CITY OF MITCHAM

Long Term Financial Plan

2015 / 2016 – 2024 / 2025

Adopted by Council 14 July 2015

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Cover Photographs: Mitcham Reserve, Lynton Green Waste Depot, Blackwood Recreation Centre, Clarence Gardens

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1.0 Executive Summary

The Long Term Financial Plan is an important part of Council's budgeting framework as it helps Council to monitor long term financial sustainability while working to address the needs and expectations of the community reflected in the Strategic Plan and related strategies. The Long Term Financial Plan sets the high level financial parameters that guide the development and refinement of Council's budgeted plans, strategies and actions and generates information that assists decisions about the mix, timing and affordability of future outlays on operating activities, renewal and replacement of existing assets and funding of additional assets.

In 2012 a review of Council's long term financial planning, budget management systems and asset management processes identified that Council was operating at an underlying annual deficit of $1.7 million. It was also established that, whilst Council had very little cash debt, it had generated a significant asset renewal deficit as a result of underfunding asset renewal over many years. Through significant efficiencies, financial savings and financial discipline, the operating deficit was eliminated in the 2014 / 2015 budget and a plan put in place to address the asset renewal deficit over the coming years.

With the annual operating budget now in balance / surplus, Council can turn its mind to other strategic financial and service delivery considerations and consolidate its recent financial progress.

As part of the 2015 / 2016 draft budget deliberations a number of strategic aspects were considered including rates, indexation assumptions and drivers, efficiency and financial savings, the current financial position, new service demands and Council's priorities for the future. A key element emerging from the draft budget deliberations was the timeframe over which Council funded the repayment of debt and its relationship with the intergenerational equity principle. The 2015 / 2016 Long Term Financial Plan is based on the following principles:

- Maintaining existing service levels whilst driving efficiencies and financial savings;
- Improving service levels and closing service gaps within financial capacity;
- Funding the repayment of any debt taken out within 20 years to strike an appropriate balance between intergenerational equity and financial conservatism whilst looking to redress the historic underfunding of asset renewal;
- Continuing to drive efficiency, effectiveness and continuous improvement across Council and achieve financial savings targets; and
- Maintaining rates at a comparable and sustainable level whilst funding services and debt repayment sustainably.

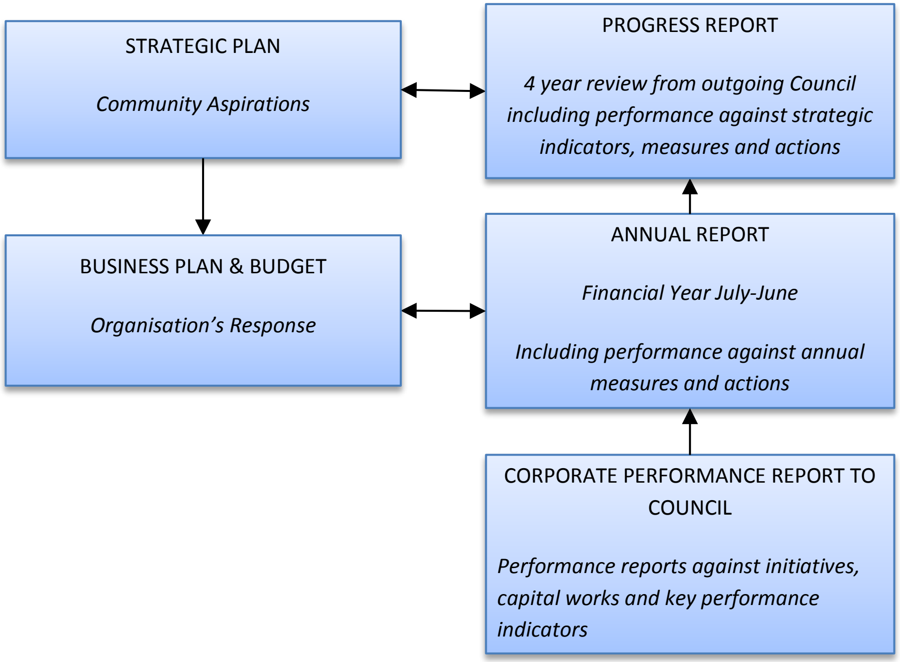
With these principles and objectives in mind, this Long Term Financial Plan is based on the following:

- a base rate increase of 2.71% for the continued provision of existing services and to fund the repayment of debt over 20 years, a rate increase of 0.80% to cover new and enhanced services and a 0.29% rate increase to cover cost shifting, resulting in a total rates increase of 3.80%;
- generation of surplus cash from operations across the Plan sufficient to fund the repayment of existing debt and debt taken out across the 10 years of the Plan, within a 20 year timeframe;
- targeted financial and efficiency savings of $1.2 million in 2015 / 2016 and $230,000 in 2016 / 2017 in addition to the $2.2 million delivered since 2012;
- $553,000 (net) of operating projects;
- New and enhanced services of $385,000 per annum (with an associated $4.3 million one-off capital investment);
- Capital renewal expenditure of $20.15 million in line with Council's Asset Management Plans and schedules, including working towards redressing the asset renewal deficit;
- Capital new expenditure of $4.68 million; and
- Resulting in a projected underlying operating surplus for 2015 / 2016 of $1.14 million (excluding non-cash gains / losses from subsidiaries and other one-off items) and a headline operating surplus of $2.47 million, and a debt repayment term of 20 years for existing debt and debt taken out across the 10 years of the Plan.

This Long Term Financial Plan builds on the financial progress since 2012 and places Council in a better position to be able to meet the Community's expectations for service provision, address asset backlog and maintain financial sustainability.

2.0 Strategic Planning Process

The City of Mitcham is committed to an integrated approach to strategic planning, which is articulated through its Strategic Planning Framework:



Council's Strategic Plans have been developed to help shape the future for the organisation and community and take into account how others may affect or be affected by Council's planning.

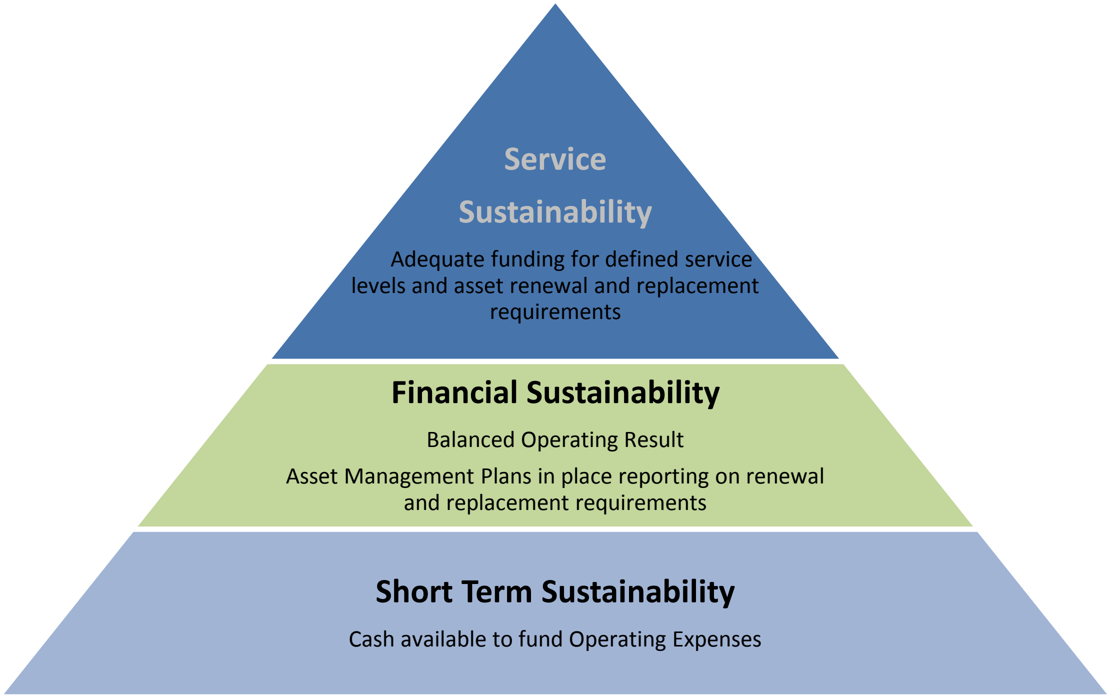
These Plans consider the resources, statutory requirements and financial and technical issues that Council must manage in providing services to the community. The Annual Business Plan and Long Term Financial Plan have both been developed under the direction of the Strategic Plan 2013, '*Planning for Tomorrow's Community Today*'. The 2015 / 2016 Draft Annual Business Plan includes detailed information on the actions and budgets to be delivered in accordance with the goals set out in the Strategic Management Plan.

The goals, as set out in the Strategic Management Plan, are as follows:

PLANNING FOR TOMORROW'S COMMUNITY TODAY CITY OF MITCHAM'S STRATEGIC PLAN GOALS					
Accessible City	Liveable City	Inclusive and Capable Community	Healthy Environment	Enterprising City	***Excellence in Government***

The 'Excellence in Government' goal aims at developing strong partnerships, being progressive, forward thinking and building firm foundations of financial sustainability that allow for continued growth. Financial sustainability is important for Council and this Long Term Financial Plan outlines Council's commitment to this objective. More importantly Council aims at achieving service sustainability, which is more than just paying bills, but rather funding the long term costs of agreed service levels within the community in a sustainable way. Council also needs to establish the services it will provide to the community and the level at which it will provide them. This is a large and complicated process but once this is achieved and those services are being fully funded then Council will have achieved true service sustainability.

The figure below shows the three levels of sustainability. This Long Term Financial Plan demonstrates that Council is working within the financially sustainable phase and working towards the service sustainability phase.



3.0 CEO Statement on Financial Sustainability

In 2012, Council made a commitment to balance its budget and eliminate the underlying operating deficit by 2014 / 2015. This important goal has been achieved through significant efficiencies, financial savings and rigorous financial discipline. Since 2012 Council has delivered $2.2 million in savings with a further $1.43 million incorporated into this Long Term Financial Plan over the next two years, a total of $3.6 million in savings. With a budget in surplus for 2015 / 2016 and a robust Long Term Financial Plan, Council can now turn its focus towards more strategic financial and service delivery considerations and consolidate its recent financial progress. This shift of focus is demonstrated in this Long Term Financial Plan which generates sufficient cash from operations to repay debt within 20 years, introduces a number of new and enhanced services to the community and funds Council's Asset Management Plans and renewal requirements, including working to redress Council's asset renewal deficit.

This Long Term Financial Plan is based on generating sufficient cash from operations across the 10 years of the Plan to enable the repayment of existing debt and any debt taken out across the Plan within 20 years. This robust and innovative approach to monitor and manage the repayment of debt over a defined timeframe allows Council to make a policy decision on striking the desired balance between minimising financial costs in the short term and upholding intergenerational equity over the long term. The Long Term Financial Plan demonstrates the affordability of the capital investment and debt management with Council remaining within its conservative limit of 50% for the Net Financial Liabilities Ratio and well below its conservative limit of 6% for the Interest Coverage Ratio across the forward estimates.

The Long Term Financial Plan projects an underlying operating surplus for 2015 / 2016 of $1.14 million (excluding non-cash gains / losses from subsidiaries and other one-off items) and a headline operating surplus of $2.47 million. Furthermore it forecasts operating surpluses across the forward projections sufficient to maintain planned service delivery, fund asset renewal requirements including redressing the asset renewal deficit and fund the repayment of debt within 20 years whilst remaining within the targets and limits of Council's financial ratios. This Plan demonstrates that Council is financially sustainable.

In addition to being financially sustainable, Council needs to deliver service sustainability to ensure that Council's planned long term service and infrastructure levels, as prioritised through community engagement and the Strategic Management Plan, can be met without unplanned increases in rates and charges and without unplanned service cuts or degradation to existing service levels over time. This Long Term Financial Plan introduces a number of new and enhanced services in recognition that service sustainability is important. Assisting to achieve service sustainability, in conjunction with Council's robust Long Term Financial Planning, will be the development and resourcing of an ongoing efficiency, effectiveness and continuous improvement framework that moves Council from simply focusing on financial savings to also focusing on value for money and service mix, including strategic service reviews.

As with any Long Term Financial Plan there are a number of risks and external factors that have the potential to influence the projections and affect Council's financial position.

- The Asset Management Plans are in varying stages of completion and have the potential to impact on the forward estimates. Given where Council is currently at in terms of asset management, there may be a number of unknowns that come to light as part of the development of these plans including identification of existing assets not yet registered, asset conditions different from those currently recorded and assets past their technical useful life but still in service. This Plan is based on the most up to date information at this time.
- The Long Term Financial Plan is developed using an adopted set of targets and economic assumptions such as the Consumer Price Index and Local Government Price Index which are subject to market fluctuations. In order to reduce this inherent risk, the Long Term Financial Plan is reviewed and updated on a regular basis.
- Cost Shifting – Each year Council is impacted to some extent by cost increases through legislative change, additional compliance requirements, reductions in funding and / or increases in taxes or levies. This 2015 / 2016 Long Term Financial Plan includes $137,000 in cost shifting in the form of reduced grant funding, increased Emergency Services Levy, further increases in the waste levy and fringe benefit tax increases. This cost shifting impacts the rates increase for 2015 / 2016 by 0.29%. No provision has been made in future years for any unknown cost shifting.
- Financial Assistance Grants – Council has maintained a philosophy of focusing on the underlying financial position and not the one-offs that occur from time to time. This is particularly relevant in this 2015 / 2016 Long Term Financial Plan due to the receipt in advance of a component of the Financial Assistance Grants. Council received a payment of $1.1 million (equivalent to half of the 2015 / 2016 Financial Assistance Grant) on 30 June 2015. The Australian Accounting Standards applying to Local Government require that grants received within a financial year are shown as income in that year, notwithstanding that the purpose for which the grants were given have not been fulfilled. What this essentially means is that the operating surplus in 2014 / 2015 will be artificially inflated by $1.1 million and artificially deflated by $1.1 million in 2015 / 2016.

Council has chosen not to adjust for this Financial Assistance Grant advance payment in its 2015 / 2016 Long Term Financial Plan, which currently assumes that four quarterly installments of Federal Government Financial Assistance Grants will be received in 2015 / 2016 and anticipates that the Federal Government will provide, in June 2016, an advance payment of two quarters of Financial Assistance Grants otherwise payable in 2016 / 2017 (similar to the arrangements which recently occurred in June 2015, a trend which occurred under the previous Federal Government prior to the election in 2013). This budgeting approach ensures that the main focus remains on Council's underlying operating result, which on average will include four quarterly installments of Financial Assistance Grants.

4.0 How does this Plan compare to the 2014 / 2015 Plan?

A broad comparison of this Long Term Financial Plan with the 2015 / 2016 projections contained in the previous Long Term Financial Plan shows an improvement in the operating result from a surplus projected last year of $83,000 to a surplus of $2.47 million (including Council subsidiaries and one-off items), an improvement of $2.39 million.

	2014/2015 Projection of 2015/2016 000's	This Plan 2015/2016 Budget 000's	Variation 000's
Rates	49,881	49,301	(580)
Statutory and User Charges	2,062	2,075	13
Grants and Subsidies	4,222	5,440	1,218
Interest Income	154	501	347
Reimbursements and Other	596	421	(175)
Non Cash Gain on Subsidiaries	29	330	301
Operating Income	**56,944**	**58,068**	**1,124**
Employee Costs	21,903	22,569	666
Contracts, Materials and Other	21,178	19,876	(1,302)
Interest Expense	641	595	(46)
Depreciation	13,139	12,554	(585)
Operating Expense	**56,861**	**55,594**	**(1,267)**
Operating Result Surplus/(Deficit)	**83**	**2,474**	**2,391**
Renewal Capital Expenditure	16,536	20,147	3,611
New Capital Expenditure	2,308	4,680	2,372
Net Financial Liabilities	17,075	13,327	(3,748)

A few of the items accounting for the differences between this Long Term Financial Plan and the equivalent period of the previous Long Term Financial Plan are as follows:

- The decrease in rates revenue of $580,000 is primarily a result of Council setting a 3.80% general rate increase for 2015 / 2016 as opposed to a 4.95% rate increase as was projected for 2015 / 2016 in the previous Long Term Financial Plan of 12 months ago.

- As the result of the 2014 Federal Budget providing for a further $350 million towards the Roads to Recovery program, each Council will receive the equivalent of an extra year's grant funding in 2015 / 2016. The increase in grant income noted above is in part due to this $540,000 additional funding. In addition to this $540,000, there is another $465,000 being paid to Council relating to the Roads to Recovery funding from fuel excise. This additional amount is considered one-off and is not included when quoting Council's underlying surplus and importantly not included when using the underlying operating surplus in financial ratios.

- The increase in non-cash gains on subsidiaries of $301,000 reflects up to date forecasts of the budgeted operating results of Centennial Park Cemetery Authority and East Waste Management Authority.

- The increase in employee costs of $666,000 (above those projected in the previous Plan) can be attributed to the following:
    - An additional 0.2 FTE graffiti volunteer and additional employee costs associated with the Operating Projects and new services included in the Plan for 2015 / 2016
    - Actual EB negotiations being higher than those projected in the previous plan, including the payment of a productivity bonus based on achieving efficiency savings targets;
    - The reinstatement of a portion of the training budget in 2015 / 2016 which was temporarily reduced to fund the Efficiency and Effectiveness project pending the ongoing savings target being achieved.
    - The budgeting for increments required under the Award and reclassifications, which had not been budgeted for in the past on the basis that they would be offset by vacancies and staff turnover during the year.

This 2015 / 2016 Long Term Financial Plan is based on a more conservative approach in that it assumes that Council will operate at full utilization with all positions filled for 100% of the time during the year. This is not normally the case and it is expected that, as the year progresses and vacancies and staff turnover occur, the Employee cost will reduce and any backfill arrangements put in place due to staff turnover and the time lag in filling positions that may become vacant during the year will increase contractual service costs instead. This will be adjusted for as the year progresses at the regular budget reviews. Previous Long Term Financial Plans have been based on a higher contractual services cost and a lower Employee cost up front in anticipation of this.

- The reduction in contracts and materials expenditure of $1.3 million can be attributed to the significant improvements and work being undertaken in relation to procurement savings and efficiency and effectiveness, which has resulted in around $2.2 million in savings over the last three years and incorporates a further $1.43 million in savings over the next two years.

- Annual depreciation has decreased by $585,000 in part due to the take up of a reduction in depreciation expense during 2014 / 2015 following a refinement of the budget to reflect asset lives and conditions as well as a reduction in the indexation factor for 2015 / 2016, with that forecast 12 months ago.

- Closing net financial liabilities for 2015 / 2016 are budgeted to be $13.3 million, $3.7 million less than forecast in the previous Long Term Financial Plan. This reduction has been accounted for by a couple of reasons; the first being that the bank balance held by Council is higher than was expected 12 months ago and secondly that $3.3 million of capital works has been re-budgeted from 2014 / 2015 thus reducing the need to borrow funds towards these capital items.

5.0 External and Internal Influences

This Long Term Financial Plan generates information which is used to guide decisions about Council operations into the future. However, as with any long term plan, the accuracy of this Long Term Financial Plan is subject to many inherent influences.

In order to minimise the inherent risks of long term financial planning, Council reviews and updates its Long Term Financial Plan on a regular basis. Further to this, where possible, the assumptions within the Long Term Financial Plan are based on published Australian Bureau of Statistics data or other independent data sources such as Access Economics. The assumptions are also subject to review and comment by Council's Audit Committee and External Auditors.

5.1 Key Economic Assumptions

It is important that Council's Long Term Financial Plan reflects the most recent economic data and forecasts available as Year 1 of the Long Term Financial Plan forms the basis for developing Council's Annual Business Plan and Budget. A review is conducted each year to ensure that the underlying parameters and assumptions are reasonable given the current economic conditions and expectations.

The key economic indicators and drivers used in this Plan are summarised in the table 1 below.

Table 1

Economic Indicator / Assumption	Drives	Yr1	Yr2	Yr3	Yr4	Yr5 – Yr10
Revenue						
Consumer Price Index	Statutory Charges, User Charges, Grants and Subsidiaries, Reimbursements, Other Revenue	1.90%	2.60%	2.40%	2.40%	3.00%
Residential and Other Rate Increase	Residential and Other Rates	3.80%	3.99%	3.80%	3.85%	Between 3.90% - 3.99%
Commercial / Industrial / Vacant Land Rate Increase	Commercial / Industrial and Vacant Land Rates	3.80%	3.99%	3.80%	3.85%	Between 3.90% - 3.99%
Investment Interest Rate	Investment Income	3.55%	4.35%	4.35%	4.35%	4.35%
Expenditure						
Cost Index / Local Government Price Index	Contractual Services, Materials, Other Expenses, Capital Expenditure Indexation, Depreciation, Asset	2.40%	3.10%	2.90%	2.90%	3.5%

Economic Indicator / Assumption	Drives	Yr1	Yr2	Yr3	Yr4	Yr5 – Yr10
	Revaluations					
EB increments	Employee Costs within EB timeframe	3.75%	-	-	-	-
Consumer Price Index (CPI)	Employee Costs post EB timeframe	-	2.60%*	2.40%*	2.40%*	3.00%*
Superannuation	Employee Costs	9.50%	9.50%	9.50%	10.0%	Increasing to 12% by 2022 / 2023
Loan Interest Rate – Fixed Term	Long Term Loan Interest Expenses	4.70%	5.50%	5.50%	5.50%	5.50%
Loan Interest Rate – Variable	Cash Advance Debenture Interest Expense	4.75%	5.55%	5.55%	5.55%	5.55%

** Plus an allowance for increments required under the award and reclassifications*

Whilst the consumer price index (CPI) of 1.9% drives non-rates income, the Local Government Price Index (LGPI), which drives expenditure on contractual services and materials is based on CPI plus an additional 0.50% differential based on a historical analysis of actual CPI and LGPI. Whilst the CPI is regarded as a key measure of household expenditure inflation and is designed to provide a general measure of price inflation for household purchases, the LGPI is considered more suitable for measuring the inflation of Local Government sector services.

The Loan Interest Rates are based on Local Government Financing Authority (LGFA) lending rates for Year 1. For Years 2 - 4 the Year 1 rate has been adjusted based on the relative movements as forecast by Deloitte Access Economics. Post Year 4, the Long Term Financial Plan has assumed no movement. However, regular review of this Plan will ensure that the economic assumptions are reflective of the current market.

Administration undertakes a review of the parameters and assumptions underpinning the Long Term Financial Plan on an annual basis to ensure that the most appropriate forecast economic indicators are used.

5.2 External Influences and Risks

Interest Rates

The current global economic climate is on the mend compared to the past few years and growth has been better than expected. Low interest rates have supported retail sales despite weak wage and job gains and have given momentum to housing activity. The sharp falls in interest rates and more recently in the exchange rates, means that the cyclical drivers are increasingly working in South Australia's favour. Whilst interest rates are expected to potentially reduce even further, they are expected to gradually increase in late 2016. The current cash rate has fallen to 2.0% in May 2015 from 2.25% in February 2015 and had previously been maintained at 2.5% since August 2013. Whilst the current cash rate is low the borrowing rate from the banks has remained relatively high, around the 4.0% - 4.5% mark.

On this basis, Council has taken a simple but conservative approach and has allowed for interest rates of around 4.70% - 5.55% over the next 10 years. If changes are made to official interest rates by the Reserve Bank of Australia in excess of those included in the Long Term Financial Plan then this could have a financial impact on Council. However, regular review and update of the Long Term Financial Plan is one of the key strategies for mitigating this risk.

Consumer Price Index (All Adelaide)

The Consumer Price Index (CPI) is regarded as Australia's key measure of inflation for household consumables. It is designed to provide a general measure of price inflation for the Australian household sector as a whole. The CPI measures change over time in the prices of a wide range of consumer goods and services acquired by Australian metropolitan households. This Long Term Financial Plan includes CPI of 1.9% for 2015 / 2016, which is based upon the latest 2015 / 2016 South Australian CPI forecast sourced from Deloitte Access Economics Business Outlook, March 2015. This Plan conservatively forecasts 2.40% - 3.00% for Years 2 - 10 of the Plan. The inflation target for the Reserve Bank of Australia is between 2.0% – 3.0% (on average).

Local Government Price Index

The Local Government Price Index (LGPI) is an independent measure of the inflationary effect on price changes in the South Australian Local Government sector, developed by the Australian Bureau of Statistics (ABS) and updated by the South Australian Centre for Economic Studies on a quarterly basis. The LGPI is similar in nature to CPI; however, it represents the movements of prices associated with the goods and services consumed by Local Government in South Australia (such as concrete, bitumen, contractual services etc) as opposed to the basket of goods and services consumed by the 'average metropolitan household'.

Unlike CPI, the LGPI is not an "official" ABS publication and as such forecast data is not available. A historical analysis of actual CPI and LGPI dating back to the inception of the LGPI shows that a differential between the two of around 0.5% generally applies. The Long Term Financial Plan assumes that this differential between CPI and LGPI will continue across the forward estimates. Should the prices of inputs to services rise by more than the LGPI forecasts, Council will need to find efficiency savings, reduce services or raise revenue to be able to achieve financial sustainability.

Federal Assistance Grants

The South Australian Grants Commission is responsible for the distribution of untied Commonwealth Financial Assistance Grants to local governing authorities in South Australia in accordance with State and Federal legislative requirements.

Council currently receives around $2.2 million per year in Financial Assistance Grants. The allocation of this grant is based on a predetermined methodology involving analysis of Council's income raising capacity and expenditure requirements compared with state averages and other factors such as Council's demographic profile, the movement in its population relative to the movement in both South Australia's and Australia's population and the community's ability to pay relative to other council communities. Changes to the total grant funding pool, the methodology or even Council's demographics have the potential to impact on the amount of grant assistance provided to Council.

In addition to the quantum of this grant, the timing of when the grant is paid could also have a potential impact on the Long Term Financial Plan. The Australian Accounting Standards applying to Local Government require that grants received within a financial year are shown as income in that year, notwithstanding that the purpose for which the grants were given have not been fulfilled. This issue has impacted on Council in the past and once again Council is faced with a similar situation whereby an advance payment was received on 30 June 2015 of $1.1 million (equivalent to half of the 2015 / 2016 Financial Assistance Grant). Council has chosen not to adjust for this Financial Assistance Grant advance payment in its 2015 / 2016 Long Term Financial Plan based on receiving four quarterly instalments of Federal Government Financial Assistance Grants in 2015 / 2016, anticipating that the Federal Government will provide, in June 2016, an advance payment of two quarters of Financial Assistance Grants otherwise payable in 2016 / 2017 (similar to the arrangements which recently occurred in June 2015, a trend which occurred under the previous Federal Government prior to the election in 2013). This budgeting approach ensures that the main focus remains on Council's underlying operating result, which on average will include four quarterly instalments of Financial Assistance Grants.

Additionally, this Long Term Financial Plan also incorporates the effects from the 2014 Federal Budget which froze indexation on Federal Financial Assistance Grants for three years. This was built into last year's Long Term Financial Plan and been incorporated into this Plan resulting in a reduction of grant income in real terms of $55,000 in 2015 / 2016 and a further $55,000 in 2016 / 2017. This real term reduction affects the base grants for future projections and compounds across the forward estimates.

The 2014 Federal Budget also provided a further $350 million towards the Roads to Recovery program. As a result, Council will receive the equivalent of an extra year's Roads to Recovery funding payment in 2015 / 2016 (one-off) equating to around $540,000. In addition to this $540,000, there is another $465,000 being paid to Council in 2015 / 2016 and $1.2 million in 2016 / 2017 relating to the Roads to Recovery funding from fuel excise. This revenue is for the funding of capital expenditure on road renewal and upgrade but under the Accounting Standards and model financial statements is required to be reported as operating revenue. This has been included in the 2015 / 2016 Long Term Financial Plan as a one-off cash amount in 2015 / 2016 and 2016 / 2017. Whilst it is a requirement to report this extra income in Council's operating result, it has not been included in the ratio calculations. This is in accord with Council's philosophy of focusing on the underlying financial position and not the one-offs that occur from time to time.

Waste Management

Waste and environmental management is one of the key services that the City of Mitcham provides forming around 10% of the annual operating costs. Council faces a number of risks in relation to waste management such as further increases in the Environmental Protection Agency (EPA) Waste Levy, legislative change, the price of recyclable product and the general volatility of the waste management industry. This Long Term Financial Plan incorporates an additional $40,000 (above inflation) with respect to an increase in solid waste levies.

Natural Resources – Fuel

The volume of fuel required to operate Council's plant, equipment and vehicle fleet is significant and movements in the price of fuel above the general rate of inflation have the potential to significantly affect Council's financial position.

Natural Resources – Water

A critical element of the City of Mitcham's prosperity is the provision of a sustainable water supply that can be used to provide a high level of amenity to the City's open space, parks and gardens and movements in the price of water above the general rate of inflation have the potential to significantly affect Council's financial position.

Legislative Changes - Rate Rebates

A number of changes to the *Local Government Act 1999* (as amended) were introduced as part of the Local Government (Accountability Framework) Amendment Bill 2009, one of which related to rate rebates. According to this amendment, a mandatory 75% rates rebate is to be provided to Housing Associations (registered under the SA Cooperative and Community Housing Act 1991).

While the final phase of the three year transitional period was reached in 2012 / 2013, there continues to be growth in the number of Housing Association properties each year (including efforts by Housing SA, who currently pay council rates, to consolidate its properties into Housing Associations). This is anticipated to continue placing further pressure on other ratepayers which in turn places pressure on Council's ability to fund services.

Infrastructure Damage

Council does not insure its road, drainage and footpath infrastructure. The risk associated with this is the significant cost associated with unscheduled repairs or replacement that could occur due to unforeseen circumstances like extreme weather events, earthquake, or acts of terrorism. Council accepts this risk because the cost of mitigating such damage costs through insuring these assets is far too high and not economical.

There are, however, potential sources of relief or partial relief available to Council in the event of major damage through the State Government Emergency and Disaster Relief Fund.

Cost Shifting

This 2015 / 2016 Long Term Financial Plan includes $137,000 in cost shifting in the form of reduced grant funding, increased Emergency Services Levy, further increases in the waste levy and fringe benefit tax increases. No provision has been made for any unknown future cost shifting.

Superannuation Guarantee

As part of the 2014 Federal Budget, the Federal Government announced that superannuation will increase progressively from 9% to 12.0% in accordance with the table below. Any future changes to the superannuation legislation outside of the current projected trajectory to 12%, as shown below, has the potential to impact the Plan and Council's financial position.

Year	Contribution Rate
2015 / 2016	9.50%
2016 / 2017	9.50%
2017 / 2018	9.50%
2018 / 2019	10.0%
2019 / 2020	10.5%
2020 / 2021	11.0%
2021 / 2022	11.5%
2022 / 2023	12.0%
2023 / 2024	12.0%
2024 / 2025	12.0%

5.3 Internal Influences and Risks

Infrastructure Asset Management

Local Government is an extremely asset intensive industry. Council currently has around $580 million of assets and the amount that Council expends to maintain these assets is critical to ensuring that they perform and deliver the services as intended for their full useful life.

Infrastructure assets are a significant part of Council's operations with depreciation alone accounting for 22% of Council's annual operating budget. Including the cost of maintaining and operating these assets this number is significantly higher.

Council is in the process of putting into place systems and processes to accurately model, forecast and cost the level of investment required to renew, replace and maintain existing infrastructure into the future. This includes the development of Asset Management Plans for all categories of assets that identify their current stock and condition. These plans inform the Long Term Financial Plan with regard to:

- The amounts required to replace and renew Council's assets in the future;
- Provide proactive asset replacement work plans; and
- Address the infrastructure backlog over the coming years

Currently there is no agreed service level between Council and the community, including for services provided by long-lived infrastructure. Further, it is not known if the current level of maintenance on assets is sufficient to maintain the current level of service irrespective of what an eventual agreed service level might be. These issues will be addressed as Council progresses through financial sustainability to service sustainability.

Council's Asset Management Plans will evolve to enable the calculation of an effective maintenance allocation for each class of asset and this will also be influenced by the service standards desired. Council will need to develop an Asset Management Policy, which clearly articulates the desired service standards and service levels provided by Council's assets and Council's approach to the maintenance and renewal of those assets.

This is crucial information as it is the infrastructure provided and maintained by Council that provides the vast majority of services delivered to the community and is information that the City of Mitcham and many other Local Government bodies have not had in the past.

The Long Term Financial Plan is based on information from Asset Management Plans where available. For the asset categories which do not have an Asset Management Plan in place, it is inherently based on the current maintenance levels by virtue of extrapolating current expenditures moving forward. If it turns out that current maintenance levels are not sufficient to deliver the current service expectations of Council's assets then either the maintenance expenditure will need to be increased and funded, or the service levels expected from Council's assets will need to be revised downwards.

As Council develops and refines the Asset Management Plans there is a possibility that adjustments will need to be made to the renewal expenditure and depreciation across the forward estimates of the Long Term Financial Plan. This could be a result of the identification of existing assets not yet registered, assets past their technical useful life that are still in service and asset conditions that are different from those currently recorded. These parameters will remain largely unknown until all the Asset Management Plans are finalised.

Buildings Asset Backlog

Council has spent significant effort and resources to determine, define and quantify its infrastructure backlog particularly in relation to roads, footpaths and kerbing which is a result of Council underfunding asset renewal in the past.

Council's buildings are generally in poor condition and have likely suffered the same underfunding in the past; this is supported by the continuing increase in Council's expenditure requirements on maintenance and building repair.

Council has over $80 million in building infrastructure and historically spent only $150,000 per year on building replacement and renewal. This was doubled to $300,000 per year in 2011 / 2012, doubled again to $600,000 in 2012 / 2013 and increased further to $800,000 in 2013 / 2014 and then to $840,000 in 2014 / 2015. The base renewal budget for buildings under this 2015 / 2016 Plan now incorporates an additional $250,000 per year to assist with redressing the building asset backlog.

An independent assessment and revaluation of Council's buildings was completed in 2014 and it is now being used to inform the development of a comprehensive Building Asset Management Plan. In combination with an assessment of the utilisation and demand for Council's sporting and community buildings the Building Asset Management Plan, due to be completed in mid to late 2015, will place Council in a position to accurately understand the annual renewal and maintenance requirements for buildings. It is envisaged that the next Long Term Financial Plan (2016 / 2017) will be informed further by this process.

Depreciation

Depreciation is an accounting measure of the consumption of the service potential of Council's non-current assets over a period of time (usually reported in 12 month blocks at the end of each financial year).

It is a measure that is used for accounting purposes as part of the operating result in relation to whether the current year's expenses have been covered by the current year's income. It is an historic measure of the consumption of an asset today and was not designed as a measure of the future renewal and replacement requirements of an asset intensive perpetual service industry.

In estimating the funding required for the continued replacement and maintenance of assets into the future as a result of them being worn out today, Council needs to consider a range of issues including community requirement, obsolescence, age, condition and new trends. Council's Asset Management Plans, which inform the forward estimates of the Long Term Financial Plan for capital renewal are best suited to this purpose.

6.0 Long Term Financial Plan Summary

The following tables are a summary of some items of key financial data used for the purposes of modelling. It is the result of the application of all the assumptions within the Long Term Financial Plan using the current financial position and budget as the base.

As part of Council's responsible approach to financial sustainability, non-cash gains and losses from Council subsidiaries and one-off items are not included when using Council's operating result for modelling and ratio calculation purposes. The reason for not including non-cash items is that if they were included when determining if Council has a balanced budget, Council would actually need to borrow funds (either as borrowings or as reductions in surplus cash) equivalent to those non-cash gains in order to fund operating expenses, creating a false sense of sustainability. Borrowing to fund operating expenses is not sustainable and, therefore, this financial discipline being employed by Council is a key element to ensure financial sustainability in the future from Council operations. Further by not including one-off items Council is ensuring that it is focusing on the underlying long term financial position of Council providing additional robustness to Council's measure of long term financial sustainability.

2013-2014 Actuals	CITY OF MITCHAM - FINANCIAL PLAN SUMMARY $000's	2014-2015 Estimate Current Year	2015-2016 Plan Year 1	2016-2017 Plan Year 2	2017-2018 Plan Year 3	2018-2019 Plan Year 4	2019-2020 Plan Year 5	2020-2021 Plan Year 6	2021-2022 Plan Year 7	2022-2023 Plan Year 8	2023-2024 Plan Year 9	2024-2025 Plan Year 10
52,311	**Operating Income**	54,375	58,068	59,910	61,061	63,667	66,525	69,468	72,496	75,590	79,013	82,560
198	Including non cash gains on Subsidiaries	103	330	60	248	497	826	1,182	1,441	1,653	2,075	2,532
53,444	**Operating Expenses**	54,091	55,594	57,404	59,503	61,696	64,130	66,618	69,483	72,252	75,025	77,823
0	Including non cash losses on Subsidiaries	0	0	0	0	0	0	0	0	0	0	0
(1,133)	**Operating Result**	284	2,474	2,506	1,558	1,970	2,396	2,850	3,014	3,338	3,988	4,737
(1,331)	**Operating Result** (excluding non cash gains/losses from subsidiaries and other one off items)	181	1,138	1,199	1,310	1,473	1,570	1,668	1,572	1,685	1,913	2,204
6,497	**Net Financial Liabilities**	4,521	13,327	16,749	18,353	19,109	20,901	24,941	26,318	28,458	29,142	28,669

Operating Result

This is the operating result as reported in Council's end of year financial statements in accordance with accounting standards. It reflects whether in each year income was enough to cover expenses, including depreciation, one-off items and non-cash items from subsidiaries. Whilst this result is necessary to report and forms part of Council's annual financial statements, it is not that useful for measuring Council's underlying operating result from operations and, therefore, financial sustainability.

Operating Result (Excluding Non-Cash Gains / [Losses] from Subsidiaries and other one-off items)

This is the operating result from direct Council operations only without the non-cash impacts of operating results of Council's subsidiaries, such as Centennial Park Cemetery Authority and East Waste Management Authority and without any one-off items. It is important to focus on this result because it represents a better view of the funding requirements of Council operations. If Council balances its budget, including these non-cash or one-off items it gives a false impression of financial sustainability.

Borrowings

This Long Term Financial Plan shows that net financial liabilities peak at $29.14 million in Year 9 which is 38.9% of forecast operating revenue in that year. The increase in net financial liabilities from current levels results primarily due to redressing the asset renewal deficit that has accumulated over prior years and investing in new capital infrastructure of around $28.73 million over the next 10 years.

This Long Term Financial Plan is based on generating sufficient cash from operations across the 10 years of the Plan to enable the repayment of existing debt and any debt taken out across the Plan within 20 years. This robust and innovative approach to monitor and manage the repayment of debt over a defined timeframe allows Council to make a policy decision on striking the desired balance between minimising financial costs in the short term and upholding intergenerational equity over the long term. The Long Term Financial Plan demonstrates the affordability of the capital investment with Council remaining within its conservative limit of 50% for the Net Financial Liabilities Ratio and well below its conservative limit of 6% for the Interest Coverage Ratio across the forward estimates.

7.0 Key Financial Indicators

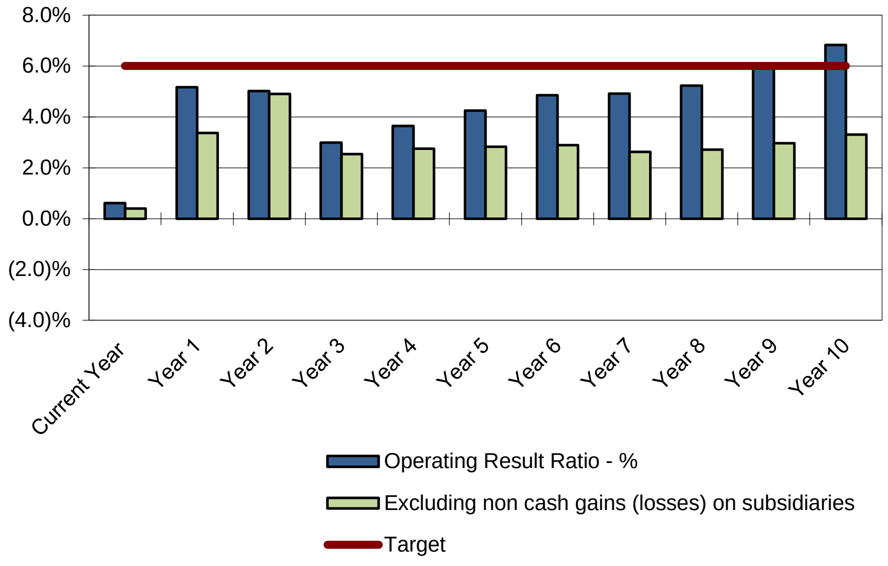
The following table provides a summary of Council's financial indicators.

At present Council primarily uses the Key Financial Indicators (KFIs) prescribed by the Local Government Association (LGA) as part of the Model Financial Statements; however Council focusses on the underlying operating result whereas the prescribed ratios focus on the headline operating result.

In an effort to further improve the monitoring and measurement of financial sustainability and to ensure that the ratios and targets being used are most appropriate for Council, the complete suite of ratios will be reviewed and updated during 2015 / 2016, via Council's Audit Committee and presented to Council as part of a Financial Ratios Policy. The Audit Committee has already provided comment on a draft of this policy which will be brought back for recommendation to Council in the coming months, for now, the current established ratios remain.

2013-2014 Actuals	KEY FINANCIAL INDICATORS	2014-2015 Estimate Current Year	2015-2016 Plan Year 1	2016-2017 Plan Year 2	2017-2018 Plan Year 3	2018-2019 Plan Year 4	2019-2020 Plan Year 5	2020-2021 Plan Year 6	2021-2022 Plan Year 7	2022-2023 Plan Year 8	2023-2024 Plan Year 9	2024-2025 Plan Year 10
(1,133)	**Operating Surplus / (Deficit) - $'000**	284	2,474	2,506	1,558	1,970	2,396	2,850	3,014	3,338	3,988	4,737
(1,331)	**Excluding non cash gains/losses from subsidiaries and other one off items**	**181**	**1,138**	**1,199**	**1,310**	**1,473**	**1,570**	**1,668**	**1,572**	**1,685**	**1,913**	**2,204**
(3)%	**Operating Result Ratio - %**	0.6%	5.2%	5.0%	3.0%	3.6%	4.2%	4.8%	4.9%	5.2%	6.0%	6.8%
(3.0%)	**Excluding non cash gains/losses from subsidiaries and other one off items**	**0.4%**	**2.4%**	**2.4%**	**2.5%**	**2.7%**	**2.8%**	**2.9%**	**2.6%**	**2.7%**	**3.0%**	**3.3%**
6,497	**Net Financial Liabilities - $'000**	4,521	13,327	16,749	18,353	19,109	20,901	24,941	26,318	28,458	29,142	28,669
13.0%	**Net Financial Liabilities Ratio - %**	8.6%	23.9%	28.8%	31.1%	31.1%	32.7%	37.5%	38.0%	39.5%	38.9%	36.7%
0.3%	**Interest Cover Ratio - %**	0.6%	0.2%	0.6%	0.8%	0.9%	0.9%	0.9%	1.2%	1.2%	1.3%	1.2%
85.0%	**Asset Sustainability Ratio - %**	105.1%	134.5%	115.0%	95.6%	89.8%	97.7%	111.9%	96.0%	101.1%	93.8%	95.1%
	Debt Repayment Term		**20 years**	**Repayment of existing debt and debt taken out across the 10 years of the Plan, within a 20 year timeframe**								

7.1 Operating Result Ratio



Calculated as**:**
Operating result as a percentage of rate revenue (less NRM levy).

Purpose
This ratio is designed to identify the portion of Council's rates that is contributing to a surplus result, or alternatively the additional portion of Council's rates needed to address a deficit result. The ratio expresses the amount as a percentage of Council's rates (not of total Council income).

A positive result on this ratio indicates the percentage of Council's rates that are available to fund new initiatives or to repay debt. A negative result indicates the percentage increase in Council's rates on top of that already proposed for that year required to achieve a break even position.

Target Range
In general, Council should not be targeting operating deficits nor should it be targeting large operating surpluses. Both of these results negatively affect intergenerational equity. The adopted Council target for this ratio is currently 6%; however recent commentary and recommendation from Council's Audit Committee is for a rolling average of 2.5%. Over the coming months, Council will be reviewing all its ratios and targets as part of establishing a revised Financial Ratios Policy.

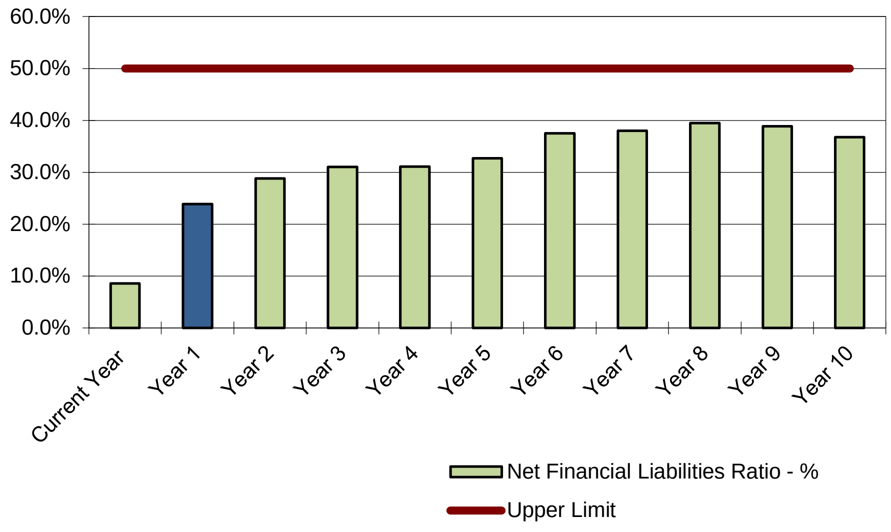
Long Term Financial Plan Commentary
This ratio indicates that Council will report an underlying operating surplus (excluding subsidiaries and other one-off items of $1.14 million for 2015 / 2016. This is predicated on the assumption that Council is making $1.2 million in cost and efficiency savings in 2015 / 2016 on top of the $2.2 million in cost and efficiency savings delivered between 2012 and now. Based on this, and a budgeted 3.80% rate increase, the Plan shows that Council records an underlying surplus for 2015 / 2016 and remains in surplus moving forward under the current assumptions and economic forecasts.

7.2 Net Financial Liabilities Ratio

Any organisation involved in the provision of long term projects / services and asset creation requires access to debt. Debt is a healthy source of funding if used appropriately and for the right purpose and if associated with an income source to facilitate its repayment over time. Total debt should not be too low or too high so as to create a negative impact on intergenerational equity. Council has developed and adopted a Service Funding Policy that outlines five principles with regard to sustainably funding service delivery and investment in long term assets to intergenerational equity; the notion that ratepayers who benefit from the service should equally contribute to its costs over time. Borrowings are an important instrument in achieving this provided it is used appropriately.

It is also important to note that when considering the level of debt as a portion of total income, Council is a perpetual organisation that exists forever with a secure and perpetual income source. This is different to considering an individual's level of debt as a portion of their assets because the individual has a finite working life and therefore a finite source of income.

In addition to the Net Financial Liabilities Ratio and in an effort to further improve its monitoring and measurement of financial sustainability, Council has developed this Long Term Financial Plan on the basis of generating sufficient surplus cash from operations across the Plan to fund the repayment of debt within 20 years.



<u>Calculated as:</u>
Net financial liabilities as a percentage of total operating revenue (less NRM levy).

Net financial liabilities being total liabilities less cash and other financial assets readily convertible to cash.

Purpose
This ratio measures the level of debt of the Council and articulates the amount of debt as a percentage of total annual income (less NRM levy). The level of debt affects the amount of interest that Council pays and also the amount of cash from operations needed to repay debt over a defined timeframe. This ratio should therefore be considered in conjunction with the Debt Service Cover Ratio and Interest Coverage Ratio.

Upper Limit
In general, Council should be managing a level of debt to ensure the best balance between current and future ratepayers for long-lived infrastructure costs, thus delivering intergenerational equity. The adopted Council target for the ratio is not to exceed 50%.

Long Term Financial Plan Commentary
Council's net financial liabilities increase as a percentage of income and as a result of redressing the asset renewal backlog that has accumulated over prior years and investing in new capital assets of around $28.73 million over the next 10 years. The ratio however remains under the upper limit of 50% reflecting the affordability of and sustainability of Council's current and future level of debt.

7.3 Debt Repayment Period

During the budget workshops, the timeframe over which current debt should be repaid was a key element which involved balancing the concepts of intergenerational equity (spreading the cost of assets over their useful lives) with financial conservatism and risk aversion. Based on feedback received from Elected Members, this 2015 / 2016 Long Term Financial Plan has been developed to ensure generation of surplus cash from operations across the Plan is sufficient to fund the repayment of existing debt and debt taken out across the 10 years of the Plan within 20 years.

Calculated as:

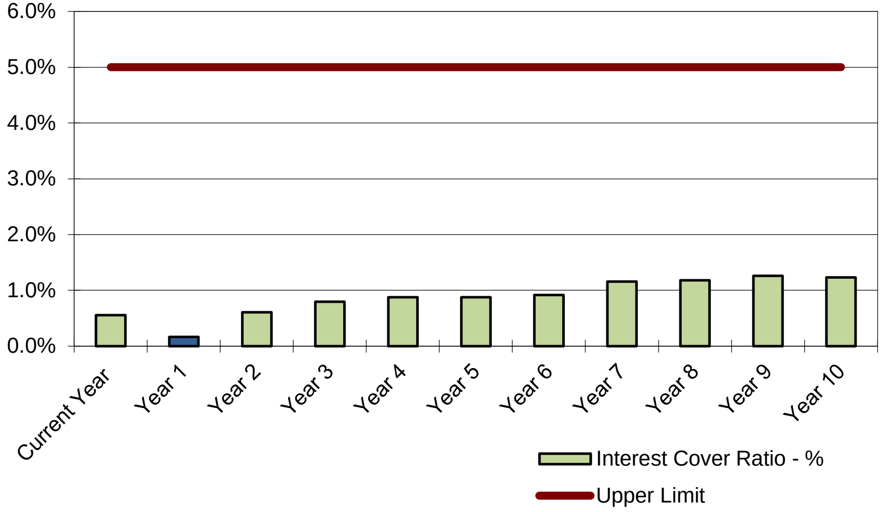
Amount of time (in years) required to pay off existing debt and debt taken out across the 10 years of the Plan based on forecast surplus cash from operations. Surplus cash is calculated as cash from operations excluding non-cash items (such as depreciation) and other one-off amounts.

Purpose
This ratio measures how much cash is available from operations and therefore the timeframe over which the debt principal will be repaid. As new debt is taken out, additional cash from operations is needed to ensure that the new debt is paid off over a defined timeframe.

Target
As part of developing this 2015 / 2016 Long Term Financial Plan Council considered the balance between minimising finance costs and intergenerational equity, a principal which argues that debt should be paid off over the life of the asset providing the service, in other words a balanced budget.

Over the coming months, Council will be reviewing all its ratios and targets as part of establishing a revised Financial Ratios Policy.

7.4 Interest Coverage Ratio



Calculated as:
Net interest expense as a percentage of total operating income (less NRM levy and interest income).

Purpose
This ratio measures the affordability of Council's debt and articulates the portion of Council's total operating income (less NRM levy and interest income) that is being used to pay interest. This ratio is influenced by interest rates, the level of debt and the timeframe for debt repayment and therefore this ratio should be considered in conjunction with the Net Financial Liabilities Ratio and Debt Service Cover Ratio.

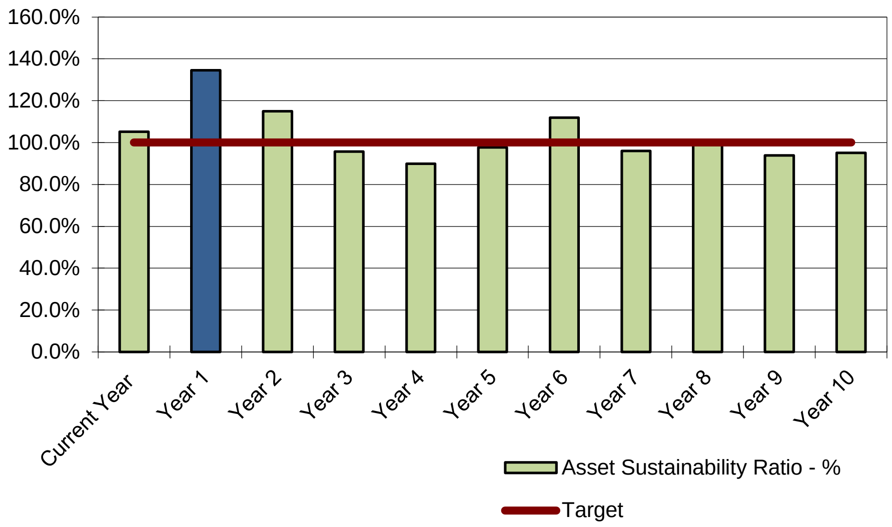
Upper Limit
Council considers that interest expenses of greater than 5% of total operating income (5 cents in every $1 of income) indicates an unacceptable level of servicing costs for borrowings.

Long Term Financial Plan Commentary

Over the period of the Long Term Financial Plan Council's projected cost of borrowings remains well within the maximum target of 5% adopted by Council under the assumption that interest rates remain at or around 4.70% – 5.55% over the life of the Long Term Financial Plan.

Council's interest costs increase as a portion of total operating income over Years 2 - 9 of the Long Term Financial Plan as a result of investing in the reduction of Council's infrastructure backlog. The ratio then stabilises at around 1.2% reflecting the affordability of the additional investment into new and enhanced services over the forward estimates with only 1.2 cents in the dollar being used to service debt.

7.5 Asset Sustainability Ratio



Calculated as:
Amount spent on the replacement of assets less sales of replaced assets / gross amount that the Asset Management Plans are planning to spend on replacement of assets.

Purpose
This ratio attempts to measure the extent to which Council is replacing assets (net of sale of replaced assets) compared to the gross rate needed (on average) to ensure consistent service delivery.

It is important to note that this ratio does not measure if Council is funding the asset replacement requirements from sustainable sources. It simply measures what Council is spending on replacing assets, net of sales of replaced assets, compared with the gross amount required from the Asset Management Plans, reflecting the rate at which they are wearing out.

Target Range
In general Council should be targeting on average to spend at least 100% of the gross replacement requirements over time in relation to Council's existing assets.

Council does not have an Asset Management Plan for every asset class and has therefore used the 10 year average for its Asset Management Plans plus the 10 year average of all the other capital renewal requirements in the Long Term Financial Plan as the basis of this ratio.

Currently the Local Government Association (LGA) mandates this ratio as being the amount of replacement capital less sale proceeds of replaced assets / Asset Management Plan average and recommends a target range of 90%-110%.

Long Term Financial Plan Commentary
For most of the 10 year period, Council sits comfortably within the range recommended by the LGA of 90%-110% and based on the fact that the Asset Management Plans include both the planned renewal over the next 10 years as well as addressing the backlog over the next coming years, this ratio indicates that Council is replacing its assets at the rate at which they are planned to be replaced as well as addressing the backlog.

8.0 Forecast Financial Statements

8.1 Forecast Statement of Comprehensive Income

2013-2014 Actuals $(000)	Year Ended 30 June:	2014-2015 Estimate Current Year $(000)	2015-2016 Plan Year 1 $(000)	2016-2017 Plan Year 2 $(000)	2017-2018 Plan Year 3 $(000)	2018-2019 Plan Year 4 $(000)	2019-2020 Plan Year 5 $(000)	2020-2021 Plan Year 6 $(000)	2021-2022 Plan Year 7 $(000)	2022-2023 Plan Year 8 $(000)	2023-2024 Plan Year 9 $(000)	2024-2025 Plan Year 10 $(000)
	INCOME											
45,096	Rates (inc. NRM Levy)	47,334	49,301	51,379	53,447	55,624	57,927	60,376	62,906	65,542	68,288	71,117
1,518	Statutory Charges	1,463	1,538	1,578	1,616	1,654	1,704	1,755	1,808	1,862	1,918	1,976
545	User Charges	531	537	551	564	577	595	613	631	650	669	689
3,531	Grants, subsidies, contributions	4,124	5,440	5,592	4,480	4,587	4,725	4,867	5,013	5,163	5,318	5,477
443	Investment Income	235	501	318	264	273	282	194	202	210	218	227
297	Reimbursements	152	168	173	177	181	186	192	198	204	210	216
683	Other Income	432	253	260	266	273	281	289	298	307	316	325
198	Gain - Joint ventures & associates	103	330	60	248	497	826	1,182	1,441	1,653	2,075	2,532
52,311	**Total Revenues**	**54,375**	**58,068**	**59,910**	**61,061**	**63,667**	**66,525**	**69,468**	**72,496**	**75,590**	**79,013**	**82,560**
	EXPENSES											
21,274	Employee costs	21,387	22,569	23,215	23,915	24,751	25,617	26,514	27,442	28,403	29,255	30,133
20,225	Materials, contracts & other expenses	20,149	19,876	20,233	20,960	21,709	22,616	23,561	24,546	25,572	26,641	27,755
596	Finance costs	526	595	672	736	811	840	802	1,004	1,062	1,162	1,186
11,349	Depreciation and Amortisation	12,028	12,554	13,284	13,892	14,425	15,056	15,740	16,490	17,216	17,967	18,749
53,444	**Total Expenses**	**54,091**	**55,594**	**57,404**	**59,503**	**61,696**	**64,130**	**66,618**	**69,483**	**72,252**	**75,025**	**77,823**
(1,133)	**OPERATING SURPLUS/(DEFICIT)**	**284**	**2,474**	**2,506**	**1,558**	**1,970**	**2,396**	**2,850**	**3,014**	**3,338**	**3,988**	**4,737**
(1,437)	Asset disposal and fair value adjustments	-	-	-	-	-	-	-	-	-	-	-
671	Amounts received specifically for new or upgraded assets	770	347	-	-	-	-	-	-	-	-	-
683	Physical resources free of charge	-	-	-	-	-	-	-	-	-	-	-
(1,216)	**NET SURPLUS/(DEFICIT)**	**1,054**	**2,821**	**2,506**	**1,558**	**1,970**	**2,396**	**2,850**	**3,014**	**3,338**	**3,988**	**4,737**
	Other Comprehensive Income											
(436)	Changes in revaluation surplus - infrastructure, property, plant and equipment	18,873	13,247	17,872	17,407	17,996	22,427	23,330	24,346	25,301	26,321	27,333
9	Share of other comprehensive income - equity accounted Council businesses	-	-	-	-	-	-	-	-	-	-	-
(427)	**Total Other Comprehensive Income**	**18,873**	**13,247**	**17,872**	**17,407**	**17,996**	**22,427**	**23,330**	**24,346**	**25,301**	**26,321**	**27,333**
(1,643)	**TOTAL COMPREHENSIVE INCOME**	**19,927**	**16,068**	**20,377**	**18,965**	**19,966**	**24,823**	**26,180**	**27,360**	**28,640**	**30,308**	**32,070**

8.2 Forecast Balance Sheet

2013-2014 Actuals $(000)	Year Ended 30 June:	2014-2015 Estimate Current Year $(000)	2015-2016 Plan Year 1 $(000)	2016-2017 Plan Year 2 $(000)	2017-2018 Plan Year 3 $(000)	2018-2019 Plan Year 4 $(000)	2019-2020 Plan Year 5 $(000)	2020-2021 Plan Year 6 $(000)	2021-2022 Plan Year 7 $(000)	2022-2023 Plan Year 8 $(000)	2023-2024 Plan Year 9 $(000)	2024-2025 Plan Year 10 $(000)
	ASSETS											
	Current Assets											
8,629	Cash and cash equivalents	12,819	6,000	4,124	4,244	4,367	2,260	2,339	2,421	2,505	2,593	2,684
2,708	Trade and other receivables	2,855	3,230	3,314	3,394	3,475	3,579	3,687	3,797	3,911	4,029	4,150
65	Inventories	67	69	71	73	75	78	80	83	86	89	92
11,402	**Total Current Assets**	**15,741**	**9,299**	**7,509**	**7,710**	**7,917**	**5,917**	**6,106**	**6,301**	**6,503**	**6,711**	**6,926**
	Non-Current Assets											
18,608	Equity accounted investments in council businesses	18,711	19,042	19,101	19,350	19,847	20,673	21,855	23,296	24,949	27,024	29,557
532,653	Infrastructure, property, plant and equipment	551,962	576,504	600,242	620,560	640,784	666,571	695,606	722,899	752,022	780,937	809,998
1,239	Other non-current assets	1,239	1,239	1,239	1,239	1,239	1,239	1,239	1,239	1,239	1,239	1,239
552,500	**Total Non-Current Assets**	**571,912**	**596,785**	**620,583**	**641,149**	**661,869**	**688,483**	**718,700**	**747,434**	**778,210**	**809,201**	**840,794**
563,902	**Total Assets**	**587,653**	**606,084**	**628,092**	**648,859**	**669,786**	**694,399**	**724,806**	**753,735**	**784,713**	**815,912**	**847,719**
	LIABILITIES											
	Current Liabilities											
5,124	Trade and other payables	5,195	5,318	5,483	5,641	5,805	6,008	6,219	6,436	6,661	6,894	7,135
1,040	Short term borrowings	1,117	1,164	1,446	1,676	1,780	1,956	2,157	2,636	2,993	3,367	3,712
3,521	Short term provisions	3,592	3,727	3,839	3,954	4,072	4,194	4,320	4,450	4,583	4,721	4,862
	Other Current Liabilities	-	-	-	-	-	-	-	-	-	-	-
9,685	**Total Current Liabilities**	**9,904**	**10,209**	**10,768**	**11,270**	**11,658**	**12,159**	**12,696**	**13,522**	**14,236**	**14,982**	**15,710**
	Non-Current Liabilities											
	Trade & Other Payables	-	-	-	-	-	-	-	-	-	-	-
1,212	Long term provisions	1,228	1,274	1,312	1,352	1,392	1,434	1,477	1,521	1,567	1,614	1,662
6,937	Long term borrowings	9,063	11,074	12,108	13,368	13,901	13,148	16,793	17,493	19,070	19,168	18,130
8,149	**Total Non-Current Liabilities**	**10,291**	**12,348**	**13,420**	**14,719**	**15,293**	**14,582**	**18,270**	**19,014**	**20,637**	**20,782**	**19,792**
17,834	**Total Liabilities**	**20,195**	**22,557**	**24,188**	**25,989**	**26,951**	**26,740**	**30,966**	**32,536**	**34,874**	**35,764**	**35,502**
546,068	**NET ASSETS**	**567,458**	**583,527**	**603,904**	**622,869**	**642,836**	**667,659**	**693,839**	**721,199**	**749,838**	**780,148**	**812,216**
	EQUITY											
322,503	Accumulated surplus	325,020	327,842	330,347	331,906	333,876	336,272	339,122	342,135	345,473	349,461	354,198
223,565	Asset revaluation reserve	242,438	255,685	273,557	290,964	308,960	331,387	354,717	379,064	404,365	430,686	458,019
546,068	**TOTAL EQUITY**	**567,458**	**583,527**	**603,904**	**622,869**	**642,836**	**667,659**	**693,839**	**721,199**	**749,838**	**780,147**	**812,216**

8.3 Forecast Statement of Cash Flows

2013-2014 Actuals $(000)	Year Ended 30 June:	2014-2015 Estimate Current Year $(000)	2015-2016 Plan Year 1 $(000)	2016-2017 Plan Year 2 $(000)	2017-2018 Plan Year 3 $(000)	2018-2019 Plan Year 4 $(000)	2019-2020 Plan Year 5 $(000)	2020-2021 Plan Year 6 $(000)	2021-2022 Plan Year 7 $(000)	2022-2023 Plan Year 8 $(000)	2023-2024 Plan Year 9 $(000)	2024-2025 Plan Year 10 $(000)
	CASH FLOWS FROM OPERATING ACTIVITIES											
	Receipts											
53,153	Operating receipts	54,317	57,183	59,448	60,469	62,815	65,313	67,984	70,742	73,613	76,602	79,680
644	Investment receipts	235	501	318	264	273	282	194	202	210	218	227
	Payments											
596	Finance payments	526	595	672	736	811	840	802	1,004	1,062	1,162	1,186
40,370	Operating payments to suppliers and employees	40,229	42,141	43,136	44,564	46,140	47,869	49,699	51,599	53,573	55,482	57,460
12,831	**Net Cash provided by (or used in) Operating Activities**	**13,797**	**14,948**	**15,959**	**15,434**	**16,137**	**16,886**	**17,677**	**18,341**	**19,188**	**20,176**	**21,261**
	CASH FLOWS FROM INVESTING ACTIVITIES											
	Receipts											
671	Amounts received specifically for new or upgraded assets	211	25	-	-	-	-	-	-	-	-	-
953	Sale of replaced assets	804	659	870	806	689	789	1,206	856	858	844	1,059
-	Sale of surplus assets	772	320	350	350	-	-	-	-	-	-	-
	Payments											
12,986	Expenditure on Renewal/Replacement of Assets	10,957	20,147	17,887	15,403	14,798	16,573	19,927	17,474	18,978	18,246	19,320
1,931	Expenditure on New/Upgraded Assets	2,640	4,680	2,483	2,556	2,543	2,632	2,724	2,819	2,918	3,160	2,217
(13,293)	**Net Cash Provided by (or used in) Investing Activities**	**(11,810)**	**(23,823)**	**(19,151)**	**(16,803)**	**(16,652)**	**(18,416)**	**(21,445)**	**(19,437)**	**(21,037)**	**(20,561)**	**(20,477)**
	CASH FLOWS FROM FINANCING ACTIVITIES											
	Receipts											
-	Proceeds from Borrowings	3,245	3,220	2,762	3,164	2,418	1,379	6,004	3,814	4,926	3,840	3,019
	Payments											
1,114	Repayments of Borrowings	1,042	1,164	1,446	1,676	1,780	1,956	2,157	2,636	2,993	3,367	3,712
(1,114)	**Net Cash provided by (or used in) Financing Activities**	**2,203**	**2,056**	**1,316**	**1,489**	**638**	**(577)**	**3,847**	**1,178**	**1,934**	**473**	**(693)**
(1,576)	**Net Increase/(Decrease) in cash held**	**4,190**	**(6,819)**	**(1,876)**	**120**	**123**	**(2,107)**	**79**	**82**	**85**	**88**	**91**
10,205	Opening cash, cash equivalents or (bank overdraft)	8,629	12,819	6,000	4,124	4,244	4,367	2,260	2,339	2,421	2,505	2,593
8,629	**Closing cash, cash equivalents or (bank overdraft)**	**12,819**	**6,000**	**4,124**	**4,244**	**4,367**	**2,260**	**2,339**	**2,421**	**2,505**	**2,593**	**2,684**

8.4 Forecast Statement of Changes in Equity

2013-2014 Actuals $(000)	Year Ended 30 June:	2014-2015 Estimate Current Year $(000)	2015-2016 Plan Year 1 $(000)	2016-2017 Plan Year 2 $(000)	2017-2018 Plan Year 3 $(000)	2018-2019 Plan Year 4 $(000)	2019-2020 Plan Year 5 $(000)	2020-2021 Plan Year 6 $(000)	2021-2022 Plan Year 7 $(000)	2022-2023 Plan Year 8 $(000)	2023-2024 Plan Year 9 $(000)	2024-2025 Plan Year 10 $(000)
	ACCUMULATED SURPLUS											
319,538	Balance at beginning of period	322,503	325,020	327,842	330,347	331,906	333,876	336,272	339,122	342,135	345,473	349,461
(1,216)	Net surplus / (deficit) for year	2,517	2,822	2,506	1,558	1,970	2,396	2,850	3,014	3,338	3,988	4,737
-	Transfers to Other Reserves	0	-	-	-	-	-	-	-	-	-	-
4,181	Transfers from Other Reserves	-	-	-	-	-	-	-	-	-	-	-
322,503	**Balance at end of period**	**325,020**	**327,842**	**330,347**	**331,906**	**333,876**	**336,272**	**339,122**	**342,135**	**345,473**	**349,461**	**354,198**
	ASSET REVALUATION RESERVE											
223,992	Balance at beginning of period	223,565	242,438	255,685	273,557	290,964	308,960	331,387	354,717	379,064	404,365	430,686
(436)	Transfer to reserve - revaluation increment/(decrement)	18,873	13,247	17,872	17,407	17,996	22,427	23,330	24,346	25,301	26,321	27,333
9	Share of other comprehensive income - equity accounted Council businesses	-	-	-	-	-	-	-	-	-	-	-
223,565	**Balance at end of period**	**242,438**	**255,685**	**273,557**	**290,964**	**308,960**	**331,387**	**354,717**	**379,064**	**404,365**	**430,686**	**458,019**
	OTHER RESERVES											
4,181	Balance at end of previous reporting period	-	-	-	-	-	-	-	-	-	-	-
(4,181)	Transfers to Accumulated Surplus	-	-	-	-	-	-	-	-	-	-	-
0	**Balance at end of period**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
546,068	**TOTAL EQUITY AT END OF REPORTING PERIOD**	**567,458**	**583,527**	**603,904**	**622,869**	**642,836**	**667,659**	**693,839**	**721,199**	**749,838**	**780,147**	**812,216**

8.5 Forecast Uniform Presentation of Finances

2013-2014 Actuals $(000)	Year Ended 30 June:	2014-2015 Estimate Current Year $(000)	2015-2016 Plan Year 1 $(000)	2016-2017 Plan Year 2 $(000)	2017-2018 Plan Year 3 $(000)	2018-2019 Plan Year 4 $(000)	2019-2020 Plan Year 5 $(000)	2020-2021 Plan Year 6 $(000)	2021-2022 Plan Year 7 $(000)	2022-2023 Plan Year 8 $(000)	2023-2024 Plan Year 9 $(000)	2024-2025 Plan Year 10 $(000)
52,311	Operating Revenues	54,375	58,068	59,910	61,061	63,667	66,525	69,468	72,496	75,590	79,013	82,560
53,444	*less Operating Expenses*	54,091	55,594	57,404	59,503	61,696	64,130	66,618	69,483	72,252	75,025	77,823
(1,133)	**Operating Surplus/(Deficit)**	**284**	**2,474**	**2,506**	**1,558**	**1,970**	**2,396**	**2,850**	**3,014**	**3,338**	**3,988**	**4,737**
	Less: Net Outlays on Existing Assets											
(13,580)	Capital Expenditure on Renewal/Replacement of Existing Assets	(10,957)	(20,147)	(17,887)	(15,403)	(14,798)	(16,573)	(19,927)	(17,474)	(18,978)	(18,246)	(19,320)
11,349	*less Depreciation, Amortisation & Impairment*	12,028	12,554	13,284	13,892	14,425	15,056	15,740	16,490	17,216	17,967	18,749
953	*less Proceeds from Sale of Replaced Assets*	804	659	870	806	689	789	1,206	856	858	844	1,059
(1,278)		**1,875**	**(6,935)**	**(3,733)**	**(706)**	**316**	**(728)**	**(2,981)**	**(127)**	**(903)**	**565**	**489**
	Less: Net Outlays on New and Upgraded Assets											
(2,020)	Capital Expenditure on New/Upgraded Assets	(2,640)	(4,680)	(2,483)	(2,556)	(2,543)	(2,632)	(2,724)	(2,819)	(2,918)	(3,160)	(2,217)
671	*less Amounts Specifically for New/Upgraded Assets*	211	25	-	-	-	-	-	-	-	-	-
-	*less Proceeds from Sale of Surplus Assets*	772	320	350	350	-	-	-	-	-	-	-
(1,349)		**(1,657)**	**(4,335)**	**(2,133)**	**(2,206)**	**(2,543)**	**(2,632)**	**(2,724)**	**(2,819)**	**(2,918)**	**(3,160)**	**(2,217)**
(3,760)	**Net Lending / (Borrowing) for Financial Year**	**502**	**(8,795)**	**(3,361)**	**(1,353)**	**(257)**	**(964)**	**(2,855)**	**67**	**(483)**	**1,393**	**3,009**

In any one year, the above financing transactions are associated with either applying surplus funds stemming from a net lending result or accommodating the funding requirement stemming from a net borrowing result.

2013-2014 Actuals $(000)	Year Ended 30 June: FINANCING TRANSACTIONS	2014-2015 Estimate Current Year $(000)	2015-2016 Plan Year 1 $(000)	2016-2017 Plan Year 2 $(000)	2017-2018 Plan Year 3 $(000)	2018-2019 Plan Year 4 $(000)	2019-2020 Plan Year 5 $(000)	2020-2021 Plan Year 6 $(000)	2021-2022 Plan Year 7 $(000)	2022-2023 Plan Year 8 $(000)	2023-2024 Plan Year 9 $(000)	2024-2025 Plan Year 10 $(000)
-	New Borrowings	3,245	3,220	2,762	3,164	2,418	1,379	6,004	3,814	4,926	3,840	3,019
(1,114)	Repayment of Principal on Borrowings	(1,042)	(1,164)	(1,446)	(1,676)	(1,780)	(1,956)	(2,157)	(2,636)	(2,993)	(3,367)	(3,712)
1,576	(Increase)/Decrease in Cash and Cash Equivalents	(4,190)	6,819	1,876	(120)	(123)	2,107	(79)	(82)	(85)	(88)	(91)
(255)	(Increase)/Decrease in Receivables	(402)	(375)	(84)	(80)	(81)	(104)	(107)	(111)	(114)	(117)	(121)
3,079	Increase/(Decrease) in Payables & Provisions	3,237	303	315	313	324	367	379	392	403	418	431
474	Other – Including the Movement in Inventories	(1,350)	(8)	(62)	(249)	(500)	(828)	(1,185)	(1,444)	(1,655)	(2,078)	(2,535)
3,760	**Financing Transactions**	**(502)**	**8,795**	**3,361**	**1,353**	**257**	**964**	**2,855**	**(67)**	**483**	**(1,393)**	**(3,009)**