

diverse,  
dynamic,  
progressive

# BLACKTOWN CITY 2030

CITY OF EXCELLENCE

## LONG TERM FINANCIAL PLAN 2013-2023

RESOURCING OUR VISION





## **Explanatory Note**

This document is a **proposed revision of Blacktown City Council's Long Term Financial Plan 2013-2023**.

The Long Term Financial Plan was adopted as part of Council's Integrated Planning and Reporting Framework on 26 June 2013.

The purpose of this revision is to reflect, in all relevant sections of the Long Term Financial Plan, the proposed **Special Rate Variation for 2014/2015** which Council is seeking as part of its funding strategy for Infrastructure Asset Renewal.

Accordingly, additional information has been provided in this document wherever relevant to the proposed funding strategy. The key areas of new and revised information are indicated below.

Other information in the document has been updated in order to reflect Council's current financial position and future assumptions.

Council's existing Long Term Financial Plan 2013-2023, adopted in June 2013, is published on Council's website and on the consultation website [www.yoursay.blacktown.nsw.gov.au](http://www.yoursay.blacktown.nsw.gov.au)

### **Key new / amended sections in this revised Long Term Financial Plan:**

Page 18	Asset Renewal funding
Page 23	Asset Renewal Funding Options
Page 28	Asset Renewal Funding strategy
Page 53	Appendix 8 – Base Case plus Enhanced Asset Management funded by SPECIAL RATE VARIATION
Page 56	Appendix 9 – Balanced Base Case plus Enhanced Asset Management funded by SPECIAL RATE VARIATION

## CONTENTS

Introduction.....	1
Responding to Legislative Requirements.....	1
Objectives .....	2
Balanced Budgets .....	2
Ongoing Identification of Improvements .....	2
Employee Leave Entitlement Reserve .....	2
Workers Compensation Reserve .....	2
Unrestricted Current Ratio .....	3
Debt Service Ratio .....	3
Rates and Annual Charges Outstanding Ratio .....	3
Prudent Investment Management .....	3
LTFP Assumptions.....	4
Population .....	4
Levels of Service to the Community .....	5
Revenue .....	5
Rates and Charges .....	5
Interest and Investment Revenue .....	7
User Charges and Fees.....	8
Other Revenues .....	9
Grants and Contributions .....	9
Section 94 Developer Contributions.....	9
Expenditure .....	9
Employee Costs.....	9
Materials and Contracts .....	10
Debt Servicing.....	11
Depreciation .....	11
Other Operating Expenses.....	11
Carbon Pricing Mechanism .....	12
Capital Works Program .....	12

Council’s Current Financial Position .....	14
Future Financial Challenges .....	16
Rate Pegging .....	16
Section 94 Developer Contributions Cap.....	16
Cost Shifting.....	18
Asset Renewal funding .....	18
Asset Renewal Funding Options .....	23
Asset Renewal Funding strategy.....	28
Sensitivity Analysis.....	31
Scenarios.....	32
Performance Monitoring .....	33
Appendix 1– Assumptions used in LTFP.....	34
Appendix 2 – Sensitivity Testing .....	35
Rates .....	35
Employment Costs .....	36
CPI.....	36
Appendix 3 – Base Case Scenario .....	38
Appendix 4 – Optimistic Case Scenario .....	41
Appendix 5 – Pessimistic Case Scenario .....	44
Appendix 6 – Balanced Base Case Scenario.....	47
Appendix 7 – Base Case Plus Enhanced Asset Management.....	50
Appendix 8 – Base Case plus Enhanced Asset Management funded by SPECIAL RATE VARIATION .....	53
Appendix 9 – Balanced Base Case plus Enhanced Asset Management funded by SPECIAL RATE VARIATION .....	56



## INTRODUCTION

Council's Long Term Financial Plan (LTFP) contains a forecast of Council's revenue and expenditure for the ten year period from 2013/14 to 2022/23. In preparing the LTFP, Council engaged the services of an independent Actuary to provide advice and feedback to help validate the integrity of the data and the underlying assumptions and methodology applied in developing the plan.

The LTFP is based on Council's adopted 2013/14 budget, which is the base year of the LTFP. Future years in the LTFP are based on a range of assumptions used to project future revenue and expenditure. In addition to revenue and expenditure forecasts, the LTFP also includes a projection of Council's balance sheet and cash flow.

The primary purpose of the model is to assist in long term decision making regarding the prioritisation of the services delivered by Council and what assets and financial resources are required to provide those services. The model serves as a guide to Council's future financial positions. However, the projections contained in the LTFP are subject to changes in a variety of external factors as well as major decisions made by Council. Hence, it is necessary to regularly review and monitor a variety of factors and if necessary revise the projections contained in Council's LTFP. Accordingly, and in keeping with the legislative requirements outlined below, the LTFP is revised annually as part of Council's annual Budget process.

## RESPONDING TO LEGISLATIVE REQUIREMENTS

In 2009 the Division of Local Government implemented the Integrated Planning & Reporting (IP&R) framework relating to the Strategic Planning processes and requirements for NSW councils. The Integrated Planning and Reporting requirements require NSW councils to develop a Resourcing Strategy to assist in developing its planning documents. The Resourcing Strategy comprises the following three components:

- Asset Management Strategy
- Workforce Management Plan
- Long Term Financial Plan

The three components of the resourcing strategy cannot be developed in isolation. Rather, all three need to be considered together in order to identify the available money, assets and people to carry out the diverse range of services, activities and programs identified as Council continues to work towards *Blacktown City 2030 – City of Excellence*.

The LTFP contains information based on financial modelling to assist in making future strategic decisions. To do so, the LTFP has been developed to provide a framework that assists in:

- Facilitating strategic decision making to address significant issues facing Council in the medium to long term.
- Identifying potential future deficits or resourcing shortfalls.
- Assessing the financial resources required to achieve Council's medium and long term objectives.
- Measuring and comparing the long term financial impact of different policies and strategies and managing these accordingly.
- Providing an indication of Council's future financial position based on specified levels of service.
- Assessing whether current service levels are sustainable and testing the impact of different service levels.

The LTFP must cover a minimum period of ten years. Over this period the level of detail contained in the LTFP will vary depending on the year under consideration, with greater detail in earlier years, less in later years.

Over the longer term, it is anticipated there will be changes in the factors used to develop long term projections, such as the annual rate pegging limit and CPI. As it is not possible to accurately predict these trends the LTFP contains a number of different scenarios in order to assess the likely future impact of changes in these factors. The impact of alternative scenarios have been modelled and are shown later in this document.

## OBJECTIVES

In preparing the LTFP a number of core objectives of Council have been considered. These objectives are listed below.

## BALANCED BUDGETS

Council has a longstanding commitment to adopting balanced budgets. Accordingly, whilst some of the scenarios contained in the LTFP show deficits in future years, notwithstanding these projections Council will always adopt balanced budgets. Deficits shown in future years for certain scenarios are only provided as a projection on existing financial trends, and do not mean Council intends to have budgeted deficits. Regular reviews of current strategies and investigating potential options to both enhance revenue and reduce expenditure will be undertaken as one of Council's key objectives is to achieve ongoing efficiency improvements whilst maintaining excellent service delivery.

## ONGOING IDENTIFICATION OF IMPROVEMENTS

Council has a longstanding commitment to reducing costs while providing services required by an expanding city. For over a decade, when setting the parameters to prepare annual budgets, all operating costs, with the exception of employment related costs, have not been increased. Increases in these budgets are only approved after all other options have been thoroughly considered. It is estimated that this practice helps derive annual savings of approximately \$1 million.

## EMPLOYEE LEAVE ENTITLEMENT RESERVE

Council employees accrue leave in accordance with the provisions contained in the Local Government Award. Council maintains an internally restricted asset to assist in the funding of employee leave entitlements (ELE), that is, the future cost of undertaking leave held by staff. Council's practice has been to ensure the amount held in this reserve equates to approximately 20% of the total ELE provision. The LTFP assumes that this practice will be maintained over the ten year period covered by the LTFP.

## WORKERS COMPENSATION RESERVE

Since 1991, Council has been self-insured for workers compensation. A condition of being approved to hold a self-insured workers compensation license is that Council must provide a Bank Guarantee to secure total outstanding claims liabilities. The amount required to be held is based on an assessment conducted annually by an independent actuary.

Although it is not mandatory, Council has traditionally supported this bank guarantee with an internally restricted reserve, called the Workers Compensation Reserve. Council's practice has been to ensure that the amount held in this reserve is equal to 100% of the outstanding workers compensation liability as determined by actuarial assessment. In response to increased costs in this area, Council adopted in 2011 a funding strategy which will decrease this reserve to around 70%, but return the reserve to 100% of the anticipated future provision within 10 years.



## UNRESTRICTED CURRENT RATIO

The unrestricted current ratio is a measure of whether a Council has sufficient liquid assets available to meet short term commitments, after excluding certain restricted assets (such as unspent S94 Contributions and Grants). As a general rule the target/healthy ratio is 100% or greater. That is, for every \$1 of liability there is \$1 of asset to cover it. It is an objective of the LTFP that Council's unrestricted current ratio remains greater than 100% for the ten year period covered by the LTFP.

## DEBT SERVICE RATIO

The debt service ratio represents the percentage of Council's total operating revenue that is attributable to net debt servicing costs. For large urban councils it is considered prudent that the debt servicing ratio does not exceed 10%. Council has maintained a sound financial position whilst being completely debt free for more than a decade. One of Council's objectives is ensuring that its debt servicing ratio continues to fall below the target of 10%.

## RATES AND ANNUAL CHARGES OUTSTANDING RATIO

This ratio measures the percentage of a council's total rates and annual charges that is outstanding. It is accepted that for large urban councils this ratio should remain below 5%. Over the ten year period covered by the LTFP, Council will endeavour to remain within this target.

## PRUDENT INVESTMENT MANAGEMENT

Council has a longstanding philosophy of prudent and conservative management of its investment portfolio. In keeping with this approach Council's investment portfolio comprises mainly of investment products which are both high rated and low risk. Council will continue this approach in the future and this is reflected in the interest revenue projections contained in the LTFP.

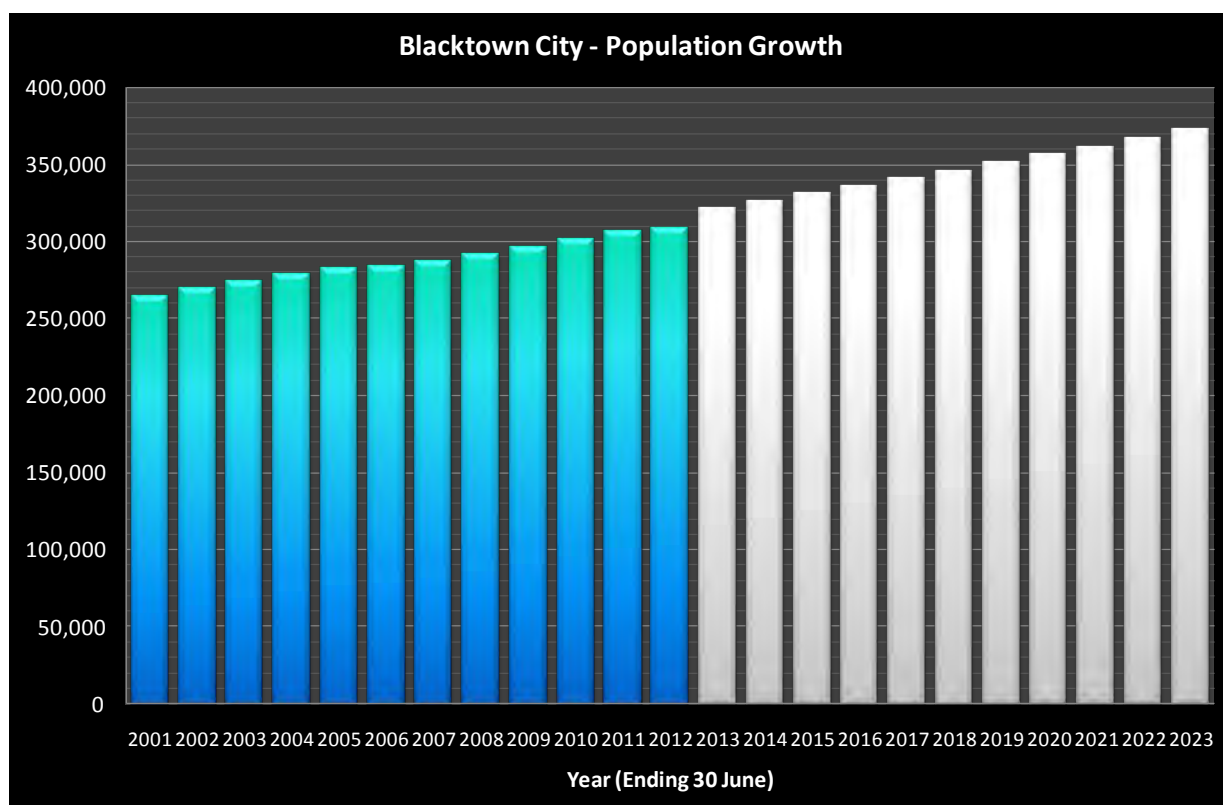
## LTFP ASSUMPTIONS

In preparing Council's LTFP, projections on future financial trends have been based on a number of assumptions. These assumptions are explained below.

### POPULATION

Growth in population has a major impact on Council's future revenues and expenses. Blacktown City's high rate of growth will continue for quite some time, with Blacktown being the major location of the North West Growth Centre. This phase in Blacktown's growth will see approximately 50,000 new home sites over the next twenty five (25) years. The 'Sydney Metropolitan Plan 2036' identifies that there will be 169,000 new dwellings in established areas in the North West Sub Region, based on this, the 'Blacktown Planning Strategy 2036' estimates that Blacktown will provide 44,000 of these new dwellings in established areas. Such continued high growth creates a major challenge for Council to ensure it balances the needs of established areas with those of new release areas. With this increase in population there is an increase in the demand for new and expanded facilities and services provided by Council. The changing demographics of the Blacktown Local Government Area (LGA) will also mean changes in the types of services to be provided by Council in the future, which will have an increasing impact on the later years covered by the LTFP.

The graph below shows the movement in Blacktown's population over the past ten years and the projected increase over the next ten years. By 2023, Blacktown's population is anticipated to exceed 372,000.



## LEVELS OF SERVICE TO THE COMMUNITY

The Long Term Financial Plan is based on the maintenance of existing Council services to the community at existing service levels. The LTFP will be reviewed as required when the type of service or service levels are varied by Council in reflection of City needs and community priorities. In such cases, the capacity of the Council to fund these services will be assessed against the financial policy framework provided in the LTFP.

Council's existing services are outlined in the Delivery Program 2013-2017 in the section "Functions of Council". The present levels of service have generally been defined historically by a balance between the community's desired level of service (assessed by various means including surveys, service requests and informal feedback) and Council's resource capacity and strategic priorities. In some cases, service levels are set through major contracts or service level agreements.

Service levels are increasingly a matter of engagement and dialogue with the community under the Integrated Planning and Reporting Framework. The Delivery Program provides for a 'best value' approach to Council's services and an ongoing program of service review.

Service levels for asset-based or "Infrastructure Services" are of particular importance to Council's long term planning and the financial modelling which is provided in the LTFP. These service levels are discussed in more detail within the accompanying Asset Management Strategy.

## REVENUE

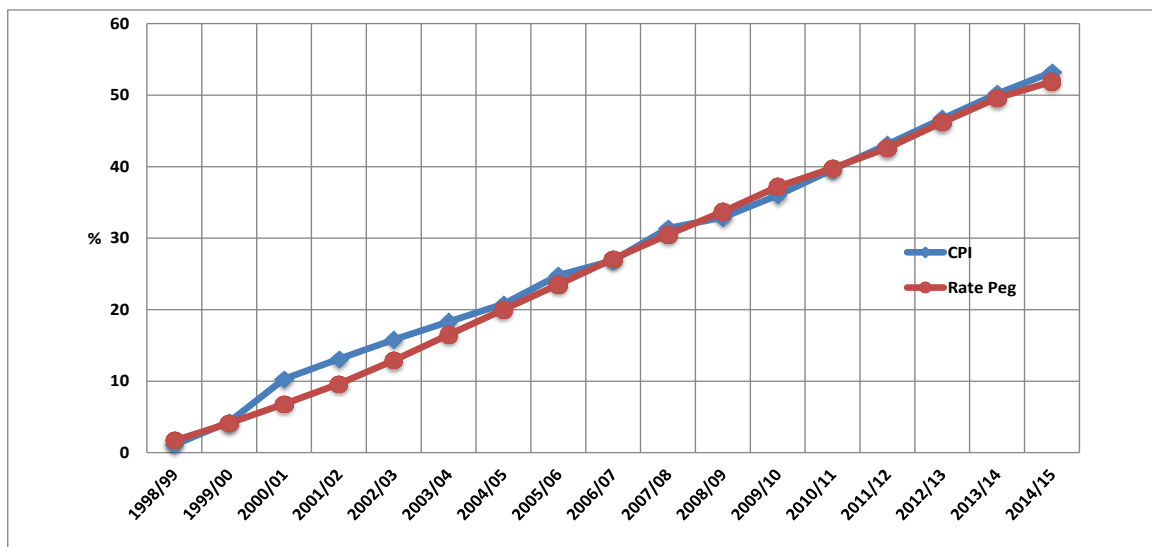
### RATES AND CHARGES

Rates and charges are a major source of Council's income, representing approximately 50% of total revenue. In NSW, council rates are levied based on land valuations supplied by the Valuer General's Department. These valuations are reviewed every 3 years as part of a process termed General Revaluation. It is important to note that regardless of changes in the land valuations for existing properties, the actual total amount of rates income a council may levy is limited by rate pegging. Rate pegging refers to the process in which the State Government determines annually the allowable increase in rates, which is referred to as the rate peg. This allowable increase is announced annually by the Independent Pricing and Regulatory Tribunal (IPART). Since rate pegging was introduced in 1977, Council has not exceeded, in cumulative terms, the approved rate variation limit announced by the NSW State Government.

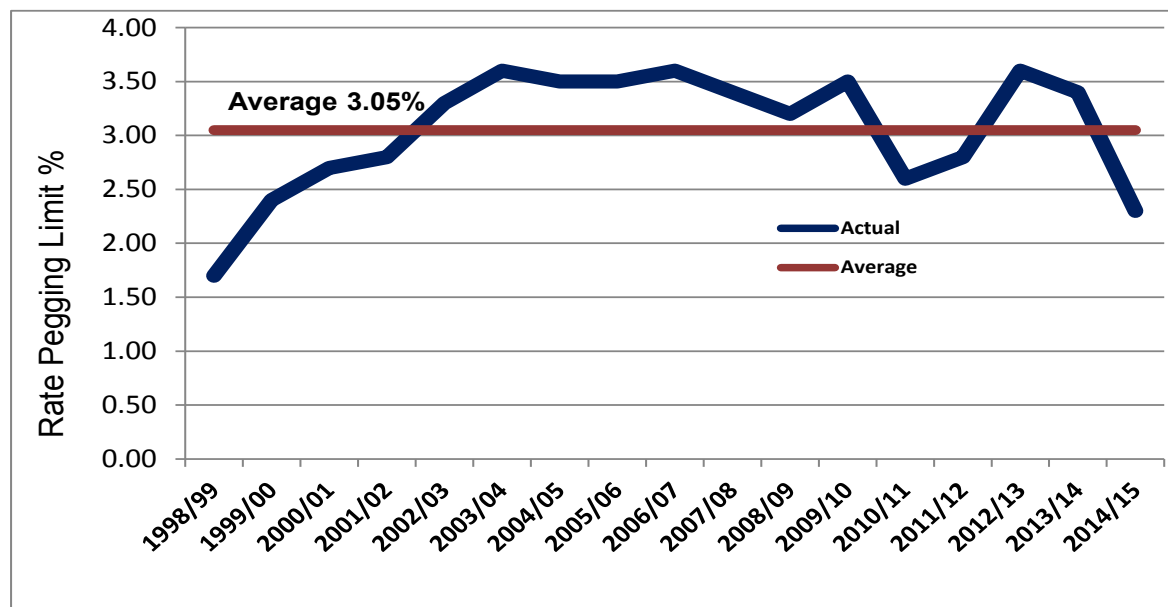
The approved annual rate pegging limit since 1998/1999 is shown in the table below, along with the actual rate increase adopted by Council. This table shows that over this period the average annual rate variation limit has been 3.10%. For 2014/15, IPART has determined the rate variation limit to be 2.3%, meaning the average annual approved rate variation limit increase since 1998/99 is 3.05%.

Year	Rate Pegging Limit %	Blacktown City Council's Increase %
1998/99	1.7	0.0
1999/00	2.4	1.0
2000/01	2.7	2.7
2001/02	2.8	2.8
2002/03	3.3	3.3
2003/04	3.6	3.6
2004/05	3.5	3.5
2005/06	3.5	6.6
2006/07	3.6	3.6
2007/08	3.4	3.4
2008/09	3.2	3.2
2009/10	3.5	3.5
2010/11	2.6	2.6
2011/12	2.8	2.8
2012/13	3.6	3.6
2013/14	3.4	3.4
<b>Total Cumulative Increase</b>	<b>49.6</b>	<b>49.6</b>
<b>Average Annual Increase</b>	<b>3.10</b>	<b>3.10</b>
<b>2014/15</b>	<b>2.3</b>	<b>TBC</b>

The annual rate variation limit determined by IPART is based on prior year increases in a range of typical local government cost items. As shown in the following graph over the period 1998/99 to 2014/15, the actual approved rate variation limit in cumulative terms has been slightly lower than CPI.



As shown in the following graph over the period 1998/99 to 2014/15 the approved annual rate variation limit has averaged 3.05%. The *base case* scenario in Council's 10 year LTFP assumes an annual rate variation limit of 3.0% for future years of the LTFP. Alternative scenarios have been modelled on the assumption that the average annual rate variation limit may be either higher or lower than 3.0%.



Councils can apply for a special rate variation to increase their rates income by an amount higher than the approved rate variation limit. However, approved increase in rates will take into account factors such as the community's capacity to pay as well as population growth and changing demographics.

In terms of the actual annual increase in Council's rates revenue, it is noted that a small proportion of the actual increase is a result of 'growth', that is additional rates received due to an increase in the number of rateable properties. This generally occurs when larger parcels of land are subdivided into smaller lots, but can also occur as a result of high density developments such as large residential unit complexes. The level of such development activity can vary from year to year as a result of changes in prevailing economic conditions, planning decisions made by the State Government and the availability and price of vacant land.

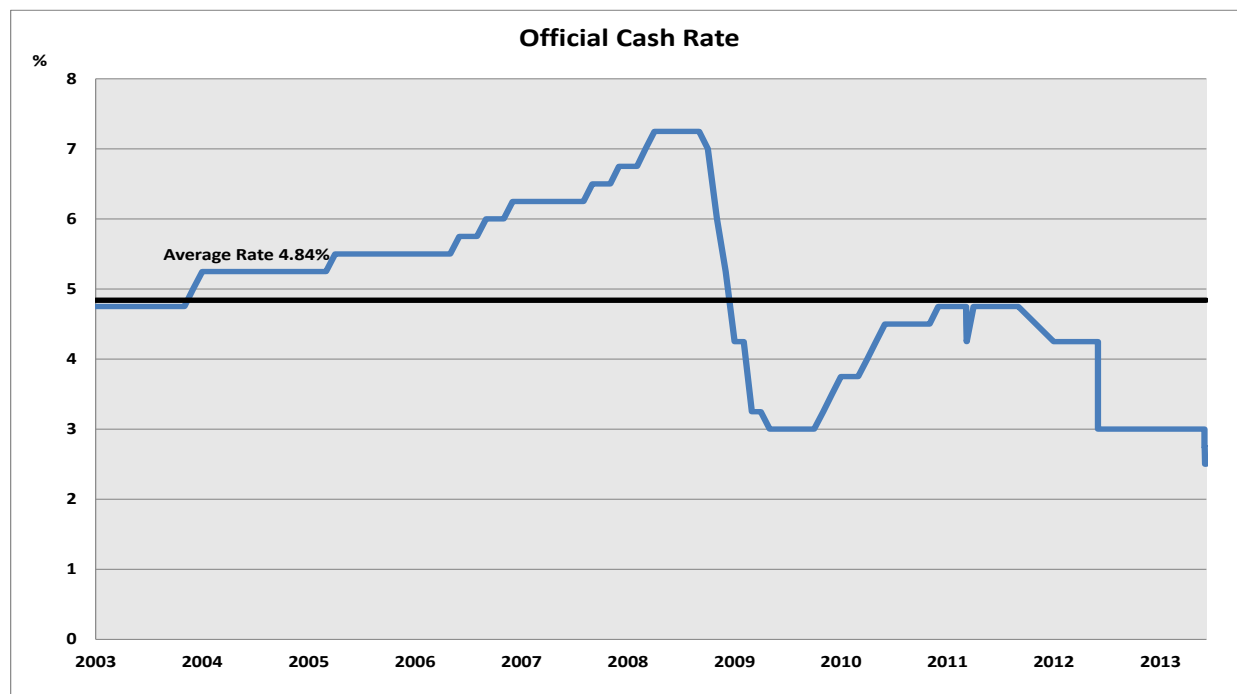
The level of additional rates income attributable to growth for Council has varied considerably over the past 10 years but has averaged 0.75% per annum. As it is not possible to accurately project growth levels in individual years it is assumed that this level of growth will continue over the next 10 years.

Revenue from annual charges comprises the Domestic Waste Management (DWM) Charges and Stormwater Management Charge. In accordance with Section 504 of the Local Government Act 1993, income obtained from charges for domestic waste management must be calculated so as to not exceed the reasonable cost to the council of providing those services. As such, the provision of Domestic Waste Management services is not subject to rate pegging. The LTFP assumes the annual DWM charge will increase on average, by 5.33% p.a. to recover significant increases expected in future tipping charges. However, the actual increase in each year may be higher or lower than this percentage having regard to movements in specific costs.

## INTEREST AND INVESTMENT REVENUE

The level of interest revenue earned by Council will vary with regard to the total amount held in Council's Investment Portfolio. Council's LTFP projects major future movements in the amount of Council's Investment Portfolio with regard to future capital works, receipt of external grants and contributions. A number of large capital projects which are funded from Section 94 contributions (discussed in further detail later in this document) will lead to a decrease in the projected balance of funds held and the interest revenue generated.

Interest Revenue is also subject to external factors such as monetary policy decisions, and economic and investment market conditions. Over the longer term, economic conditions can vary considerably, which in turn can affect interest rates. In times of economic expansion, rising interest rates can be an effective way of reducing economic growth and thereby lowering inflationary pressures. Conversely, during economic downturns the lowering of interest rates can have a positive impact on economic growth. The graph below depicts movements in the Official Reserve Bank of Australia Cash Rate over the ten year period 2003 to 2013.



Over the above ten year period the Official Cash Rate has varied from a minimum of 2.5% to a maximum of 7.25%. The average has been 4.84% over this period. In preparing long term future interest revenue projections, Council has researched available economic data and projections from a variety of sources as well as sought advice from its external investment advisers. Based on this research and having regard for Council's conservative investment policy, the LTFP model projects future interest rates to average 5% p.a. over the next ten years. However, having regard for likely future changes in economic conditions, these forecasts will be continually monitored and the index updated in the LTFP model on a regular basis.

## USER CHARGES AND FEES

Council provides a wide range of facilities and services for which it receives revenue from user fees and charges. These services include childcare, preschools, aquatic and leisure centres, animal control and building and engineering construction certification. Often the revenue received does not fully offset the costs associated with the service or facility as they are aimed at providing a broad community benefit and if higher fees were charged then many residents may be unable to enjoy the use of the facility or service. In other instances, fees may not be high enough to recover full costs due to external market pressures or the fee being set by statute.

Approximately two thirds of Council's total user fees and charges are generated through child care centres and leisure centres (comprising health and fitness facilities and swimming pools). Whilst these fees are considered discretionary, revenue growth in these areas is limited due to Council seeking to provide services accessible to the wider community. Other fees such as those relating to Development Applications are fixed by legislation.

Historically the revenue received for the majority of these fees and charges have increased in line with CPI. Accordingly, the LTFP model includes a projected increase in user charges and fees in line with projected CPI growth.

## OTHER REVENUES

Other revenues include fines, other revenue from community centres, charges for the reinstatement of roads and footpaths, and Council's leisure centres. Revenue from these sources is difficult to predict as they can be susceptible to a range of external factors such as prevailing economic conditions, population growth and changing demographics. Other revenue is projected to increase at 3% p.a. which is based on historical trends in these categories of income.

## GRANTS AND CONTRIBUTIONS

Council receives grants from the State and Federal Governments. These are either discretionary or non-discretionary. The majority of grants provided to Council are for specific purposes, such as infrastructure maintenance, provision of community services and environmental programs. Generally the funding received is less than the total cost of the works/services being provided. Typically, it is often a condition of the grant funding that Council provides matching funding.

The largest single source of Council's grants revenue is the Financial Assistance Grant. This is a general purpose grant and is allocated to councils on a formula basis that has regard for a range of factors such as population, quantum of infrastructure maintained and the relative disadvantage between councils.

In general, the total funding available increases each year in line with CPI and population growth. The LTFP projects the Financial Assistance Grant to increase by 4.5%, allowing for population growth as well as other disability factors. It is assumed that other grants will increase on average by 2% per annum.

## SECTION 94 DEVELOPER CONTRIBUTIONS

Section 94 of the Environmental Planning and Assessment Act 1979 enables councils to levy contributions for public amenities and services required as a consequence of development. Developer contributions are essential to providing key facilities and services for local residents, especially in new areas.

Contributions are held as an externally restricted asset until they are spent for the purposes designated in the adopted Section 94 Contribution Plans. Council's policy is to commence specific works only when sufficient contributions have been received to complete the works. The level and timing of contributions fluctuate according to a variety of factors including economic growth and the level of development activity in the Local Government Area.

As such, the LTFP applies an average increase of 3% to Section 94 contributions, noting that the actual increase in any given year may vary significantly from this index. It is noted that Council is finalising a number of new Section 94 Contribution Plans for the NorthWest Growth Area. At this stage, given the uncertainty of alternative funding streams to mitigate the shortfall arising from the cap on section 94 contributions, it is difficult to accurately predict the timing of the payment of future contributions in these new release areas and so they have not been incorporated in the LTFP. The LTFP projects the cashflows for S94 based on historical cashflow trends, when more realistic projections are available they will be incorporated into the LTFP.

## EXPENDITURE

### EMPLOYEE COSTS

Employee Costs include the payment of salary and wages, Employee Leave Entitlements, Superannuation and Workers Compensation expenses. Overall employee costs comprise around 45% of Council's total operating costs.

The primary component of increases in employee costs are annual salary and wage increases approved in Council's Enterprise Agreement. Other factors are changes in the level of superannuation contributions, worker's compensation costs and increases in Council's staff numbers.

Council is required to make compulsory employer superannuation contributions on behalf of its employees. The amount of employer superannuation contributions which are payable by Council depend on whether an employee is in an accumulation scheme or a defined benefit scheme. The main difference between each of these schemes from Council's perspective is the level of contribution Council is required to make on behalf of each employee.

For Council employees in the accumulation scheme, Council is required to make compulsory employer superannuation contributions in accordance with the compulsory employer superannuation contribution limits. As a result of legislative changes, this contribution will progressively increase from its current level of 9% to 12% by 2020. These increases will initially be increments of 0.25% for the 2013/2014 and 2014/2015 financial years, with increments of 0.5% in subsequent years. For employees who are in a Defined Benefit Superannuation scheme, Council's superannuation contribution is based on a multiple of the employee's salary. In addition to this amount, all NSW councils were initially advised in 2011 that due to the impact of the Global Financial Crisis and the negative effect this had on the financial position of the Defined Benefit Superannuation scheme, all councils would be liable for a separate fixed levy payable over a projected 10 year period. For Council, this levy is approximately \$1.3 million annually. Recent advice from Local Government Super is that whilst the financial position of the scheme is reviewed on an annual basis, it would be prudent for Council to budget for this additional levy to continue for the foreseeable future. As such, this additional cost has been incorporated in the LTFP and is assumed to continue for the 10 year life of the plan. Should the required contribution vary from this forecast, the LTFP will be revised accordingly.

The LTFP projects overall employee costs to increase on average by 4.30% per annum, this increase covers a range of employee related expenses such as employee leave entitlements, employer superannuation contributions (including from 1 July 2013, the progressive increase in compulsory employer superannuation contributions from 9% to 12%) and workers compensation expenses. The LTFP incorporates a modest provision for future increases in Council's staff numbers based on historical growth in full time equivalent staff numbers. This is considered a reasonable allowance in order for Council to meet the operational requirements of an expanding city.

## MATERIALS AND CONTRACTS

Council's materials and contracts expenditure includes a broad range of services and resources including audit, legal and consultants fees, reserves and roads maintenance, cleaning and waste management.

Costs are impacted by many factors such as economic conditions, market competition, and availability of resources and raw materials.

The LTFP projects these costs to increase in line with CPI beyond the 2013 – 2017 delivery program. In order to provide balanced budgets, Materials & Contracts & other expenses have increased below CPI. However, specific costs such as energy, tipping charges and payments to other levels of government have been indexed at a higher rate based on recent trends.



## DEBT SERVICING

Council has maintained a sound financial position whilst being completely debt free for over a decade. The LTFP has been prepared on the assumption that Council will continue to maintain its debt free status in the future. As such, no borrowing costs have been included in the financial projections. It is noted that should Council change its policy with regard to maintaining a debt free status, the LTFP will be adjusted accordingly.

## DEPRECIATION

The LTFP projects annual depreciation expenditure to increase by an average of 4% p.a. based on capital expenditure levels incurred in recent years. The actual depreciation expenditure in future years will be impacted by future asset revaluation methods and timing as stipulated by relevant accounting standards.

Council's infrastructure assets have been revalued in accordance with a staged implementation program as advised by the Division of Local Government. The revaluation of Council's assets at fair value is to be undertaken as per the following schedule:

- 2013/14 Financial Year – Land Under Roads
- 2014/15 Financial Year – Roads, Bridges, Footpaths and Drainage
- 2015/16 Financial Year – Community Land, land improvements, other structures and other assets
- 2016/17 Financial Year – Water and Sewerage Assets (only applies to council's responsible for this asset class)
- 2017/18 Financial Year – Operational Land, Buildings, Plant and Equipment

Full revaluations are to be undertaken for all assets on a 5 year cycle

## OTHER OPERATING EXPENSES

Other operating expenses comprise a variety of items, such as the following:

- Advertising
- Contributions to fire services
- Cultural services and civic events
- Energy costs
- Insurances
- Street lighting
- Tipping fees

Generally, the LTFP projects the majority of items categorised as other operating expenses to increase annually by CPI. However, within this category there are specific items which have been projected to increase at an alternative rate to the CPI. These include the following expenses.

Energy costs are one area which Council has experienced significant cost increases. This has been the result of a progressive increase in the number of Council provided facilities, such as libraries and leisure centres, many of which have high energy requirements, along with general increases in energy tariffs along with the introduction of the Carbon Pricing Mechanism (noted later in this document) from 1 July 2012. It is assumed in the LTFP that, in subsequent years on average energy costs will increase by 5% per annum, which allows for tariff increases, increased usage and increased facilities.

Another cost which is anticipated to increase at a higher rate than CPI is payments made by Council to other levels of government. This consists of compulsory contributions to the NSW Fire Brigade and Rural Fire Service and contributions to other government agencies. Based on trend analysis, it is projected in the LTFP that these payments will increase annually by an average of 10.5%.

As noted later in this document, Council incurs annual expenditure in the order of \$11.28 million which is attributable to 'cost shifting'. 'Cost Shifting' refers to the net cost of responsibilities transferred to Council from the Federal or State Government without the transfer of adequate funding. The LTFP assumes the level of cost shifting will continue to increase annually by the assumed CPI.

## CARBON PRICING MECHANISM

The Federal Government has introduced legislation aimed at reducing carbon emissions to assist in meeting greenhouse gas emission reduction targets. From 1 July 2012 a fixed carbon price was introduced at \$23 per tonne of Co2-e (carbon dioxide equivalent). This carbon price is to be indexed by a fixed factor for the next three years, and then from 1 July 2015 the carbon price will be market determined.

Council does not have a direct liability associated with the carbon pricing mechanism. Rather, it is subject to an indirect cost incurred by higher charges from those companies directly impacted by the Carbon Pricing Mechanism. These charges predominately relate to gas, electricity and tipping charges associated with waste disposal.

## CAPITAL WORKS PROGRAM

Council's extensive capital works improvement program aims to deliver much needed maintenance and renewal of infrastructure assets including roads, community buildings, parks and reserves and leisure facilities. In recent years, Council's annual investment in Capital Works has exceeded \$30 million, which reflects Council's objective of providing suitable and well-maintained facilities for a growing and diverse population.

## WORKS IMPROVEMENT PROGRAM

Council's Works Improvement Program (WIP) is a document that is reviewed annually by Council which lists all capital works projects which have been identified to service the community within the local government area. The projects identified in the WIP are either renewal projects or projects to create new assets or to enhance existing assets. Councils Asset Management Plans informs the WIP of the projects which are to be listed for funding consideration in the WIP. The WIP is divided into a number of key asset programs such as Roadworks, Bridges, Buildings, Drainage, Transport Facilities and Parks Improvements. Each program identified in the WIP also identifies the relevant funding source whether it is grants and contributions, Section 94 Developer Contributions, General Revenue or Council's Infrastructure Sinking Fund (ISF). Each year Council adopts a 1 year WIP with projects listed in each program identified for funding above the funding cut-off line. Each project listed in the WIP is prioritised using a program specific scoring system which assesses each project to generate a merit based project list for funding consideration.

## INFRASTRUCTURE SINKING FUND

The Infrastructure Sinking Fund (ISF) Program forms part of Council's overall Works Improvement Program. The ISF was established to ensure that funds arising from Council's debt reduction strategy were used for the provision of important infrastructure to the City, as well as to expedite works in new release areas.

Since 1996/97, the ISF has provided in excess of \$245 million over and above Council's normal Works Improvement Program for important infrastructure works throughout the City. In 2013/2014, the ISF program totals \$16.8 million which includes an allocation of over \$5.5 million towards Council's normal Works Improvement Program to support Council's obligation to maintain roadworks funding under the Federal Government Roads to Recovery grant program along with \$2.5 million to meet expenditure requirements on stormwater assets. The amount available in the ISF in any year will vary depending on the final cost of works voted from previous ISF programs and interest earned on the reserve.

The ISF is prepared based on a long term view and presented in a 10 year format. While the ISF details an indicative 10 year Program, Council's current practice is to only adopt a 1 year program of works (i.e. 2013/2014) with the ISF program reviewed and adopted annually by Council. Projects listed in the 10 year ISF program are considered to be of strategic importance to the City and in keeping with the priorities identified in the draft Blacktown City 2030 vision. However, with limited funds available, the projects proposed for funding in 2013/2014 are considered to be those which will provide the greatest benefit to the community.

#### NEW SECTION 94 DEVELOPER CONTRIBUTIONS (NORTH WEST SECTOR)

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The LTFP does not incorporate forecast expenditure for the new Section 94 Contribution Plans for the North West sector as the cashflows for the development of this sector are difficult to predict. The LTFP will be amended accordingly when reliable estimates are available so as to predict the expenditure patterns associated with the development of this sector.

#### CAPITAL WORKS PROGRAM – FINANCIAL PROJECTIONS

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The financial projection of future capital works will depend on the nature, timing and funding of specific projects. The majority of infrastructure projects are costed in accordance with current design estimates. Any significant cost revisions in subsequent years will be reflected in the LTFP. It is noted that the increased expenditure shown in the LTFP and the Asset Management Strategy which exceeds the base allocation in 2013/14 for either new assets or the upgrading of existing assets is only related to assets funded by Section 94 Developer Contributions, meaning the LTFP does not allow for an increase in the use of general revenue to fund an increase in capital expenditure for either new assets or the upgrading of existing assets.

## COUNCIL'S CURRENT FINANCIAL POSITION

As a result of a longstanding commitment to prudent financial management combined with the application of a variety of effective financial strategies, Council's current financial position is sound. Council is proud of its history of sound financial management, highlighted by achievements which include being debt free for more than a decade, its rates being lower than average for Western Sydney councils (Council has not exceeded in cumulative terms rate pegging limits set by the state government since the introduction of rate pegging in 1977) and its high levels of liquidity.

In terms of assessing Council's current financial position it is useful to refer to the financial information contained in Note 13 – (Statement of Performance Measurement) of Council's Annual General Purpose Financial Reports. The information in this note comprises a variety of indicators which can be used to assess a council's financial position. This information is summarised below.

### UNRESTRICTED CURRENT RATIO

Ratio	2012/2013	2011/2012	2010/2011
Unrestricted Current Ratio	4.40:1	4.26:1	5.23:1

The purpose of the Unrestricted Current Ratio is to highlight that sufficient liquid assets are available to meet short term commitments, after excluding certain restricted assets (e.g. unspent s94 contributions and grants). As a general rule the target/healthy ratio is 100% or greater, i.e. for every \$1 of liability there is \$1 of asset to cover it.

As shown in the above table, over the past 3 years Council's Unrestricted Current ratio has been significantly higher than the accepted benchmark of 1.0:1.

### DEBT SERVICE RATIO

Ratio	2012/2013	2011/2012	2010/2011
Debt Service Ratio	0%	0%	0%

The debt service ratio is the percentage of a council's net debt servicing costs divided by total operating revenue. Prudent financial management dictates that a council does not over commit itself to debts it cannot fulfil. It is considered prudent that the Debt Service Ratio for large urban councils should not exceed 10%.

Council has maintained a sound financial position whilst being completely debt free for more than a decade.

### RATES AND ANNUAL CHARGES OUTSTANDING PERCENTAGE

Ratio	2012/2013	2011/2012	2010/2011
Rates & Annual Charges Outstanding Percentage	3.44%	3.32%	3.64%

Council's outstanding rates and charges previously exceeded the recommended maximum benchmark for urban councils of 5%. As a result of improved debt recovery procedures this ratio has decreased in recent years and is within the benchmark of 5%.

As stated previously Council has a longstanding commitment to prudent and conservative financial management. This approach is reflected in the following strategies.

### CONSERVATIVE INVESTMENT MANAGEMENT - NO CAPITAL LOSSES

Council has traditionally had a conservative approach towards the management of its investment portfolio. Council has had an investment policy which restricts Council to investing generally in higher rated, low risk forms

of investments. A key aspect of the policy is the requirement for Council officers to seek independent investment advice when making decisions regarding the composition of Council's investment portfolio.

The benefit of this approach was highlighted during the Global Financial Crisis, when Council's investment portfolio suffered no capital losses. Council's Investment Policy is regularly reviewed, having regard for changes in investment markets and economic conditions as well as any changes made to applicable legislative requirements.

## COUNCIL'S LAND DEVELOPMENT STRATEGY

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Council is the owner of a number of land assets within the rural, residential, business and industrial zones of the City, for which Council seeks to develop and/or sell with the objective of maximising the investment returns to Council. The development and sale of assets continues to provide excellent returns to Council and the community. Council's Land Development Strategy has funded a number of major projects including the Max Webber Library, development of the Civic Plaza, Improvements to the Mount Druitt Business District and AFL/Cricket facility at the Blacktown International Sports Park.

## EFFICIENCY DIVIDENDS

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Council has a long-standing practice when preparing annual budgets to not index operating costs, other than employee related costs. This means that Budget Managers need to identify opportunities for savings and efficiencies in order to ensure the preservation of existing service levels. It is estimated that this practice results in annual savings of approximately \$1 million. It is anticipated that Council will continue to achieve productivity gains to offset rising costs over the life of the LTFP.

## FUTURE FINANCIAL CHALLENGES

In projecting Council's future financial position, a number of anticipated future challenges which may have an adverse impact on Council have been considered. These are summarised below.

### RATE PEGGING

For over 30 years NSW councils have been subject to rate pegging. Rate Pegging is the maximum percentage limit by which NSW councils may increase the total income they receive from rates. The rate pegging percentage is set each year by IPART.

For many years the NSW Local Government sector has objected to rate pegging due to the adverse affect it has on the financial sustainability of NSW councils. IPART, in its 2008 paper - Review of the Revenue Framework for Local Government found that over the period 1976/77 to 2006/07 taxation (i.e. rates) revenue grew more slowly in NSW than in the rest of Australia. Since rate pegging was introduced in NSW, rates revenue per capita for NSW councils increased by an average of 1.9% per annum, compared with 3.4% per annum for the rest of Australia. IPART has acknowledged that rate pegging has constrained the growth of NSW councils' rate revenue relative to councils in other states.

It has been Council's experience, particularly over the past decade, that many of its major costs have increased at a higher level than rate pegging. Major examples of this include energy costs (fuel, electricity, gas), materials used in the construction and maintenance of Council's road and drainage networks and labor costs. In the past Council has addressed this challenge through the ongoing identification of cost savings and efficiencies. However, this will be an increasing challenge in the future as the population of the Blacktown LGA and the value of infrastructure maintained by Council continues to increase.

## SECTION 94 DEVELOPER CONTRIBUTIONS CAP

### BACKGROUND TO SECTION 94 DEVELOPER CONTRIBUTIONS

Since the 1940s the NSW planning process has had the ability to require developers to contribute to the provision of local infrastructure, the need for which arises as a result of development. Legislation requiring a contribution towards the provision of local infrastructure was first codified in the Environmental Planning and Assessment Act 1979 (EP&A Act).

In 1992 the statutory provisions relating to Section 94 of the EP & A Act were amended so that councils were required to prepare "contributions plans" to ensure that contributions were efficient, responsible, accountable and certain. These provisions are regulated in the Environmental Planning and Assessment Regulation 2000 (as amended).

Section 94 of the EP & A Act enables councils to legally levy contributions for local infrastructure as a consequence of development. The power to levy contributions relies on there being a clear link (or nexus) between the development being levied and the need for the local infrastructure for which the levy is required.

Generally, contributions can only be made towards:

- Capital costs including land acquisition costs;
- Local infrastructure which a council has the responsibility to provide; and
- Local infrastructure which is needed as a consequence of or to facilitate new development.

These facilities are often referred to as "baseline facilities", in other words, only the basic level of facilities that are essential for new communities to be established. Once the facilities are delivered, councils are required to maintain them. The types of infrastructure or facilities that have been funded through Section 94 include roads,

stormwater drainage, open space (sports fields, playgrounds) and community facilities (libraries, neighbourhood centres, community centres and child care centres).

Council has adopted a number of Section 94 Contributions Plans since 1982. It is considered that Contributions Plans are the most cost efficient way for a council to deliver infrastructure. Large release areas, such as the Parklea Release Area, have had their local infrastructure funded and provided by Section 94 contributions.

Concerned by representations by the development industry that the increase in various government charges was affecting housing affordability, the State Government introduced a "Cap" on Section 94 contributions across NSW.

## \$20,000 & \$30,000 SECTION 94 DEVELOPER CONTRIBUTIONS CAP

Arguably the most significant reforms to the NSW Developer Contributions System since 2000, and impacting particularly on NSW Growth Councils such as Blacktown, were the 2010 Reforms which introduced, without consultation, a \$20,000 per lot/dwelling Cap on Section 94 Contributions.

The 2010 reforms also proposed an alternative approach to setting local development contributions and local council rates. The changes were again intended to increase housing supply by lowering development charges for infrastructure. Further reforms were introduced later in 2010 with the addition of a \$30,000 Cap per residential lot/dwelling on contributions in new release areas ("greenfield" areas) to account for greater costs in creating new communities from nothing.

## 2010 REFORMS - FUNDING IMPLICATIONS FOR COUNCIL

The 2010 reforms created a significant funding risk for Council. To accurately project the extent of this risk, Council engaged an actuary to model the impact of the Section 94 cap on its new release areas. At the time Council's Contributions Plan No. 20 – Riverstone and Alex Avenue Precincts (CP20) had just been adopted by Council and were used as a basis to project the full extent of funding shortfalls forecast across the Blacktown LGA section of the North West Growth Centre.

CP20 had \$745 Million in local infrastructure to service 15,500 new residential lots. By applying the \$30,000 per lot Greenfield Cap to the Contributions Plan, only \$465 Million could be collected from development, leaving \$280 Million in Infrastructure unfunded for the 2 Precincts.

When this funding shortfall was projected across all of Blacktown's future Precincts in the North West Growth Centre, a funding shortfall of almost \$1Billion was projected. However, this projected shortfall has since been reduced to around \$827 Million as Precinct Planning for other Precincts has been subsequently undertaken. This figure remains as the current projected shortfall for the Blacktown LGA section of the North West Growth Centre.

## LONG TERM FUNDING

Presently there is no long term funding solution available to assist councils in delivering the essential infrastructure required to support new communities. The State Government announced as part of the 2013/2014 Budget that "the NSW Government would continue to provide for councils where the cost of delivering essential infrastructure is greater than the amount they can collect from Section 94 levies. The assistance is the latest initiative funded as part of the \$99 Million Local Infrastructure Growth Scheme (LIGS) announced in June's State Budget to drive housing production across NSW". The LIGS follows other short-term funding initiatives from two previous State budgets i.e. the Priority Infrastructure Fund and the Housing Acceleration Fund. However, these short-term interim arrangements do not provide Council with a long-term funding solution.

In the absence of a long-term funding solution, Blacktown City Council currently faces a projected long-term funding shortfall in the order of \$827 Million for local infrastructure in the Blacktown LGA's section of the North West Growth Centre. Despite short-term interim initiatives delivered and announced by the State Government, no long-term funding solutions have so far been identified.

Council acknowledges that the current review of the EP&A Act through the Department of Planning and Infrastructure's Green and White Papers, and the work of the Infrastructure Contributions Taskforce are likely to provide direction and advice regarding future local and state developer levies. However, until these reforms to developer contributions are realized, Council's funding challenges in terms of developer contributions remain.

## COST SHIFTING

Cost Shifting is a major challenge confronted by local government. Cost shifting occurs when there is a transfer of services from a Federal or State Government to local government without the provision of adequate funding required to provide the service.

Some major examples of cost shifting include:

- Cost of the mandatory pensioner rebates on Council Rates
- Exemption of State Government properties from the Stormwater Management Charge
- Cost of regulating on site sewerage facilities
- Administration of the Companion Animals Act
- Functions under the Protection of the Environment Act
- Cost of functions as a local control authority for noxious weeds
- Public Library operations
- Processing of Development Applications
- Citizenship ceremonies

The annual cost to Council of cost shifting is estimated to be in the order of \$11.28 million per annum. The LTFP assumes these costs will increase annually by CPI.

## ASSET RENEWAL FUNDING

A major challenge confronting the NSW Local Government sector is the need to increase the amount of funding allocated to the maintenance and renewal of existing infrastructure. This has been highlighted in a number of studies such as the 2006 Local Government and Shires Association's Independent Inquiry into the Financial Sustainability of NSW Local Government and more recently the 2013 report released by NSW Treasury Corporation (TCorp) in regard to Financial Sustainability of all NSW councils. The TCorp review identified an infrastructure renewal backlog of \$7.2 billion for all NSW councils.

These studies have identified the need for NSW councils to significantly increase funding for the renewal of existing infrastructure. They have further identified that if funding is not increased in the immediate term, then the infrastructure renewal backlog will continue to increase at a level which in the future may become too great to address without serious ramifications on service delivery.

For Council, the infrastructure renewal backlog as at 30 June 2013 is \$68.3 million. Council is custodian of infrastructure, property, plant and equipment assets that have a value of approximately \$2.8 billion. Without adequate funding, effective maintenance and renewal of these assets to maximise their potential life cannot be achieved. Council's adopted Resourcing Strategy, which includes the Asset Management Strategy 2013-2023,



provides detailed information in regard to the renewal requirements for Council's infrastructure assets. The Asset Management Strategy is supported by individual Asset Management Plans for each key asset class.

In preparing Council's Asset Management Strategy, detailed long term modelling has been undertaken on Council's infrastructure network. This modelling highlights the need for increased levels of Asset Management Funding for asset renewal and maintenance of Council's infrastructure asset base.

### COUNCIL'S CURRENT ASSET RENEWAL FUNDING

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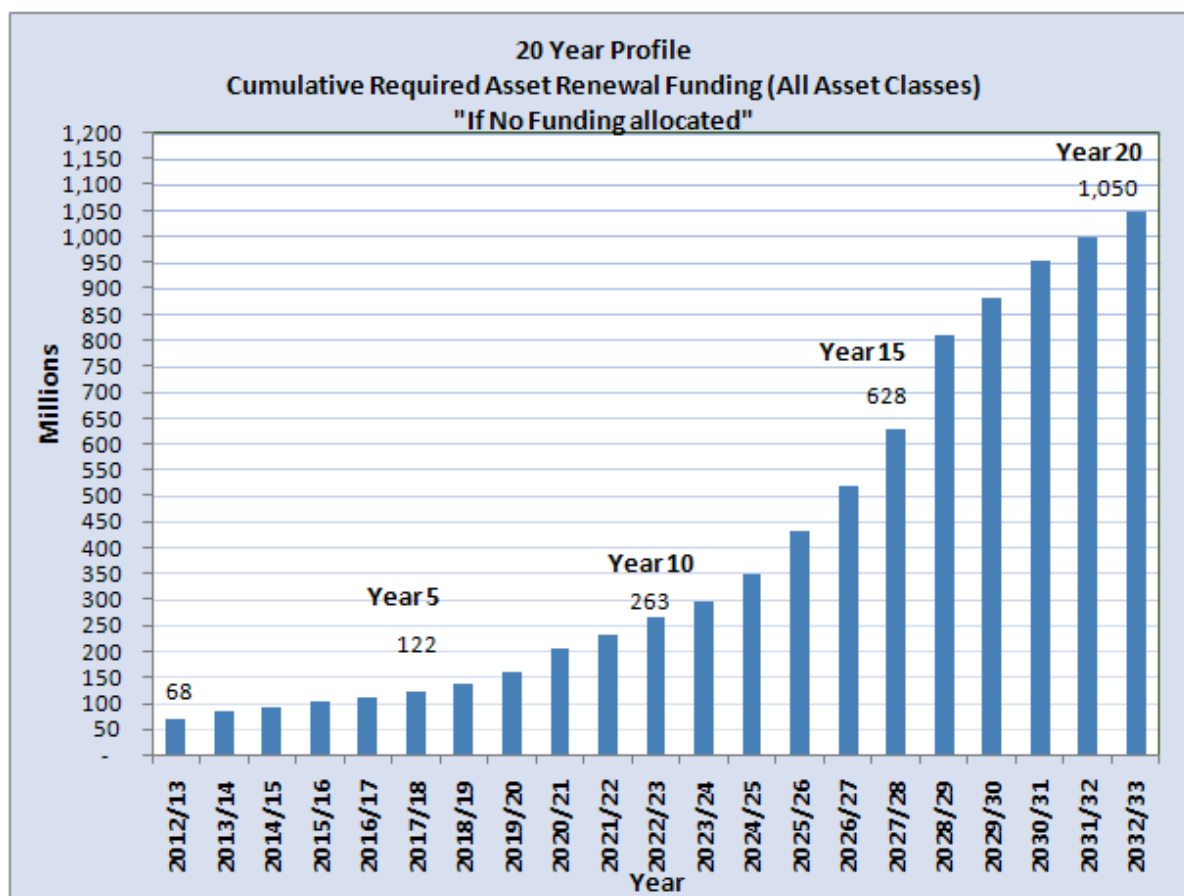
Council currently provides funding in its annual budget of \$10.85 million towards asset renewal. In response to the need to increase funding allocated towards asset renewal, Council has, over the past few years, allocated additional one-off funding for this purpose. Listed below is a summary of additional funding allocated by Council towards asset renewal:

- 2010/2011 Year End Review - \$5.487 million
- 2011/2012 Year End Review - \$5.853 million
- December 2012 Quarterly Review, Council established a new Asset Renewal Reserve with initial funding of \$3.07 million. In adopting the 2013/2014 WIP, the one-off funding in this reserve was allocated towards funding asset renewal projects.
- December 2013 Supplementary Renewal Works Program - \$4.726 million

### FUTURE ASSET RENEWAL FUNDING CHALLENGES

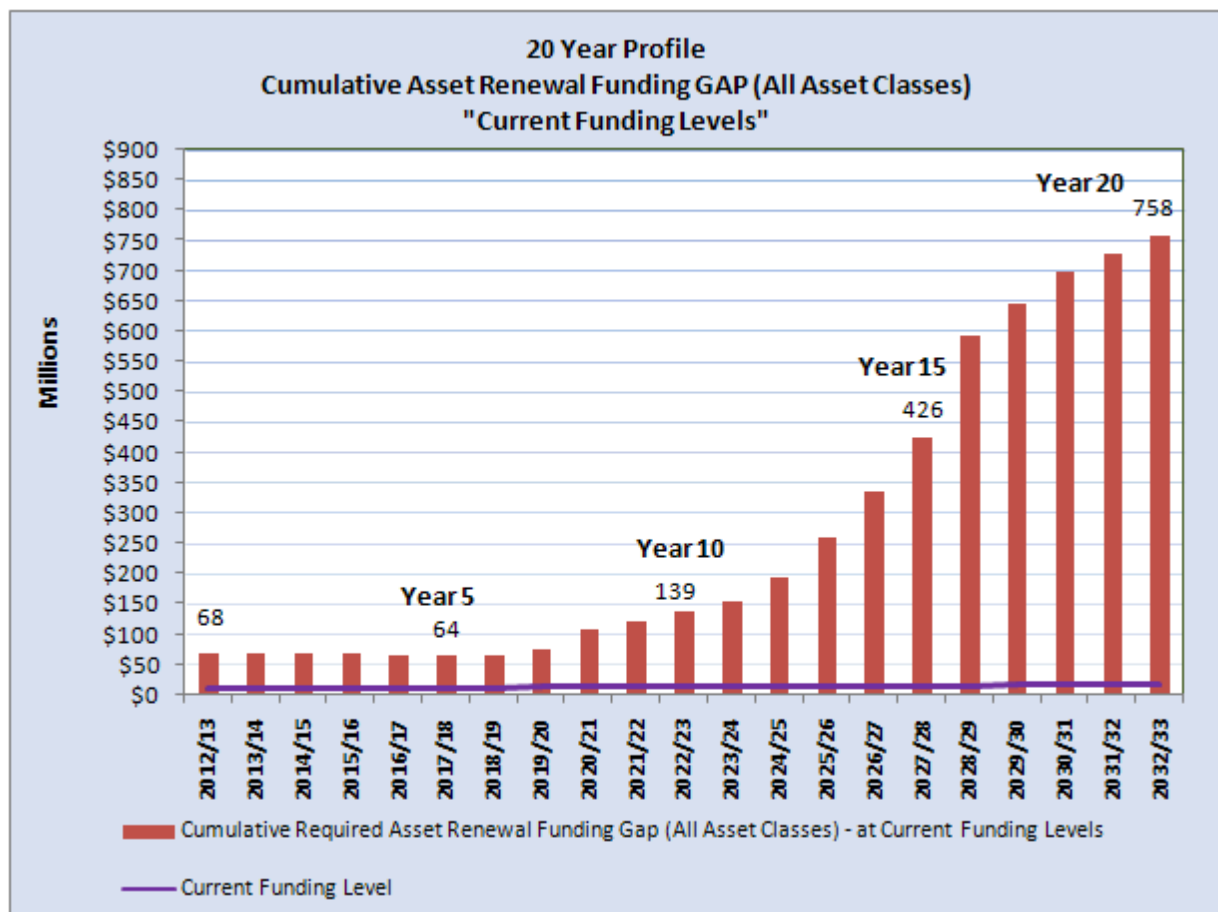
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The following graph is a summary of the future 20 year cumulative asset renewal funding requirements forecast for the City based on detailed asset modelling from Council's Asset Management system. This modelling is based on existing service levels as defined in the Asset Management Plans, and reflects projected expenditure at those points at which renewal works are necessary to maximise the service life of existing assets whilst minimising the costs to do so.



As shown above, the outstanding asset renewal backlog as at 30 June 2013 was \$68 million. If Council did not, in the future, allocate any funding towards asset renewal, then in 10 years time the asset renewal funding backlog would total \$263 million, and in 20 years time \$1.050 billion. The above graph demonstrates that Council's asset renewal funding requirements do not increase by a linear amount on an annual basis. Rather, the level of funding required increases significantly in later years as the infrastructure assets from the older parts of the City reach the stage of their life cycle whereby more expensive renewal treatments are required. This means that in later years, Council will be confronted with much higher funding requirements than it does now, as the infrastructure for those areas of the city constructed in the 1980s will need to be renewed. For this reason, it is important that Council adequately addresses its current asset renewal requirements, so that it has a better basis to address future funding requirements.

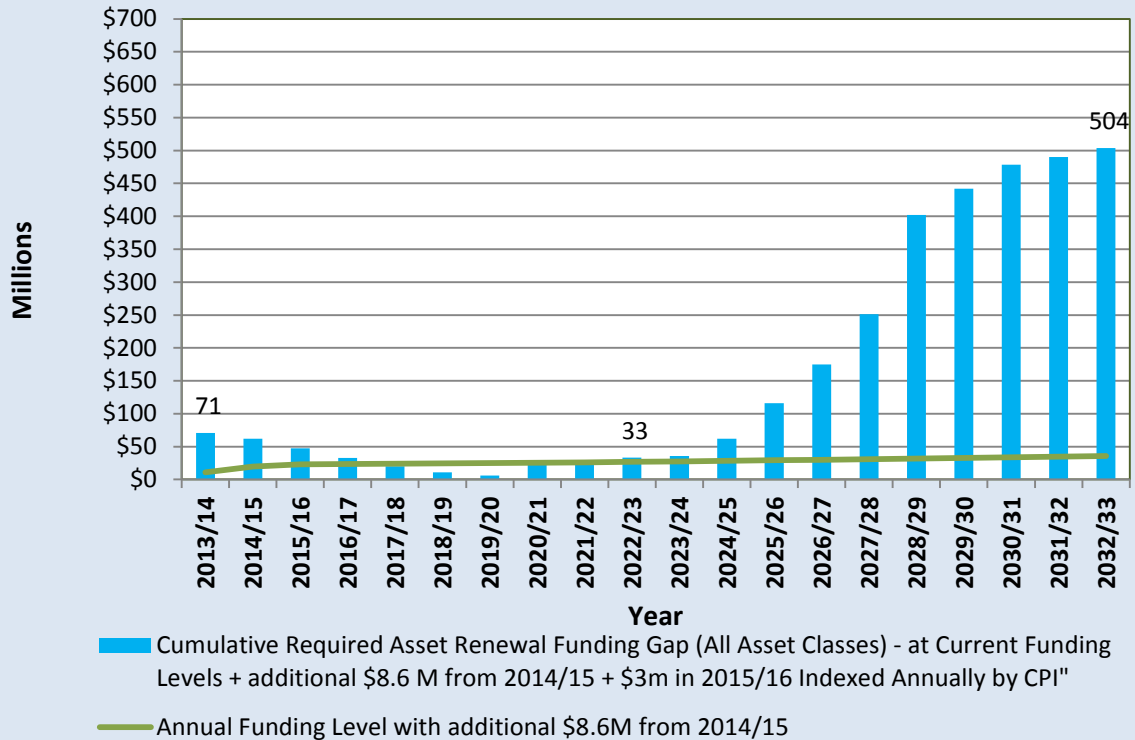
Council currently allocates approximately \$10.85 million annually towards asset renewal projects in the WIP. The following graph demonstrates, on a cumulative basis, the forecast asset renewal funding backlog over the next 20 years, based on the current average level of funding of \$10.85 million being indexed annually by an assumed CPI of 3%.



Various financial modeling scenarios have been modeled with regard to the funding allocated towards asset renewal. This financial modeling has clearly shown that the sooner Council increases the annual renewal funding then the lower the long term expenditure required for renewal. Council adopted an Asset Renewal funding strategy which is outlined in more detail on page 28 of the LTFP. This funding strategy effectively allocates on average an additional \$10 million from 2014/2015 onwards to asset renewal. For this to be achieved, Council is proposing to increase the annual asset renewal funding allocation by \$8.6 Million from the 2014/2015 financial year and then by a further \$3 million in the 2015/2016 financial year with CPI increases to be applied from the 2016/2017 financial year onwards.

If Council is able to increase the annual funding for asset renewal as outlined in the previous paragraph, the future asset renewal funding backlog is not eliminated over the next 20 years, however it is forecast that it would be reduced over the next 10 years to a more manageable level. The following graph shows the affect on the cumulative asset renewal funding backlog after increasing the annual asset renewal funding by \$8.6 million in 2014/2015 and then by a further \$3 million in 2015/2016 followed by annual CPI increases.

**20 Year Profile**  
**Cumulative Asset Renewal Funding GAP (All Asset Classes)**  
**"Current Funding + additional \$8.6M 2014/15 + \$3M in**  
**2015/16 Indexed Annually by CPI"**



As shown above, if the additional funding is provided annually for asset renewal from the 2014/2015 financial year, the outstanding asset renewal backlog in cumulative terms in 10 years time is forecast to be \$33 million and \$504 million in 20 years.

## ASSET RENEWAL FUNDING OPTIONS

The challenge for Council is to identify how to address this funding shortfall given the limitations on Council's existing sources of revenue. There are a number of alternative funding options to increase the amount of funding allocated towards asset renewal which are as follows:

- Increasing fees and charges
- Increased grant funding for asset renewal purposes
- Review the level and provision of Council services
- Debt funding by the use of external loans
- Increasing the proportion of funding in the Works Improvement Program (WIP) allocated towards asset renewal
- Increasing rates income by a special rates variation

Each of the above options are discussed in more detail below:

### INCREASE FEES AND CHARGES

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Council's user charges and fees account for approximately 9% of Council's overall operating revenues. For the 2012/2013 financial year they totalled \$21.94 million. They are the third highest revenue category after rates, and grants and contributions.

Fees and charges comprise 2 broad categories; **regulated** and **discretionary** fees.

**Regulated** fees are fees which are fixed by legislation. That is, Council must charge a fee as set by legislation. For the 2012/2013 financial year, income from regulated fees totalled \$6.18 million, which was approximately 28% of Council's total user charges and fees income.

Typical fees in this category are items such as Development Application fees and Construction Certificate fees. As Council cannot increase these fees above the legislated amount, only by increases in demand for these services can total revenue from these fees increase.

**Discretionary** fees are fees which are not subject to external regulation. That is, Council can determine what amount it wishes to charge. These fees include child care fees, income from hall hire and fees for the use of Council's Aquatic centres and health and fitness centres. In 2012/2013, the income received from the non-regulated user charges and fees totalled \$15.648 million, approximately 72% of the total user charges and fees income. Child care fees, which for 2012/2013 totalled \$6.6 million, represents the largest proportion of this category.

On an annual basis these fees and charges are subject to review and benchmarking against external fees where applicable as part of the annual review of the Goods and Services Pricing Schedule (GSPS). Each year most user fees and charges are increased by a level commensurate with CPI to offset increases in the costs of providing these services. In reviewing the GSPS each year and determining the appropriate increase to be applied, consideration is given to the reasonableness of the increase in the fee, current market conditions, the cost drivers for the facility or service the fee relates to and the elasticity of the fee and the impact any increase will have on demand.

Generally these fees and charges are quite price elastic, which means they are quite sensitive to increases in price. That is, increases in the fees can result in a commensurate decrease in utilisation to the point if a fee is increased too much, overall income may fall.

User charges and fees are also subject to external market forces not controllable by Council. Development applications are strongly influenced by the level of property development activity and therefore can have a very positive or very negative impact on Council's income.

While opportunities will continuously be investigated for Council to implement new user charges and fees, and the GSPS will continue to be reviewed annually in order to optimise the prices of existing user charges and fees, it is not considered practical to increase user charges and fees to substantially fund an additional \$10 million towards asset renewal. To do this would necessitate an increase in fees of approximately 64%, which assumes there would be no reduction in demand. In practice, if such an increase in fees was undertaken, actual demand levels would most likely drop. It is noted that in relation to Council's largest discretionary fee category, child care fees, these fees have increased on average in excess of CPI over the past 3 years, 5.63% (2011/2012), 6.6% (2012/2013) and 4.11% (2013/2014).

## INCREASED FUNDING FROM GRANTS

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Grants and contributions in the 2012/2013 financial year equalled \$180.74 million which accounts for 47% of Council's annual revenue. Of this amount, \$39.78 million (22%) comprised grants and \$140.96 million (78%) contributions. The level of operating and capital grants and contributions is subject to external influences and can vary each year. Grants are either:

- General Purpose, which are to be used across delivery of Council services; or
- Specific Purpose, which must be used to fund specific works and or activities.

Council officers actively ensure that grant revenues are maximised. The majority of grants received are for current programs. However, whilst there may be, from time to time, specific one-off grant programs, these are usually for new works or services and not for asset renewal. Further, grant funding is largely reliant on other levels of government which have their own financial constraints. Therefore, it is more appropriate for Council to maximise its own source revenue, as it is not considered a viable long term solution to increase the levels of dependence on grants and contributions to the level required to fund the asset renewal funding backlog.

## REVIEW THE LEVEL AND PROVISION OF COUNCIL SERVICES

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Council can consider reviewing, and potentially changing, the level of funding allocated to the provision of works and services. This could be done as part of reviewing current services in terms of the level of service provided, fees charged by Council for the service and potentially whether some existing services are still required. Such reviews can consider aspects such as strategic priority, movements in net cost and whether other service providers can provide a similar service. In this report this process is termed "Service Reviews".

The conduct of service reviews can offer opportunities to achieve efficiency improvements and thereby reduce cost. They can also encourage a council to more actively consider service provision levels in line with changing demographics, community expectations and financial constraints.

Service reviews will continue to be conducted on existing Council services. It is however, unlikely that any efficiency improvements as a consequence of these reviews will yield sufficient savings of the magnitude required to solve Council's asset renewal funding gap. To achieve the quantum of saving required to fund additional asset renewal, Council would most likely need to consider the deletion of, or significant service rationalisation of, one or more whole services.

It is noted in this regard that Council is presently undertaking reviews of several major services. These reviews, which are at varying stages of Council consideration, include examinations of Aquatic Centres, Community Events and Child Care. A review of Community Buildings is being considered to commence in coming months.

Given that Blacktown continues to be an expanding City and will continue to be so over the next 25 years, the prospect of reviewing services to identify opportunities to reduce costs may not be the most viable long term strategy for Council to fully meet the asset renewal funding shortfall. Rather, it would be more appropriate that service reviews are conducted as a rolling program to identify efficiencies and productivity improvements on an ongoing basis. This would aim to achieve controlled growth of existing resources whilst allowing for the

expansion of existing or new services which are required to enable the City to grow and meet the demands of the community as they evolve in the future.

In keeping with the suggested approach to service reviews, an action was included in the present Operational Plan 2013/2014 to “Undertake ongoing Better Practice Review program to progressively identify and implement business and service improvements”. It is intended that the key findings of reviews which are undertaken in this program, including the opportunity for efficiencies and cost savings, will be assessed by Executive and progressively brought to Council for consideration.

## DEBT FUNDING BY USE OF EXTERNAL LOANS

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Council has been debt free since 1999. Since that time, Council has allocated the amount previously used to pay debt towards the Infrastructure Sinking Fund (ISF) which is an internally restricted cash reserve used to fund major infrastructure throughout the City. It has also helped forward fund essential works in new release areas.

For the 2010/2011 financial year, only 15 of the 152 councils in NSW were debt free. The debt service ratio for the councils with external borrowings varied from 0.01% to 51.29%. This ratio is outlined further below.

An important factor that needs to be considered in regard to debt is to ascertain the councils ability to fund future loan repayments.

There are two key industry indicators (ratios) generally used to calculate a council’s borrowing capacity. These are the “Debt Service Ratio” and the “Debt Service Coverage Ratio”.

The **Debt Service Ratio** is a ratio used by the Division of Local Government (DLG) to assess the cost of loan repayments against the discretionary revenue of a council. It is calculated by dividing the net annual debt service cost (principal and interest) by the total operating income excluding Special Purpose Grants.

The benchmark set by the DLG for this ratio is 10% or less. That is, annual loan repayment costs should be no more than 10% of the overall operating income (excluding Special Purpose Grants).

Based on this benchmark Council could borrow up to approximately \$165 million. This is based on an industry standard 10 year loan at an interest rate of 6%. The annual loan repayment for a loan portfolio of \$165 million would be approximately \$22.4 million, over the life of the loan the total interest cost would be \$59 million.

The **Debt Service Coverage Ratio** is a ratio used by TCorp as part of its assessment of the financial sustainability of NSW councils. It assesses the cash available to service debt by dividing the overall operating surplus (before interest, tax, depreciation and amortisation) by the value of annual loan repayments.

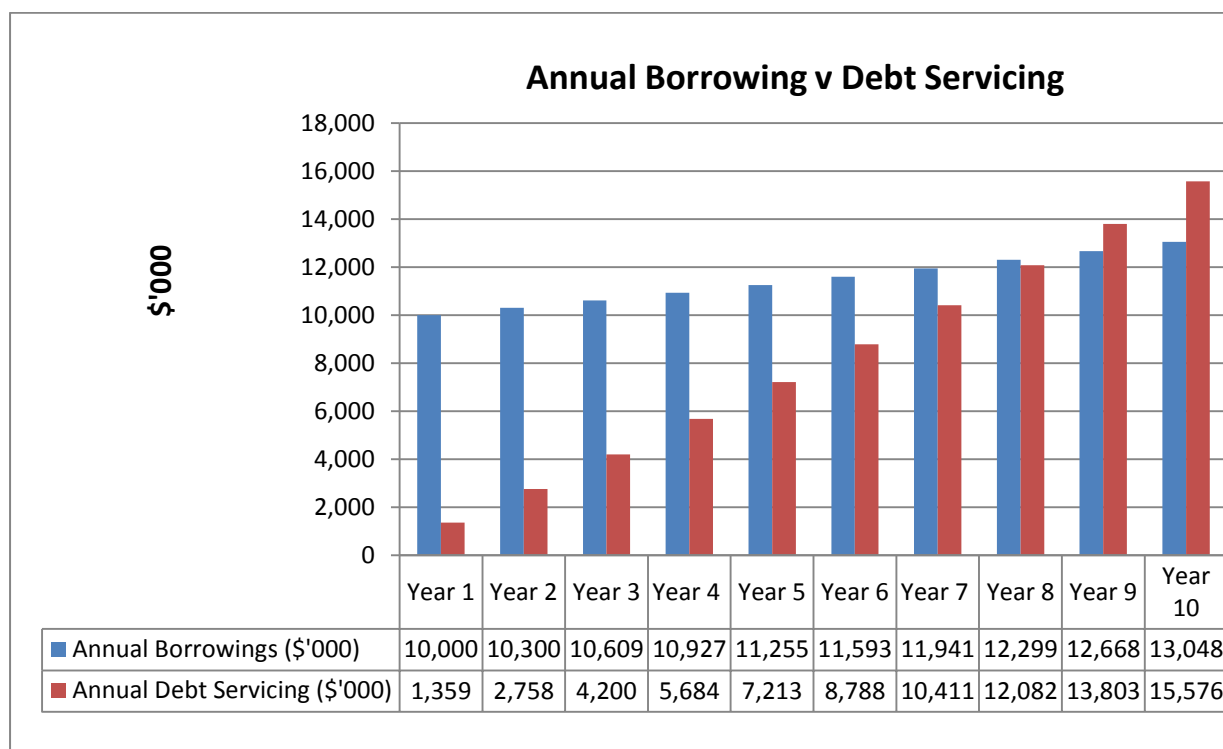
The benchmark for this ratio is 2 or greater. That is, a council’s operating result (excluding interest, tax, depreciation and amortisation expenses) should be at least double the amount expended annually on loan repayments (principal and interest). For example, if a council had an annual loan repayment of \$10 million, then in order to meet this benchmark, it would need to achieve an operating surplus (excluding interest, tax, depreciation and amortisation expenses) of \$20 million or more.

Using this indicator, Council has a calculated capacity to borrow up to \$125 million. For this amount of debt the annual loan repayment would be approximately \$17 million, over the life of the loan the total interest cost would be \$45 million.

Both the “Debt Service Ratio” and the “Debt Service Coverage Ratio” are purely mathematical calculations. They do not take into account whether a council is able to actually fund, within its current adjusted budget the required loan repayments. For example, if Council was to borrow \$125 million at an interest rate of 6% over a 10 year period, the annual loan repayment would be approximately \$17 million. Without any increase in its revenue base, Council would need to identify savings of \$17 million to fund the annual loan repayments.

The use of debt funding can provide funding immediately for infrastructure renewal. However, there is a longer term impact attributable to the cost of interest charged. For example, if Council borrowed \$10 million at 6% over a 10 year term, it would repay a total interest amount of \$3.6 million.

As shown in the graph below, If Council borrowed \$10 million annually indexed by a CPI of 3% per annum to fund asset renewal works, the annual loan repayments would increase each year to a point whereby in the 9th year Council's actual loan repayment would be higher than the amount it has borrowed. That is, at the end of the 10 year period, Council would have borrowed \$114 million, with an outstanding loan liability of \$56 million remaining. During this 10 year period a total of \$82 million in loan repayments would have been paid, consisting of \$56 million in principal repayments and \$26 million in interest borrowing costs.



It is noted that Council could borrow the amount as shown in the above table, and not exceed either the DLG or TCorp indicator outlined previously. However, without either increases in revenue, or reductions in cost, or a combination of both, Council would not have the ability to over the longer term service this level of debt in the future. Furthermore, if Council was to borrow this amount, then it would leave Council with a very limited capacity to borrow for other purposes, such as significant upgrade works such as traffic improvements or the construction of a new administration building.

It is noted that the NSW Government is currently providing \$100 million over six years through the Local Infrastructure Renewal Scheme (LIRS). The LIRS provides an interest subsidy to assist councils with infrastructure backlogs to cover the cost of borrowing. The LIRS is administered by the DLG and aims to provide an incentive to councils to utilise debt funding to accelerate investment in infrastructure backlogs. Eligible capital projects which will be considered under the scheme are those which are identified as part of a council's infrastructure asset renewal backlog or projects which will enable the provision of new housing.

The current round of the LIRS will provide councils with a 3% interest subsidy on external loans taken out to undertake eligible capital projects. Meaning if Council were to borrow at 6%, it would receive a 3% subsidy, therefore reducing the interest cost over the life of the loan to 3%.

The current round of the LIRS is the third round of funding provided by the NSW Government as part of the scheme. It is uncertain as to whether future rounds of funding will be made available. To date, Council has not



sought funding as part of the LIRS due to its debt free status, however should future rounds of LIRS funding be made available and if Council were to consider utilising debt funding in the future for the purpose of asset renewal, Council may be eligible for an interest subsidy on external loans sourced as part of the scheme.

#### INCREASE PROPORTION OF FUNDING IN THE WIP ALLOCATED TOWARDS ASSET RENEWAL

Council's Works Improvement Program (WIP) lists works projects by category and funding source. Council's Asset Management Plans are used as the basis for determining which projects are recommended for funding as part of Council's annual consideration of the WIP.

The 2013/2014 WIP totals \$41.126 million, of which \$16.8 million is funded from the ISF, \$8.6 million funded from general revenue and the balance funded from either grants, Section 94 contributions or other reserves. The ISF funding and general funding amounts allocated in the 2013/2014 WIP are used to fund approximately \$10.85 million in asset renewal projects. The balance of this funding which totals approximately \$14.65 million is utilised to fund other projects which are of either an upgrade or expansionary nature.

In the future, Council may consider reallocating a higher proportion of the funding currently allocated to upgrade on expansionary projects to asset renewal works. However, in doing so would obviously minimise Council's ability to provide new and/or upgraded infrastructure, particularly in the older parts of the city which do not benefit from the significant Section 94 funding which flows to new release areas.

#### INCREASE RATES BASE THROUGH A SPECIAL RATE VARIATION

Rates are Council's major source of funding. All NSW councils are limited to increasing their overall rates income by the applicable rate variation limit, which is commonly called the 'Rate Pegging' limit. Rate Pegging, which was introduced in 1977, is a process where the NSW State Government determines the maximum percentage by which council's can increase their annual rates income. Since the introduction of rate pegging in 1977 Council has not exceeded, in cumulative terms, the rate variation limit determined by the NSW State Government.

Since 2011/2012, the Independent Pricing and Regulatory Tribunal (IPART) has been responsible for determining the rate pegging limit. In determining the rate pegging limit, IPART use an index called the Local Government Cost Index (LGCI). The LGCI measures the price movement from a representative 'basket' of inputs that are used to deliver local council services, in a similar way to that used by the Australian Bureau of Statistics (ABS) to measure the Consumer Price Index (CPI). The main components included in the LGCI are Employee Costs, Construction works (roads, drains, footpaths, kerbing, bridges), Buildings, Plant and Equipment and Electricity costs.

In accordance with the Local Government Act 1993 (LGA), NSW councils can apply to increase their overall rates income above the rate pegging limit, through a process termed a Special Rate Variation (SRV) application. Originally, the NSW Minister for Local Government was responsible for determining special rate variations. In 2010, the Government delegated to IPART the responsibility for assessing and determining SRV applications. Councils may apply for a special rate variation in order to address infrastructure asset renewal backlogs, to undertake environmental works, to fund town improvements, to redevelop community and civic facilities and to maintain or improve existing service provision.

Councils undertaking SRV applications must submit them to IPART for review and assessment. The council must show how its intention to apply for a SRV is in keeping with its overall Integrated Planning and Reporting Framework. That is, Council must show how the purpose for which additional rates income is sought is in keeping with the overall strategic direction identified in its IP&R framework.

If a council's application is approved, IPART will determine the percentage by which the council may increase its general income, this percentage may differ from the amount which the council had applied for.

In accordance with the Act, there are two main ways which councils may apply to vary rates by an amount in excess of the rate pegging limit determined by IPART. These are as follows:

- Under Section 508(2) a council may apply for either a single year percentage increase that remains permanently in the rate base, or for a single year percentage increase that remains in the rate base for a fixed period of years (after which the rate base must be reduced to reflect the rate peg limit).
- Under Section 508(A) a council may apply for successive annual percentage increases (for between 2 and 7 years), which would build to a cumulative percentage total and remain permanently in the rate base.

It is important to note that, regardless of the form of increase sought by a council, IPART retains the discretion to grant all or part of the increase and to grant either a permanent increase or limit any increase to a fixed period.

## ASSET RENEWAL FUNDING STRATEGY

At Council's Extra-Ordinary Meeting on 6 November 2013, Council adopted the following funding strategy to address the City's asset renewal funding requirements:

### COUNCIL RESOLUTION

- 1) That having regard for the substantial growth over the past 30 years in the Blacktown Local Government Area, and the projected future growth for the next 20 years, Council needs to increase the annual funding for asset renewal.
- 2) In this regard Council increase this funding by way of increasing rates in combination as follows:
  - a) Savings to be identified in the future from sustainable operational efficiencies of \$1 million annually, and this amount to be allocated annually to infrastructure asset renewal works.
  - b) A reallocation of funding from Council's Infrastructure Sinking Fund, of \$2 million annually, to infrastructure asset renewal projects.
  - c) That a Special Rate Variation application be prepared under section 508A of the Local Government Act to increase rates in 2014/2015 and 2015/2016 as follows:
    - i) In 2014/2015 rates for the Rating Categories Residential and Farmland are to be increased by 3% above the rate pegging limit and the rates for the Business Category are to be increased by 10% above the rate pegging limit.
    - ii) In 2015/2016 rates for the Business Category are to be increased by a further 10% above the rate pegging limit.
    - iii) That Council Officers investigate and report to Council as a matter of priority, options to limit the proposed rate increase of 10% for 2014/2015 and 2015/2016 to only the larger businesses in the Local Government Area.
- 3) A Special Rate Variation application be prepared under section 508A of the Local Government Act to increase rates.
- 4) That Council notify the Independent Pricing and Regulatory Tribunal (IPART) by 13 December 2013 of its intention to submit a Special Rate Variation application to increase rates above the rate pegging limit under section 508A of the Local Government Act.
- 5) That Council continues to seek the views of the community on the funding of infrastructure asset renewal, including through the Community Satisfaction Survey noted in paragraph 37 of Report FC330210 and that a Community Engagement Plan be developed and implemented in accordance with the Division of Local Government's Special Rate Variation guidelines and Council's Community Engagement Strategy to consult with the community about the proposed funding strategy outlined in part 2 of this resolution, with the results to be reported back for Council's consideration prior to the submission of a Special Rate Variation application.

- 6) That the necessary amendments be made to Council's Integrated Planning and Reporting documents and these documents be placed on public exhibition in accordance with the Division of Local Government guidelines.
- 7) A Workshop be held with Councillors to further consider the information presented in Reports CA330074 and FC330210 along with additional information provided subsequently to Councillors.

In accordance with the above Council Resolution, IPART has been notified of Council's intention to submit a Special Rate Variation application (SRV) under section 508A of the Local Government Act to increase rates above the approved rate variation limit in 2014/2015 and 2015/2016.

The following table provides a summary of the estimated additional funding to be allocated to asset renewal as outlined by the above Council Resolution should Council resolve to formally submit an SRV application to IPART to increase rates in 2014/2015 and 2015/2016 above the applicable rate variation limit.

	2014/2015	2015/2016
3% for Residential & Farmland	\$2,774,000	\$2,857,000 (assumes rate peg increase of 3%)
10% Business – Sub-Categories (over 2 years)	\$2,497,000	\$5,303,000
3% Business (General)	\$286,000	\$295,000 (assumes rate peg increase of 3%)
<b>Total Additional Rates</b>	<b>\$5,557,000</b>	<b>\$8,455,000</b>
Efficiency Savings	\$1,000,000	\$1,000,000
Funding from Infrastructure Sinking Fund	\$2,000,000	\$2,000,000
<b>Total Additional Funding</b>	<b>\$8,557,000</b>	<b>\$11,455,000</b>

#### IMPACT OF AN INCREASE IN RESIDENTIAL RATES

The table below demonstrates the impact of increasing residential rates by 3% above the approved rate variation limit of 2.3% in 2014/2015.

	Minimum Rate	Average Rate
2013/2014 Residential Rates	\$830	\$866
2014/2015 Rate Peg (2.30%)	\$19	\$20
2014/2015 Special Rate Variation (3%)	\$25	\$26
<b>2014/2015 Rates</b>	<b>\$874</b>	<b>\$912</b>
<b>Weekly Increase</b>	<b>\$0.85</b>	<b>\$0.88</b>

For Council, 73% of residential ratepayers are currently paying the minimum rate of \$830.00. This means that for 73% of residential ratepayers, an increase of 3% above the rate variation limit of 2.3% in the 2014/2015 financial year would equate to an annual increase of \$44 in their rates or an additional \$0.85 per week in rates.

The average residential rate in 2013/2014 is \$866. This means that an increase of 3% above the rate variation limit of 2.3% in the 2014/2015 financial year will increase the average residential rate by \$46 or \$0.88 per week in 2014/2015.

#### IMPACT OF AN INCREASE IN BUSINESS RATES (SUB- CATEGORIES)

The table below demonstrates the impact of increasing the average Business Rate of \$7,576 (2013/2014) by 10% above the approved rate variation limit of 2.3% in 2014/2015 followed by a further 10% increase above the assumed rate variation limit of 3% in 2015/2016. This means a total increase in rates of 12.3% in 2014/2015 followed by a further increase of 13% in 2015/2016 for Business Rates only.

	2014/2015	2015/2016
Rate Peg (14/15 = 2.30%, 15/16 = 3%)	\$174	\$255
2014/2015 Special Rate Variation (10% x 2 years)	\$758	\$851
<b>Total Rate Increase</b>	<b>\$932</b>	<b>\$1,106</b>
<b>Total Average Business Rate</b>	<b>\$8,508</b>	<b>\$9,614</b>
<b>Average Weekly Increase</b>	<b>\$18</b>	<b>\$21</b>

The above table provides a summary of the average increase in business rates, whereby certain geographical areas within the City are identified as a "Centre of Activity" for rating purposes. This table shows that the cumulative increase in Business Rates of 10% above the rate variation limit in 2014/2015 and 2015/2016 equates to an average annual increase in 2014/2015 of \$932 & \$1,106 in 2015/2016, with an average weekly increase of \$18 & \$21 in 2015/2016.

#### BUSINESS (GENERAL)

The table below demonstrates the impact of increasing the average General Business Rate of \$6,007 (2013/2014) by 3% above the approved rate variation limit of 2.3% in 2014/2015.

	2014/2015
Rate Peg (14/15 = 2.30%)	\$138
2014/2015 Special Rate Variation (3%) (3%)	\$180
<b>Total Rate Increase</b>	<b>\$318</b>
<b>Total Average General Business Rate</b>	<b>\$6,325</b>
<b>Average Weekly Increase</b>	<b>\$6</b>

The above table provides a summary of the average increase in General business rates. This table shows that an increase in General Business Rates of 3% above the rate variation limit in 2014/2015 equates to an average annual increase in 2014/2015 of \$318, with an average weekly increase of \$6.

## SENSITIVITY ANALYSIS

Council's LTFP covers a 10 year period based on assumptions regarding future financial trends. These assumptions include future rate variation limits (i.e. rate pegging), increases in CPI and employment costs. Many of these factors can fluctuate over time as they are influenced by a variety of circumstances, such as prevailing economic conditions, decisions by other levels of government and changing community expectations. As it is not possible to accurately predict changes in these factors in individual years over the long term, they have been projected to remain constant over the 10 year period covered by the LTFP. To ensure these assumptions are both robust and realistic, they have been based on available information, including economic projections from a variety of sources as well as recent trends.

A full list of the assumptions underlying the projections in the LTFP is contained in **Appendix 1** to the LTFP.

Over a ten year period, these assumptions may be subject to change outside the parameters used in developing the assumptions contained in the LTFP. Any major change in these assumptions will have an impact on the financial projections contained therein. The level of impact depends not only on the level of change but also on the nature of the assumption.

A minor variance in some of the assumptions will have a relatively small impact on the projections contained in the LTFP. For example, increases in the level of grant income received for specific purposes would result in a corresponding increase in expenditure. Conversely, a change in the annual rate pegging limit will have a significant impact on future financial projections. Sensitivity analysis has been undertaken to assess the impact of changes in the factors which have been used to project future revenue and expenditure. This sensitivity analysis is shown in **Appendix 2**.

Sensitivity analysis involves developing different scenarios by varying the critical assumptions, such as the projected level of rates revenue and employee costs. The different scenarios demonstrate the impact of these changes on Council's financial projections.

A base model, optimistic and pessimistic model have been considered in the sensitivity analysis.

## SCENARIOS

Council's LTFP contains long term projections based on specific assumptions. As it is difficult to accurately predict all future trends, alternative scenarios have been modelled to help provide an indication of Council's future financial position under a variety of circumstances. These alternative scenarios are summarised below.

### BASE CASE SCENARIO

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The *base case* scenario forms the basis of Council's LTFP. It is based on a range of assumptions which are considered the most likely to occur over the next ten years. These assumptions are detailed in **Appendix 1** to the LTFP. The *base case* scenario is shown in **Appendix 3**.

### OPTIMISTIC CASE SCENARIO

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The second scenario is an *optimistic case*. In this scenario the LTFP is based on assumptions which are slightly more favourable than those in the base case. The *optimistic case* scenario is shown in **Appendix 4**.

### PESSIMISTIC CASE SCENARIO

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The third scenario is a *pessimistic case*. In this scenario the LTFP is based on assumptions which are slightly less favourable than those in the base case. The *pessimistic case* scenario is shown in **Appendix 5**.

### BALANCED BASE CASE SCENARIO

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The fourth scenario is based on the *base case scenario* but shows reduced expenditure so that the model is fully balanced (i.e. no deficits over the full ten year period). The *balanced base case* scenario is shown in **Appendix 6**.

### BASE CASE SCENARIO PLUS ENHANCED ASSET MANAGEMENT

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The fifth scenario is based on the *base case scenario* but also includes provision for increased expenditure required for the renewal of Council's existing infrastructure network in addition to increased maintenance funding for the growth in Council's asset base. The *base case plus enhanced asset management* scenario is shown in **Appendix 7**.

### BASE CASE SCENARIO PLUS ENHANCED ASSET MANAGEMENT FUNDED BY SPECIAL RATE VARIATION

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The sixth scenario is based on the *base case scenario* but also includes provision for increased expenditure required for the renewal of Council's existing infrastructure network in addition to increased maintenance funding for the growth in Council's asset base. This model also includes funding the required renewal of Council's existing infrastructure network by way of increasing rates above the rate variation limit through a special rate variation, with a combination of \$1 Million of savings annually to be identified in the future from sustainable operational efficiencies and the reallocation of funding of \$2 Million annually from Council's Infrastructure Sinking fund. The *base case plus enhanced asset management funded by Special rate variation* scenario is shown in **Appendix 8**.

### BALANCED BASE CASE SCENARIO PLUS ENHANCED ASSET MANAGEMENT FUNDED BY SPECIAL RATE VARIATION

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The seventh scenario presents the *balanced base case* scenario plus the *enhanced asset management* scenario. This model also includes funding the required renewal of Council's existing infrastructure network by way of increasing rates above the rate variation limit through a special rate variation, with a combination of \$1 Million of savings annually to be identified in the future from sustainable operational efficiencies and the reallocation of

funding of \$2 Million annually from Council's Infrastructure Sinking fund. The *base case plus enhanced asset management funded by Special rate variation* scenario is shown in **Appendix 9**.

## PERFORMANCE MONITORING

It is important that Council regularly assesses its financial performance and position against the projections contained in the LTFP. As part of this process Council needs to determine what factors it will monitor on a regular basis. It is proposed that these factors include the following.

### UNRESTRICTED CURRENT RATIO

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The Unrestricted Current Ratio is a measure of whether Council has sufficient liquid assets to meet short term commitments, after excluding certain restricted assets. Council's target for this indicator will be a ratio of greater than 100%.

### DEBT SERVICE RATIO

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The Debt Service Ratio is Council's total operating debt servicing costs as a percentage of Income from Continuing Operations excluding capital items and specific purpose grants and contributions. Council's target for this indicator will be a ratio of 10% or lower.

### RATES AND ANNUAL CHARGES OUTSTANDING RATIO

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This ratio measures the percentage of Council's total rates and charges that is outstanding. Council's target for this indicator will be a ratio of under 5%.

### EMPLOYEE LEAVE ENTITLEMENT RESERVE

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Council's target is that its Employee Leave Entitlements (ELE) reserve represents at least 20% of its ELE provision.

### WORKERS COMPENSATION RESERVE

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Council's target is that its Workers Compensation Reserve represents 100% of its total Workers Compensation Claims provision.

### INVESTMENT RETURNS

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Council's target is that over the longer term investment returns are in line with benchmarks contained in Council's Investment Policy.

## APPENDIX 1 - ASSUMPTIONS USED IN THE LTFP

The table below lists each of the assumptions used in developing the LTFP

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Projected Average Annual Increase
<b>Revenue</b>										
Rates	3.05%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.67%
Domestic Waste Management Charge	8.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.33%
Fees and Charges (CPI)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Financial Assistance Grant	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Other Income (CPI)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Interest Revenue	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Grants & Contributions	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
S94 Contributions	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
<b>Expenditure</b>										
Salaries and Wages	4.46%	4.45%	4.45%	4.45%	4.45%	4.45%	4.00%	4.00%	4.00%	4.30%
Energy Costs	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Maintenance	2.00%	2.55%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	2.84%
Other Expenses	0.94%	2.00%	1.31%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	2.47%
Contribution to other levels of Government	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
Profit on disposal of Assets & Proceeds on sale of Assets	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Capital	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%



## APPENDIX 2 – SENSITIVITY TESTING

Council's LTFP is based on a range of assumptions used to project future financial trends. In some cases, small changes in an assumption can have a substantial impact on the long term projections contained in the LTFP, whereas changes in other assumptions have a less material impact. As it is not always possible to accurately predict future movements in all of the assumptions used to prepare the LTFP, it is beneficial to conduct sensitivity analysis on the impact of small changes in those assumptions which have the greatest impact on the LTFP. The sensitivity analysis undertaken is outlined below.

### RATES

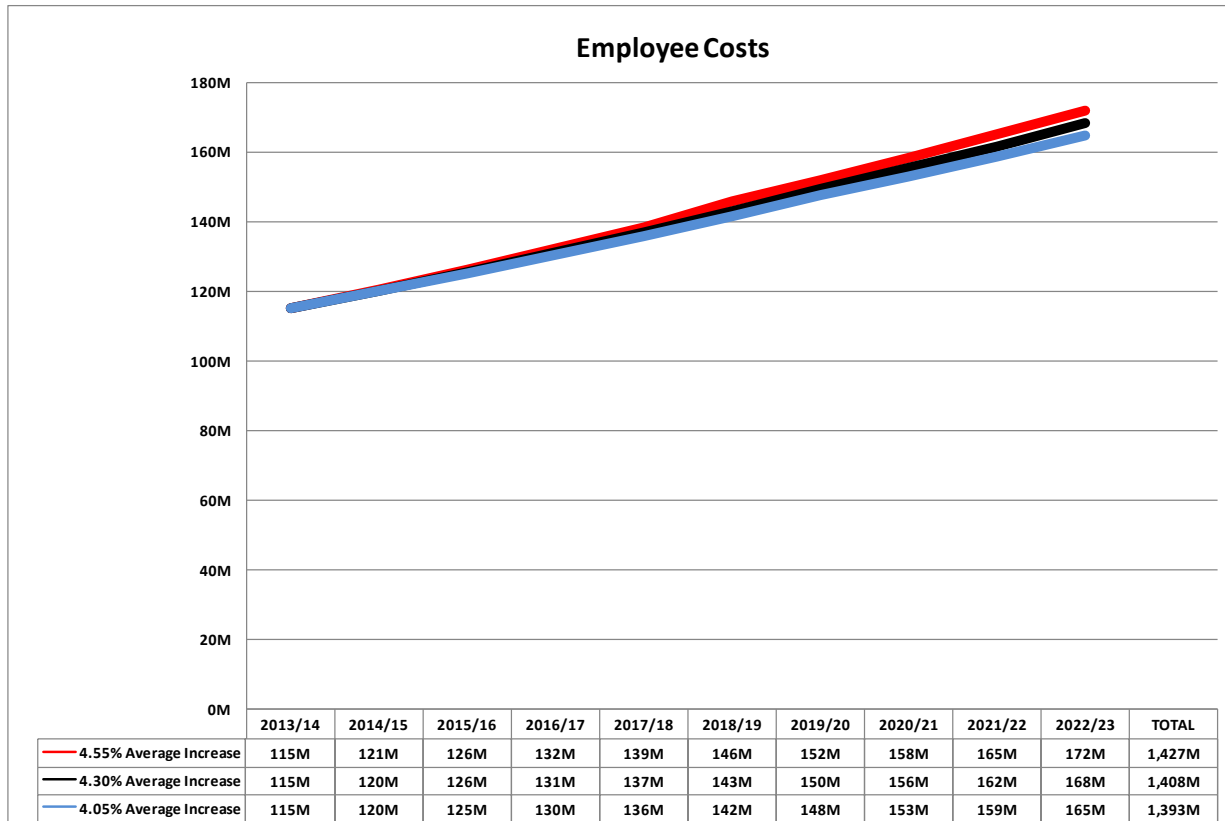
As detailed previously an annual increase of 3.75% in Council's rates income has been incorporated in the *base case* scenario of the LTFP. Sensitivity analysis on a slightly higher (4%) annual increase as well as a slightly lower (3.5%) has been conducted. As can be seen in the graph below these changes have a notable impact on long term projections contained in the LTFP.



Based on the average annual rates increase of 3.67% in the *base case* scenario rating income is projected to increase from \$123,775,000 to \$171,232,000 in 2022/2023. If the annual rate increase is reduced from 3.67% to 3.46% (which projects rates increase of 0.25% lower than the base case from 2015/2016) the projected annual rates income in 2022/2023 is reduced to \$167,959,000. Conversely, if the average annual rate increase is changed from 3.67% to 3.91% (which projects rates increase of 0.25% higher than the base case from 2015/2016) the annual rates income in 2022/2023 is increased to \$174,561,000.

## EMPLOYMENT COSTS

As detailed previously an average annual increase of 4.30% in Council's employee costs has been incorporated in the *base case* scenario of the LTFP. Sensitivity analysis on a slightly higher (4.55%) average annual increase as well as a slightly lower (4.05%) has been conducted. As can be seen in the graph below these changes have an impact on long term projections contained in the LTFP.



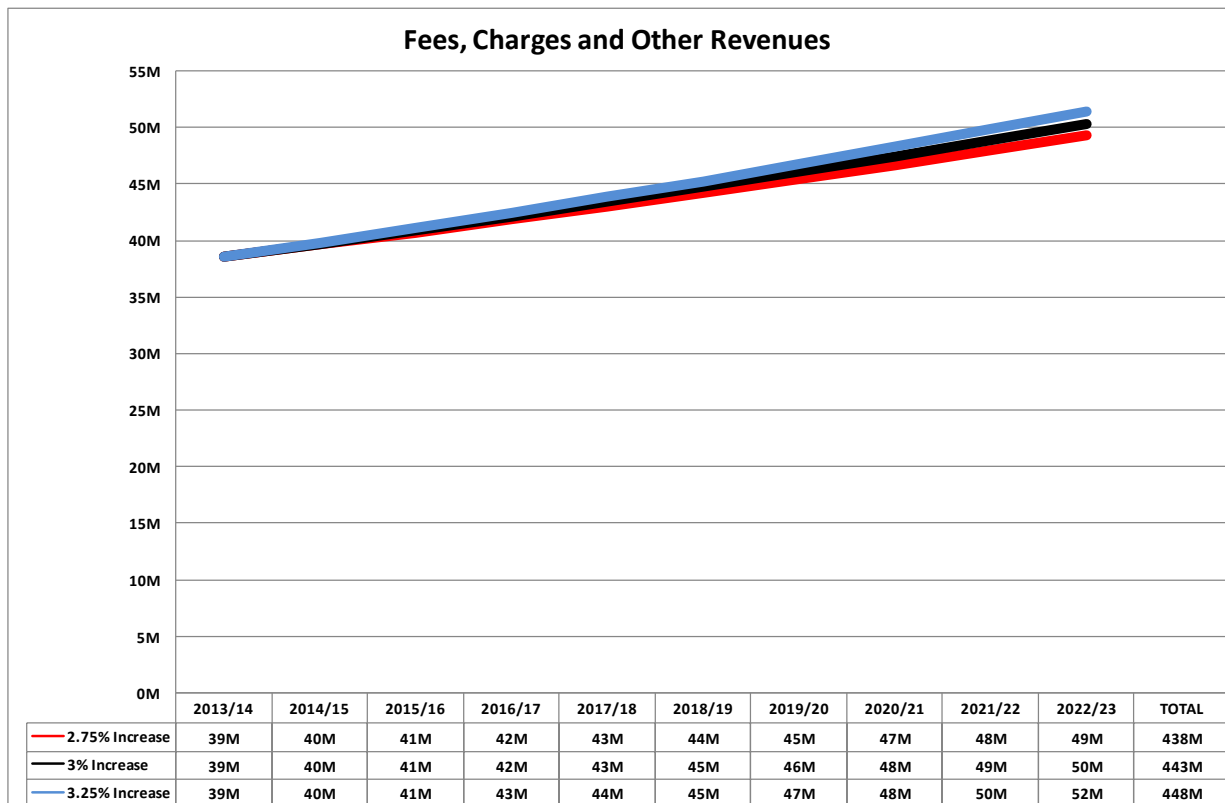
Using the annual average increase of 4.30% in the *base case* scenario, employee costs are projected to increase from \$115,199,000 to \$168,276,000 in 2022/2023.

If the average annual employment costs increase is reduced from 4.30% to 4.05% the annual employment costs in 2022/2023 is projected to be \$164,829,000.

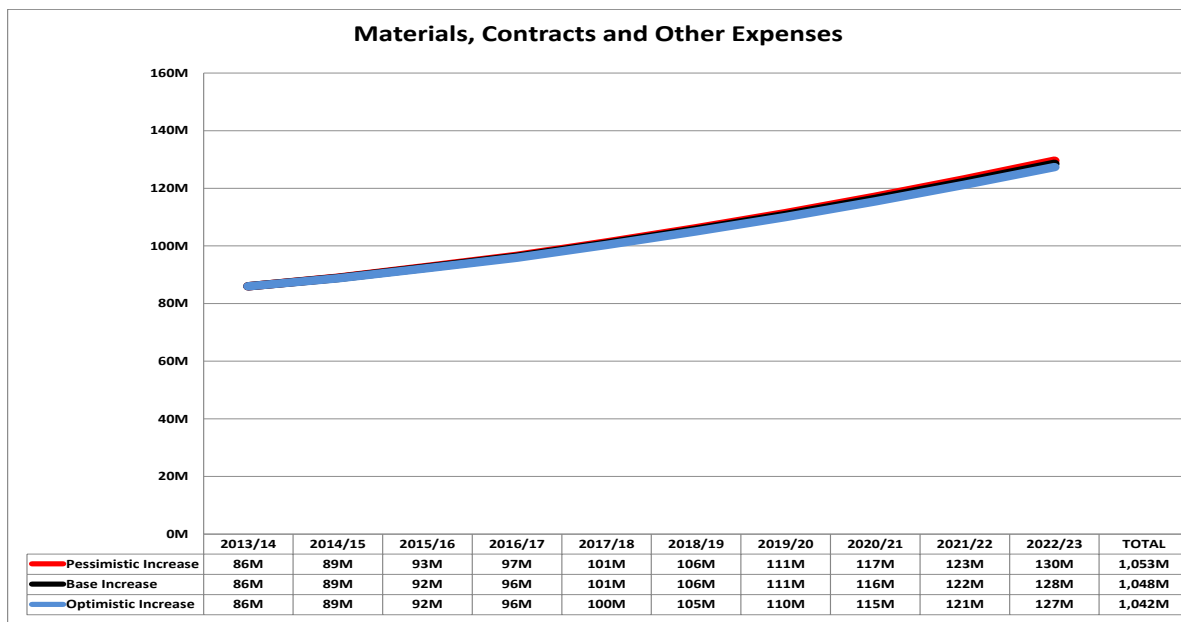
Conversely, if the average annual employment costs are increased to 4.55%, the annual employment costs in 2022/2023 are increased to \$172,129,000.

## CPI

As detailed previously an annual increase of 3% for CPI has been incorporated in the *base case* scenario of the LTFP from the 2017/18 financial year onwards. CPI has been used to project both certain income and expenditure items in the LTFP. Sensitivity analysis on a slightly higher (3.25%) annual CPI increase as well as a slightly lower (2.75%) annual CPI increase has been conducted. As can be seen in the graphs below these changes impact on the long term revenue and expenditure projections contained in the LTFP.



Using the annual CPI increase of 3.0% in the *base case* scenario, total user fees & charges and other revenues is projected to increase from \$38,637,000 to \$50,412,000 in 2022/2023. If the annual CPI rate increase is reduced from 3% to 2.75% this revenue is projected to be \$49,325,000 in 2022/2023. Conversely, if the annual CPI increase is changed to 3.25% this revenue is projected to be \$51,522,000 in 2022/2023.



In the *base case* scenario, total materials contracts and other expenses are projected to increase from \$85,991,000 to \$128,486,000 in 2022/2023. If the annual CPI rate increase is reduced by 0.25% this expenditure is projected to be \$127,367,000 in 2022/2023. Conversely, if the annual CPI increased by 0.25% this expenditure is projected to be \$129,563,000 in 2022/2023.

## APPENDIX 3 – BASE CASE SCENARIO

### Base Case

### Long Term Financial Plan - Income Statement

	13/14 Budget Original \$'000	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	TOTAL \$'000
<b>REVENUE FROM OPERATING ACTIVITIES</b>											
Rates & Annual Charges	163,865	171,700	178,559	185,701	193,135	200,876	208,936	217,329	226,067	235,166	1,981,334
Fees & Charges	31,671	32,619	33,601	34,608	35,646	36,715	37,817	38,951	40,120	41,323	363,071
Interest Received	11,600	14,842	13,918	14,391	14,354	14,746	15,082	15,348	15,558	15,702	145,541
Other Revenues	6,966	7,175	7,391	7,612	7,841	8,076	8,318	8,568	8,825	9,089	79,861
Grants & Contributions - Operating	27,429	28,444	29,501	30,601	31,745	32,936	34,177	35,468	36,812	38,212	325,325
<b>TOTAL</b>	<b>241,531</b>	<b>254,780</b>	<b>262,970</b>	<b>272,913</b>	<b>282,721</b>	<b>293,349</b>	<b>304,330</b>	<b>315,664</b>	<b>327,382</b>	<b>339,492</b>	<b>2,895,132</b>
<b>EXPENSES FROM OPERATING ACTIVITIES</b>											
Employee Costs	115,199	120,332	125,692	131,288	137,131	143,228	149,596	155,580	161,803	168,276	1,408,125
Materials & Contracts	59,629	62,327	65,363	68,731	72,308	76,107	80,144	84,436	89,001	93,857	751,903
Other Expenses	26,362	26,569	27,134	27,511	28,483	29,508	30,589	31,858	33,202	34,629	295,845
<b>TOTAL</b>	<b>201,190</b>	<b>209,228</b>	<b>218,189</b>	<b>227,530</b>	<b>237,922</b>	<b>248,843</b>	<b>260,329</b>	<b>271,874</b>	<b>284,006</b>	<b>296,762</b>	<b>2,455,873</b>
<b>OPERATIONAL RESULT - Surplus / (Deficit)</b>	<b>40,341</b>	<b>45,552</b>	<b>44,781</b>	<b>45,383</b>	<b>44,799</b>	<b>44,506</b>	<b>44,001</b>	<b>43,790</b>	<b>43,376</b>	<b>42,730</b>	<b>439,259</b>
Depreciation (Non Cash Item)	58,000	60,320	62,733	65,242	67,852	70,566	73,389	76,324	79,377	82,552	696,355
<b>OPERATIONAL RESULT - Surplus / (Deficit) Including Depreciation</b>	<b>(17,659)</b>	<b>(14,768)</b>	<b>(17,952)</b>	<b>(19,859)</b>	<b>(23,053)</b>	<b>(26,060)</b>	<b>(29,388)</b>	<b>(32,534)</b>	<b>(36,001)</b>	<b>(39,822)</b>	<b>(257,096)</b>
<b>CAPITAL INCOME</b>											
Grants & Contributions - Capital	52,513	52,984	53,761	49,301	46,453	46,852	53,873	49,835	50,279	50,780	506,631
Profit on Disposal of Assets	2,000	2,060	2,122	2,185	2,251	2,319	2,388	2,460	2,534	2,610	22,929
Proceeds on Sale of Assets (Book Value)	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800	3,914	34,392
Transfer from Reserve	54,994	91,559	64,425	76,924	69,604	72,438	75,439	78,590	81,931	85,476	751,380
Add back Depreciation (Non Cash Item)	58,000	60,320	62,733	65,242	67,852	70,566	73,389	76,324	79,377	82,552	696,355
<b>TOTAL</b>	<b>170,507</b>	<b>210,013</b>	<b>186,224</b>	<b>196,930</b>	<b>189,537</b>	<b>195,653</b>	<b>208,671</b>	<b>210,899</b>	<b>217,921</b>	<b>225,332</b>	<b>2,011,687</b>
<b>CAPITAL EXPENDITURE</b>											
Capital Expenditure (Non-WIP)	9,210	48,721	19,798	30,392	21,003	21,634	22,283	22,951	23,640	24,349	243,981
Works Improvement Program	41,126	38,415	39,284	40,180	41,101	42,050	43,028	44,035	45,072	46,140	420,431
Dedicated Assets	35,068	35,041	35,304	30,316	26,924	26,764	33,209	28,579	28,413	28,287	307,905
Transfer to Reserve	67,444	73,068	73,886	76,183	78,018	80,422	82,959	85,666	88,590	91,352	797,588
<b>TOTAL</b>	<b>152,848</b>	<b>195,245</b>	<b>168,272</b>	<b>177,071</b>	<b>167,046</b>	<b>170,870</b>	<b>181,479</b>	<b>181,231</b>	<b>185,715</b>	<b>190,128</b>	<b>1,769,905</b>
<b>CAPITAL RESULT - Surplus / (Deficit)</b>	<b>17,659</b>	<b>14,768</b>	<b>17,952</b>	<b>19,859</b>	<b>22,491</b>	<b>24,783</b>	<b>27,192</b>	<b>29,668</b>	<b>32,206</b>	<b>35,204</b>	<b>241,782</b>
<b>NET RESULT - Surplus / (Deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(562)</b>	<b>(1,277)</b>	<b>(2,196)</b>	<b>(2,866)</b>	<b>(3,795)</b>	<b>(4,618)</b>	<b>(15,314)</b>



# Base Case

## Long Term Financial Plan - Balance Sheet

		13/14 Budget	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		Original	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CURRENT ASSETS</b>											
Cash and cash equivalents		16,170	16,170	16,170	16,170	16,170	16,170	16,170	16,170	16,170	16,170
Investments		235,676	217,185	226,646	225,906	233,758	240,465	245,789	249,999	252,863	254,121
Receivables		22,001	22,661	23,341	24,041	24,762	25,505	26,270	27,058	27,870	28,706
Inventories		28,147	28,991	29,861	30,757	31,679	32,630	33,609	34,617	35,656	36,725
Other		150	155	160	164	169	174	180	185	190	196
TOTAL		302,144	285,162	296,178	297,038	306,538	314,944	322,018	328,029	332,749	335,918
<b>NON-CURRENT ASSETS</b>											
Investments		45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Receivables		1,437	1,480	1,524	1,570	1,617	1,666	1,716	1,767	1,820	1,875
Property, Plant & Equipment		2,694,942	2,756,800	2,788,453	2,824,098	2,845,275	2,865,157	2,890,288	2,909,530	2,927,278	2,943,502
Investment Property		32,558	33,535	34,541	35,577	36,645	37,744	38,876	40,043	41,244	42,481
Investments accounted for using the equity method		4,674	4,814	4,959	5,108	5,261	5,419	5,581	5,749	5,921	6,099
TOTAL		2,778,611	2,841,629	2,874,477	2,911,353	2,933,798	2,954,986	2,981,461	3,002,089	3,021,263	3,038,957
TOTAL ASSETS		3,080,755	3,126,791	3,170,655	3,208,391	3,240,336	3,269,930	3,303,479	3,330,118	3,354,012	3,374,875
<b>CURRENT LIABILITIES</b>											
Payables		34,148	35,172	36,227	37,314	38,433	39,586	40,774	41,997	43,257	44,555
Provisions		52,142	54,228	56,397	58,653	60,999	63,439	65,977	68,616	71,361	74,215
TOTAL		86,290	89,400	92,624	95,967	99,432	103,025	106,751	110,613	114,618	118,770
<b>NON-CURRENT LIABILITIES</b>											
Provisions		5,236	5,446	5,664	5,890	6,126	6,371	6,626	6,891	7,166	7,453
TOTAL		5,236	5,446	5,664	5,890	6,126	6,371	6,626	6,891	7,166	7,453
TOTAL LIABILITIES		91,526	94,846	98,288	101,857	105,558	109,396	113,377	117,504	121,784	126,223
NET ASSETS		2,989,229	3,031,945	3,072,367	3,106,534	3,134,778	3,160,534	3,190,102	3,212,614	3,232,228	3,248,652
<b>EQUITY</b>											
TOTAL		2,989,229	3,031,945	3,072,367	3,106,534	3,134,778	3,160,534	3,190,102	3,212,614	3,232,228	3,248,652

# Base Case

## Long Term Financial Plan - Cash Flow Statement

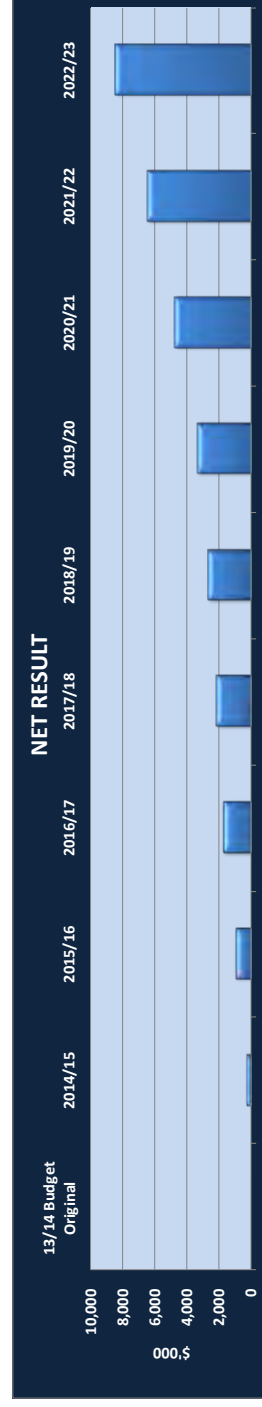
	13/14 Budget Original	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
Receipts										
Rates & Annual Charges	163,865	171,700	178,559	185,701	193,135	200,876	208,936	217,329	226,067	235,166
Fees & Charges	31,671	32,619	33,601	34,608	35,646	36,715	37,817	38,951	40,120	41,323
Interest Received	11,600	14,842	13,918	14,391	14,354	14,746	15,082	15,348	15,558	15,702
Other Revenues	6,966	7,175	7,391	7,612	7,841	8,076	8,318	8,568	8,825	9,089
Grants & Contributions - Operating	27,429	28,444	29,501	30,601	31,745	32,936	34,177	35,468	36,812	38,212
TOTAL	241,531	254,780	262,970	272,913	282,721	293,349	304,330	315,664	327,382	339,492
Payments										
Employee Costs	(115,199)	(120,332)	(125,692)	(131,288)	(137,131)	(143,228)	(149,596)	(155,580)	(161,803)	(168,276)
Materials & Contracts	(59,629)	(62,327)	(65,363)	(68,731)	(72,308)	(76,107)	(80,144)	(84,436)	(89,001)	(93,857)
Other Expenses	(26,362)	(26,569)	(27,134)	(27,511)	(28,483)	(29,508)	(30,589)	(31,858)	(33,202)	(34,629)
TOTAL	(201,190)	(209,228)	(218,189)	(227,530)	(237,922)	(248,843)	(260,329)	(271,874)	(284,006)	(296,762)
Net Cash Provided (or used) in Operating Activities	40,341	45,552	44,781	45,383	44,799	44,506	44,001	43,790	43,376	42,730
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
Receipts										
Proceeds from Grants & Contributions - Capital	17,445	17,943	18,457	18,986	19,529	20,088	20,664	21,256	21,866	22,493
Proceeds from the Sale of Property	5,000	5,150	5,305	5,463	5,628	5,797	5,970	6,150	6,334	6,524
Payments										
Purchase of Property Plant & Equipment	(50,336)	(87,136)	(59,082)	(70,572)	(62,104)	(63,684)	(65,311)	(66,986)	(68,712)	(70,489)
Net Cash provided (or used in) Investing Activities	(27,891)	(64,043)	(35,320)	(46,123)	(36,947)	(37,799)	(38,677)	(39,580)	(40,512)	(41,472)
Net Increase / (Decrease) in cash held	12,450	(18,491)	9,461	(740)	7,852	6,707	5,324	4,210	2,864	1,258
Cash at beginning of reporting period	284,396	296,846	278,355	287,816	287,076	294,928	301,635	306,959	311,169	314,033
Cash at end of reporting period	296,846	278,355	287,816	287,076	294,928	301,635	306,959	311,169	314,033	315,291

## APPENDIX 4 – OPTIMISTIC CASE SCENARIO

### Base Case - Optimistic

### Long Term Financial Plan - Income Statement

	13/14 Budget Original	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	TOTAL
<b>REVENUE FROM OPERATING ACTIVITIES</b>											
Rates & Annual Charges	163,865	171,700	178,878	186,363	194,167	202,306	210,792	219,642	228,871	238,495	1,995,079
Fees & Charges	31,671	32,540	33,437	34,356	35,301	36,272	37,269	38,294	39,347	40,429	358,916
Interest Received	11,600	14,842	13,932	14,451	14,495	15,009	15,510	15,992	16,474	16,950	149,255
Other Revenues	6,966	7,158	7,355	7,558	7,766	7,980	8,199	8,425	8,657	8,896	78,960
Grants & Contributions - Operating	27,429	28,444	29,501	30,601	31,745	32,936	34,177	35,468	36,812	38,212	325,325
<b>TOTAL</b>	<b>241,531</b>	<b>254,684</b>	<b>263,103</b>	<b>273,329</b>	<b>283,474</b>	<b>294,503</b>	<b>305,947</b>	<b>317,821</b>	<b>330,161</b>	<b>342,982</b>	<b>2,907,535</b>
<b>EXPENSES FROM OPERATING ACTIVITIES</b>											
Employee Costs	115,199	120,060	125,126	130,407	135,910	141,632	147,594	153,129	158,872	164,829	1,392,758
Materials & Contracts	59,629	62,249	65,206	68,488	71,975	75,680	79,617	83,804	88,257	92,997	747,902
Other Expenses	26,362	26,536	27,069	27,418	28,360	29,356	30,409	31,651	32,969	34,370	294,500
<b>TOTAL</b>	<b>201,190</b>	<b>208,845</b>	<b>217,401</b>	<b>226,313</b>	<b>236,245</b>	<b>246,668</b>	<b>257,620</b>	<b>268,584</b>	<b>280,098</b>	<b>292,196</b>	<b>2,435,160</b>
<b>OPERATIONAL RESULT - Surplus / (Deficit)</b>	<b>40,341</b>	<b>45,839</b>	<b>45,702</b>	<b>47,016</b>	<b>47,229</b>	<b>47,835</b>	<b>48,327</b>	<b>49,237</b>	<b>50,063</b>	<b>50,786</b>	<b>472,375</b>
Depreciation (Non Cash Item)	58,000	60,320	62,733	65,242	67,852	70,566	73,389	76,324	79,377	82,552	696,355
<b>OPERATIONAL RESULT - Surplus / (Deficit) Including Depreciation</b>	<b>(17,659)</b>	<b>(14,481)</b>	<b>(17,031)</b>	<b>(18,226)</b>	<b>(20,623)</b>	<b>(22,731)</b>	<b>(25,062)</b>	<b>(27,087)</b>	<b>(29,314)</b>	<b>(31,766)</b>	<b>(223,980)</b>
<b>CAPITAL INCOME</b>											
Grants & Contributions - Capital	52,513	52,984	53,761	49,301	46,453	46,852	53,873	49,835	50,279	50,780	506,631
Profit on Disposal of Assets	2,000	2,060	2,122	2,185	2,251	2,319	2,388	2,460	2,534	2,610	22,929
Proceeds on Sale of Assets (Book Value)	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800	3,914	34,392
Transfer from Reserve	54,994	91,539	64,385	76,865	69,523	72,335	75,311	78,435	81,747	85,261	750,395
Add back Depreciation (Non Cash Item)	58,000	60,320	62,733	65,242	67,852	70,566	73,389	76,324	79,377	82,552	696,355
<b>TOTAL</b>	<b>170,507</b>	<b>209,993</b>	<b>186,184</b>	<b>196,871</b>	<b>189,456</b>	<b>195,550</b>	<b>208,543</b>	<b>210,744</b>	<b>217,737</b>	<b>225,117</b>	<b>2,010,702</b>
<b>CAPITAL EXPENDITURE</b>											
Capital Expenditure (Non-WIP)	9,210	48,721	19,798	30,392	21,003	21,634	22,283	22,951	23,640	24,349	243,981
Works Improvement Program	41,126	38,415	39,287	40,185	41,110	42,062	43,043	44,055	45,095	46,167	420,545
Dedicated Assets	35,068	35,041	35,304	30,316	26,924	26,764	33,209	28,579	28,413	28,287	307,905
Transfer to Reserve	67,444	73,046	73,793	76,004	77,640	79,665	81,573	83,305	84,827	86,071	783,368
<b>TOTAL</b>	<b>152,848</b>	<b>195,223</b>	<b>168,182</b>	<b>176,897</b>	<b>166,677</b>	<b>170,125</b>	<b>180,108</b>	<b>178,890</b>	<b>181,975</b>	<b>184,874</b>	<b>1,755,799</b>
<b>CAPITAL RESULT - Surplus / (Deficit)</b>	<b>17,659</b>	<b>14,770</b>	<b>18,002</b>	<b>19,974</b>	<b>22,779</b>	<b>25,425</b>	<b>28,435</b>	<b>31,854</b>	<b>35,762</b>	<b>40,243</b>	<b>254,903</b>
<b>NET RESULT - Surplus / (Deficit)</b>	<b>0</b>	<b>289</b>	<b>971</b>	<b>1,748</b>	<b>2,156</b>	<b>2,694</b>	<b>3,373</b>	<b>4,767</b>	<b>6,448</b>	<b>8,477</b>	<b>30,923</b>



Base Case - Optimistic

Long Term Financial Plan - Balance Sheet

13/14 Budget Original		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CURRENT ASSETS</b>										
Cash and cash equivalents		16,170	16,170	16,170	16,170	16,170	16,170	16,170	16,170	16,170
Investments		235,676	217,472	228,739	239,012	249,036	258,671	268,308	277,836	287,123
Receivables		22,001	22,661	23,341	24,041	25,505	26,270	27,058	27,870	28,706
Inventories		28,147	28,991	29,861	30,757	31,679	33,609	34,617	35,656	36,725
Other		150	155	160	164	169	180	185	190	196
<b>TOTAL</b>		<b>302,144</b>	<b>285,449</b>	<b>297,384</b>	<b>299,871</b>	<b>311,792</b>	<b>334,900</b>	<b>346,338</b>	<b>357,722</b>	<b>368,920</b>
<b>NON-CURRENT ASSETS</b>										
Investments		45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Receivables		1,437	1,480	1,524	1,570	1,666	1,716	1,767	1,820	1,875
Property, Plant & Equipment		2,694,942	2,756,800	2,788,456	2,824,107	2,845,292	2,890,332	2,909,592	2,927,362	2,943,613
Investment Property		32,558	33,535	34,541	35,577	36,645	38,876	40,043	41,244	42,481
Investments accounted for using the equity method		4,674	4,814	4,959	5,108	5,261	5,581	5,749	5,921	6,099
<b>TOTAL</b>		<b>2,778,611</b>	<b>2,841,629</b>	<b>2,874,480</b>	<b>2,911,362</b>	<b>2,933,815</b>	<b>2,981,505</b>	<b>3,002,151</b>	<b>3,021,347</b>	<b>3,039,068</b>
<b>TOTAL ASSETS</b>		<b>3,080,755</b>	<b>3,127,078</b>	<b>3,171,864</b>	<b>3,211,233</b>	<b>3,245,607</b>	<b>3,316,405</b>	<b>3,348,489</b>	<b>3,379,069</b>	<b>3,407,988</b>
<b>CURRENT LIABILITIES</b>										
Payables		34,148	35,172	36,227	37,314	38,433	40,774	41,997	43,257	44,555
Provisions		52,142	54,228	56,397	58,653	60,999	65,977	68,616	71,361	74,215
<b>TOTAL</b>		<b>86,290</b>	<b>89,400</b>	<b>92,624</b>	<b>95,967</b>	<b>99,432</b>	<b>106,751</b>	<b>110,613</b>	<b>114,618</b>	<b>118,770</b>
<b>NON-CURRENT LIABILITIES</b>										
Provisions		5,236	5,446	5,664	5,890	6,126	6,626	6,891	7,166	7,453
<b>TOTAL</b>		<b>5,236</b>	<b>5,446</b>	<b>5,664</b>	<b>5,890</b>	<b>6,126</b>	<b>6,626</b>	<b>6,891</b>	<b>7,166</b>	<b>7,453</b>
<b>TOTAL LIABILITIES</b>		<b>91,526</b>	<b>94,846</b>	<b>98,288</b>	<b>101,857</b>	<b>105,558</b>	<b>113,377</b>	<b>117,504</b>	<b>121,784</b>	<b>126,223</b>
<b>NET ASSETS</b>		<b>2,989,229</b>	<b>3,032,232</b>	<b>3,073,576</b>	<b>3,109,376</b>	<b>3,140,049</b>	<b>3,203,028</b>	<b>3,230,985</b>	<b>3,257,285</b>	<b>3,281,765</b>
<b>EQUITY</b>		<b>2,989,229</b>	<b>3,032,232</b>	<b>3,073,576</b>	<b>3,109,376</b>	<b>3,140,049</b>	<b>3,203,028</b>	<b>3,230,985</b>	<b>3,257,285</b>	<b>3,281,765</b>



# Base Case - Optimistic

## Long Term Financial Plan - Cash Flow Statement

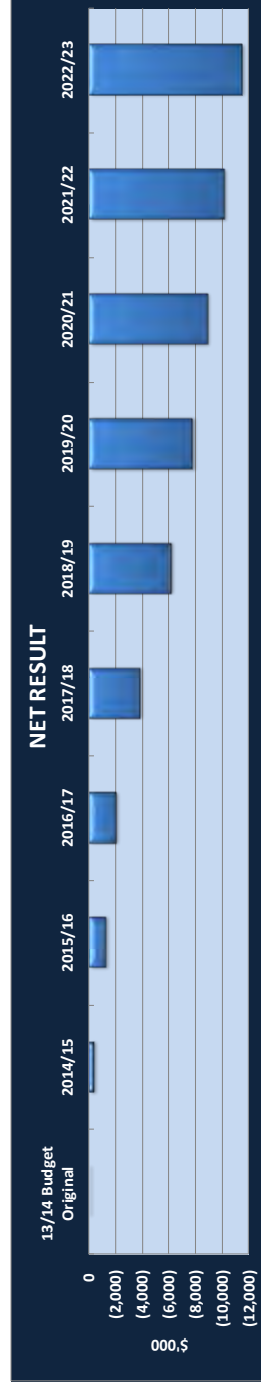
	13/14 Budget Original	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Rates & Annual Charges	163,865	171,700	178,878	186,363	194,167	202,306	210,792	219,642	228,871	238,495
Fees & Charges	31,671	32,540	33,437	34,356	35,301	36,272	37,269	38,294	39,347	40,429
Interest Received	11,600	14,842	13,932	14,451	14,495	15,009	15,510	15,992	16,474	16,950
Other Revenues	6,966	7,158	7,355	7,558	7,766	7,980	8,199	8,425	8,657	8,896
Grants & Contributions - Operating	27,429	28,444	29,501	30,601	31,745	32,936	34,177	35,468	36,812	38,212
<b>TOTAL</b>	<b>241,531</b>	<b>254,684</b>	<b>263,103</b>	<b>273,329</b>	<b>283,474</b>	<b>294,503</b>	<b>305,947</b>	<b>317,821</b>	<b>330,161</b>	<b>342,982</b>
<b>Payments</b>										
Employee Costs	(115,199)	(120,060)	(125,126)	(130,407)	(135,910)	(141,632)	(147,594)	(153,129)	(158,872)	(164,829)
Materials & Contracts	(59,629)	(62,249)	(65,206)	(68,488)	(71,975)	(75,680)	(79,617)	(83,804)	(88,257)	(92,997)
Other Expenses	(26,362)	(26,536)	(27,069)	(27,418)	(28,360)	(29,356)	(30,409)	(31,651)	(32,969)	(34,370)
<b>TOTAL</b>	<b>(201,190)</b>	<b>(208,845)</b>	<b>(217,401)</b>	<b>(226,313)</b>	<b>(236,245)</b>	<b>(246,668)</b>	<b>(257,620)</b>	<b>(268,584)</b>	<b>(280,098)</b>	<b>(292,196)</b>
<b>Net Cash Provided (or used) in Operating Activities</b>	<b>40,341</b>	<b>45,839</b>	<b>45,702</b>	<b>47,016</b>	<b>47,229</b>	<b>47,835</b>	<b>48,327</b>	<b>49,237</b>	<b>50,063</b>	<b>50,786</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds from Grants & Contributions - Capital	17,445	17,943	18,457	18,984	19,529	20,089	20,664	21,257	21,866	22,493
Proceeds from the Sale of Property	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524
<b>Payments</b>										
Purchase of Property Plant & Equipment	(50,336)	(87,136)	(59,085)	(70,577)	(62,113)	(63,696)	(65,326)	(67,006)	(68,735)	(70,516)
<b>Net Cash provided (or used in) Investing Activities</b>	<b>(27,891)</b>	<b>(64,043)</b>	<b>(35,323)</b>	<b>(46,129)</b>	<b>(36,956)</b>	<b>(37,811)</b>	<b>(38,692)</b>	<b>(39,600)</b>	<b>(40,535)</b>	<b>(41,499)</b>
<b>Net Increase / (Decrease) in cash held</b>										
	12,450	(18,204)	10,379	887	10,273	10,024	9,635	9,637	9,528	9,287
<b>Cash at beginning of reporting period</b>										
	284,396	296,846	278,642	289,021	289,908	300,181	310,205	319,840	329,477	339,005
<b>Cash at end of reporting period</b>										
	296,846	278,642	289,021	289,908	300,181	310,205	319,840	329,477	339,005	348,292

## APPENDIX 5 – PESSIMISTIC CASE SCENARIO

### Base Case - Pessimistic

### Long Term Financial Plan - Income Statement

	13/14 Budget Original	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	TOTAL
<b>REVENUE FROM OPERATING ACTIVITIES</b>											
Rates & Annual Charges	163,865	171,700	178,240	185,039	192,108	199,457	207,098	215,042	223,303	231,893	1,967,745
Fees & Charges	31,671	32,698	33,764	34,860	35,993	37,163	38,371	39,618	40,905	42,235	367,278
Interest Received	11,600	14,842	13,902	14,325	14,201	14,464	14,622	14,659	14,582	14,375	141,572
Other Revenues	6,966	7,192	7,426	7,667	7,916	8,173	8,438	8,712	8,995	9,287	80,772
Grants & Contributions - Operating	27,429	28,444	29,501	30,601	31,745	32,936	34,177	35,468	36,812	38,212	325,325
<b>TOTAL</b>	<b>241,531</b>	<b>254,876</b>	<b>262,833</b>	<b>272,492</b>	<b>281,963</b>	<b>292,193</b>	<b>302,706</b>	<b>313,499</b>	<b>324,597</b>	<b>336,002</b>	<b>2,882,692</b>
<b>EXPENSES FROM OPERATING ACTIVITIES</b>											
Employee Costs	115,199	120,647	126,342	132,305	138,550	145,090	151,923	158,380	165,111	172,129	1,425,676
Materials & Contracts	59,629	62,404	65,521	68,975	72,643	76,538	80,678	85,078	89,757	94,734	755,957
Other Expenses	26,362	26,593	27,181	27,578	28,571	29,614	30,715	32,008	33,377	34,829	296,828
<b>TOTAL</b>	<b>201,190</b>	<b>209,644</b>	<b>219,044</b>	<b>228,858</b>	<b>239,764</b>	<b>251,242</b>	<b>263,316</b>	<b>275,466</b>	<b>288,245</b>	<b>301,692</b>	<b>2,478,461</b>
<b>OPERATIONAL RESULT - Surplus / (Deficit)</b>	<b>40,341</b>	<b>45,232</b>	<b>43,789</b>	<b>43,634</b>	<b>42,199</b>	<b>40,951</b>	<b>39,390</b>	<b>38,033</b>	<b>36,352</b>	<b>34,310</b>	<b>404,231</b>
Depreciation (Non Cash Item)	58,000	60,320	62,733	65,242	67,852	70,566	73,389	76,324	79,377	82,552	696,355
<b>OPERATIONAL RESULT - Surplus / (Deficit) Including Depreciation</b>	<b>(17,659)</b>	<b>(15,088)</b>	<b>(18,944)</b>	<b>(21,608)</b>	<b>(25,653)</b>	<b>(29,615)</b>	<b>(33,999)</b>	<b>(38,291)</b>	<b>(43,025)</b>	<b>(48,242)</b>	<b>(292,124)</b>
<b>CAPITAL INCOME</b>											
Grants & Contributions - Capital	52,513	52,984	53,761	49,301	46,453	46,852	53,873	49,835	50,279	50,780	506,631
Profit on Disposal of Assets	2,000	2,060	2,122	2,185	2,251	2,319	2,388	2,460	2,534	2,610	22,929
Proceeds on Sale of Assets (Book Value)	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800	3,914	34,392
Transfer from Reserve	54,994	91,581	64,467	76,989	69,693	72,554	75,582	78,762	82,133	85,710	752,465
Add back Depreciation (Non Cash Item)	58,000	60,320	62,733	65,242	67,852	70,566	73,389	76,324	79,377	82,552	696,355
<b>TOTAL</b>	<b>170,507</b>	<b>210,035</b>	<b>186,266</b>	<b>196,995</b>	<b>189,626</b>	<b>195,769</b>	<b>208,814</b>	<b>211,071</b>	<b>218,123</b>	<b>225,566</b>	<b>2,012,772</b>
<b>CAPITAL EXPENDITURE</b>											
Capital Expenditure (Non-WIP)	9,210	48,721	19,798	30,392	21,003	21,634	22,283	22,951	23,640	24,349	243,981
Works Improvement Program	41,126	38,415	39,281	40,174	41,093	42,039	43,013	44,017	45,049	46,114	420,321
Dedicated Assets	35,068	35,041	35,304	30,316	26,924	26,764	33,209	28,579	28,413	28,287	307,905
Transfer to Reserve	67,444	73,136	74,146	76,482	78,724	81,815	84,005	86,062	88,064	89,998	799,876
<b>TOTAL</b>	<b>152,848</b>	<b>195,313</b>	<b>168,529</b>	<b>177,364</b>	<b>167,744</b>	<b>172,252</b>	<b>182,510</b>	<b>181,609</b>	<b>185,166</b>	<b>188,748</b>	<b>1,772,083</b>
<b>CAPITAL RESULT - Surplus / (Deficit)</b>	<b>17,659</b>	<b>14,722</b>	<b>17,737</b>	<b>19,631</b>	<b>21,882</b>	<b>23,517</b>	<b>26,304</b>	<b>29,462</b>	<b>32,957</b>	<b>36,818</b>	<b>240,689</b>
<b>NET RESULT - Surplus / (Deficit)</b>	<b>0</b>	<b>(366)</b>	<b>(1,207)</b>	<b>(1,977)</b>	<b>(3,771)</b>	<b>(6,098)</b>	<b>(7,695)</b>	<b>(8,829)</b>	<b>(10,068)</b>	<b>(11,424)</b>	<b>(51,435)</b>



# Base Case - Pessimistic

## Long Term Financial Plan - Balance Sheet

	13/14 Budget Original	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CURRENT ASSETS</b>										
Cash and cash equivalents	16,170	16,170	16,170	16,170	16,170	16,170	16,170	16,170	16,170	16,170
Investments	235,676	216,865	225,337	222,853	228,113	231,276	232,004	230,475	226,338	219,202
Receivables	22,001	22,661	23,341	24,041	24,762	25,505	26,270	27,058	27,870	28,706
Inventories	28,147	28,991	29,861	30,757	31,679	32,630	33,609	34,617	35,656	36,725
Other	150	155	160	164	169	174	180	185	190	196
<b>TOTAL</b>	<b>302,144</b>	<b>284,842</b>	<b>294,869</b>	<b>293,985</b>	<b>300,893</b>	<b>305,755</b>	<b>308,233</b>	<b>308,505</b>	<b>306,224</b>	<b>300,999</b>
<b>NON-CURRENT ASSETS</b>										
Investments	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Receivables	1,437	1,480	1,524	1,570	1,617	1,666	1,716	1,767	1,820	1,875
Property, Plant & Equipment	2,694,942	2,756,800	2,788,451	2,824,091	2,845,260	2,865,130	2,890,247	2,909,469	2,927,195	2,943,393
Investment Property	32,558	33,535	34,541	35,577	36,645	37,744	38,876	40,043	41,244	42,481
Investments accounted for using the equity method	4,674	4,814	4,959	5,108	5,261	5,419	5,581	5,749	5,921	6,099
<b>TOTAL</b>	<b>2,778,611</b>	<b>2,841,629</b>	<b>2,874,475</b>	<b>2,911,346</b>	<b>2,933,783</b>	<b>2,954,959</b>	<b>2,981,420</b>	<b>3,002,028</b>	<b>3,021,180</b>	<b>3,038,848</b>
<b>TOTAL ASSETS</b>	<b>3,080,755</b>	<b>3,126,471</b>	<b>3,169,344</b>	<b>3,205,331</b>	<b>3,234,676</b>	<b>3,260,714</b>	<b>3,289,653</b>	<b>3,310,533</b>	<b>3,327,404</b>	<b>3,339,847</b>
<b>CURRENT LIABILITIES</b>										
Payables	34,148	35,172	36,227	37,314	38,433	39,586	40,774	41,997	43,257	44,555
Provisions	52,142	54,228	56,397	58,653	60,999	63,439	65,977	68,616	71,361	74,215
<b>TOTAL</b>	<b>86,290</b>	<b>89,400</b>	<b>92,624</b>	<b>95,967</b>	<b>99,432</b>	<b>103,025</b>	<b>106,751</b>	<b>110,613</b>	<b>114,618</b>	<b>118,770</b>
<b>NON-CURRENT LIABILITIES</b>										
Provisions	5,236	5,446	5,664	5,890	6,126	6,371	6,626	6,891	7,166	7,453
<b>TOTAL</b>	<b>5,236</b>	<b>5,446</b>	<b>5,664</b>	<b>5,890</b>	<b>6,126</b>	<b>6,371</b>	<b>6,626</b>	<b>6,891</b>	<b>7,166</b>	<b>7,453</b>
<b>TOTAL LIABILITIES</b>	<b>91,526</b>	<b>94,846</b>	<b>98,288</b>	<b>101,857</b>	<b>105,558</b>	<b>109,396</b>	<b>113,377</b>	<b>117,504</b>	<b>121,784</b>	<b>126,223</b>
<b>NET ASSETS</b>	<b>2,989,229</b>	<b>3,031,625</b>	<b>3,071,056</b>	<b>3,103,474</b>	<b>3,129,118</b>	<b>3,151,318</b>	<b>3,176,276</b>	<b>3,193,029</b>	<b>3,205,620</b>	<b>3,213,624</b>
<b>EQUITY</b>	<b>2,989,229</b>	<b>3,031,625</b>	<b>3,071,056</b>	<b>3,103,474</b>	<b>3,129,118</b>	<b>3,151,318</b>	<b>3,176,276</b>	<b>3,193,029</b>	<b>3,205,620</b>	<b>3,213,624</b>

**Base Case - Pessimistic**

**Long Term Financial Plan - Cash Flow Statement**

	13/14 Budget Original	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Rates & Annual Charges	163,865	171,700	178,240	185,039	192,108	199,457	207,098	215,042	223,303	231,893
Fees & Charges	31,671	32,698	33,764	34,860	35,993	37,163	38,371	39,618	40,905	42,235
Interest Received	11,600	14,842	13,902	14,325	14,201	14,464	14,622	14,659	14,582	14,375
Other Revenues	6,966	7,192	7,426	7,667	7,916	8,173	8,438	8,712	8,995	9,287
Grants & Contributions - Operating	27,429	28,444	29,501	30,601	31,745	32,936	34,177	35,468	36,812	38,212
<b>TOTAL</b>	<b>241,531</b>	<b>254,876</b>	<b>262,833</b>	<b>272,492</b>	<b>281,963</b>	<b>292,193</b>	<b>302,706</b>	<b>313,499</b>	<b>324,597</b>	<b>336,002</b>
<b>Payments</b>										
Employee Costs	(115,199)	(120,647)	(126,342)	(132,305)	(138,550)	(145,090)	(151,923)	(158,380)	(165,111)	(172,129)
Materials & Contracts	(59,629)	(62,404)	(65,521)	(68,975)	(72,643)	(76,538)	(80,678)	(85,078)	(89,757)	(94,734)
Other Expenses	(26,362)	(26,593)	(27,181)	(27,578)	(28,571)	(29,614)	(30,715)	(32,008)	(33,377)	(34,829)
<b>TOTAL</b>	<b>(201,190)</b>	<b>(209,644)</b>	<b>(219,044)</b>	<b>(228,858)</b>	<b>(239,764)</b>	<b>(251,242)</b>	<b>(263,316)</b>	<b>(275,466)</b>	<b>(288,245)</b>	<b>(301,692)</b>
<b>Net Cash Provided (or used) in Operating Activities</b>	<b>40,341</b>	<b>45,232</b>	<b>43,789</b>	<b>43,634</b>	<b>42,199</b>	<b>40,951</b>	<b>39,390</b>	<b>38,033</b>	<b>36,352</b>	<b>34,310</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds from Grants & Contributions - Capital	17,445	17,943	18,457	18,984	19,529	20,089	20,664	21,257	21,866	22,493
Proceeds from the Sale of Property	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524
<b>Payments</b>										
Purchase of Property Plant & Equipment	(50,336)	(87,136)	(59,079)	(70,566)	(62,096)	(63,673)	(65,296)	(66,968)	(68,689)	(70,463)
Net Cash provided (or used in) Investing Activities	(27,891)	(64,043)	(35,317)	(46,118)	(36,939)	(37,788)	(38,662)	(39,562)	(40,489)	(41,446)
<b>Net Increase / (Decrease) in cash held</b>										
	12,450	(18,811)	8,472	(2,484)	5,260	3,163	728	(1,529)	(4,137)	(7,136)
Cash at beginning of reporting period	284,396	296,846	278,035	286,507	284,023	289,283	292,446	293,174	291,645	287,508
Cash at end of reporting period	296,846	278,035	286,507	284,023	289,283	292,446	293,174	291,645	287,508	280,372

## APPENDIX 6 – BALANCED BASE CASE SCENARIO

### Base Case - Balanced

#### Long Term Financial Plan - Income Statement

	13/14 Budget Original	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>REVENUE FROM OPERATING ACTIVITIES</b>											
Rates & Annual Charges	163,865	171,700	178,559	185,701	193,135	200,876	208,936	217,329	226,067	235,166	1,981,334
Fees & Charges	31,671	32,619	33,601	34,608	35,646	36,715	37,817	38,951	40,120	41,323	363,071
Interest Received	11,600	14,842	13,918	14,391	14,354	14,781	15,182	15,553	15,887	16,176	146,684
Other Revenues	6,966	7,175	7,391	7,612	7,841	8,076	8,318	8,568	8,825	9,089	79,861
Grants & Contributions - Operating	27,429	28,444	29,501	30,601	31,745	32,936	34,177	35,468	36,812	38,212	325,325
<b>TOTAL</b>	<b>241,531</b>	<b>254,780</b>	<b>262,970</b>	<b>272,913</b>	<b>282,721</b>	<b>293,384</b>	<b>304,430</b>	<b>315,869</b>	<b>327,711</b>	<b>339,966</b>	<b>2,896,275</b>
<b>EXPENSES FROM OPERATING ACTIVITIES</b>											
Employee Costs	115,199	120,332	125,692	131,288	137,131	143,228	149,596	155,580	161,803	168,276	1,408,125
Materials & Contracts	59,629	62,327	65,363	68,731	71,975	75,776	79,482	83,653	88,062	92,745	747,743
Other Expenses	26,362	26,569	27,134	27,511	28,129	28,565	29,255	30,372	31,557	32,785	288,239
<b>TOTAL</b>	<b>201,190</b>	<b>209,228</b>	<b>218,189</b>	<b>227,530</b>	<b>237,235</b>	<b>247,569</b>	<b>258,333</b>	<b>269,605</b>	<b>281,422</b>	<b>293,806</b>	<b>2,444,107</b>
<b>OPERATIONAL RESULT - Surplus / (Deficit)</b>	<b>40,341</b>	<b>45,552</b>	<b>44,781</b>	<b>45,383</b>	<b>45,486</b>	<b>45,815</b>	<b>46,097</b>	<b>46,264</b>	<b>46,289</b>	<b>46,160</b>	<b>452,168</b>
Depreciation (Non Cash Item)	58,000	60,320	62,733	65,242	67,852	70,566	73,389	76,324	79,377	82,552	696,355
<b>OPERATIONAL RESULT - Surplus / (Deficit) Including Depreciation</b>	<b>(17,659)</b>	<b>(14,768)</b>	<b>(17,952)</b>	<b>(19,859)</b>	<b>(22,366)</b>	<b>(24,751)</b>	<b>(27,292)</b>	<b>(30,060)</b>	<b>(33,088)</b>	<b>(36,392)</b>	<b>(244,187)</b>
<b>CAPITAL INCOME</b>											
Grants & Contributions - Capital	52,513	52,984	53,761	49,301	46,453	46,852	53,873	49,835	50,279	50,780	506,631
Profit on Disposal of Assets	2,000	2,060	2,122	2,185	2,251	2,319	2,388	2,460	2,534	2,610	22,929
Proceeds on Sale of Assets (Book Value)	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800	3,914	34,392
Transfer from Reserve	54,994	91,559	64,425	76,924	69,567	72,301	75,260	78,393	81,716	85,240	750,379
Add back Depreciation (Non Cash Item)	58,000	60,320	62,733	65,242	67,852	70,566	73,389	76,324	79,377	82,552	696,355
<b>TOTAL</b>	<b>170,507</b>	<b>210,013</b>	<b>186,224</b>	<b>196,930</b>	<b>189,500</b>	<b>195,516</b>	<b>208,492</b>	<b>210,702</b>	<b>217,706</b>	<b>225,096</b>	<b>2,010,686</b>
<b>CAPITAL EXPENDITURE</b>											
Capital Expenditure (Non-WIP)	9,210	48,721	19,798	30,392	21,003	21,634	22,283	22,951	23,640	24,349	243,981
Works Improvement Program	41,126	38,415	39,284	40,180	41,101	42,050	43,028	44,035	45,072	46,140	420,431
Dedicated Assets	35,068	35,041	35,304	30,316	26,924	26,764	33,209	28,579	28,413	28,287	307,905
Transfer to Reserve	67,444	73,068	73,886	76,183	78,106	80,317	82,680	85,077	87,493	89,928	794,182
<b>TOTAL</b>	<b>152,848</b>	<b>195,245</b>	<b>168,272</b>	<b>177,071</b>	<b>167,134</b>	<b>170,765</b>	<b>181,200</b>	<b>180,642</b>	<b>184,618</b>	<b>188,704</b>	<b>1,766,499</b>
<b>CAPITAL RESULT - Surplus / (Deficit)</b>	<b>17,659</b>	<b>14,768</b>	<b>17,952</b>	<b>19,859</b>	<b>22,366</b>	<b>24,751</b>	<b>27,292</b>	<b>30,060</b>	<b>33,088</b>	<b>36,392</b>	<b>244,187</b>
<b>NET RESULT - Surplus / (Deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Base Case - Balanced

Long Term Financial Plan - Balance Sheet

13/14 Budget Original		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CURRENT ASSETS</b>										
Cash and cash equivalents		16,170	16,170	16,170	16,170	16,170	16,170	16,170	16,170	16,170
Investments		235,676	226,647	225,906	234,444	242,460	249,880	256,563	262,340	267,027
Receivables		22,001	23,341	24,041	24,762	25,505	26,270	27,058	27,870	28,706
Inventories		28,147	29,891	30,757	31,679	32,630	33,609	34,617	35,656	36,725
Other		150	160	164	169	174	180	185	190	196
<b>TOTAL</b>		<b>302,144</b>	<b>296,179</b>	<b>297,038</b>	<b>307,224</b>	<b>316,939</b>	<b>326,109</b>	<b>334,593</b>	<b>342,226</b>	<b>348,824</b>
<b>NON-CURRENT ASSETS</b>										
Investments		45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Receivables		1,437	1,480	1,570	1,617	1,666	1,716	1,767	1,820	1,875
Property, Plant & Equipment		2,694,942	2,756,800	2,824,098	2,845,275	2,865,157	2,890,288	2,909,530	2,927,278	2,943,502
Investment Property		32,558	34,541	35,577	36,645	37,744	38,876	40,043	41,244	42,481
Investments accounted for using the equity method		4,674	4,814	4,959	5,108	5,261	5,581	5,749	5,921	6,099
<b>TOTAL</b>		<b>2,778,611</b>	<b>2,841,629</b>	<b>2,874,477</b>	<b>2,933,798</b>	<b>2,954,986</b>	<b>2,981,461</b>	<b>3,002,089</b>	<b>3,021,263</b>	<b>3,038,957</b>
<b>TOTAL ASSETS</b>		<b>3,080,755</b>	<b>3,126,791</b>	<b>3,208,391</b>	<b>3,241,022</b>	<b>3,271,925</b>	<b>3,307,570</b>	<b>3,336,682</b>	<b>3,363,489</b>	<b>3,387,781</b>
<b>CURRENT LIABILITIES</b>										
Payables		34,148	35,172	36,227	37,314	38,433	40,774	41,997	43,257	44,555
Provisions		52,142	54,228	56,397	58,653	60,999	65,977	68,616	71,361	74,215
<b>TOTAL</b>		<b>86,290</b>	<b>89,400</b>	<b>92,624</b>	<b>95,967</b>	<b>99,432</b>	<b>106,751</b>	<b>110,613</b>	<b>114,618</b>	<b>118,770</b>
<b>NON-CURRENT LIABILITIES</b>										
Provisions		5,236	5,446	5,664	6,126	6,371	6,626	6,891	7,166	7,453
<b>TOTAL</b>		<b>5,236</b>	<b>5,446</b>	<b>5,664</b>	<b>6,126</b>	<b>6,371</b>	<b>6,626</b>	<b>6,891</b>	<b>7,166</b>	<b>7,453</b>
<b>TOTAL LIABILITIES</b>		<b>91,526</b>	<b>94,846</b>	<b>98,288</b>	<b>101,857</b>	<b>109,396</b>	<b>113,377</b>	<b>117,504</b>	<b>121,784</b>	<b>126,223</b>
<b>NET ASSETS</b>		<b>2,989,229</b>	<b>3,031,945</b>	<b>3,072,368</b>	<b>3,135,464</b>	<b>3,162,529</b>	<b>3,194,193</b>	<b>3,219,178</b>	<b>3,241,705</b>	<b>3,261,558</b>
<b>EQUITY</b>		<b>2,989,229</b>	<b>3,031,945</b>	<b>3,072,368</b>	<b>3,135,464</b>	<b>3,162,529</b>	<b>3,194,193</b>	<b>3,219,178</b>	<b>3,241,705</b>	<b>3,261,558</b>



# Base Case - Balanced

## Long Term Financial Plan - Cash Flow Statement

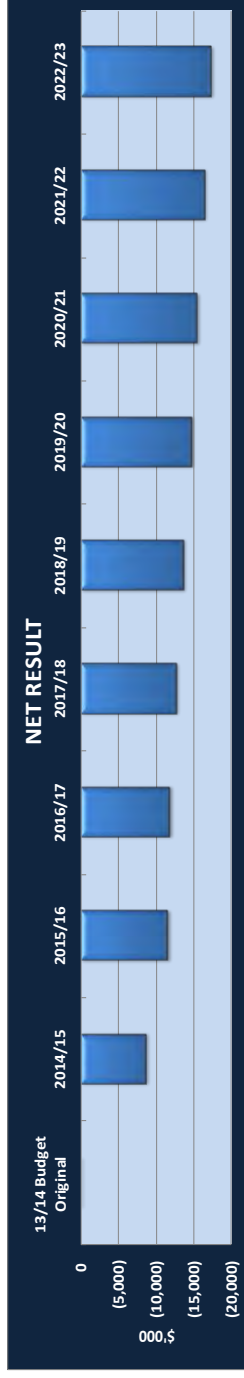
	13/14 Budget Original	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
Receipts										
Rates & Annual Charges	163,865	171,700	178,559	185,700	193,135	200,876	208,936	217,329	226,067	235,166
Fees & Charges	31,671	32,619	33,601	34,608	35,646	36,715	37,817	38,951	40,120	41,323
Interest Received	11,600	14,842	13,918	14,391	14,354	14,781	15,182	15,553	15,887	16,176
Other Revenues	6,966	7,175	7,391	7,612	7,841	8,076	8,318	8,568	8,825	9,089
Grants & Contributions - Operating	27,429	28,444	29,501	30,601	31,745	32,936	34,177	35,468	36,812	38,212
TOTAL	241,531	254,780	262,970	272,912	282,721	293,384	304,430	315,869	327,711	339,966
Payments										
Employee Costs	(115,199)	(120,332)	(125,692)	(131,288)	(137,131)	(143,228)	(149,596)	(155,580)	(161,803)	(168,276)
Materials & Contracts	(59,629)	(62,327)	(65,363)	(68,731)	(71,975)	(75,776)	(79,482)	(83,653)	(88,062)	(92,745)
Other Expenses	(26,362)	(26,569)	(27,134)	(27,510)	(28,129)	(28,565)	(29,255)	(30,372)	(31,557)	(32,785)
TOTAL	(201,190)	(209,228)	(218,189)	(227,529)	(237,235)	(247,569)	(258,333)	(269,605)	(281,422)	(293,806)
Net Cash Provided (or used) in Operating Activities	40,341	45,552	44,781	45,383	45,486	45,815	46,097	46,264	46,289	46,160
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
Receipts										
Proceeds from Grants & Contributions - Capital	17,445	17,943	18,457	18,984	19,529	20,089	20,664	21,257	21,866	22,493
Proceeds from the Sale of Property	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524
Payments										
Purchase of Property Plant & Equipment	(50,336)	(87,136)	(59,082)	(70,572)	(62,104)	(63,684)	(65,311)	(66,986)	(68,712)	(70,489)
Net Cash provided (or used in) Investing Activities	(27,891)	(64,043)	(35,320)	(46,124)	(36,947)	(37,799)	(38,677)	(39,580)	(40,512)	(41,472)
Net Increase / (Decrease) in cash held	12,450	(18,491)	9,461	(741)	8,539	8,016	7,420	6,684	5,777	4,688
Cash at beginning of reporting period	284,396	296,846	278,355	287,816	287,075	295,614	303,630	311,050	317,734	323,511
Cash at end of reporting period	296,846	278,355	287,816	287,075	295,614	303,630	311,050	317,734	323,511	328,199

## APPENDIX 7 – BASE CASE PLUS ENHANCED ASSET MANAGEMENT

### Base Case - Plus Enhanced Asset Management

### Long Term Financial Plan - Income Statement

	13/14 Budget Original	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	TOTAL
<b>REVENUE FROM OPERATING ACTIVITIES</b>											
Rates & Annual Charges	163,865	171,700	178,559	185,701	193,135	200,876	208,936	217,329	226,067	235,166	1,981,334
Fees & Charges	31,671	32,619	33,601	34,608	35,646	36,715	37,817	38,951	40,120	41,323	363,071
Interest Received	11,600	14,842	13,490	13,369	12,695	12,407	12,013	11,507	10,902	10,188	123,013
Other Revenues	6,966	7,175	7,391	7,612	7,841	8,076	8,318	8,568	8,825	9,089	79,861
Grants & Contributions - Operating	27,429	28,444	29,501	30,601	31,745	32,936	34,177	35,468	36,812	38,212	325,325
<b>TOTAL</b>	<b>241,531</b>	<b>254,780</b>	<b>267,542</b>	<b>271,891</b>	<b>281,062</b>	<b>291,010</b>	<b>301,261</b>	<b>311,823</b>	<b>322,726</b>	<b>333,978</b>	<b>2,872,604</b>
<b>EXPENSES FROM OPERATING ACTIVITIES</b>											
Employee Costs	115,199	120,332	125,692	131,288	137,131	143,228	149,596	155,580	161,803	168,276	1,408,125
Materials & Contracts	59,629	62,327	65,363	68,731	72,308	76,107	80,144	84,436	89,001	93,857	751,903
Other Expenses	26,362	26,569	27,134	27,511	28,483	29,508	30,589	31,858	33,202	34,629	295,845
<b>TOTAL</b>	<b>201,190</b>	<b>209,228</b>	<b>218,189</b>	<b>227,530</b>	<b>237,922</b>	<b>248,843</b>	<b>260,329</b>	<b>271,874</b>	<b>284,006</b>	<b>296,762</b>	<b>2,455,873</b>
<b>OPERATIONAL RESULT - Surplus / (Deficit)</b>	<b>40,341</b>	<b>45,552</b>	<b>49,353</b>	<b>44,361</b>	<b>43,140</b>	<b>42,167</b>	<b>40,932</b>	<b>39,949</b>	<b>38,720</b>	<b>37,216</b>	<b>416,731</b>
Depreciation (Non Cash Item)	58,000	60,320	62,733	65,242	67,852	70,566	73,389	76,324	79,377	82,552	696,355
<b>OPERATIONAL RESULT - Surplus / (Deficit) Including Depreciation</b>	<b>(17,659)</b>	<b>(14,768)</b>	<b>(18,380)</b>	<b>(20,881)</b>	<b>(24,712)</b>	<b>(28,399)</b>	<b>(32,457)</b>	<b>(36,375)</b>	<b>(40,657)</b>	<b>(45,336)</b>	<b>(279,624)</b>
<b>CAPITAL INCOME</b>											
Grants & Contributions - Capital	52,513	52,984	53,761	49,301	46,453	46,852	53,873	49,835	50,279	50,780	506,631
Profit on Disposal of Assets	2,000	2,060	2,122	2,185	2,251	2,319	2,388	2,460	2,534	2,610	22,929
Proceeds on Sale of Assets (Book Value)	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800	3,914	34,392
Transfer from Reserve	54,994	91,559	64,425	76,924	69,604	72,438	75,439	78,590	81,931	85,476	751,380
Add back Depreciation (Non Cash Item)	58,000	60,320	62,733	65,242	67,852	70,566	73,389	76,324	79,377	82,552	696,355
<b>TOTAL</b>	<b>170,507</b>	<b>210,013</b>	<b>186,224</b>	<b>196,930</b>	<b>189,537</b>	<b>195,653</b>	<b>208,671</b>	<b>210,899</b>	<b>217,921</b>	<b>225,332</b>	<b>2,011,687</b>
<b>CAPITAL EXPENDITURE</b>											
Capital Expenditure (Non-WIP)	9,210	48,721	19,798	30,392	21,003	21,634	22,283	22,951	23,640	24,349	243,981
Works Improvement Program	41,126	38,415	39,284	40,180	41,101	42,050	43,028	44,035	45,072	46,140	420,431
Dedicated Assets	35,068	35,041	35,304	30,316	26,924	26,764	33,209	28,579	28,413	28,287	307,905
Transfer to Reserve	67,444	73,068	73,458	75,161	76,359	78,082	79,890	81,824	83,934	85,840	775,060
Asset Renewal	-	8,557	11,455	11,709	11,969	12,241	12,379	12,458	12,488	12,573	105,829
<b>TOTAL</b>	<b>152,848</b>	<b>203,802</b>	<b>179,299</b>	<b>187,758</b>	<b>177,356</b>	<b>180,771</b>	<b>190,789</b>	<b>189,847</b>	<b>193,547</b>	<b>197,189</b>	<b>1,853,206</b>
<b>CAPITAL RESULT - Surplus / (Deficit)</b>	<b>17,659</b>	<b>6,211</b>	<b>6,925</b>	<b>9,172</b>	<b>12,181</b>	<b>14,882</b>	<b>17,882</b>	<b>21,052</b>	<b>24,374</b>	<b>28,143</b>	<b>158,481</b>
<b>NET RESULT - Surplus / (Deficit)</b>	<b>0</b>	<b>(8,557)</b>	<b>(11,455)</b>	<b>(11,709)</b>	<b>(12,531)</b>	<b>(13,517)</b>	<b>(14,575)</b>	<b>(15,323)</b>	<b>(16,283)</b>	<b>(17,193)</b>	<b>(121,143)</b>





# Base Case - Plus Enhanced Asset Management

## Long Term Financial Plan - Balance Sheet

	13/14 Budget Original	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CURRENT ASSETS</b>										
Cash and cash equivalents	16,170	16,170	16,170	16,170	16,170	16,170	16,170	16,170	16,170	16,170
Investments	235,676	208,628	206,207	192,736	186,960	179,087	168,963	156,873	142,593	125,764
Receivables	22,001	22,661	23,341	24,041	24,762	25,505	26,270	27,058	27,870	28,706
Inventories	28,147	28,991	29,861	30,757	31,679	32,630	33,609	34,617	35,656	36,725
Other	150	155	160	164	169	174	180	185	190	196
<b>TOTAL</b>	<b>302,144</b>	<b>276,605</b>	<b>275,739</b>	<b>263,868</b>	<b>259,740</b>	<b>253,566</b>	<b>245,192</b>	<b>234,903</b>	<b>222,479</b>	<b>207,561</b>
<b>NON-CURRENT ASSETS</b>										
Investments	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Receivables	1,437	1,480	1,524	1,570	1,617	1,666	1,716	1,767	1,820	1,875
Property, Plant & Equipment	2,694,942	2,765,357	2,808,465	2,855,819	2,888,965	2,921,088	2,958,598	2,990,297	3,020,534	3,049,331
Investment Property	32,558	33,535	34,541	35,577	36,645	37,744	38,876	40,043	41,244	42,481
Investments accounted for using the equity method	4,674	4,814	4,959	5,108	5,261	5,419	5,581	5,749	5,921	6,099
<b>TOTAL</b>	<b>2,778,611</b>	<b>2,850,186</b>	<b>2,894,489</b>	<b>2,943,074</b>	<b>2,977,488</b>	<b>3,010,917</b>	<b>3,049,771</b>	<b>3,082,856</b>	<b>3,114,519</b>	<b>3,144,786</b>
<b>TOTAL ASSETS</b>	<b>3,080,755</b>	<b>3,126,791</b>	<b>3,170,228</b>	<b>3,206,942</b>	<b>3,237,228</b>	<b>3,264,483</b>	<b>3,294,963</b>	<b>3,317,759</b>	<b>3,336,998</b>	<b>3,352,347</b>
<b>CURRENT LIABILITIES</b>										
Payables	34,148	35,172	36,227	37,314	38,433	39,586	40,774	41,997	43,257	44,555
Provisions	52,142	54,228	56,397	58,653	60,999	63,439	65,977	68,616	71,361	74,215
<b>TOTAL</b>	<b>86,290</b>	<b>89,400</b>	<b>92,624</b>	<b>95,967</b>	<b>99,432</b>	<b>103,025</b>	<b>106,751</b>	<b>110,613</b>	<b>114,618</b>	<b>118,770</b>
<b>NON-CURRENT LIABILITIES</b>										
Provisions	5,236	5,446	5,664	5,890	6,126	6,371	6,626	6,891	7,166	7,453
<b>TOTAL</b>	<b>5,236</b>	<b>5,446</b>	<b>5,664</b>	<b>5,890</b>	<b>6,126</b>	<b>6,371</b>	<b>6,626</b>	<b>6,891</b>	<b>7,166</b>	<b>7,453</b>
<b>TOTAL LIABILITIES</b>	<b>91,526</b>	<b>94,846</b>	<b>98,288</b>	<b>101,857</b>	<b>105,558</b>	<b>109,396</b>	<b>113,377</b>	<b>117,504</b>	<b>121,784</b>	<b>126,223</b>
<b>NET ASSETS</b>	<b>2,989,229</b>	<b>3,031,945</b>	<b>3,071,940</b>	<b>3,105,085</b>	<b>3,131,670</b>	<b>3,155,087</b>	<b>3,181,586</b>	<b>3,200,255</b>	<b>3,215,214</b>	<b>3,226,124</b>
<b>EQUITY</b>	<b>2,989,229</b>	<b>3,031,945</b>	<b>3,071,940</b>	<b>3,105,085</b>	<b>3,131,670</b>	<b>3,155,087</b>	<b>3,181,586</b>	<b>3,200,255</b>	<b>3,215,214</b>	<b>3,226,124</b>

# Base Case - Plus Enhanced Asset Management                      Long Term Financial Plan - Cash Flow Statement

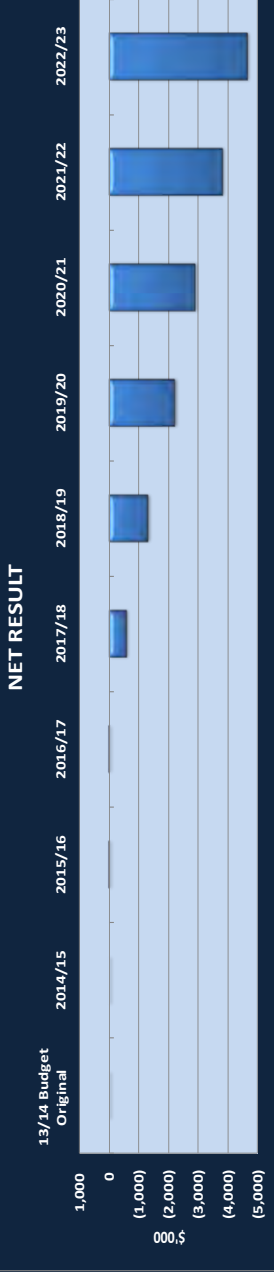
	13/14 Budget Original	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Rates & Annual Charges	163,865	171,700	178,559	185,701	193,135	200,876	208,936	217,329	226,067	235,166
Fees & Charges	31,671	32,619	33,601	34,608	35,646	36,715	37,817	38,951	40,120	41,323
Interest Received	11,600	14,842	13,490	13,369	12,695	12,407	12,013	11,507	10,902	10,188
Other Revenues	6,966	7,175	7,391	7,612	7,841	8,076	8,318	8,568	8,825	9,089
Grants & Contributions - Operating	27,429	28,444	29,501	30,601	31,745	32,936	34,177	35,468	36,812	38,212
<b>TOTAL</b>	<b>241,531</b>	<b>254,780</b>	<b>262,542</b>	<b>271,891</b>	<b>281,062</b>	<b>291,010</b>	<b>301,261</b>	<b>311,823</b>	<b>322,726</b>	<b>333,978</b>
<b>Payments</b>										
Employee Costs	(115,199)	(120,332)	(125,692)	(131,288)	(137,131)	(143,228)	(149,596)	(155,580)	(161,803)	(168,276)
Materials & Contracts	(59,629)	(62,327)	(65,363)	(68,731)	(72,308)	(76,107)	(80,144)	(84,436)	(89,001)	(93,857)
Other Expenses	(26,362)	(26,569)	(27,134)	(27,511)	(28,483)	(29,508)	(30,589)	(31,858)	(33,202)	(34,629)
<b>TOTAL</b>	<b>(201,190)</b>	<b>(209,228)</b>	<b>(218,189)</b>	<b>(227,530)</b>	<b>(237,922)</b>	<b>(248,843)</b>	<b>(260,329)</b>	<b>(271,874)</b>	<b>(284,006)</b>	<b>(296,762)</b>
<b>Net Cash Provided (or used) in Operating Activities</b>	<b>40,341</b>	<b>45,552</b>	<b>44,353</b>	<b>44,361</b>	<b>43,140</b>	<b>42,167</b>	<b>40,932</b>	<b>39,949</b>	<b>38,720</b>	<b>37,216</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds from Grants & Contributions - Capital	17,445	17,943	18,457	18,986	19,529	20,088	20,664	21,256	21,866	22,493
Proceeds from the Sale of Property	5,000	5,150	5,305	5,463	5,628	5,797	5,970	6,150	6,334	6,524
<b>Payments</b>										
Purchase of Property Plant & Equipment	(50,336)	(95,693)	(70,537)	(82,281)	(74,073)	(75,925)	(77,690)	(79,444)	(81,200)	(83,062)
<b>Net Cash provided (or used in) Investing Activities</b>	<b>(27,891)</b>	<b>(72,600)</b>	<b>(46,775)</b>	<b>(57,832)</b>	<b>(48,916)</b>	<b>(50,040)</b>	<b>(51,056)</b>	<b>(52,038)</b>	<b>(53,000)</b>	<b>(54,045)</b>
<b>Net Increase / (Decrease) in cash held</b>	<b>12,450</b>	<b>(27,048)</b>	<b>(2,422)</b>	<b>(13,471)</b>	<b>(5,776)</b>	<b>(7,873)</b>	<b>(10,124)</b>	<b>(12,089)</b>	<b>(14,280)</b>	<b>(16,829)</b>
<b>Cash at beginning of reporting period</b>	<b>284,396</b>	<b>296,846</b>	<b>269,798</b>	<b>267,376</b>	<b>253,905</b>	<b>248,129</b>	<b>240,256</b>	<b>230,132</b>	<b>218,043</b>	<b>203,763</b>
<b>Cash at end of reporting period</b>	<b>296,846</b>	<b>269,798</b>	<b>267,376</b>	<b>253,905</b>	<b>248,129</b>	<b>240,256</b>	<b>230,132</b>	<b>218,043</b>	<b>203,763</b>	<b>186,934</b>

# APPENDIX 8 – BASE CASE PLUS ENHANCED ASSET MANAGEMENT FUNDED BY SPECIAL RATE VARIATION (BASED ON PROPOSED SPECIAL RATE VARIATION APPLICATION)

## Base Case - Plus Enhanced Asset Management funded by Special Rate Variation Long Term Financial Plan - Income Statement

	13/14 Budget Original \$'000	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	TOTAL
<b>REVENUE FROM OPERATING ACTIVITIES</b>											
Rates & Annual Charges	163,865	171,700	178,559	185,701	193,135	200,876	208,936	217,329	226,067	235,166	1,981,334
Special Rate Variation	-	5,557	8,455	8,709	8,969	9,241	9,379	9,458	9,488	9,573	78,829
Fees & Charges	31,671	32,619	33,601	34,608	35,646	36,715	37,817	38,951	40,120	41,323	363,071
Interest Received	11,600	14,842	13,918	14,391	14,354	14,391	15,082	15,558	15,702	15,702	145,541
Other Revenues	6,966	7,175	7,391	7,612	7,841	8,076	8,317	8,568	8,825	9,089	79,861
Grants & Contributions - Operating	27,429	28,444	29,501	30,601	31,745	32,936	34,177	35,468	36,812	38,212	325,325
<b>TOTAL</b>	<b>241,531</b>	<b>260,337</b>	<b>271,425</b>	<b>281,622</b>	<b>291,690</b>	<b>302,590</b>	<b>313,709</b>	<b>325,122</b>	<b>336,870</b>	<b>349,065</b>	<b>2,973,961</b>
<b>EXPENSES FROM OPERATING ACTIVITIES</b>											
Employee Costs	115,199	120,332	125,692	131,288	137,131	143,228	149,596	155,580	161,803	168,276	1,408,125
Materials & Contracts	59,629	62,327	65,363	68,731	72,308	76,107	80,144	84,436	89,001	93,857	751,903
Other Expenses	26,362	26,569	27,134	27,511	28,483	29,508	30,589	31,858	33,202	34,629	295,845
Operational Efficiencies	-	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(9,000)
<b>TOTAL</b>	<b>201,190</b>	<b>208,228</b>	<b>217,189</b>	<b>226,530</b>	<b>236,922</b>	<b>247,843</b>	<b>259,329</b>	<b>270,874</b>	<b>283,006</b>	<b>295,762</b>	<b>2,446,873</b>
<b>OPERATIONAL RESULT - Surplus / (Deficit)</b>	<b>40,341</b>	<b>52,109</b>	<b>54,236</b>	<b>55,092</b>	<b>54,768</b>	<b>54,747</b>	<b>54,380</b>	<b>54,248</b>	<b>53,864</b>	<b>53,303</b>	<b>527,088</b>
Depreciation (Non Cash Item)	58,000	60,320	62,733	65,242	67,852	70,566	73,389	76,324	79,377	82,552	696,355
<b>OPERATIONAL RESULT - Surplus / (Deficit) Including Depreciation</b>	<b>(17,659)</b>	<b>(8,211)</b>	<b>(8,497)</b>	<b>(10,150)</b>	<b>(13,084)</b>	<b>(15,819)</b>	<b>(19,009)</b>	<b>(22,076)</b>	<b>(25,513)</b>	<b>(29,249)</b>	<b>(169,267)</b>
<b>CAPITAL INCOME</b>											
Grants & Contributions - Capital	52,513	52,984	53,761	49,301	46,453	46,852	53,873	49,835	50,279	50,780	506,631
Profit on Disposal of Assets	2,000	2,060	2,122	2,185	2,251	2,319	2,386	2,460	2,534	2,610	22,929
Proceeds on Sale of Assets (Book Value)	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800	3,914	34,992
Transfer from Reserve	54,994	91,559	64,425	64,425	69,604	72,438	75,439	78,590	81,931	85,476	751,380
Add back Depreciation (Non Cash Item)	58,000	60,320	62,733	65,242	67,852	70,566	73,389	76,324	79,377	82,552	696,355
<b>TOTAL</b>	<b>170,507</b>	<b>210,013</b>	<b>186,224</b>	<b>196,930</b>	<b>189,537</b>	<b>195,653</b>	<b>208,671</b>	<b>210,899</b>	<b>217,921</b>	<b>225,332</b>	<b>2,011,687</b>
<b>CAPITAL EXPENDITURE</b>											
Capital Expenditure (Non-WIP)	9,210	48,721	19,798	30,392	21,003	21,634	22,283	22,951	23,640	24,349	243,981
Works Improvement Program	41,126	36,415	37,284	38,180	39,101	40,050	41,028	42,035	43,072	44,140	402,431
Dedicated Assets	35,068	35,041	35,304	30,316	26,924	26,764	33,209	28,579	28,413	28,287	307,905
Transfer to Reserve	67,444	73,068	73,886	76,183	78,018	80,422	82,959	85,666	88,590	91,352	797,588
Asset Renewal	-	8,557	11,455	11,709	11,969	12,241	12,379	12,458	12,488	12,573	105,829
<b>TOTAL</b>	<b>152,848</b>	<b>201,802</b>	<b>177,727</b>	<b>186,780</b>	<b>177,015</b>	<b>181,111</b>	<b>191,858</b>	<b>191,689</b>	<b>196,203</b>	<b>200,701</b>	<b>1,857,734</b>
<b>CAPITAL RESULT - Surplus / (Deficit)</b>	<b>17,659</b>	<b>8,211</b>	<b>8,497</b>	<b>10,150</b>	<b>12,522</b>	<b>14,542</b>	<b>16,813</b>	<b>19,210</b>	<b>21,718</b>	<b>24,631</b>	<b>153,953</b>
<b>NET RESULT - Surplus / (Deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(562)</b>	<b>(1,277)</b>	<b>(2,196)</b>	<b>(2,866)</b>	<b>(3,795)</b>	<b>(4,618)</b>	<b>(15,314)</b>

- Proposed Funding for Asset Renewal as follows:
- Operational efficiencies of \$1 Million Annually
  - Infrastructure Sinking Fund of \$2 Million Annually
  - Residential and Farmland rates increase by 3% in 2014/2015 above rate peg
  - Business rates increase by 20% (larger business) over 2 years above rate peg
  - Other business increase by 3% in 2014/2015 above rate peg



# Base Case - Plus Enhanced Asset Management funded by Special Rate Variation      Long Term Financial Plan - Balance Sheet

13/14 Budget		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Original		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CURRENT ASSETS</b>										
Cash and cash equivalents		16,170	16,170	16,170	16,170	16,170	16,170	16,170	16,170	16,170
Investments		235,676	217,185	225,906	233,758	240,465	245,789	249,999	252,863	254,121
Receivables		22,001	22,661	23,341	24,041	24,762	25,505	26,270	27,058	28,706
Inventories		28,147	28,991	29,861	30,757	31,679	32,630	33,609	34,617	36,725
Other		150	155	160	164	169	174	180	185	196
TOTAL		302,144	285,162	296,178	297,038	306,538	314,944	322,018	332,749	335,918
<b>NON-CURRENT ASSETS</b>										
Investments		45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Receivables		1,437	1,480	1,524	1,570	1,617	1,666	1,716	1,767	1,875
Property, Plant & Equipment		2,694,942	2,763,357	2,804,465	2,849,820	2,880,965	2,911,088	2,946,598	2,976,297	3,004,533
Investment Property		32,558	33,535	34,541	35,577	36,645	37,744	38,876	40,043	41,244
Investments accounted for using the equity method		4,674	4,814	4,959	5,108	5,261	5,419	5,581	5,749	5,921
TOTAL		2,778,611	2,848,186	2,890,489	2,937,075	2,969,488	3,000,917	3,037,771	3,068,856	3,126,786
TOTAL ASSETS		3,080,755	3,133,348	3,186,667	3,234,113	3,276,026	3,359,789	3,396,885	3,431,267	3,462,704
<b>CURRENT LIABILITIES</b>										
Payables		34,148	35,172	36,227	37,314	38,433	39,586	40,774	41,997	44,555
Provisions		52,142	54,228	56,397	58,653	60,999	63,439	65,977	68,616	74,215
TOTAL		86,290	89,400	92,624	95,967	99,432	103,025	106,751	110,613	118,770
<b>NON-CURRENT LIABILITIES</b>										
Provisions		5,236	5,446	5,664	5,890	6,126	6,371	6,626	6,891	7,166
TOTAL		5,236	5,446	5,664	5,890	6,126	6,371	6,626	6,891	7,166
TOTAL LIABILITIES		91,526	94,846	98,288	101,857	105,558	109,396	113,377	121,784	126,223
NET ASSETS		2,989,229	3,038,502	3,088,379	3,132,256	3,170,468	3,206,465	3,246,412	3,309,483	3,336,481
<b>EQUITY</b>										
EQUITY		2,989,229	3,038,502	3,088,379	3,132,256	3,170,468	3,206,465	3,246,412	3,309,483	3,336,481

# Base Case - Plus Enhanced Asset Management funded by Special Rate Variation      Long Term Financial Plan - Cash Flow Statement

	13/14 Budget Original	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Rates & Annual Charges	163,865	171,700	178,559	185,701	193,135	200,876	208,936	217,329	226,067	235,166
Special Rate Increase	-	5,557	8,455	8,709	8,970	9,241	9,379	9,458	9,488	9,573
Fees & Charges	31,671	32,619	33,601	34,608	35,646	36,715	37,817	38,951	40,120	41,323
Interest Received	11,600	14,842	13,918	14,391	14,354	14,746	15,082	15,348	15,558	15,702
Other Revenues	6,966	7,175	7,391	7,612	7,841	8,076	8,318	8,568	8,825	9,089
Grants & Contributions - Operating	27,429	28,444	29,501	30,601	31,745	32,936	34,177	35,468	36,812	38,212
<b>TOTAL</b>	<b>241,531</b>	<b>260,337</b>	<b>271,425</b>	<b>281,622</b>	<b>291,690</b>	<b>302,590</b>	<b>313,709</b>	<b>325,122</b>	<b>336,870</b>	<b>349,065</b>
<b>Payments</b>										
Employee Costs	(115,199)	(120,332)	(125,692)	(131,288)	(137,131)	(143,228)	(149,596)	(155,580)	(161,803)	(168,276)
Materials & Contracts	(59,629)	(62,327)	(65,363)	(68,731)	(72,308)	(76,107)	(80,144)	(84,436)	(89,001)	(93,857)
Other Expenses	(26,362)	(26,569)	(27,134)	(27,511)	(28,483)	(29,508)	(30,589)	(31,858)	(33,202)	(34,629)
Operational Efficiencies	-	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
<b>TOTAL</b>	<b>(201,190)</b>	<b>(208,228)</b>	<b>(217,189)</b>	<b>(226,530)</b>	<b>(236,922)</b>	<b>(247,843)</b>	<b>(259,329)</b>	<b>(270,874)</b>	<b>(283,006)</b>	<b>(295,762)</b>
<b>Net Cash Provided (or used) in Operating Activities</b>	<b>40,341</b>	<b>52,109</b>	<b>54,236</b>	<b>55,092</b>	<b>54,768</b>	<b>54,747</b>	<b>54,380</b>	<b>54,248</b>	<b>53,864</b>	<b>53,303</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds from Grants & Contributions - Capital	17,445	17,943	18,457	18,986	19,529	20,088	20,664	21,256	21,866	22,493
Proceeds from the Sale of Property	5,000	5,150	5,305	5,463	5,628	5,797	5,970	6,150	6,334	6,524
<b>Payments</b>										
Purchase of Property Plant & Equipment	(50,336)	(93,693)	(68,537)	(80,281)	(72,073)	(73,925)	(75,690)	(77,444)	(79,200)	(81,062)
Net Cash provided (or used in) Investing Activities	(27,891)	(70,600)	(44,775)	(55,832)	(46,916)	(48,040)	(49,056)	(50,038)	(51,000)	(52,045)
<b>Net Increase / (Decrease) in cash held</b>										
	12,450	(18,491)	9,461	(740)	7,852	6,707	5,324	4,210	2,864	1,258
<b>Cash at beginning of reporting period</b>										
	284,396	296,846	278,355	287,816	287,076	294,928	301,635	306,959	311,169	314,033
<b>Cash at end of reporting period</b>										
	296,846	278,355	287,816	287,076	294,928	301,635	306,959	311,169	314,033	315,291

# APPENDIX 9 – BALANCED BASE CASE PLUS ENHANCED ASSET MANAGEMENT (BASED ON PROPOSED SPECIAL RATE VARIATION APPLICATION)

Base Case - Balanced Plus Enhanced Asset Management funded by Special Rate Variation Long Term Financial Plan - Income Statement

	13/14 Budget Original \$'000	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	TOTAL \$'000
<b>REVENUE FROM OPERATING ACTIVITIES</b>											
Rates & Annual Charges	163,865	171,700	178,559	185,701	193,135	200,876	208,936	217,329	226,067	235,166	1,981,334
Special Rate Variation	-	5,557	8,455	8,709	8,969	9,241	9,379	9,488	9,488	9,573	78,829
Fees & Charges	31,671	32,619	33,601	34,608	35,646	36,715	37,817	38,951	40,120	41,323	363,071
Interest Received	11,600	14,842	13,918	14,391	14,354	14,781	15,182	15,553	15,887	16,176	146,684
Other Revenues	6,966	7,175	7,391	7,612	7,841	8,076	8,318	8,568	8,825	9,089	79,861
Grants & Contributions - Operating	27,429	28,444	29,501	30,601	31,745	32,936	34,177	35,468	36,812	38,212	325,325
<b>TOTAL</b>	<b>241,531</b>	<b>260,337</b>	<b>271,425</b>	<b>281,622</b>	<b>291,690</b>	<b>302,625</b>	<b>313,809</b>	<b>325,327</b>	<b>337,199</b>	<b>349,539</b>	<b>2,975,104</b>
<b>EXPENSES FROM OPERATING ACTIVITIES</b>											
Employee Costs	115,199	120,332	125,692	131,288	137,131	143,228	149,596	155,580	161,803	168,276	1,408,125
Materials & Contracts	59,629	62,327	65,363	68,731	71,975	75,776	79,482	83,653	88,062	92,745	747,743
Other Expenses	26,362	26,569	27,134	27,511	28,129	28,565	29,255	30,372	31,557	32,785	288,239
Operational Efficiencies	-	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(9,000)
<b>TOTAL</b>	<b>201,190</b>	<b>208,228</b>	<b>217,189</b>	<b>226,530</b>	<b>236,235</b>	<b>246,569</b>	<b>257,333</b>	<b>268,605</b>	<b>280,422</b>	<b>292,806</b>	<b>2,435,107</b>
<b>OPERATIONAL RESULT - Surplus / (Deficit)</b>	<b>40,341</b>	<b>52,109</b>	<b>54,236</b>	<b>55,092</b>	<b>55,455</b>	<b>56,056</b>	<b>56,476</b>	<b>56,722</b>	<b>56,777</b>	<b>56,733</b>	<b>539,997</b>
Depreciation (Non Cash Item)	58,000	60,320	62,733	65,242	67,852	70,566	73,389	76,324	79,377	82,552	696,355
<b>OPERATIONAL RESULT - Surplus / (Deficit) Including Depreciation</b>	<b>(17,659)</b>	<b>(8,211)</b>	<b>(8,497)</b>	<b>(10,150)</b>	<b>(12,397)</b>	<b>(14,510)</b>	<b>(16,913)</b>	<b>(19,602)</b>	<b>(22,600)</b>	<b>(25,819)</b>	<b>(156,358)</b>
<b>CAPITAL INCOME</b>											
Grants & Contributions - Capital	52,513	52,984	53,761	49,301	46,453	46,852	53,873	49,835	50,279	50,780	506,631
Profit on Disposal of Assets	2,000	2,060	2,122	2,185	2,251	2,319	2,388	2,460	2,534	2,610	22,929
Proceeds on Sale of Assets (Book Value)	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800	3,914	34,392
Transfer from Reserve	54,994	91,559	64,425	76,924	69,567	72,301	75,260	78,393	81,716	85,240	750,379
Add back Depreciation (Non Cash Item)	58,000	60,320	62,733	65,242	67,852	70,566	73,389	76,324	79,377	82,552	696,355
<b>TOTAL</b>	<b>170,507</b>	<b>210,013</b>	<b>186,224</b>	<b>196,930</b>	<b>189,500</b>	<b>195,516</b>	<b>208,492</b>	<b>210,702</b>	<b>217,706</b>	<b>225,096</b>	<b>2,010,686</b>
<b>CAPITAL EXPENDITURE</b>											
Capital Expenditure (Non-WIP)	9,210	48,721	19,798	30,392	21,003	21,634	22,283	22,951	23,640	24,349	243,981
Works Improvement Program	41,126	36,415	37,284	38,180	39,101	40,050	41,028	42,035	43,072	44,140	402,431
Dedicated Assets	35,068	35,041	35,304	30,316	26,924	26,764	33,209	28,579	28,413	28,287	307,905
Transfer to Reserve	67,444	73,068	73,886	76,183	78,106	80,317	82,680	85,077	87,493	89,928	794,182
Asset Renewal	-	8,557	11,455	11,709	11,969	12,241	12,379	12,458	12,488	12,573	105,829
<b>TOTAL</b>	<b>152,848</b>	<b>201,802</b>	<b>177,727</b>	<b>186,780</b>	<b>177,103</b>	<b>181,006</b>	<b>191,579</b>	<b>191,100</b>	<b>195,106</b>	<b>199,277</b>	<b>1,854,328</b>
<b>CAPITAL RESULT - Surplus / (Deficit)</b>	<b>17,659</b>	<b>8,211</b>	<b>8,497</b>	<b>10,150</b>	<b>12,397</b>	<b>14,510</b>	<b>16,913</b>	<b>19,602</b>	<b>22,600</b>	<b>25,819</b>	<b>156,358</b>
<b>NET RESULT - Surplus / (Deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Proposed Funding for Asset Renewal as follows:

- Operational efficiencies of \$1 Million Annually
- Infrastructure Sinking Fund of \$2 Million Annually
- Residential and Farmland rates increase by 3% in 2014/2015 above rate peg
- Business rates increase by 20% (larger business) over 2 years above rate peg
- Other business increase by 3% in 2014/2015 above rate peg



# Base Case - Balanced Plus Enhanced Asset Management funded by Special Rate Variation      Long Term Financial Plan - Balance Sheet

13/14 Budget Original		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
\$'000		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CURRENT ASSETS</b>										
Cash and cash equivalents		16,170	16,170	16,170	16,170	16,170	16,170	16,170	16,170	16,170
Investments		235,676	226,646	225,905	234,444	242,460	249,880	256,564	262,341	267,029
Receivables		22,001	22,661	23,341	24,041	24,762	26,270	27,058	27,870	28,706
Inventories		28,147	28,991	29,861	30,757	31,679	33,609	34,617	35,656	36,725
Other		150	155	160	164	169	180	185	190	196
<b>TOTAL</b>		<b>302,144</b>	<b>285,162</b>	<b>297,037</b>	<b>307,224</b>	<b>316,939</b>	<b>326,109</b>	<b>334,594</b>	<b>342,227</b>	<b>348,826</b>
<b>NON-CURRENT ASSETS</b>										
Investments		45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Receivables		1,437	1,480	1,524	1,570	1,666	1,716	1,767	1,820	1,875
Property, Plant & Equipment		2,694,942	2,763,357	2,804,465	2,849,820	2,911,088	2,946,598	2,976,297	3,004,533	3,031,331
Investment Property		32,558	33,535	34,541	35,577	36,645	38,876	40,043	41,244	42,481
Investments accounted for using the equity method		4,674	4,814	4,959	5,108	5,261	5,581	5,749	5,921	6,099
<b>TOTAL</b>		<b>2,778,611</b>	<b>2,848,186</b>	<b>2,937,075</b>	<b>2,969,488</b>	<b>3,000,917</b>	<b>3,037,771</b>	<b>3,068,856</b>	<b>3,098,518</b>	<b>3,126,786</b>
<b>TOTAL ASSETS</b>		<b>3,080,755</b>	<b>3,133,348</b>	<b>3,234,112</b>	<b>3,276,712</b>	<b>3,317,856</b>	<b>3,363,880</b>	<b>3,403,450</b>	<b>3,440,745</b>	<b>3,475,612</b>
<b>CURRENT LIABILITIES</b>										
Payables		34,148	35,172	36,227	37,314	38,433	40,774	41,997	43,257	44,555
Provisions		52,142	54,228	56,397	58,653	60,999	65,977	68,616	71,361	74,215
<b>TOTAL</b>		<b>86,290</b>	<b>89,400</b>	<b>92,624</b>	<b>95,967</b>	<b>99,432</b>	<b>106,751</b>	<b>110,613</b>	<b>114,618</b>	<b>118,770</b>
<b>NON-CURRENT LIABILITIES</b>										
Provisions		5,236	5,446	5,664	5,890	6,126	6,371	6,891	7,166	7,453
<b>TOTAL</b>		<b>5,236</b>	<b>5,446</b>	<b>5,664</b>	<b>5,890</b>	<b>6,126</b>	<b>6,371</b>	<b>6,891</b>	<b>7,166</b>	<b>7,453</b>
<b>TOTAL LIABILITIES</b>		<b>91,526</b>	<b>94,846</b>	<b>98,288</b>	<b>101,857</b>	<b>105,558</b>	<b>113,377</b>	<b>117,504</b>	<b>121,784</b>	<b>126,223</b>
<b>NET ASSETS</b>		<b>2,989,229</b>	<b>3,038,502</b>	<b>3,088,379</b>	<b>3,132,255</b>	<b>3,171,154</b>	<b>3,250,503</b>	<b>3,285,946</b>	<b>3,318,961</b>	<b>3,349,389</b>
<b>EQUITY</b>		<b>2,989,229</b>	<b>3,038,502</b>	<b>3,088,379</b>	<b>3,132,255</b>	<b>3,171,154</b>	<b>3,250,503</b>	<b>3,285,946</b>	<b>3,318,961</b>	<b>3,349,389</b>

# Base Case - Balanced Plus Enhanced Asset Management funded by Special Rate Variation      Long Term Financial Plan - Cash Flow Statement

	13/14 Budget Original	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Rates & Annual Charges	163,865	171,700	178,559	185,701	193,135	200,876	208,936	217,329	226,067	235,166
Special Rate Increase	-	5,557	8,455	8,709	8,970	9,241	9,379	9,458	9,488	9,573
Fees & Charges	31,671	32,619	33,601	34,608	35,646	36,715	37,817	38,951	40,120	41,323
Interest Received	11,600	14,842	13,918	14,391	14,354	14,781	15,182	15,553	15,887	16,176
Other Revenues	6,966	7,175	7,391	7,612	7,841	8,076	8,318	8,568	8,825	9,089
Grants & Contributions - Operating	27,429	28,444	29,501	30,601	31,745	32,936	34,177	35,468	36,812	38,212
<b>TOTAL</b>	<b>241,531</b>	<b>260,337</b>	<b>271,425</b>	<b>281,622</b>	<b>291,691</b>	<b>302,625</b>	<b>313,809</b>	<b>325,327</b>	<b>337,199</b>	<b>349,539</b>
<b>Payments</b>										
Employee Costs	(115,199)	(120,332)	(125,692)	(131,288)	(137,131)	(143,228)	(149,596)	(155,580)	(161,803)	(168,276)
Materials & Contracts	(59,629)	(62,327)	(65,363)	(68,731)	(71,975)	(75,776)	(79,482)	(83,653)	(88,062)	(92,745)
Other Expenses	(26,362)	(26,569)	(27,134)	(27,511)	(28,130)	(28,565)	(29,255)	(30,372)	(31,557)	(32,785)
Operational Efficiencies	-	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
<b>TOTAL</b>	<b>(201,190)</b>	<b>(208,228)</b>	<b>(217,189)</b>	<b>(226,530)</b>	<b>(236,236)</b>	<b>(246,569)</b>	<b>(257,333)</b>	<b>(268,605)</b>	<b>(280,422)</b>	<b>(292,806)</b>
<b>Net Cash Provided (or used) in Operating Activities</b>	<b>40,341</b>	<b>52,109</b>	<b>54,236</b>	<b>55,092</b>	<b>55,455</b>	<b>56,056</b>	<b>56,476</b>	<b>56,722</b>	<b>56,777</b>	<b>56,733</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds from Grants & Contributions - Capital	17,445	17,943	18,457	18,984	19,529	20,089	20,664	21,257	21,866	22,493
Proceeds from the Sale of Property	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524
<b>Payments</b>										
Purchase of Property Plant & Equipment	(50,336)	(93,693)	(68,537)	(80,281)	(72,073)	(73,925)	(75,690)	(77,444)	(79,200)	(81,062)
<b>Net Cash provided (or used in) Investing Activities</b>	<b>(27,891)</b>	<b>(70,600)</b>	<b>(44,775)</b>	<b>(55,833)</b>	<b>(46,916)</b>	<b>(48,040)</b>	<b>(49,056)</b>	<b>(50,038)</b>	<b>(51,000)</b>	<b>(52,045)</b>
<b>Net Increase / (Decrease) in cash held</b>	<b>12,450</b>	<b>(18,491)</b>	<b>9,461</b>	<b>(741)</b>	<b>8,539</b>	<b>8,016</b>	<b>7,420</b>	<b>6,684</b>	<b>5,777</b>	<b>4,688</b>
<b>Cash at beginning of reporting period</b>	<b>284,396</b>	<b>296,846</b>	<b>278,355</b>	<b>287,816</b>	<b>287,075</b>	<b>295,614</b>	<b>303,630</b>	<b>311,050</b>	<b>317,734</b>	<b>323,511</b>
<b>Cash at end of reporting period</b>	<b>296,846</b>	<b>278,355</b>	<b>287,816</b>	<b>287,075</b>	<b>295,614</b>	<b>303,630</b>	<b>311,050</b>	<b>317,734</b>	<b>323,511</b>	<b>328,199</b>



