City of Greater Geraldton
a vibrant future

2016 - 2026

Draft Long Term Financial Plan

Contents

Introduction

The City of Greater Geraldton Long Term Financial Plan (LTFP) 2016-2026 is a high level informing strategy that outlines the City's approach to delivering infrastructure and services to the community in a financially sustainable and affordable manner. It also demonstrates the City's commitment to managing its operations in a way that avoids unsustainable rate increases for ratepayers. The Plan is aligned to other core planning documents by which the City is accountable to the community including the Strategic Community Plan and the Corporate Business Plan. Information contained in other strategic plans including the Asset Management Plan and Workforce Plan have been used to informed the LTFP which forms the basis for preparation of the Annual Budgets.

The LTFP is a dynamic tool which analyses financial trends over a ten-year period on a range of assumptions and provides the City with information to assess resourcing requirements to achieve its strategic objectives and to allow the City to ensure its future financial sustainability.

The LTFP covers the period 2016/17 to 2025/26. The City undertakes a broad review of its Strategic Community Plan every two years and a full review is planned every four years (2016-17). This LTFP will be reviewed every year and in conjunction with Corporate Business Plan reviews. As Annual Budgets are developed from the LTFP there may be some annual variations between both which will be explained in the Annual Budget.

2. Our Integrated Planning Framework

In 2011, the Department of Local Government introduced the *Integrated Planning and Reporting Framework* to encourage a movement towards best Practice strategic planning and reporting standards across the Western Australian local government industry.

A significant component of the Framework is the development of a long term financial plan to inform the resourcing requirements and financial capacity of a local government to achieve its stated objectives and priorities.

The following diagram shows how the components of the Integrated Planning Framework work together to inform and provide resources for achieving the goals of the Community Strategic Plan.

3. Key Statistics

The following table shows key statistics for the City of Greater Geraldton.

Distance from Perth	**424 kms**
Area (sq km)	**9,889**
Population (estimated)	**42,000**
Number of electors	**24,106**
Total Rates Levied (Budget 2016/17)	**$42.56m**
Total Operating Revenue (Budget 2016/17)	**$74.20m**
Number of employees FTEs	**290**

4. Who We Are

Located 424 kilometres north of Perth with a thriving population of around 42,000 – Greater Geraldton has been named one of Australia's regional capitals. The City and the Mid-West Region are recognised as having the most diversified economy in the State through industries including mining, fishing, aquaculture, agriculture, manufacturing, construction, retail and tourism.

As one of Western Australia's top places to live, work, study or invest, Geraldton is the capital of the Mid West region. With the best of coastal and rural living, Greater Geraldton has stunning weather all-year round. With mild winters, balmy autumn evenings, summers cooled by regular sea breezes and spring bursting with stunning wildflowers, you can enjoy all that Geraldton has to offer no matter what time of the year.

Geraldton's coastline is a huge tourist attraction and it has a beautiful Foreshore to match. Other attractions include the iconic lighthouse, the HMAS Sydney Memorial and the Houtman Abrolhos Islands which are located 80km off the coast of Geraldton.

Greater Geraldton is also home to a number of private and public schools from K-12 as well as the opportunity for higher education studies with the Geraldton University Centre, Central Regional TAFE and the Batavia Coast Marine Institute. The City has a rich long-spanning heritage with much of that still preserved throughout the City.

Greater Geraldton also incorporates the town of Mullewa which lies 98kms north east of the city and the Greenough settlement located 24kms south of Geraldton on the Brand Highway.

Mullewa

Mullewa is a small town with a population of approximately 600 people located 98 kilometres east-northeast of Geraldton. Agriculture is Mullewa's largest industry with grain, wool, beef and lamb as it main products.

Mullewa is well known for an abundance of wildflowers in spring and it is one of the few places in the world that the wreath flower grows. Mullewa boasts a number of religious buildings designed by the famous Western Australian architect-priest Monsignor John Hawes, including the Church of Our Lady of Mount Carmel and the Holy Apostles St Peter and St Paul and the Priest House (now known as the Monsignor Hawes Priesthouse Museum).

The Mullewa District comes alive in late winter and spring each year, when dramatic displays of wildflowers brighten the bushland and road verges. Amongst the many varieties of wildflowers are the famous wreath flower as well as the pink, white and yellow everlastings, and the pom-pom everlastings. You can view wildflowers within the town site along the Mullewa Bush Trail and the Wildflower Walk.

The City's vision is to have the capacity to sustain a population of 80,000 to 100,000 people and be the focal point for an active and vibrant region containing significant district centres to the north, south and the hinterland.

5. Our Services

The City provides an extensive range of services to the community including:

- Building and Planning approvals
- Environmental health services
- Community development, day care and youth services
- Libraries, festivals, concerts, art gallery and other cultural events
- Leisure and recreation services and facilities
- Rangers and community safety
- Waste collection and landfill facilities
- Land development
- Parking facilities
- Airport services
- Tourism services
- Infrastructure including roads, footpaths and street lighting
- Parks and natural areas and management of the environment
- Economic development

6. Service Delivery

In 2014-15 the City in consultation with the community undertook an extensive review of its non-mandatory range of services. The outcome of this review and a further review undertaken in 2015-16 of the City's organisational structure, staffing levels and range and level of services have provided a reduction over the last two years of $5.93m to the City's operating budget. These savings identified in 2015-16 have been built into the new proposed LTFP. The City continues via other "in house" initiatives to improve existing service levels and achieve efficiency gains whilst being fiscally responsible in progressing towards achieving annual operating surpluses each year to fund the provision of infrastructure.

Service levels will be reviewed from time to time when future reviews of the LTFP are undertaken and the impact of growth across the municipality can be monitored and assessed.

7. Asset Management

The City has developed a strategic approach to asset management and developed asset management plans based on the total life cycle of assets. Asset Management Plans will be reviewed and updated in 2016-17 to assist Council in better predicting infrastructure consumption and asset renewal needs and identify at a more mature level the cost required to renew or preserve the asset (renewal gap). This renewal gap is being addressed in the LTFP and will be the focus of future annual budgets. The City in 2014-15 commenced an extensive review to better understand the conditions of existing assets. To date the impact of this program on the LTFP is that in 2015-16 annual depreciation was increased by $4m in line with significant movement in asset valuations. In 2015-16 revaluation of building assets, associated changes to useful life and residual values will reduce annual depreciation on this asset class by $1.7m in 2016-17.

Funding for the renewal of assets is to be increased annually on the basis to be able to fund the City annual renewal expense at a level that equates to a range of 90% to 100% of the City's annual depreciation expense. The continued allocation of funding towards the renewal of assets and funding for maintenance and upgrades will result in a positive investment for the community into the future. Asset acquisitions and capital works projects are funded from general revenue, sales of existing land/property assets, government grants or external borrowings.

8. Financial Strategies and Principles

8.1 Rate increases

As a result of population growth, it is predicted that future budgets will be impacted by an increasing demand for services and new infrastructure. Levying rate increases at or below CPI is unsustainable in the long term and in the report to Council (CCS183 – Rates 2016-17 Notice of Intention) Council has given endorsement subject to the completion 2016-17 Budget process and development of a new LTFP of an aggregate rates revenue increase of 2.9% (plus growth) in year 1 and 3.5% (plus growth) years 2 to 10. This represents a significant reduction from the 3.9% (plus growth) year 1 to 10 increase forecast in the LTFP adopted by Council in 2015-16. This reduction is in on top of Council's decision in 2015-16 to reduce the annual rate revenue increase in the LTFP from 5.2% to 3.9%. These reductions in rate increases have been achieved through savings identified via organisational restructure and reduction in staff costs, ongoing efficiency gains and reduction in the range and level of services provided by Council.

Rates Modelling (2016-17):

The proposed rates model is based on the following:

- Alignment of differential ratings categories per Governor's Orders gazetted for the amalgamation following the merger of the Shire of Mullewa and the City of Geraldton-Greenough. This alignment is to be finalised as at 1st July 2016. Rating categories will be reduced from five to three. The new proposed categories are:
  - CGG Residential
  - CGG Non Residential
  - CGG UV
- Key principle (endorsed by Council March 2016) of the Long Term Financial Plan of a 2.9% (plus growth) increase in aggregate rate revenue 2016-17. Current rates modelling based on the proposed RID's and minimum generates overall revenue of $42,563,783 which represents an increase of 4.27% in relation to the rates levied in 2015-16.
- Concessions applied to Residential Properties as applied in 2015-16 but reduced from two thirds to one third in 2016-17.

Actual rates revenues in any year might exceed the target increase, as a result of any growth in property numbers and new residential or commercial development, but the extent of such development is dependent on local economic conditions.

8.2 Budget surpluses

The City believes that adopting a balanced budget each year will not improve its financial sustainability or liquidity which is supported by the current revised estimates of the City's net deficit operating position after ordinary activities of $7.42m for 2015-16. The plan is based on gradually moving out of this deficit position and achieving a positive surplus position within a fiscally responsible timeframe. The new LTFP proposes to achieve a surplus result by Year 5 of the plan.

8.3 Cost recovery of services

Discretionary Fees and Charges revenue is based upon a unit rate increase of 5% per annum plus an activity growth factor of 0.6% to 0.7% to match estimated additional costs in service delivery. The City does not currently recover the full cost of providing all of its services as a number of these services are subvented as they are community and socially based. In Year 2 of the plan the overall revenue increase has been lowered to a growth factor of 3.5% in consideration of reduction in activity levels in some revenue streams such as building and development activity and Airport passenger numbers.

Within function areas relating to building licences, planning and development approvals and health approvals the City is limited by statutory regulations and capping on fees and/or charges applied, preventing full cost recovery of these services.

8.4 Prudent use of debt finance

The LTFP gives consideration to where it is an optimum time to take advantage of loan finance predominantly where the cost of fixed interest loans is lower than fixed term investment rates. Such conditions currently apply and are expected to continue within the short term.

The purpose and timing associated with the use of loan finance is aligned to the following principles:

- To support major infrastructure projects which will have significant community based and economic benefits.
- Development of revenue producing infrastructure
- Maintain or improve delivery service levels in consideration of growth and the requirements of being a Regional Centre.
- Intergenerational equity in relation to services and infrastructure provided by the City.

8.5 Cash reserves

As per the adopted budget of 2013-14 all discretionary reserve accounts have been closed. The minimum reserve accounts necessary for specific legal compliance obligations have been retained.

8.6 Land Development

In the City's current LTFP and over its life the plan had recognised $21.5m of revenue generated from land & property sales. The new proposed LTFP removes this budgeted revenue on the basis of the high level of uncertainty and risk associated with not realising these sales that would significantly impact on achieving benchmark indicators. This City will continue in its effort to realise these sales over the life of the plan and any revenue generated will be applied either to servicing debt, increasing the level of capital renewal or replacement expenditure, improving the city's liquidity position and funding new and high prioritised emergent capital projects. In 2016-17, a provision has been made to recognise land exchange with the Department of Land in regards to the old and new depot sites.

9. Workforce Planning Strategies

The Workforce Plan proposes that net staff levels (after 2015-16 restructure) will remain unchanged in line with current service provision levels. There is no provision in either the Workforce Plan or the LTFP to increase staff numbers above this level in the initial 2 years of the LTFP. The increase in staff will be assessed on an annual basis and will be assessed on a number of factors including the level of service required by the community and the ability to fund new positions. The Workforce Plan proposes a range of initiatives to attract, develop and retain employees. It also proposes building the City's leadership capability and putting in place a robust framework so that the City has the necessary skills to deliver the required level of service now and into the future.

An addendum to the Workforce Plan outlines the City's new organisational structure that evolved from a review undertaken in 2015-16 as part of the City's focus to deliver efficiency gains and a review of the range and level of services (non-mandatory) that the City provided. The new organisational structure accounts for a reduction of 22 FTE's and the new LTFP gives consideration to this impact.

Modelling and Sensitivity Analysis

This scenario was prepared and is the one proposed for adoption by the Council (and detailed in the schedules attached). The assumptions on which this scenario was prepared are detailed within the LTFP. This scenario is considered most beneficial to achieve required service delivery levels and outcomes of the Strategic Community Plan and Corporate Business Plan.

Other models were originally prepared and presented on the basis of the following:

- Achieving operating surplus from ordinary activities with 3,5,7,10 & 15 year's timeframe.
- 3.5% aggregate collection increase per annum for the life of the plan.

The most sensitive criterion in the adopted model is a variation in the level of proposed rate increases. A 2.9% aggregate collection increase accompanied by current growth in year 1 and a 3.5% increase plus growth in year 2 to 10 over the life of the LTFP results in:

- Incremental movement from Year 1 of a deficit position from Ordinary Activities Operating to a surplus position within a fiscally responsible timeframe. Current projections indicate this would be achieved within 5 to 6 years.
- Continual positive movements through the life of the LTFP in achieving targeted benchmarks.
- An end of year net cash position that provides sufficient liquidity for Council to continue to pay for its immediate expenses without the need in the short term for any additional cash inflows.
- Incorporation of fair value adjustments on assets for the term of the LTFP reflective in adjustment to depreciation costs.

Key Assumptions Underpinning the Long Term Financial Plan

In response to concerns raised by the Community, the Mayor, and Councillors, a new long term financial planning scenario has been developed that will see future rate increases reduced by 1% in year one (2016-17) and by 0.4% in years two to ten – as compared to the currently adopted Long Term Financial Plan.

The following overarching assumptions and strategies will now underpin the development of a new LTFP:

- Reduce aggregate rate revenue increase in Year 1 to 2.9% (plus growth) and years 2 to 10 the increase per annum would be 3.5% (plus growth). The City's current LTFP (2015-25) was based on an increase of 3.9% per annum (plus growth).
- Growth in annual rate base will continue per annum to be at least 1% or estimated in accordance with current growth.
- Increases in revenue from rates, fees and charges should be smoothed to avoid revenue raising shocks to the community.
- Generate enough revenue to renew assets as they wear out.
- Continual positive movement and achievement of all financial and sustainability ratio benchmarks within the life of the new LTFP.

- The plan delivers a net operating surplus from ordinary activities within ten years.
- Savings of $3.23m are to be built into the LTFP for 2016-17.
- Debt levels should provide the Council with the ability and capacity to manage unexpected peaks in capital expenditure that may result from emergent works or other capital funding opportunities.
- Reserves should only be kept where there is a legal or statutory requirement to do so.
- Interest rates for investment funds will be around 2.5% to 4% over the life of the plan with the dollar return adjusted according to the annual available cash available for short term investment.

2016-17 Income and Expenditure Assumptions

- The aggregate increase in dollar terms for rates revenues levied incorporates an increase of 2.9% plus growth of across all categories of 1.37%.
- The aggregate increase in fees and charges is based upon the draft Schedule of Fees and Charges for 2016-17 and the expected consumption of these services by the community which takes into consideration a reduction in activity levels (based on 2015-16 levels). Year 1 also allows for the introduction of new revenue streams in particular relating to the Multi-User Facility.
- Operating grants and contributions are based upon confirmed and recurrent revenue.
- Interest earnings are calculated upon the likely cash balances during each financial year against current investment rates.
- Employee costs increase allows for 2.5% rise associated with the Council's Enterprise Bargaining Agreement and 0.3% increase in incremental employment levels. As a result of an organisational restructure (2015-16) the City has reduced further its number of FTE's by 22 which has resulted in employment costs in 2016-17 decreasing by around $1.7m in comparison to 2015-16 if there was no change to FTE structure.
- Reduction in range & level of services and identified efficiency savings has provided 3.4% decrease in materials & contracts based on reviewed service levels.
- Utility charges for water and electricity have been calculated based upon the expected consumption and increases as identified in the State Budget.
- An adjustment decrease of $1.7m to annual depreciation of Buildings Asset Class.
- Interest rates for new borrowings in 2016-17 are based on current indicative prices issued by WATC in May 2016 plus a 0.25% percentage increase to the base cash rate.

Years 2 to 10 Income and Expenditure Assumptions

Years 2 to 10 in the LTFP includes the following assumptions with regards to changes in yearly budgets:

- The aggregate increase in rates across all categories from year 2 to 10 is 3.5%, inclusive of any GRV and UV revaluations plus a 1.0% growth in the rate base.
- Operating grants and contributions are based on existing recurrent funding allowing for indexation of 2% in year 2 and 3.2% in years 3 to 10.
- Non-operating grants and contributions have been indexed to a level of known, or likely capital contributions from other levels of government.

- Fees and Charges revenue is based upon a unit rate increase of 5% per annum adjusted for expected activity growth or decline. In Year 2 of the plan overall revenue increase will remain at 3.5% in consideration of reduction in activity levels in some significant revenue streams.
- Interest Earnings are calculated upon the likely cash balances during each financial year and allowing for marginal increases in the base cash rate.
- Employee costs are indexed annually by the current EBA % increase of 2.5% for the life of the plan. In years 3 through to 10 increases above 3% reflect changes to superannuation compulsory contribution rates, incremental pay level increases and possible growth in the staff establishment.
- Materials and Contract costs in Year 2 remain relatively constant to Year 1 due to the finalisation of major operational and grant related projects. Increases in years 3 through 10 have been indexed between 2.5 to 3.5 per cent and adjusted to reflect the cyclical expenditure on specific operational items (i.e. land revaluations & fair value asset valuations).
- Interest Expenses reflect the expected borrowing rate and debt profile. Substantial decreases in interest expenses are indicative of the retirement of debt whilst increases are associated with new debt.
- Utility charges are based on 5% increase per annum and expected consumption levels.
- Insurance costs have been indexed at a conservative rate of 5% per annum.

10 YR Capital Plan

- Funding for the renewal of assets is to be increased annually on the basis to be able to fund the City annual renewal expense in Year 10 of the LTFP at a level that equates to a range of 90% to 100% of the City's annual depreciation expense. The continued allocation of funding towards the renewal of assets and funding for maintenance and upgrades will result in a positive investment for the community into the future. Asset acquisitions and capital works projects are funded from general revenue, sales of existing land assets, government grants or external borrowings.
- Incorporates the City's Project Management Framework delivery strategy in relation to initiation and planning phases. This enables the City to establish a bank of projects that have progressed to the detailed design phase and are "shelf ready" to go when opportunity presents in relation to available funding both internally and externally.
- In Years 2 to 10 the amount of funding sourced from Non-Operating (Capital) grants and contributions are based on confirmed funding agreements and/or known sources of recurrent funding and the assumption that the current level of funding will continue to be available for the life of the LTFP in relation to road related grants such as Roads to Recovery and Main Roads.
- During the life of the LTFP the City's debt level is such that it provides the ability and capacity to manage unexpected peaks in capital expenditure that may result from emergent works or other capital funding opportunities.

Measuring Sustainability

Several statutory key performance indicators (KPIs) have been prescribed in the *Local Government (Financial Management) Regulations 1995* to measure the financial sustainability of local governments. The LTFP has been assessed against these KPIs and will be compared with KPIs measured from the Annual Budgets and Annual Financial Statements to provide clear targets for the City to report its progress to the community each year.

The KPIs, target rates and results measured from the LTFP are tabled below:

Current Ratio

This is a measure of a local government's liquidity and its ability to meet its short term financial obligation out of unrestricted current assets. It is measured as:

Current Assets less Restricted Assets
Current Liabilities less Current Liabilities associated with Restricted Assets

Target – greater than or equal to 1 : 1

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Forecast	0.93	0.94	0.96	0.99	0.94	0.97	1.01	1.01	1.02	1.06

The target of greater than or equal to 1:1. Initially trends just below benchmark but shows continual improvement to achieve liquidity target.

Operating Surplus Ratio

This is an indicator of the extent to which revenues raised cover operational expenses only or are available for capital funding purposes. This is measured as:

$$\frac{\text{Operating Revenue less Operating Expenses}}{\text{Own Source Revenue (Rates)}}$$

Target – between 0% and 15%

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Forecast	-2.99%	-3.38%	-1.77%	-1.09%	0.01%	0.92%	1.23%	2.23%	4.17%	5.56%

As per the base principles and assumptions adopted in the LTFP the City has undertaken a fiscally responsible approach to achieve the benchmark within an acceptable timeframe. Current projections indicate this would be achieved between 2021-2022 in the life of the LTFP.

Rates Coverage Ratio

This is an indicator of a local government's ability to cover its costs through its own tax revenue efforts. This is measured as:

$$\frac{\text{Total Rates Revenue}}{\text{Total Expenses}}$$

Target – greater than or equal to 40%

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Forecast	56.30%	56.86%	57.91%	57.95%	58.44%	58.82%	58.86%	59.31%	60.28%	61.29%

The City currently has a rates coverage ratio for 2016/17 of 56.30% which is above the target of 40%. In the LTFP the trend is for this to increase each year to 61.29% in 2025/26. This indicates that the City's rating strategy as outlined allows the City to raise an acceptable level of funds through its rating efforts.

Debt Service Cover Ratio

This is an indicator of a local government's ability to produce enough cash to cover its debt payments. This is measured as:
$\frac{\text{Operating Revenue less Operating Expenses except Interest Expense and Depreciation}}{\text{Principal and Interest Expense}}$
Target – greater than or equal to 2

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Forecast	4.13	3.44	3.85	3.94	4.70	4.06	4.20	4.93	5.97	6.88

The City has moderate debt levels and will be utilising debt finance to a significant level in the short term to fund major infrastructure projects. This ratio currently indicates that during the life of the LTFP the City's debt level is such that it provides the ability and capacity to manage unexpected peaks in capital expenditure that may result from emergent works or other capital funding opportunities.

Asset Sustainability Ratio

This is an indicator of the extent to which assets managed by a local government are being replaced as these reach the end of their useful lives. This is measured as:
$\frac{\text{Capital Renewal Expenditure}}{\text{Depreciation Expense}}$
Target – between 90% to 110%

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Forecast	105.80%	69.10%	76.64%	76.25%	76.44%	79.55%	79.88%	80.59%	85.15%	93.61%

While there is an upward spike in renewal expenditure in Year 1 this is an "one-off" and is mainly due to a carryover of flood damage renewal works that are fully funded by external grant funding and Airport renewal works associated with the RPT Apron and Taxiway (debt financed). Consistent with the City's fiscal approach to move from both a deficit to surplus position over a financially sustainable period plus provides the

required level of liquidity to fund renewal works to a greater and sustainable level this ratio continues to trend upward towards the target benchmark. This ratio is impacted by fair value adjustments.

Asset Consumption Ratio

This ratio highlights the aged condition of a local government's physical assets. It is measures as:

$$\frac{\text{Depreciated Replacement Cost of Assets (Written-Down Value)}}{\text{Current Replacement Cost}}$$

Target – 60% or greater

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Forecast	81.45%	81.00%	77.77%	77.50%	77.48%	74.49%	74.34%	74.24%	71.37%	71.59%

This ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement. While this target measure meets the advance standard the level of maturity re aged condition and useful life of City assets is not currently at a level that would completely validate these percentages.

Asset Renewal Funding Ratio

This ratio indicates whether the local government has the financial capacity to fund asset renewal at continued existing service levels. This is measured as:

$$\frac{\text{Net present Value of Planned Renewal Expenditure Over 10yrs}}{\text{Net Present Value of Asset Management Plan Projections Over 10yrs}}$$

Target – between 95% and 105%

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Forecast	93.25%									

The City's ratio of 93.27% is slightly below target range. It is expected this figure will drop further below the benchmark target until the City is at the capacity to fund at least 100% of its renewal based on Asset Management Plan Projections.

Risk Assessment

Previously, the major risks associated with long term financial planning related to the disposal of land and property and was a critical dependency with the existing LTFP. As previously stated, the new proposed LTFP removes this budgeted revenue on the basis of a high level of uncertainty and risk associated with not realising these sales that would significantly impact on achieving benchmark indicators.

A number of new projects are included in the LTFP. All of these are proposed to be constructed on land owned by the City or Crown Land managed by the City. The developments will not require external approvals and are being funded through debt or external grants funding. The risk associated with these is therefore low. Each of the projects will have their own project management plan and inclusive of these plans is a risk management plan specific to that project.

The City has an extensive road renewal program which to a significant extent is externally funded on a recurrent basis from Road to Recovery and Main Roads funding. If that funding reduces or is not made available to the City, then the timing and scope of the works will be required to be reassessed. The new LTFP assumes that external road funding levels will remain the same as current levels throughout the life of the plan.

Interest rates on borrowings and on investments are predicted to be relatively constant over the life of the LTFP. If adverse changes in rates occur this may impact on the City's revenues and future project costs. The risk is considered low.

Financial Projections

The financial projections in this LTFP have been developed in a format that conforms to the Local Government (Financial Management) Regulations 1996 and Australian Accounting Standards. This format has been chosen as it allows projections to feed into the statutory format of the Annual Budget and key performance measures in the LTFP to be compared with Annual Budgets and Annual Financial Reports. The Statutory schedules include:

- Statement of Financial Position (Balance Sheet) and Equity Statement
- Statement of Comprehensive Income*
- Statement of Cash Flows
- Rate Setting Statement

The Statement of Comprehensive Income shows what is expected to happen during the year in terms of revenue, expenses and other adjustments from all activities. The LTFP cycles a continual positive movement from an existing deficit position from Ordinary Operating Activities to a surplus position within a fiscally responsible timeframe that will improve financial sustainability.

The Statement of Financial Position is a snap-shot of the expected financial position of the City at the end of the financial year. It reports what is expected to be owned (assets) and what is expected to be owed (liabilities). The bottom line "Net Assets" represents the net worth of the Council. The assets and liabilities are separated into current and non-current. Current means those assets or liabilities which will fall due in the next 12 months. Non-current refers

to assets and liabilities that are recoverable or which fall due over a longer period than 12 months.

The Statement of Cash Flows shows what is expected to happen during the year in terms of cash. The net cash provided by operating activities shows how much cash is expected to remain after paying for the services provided to the community. This can be used to fund other activities such as capital works and infrastructure. The information in this statement assists in the assessment of the ability to generate cash flows and meet financial commitments as they fall due, including debt repayments. Reflective of the current ratio the City maintains the ability to meet all operating and capital commitments during the term of the LTFP.

In the LTFP, rates assessed and determined are within the accepted range of 90 to 110 % and reflect cyclical movements in cash flow from year to year.

The statements are supported by schedules of:

- loan borrowings and repayments
- capital works
- cash reserves
- depreciation calculations
- assumptions used in the LTFP
- schedule of KPIs

Conclusion - Implementation and Review of the LTFP

Council will consider the content of the LTFP when preparing the Annual Budget for 2016-17 and subsequent years and it is expected that adopted budgets will be closely aligned with the proposals in the LTFP and assumptions underpinning this.

Review of the LTFP will occur each year as budgets are prepared to account for performance information and changing circumstances.

The City is confident that the LTFP will allow the City to set priorities within its resourcing capabilities to sustainably deliver the assets and services required by the community in a fiscally responsible manner.