Ku-ring-gai Council

SERVIENDO GUBERNO

ADOPTED LONG TERM FINANCIAL PLAN

2014/15 - 2023/24

This Plan has been prepared by Ku-ring-gai Council to support the delivery of its long-term strategic direction.

It forms part of the Resourcing Strategy for the Community Strategic Plan and Delivery Program and should be read in conjunction with these documents.

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INTRODUCTION

A long term financial plan (LTFP) is one of the three key Resourcing Strategies required by the NSW Integrated Planning & Reporting legislation. Local government operations are vital to its community, and it is important that stakeholders can understand the financial implications arising from its Community Strategic Plan, Delivery Program and annual Operational Plan.

The Integrated Planning and Reporting Guidelines guide preparation of the LTFP for Local Government in NSW issued by the Division of Local Government.

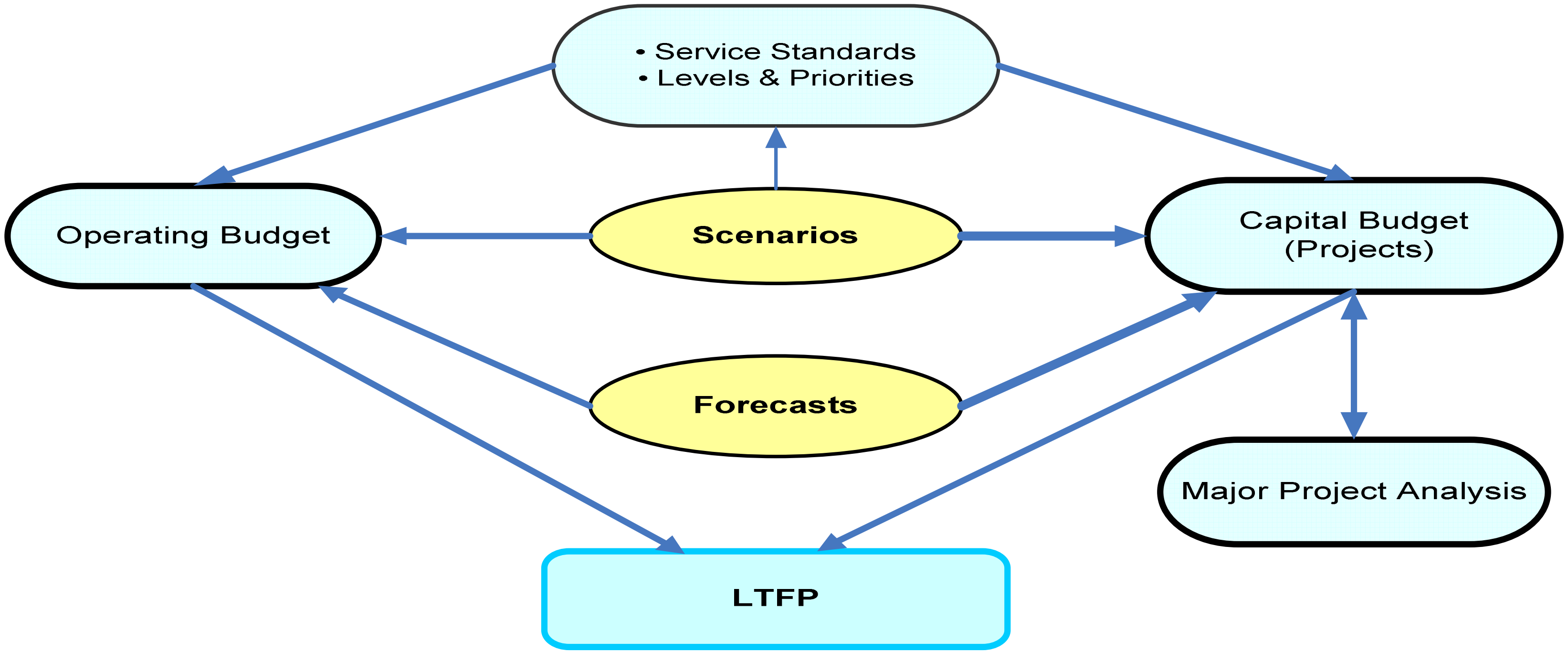
The LTFP includes:

- projected income and expenditure
- balance sheet
- cash flow statement
- planning assumptions used to develop the plan
- sensitivity analysis – highlight factors most likely to affect the plan
- financial modelling for different scenarios
- methods of monitoring financial performance

The LTFP contains a core set of assumptions. These assumptions are based on CPI forecasts, interest rate expectations, employee award increases, loan repayment schedules, special price forecasts for certain Council specific items, planned asset sales and other special income and costs.

The diagram below illustrates the link between the main elements of the LTFP: service standards, levels and priorities, Capital and Operating budget, major project analysis and assumptions and scenarios.

Long Term Financial Plan
Elements of the Plan



OVERVIEW

Ku-ring-gai Council's current Long Term Financial Plan (LTFP) covers the period 2014/15 to 2023/24. It recognises its current and future financial capacity, to continue delivering high quality services, facilities and infrastructure to the community while commencing new initiatives and projects to achieve the goals set down in its Community Strategic Plan (2030).

Financial planning over a 10-year time horizon is challenging and relies on a variety of assumptions that will undoubtedly change during this period. The LTFP is therefore closely monitored, and regularly revised, to reflect these changing circumstances. Council first adopted an LTFP on 4 December 2001 for a ten year period commencing 2002/03. Since that time, it has been the core document used to guide all financial planning within Council and is the basis for annual budgets and the preparation of the Delivery Program and Operational Plan.

Ku-ring-gai Council is in a sound financial position. The LTFP provides for Operating Surpluses after allowing for the depreciation expense on Council's $474 million portfolio of depreciable assets such as roads, footpaths, drains and buildings. If capital grants and contributions are excluded, the Operating result remains in Surplus throughout the 10 years of the LTFP. Council maintains healthy levels of working capital and reserves in the LTFP, and has a strategy in place to manage its debt funding for major projects via the divestment of property assets.

Council has identified increasing funding for infrastructure renewal as a key priority. Two main scenarios have been outlined in detail in the LTFP for consideration. The scenario that Council wishes to follow is one it believes best addresses the infrastructure renewal requirements that have been identified. This scenario includes the continuation of a Special Rate Variation (SRV) for Infrastructure. Continuation of this SRV will require the approval of IPART. If the continuation of the SRV for Infrastructure is approved, Council will be able to continue to close the gap between the required level of infrastructure renewal funding and the actual funding available.

LONG TERM FINANCIAL PLAN PRINCIPLES

Council's overall guiding principle is to maintain a healthy financial position, underpinned by a sound income base and commitment to control and delivery of services, facilities and infrastructure demanded by the community in an effective and efficient manner.

The LTFP puts these principles into action by formulating and applying specific objective tests of financial sustainability to the LTFP and its scenarios:

1. Maximise funds available for projects to upgrade or renew infrastructure by:

- Maximising the operating profit before capital items
- Prioritizing the use of Council cash reserves
- Borrowing in accordance with policy
- Timing project expenditure over a longer period and linking to funds availability

2. Satisfy applied tests of financial sustainability:

- Target a minimum working capital of 5.5% of operating expenses (excluding depreciation) as recommended by Council's external auditors. Working capital is determined by taking net current assets less internally and externally restricted reserves and adding those current liabilities to be funded from the next year's budget. Essentially, working capital is a measure of Council's liquidity and ability to meet its obligations as they fall due. This will allow for unforeseen expenditure or reductions in revenue or other accounting adjustments.
- Maintain a minimum Unrestricted Current Ratio of 2.0 (industry benchmark is 1.5 for 'satisfactory' and 2 for 'good')
- Maximum debt service ratio of 4% in any one year (industry green light benchmark less than 10%).
- Achieve an operating surplus (excluding capital grants and contributions),
- Maintain a minimum level of internal discretionary cash reserves (excluding liability cash reserves) of 10% of revenue
- Maintain a minimum level of s94 Development Contribution reserves of $5m
- Only capital items to be funded from cash reserves
- Proceeds of asset sales returned to reserves for expenditure on new assets or major asset refurbishment

All of the above objective tests are considered together in the overall evaluation of the LTFP and its scenarios. The tests are not necessarily strictly applied each time, particularly where an LTFP scenario only fails the test for a limited period of time. For example, during the next three years, the Debt Service Ratio test will not be satisfied due to:

- The LIRS (Local Infrastructure Renewal Scheme) loan, and
- The special loan for the Services Relocation Strategy which will have major repayments of principal, in excess of required minimums, timed to coincide with asset sales.

Thus, the Plan is still regarded as sustainable as both of these projects involve loans which have known sources of repayment.

3. Borrowing Strategy

Loan borrowing is a legitimate and responsible financial management tool and the use of loans to fund capital projects can be an effective mechanism of linking the payment for the assets (via debt payments) to the successive rate-paying populations who receive benefits over the life of those assets. This matching concept is frequently referred to as ‘inter-generational equity’.

Borrowings are considered as a source of funding in the following circumstances:

- Capital projects that deliver long term benefit to the community
- Building or purchase of assets where a detailed cash flow analysis shows that full funding costs can be recovered over the life of the asset
- Economic investments where a new asset or service decreases existing costs or provides new revenue in excess of their funding costs (positive NPV)

As borrowings are usually the highest cost source of funds:

- Internal funding sources are considered and used first (including possible re-allocation of funds from lower priority projects or operating items)
- The proposed project may be re-timed to match internal funds availability

SCENARIO PLANNING

The LTFP is a model to consider scenarios for the funding of operating and capital expenditure. Detailed forecasts of all sources of operating revenue and expenditure are utilised to derive the maximum surplus available to apply to Council’s rolling program of capital investments in new or refurbished infrastructure. These forecasts consider both changes in price levels for individual items as well as the benefits of ongoing productivity improvements.

Scenario 1 - Base Case Scenario without the Special Rate Variation for Infrastructure

Scenario 2 - Continuation of the Special Rate Variation for Infrastructure

Scenario 3 - Continuation of the Special Rate Variation for Infrastructure plus additional funding to Close the Infrastructure Gap

Both Scenario 1 and 2 are financially sustainable in terms of maintaining a balanced budget, sufficient unrestricted cash and available working capital, sufficient cash reserves and a permissible debt service ratio over the medium term.
Council's optimal scenario is Scenario 2, which assumes continuation of the SRV for Infrastructure as this will help address the asset renewal backlog. As this requires approval from an external authority, the Independent Pricing and Regulatory Tribunal (IPART), it cannot be the Base Case scenario. The Base Case scenario is non-optimal, but is the only one that can be delivered without external approval. Council has resolved to apply to IPART under Section 508(2) of the Local Government Act to continue this SRV permanently.

Both scenarios are modelled for a period of 10 years. Each of them considers the impact on key financial indicators in the LTFP, current service levels and asset management. The forecast income statement, balance sheet and cash flow statement for the scenarios are provided in appendices to this report.

Scenario 3 requires funding, in addition to the Special Variation for Infrastructure, in order to meet the identified target renewal expenditure levels. This level of funding is not achieveable without significant additional revenue or reduction in operational services.

Scenario 1 – Base Case Scenario without continuation of the SRV for Infrastructure

The base scenario of the LTFP shows the financial results of delivering the current level of service as per the 2013/14 budget expanded out over 10 years and adjusted by various price forecast indexes as detailed in the financial assumptions section of this document. As with other scenarios, this scenario is modelled to address Council's renewal assets gap as much as possible. The adopted principle under this scenario is that all available surplus funds will be diverted towards Council's assets renewal as a priority.

This scenario is sustainable according to the recognised financial sustainability measures and can be delivered, however, it does not address the asset renewal backlog and community concerns about the roads network. This scenario identifies the impact of not receiving the continuation of the SRV for Infrastructure starting from 2014/15 onwards. The associated road works that this levy will fund is also eliminated.

Council's revised Asset Management Strategy and the updated Roads and Transport Asset Management Plan confirm the need to increase the level of funding for roads to address the backlog. Several research surveys have also been undertaken with the Community to identify the service level requirements. These surveys confirmed that roads represented the highest concern in the community. If Council does not get an approval for the continuation of the Special Rate Variation, it will not be possible to maintain Council's roads to this service level standard in the future.

Capital expenditure

Capital expenditure is based on the current and projected capital works program and Council's Asset Management Strategy (AMS). Council's AMS outlines the renewal strategies for each assets class. These include Roads and Transport, Buildings, Drainage and Recreational Facilities. The AMS also provides and quantifies the required renewal expenditure to close the assets renewal gap. As indicated above, all available surplus funds have been allocated towards partially funding this gap for the next 10 to 20 years. The required renewal funding is based on the cost to renew assets currently in a poor condition.

The required renewal expenditure as per the AMS is displayed below.

Required Renewal Expenditure	Current prices ($M)		Future prices ($M)	
Asset Classes	**1 Year**	**10 Year**	**1 Year**	**10 Year**
Roads and Transport	12,151	121,510	12,151	140,213
Drainage	1,500	15,000	1,500	17,309
Buildings	2,398	23,980	2,398	27,671
Recreational facilities	467	4,670	467	5,389
Total	**16,516**	**165,160**	**16,516**	**190,581**

The base scenario allocates capital funding as follows:

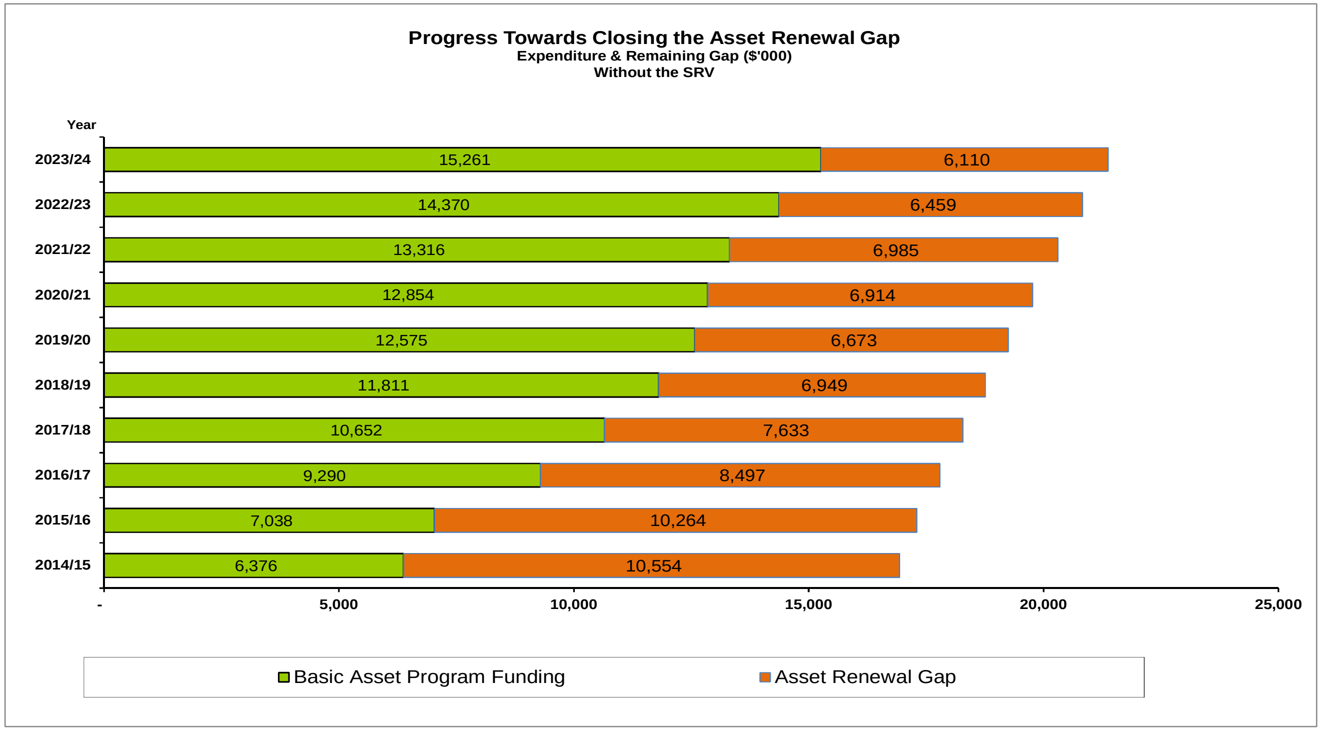
Projected Capital Expenditure

Scenario 1 - Without the SRV

Capital expenditure by category $'000	Budget 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
Planning, Community & Other	3,623	2,266	2,202	2,346	2,415	2,504	2,569	2,651	2,780	2,898
Roads & Transport	8,502	15,070	13,408	19,725	10,807	20,242	15,636	18,863	16,660	23,673
Streetscape & Public Domain	286	469	1,037	534	256	603	270	277	782	292
Parks & Recreation	14,301	27,047	15,425	21,860	12,406	31,199	15,595	7,418	5,036	7,036
Stormwater Drainage	455	620	774	902	1,568	1,659	1,700	1,771	1,937	2,078
Council Buildings	1,660	770	1,056	18,438	1,758	11,871	1,978	2,069	2,303	22,633
Trees & Natural Environment	1,110	901	1,215	1,646	923	-	-	-	-	-
Total	**29,937**	**47,143**	**35,117**	**65,451**	**30,133**	**68,078**	**37,748**	**33,049**	**29,498**	**58,610**

Table below displays the Asset renewal gap after additional funds from cash reserves (subject to maintaining target KPI's for liquidity/reserves) allocated towards assets renewal, but without the SRV. Even with the investment of additional funds from cash reserves, the renewal gap remains significant. The loss of funding from the SRV would also have a negative impact on the funding shortfall, as this will grow in a compound way over time as shown below.

Assets Renewal Funding ($M) Future Prices	10 Year Total	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Required Renewal Funding	190,581	16,930	17,302	17,787	18,285	18,760	19,248	19,768	20,301	20,829	21,371
Standard Expenditure	113,543	6,376	7,038	9,290	10,652	11,811	12,575	12,854	13,316	14,370	15,261
Projects funded by SRV	-	-	-	-	-	-	-	-	-	-	-
Asset Renewal Gap	77,038	10,554	10,264	8,497	7,633	6,949	6,673	6,914	6,985	6,459	6,110



The total length of each individual bar in the chart above shows the estimated expenditure required each year to adequately maintain and renew Council's community assets. This grows into the future with inflation of the cost of the works required. The components of the bar chart are divided into:

- (green section) - The amount met from Council's traditional level of asset renewal expenditure programs
- (red section) - The remaining asset renewal gap (funding shortfall)

Table below displays the balances of internal and external cash reserves under the Scenario 1.

Projected Internal Cash Balance Reserves
Scenario 1 - Without the SRV

Cash Reserve Balances $'000	**Budget** 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
Internal Liability Reserves	4,050	4,250	3,800	4,010	4,230	4,450	3,950	4,180	4,420	4,670
Internal Project Reserves	10,810	11,220	11,860	12,440	12,830	13,180	13,510	13,980	14,490	14,640
Total Internal Reserves	**14,860**	**15,470**	**15,660**	**16,450**	**17,060**	**17,630**	**17,460**	**18,160**	**18,910**	**19,310**

Scenario 2: Continuation of the SRV for Infrastructure

This Scenario represents the base case scenario plus additional income from the SRV for Infrastructure and increased expenditure on Infrastructure assets funded by this income.
This scenario is Council's preferred one and is also considered sustainable. The LTFP has assumed in this scenario that the levy will be continued permanently. Council considers that this increase in funding is necessary to address the current renewal backlog and meet community expectations in regard to service levels and the management of essential community assets.

Income from the continuation to the Infrastructure Levy will be used entirely to fund Council's road works.

It is estimated that the special rates variation will produce the following increase in Council revenue over the next 10 years to 2023/24.

$M	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Special Rate Variation	2,752	2,851	2,965	3,083	3,200	3,319	3,445	3,576	3,708	3,845
Less: Pensioner Rebates	-24	-24	-24	-25	-25	-26	-26	-26	-27	-27
Levy available for Infrastructure Projects	**2,728**	**2,827**	**2,941**	**3,058**	**3,175**	**3,293**	**3,419**	**3,550**	**3,681**	**3,818**

Pending approval for an ongoing levy Council will receive approximately $32.5 million in total over a 10-year period. If continuation of the special rate variation is not approved, the roads program will need to be reduced by eliminating levy funded projects, so that the total program value each year equals only the funding available from other sources, as factored into the Base Scenario above. The levy ensures that Council has the capacity to provide additional funding to reduce the infrastructure gap, and continue to bring Council's roads to a fair standard within an established time frame. The benefits of bringing Council's roads to a satisfactory standard will help reduce the annual maintenance requirements as well as the cost of future road works.

Scenario 2 allocates capital funding as follows (note that these figures include expenditure on some new assets, largely funded from Development Contributions):

Projected Capital Expenditure

Scenario 2 - With the SRV

Capital expenditure by category $'000	Budget 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
Planning, Community & Other	3,611	2,265	2,201	2,347	2,415	2,504	2,569	2,652	2,781	2,898
Roads & Transport	11,133	17,892	16,339	22,791	13,976	23,536	19,050	22,418	20,345	27,491
Streetscape & Public Domain	286	469	1,037	534	256	603	270	277	782	292
Parks & Recreation	14,236	27,045	15,420	21,867	12,403	31,201	15,594	7,424	5,042	7,039
Stormwater Drainage	432	619	772	904	1,567	1,660	1,700	1,773	1,939	2,079
Council Buildings	1,625	768	1,053	18,441	1,756	11,872	1,978	2,072	2,306	22,635
Trees & Natural Environment	1,110	901	1,215	1,646	923	-	-	-	-	-
Total	**32,433**	**49,959**	**38,037**	**68,530**	**33,296**	**71,376**	**41,161**	**36,616**	**33,195**	**62,434**

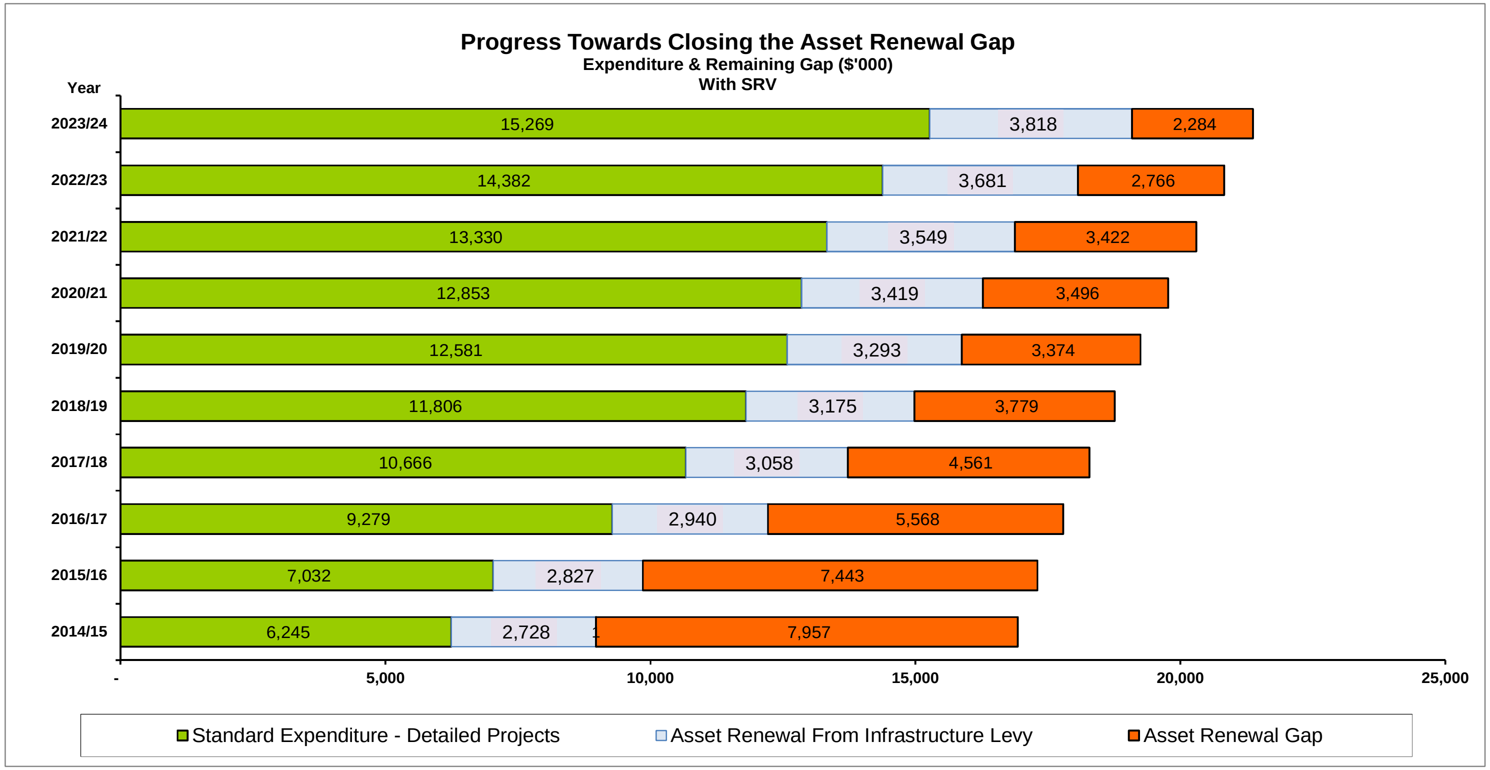
The balances of internal and external cash reserves under Scenario 2 are shown below:

Projected Internal Cash Balance Reserves
Scenario 2 - With the SRV

Cash Reserve Balances $'000	Budget 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
Internal Liability Reserves	4,050	4,250	3,800	4,010	4,230	4,450	3,950	4,180	4,420	4,670
Internal Project Reserves	11,080	11,500	12,180	12,740	13,150	13,510	13,870	14,340	14,860	15,010
Total Internal Reserves	**15,130**	**15,750**	**15,980**	**16,750**	**17,380**	**17,960**	**17,820**	**18,520**	**19,280**	**19,680**

The table and chart below displays the Asset renewal gap after additional funds allocated towards assets renewal (with SRV). The additional income from the SRV has a positive impact on the size of the future asset renewal gap, reducing it by the amount of the levy. The chart is similar to the chart in Scenario 1 but shows the additional reduction in the asset renewal gap caused by the levy.

Assets Renewal Funding ($M) Future Prices	10 Year Total	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Required Renewal Funding	190,581	16,930	17,302	17,787	18,285	18,760	19,248	19,768	20,301	20,829	21,371
Standard Expenditure	113,443	6,245	7,032	9,279	10,666	11,806	12,581	12,853	13,330	14,382	15,269
Special Rate Variation	32,488	2,728	2,827	2,940	3,058	3,175	3,293	3,419	3,549	3,681	3,818
Asset Renewal Gap	**44,650**	**7,957**	**7,443**	**5,568**	**4,561**	**3,779**	**3,374**	**3,496**	**3,422**	**2,766**	**2,284**



Scenario 3: Continuation of the Special Rate Variation for Infrastructure plus additional funding to Close the Infrastructure Gap

The “Closing the Gap” Scenario represents Scenario 2 (the base case scenario plus additional income from the SRV for Infrastructure), and an additional $44.650 million over 10 years capital investment required to renew our infrastructure assets to service levels identified in recent community consultation. This scenario seeks to develop an adequate infrastructure renewal program to ensure that the community continues to be served by its assets at their desired level.

If Council was to close the annual asset renewal gap over the 10 years of this LTFP, additional funds of $44.650 million will need to be found on top of the proposed special rate variation for Infrastructure. If additional revenues cannot be raised an option would be to reduce operational costs, however this will require significant cuts to existing services. Another option available to Council would be to borrow the funds with the resulting impact on debt levels and operational cost. As all revenues are committed to fund existing operational expenditure plus asset renewals the actual amount borrowed would be much higher as Council would also need to borrow to fund the interest costs on the loans. The extra borrowing will also be in contravention of Council's borrowing strategy in that it has no significant future cash flow benefit and the debt could only be serviced by eliminating or curtailing other capital works projects. In the long term borrowing for infrastructure renewal is not sustainable.

Projected financial statements have not been produced for this scenario, as this is currently unfunded and does not meet most of the financial sustainability tests identified in the LTFP. The scenario is work in progress and requires significant financial analysis and modelling to determine future revenue streams and funding sources to address the shortfall between required expenditure and current affordable expenditure. Council is not prepared to consider borrowing for this shortfall until it can be assured that it will only be addressing a short-term requirement and that there would be future asset renewal reductions to enable the debt to be repaid.

The table below shows that Council requires funding of $44.650 million from unidentified sources to close the assets renewal gap.

Assets Renewal Funding ($M) Future Prices	10 Year Total	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Required Renewal Funding	190,581	16,930	17,302	17,787	18,285	18,760	19,248	19,768	20,301	20,829	21,371
Standard Expenditure - Detailed Projects	113,443	6,245	7,032	9,279	10,666	11,806	12,581	12,853	13,330	14,382	15,269
Infrastructure Levy (SRV)	32,488	2,728	2,827	2,940	3,058	3,175	3,293	3,419	3,549	3,681	3,818
Closing the Gap - unidentified funding	44,650	7,957	7,443	5,568	4,561	3,779	3,374	3,496	3,422	2,766	2,284
Asset Renewal Gap	-	-	-	-	-	-	-	-	-	-	-

LTFP ASSUMPTIONS & SENSITIVITY ANALYSIS

The Long Term Financial Plan contains a wide range of assumptions, including assumptions about interest rates, potential effect of inflation on revenues and expenditures, current service levels and others. Major assumptions in the current version of the LTFP are listed below and a detailed list is attached to this report.

Some of these assumptions have relatively limited impact if they are inaccurate; some have a major impact on Council's future financial plan. The LTFP is a dynamic financial model and is updated quarterly to ensure the assumptions are continually updated with the latest information available. The Plan is also tested by varying the amounts of the moderate to significant assumptions and the impact is analysed.

CPI Forecast: An annual **2.2%** increase in CPI has been built into the LTFP for both income and expenditure in line with Access Economics forecast for CPI. The Reserve Bank's target for inflation remains between 2% and 3%.

Income from Rates is limited to rates pegging set by IPART averaging an annual increase of **2.3%.** In addition, the LTFP assumes an increase of **0.7%** annually resulting from population and property growth. The LTFP assumes continuation of the special rate variations for Infrastructure for Environmental for the ten year period. The New Facilities SRV rate was primarily designed to fund 2 major community sport and recreation facilities and will expire in 2014/15 with completion of the projects.

Fees and charges are expected to increase by **2.8%** annually in line with LGCI. Charges for domestic and trade waste have been increased to reflect cost increases in providing the service.

Investment revenue has been estimated based on current cash levels and future expected earnings of BBSW + 0.7% over the 10 year period. The annual interest rate is estimated to **3.9%** for 2014/15, **4.4%** for 2015/16, **5.3%** for 2016/17 and **5.4%** for the remaining years to 2023/24.

Grants for both Recurrent and Capital purposes have been increased by **2.2%** as per CPI.

Proceeds from Asset Sales are projected in the LTFP for the life of the plan. The next 3 years are the most critical as the proceeds from sale will be used to discharge the external loan to fund the new Council's operational building.

Employee costs have been estimated based on agreed award increases. Superannuation and workers compensation have been factored by the same rate, which is an average of 3% per year.

Operational materials and contracts expenditure are estimated to increase by **2.2%** as per CPI, **2.6%** for 2015/16, **2.8%** for 2016/17 and **2.6%** for the remaining years. **Capital materials and contracts** expenditure is assumed to increase by an average **2.6%.**annually based on ABS' infrastructure index.

Borrowing Costs have been estimated based on 200 basis points over 90 day BBSW per annum. The annual interest rate is estimated at **4.7%** for 2014/15, **5.7%** for 2015/16, **6.6%** for 2016/17, and **6.7%** for the remaining years to 2023/24

Sensitivity Analysis

The following table lists the major assumptions affecting the LTFP results and shows the impact of varying them.
This impact is classified as Low, Moderate or Significant in terms of quality and quantum of service delivery to constituents.

	Impact	***Comment***
Revenue		
Inflation/CPI	*Low*	Changes in inflation will affect both revenue and expenditure, but increases in the assumption are likely to be negative for the projected operating surplus.
Rates Income – Rate Peg	*Moderate to Significant*	The rate peg for 2014/15 announced by IPART is 2.3%. Rates income also assumes rates growth of 0.7% per annum through increased development. Changes in rate pegging will affect revenue forecasts, and these will have a moderate impact on the LTFP Model, compared to the calculations using the average LGCI. Non-achievement of property and rates income growth forecasts will directly affect provision of new infrastructure and the rate at which existing infrastructure can be renewed.
Investment Earnings and Interest Expense	*Moderate*	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. Council's investments portfolio is subject to fluctuations in interest rates. Interest Rate risk is closely managed where it affects Council's investments income. An adverse movement in interest rates will reduce investments income and impact on capital expenditure and service levels, with only a minor offset through savings in variable interest loan costs.
Proceeds from Asset Sales	*Significant*	The LTFP assumes sale of assets for the 10 years. Proceeds from asset sales will be used to discharge external borrowings and associated interest that funded the acquisition of the operational building during 2012/13 financial year. The loan is planned to be discharged by 2016/17. If the proceeds and timing of sales are not realised as per the plan, this will have a major impact on Council's key financial indicators. Operating result and working capital will deteriorate, borrowing costs will

	Impact	*Comment*
Revenue		
		increase. This will also have a negative impact on council services over an extended period, as capital expenditure will be cut and available funds will be used towards repayment of borrowings. Asset sales are also forecast to be used to fund Council's co-contribution in its s94 Developer Contributions plan. If these asset sales are not realised, either cuts to services and other capital would have to be made or alternatively the s94 projects requiring Council co-contributions would have to be deferred or deleted from the program.
Grants	*Low for specific purpose grants.* *Moderate/Significant for general purpose grants*	The LTFP model includes operational grants and capital grants that have already been awarded. The Council does not have a strong reliance on specific purpose 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. An example of this type of grant is WASIP (Waste Sustainability Improvement Payment Program). The general purpose component of the Council's Financial Assistance Grant is currently $3.2 million. If this grant were reduced or eliminated, the Council would need to consider significantly reducing capital expenditure and operating service levels.
Expenditure		
Employee Costs	Significant	This is Council's largest cost. The number of employees in operating activities is assumed to remain constant with cost increases in line with forecast or known Award changes. This volume assumption is at risk from possible future changes to conditions, further devolvement of functions from other levels of government and from growth in council services requiring additional staffing. The Award increase assumptions are at risk as Council has no direct control over this. Employees engaged in capital projects may increase slightly with increased funding for infrastructure, however this would be met from the new budget allocations.
Borrowing costs	*Moderate*	Council's outstanding loan balance is expected to decrease to $36.5 M 2014/15. This includes a line of credit loan where interest capitalises and is discharged by future asset sales. This carries the risks highlighted above.

The following table illustrates monetary sensitivity to variations in the assumption.

Sensitivity Analysis				
Income & Expenditure Categories	Assumption	2014/15 Base $'000	Sensitivity to a 10% variation in the assumption $	Sensitivity to a 20% variation in the assumption $
INCOME:				
Rates	3.00%	57,568	+/-172,704	+/- 345,408
Annual Charges	10.00%	19,204	+/- 192,040	+/- 384,080
Fees & Charges	2.80%	15,700	+/- 43,960	+/- 87,920
Operating Grants	2.20%	5,906	+/- 12,993	+/- 25,986
Interest on Investments	3.90%	3,745	+/- 14,606	+/- 29,211
Other Income	2.80%	9,165	+/- 25,662	+/- 51,324
EXPENDITURE:				
Employee Costs	3.05%	36,620	+/- 111,691	+/- 223,382
Borrowing Costs	4.70%	2,087	+/- 9809	+/- 19,618
Materials & Contracts	2.20%	34,791	+/- 76,540	+/- 153,080
Depreciation	(5%/10%)	19,486	+/- 97,430	+/- 194,860
Other Expenditure	2.20%	18,576	+/- 40,867	+/- 81,734

The sensitivity analysis shows that Rates income and Employee costs would have the greatest impact if there is a future variation from the LTFP assumptions. If there are adverse variations in the future from the LTFP assumptions, adjustments will need to be made to operations and capital programs to maintain financial sustainability. The sensitivity analysis brings into sharp focus the need to manage employee numbers and costs.

HIGHLIGHTS OF THE LONG TERM FINANCIAL PLAN

Financial Performance Summary – Forecast

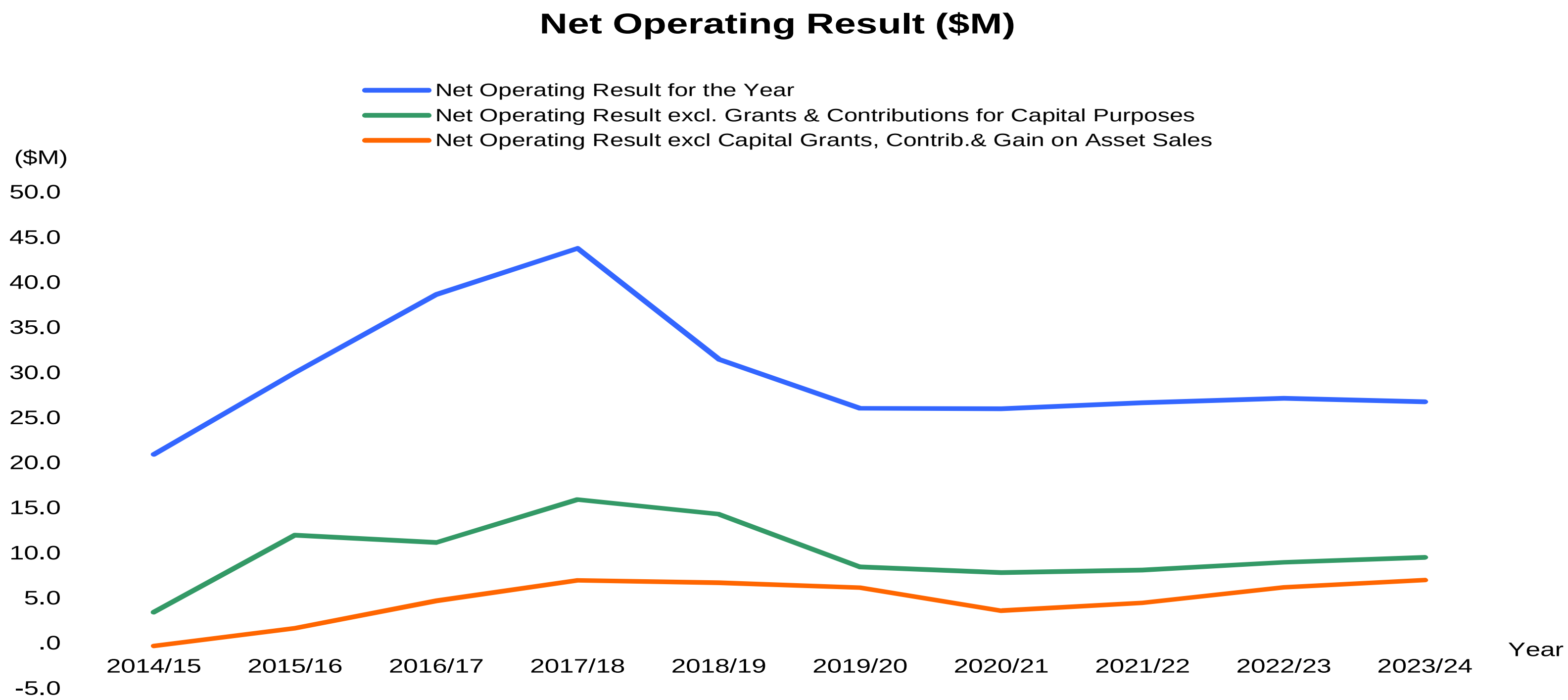
Ku-ring-gai Council's LTFP details Council's expected income, operational and capital expenditure within the external environment that Council is expected to face in future. The following forecast summary on financial performance is based on Scenario 2. This Scenario represents the base case scenario plus additional income from the continuation of the SRV for Infrastructure and increased expenditure on Infrastructure assets funded by this income. This is Council's optimal scenario and is subject to approval by IPART.

Operating Result

The operating result after accounting for capital items is a surplus in all projected years. The overall trend in operating result is improving over the forecast period due to revenue growth (averaging 4.5% p.a.) outstripping expenditure growth (averaging 3.3% p.a.). Revenue growth is driven by rates and annual charges, user fees and charges and other revenue. Another factor in increased revenue is the inflow of additional funds from the property development activity that is expected to grow the rates base.

The strong results in 2015/16 and 2017/18 are primarily due to forecast gains from sale of assets from the services relocations project. The proceeds from these sales are restricted and will be solely used to discharge future borrowings for this project.

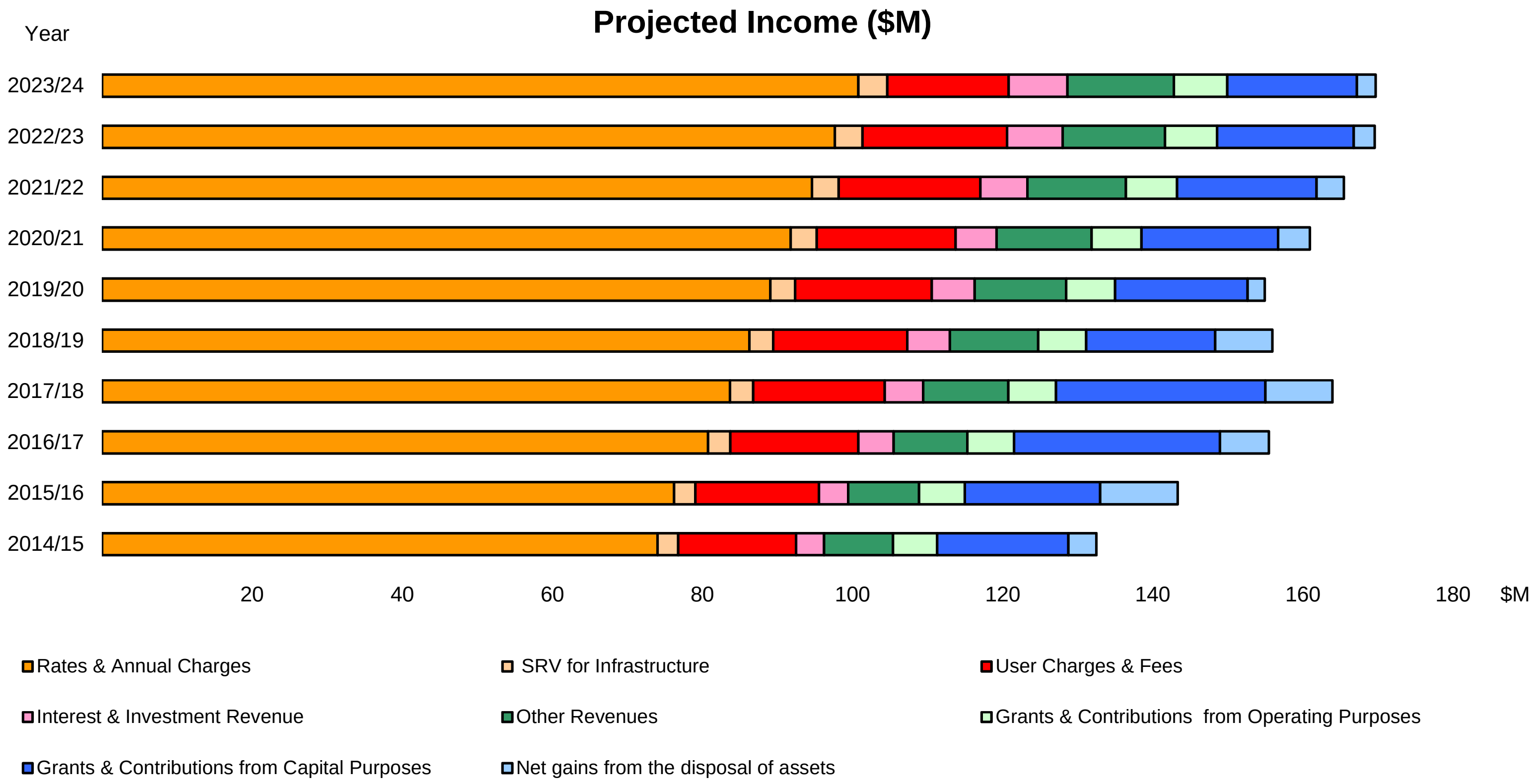
The graph below shows the forecast operating result before and after capital grants and contributions items and income from sale of assets. The Net Operating Result for the year includes capital grants and contributions as well as asset sales revenue. These are items that Council has no control over, therefore it is more appropriate to focus on the operating result that excludes capital items and assets sales. The elimination of these items are made to focus on analysis of core operating council's results.



Projected Income

Council obtains revenue from a variety of sources including rates and annual charges, user charges and fees for services, interest and investment revenue, other revenue and grants and contributions for both operating and capital purposes.

Council's revenue has been forecast to increase from $132.5M in 2014/15 to $172M over the ten years, which is an average of 3.3% increase per year. The projected income for the forecast period is detailed in the chart below.



Rates Income & Annual Charges

Council's dependence upon rates income and annual charges is approximately 56%. The rest of the costs of Council's operations are funded from non-rates income. Increased income from rates is due to the forecast development activity leading to additional dwellings which will be allocated to Assets Renewal from 2014/15 onwards and have been incorporated into the LTFP scenarios.

Three special rate variations are included in the LTFP:

- The SRV for Infrastructure is due to expire in 2013/14 and Council will apply to IPART for a permanent continuation from 2014/15 onwards. This is explained in more detail under the scenario section of this document. The SRV for infrastructure is used to renew infrastructure assets.
- SRV for Environmental - An 8 year environmental levy is in place for a special environmental program. This formally expires in 2018/19, although it is Council's intention to seek renewal of this levy. Accordingly, the LTFP assumes continuation of the program of works that it funds and continuation of the levy.
- SRV for New Facilities – used to fund North Turramurra Recreational Facility. This expires in 2014/15.

Council derives approximately 10% from user charges & fees and these are forecast to increase by an average of 3.2% per year over the forecast period primarily driven by expected revenue from the services relocation project.

Interest Income

Council has forecast an earning rate on its investments of the expected BBSW rate + 0.7% over the forecast period. Interest revenue changes in line with cash and investment balances.

Operating Grants & Contributions

Operating grants and contributions increase by an average of 5.3% p.a. Council's main form of grant assistance is the financial assistance grant, which is a federal untied grant that is distributed between the States based on their percentage of the total population. These grants are indexed each year for increases in CPI and population. Financial assistance grants consist of two components both of which are distributed to councils: general purpose component and a local road component.

Capital Grants

Capital grants and contributions are volatile over the forecast period as they can relate to specific one-off major projects.

Developer Contributions

Council collects contributions from Developers (s94 Contributions) to help pay for new infrastructure and facilities for the growing population of the area. The Long Term Financial Plan includes the works listed in the Ku-ring-gai Contributions Plan 2010, which came into effect on 19 December 2010. This Contributions Plan applies to development in Ku-ring-gai that gives rise to a net additional demand for infrastructure identified in the Contributions Plan. This period accounts for both the estimated pattern of receipt of Section 94 contributions as well as the delay between contribution receipt and Council's ability to complete works.

Some of the works to be undertaken in the s.94 plan cater for the existing population and these works require a co-contribution from Council's general funds. Revenue from divestment of Council property assets will be used to meet Council's commitment in its s.94 Developer

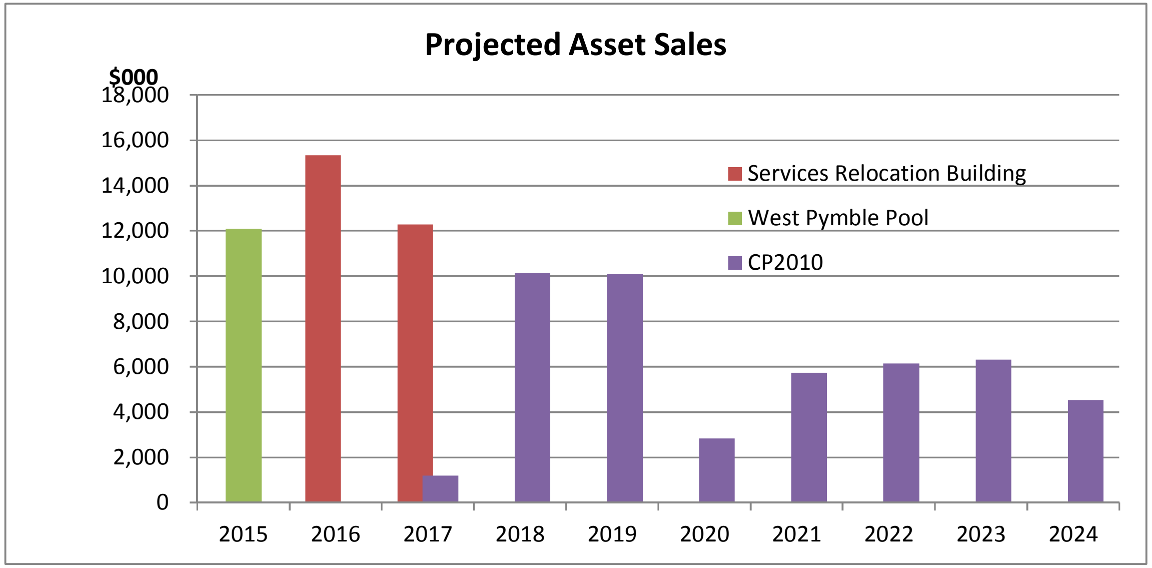
Contributions Plans for co-contributions of general revenues to accompany developer contributions. The amount of funding required from property asset divestment over the 10 years of the LTFP is $54 million.

Income from Asset Sales

This income from asset sales is from rationalisation of property assets that will start in 2014/15. Planned asset sales are to fund:

- Capital and interest costs for the Service Relocation Project and the new West Pymble Aquatic Centre. These are planned to occur over 3 years starting from 2014/15 onwards.
- Council's co-contribution for projects identified in the Development Contributions Plan 2010. These sales are planned to commence in 2015/16 and continue over a 10 year period as Contribution Plan projects proceed.

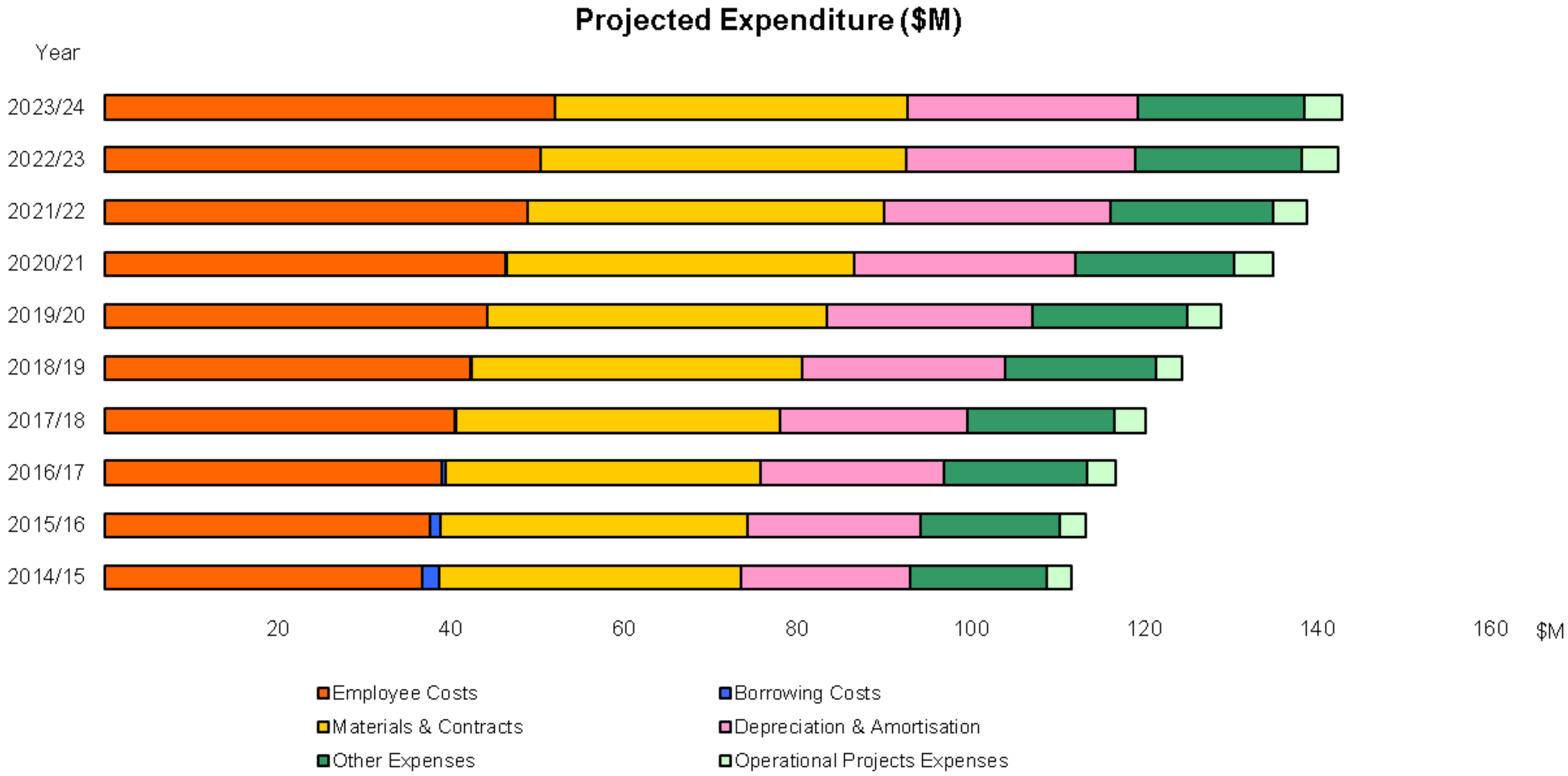
Chart below provides projected asset sales over a 10 year period and identifies the projects to which the funding will be allocated.



Projected Operational Expenditure

Council incurs the following expenditure in the course of its operations: employee benefits and on-costs, borrowing costs, materials and contracts, depreciation, other expenses. Total operating expenses are projected to increase by an average annual increase of 3.2% over the forecast period.

The projected operational expenditure for the 10 year forecast period is detailed in the chart below.



Employee Costs

Employee costs increase by an average of 4.3% p.a. over the forecast period. Employee related expenditure is the largest expense type incurred by Council. Council currently employs 418 staff members. The LTFP reflects the Workforce Strategy and does not allow for increase in Council's workforce. Other employee related issues such as maintaining/improving workforce capacity are dealt with in the Workforce Strategy and have therefore not been addressed in the LTFP.

Workers compensation

Workers compensation insurance premium payments are based on previous claims history. Projected premiums therefore take the most recent premium and increase it by CPI.

Capitalisation rate for employee related expenditure

Council capitalises a portion of employee related expenditure that relates to the construction of assets per the requirements of AASB 116 – *Property, Plant and Equipment*. The percentage of employee related expenditure capitalised has been assumed to stay constant from year to year for the purpose of the LTFP.

Superannuation

Contributions by Council to both defined benefit and defined contribution superannuation plans have been forecast to increase per the increase in salaries and wages plus the expected increase in the superannuation guarantee. The Government has announced an increase in the superannuation guarantee rate from 9% to 12% between the 2013/14 and 2019/20 financial years.

Employee benefits

Employee leave entitlements such as annual leave and long service leave have been projected to increase at the same rate as general salaries expenditure.

Borrowing costs

Borrowing costs incurred include interest on loans held by council. Borrowing costs form 2% of the total expenditure incurred by Council. Borrowing cost projections are based on current loans, including the loan facility for the services relocation projects and a $2M loan for the Local Infrastructure Renewal Scheme that Council took in 2012/13. This loan is used for Gordon Library upgrade and public toilet upgrades and will involve a ten year repayment schedule. The LTFP plans a further $930K in 2014/14 in borrowings for the services relocation program.

Materials & Contracts

Materials and contracts expenses increase by an average of 2.8% p.a. over the forecast period.

Materials and contractors is the second largest cash expense item incurred by council (29% of total expenditure in the 2014/15 financial year). Materials and contracts payments include contractor and consultancy costs, which also relate predominantly to Council's maintenance program. Other materials and contracts costs including operating lease expenses, legal expenses, and auditor fees.

Depreciation and Amortisation

Depreciation and amortisation expenses increase by an average of 4.% p.a.
Depreciation and amortisation are dealt with in the Asset Management Strategy (AMS), and details on all assumptions used in depreciation/amortisation calculations can be found in the AMS.

Other expenses

Other expenses increase by an average of 2.5% per year from 2014/15. There will be increased expenditure in this category in 2014/15 due to the start of operating expenses from the services relocation project.

Projected Capital Expenditure

A significant highlight of the LTFP is it's commitment to capital works program. The LTFP forecasts delivery of a total capital works and other major projects program over 10 years totalling over $473 (at future prices). A portfolio of all project proposals has been developed, including estimates of costs and funding sources to determine current and future funding requirements. This project portfolio has been linked to the LTFP. Some significant projects included in this and delivered in the next year are listed below:

Major capital projects initiatives for 2014/15

Council considers a range of available projects competing for resources each year and evaluates major ones based on their financial sustainability and potential contribution to Community needs. During 2014/15 the following projects will be commenced or progressed:

- **Local Infrastructure Renewal Scheme (LIRS) –** this initiative, funded by loans at subsidised interest rates, will allow the renewal and upgrade of Council's main library and many Public Toilet amenity buildings.

- **The Waste Less, Recycle More (Waste and Resource Recovery Initiative) –** will provide a range of new waste related project initiatives funded by payments received form the State Government following increased recycling of domestic waste

- **Implementation of Koola Park Master Plan** – the first two stages of the redevelopment of this significant recreation area have been completed over the last 2 years. These include the stormwater harvesting system from Rocky Creek, a 600,000 litre underground storage tank, the relocation and expansion of cricket practice nets, and a sewer connection to replace the old septic system. In 2014/15 we will see the construction of stages 3 & 4. These stages include field levelling, drainage, irrigation, an extension of the playing fields to gain an additional full size sports ground for the Ku-ring-gai community, floodlights, as well as a children's playground, outdoor exercise equipment, perimeter exercise path and additional car parking facilities.

- **Cameron Park, Turramurra** – this project will see the doubling in size of Cameron Park between Eastern Road and Gilroy Road during 2014/15 following on from Council's purchase of four residential properties in late 2013. Community consultation for the park design has already been conducted and demolition of the houses has been completed. Construction of the park and new toilet block will occur during 2014/15.

- **Carcoola Reserve, St Ives** – following Council's purchase of two lots of vacant land from the state government during 2013 which bordered a single Council lot, this project will see the creation of a new public park and playground during 2014/15. While used informally by local residents for many years, Council's purchase of the land will enable the development of a vastly improved local park. Local residents have already been involved in the concept designs and will be further consulted as detailed designs for the park are developed.

- **Implementation of St Ives Village Green Master Plan** – the project will see the demolition of the old scouts and girl guides halls, with the groups relocated to Warrimoo Oval in early 2014. This will enable the construction of the new youth precinct, including skate and bike park, basketball court and performance space, as well as a new and expanded children's playground, picnic and BBQ facilities. The following years will see other parts of the master plan being implemented, including a perimeter exercise path, terraced seating around William Cowan Oval, relocation of the tennis courts to be adjacent to the bowling club, additional car parking in Cowan Road and Memorial Avenue, and an additional footpath on the park side of the Village Green. This path will provide much improved safety and access to and around the park.

- **Lindfield Village Green** – this project will involve constructing a new public park on the site of Council's car park on Tryon Road Lindfield. The existing car parking will be relocated to a new basement car park under the park. The park will become a focus for community events, markets and outdoor dining.

- **Lindfield Community Hub** – the community hub is planned to be located on Council's car park off Woodford Lane on the western side of Lindfield, the project will deliver a new park and town square, as well as a new branch library and community centre. The hub will become a focus for community activities for the southern part of the Ku-ring-gai LGA.

- **St Johns Avenue, Gordon streetscape upgrade works** – this project will involve the reconstruction of the footpath areas on St Johns Avenue between the Pacific Highway and the railway station. The footpaths will be made wider to cater for outdoor dining; the work will also include new high quality paving, street furniture, street trees and LED street lighting.

Assumptions around capital expenditure, asset valuations and asset management are covered in the Asset Management Strategy and have been incorporated into the LTFP.

A summary of future capital expenditure by asset category is provided below:

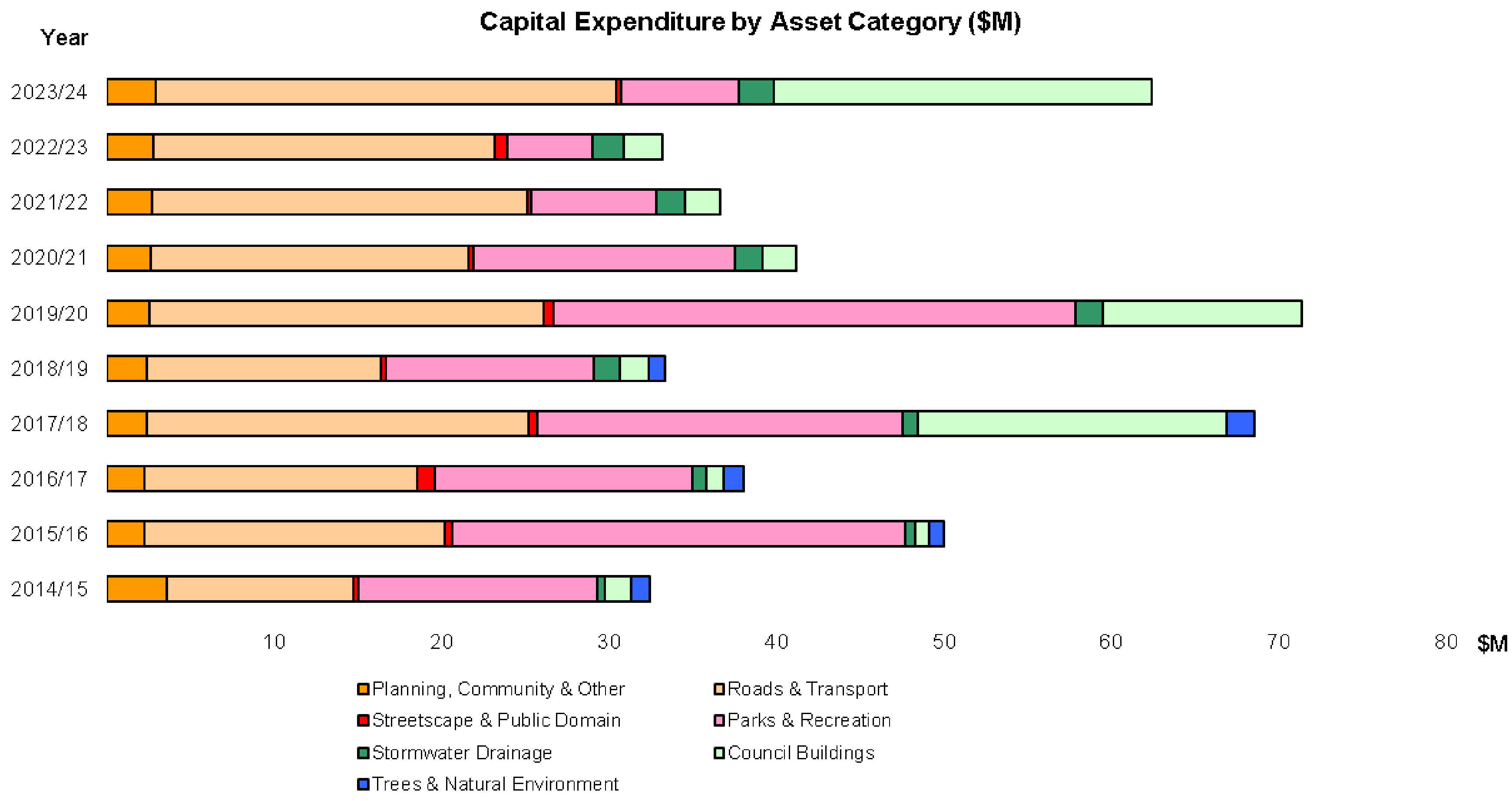
Projected Capital Expenditure

Scenario 2 - With continuation of SRV

Capital expenditure by category $'000	Budget 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
Planning, Community & Other	3,611	2,265	2,201	2,347	2,415	2,504	2,569	2,652	2,781	2,898
Roads & Transport	11,133	17,892	16,339	22,791	13,976	23,536	19,050	22,418	20,345	27,491
Streetscape & Public Domain	286	469	1,037	534	256	603	270	277	782	292
Parks & Recreation	14,236	27,045	15,420	21,867	12,403	31,201	15,594	7,424	5,042	7,039
Stormwater Drainage	432	619	772	904	1,567	1,660	1,700	1,773	1,939	2,079
Council Buildings	1,625	768	1,053	18,441	1,756	11,872	1,978	2,072	2,306	22,635
Trees & Natural Environment	1,110	901	1,215	1,646	923	-	-	-	-	-
Total	**32,433**	**49,959**	**38,037**	**68,530**	**33,296**	**71,376**	**41,161**	**36,616**	**33,195**	**62,434**

The largest capital expenditure will be invested into Roads & Transport with 39% of total expenditure for the forecast period, followed by Parks & Recreation with 35.6%. Parks & Recreation includes acquisition of Community land, which is funded by Section 94 Contributions.

The chart below provides the breakdown of capital expenditure by category for the next 10 years and the sources and use of funds for capital projects



Capital Expenditure by Asset Category ($M)
Year
2023/24
2022/23
2021/22
2020/21
2019/20
2018/19
2017/18
2016/17
2015/16
2014/15
10
20
30
40
50
60
70
80
$M
Planning, Community & Other
Roads & Transport
Streetscape & Public Domain
Parks & Recreation
Stormwater Drainage
Council Buildings
Trees & Natural Environment

Working Capital & Cash Reserves

Working Capital

Working capital is a measure of Council's liquidity and ability to meet its obligations as they fall due. It is one of the primary measures of the overall financial position of Council, which allows for unforeseen expenditure, reductions in revenue or other accounting adjustments.

Council's current policy is to maintain a minimum working capital of 5.5% of operating expense. This equates to a projected amount of $4.4M for 2014/15. The working capital is gradually increasing by an average of 4% annually in future years. The level of working capital highlights an adequate liquidity position with Council being able to meet its short term liabilities when they fall due.

Cash Reserves

Council has a number of cash reserves which are held for the following reasons:

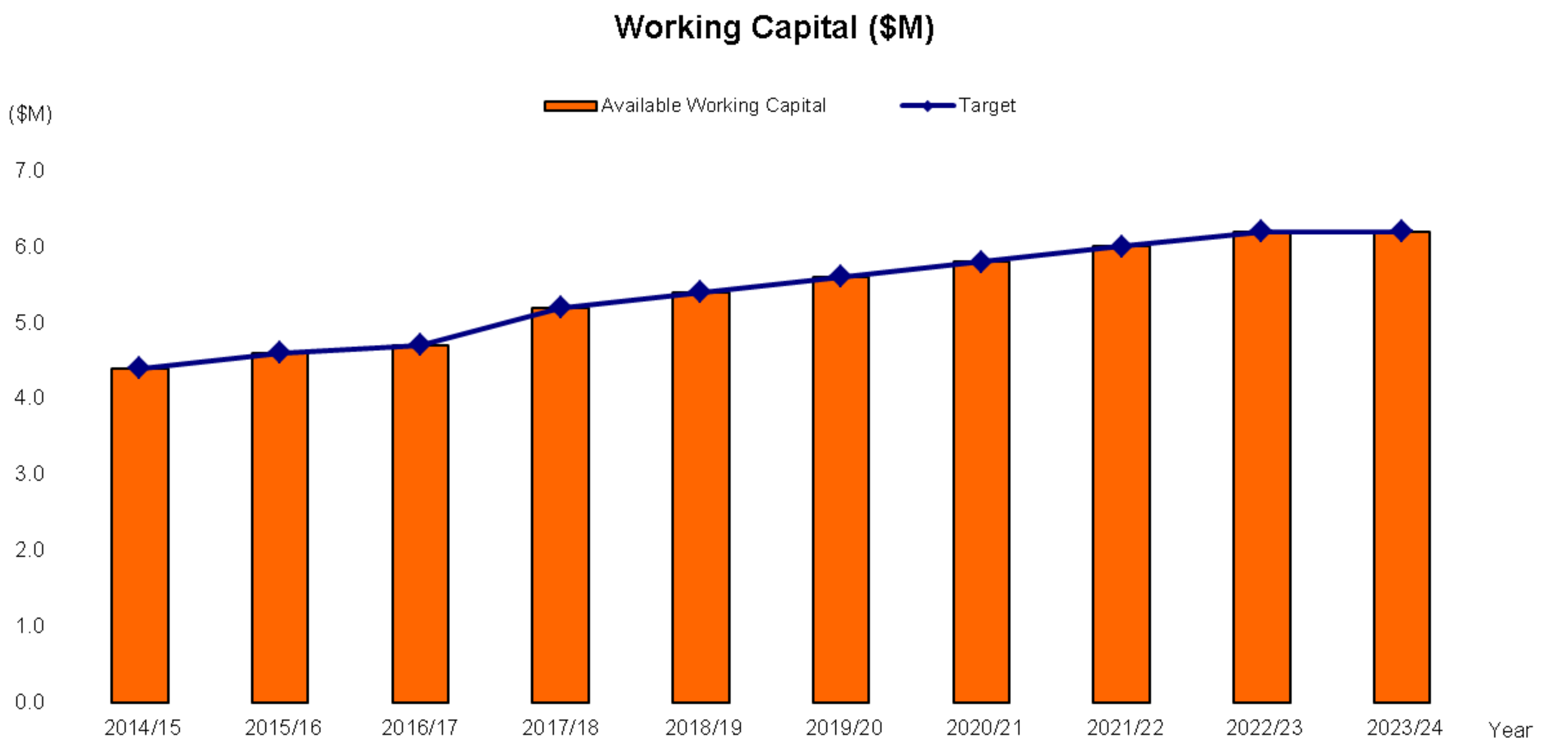
- legal constraint (externally restricted) - e.g. Section 94 Developer Contributions
- to manage cash flow for abnormal items and thus reduce impact on service delivery
- specific revenue - e.g. contribution to works

There are three (3) types of cash reserves, namely:

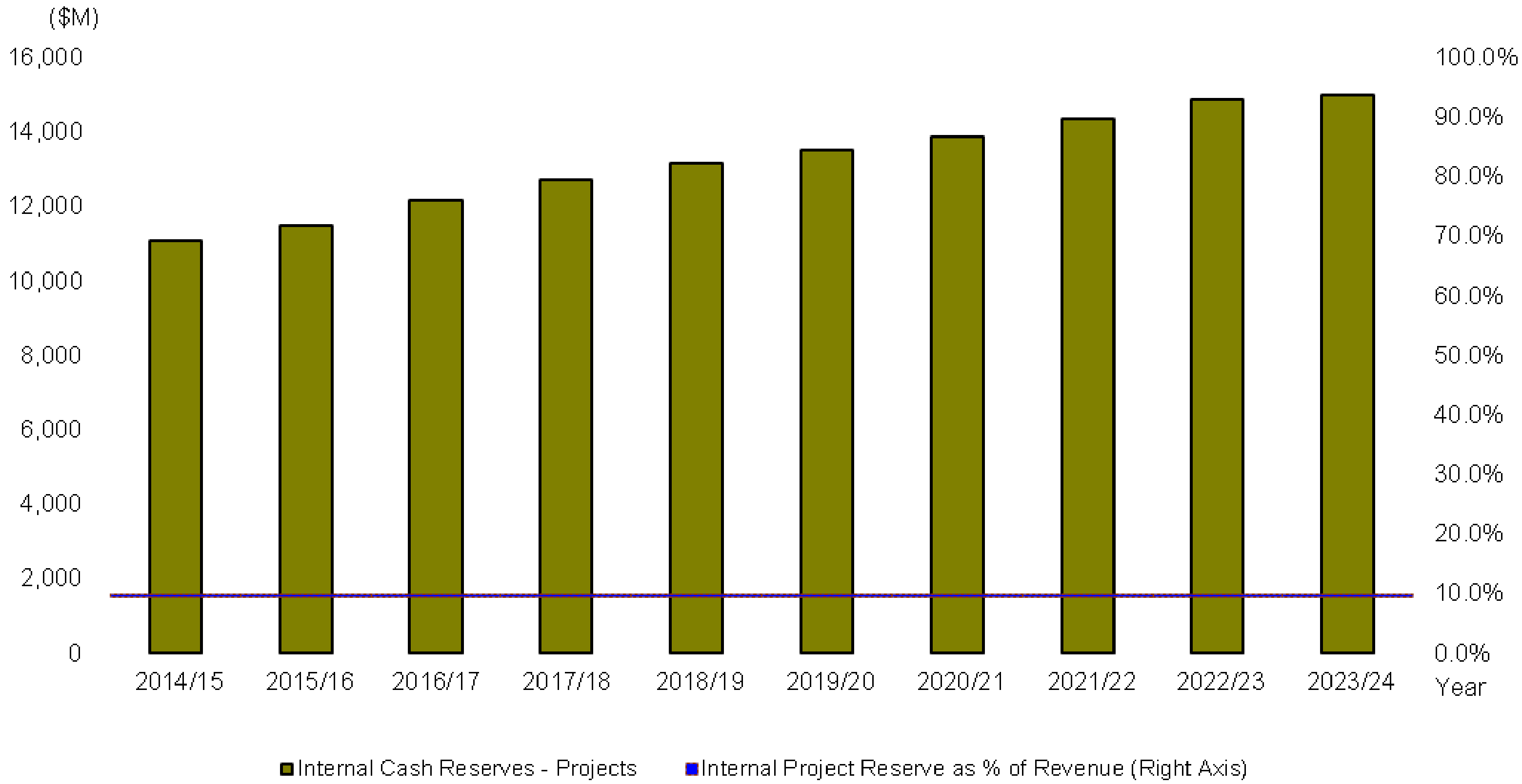
1. Statutory (externally restricted) - eg S94 Developer Contributions, Specific Purpose Unexpended Grants, Domestic Waste Management, Infrastructure Levy and Environmental Levy
2. Internal Liability Reserves – to provide for future liabilities e.g. employee entitlements
3. Internal Project Reserves – to provide for future expenditure on Projects

External reserves can only be used for the purpose for which funds were collected. Internal projects reserves are used solely to fund capital items. One of the targets identified in the LTFP is to maintain a minimum level of internal discretionary cash reserves (excluding liability cash reserves) of 10% of revenue. Any surplus cash funds are allocated towards future assets renewal.
Cash reserves are carefully managed to achieve optimum investment income and to be available when needed for planned expenditures.

Charts below illustrate the level of working capital and internal cash balances reserves (projects reserves) for the 10-year forecast period



Internal Cash Reserve Balances ($M)



Summary of Borrowings

One of the major underlying principles incorporated into Council's Long Term Financial Plan is the Borrowing and Debt Strategy. As per this Strategy Council considers borrowings as a source of funding for:

- Capital projects that deliver long term benefit to the community
- Building or purchase of assets where a detailed cash flow analysis shows that full funding costs can be recovered over the life of the asset
- Economic investments where a new asset or service decreases existing costs or provides new revenue in excess of their funding costs (positive NPV)

Using this strategy, the LTFP identifies a permissible level of borrowing in each year and sets a required level of borrowing below this level. This is a borrowing level that the Plan regards as sustainable, principally because;

- sources of debt repayment have been identified and modelled into overall cash flows, and
- the Debt Service Ratio (DSR) is within Council's target band of less than 4%.

Maintaining a maximum Debt Service Ratio of 4% in any one year is one of the key financial sustainability tests applied by the LTFP. During the current planning period, this test will not be satisfied due to Council borrowing for the LIRS (Local Infrastructure & renewal Scheme) loan, and the special loan for the Services Relocation Strategy which will have major repayments of principle, in excess of required minimums, timed to co-inside with asset sales.

Due to the above borrowings Council's Debt Service Ratio will exceed the sustainable borrowing level of 4% in 2014/15 to 2016/17, after which the ratio level will fall below 4%. The Debt Service Ratio for the next 10 years is provided in the table below:

Borrowings Summary and Debt Service Ratio

$000's	Borrowings			Debt Service Ratio		
Financial Year	Proposed Borrowings	Principal Repayments	Net Borrowing(-) or Repayment(+)	Interest Component	Principle Repayment	Total
2014/2015	$930	$12,392	$11,462	1.9%	11.3%	13.2%
2015/2016	$0	$17,640	$17,640	1.1%	15.6%	16.7%
2016/2017	$0	$14,657	$14,657	0.4%	12.2%	12.6%
2017/2018	$0	$861	$861	0.1%	0.7%	0.8%
2018/2019	$0	$819	$819	0.1%	0.0%	0.1%
2019/2020	$0	$679	$679	0.1%	0.0%	0.1%
2020/2021	$0	$360	$360	0.0%	0.0%	0.0%
2021/2022	$0	$360	$360	0.0%	0.0%	0.0%
2022/2023	$0	$180	$180	0.0%	0.0%	0.0%
2023/2024	$0	$0	$0	0.0%	0.0%	0.0%
TOTAL	**$930**	**$47,948**	**$47,018**			

How Council's Debt is being managed

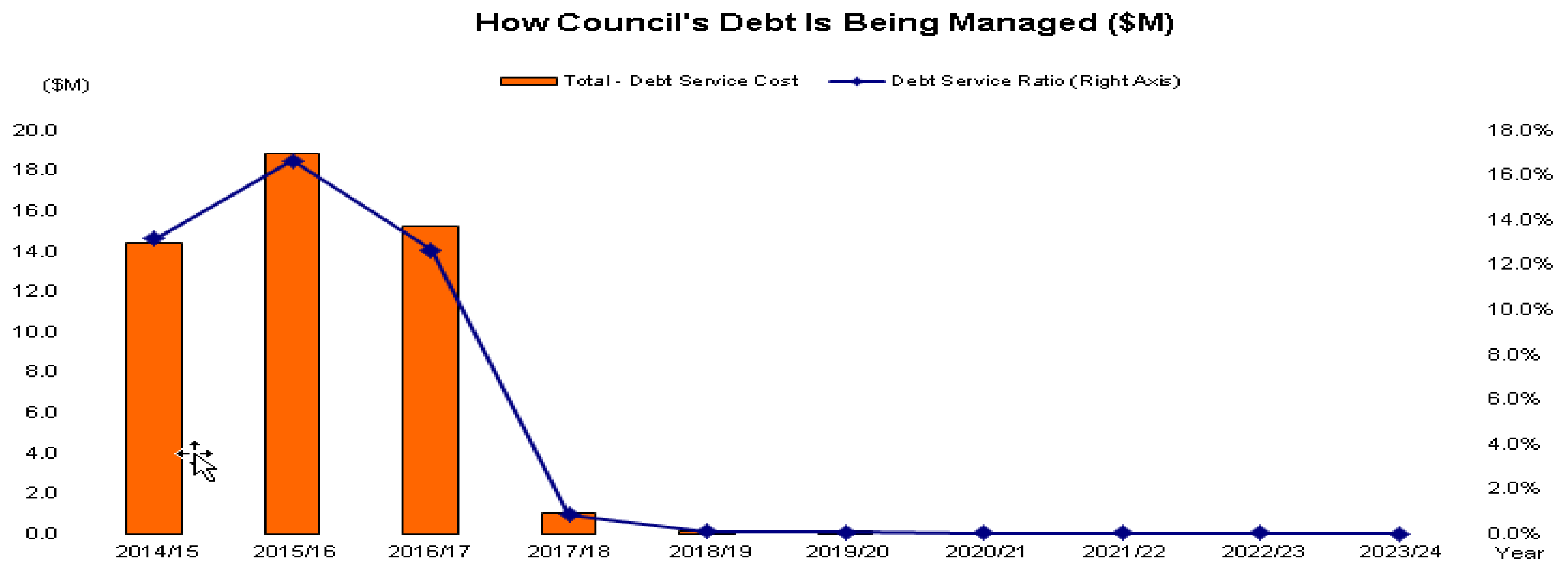
The LTFP proposes a dynamic capital management strategy which continuously monitors:

- Actual need for loan funds based on actual expenditure occurring within projects designated for loan funding
- Obtaining loans under terms which not only offer the best interest rate but also offer maximum flexibility for repayment timing and/or further loan drawdown
- Updated forecasts of sources of loan repayment
- Updated reviews of operating budgets, and
- Quoted interest rates on loans compared to interest being earned on invested funds

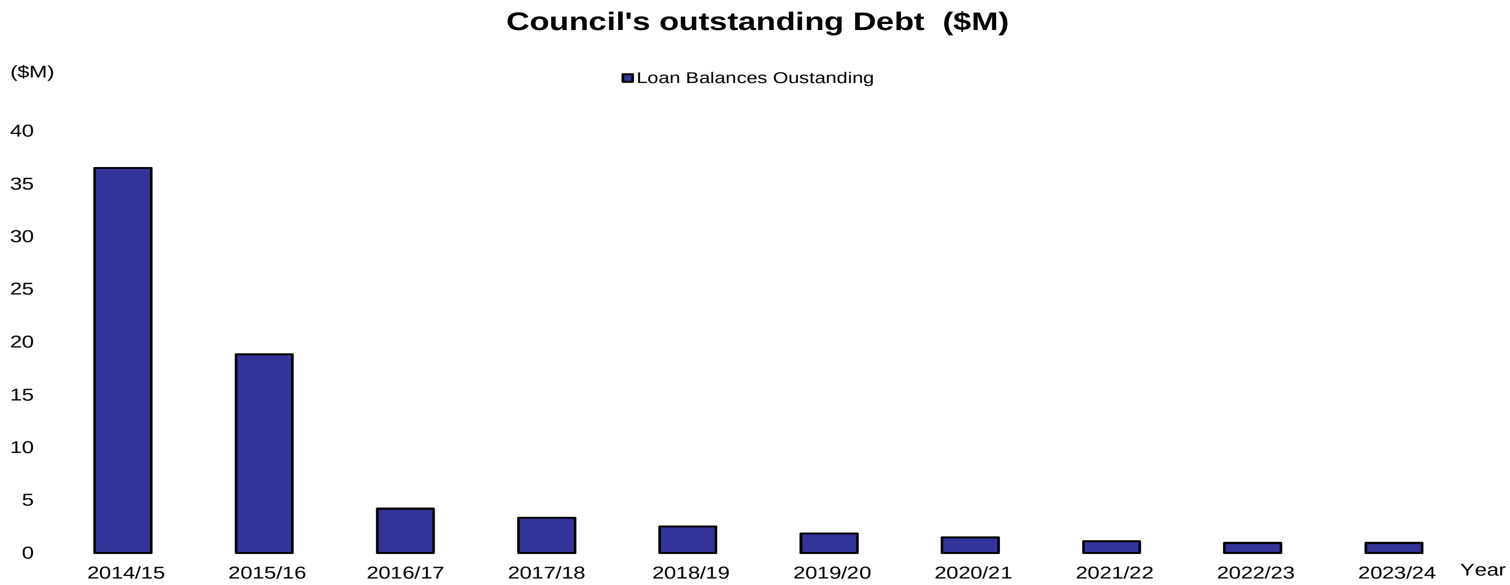
Currently no borrowings are proposed beyond 2015/16. The LTFP provides for repayments of debt to occur on either a schedule specified by the terms of individual loans or at a time where funds are available and the overall cost of debt can be reduced by making opportunistic repayments. This results in all loans being discharged by 2023/24.

Council will have borrowing capacity available in the future for capital projects. It should be noted that Council does not consider loan borrowing as a sustainable funding source for ongoing infrastructure renewal requirements. As such, the LTFP does not utilise loan borrowing for this purpose.

The following charts show Council's projected outstanding debt and the Net debt service cost for the next 10 years. Total Debt Service Cost includes total interest plus principal repayments.



The chart below shows Council's outstanding debt over a 10 year period



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.

CONCLUSION

Council's Long Term Financial Plan ensures financial sustainability, whilst maintaining service delivery to the community, renewing ageing assets, and providing for new facilities. As part of the long term planning, Council has developed strategic asset management plans and is continuously reviewing and quantifying the renewal gap for infrastructure assets, identifying opportunities to broaden the revenue base, and reviewing its borrowing strategies.

Some of the major benefits and achievements that have resulted from Council's focus on its financial sustainability and use of its long term financial plan include:

- Setting and maintaining financial key performance indicators (KPIs) that ensure Council's long term financial future.
- Providing a dynamic decision making tool that enables Council to test financial scenarios and how this may affect future projects.
- Achieving an adequate working capital balance in future years
- Funding for major projects such as North Turramurra Recreation Area and West Pymble Aquatic Centre
- Rationalising Council's cash reserves, including significant increases to internal liability reserves to meet statutory and audit requirements.
- Increasing expenditure on asset renewal by a total of $90M over 10 years (including $32.2M if the application for a special rate variation is approved)

APPENDICES Appendix A - LTFP Forecasts and Assumptions

LTFP FORECASTS AND ASSUMPTIONS	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
FORECASTS - ACCESS ECONOMICS										
CPI (Underlying - Fin Yr)	2.2%	2.6%	2.8%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Average Weekly Ord Time Earnings	2.7%	3.7%	4.6%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%
BBSW - 90 Day	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
NEW LOANS	930,000	0	0	0	0	0	0	0	0	0
COUNCIL INCOME - ASSUMPTIONS										
Rates										
Rates Pegging Forecast	2.3%	2.9%	3.3%	3.4%	3.2%	3.1%	3.2%	3.2%	3.2%	3.2%
+ Rates Growth (enhanced by 0.5% from Rates Restructure)	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Total Rates Change	3.0%	3.6%	4.0%	4.1%	3.9%	3.8%	3.9%	3.9%	3.9%	3.9%
Domestic Waste Price Increase	10.0%	10.0%	10.0%	2.0%	0.0%	1.0%	0.0%	0.0%	1.0%	1.0%
Pensioner Rebate Growth	1.7%	1.7%	1.7%	1.6%	1.6%	1.6%	1.6%	1.6%	1.5%	1.5%
Stormwater Management Charge	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
User Fees & Charges - average	2.8%	2.6%	2.8%	2.7%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Trade Waste	10.0%	10.0%	10.0%	2.0%	0.0%	1.0%	0.0%	0.0%	1.0%	1.0%
Interest Income	3.9%	4.4%	5.3%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
Recurrent Grants (CPI)	2.2%	2.6%	2.8%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
RTA Grants (Flat)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital Grants (CPI)	2.2%	2.6%	2.8%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Asset Sales ($000)	12,083	15,338	13,464	10,152	10,097	2,832	5,745	6,146	6,305	4,529
COUNCIL EXPENDITURE - ASSUMPTIONS										
Labour Costs	3.05%	2.30%	3.30%	3.40%	3.20%	3.20%	3.30%	3.30%	3.20%	3.20%
Super - new scheme compulsory increase phased in. (Old Scheme employees at set rates)	9.25%	9.25%	9.50%	10.00%	10.50%	11.00%	11.50%	12.00%	12.00%	12.00%
Training (CPI)	2.2%	2.6%	2.8%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Operating Expenses (CPI -unless special forecast applies)	2.2%	2.6%	2.8%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Materials & Contracts & Project Costs (ABS Infrastructure index forecast)	2.5%	2.2%	2.8%	2.8%	2.6%	2.6%	2.7%	2.7%	2.6%	2.6%
Loan Rate	4.70%	5.70%	6.60%	6.70%	6.70%	6.70%	6.70%	6.70%	6.70%	6.70%

Appendix B Scenario 1 - Base Case Scenario without the Special Rate Variation (SRV) for Infrastructure

10 Year Financial Plan for the Years ending 30 June 2024

Projected Income Statement

Scenario 1 - Base Case Scenario without the SRV

$ '000	Budget 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
Income from Continuing Operations										
Rates & Annual Charges	74,044	76,233	80,746	83,703	86,254	89,056	91,786	94,611	97,653	100,795
SRV for Infrastructure	-	-	-	-	-	-	-	-	-	-
User Charges & Fees	15,700	16,467	17,070	17,537	17,853	18,200	18,533	18,875	19,248	16,170
Interest & Investment Revenue	3,738	3,869	4,707	5,110	5,669	5,714	5,440	6,245	7,381	7,836
Other Revenues	9,165	9,467	9,809	11,352	11,764	12,195	12,655	13,145	13,661	14,203
Grants & Contributions for Operating Purposes	5,906	6,086	6,217	6,341	6,402	6,531	6,664	6,800	6,939	7,081
Grants & Contributions for Capital Purposes	17,479	18,019	27,481	27,858	17,184	17,616	18,147	18,546	18,155	17,242
Other Income:										
Net gains from the disposal of assets	3,745	10,338	6,464	8,952	7,597	2,282	4,245	3,646	2,805	2,529
Total Income from Continuing Operations	**129,777**	**140,479**	**152,494**	**160,853**	**152,723**	**151,594**	**157,470**	**161,868**	**165,842**	**165,856**
Total Income excluding Proceeds from Asset Sales & Capital Income	**108,553**	**112,122**	**118,549**	**124,043**	**127,942**	**131,696**	**135,078**	**139,676**	**144,882**	**146,085**
Expenses from Continuing Operations										
Employee Benefits & On-Costs	36,620	37,528	38,896	40,490	42,211	44,150	46,367	48,840	50,396	51,956
Borrowing Costs	2,091	1,196	496	159	113	72	46	29	8	-
Materials & Contracts	34,791	35,495	36,404	37,341	38,248	39,179	40,163	41,174	42,181	40,753
Depreciation & Amortisation	19,486	19,865	20,852	21,368	22,964	23,223	24,848	25,315	25,595	25,736
Other Expenses	15,755	16,145	16,573	16,991	17,419	17,858	18,310	18,772	19,246	19,212
Other Operational Projects Expenses	2,821	2,970	3,369	3,478	3,070	3,853	4,571	3,939	4,162	4,346
Total Expenses from Continuing Operations	**111,564**	**113,199**	**116,590**	**119,827**	**124,025**	**128,335**	**134,305**	**138,069**	**141,588**	**142,003**
Net Operating Result for the Year	**18,213**	**27,280**	**35,904**	**41,026**	**28,698**	**23,259**	**23,165**	**23,799**	**24,254**	**23,853**
Net Operating Result for the year before Grants & Contributions provided for Capital Purposes	**734**	**9,261**	**8,423**	**13,168**	**11,514**	**5,643**	**5,018**	**5,253**	**6,099**	**6,611**
Net Operating Result before Grants & Contributions for Capital Purposes & Asset Sales	**- 3,011**	**- 1,077**	**1,959**	**4,216**	**3,917**	**3,361**	**773**	**1,607**	**3,294**	**4,082**

10 Year Financial Plan for the Years ending 30 June 2024

Projected Balance Sheet

Scenario 1 - Base Case Scenario without the SRV

$ '000	Budget 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
ASSETS										
Current Assets										
Cash & Cash Equivalents	10,496	748	11,951	10,210	34,876	14,529	26,313	45,149	69,598	63,910
Investments	49,061	47,083	49,061	49,061	49,061	49,061	49,061	49,061	49,061	49,061
Receivables	8,988	9,304	10,919	11,387	10,251	10,515	10,751	11,119	11,441	11,165
Inventories	118	121	124	127	130	133	137	140	143	139
Other	1,334	1,365	1,409	1,445	1,468	1,522	1,576	1,597	1,640	1,608
Non-Current Asets Held for Sale	5,000	7,000	1,200	2,500	550	1,500	2,500	3,500	2,000	-
Total Current Assets	**74,999**	**65,621**	**74,663**	**74,730**	**96,337**	**77,261**	**90,338**	**110,566**	**133,884**	**125,882**
Non-Current Assets										
Investments	28,814	28,814	28,814	28,814	28,814	28,814	28,814	28,814	28,814	28,814
Receivables	213	220	233	241	249	257	265	273	281	291
Infrastructure, Property, Plant & Equipment	977,008	997,314	1,010,452	1,052,024	1,058,719	1,102,162	1,112,608	1,116,885	1,118,823	1,151,725
Intangible Assets	833	805	732	743	657	589	534	491	456	428
Total Non-Current Assets	**1,006,868**	**1,027,152**	**1,040,230**	**1,081,822**	**1,088,438**	**1,131,821**	**1,142,220**	**1,146,462**	**1,148,374**	**1,181,257**
TOTAL ASSETS	**1,081,867**	**1,092,774**	**1,114,894**	**1,156,552**	**1,184,775**	**1,209,082**	**1,232,558**	**1,257,029**	**1,282,258**	**1,307,139**
LIABILITIES										
Current Liabilities										
Payables	12,851	13,411	13,658	14,495	14,149	15,152	15,069	15,309	15,633	15,789
Borrowings	2,016	1,348	855	813	672	360	180	-	-	-
Provisions	11,376	12,059	12,662	13,295	13,960	14,658	15,390	16,160	16,968	17,816
Total Current Liabilities	**26,243**	**26,817**	**27,175**	**28,603**	**28,781**	**30,169**	**30,639**	**31,469**	**32,601**	**33,605**
Non-Current Liabilities										
Borrowings	34,468	17,501	3,343	2,529	1,858	1,497	1,317	1,137	957	957
Provisions	323	343	360	378	397	417	438	460	483	507
Total Non-Current Liabilities	**34,791**	**17,844**	**3,703**	**2,907**	**2,255**	**1,914**	**1,755**	**1,597**	**1,440**	**1,464**
TOTAL LIABILITIES	**61,035**	**44,662**	**30,878**	**31,510**	**31,035**	**32,083**	**32,394**	**33,066**	**34,041**	**35,069**
Net Assets	**1,020,832**	**1,048,112**	**1,084,016**	**1,125,042**	**1,153,740**	**1,176,999**	**1,200,164**	**1,223,963**	**1,248,217**	**1,272,070**
EQUITY										
Retained Earnings	705,214	732,494	768,398	809,424	838,122	861,381	884,546	908,345	908,800	932,198
Revaluation Reserves	315,618	315,618	315,618	315,618	315,618	315,618	315,618	315,618	339,417	339,872
Council Equity Interest	**1,020,832**	**1,048,112**	**1,084,016**	**1,125,042**	**1,153,740**	**1,176,999**	**1,200,164**	**1,223,963**	**1,248,217**	**1,272,070**
Total Equity	**1,020,832**	**1,048,112**	**1,084,016**	**1,125,042**	**1,153,740**	**1,176,999**	**1,200,164**	**1,223,963**	**1,248,217**	**1,272,070**

10 Year Financial Plan for the Years ending 30 June 2024

Projected Cash Flow Statement

Scenario 1 - Base Case Scenario without the SRV

$ '000	Budget 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
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	73,421	75,911	79,118	83,227	87,382	88,784	91,542	94,235	97,322	101,062
User Charges & Fees	15,700	16,467	17,070	17,537	17,853	18,200	18,533	18,875	19,248	16,170
Investment & Interest Revenue Received	3,738	3,869	4,707	5,110	5,669	5,714	5,440	6,245	7,381	7,836
Grants & Contributions	23,385	24,105	33,698	34,199	23,586	24,147	24,811	25,346	25,094	24,323
Bonds, Deposits & Retention amounts received	90	80	75	-	-	-	-	-	-	-
Other	9,121	9,436	9,766	11,315	11,741	12,141	12,601	13,124	13,618	14,235
Payments:									-	-
Employee Benefits & On-Costs	- 35,856	- 36,826	- 38,276	- 39,839	- 41,527	- 43,432	- 45,613	- 48,049	- 49,565	- 51,083
Materials & Contracts	- 34,483	- 34,936	- 36,156	- 36,504	- 38,594	- 38,176	- 40,246	- 40,934	- 41,857	- 40,597
Borrowing Costs	- 922	- 329	- 223	- 159	- 113	- 72	- 46	- 29	- 8	-
Bonds, Deposits & Retention amounts refunded	- 90	- 80	- 75	-	-	-	-	-	-	-
Other	- 18,576	- 19,115	- 19,942	- 20,469	- 20,489	- 21,711	- 22,881	- 22,711	- 23,408	- 23,558
Net Cash provided (or used in) Operating Activities	**35,528**	**38,583**	**49,762**	**54,417**	**45,507**	**45,594**	**44,141**	**46,103**	**47,826**	**48,388**
Cash Flows from Investing Activities										
Receipts:										
Sale of Infrastructure, Property, Plant & Equipment	12,083	15,338	13,464	10,152	10,097	2,832	5,745	6,146	6,305	4,529
Payments:										
Purchase of Infrastructure, Property, Plant & Equipment	- 31,239	- 45,143	- 40,917	- 65,454	- 30,126	- 68,102	- 37,742	- 33,053	- 29,501	- 58,605
Net Cash provided in Investing Activities	**- 19,156**	**- 29,805**	**- 27,453**	**- 55,302**	**- 20,029**	**- 65,270**	**- 31,997**	**- 26,907**	**- 23,196**	**- 54,076**
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	900	-	-	-	-	-	-	-	-	-
Payments:										
Repayment of Borrowings & Advances	- 12,270	- 18,526	- 11,106	- 855	- 813	- 672	- 360	- 360	- 180	
Net Cash Flow provided in Financing Activities	**- 11,370**	**- 18,526**	**- 11,106**	**- 855**	**- 813**	**- 672**	**- 360**	**- 360**	**- 180**	**-**
Net Increase/(Decrease) in Cash & Cash Equivalents	**5,001**	**- 9,748**	**11,203**	**- 1,740**	**24,666**	**- 20,348**	**11,784**	**18,836**	**24,450**	**- 5,688**
plus: Cash & Cash Equivalents - beginning of year	5,495	10,496	748	11,951	10,211	34,876	14,529	26,313	45,148	69,598
Cash & Cash Equivalents - end of the year	**10,496**	**748**	**11,951**	**10,211**	**34,876**	**14,529**	**26,313**	**45,148**	**69,598**	**63,910**
plus: Investments on hand - end of year	77,875	75,897	77,875	77,875	77,875	77,875	77,875	77,875	77,875	77,875
Total Cash, Cash Equivalents & Investments	**88,371**	**76,645**	**89,826**	**88,086**	**112,751**	**92,404**	**104,188**	**123,023**	**147,473**	**141,785**

Appendix C Scenario 2 - With continuation of the SRV for Infrastructure

10 Year Financial Plan for the Years ending 30 June 2024

Projected Income Statement
Scenario 2 - With continuation of SRV

$ '000	Budget 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
Income from Continuing Operations										
Rates & Annual Charges	74,044	76,233	80,746	83,702	86,253	89,055	91,784	94,609	97,650	100,792
SRV for Infrastructure	2,728	2,827	2,941	3,059	3,176	3,295	3,421	3,552	3,684	3,821
User Charges & Fees	15,700	16,467	17,070	17,537	17,853	18,200	18,533	18,875	19,248	16,170
Interest & Investment Revenue	3,743	3,881	4,723	5,126	5,685	5,731	5,459	6,264	7,400	7,856
Other Revenues	9,165	9,467	9,809	11,352	11,764	12,195	12,655	13,145	13,661	14,203
Grants & Contributions for Operating Purpc	5,906	6,086	6,217	6,341	6,402	6,531	6,664	6,800	6,939	7,081
Grants & Contributions for Capital Purpos	17,479	18,019	27,481	27,858	17,184	17,616	18,147	18,546	18,155	17,242
Other Income:										
Net gains from the disposal of assets	3,745	10,338	6,464	8,952	7,597	2,282	4,245	3,646	2,805	2,529
Total Income from Continuing Operations	**132,510**	**143,318**	**155,451**	**163,927**	**155,914**	**154,905**	**160,908**	**165,437**	**169,542**	**169,694**
Total Income excluding Proceeds from Asset Sales & Capital Income	**111,286**	**114,961**	**121,506**	**127,117**	**131,133**	**135,007**	**138,516**	**143,245**	**148,582**	**149,923**
Expenses from Continuing Operations										
Employee Benefits & On-Costs	36,620	37,528	38,896	40,490	42,211	44,150	46,367	48,840	50,396	51,956
Borrowing Costs	2,091	1,198	497	160	113	73	46	29	8	-
Materials & Contracts	34,791	35,495	36,404	37,341	38,248	39,179	40,163	41,174	42,181	40,753
Depreciation & Amortisation	19,486	19,955	21,041	21,656	23,353	23,713	25,439	26,008	26,392	26,638
Other Expenses	15,755	16,145	16,573	16,991	17,419	17,858	18,310	18,772	19,246	19,212
Other Operational Projects Expenses	2,821	2,970	3,369	3,478	3,070	3,853	4,571	3,939	4,162	4,346
Total Expenses from Continuing Operations	**111,564**	**113,291**	**116,780**	**120,116**	**124,414**	**128,826**	**134,896**	**138,762**	**142,385**	**142,905**
Net Operating Result for the Year	**20,946**	**30,027**	**38,671**	**43,811**	**31,500**	**26,079**	**26,012**	**26,675**	**27,157**	**26,789**
Net Operating Result for the year before Grants & Contributions provided for Capital Purposes	**3,467**	**12,008**	**11,190**	**15,953**	**14,316**	**8,463**	**7,865**	**8,129**	**9,002**	**9,547**
Net Operating Result before Grants & Contributions for Capital Purposes & Asset Sales	**- 278**	**1,670**	**4,726**	**7,001**	**6,719**	**6,181**	**3,620**	**4,483**	**6,197**	**7,018**

10 Year Financial Plan for the Years ending 30 June 2024

Projected Balance Sheet
Scenario 2 - With continuation of SRV

$ '000	Budget 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
ASSETS										
Current Assets										
Cash & Cash Equivalents	10,732	1,000	12,232	10,479	35,155	14,832	26,630	45,467	69,918	64,242
Investments	49,061	47,083	49,061	49,061	49,061	49,061	49,061	49,061	49,061	49,061
Receivables	9,071	9,391	11,009	11,481	10,349	10,617	10,857	11,228	11,554	11,282
Inventories	118	121	124	127	130	133	137	140	143	139
Other	1,334	1,365	1,409	1,445	1,468	1,522	1,576	1,597	1,640	1,608
Non-Current Asets Held for Sale	5,000	7,000	1,200	2,500	550	1,500	2,500	3,500	2,000	-
Total Current Assets	**75,317**	**65,960**	**75,035**	**75,093**	**96,713**	**77,665**	**90,761**	**110,994**	**134,317**	**126,332**
Non-Current Assets										
Investments	28,814	28,814	28,814	28,814	28,814	28,814	28,814	28,814	28,814	28,814
Receivables	221	228	241	250	258	266	274	283	292	302
Infrastructure, Property, Plant & Equipmen	979,504	1,002,536	1,018,405	1,062,768	1,072,247	1,118,478	1,131,755	1,138,906	1,143,744	1,179,568
Intangible Assets	833	805	732	743	657	589	534	491	456	428
Total Non-Current Assets	**1,009,372**	**1,032,383**	**1,048,192**	**1,092,575**	**1,101,975**	**1,148,147**	**1,161,377**	**1,168,494**	**1,173,306**	**1,209,111**
TOTAL ASSETS	**1,084,689**	**1,098,343**	**1,123,227**	**1,167,668**	**1,198,689**	**1,225,812**	**1,252,138**	**1,279,488**	**1,307,623**	**1,335,444**
LIABILITIES										
Current Liabilities										
Payables	12,910	13,476	13,726	14,566	14,222	15,227	15,148	15,391	15,718	15,877
Borrowings	2,016	1,348	855	813	672	360	180	-	-	-
Provisions	11,376	12,059	12,662	13,295	13,960	14,658	15,390	16,160	16,968	17,816
Total Current Liabilities	**26,302**	**26,882**	**27,243**	**28,674**	**28,854**	**30,245**	**30,718**	**31,551**	**32,686**	**33,693**
Non-Current Liabilities										
Payables	-	-	-	-	-	-	-	-	-	-
Borrowings	34,498	17,526	3,361	2,542	1,864	1,497	1,317	1,137	957	957
Provisions	323	343	360	378	397	417	438	460	483	507
Total Non-Current Liabilities	**34,821**	**17,869**	**3,721**	**2,920**	**2,261**	**1,914**	**1,755**	**1,597**	**1,440**	**1,464**
TOTAL LIABILITIES	**61,124**	**44,751**	**30,964**	**31,594**	**31,115**	**32,159**	**32,473**	**33,148**	**34,126**	**35,158**
Net Assets	**1,023,565**	**1,053,592**	**1,092,263**	**1,136,074**	**1,167,574**	**1,193,653**	**1,219,665**	**1,246,340**	**1,273,497**	**1,300,286**
EQUITY										
Retained Earnings	707,947	737,974	776,645	820,456	851,956	878,035	904,047	930,722	931,204	957,511
Revaluation Reserves	315,618	315,618	315,618	315,618	315,618	315,618	315,618	315,618	342,293	342,775
Council Equity Interest	**1,023,565**	**1,053,592**	**1,092,263**	**1,136,074**	**1,167,574**	**1,193,653**	**1,219,665**	**1,246,340**	**1,273,497**	**1,300,286**
Total Equity	**1,023,565**	**1,053,592**	**1,092,263**	**1,136,074**	**1,167,574**	**1,193,653**	**1,219,665**	**1,246,340**	**1,273,497**	**1,300,286**

10 Year Financial Plan for the Years ending 30 June 2024

Projected Cash Flow Statement

Scenario 2 - With continuation of SRV

$ '000	Budget 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
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	76,058	78,734	82,055	86,281	90,553	92,074	94,957	97,781	100,999	104,875
User Charges & Fees	15,700	16,467	17,070	17,537	17,853	18,200	18,533	18,875	19,248	16,170
Investment & Interest Revenue Received	3,743	3,881	4,723	5,126	5,685	5,731	5,459	6,264	7,400	7,856
Grants & Contributions	23,385	24,105	33,698	34,199	23,586	24,147	24,811	25,346	25,094	24,323
Bonds, Deposits & Retention amounts received	90	80	75	-	-	-	-	-	-	-
Other	9,121	9,436	9,766	11,315	11,741	12,141	12,601	13,124	13,618	14,235
Payments:									-	-
Employee Benefits & On-Costs	- 35,856	- 36,826	- 38,276	- 39,839	- 41,527	- 43,432	- 45,613	- 48,049	- 49,565	- 51,083
Materials & Contracts	- 34,424	- 34,930	- 36,154	- 36,501	- 38,592	- 38,174	- 40,243	- 40,931	- 41,854	- 40,594
Borrowing Costs	- 922	- 331	- 224	- 160	- 113	- 73	- 46	- 29	- 8	-
Bonds, Deposits & Retention amounts refunded	- 90	- 80	- 75	-	-	-	-	-	-	-
Other	- 18,576	- 19,115	- 19,942	- 20,469	- 20,489	- 21,711	- 22,881	- 22,711	- 23,408	- 23,558
Net Cash provided (or used in) Operating Activities	**38,229**	**41,421**	**52,716**	**57,490**	**48,697**	**48,903**	**47,578**	**49,671**	**51,525**	**52,224**
Cash Flows from Investing Activities										
Receipts:										
Sale of Infrastructure, Property, Plant & Equipment	12,083	15,338	13,464	10,152	10,097	2,832	5,745	6,146	6,305	4,529
Payments:										
Purchase of Infrastructure, Property, Plant & Equipment	- 33,735	- 47,959	- 43,837	- 68,533	- 33,299	- 71,380	- 41,164	- 36,620	- 33,198	- 62,429
Net Cash provided in Investing Activities	**- 21,652**	**- 32,621**	**- 30,373**	**- 58,381**	**- 23,202**	**- 68,548**	**- 35,419**	**- 30,474**	**- 26,893**	**- 57,900**
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	930	-	-	-	-	-	-	-	-	-
Payments:										
Repayment of Borrowings & Advances	- 12,270	- 18,531	- 11,111	- 861	- 819	- 679	- 360	- 360	- 180	
Net Cash Flow provided in Financing Activities	**- 11,340**	**- 18,531**	**- 11,111**	**- 861**	**- 819**	**- 679**	**- 360**	**- 360**	**- 180**	**-**
Net Increase/(Decrease) in Cash & Cash Equivalents	**5,237**	**- 9,731**	**11,232**	**- 1,753**	**24,676**	**- 20,324**	**11,799**	**18,837**	**24,452**	**- 5,676**
plus: Cash & Cash Equivalents - beginning of year	5,495	10,732	1,001	12,232	10,479	35,155	14,831	26,630	45,467	69,918
Cash & Cash Equivalents - end of the year	**10,732**	**1,001**	**12,232**	**10,479**	**35,155**	**14,831**	**26,630**	**45,467**	**69,918**	**64,242**
plus: Investments on hand - end of year	77,875	75,897	77,875	77,875	77,875	77,875	77,875	77,875	77,875	77,875
Total Cash, Cash Equivalents & Investments	**88,607**	**76,898**	**90,107**	**88,354**	**113,030**	**92,706**	**104,505**	**123,342**	**147,793**	**142,117**

February 2014