



WYNDHAM CITY COUNCIL

Decision on application for a higher cap 2016-17

May 2016

An appropriate citation for this paper is:

Essential Services Commission 2016, *Wyndham City Council — Decision on application for a higher cap for 2016-17*, May.

CONTENTS

1. OUR DECISION	1
2. WHAT DID THE COUNCIL APPLY FOR AND WHY?	4
3. HOW DID WE REACH OUR DECISION?	5
APPENDIX A: SUMMARY OF COMMUNICATIONS WITH WYNDHAM	15
APPENDIX B: LGPRF INDICATOR DEFINITIONS	16

1. OUR DECISION

The Fair Go Rates System (FGRS), established in the *Local Government Act 1989* (the Act) requires local councils to limit their average annual rate increases to a rate cap, determined annually by the Minister for Local Government (the Minister).¹ For the 2016-17 rating year, the cap has been set at 2.5 per cent.

Councils wishing to increase their average annual rates by more than 2.5 per cent in 2016-17 must first obtain approval from the Essential Services Commission (the Commission). We are responsible for approving, rejecting or approving in part the higher cap sought by a council. This paper outlines the Commission's decision in response to an application by Wyndham City Council (Wyndham or Council) for a higher cap of 4.5 per cent (2 per cent additional to the Minister's 2.5 per cent rate cap).

In assessing applications, we are required to have regard to the six legislative matters² and the statutory objectives³ of the FGRS.

The six legislative matters are:

- the proposed higher cap for each specified financial year
- the reasons for which the council seeks the higher cap
- how the views of ratepayers and the community have been taken into account in proposing the higher cap
- how the higher cap is an efficient use of council resources and represents value for money
- whether consideration has been given to reprioritising proposed expenditures and alternative funding options and why those options are not adequate and
- that the assumptions and proposals in the application are consistent with the council's long-term strategy and financial management policies set out in the council's planning documents and annual budget.

¹ Sections 185B and 185C the Local Government Act define rates for the purposes of the cap.

² Section 185E of the Local Government Act.

³ Section 10E(7) of the *Essential Services Commission Act 2001* and section 185A of the Local Government Act.

BOX 1 OBJECTIVES OF THE FAIR GO RATES SYSTEM

- to promote the long-term interests of ratepayers and the community in relation to sustainable outcomes in the delivery of services and critical infrastructure and
- to ensure that a council has the financial capacity to perform its duties and functions and exercise its powers.

The Act also requires the Commission to have regard to a council's record of compliance with previous years' caps.⁴ However, as this is the first year of the FGRS, this has not been a relevant consideration when assessing applications for higher caps in the 2016-17 rating year.

⁴ Section 185E(6)(c) of the Local Government Act.

BOX 2 COMMISSION'S DECISION ON WYNDHAM CITY COUNCIL'S APPLICATION

Wyndham has applied for a higher cap of 4.5 per cent, that is, 2 per cent higher than the Minister's rate cap for 2016-17.

The Commission has assessed Wyndham's application and decided not to approve its proposed higher cap of 4.5 per cent for 2016-17. Wyndham will be required to keep its average rate increase for 2016-17 within the 2.5 per cent cap set by the Minister.

Wyndham's application has not demonstrated the need for a higher cap in 2016-17. Wyndham's analysis shows it to be in a strong financial position in 2016-17 with the financial capacity to consider funding alternatives and expenditure offsets, without increasing rate revenue above the rate cap. Wyndham acknowledged that it had not yet pursued some of the options and alternatives available because it wishes to consult further with the community about the potential impacts of those options. As such, Wyndham's application is yet to confirm the long-term revenue needs that would justify a permanent increase in the rate base.

2. WHAT DID THE COUNCIL APPLY FOR AND WHY?

Wyndham sought a higher cap of 4.5 per cent in 2016-17 (inclusive of the Minister's rate cap of 2.5 per cent). It was estimated that this would result in additional revenue of \$2 899 109 for 2016-17.

Wyndham identified five key reasons for the higher cap, largely related to the challenges of managing rapid growth in the municipality. These are:

- 'Responding to community views and expectations
- Managing population growth and orderly planning
- Managing an infrastructure challenge
- Meeting state government legislation and priorities
- Avoiding pre-emptive and significant rationalisation of services and infrastructure.'⁵

Wyndham has presented that the higher cap is a necessary 'transitional step' and 'critical buffer' to enable the Council to 'extend the conversation' with the community regarding alternatives to the rate cap and avoid the need for pre-emptive cuts to services and infrastructure.⁶ Council claims to have a capital funding gap of \$4.4 million for 2016-17.⁷ It will partially offset the gap by \$1.4 million through operational savings and increased revenue from uncapped sources. The remaining gap of approximately \$3 million is proposed to be funded through the rate increase.

A copy of Wyndham's application and its response to our request for information (RFI) is available on our website (www.esc.vic.gov.au). Appendix A shows the communications between the Commission and Wyndham during the assessment period.

⁵ Wyndham City Council 2016, *Application for a variation to the State Government's rate cap 2016-17*, p. 6.

⁶ Ibid, pp. 7 and 14.

⁷ Ibid, pp. 4, 5, 17, and 34.

3. HOW DID WE REACH OUR DECISION?

Table 1 summarises the Commission’s observations on each of the relevant legislative matters specified in the Council’s application.

TABLE 1 LEGISLATIVE MATTER SUMMARY

Legislative matter	Summary
185E(3)(a) — proposed higher cap	The Commission verified that the higher cap was appropriately calculated. ^{a,b}
185E(3)(b) — reason(s) for which the council seeks the higher cap	<p>The application has specified that the higher cap is to support the Council’s management of growth in the municipality and to enable Council to consult further with the community before cutting services or infrastructure.</p> <p>If the higher cap is not approved, Council claims it would reduce funding for feasibility studies and planning for future capital works by \$2 495 000 and asset renewal by \$505 000.^c Council provided an extensive discussion of the projects and asset renewal expenditure that may be affected by the reduction in funding.^d If a higher cap is not granted for Council and expenditure is maintained at current levels, Council claims it will face adjusted underlying deficits in the long-term.^e</p> <p>The application demonstrated that Wyndham faces operational and financial challenges managing the rapid population and housing growth in its municipality. Council has large infrastructure obligations and pressure to provide services to the growing community.^f</p> <p>However, the application was not able to sufficiently demonstrate and quantify the long-term revenue need that would justify a permanent increase in the rate base. This is largely because, as the application notes, Council’s application does not appear to fully explore alternative funding options and cost savings to offset the need. Council indicated that it wants to engage further with the community about the impacts of these options.^g The Commission recognised that Council has commenced a number of initiatives to improve efficiency and better align the organisation’s structure to meet the strategic vision of the Council and priorities of the community but the outcomes of these initiatives have yet to be realised. Council’s application did not provide any evidence to demonstrate whether the growth in the rate base might, over time, offset some of the infrastructure costs Council will face through the Developer Contribution Plans in its municipality.</p> <p>The Commission considered the current financial position of the Council and found that, in the short to medium-term, Wyndham would remain in a strong position without the higher cap. This caused the Commission to question whether the higher cap was necessary as a ‘transitional step’ or ‘critical buffer’.</p> <p>Further discussion about our assessment is provided in section 3.1 below.</p>

Continued next page

TABLE 1 (CONTINUED)

Legislative matter	Summary
<p>185E(3)(c) — how the views of ratepayers and the community have been taken into account in proposing the higher cap</p>	<p>Based on the application, it appears that Wyndham has undertaken strategic long-term engagement with the community about priorities and vision for the future. Council has used a variety of different engagement methods, including community views gathered for its ‘Wyndham 2040’ project, which collected 2040 stories from residents about their vision and priorities for Wyndham,^h the Community Satisfaction Survey resultsⁱ and past consultation on the Council’s key planning and budget documents. Council has engaged specifically on rate capping by establishing three community panels (one for each Ward). Council has a community engagement strategy.</p> <p>The community panels comprised 90 members (three panels of 30 people), which met three times. The reading materials provided to panels gave high level information about the Council, its revenue sources, key pressures and expenditures, and impacts of reduced funding for a range of different service areas. The panels produced numerous recommendations for addressing the revenue need identified by Council. These included that Council should explore efficiencies and alternative revenue sources before increasing rates, that while raising rates should be considered it ‘should <u>not</u> be the only option or default position’ and that community views are important in deciding on service cuts in the future.^j</p> <p>From the information provided, it does not appear that the rate cap community panels were provided with clear options or trade-offs with regard to service and infrastructure expenditure levels and corresponding rate increases. Council also claimed in the application that there was little community support for delaying infrastructure, increasing user fees or increasing debt levels.^k This statement appears to conflict with some of the panel recommendations, which recommended Council consider these options.^l Council has stated that it would like to consult further with the community about these options and their potential impacts.^m</p>
<p>185E(3)(d) — how the higher cap is an efficient use of council resources and represents value for money</p>	<p>Wyndham has argued that the higher cap ‘will enable Council to work with the community to identify options for funding services and infrastructure.’ⁿ</p> <p>Council noted its efficiency finding program called ‘Excellence at Wyndham’, and that 23 programs are under way in 2015-16.ⁿ Council noted this program includes best value service reviews. Efficiencies realised so far from this have included:</p> <ul style="list-style-type: none"> • the use of mobile paperless technologies and • streamlining subdivision approval processes. <p>Council reviews its procurement policies annually and its application lists savings arising from these reviews in recent years including:</p> <ul style="list-style-type: none"> • change of credit card payment process for small transactions • savings due to short-term contracting policy changes (\$200 000 pa) and • telecommunication audit finding, producing a one-off credit of \$45 000 and annual savings of \$100 000.^o

Continued next page

TABLE 1 (CONTINUED)

Legislative matter	Summary
185E(3)(d) (continued)	<p>Council explained their capital works performance monitoring processes and noted all projects are competitively tested in the market. Council provides for capital works through mainly outsourcing but it does some in-house capital works (mostly planning, design and project management).^p</p> <p>Council has advised that it is currently restructuring the organisation to better align operations with the strategic priorities of the community identified in the Wyndham 2040 plan.^q</p>
185E(3)(e) — whether consideration has been given to reprioritising proposed expenditures and alternative funding options and why those options are not adequate	<p>Wyndham considered five options for addressing its identified funding gap.^r These included:</p> <ol style="list-style-type: none"> 1. 2.5 per cent rate cap, \$0.95 million in increased other revenues, \$0.5 million in decreased costs and \$2.95 million in capital expenditure cuts 2. 3.5 per cent rate cap, \$0.95 million in increased other revenues, \$0.5 million in decreased costs and \$1.45 million capital expenditure cuts 3. 4 per cent rate cap, \$0.95 million in increased other revenues, \$0.5 million in decreased costs and \$0.7 million in capital expenditure cuts 4. 4.5 per cent rate cap, \$0.9 million in increased other revenues, \$0.5 million in decreased costs and no capital expenditure cuts and 5. 5 per cent rate cap, \$0.2 million in increased other revenues, \$0.45 million in decreased costs and no capital expenditure cuts <p>Council chose option 4, primarily because it claimed the community would not accept reduced service and asset quality levels, therefore Council did not want to compromise capital expenditure. Council subsequently revised the composition of its anticipated operational savings to \$1.13 million in reductions and \$0.27 million in increased revenue.^s</p> <p>Council's application has explained why it ruled out other potential options including:</p> <ul style="list-style-type: none"> • debt financing — there is limited community support, the Council just entered the 'medium' risk VAGO threshold for council indebtedness and considers it should not borrow more to maintain capacity to borrow in the future^t • increasing user fees — contrary to community expectations^u • delaying capital works — contrary to community expectations^u and • the use of reserves — there is no discretionary reserve available to Council.^v <p>Council also discussed some other strategies for reducing the need to increase rates^w, such as:</p> <ul style="list-style-type: none"> • attracting community service organisations to take over some services in the future • future organisational restructuring, and • advocating for State and Federal Government grants. <p>Council concluded these were insufficient to offset the need.</p> <p>While the application demonstrated that Council has considered some alternatives, it does not appear that these alternatives have been fully explored. Further discussion of the Commission's assessment is provided below.</p>

Continued next page

TABLE 1 (CONTINUED)

Legislative matter	Summary
185E(3)(f) — that the assumptions and proposals in the application are consistent with the council's long-term strategy and financial management policies set out in the council's planning documents and annual budget	<p>Council provided its integrated 2015-16 plan, budget and SRP, its Long-Term Financial Plan (LTFP) and Asset Management Plan (AMP) in support of its long-term planning and the need for higher rates. The key themes in the documents align with the reason for the higher cap application, which is to manage growth in the municipality. Long-term challenges associated with managing growth are listed as:</p> <ul style="list-style-type: none"> • the funding gap between high expenditure levels needed now compared to in the future • growth in assets which will increase operational, maintenance and renewal costs in the future and • increased demand on services due to higher populations. <p>In recent years Council has increased its rates by 5.5 per cent and intended to continue on this rate of increase based on its 2015-16 SRP.</p> <p>Wyndham's LTFP does not appear to have been updated since January 2013, however its 10 year financial projections are up to date.</p> <p>Council's AMPs are dated July 2011 and do not appear to have been updated. Council noted it is in the process of updating its AMPs and asset information system. Council stated that it will also be 'reviewing the makeup of the capital program in further detail as part of a more detailed review of the underlying assumptions in the LTFP. This will inform what prioritisation is required and implications for our asset and service plans as well as further borrowing/funding requirements'.^x</p> <p>The Commission noted that Council expenditure on a per capita and per property basis is amongst the highest of interface councils.</p> <p>Wyndham's rate revenue is forecast to grow by approximately 109 per cent and total revenue to grow by 85 per cent over the next 10 years, assuming annual rate increases of 4.5 per cent. The capital works budget is forecast to grow by 104 per cent in the next 5 years. Average annual capex is forecast to be \$163 million over the next 10 years, peaking at \$226 million in 2024-25.^y</p>

^a Wyndham City Council 2016, *Higher Cap Application*, March, p. 4. ^b Wyndham City Council 2016, *Budget Baseline Information, 'calculating the higher cap' sheet*. ^c Wyndham City Council 2016, *Higher Cap Application*, March, p. 34. ^d Wyndham City Council 2016, *Response to Request for Information*, April, p. 4. ^e Wyndham City Council 2016, *Higher Cap Application*, March, p. 17. ^f Wyndham City Council 2016, *Response to Request for Information*, April, p. 4. ^g Wyndham City Council 2016, *Higher Cap Application*, March, p. 12. ^h Wyndham City Council 2016, *Response to Request for Information*, April, p. 4. ⁱ Wyndham City Council 2016, *Higher Cap Application — Attachment "Wyndham 2040"*, March. ^j Wyndham City Council 2016, *Community Satisfaction Survey*. ^k Wyndham City Council 2016, *Special Meeting of Council, Agenda*, 10 March, p. 18. ^l Wyndham City Council 2016, *Higher Cap Application*, March, pp. 10, 34. ^m Wyndham City Council 2016, *Special Meeting of Council, Agenda — Attachment 1*, 10 March, pp. 21-27. ⁿ Wyndham City Council 2016, *Higher Cap Application*, March, p. 34. ^o Wyndham City Council 2016, *Higher Cap Application*, March, p. 33. ^p Wyndham City Council 2016, *Higher Cap Application*, March, p. 36. ^q Wyndham City Council 2016, *Response to Request for Information*, April, pp. 21-23. ^r Wyndham City Council 2016, *Higher Cap Application*, March, p. 36. ^s Wyndham City Council 2016, *Response to Request for Information*, April, p. 25. ^t Wyndham City Council 2016, *Higher Cap Application*, March, pp. 6, 34. ^u Wyndham City Council 2016, *Response to Request for Information*, April, p. 21. ^v Wyndham City Council 2016, *Higher Cap Application*, March, p. 34. ^w Wyndham City Council 2016, *Response to Request for Information*, April, p. 24. ^x Wyndham City Council 2016, *Higher Cap Application*, March, pp. 36-39. ^y Wyndham City Council 2016, *Email response to Commission enquiry*, 3 May. ^z Wyndham City Council 2016, *Long Term Financial Plan*.

3.1 ASSESSMENT

As required under the FGRS, we have examined each of the six legislative matters addressed in Wyndham's application. The legislation also requires the Commission to (i) promote the long-term interests of ratepayers and the community in relation to sustainable outcomes in the delivery of services and critical infrastructure; and (ii) ensure that a council has the financial capacity to perform its duties and functions and exercise its powers.

Taking into account all of the relevant factors above, the Commission has considered Wyndham's application and decided not to approve the proposed higher cap for 2016-17. The Commission considers that the need for a higher cap in 2016-17 has not been demonstrated. Wyndham's analysis shows it to be in a strong financial position in 2016-17 with the financial capacity to consider funding alternatives and expenditure offsets, without increasing rate revenue above the rate cap. Wyndham acknowledged that it had not yet pursued some of the options and alternatives available because it wishes to consult further with the community about the potential impacts of those options. As such, Wyndham's application is yet to confirm the long-term revenue needs that would justify a permanent increase in the rate base. A more detailed discussion of our reasons is provided below.

NEED FOR A 'TRANSITIONAL STEP' OR 'CRITICAL BUFFER'

Wyndham has argued that the higher cap is a necessary 'transitional step' and a 'critical buffer' to enable Council to 'extend the conversation' with the community regarding alternatives to the rate cap and avoid the need for pre-emptive cuts to services and infrastructure. While Council demonstrated that it had considered some alternative options to a rate increase it argued that 'more work is needed with the community... to refine these options and more time is required to implement the organisational change program that has recently been introduced.'⁸

⁸ Wyndham City Council 2016, *Higher Cap Application*, March, p. 41.

In seeking a permanent increase above the rate cap, councils are expected to demonstrate that the increase is in the long-term interests of ratepayers and the community and that the rate increase reflects a long-term funding need. As outlined in our guidance document, *Fair Go Rates System: Guidance for Councils 2016-17*, councils are expected to be able to manage short-term challenges within existing budgetary measures. In our view, Wyndham’s application has not demonstrated its long-term ongoing revenue need. Rather, Wyndham has argued that it requires additional revenue in the short-term to allow Council the time and capacity to determine the long-term need, in consultation with the community.

FINANCIAL POSITION IN 2016-17

Wyndham’s intention to consult with the community about alternatives to the rate cap and potential impacts on services and infrastructure will be important in informing its long-term financial plan. Its application does not demonstrate that a higher rate cap is required as a “critical buffer” in 2016-17 while this consultation is taking place. The financial analysis provided by Wyndham shows it is currently in a strong financial position and will remain sustainable without the higher cap in 2016-17. Table 2 shows that Council will continue to record positive adjusted underlying results, with liquidity and debt levels remaining healthy over its short-term forecasts. In 2016-17, Wyndham is projecting an operating surplus of \$91 million without the higher cap.

TABLE 2 LOCAL GOVERNMENT PERFORMANCE REPORTING FRAMEWORK INDICATORS

LGPRF indicator ^a	2014-15 (Actual)	2015-16 (Budget)	2016-17 (Forecast)	2017-18 (Forecast)	2018-19 (Forecast)
Operating position^b					
Adjusted underlying result (%)					
pre-FGRS	-4	1.7			
'without' higher cap (a)			4.3	5.2	5.1
'with' higher cap (b)			5.1	6.1	6.1
difference (b-a)			0.8	0.9	1
Liquidity^b					
Working capital (%)					
pre-FGRS	297	306.8			
'without' higher cap (a)			274.9	273.8	253.8
'with' higher cap (b)			274.9	279.4	265.2
difference (b-a)			0	5.4	11.4
Unrestricted cash (%)					
pre-FGRS	37	39.9			
'without' higher cap (a)			40.1	33.0	17.6
'with' higher cap (b)			39.7	38.2	28.5
difference (b-a)			-0.4	5.2	10.9
Obligations^b					
Loans and borrowings (%)					
pre-FGRS	27	34.1			
'without' higher cap (a)			32.6	34.3	36.8
'with' higher cap (b)			32	33.6	36.1
difference (b-a)			-0.6	-0.7	-0.7
Loans and borrowing repayments (%)					
pre-FGRS	29	1.3			
'without' higher cap (a)			1.5	1.6	1.7
'with' higher cap (b)			1.5	1.6	1.7
difference (b-a)			0	0	0

Continued next page

TABLE 2 (CONTINUED)

LGPRF indicator ^a	2014-15 (Actual)	2015-16 (Budget)	2016-17 (Forecast)	2017-18 (Forecast)	2018-19 (Forecast)
Obligations^b (continued)					
Indebtedness (%)					
pre-FGRS	34	34.5			
'without' higher cap (a)			28.4	31.4	31.2
'with' higher cap (b)			28.1	31.0	30.8
difference (b-a)			-0.3	-0.4	-0.4
Asset renewal (%)					
pre-FGRS	83	24.3			
'without' higher cap (a)			29.1	31.6	29.6
'with' higher cap (b)			30.0	31.5	29.6
difference (b-a)			0.9	-0.1	0

Note: Under the Local Government Performance Reporting Framework (LGPRF), councils are required to report annually on their performance against a number of financial and output measures. ^a Table only includes LGPRF indicators considered in making our decision. ^b See Appendix B for definitions of these indicators.

Data source: Wyndham City Council 2016, *Response to Request for further information*, April.

From our assessment of Wyndham's application and current financial position, it appears that Wyndham has capacity to further use some of its budgetary levers and funding options discussed in the application, before seeking to increase rate revenue in 2016-17.

- The value of Wyndham's sought after revenue increase or 'buffer' is marginal in comparison to its capital works budget. Wyndham's Capital Works Budget is anticipated to grow by over 100 per cent in the next 5 years, with total expenditure over the 10 year plan budgeted at \$1.79 billion. In a budget of this size, small delays or revisions in project scope (which are not unexpected) would be likely to free-up funds of the order suggested in Wyndham's application.
- It should also be noted that Wyndham received an additional unbudgeted \$4.15 million in capital grants this financial year through the Interface Growth Fund for three projects.⁹ This additional capital revenue is likely to have freed-up own source funding that was previously earmarked for these projects.¹⁰

⁹ https://www.wyndham.vic.gov.au/aboutwyndham/pubmedia/media/2015/october/wyndham_receives_state_funding

- Wyndham has non-current liabilities of \$55 million. According to the VAGO debt indicators, Wyndham's current debt position is considered low risk. Wyndham is planning to borrow an additional \$40 million over the next 3 years, with total debt peaking at \$97 million. These additional borrowings are however fully funded, included interest charges, through developer contributions and levies, posing no additional cost or risk to Council. Wyndham's indebtedness¹¹ is forecast to reduce from 2019-20 onwards.
- The Commission has also observed that Wyndham's costs on a per capita and per property basis are amongst the highest of the interface councils. This suggests Council may have opportunities to identify further efficiency savings in order to manage its long-term costs.
- Based on the assumptions in the LTFP, Wyndham's forecast growth in user fees appears conservative relative to recent annual growth.¹²

The Commission sought independent advice from Deloitte Access Economics as to whether Wyndham's current financial position supports the need for a higher cap. Deloitte's analysis concluded that:

*on the available evidence there is no reason to think that an increase in rate revenue beyond the cap will be required in the near future.*¹³

_boost.

¹⁰ The Victorian Government recently announced a further \$50 million in grant funding for interface councils in 2016-17.

¹¹ Defined by VAGO as non-current liabilities as a percentage of own-source revenue.

¹² The Commission recognises that Council has had a number of new community facilities, such as the Aquapulse Water and Leisure Centre, recently open, which may have inflated revenue from user fees.

¹³ Deloitte Access Economics' advice provided to the Commission. In April 2016, the Commission engaged Deloitte Access Economics to assist the Commission in examining the underlying financial position of those Councils that have applied for a higher cap.

Deloitte noted that Council:

*needs good strategic financial planning with the magnitude and timing of proposed capital expenditure and service level decisions based on long-term affordability. Wyndham also needs a more flexible approach to net debt holdings and net debt management that is nevertheless responsible relative to its circumstances.*¹⁴

¹⁴ Ibid.

APPENDIX A: SUMMARY OF COMMUNICATIONS WITH WYNDHAM

Wyndham submitted its application for a higher cap on 31 March 2016. In response to its application the Commission sought additional information from Wyndham (table 3). Wyndham's application and its response to our request for further information can be found on our website.

TABLE 3 COMMUNICATIONS BETWEEN WYNDHAM AND THE COMMISSION

Date	Nature of communication
31 March 2016	Council submitted its application for a higher cap.
14 April 2016	The Commission sent a request for further information (RFI) to Council.
27 April 2016	Council sent a response to the RFI.
2 May 2016	Council provided the Commission with its long-term financial plan.
3 May 2016	Council provided further information on asset management plans in response to a query from the Commission.
3 May 2016	Commission asked for information on assumptions used in long-term financial plan.
4 May 2016	Council responded to Commission query on assumptions in long-term model.
5 May 2016	Commission contacted Council to see what supporting information is able to be made publically available.
6 May 2016	Council identified information it wished to be disclosed in context of Council's response to the RFI and other supporting information.
6 May 2016	Council provided Commission with further information regarding renewal works
13 May 2016	Council submitted updated response to RFI with minor edits.

APPENDIX B: LGPRF INDICATOR DEFINITIONS

- a. **Adjusted underlying result** is adjusted underlying surplus (deficit) as a percentage of adjusted underlying revenue. A surplus or increasing surplus suggests an improvement in the operating position.

Adjusted underlying revenue is total income less non-recurrent capital grants used to fund capital expenditure, non-monetary asset contributions and other contributions to fund capital expenditure.

Adjusted underlying surplus is adjusted underlying revenue less total expenditure.

- b. **Working capital ratio** is current assets as a percentage of current liabilities. It indicates whether a council has sufficient working capital to pay bills as and when they fall due. High or increasing level of working capital suggests an improvement in liquidity.

- c. **Unrestricted cash indicator** is unrestricted cash as a percentage of current liabilities. It indicates whether a council has sufficient cash which is free of restrictions to pay bills as and when they fall due. High or increasing level of unrestricted cash suggests an improvement in liquidity.

Unrestricted cash is all cash and cash equivalents that are not tied to a particular use hence can be used for any purpose and is extremely liquid.

- d. **Loans and borrowings** is interest bearing loans and borrowings as a percentage of rate revenue. This indicator measures whether the level of interest bearing loans and borrowings is appropriate relative to the size and nature of a council's activities. Low or decreasing loans and borrowings suggests an improvement in the capacity to meet long obligations.

Rate revenue is revenue from general rates, municipal charges, service rates and service charges.

- e. **Loans and borrowing repayments** is interest and principal repayments on interest bearing loans and borrowings as a percentage of rate revenue. This indicator measures whether the level of interest and principal repayments on interest bearing loans and borrowings is appropriate relative to the size and nature of a council's activities

- f. **Indebtedness** is non-current liabilities as a percentage of own source revenue. This indicates that the level of long-term liabilities is appropriate to the size and nature of a council's activities. Low or decreasing level of long-term liabilities suggests an improvement in the capacity to meet long-term obligations.

Own source revenue is adjusted underlying revenue excluding revenue which is not under the control of council (including government grants).

- g. **Asset renewal** is asset renewal expenditure as a percentage of depreciation. This indicates whether assets are being renewed as planned. High or increasing level of planned asset renewal being met suggests an improvement in the capacity to meet long-term service obligations.

Asset renewal expenditure is expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability.