CITY of PERTH

# LONG TERM FINANCIAL PLAN

2017-2027

VISION 2029

# 1. Executive Summary

The City of Perth has prepared this Long Term Financial Plan (LTFP) to set priorities in accordance with financial resources and to measure and ensure the financial sustainability of the City.

In terms of financial sustainability the plans objectives are ensuring:

- Strong cash flow capability
- A diverse revenue base with rate increases being kept to a reasonable level
- Ability to meet financial commitments
- Prudent management of debt
- Maintenance of the City's assets to an appropriate level

The plan is aligned to the core planning documents of the City's Integrated Planning & Reporting Framework – The Strategic Community Plan and Corporate Business Plan. The plan also shares information with the Corporate Asset Management Plan and Workforce Plan.

The City's Integrated Planning process continues to mature and work to fully integrate the component documents of the framework is ongoing.

The plan informs the City's long term planning and relies on a range of economic and civic assumptions. The financial information in the plan is based on the best available information at the time of publication and will be subject to change.

Items of note from the LTFP include:

- Consistent growth in revenues from rates, parking and waste collection
- Control of operating expenses at levels that are consistent with a growing Capital City
- Initial reduction of the City's reserves followed by increases in reserves in the latter part of the plan
- Demonstration of financial sustainability of the City of Perth through positive cashflows and asset growth.

The City of Perth Act came into effect on 1 July 2016 when the boundaries of the City of Perth were revised to include the University of Western Australia, the Queen Elizabeth II Medical Centre and the Royal Perth Yacht Club. Additionally, 1,348 ratepayers were transferred from the City of Subiaco and a small number from the City of Nedlands. The financial impact of council boundary changes has been included as part of the Long Term Financial Plan.

The plan does however exclude the impact of the Riverside MRA project and asset revaluations which cannot be accurately quantified at this time.

## 2. Background

There has been a significant economic downturn in Perth over the past two years. The office vacancy rate is now 25.2% a 25 year high. Property values continue to fall; Landgate estimate an average office GRV reduction of 32% for the latest triennial valuation. Unemployment rates are forecast to be 6.5% for 2017/18. These factors have already had an impact on the City's finances with a fall in car parking patronage

The 2017-2027 Long Term Financial Plan reflects this subdued economic outlook and includes the following key assumptions:

- Economic measures such as CPI, wages growth and interest rates are assumed to remain low for the duration of the plan
- Increases in Rates, Car parking and waste fees are modest and predominantly in line with CPI
- The City's Capital Expenditure program has been rationalised and efficiencies will be achieved in the maintenance program
- There is no forecast expansion of car parking facilities as a result of lower forecast parking patronage
- There will be minimal new borrowings to fund strategic renewals.

### 2.1 Key Statistics

Key statistics relating to the City of Perth include:

| | |
|---|---|
| Area | **9.8 km²** |
| Length of Roads | 106 km |
| Areas of Parkland and Reserves | **122.7 ha** |
| Population 2017 (Forecast id) | 27,173 |
| Workforce Population (Forecast id) | **134,459** |
| Office Space (Savills Research Jan 2017) | 2,176,400m² |
| Private Dwellings (CoP Rates Database) | **13,717** |

***Note: Figures exclude Kings Park***

As a result of community engagement undertaken in creating the City's Strategic Community Plan 'Vision 2029+' the following 'priorities' or 'themes' were identified. The Long Term Financial Plan forms part of the City's integrated planning and reporting framework, it is a key document in the delivery of the seven key strategic priorities.

| Major Strategic Investments | Getting Around Perth | Perth as a Capital City |
|---|---|---|
| The planning and integration of major infrastructure and developments to maximise their net benefit and minimise risk and future costs to the City. | An effective pedestrian friendly movement system integrating transport modes to maintain a high level of accessibility to and within the City. | The City is recognised internationally as a city on the move and for its liveability, talented people, and centres of excellence and business opportunities. |
| **Living in Perth** | **Perth at Night** | **Healthy and Active in Perth** |
| The City is a place where a diverse range of people choose to live for a unique sustainable urban lifestyle and access to government and private services. | A City that has a vibrant night time economy that attracts new innovative businesses and events and where people and families feel safe. | A City with a well-integrated, built and green natural environment in which people and families choose a lifestyle that enhances their physical and mental health and takes part in arts, cultural and local community events. |
| **Capable and Responsive Organisation** | | |
| A capable, flexible and sustainable organisation with a strong and effective governance system to provide leadership as a capital city and provide efficient and effective community centred services. | | |

## 3. Integrated Planning and Reporting Framework

The below diagram depicts the components that make up the City of Perth's Integrated Planning and Reporting Framework (IPRF). It shows the interaction between the plans, the influence of the informing strategies and the strategic enablers, with emphasis given to a mutual informing relationship. The intent of the IPRF is to ensure the priorities and services provided by the City of Perth are aligned with our community needs and aspirations. The strategic enablers allow rigour to be applied to these, taking into account available resources to deliver the best possible results for the community.


The **Strategic Community Plan, Vision 2029+,** is our long term strategic direction that guides the remainder of the framework. It expresses the community's vision for the future together with the strategies that Council are intending to implement to address strategic community outcomes. This is a key document for Council to track and report on progress to the community.

This drives the City of Perth's **Corporate Business Plan,** which is the detailed implementation plan for services, key projects and capital investments over the next four years. The intention is that the implementation of this plan contributes towards the delivery of the community objectives over the longer term. It contains the same themes, community outcomes and strategies as the Strategic Community Plan, to ensure we deliver services in line with community aspirations.

The City's key strategic enablers show how we are equipped to deliver on the commitments made in this Corporate Business Plan. These key enablers are:

- **Long Term Financial Plan**
  This ten year rolling plan assists the City to set priorities in accordance with its financial resources, through the use of key assumption based analysis. This allows the organisation to make decisions in a financially sustainable manner.

- **Workforce Plan**
  The plan identifies the workforce requirements and strategies for current and future operations, ensuring the needs and limitations to support the delivery of the Corporate Business plan are met.

- **Corporate Asset Management Plan**
  This plan provides guidance on service provision and whole of life cycle asset management to inform the City's financial sustainability and key service levels.

The **Annual Budget** is based on the projected costing of year one of the Corporate Business Plan, with opportunity to review during the mid-year budget review process. The budget creation process will be continually improved to strengthen the financial integration between the plans within the framework.

# 4. Financial Strategy

The City's financial strategy is influenced by the growth of the City itself and reflects the current economic climate.

Specific financial strategies which should be noted include:

## 4.1 Rates

The City of Perth derives around 37% of its revenue from parking fees, which enables the setting of rates in the dollar below other Australian Capital cities and the surrounding Perth metropolitan councils. Due to the current economic climate, the strategy for rates setting will remain conservative and increases are currently forecast to be limited to the level of CPI for the life of the plan.

## 4.2 Parking Fees

The City of Perth operates both on street and off street parking facilities. Fees are kept to a level comparable with competitors operating in the City. The parking levy paid to the state government has a significant impact on the setting of parking fees and it currently accounts for 24.7% of total parking revenue.

## 4.3 Debt Management

The City's current debt level is low as evidenced by the debt ratios in Section 8 of the plan. The City's policy is to borrow to fund growth in its asset base or for the renewal and major maintenance of strategic assets. It has been assumed that there will be new borrowing in year two of the plan.

## 4.4 Cashflow Management

The City aims to achieve positive cash flows by prudent financial management. This priority is aided by distributions from the Tamala Park Regional Council and by using debt funding for certain major capital projects as required.

## 4.5 Asset Management

It is the City's policy to maintain assets to appropriate standards and adequately provide for ongoing maintenance and fund replacements and enhancements when warranted.

## 4.6 Investment

Investment management is undertaken in a manner that seeks to ensure the security of the investment portfolio. This includes managing credit and interest rate risk within identified parameters. The City ensures sufficient liquidity to meet all reasonably anticipated cash flow requirements as and when they fall due without incurring significant costs due to the unanticipated sale of an investment.

# 5. Asset Management

The goal of Asset Management for the City of Perth is to plan the capital, maintenance and operational activities for assets that return the greatest value for the Community and the City.

Guided by the direction provided in the City of Perth Strategic Community Plan and Vision 2029+, such activities could include:

- injecting capital funding to develop and upgrade assets that are in high demand by the Community;
- planning for the renewal of assets that have reached the end of their useful service life; or
- executing activities in a cost effective manner to maintain and sustain the usability of assets to agreed service levels.

To determine priorities with the objective of maximising the return on investment, the City of Perth has introduced four values or 'focus areas' that guide the Asset Management decision making framework. These are detailed in the diagram below:


*Asset Management Focus Areas*

- **Asset Information** – The City emphasis the use information to drive our decision making. This includes developing a "Strategy on a Page" for each asset class to define exactly what information is used to make what decisions.

- **Asset Management Innovation** – The City recognises the need to remain proactive in looking for innovative methods, more durable materials and better technology or processes to maximise asset success in the long term.

- **Sustainability** – This reinforces the City's core values and commitments to our role as a Capital City. The City understands that aiming for a world-class asset portfolio with innovative systems and techniques is inadequate if we are not able to sustain this for future generations to enjoy; and

- **Accountability** – The City will endeavour to demonstrate a transparent link between what we plan and what we execute. This will ensure transference and continuity of the decision making and justification processes of our asset planning into our execution.

These four focus areas will guide our financial decision making process and they will collectively ensure long term success in the City's asset planning. For more information on the City of Perth's assets, their governance structure and management methodologies, please refer to the City of Perth's Corporate Asset Management Plan.



## 6. Workforce Planning

The City of Perth Workforce Plan is based on a traditional approach to workforce planning, identifying the numbers of positions required to deliver services. Based on this analysis, the Workforce Plan is developed. The Workforce Plan tracks the movement of the City's personnel and is used as a basis for employee expenses in the LTFP.

# 7. Assumptions

The LTFP takes the 2017/18 Budget as a base and applies various assumptions to forecast the following years of the plan. In relation to the assumptions, the following should be noted:

## 7.1 Economic Indicators

Forecasting of long term economic indicators is notoriously difficult and published data for 10 year forecasts are rare. The Long Term Financial plan has used the best available data and made assumptions where 10 year data is not available. The plan assumes a low interest rate environment and low inflation for the duration of the plan.

## 7.2 Rates

The City's policy has generally been to limit rate increases to CPI. Increases above this level have been implemented to fund major strategic capital projects such as the City of Perth Library. The 10 year capital plan has not identified any capital expenditure of this nature and with the WA economy subdued and a particularly high office vacancy rate, it is prudent to limit rate increases. Annual rates increases have therefore been limited to CPI for the duration of the plan.

The City has a rates differential policy, charging a different rate in the dollar for each of the defined rate payer classes. The recommended rate increase for 2017/18 applied CPI increases across all rates categories.

Additionally where new property or improvements to property become rateable interim rates for partial years have been forecast. Full year values are then combined into the base rates CPI calculation for the successive year.

## 7.3 Parking Fees

Since its inception in 2002, the State Government Parking Levy has increased significantly. The Council's policy was to pass on the cost of the levy to the consumer which results in increases in parking fees consistently above the level of CPI. Due to falling patronage as a result of a declining workforce in the City, the increase in parking levy will not be directly passed on to the consumer for the first 4 years of the plan (assuming forecast levy increases are applied). Increases in parking fees will be limited to the level of CPI for this period of the plan. In the LTFP the number of parking bays will remain constant and parking patronage, which has fallen over the past 3 years, will improve as office vacancy rates decrease.

## 7.4 Waste Fees

Waste fees have in the past been subsidised by the City of Perth, as the full cost of the service was not passed on to the ratepayer. The rates charged are below those charged by peer capital cities and the surrounding metropolitan councils. The Council's strategy is to progressively increase waste fees over time to pass on to ratepayers the full cost of the service.

## 7.5 Compliance Income (Parking Fines)

Approximately 5% of City's revenue is derived from parking fines. The objective of compliance officers is primarily traffic management and it should be noted that although standard parking fines were increased in the 2015/16 budget, prior to this they had remained at the same level for many years. Revenue has been increased by CPI only over the life of the plan.

## 7.6 Employee Costs

Employee costs include direct salaries and wage costs and indirect costs such as workers compensation, recruitment and training. Headcount is forecast to remain static and deliver value to the City, whilst wage growth is limited to CPI. Indirect employee costs have also been inflated by CPI.

## 7.7 Materials and Costs

Materials and costs which includes the cost of maintenance, have in the past increased above the level of CPI due to the expansion of the City's asset base. The City will implement improved maintenance planning to reduce cost growth and so it has been assumed that these costs will grow at the rate of CPI over the life of the plan.

## 7.8 Utilities

The City has achieved some success in reducing utilities consumption. Utilities have been extrapolated at CPI as increased costs from an expanding asset base will be tempered by the drive for greater efficiency.

## 7.9 Insurances

The City tendered for insurance services in April 2017 and significant savings were achieved, the majority of which were in the Workers Compensation cost (included in Salaries & Wages). Increase in insurance cost have been projected at CPI.

## 7.10 Interest

Interest has been calculated from information available on existing loans, all of which are on fixed rates of interest and broad assumptions regarding a new loan to fund renewals to the Perth Convention and Exhibition Centre Carpark. The lower interest cost trend reflects full repayment of some of the larger loans and the ten year term of the Library loans.

## 7.11 Expense Provisions

Expense provisions consist of increases in employee provisions commensurate with EBA increases. The consumption of stationery plant at the Perth Convention and Exhibition Centre (PCEC) leasehold car park is also reflected in this account.

## 7.12 Other Expenses

Other expenses consist mainly of parking levies paid to the government, donations and sponsorships. Increases in the parking levy is at the discretion of the State Government.

## 7.13 Depreciation

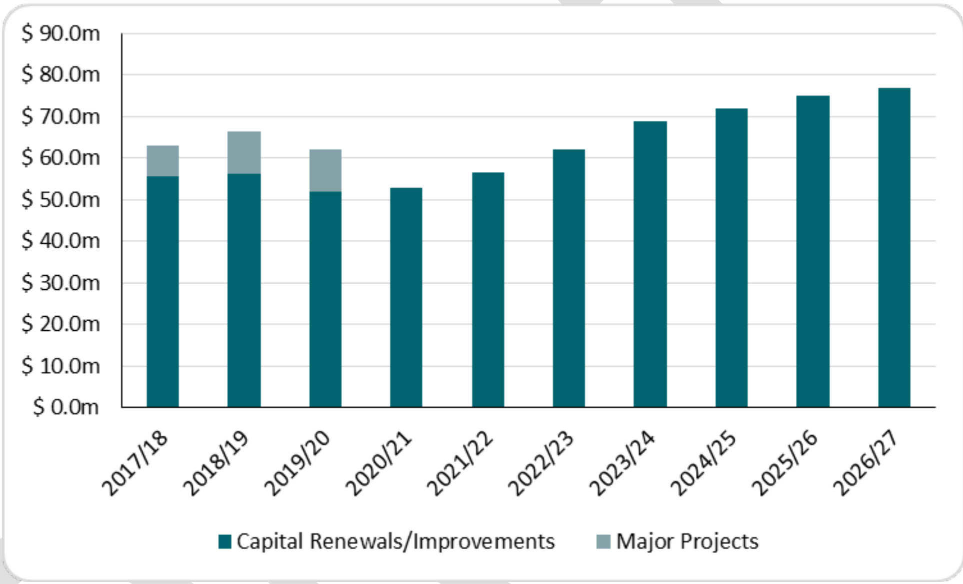
Depreciation is extrapolated on the basis of growth and CPI. The depreciation calculation does not allow for the depreciation of contributed assets from the Elizabeth Quay which have not been included in the plan.

## 7.14 Tamala Park

The Tamala Park income arises from distributions from the Tamala Park Regional Council which is developing and selling land at Catalina of which the City has a one twelfth interest. This has been recognised on a cash basis. The cash received is appropriated to the Enterprise and Initiative Reserve.

## 7.15 Capital Expenditure

The initial year of the LTFP, 2017/18 identifies a full list of projects scheduled to be undertaken. The remaining years of the plan are calculated based on what is affordable within the parameters of the plan. Capital projects will be prioritised based on condition assessments and service levels may be varied in order to remain within forecast. The plan identifies two major capital projects, part of which will be funded through debt. The City would review its policies on rates increases and borrowing if the level of Capital Expenditure included in the plan is inadequate to service the City's asset base or if other major projects are identified.

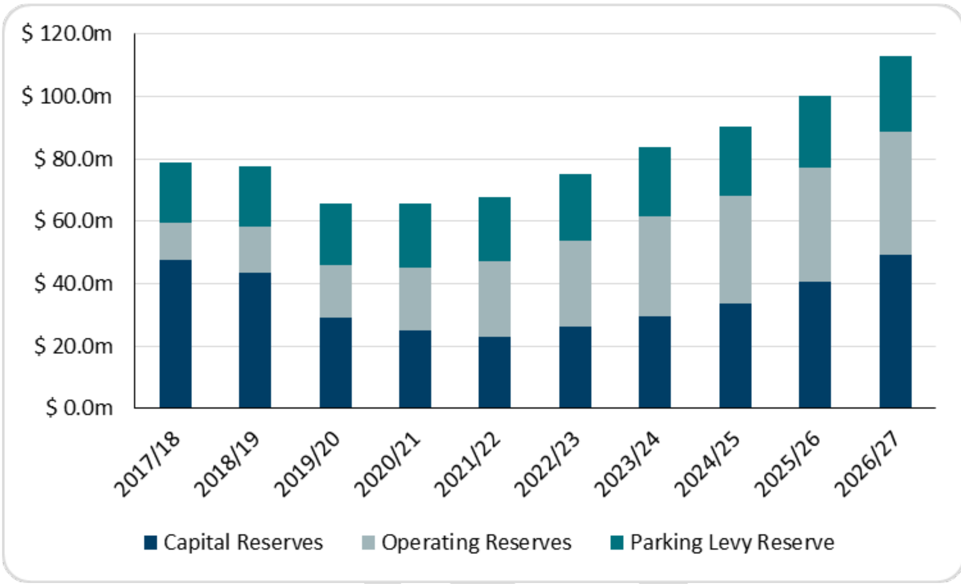



## 7.16 Working Capital

Surplus cash is invested in interest bearing deposits as it is generated. Rates and other debtors are managed actively. Creditors are generally paid on commercial thirty day terms. Because the City owes more in terms of creditors and provisions, than corresponding debtors and prepayments, working capital is generally cash positive.

## 7.17 Reserves

Reserves at the City are primarily utilised to set aside money for larger projects and to smooth out the funding of large capital expenditure commitments. The principal reserves for funding capital are the Asset Enhancement and the Parking Facilities Development reserves. The City also transfers money to the Parking Levy reserve each June for payment of the State Government parking levy the following financial year.




## 7.18 Debt Management

The City has for a number of years borrowed to fund capital projects. The type of projects which are funded by these means will either be for the renewal of iconic Perth buildings or projects with a business emphasis that generates income to repay loans. Loans are currently sourced from the Western Australian Treasury Corporation (WATC). In July 2015 the guarantee fee applied by the WATC on outstanding loan balances increased from 0.1% to 0.8% which has had a significant impact on the City's cost of borrowing.

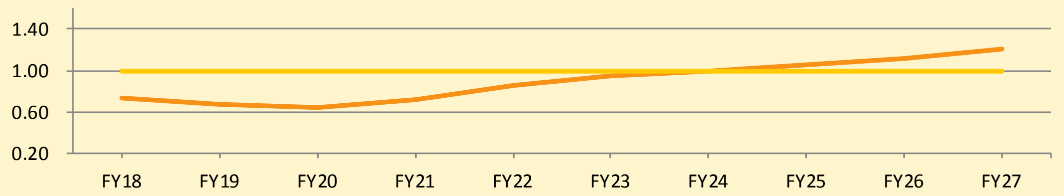
## 7.19 Exclusions from the Long Term Plan

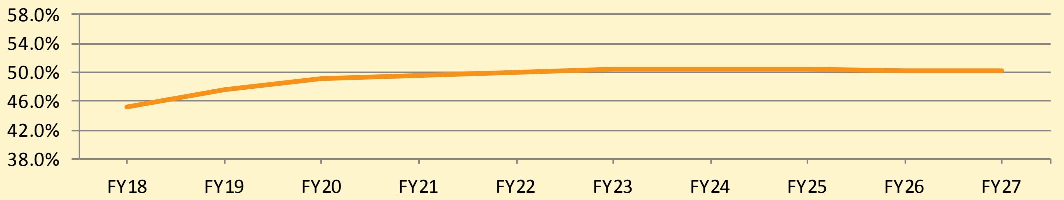
The plan excludes the following:

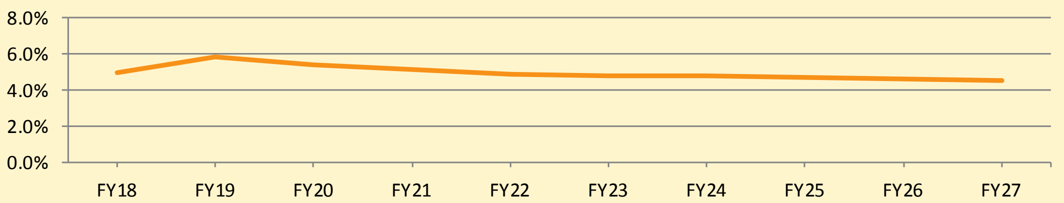
- Adjustments for the revaluation of assets
- Impact of the MRA Riverside development
- Contributed Assets from Elizabeth Quay

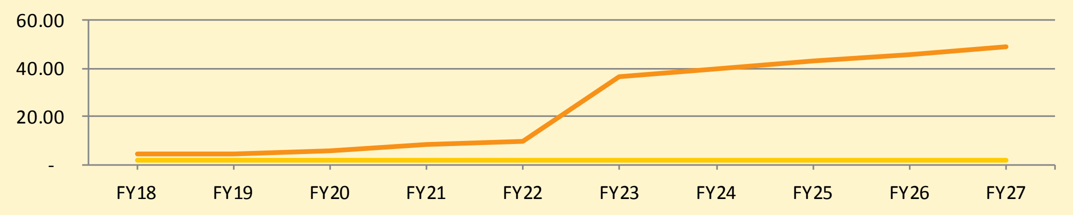
# 8. Financial Indicators

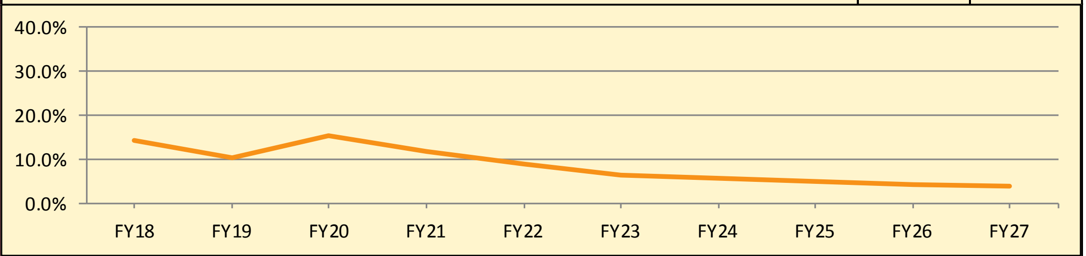
The following financial measures have been used in the development of the Long Term Financial Plan to monitor and assess performance over the planning period.

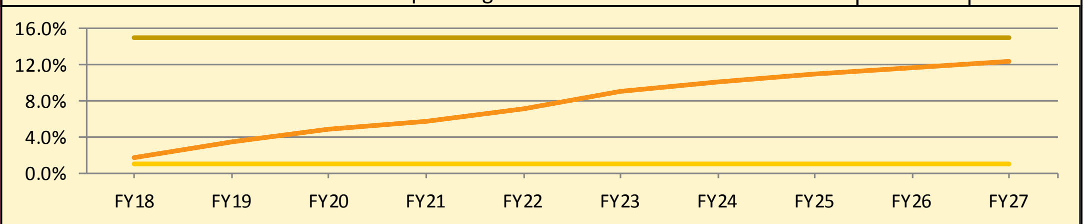
| | | | |
|---|---|---|---|
| *Ratio* | **Current Ratio** | *Target* | >=1.00 |
| *Calculation* | Current Assets minus Restricted Current Assets<br>Current Liabilities minus those associated with Current Restricted Assets | | |
| *Performance* |  | | |
| *Comment* | **Target not met**<br>This is not a traditional current ratio but distorted by the Department of Local Government and Communities (DLGC) guidelines to exclude reserves. | | |

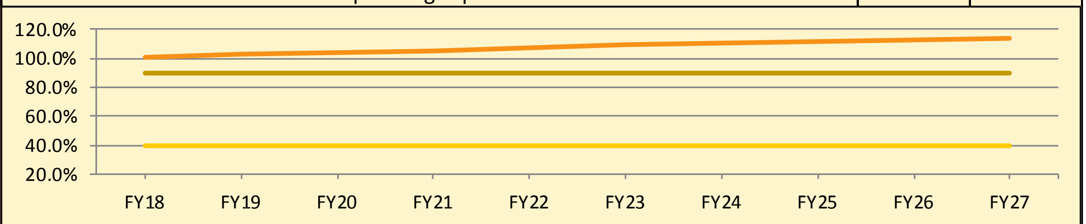
| | | | |
|---|---|---|---|
| *Ratio* | **Rate Coverage Ratio** | *Target* | No Target |
| *Calculation* | Net Rate Revenue<br>Operating Revenue | | |
| *Performance* |  | | |
| *Comment* | The ratio indicates an increasing reliance on Rates as a revenue source. | | |

| | | | |
|---|---|---|---|
| *Ratio* | **Debt Ratio** | *Target* | No Target |
| *Calculation* | Total Liabilities<br>Total Assets | | |
| *Performance* |  | | |
| *Comment* | The City is well within the target ratio for the duration of the plan | | |

| | | | |
|---|---|---|---|
| *Ratio* | **Debt Service Cover Ratio** | *Target* | >2 |
| *Calculation* | Operating Surplus before Interest & Depreciation / Interest and Principal Repayments | | |
| *Performance* |  | | |
| *Comment* | **Target met**<br>The City is running significantly above the target and it is assumed that all debt currently held will be repaid by 2022/23. A new loan is anticipated to be drawn for year 2018/19 and will continue to be repaid throughout the ten year plan. | | |

| | | | |
|---|---|---|---|
| *Ratio* | **Gross Debt to Revenue Ratio** | *Target* | No Target |
| *Calculation* | Gross Debt / Total Revenue | | |
| *Performance* |  | | |
| *Comment* | The City is running significantly below the target in all years due to the low levels of debt. | | |

| | | | |
|---|---|---|---|
| *Ratio* | **Operating Surplus Ratio** | *Target*<br>*Advanced* | >1%<br>>15% |
| *Calculation* | Operating Revenue minus Operating Expense / Own Source Operating Revenue | | |
| *Performance* |  | | |
| *Comment* | **Target met**<br>The ratio rises over time to the mid point between target and advanced target. | | |

| | | | |
|---|---|---|---|
| *Ratio* | **Own Source Revenue Coverage Ratio** | *Target*<br>*Advanced* | >40%<br>>90% |
| *Calculation* | Own Source Operating Revenue / Operating Expense | | |
| *Performance* |  | | |
| *Comment* | **Advanced Target met**<br>Demonstrates that the City is not reliant on grants and other external income. | | |

| Ratio | Asset Renewal Funding Ratio | | |
|---|---|---|---|
| Calculation | NPV of Planned Capital Renewals over 10 years / NPV of Required Capital Expenditure over 10 years | Target | >75% |
| Performance | **Target met**<br>Information is only available for the 2016/17 financial year. | Actual 2016/17 | 100% |
| Comment | The City does not split capital expenditure between renewals, new and expansion, so calculation of the ratio is based on broad assumptions. | | |

| Ratio | Asset Consumption Ratio | | |
|---|---|---|---|
| Calculation | Depreciated Replacement Cost of Depreciable Assets / Current Replacement Cost of Depreciable Assets | Target | >50% |
| Performance | **Target met**<br>Information is only available for the 2016/17 financial year and the City is not able to forecast the ratio over the remaining years of the plan. | Actual 2016/17 | 57% |
| Comment | The ratio is currently within the required parameters. | | |

| Ratio | Asset Sustainability Ratio | | |
|---|---|---|---|
| Calculation | Capital Renewal and Replacement Expenditure / Depreciation | Target | >90% |
| Performance | **Target met**<br>Information is only available for the 2016/17 financial year and the City is not able to forecast the ratio over the remaining years of the plan. | Actual 2016/17 | 95% |
| Comment | The ratio has improved in 16/17 as anticipated in the previous plan. | | |

**Source:** All above targets are sourced from the Government of Western Australia - Department of Local Government and Communities - Local Government Operational Guidelines - Number 18-June 2013, Financial Ratios.
https://www.dlgc.wa.gov.au/Publications/Pages/LG-Operational-Guidelines-18.aspx

# 9. Risks

There are three major risk factors which will influence the LTFP:

## 9.1 Economic Assumptions

Forecasting of long term economic predictions is notoriously problematic. For the purpose of the LTFP, it has been assumed that interest rates will remain low and inflation will remain relatively consistent over the life of the plan.

## 9.2 Civic Factors

### *MRA Projects*

The Metropolitan Redevelopment Authority (MRA) is engaged in the construction of three major projects within the City: Elizabeth Quay, Perth City Link and Riverside. During the life of these projects the MRA will be progressively transferring some newly constructed public realm assets to the City.

### *Elizabeth Quay*

The Elizabeth Quay development opened in January 2016. The development incorporates commercial, retail and cultural attractions which are set around a 2.7 hectare inlet.

The MRA will retain ownership of a number of public realm areas and assets for up to 10 years although the road reserve has already been handed over to the City. The MRA is currently responsible for activation, presentation, maintenance and public services in the precinct. MRA will sell and oversee development of nine private lots over an extended period of time.

The full cost of servicing the precinct will not be covered by the rates generated until there is further development of the site, which will take a number of years. The City currently provides waste and cleansing services for the precinct capped at a level which is fully funded from the rates revenue generated. The MRA also procure other cleaning and maintenance services from external providers to maintain an appropriate service level for the precinct. The Long Term Financial Plan assumes the continuation of this agreement with an expansion of services provided as rates revenue generated from the site increases. It is assumed that servicing of the precinct will remain cost neutral to the City until development of the site is substantially complete.

It is too early to forecast the impact of the Riverside project and so it has been excluded from the plan.

### *Parking Levy*

The State Government imposes a parking levy on all commercial parking bays in the city. The cost of this levy increased by over 20% in both 2014/15 and 2015/16. Although the increase in 2016/17 was a more modest 1.8% it still has a significant impact on the City's parking business. The levy currently accounts for over 24.7% of parking revenue and due to the current economic conditions the City is intending not to pass the full levy increase on to its patrons in 2016/17 and 2017/18. If the parking levy increases revert to levels significantly above the level of CPI it will result in a reduced margin for the City of Perth Parking business and the City will have to increase rates above the level of CPI in order to fund the shortfall.

## 9.3 Capital Expenditure

The City's capital expenditure program forms a significant part of the LTFP. The timing of expenditure is difficult to predict particularly in the later years of the plan. Delays in capital expenditure can also affect other areas of the plan including financing and maintenance costs. The capital expenditure figures included in the plan are a best estimate based on information available at the time of publication.

## 10. Contacts

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## Appendix: Supporting Statements and Schedules

## I. Forecast Financial Statements 2017/18 – 2026/27

**Statement of Comprehensive Income by Nature and Type for period 2017/18 - 2026/27**

| | Base Year 2016/17 | Budget 2017/18 | Forecast 2018/19 | Forecast 2019/20 | Forecast 2020/21 | Forecast 2021/22 | Forecast 2022/23 | Forecast 2023/24 | Forecast 2024/25 | Forecast 2025/26 | Forecast 2026/27 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **REVENUES FROM ORDINARY ACTIVITIES** | | | | | | | | | | | |
| Rates | 88,078 | 89,253 | 98,152 | 105,555 | 110,468 | 115,825 | 123,015 | 128,274 | 133,122 | 137,602 | 143,014 |
| Grants and Subsidies | 2,025 | 1,969 | 1,576 | 1,615 | 1,655 | 1,697 | 1,739 | 1,783 | 1,828 | 1,873 | 1,920 |
| Contributions, Donations and Reimbursements | 474 | 422 | 337 | 346 | 355 | 363 | 373 | 382 | 391 | 401 | 411 |
| Fees and Charges | 98,745 | 99,520 | 100,377 | 101,976 | 105,414 | 109,644 | 114,049 | 118,634 | 123,415 | 128,398 | 133,596 |
| Interest Earned | 5,242 | 4,619 | 4,356 | 3,610 | 3,250 | 3,198 | 3,296 | 3,521 | 3,771 | 3,925 | 4,091 |
| Other Revenue | 1,478 | 1,210 | 1,237 | 1,268 | 1,300 | 1,333 | 1,366 | 1,400 | 1,435 | 1,471 | 1,508 |
| **TOTAL REVENUE FROM ORDINARY ACTIVITIES** | **196,042** | **196,994** | **206,035** | **214,370** | **222,442** | **232,060** | **243,838** | **253,994** | **263,962** | **273,670** | **284,540** |
| **EXPENSES FROM ORDINARY ACTIVITIES** | | | | | | | | | | | |
| Employee costs | 77,738 | 74,753 | 76,595 | 78,510 | 80,473 | 82,485 | 84,547 | 86,661 | 88,827 | 91,048 | 93,324 |
| Materials and Contracts | 49,918 | 50,713 | 51,854 | 53,150 | 54,479 | 55,841 | 57,237 | 58,668 | 60,135 | 61,638 | 63,179 |
| Utilities (gas,electricity,water) | 3,332 | 3,465 | 3,542 | 3,631 | 3,722 | 3,815 | 3,910 | 4,008 | 4,108 | 4,211 | 4,316 |
| Insurance Expenditure | 1,199 | 922 | 943 | 967 | 991 | 1,016 | 1,041 | 1,067 | 1,094 | 1,121 | 1,149 |
| Depreciation of Non-Current Assets | 33,050 | 33,534 | 35,211 | 36,972 | 38,821 | 40,762 | 42,800 | 44,940 | 47,187 | 49,546 | 52,023 |
| Interest Expenses | 1,724 | 1,381 | 1,606 | 1,227 | 943 | 750 | 614 | 566 | 517 | 466 | 412 |
| Expense Provisions | 940 | 916 | 936 | 959 | 983 | 1,008 | 1,033 | 1,059 | 1,085 | 1,112 | 1,140 |
| Other Expenditure | 24,623 | 25,791 | 26,055 | 26,255 | 26,911 | 27,584 | 28,274 | 28,981 | 29,705 | 30,448 | 31,209 |
| **TOTAL EXPENDITURE FROM ORDINARY ACTIVITIES** | **192,525** | **191,474** | **196,742** | **201,671** | **207,323** | **213,261** | **219,456** | **225,950** | **232,658** | **239,590** | **246,752** |
| **SUB TOTAL** | **3,517** | **5,520** | **9,293** | **12,699** | **15,119** | **18,799** | **24,382** | **28,044** | **31,304** | **34,080** | **37,788** |
| **GRANTS AND CONTRIBUTIONS** | | | | | | | | | | | |
| Grants and Subsidies | 2,075 | 1,295 | 1,324 | 1,357 | 1,391 | 1,426 | 1,462 | 1,498 | 1,536 | 1,574 | 1,613 |
| **NET OPERATING SURPLUS** | **5,591** | **6,815** | **10,617** | **14,056** | **16,510** | **20,225** | **25,844** | **29,542** | **32,840** | **35,654** | **39,401** |
| **DISPOSAL / WRITE-OFF OF ASSETS** | | | | | | | | | | | |
| Loss on Disposal of Assets | (932) | (1,664) | (2,425) | (2,486) | (2,548) | (2,612) | (2,677) | (2,744) | (2,813) | (2,883) | (2,955) |
| **SIGNIFICANT ITEMS** | | | | | | | | | | | |
| Distribution from TPRC | 1,000 | 1,400 | 2,333 | 1,500 | 3,083 | 2,750 | 3,083 | 3,583 | 1,000 | 1,250 | 1,167 |
| **CHANGE IN NET ASSETS FROM ORDINARY ACTIVITES AFTER SIGNIFICANT ITEMS - GAIN / (REDUCTION)** | **5,659** | **6,551** | **10,525** | **13,070** | **17,045** | **20,363** | **26,250** | **30,381** | **31,027** | **34,021** | **37,613** |

## Projected Balance Sheet for Period 2017/18 - 2026/27

| | Base Year 2016/17 $'000 | Budget 2017/18 $'000 | Forecast 2018/19 $'000 | Forecast 2019/20 $'000 | Forecast 2020/21 $'000 | Forecast 2021/22 $'000 | Forecast 2022/23 $'000 | Forecast 2023/24 $'000 | Forecast 2024/25 $'000 | Forecast 2025/26 $'000 | Forecast 2026/27 $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | | | |
| **Current Assets** | | | | | | | | | | | |
| Cash & Cash Equivalents | 5,629 | 4,263 | 4,060 | 3,369 | 3,517 | 3,754 | 4,309 | 4,840 | 5,350 | 5,987 | 6,818 |
| Investments | 106,955 | 81,001 | 77,145 | 64,010 | 66,829 | 71,332 | 81,875 | 91,962 | 101,657 | 113,755 | 129,545 |
| Receivables | 15,920 | 16,360 | 16,837 | 17,356 | 17,868 | 18,424 | 18,975 | 19,573 | 20,218 | 20,861 | 21,505 |
| Inventories | 899 | 915 | 936 | 959 | 983 | 1,008 | 1,033 | 1,059 | 1,085 | 1,112 | 1,140 |
| **Total Current Assets** | **129,403** | **102,539** | **98,978** | **85,693** | **89,197** | **94,518** | **106,192** | **117,434** | **128,310** | **141,715** | **159,008** |
| **Non Current Assets** | | | | | | | | | | | |
| Receivables | 52 | 52 | 54 | 55 | 56 | 58 | 59 | 61 | 62 | 64 | 65 |
| Infrastructure, Property, Plant & Equipment | 1,216,438 | 1,244,186 | 1,271,543 | 1,292,694 | 1,302,939 | 1,314,673 | 1,329,718 | 1,349,248 | 1,369,718 | 1,390,587 | 1,410,714 |
| Investments | 7,151 | 7,276 | 7,440 | 7,626 | 7,816 | 8,012 | 8,212 | 8,417 | 8,628 | 8,843 | 9,064 |
| **Total Non Current Assets** | **1,223,640** | **1,251,514** | **1,279,036** | **1,300,374** | **1,310,812** | **1,322,742** | **1,337,989** | **1,357,726** | **1,378,408** | **1,399,494** | **1,419,843** |
| **TOTAL ASSETS** | **1,353,043** | **1,354,053** | **1,378,014** | **1,386,068** | **1,400,009** | **1,417,260** | **1,444,181** | **1,475,160** | **1,506,718** | **1,541,210** | **1,578,852** |
| **Current Liabilities** | | | | | | | | | | | |
| Payables | 26,260 | 27,592 | 29,173 | 30,383 | 32,155 | 33,559 | 34,914 | 36,230 | 37,518 | 38,784 | 39,648 |
| Borrowings | 7,173 | 8,538 | 6,674 | 5,334 | 4,986 | 1,166 | 1,213 | 1,263 | 1,314 | 1,367 | 1,423 |
| Provisions | 10,779 | 10,968 | 11,215 | 11,495 | 11,782 | 12,077 | 12,379 | 12,688 | 13,005 | 13,331 | 13,664 |
| **Total Current Liabilities** | **44,212** | **47,097** | **47,061** | **47,212** | **48,923** | **46,801** | **48,506** | **50,181** | **51,837** | **53,482** | **54,735** |
| **Non Current Liabilities** | | | | | | | | | | | |
| Borrowings | 21,833 | 13,295 | 26,621 | 21,286 | 16,300 | 15,134 | 13,921 | 12,659 | 11,345 | 9,977 | 8,555 |
| Provisions | 6,424 | 6,537 | 6,684 | 6,851 | 7,022 | 7,198 | 7,378 | 7,562 | 7,751 | 7,945 | 8,144 |
| **Total Non Current Liabilities** | **28,257** | **19,832** | **33,305** | **28,138** | **23,323** | **22,332** | **21,299** | **20,221** | **19,096** | **17,922** | **16,698** |
| **TOTAL LIABILITIES** | **72,469** | **66,929** | **80,366** | **75,350** | **72,246** | **69,134** | **69,805** | **70,402** | **70,933** | **71,404** | **71,433** |
| **NET ASSETS** | **1,280,573** | **1,287,124** | **1,297,649** | **1,310,718** | **1,327,763** | **1,348,126** | **1,374,376** | **1,404,758** | **1,435,784** | **1,469,805** | **1,507,418** |
| **Equity** | | | | | | | | | | | |
| Retained Earnings | 620,551 | 648,294 | 660,183 | 685,011 | 702,121 | 720,228 | 739,091 | 761,128 | 785,266 | 809,438 | 834,647 |
| Revaluation Reserve | 560,057 | 560,057 | 560,057 | 560,057 | 560,057 | 560,057 | 560,057 | 560,057 | 560,057 | 560,057 | 560,057 |
| Other Reserves | 99,966 | 78,774 | 77,409 | 65,651 | 65,586 | 67,842 | 75,229 | 83,573 | 90,462 | 100,311 | 112,715 |
| **TOTAL EQUITY** | **1,280,573** | **1,287,124** | **1,297,649** | **1,310,718** | **1,327,763** | **1,348,126** | **1,374,376** | **1,404,758** | **1,435,784** | **1,469,805** | **1,507,418** |

## Projected Cash Flow for Period 2017/18 - 2026/27

| | Base Year 2016/17 | Budget 2017/18 | Forecast 2018/19 | Forecast 2019/20 | Forecast 2020/21 | Forecast 2021/22 | Forecast 2022/23 | Forecast 2023/24 | Forecast 2024/25 | Forecast 2025/26 | Forecast 2026/27 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cashflow from Operating Activities** | | | | | | | | | | | |
| **Receipts:** | | | | | | | | | | | |
| Rates & Annual Charges | 172,968 | 180,013 | 189,591 | 198,363 | 206,505 | 215,826 | 227,199 | 236,764 | 246,106 | 255,326 | 265,686 |
| Investment Revenue & Interest | 5,035 | 4,619 | 4,356 | 3,610 | 3,250 | 3,198 | 3,296 | 3,521 | 3,771 | 3,925 | 4,091 |
| Other Receipts - Operating | 16,169 | 9,689 | 9,906 | 10,154 | 10,408 | 10,668 | 10,935 | 11,208 | 11,489 | 11,776 | 12,070 |
| **Payments:** | | | | | | | | | | | |
| Employee Benefits & On-costs | (78,019) | (74,965) | (76,193) | (78,090) | (80,042) | (82,043) | (84,094) | (86,196) | (88,351) | (90,560) | (92,824) |
| Materials & Contracts | (46,863) | (50,426) | (51,948) | (53,388) | (54,193) | (55,689) | (57,165) | (58,667) | (60,196) | (61,754) | (63,732) |
| Borrowing Costs | (1,793) | (1,381) | (1,606) | (1,227) | (943) | (750) | (614) | (566) | (517) | (466) | (412) |
| Other Payments Operating | (29,576) | (29,836) | (30,204) | (30,784) | (31,553) | (32,613) | (33,428) | (34,264) | (35,120) | (35,998) | (36,897) |
| **Net Cash Provided (or Used) in Operating Activities** | **37,920** | **37,714** | **43,903** | **48,638** | **53,432** | **58,598** | **66,129** | **71,800** | **77,182** | **82,249** | **87,982** |
| **Cash flows from Investing Activities** | | | | | | | | | | | |
| **Receipts:** | | | | | | | | | | | |
| Sale of Investments | 1,000 | 1,400 | 2,333 | 1,500 | 3,083 | 2,750 | 3,083 | 3,583 | 1,000 | 1,250 | 1,167 |
| Sale of Infrastructure, Property, Plant & Equipment | 1,333 | 158 | 1,354 | 1,388 | 1,423 | 1,459 | 1,495 | 1,532 | 1,570 | 1,609 | 1,649 |
| **Payments:** | | | | | | | | | | | |
| Purchase of Infrastructure, Property, Plant & Equipment | (35,234) | (63,105) | (66,347) | (61,997) | (53,038) | (56,566) | (62,017) | (68,747) | (72,039) | (74,907) | (76,753) |
| **Net Cash Provided (or Used) in Investing Activities** | **(32,901)** | **(61,547)** | **(62,660)** | **(59,109)** | **(48,532)** | **(52,357)** | **(57,439)** | **(63,632)** | **(69,469)** | **(72,048)** | **(73,937)** |
| **Cash flows from Financing Activities** | | | | | | | | | | | |
| **Receipts:** | | | | | | | | | | | |
| Proceeds from Loans | - | - | 20,000 | - | - | - | - | - | - | - | - |
| **Payments:** | | | | | | | | | | | |
| Repayment of Loans | (7,322) | (7,173) | (8,538) | (6,674) | (5,334) | (4,986) | (1,166) | (1,213) | (1,263) | (1,314) | (1,367) |
| **Net Cash Provided (or Used) in Financing Activities** | **(7,322)** | **(7,173)** | **11,462** | **(6,674)** | **(5,334)** | **(4,986)** | **(1,166)** | **(1,213)** | **(1,263)** | **(1,314)** | **(1,367)** |
| **Cashflows from Government** | | | | | | | | | | | |
| **Receipts from Appropriation/Grants** | | | | | | | | | | | |
| Recurrent Appropriations/Grants | 2,498 | 2,391 | 1,913 | 1,961 | 2,010 | 2,060 | 2,112 | 2,165 | 2,219 | 2,274 | 2,331 |
| Capital Appropriations/Grants | 2,075 | 1,295 | 1,324 | 1,357 | 1,391 | 1,426 | 1,462 | 1,498 | 1,536 | 1,574 | 1,613 |
| **Net Cash from Government** | **4,573** | **3,686** | **3,237** | **3,318** | **3,401** | **3,486** | **3,574** | **3,663** | **3,755** | **3,848** | **3,944** |
| **Net Increase/(Decrease) in Cash & Cash Equivalents** | **2,271** | **(27,320)** | **(4,058)** | **(13,827)** | **2,967** | **4,740** | **11,098** | **10,618** | **10,205** | **12,735** | **16,622** |
| **Cash at 1 July** | **110,313** | **112,584** | **85,264** | **81,205** | **67,378** | **70,346** | **75,086** | **86,184** | **96,802** | **107,007** | **119,742** |
| **Cash at 30 June** | **112,584** | **85,264** | **81,205** | **67,378** | **70,346** | **75,086** | **86,184** | **96,802** | **107,007** | **119,742** | **136,363** |

## Statement of Changes in Equity for period 2017/18 - 2026-27

| | Base Year 2016/17 $'000 | Budget 2017/18 $'000 | Forecast 2018/19 $'000 | Forecast 2019/20 $'000 | Forecast 2020/21 $'000 | Forecast 2021/22 $'000 | Forecast 2022/23 $'000 | Forecast 2023/24 $'000 | Forecast 2024/25 $'000 | Forecast 2025/26 $'000 | Forecast 2026/27 $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **EQUITY** | | | | | | | | | | | |
| **RETAINED SURPLUS** | | | | | | | | | | | |
| Balance at 1 July | 623,861 | 620,551 | 648,294 | 660,183 | 685,011 | 702,121 | 720,228 | 739,091 | 761,128 | 785,266 | 809,438 |
| Transfer (from) / to Reserve | (8,969) | 21,192 | 1,365 | 11,758 | 65 | (2,256) | (7,387) | (8,344) | (6,889) | (9,849) | (12,404) |
| Net Result | 5,659 | 6,551 | 10,525 | 13,070 | 17,045 | 20,363 | 26,250 | 30,381 | 31,027 | 34,021 | 37,613 |
| Balance at 30 June | 620,551 | 648,294 | 660,183 | 685,011 | 702,121 | 720,228 | 739,091 | 761,128 | 785,266 | 809,438 | 834,647 |
| **CASH BACKED RESERVES** | | | | | | | | | | | |
| Balance at 1 July | 90,997 | 99,966 | 78,774 | 77,409 | 65,651 | 65,586 | 67,842 | 75,229 | 83,573 | 90,462 | 100,311 |
| Transfer from / to Reserve | 8,969 | (21,192) | (1,365) | (11,758) | (65) | 2,256 | 7,387 | 8,344 | 6,889 | 9,849 | 12,404 |
| Balance at 30 June | 99,966 | 78,774 | 77,409 | 65,651 | 65,586 | 67,842 | 75,229 | 83,573 | 90,462 | 100,311 | 112,715 |
| **ASSET REVALUATION RESERVE** | | | | | | | | | | | |
| Balance at 1 July | 560,057 | 560,057 | 560,057 | 560,057 | 560,057 | 560,057 | 560,057 | 560,057 | 560,057 | 560,057 | 560,057 |
| Total Other Comprehensive Income | - | - | - | - | - | - | - | - | - | - | - |
| Balance at 30 June | 560,057 | 560,057 | 560,057 | 560,057 | 560,057 | 560,057 | 560,057 | 560,057 | 560,057 | 560,057 | 560,057 |
| **Total Equity** | **1,280,573** | **1,287,124** | **1,297,649** | **1,310,718** | **1,327,763** | **1,348,126** | **1,374,376** | **1,404,758** | **1,435,784** | **1,469,805** | **1,507,418** |

## Rate Setting Statement for period 2017/18 - 2026/27

| | Base Year 2016/17 | Budget 2017/18 | Forecast 2018/19 | Forecast 2019/20 | Forecast 2020/21 | Forecast 2021/22 | Forecast 2022/23 | Forecast 2023/24 | Forecast 2024/25 | Forecast 2025/26 | Forecast 2026/27 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Proceeds from Operating Activities** | | | | | | | | | | | |
| Operating Revenues Excl Rates | 107,964 | 107,741 | 107,883 | 108,815 | 111,974 | 116,235 | 120,823 | 125,720 | 130,840 | 136,068 | 141,526 |
| Operating Expenses | (193,457) | (193,138) | (199,167) | (204,157) | (209,871) | (215,873) | (222,133) | (228,694) | (235,471) | (242,473) | (249,707) |
| | (85,494) | (85,397) | (91,284) | (95,342) | (97,897) | (99,638) | (101,310) | (102,974) | (104,631) | (106,405) | (108,181) |
| **Non Cash Items** | | | | | | | | | | | |
| Loss on Disposal of Fixed Assets | 932 | 1,664 | 2,425 | 2,486 | 2,548 | 2,612 | 2,677 | 2,744 | 2,813 | 2,883 | 2,955 |
| Depreciation on Assets | 33,050 | 33,534 | 35,211 | 36,972 | 38,821 | 40,762 | 42,800 | 44,940 | 47,187 | 49,546 | 52,023 |
| | 33,982 | 35,198 | 37,636 | 39,458 | 41,369 | 43,374 | 45,477 | 47,684 | 50,000 | 52,429 | 54,978 |
| **Net Deficit from Operations** | **(51,511)** | **(50,199)** | **(53,648)** | **(55,884)** | **(56,528)** | **(56,264)** | **(55,833)** | **(55,290)** | **(54,631)** | **(53,976)** | **(53,203)** |
| **Investing Activities** | | | | | | | | | | | |
| Capital Expenditure | (35,234) | (63,105) | (66,347) | (61,997) | (53,038) | (56,566) | (62,017) | (68,747) | (72,039) | (74,907) | (76,753) |
| Repayment of Borrowings | (7,322) | (7,173) | (8,538) | (6,674) | (5,334) | (4,986) | (1,166) | (1,213) | (1,263) | (1,314) | (1,367) |
| Transfers to Reserves | (39,133) | (22,478) | (38,494) | (31,634) | (35,773) | (34,715) | (47,117) | (50,784) | (50,905) | (55,311) | (58,984) |
| | (81,689) | (92,756) | (113,378) | (100,305) | (94,145) | (96,267) | (110,300) | (120,744) | (124,207) | (131,532) | (137,104) |
| **Financing Activities** | | | | | | | | | | | |
| Transfer from Reserves | 27,396 | 43,670 | 39,859 | 43,392 | 35,838 | 32,459 | 39,730 | 42,440 | 44,016 | 45,462 | 46,580 |
| Proceeds from Disposal of Assets | 1,333 | 158 | 1,354 | 1,388 | 1,423 | 1,459 | 1,495 | 1,532 | 1,570 | 1,609 | 1,649 |
| Capital Grants and Contributions | 2,075 | 1,295 | 1,324 | 1,357 | 1,391 | 1,426 | 1,462 | 1,498 | 1,536 | 1,574 | 1,613 |
| Proceeds from Borrowings | - | - | 20,000 | - | - | - | - | - | - | - | - |
| Proceeds from TPRC | 1,000 | 1,400 | 2,333 | 1,500 | 3,083 | 2,750 | 3,083 | 3,583 | 1,000 | 1,250 | 1,167 |
| | 31,804 | 46,523 | 64,870 | 47,637 | 41,735 | 38,094 | 45,770 | 49,053 | 48,122 | 49,895 | 51,009 |
| **Net Deficit before Rates** | **(101,397)** | **(96,432)** | **(102,157)** | **(108,553)** | **(108,938)** | **(114,438)** | **(120,362)** | **(126,980)** | **(130,716)** | **(135,613)** | **(139,299)** |
| Add Opening Funds | 21,141 | 7,822 | 643 | (3,362) | (6,359) | (4,829) | (3,442) | (789) | 505 | 2,910 | 4,899 |
| Net Deficit before Rates | (80,256) | (88,610) | (101,514) | (111,914) | (115,297) | (119,267) | (123,804) | (127,769) | (130,212) | (132,703) | (134,400) |
| Rate Levies | 88,078 | 89,253 | 98,152 | 105,555 | 110,468 | 115,825 | 123,015 | 128,274 | 133,122 | 137,602 | 143,014 |
| **Surplus/(Deficit) from Rates** | **7,822** | **643** | **(3,362)** | **(6,359)** | **(4,829)** | **(3,442)** | **(789)** | **505** | **2,910** | **4,899** | **8,614** |
| | ***8.9%*** | ***0.7%*** | ***(3.4%)*** | ***(6.0%)*** | ***(4.4%)*** | ***(3.0%)*** | ***(0.6%)*** | ***0.4%*** | ***2.2%*** | ***3.6%*** | ***6.0%*** |

**Cash Reserves for period 2017/18 - 2026/27**

| | Budget 2016/17 | Forecast 2017/18 | Forecast 2018/19 | Forecast 2019/20 | Forecast 2020/21 | Forecast 2021/22 | Forecast 2022/23 | Forecast 2023/24 | Forecast 2024/25 | Forecast 2025/26 | Forecast 2026/27 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **CAPACITY BUILDING & SPECIFIC RESERVES** | | | | | | | | | | | |
| Opening Balance | 88,228 | 99,965 | 78,773 | 77,408 | 65,650 | 65,585 | 67,841 | 75,228 | 83,572 | 90,461 | 100,310 |
| Transfer to Reserve | 39,133 | 22,478 | 38,494 | 31,634 | 35,773 | 34,715 | 47,117 | 50,784 | 50,905 | 55,311 | 58,984 |
| Transfer from Reserve | (27,396) | (43,670) | (39,859) | (43,392) | (35,838) | (32,459) | (39,730) | (42,440) | (44,016) | (45,462) | (46,580) |
| **Balance 30 June** | **99,965** | **78,773** | **77,408** | **65,650** | **65,585** | **67,841** | **75,228** | **83,572** | **90,461** | **100,310** | **112,714** |
| **TOTAL RESERVES** | | | | | | | | | | | |
| Opening Balance | 88,228 | 99,965 | 78,773 | 77,408 | 65,650 | 65,585 | 67,841 | 75,228 | 83,572 | 90,461 | 100,310 |
| Transfer to Reserve | 39,133 | 22,478 | 38,494 | 31,634 | 35,773 | 34,715 | 47,117 | 50,784 | 50,905 | 55,311 | 58,984 |
| Transfer from Reserve | (27,396) | (43,670) | (39,859) | (43,392) | (35,838) | (32,459) | (39,730) | (42,440) | (44,016) | (45,462) | (46,580) |
| **Balance 30 June** | **99,965** | **78,773** | **77,408** | **65,650** | **65,585** | **67,841** | **75,228** | **83,572** | **90,461** | **100,310** | **112,714** |