2018 - 2028

Long Term Financial Plan

Contents

Introduction

The City of Greater Geraldton Long Term Financial Plan (LTFP) 2018-2028 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 2018/19 to 2027/28. 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 current Beresford Foreshore Redevelopment (in progress) and the 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 welcomed the refurbishment of the Original Railway Station which was a finalist in the 2015 Western Australia Heritage Awards. The restoration of the station resulted in an abandoned and derelict building being transformed into a thriving centre for tourism, while retaining its original character and appeal.

The City is working closely with the private sector and the local community to realise the visions in the Growing Greater Geraldton - Growth Plan. 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

6. Service Delivery

The City of Greater Geraldton's financial position means that many community needs and aspirations are 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

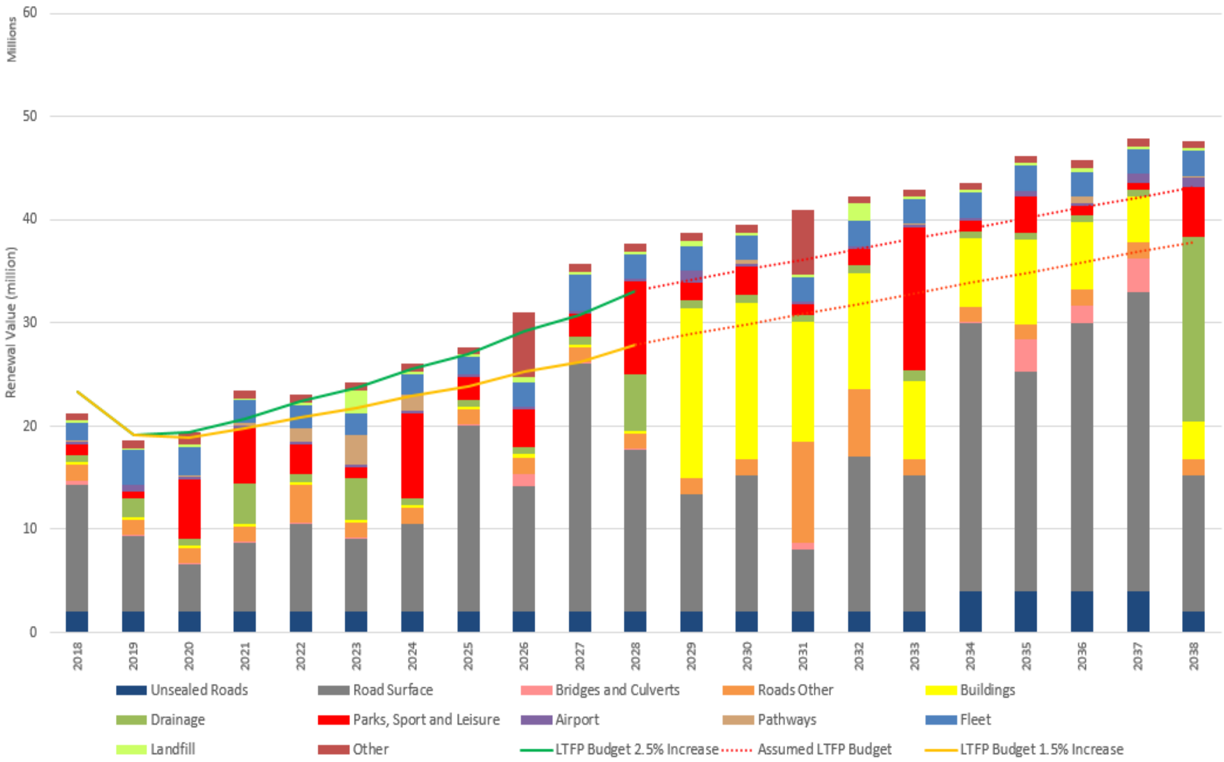
#ChangesCGGcommunity was a community engagement activity developed to empower local residents in making decisions that affect the City's budget. The City recognised there was a need for change concerning future financial sustainability, community aspirations and growing community expectations and a history 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.

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.



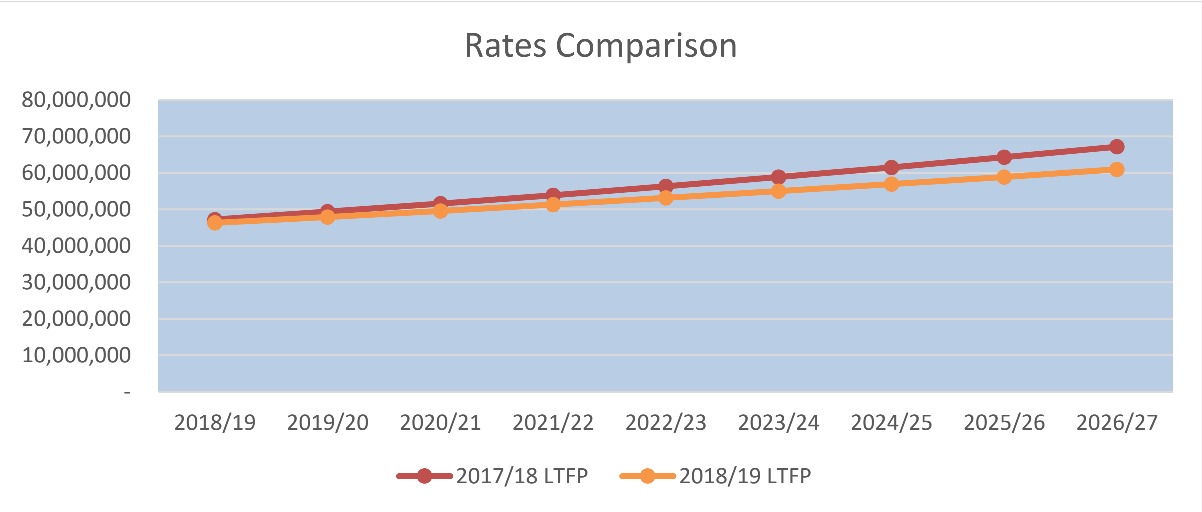
The above graph shows currently that applying the proposed rating model of 2.5% increase per annum, the City is able to financially resource to an acceptable level (still below demand profile) the required asset renewal demand over the ten year life of the LTFP. Applying a rates model below this 2.5% increase per annum would only increase the asset renewal gap that would impact on infrastructure performance and associated services.

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.

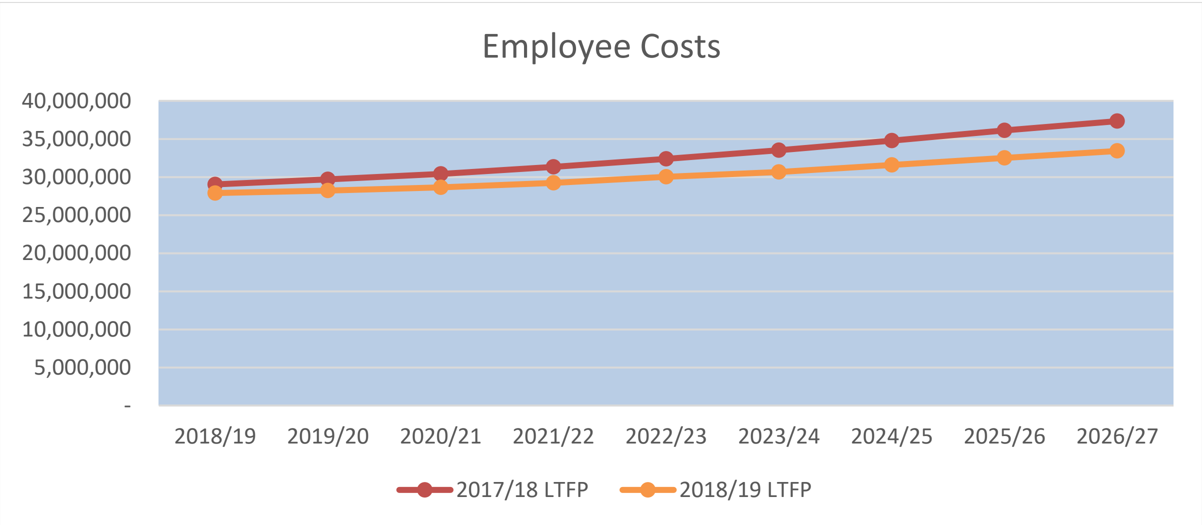
8. Financial Strategies and Principles

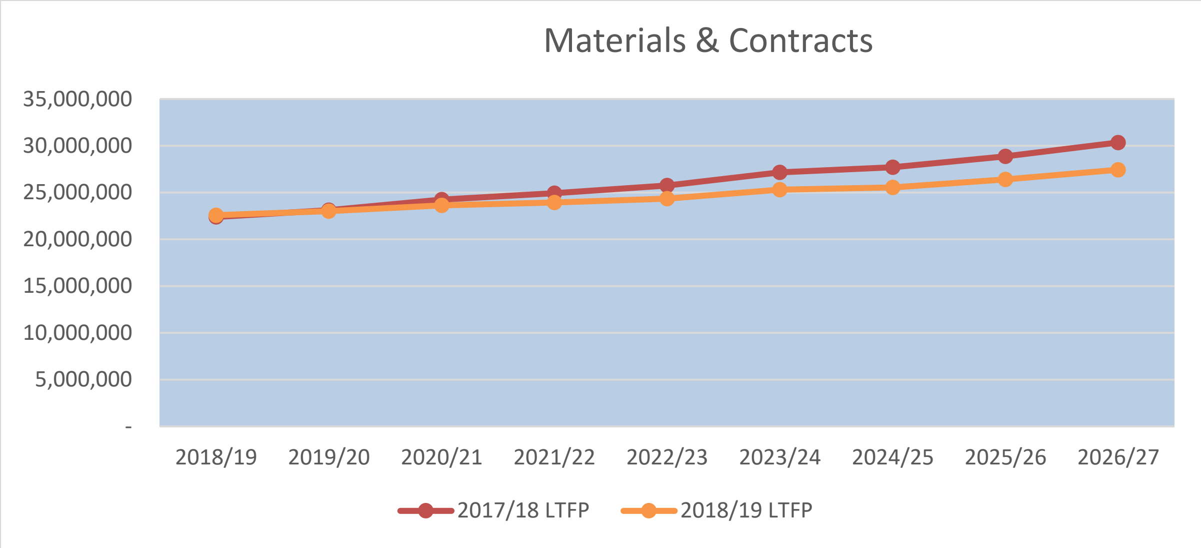
8.1 Rate increases

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. Levying rate increases at or below CPI is unsustainable in the long term. Council has given endorsement subject to the completion 2018-19 Budget process and endorsement of a new LTFP of an aggregate rates revenue increase of 2.5% (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%. Various scenario analysis has been undertaken during the LTFP review process in relation rate adjustments per annum of 0% to 3.5% in relation to budget revenue deficiencies.



The new proposed LTFP will see the amount of rates collected over the next 9 years reduce by $30m. 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 over the last four years. The following graphs provide useful representation of where savings have been achieved and how this impacts future cost projections.

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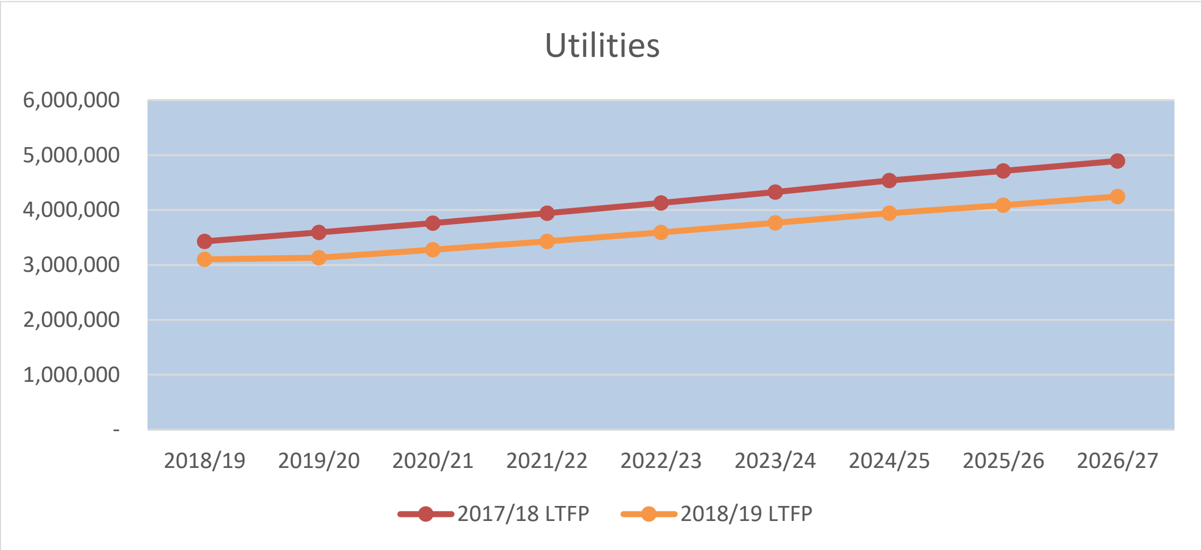
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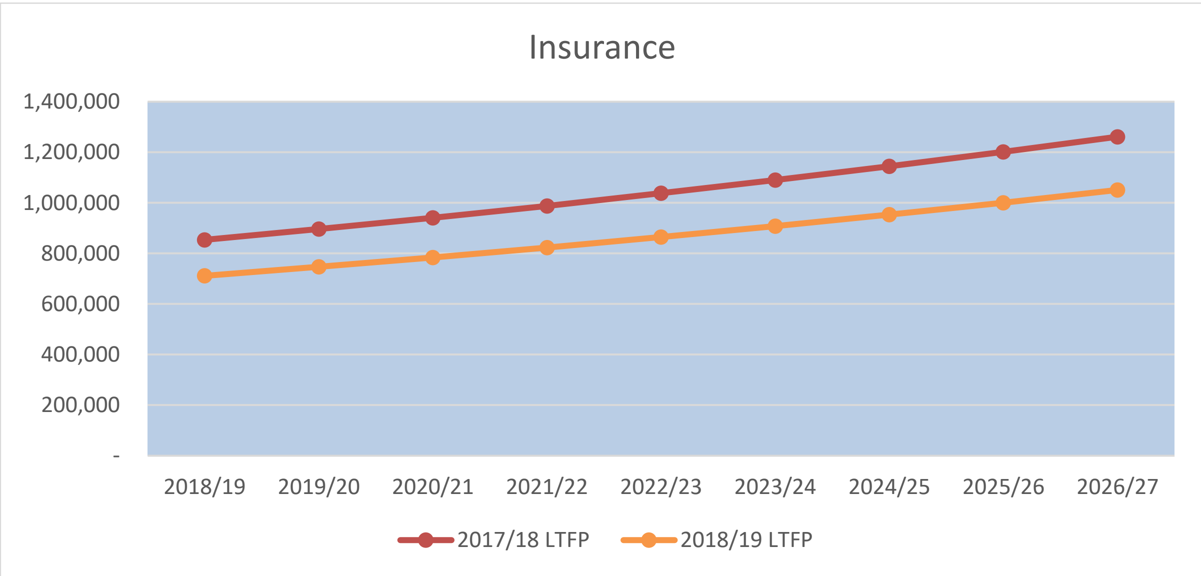
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2026/27
2017/18 LTFP
2018/19 LTFP

Rates Modelling (2018-19):

The proposed rates model is based on the following:

A change to the key principle of the existing Long Term Financial Plan 2017-2027 that applies a 3.5% (plus growth) increase in aggregate rate revenue per annum.

The new proposed LTFP 2018-2028 proposes an overall increase on rates to be levied in 2018-19 in the amount of $45,904,190. This represents an increase of 2.3% on rates collected in 2017-18 ($44,878,143).

- The new rates modelling is based on equitable adjustment to the three rating categories proposed RID's to achieve around a 2.5% aggregate revenue increase on the rates to be levied in 2018-19 compared to the rates levied in 2017-18. This is summarised in the table below.

Rating Category	Rates Levied (Billing) 2017-18	Proposed Rates to be Levied 2018-19	Dollar Movement	Percentage Movement
Residential	$31,189,261	$31,984,047	$794,786	2.5%
Non-Residential	$10,545,548	$10,809,029	$263,481	2.5%
UV - Rural	$3,035,647	$3,111,114	$75,467	2.5%
Total	$44,770,456	$45,904,190	$1,133,734	2.5%

Table below summarises the movement by rating categories between the rates collected in 2017-18 and the proposed rates to be levied in 2018-19.

Rating Category	Rates Collected Forecast 2017-18	Proposed Rates to be levied 2018-19	Dollar Movement	Percentage Movement
Residential	$31,324,047	$31,984,047	$660,000	2.1%
Non-Residential	$10,517,283	$10,809,029	$291,746	2.8%
UV - Rural	$3,036,813	$3,111,114	$74,301	2.5%
Total	$44,878,143	$45,904,190	$1,026,047	2.3%

New GRV valuations to take effect from the 1st July 2018.

- The overall average GRV Residential valuation percentage movement (decrease) is calculated at 17.9%.
- The overall average GRV Non-Residential valuation percentage movement (decrease) for this rating category is calculated at 5.8%.
- Minimum payments to remain unchanged from 2018-19.

Actual rates revenues in any year might exceed the target increase due to the actual growth factor being above the forecast figure in relation to property numbers for new residential or commercial development, but the extent of such development growth 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. The LTFP's have been and continue to be "built on" gradually moving out of a deficit position and achieving a positive surplus position within a fiscally responsible timeframe. The new LTFP proposes to achieve a surplus result in Year 1 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 as such, revenue forecasts relating to airport activity and the building sector have been decreased against previous LTFP forecasts.

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 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.

8.5 Cash reserves

The following new reserve is to be established in the 2018-19 budget:

Point Moore Reserve

The purpose of this reserve is 'to build funds from the annual demolition levy applied and to be paid by the Lessee per clause 4.52 of Point Moore Beach Cottage Leases in removal of all improvements and in remediation of sites'.

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.

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. This City will continue in its effort to realise these sales 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 revised Workforce Plan proposes that net staff levels will remain relatively unchanged in line with current service provision levels. 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. In 2017-18, further staff cuts were made after a review of service levels.

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.

Modelling and Sensitivity Analysis

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

- The period within the plan where Council achieves an operating surplus from ordinary activities.
- Operating surplus once achieved is maintained
- Achievement of financial and sustainability ratios.

The adopted model results in:

- Achieving a positive accounting result from Ordinary Operating Activities (an effective operating surplus in accounting terms) within a fiscally responsible timeframe. The new proposed LTFP forecasts the City achieving and maintaining a surplus position from 2018-19.
- Improving the City's liquidity position. The City will maintain the associated financial ratio (current ratio) benchmark that was finally achieved in 2017-18.
- 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 manage asset renewal demand profiles.
- Maintaining debt service levels within benchmark levels and having the capacity to borrow when required.

Key Assumptions Underpinning the Long Term Financial Plan

The previous long term financial planning scenario that was developed and adopted by Council in 2017-18 have undergone some significant changes (rates increases lowered from 3.5% to 2.5% annually) in the proposed 2018-19 LTFP except for achievement of a positive accounting result from Ordinary Operating Activities.

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 2.5% (plus growth).
- The growth in the 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.
- 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 and meeting liability provisions.
- 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 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.

2018-19 Income and Expenditure Assumptions

- The aggregate increase in dollar terms for rates revenues levied incorporates an equitable adjustment to the differential rating categories to achieve a 2.3% increase in rates to be levied in 2018-19, compared to the amount of rates collected in 2017-18.
- The aggregate increase in fees and charges based upon the draft Schedule of Fees and Charges for 2018-19 and the expected consumption of these services by the community. Year 1 also allows for a current downturn in certain sectors of the economy and related impact on activity levels.
- Operating Grants - the total budget for this revenue category based on confirmed grants for 2018-19.
- Interest earnings calculated upon the likely cash balances during each financial year against current investment rates.
- Employee costs decreased by 1.03% compared to 2017-18 budget.
- Materials & Contracts increased by 1.64% compared to 2017-18 original budget. This movement is primarily due to the following:
  - *Addition of recurrent operating costs related to new infrastructure – i.e. Beresford Foreshore*
- Utility charges for water and electricity calculated costs based upon the expected consumption and increases in the State Budget. Adjustments have been made to electricity charges based on the following:
  - *New Solar PV Initiatives "rolled out" in 2017-18 and a stage 2 "roll out" in 2018-19.*
- Annual fair value assessments on infrastructure assets undertaken in 2017-18 that will take effect from 1st July 2018
- Insurance costs based on current 2017-18 actuals and allowing for a potential cost increase adjustment.
- Interest rates for new borrowings in 2018-19 based on conservative estimates of around 4-5% with consideration given to the loan term.

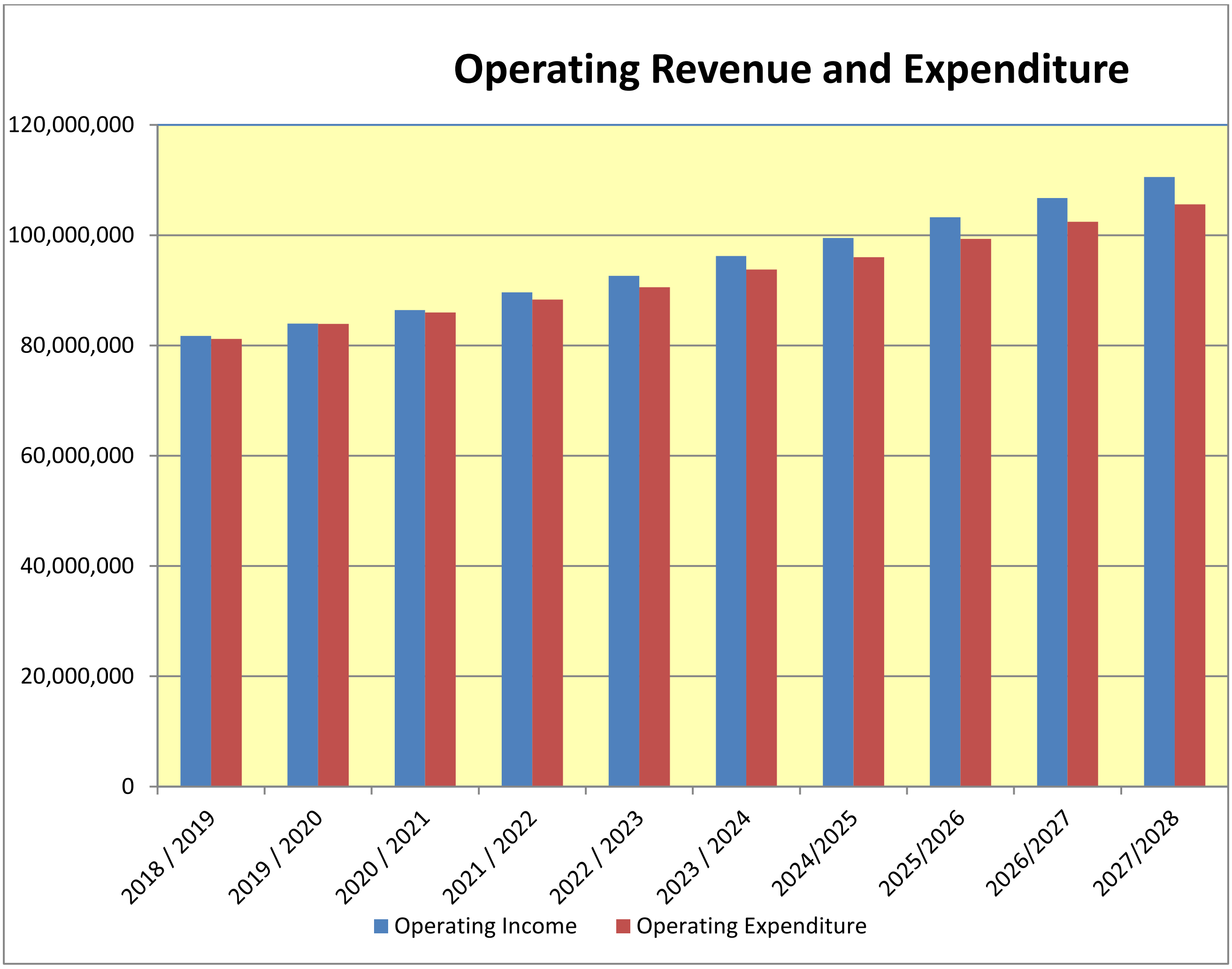
Years 2 to 10 Income and Expenditure Assumptions

Years 2 to 10 in the LTFP include the following assumptions giving regards to changes in yearly budgets:

- The aggregate increase in rates across all categories from year 2 to 10 is 2.5%, inclusive of any GRV and UV revaluations plus a 1.0% growth in the rate base.
- 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 2.5% and 4%.
- Employee costs indexed annually by both the known and expected Enterprise Agreement percentage increase of between 1.5% 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 indexed between 1.5% and 2.5% 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 based on 5% increase per annum against expected consumption levels.
- Insurance costs indexed at a conservative rate of 5% per annum.



10 YR Capital Plan

- Funding for the renewal of assets increased annually on the basis to fund the City annual renewal expense in Year 9 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.

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

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Forecast	1.02	1.07	1.03	1.10	1.18	1.23	1.22	1.35	1.39	1.37

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 four years. The City will now achieve and maintain the associated financial ratio (current ratio) benchmark from the 2017-18 financial year.

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: Net Operating Surplus/Deficit / Own Source Revenue										
Target – between 0% and 15%										
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Forecast	0.78%	0.07%	0.55%	1.56%	2.45%	2.76%	3.86%	4.11%	4.39%	4.88%

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.

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%										
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Forecast	57.07%	57.14%	57.69%	58.12%	58.68%	58.66%	59.31%	59.32%	58.53%	59.78%

The City currently has a rates coverage ratio for 2018/19 of 57.07%, which is above the target of 40%. The LTFP trend is for this ratio to increase marginally 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).

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)										
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Forecast	5.01	3.86	4.49	5.17	6.04	7.42	9.27	11.28	14.97	19.29

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 they reach the end of their useful lives. This is measured as: Capital Renewal Expenditure Depreciation Expense										
Target – between 90% to 110%										
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Forecast	83.15%	81.27%	81.76%	83.65%	87.54%	90.91%	92.11%	94.00%	96.15%	97.33%

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: <u>Depreciated Replacement Cost of Assets (Written-Down Value)</u> Current Replacement Cost										
Target – 60% or greater										
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Forecast	76.44%	76.46%	77.67%	77.72%	79.04%	79.34%	80.84%	81.17%	82.82%	83.30%

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: <u>Net present Value of Planned Renewal Expenditure Over 10yrs</u> Net Present Value of Asset Management Plan Projections Over 10yrs										
Standard Target – between 75% and 95%										
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Forecast	90.88%									

The City's ratio is above the target range over the current ten-year period – but as planned renewal expenditure increases each year to levels commensurate to asset demand profile requirements this ratio will achieve the advanced target range of 95% to 105% .

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 previous LTFP's removed this budgeted revenue based on a high level of uncertainty and risk associated with not realising these sales that would significantly affect 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 funded in the main from external grants and borrowings. The risk associated with these is therefore low and provides provisions to adjust scope of works if full funding requirements are not realised. 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 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 (as profiled in previous LTFP's) a continual positive movement from an existing deficit position from Ordinary Operating Activities to a surplus position in 2018-19 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 2018-19 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.