Long Term Financial Plan 2020-30

QPRC

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Executive Summary

Council's *Long Term Financial Plan 2020-2030 (LTFP)* is a decision-making tool. It is governed by a series of financial strategies and accompanying performance indicators that Council considers and adopts. It is not intended to be a document that specifically indicates what services / projects should receive funding; rather it addresses the impact of the Council's ability to fund its services and capital works, whilst living within its means ie ensuring financial sustainability. It establishes the financial framework upon which sound financial decisions are made.

The LTFP is underpinned by Council's *Financial Strategy and Policy*[1]. The policy outlines the principles adopted by Council designed to achieve an acceptable compromise between Council's obligations to:

- achieve financial sustainability
- manage the asset backlog to prevent an infrastructure crisis,
- preserve essential public services in line with population growth
- keep rates, fees and charges affordable
- borrow at acceptable levels in line with intergenerational equity and
- meet the financial benchmarks outlined in the policy.

The 2017 review and consolidation of the asset and financial sustainability of the former pre-merger Councils, and the merged QPRC demonstrated that the newly merged Council was carrying a structural deficit and provided a *Responsible Scenario* financial policy setting for the Council. The strategy included a series of measures of budget correction, including:

- increases in revenues from rates and annual charges and user fees and charges
- introduction of water and sewer dividends
- reduction of consolidated service expenditure through merger savings
- increased debt to accommodate substantial increases in infrastructure capex and renewals
- same levels of asset maintenance

[1] QPRC Financial Strategy and Policy, adopted January 2017, https://www.qprc.nsw.gov.au/Resources-Documents/Adopted-QPRC-Policies

- increased asset (property) sales

Based on its most recent financial performance, Council is not financially sustainable without implementing additional improvement actions identified in this LTFP. Over the past three years Council has produced an operating surplus as a consolidated entity (water, sewer and general funds together) but an operating deficit in the General Fund. Budget corrections are incorporated within scenario 3 of the LTFP, and include:

1. A review of Council's revenue policy settings with an expectation of increased fees and charges at the overall level of 4% pa. The actual timing and application of the revenue increase will be dependent on a service pricing analysis that will be considered by Council.
2. Deferral of infrastructure renewals through reduction of revotes for unexpended budgets at the end of the financial year. The level of deferred renewal expenditure incorporated into scenario 3 is $3 million per annum for 3 financial years, with the actual timing and application of the deferred expenditure to be reviewed annually with the end of financial year review of cash and reserves.

Introduction

The LTFP has been prepared in accordance with the Integrated Planning and Reporting Framework[2], forming a component of the *QPRC Resourcing Strategy*[3], along with the Asset Management Strategy, Workforce Management Plan, ICT Strategy and Risk Management Strategy. The LTFP is the point where community aspirations and goals are tested against financial realities. It seeks to answer the following questions:

- Can Council survive the pressures of the future?
- What are the opportunities for future income and economic growth?
- Can Council afford what the community wants?
- What income is needed to achieve these outcomes?

The LTFP is a decision making and problem solving tool. The modelling that occurs as part of the plan will help Council to align resources with strategies, providing information that helps Council to capitalise on opportunities and weather unexpected events. It is a dynamic document, reviewed and updated annually, changing as the needs, strategies and financial position of Council change over time.

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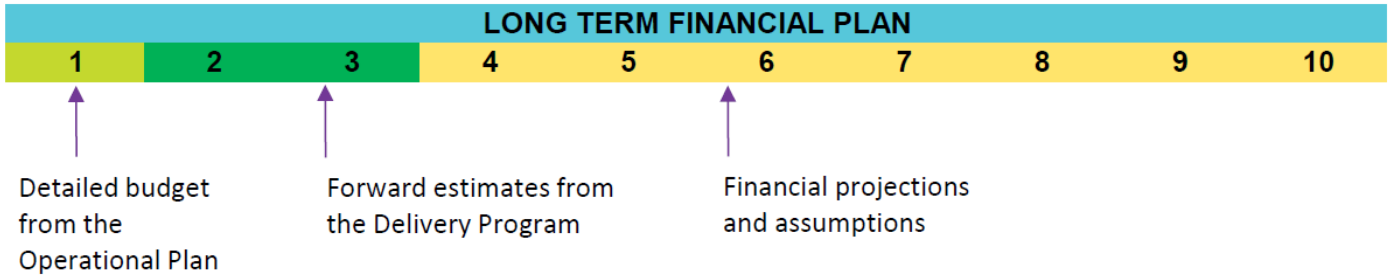
[2] In accordance with section 403 of the Local Government Act, 1993
[3] QPRC Resourcing Strategy, https://www.qprc.nsw.gov.au/Council/Council-Business/Budgets-and-Planning

The longer the planning horizon, the more general the plan will be in the later years. As decisions are made throughout the planning period, more specific detail is built into the plan. The following diagram illustrates the relationships and integration within the integrated planning and reporting framework.

Figure 1 LTFP Planning Horizon



The output of the long term financial plan is a ten year budget; financial reports over a ten year forward planning period. Copies of the updated reports are provided in the appendices.

Background

In late 2016, Council engaged engineering consultants GHD and Professor Percy Allan and Associates (PAA) to:

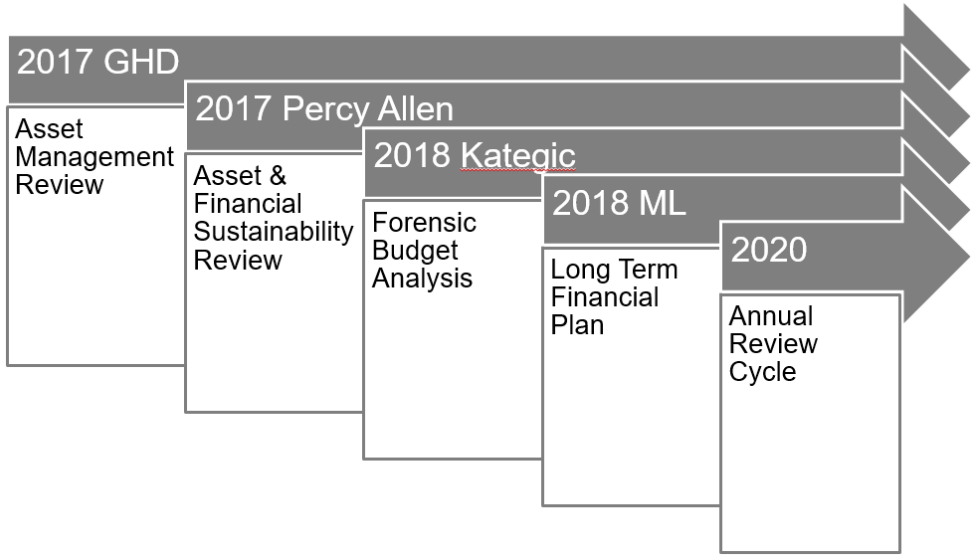
- undertake asset and financial sustainability reviews of the two former Councils
- establish a consistent asset standard and asset backlog base of the former councils
- establish and compare ‘existing’ and ‘responsible’ scenario financial planning settings
- consolidate the financials into a QPRC 10 year forecast for the combined General / Waste fund and the Water and Sewer funds
- establish affordable expenditure levels for services, asset maintenance, renewal and upgrades
- establish affordable pricing paths for general rates, water and sewer charges
- forecast merger financial impacts
- confirm the forecast meets financial benchmarks

- form the platform for the long term financial plan.

The GHD and PAA reviews demonstrated that the newly merged Council was carrying a structural deficit and provided a *Responsible Scenario* financial policy setting for the Council. Out of this work, Council adopted its revised *Financial Strategy and Policy*, that sets the parameters for future budgets and financial planning, and which included measures of budget correction.

Since 2017, Council has continued to place a focus on financial sustainability, and has continued to develop a body of work to build its financial management capabilities.

Figure 2 QPRC Financial Sustainability Journey



The 2017 review and consolidation of the asset and financial sustainability of the former councils and the merged QPRC was a significant body of work, and established the common policy platform. The absorption of known merger costs and grants, and the capture of predicted merger savings, together with additional borrowing to smooth out asset renewals and upgrades under the *Responsible Scenario* was expected to realise the following variances to the existing policies over the ten year financial planning horizon:

- general rate increases below the forecast (~1% pa real increase)
- similar increases in water and sewer annual charges (~1.2% pa real increase)
- similar increases in other fees (6.1% pa)
- introduction of water and sewer dividends
- reduction of consolidated service expenditure (~1% pa)
- increased debt (~$175m) to accommodate infrastructure capex and renewals
- subsequent increase in interest expense
- same levels of asset maintenance
- similar levels of development contributions
- increased asset (property) sales
- substantially increased levels of asset renewals and upgrades
- improvement in net assets (~46%)

Whilst Council has made significant progress in realising the above outcomes, in particular in the investment in renewal and upgrade of assets, the planned revenue increases have not yet been implemented. A Service Pricing Review will inform those revenue decisions and has been included within scenario 3 of this LTFP.

Current Financial Position

Operating performance

As at 30 June 2019, Council's financial performance was unsustainable without incorporating the further improvement action that has been identified in the LTFP[4]. As a consolidated entity, QPRC has operated at a small operating surplus, averaging an operating performance ratio of 3.9% over 3 years, consisting of a positive result within the Water and Sewer Funds, and an operating deficit in the General Fund. Ongoing

[4] *QPRC Annual Financial Statements for the year ended 30 June 2019*, Audited by the NSW Audit Office, https://www.qprc.nsw.gov.au/Council/Council-Business/Budgets-and-Planning#section-3

operating deficits in the General Fund are not financially sustainable, and Council's financial strategy includes corrective actions to improve its operating position, and live within its means.

Council has been successful in securing a high level of grant funding for operating and capital projects, and has progressed a series of significant, community focused projects.

Council has annual operating expenses of $127 million, including employee costs of $41.8 million, supporting a population of 61,100[5] across an area of 5,319 km^2.

Financial Position

Council has $156 million current assets, predominantly cash and investments, and it has current liabilities of $45.5 million, mostly being provisions for employee leave, and current expenditure accruals (creditors). Of its total cash and investment assets, Council has a low level of unrestricted cash of $9.8 million - when compared to its current payables, and its annual monthly expenditure. This represents the total cash not already committed for a specific purpose.

Council has $84.8 million in loans relating to asset upgrade and renewal projects, payable over the next 20 years. Council maintains assets and infrastructure with a written down value of $1,391 million.

Drivers and Pressures[6]

Affordability

- Provide essential public services in line with population growth and organisation capacity
- Keep rates, fees and charges affordable

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[5] *Estimated Resident Population (ERP) as of 30/6/19*, Australian Bureau of Statistics, Regional Population Growth, Australia (3218.0). Compiled and presented in profile.id, https://profile.id.com.au/queanbeyan-palerang/population-estimate

[6] QPRC's Resourcing Strategy has been prepared utilising the DPSIR Model which is an analytical framework consisting of identifying the relationship between Drivers, Pressures, States, Impacts and Responses.

- Borrow at acceptable levels in line with intergenerational equity
- Growth in pensioner rebate level as population ages
- Meet financial benchmarks to be financially sustainable and Fit for Future (FFF)
- Growing service expectations from the community
- Reducing (in real terms) government grants for operations and renewals
- Obligations to match grants

Asset Serviceability

- Manage the asset backlog
- Renewal and replacement of ageing assets
- Aligning asset renewal spend to the rate of depreciation
- Applying generational equity principles to provision, renewal and upgrade of assets
- Differentiating asset operations or servicing from maintenance
- Gifted assets from Googong, Tralee and Bungendore - increasing the asset base

Merger

- The NSW Government predicted savings over 20 years for the councils merged in 2016
- Progress towards financial and productivity benefits are reported to government
- Government policy effectively “froze” the general rate structures of the former councils for the first four years.
- Staff FTE (123) to remain in smaller towns in perpetuity
- Unable to rationalise number of offices and depots

Workforce

- Maintaining skilled and motivated workforce, noting long term staff reaching retirement and proposed increased age of retirement to 70
- Remunerating at attractive levels given proximity to ACT competition for skilled and professional labour
- Retaining skilled design and construction staff to meet RMCC road construction standards of RMS

- Retaining skilled development and engineering staff to meet turnaround benchmarks of government
- No forced redundancies < May 2019

Local Government Indices

- The inflationary measure for local government is the Local Government Cost Index (LGCI) - or the Rate Peg.
- The LGCI is calculated by the Independent Pricing and Regulatory Tribunal (IPART) on behalf of the NSW Office of Local Government(OLG), and is generally near CPI.
- Infrastructure construction costs are escalating at around 3-4% pa
- Government levies such as Rural Fire Service and State Emergency Service, charged to Local Government, are greater than CPI
- Council is bound by the NSW LG award in terms of indexing wages and allowances, which is often higher than rate peg

Planning Assumptions

It is impossible to be precise about forward projects for individual line items and such information is not necessary for a useful LTFP. However, it is necessary to understand the calculation of outcomes for financial indicators in order to identify the drivers of variations in performance between years.

Council has identified the external and internal influences that could significantly impact on future financial performance. The following features of the LTFP have been identified as risks and volatile factors.

Market driven planning assumptions

Population forecasts

QPRC's population is currently estimated at 61,100 and forecast to grow to 78,756 by 2036. Over the same period the number of dwellings is projected to increase from 25,285 to 32,563.

Financial modelling has included an increase in rates income resulting from growth in the number of rates assessments.

Cost and revenue increase assumptions

Factors applied to revenue and expenditure in the long term plan

The following planning assumptions are used as the basis of the financial modelling scenarios. These factors reflect the low inflation environment.

Table 1 Index factors applied for financial modelling

Assumptions	Year 1 2020-21	Year 2 2021-22	Year 3 2022-23	Year 4 2023-24	Year 5 2024-25	Year 6 2025-26	Year 7 2026-27	Year 8 2027-28	Year 9 2028-29	Year 10 2029-30
IPART rate peg	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
SRV	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Dwellings growth pa	340	440	440	440	440	440	440	440	440	440
Annual charges	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
User charges & fees	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Interest on investments	1.3%	1.3%	1.3%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Interest on new loans	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Other revenue	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Grants & contributions	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Employee benefits	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Materials & contracts	2.0%	2.0%	2.2%	2.2%	2.2%	2.2%	2.5%	2.5%	2.5%	2.5%
Other expenses	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
CPI	2.2%	1.5%	2.0%	2.0%	2.0%	2.3%	2.3%	2.3%	2.3%	2.3%
Capital Grants	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

The following tables outline Council's planning assumptions by revenue and expenditure types. Included within the assumptions is a brief description as to how Council has determined this assumption and the external influences which impact the assumption.

Table 2 Revenue assumptions

Revenue	Assumption
IPART rate peg	2.6% as announced for the 2020-21 year, and 2.5% in all following years in accordance with IPART Guidelines.
Special rate variation income (SRV)	No SRV included in any scenario.
Fees and annual charges	In accordance with the pricing policy, fees and charges are increased by the higher of the cpi or the rate peg. The operating fees cost recovery ratio will be reviewed as part of a Revenue Review planned for 2020/21, which will further inform future price changes, ensuring sufficient revenue to meet agreed service levels. Additional fee revenue has been incorporated within Scenario 3.
Interest income	Interest on investments is assumed at 1.3% in 2020-21, with very slight growth over the 10 year planning period. Interest rates across the financial markets have continued to fall over the past twelve months; consistent with low returns received over the past 10 years. Interest has been calculated on the average balance of funds invested in each year of the financial model. The timing of capital expenditure will affect Council's investment income.
Operating grants and contributions	In previous years the Financial Assistance Grant, and other sources of federal grant funding, have not kept pace with inflation, and therefore this model applies a low inflator to the levels of grants and contributions over the life of the plan. The ten year trend reflected in this model is for operating grants to grow at a slower rate than other income sources.
Capital grants	An assumption is made that Council will continue to receive capital grants and contributions from Federal and State sources for roads and bridges, within identified grant funding programs. Grant contributions for specific projects has been planned for where funding sources have been identified, or where future capital works budgets are grant dependent.
Developers contributions	Amounts for developers cash and non-cash contributions to new infrastructure have been estimated based on current agreements and DCPs.

Table 3 Expenditure assumptions

Expense	Assumption
Depreciation	The 2018-19 depreciation rates for each class of assets are assumed to continue over the 10 year modelling period. Depreciation expense varies over the modelling period dependent on the investment in new assets vs asset renewal. All classes of assets will continue to be revalued over the coming years and as this work is completed, the accuracy of depreciation calculations will continue to improve.
Interest costs	An average interest rate of 2.3% per annum on new borrowings has been allowed over the life of this model; based on the most recent TCorp borrowing.
Operational costs (staff and materials and contracts)	The 2020-21 year adopted operational plan is used as the base year, before indexation is applied over the ten year planning period. Merger savings have been built in to the model in accordance with a Council resolution in 2018 that the cost of servicing debt for the new head office in Queanbeyan would be met by merger savings, building cost efficiencies and service review savings.
Employee costs	Movement in employee costs is determined through industry award negotiations and market forces. The first three years indexation allows for award increases of 1.5%, 2% and 2%, plus increase in superannuation contribution of 0.5% in years 2 and 3. The 2020-21 employee cost budget assumes 10% turnover, with 3 months vacancy and 50% vacant positions backfilled. Impacts affecting wages volatility include internal and external factors such as the rising cost of employment, skills shortages, staff turnover, attraction and retention of Council, an increase in superannuation benefits, maternity and paternity leave, award increases and changes in service levels.
Growth in asset maintenance and services	Additional expenditure has been allowed in future years at a rate of 50% of the additional revenue (rates, fees and charges) due to growth.

Financial Scenarios

Scenario 1: Base Case

Introduction

Scenario 1 is the base case scenario, based on the previously adopted LTFP, updated to incorporate Council's actual performance over the past 2 years, updated economic assumptions, and current estimates of the net cost of Council's service provision and major projects.

Components included in Scenario 1

Carried through from the previous LTFP, and updated with current estimates, the base case parameters are summarised as:

- A continuation of the compressed capital works program of the previously adopted LTFP, with $298 million capital expenditure within 2 years, and $686 million over ten years across the general, water and sewer funds.
- Takes advantage of $145 million grants for capital projects, and historically loan interest rates to borrow $175 million.
- Builds in efficiency savings of $1.9 million pa, from 2021/22.
- Additional revenue is raised for stormwater infrastructure through extending the stormwater levy to Braidwood and Bungendore, and the water and sewer funds pay a dividend to the general fund from 1 July 2021.
- The Queanbeyan Civic and Cultural Precinct (QCCP) is constructed within the first two years and begins to charge rent to government and commercial tenants, representing a positive investment outcome for the community over time.
- The sale of land and buildings raises $7 million that is reinvested back into the QCCP development.

Summary and assessment

The previous revision of the LTFP was adopted with the *Responsible Scenario,* to meet the financial sustainability requirements set by Council. However, since its adoption in 2018, Council's actual financial performance has not met the LTFP projections, and the base case scenario is not financially sustainable without taking additional budget repair actions.

The key performance measures reported in Table 4 do not meet critical performance measure benchmarks. Council's annual operating surplus returns to a positive position over the ten year period, however the low levels of unrestricted and internally restricted cash funds are not adequate to pay Council's debts with a margin to meet additional unplanned costs. Council has also reached and exceeded the maximum debt service cover ratio, so there is little opportunity for Council to source additional funds to respond to financial opportunities or risks that arise over time.

The infrastructure backlog is minimal, and continues to reduce over time as Council prioritises the renewal of assets to meet the needs of current and future communities. Council funds the infrastructure renewal requirements in the early years of the plan, as it funds significant infrastructure renewal on buildings, roads, water and sewer assets, and continues to fund infrastructure at a rate of 95% for the life of the plan. Whilst infrastructure renewal is strong, there is a shortfall in the amount invested in asset maintenance; and this will become a financial challenge as Council builds its asset stock to meet the requirements of a developing region.

This scenario presents a continuation of the previous financial strategy, but recognises that previous assumptions were optimistic, and the scenario is no longer a responsible financial decision.

Table 4 Scenario 1 Consolidated Fund Performance Outcomes

	Year 1 2020-21	Year 2 2021-22	Year 3 2022-23	Year 4 2023-24	Year 5 2024-25	Year 6 2025-26	Year 7 2026-27	Year 8 2027-28	Year 9 2028-29	Year 10 2029-30
Operating Performance Ratio	1.7%	(1.9%)	(2.0%)	(0.3%)	0.0%	1.0%	2.2%	3.7%	5.2%	6.6%
Own Source Revenue Ratio	59%	70%	71%	63%	76%	78%	80%	80%	80%	81%
Unrestricted Current Ratio[7]	0.7x	0.7x	1.1x	1.0x	1.0x	1.0x	0.8x	0.8x	0.9x	1.0x
Debt Service Cover Ratio	3.0x	1.2x	1.9x	2.1x	2.1x	2.2x	2.3x	2.5x	2.8x	3.6x
Cash Expense Cover Ratio	20x	19x	15x	14x	12x	12x	12x	13x	13x	14x
Infrastructure Backlog Ratio	2.2%	2.0%	1.9%	1.8%	1.7%	1.6%	1.6%	1.6%	1.5%	1.5%
Infrastructure Renewal Ratio	208%	185%	101%	90%	147%	95%	95%	95%	95%	95%
Infrastructure Maintenance Ratio	72%	69%	67%	66%	66%	65%	65%	65%	65%	65%

Table 5 Scenario 1 Capital works program

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Building and infrastructure ($'000)										
New assets	129,363	83,548	46,566	74,451	20,457	23,078	9,515	9,729	9,948	10,172
Asset renewals	43,991	42,291	24,393	23,166	38,922	26,095	26,718	27,358	28,016	28,691
Other assets ($'000)										
New assets	1,074	4,040	-	-	-	-	-	-	-	-
Asset renewals	7,040	3,410	3,390	3,410	3,390	3,624	3,693	3,763	3,833	3,905

[7] In 2020-21 and 2021-22 the current ratio is inflated by two loans that are refinanced in the following years; where the balances of those loan amounts are reflected as current liabilities until the new loans are drawn.

Scenario 2: QCCP Financing Alternative

Introduction

Scenario 2 has been altered from the base case to consider the option of a loan drawdown for QCCP upfront, instead of over two years to match the timing of capital expenditure. The upfront loan drawdown would only be considered where the interest rates that can be locked in upfront outweigh the cost of holding the loan for an additional year.

Components included in Scenario 2

In Scenario 2, Council borrows $70.89 million upfront, to lock in a fixed interest rate assumed at 2.3% over 20 years.

Summary and assessment

The outcomes of scenario 2 are not significantly different from the base case scenario.

Table 6 Scenario 2 Consolidated Fund Performance Outcomes

	Year 1 2020-21	Year 2 2021-22	Year 3 2022-23	Year 4 2023-24	Year 5 2024-25	Year 6 2025-26	Year 7 2026-27	Year 8 2027-28	Year 9 2028-29	Year 10 2029-30
Operating Performance Ratio	1.8%	(1.7%)	(2.0%)	(0.3%)	0.0%	1.0%	2.2%	3.7%	5.2%	6.6%
Own Source Revenue Ratio	59%	70%	71%	63%	76%	78%	80%	80%	80%	81%
Unrestricted Current Ratio[8]	0.6x	0.6x	1.0x	1.0x	0.9x	0.9x	0.8x	0.7x	0.8x	1.0x
Debt Service Cover Ratio	2.7x	1.2x	1.9x	2.1x	2.1x	2.2x	2.3x	2.5x	2.8x	3.6x
Cash Expense Cover Ratio	25x	19x	15x	14x	12x	12x	12x	13x	13x	14x
Infrastructure Backlog Ratio	2.2%	2.0%	1.9%	1.8%	1.7%	1.6%	1.6%	1.6%	1.5%	1.5%
Infrastructure Renewal Ratio	208%	185%	101%	90%	147%	95%	95%	95%	95%	95%
Infrastructure Maintenance Ratio	72%	69%	67%	66%	66%	65%	65%	65%	65%	65%

Table 7 Scenario 1 Capital works program

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Building and infrastructure ($'000)										
New assets	129,363	83,548	46,566	74,451	20,457	23,078	9,515	9,729	9,948	10,172
Asset renewals	43,991	42,291	24,393	23,166	38,922	26,095	26,718	27,358	28,016	28,691
Other assets ($'000)										
New assets	1,074	4,040	-	-	-	-	-	-	-	-
Asset renewals	7,040	3,410	3,390	3,410	3,390	3,624	3,693	3,763	3,833	3,905

[8] In 2020-21 and 2021-22 the current ratio is inflated by two loans that are refinanced in the following years; where the balances of those loan amounts are reflected as current liabilities until the new loans are drawn.

Scenario 3: Responsible Scenario

Introduction

Scenario 3 adds additional budget repair activities to the base case scenario. It is designed to bring the LTFP back to the Responsible Scenario policy settings, to return to the forecast budget back to the Council's financial benchmarks.

Components included in Scenario 3

The following additional budget correction options are built into Scenario 3:

1. Council reviews its Revenue Policy settings with an expectation of increased fees and charges at the level of 4% pa. The actual timing and application of the revenue increase will be dependent on a service pricing analysis that will be considered by Council during the current financial year.

   The Service Pricing Review will assess Council's Community Service Obligation (CSO), being the level of service that is prioritised by the community and that is funded through the General Rates, and the user-pays services, being the level of service that is associated with use by private individuals, and that is funded through user fees and charges.

2. Deferral of infrastructure renewals through the reduction of project revotes – where infrastructure renewal has been budgeted but not completed within the financial year, Council will consider deferring the expenditure to a future budget period. The level of deferred renewal expenditure incorporated into scenario 3 is $3 million per annum, for 3 financial years.

   The actual timing and application of the deferred expenditure will be reviewed at each annual revote report, and with the review of the end of year financial statements, as Council considers its cash and reserves at the end of each financial year.

Summary and assessment

As displayed in Table 6, Council's financial performance improves over the planning period under Scenario 3. The operating performance ratio returns a positive result over a shorter timeframe (within 3 years), and the unrestricted current ratio demonstrates that Council can meet its current financial commitments with some (limited) additional financial capacity to respond to future opportunities or risks as they arise.

Despite some deferral of capital renewal expenditure, scenario 3 maintains a very strong investment in infrastructure renewal as well as upgraded and new community infrastructure. The scenario 3 renewal ratio is slightly reduced in the first two years, however the affect is too small to impact the infrastructure backlog ratio at all.

Similar to Scenario 1, the infrastructure backlog is minimal, and continues to reduce over time as Council prioritises the renewal of assets to meet the needs of current and future communities. Council funds significant renewal of buildings, roads, water and sewer infrastructure in the short term (at an average rate of 155% over 3 years), reducing renewals to 95% for the remaining planning period. Whilst infrastructure renewal is strong, there is a shortfall in the amount invested in asset maintenance; and this will become a financial challenge as Council builds its asset stock to meet the requirements of a developing region.

Scenario 3 presents the responsible financial scenario, reflecting the intention of the adopted *Financial Strategy and Policy* and incorporating further budget correction measures into the forward planning period.

Table 8 Scenario 2 Consolidated Fund Performance Outcomes

	Year 1 2020-21	Year 2 2021-22	Year 3 2022-23	Year 4 2023-24	Year 5 2024-25	Year 6 2025-26	Year 7 2026-27	Year 8 2027-28	Year 9 2028-29	Year 10 2029-30
Operating Performance Ratio	2.3%	(1.8%)	(1.6%)	0.3%	0.8%	1.9%	3.3%	5.0%	6.4%	7.9%
Own Source Revenue Ratio	59%	70%	71%	63%	76%	78%	80%	80%	80%	81%
Unrestricted Current Ratio[9]	0.9x	1.0x	1.5x	1.5x	1.5x	1.5x	1.4x	1.4x	1.7x	1.9x
Debt Service Cover Ratio	3.1x	1.2x	1.9x	2.2x	2.2x	2.3x	2.4x	2.6x	2.9x	3.7x
Cash Expense Cover Ratio	22x	20x	17x	15x	14x	14x	14x	15x	15x	16x
Infrastructure Backlog Ratio	2.2%	2.0%	1.9%	1.8%	1.7%	1.6%	1.6%	1.6%	1.5%	1.5%
Infrastructure Renewal Ratio	194%	171%	101%	90%	147%	95%	95%	95%	95%	95%
Infrastructure Maintenance Ratio	72%	69%	67%	66%	66%	65%	65%	65%	65%	65%

Table 9 Scenario 1 Capital works program

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Building and infrastructure ($'000)										
New assets	129,363	83,548	46,566	74,451	20,457	23,078	9,515	9,729	9,948	10,172
Asset renewals	40,991	39,291	24,393	23,166	38,922	26,095	26,718	27,358	28,016	28,691
Other assets ($'000)										
New assets	1,074	4,040	-	-	-	-	-	-	-	-
Asset renewals	7,040	3,410	3,390	3,410	3,390	3,624	3,693	3,763	3,833	3,905

[9] In 2020-21 and 2021-22 the current ratio is inflated by two loans that are refinanced in the following years; where the balances of those loan amounts are reflected as current liabilities until the new loans are drawn.

Performance Measurement

Council adopted a Financial Strategy and Policy in 2017. The responsible financial scenario policy settings adopted within the policy were based on the Asset and Financial Sustainability Review undertaken by GHD and Professor Percy Allen, and includes key financial sustainability goals and benchmarks. The following charts compare the outcomes of the three LTFP scenarios against the agreed benchmarks over the ten year planning period. These charts demonstrate the consolidated performance of Council across the three funds, General, Water and Sewer.

Figure 3 Operating Performance Ratio

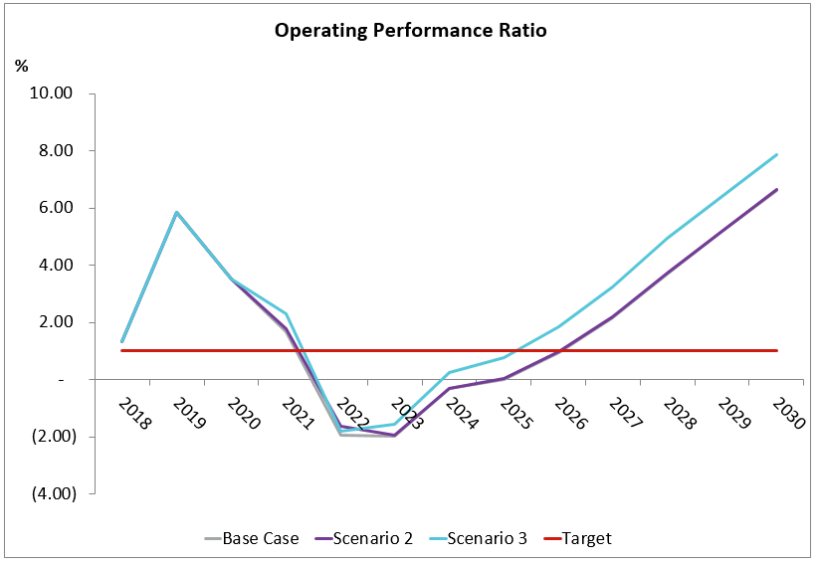


Figure 4 Own Source Revenue Ratio

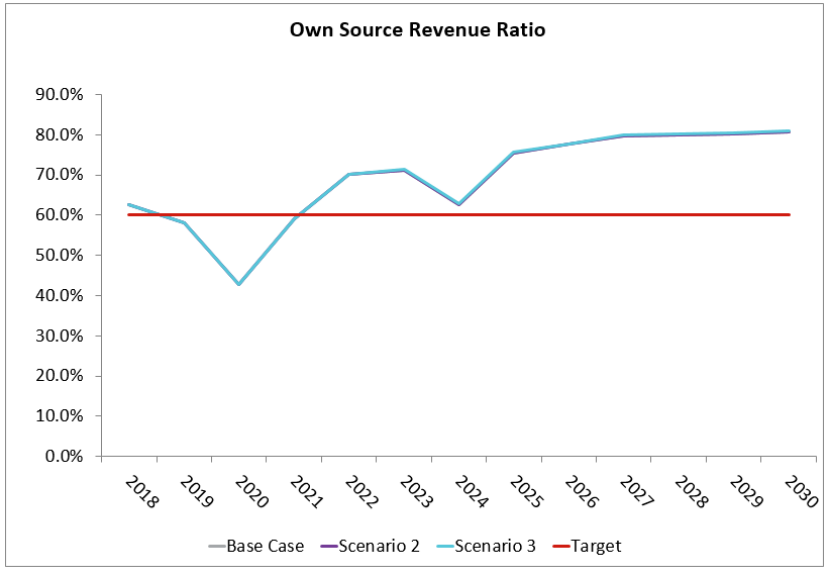


Figure 5 Unrestricted Current Ratio

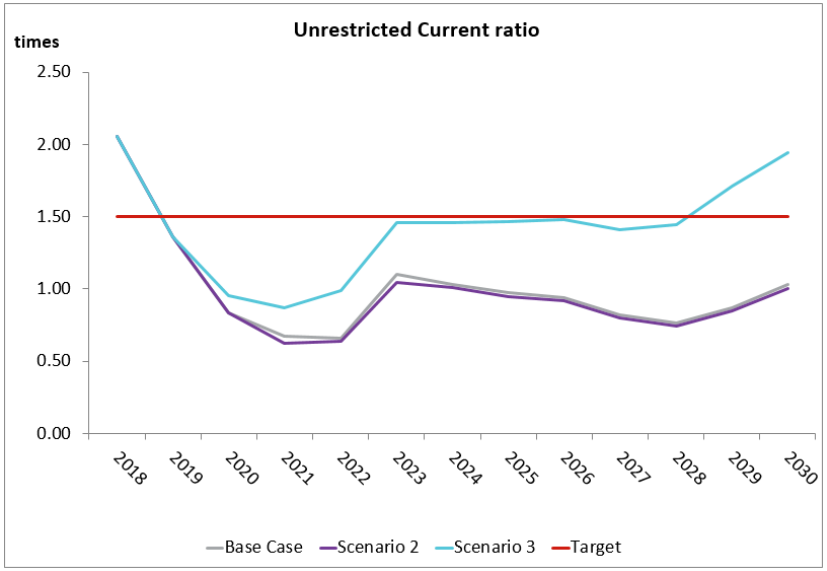
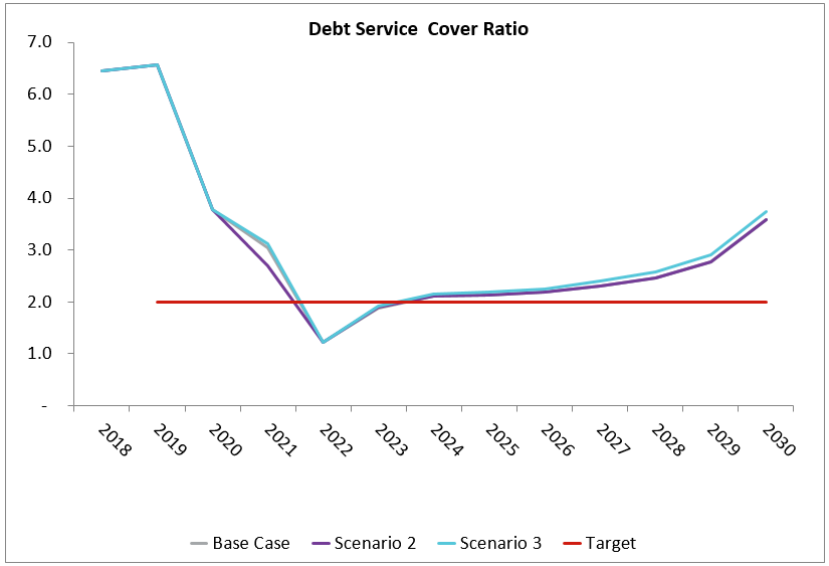


Figure 6 Debt Service Cover Ratio



In Scenario 1 and 2, the unrestricted current ratio falls to very low levels of less than 1 between June 2020 and 2022. Scenario 3 corrects this fall (somewhat), back to a ratio of around 1.0.

The ratio is too low in those years, and indicates that Council's cash balance is insufficient to pay its current liabilities. However, the ratio is misleading as it is affected by two loan re-finances that fall due in those years; and where the full balance of those two loans becomes as a "current liability"; even though, Council will re-finance the remainder of those existing loans, and pay them out normally, over the remaining loan term.

Figure 7 Cash Expense Cover Ratio

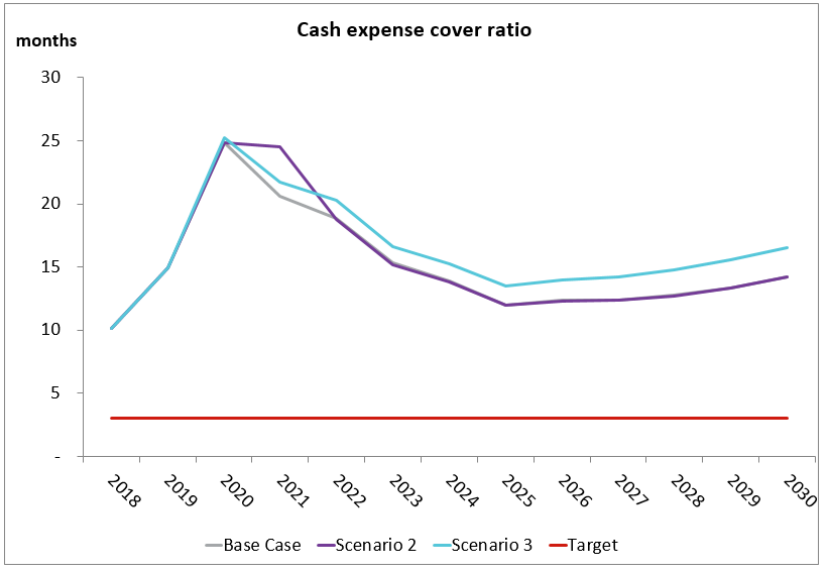


Figure 8 Infrastructure Backlog Ratio

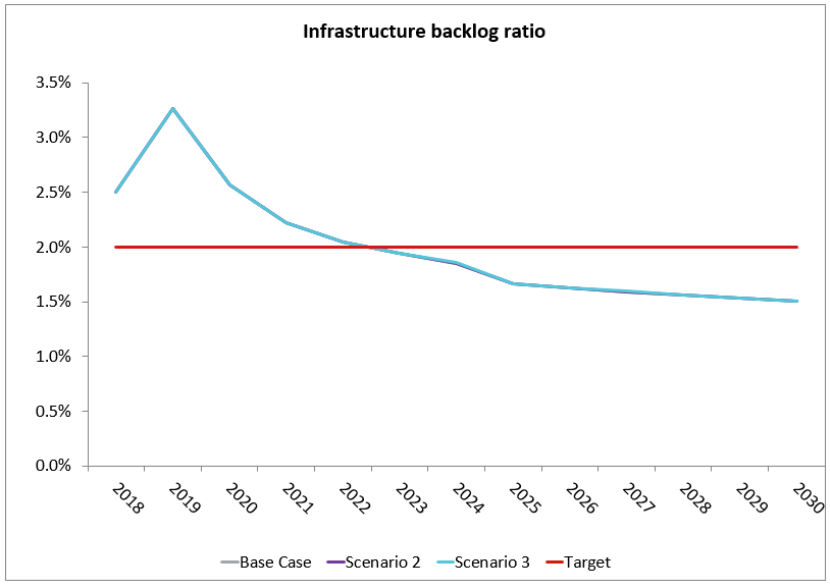


Figure 9 Infrastructure Renewal Ratio

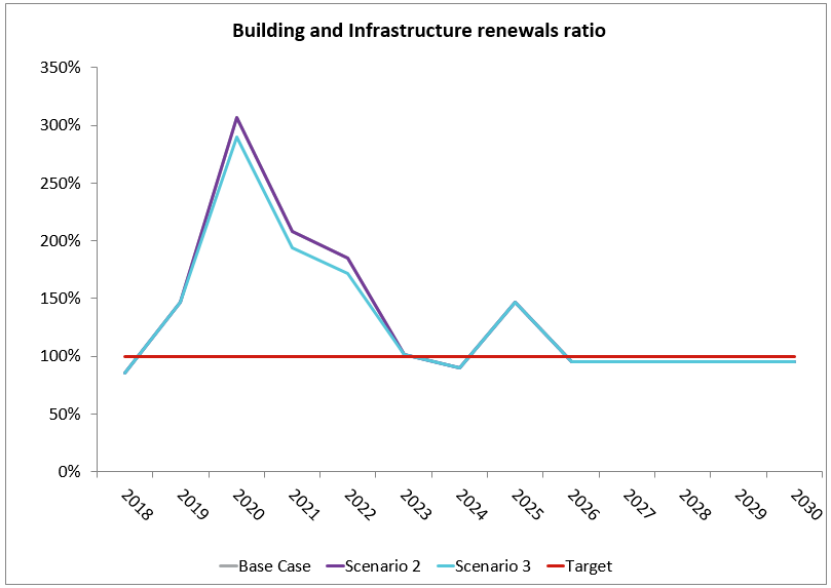
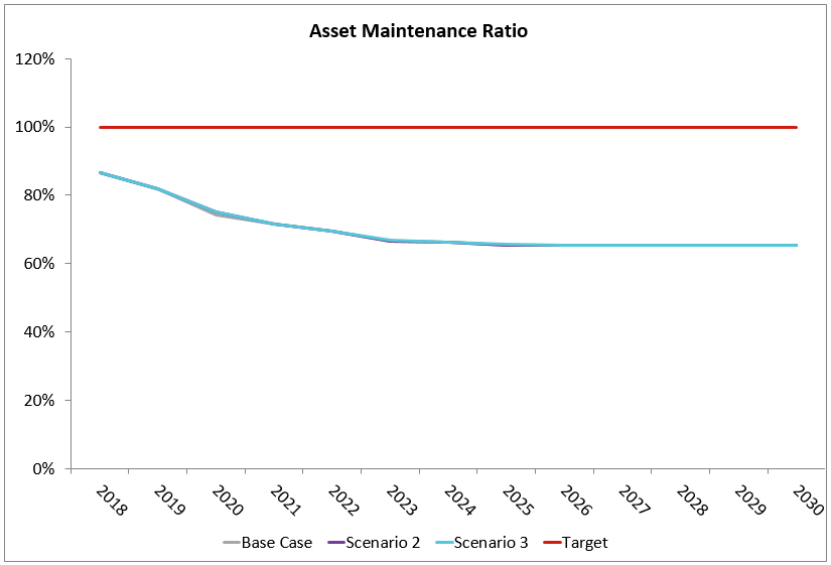


Figure 10 Infrastructure Maintenance Ratio



Monitoring and Evaluation

Council will review the LTFP each year as part of the development of the annual Operational Plan. The review will include an assessment of the previous year's performance in terms of the accuracy of projections made and whether its financial strategies were followed through.

Evaluation will include reviewing and amending estimates and scenarios to improve the accuracy of the plan over the long term. With each review, Council will continue to monitor its financial performance against the financial sustainability goals and benchmarks, and take consider corrective actions to maintain a financially sustainable position.

Conclusion

Three scenarios have been outlined in this LTFP.

Scenario 1 is the base case scenario, based on the previously adopted LTFP, but that recognises that Council's financial performance has not met the LTFP projections, and is no longer a responsible financial scenario.

Scenario 2 has been altered from the base case to consider the option of a loan drawdown for QCCP upfront, instead of over two years to match the timing of capital expenditure. The upfront loan drawdown would only be considered where the interest rates that can be locked in upfront outweigh the cost of holding the loan for an additional year.

Scenario 3 presents the responsible financial scenario, reflecting the intention of the adopted *Financial Strategy and Policy* and incorporating further budget correction measures into the forward planning period.

In adopting the responsible financial scenario – scenario 3, Council will commit to undertaking budget improvement actions, including the previously adopted financial strategies for:

- Dividends from water and sewer funds to the general fund
- Reducing operating costs
- Increasing revenues
- Deferral of revoted expenditure / transfer of reserve funds to unrestricted cash.

The financial statements contained on the following pages of this plan set out the financial performance, financial position and cashflows projected for the next ten years for the General Fund, Water Fund, Sewer Fund and Consolidated Council position.

Income Statement - General Fund

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Income from continuing operations										
Rates and annual charges	49,953	51,740	53,578	55,446	57,374	59,364	61,417	63,536	65,722	67,978
User charges and fees	12,807	13,601	14,439	15,321	16,251	17,231	18,264	19,351	20,201	21,080
Interest and investment revenue	2,167	2,274	2,139	2,411	2,470	2,519	2,620	2,689	2,780	2,906
Other revenues	2,394	2,449	2,908	3,389	3,467	3,547	3,628	3,712	3,797	3,884
Grants and contributions - Operating	15,545	16,234	16,128	16,429	16,736	17,049	17,369	17,696	18,029	18,411
Grants and contributions - Capital	57,335	19,310	18,746	43,999	14,258	14,524	14,794	15,071	15,353	15,154
Net gain from the disposal of assets	770	-	-	-	1,356	1,714	-	-	-	-
Total Income	**140,971**	**105,608**	**107,938**	**136,996**	**111,912**	**115,948**	**118,092**	**122,054**	**125,881**	**129,414**
Expenses from continuing operations										
Employee benefits and oncosts	37,298	39,233	40,214	41,219	42,250	43,306	44,388	45,498	46,636	47,801
Borrowing costs	3,631	6,294	4,775	4,589	4,241	3,886	3,574	3,244	2,910	2,664
Materials and contracts	10,125	11,154	13,490	12,755	14,621	15,408	16,369	16,811	17,264	17,730
Depreciation and amortisation	20,551	21,487	22,025	23,105	23,535	23,998	24,555	25,125	25,709	26,306
Other expenses	10,948	11,200	11,457	11,721	11,991	12,266	12,548	12,837	13,132	13,434
Total Expenses	**82,553**	**89,368**	**91,961**	**93,389**	**96,636**	**98,864**	**101,434**	**103,515**	**105,651**	**107,936**
Net Operating Result	**58,418**	**16,240**	**15,977**	**43,607**	**15,275**	**17,085**	**16,658**	**18,539**	**20,230**	**21,478**
Net operating result before grants and contributions provided for capital purposes	**1,083**	**(3,070)**	**(2,769)**	**(392)**	**1,017**	**2,561**	**1,864**	**3,468**	**4,877**	**6,324**

Statement of Financial Position - General Fund

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Current assets										
Cash and investments	79,515	67,133	74,570	76,709	78,258	83,202	86,033	90,326	96,960	107,626
Receivables	6,878	7,130	7,422	7,722	8,034	8,358	8,695	9,044	9,376	9,719
Inventories	257	262	268	274	280	286	293	301	308	316
Other	722	722	722	722	722	722	722	722	722	722
Total current assets	**87,372**	**75,247**	**82,982**	**85,427**	**87,294**	**92,568**	**95,743**	**100,393**	**107,366**	**118,383**
Non-current assets										
Receivables	430	446	464	483	502	522	543	565	586	607
Infrastructure, property, plant and equipment	1,435,669	1,524,441	1,560,416	1,627,556	1,659,738	1,694,143	1,735,692	1,778,276	1,821,922	1,866,657
Intangible assets	7,265	7,265	7,265	7,265	7,265	7,265	7,265	7,265	7,265	7,265
Total non-current assets	**1,443,364**	**1,532,151**	**1,568,145**	**1,635,304**	**1,667,506**	**1,701,930**	**1,743,500**	**1,786,106**	**1,829,773**	**1,874,530**
Total Assets	**1,530,736**	**1,607,399**	**1,651,127**	**1,720,731**	**1,754,799**	**1,794,498**	**1,839,243**	**1,886,499**	**1,937,140**	**1,992,913**
Current liabilities										
Payables	14,111	13,320	11,364	10,470	9,528	9,754	9,995	10,242	10,496	10,755
Income received in advance	144	144	144	144	144	144	144	144	144	144
Borrowings	12,960	10,497	10,313	10,851	11,106	11,435	11,771	11,070	8,202	8,440
Provisions	14,680	12,897	11,016	11,292	9,259	9,491	9,728	9,971	10,220	10,476
Total current liabilities	**41,895**	**36,859**	**32,837**	**32,757**	**30,037**	**30,824**	**31,639**	**31,428**	**29,062**	**29,815**
Non-current liabilities										
Borrowings	109,734	153,614	154,831	149,631	138,525	127,090	115,318	104,247	96,046	87,606
Provisions	935	935	935	935	935	935	935	935	935	935
Total non-current liabilities	**110,669**	**154,549**	**155,766**	**150,566**	**139,460**	**128,025**	**116,253**	**105,182**	**96,981**	**88,541**
Total Liabilities	**152,564**	**191,408**	**188,603**	**183,322**	**169,497**	**158,848**	**147,892**	**136,610**	**126,043**	**118,356**
NET ASSETS	**1,378,172**	**1,415,991**	**1,462,524**	**1,537,409**	**1,585,303**	**1,635,650**	**1,691,351**	**1,749,889**	**1,811,097**	**1,874,557**
Equity										
Accumulated surplus	1,325,634	1,341,874	1,357,851	1,401,458	1,416,734	1,433,818	1,450,476	1,469,015	1,489,246	1,510,724
Revaluation reserves	52,539	74,117	104,673	135,949	168,567	201,830	240,872	280,871	321,849	363,831
TOTAL EQUITY	**1,378,173**	**1,415,991**	**1,462,524**	**1,537,407**	**1,585,301**	**1,635,648**	**1,691,349**	**1,749,886**	**1,811,094**	**1,874,554**

Statement of Cash Flows - General Fund

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Cash flows from operating activities										
Receipts:										
Rates and annual charges	49,779	51,686	53,523	55,390	57,316	59,304	61,355	63,472	65,656	67,910
User charges and fees	12,990	13,403	14,202	15,077	15,998	16,967	17,989	19,065	19,935	20,806
Investment revenue and interest	2,167	2,274	2,139	2,411	2,470	2,519	2,620	2,689	2,780	2,906
Grants and contributions	66,753	28,544	27,716	53,110	23,511	23,922	24,340	24,767	25,202	25,201
Other	2,395	2,433	2,890	3,370	3,447	3,526	3,607	3,690	3,776	3,863
Payments:										
Employee benefits and on-costs	(37,124)	(41,015)	(42,095)	(40,944)	(44,282)	(43,074)	(44,151)	(45,255)	(46,386)	(47,546)
Materials and contracts	(10,329)	(11,950)	(15,453)	(13,654)	(15,569)	(15,188)	(16,135)	(16,571)	(17,019)	(17,478)
Borrowing costs	(3,631)	(6,294)	(4,775)	(4,589)	(4,241)	(3,886)	(3,574)	(3,244)	(2,910)	(2,664)
Other	(10,948)	(11,200)	(11,457)	(11,721)	(11,991)	(12,266)	(12,548)	(12,837)	(13,132)	(13,434)
Net cash provided (or used) in operating activities	**72,053**	**27,880**	**26,691**	**58,451**	**26,659**	**31,824**	**33,503**	**35,776**	**37,902**	**39,564**
Cash flows from investing activities										
Receipts:										
Sale of infrastructure, property, plant and equipment	1,170	920	400	400	4,356	3,400	400	400	400	400
Payments:										
Purchase of infrastructure, property, plant & equipment	(150,651)	(82,601)	(20,687)	(52,051)	(18,615)	(19,174)	(19,637)	(20,111)	(20,597)	(21,096)
Net cash provided (or used) in investing activities	**(149,481)**	**(81,681)**	**(20,287)**	**(51,651)**	**(14,259)**	**(15,774)**	**(19,237)**	**(19,711)**	**(20,197)**	**(20,696)**
Cash flows from financing activities										
Receipts:										
New loans	60,474	56,617	12,000	5,880	-	-	-	-	-	-
Payments:										
Loan repayments	(6,226)	(15,199)	(10,967)	(10,541)	(10,851)	(11,106)	(11,435)	(11,771)	(11,070)	(8,202)
Net cash provided (or used) in financing activities	**54,248**	**41,418**	**1,033**	**(4,661)**	**(10,851)**	**(11,106)**	**(11,435)**	**(11,771)**	**(11,070)**	**(8,202)**
Net increase / (decrease) in cash	(23,180)	(12,382)	7,437	2,139	1,549	4,944	2,831	4,293	6,634	10,666
Cash at the beginning of the year	102,696	79,515	67,133	74,570	76,709	78,258	83,202	86,033	90,326	96,960
Cash at the end of the year	**79,515**	**67,133**	**74,570**	**76,709**	**78,258**	**83,202**	**86,033**	**90,326**	**96,960**	**107,626**

Income Statement - Water Fund

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Income from continuing operations										
Rates and annual charges	7,036	7,370	7,716	8,075	8,447	8,833	9,232	9,647	10,076	10,520
User charges and fees	16,598	17,386	18,203	19,049	19,927	20,837	21,779	22,756	23,768	24,817
Interest and investment revenue	612	340	340	323	344	376	419	473	538	616
Grants and contributions - Operating	85	87	89	91	93	95	97	99	102	104
Grants and contributions - Capital	1,146	1,172	1,198	1,225	1,253	1,281	1,310	1,339	1,369	1,400
Total Income	**25,477**	**26,355**	**27,546**	**28,763**	**30,064**	**31,422**	**32,838**	**34,314**	**35,853**	**37,457**
Expenses from continuing operations										
Employee benefits and oncosts	1,691	1,733	1,777	1,821	1,867	1,913	1,961	2,010	2,060	2,112
Borrowing costs	259	232	221	212	187	164	153	141	128	115
Materials and contracts	19,514	20,040	20,603	21,135	21,639	22,155	22,697	23,252	23,821	24,403
Depreciation and amortisation	2,226	2,259	2,299	2,340	2,382	2,425	2,475	2,526	2,578	2,631
Other expenses	199	204	208	213	218	223	228	233	239	244
Total Expenses	**23,889**	**24,467**	**25,108**	**25,722**	**26,293**	**26,881**	**27,514**	**28,162**	**28,825**	**29,506**
Net Operating Result	**1,588**	**1,888**	**2,438**	**3,041**	**3,771**	**4,541**	**5,324**	**6,152**	**7,027**	**7,951**
Net operating result before grants and contributions provided for capital purposes	**442**	**716**	**1,240**	**1,816**	**2,518**	**3,260**	**4,014**	**4,813**	**5,658**	**6,551**

Statement of Financial Position - Water Fund

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Current assets										
Cash and investments	26,165	26,141	21,522	22,961	25,085	27,933	31,516	35,878	41,066	47,125
Receivables	3,885	4,008	4,198	4,394	4,598	4,810	5,028	5,255	5,491	5,734
Total current assets	**30,050**	**30,150**	**25,720**	**27,356**	**29,684**	**32,743**	**36,545**	**41,134**	**46,556**	**52,859**
Non-current assets										
Infrastructure, property, plant and equipment	122,105	124,986	133,582	136,864	140,226	143,668	147,625	151,688	155,859	160,141
Total non-current assets	**122,105**	**124,986**	**133,582**	**136,864**	**140,226**	**143,668**	**147,625**	**151,688**	**155,859**	**160,141**
Total Assets	**152,155**	**155,135**	**159,302**	**164,220**	**169,909**	**176,411**	**184,170**	**192,821**	**202,415**	**213,000**
Current liabilities										
Payables	2,371	2,441	2,502	2,564	2,628	2,694	2,761	2,830	2,901	2,973
Borrowings	1,118	216	228	241	254	268	283	298	315	332
Total current liabilities	**3,489**	**2,657**	**2,730**	**2,805**	**2,882**	**2,962**	**3,044**	**3,128**	**3,216**	**3,305**
Non-current liabilities										
Borrowings	3,274	3,969	3,741	3,500	3,246	2,978	2,695	2,397	2,082	1,750
Total non-current liabilities	**3,274**	**3,969**	**3,741**	**3,500**	**3,246**	**2,978**	**2,695**	**2,397**	**2,082**	**1,750**
Total Liabilities	**6,763**	**6,626**	**6,471**	**6,305**	**6,128**	**5,940**	**5,739**	**5,525**	**5,298**	**5,055**
NET ASSETS	**145,393**	**148,510**	**152,831**	**157,915**	**163,781**	**170,471**	**178,431**	**187,296**	**197,118**	**207,945**
Equity										
Accumulated surplus	131,000	132,285	134,107	136,520	139,649	143,535	148,190	153,661	159,993	167,236
Revaluation reserves	14,393	16,224	18,724	21,395	24,133	26,937	30,242	33,637	37,126	40,711
TOTAL EQUITY	**145,392**	**148,509**	**152,831**	**157,915**	**163,782**	**170,472**	**178,432**	**187,298**	**197,119**	**207,947**

Statement of Cash Flows - Water Fund

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Cash flows from operating activities										
Receipts:										
Rates and annual charges	7,021	7,347	7,692	8,051	8,422	8,806	9,205	9,618	10,046	10,490
User charges and fees	16,526	17,286	18,037	18,877	19,749	20,652	21,588	22,558	23,563	24,604
Investment revenue and interest	612	340	340	323	344	376	419	473	538	616
Grants and contributions	660	675	690	706	721	738	754	771	789	806
Payments:										
Employee benefits and on-costs	(1,691)	(1,733)	(1,777)	(1,821)	(1,867)	(1,913)	(1,961)	(2,010)	(2,060)	(2,112)
Materials and contracts	(19,409)	(19,970)	(20,542)	(21,073)	(21,575)	(22,089)	(22,629)	(23,183)	(23,750)	(24,331)
Borrowing costs	(259)	(232)	(221)	(212)	(187)	(164)	(153)	(141)	(128)	(115)
Other	(199)	(204)	(208)	(213)	(218)	(223)	(228)	(233)	(239)	(244)
Net cash provided (or used) in operating activities	**3,261**	**3,509**	**4,011**	**4,637**	**5,390**	**6,183**	**6,994**	**7,852**	**8,758**	**9,714**
Cash flows from investing activities										
Payments:										
Purchase of infrastructure, property, plant & equipment	(6,603)	(2,724)	(7,799)	(2,340)	(2,382)	(2,425)	(2,475)	(2,526)	(2,578)	(2,631)
Net cash provided (or used) in investing activities	**(6,603)**	**(2,724)**	**(7,799)**	**(2,340)**	**(2,382)**	**(2,425)**	**(2,475)**	**(2,526)**	**(2,578)**	**(2,631)**
Cash flows from financing activities										
Receipts:										
New loans	-	949	-	-	-	-	-	-	-	-
Payments:										
Loan repayments	(502)	(1,156)	(216)	(228)	(241)	(254)	(268)	(283)	(298)	(315)
Dividends paid	-	(602)	(616)	(629)	(642)	(655)	(668)	(682)	(695)	(708)
Net cash provided (or used) in financing activities	**(502)**	**(809)**	**(832)**	**(857)**	**(883)**	**(909)**	**(937)**	**(965)**	**(993)**	**(1,023)**
Net increase / (decrease) in cash	(3,844)	(24)	(4,620)	1,440	2,124	2,848	3,583	4,362	5,188	6,059
Cash at the beginning of the year	30,009	26,165	26,141	21,522	22,961	25,085	27,933	31,516	35,878	41,066
Cash at the end of the year	**26,165**	**26,141**	**21,522**	**22,961**	**25,085**	**27,933**	**31,516**	**35,878**	**41,066**	**47,125**

Income Statement - Sewer Fund

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Income from continuing operations										
Rates and annual charges	17,549	18,360	19,201	20,072	20,975	21,911	22,880	23,884	24,923	26,000
User charges and fees	911	953	997	1,042	1,089	1,137	1,188	1,240	1,294	1,350
Interest and investment revenue	1,221	717	585	507	328	115	97	68	46	33
Grants and contributions - Operating	85	87	89	91	93	95	97	99	102	104
Grants and contributions - Capital	2,467	11,500	11,534	11,569	9,104	5,390	1,677	1,715	1,753	1,793
Total Income	**22,233**	**31,617**	**32,405**	**33,281**	**31,589**	**28,648**	**25,938**	**27,005**	**28,118**	**29,279**
Expenses from continuing operations										
Employee benefits and oncosts	2,243	2,299	2,357	2,415	2,476	2,538	2,601	2,666	2,733	2,801
Borrowing costs	384	532	761	990	1,070	1,315	1,254	1,191	1,125	1,057
Materials and contracts	9,012	9,375	9,694	9,963	10,182	10,406	10,651	10,902	11,160	11,423
Depreciation and amortisation	5,277	5,952	6,660	7,380	7,741	8,162	8,343	8,528	8,719	8,913
Other expenses	692	708	724	741	758	775	793	811	830	849
Total Expenses	**17,608**	**18,866**	**20,195**	**21,489**	**22,226**	**23,196**	**23,642**	**24,099**	**24,566**	**25,044**
Net Operating Result	**4,625**	**12,752**	**12,210**	**11,792**	**9,362**	**5,452**	**2,296**	**2,906**	**3,552**	**4,235**
Net operating result before grants and contributions provided for capital purposes	**2,158**	**1,252**	**676**	**223**	**258**	**62**	**619**	**1,191**	**1,799**	**2,442**

Statement of Financial Position - Sewer Fund

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Current assets										
Cash and investments	55,170	44,986	33,795	21,868	7,656	6,461	4,523	3,086	2,181	1,844
Receivables	4,299	4,493	4,699	4,912	5,133	5,362	5,600	5,845	6,100	6,364
Total current assets	**59,469**	**49,479**	**38,494**	**26,780**	**12,790**	**11,824**	**10,123**	**8,932**	**8,281**	**8,207**
Non-current assets										
Infrastructure, property, plant and equipment	205,815	240,330	276,585	313,443	345,636	367,294	376,737	386,420	396,349	406,531
Total non-current assets	**205,815**	**240,330**	**276,585**	**313,443**	**345,636**	**367,294**	**376,737**	**386,420**	**396,349**	**406,531**
Total Assets	**265,284**	**289,809**	**315,079**	**340,223**	**358,426**	**379,117**	**386,860**	**395,352**	**404,631**	**414,738**
Current liabilities										
Payables	271	285	292	299	306	314	322	330	338	346
Borrowings	4,173	711	1,135	1,567	2,240	2,305	2,370	2,439	2,509	2,581
Total current liabilities	**4,444**	**996**	**1,427**	**1,866**	**2,547**	**2,619**	**2,692**	**2,769**	**2,847**	**2,928**
Non-current liabilities										
Borrowings	3,360	16,132	24,606	32,651	35,219	44,163	41,792	39,353	36,844	34,264
Total non-current liabilities	**3,360**	**16,132**	**24,606**	**32,651**	**35,219**	**44,163**	**41,792**	**39,353**	**36,844**	**34,264**
Total Liabilities	**7,804**	**17,128**	**26,033**	**34,517**	**37,765**	**46,782**	**44,484**	**42,122**	**39,691**	**37,191**
NET ASSETS	**257,480**	**272,681**	**289,046**	**305,706**	**320,660**	**332,335**	**342,376**	**353,230**	**364,940**	**377,547**
Equity										
Accumulated surplus	247,104	259,218	270,777	281,906	290,591	295,352	296,945	299,134	301,956	305,448
Revaluation reserves	10,376	13,463	18,270	23,801	30,070	36,983	45,431	54,096	62,983	72,099
TOTAL EQUITY	**257,480**	**272,681**	**289,047**	**305,707**	**320,661**	**332,335**	**342,376**	**353,230**	**364,940**	**377,547**

Statement of Cash Flows - Sewer Fund

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Cash flows from operating activities										
Receipts:										
Rates and annual charges	17,538	18,325	19,164	20,034	20,936	21,870	22,837	23,840	24,878	25,953
User charges and fees	896	794	828	867	907	949	993	1,038	1,085	1,133
Investment revenue and interest	1,221	717	585	507	328	115	97	68	46	33
Grants and contributions	1,643	10,657	10,673	10,688	8,203	4,469	735	752	769	786
Payments:										
Employee benefits and on-costs	(2,243)	(2,299)	(2,357)	(2,415)	(2,476)	(2,538)	(2,601)	(2,666)	(2,733)	(2,801)
Materials and contracts	(9,006)	(9,361)	(9,687)	(9,955)	(10,174)	(10,398)	(10,643)	(10,894)	(11,151)	(11,415)
Borrowing costs	(384)	(532)	(761)	(990)	(1,070)	(1,315)	(1,254)	(1,191)	(1,125)	(1,057)
Other	(692)	(708)	(724)	(741)	(758)	(775)	(793)	(811)	(830)	(849)
Net cash provided (or used) in operating activities	**8,972**	**17,594**	**17,721**	**17,994**	**15,896**	**12,377**	**9,371**	**10,134**	**10,938**	**11,783**
Cash flows from investing activities										
Payments:										
Purchase of infrastructure, property, plant & equipment	(13,607)	(36,450)	(37,158)	(37,735)	(32,671)	(21,891)	(8,300)	(8,484)	(8,674)	(8,869)
Net cash provided (or used) in investing activities	**(13,607)**	**(36,450)**	**(37,158)**	**(37,735)**	**(32,671)**	**(21,891)**	**(8,300)**	**(8,484)**	**(8,674)**	**(8,869)**
Cash flows from financing activities										
Receipts:										
New loans	-	14,038	10,000	10,000	5,000	11,250	-	-	-	-
Payments:										
Loan repayments	(309)	(4,728)	(1,103)	(1,523)	(1,759)	(2,240)	(2,305)	(2,370)	(2,439)	(2,509)
Dividends paid	-	(638)	(651)	(664)	(677)	(690)	(704)	(717)	(730)	(743)
Net cash provided (or used) in financing activities	**(309)**	**8,672**	**8,246**	**7,813**	**2,564**	**8,319**	**(3,009)**	**(3,087)**	**(3,169)**	**(3,252)**
Net increase / (decrease) in cash	(4,944)	(10,184)	(11,191)	(11,928)	(14,211)	(1,195)	(1,938)	(1,437)	(905)	(338)
Cash at the beginning of the year	60,113	55,170	44,986	33,795	21,868	7,656	6,461	4,523	3,086	2,181
Cash at the end of the year	**55,170**	**44,986**	**33,795**	**21,868**	**7,656**	**6,461**	**4,523**	**3,086**	**2,181**	**1,844**

Income Statement - Consolidated

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Income from continuing operations										
Rates and annual charges	74,538	77,470	80,495	83,593	86,796	90,107	93,529	97,066	100,721	104,498
User charges and fees	30,316	31,940	33,638	35,412	37,267	39,205	41,231	43,347	45,263	47,247
Interest and investment revenue	4,000	2,091	1,797	1,948	1,823	1,665	1,764	1,831	1,939	2,103
Other revenues	2,394	2,449	2,908	3,389	3,467	3,547	3,628	3,712	3,797	3,884
Grants and contributions - Operating	15,715	16,408	16,306	16,611	16,922	17,239	17,564	17,895	18,232	18,619
Grants and contributions - Capital	60,948	31,982	31,478	56,793	24,615	21,195	17,781	18,125	18,475	18,347
Net gain from the disposal of assets	770	-	-	-	1,356	1,714	-	-	-	-
Total Income	**188,681**	**162,340**	**166,622**	**197,747**	**172,246**	**174,672**	**175,496**	**181,975**	**188,428**	**194,698**
Expenses from continuing operations										
Employee benefits and oncosts	41,232	43,265	44,347	45,456	46,592	47,757	48,951	50,174	51,429	52,714
Borrowing costs	4,274	7,058	5,756	5,791	5,498	5,365	4,981	4,576	4,163	3,836
Materials and contracts	38,651	40,569	43,787	43,853	46,442	47,969	49,717	50,965	52,245	53,556
Depreciation and amortisation	28,054	29,697	30,985	32,826	33,658	34,585	35,373	36,179	37,005	37,851
Other expenses	11,839	12,111	12,390	12,675	12,966	13,265	13,570	13,882	14,201	14,528
Total Expenses	**124,050**	**132,700**	**137,264**	**140,599**	**145,156**	**148,940**	**152,590**	**155,776**	**159,043**	**162,486**
Net Operating Result	**64,631**	**29,639**	**29,358**	**57,148**	**27,090**	**25,732**	**22,906**	**26,199**	**29,385**	**32,213**
Net operating result before grants and contributions provided for capital purposes	**3,683**	**(2,342)**	**(2,120)**	**355**	**2,475**	**4,537**	**5,125**	**8,074**	**10,909**	**13,866**

Statement of Financial Position - Consolidated

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Current assets										
Cash and investments	160,851	138,261	129,887	121,538	111,000	117,596	122,073	129,291	140,207	156,595
Receivables	15,062	15,631	16,318	17,029	17,765	18,530	19,323	20,145	20,967	21,817
Inventories	257	262	268	274	280	286	293	301	308	316
Other	722	722	722	722	722	722	722	722	722	722
Total current assets	**176,892**	**154,876**	**147,196**	**139,563**	**129,767**	**137,134**	**142,411**	**150,458**	**162,204**	**179,449**
Non-current assets										
Receivables	430	446	464	483	502	522	543	565	586	607
Infrastructure, property, plant and equipment	1,763,588	1,889,756	1,970,583	2,077,864	2,145,600	2,205,105	2,260,054	2,316,384	2,374,131	2,433,330
Intangible assets	7,265	7,265	7,265	7,265	7,265	7,265	7,265	7,265	7,265	7,265
Total non-current assets	**1,771,283**	**1,897,467**	**1,978,312**	**2,085,611**	**2,153,367**	**2,212,892**	**2,267,862**	**2,324,214**	**2,381,982**	**2,441,202**
Total Assets	**1,948,175**	**2,052,343**	**2,125,508**	**2,225,174**	**2,283,134**	**2,350,027**	**2,410,273**	**2,474,673**	**2,544,186**	**2,620,651**
Current liabilities										
Payables	16,753	16,045	14,157	13,333	12,462	12,762	13,078	13,402	13,734	14,074
Income received in advance	144	144	144	144	144	144	144	144	144	144
Borrowings	18,251	11,425	11,677	12,659	13,600	14,008	14,425	13,808	11,026	11,353
Provisions	14,680	12,897	11,016	11,292	9,259	9,491	9,728	9,971	10,220	10,476
Total current liabilities	**49,827**	**40,512**	**36,994**	**37,428**	**35,466**	**36,405**	**37,375**	**37,325**	**35,124**	**36,048**
Non-current liabilities										
Borrowings	116,368	173,714	183,177	185,782	176,989	174,230	159,805	145,997	134,972	123,619
Provisions	935	935	935	935	935	935	935	935	935	935
Total non-current liabilities	**117,303**	**174,649**	**184,112**	**186,717**	**177,924**	**175,165**	**160,740**	**146,932**	**135,907**	**124,554**
Total Liabilities	**167,130**	**215,161**	**221,106**	**224,144**	**213,390**	**211,570**	**198,115**	**184,257**	**171,031**	**160,602**
NET ASSETS	**1,781,045**	**1,837,182**	**1,904,402**	**2,001,030**	**2,069,744**	**2,138,457**	**2,212,158**	**2,290,416**	**2,373,155**	**2,460,049**
Equity										
Accumulated surplus	1,703,738	1,733,378	1,762,735	1,819,883	1,846,973	1,872,705	1,895,611	1,921,810	1,951,195	1,983,408
Revaluation reserves	77,307	103,804	141,666	181,146	222,770	265,750	316,545	368,604	421,958	476,640
TOTAL EQUITY	**1,781,045**	**1,837,181**	**1,904,402**	**2,001,029**	**2,069,744**	**2,138,455**	**2,212,156**	**2,290,414**	**2,373,153**	**2,460,048**

Statement of Cash Flows - Consolidated

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Cash flows from operating activities										
Receipts:										
Rates and annual charges	74,338	77,357	80,379	83,474	86,673	89,980	93,397	96,930	100,580	104,353
User charges and fees	30,412	31,483	33,066	34,821	36,654	38,568	40,570	42,661	44,582	46,543
Investment revenue and interest	4,000	2,091	1,797	1,948	1,823	1,665	1,764	1,831	1,939	2,103
Grants and contributions	69,056	39,876	39,079	64,503	32,435	29,129	25,829	26,290	26,760	26,794
Other	2,395	2,433	2,890	3,370	3,447	3,526	3,607	3,690	3,776	3,863
Payments:										
Employee benefits and on-costs	(41,058)	(45,048)	(46,228)	(45,180)	(48,624)	(47,525)	(48,713)	(49,931)	(51,179)	(52,459)
Materials and contracts	(38,744)	(41,281)	(45,681)	(44,683)	(47,319)	(47,676)	(49,407)	(50,648)	(51,920)	(53,224)
Borrowing costs	(4,274)	(7,058)	(5,756)	(5,791)	(5,498)	(5,365)	(4,981)	(4,576)	(4,163)	(3,836)
Other	(11,839)	(12,111)	(12,390)	(12,675)	(12,966)	(13,265)	(13,570)	(13,882)	(14,201)	(14,528)
Net cash provided (or used) in operating activities	**84,286**	**47,744**	**47,157**	**79,790**	**46,625**	**49,038**	**48,496**	**52,364**	**56,174**	**59,609**
Cash flows from investing activities										
Receipts:										
Sale of infrastructure, property, plant and equipment	1,170	920	400	400	4,356	3,400	400	400	400	400
Payments:										
Purchase of infrastructure, property, plant & equipment	(170,861)	(121,775)	(65,644)	(92,126)	(53,669)	(43,491)	(30,411)	(31,121)	(31,849)	(32,596)
Net cash provided (or used) in investing activities	**(169,691)**	**(120,855)**	**(65,244)**	**(91,726)**	**(49,313)**	**(40,091)**	**(30,011)**	**(30,721)**	**(31,449)**	**(32,196)**
Cash flows from financing activities										
Receipts:										
New loans	60,474	71,604	22,000	15,880	5,000	11,250	-	-	-	-
Payments:										
Loan repayments	(7,037)	(21,082)	(12,286)	(12,292)	(12,851)	(13,600)	(14,008)	(14,425)	(13,808)	(11,026)
Net cash provided (or used) in financing activities	**53,437**	**50,522**	**9,714**	**3,588**	**(7,851)**	**(2,350)**	**(14,008)**	**(14,425)**	**(13,808)**	**(11,026)**
Net increase / (decrease) in cash	(31,968)	(22,590)	(8,374)	(8,349)	(10,538)	6,596	4,476	7,218	10,917	16,387
Cash at the beginning of the year	192,818	160,851	138,261	129,887	121,538	111,000	117,596	122,073	129,291	140,207
Cash at the end of the year	**160,851**	**138,261**	**129,887**	**121,538**	**111,000**	**117,596**	**122,073**	**129,291**	**140,207**	**156,595**