LONG TERM FINANCIAL PLAN
2017-2027

Adopted May 09, 2017

Minute: C149:2017

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Kangaroo Island Council Long-Term Financial Plan

Purpose of Long Term Financial Plan

Like all South Australian Councils, Kangaroo Island Council is required by Regulation 5 of *The Local Government (Financial Management) Regulations 2011* to produce a Long Term Financial Plan (LTFP).

Outlined in the below table are the relevant Sections of the Regulations that apply.

Under s.122 (4) (a) of the *Local Government Act 1999*, a Council must review its Long-Term Financial Plan as soon as practicable after adopting an Annual Business Plan for a particular financial year.

Part 2—Financial accountability **5—Long-term financial plans** (1) A long-term financial plan developed and adopted for the purposes of section 122(1a)(a) of the Act must include— (b) a summary of proposed operating and capital investment activities presented in a manner consistent with the note in the Model Financial Statements entitled *Uniform Presentation of Finances*; and (c) estimates and target ranges adopted by the council for each year of the long-term financial plan with respect to an operating surplus ratio, a net financial liabilities ratio and an asset sustainability ratio presented in a manner consistent with the note in the Model Financial Statements entitled *Financial Indicators*. (2) A long-term financial plan must be accompanied by a statement which sets out— (a) the purpose of the long-term financial plan; and (b) the basis on which it has been prepared; and (c) the key conclusions which may be drawn from the estimates, proposals and other information in the plan. (3) A statement under subregulation (2) must be expressed in plain English and must avoid unnecessary technicality and excessive detail.
Local Government (Financial Management) Regulations 2011—1.7.2013 Part 2—Financial accountability

Complying with the requirements of the *Local Government Act* is not the main reason for Council adopting a Long-Term Financial Plan.

As summarised below, Council has used the process of preparing the LTFP to assess the likely state of its finances over the coming 10 years and to consider ways and means of improving its outlook over the period.

The Challenge of Financial Sustainability

Since the release of the LGA's *"Rising To The Challenge: Towards Financially Sustainable Local Government in South Australia,* by the Financial Sustainability Review Board, in August 2005, all Councils have been faced with the challenge of achieving, and then maintaining, a level of financial sustainability.

As the 2005 LGA Enquiry emphasised, Councils have ownership and stewardship of significant Community assets in the form of roads, footpaths, stormwater drains, buildings, parks and gardens, and the like.

Even with the most advanced approaches to maintenance of those Community assets, they generally have limited lives and inevitably need renewal and/or replacing.

Unless Council is providing for the future costs of the renewal and/or replacement of its essential Community assets, as well as being able to meet the costs of its day to day operations, it is potentially facing a low level of sustainability, in a financial sense.

Kangaroo Island Council is no different from many other Councils, in terms of this financial challenge.

Basis on which the Long-Term Financial Plan is prepared and Council's Overall Approach to the Long-Term Financial Plan

A review of Council's finances over the past decade shows that whilst Council has always been able to achieve a cash surplus, where its annual cash expenses have been less than its annual revenue, the cash surplus has been insufficient to meet the anticipated cost in years to come of replacing or renewing its assets.

This is indicated by the fact that once an amount is included for the depreciation of Council's assets into the equation, the Council has only once achieved an operating surplus.

YEAR	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Operating Income	$9,738,373	$10,488,093	$10,834,301	$10,841,334	$11,086,687	$11,906,109	$12,464,101	$12,929,341	$17,691,145
Operating Expenditure	$6,863,856	$9,376,626	$8,586,121	$7,900,827	$9,922,396	$10,726,920	$11,588,079	$12,239,432	$11,750,467
Gross Operating Surplus	$2,874,517	$1,111,467	$2,248,180	$2,940,507	$1,164,291	$1,179,189	$876,022	$689,909	$5,940,678
Less									
Depreciation/ Amortisation	$3,486,538	$4,473,941	$4,978,475	$5,011,270	$4,256,011	$4,570,143	$4,368,232	$4,368,235	$4,477,746
Net Operating Deficit	($612,021)	($3,362,474)	($2,730,295)	($2,070,763)	($3,091,720)	($3,390,954)	($3,492,210)	($3,678,326)	$1,462,932

The challenge for Council is highlighted by the value ascribed to its Community assets of approximately $202 million.

Based on this, Council has aimed with its LTFP to produce increasing cash surpluses over the next ten years and, at the same time, reduce the likely future cost of asset renewal and replacement.

The Long Term Financial Plan adopted in May 2016 has been reviewed and has required adjustments to allow for changes that are both outside of Council's immediate control (as a result of the Federal Government Budget impacts on funding for example) and also those that are within Council's control.

In summary, with the Kangaroo Island Airport Upgrade Project funding now confirmed, and the methodology in place and approved for the accounting recognition of the significant ($18M) grant funding associated with this Upgrade and the project in construction, the Long-Term Financial Plan does now suggest that Council will achieve guaranteed financial sustainability by the year 2023.

The basic premise of the model has not changed nor has the aim to attain financial sustainability within 10 years. The base assumptions upon which the 2017-2027 Long Term Financial Plan were formulated are identified below. There have been changes to these assumptions – particularly around proposed rate increases – since the revised model for 2016-2026.

Assumptions on which the Long-Term Financial Plan is based

In assessing the assumptions upon which to base the LTFP, Council undertook a scan of the external environment, providing a context to the development of the LTFP.

The scanning process identified the following key external issues, trends and influences that potentially impact the overall Kangaroo Island environment, including:

- An increasingly ageing population compared to State average.
- A decreasing weekly household income level compared to Sate averages (19.10% less that SA average);
- Outside financial pressures on ratepayers, including increases in utility costs;
- Changes to Local Government funding programs and potential risk in relation to cost shifting from the Federal and State Government to Local Government, such as the responsibility to meet the requirements of Work Health & Safety Act SA 2012;
- The challenges ahead regarding the future direction of local government being considered in the review by the Local Excellence Panel chaired by Hon. Greg Crafter on the 'Council of the future';

A range of key internal issues have been identified, that also influence the development of the LTFP, such as:

- The development of Council's Strategic Management Plan, and implementation processes;
- Assessment of revised funding requirements in Council's Asset Management Plans to maintain and develop Council's infrastructure.
- The capacity to fund and deliver major projects, such as the Penneshaw CWMS Project and the Kangaroo Island Airport Upgrade Project;
- Increasing focus on Safety in the Work Place.
- The ongoing commitment to maintaining existing services and reviewing service level standards;
- The impact on salary and wage costs due to continuing requirements to negotiate Enterprise Bargaining Agreements (EBA) and the impact of legislative changes, such as superannuation changes.

This has lead Council to incorporate the following specific assumptions in the preparation of the current LTFP, those being:

- General Rate Revenue increase of CPI only.
- An allowance for 1% Growth* in capital value of rateable property, whether through construction or market uplift.
- User Charges - to move towards full cost recovery, wherever applicable;
- Employee Costs – Maintain overall employee costs to be contained within the current year costs + 5%. This takes into account enterprise bargaining increases, labour market conditions, and reclassifications, plus the impact in staff costs required as a result of growth.
- Materials increase to maintain increase of CPI – 0.5%;
- Levels of service to be subject to a process of continual assessment and review;
- Incorporate an interest rate projection for variable loans of 4.00% for first two years then 4.5% over the balance of the plan based on 2% over CPI.
- Council services would similarly be expected to increase in line with growth which is forecast at 1.0%

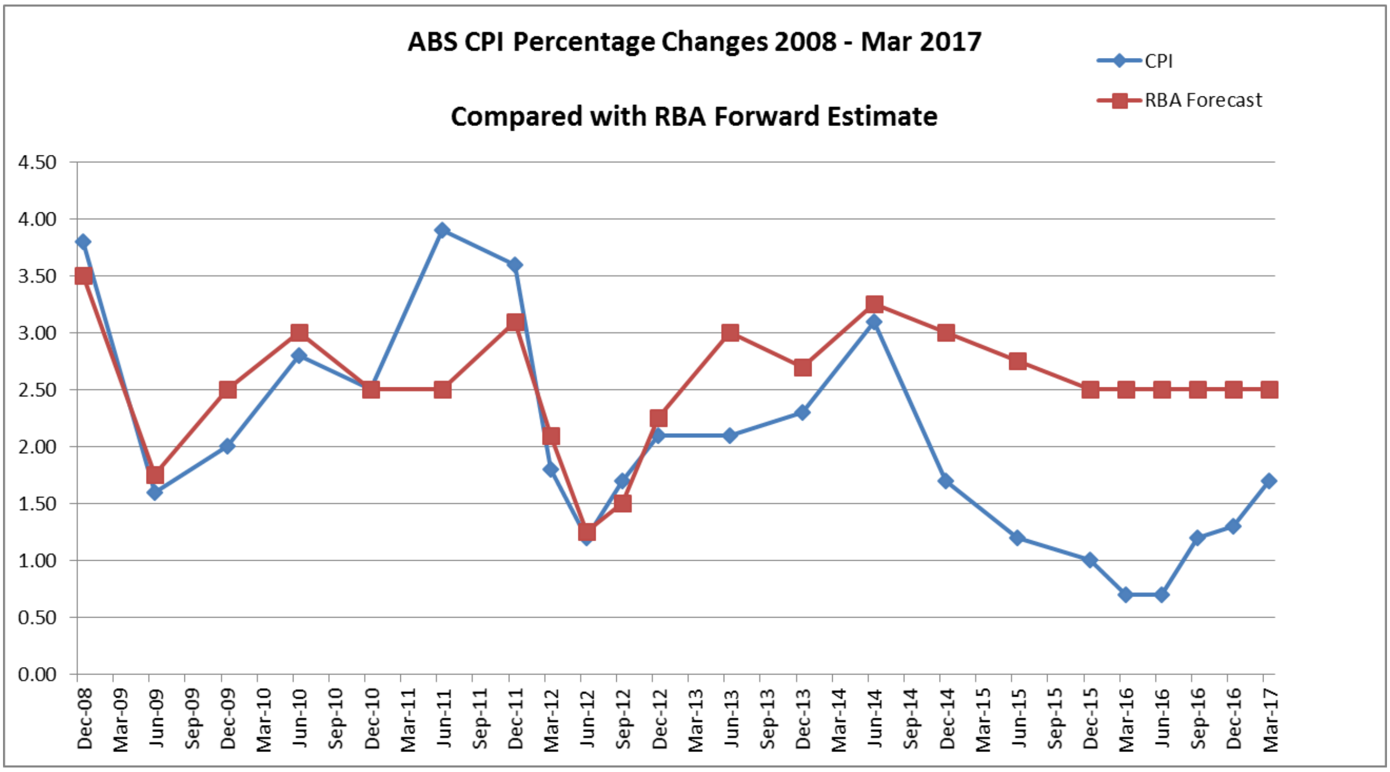
*Growth refers to an increase in new housing, property development, capital improvements and the State Government Valuer General's assessment of land and asset values – as such the final figure for growth is outside of Council's immediate direct influence. On average Growth has historically moved between 0.2 – 1.8% pa and therefore it is prudent to assume an average of 1% for budgeting purposes.

Inflation

An important feature of the assumptions detailed above is the expected level of the Consumer Price Index (CPI), used in several assumptions to predict forward estimates of cost movements. This is for planning purposes only, and will be reviewed/assessed on a regular basis.

This LTFP assumes a CPI factor of 1.3% for the first year. A general review of the indexation rates and other cost driver rates has been under-taken based on combination of historic performance and future targets. The Reserve Bank Australia now sets a target range of CPI rather than making a prediction as to what the actual rate will be. This target range is currently 2-3% and we have used 2.2% for year two and then a flat rate of 2.5% for the balance of the plan.

The graph below shows a 'running comparison' between the historic ABS CPI data and the forward-looking estimated RBA CPI target.



Revised Assumptions for the 2017-2027 Long-Term Financial Plan

The LTFP adopted in May 2016 assumed that we would have finalised the position with regards to hand back of sealed road infrastructure to the Department of Planning, Transport and Infrastructure (DPTI) – this has not happened at this time. It was therefore prudent to remove this from the plan until modelling is completed and a formal decision taken to proceed or otherwise.

The May 2014 Federal Budget also saw the removal of indexation from the allocation of funds through the Financial Assistance Grants (FAG's) for the next three years. This affects the overall allocation of funds to State and Territory Governments and subsequently their distribution of these funds to Local Government through the State Grants Commission formulaic process. In real terms we have seen a 2% deflation in grant over the last few years and we anticipate that this will accelerate to a 4% deflation for the period indexation is suspended.

The Federal Government have committed to provide additional *Roads to Recovery* (R2R) in 2017-18. This effectively provides an additional $287,500 +/- in this year.

Given the confirmation of the anticipated project construction costs and associated subsidy for the Penneshaw CWMS project, the timing and quantum of cost has been adjusted in the plan.

The previously adopted model assumed $1.5m per annum capital expenditure and this has been continued. A contribution from DPTI of $2m for road upgrades has also been included in this plan.

Technically revaluations need to occur at five year intervals and the valuations required remodelling across the asset classes to reflect the likely requirements required by good financial practice. The assumption is that each revaluation will result in an increase in asset values.

The RBA has set a target range for CPI of 2-3%p.a. We have used 2.2% for year 2 of this plan increasing to a flat rate of 2.5% for Year three onwards.

Council has continued to remove costs from the business over the last three financial years, and consequently have worked on keeping expense increases in line with CPI.

The LTFP model works from a compilation of the audited accounts from the previous financial year and the budget for the current financial year to which either formulaic inflator / deflator rates (drivers) and / or manual inputs are applied to drive the plan throughout the period.

Initiatives which will Impact on the Future within the Long-Term Financial Plan

Council is committed to annual reviews of the LTFP and, particularly, the assumptions which underpin the Plan.

Recognising the significance of the value and complexity of the community assets held by Council, Council has embarked on a major effort to improve the management of its assets. The work has a number of components, each of which will impact on the LTFP in future years.

The main features of the Council's approach to asset management are:

- Conducting condition audits on the major assets so that Council can develop soundly-based maintenance programs which are more cost effective in increasing operational lives of assets;
- Identifying those assets which will be in need of significant renewal or replacement in the ten year period LTFP, and assessing whether new technologies may exist to reduce the cost of renewal or replacement;
- Identifying and assessing those assets considered to be surplus to requirements, potentially removing the responsibility of renewal or replacement without impacting on the benefit which the community receives from those assets;
- Ensuring that all maintenance regimes are efficient, minimise the potential for breakdown incidents and assist with delaying the time at which each asset needs to be renewed or replaced.

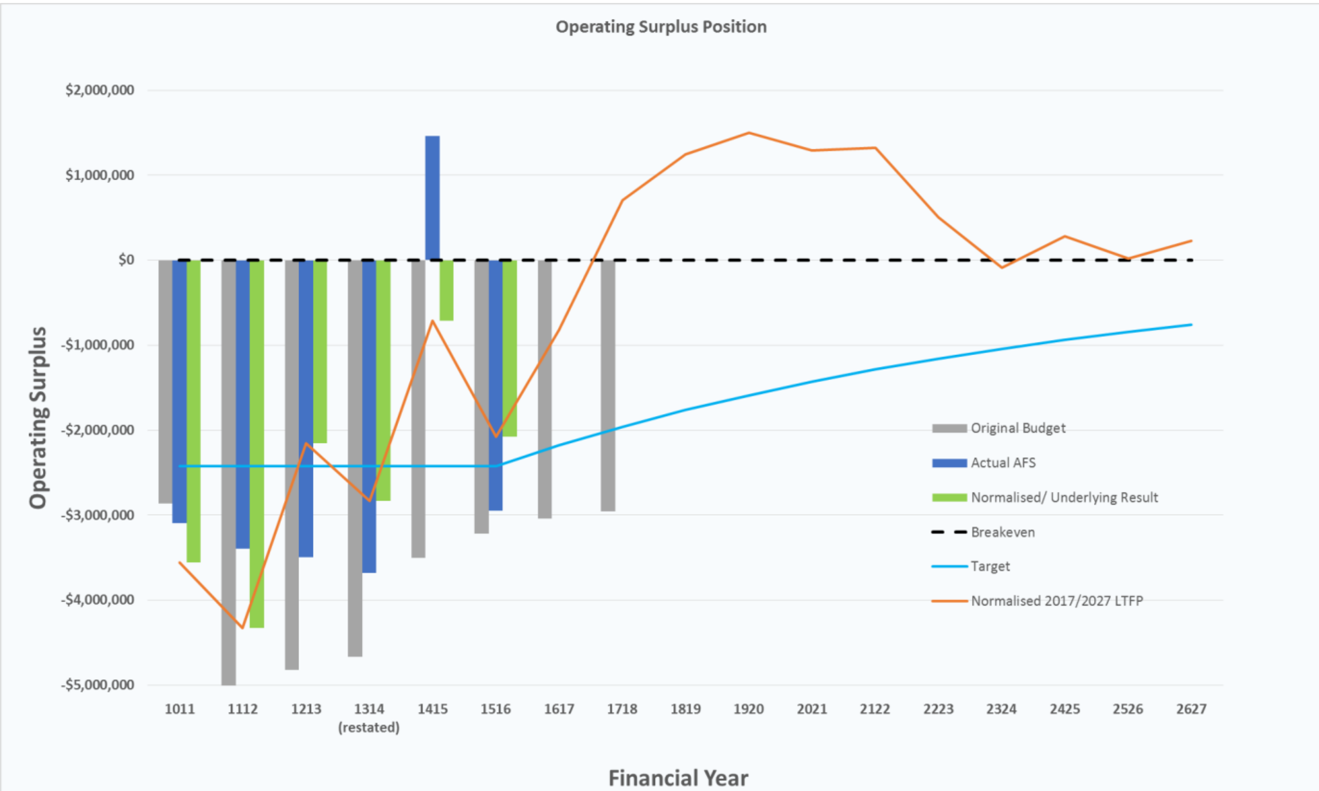
In addition, Council has resolved to pursue a review of all its levels of service, to ensure maximum efficiency and effective delivery.

Key Conclusions of the 2017-2027 Long-Term Financial Plan

The key conclusions of the LTFP are as follows:

- Completion of the Kangaroo Island Airport Upgrade Project will result in Council being able to recognise, as income received, 1/5th of the Commonwealth Grant of $9M annually for the next five years ($1.8M pa). It will be able to recognise, as income received, 1/20th of the State Grant of $9M annually for the next twenty years ($450K). This has a significant positive effect on the operating position of Council, particularly within the first five years despite accounting for the increase in depreciation provisions associated with the $18M of new asset.
- Given the Airport Upgrade Project is to enable larger aircraft to access the Island and opens up the potential for direct inter-state flights, passenger landing fee revenues are expected to rise over time reflecting uplift in visitation by air. The Business Plan for the Airport Upgrade assessed this potential and the revenue assumptions derived from this growth are included in years 2 – 10 of the LTFP. It is anticipated that by year 5 pax revenue will have risen to a point where the airport will become a reasonable profit centre, contributing significantly to increased revenues for Council and placing Council in a position of having a sustainable operating surplus from 2023 forward.
- Operational Revenue increases by 19.2% over the 10 year period of the Plan;
- Operational Expenditure (before depreciation) increases by 33.4% over the 10 year period of the Plan;
- The provision for depreciation increases by 52.3% over the 10 year period of the Plan;
- Any revenue surpluses have been applied to reducing levels of debt;
- From 2024 onwards it is anticipated that Council will no longer need to borrow $1.5M annually to fund its capital works program.

The summarised position – expressed in normalised operating surplus / deficit position is as follows:



This clearly demonstrates the impact of the grant recognition on the operating position in years 1-5 and then demonstrates financial sustainability attained from 2023 onwards.

The revised model shows that, the previously established trend is clearly now able to be consolidated and, with the Airport Upgrade Project confirmed, the impact of grant recognition, particularly in the first five years, will mean that by year 6 cash revenue streams from increased visitation will be able to maintain Council's operating surplus when the Commonwealth Grant is fully recognised.

It is noted that there are a number of other multi-million dollar Private Developments such as the American River Hotel Resort (consent granted), Golf Course (consent granted) and various Hotel projects (in application) that have the potential to provide a significant uplift in Council rates revenue when they are completed and will not have a significant impact on Council's cost structure. At this point these are not taken into account in the LTFP, and will not be until construction is commenced and the project are well on their way to completion. There is then potentially significant additional revenue upside to the plan in future with little complementary increase in cost.

Key Ratios

In terms of key ratios and other parameters, the following table details the movement of key ratios over the 10 year period of the Long-Term Financial Plan.

KEY FINANCIAL INDICATORS	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Estimate	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Operating Surplus / (Deficit) - $'000	2,847	(151)	701	1,245	1,499	1,303	1,335	532	(54)	333	86	311
Operating Surplus Ratio - %	32%	(1)%	4%	6%	7%	6%	6%	3%	(0)%	2%	0%	1%
Net Financial Liabilities - $'000	10,857	19,054	30,876	28,505	27,368	23,505	20,949	17,868	16,400	13,018	9,662	6,082
Net Financial Liabilities Ratio - %	58.0%	116.0%	169.7%	145.8%	135.5%	113.5%	98.7%	85.5%	80.0%	61.9%	44.7%	27.3%
Interest Cover Ratio - %	3.0%	4.3%	3.1%	2.6%	2.8%	2.5%	2.1%	2.0%	1.9%	1.8%	1.1%	0.4%
Asset Sustainability Ratio - %	5%	144%	299%	77%	103%	55%	73%	57%	72%	46%	47%	48%
Asset Consumption Ratio - %	68%	68%	68%	67%	66%	64%	63%	61%	60%	59%	58%	56%

The Key Ratios detailed in the Long-Term Financial Plan are defined as follows:

Operating Surplus Ratio

This ratio shows the % that the major controllable income sources varies from operating expenses. A negative ratio means a negative result or a deficit. A negative ratio indicates the percentage increase in total rates that would be required to achieve a break-even operating result.

Council's target is to achieve an Operating Surplus Ratio within 10 years.

Net Financial Liabilities and Ratio

Net Financial Liabilities is the total liabilities (what is owed) less financial assets (cash and investments owned). Net Financial Liabilities is broader than just borrowings owed by Council. It includes items such as employee long-service leave entitlements and other amounts payable (i.e. Creditors) as well as taking account of Council's cash and investments.

Council's target is that the level of Net Financial Liabilities is no greater than its Annual Operating Revenue. The Net Financial Liabilities Ratio is calculated by expressing the Net Financial Liabilities as a percentage of Operating Revenue for the year.

Interest Cover Ratio
Interest cover ratio represents the level of income used to pay interest on borrowings, it represents the extent to which Council's operating revenues are committed to meet interest expenses.

Council's target is that the level of Interest is greater than 0% and less than 10% of Operating Revenue.

Asset Sustainability Ratio
The Asset Sustainability Ratio usually answers the question as to whether assets are being renewed and replaced at the rate they are wearing out.

Council's target is that this ratio should be greater than 90% and less than 110% of depreciation over a rolling 3 year period.

Asset Consumption Ratio
The Asset Consumption Ratio indicates the average proportion of 'as new condition' left in assets. This ratio seeks to highlight the aged condition of Councils physical assets

Council's target is that this ratio should be greater than 40% and less than 80.

A detailed view of the Long-Term Financial Plan is provided in Appendix A – Model Financial Statements and Appendix B – Financial Indicators.

Appendix A: Long Term Financial Plan 2016-2026 Financial Reports

Kangaroo Island Council Long Term Financial Plan Model

ESTIMATED COMPREHENSIVE INCOME STATEMENT

Year Ended 30 June:		2016 Actual $(000)	2017 Estimate $(000)	2018 Plan Year 1 $(000)	2019 Plan Year 2 $(000)	2020 Plan Year 3 $(000)	2021 Plan Year 4 $(000)	2022 Plan Year 5 $(000)	2023 Plan Year 6 $(000)	2024 Plan Year 7 $(000)	2025 Plan Year 8 $(000)	2026 Plan Year 9 $(000)	2027 Plan Year 10 $(000)
INCOME													
Rates	A	8,966	9,318	9,500	10,108	10,397	10,726	11,065	11,415	11,777	12,151	12,537	12,935
Statutory Charges	B	188	214	218	223	228	233	238	243	250	257	264	271
User Charges	C	1,068	1,167	1,183	1,263	1,593	1,651	1,678	1,778	1,807	1,904	1,941	2,057
Grants, subsidies, contributions	D	5,774	3,139	4,613	5,181	5,232	5,291	5,352	4,514	3,678	3,744	3,811	3,880
Investment Income	E	31	21	106	196	149	207	272	300	346	296	380	463
Reimbursements	F	551	512	519	529	540	554	568	582	597	612	627	643
Gain - Joint Ventures	G	4	0	0	0	0	0	0	0	0	0	0	0
Other Income	H	2,121	2,050	2,051	2,052	2,053	2,054	2,055	2,056	2,057	2,058	2,059	2,060
Total Revenues		**18,703**	**16,421**	**18,190**	**19,552**	**20,192**	**20,716**	**21,228**	**20,888**	**20,512**	**21,022**	**21,619**	**22,309**
EXPENSES													
Employee costs	J	4,528	4,781	4,837	4,981	5,140	5,320	5,506	5,700	5,900	6,107	6,321	6,544
Materials, contracts & other expenses	K	6,308	6,710	6,799	6,913	7,039	7,184	7,333	7,487	7,645	7,807	7,972	8,143
Depreciation	L	4,438	4,406	5,195	5,720	5,807	6,195	6,336	6,448	6,295	6,108	6,630	6,759
Finance Costs	M	582	675	658	693	707	714	718	721	726	667	610	552
Total Expenses		**15,856**	**16,572**	**17,489**	**18,307**	**18,693**	**19,413**	**19,893**	**20,356**	**20,566**	**20,689**	**21,533**	**21,998**
OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS		**2,847**	**(151)**	**701**	**1,245**	**1,499**	**1,303**	**1,335**	**532**	**(54)**	**333**	**86**	**311**
Net gain/(loss) on disposal or revaluations	P	(22)	0	0	0	0	0	0	0	0	0	0	0
NET SURPLUS/(DEFICIT)		**2,825**	**(151)**	**701**	**1,245**	**1,499**	**1,303**	**1,335**	**532**	**(54)**	**333**	**86**	**311**
Other Comprehensive Income													
Changes in revaluation surplus - IPP&E		(5,611)	0	245	0	10,806	3,253	0	99	0	17,278	3,966	0
Total Other Comprehensive Income		**(5,611)**	**0**	**245**	**0**	**10,806**	**3,253**	**0**	**99**	**0**	**17,278**	**3,966**	**0**
TOTAL COMPREHENSIVE INCOME		**(2,786)**	**(151)**	**946**	**1,245**	**12,305**	**4,556**	**1,335**	**631**	**(54)**	**17,611**	**4,052**	**311**

ESTIMATED STATEMENT OF FINANICIAL POSITION

Year Ended 30 June:	2016 Actual $(000)	2017 Estimate $(000)	2018 Plan Year 1 $(000)	2019 Plan Year 2 $(000)	2020 Plan Year 3 $(000)	2021 Plan Year 4 $(000)	2022 Plan Year 5 $(000)	2023 Plan Year 6 $(000)	2024 Plan Year 7 $(000)	2025 Plan Year 8 $(000)	2026 Plan Year 9 $(000)	2027 Plan Year 10 $(000)
ASSETS												
Current Assets												
Cash & Equivalent Assets	61	1,150	2,947	1,783	2,775	4,081	4,639	5,569	4,566	6,245	7,904	9,781
Trade & Other Receivables	1,658	1,280	1,304	1,339	1,378	1,421	1,466	1,512	1,559	1,607	1,656	1,707
Investments & Other Financial Assets	2,586	1,086	939	939	939	939	939	939	939	939	939	939
Inventories	221	221	221	221	221	221	221	221	221	221	221	221
Total Current Assets	4,526	3,737	5,411	4,282	5,313	6,662	7,265	8,241	7,285	9,012	10,720	12,648
Non-Current Assets												
Equity Accounted Investments in Council Businesses	101	101	101	101	101	101	101	101	101	101	101	101
Infrastructure, Property, Plant & Equipment	191,881	203,389	216,157	215,031	226,199	226,892	225,671	223,221	221,699	235,928	236,624	233,355
Inventories	3,474	0	0	0	0	0	0	0	0	0	0	0
Total Non-Current Assets	195,456	203,490	216,258	215,132	226,300	226,993	225,772	223,322	221,800	236,029	236,725	233,456
Total Assets	**199,982**	**207,227**	**221,669**	**219,414**	**231,613**	**233,655**	**233,037**	**231,563**	**229,085**	**245,041**	**247,445**	**246,104**
LIABILITIES												
Current Liabilities												
Trade & Other Payables	1,827	7,298	19,611	16,087	16,172	13,893	11,723	9,424	8,315	7,872	7,435	6,994
Borrowings	1,282	1,592	1,541	1,732	1,796	1,340	1,369	1,378	1,280	1,280	1,284	1,291
Provisions	800	847	856	874	892	914	936	959	983	1,007	1,032	1,058
Total Current Liabilities	**3,909**	**9,737**	**22,008**	**18,693**	**18,860**	**16,147**	**14,028**	**11,761**	**10,578**	**10,159**	**9,751**	**9,343**
Non-Current Liabilities												
Trade & Other Payables	39	39	40	40	40	40	40	40	40	40	40	40
Borrowings	10,911	12,319	13,558	13,326	13,030	13,190	13,321	13,443	12,163	10,883	9,599	8,308
Provisions	303	471	462	507	532	571	607	647	687	731	776	823
Other Non-Current Liabilities	0	4	(2)	0	(2)	(2)	(3)	(3)	(4)	(4)	(5)	(5)
Total Non-Current Liabilities	11,253	12,833	14,058	13,873	13,600	13,799	13,965	14,127	12,886	11,650	10,410	9,166
Total Liabilities	**15,162**	**22,570**	**36,066**	**32,566**	**32,460**	**29,946**	**27,993**	**25,888**	**23,464**	**21,809**	**20,161**	**18,509**
NET ASSETS	**184,820**	**184,657**	**185,603**	**186,848**	**199,153**	**203,709**	**205,044**	**205,675**	**205,621**	**223,232**	**227,284**	**227,595**
EQUITY												
Accumulated Surplus	11,817	11,654	12,355	13,600	15,099	16,402	17,737	18,269	18,215	18,548	18,634	18,945
Asset Revaluation Reserve	170,990	170,990	171,235	171,235	182,041	185,294	185,294	185,393	185,393	202,671	206,637	206,637
Other Reserves	2,013	2,013	2,013	2,013	2,013	2,013	2,013	2,013	2,013	2,013	2,013	2,013
TOTAL EQUITY	**184,820**	**184,657**	**185,603**	**186,848**	**199,153**	**203,709**	**205,044**	**205,675**	**205,621**	**223,232**	**227,284**	**227,595**

ESTIMATED STATEMENT OF CHANGES IN EQUITY

Year Ended 30 June:	2016 Actual $(000)	2017 Estimate $(000)	2018 Plan Year 1 $(000)	2019 Plan Year 2 $(000)	2020 Plan Year 3 $(000)	2021 Plan Year 4 $(000)	2022 Plan Year 5 $(000)	2023 Plan Year 6 $(000)	2024 Plan Year 7 $(000)	2025 Plan Year 8 $(000)	2026 Plan Year 9 $(000)	2027 Plan Year 10 $(000)
ACCUMULATED SURPLUS												
Balance at end of previous reporting period	8,713	11,817	11,654	12,355	13,600	15,099	16,402	17,737	18,269	18,215	18,548	18,634
Net Result for Year	2,825	(163)	701	1,245	1,499	1,303	1,335	532	(54)	333	86	311
Transfers from Other Reserves	279	0	0	0	0	0	0	0	0	0	0	0
Balance at end of period	**11,817**	**11,654**	**12,355**	**13,600**	**15,099**	**16,402**	**17,737**	**18,269**	**18,215**	**18,548**	**18,634**	**18,945**
ASSET REVALUATION RESERVE												
Land	21,244	21,244	21,244	21,244	21,244	23,395	23,395	23,395	23,395	23,395	26,328	26,328
Land Improvements	6,336	6,336	6,336	6,336	6,336	6,841	6,841	6,841	6,841	6,841	7,247	7,247
Buildings & Other Strucutures	771	771	771	771	771	1,368	1,368	1,368	1,368	1,368	1,995	1,995
Roads, Bridges, Footpaths	126,828	126,828	126,828	126,828	135,421	135,421	135,421	135,421	135,421	149,450	149,450	149,450
Stormwater	3,768	3,768	3,768	3,768	4,081	4,081	4,081	4,081	4,081	4,525	4,525	4,525
CWMS	10,141	10,141	10,141	10,141	12,041	12,041	12,041	12,041	12,041	14,846	14,846	14,846
Plant & Equipment	1,336	1,336	1,567	1,567	1,567	1,567	1,567	1,656	1,656	1,656	1,656	1,656
Furniture & Fittings	362	362	376	376	376	376	376	386	386	386	386	386
Library Books	204	204	204	204	204	204	204	204	204	204	204	204
WIP	0	0	0	0	0	0	0	0	0	0	0	0
Balance at end of period	**170,990**	**170,990**	**171,235**	**171,235**	**182,041**	**185,294**	**185,294**	**185,393**	**185,393**	**202,671**	**206,637**	**206,637**
OTHER RESERVES												
Balance at end of previous reporting period	2,292	2,013	2,013	2,013	2,013	2,013	2,013	2,013	2,013	2,013	2,013	2,013
Transfers from Accumulated Surplus	0	0	0	0	0	0	0	0	0	0	0	0
Transfers to Accumulated Surplus	(279)	0	0	0	0	0	0	0	0	0	0	0
Balance at end of period	**2,013**	**2,013**	**2,013**	**2,013**	**2,013**	**2,013**	**2,013**	**2,013**	**2,013**	**2,013**	**2,013**	**2,013**
TOTAL EQUITY AT END OF REPORTING PERIOD	**184,820**	**184,657**	**185,603**	**186,848**	**199,153**	**203,709**	**205,044**	**205,675**	**205,621**	**223,232**	**227,284**	**227,595**

ESTIMATED CASH FLOW STATEMENT

Year Ended 30 June:	2016 Actual $(000)	2017 Estimate $(000)	2018 Plan Year 1 $(000)	2019 Plan Year 2 $(000)	2020 Plan Year 3 $(000)	2021 Plan Year 4 $(000)	2022 Plan Year 5 $(000)	2023 Plan Year 6 $(000)	2024 Plan Year 7 $(000)	2025 Plan Year 8 $(000)	2026 Plan Year 9 $(000)	2027 Plan Year 10 $(000)
CASH FLOWS FROM OPERATING ACTIVITIES												
Receipts												
Rates	8,944	9,273	9,487	6,706	10,370	8,448	8,833	9,084	10,619	11,667	12,052	12,449
Statutory Charges	207	206	217	221	226	231	236	241	248	255	262	269
User Charges	1,165	1,460	1,180	1,258	1,587	1,644	1,671	1,771	1,800	1,897	1,934	2,049
Grants, subsidies, contributions	1,997	3,139	4,613	5,181	5,232	5,291	5,352	4,514	3,678	3,744	3,811	3,880
Investment Income	28	21	106	196	149	207	272	300	346	296	380	463
Reimbursements	606	600	518	528	538	552	566	580	595	610	625	641
Payments in Advance	0		18,000	0	0	0	0	0	0	0	0	0
Other Income	1,093	2,050	2,051	2,052	2,053	2,054	2,055	2,056	2,057	2,058	2,059	2,060
Payments												
Employee costs	(4,541)	(4,600)	(4,852)	(4,933)	(5,117)	(5,280)	(5,470)	(5,660)	(5,860)	(6,065)	(6,278)	(6,499)
Materials, contracts & other expenses	(6,889)	(7,114)	(6,482)	(7,045)	(6,938)	(7,196)	(7,284)	(7,467)	(7,609)	(7,777)	(7,936)	(8,109)
Finance Costs	(645)	(724)	(658)	(693)	(707)	(714)	(718)	(721)	(726)	(667)	(610)	(552)
Net Cash provided by (or used in) Operating Activities	**1,965**	**4,311**	**24,180**	**3,471**	**7,393**	**5,237**	**5,513**	**4,698**	**5,148**	**6,018**	**6,299**	**6,651**
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Amounts Specifically for New/Upgraded Assets	3,777	0	0	0	0	0	0	0	0	0	0	0
Sale of Renewed/Replaced Assets	100	0	0	0	0	0	0	0	0	0	0	0
Sale of Surplus Assets	88	0	0	0	0	0	0	0	0	0	0	0
Payments												
Expenditure on Renewal/Replacement of Assets	(1,565)	(338)	(3,918)	(4,394)	(5,959)	(3,425)	(4,605)	(3,679)	(4,553)	(2,839)	(3,140)	(3,240)
Expenditure on New/Upgraded Assets	(3,426)	(6,102)	(19,800)	(200)	(210)	(210)	(510)	(220)	(220)	(220)	(220)	(250)
Net Cash Provided by (or used in) Investing Activities	**(1,026)**	**(6,440)**	**(23,718)**	**(4,594)**	**(6,169)**	**(3,635)**	**(5,115)**	**(3,899)**	**(4,773)**	**(3,059)**	**(3,360)**	**(3,490)**

CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Proceeds from Borrowings	1,566	3,000	2,780	1,500	1,500	1,500	1,500	1,500	0	0	0	0
Proceeds from Deposits	44	0	0	0	0	0	0	0	0	0	0	0
Payments												
Repayments of Borrowings	(1,662)	(1,282)	(1,592)	(1,541)	(1,732)	(1,796)	(1,340)	(1,369)	(1,378)	(1,280)	(1,280)	(1,284)
Net Cash provided by (or used in) Financing Activities	**(52)**	**1,718**	**1,188**	**(41)**	**(232)**	**(296)**	**160**	**131**	**(1,378)**	**(1,280)**	**(1,280)**	**(1,284)**
Net Increase/(Decrease) in cash held	**887**	**(411)**	**1,650**	**(1,164)**	**992**	**1,306**	**558**	**930**	**(1,003)**	**1,679**	**1,659**	**1,877**
Opening cash, cash equivalents or (bank overdraft)	1,760	2,647	2,236	3,886	2,722	3,714	5,020	5,578	6,508	5,505	7,184	8,843
Closing cash, cash equivalents or (bank overdraft)	**2,647**	**2,236**	**3,886**	**2,722**	**3,714**	**5,020**	**5,578**	**6,508**	**5,505**	**7,184**	**8,843**	**10,720**

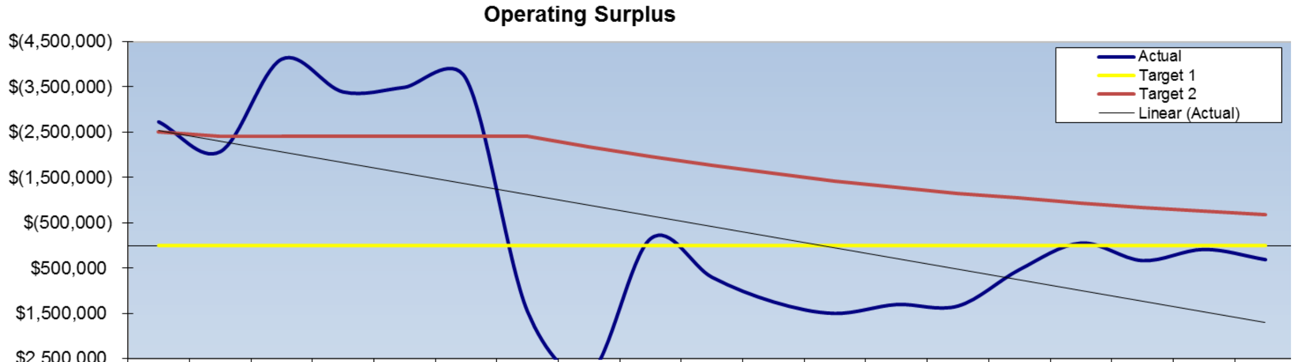
UNIFORM PRESENTATION OF FINANCES

Year Ended 30 June:	2016 Actual $(000)	2017 Estimate $(000)	2018 Plan Year 1 $(000)	2019 Plan Year 2 $(000)	2020 Plan Year 3 $(000)	2021 Plan Year 4 $(000)	2022 Plan Year 5 $(000)	2023 Plan Year 6 $(000)	2024 Plan Year 7 $(000)	2025 Plan Year 8 $(000)	2026 Plan Year 9 $(000)	2027 Plan Year 10 $(000)
Operating Revenues	12,905	16,421	18,190	19,552	20,192	20,716	21,228	20,888	20,512	21,022	21,619	22,309
less Operating Expenses	15,856	16,584	17,489	18,307	18,693	19,413	19,893	20,356	20,566	20,689	21,533	21,998
Operating Surplus/(Deficit) before Capital Amounts	**(2,951)**	**(163)**	**701**	**1,245**	**1,499**	**1,303**	**1,335**	**532**	**(54)**	**333**	**86**	**311**
Less: Net Outlays on Existing Assets												
Capital Expenditure on Renewal/Replacement of Existing Assets	1,565	338	3,918	4,394	5,959	3,425	4,605	3,679	4,553	2,839	3,140	3,240
less Depreciation, Amortisation & Impairment	4,438	4,406	5,195	5,720	5,807	6,195	6,336	6,448	6,295	6,108	6,630	6,759
less Proceeds from Sale of Replaced Assets	100	0	0	0	0	0	0	0	0	0	0	0
	(2,973)	**(4,068)**	**(1,277)**	**(1,326)**	**152**	**(2,770)**	**(1,731)**	**(2,769)**	**(1,742)**	**(3,269)**	**(3,490)**	**(3,519)**
Less: Net Outlays on New and Upgraded Assets												
Capital Expenditure on New/Upgraded Assets	3,425	6,102	19,800	200	210	210	510	220	220	220	220	250
less Amounts Specifically for New/Upgraded Assets	3,777	0	18,000	0	0	0	0	0	0	0	0	0
less Proceeds from Sale of Surplus Assets	87	0	0	0	0	0	0	0	0	0	0	0
	(439)	**6,102**	**1,800**	**200**	**210**	**210**	**510**	**220**	**220**	**220**	**220**	**250**
Net Lending / (Borrowing) for Financial Year	**461**	**(2,197)**	**178**	**2,371**	**1,137**	**3,863**	**2,556**	**3,081**	**1,468**	**3,382**	**3,356**	**3,580**

Appendix B: Financial Indicators

OPERATING SURPLUS/(DEFICIT)

This ratio indicates the difference between day-to-day income and expenses for the particular financial year.



	0809	0910	1011	1112	1213	1314	1415	1516	1617	1718	1819	1920	2021	2122	2223	2324	2425	2526	2627
Actual	-2,730,	-2,070,	-4,112,	-3,390,	-3,492,	-3,678,	1,462,9	2,847,0	-151,00	701,000	1,245,0	1,499,0	1,303,0	1,335,0	532,000	-54,000	333,000	86,000	311,000
Target 1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Target 2	-2,500,	-2,420,	-2,420,	-2,420,	-2,420,	-2,420,	-2,420,	-2,178,	-1,960,	-1,764,	-1,587,	-1,428,	-1,286,	-1,157,	-1,041,	-937,55	-843,80	-759,42	-683,47

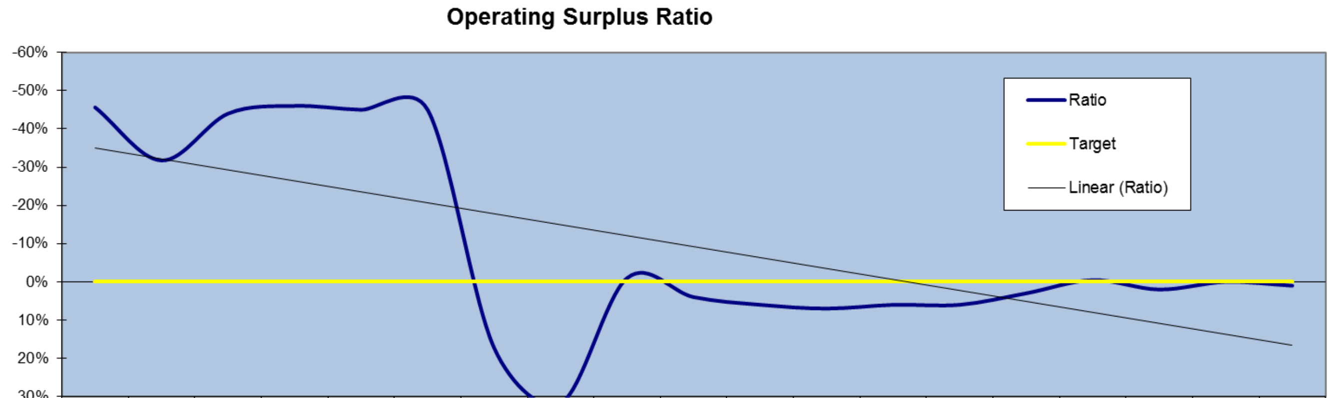
TARGET: To achieve a decreasing budget operating deficit and the achievement of an Operating Breakeven Position, or better, over a ten year period.

Target 1 – Operating Surplus greater than ($2,500,000)

Target 2 – Operating Breakeven

OPERATING SURPLUS RATIO

This ratio indicates by what percentage does the major controllable income source vary from day to day expenses.

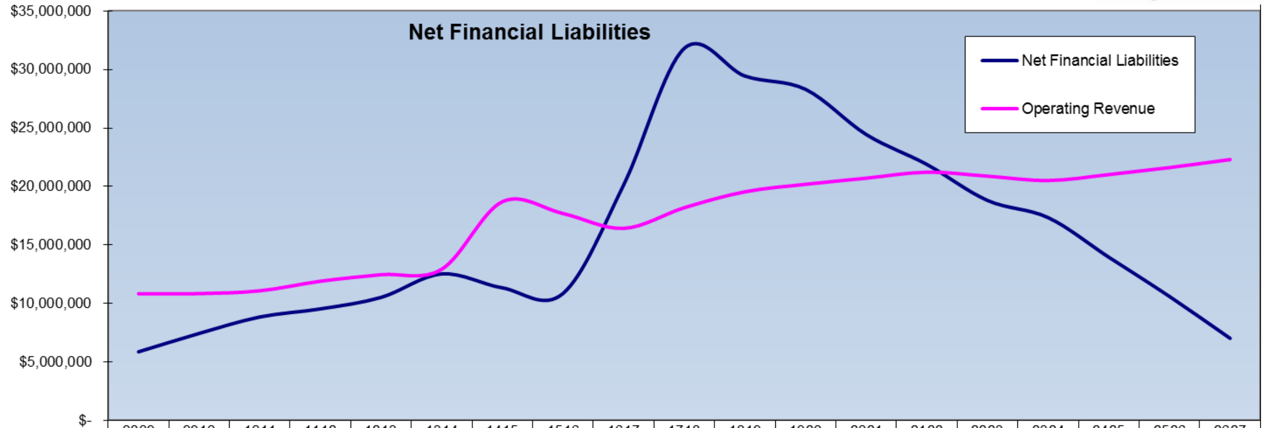


	0809	0910	1011	1112	1213	1314	1415	1516	1617	1718	1819	1920	2021	2122	2223	2324	2425	2526	2627
Ratio	-46%	-32%	-44%	-46%	-45%	-45%	17%	32%	-1%	4%	6%	7%	6%	6%	3%	0%	2%	0%	1%
Target	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

TARGET: To achieve an Operating Surplus Ratio of 0% within 10 years

NET FINANCIAL LIABILITIES

This ratio indicates what is owed to others less money held, invested or owed to the Authority.

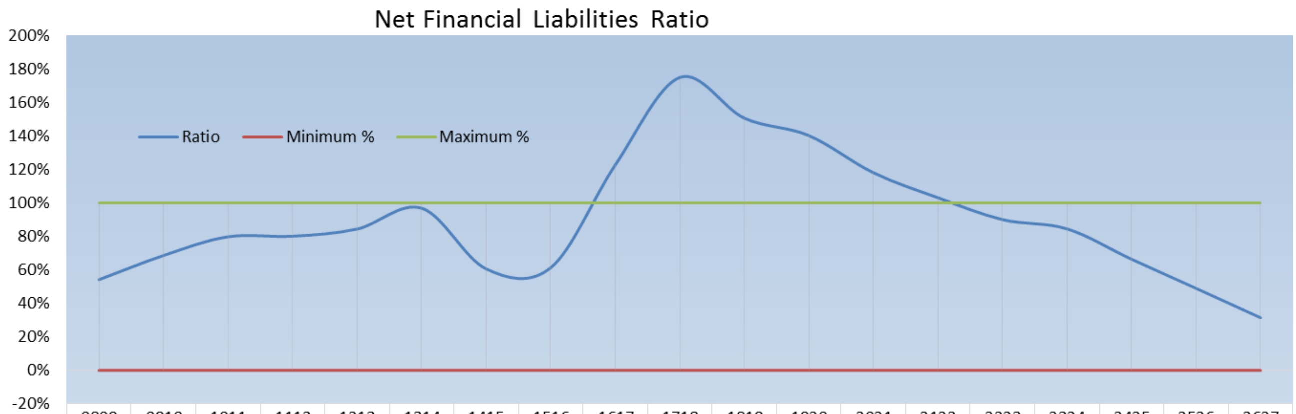


	0809	0910	1011	1112	1213	1314	1415	1516	1617	1718	1819	1920	2021	2122	2223	2324	2425	2526	2627
Net Financial Liabilities	5,869,8	7,442,3	8,847,5	9,536,7	10,521,	12,524,	11,336,	10,857,	20,140,	31,815,	29,444,	28,307,	24,444,	21,888,	18,807,	17,339,	13,957,	10,601,	7,021,0
Operating Revenue	10,834,	10,841,	11,086,	11,906,	12,464,	12,929,	18,703,	17,690,	16,421,	18,190,	19,552,	20,192,	20,716,	21,228,	20,888,	20,512,	21,022,	21,619,	22,309,

TARGET: Council's level of Net Financial Liabilities is no greater than its Annual Operating Revenue and not less than zero.

NET FINANCIAL LIABILITIES RATIO

This ratio indicates how significant the net amount owed is compared with income.

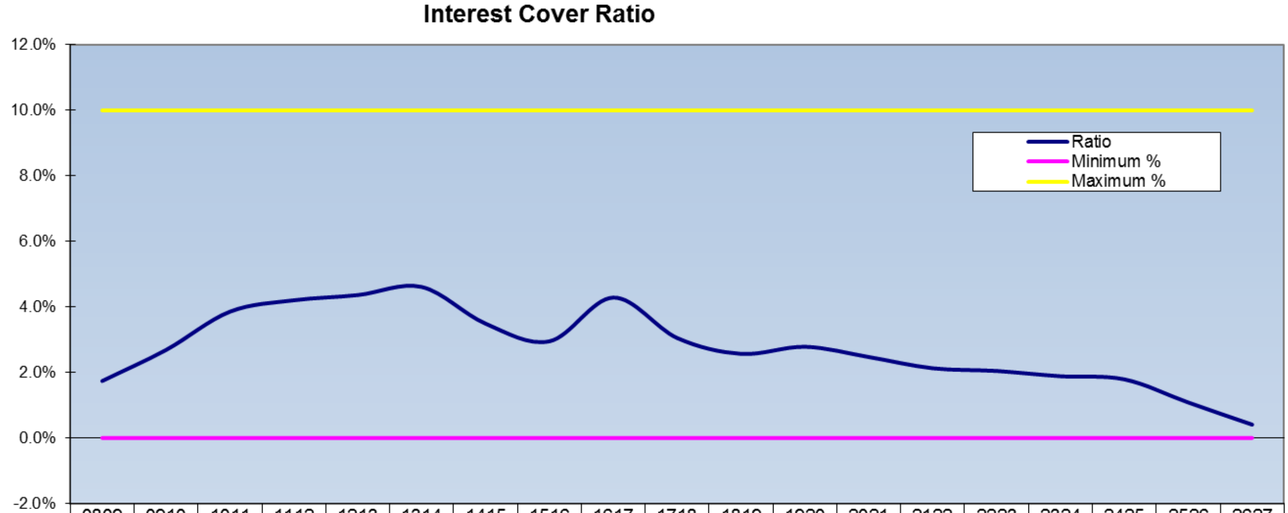


	0809	0910	1011	1112	1213	1314	1415	1516	1617	1718	1819	1920	2021	2122	2223	2324	2425	2526	2627
Ratio	54%	69%	80%	80%	84%	97%	61%	61%	123%	175%	151%	140%	118%	103%	90%	85%	66%	49%	31%
Minimum %	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Maximum %	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

TARGET: Net Financial Liabilities Ratio is greater than zero but less than 100% of total Operating Revenue.

INTEREST COVER RATIO

This ratio indicates how much income is used in paying interest on borrowings

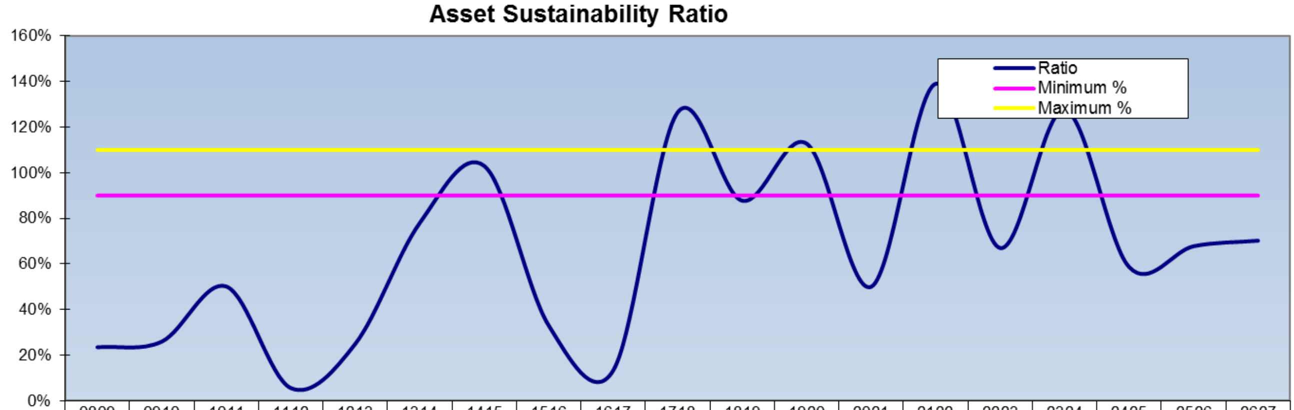


	0809	0910	1011	1112	1213	1314	1415	1516	1617	1718	1819	1920	2021	2122	2223	2324	2425	2526	2627
Ratio	1.7%	2.7%	3.9%	4.2%	4.4%	4.6%	3.5%	3.0%	4.3%	3.1%	2.6%	2.8%	2.5%	2.1%	2.0%	1.9%	1.8%	1.1%	0.4%
Minimum %	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Maximum %	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%

TARGET: Net Interest is greater than 0% and less than 10% of Operating Revenue

ASSET SUSTAINABILITY RATIO

This ratio indicates whether assets are being replaced at the rate they are wearing out



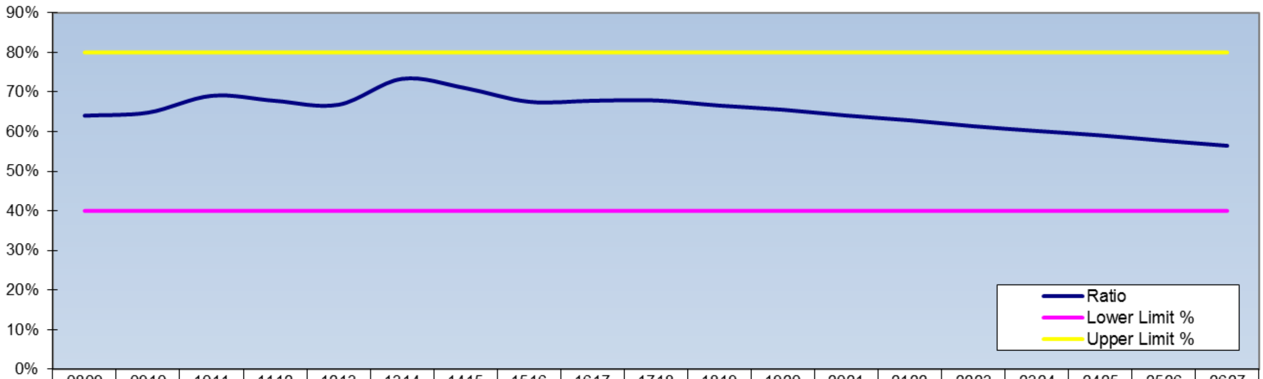
	0809	0910	1011	1112	1213	1314	1415	1516	1617	1718	1819	1920	2021	2122	2223	2324	2425	2526	2627
Ratio	24%	26%	50%	6%	25%	78%	103%	33%	13%	127%	88%	113%	50%	139%	67%	128%	59%	68%	70%
Minimum %	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Maximum %	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%

TARGET: Capital outlays on renewing/replacing assets net of proceeds from sale of replaced assets is greater than 90% but less than 110% of depreciation over a rolling 3 year period.

ASSET CONSUMPTION RATIO

This ratio indicates the average proportion of 'as new condition' left in assets.

Asset Consumption Ratio



	0809	0910	1011	1112	1213	1314	1415	1516	1617	1718	1819	1920	2021	2122	2223	2324	2425	2526	2627
Ratio	64%	65%	69%	68%	67%	73%	71%	68%	68%	68%	67%	66%	64%	63%	61%	60%	59%	58%	56%
Lower Limit %	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
Upper Limit %	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%

TARGET: The average proportion of 'as new condition' left in assets is greater than 40% and less than 80%.