CITY OF MITCHAM

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LONG TERM FINANCIAL PLAN 2016/17 – 2025/26

Adopted by Council 12 July 2016

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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. It 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. Since 2012 Council has focused on achieving substantial financial savings as part of its budget process and addressing the asset renewal deficit over the coming years.

This focus has delivered:

- an operating surplus in 2014/15
- ongoing savings of $3.4 million (with an additional efficiency savings target of $351,000 in 2016/17), and
- a Capital Replacement Program that will address the asset renewal deficit by 2026.

Council is now in a strong financial position, is able to consider other strategic financial and service delivery issues and can look to consolidate recent financial progress, consider the balance between service provision, intergenerational equity and financial position and shape the future direction of the City.

Council has continued to innovate and develop its financial modelling and decision making processes. As part of the 2016/17 budget deliberations a number of strategic aspects were considered including:

- Service levels;
- Cost drivers;
- Cost shifting;
- Budget pressures;
- New recurrent expenditure (new services / new capital);
- Operating projects (once-off expenditure);
- Timeframe of addressing capital backlog;
- Debt repayment term;
- Savings and efficiencies;

- A focus on whether cash from operations is sufficient to fund average asset renewal and debt repayment over a considered timeframe when balancing the budget equation;
- The improved practice of addressing future operating expenditure commitments associated with new capital in the rate rise of the year of capital expenditure rather than pre-committing rate rises required the year after; and
- Rate levels.

The 2016/17 Long Term Financial Plan is based on the following principles:

- Maintaining existing service levels whilst continuing to drive efficiencies and financial savings;
- Improving service levels and closing service gaps within financial capacity;
- Monitoring and measurement of cash from operations in determining a balanced budget position, ensuring that Council is funding its asset renewals over the 10 year Long Term Financial Plan and repaying debt over a considered timeframe taking into account the balance between funding costs and intergenerational equity;
- Funding of ongoing costs associated with new capital in the year they are included rather than in the following year when maintenance costs and depreciation commence, thus avoiding pre-commitment of rates increases in the following year; 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 rate increase for 2016/17 of 2.75% comprised of:
  - > 2.39% for the continued provision of existing services and fund the repayment of debt in approximately 28 years; plus
  - > - 0.73% rate decrease for financial savings; plus
  - > 0.98% to cover new and improved services, in addition to maintaining existing services; plus
  - > 0.11% to cover cost shifting through reduced grant funding from State and Federal Government.
- Generation of sufficient cash from operations to fund Asset Renewal over the life of the 10 year plan and repay debt in approximately 28 years, well within the average useful life of Council's depreciable assets (around 66 years). This principle is considered to strike an appropriate balance between financial cost and intergenerational equity. This does not mean that Council will have $Nil debt in approximately 28 years' time as Council will continue to take out and repay debt in the future as assets are renewed, wear out and replaced in perpetuity. What it means is that the debt taken out over the 10 year plan (including the debt as at today) will be repaid in approximately 28 years, a period less than the common house mortgage;
- Targeted financial and efficiency savings of $351,000 in 2016/17 in addition to the $3.4 million delivered since 2012;
- A provision of $500,000 per annum to undertake operating projects and other one-off priorities (plus a further $210,300 for the balance of 2015/16 Operating projects re-scheduled from to 2016/17);

- New and improved services totalling $534,000 per annum (with an associated one-off $3.11 million capital investment);
- Capital replacement program of $21.1 million for 2016/17 in line with Council's Asset Management Plans and schedules working towards addressing the asset renewal deficit and including $3.8 million re-scheduled from 2015/16;
- New Capital expenditure of $5.2 million for 2016/17 including $1.7 million re-scheduled from 2015/16; and
- A projected underlying operating surplus for 2016/17 of $1.2 million (excluding non-cash gains / losses from subsidiaries and other one-off items) and a headline operating surplus of $1.7 million (excluding subsidiaries), and a debt repayment term in approximately 28 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 continues to place Council in a solid 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:

STRATEGIC PLAN

Community Aspirations

PROGRESS REPORT

4 year review from outgoing Council including performance against strategic indicators, measures and actions

BUSINESS PLAN AND BUDGET

Organisation's Response

ANNUAL REPORT

Financial Year July-June

Including performance against annual measures and actions

CORPORATE PERFORMANCE REPORT TO COUNCIL

Performance reports against initiatives, capital works and key performance indicators

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 2016/17 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:

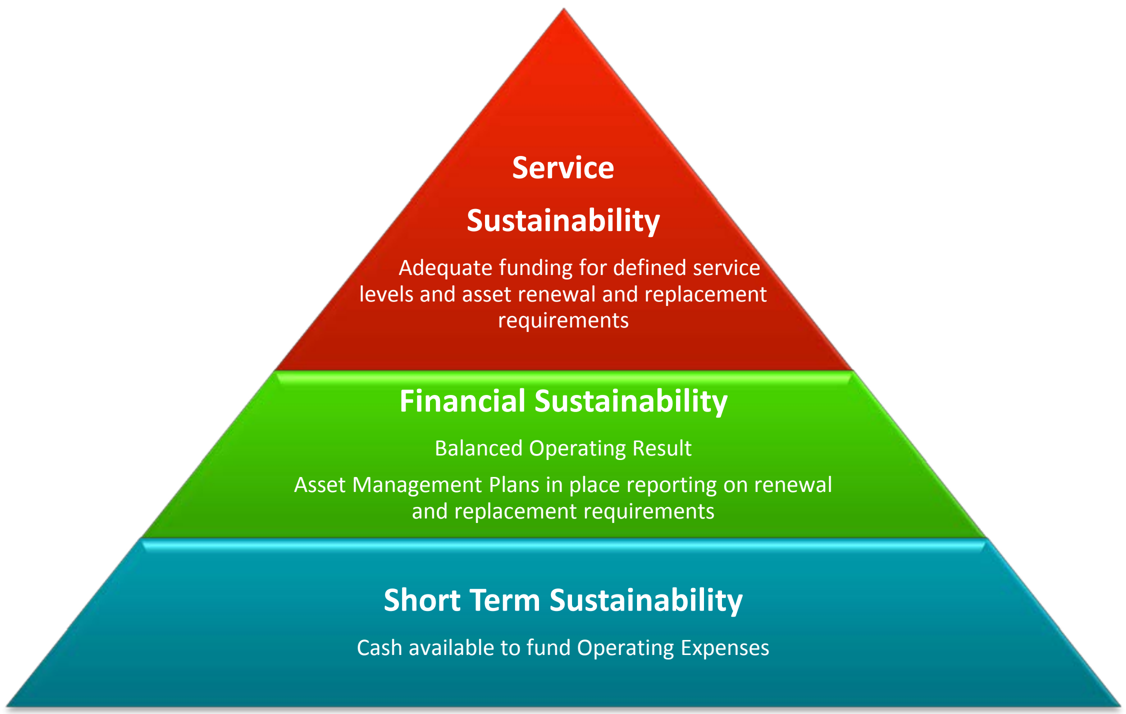
PLANNING FOR TOMORROW'S COMMUNITY TODAY

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

Since 2012 Council has delivered over $3.4 million in savings with a further $351,000 incorporated into this Long Term Financial Plan, a total of $3.75 million in savings. With a budget in surplus for 2016/17 and a robust Long Term Financial Plan, Council continues to focus on strategic financial and service delivery considerations and consolidate its recent financial progress. This shift of focus is demonstrated in the Long Term Financial Plan which generates sufficient cash from operations to repay debt in approximately 28 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 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 60% 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 2016/17 of $1.2 million (excluding non-cash gains / losses from subsidiaries and other one-off items) and a headline operating surplus of $1.7 million (excluding subsidiaries). 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 in approximately 28 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 2016/17 Long Term Financial Plan includes $55,000 in cost shifting in the form of reduced grant funding, which impacts the rates increase by 0.11% in 2016/17.
  - On 4th July 2016 the State Government announced an increase in the Solid Waste Levy of 22.6% to take effect on 1st September 2016. This will result in a decrease to the underlying surplus of $164,000 and increased the Debt Repayment Term from 24 years to 28 years. Provision has been made in future years for the cost shifting of the solid waste levy.
- 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 the prior year 2015/16 Long Term Financial Plan due to the receipt in advance of a component of the Financial Assistance Grant. Council received a payment of $1.1 million (equivalent to half of the 2015/16 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 2014/15 was artificially inflated by $1.1 million and artificially deflated by $1.1 million in 2016/17.
- Of all the potential future risks to the Long Term Financial Plan perhaps the biggest is Rate Capping. Rate capping is being considered and could be introduced by the State Government, which would mean that the Council's future ability to generate income and provide services to the community would be restricted. The introduction of rate capping could mean no new services without approval from the State Government; this would include initiatives in the 2016/2017 budget such as new footpath construction in the hills and upgrades to the Hewett Reserve sporting facilities. Inter-state, rate capping has led to reduced services, not increased efficiencies.

  Council already provides transparency when setting rates and consults with the community. Rate capping could mean that the community will be less involved in the decisions of Council and the services provided.

4.0 How does this plan compare to the 2015/16 plan?

A broad comparison of this Long Term Financial Plan with the 2016/17 projections contained in the previous Long Term Financial Plan shows an improvement in the operating result from a surplus projected last year of $2.5 million to a surplus of $1.5 million (including Council subsidiaries and one-off items), a reduction of $1.0 million.

	Previous Plan 2016/17 $'000	This Plan 2016/17 $'000	Variation $'000
Rates (inc. NRM Levy)	51,379	50,795	(584)
Statutory Charges	1,578	1,710	133
User Charges	551	577	26
Grants, subsidies, contributions	5,592	5,048	(544)
Investment Income	318	108	(210)
Reimbursements	173	197	25
Other Income	260	487	227
Gain - Joint ventures & associates	60	-	(60)
Operating Income	**59,910**	**58,922**	**(987)**
Employee costs	23,215	22,839	(376)
Materials, contracts & other expenses	20,233	20,815	582
Finance costs	672	521	(150)
Depreciation and Amortisation	13,284	13,020	(264)
Loss - Joint ventures & associates	-	246	246
Operating Expense	**57,404**	**57,441**	**38**
Operating Result Surplus/(Deficit)	**2,506**	**1,481**	**(1,025)**
Renewal Capital Expenditure	17,887	21,087	3,200
New Capital Expenditure	2,483	5,214	2,731
Net Financial Liabilities	16,749	18,051	1,302

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 $584,000 is primarily a result of Council setting a 2.75% general rate increase for 2016/17 as opposed to a 3.99% rate increase as was projected for 2016/17 in the previous Long Term Financial Plan of 12 months ago.
- The increase in statutory charges revenue is due to parking fine income (increased resources to issue fines) and animal registrations rising (increase in animals/conscientious owners).
- A re-timing of Roads 2 Recovery grants payments to future years as advised by the Federal Government has resulted in a decrease to the 2016/17 Roads 2 Recovery grant payment of around $541,000 which has been delayed to 2017/18. The Council has also not provided for an advance payment of the Financial Assistance Grant for 2016/17 as was calculated in the prior year Long Term Financial Plan. These amounts are considered one-off and are not included when quoting Council's underlying surplus and importantly not included when using the underlying operating surplus in financial ratios.
- The decrease in investment income is due to the drop in cash on hand available to be invested, cash has been used to fund asset purchases in place of increasing borrowings.
- The increase in other income is for the estimated revenue from sale of recyclables.

- The decrease in employee costs of $376,000 (below those projected in the previous plan) can be attributed to the changes in CPI from the previous plan to the 2016/17 Plan. Employee costs have been based on an estimate in lieu of a new Enterprise Bargaining Agreement being in place at the time of the Long Term Financial Plan being published.
- The increase in materials, contracts and other expenses is due to re-budgeting of operating projects from 2015/16 into 2016/17 of $210,300. It also includes $164,000 for the solid waste levy and a mixture of new and improved services, financial savings and efficiencies.
- The decrease in finance costs is due to new capital and services being funded from cash instead of increasing borrowings, which lowers the interest cost.
- Annual depreciation has decreased by $264,000 due to the reduction in the indexation factor to 0.70% for 2016/17, compared with that forecast 12 months ago of 3.10%.
- Gain on subsidiaries of $60,000 in the prior plan has now been forecast as a loss on subsidiaries of $246,000 for 2016/17.
- Re-scheduled expenditure of $3.8 million from 2015/16 to 2016/17 is the main contributor to the increase noted in the Asset Replacement Program.
- The New Capital expenditure increased due to an additional $0.6 million of new and enhanced services that were not in the previous Long Term Financial Plan, $0.4 million one-off capital investment required to achieve financial savings and the re-budgeting of expenditure from 2015/16 to 2016/17 of $1.7 million.
- The increase in Net Financial Liabilities reflects the termination of the advance payment of the Financial Assistance Grant for 2016/17 as was calculated in the previous Long Term Financial Plan.

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. 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 Table 1 on page 14.

Table 1.

Economic Indicator / Assumption	Drives	2016/17 Year 1	2017/18 Year 2	2018/19 Year 3	2019/20 Year 4	2020/21 to 2025/26 Year 5 to 10
Revenue						
Consumer Price Index	Statutory Charges, Grants and Subsidiaries, Reimbursements, Other Revenue	0.70%	1.60%	1.10%	1.10%	Between 1.20% - 1.30%
Local Government Price Index	User Charges	0.70%	1.50%	1.20%	1.10%	Between 1.20% - 1.30%
Residential and Other Rate Increase	Residential and Other Rates	2.75%	2.39%	2.23%	1.90%	Between 2.03% - 2.24%
Commercial / Industrial / Vacant Land Rate Increase	Commercial / Industrial and Vacant Land Rates	2.75%	2.39%	2.23%	1.90%	Between 2.03% - 2.24%
Investment Interest Rate	Investment Income	2.45%	2.45%	2.45%	2.45%	2.45%
Expenditure						
Local Government Price Index (Total)	Contractual Services, Materials, Other Expenses	0.80%	1.50%	1.20%	1.20%	Between 1.20% - 1.30%
Local Government Price Index (Capital)	Capital Expenditure Indexation, Depreciation, Asset Revaluations	0.60%	1.80%	1.40%	1.20%	Between 1.30% - 1.50%
EB increments	Employee Costs within EB timeframe	-	-	-	-	-
Consumer Price Index (CPI)	Employee Costs post EB timeframe	1.70%	1.60%	1.10%	1.10%	Between 1.20% - 1.30%
Superannuation	Employee Costs	9.50%	9.50%	9.50%	9.50%	Increasing to 12% by 2025/26
Loan Interest Rate – Fixed Term	Long Term Loan Interest Expenses	4.10%	4.10%	4.10%	4.10%	4.10%
Loan Interest Rate – Variable	Cash Advance Debenture Interest Expense	4.25%	4.25%	4.25%	4.25%	4.25%

The Consumer Price Index (CPI) of 0.70% for Year 1 drives non-rates income, the Local Government Price Index (LGPI), which drives expenditure on contractual services and materials is 0.80% (both indices as at March 2016). 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 projections for Years 2 - 10 are based on the average of the past three years.

The loan interest rates are based on Local Government Financing Authority (LGFA) lending rates for Year 1. Years 2 -10, the Long Term Financial Plan has assumed no movement in the rate. 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

Council has taken a simple but conservative approach and has allowed for interest rates of around 4.10% 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 0.70% for 2016/17, which is based upon the latest 2016/17 South Australian CPI published by the Australian Bureau of Statistics for December 2015. This Plan conservatively forecasts 1.10% - 1.60% for Years 2 - 10 of the Plan.

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'. This Plan conservatively forecasts 1.20% - 1.50% for Years 2 - 10 of the Plan.

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 2015/16 Financial Assistance Grant). 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 has been incorporated into this Plan resulting in a reduction of grant income in real terms of $55,000 in 2016/17. 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 2 Recovery program. As a result, Council will receive $1.2 million in 2016/17 relating to the Roads 2 Recovery funding. 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 2016/17 Long Term Financial Plan as a one-off cash amount in 2016/17. 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.

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 2012/13, 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

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 2016/17 Long Term Financial Plan includes $55,000 in cost shifting in the form of reduced grant funding, which impacts the rates increase by 0.11% in 2016/17..
- On 4 July 2016 the State Government announced an increase in the Solid Waste Levy. This will result in a decrease to the underlying surplus of $164,000 and increased the Debt Repayment Term from 24 years to 28 years. Provision has been made in future years for the cost shifting of the solid waste levy.

Superannuation Guarantee

As part of the 2014 Federal Budget, the Federal Government announced that superannuation will increase progressively from 9.0% to 12.0% in accordance with the table below. Any future changes to the superannuation legislation outside of the current projected trajectory to 12.0%, as shown below, has the potential to impact the Plan and Council's financial position.

Year	Contribution Rate
2016/17	9.5%
2017/18	9.5%
2018/19	9.5%
2019/20	9.5%
2020/21	9.5%
2021/22	10.0%
2022/23	10.5%
2023/24	11.0%
2024/25	11.5%
2025/26	12.0%

Rate Capping

Of all the potential future risks to the Long Term Financial Plan perhaps the biggest is Rate Capping. Rate capping is being considered and could be introduced by the State Government, which would mean that the Council's future ability to generate income and provide services to the community would be restricted.

Rate capping does not recognise the impact on revenue from externally imposed decisions from different levels of government eg cost shifting, non-indexation of grants to cover inflation, increase in levies and additional regulatory requirements. Council would need to apply for exemptions to cover such costs which could be a costly and time consuming process. Council already provides transparency when setting rates and consults with the community, rate capping could mean that the community will be less involved in the decisions of Council and the services provided.

5.3 Internal Influences and Risks

Infrastructure Asset Management

Local Government is an extremely asset intensive industry. Council currently has around $550 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 23% 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.

The renewal budget for buildings under this 2016/17 Plan incorporated 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 2016, 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 (2017/18) 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.

2014/15 Prior Year Actuals $'000	FINANCIAL PLAN SUMMARY	2015/16 Current Year Estimate $'000	2016/17 Year 1 Plan $'000	2017/18 Year 2 Plan $'000	2018/19 Year 3 Plan $'000	2019/20 Year 4 Plan $'000	2020/21 Year 5 Plan $'000	2021/22 Year 6 Plan $'000	2022/23 Year 7 Plan $'000	2023/24 Year 8 Plan $'000	2024/25 Year 9 Plan $'000	2025/26 Year 10 Plan $'000
55,355	**Operating Income**	**57,275**	**58,922**	**60,314**	**61,384**	**62,936**	**64,595**	**66,319**	**68,015**	**69,978**	**71,939**	**73,534**
224	Including non cash gains on Subsidiaries	330	-	248	497	826	1,182	1,441	1,653	2,075	2,532	2,532
52,757	**Operating Expenses**	**55,131**	**57,441**	**58,670**	**60,027**	**61,271**	**62,544**	**64,129**	**65,601**	**67,088**	**68,579**	**70,188**
-	Including non cash losses on Subsidiaries	-	246	-	-	-	-	-	-	-	-	-
2,598	**Operating Result**	**2,144**	**1,481**	**1,644**	**1,357**	**1,665**	**2,051**	**2,190**	**2,414**	**2,890**	**3,360**	**3,346**
2,374	**Operating Result (excluding non cash gains/losses from subsidiaries and other one off items)**	**1,814**	**1,727**	**1,396**	**860**	**839**	**869**	**749**	**761**	**815**	**828**	**814**
2,374	**Net Financial Liabilities**	13,327	18,051	20,439	23,596	26,042	30,470	32,892	34,575	35,346	35,625	34,156

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 $35.6 million in Year 9 which is 59.6% 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 $26.45 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 in approximately 28 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 60% 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 Indicator

On 25 August 2015 Council adopted the Financial Indicators and Measures Policy which sets the ratios and targets with regard to financial sustainability to be used by Council in the development of the Annual Budget / Business Plan, Long Term Financial Plan, Asset Management Plans, budget reviews and other financial decisions. It outlines the measures by which Council will assess the implications of financial decisions on its financial position and financial sustainability.

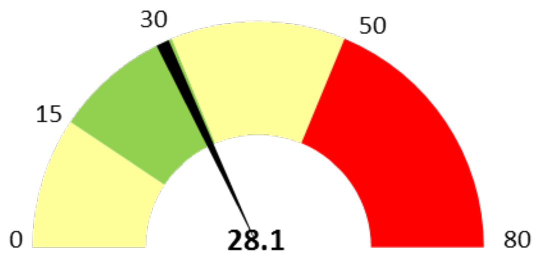
The following table provides a summary of Council's financial indicators.

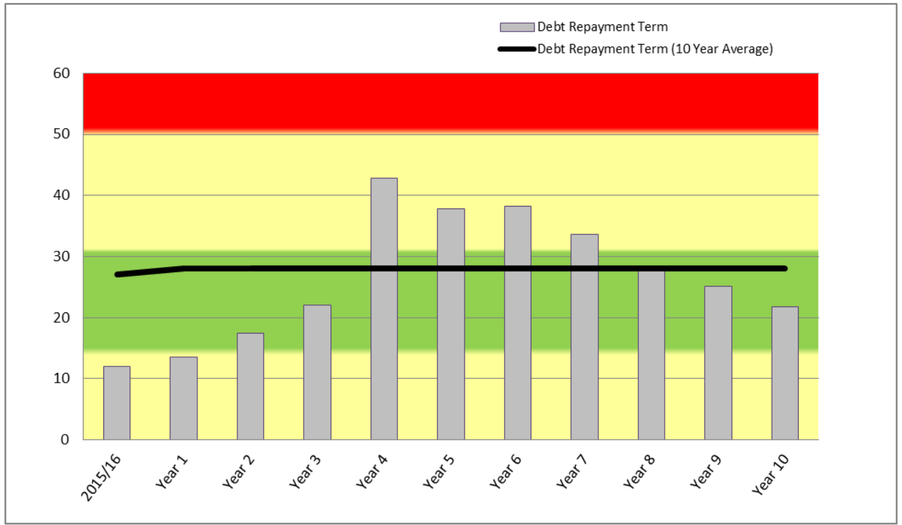
2014/15 Prior Year Actuals	KEY FINANCIAL INDICATORS	2015/16 Current Year Estimate	2016/17 Year 1 Plan	2017/18 Year 2 Plan	2018/19 Year 3 Plan	2019/20 Year 4 Plan	2020/21 Year 5 Plan	2021/22 Year 6 Plan	2022/23 Year 7 Plan	2023/24 Year 8 Plan	2024/25 Year 9 Plan	2025/26 Year 10 Plan
4.0	**Debt Repayment Term**	11.9	13.5	17.4	22.0	42.7	37.8	38.2	33.7	28.5	25.2	21.8
20.0	**- 10 year average**	27.1	28.1									
124.9%	**Asset Renewal Funding Ratio - %**	74.2%	70.2%	94.2%	92.0%	96.0%	84.1%	96.6%	101.5%	108.8%	105.0%	113.9%
100.6%	**- 10 year average**	92.3%	96.2%									
5.2%	**Operating Result Ratio - %**	3.8%	3.5%	2.8%	1.7%	1.6%	1.6%	1.3%	1.3%	1.4%	1.4%	1.3%
2.9%	**- 10 year average**	2.0%	1.8%									
72.2%	**Asset Sustainability Ratio - %**	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
96.8%	**- 10 year average**	100.0%	100.0%									
7.6%	**Net Financial Liabilities Ratio - %**	27.8%	36.6%	40.4%	45.5%	49.1%	56.2%	59.2%	60.7%	60.5%	59.6%	55.7%
35.3%	**- 10 year average**	49.5%	52.3%									
0.3%	**Interest Cover Ratio - %**	0.3%	0.8%	1.3%	1.4%	1.6%	1.6%	1.9%	1.9%	2.0%	1.9%	1.9%
1.0%	**- 10 year average**	1.5%	1.6%									

The following financial indicators are based on a 10 year average in line with the Financial Indicators and Measures Policy.

- Green indicates a healthy / sustainable result / position
- Yellow indicates a less healthy result / position that will require attention in the near future and is not sustainable for the long term
- Red indicates an unsustainable result / position that requires immediate attention

7.1 Debt Repayment Term





Calculated as:

Amount of time (in years) over which the repayment of existing debt and debt taken out across the 10 years of the Plan is funded based on forecast surplus cash from operations. Surplus cash is calculated as cash from operations excluding non-cash items, one-off items and asset renewal expenditure.

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.

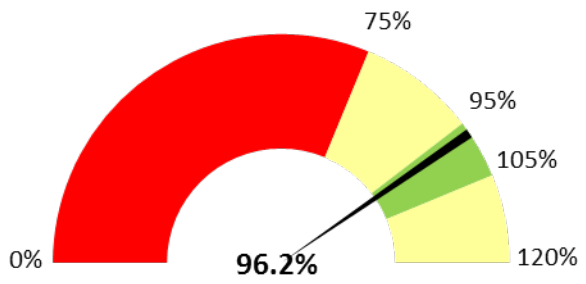
Target Range

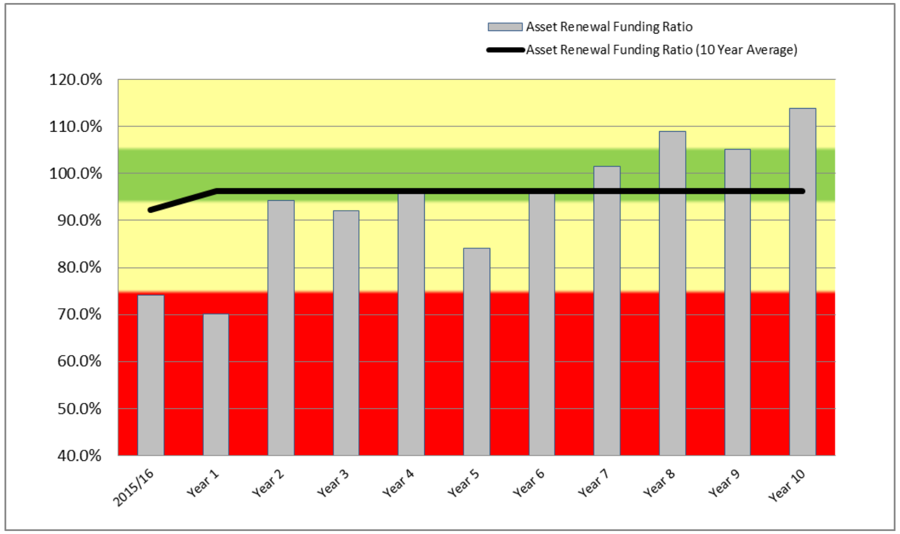
In considering the right balance between minimising interest costs and applying the intergenerational principal from a direct service benefit point of view it is considered that a timeframe of between 10 -30 years is better applied to the repayment of debt. This is conservative from the perspective that the weighted average of assets is about 66 years, however, strikes a balance between intergenerational equity and interest costs and allows Council to ensure financial sustainability.

Long Term Financial Plan Commentary

Council is generating sufficient cash from operations to fund asset renewal over the life of the 10 year plan and repay debt in approximately 28 years, well within the average useful life of Council's depreciable assets (around 66 years). This principle is considered to strike an appropriate balance between financial cost and intergenerational equity. This does not mean that Council will have $Nil debt in approximately 28 years' time as Council will continue to take out and repay debt in the future as assets are renewed, wear out and replaced in perpetuity. What it means is that the debt taken out over the ten year Long Term Financial Plan (including the debt as at today) will be repaid in approximately 28 years, a period less than the common house mortgage.

7.2 Asset Renewal Funding Ratio





Calculated as:

Cash flow from operations expressed as a percentage of the average asset replacement requirement from the Asset Management Plans and Schedules.

Purpose

This indicator measures whether Council is generating enough cash from its operations to cover the replacement of assets over time. This ensures that Council is delivering intergenerational equity across the lifecycle of asset replacement.

Target Range

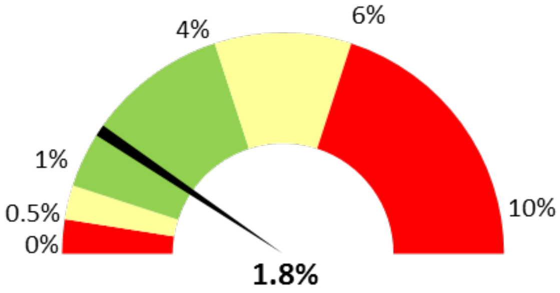
In general Council should be targeting an average of at least 100% and in line with the debt repayment term.

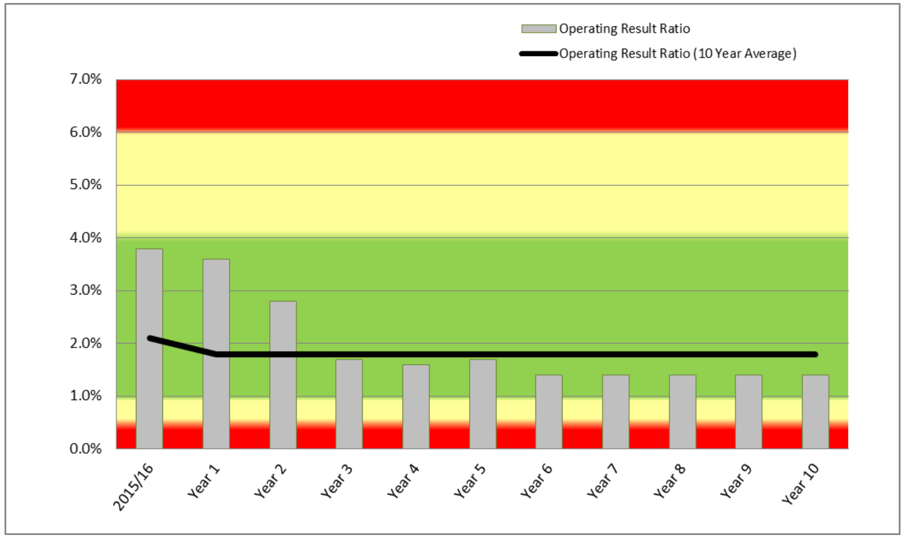
It is considered appropriate to use the 20 year asset renewal information. However, at this stage, and until all the Asset Management Plans are finalised, Council will be basing it on the 10 years asset renewal information included within Council's Long Term Financial Plan.

Long Term Financial Plan Commentary

Council is generating sufficient cash from operations to fund asset renewal over the life of the 10 year plan to fund the average asset replacement requirement from the Asset Management Plans and Schedules.

7.3 Operating Result Ratio





Calculated as:

Operating result (excluding non-cash gains / losses from equity accounted subsidiaries) expressed as a percentage of Council rates income, less NRM levy.

Purpose

This ratio is designed to identify the portion of Council's rates (the main source of Council controlled income) 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 operating result as a percentage of Council's rates.

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.

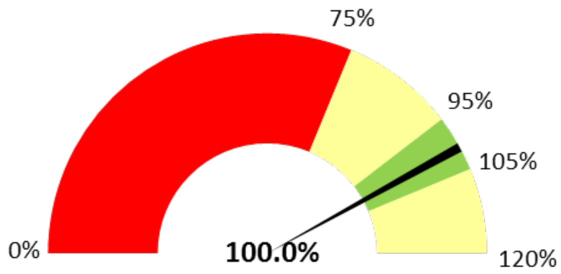
Target Range

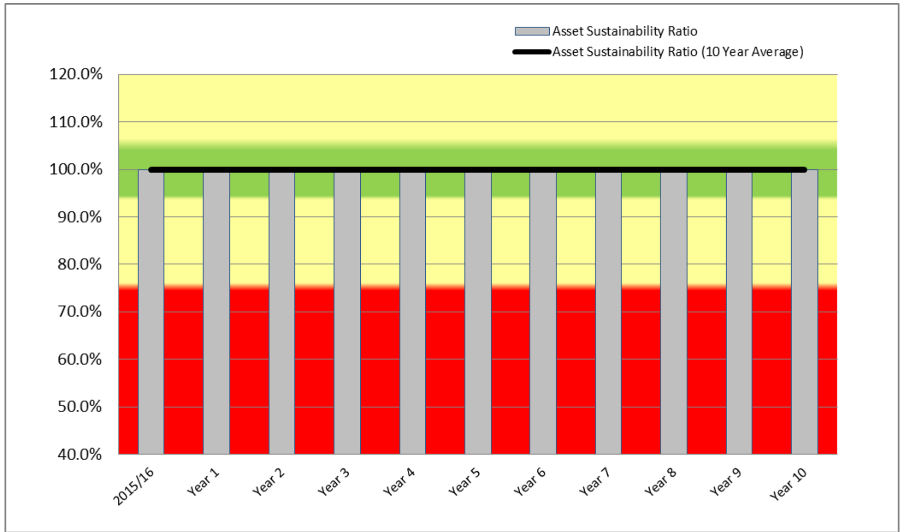
In general, Council should not be targeting operating deficits nor should it be targeting large operating surpluses. Both of these results negatively affect intergenerational equity. The adopted Council target for this ratio is between 1% and 4% across the 10 year Long Term Financial Plan term.

Long Term Financial Plan Commentary

Council is generating a moderate level of operating result as a percentage of Council rates over the life of the 10 year plan to alleviate the risk of a negative impact on intergenerational equity.

7.4 Asset Sustainability Ratio





Calculated as:

Amount spent on replacement of existing assets expressed as a percentage of the amount planned to be spent according to the endorsed Asset Management Plans and Schedules.

Purpose

This indicator measures the extent to which Council is replacing assets compared to the rate at which it needs to be replacing assets to ensure consistent service delivery. In effect, it measures whether Council is spending the amount required annually to deliver the Asset Management Plans and Schedules.

It is important to note that this indicator does not measure if Council is funding the asset replacement requirements from sustainable sources (refer 7.2 - Asset Renewal Funding Ratio) but is simply measuring if Council is performing the required work to replace assets and maintain the level of service and asset conditions.

Target Range

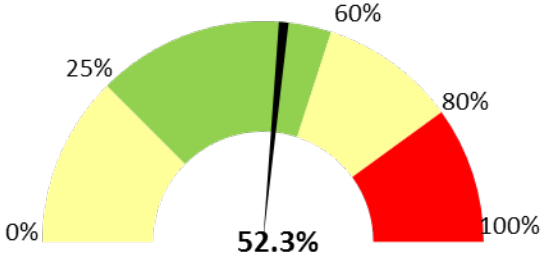
In general Council should be targeting on average to spend at least 100% of the gross replacement requirements over time in relation to Council's existing assets.

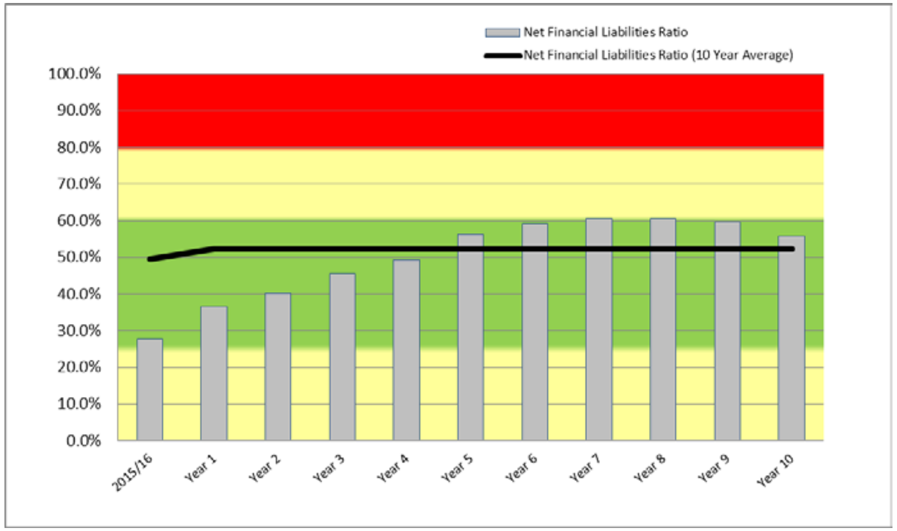
It is considered appropriate to use the 20 year asset information contained in the Asset Management Plans. However, at this stage, and until all the Asset Management Plans are finalised, Council will be basing it on the 10 years asset information included within Council's Long Term Financial Plan.

Long Term Financial Plan Commentary

Over the life of the 10 year plan, Council sits comfortably within the range 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 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.

7.5 Net Financial Liabilities Ratio





Calculated as:

Net financial liabilities and reserves 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 Council's net financial liabilities as a percentage of its rates income. It measures the absolute level of Council debt (including potential debt in the form of undrawn reserves) and articulates how much of Council's annual rates income would be required to repay that debt if Council were to wind up.

Any organisation involved in long term projects, perpetual service delivery and asset creation requires access to debt. Debt is a healthy source of finance 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.

If total debt is too high it is arguable that current ratepayers are not paying their way, leaving too much of the burden to future generations. Equally, if total debt is too low it is arguable that current ratepayers are being asked to pay too much of the burden at the benefit of future ratepayers, or alternatively that infrastructure renewal is being deferred and assets run down for future generations to deal with.

It is also important to note that when considering the net financial liabilities as a percentage of rates 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 discretionary income as the individual has a finite working life and, therefore, a finite source of income.

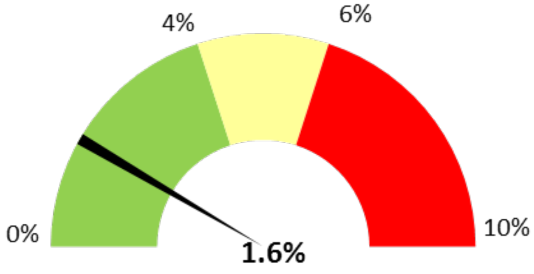
Upper Limit

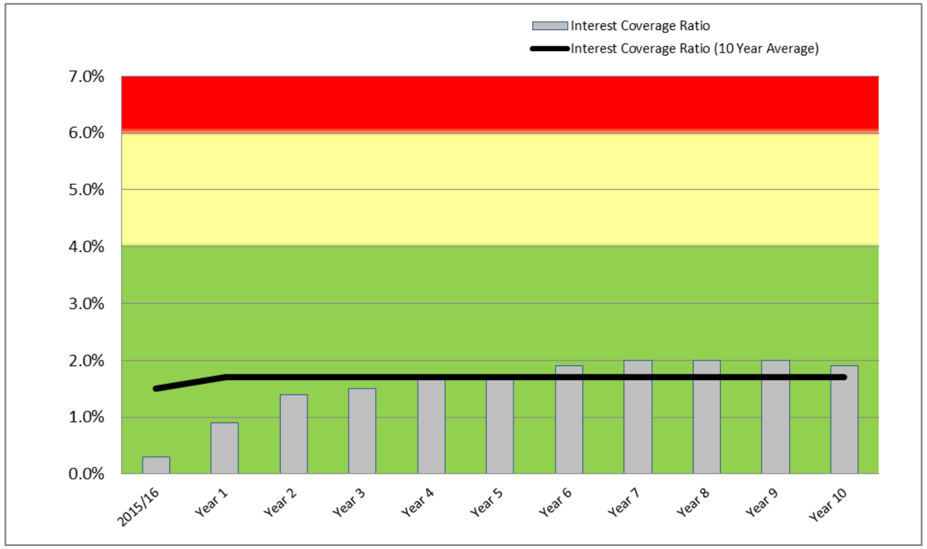
In general, Council should be managing a level of debt to ensure the best balance between current and future ratepayers for long-lived infrastructure costs, thus delivering intergenerational equity. The adopted Council target for the ratio is to be within 60% on average over the 10 year Long Term Financial Plan term with ability to increase to 80% in relation to projects / investments that Council considers being of strategic significance.

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 $26.45 million over the next 10 years. The ratio however remains under the upper limit of 60% reflecting the affordability of and sustainability of Council's current and future level of debt.

7.6 Interest Coverage Ratio





Calculated as:

Net interest expense expressed as a percentage of rates income.

Purpose

This indicator measures the affordability of Council's debt and articulates the portion of Council's rates income that is being used to pay interest. When considered in conjunction with 7.5 - Net Financial Liabilities Ratio (above) and 7.1 - Debt Repayment Term (above), this ratio forms part of a picture in terms of the level and affordability of Council's debt and the timeframe over which it is repaid.

Upper Limit

Council considers that interest expense of greater than 6% of its rates income (6 cents in every $1 of rates income) indicates a servicing cost of debt that is too high and working against the principle of intergenerational equity.

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 6% adopted by Council under the assumption that interest rates remain at or around 4.10% over the life of the Long Term Financial Plan.

Council's interest costs increase as a portion of total operating income over Years 2 - 10 of the Long Term Financial Plan as a result of investing in the reduction of Council's infrastructure backlog. However the ratio on average is 1.6% over the 10 year plan reflecting the affordability of the additional investment into new and enhanced services over the forward estimates with only 1.6 cents in the dollar being used to service debt.

8.0 Forecast Financial Statements

8.1 Forecast Statement of Comprehensive Income

2014/15 Prior Year Actuals $'000	STATEMENT OF COMPREHENSIVE INCOME	2015/16 Current Year Estimate $'000	2016/17 Year 1 Plan $'000	2017/18 Year 2 Plan $'000	2018/19 Year 3 Plan $'000	2019/20 Year 4 Plan $'000	2020/21 Year 5 Plan $'000	2021/22 Year 6 Plan $'000	2022/23 Year 7 Plan $'000	2023/24 Year 8 Plan $'000	2024/25 Year 9 Plan $'000	2025/26 Year 10 Plan $'000
	INCOME											
47,353	Rates (inc. NRM Levy)	49,280	50,795	52,130	53,411	54,552	55,795	57,169	58,560	60,008	61,416	62,917
1,725	Statutory Charges	1,695	1,710	1,738	1,757	1,776	1,799	1,821	1,843	1,865	1,887	1,910
568	User Charges	557	577	585	592	599	607	614	621	629	636	644
4,191	Grants, subsidies, contributions	4,384	5,048	4,843	4,349	4,397	4,454	4,507	4,561	4,616	4,671	4,727
362	Investment Income	341	108	75	75	76	39	39	39	40	40	41
209	Reimbursements	169	197	200	203	205	207	210	212	215	218	220
723	Other Income	519	487	495	500	505	512	518	526	530	539	543
224	Gain - Joint ventures & associates	330	-	248	497	826	1,182	1,441	1,653	2,075	2,532	2,532
55,355	**Total Revenues**	**57,275**	**58,922**	**60,314**	**61,384**	**62,936**	**64,595**	**66,319**	**68,015**	**69,978**	**71,939**	**73,534**
	EXPENSES											
20,738	Employee costs	22,433	22,839	22,929	23,181	23,436	23,741	24,144	24,555	24,972	25,397	25,829
19,175	Materials, contracts & other expenses	19,679	20,815	21,429	22,148	22,745	23,363	24,004	24,664	25,345	26,047	26,876
516	Finance costs	465	521	754	824	929	919	1,073	1,146	1,192	1,205	1,201
12,328	Depreciation and Amortisation	12,554	13,020	13,558	13,874	14,161	14,521	14,908	15,236	15,579	15,930	16,282
	Loss - Joint ventures & associates	-	246	-	-	-	-	-	-	-	-	-
52,757	**Total Expenses**	**55,131**	**57,441**	**58,670**	**60,027**	**61,271**	**62,544**	**64,129**	**65,601**	**67,088**	**68,579**	**70,188**
2,598	**OPERATING SURPLUS/(DEFICIT)**	**2,144**	**1,481**	**1,644**	**1,357**	**1,665**	**2,051**	**2,190**	**2,414**	**2,890**	**3,360**	**3,346**
(35)	Asset disposal and fair value adjustments	20	-	-	-	-	-	-	-	-	-	-
1,501	Amounts received specifically for new or upgraded assets	332	49	-	-	-	-	-	-	-	-	-
1,475	Physical resources free of charge	-	-	-	-	-	-	-	-	-	-	-
5,539	**NET SURPLUS/(DEFICIT)**	**2,496**	**1,530**	**1,644**	**1,357**	**1,665**	**2,051**	**2,190**	**2,414**	**2,890**	**3,360**	**3,346**
	Other Comprehensive Income											
(9,261)	Changes in revaluation surplus - infrastructure, property, plant and equipment	13,247	3,266	10,072	8,028	7,025	8,936	8,540	8,082	8,851	8,997	9,139
(7,809)	Share of other comprehensive income - equity accounted Council businesses	-	-	-	-	-	-	-	-	-	-	-
(17,070)	**Total Other Comprehensive Income**	**13,247**	**3,266**	**10,072**	**8,028**	**7,025**	**8,936**	**8,540**	**8,082**	**8,851**	**8,997**	**9,139**
(11,531)	**TOTAL COMPREHENSIVE INCOME**	**15,743**	**4,796**	**11,716**	**9,385**	**8,690**	**10,987**	**10,730**	**10,496**	**11,741**	**12,357**	**12,485**

8.2 Forecast Balance Sheet

2014/15 Prior Year Actuals $'000	BALANCE SHEET	2015/16 Current Year Estimate $'000	2016/17 Year 1 Plan $'000	2017/18 Year 2 Plan $'000	2018/19 Year 3 Plan $'000	2019/20 Year 4 Plan $'000	2020/21 Year 5 Plan $'000	2021/22 Year 6 Plan $'000	2022/23 Year 7 Plan $'000	2023/24 Year 8 Plan $'000	2024/25 Year 9 Plan $'000	2025/26 Year 10 Plan $'000
	ASSETS											
	Current Assets											
10,391	Cash and cash equivalents	7,768	4,032	4,092	4,142	2,096	2,123	2,148	2,174	2,200	2,227	2,253
2,657	Trade and other receivables	3,034	3,145	3,196	3,231	3,267	3,309	3,349	3,389	3,430	3,471	3,512
65	Inventories	67	67	68	69	70	71	72	73	74	75	76
13,113		**10,869**	**7,244**	**7,356**	**7,442**	**5,433**	**5,503**	**5,569**	**5,636**	**5,704**	**5,773**	**5,841**
	Non-Current Assets											
11,023	Equity accounted investments in council businesses	11,354	11,108	11,356	11,853	12,679	13,861	15,302	16,956	19,031	21,563	24,095
524,536	Infrastructure, property, plant and equipment	544,335	559,550	573,404	585,448	595,757	609,990	621,699	632,225	642,661	652,764	661,246
2,402	Other non-current assets	2,402	2,402	2,402	2,402	2,402	2,402	2,402	2,402	2,402	2,402	2,402
537,961		**558,091**	**573,060**	**587,162**	**599,703**	**610,838**	**626,253**	**639,403**	**651,583**	**664,094**	**676,729**	**687,743**
551,074	**Total Assets**	**568,960**	**580,304**	**594,518**	**607,145**	**616,271**	**631,756**	**644,972**	**657,219**	**669,798**	**682,502**	**693,584**
	LIABILITIES											
	Current Liabilities											
4,361	Trade and other payables	4,485	4,431	4,497	4,551	4,606	4,665	4,721	4,778	4,835	4,893	4,952
982	Short term borrowings	1,029	1,157	1,783	1,983	2,394	2,720	3,330	3,869	4,326	4,797	5,213
3,712	Short term provisions	3,847	3,873	3,936	3,979	4,023	4,075	4,124	4,173	4,223	4,274	4,325
9,055		**9,361**	**9,461**	**10,216**	**10,513**	**11,023**	**11,460**	**12,175**	**12,820**	**13,384**	**13,964**	**14,490**
	Non-Current Liabilities											
6,040	Long term borrowings	7,831	14,269	15,989	18,916	18,825	22,865	24,618	25,703	25,957	25,705	23,758
1,442	Long term provisions	1,488	1,498	1,521	1,539	1,556	1,577	1,595	1,616	1,636	1,655	1,673
1,442		**9,319**	**15,767**	**17,510**	**20,455**	**20,381**	**24,442**	**26,213**	**27,319**	**27,593**	**27,360**	**25,431**
10,497	**Total Liabilities**	**18,680**	**25,228**	**27,726**	**30,968**	**31,404**	**35,902**	**38,388**	**40,139**	**40,977**	**41,324**	**39,921**
540,577	**NET ASSETS**	**550,280**	**555,076**	**566,792**	**576,177**	**584,867**	**595,854**	**606,584**	**617,080**	**628,821**	**641,178**	**653,663**
	EQUITY											
328,042	Accumulated surplus	330,538	332,068	333,712	335,069	336,734	338,785	340,975	343,389	346,279	349,639	352,985
206,495	Asset revaluation reserve	219,742	223,008	233,080	241,108	248,133	257,069	265,609	273,691	282,542	291,539	300,678
534,537	**TOTAL EQUITY**	**550,280**	**555,076**	**566,792**	**576,177**	**584,867**	**595,854**	**606,584**	**617,080**	**628,821**	**641,178**	**653,663**

8.3 Forecast Statement of Cash Flows

2014/15 Prior Year Actuals $'000	STATEMENT OF CASH FLOWS	2015/16 Current Year Estimate $'000	2016/17 Year 1 Plan $'000	2017/18 Year 2 Plan $'000	2018/19 Year 3 Plan $'000	2019/20 Year 4 Plan $'000	2020/21 Year 5 Plan $'000	2021/22 Year 6 Plan $'000	2022/23 Year 7 Plan $'000	2023/24 Year 8 Plan $'000	2024/25 Year 9 Plan $'000	2025/26 Year 10 Plan $'000
	CASH FLOWS FROM OPERATING ACTIVITIES											
	Receipts											
56,679	Operating receipts	56,550	58,793	59,940	60,776	61,999	63,332	64,800	66,282	67,823	69,325	70,920
563	Investment receipts	341	108	75	75	76	39	39	39	40	40	41
	Payments											
516	Finance payments	465	521	754	824	929	919	1,073	1,146	1,192	1,205	1,201
42,294	Operating payments to suppliers and employees	41,809	43,581	44,207	45,215	46,067	46,973	48,026	49,095	50,192	51,317	52,578
14,432	**Net Cash provided by (or used in) Operating Activities**	**14,617**	**14,799**	**15,054**	**14,812**	**15,079**	**15,479**	**15,740**	**16,080**	**16,479**	**16,843**	**17,182**
	CASH FLOWS FROM INVESTING ACTIVITIES											
	Receipts											
1,501	Amounts received specifically for new or upgraded assets	11	-	-	-	-	-	-	-	-	-	-
815	Sale of replaced assets	617	935	804	677	758	1,136	792	777	749	920	786
789	Sale of surplus assets	381	445	350	-	-	-	-	-	-	-	-
	Payments											
21	Investment in Joint Venture Activities	-	-	-	-	-	-	-	-	-	-	-
11,558	Expenditure on Renewal/Replacement of Assets	17,017	21,087	15,973	16,093	15,700	18,413	16,292	15,845	15,146	16,035	15,089
3,241	Expenditure on New/Upgraded Assets	3,068	5,214	2,521	2,474	2,504	2,541	2,577	2,610	2,767	1,920	1,322
(11,715)	**Net Cash Provided by (or used in) Investing Activities**	**(19,076)**	**(24,921)**	**(17,340)**	**(17,890)**	**(17,446)**	**(19,818)**	**(18,077)**	**(17,678)**	**(17,164)**	**(17,035)**	**(15,625)**
	CASH FLOWS FROM FINANCING ACTIVITIES											
	Receipts											
-	Proceeds from Borrowings	3,000	7,543	4,129	5,111	2,715	7,086	5,692	5,493	5,037	5,016	3,682
	Payments											
955	Repayments of Borrowings	1,164	1,157	1,783	1,983	2,394	2,720	3,330	3,869	4,326	4,797	5,213
(955)	**Net Cash provided by (or used in) Financing Activities**	**1,836**	**6,386**	**2,346**	**3,128**	**321**	**4,366**	**2,362**	**1,624**	**711**	**219**	**(1,531)**
1,762	**Net Increase/(Decrease) in cash held**	**(2,623)**	**(3,736)**	**60**	**50**	**(2,046)**	**27**	**25**	**26**	**26**	**27**	**26**
8,629	Opening cash, cash equivalents or (bank overdraft)	10,391	7,768	4,032	4,092	4,142	2,096	2,123	2,148	2,174	2,200	2,227
10,391	**Closing cash, cash equivalents or (bank overdraft)**	**7,768**	**4,032**	**4,092**	**4,142**	**2,096**	**2,123**	**2,148**	**2,174**	**2,200**	**2,227**	**2,253**

8.4 Forecast Statement of Changes in Equity

2014/15 Prior Year Actuals $'000	STATEMENT OF CHANGES IN EQUITY	2015/16 Current Year Estimate $'000	2016/17 Year 1 Plan $'000	2017/18 Year 2 Plan $'000	2018/19 Year 3 Plan $'000	2019/20 Year 4 Plan $'000	2020/21 Year 5 Plan $'000	2021/22 Year 6 Plan $'000	2022/23 Year 7 Plan $'000	2023/24 Year 8 Plan $'000	2024/25 Year 9 Plan $'000	2025/26 Year 10 Plan $'000
	ACCUMULATED SURPLUS											
322,503	**Balance at beginning of period**	**328,042**	**330,538**	**332,068**	**333,712**	**335,069**	**336,734**	**338,785**	**340,975**	**343,389**	**346,279**	**349,639**
5,539	Net surplus / (deficit) for year	2,496	1,530	1,644	1,357	1,665	2,051	2,190	2,414	2,890	3,360	3,346
-	Transfers to Other Reserves	-	-	-	-	-	-	-	-	-	-	-
-	Transfers from Other Reserves	-	-	-	-	-	-	-	-	-	-	-
328,042	**Balance at end of period**	**330,538**	**332,068**	**333,712**	**335,069**	**336,734**	**338,785**	**340,975**	**343,389**	**346,279**	**349,639**	**352,985**
	ASSET REVALUATION RESERVE											
223,565	**Balance at beginning of period**	**206,495**	**219,742**	**223,008**	**233,080**	**241,108**	**248,133**	**257,069**	**265,609**	**273,691**	**282,542**	**291,539**
(9,261)	Transfer to reserve - revaluation increment/(decrement)	13,247	3,266	10,072	8,028	7,025	8,936	8,540	8,082	8,851	8,997	9,139
(7,809)	Share of other comprehensive income - equity accounted Council businesses	-	-	-	-	-	-	-	-	-	-	-
206,495	**Balance at end of period**	**219,742**	**223,008**	**233,080**	**241,108**	**248,133**	**257,069**	**265,609**	**273,691**	**282,542**	**291,539**	**300,678**
	OTHER RESERVES											
-	**Balance at end of previous reporting period**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-	Transfers from Accumulated Surplus	-	-	-	-	-	-	-	-	-	-	-
-	Transfers to Accumulated Surplus	-	-	-	-	-	-	-	-	-	-	-
0	**Balance at end of period**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
534,537	**TOTAL EQUITY AT END OF REPORTING PERIOD**	**550,280**	**555,076**	**566,792**	**576,177**	**584,867**	**595,854**	**606,584**	**617,080**	**628,821**	**641,178**	**653,663**

8.5 Forecast Uniform Presentation of Finances

2014/15 Prior Year Actuals $'000	UNIFORM PRESENTATION OF FINANCES	2015/16 Current Year Estimate $'000	2016/17 Year 1 Plan $'000	2017/18 Year 2 Plan $'000	2018/19 Year 3 Plan $'000	2019/20 Year 4 Plan $'000	2020/21 Year 5 Plan $'000	2021/22 Year 6 Plan $'000	2022/23 Year 7 Plan $'000	2023/24 Year 8 Plan $'000	2024/25 Year 9 Plan $'000	2025/26 Year 10 Plan $'000
55,355	Operating Revenues	57,275	58,922	60,314	61,384	62,936	64,595	66,319	68,015	69,978	71,939	73,534
52,757	*less; Operating Expenses*	55,131	57,441	58,670	60,027	61,271	62,544	64,129	65,601	67,088	68,579	70,188
2,598	**Operating Surplus/(Deficit)**	**2,144**	**1,481**	**1,644**	**1,357**	**1,665**	**2,051**	**2,190**	**2,414**	**2,890**	**3,360**	**3,346**
	Less: Net Outlays on Existing Assets											
(11,802)	Capital Expenditure on Renewal/Replacement of Existing Assets	(17,017)	(21,087)	(15,973)	(16,093)	(15,700)	(18,413)	(16,292)	(15,845)	(15,146)	(16,035)	(15,089)
12,328	*less; Depreciation, Amortisation & Impairment*	12,554	13,020	13,558	13,874	14,161	14,521	14,908	15,236	15,579	15,930	16,282
815	*less; Proceeds from Sale of Replaced Assets*	617	935	804	677	758	1,136	792	777	749	920	786
1,341		**(3,846)**	**(7,132)**	**(1,611)**	**(1,542)**	**(781)**	**(2,756)**	**(592)**	**168**	**1,182**	**815**	**1,979**
	Less: Net Outlays on New and Upgraded Assets											
(1,834)	Capital Expenditure on New/Upgraded Assets	(3,068)	(5,214)	(2,521)	(2,474)	(2,504)	(2,541)	(2,577)	(2,610)	(2,767)	(1,920)	(1,322)
1,501	*less; Amounts Specifically for New/Upgraded Assets*	11	-	-	-	-	-	-	-	-	-	-
	less; Proceeds from Sale of Surplus Assets	381	445	350	-	-	-	-	-	-	-	-
(333)		**(2,676)**	**(4,769)**	**(2,171)**	**(2,474)**	**(2,504)**	**(2,541)**	**(2,577)**	**(2,610)**	**(2,767)**	**(1,920)**	**(1,322)**
3,606	**Net Lending / (Borrowing) for Financial Year**	**(4,378)**	**(10,420)**	**(2,138)**	**(2,659)**	**(1,620)**	**(3,246)**	**(979)**	**(28)**	**1,305**	**2,255**	**4,003**

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.

2014/15 Prior Year Actuals $'000	FINANCING TRANSACTIONS	2015/16 Current Year Estimate $'000	2016/17 Year 1 Plan $'000	2017/18 Year 2 Plan $'000	2018/19 Year 3 Plan $'000	2019/20 Year 4 Plan $'000	2020/21 Year 5 Plan $'000	2021/22 Year 6 Plan $'000	2022/23 Year 7 Plan $'000	2023/24 Year 8 Plan $'000	2024/25 Year 9 Plan $'000	2025/26 Year 10 Plan $'000
0	New Borrowings	3,000	7,543	4,129	5,111	2,715	7,086	5,692	5,493	5,037	5,016	3,682
(955)	Repayment of Principal on Borrowings	(1,164)	(1,157)	(1,783)	(1,983)	(2,394)	(2,720)	(3,330)	(3,869)	(4,326)	(4,797)	(5,213)
(1,762)	(Increase)/Decrease in Cash and Cash Equivalents	2,623	3,736	(60)	(50)	2,046	(27)	(25)	(26)	(26)	(27)	(26)
51	(Increase)/Decrease in Receivables	(377)	(111)	(50)	(35)	(36)	(42)	(40)	(40)	(41)	(41)	(42)
(342)	Increase/(Decrease) in Payables & Provisions	304	(18)	152	115	115	133	123	127	127	128	128
(598)	Other – Including the Movement in Inventories	(8)	427	(250)	(499)	(826)	(1,184)	(1,441)	(1,657)	(2,076)	(2,534)	(2,532)
(3,606)	**Financing Transactions**	**4,378**	**10,420**	**2,138**	**2,659**	**1,620**	**3,246**	**979**	**28**	**(1,305)**	**(2,255)**	**(4,003)**