FINANCIAL SUSTAINABILITY STRATEGY

2019–2028

INNOVATIVE, DYNAMIC, CITY OF THE FUTURE

LOGAN
CITY COUNCIL


LITTLE
REAL ESTATE
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1. INTRODUCTION

1.1 Executive summary

The Financial Sustainability Strategy provides Council with guidance for the sustainable management of financial resources. The Strategy establishes the framework under which sound and sustainable financial decisions can be made, articulates the challenges and opportunities faced by Council as a result of becoming one of the fastest growing Councils in Queensland, and sets a clear course of action for financial sustainability to be managed.

The QAO Report "Results of audit:
Local government entities 2014_15" states:

> ***"To be sustainable, local governments (Councils) need to adopt longer-term planning processes that manage future financial risk, while maintaining appropriate community service levels."***

The QAO Report "Results of audit:
Local government entities 2015_16" states:

> ***"With the Queensland population expected to increase by 18 per cent in the next 10 years and community expectations for service delivery rising, councils need to critically review the services and the service levels they provide to their communities to remain financially sustainable"***

Financial sustainability is achieved when service and infrastructure levels and standards are delivered according to a long-term plan without the need to significantly increase rates or significantly reduce services.

Long-term financial sustainability is important if Council is to deliver the services and programs expected by the community. It is also important that community assets are maintained so that the cost does not become a burden for future ratepayers and for council to remain financially viable.

Responsible long-term financial sustainability will ensure that:

- Council will remain in a healthy financial position,
- Public resources are distributed fairly between current and future ratepayers (inter-generational equity),
- Funding is made available for the maintenance, replacement and upgrade of assets to deliver levels of service to the community,
- There is consistent delivery of essential community services and efficient development of infrastructure, and
- Current and future council rates are given a fair degree of stability and predictability.

1.2 Logan Profile

Logan City Council is ideally located in South East Queensland bound between Brisbane and Redland City Councils in the north, Gold Coast City in the east, Scenic Rim Regional Council in the south and Ipswich City to the west with a land area of 95,944 hectares.

The city is home to an estimated 313,785 people, from approximately 217 nationalities and cultures, with population projected to increase to 405,055 by 2028.

The City of Logan has 5 major centres, a range of industrial precincts, as well as master planned mixed use town centres.

By 2041 Logan will be home to two satellite cities—Yarrabilba and Greater Flagstone. These major new communities represent investment and development opportunities with current projections showing that a large proportion of Logan's anticipated future growth to come from these two developments.

The size of these developments is of a scale that has not been seen before in Logan with an estimation of over $2.5 billion of infrastructure to be delivered over 40 years. These two Priority Development Areas (PDA) are currently controlled by Economic Development Queensland (EDQ) with negotiations towards an Infrastructure Agreement between developers and Logan City Council nearing completion.

Logan's Gross Regional Product (GRP) is currently sitting at $13.487 billion with strong growth in transport and logistics, health and medical including aged care, construction and tourism.

Managing growth will present Council with challenges, however strategically planning for the future will provide a range of opportunities for our City to continue to grow and prosper into an innovative, dynamic, City of the Future. Council needs careful planning and financial strategies to maintain manageable debt levels over the longer term without affecting service delivery.

2. STRATEGIC FIT

2.1 Legislative Requirements

Section 104 (2) of the Local Government Act 2009 ("the Act") states:

*"A local government is **financially sustainable** if the local government is able to maintain its financial capital and infrastructure capital over the long term."*

The Act requires systems to be implemented so that:

(a) financial risks are managed prudently; and

(b) financial policies are formulated to ensure a reasonable degree of equity, stability and predictability so that current services, facilities and activities are financed by the current users; and having regard to the effect of the policies on the future users of these services, facilities and activities;

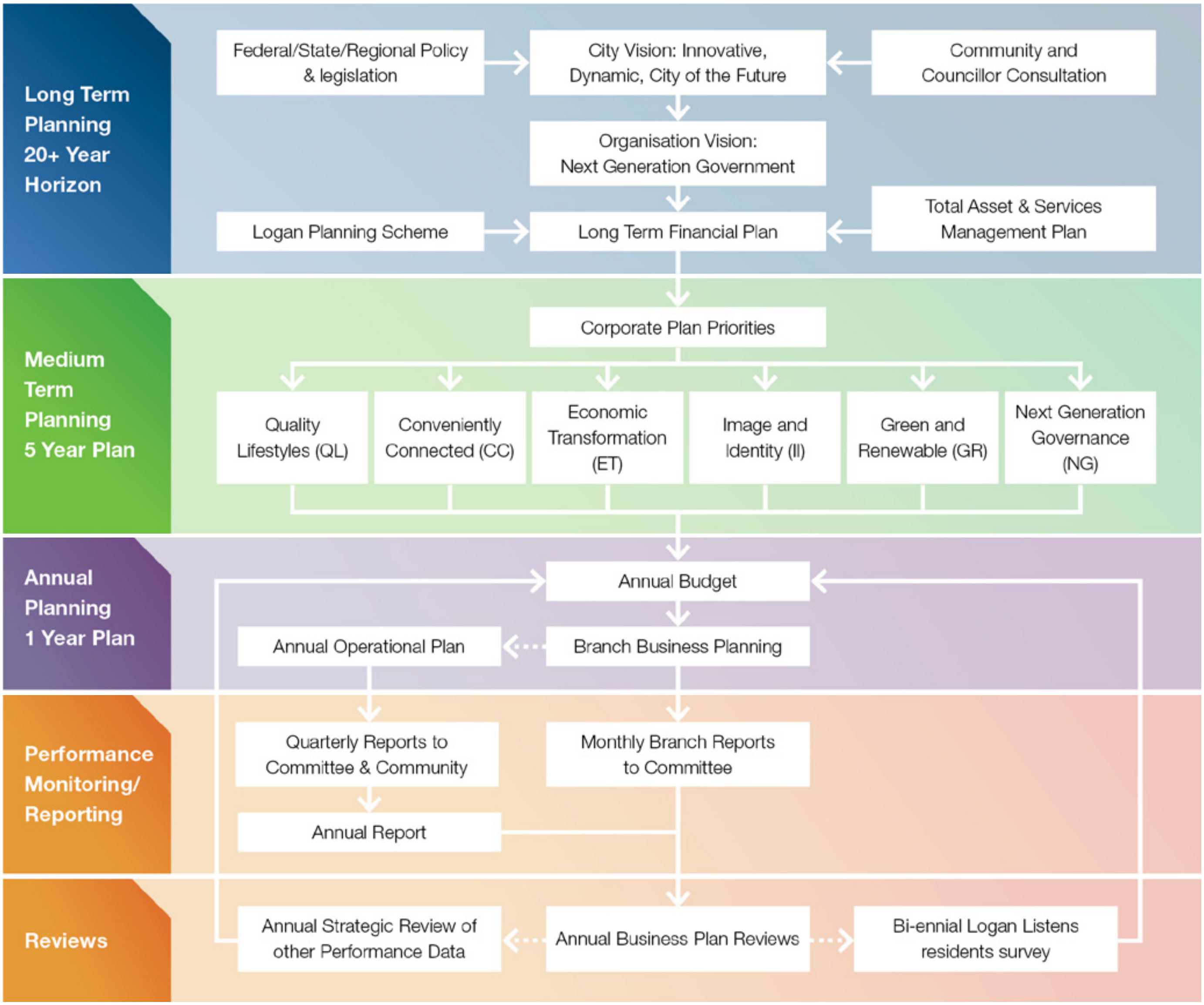
The Local Government Regulation 2012 (s171) requires a long-term financial forecast, covering a period of at least 10 years, which must be considered before planning new borrowings and must be reviewed annually.

2.2 Alignment to the Corporate Plan

The Financial Sustainability Strategy and Long Term Financial Forecast are an integral part of Council's planning framework which also includes:

- Corporate Plan
- Operational Plans
- Total Asset & Service Management Plans (ASMPs)
- Annual Budgets
- Financial Policies
- Capital and Operational Major Projects & Enhancements Schedule (COMPES)
- Logan Planning Scheme

Strategic Planning And Performance Reporting Framework



Council has adopted a new long term vision for the City of Logan. In developing the new vision, Council aims to deliver an innovative, dynamic city of the future—one that offers social, environmental and economic health now and for future generations.

A set of priorities have been established by Council and are outlined in the Corporate Plan 2017-2022 as follows:

- Quality Lifestyles
- Conveniently Connected
- Economic Transformation
- Image and Identity
- Green and Renewable
- Next Generation Governance

The challenge for Council is in aligning its long term vision and ensuring financial sustainability while acknowledging our essential core services remain a key priority.

2.3 Links to the Long Term Financial Forecast

The adoption of a financial strategy is important to provide a tool for ensuring that all financial decisions are made within the context of long term financial sustainability. It is also a requirement of the Local Government Regulation 2012 for Councils to have a long term asset management plan that is part of, and consistent with, the long term financial forecast.

3. VISION—WHERE DO WE WANT TO BE?

Strategic Document	Vision	Priority Area	Priority Focus
Corporate Plan 2017-2022	Logan City: Innovative, Dynamic, City of the Future	Next Generation Governance	Continue to strengthen the management and governance practices that support our transition to a next-generation government body

From a financial perspective, Logan City Council's aim is to maintain financial sustainability over the longer term. In order to achieve this the Financial Sustainability Strategy is an essential tool that Council will use to monitor sustainable operations, support effective asset management, and deliver appropriate levels of service to our community into the future.

4. OUTCOMES

The outcomes of the Financial Sustainability Strategy are:

- To manage the forecast high levels of growth to ensure that infrastructure can be provided in a financially sustainable manner
- To ensure that Council can maintain its asset base at a standard that can effectively service the needs of our community now and into the future
- To achieve our desired financial sustainability targets whilst minimising the impact on our ratepayers
- To achieve annual operational surpluses
- To have a deliverable capital construction program with the right blend of renewals and new works
- To manage debt levels

5. POLICY POSITION

Council is committed to ensuring its Long Term Financial Sustainability while renewing its assets appropriately and maintaining service levels without significant burden on our customers.

The Financial Sustainability Strategy has been developed using the financial management principles detailed in Council's Financial Risk Management Policy.

6. WHERE ARE WE NOW?

Council is currently in a good financial position with healthy cash balances and low levels of debt.

Logan City is experiencing significant and rapid population growth in a tightening economic environment. Council is actively planning how to manage this growth whilst maintaining our service levels and existing assets of approximately $5.7 billion.

Council has a credit rating from the Queensland Treasury Corporation (QTC) of '*moderate with a neutral outlook*'.

Council has a Queensland Audit Office (QAO) financial sustainability relative risk assessment rating of "*lower risk*".

This Financial Sustainability Strategy represents a comprehensive approach to document and integrate the various strategies (financial and other) of Council.

7. WHERE ARE WE GOING?

The challenges Council faces in achieving financial sustainability include:

- Ensuring that council has the right data and data structures that provide the information to make informed decisions
- Balancing investment in new assets to meet significant growth with managing and maintaining existing assets
- The impact of the political environment
- Council's costs increasing at a higher rate than the Consumer Price Index

The benefits of achieving financial sustainability include:

- The flexibility to make informed decisions
- The surety of the impact of decisions now on the future generations
- Achieving Council's vision of delivering an innovative, dynamic city of the future

8. KEY AREAS OF INTEREST

8.1 Priority Infrastructure Area

The Sustainable Planning Act (SPA 2009) requires that Councils have a Local Government Infrastructure Plan (LGIP) in the planning scheme. The purpose of a LGIP is to address the infrastructure needs for Council's priority infrastructure area (PIA). This process has superseded the previous requirement for Council's to produce a priority infrastructure plan (PIP).

A key difference between the PIP and LGIP, is that Councils need to clearly demonstrate that their infrastructure plans are affordable. Council has developed funding guidelines for the proposed LGIP, which will ensure that Council remains well within its financial sustainability targets.

Council's adopted capital program includes the endorsed LGIP schedule of works.

8.2 Priority Development Areas

The Priority Development Areas (PDA) are the new developments of Yarrabilba and Greater Flagstone, which are controlled by Economic Development Queensland (EDQ). Current projections show that a large proportion of Logan's anticipated future growth will come from these two developments. The challenge with this growth is that major investment in infrastructure is required to service these areas.

The size of these developments is of a scale that has not been seen in Logan before. It is estimated that over $2.5 billion of infrastructure (in current day values) will need to be delivered over a duration of around 40 years. It is critical that the delivery of this project is carefully managed to ensure that Council's financial sustainability is not compromised.

Infrastructure contributions will be a key funding source along with debt. Modelling shows that significant borrowings will be required to deliver the capital program, particularly in the early years of the development.

Negotiations with EDQ have progressed to the point where Council has been able to adopt a capital program based on agreed financial models. The capital expenditure modelled for EDQ has been for works within the PDA only. The challenge for Council will be resourcing capital works that are not within the PDA but are necessary to link the infrastructure networks.

8.3 Funding of Capital

Funding for the capital program is based on a mix of sources such as general revenue, infrastructure contributions, grants and subsidies, reserve funding, sales of assets and loans. The timing and nature of the funding mix has important implications for the intergenerational equity considerations of who pays for what and when.

As a general rule, Council should be collecting sufficient revenue through rates to fund its renewals program. This is achieved by ensuring that we have operating surpluses.

Council must be mindful of decisions taken at the present time to invest in new assets, using funding that should be directed towards the renewals program. Such decisions would have adverse financial implications in the future by creating a renewals gap. That is, by taking renewals funding and using it for new capital, not only do the renewals not happen as scheduled but we also create more renewals requirements and (sometimes) the income generated from the new capital is non-existent or minimal, especially in the case of "community assets".

Other available sources of funding should be utilised to fund new capital acquisitions across Council.

One of these sources is infrastructure charges which are a key funding source for the provision of essential trunk infrastructure to support new development. Approved development applications that introduce extra demand on Council's trunk infrastructure networks will usually incur an infrastructure charge. These funds are held within a Council reserve until such time as they are needed to fund capital expenditure. Reserves are used to enable Council to set aside funds for future use from various financial periods to provide a transparent and readily available source of asset funding.

Council usually consider loan funding as a final option when sources of funds are required. While it is not always an optimum solution, because of the interest costs involved, it does have benefits. It matches the consumption of the asset with the future generations of the community using the asset. In order to be able to meet the infrastructure needs of a growing city Council will need to increase its level of borrowings over the next decade.

Council must also look for innovative solutions to fund and procure capital works in order to maximise the infrastructure that can be delivered.

8.4 Cash Balances

Because of Council's historically prudent financial management, Council currently has a healthy cash balance which is forecast to continue growing over the life of the LTFF.

Council has adopted an investment policy based on an assessment of market and liquidity risk within the legislative framework of the Statutory Bodies Financial Arrangements Act 1982. The objectives of the policy are:

- To invest Council funds not immediately required for financial commitments.
- To maximise earnings from authorised investments of surplus cash after assessing counterparty, market and liquidity risks.
- To ensure that appropriate records are kept and that adequate internal controls are in place to safe guard public monies.

With the decline in cash rates, Council's returns from cash investments have fallen in recent years. As part of its overall financial strategy, Council needs to consider what the optimal level for its cash reserves is. Council needs to achieve a balance between:

- Having sufficient cash to effectively manage its day to day operations
- Being able to withstand any financial shocks from natural disasters or other unforeseen events.
- Minimising the holding of excess funds in low interest investment funds, that could achieve better returns if they were invested elsewhere

With the high level of future infrastructure investment required the benefits of using existing cash, as opposed to the use of new borrowings, has been carefully considered. As a result Council has endorsed changes to its debt policy to make greater use of internal loans to the Council's business units. This strategy has been incorporated into the LTFF which results in a better utilisation of cash and savings in finance costs.

Other options for maximising Council's returns could include investment in projects producing alternative revenue streams. This is an option to be considered as part of Council's long term financial strategy.

It is essential that the LTFF capture all future expenditure especially where funding commitments have been made to give an accurate cash balance.

8.5 Debt Balances

Council is currently in the fortunate position of having a low level of debt compared to other similar sized local governments. Given that large amounts of infrastructure investment will be required beyond the life of this strategy, it is critical that Council has sufficient borrowing capacity available.

With interest rates at historical lows it is considered an ideal time to borrow, however any borrowing decisions must be carefully considered. The decision on Council's ultimate levels of debt will require a balance between the levels of service provided, affordability for the community and Council's long term financial sustainability.

There is always a preference to borrow for economic assets whereby the interest expense is charged against future and known revenue streams. Funding of social assets from loans is more difficult to justify as they usually don't generate sufficient revenue streams to offset interest and redemption payments.

As discussed above, Council has revised its debt policy which now includes an internal loan strategy to the business units to assist in reducing debt levels. The new policy also provides targets for Council's key financial ratios to ensure that borrowing decisions are financially sustainable.

Council is required to submit an annual application to the State Government, which includes the LTFF, to gain approval for all planned borrowings.

9. HOW ARE WE GOING TO GET THERE?

Council has undertaken a detailed review of its long term financial sustainability and has identified a number of priorities that Council wishes to focus upon over the short to medium term. These priorities can be broadly grouped into the following strategic priority areas:

- Asset and service management
- Rating
- Financing and investment
- Efficiencies and process improvements
- Financial sustainability planning

A focus on the above priorities provides council with a significant opportunity to secure long term financial sustainability.

9.1 Asset & Service Management

Council's Asset & Service Management Strategy is focussed on developing and progressing the organisation towards advancing the state of its asset and service management practices over a number of years. It is built on the foundation of the five core Focus Areas of governance, people, processes, information and systems, with each of these having a suite of improvement actions associated with them.

In relation to this Financial Sustainability Strategy, the relevant items from the Asset Management Strategy are:

9.1.1 Improvement Action ASM.8: Document and review operations and maintenance activity information to inform levels of service, support Council's Strategic Asset Management & Maintenance System (SAMMS) project, and identify potential business efficiencies. This work also supports whole-of-life cost considerations as part of item 9.1.2 below.

9.1.2 Improvement Action ASM.9: Review and refine capital project information requirements to support levels of service and better inform capital budget needs from a renewal and new/upgrade perspective.

Other specific areas of focus for this strategy that support the Asset & Service Management Strategy include:

9.1.3 Integrate the content and timing of the Long Term Financial Forecast, Total Asset & Service Management Plan and the Local Government Infrastructure Plan (LGIP)

9.1.4 Review and improve depreciation practices

9.1.5 Review and quantify the renewals gap (if any) and the impact of donated assets

9.2 Rating

9.2.1 Review rating strategies including applying user pays principles where it is appropriate to do so.

9.2.2 Review the policy for funding for community assets

9.3 Financing and Investment

9.3.1 Investigate alternative revenue streams to minimise financial impacts on ratepayers

9.3.2 Review Council's reserves and investments to maximise the financial benefit to the community

9.3.3 Optimise our capital and borrowing programs

9.4 Efficiencies and Process Improvements

9.4.1 Refine and improve internal controls

9.4.2 Review Council's IT architecture to see if there is scope for the consolidation of systems to drive efficiencies and reduce cost

9.4.3 Generate organisational efficiencies through innovation, business improvement and the continued assessment of core business and service levels

9.5 Financial Sustainability Planning

9.5.1 Review and quantify the impact of Council's workforce plans

9.5.2 Review and improve Council's demographic, development and growth data

9.5.3 Undertake a comprehensive risk analysis of Council's financial sustainability

9.5.4 Develop a framework for managing capital investment in key development areas

10. IMPLEMENTATION

The key strategies contained within this document will be implemented over a five year period. The implementation of the Strategy will be led by the Director, Organisational Services and the Finance Manager.

The successful implementation of the Strategy will be through partnerships with key stakeholders such as Strategic Projects, Economic Development & Strategy, Development Assessment and our infrastructure provider branches.

Council is developing action plans for these items to ensure that there is a clear direction on how to maintain our strong financial position.

The Corporate Accounting Program Leader and the Corporate Accounting Coordinator will play key roles in facilitating the delivery of this Strategy.

11. LONG TERM FINANCIAL FORECAST

11.1 Background

The Long Term Financial Forecast (LTFF) is a ten year forecast of Council's expected income, expenditure, capital outlays and borrowings. The LTFF is an important tool that is used to aid decision making for both internal and external parties. Council's adopted long term financial statements are provided in the section 11.5 of this document.

Internally the LTFF allows Council to assess our financial sustainability and plan for our future investment in services, new infrastructure and our existing asset base. Externally it is used by State Government bodies such as the Queensland Treasury Corporation (QTC), to assess Council's overall financial position. These assessments are then used in the approval process for any new borrowings applications submitted by Council.

Responsible financial management allows council to set a financial management framework in which it should operate into the future that outlines an indication of the future financial performance and position of council based on delivering required service levels. This gives an indication of the financial sustainability of those service levels, the associated risks in delivering those required service levels and the financial implications of certain decisions and scenarios.

11.2 Key Assumptions

11.2.1 Revenue Assumptions in the Long Term Financial

- The Consumer Price Index (CPI) has been used as a key variable in the development of the Long Term Financial Forecast (LTFF).
- Growth projections have been derived using population modelling data in conjunction with historical trends in rateable property growth.
- The price path for the water and wastewater business are reviewed annually and are based on the Queensland Competition Authority (QCA) guidelines.
- Government grants and subsidies are anticipated to remain stable.

Council derives over 90% of its operating revenue from Council controlled revenue sources such as the rates, which provides Council with greater certainty over future income streams. However as the cost of living continues to rise, the challenge to minimise rate increases will intensify over the coming years. As a part of its overall financial strategy, Council will consider other opportunities for income generation to reduce the reliance on these traditional revenue sources.

11.2.2 Expenditure Assumptions in the Long Term Financial Forecast

- Full time equivalent employee projections have been based on historical growth trends with an allowance for an increased growth within the City.
- Key branches have calculated the estimated costs of maintaining and operating any new assets identified through the development assessment approval process.
- Price increases on bulk water purchases from South East Queensland (SEQ) Water are based on periodic reviews by the Queensland Competition Authority. Pricing is then determined by state government and communicated.
- The forecast for garbage collection costs has been based on historical actuals, which has on average seen contract costs rise slightly above CPI. These costs are variable and are therefore directly impacted by growth in rateable properties.

- The value of depreciation is expected to continue growing, based on the anticipated increase in our asset base from new and donated assets. Currently the majority of assets are depreciated on a straight line basis with regular condition assessments performed for the major infrastructure assets.
- Renewals programs are indexed annually with a view to maintaining assets at an appropriate standard of service.

11.3 Major Challenges and Mitigation Strategies

This strategy has identified the following major challenges in relation to Council's financial sustainability. The mitigation strategies are built into the priorities and actions outlined in section 9 of this strategy document.

Risk	Likelihood	Consequence
Failure to consider whole of life costing in its decision making on capital investments.	Likely	Moderate
Council having insufficient cash to maintain adequate liquidity.	Rare	Minor
Key growth assumptions are significantly different to our current modelling projections.	Possible	Minor
Adverse impact of future Certified Agreements.	Unlikely	Minor
Pegging the rate increases to CPI when costs are rising above CPI.	Likely	Moderate
Adverse financial impact of priority development areas through an unfavourable funding framework.	Possible	Major

Risk	Likelihood	Consequence
Being able to provide adequate infrastructure and services to meet growth in the new greenfield developments whilst keeping debt to manageable levels.	Possible	Moderate
Asset management systems and processes don't provide accurate data to inform long term planning.	Possible	Moderate
Council's capital program does not align with endorsed strategic plans and asset strategies.	Possible	Minor
Ageing Population increases burden on pensioner remissions.	Likely	Minor
Risk of depreciation adversely impacting on future operating surpluses.	Likely	Moderate
Unforeseen emergencies and natural disasters impacting financial results.	Possible	Minor

11.4 Key Financial Sustainability Indicators

QTC periodically undertakes a credit review, which is predominantly based upon a detailed assessment of Council's LTFF. The last review was undertaken in 2014 where Council was rated as moderate with a neutral outlook.

QTC noted "The moderate rating reflects Council's high level of own source revenue and willingness to implement necessary increases in rates, a successful re-integration of the water and wastewater business, continued investment in its asset base and adequate debt servicing capacity. However, these factors are offset to some extent by Council's substantial operating deficits in FY2012 and FY2013 and forecast operating deficit for FY2014."

The following ratios are designed to provide an indication of Council's performance against key financial sustainability criteria in accordance with section 169 (5) of the Local Government Regulation 2012:

- Asset Sustainability Ratio
- Net Financial Liabilities Ratio
- Operating Surplus Ratio
- Cash Expense Cover Ratio
- Debt Service Cover Ratio

Each of these ratios are calculated over a ten year period utilising Council's long-term financial forecast, compared with industry benchmarks and reported in Council's Annual Budget and Annual Report.

11.5 Budgeted Financial Statements

In developing the long-term financial forecast, Council has applied the principles of equity, effectiveness, simplicity and affordability, resulting in the following financial statements as reported in Council's published Annual Budget.

11.5.1 Long-Term Statement of Comprehensive Income

	Proposed Year 1 2018/2019 $'000	Estimate Year 2 2019/2020 $'000	Estimate Year 3 2020/2021 $'000	Estimate Year 4 2021/2022 $'000	Estimate Year 5 2022/2023 $'000	Estimate Year 6 2023/2024 $'000	Estimate Year 7 2024/2025 $'000	Estimate Year 8 2025/2026 $'000	Estimate Year 9 2026/2027 $'000	Estimate Year 10 2027/2028 $'000
INCOME **Revenue** **Operating revenue**										
Net rates, levies and charges	431,576	448,968	469,727	493,137	516,308	537,483	563,523	587,745	614,928	643,702
Fees and charges	37,565	38,952	40,447	42,006	43,608	45,179	46,857	48,557	50,410	52,356
Interest received	9,109	5,732	5,264	5,669	6,257	6,030	5,667	6,073	6,632	7,073
Other income	21,871	26,758	23,510	20,319	20,831	21,035	21,566	22,111	22,669	23,242
Grants, subsidies, contributions and donations	12,445	12,719	13,037	13,363	13,697	14,039	14,390	14,750	15,119	15,497
Total operating revenue	**512,566**	**533,130**	**551,985**	**574,494**	**600,701**	**623,767**	**652,004**	**679,236**	**709,759**	**741,870**
Capital revenue										
Grants, subsidies, contributions and donations	163,775	193,001	176,518	181,881	181,506	176,286	185,748	192,064	187,972	199,741
Total revenue	**676,340**	**726,131**	**728,503**	**756,375**	**782,207**	**800,054**	**837,752**	**871,300**	**897,732**	**941,611**
Capital income										
Total capital income	296	295	295	295	295	295	295	295	295	295
Total income	**676,637**	**726,426**	**728,798**	**756,670**	**782,502**	**800,349**	**838,047**	**871,595**	**898,027**	**941,906**
EXPENSES **Operating expenses**										
Employee benefits	157,084	161,465	167,345	173,334	179,672	186,256	193,095	200,203	207,590	215,269
Materials and services	220,084	224,023	230,041	238,966	248,747	258,522	267,751	281,259	292,351	304,481
Finance costs	11,475	10,829	13,862	17,098	18,228	18,372	17,999	19,975	23,348	22,853
Depreciation and amortisation	106,177	112,686	122,975	130,690	135,948	143,012	150,731	156,305	160,444	166,405
Other expenses	4,926	4,962	5,087	5,214	5,345	5,479	5,617	5,758	5,903	6,051
Total operating expenses	**499,745**	**513,966**	**539,310**	**565,302**	**587,940**	**611,640**	**635,193**	**663,500**	**689,635**	**715,059**
Capital expenses										
Total capital expenses	16,860	53,025	113,456	40,530	50,150	22,851	71,586	102,179	27,333	22,206
Total expenses	**516,605**	**566,991**	**652,766**	**605,832**	**638,090**	**634,491**	**706,779**	**765,678**	**716,969**	**737,264**
Net result	**160,032**	**159,435**	**76,032**	**150,838**	**144,411**	**165,858**	**131,268**	**105,916**	**181,058**	**204,642**

11.5.2 Long-Term Statement of Financial Position

	Proposed Year 1 2018/2019 $'000	Estimate Year 2 2019/2020 $'000	Estimate Year 3 2020/2021 $'000	Estimate Year 4 2021/2022 $'000	Estimate Year 5 2022/2023 $'000	Estimate Year 6 2023/2024 $'000	Estimate Year 7 2024/2025 $'000	Estimate Year 8 2025/2026 $'000	Estimate Year 9 2026/2027 $'000	Estimate Year 10 2027/2028 $'000
ASSETS										
Current assets										
Cash and cash equivalents	141,963	126,567	133,977	147,576	143,233	136,349	142,742	149,897	153,925	161,449
Trade and other receivables	62,070	64,844	67,404	70,129	73,288	75,951	79,685	82,993	86,687	90,344
Inventories	2,224	2,278	2,334	2,391	2,450	2,510	2,573	2,637	2,703	2,771
Other current assets	5,277	5,404	5,535	5,669	5,807	5,950	6,097	6,248	6,404	6,565
Total current assets	**211,534**	**199,093**	**209,250**	**225,765**	**224,778**	**220,761**	**231,097**	**241,775**	**249,719**	**261,128**
Non-current assets										
Investments	7,122	7,122	7,122	7,122	7,122	7,122	7,122	7,122	7,122	7,122
Property, plant and equipment	5,978,950	6,261,484	6,501,806	6,767,509	7,028,494	7,309,352	7,597,232	7,893,388	8,201,008	8,530,015
Other non-current assets	7,863	7,822	7,782	7,634	7,450	7,914	8,300	8,498	8,504	8,642
Total non-current assets	**5,993,935**	**6,276,428**	**6,516,711**	**6,782,265**	**7,043,067**	**7,324,389**	**7,612,654**	**7,909,009**	**8,216,634**	**8,545,779**
Total assets	**6,205,469**	**6,475,521**	**6,725,960**	**7,008,030**	**7,267,845**	**7,545,150**	**7,843,751**	**8,150,783**	**8,466,353**	**8,806,907**
LIABILITIES										
Current liabilities										
Trade and other payables	57,130	58,246	60,228	62,425	64,788	67,008	69,570	72,520	75,218	77,876
Borrowings	13,846	17,402	20,157	22,828	23,965	23,662	26,762	30,760	32,762	34,799
Provisions	22,886	25,158	27,656	30,404	33,427	36,753	40,411	44,435	48,861	53,730
Other current liabilities	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Total current liabilities	**95,462**	**102,405**	**109,641**	**117,257**	**123,781**	**129,023**	**138,343**	**149,315**	**158,440**	**168,005**
Non-current liabilities										
Borrowings	163,153	241,113	319,369	346,632	351,048	344,525	380,922	440,459	425,630	401,910
Provisions	10,408	10,870	11,370	11,909	12,494	13,127	13,815	14,417	15,082	15,815
Total non-current liabilities	**173,561**	**251,983**	**330,739**	**358,541**	**363,541**	**357,652**	**394,736**	**454,877**	**440,712**	**417,725**
Total liabilities	**269,023**	**354,388**	**440,379**	**475,798**	**487,322**	**486,675**	**533,080**	**604,192**	**599,152**	**585,730**
Net community assets	**5,936,447**	**6,121,133**	**6,285,581**	**6,532,232**	**6,780,523**	**7,058,474**	**7,310,672**	**7,546,591**	**7,867,201**	**8,221,177**
Community equity										
Asset revaluation surplus	2,913,573	2,938,824	3,027,241	3,123,054	3,226,934	3,339,027	3,459,956	3,589,960	3,729,512	3,878,846
Retained surplus	3,022,874	3,182,308	3,258,340	3,409,178	3,553,590	3,719,447	3,850,715	3,956,631	4,137,689	4,342,331
Total community equity	**5,936,447**	**6,121,133**	**6,285,581**	**6,532,232**	**6,780,523**	**7,058,474**	**7,310,672**	**7,546,591**	**7,867,201**	**8,221,177**

11.5.3 Long-Term Statement of Cash Flows

	Proposed Year 1 2018/2019 $'000	Estimate Year 2 2019/2020 $'000	Estimate Year 3 2020/2021 $'000	Estimate Year 4 2021/2022 $'000	Estimate Year 5 2022/2023 $'000	Estimate Year 6 2023/2024 $'000	Estimate Year 7 2024/2025 $'000	Estimate Year 8 2025/2026 $'000	Estimate Year 9 2026/2027 $'000	Estimate Year 10 2027/2028 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:										
Receipts from customers	489,377	511,902	531,135	552,743	577,595	601,035	628,223	655,110	684,318	715,642
Payments to suppliers and employees	(377,022)	(387,913)	(398,834)	(413,399)	(429,194)	(445,508)	(461,017)	(480,992)	(499,433)	(518,948)
Interest received	9,109	5,732	5,264	5,669	6,257	6,030	5,667	6,073	6,632	7,073
Non-capital grants and contributions	12,391	12,690	12,994	13,323	13,656	14,002	14,342	14,706	15,073	15,456
Borrowing costs	(10,141)	(9,469)	(12,473)	(15,678)	(16,777)	(16,888)	(16,482)	(18,424)	(21,762)	(21,232)
Other cash flows from operating activities	(190)	(196)	(202)	(208)	(214)	(220)	(227)	(377)	(388)	(399)
Net cash inflow from operating activities	**123,524**	**132,746**	**137,884**	**142,450**	**151,323**	**158,451**	**170,506**	**176,095**	**184,440**	**197,592**
CASH FLOWS FROM INVESTING ACTIVITIES:										
Payments for property, plant and equipment	(317,693)	(301,905)	(280,367)	(234,003)	(235,929)	(228,076)	(274,729)	(310,443)	(239,199)	(245,221)
Payments for intangible assets	(2,635)	(1,934)	(1,904)	(1,804)	(1,804)	(1,839)	(1,875)	(1,922)	(1,970)	(2,020)
Proceeds from sale of property, plant & equipment	351	350	350	350	350	350	350	350	350	350
Grants, subsidies, contributions and donations	69,244	73,831	70,436	76,672	76,164	71,055	72,645	79,540	73,235	78,505
Other cash flows from investing activities	(618)	-	-	-	–	–	–	–	–	–
Net cash inflow from investing activities	**(251,351)**	**(229,658)**	**(211,485)**	**(158,785)**	**(161,219)**	**(158,510)**	**(203,610)**	**(232,476)**	**(167,585)**	**(168,385)**
CASH FLOW FROM FINANCING ACTIVITIES:										
Proceeds from borrowings	2,000	95,351	98,401	50,085	28,377	17,137	63,150	90,285	17,929	11,078
Repayment of borrowings	(13,018)	(13,835)	(17,390)	(20,151)	(22,824)	(23,963)	(23,653)	(26,749)	(30,757)	(32,760)
Net cash inflow from financing activities	**(11,018)**	**81,516**	**81,011**	**29,934**	**5,553**	**(6,826)**	**39,497**	**63,535**	**(12,828)**	**(21,682)**
TOTAL CASH FLOWS										
Net increase in cash and cash equivalent held	**(138,845)**	**(15,396)**	**7,411**	**13,599**	**(4,343)**	**(6,884)**	**6,393**	**7,154**	**4,028**	**7,524**
Opening cash and cash equivalents	280,808	141,963	126,567	133,977	147,576	143,233	136,349	142,742	149,897	153,925
Closing cash and cash equivalents	**141,963**	**126,567**	**133,977**	**147,576**	**143,233**	**136,349**	**142,742**	**149,897**	**153,925**	**161,449**

11.6 Sensitivity Analysis

The QAO report "Forecasting long-term sustainability of local government 2016-17" states that council's should undertake sensitivity analysis on the variables that have the biggest impact on the budget and long term financial forecast. These include:

- growth in rateable properties
- growth in wages
- changes in construction unit rates, and
- expected movements in current replacement costs over time.

Logan City Council reviews the long-term financial forecast and parameters annually as well as at major budget amendments. In addition, Council regularly uses the forecast to analyse scenarios pertaining to growth factors and the ability of Council to continue meeting the community's expectations and levels of service.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Logan City Council
150 Wembley Rd, Logan Central QLD 4114
p: (07) 3412 3412 | e: council@logan.qld.gov.au | logan.qld.gov.au
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LOGAN
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