DIRECTOR CORPORATE & BUSINESS SYSTEMS

8 2 BIRIPI WAY TAREE OFFICE RELOCATION INVESTIGATIONS - INDEPENDENT COST BENEFIT ANALYSIS

Report Author **Steve Embry, Director Corporate & Business Systems**

File No. / ECM Index **Commercial Industrial Premises: Cnr Manning River Drive and Biripi Way**

Date of Meeting **10 April 2019**

Authorising Director **Steve Embry, Director Corporate & Business Systems**

SUMMARY OF REPORT

At the 6 February 2019 Ordinary Council Meeting, Council resolved to commission a new Cost Benefit Analysis to assess the latest costs and benefits associated with the proposed office relocation to 2 Biripi Way, Taree compared to the multi-site model.

The purpose of this report is to provide Council with the outcome of that Cost Benefit Analysis and to recommend that the Office Relocation Project (**Project**) proceed to the next phase (Design and Construct Phase).

SUMMARY OF RECOMMENDATION

That Council:

1. Note the contents of this report regarding the outcome of the Cost Benefit Analysis prepared by The Balmoral Group Australia that the benefits outweigh the costs over the 20-year period of evaluation for the single site option, and that the single site option is more favourable when compared to the multi-site option.

2. Approve the Project to proceed to the next phase (Design and Construct Phase) with results of the procurement processes associated with that phase being reported back to Council. Prior to committing to any construction works, the outcomes of the detailed design and cost plan would be submitted to Council for its review and approval.

3. Note the LTFP Scenario for the Project and include this as an addendum to the LTFP.

FINANCIAL/RESOURCE IMPLICATIONS

Cost incurred in connection with the preparation of the Cost Benefit Analysis have been funded out of unused funds carried forward from the 2017/18 funding allocated for Councillor training. The cost of the new Cost Benefit Analysis was approximately $38,000 (plus GST).

Internal resources continue to be utilised in connection with various elements of the Project including financing and project management oversight.

The Financing Strategy presented to Council at the 31 October 2018 Ordinary Meeting (**Financing Strategy**) sets out projected costs should Council proceed with the Project.

LEGAL IMPLICATIONS

All legal requirements have been met in managing this Project.

ATTACHMENTS

A: Cost Benefit Analysis – April 2019 prepared by The Balmoral Group Australia
B: Long Term Financial Plan Scenario for Office Relocation

Attachments A & B and have been circulated in hard copy to the Councillors and Senior Staff, however these Attachments are publicly available on Council's website.

COST BENEFIT ANALYSIS OUTCOMES

At the 6 February 2019 Ordinary Council Meeting, Council resolved to commission a new Cost Benefit Analysis to assess the latest costs and benefits associated with the purchase and fit out of 2 Biripi Way for use as a single site administrative office for Council compared to the campus (multi-site) model. Council resolved the following:

That Council

1. Note the report

2. Commission a new Cost Benefit Analysis to assess the latest costs and benefits associated with the purchase and fitout of 2 Biripi Way for use as a single site administrative office for MidCoast Council compared to the campus model. The CBA should:

    a) Use the latest relevant property valuations, and

    b) Be based on the most recent financing strategy which proposes a mix of loan, cash from savings and cash from property sales, and

    c) exclude all subjective savings associated with staff "culture change" and concentrate on actual realisable savings associated with the new work environment.

3. The CBA should be prepared by an independent third party expert.

4. The resulting report should be provided to Council in April.

5. Council should then identify the best use of the projected savings, if any, from the consolidation of office services for the benefit of the community.

6. If necessary pay for the new or revised CBA from the unused funds carried forward from 2017-18 allocated for Councillor training.

The report presented to the 6 February 2019 Council meeting provided a detailed summary of the project to date and this report is attached (**See Annexure A**). The attachments to that report have not been provided again as they are extensive and have been previously provided to Councillors.

That resolution required that the analysis should be prepared by an independent third party and use the latest property valuations, be based on the Financing Strategy and exclude all subjective savings associated with staff ‘culture change’ and concentrate on actual realisable savings associated with the new work environment.

To engage an independent third party expert for this purpose, Council undertook a request for quotations process using a short list from the Local Government Procurement Panel. Following that procurement process, the Balmoral Group Australia Pty Limited was appointed to undertake the assessment on terms consistent with the terms resolved at the 6 February 2019 Ordinary Council Meeting.

The Balmoral Group Australia has prepared the Cost Benefit Analysis Report dated April 2019 to document its assessment of the costs and benefits of each option (**see Attachment A**).

In undertaking its assessment, The Balmoral Group Australia compiled costs and benefits of each option based on information provided by Council, independent sources (including existing reports relevant to the Project) and values obtained through current market research where appropriate. All dollar values were converted to current values to address the time value of money.

Sensitivity analysis was completed as per best practice using 3% and 10% discount rates (consistent with NSW Treasury Guidelines). The baseline analysis was conducted with a 5% discount rate which represents the social cost of capital in relation to both options (which factors in anticipated interest and inflation rates).

The Cost Benefit Analysis work undertaken by the Balmoral Group Australia found that the single site option provides benefits outweighing costs over an assumed 20-year period of evaluation, with stand-alone BCR (benefit to cost ratio) of 1.22, and a BCR of 3.44 when compared relative to the multi-site (campus) option.

In summary – the work undertaken by The Balmoral Group Australia confirms that the proposed office relocation of 350 staff to 2 Biripi Way is more favourable to the option of Council staff operating from the three existing main administration sites in what has been referred to as the "Campus Model" (a refurbished office with the co-location of teams).

It should be noted that the operational efficiencies referred to in the Cost Benefit Analysis are actual projected efficiency savings which translate into dollar savings. They are not savings associated with staff culture change referred to in Part 2(c) of Council's 6 February resolution.

In regard to Part 5 of Council's resolution, if the office centralisation proceeds, Council would have discretion to allocate these savings, once realised, as it saw fit. For example, savings could be allocated to road programs, recreation priorities etc. Council could also increase service levels in priority areas as determined by Council.

FINANCING STRATEGY

Should the Project proceed, Council proposes to fund the Project in accordance with the Financing Strategy approved by Council at the Ordinary Council Meeting held on 31 October 2018. At that meeting, Council resolved that the Financing Strategy be subject to a peer review for completeness. The peer review was undertaken by RSM Australia and presented to Council at the 6 February 2019 Council Meeting.

In order to assess the costs and benefits of each option as part of the work undertaken by The Balmoral Group Australia, certain assumptions were required to made regarding benefits associated with each option – which included the assumed sale of surplus properties. These assumptions were required for comparison purposes – with sensitivity testing also being undertaken to exclude the assumed sale of the properties (with negligible impact on the overall result).

Because of the nature of Cost Benefit Analysis, it was not possible for The Balmoral Group to factor in the proposed methodology of funding the Project as outlined in the Financing Strategy.
In principle, a Cost Benefit Analysis assumes that funding will be available for any given option considered by the analysis and therefore the options can be considered comparable on that basis. The Balmoral Group have also provided a high-level discussion on the components of the central discount rate of 5%. This is made up of Council's borrowing rate and the inflation rate.

The Balmoral Group have also reviewed the RSM Australia Peer review report as part of the Cost Benefit Analysis.

The work previously undertaken by RSM Australia in peer reviewing the Financing Strategy confirmed that the proposed methodology of funding the Project is financially sound and sustainable.

As mentioned above, the results of the peer review were reported back to Council at the 6 February 2019 Ordinary Council Meeting, with RSM Australia finding that the funding mix proposed by Council in the Financing Strategy to be reasonable.

The Long Term Financial Strategy has been reviewed to incorporate expenditure and income included in the Financial Strategy. This has resulted in a LTFP Biripi Way Scenario as an addendum to Council's current LTFP. **(See Attachment B)**

NEXT PHASE IN THE PROJECT

If Council approves the Project to proceed to the next phase, then the Project would enter into the Design and Construct Phase whereby the Council appointed project manager (Montlaur) would carry out a procurement process with a view to Council committing resources to design the detailed plans for the Project.

During this next Phase, the preparation of the detailed designs would also enable the preparation of a detailed cost plan and program (noting that Council currently has an architectural Test Fit and a cost plan based on the Test Fit).

Prior to committing to any construction works, the outcomes of the detailed design and cost plan would be submitted to Council for its review and approval.

At that time, a detailed Project program would also be submitted to Council.

BUDGET IMPLICATIONS

Costs to date associated with the engagement of consultants working on the Initiation Phase of the Project are approximately $250,000 (plus GST). These costs have been funded out of the Land Development Reserve (with the costs associated with the preparation of the new Cost Benefit Analysis being funded out of the unused 2017/18 Councillor training budget).

Should the Project proceed, future costs would be funded in accordance with the Financing Strategy for the Project.

RECOMMENDATION

That Council:

1. Note the contents of this report regarding the outcome of the Cost Benefit Analysis prepared by The Balmoral Group Australia that the benefits outweigh the costs over the 20-year period of evaluation for the single site option, and that the single site option is more favourable when compared to the multi-site option.

2. Approve the Project to proceed to the next phase (Design and Construct Phase) with results of the procurement processes associated with that phase being reported back to Council. Prior to committing to any construction works, the outcomes of the detailed design and cost plan would be submitted to Council for its review and approval.

3. Note the LTFP Scenario for the Project and include this as an addendum to the LTFP.

ANNEXURES

A: 6 February 2019 Report

2 BIRIPI WAY, TAREE OFFICE RELOCATION INVESTIGATIONS UPDATE

Report Author	**Steve Embry, Director Corporate & Business Systems**
File No. / ECM Index	**Commercial Industrial Premises: Cnr Manning River Drive and Biripi Way**
Date of Meeting	**6 February 2019**
Authorising Director	**Steve Embry, Director Corporate & Business Systems**

SUMMARY OF REPORT

The draft financing strategy was placed on public exhibition for a six week period to allow the community to provide input regarding the proposed methodology for funding the proposed office relocation to 2 Biripi Way, Taree (**Project**).

In conjunction with those arrangements, Council delivered a community consultation program to provide the community with the opportunity learn more about the draft financing strategy.

The purpose of this report is to provide Council with the outcome of the community consultation and present the outcome of the peer review of the draft financing strategy and the Probity Advisor's Report.

SUMMARY OF RECOMMENDATION

That Council:

1. Note the contents of this report regarding the status of the Project including the outcomes of the community consultation arrangements concerning the draft financing strategy.

2. Approve and adopt the financing strategy for the Project.

3. Approve the Project to proceed to the next phase (Design and Construct Phase) with results of the procurement processes associated with that phase being reported back to Council. Prior to committing to any construction works, the outcomes of the detailed design and cost plan would be submitted to Council for its review and approval.

4. Note the LTFP Scenario for the Office Relocation Project and include this as an addendum to the LTFP.

FINANCIAL/RESOURCE IMPLICATIONS

Council approved a program of works for the conduct of the investigations into the Office Relocation proposal. As reported to the 31 October Council Meeting additional expenditure was incurred in the preparation of the Financing Strategy through the work undertaken by Knight Frank to evaluate property valuations and options.

Further costs have since been incurred through the peer Review of the Finance Strategy and the Probity Review.

Internal resources continue to be utilised in connection with various elements of the Project including financing, project management oversight and community engagement.

The Financing Strategy sets out projected costs should Council proceed with the project.

LEGAL IMPLICATIONS

All legal requirements have been met in managing this Project.

ATTACHMENTS

A: Engagement Report - redacted to remove commercial in confidence information
B: Review of Midcoast Council's Draft Financing Strategy Proposed Office Relocation 2 Biripi Way, Taree – RSM Australia – redacted to remove commercial in confidence information
C: Probity Report – O'Connor Marsden and Associates - redacted to remove commercial in confidence information
D: Capital Expenditure Review Report (December 2018) - redacted to remove commercial in confidence information - This Attachment is provided in electronic format only and has been previously distributed to Councillor's & Senior Staff.
E: Long Term Financial Plan Scenario for Office Relocation

Attachments A, B, C and E have been circulated in hard copy to the Councillors and Senior Staff, however these Attachments are publicly available on Council's website.

Redacted information in the Attachments has been classified as confidential and circulated to Councillors and Senior Staff only. The redacted information has been classified as **CONFIDENTIAL** in accordance with Section 10A(2)(c) of the Local Government Act 1993 for the following reasons:

(c) information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.

It is considered that it would be contrary to the public interest to reveal confidential details contained in the Attachments, which if disclosed to the general public would jeopardise proposed procurement processes associated with the Project.

COMMUNITY CONSULTATION OUTCOMES

As per the Community Engagement Strategy endorsed at the 31 October 2018 Ordinary Meeting of Council, a six week consultation period was delivered on the draft financing strategy for the Project.

This consultation took place between 5 November and 14 December 2018, and involved a range of activities including community information sessions and a survey.

A report on the activities undertaken and the feedback provided by the community has been prepared to inform Councillors (**see Attachment A**).

In summary, Council held 6 Community Information sessions with total attendance of 165, distributed 51,200 information flyers, and received 40 mentions in local media.

Feedback received included:

- 334 Surveys
- 30 Submissions

The feedback received was clearly not supportive of the Project for the reasons detailed in the engagement report.

REVIEW OF FINANCING STRATEGY

In accordance with the Council resolution of 31 October 2018, RSM Australia has been engaged to undertake a peer review of the draft financing strategy to ensure that the proposed methodology of funding the Project is financially sound and sustainable.

In their report (**see Attachment B**), RSM Australia provide commentary on the various elements of the Financing Strategy. The conclusion of their Report is repeated below:

"In accordance with the terms of our engagement, and in relation to Option 3 of the financing strategy, we have provided comment and analysis on the following:

- *The funding mix proposed;*
- *The level of borrowings proposed and the potential impact on the Council's financial position;*
- *The proposed reduction in the Council's cash reserves and any associated risks; and*
- *Any other matters contained in the draft financing strategy that warrant comment.*

Based on the analysis contained in this report, we have found the funding mix proposed by Council to be reasonable, with minor re-allocations between funds to be realised from property sales and external borrowings. The additional external borrowings should be able to be funded by the expected net rental income to be received from certain properties, assuming the lease and financing terms are as expected (and as set out above).

As a result of implementing the various components of the proposed funding mix, the Council's financial position will be slightly worse in the short term, however still within acceptable metrics determined by the OLG. There is a risk that the decreased cash reserves may impact the Council's ability to fund future projects and unexpected cash flows, however we note a significant balance of cash on hand would remain based on 30 June 2018 balances (approximately $165.4 million, of which only $95.1 million is restricted in its use) to meet any cash."

The Long Term Financial Strategy has been reviewed to incorporate expenditure and income included in the Financial Strategy. This has resulted in a LTFP Biripi Way Scenario as an addendum to Council's current LTFP. **(See Attachment E)**.

PROBITY INPUT

To inform Council's decision on whether to proceed to the next phase of the Project, O'Connor Marsden and Associates (**OCM**) was appointed to undertake a review of the procurement processes involved in the Project to date, to ensure that those processes had been undertaken in a transparent, equitable and fair manner in accordance with local government guidelines.

OCM prepared a report (**see Attachment C**) which concluded that:

- Overall, OCM did not identify any breaches of probity with regard to the engagement of consultants for the Project, and reporting to Council;
- Overall, OCM did not identify any breaches of probity with regard to the acquisition of the site, and the acquisition process was not inconsistent with the requirements in the Local Government Act 1993; and
- Consistent with the requirements of the Capital Expenditure Guidelines, Council was kept informed of the project on a regular basis.

OTHER PROJECT PROGRESS

Capital Expenditure Review

In December 2018, Council prepared and submitted a Capital Expenditure Review Report concerning the Project to the Office of Local Government (**OLG**) for its review in satisfaction of Council's obligations under the Capital Expenditure Review Guidelines. A redacted version of that report is attached at **Attachment D** - commercial in confidence information has been removed to avoid prejudicing future procurement phases should the Project proceed.

Initial feedback from the OLG is that the report is comprehensive and that no additional information concerning the Project is required at this stage.

Council offered to meet with representatives of the OLG, but that offer was declined having regard to the OLG's satisfaction with its preliminary review of the report.

NEXT PHASE IN THE PROJECT

If Council approves the Project to proceed to the next phase, then the Project would enter into the Design and Construct Phase whereby the Council appointed project manager (Montlaur) would carry out a procurement process with a view to Council committing resources to design the detailed plans for the Project.

During this next Phase, the preparation of the detailed designs would also enable the preparation of a detailed cost plan and program. (Noting that at the moment we have an architectural Test Fit and a cost plan based on the Test Fit).

Prior to committing to any construction works, the outcomes of the detailed design and cost plan would be submitted to Council for its review and approval.

At that time, a detailed Project program would also be submitted to Council.

BUDGET IMPLICATIONS

Costs to date associated with the engagement of consultants working on the Initiation Phase of the Project are approximately $210,000 (plus GST). These costs have been funded out of the Land Development Reserve.

Should the Project proceed, future costs would be funded in accordance with the Financing Strategy for the Project.

SUMMARY

Council has undertaken a thorough and detailed investigation of the Office Relocation since acquiring the Biripi Way site in November 2017.

Throughout this process, reports and information have been presented to Council in accordance with the Gateway Decision Making Process adopted by Council in December 2017. Council has received the following documents in addition to Business Paper Reports and Workshops:

1. Business Case and Cost Benefit Analysis - January 2018 (Savills & Syneca)
2. Architect Test Fit Design - July 2018 (WMK)
3. Cost Plan - July 2018 (Slattery)

4. Property Reports - June and September 2018 (Knight Frank)
5. Revised Cost Benefit Analysis (including Knight Frank Valuations) - October 2018 (Syneca)
6. Financing Strategy - October 2018
7. Engagement Strategy - October 2018
8. Capital Expenditure Review - November 2018
9. Finance Strategy Peer Review - February 2019 (RSM Australia)
10. Probity Report - January 2019 - (OCM)

The review of the Financing Strategy undertaken by RSM Australia did not identify any concerns with the proposal to finance the Office Relocation.

The Probity Review of processes undertaken to date by OCM did not identify any breaches of probity which has not been appropriately identified, assessed and managed.

The Capital Expenditure Review documentation has been reviewed by the Office of Local Government and no concerns have been raised.

The Long Term Financial Plan Scenario which includes the funding of the Office Relocation, in accordance with the Financing Strategy identifies minimal impact on Council's Debt Service Cover Ratio and Debt Service Ratio.

The Office of Local Government Benchmarks relating to debt levels are:

1. Debt Service Cover Ratio; and
2. Debt Service Ratio.

For the Debt Service Cover Ratio, the Benchmark is greater than 2.

For the Debt Service Ratio, the Benchmarks are:

- Satisfactory - less than 10%
- Fair - 10-20%
- Of Concern - Above 20%.

With the Office Relocation financing included, the Debt Service Cover Ratio remains above the Benchmark of 2.

With the Office Relocation financing included, the Debt Service Ratio peaks at 10.42% in 2019/20, drops to 10.02% in 2020/21 and drops below 10% for the remainder of the 10 year projection to a low of 5% in 2027/28.

The Community Engagement process has identified that a section of the community has strong negative views on Council's proposed office relocation.

The reasons are detailed in the Engagement Strategy Report and include concerns around affordability and level of debt. The documents provided to Council demonstrate that the project is viable, affordable, and will not create an unsustainable level of debt.

RECOMMENDATION

That Council:

1. Note the contents of this report regarding the status of the Project including the outcomes of the community consultation arrangements concerning the draft financing strategy.

2. Approve and adopt the financing strategy for the Project.

3. Approve the Project to proceed to the next phase (Design and Construct Phase) with results of the procurement processes associated with that phase being reported back to Council. Prior to committing to any construction works, the outcomes of the detailed design and cost plan would be submitted to Council for its review and approval.

4. Note the LTFP Scenario for the Office Relocation Project and include this as an addendum to the LTFP.

Redacted version: Commercial in confidence information removed from page 22 (10 Appendix – Table 26) of Appendix 1 to the Cost Benefit Analysis (being the Assumptions Report). This information contains a breakdown of the figures (in the right hand column of the table) from the Slattery (2018) Cost Plan. These figures are to be kept confidential and not released to ensure that any future procurement process is not compromised.

CORPORATE AND BUSINESS SYSTEMS

ATTACHMENT A

2 BIRIPI WAY, TAREE OFFICE RELOCATION INVESTIGATIONS – INDEPENDENT COST BENEFIT ANALYSIS

ORDINARY MEETING
10 APRIL 2019

Mid-Coast Council

Office Centralisation Project

Cost Benefit Analysis (CBA)

Final Report

April 2019

The Balmoral Group Australia

Balmoral Group Australia Pty Ltd
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Executive Summary

Mid-Coast Council (Council) currently conducts its main administrative operations from three separate sites as a result of the amalgamation of the former Greater Taree City Council, Great Lakes Council and Gloucester Shire Council and the MidCoast County Council. Council acquired the former Masters retail site at Biripi Way, Taree for AU$7million in 2017. The intention of the purchase was to investigate the option of converting it into a centralised administration centre for Council.

The office centralisation option was evaluated as the consolidation of all Council functions in a new single site located in Biripi Way, Taree.

Balmoral Group Australia was engaged to conduct an independent Cost Benefit Analysis of the two viable office options. The existing multi-site, was evaluated as the Base Case, with refurbishment of the existing 3 offices to modern standards.

The project brief for which the Cost Benefit Analysis should:

a) Use the latest property valuations,
Council provided Balmoral Group with the latest property valuations (Frank-Knight 2018) which informed the structure of the report and that three sites were considered as the Multi-Site option.

b) Is based on the most recent financial strategy,
The most recent Finance Strategy was reviewed as part of the CBA assumptions and informed two elements of the assessment. The first being the selection of the central discount rate of 5%. The discount rate is a function of the Councils borrowing costs and inflation. The second element is informing the sensitivity of income from property sales. The analysis assumptions include property sales for both options being considered. To assess the sensitivity of this input we have removed property sales for both options which does not have a material impact on the outcome.

c) Excludes subjective savings associated with staff "culture change" and concentrates on documented savings associated with a new work environment at the single site. This analysis focusses on the tangible costs and benefits of the project and includes few non-market costs and benefits. The principal benefit that has a material impact on the outcome is benefits derived from projected staff efficiencies (which translate in actual dollar savings). To test the risk around or assumptions on the treatment of this benefit we have conducted a sensitivity analysis and we consider the risk of the outcome changing as low.

Costs and benefits of both options were compiled based on information provided by Council, independent sources and literature values, where appropriate. All dollar values were converted to current values to address time value of money.

Sensitivity analysis was completed per best practice using 3% and 10% discount rates. The baseline analysis was conducted with a 5% discount rate, which reflects the Council's current borrowing rate and inflation.

The analysis finds that the Single-Site Option provides benefits outweighing costs over the 20-year time period of evaluation, with a stand-alone BCR of 1.22, and BCR of 3.44 when compared to the Multi-Site Option, as illustrated in Figure 1.

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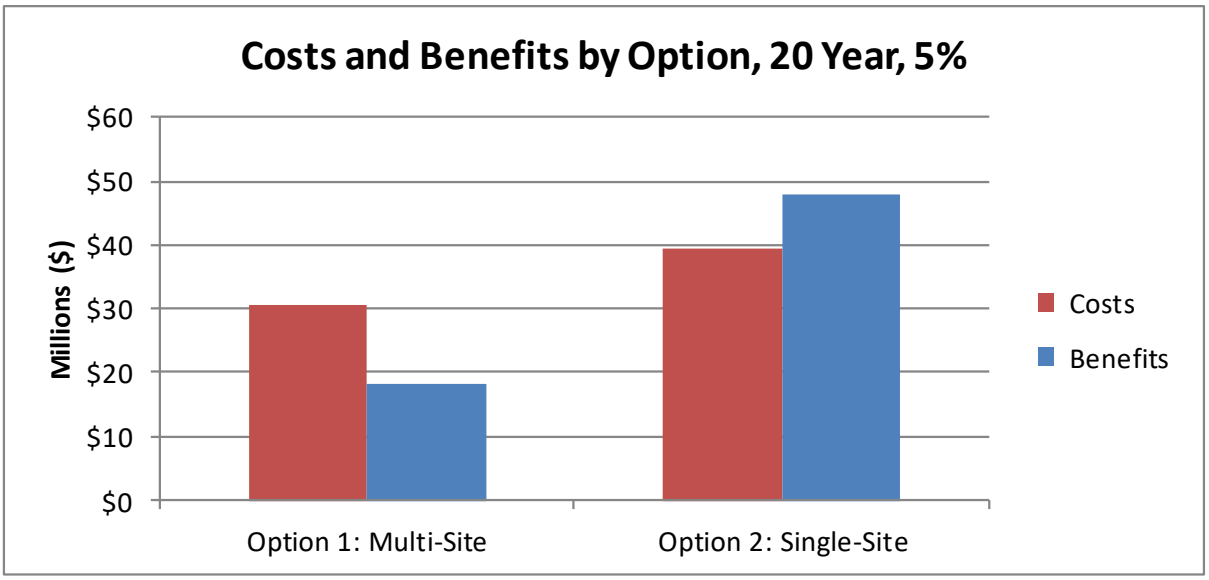
Figure 1: Cost and benefits of the two alternatives considered in the report.



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1 Overview

Balmoral Group Australia has been engaged by Mid-Coast Council (Council) to undertake an independent Cost Benefit Analysis. The purpose is to assess the latest information associated with the purchase and fit-out of 2 Biripi Way for use as a single site administrative office. This option is to be compared to a Base Case which is the multi-site mode or the campus model as it is more generally known.

The Cost Benefit Analysis which is the subject of this report:

a) Uses the latest property valuations,

b) Is based on the most recent financial strategy, and

c) Excludes subjective savings associated with staff "culture change" and concentrates on documented savings associated with a new work environment at the single site.

The Cost Benefit takes into consideration the work undertaken subsequent to the preparation of the original Business Case (prepared by Savills in January 2018) and other literature sources.

1.1 Background

On 12 May 2016, the former Greater Taree City Council, Great Lakes Council and Gloucester Shire Council were amalgamated to create Mid Coast Council (Council).

The merger resulted in Council operating from a number of administration offices within the Local Government Area. The functions of the former MidCoast County Council were subsequently assumed by Council.

In December 2017, Council purchased the vacant former Masters site at 2 Biripi Way Taree with the intention of investigating the option of consolidating the administrative operations undertaken at four (now three) existing Council owned sites located across Taree and Forster.

An initial review of these operations recommended that operating and maintaining a single head office location would be more cost-effective than continuing to operate across multiple sites.

In 2018, one of the four sites located in Taree was vacated and leased to a tenant, thus leaving three sites in use: 2 Pulteney Street (MCC, Taree), 4-12 Breese Parade (MCC, Forster) and 16 Breese Parade, (MCW, Forster).

1.1.1 Existing three sites

Table 1 provides a summary of the features of the three existing sites located throughout the Council's administrative region

Table 1: Existing three sites (units as indicated)

Site	MCC, Taree	MCC, Forster	MCW, Forster
Site area (sqm)	3,059	7,600	1,030
Constructed (year)	1965	1981	2003
Gross floor area (sqm)	3,250	3,020	1,030
Staff capacity (number)	142	132	41
Vacant possession valuation ($; year of valuation - 2018)	1,975,000	2,100,000	1,575,000

1.1.2 Biripi Way acquisition

In December 2017, Council acquired the former Masters building and site located at 2 Biripi Way, Taree for $7 million. The Site had been identified as having the potential to become the administrative headquarters of Council and would allow for the centralisation of administrative staff, primarily due to the Site's overall size and location - 3.3 hectares in total with an existing building of 9,910 sqm in Gross Floor Area (GFA) and off-street parking facilities for 281 vehicles.

Council is currently considering refitting 7,900 square metres of the 9,910 square meters in the existing building into a fit-for-purpose office which will be able to accommodate approximately 350 council staff. Table 2 summarises the attributes of the Biripi Way site.

Table 2: Biripi Way Site (units as indicated)

Site	Biripi Way
Site area (sqm)	33,000
Constructed (year)	2014
Gross floor area (sqm)	9,910
Allotted staff desk space area (sqm)	4,850
Allotted staff communal area (sqm)	1,400
Allotted Council chambers and public area (sqm)	1,400
Allotted un-refurbished area (sqm)	2,000
Allotted net floor area (sqm)	7,882
Expected staff capacity (number)	350
Vacant possession valuation ($; year of valuation - 2018)	6,500,000

2 Literature Review

Since January 2018, Council has conducted an extensive investigation into the feasibility of the proposed office relocation project which included conducting its own assessment, liaising with various external experts and engaging with the community through stakeholder meetings. Balmoral Group have reviewed the following reports as part of our Literature Review that have been used as the basis of the underlying project assumptions to be included in the Cost Benefit Analysis:

- Business Case and Cost Benefit Analysis - January 2018 (Savills & Syneca)
- Architect Test Fit Design - July 2018 (WMK)
- Cost Plan - July 2018 (Slattery)
- Property Reports - June and September 2018 (Knight Frank)
- Revised Cost Benefit Analysis (including Knight Frank Valuations) - October 2018 (Syneca)
- Financing Strategy - October 2018
- Engagement Strategy - October 2018
- Capital Expenditure Review - November 2018
- Finance Strategy Peer Review - January 2019 (RSM Australia) .

3 Cost Benefit Analysis

A Cost Benefit Analysis is an appraisal and evaluation technique that estimates the costs and benefits of a project or program in monetary terms[1]. Whereas, a Financial Analysis is an appraisal of the cash flows of a project or program[2].

This analysis assumes that the financing of either option will be realised as each option will require an investment from Council. Sensitivity analysis was completed per best practice using 3% and 10% discount rates. The baseline analysis was conducted with a 5% discount rate, which reflects the Council's current borrowing rate and inflation. In addition, we have conducted a sensitivity analysis on the sale of properties associated with either option (refer 3.5.2).

A Benefit Cost Ratio (BCR) greater than 1.0 means that the benefits of a project exceed the costs.

Appendix 1 contains the underlying assumptions that underpin the analysis contained within this report.

3.1 Options assessment

We have considered two options as part of our assessment. These include a Multi-Site Option which is the Base Case and a Single-Site Option. A business-as-usual case has not been considered in the analysis as much of the existing infrastructure is at end of life and a capital investment will have to be undertaken in order to make the business of Council sustainable and functional. Therefore, the existing Multi-Site option is considered the base case with which the single-site option will be compared to.

The Multi-Site Option refers to a refurbishment option whereby adequate investment is undertaken in the existing three sites to ensure they are modernised and inter-connected with sufficient audio-video communication technology. This option enables the quality of the three existing sites to be substantially improved and comparable to the Single-Site Option; especially in relevance to IT and audio-visual facilities.

The Single-Site Option refers to the office centralisation option at the Biripi Way site. This option requires a substantial initial investment to be incurred in order to convert the relevant site into a fit-for-purpose central office site.

3.2 Summary of Cost Benefit Analysis Results

The results of the cost-benefit analysis are summarised in Table 3. The results show that the Multi-Site and Single-Site Options have standalone Benefit Cost Ratios of 0.60 and 1.22 respectively at 5% discount rates.

When compared to the Base Case Multi-Site Option, the Single-Site Option has a BCR of 3.44, indicating that the increased costs associated with the Single-Site Option are associated with greater proportional benefits. Detailed tables illustrating the individual cost and benefit items and valuations are provided in Section 3.4.

Table 3: Summary of the Net Present Value (NPV) of the costs and benefits of each of the options considered over a 20 year analysis period and 5% discount rate.

Option	NPV Costs	NPV Benefits	BCR
Multi-site	$30,686,938	$18,359,937	0.60
Single-Site	$39,272,033	$47,875,617	1.22

[1] NSW Government Guide to Cost-Benefit Analysis (TPP17-03) pp 71
[2] NSW Government Guide to Cost-Benefit Analysis (TPP17-03) pp 71

Single-Site relative to the Multi-Site	$8,585,095	$29,515,680	3.44

3.3 Cost and Benefit streams associated with each option

The following sub-sections provide an outline of the indicative project cost and benefit streams which were used in the calculation of the cost benefit analyses of each of the options.

3.3.1 Project Cost Streams

Table 4 provides a summary of the relevant costs associated with each of the options being considered for the cost benefit analysis of the project.

Table 4: Summary of the costs associated with the cost-benefit analysis of the project.

Project Costs	Multi-Site Option	Single-Site Option	Brief Description of Evaluation Method and Sources
Initial Capital Outlay Costs	The costs associated with the refitting and remodelling of the existing MCC Taree and Forster (MCC & MCW) sites. These include construction, FF&E, and IT and audio-visual.	The costs associated with the refitting and remodelling of the 2 Biripi Way site. These include construction, FF&E, and IT and audio-visual.	Construction cost estimates as outlined in Slattery's (2018) quantity survey of the Biripi Way site and Rider Levett Bucknall's (2017) quantity survey of the MCC Taree and Forster (MCC & MCW) sites were used to indicate initial capital costs.
Capital Replacement Costs	The costs associated with the long-term maintenance of building, FF&E, and IT and audio-visual at the existing MCC Taree and Forster (MCC & MCW) sites. Also includes the cost of repairs to the roof of the Forster MCC building.	The costs associated with the long-term maintenance of building, FF&E, and IT and audio-visual at the Biripi site.	Cost streams have been calculated on the straight-line depreciation method based on the schedule of useful lives of assets provided by Council.
Operating Costs			
Building O&M	The costs associated with operating and short-term care and maintenance of the existing MCC Taree and Forster (MCC & MCW) sites. These include utilities, security, insurance, cleaning, indoor and outdoor features, and phone and internet charges.	The estimated costs associated with operating and short-term care and maintenance of the Biripi site. These include utilities, security, insurance, cleaning, indoor and outdoor features, and phone and internet charges.	Actual Operational and Maintenance costs for the existing MCC Taree and Forster (MCC & MCW) sites over 2016/17 and 2017/18, provided by MCC were used to evaluate the O&M costs of the Multi-Site Option. A proportional figure, based on the relative floor area was calculated for the Single-Site Option.
Travel Allowances – Vehicle	The estimated costs associated with the compensation to eligible Council staff for commuting for work related purposes at the	The estimated costs associated with the compensation to eligible Council staff for commuting for work related	Estimated annual travel allowance costs, provided by MCC, were used to evaluate the cost of allowances for work related travel for eligible Council staff.

	existing MCC Taree and Forster (MCC & MCW) sites.	purposes at the Biripi site.	
Environmental Costs **CO_2 Emissions**	The costs associated with carbon dioxide (CO_2) emissions are calculated using Garnaut's value (described left), but are broken down into electricity usage and vehicle usage (described below).		The social cost of carbon dioxide (CO_2) emissions is provided by the Garnaut Review (2011) at a value of \$30/tonne of CO_2-e /year. This value was estimated as the effective price for GHG emissions that would have to be paid in order for Australia to meet its commitments at the time in the absence of an open market for carbon credits.
CO2 costs from electricity usage	The environmental social costs associated with the carbon footprint of electricity usage at the existing MCC Taree and Forster (MCC & MCW) sites.	The environmental social costs associated with the carbon footprint of electricity usage at the existing MCC Taree and Forster (MCC & MCW) sites.	The total amount of CO2 emissions from electricity usage was calculated on the basis of a cost per kilowatt hour of energy of \$0.28 (Canstar Blue, 2019), and an emissions rate of 0.00077 tonnes of CO2/kWh (US EPA)hat coal is used to produce the energy used by council office buildings.
CO2 costs from vehicle usage	The environmental social costs associated with the carbon footprint of the use of council vehicles at the existing MCC Taree and Forster (MCC & MCW) sites.	The environmental social costs associated with the carbon footprint of the use of council vehicles the Biripi site.	The total amount of CO2 emissions from vehicle usage was calculated on the basis of 118.5g/km travelled (European Environmental Agency, 2017). This value is taken as the average emissions level of a new car sold in 2017.

3.3.2 Project benefit streams

Table 5 provides a summary of the relevant costs associated with each of the options being considered for the cost benefit analysis of the project.

Table 5: Summary of the benefits associated with the cost-benefit analysis of the project

Project Benefits	**Multi-Site Option**	**Single-Site Option**	**Brief Description of Evaluation Method and Sources**
Property sales, **Net of selling costs**			Property Reports for June and September (Knight Frank, 2017) were used to calculate the value of the sites that would be sold in the event of the Multi- or Single-Site Options becoming the preferred option for Council.
Biripi Way	The income associated with selling the Biripi Way site.		
MCC, Taree MCC, Forster MCW, Forster		The income associated with the selling of the MCC Taree and Forster (MCC & MCW) sites.	
Sale of fit outs		The estimated income associated with selling the fit-outs within the MCC Taree and Forster (MCC & MCW) sites.	The estimated sale value of building fit-outs within the MCC Taree and Forster (MCC & MCW) sites were provided by Council.
Residual Value	The value of assets remaining at the end of the 20-year analysis period for the existing MCC Taree and Forster (MCC & MCW) sites.	The value of the assets remaining at the end of the 20-year analysis period for the Biripi site.	Cost residual values have been calculated as the value of the assets remaining after 20 years of depreciation using the straight-line depreciation method based on the

			schedule of useful lives of assets provided by Council.
Vehicle Savings	The difference in costs, relative to the business-as-usual scenario, for inter-office travel (vehicle costs) due to staff rationalisation between the existing MCC Taree and Forster (MCC & MCW) sites.	The difference in costs, relative to the business-as-usual scenario, for inter-office travel (vehicle costs) due to staff centralisation at the Biripi site.	The cost of inter-office travel (vehicle costs) has been calculated on the basis of $0.19/km travelled (ATO, 2018/19 allowable travel cost deductions). Total kilometres travelled in Council vehicles in the Multi-Site and Single-Site Options were provided be Council.
Staff Efficiencies			
Travel efficiencies	The difference in costs (time only), relative to the business-as-usual scenario, for the wages paid to staff spent commuting between the existing MCC Taree and Forster (MCC & MCW) sites after workforce rationalisation.	The difference in costs (time only), relative to the business-as-usual scenario, for the wages paid to staff not spent commuting at the Biripi site after workforce centralisation.	The costs to council (time only) for time spent travelling between sites using Council vehicles were calculated on a per hour basis on the average staff wage rate of $42.58/hr, provided by Council. Total kilometres travelled in Council vehicles in the Multi- and single-Site Options were provided be Council.
Operational efficiencies	The increase in effective staff productivity as a factor of the wage rate, as a result of increased workplace cohesion after workforce rationalisation between the existing MCC Taree and Forster (MCC & MCW) sites.	The increase in effective staff productivity as a factor of the wage rate, as a result of increased workplace cohesion after workforce centralisation at the Biripi site.	The expected net increase in productivity per staff member in the Multi-and Single-Site Options, 0% and 7% respectively, were provided by Council.

3.4 Fundamental CBA Parameters

The following sections outline the fundamental parameters of the Cost-benefit Analysis and their justifications.

3.4.1 Analysis Period

The period of analysis for the purposes of this analysis is 20 years. This period was is reflective of the time horizon within which the associated costs and benefits of the project could be reasonably projected.

3.4.2 Discount Rates

This project-specific central discount rate of 5% represents the social cost of capital in relation to both options being considered. More specifically, this discount rate consists of the following factors:

- the current interest rate available to Council should finance be required to fund either option under consideration, and
- our expected view of the annual inflation rate.

Upper and lower bound discount rates of 10% and 3% were chosen for sensitivity analysis to ensure the findings are robust and consistent with NSW Treasury Guidelines. This is presented for comparison

with the central estimates to indicate a range of possible outcomes, including 'best' and 'worst' scenarios linked to sources of project risk.

3.5 Detailed Cost Benefit Analysis Findings

Table 6 outlines the Net Present Value (NPV) of each of the individual cost and benefit streams for each of the options assessed, with the resultant BCR at a 5% discount rate.

Table 6: CBA results by Line item

All, 20-year time horizon, 5% discount rate			
Project Costs	**Multi-Site**	**Single-Site**	**Single-Site relative to the Multi-Site**
Initial Capital Outlay Costs	$11,751,108	$19,777,853	$8,026,745
Capital Replacement Costs	$713,119	$376,881	-$336,238
Operating Costs			
Building O&M	$12,692,808	$13,581,542	$888,734
Travel Allowances – Vehicle	$5,334,821	$5,334,821	$0
Environmental Costs CO_2 Emissions			
Electricity Usage	$186,099	$200,936	$14,837
Vehicle Usage	$8,982	$0	-$8,982
TOTAL COSTS	**$30,686,938**	**$39,272,033**	**$8,585,095**
Project Benefits	**Multi-Site**	**Single-Site**	**Single-Site relative to the Multi-Site**
Property sales, Net of selling costs			
Biripi Way		$6,129,400	-$864,600
MCC, Taree MCC, Forster MCW, Forster Sale of fit outs	$6,994,000		
Residual Value	$5,220,077	$7,990,366	$2,770,288
Vehicle Savings	$1,502,770	$2,003,694	$500,923
Staff Efficiencies			
Travel efficiencies	$4,643,089	$6,190,786	$1,547,696
Operational efficiencies	$0	$25,561,372	$25,561,372
TOTAL BENEFITS	**$18,359,937**	**$47,875,617**	**$29,515,680**
NET BENEFITS	**-$12,327,001**	**$8,603,584**	**$20,930,585**
BENEFIT:COST RATIO	**0.60**	**1.22**	**3.44**

The findings of the cost-benefit analysis demonstrate the Multi-Site Option, with a BCR of 0.60, represents a less than optimal value-for-money investment for Council. The Single-Site Option, with a BCR of 1.22, represents a more beneficial investment. The BCR of the Single-Site relative to the Multi-Site Option, 3.44, demonstrates that the added capital investment represents value-for-money for the Council in terms of added realisable benefits.

3.5.1 Risk Analysis

Relative to the Multi-Site Option, the Single-Site Option realises net benefits of approximately $20.91 million in NPV terms. The costs and benefits that are driving the net benefits are discussed in terms of the risk associated with the estimates, in order to provide confidence that the results are robust.

Operational efficiencies, or the added productivity gained by connecting the workforce - through physical consolidation into a single building - drive most of the net benefits, at approximately $25.56 million in NPV terms. Therefore, the efficiency gains possible through greater workforce centralisation warrant closer inspection.

The principal risk to the cost benefit analysis is that the underlying assumption, that productivity will increase 7% under the Single-Site Option, will in reality be less than expected and that therefore the BCR may be less than one owing to an error of estimation. A break-even analysis was carried out to determine that the minimum efficiency gain the Single-Site Option would have to generate in order for it to achieve a BCR equal to 1.0. The results of the break-even analysis suggest that efficiency gains in the Single-Site Option would have to be at least 1.3% in order for the BCR of the Single-Site relative to the Multi-Site Option to be equal to or greater than 1.0. Ignoring marginal effects (meaning, relative to the Multi-Site Option[3]) the efficiency gain would have to be at least 4.6% in order for the Single-Site Option to achieve a BCR equal to or greater than 1.0.

Table 7: Break-even analysis of the staff efficiency gains necessary to produce a BCR of at least 1.0 at the Single-Site, both stand-alone and relative to the Multi-Site Option.

Values in $000s	Single-Site		Single-Site relative to the Multi-Site	
Staff Efficiency Gain	1.3%	4.6%	1.3%	4.6%
Total costs	$39,272	$39,272	$8,585	$8,585
Total benefits	26,945	$39,272	$8,585	$20,912
Net benefits	-$12,327	$0	$0	$12,327
Benefit: Cost ratio	**0.69**	**1.0**	**1.0**	**2.44**

We consider the risk that the efficiency gain of the Single-Site Option will not be greater than 4.6% to be moderate, and the risk that the efficiency will not be greater than 1.3% to be low. Therefore, the risk that the Single-Site Option is not at least as efficient as the Multi-Site Option is low, even as there is the potential for the actual realised benefits to be lower than expected.

The initial capital outlay costs of the Single-Site relative to the Multi-Site Option have an NPV of approximately $8.03 million, representing approximately 41% of the capital costs of the Single-Site, at $19.78 million in NPV terms. A break-even analysis on the capital costs of the Single-site option find that the costs would have to more than double, to $40.1 million in NPV terms in order for the BCR of the Single-Site relative to the Multi-Site to fall to 1.0. Therefore, we consider the risk of changes to the initial capital cost affecting the outcome of the analysis to be negligible.

All other cost and benefit line items represent relatively minor impacts on the BCR of the options analysed, and therefore we consider the risk of substantial changes affecting the outcomes to be negligible.

[3] Generally speaking, CBA guidelines frown on using CBA estimates that are not relative to a base case; the scenario is used here for purposes of establishing upper and lower bounds on the reasonableness of the estimates.

Additionally, we have considered the effects of property sales in the analysis. Should property sales be excluded from the analysis the effects would be negligible and in fact the single site option BCR relative to the base case multi-site option improves slightly. Table 8 represents the analysis of this scenario.

Table 8 - Effects of Property Sales relative to the base case

	Multi-Site	Single-Site	Single-Site to Multi-Site
Current – With Property Sales			
Net Benefits:	-$12,327,001	$8,603,584	$20,930,585
Benefit:Cost Ratio:	0.60	1.22	3.44
Without Property Sales			
Net Benefits:	-$19,321,001	$2,474,184	$21,795,185
Benefit:Cost Ratio:	0.37	1.06	3.54

3.5.2 Sensitivity Analysis

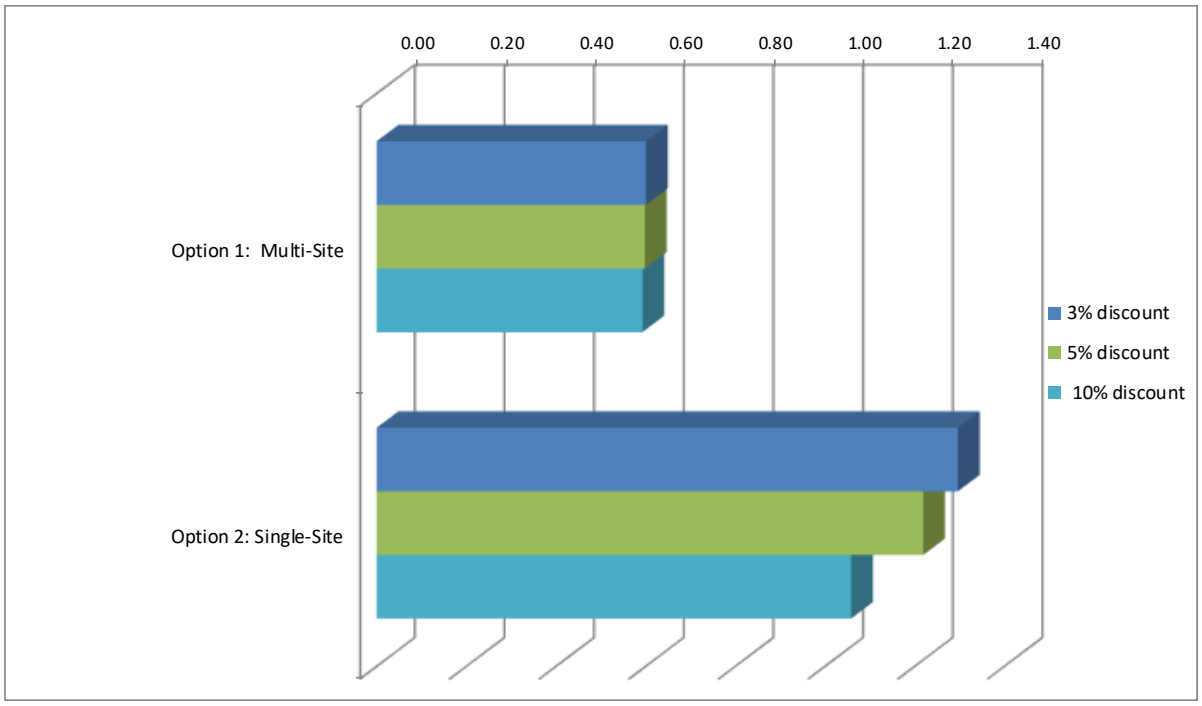
Table 9 summarises the NPV of costs and benefits as the BCRs of the CBA at 3% and 10% discount rates in order to provide confidence that the results are robust under varying financial circumstances. The analysis checks the robustness of the outcomes of the CBA to changes in financial circumstances affecting the discount rate.

Table 9: Summary of Sensitivity analysis under various discount rates

Values in $000s	**Multi-Site**		**Single-Site**		**Single-Site relative to the Multi-Site**	
Discount Rate	3%	10%	3%	10%	3%	10%
Total costs	$33,956	$25,342	$42,702	$33,665	$8,746	$8,323
Total benefits	$20,399	$15,026	$55,365	$35,631	$34,966	$20,605
Net benefits	-$13,557	-$10,316	$12,663	$1,966	$26,221	$12,282
Benefit: Cost ratio	**0.60**	**0.59**	**1.30**	**1.06**	**4.00**	**2.48**

Figure 2 illustrates the full range of BCRs for the two options under varying discount rates.

Figure 2: BCRs of the Single- and Multi-Site Options under 3, 5, and 10% discount rates.



The sensitivity testing at a 3% and 10% discount rate confirm that the Single-Site Option has a BCR greater than 1.0 under varying financial circumstances. The BCR of the Multi-Site Option is less than one under each of the varying discount rates. Therefore, we consider the outcome of the CBA to be robust to changes to the underlying discount rates.

4 Conclusions

The results of the cost-benefit analysis show that the Single-Site Option, relative to the Multi-Site Option, has a BCR of 3.44 and therefore represents the investment that presents more value-for-money between the two options considered herein.

A business-as-usual option was not analysed in the CBA as substantial capital costs were considered as fundamental in any event. A commitment has been made to progress towards either an upgrade to buildings and equipment across the three existing sites, or investment into a single new consolidated site.

We note than the majority of benefits that drive the positive net result for the Single-Site Option can be attributed to the 7% staff productivity gains that would be realised in this scenario. However, a break-even analysis found that productivity gains would only have to be at least 1.3% in order for the Single-Site Option to be the favourable alternative. Therefore, the risks to the outcome changing are considered low.

We have also considered the effects of property sales and found that if property sales were excluded from the analysis the impacts would have no relative impact on the outcome of the study.

5 References

Cost Plan - 2 Pulteney Street (Taree), 4-12 Breese Parade (Forster) and 16 Breese Parade (Forster), (December 2017), Rider Levett Bucknall

Cost Plan - 2 Biripi Way (Taree), (July 2018), Slattery

Property Reports - 2 Pulteney Street (Taree), 4-12 Breese Parade (Forster) and 16 Breese Parade (Forster) and 2 Biripi Way (Taree), (June and September 2018), Knight Frank

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Mid-Coast Council

Office Centralisation Project

Cost Benefit Analysis (CBA)

Appendix 1

Assumptions Report

April 2019

The Balmoral Group Australia

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Table of Contents

1 Overview

The Balmoral Group Australia has been contracted by Mid-Coast Council (Council) to undertake a Cost Benefit Analysis of an office relocation project it is currently considering. As part of our initial assessment, we have conducted a review of existing reports procured/prepared by Council and liaised with Council representatives.

In this report, we provide a review of our preferred modelling approach complete with an Options assessment, Sensitivity testing criteria assessment and Discounting procedure assessment.

Additionally, we identify our assumptions related to Cost and Benefit streams we will consider as part of our Analysis. In order to compile our report, we have sourced data from the following sources:

- reports prepared by Rider Levett Bucknall (RLB, Cost plan), Slattery (Cost plan) and Knight Frank (Property reports) for Council; and
- official data collection agencies (including the Australian Bureau of Statistics (ABS), New South Wales Valuer General's Office and the Independent Pricing and Regulatory Authority (IPART)).

1.1 Existing three sites and Biripi Way site

We have identified the features of the three existing sites located throughout the Council's administrative region which are used as administration offices in Table 1. Similarly, we have identified the features of the Council owned site at Biripi Way (Taree) which is being considered for refurbishment/remodelling in order to be used as an office in the future in Table 2.

Table 1: Existing three sites (units as indicated)[1]

Site	MCC, Taree	MCC, Forster	MCW, Forster
Site area (sqm)	3,059	7,600	1,030
Constructed (year)	1965	1981	2003
Gross floor area (sqm)	3,250	3,020	1,030
Staff capacity (number)	142	132	41
Vacant possession valuation ($; year of valuation - 2018)	1,975,000	2,100,000	1,575,000

Table 2: Biripi Way Site (units as indicated)2

Site	Biripi Way
Site area (sqm)	33,000
Constructed (year)	2014
Gross floor area (sqm)	9,910
Allotted staff desk space area (sqm)	4,850
Allotted staff communal area (sqm)	1,400
Allotted Council chambers and public area (sqm)	1,400
Allotted un-refurbished area (sqm)	2,000
Allotted net floor area (sqm)	7,882
Expected staff capacity (number)	350
Vacant possession valuation ($; year of valuation - 2018)	6,500,000

[1] *Source: Mid-Coast Council (2019), Rider Levett Bucknall - Cost Plan (December 2017), Slattery - Cost Plan (July 2018) and Knight Frank - Property Reports (June and September 2018)*

[2] *Source: same as Source 1*

2 Approach and General assumptions

The general purpose of a Cost Benefit Analysis (CBA) process is to incrementally assess the costs and benefits associated with each considered option.

Cost and benefit streams are assessed in the analysis by aggregating the relevant subset of financial (distributional) impacts. This approach reflects the fact that all included costs and benefits associated with options will have a financial impact on one or more stakeholder groups. However, financial transfers between stakeholder groups have been excluded from the CBA because they do not result in a net economic cost or benefit. The aggregated costs and benefits are expressed for each option as a Net Present Value (NPV) and Benefit Cost Ratio (BCR), providing a comparable basis for prioritising between the options.

Costs and benefits that have been assessed in the CBA are set out in Table 3.

Table 3: Project cost and benefit streams

Project Costs	Project Benefits
Initial Capital Outlay Costs Base building Internal walls and finishes Services FF&E (ex IT and audio-visual) Margins and adjustments IT and audio-visual	**Property sales, Net of selling costs** Biripi Way MCC, Taree MCC, Forster MCW, Forster Sale of fitout
Capital Replacement Costs Base building Internal walls and finishes Services FF&E (ex IT and audio-visual) IT and audio-visual	**Residual Value** Base building Internal walls and finishes Services FF&E (ex IT and audio-visual) IT and audio-visual
Operating Costs Building O&M Travel allowances	**Vehicle savings**
Environmental Impacts GHG Cost - Vehicle usage GHG Cost - Electricity usage	**Staff Efficiencies** Travel efficiencies Operational efficiencies

3 Adjustment and discounting procedure

In order to calculate the January 2019 of all cost/benefit streams we will apply stream-specific adjustment and discounting factors.

The application of these factors to cost/benefit streams will enable us to ultimately compare all cost/benefit streams in January 2019 values (dollars) on like-for-like comparisons basis in our Cost Benefit Analysis (CBA).

3.1 Time adjustment procedure

We will apply adjustment factors to impute the January 2019 nominal value of a particular cost/benefit stream.

In general, the adjustment process will involve inflating relevant cost/benefit streams using one or more of the following price/cost indicators:

- Consumer Price Index (CPI) for Australia and Producer Price Index (PPI) for Non-residential building construction (New South Wales) published by the Australian Bureau of Statistics (ABS);
- historical information on commercial property prices for the relevant local government area (LGA) published by the NSW Valuer General's Office; and
- Local Government Cost Index (LGCI) published by the Independent Pricing And Regulatory Tribunal (IPART).

3.2 Discounting procedure

Discounting factors will be applied to calculate present values of cost/benefit streams in January 2019 dollars in accordance with our Sensitivity testing criteria assessment.

We will assume that all cost/benefit streams are due/realised at the start of each period which implies that there can be up to 20 annual periods over 20 years – 1 period is not discounted as it is assumed to occur at the start of the commencement year (or at the start of the period) while 19 periods are discounted accordingly since these are assumed to occur in the ensuing years.

In general, extent of discounting (or number of annual periods which will be discounted) will vary based on the characteristics of the cost/benefit streams.

4 Options assessment

We will consider two options as part of our assessment. These include a Multi-Site Option and a Single-Site Option.

The Multi-Site Option refers to a refurbishment option which assumes adequate investment is undertaken in the existing three sites to ensure they are modernised and inter-connected with sufficient audio-video communication technology. Expressed slightly differently, this approach enables the quality of the three existing sites to be substantially improved and comparable to the Single Site Option; especially in relevance to IT and audio-visual facilities.

The Single-Site Option refers to the office centralisation option at the Biripi Way site. Accordingly, this option is the most expensive among the two options from an initial cost perspective as it requires a substantial initial cost to be incurred in order to convert the relevant site into a fit-for-purpose central office site.

5 Relationship between construction related cost and benefit streams

There is an inherent relationship between the cost and benefit streams associated with any initial cost of construction work and any foreseeable replacement cost over a considered time horizon with the ultimate residual/scrap value that can be realised at the end of the considered time horizon.

This relationship is based on the expected effective useful life of assets. In Australia, the Australian Tax Office (ATO) is responsible for officially determining the expected life of assets since there is a possibility that different people are likely to have different expectations in this regard.

5.1 Calculating the residual value of assets – worked example

We have provided a worked example in this section as it is sometimes easier to explain the relevant relationship using this approach. In order to calculate the residual/scrap value of a hypothetical property development project at the end of a 20-year time horizon using a discount rate of 5%, we would take the following steps:

- identify the initial cost – for simplicity let's assume it to be $1 million;
- identify any replacement cost – for simplicity let's assume it to be $0 (this is consistent with new building projects since new buildings are unlikely to require any foreseeable capital work over 20 years);
- identify the expected useful life of the building – let's assume it to be 40 years, based on the ATO's general guide for buildings;
- divide the initial cost by the expected useful life of the building to obtain the value lost each year - $1 million / 40 = $25,000 per year;
- calculate the present value of the overall value lost over the 20-year period; $25,000 + $25,000/((1+0.05)^1) + $25,000/((1+0.05)^2) +…+ $25,000/((1+0.05)^19) = $327,133 over 20 years; and
- calculate the residual/scrap value at the end of the 20-year horizon by subtracting the overall value of the loss from the initial cost - $1million – $327,133 = 672,867.

For the purpose of the office centralisation project, we have been guided by the schedule on relevant expected useful life of assets outlined in Table 4. This schedule was provided to us by Council as a range and is based on the relevant ATO determination of each asset. We have modified it by taking the mid-point for the *Construction work elements* segment and the *FF&E (ex IT and audio-visual) and margins elements* segment. In comparison, we have taken a more conservative approach for *IT and audio-visual elements* segment and assumed 5 years rather than taking the mid-point of 6.5 years.

Table 4: Useful asset lives schedule[3]

Category	Years
Construction work elements	60 Years
FF&E (ex IT and audio-visual) and margins elements	10 Years
IT and audio-visual elements	5 Years

[3] *Mid-Coast Council (2019)*

6 Cost assumptions

Costs assumptions have been segmented into a number of categories:

- refitting/remodelling of the considered sites
- long term maintenance of the considered sites
- operational costs
- environmental impacts

6.1 Refitting/remodelling of the considered sites

Costs associated with refitting/remodelling of the considered sites will be captured in the *Initial Capital Outlay Costs* segment. In other words, these cost streams are related to configuring or in some cases re-configuring sites to enable them to be used as fit-for-purpose offices in accordance with our Options assessment. We have assumed that they are likely to occur over 2 years.

We have calculated these cost streams by aggregating (summing up) and combining information from the following sources:

- quantity surveying reports of the sites under consideration prepared by Slattery (2018) and Rider Levett Bucknall (RLB, 2017) for Council (please refer to Table 26 and Table 27 in the Appendix); and
- Council estimates of IT and audio-visual expenditure (please refer to Table 28 and Table 29 in the Appendix).

6.1.1 Adjustment procedure

We have adjusted for the time related factor for cost streams associated with the Multi-Site Option as they were provided to us in 2017 dollars. More specifically, we inflated all Multi-Site Option figures except the IT and audio-video figure to reflect the relevant change (3.5%) in prices between December 2017 and December 2018 as indicated by the Producer Price Index (PPI) for Non-residential building construction (New South Wales).

In comparison, we have not adjusted the IT and audio-video figure for the time related factor since it was revised by Council in the interim and provided to us in 2019 nominal values (dollars). Similarly, we have not adjusted any figures associated with the Single-Site Option since they were based on a Cost Plan which was prepared for Council mid-way through 2018 by Slattery.

Table 5: Initial Capital Outlay Costs in 2019 dollars[4]

Initial Capital Outlay Costs	Multi-Site Option	Single-Site Option
Construction work elements	$4,595,775	$9,819,003
FF&E (ex IT and audio-visual) and margins elements	$3,427,295	$7,426,998
IT and audio-visual elements	$3,728,038	$2,531,852
Total	$11,751,108	$19,777,853

6.1.2 Discounting procedure

We have assumed that these cost streams would be incurred progressively between January 2019 and January 2021. Accordingly, we will divide all outlined cost streams by 3 and discount them appropriately (for 3 periods) as part of our CBA.

[4] *Source: Mid-Coast Council (2019), Slattery - Cost Plan (July 2018) and Rider Levett Bucknall (RLB) - Cost Plan (December 2017)*

6.2 Long term maintenance of the considered sites

Costs associated with long term maintenance of the considered sites will be captured in the *Capital Replacement Costs* segment of our analysis. These cost streams and are based on the replacement cost and useful asset lives schedule outlined in Table 4 and an existing $2,000,000 roof repair scheduled for the Forster Admin building in 2020 (2 periods later).

We have calculated the overall value of each cost stream in 2019 dollars based on the *Initial Capital Outlay Costs* (in Table 5) by the year we expect it to occur for the Multi-Site Option in Table 6 and Table 7. Similarly, we have calculated this information for the Single-Site Option but have not presented it here to maintain succinctness.

Table 6: Identifying occurrence of replacement costs, Multi-Site Option[5]

Initial Capital Outlay Costs	Multi-Site Option	Expected useful life	Frequency of capital replacement over 20 years	Year capital replacement has to be incurred
Construction work elements	$4,595,775	40 years	0 (no replacement required as useful life exceeds time horizon)	Na
FF&E (ex IT and audio-visual) element excluding margins element (since this is a one-off cost)	$996,453	10 years	1 = ((20/10)-1 to account for the initial cost which has to be incurred)	2030
IT and audio-visual elements	$3,728,038	5 years	3 = ((20/5)-1 to account for the initial cost which has to be incurred)	2025,2030, 2035

Table 7: Combining estimated replacement costs with roof repair in Forster Admin site, Multi-Site Option[6]

Capital Replacement Costs	Year - 2020	Year - 2024	Year - 2029	Year - 2034
Discount period	2	6	11	16
Construction work elements	$1,814,059 (although the estimated cost is $2,000,000 – this is the amount that has to be incurred in 2019 dollars)	$0	$0	$0
FF&E (ex IT and audio-visual) element excluding margins element	$0	$0	$996,453	$0
IT and audio-visual elements	$0	$3,728,038	$3,728,038	$3,728,038

[5] *Source: Balmoral Group Australia (2019)*
[6] *Source: Balmoral Group Australia (2019)*

We have discounted each cost stream using the appropriate number of discount periods and discount rate (5%) to calculate the overall value of each replacement cost stream over 20 years and aggregated them accordingly in Table 8.

Ultimately, these figures indicate the overall capital maintenance cost which has to be incurred in order to ensure that the considered sites are fit-for-purpose over the 20-year time horizon. They are independent of regular operational costs; which have been accounted for separately in our analysis.

Table 8: Replacement costs to be incurred over 20 years in 2019 dollars[7]

Capital Replacement Costs	Multi-Site Option	Single-Site Option
Construction work elements	$1,991,508	$0
FF&E (ex IT and audio-visual) and margins elements	$611,250	$321,451
IT and audio-visual elements	$6,997,404	$4,752,202
Total	$9,600,162	$5,073,652

Furthermore, we have broken down the overall 20-year cost streams to their annual values in Table 9, since it is sometimes easier to compare cost streams on an annual basis for budgetary purposes although they are likely to occur at various points in time.

Table 9: Capital Replacement Costs (per year) in 2019 dollars[8]

Capital Replacement Costs	Multi-Site Option	Single-Site Option
Construction work elements	$147,933	$0
FF&E (ex IT and audio-visual) and margins elements	$45,405	$23,878
IT and audio-visual elements	$519,781	$353,003
Total	$713,119	$376,881

6.2.1 Adjustments procedure

We have adjusted for the time related factor for cost streams associated with the Multi-Site Option as they were provided to us in 2017 dollars. More specifically, we inflated all Multi-Site Option figures except the *IT and audio-video* figure to reflect the relevant change (3.5%) in prices between December 2017 and December 2018 as indicated by the Producer Price Index (PPI) for Non-residential building construction (New South Wales).

In comparison, we have not adjusted the *IT and audio-video* figure for the time related factor since it was revised by Council in the interim and provided to us in 2019 nominal values (dollars). Similarly, we have not adjusted any figures associated with the Single-Site Option since they were based on a Cost Plan which was prepared for Council mid-way through 2018 by Slattery.

6.2.2 Discounting procedure

We have assumed that this cost stream would be incurred progressively between January 2019 and January 2039. Accordingly, we will discount them appropriately (for 20 periods) in our CBA.

[7] *Source: Balmoral Group Australia (2019)*
[8] *Source: Balmoral Group Australia (2019)*

6.3 Operational costs

Operational costs refer to costs associated with maintaining Council operations from each of the sites under consideration and staff travel requirements.

More specifically, these cost streams are based on the following sources:

- information related to operating expenses provided by Council; and
- relevant ATO guidelines related to vehicle operating cost allowance.

Building O&M Costs

Building O&M Costs refer to costs associated with maintaining Council operations from each of the sites under consideration. We have calculated this cost stream in Table 10 by following these steps:

- calculating the average operational cost by line item for each of the three sites based on data 2016/17 and 2017/18 financial data provided by Council;
- aggregating (summing-up) the average cost to obtain the Combined sites cost;
- dividing the Combined sites cost by the combined Gross Floor Area (GFA) – 7,300 Sqm – to obtain the Combined sites per square meter (Sqm) cost;
- multiplying the Combined sites per square meter (Sqm) figure with the relevant Gross Floor Area (GFA) of the Biripi Way site – 7,882 Sqm – to calculate the corresponding figure for the Biripi Way site.
- separately including $112,000 for Phone and internet related expenses for the Birpi Way site (based on advice from Council) and split this figure equally among the three existing sites.

Table 10: Average cost per existing site and Biripi Way estimation – 2016/17 and 2017/18[9]

Operational Costs	Forster Admin	Taree Admin	Forster Water	Combined sites	Combined sites per Sqm	Biripi Way
Council rates and charges, including water & sewer	$19,200	$8,326	$7,743	$35,268	$4.83	$38,080
Electricity	$55,361	$61,203	$40,259	$156,823	$21.48	$169,326
Security	$5,609	$9,751	$10,965	$26,324	$3.61	$28,423
Insurance	$30,282	$41,550	$5,185	$77,016	$10.55	$83,156
Cleaning and sanitary services	$83,048	$76,643	$28,283	$187,974	$25.75	$202,960
Maintenance						
Indoor, ex elevator	$49,159	$47,833	$2,432	$99,423	$13.62	$107,349
Elevator		$4,123				
Outdoor	$44,019	$1,301	$17,662	$62,981	$8.63	$68,002
Combined indoor & outdoor						
Subtotal	$93,178	$53,256	$20,093	$166,526	$22.81	$179,803
Other						
Sub total	$299,021	$304,744	$204,086	$807,851	$110.66	$872,258

[9] *Source: Mid-Coast Council (2019)*

Gross Floor Area (GFA, Sqm)	3,250	3,020	1,030	7,300		7,882
Phone and internet	$37,333	$37,333	$37,333	$112,000		$112,000
Total	**336,354**	**342,077**	**241,419**	**919,851**		**984,258**

6.3.1 Caveat to our assumption

We are aware that in reality it is likely to be cheaper to operate newer buildings compared to older buildings due to advancements in construction techniques and material science.

However, we were not able to quantitively assess this phenomenon in our analysis due to data limitations and have selected to assume Building O&M costs are like to be consistent across the considered sites. Consequently, our approach results in an upper-bound estimate of Building O&M costs.

6.3.2 Adjustment procedure

We have adjusted for the time related factor by inflating all figures to reflect the relevant change in the Local government Cost Index (LGCI) – 2.7% – since our outlined figures include values expressed in both 2016/17 and 2017/18 dollars.

6.3.3 Discounting procedure

We have assumed that this cost stream would be incurred progressively between January 2019 and January 2039. Accordingly, we will discount them appropriately (for 20 periods) in our CBA.

Table 11: Operational costs (per year) in 2019 dollars[10]

Operating Costs	Multi-Site Option	Single-Site Option
Building O&M	$942,847	$1,008,864

Travel allowance

Travel allowances assessed as part of our analysis refer to vehicle allowances, which are provided to a select number of eligible Council staff to compensate them for having to commute for work related purposes – primarily to commute to their primary office from home and vice versa. This allowance is based on a per kilometre rate as determined by the relevant Industrial Award for NSW Council staff.

Council has provided us with the aggregated annual cost of vehicle allowances and indicated that this stream will remain the same for both of the considered Options since there will be no change in the total distance travelled by eligible staff. No allowance has been made for travel time (as per Council's request) on the basis that it is currently anticipated entitled Council staff will travel during work hours.

Please refer to

Table **12** for further details.

6.3.4 Adjustment procedure

We did not apply any adjustment factors since all nominal values have been estimated in 2019 dollars.

6.3.5 Discounting procedure

We have assumed that this cost stream would be incurred progressively between January 2019 and January 2039. Accordingly, we will discount them appropriately (for 20 periods) in our CBA.

10 Source: Mid-Coast Council (2019)

Table 12: Travel allowance (per year) in 2019 dollars[11]

Operating Costs	Multi-Site Option	Single-Site Option
Travel allowance	$396,281	$396,281

6.4 Environmental impact

These cost streams relate to environmental impacts of associated with each considered site. Given the broad nature of environmental impacts we have decided to focus on environmental impacts arising from pollution attributable to staff travel requirements (vehicle usage) and electricity usage.

Cost of Green House Gas (GHG) emissions arising from vehicle usage – inter-office travel requirements

We have assessed the Green House Gas (GHG) emission cost of vehicle usage arising due to inter-office travel by staff in accordance with our assessment of the vehicle savings benefit steam (outlined in Table 21).

- We have calculated this cost stream in Table 13 by:
  - calculating the combined distance of travel required under each Option being considered;
  - multiplying the relevant distance with the EU Commission identified conversion factor and accounting for the standard – 118.5 grams x 218,880 km x 1/1000 x 1/1000 = 19 tonnes; and
  - calculating the inflation adjusted per tonne cost of carbon emission in Australia as indicated in the Garnaut report on the impacts of climate change (2011) – $30 x 1.1433 (CPI change between December 2011 and December 2018) = $34.30
  - multiplying both of these factors to obtain the total cost of GHG emissions arising from staff inter-office travel requirements = $34.30 x 19 tonnes = $667

Table 13: Cost of Green House Gas (GHG) emissions due to inter-office travel requirements (vehicle usage)[12]

Environmental impacts - Transport	Multi-Site	Single-Site Option
Total Distance Travelled (intra-office related travel) – based on vehicle savings (km) travelled per year	218,880 km x 75% (100%-25%) – since Council estimates that 75% of current inter-office travel will still need to occur following rationalisation	218,880 x 0% – since Council estimates that no inter-office travel will be required following office centralisation
Total Distance Travelled (intra-office related travel) – based on vehicle savings (km) per year	164,160 km	0 km
CO2 emissions per km	118.5 grams	118.5 grams
Total CO2 emissions (tonnes)	19 tonnes	0 tonnes
CPI adjusted cost of carbon ($) per tonne	$34.30	$34.30
Total ($)	$667	$0

6.4.1 Adjustments procedure

We did not apply any further adjustments since all nominal values have been estimated in 2019 dollars.

11 Source: Balmoral Group Australia (2019)

12 Source: Mid-Coast Council (2019), US EPA (2018), Garnaut (2011), EU Commission (2018)

6.4.2 Discounting procedure

We have assumed that this cost stream would be incurred progressively between January 2019 and January 2039. Accordingly, we will discount them appropriately (for 20 periods) in our CBA.

Cost of Green House Gas (GHG) emissions of electricity usage

- We have assessed the Green House Gas (GHG) emission cost of associated with electricity usage for each Option being considered in
- by:
    - calculating the electricity usage of each site as outlined in
    - – through dividing the electricity cost associated with each Option by $0.28 (Canster Blue sourced average kilowatt market offer for electricity generated from fossil fuels in NSW (2019))
    - multiplying the electricity usage of each site by the US EPA identified Kilowatt to CO2 emissions conversion factor – 7.07×10^{-4} metric tons CO2/kWh = 0.0007
    - multiplying this factor by the inflation adjusted per tonne cost of carbon emission in Australia as indicated in the Garnaut 2011 report on the impacts of climate change – $30 x 1.1433 (CPI change between December 2011 and December 2018) = $34.30
- Similar to our assessment of Building O&M costs, we are aware that our upper-bound estimation approach does not account for the energy efficiency associated with newer buildings.

Table 14: Cost of Green House Gas (GHG) emissions due to electricity usage[13]

Environmental impacts – Electricity usage	Multi-Site Option	Single-Site Option
Total Electricity Bill ($)	$156,823	$169,326
Cost per KWh ($)	$0.28	0.28
Total KWh	560,083 kWh	604,736 kWh
CO2 Emissions per kwh	0.0007	0.0007
Total CO2 emissions	403 tonnes	435 tonnes
CPI adjusted cost of carbon ($) per tonne	$34.30	$34.30
Total ($)	$13,582	$14,664

6.4.3 Adjustments procedure

We did not apply any further adjustments since all nominal values have been estimated in 2019 dollars.

6.4.4 Discounting procedure

We have assumed that this cost stream would be incurred progressively between January 2019 and January 2039. Accordingly, we will discount them appropriately (for 20 periods) in our CBA.

Table 15: Environmental impacts (per year) in 2019 dollars[14]

Environmental impacts	Multi-Site Option	Single-Site Option
GHG Cost - Vehicle usage	$667	$0
GHG Cost - Electricity usage	$13,582	$14,664

[13] *Source: Mid-Coast Council (2019)*
[14] *Source: Balmoral Group Australia (2019)*

7 Benefit assumptions

Benefit assumptions broadly relate to the following categories:

- Property sales
- Residual value
- Staff efficiencies
- Environmental impacts

7.1 Property sales

Benefits related to property sales will be captured in the Property sales (net of selling) benefit stream segment of our analysis. This benefit stream refers to the value which will be realised by selling any sites and acquired fit-outs (assuming they are can be disassembled) related to the alternative option under consideration. More specifically, the specific figures/values will be guided by property valuations (vacant possession approach) undertaken in 2018.

The vacant possession approach is a conservative approach which includes a revenue generating lease period net of property management and subsequent sale fees.

We have calculated the nominal value (expressed in 2019 dollars) of this benefit stream.

7.1.1 Adjustments procedure

We have adjusted for the time related factor by inflating all figures except the figure for the *Sale of fit-out* stream to reflect the relevant change in commercial property prices – 7.6% – for the Local Government Area (LGA) between 2017 and 2018 based on historical information published by the NSW Valuer General's Office.

We have not inflated the *Sale of fit-out* stream as it was provided to us in 2019 dollars by Council.

7.1.2 Discounting procedure

We have assumed that this benefit stream would be realised immediately following the sale of the excess site/sites depending on the Option pursued by Council. Accordingly, we have not discounted any figures.

Table 16: Property sales in 2019 dollars[15]

Property Sales (Net of selling costs)	Multi-Site Option	Single-Site Option
Biripi Way	$6,994,000	
MCC, Taree		$2,125,100
MCC, Forster		$2,259,600
MCW, Forster		$1,694,700
Sale of fitout		$50,000
Total	$6,994,000	$6,129,400

[15] *Source: Knight Frank - Property Reports (June and September 2018), Mid-Coast Council (2019) and Balmoral Group (2019)*

7.2 Residual value

Benefit streams associated with residual or scrap value of the considered sites will be captured in the *Residual value* segment of our analysis. Specifically, these benefit streams will be guided by the replacement cost and useful asset lives schedule provided by Council.

We have calculated the overall value of each relevant benefit stream by following the methodology identified in Section 5. These figures represent the overall residual/scrap value which could be realised in 2019 dollars if the relevant assets are ultimately sold at the end of the 20-year horizon. Cost streams associated with *FF&E (ex IT and audio-visual) and margins elements* and *IT and audio-visual elements* will ultimately have no value as they will be absorbed completely during the 20-year time horizon even though they will have to be replaced multiple times. This is because the respective useful life of these assets, 20-years and 5-years, matches directly with the 20-year time horizon.

We have outlined the process we have used to calculate the residual value at the end of the 20-year horizon in Table 17 and Table 18. This process involved the following steps:

- calculating the loss of value for the relevant *Initial Capital Outlay Cost* (*Construction work elements*) stream over the 20-year horizon assuming a 5% discount rate to obtain the overall loss – $953,863;
- calculating the loss of value for the relevant *Capital Replacement Cost* (*Construction work elements*) stream over the 20-year horizon assuming a 5% discount rate to obtain the overall loss – $413,342;
- aggregating (summing-up) the two overall loss values to obtain a combined overall loss value over the 20-year horizon – $953,863 + $413,342 = $1,367,205;
- aggregating (summing-up) the relevant *Initial Capital Outlay Cost* (*Construction work elements*) stream and the relevant *Capital Replacement Cost* (*Construction work elements*) stream to obtain the overall value – $4,595,775 + $1,991,508 = $6,587,283; and
- subtracting the combined overall loss value from the combined overall value – $6,587,283 - $1,367,205 = $5,220,078.

Table 17: Loss of value per year for relevant assets from initial capital outlay, Multi-Site[16]

Initial Capital Outlay Cost	Multi-Site Option	Expected useful life	Remaining useful life after 20-year horizon	Loss of value per year	Overall loss over 20-year period (21 periods)
Construction work elements	$4,595,775	60 years	40 (60-20)	$72,896	$953,863

Table 18: Loss of value per year for Forster Admin repair and capital replacement cost, Multi-Site[17]

Capital Replacement Cost	Multi-Site Option	Expected useful life	Remaining useful life after 20-year horizon	Loss of value per year	Overall loss over 20-year period (21 periods)
Construction work elements	$1,991,508	60 years	40 (60-20)	$31,588	$413,342

Aggregating the outlined total overall loss in value ($1,367,205 = $953,863+$413,342) and taking it away from the combined *Initial Capital Outlay Cost* and *Capital Replacement Cost* ($6,587,283 = $4,595,775 + $1,991,508) results in the Residual value ($5,220,078) indicated in Table 19.

[16] *Source: Balmoral Group Australia*

[17] *Source: Balmoral Group Australia*

Similarly, we have calculated this information for the Single-Site Option but have not presented it here to maintain succinctness. Please refer to Table 32 and in the Appendix for further details.

7.2.1 Adjustments procedure

We have adjusted for the time related factor for figures associated with the Multi-Site Option as they were provided to us in 2017 dollars. More specifically, we inflated all Multi-Site Option figures except the IT and audio-video figure to reflect the relevant change (3.5%) in prices between December 2017 and December 2018 as indicated by the Producer Price Index (PPI) for Non-residential building construction (New South Wales).

In comparison, we have not adjusted the IT and audio-video figure for the time related factor since it was revised by Council in the interim and provided to us in 2019 nominal values (dollars). Similarly, we have not adjusted any figures associated with the Single-Site Option since they were based on a Cost Plan which was prepared for Council mid-way through 2018 by Slattery.

7.2.2 Discounting procedure

We have assumed that this benefit stream would be realised progressively between January 2019 and January 2039. Accordingly, we will discount them appropriately (for 20 periods) in our CBA.

Table 19: Residual value to be realised over 20 years in 2019 dollars [18]

Residual value	Multi-Site Option	Single-Site Option
Construction work elements	$5,220,078	$7,990,366
FF&E (ex IT and audio-visual) and margins elements	$0	$0
IT and audio-visual elements	$0	$0
Total	$5,220,078	$7,990,366

7.3 Vehicle savings

Vehicle savings refer to existing avoidable costs associated with operating and maintaining Council owned vehicles to enable staff to commute between the considered sites.

At a broad level, pursuing either the Multi-Site or Single-Site Option would reduce/eliminate this current cost stream due to the reduced requirement for travel.

We have calculated this particular benefit stream based on information that we have received from Council (in relation to staff-inter office travel) and sourced from the ATO (in relation to its 2018-19 Cents per Kilometre travel allowance).

We have calculated the total savings in

Table 20, based on the following steps:

- multiplying the total number of return trips by the average distance of a return trip to obtain the total distance travelled each week – 60 trips x 76 km = 4,560 km;
- multiplying the total distance travelled each week by 48 weeks to obtain the annual distance travelled – 4,560 km x 48 weeks = 218,880 km; and
- multiplying the annual distance travelled by the 2018/19 ATO travel allowance of $0.68 per km - $0.68 x 218,880 km = $148,838.

[18] *Source: Balmoral Group Australia*

Table 20: Annual vehicle savings[19]

Annual vehicle savings on inter-office travel: Taree-Forster	
Total number of return trips	60 trips
Average distance of single trip	38 km
Average distance of return trip	76 km
Total distance travelled each week	4,560 km
Total distance travelled each year (assuming 48 weeks of required travel)	218,880 km
Annual cost at $0.68/km (2018-19 ATO Allowance)	$ 148,838

In order to calculate the benefit stream associated with each of the considered Options, Council has requested us to assume the following: 75% would be saved/avoided if the Multi-Site Option is adopted and 100% would be saved/avoided if the Single-Site Option is adopted.

In accordance with the Council recommended rate we have calculated the saving associated with the Multi-Site Option to be $111,629 (75% x $148,838) and the Single-Site Option to be $148,838 (100% x $148,838) in Table 21.

7.3.1 Adjustment procedure

We have not applied any adjustment factors since all nominal values have been estimated in 2019 dollars.

7.3.2 Discounting procedure

We have assumed that this cost stream would be incurred progressively between January 2019 and January 2039. Accordingly, we will discount them appropriately (for 20 periods) in our CBA.

Table 21: Vehicle savings, 2019 (per year)[20]

Operating Costs	Multi-Site Option	Single-Site Option
Vehicle savings	$111,629	$148,838

7.4 Staff efficiencies

Benefit streams associated with Staff efficiencies relate to *Travel related efficiencies* and *Operational efficiencies*. Broadly, these benefit streams refer to the avoidable cost of staff having to commute for work purposes during work hours and synergies associated with centralising staff in the same office.

Travel related efficiencies

This benefit stream refers to the existing avoidable cost of staff having to commute between offices for work purposes during work hours using Council vehicles.

It is in essence the equivalent of vehicle savings in staff hours. We have used Council provided information to calculate the total savings in Table 22, based on the following steps:

- multiplying the average number of Council staff per vehicle during each trip by the average Council staff charge out rate to obtain the per hour cost of each trip – 2.5 staff members x $42.58 = $106.45;

[19] *Source: Mid-Coast Council Survey on staff inter-office commute - October 2018, November 2018 and February 2019 (March 2019)*
[20] *Source: Balmoral Group Australia (2019)*

- multiplying the average distance of a return trip by the average speed per hour to obtain the average number of hours taken to complete a return trip – 76km / 51km = 1.5 hours;
- multiplying the per hour cost of each trip with the average number of hours taken to complete a return trip to obtain the cost of each return trip – $106.45 x 1.5 hours = $159.68;
- multiplying the cost of each return trip by the average number of return trips per week to obtain the weekly cost of return trips – $159.68 x 60 trips = $9,581; and
- multiplying the weekly cost of return trips by 48 weeks to obtain the annual cost of staff trips – $9,581 x 48 weeks = $459,885.

Table 22: Annual staff travel efficiencies[21]

Annual staff savings on inter-office travel: Taree-Forster	
Average number of staff/return trip	2.5 staff
Average staff charge out rate/hour	$42.58
Per hour cost of each trip	$106.45
Average distance of return trip	76 km
Average speed (Km/hour)	51 km/h
Average duration of return trip in hours	1.5 hours
Average number of return trips/week	60 trips
Total cost of return trip/week	$9,581
Annual staff cost (assuming 48 weeks of required travel)	$459,885

In order to calculate the benefit stream associated with each of the considered Options, Council has requested us to assume the following: 75% would be saved/avoided if the Multi-Site Option is adopted and 100% would be saved/avoided if the Single-Site Option is adopted.

In accordance with the Council recommended rate we have calculated the saving associated with the Multi-Site Option to be $344,914 (75% x $459,885) and the Single-Site Option to be $459,885 (100% x $459,885) in Table 23.

7.4.1 Adjustments procedure

We did not apply any adjustment factors since all nominal values have been estimated in 2019 dollars.

7.4.2 Discounting procedure

We have assumed that this benefit stream would be realised progressively between January 2019 and January 2039. Accordingly, we will discount them appropriately (for 20 periods) in our CBA.

Table 23: Staff efficiencies –Travel efficiencies[22]

Staff efficiencies	Multi-Site Option	Single-Site Option
Travel efficiencies	$344,914	$459,885

Operational efficiencies

Council has indicated that it expects the co-location of 350 staff in the Single Site Option will result in an effective decrease of 25 staff as per the Single-Site Option and 0 staff as per the Multi-Site Option (noting that these figures excludes efficiencies that arise as a result of greater collaboration and team cohesion as a result of teams coming together – on the basis that the analysis undertaken excludes 'subjective savings'. We also note that these figures exclude any savings arising from IT enhancements). Multiplying this figure with the current average Council staff salary of $77,500 per year indicates that

[21] *Source: Mid-Coast Council (2019) and Balmoral Group Australia (2019)*
[22] *Source: Balmoral Group Australia (2019)*

pursuing the Single-Site Option will result in a nominal benefit of $1,937,500 while pursuing the Multi-Site Option will result in a nominal benefit of $0 per year. We have outlined these nominal values in Table 24.

7.4.3 Adjustments procedure

We did not apply any adjustment factors since all nominal values have been estimated in 2019 dollars.

7.4.4 Discounting procedure

We have assumed that this benefit stream would be incurred progressively between January 2019 and January 2039. Accordingly, we will discount them appropriately (for 20 periods) in our CBA.

Table 24: Staff efficiencies – Operational efficiencies, 2019 (per year)[23]

Staff efficiencies	Multi-Site Option	Single-Site Option
Operational efficiencies	$0	$1,937,500

8 Sensitivity testing criteria assessment

In total, we will consider a set of three discount rates as part of our sensitivity testing criteria. This set will contain the 3% lower-bound discount rate and the upper-bound 10% discount rate in accordance with the *NSW Government Guide to Cost Benefit Analysis (TPP17-03).* Additionally, it will consider a 5% project-specific discount rate instead of the NSW Government recommended 7% benchmark rate. The latter discount rate will be considered to better reflect reality in the context of this project based on the information we have been provided to date.

Although the inclusion of the project-specific discount rate and the omission of the benchmark 7% discount rate represents a departure from the *NSW Government Guide to Cost Benefit Analysis (TPP17-03)*, we are of the view that it captures reality more closely given Council's available interest rate on borrowing and independent funding strategy for this project. The latter is of particular importance since it implies that Council does not have to strictly abide by the relevant government recommendation because it will not seek funding from another tier of government in any capacity.

9 Adjustment of cost / benefit estimates

A number of cost estimates were provided for years prior to 2019, the start of the analysis period. In order to bring these estimates up to the end of 2018, a number of cost indices were applied depending on the characteristics of the line items being valued. Table 25 summarises the line items requiring adjustment to 2019 values, and the cost-price index used to achieve it.

All other cost line items including IT and audio-visual equipment were estimated or provided in present value (2019) terms, and therefore require no further adjustment.

Table 25: Summary of adjustments made to cost / benefit estimates for items made prior to the beginning of 2019.

Cost Line Item	Year of Cost Estimate	Adjustment Factor Applied	Rationale
Initial Capital Outlay Costs - excluding IT and audio-visual	2017	3.5%	Producer Price Index between December 2017 and December 2018 for non-residential construction in NSW. Not applied to IT and audio-visual items.
Capital Replacement Costs (Multi-site option)	2017	3.5%	Producer Price Index between December 2017 and December 2018 for non-residential

[23] *Source: Mid-Coast Council, 2019*

- excluding IT and audio-visual			construction in NSW. Not applied to IT and audio-visual items.
Building O&M Costs	2017	2.7%	Local Government Cost Index between 2016/17 and 2017/18.
Property Sales – Real Estate	2017	7.6%	Average change in commercial property prices in the Hunter Region between 2017-2018, NSW Valuer General
Property Sales – Fit outs	2017	2.7%	Local Government Cost Index between 2016/17 and 2017/18.
Cost of Carbon Dioxide	2011	14.33%	Consumer Price Index increase between December 2011 and December 2018

9.1 Other potential cost/benefit streams not included in the analysis

We are aware that there may be other potential costs/benefits associated with the office centralisation project including additional expected savings arising from a consolidation of the Council's existing fleet should the single site option be pursued.

More specifically, it is likely that less vehicles will be required under the office centralisation option for the following two reasons:

- staff will have to travel less often between sites; and
- when they do have to travel between sites, they will be able to carpool more frequently.

That being noted, we have not included this expected benefit stream in our analysis due to data limitations. In particular, Council have advised us that it is not possible to quantity this benefit stream with any certainty at this stage of the investigation.

10 Appendix

Table 26: Cost plan report for Biripi Way site - Slattery (2018)[24]

Breakdown of cost plan	Biripi Way
Construction work – base building	
Roof	
External Walls	
External Doors	
Sub-total	
Construction work – internal walls/finishes	
Internal Walls	
Internal Screens & Borrowed Lights	
Internal Doors	
Wall Finishes	
Floor Finishes	
Ceiling Finishes	
Sub-total	
Construction work - services	
Hydraulic Services	
Mechanical Services	
Fire Protection	
Electrical Services	
Builder's Work in Connection	
Sub-total	
FF&E, excluding IT and audio-visual	
Fitments	
Sub-total	
Margins and adjustments	
Preliminaries & Margin	
Demolition	
Substructure	
Sub-total	
Additional costs	
Workstations	
Loose FF&E	
Main Building Signage	
Decanting	
Consultancy and fees total	
Total contingency	
Sub-total	
Overall total	$18,093,941

[24] *Source: Slattery - Cost Plan (July 2018)*

Table 27: Cost plan report for Forster Admin, Taree Admin and Forster Water - Rider Levett Bucknall (RLB, 2017)[25]

Breakdown of cost plan	Foster Admin	Taree Admin	Foster Water	Total
Construction work - Structures				
External walls	$20,550	$0	$0	$20,550
Internal doors	$4,320	$7,120	$2,880	$14,320
Subtotal	$24,870	$7,120	$2,880	$34,870
Construction work - Finishes				
Wall finishes	$99,335	$160,145	$56,000	$315,480
Floor finishes	$141,787	$216,397	$54,706	$412,890
Ceiling finishes	$164,749	$264,518	$65,566	$494,833
Subtotal	$405,871	$641,060	$176,272	$1,223,203
Construction work - Services				
Hydraulic Services	$76,038	$122,085	$30,261	$228,384
Mechanical Services	$253,460	$406,950	$100,870	$761,280
Fire Protection	$76,038	$122,085	$30,261	$228,384
Electric light and power	$405,536	$651,120	$161,392	$1,218,048
Communications	$101,384	$162,780	$40,348	$304,512
Security	$25,346	$40,695	$10,087	$76,128
Subtotal	$937,802	$1,505,715	$373,219	$2,816,736
FF&E, ex, IT and AV				
FF&E, ex, IT and AV	$367,600	$424,230	$218,445	$1,010,275
Alterations & renovations	$213,726	$290,745	$80,247	$584,718
Subtotal	$581,326	$714,975	$298,692	$1,594,993
Margins and adjustments				
Preliminaries -7%	$138,626	$201,556	$60,309	$400,491
Builder margin -3%	$63,570	$92,428	$27,656	$183,654
Escalation – 4.3%	$92,759	$134,867	$40,355	$267,981
Design cont. - 5%	$113,766	$165,411	$49,494	$328,671
Construction cont. - 5%	$119,454	$173,682	$51,969	$345,105
Design fees - 10%	$200,683	$291,785	$87,308	$579,776
Authority fees-1.2%	$27,742	$40,336	$12,069	$80,147
Relocation PM-1.5%	$41,055	$59,692	$17,861	$118,608
Relocation CM-1%	$27,780	$40,391	$12,086	$80,257
Long Service Levy	$9,820	$14,278	$4,272	$28,370
Relocation costs	$10,500	$10,500	$10,500	$31,500
Fees	$28,914	$8,914	$8,914	$46,741
Subtotal	$874,669	$1,233,840	$382,793	$2,491,301
Overall Total	$2,824,538	$4,102,710	$1,233,856	$8,161,103

[25] *Source: Rider Levett Bucknall (RLB) - Cost Plan (December 2017)*

Table 28: Council estimates related to IT and audio-visual expenditure, Multi-Site Option[26]

Item	Quantity	Costs	Total
Computers	306	$2,000	$612,000
Phones	297	$318	$94,446
Monitors	610	$249	$151,890
Printers	10	$1,800	$18,000
Copiers	15	$10,000	$150,000
Video Conference Units	15	$17,000	$255,000
Chamber	3	$150,000	$450,000
Other Items			
Switches	15	$20,000	$300,000
Core Switches	6	$70,000	$420,000
Wireless Access Points	40	$2,000	$80,000
Large Data Cabinets	6	$5,000	$30,000
Server & Storage	3	$450,000	$1,350,000
Total			$3,911,336

Table 29: Council estimates related to IT and audio-visual expenditure, Single-Site Option[27]

Item	Quantity	Costs	Total
Computers	306	$2,000	$612,000
Phones	297	$318	$94,446
Monitors	610	$249	$151,890
Printers	10	$1,800	$18,000
Copiers	10		$0
Video Conference Units	10	$17,000	$170,000
Chamber	1	$150,000	$150,000
Other Items			
Water Service - Microwave Tower	1	$500,000	$500,000
Switches	15	$20,000	$300,000
Core Switches	2	$70,000	$140,000
Wireless Access Points	20	$2,000	$40,000
Large Data Cabinets	6	$5,000	$30,000
Server & Storage	1	$450,000	$450,000
Total			$2,656,336

[26] Source: *Mid-Coast Council (2019)*
[27] Source: *Mid-Coast Council (2019)*

Table 30: Identifying occurrence of replacement cost, Single-Site Option[28]

Initial Capital Outlay Costs	Multi-Site Option	Expected useful life	Frequency of capital replacement over 20 years	Year capital replacement has to be incurred
Construction work elements	$9,819,003	40 years	0 (no replacement required as useful life exceeds time horizon)	Na
FF&E (ex IT and audio-visual) and margins elements	$524,025	10 years	1 = ((20/10)-1 to account for the initial cost which has to be incurred)	2030
IT and audio-visual elements	$2,531,852	5 years	3 = ((20/5)-1 to account for the initial cost which has to be incurred)	2025,2030, 2035

Table 31: Aligning for relevant year replacement cost will be incurred, Single-Site Option[29]

Capital Replacement Costs	Year - 2024	Year - 2029	Year - 2034
Discount period	6	11	16
Construction work elements	$0	$0	$0
FF&E (ex IT and audio-visual) and margins elements	$0	$524,025	$0
IT and audio-visual elements	$2,531,852	$2,531,852	$2,531,852

Table 32: Loss of value per year for relevant assets from initial capital outlay, Single-Site Option[30]

Initial Capital Outlay Costs	Single-site Option	Expected useful life	Remaining useful life after 20-year horizon	Loss of value per year	Overall loss over 20-year period (20 periods)
Construction work elements	$9,819,003	60 years	40 (60-20)	$171,696	$2,311,411

[28] *Source: Balmoral Group Australia (2019)*
[29] *Source: Balmoral Group Australia (2019)*
[30] *Source: Balmoral Group Australia (2019)*

11 References

Cost Plan - 2 Pulteney Street (Taree), 4-12 Breese Parade (Forster) and 16 Breese Parade (Forster), (December 2017), Rider Levett Bucknall

Cost Plan - 2 Biripi Way (Taree), (July 2018), Slattery

Property Reports - 2 Pulteney Street (Taree), 4-12 Breese Parade (Forster) and 16 Breese Parade (Forster) and 2 Biripi Way (Taree), (June and September 2018), Knight Frank

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CORPORATE & BUSINESS SYSTEMS

ATTACHMENT B

2 BIRIPI WAY, TAREE OFFICE RELOCATION INVESTIGATIONS - INDEPENDENT COST BENEFIT ANALYSIS

ORDINARY MEETING

10 APRIL 2019

Addendum to MidCoast Council LTFP - Biripi Way Scenario

This addendum to the 2018-2028 Long Term Financial Plan for MidCoast Council has been prepared to model the impact on Council's financial position and sustainability of the draft Financing Strategy for the proposed 2 Biripi Way Way Taree Office Relocation Project.

The Biripi Way scenario specifically focusses on the impact of additional borrowings with the draft Financing Strategy proposing that Council borrow approximately $8 million for the project. It is not a detailed model considering operational costs and savings from the proposed relocation and operation of this site but focusses on the impact of the capital cost and funding.

This scenario is a further expansion of the $100 million Road Program scenario developed as part of the original 2018-2028 Long Term Financial Plan which was noted by Council at its Ordinary Meeting held on 28 November 2018. That LTFP modelled 2 General Fund scenarios - a Base Case and a $100 million Road Program scenario. Single scenarios were modelled for the Water and Sewerage Funds.

The $100 million Road Program scenario became reality following the State Government's announcement in June 2018 that it would provide $50 million in funding matched by Council. By using that scenario as the base for developing the 2 Biripi Way scenario the cumulative impact of additional borrowings above those proposed in that scenario can be assessed.

This addendum should be read in conjunction with the balance of the 2018-2028 Long Term Financial Plan (November 2018) which discusses the various assumptions on which the broader Plan has been developed.

2 Biripi Way Financing Strategy

The Financing Strategy developed for the 2 Biripi Way Office Relocation project estimated that the cost to fit-out and relocate to the building would be $20 million. Council considered 3 funding options all of which involved a combination of property disposals, use of existing cash reserves and borrowings with rental streams from the lease of existing buildings directed to meet loan repayments.

Council settled on an option that proposed the following:

Sale of existing Properties	$4.8 million
Cash Reserves	$7.2 million
Loans (repayments met from rental income)	$8.0 million
Total	$20 million

A copy of the Public Copy of the draft Financing Strategy is attached that provides more detail.

This scenario has been developed by:

- Adding $20 million in capital expenditure - being the estimated cost of fit-out and relocation
- Introducing loan income of $8 million.
- Including principal and interest repayments across the life of the plan based on a term of 20 years with quarterly repayments at a fixed interest rate of 4.5%. First payment to be made on 31 December 2019.
- Including annual rental from the lease of existing Council Administration Buildings and other property of an amount equivalent to the loan repayments.
- Including utilisation of cash reserves totalling $7.2 million.
- Including Proceeds from Property Sales of $4.8 million.

The interest rate chosen for this model (4.5%) is the same rate as utilised in the $100 million Road Program scenario. This provides consistency across the models. This is a conservative estimate of the rate at which Council may be able to access funds from financial institutions. Rates obtained

during 2017/2018 are lower than those modelled across the LTFP. Sensitivity analysis utilising various interest rates for this project are included below to assess the impact on Council's debt performance indicators.

Rental income figures have been estimated based on information provided in reports by Knight Frank Newcastle, who were engaged to provide advice on property options. The net rental income has been modelled at a level that matches the loan repayment commitments. Based on the commercial-in-confidence estimates of rental income, previously provided to Council, there is a surplus of projected rental income associated with the modelled repayments. The upper limit at which time loan repayments may exceed projected rental income is when interest rates exceed 5% on the proposed level of borrowing.

2 alternate interest rates were modelled using rates of 4.00% and 5.00% while keeping the principal ($8 million), term (20 years) and repayment frequency (quarterly) fixed. Rental income was also included only match the repayments.

The outcome of those models from an Operating Profit/Loss perspective and debt ratios are included below. The projected results under the $100 million Road Program scenario are also included for comparison. These results are for the General Fund only and are not consolidated with the Water and Sewer Funds.

Projected Operating Profit / (Loss)

Interest Rate	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
$100m Scenario	6,343	10,956	12,228	(2,823)	(2,486)	(3,127)	(2,204)
4.00%	6,064	11,058	12,346	(2,686)	(2,332)	(2,954)	(2,012)
4.50%	6,064	11,084	12,373	(2,661)	(2,306)	(2,929)	(1,986)
5.00%	6,064	11,108	12,396	(2,638)	(2,283)	(2,905)	(1,963)

The Debt Service Cover Ratio and Debt Service Ratio are the same for all 3 interest rate scenarios as follows:

Projected Debt Service Cover Ratio & Debt Service Ratio

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Biripi Way Scenario							
Debt Service Cover Ratio	2.40	2.50	2.64	2.92	3.48	3.60	3.87
Debt Service Ratio	10.42%	10.02%	9.64%	8.51%	6.99%	6.45%	5.98%
$100m Road Program Scenario							
Debt Service Cover Ratio	2.48	2.60	2.76	3.06	3.69	3.84	4.15
Debt Service Ratio	10.11%	9.52%	9.14%	8.03%	6.50%	5.98%	5.52%

The OLG benchmark for the Debt Service Cover Ratio is greater than 2.00 while a Debt Service Ratio below 10% is considered satisfactory by the OLG.A ratio between 10% and 20% is considered to be fair.

As identified, the debt ratios are the same for the 3 interest rate scenarios. This occurs due to the exact matching of the rental income against the loan repayments rather than bringing the estimated total of the net rental income to account in all scenarios.

It is also identified above that estimated net rental income is insufficient to meet loan repayments on $8 million when interest rates exceed 5.00%. Should this estimated maximum net rental income be included in each scenario then an improved Operating Result is achieved and the debt indicators are improved.

Alternatively this provides the opportunity to increase the amount borrowed by Council such that the estimated maximum net rental income covers the loan repayments, where Council is able to borrow at a lower interest rate. This is shown below.

Interest Rate	Amount able to be Borrowed
3.50%	$9.10 million
4.00%	$8.70 million
4.50%	$8.30 million
4.75%	$8.15 million
5.00%	$8.00 million

However rental income streams are a risk within this model. There has been a significant discounting of the gross rental returns contained within the Knight Frank reports to take into account vacancy periods, lease incentives to attract tenants, agent fees, asset owner building responsibilities etc so as to arrive at the net rental income streams contained within the model. While the above indicates that there is some flexibility within the modelled figures to meet loan repayments from a lower than anticipated estimated net rental income stream in a low interest rate environment, any shortfall in rental income required to match loan repayments will subsequently need to be found from operational savings.

As indicated above operational savings and costs have not been modelled in this scenario. The draft Financing Strategy makes the following comments in respect of this issue:

11 Operational Savings / Efficiencies

It needs to be recognised that operational savings and efficiencies will not, in the first instance, provide the large sums of funding required to proceed with this project. However, they are an important aspect of the longer term success of the proposed relocation. Assumptions have been made in the Business Case of the level of savings and efficiencies that may be achieved from this project. They have not been subject to further consideration in this Financing Strategy.

The Business Case identified that there would be savings in operating and maintenance expenditures on administration buildings as a result of a move to a single site compared with operating a 'campus' model. These savings would be realised over time as the former offices were sold or leased.

In the short to medium term Council will incur additional expenditure as the new facility comes on-line. At this point in time it is difficult to estimate with any certainty the level of savings in operational expenditure arising from the proposed relocation to the 2 Biripi Way site. There are a number of options around a property usage / disposal strategy that impact on this aspect. Should Council choose to retain its existing administrative properties and seek a commercial return then this will go some way to off-setting the new costs incurred through the operation of the Biripi Way location. Any increase in operational and maintenance expenditure will need to be accommodated and considered within Council's existing budget structure.

Opportunities exist for operational savings to be achieved as identified in the Business Case through operational efficiencies. The operation of 4 legacy computer systems contributes to inefficiency in

operations and the migration to a single computer system, currently underway, will contribute to improved efficiencies which will enable a realignment of resourcing levels.

The principal financial reports follow for the General Fund 2 Biripi Way scenario and on a consolidated basis.

Mid-Coast Council
10 Year Financial Plan for the Years ending 30 June 2028
INCOME STATEMENT - GENERAL FUND

Scenario: General Purpose Biripi Way Scenario	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
					Projected Years					
	$	$	$	$	$	$	$	$	$	$
Income from Continuing Operations										
Revenue:										
Rates & Annual Charges	93,630,535	97,232,635	101,016,210	103,541,615	106,130,156	108,783,409	111,502,995	114,290,569	117,147,834	120,076,530
User Charges & Fees	11,670,163	11,942,106	12,221,728	12,509,254	12,804,919	13,108,960	13,421,624	13,743,165	14,073,845	14,413,931
Interest & Investment Revenue	3,331,303	3,338,871	3,346,458	3,354,065	3,361,690	3,369,334	3,376,997	3,384,680	3,392,381	3,400,102
Other Revenues	12,234,090	12,314,581	13,254,586	13,595,549	13,946,503	14,307,744	14,679,574	15,062,303	15,456,254	15,861,755
Grants & Contributions provided for Operating Purposes	34,057,379	34,353,117	34,715,355	35,082,661	35,457,889	35,909,799	36,387,363	36,873,908	37,369,649	37,874,809
Grants & Contributions provided for Capital Purposes	14,164,941	19,942,910	24,030,339	24,118,684	9,207,954	9,298,160	9,389,314	9,481,426	9,574,506	9,668,567
Total Income from Continuing Operations	**169,088,411**	**179,124,220**	**188,584,677**	**192,201,827**	**180,909,110**	**184,777,406**	**188,757,866**	**192,836,051**	**197,014,469**	**201,295,694**
Expenses from Continuing Operations										
Employee Benefits & On-Costs	55,855,627	57,670,935	59,545,241	61,480,461	63,478,576	65,541,630	67,671,733	69,871,065	72,141,874	74,486,485
Borrowing Costs	2,987,557	3,300,362	3,428,556	3,581,621	3,391,913	2,861,951	2,504,765	2,160,472	1,822,666	1,483,454
Materials & Contracts	33,948,641	34,701,479	35,478,410	35,950,473	36,838,053	37,747,674	38,679,887	39,635,250	40,614,343	41,617,175
Depreciation & Amortisation	48,103,043	48,067,507	48,283,811	48,501,088	48,719,342	48,938,580	49,158,803	49,380,018	49,602,228	49,825,438
Other Expenses	30,642,664	29,320,337	30,764,252	30,315,642	31,142,325	31,993,910	33,671,240	33,775,185	34,706,651	35,666,573
Total Expenses from Continuing Operations	**171,537,532**	**173,060,620**	**177,500,269**	**179,829,285**	**183,570,210**	**187,083,744**	**191,686,428**	**194,821,989**	**198,887,763**	**203,079,125**
Operating Result from Continuing Operations	**(2,449,120)**	**6,063,601**	**11,084,408**	**12,372,543**	**(2,661,100)**	**(2,306,338)**	**(2,928,562)**	**(1,985,937)**	**(1,873,294)**	**(1,783,431)**
Net Operating Result for the Year	**(2,449,120)**	**6,063,601**	**11,084,408**	**12,372,543**	**(2,661,100)**	**(2,306,338)**	**(2,928,562)**	**(1,985,937)**	**(1,873,294)**	**(1,783,431)**
Net Operating Result before Grants and Contributions provided for Capital Purposes	**(16,614,061)**	**(13,879,309)**	**(12,945,931)**	**(11,746,141)**	**(11,869,053)**	**(11,604,499)**	**(12,317,876)**	**(11,467,363)**	**(11,447,800)**	**(11,451,999)**

Mid-Coast Council
10 Year Financial Plan for the Years ending 30 June 2028
BALANCE SHEET - GENERAL FUND

Scenario: General Purpose Biripi Way Scenario	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
				Projected Years						
	$	$	$	$	$	$	$	$	$	$
ASSETS										
Current Assets										
Cash & Cash Equivalents	-	-	7,438,818	17,800,789	28,674,884	42,459,565	55,140,751	68,734,402	82,365,085	95,797,642
Investments	65,953,315	63,282,119	63,282,119	63,282,119	63,282,119	63,282,119	63,282,119	63,282,119	63,282,119	63,282,119
Receivables	17,031,281	17,922,005	19,030,271	19,419,129	18,260,934	18,689,565	19,124,024	19,571,081	20,029,000	20,497,539
Inventories	4,223,134	1,653,007	1,680,569	1,697,315	1,728,802	1,761,070	1,794,140	1,828,031	1,862,764	1,898,339
Other	1,654,109	1,639,525	1,696,398	1,696,999	1,740,899	1,786,002	1,852,829	1,879,957	1,928,884	1,979,148
Total Current Assets	88,861,840	84,496,657	93,128,176	103,896,352	113,687,638	127,978,321	141,193,863	155,295,590	169,467,852	183,454,787
Non-Current Assets										
Investments	17,292,543	16,592,173	16,592,173	16,592,173	16,592,173	16,592,173	16,592,173	16,592,173	16,592,173	16,592,173
Receivables	448,072	464,844	482,460	494,243	506,320	518,699	531,388	544,394	557,726	571,391
Inventories	2,561,181	358,015	358,015	358,015	358,015	358,015	358,015	358,015	358,015	358,015
Infrastructure, Property, Plant & Equipment	2,015,908,444	2,040,597,621	2,047,530,826	2,053,873,517	2,032,142,639	2,008,587,120	1,986,083,472	1,963,400,230	1,941,226,749	1,919,765,131
Investments Accounted for using the equity method	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Investment Property	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000
Total Non-Current Assets	2,054,410,241	2,076,212,652	2,083,163,473	2,089,517,946	2,067,799,146	2,044,256,006	2,021,765,046	1,999,094,811	1,976,934,662	1,955,486,710
TOTAL ASSETS	**2,143,272,080**	**2,160,709,309**	**2,176,291,649**	**2,193,414,298**	**2,181,486,784**	**2,172,234,327**	**2,162,958,909**	**2,154,390,401**	**2,146,402,514**	**2,138,941,496**
LIABILITIES										
Current Liabilities										
Payables	22,084,449	22,382,494	22,565,908	22,611,260	22,349,624	22,722,658	23,408,302	23,642,591	24,135,394	24,646,523
Income received in advance	918,449	931,990	978,851	1,002,999	1,027,843	1,053,404	1,079,704	1,106,763	1,134,605	1,163,252
Borrowings	11,748,270	11,586,080	11,188,046	10,475,644	8,790,735	8,504,820	8,289,941	8,081,259	7,663,384	6,991,456
Provisions	18,365,676	19,718,776	21,071,876	22,424,976	23,778,076	25,131,176	26,484,276	27,837,376	29,190,476	30,543,576
Total Current Liabilities	53,116,844	54,619,339	55,804,680	56,514,878	55,946,278	57,412,058	59,262,222	60,667,989	62,123,859	63,344,807
Non-Current Liabilities										
Payables	437,105	437,105	437,105	437,105	437,105	437,105	437,105	437,105	437,105	437,105
Borrowings	51,749,576	61,620,709	64,933,300	68,973,208	60,275,394	51,863,495	43,666,476	35,678,138	28,107,675	21,209,140
Provisions	13,855,525	13,855,525	13,855,525	13,855,525	13,855,525	13,855,525	13,855,525	13,855,525	13,855,525	13,855,525
Total Non-Current Liabilities	66,042,206	75,913,339	79,225,930	83,265,838	74,568,024	66,156,125	57,959,105	49,970,768	42,400,305	35,501,770
TOTAL LIABILITIES	**119,159,050**	**130,532,678**	**135,030,610**	**139,780,716**	**130,514,302**	**123,568,184**	**117,221,328**	**110,638,757**	**104,524,164**	**98,846,577**
Net Assets	**2,024,113,031**	**2,030,176,631**	**2,041,261,039**	**2,053,633,582**	**2,050,972,482**	**2,048,666,143**	**2,045,737,582**	**2,043,751,644**	**2,041,878,350**	**2,040,094,919**
EQUITY										
Retained Earnings	2,024,113,031	2,030,176,631	2,041,261,039	2,053,633,582	2,050,972,482	2,048,666,143	2,045,737,582	2,043,751,644	2,041,878,350	2,040,094,919
Revaluation Reserves	-	-	-	-	-	-	-	-	-	-
Total Equity	**2,024,113,031**	**2,030,176,631**	**2,041,261,039**	**2,053,633,582**	**2,050,972,482**	**2,048,666,143**	**2,045,737,582**	**2,043,751,644**	**2,041,878,350**	**2,040,094,919**

Mid-Coast Council
10 Year Financial Plan for the Years ending 30 June 2028
CASH FLOW STATEMENT - GENERAL FUND

Scenario: General Purpose Biripi Way Scenario	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
					Projected Years					
	$	$	$	$	$	$	$	$	$	$
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	93,497,868	97,052,242	100,826,729	103,415,143	106,000,521	108,650,534	111,366,798	114,150,968	117,004,742	119,929,860
User Charges & Fees	11,926,979	11,924,676	12,203,806	12,490,826	12,785,969	13,089,473	13,401,584	13,722,557	14,052,651	14,392,134
Interest & Investment Revenue Received	3,327,076	3,314,648	3,291,803	3,307,230	3,314,943	3,308,123	3,321,277	3,326,189	3,333,126	3,340,600
Grants & Contributions	48,169,691	53,733,194	58,333,357	59,159,121	46,012,806	45,157,722	45,723,976	46,301,711	46,889,591	47,487,848
Other	11,140,582	13,558,605	14,203,061	14,806,116	15,318,934	15,509,204	15,876,484	16,254,722	16,644,050	17,044,794
Payments:										
Employee Benefits & On-Costs	(55,798,958)	(57,646,667)	(59,520,184)	(61,454,590)	(63,451,864)	(65,514,049)	(67,643,256)	(69,841,662)	(72,111,516)	(74,455,141)
Materials & Contracts	(32,677,059)	(34,889,312)	(34,999,726)	(35,955,167)	(36,492,176)	(37,391,738)	(38,122,016)	(39,449,792)	(40,226,285)	(41,217,786)
Borrowing Costs	(2,991,149)	(3,257,126)	(3,415,672)	(3,566,911)	(3,437,810)	(2,900,399)	(2,541,950)	(2,196,706)	(1,857,979)	(1,516,919)
Other	(30,647,311)	(29,320,949)	(30,761,865)	(30,315,617)	(31,140,482)	(31,992,018)	(33,668,436)	(33,774,047)	(34,704,598)	(35,664,464)
Net Cash provided (or used in) Operating Activities	45,947,719	54,469,312	60,161,308	61,886,150	48,910,841	47,916,853	47,714,460	48,493,939	49,023,782	49,340,927
Cash Flows from Investing Activities										
Receipts:										
Sale of Investment Securities	11,641,918	3,371,567	-	-	-	-	-	-	-	-
Sale of Real Estate Assets	-	4,800,000	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	2,176,900	1,857,667	2,149,020	2,197,577	2,722,235	2,221,127	2,336,157	2,027,925	2,280,925	2,409,925
Payments:										
Purchase of Infrastructure, Property, Plant & Equipment	(58,861,764)	(74,207,488)	(57,786,068)	(57,049,262)	(30,376,258)	(27,655,485)	(28,957,533)	(28,731,194)	(29,685,686)	(30,747,833)
Net Cash provided (or used in) Investing Activities	(45,042,946)	(64,178,254)	(55,637,048)	(54,851,685)	(27,654,023)	(25,434,358)	(26,621,376)	(26,703,269)	(27,404,761)	(28,337,908)
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	10,100,000	22,000,000	15,000,000	15,000,000	-	-	-	-	-	-
Payments:										
Repayment of Borrowings & Advances	(10,912,624)	(12,219,207)	(12,085,442)	(11,672,494)	(10,382,723)	(8,697,814)	(8,411,899)	(8,197,020)	(7,988,338)	(7,570,463)
Repayment of Finance Lease Liabilities	(92,150)	(71,851)	-	-	-	-	-	-	-	-
Net Cash Flow provided (used in) Financing Activities	(904,774)	9,708,942	2,914,558	3,327,506	(10,382,723)	(8,697,814)	(8,411,899)	(8,197,020)	(7,988,338)	(7,570,463)
Net Increase/(Decrease) in Cash & Cash Equivalents	0	-	7,438,818	10,361,971	10,874,095	13,784,681	12,681,185	13,593,651	13,630,683	13,432,556
plus: Cash, Cash Equivalents & Investments - beginning	0	0	0	7,438,818	17,800,789	28,674,884	42,459,565	55,140,751	68,734,402	82,365,085
Cash & Cash Equivalents - end of the year	**0**	**0**	**7,438,818**	**17,800,789**	**28,674,884**	**42,459,565**	**55,140,751**	**68,734,402**	**82,365,085**	**95,797,642**
Cash & Cash Equivalents - end of the year	0	0	7,438,818	17,800,789	28,674,884	42,459,565	55,140,751	68,734,402	82,365,085	95,797,642
Investments - end of the year	83,245,858	79,874,292	79,874,292	79,874,292	79,874,292	79,874,292	79,874,292	79,874,292	79,874,292	79,874,292
Cash, Cash Equivalents & Investments - end of the year	**83,245,858**	**79,874,292**	**87,313,110**	**97,675,081**	**108,549,176**	**122,333,857**	**135,015,043**	**148,608,694**	**162,239,377**	**175,671,933**

Mid-Coast Council
10 Year Financial Plan for the Years ending 30 June 2028
FINANCIAL PERFORMANCE INDICATORS - GENERAL FUND

					Projected Years					
Scenario: General Purpose Biripi Way Scenario	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
Operating Performance Ratio	-10.72%	-8.72%	-7.87%	-6.99%	-6.91%	-6.61%	-6.87%	-6.25%	-6.11%	-5.98%
Own Source Operating Revenue Ratio	71.48%	69.69%	68.85%	69.20%	75.31%	75.53%	75.75%	75.96%	76.17%	76.38%
Unrestricted Current Ratio	1.28	1.04	1.19	1.41	1.63	1.82	1.95	2.10	2.24	2.36
Debt Service Cover Ratio	2.46	2.40	2.50	2.64	2.92	3.48	3.60	3.87	4.07	4.40
Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage	5.63%	5.64%	5.64%	5.63%	5.63%	5.63%	5.63%	5.63%	5.63%	5.63%
Cash Expense Cover Ratio	0.00	0.00	0.63	1.49	2.37	3.48	4.40	5.37	6.30	7.17
Debt Service Ratio	9.62%	10.42%	10.02%	9.64%	8.51%	6.99%	6.45%	5.98%	5.54%	5.00%

Mid-Coast Council
10 Year Financial Plan for the Years ending 30 June 2028
INCOME STATEMENT - CONSOLIDATED

Scenario: Consolidated Biripi Way Scenario	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
				Projected Years						
	$	$	$	$	$	$	$	$	$	$
Income from Continuing Operations										
Revenue:										
Rates & Annual Charges	145,277,775	149,575,612	154,070,488	158,293,630	162,634,235	167,095,619	171,681,195	176,394,473	181,239,062	186,218,677
User Charges & Fees	40,782,823	41,921,833	43,095,817	44,371,315	45,686,565	47,042,819	48,441,366	49,883,539	51,370,711	52,904,297
Interest & Investment Revenue	3,936,303	3,946,371	3,956,521	3,966,754	3,977,071	3,987,475	3,997,967	4,008,548	4,019,222	4,029,989
Other Revenues	12,471,090	12,558,223	13,505,059	13,853,044	14,211,220	14,579,887	14,959,351	15,349,932	15,751,956	16,165,758
Grants & Contributions provided for Operating Purposes	38,536,379	38,944,092	39,421,105	39,906,054	40,441,820	41,018,327	41,623,605	42,241,056	42,870,976	43,513,669
Grants & Contributions provided for Capital Purposes	14,164,941	19,942,910	24,030,339	24,118,684	9,207,954	9,298,160	9,389,314	9,481,426	9,574,506	9,668,567
Total Income from Continuing Operations	**255,169,311**	**266,889,042**	**278,079,329**	**284,509,481**	**276,158,865**	**283,022,287**	**290,092,799**	**297,358,975**	**304,826,433**	**312,500,958**
Expenses from Continuing Operations										
Employee Benefits & On-Costs	76,119,181	78,441,078	80,834,637	83,302,093	85,845,748	88,467,981	91,171,243	93,958,063	96,831,047	99,792,887
Borrowing Costs	13,701,936	12,561,208	12,289,228	12,240,473	11,600,842	10,486,428	9,468,490	8,494,020	7,614,734	6,875,780
Materials & Contracts	54,775,458	57,148,966	60,835,835	59,531,833	63,369,697	62,482,309	64,032,588	65,711,468	67,339,917	68,968,338
Depreciation & Amortisation	78,959,021	79,694,884	80,701,872	81,729,601	82,778,569	83,849,286	84,942,278	86,058,079	87,197,241	88,360,326
Other Expenses	34,169,273	32,846,946	34,290,861	33,842,251	34,668,934	35,520,519	37,197,849	37,301,794	38,233,260	39,193,182
Total Expenses from Continuing Operations	**257,724,869**	**260,693,082**	**268,952,433**	**270,646,251**	**278,263,790**	**280,806,525**	**286,812,448**	**291,523,424**	**297,216,200**	**303,190,514**
Operating Result from Continuing Operations	**(2,555,557)**	**6,195,960**	**9,126,896**	**13,863,230**	**(2,104,925)**	**2,215,763**	**3,280,351**	**5,835,550**	**7,610,233**	**9,310,443**
Net Operating Result for the Year	**(2,555,557)**	**6,195,960**	**9,126,896**	**13,863,230**	**(2,104,925)**	**2,215,763**	**3,280,351**	**5,835,550**	**7,610,233**	**9,310,443**
Net Operating Result before Grants and Contributions provided for Capital Purposes	**(16,720,498)**	**(13,746,950)**	**(14,903,443)**	**(10,255,454)**	**(11,312,879)**	**(7,082,398)**	**(6,108,963)**	**(3,645,875)**	**(1,964,273)**	**(358,124)**

Mid-Coast Council
10 Year Financial Plan for the Years ending 30 June 2028
BALANCE SHEET - CONSOLIDATED

Scenario: Consolidated Biripi Way Scenario	Projected Years									
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	$	$	$	$	$	$	$	$	$	$
ASSETS										
Current Assets										
Cash & Cash Equivalents	27,885,526	16,658,748	22,621,638	24,456,910	35,677,954	45,288,466	64,939,168	85,432,655	117,205,598	152,174,924
Investments	75,440,495	72,769,299	72,769,299	72,769,299	72,769,299	72,421,080	70,838,643	70,838,643	70,838,643	70,838,643
Receivables	28,066,594	29,160,295	30,508,564	31,229,536	30,449,595	31,246,423	32,090,463	32,966,850	33,900,873	34,870,279
Inventories	4,699,499	2,160,951	2,302,702	2,230,863	2,377,699	2,319,878	2,366,905	2,418,991	2,468,388	2,517,265
Other	1,654,109	1,639,525	1,696,398	1,696,999	1,740,899	1,786,002	1,852,829	1,879,957	1,928,884	1,979,148
Total Current Assets	137,746,222	122,388,817	129,898,602	132,383,607	143,015,446	153,061,849	172,088,008	193,537,096	226,342,386	262,380,259
Non-Current Assets										
Investments	17,805,364	17,104,993	17,104,993	17,104,993	17,104,993	17,086,171	17,000,633	17,000,633	17,000,633	17,000,633
Receivables	448,072	464,844	482,460	494,243	506,320	518,699	531,388	544,394	557,726	571,391
Inventories	2,561,181	358,015	358,015	358,015	358,015	358,015	358,015	358,015	358,015	358,015
Infrastructure, Property, Plant & Equipment	2,912,535,523	2,944,715,321	2,951,985,465	2,962,891,642	2,935,239,538	2,909,876,312	2,877,686,189	2,845,928,886	2,807,806,392	2,769,533,886
Investments Accounted for using the equity method	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Investment Property	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000
Intangible Assets	2,188,000	2,188,000	2,188,000	2,188,000	2,188,000	2,188,000	2,188,000	2,188,000	2,188,000	2,188,000
Total Non-Current Assets	2,953,738,140	2,983,031,174	2,990,318,933	3,001,236,892	2,973,596,866	2,948,227,196	2,915,964,225	2,884,219,928	2,846,110,766	2,807,851,925
TOTAL ASSETS	**3,091,484,361**	**3,105,419,990**	**3,120,217,535**	**3,133,620,499**	**3,116,612,311**	**3,101,289,045**	**3,088,052,232**	**3,077,757,024**	**3,072,453,152**	**3,070,232,184**
LIABILITIES										
Current Liabilities										
Bank Overdraft	-	-	-	-	-	-	-	-	-	-
Payables	27,784,548	28,269,998	28,732,225	28,603,878	28,564,086	28,721,770	29,399,891	29,641,162	30,157,549	30,698,271
Income received in advance	918,449	931,990	978,851	1,002,999	1,027,843	1,053,404	1,079,704	1,106,763	1,134,605	1,163,252
Borrowings	20,569,634	20,692,177	21,224,718	21,334,337	19,168,296	18,667,604	17,845,110	14,904,355	13,546,801	13,267,315
Provisions	26,579,801	27,932,901	29,286,001	30,639,101	31,992,201	33,345,301	34,698,401	36,051,501	37,404,601	38,757,701
Total Current Liabilities	75,852,433	77,827,066	80,221,795	81,580,314	80,752,426	81,788,080	83,023,106	81,703,781	82,243,556	83,886,539
Non-Current Liabilities										
Payables	437,105	437,105	437,105	437,105	437,105	437,105	437,105	437,105	437,105	437,105
Borrowings	199,153,909	204,918,945	208,194,864	206,376,080	192,300,705	173,726,022	155,973,833	141,162,399	127,708,519	114,534,125
Provisions	13,918,399	13,918,399	13,918,399	13,918,399	13,918,399	13,918,399	13,918,399	13,918,399	13,918,399	13,918,399
Total Non-Current Liabilities	213,509,413	219,274,449	222,550,369	220,731,585	206,656,210	188,081,527	170,329,337	155,517,903	142,064,023	128,889,629
TOTAL LIABILITIES	**289,361,846**	**297,101,515**	**302,772,164**	**302,311,898**	**287,408,636**	**269,869,607**	**253,352,443**	**237,221,685**	**224,307,580**	**212,776,168**
Net Assets	**2,802,122,515**	**2,808,318,475**	**2,817,445,371**	**2,831,308,601**	**2,829,203,675**	**2,831,419,438**	**2,834,699,789**	**2,840,535,339**	**2,848,145,573**	**2,857,456,016**
EQUITY										
Retained Earnings	2,341,988,515	2,348,184,475	2,357,311,371	2,371,174,601	2,369,069,675	2,371,285,438	2,374,565,789	2,380,401,339	2,388,011,573	2,397,322,016
Revaluation Reserves	460,134,000	460,134,000	460,134,000	460,134,000	460,134,000	460,134,000	460,134,000	460,134,000	460,134,000	460,134,000
Total Equity	**2,802,122,515**	**2,808,318,475**	**2,817,445,371**	**2,831,308,601**	**2,829,203,675**	**2,831,419,438**	**2,834,699,789**	**2,840,535,339**	**2,848,145,573**	**2,857,456,016**

Mid-Coast Council
10 Year Financial Plan for the Years ending 30 June 2028
CASH FLOW STATEMENT - CONSOLIDATED

Scenario: Consolidated Biripi Way Scenario	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
					Projected Years					
	$	$	$	$	$	$	$	$	$	$
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	144,655,178	149,324,448	153,808,625	157,998,421	162,330,465	166,783,036	171,359,539	176,063,477	180,898,451	185,868,169
User Charges & Fees	40,896,691	41,755,727	42,924,542	44,183,001	45,492,293	46,842,400	48,234,605	49,670,234	51,150,653	52,677,273
Interest & Investment Revenue Received	3,917,326	3,958,714	3,908,219	3,947,587	3,928,207	3,941,112	3,927,836	3,928,409	3,904,451	3,903,525
Grants & Contributions	53,029,708	58,310,789	63,025,391	63,968,456	50,977,361	50,251,358	50,944,952	51,653,212	52,374,880	53,110,269
Other	11,814,347	13,795,531	14,446,628	15,056,509	15,576,347	15,773,836	16,148,538	16,534,409	16,931,585	17,340,398
Payments:										
Employee Benefits & On-Costs	(76,062,512)	(78,416,810)	(80,809,580)	(83,276,221)	(85,819,036)	(88,440,401)	(91,142,767)	(93,928,660)	(96,800,689)	(99,761,543)
Materials & Contracts	(51,871,043)	(57,154,634)	(60,201,191)	(59,575,493)	(62,864,433)	(62,164,429)	(63,410,945)	(65,456,884)	(66,884,858)	(68,501,944)
Borrowing Costs	(13,791,366)	(12,544,311)	(12,267,681)	(12,271,913)	(11,699,630)	(10,612,080)	(9,590,928)	(8,610,596)	(7,708,127)	(6,959,960)
Other	(34,173,920)	(32,847,558)	(34,288,474)	(33,842,226)	(34,667,091)	(35,518,627)	(37,195,045)	(37,300,656)	(38,231,207)	(39,191,073)
Net Cash provided (or used in) Operating Activities	78,414,409	86,181,898	90,546,478	96,188,122	83,254,483	86,856,204	89,275,786	92,552,945	95,635,138	98,485,113
Cash Flows from Investing Activities										
Receipts:										
Sale of Investment Securities	11,641,918	3,371,567	-	-	-	367,041	1,667,974	-	-	-
Sale of Real Estate Assets	-	4,800,000	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	2,176,900	1,857,667	2,149,020	2,197,577	2,722,235	2,221,127	2,336,157	2,027,925	2,280,925	2,409,925
Payments:										
Purchase of Infrastructure, Property, Plant & Equipment	(75,868,632)	(113,325,488)	(90,541,068)	(94,841,262)	(58,514,258)	(60,758,485)	(55,054,533)	(56,335,194)	(51,331,686)	(52,471,833)
Net Cash provided (or used in) Investing Activities	(62,049,814)	(103,296,254)	(88,392,048)	(92,643,685)	(55,792,023)	(58,170,317)	(51,050,402)	(54,307,269)	(49,050,761)	(50,061,908)
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	10,100,000	27,000,000	25,000,000	20,000,000	5,000,000	-	-	-	-	-
Payments:										
Repayment of Borrowings & Advances	(21,209,654)	(21,040,571)	(21,191,540)	(21,709,165)	(21,241,416)	(19,075,375)	(18,574,683)	(17,752,189)	(14,811,434)	(13,453,880)
Repayment of Finance Lease Liabilities	(92,150)	(71,851)	-	-	-	-	-	-	-	-
Net Cash Flow provided (used in) Financing Activities	(11,201,804)	5,887,578	3,808,460	(1,709,165)	(16,241,416)	(19,075,375)	(18,574,683)	(17,752,189)	(14,811,434)	(13,453,880)
Net Increase/(Decrease) in Cash & Cash Equivalents	5,162,792	(11,226,778)	5,962,891	1,835,271	11,221,044	9,610,513	19,650,701	20,493,487	31,772,944	34,969,326
plus: Cash, Cash Equivalents & Investments - beginning of year	22,722,734	27,885,526	16,658,748	22,621,638	24,456,910	35,677,954	45,288,466	64,939,168	85,432,655	117,205,598
Cash & Cash Equivalents - end of the year	**27,885,526**	**16,658,748**	**22,621,638**	**24,456,910**	**35,677,954**	**45,288,466**	**64,939,168**	**85,432,655**	**117,205,598**	**152,174,924**
Cash & Cash Equivalents - end of the year	27,885,526	16,658,748	22,621,638	24,456,910	35,677,954	45,288,466	64,939,168	85,432,655	117,205,598	152,174,924
Investments - end of the year	93,245,858	89,874,292	89,874,292	89,874,292	89,874,292	89,507,250	87,839,277	87,839,277	87,839,277	87,839,277
Cash, Cash Equivalents & Investments - end of the year	**121,131,384**	**106,533,039**	**112,495,930**	**114,331,202**	**125,552,246**	**134,795,717**	**152,778,444**	**173,271,931**	**205,044,875**	**240,014,201**

Mid-Coast Council
10 Year Financial Plan for the Years ending 30 June 2028
FINANCIAL PERFORMANCE INDICATORS

					Projected Years					
Scenario: Consolidated Biripi Way Scenario	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
Operating Performance Ratio	-6.94%	-5.57%	-5.87%	-3.94%	-4.24%	-2.59%	-2.18%	-1.27%	-0.67%	-0.12%
Own Source Operating Revenue Ratio	79.35%	77.94%	77.18%	77.50%	82.02%	82.22%	82.41%	82.61%	82.79%	82.98%
Unrestricted Current Ratio	0.96	0.48	0.60	0.57	0.80	0.89	1.21	1.54	1.90	2.33
Debt Service Cover Ratio	2.17	2.33	2.33	2.47	2.53	2.95	3.15	3.46	4.14	4.67
Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage	6.89%	6.85%	6.84%	6.84%	6.85%	6.85%	6.86%	6.86%	6.87%	6.87%
Cash Expense Cover Ratio	1.70	1.21	1.57	1.67	2.27	2.82	3.85	4.91	6.59	8.35
Debt Service Ratio	15.42%	14.47%	13.97%	13.81%	13.03%	11.43%	10.57%	9.64%	8.03%	7.09%