



COUNCILLOR DEVELOPMENT WEEKEND 2019



Financial Sustainability

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Financial Performance Solutions

Agenda

Introductions

1. Where are we after three years of rate capping?
2. What does financial sustainability look like?
3. How do we get there?



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Introductions



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1. Where are we after three years of rate capping?



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Fair Go Rates System

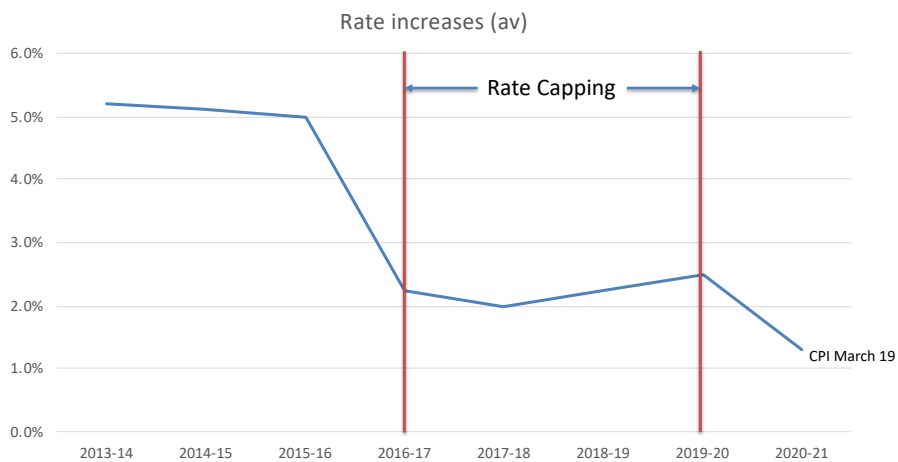
Overview

- Commenced in the 2016-17 year
- Rate increase in 3 years prior: 5.1% (av)
- Rate caps
 - 2016-17: 2.25%
 - 2017-18: 2.00%
 - 2018-19: 2.25%
 - 2019-20: 2.50%



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Fair Go Rates System



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VAGO sustainability indicators

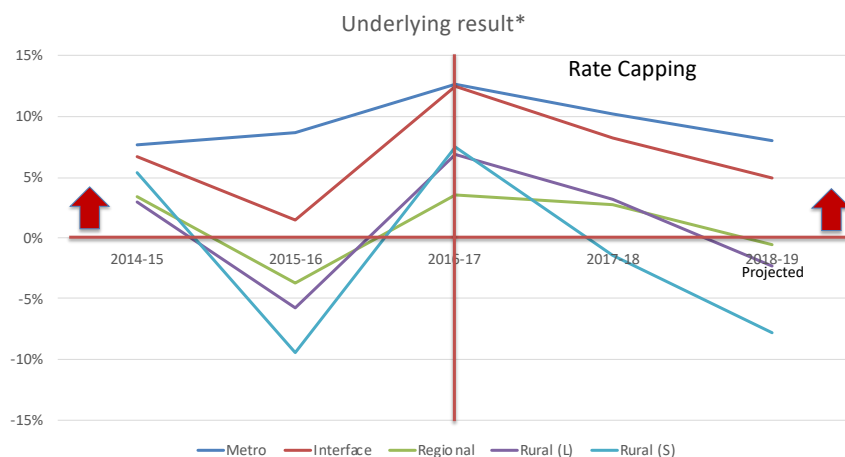
Indicators

- Underlying result
 - Net result (excluding non-recurrent capital grants, non-monetary asset contributions, and other contributions to fund capital expenditure) divided by adjusted revenue
- Liquidity (working capital)
 - Current assets divided by current liabilities
- Renewal gap
 - Asset renewal and upgrade expenditure divided by depreciation



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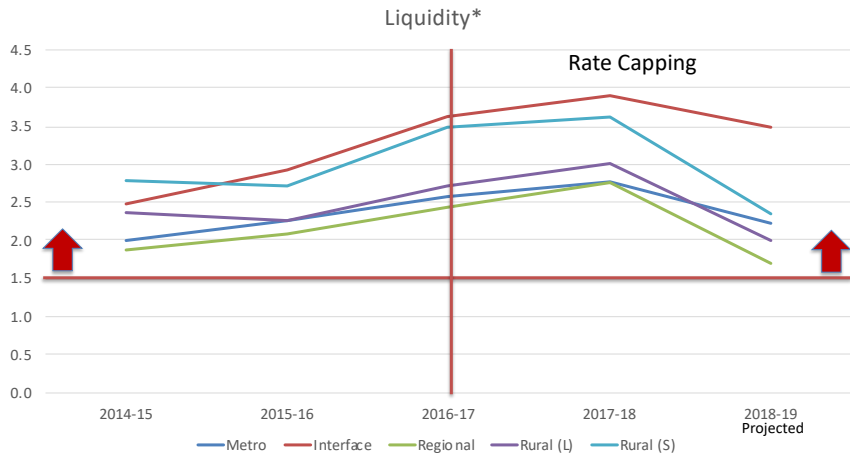
VAGO sustainability indicators



*Net result excluding non-recurrent capital grants, non-monetary asset contributions, and other contributions to fund capital expenditure

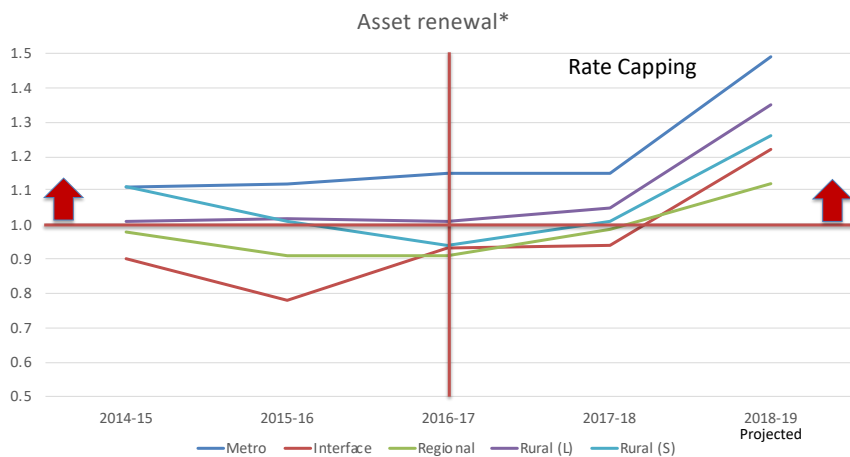
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VAGO sustainability indicators



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VAGO sustainability indicators



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Impact

Summary

- Underlying result: decline from 2016-17
- Working capital: decline from 2017-18
- Asset renewal: steady (2018-19?)

Asset renewal needs being met BUT current service provision unsustainable in the long term



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2. What does financial sustainability look like?



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Financial sustainability

Definition

- Means being able to meet the agreed service needs of the community (LGPRF)
- Includes providing services/facilities and maintaining infrastructure (S3E Act)
- Maintaining the viability of the council over the long term (S3D Act)



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Financial sustainability

Operating sufficiency

Earn sufficient income to meet the cost of services and asset renewal over the long term



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Comprehensive Income Statement			
FOR THE YEAR ENDED 30 JUNE 2018			
	NOTE	2018 \$'000	2017 \$'000
INCOME			
Rates and charges	2.1	11,881	11,645
Statutory fees and fines	2.2	230	147
User fees	2.3	1,037	1,025
Grants - Operating	2.4	9,899	12,316
Grants - Capital	2.4	754	1,024
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	2.5	(272)	(139)
Share of net profits (or loss) of associates and joint ventures	5.3	39	(48)
Other income	2.6	654	524
Total Income		24,222	26,494
EXPENSES			
Employee costs	3.1	(8,153)	(7,992)
Materials and services	3.2	(5,629)	(5,586)
Bad and doubtful debts	3.4	(1)	(27)
Contributions and donations	3.5	(726)	(842)
Depreciation and amortisation	3.3	(5,835)	(6,960)
Finance costs	3.6	(4)	(51)
Other expenses	3.7	(1,383)	(1,472)
Total Expenses		(21,731)	(22,931)
Surplus/(deficit) for the year		2,491	3,563
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to surplus or deficit in future periods</i>			
Net asset revaluation increment/(decrement)	5.2	(20,307)	4,499
Share of other comprehensive income of associates	5.3	(39)	24
Total Comprehensive Result		(17,855)	8,086

Comprehensive income statement

Measure

- Operating sufficiency
- + Surplus + \$2,491
- Capital grants & contributions - \$754
- Financial assistance grants* - \$2,500
- **Underlying operating deficit** **- \$763**

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Cash sufficiency

Generate sufficient cash to fund services, asset renewal and debt over the long term



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Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018 Inflows/ (Outflows) \$'000	2017 Inflows/ (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Rates and charges		11,690	11,460
Statutory fees and fines		230	147
User fees		1,037	1,025
Grants - Operating		9,899	12,316
Grant - Capital		754	1,024
Interest received		157	122
Trust funds and deposits taken		353	266
Other receipts		497	401
Net GST refund/payment		132	1105
Employee costs		(8,153)	(7,993)
Materials and services		(5,629)	(5,586)
Trust funds and deposits paid		(330)	(402)
Other payments		(2,105)	(2,314)
Net cash provided by/(used in) operating activities		8,532	11,571
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, infrastructure, plant and equipment	5.2	(7,667)	(6,750)
Proceeds from sale of property, infrastructure, plant and equipment		340	427
Net cash provided by/(used in) investing activities		(7,327)	(6,323)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs		(4)	(51)
Proceeds from borrowing		-	330
Repayment of borrowings		(151)	(184)
Net cash provided by/(used in) financing activities		(155)	95
Net increase/(decrease) in cash and cash equivalents		1,050	5,343
Cash and cash equivalents at the beginning of the financial year		6,495	1,152
Cash and cash equivalents at the end of the financial year		7,545	6,495



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Statement of cash flows

Measure

- Cash sufficiency

+ Net operating cash inflows	+\$8,532
- Financial assistance grants*	-\$2,500
- Capital grants & contributions	-754
- Asset renewal (depreciation)	-\$5,835
- Debt repayments	<u>-\$155</u>
- Underlying cash deficit	<u>-\$712</u>



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Financial sustainability

Summary

Achieving:

- Underlying operating surplus and/or
- Underlying cash surplus

**Meeting the agreed service needs of the community
over the long term**



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3. How do we get there?



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Equation

Revenue \geq Expenses (Services + Infrastructure)



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Levers

Levers available to achieve financial sustainability are:

- Revenue (increase)
- Services (reduce cost of delivery)
- Infrastructure (reduce cost of maintenance and renewal)

How can we adjust these levers to achieve financial sustainability?



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Options: Workshop 1

Revenue

- Wet hiring
- Other businesses
- Rates in lieu eg solar, extractive
- Industrial estates, development

Services

- Reduce no. services
- Reduce service levels
- Change delivery model
- Shared services

Infrastructure

- 3rd party delivery
- Colocation/ leaseback
- Rationalising buildings
- PPP
- Multi-purpose facilities
- Sharing assets



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Options: Workshop 2

Revenue

- Paid parking
- Crown land
- Developer
- Population
- Lease unused facilities
- Recycling centre
- Bed tax

Services

- Shared
- Hand crown land back
- Delivery model
- Reduce services
- Regional facilities

Infrastructure

- Rationalise/sell assets
- Asset plans
- Service hubs
- Reuse assets
- Buy new assets (low debt cost)



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Options: Workshop 2

Revenue

- New revenue generating services
- Air space
- Use low cost debt

Services

Infrastructure



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Options: Workshop 3

Revenue

- Parking sensors
- Property acquisitions
- Waste charges
- Tourism tax
- Service income generation
- Rating non-rateables

Services

- Energy efficiency eg LEDs
- Aggregated procurement
- Shared services
- Reduce number
- Subscription reviews
- Delivery model

Infrastructure

- Alternative fuel
- Crown land
- State services
- Rationalising assets
- Community halls
- Redeveloping assets
- One office



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Options: Workshop 3

Revenue

- Increasing fees and fines
- Working outside the boundaries

Services

- Internal v external staff provision

Infrastructure

- Multi use facilities



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Finish



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