

2013 Update on Long Term Financial Plan



May 2013





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Introduction

This document should be read in conjunction with Council's Long Term Financial Plan prepared in 2011. The Plan was developed to:

- confirm and communicate Council's financial objectives and current forecasts for the planning period; and
- guide the preparation of Council's Annual Budgets within the context of longer term financial sustainability.

The Plan is not a static document, but is reviewed annually as part of Council's strategic planning and budget process and is updated to reflect changing internal and external circumstances.

This Update revises projections based on the past 12 months of operations. Compared to the 2012 revised plan it shows an improved projected cash position as at 2022 of \$21,407,000, up \$9,603,000. Consequently all Council's Key Performance Indicators have improved. The improved result is largely attributable to the increased level of \$94 Capital Contributions received and estimated to be received.

Council will continue to refine its financial modelling in the coming years to ensure Council is financially sustainable, whilst maintaining its infrastructure and delivering high quality services.

Craig Wrightson
General Manager



Measuring Financial Performance

Council measures its financial performance reporting in accordance with Note 13 - Statement of Performance Measures, of the BSW Local Government Accounting Code.

Council reviews its Long Term Financial Plan each year as part of the development of the annual Operational Plan. The review will include an assessment of the previous year's performance in terms of the accuracy of the projections made in the LTFP compared to the actual results. Assumptions are adjusted to improve the accuracy of the LTFP over the longer term. The major indicators include:-

Name of Measure	What it Measures	Target	Equation
Available Working Capital	Liquidity or net financial position	\$1.5M	Net Current Assets less all Restricted Assets
Unrestricted Current Ratio	Council's ability to meet its financial obligations such as paying for goods and services supplied.	>150%	$\frac{\text{Current Assets less all External Restrictions}}{\text{Current Liabilities less Specific Purpose Liabilities}}$
Building and Infrastructure Renewals Ratio	The renewal of building and infrastructure assets compared to rate at which the assets depreciate.	100%	$\frac{\text{Amount of Asset Renewals}}{\text{Depreciation Expense for the Assets.}}$
Percentage Dependence on Rate Revenue	The degree of Council's reliance upon revenue from rates and annual charges.	<70%	$\frac{\text{Rates and Annual Charges}}{\text{Revenue from Continuing Operations}}$
Debt Service Ratio	The degree to which revenues from continuing operations are committed to the repayment of debt.	<10%	$\frac{\text{Debt Service Cost}}{\text{Income from Continuing Operations excl Cap.}}$
Outstanding Rates & Annual Charges	The impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts	<3%	$\frac{\text{Outstanding Rates and Annual Charges}}{\text{Revenue from Rates & Annual Charges Collectible}}$

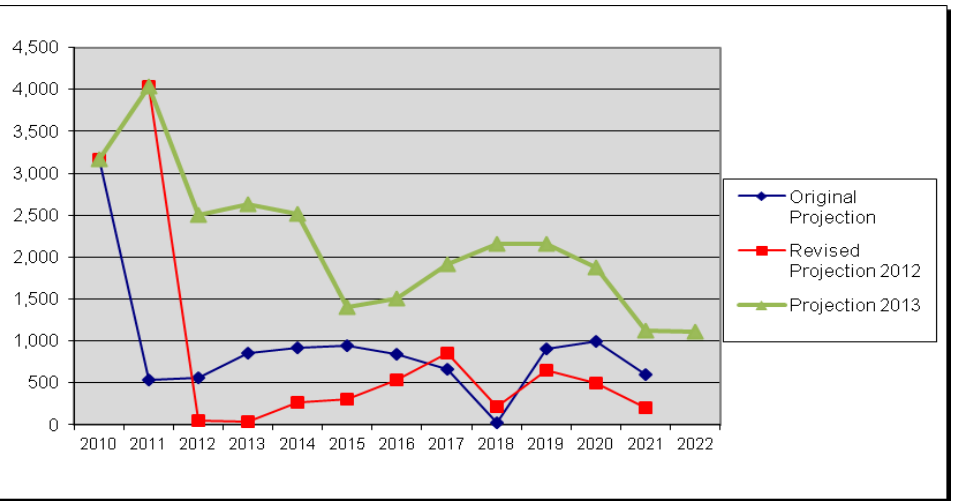


Current Financial Position

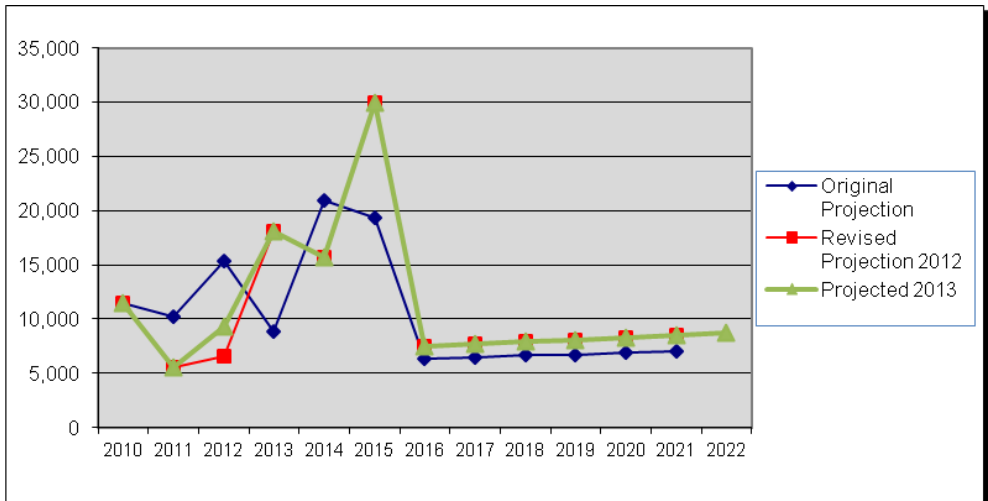
Council's current financial position continues to remain sound. The audited Financial Statements at the 30 June 2012 indicated that Council's internally restricted cash reserves totalled \$12.0M and its externally restricted cash reserves (such as developer contributions (S94), grants and special levies) totalled \$6.6M. The key performance measures upon which council is measured are listed below, all are within the appropriate ranges: -

- Unrestricted Current Ratio; 3.48:1 (a healthy range is above 1.5:1).
- Debt Service Ratio; 0% (a healthy range is below 10%).
- Rates and Annual Charges Outstanding; 2.43% (a healthy range is below 5%).
- Building and Infrastructure Renewals Ratio; 135% indicates that infrastructure assets are being renewed at 135% of the rate of which they are depreciating (up from 72% last year) reflecting the first year effect of Council's Ten Year Plan to address the infrastructure backlog of \$22.9M.
- Available Working Capital; \$3.9M (well above Councils target of \$1.5M).
- The % of expenditure applied to employee costs, 39.3% (based on the 2009/10 Department of Local Government Comparative Information, Lane Cove had the fourth lowest % of all category 2 and 3 councils (31 councils). For the year ended 30 June 2012 the % of expenditure applied to employee costs was 38.24%.

Cash Flow



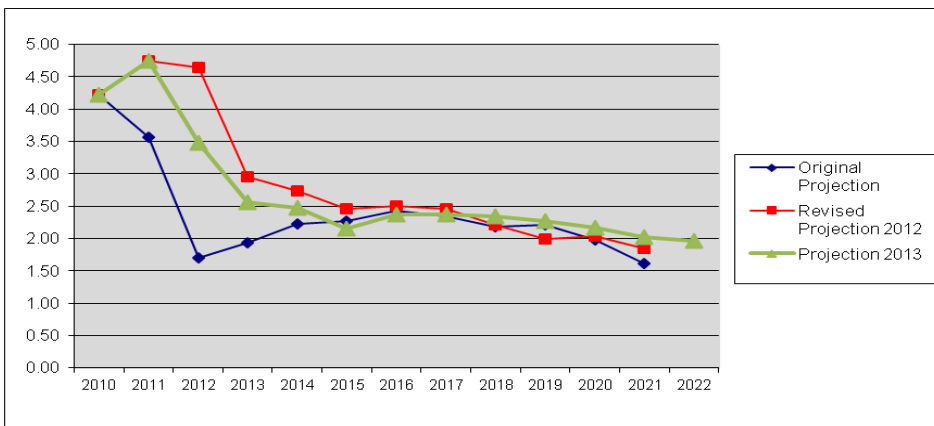
Capital Expenditure



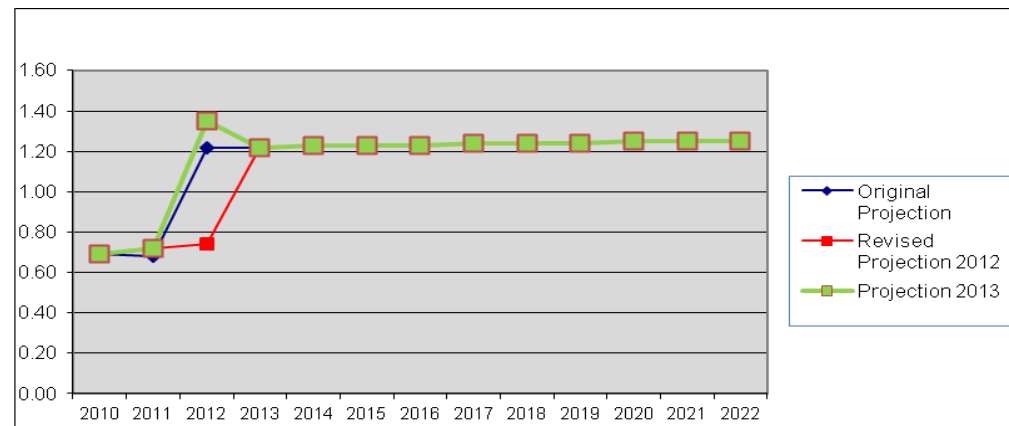


Current Financial Position - continued

Unrestricted Current Ratio



Building and Infrastructure Renewal Ratio



Council has achieved this financial position whilst also delivering significant community assets without the use of debt. These included:-

- 2001 Council opened a state-of-the-art Aquatic Centre, \$10M.
- 2005 added an additional floor to the LC Community Centre, \$1M.
- 2008 commenced a Neighbourhood Shopping Centres Upgrades Program, \$1M plus.
- 2009 Council purchased and converted the LC Police Station to a Child Care Centre, \$1.8M.
- 2009, in a joint deal with Woolworths, Lane Cove Market Square opened with new retail arcade, gymnasium, 320 car parking spaces. In 2010 a 3300 sqm state-of-the-art Library facility opened at a cost of \$12M.
- 2011 Council called tenders for the construction of a new Meeting House Community Centre and Child Care Centre in Lane Cove North, \$4.5M. This project is due for completion in April 2013.
- 2012 Council obtained Development Approval for a mixed Use Residential and Retail Development in Little Street, Lane Cove, which will deliver 200 public car spaces, 1170sqm of community and retail space, funded through the sale of residential units. \$33M
- 2012 Council completed the conversion of the top floor of the Lane Cove Community Centre into Gallery Lane Cove, a permanent Art Gallery \$0.5M.
- 2012/13 Council committed to the expansion of the gymnasium within the Lane Cove Aquatic Centre, \$2.65M

Council over the next 10 years will continue to upgrade community facilities through the continued implementation of the Major Projects Strategic Plan, which is designed to deliver \$55M in community assets through property development.



Key Financial Assumptions

In order to undertake financial modelling, key assumptions must be made. The following assumptions have been used in the modelling within the plan.

Category	Commentary	Assumption
Rates	Indexed by estimated NSW State Government rate pegging.	3.25%
Rates and Annual Charges Growth	Growth based on new properties, 3400 additional dwellings by 2031.	0.5%
User Charges and Fees	Estimated annual increases of	5%
Interest and Investment Revenue	Not indexed to CPI, based on average real expected yield of	5% to year 2017 and 4% from year 2018 to year 2022
Grants and Contributions – Operating	Estimated annual increases of	3%
Grants and Contributions – Capital	Estimated annual increases of	4.25%
Other Revenue	Estimated annual increases of	3.5%
Employee Benefits and On Costs	In line with award entitlements and on-costs including estimated Superannuation and Workers Compensation costs etc.	6%
Materials and Contracts	Based on estimated annual increases of	3%
Other Expenses	Includes government levies and utilities, based on estimated annual increases of	3%
Borrowing Costs	Based on indicative Local Government borrowing loan costs.	6.5%



Current Financial Plan Scenario

Statement of Comprehensive Income

All figures \$,000

	Actual 2010	Actual 2011	Actual 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022
Income													
Net 6% Infra Levy			1035	1,074	1,114	1,156	1,199	1,244	1,291	1,339	1,389	1,442	1,496
Rates and annual charges	21,528	21,961	22,638	23,183	24,052	24,954	25,890	26,861	27,868	28,913	29,998	31,123	32,290
User charges and fees	4,156	4,631	4,725	5,156	5,414	5,684	5,969	6,267	6,581	6,910	7,255	7,618	7,999
Interest and investment revenue	1,423	1,659	1,763	1,500	1,132	1,125	1,035	1,140	1,160	938	938	923	897
Other Revenue	5,796	1,884	3,067	1,992	2,062	2,134	2,209	2,286	2,366	2,449	2,534	2,623	2,715
Grants and contributions - operating	1,870	2,263	3,725	2,431	2,504	2,579	2,656	2,736	2,818	2,903	2,990	3,080	3,172
Grants and contributions - capital	9,149	2,671	1,611	4,574	2,000	2,085	2,174	2,266	2,362	2,463	2,567	2,676	2,790
Net gain from the disposal of assets	1,906	155	142	50	50	50	50	50	50	50	50	50	50
Joint ventures and associates	27	210	197	75	75	75	75	75	75	75	75	75	75
Total income	45,855	35,434	38,903	40,035	38,403	39,843	41,257	42,925	44,571	46,039	47,797	49,609	51,483
Expenses													
Employee benefits and on-costs	12,304	12,562	13,811	15,042	15,945	16,901	17,915	18,990	20,130	21,337	22,618	23,975	25,413
Borrowing costs	0	0	0	0	520	2,015	0	0	0	0	0	0	0
Materials and contracts	9,980	10,370	13,112	11,217	11,554	11,900	12,257	12,625	13,004	13,394	13,795	14,209	14,636
Depreciation and amortisation	5,336	5,685	5,805	6,009	6,129	6,252	6,377	6,504	6,634	6,767	6,902	7,041	7,181
Impairment	0	0	0	0	0	0	0	0	0	0	0	0	0
Other expenses	3,686	4,581	3,387	3,162	3,257	3,355	3,455	3,559	3,666	3,776	3,889	4,006	4,126
Interest and investment losses	0	0	0	0	0	0	0	0	0	0	0	0	0
Net loss from the disposal of assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Joint ventures and associates	0	0	0	0	0	0	0	0	0	0	0	0	0
Total expense	31,306	33,198	36,115	35,430	37,404	40,423	40,004	41,678	43,433	45,274	47,204	49,230	51,356
Net operating result for the year	14,549	2,236	2,788	4,605	999	-580	1,252	1,247	1,138	765	592	379	127
Other comprehensive income													
Gain or loss on revaluation of assets	41,306	71,144	0	0	0	0	0	0	0	0	0	0	0.0%
Correct P.Y. Depreciation errors	61,186	-527,628	0	0	0	0	0	0	0	0	0	0	0.0%
Total other comprehensive income	102,492	-456,484	0	0	0	0	0	0	0	0	0	0	0
Total comprehensive income	117,041	-454,248	2,788	4,605	999	-580	1,252	1,247	1,138	765	592	379	127
Attributable to council	117,041	-454,248	2,788	4,605	999	-580	1,252	1,247	1,138	765	592	379	127
	117,041	-454,248	2,788	4,605	999	-580	1,252	1,247	1,138	765	592	379	127



Current Financial Plan Scenario

Cash Flow Statement

All figures \$,000

	Actual 2010	Actual 2011	Actual 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022
(1) Cash flows from operating activities													
Receipts	30,769	34,411	40,005	40,035	38,403	39,843	41,257	42,925	44,571	46,039	47,797	49,609	51,483
Payments	-23,450	-25,406	-30,260	-29,421	-31,275	-34,171	-33,627	-35,174	-36,799	-38,372	-40,302	-42,189	-44,175
Net cash provided by (or used in) operating activities	7,319	9,005	9,745	10,614	7,128	5,672	7,630	7,751	7,772	7,667	7,495	7,420	7,308
(2) Cash flows from investing activities													
Receipts:													
Sale of investments	27,000	17,500	15,570	5,500	0	700	0	0	0	0	0	0	1,000
Sale of infrastructure, property, plant and equipment	2,307	374	524	3,100	400	400	32,000	400	400	400	400	400	400
Payments:													
Purchase of investments	-22,500	-20,470	-18,100	0	0	0	-2,000						
Purchase of infrastructure, property, plant & equipment	-11,475	-5,549	-9,268	-19,081	-15,654	-29,882	-7,529	-7,737	-7,923	-8,074	-8,265	-8,477	-8,731
Net cash provided by (or used in) investing activities	-4,668	-8,145	-11,274	-10,481	-15,254	-28,782	22,471	-7,337	-7,523	-7,674	-7,865	-8,077	-7,331
(3) Cash flows from financing activities													
Receipts - Borrowings	0	0	0	0	8,000	22,000	0	0	0	0	0	0	0
Payments - Borrowings	0	0	0	0	0	0	-30,000	0	0	0	0	0	0
Net cash provided by (or used in) financing activities	0	0	0	0	8,000	22,000	-30,000	0	0	0	0	0	0
Net increase (decrease) in cash and cash equivalents	2,651	860	-1,529	133	-126	-1,110	101	414	249	-7	-370	-657	-23
Cash and cash equivalents at beginning of reporting period	521	3,172	4,032	2,503	2,636	2,510	1,400	1,501	1,915	2,164	2,157	1,787	1,130
Cash and cash equivalents at end of reporting period	3,172	4,032	2,503	2,636	2,510	1,400	1,501	1,915	2,164	2,157	1,787	1,130	1,107
Cash and Investments													
Cash at Bank (Overdraft)													
External restrictions	3,487	5,490	6,601	6,601	6,601	6,601	6,601	6,601	6,601	6,601	6,601	6,601	6,601
Internal restrictions	10,087	11,277	11,993	11,993	11,993	11,993	11,993	11,993	11,993	11,993	11,993	11,993	11,993
Unrestricted	9,598	10,235	9,409	4,042	3,916	2,106	4,207	4,621	4,870	4,863	4,493	3,836	2,813
Total	23,172	27,002	28,003	22,636	22,510	20,700	22,801	23,215	23,464	23,457	23,087	22,430	21,407



Current Financial Plan Scenario

Balance Sheet

All figures \$,000

Assets

Current assets

Cash and cash equivalents
Investments
Receivables
Inventories
Other

Total current assets

Non-current assets

Investments
Receivables
Infrastructure, property, plant & equip.
Investments accounted for using equity method
Investment property

Total non-current assets

Total assets

Liabilities

Current liabilities

Payables
Borrowings
Provisions

Total current liabilities

Non-current liabilities

Payables
Borrowings
Provisions

Total non-current liabilities

Total liabilities

Net assets

Equity

Retained earnings
Revaluation reserves
Council equity interest
Minority equity interest

Total equity

	Actual 2010	Actual 2011	Actual 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022
Assets													
Current assets													
Cash and cash equivalents	3,172	4,032	2,503	2,636	2,510	1,400	1,501	1,915	2,164	2,157	1,787	1,130	1,107
Investments	20,000	22,970	25,500	19,867	20,000	19,300	21,300	21,300	21,300	21,300	21,300	21,300	20,300
Receivables	1,034	1,203	1,277	1,315	1,355	1,395	1,437	1,480	1,525	1,571	1,618	1,666	1,716
Inventories	15	16	16	13	15	15	15	15	15	15	15	15	15
Other	0	22	0	0	0	0	0	0	0	0	0	0	0
Total current assets	24,221	28,243	29,296	23,831	23,880	22,110	24,253	24,710	25,004	25,043	24,720	24,111	23,138
Non-current assets													
Investments	0	0	0	0	0	0	0	0	0	0	0	0	0
Receivables	84	86	95	98	101	104	107	110	113	117	120	124	128
Infrastructure, property, plant & equip.	907,877	449,704	452,785	462,848	463,788	464,964	464,054	464,823	465,641	466,334	467,213	468,160	469,214
Investments accounted for using equity method	408	619	816	824	832	841	849	858	866	875	884	892	901
Investment property	4,880	5,100	5,315	5,528	5,749	5,979	6,218	6,467	6,725	6,994	7,274	7,565	7,867
Total non-current assets	913,249	455,509	459,011	469,298	470,470	471,887	471,228	472,257	473,345	474,320	475,491	476,741	478,110
Total assets	937,470	483,752	488,307	493,129	494,350	493,997	495,481	496,967	498,349	499,363	500,211	500,852	501,248
Liabilities													
Current liabilities													
Payables	4,727	5,190	6,840	6,908	6,977	7,047	7,118	7,189	7,261	7,333	7,407	7,481	7,556
Borrowings	0	0	0	0	0	0	0	0	0	0	0	0	0
Provisions	4,536	4,557	4,717	4,859	5,004	5,154	5,309	5,468	5,632	5,801	5,975	6,155	6,339
Total current liabilities	9,263	9,747	11,557	11,767	11,982	12,202	12,427	12,657	12,893	13,135	13,382	13,635	13,895
Non-current liabilities													
Payables													
Borrowings	0	0	0	0			0	0	0	0	0	0	
Provisions	226	292	229	236	243	250	258	265	273	282	290	299	308
Total non-current liabilities	226	292	229	236	243	250	258	265	273	282	290	299	308
Total liabilities	9,489	10,039	11,786	12,003	12,225	12,452	12,684	12,923	13,167	13,416	13,672	13,934	14,203
Net assets	927,981	473,713	476,521	481,126	482,125	481,545	482,797	484,044	485,182	485,947	486,539	486,918	487,045
Equity													
Retained earnings	811,786	286,394	289,182	293,787	294,786	294,206	295,458	296,705	297,843	298,608	299,200	299,579	299,706
Revaluation reserves	116,195	187,339	187,339	187,339	187,339	187,339	187,339	187,339	187,339	187,339	187,339	187,339	187,339
Council equity interest													
Minority equity interest													
Total equity	927,981	473,733	476,521	481,126	482,125	481,545	482,797	484,044	485,182	485,947	486,539	486,918	487,045



Current Financial Plan Scenario

Capital Expenditure

All figures \$,000

Plant and equipment

Office equipment

Furniture and fittings

Land:

- Operational land

- Community land

Buildings

Roads, bridges, footpaths

Stormwater drainage

Library books

Total Capital Expenditure

	Actual 2010	Actual 2011	Actual 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022
Plant and equipment	302	716	1,162	735	669	686	552	575	575	550	550	550	567
Office equipment	281	168	137	186	190	196	185	190	200	180	185	190	196
Furniture and fittings	2	51	0	26	26	27	20	20	15	20	15	20	21
Land:													
- Operational land	0	0	0	0	0	0	0	0	0	0	0	0	0
- Community land	6	86	0	0	0	0	0	0	0	0	0	0	0
Buildings	8,908	1,827	3,297	9,352	9,126	23,163	2,316	2,378	2,444	2,511	2,581	2,652	2731
Roads, bridges, footpaths	1,557	2,101	3,833	6,073	3,853	3,956	2,860	2,934	3,010	3,088	3,167	3,249	3346
Stormwater drainage	119	308	537	1,425	1,479	1,535	1,276	1,315	1,354	1,395	1,437	1,481	1525
Library books	300	292	302	303	311	319	320	325	325	330	330	335	345
Total Capital Expenditure	11,475	5,549	9,268	18,100	15,654	29,882	7,529	7,737	7,923	8,074	8,265	8,477	8,731

Performance Indicators

Unrestricted current ratio

Debt service ratio

Rate coverage ratio

Rates & annual charges
outstanding percentage

Building and infrastructure
renewals ratio

	Actual 2010	Actual 2011	Actual 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022
Unrestricted current ratio	4.22	4.74	3.48	2.56	2.48	2.16	2.38	2.37	2.34	2.27	2.17	2.03	1.97
Debt service ratio	0.00	0.00	0.00	0.00	1.31	1.27	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rate coverage ratio	0.47	0.62	0.61	0.61	0.66	0.66	0.65	0.65	0.65	0.66	0.66	0.66	0.66
Rates & annual charges outstanding percentage	1.80	1.92	2.43	1.96	2.02	2.09	2.15	2.21	2.28	2.35	2.42	2.50	2.50
Building and infrastructure renewals ratio	0.69	0.72	1.35	1.22	1.23	1.23	1.23	1.24	1.24	1.24	1.25	1.25	1.25