

City of Wanneroo

Building a Future Together

Long Term Financial Plan
2016/17–2035/36

Contents

Strategic Financial Framework	3
Planning our Financial Future	3
Integrated Planning and Reporting	3
Financial Sustainability	4
Financial Strategies to be Sustainable	4
Operating Surpluses	5
Framework of Long Term Financial Plan	5
Key Components	6
Financial Management Principles	6
Strategic Budget Policy	6
Rating Strategy	7
Fees and Charges	9
Reserves	9
Grants and Contributions	10
Developer Contribution Plans (DCP)	10
Investments	12
Debt Management	12
Asset Management	13
Assumptions	17
Risk Assessment	19
Scenario Modelling/Sensitivity Analysis	20
Financial Reports, Ratios and Analysis	24
Appendices	42
Growth of Infrastructure Assets	42
Integrated Planning and Reporting Framework	43
Strategic Community Plan	43
Corporate Business Plan	46
Resourcing Strategies	46
Our Services	47
Service Delivery	47
Definitions	48
Acronyms	50
Disclaimer	50

Strategic Financial Framework

Planning our Financial Future

The City of Wanneroo is a rapidly expanding local government located between 12 and 62 kilometres north of the Perth Central Business District. It has a unique landscape consisting of 32 kilometres of coastline, untouched bushland, State forest, wetlands, market gardens, industrial and commercial estates, and expanding residential estates within 36 suburbs.

The City has experienced significant population growth in recent years with an average annual increase of more than 6% over the past decade. By 2036, the City's population is expected to more than double to over 360,000 people. Aligned to population growth, the City's service responsibilities have increased also, illustrated in the growth of infrastructure assets as shown in graph 1 and graph 2 in the Appendix.

The City of Wanneroo's current finances are on solid ground, and the City is proud of its position and would like future generations to enjoy the same level of financial stability and prosperity as its current citizens. The City recognises that in the future the opportunities, pressures and demands will be different to what they are at the moment. It also recognises that the current level of funding from senior levels of government may not be available in the future as they will have their own budget issues and challenges.

It is critical that the City recognises what it can and cannot afford and with this in mind the City has developed a Long Term Financial Plan. To plan for the future in which the City operates within its means it must analyse financial trends over an extended period incorporating a range of assumptions to assess the impact of decisions on current and future sustainability.

This document details the underlying principles that will help direct the City towards a financially sustainable future.

Integrated Planning and Reporting

In 2011, the Western Australian Department of Local Government and Communities introduced its *Integrated Planning and Reporting Framework* to standardise and guide strategic and corporate business planning across all local governments. In order to fulfil the statutory obligations of section 5.56 of the *Local Government Act 1995*, local governments are required to 'plan for the future' with the development of a 10-Year Strategic Community Plan and a 4-Year Corporate Business Plan. These are supported by the following resourcing strategies: 20-year Long Term Financial Plan (this document), Strategic Workforce Plan, and Strategic Asset Management Plan. The City's Integrated Planning and Reporting Framework is Figure 1 in the Appendix.

The current Strategic Community Plan Review's final proposed objectives and strategies are also listed in the Appendix as Figure 2. These include the five pillars of: Society, Economy, Natural and Built Environment, and Civic Leadership. Financial implications arising from the amended Strategic Community Plan will be incorporated into the Long Term Financial Plan.

The Long Term Financial Plan emphasises the link between the City's strategic direction and its financial and organisational capacity. It supports informed resource allocation decisions and provides performance targets for the prudent use of City resources. The Plan provides

an overview of the financial resources allocated to significant programs and activities proposed by the City over the next 20 years.

Each of the operational service delivery programs currently undertaken by the City, or proposed to be undertaken in the ensuing 20 years, is also considered in this Plan. Combined with the major capital works initiatives, this presents a comprehensive overview of the City's financial strategy for the next 20 years.

The financial reporting format and income and expenses categories used throughout this Plan and the City's Annual Budget are in compliance with the *Local Government Act 1995* and the *Financial Management Regulations*.

An overall financial summary of revenues and expenditures is prepared. Total funding required must equal funding available to ensure the Plan is financially sustainable. Resources assigned to each activity area in the Plan are reviewed each year. In addition to the statutory obligation to review the Plan and publicise it for community information, as a matter of good corporate governance, the Plan is regularly reviewed to ensure its continuing relevance.

Financial Sustainability

A local government is financially sustainable if it is able to maintain its financial capital and infrastructure capital over the long term. The sustainability of local governments has been directly linked to the development and ongoing use of asset management plans together with the development and use of long term financial forecasts to assess the ongoing financial viability of the local government. Sustainability is a strategy, where point-in-time assessments and reports are used to provide a periodic assessment of the outcomes achieved by the strategy.

The City needs to continue in perpetuity; therefore it must consider how it acquires and manages a stock of financial and physical assets in order to provide services for generation after generation of local residents and ratepayers.

Financial Strategies to be Sustainable

A principle aim of long term financial planning is to ensure that the City remains financially sustainable. The definition of financial sustainability that is relevant to the Asset Management Framework and the Long Term Financial Plan can be found in the report entitled: National Financial Sustainability Study of Local Government (Australian Local Government Association, text box 16, p96).

“The financial sustainability of a council is determined by its ability to manage expected financial requirements and financial risks and shocks over the long term without the use of disruptive revenue or expenditure measures; which is determined by:

- *healthy finances in the current period and long term outlook based on continuation of the council's present spending and funding policies and given likely economic and demographic developments; and*
- *ensuring infrastructure renewals/replacement expenditure matches forward looking asset management plan expenditure needs.*

To ensure the City remains financially sustainable, it is important that sound financial strategies and principles are developed and continually reviewed in line with the changing economic and demographic outlook for the community. The City's process starts with the Strategic Community Plan which is the City's long term plan that captures the aspirations of the community and the Corporate Business Plan which provides the key focus on key priorities over the next four years. Following on from the key objectives of the Strategic Community Plan and to support the Corporate Business Plan, the Strategic Asset Management Plan and the Strategic Workforce Plan sets the priorities and ties together to form the Long Term Financial Plan.

This Long Term Financial Plan outlines these basic principles upon which it rates its ratepayers, borrows to meet community demands (if necessary) and how it reinvests budget surpluses. These strategies can be observed throughout the context of this document where it should provide the community a clear understanding of the direction of the City.

Operating Surpluses

The underlying operating result is a measure of the financial sustainability of a local government. Continuous underlying operating deficits lead to a loss in equity, reduction in asset base, drop in service standards and a deferral of costs to future generations.

The underlying operating result is the operational result (balanced, surplus or deficit) less gifted assets, developer contributions, asset revaluations, and write-offs and impacts of asset sales. Capital income is further deducted on the grounds it represents an 'unmatched' income (expenditure is not included) and it is a non-recurring income source.

The Long Term Financial Plan provides for an operating surplus in each year, which can then be applied towards capital projects and reserve provisions to meet future demand.

Framework of Long Term Financial Plan

The detailed Long Term Financial Plan has been developed as part of the City's ongoing financial planning to assist Council in adopting a budget within a longer term framework. The Plan includes:

- Forecast income statement
- Statement of cash flows
- Rate setting statement
- Statement of financial position
- Equity statement
- Reserves positions

The Long Term Financial Plan will be reviewed annually giving consideration to prevailing economic circumstances and community expectations. The review may result in new priorities being added or planned projects being deferred or reassessed according to the priorities established each year. Strategic financial parameters will also be reviewed and adjusted accordingly to reflect the most realistic current financial circumstances and outlook in any rating year and the impacts on the outer nineteen years.

This provides the City with the opportunity to:

- Update estimated income and expenditure for each year covered by the Plan;

- Change priorities to reflect emerging opportunities or changing circumstances;
- Add, modify or delete activities according to need;
- Respond appropriately to changes in community needs and perceptions; and
- Incorporate changes arising from the prescribed reviews of the Strategic Community Plan and Corporate Business Plan, and corresponding reviews of the Workforce Plan and Asset Management Plan.

The Long Term Financial Plan was developed collaboratively from a wide range of relevant inputs and forms a guide for development of the annual budget for successive years.

Key Components

The key components of the Long Term Financial Plan are:

- Assessment of the City's current financial position and organisational capabilities for achieving longer term financial sustainability.
- Ensuring alignment with the Strategic Community Plan 2017/18– 2026/27.
- Considering Council's appropriate role and responsibilities.
- Ensuring strategic financial parameters are met in the short to medium term (years one to four).
- Ensuring a focus on high priority expenditure programs and service levels.
- Ensuring alignment with revenue and financing guidelines, including budget principles, rating policy and investment policy.
- Ensuring alignment with 20 Year Capital Works Program.
- Ensuring alignment with the Resourcing Framework, and Informing Strategies and Plans (e.g. 4 year Corporate Business Plan, Strategic Asset Management Plan and Strategic Workforce Management Plan).
- Ensuring all agreed future strategies are costed.

Financial Management Principles

Strategic Budget Policy

The City of Wanneroo has a Strategic Budget Policy with clear principles and guidelines to deliver the City's objectives. The City acknowledges that it must plan for the current and future needs of its community in a socially, culturally, environmentally and financially sustainable manner. The City also acknowledges that the budget must be embraced by all stakeholders and with this in mind must be developed in a collaborative fashion.

In order to achieve long term financial sustainability the Strategic Budget Policy requires the City to use all reasonable endeavours to deliver a balanced or surplus budget for each year within the rate setting statement. As of 2016/17, the City's budget is produced using the principles of Zero-Based Budgeting. Consideration has also been given to ensure compliance with the Local Government Act 1995, Sections 6.34 (a) and (b) that the proposed rating strategy is within the limit on income from general rates of +/- 10% of the budget deficiency.

In consideration with this policy, the Long Term Financial Plan is formulated to address the strategies and deployment objectives outlined in the City's Strategic Community Plan,

Corporate Business Plan, Asset Management Plan, Workforce Management Plan and relevant informing strategies and resourcing plans.

The following principles from the Strategic Budget Policy support the City's approach:

PRINCIPLES

1.1 Capacity to Pay

Council will ensure consideration of the ratepayers' capacity to pay is evaluated in their budget deliberations, with factors influencing the prevailing economic climate, such as inflation and interest rates, recognised and assessed.

1.2 Intergenerational Equity

The City will continually engage with the community, State and Federal governments in aiming to ensure that the full cost of infrastructure and service delivery are more equitably met by all generations of ratepayers where possible. Intergenerational equity will be achieved through the City's Long Term Financial Plan and Annual Budgeting processes.

1.3 Funding Priority

The City recognises the competing demands for limited financial resources and endeavours to allocate resources in compliance with the objectives of this Policy. Prioritisation of funding allocation will be based on the following: Activities requiring compliance; Risk mitigation activities or projects; Renewal, upgrade or maintenance of existing infrastructure assets; Current operational funding for programs; New programmes or assets as supported by the Strategic Asset Management Plans and related projects prioritisation processes; and Council decisions for programmes and projects based on the current service levels demanded by the community or advised by City staff.

Rating Strategy

The Rating strategy has a direct impact on the long term financial sustainability and thus its ability to deliver services at levels necessary to meet the community expectations.

As part of the Long Term Financial Plan, the City of Wanneroo has entered the proposed budget and amount to be raised by rates which will allow Council to determine if the current rating strategy will meet its financial needs now and in the future.

An example of a funding gap that could occur is as follows:

The Long Term Financial Plan may show an identified renewal funding gap. If this is the case and the gap remains in the longer term, the community will suffer one of two likely scenarios:

1. Infrastructure will begin to fail and this will impact on the economic prosperity of the community.
2. The City of Wanneroo will experience periods of negative cashflow in order to fund maintenance activities to prolong infrastructure life. This will reduce the ability to fund existing and/or new services.

As part of the inputs to the Plan, the City has developed a rating strategy to ensure financial sustainability and meet the agreed community requirements. A review of the rating strategy was finalised and adopted by Council at the Meeting held 4 April 2016.

Local Governments are required to align to the Department of Local Government and Communities Differential Rating Policy, the principles of which are stated in the City's Rating Strategy:

PRINCIPLES

1.1 Objectivity

The City of Wanneroo has based the differential rating categories on a combination of land use, vacant land and zoning.

1.2 Fairness and equity

The benefit principle has been applied to the differential rating categories to ensure that those bearing the higher rate burden are receiving a greater benefit from Council activities. The City of Wanneroo will set rates at a level that is considerate of all ratepayers and is fair and reasonable, distributing the burden of rate paying as equitably as possible, as well as where appropriate, providing a safety net for certain groups (e.g. facilitating rebates for pensioners).

1.3 Consistency

The City will ensure that properties used for a similar purpose are being rated in the same way. There must be a 'reasonable degree of stability' in the rating from one year to the next. In other words, if the Long Term Financial Plan determines that a rate increase is the most sensible course of action then the rates must not be increased by an unreasonable amount.

1.4 Transparency

Each year, public notice is given of the proposed differential rates together with the object and reasons for each. This provides the owner/ratepayer the opportunity to make a submission on the proposed differential rates to be considered by Council at budget adoption.

1.5 Administrative efficiency

The City has recognised that differential rating is the most efficient way to raise the required rate revenue. The City will also ensure that land is properly valued as Unimproved or Gross Rental Value.

1.6 Integrated Planning and Reporting Framework alignment

The City of Wanneroo will ensure that rates are charged in accordance with reasonable community expectations and needs, flowing through from the Strategic Community Plan, Corporate Business Plan, and Asset Management Framework into this Long Term Financial Plan model.

Fees and Charges

Local governments impose fees and charges in order to recoup the costs of providing goods and services to the community. The Local Government Act 1995 states that, when setting fees and charges,

*“... a local government is required to take to consideration the following factors
– the cost to the local government of providing the service or goods; the importance of the service or goods to the community; and the price at which the service or goods could be provided by an alternative provider”*

The City will be undertaking a review of the application of a suitable policy and procedure to determine the level of recoveries of the City's costs for provision of services/assets. Currently, various methods of establishing fees and charges are applied across the organisation. However, the review will include methods such as market comparison, cost recovery, index existing by CPI, subsidised, tied to regulation, etc. A major objective of the review will be to ensure that, wherever possible, fees charged are recouping the costs involved with delivering the services.

The City is taking a longer term approach to review all fees and charges to better understand and evaluate the City's position. Although rates revenue has been on a rising trend, primarily due to the annual growth of property numbers and annual general rate increases, fees and charges have been trending flat with minimal increases.

The following principles are from the City's Strategic Budget Policy and Setting of Fees and Charges Policy:

PRINCIPLES

1.1 Acknowledges the National Competition Policy

The City acknowledges the requirements of the national competition Policy and ensures compliance by regularly reviewing its fees, charges and services to identify whether these should be adjusted to ensure that they do not create or have the potential to create unfair competition with the private sector.

1.2 User Contributes Approach

The City adopts a 'user-contributes' approach considering community expectation of the level of services and the users' capacity to pay.

1.3 Costs

Costs to the community should be fairly set, equitable across the board and where appropriate, reflect the true cost of providing goods or services.

Reserves

Reserves are sources of funding that have been set aside by Council to finance future expenditures, including unbudgeted or unforeseen events that may result in a budget deficit, and to also smooth out expenditures that tend to fluctuate year over year. Reserves receive contributions from the operating budget and other sources to assist with creating a solid and sustainable financial position. While balances can appear to be large sums available for unspecified spending, it should be noted that the majority of these funds are committed or designated for special purposes over the long term.

Reserves are reviewed regularly to confirm that they are being utilised when necessary, to confirm that the reserve purpose is still relevant, and to ensure the balances are sufficient for the requirements of the City, without being excessive.

The following principles are from the City's Cash Backed Reserves Policy:

PRINCIPLES

1.1 Detailed Purpose of Reserve

Reserves are funds retained by an organisation to help meet future needs. Holding a certain amount of funds in reserve can help an organisation to operate effectively in challenging economic times, as well as facilitate planning for major works in the future. Reserve purposes are reviewed to ensure that they are still relevant to the City's needs.

1.2 Reviewed Regularly

Reserves are reviewed regularly to ensure the funds are being utilised when required. This will aid to reduce or negate the need for external debt and is a tool to facilitate sound financial management practice and sustainability.

1.3 Maintain an adequate balance

Retaining an appropriate level of Reserves is an important funding strategy to help balance the current needs with the future needs of the community.

Grants and Contributions

Grants may be received from the State or Federal government. Contributions are funds obtained from private sources such as developers, sporting clubs or individuals. The City aims to obtain grant/contribution funding wherever possible in order to minimise the rates burden on the residents. Procedures are in place to ensure effective grant management across the City by providing a structure to accurately track applications and supporting information and provide quality control and legal compliance.

Whilst grants and contributions can be a useful alternative revenue source it is important that the programs and projects utilising the funding are a priority for the community.

Developer Contribution Plans (DCP)

Developer contribution schemes are prepared under Section 26 of the Planning and Development Act 2005 and State Planning Policy 3.6, '*Development Contributions for Infrastructure*'. The City will prepare and implement developer contribution requirements through either direct negotiation with landowners or through the introduction of provisions into the Local Town Planning Scheme - District Planning Scheme Number 2 (DPS2) (in particular, Part 9 and Schedule 6 for the East Wanneroo Cells; Part 10 and Schedule 7 for Clarkson/Butler District Distributor Roads; and Schedules 14 and 15 for the Yanchep-Two Rocks and Alkimos-Eglinton DCPs). In addition the provisions of State Planning Policy 3.6: Development Contributions for Infrastructure sets out the high level principles and requirements that all DCPs need to adhere to.

The City of Wanneroo has numerous infrastructure contribution areas and is working with the development industry and landowners to develop new requirements for future urban areas. The nature of the infrastructure will vary depending upon the anticipated need and nexus of the infrastructure, the age of the contribution area and the timing for the provision of the

required infrastructure. Each contribution scheme area will have its own infrastructure works, land value and contribution rate that is applied through the development approval process. The most common infrastructure that is provided includes public open space, open space development, regional roads, drainage and community infrastructure.

Most contribution schemes align with an agreed structure plans and include the East Wanneroo Cells (1 to 9), Alkimos/Eglington and Yanchep/Two Rocks.

More specifically, the developer contribution schemes areas include;

- East Wanneroo Cell 1 (Tapping/Ashby)
- East Wanneroo Cell 2 (Sinagra)
- East Wanneroo Cell 3 (Wanneroo)
- East Wanneroo Cell 4 (Hocking/Pearsall)
- East Wanneroo Cell 5 (Landsdale)
- East Wanneroo Cell 6 (Madeley/Pearsall)
- East Wanneroo Cell 7 (Wangara)
- East Wanneroo Cell 8 (Wangara)
- East Wanneroo Cell 9 (Landsdale)
- Alkimos/Eglington
- Yanchep/Two Rocks
- Berkley Road
- Clarkson/Butler
- Woodvale

The emergence of urban areas is currently being realised and a major component of this process will be the establishment of additional DCPs at local and district level to provide for the coordinated, equitable and structured development of infrastructure to support this urbanisation. This is likely to be a combination of infrastructure (roads, drainage and land acquisition) and community assets (parks and community facilities). It is essential that the Long Term Financial Plan give due consideration to the resources necessary to support the preparation, management and implementation of these DCPs.

Previously, the DCPs only focused on providing infrastructure such as roads and drainage, whereas community facilities are now a focus. Currently, there are two DCPs that apply in the City's Northern Coastal Growth Corridor that are collecting funds from developing landowners towards the cost of constructing district level community facilities needed by the growing communities in this area. As per signed agreements the Yanchep Two Rocks DCP operates for 10 years and is collecting funds for 3 facilities, while the Alkimos Eglington DCP operates for 25 years and is collecting funds for 11 facilities. The balance of the Alkimos Eglington DCP is slowly growing in advance of the first facilities required; however there is not currently adequate income being generated in the Yanchep Two Rocks DCP to fund the delivery of identified facilities. In the case of Yanchep Two Rocks DCP, it was a conscious decision to deliver the facilities in advance of sufficient contributions being collected. Therefore the Long Term Financial Plan needs to give due consideration to future facilities identified in the DCPs and ensure that there is adequate cashflow available.

The inclusion of these facilities within the DCP commits the City to the delivery of the infrastructure regardless of whether there have been sufficient funds collected through the DCP to fund their construction.

Investments

The City has adopted a prudent and conservative position and only the following secured investments, as restricted by the amendments to the *Local Government (Financial Management) Amendment Regulations 2012*, are allowed:

- Authorised deposit-taking institutions and the Western Australian Treasury Corporation for a term not exceeding 12 months.
- Bonds that are guaranteed by the Commonwealth Government or a State or Territory for a term not exceeding three years.
- Australian currency

Whilst exercising the power to invest, the principle objectives are threefold in terms of preservation of capital, liquidity and the return on investment.

PRINCIPLES

- 1.1** Preservation of capital is the principal objective of the investment portfolio. Investments are to be performed in a manner that seeks to ensure security and safeguarding of the investment portfolio. This includes managing credit and interest rate risk within identified thresholds and parameters.
- 1.2** The investment portfolio must ensure there is 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.
- 1.3** The investment is expected to achieve a predetermined market average rate of return that takes into account the City's tolerance risk in accordance to the City's Risk Management Policy. Any additional return target set by Council will also consider the risk limitation and prudent investment principles.

Debt Management

The City reviews its debt level and borrowing requirements under specific scenarios and aligning against an equitable intergenerational need. This is achieved by using cost / benefit analysis alongside and in alignment to the City's current plans and strategies.

The following principles are from the City's Accounting Policy and Strategic Budget Policy:

PRINCIPLES

- 1.1 Priorities**
Borrowings may be considered as a valid funding source for projects that contribute or achieve strategic goals identified in the Council's Strategic Community Plan and have an identified source of revenue.
- 1.2 Borrowing criteria**
The criteria for borrowing will be driven by the economic climate.
- 1.3 Debt management**
Cost / benefit analysis of borrowings will be undertaken alongside assessment and alignment to the City's strategic asset management plans and strategies. Borrowings are regularly reviewed to minimise cost to the City.

In 2006/07 the City entered into an agreement with the Western Australian Treasury Corporation (WATC) for a five year loan draw-down totalling \$60.78 million, to be repaid over

20 years. The agreement is for interest-only repayments over a fixed period, with the capital due to be re-paid in December 2026.

The table below details how the WATC loan has been spent and is proposed to be spent in future years.

Table 1: Loan Expenditure

Project Description	Approved Application	Funds Used	Funds to be Used			Approved Application
	2015/16	To 30/6/2015	2015/16	2016/17	2017/18-19/20	2016/17
	\$	\$	\$	\$	\$	\$
Develop Industrial Estate - Neerabup	317,887	317,887	-	-	-	317,887
Wanneroo Regional Museum and Library	10,416,178	10,416,178	-	-	-	10,416,178
Construct Community Centre - Butler	278,000	278,000	-	-	-	278,000
Redevelop Wanneroo Townsite	1,214,615	1,214,615	-	-	-	1,214,615
Redevelop Koondoola Precinct	2,000	2,000	1,291,000	-	-	1,293,000
Develop Accessible and Inclusive Playground	222,000	222,000	-	-	-	222,000
Kingsway Regional Sporting Complex	19,462,861	18,367,506	638,565	466,013	1,400,000	20,872,084
Upgrade Aquamotion	7,926,000	7,926,000	-	-	-	7,926,000
Develop Wangara Industrial Area (Lot 257)	530,000	-	497,000	-	-	497,000
Develop Wangara Industrial Area (Lot 15)	2,543,452	547,794	40,000	639,000	750,000	1,976,794
Pinjar Road - Wanneroo and Carosa Road	728,849	728,849	-	-	-	728,849
Upgrade Rocca Way Dundobar Road	10,280	54,715	-	-	-	54,715
Flynn Drive Neerabup - Construct Road	886,882	886,882	110,000	390,000	1,704,480	3,091,362
Lot 12 Fowey Loop	1,800	1,800	-	-	-	1,800
Yanchep Active Open Space	56,460	56,460	-	-	-	56,460
Kingsway Regional Playground	164,210	650,000	-	-	-	650,000
Yanchep Lagoon - Brazier Road Realignment	3,917,072	3,682,311	169,134	-	-	3,851,445
Yanchep SLSC	6,200,000	600,000	930,000	-	-	1,530,000
Southern Suburbs Library	5,899,642	-	-	-	5,800,000	5,800,000
Totals	60,778,188	45,952,996	3,675,699	1,495,013	9,654,480	60,778,188

As per the requirement of the *Local Government Act 1995*, the City sets aside funding each year from general funds for the provision of the loan repayment by 2026.

In 2012/13 the development of the land at Tamala Park, in which the City has a major interest, reached the lot creation and sale stage. Funds from these land sales will ultimately be used to repay the loan.

In 2016/17 the Council has proposed to again borrow to meet the immediate funding requirements for the Yanchep/Two Rock Developers' Contribution Plan projects. It is proposed to borrow an amount of approximately \$10.1 million to assist with the construction of the Yanchep Surf Life Saving Club, and the Yanchep Active Open Space project. These funds will eventually be recouped from the developers' contributions as lot sales in the area progress.

Asset Management

Local Governments are asset-intensive organisations, in particular infrastructure assets such as transport, parks and building assets which are necessary to support the delivery of services to the community. Of particular interest is the commitment to continue such services for current and future generations. This commitment comes with it the ongoing maintenance and replacement obligations of these assets. The estimated replacement cost of the City's depreciable infrastructure assets is \$1.6 billion.

The current growth of the City and demand for services, together with its longer-term development, has significant implications for the City's infrastructure and physical asset base.

The practice of Asset Management is to ensure sustainable outcomes now and into the future. The principal objective is to manage assets in a safe, reliable and sustainable way for the lowest whole of lifecycle cost.

Asset renewal should occur prior to the asset degrading to a point where it is no longer meeting community requirements and annual maintenance costs become a disproportionate burden, when subsequent renewal would be more significant and costly.

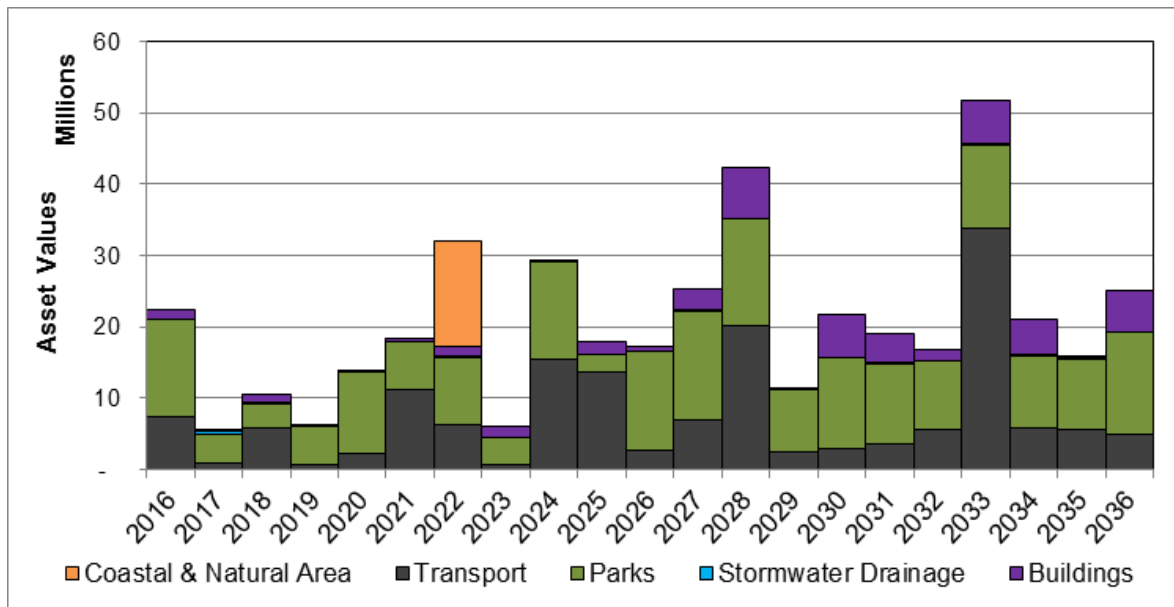
One of the biggest challenges facing the City is how it will sustainably balance the timely provision of new facilities for our rapidly growing areas as well as ensuring that the existing portfolio of assets are maintained, refurbished and/or upgraded to suitable standards.

The City is developing an Asset Management Policy and Asset Management Strategy that collectively will set out how the City will implement and improve asset management practices and processes. The key objective being credible asset management plans which link to this Long Term Financial Plan. The Long Term Financial Plan captures the current asset values and the renewal gap, determining the impact of each on long term financial projections.

The renewal cycle for infrastructure assets vary from very short to very long timeframes and it is essential to view the renewal demand over a long period.

The chart below shows the 20 year long term asset renewal demand profile for the City's consolidated infrastructure assets.

Figure 1: Asset Renewal Demand



A longer term view of the City's infrastructure renewal demand depicted in Figure 1 identifies that the level of renewal expenditure required following 2024/25 increases incrementally (with significant spikes in individual years) and continues to increase at a higher rate each year thereafter. This is the impact of the increasing amounts of gifted assets resulting from recent and current growth experienced in the City of Wanneroo. In view of this, renewal expenditure funding demand is likely to increase at a rate higher than the increase in rateable properties and therefore as a proportion of overall expenditure.

One of the ratios prescribed by the Department of Local Government and Communities (DLGC) for Asset Management is the Asset Sustainability Ratio (ASR), which measures the extent of asset replacement at the end of useful life. The ratio is intended to indicate whether a local government is renewing or replacing existing non-financial assets at the same rate that its overall stock of assets is deteriorating. It is calculated by measuring capital expenditure on renewal or replacement of assets relative to the rate of depreciation of assets for the same period.

The standard set by the DLGC is a ratio of between 90% and 110%; however the current ASR for the City's Infrastructure Assets is approximately 27%. The DLGC's Asset Management Framework and Guidelines publication provides the following explanation in respect to the ASR:

"If capital expenditure on renewing or replacing assets is at least equal to depreciation on average over time, then the local government is ensuring the value of its existing stock of physical assets is maintained. If capital expenditure on existing assets is less than depreciation then, unless a local government's overall asset stock is relatively new, it is likely that it is underspending on renewal or replacement."

A large percentage of the City's assets are in new to very good condition with approximately 85% of the total asset base at or below condition 2 (a rating of '0' represents a new asset and a '10' represents an asset that has failed). Less than 1% of the asset base is at or above condition 8, which represents assets that require intervention.

With the City's current mix of old and new assets and continued high growth, a lower than average ASR is expected, and the current condition of assets and level of renewal expenditure confirms this position. As the stock ages and renewal expenditure incrementally increases the ratio should increase, however continued growth may keep it relatively lower than the industry standard.

Taking a long term outlook, the level of asset stock and renewal demand necessitates the development of strategies to address the future impact and ensure that the City can continue to grow and maintain its assets in a financially sustainable manner. Given that renewal expenditure is lower than the depreciation being charged and that certain years' experience significant spikes in demand, a specific Asset Renewal Reserve has been established to address this. Factored into the model is an increase in the reserve of \$2.0M per annum.

Other strategies may also be required to ensure the renewal demand and funding remains sustainable. These may include:

- target grant funding or partnerships;
- review and ensure currency of the condition rating of assets that informs the renewal intervention scheduling;
- reduce the level of service that is offered through a particular asset or asset class;
- consider opportunities to rationalise assets;
- increase rates or increase customer charges; or
- continue with regular reserve allocations to the Asset Renewal Reserve.

The City's 20-year Long Term Financial Plan is premised on providing for 'business as usual' activities over the life of the Plan, with the major changes arising from growth expectations. Over the 20 years the proposed capital spend amounts to \$1.3 billion.

This plan includes the delivery of assets, replacement and renewal works, as well as enhancement and development of new facilities and infrastructure for the community.

The following principles are from the Infrastructure Asset Management Policy:

PRINCIPLES

1.1 Understanding The City's Assets

Ensure that assets service the community for current and future generations.

1.2 Optimising Assets

Ensure that assets provide a level of service and risk the community is willing to support.

1.3 Asset Management

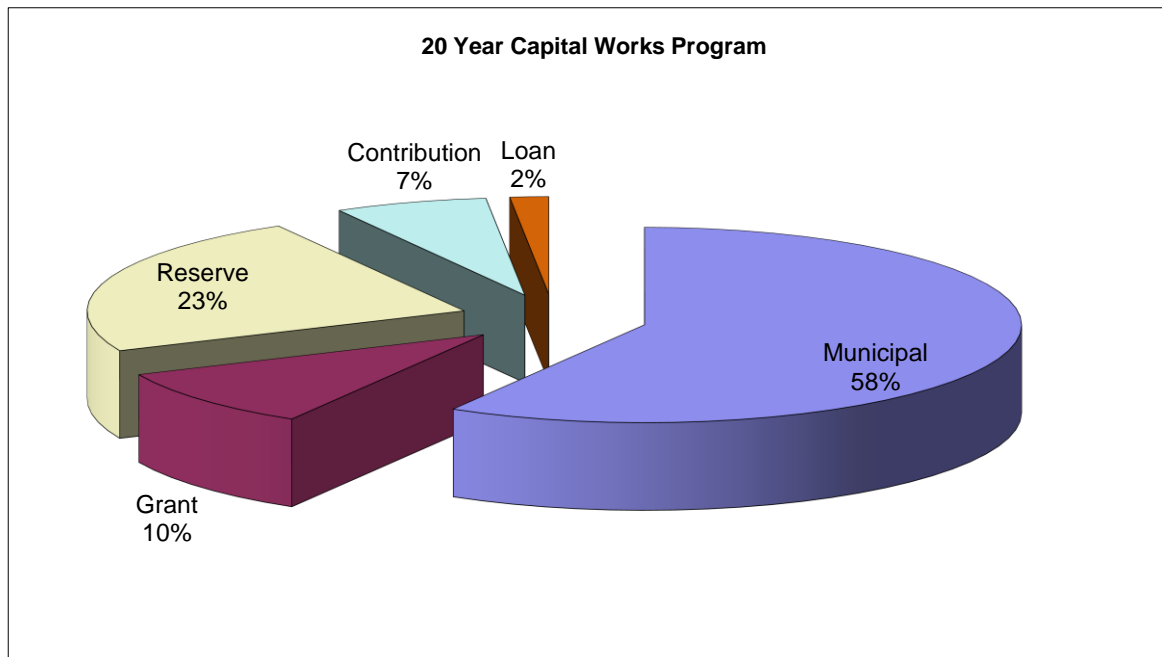
Ensure the sustainable management of assets, and allow informed decision making, incorporating life cycle costing principles.

The program relies on the following funding sources.

Table 2: Capital Works Funding Sources

**20 YEAR CAPITAL WORKS PROGRAM
FUNDING BREAKDOWN**

	\$M	
Municipal	736.26	58.5%
Grant	123.92	9.8%
Reserve	295.75	23.5%
Contribution	82.58	6.6%
Loan	20.83	1.7%
Grand Total	1,259.36	100%

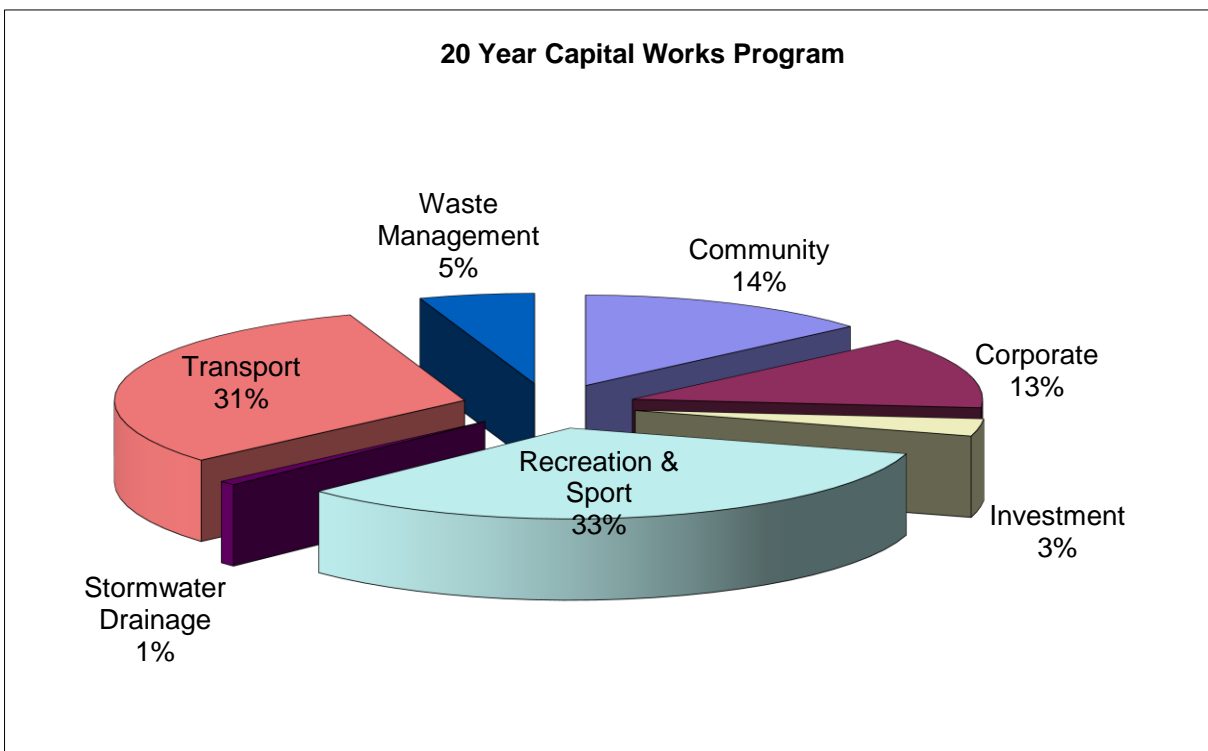


The following information details the 20 year Capital Works Program by Reporting Program:

Table 3: Capital Works by Reporting Program

**20 YEAR CAPITAL WORKS PROGRAM 2016/2017 - 2035/2036
PROGRAM BREAKDOWN**

Program	\$M	
Community	172.11	13.7%
Corporate	161.58	12.8%
Investment	38.70	3.1%
Recreation & Sport	417.49	33.2%
Stormwater Drainage	10.15	0.8%
Transport	392.40	31.2%
Waste Management	66.93	5.3%
Grand Total	1,259.36	100%



The Long Term Financial Plan reflects a responsible and sustainable financial strategy for the City with all proposals detailed in the Plan being fully funded in the financial model. Sources of funding comprise of accumulated reserve funds, application of borrowings, asset sales and grant revenue, in addition to rates.

Assumptions

The following assumptions form the basis upon which this Long Term Financial Plan has been constructed:

General

- This Plan covers a period of 20 years.

Variables

All escalation, inflation and growth factors and percentages used in this model are summarised in the 'Variables' report.

Population Growth	The population forecasts by .id the Population Experts have been applied.
Consumer Price Index - (CPI)	Department of Treasury have provided forecast data up to 2018/19. Perth CPI is forecast to grow at 1.76% in 2016/17, and projected to increase slightly to 2.25% in 2017/18, then to 2.5% in the following years. This rate is used to determine: Operating Grants, Subsidies and Contributions, Fees and Charges, Other Revenue, Insurance, and Other Expenditure.
Rates Base	Based on the current rate increase for 2016/17 of 4.59%, with future increases set to CPI to CPI + 2%. When establishing this rate, consideration has been given for future years proposed expenditure and measures implemented by the State Government, such as scrutiny of ratios including the Asset Renewal Funding Ratio, Asset Sustainability and Asset Consumption Ratio.
Rates Growth	Based on the population growth forecast as stated by id Forecast, which have been recently updated to reflect current conditions. The new projected figure for the City in 2017/18 is 3.70%, decreasing over the remaining years to an expected growth rate of 2.45% in 2035/36.
Operating Grants etc.	Based on the Perth CPI figures as quoted above.
Fees and Charges	Based on the Perth CPI figures as quoted above.
Interest Yield	Based on the current yield for the Australian 15 Year Bonds plus a gross up of 0.50% to reflect risk margin.
Other Revenue	Based on the Perth CPI figures as quoted above.
Employee – Establishment	Costs are based on the current Enterprise Agreement which consists of 3% in 2016/17, 3% in 2017/18 and 3% in 2018/19. For the projected years, the current CPI index rate of 2.5% is used. Superannuation Guarantee costs are projected to increase from 9.5% to 12%.
Employee – Growth	It is intended to minimise growth of employee numbers in lieu of funding improvements to technology, whilst taking into consideration the City's expansion including new facilities. With the intention of minimising growth in employee numbers, employee growth has been set at 1.5% every year for the life of the Plan.
Materials & Contracts	Based on the Perth CPI figures as quoted above.
Materials & Contracts – Asset Growth	Calculation of historical data has shown that the increase in maintenance and other materials costs has been consistently around the 5% range. This growth rate has been decreased to 3.5% from Years 11 to 20 in light of anticipated reductions.

Utility Charges	With regular annual increases in Government charges, plus consistent increases in City growth, the variable has been kept at 10% for the first 10 years of the LTFP. This is also consistent with past trends. However from Years 11 to 20 the rate has been decreased to 5% based on future initiatives that will be implemented by the City.
Depreciation	Is calculated from current asset values and future assets from the capital works program.
Insurance	Based on the Perth CPI figures as quoted above.
Other Expenditure	Based on the Perth CPI figures as quoted above.

Data

- Capital works expenditure figures are sourced from the current 20 year Capital Works Program.
- Operating revenues and expenses are based on the draft 2016/17 budget.
- Depreciation is calculated based on current asset values and future assets from the Capital Works Program.
- Other expenditure currently takes into account the costs for Council elections (every two years); Mayoral elections (every four years) and rates' gross rental value revaluations (every three years).
- Reserves transfers are based on data from the 20 year Capital Works Program, 20 year Fleet Replacement Program, estimated land sales etc.
- Asset Renewal Reserve is increasing by \$2.0M per annum.
- Any bottom line surplus/deficit is transferred to/from the Strategic Projects/Initiatives reserve to balance the rate-setting statement as per Council policy.

Risk Assessment

The City has performed a risk assessment of the Long Term Financial Plan and stated below are the factors that could directly or indirectly affect part or parts of the assumptions and/or parameters of the Plan. The City will closely monitor and where appropriate, manage these risks and regularly reassess the Plan to ensure the predicted financial outcome remains current and realistic:

1. Non-controllable global financial, social and economic environments.
2. Financial risks resulting from variation of global or local economic indicators such as interest rate, inflation, exchange rate or commodity price movements.
3. Non-controllable pressures from State Government cost shifting.
4. The properties growth rate could change in response to any global or local uncertainties, which will affect both revenue and expenditures.
5. Continuous funding demands to meet community expectations, the City's Resourcing Strategies (e.g. Strategic Asset Management Plan and Strategic Workforce Management Plan).

Scenario Modelling/Sensitivity Analysis

The City modelled various rating scenarios for the 20 year life of the Plan, using the existing budget principle advocating yearly rates increases of Consumer Price Index plus 2%–3% (4.25% to 5.5% over the life of the Plan). A summary of the results is shown in the table below, with the preferred scenario in bold.

Scenario	Rate Increase Basis	Years 2, 3–20 Rate Increase	Results
1	CPI	2.25%, 2.5%	Operating deficits in all 20 years, increasing over time.
2	CPI + 1%	3.25%, 3.5%	Operating deficits in 6 out of the first 7 years, before returning to surplus.
3	CPI + 2%	4.25%, 4.5%	An operating surplus in all 20 years, increasing over time
4	CPI + 3%	5.25%, 5.5%	Operating surpluses in all 20 years, increasing significantly over time.

Whilst scenario 3 ensured the City achieved annual surpluses, the quantum of these surpluses was greater than required over the 20 year period. Considering this, further scenarios were created that provided a more appropriate return. This is shown in the table below, with scenario 8 being the preferred scenario:

Scenario	Rating Increases	Result
5	CPI + 2% for Yrs 2-10, CPI for Yrs 11-20	Operating surpluses in all but years' 19 and 20.
6	CPI + 2% for Yrs 2-8, CPI + 1% for Yrs 9-15, CPI for Yrs 16-20	Operating surpluses in all but year 20.
7	CPI + 2% for Yrs 2-9, CPI for Yrs 10-18, CPI + 1% for Yrs 19-20	Operating surpluses in years' 1-16, with increasing deficits from year 17 on.
8	CPI + 2% for Yrs 2-4, CPI +1% for Yrs 5-8, CPI for Yrs 9-10, CPI + 1% for Yrs 11-20	Operating surpluses in 17 of the 20 years.

Whilst scenario 8 requires a drawdown from the Strategic Projects / Initiatives reserve to balance net cash flow in 9 of the 20 year timeframe of the Plan, the reserve still maintains a balance of \$66.9 million by year 20 of the Plan.

Even though scenario 8 provided an acceptable result, it was determined that additional variables required change. The Materials and Contracts – Growth due to Increase in Asset Levels and utilities variables were deemed to be excessive over the life of the 20 years. Assumptions for the various scenarios are shown below.

Modelling Assumptions for Scenarios 1 to 8

- Operating revenues and expenses (excluding rates) remain constant for all scenarios.
- The rates growth rate remains constant for all scenarios, as per “Variables” table under the Financial Reports.
- CPI is as per “Variables” table under the Financial Reports.
- 2016/17 rates increase is constant at the adopted rate of 4.59%.

Modelling Assumptions for Scenario 9

- Operating revenues and expenses (excluding rates) are different from Scenario 1 to 8 by the following factors: the *Rates – Base, Materials and Contracts – Growth due to Increase in Asset Levels* and the *Utilities* variable.
- 2016/17 rates increase is at the adopted rate of 4.59%.
- Variables for Scenario 9 are as per the “Variables” table under the Financial Reports.

INCOME STATEMENT - SCENARIO MODELLING	Budget	Predictions																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
	\$('000) 16-17	\$('000) 17-18	\$('000) 18-19	\$('000) 19-20	\$('000) 20-21	\$('000) 21-22	\$('000) 22-23	\$('000) 23-24	\$('000) 24-25	\$('000) 25-26	\$('000) 26-27	\$('000) 27-28	\$('000) 28-29	\$('000) 29-30	\$('000) 30-31	\$('000) 31-32	\$('000) 32-33	\$('000) 33-34	\$('000) 34-35	\$('000) 35-36	
Operating Revenues (Excluding Rates)	41,538	42,233	42,996	43,779	44,582	45,406	46,251	47,117	48,007	48,919	49,854	50,814	51,799	52,809	53,845	54,908	55,998	57,116	58,263	59,440	
Operating Expenses	(181,964)	(195,315)	(207,357)	(220,445)	(232,822)	(246,612)	(261,700)	(276,641)	(292,198)	(311,767)	(326,134)	(342,753)	(363,053)	(383,747)	(406,952)	(432,671)	(456,405)	(483,549)	(512,624)	(543,353)	
Operating Result (Excluding Rates)	(140,426)	(153,082)	(164,361)	(176,666)	(188,241)	(201,206)	(215,450)	(229,524)	(244,192)	(262,849)	(276,279)	(291,939)	(311,255)	(330,939)	(353,107)	(377,763)	(400,407)	(426,433)	(454,361)	(483,913)	
Scenario 1 - 4.59% Increase in 2016/17, CPI for Years 2-20																					
Rates - Increase to Base	142,128	145,326	154,349	163,841	173,836	184,266	195,230	206,748	218,740	231,317	244,386	257,950	272,137	286,833	302,178	318,042	334,581	351,644	369,402	387,872	
Rates - Increase due to Growth	-	5,259	5,496	5,754	5,936	6,202	6,476	6,656	6,936	7,109	7,272	7,550	7,699	7,975	8,107	8,378	8,487	8,748	9,010	9,271	
Operating Result	1,702	(2,498)	(4,516)	(7,071)	(8,469)	(10,738)	(13,744)	(16,119)	(18,516)	(24,423)	(24,621)	(26,439)	(31,418)	(36,131)	(42,822)	(51,343)	(57,339)	(66,040)	(75,949)	(86,769)	
Scenario 2 - 4.59% Increase in 2016/17, CPI + 1% for Years 2-20																					
Rates - Increase to Base	142,128	146,747	157,326	168,575	180,543	193,181	206,607	220,863	235,882	251,804	268,549	286,139	304,738	324,241	344,831	366,383	389,098	412,833	437,810	464,078	
Rates - Increase due to Growth	-	5,259	5,548	5,863	6,105	6,439	6,787	7,042	7,407	7,664	7,914	8,294	8,539	8,928	9,162	9,558	9,774	10,171	10,575	10,985	
Operating Result	1,702	(1,077)	(1,487)	(2,228)	(1,592)	(1,585)	(2,055)	(1,618)	(903)	(3,381)	184	2,494	2,022	2,231	886	(1,823)	(1,534)	(3,428)	(5,976)	(8,849)	
Scenario 3 - 4.59% Increase in 2016/17, CPI + 2% for Years 2-20																					
Rates - Increase to Base	142,128	148,168	160,331	173,398	187,443	202,439	218,533	235,797	254,189	273,888	294,841	317,101	340,884	366,109	393,018	421,512	451,861	483,943	518,061	554,326	
Rates - Increase due to Growth	-	5,259	5,600	5,974	6,278	6,683	7,110	7,446	7,905	8,256	8,605	9,103	9,460	9,985	10,343	10,891	11,242	11,809	12,394	12,996	
Operating Result	1,702	344	1,570	2,705	5,481	7,916	10,193	13,719	17,903	19,296	27,167	34,266	39,089	45,155	50,254	54,640	62,697	69,319	76,094	83,409	
Scenario 4 - 4.59% Increase in 2016/17, CPI + 3% for Years 2-20																					
Rates - Increase to Base	142,128	149,589	163,365	178,313	194,539	212,048	231,026	251,587	273,727	297,678	323,427	351,080	380,922	412,919	447,398	484,308	524,022	566,467	612,068	661,033	
Rates - Increase due to Growth	-	5,259	5,652	6,085	6,454	6,934	7,445	7,870	8,432	8,888	9,350	9,983	10,471	11,155	11,662	12,395	12,914	13,692	14,504	15,351	
Operating Result	1,702	1,766	4,656	7,731	12,752	17,776	23,021	29,933	37,968	43,717	56,498	69,124	80,138	93,135	105,953	118,940	136,529	153,726	172,211	192,472	
Scenario 5 - 4.59% Increase in 2016/17, CPI + 2% for Years 2-10, CPI for Years 11-20																					
Rates - Increase to Base	142,128	148,168	160,331	173,398	187,443	202,439	218,533	235,797	254,189	273,888	289,198	305,248	322,037	339,427	357,586	376,360	395,930	416,123	437,137	458,994	
Rates - Increase due to Growth	-	5,259	5,600	5,974	6,278	6,683	7,110	7,446	7,905	8,256	8,605	8,934	9,111	9,438	9,594	9,914	10,043	10,352	10,662	10,971	
Operating Result	1,702	344	1,570	2,705	5,481	7,916	10,193	13,719	17,903	19,296	21,524	22,244	19,894	17,926	14,073	8,510	5,567	42	(6,562)	(13,947)	
Scenario 6 - 4.59% Increase in 2016/17, CPI + 2% for Years 2-8, CPI + 1% for Years 9-15, CPI for Years 16-20																					
Rates - Increase to Base	142,128	148,168	160,331	173,398	187,443	202,439	218,533	235,797	251,756	268,750	286,622	305,395	325,246	346,062	368,037	387,261	407,399	428,176	449,799	472,289	
Rates - Increase due to Growth	-	5,259	5,600	5,974	6,278	6,683	7,110	7,446	7,905	8,179	8,446	8,852	9,113	9,529	9,779	10,201	10,334	10,652	10,971	11,289	
Operating Result	1,702	344	1,570	2,705	5,481	7,916	10,193	13,719	15,470	14,080	18,789	22,309	23,105	24,653	24,709	19,699	17,326	12,395	6,409	(335)	
Scenario 7 - 4.59% Increase in 2016/17, CPI + 2% for Years 2-9, CPI for Years 10-18, CPI + 1% for Years 19-20																					
Rates - Increase to Base	142,128	148,168	160,331	173,398	187,443	202,439	218,533	235,797	254,189	268,647	283,825	299,577	316,054	333,121	350,943	369,367	388,575	408,392	433,201	459,193	
Rates - Increase due to Growth	-	5,259	5,600	5,974	6,278	6,683	7,110	7,446	7,905	8,256	8,446	8,768	8,942	9,262	9,416	9,730	9,857	10,160	10,464	10,870	
Operating Result	1,702	344	1,570	2,705	5,481	7,916	10,193	13,719	17,903	14,054	15,991	16,406	13,741	11,445	7,251	1,334	(1,976)	(7,881)	(10,696)	(13,849)	
Scenario 8 - 4.59% Increase in 2016/17, CPI + 2% for Years 2-4, CPI + 1% for Years 5-8, CPI for Years 9-10, CPI + 1% for Years 11-20																					
Rates - Increase to Base	142,128	148,168	160,331	173,398	185,650	198,645	212,451	227,110	240,210	254,022	270,992	288,742	307,511	327,191	347,968	369,716	392,638	416,589	441,793	468,301	
Rates - Increase due to Growth	-	5,259	5,600	5,974	6,278	6,621	6,979	7,241	7,616	7,807	7,986	8,369	8,616	9,010	9,246	9,645	9,863	10,264	10,671	11,085	
Operating Result	1,702	344	1,570	2,705	3,687	4,060	3,980	4,827	3,635	(1,020)	2,699	5,173	4,872	5,262	4,107	1,597	2,095	420	(1,897)	(4,527)	

INCOME STATEMENT - SCENARIO MODELLING (Cont'd)	Budget	Predictions																		
	1 \$('000)	2 \$('000)	3 \$('000)	4 \$('000)	5 \$('000)	6 \$('000)	7 \$('000)	8 \$('000)	9 \$('000)	10 \$('000)	11 \$('000)	12 \$('000)	13 \$('000)	14 \$('000)	15 \$('000)	16 \$('000)	17 \$('000)	18 \$('000)	19 \$('000)	20 \$('000)
	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35	35-36
Operating Revenues (Excluding Rates)	41,538	42,233	42,996	43,779	44,582	45,406	46,251	47,117	48,007	48,919	49,854	50,814	51,799	52,809	53,845	54,908	55,998	57,116	58,263	59,440
Operating Expenses	(181,964)	(195,315)	(207,357)	(220,445)	(232,822)	(246,612)	(261,700)	(276,641)	(292,198)	(311,767)	(323,439)	(336,981)	(353,779)	(370,501)	(389,212)	(409,862)	(427,891)	(448,627)	(470,518)	(493,146)
Operating Result (Excluding Rates)	(140,426)	(153,082)	(164,361)	(176,666)	(188,241)	(201,206)	(215,450)	(229,524)	(244,192)	(262,849)	(273,585)	(286,167)	(301,980)	(317,692)	(335,367)	(354,955)	(371,893)	(391,511)	(412,255)	(433,706)
Scenario 9 - 4.59% Increase in 2016/17, CPI + 2% for Years 2-4, CPI + 1% for Years 5-8, CPI for Years 9-20																				
Rates - Increase to Base	142,128	148,168	160,331	173,398	185,650	198,645	212,451	227,110	240,210	254,022	268,374	283,269	298,849	314,987	331,838	349,260	367,421	386,160	405,661	425,944
Rates - Increase due to Growth	-	5,259	5,600	5,974	6,278	6,621	6,979	7,241	7,616	7,807	7,986	8,291	8,455	8,758	8,903	9,200	9,320	9,607	9,894	10,181
Operating Result	1,702	344	1,570	2,705	3,687	4,060	3,980	4,827	3,635	(1,020)	2,775	5,393	5,324	6,053	5,374	3,505	4,848	4,256	3,300	2,419

Financial Reports, Ratios and Analysis

VARIABLES (Scenario 9)	Projection																		
	2 17-18	3 18-19	4 19-20	5 20-21	6 21-22	7 22-23	8 23-24	9 24-25	10 25-26	11 26-27	12 27-28	13 28-29	14 29-30	15 30-31	16 31-32	17 32-33	18 33-34	19 34-35	20 35-36
OPERATIONS-Revenue																			
Rates - Base	4.25%	4.50%	4.50%	3.50%	3.50%	3.50%	3.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Rates - Growth or Decline	3.70%	3.65%	3.60%	3.50%	3.45%	3.40%	3.30%	3.25%	3.15%	3.05%	3.00%	2.90%	2.85%	2.75%	2.70%	2.60%	2.55%	2.50%	2.45%
Operating grants, subsidies and contributions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fees and charges	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Service charges																			
Investment Interest Yield	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Other revenue	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
OPERATIONS-Expenditure																			
Employee costs - establishment	3.00%	3.00%	2.50%	2.50%	3.00%	3.00%	3.00%	3.00%	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Employee costs - growth	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Materials and contracts	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Materials and contracts - Growth due to increase in Asset Levels	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Utility charges (electricity, gas, water etc.)	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Depreciation on non-current assets																			
Insurance expense	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Other expenditure	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
CAPITAL-Assets																			
Average Depreciation - PPE (Buildings)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Average Depreciation - PPE (Other)	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Average Depreciation - Plant & Vehicles	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Average Depreciation - Infrastructure Roads	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Average Depreciation - Infrastructure Other	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
CPI Inflation	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

INCOME STATEMENT (Scenario 9)

	Budget	Predictions																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)
16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35		
Operating Revenues																					
Rates - base	142,128	148,168	160,331	173,398	185,650	198,645	212,451	227,110	240,210	254,022	268,374	283,269	298,849	314,987	331,838	349,260	367,421	386,160	405,661	425,944	
Rates - growth or decline	-	5,259	5,600	5,974	6,278	6,621	6,979	7,241	7,616	7,807	7,986	8,291	8,455	8,758	8,903	9,200	9,320	9,607	9,894	10,181	
Operating grants, subsidies and contributions	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	
Fees and charges	19,764	20,209	20,714	21,232	21,763	22,307	22,864	23,436	24,022	24,622	25,238	25,869	26,515	27,178	27,858	28,554	29,268	30,000	30,750	31,519	
Service charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest earnings	8,547	8,782	9,023	9,271	9,526	9,788	10,058	10,334	10,618	10,910	11,210	11,519	11,835	12,161	12,495	12,839	13,192	13,555	13,928	14,311	
Other revenue	644	659	675	692	710	727	745	764	783	803	823	843	865	886	908	931	954	978	1,003	1,028	
Total Operating Revenue	183,666	195,659	208,927	223,150	236,509	250,672	265,680	281,468	295,833	310,747	326,214	342,374	359,103	376,553	394,586	413,367	432,739	452,883	473,818	495,565	
Operating Expenses																					
Employee costs - establishment	(71,299)	(73,438)	(76,743)	(79,807)	(83,000)	(86,741)	(90,644)	(94,723)	(98,985)	(103,440)	(107,570)	(111,873)	(116,348)	(121,001)	(125,842)	(130,875)	(136,110)	(141,555)	(147,217)	(153,105)	
Employee costs - growth	-	(1,069)	(1,118)	(1,168)	(1,215)	(1,263)	(1,320)	(1,379)	(1,442)	(1,506)	(1,574)	(1,637)	(1,703)	(1,771)	(1,842)	(1,915)	(1,992)	(2,072)	(2,154)	(2,241)	
Materials and contracts	(55,557)	(56,807)	(61,139)	(65,801)	(70,818)	(76,218)	(82,030)	(88,284)	(95,016)	(102,261)	(110,059)	(116,758)	(123,866)	(131,406)	(139,406)	(147,892)	(156,895)	(166,446)	(176,578)	(187,328)	
Utility charges (electricity, gas, water etc.)	(8,853)	(9,738)	(10,712)	(11,783)	(12,962)	(14,258)	(15,683)	(17,252)	(18,977)	(20,875)	(21,918)	(23,014)	(24,165)	(25,373)	(26,642)	(27,974)	(29,373)	(30,841)	(32,384)	(34,003)	
Depreciation on non-current assets	(40,055)	(45,004)	(48,442)	(51,372)	(55,057)	(57,703)	(60,782)	(63,922)	(66,986)	(71,219)	(74,385)	(77,204)	(80,284)	(83,751)	(88,368)	(92,346)	(95,683)	(99,019)	(102,435)	(107,040)	
Interest expense	(4,615)	(4,485)	(4,485)	(4,485)	(4,485)	(4,485)	(4,485)	(4,485)	(4,115)	(4,115)	(2,057)	-	-	-	-	-	-	-	-	-	
Insurance expense	(1,585)	(1,621)	(1,661)	(1,703)	(1,745)	(1,789)	(1,833)	(1,879)	(1,926)	(1,974)	(2,024)	(2,074)	(2,126)	(2,179)	(2,234)	(2,290)	(2,347)	(2,406)	(2,466)	(2,466)	
Materials and contracts from asset growth	-	(2,840)	(3,057)	(3,290)	(3,541)	(3,811)	(4,101)	(4,414)	(4,751)	(5,113)	(3,852)	(4,087)	(4,335)	(4,599)	(4,879)	(5,176)	(5,491)	(5,826)	(6,180)	(6,556)	
Other expenditure	-	(312)	-	(1,037)	-	(344)	(821)	(302)	-	(1,265)	-	(334)	(953)	(419)	-	(1,394)	-	(463)	(1,105)	(407)	
Total Operating Expenditure	(181,964)	(195,315)	(207,357)	(220,445)	(232,822)	(246,612)	(261,700)	(276,641)	(292,198)	(311,767)	(323,439)	(336,981)	(353,779)	(370,501)	(389,212)	(409,862)	(427,891)	(448,627)	(470,518)	(493,146)	
Operating Result	1,702	344	1,570	2,705	3,687	4,060	3,980	4,827	3,635	(1,020)	2,775	5,393	5,324	6,053	5,374	3,505	4,848	4,256	3,300	2,419	
Revenue (Asset related)																					
Non-Operating grants, subsidies and contributions	20,603	18,944	18,067	17,284	11,400	11,402	12,253	8,520	17,120	9,055	7,310	7,607	7,612	7,987	9,856	8,377	7,220	7,225	8,730	7,235	
Physical assets received from developers	50,000	60,638	63,372	66,105	68,838	71,572	74,305	77,039	79,772	82,505	85,239	87,972	90,706	93,439	96,172	98,906	101,639	104,373	107,106	109,839	
Town planning income	22,570	7,382	5,942	9,033	7,563	7,282	5,126	6,147	6,447	7,447	3,545	2,000	2,000	2,000	2,000	3,000	3,000	3,000	3,000	3,000	
Town planning expenses	(18,601)	(12,420)	(16,942)	(41,228)	(8,280)	(7,230)	(7,080)	(18,050)	(3,080)	(3,050)	(3,050)	(3,050)	(3,050)	(3,050)	(3,050)	(3,050)	(3,050)	(3,050)	(3,050)	(3,050)	
Financial Asset Value Movement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Profit on asset disposal	4,233	1,167	3,000	4,000	6,500	7,000	6,167	6,333	4,667	9,000	4,833	2,676	500	500	500	500	500	500	500	500	
Loss on asset disposal	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	
Net Result	80,007	75,556	74,509	57,400	89,208	93,586	94,252	84,317	108,061	103,437	100,153	102,098	102,591	106,428	110,352	110,737	113,658	115,804	119,086	119,444	

STATEMENT OF CASH FLOWS (Scenario 9)

	Budget	Projections/Predictions																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	
	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35	35-36	
Cash Flows from Operating Activities																					
Receipts																					
Rates	142,128	153,427	165,931	179,372	191,928	205,266	219,430	234,351	247,826	261,828	276,360	291,560	307,304	323,745	340,741	358,460	376,741	395,767	415,555	436,125	
Operating Grants, Subsidies and Contributions	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	12,583	
Fees and Charges	19,764	20,209	20,714	21,232	21,763	22,307	22,864	23,436	24,022	24,622	25,238	25,869	26,515	27,178	27,858	28,554	29,268	30,000	30,750	31,519	
Service Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest Earnings	8,547	8,782	9,023	9,271	9,526	9,788	10,058	10,334	10,618	10,910	11,210	11,519	11,835	12,161	12,495	12,839	13,192	13,555	13,928	14,311	
Goods and Services Tax	9,700	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	
Other Revenue	644	659	675	692	710	727	745	764	783	803	823	843	865	886	908	931	954	978	1,003	1,028	
	193,366	204,659	217,927	232,150	245,509	259,672	274,680	290,468	304,833	319,747	335,214	351,374	368,103	385,553	403,586	422,367	441,739	461,883	482,818	504,565	
Payments																					
Employee Costs	(71,299)	(74,508)	(77,861)	(80,975)	(84,214)	(88,004)	(91,964)	(96,102)	(100,427)	(104,946)	(109,144)	(113,510)	(118,050)	(122,772)	(127,683)	(132,790)	(138,102)	(143,626)	(149,371)	(155,346)	
Materials and Contracts	(55,557)	(59,648)	(64,196)	(69,091)	(74,359)	(80,029)	(86,131)	(92,699)	(99,767)	(107,374)	(113,911)	(120,845)	(128,201)	(136,006)	(144,285)	(153,068)	(162,386)	(172,272)	(182,759)	(193,884)	
Utility Charges	(8,853)	(9,738)	(10,712)	(11,783)	(12,962)	(14,258)	(15,683)	(17,252)	(18,977)	(20,875)	(21,918)	(23,014)	(24,165)	(25,373)	(26,642)	(27,974)	(29,373)	(30,841)	(32,384)	(34,003)	
Interest Expense	(4,615)	(4,485)	(4,485)	(4,485)	(4,485)	(4,485)	(4,485)	(4,485)	(4,115)	(4,115)	(2,057)	-	-	-	-	-	-	-	-	-	
Insurance Expense	(1,585)	(1,621)	(1,661)	(1,703)	(1,745)	(1,789)	(1,833)	(1,879)	(1,926)	(1,974)	(2,024)	(2,074)	(2,126)	(2,179)	(2,234)	(2,290)	(2,347)	(2,406)	(2,466)	(2,466)	
Goods and Services Tax	(9,700)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	
Other Expenditure	-	(312)	-	(1,037)	-	(344)	(821)	(302)	-	(1,265)	-	(334)	(953)	(419)	-	(1,394)	-	(463)	(1,105)	(407)	
	(151,609)	(159,311)	(167,915)	(178,073)	(186,765)	(197,908)	(209,918)	(221,719)	(234,212)	(249,549)	(258,054)	(268,777)	(282,495)	(295,750)	(309,844)	(326,517)	(341,208)	(358,608)	(377,084)	(395,105)	
Net Cash Provided by Operating Activities	41,757	45,348	50,012	54,077	58,744	61,764	64,762	68,749	70,621	70,198	77,160	82,597	85,607	89,803	93,742	95,851	100,531	103,275	105,735	109,460	
Cash Flows from Investing Activities																					
Payments for Purchase of Property, Plant & Equipment	(45,349)	(35,762)	(24,987)	(32,236)	(22,091)	(21,422)	(23,406)	(21,253)	(32,985)	(18,907)	(16,556)	(14,255)	(17,068)	(34,013)	(27,607)	(12,460)	(12,456)	(13,792)	(26,286)	(24,286)	
Payments for Construction of Infrastructure	(47,080)	(48,266)	(45,498)	(55,525)	(36,768)	(40,112)	(48,290)	(51,414)	(61,865)	(48,924)	(43,790)	(45,970)	(62,627)	(77,687)	(77,313)	(59,234)	(65,209)	(60,140)	(75,413)	(78,572)	
Grants, Subsidies and Contributions used for Development of Assets	20,603	18,944	18,067	17,284	11,400	11,402	12,253	8,520	17,120	9,055	7,310	7,607	7,612	7,987	9,856	8,377	7,220	7,225	8,730	7,235	
Town Planning Income	22,570	7,382	5,942	9,033	7,563	7,282	5,126	6,147	6,447	7,447	3,545	2,000	2,000	2,000	2,000	3,000	3,000	3,000	3,000	3,000	
Town planning Expenses	(18,601)	(12,420)	(16,942)	(41,228)	(8,280)	(7,230)	(7,080)	(18,050)	(3,080)	(3,050)	(3,050)	(3,050)	(3,050)	(3,050)	(3,050)	(3,050)	(3,050)	(3,050)	(3,050)	(3,050)	
Proceeds from Asset Disposal	5,481	1,930	3,611	4,829	6,635	7,720	7,243	6,611	6,119	9,698	5,042	3,433	1,093	1,487	1,118	1,125	1,153	945	1,594	1,253	
Net Movements in Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net Cash Used in Investing Activities	(62,375)	(68,191)	(59,807)	(97,843)	(41,542)	(42,361)	(54,153)	(69,438)	(68,243)	(44,680)	(47,498)	(50,236)	(72,040)	(103,276)	(94,996)	(62,242)	(69,342)	(65,812)	(91,426)	(94,419)	
Cash Flows From Financing Activities																					
Proceeds from New Loans/(Repayment) of Loans	10,116	-	-	-	-	-	(10,116)	-	(60,778)	-	-	-	-	-	-	-	-	-	-	-	
Net Cash Provided by (Used in) Financing Activities	10,116	-	-	-	-	-	(10,116)	-	(60,778)	-	-	-	-	-	-	-	-	-	-	-	
Net Increase (Decrease) in Cash Held	(10,503)	(22,843)	(9,795)	(43,766)	17,203	19,402	10,609	(10,804)	2,378	25,518	(31,116)	32,361	13,567	(13,473)	(1,254)	33,608	31,189	37,463	14,309	15,041	
Cash at Beginning of Year	318,651	308,148	285,305	275,511	231,744	248,947	268,349	278,958	268,153	270,531	296,049	264,933	297,294	310,861	297,388	296,134	329,742	360,931	398,394	412,703	
Cash and Cash Equivalents at the End of Year	308,148	285,305	275,511	231,744	248,947	268,349	278,958	268,153	270,531	296,049	264,933	297,294	310,861	297,388	296,134	329,742	360,931	398,394	412,703	427,744	

BALANCE SHEET (Scenario 9)

	Budget 1 \$('000) 16-17	Projections/Predictions																		
		2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
		\$('000) 17-18	\$('000) 18-19	\$('000) 19-20	\$('000) 20-21	\$('000) 21-22	\$('000) 22-23	\$('000) 23-24	\$('000) 24-25	\$('000) 25-26	\$('000) 26-27	\$('000) 27-28	\$('000) 28-29	\$('000) 29-30	\$('000) 30-31	\$('000) 31-32	\$('000) 32-33	\$('000) 33-34	\$('000) 34-35	\$('000) 35-36
Current Assets																				
Unrestricted Cash and Equivalents	13,388	13,388	13,388	13,388	13,388	13,388	13,388	13,388	13,388	13,388	13,388	13,388	13,388	13,388	13,388	13,388	13,388	13,388	13,388	13,388
Restricted Cash and Cash Equivalent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Cashed Back Reserve	159,034	144,826	148,831	140,660	158,580	177,930	190,493	191,591	190,601	211,722	180,110	213,521	228,138	215,715	215,511	249,170	280,409	317,922	332,281	347,371
- Town Planning Scheme	116,541	111,503	100,503	68,308	67,591	67,643	65,689	53,786	57,154	61,551	62,046	60,996	59,946	58,896	57,846	57,796	57,746	57,696	57,646	57,596
- Unspent Loans	9,798	6,200	3,400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Unspent Grants and Contributions	9,388	9,388	9,388	9,388	9,388	9,388	9,388	9,388	9,388	9,388	9,388	9,388	9,388	9,388	9,388	9,388	9,388	9,388	9,388	9,388
Non-Cash Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	20,274	20,274	20,274	20,274	20,274	20,274	20,274	20,274	20,274	20,274	20,274	20,274	20,274	20,274	20,274	20,274	20,274	20,274	20,274	20,274
Inventories	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385
Total Current Assets	328,807	305,964	296,169	252,403	269,606	289,008	299,616	288,812	291,189	316,707	285,591	317,952	331,520	318,046	316,792	350,401	381,590	419,053	433,362	448,402
Non-Current Assets																				
Other Receivables	2,361	2,361	2,361	2,361	2,361	2,361	2,361	2,361	2,361	2,361	2,361	2,361	2,361	2,361	2,361	2,361	2,361	2,361	2,361	2,361
Inventories	17,433	17,433	17,433	17,433	17,433	17,433	17,433	17,433	17,433	17,433	17,433	17,433	17,433	17,433	17,433	17,433	17,433	17,433	17,433	17,433
Property Plant and Equipment	560,678	580,177	587,353	600,291	601,880	601,180	600,668	597,436	603,548	594,070	581,473	565,103	550,595	551,331	543,692	519,260	493,735	468,798	454,666	436,758
Infrastructure Roads	1,062,715	1,103,016	1,140,597	1,178,974	1,217,494	1,253,398	1,289,899	1,327,614	1,366,090	1,405,411	1,445,282	1,486,090	1,527,520	1,569,715	1,612,681	1,656,165	1,700,502	1,745,323	1,790,484	1,836,444
Infrastructure Other	570,005	606,755	643,069	686,853	713,344	745,310	783,242	822,380	866,664	901,356	931,485	962,571	1,004,380	1,050,879	1,096,674	1,132,681	1,171,117	1,204,347	1,241,762	1,279,754
Other Financial Assets	20,836	20,836	20,836	20,836	20,836	20,836	20,836	20,836	20,836	20,836	20,836	20,836	20,836	20,836	20,836	20,836	20,836	20,836	20,836	20,836
Indexation of Capex	-	1,849	5,081	11,148	16,554	23,568	33,289	44,675	61,486	74,870	87,959	102,172	122,464	152,936	183,420	205,491	230,711	255,936	292,270	330,631
Total Non-Current Assets	2,234,027	2,332,426	2,416,730	2,517,896	2,589,901	2,664,085	2,747,728	2,832,734	2,938,418	3,016,336	3,086,828	3,156,565	3,245,588	3,365,490	3,477,096	3,554,225	3,636,694	3,715,035	3,819,812	3,924,216
Total Assets	2,562,834	2,638,390	2,712,899	2,770,299	2,859,507	2,953,093	3,047,344	3,121,545	3,229,607	3,333,044	3,372,419	3,474,517	3,577,108	3,683,536	3,793,888	3,904,626	4,018,284	4,134,087	4,253,174	4,372,618
Current Liabilities																				
Trade and Other Payables	23,962	23,962	23,962	23,962	23,962	23,962	23,962	23,962	23,962	23,962	23,962	23,962	23,962	23,962	23,962	23,962	23,962	23,962	23,962	23,962
Current Portion of Long-term Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provisions	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779	14,779
Total Current Liabilities	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740
Non-Current Liabilities																				
Long-term Borrowings	70,894	70,894	70,894	70,894	70,894	70,894	60,778	60,778	60,778	-	-	-	-	-	-	-	-	-	-	-
Provisions	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421
Total Non-Current Liabilities	72,315	72,315	72,315	72,315	72,315	72,315	62,199	62,199	62,199	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421
Total Liabilities	111,056	111,056	111,056	111,056	111,056	111,056	100,940	100,940	100,940	40,162	40,162	40,162	40,162	40,162	40,162	40,162	40,162	40,162	40,162	40,162
Net Assets	2,451,779	2,527,335	2,601,844	2,659,243	2,748,451	2,842,037	2,936,289	3,020,606	3,128,667	3,232,104	3,332,258	3,434,356	3,536,946	3,643,375	3,753,727	3,864,464	3,978,122	4,093,926	4,213,012	4,332,456
Equity																				
Retained Surplus	1,208,765	1,303,566	1,385,070	1,482,836	1,554,841	1,629,025	1,712,668	1,807,789	1,913,473	1,991,392	2,122,661	2,192,398	2,281,422	2,401,323	2,512,930	2,590,059	2,672,528	2,750,868	2,855,646	2,960,049
Town Planning Schemes	113,080	108,042	97,043	64,848	64,130	64,182	62,228	50,326	53,693	58,090	58,586	57,536	56,486	55,436	54,386	54,336	54,286	54,236	54,186	54,136
Reserves - Cash Backed	159,034	144,826	148,831	140,660	158,580	177,930	190,493	191,591	190,601	211,722	180,110	213,521	228,138	215,715	215,511	249,170	280,409	317,922	332,281	347,371
Reserves - Revaluation	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900
Total Equity	2,451,779	2,527,335	2,601,844	2,659,243	2,748,451	2,842,037	2,936,289	3,020,606	3,128,667	3,232,104	3,332,258	3,434,356	3,536,946	3,643,375	3,753,727	3,864,464	3,978,122	4,093,926	4,213,012	4,332,456

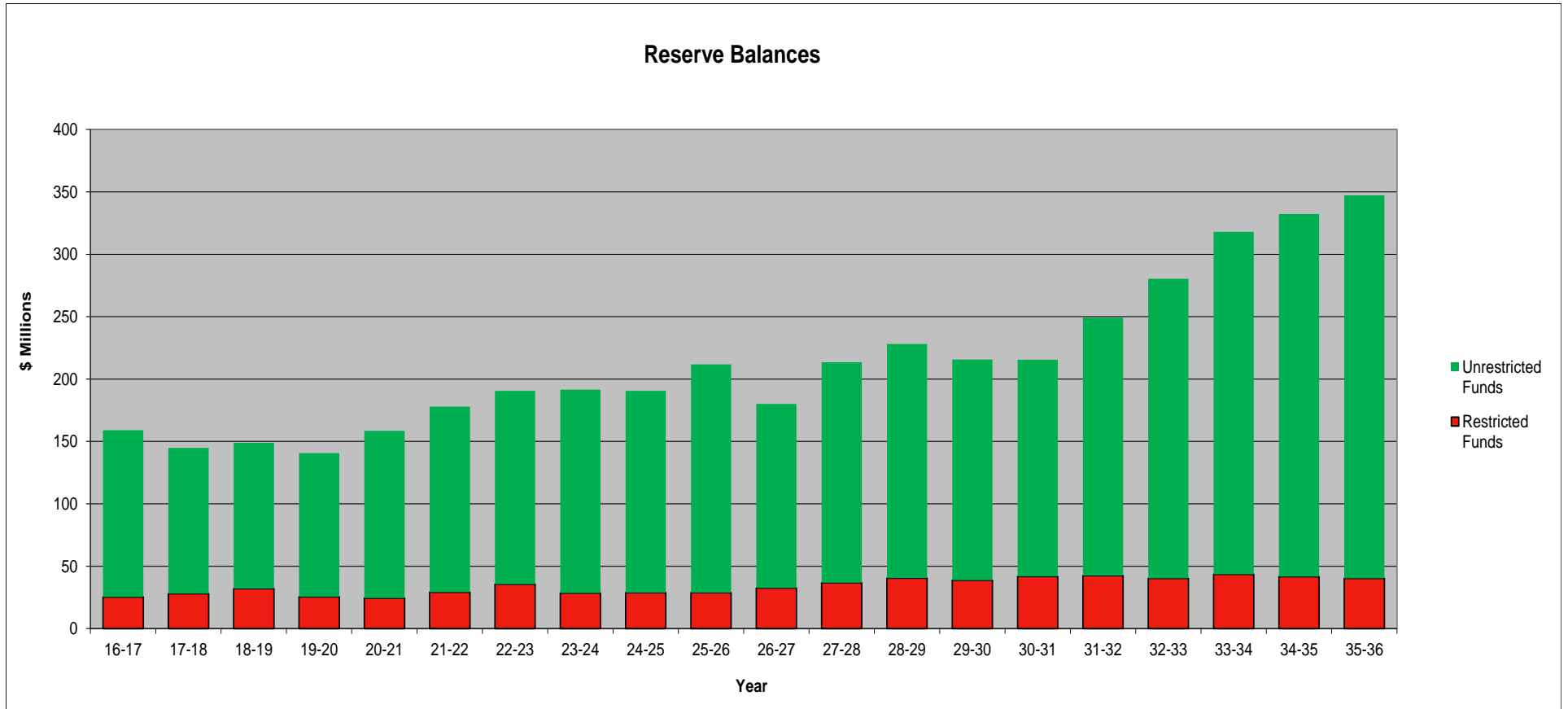
**STATEMENT OF EQUITY
(Scenario 9)**

	Budget	Projections/Predictions																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35	35-36	
	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)
Retained Surplus																					
Opening Balance	1,119,750	1,208,765	1,303,566	1,385,070	1,482,836	1,554,841	1,629,025	1,712,668	1,807,789	1,913,473	1,991,392	2,122,661	2,192,398	2,281,422	2,401,323	2,512,930	2,590,059	2,672,528	2,750,868	2,855,646	
Net Inflow / (Outflow)	89,015	94,801	81,504	97,766	72,005	74,184	83,643	95,122	105,684	77,919	131,270	69,737	89,024	119,901	111,606	77,129	82,469	78,341	104,777	104,404	
Total Retained Surplus	1,208,765	1,303,566	1,385,070	1,482,836	1,554,841	1,629,025	1,712,668	1,807,789	1,913,473	1,991,392	2,122,661	2,192,398	2,281,422	2,401,323	2,512,930	2,590,059	2,672,528	2,750,868	2,855,646	2,960,049	
Town Planning Schemes																					
Opening Balance	109,840	113,080	108,042	97,043	64,848	64,130	64,182	62,228	50,326	53,693	58,090	58,586	57,536	56,486	55,436	54,386	54,336	54,286	54,236	54,186	
Net Inflow / (Outflow)	3,239	(5,038)	(11,000)	(32,195)	(717)	52	(1,954)	(11,903)	3,367	4,397	495	(1,050)	(1,050)	(1,050)	(1,050)	(50)	(50)	(50)	(50)	(50)	
Total Town Planning Schemes	113,080	108,042	97,043	64,848	64,130	64,182	62,228	50,326	53,693	58,090	58,586	57,536	56,486	55,436	54,386	54,336	54,286	54,236	54,186	54,136	
Reserves - Cash Backed																					
Opening Balance	171,281	159,034	144,826	148,831	140,660	158,580	177,930	190,493	191,591	190,601	211,722	180,110	213,521	228,138	215,715	215,511	249,170	280,409	317,922	332,281	
Net Inflow / (Outflow)	(12,247)	(14,208)	4,005	(8,172)	17,920	19,350	12,562	1,098	(990)	21,121	(31,612)	33,411	14,617	(12,423)	(204)	33,658	31,239	37,513	14,359	15,091	
Total Reserves - Cash Backed	159,034	144,826	148,831	140,660	158,580	177,930	190,493	191,591	190,601	211,722	180,110	213,521	228,138	215,715	215,511	249,170	280,409	317,922	332,281	347,371	
Reserves - Revaluation																					
Opening Balance	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	
Net Inflow / (Outflow)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Reserves - Revaluation	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	970,900	
Total Equity	2,451,779	2,527,335	2,601,844	2,659,243	2,748,451	2,842,037	2,936,289	3,020,606	3,128,667	3,232,104	3,332,258	3,434,356	3,536,946	3,643,375	3,753,727	3,864,464	3,978,122	4,093,926	4,213,012	4,332,456	

**RESERVES SUMMARY
(Scenario 9)**

<< closing balances >>

	Projections/Predictions																			
	Budget																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35	35-36
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Unrestricted Reserves																				
Asset Renewal	11,222	12,531	13,876	15,257	16,677	18,135	19,634	21,174	22,756	24,382	26,053	27,769	29,533	31,345	33,207	35,120	37,086	39,106	41,181	43,314
Asset Replacement	5,144	5,286	5,431	5,580	5,734	5,891	6,053	6,220	6,391	6,567	6,747	6,927	7,111	7,299	7,491	7,687	7,887	8,090	8,297	8,507
Coastal Management	7,223	7,422	7,626	7,836	10,051	12,328	14,667	17,070	19,539	22,077	24,684	27,363	30,115	32,943	35,849	38,835	41,903	45,055	48,294	51,623
Domestic Refuse	7,505	6,696	6,105	6,218	6,334	6,453	6,576	6,701	6,831	6,964	7,100	7,239	7,381	7,526	7,674	7,824	7,976	8,130	8,287	8,446
Golf Courses	1,447	1,424	1,483	1,544	1,657	1,772	1,891	2,013	2,138	2,267	2,400	2,536	2,675	2,819	2,966	3,118	3,274	3,434	3,598	3,767
Land Acquisition	2,681	3,255	3,845	4,450	5,073	5,712	6,369	7,044	7,738	8,451	9,183	9,936	10,709	11,501	12,313	13,145	14,000	14,877	15,777	16,700
Loan Repayment	20,960	22,203	25,313	29,510	36,321	43,820	50,692	57,919	63,678	73,930	19,518	22,231	22,842	23,470	24,116	24,779	25,460	26,160	26,880	27,619
Neerabup Development	3,386	1,491	1,296	1,095	1,083	1,071	1,058	1,046	1,032	1,019	1,005	990	976	960	945	929	912	895	878	860
Plant Replacement	4,706	5,284	6,889	4,867	7,576	6,857	7,358	8,755	4,235	4,854	8,053	9,806	10,839	6,602	7,270	8,643	10,956	12,983	9,176	8,321
Regional Open Space	5,162	5,304	5,450	7,600	9,809	12,079	9,411	6,670	3,853	5,959	8,123	10,347	12,631	14,978	17,390	19,869	22,415	25,031	27,720	30,482
Strategic Projects / Initiatives	64,121	45,845	39,419	31,141	33,727	34,459	31,147	28,417	23,473	24,300	30,871	46,016	46,034	29,196	14,866	35,630	55,819	76,624	85,027	90,296
Sustainability Investment Fund	78	80	82	84	87	89	91	94	96	99	102	105	108	110	114	117	120	123	127	130
Total - Unrestricted Reserves	133,636	116,821	116,816	115,183	134,128	148,667	154,948	163,122	161,762	182,868	147,533	176,707	187,696	176,831	173,660	206,578	240,156	274,368	290,658	307,088
Restricted Reserves																				
Alkimos/Eglinton CF	12,229	13,001	14,607	11,184	6,668	9,649	12,713	15,137	15,010	14,513	17,710	21,407	24,481	22,351	24,738	24,882	21,928	24,600	22,021	20,016
Butler Collaborative	2,964	3,046	3,130	3,216	3,304	3,395	3,488	3,584	3,683	3,784	3,888	3,995	4,105	4,218	4,334	4,453	4,576	4,702	4,831	4,964
Fleming Park Lake	220	226	233	239	246	252	259	266	274	281	289	297	305	314	322	331	340	349	359	369
HACC Asset Replacement	578	614	651	688	727	767	808	851	894	939	984	1,032	1,080	1,130	1,181	1,233	1,287	1,342	1,399	1,458
Leave Liability	1,554	1,647	1,742	1,840	1,941	2,044	2,150	2,209	2,270	2,332	2,397	2,462	2,530	2,600	2,671	2,745	2,820	2,898	2,977	3,059
Section 20A Land	1,592	1,636	1,681	1,727	1,775	1,823	1,873	1,925	1,978	2,032	2,088	2,146	2,205	2,265	2,328	2,392	2,457	2,525	2,594	2,666
TPS 20 Distributor Road	6,782	6,968	7,160	7,357	7,559	7,767	7,981	8,200	8,425	8,657	8,895	9,140	9,391	9,649	9,915	10,187	10,468	10,755	11,051	11,355
Yanchep Bus	104	111	119	128	136	145	154	163	173	182	192	203	213	224	230	237	243	250	257	264
Yanchep/Two Rocks CF	(624)	756	2,694	(902)	2,097	3,420	6,118	(3,867)	(3,867)	(3,867)	(3,867)	(3,867)	(3,867)	(3,867)	(3,867)	(3,867)	(3,867)	(3,867)	(3,867)	(3,867)
Total - Restricted Reserves	25,398	28,005	32,016	25,477	24,452	29,264	35,545	28,469	28,839	28,854	32,577	36,814	40,443	38,884	41,851	42,592	40,252	43,554	41,623	40,283
TOTAL - ALL RESERVES	159,034	144,826	148,831	140,660	158,580	177,930	190,493	191,591	190,601	211,722	180,110	213,521	228,138	215,715	215,511	249,170	280,409	317,922	332,281	347,371



The City is currently targeting three main areas for reserve funding – coastal management, regional open space and asset renewal. Regular deposits into these reserves throughout the course of the 20 year life of the Plan should enable the City to meet required expenditure in these areas as and when it falls due.

In the graph above, restricted funds are funds that are restricted in their use by legislation. Whilst the City has a significant balance of legislatively unrestricted reserves, most of these funds are tied to specific uses, and are therefore committed.

RATIO ANALYSIS (Scenario 9)	Budget	Projections/Predictions																		
	1 16-17	2 17-18	3 18-19	4 19-20	5 20-21	6 21-22	7 22-23	8 23-24	9 24-25	10 25-26	11 26-27	12 27-28	13 28-29	14 29-30	15 30-31	16 31-32	17 32-33	18 33-34	19 34-35	20 35-36
OPERATING RESULT																				
Operating Result	1,702	344	1,570	2,705	3,687	4,060	3,980	4,827	3,635	(1,020)	2,775	5,393	5,324	6,053	5,374	3,505	4,848	4,256	3,300	2,419
Own Source Operating Revenue	175,316	184,243	199,344	214,567	230,426	245,089	259,264	275,219	287,916	307,164	318,464	332,467	347,019	364,470	382,503	401,284	420,656	440,800	461,735	483,482
Operating Surplus Ratio	1.0%	0.2%	0.8%	1.3%	1.6%	1.7%	1.5%	1.8%	1.3%	-0.3%	0.9%	1.6%	1.5%	1.7%	1.4%	0.9%	1.2%	1.0%	0.7%	0.5%
Own Source Operating Revenue	175,316	184,243	199,344	214,567	230,426	245,089	259,264	275,219	287,916	307,164	318,464	332,467	347,019	364,470	382,503	401,284	420,656	440,800	461,735	483,482
Operating Expenses	182,464	195,815	207,857	220,945	233,322	247,112	262,200	277,141	292,698	312,267	323,939	337,481	354,279	371,001	389,712	410,362	428,391	449,127	471,018	493,646
Own Source Revenue Coverage Ratio	96.1%	94.1%	95.9%	97.1%	98.8%	99.2%	98.9%	99.3%	98.4%	98.4%	98.3%	98.5%	98.0%	98.2%	98.2%	97.8%	98.2%	98.1%	98.0%	97.9%
WORKING CAPITAL																				
Current Assets (less Restricted Assets)	34,046	34,046	34,046	34,046	34,046	34,046	34,046	34,046	34,046	34,046	34,046	34,046	34,046	34,046	34,046	34,046	34,046	34,046	34,046	34,046
Current Liabilities (less Restricted)	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740
Working Capital Ratio	87.9%	87.9%	87.9%	87.9%	87.9%	87.9%	69.7%	87.9%	87.9%	87.9%	87.9%	87.9%	87.9%	87.9%	87.9%	87.9%	87.9%	87.9%	87.9%	87.9%
RATES COVERAGE																				
Rates Revenue	142,128	153,427	165,931	179,372	191,928	205,266	219,430	234,351	247,826	261,828	276,360	291,560	307,304	323,745	340,741	358,460	376,741	395,767	415,555	436,125
Operating Expenses	182,464	195,815	207,857	220,945	233,322	247,112	262,200	277,141	292,698	312,267	323,939	337,481	354,279	371,001	389,712	410,362	428,391	449,127	471,018	493,646
Rates Coverage Ratio	77.9%	78.4%	79.8%	81.2%	82.3%	83.1%	83.7%	84.6%	84.7%	83.8%	85.3%	86.4%	86.7%	87.3%	87.4%	87.4%	87.9%	88.1%	88.2%	88.3%
DEBT SERVICE COVER																				
Operating Surplus less Interest & Depreciation	46,371	49,833	54,497	58,562	63,229	66,249	69,247	73,234	74,736	74,313	79,217	82,597	85,607	89,803	93,742	95,851	100,531	103,275	105,735	109,460
Debt Service Payments	4,615	4,485	4,485	4,485	4,485	4,485	4,485	14,601	4,115	4,115	62,836	-	-	-	-	-	-	-	-	-
Debt Service Cover Ratio	1005%	1111%	1215%	1306%	1410%	1477%	1544%	502%	1816%	1806%	126%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
FIXED ASSETS																				
Asset Expenditure Renewal																				
Total Renewal Expenditure	21,611	23,728	21,189	25,775	17,907	23,689	26,147	25,547	35,532	30,276	28,603	32,886	35,589	46,686	42,227	41,053	42,631	44,991	56,942	59,019
Depreciation	40,055	45,004	48,442	51,372	55,057	57,703	60,782	63,922	66,986	71,219	74,385	77,204	80,284	83,751	88,368	92,346	95,683	99,019	102,435	107,040
Asset Sustainability Ratio	54.0%	53.0%	44.0%	50.0%	33.0%	41.0%	43.0%	40.0%	53.0%	43.0%	38.0%	43.0%	44.0%	56.0%	48.0%	44.0%	45.0%	45.0%	56.0%	55.0%
Asset Consumption																				
Written down value of Assets	2,092,772	2,193,398	2,289,948	2,371,020	2,466,119	2,532,718	2,599,888	2,673,809	2,747,430	2,836,302	2,900,837	2,958,240	3,013,764	3,082,495	3,171,924	3,253,046	3,308,105	3,365,354	3,418,469	3,486,912
Current Replacement Cost of Assets	2,495,912	2,636,593	2,778,147	2,907,660	3,054,131	3,175,788	3,300,661	3,435,364	3,572,906	3,728,764	3,864,518	3,996,305	4,129,033	4,278,048	4,451,228	4,620,718	4,768,122	4,921,054	5,073,188	5,244,066
Asset Consumption Ratio	83.8%	83.2%	82.4%	81.5%	80.7%	79.8%	78.8%	77.8%	76.9%	76.1%	75.1%	74.0%	73.0%	72.1%	71.3%	70.4%	69.4%	68.4%	67.4%	66.5%
Asset Renewal Funding Ratio	69.2%	67.7%	63.5%	66.9%	68.0%	69.5%	70.5%	63.5%	63.4%	64.4%	74.9%	72.6%	65.6%	64.6%	63.9%	64.2%	63.6%	63.5%	63.9%	63.2%
ADJUSTED WORKING CAPITAL RATIO																				
Working Capital Ratio + Unrestricted Reserves																				
Current Assets (less Restricted Assets + Unrestricted Reserves)	167,682	150,867	150,862	149,229	168,175	182,713	188,994	197,169	195,808	216,914	181,580	210,754	221,742	210,878	207,707	240,624	274,203	308,414	324,705	341,135
Current Liabilities (less Restricted)	38,740	38,740	38,740	38,740	38,740	38,740	48,856	38,740	38,740	99,519	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740	38,740
Ratio Total	432.8%	389.4%	389.4%	385.2%	434.1%	471.6%	386.8%	508.9%	505.4%	218.0%	468.7%	544.0%	572.4%	544.3%	536.2%	621.1%	707.8%	796.1%	838.2%	880.6%

Note: The Debt Service Cover ratio is not applicable from Year 12 onwards, as loans are due to be paid by the end of Year 11.

Key Performance Indicators

The above ratios are performance indicators based on the information contained within the Long Term Financial Plan. They are calculated and assessed in accordance with the Department of Local Government and Communities' Guidelines as per the table below.

Performance Indicator	Data and Calculation	Information	Standards	City of Wanneroo Ratio	Standard
Operating Surplus Ratio	Net operating surplus, divided by own source operating revenue, expressed as a percentage.	This is an indicator of the extent to which revenues raised cover operational expenses only or available for capital funding purposes	<p>Standard is not met if the operating surplus ratio is 0%</p> <p>Basic standard is met if the operating surplus ratio is between 0% and 15%.</p> <p>Advanced standard is met if the operating surplus ratio is greater than 15%</p>	2016/17 2017/18 2018/19 2019/20 2020/21 2021/22 2022/23 2023/24 2024/25 2025/26 2026/27 2027/28 2028/29 2029/30 2030/31 2031/32 2032/33 2033/34 2034/35 2035/36	Basic Basic Basic Basic Basic Basic Basic Basic Basic Basic Not Met Basic Basic Basic Basic Basic Basic Basic Basic
<p>Comments</p> <p>Throughout the 20 years of the Long Term Financial Plan, the City's operating surplus meets the basic standard for this ratio, with the exception of year 10 for which a minor operating deficit is forecast.</p>					

Performance Indicator	Data and Calculation	Information	Standards	City of Wanneroo Ratio	Standard
Own Source Revenue Coverage Ratio	Own source operating revenue, divided by operating expenses, expressed as a percentage	This is an indicator of the ability of a local government to cover costs through its own revenue efforts.	<p>Standard is not met if the ratio is less than 40%</p> <p>Basic standard is met if the ratio is between 40% and 60%.</p> <p>Intermediate standard is met if the ratio is between 60% and 90%</p> <p>Advanced standard is met if the ratio is greater than 90%</p>	2016/17 2017/18 2018/19 2019/20 2020/21 2021/22 2022/23 2023/24 2024/25 2025/26 2026/27 2027/28 2028/29 2029/30 2030/31 2031/32 2032/33 2033/34 2034/35 2035/36	Advanced Advanced
<p><u>Comments</u> The City consistently meets the criteria for the advanced standard with this ratio. It reflects the sustainability of the City to meet its operating requirements.</p>					

Performance Indicator	Data and Calculation	Information	Standards	City of Wanneroo Ratio	Standard
Working Capital Ratio	Current assets divided by current liabilities. Expressed as 1:X, percentage or decimal figure	This is a modified commercial ratio designed to focus on the liquidity position of a local government that has arisen from past years transaction.	Standard is not met if this ratio is any value lower than 1 as to 1. Basic standard is met if the ratio is equal to an expression of 1:1 or greater (e.g. 100% or 1.0).	2016/17 2017/18 2018/19 2019/20 2020/21 2021/22 2022/23 2023/24 2024/25 2025/26 2026/27 2027/28 2028/29 2029/30 2030/31 2031/32 2032/33 2033/34 2034/35 2035/36	Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met
<p>Comments The City does not meet the requirements for the basic standard of this ratio in any of the 20 years of the Plan. All surplus funds at the end of each year are transferred to the Strategic Projects/Initiatives reserve, which is excluded from the Working Capital ratio. As can be seen from the balance sheet, the City does not have any liquidity issues.</p>					

Performance Indicator	Data and Calculation	Information	Standards	City of Wanneroo Ratio	Standard
Debt Service Cover Ratio Note: City of Wanneroo's loan is interest payment only with principal due in December 2026.	Annual operating surplus before interest and depreciation divided by annual debt service payments (both principal and interest).	Also known as 'debt coverage ratio', this is the ratio of cash available for debt servicing interest, principal and lease payments.	Standard is not met if this ratio is lower than 2. Basic standard is met if this ratio is greater than or equal to 2. Advanced standard is met at a higher level if this ratio is greater than 5.	2016/17 2017/18 2018/19 2019/20 2020/21 2021/22 2022/23 2023/24 2024/25 2025/26 2026/27 2027/28 2028/29 2029/30 2030/31 2031/32 2032/33 2033/34 2034/35 2035/36	Advanced Advanced Advanced Advanced Advanced Advanced Advanced Advanced Not met Not applicable Not applicable Not applicable Not applicable Not applicable Not applicable Not applicable Not applicable Not applicable Not applicable
Comments The City consistently meets the criteria for the advanced standard. 2026/27 is an anomaly due to the repayment of the principal of the City's \$60 million loan. After this period there are no more outstanding borrowings, hence the not applicable result.					

Performance Indicator	Data and Calculation	Information	Standards	City of Wanneroo Ratio	Standard
Asset Sustainability Ratio Note: Also refer to Asset Management Strategy for commentaries	Capital expenditure on replacement or renewal of assets divided by the depreciation expense. Expressed as a percentage.	This ratio indicates whether a local government is replacing or renewing existing assets at the same rate that its overall asset stock is wearing out.	Standard is not met if ratio data can't be identified or ratio is less than 90%. Basic standard is met if ratio data can be calculated and ratio is 90% or greater. Advanced standard is met if this ratio is between 90% and 110%	2016/17 2017/18 2018/19 2019/20 2020/21 2021/22 2022/23 2023/24 2024/25 2025/26 2026/27 2027/28 2028/29 2029/30 2030/31 2031/32 2032/33 2033/34 2034/35 2035/36	Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met
Comments The City does not meet the requirements for the basic standard of this ratio in any of the 20 years of the Plan. This is due to the fact that the City is growing rapidly, and the vast majority of assets are in near new condition. The asset renewal funding gap is largely mitigated by the Asset Renewal reserve.					

<i>Performance Indicator</i>	<i>Data and Calculation</i>	<i>Information</i>	<i>Standards</i>	<i>City of Wanneroo Ratio</i>	<i>Standard</i>
<p>Asset Consumption Ratio (ACR)</p> <p>Note: Also refer to Asset Management Strategy for commentaries</p>	<p>Depreciated replacement cost of depreciable assets divided by current replacement cost of depreciable assets, expressed as a percentage.</p>	<p>This ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.</p>	<p>Standard is not met if ratio data can't be identified or ratio is less than 50%.</p> <p>Basic standard is met if ratio data can be identified and ratio is 50% or greater.</p> <p>Advanced standard is met if this ratio is between 60% and 75%.</p>	<p>2016/17 2017/18 2018/19 2019/20 2020/21 2021/22 2022/23 2023/24 2024/25 2025/26 2026/27 2027/28 2028/29 2029/30 2030/31 2031/32 2032/33 2033/34 2034/35 2035/36</p>	<p>Advanced Advanced Advanced Advanced Advanced Advanced Advanced Advanced Advanced Advanced Advanced Advanced Advanced Advanced Advanced Advanced Advanced Advanced Advanced Advanced</p>
<p>Comments The City consistently meets the criteria for the advanced standard on this ratio. This is largely due to the significant amount of relatively new assets, which is a result of the City's rapid growth.</p>					

Performance Indicator	Data and Calculation	Information	Standards	City of Wanneroo Ratio	Standard
Asset Renewal Funding Ratio Note: Also refer to Asset Management Strategy for commentaries	Net present value of planned capital renewals over 10 years, divided by the net present value of the required capital expenditure over 10 years, expressed as a percentage.	This ratio is a measure of the ability of a local government to fund its projected asset renewal / replacements in the future.	Standard is not met if ratio data can't be identified or ratio is less than 75% Basic standard is met if the ratio is between 75% and 95%. Advanced standard is met if the ratio is between 95% and 105%, the ASR falls within the range 90% to 110% and ACR is between 50% and 75%.	2016/17 2017/18 2018/19 2019/20 2020/21 2021/22 2022/23 2023/24 2024/25 2025/26 2026/27 2027/28 2028/29 2029/30 2030/31 2031/32 2032/33 2033/34 2034/35 2035/36	Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met Not met
Comments The City does not meet the requirements for the basic standard of this ratio in any of the 20 years of the Plan. The City is currently reviewing its renewal expenditure needs to mitigate the risk presented by the asset renewal funding gap. The creation and growth of the Asset Renewal reserve is one measure to assist with this.					

Adjusted Working Capital Ratio

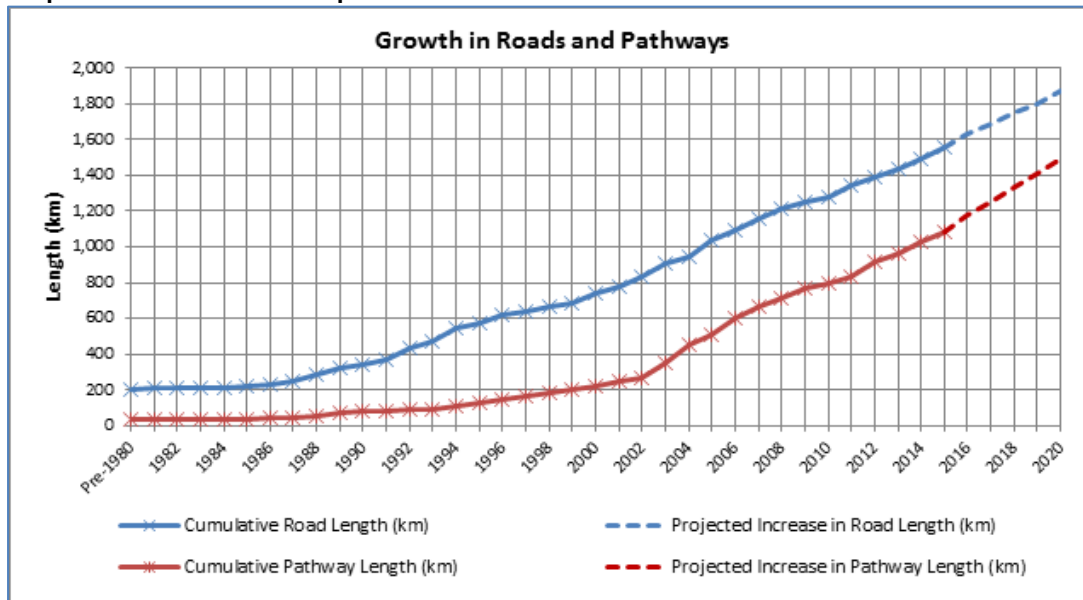
The following ratio has been developed by the City of Wanneroo. It is the Working Capital Ratio with unrestricted reserves added back. This ratio has been developed as it shows the City’s ability to access liquid funds. It is to be noted that this ratio is not one of the documented ratios under the Local Government Act 1995 or Australian Accounting Standards. As there are no Department of Local Government and Communities’ Guidelines for this ratio, there are no standards to be measured against.

<i>Performance Indicator</i>	Data and Calculation	Information	Standards	City of Wanneroo Ratio	Standard
Working Capital plus Unrestricted Reserves	This ratio is a variation on the Working Capital ratio, adding back unrestricted reserves to the current assets.	This ratio is designed to show the liquidity of the City, taking into account the large amounts of funds held in unrestricted reserves in the City.	Not applicable	Not applicable	Not applicable

Appendices

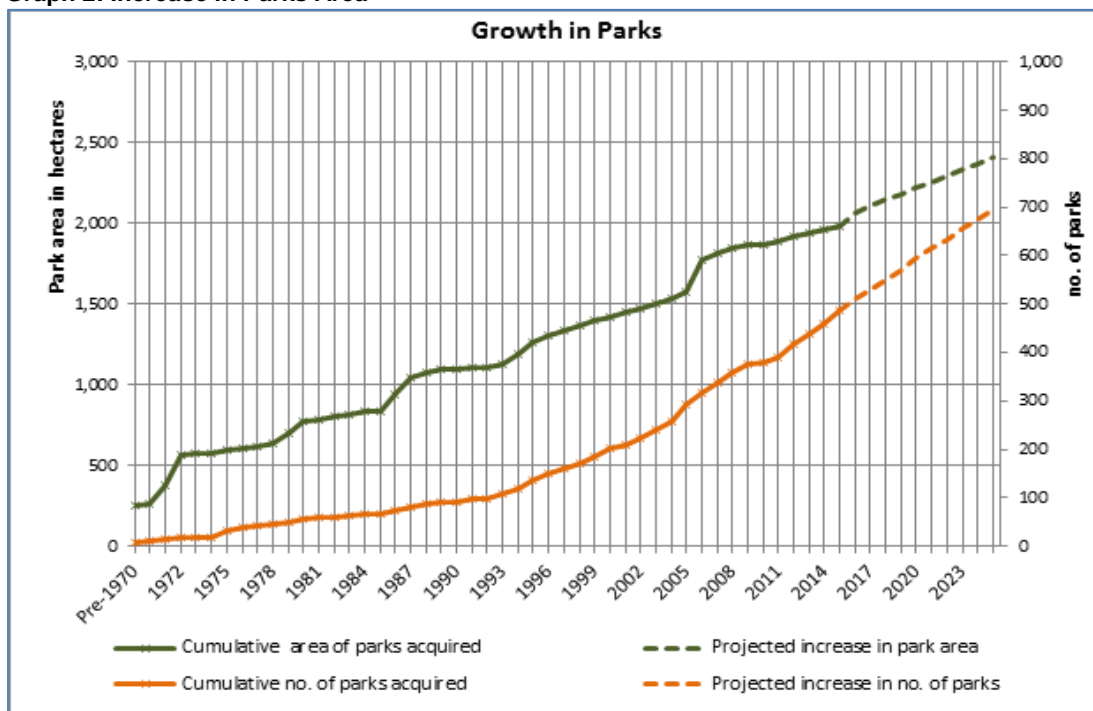
Growth of Infrastructure Assets

Graph 1: Growth in road and path assets



The projected increase in the length of roads and pathways is predicted at a rate of 60 km per annum and 80 km per annum respectively.

Graph 2: Increase in Parks Area



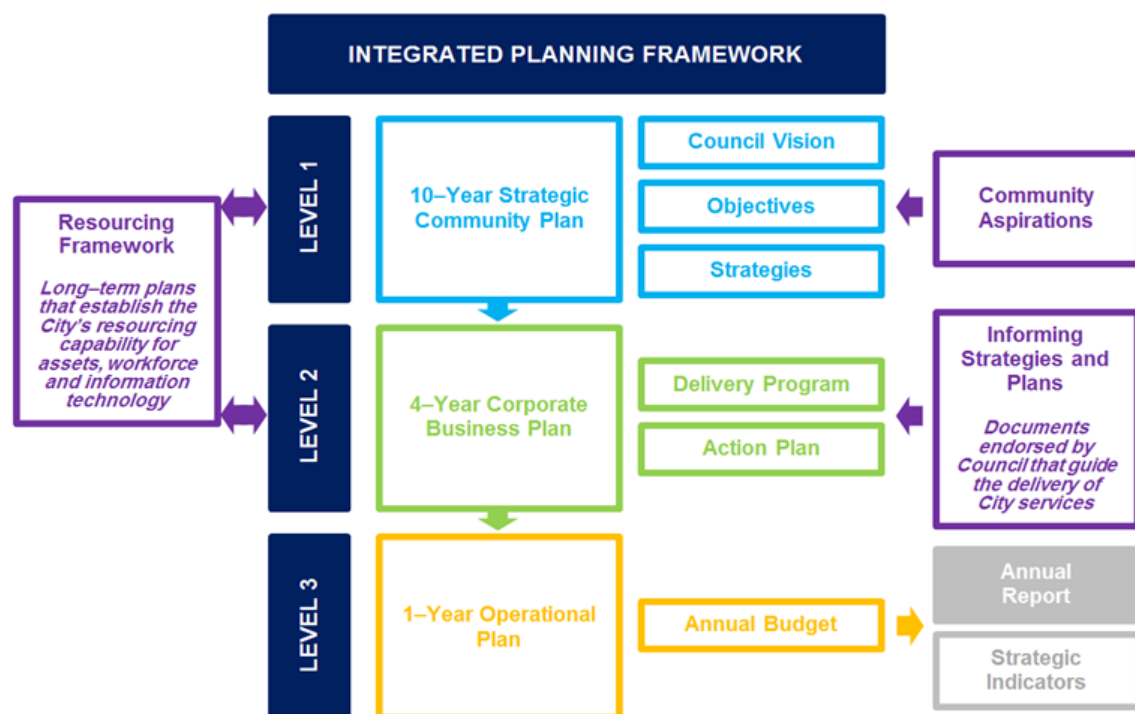
The projected increase in the number of parks and area of parks acquired is predicted at a rate of 20 new parks per annum and 40 ha per annum respectively.

Currently the main area of growth in the City is occurring in the northern coastal corridor, with new suburbs such as Alkimos, Eglinton and Jindalee rapidly expanding, together with the continuing escalation of existing suburbs such as Banksia Grove, Butler and Yanchee. Whilst growth has slowed somewhat over the past 12-18 months, it is still anticipated that the population will expand by over 4% in the short term.

Integrated Planning and Reporting Framework

The City of Wanneroo *Integrated Planning and Reporting Framework* encompasses a strategic and business planning system that delivers accountable and measurable linkages between Council’s long-term vision and aspirations and practical service delivery. This integrated approach ensures effective delivery of the City’s strategic intentions through a suite of four strategic planning documents and associated performance reporting. The Framework takes into consideration the legislative requirements and reflects best practice integrated planning and reporting.

Figure 1: City of Wanneroo Integrated Planning and Reporting Framework



Strategic Community Plan

The City of Wanneroo *Strategic Community Plan 2017/18–2026/27* is the Council’s long-term plan that captures the aspirations of the community and describes the City’s strategic objectives. It is the key document for Council to track and report back to the community on the City’s progress.

As part of the development of the *Strategic Community Plan* the City conducted extensive community and Elected Member consultation. A strong, long-term Council vision was developed and adopted from this process:

“Inspired by our past, working to create a vibrant progressive City, providing opportunity and investment to enable our growing communities to prosper.”

This vision is delivered through a series of key objectives and strategies that are grouped under the five pillars of: Built Environment, Natural Environment, Society, Economy and Civic Leadership. The community aspirations, and key objectives for each pillar are currently under review.

Figure 2: Strategic Community Plan 2013/14-2022/23 Review – Realigned Outcomes and Strategies

Outcome	Strategy
SOCIETY	
1.1 Healthy and Active People	1.1.1 Create opportunities that encourage community wellbeing and active and healthy lifestyles.
	1.1.2 Facilitate the opportunity within the City to access peak and elite activities
1.2 Safe Communities	1.2.1 Enable community to be prepared and recover from emergency situations
1.3 Distinctive Places	1.3.1 Create distinctive places based on identity of areas.
	1.3.2 Create place based access to local services
	1.3.3 Advocate and partner to meet changing community service expectations in place
1.4 Connected Communities	1.4.1 Connect communities through engagement and involvement
	1.4.2 Strengthen community and customer connectedness through community hubs
	1.4.3 Build strong communities through the strength of cultural and heritage diversity
ECONOMY	
2.1 Local Jobs	2.1.1 Develop strong economic hubs locally and near transport
	2.1.2 Build capacity for businesses to grow
2.2 Strategic Growth	2.2.1 Activate Yanchep as a future city of the North
	2.2.2 Continue to activate the Wanneroo Town Centre
	2.2.3 Activate secondary and district centres
	2.2.4 Protect and increase availability of employment generating land
	2.2.5 Attract investment development and major infrastructure
	2.2.6 Focus on industry development in key strategic areas such as Neerabup
2.3 Smart Business	2.3.1 Attract innovative businesses with a focus on technology hubs and agri-business
	2.3.2 Promote early adoption of innovative technology by business

Outcome	Strategy
2.4 Places of Destination	2.4.1 Actively build on cultural heritage and distinctive identity to promote Wanneroo as a place to visit
	2.4.2 Enhance Wanneroo as a distinctive place to invest
NATURAL ENVIRONMENT	
3.1 Resource Management	3.1.1 Minimise impacts of climate change
	3.1.2 Seek alternative ways to improve energy efficiency. 3.1.3 Proactively manage the scarcity of water through sustainable local water management strategies.
3.2 Enhanced Environment	3.2.1 Maximise the environmental value of beaches nature reserves and parklands
	3.2.2 Collaborate with relevant State agencies with a focus on the enhancement of the natural environment.
	3.2.3 Optimize retention of significant vegetation and habitat
3.3 Reduce, Reuse, Recycle waste	3.3.1 Develop strategies for managing waste to recover it as a resource
	3.3.2 Foster a partnership with community and industry to reduce waste
	3.3.3 Create and promote waste management solutions
BUILT ENVIRONMENT	
3.4 Activated Places	3.4.1 Create local area land use plans supporting our activated places
	3.4.2 Provide safe spaces, centres and facilities through our infrastructure management and designs for community benefit and recreation
	3.4.3 Enhance distinctive built form and spaces based on identity of areas
	3.4.4 Improve local amenity by retaining and complementing natural landscapes within the built environment
3.5 Connected and Accessible City	3.5.1 Deliver local transport infrastructure including roads, footpaths and cycle ways to improve accessibility
	3.5.2 Connect walking and cycling opportunities to key destinations and distinctive places
	3.5.3 Advocate for major integrated transport options close to communities
3.6 Housing Choice	3.6.1 Facilitate housing diversity to reflect changing community needs
CIVIC LEADERSHIP	
4.1 Working with Others	4.1.1 Build effective partnerships and demonstrate leadership in local government at regional, state and national levels

Outcome	Strategy
	4.1.2 Engage, include and involve community
	4.1.3 Advocate and collaborate for the benefit of the City
4.2 Good Governance	4.2.1 Provide transparent and accountable governance and leadership
	4.2.2 Provide responsible resource and planning management recognising our significant future growth
	4.2.3 Ensure return on investment and well maintained assets through development and implementation of a strategic asset management framework
4.3 Progressive Organisation	4.3.1 Lead excellence and innovation in local government
	4.3.2 Ensure excellence in our customer service

Corporate Business Plan

The City of Wanneroo **Corporate Business Plan** contains the same key objectives and strategies as the *Strategic Community Plan*, with the addition of specific priorities the City will focus on over the next four years. This Plan ensures the City will deliver services in line with community aspirations.

Resourcing Strategies

Resourcing Strategies are the City of Wanneroo documents that outline the City's long-term sustainability planning. Resourcing Strategies are informed by the aspirations and key objectives of the *Strategic Community Plan* and support the implementation of the *Corporate Business Plan*.

The City currently has the following Resourcing Strategies:

- **Long Term Financial Plan (this document):** Provides an outline of the financial position of the City over the next 20 years. It plans for the City's long term financial sustainability and allows early identification of financial issues and their longer term impacts
- **Strategic Asset Management Plan:** Describes how the City's assets will meet the service delivery needs of the community into the future. It plans for the long term sustainable management of assets based on a 'whole of life' and 'whole of organisation' approach.
- **Strategic Workforce Plan:** Provides an outline of the City's workforce requirements and workforce strategies needed to deliver services into the future. It plans for the long-term delivery of current and future operations of the organisation.

Our Services

The City provides an extensive range of services to the community which fall into the following programs prescribed under *the Local Government (Financial Management) Regulations 1996*. Estimates of expenditure and income have been calculated for each of these programs in this Long Term Financial Plan:

- **Governance** — support of members of Council (Elected Members) and administration and operation of services and facilities to support the Council function.
- **General purpose funding** — expenses and income associated with levying and collecting rates, general purpose grants and interest from investments.
- **Law, Order and public safety** — expenses and income principally associated with the Regulatory Services. This includes administration and implementation of various local laws, animal control (licencing and enforcement), fire prevention and emergency services.
- **Health** — monitoring of food quality and licencing of food premises and pest control measures (e.g. mosquito control).
- **Education and welfare** — operation of day care centres, senior citizens' centres and 'meals on wheels' services.
- **Community amenities** — operation of waste services (rubbish collection, disposal and recycling), town planning and development and urban stormwater drainage functions.
- **Recreation and culture** — maintenance of halls, various sporting grounds and facilities, ovals, parks and reserves. The operation of libraries and cultural centres are also included.
- **Transport** — maintenance of streets, roads, bridges, parking areas and footpaths, including street cleaning and lighting of streets. Costs associated with operation of works depot/s are also included.
- **Economic services** — building control services (licences), support for any local tourist centre, area promotion and economic development initiatives undertaken.
- **Other property and services** — private works undertaken and operating and maintenance costs of the plant and equipment used in maintenance and construction works.

Service Delivery

It is proposed that existing service levels will be maintained for all operational areas in the short term. However, a key objective for the City is to align existing service levels with the longer term need to fund the provision of infrastructure and renewal obligations. Operational efficiencies will therefore be sought that do not impact on quality of service.

Definitions

Gross Rental Valuation

Method of rating that involves a annual rental value being determined for a property with a rate-in-the-dollar amount set by the Council applied to that value to determine the annual rates charge.

General funds

Defined as rates and general purpose grants as per Section 6.23 of the *Local Government Act 1995*:

general funds” means the review of income from —

- (a) general rates;
- (b) Government grants which were not given to the local government for a specific purpose; and
- (c) such other sources as are prescribed.

Maintenance expenditure

For the purpose of this review, maintenance expenditure is defined as spending on an existing asset which is periodically or regularly required as part of the anticipated schedule of works to ensure that the asset achieves its economic life or period of service between renewal.

Maintenance expenditure:

- does not increase the asset’s service potential or life;
- is essential to ensure the safe and effective operation of the asset during its period of service;
- may be planned or unplanned;
- includes associated labour costs as well as costs of materials and contractors; and
- can include both annual routine maintenance, and the rehabilitation of assets that have prematurely degraded because they were not routinely maintained in the past.

Maintenance expenditure excludes parks operating expenditure, but includes parks maintenance costs.

Operating surplus (deficit)

Defined as total operating revenue less total operating expenses; i.e. it excludes any non-operating amounts (e.g. non-operating grants and subsidies; non-operating contributions, reimbursements and donations; contributions for the development of assets; profit on asset disposals; and loss on asset disposals).

Renewals capital expenditure

Renewals capital expenditure is defined as expenditure on an existing asset which returns the service potential or the life of the asset to its original level. This can involve an asset being periodically renewed to reinstate its service potential or being replaced at the end of its economic life. As it reinstates existing service potential, it has no impact on revenue, but may reduce further operating and maintenance expenditure if completed at the optimum time. Such expenditure is capitalised.

Unimproved valuation (UV)

Method of rating that involved the estimation of a property's value in an 'unimproved' condition.

Upgrade capital expenditure

Upgrade capital expenditure involves expenditure on an existing asset, which enhances that asset so as to provide a level of service that is greater or increases the life of the asset beyond that which it had originally. As the expenditure increases the asset's service potential or life beyond its original level, it is capitalised not expensed.

Own source revenue

Own source revenue relates to revenue that is raised by the local government, such as rates, service charges, fees and user charges, interest income, reimbursements and profit on disposal of assets. It excludes such items as grants, contributions and donations from external organisations, State and Federal Government.

Acronyms

ABS	Australian Bureau of Statistics
CoW	City of Wanneroo
CPI	Consumer Price Index
DLGC	Department of Local Government and Communities
FTE	Full time equivalent
FY	Financial year
GRV	Gross rental valuation
SSS	Systemic Sustainability Study
UV	Unimproved valuation
WA	Western Australia
WALGA	Western Australian Local Government Association
WATC	Western Australia Treasury Corporation
IAMSC	Infrastructure Asset Management Steering Committee

Disclaimer

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This report is subject to any assumption noted in it, as well as the assumption that the current economic, political or commercial environment does not materially change. The City does not warrant or guarantee any outcome or prediction in this report, or arising from reliance on it.

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