

What are we monitoring?

The Blue Mountains City Council Operating Result which measures whether the Council has sufficient revenue (excluding capital grants and contributions) to cover its expenditure requirements including the amount that should be spent on built asset renewal (depreciation). The calculation of the Operating Result is Total Operating Revenue (excluding capital items) less Total Operating Expenditure (including depreciation costs).

To meet the NSW Government's Fit for the Future benchmark the Council must ensure it achieves a greater than or equal to break-even Operating Result ratio average over 3 years by 2019/20.

The Council has set Operating Result targets through its Long Term Financial Plan (LTFP) so that by 2019–2020 the Council achieves a break-even ratio. The graph and table below show the Council's actual results relative to this measure against the predicted results set in the Council's LTFP and Delivery Program. The predicted Operating Result for 2012–2013 came from the Delivery Program 2013–2017 and the predicted results thereafter were informed by the LTFP 2013–2023.

What is the trend?

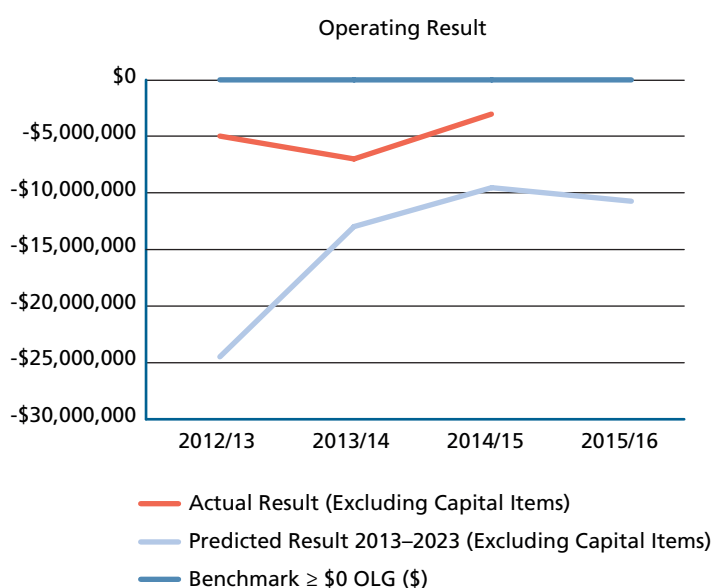
While the Council achieves a surplus cash budget each year and is financially sound in terms of liquidity, reserves and cash flow, it has a deficit Operating Result (including depreciation and excluding capital grants). This is because the City has not had the required level of revenue (due to 38 years of rate pegging and cost shifting from other levels of government to Blue Mountains City Council) to meet the funding requirements of adequately maintaining and renewing \$1 billion worth of ageing built assets.

The overall trend is that the Council has been making good progress in improving its deficit Operating Result performance over time, primarily as a result of implementing the Council's Six Strategies for Financial Sustainability.

While targets are useful, there are anomalies due to one-off income/expenditure items, including timing of Financial Assistance Grants, natural disaster related costs and revaluation of assets impacts on depreciation costs that distort trends on a year to year basis. The Council is committed to delivering a balanced Operating Result by 2020, as per its Fit for the Future Improvement Action Plan.

Why is monitoring this trend important?

The Operating Result is a key measure that assesses the Council's financial sustainability and a key measure in the Council's Fit for the Future Improvement Plan.



Blue Mountains City Council Operating Result (Excluding Capital and Including Depreciation)

Year	2012/13	2013/14	2014/15	2015/16
Actual Result	-\$4,952,000	-\$7,007,000	-\$3,008,000	N/A
Predicted Result 2013–2023	-\$24,504,000	-\$12,997,000	-\$9,498,000	-\$10,763,000
Benchmark \geq \$0 OLG	\$0	\$0	\$0	\$0

Source: BMCC Resourcing Strategy 2013–2023 and DPOP 2012–2013 for Predicted Results, BMCC Annual Reports 2012–2013, 2013–2014 and 2014–2015 for Actual Results, noting that the 2015–2016 Actual Results will be available in November 2016 after they are audited and adopted by the Council