expense, indicating that the value of Councils existing stock of physical assets is maintained.



A colour coded 'traffic light' system has been developed to rate and present the relative position of Council's financial performance under the financial performance indicators.

Traffic Light Reporting System	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23
Operational Result before capital Grants & Contributions	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🟡
Unrestricted Current Ratio	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Debt Service Ratio	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Building & Infrastructure Renewals Ratio	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢

Legend: Refer to table on page 9

6.1.6 Income Statement

Scenario: Special Variation	Projected Years									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Income from Continuing Operations										
Revenue:										
Rates & Annual Charges	13,917	14,585	15,291	15,791	16,311	16,850	17,411	17,994	18,599	19,229
User Charges & Fees	10,261	10,549	10,844	11,148	11,460	11,781	12,110	12,450	12,798	13,156
Interest & Investment Revenue	1,181	1,176	1,193	1,224	1,272	1,326	1,359	1,411	1,493	1,577
Other Revenues	1,244	1,276	1,309	1,343	1,378	1,414	1,451	1,489	1,528	1,568
Grants & Contributions provided for Operating Purposes	8,298	8,526	8,759	8,999	9,246	9,500	9,760	10,028	10,303	10,585
Grants & Contributions provided for Capital Purposes	3,537	2,616	1,495	1,515	1,536	1,556	1,577	1,598	1,621	1,644
Total Income from Continuing Operations	**38,438**	**38,728**	**38,892**	**40,020**	**41,202**	**42,427**	**43,668**	**44,969**	**46,343**	**47,759**
Expenses from Continuing Operations										
Employee Benefits & On-Costs	13,531	14,072	14,635	15,220	15,829	16,462	17,120	17,805	18,517	19,258
Borrowing Costs	1,085	1,253	1,302	1,239	1,160	1,102	1,039	948	863	774
Materials & Contracts	7,295	7,506	7,723	7,945	8,174	8,410	8,651	8,900	9,155	9,418
Depreciation & Amortisation	10,547	10,600	10,653	10,706	10,759	10,813	10,867	10,922	10,976	11,031
Other Expenses	4,319	4,427	4,537	4,651	4,767	4,886	5,008	5,133	5,262	5,393
Total Expenses from Continuing Operations	**36,777**	**37,857**	**38,849**	**39,761**	**40,690**	**41,673**	**42,686**	**43,708**	**44,774**	**45,875**
Operating Result from Continuing Operations	**1,662**	**871**	**44**	**259**	**513**	**754**	**982**	**1,261**	**1,568**	**1,884**
Net Operating Result before Grants and Contributions provided for Capital Purposes	**(1,876)**	**(1,745)**	**(1,452)**	**(1,256)**	**(1,023)**	**(802)**	**(595)**	**(337)**	**(53)**	**240**

6.1.7 Balance Sheet

Scenario: Special Variation	Projected Years									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS										
Current Assets										
Cash & Cash Equivalents	3,063	2,379	3,033	3,850	5,061	6,485	7,806	9,284	11,060	13,103
Investments	11,967	11,841	11,834	11,813	11,813	11,813	11,813	11,813	11,813	11,853
Receivables	5,243	5,221	5,204	5,348	5,498	5,653	5,805	5,960	6,122	6,290
Inventories	714	736	758	781	805	829	853	878	904	930
Other	338	346	355	363	372	381	390	399	409	419
Total Current Assets	21,325	20,523	21,185	22,156	23,548	25,161	26,666	28,334	30,307	32,595
Non-Current Assets										
Investments	9,174	8,796	8,776	8,712	8,712	8,712	8,712	8,712	8,712	8,712
Receivables	94	94	94	94	94	94	94	94	94	94
Infrastructure, Property, Plant & Equipment	521,897	525,041	523,500	521,869	519,954	517,982	516,268	514,602	512,853	511,019
Investments Accounted for using the equity method	62	62	62	62	62	62	62	62	62	62
Other	1	1	1	1	1	1	1	1	1	1
Total Non-Current Assets	531,228	533,993	532,432	530,737	528,823	526,850	525,136	523,470	521,721	519,887
TOTAL ASSETS	**552,553**	**554,516**	**553,617**	**552,893**	**552,371**	**552,011**	**551,803**	**551,804**	**552,028**	**552,482**
LIABILITIES										
Current Liabilities										
Payables	3,533	3,627	3,694	3,784	3,877	3,973	4,079	4,182	4,287	4,394
Borrowings	902	1,010	1,072	1,129	1,210	1,296	1,364	1,448	1,537	988
Provisions	4,490	4,490	4,490	4,490	4,490	4,490	4,490	4,490	4,490	4,490
Total Current Liabilities	8,925	9,127	9,257	9,402	9,577	9,759	9,932	10,121	10,314	9,872
Non-Current Liabilities										
Borrowings	18,342	19,232	18,159	17,031	15,821	14,525	13,162	11,713	10,176	9,188
Provisions	2,840	2,840	2,840	2,840	2,840	2,840	2,840	2,840	2,840	2,840
Total Non-Current Liabilities	21,183	22,072	21,000	19,871	18,661	17,366	16,002	14,553	13,016	12,028
TOTAL LIABILITIES	**30,107**	**31,199**	**30,256**	**29,273**	**28,238**	**27,124**	**25,934**	**24,674**	**23,330**	**21,900**
Net Assets	**522,446**	**523,317**	**523,360**	**523,620**	**524,133**	**524,887**	**525,869**	**527,130**	**528,698**	**530,582**
EQUITY										
Retained Earnings	312,805	313,676	313,719	313,979	314,492	315,246	316,228	317,489	319,057	320,941
Revaluation Reserves	209,641	209,641	209,641	209,641	209,641	209,641	209,641	209,641	209,641	209,641
Council Equity Interest	522,446	523,317	523,360	523,620	524,133	524,887	525,869	527,130	528,698	530,582
Total Equity	**522,446**	**523,317**	**523,360**	**523,620**	**524,133**	**524,887**	**525,869**	**527,130**	**528,698**	**530,582**

6.1.8 Cash Flow Statement

Scenario: Special Variation					Projected Years					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	13,876	14,544	15,248	15,759	16,278	16,816	17,376	17,957	18,561	19,189
User Charges & Fees	10,229	10,512	10,806	11,109	11,420	11,739	12,068	12,406	12,753	13,111
Interest & Investment Revenue Received	1,152	1,195	1,181	1,214	1,260	1,313	1,353	1,407	1,487	1,568
Grants & Contributions	11,841	11,243	10,385	10,473	10,739	11,012	11,292	11,580	11,876	12,180
Other	1,206	1,261	1,294	1,326	1,361	1,396	1,433	1,470	1,508	1,548
Payments:										
Employee Benefits & On-Costs	(13,509)	(14,050)	(14,612)	(15,196)	(15,804)	(16,436)	(17,094)	(17,777)	(18,489)	(19,228)
Materials & Contracts	(7,266)	(7,472)	(7,688)	(7,910)	(8,138)	(8,372)	(8,613)	(8,860)	(9,115)	(9,376)
Borrowing Costs	(1,082)	(1,254)	(1,303)	(1,241)	(1,162)	(1,104)	(1,041)	(950)	(866)	(777)
Bonds & Deposits Refunded	-	-	-	-	-	-	-	-	-	-
Other	(4,317)	(4,424)	(4,535)	(4,648)	(4,764)	(4,884)	(5,006)	(5,131)	(5,259)	(5,391)
Net Cash provided (or used in) Operating Activities	12,130	11,555	10,777	10,886	11,189	11,481	11,769	12,101	12,458	12,824
Cash Flows from Investing Activities										
Receipts:										
Sale of Investment Securities	-	505	27	85	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	742	740	740	740	740	740	740	740	740	740
Payments:										
Purchase of Investment Securities	-	-	-	-	-	-	-	-	-	(40)
Purchase of Infrastructure, Property, Plant & Equipment	(16,409)	(14,475)	(9,872)	(9,816)	(9,584)	(9,580)	(9,886)	(9,993)	(9,967)	(9,937)
Purchase of Real Estate Assets	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)
Net Cash provided (or used in) Investing Activities	(15,673)	(13,237)	(9,112)	(8,997)	(8,850)	(8,847)	(9,153)	(9,259)	(9,234)	(9,244)
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	5,715	1,900	-	-	-	-	-	-	-	-
Payments:										
Repayment of Borrowings & Advances	(721)	(902)	(1,010)	(1,072)	(1,129)	(1,210)	(1,296)	(1,364)	(1,448)	(1,537)
Net Cash Flow provided (used in) Financing Activities	4,994	998	(1,010)	(1,072)	(1,129)	(1,210)	(1,296)	(1,364)	(1,448)	(1,537)
Net Increase/(Decrease) in Cash & Cash Equivalents	1,451	(684)	654	817	1,210	1,425	1,321	1,478	1,776	2,043
plus: Cash, Cash Equivalents & Investments - beginning of year	1,612	3,063	2,379	3,033	3,850	5,061	6,485	7,806	9,284	11,060
Cash & Cash Equivalents - end of the year	**3,063**	**2,379**	**3,033**	**3,850**	**5,061**	**6,485**	**7,806**	**9,284**	**11,060**	**13,103**
Cash & Cash Equivalents - end of the year	3,063	2,379	3,033	3,850	5,061	6,485	7,806	9,284	11,060	13,103
Investments - end of the year	21,141	20,637	20,610	20,525	20,525	20,525	20,525	20,525	20,525	20,565
Cash, Cash Equivalents & Investments - end of the year	**24,204**	**23,016**	**23,644**	**24,375**	**25,585**	**27,010**	**28,331**	**29,809**	**31,585**	**33,668**

6.2 Rate Peg Scenario

6.2.1 Introduction

The Rate Peg Scenario of the Long Term Financial Plan shows the financial results of delivering essential services, with increasing rates by the rate peg limit over the term of the plan.

6.2.2 Revenue Forecasts

Rates and Annual Charges

General rates have been increased by the rate peg limit set by IPART. On 26 November 2012, IPART announced that the rate peg to apply in the 2013/14 financial year will be 3.4%. Thereafter, a 3.0% rate peg limit has been assumed for the term of the plan.

Domestic Waste Management charges have been increased by 3.4% in 2013/14. Thereafter, a 3.0% increase has been assumed for the term of the plan.

Water supply charges have been increased by 7.5% each year for the term of the plan.

Sewerage services charges have been increased by 3.4% in 2013/14. Thereafter, a 3.0% increase has been assumed for the term of the plan.

User Charges and Fees

Fees and Charges, other than those set by statute, are increased by the Consumer Price Index (CPI) All Groups Sydney for the 12 months to the December quarter each year.

Council has included a 2.5% CPI increase in the majority of fees and charges for 2013/14 and thereafter assumed a 2.8% CPI increase to fees and charges for the term of the plan.

Grants & Contributions

The Long Term Financial Plan assumes that the financial assistance grant will increase at a rate of 2.8% per year for the term of the plan.

The majority of grants are tied to specific works and cannot be used for any other purpose. The expected grant income is included in the year that the grant is to be expended and where the grant funding is not forthcoming the grant component of the project is either deleted or deferred.

Interest on Investments

An assumed interest rate of 3.8% has been applied to all of Council's investments for years 1, 2 & 3 of the plan. From year 4 onwards, an interest rate of 4.7% has been applied.

The interest rate applied to outstanding rates and charges is in accordance with advice from the Division of Local Government.

Other Revenues

Council has included a 2.5% CPI increase in the majority of Other Revenues for 2013/14 and thereafter assumed a 2.8% CPI increase for the term of the plan.

6.2.3 Expenditure Forecasts

Employee Costs

The Long Term Financial Plan assumes an increase each year of 4% to cover wage increases and increases in employee on-costs.

Materials and Contracts

Budgets in the Operational Plan reflect all known information in relation to contracts and the Long Term Financial Plan assumes a 2.5% increase to materials and contracts expenses for 2013/14 and thereafter assumed a 2.8% increase for the term of the plan.

Borrowing Costs

Borrowing costs for each of Council's loans are calculated for each year and included in the Long Term Financial Plan. Future borrowings are included at an assumed interest rate of 5.5%.

Other Expenses

Council has included a 2.5% increase in the majority of Other Expenses for 2013/14 and thereafter assumed a 2.8% increase for the term of the plan.

6.2.4 Borrowings

Additional borrowings include:

- $2,015,000 for urban streets renewal and bridge replacement. An application will be submitted in round 2 of the Local Infrastructure Renewal Scheme to fund improved road infrastructure. Interest payments will be offset by 3% under the conditions of the scheme.
- $5,600,000 for the water augmentation scheme.

6.2.5 Financial Performance Indicators

The financial performance indicators are intended to be indicative of the financial health and good business management practices being conducted at Upper Hunter Shire Council.

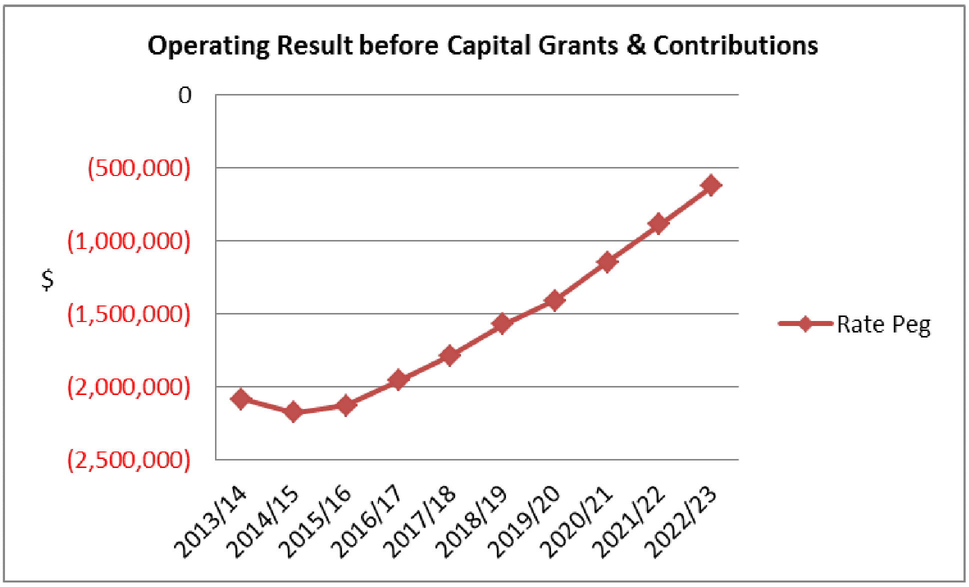
The Financial Performance Indicators calculated are shown below.

Operating Result before Capital Grants and Contributions

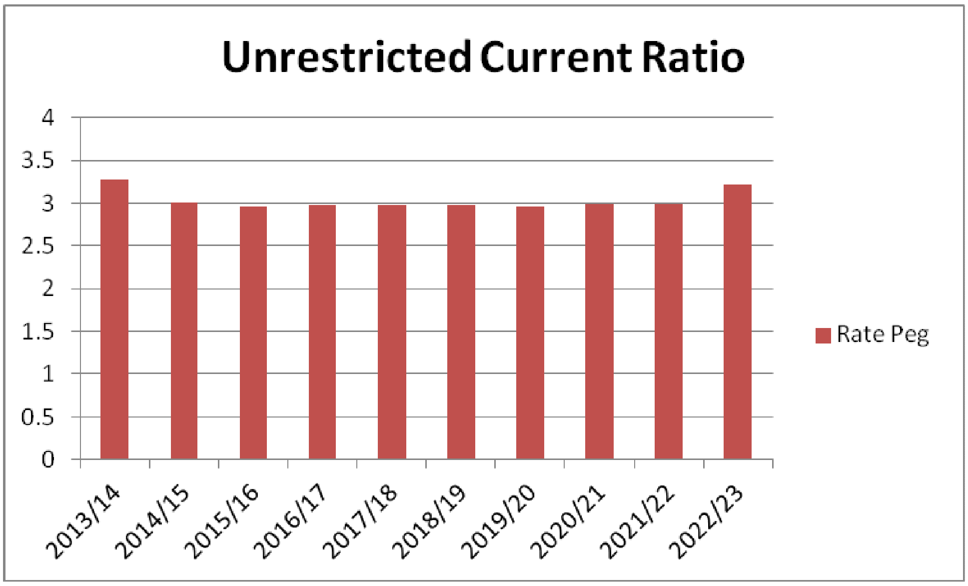
As depicted below, the Rate Peg Scenario forecasts operating deficits for the term of the plan. The deficits decrease over time from $2.08 million in 2013/14 to $620,000 in 2022/23.

If Council is not generating an operating surplus in most periods, then it is unlikely to be operating sustainably. It means that the cost of services provided to the community exceeds revenue generated. The change of an operating deficit into an operating surplus can occur only by ensuring I future that revenues are increased and/or that expenses are reduced.

Under this scenario, Council are effectively living beyond its means. Sooner or later they would be caught by the consequences and the problem would likely come to ahead when existing major assets failed. Council would then need to choose between large rate rises or not replacing assets thereby effectively lowering its standards of service to its community.

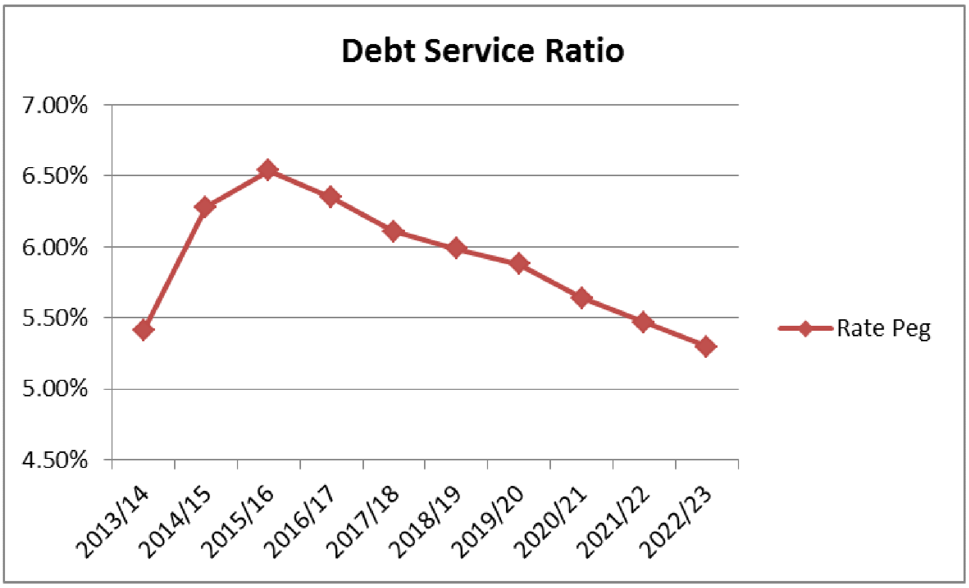


Unrestricted Current Ratio (UCR)
Liquidity remains strong under the Special Variation scenario with the UCR remaining above 2.5:1 over the term of the plan. This indicates that Council will have little, if any, difficulty in meeting financial commitments as they fall due.



Debt Service Ratio
The DSR increases in the early years of the plan due to borrowings of $2 million under the LIRS Round 2 and $5.6 million for the water augmentation scheme. However, Council remains within the industry benchmark of 10%.

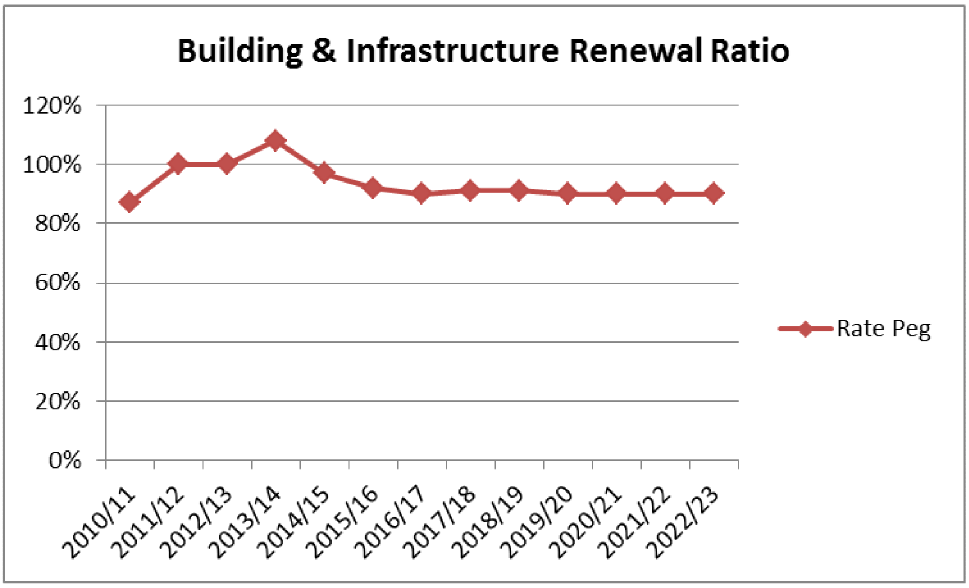
Under this scenario, Council has sufficient revenues to cover debt obligations.



Building and Infrastructure Renewals Ratio

The objective of increasing investment in infrastructure renewals is not achieved with the buildings and infrastructure renewals ratio sitting at around 90% for the majority of the plan as sufficient funding is not available for asset renewal.

If expenditure on renewing or replacing existing assets is at least equal to depreciation expense, then Council is ensuring the value of its existing stock of physical assets is maintained. Any material underspending on renewal and replacement over the medium term is likely to adversely impact on the achievement affordable service levels and could potentially progressively undermine Council's financial sustainability. Eventually Council will be confronted with failed assets, and potentially significant renewal and replacement expenditure needs that cannot be accommodated without sudden large rate rises.



A colour coded 'traffic light' system has been developed to rate and present the relative position of Council's financial performance under the financial performance indicators.

Traffic Light Reporting System	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23
Operational Result before capital Grants & Contributions	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴
Unrestricted Current Ratio	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Debt Service Ratio	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Building & Infrastructure Renewals Ratio	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴

Legend: Refer to table on page 9

6.2.6 Income Statement

Scenario: Rate Peg	Projected Years									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Income from Continuing Operations										
Revenue:										
Rates & Annual Charges	13,711	14,153	14,613	15,091	15,588	16,104	16,640	17,197	17,776	18,379
User Charges & Fees	10,261	10,549	10,844	11,148	11,460	11,781	12,110	12,450	12,798	13,156
Interest & Investment Revenue	1,181	1,176	1,193	1,224	1,232	1,305	1,318	1,401	1,483	1,567
Other Revenues	1,244	1,276	1,309	1,343	1,378	1,414	1,451	1,489	1,528	1,568
Grants & Contributions provided for Operating Purposes	8,298	8,526	8,759	8,999	9,246	9,500	9,760	10,028	10,303	10,585
Grants & Contributions provided for Capital Purposes	3,537	2,616	1,495	1,515	1,536	1,556	1,577	1,598	1,621	1,644
Total Income from Continuing Operations	**38,232**	**38,297**	**38,215**	**39,321**	**40,440**	**41,659**	**42,856**	**44,162**	**45,510**	**46,899**
Expenses from Continuing Operations										
Employee Benefits & On-Costs	13,531	14,072	14,635	15,220	15,829	16,462	17,120	17,805	18,517	19,258
Borrowing Costs	1,085	1,253	1,302	1,239	1,160	1,102	1,039	948	863	774
Materials & Contracts	7,295	7,506	7,723	7,945	8,174	8,410	8,651	8,900	9,155	9,418
Depreciation & Amortisation	10,547	10,600	10,653	10,706	10,759	10,813	10,867	10,922	10,976	11,031
Other Expenses	4,319	4,427	4,537	4,651	4,767	4,886	5,008	5,133	5,262	5,393
Total Expenses from Continuing Operations	**36,777**	**37,857**	**38,849**	**39,761**	**40,690**	**41,673**	**42,686**	**43,708**	**44,774**	**45,875**
Operating Result from Continuing Operations	**1,456**	**440**	**(634)**	**(441)**	**(250)**	**(14)**	**170**	**454**	**735**	**1,023**
Net Operating Result before Grants and Contributions provided for Capital Purposes	**(2,082)**	**(2,177)**	**(2,129)**	**(1,955)**	**(1,786)**	**(1,570)**	**(1,407)**	**(1,144)**	**(886)**	**(620)**

6.2.7 Balance Sheet

Scenario: Rate Peg					Projected Years					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS										
Current Assets										
Cash & Cash Equivalents	2,875	2,070	2,657	3,531	4,766	6,232	7,575	9,106	10,934	13,070
Investments	11,967	11,841	11,834	11,813	11,813	11,813	11,813	11,813	11,813	11,813
Receivables	5,223	5,182	5,146	5,291	5,440	5,594	5,744	5,899	6,060	6,229
Inventories	714	736	758	781	805	829	853	878	904	930
Other	338	346	355	363	372	381	390	399	409	419
Total Current Assets	21,118	20,175	20,750	21,780	23,195	24,848	26,375	28,095	30,120	32,460
Non-Current Assets										
Investments	9,174	8,796	8,776	8,712	8,712	8,712	8,712	8,712	8,712	8,712
Receivables	94	94	94	94	94	94	94	94	94	94
Infrastructure, Property, Plant & Equipment	521,897	524,742	522,603	520,210	517,509	514,728	512,179	509,653	507,018	504,271
Investments Accounted for using the equity method	62	62	62	62	62	62	62	62	62	62
Other	1	1	1	1	1	1	1	1	1	1
Total Non-Current Assets	531,228	533,694	531,535	529,078	526,378	523,596	521,048	518,521	515,886	513,139
TOTAL ASSETS	**552,346**	**553,870**	**552,285**	**550,858**	**549,573**	**548,444**	**547,423**	**546,616**	**546,007**	**545,600**
LIABILITIES										
Current Liabilities										
Payables	3,532	3,618	3,678	3,764	3,857	3,952	4,057	4,160	4,263	4,370
Borrowings	902	1,010	1,072	1,129	1,210	1,296	1,364	1,448	1,537	988
Provisions	4,490	4,490	4,490	4,490	4,490	4,490	4,490	4,490	4,490	4,490
Total Current Liabilities	8,924	9,118	9,240	9,382	9,556	9,738	9,910	10,098	10,291	9,848
Non-Current Liabilities										
Borrowings	18,342	19,232	18,159	17,031	15,821	14,525	13,162	11,713	10,176	9,188
Provisions	2,840	2,840	2,840	2,840	2,840	2,840	2,840	2,840	2,840	2,840
Total Non-Current Liabilities	21,183	22,072	21,000	19,871	18,661	17,366	16,002	14,553	13,016	12,028
TOTAL LIABILITIES	**30,106**	**31,190**	**30,240**	**29,253**	**28,218**	**27,103**	**25,912**	**24,651**	**23,307**	**21,876**
Net Assets	**522,240**	**522,679**	**522,045**	**521,605**	**521,355**	**521,341**	**521,511**	**521,965**	**522,700**	**523,724**
EQUITY										
Retained Earnings	312,599	313,038	312,404	311,964	311,714	311,700	311,870	312,324	313,059	314,083
Revaluation Reserves	209,641	209,641	209,641	209,641	209,641	209,641	209,641	209,641	209,641	209,641
Council Equity Interest	522,240	522,679	522,045	521,605	521,355	521,341	521,511	521,965	522,700	523,724
Total Equity	**522,240**	**522,679**	**522,045**	**521,605**	**521,355**	**521,341**	**521,511**	**521,965**	**522,700**	**523,724**

6.2.8 Cash Flow Statement

Scenario: Rate Peg					Projected Years					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	13,682	14,125	14,584	15,061	15,556	16,071	16,606	17,162	17,739	18,340
User Charges & Fees	10,229	10,512	10,806	11,109	11,420	11,739	12,068	12,406	12,753	13,111
Interest & Investment Revenue Received	1,160	1,201	1,186	1,212	1,220	1,291	1,312	1,396	1,476	1,557
Grants & Contributions	11,841	11,243	10,385	10,473	10,739	11,012	11,292	11,580	11,876	12,180
Other	1,205	1,260	1,293	1,326	1,361	1,396	1,432	1,470	1,508	1,548
Payments:										
Employee Benefits & On-Costs	(13,509)	(14,050)	(14,612)	(15,196)	(15,804)	(16,436)	(17,094)	(17,777)	(18,489)	(19,228)
Materials & Contracts	(7,266)	(7,472)	(7,688)	(7,910)	(8,138)	(8,372)	(8,613)	(8,860)	(9,115)	(9,376)
Borrowing Costs	(1,082)	(1,254)	(1,303)	(1,241)	(1,162)	(1,104)	(1,041)	(950)	(866)	(777)
Bonds & Deposits Refunded	-	-	-	-	-	-	-	-	-	-
Other	(4,317)	(4,424)	(4,535)	(4,648)	(4,764)	(4,884)	(5,006)	(5,131)	(5,259)	(5,391)
Net Cash provided (or used in) Operating Activities	11,943	11,141	10,117	10,185	10,427	10,714	10,958	11,294	11,626	11,964
Cash Flows from Investing Activities										
Receipts:										
Sale of Investment Securities	-	505	27	85	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	742	740	740	740	740	740	740	740	740	740
Purchase of Infrastructure, Property, Plant & Equipment	(16,409)	(14,183)	(9,281)	(9,057)	(8,798)	(8,772)	(9,052)	(9,133)	(9,082)	(9,025)
Purchase of Real Estate Assets	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)
Net Cash provided (or used in) Investing Activities	(15,673)	(12,945)	(8,520)	(8,238)	(8,065)	(8,038)	(8,319)	(8,400)	(8,348)	(8,291)
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	5,715	1,900	-	-	-	-	-	-	-	-
Payments:										
Repayment of Borrowings & Advances	(721)	(902)	(1,010)	(1,072)	(1,129)	(1,210)	(1,296)	(1,364)	(1,448)	(1,537)
Net Cash Flow provided (used in) Financing Activities	4,994	998	(1,010)	(1,072)	(1,129)	(1,210)	(1,296)	(1,364)	(1,448)	(1,537)
Net Increase/(Decrease) in Cash & Cash Equivalents	1,263	(805)	586	875	1,234	1,466	1,343	1,531	1,829	2,136
plus: Cash, Cash Equivalents & Investments - beginning of year	1,612	2,875	2,070	2,657	3,531	4,766	6,232	7,575	9,106	10,934
Cash & Cash Equivalents - end of the year	**2,875**	**2,070**	**2,657**	**3,531**	**4,766**	**6,232**	**7,575**	**9,106**	**10,934**	**13,070**
Cash & Cash Equivalents - end of the year	2,875	2,070	2,657	3,531	4,766	6,232	7,575	9,106	10,934	13,070
Investments - end of the year	21,141	20,637	20,610	20,525	20,525	20,525	20,525	20,525	20,525	20,525
Cash, Cash Equivalents & Investments - end of the year	**24,017**	**22,707**	**23,267**	**24,056**	**25,290**	**26,756**	**28,099**	**29,630**	**31,459**	**33,595**

6.3 No Rate Increase Scenario

6.3.1 Introduction

The No Rate Increase Scenario of the Long Term Financial Plan shows the financial results of delivering essential services, without increasing rates over the term of the plan.

6.3.2 Revenue Forecasts

Rates and Annual Charges

General rates have not been increased i.e., no part of the allowable rate peg limit of 3.4% has been applied for the term of the plan.

Domestic Waste Management charges have been increased by 3.4% in 2013/14. Thereafter, a 3.0% increase has been assumed for the term of the plan.

Water supply charges have been increased by 7.5% each year for the term of the plan.

Sewerage services charges have been increased by 3.0% in 2013/14. Thereafter, a 3.0% increase has been assumed for the term of the plan.

User Charges and Fees

Fees and Charges, other than those set by statute, are increased by the Consumer Price Index (CPI) All Groups Sydney for the 12 months to the December quarter each year.

Council has included a 2.5% CPI increase in the majority of fees and charges for 2013/14 and thereafter assumed a 2.8% CPI increase to fees and charges for the term of the plan.

Grants & Contributions

The Long Term Financial Plan assumes that the financial assistance grant will increase at a rate of 2.8% per year for the term of the plan.

The majority of grants are tied to specific works and cannot be used for any other purpose. The expected grant income is included in the year that the grant is to be expended and where the grant funding is not forthcoming the grant component of the project is either deleted or deferred.

Interest on Investments

An assumed interest rate of 3.8% has been applied to all of Council's investments for years 1, 2 & 3 of the plan. From year 4 onwards, an interest rate of 4.7% has been applied.

The interest rate applied to outstanding rates and charges is in accordance with advice from the Division of Local Government.

Other Revenues

Council has included a 2.5% CPI increase in the majority of Other Revenues for 2013/14 and thereafter assumed a 2.8% CPI increase for the term of the plan.

6.3.3 Expenditure Forecasts

Employee Costs

The Long Term Financial Plan assumes an increase each year of 4% to cover wage increases and increases in employee on-costs.

Materials and Contracts

Budgets in the Operational Plan reflect all known information in relation to contracts and the Long Term Financial Plan assumes a 2.5% increase to materials and contracts expenses for 2013/14 and thereafter assumed a 2.8% increase for the term of the plan.

Borrowing Costs

Borrowing costs for each of Council's loans are calculated for each year and included in the Long Term Financial Plan. Future borrowings are included at an assumed interest rate of 5.5%.

Other Expenses

Council has included a 2.5% increase in the majority of Other Expenses for 2013/14 and thereafter assumed a 2.8% increase for the term of the plan.

6.3.4 Borrowings

Additional borrowings of $2,015,000 have been included in 2013/14. An application will be submitted in round 2 of the Local Infrastructure Renewal Scheme to fund improved road infrastructure. Interest payments will be offset by 3% under the conditions of the scheme.

6.3.5 Financial Performance Indicators

The financial performance indicators are intended to be indicative of the financial health and good business management practices being conducted at Upper Hunter Shire Council.

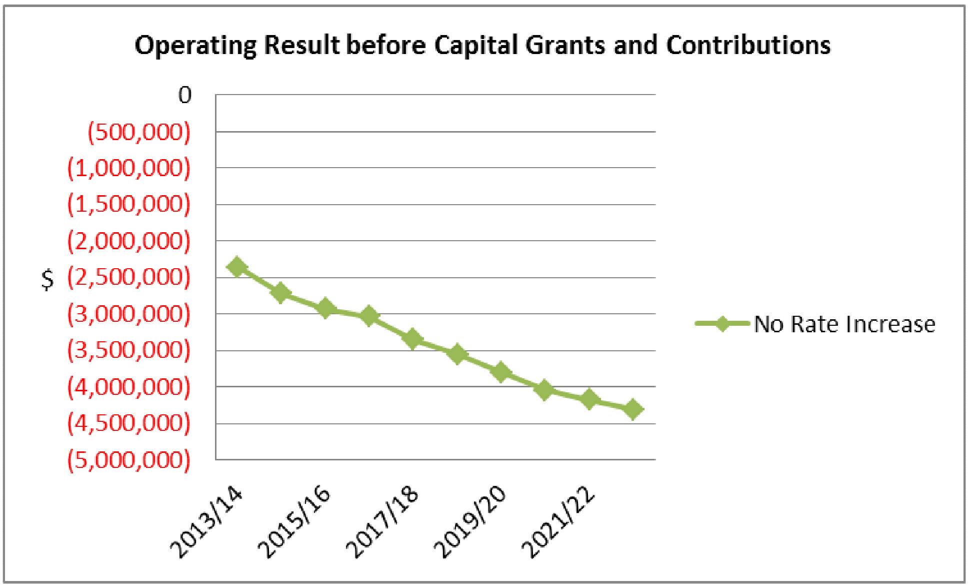
The Financial Performance Indicators calculated are shown below.

Operating Result before Capital Grants & Contributions

As depicted below, the No Rate Increase Scenario forecasts operating deficits for the term of the plan. The deficits increase over time from $2.4 Million in 2013/14 to $4.3 million in 2022/23.

If Council is not generating an operating surplus in most periods, then it is unlikely to be operating sustainably. It means that the cost of services provided to the community exceeds revenue generated. The change of an operating deficit into an operating surplus can occur only by ensuring I future that revenues are increased and/or that expenses are reduced.

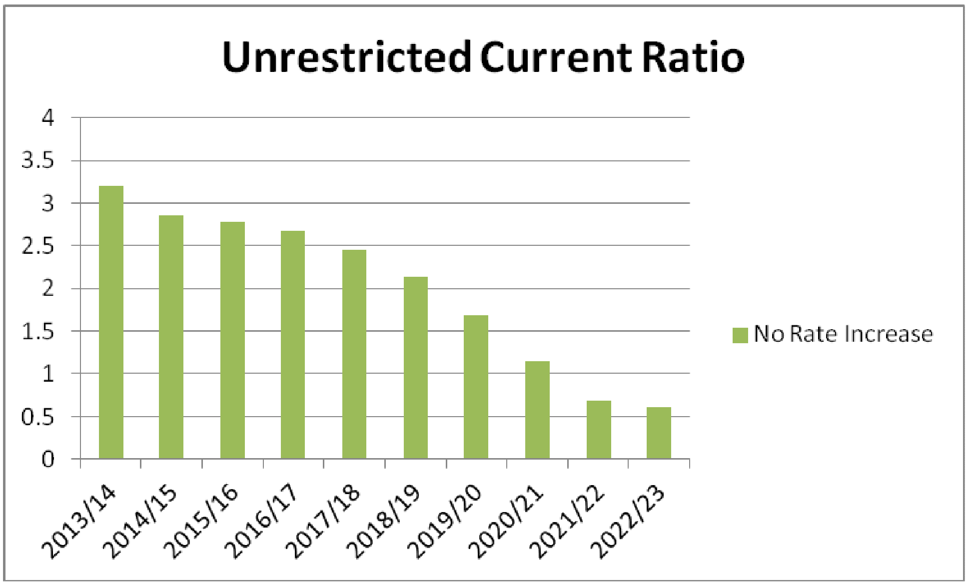
Under this scenario, Council are effectively living beyond its means. Sooner or later they would be caught by the consequences and the problem would likely come to ahead when existing major assets failed. Council would then need to choose between large rate rises or not replacing assets thereby effectively lowering its standards of service to its community.



Unrestricted Current Ratio (UCR)

Liquidity is severely weakened under the No rate Increase Scenario with the UCR decreasing over the term of the plan. The UCR deteriorates from 3.2:1 in 2013/13 to 0.6:1 in 2022/23.

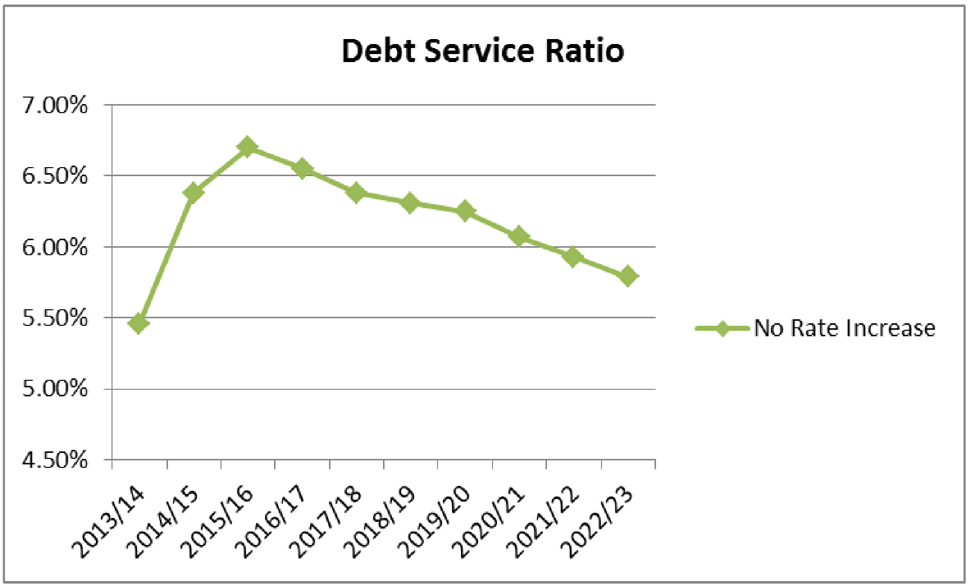
The UCR falls below 1:1 in 2020/21 which means that Council will have extreme difficulty in meeting financial commitments as they fall due.



Debt Service Ratio

The DSR increases in the early years of the plan due to borrowings of $2 million under the LIRS Round 2 and $5.6 million for the water augmentation scheme. However, Council remains within the industry benchmark of 10%.

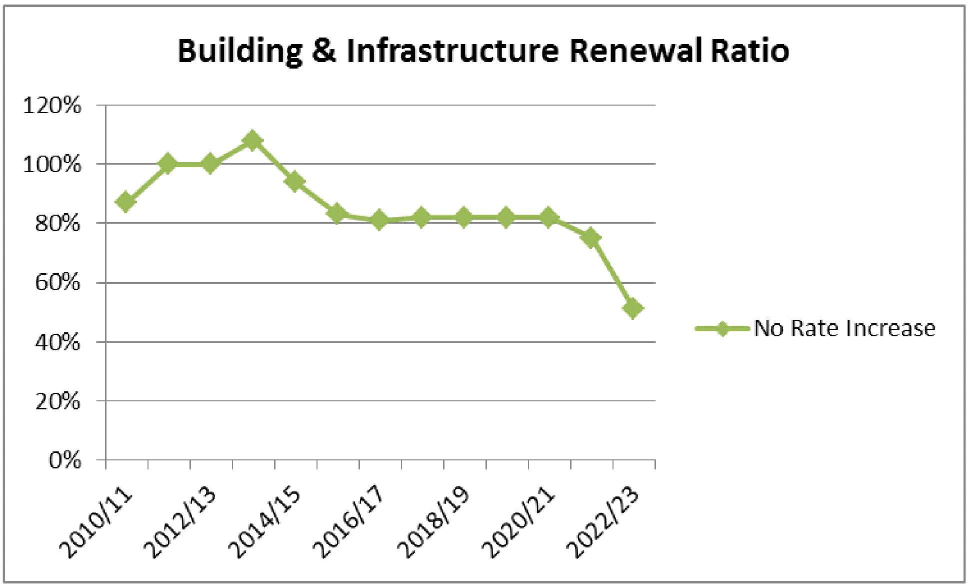
Under this scenario, Council has sufficient revenues to cover debt obligations.



Building and Infrastructure Renewals Ratio

The objective of increasing investment in infrastructure renewals is not achieved with the buildings and infrastructure renewals ratio sitting at around 82% for the majority of the plan with a significant fall in capital expenditure from 2020/21 as funding is unavailable for assets renewal.

If expenditure on renewing or replacing existing assets is at least equal to depreciation expense, then Council is ensuring the value of its existing stock of physical assets is maintained. Any material underspending on renewal and replacement over the medium term is likely to adversely impact on the achievement affordable service levels and could potentially progressively undermine Council's financial sustainability. Eventually Council will be confronted with failed assets, and potentially significant renewal and replacement expenditure needs that cannot be accommodated without sudden large rate rises.



A colour coded 'traffic light' system has been developed to rate and present the relative position of Council's financial performance under the financial performance indicators.

Traffic Light Reporting System	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23
Operational Result before capital Grants & Contributions	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴
Unrestricted Current Ratio	🟢	🟢	🟢	🟢	🟢	🟢	🟡	🟡	🔴	🔴
Debt Service Ratio	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Building & Infrastructure Renewals Ratio	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴

Legend: Refer to table on page 9

6.3.6 Income Statement

Scenario: No Rate Increase					Projected Years					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Income from Continuing Operations										
Revenue:										
Rates & Annual Charges	13,430	13,616	13,809	14,011	14,222	14,442	14,671	14,911	15,162	15,424
User Charges & Fees	10,261	10,549	10,844	11,148	11,460	11,781	12,110	12,450	12,798	13,156
Interest & Investment Revenue	1,181	1,176	1,193	1,224	1,032	983	893	784	806	832
Other Revenues	1,244	1,276	1,309	1,343	1,378	1,414	1,451	1,489	1,528	1,568
Grants & Contributions provided for Operating Purposes	8,298	8,526	8,759	8,999	9,246	9,500	9,760	10,028	10,303	10,585
Grants & Contributions provided for Capital Purposes	3,537	2,616	1,495	1,515	1,536	1,556	1,577	1,598	1,621	1,644
Total Income from Continuing Operations	**37,952**	**37,759**	**37,411**	**38,241**	**38,874**	**39,675**	**40,462**	**41,259**	**42,218**	**43,209**
Expenses from Continuing Operations										
Employee Benefits & On-Costs	13,531	14,072	14,635	15,220	15,829	16,462	17,120	17,805	18,517	19,258
Borrowing Costs	1,085	1,253	1,302	1,239	1,160	1,102	1,039	948	863	774
Materials & Contracts	7,295	7,506	7,723	7,945	8,174	8,410	8,651	8,900	9,155	9,418
Depreciation & Amortisation	10,547	10,600	10,653	10,706	10,759	10,813	10,867	10,922	10,976	11,031
Other Expenses	4,319	4,427	4,537	4,651	4,767	4,886	5,008	5,133	5,262	5,393
Total Expenses from Continuing Operations	**36,777**	**37,857**	**38,849**	**39,761**	**40,690**	**41,673**	**42,686**	**43,708**	**44,774**	**45,875**
Operating Result from Continuing Operations	**1,175**	**(98)**	**(1,438)**	**(1,520)**	**(1,816)**	**(1,998)**	**(2,224)**	**(2,449)**	**(2,557)**	**(2,666)**
Net Operating Result before Grants and Contributions provided for Capital Purposes	**(2,362)**	**(2,714)**	**(2,933)**	**(3,035)**	**(3,351)**	**(3,554)**	**(3,801)**	**(4,047)**	**(4,178)**	**(4,310)**

6.3.7 Balance Sheet

Scenario: No Rate Increase					Projected Years					
	2013/14	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
ASSETS										
Current Assets										
Cash & Cash Equivalents	2,620	1,513	1,936	2,495	3,398	4,483	5,752	7,219	8,911	10,864
Investments	11,967	11,841	11,812	11,623	10,954	9,886	8,066	5,691	3,557	2,904
Receivables	5,196	5,130	5,071	5,184	5,287	5,383	5,464	5,535	5,616	5,740
Inventories	714	736	758	781	805	829	853	878	904	930
Other	338	346	355	363	372	381	390	399	409	419
Total Current Assets	20,836	19,566	19,931	20,446	20,816	20,962	20,525	19,722	19,397	20,857
Non-Current Assets										
Investments	9,174	8,796	8,776	8,712	8,712	8,712	8,712	8,712	8,712	8,712
Receivables	94	94	94	94	94	94	94	94	94	94
Infrastructure, Property, Plant & Equipment	521,897	524,526	521,783	518,825	515,602	512,343	509,364	506,458	502,868	497,268
Investments Accounted for using the equity method	62	62	62	62	62	62	62	62	62	62
Other	1	1	1	1	1	1	1	1	1	1
Total Non-Current Assets	531,228	533,478	530,715	527,694	524,471	521,211	518,232	515,326	511,736	506,136
TOTAL ASSETS	**552,064**	**553,044**	**550,646**	**548,139**	**545,287**	**542,174**	**538,758**	**535,048**	**531,133**	**526,994**
LIABILITIES										
Current Liabilities										
Payables	3,531	3,611	3,661	3,746	3,838	3,933	4,037	4,139	4,229	4,294
Borrowings	902	1,010	1,072	1,129	1,210	1,296	1,364	1,448	1,537	988
Provisions	4,490	4,490	4,490	4,490	4,490	4,490	4,490	4,490	4,490	4,490
Total Current Liabilities	8,922	9,111	9,223	9,364	9,538	9,718	9,890	10,077	10,256	9,771
Non-Current Liabilities										
Borrowings	18,342	19,232	18,159	17,031	15,821	14,525	13,162	11,713	10,176	9,188
Provisions	2,840	2,840	2,840	2,840	2,840	2,840	2,840	2,840	2,840	2,840
Total Non-Current Liabilities	21,183	22,072	21,000	19,871	18,661	17,366	16,002	14,553	13,016	12,028
TOTAL LIABILITIES	**30,105**	**31,183**	**30,223**	**29,235**	**28,199**	**27,084**	**25,892**	**24,631**	**23,272**	**21,800**
Net Assets	**521,959**	**521,862**	**520,424**	**518,904**	**517,088**	**515,090**	**512,866**	**510,417**	**507,860**	**505,194**
EQUITY										
Retained Earnings	312,318	312,221	310,783	309,263	307,447	305,449	303,225	300,776	298,219	295,553
Revaluation Reserves	209,641	209,641	209,641	209,641	209,641	209,641	209,641	209,641	209,641	209,641
Council Equity Interest	521,959	521,862	520,424	518,904	517,088	515,090	512,866	510,417	507,860	505,194
Total Equity	**521,959**	**521,862**	**520,424**	**518,904**	**517,088**	**515,090**	**512,866**	**510,417**	**507,860**	**505,194**

6.3.8 Cash Flow Statement										
Scenario: No Rate Increase					**Projected Years**					
	2013/14	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	13,418	13,602	13,795	13,997	14,207	14,426	14,655	14,894	15,143	15,404
User Charges & Fees	10,229	10,512	10,806	11,109	11,420	11,739	12,068	12,406	12,753	13,111
Interest & Investment Revenue Received	1,171	1,212	1,195	1,228	1,049	1,010	939	845	861	847
Grants & Contributions	11,841	11,243	10,385	10,473	10,739	11,012	11,292	11,580	11,876	12,180
Other	1,204	1,259	1,291	1,325	1,359	1,394	1,431	1,468	1,506	1,546
Payments:										
Employee Benefits & On-Costs	(13,509)	(14,050)	(14,612)	(15,196)	(15,804)	(16,436)	(17,094)	(17,777)	(18,489)	(19,228)
Materials & Contracts	(7,266)	(7,472)	(7,688)	(7,910)	(8,138)	(8,372)	(8,613)	(8,860)	(9,115)	(9,376)
Borrowing Costs	(1,082)	(1,254)	(1,303)	(1,241)	(1,162)	(1,104)	(1,041)	(950)	(866)	(777)
Other	(4,317)	(4,424)	(4,535)	(4,648)	(4,764)	(4,884)	(5,006)	(5,131)	(5,259)	(5,391)
Net Cash provided (or used in) Operating Activities	11,688	10,628	9,335	9,136	8,905	8,786	8,631	8,474	8,412	8,317
Cash Flows from Investing Activities										
Receipts:										
Sale of Investment Securities	-	505	49	253	668	1,068	1,820	2,376	2,134	653
Sale of Infrastructure, Property, Plant & Equipment	742	740	740	740	740	740	740	740	740	740
Payments:										
Purchase of Infrastructure, Property, Plant & Equipment	(16,409)	(13,971)	(8,685)	(8,491)	(8,275)	(8,293)	(8,621)	(8,752)	(8,139)	(6,212)
Purchase of Real Estate Assets	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)
Net Cash provided (or used in) Investing Activities	(15,673)	(12,733)	(7,902)	(7,504)	(6,874)	(6,491)	(6,067)	(5,643)	(5,271)	(4,826)
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	5,715	1,900	-	-	-	-	-	-	-	-
Payments:										
Repayment of Borrowings & Advances	(721)	(902)	(1,010)	(1,072)	(1,129)	(1,210)	(1,296)	(1,364)	(1,448)	(1,537)
Net Cash Flow provided (used in) Financing Activities	4,994	998	(1,010)	(1,072)	(1,129)	(1,210)	(1,296)	(1,364)	(1,448)	(1,537)
Net Increase/(Decrease) in Cash & Cash Equivalents	1,008	(1,107)	422	559	903	1,085	1,269	1,467	1,692	1,953
plus: Cash, Cash Equivalents & Investments - beginning of year	1,612	2,620	1,513	1,936	2,495	3,398	4,483	5,752	7,219	8,911
Cash & Cash Equivalents - end of the year	**2,620**	**1,513**	**1,936**	**2,495**	**3,398**	**4,483**	**5,752**	**7,219**	**8,911**	**10,864**
Cash & Cash Equivalents - end of the year	2,620	1,513	1,936	2,495	3,398	4,483	5,752	7,219	8,911	10,864
Investments - end of the year	21,141	20,637	20,588	20,335	19,666	18,598	16,778	14,403	12,269	11,616
Cash, Cash Equivalents & Investments - end of the year	**23,762**	**22,150**	**22,524**	**22,830**	**23,065**	**23,081**	**22,530**	**21,621**	**21,180**	**22,480**