Redland
CITY COUNCIL

Financial Strategy 2014 - 2024

"A local government is sustainable if its infrastructure capital and financial capital is able to be maintained over the long-term" (Local Government Act 2009, Section 104(2)).

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1 EXECUTIVE SUMMARY

1.1 THE FINANCIAL STRATEGY

The Financial Strategy (the Strategy) is Council's long-term financial plan that is governed by a series of strategies, planned responses and associated financial stability and sustainability targets to measure performance. The Strategy establishes the financial framework under which sound and sustainable financial decisions can be made and is reviewed annually with the inclusion of long-term modelling in accordance with section 171 of the Local Government Regulation 2012.

A key component of the Strategy is the long-term financial forecast (LTFF) which is reviewed following quarterly budget reviews and in conjunction with the annual budget preparation process.

The LTFF is Councils ten year financial forecast which includes income, expenditure, related cash flow projections, liabilities and equity and the value of assets. Council refers to this model when considering financial decisions, for example new borrowings, long term operational projections as well as capital expenditure forecasts.

1.2 THE FINANCIAL STRATEGY OBJECTIVES

The objectives are to:

- Achieve financial sustainability aimed at ensuring that our revenue is sufficient to cover an efficient operating expense base including depreciation that is, positive operational ratios;
- To ensure adequate funding is available to provide efficient and effective core services to the community;
- Continuation of good asset management to ensure that all community assets are well maintained and are fit for purpose;
- Address key inter-generational infrastructure and service issues, which allows any significant financial burden to be spread over a number of years and not impact adversely on current or future ratepayers; and
- Provide good financial and asset risk management which gives assurance that major risks have been considered and are reflected in future financial and asset management planning

1.3 ORGANISATIONAL AND COMMUNITY OUTCOMES

We will do this because:

- It demonstrates sound financial governance to the community and to external stakeholders such as the State and Federal Governments and represents Council as a responsible and accountable custodian of community services and assets;
- Our community services and assets will be well maintained and fit for purpose which means that current and future generations will benefit from effective and efficient financial and asset management;

- It protects future generations from bearing the full burden of future infrastructure needs whilst addressing the immediate needs for strategic responses to major issues facing local government; and
- It ensures that our planning is integrated and effective and that there is clear linkage between community expectations and service delivery within affordable limits.

1.4 KEY PRINCIPLES

We will achieve these outcomes through:

- Maximising organisational efficiencies through the implementation of initiatives such as:
  - Continued assessment of core business and service level reviews;
  - Reform of business service delivery modes where appropriate;
  - Continuing to deliver through the most efficient and effective means to reduce goods and services costs;
  - Challenging the priority and need for discretionary operational projects; and
- Continuing with rating reform including applying user pays principles where it is appropriate to do so;
- Optimising our capital and borrowing programmes to ensure delivery of projects which maximise synergies, gain economies of scale and balance the objectives of the Corporate Plan and Financial Strategy. This includes assessing borrowing levels over the medium to long term and making an assessment of the deliverability of projects;
- Utilising returns from cash investments to minimise financial impacts on ratepayers; and
- Investigating the new services or types of business where appropriate and feasible to generate additional returns for Council and minimise financial impacts on ratepayers.

1.5 IMPLEMENTATION OF THE FINANCIAL STRATEGY

We will implement the Strategy:

- Over ten years to ensure that the Strategy objectives can be achieved in a financially sustainable way and that these can be delivered in an effective and efficient manner;
- Through the delivery of operational and capital programmes which are aligned with Corporate Plan objectives. All capital and operational projects will be subject to rigorous business cases and prioritisation to ensure that the alignment is applied consistently before they are included in future spending plans;
- By continuing with rating reform which is provided in a separate policy document, however the basic intent is to:
  - Ensure that the rating system is simplified and is understood by the community;

  - That the revenue policy reflects the capacity of the property to generate revenue for owners;
  - Limiting increases in residential rates generally in line with the Consumer Price Index (CPI);
- Integrating asset management and procurement planning with financial planning which will ensure that spending on community assets will be clearly defined and in accordance with sound asset management and procurement practices; and
- Through a sustainable borrowing policy which may see increases in affordable borrowings over the medium term aimed at supporting capital spending in accordance with the Strategy objectives.

1.6 ACCOUNTABILITY AND TRANSPARENCY

We will demonstrate accountability and transparency by:

- Having clear financial stability and sustainability ratios, and associated targets which demonstrate if Strategy objectives are being achieved;
- Applying full cost pricing to services where it is appropriate which will ensure that the full cost of services including providing Community Service Obligations (CSOs) are clearly identified and accounted for in their own right in the General Fund;
- Clearly linking our revenue and spending decisions to Corporate Plans and specific projects initiatives; and
- Obtaining independent assessment of the sustainability of our Strategy through the Queensland Treasury Corporation (QTC) which will provide confirmation or otherwise of progress against strategic objectives and provide guidance on any necessary changes.

1.7 REVIEWING AND REFINING THE FINANCIAL STRATEGY

We will continually review our Strategy by:

- Ensuring that any changes to Corporate Plans are reflected in the Strategy;
- Being responsive to any emerging issues and including these in our forward planning and risk assessment;
- Capturing the quarterly budget revisions in our LTFF and analysing the impacts of any changes on our financial stability sustainability ratios;
- Undertaking annual reviews of our capital and operational projects;
- Considering policy changes before changing our spending plans; and
- Considering the outcomes of any future community and/or rating consultation processes.

2 THE FINANCIAL STRATEGY AND TEN YEAR FINANCIAL FORECAST

2.1 BACKGROUND

The Strategy provides us with an agreed roadmap for managing our financial resources and processes and is aligned with the objectives and priorities of our Corporate Plans. Within the framework of the Strategy, guidance is provided to support decision making with respect to capital and operating revenue and expenditure, asset and service management levels and procurement operations.

The Strategy is influenced by:

- Global, national, regional and local economic conditions;
- Population growth;
- Changes in population demographics (for e.g., the ageing population);
- Local government reform via changing legislative requirements;
- Changes in regulated frameworks (e.g. water operations); and
- Known changes in Federal and State government funding.

A key component of the Strategy is the LTFF which is a ten year financial model. The model is reviewed quarterly following revised budget forecasts and is used to support resource allocation decision making. The financial forecast contains details of the assumptions used to estimate growth rates, price increases, general rates and charges increases, and also provides the financial outputs and financial sustainability measures for each of the ten years.

The ten year focus allows us to assess our financial sustainability over the period and to guide corporate decision-making. It is a living and breathing document, guiding our financial planning, revenue-raising and spending activities while adapting to changing needs and requirements.

The LTFF provides transparency into our financial performance and planning, giving the Community a view of how its services are being funded and where the money goes. It is a tool for validating and maintaining alignment with Corporate Plans and with legislative requirements. It reflects the efforts we are making to meet current and future community expectations and serves to signal the decisions and actions needed to ensure our future financial sustainability.

2.2 KEY ASSUMPTIONS

The financial strategy is based on a number of underlying assumptions and the key planning assumptions considered are as follows (Year 1 represents 2014/15):

		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Growth Factors											
General rates		0.50%	0.50%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Utility charges		0.50%	0.50%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Employee costs		0.00%	0.50%	0.50%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Goods and services		0.00%	0.50%	0.50%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Price Increases											
General rates	*ABS CPI*	2.20%	2.20%	2.20%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Waste	*RCC Blended CPI*	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Fees and charges	*RCC Blended CPI*	3.47%	3.47%	3.47%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Goods and services	*RCC Blended CPI*	3.47%	3.47%	3.47%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Employee costs	*EBA*	2.50%	2.50%	2.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Water	*Full cost pricing*	TBA									
Wastewater	*Full cost pricing*	TBA									
Special charges	*Full cost pricing*	TBA									
Separate charges	*Full cost pricing*	TBA									

One of the most significant factors impacting Councils financial position is growth in property numbers (that is, rate able properties). Council has taken a conservative approach for the first four years of the ten year forecast based recent on historical information and current development trends and available information.

Growth in employee costs and goods and services have been restricted in the first year of the LTFF based on service review and Councils continuous efficiency drive.

The Australian Bureau of Statistics Consumer Price Index (ABS CPI) has been used in the ten year forecast for general rates where possible. The CPI rate is reviewed every quarter as information becomes available.

The Enterprise Bargaining Agreement (EBA) has been use for price increases associated with all employee costs. Council reviews its EBA every three years.

The Roads and Bridges Construction Cost Index for Queensland (R&B CCI) is sourced from the Australian Bureau of Statistics and is the index used for construction expenditure.

The Redland City Council Blended CPI has been applied to fees and charges and goods and services and is calculated using a weighted methodology as follows:

Type	Weight		Index		RCC Blended CPI
Employees costs					
- Operational	74,422	32.61%	2.50%	EBA	0.82%
- Capital	8,294	3.63%	2.50%	EBA	0.09%
Goods and Services					
- Non-construction	48,501	21.25%	2.20%	ABS CPI	0.47%
- Construction	97,001	42.50%	4.93%	R&B CCI	2.10%
	228,218	100.00%			**3.47%**
as at Sept 2013 Qtr					

2.3 FINANCIAL SUSTAINABILITY MEASURES

A key objective of the Strategy is to achieve financial sustainability by maintaining its financial capital and infrastructure capital over the long-term.

Sustainability in Council can be defined as and measured by:

- Ensuring healthy cash flow capabilities (*Operating Performance Ratio*);
- Ensuring a reasonable operating surplus exists to fund future growth requirements (*Operating Surplus Ratio*);
- The level of dependence on general rates as a single source of revenue (*Level of Dependence on General Rates Ratio*);
- Ensuring that we have the ability to pay for our bills (*Current Ratio, Cash Balance and Cash Capacity Ratio*); while also ensuring the optimal level of cash is held.
- Ensuring that borrowing is only undertaken in a affordable manner and in line with Debt Policy (*Debt Servicing Ratio, Interest Coverage Ratio, Net Financial Liabilities Ratio and Debt to Asset Ratio*); and
- Ensuring that our infrastructure assets are maintained and fit for purpose (*Asset Sustainability Ratio, Asset Consumption Ratio and Asset Renewal Funding Ratio*).

2.4 FINANCIAL SUSTAINABILITY SUMMARY

The adopted December 2012 Strategy and LTFF were subject to a Credit Review by the Queensland Treasury Corporation (QTC) in May 2013 which resulted in a rating of **Sound** with a **Neutral** outlook, which has remained unchanged from the FY2011 Credit Review.

The sound rating reflects Redland City Council having zero net debt as cash levels are in excess of gross debt, favorable debt servicing capacity primarily due to the low gross debt level and implementing a number of measures/initiatives (reduced involvement in non-core business, reducing operating costs) as part of moving to a balanced operating position.

Council is aware of the need to generate positive operating results and has focused on its own operating cost structure in order to achieve this objective.

The neutral outlook reflects the view that there is no known issue or events which are expected to have a positive or negative impact on Council's rating within the next 24 months.

Council will endeavor to achieve an increase in its rating to **Strong** once it has a demonstrated track record of running an operating surplus.

2.5 FINANCIAL SUSTAINABILITY TARGETS

The following targets have been established for each of the measures of sustainability which are reviewed annually to ensure alignment with any revisions to the Strategy:

Measure of Sustainability	Definition	Target
Level of dependence on General Rates	General Rates Less Pensioner Remissions divided by Total Operating Revenue less Gain on Sale of Land	≤ 37.5%
Current Ratio	Current Assets divided by Current Liabilities	1.1 to 4.1
Debt Servicing Ratio	Interest Expense plus Loan Redemption divided by Total Operating Revenue less Gain on Sale of Land	≤10%
Cash Balance	Cash held at end of period	≥$40 M
Cash Capacity in months	Cash held at end of period divided by Cash Operating Costs plus Interest Expense expressed in months	3 to 4 months
Debt to Asset Ratio	Current plus Non-current Borrowings divided by Total Assets	≤10%
Operating Performance Ratio	Net Cash from Operations plus Interest Revenue and Expense divided by Cash Operating Revenue plus Interest Revenue	≥20%
Operating Surplus Ratio	Net Operating Surplus divided by Total Operating Revenue	Between 0% and 10%
Net Financial Liabilities Ratio	Total Liabilities less Current Assets divided by Total Operating Revenue	≤60%
Interest Cover Ratio	Net Interest Expense on Debt divided by Total Operating Revenue	Between 0% and 5%
Asset Sustainability Ratio	Capital Expenditure on Renewal of Assets divided by Depreciation Expense	≥90%
Asset Consumption Ratio	Written Down Value of Infrastructure Assets divided by Gross Replacement Cost of Infrastructure Assets	Between 40% and 80%

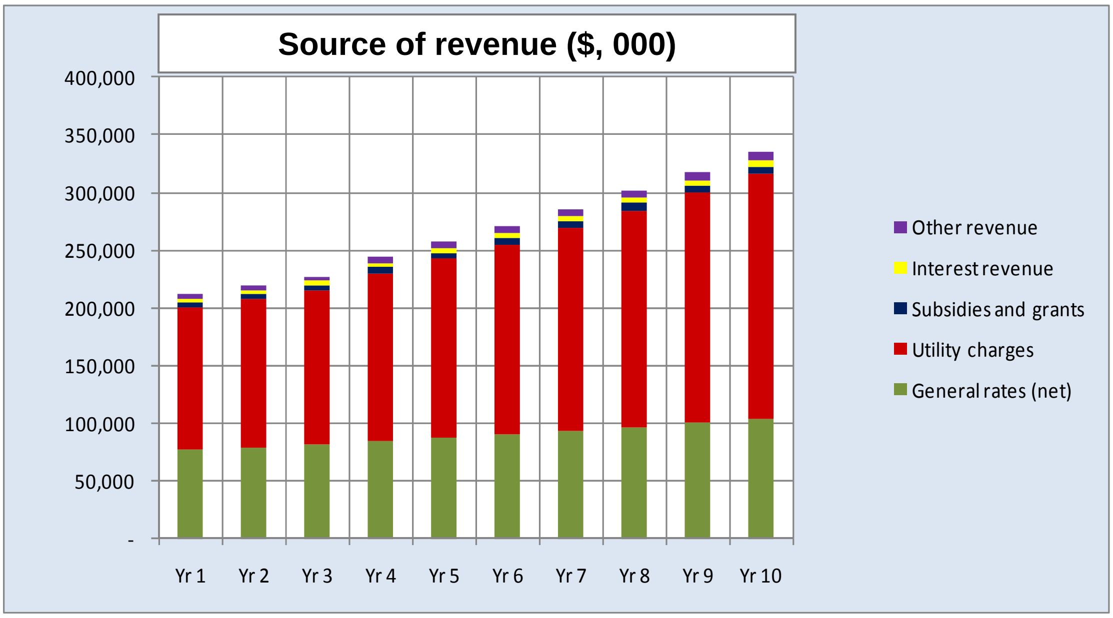
3 REVENUE AND PRICING

3.1 BACKGROUND

Our significant sources of operational revenue are as follows:

- General Rates;
- Water and wastewater Charges;
- Environment and Landfill Remediation Separate Charges;
- Canal and Lake Special Charges;
- Waste Collection Charges;
- Fees and Charges;
- Federal and State Grants and Subsidies;
- Investment Interest; and
- Other Revenue.

The following chart provides an analysis of the total operating revenue by source and identifies the proportion of revenue from each of those sources.



Note. The above increase in projection of utility charges is significantly influenced by the increase and pass through costs associated with the purchase of bulk water from the State Government.

In relation to the LTFF, the following operational revenue streams have been identified as ones which will require closer management attention in order to support the achievement of the financial sustainability targets:

- Investment returns – due to lower predicted interest rates;
- Federal and State Grants and Subsidies – due to the potential for redirection of these funds into other essential areas; and
- Fees and charges – due to recent decline in volume and recent economic conditions.

All other operational revenue streams are predicted to increase in line with adopted key assumptions.

Our significant sources of revenue are as follows:

- General Rate Fund Cash Reserve;
- Environmental Reserve;
- Canal and Lake Reserves;
- Infrastructure Charges;
- Federal and State Capital Grants and Subsidies; and
- Borrowings

In relation to the LTFF, the following capital revenue streams have been identified as ones which will require closer management attention in order to support the achievement of the financial sustainability targets:

- Federal and State Grants and Subsidies – due to the potential for redirection of these funds;
- Infrastructure Charges – due to the seasonality of development; and
- Borrowings – to ensure affordability of borrowings to fund capital expenditure and that is aligned to the Debt Policy.

3.2 REVENUE POLICY STATEMENT

The generation of an appropriate level of revenue to support the delivery of the Corporate Planning goals will be an essential element of the Strategy.

Council will be guided by the following principles:

- **Accountability** — Council will be accountable to the providers of funds to ensure those funds are applied efficiently and effectively to satisfy the objective for which the funds were raised.

- **Transparency** — Council will be transparent in its revenue raising activities and will endeavour to use systems and practices able to be understood by the community.

- **Representation** — Council will act in the interests of the whole community in making decisions about rates and charges.

- **Sustainable financial management** — Council will ensure it manages revenue diligently and that the application of funds is founded on sustainable strategic objectives which result in timely and optimal investment in identified priorities.

- **Fairness** — While the rating legislation requires Council to use property valuations as the basis for raising rate revenue, Council will try to limit extreme implications for upper and lower valued properties by continuing to review rating categories and to appropriately spread the recovery of core service delivery costs across the rating base. For those properties that can never be developed, Council will also attempt to limit the rates obligation.

- **Differentiation of categories** — Council will apply different rates to various categories of property that will reflect the particular circumstances of the categories and Council's policy objectives relating to those categories.

- **Special needs and user pays** — Council will draw from various revenue sources to fund special needs including (but not necessarily limited to):
    - separate rates or charges for special community programmes;
    - special rates or charges for recovery of costs from beneficiaries;
    - utility charges for specific services based generally on usage;
    - statutory fees and charges in accordance with legislation, regulation or local laws;
    - commercial fees and charges where users can clearly be identified.

- **Social conscience** — Council will apply a range of concessions (e.g. for pensioners and institutions) and will accommodate special circumstances where hardship can be demonstrated.

3.3 REVENUE POLICY GUIDELINE

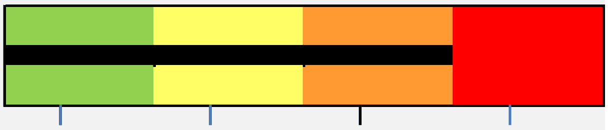
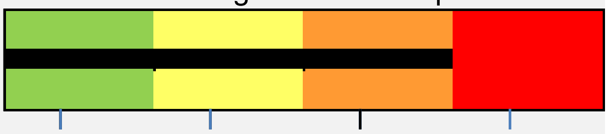
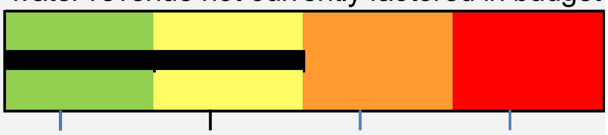
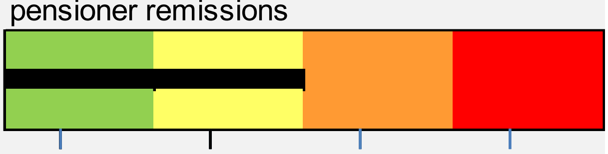
The Strategy has adopted the following strategies in relation to revenue sources:

- Keeping general rates increases generally in line with projected national ABS CPI index;
- Keeping water and wastewater charges increases in line with Council policy and within regulated economic models that are compliant with the Queensland Competition Authority (QCA);
- Keeping waste collection and other fees and charges increases in line with the projected RCC CPI index, with an appropriate level of return to Council in accordance with the National Competition Policy;
- Seeking to maximise revenue from external grants and subsidies where possible, however this is impacted by the need at Federal and State levels to fund disaster recovery and infrastructure affected by flood and cyclone events over recent years;
- Seeking to increase the level of commercial returns; and
- Keeping growth projections for rateable properties at a conservative level for the life of the Strategy.

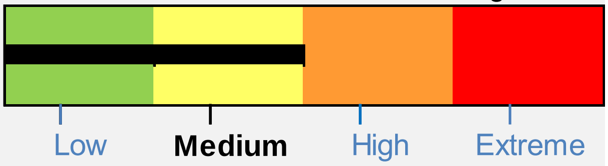
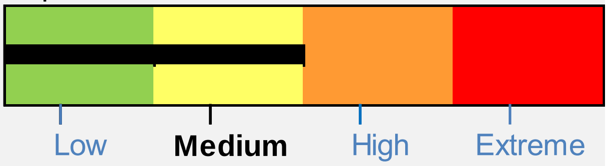
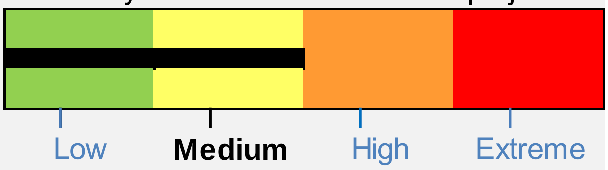
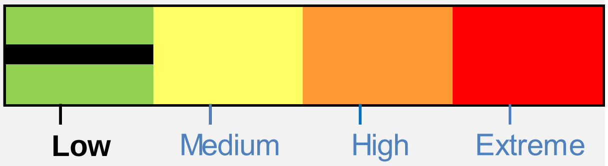
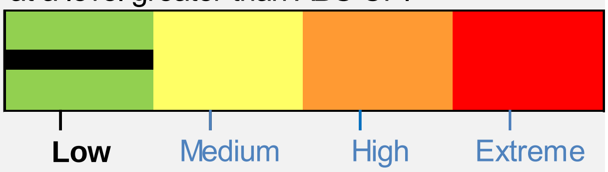
3.4 KEY RISKS, ISSUES AND MITIGATION STRATEGIES

The Strategy has identified the following risks in relation to revenue and pricing which have been assessed in accordance with Council's adopted Enterprise Risk Management framework.

Material Risks/Opportunities

Likelihood	Consequence	Risk / Opportunities
Possible	Major	Potential financial impact further water reform will have on Council  Low Medium **High** Extreme
Almost Certain	Medium	Potential reduction in service delivery due insufficient funding from external parties  Low Medium **High** Extreme
Almost Certain	Medium	Fees and charges may not be affordable and take up is reduced under "User Pays" model  Low Medium **High** Extreme
Possible	Medium	Predicted wet summers adverse impact on water revenue not currently factored in budget  Low **Medium** High Extreme
Likely	Low	Ageing population increases burden on pensioner remissions  Low **Medium** High Extreme

Less Significant Risks/Opportunities

Likelihood	Consequence	Risk / Opportunities
Possible	Low	Investment income increases due to higher cash balances and interest rate changes 
Possible	Medium	Sale of Council land to raise additional capital revenue 
Possible	Medium	Increase in outstanding debt affects cash flow and ability to deliver on service and projects 
Rare	Low	Predicted population growth does not materialise 
Unlikely	Low	General rate increases continue to increase at a level greater than ABS CPI 

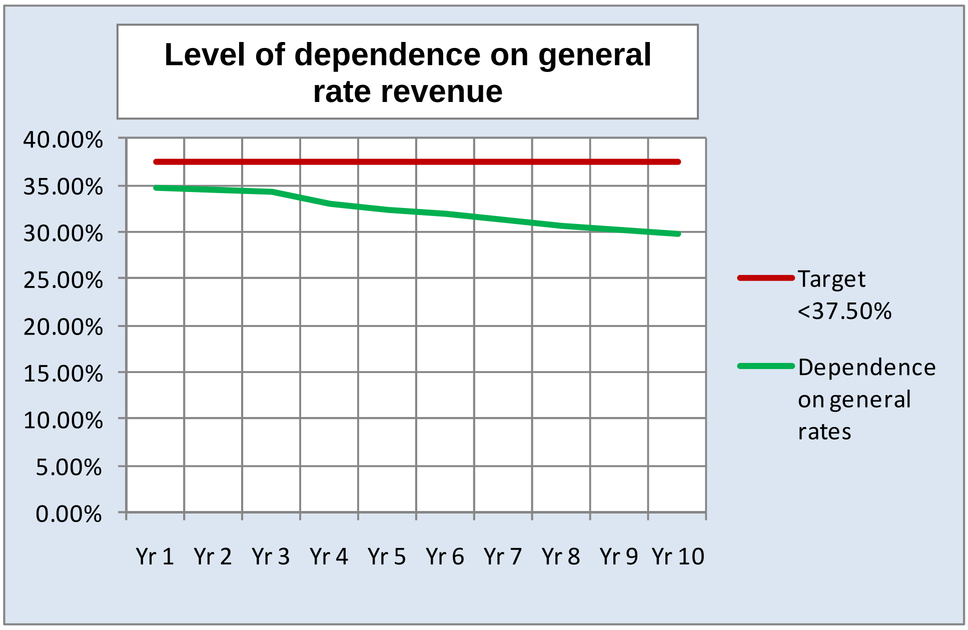
Risks can be described as things that may or may not arise depending on the success or otherwise of any actions that are put in place to mitigate, reduce or transfer the risk.

In order to mitigate the above risks, the following projects and actions are proposed:

- Continue to enhance monthly cash management forecasting using the corporate Finance System in order to plan more effectively for investment of funds and to signal issues relating to cash-flow;
- Service Level Agreements (SLA) – to be reviewed to improve full cost pricing methodologies;
- Investigate and measure the potential impacts further water reform may have on Councils financial performance; and
- Investigate a staged plan to move towards less reliance on return from Redland Water and Waste.

3.5 KEY PERFORMANCE INFORMATION

The following graph shows how the indicator performs over the life of the Strategy compared to the adopted target. As indicated by the ten year financial plan it is forecast that we will be under the target for the level of dependence on general rate revenue under the current assumptions.



4 ASSET AND SERVICE MANAGEMENT

4.1 BACKGROUND

In meeting the needs of a large and modern community, we are responsible for provision of a diverse range of services. A significant number of these services are provided through infrastructure and other assets owned and managed by council, albeit with a practical consideration of the wide-ranging desires and varying expectations of the community.

In continuing to provide these asset-based services, we are faced with notable challenges including:

- decreasing availability and increased competition for funds;
- population growth pressures and changing demographics directly influencing the quantity and type of assets (and services) required;
- a continuous requirement to renew the infrastructure in place that helps to deliver services; and
- escalation in the quantity and complexity of related reporting demanded by business regulators and other levels of government.

Our response to this will be through the adoption of an Asset & Services Management Strategy which will assist in meeting these challenges by providing a framework for improving asset and services management practices in accordance with council's adopted asset management policy objectives.

In addition to being aligned with Corporate Plans, the Asset and Services Management Strategy is shaped by key asset related ratios in the Financial Management (Sustainability) Guidelines 2013 released by the Department of Local Government, Community Recovery and Resilience.

In relation to the LTFF, the following asset and services management issues have been identified as ones which will require closer management attention in order to support the achievement of the financial sustainability targets:

- Asset Sustainability Ratio – due to not meeting the Departments target for the life of the Strategy;
- Asset Category Definitions – to ensure that accurate expenditure is identified for renewal capital projects;
- Condition of asset base – strengthen understanding of remaining useful lives to ensure a true prediction of assets life cycle; and
- Valuation and Depreciation Methodologies – to ensure the optimisation of depreciation costs.

Our policy in this area is designed to provide guidance in the implementation and improvement of corporate asset and services management processes and seeks to achieve the following outcomes:

- Identify the key activities, roles and relationships associated with the implantation of an overarching asset management philosophy;
- Establish and communicate corporate responsibilities for the ownership, control, accountability and reporting of assets;
- Reinforce that assets should only be created, maintained, renewed or replaced in accordance with Asset Management and Service Plans;

- Help in meeting legislative compliance and associated risk management including financial reporting requirements and corporate governance;
- Highlight how our integrated asset management information systems and reporting tools support asset management activates and can provide a high standard of policy and decision support;
- Guide development of reliable systems and asset information that will allow for accurate financial forecasting and planning for sustainable service delivery;
- Identify how asset management processes integrate with corporate and operational planning, budgetary and reporting practices;
- Link individual departmental asset management activities with our overall community vision and corporate goals;
- Classify actions that will improve knowledge of existing asset inventories, asset condition and related performance; and
- Support ongoing improvements to existing Asset and Services Management Planning and corresponding financial forecasting, planning and reporting.

4.2 ASSET AND SERVICES MANAGEMENT POLICY GUIDELINE

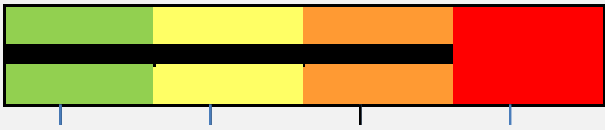
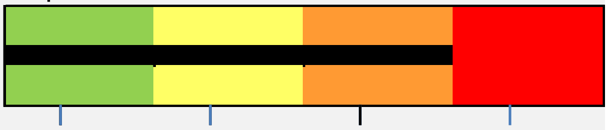
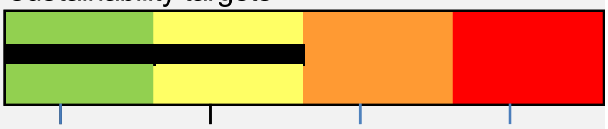
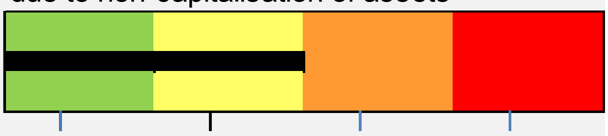
The Strategy has adopted the following strategies in relation to asset and services management:

- That Asset and Services Management Plans will drive investment decisions;
- That identification, scoping and prioritising of renewal projects in the ten year capital programme will continue to be prioritised; and
- That the integration of asset and services management plans and budgets is effected to ensure that whole-of-life asset and services costs are captured in order to understand the implications of the achievement of long term financial sustainability.

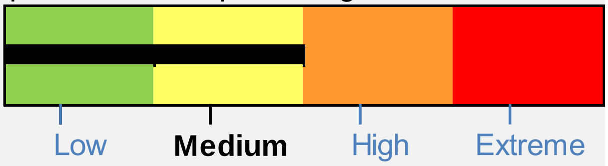
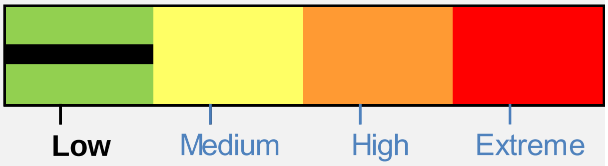
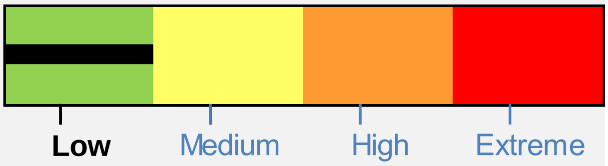
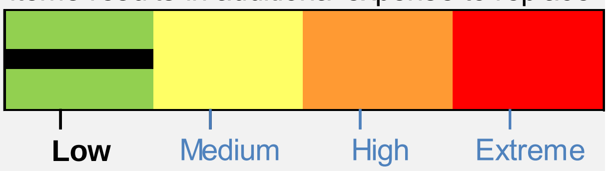
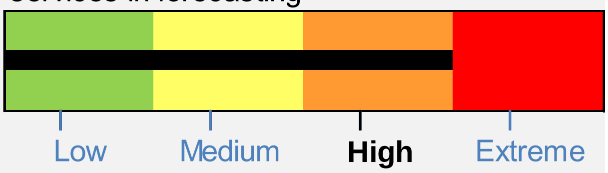
4.3 KEY RISKS, ISSUES AND MITIGATION STRATEGIES

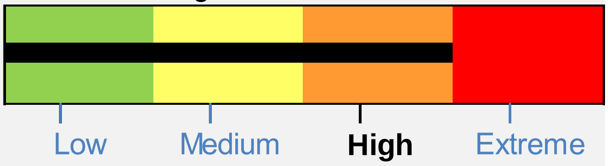
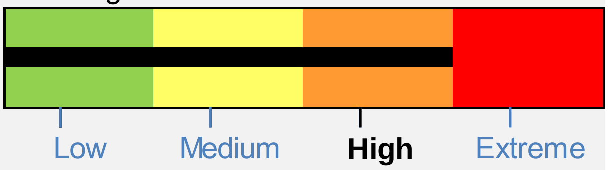
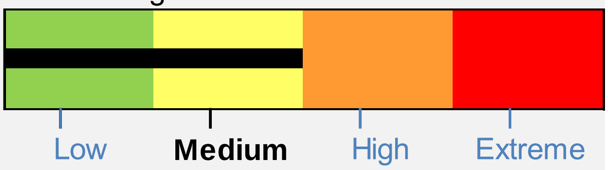
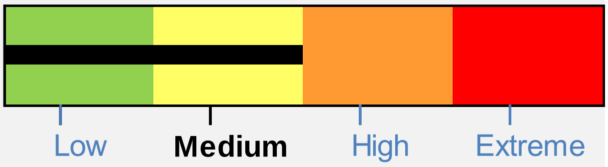
The Strategy has identified the following risks in relation to asset and services management which have been assessed in accordance with Council's adopted Enterprise Risk management framework.

Material Risks and Opportunities

Likelihood	Consequence	Risk / Opportunities
Possible	Major	Significant failure of community infrastructure leads to financial stress  Low Medium **High** Extreme
Almost Certain	Medium	Servive levels of assets are higher than required  Low Medium **High** Extreme
Likely	Medium	Insufficient strategic planning for renewals and maintenance may lead to large scale unplanned capital renewals  Low Medium **High** Extreme
Almost Certain	Medium	Failure to reflect whole of life costs of services in forecasting  Low Medium **High** Extreme
Possible	Medium	Future financial sustainability is signficantly impacted by failure to achieve asset sustainability targets  Low **Medium** High Extreme
Rare	Major	Material misstatement of financial statements due to non-capitalisation of assets  Low **Medium** High Extreme

Less Significant Risks and Opportunities

Likelihood	Consequence	Risk / Opportunities
Likely	Low	Incorrect prioritisation of capital works projects , leading to misalignment to community priorities and required / urgent infrastructure 
Almost Certain	Medium	Inceasing public liability claims for injuries in public places and Council owned or contolled facilities 
Almost Certain	Medium	Increasing legal action for discrimination arising from inability to access Council facilities and non complaince of the Disability Act 2005-2007 
Almost Certain	Medium	Inadequate control of portable and attractive items results in additional expense to replace 
Likely	Medium	Failure to reflect whole of life costs of services in forecasting 

<table>
<tr><th>Likelihood</th><th>Consequence</th><th>Risk / Opportunities</th></tr>
<tr><td>Likely</td><td>Medium</td><td>Improving project management processes results in reduced costs and risks, enhanced processes, and better prioritisation and benefits management
</td></tr>
<tr><td>Likely</td><td>Medium</td><td>Improved procurement practices result in reducing costs
</td></tr>
<tr><td>Possible</td><td>Medium</td><td>Possible reduction in service delivery due to cost shifting from other Governments
</td></tr>
<tr><td>Possible</td><td>Medium</td><td>Increased costs of attracting and keeping staff in competitive markets where skill shortages exist
</td></tr>
</table>

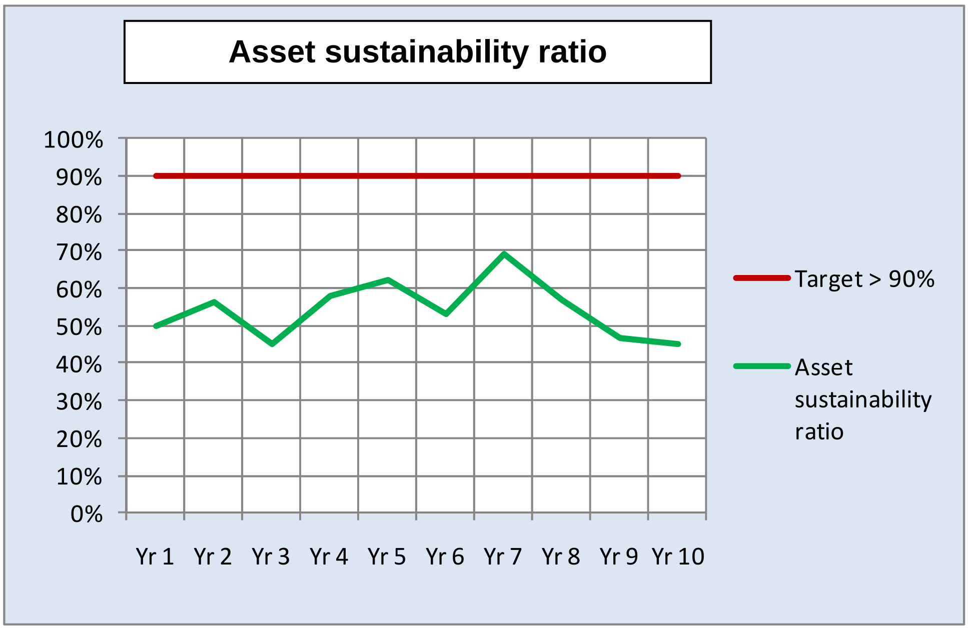
Risks can be described as things that may or may not arise depending on the success or otherwise of any actions that are put in place to mitigate, reduce or transfer the risk.

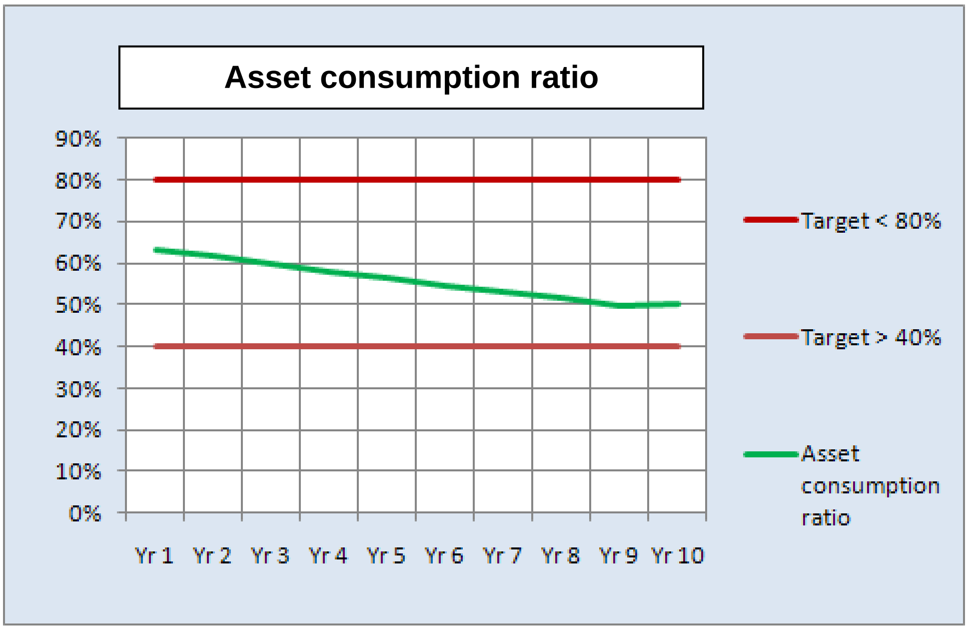
In order to mitigate the above risks, the following projects and actions are proposed:

- Enterprise Asset Management– to establish an enterprise-wide response to asset management, driven by Executive Leadership Group (ELG);
- Further development of asset and service management plans in accordance with statutory requirements and business needs;
- Further development on a condition based depreciation methodology;
- Improved financial asset management and integration of asset planning with budgeting and forecasting; and
- Develop a complete understanding of the remaining useful lives of our asset base

4.4 KEY PERFORMANCE INFORMATION

These graphs are based on the 2012/13 Financial Sustainability Report.





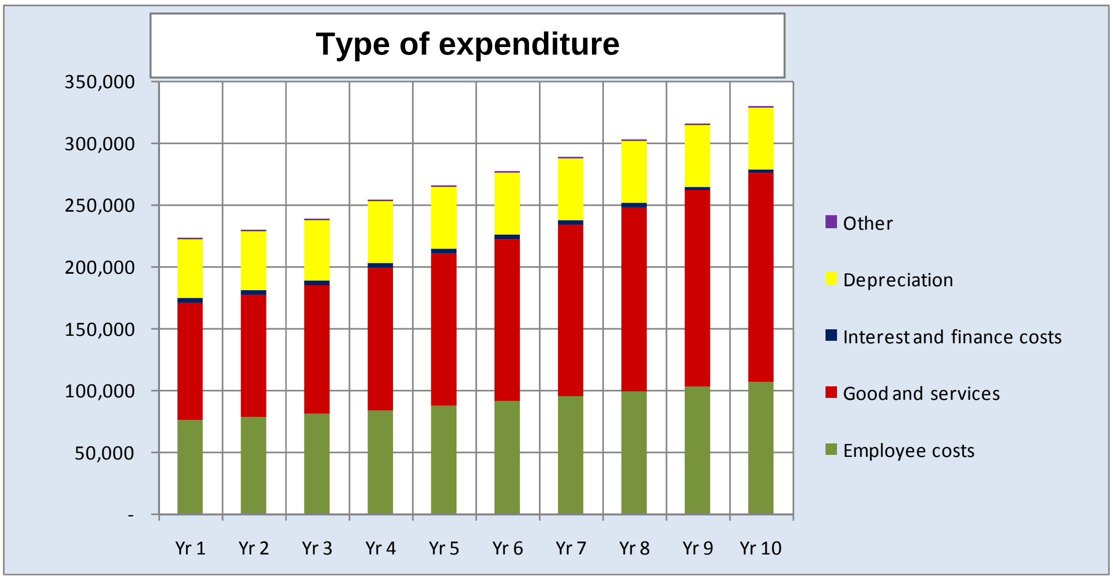
5 EXPENDITURE MANAGEMENT

5.1 BACKGROUND

Our significant sources of operational expenditure are as follows:

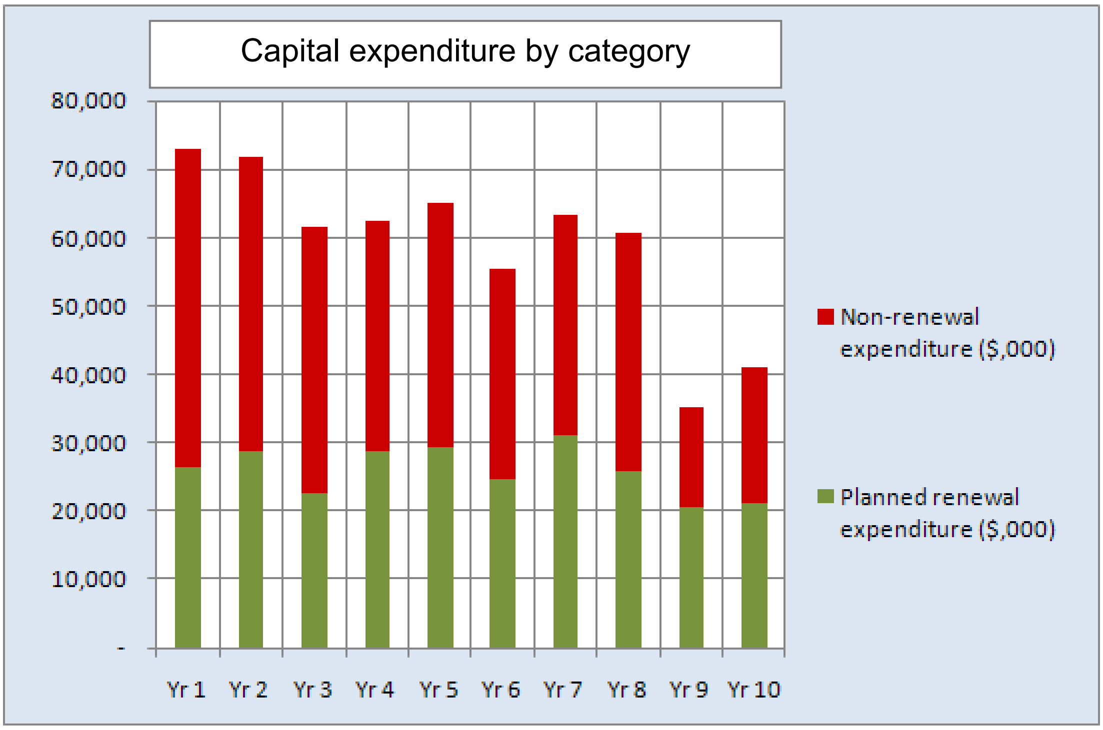
- Employee costs;
- Goods and Services;
- Interest and finance costs; and
- Depreciation.

The following chart provides an analysis of the total operating expenditure by type of expense and identifies the proportion of expenditure with each type.



Note. The above increase in projection of goods and services is significantly influenced by the increase and pass through costs associated with the purchase of bulk water from the State Government.

In addition to the above, capital expenditure on renewal, upgrade and expansion projects are undertaken over the life of the Strategy. The following chart provides an analysis of this spending type in the projected capital programme for 2012/13.



In relation to the LTFF, due to projected efficiency targets in the short run, the following expense streams have been identified as ones which will require closer management attention in order to support the achievement reaching an operating surplus:

- Employees – to continue to critically review the cost of management and staff;
- Goods and Services – to critically review the timing and cost of discretionary operational projects;
- Goods and Services – to lower and continue to review operational activity expenditure; and
- Depreciation – due to the requirement to optimise depreciation charges based on condition assessment rather than straight line methodology

The following capital programming issues have been identified as ones which will require closer management attention in order to support the achievement of the financial sustainability targets:

- Programming an optimal, affordable and deliverable capital spend over the LTFF, in particular the years 1 to 5;
- Ensuring the correct level of renewal capital expenditure is programmed in alignment to Asset Management Plans;
- Federal and State Grants and Subsidies – due to the redirection of these funds into disaster recovery and rebuilding programmes;
- Infrastructure Charges – due to the uncertainty around the timing of development; and
- Borrowings – due to the affordability of borrowings to fund capital expenditure.

5.2 EXPENDITURE MANAGEMENT POLICY STATEMENT

Operational and capital expenditure management to support the delivery of Corporate Planning goals will be an essential element of the ten year Strategy. By articulating its aspirations, the community has stated what it wants to see in terms of the future development of the City and we will need to determine how those aspirations can be delivered within an environment of reducing revenue.

The focus of expenditure management is therefore clearly the primary mechanism by which we intend to achieve financial sustainability over the life of the Strategy.

5.3 EXPENDITURE MANAGEMENT POLICY GUIDELINES

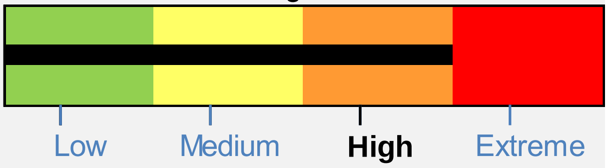
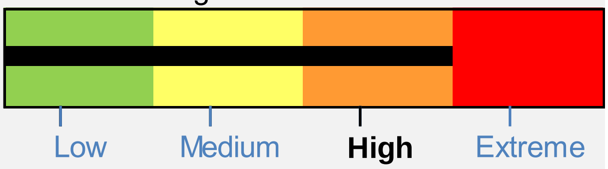
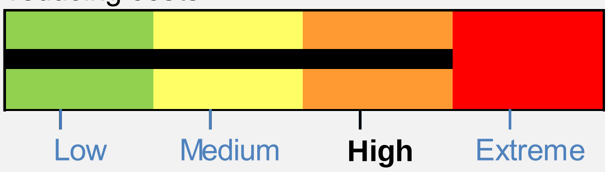
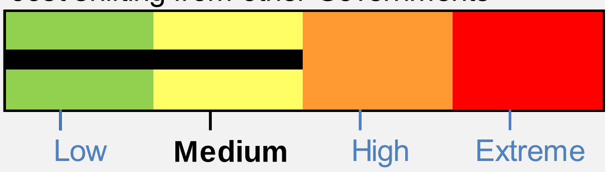
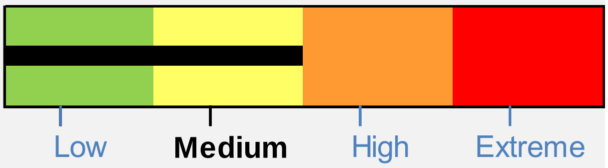
The Strategy has adopted the following strategies in relation to expenditure management which may be used in combination to achieve targets of financial sustainability:

- To continue to critically review the cost of management and the cost of staff;
- To continually improve services with an emphasis on efficiency;
- To continue to critically review the cost of goods and services;
- Apply more rigorous purchasing controls to minimise goods and services costs over time, through the future adoption of a suitable procurement model, plans and initiatives for improved procurement efficiencies;
- Over time to provide a more strategic approach to contracts in the future, requiring a rigorous and transparent suitability assessment against the quadruple bottom line, emphasising waste elimination, efficiency and continuous improvement;
- Restricting total size of its capital programme based on priority needs to renewal works, affordability and deliverability;
- Identifying, scoping and prioritising upgrade and expansion projects in the ten year capital programme in accordance with a prioritisation model and considering alternatives

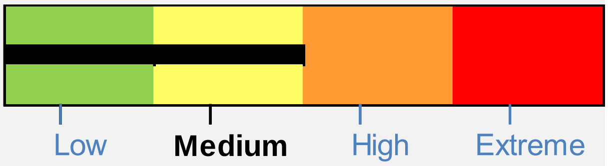
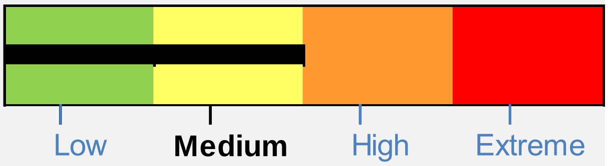
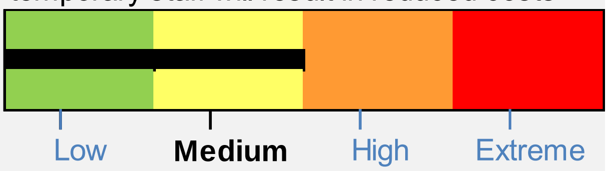
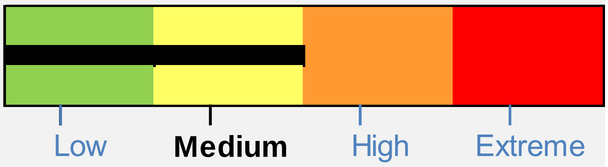
5.4 KEY RISKS, ISSUES AND MITIGATION STRATEGIES

The Strategy has identified the following risks in relation to asset and services management which have been assessed in accordance with Council’s adopted Enterprise Risk management framework.

Material Risks and Opportunities

Likelihood	Consequence	Risk / Opportunities
Likely	Medium	Failure to reflect whole of life costs of services in forecasting 
Likely	Medium	Improving project management processes results in reduced costs and risks, enhanced processes, and better prioritisation and benefits management 
Likely	Medium	Improved procurement practices result in reducing costs 
Possible	Medium	Possible reduction in service delivery due to cost shifting from other Governments 
Possible	Medium	Increased costs of attracting and keeping staff in competitive markets where skill shortages exist 

Less Significant Risks and Opportunities

Likelihood	Consequence	Risk / Opportunities
Possible	Low	Ineffective planning of increases to service levels leads to increased costs 
Likely	Low	Improved leave management results in reduced costs 
Likely	Low	Improved control of consultants and temporary staff will result in reduced costs 
Possible	Medium	Future financial sustainability is potentially impacted by failure to achieve operational ratios 

Risks can be described as things that may or may not arise depending on the success or otherwise of any actions that are put in place to mitigate, reduce or transfer the risk.

In order to mitigate the above risks, the following projects and actions are proposed during the life of the Strategy:

- Continued review of core business efficiencies and service level review projects – to undertake robust reviews of our services to determine the optimum level of efficiency and effectiveness; and
- Project management review;

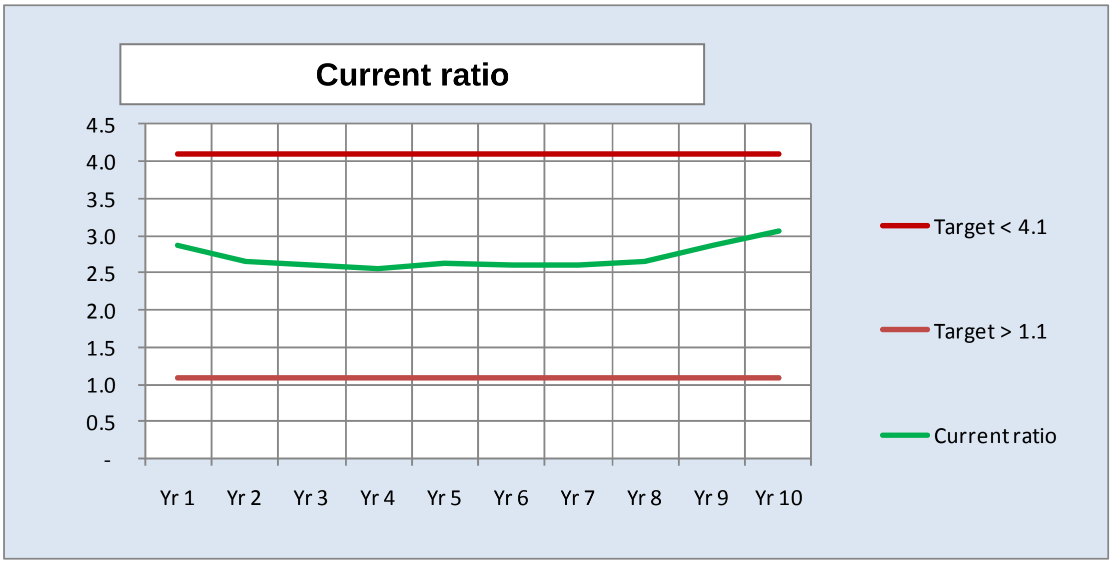
The following material risk will be placed on 'watch' before mitigation projects are initiated:

- Potential for government cost shifting;
- Increased burden on expenditure from Canal estates; and
- Direct and indirect impacts of the Carbon Price;

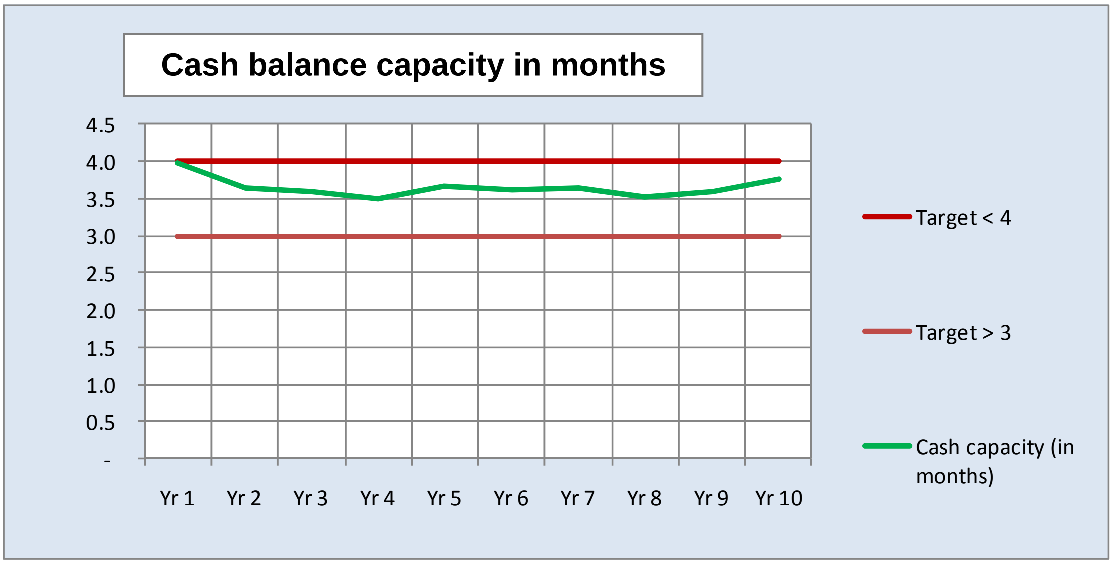
5.5 KEY PERFORMANCE INFORMATION

The current ratio is a good indicator of Councils liquidity and ability to meet short term obligations.

If the current ratio is too high, then the company may not be efficiently using its current assets or its short-term financing facilities and may also indicate problems in working capital management. Councils ratios ranges between 2 and 3 over the ten year model and while not really a concern will be monitored closely.



It can be seen in cash capacity ratio that when true free cash is plotted Council is just outside the target range in the first three years however, are within the target range from year four onwards.

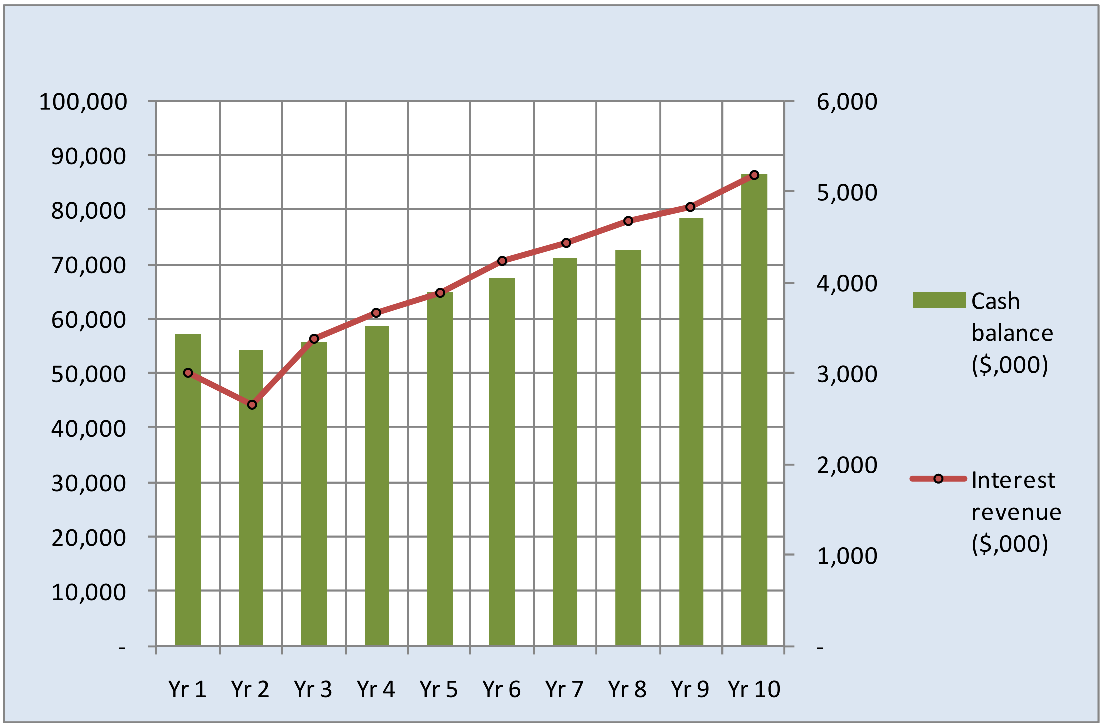


6 INVESTMENTS MANAGEMENT

6.1 BACKGROUND

Traditionally, the main source of interest revenue resulting from the investment of cash balances has been through the Queensland Treasury Corporation (QTC) and the adopted investment strategy has been a conservative approach.

The following chart provides an analysis of the projected interest revenue over the life of the Strategy and available cash balances that those returns are based on.



In relation to the ten year financial model, closer management attention will continue in order to maximise returns and support the achievement of the financial sustainability targets, specifically management attention will be required in:

- Cash flow forecasting – improvements in the budgeting and forecasting performance of managers will be a key for more accurate cash flow estimation;
- Cash management – due to the requirement be able to effectively invest the maximum available cash; and
- Institutional investment – due to the likelihood of increased returns by diversifying the institutions that are invested in and the terms of those investments where possible.

6.2 INVESTMENTS MANAGEMENT POLICY STATEMENT

We have determined that a more active investments management strategy is to be adopted over the life of the Strategy in order to maximise the interest revenue generated from investing cash balances. This will be made possible by obtaining a more mature understanding of our day to day cash requirements.

6.3 INVESTMENTS MANAGEMENT POLICY GUIDELINES

The Strategy has adopted the following strategies in relation to investments management:

- Invest only in investments as authorised under current legislation;
- Invest only with approved institutions;
- Invest to protect capital value of investments;
- Invest to facilitate working capital requirements;
- Maintain documentary evidence of investments; and
- No more than 30% of our investments will be held with one financial institution, or one fund manager for investments outside of the QTC, QIC cash funds or Bond Mutual Funds.

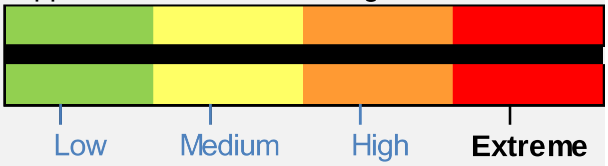
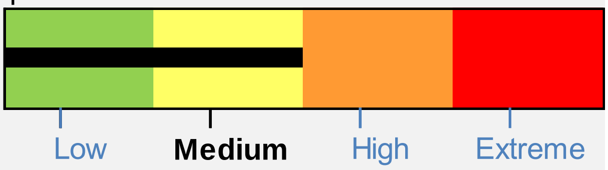
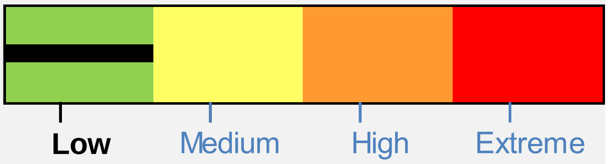
6.4 KEY RISKS, ISSUES AND MITIGATION STRATEGIES

The Strategy has identified the following risks in relation to asset and services management which have been assessed in accordance with Council's adopted Enterprise Risk management framework.

Material Risks and Opportunities

None identified.

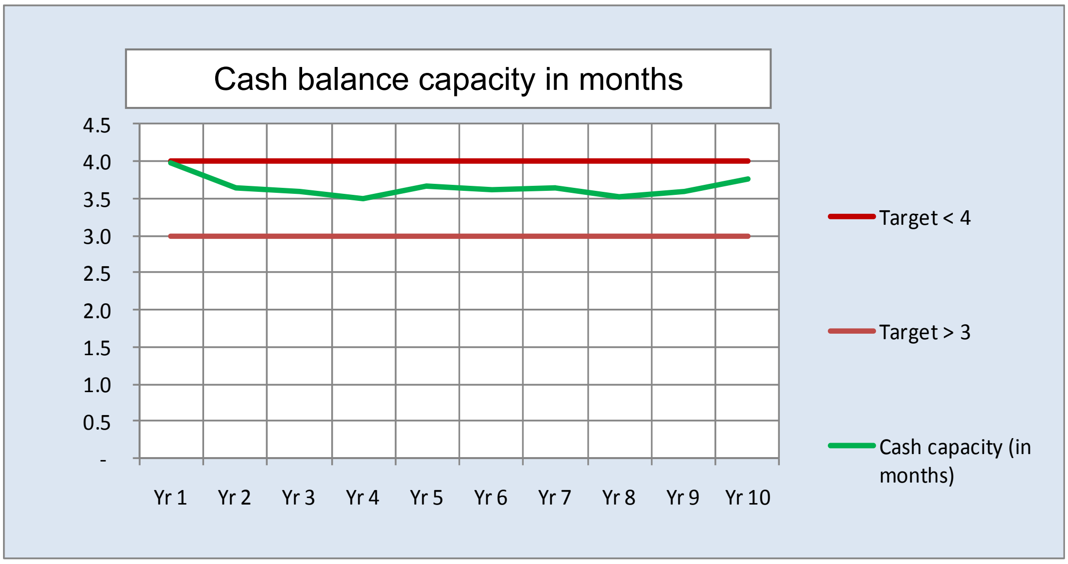
Less Significant Risks and Opportunities

Likelihood	Consequence	Risk / Opportunities
Possible	Severe	Opportunities around strategic investments 
Likely	Low	Appropriately term-diversified investment portfolio results in additional revenue 
Unlikely	Low	Interest rates significantly below benchmark results in lower returns 

Risks can be described as things that may or may not arise depending on the success or otherwise of any actions that are put in place to mitigate, reduce or transfer the risk.

In order to mitigate the above risks daily cash management will remain an area of focus.

6.5 KEY PERFORMANCE INFORMATION



As illustrated in the above line graph there are periods in the ten year forecast where prima facie more cash is held than required. Attention will remain on this area and actions recommended as and when an accurate understanding of working capital is agreed upon.

7 DEBT MANAGEMENT

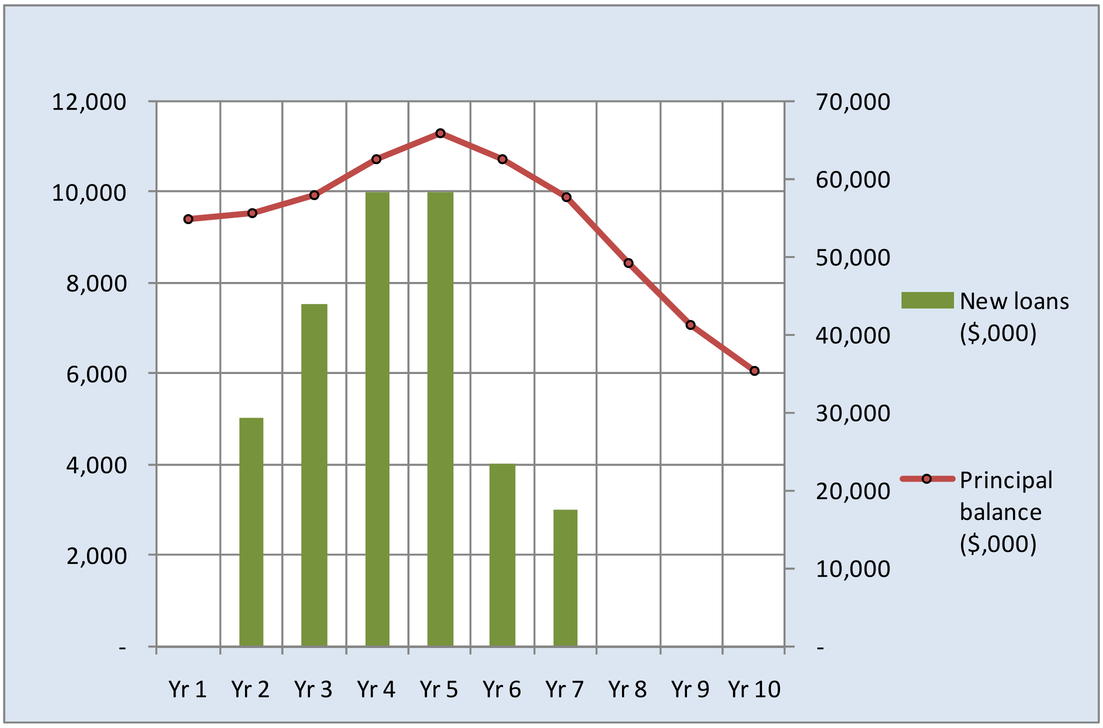
7.1 BACKGROUND

Council's debt is sourced through the QTC and is supported by an annual assessment and application to the Department of Local Government, Community Recovery and Resilience Queensland Government for the total debt that is required to support the capital programme each financial year, this is known as the 'Borrowing Application'.

Current planning by Council is to attribute long-term borrowings for the period of the Financial Strategy to the following areas:

- Intergenerational projects;
- Risk mitigation projects; and
- Asset management projects.

The following chart provides an analysis of the projected borrowings over the life of the Strategy.



In relation to the ten year financial model, due to projected revenue reductions, debt management will be monitored to ensure affordability and support the achievement of the financial sustainability targets, specifically management attention will be required in:

- Capital project prioritisation – due to the requirement to be able to identify capital projects that have the ability to be debt funded; and
- Interest risk exposure – due to the requirement to minimise exposure to interest rate fluctuations.

7.2 DEBT MANAGEMENT POLICY STATEMENT

We have determined that we will only borrow to finance future capital works based on intergenerational, risk management or accelerated infrastructure needs and not for recurrent or operational expenditure, and on terms appropriate to the reasonably expected life of the relevant capital assets.

7.3 DEBT MANAGEMENT POLICY GUIDELINES

The Strategy has adopted the following strategies in relation to debt management:

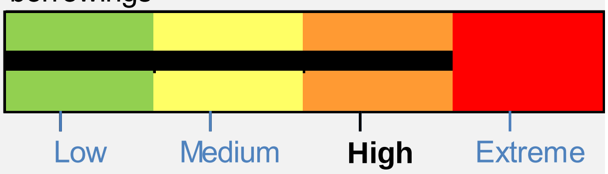
- Actual borrowings are subject to the maintenance of approved financial ratios and targets;
- Borrow only where the interest and debt principal repayments can be serviced;
- Effectively manage its risks, and ensure risks undertaken are reasonable and necessary;
- Effectively manage its exposure to unfavourable interest rate changes; and
- Regularly engage QTC for independent advice on financial sustainability.

7.4 KEY RISKS, ISSUES AND MITIGATION STRATEGIES

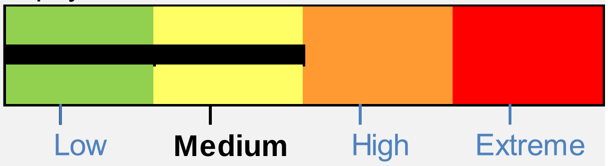
The Strategy has identified the following risks in relation to asset and services management which have been assessed in accordance with Council's adopted Enterprise Risk management framework.

Material Risks and Opportunities

Likelihood	Consequence	Risk / Opportunities
Likely	Medium	Improved processes around financing of capital projects results in optimisation of borrowings



Less Significant Risks and Opportunities

Likelihood	Consequence	Risk / Opportunities
Unlikely	Major	Ability to repay borowing costs and early repayment of debt 

Risks can be described as things that may or may not arise depending on the success or otherwise of any actions that are put in place to mitigate, reduce or transfer the risk.

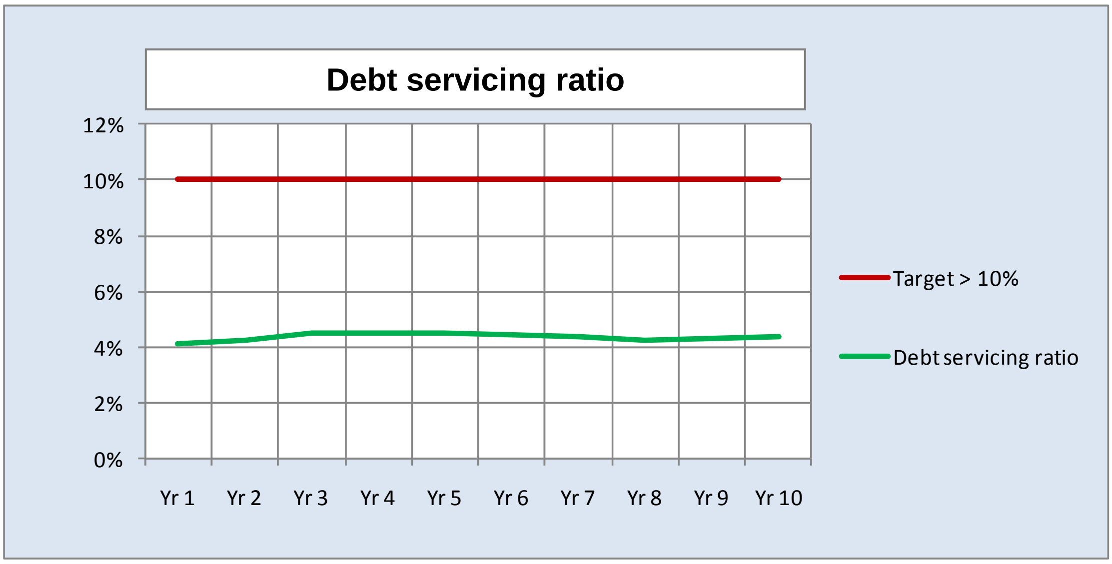
In order to mitigate the above risks the following actions are proposed:

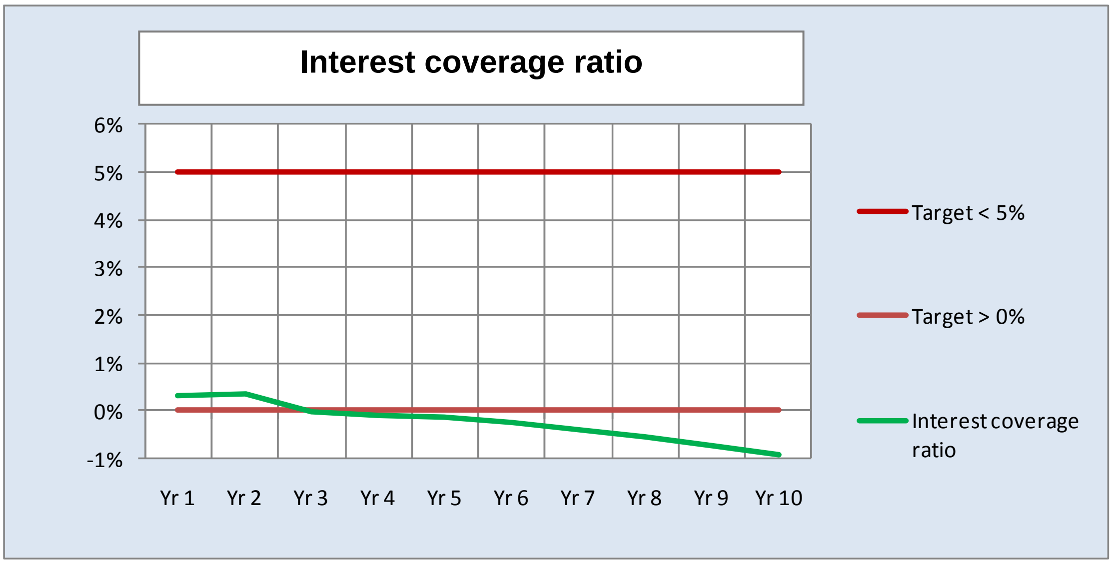
- An annual Strategy review will signal capital planning and borrowing intentions and these will be modelled using the ten year financial plan to gauge affordability and suitability in accordance within acceptable parameters;
- Additional research to identify the potential to capitalise interest expense; and
- Undertake further restructure of debt pools where beneficial from a cost benefit perspective

The following material risks will be placed on ‘watch’ before mitigation projects are initiated:

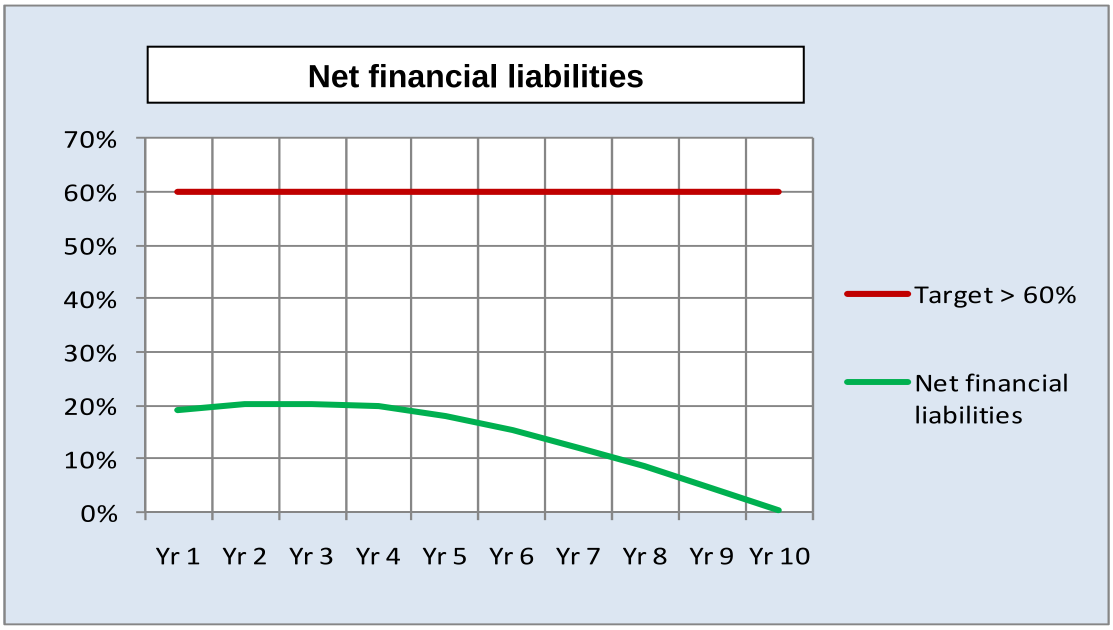
- The optimal level of cash balances held.

7.5 KEY PERFORMANCE INFORMATION

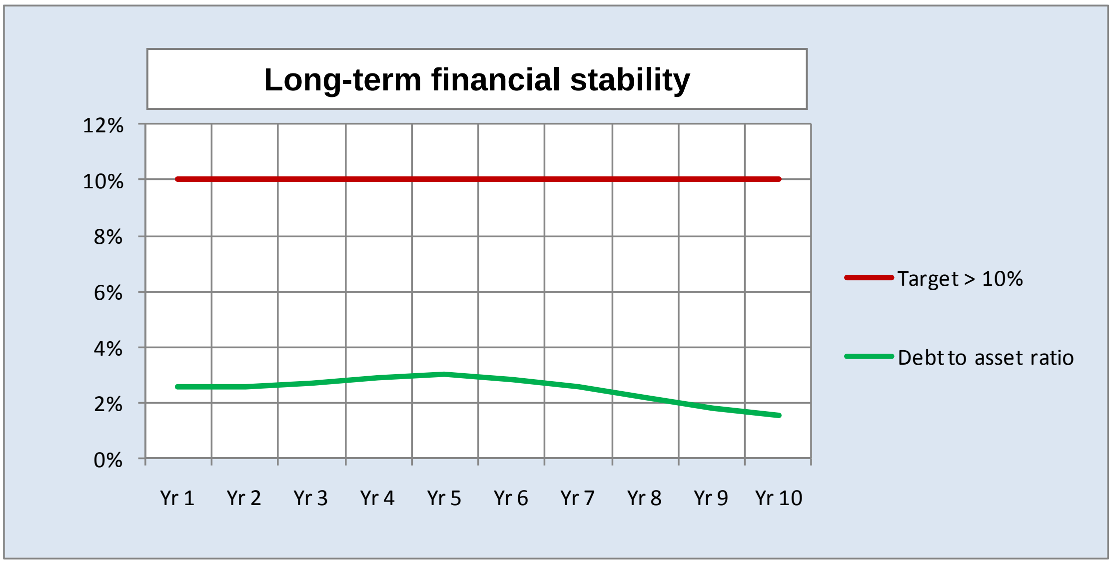




This ratio remains within target throughout the life of the Strategy, and provides scope in later years for increasing borrowings should the requirement arise.



The Strategy indicates this ratio declines over the ten year period consistent with the declining interest coverage ratio.



This indicator remains at a fairly consistent level throughout the life of the Strategy and well within target range.

8 APPENDICES

8.1 KEY PERFORMANCE INDICATORS (KPI'S)

Ratio and set target	Calculation of ratio	What does this ratio tells us
Level of Dependence on General Rate Revenue Less than 37.50%	Net General Rates Total Operating Revenue - Gain on Sale of Developed Land	Measures Council's reliance on operating revenue from general rates.
Current Ratio Between 1.1 and 4.1	Current Assets Current Liabilities	Measures the extent to which Council has liquid assets to meet current obligations.
Debt Servicing Ratio Less than or equal to 10%	Interest Expense + Loan Redemption Total Operating Revenue - Gain on Sale of Developed Land	Measures Council's ability to service debt with recurrent revenue.
Cash Balance Capacity in Months Between 3 to 4 months	Cash Held at Period End (Cash Operating Costs + Interest Expense)/12)	Measures the number of months 'cash held at period end' would cover recurrent expenses
Debt to Asset Ratio Less than or equal to 10%	Current and Non-current Loans Total Assets	Measures what percentage of long-term debt could be covered by total assets.
Operating Performance Ratio Greater than or equal to 20%	Net Cash from Operations + Interest Revenue and Expense Cash Operating Revenue + Interest Revenue	Measures Council's cash flow capabilities.
Operating Surplus Ratio Between 0 and 10%	Net Operating Surplus Total Operating Revenue	Measures the extent to which revenues raised cover operational expenses only or are available for capital funding or other purposes..
Net Financial Liability Ratio Less than or equal to 60%	Total Liabilities - Current Assets Total Operating Revenue	Measures the extent to which the net financial liabilities of Council can be serviced by its operating revenues.
Interest Coverage Ratio Between 0 and 5%	Net Interest Expense on Debt Service Total Operating Revenue	Measures the extent to which operating revenues are being used to meet the financing charges.
Asset Sustainability Ratio Greater than 90%	Capital Expenditure on the Replacement of Asset (Renewals) Depreciation Expense	Measures approximately the extent to which the infrastructure assets managed by Council are being replaced as they reach the end of their useful lives.
Asset Consumption Ratio Between 40 and 80%	WDV of Infrastructure Assets Gross Current Replacement Cost of Infrastructure Assets	Measures approximately the aged condition of the infrastructure asset base.
Asset Renewal Funding Ratio Greater than 90%	Net Present Value (NPV) of Planned CAPEX on Renewals over 10 years NPV of the Required CAPEX on Renewals over the same period	Measures the extent to which the required capital expenditure on renewals per the Asset Management Plans have been incorporated into the ten year forecast model

8.2 REDLAND CITY COUNCIL KPI'S

	Redland City Council	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Financial Stability Ratios (Redland City Council)	**Level of dependence on General Rate Revenue** (Excludes Utility Revenues) - Threshold set < 37.5%	34.7%	34.5%	34.2%	33.0%	32.4%	31.9%	31.3%	30.7%	30.2%	29.7%
	Ability to pay our bills - Current Ratio Target between 1.1 and 4.1	2.88	2.66	2.60	2.57	2.63	2.60	2.61	2.65	2.88	3.07
	Ability to repay our debt - Debt Servicing Ratio (%) Target less than or equal to 10%	3.54%	3.42%	3.49%	3.53%	3.69%	3.83%	3.76%	3.63%	3.07%	2.28%
	Cash Balance - $ 000s	57,176	54,284	55,617	58,676	64,980	67,392	71,224	72,733	78,527	86,365
	Cash Balances - cash capacity in months Target 3 to 4 months	3.98	3.65	3.58	3.50	3.67	3.62	3.63	3.51	3.60	3.75
	Longer term financial stability - debt to asset ratio (%) Target less than or equal to 10%	2.59%	2.60%	2.70%	2.87%	3.00%	2.82%	2.57%	2.17%	1.81%	1.53%
	Operating Performance Target greater than or equal to 20%	22.3%	22.2%	21.9%	21.2%	21.2%	21.2%	21.3%	21.2%	21.1%	21.0%
Measures of Sustainability (Department of Local Government, Community Recovery and Resilience)	**Operating Surplus/(Deficit)**	518	1,441	2,367	4,024	6,605	9,529	12,784	15,808	18,999	22,017
	Operating Surplus Ratio Target between 0% and 10%	0.23%	0.63%	0.99%	1.57%	2.45%	3.36%	4.27%	5.01%	5.72%	6.29%
	Net Financial Liabilities Ratio Less than or equal to 60%	19.20%	20.42%	20.46%	19.94%	18.20%	15.58%	12.16%	8.67%	4.47%	0.60%
	Interest Coverage Ratio Between 0% and 5%	0.32%	0.34%	0.00%	-0.11%	-0.14%	-0.24%	-0.38%	-0.55%	-0.72%	-0.92%
	Asset Sustainability Ratio (Infrastructure Assets Only) Greater than 90%	49.83%	56.03%	45.22%	58.02%	62.22%	52.95%	69.13%	57.03%	46.88%	45.00%
	Asset Consumption Ratio (Infrastructure Assets Only) Between 40% and 80%	63.39%	61.59%	59.71%	58.03%	56.42%	54.64%	53.20%	51.60%	49.58%	49.58%

8.3 LONG-TERM FINANCIAL FORECAST

LONG TERM FINANCIAL FORECAST - OPERATING STATEMENT	Forecast Year 1 2014/2015 '$000	Forecast Year 2 2015/2016 '$000	Forecast Year 3 2016/2017 '$000	Forecast Year 4 2017/2018 '$000	Forecast Year 5 2018/2019 '$000	Forecast Year 6 2019/2020 '$000	Forecast Year 7 2020/2021 '$000	Forecast Year 8 2021/2022 '$000	Forecast Year 9 2022/2023 '$000	Forecast Year 10 202232024 '$000
REVENUE										
Rate charges	79,727	81,889	84,527	87,507	90,591	93,785	97,091	100,513	104,056	107,724
Utility charges	122,651	127,941	133,096	145,539	154,775	164,824	175,760	187,581	199,367	212,076
Less remissions	(2,743)	(2,830)	(2,935)	(3,052)	(3,175)	(3,302)	(3,436)	(3,575)	(3,720)	(3,872)
Fees & charges	10,284	10,694	11,176	11,683	12,213	12,767	13,346	13,951	14,584	15,245
Subsidies & grants - operating	4,832	4,963	5,123	5,303	5,490	5,684	5,884	6,092	6,306	6,529
Interest revenue	2,996	2,647	3,379	3,669	3,876	4,234	4,420	4,676	4,832	5,186
Other revenue	4,082	4,176	4,272	4,890	5,634	5,868	6,112	6,367	6,634	6,912
	221,830	**229,479**	**238,639**	**255,539**	**269,405**	**283,859**	**299,177**	**315,605**	**332,059**	**349,800**
EXPENSES										
Employee costs	76,185	78,437	80,757	83,877	87,348	90,963	94,729	98,652	102,738	106,994
Goods and services	93,847	98,071	103,647	115,410	123,006	130,751	139,202	148,923	158,510	169,339
Finance Costs - Other	322	332	342	352	363	374	385	396	408	421
Other Expenditure	318	330	343	359	375	392	410	429	448	469
Net Internal Costs	(1,134)	(1,180)	(1,227)	(1,282)	(1,340)	(1,401)	(1,465)	(1,531)	(1,601)	(1,673)
	169,537	**175,991**	**183,862**	**198,716**	**209,752**	**221,079**	**233,262**	**246,868**	**260,504**	**275,549**
Earnings before Interest, tax and depreciation (EBITD	**52,293**	**53,488**	**54,777**	**56,823**	**59,654**	**62,780**	**65,915**	**68,737**	**71,555**	**74,251**
Interest Expense	3,703	3,435	3,375	3,397	3,496	3,550	3,287	2,943	2,432	1,976
Depreciation	48,071	48,612	49,034	49,402	49,553	49,701	49,845	49,986	50,123	50,258
Operating Surplus/(Deficit)	**518**	**1,441**	**2,367**	**4,024**	**6,605**	**9,529**	**12,784**	**15,808**	**18,999**	**22,017**

LONG TERM FINANCIAL FORECAST - CAPITAL FUNDING STATEMENT	Forecast Year 1 2014/2015 '$000	Forecast Year 2 2015/2016 '$000	Forecast Year 3 2016/2017 '$000	Forecast Year 4 2017/2018 '$000	Forecast Year 5 2018/2019 '$000	Forecast Year 6 2019/2020 '$000	Forecast Year 7 2020/2021 '$000	Forecast Year 9 2021/2022 '$000	Forecast Year 9 2022/2023 '$000	Forecast Year 10 202232024 '$000
CAPITAL REVENUE										
Capital Contributions and Donations	5,020	5,165	5,315	5,470	5,628	5,791	5,959	6,133	6,310	3,256
Capital Grants and Subsidies	4,925	4,581	4,353	2,353	4,176	2,419	3,294	332	905	941
Proceeds on Disposal of Non Current Assets	2,131	930	1,963	1,621	958	2,373	954	1,769	1,176	1,270
Capital Transfers (To)From Reserves	1,749	2,322	9,603	11,858	8,229	7,880	8,025	9,760	7,891	8,000
Non Cash Contributions	3,105	3,213	3,326	3,442	3,563	3,687	3,816	3,950	4,088	4,231
New Loans	0	5,000	7,500	10,000	10,000	4,000	3,000	0	0	0
Funding from General Revenue	55,323	51,419	41,211	39,320	42,466	49,873	51,740	55,530	56,480	57,518
Total Capital Revenue	**72,253**	**72,630**	**73,271**	**74,064**	**75,020**	**76,022**	**76,788**	**77,473**	**76,851**	**75,217**
CAPITAL APPLICATIONS										
Contributed Assets	3,105	3,213	3,326	3,442	3,563	3,687	3,816	3,950	4,088	4,231
Capitalised Goods & Services	55,465	55,754	56,902	56,672	56,895	58,151	57,231	57,217	57,000	56,500
Capitalised Employee Costs	9,535	9,246	8,098	8,328	8,105	6,849	7,769	7,783	8,000	8,500
Loan Redemption	4,148	4,417	4,945	5,622	6,457	7,335	7,972	8,523	7,763	5,986
Total Capital Applications	**72,253**	**72,630**	**73,271**	**74,064**	**75,020**	**76,022**	**76,788**	**77,473**	**76,851**	**75,217**
OTHER BUDGETED ITEMS										
Transfers to Reserve	(13,308)	(13,691)	(14,088)	(14,499)	(14,920)	(15,351)	(15,797)	(16,256)	(16,725)	(8,631)
Transfer from Operating Reserves	12,708	12,708	12,708	12,708	12,708	12,708	12,708	12,708	12,708	12,708
WDV of Assets Disposed	(304)	(304)	(304)	(304)	(304)	(304)	(304)	(304)	(304)	(304)

LONG TERM FINANCIAL FORECAST - CASH FLOW STATEMENT										
	Forecast Year 1 2014/2015 '$000	Forecast Year 2 2015/2016 '$000	Forecast Year 3 2016/2017 '$000	Forecast Year 4 2017/2018 '$000	Forecast Year 5 2018/2019 '$000	Forecast Year 6 2019/2020 '$000	Forecast Year 7 2020/2021 '$000	Forecast Year 9 2021/2022 '$000	Forecast Year 9 2022/2023 '$000	Forecast Year 10 202232024 '$000
RECEIPTS										
Rate Charges	76,944	79,018	81,512	84,376	87,339	90,405	93,578	96,862	100,261	103,778
Utility Charges	122,587	127,876	132,965	145,404	154,637	164,684	175,616	187,434	199,218	211,924
Fees & charges	10,284	10,694	11,176	11,683	12,213	12,767	13,346	13,951	14,584	15,245
Grants and subsidies	4,832	4,963	5,123	5,303	5,490	5,684	5,884	6,092	6,306	6,529
Other revenue	4,082	4,176	4,272	4,890	5,634	5,868	6,112	6,367	6,634	6,912
	218,729	**226,727**	**235,048**	**251,657**	**265,314**	**279,408**	**294,537**	**310,707**	**327,002**	**344,387**
PAYMENTS										
Employee costs	(75,628)	(77,995)	(80,303)	(83,378)	(86,835)	(90,375)	(94,124)	(98,028)	(102,095)	(106,332)
Materials & services	(92,236)	(96,432)	(101,916)	(113,602)	(121,122)	(128,786)	(137,154)	(146,788)	(156,285)	(167,019)
Other expenses	(318)	(330)	(343)	(359)	(375)	(392)	(410)	(429)	(448)	(469)
	(168,182)	**(174,758)**	**(182,563)**	**(197,339)**	**(208,332)**	**(219,554)**	**(231,688)**	**(245,245)**	**(258,828)**	**(273,820)**
Interest revenue	2,996	2,647	3,379	3,669	3,876	4,234	4,420	4,676	4,832	5,186
Finance costs	(4,025)	(3,767)	(3,717)	(3,750)	(3,858)	(3,923)	(3,672)	(3,339)	(2,841)	(2,397)
NET CASH FLOW - OPERATIONS	**49,518**	**50,849**	**52,148**	**54,237**	**56,999**	**60,164**	**63,597**	**66,799**	**70,165**	**73,356**
INVESTING ACTIVITIES										
Payments - Property, Plant & Equipment	(65,000)	(65,000)	(65,000)	(65,000)	(65,000)	(65,000)	(65,000)	(65,000)	(65,000)	(65,000)
Proceeds - Capital subsidies & grants and Contributions	9,945	9,746	9,667	7,823	9,804	8,210	9,254	6,464	7,215	4,197
Proceeds - disposal non current assets	2,131	930	1,963	1,621	958	2,373	954	1,769	1,176	1,270
NET CASH FLOW - INVESTING ACTIVITIES	**(52,924)**	**(54,323)**	**(53,370)**	**(55,556)**	**(54,238)**	**(54,417)**	**(54,793)**	**(56,767)**	**(56,609)**	**(59,532)**
CASH FLOWS FROM FINANCING ACTIVITIES										
Proceeds from borrowing - QTC	0	5,000	7,500	10,000	10,000	4,000	3,000	0	0	0
Repayment of borrowing - QTC	(4,148)	(4,417)	(4,945)	(5,622)	(6,457)	(7,335)	(7,972)	(8,523)	(7,763)	(5,986)
NET CASH FLOW - FINANCING ACTIVITIES	**(4,148)**	**583**	**2,555**	**4,378**	**3,543**	**(3,335)**	**(4,972)**	**(8,523)**	**(7,763)**	**(5,986)**
NET INCREASE (DECREASE) IN CASH HELD	**(7,554)**	**(2,892)**	**1,333**	**3,059**	**6,304**	**2,411**	**3,833**	**1,509**	**5,794**	**7,838**
Cash at the start of the financial year.	64,730	57,176	54,284	55,617	58,676	64,980	67,392	71,224	72,733	78,527
CASH AT END OF FINANCIAL YEAR	**57,176**	**54,284**	**55,617**	**58,676**	**64,980**	**67,392**	**71,224**	**72,733**	**78,527**	**86,365**

LONG TERM FINANCIAL FORECAST - BALANCE SHEET

	Forecast Year 1 2014/2015 '$000	Forecast Year 2 2015/2016 '$000	Forecast Year 3 2016/2017 '$000	Forecast Year 4 2017/2018 '$000	Forecast Year 5 2018/2019 '$000	Forecast Year 6 2019/2020 '$000	Forecast Year 7 2020/2021 '$000	Forecast Year 9 2021/2022 '$000	Forecast Year 9 2022/2023 '$000	Forecast Year 10 202232024 '$000
CURRENT ASSETS										
Cash & Investments	57,176	54,284	55,617	58,676	64,980	67,392	71,224	72,733	78,527	86,365
Accounts Receivable	21,037	21,142	21,353	21,567	21,782	22,000	22,220	22,442	22,667	22,894
Inventories	943	943	943	943	943	943	943	943	943	943
Prepaid Expenses	1,324	1,370	1,418	1,468	1,519	1,572	1,627	1,684	1,743	1,804
Assets - Held for Sale	467	467	467	467	467	467	467	467	467	467
Total Current Assets	**80,947**	**78,206**	**79,799**	**83,121**	**89,692**	**92,374**	**96,481**	**98,270**	**104,347**	**112,472**
NON CURRENT ASSETS										
Accounts Receivable	0	0	0	0	0	0	0	0	0	0
Property, Plant and Equipment	2,032,514	2,051,811	2,070,798	2,089,534	2,108,240	2,126,922	2,145,589	2,164,249	2,182,910	2,201,579
Total Non Current Assets	**2,032,514**	**2,051,811**	**2,070,798**	**2,089,534**	**2,108,240**	**2,126,922**	**2,145,589**	**2,164,249**	**2,182,910**	**2,201,579**
TOTAL ASSETS	**2,113,460**	**2,130,017**	**2,150,597**	**2,172,654**	**2,197,931**	**2,219,296**	**2,242,070**	**2,262,518**	**2,287,256**	**2,314,051**
CURRENT LIABILITIES										
Accounts Payable	13,986	14,471	14,974	15,498	16,040	16,601	17,182	17,784	18,406	19,050
Current Employee Provisions	6,570	6,735	6,903	7,110	7,323	7,543	7,769	8,002	8,242	8,490
Current Loans	4,417	4,945	5,622	6,457	7,335	7,972	8,523	7,763	5,986	5,412
Current Landfill Rehabilitation Provisions	1,773	1,773	1,773	1,773	1,773	1,773	1,773	1,773	1,773	1,773
Other Liabilities	1,408	1,427	1,477	1,528	1,581	1,636	1,694	1,753	1,814	1,878
Total Current Liabilities	**28,154**	**29,351**	**30,748**	**32,365**	**34,053**	**35,526**	**36,941**	**37,075**	**36,222**	**36,603**
NON CURRENT LIABILITIES										
Non Current Loans	50,419	50,475	52,353	55,896	58,560	54,588	49,065	41,302	35,316	29,904
Non Current Employee Provisions	11,119	11,397	11,682	11,974	12,273	12,641	13,020	13,411	13,813	14,228
Non Current Landfill Rehabilitation Provisions	33,155	33,155	33,155	33,155	33,155	33,155	33,155	33,155	33,155	33,155
Other Liabilities	693	693	693	693	693	693	693	693	693	693
Total Non Current Liabilities	**95,386**	**95,719**	**97,882**	**101,718**	**104,681**	**101,077**	**95,933**	**88,561**	**82,978**	**77,980**
TOTAL LIABILITIES	**123,540**	**125,070**	**128,630**	**134,083**	**138,734**	**136,603**	**132,875**	**125,636**	**119,199**	**114,583**
NET ASSETS	**1,989,920**	**2,004,947**	**2,021,966**	**2,038,572**	**2,059,197**	**2,082,692**	**2,109,195**	**2,136,882**	**2,168,057**	**2,199,468**
COMMUNITY EQUITY										
Retained Earnings Account	1,945,780	1,963,013	1,982,129	2,000,726	2,023,244	2,048,537	2,076,748	2,106,057	2,138,773	2,171,649
Cash Reserves	44,141	41,934	39,837	37,846	35,953	34,156	32,448	30,825	29,284	27,820
TOTAL COMMUNITY EQUITY	**1,989,920**	**2,004,947**	**2,021,966**	**2,038,572**	**2,059,198**	**2,082,693**	**2,109,196**	**2,136,883**	**2,168,057**	**2,199,469**

8.4 TEN YEAR CAPITAL WORKS

Add when complete