

Financial sustainability

28 February 2017



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Agenda

- Approach
- Findings
- Options
- Way forward



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Approach



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Objectives

- Asset renewal fully funded
- Breakeven underlying result
- Breakeven or better cash result
- Increasing cash reserves above \$3M
- Debt below prudential level of 60% rates



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Forecasts

- Used the 2015-16 audited financial statements as a starting point
- Input the latest 2016-17 budget forecast
- Input the draft 2017-18 budget
- Developed future assumptions over next 4 years
- Input asset renewal requirements only



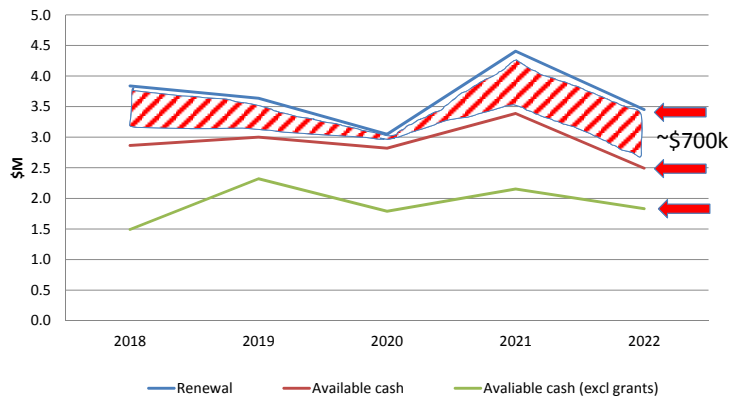
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Findings



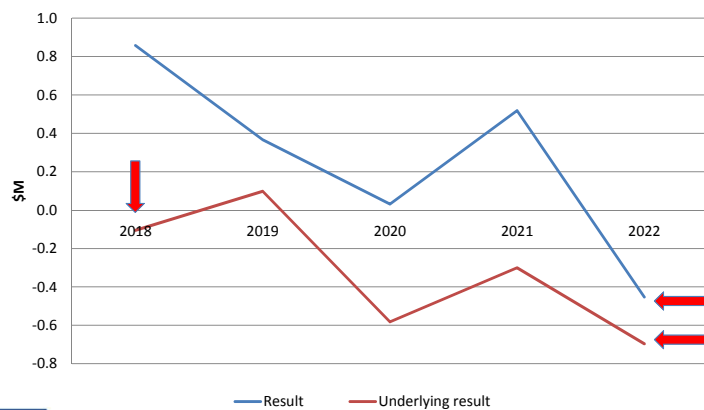
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Asset renewal



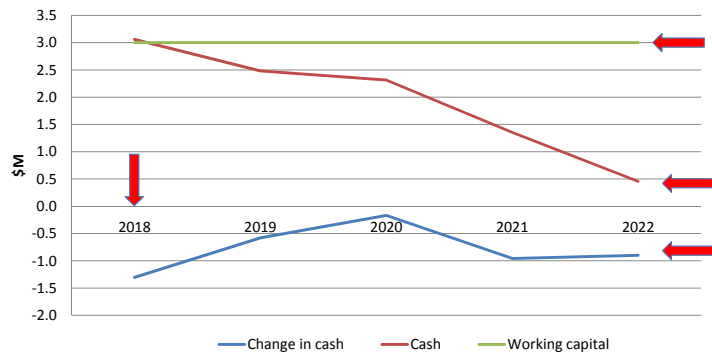
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Operating result



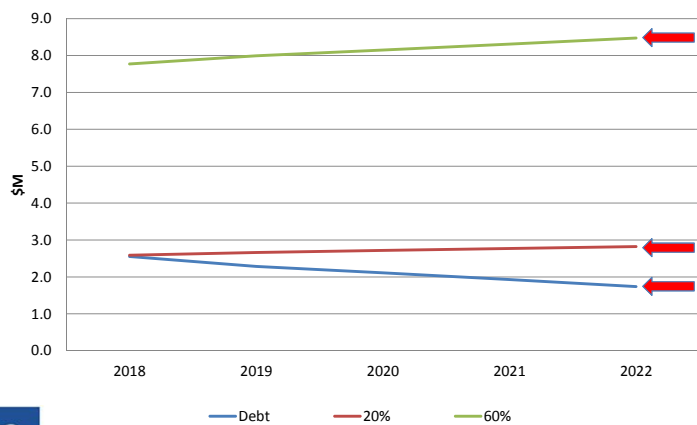
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Cash



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Debt



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Outcomes

- Asset renewal fully funded (~\$700k pa) **No**
- Breakeven underlying result **No**
- Breakeven or better cash result **No**
- Increasing cash reserves above \$3M **No**
- Debt below prudential level of 60% of rates **Yes**
- **Council unsustainable after 2022**



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Why are we here?

- De-amalgamation (16.8% rate increase required)
- Low rate increases (2009-17: 4.5%, 2014-17: 3.2%)
- Low investment in asset renewal (2009-17: 57% dep'n)
- High investment in new assets (2009-17: 77% total capex)
- Rate capping



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Panel recommendation – Delatite

- The analysis reveals that the proposed new shire based around Mansfield is just viable with a rate increase of 16.8%, although this rate increase does not allow for any additional capital expenditure.
- While the analysis showed that the two proposed shires were viable, we wish to point out that the new southern shire (Mansfield) will be very small, able to provide very basic services only and will have difficulty in providing for additional capital works, despite a significant increase in rates.



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Options



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Options to fund \$700k shortfall

- Increase revenues (rate variation +7%)
- Reduce operating costs (service reduction)
- Reduce asset renewal (asset failure)
- Take out debt (new capital only)
- Sell assets (new capital only)



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Way forward?



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