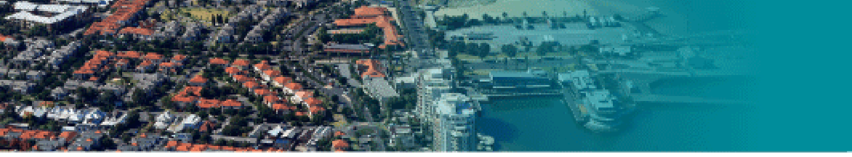
City of Port Phillip

10 YEAR FINANCIAL PLAN

2016-26



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Overview and Context

Background

Financial sustainability is a key objective of the City of Port Phillip (Council), as a sound financial base is required for Council to continue to deliver valued services to the community. The 10-Year Financial Plan (Plan) supports Council to achieve financial sustainability, particularly in the face of the significant challenge posed by the introduction of rates capping. The Plan also provides the context within which the Council can formulate the Budget 2016/17 and enable the Council to plan for the financial impacts of growth.

The Plan demonstrates the long term financial implications of Council's revenue and expenditure projections. The Plan is prepared and revised annually to reflect the changing environment within which Council operates. This includes consideration of the information gathered internally as well as the significant external factors that impact on Council at any point in time.

The financial resources outlined in the Plan are used to deliver Council's services and strategic initiatives, which are articulated within the City of Port Phillip's Council Plan 2013-17. The Council Plan 2013-2017 sets out Council's strategic plan to deliver our vision over the term of this Council focusing on the following four key areas:

- ENGAGED – A Well Governed City
- HEALTHY – A Healthy, Creative and Inclusive City
- RESILIENT – A Strong, Innovative and Adaptive City
- VIBRANT – A Liveable and Connected City.

The Plan also complements a number of other Council planning documents, including the Strategic Resource Plan, which is a rolling four year plan that forms part of the Council Plan, and the annual budget, which outlines the annual resources required to deliver Council services.

Key Outcomes of the Plan: Identifying the Impact of Rates Capping

Council recognises the rising community concern regarding the affordability of Council services, with rates and other essential services forming an increasing share of average household expenditure.

The community's expectation for better value in Council service delivery has been reflected in Council's decision making. Council has recently launched a number of initiatives to ensure that its services are delivered in the most efficient and effective manner possible. These initiatives include a successful drive for efficiency savings, with Council identifying permanent operational savings of $3 million for the Budget 2015/16, in addition to the $2 million of savings identified for the Budget 2014/15.

The State Government has also responded to the affordability concerns of the community by capping rate increases from 2016/17. In this Plan, Council demonstrates the significant impact that rate capping will have on its financial position.

The level of the rates cap in 2016/17 and beyond is still highly uncertain. The Essential Services Commission (ESC), Victoria's independent economic regulator, recommended that the rates cap be set a level that reflects movements in the consumer price index (CPI) and the wage price index (as wages form a significant proportion of council's costs). The State Government has not committed to this recommendation and is proposing complete discretion in setting the rates cap. It is possible that the rates cap could be less than CPI. The rates cap will not formally be announced by the State Government until December 2015.

The Plan assumes a rate cap based on the ESC recommended methodology. However, scenario analysis has been completed for a rates cap assumption that is consistent with CPI less an efficiency factor. The rates capping impact is quantified as an accumulated challenge of $35 million over the ten years of the Plan under the ESC methodology and $69 million if CPI is used. This represents a major challenge to Council (and the whole sector) which will require fundamental changes to the way Council operates. Council's approach to meeting this challenge is outlined below.

Rates capping challenge

	2016/17	2017/18	2018/19	2025/26
Rates cap consistent with the ESC's methodology (base case)				
Rate increase	3.05%	2.85%	2.80%	-
Accumulated rates capping challenge ($m)	($0.8)	($2.2)	($2.4)	($35.0)
Rates cap consistent with CPI less an efficiency factor				
Rate increase	2.40%	2.45%	2.40%	-
Accumulated rates capping challenge ($m)	($1.6)	($4.2)	($6.1)	($69.0)

Other aspects of the Plan, such as expenditure and other revenue are currently based on Council's business as usual planning. Attachment 1: Financial Forecast provides detailed financial forecasts.

Council is now in the process of determining how it will meet the rates capping challenge. While the initiatives to improve Council's efficiency and effectiveness will position Council favourably to manage this, the medium to long-term magnitude of the rate capping challenge will require Council to fundamentally review the sustainability of its operations. It is clear that a 'business as usual' approach will not be sufficient to meet the rates capping challenge. This includes consideration of:

- opportunities to further reduce Council's cost base without impacting service levels (such as efficiencies identified through improvements in processes, procurement and project planning and delivery)
- opportunities to ensure that user fees and charges reflect the benefit that individual community members receive (that is, rates funding is not unreasonably subsidising services that provide private benefit)
- service delivery options, including fundamental changes to the way services are targeted and delivered and consideration of service level reductions in areas of lower strategic priority.
- applying to the independent economic regulator (which will administer the rate capping framework) for rate increases above CPI, where those increases are justifiable to the community.

Growth in the Municipality

The Council faces a period of significant growth in the municipality due to urban densification and development in the Fishermans Bend Urban Renewal Area (FBURA). Current planning projections provide for a possible population increase of 120,000 people in the next 40 years, more than doubling the municipality's current population of approx. 105,000 people. Council is continuing to invest in planning for growth in the municipality, including FBURA, to ensure that service outcomes meet the expectations of current and future generations.

Council is working closely with State Government on a potential package of work in the Montague Precinct, where development is expected to occur first within FBURA. In July 2015, Council endorsed a business case and an associated proposal to the State Government for significant capital investment in community facilities and open space in the precinct. This investment was contingent on mitigating funding and delivery risk. This Plan incorporates financial outcomes that are consistent with Council's proposal.

The State Government is currently in the process of preparing a Developer Contributions Plan for FBURA which will outline future investment needs and funding sources. This is not expected to be complete until 2017. Due to the uncertainty associated with the future investment profile, no further investment has been incorporated in this Plan, beyond the immediate proposal for the Montague Precinct outlined above. Council will continue to update its financial planning for FBURA as new information becomes available.

To the extent that growth related investment is required ahead of growth occurring, it will be financed through borrowings, rather than rates revenue, and repaid from future developer contributions. However, in some cases investment will benefit the existing community and a rates contribution could be justified.

Renewing Community Assets

Council owns and controls a wide variety of assets ranging from land and buildings to roads, drains, footpaths and open space improvements. The total value of Council's fixed assets is $2.3 billion and is largely the product of investment by prior generations in the municipality. Consistent with the trend across the local government sector, Council is facing escalating costs to maintain and renew its ageing asset base.

This Plan considers the increasing renewals expenditure due to an expanding asset base, as well as cost escalation for delivering renewals. A major focus of Council is to continue to improve its asset planning and management capability. The risk of insufficient asset renewal investment is that assets deteriorate much faster than necessary, costing Council more in the long run and potentially compromising service levels.

The continued use or viability of some assets is considered a high priority because they are of high economic, architectural, historical and/or cultural significance to the community. One such asset is the iconic Palais Theatre in St Kilda, for which Council has management responsibility.

Realising the community's vision for the St Kilda Triangle

Council is leading a process to realise the community's vision for the St Kilda Triangle. Council is using a 'co-design' approach with the community and key stakeholders to develop a fundable project for the St Kilda Triangle which creates a locally-loved place that is world admired.

Council is currently preparing a Draft Masterplan that will continue to be tested with the community. In conjunction with the Draft Masterplan, Council is preparing a business case that will outline costs, benefits and likely funding sources for the development of the St Kilda Triangle site. Council is in the process of determining its contribution based on the relevant local benefits, however this is too uncertain to include in the Plan at this time. Council will update its financial forecast once its contribution is known with more certainty.

Impacts of State and Commonwealth Government Policy

The transfer of responsibilities and costs from other levels of Government to councils has been well documented and continues to be a significant issue for the City of Port Phillip. Types of 'cost shifting' and additional taxes that currently impact Council are:

- the direct removal of funding, such as the freeze in indexation of grants commission funding and the cessation of $250,000 funding for Adventure Playgrounds
- the indirect impact of Government policies that formally or informally transfer service responsibility to Council , for example Council currently allocates resources to supporting social housing ($500,000), a public policy area that in many respects should be the responsibility of State and Commonwealth Governments
- the introduction of the congestion levy, which is being partly funded by a contribution of rates revenue to mitigate the significant negative impact on visitation and trade in the areas where the levy applies (in addition to an increase in parking fees).

Financial Outcomes

Council decision making continues to have reference to principles of sound financial management to ensure Council's finances remain prudent and sustainable. This Plan outlines the Council principles by which financial resources are managed to support financial sustainability.

This Plan assesses Council financial performance using two key financial metrics.

Cash surplus/deficit – This is a measure of the cash inflows from all sources of revenue and the cash outflows for all expenditure (capital and operating expenditure both included). The Plan presents a balanced budget over the 10 year planning horizon. However it is important to note that Council will have to make significant financial savings to meet the rate capping challenge (quantified as $35 million over 10 years).

Borrowings – The forecast investment for growth in the municipality assumes the use of Council borrowing capacity, to be repaid by future developer contributions and open space contributions. Borrowings peak at $38.0 million in 2017/18 under the Plan, which includes existing borrowings of approximately $8.6 million. It should be noted that the investment in FBURA is still being finalised with the State Government.

Financial Sustainability

Despite being in a very strong financial position, the introduction of rates capping presents a significant threat to Council's financial sustainability. This Plan outlines the extent of that challenge.

As outlined above, to maintain financial sustainability in the face of this challenge, Council is fundamentally reviewing its approach to service delivery. In doing so, Council will continue to consider the principles of sound financial management prescribed in the *Local Government Act 1989* in the process of meeting the rates capping challenge, being to:

- prudently manage financial risks related to debt, assets and liabilities
- provide reasonable stability in the level of the rates burden
- consider the financial impacts of Council decisions on future generations
- provide full, accurate and timely disclosure of financial information.

To support financial sustainability, Council has its own financial principles which aim to ensure continued operating viability, sustainable funding of assets and the ability to absorb the impact of unexpected budget shocks. These are outlined in the table below.

Financial principles		Measures
1. CoPP will have an ongoing balanced budget and ideally a small surplus.	1	Expenditure on operating activities will be in line with or lower than income from operating activities, producing a surplus. Any surplus achieved will be used to repay debt or carried over to subsequent years.
	2	Rate revenue will remain at a constant percentage of total revenue (target between 50% and 60% of total revenue) and other revenue will be strengthened over the medium term to reduce reliance on rate revenue.
	3	Growth in universal services will be funded through growth in the rates base. Where private benefit exists for services, this will be funded by those who receive that benefit and have the capacity to pay.
2. The CoPP asset base will be maintained, enhanced and expanded.	4	The total pool of assets will increase in value each year – excluding the effect of any revaluation adjustments and sale of assets of lower strategic value.
	5	Assets will be managed in accordance with community need, optimum utilisation and long-term efficiency.
	6	Capital expenditure on existing assets (asset renewals and upgrades) will be higher than depreciation over a medium to long term planning horizon.
3. Capital will be managed in the most efficient manner possible.	7	General reserves will be maintained at levels sufficient to ensure operational liquidity.
	8	Council will consider new loans for strategic property acquisitions, funding community capital works projects that will provide inter-generational community benefit and work that deliver revenue streams to repay debt.
	9	Reserves may be built up over time to enable Council to part fund periodic large capital expenditure items where this is considered more efficient than the use of debt.
4. CoPP will proactively develop and lead an efficient and effective organisational culture.	10	In order to deliver better value to our growing community, Council will support the development of policy and practice in the workplace to increase organisational innovation, effectiveness and efficiency

In addition to the principles of sound financial management outlined above, Council is guided by a number of key strategies that guide its financial decision making. The principles behind these strategies are outlined below.

Use of Rate Revenue

Council's main revenue source is assessment rates on properties in the municipality. Council's rating strategy is supported by the following principles:

- Local government rates are levied in accordance with a ratepayer's capacity to pay as measured by the Net Annual Value (NAV) of property owned within the municipality. Rates levied are therefore directly proportional to the NAV of individual properties. Other measures such as concessions, deferral of rate payments and other discounts to fees and charges will be applied by Council to address equity and access issues.
- Universal services are funded from the broadest forms of income; rates and parking revenue.
- Fees for subsidised services provided by Council in a market such as childcare and aged care will be based on a clearly articulated policy position. To achieve equitable outcomes, these services will be funded through a mix of user charges, government grants and rates.
- Specific individual regulatory services such as, but not limited to, animal licences, parking permits and planning permits will be funded, where possible, through user charges (some may be set by statute) and otherwise through rates.
- Special rates are levied against retail tenants in various shopping precincts and this rate income is then distributed to centralised trader associations to spend on the improvement of the shopping strip for the benefit of all traders.
- Council provides for rate concessions for recreational land and pensioners. The City of Port Phillip is one of few councils that provide a pensioner rate rebate in addition to the State Government pensioner rate rebate.
- Furthermore, self-funded retirees are entitled to request Council to defer their rates indefinitely at a discounted interest rate. Persons experiencing financial hardship may also, subject to application and financial assessment, access this benefit.

Use of Borrowings

Council's borrowings strategy is supported by the following principles:

- Borrowings will not be used to fund ongoing operations.
- A prudent and fiscally responsible approach will be applied in considering any proposals for new debt to deliver Council objectives.
- Where debt is increased, the servicing costs ideally need to be funded from future revenue streams or cost savings that can be expected from the investment of the funds raised.
- Borrowings are also appropriate for the purpose of funding large non-recurrent capital works projects that can be expected to provide benefits to future generations.
- Debt will be managed as part of an efficient capital management policy and repaid when it is prudent to do so.

Infrastructure and Asset Management

Council's infrastructure and asset management strategy is supported by the following principles:

- Council is committed to spending what is required to renew and enhance its asset base to ensure its ongoing fitness for use. The capital budget takes into account expected asset deterioration, increased asset utilisation (capacity requirements) and technology development.
- Renewal of existing assets is generally funded from the depreciation expense that is provided each year. This needs to be applied to the different asset subsets (drainage, roads, buildings and land improvements) to ensure consistency across the entire network of assets that Council manages.
- Maintenance of capital expenditure at levels that will replenish existing assets is a higher priority than debt reduction and investment in new assets, as asset funding shortfalls will transfer the liability to future generations.
- Asset acquisitions and capital works projects are funded from either rate revenue, reserves, sales of existing assets, government grants or external borrowings.
- Council's investment and asset management strategies, purchasing arrangements and other financial tools should encourage environmental responsibility.

Financial Resource Planning Assumptions and Risks

Financial Assumptions

The Plan is updated annually following a review of internal financial results and changes in the external environment. Following this, scenario analysis is performed to test key assumptions and to prepare a ten year forecast that best represents Council's expected financial performance given those assumptions.

The financial information used for 2015/16 (the base year) is based on Council's September 2015 forecast. The revenue and expenditure associated with growth has been separated from all other Council activities for the purposes of this Plan. The assumptions associated with growth are included in the 'Planning for growth' chapter below.

A detailed explanation of planning assumptions is provided below.

Assumption	Rationale			
Consumer Price Index (CPI)	**2016/17**	**2017/18**	**2018/19**	**2019/20 and beyond**
	2.75%	2.50%	2.50%	2.50%
	Based on the most recent forecast from the Victorian Department of Treasury.			
Rates cap base case (ESC recommended methodology)	**2016/17**	**2017/18**	**2018/19**	**2019/20 and beyond**
	3.05%	2.85%	2.80%	2.75%
	The final rates cap for 2016/17 will not be announced until December 2015. Further, there remains some uncertainty as to the level of the rates cap in future years. For the purposes of the Plan, Council has used the rates cap methodology proposed by the Essential Services Commission. This includes a			
Alternative rates cap scenario (CPI less an efficiency factor)	**2016/17**	**2017/18**	**2018/19**	**2019/20 and beyond**
	2.40%	2.45%	2.40%	2.35%
	Given the uncertainty surrounding the State Government's position on the rates cap, Council has modelled a rates cap scenario based on CPI less an efficiency factor.			
Growth in the rate base	1.3% per annum (based on a rolling three year average).			
Parking revenue	Parking fees increase by 2.50% per annum and fines by 2.00% per annum (averaged to 2.25% per annum).			
User fees and charges	Increased by CPI.			
Open space contributions	Remains constant at $3.8 million per annum based on five year historical average.			
Government grants	Operating grants increased by CPI. Capital grants remain constant at $1.3 million.			
Interest received	**2016/17**	**2017/18**	**2018/19**	**2019/20 and beyond**
	2.70%	3.30%	3.30%	3.60%
	Based on the Deloitte Access Economic Business Outlook forecast for the 90 day bill rate.			

Assumption	Rationale
Employee costs	Employee benefits to increase by 2.75% for 2016/17, 2017/18 and 2018/19. This consistent with the assumptions included in the Strategic Resource Plan 2015-18. From 2019/20, employee benefits are assumed to increase by 3.5% per annum, consistent with the Victorian Department of Treasury long-term wage price projection.
Contract services, utility costs, professional services, materials and other expenditure	Increased by CPI.
Service growth	The cost of service growth is equivalent to the increase in rates revenue attributable to increase in the rates base (that is, it is assumed that the benefit of new assessments is wholly offset by the cost to service them).
Depreciation	Depreciation has been increased as a product of new assets being created consistent with the planned capital program.
Operating projects	Total operating projects consistent with the forecast included in the Strategic Resource Plan 2015-19, including an allowance of $4.4 million in 2016/17. This includes $515,000 for election costs in 2016/17. It otherwise increases by annual CPI.
Capital projects	Total capital projects consistent with the forecast included in the Strategic Resource Plan 2015-19, including an allowance of $34 million in 2016/17. This is escalated by annual CPI, but also increases due to renewals expenditure based on an increase in Council's asset base.
Borrowings	Borrowings are assumed for 2015/16 (current year) and 2016/17 for self-funded projects up to $610,000 in each year. The interest rate on borrowings is based on Councils current debt (4.65% p.a. fixed rate over a seven year term). Further borrowings are assumed as part of the growth planning which is outlined in the section below.
Reserves	The use of reserves remains consistent with past practice. This includes the following assumptions: • open space receipts and out-goings are equivalent (each year) • sustainable transport reserve receipts and out-goings are equivalent (each year) • a debt repayment reserve is used to accumulate the capital necessary to retire council debt.

Financial Risks

Council's most significant financial risk is the impact of rates capping. The approach to managing this risk is outlined above. In addition to rates capping, a number of other financial risks exist, including:

- more subdued property development which may result in the rates revenue base growing at a lower rate than the current 1.3% growth assumption, (every 0.1% reduction in growth equates to a $105,000 revenue loss)
- lower than expected parking revenue, which forms the second largest revenue source for council, is historically volatile and is impacted by the macro-economic environment (a 1.0% reduction in revenue from parking fees and fines equates to a $300,000 revenue loss)
- a future unfunded defined benefits superannuation call occurring
- future reductions in funding from other levels of Government or increases in cost shifting
- a major, unexpected, asset renewal issue.

Planning for Growth

The Council faces a period of significant growth in the municipality due to development in FBURA. Current planning projections provide for a possible population increase of 120,000 people in the next 40 years, over 100% of the current population in the municipality.

In November 2014, the State Government's Metropolitan Planning Authority (MPA) prepared a Draft FBURA Developer Contributions Plan (DCP) which outlines approximately $376 million of local infrastructure and open space investment (in 2013 dollar terms). In addition to the revenue associated with the DCP Levy, the infrastructure investment will be funded through open space contributions and direct State and Local Government funding.

The proposed development in the FBURA will create unprecedented financial challenges for Council as it copes with making significant investment ahead of future revenue streams. While work is underway to model the financial impact of FBURA on Council, uncertainty remains regarding the timing and extent of FBURA infrastructure funding that Council will provide.

Recently, Council is working closely with State Government on a potential package of work in the Montague Precinct, where development is expected to occur first within FBURA. In July 2015, Council endorsed a business case[1] for significant capital investment and an associated proposal to the State Government. This investment was contingent on mitigating funding and delivery risk. This Plan includes financial outcomes that are consistent with Council's proposal.

The proposed capital investment includes:

- community facilities and netball courts in a joint development with a proposed primary school at Ferrars Street, South Melbourne
- streetscape works needed to make the proposed school safe and accessible
- the creation of a strategic acquisition fund to proactively invest in open space opportunities.

A detailed explanation of planning assumptions is provided below.

Assumption	Rationale
Development projection	Council has used all available information to make a projection of future urban development in FBURA. Scenario testing has been applied, with a 'medium' development scenario used for the purposes of this Plan.
Net rates uplift	Rates uplift is based on a 'medium' development forecast.
Developer contributions revenue	Developer contribution plan levy of $16,000 per dwelling. This is assumed to be applied 100% to fund the proposed capital investment.
Open space contributions revenue	Open space contribution of 8% of developed land value has been assumed.
Operating expenditure	Specific operating assumptions have been made for each aspect of the capital investment
Borrowing costs	5.15% per annum based on Council's current cost of borrowing, plus an additional 50 basis points to adjust for risk.

[1] City of Port Phillip's Strategic Business Case for *Community Services and Amenity in the Ferrars Street Education & Community Precinct* (July 2015).

The proposed capital investment and associated funding sources of Council's proposal are outlined in the table below. It should be noted that Council is still working with the State Government to finalise this proposed investment.

Works	State funding ($'M)	Developer contributions ($'M)	Open Space Contributions ($'M)	CoPP Direct Rates Funding ($'M)	Total ($'M)
Community facilities	1.60	1.35		1.35	4.30
Netball court	2.20 + 0.65			1.65	4.50
Streetscape upgrades	1.70	3.00			4.70
Open space acquisition fund	Up to 6.20	15.00	5.00		26.20
Total	12.35	19.35	5.00	3.00	39.70

The State Government is currently in the process of preparing a Developer Contributions Plan for FBURA which will outline future investment needs and funding sources (beyond the investment outlined above). This is not expected to be complete until 2017. Due to the uncertainty associated with the future investment profile, no further investment has been incorporated in this Plan, beyond the immediate proposal for the Montague Precinct outlined above. Council will continue to update its financial planning for FBURA as new information becomes available.

Non-Financial Resources

Council Culture

Council delivers a broad range of services. To strengthen the delivery of the Council Plan and Council's key strategic priorities, Council has developed an organisational strategy called 'Community First'.

Community First is a mindset whereby all Council actions are viewed through the community's eyes, ensuring delivery of the best possible services, projects and outcomes for the community Council serves.

To build Council capability, the Community First strategy has five key priority areas of enterprise-wide focus:

- Enterprise Portfolio Management
- Great Places & Precincts
- Continuous Service and Business Improvement
- Aligned Organisational Culture & Capability
- Good Governance

Council Staff

The Council's employees are its most valued resource. Council has a diverse workforce of committed individuals with an extensive range of skills and experience. Council aspires to be an employer of choice and to operate collectively as one organisation focused on the achievement of the Council Plan initiatives. To enable this, Council is committed to professional development, mentoring, open communication and maintaining a safe and respectful working environment.

In response the financial challenges that Council is facing, a significant investment has been made in building the capability of Council staff. This includes improving the ability of Council staff to:

- manage and prioritise projects with the support of new processes and systems.
- focus on identify and realise efficiency savings
- achieve better service and financial outcomes through continuous process improvement initiatives
- perform detailed service reviews with an objective of improving the overall value of Council's services
- make more informed asset management decisions
- leverage technology to improve customer service
- undertake long-term planning and performance measurement.

Financial Statements

The financial statements are included in two attachments to this Plan, being:

- Attachment 1: Financial Forecast, which includes a projection of Council revenue and expenditure, cash surplus/deficit and borrowings.
- Attachment 2: Growth Financial Forecast, which includes a transparent view of the impact of growth in FBURA.

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Language assistance

廣東話	9679 9810	Ελληνικά	9679 9811
普通話	9679 9858	Русский	9679 9813
Polska	9679 9812	Other	9679 9814

10 Year Financial Plan 2016-26 Attachment 1: Financial Forecast

		10 Year plan projections									
	Forecast										
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'001	$'002
Income											
Rates and charges	113,147	118,087	123,006	128,070	133,278	138,631	144,131	149,777	155,570	161,509	167,595
Parking revenue	29,279	29,937	30,611	31,300	32,004	32,724	33,460	34,213	34,983	35,770	36,575
User fees & charges	15,936	16,375	16,784	17,204	17,634	18,075	18,526	18,990	19,464	19,951	20,450
Statutory fees and fines	2,804	2,881	2,953	3,027	3,103	3,180	3,260	3,341	3,425	3,510	3,598
Open space contributions	2,500	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Grants - operating	8,989	10,491	10,753	11,022	11,298	11,580	11,870	12,166	12,470	12,782	13,102
Grants - capital	1,734	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Interest received	1,260	1,081	1,320	1,320	1,440	1,440	1,440	1,440	1,440	1,440	0
Rentals	8,244	8,596	8,811	9,031	9,257	9,489	9,726	9,969	10,218	10,474	10,735
Other income	3,235	3,323	3,407	3,492	3,579	3,668	3,760	3,854	3,951	4,049	4,151
FBURA Developer contributions and rates uplift	0	0	0	3,342	5,715	7,360	9,322	10,188	11,986	13,387	16,374
Total income	**187,128**	**195,872**	**202,746**	**212,907**	**222,407**	**231,248**	**240,595**	**249,039**	**258,608**	**267,973**	**277,680**
Expenses											
Employee benefits	(80,108)	(82,311)	(84,574)	(86,900)	(89,941)	(93,089)	(96,347)	(99,720)	(103,210)	(106,822)	(110,561)
Contract services	(42,400)	(43,566)	(44,655)	(45,771)	(46,916)	(48,088)	(49,291)	(50,523)	(51,786)	(53,081)	(54,408)
Utilities	(2,959)	(3,040)	(3,116)	(3,194)	(3,274)	(3,356)	(3,440)	(3,526)	(3,614)	(3,704)	(3,797)
Materials & other expenses	(22,755)	(23,381)	(23,966)	(24,565)	(25,179)	(25,808)	(26,454)	(27,115)	(27,793)	(28,488)	(29,200)
Bad and doubtful debts	(109)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Professional services	(3,095)	(3,180)	(3,259)	(3,341)	(3,424)	(3,510)	(3,598)	(3,688)	(3,780)	(3,874)	(3,971)
Operating projects	(5,506)	(4,372)	(3,945)	(4,044)	(4,145)	(4,814)	(4,355)	(4,464)	(4,575)	(4,690)	(4,807)
Borrowing costs	(459)	(428)	(424)	(401)	(387)	(379)	(197)	(14)	(5)	0	0
Service growth	0	(1,471)	(3,053)	(4,713)	(6,455)	(8,280)	(10,193)	(12,196)	(14,294)	(16,488)	(18,783)
Depreciation	(18,644)	(19,157)	(19,636)	(20,127)	(20,630)	(21,145)	(21,674)	(22,216)	(22,771)	(23,341)	(23,924)
Loss on disposal of assets	(3,100)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
FBURA operating expenses	0	0	(355)	(496)	(489)	(493)	(497)	(501)	(505)	(509)	(514)
FBURA borrowing costs	0	(137)	(1,446)	(1,398)	(1,226)	(960)	(579)	(134)	0	0	0
FBURA depreciation	0	0	(238)	(475)	(475)	(475)	(475)	(475)	(475)	(475)	(475)
Total expenses	**(179,134)**	**(184,141)**	**(191,766)**	**(198,525)**	**(205,640)**	**(213,499)**	**(220,199)**	**(227,671)**	**(235,907)**	**(244,571)**	**(253,539)**
Operating surplus (deficit) for the year	**7,994**	**11,730**	**10,979**	**14,382**	**16,766**	**17,749**	**20,397**	**21,369**	**22,701**	**23,402**	**24,141**
Less cash costs not included in the operating result											
Capital works program (excluding FBURA) (and net of opex reclass.)	(30,738)	(32,984)	(33,823)	(35,245)	(36,430)	(37,636)	(39,191)	(40,788)	(42,425)	(44,120)	(45,858)
Capital works reclassified as operating costs	(1,761)	0	0	0	0	0	0	0	0	1	2
Capital works program (Palais Theatre)	(3,500)	(1,000)	(1,600)	0	0	0	0	0	0	0	0
Deferred Capital	(2,153)	0	0	0	0	0	0	0	0	1	2
FBURA Capital investment (Community infrastructure and open space)	0	(27,350)	0	0	0	0	0	0	0	0	0
FBURA Capital renewals	0	0	(238)	(475)	(475)	(475)	(475)	(475)	(475)	(475)	(475)
FBURA movement in annual borrowings	0	27,487	2,038	(972)	(3,525)	(5,433)	(7,771)	(9,078)	(2,746)	0	0
FBURA reserve for yet to be determined capital works	0	0	0	0	0	0	0	0	(8,260)	(12,403)	(15,386)
Proceeds from borrowings	610	610	0	0	0	0	0	0	0	0	0
Lease repayments	(587)	(440)	(348)	(120)	0	0	0	0	0	0	0
Loan repayments		(76)	(155)	(162)	(170)	(178)	(7,686)	(195)	(99)	0	0
Depreciation	18,644	19,157	19,636	20,127	20,630	21,145	21,674	22,216	22,771	23,341	23,924
FBURA Depreciation	0	0	238	475	475	475	475	475	475	475	475
Proceeds from asset sales	3,000	0	0	0	0	0	0	0	0	0	0
Loss on disposal of assets	3,100	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
	(13,385)	(11,596)	(11,252)	(13,372)	(16,495)	(19,101)	(29,975)	(24,845)	(27,759)	(30,180)	(34,315)
Transfers to General Reserve											
Sustainable transport (Income to fund capital works)	(550)	(700)	(700)	(700)	(700)	(700)	(700)	(700)	(700)	(700)	(700)
Property sales reserve	(2,500)	0	0	0	0	0	0	0	0	0	0
Debt repayment reserve	(576)	(1,020)	(1,067)	(1,117)	(1,169)	(1,223)	6,171	0	0	0	0
	(3,626)	(1,720)	(1,767)	(1,817)	(1,869)	(1,923)	5,471	(700)	(700)	(700)	(700)
Transfers from General Reserve											
General	1,143	0	0	0	0	0	0	0	0	0	0
Capital - Sustainable transport	700	700	700	700	700	700	700	700	700	700	700
Capital reserves	1,196	0	0	0	0	0	0	0	0	0	0
Capital works deferrals	2,312	0	0	0	0	0	0	0	0	0	0
Early receipt of VGC funding	1,255	0	0	0	0	0	0	0	0	0	0
	6,606	700	700	700	700	700	700	700	700	700	700
Transfer General Reserve Total	2,980	(1,020)	(1,067)	(1,117)	(1,169)	(1,223)	6,171	0	0	0	0
Transfers to Statutory Reserves											
Open Space Contributions to Resort & Rec Reserve	(2,500)	(3,800)	(3,800)	(3,800)	(3,800)	(3,800)	(3,800)	(3,800)	(3,800)	(3,800)	(3,800)
	(2,500)	(3,800)	(3,800)	(3,800)	(3,800)	(3,800)	(3,800)	(3,800)	(3,800)	(3,800)	(3,800)
Transfers from Statutory Reserves											
Capital - Resort & Rec	2,409	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
C13	299										
	2,708	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Transfer Statutory Reserves Total	208	0	0	0	0	0	0	0	0	0	0
Total capital & reserve adjustments	**(10,196)**	**(12,616)**	**(12,319)**	**(14,489)**	**(17,664)**	**(20,324)**	**(23,804)**	**(24,845)**	**(27,759)**	**(30,180)**	**(34,315)**
Surplus/(deficit) for the year	**(2,203)**	**(885)**	**(1,339)**	**(107)**	**(897)**	**(2,575)**	**(3,407)**	**(3,476)**	**(5,058)**	**(6,778)**	**(10,174)**
Accumulated position brought forward											
Forecast operating surplus/(deficit)	2,235	32	(0)	0	0	0	0	0	0	(0)	(0)
ANNUAL RATES CAPPING CHALLENGE		**853**	**1,340**	**107**	**897**	**2,575**	**3,407**	**3,476**	**5,058**	**6,778**	**10,175**
ACCUMUALTED RATES CAPPING CHALLENGE											**34,666**
Surplus/(deficit) carried forward	**32**	**(0)**	**0**	**0**	**0**	**0**	**0**	**0**	**(0)**	**(0)**	**0**
Planned borrowings											
Existing borrowings closing balance (excluding FBURA)	8,110	8,644	8,489	8,327	8,157	7,980	294	99	0	0	0
FBURA borrowings closing balance	0	27,487	29,525	28,553	25,028	19,595	11,824	2,746	0	0	0
FBURA reserve for yet to be determined capital works	0	0	0	0	0	0	0	0	8,260	12,403	15,386
Total planned borrowings	**8,110**	**36,131**	**38,014**	**36,880**	**33,185**	**27,575**	**12,118**	**2,845**	**0**	**0**	**0**
Borrowings prudential limit (50 cents in rates revenue dollar)	**56,573**	**59,044**	**61,503**	**64,131**	**66,897**	**69,786**	**72,805**	**75,917**	**79,157**	**82,508**	**86,021**

10 Year Financial Plan 2016-26 Attachment 2: Growth Financial Forecast

	Approved Budget	10 year plan projections									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenues from ordinary activities											
Net Rates Uplift	0	0	0	192	516	941	1,479	2,057	2,743	3,507	4,446
Open Space Contribution Revenue	0	0	0	388	673	784	963	1,031	1,152	1,231	1,273
Development Contribution Plan Revenue	0	0	0	2,762	4,526	5,636	6,880	7,100	8,091	8,649	10,655
	0	**0**	**0**	**3,342**	**5,715**	**7,360**	**9,322**	**10,188**	**11,986**	**13,387**	**16,374**
Expenses from ordinary activities											
FBURA Service Growth - Operating Expenses	0	0	(355)	(496)	(489)	(493)	(497)	(501)	(505)	(509)	(514)
Borrowing Costs	0	(137)	(1,446)	(1,398)	(1,226)	(960)	(579)	(134)	0	0	0
Depreciation	0	0	(238)	(475)	(475)	(475)	(475)	(475)	(475)	(475)	(475)
Total Expenditure	**0**	**(137)**	**(2,038)**	**(2,370)**	**(2,190)**	**(1,927)**	**(1,551)**	**(1,110)**	**(980)**	**(984)**	**(989)**
Operating surplus (deficit) for the year	**0**	**(137)**	**(2,038)**	**972**	**3,525**	**5,433**	**7,771**	**9,078**	**11,006**	**12,403**	**15,386**
Less cash costs not included in the operating result											
FBURA Capital Investment (Community Infrastructure and Open Space)	0	(27,350)	0	0	0	0	0	0	0	0	0
FBURA Capital Renewals	0	0	(238)	(475)	(475)	(475)	(475)	(475)	(475)	(475)	(475)
Net movement in FBURA Loan Repayment/(Proceeds)	0	27,487	2,038	(972)	(3,525)	(5,433)	(7,771)	(9,078)	(2,746)	0	0
Reserve for yet to be determined investment	0	0	0	0	0	0	0	0	(8,260)	(12,403)	(15,386)
Depreciation	0	0	238	475	475	475	475	475	475	475	475
	0	137	2,038	(972)	(3,525)	(5,433)	(7,771)	(9,078)	(11,006)	(12,403)	(15,386)
Transfers from General Reserve											
Transfers to reserve	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0
Total Capital & Reserve Adjustments	**0**	**137**	**2,038**	**(972)**	**(3,525)**	**(5,433)**	**(7,771)**	**(9,078)**	**(11,006)**	**(12,403)**	**(15,386)**
Surplus/(deficit) for the year	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Budgeted FBURA borrowings closing balance	**0**	**(27,487)**	**(29,525)**	**(28,553)**	**(25,028)**	**(19,595)**	**(11,824)**	**(2,746)**	**0**	**0**	**0**