

KEY FINANCIAL INDICATORS

The key financial indicators are an industry accepted measures of financial health and sustainability. This section will highlight the financial ratios for the two sustainable Scenarios presented in this Long Term Financial Plan.

Council's financial performance and position is measured against the following performance indicators:

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

To assess Council's ability to fund operations including asset renewals/upgrades (and depreciation).

- Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities.)

The ability to meet short term financial obligations such as loans, payroll and leave entitlements (measures liquidity)

- Rates and annual charges ratio (rates and annual charges divided by total revenue)

To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's

income

- Debt service ratio (net debt service cost divided by revenue from continuing operations)

To assess the impact of loan principal and interest repayment on the discretionary revenue of Council

- Broad liabilities ratio (total debt plus cost to clear infrastructure backlogs divided by operating revenue)

To assess the impact of total debt plus infrastructure backlog relative to total operating revenue

- Building & Infrastructure Renewal ratio (asset renewals expenditure divided by depreciation, amortisations & impairment expenses)

To assess the rates at which assets are renewed relative to the rate at which they are depreciated(consumed)

The projected key financial indicators for each scenario for the next 10 years are presented below.

Scenario 1. Key Performance Indicators without the SRV

Description	Projected 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
Operating Balance Ratio (%)	0.6%	6.6%	5.5%	8.2%	7.5%	3.7%	3.2%	3.2%	3.7%	4.0%
Unrestricted Current Ratio	2.12:1	2.00:1	1.99:1	2.00:1	1.88:1	2.09:1	2.05:2	2.09:3	2.01:4	2.07:5
Rates & Annual Charges Ratio (%)	57%	54%	53%	52%	56%	59%	58%	58%	59%	61%
Debt Service Ratio (%)	13.5%	17.0%	13.0%	0.8%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
Broad Liabilities Ratio (%)	155%	133%	117%	118%	126%	124%	124%	122%	121%	123%
Building & Infrastructure Renewal Ratio (%)	54.6%	58.4%	72.4%	78.7%	81.4%	85.3%	81.4%	82.8%	88.1%	93.0%

Operating Balance Ratio is an important financial indicators for Council. Our long-term financial sustainability is dependent upon ensuring that on average over time this indicator is positive, making sure that Council's expenses are below its associated revenue.

Council's Operating Balance Ratio for the year 2014/15 is expected to drop to (0.6%), well below the target level of 4%. Council will run an operating deficit before capital income and gain on Asset Sales in 2014/15 and 2015/16 due to increased borrowing expense, after which an operating surplus is projected from 2016/17 onwards.

Debt Service Ratio is considerably high between 2014/15 and 2016/17 due to increased level of borrowing costs. This ratio will drop significantly in 2017/18. The level of Council's borrowing is discussed under Summary of Borrowing section of this document.

The Broad Liabilities ratio will also see an increase to 155% from 152%(with SRV) , mainly due to high level of borrowing in the next couple of years but also due to a decrease in the Operating revenue from loss of the Infrastructure levy.

Scenario 2. Key Performance Indicators with continuation of SRV

Description	Projected 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
Operating Balance Ratio (%)	2.6%	8.4%	7.2%	9.7%	9.2%	5.5%	4.9%	4.9%	5.3%	5.6%
Unrestricted Current Ratio	2.16:1	2.03:1	2.03:1	2.04:1	2.00:1	2.13:1	2.08:2	2.13:3	2.04:4	2.10:5
Rates & Annual Charges Ratio (%)	58%	55%	54%	53%	57%	60%	59%	59%	60%	62%
Debt Service Ratio (%)	13.2%	16.6%	12.6%	0.8%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
Broad Liabilities Ratio (%)	152%	131%	114%	116%	123%	122%	121%	119%	118%	121%
Building & Infrastructure Renewal Ratio (%)	71.5%	76.2%	89.5%	95.8%	97.4%	101.2%	96.7%	98.1%	103.4%	108.2%

Overall, financial indicators will improve with the continuation of the Infrastructure Levy. Council's Operating Balance Ratio for the year 2014/15 is expected to increase to 2.6%, an improvement from the Base scenario due to additional income generated from the infrastructure levy. Debt Service Ratio will also improve over time. Even with the continuation of the levy the Broad Liabilities Ratio is large mainly because of the sizeable infrastructure backlog that Council experiences.