

STRATEGIC RESOURCE PLAN

2008-2012



Adopted by Council on 23 February 2009



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1. BACKGROUND

Under Section 122 of the Local Government Act 1999, Council must develop and adopt strategic management plans for the management of its area. The following documents comprise these strategic management plans:

1. Creating our Future City of Adelaide Strategic Plan 2008-2012 (together with supporting strategies, policies and budget documents).
2. Strategic Resource Plan 2008-2012 (including 10 Year Long Term Financial Plan and 4 Year Uniform Presentation of Finances).
3. 10 Year Infrastructure and Asset Management Plans.
4. Creating our future Background Paper (which describes links with national, state and regional objectives, and social, economic and environmental trends for the Council area).

The key objective of the *Strategic Resource Plan 2008-2012* is to ensure sustainability of Council services while also demonstrating that delivering strategic activities outlined in the Strategic Plan is achievable.

The *Strategic Resource Plan 2008-2012* also identifies other non-financial resources that Council requires to achieve its strategic objectives and assesses:

- the human resources required to deliver the Strategic Plan
- the required information technology capabilities required to ensure efficient and effective delivery of services.

2. FINANCIAL RESOURCES

A high level 10 year Long Term Financial Plan has been developed as part of Council's ongoing financial planning to assist Council to plan within a longer term strategic framework.

The key components of the plan are:

- Assessment of Council's current financial position and achieving longer term **financial sustainability**.
- Ensuring **Strategic Financial Parameters** are met in the medium term.
- Consideration of Council's appropriate **role and responsibilities**.
- Ensuring **alignment with the Strategic Plan** and maintenance of high priority expenditure programs
- Ensuring alignment with **agreed service provision and delivery standards**.
- Ensuring alignment with **Revenue and Financing guidelines**, including Rating Policy and Treasury Policy.
- Ensuring alignment with **Infrastructure and Asset Management Plans**.
- Ensuring **alignment with internal support strategies** including IT Strategic Plan 2007-11 and Organisational Development Framework.
- Ensuring all **proposed strategies are costed** before they are agreed.

The specific assumptions and outcomes underpinning the Long Term Financial Plan are:

- Strategic Financial Parameters are assumed to operate throughout the forecast period.
- Rates growth, on average, is assumed in line with forecast inflation, excluding new development
- Statutory charges reflect dollar increments or percentage increases as specified by statute.
- Parking increases correspond with recommended discrete dollar increments.
- Property Portfolio income and expenditure is based on estimated projections.
- Operating Projects are based on an extrapolation of ongoing and non-ongoing programs, subject to inflation and known changes.
- The long term financial plan assumes that the Wingfield Waste & Recycling Centre operates on an ongoing basis, although the potential sale of the centre would represent a more favourable immediate cash flow result.
- Capital expenditure is in line with Council targets, with Asset Management expenditure based on renewal commitments and Councils adopted 10 Year Infrastructure and Asset Management Plan.
- With the exception of borrowings relating to future Victoria Square redevelopment, borrowings are assumed to be used for the Property Portfolio and other income-earning assets in line with strategic parameters.
- Extra maintenance expenditure for the Strategic Enhancements budget.

3. STRATEGIC FINANCIAL PARAMETERS

Council's Strategic Financial Parameters are an important part of its medium term financial framework which operates in conjunction with the Long Term Financial Plan to promote financial sustainability. To ensure consistency with the Local Government sector, Council's strategic financial parameter targets include both sector wide financial sustainability indicators and parameters that deal more specifically with Council's fee based facilities and Property Portfolio. It is noted that due to the unique nature of the Adelaide City Council as a capital city council not all the sector wide indicators have the same relevance to the Adelaide City Council.

In summary, Council's Strategic Financial Parameters address the following:

Financial Sustainability - *Can we afford it in the long term?*

Council Role - *Should we be involved? To what extent?*

Program Stability - *Maintaining Council programs and services*

Infrastructure Management - *Are we spending enough on existing assets?*

Rating Stability - *Smoothing the impact on our ratepayers*

Funding - *Who benefits and therefore who should pay?*

Property Portfolio - *Maintaining revenue generating assets*

Fee Based Facilities Contribution - *Maintaining returns*

Borrowings and Financial Position - *When should we borrow? How much can we borrow?*

Intergenerational Equity - *Is there fairness between generations of ratepayers?*

The relationship between the Strategic Financial Parameters (including targets) and the link to the key components of the Long Term Financial Plan is described below.

3.1 Financial Sustainability

Context

Neglect of financial sustainability can erode a council's capacity to ensure that it has the financial resources to absorb cyclical economic factors, social trends and financial shocks. Funding decisions therefore play an important role in providing Council with the capacity to meet financial sustainability in the medium and long-term.

Financial sustainability is also central with regards to the important issue of intergenerational equity. Intergenerational equity (or fairness) involves the costs associated with expenditure being spread over time in accordance with the distribution of the benefits that are generated.

Intergenerational equity requires financial sustainability through the stability of revenue and costs, proportionality of revenues with benefits over time and a "balanced" operating result.

Strategic Financial Parameter Position & Targets

After widespread consideration by Local Government as a result of an independent inquiry into the financial sustainability of South Australian councils, and with input from the SA Local Government Financial Management Group, seven key financial indicators were adopted by the LGA's April 2007 General Meeting.

The seven Long-Term Financial Sustainability indicators are:

- 1: Operating Surplus
- 2: Operating Surplus Ratio
- 3: Net Financial Liabilities
- 4: Net Financial Liabilities Ratio
- 5: Interest Cover Ratio
- 6: Asset Sustainability Ratio
- 7: Asset Consumption Ratio

Each of the indicators are outlined below, and for each there is:

- A brief description of the indicator;
- The LGA Target for the indicator;
- The ACC's Result for the indicator based on the 4 year Strategic Plan.

3.1.1 Operating Surplus

Overview

This indicator represents the difference between day to day income and expenses for the period.

A Council's long-term financial sustainability is dependant upon ensuring that, on average over time, its expenses are less than associated revenues. If a Council is not generating an operating surplus in most periods then it is unlikely to be operating sustainably. The target is to achieve a breakeven (or better) operating position over any five year period.

ACC's LTFP Forecast:

LGA Target: Operating Surplus > \$0.0m over a 5 year period

ACC LTFP: Operating Surplus = \$4.1m (4 yr ave of Strategic Plan)

3.1.2 Operating Surplus Ratio

Overview

This indicator represents the percentage by which the major controllable income source varies from day to day expenses.

Financial sustainability is indicated where a Council consistently achieves operating surpluses and has soundly based projections showing that it can continue to do so in future having regard to asset management and its community's service level needs. The LGA target is to achieve an operating surplus of between 0 and 15% over any five year period. A result in excess of this may indicate that Council is setting rates and/or other fees and charges at levels well in excess of recorded costs and this has negative intergenerational equity implications.

However, as a capital city council, Adelaide City Council has significant responsibilities in improving its public realm to meet its Strategic Plan objectives. As such, a larger operating surplus (and therefore ratio) is required to fund these infrastructure requirements and not negatively impact on intergenerational equity. Therefore, Adelaide City Council considers that an operating surplus of between 0 and 20% over any five year period is more appropriate as a target.

ACC's LTFF Forecast

LGA Target: Operating Surplus > 0.0% and < 15.0% over a 5 year period

ACC Target: Operating Surplus > 0.0% and < 20.0% over a 5 year period

ACC LTFF: Operating Surplus = 5.7% (4 yr ave of Corporate Strategic Plan)

3.1.3 Net Financial Liabilities

Overview

This indicator represents the money owed to others less money held, invested or owed to Council.

A Council's indebtedness should be managed to ensure its liabilities and associated costs can be met without the prospect of disruptive service cuts and/or excessive rate increases (i.e. without impinging on financial sustainability). There is no right or wrong target level for net financial liabilities (defined as total liabilities less financial assets) as this depends on infrastructure plans. The target is that net financial liabilities are no greater than annual operating revenue and not less than zero.

ACC's LTFF Forecast

LGA Target: Net Financial Liabilities > \$0 and < Total Operating Revenue

ACC LTFF: Net Financial Liabilities (\$68m) < Total Operating Revenue (\$144m)

3.1.4 Net Financial Liabilities Ratio

Overview

This indicator represents the significance of the net amount owed compared with income.

The target for Net Financial Liabilities should be normally greater than zero. If not then it is likely to imply that a Council is willing to place a higher priority on accumulating financial assets than applying funds generated from ratepayers to the provision of services and/or infrastructure renewal. This could leave a Council open to accusations that it is overcharging ratepayers relative to its funding needs. Hence the target is that the Net Financial Liabilities Ratio be greater than 0% but less than 100% of total operating revenue.

ACC's LTFF Forecast

LGA Target: Net Financial Liabilities > 0% and < 100% of Total Operating Revenue

ACC Target: Net Financial Liabilities > 0% and < 80% of Total Operating Revenue

ACC LTFF: Net Financial Liabilities = 47.1% of Total Operating Revenue

3.1.5 Interest Cover Ratio

Overview

This indicator represents the level of income used to pay interest on loans.

The ratio needs to be managed within a range acceptable to Council having regard to long-term financial sustainability and Strategic Plan. To ensure net interest costs can be met comfortably by operating revenues, the target is that net interest is greater than 0% and less than 10% of operating revenue.

ACC's LTFFP Forecast

LGA Target: Interest Expense > 0.0% and < 10.0% of Total Operating Revenue

ACC LTFFP: Interest Expense = 2.5% of Total Operating Revenue

3.1.6 Asset Sustainability Ratio

Overview

This indicator represents the extent to which assets are being replaced at the rate they are wearing out.

Asset sustainability is best measured by comparing renewal/replacement capital expenditure with the optimal level identified in a soundly based Infrastructure and Asset Management Plan (IAMP). This approach should be used where a council is satisfied with the rigour of its IAMP. A common alternative to this is to measure capital expenditure on renewal/ replacement of assets relative to the recorded rate of depreciation of assets for the same period. This indicates whether a Council is renewing or replacing existing non-financial assets at the same rate as its overall stock of assets is wearing out.

The Adelaide City Council has completed an IAMP. As such, this ratio reflects the comparison of renewal/replacement capital expenditure with the optimal level identified in the soundly based IAMP.

ACC's LTFFP Forecast

LGA Target: Renewal/Replacement Capex > 90% but <110% of IAMP Proposed Level (over a rolling 3 year period)

ACC LTFFP: Renewal/Replacement Capex = 101% x IAMP Proposed Level

3.1.7 Asset Consumption Ratio

Overview

This indicator represents the average proportion of 'as new condition' left in assets.

The ratio shows the written down current value of depreciable assets relative to their 'as new' value in up to date prices. It highlights the aged condition of physical assets and hence the magnitude of potential future capital outlays to preserve their service potential.

In order for ACC to apply this parameter it has been necessary to make memorandum adjustments for accumulated depreciation netted against gross replacement cost. This ratio has been calculated for infrastructure assets based on the revaluation undertaken in 2007, adjusted for subsequent additions, disposals and depreciation charges. Note that the ratio has been applied to infrastructure only and excludes other asset groups such as buildings (which are mostly revalued at market value rather than written down replacement cost), land and sundry asset categories.

ACC's LTFFP Forecast

LGA Target: Asset Consumption Ratio > 40% and < 80%

ACC LTFFP: Asset Consumption Ratio = 66%

4. COUNCIL'S ROLE AND RESPONSIBILITIES

Context

Council needs to ensure that its capacity to provide core services to ratepayers and residents is not eroded through ongoing pressure to allocate its limited resources to projects relating to the broader state community which may be more appropriately funded by other jurisdictions.

For Adelaide City Council, Council needs to weigh (often competing) community expectations, its capital city role and strategic considerations and monitor changes in these over time.

The Financial Sustainability Inquiry report in 2005 noted that Councils can feel pressurised by the community to pick up service gaps left by Commonwealth and State governments and while acknowledging the exceptions, councils seem to have been willing in the past to take on additional roles without ensuring that adequate funding is available. It is therefore important that there is conscious consideration of the appropriate role of Council in projects and activities. This is particularly important for those that span over several years or involve high costs. In many circumstances it is not necessary for Council to take on an ownership role. For example, a part funder or enabler/facilitator role is more appropriate where another entity is the "best provider" in terms of core responsibilities, operational capacity or efficiency.

Council currently undertakes various services which could be considered to sit outside core business or provide a benefit to user groups beyond Council boundaries. For example the Council maintains and manages major arterial roads, has major property holdings at Wingfield for metropolitan waste management and operates the Adelaide Aquatic Centre and Connector Bus.

Strategic Financial Parameter Position

As such the objective of Council's Strategic Financial Parameter relating to Roles & Responsibilities is to ensure that Council carefully considers and defines its role in both existing and future projects and developments.

In summary, Council will decide on its role after considering the extent to which the service/project:

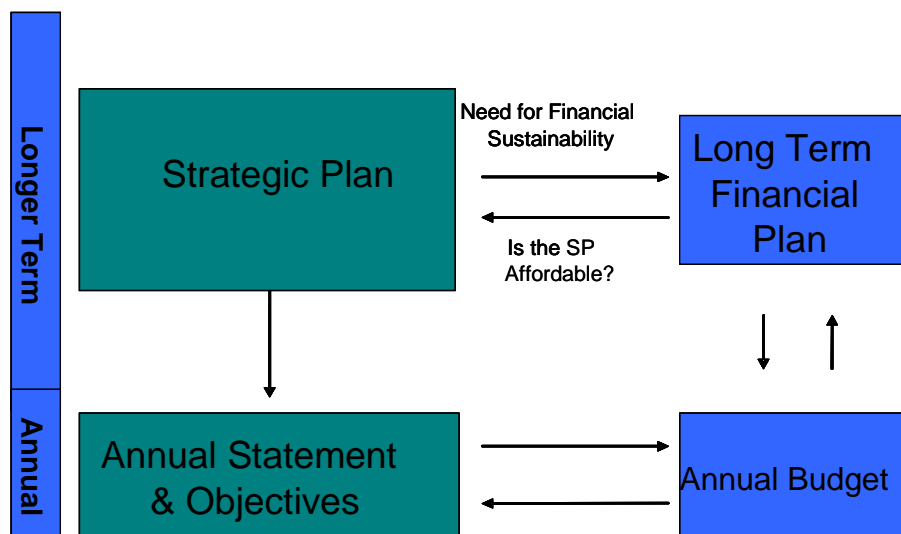
- Is a statutory obligation;
- Is required to give effect to an adopted strategy, policy or plan;
- Is reasonably within Council's core responsibility and expertise;
- Requires Council intervention to address market failure; and
- Maximises Council's effectiveness in relation to dollars spent.

5. ALIGNMENT WITH COUNCIL'S STRATEGIC PLAN

Context

Council's Strategic Plan sets out the key projects and services for the next 4 years to work towards Council's vision. This Strategic Resource Plan provides the link to Council's Strategic Plan 2008-2012 setting out Council's vision for the future of the City and the outcomes sought for the City. It recognises the need to generate greater vitality and economic prosperity by attracting more people and investment to the City centre, whilst preserving Adelaide's environment, built heritage and lifestyle.

Council's Long Term Financial Plan summarises from a financial perspective, Council's objectives for that period covered by the Strategic Plan in the context of its forecast long term financial position to ensure that a sound financial position is maintained. As part of the Annual Business Planning and Budget process the 4 year actions and objectives are more tightly defined in terms of outcomes and actions for the ensuing year. This is shown diagrammatically below.



To ensure that resources are directed to the Outcomes desired for Council's Vision for the future, it is important that measures be assigned to monitor progress and to shape new strategies and corrective actions, if required. The City Scorecard (adopted with the Strategic Plan on 27 January 2009) includes measures based on data that can be consistently collected at a reasonable frequency and at a reasonable cost.

Strategic Financial Parameter Position and Target

Council's Strategic Financial Parameters need to ensure that Council's measures and targets can be met with the resources (including funding) outlined in the Long Term Financial Plan.

6. ENSURING MAINTENANCE OF AGREED SERVICE PROVISION AND DELIVERY STANDARDS

Context

Apart from its Capital City responsibilities the Council has a basic responsibility to its ratepayers under the Local Government Act 1999 to provide the best possible value for money in managing the City's assets and delivering essential local government services. Accordingly the Council aims to:

- Demonstrate leadership in governance and management practices.
- Provide efficient and effective services.
- Effectively engage and communicate with communities, stakeholders, peers and other spheres of government.

Such Services cover the core operations of Council including community and civic services, regulatory and statutory services, infrastructure management and maintenance services and policy and planning services as well as internal corporate support services for the organisation.

Strategic Financial Parameter Position and Target

In terms of core services, Council's Long Term Financial Plan has assumed that existing service levels are maintained while seeking efficiency improvements in line with appropriate benchmarks and through the Business Excellence Program. This program aims to develop and implement an efficiency focused and corporation-wide continuous improvement framework, based on Best Value principles which will enable better planning, resourcing and delivery of services to the community.

With these key assumptions as a basis, a number of internal and external influences have been identified through discussions with management which will have a significant impact on the scope and level of services to be provided over the next four years.

7. KEY INFLUENCES ON SERVICE DELIVERY

The general influences affecting all operating revenue and expenditure include the following:

- Local Government Price Index increases on relevant goods and services, which in the past has tracked at approximately 1% above the CPI.
- Current Enterprise Agreements for most staff which provide for wages and salary increases averaging 4% from July 2008.
- A significant increase in water charges and electricity charges (including green power premium) over the last year with indications that sustainability premiums will continue into the future.
- Requirements to maintain and improve infrastructure assets to acceptable standards including the Park Lands, City roads, footpaths and lighting, and the Council's property holdings.
- Increased maintenance requirements as a result of increasing the capital works program over the last 5 or so years and the construction of public realm assets requiring increased quality of presentation.
- Service and infrastructure needs for a growing population in the City (residents, visitors, workers and students) with increases especially in the numbers of young adults and older 'empty nesters'.
- Commitments to major projects and partnership initiatives over more than one year, including Rundle Mall improvements, and partnerships such as the Capital City Committee arrangements and Education Adelaide.

As well as the general influences, there are also a number of specific influences which relate directly to service areas or activities. The most significant changes in these areas are summarised below.

- The community's expectations to see improved standards of cleansing throughout the City focusing on graffiti and chewing gum removal.
- An increased desire for sustainability initiatives including addressing climate change, enhanced waste management services and reducing the use of water.

LTFP Summary

General Operating Expenditure is budgeted to increase from \$64.142m, excluding depreciation, to \$74.627, excluding depreciation, over the 4 year period 2008-09 to 2011-12.

8. REVENUE AND FINANCING

8.1 Rating Structure

Context

In developing the Long Term Financial Plan, rates has been identified as an important source of revenue, accounting for approximately 45% of the total revenue received by Council annually. Planning for future rate increases has therefore been an important component of the Long Term Financial Planning process.

Strategic Financial Parameter Position and Target

As part of Council's Strategic Financial Parameters, Council has indicated that it wishes to achieve Rating charge predictability and stability for existing levels of service to avoid volatility and adverse future rates shocks. Methods of minimising the volatility of rate changes for individual land use categories will be pursued within legislative limits.

Target: Total General Rates Growth = On average, no greater than inflation + 2% (excluding new development).

In setting rate parameters, Council has taken into account the fact that there is a significant proportion of 'rate exempt' property within the City for which over \$13m of rate revenue is foregone. In addition, the rate revenue available for expenditure by Council is reduced by mandatory and discretionary rate rebates and remissions.

In addition, Council's current Rating Structure assumes that Council will not implement 'rate capping', preferring to offer a range of more targeted rate relief through remissions (for pensioner, low income and self funded retirees) and through the residential owner occupier grant.

LTFP Summary

The Long Term Financial Plan assumes the following in terms of rate growth over the period of the Strategic Plan.

Financial year end	2008/09	2009/10	2010/11	2011/12
Rates Growth from New Development	1.32%	1.25%	1.00%	1.00%
Rates Growth through Property Rental Values	5.82%	3.50%	3.25%	3.00%
General Rates in '000s	65,555	68,912	72,062	74,944

8.2 Other Revenue

Context

The Council operates a number of facilities on a fee for service basis. These consist of the Adelaide Aquatic Centre, Adelaide Golf Links, UPark, Adelaide Town Hall, Wingfield Waste and Recycling Centre and the Property Portfolio (including Central Market).

The facilities net revenues provide an important source of funding for Council services and programs in addition to rates revenue. Each fee based facility also provides valued facilities for the City's ratepayers and visitors, with some income foregone in providing community initiatives and other benefits.

In addition, Council generates income from statutory charges, being those set down by State Government legislation as well as other user charges relating to the recovery of service delivery costs through the charging of fees to users of Council's

services. Major revenue sources outside of the fee based facilities mentioned above include on-street parking-machine tickets and properties premises hire income.

Strategic Financial Parameter Position and Targets

The amount of funding from available sources (including user charges) will be determined with regard to benefits to users, the full cost of services, market rates, fairness, social and behavioural considerations as well as Strategic Plan objectives.

Target: User Charges Growth = On average no greater than inflation + 5% (for each classification of user charge).

Target: Increase in Total Portfolio Net Asset Market Value >= Inflation over a 5 year period.

Target: Increase in Total Portfolio Net Revenue >= Inflation over a 5 year period.

Target: Growth in Net Fee Based Facilities Contribution >= Inflation (for each facility and in total for all facilities).

LTFP Summary

The overall contribution from fee based facilities is budgeted to increase from \$15.986m (before depreciation) to \$18.123m (before depreciation) over the 4 year period 2008-09 to 2011-12. This is mainly driven from UPark operations.

Financial year end	2008/09	2009/10	2010/11	2011/12
User Charges - Fee Based Facilities	4.00%	4.00%	4.00%	4.00%
User Charges - General Operating Services	4.50%	4.00%	4.00%	4.00%
Statutory Charges - General Operating Services	3.50%	3.50%	3.25%	3.00%

8.3 Treasury Policy

Context

In developing the Long Term Financial Plan, borrowing was identified as an important funding source particularly for strategic expenditure relating to the Property Portfolio. Borrowing is undertaken in accordance with Council's Treasury Policy which underpins the Council's decision making in the funding of Council's operations in the context of cash flow, budgeting, borrowings and investments.

Strategic Financial Parameter Position and Targets

Council's approved Strategic Financial Parameter indicates that Borrowings will be used to promote intergenerational equity within Council's prudential limits and capacity to repay with Net Financial Liabilities and associated net interest costs to be maintained within target. In addition, borrowings have been considered in relation to the maximum borrowing limits specified in Treasury Policy.

Target: Net Financial Liabilities (30 June) < 80% x Own Source Revenue.

Local Government Sector Target: Net Financial Liabilities < Total Operating Revenue.

Local Government Sector Target: Interest Expense < 10% Total Operating Revenue.

LTFP Summary

Forecast debt at 30 June 2009 will increase to **\$55.955m**. This assumes a significant increase in borrowings, due to major reductions in strategic property proceeds in the 2008/09 year, as a result of the deferment of land sales. However, there is an offset in future years.

Year	New Borrowings \$'000	Carry Forward \$'000	Principal Paid \$'000	Balance 30 June \$'000	Interest Paid \$'000
2008/09 budget	10,864	8,198	8,281	55,955	3,645
2009/10 forecast	2,000	4,500	12,536	63,584	4,104
2010/11 forecast	8,000	-	22,906	48,679	4,994
2011/12 forecast	-	-	18,130	30,548	2,925

Year	Borrowings \$'000	Debt Servicing Ratio	Borrowing Rate Ratio	Net Financial Liabilities
Limit =		25%	80%	80%
2008/09 budget	55,955	4.4%	42.7%	58.1%
2009/10 forecast	63,584	3.7%	46.6%	61.9%
2010/11 forecast	48,679	3.2%	34.2%	49.4%
2011/12 forecast	30,548	1.8%	20.7%	35.8%

Interest costs for the period 2008/09 to 20011/12 have been calculated at the relevant interest rate for existing borrowings and an interest rate of 6.0% for new borrowings. This is now considered conservative given the reduction in the cash rate by the Reserve Bank in the last couple of months.

9. INFRASTRUCTURE AND ASSET MANAGEMENT PLANS

Context

Adelaide City Council owns and is responsible for the management, operation and maintenance of a diverse asset portfolio that provides services and facilities for City users. Infrastructure and Asset Management Plans have been developed for all infrastructure assets to ensure Council continues to provide effective and comprehensive management of its asset portfolios. To manage this process, Council assets have been grouped into categories and Infrastructure and Asset Management Plans developed for each category. A brief summary of the assets are provided below:

- **Transportation Assets** (Roads, footpaths, traffic infrastructure, bridges, parking machines)
- **Torrens and Stormwater Drainage Assets** (Torrens Lake, underground drainage network, creeks)
- **Lighting, Electrical and CCTV Assets** (includes underground duct work and cabling)
- **Urban Elements** (Street and Park furniture, Public Artwork)
- **Buildings** (Operational and Civic/Community buildings)

The development of these Infrastructure and Asset Management Plans indicate Council's ongoing commitment to operate and maintain its asset portfolio efficiently to both meet strategic and legislative requirements, and to deliver the required levels of service for the community. The plans make assumptions on the continued utilisation of the assets and specify rolling condition audits required to provide up to date information for the ongoing improvement and review of the plans.

The Infrastructure and Asset Management Plans provide the basis for the 3 year capital asset renewal program developed as part of the Annual Business Plan and Budget process. This program details those individual asset renewal projects flowing out of the Infrastructure and Asset Management Plans which require completion to ensure the assets meet the required levels of service.

Strategic Financial Parameter Position and Targets

Renewal and replacement capital expenditure will be based on long term asset management plans which consider the optimal timeframe for asset replacement based on whole of life costing. Total capital expenditure shall be managed in a way which avoids disruptive adjustments to activities, programs and revenue raising efforts.

Target: Asset Replacement Expenditure (on average) = Optimal level for such expenditure shown in Council's asset management plans (or depreciation in the absence of asset management plans for some asset classes)

Local Government Sector Target: Asset Consumption Ratio > 40% & < 80%

LTFP Summary

As discussed above the amount included in the LTFP for renewal expenditure relates to the optimal amount for such expenditure being a summation of dollars per asset category from the Asset Management Plan.

Financial year end	2008/09	2009/10	2010/11	2011/12
Net Asset Management Renewal Programs \$'000s	19,810	18,887	19,693	20,224

10. STRATEGIC ENHANCEMENT & PROPERTY PORTFOLIO

Context

In addition to the Capital Asset Renewal Program, Council also delivers a Capital Strategic Enhancement Program of major future improvements to the public environment and facilities within the City and a Capital Strategic Property Portfolio which funds and delivers major strategic property developments (Bus Station, Balfours etc). Both programs assist Council in achieving their vision and strategic outcomes for the City.

Strategic Enhancement Program

Council's generated operating surplus is applied to meet capital expenditure requirements in relation to the Strategic Enhancement Program in accordance with Strategic Plan objectives and Capital City responsibilities and thus reduces the amount of borrowings otherwise needed for that purpose. In addition, part of Council's operating surplus may be held for capital expenditure needs in future years by either increasing financial assets or, where possible, reducing outstanding debt in the meantime.

Strategic Property Portfolio

Council's Strategic Property Portfolio plays an important part to meet Council's strategic objectives for growth in the city and also provide additional net revenue to Council. This assists with the funding of current expenditure programs and therefore relieves part of the funding requirement on existing rate payers. Consequently, it is important that both the value of the portfolio and its returns (both net of borrowings) are protected to avoid adverse impacts with regard to intergenerational equity, rates and expenditure programs in the future. This means that proceeds from asset sales need to be reinvested in the portfolio to ensure that the total portfolio net asset value is maintained. In addition to this, new assets in the portfolio need to generate an adequate net return to maintain total net returns of the portfolio.

Strategic Financial Parameter Position and Targets

Strategic Enhancement Program

Council will promote fair sharing in the distribution of council resources and the attendant taxation between current and future ratepayers in terms of achieving an appropriate operating surplus each year (except in exceptional circumstances).

Target: Operating Surplus > Zero over a 5 year period.

Local Government Sector Target: Operating Surplus Ratio (to general ratio) > Zero over a 5 year period.

Strategic Property Portfolio

The portfolio will assist in the achievement of Strategic Plan objectives. Council will maintain or increase the real value of both net returns and net asset values of the portfolio over the long term.

Target: Increase in Total Portfolio Net Asset Market Value \geq Inflation over a 5 year period.

Target: Increase in Total Portfolio Net Revenue \geq Inflation over a 5 year period.

LTFP Summary

In terms of the Strategic Enhancement Program, it is proposed to spend an annual amount over the 4 year period of the Strategic Plan in the order of \$7m to \$15m.

For 2009/10 and 2010/11, it is proposed to supplement this by a \$10m borrowing, (\$2m - 2009/10 and \$8m - 2010/11), to help fund Victoria Square works. However, the repayment of these borrowings over subsequent years reduces the amount available for the Strategic Enhancement Program.

Strategic Enhancement Program

Financial year end	2008/09	2009/10	2010/11	2011/12
Strategic Enhancement Program	8,329	9,896	14,688	6,935

Strategic Property Portfolio

Financial year end	2008/09	2009/10	2010/11	2011/12
Strategic Property Portfolio Revenue	10,925	100	26,854	18,184
Strategic Property Portfolio Expenditure	(14,010)	(1,630)	(4,370)	(2,500)
Net Strategic Property Portfolio	(3,085)	(1,530)	22,484	15,684

11. HUMAN RESOURCES

As the Council rolls out its new Strategic Plan, it must be confident in the capacity of the Corporation to deliver on these responsibilities. This provides an opportunity and an imperative for the Corporation to reassess its organisational capability and its readiness to respond to new and emerging challenges.

The key challenge for the Council in delivering on the strategic directions will be to attract and retain quality staff. There are a number of global and national factors which include:

- Unemployment, at a 30 year low, although this is likely to be influenced by the current economic climate. Council's capacity to attract and retain employees may improve as private sector opportunities fall;
- The ageing workforce; over the next few decades the percentage of the population over 65 yrs of age will increase significantly (from 15.6% in 2007 to 22.4% in 2022);
- The resources boom, driven primarily by China's economic growth;
- Additional defence funding to deal with the ever increasing threat of terrorism;
- Losing young professionals to the Eastern states, Western Australia and overseas; and
- Declining organisational loyalty; national turnover is approaching 20% (from 13% 12 months ago).

The Corporation, in the way it conducts business, delivers services, develops its people and supports good governance must reflect the Council's vision and enable its achievement. This calls for a modern, outward looking organisation that is genuinely responsive to the changing needs of people, business and communities. It means building an organisation that looks to the future and one that also delivers for today.

Five Key Result Areas have been identified to take the Corporation to the next level of effectiveness. These are:

1. Deliver for Council
2. Deliver for the people we serve
3. Deliver for our partners
4. Deliver for our people
5. Deliver for the Corporation.

Council employs 715.54 full time equivalent (FTE) staff and makes a major investment in its people.

It is proposed that the number of FTEs required to deliver Council's Strategic Plan will be maintained at current levels over the four year period.

	08/09 Labour Complement -	09/10 Labour Complement -	10/11 Labour Complement -	11/12 Labour Complement -
Service Category	Budget	Budget	Budget	Budget
Grand Total	715.54	715.54	715.54	715.54
Fee Based Facilities	92.97	92.97	92.97	92.97
Community & Civic Services	96.92	96.92	96.92	96.92
Corporate Support Services	115.91	115.91	115.91	115.91
Infrastructure Mgmt & Maintenance Services	264.89	264.89	264.89	264.89
Policy & Planning Services	42.60	42.60	42.60	42.60
Regulatory & Statutory Services	102.00	102.00	102.00	102.00
Treasury Management	0.25	0.25	0.25	0.25

12. INFORMATION TECHNOLOGY

The Council recognises the need to ensure ICT capabilities maximise the benefits of information technology and information resources in a cost effective and financially sustainable manner.

Council's IT Strategic Plan 2007-11 continues the tradition of successfully planning and implementing technology within the Council.

Since the mid 1990s, the Council has embarked on a sustained program to upgrade and maintain its ICT infrastructure and systems to continually improve operational efficiency and effectiveness. This has placed Adelaide City Council in a favourable position in relation to comparable Capital City Councils in having an ICT environment which is up-to-date and modern and is perceived well by its user community.

As a consequence, the Adelaide City Council has moved its ICT focus well beyond back-office applications and infrastructure to more business delivery and community-oriented applications such as business planning and e-government services. The IT Strategic Plan 2007-11 maintains this strong focus.

The Council has also taken a leadership role in fostering the development of innovative technology solutions where appropriate, for example, by leading the development of the e-government software applications under the Australian Government's Regulation Reduction Incentive Fund.

The IT Strategic Plan 2007-11 is structured along six key themes with specific goals for each area.

- **Governance** – To ensure ICT decisions and endeavours are strategically aligned with corporate objectives and plans and are cost effective.
- **Service Delivery** – To provide excellent support and services to customers in a cost effective manner.
- **Infrastructure** – To maintain a robust, high performing and highly available ICT infrastructure platform.
- **Applications** – To provide an integrated and easy to use suite of applications to meet business objectives.
- **Processes** – To review, evaluate and adopt industry standards and recognised ICT best practices.
- **People** – To build, develop and retain the skills of the ICT team to support organisational objectives.

13. TEN YEAR STATUTORY LONG TERM FINANCIAL PLAN

INCOME STATEMENT								\$'000		
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2016/17
REVENUES										
Rates	67,905	71,361	74,595	77,561	80,271	83,075	85,977	88,980	92,089	95,306
Statutory Charges	10,417	9,797	10,061	10,306	10,557	10,814	11,077	11,346	11,621	11,902
User Charges	52,600	55,306	57,729	59,956	62,351	64,842	67,432	70,126	72,580	75,483
Grants, subsidies and contributions	3,850	3,843	3,347	3,447	3,551	3,657	3,767	3,880	3,996	4,116
Investment Income	106	110	115	119	124	129	134	139	145	151
Reimbursements	387	219	227	234	241	248	256	264	272	281
Other Income	822	850	882	914	947	982	1,017	1,054	1,093	1,133
Total Income	136,087	141,487	146,956	152,537	158,041	163,747	169,660	175,789	181,796	188,371
EXPENSES										
Employee Costs	49,136	57,687	60,377	63,189	66,133	69,214	72,439	75,814	79,348	83,047
Materials, contracts and other expenses	56,286	54,816	57,004	58,990	60,908	62,911	64,989	67,313	69,169	71,501
Finance costs	3,439	3,816	4,773	2,720	1,564	1,074	928	780	695	709
Depreciation, amortisation and impairment	20,810	21,916	22,639	22,992	23,343	23,939	24,670	25,421	26,176	27,032
Total Expenses	129,671	138,235	144,793	147,891	151,947	157,137	163,026	169,329	175,388	182,289
OPERATING SURPLUS/(DEFICIT)	6,415	3,253	2,163	4,646	6,094	6,609	6,634	6,461	6,408	6,082
Net Gain/ (Loss) on disposal or revaluation of assets	5,603	1,791	15,881	4,450	9,741	4,408	4,466	8,880	7,085	4,648
Net Gain/(Loss) - joint ventures & associates	-	-	-	-	-	-	-	-	-	-
Write Back/(Expensing) Remediation Provision	-	-	-	-	-	-	-	-	-	-
Amounts received specifically for new or upgraded assets	5,047	559	267	275	283	292	301	310	319	329
NET SURPLUS (DEFICIT)	17,066	5,603	18,311	9,372	16,118	11,309	11,400	15,651	13,812	11,059

13. TEN YEAR STATUTORY LONG TERM FINANCIAL PLAN

BALANCE SHEET		\$'000									
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2016/17
ASSETS											
Current Assets											
Cash and cash equivalents		(1,794)	(2,183)	(2,673)	(3,320)	(3,953)	(4,565)	(5,175)	(5,794)	(6,448)	(7,226)
Trade and other receivables		8,536	8,536	8,536	8,536	8,536	8,536	8,536	8,536	8,536	8,536
Inventory		274	274	274	274	274	274	274	274	274	274
Non-current Assets held for Sale		22,018	22,018	22,018	22,018	22,018	22,018	22,018	22,018	22,018	22,018
Total Current Assets		29,034	28,645	28,155	27,508	26,875	26,263	25,653	25,034	24,380	23,602
Non Current Assets											
Financial Assets		10	10	11	11	12	12	12	13	13	14
Property Plant & Equipment		1,106,196	1,120,150	1,124,300	1,116,309	1,125,360	1,134,989	1,144,707	1,158,068	1,173,691	1,187,686
Other Non-current Assets		00	00	00	00	00	00	00	00	00	00
Total Non-current Assets		1,106,206	1,120,160	1,124,311	1,116,320	1,125,372	1,135,001	1,144,720	1,158,081	1,173,704	1,187,699
Total Assets		1,135,240	1,148,805	1,152,466	1,143,828	1,152,247	1,161,264	1,170,372	1,183,115	1,198,084	1,211,302
LIABILITIES											
Current Liabilities											
Trade & Other Payables		21,064	21,064	21,064	21,064	21,064	21,064	21,064	21,064	21,064	21,064
Short-term borrowings		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Current Portion of long term borrowings		00	00	00	00	00	00	00	00	00	00
Short-term Provisions		5,045	5,378	5,633	5,754	5,912	6,114	6,343	6,588	6,824	7,092
Total Current Liabilities		30,109	30,442	30,697	30,818	30,976	31,178	31,407	31,652	31,888	32,156
Non Current Liabilities											
Long-term Provisions		4,449	4,449	4,449	4,449	4,449	4,449	4,449	4,449	4,449	4,449
Long-term Borrowings		51,955	59,584	44,679	26,548	18,691	16,197	13,676	10,522	11,444	13,335
Total Non-current Liabilities		56,404	64,033	49,128	30,997	23,140	20,646	18,125	14,971	15,893	17,784
Total Liabilities		86,513	94,476	79,825	61,815	54,116	51,824	49,532	46,623	47,781	49,940
NET ASSETS		1,048,727	1,054,330	1,072,641	1,082,013	1,098,131	1,109,440	1,120,840	1,136,491	1,150,303	1,161,362
EQUITY											
Accumulated Surplus		761,519	767,122	785,433	794,805	810,923	822,232	833,632	849,283	863,095	874,154
Asset Revaluation Reserve		287,208	287,208	287,208	287,208	287,208	287,208	287,208	287,208	287,208	287,208
TOTAL EQUITY		1,048,727	1,054,330	1,072,641	1,082,013	1,098,131	1,109,440	1,120,840	1,136,491	1,150,303	1,161,362

13. TEN YEAR STATUTORY LONG TERM FINANCIAL PLAN

STATEMENT OF CASHFLOWS	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	\$'000		2016/17
								2015/16		2016/17
CASH FLOWS FROM OPERATING ACTIVITIES										
<u>Receipts</u>										
Investment Income	106	110	115	119	124	129	134	139	145	151
Other operating revenue	135,981	141,377	146,841	152,418	157,917	163,617	169,525	175,650	181,650	188,220
<u>Payments</u>										
Finance Costs	(3,439)	(3,816)	(4,773)	(2,720)	(1,564)	(1,074)	(928)	(780)	(695)	(709)
Operating payments to suppliers & employees	(104,321)	(112,170)	(117,126)	(122,058)	(126,882)	(131,922)	(137,199)	(142,882)	(148,281)	(154,279)
Net Cash provided by (or used in) Operating Activities	28,326	25,502	25,056	27,759	29,594	30,750	31,533	32,127	32,819	33,382
CASH FLOWS FROM INVESTING ACTIVITIES										
<u>Receipts</u>										
Grants specifically for new or upgraded assets	5,047	559	267	275	283	292	301	310	319	329
Sale of plant, equipment, land and buildings	1,634	1,691	1,746	1,799	1,853	1,908	1,966	2,025	2,085	2,148
Sale of Surplus Assets	10,925	100	26,854	18,184	7,888	2,500	2,500	6,856	5,000	2,500
<u>Payments</u>										
Expenditure on renewal / replacement of assets	(23,401)	(20,669)	(21,330)	(21,630)	(22,327)	(23,016)	(23,715)	(24,546)	(25,345)	(26,075)
Expenditure on new / upgraded assets	(40,210)	(15,201)	(18,178)	(8,904)	(10,067)	(10,552)	(10,673)	(14,236)	(16,455)	(14,952)
Net Cash provided by (or used in) Investing Activities	(46,004)	(33,520)	(10,640)	(10,276)	(22,370)	(28,868)	(29,622)	(29,592)	(34,395)	(36,051)
CASH FLOWS FROM FINANCING ACTIVITIES										
<u>Receipts</u>										
Proceeds from Borrowings	19,543	20,165	8,000	00	00	00	00	00	750	2,500
<u>Payments</u>										
Repayments of Borrowings	(8,281)	(12,536)	(22,906)	(18,130)	(7,857)	(2,494)	(2,521)	(3,154)	172	(609)
Net Cash provided by (or used in) Financing Activities	11,262	7,629	(14,906)	(18,130)	(7,857)	(2,494)	(2,521)	(3,154)	922	1,891
Net Increase/Decrease in Cash Held	(6,416)	(389)	(490)	(647)	(633)	(613)	(610)	(619)	(654)	(778)
Cash and cash equivalents at beginning of period	622	(5,794)	(6,183)	(6,673)	(7,320)	(7,953)	(8,565)	(9,175)	(9,794)	(10,448)
Cash and cash equivalents at end of period	(5,794)	(6,183)	(6,673)	(7,320)	(7,953)	(8,565)	(9,175)	(9,794)	(10,448)	(11,226)

13. TEN YEAR STATUTORY LONG TERM FINANCIAL PLAN

STATEMENT OF CHANGES IN EQUITY	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	\$'000 2015/16	2016/17	2016/17
ACCUMULATED SURPLUS										
Balance at end of previous reporting period	744,454	761,519	767,122	785,433	794,805	810,923	822,233	833,633	849,284	863,095
Net Result for the year	17,066	5,603	18,311	9,372	16,118	11,309	11,400	15,651	13,812	11,059
Balance at end of period	761,519	767,122	785,433	794,805	810,923	822,233	833,633	849,284	863,095	874,154
ASSET REVALUATIONR RESERVE										
Balance at end of previous reporting period	287,208	287,208	287,208	287,208	287,208	287,208	287,208	287,208	287,208	287,208
Gain on revaluation of infrastructure, property, plant & equipment										
Transfer to Accumulated Surplus	00	00	00	00	00	00	00	00	00	00
Balance at end of period	287,208	287,208	287,208	287,208	287,208	287,208	287,208	287,208	287,208	287,208
TOTAL EQUITY AT END OF REPORTING PERIOD	1,048,727	1,054,330	1,072,641	1,082,013	1,098,131	1,109,441	1,120,841	1,136,492	1,150,303	1,161,362

13. TEN YEAR STATUTORY LONG TERM FINANCIAL PLAN

UNIFORM PRESENTATION OF FINANCES										
	2008/09 Budget \$'000	2009/10 Plan \$'000	2010/11 Plan \$'000	2011/12 Plan \$'000	2012/13 Plan \$'000	2013/14 Plan \$'000	2014/15 Plan \$'000	2015/16 Plan \$'000	2016/17 Plan \$'000	2017/18 Plan \$'000
Operating Revenues	136,087	141,487	146,956	152,537	158,041	163,747	169,660	175,789	181,796	188,371
Less: Operating Expenses	128,671	138,235	144,793	147,891	151,947	157,137	163,026	169,329	175,388	182,289
Funding Surplus before capital amounts	7,415	3,253	2,163	4,646	6,094	6,609	6,634	6,461	6,408	6,082
Less: Net Outlays on Existing Assets										
Capital Expenditure on Renewal / Replacement of Existing Assets	23,401	20,669	21,330	21,630	22,327	23,016	23,715	24,546	25,345	26,075
Less: Amounts received specifically for Renewal / Replacement Assets	-	(721)	(745)	(767)	(790)	(814)	(838)	(864)	(889)	(916)
Less: Depreciation, Amortisation & Impairment	(20,810)	(21,916)	(22,639)	(22,992)	(23,343)	(23,939)	(24,670)	(25,421)	(26,176)	(27,032)
Less: Proceeds from Sale of Replaced Assets	(1,634)	(1,691)	(1,746)	(1,799)	(1,853)	(1,908)	(1,966)	(2,025)	(2,085)	(2,148)
Net Outlays on Existing Assets	957	(3,660)	(3,800)	(3,928)	(3,659)	(3,646)	(3,759)	(3,763)	(3,806)	(4,021)
Less: Net Outlays on New & Upgraded Assets										
Capital Expenditure on New / Upgraded Assets	39,620	15,201	18,178	8,904	10,067	10,552	10,673	14,236	16,455	14,952
Less: Amounts received specifically for New / Upgraded Assets	(5,047)	(559)	(267)	(275)	(283)	(292)	(301)	(310)	(319)	(329)
Less: Proceeds from Sale of Surplus Assets	(16,751)	(100)	(26,854)	(18,184)	(7,888)	(2,500)	(2,500)	(6,856)	(5,000)	(2,630)
Net Outlays on New and Upgraded Assets	17,822	14,542	(8,943)	(9,556)	1,896	7,760	7,873	7,070	11,136	11,994
Equals: Net Lending / (Borrowing) For Financial Year	(11,363)	(7,629)	14,906	18,130	7,857	2,494	2,521	3,154	(922)	(1,891)
FINANCING TRANSACTIONS										
New Borrowings	(19,543)	(20,165)	(8,000)	-	-	-	-	-	(750)	(2,500)
Principal Repayments on Borrowings	8,281	12,536	22,906	18,130	7,857	2,494	2,521	3,154	(172)	609
Working Capital and Provision Movements	(101)	-	-	-	-	-	-	-	-	-
Other - Adjustment to Balance Strategic Enhancement	-	-	-	-	-	-	-	-	-	-
Equals: Financing Transactions	(11,363)	(7,629)	14,906	18,130	7,857	2,494	2,521	3,154	(922)	(1,891)
Net Surplus/ (Deficit)	00	(00)	00	00	00	00	00	00	00	(00)
KEY FINANCIAL INDICATORS										
Operating Surplus - \$'000	6,415	3,253	2,163	4,646	6,094	6,609	6,634	6,461	6,408	6,082
Operating Surplus Ratio - %	9.5%	4.6%	2.9%	6.1%	7.7%	8.0%	7.8%	7.3%	7.0%	6.4%
Net Financial Liabilities - \$'000	73,801	81,430	66,525	48,394	40,537	38,043	35,522	32,368	33,290	35,181
Net Financial Liabilities Ratio - %	54.5%	57.8%	45.5%	31.9%	25.8%	23.4%	21.0%	18.5%	18.4%	18.8%
Interest Cover Ratio - %	2.5%	2.6%	3.2%	1.7%	0.9%	0.6%	0.5%	0.4%	0.3%	0.3%
ACC Asset Sustainability Ratio - %	99.3%	103.8%	106.5%	104.3%	111.4%	100.9%	105.5%	98.4%	111.4%	111.6%
LGA Asset Sustainability Ratio - %	104.6%	86.6%	86.5%	86.3%	87.7%	88.2%	88.2%	88.6%	88.9%	88.5%
Asset Consumption Ratio - %										
Other Strategic Financial Parameters										
	Target									
Real General Rates Growth	-2% to +2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Real User Charges Growth	-5% to +5%	0.0%	0.2%	0.6%	0.8%	1.0%	1.0%	1.0%	1.0%	1.0%
Net Financial Liabilities / Own Source Revenue	< 80%	56.4%	59.7%	46.7%	32.7%	26.5%	24.0%	21.6%	19.0%	18.9%
Real Increase in Property Portfolio Net Asset Value	>0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Real Increase in Property Portfolio Net Revenue	5 yr.avg. >0%	-5.7%	-11.9%	-2.3%	29.3%	9.6%	3.3%	0.6%	-0.7%	0.3%
Real Increase in Fee Based Facilities Contribution	5 yr.avg. >0%	2.1%	-0.2%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%

13. TEN YEAR STATUTORY LONG TERM FINANCIAL PLAN

LONG TERM FINANCIAL PLAN - DECEMBER 2008 BUDGET RECONSIDERATION

	2008/09 Dec Bud \$'000	2009/10 Plan \$'000	2010/11 Plan \$'000	2011/12 Plan \$'000	2012/13 Plan \$'000	2013/14 Plan \$'000	2014/15 Plan \$'000	2015/16 Plan \$'000	2016/17 Plan \$'000	2017/18 Plan \$'000
FEE BASED (INCLUDING PROPERTY)										
Revenue	62,273	64,454	67,098	69,498	72,069	74,736	77,504	80,375	83,008	86,089
Expenditure	(46,288)	(47,903)	(49,735)	(51,375)	(53,072)	(54,826)	(56,641)	(58,695)	(60,276)	(62,280)
Subtotal	15,986	16,551	17,363	18,123	18,997	19,910	20,863	21,680	22,731	23,809
Attributed Treasury Management	(2,451)	(3,209)	(3,689)	(1,407)	(452)	(125)	(125)	(125)	(192)	(234)
Total Fee Based	13,535	13,342	13,674	16,716	18,546	19,785	20,737	21,555	22,540	23,575
Subtotal	13,457	13,342	13,674	16,716	18,546	19,785	20,737	21,555	22,540	23,575
GENERAL OPERATING SERVICES										
General Rates	65,555	68,912	72,062	74,944	77,567	80,282	83,092	86,000	89,010	92,126
Revenue	31,060	31,434	31,866	32,885	33,938	35,026	36,150	37,311	38,510	39,750
Expenditure	(64,142)	(68,102)	(71,338)	(74,627)	(77,907)	(81,354)	(84,964)	(88,735)	(92,670)	(96,833)
Net Treasury Management	(1,195)	(894)	(1,305)	(1,519)	(1,323)	(1,164)	(1,023)	(881)	(737)	(712)
Subtotal	31,278	31,350	31,285	31,684	32,276	32,790	33,254	33,695	34,113	34,330
AMOUNT AVAILABLE FOR PROJECTS	44,813	44,692	44,959	48,401	50,822	52,575	53,992	55,250	56,653	57,905
Net Asset Management Renewal Programs	(19,810)	(18,887)	(19,693)	(20,224)	(20,770)	(21,333)	(21,913)	(22,511)	(23,126)	(23,758)
Capital Works Carry Forwards	(8,198)	(4,500)								
Strategic Enhancement Program	(8,329)	(9,896)	(14,688)	(6,935)	(8,122)	(8,598)	(8,694)	(8,585)	(11,323)	(12,991)
Capital Works Program Management	(4,320)	(4,540)	(4,767)	(5,005)	(5,256)	(5,518)	(5,794)	(6,084)	(6,388)	(6,580)
Net Operating Projects	(12,434)	(12,968)	(13,389)	(13,791)	(14,205)	(14,631)	(15,070)	(15,522)	(15,987)	(16,467)
Net Strategic Property Portfolio	(3,085)	(1,530)	22,484	15,684	5,388	-	-	606	(750)	-
NET LENDING / (BORROWING)	(11,363)	(7,629)	14,906	18,130	7,857	2,494	2,521	3,154	(922)	(1,891)
FUNDING										
Working Capital and Provision Movements	101		-	-	-	-	-	-	-	-
Borrowings including Roll Overs	11,345	15,665	8,000	-	-	-	-	-	750	2,500
Funding of Carry Forwards	8,198	4,500								
Repayments	(8,281)	(12,536)	(22,906)	(18,130)	(7,857)	(2,494)	(2,521)	(3,154)	172	(609)
Subtotal	11,363	7,629	(14,906)	(18,130)	(7,857)	(2,494)	(2,521)	(3,154)	922	1,891
Net Surplus/ (Deficit)	-	-	-	-	-	0	-	-	0	(0)
Funding of Carry Forwards	-	-	-	-	-	-	-	-	-	-
Total Borrowings	55,955	63,584	48,679	30,548	22,691	20,197	17,676	14,522	15,444	17,335
Net Financial Liabilities	73,801	81,430	66,525	48,394	40,537	38,043	35,522	32,368	33,290	35,181

14. FOUR YEAR FINANCIAL PLAN

The following four year financial plan provides the funding for Council's Strategic Plan. This period sees significant investment in infrastructure such as the upgrade to Victoria Square which is reflected in the Plan and it also takes into account the delivery of core services. The Plan also summarises the key financial indicators.

UNIFORM PRESENTATION OF FINANCES				
	2008/09 Budget \$'000	2009/10 Plan \$'000	2010/11 Plan \$'000	2011/12 Plan \$'000
Operating Revenues	136,087	141,487	146,956	152,537
Less: Operating Expenses	128,671	138,235	144,793	147,891
Funding Surplus before capital amounts	7,415	3,253	2,163	4,646
Less: Net Outlays on Existing Assets				
Capital Expenditure on Renewal / Replacement of Existing Assets	23,401	20,669	21,330	21,630
Less: Amounts received specifically for Renewal / Replacement Assets	-	(721)	(745)	(767)
Less: Depreciation, Amortisation & Impairment	(20,810)	(21,916)	(22,639)	(22,992)
Less: Proceeds from Sale of Replaced Assets	(1,634)	(1,691)	(1,746)	(1,799)
Net Outlays on Existing Assets	957	(3,660)	(3,800)	(3,928)
Less: Net Outlays on New & Upgraded Assets				
Capital Expenditure on New / Upgraded Assets	39,620	15,201	18,178	8,904
Less: Amounts received specifically for New / Upgraded Assets	(5,047)	(559)	(267)	(275)
Less: Proceeds from Sale of Surplus Assets	(16,751)	(100)	(26,854)	(18,184)
Net Outlays on New and Upgraded Assets	17,822	14,542	(8,943)	(9,556)
Equals: Net Lending / (Borrowing) For Financial Year	(11,363)	(7,629)	14,906	18,130
FINANCING TRANSACTIONS				
New Borrowings	(19,543)	(20,165)	(8,000)	-
Principal Repayments on Borrowings	8,281	12,536	22,906	18,130
Working Capital and Provision Movements	(101)	-	-	-
Other - Adjustment to Balance Strategic Enhancement	-	-	-	-
Equals: Financing Transactions	(11,363)	(7,629)	14,906	18,130
Net Surplus/ (Deficit)	00	(00)	00	00
KEY FINANCIAL INDICATORS				
Operating Surplus - \$'000	6,415	3,253	2,163	4,646
Operating Surplus Ratio - %	9.5%	4.6%	2.9%	6.1%
Net Financial Liabilities - \$'000	73,801	81,430	66,525	48,394
Net Financial Liabilities Ratio - %	54.5%	57.8%	45.5%	31.9%
Interest Cover Ratio - %	2.5%	2.6%	3.2%	1.7%
ACC Asset Sustainability Ratio - %	99.3%	103.8%	106.5%	104.3%
LGA Asset Sustainability Ratio - %	104.6%	86.6%	86.5%	86.3%
Asset Consumption Ratio - %				
Other Strategic Financial Parameters	Target			
Real General Rates Growth	-2% to +2%	0.0%	0.0%	0.0%
Real User Charges Growth	-5% to +5%	0.0%	0.2%	0.6%
Net Financial Liabilities / Own Source Revenue	< 80%	56.4%	59.7%	46.7%
Real Increase in Property Portfolio Net Asset Value	>0%	0.0%	0.0%	0.0%
Real Increase in Property Portfolio Net Revenue	5 yr.avg. >0%	-5.7%	-11.9%	-2.3%
Real Increase in Fee Based Facilities Contribution	5 yr.avg. >0%	2.1%	-0.2%	0.3%

15. GLOSSARY

15.1 Asset Sustainability Ratio

Asset Sustainability Ratio indicates whether the Council is renewing or replacing existing non-financial assets at the same rate as its overall stock of assets is wearing out. The ratio is calculated by measuring capital expenditure on renewal and replacement of assets relative to the level of depreciation. Where a Council has a soundly based Infrastructure and Asset Management Plan, a more meaningful asset sustainability ratio would be calculated by measuring the actual level of capital expenditure on renewal and replacement of assets (or proposed in the Budget) with the optimal level identified in the Plan.

15.2 Financial Assets

Financial Assets include cash, investments, loans to community groups, receivables and prepayments, but excludes equity held in Council businesses. Also, inventories and land held for resale are not regarded as financial assets.

15.3 Financial Sustainability

Financial Sustainability is where planned long-term service and infrastructure levels and standards are met without unplanned and disruptive increases in rates or cuts to services.

15.4 Net Financial Liabilities

Net Financial Liabilities equals total liabilities less financial assets, where financial assets for this purpose includes cash, investments, loans to community groups, receivables and prepayments, but excludes equity held in Council businesses, inventories and land held for resale.

15.5 Net Financial Liabilities Ratio

Net Financial Liabilities Ratio expresses Net Financial Liabilities as a percentage of total operating revenue. The ratio allows interested parties to readily equate the outstanding level of the Council's accumulated financial obligations against the level of one-year's operating revenue. Where the ratio is falling over time, it generally indicates that the Council's capacity to meet its financial obligations is strengthening.

15.6 Net Lending / (Borrowing)

Net Lending / (Borrowing) equals Operating Surplus / (Deficit), less net outlays on non-financial assets. The Net Lending / (Borrowing) result is a measure of the Council's overall (i.e. Operating and Capital) budget on an accrual basis. Achieving a zero result on the Net Lending / (Borrowing) measure in any one year essentially means that the Council has met all of its expenditure (both operating and capital) from the current year's revenues.

15.7 Non-financial or Physical Assets

Non-financial or Physical Assets means infrastructure, land, buildings, plant, equipment, furniture and fittings, library books and inventories.

15.8 Operating Deficit

Operating Deficit is where operating revenues less operating expenses is negative and operating income is therefore not sufficient to cover all operating expenses.

15.9 Operating Expenses

Operating Expenses are operating expenses including depreciation but excluding losses on disposal or revaluation of non-financial assets.

15.10 Operating Revenues

Operating Revenues are operating revenues shown in the Income Statement but exclude profit on disposal of non-financial assets and amounts received specifically for new/upgraded assets, e.g. from a developer. For ratios calculated where the denominator specified is total operating revenue or rate revenue, Natural Resource Management (NRM) levy revenue is excluded.

15.11 Operating Surplus

Operating Surplus is where operating revenues less operating expenses is positive and operating revenue is therefore sufficient to cover all operating expenses.

15.12 Operating Surplus Ratio

Operating Surplus Ratio expresses the operating surplus (deficit) as a percentage of general and other rates.