



City of
Melville

Long Term Financial Plan

2024-2025 to 2033-2034



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Introduction

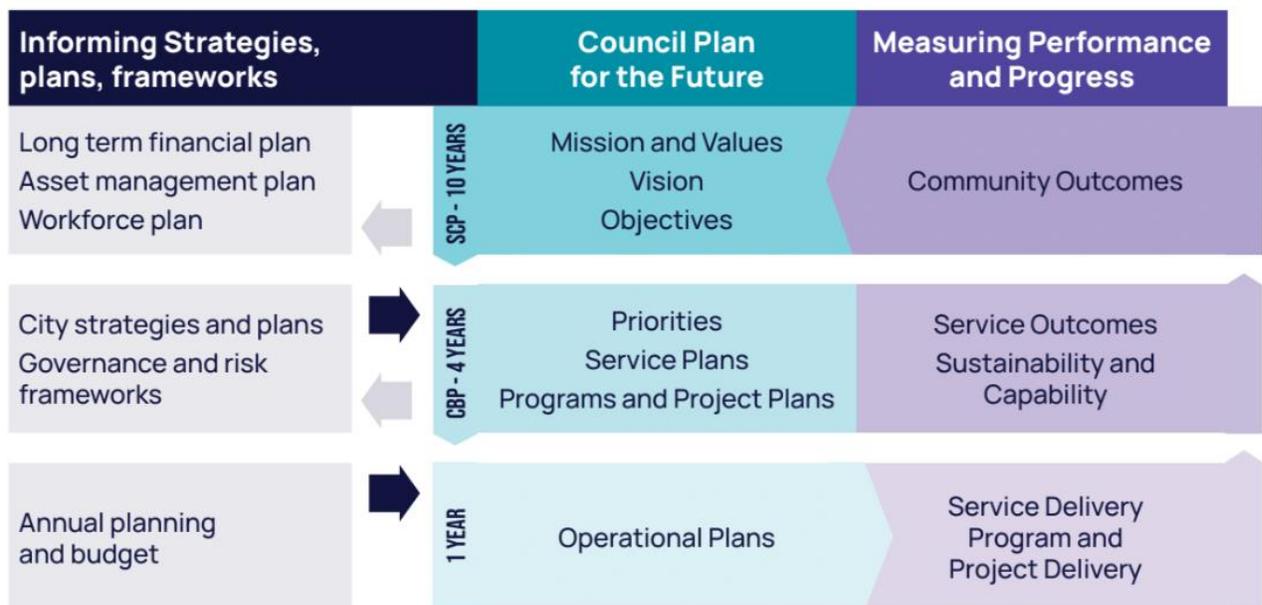
The *Local Government Act 1995* requires local governments in Western Australia to ensure good governance by addressing several key needs:

- **Promote Sustainability:** Economic, social, and environmental sustainability within the district.
- **Climate Change:** Plan for and mitigate risks associated with climate change.
- **Long-Term Impact:** Consider the long-term consequences and impacts of decisions on future generations.
- **Aboriginal Interests:** Recognise and involve Aboriginal people in decision-making processes.
- **Collaboration:** Collaborate with other local governments as needed.

To support these needs, the City of Melville has developed a ten-year Long Term Financial Plan (LTFP). This Plan ensures that the City’s priorities and services are affordable and align with community needs and aspirations both now and in the future.

The 2024-2025 Annual Budget represents the base year of this Plan. The Integrated Planning and Reporting Framework (IPRF) is captured in the City's Council Plan for the Future 2024-2034, which outlines five strategic outcomes based on a sustainability framework encompassing social, environmental (both natural and built), economic, and governance outcomes.

City of Melville Council Plan for the Future and Integrated Planning and Reporting Framework



The Long Term Financial Plan (LTFP) is a ten-year rolling plan that informs the Corporate Business Plan to activate Strategic Community Plan (Council Plan) priorities.

The Council Plan for the Future is supported by the LTFP.

A key component of this framework is the City's Long Term Financial Plan (LTFP), which assesses the affordability and long-term impact of activities necessary to deliver services and maintain assets.

The LTFP is guided by several documents, including:

- Council Plan for the Future
- Asset Management Plans
- Workforce Plan
- Service Plans
- Corporate Climate Action Plan

The City has established a history of robust and transparent financial planning processes, evident in its Council Policy '*CP-008 Financial Sustainability – Forward Financial Planning and Funding Allocation*'. In essence, the City considers its long-term financial performance and position sustainable when planned long-term service and infrastructure levels and standards are met without undue reliance on:

- a very limited number of revenue streams
- uncontrollable, temporary, or highly variable revenue sources
- large variations in rates increases or
- unplanned cuts to services.

The LTFP is derived from a complex financial model informed by long term asset management and forward capital project plans. The model is revised annually following the adoption of the City's Annual Budget to ensure that it responds to changes which inevitably occur following the adoption of any Plan that is based on assumptions and forecasts.

It's important to note that forecasts contained within the LTFP, are based on assumptions that may change. Despite this, the LTFP remains a valuable tool for identifying long-term sustainability issues.

The key assumptions used in the financial model on which this Plan is based are detailed under the Assumptions section later in this document.

Background

The City of Melville is a metropolitan inner district local government situated in the Central Sub-Region of the Perth planning district along the banks of the Derbal Yerrigan (Swan) and Djarlgarro Beelier (Canning) Rivers on Whadjuk Noongar Boodja, in Perth, Western Australia. The City is home to a diverse, multicultural community that benefits from its rich heritage, a mix of retail and business precincts, abundant opportunities for physical and social activities, open spaces, and a unique natural landscape.

The following table provides a snapshot of the City of Melville:

Town Planning Classification	Central Sub-Region Metro Inner District
Area	53km ²
Population (30 June 2023)	110,426
Median Age	42
Number of Residential Dwellings	42,921
Number of Businesses	10,532
Number of Suburbs	18
Public Open Space	861 hectares
Length River Foreshore	18 km
Parks and Reserves	205
Road Length	503 km
Path network Length	501 km
Replacement Value of Depreciating Assets as of 30 June 2023	\$1.54 billion
Number of Employees (2023-2024)	574
Services/Subservices delivered	48/137

Key statistics for the City of Melville can be found on the Australian Bureau of Statistics (ABS) website at the following link [ABS - City of Melville Key Statistics](#).

The City's land mass is largely fully developed and additional population growth is being accommodated through densification in the form of in-fill development. High-rise development is being undertaken in specific nodes that are located close to public transport links within the City.

Whilst densification generates significant additional revenue, it also increases the need for more public open spaces and upgrades to urban infrastructure and facilities.

Services and Service Delivery Assets

The City provides 48 core services and 137 sub-services to fulfil its obligation under the *Local Government Act 1995*. These services support five key outcomes in the Council Plan:

- Healthy, Safe and Inclusive
- Clean and Green
- Sustainable and Connected Development
- Vibrant and Prosperous
- Good Governance and Leadership
-

For more information on the City's Council Plan, please see the [City of Melville Council Plan for the Future 2024 2034](#).

The City's approach ensures it can sustainably manage its assets and services while meeting the community's needs now and into the future.

As of 30 June 2023, the City's assets were valued at approximately \$1.54 billion in replacement value and \$891 million in depreciated value. These assets are essential for delivering City services. Asset management costs—including planning, design, construction, maintenance, and renewal—are significant and form a major part of the Long Term Financial Plan.

- **Depreciation:** Exceeds \$33 million per year. This expense is excluded from rate calculations but is accounted for in asset renewal funding.
- **Freehold Land:** Valued at \$304 million as of June 2023. It is not depreciated.
- **Investment Assets:** The City owns land valued at \$55 million and investment property buildings with a depreciated value of \$4 million. Income from these investments helps reduce the need for rate increases or higher fees.

Why the City has Reserve funds?

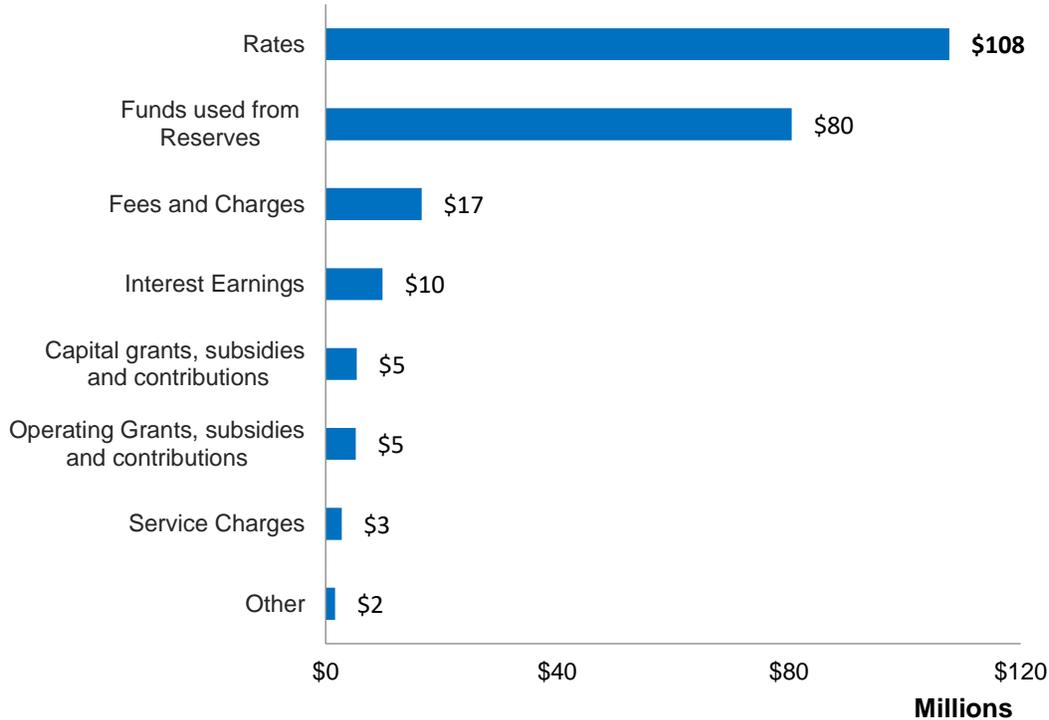
The City uses Reserve Funds to set aside money to be used for designated purposes in a future financial year. Reserve accounts may be created for future asset upgrades or replacements, employee costs, specific projects or a number of other initiatives.

When the asset renewal and replacement funding is equivalent to depreciation this indicates that the City is adequately providing for the consumption of assets and not deferring the depreciation liability to future generations. This is reflected in the Asset Consumption Ratio. The challenge of funding asset renewals will be addressed in the Asset Management and Key Issues section below.

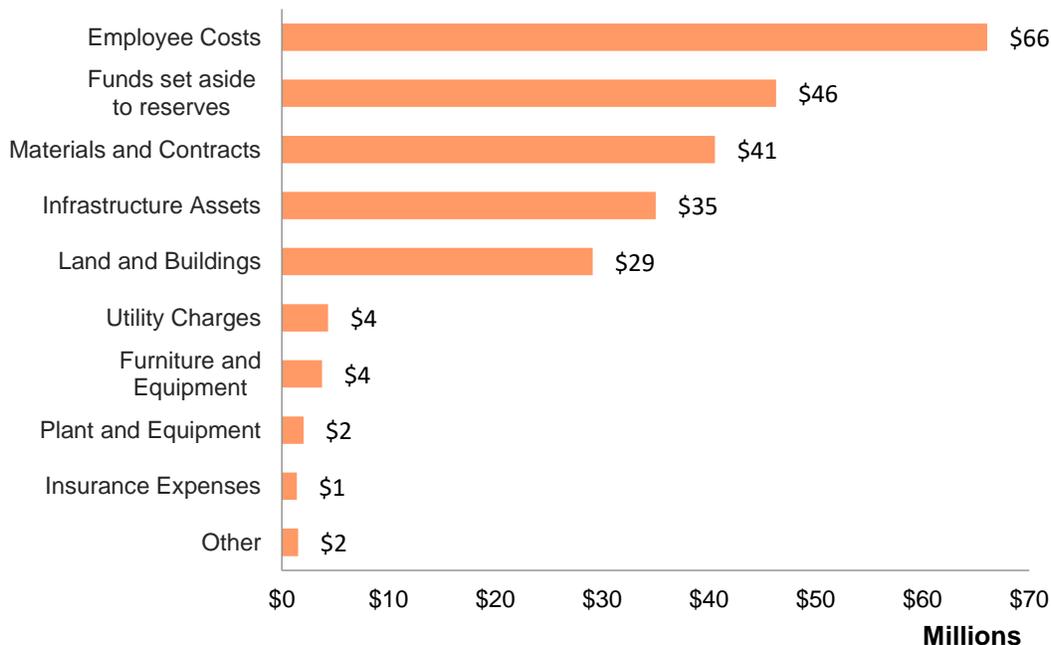
Financial Snapshot

The 2024-2025 Annual Budget was balanced as a result of the application of a 4.5% rate in the dollar increase yielding a rate revenue increase of 5.2%, as well as additional revenue forecast to be earned from other operating revenues.

Inflows from all sources used to fund the City's operations in the base year 2024-2025 are budgeted to be as follows:



Budgeted revenues from all sources have been allocated to Operating and Capital expenditures as follows:



Financial Model Development

The purpose of the Long Term Financial Plan is to outline how financially sustainable the City is over the long term. The LTFP is underpinned by a detailed Long Term Financial Model. The financial modelling and analysis that underpins the Plan assists with early identification of any potential financial outcomes that may impact negatively on the City's financial sustainability. The Model commences with a base year (the 2024-2025 Adopted Annual Budget) and projects data over the following nine years based on financial assumptions. The financial assumptions used are a combination of long-range averages from relevant indices published by the Australian Bureau of Statistics (ABS), historical trends derived from the City's records and other long-term informing documents (including Asset Management Plans).

The Model is supported by detailed schedules for assumptions, asset management data, financial reserve transfers etc., allowing the City to forecast and track the financial impact of various scenarios.

In preparing the long-term projections, it has been assumed that in terms of funding for general operations, existing services will continue to be provided. Capital funding focuses heavily on information provided in our Asset Management Plans, to ensure there is adequate funding for the ongoing renewal of the City's existing (and significant) asset base. It has been assumed that existing Government grants for both operating and capital expenditures will continue and that additional capital grants will be received for the re-development of the Melville City Centre.

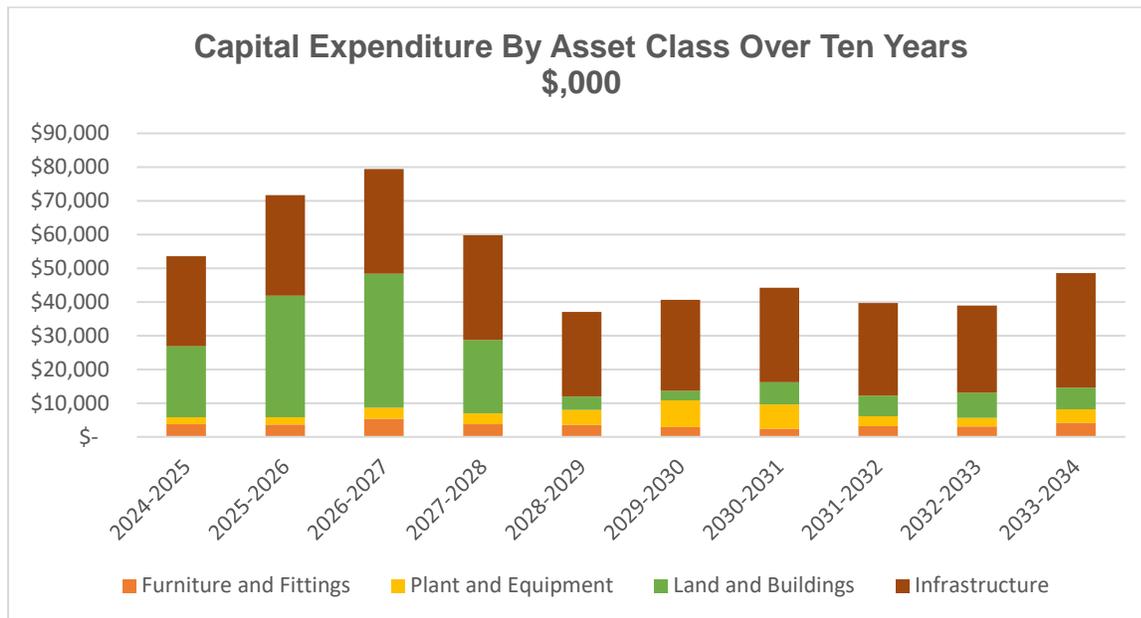
The dollar amounts shown in the LTFP are expressed as nominal values, meaning they have been adjusted to recognise the estimated impact of inflation.

Asset Management Planning

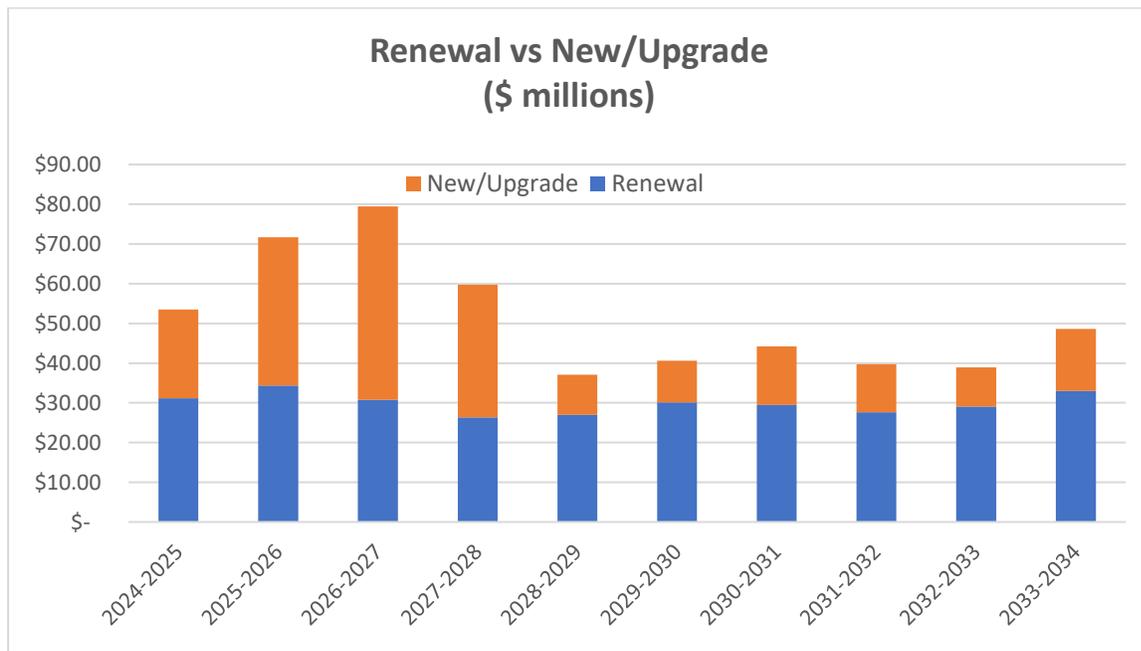
The City has previously completed Asset Management Plans (AMPS) for significant asset classes and this work has identified the life cycle costs of assets and, in particular, the annual renewal expenditure required to ensure they continue to deliver an appropriate level of service. The average renewal expenditure identified by the AMPS is transferred to appropriate specific-purpose cash-backed reserves each year and the actual amount required for renewal expenditure in each year is transferred from the appropriate reserve account. This helps ensure that the cost of asset consumption is spread equitably across all users over the life of the asset.

Over the life of the LTFP, the Asset Management Plans will continue to be reviewed and refined as, given the high value of the City's assets, they provide important information that can significantly alter the financial outcomes reflected in the LTFP.

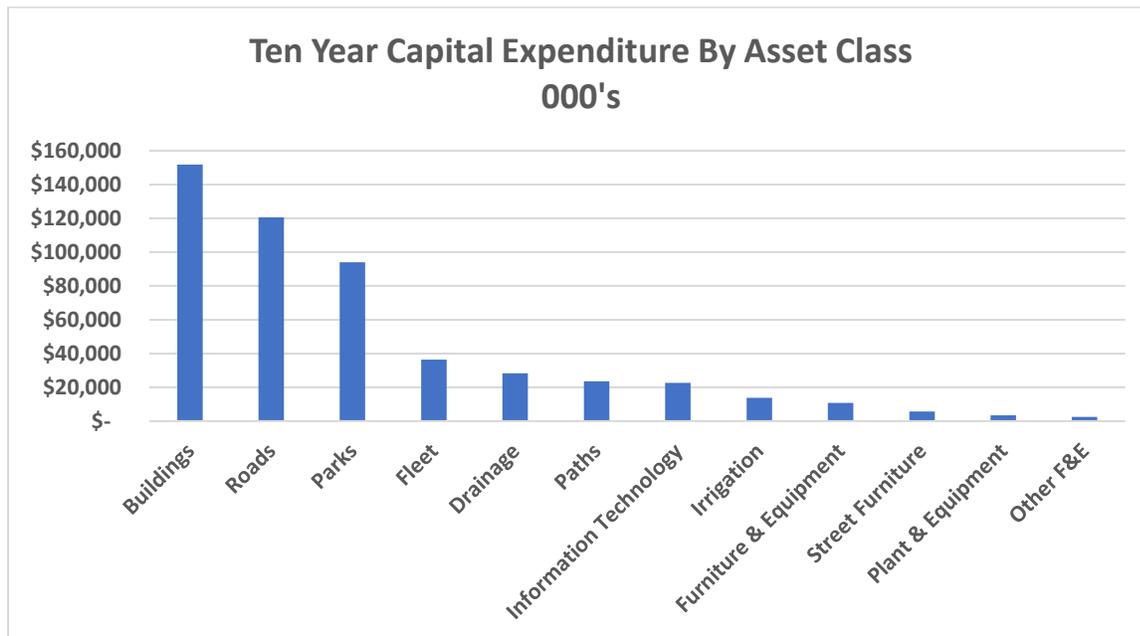
The following graphic depicts a summary of the proposed long-term capital expenditure programme by asset class:



The City’s ‘Asset Management’ policy, states that funding priority is given to the maintenance and renewal of existing assets as opposed to the creation of new assets. The chart below reflects an increased investment in new/upgraded assets for the period 2024-2025 to 2027-2028. This reflects a substantial investment in the redevelopment of the Melville City Centre, including a new library and culture building, as well as the ongoing program of upgrading or replacing sportsground changerooms to accommodate contemporary sporting needs.



The long-term capital program can also be shown by asset class. The following shows the forecast spend over the ten-year period of the Plan from 2024 to 2034.



The total amount forecast over the ten-year period to be spent on capital assets for renewal, upgrade and new, totals \$513.6 million. Of this \$151.8 million is expected to be spent on buildings. The higher expenditure on the buildings asset class reflects our commitment to significant community improvements. This increase is primarily due to two exciting projects:

1. **The New Library and Cultural Centre:** We're investing in the vibrant Melville City Centre with a state-of-the-art library and cultural centre, designed to enrich our community's cultural and educational experiences.
2. **Upgraded Sports Change rooms:** We're accelerating the renovation of change rooms at sports grounds to meet contemporary standards, ensuring that our facilities are modern and welcoming for all users.

The City benefits significantly from various grants to support its capital program. These grants come from State and Federal Government sources, including State and Federal "Black Spot" programs, Main Roads Regional and Direct Grants, and Federal "Roads to Recovery" funding. On average, we anticipate receiving around \$5.4 million annually from these capital grants over the next decade. Additionally, the City receives an untied Federal Assistance "Road" Grant, which averages \$1.5 million per year throughout the plan's duration.

These funding sources are crucial for maintaining our capital program. If there were a shortfall in these grants, we would need to explore alternative revenue options or adjust rates accordingly. While reducing expenditure on maintenance or asset renewal could seem like a solution, it could lead to shorter asset lifespans and higher future costs. Thus, maintaining our current funding levels is key to ensuring the long-term efficiency and effectiveness of our assets.

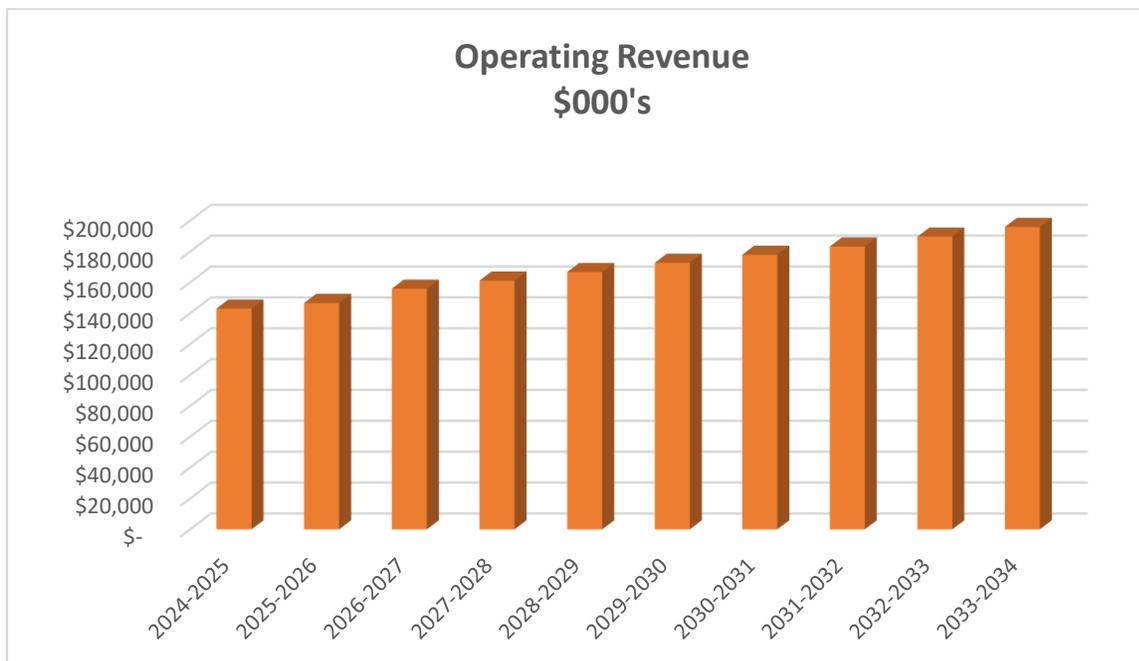
Operating Revenue Assumptions

Operating Revenue, for the purpose of long-term planning, is categorised by the nature of the revenue and applied with an assumption. The following outlines material revenue streams and their associated assumptions:

Revenue Category	Assumption
General Rates	4.5% 2024-2025 = Year 1 4.0% 2025-2026 and 2026-2027 – Years 2 & 3 3.9% 2027-2028 and 2028-2029 – Years 4 & 5 3.5% 2029-2030 – Year 6 3% 2030-2031 to 2033-2034 - Years 7 to 10 These will be reviewed annually as part of the Annual Budget Process.
Rates Growth	Forecast derived from estimated completion dates for major residential and commercial developments plus nominal yearly increase for low-density residential. Growth varies significantly from year to year due to the rates revenue derived from major developments.
Underground Power	Future projects are not factored in as there is no certainty as to when they will occur and, income is offset directly by expenditure.
Waste Fees	2.7% 2024-2025 and 2025-2026 – Years 1 and 2 2.4% 2026-2034 – Years 3 to 10 Waste charges have been set to align with the cost increases associated with running the service. The costs of collection and disposal of residential waste are recovered via General Rates.
LeisureFit Fees and Charges	2.4% per annum – Years 1 to 10 Increases are based on the long-run average of the Perth CPI.
Investment Income	4.0% per annum – years 1 to 10 Interest earned on Reserve Accounts is calculated on the average balance of each Reserve Account and is transferred to Reserves to maintain the real value of the Reserve.
Community Security	5% per annum years 1 to 3 3% per annum years 4 to 10 The Security charge is set to align with the costs associated with running the service and any surplus or deficit from each year's operation is transferred to or from the Community Surveillance and Security Reserve.

Lease Fees	2.4% per annum – years 1 to 10. This is aligned with estimated CPI.
Federal Assistance Funding	1% per annum – years 1 to 10. A nominal increase has been applied.
Planning & Building Application Fees	2.4% per annum – years 1 to 10. This is aligned with estimated CPI.

Operating revenue over the next ten years are shown in the following graph:

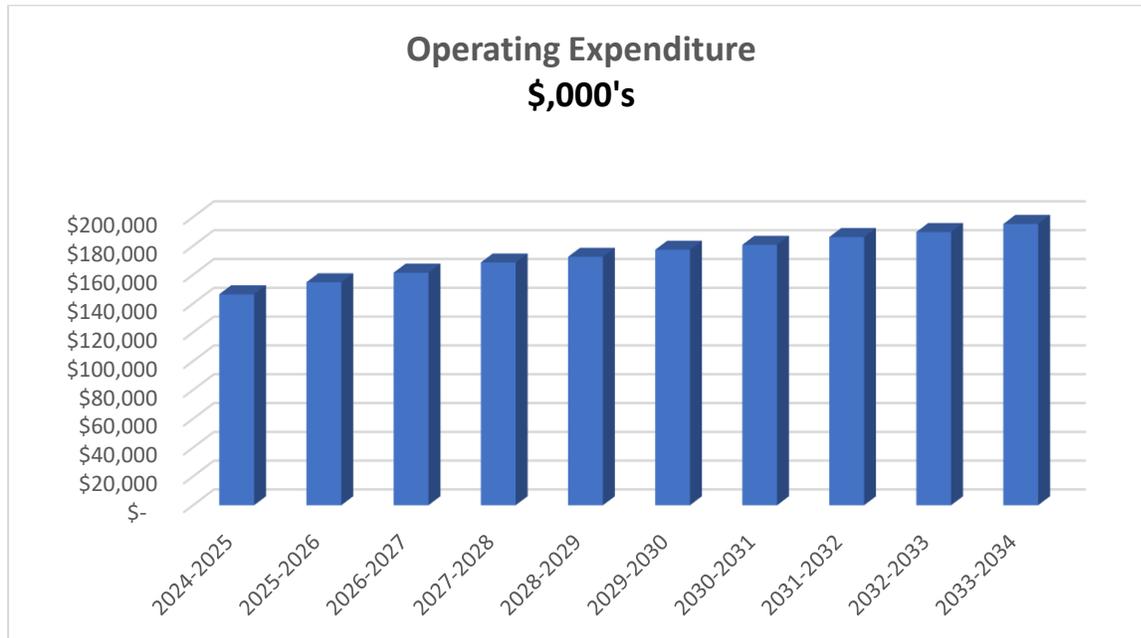


Operating Expenditure Assumptions

Operating Expenditure, for the purpose of long-term planning, is also categorised by the nature of the expenditure and increased annually after the application of a specific assumption relevant to that category of expense. The following outlines material expenditure streams and their associated assumptions:

Expenditure Category	Assumption
Employee Costs	<p>In the base year employee cost increases were calculated following an analysis of the Consumer Price and Wage Cost Index for Perth, the overall labour market, benchmarking against other Local Government Authorities and State Government, and an assessment of capacity to pay (long-term viability). Due to local governments in WA being transferred from the Federal to the State industrial relations system, future years' salaries and wages increases will be determined by the outcome of agreements reached with the relevant unions representing the City's workforce.</p> <p>Work Force Planning is undertaken to forecast future labour needs as well as the skills required to meet those needs.</p> <p>This expenditure category also incorporates the cost of workers compensation insurance, training, allowances and superannuation.</p>
Materials and Contracts	<p>2.4% per annum. This is aligned with estimated CPI.</p>
Waste Disposal	<p>2.7% per annum for years 1 and 2 and thereafter reverting to CPI at 2.4% per annum.</p>
Utilities	<p>2.2% per annum over the period of the Plan. This is lower than CPI which reflects the expected reduction in electricity, gas and water usage due to energy and water initiatives being implemented.</p>
Finance Costs	<p>An interest rate of 6% including the WATC Loan Guarantee Fee has been assumed for new borrowings being undertaken in 2026-2027 and 2027-2028.</p>

Operating expenditure over the next 10 years is shown in the following graph:



The net operating (operating revenue less operating expenditure) surpluses (deficits), and Operating Surplus ratios over the ten-year period are shown in the following table.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034
Net operating surplus \$	(3.36)	(6.95)	(5.08)	(7.04)	(5.39)	(4.27)	(2.46)	(2.57)	0.39	1.04
Operating surplus ratio	(2.4%)	(4.9%)	(3.4%)	(4.5%)	(3.3%)	(2.5%)	(1.4%)	(1.4%)	0.2%	0.5%

Actions being taken to address the Operating Deficits shown above are detailed in the section titled Proactive Actions.

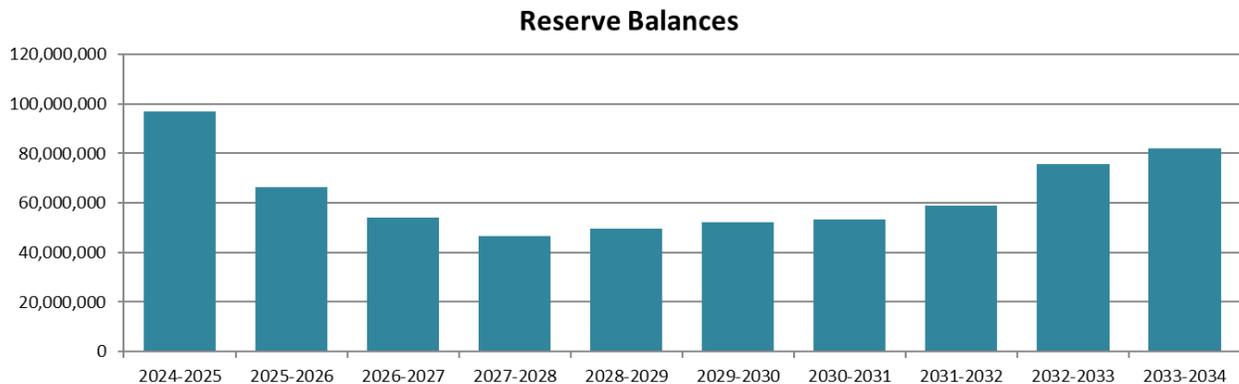
To meet the Basic standard, the operating surplus ratio should be in the range >1 to 15%. To reach the Advanced standard the ratio should be > 15% with higher being better. This is to ensure sufficient capital funding is generated to replace assets at their end of life noting that additional revenue will also be required to fund upgrades to existing assets or the acquisition or construction of new assets.

Reserve Assumptions

The City uses the concept of cash-backed financial Reserves to:

- Fund the replacement of infrastructure or assets that are being consumed by the current generation of ratepayers to not impose an undue financial burden on future generations of ratepayers who have not had the benefit of that consumption
- Help smooth out the uneven nature of non-linear cyclical expenditures of both an operational and capital nature
- Cash back accrued employee entitlements and
- To temporarily retain any surpluses or unspent grant funding that may arise from various activities to ensure it is set aside for those specific activities or grant.

Asset replacement reserves are based on Asset Management Plans that have been prepared which seek to identify the value and timing of asset replacements as and when they reach the end of the service life. The value of asset replacement reserves does not equate to the full value of the particular asset class because the replacement of assets takes place on a rolling basis and is not of the same value in each year. The amount required to be maintained in reserves should be sufficient to meet planned asset renewal expenditure in any one year.



Reserves accounts with a balance in excess of \$1 million are as follows:

Reserve	Purpose
Commercial Refuse Reserve	<p>Used for the acquisition, replacement or upgrade of commercial refuse bins, vehicles, plant and equipment used for commercial waste operations and the development of commercial waste opportunities.</p> <p>Funds set aside in this reserve represent the surplus arising from commercial waste operations.</p>

Community Facilities Reserve	<p>Used for the provision of new, renewed or upgraded community facilities/buildings.</p> <p>Funds set aside in this reserve represent the amount identified in the Asset Management Plans for renewal of community facilities at the end of their usable life. Transfers from the reserve represent the actual capital expenditure on community facilities.</p>
Fleet Services Vehicles, Plant and Equipment Replacement Reserve	<p>Used to fund the purchase of replacement vehicles, plant and equipment.</p> <p>This reserve acts as a smoothing tool for the Fleet Replacement Programme as the net cost of purchases vs sales varies considerably from year to year. Transfers to this reserve represent the amount required as per the fleet asset management plans. Transfers from the reserve represents the actual expenditure incurred on the purchase of fleet plant and equipment.</p>
Infrastructure Asset Management Reserve	<p>Used to fund infrastructure asset management projects including the construction, maintenance and renewal of the City's Road, path, kerbing, street furniture, park structures, playground, irrigation/reticulation and drainage infrastructure assets.</p> <p>The Reserve acts as a smoothing mechanism for capital expenditure on these asset classes which can vary significantly from year to year. The amount transferred into the Reserve is informed by the long-term asset management plans which predict the amount required for renewal of infrastructure assets when they reach the end of their service life. The transfers from the Reserves represent the actual capital expenditure on Infrastructure assets during the year.</p>
Information Technology Reserve	<p>Used to fund the acquisition and replacement of computer software, information technology hardware and costs of utilisation of service-based and emerging technologies.</p> <p>This Reserve acts as a smoothing tool for the Information Technology Programme. Transfers to the reserve represent the amounts estimated to be required in the IT asset management plan. Transfers from the reserve represents actual expenditure on reserve purposes.</p>
Land and Property Reserve	<p>Used to fund land and property purchases.</p> <p>Transfers to this reserve are now limited to interest earnings on the balance of the reserve. Transfers from the reserve represent actual expenditure on land and property purchases.</p>

<p>Leave Entitlements Reserve</p>	<p>Used to fund the non-current liability amount of employee leave entitlements beyond the amount provided for the Provision for Leave current liability account.</p> <p>Transfers to this reserve are limited to investment earnings on the reserve balance in order to maintain the real value of the reserve.</p>
<p>New / Upgrade Works Reserve</p>	<p>Used to fund the “New” and “Upgrade” components of the costs of the Infrastructure Capital Works and Buildings as opposed to renewal of existing assets.</p> <p>Funds set aside in this reserve represent 80% of each year's predicted rates revenue growth as a result of new buildings becoming rateable during the year. This excluded any additional revenue that will be raised from Melville City Centre redevelopments which are set aside to help fund the new Melville City Centre Library and Cultural building. Transfers from the reserve represent expenditure on new or upgrade works.</p>
<p>Organisational Environmental Sustainability Initiatives Reserve</p>	<p>Used to fund environmental initiatives which are intended to reduce the energy usage and/or carbon footprint of the City of Melville as an organisation.</p> <p>Funds set aside in this reserve represent a fixed amount per annum. Funds transferred from the reserve represent expenditure on environmental initiatives.</p>
<p>Public Open Space and Urban Forest Reserve</p>	<p>Used to fund the purchase, development and redevelopment of Public Open Spaces and the enhancement of the Urban Forest.</p> <p>1% of Rate Revenue is currently transferred to this Reserve annually.</p>
<p>Recreation Centres Specialised Plant, Equipment and Structures Reserve</p>	<p>Used to fund the costs of specialised plant, equipment and structures specific to the City's recreation centres.</p> <p>Amounts set aside in the reserve include investment earnings on the reserve balance plus the estimated average amount required to replace the assets as they reach the end of their service life as per the City Recreation Centre Asset Management Plans. Funds transferred from the reserve represent expenditure on specialised recreation centre plant, equipment and structures.</p>
<p>Refuse Bins Reserve</p>	<p>Used to fund the purchase and replacement of residential refuse bins or receptacles.</p> <p>Funds set aside in the Reserves include investment earnings of the reserve balance plus \$200,000 per annum from 2028-2029 financial year on. Funds transferred from the reserve represent actual expenditure on bins.</p>

Refuse Facilities Reserve	Used for payments relating to the establishment and operation of waste management facilities and rehabilitation works of former refuse tip sites. Also used to fund additional waste disposal costs associated with storm, disaster or major pollution events.
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Borrowings

The City's policy regarding loan borrowings can be found on the following link [Borrowings and Asset Financing Policy CP-024](#). The City has a preferred position of remaining debt-free (except for self-supporting loans) but recognises that borrowing funds is appropriate when certain conditions as outlined in the Policy are met. The City recognises that in order to ensure intergenerational equity in funding the acquisition, renewal or construction of new assets, it may need to resort to the prudent use of loan borrowings.

The Long-Term Financial Model provides for loan borrowings of \$24,516,511 in 2026-2027 and \$10,483,489 in 2027-2028. This will partially fund the construction and fit-out of the new Library and Cultural Centre building in the Melville City Centre with the balance being funded from City of Melville Reserve funds and government grants. Debt servicing costs for this principal and interest loan of \$3.6 million per annum have been factored into the Model from 2026-2027 onwards.

The City's Debt Service Ratio remains in a healthy position over the 10-year period of the Plan with an Advanced ratio outcome being > 5.00

2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2023 0-2031	2031-2032	2032-2033	2033-2034
118.3	115.0	141.9	9.6	10.7	11.4	12.2	12.4	13.5	14.0
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10

Key Issues/Challenges

The City is addressing several key challenges that could influence our long-term financial outlook.

- **Inflation and Rising Costs:** The recent increases in the Consumer Price Index (CPI) have raised the cost of living and impacted salaries, wages, and materials. Despite these challenges, we are proactively managing these cost pressures by exploring efficient solutions and cost-effective measures to ensure that we continue to provide high-quality services and maintain our assets effectively.
- **Careful Service Expansion:** Given the financial pressures of maintaining current assets and services, we are thoughtfully evaluating the introduction of any proposed new services or assets. Our established framework allows us to review both existing and potential services to ensure that we balance productivity, efficiency, and alternative revenue sources. This careful approach helps us avoid significant rate increases in the long run.
- **Operating Position:** The 2024-2025 budget shows an operating deficit of \$3.4 million, with an operating surplus ratio of -2.4%. (This includes \$32 million in depreciation expenses, which is a non-cash cost). Our goal is to achieve a consistently positive ratio, which is crucial for replacing assets and funding new projects. Although we are forecasting deficits in the initial years of our plan, we are confident in our ability to return to surplus in the subsequent years. We will address this through strategic annual business planning and budget adjustments. It's important to note that capital grants for asset construction are not included in the operating position but are vital for funding new assets.
- **Asset Renewal and Deferred Liabilities:** To avoid deferred liabilities, we are focusing on the renewal of major asset classes, including:
 - **Infrastructure Assets:** As of 30 June, 2023, our infrastructure assets, valued at \$1.3 billion, have accumulated depreciation of \$435 million (38% of replacement value). We have \$43 million in replacement reserves (10% of accumulated depreciation), which supports our ongoing maintenance and renewal efforts.
 - **Building Assets:** Building and associated plant and equipment assets are 54% depreciated. With \$203 million in accumulated depreciation and \$18.8 million in replacement reserves (9.2% of accumulated depreciation), we are committed to managing and renewing these assets to meet community needs.
- **Development and Upgrades:** We are investing in key developments such as the Booragoon Activity Centre, including a new Library and Cultural facility. We are also working on enhancing green public spaces to serve our growing population and upgrading sporting change rooms to contemporary standards.

By addressing these challenges with strategic planning and careful management, we are committed to maintaining and improving our city's infrastructure and services for the benefit of our community.

Proactive Actions

To address the identified challenges and enhance our financial and operational strategies, we are implementing the following proactive measures:

- **Enhanced Grant Acquisition:** We will bolster our efforts to secure government grants by appointing an Advocacy and Grants Officer. This dedicated role will focus on identifying opportunities, preparing grant applications, and advocating for increased capital grants.
- **Optimising Land Assets:** We will explore additional revenue opportunities from our freehold landholdings by reviewing the Land Asset Management Plan. Strategic sites will be considered for long-term ground leases, ensuring that land remains under community ownership while generating revenue.
- **Energy Cost Savings:** Our commitment to becoming carbon neutral is expected to lead to significant energy cost savings. These savings have been incorporated into our financial planning, supporting both environmental goals and cost efficiency.
- **Digital Strategy Implementation:** By advancing our Digital Strategy, we will leverage technology to enhance customer experiences and improve service delivery efficiency, leading to reduced costs and improved operations.
- **Service and Asset Efficiency:** We will conduct regular reviews of our service plans and asset strategies to identify and implement efficiency improvements across the City's operations, ensuring optimal performance and cost-effectiveness.
- **Regional Resource Recovery Review:** We are reviewing our participation in the Regional Resource Recovery Group with the City of Fremantle to identify and reduce overheads associated with membership. The anticipated savings from this review have been factored into our financial plan.

These measures are designed to strengthen our financial position, improve service delivery, and ensure sustainable management of City assets and resources.

Scenario Modelling and Sensitivity Analysis

The Long Term Financial Plan (LTFP) provides a comprehensive view of the City's financial outlook over the next decade. While we strive to create an accurate and forward-looking plan, it's important to recognise that actual outcomes can be influenced by unforeseen changes.

Key Financial Elements and Projections

Rates Revenue: The City has significant control over its rates revenue, which currently accounts for about 76% of total revenue. This reliance is projected to grow, reaching 80% by 2033-2034. A 1% increase in rates generates \$1.1 million in 2024-2025 and \$1.57 million by 2033-2034. Therefore, decisions regarding rate increases are crucial as they directly affect the City's financial stability and the capacity of ratepayers to manage cost-of-living pressures.

Fees and Charges: Fees and charges contribute an average of 11% to the City's revenue, with this percentage decreasing slightly over time. Revenue from these sources is sensitive to changes in demand. While increasing fees might boost revenue, it could also affect demand. Since service costs have both fixed and variable components, reducing fees might not lower costs proportionally, but increased patronage can enhance financial outcomes by spreading fixed costs across more users.

Investment Income: Projected based on a 4% interest rate, investment income accounts for about 4.1% of total revenue, averaging \$7 million per year. A drop to 3% would reduce revenue by approximately \$1.7 million annually. If this shortfall needs to be covered by rates, it would equate to a 1.3% rate increase.

Grant Funding: The City receives around \$5.4 million annually in grant funding from external sources, including \$2.9 million from Federal Assistance General Grants and \$1.5 million from Federal Assistance Road Grants. This source of revenue is decreasing as a proportion of total revenue, from 3.6% in 2024-2025 to 2.9% in 2033-2034. Any reduction in grant funding might necessitate either service level adjustments or an increase in rates if alternative revenue sources are not identified.

Expenditure Breakdown

Employee Costs: Representing an average of 45.0% of total expenditure, employee costs (2024/25 \$66 million, Average \$78 million) are projected to rise by approximately 3.5% pa. A 1% increase in these costs equals approximately \$780,000, or 0.6% of rates revenue.

Materials and Contracts: This category accounts for about 26.5% of total expenditure (\$45.7 million). Its proportion is expected to decrease from 28.1% in 2025-2026 to 25.7% by 2033-2034. A 1% increase here represents \$457,000 annually, or 0.34% of rates revenue.

Depreciation: Averaging 24.1% of total expenditure (\$41.9 million), depreciation is a non-cash expense that grows from 22.3% in 2024-2025 to 24.6% by 2033-2034. Although depreciation itself does not directly impact rates, it indicates the minimum amount needed for asset renewal, which is funded through transfers to reserves based on Asset Management Plans.

Other Expenses: Utility charges, finance costs, insurance, and miscellaneous expenses make up 4.4% of total expenditure. Finance costs are expected to rise by \$2.1 million in 2027-2028 due to a new loan for the Library and Cultural Centre in Melville City Centre. These increased costs will be offset by higher rating revenue from new developments in the area.

By closely monitoring these elements and adapting our strategies, we aim to maintain financial stability and effectively manage the City's resources over the long term.

Risk Assessment of Major Projects

The redevelopment of Melville City Centre stands as the most ambitious and transformative project the City will undertake over the life of this Long-Term Financial Plan (LTFP). This exciting initiative will feature a mix of City and private sector investments, creating a vibrant and dynamic urban hub.

We anticipate that private sector contributions to the City Centre will surpass \$800 million. This significant investment will bring new opportunities to the area, contributing to its growth and prosperity.

The City is committed to investing \$60 million into the project for the construction of the new library & cultural centre. This includes \$35 million in loan borrowings, \$10 million in government grants, and the remaining funds from City Reserve accounts. This strategic funding approach reflects our dedication to enhancing the City Centre and maximising its potential.

We are proactively managing potential risks associated with the project, including cost variations. Identifying and addressing these variations early in the planning and design phase will help ensure the project stays on track. If adjustments are needed, we are prepared to reassess the project scope to maintain its viability and our flexible approach will ensure that we adapt to changing circumstances effectively.

Overall, the redevelopment of Melville City Centre represents a thrilling opportunity for the City, promising substantial growth and a positive impact on our community. We are excited about the potential this project holds and are committed to its successful realisation.

Financial Statements

Statement of Comprehensive Income

The purpose of the Statement of Comprehensive Income is to identify the cost of goods and services provided, and the extent to which costs are recovered from revenues over the period.

Statement of Cash Flows

Cash flow information demonstrates the ability of an organisation to generate cash and cash equivalents and the need to utilise cash.

Rate Setting Statement

The Rate Setting Statement is a summary of all operating and capital sources of funds and the application of those funds.

Statement of Financial Position

The Statement of Financial Position is the equivalent of a Balance Sheet and provides a snapshot of the overall financial position.

Equity Statement

The Equity Statement reconciles the opening and closing balances of each class of equity. It identifies how the operating result has impacted upon equity.

Capital Expenditure Projections

Capital expenditure is shown by class and by the asset management principles of 'renewal' and 'new/upgrade'.

Statement of Comprehensive Income – by Nature or Type

Statement of Comprehensive Income										
Long Term Financial Plan - 10 Years - 2024-2025 to 2033-2034										
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue										
Rates	107,684	112,806	120,474	127,197	132,378	137,581	141,944	146,444	151,872	156,684
Grants, subsidies and contributions	5,190	5,242	5,294	5,347	5,401	5,455	5,509	5,564	5,620	5,676
Fees and charges	16,576	17,162	17,546	18,480	18,882	19,294	19,715	20,146	20,587	21,038
Service charges	2,775	3,013	3,209	3,404	3,498	3,595	3,695	3,798	3,904	4,012
Interest revenue	9,845	7,494	6,405	6,058	5,899	6,169	6,427	6,627	7,030	7,870
Profit on sale of assets	-	-	-	-	-	-	-	-	-	-
Other revenue	984	2,109	3,433	983	981	987	995	1,004	1,013	1,022
	143,053	147,826	156,361	161,468	167,038	173,082	178,284	183,582	190,025	196,303
Expenditure										
Employee costs	(66,070)	(69,335)	(72,533)	(74,794)	(76,957)	(79,184)	(81,726)	(84,084)	(86,511)	(89,010)
Materials and contracts	(40,575)	(43,562)	(44,164)	(44,394)	(44,668)	(46,336)	(46,626)	(48,367)	(48,447)	(50,149)
Utility charges	(4,344)	(4,336)	(4,234)	(4,204)	(4,089)	(3,965)	(4,051)	(4,139)	(4,229)	(4,320)
Depreciation	(32,666)	(35,019)	(37,785)	(41,288)	(42,885)	(44,040)	(44,705)	(45,894)	(46,790)	(48,028)
Finance costs	(51)	(41)	(32)	(2,099)	(1,997)	(1,897)	(1,793)	(1,683)	(1,567)	(1,444)
Insurance	(1,411)	(1,444)	(1,479)	(1,561)	(1,598)	(1,636)	(1,675)	(1,715)	(1,756)	(1,797)
Loss on sale of assets	-	-	-	-	-	-	-	-	-	-
Other expenditure	(1,295)	(1,038)	(1,218)	(166)	(230)	(295)	(166)	(272)	(340)	(518)
	(146,412)	(154,776)	(161,445)	(168,506)	(172,424)	(177,354)	(180,742)	(186,154)	(189,640)	(195,267)
Subtotal	(3,359)	(6,950)	(5,084)	(7,038)	(5,386)	(4,272)	(2,458)	(2,571)	385	1,035
Capital grants, subsidies and contributions	5,378	9,564	6,906	8,383	3,427	3,413	3,386	3,429	3,472	6,704
Net result	2,020	2,614	1,822	1,345	(1,960)	(858)	928	857	3,858	7,739
Other comprehensive income										
Changes on revaluation of assets	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	2,020	2,614	1,822	1,345	(1,960)	(858)	928	857	3,858	7,739

Statement of Cash Flows

Statement of Cash Flows										
Long Term Financial Plan - 10 Years - 2024-2025 to 2033-2034										
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities										
Receipts										
Rates	107,684	112,806	120,474	127,197	132,378	137,581	141,944	146,444	151,872	156,684
Service charges	2,775	3,013	3,209	3,404	3,498	3,595	3,695	3,798	3,904	4,012
Grants, subsidies and contributions	5,190	5,242	5,294	5,347	5,401	5,455	5,509	5,564	5,620	5,676
Fees and charges	16,576	18,756	17,033	18,173	18,548	18,931	19,403	19,828	20,200	20,661
Interest received	9,845	7,494	6,405	6,058	5,899	6,169	6,427	6,627	7,030	7,870
Other revenue	984	2,109	3,433	983	981	987	995	1,004	1,013	1,022
	143,053	149,420	155,849	161,161	166,704	172,719	177,972	183,265	189,639	195,926
Payments										
Employee costs	(66,070)	(69,335)	(72,533)	(74,794)	(76,957)	(79,184)	(81,726)	(84,084)	(86,511)	(89,010)
Materials and contracts	(43,439)	(42,661)	(43,579)	(43,860)	(44,320)	(45,770)	(46,218)	(47,734)	(48,058)	(49,491)
Utility charges	(4,344)	(4,336)	(4,234)	(4,204)	(4,089)	(3,965)	(4,051)	(4,139)	(4,229)	(4,320)
Finance costs	(51)	(41)	(32)	(2,099)	(1,997)	(1,897)	(1,793)	(1,683)	(1,567)	(1,444)
Insurance paid	(1,411)	(1,444)	(1,479)	(1,561)	(1,598)	(1,636)	(1,675)	(1,715)	(1,756)	(1,797)
Other expenditure	(696)	(1,038)	(1,218)	(166)	(230)	(295)	(166)	(272)	(340)	(518)
	(116,011)	(118,855)	(123,075)	(126,685)	(129,191)	(132,747)	(135,628)	(139,626)	(142,461)	(146,580)
Net cash provided (used by) operating activities	27,043	30,565	32,775	34,477	37,513	39,972	42,344	43,638	47,178	49,345
Cash flows from investing activities										
Payments for purchase of furniture and equipment	(3,765)	(3,705)	(5,357)	(3,740)	(3,601)	(2,915)	(2,431)	(3,201)	(3,125)	(4,129)
Payments for purchase of plant and equipment	(2,029)	(2,132)	(3,330)	(3,205)	(4,406)	(7,946)	(7,194)	(2,944)	(2,561)	(4,024)
Payments for development of land and buildings	(21,111)	(36,012)	(39,669)	(21,783)	(3,964)	(2,774)	(6,607)	(6,083)	(7,365)	(6,481)
Payments for construction of infrastructure assets	(26,621)	(29,847)	(31,078)	(31,022)	(25,122)	(26,995)	(28,005)	(27,516)	(25,873)	(33,953)
Capital grants, subsidies and contributions	5,378	9,564	6,906	8,383	3,427	3,413	3,386	3,429	3,472	6,704
Proceeds from disposal of assets	468	179	754	580	798	1,703	1,381	810	6,938	1,269
Proceeds from carawatha	-	3,375	2,450	-	-	-	-	-	-	-
	(47,680)	(58,577)	(69,323)	(50,787)	(32,869)	(35,513)	(39,471)	(35,505)	(28,513)	(40,614)
Net cash provided (used by) investing activities	(47,680)	(58,577)	(69,323)	(50,787)	(32,869)	(35,513)	(39,471)	(35,505)	(28,513)	(40,614)
Cash flows from financing activities										
Inflows from financing activities										
Recoup from self supporting loans	189	183	189	199	122	71	38	39	40	41
Repayment of self supporting loans	(210)	(203)	(199)	(199)	(122)	(71)	(38)	(39)	(40)	(41)
Repayment of borrowings	-	-	-	(1,493)	(1,584)	(1,681)	(1,783)	(1,892)	(2,007)	(2,129)
New borrowings	-	-	24,517	10,483	-	-	-	-	-	-
Receipts / (payments) of term deposits	21,000	29,000	13,000	8,000	(4,000)	(3,000)	(2,000)	(7,000)	(17,000)	(7,000)
Net cash provided (used by) financing activities	20,980	28,980	37,506	16,990	(5,584)	(4,681)	(3,783)	(8,892)	(19,007)	(9,129)
Net cash increase / (decrease)	343	967	958	680	(940)	(222)	(910)	(759)	(343)	(398)
Cash at beginning of the year	40,377	40,719	41,686	42,644	43,324	42,384	42,162	41,251	40,492	40,150
Cash and cash equivalents at the end of the year	40,719	41,686	42,644	43,324	42,384	42,162	41,251	40,492	40,150	39,752

Statement of Financial Activity (Rate Setting Statement) – by Nature or Type

Statement of Financial Activity										
Long Term Financial Plan - 10 Years - 2024-2025 to 2033-2034										
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Activities										
Revenue from operating activities										
General rates	107,684	112,806	120,474	127,197	132,378	137,581	141,944	146,444	151,872	156,684
Operating grants, subsidies and contributions	5,190	5,242	5,294	5,347	5,401	5,455	5,509	5,564	5,620	5,676
Fees and charges	16,576	17,162	17,546	18,480	18,882	19,294	19,715	20,146	20,587	21,038
Service charges	2,775	3,013	3,209	3,404	3,498	3,595	3,695	3,798	3,904	4,012
Interest revenue	9,845	7,494	6,405	6,058	5,899	6,169	6,427	6,627	7,030	7,870
Profit on sale of assets	-	-	-	-	-	-	-	-	-	-
Other revenue	984	2,109	3,433	983	981	987	995	1,004	1,013	1,022
	143,053	147,826	156,361	161,468	167,038	173,082	178,284	183,582	190,025	196,303
Expenditure from operating activities										
Employee costs	(66,070)	(69,335)	(72,533)	(74,794)	(76,957)	(79,184)	(81,726)	(84,084)	(86,511)	(89,010)
Materials and contracts	(40,575)	(43,562)	(44,164)	(44,394)	(44,668)	(46,336)	(46,626)	(48,367)	(48,447)	(50,149)
Utility charges	(4,344)	(4,336)	(4,234)	(4,204)	(4,089)	(3,965)	(4,051)	(4,139)	(4,229)	(4,320)
Depreciation	(32,666)	(35,019)	(37,785)	(41,288)	(42,885)	(44,040)	(44,705)	(45,894)	(46,790)	(48,028)
Finance costs	(51)	(41)	(32)	(2,099)	(1,997)	(1,897)	(1,793)	(1,683)	(1,567)	(1,444)
Insurance	(1,411)	(1,444)	(1,479)	(1,561)	(1,598)	(1,636)	(1,675)	(1,715)	(1,756)	(1,797)
Loss on sale of assets	-	-	-	-	-	-	-	-	-	-
Other expenditure	(1,295)	(1,038)	(1,218)	(166)	(230)	(295)	(166)	(272)	(340)	(518)
	(146,412)	(154,776)	(161,445)	(168,506)	(172,424)	(177,354)	(180,742)	(186,154)	(189,640)	(195,267)
Operating activities excluded from budget										
(Profit)/Loss on Asset Disposals	-	-	-	-	-	-	-	-	-	-
Depreciation	33,265	35,019	37,785	41,288	42,885	44,040	44,705	45,894	46,790	48,028
	33,265	35,019	37,785	41,288	42,885	44,040	44,705	45,894	46,790	48,028
Amount attributable to operating activities	29,907	28,069	32,701	34,249	37,499	39,769	42,248	43,323	47,176	49,064
Investing Activities										
Inflows from investing activities										
Capital grants, subsidies and contributions	5,378	9,564	6,906	8,383	3,427	3,413	3,386	3,429	3,472	6,704
Proceeds from disposal of assets	468	179	754	580	798	1,703	1,381	810	6,938	1,269
Proceeds from Carawatha investment	-	3,375	2,450	-	-	-	-	-	-	-
New borrowings	-	-	24,517	10,483	-	-	-	-	-	-
Recoup from self supporting loans	197	183	189	199	122	71	38	39	40	41
	6,043	13,301	34,816	19,645	4,347	5,187	4,805	4,277	10,450	8,014
Outflows from investing activities										
Purchase of furniture and equipment	(3,765)	(3,705)	(5,357)	(3,740)	(3,601)	(2,915)	(2,431)	(3,201)	(3,125)	(4,129)
Purchase of plant and equipment	(2,029)	(2,132)	(3,330)	(3,205)	(4,406)	(7,946)	(7,194)	(2,944)	(2,561)	(4,024)
Purchase of land and buildings	(21,111)	(36,012)	(39,669)	(21,783)	(3,964)	(2,774)	(6,607)	(6,083)	(7,365)	(6,481)
Purchase of infrastructure assets	(26,621)	(29,847)	(31,078)	(31,022)	(25,122)	(26,995)	(28,005)	(27,516)	(25,873)	(33,953)
	(53,526)	(71,695)	(79,433)	(59,750)	(37,093)	(40,629)	(44,238)	(39,744)	(38,924)	(48,587)
Amount attributable to investing activities	(47,483)	(58,394)	(44,618)	(40,105)	(32,747)	(35,442)	(39,433)	(35,466)	(28,473)	(40,573)
Financing activities										
Inflows from financing activities										
Transfers from reserve	51,054	67,275	52,640	46,140	38,364	41,663	45,190	41,705	40,113	47,166
	51,054	67,275	52,640	46,140	38,364	41,663	45,190	41,705	40,113	47,166
Outflows from financing activities										
Repayment of self supporting loan	(197)	(203)	(199)	(199)	(122)	(71)	(38)	(39)	(40)	(41)
Repayment of borrowings	-	-	-	(1,493)	(1,584)	(1,681)	(1,783)	(1,892)	(2,007)	(2,129)
Transfers to reserve	(33,281)	(36,746)	(40,525)	(38,593)	(41,410)	(44,238)	(46,183)	(47,631)	(56,769)	(53,487)
	(33,478)	(36,949)	(40,724)	(40,285)	(43,116)	(45,989)	(48,005)	(49,562)	(58,816)	(55,657)
Amount attributable to financing activities	17,576	30,326	11,916	5,855	(4,752)	(4,326)	(2,815)	(7,856)	(18,702)	(8,490)
Movement in surplus or deficit										
Surplus at start of financial year	-	-	-	-	-	-	-	-	-	-
Amount attributable to operating activities	29,907	28,069	32,701	34,249	37,499	39,769	42,248	43,323	47,176	49,064
Amount attributable to investing activities	(47,483)	(58,394)	(44,618)	(40,105)	(32,747)	(35,442)	(39,433)	(35,466)	(28,473)	(40,573)
Amount attributable to financing activities	17,576	30,326	11,916	5,855	(4,752)	(4,326)	(2,815)	(7,856)	(18,702)	(8,490)
Surplus/(deficit) funds remaining after the imposition of general rates	-									

Statement of Financial Position

Statement of Financial Position										
Long Term Financial Plan - 10 Years - 2024-2025 to 2033-2034										
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets										
Current assets										
Cash & Cash Equivalents	40,719	41,686	42,644	43,324	42,384	42,162	41,251	40,492	40,150	39,752
Trade and other receivables	10,464	8,870	9,382	9,688	10,022	10,385	10,697	11,015	11,402	11,778
Other financial assets	73,877	44,877	31,877	23,877	27,877	30,877	32,877	39,877	56,877	63,877
Inventories	161	161	161	161	161	161	161	161	161	161
Other assets	1,805	1,805	1,805	1,805	1,805	1,805	1,805	1,805	1,805	1,805
Total current assets	127,025	97,398	85,869	78,855	82,249	85,389	86,791	93,350	110,394	117,373
Non current assets										
Trade and other receivables	1,892	1,709	1,520	1,321	1,200	1,129	1,091	1,052	1,012	971
Other financial assets	12,907	9,532	7,082	7,082	7,082	7,082	7,082	7,082	7,082	7,082
Property, plant & equipment	533,046	562,387	595,835	607,304	601,162	595,277	592,376	585,619	573,386	567,793
Infrastructure	729,002	736,158	743,605	750,018	749,571	750,341	751,394	751,192	748,620	753,502
Investment property	58,983	58,983	58,983	58,983	58,983	58,983	58,983	58,983	58,983	58,983
	1,335,830	1,368,769	1,407,024	1,424,708	1,417,996	1,412,812	1,410,925	1,403,927	1,389,082	1,388,331
Total Assets	1,462,855	1,466,168	1,492,893	1,503,562	1,500,245	1,498,201	1,497,716	1,497,277	1,499,476	1,505,704
Liabilities										
Current liabilities										
Trade and other payables	17,062	17,964	18,549	19,083	19,431	19,997	20,405	21,039	21,427	22,086
Contract liabilities	3,532	3,532	3,532	3,532	3,532	3,532	3,532	3,532	3,532	3,532
Borrowings	203	199	1,692	1,706	1,752	1,821	1,931	2,047	2,170	2,286
Employee related provisions	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683
Total current liabilities	30,479	31,377	33,456	34,003	34,397	35,033	35,551	36,300	36,812	37,586
Non current liabilities										
Trade and other payables	855	855	855	855	855	855	855	855	855	855
Other liabilities	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Borrowings	795	596	23,420	32,197	30,446	28,624	26,693	24,647	22,477	20,191
Employee related provisions	754	754	754	754	754	754	754	754	754	754
Other provisions	6,590	6,590	6,590	6,590	6,590	6,590	6,590	6,590	6,590	6,590
Total non current liabilities	10,294	10,095	32,919	41,696	39,945	38,123	36,192	34,146	31,976	29,690
Total Liabilities	40,773	41,471	66,374	75,699	74,341	73,156	71,743	70,446	68,787	67,276
Net Assets	1,422,082	1,424,696	1,426,518	1,427,863	1,425,903	1,425,045	1,425,973	1,426,831	1,430,689	1,438,428
Equity										
Retained surplus	421,352	454,495	468,432	477,324	472,319	468,886	468,821	463,753	450,955	452,374
Reserve accounts	96,749	66,221	54,105	46,558	49,604	52,178	53,171	59,097	75,752	82,073
Revaluation surplus	903,981	903,981	903,981	903,981	903,981	903,981	903,981	903,981	903,981	903,981
Total Equity	1,422,082	1,424,696	1,426,518	1,427,863	1,425,903	1,425,045	1,425,973	1,426,831	1,430,689	1,438,428

Statement of Changes in Equity

Statement of Changes in Equity										
Long Term Financial Plan - 10 Years - 2024-2025 to 2033-2034										
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Equity										
Retained surplus										
Balance at beginning of year	401,559	421,352	454,495	468,432	477,324	472,319	468,886	468,821	463,753	450,955
Net result for the period	2,020	2,614	1,822	1,345	(1,960)	(858)	928	857	3,858	7,739
Transfers from reserves	64,054	72,275	52,640	46,140	38,364	41,663	45,190	41,705	40,113	47,166
Transfers to reserves	(46,281)	(41,746)	(40,525)	(38,593)	(41,410)	(44,238)	(46,183)	(47,631)	(56,769)	(53,487)
Balance at end of year	421,352	454,495	468,432	477,324	472,319	468,886	468,821	463,753	450,955	452,374
Reserve accounts										
Balance at beginning of year	114,522	96,749	66,221	54,105	46,558	49,604	52,178	53,171	59,097	75,752
Transfers from retained surplus	46,281	41,746	40,525	38,593	41,410	44,238	46,183	47,631	56,769	53,487
Transfers to retained surplus	(64,054)	(72,275)	(52,640)	(46,140)	(38,364)	(41,663)	(45,190)	(41,705)	(40,113)	(47,166)
Balance at end of year	96,749	66,221	54,105	46,558	49,604	52,178	53,171	59,097	75,752	82,073
Revaluation surplus										
Balance at beginning of year	903,981	903,981	903,981	903,981	903,981	903,981	903,981	903,981	903,981	903,981
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Balance at end of year	903,981									
Total Equity	1,422,082	1,424,696	1,426,518	1,427,863	1,425,903	1,425,045	1,425,973	1,426,831	1,430,689	1,438,428

Statement of Capital Expenditure

Long Term Financial Plan - 10 Years - 2024-2025 to 2033-2034										
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Furniture and Equipment										
Furniture and Fittings										
Renewal	456	605	776	954	545	932	849	1,021	480	751
New/Upgrade	300	314	322	329	337	345	353	362	370	379
	756	920	1,098	1,284	883	1,277	1,203	1,383	850	1,130
Computer and Electronic Equipment										
Renewal	2,489	2,305	3,723	2,015	2,271	1,185	770	1,352	1,803	2,471
New/Upgrade	300	250	300	200	200	200	200	200	200	250
	2,789	2,555	4,023	2,215	2,471	1,385	970	1,552	2,003	2,721
Artwork										
Renewal	-	-	-	-	-	-	-	-	-	-
New/Upgrade	220	231	236	242	247	253	259	265	272	278
	220	231	236	242	247	253	259	265	272	278
Total Furniture and Equipment	3,765	3,705	5,357	3,740	3,601	2,915	2,431	3,201	3,125	4,129
Plant and Equipment										
Plant and Equipment										
Renewal	192	601	218	287	267	277	337	366	196	611
New/Upgrade	-	-	-	-	-	-	-	-	-	-
	192	601	218	287	267	277	337	366	196	611
Fleet and Mobile Plant										
Renewal	1,836	1,069	2,070	2,268	2,525	5,774	4,243	1,762	1,410	1,673
New/Upgrade	-	462	1,041	649	1,614	1,895	2,615	816	955	1,740
	1,836	1,531	3,112	2,918	4,138	7,669	6,857	2,578	2,365	3,413
Total Plant and Equipment	2,029	2,132	3,330	3,205	4,406	7,946	7,194	2,944	2,561	4,024
Land and Buildings										
Buildings - General										
Renewal	1,341	2,100	2,366	2,423	2,255	1,729	2,121	2,406	2,207	2,251
New/Upgrade	800	802	497	498	510	348	1,611	1,654	1,699	1,744
	2,141	2,902	2,863	2,921	2,764	2,077	3,731	4,060	3,905	3,995
Buildings - Specific										
Renewal	5,202	8,542	952	970	384	392	399	407	2,668	784
New/Upgrade	2,900	13,642	32,401	15,915	-	-	-	465	-	-
	8,103	22,185	33,353	16,885	384	392	399	871	2,668	784
Buildings - Community and Cultural										
Renewal	120	184	-	-	-	-	-	35	308	181
New/Upgrade	1,650	2,396	1,692	647	549	-	1,881	871	-	241
	1,770	2,580	1,692	647	549	-	1,881	906	308	422
Buildings - Sports Changerooms										
Renewal	-	-	-	-	-	-	-	-	-	-
New/Upgrade	5,678	8,225	1,578	1,209	92	-	81	0	-	-
	5,678	8,225	1,578	1,209	92	-	81	(0)	-	-
Buildings - Leisurefit Facilities										
Renewal	561	121	182	122	174	305	515	245	485	1,280
New/Upgrade	2,858	-	-	-	-	-	-	-	-	-
	3,419	121	182	122	174	305	515	245	485	1,280
Total Land and Buildings	21,111	36,012	39,669	21,783	3,964	2,774	6,607	6,083	7,365	6,481

Statement of Capital Expenditure - Continued

Long Term Financial Plan - 10 Years - 2024-2025 to 2033-2034										
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Infrastructure										
Roads										
Renewal	8,602	8,781	8,991	9,207	9,428	9,654	9,886	10,123	10,366	10,615
New/Upgrade	3,002	2,231	2,263	2,317	2,373	2,430	2,488	2,548	2,609	2,671
	11,604	11,011	11,254	11,524	11,801	12,084	12,374	12,671	12,975	13,286
Drains										
Renewal	1,585	1,635	1,966	2,013	2,061	2,111	2,161	2,213	2,266	2,321
New/Upgrade	696	738	756	774	793	812	831	851	872	893
	2,281	2,373	2,722	2,787	2,854	2,922	2,993	3,064	3,138	3,213
Footpaths										
Renewal	1,074	1,092	1,172	1,145	1,172	1,258	1,229	1,259	1,351	1,320
New/Upgrade	790	1,086	1,112	1,139	1,166	1,194	1,223	1,253	1,283	1,313
	1,864	2,178	2,284	2,284	2,339	2,453	2,452	2,511	2,634	2,633
Parks										
Renewal	5,972	5,638	6,622	3,224	4,122	4,714	5,094	4,578	3,599	6,777
New/Upgrade	3,034	6,829	6,442	9,298	2,169	2,824	3,046	2,596	1,382	5,974
	9,006	12,467	13,065	12,522	6,291	7,538	8,140	7,175	4,981	12,751
Street Furniture										
Renewal	500	378	387	396	405	415	425	435	446	456
New/Upgrade	165	174	70	182	74	191	196	201	205	83
	665	552	457	578	479	607	621	636	651	539
Irrigation										
Renewal	1,200	1,266	1,296	1,327	1,359	1,392	1,425	1,459	1,494	1,530
New/Upgrade	-	-	-	-	-	-	-	-	-	-
	1,200	1,266	1,296	1,327	1,359	1,392	1,425	1,459	1,494	1,530
Total Infrastructure	26,621	29,847	31,078	31,022	25,122	26,995	28,005	27,516	25,873	33,953
Total Capital Expenditure	53,526	71,695	79,433	59,750	37,093	40,629	44,238	39,744	38,924	48,587
Total Renewal	31,132	34,314	30,722	26,351	26,970	30,137	29,454	27,662	29,077	33,021
Total Upgrade	22,394	37,381	48,711	33,398	10,123	10,492	14,784	12,082	9,847	15,566
Grand Total	53,526	71,695	79,433	59,750	37,093	40,629	44,238	39,744	38,924	48,587

Key Performance Indicators – Financial Ratios and Financial Health Indicators

Key Performance Indicators - Financial Ratios Long Term Financial Plan - 10 Years - 2024-2025 to 2033-2034										
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CURRENT RATIO										
current assets minus restricted assets	30,276	31,178	31,763	32,297	32,645	33,211	33,620	34,253	34,642	35,300
assets	27,338	28,110	30,189	30,737	31,130	31,766	32,284	33,034	33,545	34,320
Ratio Target > or = to 1.00	1.11	1.11	1.05	1.05	1.05	1.05	1.04	1.04	1.03	1.03
OPERATING SURPLUS RATIO										
operating revenue minus operating expenses	(3,359)	(6,950)	(5,084)	(7,038)	(5,386)	(4,272)	(2,458)	(2,571)	385	1,035
own source operating revenue	137,864	142,584	151,067	156,121	161,637	167,627	172,775	178,018	184,405	190,626
Ratio Target - (+ve) > or = to 0.00. Advanced >= 0.15	-0.02	-0.05	-0.03	-0.05	-0.03	-0.03	-0.01	-0.01	0.00	0.01
	-2.4%	-4.9%	-3.4%	-4.5%	-3.3%	-2.5%	-1.4%	-1.4%	0.2%	0.5%
OWN SOURCE REVENUE RATIO										
own source operating revenue	137,864	142,584	151,067	156,121	161,637	167,627	172,775	178,018	184,405	190,626
operating expenses	146,412	154,776	161,445	168,506	172,424	177,354	180,742	186,154	189,640	195,267
Ratio Target > or = to 0.40. Advanced > 0.90	0.94	0.92	0.94	0.93	0.94	0.95	0.96	0.96	0.97	0.98
DEBT SERVICE RATIO										
annual operating surplus before interest and depreciation	29,359	28,110	32,733	36,349	39,495	41,666	44,041	45,006	48,743	50,508
principal and interest	248	244	231	3,792	3,703	3,649	3,614	3,614	3,614	3,614
Ratio Target > or = 2.00. Advanced > 5.00	118.29	114.98	141.95	9.59	10.67	11.42	12.19	12.45	13.49	13.98
ASSET SUSTAINABILITY RATIO										
capital renewal and replacement expenditure	31,132	34,314	30,722	26,351	26,970	30,137	29,454	27,662	29,077	33,021
depreciation expense	32,666	35,019	37,785	41,288	42,885	44,040	44,705	45,894	46,790	48,028
Ratio Target > or = to 0.90. Advanced > 1.10	0.95	0.98	0.81	0.64	0.63	0.68	0.66	0.60	0.62	0.69
ASSET CONSUMPTION RATIO										
depreciated replacement costs of depreciable assets	957,883	994,150	1,034,808	1,052,449	1,045,611	1,040,245	1,038,137	1,030,912	1,021,968	1,020,979
current replacement costs of depreciable assets	1,668,252	1,739,538	1,817,981	1,876,909	1,912,957	1,951,631	1,994,228	2,032,897	2,070,743	2,117,445
Ratio Target > or = to 0.50. Advanced > 0.75	0.57	0.57	0.57	0.56	0.55	0.53	0.52	0.51	0.49	0.48

Conclusion

The Long-Term Financial Plan (LTFP) is a vital roadmap for managing the City's finances over the next decade, starting from the 2024-2025 financial year. It serves as a crucial reference for future business planning and shapes the development of our Annual Budget. This Plan outlines an exciting capital expenditure program, supported in part by strategic loan borrowings.

Over the period of the Plan, we forecast a significant 37% increase in operational revenue, totalling \$53.2 million. Operational expenditure is expected to grow by 33% (\$48.9 million). The increase in forecast operating surplus amounting to \$4.4 million, will be dedicated to improving the City's financial position. This shift will transform the projected \$3.4 million deficit in 2024-2025 into a projected \$1.0 million operating surplus by 2033-2034.

The substantial capital investments in the early years of the Plan have led to an increase in depreciation, impacting the operating surplus. However, our Statement of Financial Activity (Rating Setting Statement) demonstrates that, excluding depreciation, the City's cash position is balanced each year. This means that income consistently matches expenditure, reflecting our sound financial management.

Given the many variables that can affect forecasts, long-term planning involves some degree of uncertainty. To ensure accuracy and relevance, the financial model (LTFM) will be reviewed annually following the completion of the Annual Business Planning and Budget process. Additionally, the LTFP will be formally reviewed alongside any updates to the Council Plan or significant changes to underlying assumptions.

Regular reviews of our Asset Management Plans will be conducted, as adjustments to asset lifespans can significantly impact the City's financial health. We will also pursue opportunities to reduce expenditures and enhance revenues through a structured service review process. Identifying new ways to generate revenue from our assets will be a priority, ensuring that we continue to build a vibrant and financially sustainable community.

Overall, the LTFP provides a robust framework for managing the City's finances, driving growth, and ensuring continued service excellence. We are committed to adapting and optimising our strategies to meet evolving needs and opportunities.