

LONG TERM FINANCIAL PLAN 2016-2026

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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	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Operating Income	\$7,779,926	\$9,903,712	\$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	\$6,087,177	\$7,440,188	\$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	\$1,692,749	\$2,463,524	\$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	\$3,050,692	\$3,219,182	\$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	(\$1,357,943)	(\$755,658)	(\$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 LTFFP 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, the Long-Term Financial Plan does not suggest that Council will have achieved guaranteed financial sustainability by the year 2026, but will have improved its financial position along the longer term path to financial sustainability.



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 2016-2026 Long Term Financial Plan were formulated are identified below, these have not changed in the revised model for 2015-2025.

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 State averages (19.10% less than 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 new 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;
-) 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 led Council to incorporate the following specific assumptions in the preparation of the current LTFP, those being:

-) General Rate Revenue increase of CPI, plus 1.0% (Infrastructure Factor), plus 1% Growth;
-) 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 4.25% in year one and then up to 4.85% by year 10.

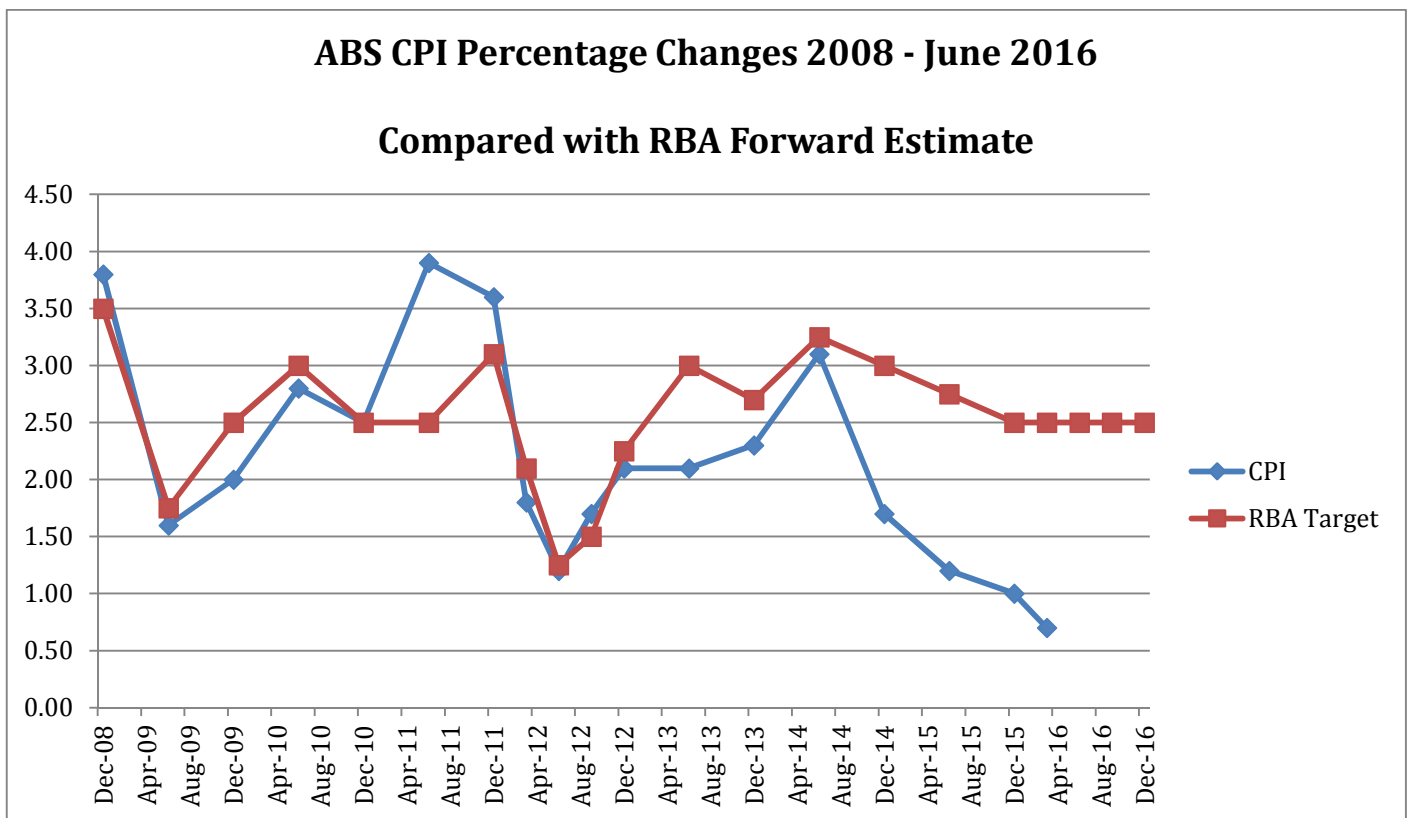
Growth refers to an increase in new housing, property development or capital improvements. Council services would similarly be expected to increase in line with growth which is forecast at 1.0%.

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 1.0% 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 a range of 2.3% to 2.6% from years' two to ten, being lower in the early years and 2.6% for the last three years.


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 2016-2026 Long-Term Financial Plan

The LTFP adopted in May 2015 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 is 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 2016-17. 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 2.3% for year 2 of this plan increasing gradually to 2.6% for year's eight to ten.

Council has removed some \$500,000 of costs from the business over the last two 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 2016-2026 Long-Term Financial Plan

The key conclusions of the LTFP are as follows:

-) A 'Reducing Deficit' position is targeted for Year 10 of the LTFP;
-) Operational Revenue increases by 21% over the 10 year period of the Plan;
-) Operational Expenditure increases by 36% over the 10 year period of the Plan;

-) The provision for depreciation increases by 44% over the 10 year period of the Plan;
-) Any revenue surpluses have been applied to reducing levels of debt;

The revised model shows that, whilst the trend is clearly now heading in the right direction the target of financial sustainability is achieved but is unable to be maintained. This is in part due to the reporting of income in relation to the airport grants which inflates our income in the early years of the plan and increases our depreciation expense over the plans term. There is therefore the need to create and assess alternative strategies that would enable the sustainability when achieved to be maintained.

The Council expects that the new airport will become operational in 2018 and has forecast a doubling of airport passenger fees collected in that year. By year ten it is estimated that airport passenger fees will rise to \$2m up from \$450k in year one.

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	2015 Actual	2016 Estimate	2017 Plan Year 1	2018 Plan Year 2	2019 Plan Year 3	2020 Plan Year 4	2021 Plan Year 5	2022 Plan Year 6	2023 Plan Year 7	2024 Plan Year 8	2025 Plan Year 9	2026 Plan Year 10
Operating Surplus / (Deficit) - \$'000	1,462	1,261	(621)	(201)	129	471	704	866	(721)	(565)	(582)	(761)
Operating Surplus Ratio - %	17%	15%	(7)%	(2)%	1%	5%	7%	8%	(7)%	(5)%	(5)%	(6)%
Net Financial Liabilities - \$'000	11,335	14,375	13,862	12,391	9,743	7,698	4,555	1,284	947	236	(19)	(656)
Net Financial Liabilities Ratio - %	64.1%	82.6%	88.0%	68.4%	52.2%	39.8%	22.6%	6.2%	4.9%	1.2%	(0.1)%	(3.1)%
Interest Cover Ratio - %	3.7%	3.3%	3.9%	3.4%	2.7%	2.1%	1.4%	0.6%	(0.2)%	(0.2)%	(0.4)%	(0.4)%
Asset Sustainability Ratio - %	45%	71%	63%	63%	46%	66%	49%	49%	73%	75%	83%	75%
Asset Consumption Ratio - %	71%	71%	70%	68%	67%	65%	64%	63%	62%	61%	60%	59%

The above table represents the key ratio movements over the 10 year period of the Long-Term Financial Plan.

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.

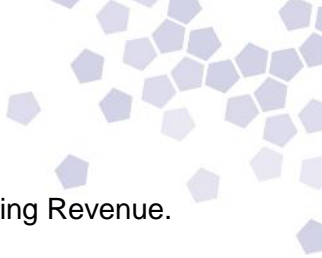
Net Financial Liabilities and Ratio

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:	2015 Actual \$(000)	2016 Estimate \$(000)	2017 Plan Year 1 \$(000)	2018 Plan Year 2 \$(000)	2019 Plan Year 3 \$(000)	2020 Plan Year 4 \$(000)	2021 Plan Year 5 \$(000)	2022 Plan Year 6 \$(000)	2023 Plan Year 7 \$(000)	2024 Plan Year 8 \$(000)	2025 Plan Year 9 \$(000)	2026 Plan Year 10 \$(000)
INCOME												
Rates	8,458	8,674	8,877	9,495	9,786	10,097	10,417	10,748	11,089	11,454	11,830	12,218
Statutory Charges	181	182	187	193	200	207	214	221	228	235	243	251
User Charges	949	1,064	1,105	1,608	1,778	2,030	2,370	2,497	2,531	2,670	2,703	2,845
Grants, subsidies, contributions	3,529	5,018	3,077	4,344	4,353	4,406	4,460	4,515	2,772	2,832	2,894	2,958
Investment Income	22	24	67	33	93	143	223	315	399	385	381	353
Reimbursements	4,398	122	123	126	129	132	135	138	141	145	149	153
Gain - Joint Ventures	23	0	0	0	0	0	0	0	0	0	0	0
Other Income	130	2,309	2,312	2,319	2,327	2,335	2,343	2,352	2,361	2,370	2,380	2,390
Total Revenues	17,690	17,393	15,748	18,118	18,666	19,350	20,162	20,786	19,521	20,091	20,580	21,168
EXPENSES												
Employee costs	4,585	4,728	4,827	4,923	5,084	5,257	5,441	5,632	5,830	6,034	6,253	6,479
Materials, contracts & other expenses	6,497	6,328	6,340	7,698	7,808	7,939	8,045	8,188	8,311	8,457	8,575	8,738
Depreciation	4,478	4,478	4,518	5,050	5,042	5,139	5,474	5,659	5,732	5,825	6,026	6,437
Finance Costs	668	598	684	648	603	544	498	441	369	340	308	275
Other Expenses	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenses	16,228	16,132	16,369	18,319	18,537	18,879	19,458	19,920	20,242	20,656	21,162	21,929
OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	1,462	1,261	(621)	(201)	129	471	704	866	(721)	(565)	(582)	(761)
Net gain/(loss) on disposal or revaluations	37	369	399	(5,330)	295	73	73	178	77	77	77	302
Amounts specifically for new assets	800	496	200	200	200	200	200	200	200	200	200	200
Physical resources free of charge	2,000	0	0	0	0	0	0	0	0	0	0	0
Non-operating	0	0	0	0	0	0	0	0	0	0	0	0
Spare Non-operating 1	0	0	0	0	0	0	0	0	0	0	0	0
Spare Non-operating 2	0	0	0	0	0	0	0	0	0	0	0	0
Operating result from discontinued operations	0	0	0	0	0	0	0	0	0	0	0	0
NET SURPLUS/(DEFICIT)	4,299	2,126	(22)	(5,331)	624	744	977	1,244	(444)	(288)	(305)	(259)
Other Comprehensive Income												
Changes in revaluation surplus - IPP&E	2,448	5,438	0	0	2,327	10,120	4,560	0	0	3,525	13,685	4,918
Other comprehensive income - joint ventures	0	0	0	0	0	0	0	0	0	0	0	0
Impairment (expense) / recoupments offset to asset revaluation reserve	(7,948)	0	0	0	0	0	0	0	0	0	0	0
Total Other Comprehensive Income	(5,500)	5,438	0	0	2,327	10,120	4,560	0	0	3,525	13,685	4,918
TOTAL COMPREHENSIVE INCOME	(1,201)	7,564	(22)	(5,331)	2,951	10,864	5,537	1,244	(444)	3,237	13,380	4,659

ESTIMATED STATEMENT OF FINANCIAL POSITION

Year Ended 30 June:	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Actual	Estimate	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	\$(000)	\$(000)	Year 1 \$(000)	Year 2 \$(000)	Year 3 \$(000)	Year 4 \$(000)	Year 5 \$(000)	Year 6 \$(000)	Year 7 \$(000)	Year 8 \$(000)	Year 9 \$(000)	Year 10 \$(000)
ASSETS												
Current Assets												
Cash & Equivalent Assets	1,760	1,235	185	1,415	2,384	3,988	5,821	7,499	7,086	7,008	6,458	6,257
Trade & Other Receivables	1,817	1,542	1,573	1,618	1,665	1,716	1,768	1,822	1,877	1,935	1,995	2,057
Investments & Other Financial Assets	0	0	0	0	0	0	0	0	0	0	0	0
Inventories	243	223	227	225	226	226	226	226	226	226	226	226
Sub-total	3,820	3,000	1,985	3,258	4,275	5,930	7,815	9,547	9,189	9,169	8,679	8,540
Non-current assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Assets	3,820	3,000	1,985	3,258	4,275	5,930	7,815	9,547	9,189	9,169	8,679	8,540
Non-Current Assets												
Receivables	0	0	0	0	0	0	0	0	0	0	0	0
Other Financial Assets	0	0	0	0	0	0	0	0	0	0	0	0
Equity Accounted Investments in Council Businesses	97	97	97	97	97	97	97	97	97	97	97	97
Investment Property	0	0	0	0	0	0	0	0	0	0	0	0
Infrastructure, Property, Plant & Equipment	198,600	209,224	208,685	201,885	202,184	211,005	213,398	211,371	210,590	213,116	226,241	230,263
Inventories	0	0	0	0	0	0	0	0	0	0	0	0
Other Non-Current Assets	0	0	0	0	0	0	0	0	0	0	0	0
Total Non-Current Assets	198,697	209,321	208,782	201,982	202,281	211,102	213,495	211,468	210,687	213,213	226,338	230,360
Total Assets	202,517	212,321	210,767	205,240	206,556	217,032	221,310	221,015	219,876	222,382	235,017	238,900
LIABILITIES												
Current Liabilities												
Trade & Other Payables	1,211	1,573	1,373	1,475	1,562	1,530	1,558	1,554	1,570	1,574	1,585	1,590
Borrowings	1,030	1,247	1,314	1,751	1,385	1,320	1,566	744	768	793	819	0
Provisions	852	828	832	837	854	870	889	907	926	945	965	987
Other Current Liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	3,093	3,648	3,519	4,063	3,801	3,720	4,013	3,205	3,264	3,312	3,369	2,577
Liabilities Relating to Non-Current Assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Liabilities	3,093	3,648	3,519	4,063	3,801	3,720	4,013	3,205	3,264	3,312	3,369	2,577
Non-Current Liabilities												
Trade & Other Payables	38	39	38	39	42	41	42	42	42	42	42	42
Borrowings	11,251	13,004	11,690	10,939	9,554	9,234	7,668	6,924	6,156	5,363	4,544	4,544
Provisions	530	482	389	402	413	426	440	453	467	481	498	514
Other Non-Current Liabilities	0	(21)	(16)	(19)	(18)	(19)	(19)	(19)	(19)	(19)	(19)	(19)
Total Non-Current Liabilities	11,819	13,504	12,101	11,361	9,991	9,682	8,131	7,400	6,646	5,867	5,065	5,081
Total Liabilities	14,912	17,152	15,620	15,424	13,792	13,402	12,144	10,605	9,910	9,179	8,434	7,658
NET ASSETS	187,605	195,169	195,147	189,816	192,764	203,630	209,166	210,410	209,966	213,203	226,583	231,242
EQUITY												
Accumulated Surplus	8,712	11,048	11,071	5,840	6,569	7,423	8,515	9,879	9,560	9,402	9,232	9,113
Asset Revaluation Reserve	176,602	182,040	182,040	182,040	184,367	194,487	199,047	199,047	199,047	202,572	216,257	221,175
Other Reserves	2,291	2,081	2,036	1,936	1,831	1,721	1,606	1,486	1,361	1,231	1,096	956
TOTAL EQUITY	187,605	195,169	195,147	189,816	192,767	203,631	209,168	210,412	209,968	213,205	226,585	231,244

ESTIMATED STATEMENT OF CHANGES IN EQUITY

Year Ended 30 June:	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Actual	Estimate	Plan Year 1	Plan Year 2	Plan Year 3	Plan Year 4	Plan Year 5	Plan Year 6	Plan Year 7	Plan Year 8	Plan Year 9	Plan Year 10
	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)
ACCUMULATED SURPLUS												
Balance at end of previous reporting period	4,254	8,712	11,048	11,071	5,840	6,569	7,423	8,515	9,879	9,560	9,402	9,232
Net Result for Year	4,299	2,126	(22)	(5,331)	624	744	977	1,244	(444)	(288)	(305)	(259)
Other Comprehensive Income	0	0	0	0	0	0	0	0	0	0	0	0
Transfers to Other Reserves	(56)	(50)	(50)	0	0	0	0	0	0	0	0	0
Transfers from Other Reserves	215	260	95	100	105	110	115	120	125	130	135	140
Balance at end of period	8,712	11,048	11,071	5,840	6,569	7,423	8,515	9,879	9,560	9,402	9,232	9,113
ASSET REVALUATION RESERVE												
Land	20,331	22,831	22,831	22,831	22,831	22,831	25,616	25,616	25,616	25,616	25,616	28,878
Land Improvements	6,948	6,948	6,948	6,948	7,167	7,167	7,167	7,167	7,167	7,475	7,475	7,475
Buildings & Other Structures	6,684	8,984	8,984	8,984	8,984	8,984	10,500	10,500	10,500	10,500	10,500	12,064
Roads, Bridges, Footpaths	126,828	126,828	126,828	126,828	126,828	136,948	136,948	136,948	136,948	136,948	150,633	150,633
Stormwater	3,768	3,768	3,768	3,768	4,075	4,075	4,075	4,075	4,075	4,524	4,524	4,524
CWMS	10,141	10,141	10,141	10,141	11,942	11,942	11,942	11,942	11,942	14,710	14,710	14,710
Plant & Equipment	1,336	1,836	1,836	1,836	1,836	1,836	2,073	2,073	2,073	2,073	2,073	2,152
Furniture & Fittings	362	440	440	440	440	440	462	462	462	462	462	475
Library Books	204	264	264	264	264	264	264	264	264	264	264	264
WIP	0	0	0	0	0	0	0	0	0	0	0	0
Balance at end of period	176,602	182,040	182,040	182,040	184,367	194,487	199,047	199,047	199,047	202,572	216,257	221,175
OTHER RESERVES												
Balance at end of previous reporting period	2,450	2,291	2,081	2,036	1,936	1,831	1,721	1,606	1,486	1,361	1,231	1,096
Transfers from Accumulated Surplus	56	50	50	0	0	0	0	0	0	0	0	0
Transfers to Accumulated Surplus	(215)	(260)	(95)	(100)	(105)	(110)	(115)	(120)	(125)	(130)	(135)	(140)
Balance at end of period	2,291	2,081	2,036	1,936	1,831	1,721	1,606	1,486	1,361	1,231	1,096	956
TOTAL EQUITY AT END OF REPORTING PERIOD												
	187,605	195,169	195,147	189,816	192,767	203,631	209,168	210,412	209,968	213,205	226,585	231,244

ESTIMATED CASH FLOW STATEMENT

Year Ended 30 June:	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	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	Year 10	
	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)
CASH FLOWS FROM OPERATING ACTIVITIES												
<u>Receipts</u>												
Rates	8,541	8,553	8,878	9,456	9,775	10,058	10,390	10,713	11,057	11,418	11,793	12,179
Statutory Charges	198	223	162	202	196	204	210	217	225	231	240	247
User Charges	665	1,346	1,101	1,598	1,768	2,019	2,359	2,485	2,519	2,657	2,690	2,832
Grants, subsidies, contributions	3,529	5,018	3,077	4,344	4,353	4,406	4,460	4,515	2,772	2,832	2,894	2,958
Investment Income	20	24	67	33	93	143	223	315	399	385	381	353
Reimbursements	4,399	121	122	124	127	130	133	136	139	143	147	151
Gain - Joint Ventures		0	0	0	0	0	0	0	0	0	0	0
Other Income	175	2,309	2,312	2,319	2,327	2,335	2,343	2,352	2,361	2,370	2,380	2,390
<u>Payments</u>												
Employee costs	(4,509)	(4,737)	(4,785)	(4,916)	(5,042)	(5,230)	(5,402)	(5,597)	(5,791)	(5,996)	(6,211)	(6,436)
Materials, contracts & other expenses	(7,479)	(5,955)	(6,673)	(7,588)	(7,755)	(7,965)	(8,031)	(8,197)	(8,307)	(8,461)	(8,574)	(8,742)
Finance Costs	(716)	(598)	(684)	(648)	(603)	(544)	(498)	(441)	(369)	(340)	(308)	(275)
Other Expenses		0	0	0	0	0	0	0	0	0	0	0
Net Cash provided by (or used in) Operating Activities	4,823	6,304	3,577	4,924	5,239	5,556	6,187	6,498	5,005	5,239	5,432	5,657
CASH FLOWS FROM INVESTING ACTIVITIES												
<u>Receipts</u>												
Amounts Specifically for New/Upgraded Assets	800	496	200	200	200	200	200	200	200	200	200	200
Sale of Renewed/Replaced Assets	103	200	329	0	0	0	0	0	0	0	0	0
Sale of Surplus Assets		0	0	0	0	0	0	0	0	0	0	0
Proceeds of disposals - Invest. Prop.		0	0	0	0	0	0	0	0	0	0	0
Net disposal of Investment Securities		0	0	0	0	0	0	0	0	0	0	0
Pcnds of disposal - Real Estate Devel.		0	0	0	0	0	0	0	0	0	0	0
Repayments of Loans by Community Groups		0	0	0	0	0	0	0	0	0	0	0
Distributions Received from Associated Entities		0	0	0	0	0	0	0	0	0	0	0
<u>Payments</u>												
Expenditure on Renewal/Replacement of Assets	(4,707)	(3,365)	(3,179)	(3,192)	(2,340)	(3,378)	(2,655)	(2,766)	(4,178)	(4,340)	(4,990)	(4,840)
Expenditure on New/Upgraded Assets	(906)	(6,130)	(730)	(388)	(379)	(389)	(579)	(688)	(696)	(409)	(399)	(399)
Purchase of Investment Property		0	0	0	0	0	0	0	0	0	0	0
Net purchase of Investment Securities		0	0	0	0	0	0	0	0	0	0	0
Acquisitions - Real Estate developments		0	0	0	0	0	0	0	0	0	0	0
Loans Made to Community Groups		0	0	0	0	0	0	0	0	0	0	0
Capital Contributed to Associated Entities		0	0	0	0	0	0	0	0	0	0	0
Net Cash Provided by (or used in) Investing Activities	(4,710)	(8,799)	(3,380)	(3,380)	(2,519)	(3,567)	(3,034)	(3,254)	(4,674)	(4,549)	(5,189)	(5,039)
CASH FLOWS FROM FINANCING ACTIVITIES												
<u>Receipts</u>												
Proceeds from Borrowings	6,740	3,000	0	1,000	0	1,000	0	0	0	0	0	0
Proceeds from Aged Care Facility Deposits		0	0	0	0	0	0	0	0	0	0	0
<u>Payments</u>												
Repayments of Borrowings	(6,135)	(1,030)	(1,247)	(1,314)	(1,751)	(1,385)	(1,320)	(1,566)	(744)	(768)	(793)	(819)
Repayment of Finance Lease Liabilities		0	0	0	0	0	0	0	0	0	0	0
Repayment of Aged Care Facility Deposits		0	0	0	0	0	0	0	0	0	0	0
Net Cash provided by (or used in) Financing Activities	605	1,970	(1,247)	(314)	(1,751)	(385)	(1,320)	(1,566)	(744)	(768)	(793)	(819)
Net Increase/(Decrease) in cash held	718	(525)	(1,050)	1,230	969	1,604	1,833	1,678	(413)	(78)	(550)	(201)
Opening cash, cash equivalents or (bank overdraft)	1,042	1,760	1,235	185	1,415	2,384	3,988	5,821	7,499	7,086	7,008	6,458
Closing cash, cash equivalents or (bank overdraft)	1,760	1,235	185	1,415	2,384	3,988	5,821	7,499	7,086	7,008	6,458	6,257

UNIFORM PRESENTATION OF FINANCES

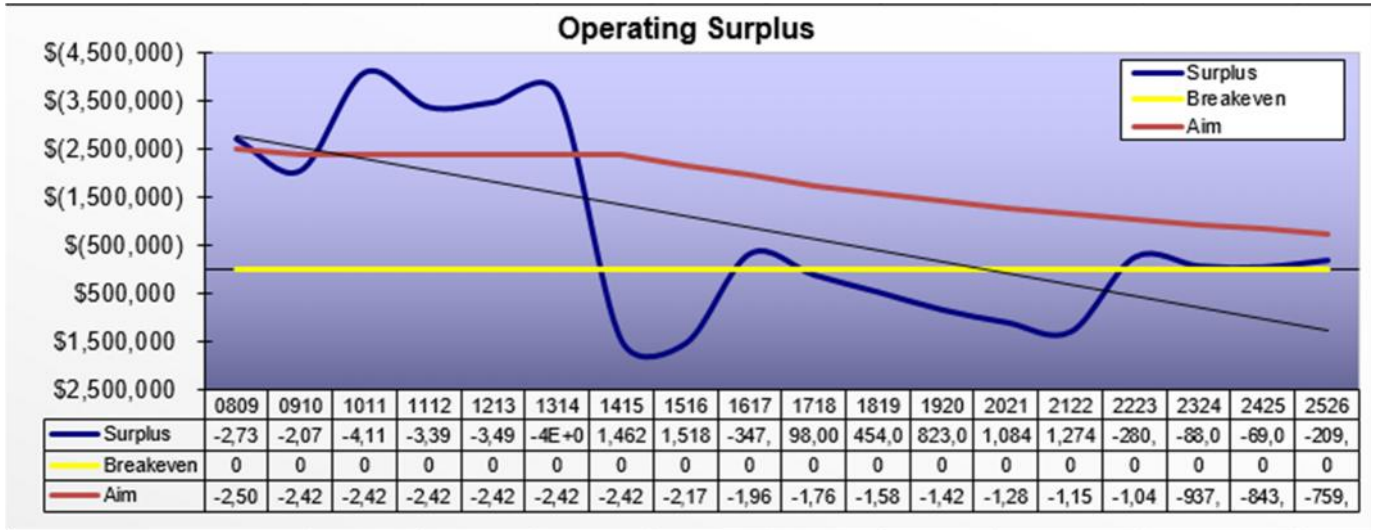
Year ended	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Actual	Estimate	Plan Year 1	Plan Year 2	Plan Year 3	Plan Year 4	Plan Year 5	Plan Year 6	Plan Year 7	Plan Year 8	Plan Year 9	Plan Year 10
	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)
Income	17,690	17,393	15,748	18,118	18,666	19,350	20,162	20,786	19,521	20,091	20,580	21,168
less Expenses	(16,228)	(16,132)	(16,369)	(18,319)	(18,537)	(18,879)	(19,458)	(19,920)	(20,242)	(20,656)	(21,162)	(21,929)
Operating Surplus / (Deficit)	1,462	1,261	(621)	(201)	129	471	704	866	(721)	(565)	(582)	(761)
less Net Outlays on Existing Assets												
Capital Expenditure on renewal and replacement of Existing Assets	4,707	3,365	3,179	3,192	2,340	3,378	2,655	2,766	4,178	4,340	4,990	4,840
less Depreciation, Amortisation and Impairment	(4,478)	(4,478)	(4,518)	(5,050)	(5,042)	(5,139)	(5,474)	(5,659)	(5,732)	(5,825)	(6,026)	(6,437)
less Proceeds from Sale of Replaced Assets	(103)	(200)	(329)	0	0	0	0	0	0	0	0	0
Total	126	(1,313)	(1,668)	(1,858)	(2,702)	(1,761)	(2,819)	(2,893)	(1,554)	(1,485)	(1,036)	(1,597)
less Net Outlays on New and Upgraded Assets												
Capital Expenditure on New and Upgraded Assets	906	6,130	730	388	379	389	579	688	696	409	399	399
(including investment property & real estate developments)												
less Amounts received specifically for new and Upgraded Assets	(800)	(496)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)
less Proceeds from sale of Surplus Assets	0	0	0	0	0	0	0	0	0	0	0	0
(including investment property & real estate developments)												
Total	106	5,634	530	188	179	189	379	488	496	209	199	199
Net Lending / (Borrowing for Financial Year)	1,230	(3,060)	517	1,469	2,652	2,043	3,144	3,271	337	711	255	637



Appendix B: Financial Indicators

OPERATING SURPLUS/(DEFICIT)

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



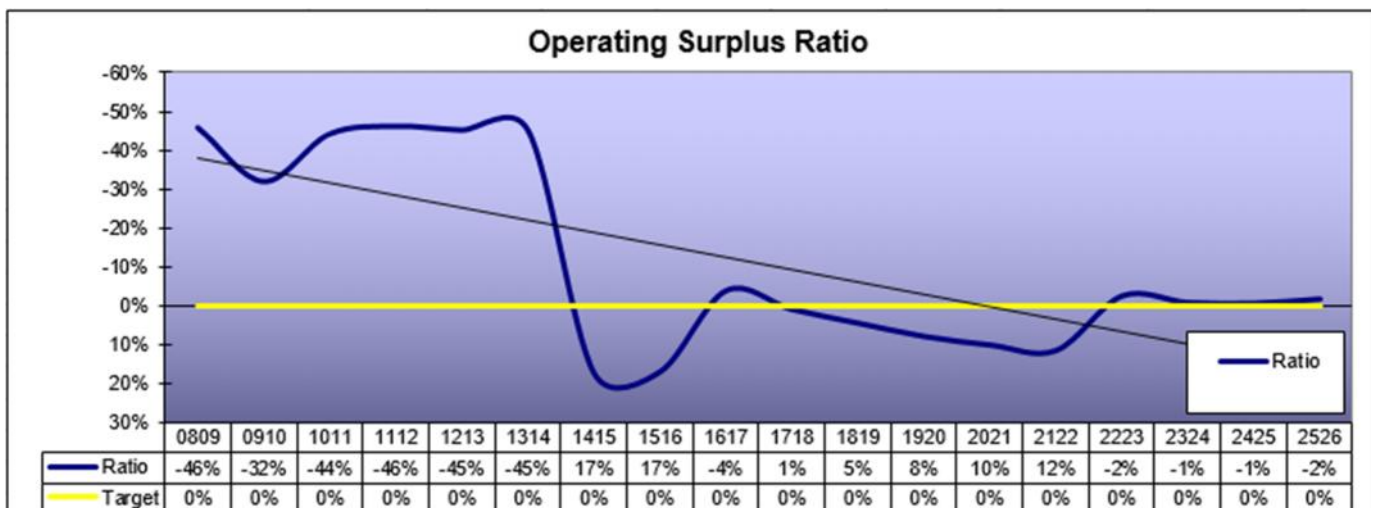
TARGET: To achieve a decreasing budget operating deficit and the achievement of an Operating Breakeven Position, or better, over a ten year period.

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.

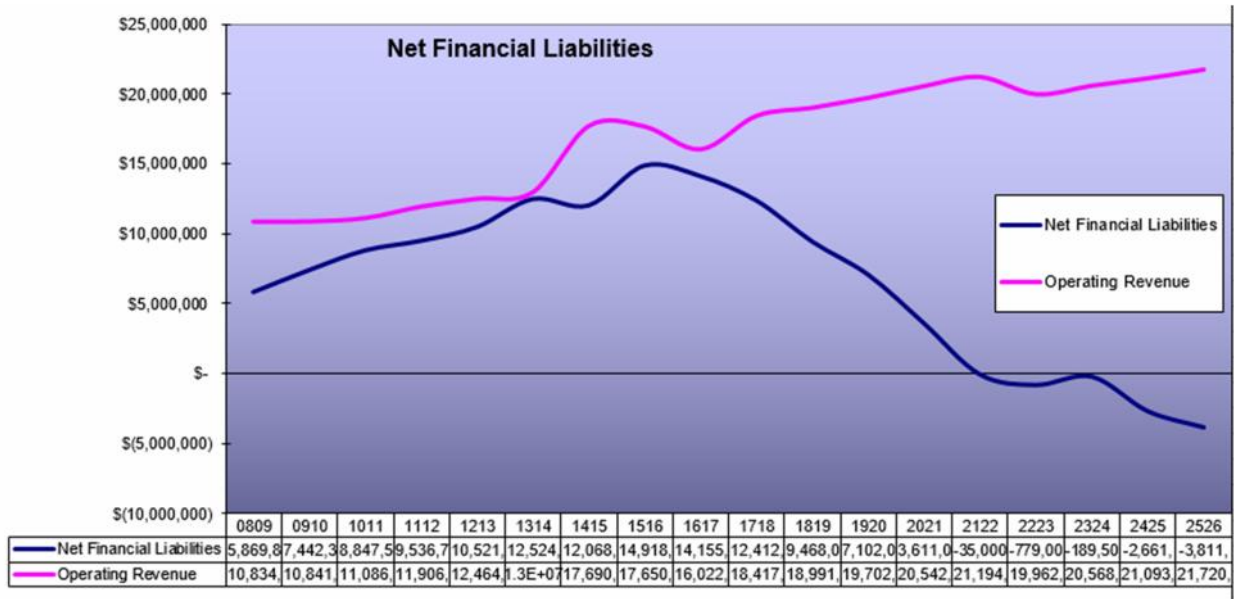


TARGET: To achieve an Operating Surplus Ratio of 0% within 10 years



NET FINANCIAL LIABILITIES

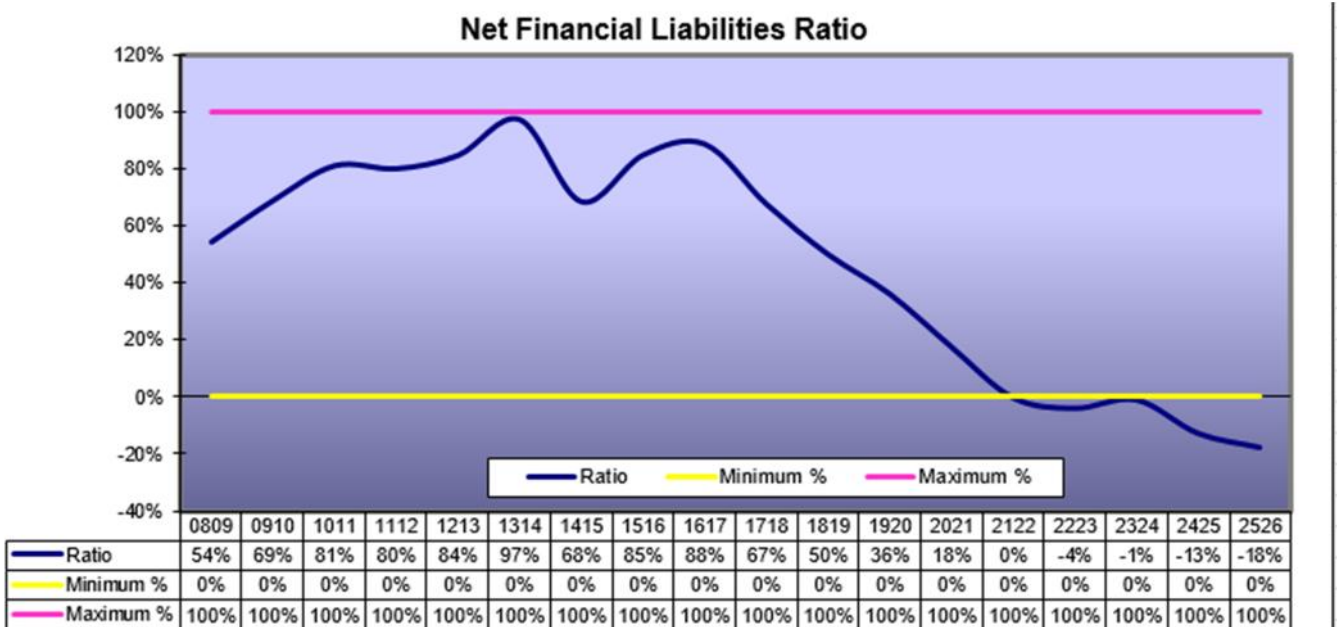
This ratio indicates what is owed to others less money held, invested or owed to the Authority.



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.

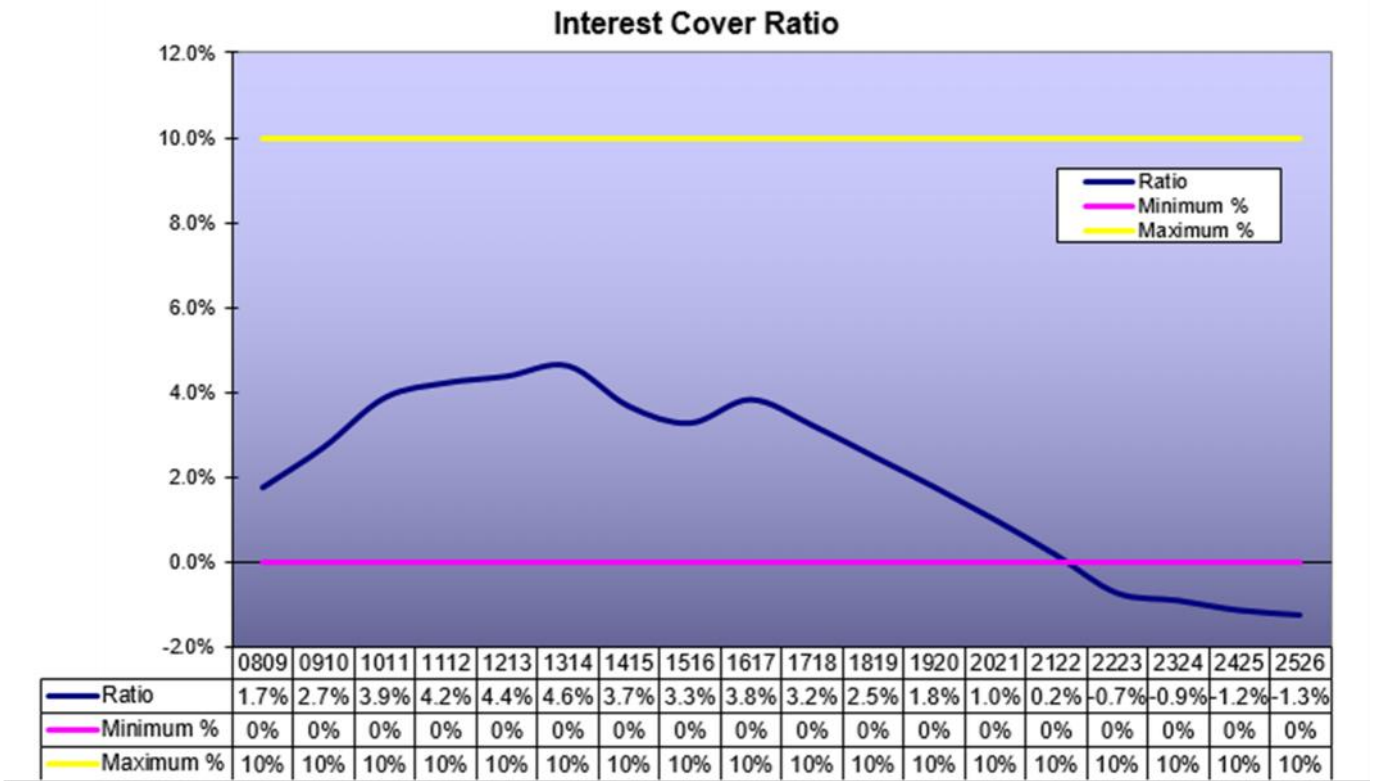


TARGET: Net Financial Liabilities Ratio is greater than zero but less than 100% of total Operating Revenue.



INTEREST COVER RATIO

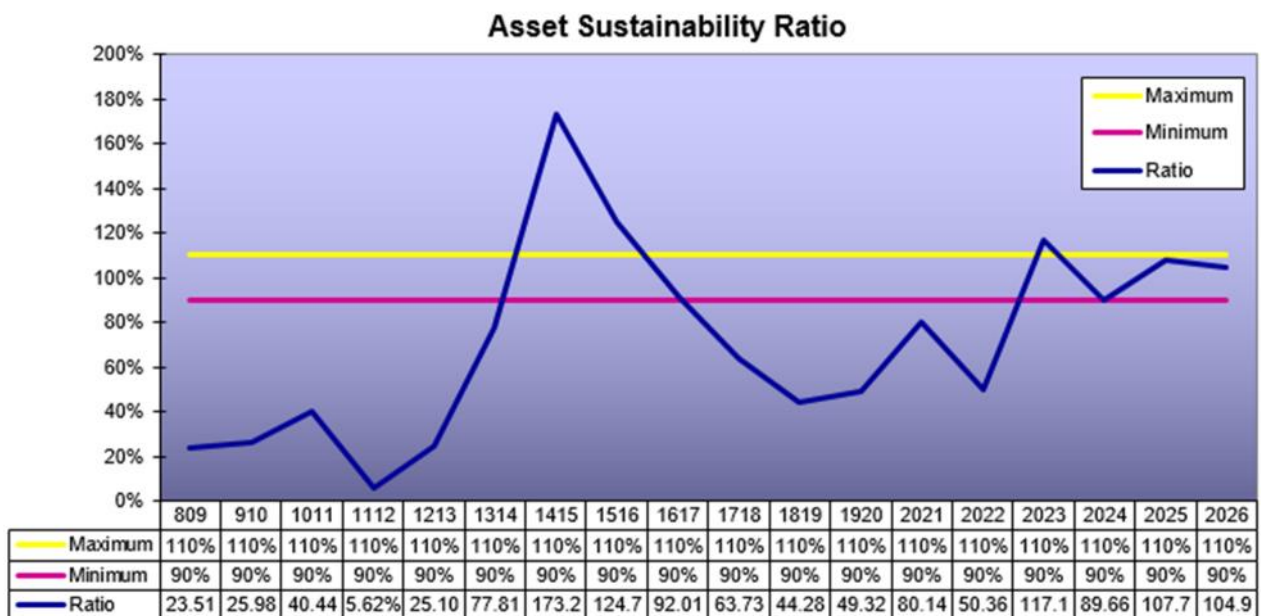
This ratio indicates how much income is used in paying interest on borrowings



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



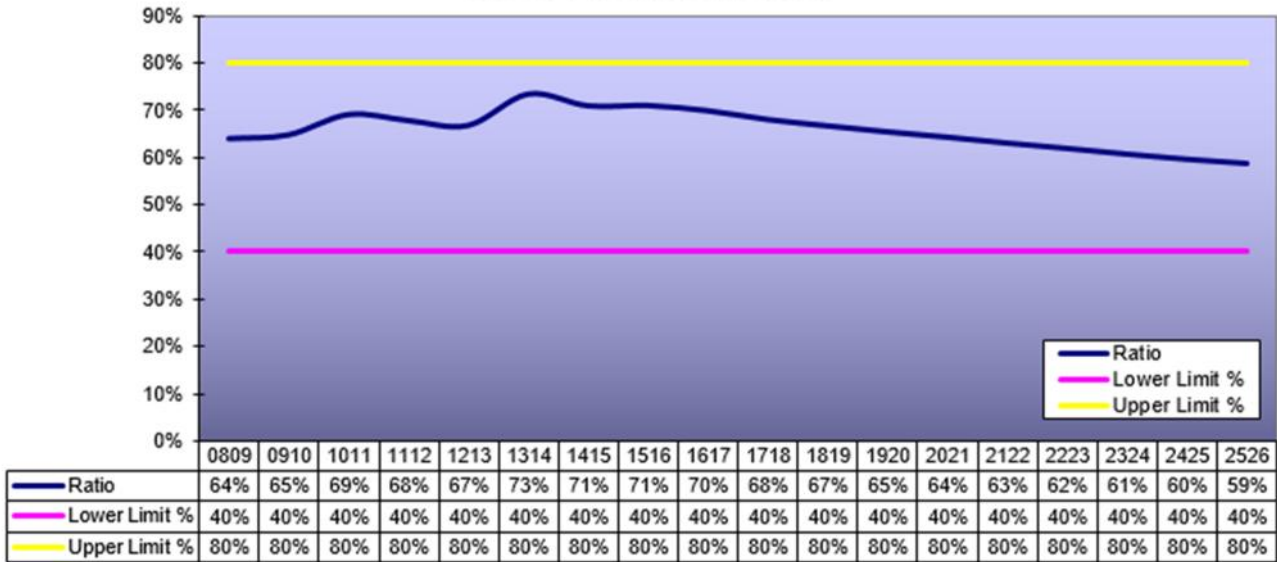


TARGET: Capital outlays on renewing/replacing assets net of proceeds from sale of replaced assets is greater than 90% but less than 110% of depreciation over a rolling 3 year period.

ASSET CONSUMPTION RATIO

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

Asset Consumption Ratio



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