2019 - 2029

Long Term Financial Plan

Contents

Introduction

The City of Greater Geraldton Long Term Financial Plan (LTFP) 2019-2029 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.

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 2019/20 to 2028/29. The City undertakes a broad review of its Strategic Community Plan every two years and a full review is planned every four years. 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 process.

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 shows key statistics for the City of Greater Geraldton.

SNAPSHOT:

PEOPLE

Population: **40,000**

Diversity: **9.6% indigenous**

19.6% born overseas

Median age: **36**

HOME LIFE

Family: **71.9%**

Lone: **24.9%**

Shared: **3%**

ECONOMY

Gross Regional Product: **$2.880 billion**

Top 5 employment industries:

Health care and social assistance jobs **12.76%**

Retail trade jobs **12.33%**

Education and training jobs **10.38%**

Construction jobs **9.22%**

Transport, postal and warehousing **6.63%**

INDUSTRIES

Top 5 industries:

Manufacturing **13.11%**

Construction **12.80%**

Rental, hiring and real estate services **10.43%**

Mining **10.04%**

Transport **6.73%**

4. Who We Are

Located 424 kilometres north of Perth with a thriving population of around 40,000 – 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.

Geraldton is the major regional centre of Australia's Coral Coast overlooking the Indian Ocean and is a city steeped in indigenous and pioneering history. The city has all the major services you would expect in a city including cultural, shopping and sporting facilities, yet offers a more relaxed pace of life. Geraldton is within easy driving distance to Perth, being just over 400km north of the State capital. It has regular air services and exports to the rest of the world via the Geraldton Port.

The Greater Geraldton region including Greenough, Walkaway and Mullewa have some of Western Australia's premier heritage buildings and agricultural land that has been farmed since its settlement over 170 years ago.

Education at all levels is catered for by numerous public and private schools and tertiary institutions including Durack Institute of Technology, Batavia Coast Maritime Institute, the Geraldton Universities Centre and the Combined Universities Centre for Rural Health.

Facilities in the region are world class including – WA Museum, Regional Art Galleries, Regional Libraries, Queens Park Theatre and community-based Arts and Cultural Groups, among others – highlight Greater Geraldton's cultural diversity.

In recent years Greater Geraldton has undergone enormous development, revitalising the foreshore with the recently completed Beresford Foreshore Redevelopment and the previously completed Eastern Breakwater, Multi-User Facility and Youth Precinct. These developments have created spaces where people can connect with each other while enjoying the benefits of living in this special space.

The City in recent times has focussed on investing in the revitalisation of the City Centre. The Rocks Laneway Project (in progress) being the first cab off the rank project will create a major new pedestrian connection between the CBD and the Foreshore, it will also feature spaces for year round community events and activities, including opportunities for local artists to exhibit and perform.

The City is also working closely with the private sector and the local community to realise the visions in the Growing Greater Geraldton - Growth Plan (under review). The purpose of the Plan is to strengthen strategic positioning, attract business and investment, support the growth of competitive industries, and build a better place to live for existing and new residents.

5. Our Services

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

- Building and Planning approvals
- Environmental health services
- Community development 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

New Services

Council at its May 2019 meeting, supported the implementation in 2019-20 of a Food Organic and Garden Organic kerbside collection trial involving 500 households. Modelling suggests that our current waste stream is made up of approximately 48% FOGO material. Introducing a FOGO kerbside program has the potential to increase the City's performance diversion rate to 35 - 45% (currently 0%) depending on contamination rates. If the trial proves successful, then it is proposed to roll-out FOGO to all households.

6. Service Delivery

Over previous financial years, the City of Greater Geraldton's financial position meant that many community needs and aspirations were unlikely to be delivered within the short term, without significant increases in rates or reduction in expenses.

In coming up with solutions to these challenges, the City has long recognised that the best solutions are those that are made collaboratively between Council, the Community and its staff, utilising the principles of engagement and deliberative democracy. This has provided staff with a more focused approach on the delivery of services and some level of certainty for the community about what services they can expect Council to deliver in the coming years

#ChangesCGGcommunity (deliberative democracy process) was a community engagement activity developed to empower local residents in making decisions that affect the City's budget. The City recognised there was a need for change concerning future financial sustainability, community aspirations and growing community expectations and a history of implementing deliberative democracy principles to inform decision-making.

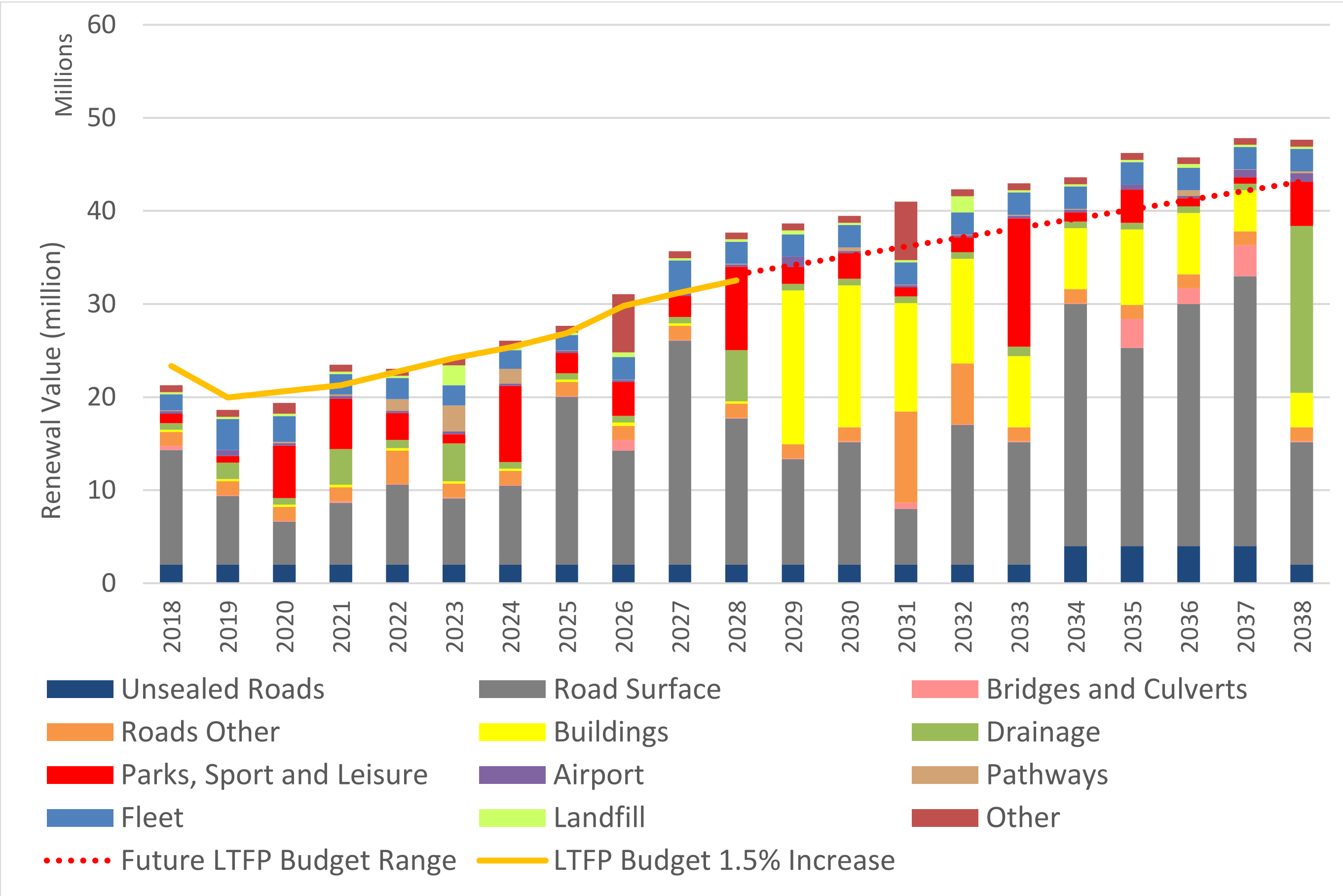
It successfully:

- Incorporated the principles of participatory budgeting into the recommendations on the range and level of services the City provides;
- Developed an assessment framework for current and not yet identified services;
- Improved civic participation in decision making;
- Improved alignment of City services with the needs of the community;
- Increased the community's knowledge of responsible budget management; and
- Increased community acceptance of Council decisions.

Review of services will be a continual process that is undertaken along with the impact of growth across the municipality in relation to the annual review and update of the LTFP. It is proposed to undertake a similar deliberative democracy process in 2019-20 to that taken in 2013-14 #ChangesCGGcommunity.

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 are currently being reviewed and updated 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.



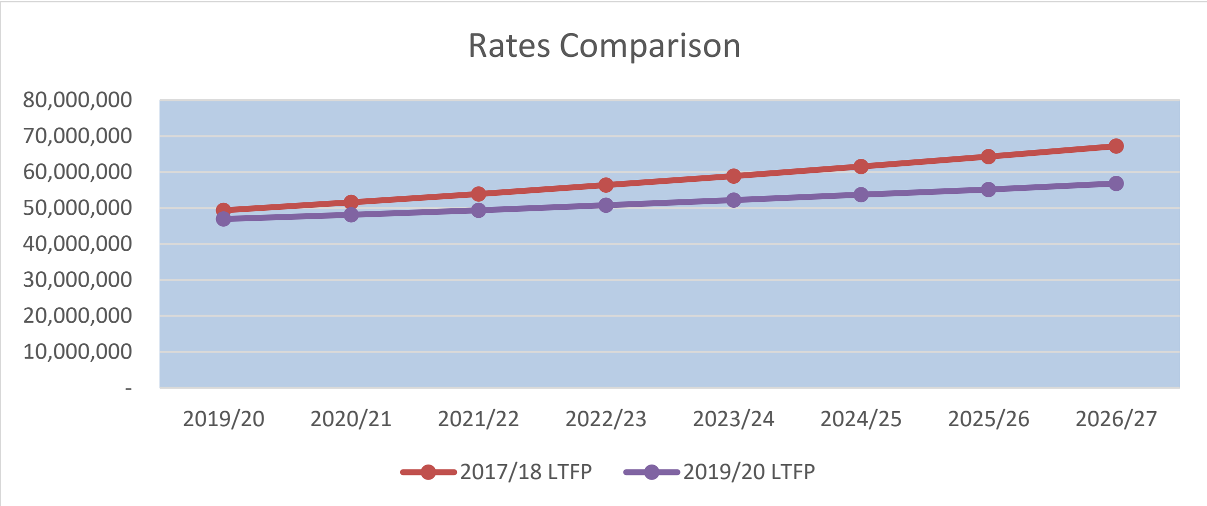
The above graph shows currently that applying the proposed rating model of 1.5% increase per annum, the City is able to financially resource to an acceptable level (still below demand profile) the required asset renewal demand over the ten year life of the LTFP.

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.

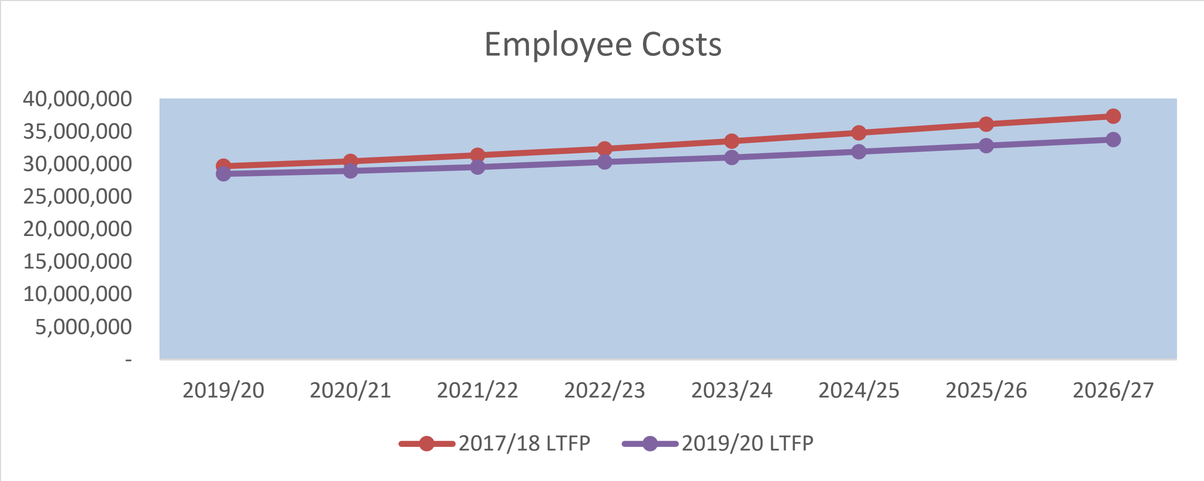
8. Financial Strategies and Principles

8.1 Rate increases

As a result of community needs and population growth, it is predicted that future budgets will be impacted by an increasing demand for services, increase expenditure to renew existing assets and new infrastructure. Council has given endorsement subject to the completion 2019-19 Budget process and endorsement of a new LTFP of an aggregate rates revenue increase of between 1.5% to 2% (plus growth) years 1 to 10. This represents a significant reduction from the 2017-18 LTFP of 3.5% per annum and original LTFP forecast scenarios of 7.2%.



The new proposed LTFP will see the amount of rates collected over the next 8 years reduce by $50m when compared to the same period per 2017-18 LTFP. These reductions in rate increases is due to the cumulative impact 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 over the last five years. The following graphs provide useful representation of where savings have been achieved and how this impacts future cost projections.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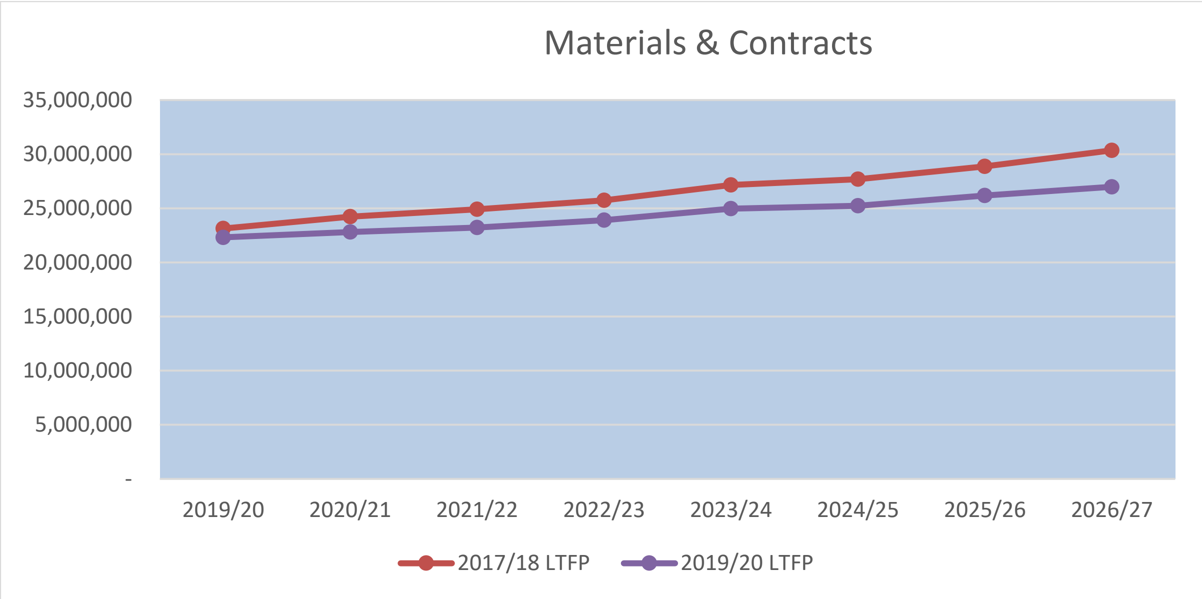
2017/18 LTFP
2019/20 LTFP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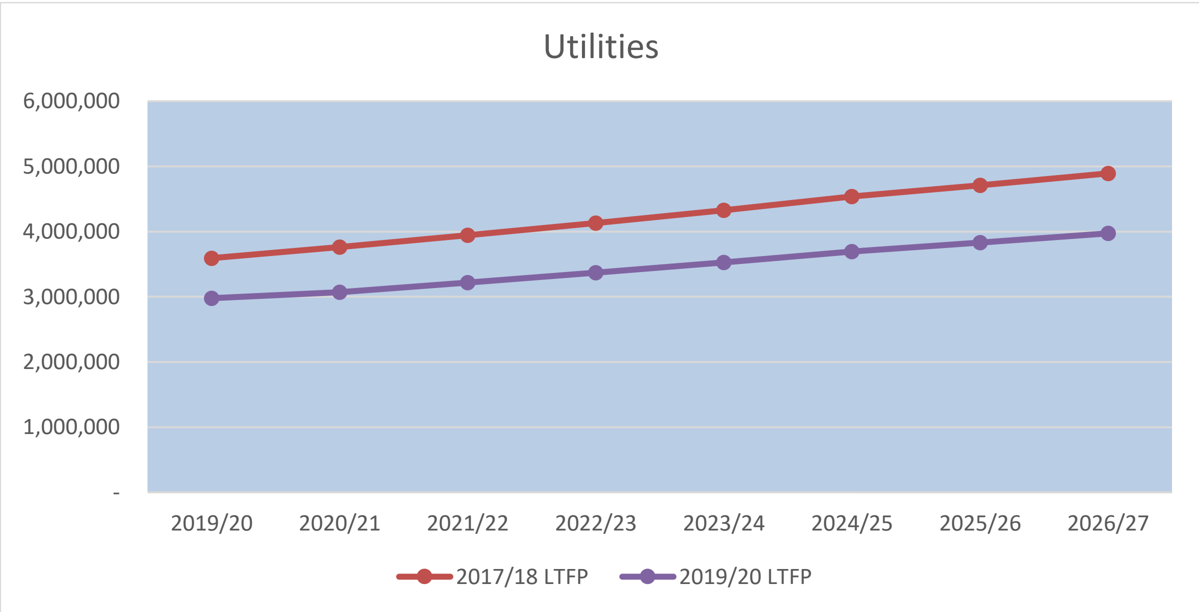
2019/20 LTFP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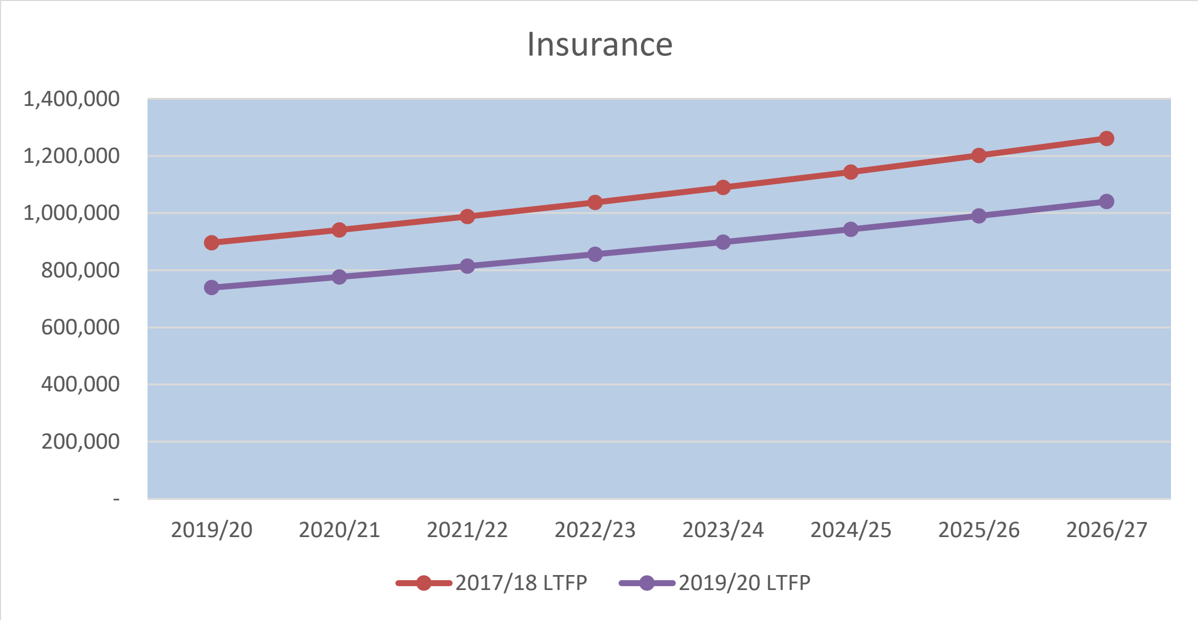
2019/20 LTFP



Rates Modelling (2019-20):

The proposed rates model is based on the following:

- The new rates modelling is based on equitable adjustment of 1.5% to the three rating categories proposed RID's.
- Minimum payments to remain unchanged from 2018-19 ($1,010).
- A decrease to UV valuations of 1.98%.
- An overall increase of $697,632 on rates to be levied in 2019-20 compared to what was levied (after growth adjustment) 2018-19.

Table below summarises the amount to be levied by rating categories in 2019-20 based on 1.5% increase RID's.

Rating Category	Proposed Rates Billing to be levied 2019-20	Number of Rateable Properties
Residential	$32,542,347	17,803
Non-Residential	$11,033,951	1,450
UV - Rural	$3,103,114	1,066
Total	$46,679,412	20,319

The growth in the annual rate base has been downgraded from a previous 1% to 0.5% - 0.8% per annum over the life of the new plan. This downgrade is reflective of a softening in relation to new residential or commercial development which is expected to continue in the short to medium term.

8.2 Budget surpluses

The City believes that adopting a balanced budget each year will not improve its financial sustainability or liquidity. The previous LTFP's have been underpinned gradually moving out of a deficit position and achieving a positive surplus position within a fiscally responsible timeframe. The new LTFP underpins this strategy by planning to maintain a small and annual operating surplus from ordinary activities for the life 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 up to 2020, the unit rate will fall to 3.5% for the remaining life of the LTFP. An activity growth factor of 0.6% to 0.7% is also applied per annum. Where appropriate, the actual cost of providing a service have been re-assessed, including provision for increases based on relevant indexation and cost escalation where necessary.

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. Consideration has been given to the industry downturn in certain sectors of the economy and in that "user pay" revenue trends have either "flattened out" or reduced in a number of service areas, especially those areas connected to the building/construction sectors and lowering of car-parking meter rates.

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 considers where it is an optimum time to take advantage of loan finance predominantly where the cost of fixed interest loans is comparable to fixed term investment rates. Such conditions currently apply and are expected to continue within the short to medium 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 (Airport Upgrade – Meru Landfill)
- 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.

The new LTFP proposes a contraction on spending on new capital which is correlated to a proposed contraction in new borrowings in the short to medium term. Such a contraction will reduce debt financing costs which in turn reduces cost pressures on the P&L, especially in a scenario where the City is operating with small surpluses.

8.5 Cash reserves

With the steady improvement over the last few years of the City's financial health and liquidity position, the establishment of reserves, like other savings plans, are mechanisms for accumulating cash for future capital outlays, meeting liability provisions and other allowable purposes.

The practice of planning and systematically saving for capital acquisitions and other contingencies is considered prudent management. Saving for future capital needs can reduce or eliminate interest and other costs associated with debt issuances. Similarly, certain reserve funds can be utilized to help protect the budget against known or new emergent risks. An important concept to remember is that a reserve fund should be established with a clear intent or plan in mind regarding the future purpose, use and, when appropriate, replenishment of funds from the reserve. The establishment of these new reserves is not a "parking lot" for excess cash but established with a clear purpose and plan in respect to the application of unspent funds and/or unbudgeted revenue and are used within the new LTFP as a mechanism to regulate the cyclical nature of capital expenditure requirements.

8.6 Land Development

Currently, the City has a property disposal portfolio estimated to be around $16m. The new proposed LTFP will remain consistent with the approach adopted in the previous LTFP's and not set revenue estimates within the life of the plan for land & property sales. The rationale behind this approach is due to the high level of uncertainty and risk associated with not realising these sales against forecast revenue that would significantly affect achieving benchmark indicators. An exception to this approach is in year 1 of the plan where a revenue provision has been made for the endorsed freeholding of Cape Burney lots to existing leaseholders.

This City will continue in its effort to realise sales from property disposal over the life of the plan with timing dependent on market conditions and any revenue generated will be applied to either increasing the level of capital renewal or replacement expenditure, fund new and high prioritised emergent capital projects and major initiatives.

9. Workforce Planning Strategies

The City is currently drafting a new Workforce Plan that proposes that net staff levels will remain relatively unchanged in line with current service provision levels and this is reflected in the life of the LTFP. Staff levels are reviewed on an annual basis, and assessed on a number of factors including the level of service required by the community and the ability to fund new positions.

The draft Workforce Plan will propose a range of initiatives to attract, develop and retain employees. It also proposes building the City's leadership capability and commitment to workforce dynamics and diversity, 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.

Modelling and Sensitivity Analysis

All modelling and analysis undertaken was primarily concentrated around the following:

- Remain in a low inflationary environment during the life of the plan.
- Maintaining an operating surplus from ordinary activities.
- Achievement of all financial and sustainability ratios. Continue to achieve a financial health indicator above benchmark score.
- Rates increases to be contained within a range of 1.5% to 2% per annum over the life of the plan.
- Various scenario analysis initially undertaken during the LTFP review process in rate adjustments per annum of 0% to 2.5%. Measured movements in budget revenue deficiencies and the consequential impacts to the key principles that underpin the LTFP.

The adopted model results in:

- Maintaining a small but positive accounting result from Ordinary Operating Activities (an effective operating surplus in accounting terms). The new proposed LTFP forecasts the City maintaining a surplus position for the life of the plan.
- Maintaining a sustainable liquidity position within the life of the plan (measured by current ratio).
- Renewing assets when required to maintain capacity of performance and associated levels of services. The proposed new LTFP will see renewal expenditure set at levels that effectively manage asset renewal demand profiles (measured by Asset Renewal Funding Ratio).
- Contraction to debt service levels in the short to medium term delivering added capacity to borrow in the longer term when required.
- Limit spending on new capital to restrict and control escalation in depreciation expense.

Key Assumptions Underpinning the Long Term Financial Plan

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

- Years 1 to 10 the increase per annum in aggregate rate revenue would be between 1.5% to 2% (+ growth).
- The growth in the annual rate base has been downgraded from 1% to 0.5% - 0.8% per annum.
- Achieving and maintaining a positive accounting result from Ordinary Operating Activities.
- Improving the City's liquidity position.
- Renewing assets when required to maintain capacity of performance and associated levels of services.
- Maintaining debt service levels within benchmark levels and having the capacity to borrow when required.

- Reserves to be either established or retained where there is a legal or statutory requirement to do so and are mechanisms for accumulating cash for future capital outlays, managing cyclical expenditure and meeting liability provisions.
- Interest rates for investment funds will be around 2.0% to 4% over the life of the plan with the dollar return adjusted according to the annual cash available for short-term investment.
- Interest rates for new borrowing will be between 4% and 5% over the life of the plan and within this range, consideration given to the loan term.

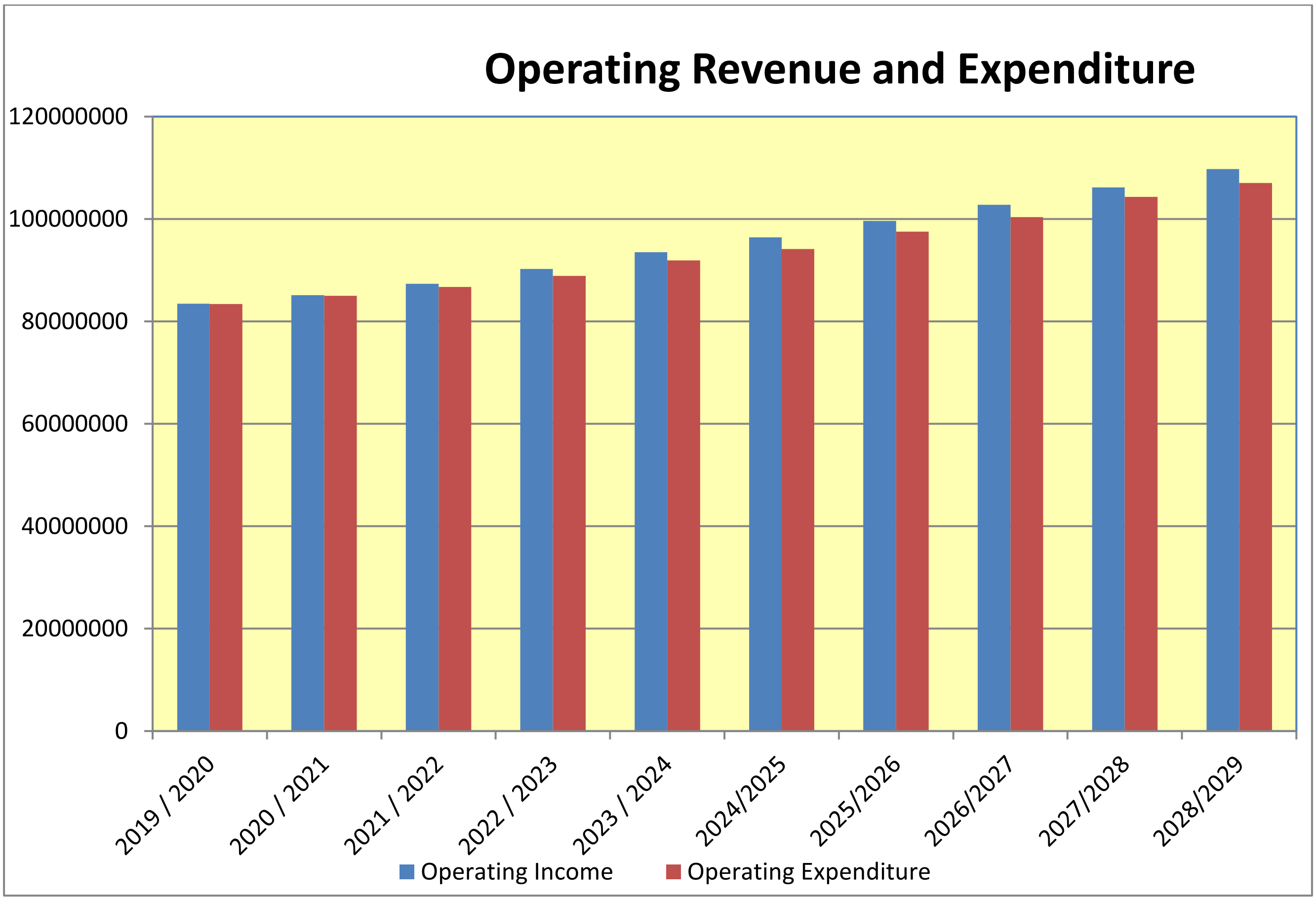
Income and Expenditure Assumptions

Income and expenditure scenarios are based on the following and per table below:

- Business as usual principle and remain in a low inflationary environment.
- User pay revenue trend has flattened out or reduced in a number in a number of service areas especially, those areas connected to the building and construction sectors and changes to parking fee structure.
- Introduction of new services – waste diversion domestic pickup service.
- Operating grants and contributions based on existing recurrent funding allowing for indexation movement of between 1.5% and 2.5% in years 2 to 10.
- Non-operating grants and contributions indexed to a level of known or likely capital contributions from other levels of government.
- Fees and Charges revenue based upon a unit rate increase of 5% per annum up to 2020/21 and 3.5% for the balance of LTFP. Revenue estimates include scenario adjustments for expected activity growth or decline.
- Interest Earnings are calculated upon the likely cash balances during each financial-year and allowing for marginal increases in the base cash rate between 2.0% and 4%.
- Employee costs indexed annually by both the known and expected Enterprise Agreement percentage increase of between 1.8% and 2.5% for the life of the plan. During the life of the plan, any movements outside the Enterprise Agreement range reflect changes to superannuation compulsory contribution rates, incremental pay level increases and changes to staff establishment.
- Materials and Contract costs to remain fixed in the short term and then increase by indexation for the remaining life of the plan.
- Interest Expenses reflect the expected borrowing rate and debt profile.

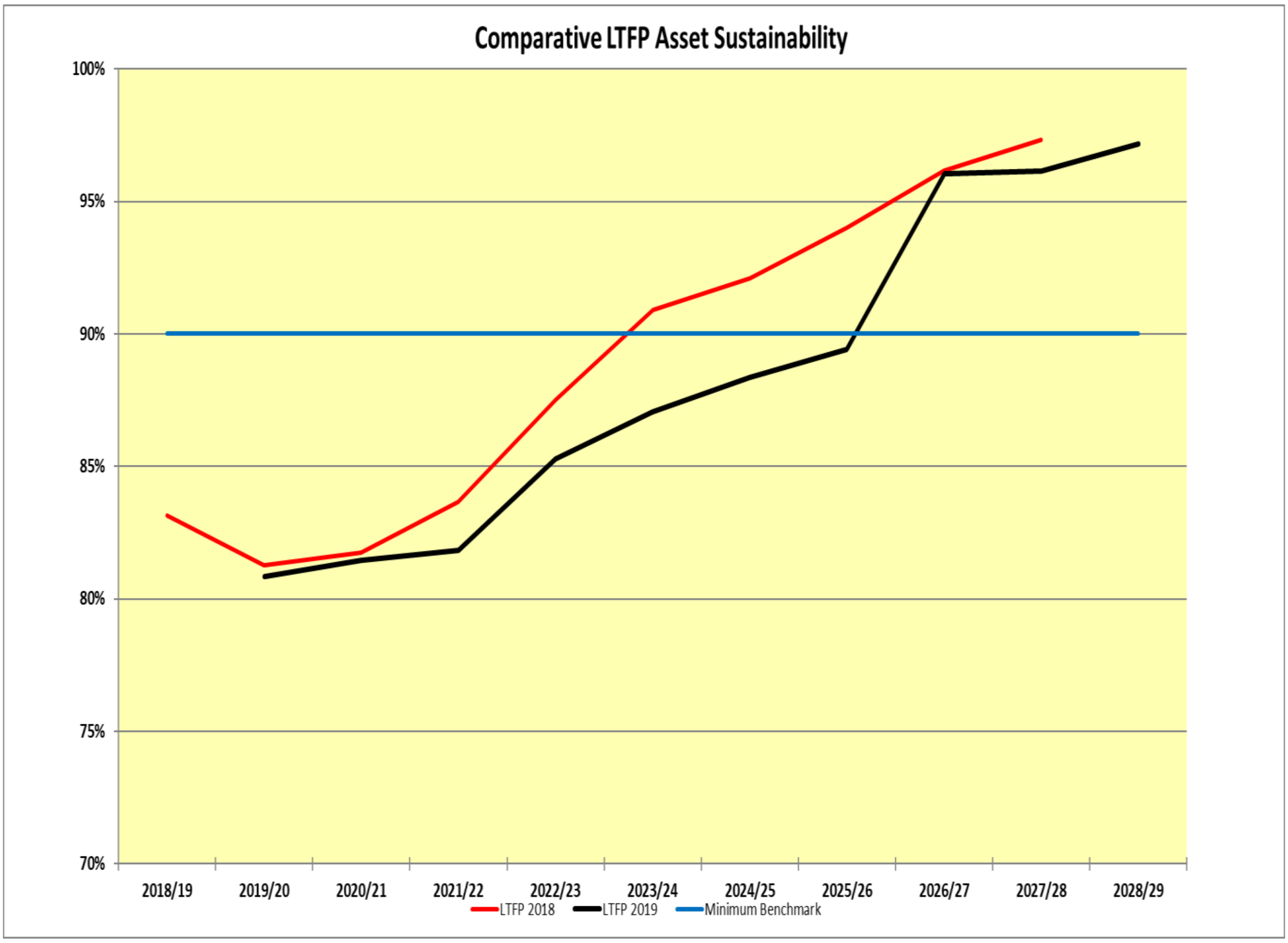
Global Scenarios

	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029
OPERATING REVENUES									
Rates	1.5%	1.5%	1.75%	1.75%	1.75%	1.75%	2.0%	2.0%	2.0%
Fees & Charge	5.0%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Operating Grants	1.5%	2.0%	2.0%	2.0%	2.0%	2.5%	2.5%	2.5%	2.5%
Interest Earnings (Investments) based on a cash rate between 2.0% and 4.0% during the life of the plan.									
Rates - Growth in Rate Base	0.5%	0.6%	0.6%	0.7%	0.8%	0.8%	0.8%	0.8%	0.8%
OPERATING EXPENSES									
Employee Costs	1.8%	2.0%	2.0%	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%
Materials and Contracts	0.0%	1.5%	2.0%	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%
Insurance	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Utility Charges	2.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Interest Borrowing Costs (Loans) based on assumed interest rate of 5% according to the term and year loan is taken.									
DEPRECIATION - CAPITAL ASSETS									
Average Life	20 years	20 years	20 years	20 years	20 years	20 years	20 years	20 years	20 years
Depreciation	2.0%	2.0%	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%



10 YR Capital Plan

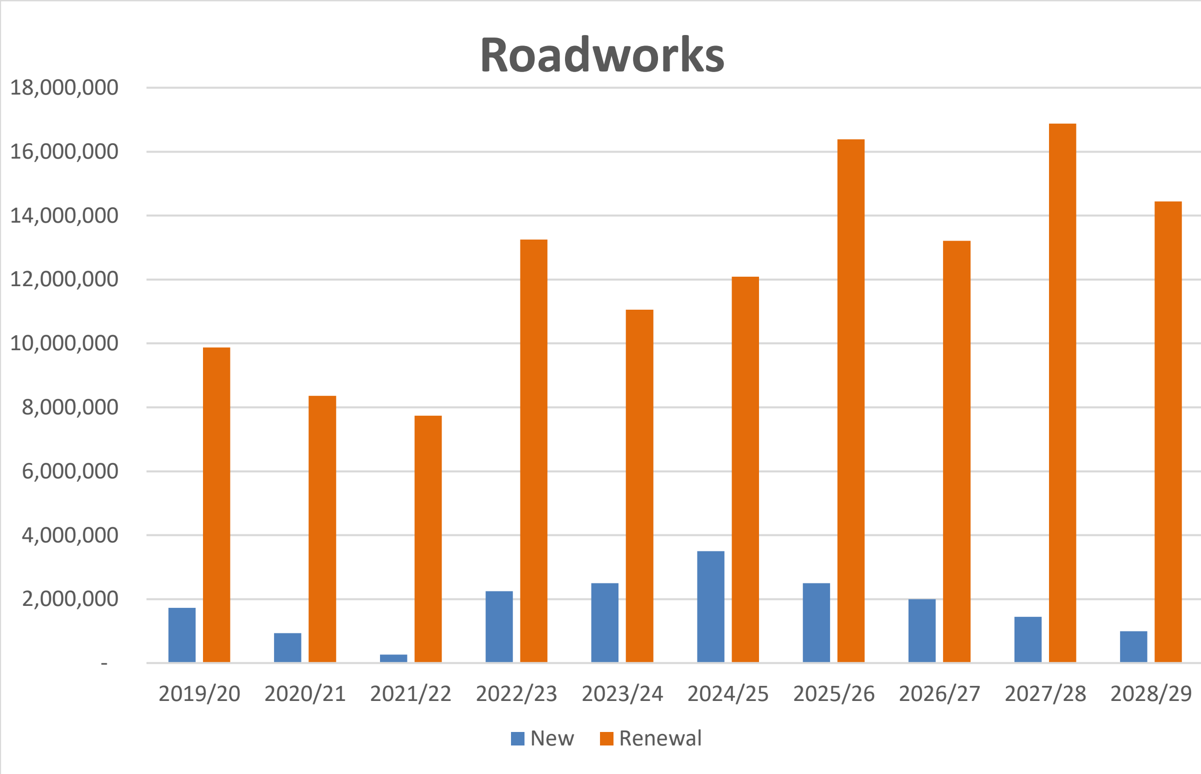
- Funding for the renewal of assets increased annually on the basis to fund the City annual renewal expense in Year 8 of the LTFP at a level that equates to a range of 90% to 100% of the City's annual depreciation expense. The continued allocation of funding towards the renewal of assets and funding for maintenance and upgrades will result in a positive investment for the community into the future. Asset acquisitions and capital works projects funded from general revenue, sales of existing land assets, government grants or external borrowings.

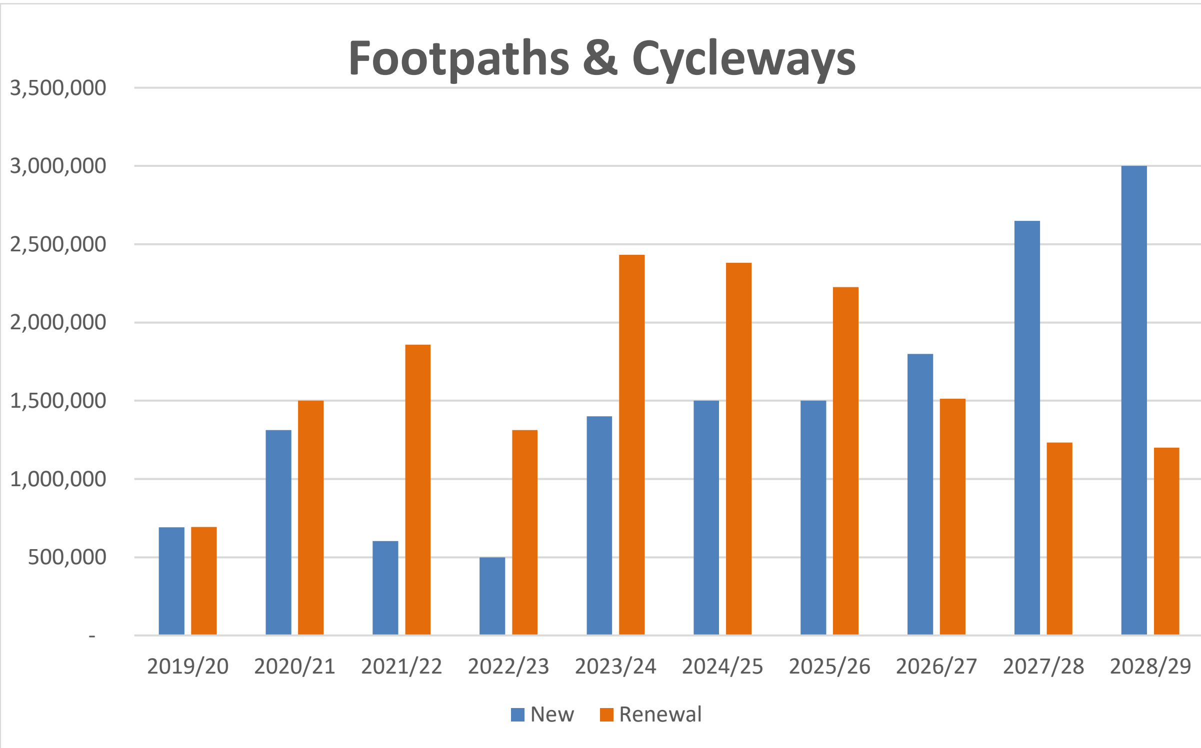


- Incorporates the City's Project Management Framework delivery strategy in relation to initiation and planning phases. This enables the City to establish a bank of projects that have progressed to the detailed design phase and are "shelf ready" to go when opportunity presents in relation to available funding both internally and externally.
- In Years 2 to 10, the nature and type of capital expenditure are only indicative figures; however, the Capital Plan underpins the level of expenditure in relation to both resource capabilities and asset renewal demand profiles per asset category.
- In Years 2 to 10, the amount of funding sourced from Non-Operating (Capital) grants and contributions based on confirmed funding agreements and/or known sources of recurrent funding. The LTFP assumes that the current level of funding will continue to be available for the life of the plan 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.

The following table's profiles planned capital infrastructure expenditure on roads ($141million) and footpaths ($31million) over the next ten years:





Measuring Sustainability

Several statutory key performance indicators (KPIs) are prescribed in the *Local Government (Financial Management) Regulations 1995* to measure the financial sustainability of local governments. The LTFP is 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:

$$\frac{\text{Current Assets less Restricted Assets}}{\text{Current Liabilities less Current Liabilities associated with Restricted Assets}}$$

Target – greater than or equal to 1 : 1

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Forecast	1.06	1.07	1.02	1.03	1.11	1.04	1.01	1.08	1.10	1.09

The target of greater than or equal to 1:1. Improving the City's liquidity position has been a keen focus of Council over the last five years. The City within the life of the plan will maintain the associated financial ratio (current ratio) benchmark.

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:

$$\frac{\text{Net Operating Surplus/Deficit}}{\text{Own Source Revenue}}$$

Target – between 0% and 15%

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Forecast	0.08%	0.25%	1.26%	2.61%	3.11%	4.23%	3.80%	4.17%	3.18%	4.51%

As per the base principles and assumptions adopted in previous and now in the proposed LTFP, the City has undertaken a fiscally responsible approach to now achieve and maintain this benchmark while at the same time reducing the annual and overall percentage increase in rates.

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: Total Rates Revenue Total Expenses										
Target – greater than or equal to 40%										
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Forecast	56.26%	56.61%	56.89%	57.08%	56.78%	57.02%	56.55%	56.58%	56.10%	56.31%

The previous LTFP had in year 10 the target figure at 59.78%, in the new LTFP that target figure has reduced to 56.31%. The LTFP trend is for this ratio to remain fairly constant throughout the life of the plan. This indicates that the City's rating strategy as outlined, allows the City to raise an acceptable level of funds through its rating efforts (not over rate) with a trend to reduce the proportionate tax revenue to financially sustain annual operational costs.

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: Operating Revenue less Operating Expenses except Interest Expense and Depreciation Principal and Interest Expense										
Target – greater than or equal to 2 (advance standard greater than 5)										
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Forecast	3.95	4.50	5.00	5.81	7.12	8.89	10.77	14.43	10.69	11.27

The new LTFP propose a contraction to borrowings in the short to medium term which is reflected in the above table and the associated trend to achieve and maintain an advance standard against this benchmark indicator. 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 react to 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 they reach the end of their useful lives. This is measured as: Capital Renewal Expenditure / Depreciation Expense										
Target – between 90% to 110%										
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Forecast	80.85%	81.46%	81.85%	85.27%	87.04%	88.35%	89.41%	96.03%	96.13%	97.16%

Consistent with the City's fiscal approach to move from both a deficit to surplus position over a financially sustainable period plus provide 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 impacted by annual fair value adjustments.

Asset Consumption Ratio

This ratio highlights the aged condition of a local government's physical assets. This is measured by: Depreciated Replacement Cost of Assets (Written-Down Value) / Current Replacement Cost										
Target – 60% or greater										
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Forecast	74.84%	74.49%	74.34%	75.53%	75.66%	76.97%	77.14%	78.88%	79.25%	81.12%

This ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost. While this target measure meets the advance standard, there is still work to be completed at a componentised level re aged condition and useful life on some asset categories 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: Net present Value of Planned Renewal Expenditure Over 10yrs / Net Present Value of Asset Management Plan Projections Over 10yrs										
Standard Target – between 75% and 95%										
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Forecast	95.89%									

The City's ratio is above the target range over the current ten-year period per a strategy that underpins the LTFP to increase renewal expenditure each year to levels commensurate to asset demand profile requirements.

Own Source Revenue Coverage Ratio

This is an indicator of a local government's ability to cover its costs through its own taxing and revenue efforts. Own Source Operating Revenue / Operating Expense										
Target – Advance Standard greater than 90%										
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Forecast	90.03%	90.40%	90.97%	91.79%	92.20%	92.88%	92.72%	92.97%	92.52%	93.29%

As indicated the City is currently and into the future trending above the advanced benchmark standard. This indicates the City is not overly dependent on external recurrent funding for operational activities. However, any significant reduction to external funding would still require a review of existing range and level of services.

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 within past LTFP's. In 2017-18, the LTFP at that time removed this budgeted revenue based on a high level of uncertainty and risk associated with not realising these sales that would significantly affect achieving revenue forecasts and benchmark indicators. This decision has been validated by the downturn in the current property market and an unlikely upswing to occur in the near future.

The City has downgraded its previous growth forecast on its rateable properties relative to the reduce activity in both the domestic and commercial property markets. This reduces the risk of adjusting rates revenue forecasts due to an overinflated and unrealistic growth factor being applied. Adjustment to user pay revenue has also been undertaken in the base year to reflect a trend of some 'flattening out" or reduction in some areas of user pay services within Council operations.

While the new LTFP indicates a contraction in large and new projects any provisions made in the plan for new capital would relate to activity on land owned by the City or Crown Land managed by the City. Any new developments would not likely require external approvals and are supported by internal funding sources therefore the financial risk associated with these would be low as there is no recognised requirement or provision being made for unsecured external funds.

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 available to the City, then the timing and scope of the associated works will require reassessment. The new LTFP assumes that external road funding levels will remain consistent throughout the life of the plan.

Financial Projections

The financial projections in this LTFP 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 continues the cycle of budgeting for an annual surplus position that will improve financial sustainability.

The Statement of Financial Position is a snapshot 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 either 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 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 2019-20 and subsequent years with the expectation that adopted budgets will closely align with the proposals, underlying principles and assumptions of the LTFP.

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.