



Long Term Financial Plan 2012 - 2021

Adopted 26 May 2011



City of Canterbury
City of Cultural Diversity

Integrated Planning

Our Integrated Planning Framework comprises a number of documents that reflect the Canterbury community's priorities and guide long term action. This Framework comprises:

The **Community Strategic Plan** identifies the long-term aspirations our communities have for life and work in Canterbury City. It describes the City's future through five themes, each with Long Term Goals and Community Outcomes, which cover the broad range of topics that are important for our City and our communities. Alongside the Community Outcomes are Strategies – which Council, partner organisations and individuals can use to work towards achieving the Community Outcomes, and Trend Indicators – things that can be monitored to determine if progress toward the Community Outcomes is being made.

The **Council Delivery Plan** is the strategic document which guides the action of Council for the next four years. It outlines the Activities – services, initiatives and infrastructure programs – that Council intends to undertake, and the Resources (people and money) needed to do so. The Council Delivery Plan document is structured around Community Outcomes, showing those Activities that are part of Council Strategies working towards achieving a Community Outcome. The Council Function that is responsible for undertaking the Activity and Council Performance Indicators are also shown.

The **Council Operating Plan** supports the Council Delivery Plan by providing specific information on the Activities that Council will undertake and measures of performance. In particular the details of Council Strategies (and associated Strategy Indicators), Services (and associated Output Estimates and Service Standards), and Initiatives to be delivered by each Function, Infrastructure Projects to be delivered, and the assignment of responsibility for implementation and reporting for these items, are shown. The Operating Plan also includes the details of the next year's budget.

The **Resource Strategy** outlines Council's capacity to manage assets and deliver services over the next ten years. The Resource Strategy includes three key elements – an Asset Management Plan describing infrastructure policies and requirements, a Workforce Strategy describing staff policies and requirements, and a **Long Term Financial Plan**, which sets policy directions for rates, borrowing, investments, service levels and additional infrastructure.

Integrated Planning Framework



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INTRODUCTION

The purpose of this 10 year Long Term Financial Plan is to provide a framework to assist future decision making that will secure the economic sustainability of the organisation and ensure adequate funds are generated into the future to achieve desirable outcomes for the community.

A new planning and reporting framework for NSW local government has been introduced. These reforms replace the former Management Plan and Social Plan with an integrated framework. It also includes a new requirement to prepare a long term Community Strategic Plan and Resourcing Strategy.

This document forms part of our resourcing strategy. The Resourcing Strategy will be made up of the Long Term Financial Plan, the Workforce Management Plan and the Asset Management Plan.

The draft 10 year Long Term Financial Plan establishes a framework, mechanism and financial targets of Council. It is the benchmark to guide decision making processes across multiple years. It contains guiding philosophies to promote a consistent financial direction for the future.

The financial model predicts future funding requirements in order to maintain a satisfactory financial position and deliver the facilities and services expected by our community. Setting the strategic direction if a financial plan promotes the sustainability of the organisation and ensures the availability of funds in future years to achieve all of Council's goals and objectives on behalf of the residents of the City of Canterbury.

Jim Montague PSM
GENERAL MANAGER

BUDGET FRAMEWORK

A framework has been developed to help guide the development of Council budgeting and long term financial planning. Future resource and decision making can be guided by the structure provided in the policy framework. Our 10 year Long Term Financial Plan has been drafted to reflect the following principles.

No Deficit

Deficit funding is not regarded by Council as compatible with long term financial sustainability.

Whilst there may be occasions when it is unavoidable to have a deficit in a year, operating and capital expenditures need to be fully funded by revenues from operations, internal resources such as reserves or external sources such as loans or grants.

Minimal Loan Borrowing

Council currently has external debt of \$6.5m which has been used to fund capital works and plant replacements. A further loan of \$3.0m has been proposed as part of the 2011-12 budget. Whilst our preference is to provide all funds from internal resources, the need to fund some essential capital projects in a period of declining revenues, left no alternative other than to utilise external loans. Apart from repayment of the existing and proposed loans, there are no other planned borrowings factored into the Long Term Financial Plan. However, should any unforeseen large infrastructure costs arise in the future, Council has the capacity to fund these from external loans should funding not be available from other sources.

Provision For Future Costs

At any point in time there will be outstanding entitlements owed to the employees of Council. These future entitlements for employees create a liability that needs to be met at some time. We do not maintain cash reserves to fully extinguish these liabilities as Council does not expect to pay these liabilities in full at any one point in time. Given the potential for large payments on termination or resignation, it is prudent to have an appropriate level of cash reserves for this purpose.

Provision has been made in the Long Term Financial Plan to maintain a cash reserve for employee leave entitlements equivalent to 15% of our leave entitlement liability.

Where future costs can be reliably estimated such as those associated with S.94 Contributions, unspent grants and other identified commitments, transfers to appropriate reserves have been factored into the Long Term Financial Plan.

Operating Surplus

One of the main sources of funds is the surplus generated from operations.

The ability to achieve an operating surplus is dependant upon the policies and settings used to determine levels of operating revenues and expenses. In the case of rates revenues, rate capping legislation restricts the annual amount by which we can increase rates. Subject to application and approval, this amount can be supplemented by special rate variations. Grant revenues are also at the discretion of other tiers of government, particularly for capital purposes.

Operating expenses are largely within Council's control and are set having regard to the level and extent of services deemed appropriate by Council.

In an environment where Council's internal resources are limited and reliance on external loans is to be kept to a minimum, the maintenance of a reasonable operating surplus is fundamental to our future financial sustainability.

Maintenance of a Satisfactory Financial Position

Measurement of a council's financial position is an objective process based on an assessment of a number of subjective performance indicators. Those indicators include items such as unrestricted current ratio, debt service ratio, percentage of rates and annual charges outstanding, building and infrastructure renewals ratio operating result before capital income, level and purpose of reserves and the balance of available working capital.

Council's target, depending upon the particular measure, is in line with the generally accepted benchmarks applicable to all councils and or councils with a similar profile (referred to as Group 3 councils).

Whilst measurement is an on going process, an external assessment is carried out by Council's external auditors as at 30 June each year. The degree to which a satisfactory financial position has been achieved is reflected in their assessment.

Infrastructure Assets

In 2005, Council and was granted a special rate levy to fund the maintenance and renewal of its ageing infrastructure assets. A 15 year plan was developed including a detailed list of projects regarded as essential to the maintenance of our infrastructure assets.

These projects along with the related funding, are included as a non negotiable commitment in long term financial plans.

CURRENT FINANCIAL POSITION OF COUNCIL

The emergence of the Global Financial Crisis (GFC) on world financial markets has continued to have a dramatic and measurable impact on Council's financial position. In real terms, our operating surplus suffered a net reduction of \$7.0m which, combined with other external impacts, has now increased to \$9.0m

Despite this impact, adherence to the principals of strong financial discipline, have enabled Council to maintain a satisfactory financial position.

The most recent assessment, based on our Audited Financial Statements for the 2010 financial year in summary shows the following :

- net operating deficit of \$501,000 before capital grants and contributions
- net surplus of \$5.6m after capital grants and contributions
- working capital of \$2.3m
- an overall surplus of \$2.1m

With the exception of the capital renewals ratio, performance measures were in line with or exceeded industry benchmarks.

Our ability to maintain a satisfactory financial position and ensure financial sustainability is being challenged by difficulties in identifying new sources of revenue and achieving substantial increases in existing revenue streams.

Improved data analysis of our infrastructure assets has identified a significant gap between what is required and what is available to be spent on infrastructure maintenance and renewal.

With the above revenue situation and only minimal unrestricted reserves, externally borrowing funds remains the only short term alternative if service levels are to be maintained .Borrowing cannot be sustained indefinitely.

SIGNIFICANT FORECASTING ASSUMPTIONS, UNCERTAINTIES AND RISKS.

The following assumptions, risks and uncertainties have been prepared in accordance with the Council's legislative requirements and in reference to our Community Strategic Plan. Uncertainty increases as the number of years of prospective financial information increases. These forecast financial statements must be read with caution utilising the details of financial assumptions contained in this statement. Financial years 2013/14 to 2020/21 must be read with considerable caution even though in broad terms, the business of Council should continue as has been forecast in the Community Strategic Plan.

Uncontrollable external events will significantly affect the forecast. The most significant risks that may impact on the forecast financial statements include unexpected changes in legislation and / or regulations .It has been assumed that the organisational structure of Council will remain relatively unchanged.

Climate change impacts could affect the engineering standards applied to infrastructure and therefore associated costs to Council. It has been assumed that environmental conditions will not significantly change over the next 10 years.

Service Priorities

It is assumed the community will continue to endorse the current range of services that we provide to the community. Extensive consultation has been conducted as part of the community engagement process to determine the range of services expected by the community.

Population Growth Projections

Growth has been projected in accordance with census data trends over recent years together with State Government planning requirements. Local area population projections, supplied by the NSW Department of Planning indicate our population is projected to increase over the ten year period of the plan. Significant population growth above budgeted levels is not expected over the life of this plan.

Asset Ownership and Management

There are a number of possible asset sales, developments and changes in management of significant assets, such as the Civic Centre Precinct, which are currently being assessed. No allowance for these projects or changes has been made in the Long Term Financial Plan due to the uncertainties of projects progressing or possible financial impacts. As and when these projects are finally determined, funds will be dealt with in accordance with the financial policy framework previously laid out in this plan.

Council will continue to manage its' infrastructure assets in accordance with the Asset Management Plan detailed as part of the Resourcing Strategy. Technology and further asset information may impact on the Council's Asset Management Strategy. However, significant changes to Council's strategy are not anticipated over the life of this plan.

Natural Disasters

The funding provisions in this plan assume that there will be no major natural disasters of a type that causes widespread and significant damage to Council's infrastructure.

External Factors

No allowance has been made for unexpected changes to legislation, national standards or other external factors which could alter the nature or extent of services provided by Council.

Interest Rates

Interest rates on external borrowings have been estimated at 8.75% and for funds invested, a rate of 6.0% has been used.

Depreciation and Useful Lives

Estimates are based on industry accounting principles and useful lives as stated in Council's Asset Management Plan.

Future revaluations will have an impact on the remaining economic life of infrastructure assets as well as future depreciation charges. This plan does not anticipate significant valuation movements that would measurably change depreciation charges on infrastructure.

Asset Renewal

The forecast expenditure for infrastructure renewal is sufficient to maintain the current level of service provided by those assets.

There is a risk that deferred maintenance may result in additional funding requirements and/ or reduced service levels not stated or provided in the Community Strategic Plan. We are continually working to improve the level of confidence in our asset renewal forecasts.

Sources of Funds

It is assumed that the level of funds available in the planned scenario of this Plan will be sufficient to meet planned service levels.

Changes To Planned Service Levels

We have assumed that the service issues not provided for, or not fully provided for in the Community Plan will be considered by the Council in the future and in a manner that is consistent with the requirements of the Local Government Act. In doing so, it is assumed that the capacity to fund these services will be assessed against the key financial management ratios and the financial policy framework stated in this plan.

OPPORTUNITIES AND THREATS

As part of the risk assessment of each of the scenarios, Council has identified some strengths and threats to consider issues that may arise and how we will deal with them.

Rates Income

Council is currently limited by rate pegging legislation when determining rates income. Increases outside this limit require approval by the Minister for Local Government through a special rate variation process. If rate pegging was abolished as in other States, it would have a significant impact on the financial sustainability of Local Government and provide Council with greater flexibility in determining their future in partnership with the community.

The Independent Pricing and Regulatory Tribunal (IPART) has issued a report- *Review of the Revenue Framework for Local Government* that has put forward a different way to determine future rate increases to be provided by the Minister.

The new integrated planning and reporting regime implemented by the State Government could potentially circumvent the rate pegging system as it requires a rigorous consultation process with the community to determine the outcomes they would like to achieve. This provides the basis for determining rate increases that are linked to these outcomes rather than via an arbitrary rate pegging increase.

Cost Shifting

Cost shifting describes the situation where the responsibility for and/or the cost of providing a service, concession, asset or regulatory function are “shifted” from a higher level of government on to a lower level of government without the provision of corresponding funding or of corresponding and adequate revenue raising capacity.

Cost shifting has been a major concern for local government for many years. The overall cost to local government due to cost shifting is significant .In most cases Council has not been provided the funds or opportunity to generate funding to cover these costs.

Some examples of cost shifting include the contribution for the emergency services levy, pensioner rate rebates, library funding shortfalls, companion animal act, environmental legislation, citizenship ceremonies, food safety regulation, road safety programs , increased levels of governance and regulatory requirements and waste levies.

Energy and Material Costs

As shown by the continuing increases approved by IPART for electricity and significant increases in key consumables such as steel products, the cost of energy and materials could rise significantly in the future .The impacts of environmental measures will be seen in higher energy costs going forward. Without technological changes, the impact on finite energy resources may be felt through all material input costs.

Workers Compensation

Premium costs for workers compensation can rise significantly with any open claim. Significant resources have been invested in training, equipment and other Occupational Health & Safety programs to try and reduce the potential for claims.

Local Government Superannuation Retirement Scheme

Due to the recent global financial crisis, superannuation funds have suffered a significant fall in value over the past three years. A portion of Council's employees belong to a closed scheme where member entitlements are defined as a multiple of their final average salary. Councils are responsible for ensuring there are sufficient funds available to pay out this benefit when these employees cease employment. Due to the erosion of funds in the scheme, we have been notified that the contribution rates on behalf of members of this scheme have doubled with the contributions likely to increase if anticipated returns are not achieved.

FINANCIAL MODELS

The level to which Council can deliver the strategic goals and outcomes set out in the Community Strategic Plan is dependant upon our financial resources.

Financial models are used to quantify the amount of resources required to meet service level expectations and to determine financial sustainability.

Assumptions on which the models are built have been formulated based on historical data, current economic conditions and estimates of likely movements in revenue and expense items.

Results from each of the scenarios have been benchmarked against the elements of the Budget Framework referred to earlier in this document.

Having identified a shortfall in the resources currently available, three scenarios have been prepared to model the effects on financial sustainability.

The three scenarios model financial results based on an increase in user charges and fees of \$1.0m and special rate variations of 5%, 10% and 15% respectively

Scenario 1 – 5% Rate Increase

This scenario incorporates a special rate levy of 5% in the 2013/14 financial year and the introduction of a new user charge in the 2014/15 year estimated to raise \$1.0 m. Both these increases are projected to run for the life of the financial plan. No allowance has been made for changes in the level or extent of services currently provided.

The goals, objectives and outcomes detailed in the Community Strategic Plan may not be able to be achieved within this scenario. Problems identified by Council in relation to infrastructure maintenance and renewal cannot be fully addressed under this scenario as the necessary resources are not available without cutting existing service levels. This will provide an intergenerational equity issue as future costs for infrastructure maintenance and renewal may be much higher than would have otherwise been the case if these issues are addressed now.

In relation to long term financial sustainability, this scenario projects an unacceptable erosion of working funds and failure to meet industry performance indicators.

Key Assumptions

Income

Rates	+ 2.8%
Domestic Waste Charges	+ 2.8%
Interest rate on Investments	6.25%
Interest rate on Overdue Rates	9%
Operational grants	Generally increased by 2.5% or varied in accordance with advice
Fees and charges	Statutory charges increased in line with advice Discretionary fees increased in line with prevailing market rates, or current activity trends.

Expenses

Salaries and wages	Increases 3.0%
Superannuation	Statutory rate of 9%, where applicable, and as per advice for defined benefits scheme.
Inter-government charges	Adjusted in line with advice or otherwise increased by approximately 2%
Insurances	Increased in line with broker estimates varying between 5% and 15%
Base inflation factor	3.5%

Funding Summary

	Year ending 30 June									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue										
Rates & Annual Charges	64,633	66,443	70,803	72,785	74,823	76,918	79,072	81,286	83,562	85,902
User Charges & Fees	7,028	7,379	7,748	8,885	9,330	9,796	10,285	10,799	11,339	11,906
Interest & Investment Revenue	1,975	3,214	2,932	2,855	2,765	2,633	2,340	2,048	1,713	1,300
Other Revenue	3,987	4,087	4,189	4,294	4,401	4,511	4,624	4,740	4,859	4,980
Grants & Contributions - Operational	11,749	12,043	12,344	12,653	12,969	13,293	13,625	13,966	14,315	14,673
Grants & Contributions - Capital	3,862	2,729	2,798	2,868	2,940	3,014	3,089	3,166	3,245	3,326
Total Revenue	93,234	95,895	100,814	104,340	107,228	110,165	113,035	116,005	119,033	122,087
Expenses										
Employee Benefits & On Costs	41,991	43,251	44,549	45,885	47,262	48,680	50,140	51,644	53,193	54,789
Borrowing Costs	422	615	561	503	440	371	298	219	136	66
Materials & Contracts	23,634	24,934	26,305	27,752	29,278	30,888	32,587	34,379	36,270	38,265
Depreciation & Amortisation	9,500	10,349	10,378	10,410	10,447	10,488	10,533	10,582	10,635	10,692
Other Expenses	17,214	17,644	18,085	18,537	19,000	19,475	19,962	20,461	20,973	21,497
Total Expenses	92,761	96,793	99,878	103,087	106,427	109,902	113,520	117,285	121,207	125,309
Operating Surplus (Deficit)	473	-898	936	1,253	801	263	-485	-1,280	-2,174	-3,222
Non-Cash Transactions										
Increase in Provisions	1,304	1,129	1,221	1,300	1,391	1,351	1,396	1,482	1,568	1,536
Annual Depreciation	9,500	10,349	10,378	10,410	10,447	10,488	10,533	10,582	10,635	10,692
	10,804	11,478	11,599	11,710	11,838	11,839	11,929	12,064	12,203	12,228
Sources of Funds										
Proceeds from Sale of Plant & Vehicles	464	513	526	539	552	566	580	595	610	625
New Loan Funds	3,000	0	0	0	0	0	0	0	0	0
s94 - Funding of Capital Works	1,306	1,025	1,051	1,077	1,104	1,132	1,160	1,189	1,219	1,249
Transfer from Restrictions	4,259	2,590	910	1,184	1,157	2,821	1,736	1,366	1,496	2,789
	9,029	4,128	2,487	2,800	2,813	4,519	3,476	3,150	3,325	4,663
Uses of Funds										
Principal Loan Repayments	722	694	748	806	869	938	1,011	1,086	1,085	599
Capital Works Program incl Plant & Vehicles	9,255	11,275	11,557	11,846	12,142	12,446	12,757	13,076	13,403	13,738
Capitalised Expenditure	1,700	1,640	1,681	1,723	1,766	1,810	1,855	1,901	1,949	1,998
Decrease in Provisions	2,700	2,000	305	564	522	2,170	1,069	682	795	2,071
Transfer to Restrictions	5,600	2,504	2,622	2,727	2,845	2,833	2,906	3,021	3,137	3,135
	19,977	18,113	16,913	17,666	18,144	20,197	19,598	19,766	20,369	21,541
Net Budget Funding Surplus	329	-3,405	-1,891	-1,903	-2,692	-3,576	-4,678	-5,832	-7,015	-7,872

Balance Sheet

	Year ending 30 June									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Current Assets										
Cash and cash equivalents	29,421	24,905	23,675	22,238	20,130	15,434	10,766	5,400	-1,193	-9,968
Receivables	4,712	4,712	4,712	4,712	4,712	4,712	4,712	4,712	4,712	4,712
Stores and Materials	231	231	231	231	231	231	231	231	231	231
Other Current Assets	230	230	230	230	230	230	230	230	230	230
Total Current Assets	34,594	30,078	28,848	27,411	25,303	20,607	15,939	10,573	3,980	-4,795
Non-Current Assets										
Investments	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000
Receivables	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266
Infrastructure, Property, Plant & Equipment	739,215	741,268	743,602	746,222	749,131	752,333	755,832	759,632	763,739	768,158
Other Non-Current Assets	0	0	0	0	0	0	0	0	0	0
Total Non-Current Assets	762,481	764,534	766,868	769,488	772,397	775,599	779,098	782,898	787,005	791,424
Total Assets	797,075	794,612	795,716	796,899	797,700	796,206	795,037	793,471	790,985	786,629
Current Liabilities										
Payables	10,788	10,788	10,788	10,788	10,788	10,788	10,788	10,788	10,788	10,788
Borrowings	722	748	806	869	938	1,011	1,086	1,085	599	421
Provisions	20,121	19,250	20,166	20,902	21,771	20,952	21,279	22,079	22,852	22,317
Total Current Liabilities	31,631	30,786	31,760	32,559	33,497	32,751	33,153	33,952	34,239	33,526
Non-Current Liabilities										
Payables	0	0	0	0	0	0	0	0	0	0
Borrowings	7,548	6,828	6,022	5,153	4,215	3,204	2,118	1,033	434	13
Provisions	436	436	436	436	436	436	436	436	436	436
Total Non-Current Liabilities	7,984	7,264	6,458	5,589	4,651	3,640	2,554	1,469	870	449
Total Liabilities	39,615	38,050	38,218	38,148	38,148	36,391	35,707	35,421	35,109	33,975
Net Assets	757,460	756,562	757,498	758,751	759,552	759,815	759,330	758,050	755,876	752,654
Equity										
Retained earnings and reserves	756,987	757,460	756,562	757,498	758,751	759,552	759,815	759,330	758,050	755,876
YTD Surplus (Deficit)	473	-898	936	1,253	801	263	-485	-1,280	-2,174	-3,222
Total Equity	757,460	756,562	757,498	758,751	759,552	759,815	759,330	758,050	755,876	752,654

Cashflow

	Year ending 30 June									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cashflow from Operations										
Operating Surplus (Deficit)	473	-898	936	1,253	801	263	-485	-1,280	-2,174	-3,222
Depreciation	9,500	10,349	10,378	10,410	10,447	10,488	10,533	10,582	10,635	10,692
Employee Leave Entitlements	-1,396	-871	916	736	869	-819	327	800	773	-535
Net Cashflow from Operations	8,577	8,580	12,230	12,399	12,117	9,932	10,375	10,102	9,234	6,935
Cashflow from Investing Activities										
Purchasing Investments										
Acquisition of Assets	-10,955	-12,915	-13,238	-13,569	-13,908	-14,256	-14,612	-14,977	-15,352	-15,736
Sale of Assets	464	513	526	539	552	566	580	595	610	625
Net Cashflow from Investing Activities	-10,491	-12,402	-12,712	-13,030	-13,356	-13,690	-14,032	-14,382	-14,742	-15,111
Cashflow from Financing Activities										
Loan Proceeds	3,000	0	0	0	0	0	0	0	0	0
Loan Repayments	-722	-694	-748	-806	-869	-938	-1,011	-1,086	-1,085	-599
Net Cashflow from Financing Activities	2,278	-694	-748	-806	-869	-938	-1,011	-1,086	-1,085	-599
Cashflow										
Net Cashflow	364	-4,516	-1,230	-1,437	-2,108	-4,696	-4,668	-5,366	-6,593	-8,775
Opening Balance	51,057	51,421	46,905	45,675	44,238	42,130	37,434	32,766	27,400	20,807
Cash at End of the Period	51,421	46,905	45,675	44,238	42,130	37,434	32,766	27,400	20,807	12,032
		0	0	0	0	0	0	0	0	0

Ratios

	Year ending 30 June									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Unrestricted Current Ratio	1.54	1.82	1.62	1.21	0.94	0.56	0.04	-0.50	-1.17	-2.10
Working Funds [WF]	2,374	-1,031	-2,922	-4,825	-7,517	-11,093	-15,771	-21,603	-28,618	-36,490
Debt Service Ratio (Interest Only)	0.47%	0.66%	0.57%	0.50%	0.42%	0.35%	0.27%	0.19%	0.12%	0.06%
Debt Service Ratio (Principal & Interest)	1.28%	1.41%	1.34%	1.29%	1.26%	1.22%	1.19%	1.16%	1.05%	0.56%
ELE Ratio	12.91%	8.29%	11.64%	13.98%	16.67%	12.78%	13.41%	15.82%	17.97%	15.38%
ELE over 60's Ratio	43.36%	89.77%	118.13%	85.85%	91.01%	103.76%	123.77%	100.23%	104.91%	87.69%

Scenario 2 – 10% Rate Increase

This scenario incorporates a 10% special rate levy in the 2013/14 year and the introduction of a new user charge in the 2014/15 year with revenue estimated at \$1.0 m Both these increases are projected to run for the life of the financial plan. No allowance has been made for changes in the level or extent of services currently provided.

Whilst the likelihood of achieving the goals, objectives and outcomes detailed in the Community Strategic Plan is higher in this option than in Option 1, our ability to address the problem identified in relation to infrastructure maintenance and renewal still cannot be fully addressed under this scenario without reducing existing service levels

Long term financial sustainability is still an issue under this scenario although improved in relation to Option 1.

Key Assumptions

Income

Rates	+ 2.8%
Domestic Waste Charges	+ 2.8%
Interest rate on Investments	6.25%
Interest rate on Overdue Rates	9%
Operational grants	Generally increased by 2.5% or varied in accordance with advice
Fees and charges	Statutory charges increased in line with advice Discretionary fees increased in line with prevailing market rates, or current activity trends.

Expenses

Salaries and wages	Increases 3.0%
Superannuation	Statutory rate of 9%, where applicable, and as per advice for defined benefits scheme.
Inter-government charges	Adjusted in line with advice or otherwise increased by approximately 2%
Insurances	Increased in line with broker estimates varying between 5% and 15%
Base inflation factor	3.5%

Funding Summary

	Year ending 30 June									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue										
Rates & Annual Charges	64,633	66,443	73,303	75,355	77,465	79,634	81,864	84,156	86,513	88,935
User Charges & Fees	7,028	7,379	7,748	8,885	9,330	9,796	10,285	10,799	11,339	11,906
Interest & Investment Revenue	1,975	3,214	2,932	3,011	3,092	3,145	3,054	2,981	2,883	2,729
Other Revenue	3,987	4,087	4,189	4,294	4,401	4,511	4,624	4,740	4,859	4,980
Grants & Contributions - Operational	11,749	12,043	12,344	12,653	12,969	13,293	13,625	13,966	14,315	14,673
Grants & Contributions - Capital	3,862	2,729	2,798	2,868	2,940	3,014	3,089	3,166	3,245	3,326
Total Revenue	93,234	95,895	103,314	107,066	110,197	113,393	116,541	119,808	123,154	126,549
Expenses										
Employee Benefits & On Costs	41,991	43,251	44,549	45,885	47,262	48,680	50,140	51,644	53,193	54,789
Borrowing Costs	422	615	561	503	440	371	298	219	136	66
Materials & Contracts	23,634	24,934	26,305	27,752	29,278	30,888	32,587	34,379	36,270	38,265
Depreciation & Amortisation	9,500	10,349	10,378	10,410	10,447	10,488	10,533	10,582	10,635	10,692
Other Expenses	17,214	17,644	18,085	18,537	19,000	19,475	19,962	20,461	20,973	21,497
Total Expenses	92,761	96,793	99,878	103,087	106,427	109,902	113,520	117,285	121,207	125,309
Operating Surplus (Deficit)	473	-898	3,436	3,979	3,770	3,491	3,021	2,523	1,947	1,240
Non-Cash Transactions										
Increase in Provisions	1,304	1,129	1,221	1,300	1,391	1,351	1,396	1,482	1,568	1,536
Annual Depreciation	9,500	10,349	10,378	10,410	10,447	10,488	10,533	10,582	10,635	10,692
	10,804	11,478	11,599	11,710	11,838	11,839	11,929	12,064	12,203	12,228
Sources of Funds										
Proceeds from Sale of Plant & Vehicles	464	513	526	539	552	566	580	595	610	625
New Loan Funds	3,000	0	0	0	0	0	0	0	0	0
s94 - Funding of Capital Works	1,306	1,025	1,051	1,077	1,104	1,132	1,160	1,189	1,219	1,249
Transfer from Restrictions	4,259	2,590	910	1,184	1,157	2,821	1,736	1,366	1,496	2,789
	9,029	4,128	2,487	2,800	2,813	4,519	3,476	3,150	3,325	4,663
Uses of Funds										
Principal Loan Repayments	722	694	748	806	869	938	1,011	1,086	1,085	599
Capital Works Program incl Plant & Vehicles	9,255	11,275	11,557	11,846	12,142	12,446	12,757	13,076	13,403	13,738
Capitalised Expenditure	1,700	1,640	1,681	1,723	1,766	1,810	1,855	1,901	1,949	1,998
Decrease in Provisions	2,700	2,000	305	564	522	2,170	1,069	682	795	2,071
Transfer to Restrictions	5,600	2,504	2,622	2,727	2,845	2,833	2,906	3,021	3,137	3,135
	19,977	18,113	16,913	17,666	18,144	20,197	19,598	19,766	20,369	21,541
Net Budget Funding Surplus	329	-3,405	609	823	277	-348	-1,172	-2,029	-2,894	-3,410

Balance Sheet

	Year ending 30 June									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Current Assets										
Cash and cash equivalents	29,421	24,905	26,175	27,464	28,325	26,857	25,695	24,132	21,660	17,347
Receivables	4,712	4,712	4,712	4,712	4,712	4,712	4,712	4,712	4,712	4,712
Stores and Materials	231	231	231	231	231	231	231	231	231	231
Other Current Assets	230	230	230	230	230	230	230	230	230	230
Total Current Assets	34,594	30,078	31,348	32,637	33,498	32,030	30,868	29,305	26,833	22,520
Non-Current Assets										
Investments	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000
Receivables	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266
Infrastructure, Property, Plant & Equipment	739,215	741,268	743,602	746,222	749,131	752,333	755,832	759,632	763,739	768,158
Other Non-Current Assets	0	0	0	0	0	0	0	0	0	0
Total Non-Current Assets	762,481	764,534	766,868	769,488	772,397	775,599	779,098	782,898	787,005	791,424
Total Assets	797,075	794,612	798,216	802,125	805,895	807,629	809,966	812,203	813,838	813,944
Current Liabilities										
Payables	10,788	10,788	10,788	10,788	10,788	10,788	10,788	10,788	10,788	10,788
Borrowings	722	748	806	869	938	1,011	1,086	1,085	599	421
Provisions	20,121	19,250	20,166	20,902	21,771	20,952	21,279	22,079	22,852	22,317
Total Current Liabilities	31,631	30,786	31,760	32,559	33,497	32,751	33,153	33,952	34,239	33,526
Non-Current Liabilities										
Payables	0	0	0	0	0	0	0	0	0	0
Borrowings	7,548	6,828	6,022	5,153	4,215	3,204	2,118	1,033	434	13
Provisions	436	436	436	436	436	436	436	436	436	436
Total Non-Current Liabilities	7,984	7,264	6,458	5,589	4,651	3,640	2,554	1,469	870	449
Total Liabilities	39,615	38,050	38,218	38,148	38,148	36,391	35,707	35,421	35,109	33,975
Net Assets	757,460	756,562	759,998	763,977	767,747	771,238	774,259	776,782	778,729	779,969
Equity										
Retained earnings and reserves	756,987	757,460	756,562	759,998	763,977	767,747	771,238	774,259	776,782	778,729
YTD Surplus (Deficit)	473	-898	3,436	3,979	3,770	3,491	3,021	2,523	1,947	1,240
Total Equity	757,460	756,562	759,998	763,977	767,747	771,238	774,259	776,782	778,729	779,969

Cashflow

	Year ending 30 June									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cashflow from Operations										
Operating Surplus (Deficit)	473	-898	3,436	3,979	3,770	3,491	3,021	2,523	1,947	1,240
Depreciation	9,500	10,349	10,378	10,410	10,447	10,488	10,533	10,582	10,635	10,692
Employee Leave Entitlements	-1,396	-871	916	736	869	-819	327	800	773	-535
Net Cashflow from Operations	8,577	8,580	14,730	15,125	15,086	13,160	13,881	13,905	13,355	11,397
Cashflow from Investing Activities										
Purchasing Investments										
Acquisition of Assets	-10,955	-12,915	-13,238	-13,569	-13,908	-14,256	-14,612	-14,977	-15,352	-15,736
Sale of Assets	464	513	526	539	552	566	580	595	610	625
Net Cashflow from Investing Activities	-10,491	-12,402	-12,712	-13,030	-13,356	-13,690	-14,032	-14,382	-14,742	-15,111
Cashflow from Financing Activities										
Loan Proceeds	3,000	0	0	0	0	0	0	0	0	0
Loan Repayments	-722	-694	-748	-806	-869	-938	-1,011	-1,086	-1,085	-599
Net Cashflow from Financing Activities	2,278	-694	-748	-806	-869	-938	-1,011	-1,086	-1,085	-599
Cashflow										
Net Cashflow	364	-4,516	1,270	1,289	861	-1,468	-1,162	-1,563	-2,472	-4,313
Opening Balance	51,057	51,421	46,905	48,175	49,464	50,325	48,857	47,695	46,132	43,660
Cash at End of the Period	51,421	46,905	48,175	49,464	50,325	48,857	47,695	46,132	43,660	39,347

Ratios

	Year ending 30 June									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Unrestricted Current Ratio	1.54	1.82	1.93	1.77	1.76	1.88	1.81	1.44	1.21	0.80
Working Funds [WF]	2,374	-1,031	-422	401	678	330	-842	-2,871	-5,765	-9,175
Debt Service Ratio (Interest Only)	0.47%	0.66%	0.56%	0.48%	0.41%	0.34%	0.26%	0.19%	0.11%	0.05%
Debt Service Ratio (Principal & Interest)	1.28%	1.41%	1.30%	1.26%	1.22%	1.19%	1.15%	1.12%	1.02%	0.54%
ELE Ratio	12.91%	8.29%	11.64%	13.98%	16.67%	12.78%	13.41%	15.82%	17.97%	15.38%
ELE over 60's Ratio	43.36%	89.77%	118.13%	85.85%	91.01%	103.76%	123.77%	100.23%	104.91%	87.69%

Scenario 3 – 15% Rate Increase

This scenario incorporates a special rate levy of 15% in the 2013/14 financial year and the introduction of a new user charge in the 2014/15 year, estimated to raise \$1.0 m. Both these increases are projected to run for the life of the financial plan. No allowance has been made for changes in the level or extent of services currently provided.

Under this scenario, service levels currently provided to the community would continue to meet expectations and provide a high level of assurance as to the delivery of strategic goals and outcomes set out in the Community Strategic Plan. Over the period of the financial plan, financial resources would be available to redress the problems identified in relation to infrastructure maintenance and renewal.

In relation to long term financial sustainability, this scenario projects the maintenance of a satisfactory financial position and delivers a level of financial performance which would equal and in some cases exceed industry performance indicators.

Key Assumptions

Income

Rates	+ 2.8%
Domestic Waste Charges	+ 2.8%
Interest rate on Investments	6.25%
Interest rate on Overdue Rates	9%
Operational grants	Generally increased by 2.5% or varied in accordance with advice
Fees and charges	Statutory charges increased in line with advice Discretionary fees increased in line with prevailing market rates, or current activity trends.

Expenses

Salaries and wages	Increases 3.0%
Superannuation	Statutory rate of 9%, where applicable, and as per advice for defined benefits scheme.
Inter-government charges	Adjusted in line with advice or otherwise increased by approximately 2%
Insurances	Increased in line with broker estimates varying between 5% and 15%
Base inflation factor	3.5%

Funding Summary

	Year ending 30 June									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue										
Rates & Annual Charges	64,633	66,443	75,803	77,925	80,107	82,350	84,656	87,027	89,464	91,969
User Charges & Fees	7,028	7,379	7,748	8,885	9,330	9,796	10,285	10,799	11,339	11,906
Interest & Investment Revenue	1,975	3,214	2,932	3,167	3,418	3,657	3,767	3,914	4,054	4,157
Other Revenue	3,987	4,087	4,189	4,294	4,401	4,511	4,624	4,740	4,859	4,980
Grants & Contributions - Operational	11,749	12,043	12,344	12,653	12,969	13,293	13,625	13,966	14,315	14,673
Grants & Contributions - Capital	3,862	2,729	2,798	2,868	2,940	3,014	3,089	3,166	3,245	3,326
Total Revenue	93,234	95,895	105,814	109,792	113,165	116,621	120,046	123,612	127,276	131,011
Expenses										
Employee Benefits & On Costs	41,991	43,251	44,549	45,885	47,262	48,680	50,140	51,644	53,193	54,789
Borrowing Costs	422	615	561	503	440	371	298	219	136	66
Materials & Contracts	23,634	24,934	26,305	27,752	29,278	30,888	32,587	34,379	36,270	38,265
Depreciation & Amortisation	9,500	10,349	10,378	10,410	10,447	10,488	10,533	10,582	10,635	10,692
Other Expenses	17,214	17,644	18,085	18,537	19,000	19,475	19,962	20,461	20,973	21,497
Total Expenses	92,761	96,793	99,878	103,087	106,427	109,902	113,520	117,285	121,207	125,309
Operating Surplus (Deficit)	473	-898	5,936	6,705	6,738	6,719	6,526	6,327	6,069	5,702
Non-Cash Transactions										
Increase in Provisions	1,304	1,129	1,221	1,300	1,391	1,351	1,396	1,482	1,568	1,536
Annual Depreciation	9,500	10,349	10,378	10,410	10,447	10,488	10,533	10,582	10,635	10,692
	10,804	11,478	11,599	11,710	11,838	11,839	11,929	12,064	12,203	12,228
Sources of Funds										
Proceeds from Sale of Plant & Vehicles	464	513	526	539	552	566	580	595	610	625
New Loan Funds	3,000	0	0	0	0	0	0	0	0	0
s94 - Funding of Capital Works	1,306	1,025	1,051	1,077	1,104	1,132	1,160	1,189	1,219	1,249
Transfer from Restrictions	4,259	2,590	910	1,184	1,157	2,821	1,736	1,366	1,496	2,789
	9,029	4,128	2,487	2,800	2,813	4,519	3,476	3,150	3,325	4,663
Uses of Funds										
Principal Loan Repayments	722	694	748	806	869	938	1,011	1,086	1,085	599
Capital Works Program incl Plant & Vehicles	9,255	11,275	11,557	11,846	12,142	12,446	12,757	13,076	13,403	13,738
Capitalised Expenditure	1,700	1,640	1,681	1,723	1,766	1,810	1,855	1,901	1,949	1,998
Decrease in Provisions	2,700	2,000	305	564	522	2,170	1,069	682	795	2,071
Transfer to Restrictions	5,600	2,504	2,622	2,727	2,845	2,833	2,906	3,021	3,137	3,135
	19,977	18,113	16,913	17,666	18,144	20,197	19,598	19,766	20,369	21,541
Net Budget Funding Surplus	329	-3,405	3,109	3,549	3,245	2,880	2,333	1,775	1,228	1,052

Balance Sheet

	Year ending 30 June									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Current Assets										
Cash and cash equivalents	29,421	24,905	28,675	32,690	36,519	38,279	40,622	42,863	44,513	44,662
Receivables	4,712	4,712	4,712	4,712	4,712	4,712	4,712	4,712	4,712	4,712
Stores and Materials	231	231	231	231	231	231	231	231	231	231
Other Current Assets	230	230	230	230	230	230	230	230	230	230
Total Current Assets	34,594	30,078	33,848	37,863	41,692	43,452	45,795	48,036	49,686	49,835
Non-Current Assets										
Investments	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000
Receivables	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266	1,266
Infrastructure, Property, Plant & Equipment	739,215	741,268	743,602	746,222	749,131	752,333	755,832	759,632	763,739	768,158
Other Non-Current Assets	0	0	0	0	0	0	0	0	0	0
Total Non-Current Assets	762,481	764,534	766,868	769,488	772,397	775,599	779,098	782,898	787,005	791,424
Total Assets	797,075	794,612	800,716	807,351	814,089	819,051	824,893	830,934	836,691	841,259
Current Liabilities										
Payables	10,788	10,788	10,788	10,788	10,788	10,788	10,788	10,788	10,788	10,788
Borrowings	722	748	806	869	938	1,011	1,086	1,085	599	421
Provisions	20,121	19,250	20,166	20,902	21,771	20,952	21,279	22,079	22,852	22,317
Total Current Liabilities	31,631	30,786	31,760	32,559	33,497	32,751	33,153	33,952	34,239	33,526
Non-Current Liabilities										
Payables	0	0	0	0	0	0	0	0	0	0
Borrowings	7,548	6,828	6,022	5,153	4,215	3,204	2,118	1,033	434	13
Provisions	436	436	436	436	436	436	436	436	436	436
Total Non-Current Liabilities	7,984	7,264	6,458	5,589	4,651	3,640	2,554	1,469	870	449
Total Liabilities	39,615	38,050	38,218	38,148	38,148	36,391	35,707	35,421	35,109	33,975
Net Assets	757,460	756,562	762,498	769,203	775,941	782,660	789,186	795,513	801,582	807,284
Equity										
Retained earnings and reserves	756,987	757,460	756,562	762,498	769,203	775,941	782,660	789,186	795,513	801,582
YTD Surplus (Deficit)	473	-898	5,936	6,705	6,738	6,719	6,526	6,327	6,069	5,702
Total Equity	757,460	756,562	762,498	769,203	775,941	782,660	789,186	795,513	801,582	807,284

Cashflow

	Year ending 30 June									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cashflow from Operations										
Operating Surplus (Deficit)	473	-898	5,936	6,705	6,738	6,719	6,526	6,327	6,069	5,702
Depreciation	9,500	10,349	10,378	10,410	10,447	10,488	10,533	10,582	10,635	10,692
Employee Leave Entitlements	-1,396	-871	916	736	869	-819	327	800	773	-535
Net Cashflow from Operations	8,577	8,580	17,230	17,851	18,054	16,388	17,386	17,709	17,477	15,859
Cashflow from Investing Activities										
Purchasing Investments										
Acquisition of Assets	-10,955	-12,915	-13,238	-13,569	-13,908	-14,256	-14,612	-14,977	-15,352	-15,736
Sale of Assets	464	513	526	539	552	566	580	595	610	625
Net Cashflow from Investing Activities	-10,491	-12,402	-12,712	-13,030	-13,356	-13,690	-14,032	-14,382	-14,742	-15,111
Cashflow from Financing Activities										
Loan Proceeds	3,000	0	0	0	0	0	0	0	0	0
Loan Repayments	-722	-694	-748	-806	-869	-938	-1,011	-1,086	-1,085	-599
Net Cashflow from Financing Activities	2,278	-694	-748	-806	-869	-938	-1,011	-1,086	-1,085	-599
Cashflow										
Net Cashflow	364	-4,516	3,770	4,015	3,829	1,760	2,343	2,241	1,650	149
Opening Balance	51,057	51,421	46,905	50,675	54,690	58,519	60,279	62,622	64,863	66,513
Cash at End of the Period	51,421	46,905	50,675	54,690	58,519	60,279	62,622	64,863	66,513	66,662
		0	0	0	0	0	0	0	0	0

Ratios

	Year ending 30 June									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Unrestricted Current Ratio	1.54	1.82	2.25	2.33	2.57	3.20	3.57	3.38	3.59	3.70
Working Funds [WF]	2,374	-1,031	2,078	5,627	8,872	11,752	14,085	15,860	17,088	18,140
Debt Service Ratio (Interest Only)	0.47%	0.66%	0.54%	0.47%	0.40%	0.33%	0.25%	0.18%	0.11%	0.05%
Debt Service Ratio (Principal & Interest)	1.28%	1.41%	1.27%	1.22%	1.19%	1.15%	1.12%	1.08%	0.98%	0.52%
ELE Ratio	12.91%	8.29%	11.64%	13.98%	16.67%	12.78%	13.41%	15.82%	17.97%	15.38%
ELE over 60's Ratio	43.36%	89.77%	118.13%	85.85%	91.01%	103.76%	123.77%	100.23%	104.91%	87.69%

ANNUAL REVIEW

In order to keep this plan current for use as a decision tool, Council will need to review the plan annually to assess the assumptions underlying the plan as well as our performance against the forecast.

The Long Term Financial Plan will need to be updated annually to enable the development of the annual operation plan for Council.

Future budgets will be prepared so that they remain consistent with the targets set by this Plan. Each year, budgets will need to be reassessed in the light of any need to adjust service levels or to maximise funding from other sources, such as grants. Critical examination also needs to be given to alternative means of service delivery that may result in savings without compromising service.