Warringah Council

APPENDIX

4.1 Financial Planning & Sustainability Policy

4.2 Long Term Financial Plan 2015-2025

WARRINGAH COUNCIL

Warringah Council

FINANCIAL PLANNING & SUSTAINABILITY POLICY

Appendix 4.1

WARRINGAH COUNCIL

WARRINGAH COUNCIL

Policy No. FIN-PL 100
Financial Planning & Sustainability Policy

1 Purpose of Policy

The purpose of this policy is to establish the strategic financial planning and sustainability framework to guide Council when developing the Annual Budget, Long Term Financial Plans and when making decisions including the consideration of funding options for infrastructure projects such as borrowings which impact on the both the present and future financial position of Council.

2 Principles

The development of the annual budget, long term financial plan and decisions which impact on the financial position of Council will be based on the following:

- Council will maintain its existing service levels to residents.
- Any changes to future service levels will be determined in consultation with the community.
- Budgets will aim to maintain assets to at least the same condition as they were at the start of each financial year.
- Management will continually look for ways to structurally realign resources and/or increase income opportunities without changes to service standards.
- Consideration of the financial effects of Council decisions on future generations. The Council shall strive to achieve equity between generations of ratepayers (intergenerational equity) whereby the mechanisms to fund specific capital expenditure and operations take into account the ratepayers who benefit from the expenditure and therefore on a user pay basis who should pay for the costs associated with such expenditure.
- Asset management plans must be linked to the Long Term Financial Plan.
- Future lifecycle costs will be reported and considered in all decisions relating to new services, upgrading of existing services, asset renewal and new capital works.
- Council must achieve a fully funded operating position reflecting that Council collects enough revenue to fund operational expenditure, the repayment of debt and depreciation.
- Council must have a fully funded capital program, where the source of funding is identified and secured for both capital renewal and new capital works.
- Funding for capital and infrastructure projects will be by a combination of revenue sources including operating surpluses, rates and service charges, working capital, asset sales, borrowings and other asset financing arrangements.

- Council must maintain sufficient cash and investments to ensure that it can meet its short-term working capital requirements
- Council must maintain its asset base, by renewing ageing infrastructure and by ensuring working capital is set aside for those works.

3 Financial Sustainability

Council is financially sustainable if its financial position, financial performance and its ability to manage the efficient operation of infrastructure is maintained over the long term and it is able to manage likely developments and unexpected financial changes in future periods without unplanned increases in rates and charges or disruptive cuts to services providing a degree of stability and predictability in the overall rate burden allowing for an equitable distribution of council resources between current and future ratepayers.

In more simplified terms for this policy financially sustainable is where planned service and infrastructure levels and standards are maintained without unplanned increases in Rates & Annual Charges or Fees & Charges or there is a need to cut services.

4 Financial Planning and Monitoring

Financial planning is integral part of the strategic management planning activities of Council. It involves the development of long-term financial plans that are consistent with the resource allocation objectives and the timeframes set out in the Community Strategic Plan.

The Long Term Financial Plan is the key financial planning document of Council and its preparation is to be governed by the following key financial strategies:

- The maintenance of a fair and equitable rating structure
- Achieving where appropriate full cost recovery for the provision of services and meeting competitive neutrality requirements through appropriate fees and charges
- Achieve operating surpluses from continuing operations before grants and contributions provided for capital purposes which can be utilised for the provision of new assets for which insufficient s94A or grant funding is available
- Fully utilising depreciation for the renewal of assets and providing the appropriate level of funding for their scheduled and reactive maintenance
- Continually monitoring asset conditions to minimise the likelihood of infrastructure backlogs
- Reviewing the utilisation and appropriateness of infrastructure assets and where appropriate undertaking asset rationalisation
- Maintaining an appropriate level of borrowings which reflects inter-generational equity in funding service levels without being reliant on debt
- Only utilising borrowings where appropriate by ensuring the maintenance of services is not reliant on debt
- The maintenance of a sound financial position reflected in Council's performance ratios

5 Capital Expenditure

As noted above Council in the management of existing assets will fully utilise depreciation for the renewal of those assets and provide the appropriate level of funding for their scheduled and reactive maintenance

In acquiring new assets, the following factors should be considered:

- Council's current and future Operating Surpluses, s94A contributions and Grants.
- Any additional depreciation and maintenance costs.
- Any relevant interest cost and the impact on the Operating Surpluses.
- The requirement to increase Council rates to fund acquisition and ongoing costs.
- The age, life expectancy, suitability and service potential of any asset to be replaced.
- Discounted cash flow analysis, where appropriate.
- Reviewing on a regular basis Council assets to identify those assets which may no longer be required (e.g. parcels of undeveloped land) and may be sold to raise funds for more desirable community facilities. Asset sales will not be used to fund operations.

6 Borrowings

Council recognises that loan borrowings for capital works are an important funding source for Local Government and that the full cost of infrastructure should not be borne entirely by present-day ratepayers, but be contributed to by future ratepayers who will also benefit.

Council will:

- Restrict all borrowings to expenditure on identified capital projects that are considered by Council to be of the highest priority, and which are unable to be funded from revenue.
- Ensure that all borrowings (both internal and external) are in accordance with legislative requirements.
- Not borrow money to fund operating expenditure as this type of expenditure should be funded through operating revenue streams.
- Minimise the cost of borrowings.
- Ensure the total amount of loan borrowings is sustainable in terms of ability to meet future repayments and budgetary obligations.
- The term of any loan will not exceed the expected economic life of the asset being funded.
- Achieve a financial indicator of less than 10% for the Debt Service Ratio, which is a key performance indicator of the Division of Local Government.

7 Authorisation

This policy was adopted by Council on 25 June 2013

It is effective from 25 June 2013

It is due for review June 2017

8 Amendments

This policy replaces the Financial Planning Policy FIN-PL 100, adopted 31 July 2007

9 Who is responsible for implementing this Policy?

Chief Financial Officer

10 Document owner

General Manager

11 Related Council Policies

a) Allocation of Funds Obtained from the Sale of Council Real Property Policy GOV-PL 915

b) Asset Management Policy PL 550

c) Pricing Policy – Principles and Basis PL 720 Pricing

d) Surplus Road Reserve Disposal Policy GOV-PL-820

12 Legislation and references

a) Local Government Act 1993

b) Local Government (General) Regulations 2005

c) Division of Local Government Planning and Reporting Guidelines

d) Division of Local Government Planning and Reporting Manual

e) Division of Local Government Capital Expenditure Guidelines

f) PricewaterhouseCoopers National Financial Sustainability Study of Local Government Commissioned by the Australian Local Government Association November 2006

g) Local Government and Planning Ministers' Council – Local Government Financial Sustainability – Nationally Consistent Frameworks

h) Independent Inquiry into the Financial Sustainability of NSW Local Government May 2006

13 Definitions

Infrastructure Backlog - the accumulation of past shortfalls in maintenance and renewals expenditure on existing assets relative to the expenditure that was necessary to keep these assets to an acceptable fit-for-purpose service level. The dollar value of Infrastructure Backlog represents the total amount of renewal works that need to be undertaken to bring a Council's back to an acceptable fit-for-purpose service level

Capital New Expenditure - expenditure which creates a new asset providing a new or enhanced service to the Community that did not exist beforehand. As it increases service potential it may impact revenue and will increase future operating and maintenance expenditure.

Capital Renewal Expenditure - expenditure on an existing asset, which returns the service potential or the life of the asset up to that which it had originally. It is expenditure which is required periodically as it reinstates existing service potential. It may have no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the appropriate time, e.g. resurfacing or re-sheeting a road network, replacing a section of a drainage network with pipes of the same capacity, resurfacing an oval. A failure to appropriately invest in renewals expenditure will result in a decline in service levels in the medium to long term.

Depreciation – is an accounting concept that measures and spreads the cost associated with the consumption of an asset over its useful life. It is a non-cash expense from an Income Statement perspective that attempts to measure the reduction in the value of an asset as a result of wear and tear, age, or obsolescence. Most assets lose value over time (in other words, they depreciate), and must be renewed or replaced once their condition falls below an acceptable fit-for-purpose service level.

While depreciation is a non-cash item from an Income Statement it should be used to fund actual capital renewal expenditure.

Inter-Generational Equity Funding - refers to equity between generations of ratepayers (intergenerational equity) whereby the mechanisms to fund specific capital expenditure and operations take into account the ratepayers who benefit from the expenditure and therefore on a user pay basis who should pay for the costs associated with such expenditure.

Level of service - the defined service quality for a particular service against which service performance may be measured. Service levels usually relate to safety, quality, quantity, reliability, responsiveness, cost/efficiency and legislative compliance. Technical measures may relate to quality - smoothness of roads, condition of a building, quantity - area of parks per resident.

Council's services are heavily reliant on an asset infrastructure that has been built up over generations. These assets require significant on-going investment in maintenance and renewal activities to ensure they are fit-for-purpose and able to deliver expected levels of service. It is necessary to engage the community in discussions on desired service levels and ensure asset investment decisions consider the 'whole of life' cost and balance the funding for investment in new/upgraded assets with the investment in asset renewal.

Life Cycle Cost – is the total cost of an asset throughout its life including planning, design, acquisition or construction, operation, maintenance, renewal and disposal costs. The principal ongoing life cycle costs comprise annual maintenance and asset consumption expense, represented by depreciation expense.

Life Cycle Expenditure – is the actual or planned annual maintenance and capital renewal expenditure incurred in providing the service in a particular year. Life Cycle Expenditure may be compared to Life Cycle Cost to give an initial indicator of life cycle sustainability.

Lifecycle Management – the management of infrastructure assets relates particularly to the maintenance and renewal stages of asset life. Early in the life of an asset, its condition deteriorates slowly and maintenance is generally not required. This is often referred to the "Do Nothing" phase of an asset's life. As the asset ages, it moves into what is known as the "Maintain" phase. Maintenance activities will need to be performed to minimise continued deterioration. As the asset moves towards the end of its life, activities are undertaken that restore the asset to a condition close to that of the original. This is referred to as the “Renewal" phase. The importance of the time for intervention for renewal is paramount. If renewal activities are not undertaken in a timely manner, the condition of the asset will deteriorate rapidly to failure, and the cost of reconstruction may be many times that of renewal activities.

Planned Maintenance – is recurrent expenditure which is periodically or regularly required as part of the anticipated schedule of works required to ensure that the asset achieves its useful life and provides the required level of service. It is expenditure, which was anticipated in determining the asset's useful life.

Planned maintenance is also known as preventative maintenance which aims to reduce the frequency of breakdown events, resulting in fewer disruptions, increased asset lifespan, financial savings and increased productivity.

Reactive Maintenance – is unplanned repair work that is carried out in response to service requests as a result of unexpected failures and breakdowns.

This is the day-to-day work that is required to correct component failures and ensure that, as far as possible, schools can continue to operate safely, effectively, with minimal disruption, despite these unpredicted faults and breakdowns.

Warringah Council

LONG TERM FINANCIAL PLAN 2015 - 2025

Appendix 4.2

WARRINGAH COUNCIL

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Introduction

The Long Term Financial Plan forms part of a Resourcing Strategy that provides the link between the Community Strategic Plan outcomes and Council's Delivery Program and Operational Plan (four and one year budgets). It explains how the organisation will meet its obligations now and in the future, taking into account our workforce, our finances and our assets. The Resourcing Strategy enables us to deliver our services to the community in the most sustainable way.

The Budget 2015/16 and the Long Term Financial Plan 2015-2025 is reviewed by Council's auditors, Hill Rogers Spencer Steer. Hill Rogers Spencer Steer has provided an Independent Assurance Report dated 25 May 2015. The inclusion of the auditor's review is in line with better practice and benefits our stakeholders. In forecasting to 2025 we take into account a range of economic factors likely to affect our performance and finances and also make assumptions about how levels of service delivery to the community may change over time.

The Long Term Financial Plan is important because it:

- Reflects our future financial position based on delivering service levels defined in the Delivery Program
- Allows the costs of long term strategic decisions to be quantified and debated
- Assesses the financial sustainability of service levels
- Determines the risk of future strategic directions
- Allows scenario testing of different policies and service levels
- Enables testing of sensitivity and robustness of key assumptions

The Long Term Financial Plan is an extension of the four-year plan (Financial Forecast 2015-2019). It shows a surplus before capital grants and contributions over the next ten years.

The Long Term Financial Plan has been developed based on:

- Fully funding the infrastructure renewal program
- New loan borrowings
- Additional maintenance costs and increased depreciation as a result of major facilities upgrades

Forecasting Future Budgets

In planning for the financial year 2015/16 and beyond, we have made the best possible assumptions about factors outside of our control such as inflation, wage increases and rate capping. In other words, our current budget and long term outlook is based on the most likely scenarios. To illustrate how further negative movements in these factors could affect our budgets in coming years, we have included a separate sensitivity analysis.

We recognise industry leaders have sound financial policies for responsible resource planning, rating, debt, infrastructure and service delivery strategies. Likewise, our budget and financial forecasts have been prepared in accordance with Council's Financial Planning and Sustainability Policy. It provides a strategic framework for prudent management of our finances that facilitates public scrutiny of performance and represents leading financial planning practice.

Revenue Forecasts

In determining the likely revenue that will be available to meet the community's long-term objectives, we have considered the following:

Capacity for rating

As this is a major component of Council's revenue base, the planning process will continue to include an assessment of the community's capacity and willingness to pay rates and whether there is potential for changes to the rate path. In making that judgement, Council will review the potential to reduce the reliance on rates through:

- Increased revenues from other sources
- The projected impact of the rate cap
- Changes in rating revenues from changing demographics and industry makeup
- Opportunities for a special variation to general income
- Any need to increase the reliance on rating due to a reduction of revenues from other sources such as a decline in grants and subsidies

Fees and charges

A number of the services provided by Council are offered on a user pays basis. In preparing the Long Term Financial Plan Council has considered possible future income from fees and charges, including opportunities to reduce reliance on other forms of income.

Grants and subsidies

Council receives an annual Financial Assistance Grant allocation from the Commonwealth and also receives other grants for specific programs. In preparing the Long Term Financial Plan Council has assumed that it will continue to receive grants. Should these grants and subsidies be reduced, Council's ability to provide the same level of service will be impacted.

Borrowings

Council has commenced construction of the renewal of access roads at the Kimbriki Waste Landfill site. It is anticipated that the renewal of the access roads will cost $12.5m. Council is planning to borrow $7.815m for the Local Infrastructure Renewal Scheme (LIRS) component of the project and is proposing to borrow for the remaining component of the works in 2015/16 in order to maintain financial sustainability over the 10 years of the Long Term Financial Plan. If Council has not executed the borrowings for the LIRS component of the project in 2014/15 then borrowings of $12.5m will be undertaken in 2015/16. Council will continue to review the need to borrow for major infrastructure projects. Spreading these costs over a number of years facilitates inter-generational equity and smooths out long term expenditure peaks and troughs.

Expenditure forecasts

In developing expenditure forecasts, new expenditure items and ongoing commitments have been considered. This has included costs for capital and recurrent expenditures such as maintenance costs and capital renewals for infrastructure assets and appropriate phasing of when the costs are expected to be incurred including expenditure for planning, construction, implementation and ongoing maintenance.

Financial modelling

The development process for the Long Term Financial Plan has included financial modelling taking account of different scenarios. The particular challenges confronting Council have been presented in the sensitivity analysis.

Performance monitoring

Council not only monitors its performance against the Long Term Financial Plan and the annual budget, but has also developed measures to assess its long term financial sustainability. Council uses financial health check performance indicators including the unrestricted current ratio, operating result, debt service ratio and capital renewal ratio. The statement of performance measures is in accordance with Note 13 – Statement of Performance Measures of the current Local Government Code of Accounting Practice and Financial Reporting.

Financial Planning Assumptions

In preparing the Council's budget, consideration was given to a range of economic and political factors that affect our finances and in turn our capability to maintain existing levels of service and long term financial sustainability.

Based on reputable sources such as Deloitte Access Economics, we have made the following assumptions while putting together this year's budget and long term financial outlook:

1. Market Driven Planning Assumptions and
2. Revenue and Expenditure Assumptions

1. Market Driven Planning Assumptions

As part of undertaking financial modelling, key assumptions that underpin the estimates must be made. The following assumptions have been used in the modelling contained in Council's Long Term Financial Plan and Delivery Program.

Growth

In assessing future growth Council has referred to NSW Planning and Environment's 2014 Final Population Projections for Warringah. In Warringah the population is projected to increase from 148,400 in 2011 to 179,600 in 2031 at an average of 0.95% per annum, or approximately 1,295 extra persons per year.

Under the Metropolitan Strategy, the Draft North East Subregion Strategy, a target of 10,300 dwellings was proposed for Warringah by 2031. The NSW Planning and Environment's 2014 Final Household and Implied Dwelling Projections have revised this to 13,431 at an average of 1.03% per annum. Actual delivery of new dwellings to meet the target will require up-zoning of land with associated supporting infrastructure.

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Additional Dwellings	614	621	627	633	639	646	652	659	665	672
Dwellings Projection	1.03%	1.03%	1.03%	1.03%	1.03%	1.03%	1.03%	1.03%	1.03%	1.03%

Inflation (Consumer Price Index (CPI))

In determining the inflationary increase assumption for 2015/16 Long Term Financial Plan, Council has used economic projections, which indicates that inflation projections for the next ten years will be as follows:

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Underlying Inflation	2.50%	2.70%	2.60%	2.50%	2.40%	2.50%	2.50%	2.50%	2.40%	2.50%

2. Revenue and Expenditure Assumptions

The following table outlines Council's financial planning assumptions by revenue and expenditure types. Included within the assumptions is a brief description as to how Council has determined the assumption and the external influences on that assumption.

Revenue Assumptions										
Year	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
Rates										
Rate Cap	2.40%	3.00%	2.90%	2.70%	2.60%	2.70%	2.70%	2.70%	2.60%	2.70%
Special Rate Variation	0.60%		6.50%							
Comments: The Rate Cap and Special Rate Variations in the years 2015/16 to 2017/18 is based on that advised by IPART in their Determination issued on 3 June 2014. Subsequent years have been calculated based on an estimate of the Local Government Cost Index. This estimated is based on 40% of costs being Employee Costs and 60% being Other Expenses.										
Annual Charges										
Domestic Waste Management	7.40%	4.90%	5.00%	10.00%	10.00%	2.50%	2.60%	2.50%	2.50%	2.40%
Comments: Council calculates its Domestic Waste Management Charges to ensure that its total income can fund the operating and maintenance costs associated with providing the service including provisions for major plant replacement. Higher costs reflecting a new bin system roll-out associated with the closure of the Belrose landfill site, changes by the New South Wales Government in the allocation of the WaSIP Grant and the implementation of the Alternate Waste Technology (AWT) facility at the Kimbriki Waste Landfill site in 2018/19 will result in higher domestic waste management costs. Increases in the Domestic Waste Management Charge from 2016/17 to 2019/20 for an 80 litre bin will average $34 per annum (120 litres: $52).										
User Charges & Fees										
Fees & Charges (statutory)	Increase is not determined by Council – Increases are in accordance with relevant legislation.									
CPI (Underlying Inflation)	2.50%	2.70%	2.60%	2.50%	2.40%	2.50%	2.50%	2.50%	2.40%	2.50%
Comments: Council's User Fees & Charges comprise Statutory Charges which are determined under relevant legislation and Non-Statutory Charges including Childcare Fees, Venue Hire and lease income from Council properties. In determining the rates for its Non-Statutory Charges, Council applies its Pricing Policy which incorporates the Local Government Competitive Neutrality Guidelines. CPI (underlying inflation) has been used to project Council's revenue for future years from User Fees & Charges.										

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Interest & Investment Revenues										
Return on Investment Portfolio	3.40%	4.10%	4.10%	4.10%	4.10%	4.10%	4.10%	4.10%	4.10%	4.10%
Comments: Council has used information provided by its Investment Advisors to determine forecast projections for interest on investments based on forecast cash balances over the ten years period.										
Other Revenues										
CPI (Underlying Inflation)	2.50%	2.70%	2.60%	2.50%	2.40%	2.50%	2.50%	2.50%	2.40%	2.50%
Comments: Council's Other Revenue principally comprises Recycling Revenue, Environment Protection Authority Revenue, Fine Income and revenue from other activities including Special Events, merchandising, food and beverage sales at Councils' Aquatic Centre and Glen Street Theatre. CPI (underlying inflation) detailed above has been used to project Council's revenue for future years from Other Revenues.										
Grants & Contributions – Operating Purposes										
CPI (Underlying Inflation)	2.50%	2.70%	2.60%	2.50%	2.40%	2.50%	2.50%	2.50%	2.40%	2.50%
Comments: Council receives a number of operational grants from various Government agencies. The largest of these being the Financial Assistance Grant and Council has assumed that this will continue to be received. Council has assumed it will continue to receive other operating grants in relation to ongoing operations e.g. salary grants and that these will increase annually in line with CPI (underlying inflation). Other operating grants received for specific project related purposes have been included in the year Council anticipates they will be received.										
Grants & Contributions – Capital Purposes										
CPI (Underlying Inflation)	2.50%	2.70%	2.60%	2.50%	2.40%	2.50%	2.50%	2.50%	2.40%	2.50%
Comments: S94A Developer Contributions are a significant source of Council's capital revenue. Predicting the amount of revenues received from this source is extremely difficult as it is essentially market driven and depends on the timing of developments. Council has assumed it will receive $2.2 million in contributions in the 2015/16 financial year and that these will increase annually in line with CPI (underlying inflation). Council has assumed it will continue to receive other capital grants in relation to ongoing programs and that these will increase annually in line with CPI (underlying inflation). Other capital grants received for specific project related purposes have been included in the year Council anticipates they will be received.										
Gain on Disposal of Asset										
CPI (Underlying Inflation)	2.50%	2.70%	2.60%	2.50%	2.40%	2.50%	2.50%	2.50%	2.40%	2.50%
Comments: Council's Gains on Disposal of Assets is predominantly received from the sale of its fleet and properties. The estimate in 2015/16 includes anticipated gains from the sale of Council's fleet as well as the sale of a major property asset. Future years are based on the assumption that the fleet sales will continue at their current level and will increase annually in line with CPI (underlying inflation). The funding of the Dee Why Town Centre Parking and Community Facility will partially come from the proceeds from the disposal of the Kiah site in 2015/16. The completion of a cultural hub at Glen Street is to be funded by the disposal of part of the Library site in 2016/17.										

Expenditure Assumptions

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Employee Benefits & Oncosts										
Industry Award Base Increase	2.70%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
Industry Award Step Increase	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
Superann-uation Guarantee Levy	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	10.00%	10.50%	11.00%	11.50%
Productivity Savings	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%

Comments:

The current Local Government State Award provides for annual increase of 2.7% in 2015/16 and 2.8% in 2016/17 as well as salary band step increases. Council has assumed that the Local Government State Award increases will remain at their 2016/17 levels for the final 8 years of the Long Term Financial Plan. Other assumptions relating to employee costs which are included in the Long Term Financial Plan include:

- No change is expected in existing employee working hours.
- Council assumes a 5% vacancy in establishment positions in each financial year.
- The average increase as a result of Award based Salary Band step increases will be 0.2% per annum.
- Council has modelled future superannuation expenditure based on the freezing of the statutory contribution rate at 9.5% until 2021/22. The contribution will then incrementally increase to 12.0% by 2025/26.
- Council will continue to achieve productivity improvements through its continuous improvement program and these will average 0.2% per annum.

Borrowing Costs

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Interest Rate – Borrowing	4.30%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%
Tip Remediation Discount	$0.97m	$1.02m	$1.09m	$1.15m	$1.22m	$1.29m	$1.37m	$1.45m	$1.54m	$1.63m

Comments:

Council's borrowing costs over the ten year period comprise a number of components:

Interest incurred on borrowings for major infrastructure works:
The construction of access road infrastructure at the waste landfill site at Kimbriki. It is anticipated further borrowings will be required in the 2015/16 financial year.

Finance Lease Interest Charges – rates on these borrowings are forecast in accordance with the rates outlined above. These have been calculated based on the assumed Interest Rate on Investments plus 1.5% Tip Remediation Discount. This relates to the remediation of the waste landfill site at Kimbriki. These have been based on a Remediation Plan and a discount rate of 6% per annum.

<table>
<tr><th>Year</th><th>2015/16</th><th>2016/17</th><th>2017/18</th><th>2018/19</th><th>2019/20</th><th>2020/21</th><th>2021/22</th><th>2022/23</th><th>2023/24</th><th>2024/25</th></tr>
<tr><td colspan="11">Materials & Contracts</td></tr>
<tr><td>CPI (Underlying Inflation)</td><td>2.50%</td><td>2.70%</td><td>2.60%</td><td>2.50%</td><td>2.40%</td><td>2.50%</td><td>2.50%</td><td>2.50%</td><td>2.40%</td><td>2.50%</td></tr>
<tr><td colspan="11">Comments:
Materials and contracts (with the exception of Domestic Waste Management) and other expenses which represent the principal costs used to deliver services to the community are forecast to increase in line with the Consumer Price Index. While the rate of growth projected is uneven it is forecast to average 2.5% per annum. Materials and contracts for Domestic Waste Management are forecast to increase by an average of 7.7% between 2015/16 and 2018/19 reflecting additional costs associated with the implementation of the Alternate Waste Technology at the Kimbriki Waste Recovery Facility.</td></tr>
<tr><td colspan="11">Depreciation & Amortisation</td></tr>
<tr><td>Projected Depreciation Cost</td><td>$16.0m</td><td>$17.6m</td><td>$18.3m</td><td>$18.8m</td><td>$19.9m</td><td>$20.5m</td><td>$21.1m</td><td>$21.8m</td><td>$22.4m</td><td>$23.1m</td></tr>
<tr><td colspan="11">Comments:
The depreciation methodology which Council employs can be found in Note 1 of the General Purpose Financial Statements. The depreciation expense assumed in the Long Term Financial Plan has been calculated in accordance with this methodology. Estimates have also been included for the projected depreciation cost of new assets which have been identified within Council’s proposed Capital Works Program.</td></tr>
<tr><td colspan="11">Other Expenses</td></tr>
<tr><td>CPI (Underlying Inflation)</td><td>2.50%</td><td>2.70%</td><td>2.60%</td><td>2.50%</td><td>2.40%</td><td>2.50%</td><td>2.50%</td><td>2.50%</td><td>2.40%</td><td>2.40%</td></tr>
<tr><td colspan="11">Comments:
Other Expenses primarily relate to Utility Costs, Insurances, Statutory Charges (including Election Costs, Emergency Services Levy and Waste Disposal Levy) and Other Program Expenditure. These are generally forecast to increase in line with CPI (underlying inflation).</td></tr>
</table>

Financial Forecast 2015-2025

We have included a Cash and Investment Statement and Capital Budget Statement to show clearly the movement of funds over the years, the source of funds for capital works projects and any restrictions against projected cash and investments.

The four Key Financial Indicators listed under Financial Performance and Sustainability demonstrate that the community's funds are being prudently managed. These measures have been prepared in accordance with the Local Government Financial Health Check, an industry accepted benchmark.

In this section:

- Income Statement
- Balance Sheet
- Cash Flow Statement
- Simplified Cash Flow Statement
- Capital Budget Statement
- Cash and Investment Statement

Ten Year Financial Plan - Income Statement

	2015/16 $ '000	2016/17 $ '000	2017/18 $ '000	2018/19 $ '000	2019/20 $ '000	2020/21 $ '000	2021/22 $ '000	2022/23 $ '000	2023/24 $ '000	2024/25 $ '000
Income from Continuing Operations										
Rates & Annual Charges	100,817	104,583	113,506	118,841	124,484	128,114	131,897	135,763	139,621	143,686
User Charges & Fees	43,722	44,903	46,070	47,222	48,355	49,564	50,803	52,073	53,323	54,656
Interest & Investment Revenues	2,508	2,838	2,655	2,922	2,894	2,902	2,915	2,901	2,860	2,800
Other Revenues	11,300	11,596	11,554	11,843	12,127	12,430	12,741	13,059	13,373	13,707
Grants & Contributions - Operating Purposes	8,002	7,282	7,293	7,471	7,977	7,507	7,571	7,744	8,246	7,769
Grants & Contributions - Capital Purposes	4,038	3,473	3,563	3,652	3,740	3,834	3,929	4,028	4,124	4,228
Gains on Disposal of Assets	9,293	471	2,306	495	507	520	533	546	559	573
Share of interests in Joint Venture using Equity Method										
Total Income from Continuing Operations	**179,680**	**175,146**	**186,948**	**192,446**	**200,085**	**204,870**	**210,390**	**216,115**	**222,106**	**227,419**
Expenses from Continuing Operations										
Employee Benefits & On-Costs	(64,150)	(65,870)	(67,737)	(69,634)	(71,583)	(73,588)	(76,000)	(78,489)	(81,059)	(83,711)
Borrowing Costs	(1,362)	(1,482)	(1,498)	(1,516)	(1,536)	(1,558)	(1,583)	(1,610)	(1,639)	(1,674)
Materials & Contracts	(59,324)	(60,210)	(61,627)	(66,453)	(72,099)	(73,568)	(75,744)	(78,110)	(80,808)	(82,548)
Depreciation & Amortisation	(16,034)	(17,640)	(18,261)	(18,795)	(19,910)	(20,525)	(21,154)	(21,801)	(22,443)	(23,126)
Other Expenses	(21,134)	(21,676)	(22,276)	(22,759)	(23,368)	(23,924)	(24,566)	(25,101)	(25,767)	(26,384)
Loss on Disposal of Assets	-	-	-	-	-	-	-	-	-	-
Share of interests in Joint Venture using Equity Method	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	**(162,005)**	**(166,878)**	**(171,400)**	**(179,157)**	**(188,496)**	**(193,163)**	**(199,047)**	**(205,111)**	**(211,716)**	**(217,443)**
Surplus/(Deficit) from Continuing Operations	**17,675**	**8,268**	**15,548**	**13,289**	**11,589**	**11,707**	**11,343**	**11,004**	**10,389**	**9,976**
Minority Interests	(1,729)	(1,775)	(1,822)	(1,867)	(1,912)	(1,960)	(2,009)	(2,059)	(2,108)	(2,161)
Surplus/(Deficit) attributable to Council	15,946	6,492	13,726	11,422	9,677	9,748	9,334	8,945	8,281	7,815
Surplus/(Deficit) before Capital Grants & Contributions	**13,637**	**4,795**	**11,984**	**9,637**	**7,849**	**7,874**	**7,414**	**6,976**	**6,265**	**5,748**

Ten Year Financial Plan – Balance Sheet

	2015/16 $ '000	2016/17 $ '000	2017/18 $ '000	2018/19 $ '000	2019/20 $ '000	2020/21 $ '000	2021/22 $ '000	2022/23 $ '000	2023/24 $ '000	2024/25 $ '000
ASSETS										
Current Assets										
Cash & Cash Equivalents	6,411	4,976	5,879	5,743	5,734	5,748	5,706	5,609	5,432	5,242
Investments	57,702	44,784	52,915	51,689	51,610	51,734	51,351	50,485	48,888	47,174
Receivables	7,548	7,548	7,548	7,548	7,548	7,548	7,548	7,548	7,548	7,548
Inventories	78	78	78	78	78	78	78	78	78	78
Other	1,253	1,253	1,253	1,253	1,253	1,253	1,253	1,253	1,253	1,253
Non-current assets classified as "held for resale"	7,429	1,966	-	-	-	-	-	-	-	-
Total Current Assets	**80,421**	**60,605**	**67,673**	**66,311**	**66,223**	**66,361**	**65,936**	**64,973**	**63,199**	**61,295**
Non-Current Assets										
Investments	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Receivables	519	519	519	519	519	519	519	519	519	519
Inventories	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	2,509,156	2,534,882	2,542,757	2,556,804	2,567,882	2,578,864	2,590,054	2,601,456	2,613,065	2,624,893
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-
Investment Property	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Intangible	2,595	2,595	2,595	2,595	2,595	2,595	2,595	2,595	2,595	2,595
Total Non-Current Assets	**2,515,870**	**2,541,596**	**2,549,471**	**2,563,518**	**2,574,596**	**2,585,578**	**2,596,768**	**2,608,170**	**2,619,779**	**2,631,607**
TOTAL ASSETS	**2,596,291**	**2,602,201**	**2,617,144**	**2,629,829**	**2,640,819**	**2,651,939**	**2,662,704**	**2,673,143**	**2,682,978**	**2,692,902**
LIABILITIES										
Current Liabilities										
Payables	17,704	15,954	15,954	15,954	15,954	15,954	15,954	15,954	15,954	15,954
Borrowings	1,543	1,543	1,543	1,543	1,543	1,543	1,543	1,543	1,067	296
Provisions	13,135	13,253	13,375	13,500	13,627	13,761	13,898	14,041	14,186	14,339
Total Current Liabilities	**32,382**	**30,750**	**30,872**	**30,997**	**31,124**	**31,258**	**31,395**	**31,538**	**31,207**	**30,589**
Non-Current Liabilities										
Payables	-	-	-	-	-	-	-	-	-	-
Borrowings	9,728	8,639	7,505	6,323	5,092	3,809	2,473	1,081	107	(154)
Provisions	19,244	20,300	21,417	22,599	23,851	25,177	26,582	28,070	29,645	31,315
Total Non-Current Liabilities	**28,972**	**28,939**	**28,922**	**28,922**	**28,943**	**28,986**	**29,055**	**29,151**	**29,752**	**31,161**
TOTAL LIABILITIES	**61,354**	**59,689**	**59,794**	**59,919**	**60,067**	**60,244**	**60,450**	**60,689**	**60,959**	**61,750**
NET ASSETS	**2,534,937**	**2,542,512**	**2,557,350**	**2,569,910**	**2,580,752**	**2,591,695**	**2,602,254**	**2,612,454**	**2,622,019**	**2,631,152**
EQUITY										
Retained Earnings	2,379,340	2,385,832	2,399,558	2,410,980	2,420,657	2,430,405	2,439,739	2,448,684	2,456,965	2,464,780
Revaluation Reserves	144,312	144,312	144,312	144,312	144,312	144,312	144,312	144,312	144,312	144,312
Council Equity Interest	2,523,652	2,530,144	2,543,870	2,555,292	2,564,969	2,574,717	2,584,051	2,592,996	2,601,277	2,609,092
Minority Equity Interest	11,285	12,368	13,480	14,618	15,783	16,978	18,203	19,458	20,742	22,060
TOTAL EQUITY	**2,534,937**	**2,542,512**	**2,557,350**	**2,569,910**	**2,580,752**	**2,591,695**	**2,602,254**	**2,612,454**	**2,622,019**	**2,631,152**

Ten Year Financial Plan – Consolidated Cash Flow

	2015/16 $ '000	2016/17 $ '000	2017/18 $ '000	2018/19 $ '000	2019/20 $ '000	2020/21 $ '000	2021/22 $ '000	2022/23 $ '000	2023/24 $ '000	2024/25 $ '000
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	100,817	104,583	113,506	118,841	124,484	128,114	131,897	135,763	139,621	143,686
User Charges & Fees	43,722	44,903	46,070	47,222	48,355	49,564	50,803	52,073	53,323	54,656
Interest & Investment Revenues	2,508	2,838	2,655	2,922	2,894	2,902	2,915	2,901	2,860	2,800
Grants & Contributions	12,040	10,755	10,857	11,123	11,718	11,340	11,501	11,772	12,370	11,997
Other	11,300	11,596	11,554	11,843	12,127	12,430	12,741	13,059	13,373	13,707
Payments:										
Employee Benefits & On-Costs	(64,064)	(65,767)	(67,630)	(69,524)	(71,471)	(73,470)	(75,879)	(78,363)	(80,930)	(83,575)
Materials & Contracts	(59,324)	(61,960)	(61,627)	(66,453)	(72,099)	(73,568)	(75,744)	(78,110)	(80,808)	(82,548)
Borrowing Costs	-	-	-	-	-	-	-	-	-	-
Other	(21,096)	(21,634)	(22,234)	(22,717)	(23,325)	(23,879)	(24,521)	(25,054)	(25,723)	(26,336)
Net Cash provided by (or used in) Operating Activities	**25,903**	**25,314**	**33,151**	**33,257**	**32,683**	**33,433**	**33,713**	**34,041**	**34,086**	**34,387**
Cash Flows from Investing Activities										
Receipts:										
Sale of Investment Property	-	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	1,870	2,121	2,134	2,145	2,157	2,170	2,183	2,196	2,209	2,223
Sale of Non-current assets classified as "held for resale"	9,969	5,463	3,788	-	-	-	-	-	-	-
Payments:										
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(58,436)	(45,016)	(27,786)	(34,492)	(32,638)	(33,157)	(33,994)	(34,853)	(35,702)	(36,604)
Net cash provided by (or used in) Investing Activities	**(46,597)**	**(37,432)**	**(21,864)**	**(32,347)**	**(30,481)**	**(30,987)**	**(31,811)**	**(32,657)**	**(33,493)**	**(34,381)**
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	4,785	-	-	-	-	-	-	-	-	-
Other Financing Activity Receipts										
Payments:										
Repayment of Borrowings & Advances	(1,248)	(1,543)	(1,543)	(1,543)	(1,543)	(1,543)	(1,543)	(1,543)	(1,543)	(1,067)
Repayment of Finance Lease Liabilities	-	-	-	-	-	-	-	-	-	-
Dividend Paid to Minority Interests	(692)	(692)	(710)	(729)	(747)	(765)	(784)	(804)	(824)	(843)
Net cash provided by (or used in) Financing Activities	2,845	(2,235)	(2,253)	(2,272)	(2,290)	(2,308)	(2,327)	(2,347)	(2,367)	(1,910)
Net Increase/(Decrease) in Cash & Investments	(17,849)	(14,353)	9,034	(1,362)	(88)	138	(425)	(963)	(1,774)	(1,904)
plus: Cash & Investments - beginning of year	83,762	65,913	51,560	60,594	59,232	59,144	59,282	58,857	57,894	56,120
Cash & Investments - end of year	**65,913**	**51,560**	**60,594**	**59,232**	**59,144**	**59,282**	**58,857**	**57,894**	**56,120**	**54,216**

Ten Year Financial Plan – Simplified Cash Flow

	2015/16 $ '000	2016/17 $ '000	2017/18 $ '000	2018/19 $ '000	2019/20 $ '000	2020/21 $ '000	2021/22 $ '000	2022/23 $ '000	2023/24 $ '000	2024/25 $ '000
Cash & Investments at the start of the year	**83,762**	**65,913**	**51,560**	**60,594**	**59,232**	**59,144**	**59,282**	**58,857**	**57,894**	**56,120**
Surplus/(Deficit) from Continuing Operations	17,675	8,268	15,548	13,289	11,589	11,707	11,343	11,004	10,389	9,976
Add/(Less:): Non Cash Items in Income Statement										
Depreciation	16,034	17,640	18,261	18,795	19,910	20,525	21,154	21,801	22,443	23,126
Loan Interest	392	454	409	361	312	260	207	151	93	35
Movement in Provisions	1,094	1,173	1,239	1,307	1,380	1,461	1,542	1,631	1,720	1,822
Profit on Disposal of Infrastructure, Property, Plant & Equipment	(220)	(471)	(484)	(495)	(507)	(520)	(533)	(546)	(559)	(573)
Profit on Disposal of Assets Held for Resale	(9,073)	-	(1,822)	-	-	-	-	-	-	-
	25,902	**27,064**	**33,151**	**33,257**	**32,684**	**33,433**	**33,713**	**34,041**	**34,086**	**34,386**
Inflow of Funds										
Proceeds from Sale of Plant & Equipment	1,870	2,121	2,134	2,145	2,157	2,170	2,183	2,196	2,209	2,223
Proceeds from sale of assets classified as "held for resale"	9,969	5,463	3,788	-	-	-	-	-	-	-
Proceeds from Borrowings and Advances	4,785	-	-	-	-	-	-	-	-	-
	16,625	**7,584**	**5,922**	**2,145**	**2,156**	**2,170**	**2,183**	**2,196**	**2,209**	**2,224**
Outflow of Funds										
Capital Works Expenditure	(58,436)	(45,016)	(27,786)	(34,492)	(32,638)	(33,157)	(33,994)	(34,853)	(35,702)	(36,604)
Repayment of Payables	-	(1,750)	-	-	-	-	-	-	-	-
Repayment of Borrowings & Adances	(1,248)	(1,543)	(1,543)	(1,543)	(1,543)	(1,543)	(1,543)	(1,543)	(1,543)	(1,067)
Dividend Paid to Minority Interests	(692)	(692)	(710)	(729)	(747)	(765)	(784)	(804)	(824)	(843)
	(60,376)	**(49,001)**	**(30,039)**	**(36,764)**	**(34,928)**	**(35,465)**	**(36,321)**	**(37,200)**	**(38,069)**	**(38,514)**
Cash & Investments at the end of the year	**65,913**	**51,560**	**60,594**	**59,232**	**59,144**	**59,282**	**58,857**	**57,894**	**56,120**	**54,216**

Ten Year Financial Plan – Capital Budget Statement

	2015/16 $ '000	2016/17 $ '000	2017/18 $ '000	2018/19 $ '000	2019/20 $ '000	2020/21 $ '000	2021/22 $ '000	2022/23 $ '000	2023/24 $ '000	2024/25 $ '000
Capital Funding										
Rates & Other Untied Funding	-	-	-	-	-	-	-	-	-	-
Working Capital	26,976	5,285	1,530	3,485	9,000	9,113	9,226	9,342	9,454	9,572
Depreciation	17,350	16,132	16,756	16,704	18,748	19,381	20,029	20,695	21,357	22,059
Capital Grants Contributions	1,838	1,172	1,184	1,197	-	-	-	-	-	-
External Restrictions										
- S94	4,566	6,482	4,582	-	299	-	-	-	-	-
- S94A	3,014	4,494	1,600	3,172	2,433	2,494	2,556	2,620	2,683	2,750
- DWM	-	-	-	7,790	-	-	-	-	-	-
Internal Restrictions										
- Loan	2,822	9,330	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-	-
Income from Sales of Assets										
- Plant and Equipment	1,870	2,121	2,134	2,145	2,157	2,170	2,183	2,196	2,209	2,223
- Land and Buildings	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total Capital Funding	**58,436**	**45,016**	**27,786**	**34,492**	**32,638**	**33,157**	**33,994**	**34,853**	**35,702**	**36,604**
Capital Expenditure										
Plant & Equipment	7,968	5,542	4,579	15,107	2,613	2,694	2,776	2,861	2,946	3,035
Office Equipment	612	370	755	770	2,091	2,155	2,221	2,289	2,357	2,428
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-
Operational Land	-	-	-	-	-	-	-	-	-	-
Community Land	-	-	-	-	-	-	-	-	-	-
Land Improvements	1,410	1,286	1,199	1,263	105	108	111	114	118	121
Buildings	30,229	7,350	3,880	3,495	16,332	16,348	16,669	16,998	17,321	17,664
Other Structures	4,413	7,135	2,580	1,073	523	539	555	572	589	607
Roads, Bridges & Footpaths	8,964	18,517	8,951	7,166	5,435	5,603	5,775	5,952	6,127	6,313
Stormwater Drainage	4,272	4,232	5,242	5,002	4,808	4,957	5,109	5,265	5,420	5,585
Library Books	568	584	600	617	732	754	777	801	825	850
Other Assets	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	**58,436**	**45,016**	**27,786**	**34,492**	**32,638**	**33,157**	**33,994**	**34,853**	**35,702**	**36,604**

Ten Year Financial Plan – Consolidated Cash and Investment Statement

	2015/16 $ '000	2016/17 $ '000	2017/18 $ '000	2018/19 $ '000	2019/20 $ '000	2020/21 $ '000	2021/22 $ '000	2022/23 $ '000	2023/24 $ '000	2024/25 $ '000
Total Cash and Investments	**65,913**	**51,560**	**60,594**	**59,232**	**59,144**	**59,282**	**58,857**	**57,894**	**56,120**	**54,216**
Represented by:										
Externally Restricted										
Developer Contributions	15,536	7,278	3,633	2,970	2,786	2,900	3,019	3,143	3,272	3,406
Specific Purpose Unexpected Grants	19	19	19	19	19	19	19	19	19	19
Domestic Waste Management	6,668	7,978	9,879	3,152	3,279	3,442	3,673	3,930	4,246	4,581
Total Externally Restricted	**22,223**	**15,275**	**13,531**	**6,141**	**6,084**	**6,361**	**6,712**	**7,092**	**7,537**	**8,005**
Internally Restricted										
Deposits, Retentions & Bonds	4,451	4,451	4,451	4,451	4,451	4,451	4,451	4,451	4,451	4,451
Employee Leave Entitlement	2,578	2,650	2,724	2,801	2,879	2,960	3,043	3,128	3,215	3,305
Insurance Reserve	630	647	664	680	697	714	732	750	768	788
Compulsory Open Space Acquisition Reserve	-	-	-	-	-	-	-	-	-	-
Other	266	266	266	266	266	266	266	266	266	266
Total Internally Restricted	**7,925**	**8,014**	**8,105**	**8,198**	**8,293**	**8,391**	**8,492**	**8,595**	**8,701**	**8,810**
Total Restricted Cash	**30,148**	**23,289**	**21,636**	**14,339**	**14,377**	**14,752**	**15,203**	**15,687**	**16,237**	**16,815**
Total Unrestricted / Available Cash	**35,765**	**28,271**	**38,958**	**44,893**	**44,767**	**44,530**	**43,654**	**42,207**	**39,883**	**37,401**

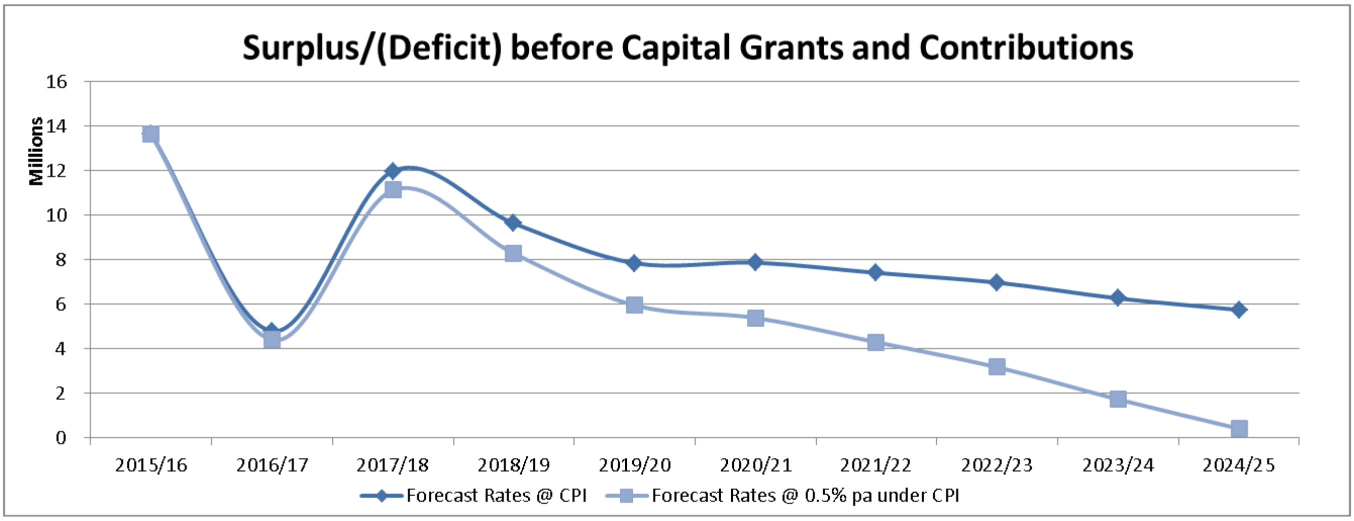
Sensitivity Analysis

Although the assumptions listed in the previous section are our current informed estimate based on a range of reliable sources, long term financial plans are inherently uncertain. They contain a wide range of assumptions, including assumptions about interest rates and the potential effect of inflation on revenues and expenditures which are largely outside our control.

Developing our Long Term Financial Plan has included financial modelling taking into account the impact on our finances if trends worsen.

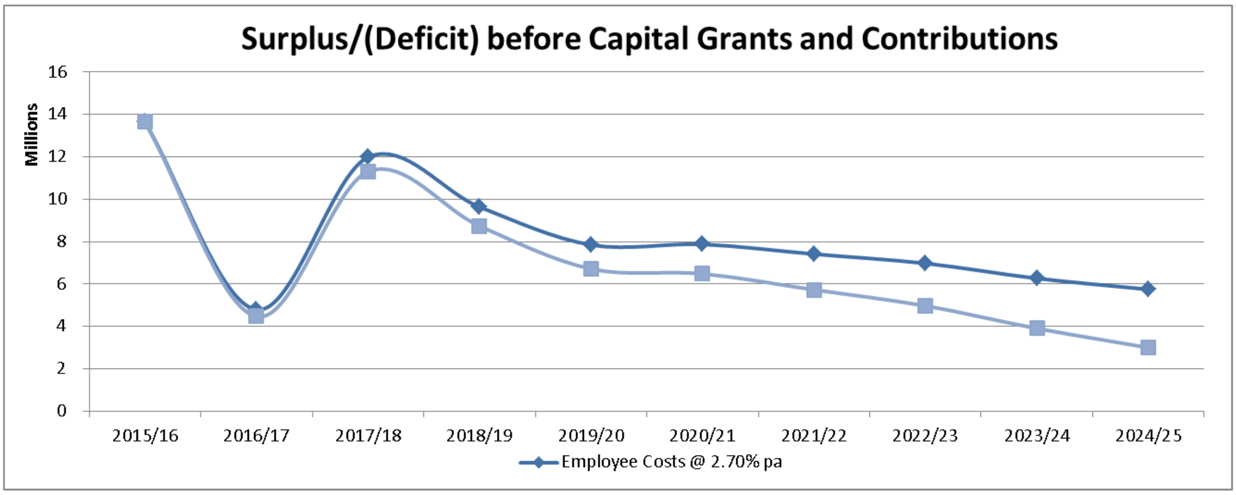
Rates

Rates comprise 43% of our total income. Rates are capped by the State Government and we can only increase rates if we apply for a special increase. If rates are held 0.5% pa below the Consumer Price Index the budget will still remain in surplus for each year of the Long Term Financial Plan.



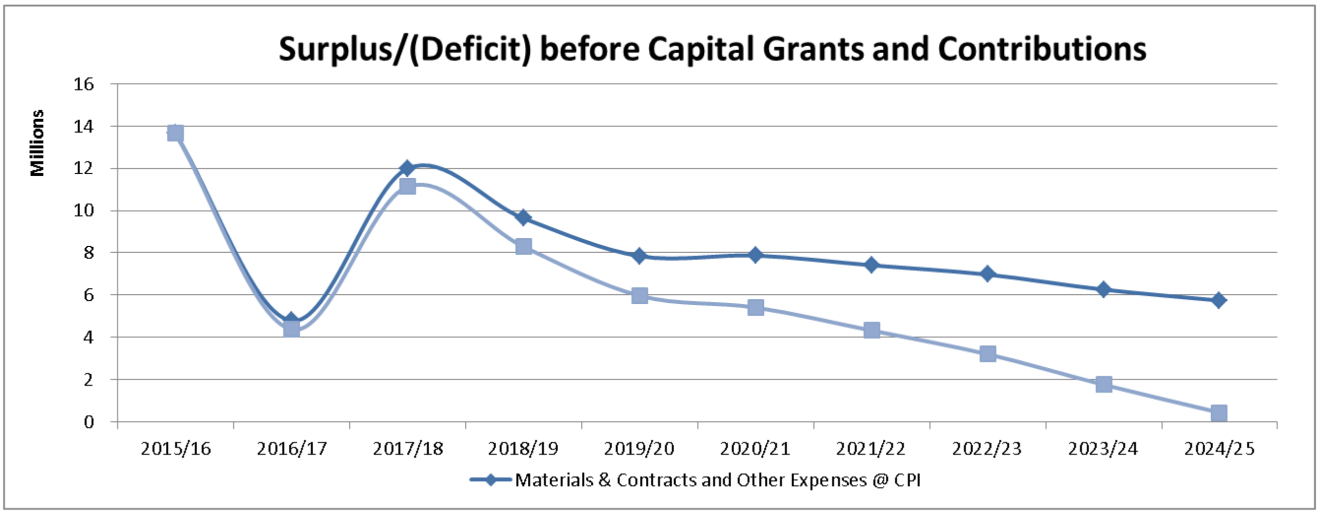
Employee costs

Salary growth is largely subject to the NSW Local Government Award. The current Award includes an increase of 2.7% for the current year and 2.8% for 2016/17 before step increases. If the Award increase was 0.5% pa higher the budget would still remain in surplus for each year of the Long Term Financial Plan.



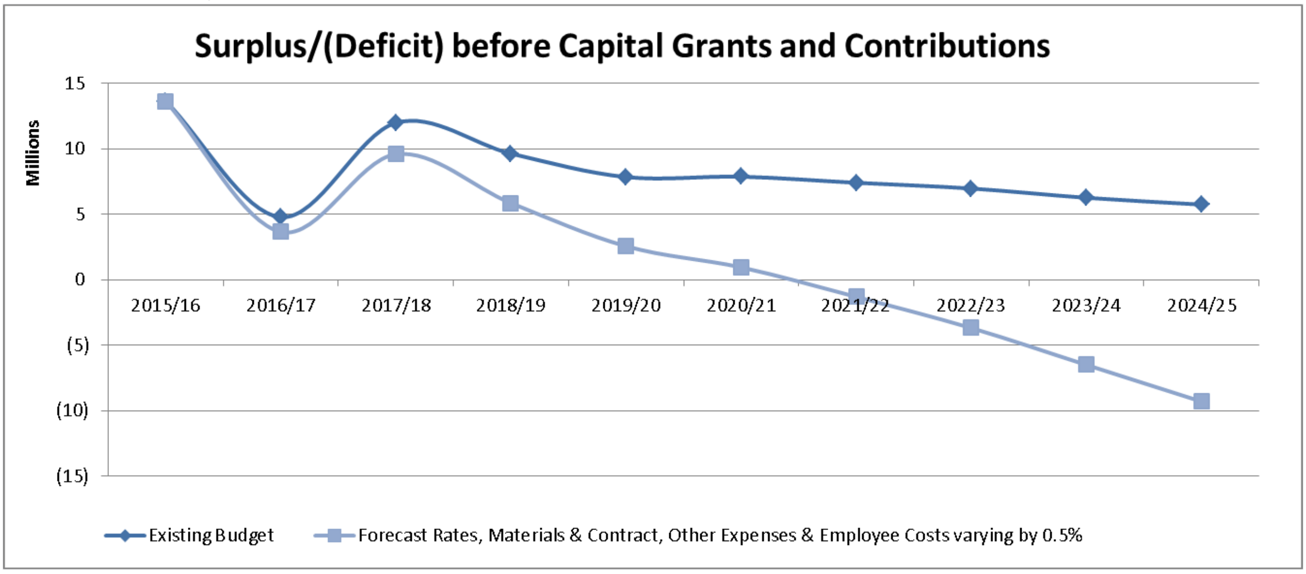
Materials, contracts and other expenses

While our budget shows we are in a good financial position, fluctuating market conditions could affect the price of certain Materials and Contracts. The chart shows the impact of a 0.5% pa increase in Material, Contracts and Other Expenses above the Consumer Price Index. Significant increases are possible, for example electricity costs. The budget would still remain in surplus for each year of the Long Term Financial Plan.



Combined impact

The chart shows the combined impact of factors discussed above and would see the budget fall into deficit from 2020/21.



Financial Performance and Sustainability

We not only monitor our performance against the Long Term Financial Plan and the annual budget, but we have also developed measures to assess our long term financial sustainability. We use Financial Health Check Performance Indicators including the unrestricted current ratio, operating result, debt service ratio and capital expenditure ratio. The Statement of Performance Measures is in accordance with Note 13 – Statement of Performance Measures of the current Local Government Code of Accounting Practice.

As a forecast of our financial performance, the following four Key Financial Indicators are provided:

- Cash/liquidity position
- Operating result
- Asset renewal expenditure
- Debt service ratio

CASH / LIQUIDITY POSITION

Indicator # 1 - Cash / Liquidity Position - after accounting for external reserves

Indicator Title: Unrestricted Current Ratio

Indicator Definition: Current Assets less Externally Restricted Current Assets / Current Liabilities less Specific Purpose Current Liabilities

Indicator / Local Government Benchmark:
- Greater than 2:1 (green)
- Between 1:1 and 2:1 (yellow)
- Less than 1:1 (red)
- Successive years > 10:1 (red)

2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
2.99	2.39	2.01	2.41	2.69	2.70	2.71	2.68	2.63	2.60	2.59

Commentary:
Council's liquidity is satisfactory and it can pay its debts as theyfall due.

OPERATING RESULT

Indicator # 2 - Operating Result - using trend analysis

Indicator Title: **Result from Continuing Operations before Capital Grants & Contributions**

Indicator Definition: Result from ordinary operations before receipt of Capital Grants and Contributions ie. Operating Result or 'Profit' after depreciation

Indicator / Local Government Benchmark:
- Three (3) successive surplus' (green)
- Surplus (yellow)
- Deficit (red)

2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
2,266	13,637	4,795	11,984	9,637	7,849	7,874	7,414	6,976	6,265	5,748

Commentary:
Council continues to generate sufficient revenue to cover its operating expenditure.

ASSET RENEWAL EXPENDITURE

Indicator # 3 - Asset Renewal Expenditure

Indicator Title: Asset Renewal Expenditure

Indicator Definition: Capital Renewal Capacity - amount of funds spent on renewing assets (as opposed to maintaining them = Capital Expenditure on Existing Assets/Annual Depreciation)

Indicator / Local Government Benchmark:
- 1 to 1 (green)
- Less than 1:1 (red)

2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
2.18	1.49	1.63	1.10	1.07	1.05	1.05	1.05	1.05	1.05	1.05

Commentary:
This is a longer term indicator of the condition and cost to maintain public infrastructure assets. A strategic approach to asset management has now been adopted and Council will be able to meet its ongoing asset renewal requirements.

DEBT SERVICE RATIO

Indicator # 4 - Debt Service Ratio

Indicator Title: Debt Service Ratio

Indicator Definition: Net Debt Service Cost/Total Revenue from Ordinary Activities

Indicator / Local Government Benchmark:
<10%
10%-15%
>15%

2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
0.06%	0.72%	0.91%	0.85%	0.82%	0.79%	0.77%	0.75%	0.73%	0.71%	0.48%

Commentary:

This indicator shows the amount of annual revenue necessary to service annual debt obligations (loan repayments).

Statement of Borrowings

The Long Term Financial Strategy and our Financial Planning and Sustainability Policy recognises debt as an important source of funds for large capital projects.

Over the next ten years, debt will be an important funding source to deliver community projects. Council has commenced construction of the renewal of access roads at the Kimbriki Waste Landfill site. It is anticipated that the renewal of the access roads will cost $12.5m. Council is planning to borrow $7.815m for the Local Infrastructure Renewal Scheme (LIRS) component of the project and is proposing to borrow for the remaining component of the works in 2015/16 in order to maintain financial sustainability over the 10 years of the Long Term Financial Plan. If Council has not executed the borrowings for the LIRS Component of the project in 2014/15 then borrowings of $12.5m will be undertaken in 2015/16.

Council will continue to review the need to borrow for major infrastructure projects. Spreading these costs over a number of years facilitates inter-generational equity and smooths out long term expenditure peaks and troughs.

Supporting Information

Commercial Activities

A number of activities conducted by Council are defined as businesses for the purpose of National Competition Policy. We are required to report on and adopt principles of competitive neutrality in respect to these activities.

Competitive neutrality is the principle of creating a level playing field so there is no advantage over other businesses because of public ownership.

Category 1 Businesses are activities with operating revenue greater than $2 million. We are required to determine the full costs of carrying out the business activity as far as possible including tax equivalent regime payments and return on capital. Businesses with operating revenue of less than $2 million are Category 2 Businesses and while reporting requirements are less rigorous, for consistency, we apply the same accounting treatment. The following activities have been identified as commercial activities.

Business Activity	NCP Category
Children's Services	1
Kimbriki Environmental Enterprises Pty Ltd	1
Glen Street Theatre	1
Certification Services	2

WARRINGAH
COUNCIL

This document has been produced by Warringah Council