# LONG-TERM FINANCIAL PLAN

## 2019/20 to 2028/29

February 2019

# Table of Contents

# EXECUTIVE SUMMARY

The Long-term Financial Plan (LTFP) is an important component of the Council's financial management framework that ensures Council can deliver on the strategies detailed in the Kingborough Strategic Plan 2015-2025. The Strategic Plan provides the necessary direction for the future delivery of services by the Council.

The key priority areas detailed in the 2015 Strategic Plan are;

- A safe, healthy and supportive community
- Sustainable land use and infrastructure management
- A healthy natural environment
- A vibrant local economy
- Community leadership
- A well administered organisation

The LTFP is a guiding document to consider when developing Council's annual plan and budget. The LTFP forecasts Council's financial position in future years, based on assumptions outlined in this document.

The LTFP provides transparency and accountability of Council's financial planning to the community.

Financial sustainability is a key challenge facing local government due to several contributing factors including increased demand for services, aging infrastructure, constraints on revenue growth, continuing population growth, and cost increases in excess of the Consumer Price Index (CPI).

Movements in the underlying assumptions to the LTFP can have a significant effect on the financial results of the Council. Budget risks and sensitivities (page 23) outline the impact of changes to assumptions in key areas such as general rates and expenditure levels.

The LTFP covers the 10-year planning horizon from 2019/20 to 2028/29. The Plan is predicated on continuing with the current services that are provided by Council.

The planning assumptions used in the development of the LTFP are explained on page 8.

## Financial Strategy

Kingborough Council strives to run the most efficient Council in Tasmania, delivering the services and infrastructure its residents and ratepayers need while maintaining a low rating structure relative to other Greater Hobart Councils.

**Financial Principles**

The following fiscal principles underpin Council's Long-term Financial Plan:

1. Council's finances are managed responsibly on behalf of the residents and ratepayers of Kingborough.
2. Resources are allocated to activities and services which generate maximum community benefit.
3. Future population growth is supported by an infrastructure renewal program and development of new infrastructure.
4. A strong municipal economy supports business activity and facilitates higher commercial rate revenue.
5. Unexpected events are mitigated by risk management practices and by maintaining a robust financial position.
6. Accountability, transparency and good governance underpin the development, implementation and reporting on fiscal objectives.

**Strategic Actions**

Kingborough Council's Long-Term Financial Plan includes strategic actions aimed at achieving the long-term fiscal principles:

| Strategic Action | Progress |
|---|---|
| 1. Deliver an underlying surplus which is incrementally increasing to 2% of revenue over the course of the plan. | The Long-Term Financial Plan forecasts underlying surpluses from 0.7% of revenue in 2024 to 2.1% in 2028. |
| 2. Annual growth in operating expenses is lower than the long-term average growth in revenue over the period of the LTFP. | Over the ten year life of the LTFP, revenue is predicted to increase by 3.9% while expenses increase by 3.2% on average, per annum. |
| 3. Asset renewal is funded at a rate of 90% of the depreciation rate or higher. | From 2021 onward, the LTFP enables Council to fund between 90% and 100% of depreciation on capital renewal projects which in today's dollars would equate to $8.8 million. |
| 4. Rate rises are limited such that Kingborough remains a low rating Council among Greater Hobart Councils. | The Local Government Division's *Rates Snapshot* showed Kingborough had the lowest average rate of all rateable properties. |
| 5. Debt is only used to support strategic investment in new infrastructure. | Debt remains limited to the Kingston Park project. |
| 6. Council will communicate and consult on its budget and financial plans in the most open, accessible and transparent way possible. | Council conducted its first formal public budget feedback process as part of its 2019 Budget. It continues to communicate its key budget initiatives directly to ratepayers and through local and state-wide media channels. |

## Budget Risks and Sensitivities

Achieving a sustainable underlying surplus by 2021 will put Council in the position to provide sufficient capital to invest in the renewal and upgrade of infrastructure assets. However, there are a number of budget risks and sensitivities over the period of the LTFP that could have an impact on financial outcomes.

Below are details of the budget risks and sensitivities. The financial impacts are detailed on pages 23 to 24.

**Inflation Adjusted Expenditure**

The assumptions detailed on page 8 relate to the revenue streams and expenditure line items that may have a significant impact on the long-term forecast result of Council. The level of inflation adjusted expenditure is likely to be the most subjective assumption and has the greatest potential to significantly impact the LTFP. The LTFP assumes that certain expenditure is in line with the expected average inflation rate of 2.5%. A significant deviation from this rate will have an impact on financial results.

**General Rates**

The LTFP assumes increases in general rates over the period of the plan. As rate revenue represents almost 70% of total income, any deviation from the assumptions will have a significant impact on financial outcomes.

**Asset Revaluation**

Every year, Council's infrastructure assets are subject to either a revaluation or an escalation based on movements in the market over the past twelve months. Given the significant capital investment in infrastructure, any deviation from the LTFP assumption of 3% will have an impact on Council's financial performance.

**Rate Revenue from Charities**

Council is currently a party to legal action in the High Court in regards to rate revenue from charitable institutions. If Council loses this action, up to $0.46 million in rate revenue will be lost in 2019-20, increasing annually.

**Financial Assistance Grants**

Financial Assistance Grants (FAGS) are distributed by the State Grants Commission annually. Council's FAG makes up around 10% of Council's income. In the period between 2014 and 2017 the Australian Government froze the total funding pool by not allowing for any indexation of the grants. Any future freezing of the FAGS will have an impact on Council's total operating revenue.

**Dividends**

Council has a significant investment in Taswater, on which it receives an annual dividend. The Taswater Board determined the dividend would be reduced by one third from 2019, resulting in a $0.61m reduction in income to Council. Any further reduction in expected TasWater dividends will have an impact on Council's underlying result.

## Strategic Planning Framework

The LTFP is an important part of Council's overall strategic framework. The following table demonstrates the context of how the LTFP fits into Council's overall financial management framework.

| | | | |
|---|---|---|---|
| **Long-term Planning (10 years +)** | ***Our Vision*** | → | Core Values<br>Long-term Financial Plan<br>Long-term Asset Management Plan |
| ↓ | | | |
| **Medium Term Planning (3-5 years)** | ***Strategic Plan*** | → | Goals and Key Objectives<br>Strategic Plan 2010 – 2020<br>Strategic Delivery Plan 2010 – 2015 |
| ↓ | | | |
| **Short Term Planning (12 months)** | ***Annual Plan and Budget*** | → | Financial Statements<br>Activities and Initiatives<br>Key Strategic Activities<br>Other Information |
| ↓ | | | |
| **Accountability (yearend)** | ***Audited Statements / Annual Report*** | → | Financial Statements<br>Performance Statement |

## Current financial performance and position

An analysis of Council's underlying financial performance during the period from 2009/10 showed an unsustainable gap between operating expenditure and revenue. The transfer of water and sewerage functions and activities to the newly formed Southern Water Corporation (now TasWater) had a significant impact on Council's financial outlook. Allowing an operational deficit to continue into the long-term would ultimately jeopardise the adequate funding of capital expenditure and Council's capacity to maintain and replace existing community assets.

Based on maintaining current service levels and the assumptions detailed on page 8, Council is intending to close the gap between projected expenditures and projected income to deliver an underlying surplus in 2021.

Council aims to maintain its infrastructure and assets at an acceptable standard. This involves developing and integrating long-term infrastructure and asset management plans with the LTFP to provide for the continued investment in maintenance, renewal and replacement of asset stock.

A key project for Council over the life of this LTFP is the development of Kingston Park. This project will have an impact on the financial performance over the period of the project due to the need to borrow funds to allow for capital expenditure on the site. At different stages through the project, land will be released for sale to allow for a reduction in borrowings to minimise the cost impact. Despite the receipt of grant funds, there is a possibility that the project will leave Council with some borrowings that will need to be repaid over future years.

## Long-term Asset Management Plan

Infrastructure and Asset Management plans have been developed to ensure Council continues to provide effective and comprehensive management of its infrastructure asset portfolios. The Asset Management Plans are separate documents to the LTFP, however high level details are provided below as the funding for the capital works program is generated through an effective LTFP.

Council should strive toward ensuring asset renewal and replacement expenditure that on average matches depreciation for long-term financial sustainability. Council has been funding asset renewal at a rate of 70% to 80% of depreciation. This level of expenditure can only be sustained for a short period of time, otherwise infrastructure will deteriorate to the point where significant expenditure is required to restore the assets.

The asset management plans indicate that over the next 10 years Council should be spending a minimum of $7.5m (unadjusted for inflation) per annum on infrastructure asset renewal. An annual capital works program of $7.5m would maintain Council's current infrastructure at a reasonable standard in the short term. From 2021 onwards, this LTFP enables Council to fund between 90% and 100% of depreciation on capital renewal projects which in today's dollars would equate to $8.8 million.

Capital funding in excess of the $7.5m for capital renewal purposes is available for upgrading existing infrastructure or for new infrastructure projects. This funding is limited to $1.5m plus funds provided under the Roads to Recovery program.

Further details on annual capital spend and funding is located on page 16 – 'Cash Flows from Investing Activities'.

# LONG-TERM FINANCIAL PLAN OVERVIEW

## Underlying Result

When evaluating an entity's financial performance it is important to distinguish between operating and capital items, as well as non-recurring one-off items.

The table below breaks down Council's overall result to assist in assessing Council's underlying financial performance over the ten year period of the LTFP.

| STATEMENT OF COMPREHENSIVE INCOME | Forecast 2018-19 $'m | LTFP 2019-20 $'m | LTFP 2020-21 $'m | LTFP 2021-22 $'m | LTFP 2022-23 $'m | LTFP 2023-24 $'m | LTFP 2024-25 $'m | LTFP 2025-26 $'m | LTFP 2026-27 $'m | LTFP 2027-28 $'m | LTFP 2028-29 $'m |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Recurring Revenue | 39.23 | 40.77 | 42.51 | 44.03 | 45.57 | 47.08 | 48.73 | 50.42 | 52.17 | 53.98 | 55.84 |
| Total Recurring Expenses | 39.67 | 41.02 | 42.49 | 43.94 | 45.52 | 46.76 | 48.17 | 49.67 | 51.38 | 52.84 | 54.35 |
| Underlying Surplus (Deficit) before Capital | (0.45) | (0.25) | 0.02 | 0.09 | 0.05 | 0.33 | 0.56 | 0.75 | 0.79 | 1.14 | 1.49 |
| Capital Grants | 2.10 | 0.48 | 0.48 | 0.48 | 0.48 | 0.48 | 0.48 | 0.48 | 0.48 | 0.48 | 0.48 |
| Contributions - non cash | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Other Non-Recurring Items | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| NET SURPLUS (DEFICIT) | 2.65 | 1.22 | 1.49 | 1.57 | 1.52 | 1.80 | 2.03 | 2.22 | 2.27 | 2.61 | 2.97 |

***Note: Amounts in the table have been rounded to the nearest million.***

Council's underlying result before capital items is estimated to improve from a deficit of $0.45m in 2018/19 to a small surplus of $0.02m in 2020/21.

The development of the Kingston Park site will require borrowings over the LTFP, which will add an interest cost to expenditure. The LTFP includes borrowings of up to $13.0m in 2018/19 to fund the construction of the main road through the site, the community hub building and public open space. $6.0m of this will be provided as interest free loans from the State Government accelerated local government capital program. The LTFP is predicated on a scenario that Council will have around $5.0m in debt from the project in 2026 after the completion of land sales.

An underlying surplus by 2020/21 will be a strong achievement in light of the loss of $0.6 million in dividends from Taswater in 2018/19 and increasing depreciation expense as a result of asset revaluations and componentisation. The achievement of a surplus by 2020/21 is dependent on the effective management of services and related costs.

The LTFP reflects Council's commitment towards striving to deliver a sustainable underlying result and ensure depreciation is fully funded and break-even overall results are consistently achieved in future financial years. The following sections discuss the planning assumptions used in deriving the LTFP and provide further explanations on each of Council's main revenue and expenditure line items. The final section provides a trend analysis using a number of financial sustainability indicators and ratios.

## Kingborough Demographics

The 2016 census identified that Kingborough's population was then 35,853. The 2016 Census indicated that Kingborough is one the fastest growing municipalities in the state with a population increase of 5.8% during the period 2011 to 2016. This is higher than the overall Tasmanian population increase within the same period of 2.95%.

The population growth for Kingborough is driven by migration into the municipality, which is motivated by both personal choice (based on the area's natural attractions) and economic factors (such as the availability of suitable residential land and housing). The 2016 Census shows that the largest groups moving to Kingborough in the last five years came from other states and territories (2,266) and from within Tasmania (6,558).

Kingborough continues to experience the impacts of the 'sea change' phenomena. New residents are coming to retire or to live in the naturally beautiful environment. Kingborough offers opportunities for new residents with residential land within relatively easy commuting distance to Hobart. This convenience, together with increasing retail, service and educational opportunities and pleasant urban and rural surroundings, is a strong attraction for new residents.

Australian Bureau of Statistics data shows that the median age of Kingborough residents was 42 years, which is also the median age for Tasmania overall. There were 6,629 people over the age of 65 in Kingborough, which represents 18.5% of the total population of the municipality.

Some of the other population and social characteristics for Kingborough that are expected to continue into the future include:

- A relatively high median household income. The median weekly household income for Kingborough was reported as $1,364, significantly higher than the $1,100 for Tasmania.
- Relatively low unemployment rates. The unemployment rate for Kingborough on Census night was 5% compared to 7% in Tasmania. In Kingborough, 48% of residents were in the labour force, compared to 45.7% in Tasmania. Residents were employed in education, government administration and services industries. The most common occupations included Professionals 26%, Clerical and Administrative Workers 14.7%, Technicians and Trades Workers 13.3%, Managers 13%, and Community and Personal Service Workers 11.6%.
- Relatively high education standards. In Tasmania, 53.4% of the adult population had year 12 and above qualifications, compared to 66.5% in Kingborough.
- Relatively high internet use. Nearly 86.5% of households were connected to the internet, compared to 78% in Tasmania.
- More affluent socio-economic profile, as the Census results show that Hobart and Kingborough are the most advantaged local government areas in Tasmania. However, there are pockets of disadvantage in the municipality at the local level.

There are other statistical results that are also relevant. For example, Kingborough displays relatively high commuter characteristics with over 60% of the labour force travelling for work outside of Kingborough. Only 5% of residents travel to work by public transport (bus) with most travelling by car.

The next Census will be conducted in 2021.

**Key Statistics (2016 Census)**

| | Kingborough | Tasmania |
|---|---|---|
| Population | 35,853 | 528,000 |
| Population increase 2006-2011 | 5.8% | 3.0% |
| Median age | 42 | 42 |
| % aged over 65 | 18.5% | 19.5% |
| Dwellings with internet access | 87% | 78% |
| Rent payments >30% of household income | 8.0% | 10.2% |
| Mortgage payments >30% of household income | 5.7% | 5.1% |
| Median weekly household income | $1,364 | $1,100 |
| Households with gross weekly income <$650 | 19.7% | 26.3% |
| Households with gross weekly income >$3,000 | 12.6% | 8.3% |
| Unemployment | 5.0% | 7.0% |

*Source: ABS census 2016*

## Planning Assumptions

The base for the preparation of the LTFP is the Annual Plan Budget for 2018/19, with one-off or non-recurring events adjusted for.

The LTFP has been prepared by setting percentage increases for various classes of expenditure and income and then reviewing each line item where a variance to the pattern is likely to occur.

The planning assumptions used in the development of the LTFP are summarised in the table below.

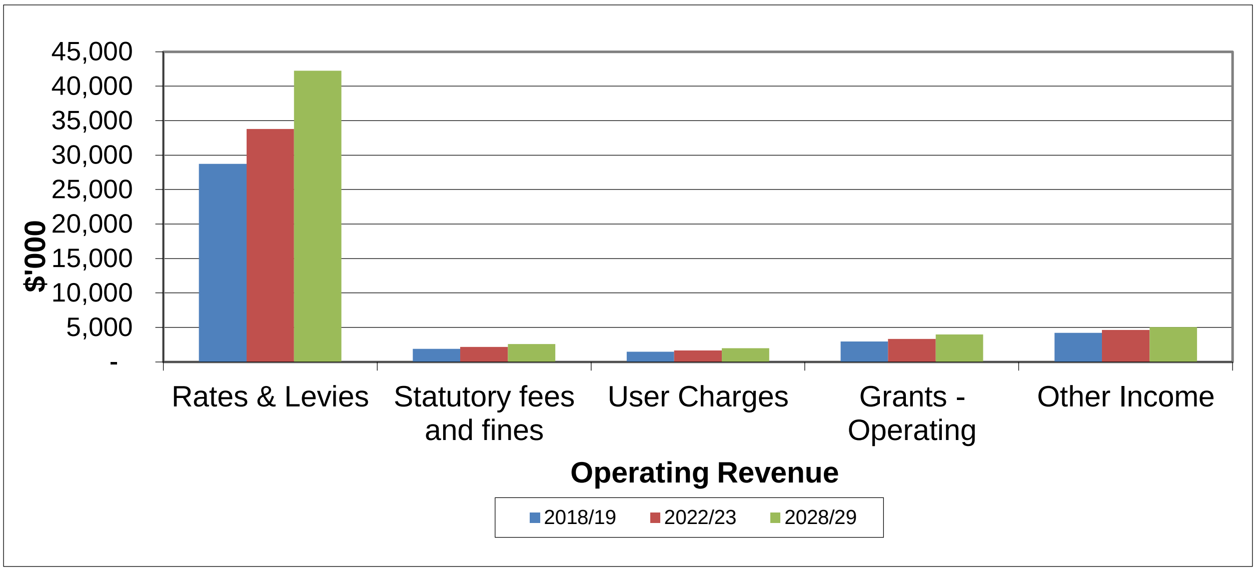
| REVENUE CATEGORY | COMMENTARY |
|---|---|
| **Rates and Levies** | Indexed at 3.5% for 2019/20 and then 2.8% annually |
| **Rates Growth** | Annual increase of 1.0% in rate revenue from growth in the number of ratepayers in the municipality. |
| **User Charges** | Indexed at 3.0% annually |
| **Operating and Capital Grants** | Indexed at 3.0% annually |
| **Interest Revenue** | Based on expected return of 2.0% of Council's year-end cash balance |
| **Other Revenue and Contributions** | Indexed at 3.0% annually |

| EXPENDITURE CATEGORY | COMMENTARY |
|---|---|
| **Materials and Contracts** | The plan currently assumes a flat increase across all materials and contract expenditure of 1.5% (2.5% less 1.0% achieved through savings) to 2021. From 2021 onwards, the increase is set at 2.5%. |
| **Employee Costs** | Indexed to allow for performance based progression and annual award movements. Combined index estimated at 3.0% |
| **Depreciation** | Indexed to reflect increase in valuation of infrastructure assets (3.0%) and annual capital work program additions |
| **Other Expenses** | Indexed at 2.5% annually |

# OPERATING REVENUES

This section analyses the projected revenues of Council from 2018/19 to 2028/29. The table and graph below summaries movements in Council's key revenue streams over the period.

| Revenue Type | 2018/19 $'000 | 2022/23 $'000 | 2028/29 $'000 |
|---|---|---|---|
| Rates & Levies | 28,740 | 33,783 | 42,258 |
| Statutory fees and fines | 1,874 | 2,162 | 2,581 |
| User Charges | 1,444 | 1,658 | 1,980 |
| Grants - Operating | 2,974 | 3,347 | 3,997 |
| Other Income | 4,194 | 4,616 | 5,022 |
| **Total Operating Revenue** | **39,226** | **45,566** | **55,838** |
| Grants - Capital | 2,100 | 476 | 476 |
| Non Cash Contributions | 1,000 | 1,000 | 1,000 |
| **Total Revenue** | **42,326** | **47,042** | **57,314** |




## Rates and Levies

The LTFP assumes the annual general rate increase for 2019/20 will be 3.5%. Increases for 2020/21 onwards are assumed to be 2.8%.

The LTFP assumes a 1.0% annual increase in general rate revenue through growth in the number of rateable properties. For example in 2018/19 Council estimates that $250,000 of additional revenue will be received through supplementary rating. This assumption is based on the current trend of growth in rateable properties in Kingborough over the past 3 years.

The increase in expenditure due to increase in demand for services from population growth is addressed in the operating expenditure section below.

There are a number of properties which are public, educational, religious or charitable in use or ownership and which are in part, or in full, exempt from general rates. The level of annual remissions estimated in the LTFP is consistent with recent decisions regarding exemptions provided to charitable institutions.

The stormwater removal rate, the garbage collection charges and recycling charges are estimated to increase in line with the growth in general rates over the period.

The increase in the three fire rate levies that Council collects on behalf of the Tasmanian Fire Commission are also offset by an identical increase in the related expenditure payment.

## User Charges and Statutory Fees

User charges relate to the recovery of service delivery costs to users of Council's services. These include the hire of halls and sporting grounds, Kingborough Sports Centre fees, engineering fees and private works recoveries. The key principle in setting user fees has been to ensure that increases approximate CPI increases or market levels.

Statutory fees and fines relate mainly to those levied in accordance with legislative requirements. They include, building fees, planning fees, health related fees, parking fines, and animal registrations.

Council's user charges and statutory fees may be influenced by growth in the municipality, CPI movements and additional operating revenue streams.

The LTFP assumes an increase in user charges and statutory fees consistent with an estimated long-term CPI of around 3.0%.

## Grants - Operating

Operating grants are funds received from both the State and Federal Government for the purpose of delivering Council services.

The main source of grant revenue is from the State Grants Commission (SGC) in the form of Financial Assistance Grants (FAG). Council has little control over the level of FAG received with changes likely to occur as a result of a change in population or policies related to distribution methodologies.

The FAGs are expected to grow by an average of 3.0% over the period of the LTFP. It is unlikely that there will be any increase in grants, or provision of new grants, for current services. Any reduction or discontinuance of grants will need to be offset by a corresponding reduction in expenditure.

## Other Income

Other Council revenue has been increased 3.0% annually in line with projected long-term CPI and comprises:

- government rates remission reimbursements,
- reimbursement for State Government works,
- motor tax reimbursement,
- salary and other reimbursements.

## Interest and Dividends

Estimated interest income over the 10 year period is derived from Council's expected cash position at the end of each financial year using an estimated market rate of 2.0% in 2018/19, rising to 3.0% in 2027/28.

The level of interest revenue fluctuates from 2020 due to the withdrawal of funds for the capital works program. Interest revenue gradually increases from $0.17m in 2018/19 to $0.36m in 2028/29 in line with Council's cash balance.

As part owner of the Tasmanian Water & Sewerage Corporation Pty Ltd, Council is entitled to receive dividends. It is expected that the level of dividends declared will be $1.2m from 2018/19.

Council's share of earnings from its subsidiary (Kingborough Waste Services) is $0.1m and from its investment in associates (Copping Refuse Disposal) is also $0.1m. No earnings have been included in the budget from the investment in the Copping C-Cell due to their being no reliable information on the quantum of the return at this stage.

## Grants - capital

Capital grants include all monies received from State, Federal and community sources for the purposes of funding the capital works program. The LTFP reflects the Commonwealth Roads to Recovery funding and grant funds for the Kingston Park project.

In accordance with Council's budget principles the capital grant income related to potential grant applications in the future were not factored into the LTFP.

Any additional Capital funding received will not impact on the underlying result as the funds will be expended on new capital projects.

## Contributions, Non Cash Contributions, Net Gain on Sale and Other Revenue

The revenue reported under contributions relate to external funds received from developers under the Public Open Space and Tree Preservation policies, or other contributions received from the public for capital works or operational purposes. The level of contributions from 2019/20 to 2028/29 reflects an estimated on current growth levels, subject to an annual CPI adjustment of 3.0%.

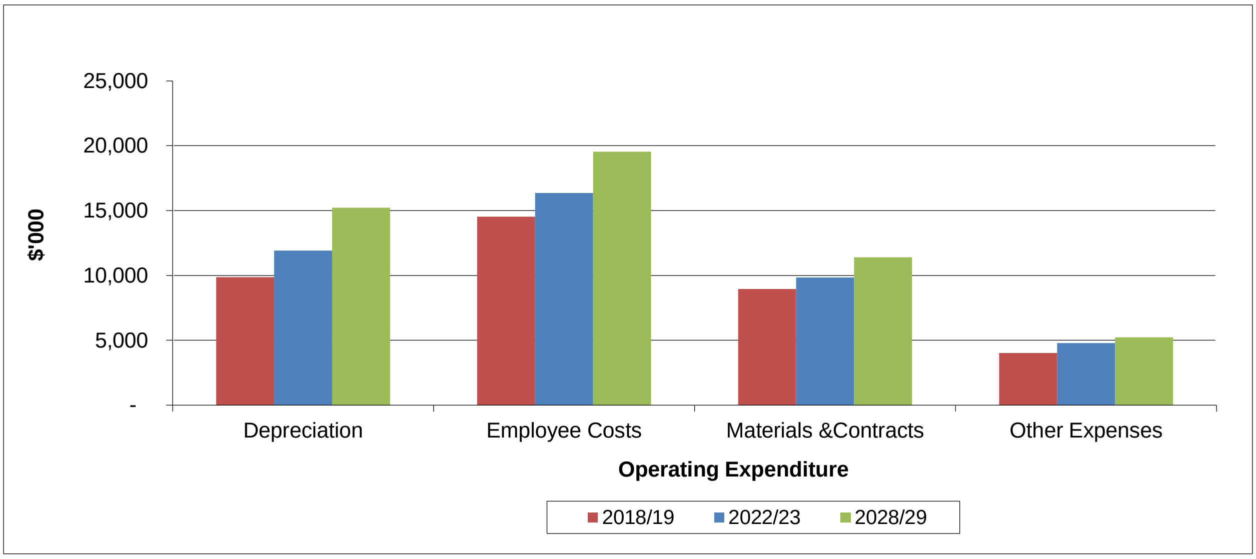
Non cash contributions are made up of assets donated to Council from property developers in the form of infrastructure (roads and storm water etc) where at the completion of the development Council assumes responsibility for maintaining and replacing the infrastructure. As developer contributions are non-cash and capital in nature they do not affect the underlying operating result and have therefore been excluded from the LTFP

Should Council dispose of any property during the ten-year period this would be considered as additional revenue. Other revenue reflects non-recurring revenue such as FAGs paid in advance.

# OPERATING EXPENDITURE

This section analyses the expected expenditure of Council from 2018/19 to 2028/29. The table and graph below summarises the movements in Council's key expenditure items over the period.

| | 2018/19 | 2022/23 | 2028/29 |
|---|---|---|---|
| **Expenditure Type** | **$'000** | **$'000** | **$'000** |
| Depreciation | 9,866 | 11,910 | 15,213 |
| Employee Costs | 14,534 | 16,359 | 19,533 |
| Materials &Contracts | 8,957 | 9,836 | 11,406 |
| Other Expenses | 4,011 | 4,788 | 5,236 |
| Cost of Assets Retired | 500 | 500 | 500 |
| Borrowing Costs | 200 | 252 | 110 |
| Levies to State Government | 1,605 | 1,876 | 2,346 |
| **Total Operating Expenditure** | **39,674** | **45,519** | **54,345** |




## Depreciation

Depreciation is an accounting measure which allocates the value of assets over their useful lives.

Council's infrastructure assets are held at depreciated replacement cost to ensure adequate provision for renewal of existing infrastructure through depreciation expense. The amount spent on asset renewal in any given year is determined by Council's longer term capital works program.

Depreciation is estimated to increase $5.3m or 54% from $9.9m in 2018/19 to $15.2m in 2028/29. The increase reflects the additional depreciation expense for capital projects completed as part of the annual capital works program. In particular, the capital expenditure on Kingston Park will have a significant impact. Infrastructure contributions from developers and the annual revaluation of infrastructure (estimated at 3.0%) also increase the level of Council's depreciation expense.

## Employee costs

Employee costs include all salaries and wages and all employment related expenses including payroll tax, employer superannuation, leave entitlements, fringe benefits tax, workers compensation insurance and professional development.

Employee costs are estimated to increase by $5.0m or 35% from $14.5m in 2018/19 to $19.5m in 2028/29. The increase in Council employee costs reflect an estimated Enterprise Bargaining Agreement percentage increase and a percentage increase for performance based progression.

Employee numbers and costs need to be carefully managed into the future. Council has developed a Workforce Plan to guide long-term planning in this area. Increased staff numbers as a result of implementing new services and enhancing existing services need to be funded through additional revenue.

## Materials and contracts, Other Expenses

Materials and contracts include the purchase of consumables, payments to contractors for the provision of services, insurances, and utility costs.  Utility costs relate to telecommunications, water, sewerage, and electricity.

Materials and contracts, and other expenses are estimated to increase $2.5m or 28% from $9.0m in 2018/19 to $11.4m in 2028/29.

As part of the productivity drive throughout Council, material and contracts costs have only been increased by 1.5% up until 2021.This equates to a $100k savings per annum if inflation increases are around the expected 2.5% Reserve Bank target. To achieve this result, careful control will be required over discretionary expenditure on materials and contracts.

Despite the significant service delivery pressures, through controlling cost increases Council aims to maintain the level of growth in materials and contracts expenditure to 2.5% from 2021 onwards.

The one percent growth in rates through increased rateable properties, including new houses is not expected to have a significant impact on the level of ‘non-recoverable’ service costs. It is reasonable to assume new subdivisions would require minimal maintenance over the period up to 2021. Street lighting and street sweeping are potential ‘new’ costs which are not directly recoverable, however these are not expected to be significant.

## Cost of Assets Retired

The cost of assets retired represents the write off of infrastructure assets as a result of the renewal or upgrade of the asset. On occasions, assets deteriorate at a greater rate than the expected life of the asset and there is a need for capital expenditure to restore the asset to full capacity. In this scenario, there is a write-off of the remaining asset which becomes an expense to Council. The write-off for 2018/19 is expected to be $0.5m and this is expected to remain constant over time.

## Levies to State Government

Levies to State Government include land tax and state fire levies. State fire levies are collected on behalf of the State Fire Commission. These funds are passed directly to the State Fire Commission and Council has no control over the levies.

# ANALYSIS OF ESTIMATED CASH POSITION

## Estimated Cash Flow Statement

This section analyses the projected cash flows from the operating, investing and financing activities of Council from 2018/19 to 2027/28. The cash flow from operating activities is a key factor in determining the level of capital expenditure that can be sustained without using existing cash reserves.

The analysis is based on three main categories of cash flows:

### 1. OPERATING ACTIVITIES

Refers to the cash generated or used in the normal service delivery functions of Council. Cash remaining after paying for the provision of services to the community may be available for investment in capital works, or repayment of debt.

### 2. INVESTING ACTIVITIES

Refers to cash generated or used in the enhancement or creation of infrastructure and other assets. These activities also include the acquisition and sale of other assets such as vehicles, property and equipment.

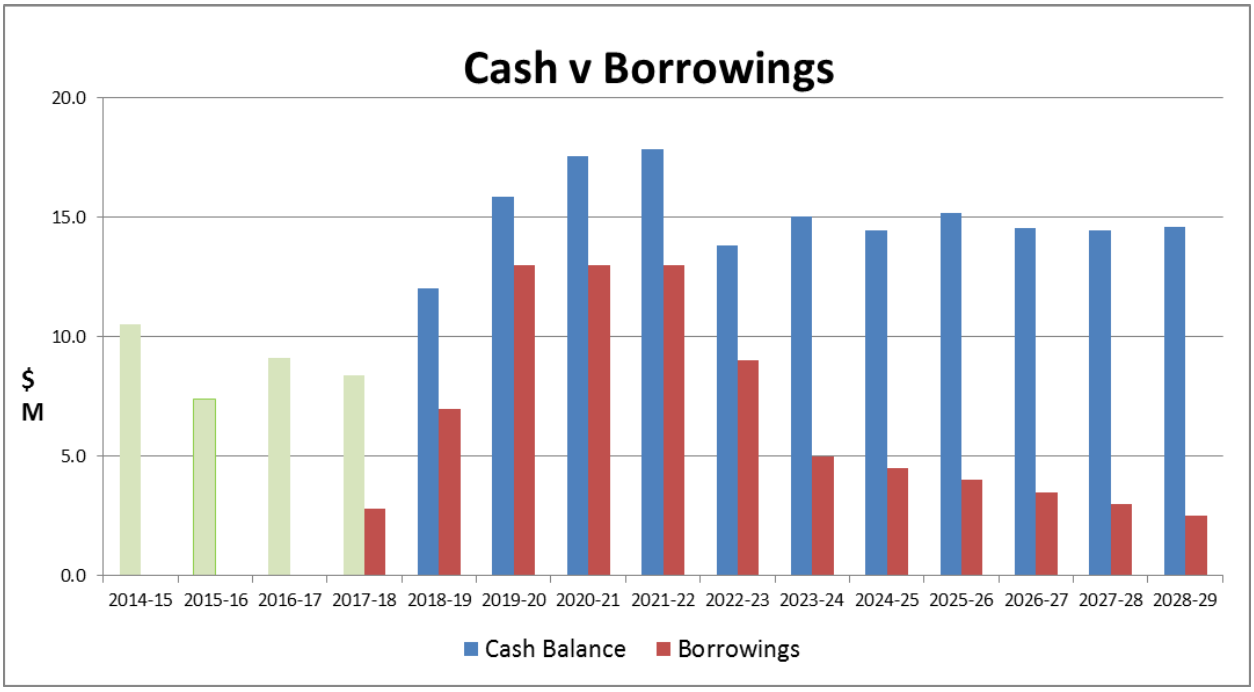
### 3. FINANCING ACTIVITIES

Refers to cash generated or used in the financing of Council functions and include borrowings from financial institutions and advancing of repayable loans to other organisations. These activities also include repayment of the principal component of loan repayments for the year.

The table below summarises Council's net cash flows over the ten year period.

| STATEMENT OF CASH FLOWS | Forecast 2018-19 | LTFP 2019-20 | LTFP 2020-21 | LTFP 2021-22 | LTFP 2022-23 | LTFP 2023-24 | LTFP 2024-25 | LTFP 2025-26 | LTFP 2026-27 | LTFP 2027-28 | LTFP 2028-29 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | $'m | $'m | $'m | $'m | $'m | $'m | $'m | $'m | $'m | $'m | $'m |
| Net Cash Flow from Operating Activities | 9.08 | 9.83 | 10.64 | 11.18 | 11.66 | 12.43 | 13.16 | 13.89 | 14.50 | 15.44 | 16.41 |
| Net Cash Flow used in Investing Activities | -12.42 | -12.49 | -9.44 | -11.35 | -12.17 | -7.68 | -13.71 | -13.16 | -15.09 | -15.54 | -16.21 |
| Net Cash Flow from Financing Activities | 6.30 | 6.48 | 0.48 | 0.48 | -3.52 | -3.52 | -0.02 | -0.02 | -0.02 | -0.02 | -0.02 |
| **NET (DECREASE)/INCREASE IN CASH HELD** | **2.96** | **3.81** | **1.68** | **0.30** | **-4.03** | **1.22** | **-0.57** | **0.70** | **-0.61** | **-0.12** | **0.17** |
| Cash at the Beginning of the Year | 9.08 | 12.04 | 15.86 | 17.54 | 17.84 | 13.81 | 15.03 | 14.46 | 15.17 | 14.55 | 14.44 |
| **CASH AT THE END OF THE YEAR** | **12.04** | **15.86** | **17.54** | **17.84** | **13.81** | **15.03** | **14.46** | **15.17** | **14.55** | **14.44** | **14.61** |
| Statutory Reserves | -1.00 | -1.00 | -1.00 | -1.00 | -1.00 | -1.00 | -1.00 | -1.00 | -1.00 | -1.00 | -1.00 |
| Descretionary Reserves | -2.00 | -2.00 | -2.00 | -2.00 | -2.00 | -2.00 | -2.00 | -2.00 | -2.00 | -2.00 | -2.00 |
| Other Commitments | -1.00 | -1.00 | -1.00 | -1.00 | -1.00 | -1.00 | -1.00 | -1.00 | -1.00 | -1.00 | -1.00 |
| Carried Forwards | -1.00 | -1.00 | -1.00 | -1.00 | -1.00 | -1.00 | -1.00 | -1.00 | -1.00 | -1.00 | -1.00 |
| **UNRESTRICTED CASH AT YEAR END** | **7.04** | **10.86** | **12.54** | **12.84** | **8.81** | **10.03** | **9.46** | **10.17** | **9.55** | **9.44** | **9.61** |

The graph below shows the past four years and forward projections for cash balances and borrowings out to 2028/29. The cash balance is increasing to $17.8m by 2021 but will reduce to just below $15.0m from 2023 onwards. Borrowings will increase to $13.0m in 2020 to fund the Kingston Park project, and then will decrease to $5.0m in 2024 as land sales generate cash inflows.




## Cash flows from operating activities

The net cash flow from operating activities is estimated to increase from $9.1m in 2018/19 to $65.4m in 2027/28. The increase comprises an increase in receipts from ratepayers and user charges of $15.4m, which is partially offset by an increase in payments to suppliers and staff of $8.7m.

The net cash flow from operating activities in important as it allows appropriate funding for asset renewals and the development of upgraded or new assets.

## Cash flows from investing activities

Funds required for the capital works program (including carry forwards) are estimated to be between $13.7m and $17.2m during the ten year period with fluctuations due primarily to works on the Kingston Park site. This is offset by proceeds from asset sales from the sale of land at the Kingston Park site commencing in 2020.

This capital expenditure funding allows for the renewal and upgrade of existing assets and the creation of new assets.

The increase in the capital works program is primarily funded by increased cash from operating activities. There will be borrowings to fund works at the Kingston Park site.

The asset management plans indicate that over the next 10 years Council should be spending approximately $7.5m (unadjusted for inflation) per annum on infrastructure asset renewal. Additional funds will be spent on new or upgraded assets.

## Cash flows from financing activities

To fund the capital works on the Kingston Park site, Council will need to borrow funds during the early stages of the project. Once land is sold, the borrowings will be repaid commencing from 2020 onwards until the debt is finalised.

Over the period 2020 to 2029, Council's available cash balance is estimated to increase from $12.0m in 2018/19 to $14.4m in 2028/29. The increased cash would provide options for Council to increase funding on the renewal of infrastructure into the future, subject to appropriate levels of liquidity being maintained.

## Restricted and unrestricted cash and investments

Cash and cash equivalents held by Council are restricted in part, and not fully available for Council's operations. The forecasted unrestricted cash balance is detailed at the bottom of the Statement of Cash Flows.

## Statutory reserves

Statutory reserves are funds that must be used in accordance with legislative and contractual obligations. These funds are not available for any other purpose. It is estimated that Council will have subdivision infrastructure related deposits of $1.0m throughout the ten year period.

## Discretionary reserves

Discretionary funds are set aside by Council for a specific purpose and unless there is a Council resolution these funds should only be used for those purposes. The estimated discretionary reserve balances for the financial year ends are shown in the below table. For the purposes of the LTFP the reserve balances are maintained at the same level throughout the ten year period as detailed below.

| **RESERVE** | **$'000** |
|---|---|
| Public Open Space | 900 |
| Car Parking | 50 |
| Boronia Hill Reserve | 10 |
| Plant Replacement | 110 |
| Sports Centre Equipment Replacement | 100 |
| Emergency Services Reserve | 10 |
| Kingborough Environmental Fund | 700 |
| IT Reserve | 120 |
| **TOTAL** | **2,000** |

## Cash at end of year

Overall the total unrestricted cash at year end is forecasted to increase from $7.0m in 2020 to $9.4m in 2028/29. The minimum unrestricted cash balance of $7.0m is considered adequate in light of Council's annual operational and capital spend.

# ANALYSIS OF ESTIMATED FINANCIAL POSITION

## Estimated Financial Position

This section analyses the projected movements in assets, liabilities and equity from 2019/20 to 2028/29.

| STATEMENT OF FINANCIAL POSITION | Forecast 2018-19 | LTFP 2019-20 | LTFP 2020-21 | LTFP 2021-22 | LTFP 2022-23 | LTFP 2023-24 | LTFP 2024-25 | LTFP 2025-26 | LTFP 2026-27 | LTFP 2027-28 | LTFP 2028-29 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | $'m | $'m | $'m | $'m | $'m | $'m | $'m | $'m | $'m | $'m | $'m |
| Total Current Assets | 13.14 | 16.96 | 18.64 | 18.94 | 14.91 | 16.13 | 15.56 | 16.27 | 15.65 | 15.54 | 15.71 |
| Total Non-Current Assets | 655.06 | 689.61 | 723.71 | 759.36 | 794.42 | 830.88 | 869.17 | 909.34 | 951.16 | 994.67 | 1,040.13 |
| **TOTAL ASSETS** | **668.20** | **706.57** | **742.34** | **778.30** | **809.33** | **847.01** | **884.73** | **925.60** | **966.82** | **1,010.20** | **1,055.84** |
| Total Current Liabilities | 8.44 | 8.50 | 8.55 | 8.61 | 8.67 | 8.73 | 8.80 | 8.86 | 8.93 | 9.00 | 9.06 |
| Total Non-Current Liabilities | 5.77 | 11.79 | 11.80 | 11.82 | 7.85 | 3.87 | 3.39 | 2.91 | 2.43 | 1.96 | 1.48 |
| **TOTAL LIABILITIES** | **14.21** | **20.28** | **20.36** | **20.44** | **16.52** | **12.60** | **12.18** | **11.77** | **11.36** | **10.95** | **10.55** |
| **NET ASSETS** | **653.99** | **686.29** | **721.99** | **757.87** | **792.81** | **834.41** | **872.55** | **913.83** | **955.46** | **999.25** | **1,045.30** |
| **TOTAL COMMUNITY EQUITY** | **653.99** | **686.29** | **721.99** | **757.87** | **792.81** | **834.41** | **872.55** | **913.83** | **955.46** | **999.25** | **1,045.30** |

## Current Assets and Non-Current Assets

Current assets comprise cash, investments and receivables. Current assets are estimated to fluctuate between $13.1m and $18.9m for the life of the LTFP. The variation is primarily due to changes in Council's cash and investment balance.

Non-current assets primarily include infrastructure assets. Non-current assets are estimated to increase $385.0m over the ten years. This movement is primarily due to the 3.0% annual revaluation of assets as well as the capital expenditure on the Kingston Park site.

## Current Liabilities and Non-Current Liabilities

Liabilities include creditors, employee provisions and other liabilities. The balance of payables is difficult to predict as it depends mainly on the progress and timing of capital works.

It has been assumed that the level of staff positions will only marginally increase and that leave balances will be managed so that leave provisions remain constant.

Loan borrowings will fluctuate between $7.0m and $13.0m over the life of the LTFP reaching the peak in 2019/20 as construction of the main road and community hub are completed. Of the total borrowings, $6.0m will be provided as interest free loans under a State Government grant scheme.

# KEY FINANCIAL INDICATORS

## Key Indicators and Financial Sustainability Benchmarks

The following graphs illustrate the key financial indicators over the ten year period of the LTFP.

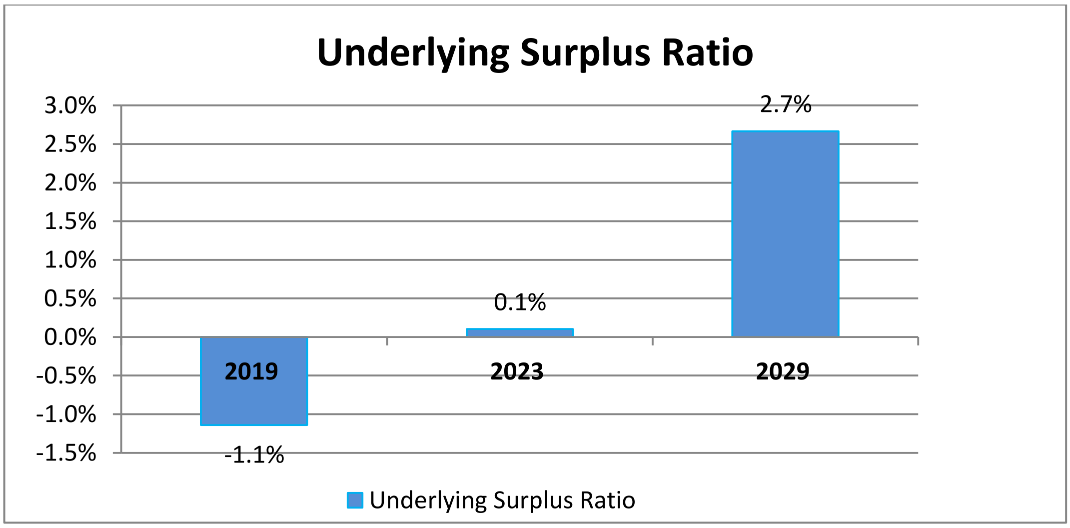
It is important to note that the ratios are only indicators of financial performance and should not be considered in isolation when determining financial sustainability.  It is important to consider the ratios over time to consider trends.  The results taken together over time indicate financial performance.

The Auditor General compares the financial sustainability of Councils by using generally accepted key financial ratios.  The Auditor General uses the following ratios to measure the sustainability of a local government entity which are interrelated and enable both self-analysis and comparative analysis with other local government entities.  The ratios used are below.

## Underlying Result Ratio

The underlying surplus ratio expresses the operating surplus as a percentage or the recurring operating income. A result greater than 0.0% indicates a surplus, the larger the surplus the stronger the result and therefore stronger assessment of sustainability. A negative result indicates a deficit which cannot be sustained in the long-term.

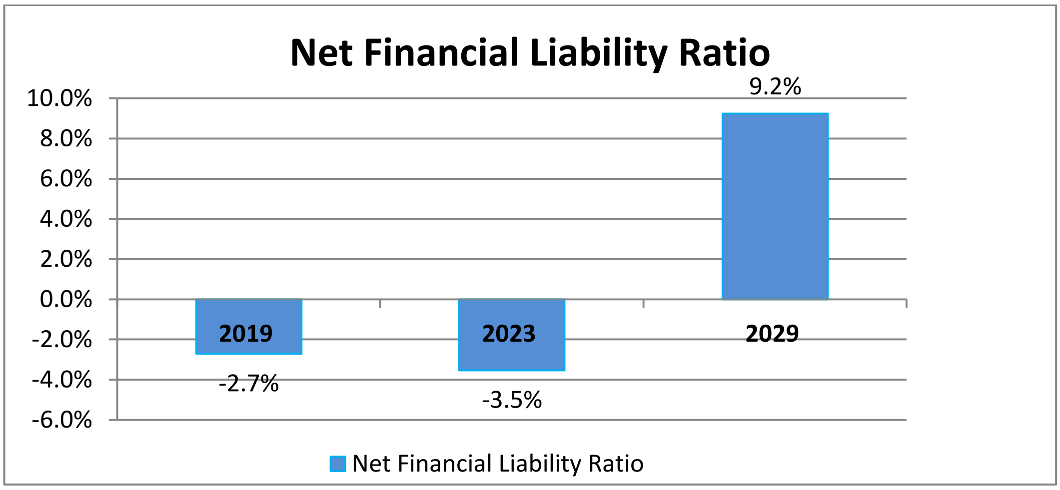
The underlying surplus ratio is calculated from using revenue from the comprehensive income statement adjusted for capital grants income, developer contributions and any other material one-off (non-recurring) items of revenue.




The underlying surplus ratio for 2018/19 is below the Benchmark of 0.0% and indicates Council is not currently fully funding its depreciation expense. However over the next five year period the ratio is trending upwards and an underlying surplus ratio above 0.1% is achieved by 2022/23. The result in 2028/29 of a 2.7% operating surplus ratio results from the continued financial improvement from 2020/21.

## Net Financial Liability Ratio

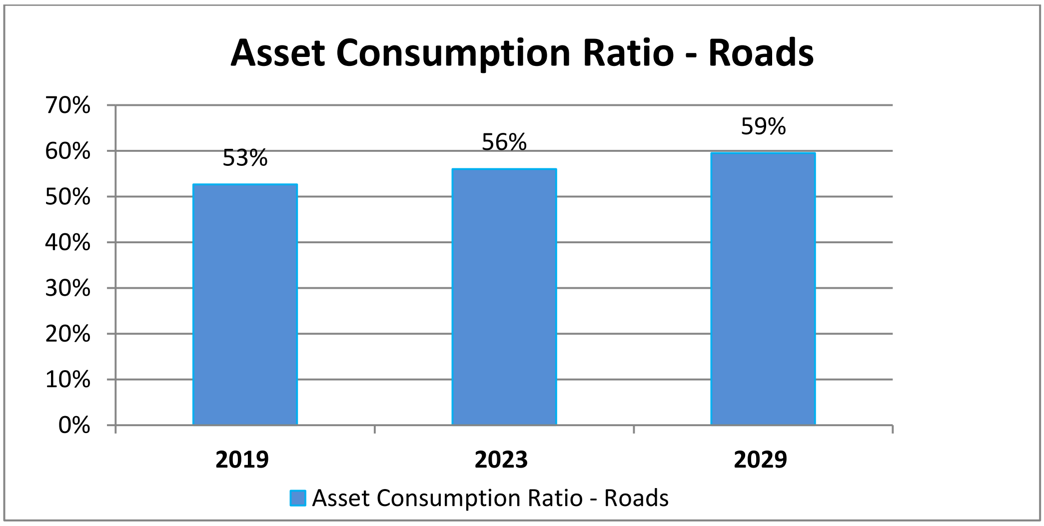
This measure shows whether Council's total liabilities can be met by its liquid assets. An excess of total liabilities over liquid assets means that, if all the liabilities fell due at once, additional revenue would be needed to fund the shortfall.



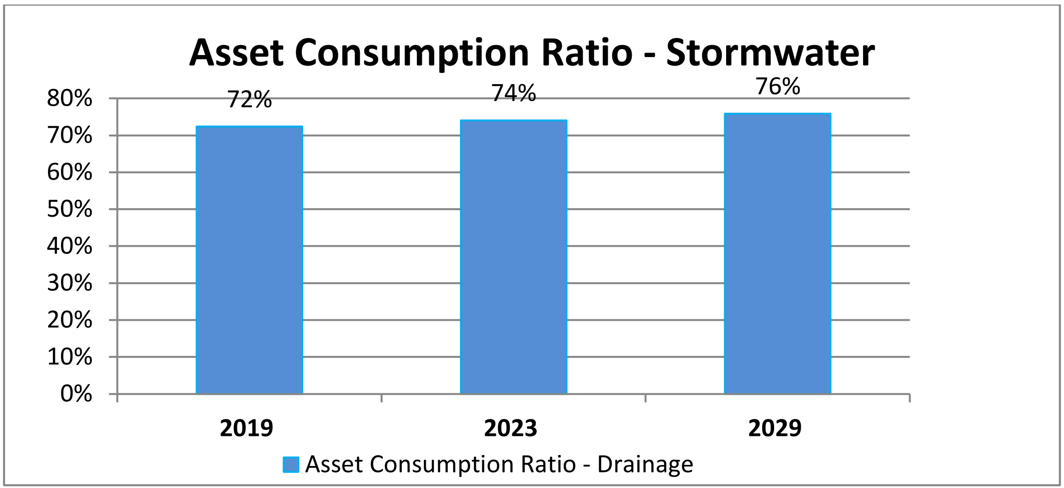

Council's result for 2019 and 2023 is below the 0.0% benchmark due to the borrowings associated with the construction at the Kingston Park site. The repayment of the majority of the debt by 2024, leads to improved ratio in 2028/29.

## Asset Consumption Ratio

The asset consumption ratio indicates the level of service potential available in Council's existing asset base. The ratio is calculated by dividing the depreciated replacement cost over the current replacement cost and is an indicator of the remaining useful life of the infrastructure asset. The benchmark for this ratio is between 50% and 80%.



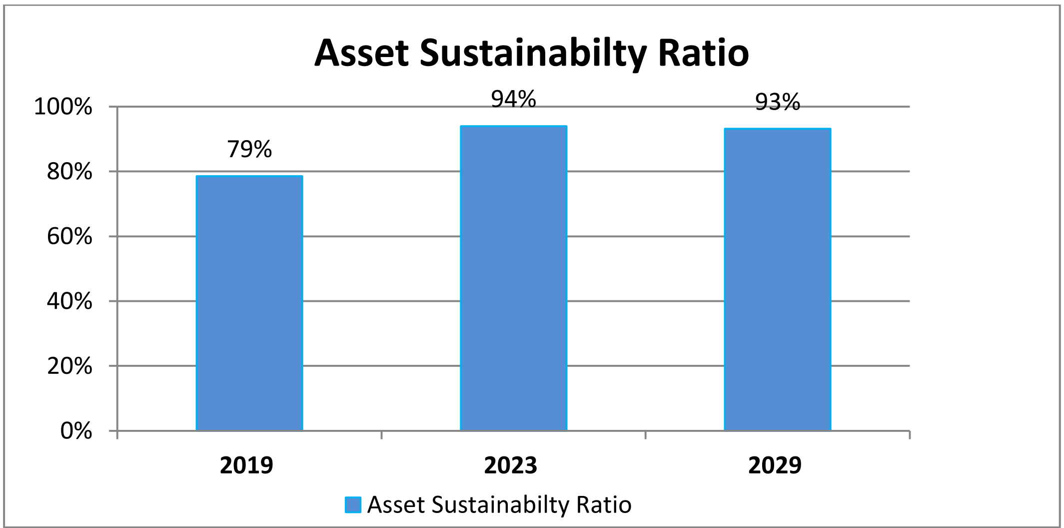

The above ratio for Council's roads, indicate that there is a reasonable level of service potential available within the existing asset base. The ratio is increasing over the ten year period as a result of capital expenditure on the road network.




The asset consumption ratio for stormwater assets shows a high level of service potential as well as an increasing ratio over the ten-year period. This reflects capital expenditure to update this infrastructure.

## Asset Sustainability Ratio

The asset sustainability ratio indicates whether a Council has been maintaining existing assets at a consistent rate. The ratio is calculated as the total capital renewal expenditure divided by depreciation expense. A result of greater than 100% indicates that spending on existing assets is greater than the rate of depreciation base. The benchmark result is 100%.




The above graph shows that Council does not meet the 90% to 100% benchmark for capital expenditure on asset renewal. While this shortfall is sustainable in the short term, it would be of a concern if the trend continued over an extended period.

This ratio highlights the need for Council to continue to build cash reserves, through the generation of an underlying surplus, to allow increased expenditure on asset infrastructure. From 2021 onwards, an asset sustainability ratio of over 90% will be funded due to the delivery of an underlying surplus allowing additional funds to be reinvested in infrastructure.

# BUDGET RISKS & SENSITIVITY ANALYSES

## Inflation Adjusted Expenditure

The assumptions related to the revenue streams and expenditure line items can have a significant impact on the long-term forecast result of Council. The level of inflation adjusted expenditure is likely to be the most subjective and has the greatest potential to significantly impact the LTFP.

The below analysis demonstrates the sensitivity of the LTFP to changes in the level of expenditure that is increased by the inflation rate.

The LTFP assumes expenditure increases in line with the expected inflation rate of 2.5%. If the rate of inflation is 1.0% above the assumed rate, then the effect will be as follows:

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|---|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Yearly Variance (+1% ) | 132,476 | 269,064 | 410,267 | 556,500 | 704,888 | 856,987 | 1,012,887 | 1,174,186 | 1,338,016 | 1,504,443 |
| Accum Variance | 132,476 | 401,540 | 811,807 | 1,368,307 | 2,073,195 | 2,930,182 | 3,943,069 | 5,117,255 | 6,455,271 | 7,959,714 |
| | | | | | | | | | | |
| Underlying Result ($'000) | (387) | (251) | (319) | (510) | (376) | (300) | (264) | (385) | (200) | (14) |

Over a 10 year period Council would have generated $8.0m less in cash as a result of the inflation rate being 1.0% greater than expected.

The impact on the underlying operating result would be significant as the underlying deficit would continue for the life of the LTFP.

This outcome is considered unsatisfactory and clearly demonstrates the importance of limiting the level of annual increases in expenditure to 2.5%.

## General Rates

The below analysis demonstrates the sensitivity of the LTFP to changes in the level of rates income.

The LTFP assumes a rate increase of 3.5% increase for 2019/20 and a 2.8% annual increase in rates from 2020/21. If the assumption is changed to 3.0% for 2019/20 and 2.3 % after that, the dollar impact is calculated as follows:

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|---|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Yearly Variance (-0.5%) | (136,190) | (279,235) | (428,406) | (583,938) | (746,077) | (915,077) | (1,091,202) | (1,274,726) | (1,465,935) | (1,665,123) |
| Accum Variance | (136,190) | (415,425) | (843,831) | (1,427,770) | (2,173,847) | (3,088,924) | (4,180,125) | (5,454,851) | (6,920,786) | (8,585,909) |
| | | | | | | | | | | |
| Underlying Result ($'000) | (390) | (261) | (337) | (537) | (417) | (358) | (342) | (485) | (327) | (175) |

Over the nine year period Council would have generated $8.6m less in cash as a result of a 0.5% reduction in rate increases to 2028/29.

Also no underlying operating surplus would be achieved during the life of the LTFP.

## Asset Revaluation

The LTFP is based on annual asset revaluations averaging 3.0% over the life of the LTFP.

This assumption is based on past results, but the revaluation rate can be quite volatile and is very much dependent on market conditions at the time.

The following shows the impact on depreciation expense of a 4.0% increase in the average level of asset revaluation over the life of the LTFP:

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|---|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Yearly Variance (+1.0%) | (123,122) | (252,372) | (387,624) | (529,087) | (676,597) | (830,388) | (990,775) | (1,158,084) | (1,332,590) | (1,514,573) |
| Accum Variance | (237,184) | (489,556) | (877,180) | (1,406,268) | (2,082,865) | (2,913,252) | (3,904,028) | (5,062,111) | (6,394,702) | (7,909,275) |
| Underlying Result ($'000) | (377) | (234) | (296) | (483) | (348) | (273) | (242) | (369) | (194) | (24) |

Over the ten year period Council would generate $7.9 million less in cash as a result of the increased level of asset revaluation.

No underlying operating surplus would be achieved over the life of the LTFP.

## Rate Revenue from Charities

Council is currently a party to legal action in the High Court in regards to rate revenue from charitable institutions. If Council losses this action, the possibility is that up to $0.46 million in rate revenue could be lost which will have a substantial impact on Council's income.

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|---|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Yearly Variance (-$464k) | (464,000) | (464,000) | (464,000) | (464,000) | (464,000) | (464,000) | (464,000) | (464,000) | (464,000) | (464,000) |
| Accum Variance | (464,000) | (928,000) | (1,392,000) | (1,856,000) | (2,320,000) | (2,784,000) | (3,248,000) | (3,712,000) | (4,176,000) | (4,640,000) |
| Underlying Result ($'000) | (718) | (446) | (372) | (417) | (135) | 93 | 285 | 325 | 674 | 1,026 |

Over the ten year period Council would generate $4.6 million less in cash as a result of the loss of rate revenue from charities.

An underlying operating surplus would not be achieved until 2024/25.

## Financial Assistance Grant

In the period between 2014 and 2017, the Australian Government chose to freeze the total funding pool by not allowing for any indexation of the grants. Any future freezing of the FAGs would have the following impact on Council's financial outcomes.

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|---|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Yearly Variance | (89,220) | (181,117) | (275,770) | (373,263) | (473,681) | (577,112) | (683,645) | (793,374) | (906,395) | (1,022,807) |
| Accum Variance | (89,220) | (270,337) | (546,107) | (919,370) | (1,393,051) | (1,970,163) | (2,653,807) | (3,447,182) | (4,353,577) | (5,376,384) |
| Underlying Result ($'000) | (343) | (163) | (184) | (327) | (145) | (20) | 65 | (4) | 232 | 468 |

Over the ten year period Council would generate $5.4 million less in cash as a result of the freezing of the financial assistance grants.

An underlying operating surplus would not be achieved until 2025/26.

## Dividends

Council has a significant investment in Taswater on which it receives an annual return in the form of dividends. For 2018/19, the Taswater Board determined that the dividend would be reduced by one third, which resulted in a $610k reduction in income to the Council. A further reduction in dividend in 2022/23 of the same amount, would have the following impact on Council's finances.

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|---|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Yearly Variance | 0 | 0 | 0 | (610,000) | (610,000) | (610,000) | (610,000) | (610,000) | (610,000) | (610,000) |
| Accum Variance | 0 | 0 | 0 | (610,000) | (1,220,000) | (1,830,000) | (2,440,000) | (3,050,000) | (3,660,000) | (4,270,000) |
| Underlying Result ($'000) | (254) | 18 | 92 | (563) | (281) | (53) | 139 | 179 | 528 | 880 |

Over the six year period of the reduction in dividends, Council would generate $4.3 million less in cash as a result of the change.

An underlying operating surplus would disappear in 2022/23 and not be achieved until 2025/26.

## APPENDIX A - STATEMENT OF COMPREHENSIVE INCOME

| | Forecast 2018-19 | LTFP 2019-20 | LTFP 2020-21 | LTFP 2021-22 | LTFP 2022-23 | LTFP 2023-24 | LTFP 2024-25 | LTFP 2025-26 | LTFP 2026-27 | LTFP 2027-28 | LTFP 2028-29 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Recurring Revenue** | | | | | | | | | | | |
| Rates | 27,135 | 28,336 | 29,613 | 30,739 | 31,907 | 33,120 | 34,379 | 35,686 | 37,042 | 38,450 | 39,911 |
| Fire Service Levies | 1,605 | 1,677 | 1,741 | 1,807 | 1,876 | 1,947 | 2,021 | 2,098 | 2,178 | 2,260 | 2,346 |
| ***Total Rates & Fire Levies*** | ***28,740*** | ***30,013*** | ***31,354*** | ***32,546*** | ***33,783*** | ***35,067*** | ***36,400*** | ***37,783*** | ***39,220*** | ***40,710*** | ***42,258*** |
| Satutory Fees & Fines | 1,874 | 1,930 | 2,038 | 2,099 | 2,162 | 2,227 | 2,293 | 2,362 | 2,433 | 2,506 | 2,581 |
| User Charges | 1,444 | 1,518 | 1,563 | 1,610 | 1,658 | 1,708 | 1,759 | 1,812 | 1,867 | 1,923 | 1,980 |
| Grants - Operating | 2,974 | 3,063 | 3,155 | 3,250 | 3,347 | 3,448 | 3,551 | 3,658 | 3,767 | 3,880 | 3,997 |
| Contributions - cash | 635 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 |
| Interest | 168 | 195 | 286 | 355 | 380 | 333 | 358 | 367 | 369 | 371 | 360 |
| Other Income | 1,951 | 2,010 | 2,070 | 2,132 | 2,196 | 2,262 | 2,330 | 2,399 | 2,471 | 2,546 | 2,622 |
| Dividends - TasWater | 1,240 | 1,240 | 1,240 | 1,240 | 1,240 | 1,240 | 1,240 | 1,240 | 1,240 | 1,240 | 1,240 |
| Share of profit (loss) in associate/subsidiary | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 |
| **Total Operating Income** | **39,226** | **40,768** | **42,506** | **44,031** | **45,566** | **47,084** | **48,731** | **50,422** | **52,167** | **53,976** | **55,838** |
| **Recurring Expenses** | | | | | | | | | | | |
| Materials and Contracts | 8,957 | 9,136 | 9,245 | 9,596 | 9,836 | 10,081 | 10,334 | 10,592 | 10,857 | 11,128 | 11,406 |
| Employee Costs | 14,534 | 14,971 | 15,420 | 15,882 | 16,359 | 16,849 | 17,355 | 17,876 | 18,412 | 18,964 | 19,533 |
| Depreciation | 9,866 | 10,382 | 10,923 | 11,385 | 11,910 | 12,398 | 12,908 | 13,444 | 14,008 | 14,598 | 15,213 |
| Levies to State Government | 1,605 | 1,677 | 1,741 | 1,807 | 1,876 | 1,947 | 2,021 | 2,098 | 2,178 | 2,260 | 2,346 |
| Borrowing Costs | 200 | 245 | 245 | 245 | 252 | 222 | 181 | 166 | 150 | 130 | 110 |
| Other Expenses | 4,011 | 4,111 | 4,414 | 4,525 | 4,788 | 4,757 | 4,876 | 4,998 | 5,273 | 5,255 | 5,236 |
| Carrying Amount of Assets Retired | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 |
| **Total Operating Expenses** | **39,674** | **41,022** | **42,488** | **43,940** | **45,519** | **46,755** | **48,174** | **49,674** | **51,378** | **52,837** | **54,348** |
| **Underlying Surplus (Deficit) before Capital ite** | **(448)** | **(254)** | **18** | **92** | **47** | **329** | **557** | **749** | **789** | **1,138** | **1,490** |
| **Capital and Non-Recurring Items** | | | | | | | | | | | |
| Capital Grants | 2,100 | 476 | 476 | 476 | 476 | 476 | 476 | 476 | 476 | 476 | 476 |
| Contributions - non cash | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Grants in Advance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **NET SURPLUS (DEFICIT)** | **2,652** | **1,222** | **1,494** | **1,568** | **1,523** | **1,805** | **2,033** | **2,225** | **2,265** | **2,614** | **2,966** |

## APPENDIX B - STATEMENT OF FINANCIAL POSITION

| | Forecast 2018-19 | LTFP 2019-20 | LTFP 2020-21 | LTFP 2021-22 | LTFP 2022-23 | LTFP 2023-24 | LTFP 2024-25 | LTFP 2025-26 | LTFP 2026-27 | LTFP 2027-28 | LTFP 2028-29 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Current Assets** | | | | | | | | | | | |
| Cash | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 |
| Investments | 9,542 | 13,357 | 15,037 | 15,340 | 11,306 | 12,530 | 11,962 | 12,667 | 12,054 | 11,935 | 12,108 |
| Receivables | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Other | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| **Total Current Assets** | **13,142** | **16,957** | **18,637** | **18,940** | **14,906** | **16,130** | **15,562** | **16,267** | **15,654** | **15,535** | **15,708** |
| | | | | | | | | | | | |
| **Non-Current Assets** | | | | | | | | | | | |
| Land and Buildings | 179,775 | 183,386 | 187,149 | 191,252 | 195,537 | 200,012 | 204,685 | 209,565 | 214,663 | 219,987 | 225,548 |
| Plant and Vehicles | 5,208 | 5,468 | 5,748 | 6,177 | 6,645 | 7,156 | 7,712 | 8,320 | 8,982 | 9,705 | 10,493 |
| Furniture and Equipment | 229 | 272 | 317 | 386 | 456 | 527 | 600 | 675 | 751 | 829 | 908 |
| Infrastructure Assets | 374,413 | 405,053 | 435,061 | 466,117 | 496,351 | 527,755 | 560,740 | 595,345 | 631,334 | 668,715 | 707,752 |
| Intangible Assets | 164 | 164 | 164 | 164 | 164 | 164 | 164 | 164 | 164 | 164 | 164 |
| Receivables | 373 | 373 | 373 | 373 | 373 | 373 | 373 | 373 | 373 | 373 | 373 |
| Investment - Copping Waste Author | 1,220 | 1,220 | 1,220 | 1,220 | 1,220 | 1,220 | 1,220 | 1,220 | 1,220 | 1,220 | 1,220 |
| Investment - Southern Water | 93,676 | 93,676 | 93,676 | 93,676 | 93,676 | 93,676 | 93,676 | 93,676 | 93,676 | 93,676 | 93,676 |
| **Total Non-Current Assets** | **655,057** | **689,612** | **723,708** | **759,364** | **794,422** | **830,883** | **869,171** | **909,338** | **951,163** | **994,669** | **1,040,134** |
| | | | | | | | | | | | |
| **TOTAL ASSETS** | **668,199** | **706,569** | **742,345** | **778,304** | **809,328** | **847,013** | **884,733** | **925,605** | **966,818** | **1,010,204** | **1,055,842** |
| | | | | | | | | | | | |
| **Current Liabilities** | | | | | | | | | | | |
| Creditors | 3,221 | 3,221 | 3,221 | 3,221 | 3,221 | 3,221 | 3,221 | 3,221 | 3,221 | 3,221 | 3,221 |
| Provisions | 2,220 | 2,275 | 2,332 | 2,391 | 2,450 | 2,512 | 2,574 | 2,639 | 2,705 | 2,772 | 2,842 |
| Loan Borrowings | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| Trust Funds & Deposits | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,001 | 1,002 | 1,002 | 1,002 | 1,002 |
| **Total Current Liabilities** | **8,441** | **8,496** | **8,553** | **8,612** | **8,671** | **8,733** | **8,796** | **8,862** | **8,928** | **8,995** | **9,065** |
| | | | | | | | | | | | |
| **Non-Current Liabilities** | | | | | | | | | | | |
| Loan Borrowings | 5,000 | 11,000 | 11,000 | 11,000 | 7,000 | 3,000 | 2,500 | 2,000 | 1,500 | 1,000 | 500 |
| Provisions | 766 | 785 | 805 | 825 | 845 | 867 | 888 | 910 | 933 | 957 | 980 |
| **Total Non-Current Liabilities** | **5,766** | **11,785** | **11,805** | **11,825** | **7,845** | **3,867** | **3,388** | **2,910** | **2,433** | **1,957** | **1,480** |
| | | | | | | | | | | | |
| **TOTAL LIABILITIES** | **14,207** | **20,282** | **20,358** | **20,436** | **16,517** | **12,599** | **12,185** | **11,772** | **11,361** | **10,952** | **10,545** |
| | | | | | | | | | | | |
| **NET ASSETS** | **653,992** | **686,286** | **721,986** | **757,867** | **792,811** | **834,413** | **872,547** | **913,832** | **955,456** | **999,251** | **1,045,296** |
| | | | | | | | | | | | |
| **Community Equity** | | | | | | | | | | | |
| Reserves | 381,246 | 412,319 | 446,525 | 480,838 | 514,259 | 554,057 | 590,158 | 629,218 | 668,576 | 709,757 | 752,836 |
| Accumulated Surplus | 272,745 | 273,967 | 275,461 | 277,029 | 278,551 | 280,356 | 282,389 | 284,614 | 286,879 | 289,494 | 292,460 |
| **TOTAL COMMUNITY EQUITY** | **653,992** | **686,286** | **721,986** | **757,867** | **792,811** | **834,413** | **872,547** | **913,832** | **955,456** | **999,251** | **1,045,296** |

## APPENDIX C - STATEMENT OF CASH FLOWS

| | Forecast 2018-19 | LTFP 2019-20 | LTFP 2020-21 | LTFP 2021-22 | LTFP 2022-23 | LTFP 2023-24 | LTFP 2024-25 | LTFP 2025-26 | LTFP 2026-27 | LTFP 2027-28 | LTFP 2028-29 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | | | | | | |
| Receipts from Ratepayers & Users | 34,009 | 35,470 | 37,025 | 38,387 | 39,799 | 41,263 | 42,782 | 44,357 | 45,991 | 47,685 | 49,441 |
| Payments to Suppliers & Staff | (27,503) | (28,218) | (29,078) | (30,002) | (30,982) | (31,688) | (32,565) | (33,466) | (34,542) | (35,347) | (36,176) |
| Interest | 168 | 195 | 286 | 355 | 380 | 333 | 358 | 367 | 369 | 371 | 360 |
| Operating Grants | 2,974 | 3,063 | 3,155 | 3,250 | 3,347 | 3,448 | 3,551 | 3,658 | 3,767 | 3,880 | 3,997 |
| Dividends - TasWater | 1,240 | 1,240 | 1,240 | 1,240 | 1,240 | 1,240 | 1,240 | 1,240 | 1,240 | 1,240 | 1,240 |
| Borrowing Costs | (200) | (245) | (245) | (245) | (252) | (222) | (181) | (166) | (150) | (130) | (110) |
| Payments to Government | (1,605) | (1,677) | (1,741) | (1,807) | (1,876) | (1,947) | (2,021) | (2,098) | (2,178) | (2,260) | (2,346) |
| **Net Cash Flow from Operating Activities** | **9,083** | **9,828** | **10,642** | **11,177** | **11,656** | **12,427** | **13,165** | **13,893** | **14,499** | **15,440** | **16,409** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | | | | | | |
| Proceeds from the Sale of Assets | 915 | 3,250 | 4,815 | 3,450 | 981 | 5,835 | 556 | 1,850 | 400 | 400 | 400 |
| Developer Contributions | 635 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 |
| Acquisition of Capital Assets (incl Plant) | (13,972) | (16,339) | (14,853) | (15,400) | (13,747) | (14,114) | (14,864) | (15,615) | (16,087) | (16,535) | (17,214) |
| **Net Cash Flow used in Investing Activities** | **(12,422)** | **(12,489)** | **(9,438)** | **(11,350)** | **(12,166)** | **(7,679)** | **(13,708)** | **(13,165)** | **(15,087)** | **(15,535)** | **(16,213)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | | | | | | | |
| Repayment of Borrowings | 0 | 0 | 0 | 0 | (4,000) | (4,000) | (500) | (500) | (500) | (500) | (500) |
| Receipts from Government - Capital | 2,100 | 476 | 476 | 476 | 476 | 476 | 476 | 476 | 476 | 476 | 476 |
| Loan proceeds | 4,200 | 6,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Net Cash Flow from Financing Activities** | **6,300** | **6,476** | **476** | **476** | **(3,524)** | **(3,524)** | **(24)** | **(24)** | **(24)** | **(24)** | **(23)** |
| **NET (DECREASE)/INCREASE IN CASH HELD** | **2,961** | **3,815** | **1,679** | **303** | **(4,033)** | **1,224** | **(568)** | **704** | **(612)** | **(119)** | **173** |
| Cash at the Beginning of the Year | 9,081 | 12,042 | 15,857 | 17,537 | 17,840 | 13,806 | 15,030 | 14,462 | 15,167 | 14,554 | 14,435 |
| **CASH AT THE END OF THE YEAR** | **12,042** | **15,857** | **17,537** | **17,840** | **13,806** | **15,030** | **14,462** | **15,167** | **14,554** | **14,435** | **14,608** |
| Statutory Reserves | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) |
| Descretionary Reserves | (2,000) | (2,000) | (2,000) | (2,000) | (2,000) | (2,000) | (2,000) | (2,000) | (2,000) | (2,000) | (2,000) |
| Other Commitments | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) |
| Carry Forwards | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) |
| **UNRESTRICTED CASH AT YEAR END** | **7,042** | **10,857** | **12,537** | **12,840** | **8,806** | **10,030** | **9,462** | **10,167** | **9,554** | **9,435** | **9,608** |