



# Willoughby City Council

## Long Term Financial Plan

**2017-2027**

Date of Publication: August 2017

*City Of Diversity*



Asset data used in this plan was originally based on information presented to Council in June 2014 and is being reviewed and updated continuously in line with asset management plans. Other financial data is based on the 2015/16 Annual Accounts, 2016/17 Revised Budget (updated quarterly) and 2017/18 Operational Plan adopted in June 2017.

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## 1 INTRODUCTION

This document, the Willoughby City Council's *Long Term Financial Plan 2017-2027* (LTFP), forecasts Council's financial sustainability challenges and position over the next 10 years. It contains financial performance indicators and strategies for Council to guide sound decision making. This will ensure Council's on-going ability to meet the community's needs and service requirements. The community's aspirations are expressed in Council's Community Strategic Plan titled *Willoughby City Strategy – together towards tomorrow 2010 to 2050*.

The *Long Term Financial Plan 2017-2027* (LTFP), focusses solely upon Willoughby City Council. At the time of producing the latest update to the LTFP, Willoughby, Mosman and North Sydney Councils were the subject of a merger proposal, which is pending legal action. The NSW government also has a policy that any merged council's rating path (as identified in their LTFP) will be maintained for four years. Accordingly, it is appropriate to proceed with revisions to, and publication of, Willoughby City's LTFP. This will ensure a continued focus on financial sustainability and will meet the Office of Local Government's requirements for Integrated Planning and Reporting (Figure 1).

The LTFP is one of three components of an integrated Willoughby City Council *Resourcing Strategy*.

These components are:

- Long Term Financial Plan – current and future financial challenges and strategies including those relating to alternative funding sources, changing service levels, staffing and asset management
- Workforce Plan – current and future staffing needs and strategies (refer to section 1.3.2)
- Asset Management Plans – current and future requirements to maintain, renew and commission new assets (refer to section 1.3.3)

### 1.1 Objectives

The objectives of this plan are to:

- Provide a transparent account of Council's financial situation to the community
- Identify the financial risks and opportunities confronting Council - both short and long term
- Identify alternative revenue options to maintain the existing service levels to the community
- Maintain a balanced budget and be financially viable over the long term
- Demonstrate a mixture of financial outcomes through testing the sensitivity of key assumptions
- Incorporate the financial effects from Council's other strategic plans
- Provide an early warning of potential hazards to Council's financial sustainability
- Provide a basis for Council to make sound strategic decisions that best serve the community's interests
- Meet the requirements of the Office of Local Government's (OLG) Integrated Planning & Reporting (IP&R) framework
- Demonstrate Council's commitment to providing quality infrastructure assets to the community

### 1.2 Executive Summary

As detailed within the audited 2015/2016 Annual Financial Statements, Council's financials are favourable when considering the following:

- Net Operating Surplus (including capital revenue)      \$ 36 million (m)
- Net Operating Surplus (excluding capital revenue)      \$ 13 m
- Cash & Investments      \$104 m
- All financial indicators being better than accepted industry benchmarks.

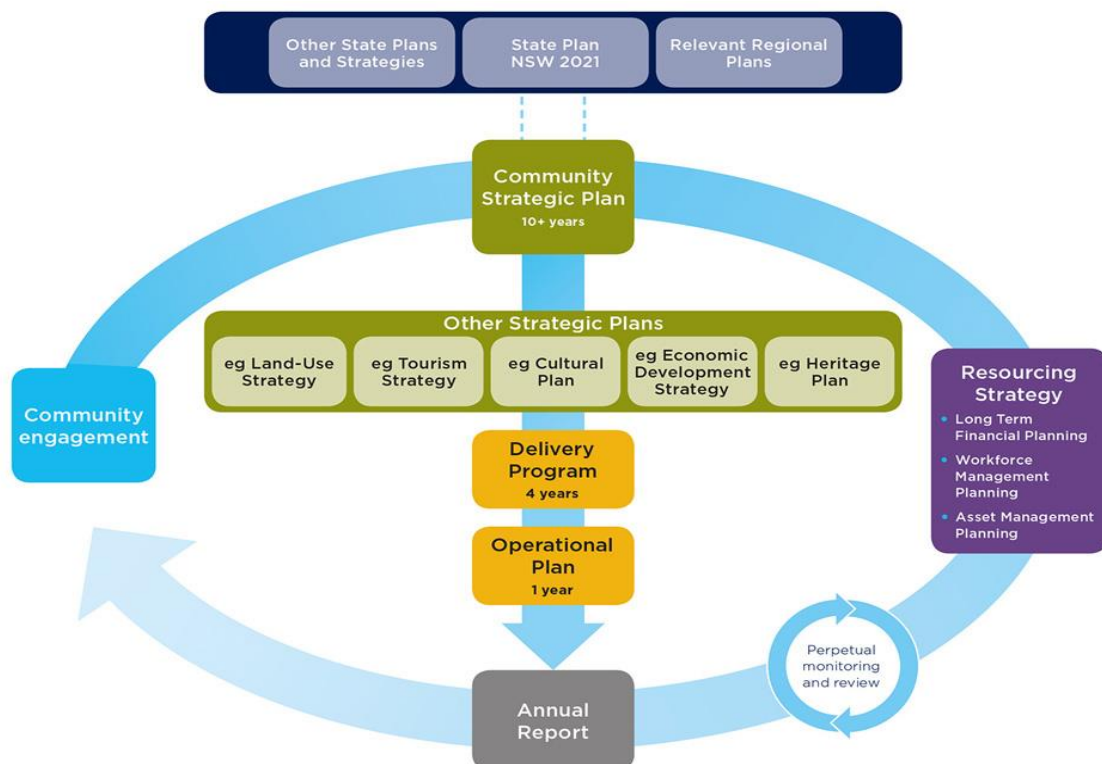
Appendix 1 sets out the core financial statements which indicate Council is in a position of strength.

Recurrent operating surpluses prior to capital grants and contributions throughout the 10 years of the plan are based on increased revenue from rates associated with the Infrastructure Levy (estimated \$20m over 7 years) together with cumulative savings on employee cost following the organisational restructure in June 2015 (estimated \$30m savings during this time).

The Balance Sheet is well geared towards an allocation to infrastructure assets with a strong level of cash and investments throughout.

Council has an excellent record in meeting industry based financial benchmarks which is predicted to continue.

**Figure 1: Local Government Planning and Reporting framework**



### 1.3 Resourcing Strategy Snap Shot

#### 1.3.1 Long Term Financial Plan (LTFP)

Willoughby City Council's Long Term Financial Plan (LTFP) encompasses the period from 2017/18 to 2026/27. It examines financial sustainability through the use of Council's forecast for the period against financial outcomes and financial indicators with the aim of ensuring Council can meet its financial challenges over time.

The financial modelling also includes productivity improvement and cost efficiencies and income maximisation, together with key financial statements and financial performance indicators.

Sensitivity analysis against various scenarios is also provided. The sensitivity testing assists Council to assess its financial risks and opportunities and to make informed decisions about future operations, services, staffing and asset expenditures.

Long-term modelling and planning is challenging. It relies on a variety of dynamic assumptions that will change during the Plan period. The LTFP will therefore be reviewed regularly and updated annually with the development of the Operational Plan and the completion of annual Financial Statements to ensure it stays current.

### **1.3.2 Workforce Planning**

The Workforce Plan identifies current and future staffing needs. It considers how we might retain current employees, attract new talent and ensure that these employees are appropriately supported in their professional development. Given the possibility of a merger in the near future, the current focus of the Workforce Plan is to ensure that staff have the skills, resilience and support to embrace future change. It is also important that, as far as practicable, staff performance is effectively managed in terms of staff knowing what is expected of them, how they will be supported in meeting those expectations and how their achievements will be recognised and acknowledged.

The Workforce Plan has an impact on the LTFP as a significant portion of Council's operating budget is allocated to funding its labour force. Costs for the current strategies will be funded by the Human Resources operating budget.

Some of the strategies contained within the Workforce Plan involve researching future options and include items such as salary benchmarking. This information will be used to adjust the LTFP once it becomes available.

### **1.3.3 Asset Management Plans**

Council's asset management practices have been undergoing continual improvement since the adoption of the first asset management policy in 2009. More recently, in early 2014, a revised asset management strategy, policy and nine asset management plans were adopted by Council. These plans covered the following asset types: Council buildings, Road pavements, footpaths, kerb and gutter, stormwater, bridges, parks, playgrounds and sportsgrounds with a total replacement value of over \$790 million.

Asset management plans are still being developed for the remaining types of assets under Council's care and control, including bushland, retaining walls, sea walls and street furniture.

Council has informed the asset management plans with detailed data relating to the location, general attributes, condition, expected life and replacement costs of all 23,000 individual assets identified so far. The plans identify the current state of each of Council's asset portfolios, the target level of service for each, and all known or expected service deficiencies.

Target levels of service are the result of extensive community engagement which took place throughout 2013. Using this information, a variety of scenarios were simulated over a 20 years period to determine the optimal allocation of Council's current funding, and to identify any funding gaps now or in the future.

This information was the basis of Council's successful application for an infrastructure levy in 2015. The levy will ensure that Council is able to renew ageing assets in a timely manner into the future (refer to section 3.1).

## **1.4 Structure and Method**

The *Long Term Financial Plan 2017-2027* has been updated with 2015/16 Actual Results and 2016/17 Revised Budget which include actuals and carry overs, together with updated economic data and asset management projections incorporated following the successful infrastructure levy application.

The LTFP is consistent with IP&R framework requirements in assessing Council's short, medium and long term financial viability. It will be reviewed annually and used as a tool in assisting with the development of Council's annual budget and delivery program.

Since the successful implementation of Council's Infrastructure Levy, the LTFP provides for a revised Sustainable Case which is heavily geared towards the funding of infrastructural renewal monies. The Plan has also been updated to reflect the impacts of the recent organisational restructure.

Since the life of this plan covers a 10 year period, any unexpected changes may have an impact on the Council's future financial viability. The LTFP model contains a number of key assumptions which are used in the sensitivity analysis testing to demonstrate the financial implications of movements in advance.

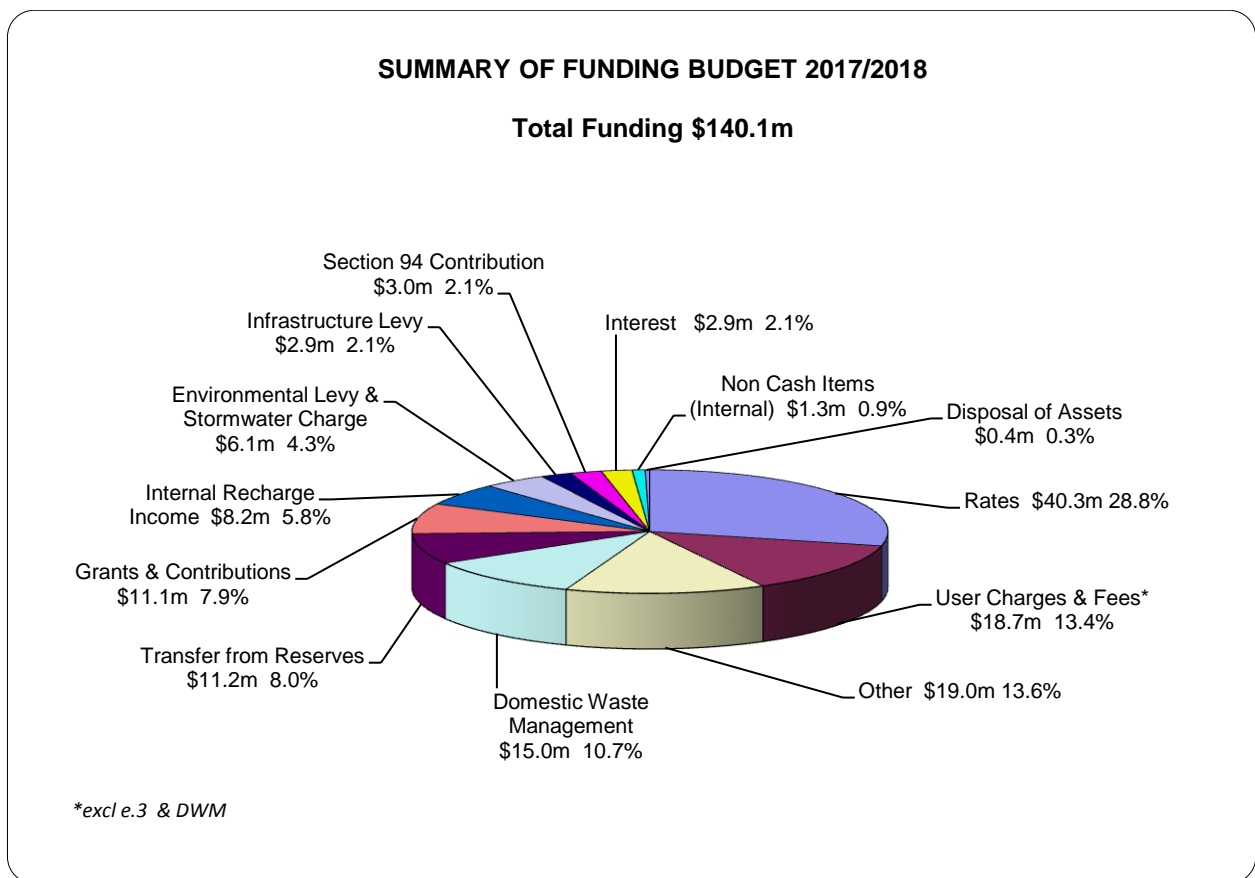
Core updates to the LTFP include funding and expenditure of the following Major Capital Works:

- Haven Amphitheatre \$1.3m
- WLC major refurbishment and Pool Hall Upgrade \$18.5m
- Artarmon Bowling Club \$1.5m
- Northbridge Bowling Club \$1.3m and Northbridge Baths \$2.1m
- Gore Hill Stage 2 \$41.6m
- Chatswood Park and Oval \$2.3m
- Chatswood High and Willoughby Girls synthetic sports fields \$2.5m
- Streetscape Improvements \$0.2m

### 1.5 Current Financial Summary

The 2017/2018 budget report was adopted by a meeting of Council on 26 June 2017. Figure 2 below illustrates the major distribution of income sources within the current 2017/18 budget.

**Figure 2: Summary of Funding Budget 2017/2018**



## 2. PLANNING ASSUMPTIONS

### 2.1 Population growth in Willoughby

Willoughby City's estimated population in 2016 was 75,000 persons (**id Profile**). It is predicted that the City's population will increase to 84,000 by 2026 and 89,000 by 2036, representing a 19% increase over this 20 year period. The increase is mostly driven by a growing cohort of ageing residents, as well as new families and individuals coming to live in the area in response to the significant apartment construction, particularly in the Chatswood and St Leonards areas.

This Plan has assumed an annual growth rate of 0.10% from 2017/2018.

### 2.2 Inflation

The annual movement in the Sydney All groups CPI to March 2017 was 2.1% (1.3% to March 2016).

Based on the above, Council proposes to use the following as guide in the LTFP model (refer to Table 1).

**Table 1: CPI inflation rate from 2017 to 2027.**

Forecast Year	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023	2023/ 2024	2024/ 2025	2025/ 2026	2026/ 2027
RBA applied CPI rate	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%

The more variation there is between the CPI and the rate peg increase determined by IPART (especially where the CPI rate is higher than the % rates increase) the more significant potential negative implications there are for Willoughby's long term financial outlook, particularly as many of the annual increments relating to Council contracts are linked directly to this index.

### 2.3 General assumptions:

The following provides a summary of assumptions adjusted for inflation for the years 2017/18 to 2026/27 as used in the modelling.

- Rates increase of 1.5% in 2017/18 and by 2.0% from 2018/19 to 2021/22, -4.2% (revert SRV with increase 2%) and 2% thereafter.
- Statutory Fees and Fines increase of 2.5% in 2017/18 and by 2.75% from 2018/2019 onwards.
- Other Fees & Charges increase by 3.5% annually.
- Employee costs are forecast to increase by 2.5% for 2017/18 and 3% thereafter.
- Operating Grants and Contributions increase by 2.75% annually.
- Rental Income increase by 2.5% annually.
- Paid Parking income (including The Concourse's Car Park) increase of 2.5% in 2017/18 and by 4.5% from 2018/2019 onwards.
- Utilities cost increases by 2.0 in 2017/18 and 2.75% thereafter.
- The Domestic Waste Management charge (price) did not increase in 2017/18 though a growth rate of 2.5% was applied to 2017/18 revenue whilst a further 2.75% (growth/price) was applied to subsequent years.
- Plant & Equipment and Library books purchase increase by CPI (refer Table 1).
- Fire levy increase by 5% annually.
- Materials & Contracts generally increase by CPI (refer Table 1).

Please note a snapshot of general assumption escalation rates is located within Appendix 2.



## **2.4 Overview of Core Income and Expenditure Items:**

### **2.4.1 Income:**

#### **Ordinary Rates and Annual Charges**

- Rates and Annual Charges are Council's predominant source of income contributing 58% (Rates 44%, Domestic Waste Management Charges 14%) of total Operating Income excluding capital items in 2017/18. The successful Infrastructure Levy application will during its seven years of operation, provide an estimated additional \$20.4m in additional revenue to be spent solely on infrastructure renewal. Annual rate pegging has been forecast at 2% throughout the plan noting with the exception in 2022/23 with a net reduction in the rates base of 4.2% due to the ending of the Infrastructure Levy.

#### **Interest and Investment Revenue**

- Investments contribute less than 3% of recurrent income and are made in accordance with Council's conservative Investment Policy and returns are forecast to yield 3.0% in 2017/18 and 3.3% for the remainder of the plan.
- Council's planned annual investment revenue on surplus invested funds is forecast to grow from \$2.9m in 2017/18 to \$4.2m by 2026/27.

#### **Grants and Contributions - Operating**

- Operating grants and contributions contribute 5% of recurrent income and have been indexed by 3% in 2017/18 and 2.75% thereafter.

#### **User Charges and Fees**

- User Charges and Fees contribute 17% of 2017/18 recurrent income. Council needs to ensure services continue, where possible, to be provided on a "user pay" basis. The LTFP includes, where possible, an increase in fee revenue that reflects the increasing costs of service provision, the increasing volume of patronage based on usage projections whilst continuing to remain competitive with other service providers.
- Council reviews its own Fees and Charges on an annual basis particularly in relation to cost of service and an appropriate fee recovery.
- Statutory fees are regulated by the State government e.g. planning fees. We are advised that pricing is based on a cost recovery basis or as specified in the regulations.

#### **Other Revenues**

- Other Revenues contribute 17% of 2017/18 recurrent income. In excess of 50% of Other Revenues is derived from rental income associated with the leasing of Council properties. Rental income is forecast to increase by 2.5% in 2017/18 and thereafter.

#### **Grants and Contributions - Capital**

- Capital grants and contributions vary significantly from year to year and thus are excluded from the recurrent income base used to calculate the above mentioned individual contributions to recurrent income. The model includes estimates of capital grant funding on projects included in the plan. The constant component of capital funding is S94 contributions which is embellished in 2018/2019 and 2019/2020 by the Gore Hill Regional Recreation Project Stage 2.

## **2.4.2. Expenditures**

### **Employee costs**

- Employee costs are usually determined as part of annual Enterprise Bargaining Agreement (EBA) between the LGNSW representing Council and relevant unions. The plan has forecast a 2.5% increase in 2017/18 and 3% in subsequent years. This allows for proposed award increases together with any costs for staff reclassification.
- With direct employee costs representing 45% of the total Operating Expenditure (excluding depreciation), this plan has been prepared to incorporate Council's Workforce Plan (WFP). The WFP has been developed to consider the current and future workforce challenges such as staff retention and the skills employees needed to meet our key objectives. These challenges need addressing and potential additional percentage increases are included in the Sensitivity Testing section.
- Employee superannuation guarantee expenses have been linked to the current Federal Government requirements based on 9.5% until 2020/21 and indexed by 0.5% per annum until 2025/26.

### **Materials & Contracts**

- Materials and Contracts are indexed throughout the Plan with the anticipated CPI increase.

### **Borrowings costs**

- All Council borrowings costs are included in the model. The model provides for these costs trending marginally lower from \$1.7m in 2017/18 to \$1.6m in 2026/27.

### **Other Operating expenses**

- The bulk of operating expenses are forecast with a CPI rate increase. However an indexation rate of 1% has been tied to elements such as printing and stationery and sundry items.

### **Reserves**

- Council reserves remain sound due to prudent financial control. These Reserves have been created to quarantine funds for a predetermined future use. Should Council however determine to introduce new initiatives and projects without identified income sources it will have a negative impact on the level of Reserves and in particular require a reassessment of internal reserves (restrictions).
- At June 2016, Council's Externally and Internally Restricted Reserves totalled \$93m.
- At June 2027, the model predicts that this figure will approximate \$113m. The Concourse Reserve will principally be utilised for asset renewal to maintain an A Class facility and Section 94A & VPA have been identified as key funding sources for the provision of community facilities. Future updates of the LTFP will provide more specific timetabling of expenditure initiatives from these reserves.

### **Local Government Election Expenses**

- The State Government charges Council for the cost of running the local Council election every four years. \$305k was expended in 2012/13 and this figure has been compounded with the CPI increases for future elections. Accordingly the Election Reserve will fund the September 2017 election expenditure included in the 2017/18 budget.

### **The Concourse (included in above expenditure items)**

- The Concourse's net surplus is forecast to transfer back to The Concourse Reserve for future asset renewal and debt repayment.

## COUNCIL'S PRIORITY IMPROVEMENT PROGRAM (PIP) – CAPITAL & NON-CAPITAL WORKS

### 3.1 Priority Improvement Program (PIP)

- Council's Priority Improvement Program (PIP) currently includes both Capital and Non-Capital projects. Expenditures and funding is based on the 5 year plan as set out the 2017/18 Budget as determined from the *Delivery Plan 2013-2017*.
- A Project and Capital Works Prioritisation Process is currently being implemented to assist in the allocation and prioritisation of funds (refer to Section 6).
- Estimated total PIP funding for the next five years (based on the 2017/2018 adopted Budget and latest LTFP projections) is as follows:

2017/2018	\$27m
2018/2019	\$32m
2019/2020	\$70m
2020/2021	\$28m
2021/2022	\$20m

The various funding sources of the 2017/2018 program are shown below:

General Fund	\$ 4,872,350
Grants	\$ 5,643,450
Other Revenue	\$ 1,487,900
S94	\$ 1,497,100
Cy Pres	\$ 800,000
Other Reserves	\$ 5,206,500
Environmental Levy	\$ 2,757,600
Infrastructure Levy	\$ 4,482,700
Stormwater Levy	\$ 426,200
Total Program	\$27,173,800

### 3.2 Infrastructure Levy

The PIP funding detailed above includes funding set down within Council's Infrastructure Levy Program of works totalling \$61m over 10 years. It is important to note that the program of works as detailed below is part funded by an estimated \$20m in rate income over 7 years with the balance derived from a combination of unrestricted cash and reserves totalling an estimated \$41m.

These works are generally renewal works to assist Council in ensuring that the condition of its assets are as a minimum in a satisfactory condition.

**Table 2 provides a breakdown of projected spend for the 7 year Infrastructure Levy together with the additional 3 year infrastructure spend between 22/23 and 24/25 which formed part of the SRV application approval:**

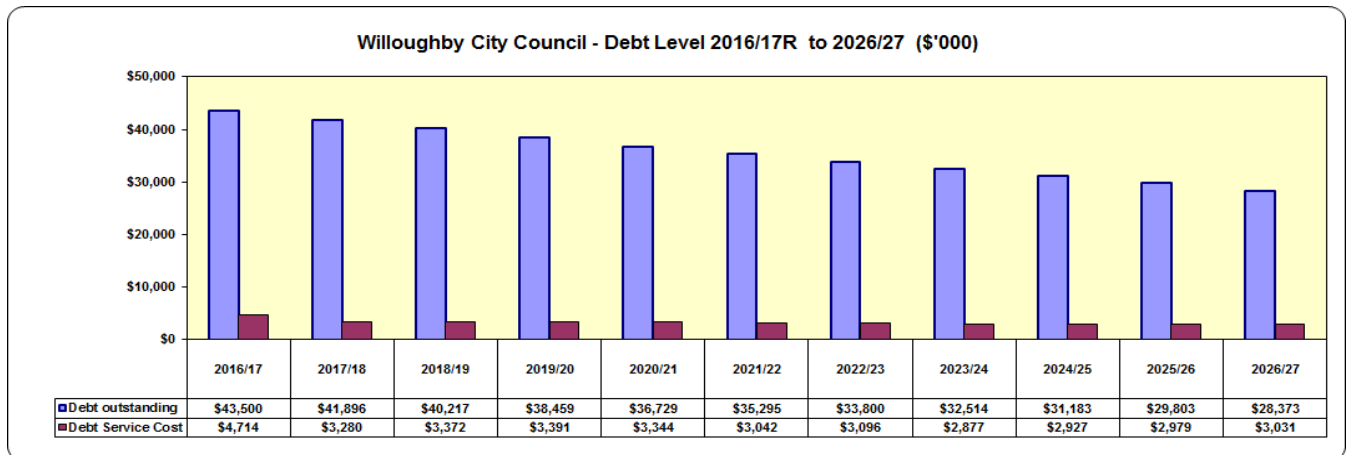
	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Footpath	\$365,000	\$277,000	\$58,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Kerb & Gutter	\$0	\$0	\$78,000	\$16,000	\$81,000	\$0	\$30,000	\$0	\$194,000	\$138,000
Bridges	\$182,000	\$212,000	\$291,000	\$236,000	\$165,000	\$189,000	\$0	\$143,000	\$113,000	\$144,000
Stormwater	\$465,000	\$1,141,000	\$1,303,000	\$1,116,000	\$1,155,000	\$1,163,000	\$1,737,000	\$1,740,000	\$1,151,000	\$1,316,000
Parks	\$968,000	\$939,000	\$359,000	\$1,094,000	\$802,000	\$998,000	\$487,000	\$1,405,000	\$953,000	\$640,000
Playgrounds	\$202,000	\$50,000	\$81,000	\$130,000	\$141,000	\$328,000	\$79,000	\$345,000	\$176,000	\$168,000
Sporting Fields	\$1,117,000	\$1,227,000	\$1,254,000	\$1,431,000	\$1,621,000	\$1,868,000	\$1,945,000	\$1,499,000	\$1,521,000	\$2,238,000
Buildings	\$1,278,000	\$1,200,000	\$1,059,000	\$2,352,000	\$2,304,000	\$2,356,000	\$2,338,000	\$5,141,000	\$1,252,000	\$1,049,000
<b>Total</b>	<b>\$4,577,000</b>	<b>\$5,046,000</b>	<b>\$4,483,000</b>	<b>\$6,375,000</b>	<b>\$6,269,000</b>	<b>\$6,902,000</b>	<b>\$6,616,000</b>	<b>\$10,273,000</b>	<b>\$5,360,000</b>	<b>\$5,693,000</b>

#### 4. DEBT REDEMPTION

At 30 June 2016, Council's debt liability to financial institutions reduced by \$3.1m to \$45.5m. A significant component of this figure related to The Concourse facility which has an equity value approximating \$250m and which generates a combined annual income stream from retail rentals and car parking of \$4.7m.

Figure 3 provides a comparison of annual debt service costs (principal plus interest) against principal outstanding over 10 years. It is largely based on the concept of intergenerational debt where the cost of providing a facility should be funded across the generations that benefit from it.

**Figure 3: Willoughby City Council – Debt Level 2016/17R to 2026/27**



#### 5. KEY FINANCIAL STATEMENTS

Appendix 1 provides the following financial statements:

- Income Statement
- Cash Funding Budget Statement
- Balance Sheet
- Cash Flow Statement

Each should be read in conjunction with the commentary provided within the Report.

#### 6. COMMUNITY ASPIRATIONAL PROJECTS

During the preparation of the 2017/2018 Budget, staff have developed a proposed projects and capital works program which is the result of significant work which has seen each ranked via a detailed prioritisation process which was developed and implemented for all projects and capital works. The process was integrated into Council's project management system and the main features are:

- To establish a series of **categories** to which all projects and capital works were assigned. This allowed 'like for like' comparisons instead of prioritising very dissimilar projects against each other.
- The assessment of **need/priority** was clearly separated from **timing** i.e. when a project would be done. This allowed recognition of projects staged across a number of years; the timing requirements of grant funding, urgent requests and coordination with other projects or works.

- The assessment of **need has two components**. As decisions should largely be driven by **strategic alignment** with the objectives the Council is trying to achieve on behalf of the community, and to advancing **sustainability**, each project and capital work is scored against fit with these factors. At this stage, **risk** is also assessed at a high level. This is the first, or primary consideration of priority.
- The **second set of assessment criteria** are specific to each category and have set scores. They cover factors such as the volume/number of users or potential users and the importance of the project in relation to its location or position in a hierarchy, for example.
- These scored assessments within each list, together with the timing, then formed the basis for **allocating funding** to the project or works within a given financial year. The projects which could be funded was determined by the total funds available within each category.
- The listing of project and capital works is **enduring beyond a financial year** and enables new projects to be entered and assessed against existing funding requests to ensure that the top priorities are addressed.

Key infrastructure projects such as the Gore Hill Regional Recreation Park Stage 1 and Stage 2, the Haven Amphitheatre Stage Renewal, Northbridge Plaza Car Park Improvement Works, Chatswood High School Oval conversion to synthetic field, Willoughby Girls High School Oval synthetic sports field conversion, Vivid, the Willoughby Leisure Centre upgrade, Artarmon and Northbridge Bowling Clubs have all been processed via the prioritisation process. Each of these projects is tied to external funding opportunities.

Staff will continue to work with the community in identifying future projects which will be modelled and assessed via the project prioritisation process.

## 7. FINANCIAL PERFORMANCE

### 7.1 Financial and Infrastructure Key Performance Indicators (KPI)

Council monitors its performance against the LTFP and has developed measures to assess its long-term financial sustainability. The key performance indicators and industry benchmark are listed below in Table 3 and provide the basis on which Council's performance is benchmarked.

**Table 3: Financial and Infrastructure Performance Indicators**

Key Performance Indicator	Benchmark	Financial Statements Ref.
Operating Performance Ratio	>= 0%	Financial - Note 13 a
Own Source Operating Revenue Ratio	>= 60%	Financial - Note 13 a
Unrestricted Current Ratio	>= 1.5	Financial - Note 13 a
Debt Service Cover Ratio	>= 2.0	Financial - Note 13 a
Rates, Annual Charges Outstanding Ratio	<= 5%	Financial - Note 13 a
Cash Expense Cover Ratio	>= 3 months	Financial - Note 13 a
Infrastructure Assets Renewals Ratio	>= 100%	Infrastructure - Special Schedule 7
Infrastructure Backlog Ratio	<= 2%	Infrastructure - Special Schedule 7
Asset Maintenance Ratio	> 100%	Infrastructure - Special Schedule 7
Capital Expenditure Ratio	> 1.1	Infrastructure - Special Schedule 7

#### Explanation of Ratios:

*Operating Performance Ratio* – Measures Council's achievement of containing operating expenditure within operating revenue.

*Own Source Operating Revenue Ratio* – Measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

*Unrestricted Current Ratio* – Measures the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

*Debt Service Cover Ratio* – Measures the availability of operating cash to service debt including interest, principal and lease payments.

*Rates, Annual Charges (and Interest & Extra Charges) Outstanding Ratio* – Assesses the impact of uncollected rates and annual charges on Council’s liquidity and the adequacy of recovery efforts.

*Cash Expense Cover Ratio* – This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash flow.

*Infrastructure Assets Renewals Ratio* – This ratio assesses the rate at which these assets are being renewed relative to the rate at which they are depreciating.

*Infrastructure Backlog Ratio* – This ratio shows what proportion the backlog is against the total value of Council’s infrastructure assets.

*Asset Maintenance Ratio* – This ratio compares actual vs required annual asset maintenance. A ratio of 100% indicates Council is investing enough funds to stop the infrastructure backlog from growing.

*Capital Expenditure Ratio* – This ratio assesses the extent to which a Council is expanding its asset base through capital expenditure on both new assets and the replacement and renewal of existing assets compared to asset depreciation.

Table 4 shows that during the life of the Long Term Plan, Council is gradually improving all key indicators. This has been facilitated through successful application of the 7 year Infrastructure Levy as well as continuous improvement and cost savings initiatives.

**Table 4: Council’s Performance against Financial KPI’s - from 2015/16 to 2026/27:**

Key Performance Indicator (KPI) Ratios	Bench -mark	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Operating Performance Ratio	> 0%	9.0%	4.9%	5.3%	8.6%	6.5%	7.3%	6.8%	4.6%	4.6%	4.6%	4.2%	4.7%
Own Source Operating Revenue Ratio	> 60%	77.5%	86.7%	88.1%	88.1%	76.3%	91.4%	91.4%	91.2%	91.2%	91.2%	91.2%	91.2%
Unrestricted Current Ratio	> 1.5	4.3	3.7	4.0	3.9	3.0	3.6	4.0	3.7	3.9	3.8	3.9	3.9
Debt Service Cover Ratio	> 2.0	3.7	3.7	5.7	6.9	6.2	6.8	7.3	6.4	6.9	6.8	6.6	6.8
Rates & Annual Charges Outstanding Ratio	< 5%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Cash Expense Cover Ratio	> 3mths	12.1	9.3	10.5	13.0	12.2	13.2	13.1	11.5	11.7	11.8	11.5	12.0
Infrastructure Assets Renewal Ratio	> 100%	96.9%	107.1%	105.8%	140.0%	215.6%	178.6%	101.5%	116.7%	102.8%	102.4%	100.3%	100.0%
Infrastructure Backlog Ratio	< 2%	1.5%	1.5%	1.5%	1.5%	1.3%	1.1%	1.0%	0.6%	0.5%	0.0%	0.3%	0.3%
Asset Maintenance Ratio	> 100%	100.3%	101%	101%	102%	102%	103%	103%	104%	104%	105%	105%	106%
Capital Expenditure Ratio	> 1.1	2.3	2.4	2.0	2.4	5.5	2.0	1.3	1.5	1.2	1.3	1.2	1.2

Staff have completed work in relation to infrastructure assets which included:

- Review of depreciation/useful lives
- Review of required maintenance spend data/rationale across asset classes
- Comparison with potential merger partner data
- Recalculation of asset related indicators

The output of this work has seen an improved result in both the Asset Maintenance and Asset Renewal Ratios from the information contained within the current LTFFP.

An improvement within the Asset Maintenance Ratio can be directly linked to a change in the calculation of the required annual maintenance spend in both the Building and Road asset categories.

The Concourse and Westfield car park assets account for 73% of the Gross Replacement Cost (GRC) of the asset class and their respective maintenance “call” on Council is very different to that of the remaining buildings within the asset class. In fact the Council has no required annual maintenance spend on Westfield carpark (as per the current lease agreement) and staff consider that the \$1.4m in maintenance spend on The Concourse facility is currently appropriate. Any future required increase in either renewal or maintenance spend on the facility can be funded from The Concourse Reserve.

When reviewing Road Assets, a comparison with Willoughby's two potential merger partners' 2015/2016 accounts revealed a narrowing variation in the deemed required maintenance as a percentage of Gross Replacement Cost. All 3 Councils reported a satisfactory condition assessment of between 93% and 99% of respective road inventories, Willoughby booked a required annual maintenance spend of \$2.780m (0.7884% of its GRC), Mosman booked \$774k (0.3398% of its GRC) and North Sydney booked \$2.468m (0.6435% of its GRC). Whilst it is acknowledged that there would be specific data supporting the results there is a material variation between the three. It is considered that Willoughby has been conservative in its approach and that its current annual spend is sufficiently meeting its required spend.

The Asset Renewal Ratio has largely improved as a result of the review of useful lives which commenced in conjunction with the preparation of the 2015/2016 accounts following comparative data analysis with Morrison Low consultants and which is now embedded in the updated LTFP.

## **8. RISK ANALYSIS**

Council has undertaken detailed and careful consideration when working on the LTFP model. It is based on a series of assumptions such as the future economic outlook, inflation, employment markets and levels of service provision. Variation of these assumptions will impact on Council's future financial sustainability. Various risks could impact on the Council financial position as follows:

- Rate pegging limits are lower than assumed.
- Grant funds are lower than assumed.
- Investment return is lower than assumed.
- S.94 Contributions do not materialise as predicted.
- Cost shifting from other government agencies continues and /or increases.
- Legislative changes that lower income streams or increase expenditure.
- Introduction of payroll tax.
- Inflation increase is higher than assumed.
- Legislative Award increases are higher than assumed.
- Community demands for increased services and service levels lead to higher expenditure.
- Downturn in economy.
- Risks arising from a future merger include: pressure to equalise to a lower rate, redundancy payments, increased salary levels commensurate with increased responsibility, purchase of new systems (e.g. ICT), expansion of services and service levels, increased capital spend, especially if not matched with maintenance provisions, additional asset and legal liabilities.

## **9. SENSITIVITY TESTING**

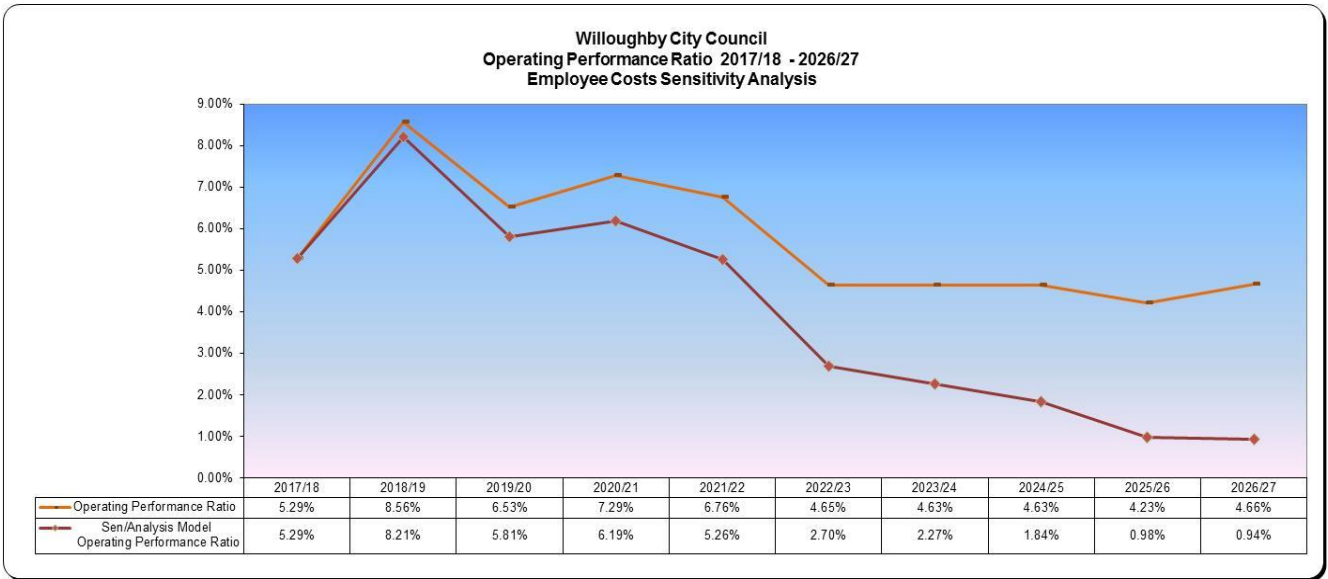
Long Term Financial Plans contain assumptions, including ones largely outside Council's control. Future plans will be impacted if cash holdings are not available as outlined above in the Risk Analysis. Council's projected Income Statement provides for a cumulative surplus for capital purposes (excluding Grants and Contributions) of \$79m between 2017/2018 through 2026/2027. Council's level of total cash and investments at 2026/2027 is estimated at \$132m. The following provides an insight into the impact on the Net Operating Result before Grants and Contributions for capital purposes and Council's total Cash Holdings of an increase in the indexation of key expenditure items beyond those determined for the model.

### **9.1 Employee Costs**

The cumulative impact of an additional 1% increase in Employee Costs from 2018/19 to 2026/27 is a \$23m reduction in the Operating Statement cumulative surplus and a reduction in Cash & Investments from \$132m to \$109m as at 2026/27. Accordingly this has an adverse impact on the Operating Performance Ratio which drops markedly as shown in Figure 4.



**Figure 4: Operating Performance Ratio - Employee Costs Sensitivity Analysis**

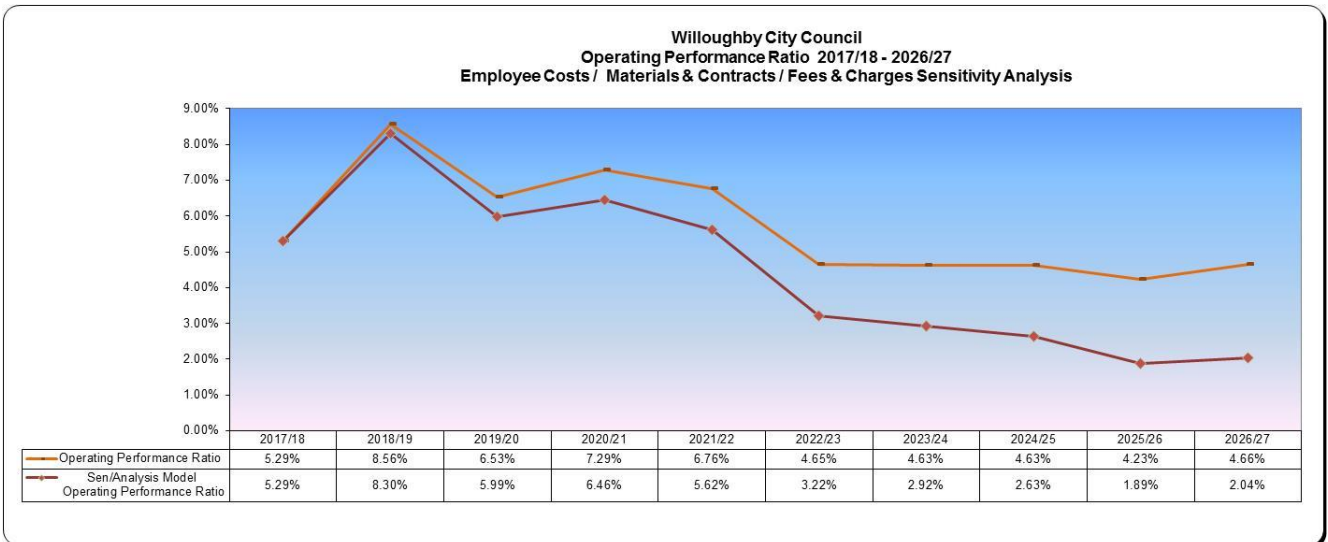


**9.2 Employee Costs/Materials & Contracts/Fees & Charges**

However the cumulative impact of the in Figure 4 is mitigated somewhat by increases from 2018/19 in Materials & Contracts of 1% and Fees & Charges of 4.25% which reduces the impact on the Operating Result and Cash and Investments balance.

Figure 5 shows the improvement to Operating Performance Ratio compared to Figure 4 assumptions.

**Figure 5: Operational Performance Ratio – Employee, Materials, Contractors/Fees - Sensitivity Analysis**



The sensitivity results amplify the importance of regular scrutiny of indexes within models as changes to assumptions can have a significant impact on desired service delivery.

## 10. REFERENCES

NSW DLG Planning and Reporting Manual & Guidelines for Local Government in NSW March 2013

Australia's Economic Outlook, TCORP, June 2017

*Willoughby City Council's Strategic Planning Documents*

Willoughby City Strategy 2013-2029 (WCS)

Willoughby City Council Delivery Program 2013-2017 (DP)

Operational Plan & Budget 2017-2018 (OP)

*Willoughby City Council's Resourcing Strategy*

Willoughby City Council Asset Management Plans (AMP)

Willoughby Workforce Plan (WFP)

Long Term Financial Plan (LTFP)

## APPENDICES

### Appendix 1 Financial Statement for the period of 2015/16 to 2026/27 (Income Statement, Cash (Rates) Budget Statement, Balance Sheet and Cash Flow Statement)

	Actual	Orig Bud	Rev Bud	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
INCOME STATEMENT	2015/16	2016/17	R2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
<b>Incomes from continuing operations</b>													
<b>Revenue:</b>													
Rates and Annual Charges	60,944	62,992	62,442	64,152	66,536	68,373	69,234	70,780	69,052	70,599	72,183	73,802	75,459
User Charges and Fees	19,056	18,945	19,355	18,719	19,270	20,015	20,790	21,594	22,429	23,297	24,198	25,135	26,107
Investment Revenues	3,293	2,909	2,909	2,919	3,499	3,318	3,037	3,099	3,278	3,466	3,693	3,935	4,212
Other Revenues	21,777	18,287	18,371	19,035	19,501	20,018	20,568	21,135	21,717	22,316	22,931	23,564	24,215
Grants & Contributions - Operating	7,251	6,665	6,651	5,876	6,459	6,631	6,816	7,022	7,208	7,402	7,609	7,822	8,040
Grants & Contributions - Capital	22,394	9,131	9,131	8,334	8,264	28,099	3,822	3,917	4,015	4,119	4,232	4,348	4,468
<b>Other Income:</b>													
Proceeds from Disposal of Assets	391	410	410	420	433	446	459	473	487	502	517	532	548
Profit from Interests in Joint Ventures & Associates													
<b>Total Income from Continuing Operations</b>	<b>135,106</b>	<b>119,339</b>	<b>119,269</b>	<b>119,454</b>	<b>123,962</b>	<b>146,899</b>	<b>124,726</b>	<b>128,019</b>	<b>128,186</b>	<b>131,701</b>	<b>135,363</b>	<b>139,139</b>	<b>143,049</b>
<b>Expenses from continuing operations</b>													
<b>Expenses:</b>													
Employee Costs	39,794	41,191	41,118	42,473	43,847	45,160	46,513	47,916	49,398	50,927	52,508	54,147	55,838
Materials and Contracts	32,250	34,149	36,126	34,718	33,748	34,694	36,038	37,328	38,488	39,704	40,968	42,253	43,582
Borrowing Costs	2,590	1,754	1,754	1,677	1,693	1,633	1,614	1,608	1,600	1,592	1,596	1,599	1,601
Depreciation & Amortisation	11,724	10,808	10,808	11,540	11,734	11,853	12,263	12,290	12,315	12,357	12,380	12,409	12,429
Other Expenses	13,106	14,456	14,557	14,409	14,339	17,262	15,198	16,093	16,111	16,589	17,085	18,152	18,127
WDV of Assets sold	84	250	250.0	256	153	158	162	167	172	177	183	188	194
WDV of Assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest and Investment losses													
Loss from Interests in Joint Ventures & Associates	22	5	5	5	0	0	0	0	0	0	0	0	0
<b>Total Expenses from Continuing Operations</b>	<b>99,570</b>	<b>102,613</b>	<b>104,618</b>	<b>105,079</b>	<b>105,514</b>	<b>110,760</b>	<b>111,788</b>	<b>115,402</b>	<b>118,085</b>	<b>121,347</b>	<b>124,720</b>	<b>128,748</b>	<b>131,771</b>
<b>Net Operating Surplus/ (Deficit) for the year</b>	<b>35,536</b>	<b>16,726</b>	<b>14,651</b>	<b>14,375</b>	<b>18,449</b>	<b>36,140</b>	<b>12,938</b>	<b>12,617</b>	<b>10,101</b>	<b>10,354</b>	<b>10,643</b>	<b>10,391</b>	<b>11,279</b>
<b>Net Operating Surplus/(Deficit) before Grants &amp; contributions provided for capital purposes</b>	<b>13,142</b>	<b>7,595</b>	<b>5,520</b>	<b>6,042</b>	<b>10,185</b>	<b>8,040</b>	<b>9,116</b>	<b>8,700</b>	<b>6,086</b>	<b>6,235</b>	<b>6,411</b>	<b>6,042</b>	<b>6,811</b>
Other Comprehensive Income	675,051	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Comprehensive Income for the year</b>	<b>710,587</b>	<b>16,726</b>	<b>14,651</b>	<b>14,375</b>	<b>18,449</b>	<b>36,140</b>	<b>12,938</b>	<b>12,617</b>	<b>10,101</b>	<b>10,354</b>	<b>10,643</b>	<b>10,391</b>	<b>11,279</b>

CASH (FUNDING) BUDGET STATEMENT	Actual	Orig Bud	Rev Bud	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	2015/16	2016/17	R2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
<b>Revenues</b>													
Rates and Annual Charges	60,944	62,992	62,442	64,152	66,536	68,373	69,234	70,780	69,052	70,599	72,183	73,802	75,459
User Charges and Fees	19,056	18,945	19,355	18,719	19,270	20,015	20,790	21,594	22,429	23,297	24,198	25,135	26,107
Investment Revenues	3,293	2,909	2,909	2,919	3,499	3,318	3,037	3,099	3,278	3,466	3,693	3,935	4,212
Other Revenues	21,777	18,287	18,371	19,035	19,501	20,018	20,568	21,135	21,717	22,316	22,931	23,564	24,215
Grants & Contributions - Operating	7,251	6,665	6,651	5,876	6,459	6,631	6,816	7,022	7,208	7,402	7,609	7,822	8,040
Grants & Contributions - Capital	22,394	9,131	9,131	8,334	8,264	28,099	3,822	3,917	4,015	4,119	4,232	4,348	4,468
Proceeds from Disposal of Assets	391	410	410	420	433	446	459	473	487	502	517	532	548
New borrowings	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Reserves	22,990	11,042	16,980	11,183	15,692	34,694	15,515	7,937	12,834	9,016	9,512	8,895	7,981
Internal Revenues		8,350	8,567	8,203	8,428	8,660	8,898	9,143	9,394	9,653	9,918	10,191	10,471
<b>Total Revenue</b>	<b>158,096</b>	<b>138,731</b>	<b>144,816</b>	<b>138,840</b>	<b>148,083</b>	<b>190,254</b>	<b>149,139</b>	<b>145,099</b>	<b>150,414</b>	<b>150,370</b>	<b>154,793</b>	<b>158,225</b>	<b>161,502</b>
<b>Expenses</b>													
Employee Costs	39,794	41,191	41,118	42,473	43,847	45,160	46,513	47,916	49,398	50,927	52,508	54,147	55,838
Materials and Contracts	32,250	34,149	36,126	34,718	33,748	34,694	36,038	37,328	38,488	39,704	40,968	42,253	43,582
Borrowing Costs	2,590	1,754	1,754	1,677	1,693	1,633	1,614	1,608	1,600	1,592	1,596	1,599	1,601
Other expenses	13,106	14,456	14,557	14,409	14,339	17,262	15,198	16,093	16,111	16,589	17,085	18,152	18,127
Interest and Investment losses	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Redemption	3,859	2,981	2,980	1,621	1,712	1,681	1,383	1,436	1,497	1,288	1,334	1,382	1,432
Transfers to reserves	38,215	12,959	13,884.68	13,464	15,220	15,423	15,544	15,610	15,888	15,878	16,278	16,676	17,102
Capital Expenditure	17,704	22,080	25,563	22,835	27,635	65,249	23,918	15,689	18,675	15,368	15,827	14,840	14,534
Internal Expenses		8,347	8,567	8,203	8,428	8,660	8,899	9,143	9,395	9,653	9,919	10,192	10,472
<b>Total Expenses</b>	<b>147,518</b>	<b>137,917</b>	<b>144,550</b>	<b>139,400</b>	<b>146,621</b>	<b>189,763</b>	<b>149,106</b>	<b>144,824</b>	<b>151,053</b>	<b>150,999</b>	<b>155,514</b>	<b>159,241</b>	<b>162,688</b>
<b>CASH BUDGET SURPLUS/(DEFICIT)</b>	<b>10,578</b>	<b>815</b>	<b>266</b>	<b>(561)</b>	<b>1,462</b>	<b>491</b>	<b>33</b>	<b>276</b>	<b>(639)</b>	<b>(629)</b>	<b>(721)</b>	<b>(1,016)</b>	<b>(1,186)</b>
<b>CASH BUDGET SURPLUS/(DEFICIT) AFTER ADJ 50% LSL ACCRUAL</b>	<b>10,578</b>	<b>1,409</b>	<b>861</b>	<b>30.6</b>	<b>2,071</b>	<b>1,118</b>	<b>679</b>	<b>941</b>	<b>46</b>	<b>77</b>	<b>6</b>	<b>(267)</b>	<b>(415)</b>

BALANCE SHEET	Actual	Orig Bud	Rev Bud	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	2015/16	2016/17	R2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
<b>Current Assets</b>													
Cash and cash equivalents (Available)	7,326	15,542	16,061	16,098	18,882	26,499	18,748	18,173	19,004	18,541	18,811	18,491	18,211
Investments (Reserves)	96,958	94,785	89,773	91,054	90,582	72,310	72,339	80,012	83,067	89,929	96,695	104,476	113,597
Receivables	4,979	4,637	4,680	4,706	4,841	4,994	5,141	5,302	5,424	5,595	5,771	5,953	6,141
Inventories	24	24	24	24	24	24	24	24	24	24	24	24	24
Other	406	406	406	406	406	406	406	406	406	406	406	406	406
Non-current assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Current Assets</b>	<b>109,693</b>	<b>115,394</b>	<b>110,945</b>	<b>112,288</b>	<b>114,734</b>	<b>104,233</b>	<b>96,658</b>	<b>103,917</b>	<b>107,925</b>	<b>114,494.6</b>	<b>121,707</b>	<b>129,350</b>	<b>138,379</b>
<b>Non-Current Assets</b>													
Receivables	37	37	37	37	37	37	37	37	37	37	37	37	37
Infrastructure, Property, Plant & Equipment	3,458,866	3,469,888	3,473,371	3,484,410	3,500,158	3,553,397	3,564,889	3,568,121	3,574,309	3,577,142	3,580,405	3,582,648	3,584,560
Investments accounted for using the equity method	34	29	29	24	24	24	24	24	24	24	24	24	24
Investments Property	70,885	70,885	70,885	70,885	70,885	70,885	70,885	70,885	70,885	70,885	70,885	70,885	70,885
<b>Total Non-Current Assets</b>	<b>3,529,822</b>	<b>3,540,839</b>	<b>3,544,322</b>	<b>3,555,356</b>	<b>3,571,104</b>	<b>3,624,343</b>	<b>3,635,835</b>	<b>3,639,067</b>	<b>3,645,255</b>	<b>3,648,088</b>	<b>3,651,351</b>	<b>3,653,594</b>	<b>3,655,506</b>
<b>TOTAL ASSETS</b>	<b>3,639,515</b>	<b>3,656,233</b>	<b>3,655,267</b>	<b>3,667,644</b>	<b>3,685,838</b>	<b>3,728,576</b>	<b>3,732,494</b>	<b>3,742,984</b>	<b>3,753,180</b>	<b>3,762,582.3</b>	<b>3,773,059</b>	<b>3,782,945</b>	<b>3,793,885</b>
<b>Current Liabilities</b>													
Payables	18,114	20,452	21,543	20,762	21,575	29,333	21,383	20,042	20,918	20,547	20,939	21,047	21,300
Borrowings	2,980	2,959	2,959	1,604	1,679	1,758	1,730	1,434	1,495	1,286	1,332	1,380	1,430
Provisions	10,412	10,988	11,006	11,353	11,925	12,481	13,097	13,699	14,365	15,019	15,740	16,453	17,234
<b>Total Current Liabilities</b>	<b>31,506</b>	<b>34,399</b>	<b>35,508</b>	<b>33,719</b>	<b>35,179</b>	<b>43,572</b>	<b>36,209</b>	<b>35,175</b>	<b>36,778</b>	<b>36,852.2</b>	<b>38,011</b>	<b>38,879</b>	<b>39,963</b>
<b>Non-Current Liabilities</b>													
Payables	0	0	0	0	0	0	0	0	0	0	0	0	0
Borrowings	43,479	40,541	40,541	40,293	38,538	36,701	35,000	33,861	32,305	31,229	29,851	28,423	26,944
Provisions	374	411	411	450	490	532	576	622	670	720	772	827	884
<b>Total Non-Current Liabilities</b>	<b>43,853</b>	<b>40,952</b>	<b>40,952</b>	<b>40,742</b>	<b>39,028</b>	<b>37,233</b>	<b>35,576</b>	<b>34,483</b>	<b>32,974</b>	<b>31,949</b>	<b>30,623</b>	<b>29,250</b>	<b>27,828</b>
<b>TOTAL LIABILITIES</b>	<b>75,359</b>	<b>75,351</b>	<b>76,460</b>	<b>74,461</b>	<b>74,207</b>	<b>80,805</b>	<b>71,785</b>	<b>69,658</b>	<b>69,753</b>	<b>68,801</b>	<b>68,634</b>	<b>68,129</b>	<b>67,791</b>
<b>NET ASSETS</b>	<b>3,564,156</b>	<b>3,580,882</b>	<b>3,578,807</b>	<b>3,593,183</b>	<b>3,611,631</b>	<b>3,647,771</b>	<b>3,660,709</b>	<b>3,673,326</b>	<b>3,683,427</b>	<b>3,693,781</b>	<b>3,704,424</b>	<b>3,714,815</b>	<b>3,726,094</b>
<b>EQUITY</b>													
Accumulated Surplus	2,401,187	2,415,996	2,418,933	2,431,027	2,449,949	2,505,360	2,518,269	2,523,213	2,530,259	2,533,751	2,537,628	2,540,238	2,542,396
Asset Revaluation Reserve	1,070,101	1,070,101	1,070,101	1,070,101	1,070,101	1,070,101	1,070,101	1,070,101	1,070,101	1,070,101	1,070,101	1,070,101	1,070,101
Other Reserves	92,868	94,785	89,773	92,054	91,582	72,310	72,339	80,012	83,067	89,929	96,695	104,476	113,597
<b>TOTAL EQUITY</b>	<b>3,564,156</b>	<b>3,580,882</b>	<b>3,578,807</b>	<b>3,593,183</b>	<b>3,611,631</b>	<b>3,647,771</b>	<b>3,660,709</b>	<b>3,673,326</b>	<b>3,683,427</b>	<b>3,693,781</b>	<b>3,704,424</b>	<b>3,714,815</b>	<b>3,726,094</b>

CASH FLOW STATEMENT	Actual	Orig Bud	Rev Bud	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	2015/16	2016/17	R2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
<b>Cash flow from operating activities</b>													
<i>Receipts:</i>													
Rates and Annual Charges	60,941	62,966	62,423	64,130	66,505	68,349	69,223	70,760	69,075	70,579	72,162	73,781	75,437
User Charges and Fees	20,001	19,314	19,673	18,716	19,166	19,886	20,654	21,453	22,284	23,147	24,043	24,974	25,941
Interest & Investment Revenues	3,038	2,909	2,909	2,919	3,499	3,318	3,037	3,099	3,278	3,466	3,693	3,935	4,212
Grants & Contributions	20,325	15,796	15,782	14,210	14,723	34,730	10,638	10,939	11,222	11,521	11,841	12,170	12,508
Other	26,921	18,287	18,371	19,035	19,501	20,018	20,568	21,135	21,717	22,316	22,931	23,564	24,215
<i>Payments:</i>													
Employee Costs & oncosts	(40,501)	(40,578)	(40,488)	(42,087)	(43,234)	(44,562)	(45,853)	(47,268)	(48,685)	(50,222)	(51,735)	(53,380)	(55,000)
Materials and Contracts	(34,521)	(31,811)	(32,696)	(35,499)	(32,936)	(26,936)	(43,989)	(38,669)	(37,612)	(40,075)	(40,576)	(42,146)	(43,329)
Borrowing Costs	(1,904)	(1,754)	(1,754)	(1,677)	(1,693)	(1,633)	(1,614)	(1,608)	(1,600)	(1,592)	(1,596)	(1,599)	(1,601)
Other	(18,833)	(14,456)	(14,557)	(14,409)	(14,339)	(17,262)	(15,198)	(16,093)	(16,111)	(16,589)	(17,085)	(18,152)	(18,127)
<b>Net cash inflow from operating activities</b>	<b>35,467</b>	<b>30,672</b>	<b>29,663</b>	<b>25,336</b>	<b>31,192</b>	<b>55,907</b>	<b>17,467</b>	<b>23,748</b>	<b>23,569</b>	<b>22,551</b>	<b>23,679</b>	<b>23,149</b>	<b>24,257</b>
<b>Cash flow from investing activities</b>													
<i>Receipts</i>													
Sale of investment securities	32,000	2,173	7,185	0	0	18,271	0	0	0	0	0	0	0
Sale of infrastructure, property, plant & equipment	391	410	410	420	433	446	459	473	487	502	517	532	548
Proceeds from sale of assets held for resale	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>Payments:</i>													
Purchase of infrastructure, property, plant & equipment	(17,704)	(22,080)	(25,563)	(22,835)	(27,635)	(65,249)	(23,918)	(15,689)	(18,675)	(15,368)	(15,827)	(14,840)	(14,534)
Purchase of Investment Property	(107)												
Purchase of investment securities	(45,112)	0	0	(1,281)	473	0	(29)	(7,673)	(3,055)	(6,862)	(6,766)	(7,781)	(9,121)
<b>Net cash outflow from investing activities</b>	<b>(30,532)</b>	<b>(19,496)</b>	<b>(17,968)</b>	<b>(23,696)</b>	<b>(26,730)</b>	<b>(46,532)</b>	<b>(23,488)</b>	<b>(22,889)</b>	<b>(21,243)</b>	<b>(21,728)</b>	<b>(22,076)</b>	<b>(22,089)</b>	<b>(23,107)</b>
<b>Cash flow from financing activities</b>													
Proceeds from new borrowings	0	0	0	0	0	0	0	0	0	0	0	0	0
Repayment of borrowings & advances	(3,859)	(2,959)	(2,959)	(1,604)	(1,679)	(1,758)	(1,730)	(1,434)	(1,495)	(1,286)	(1,332)	(1,380)	(1,430)
Repayment of Finance Lease liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(3,859)</b>	<b>(2,959)</b>	<b>(2,959)</b>	<b>(1,604)</b>	<b>(1,679)</b>	<b>(1,758)</b>	<b>(1,730)</b>	<b>(1,434)</b>	<b>(1,495)</b>	<b>(1,286)</b>	<b>(1,332)</b>	<b>(1,380)</b>	<b>(1,430)</b>
<b>Net increase/(decrease) in cash held</b>	<b>1,076</b>	<b>8,216</b>	<b>8,736</b>	<b>37</b>	<b>2,784</b>	<b>7,617</b>	<b>(7,751)</b>	<b>(575)</b>	<b>831</b>	<b>(463)</b>	<b>271</b>	<b>(320)</b>	<b>(280)</b>
<b>Cash assets at beginning of reporting period</b>	<b>6,250</b>	<b>7,326</b>	<b>7,326</b>	<b>16,061</b>	<b>16,098</b>	<b>18,882</b>	<b>26,499</b>	<b>18,748</b>	<b>18,173</b>	<b>19,004</b>	<b>18,541</b>	<b>18,811</b>	<b>18,491</b>
<b>Cash assets at end of reporting period</b>	<b>7,326</b>	<b>15,542</b>	<b>16,061</b>	<b>16,098</b>	<b>18,882</b>	<b>26,499</b>	<b>18,748</b>	<b>18,173</b>	<b>19,004</b>	<b>18,541</b>	<b>18,811</b>	<b>18,491</b>	<b>18,211</b>
<b>Plus: Investment on hand at end of year</b>	<b>96,958</b>	<b>94,785</b>	<b>89,773</b>	<b>91,054</b>	<b>90,582</b>	<b>72,310</b>	<b>72,339</b>	<b>80,012</b>	<b>83,067</b>	<b>89,929</b>	<b>96,695</b>	<b>104,476</b>	<b>113,597</b>
<b>Cash &amp; Investment at end of year</b>	<b>104,284</b>	<b>110,327</b>	<b>105,834</b>	<b>107,152</b>	<b>109,463</b>	<b>98,809</b>	<b>91,087</b>	<b>98,185</b>	<b>102,071</b>	<b>108,470</b>	<b>115,507</b>	<b>122,967</b>	<b>131,808</b>

Appendix 2 - Snapshot of Assumption escalation rates increases included in model:

Code	Assumption Escalation Rate increase	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023	2023/ 2024	2024/ 2025	2025/ 2026	2026/ 2027
CPI	RBA Outlook CPI Rate	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
R	Rates Revenue	1.50%	2.00%	2.00%	2.00%	2.00%	-4.17%	2.00%	2.00%	2.00%	2.00%
1	% increase in Statutory Fees & Fines	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
2	% for other Fees & Charges (unless CPI)	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
3	Employee costs	2.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
4	Grants & Contributions (incl FAG)	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
5	Rental / Lease Income	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
6	Paid Parking Fees (income)	4.00%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
7	Utilities Expense	2.00%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
8	DWM Income (Domestic Waste Management)	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
9	Library bookstock and Plant purchases	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
10	Garbage Disposal cost	5.76%	4.43%	2.95%	4.32%	5.33%	2.86%	2.92%	2.92%	2.92%	2.92%
11	Fire Brigade & Emergency Levy	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
12	Employee Super (Aus Parliament Approved)	9.50%	9.50%	9.50%	9.50%	10.00%	10.50%	11.00%	11.50%	12.00%	12.00%
13	Paid Parking (meter) Fees - The Concourse	2.00%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
14	Motor Vehicle Depreciation	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
15	Willis Park Centre Venue Income	4.50%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
16	Interest Earn Income	3.00%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%
17	Garbage Collection Cost	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%