CITY OF
MITCHAM

LONG TERM FINANCIAL PLAN

2017/18 – 2026/27

Adopted by Council 27th June 2017

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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 and services.

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 and 2015/16
- ongoing savings of $3.8 million (with an additional efficiency savings target of $500,000 in 2017/18), and
- a Capital Replacement Program that will address the asset renewal backlog 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 2017/18 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 2017/18 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 in line with Council's considered position on intergenerational equity.

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

- A rate increase for 2017/18 of 2.90%. A summary of costs contributing to the rate increase are provided below:

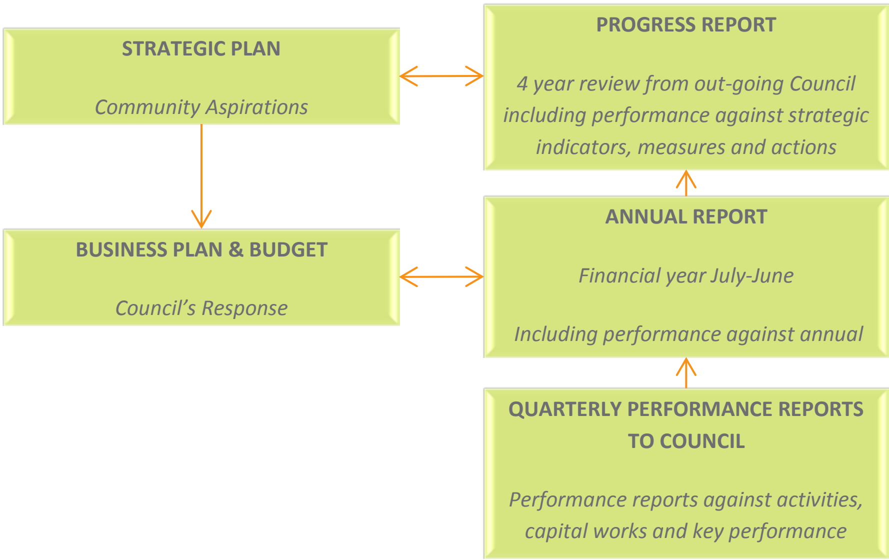
	Percentage
Financial Savings	(1.01%)
Centennial Park Cemetery Authority income	(0.20%)
Provision of Existing Services (including funding debt repayment in approximately 24.9 years)	2.03%
Maintaining Existing Services	**0.82%**
New & Improved Services (including the Asset Renewal backlog)	1.75%
State Government cost shifting (eg Waste Levy)	0.33%
TOTAL	**2.90%**

- Generation of sufficient cash from operations to fund Asset Renewal over the life of the 10 year plan and repay debt in approximately 26.1 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 26.1 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 26.1 years, a period less than the common house mortgage;
- Targeted financial and efficiency savings of $500,000 in 2017/18 in addition to the $3.8 million delivered since 2012;
- A provision of $400,000 per annum to undertake operating projects and other one-off priorities;
- New and improved services totalling $864,000 per annum (with an associated one-off $15.4 million capital investment);
- Capital replacement program of $21.6 million for 2017/18 in line with Council's Asset Management Plans and schedules working towards addressing the asset renewal deficit and including $3.7 million re-scheduled from 2016/17;
- New Capital expenditure of $15.4 million for 2017/18, including $2.0 million re-scheduled from 2016/17; and
- A projected underlying operating surplus for 2017/18 of $1.3 million (excluding non-cash gains / losses from subsidiaries and other one-off items) and a headline operating surplus of $66,000 (excluding subsidiaries), and a debt repayment term in approximately 26.1 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:



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 2017-2027, *'Let us build for posterity'*. The 2017/18 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:

ACCESSIBLE & CONNECTED COMMUNITY

We are an accessible, connected and engaged community.

SUSTAINABLE CITY

We continually sustain and improve our natural and built environments.

DYNAMIC & PROSPEROUS ECONOMY

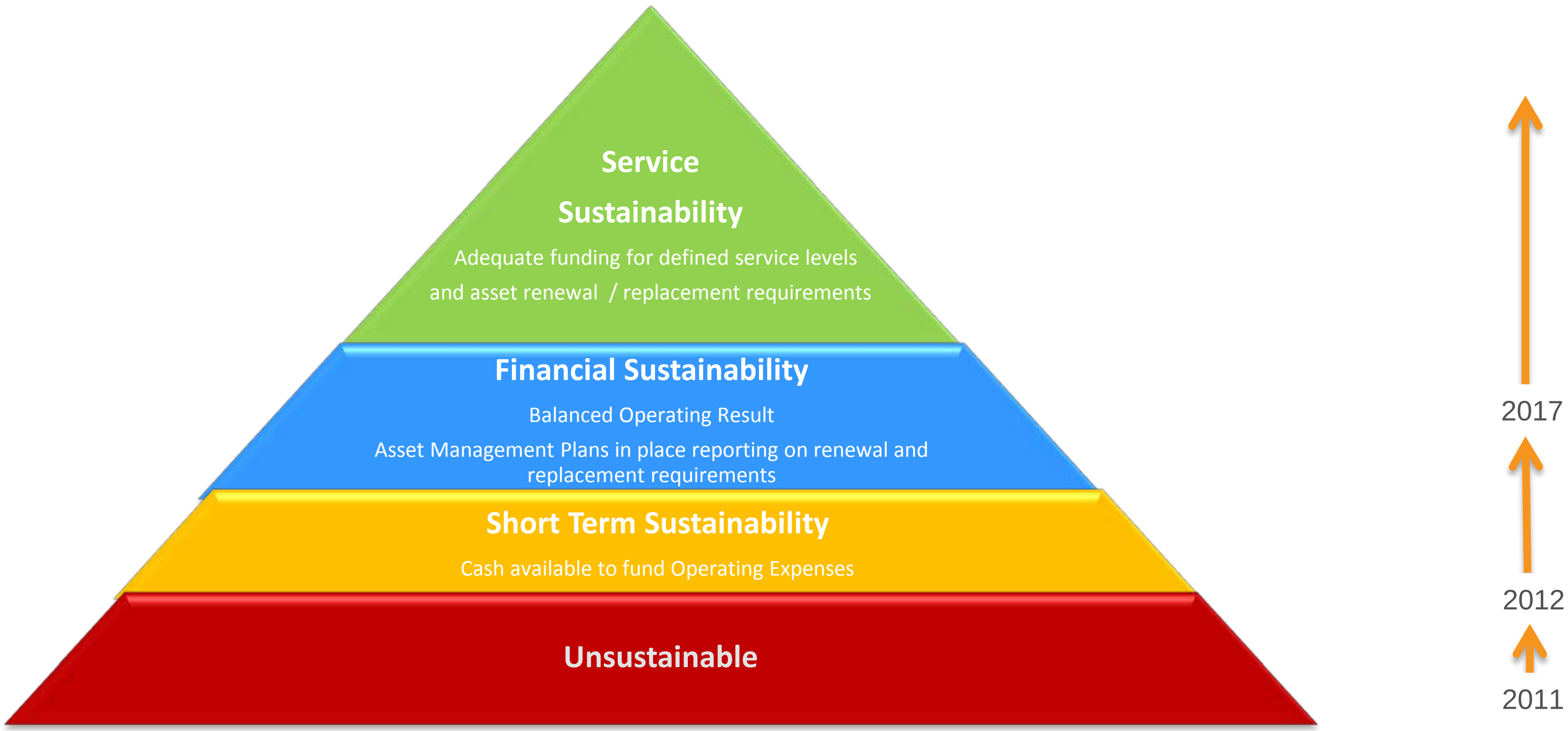
Our community is economically strong and competitive.

VIBRANT & RICH CULTURE

We share a vibrant and rich culture and have a strong sense of identity.

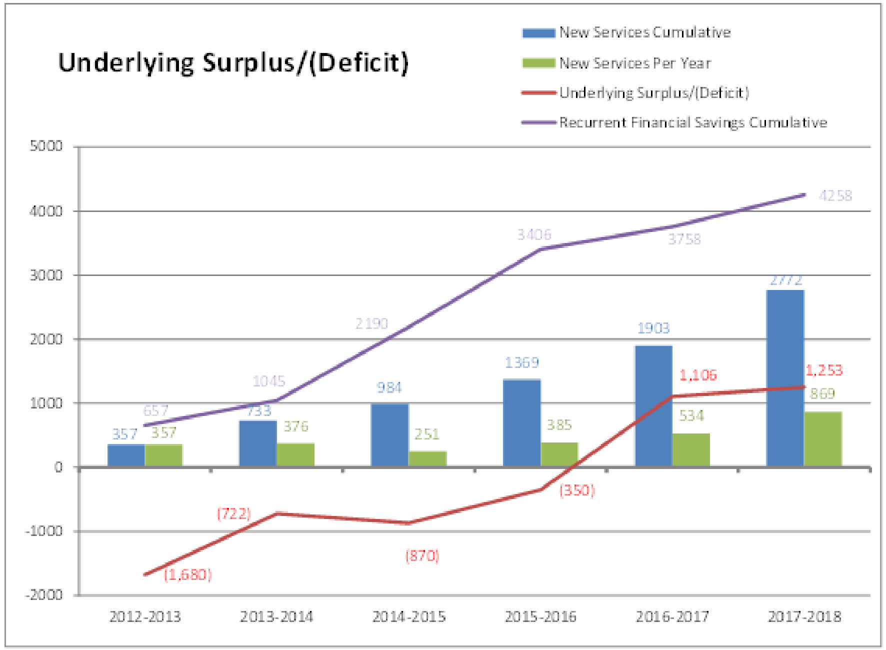
Financial sustainability is important for Council and this Long Term Financial Plan outlines Council's commitment to this strategic initiative. More importantly Council aims at achieving service sustainability, which is more than just paying bills, but rather funding the long term costs of agreed service 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. The next step is to define services and service levels.



3.0 CEO Statement on Financial Sustainability

Since 2012 Council has delivered over $4.2m in recurrent financial service cost savings, turned the financial position around from an annual operating deficit (loss) of $1.68m to an annual operating surplus (profit) of $1.25m, been subjected to and absorbed over $1.5m in recurring costs relating to legislative change and cost shifting as well as introducing over $2.77 million in recurrent new service spending for the community over that same time.



In response to community feedback on service delivery and expansion, Council's improved financial management has enabled $864,000 in new and enhanced ongoing service expenditure with an associated one-off $9.7 million capital investment. Service improvements focus on community facilities such as the Mitcham Memorial Library redevelopment, St Mary's Clubroom upgrade and public toilets as well as continuing our focus on increasing the footpath network and stormwater infrastructure. We have also increased our focus on the Arts with the introduction of an Annual Art Prize and a Community Public Art Grant.

Council is also investing $21.6 million in capital renewal with the backlog still scheduled for completion by 2026. Our continued focus on efficiencies and good financial management sees Council delivering savings of $500,000 and an underlying operating result of $1.3 million.

A 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.

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. Further work is required on the costs of maintenance and renewal of sporting facilities.
- 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.
- 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 current year 2016/17 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 2017/18 Financial Assistance Grant) in June 2017. 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 2016/17 is artificially inflated by $1.1 million and artificially deflated by $1.1 million in 2017/18.
- There is discussion of introducing rate capping, the model is unknown and therefore the impact on the Long Term Financial Plan is unknown. The risk is that any model will reduce the ability of Council to respond quickly and flexibly to community need.
- Centennial Park operates in a complex and highly competitive business. Recent Assets Management Plans will need careful implementation.

Implementation of a new corporate computer system will always put at risk financial processing and reporting in the short term and will need careful management.

4.0 How does this plan compare to the 2016/17 plan?

A broad comparison of this Long Term Financial Plan with the 2017/18 projections contained in the previous Long Term Financial Plan shows an improvement in the operating result from a surplus projected last year of $1.6 million to a loss of $24,000 (including Council subsidiaries and one-off items), an increase of $0.1 million.

	Previous Plan 2017/18 $'000	This Plan 2017/18 $'000	Variation $'000
Rates (inc. NRM Levy)	52,130	52,439	310
Statutory Charges	1,738	1,755	18
User Charges	585	504	(82)
Grants, subsidies, contributions	4,843	3,872	(971)
Investment Income	75	76	2
Reimbursements	200	172	(28)
Other Income	495	568	72
Gain - Joint ventures & associates	248	-	(248)
Operating Income	**60,314**	**59,386**	**(928)**
Employee costs	22,929	24,504	1,575
Materials, contracts & other expenses	21,429	20,748	(681)
Finance costs	754	536	(218)
Depreciation and Amortisation	13,558	13,532	(26)
Loss - Joint ventures & associates	-	90	90
Operating Expense	**58,670**	**59,410**	**740**
Operating Result Surplus/(Deficit)	**1,644**	**(24)**	**(1,668)**
Renewal Capital Expenditure	15,973	21,554	5,581
New Capital Expenditure	2,521	15,360	12,839
Net Financial Liabilities	20,439	28,947	8,508

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 increase in rates revenue of $310,000 is primarily a result of Council setting a 2.90% general rate increase for 2017/18 as opposed to a 2.39% rate increase as was projected for 2017/18 in the previous Long Term Financial Plan of 12 months ago.
- The decrease in Grants, subsidiaries, contributions is primarily due to the timing of the Financial Assistance Grant (FAG) payment, Council received 50% of the FAG in 2016/17 for the 2017/18 financial year. $1.1 million.
- The increase in other income is for the estimated revenue from the Meningococcal vaccination and the increased annual income from Centennial Park Cemetery Authority.
- The increase in employee costs is attributed to an underestimate of Employee costs in lieu of a new Enterprise Bargaining Agreement which was still negotiated at the time of the previous year's Long Term Financial Plan being published as well as projecting minimal gaps in the organisational structure offset by a reduction in external labour costs.
- The following contribute to the net decrease in materials, contracts and other expenses;
  - setting a Financial savings and efficiencies target of $500,000 (no savings target for 2017/18 in the previous Long Term Financial Plan,
  - $100,000 decrease in Operating Projects budget, offset by
    - $224,000 increase in Electricity charges,
    - $162,000 increase to the solid waste levy, and
    - $93,000 costs associated with the Meningococcal vaccination.

- The decrease in finance costs is due to new capital and services being funded from surplus cash instead of increasing borrowings, which lowers the interest cost impact.
- Gain on subsidiaries of $248,000 in the prior plan has now been forecast as a loss on subsidiaries of $90,200 for 2017/18 as advised by the subsidiary budgets for 2017/18.
- The Renewal Capital expenditure has grown from the previous plan primarily due to re-scheduling of $3.6 million from 2016/17.
- The New Capital expenditure increased due to an additional $10.9 million of new and enhanced services that were not in the previous Long Term Financial Plan and $2.0 million re-scheduled from 2016/17.
- The Net Financial Liabilities has increased due to the increase in New Capital expenditure as more borrowings will be needed to be able to deliver these new and enhanced services.

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.

The Consumer Price Index (CPI) of 2.00% for Year 1 drives non-rates income, the Local Government Price Index (LGPI), which drives expenditure on contractual services and materials is 2.20% (as at March 2017). 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.

Table 1.

Economic Indicator / Assumption	Drives	2017/18 Year 1	2018/19 Year 2	2019/20 Year 3	2020/21 Year 4	2021/22 to 2026/27 Year 5 to 10
Revenue						
Consumer Price Index	Statutory Charges, Grants and Subsidiaries, Reimbursements, Other Revenue	2.00%	1.70%	2.10%	2.20%	Between 2.00% - 2.10%
Local Government Price Index	User Charges	2.10%	1.80%	2.20%	2.30%	Between 2.10% - 2.20%
Residential and Other Rate Increase	Residential and Other Rates	2.90%	3.12%	3.21%	3.34%	Between 2.47% - 3.21%
Commercial / Industrial / Vacant Land Rate Increase	Commercial / Industrial and Vacant Land Rates	2.90%	3.12%	3.21%	3.34%	Between 2.47% - 3.21%
Investment Interest Rate	Investment Income	2.40%	2.40%	2.40%	2.40%	2.40%
Expenditure						
Local Government Price Index (Total)	Contractual Services, Materials, Other Expenses	2.20%	1.90%	2.30%	2.40%	Between 2.20% - 2.30%
Local Government Price Index (Capital)	Capital Expenditure Indexation, Depreciation, Asset Revaluations	0.80%	1.10%	1.50%	1.60%	Between 1.40% - 1.50%
EB increments	Employee Costs within EB timeframe	2.00% - 2.75%	-	-	-	-
Consumer Price Index (CPI)	Employee Costs post EB timeframe		2.40%	3.00%	3.40%	Between 2.93% - 3.15%
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	4.50%	4.50%	4.50%	4.50%	4.50%
Loan Interest Rate – Variable	Cash Advance Debenture Interest Expense	3.75%	3.75%	3.75%	3.75%	3.75%

5.2 External Influences and Risks

Interest Rates

Council has taken a simple but conservative approach and has allowed for interest rates of around 4.50% 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 2.00% for 2017/18, which is based upon the latest 2016/17 South Australian CPI published by the Australian Bureau of Statistics for March 2017. This Plan conservatively forecasts 1.70% - 2.20% 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 1.90% - 2.40% 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 but not anticipated with this Long Term Financial Plan. $1.1 million was received in June 2017 for the 2017/18 financial year, what this essentially means is that the operating surplus in 2016/17 is artificially inflated by $1.1 million and artificially deflated by $1.1 million in 2017/18.

The 2014 Federal Budget also provided a further $350 million towards the Roads 2 Recovery program. As a result, Council will receive $1.1 million in 2017/18 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.

Whilst it is a requirement to report 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.

Energy Market – Electricity and Gas

The cost of energy (ie electricity and gas) to the City of Mitcham is significant and movements in the price of energy above the general rate of inflation have the potential to significantly affect Council's financial position.

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.

- 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 $162,000 for 2017/18. Provision has been made in future years for further solid waste levy increases that have been announced.

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
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%
2026/27	12.0%

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 potentially restricted.

The model of rate capping is still being considered and therefore its effect on Council's ability to deliver services to the Community is not yet known. However the notion of rate capping challenges the premise of local democracy and potentially moves service provision and investment decisions to the State Government.

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.

The same process is now being undertaken for buildings through the development of a revised building asset management plan, informed by a building revaluation and detailed condition assessment of sporting, community and operation building categories.

Whilst this process is still to be completed with further assessments of other building categories, indications are that adequate capital funds for renewal requirements over the next 10 years are included in this 2017/18 Long Term Financial Plan.

A 20 year horizon will be established in time to inform the next Long Term Financial Plan (2018/19).

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.

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.

2015/16 Prior Year Actuals $'000	FINANCIAL PLAN SUMMARY	2016/17 Current Year Estimate $'000	2017/18 Year 1 Plan $'000	2018/19 Year 2 Plan $'000	2019/20 Year 3 Plan $'000	2020/21 Year 4 Plan $'000	2021/22 Year 5 Plan $'000	2022/23 Year 6 Plan $'000	2023/24 Year 7 Plan $'000	2024/25 Year 8 Plan $'000	2025/26 Year 9 Plan $'000	2026/27 Year 10 Plan $'000
57,383	**Operating Income**	**60,606**	**59,386**	**62,005**	**63,957**	**66,260**	**68,395**	**70,724**	**73,013**	**75,428**	**78,047**	**80,342**
39	Including non cash gains on Subsidiaries	-	-	221	172	323	355	449	427	566	769	900
55,211	**Operating Expenses**	**57,801**	**59,410**	**61,159**	**62,963**	**64,901**	**66,973**	**69,093**	**71,257**	**73,406**	**75,740**	**77,907**
-	Including non cash losses on Subsidiaries	246	90	-	-	-	-	-	-	-	-	-
2,172	**Operating Result**	**2,805**	**(25)**	**846**	**994**	**1,359**	**1,421**	**1,632**	**1,756**	**2,022**	**2,307**	**2,435**
2,133	**Operating Result (excluding non cash gains/losses from subsidiaries and other one off items)**	**3,052**	**65**	**625**	**822**	**1,036**	**1,066**	**1,183**	**1,329**	**1,456**	**1,539**	**1,536**
2,133	**Net Financial Liabilities**	10,141	28,947	32,151	34,867	38,229	40,109	41,399	41,728	41,627	40,293	41,255

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 ratio peaks in Year 5 at 69.2% of forecast rate 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 $36.2 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 26.1 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 limit of 80% for the Net Financial Liabilities Ratio during a period of significant strategic investment and within its conservative limit of 6% for the Interest Coverage Ratio across the forward estimates.

7.0 Key Financial Indicators

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.

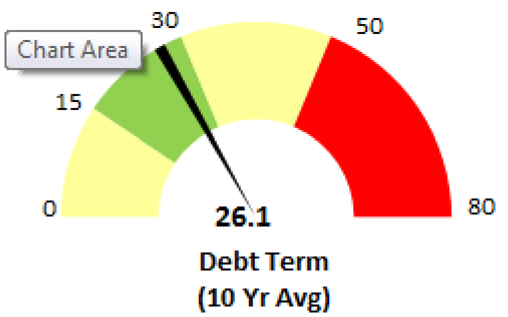
The following table provides a summary of Council's financial indicators.

2015/16 Prior Year Actuals	KEY FINANCIAL INDICATORS	2016/17 Current Year Estimate	2017/18 Year 1 Plan	2018/19 Year 2 Plan	2019/20 Year 3 Plan	2020/21 Year 4 Plan	2021/22 Year 5 Plan	2022/23 Year 6 Plan	2023/24 Year 7 Plan	2024/25 Year 8 Plan	2025/26 Year 9 Plan	2026/27 Year 10 Plan
57.6	Debt Repayment Term	9.7	20.1	36.4	51.2	32.6	28.8	23.8	19.7	16.8	14.3	17.3
27.1	- 10 year average	25.3	26.1									
15.0	- Healthy / sustainable lower limit		15.0									
30.0	- Healthy / sustainable upper limit		30.0									
100.9%	Asset Renewal Funding Ratio - %	87.9%	63.7%	94.2%	95.5%	89.6%	101.0%	106.2%	113.3%	109.0%	113.3%	99.1%
92.3%	- 10 year average	97.4%	98.5%									
95.0%	- Healthy / sustainable lower limit		95.0%									
105.0%	- Healthy / sustainable upper limit		105.0%									
4.4%	Operating Result Ratio - %	6.2%	0.1%	1.2%	1.5%	1.8%	1.8%	2.0%	2.1%	2.3%	2.3%	2.2%
2.0%	- 10 year average	2.1%	1.7%									
1.0%	- Healthy / sustainable lower limit		1.0%									
4.0%	- Healthy / sustainable upper limit		4.0%									
74.0%	Asset Sustainability Ratio - %	87.5%	134.9%	97.4%	102.4%	96.8%	99.4%	100.2%	101.4%	102.3%	107.4%	107.4%
100.0%	- 10 year average	103.0%	105.0%									
95.0%	- Healthy / sustainable lower limit		95.0%									
105.0%	- Healthy / sustainable upper limit		105.0%									
8.6%	Net Financial Liabilities Ratio - %	17.1%	56.9%	61.4%	64.3%	68.2%	69.2%	69.1%	67.3%	65.1%	61.1%	60.9%
49.5%	- 10 year average	60.0%	64.3%									
25.0%	- Healthy / sustainable lower limit		25.0%									
60.0%	- Healthy / sustainable upper limit		60.0%									
0.3%	Interest Cover Ratio - %	0.4%	0.9%	2.3%	2.4%	2.4%	2.5%	2.5%	2.5%	2.4%	2.3%	2.1%
1.5%	- 10 year average	2.0%	2.2%									
0.0%	- Healthy / sustainable lower limit		0.0%									
4.0%	- Healthy / sustainable upper limit		4.0%									

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 average asset renewal expenditure requirements over the 10 years.

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.

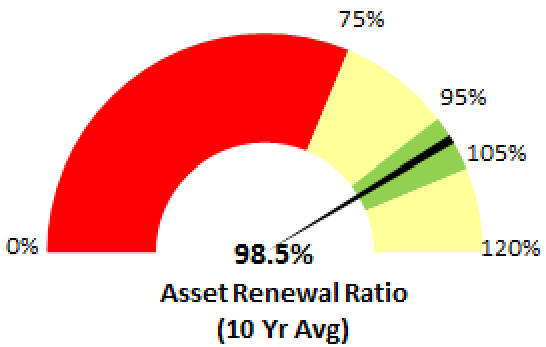
Target Range

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 and 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 26.1 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 26.1 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 26.1 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

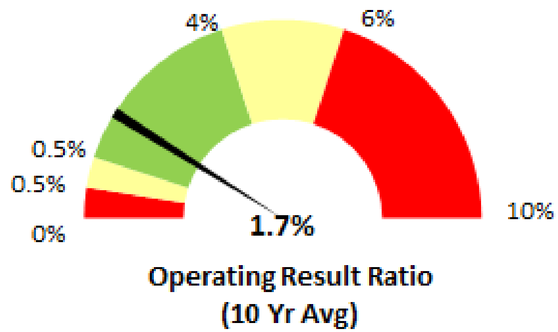
In general Council should be targeting an average of at least 100% and in line with the debt repayment term.

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.

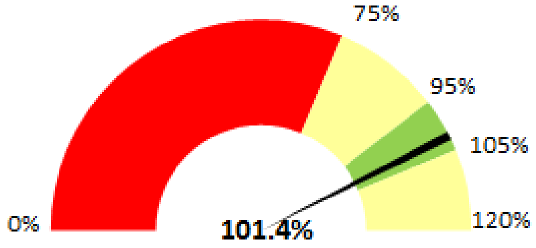
Target Range

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



Asset Sustainability Ratio (10 Yr Avg)

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

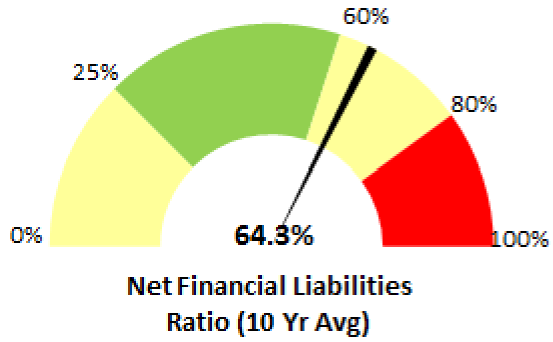
In general Council should be targeting on average to spend at least 100% of the gross replacement requirements over time in relation to Council's existing assets.

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.

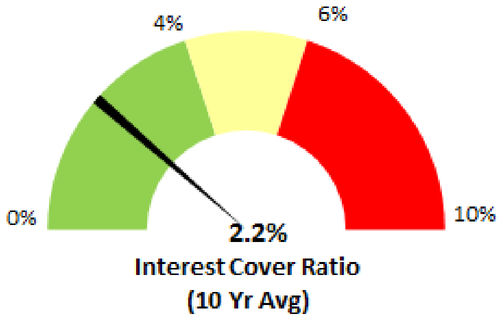
This plan includes a significant strategic investment regarding;

- Stormwater Upgrades and New Stormwater Infrastructure (including Brown Hill Creek Stormwater Management Plan and the Upper Sturt Stormwater Management Plan),
- Transition to Led Street Lighting,
- Improvements to existing community facilities including the St Marys Sports Association Facility Upgrade, and
- Redevelopment of the Mitcham Library and Surrounds.

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 $31.2 million over the next 10 years. The ratio exceeds 60%, however the level of debt is regarded as affordable and sustainable during a period of significant strategic investment.

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 4.50% 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 2.2% over the 10 year plan reflecting the affordability of the additional investment into new and enhanced services over the forward estimates with only 2.2 cents in the dollar being used to service debt.

8.0 Forecast Financial Statements

8.1 Forecast Statement of Comprehensive Income

2015/16 Prior Year Actuals $'000	STATEMENT OF COMPREHENSIVE INCOME	2016/17 Current Year Estimate $'000	2017/18 Year 1 Plan $'000	2018/19 Year 2 Plan $'000	2019/20 Year 3 Plan $'000	2020/21 Year 4 Plan $'000	2021/22 Year 5 Plan $'000	2022/23 Year 6 Plan $'000	2023/24 Year 7 Plan $'000	2024/25 Year 8 Plan $'000	2025/26 Year 9 Plan $'000	2026/27 Year 10 Plan $'000
	INCOME											
49,365	Rates (inc. NRM Levy)	50,803	52,439	54,190	56,054	58,055	60,001	62,066	64,202	66,304	68,541	70,523
1,830	Statutory Charges	1,864	1,755	1,785	1,823	1,863	1,900	1,940	1,981	2,022	2,064	2,107
600	User Charges	518	504	513	524	536	547	559	572	584	597	610
4,396	Grants, subsidies, contributions	6,302	3,872	4,466	4,559	4,660	4,753	4,853	4,955	5,057	5,163	5,270
297	Investment Income	238	76	78	57	39	40	41	42	43	44	45
195	Reimbursements	189	172	175	179	183	187	191	195	199	203	207
661	Other Income	692	568	577	589	601	612	625	639	653	666	680
39	Gain - Joint ventures & associates	-	-	221	172	323	355	449	427	566	769	900
57,383	**Total Revenues**	**60,606**	**59,386**	**62,005**	**63,957**	**66,260**	**68,395**	**70,724**	**73,013**	**75,428**	**78,047**	**80,342**
	EXPENSES											
21,907	Employee costs	22,620	24,504	25,092	25,844	26,723	27,641	28,639	29,684	30,742	31,851	32,840
19,763	Materials, contracts & other expenses	21,389	20,748	20,808	21,419	22,096	22,751	23,449	24,169	24,895	25,761	26,654
450	Finance costs	420	536	1,277	1,378	1,378	1,497	1,552	1,583	1,574	1,548	1,471
13,091	Depreciation and Amortisation	13,126	13,532	13,982	14,322	14,704	15,084	15,453	15,821	16,195	16,580	16,942
	Loss - Joint ventures & associates	246	90	-	-	-	-	-	-	-	-	-
55,211	**Total Expenses**	**57,801**	**59,410**	**61,159**	**62,963**	**64,901**	**66,973**	**69,093**	**71,257**	**73,406**	**75,740**	**77,907**
2,172	**OPERATING SURPLUS/(DEFICIT)**	**2,805**	**(24)**	**846**	**994**	**1,359**	**1,422**	**1,631**	**1,756**	**2,022**	**2,307**	**2,435**
(1,819)	Asset disposal and fair value adjustments	(453)	-	-	-	-	-	-	-	-	-	-
861	Amounts received specifically for new or upgraded assets	545	3,587	-	-	-	-	-	-	-	-	-
779	Physical resources free of charge	-	-	-	-	-	-	-	-	-	-	-
1,993	**NET SURPLUS/(DEFICIT)**	**2,897**	**3,563**	**846**	**994**	**1,359**	**1,422**	**1,631**	**1,756**	**2,022**	**2,307**	**2,435**
	Other Comprehensive Income											
21,561	Changes in revaluation surplus - infrastructure, property, plant and equipment	3,266	4,485	6,463	8,967	9,765	8,743	9,543	9,723	9,674	9,985	10,111
-	Share of other comprehensive income - equity accounted Council businesses	-	-	-	-	-	-	-	-	-	-	-
21,561	**Total Other Comprehensive Income**	**3,266**	**4,485**	**6,463**	**8,967**	**9,765**	**8,743**	**9,543**	**9,723**	**9,674**	**9,985**	**10,111**
23,554	**TOTAL COMPREHENSIVE INCOME**	**6,163**	**8,048**	**7,309**	**9,961**	**11,124**	**10,165**	**11,174**	**11,479**	**11,696**	**12,292**	**12,546**

8.2 Forecast Balance Sheet

2015/16 Prior Year Actuals $'000	BALANCE SHEET	2016/17 Current Year Estimate $'000	2017/18 Year 1 Plan $'000	2018/19 Year 2 Plan $'000	2019/20 Year 3 Plan $'000	2020/21 Year 4 Plan $'000	2021/22 Year 5 Plan $'000	2022/23 Year 6 Plan $'000	2023/24 Year 7 Plan $'000	2024/25 Year 8 Plan $'000	2025/26 Year 9 Plan $'000	2026/27 Year 10 Plan $'000
	ASSETS											
	Current Assets											
7,786	Cash and cash equivalents	4,345	4,504	4,198	2,147	2,198	2,247	2,300	2,353	2,406	2,462	2,517
4,029	Trade and other receivables	4,141	4,221	4,294	4,383	4,480	4,569	4,664	4,762	4,862	4,962	5,091
54	Inventories	54	55	55	56	57	58	59	60	61	62	62
11,869		**8,540**	**8,780**	**8,547**	**6,586**	**6,735**	**6,874**	**7,023**	**7,175**	**7,329**	**7,486**	**7,670**
	Non-Current Assets											
11,062	Equity accounted investments in council businesses	10,816	10,726	10,947	11,119	11,442	11,797	12,246	12,673	13,239	14,009	14,884
549,010	Infrastructure, property, plant and equipment	560,596	587,539	597,830	610,334	624,496	636,185	648,200	659,580	670,608	680,796	693,428
2,928	Other non-current assets	2,928	2,928	2,928	2,928	2,928	2,928	2,928	2,928	2,928	2,928	2,928
563,000		**574,340**	**601,193**	**611,705**	**624,381**	**638,866**	**650,910**	**663,374**	**675,181**	**686,775**	**697,733**	**711,240**
574,869	**Total Assets**	**582,880**	**609,973**	**620,252**	**630,967**	**645,601**	**657,784**	**670,397**	**682,356**	**694,104**	**705,219**	**718,910**
	LIABILITIES											
	Current Liabilities											
5,585	Trade and other payables	5,531	5,656	5,763	5,895	6,037	6,169	6,312	6,457	6,603	6,754	6,908
983	Short term borrowings	1,111	1,131	2,584	3,037	3,458	4,062	4,644	5,163	5,702	6,205	6,698
3,693	Short term provisions	3,720	3,794	3,885	4,002	4,138	4,259	4,392	4,530	4,669	4,814	4,964
10,261		**10,362**	**10,581**	**12,232**	**12,934**	**13,633**	**14,490**	**15,348**	**16,150**	**16,974**	**17,773**	**18,570**
	Non-Current Liabilities											
5,131	Long term borrowings	6,869	25,667	26,952	26,961	29,721	30,835	31,366	30,992	30,168	28,139	28,431
1,386	Long term provisions	1,396	1,424	1,459	1,502	1,553	1,599	1,649	1,701	1,753	1,807	1,863
6,517		**8,265**	**27,091**	**28,411**	**28,463**	**31,274**	**32,434**	**33,015**	**32,693**	**31,921**	**29,946**	**30,294**
16,778	**Total Liabilities**	**18,627**	**37,672**	**40,643**	**41,397**	**44,907**	**46,924**	**48,363**	**48,843**	**48,895**	**47,719**	**48,864**
558,091	**NET ASSETS**	**564,253**	**572,301**	**579,609**	**589,570**	**600,694**	**610,860**	**622,034**	**633,513**	**645,209**	**657,500**	**670,046**
	EQUITY											
330,035	Accumulated surplus	332,931	336,494	337,340	338,333	339,692	341,114	342,745	344,501	346,524	348,830	351,265
228,056	Asset revaluation reserve	231,322	235,807	242,270	251,237	261,002	269,746	279,289	289,011	298,685	308,670	318,781
558,091	**TOTAL EQUITY**	**564,253**	**572,301**	**579,609**	**589,570**	**600,694**	**610,860**	**622,034**	**633,513**	**645,209**	**657,500**	**670,046**

8.3 Forecast Statement of Cash Flows

2015/16 Prior Year Actuals $'000	STATEMENT OF CASH FLOWS	2016/17 Current Year Estimate $'000	2017/18 Year 1 Plan $'000	2018/19 Year 2 Plan $'000	2019/20 Year 3 Plan $'000	2020/21 Year 4 Plan $'000	2021/22 Year 5 Plan $'000	2022/23 Year 6 Plan $'000	2023/24 Year 7 Plan $'000	2024/25 Year 8 Plan $'000	2025/26 Year 9 Plan $'000	2026/27 Year 10 Plan $'000
	CASH FLOWS FROM OPERATING ACTIVITIES											
	Receipts											
57,418	Operating receipts	60,346	59,227	61,633	63,637	65,802	67,911	70,139	72,445	74,719	77,132	79,294
504	Investment receipts	238	76	78	57	39	40	41	42	43	44	45
	Payments											
450	Finance payments	420	536	1,277	1,378	1,378	1,497	1,552	1,583	1,574	1,548	1,471
42,460	Operating payments to suppliers and employees	43,936	45,029	45,668	46,971	48,492	50,093	51,764	53,518	55,300	57,261	59,135
15,012	**Net Cash provided by (or used in) Operating Activities**	**16,228**	**13,738**	**14,766**	**15,345**	**15,971**	**16,361**	**16,864**	**17,386**	**17,888**	**18,367**	**18,733**
	CASH FLOWS FROM INVESTING ACTIVITIES											
	Receipts											
861	Amounts received specifically for new or upgraded assets	495	3,587	-	-	-	-	-	-	-	-	-
685	Sale of replaced assets	717	925	559	775	882	805	635	711	859	833	798
61	Sale of surplus assets	125	-	-	-	450	-	-	-	-	-	-
	Payments											
0	Investment in Joint Venture Activities	-	-	-	-	-	-	-	-	-	-	-
14,904	Expenditure on Renewal/Replacement of Assets	18,461	21,554	15,672	16,071	17,830	16,196	15,881	15,351	16,408	16,209	18,895
3,412	Expenditure on New/Upgraded Assets	4,231	15,360	2,697	2,562	2,603	2,639	2,679	2,838	2,000	1,407	1,367
(16,709)	**Net Cash Provided by (or used in) Investing Activities**	**(21,355)**	**(32,402)**	**(17,810)**	**(17,858)**	**(19,101)**	**(18,030)**	**(17,925)**	**(17,478)**	**(17,549)**	**(16,783)**	**(19,464)**
	CASH FLOWS FROM FINANCING ACTIVITIES											
	Receipts											
-	Proceeds from Borrowings	2,843	19,954	5,322	3,498	6,639	5,780	5,758	5,308	5,416	4,674	7,483
	Payments											
908	Repayments of Borrowings	1,157	1,131	2,584	3,036	3,458	4,062	4,644	5,163	5,702	6,202	6,697
(908)	**Net Cash provided by (or used in) Financing Activities**	**1,686**	**18,823**	**2,738**	**462**	**3,181**	**1,718**	**1,114**	**145**	**(286)**	**(1,528)**	**786**
(2,605)	**Net Increase/(Decrease) in cash held**	**(3,441)**	**159**	**(306)**	**(2,051)**	**51**	**49**	**53**	**53**	**53**	**56**	**55**
10,391	Opening cash, cash equivalents or (bank overdraft)	7,786	4,345	4,504	4,198	2,147	2,198	2,247	2,300	2,353	2,406	2,462
7,786	**Closing cash, cash equivalents or (bank overdraft)**	**4,345**	**4,504**	**4,198**	**2,147**	**2,198**	**2,247**	**2,300**	**2,353**	**2,406**	**2,462**	**2,517**

8.4 Forecast Statement of Changes in Equity

2015/16 Prior Year Actuals $'000	STATEMENT OF CHANGES IN EQUITY	2016/17 Current Year Estimate $'000	2017/18 Year 1 Plan $'000	2018/19 Year 2 Plan $'000	2019/20 Year 3 Plan $'000	2020/21 Year 4 Plan $'000	2021/22 Year 5 Plan $'000	2022/23 Year 6 Plan $'000	2023/24 Year 7 Plan $'000	2024/25 Year 8 Plan $'000	2025/26 Year 9 Plan $'000	2026/27 Year 10 Plan $'000
	ACCUMULATED SURPLUS											
328,042	**Balance at beginning of period**	**330,035**	**332,931**	**336,494**	**337,339**	**338,333**	**339,692**	**341,114**	**342,745**	**344,502**	**346,523**	**348,830**
1,993	Net surplus / (deficit) for year	2,896	3,563	846	994	1,359	1,422	1,631	1,756	2,022	2,307	2,435
-	Transfers to Other Reserves	-	-	-	-	-	-	-	-	-	-	-
-	Transfers from Other Reserves	-	-	-	-	-	-	-	-	-	-	-
330,035	**Balance at end of period**	**332,931**	**336,494**	**337,340**	**338,333**	**339,692**	**341,114**	**342,745**	**344,501**	**346,524**	**348,830**	**351,265**
	ASSET REVALUATION RESERVE											
206,495	**Balance at beginning of period**	**228,056**	**231,322**	**235,807**	**242,270**	**251,237**	**261,003**	**269,746**	**279,288**	**289,011**	**298,685**	**308,670**
21,561	Transfer to reserve - revaluation increment/(decrement)	3,266	4,485	6,463	8,967	9,765	8,743	9,543	9,723	9,674	9,985	10,111
-	Share of other comprehensive income - equity accounted Council businesses	-	-	-	-	-	-	-	-	-	-	-
228,056	**Balance at end of period**	**231,322**	**235,807**	**242,270**	**251,237**	**261,002**	**269,746**	**279,289**	**289,011**	**298,685**	**308,670**	**318,781**
	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**
558,091	**TOTAL EQUITY AT END OF REPORTING PERIOD**	**564,253**	**572,301**	**579,609**	**589,570**	**600,694**	**610,860**	**622,034**	**633,513**	**645,209**	**657,500**	**670,046**

8.5 Forecast Uniform Presentation of Finances

2015/16 Prior Year Actuals $'000	UNIFORM PRESENTATION OF FINANCES	2016/17 Current Year Estimate $'000	2017/18 Year 1 Plan $'000	2018/19 Year 2 Plan $'000	2019/20 Year 3 Plan $'000	2020/21 Year 4 Plan $'000	2021/22 Year 5 Plan $'000	2022/23 Year 6 Plan $'000	2023/24 Year 7 Plan $'000	2024/25 Year 8 Plan $'000	2025/26 Year 9 Plan $'000	2026/27 Year 10 Plan $'000
57,383	Operating Revenues	60,606	59,386	62,005	63,957	66,260	68,395	70,724	73,013	75,428	78,047	80,342
55,211	*less; Operating Expenses*	57,801	59,410	61,159	62,963	64,901	66,973	69,093	71,257	73,406	75,740	77,907
2,172	**Operating Surplus/(Deficit)**	**2,805**	**(24)**	**846**	**994**	**1,359**	**1,422**	**1,631**	**1,756**	**2,022**	**2,307**	**2,435**
	Less: Net Outlays on Existing Assets											
(15,111)	Capital Expenditure on Renewal/Replacement of Existing Assets	(18,461)	(21,554)	(15,672)	(16,071)	(17,830)	(16,196)	(15,881)	(15,351)	(16,408)	(16,209)	(18,895)
13,091	*less; Depreciation, Amortisation & Impairment*	13,126	13,532	13,982	14,322	14,704	15,084	15,453	15,821	16,195	16,580	16,942
685	*less; Proceeds from Sale of Replaced Assets*	717	925	559	775	882	805	635	711	859	833	798
(1,335)		**(4,618)**	**(7,097)**	**(1,131)**	**(974)**	**(2,244)**	**(307)**	**207**	**1,181**	**646**	**1,204**	**(1,155)**
	Less: Net Outlays on New and Upgraded Assets											
(2,680)	Capital Expenditure on New/Upgraded Assets	(4,231)	(15,360)	(2,697)	(2,562)	(2,603)	(2,639)	(2,679)	(2,838)	(2,000)	(1,407)	(1,367)
861	*less; Amounts Specifically for New/Upgraded Assets*	495	3,587	-	-	-	-	-	-	-	-	-
-	*less; Proceeds from Sale of Surplus Assets*	125	-	-	-	450	-	-	-	-	-	-
(1,819)		**(3,611)**	**(11,773)**	**(2,697)**	**(2,562)**	**(2,153)**	**(2,639)**	**(2,679)**	**(2,838)**	**(2,000)**	**(1,407)**	**(1,367)**
(982)	**Net Lending / (Borrowing) for Financial Year**	**(5,424)**	**(18,894)**	**(2,982)**	**(2,542)**	**(3,038)**	**(1,524)**	**(841)**	**99**	**668**	**2,104**	**(87)**

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.

2015/16 Prior Year Actuals $'000	FINANCING TRANSACTIONS	2016/17 Current Year Estimate $'000	2017/18 Year 1 Plan $'000	2018/19 Year 2 Plan $'000	2019/20 Year 3 Plan $'000	2020/21 Year 4 Plan $'000	2021/22 Year 5 Plan $'000	2022/23 Year 6 Plan $'000	2023/24 Year 7 Plan $'000	2024/25 Year 8 Plan $'000	2025/26 Year 9 Plan $'000	2026/27 Year 10 Plan $'000
0	New Borrowings	2,843	19,954	5,322	3,498	6,639	5,780	5,758	5,308	5,416	4,674	7,483
(908)	Repayment of Principal on Borrowings	(1,157)	(1,131)	(2,584)	(3,036)	(3,458)	(4,062)	(4,644)	(5,163)	(5,702)	(6,202)	(6,697)
2,605	(Increase)/Decrease in Cash and Cash Equivalents	3,441	(159)	306	2,051	(51)	(49)	(53)	(53)	(53)	(56)	(55)
(1,321)	(Increase)/Decrease in Receivables	(112)	(79)	(73)	(89)	(97)	(89)	(95)	(98)	(100)	(100)	(129)
807	Increase/(Decrease) in Payables & Provisions	(17)	228	232	292	329	299	326	335	337	350	360
(201)	Other – Including the Movement in Inventories	426	81	(221)	(174)	(324)	(355)	(451)	(428)	(566)	(770)	(875)
982	**Financing Transactions**	**5,424**	**18,894**	**2,982**	**2,542**	**3,038**	**1,524**	**841**	**(99)**	**(668)**	**(2,104)**	**87**