KANGAROO ISLAND COUNCIL

LONG TERM FINANCIAL PLAN 2015-2025

Adopted November 2014

Item 9.1

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Kangaroo Island Council Long-Term Financial Plan

Executive Summary

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.

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 not achieved an operating surplus.

Year Ended 30 June:	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05
Net Operating Deficit										
Operating Income	$12,929,341	$12,464,101	$11,906,109	$11,086,687	$10,841,334	$10,834,301	$10,488,093	$9,738,373	$9,903,712	$7,779,926
Operating Expenditure	$12,239,432	$11,588,079	$10,726,920	$9,922,396	$7,900,827	$8,586,121	$9,376,626	$6,863,856	$7,440,188	$6,087,177
Gross Operating Surplus	$689,909	$876,022	$1,179,189	$1,164,291	$2,940,507	$2,248,180	$1,111,467	$2,874,517	$2,463,524	$1,692,749
Less										
Depreciation / Amortisation	$4,368,235	$4,368,232	$4,570,143	$4,256,011	$5,011,270	$4,978,475	$4,473,941	$3,486,538	$3,219,182	$3,050,692
Net Operating Deficit	($3,678,326)	($3,492,210)	($3,390,954)	($3,091,720)	($2,070,763)	($2,730,295)	($3,362,474)	($612,021)	($755,658)	($1,357,943)

The challenge for Council is highlighted by the value ascribed to its community assets of approximately $189 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 November 2013 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 2025, 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 2014-2024 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 (Appendix B: ABS Tables);
- 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 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 lead Council to incorporate the following specific assumptions in the preparation of the current LTFP, those being:

- General Rate Revenue increase of CPI, plus 2.0% (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 4.75% in year one to three, with 5.75% for future years.

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, 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.

A review of the economic outlook provided by the RBA in February 2015 provides the following view of future CPI movements.

Table 6.1: Output Growth and Inflation Forecasts[(a)]

Per cent

	Year-ended					
	Dec 2013	June 2014	Dec 2014	June 2015	Dec 2015	June 2016
GDP growth	2½	2¾	2¼–3¼	2½–3½	3–4	3–4½
Non-farm GDP growth	2½	2¾	2¼–3¼	2½–3½	3–4	3–4½
CPI inflation[(b)]	2.7	3¼	2¼–3¼	2¼–3¼	2–3	2–3
Underlying inflation[(b)]	2½	3	2¼–3¼	2¼–3¼	2–3	2–3
	Year-average					
	2013	2013/14	2014	2014/15	2015	2015/16
GDP growth	2¼	2½	2¼–3¼	2¼–3¼	2½–3½	3–4

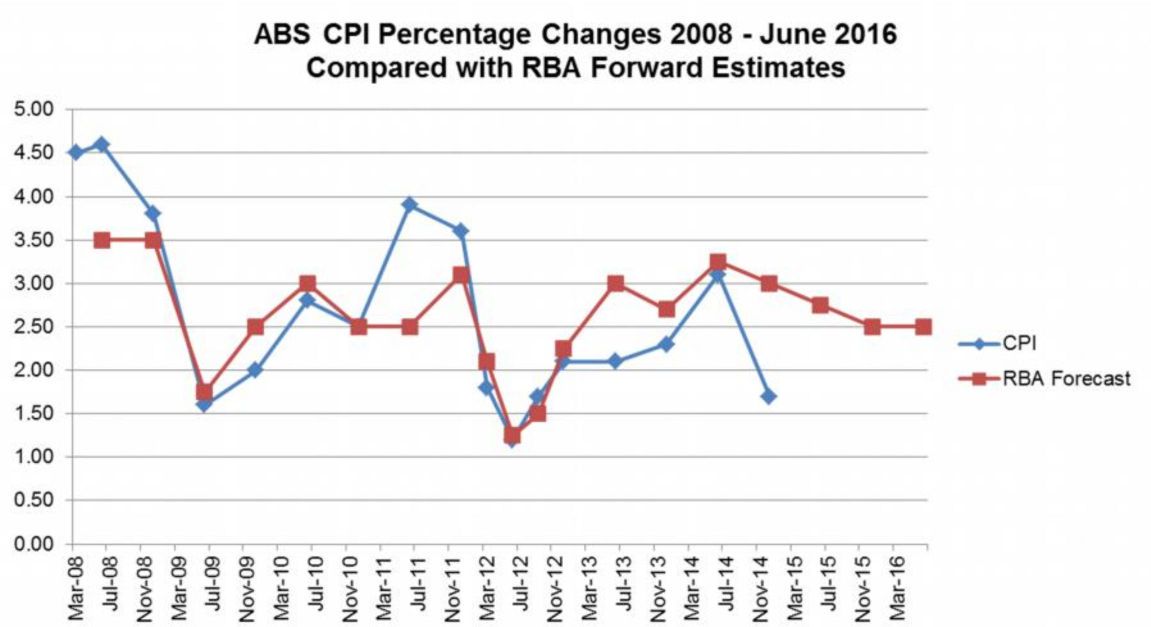
(a) Technical assumptions include A$ at US$0.89, TWI at 69 and Brent crude oil price at US$104 per barrel

(b) Based on current legislation for the price of carbon

Sources: ABS; RBA

The revised LTFP assumes a CPI factor of 2.7%. A general review of the indexation rates and other cost driver rates has been under-taken based on combination of historic performance and future prediction (RBA CPI rates are predicted to be nearer 2.7% than 2.1% used in the original plan. This assumption will be re-assessed regularly as updated CPI data becomes available.

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



Revised Assumptions for the 2015-2025 Long-Term Financial Plan

The LTFP adopted in November 2013 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 Federal Government Budget in May 2014 saw the decision to discontinue the Supplementary Local Road Funding payments made to South Australia. The impact of this state-wide is over $18M with Council losing $178,352 overnight. Despite protests it is not envisaged that this will be reinstated at this time. It is therefore necessary to remove this from the plan.

The same 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 a "double–dose" of *Roads to Recovery* (R2R) in 2015-16 (only). 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 $1M per annum capital expenditure and this is unlikely to be sufficient to meet the needs of basic essential infrastructure over the period – this has been adjusted to $1.5m per annum.

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.

A general review of the indexation rates and other cost driver rates has been under-taken based on combination of historic performance and future prediction (RBA CPI rates are predicted to be nearer 2.7% than 2.1% used in the original plan for example; interest rates on variable rate borrowings have been assumed at 4.75% for 14-15 – 16-17 and then 5.75% thenceforth and for fixed rate 5.6% and then 6.6%).

The internal review of revenue and expenditure options presented to Council in August 2014 by the CEO highlighted the potential for organic changes to revenue and expenditure through internal efficiency drives and works currently underway. This report suggested that there was the potential to grow revenue by $200,000 pa over the next two years and then sustain that growth at a 1% inflation rate (reflecting efficiency and better cost recovery). It also identified circa $500,000 of expenditure that could be reduced over 2/3 years without impacting current service levels. Any further reduction in costs would have an inevitable impact on service levels. We have therefore built in the predicted revenue recovery and expenditure over the first two years of the plan ('15/16 and 16/17).

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.

Main Features of the 2015-2025 Long-Term Financial Plan

The main features of the LTFP are as follows:

- A 'Reducing Deficit" position is targeted for Year 10 of the LTFP;
- Operational Revenue increases by 44.36% over the 10 year period of the Plan;
- Operational Expenditure increases by 31.98% over the 10 year period of the Plan;
- The provision for depreciation increases by 48.30% over the 10 year period of the Plan;
- Any revenue surpluses have been applied to reducing levels of debt;

The borrowings of Council are reduced to a level of 67.8% Net Financial Liability Ratio, down from an estimated 104.6% in 2015. However, caution needs to be applied to this planned movement as Council's revised infrastructure assets management plans may identify assets that are in need of replacement or renewal within the 10 year period of the Plan, for which borrowings may be needed, depending on the financial position of the Council at the time.

The revised model shows that, whilst the trend is clearly now heading in the right direction the target of financial sustainability (as expressed by attaining a breakeven operational result) is not achieved. This is not surprising given the adjustments that have had to be made above to accommodate decisions made that have been outside of Council influence. There is therefore the need to create and assess alternative strategies that would enable this to happen.

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.

Year Ended 30 June:	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Financial Indicator Description		Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Operating Surplus / (Deficit) - $'000	(3,678)	(3,532)	(3,658)	(4,424)	(4,246)	(4,497)	(4,478)	(4,448)	(3,558)	(3,385)	(3,377)	(3,129)
Operating Surplus Ratio - %	(45)%	(42)%	(42)%	(48)%	(44)%	(44)%	(42)%	(40)%	(31)%	(28)%	(26)%	(23)%
Net Financial Liabilities - $'000	12,524	12,939	14,118	14,214	14,407	14,764	15,496	15,246	14,698	14,075	12,814	12,112
Net Financial Liabilities Ratio - %	96.9%	104.6%	107.2%	106.7%	104.5%	103.4%	104.9%	99.8%	92.7%	85.4%	74.7%	67.8%
Interest Cover Ratio - %	4.6%	4.8%	5.3%	5.2%	5.7%	5.6%	5.5%	5.6%	5.3%	5.0%	4.6%	4.0%
Asset Sustainability Ratio - %	33%	17%	17%	22%	23%	23%	21%	25%	23%	30%	24%	20%
Asset Consumption Ratio - %	73%	73%	72%	71%	69%	68%	67%	65%	64%	62%	61%	60%

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 of 0% 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 (ie 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.

Appendix A: Long Term Financial Plan 2015-2025 Financial Reports

Kangaroo Island Council
Long Term Financial Plan Model

ESTIMATED COMPREHENSIVE INCOME STATEMENT

Year Ended 30 June:	2014 Actual $(000)	2015 Estimate $(000)	2016 Plan Year 1 $(000)	2017 Plan Year 2 $(000)	2018 Plan Year 3 $(000)	2019 Plan Year 4 $(000)	2020 Plan Year 5 $(000)	2021 Plan Year 6 $(000)	2022 Plan Year 7 $(000)	2023 Plan Year 8 $(000)	2024 Plan Year 9 $(000)	2025 Plan Year 10 $(000)
INCOME												
Rates	8,179	8,410	8,804	9,218	9,653	10,112	10,594	11,100	11,632	12,194	12,785	13,407
Statutory Charges	172	154	161	167	173	179	187	195	203	211	219	227
User Charges	922	1,222	1,252	1,283	1,314	1,345	1,377	1,409	1,443	1,479	1,516	1,553
Grants, subsidies, contributions	1,607	2,097	2,343	2,018	2,009	2,001	1,993	1,986	1,979	1,973	1,967	1,962
Investment Income	24	19	128	136	133	118	91	38	26	47	62	97
Reimbursements	1,692	263	270	277	284	292	300	308	316	325	334	343
Gain - Joint Ventures	17	0	0	0	0	0	0	0	0	0	0	0
Other Income	316	206	212	218	224	230	236	242	249	256	263	270
Total Revenues	**12,929**	**12,371**	**13,170**	**13,317**	**13,790**	**14,277**	**14,778**	**15,278**	**15,848**	**16,485**	**17,146**	**17,859**
EXPENSES												
Employee costs	5,438	4,671	4,838	5,012	5,193	5,379	5,573	5,775	5,982	6,197	6,420	6,651
Materials, contracts & other expenses	6,182	6,249	6,126	6,167	6,259	6,424	6,524	6,625	6,727	6,832	6,939	7,048
Depreciation	4,368	4,368	5,050	5,737	5,677	6,061	6,260	6,442	5,830	5,978	6,320	6,478
Finance Costs	619	615	814	825	907	910	899	884	867	863	844	811
Other Expenses	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenses	**16,607**	**15,903**	**16,828**	**17,741**	**18,036**	**18,774**	**19,256**	**19,726**	**19,406**	**19,870**	**20,523**	**20,988**
OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	**(3,678)**	**(3,532)**	**(3,658)**	**(4,424)**	**(4,246)**	**(4,497)**	**(4,478)**	**(4,448)**	**(3,558)**	**(3,385)**	**(3,377)**	**(3,129)**
Net gain/(loss) on disposal or revaluations	(412)	200	(526)	(855)	(855)	(855)	(855)	(855)	(855)	(855)	(855)	(855)
Amounts specifically for new assets	721	744	4,110	200	200	200	200	200	200	200	200	200
Physical resources free of charge	633	2,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Non-operating	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)	**(2,736)**	**(88)**	**1,926**	**(3,079)**	**(2,901)**	**(3,152)**	**(3,133)**	**(3,103)**	**(2,213)**	**(2,040)**	**(2,032)**	**(1,784)**
Other Comprehensive Income												
Changes in revaluation surplus - IPP&E	9,488	5,438	0	0	13,265	3,309	5,165	0	0	13,903	3,250	5,495
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	0	0	0	0	0	0	0	0	0	0	0	0
Total Other Comprehensive Income	**9,488**	**5,438**	**0**	**0**	**13,265**	**3,309**	**5,165**	**0**	**0**	**13,903**	**3,250**	**5,495**
TOTAL COMPREHENSIVE INCOME	**6,752**	**5,350**	**1,926**	**(3,079)**	**10,364**	**157**	**2,032**	**(3,103)**	**(2,213)**	**11,863**	**1,218**	**3,711**

ESTIMATED STATEMENT OF FINANICIAL POSITION

Year Ended 30 June:	2014 Actual $(000)	2015 Estimate $(000)	2016 Plan Year 1 $(000)	2017 Plan Year 2 $(000)	2018 Plan Year 3 $(000)	2019 Plan Year 4 $(000)	2020 Plan Year 5 $(000)	2021 Plan Year 6 $(000)	2022 Plan Year 7 $(000)	2023 Plan Year 8 $(000)	2024 Plan Year 9 $(000)	2025 Plan Year 10 $(000)
ASSETS												
Current Assets												
Cash & Equivalent Assets	1,043	2,103	2,244	2,189	1,911	1,379	358	130	544	818	1,506	1,395
Trade & Other Receivables	1,541	855	898	943	990	1,039	1,091	1,145	1,202	1,263	1,327	1,394
Investments & Other Financial Assets	0	0	0	0	0	0	0	0	0	0	0	0
Inventories	223	155	159	157	158	158	158	158	158	158	158	158
Sub-total	2,807	3,113	3,301	3,289	3,059	2,576	1,607	1,433	1,904	2,239	2,991	2,947
Non-current assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Assets	**2,807**	**3,113**	**3,301**	**3,289**	**3,059**	**2,576**	**1,607**	**1,433**	**1,904**	**2,239**	**2,991**	**2,947**
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	74	74	74	74	74	74	74	74	74	74	74	74
Investment Property	0	0	0	0	0	0	0	0	0	0	0	0
Infrastructure, Property, Plant & Equipment	190,889	196,722	199,822	196,841	207,397	207,911	210,675	207,322	204,561	215,801	215,758	218,767
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	**190,963**	**196,796**	**199,896**	**196,915**	**207,471**	**207,985**	**210,749**	**207,396**	**204,635**	**215,875**	**215,832**	**218,841**
Total Assets	**193,770**	**199,909**	**203,197**	**200,204**	**210,530**	**210,561**	**212,356**	**208,829**	**206,539**	**218,114**	**218,823**	**221,788**
LIABILITIES												
Current Liabilities												
Trade & Other Payables	1,785	1,573	1,687	1,613	1,657	1,647	1,674	1,673	1,685	1,691	1,700	1,708
Borrowings	565	1,282	1,472	1,636	1,712	1,845	2,018	1,683	1,896	2,123	2,364	0
Provisions	726	750	693	745	745	771	786	807	826	847	869	891
Other Current Liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total	3,076	3,605	3,852	3,994	4,114	4,263	4,478	4,163	4,407	4,661	4,933	2,599
Liabilities Relating to Non-Current Assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Liabilities	**3,076**	**3,605**	**3,852**	**3,994**	**4,114**	**4,263**	**4,478**	**4,163**	**4,407**	**4,661**	**4,933**	**2,599**
Non-Current Liabilities												
Trade & Other Payables	39	0	20	10	15	13	14	14	14	14	14	14
Borrowings	11,110	11,328	12,538	12,402	12,190	11,845	11,327	11,144	10,748	10,125	9,261	10,761
Provisions	883	993	894	976	1,029	1,099	1,165	1,239	1,314	1,395	1,478	1,566
Other Non-Current Liabilities	0	(29)	(44)	(36)	(40)	(38)	(39)	(39)	(39)	(39)	(39)	(39)
Total Non-Current Liabilities	**12,032**	**12,292**	**13,408**	**13,352**	**13,194**	**12,919**	**12,467**	**12,358**	**12,037**	**11,495**	**10,714**	**12,302**
Total Liabilities	**15,108**	**15,897**	**17,260**	**17,346**	**17,308**	**17,182**	**16,945**	**16,521**	**16,444**	**16,156**	**15,647**	**14,901**
NET ASSETS	**178,662**	**184,012**	**185,938**	**182,859**	**193,223**	**193,380**	**195,412**	**192,309**	**190,096**	**201,959**	**203,177**	**206,888**
EQUITY												
Accumulated Surplus	3,099	2,809	4,735	1,656	(1,245)	(4,397)	(7,530)	(10,633)	(12,846)	(14,886)	(16,918)	(18,702)
Asset Revaluation Reserve	173,113	178,551	178,551	178,551	191,816	195,125	200,290	200,290	200,290	214,193	217,443	222,938
Other Reserves	2,450	2,652	2,652	2,652	2,652	2,652	2,652	2,652	2,652	2,652	2,652	2,652
TOTAL EQUITY	**178,662**	**184,012**	**185,938**	**182,859**	**193,223**	**193,380**	**195,412**	**192,309**	**190,096**	**201,959**	**203,177**	**206,888**

ESTIMATED STATEMENT OF CHANGES IN EQUITY

Year Ended 30 June:	2014 Actual $(000)	2015 Estimate $(000)	2016 Plan Year 1 $(000)	2017 Plan Year 2 $(000)	2018 Plan Year 3 $(000)	2019 Plan Year 4 $(000)	2020 Plan Year 5 $(000)	2021 Plan Year 6 $(000)	2022 Plan Year 7 $(000)	2023 Plan Year 8 $(000)	2024 Plan Year 9 $(000)	2025 Plan Year 10 $(000)
ACCUMULATED SURPLUS												
Balance at end of previous reporting period	5,866	3,099	2,809	4,735	1,656	(1,245)	(4,397)	(7,530)	(10,633)	(12,846)	(14,886)	(16,918)
Net Result for Year	(2,736)	(88)	1,926	(3,079)	(2,901)	(3,152)	(3,133)	(3,103)	(2,213)	(2,040)	(2,032)	(1,784)
Other Comprehensive Income	0	0	0	0	0	0	0	0	0	0	0	0
Transfers to Other Reserves	(31)	(202)	0	0	0	0	0	0	0	0	0	0
Transfers from Other Reserves	0	0	0	0	0	0	0	0	0	0	0	0
Balance at end of period	**3,099**	**2,809**	**4,735**	**1,656**	**(1,245)**	**(4,397)**	**(7,530)**	**(10,633)**	**(12,846)**	**(14,886)**	**(16,918)**	**(18,702)**
ASSET REVALUATION RESERVE												
Land	20,331	22,831	22,831	22,831	22,831	22,831	25,945	25,945	25,945	25,945	25,945	29,409
Land Improvements	6,948	6,948	6,948	6,948	7,816	7,816	7,816	7,816	7,816	8,638	8,638	8,638
Buildings & Other Structures	6,684	8,984	8,984	8,984	8,984	8,984	10,856	10,856	10,856	10,856	10,856	12,877
Road Bridges & Footpaths	123,339	123,339	123,339	123,339	135,736	135,736	135,736	135,736	135,736	148,817	148,817	148,817
Stormwater	3,768	3,768	3,768	3,768	3,768	4,303	4,303	4,303	4,303	4,303	4,884	4,884
CWMS	10,141	10,141	10,141	10,141	10,141	12,915	12,915	12,915	12,915	12,915	15,584	15,584
Plant & Equipment	1,336	1,836	1,836	1,836	1,836	1,836	2,024	2,024	2,024	2,024	2,024	2,042
Furniture & Fittings	362	440	440	440	440	440	419	419	419	419	419	398
Library Books	204	264	264	264	264	264	276	276	276	276	276	289
WIP	0	0	0	0	0	0	0	0	0	0	0	0
Balance at end of period	**173,113**	**178,551**	**178,551**	**178,551**	**191,816**	**195,125**	**200,290**	**200,290**	**200,290**	**214,193**	**217,443**	**222,938**
OTHER RESERVES												
Balance at end of previous reporting period	2,419	2,450	2,652	2,652	2,652	2,652	2,652	2,652	2,652	2,652	2,652	2,652
Transfers from Accumulated Surplus	31	202	0	0	0	0	0	0	0	0	0	0
Transfers to Accumulated Surplus	0	0	0	0	0	0	0	0	0	0	0	0
Balance at end of period	**2,450**	**2,652**	**2,652**	**2,652**	**2,652**	**2,652**	**2,652**	**2,652**	**2,652**	**2,652**	**2,652**	**2,652**
TOTAL EQUITY AT END OF REPORTING PERIOD	**178,662**	**184,012**	**185,938**	**182,859**	**193,223**	**193,380**	**195,412**	**192,309**	**190,096**	**201,959**	**203,177**	**206,888**

ESTIMATED CASH FLOW STATEMENT

Year Ended 30 June:	2014 Actual $(000)	2015 Estimate $(000)	2016 Plan Year 1 $(000)	2017 Plan Year 2 $(000)	2018 Plan Year 3 $(000)	2019 Plan Year 4 $(000)	2020 Plan Year 5 $(000)	2021 Plan Year 6 $(000)	2022 Plan Year 7 $(000)	2023 Plan Year 8 $(000)	2024 Plan Year 9 $(000)	2025 Plan Year 10 $(000)
CASH FLOWS FROM OPERATING ACTIVITIES												
Receipts												
Rates	8,001	8,533	8,794	9,164	9,620	10,066	10,551	11,051	11,582	12,140	12,729	13,347
Statutory Charges	372	334	143	175	169	181	187	195	203	211	219	227
User Charges	960	1,477	1,247	1,278	1,309	1,340	1,372	1,404	1,438	1,473	1,510	1,547
Grants, subsidies, contributions	2140	2,097	2,343	2,018	2,009	2,001	1,993	1,986	1,979	1,973	1,967	1,962
Investment Income	26	19	128	136	133	118	91	38	26	47	62	97
Reimbursements	1999	337	269	276	283	291	299	307	315	324	333	342
Gain - Joint Ventures	0	0	0	0	0	0	0	0	0	0	0	0
Other Income	584	206	212	218	224	230	236	242	249	256	263	270
Payments												
Employee costs	(5,470)	(4,628)	(4,904)	(4,940)	(5,189)	(5,340)	(5,550)	(5,742)	(5,953)	(6,164)	(6,387)	(6,617)
Materials, contracts & other expenses	(7,738)	(6,316)	(6,111)	(6,172)	(6,170)	(6,376)	(6,442)	(6,563)	(6,651)	(6,757)	(6,859)	(6,964)
Finance Costs	(603)	(615)	(814)	(825)	(907)	(910)	(899)	(884)	(867)	(863)	(844)	(811)
Other Expenses	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash provided by (or used in) Operating Activities	**271**	**1,444**	**1,307**	**1,328**	**1,481**	**1,601**	**1,838**	**2,034**	**2,321**	**2,640**	**2,993**	**3,400**
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Amounts Specifically for New/Upgraded Assets	953	744	4,110	200	200	200	200	200	200	200	200	200
Sale of Renewed/Replaced Assets	52	200	329	0	0	0	0	0	0	0	0	0
Sale of Surplus Assets	56	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	0
Net disposal of Investment Securities	0	0	0	0	0	0	0	0	0	0	0	0
Pcds of disposal - Real Estate Devel.	0	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	0
Distributions Received from Associated Entities	0	0	0	0	0	0	0	0	0	0	0	0
Payments												
Expenditure on Renewal/Replacement of Assets	(2,681)	(962)	(1,187)	(1,280)	(1,296)	(1,415)	(1,286)	(1,618)	(1,358)	(1,800)	(1,512)	(1,300)
Expenditure on New/Upgraded Assets	(727)	(1,301)	(5,818)	(331)	(527)	(706)	(1,428)	(326)	(566)	(370)	(370)	(1,547)
Purchase of Investment Property	0	0	0	0	0	0	0	0	0	0	0	0
Net purchase of Investment Securities Capital	0	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	0
Loans Made to Community Groups	0	0	0	0	0	0	0	0	0	0	0	0
Contributed to Associated Entities	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Provided by (or used in) Investing Activities	**(2,347)**	**(1,319)**	**(2,566)**	**(1,411)**	**(1,623)**	**(1,921)**	**(2,514)**	**(1,744)**	**(1,724)**	**(1,970)**	**(1,682)**	**(2,647)**
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Proceeds from Borrowings	6,845	1,500	2,682	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Proceeds from Aged Care Facility Deposits	0	0	0	0	0	0	0	0	0	0	0	0
Payments												
Repayments of Borrowings	(4,517)	(565)	(1,282)	(1,472)	(1,636)	(1,712)	(1,845)	(2,018)	(1,683)	(1,896)	(2,123)	(2,364)
Repayment of Finance Lease Liabilities	0	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	0
Net Cash provided by (or used in) Financing Activities	**2,328**	**935**	**1,400**	**28**	**(136)**	**(212)**	**(345)**	**(518)**	**(183)**	**(396)**	**(623)**	**(864)**
Net Increase/(Decrease) in cash held	**252**	**1,060**	**141**	**(55)**	**(278)**	**(532)**	**(1,021)**	**(228)**	**414**	**274**	**688**	**(111)**
Opening cash, cash equivalents or (bank overdraft)	**790**	1,043	2,103	2,244	2,189	1,911	1,379	358	130	544	818	1,506
Closing cash, cash equivalents or (bank overdraft)	**1,043**	**2,103**	**2,244**	**2,189**	**1,911**	**1,379**	**358**	**130**	**544**	**818**	**1,506**	**1,395**

FINANCIAL INDICATORS DASHBOARD

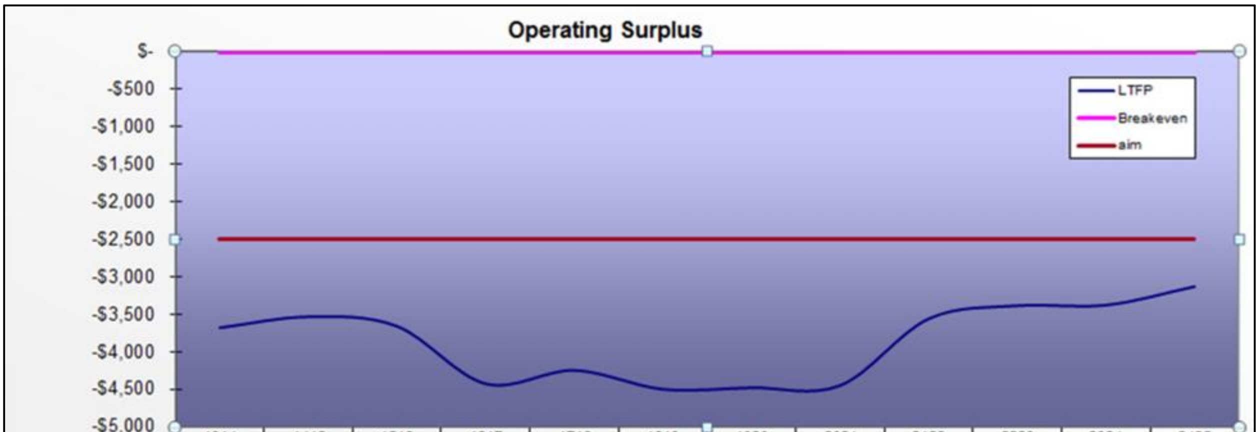
(light purple)	- Above Acceptable Target Range
(light green)	- Within Acceptable Target Range
(red)	- Below Acceptable Target Range

Year Ended 30 June	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Financial Indicator Description	Actual	Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Indicator 1 - Operating Surplus / (Deficit) - $(000)	(3,678)	(3,532)	(3,658)	(4,424)	(4,246)	(4,497)	(4,478)	(4,448)	(3,558)	(3,385)	(3,377)	(3,129)
Indicator 2 - Operating Surplus Ratio - %	(45)%	(42)%	(42)%	(48)%	(44)%	(44)%	(42)%	(40)%	(31)%	(28)%	(26)%	(23)%
Indicator 3 - Net Financial Liabilities - $(000)	12,524	12,939	14,118	14,214	14,407	14,764	15,496	15,246	14,698	14,075	12,814	12,112
Indicator 4 - Net Financial Liabilities Ratio - %	96.9%	104.6%	107.2%	106.7%	104.5%	103.4%	104.9%	99.8%	92.7%	85.4%	74.7%	67.8%
Indicator 5 - Interest Cover Ratio - %	4.6%	4.8%	5.3%	5.2%	5.7%	5.6%	5.5%	5.6%	5.3%	5.0%	4.6%	4.0%
Indicator 6 - Asset Sustainability Ratio - %	33%	17%	17%	22%	23%	23%	21%	25%	23%	30%	24%	20%
Indicator 7 - Asset Consumption Ratio - %	73%	73%	72%	71%	69%	68%	67%	65%	64%	62%	61%	60%

Note: Dashboard Targets are fixed and do not vary from year to year.

OPERATING SURPLUS/(DEFICIT)

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

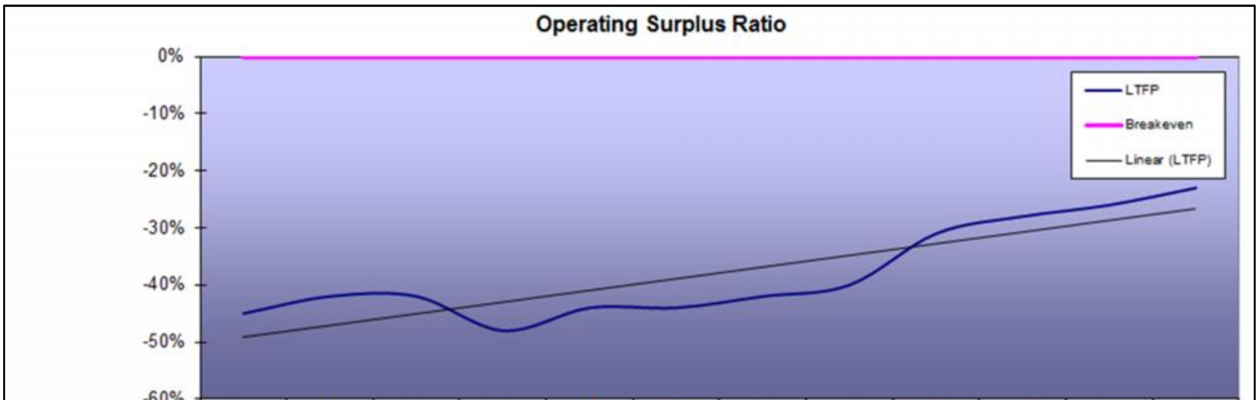


	1314	1415	1516	1617	1718	1819	1920	2021	2122	2223	2324	2425
LTFP	-$3,678	-$3,532	-$3,658	-$4,424	-$4,246	-$4,497	-$4,478	-$4,448	-$3,558	-$3,385	-$3,377	-$3,129
Breakeven	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
aim	-$2,500	-$2,500	-$2,500	-$2,500	-$2,500	-$2,500	-$2,500	-$2,500	-$2,500	-$2,500	-$2,500	-$2,500

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.

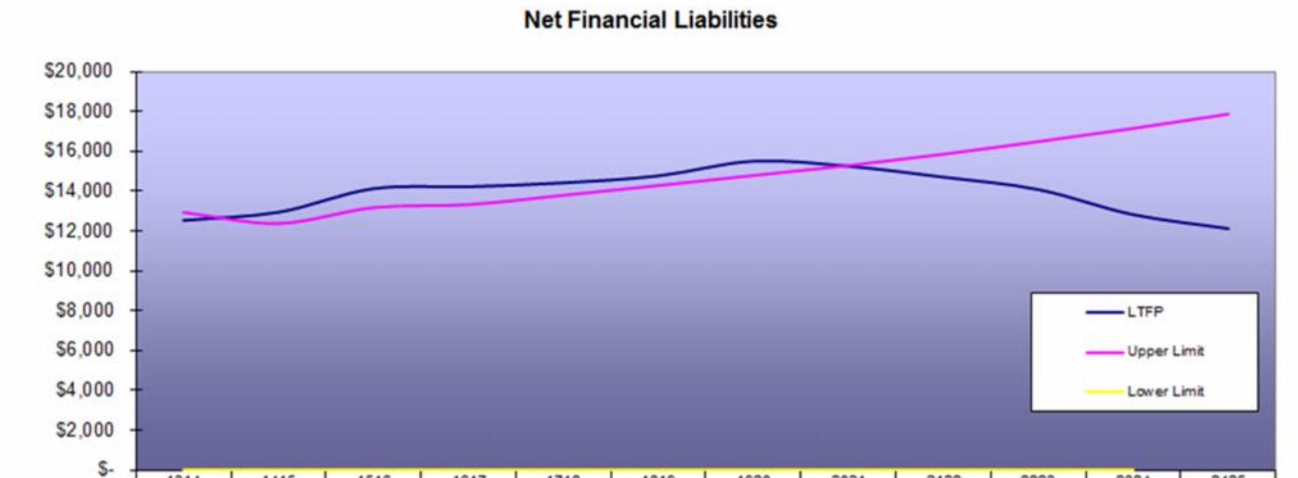


	1314	1415	1516	1617	1718	1819	1920	2021	2122	2223	2324	2425
LTFP	-45%	-42%	-42%	-48%	-44%	-44%	-42%	-40%	-31%	-28%	-26%	-23%
Breakeven	0	0	0	0	0	0	0	0	0	0	0	0

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.

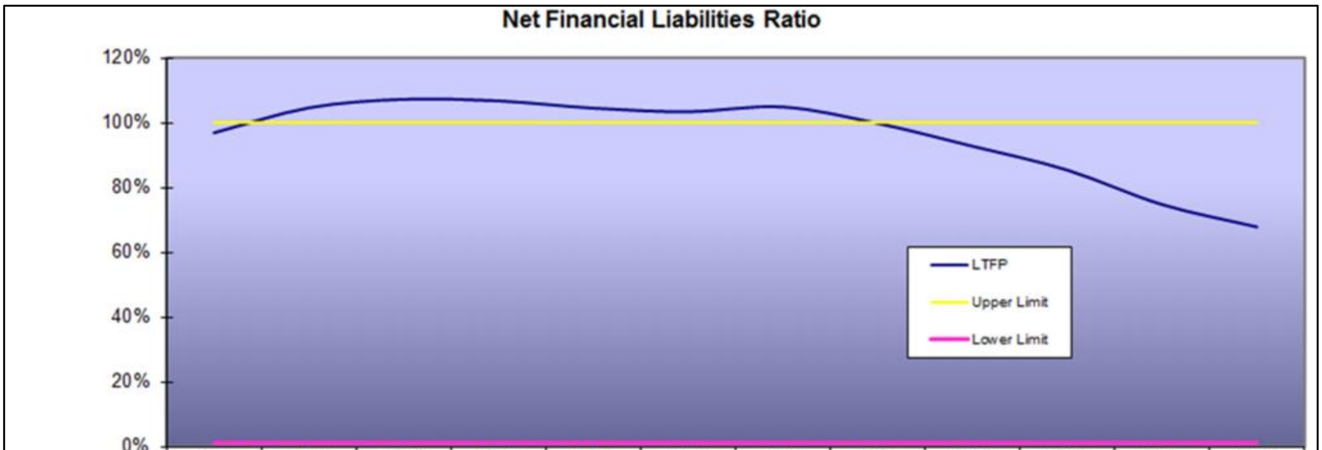


	1314	1415	1516	1617	1718	1819	1920	2021	2122	2223	2324	2425
LTFP	$12,524	$12,939	$14,118	$14,214	$14,407	$14,764	$15,496	$15,246	$14,698	$14,075	$12,814	$12,112
Upper Limit	$12,929	$12,371	$13,170	$13,317	$13,790	$14,277	$14,778	$15,278	$15,848	$16,485	$17,146	$17,859
Lower Limit	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	

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.

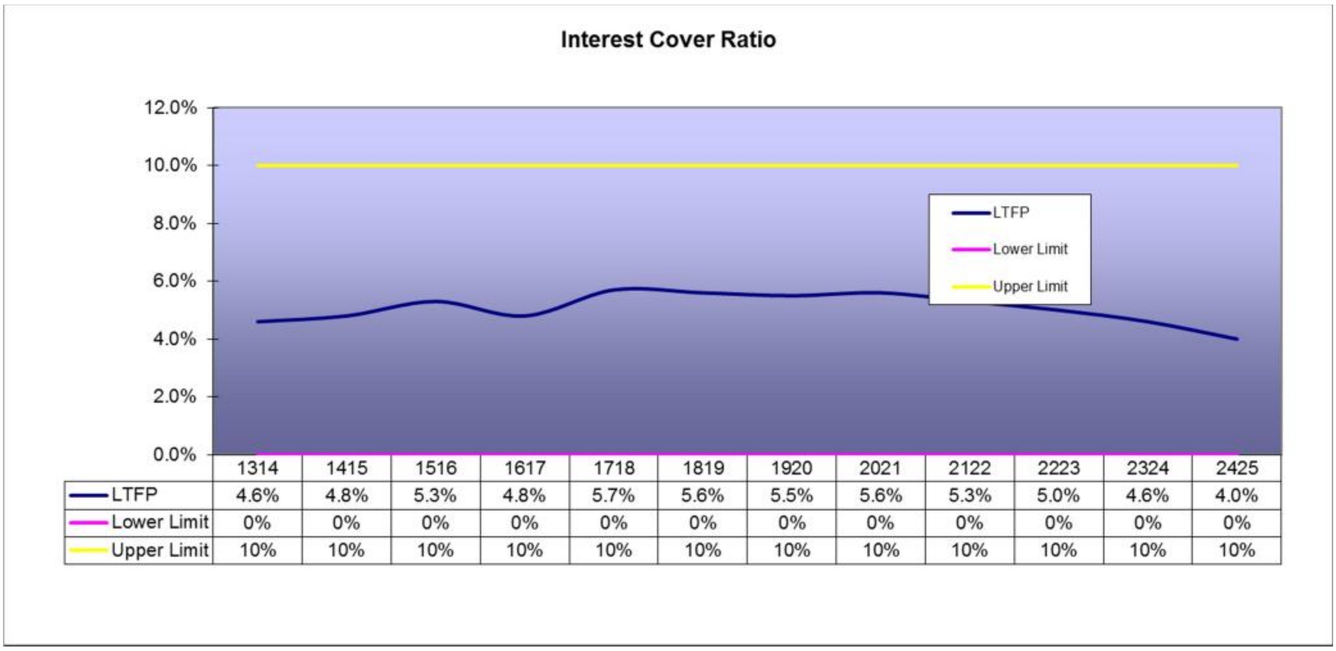


	1314	1415	1516	1617	1718	1819	1920	2021	2122	2223	2324	2425
LTFP	97%	105%	107%	107%	104%	103%	105%	100%	93%	85%	75%	68%
Upper Limit	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Lower Limit	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%

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

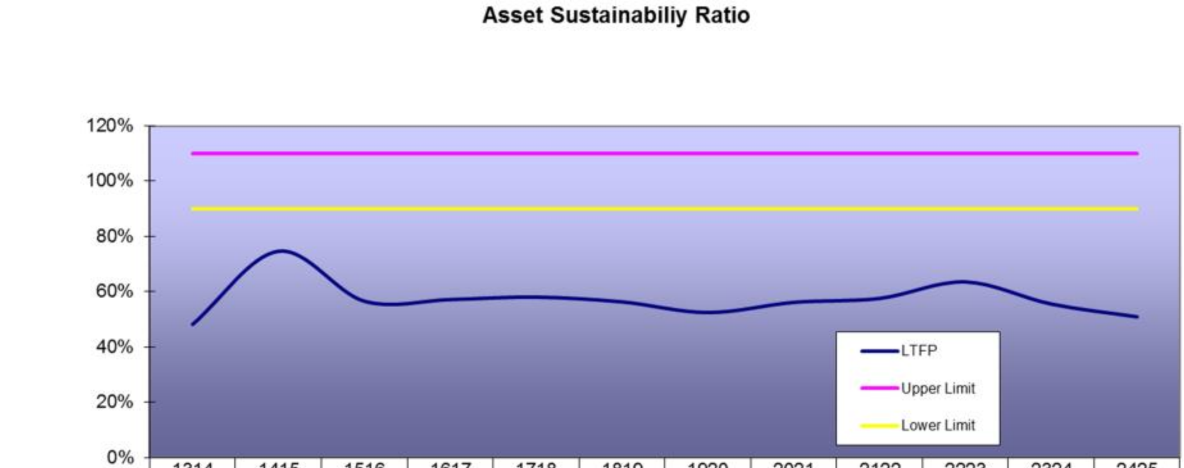


	1314	1415	1516	1617	1718	1819	1920	2021	2122	2223	2324	2425
LTFP	4.6%	4.8%	5.3%	4.8%	5.7%	5.6%	5.5%	5.6%	5.3%	5.0%	4.6%	4.0%
Lower Limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Upper Limit	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%

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

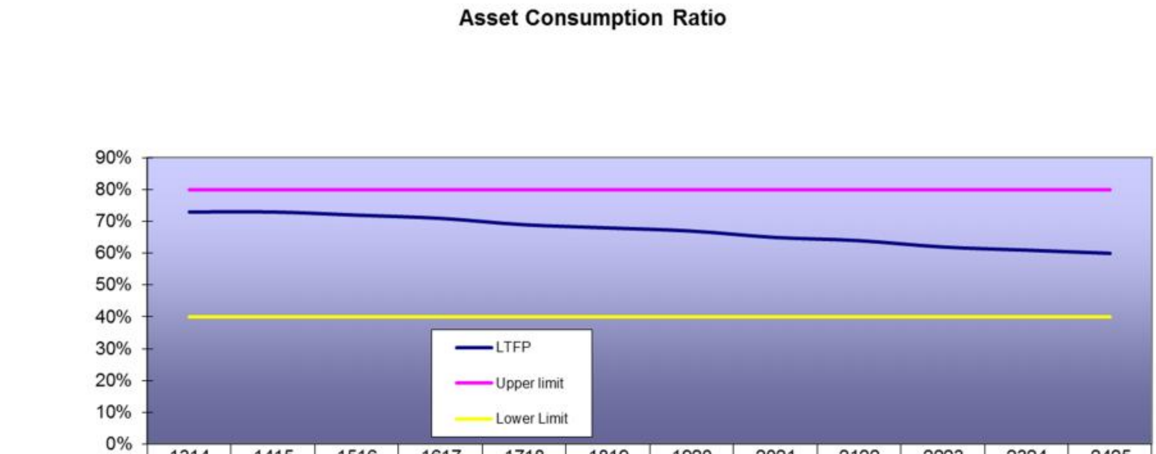


	1314	1415	1516	1617	1718	1819	1920	2021	2122	2223	2324	2425
LTFP	48%	75%	57%	57%	58%	56%	52%	56%	58%	64%	56%	51%
Upper Limit	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%
Lower Limit	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%

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.



	1314	1415	1516	1617	1718	1819	1920	2021	2122	2223	2324	2425
LTFP	73%	73%	72%	71%	69%	68%	67%	65%	64%	62%	61%	60%
Upper limit	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Lower Limit	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%

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

Appendix B: ABS Statistics - Community Profile Data

http://www.censusdata.abs.gov.au/

	KI	SA		KI	SA		KI	SA	
	Census year		*Change*	*Census year*		*Change*	*Census year*		*Change*
	2001			*2006*			*2011*		
Median age of persons	39	37	5.41%	42	38	10.53%	46	39	17.95%
Median total personal income ($/weekly)	322	345	-6.67%	418	433	-3.46%	497	534	-6.93%
Median total family income ($/weekly)	678	851	-20.33%	1,008	1,114	-9.52%	1,053	1,330	-20.83%
Median total household income ($/weekly)	564	687	-17.90%	760	885	-14.12%	834	1,042	-19.10%

	KI	SA		KI	SA		KI	SA	
	Census year		*Change*	*Census year*		*Change*	*Census year*		*Change*
	2001			*2006*			*2011*		
Median mortgage repayment ($/monthly)	535	672	-20.39%	780	1,018	-23.38%	1,083	1,500	-27.80%
Median rent ($/weekly)	85	110	-22.73%	120	150	-20.00%	159	220	-27.73%
Average number of persons per bedroom	1.1	1.1	0.00%	1.1	1.1	0.00%	1.1	1.1	0.00%
Average household size	2.4	2.4	0.00%	2.3	2.4	-4.17%	2.2	2.4	-8.33%

Appendix C: 2015-2025 Long Term Financial Plan Assumptions

1	Contributed Assets	Contributed Assets received from DPTI included at $2m per year of Infrastructure Program.
2	Roads maintenance cost.	The maintenance cost for road infrastructure will stay at current levels until the updated Infrastructure Asset Management Plans are complete.
3	Index Drivers	Annual index increase: CPI 2.7%, Wages 3.6%, Growth 1%
4	General Rates	CPI 2.7% + 2% Infrastructure Factor + 1% Growth
5	CWMS Income	CPI 2.7% increase per year
6	Waste Income	CPI 2.7% increase per year
7	Other fees/charges (excluding Development and planning fees, not set by Council)	CPI+1% increase (3.7%)
8	Operating Grants	An overall increase of 1% has been factored into operating grants, allowing for a net reduction of 4% to the Financial Assistance Grant revenue in years 1, and 2% from year 3.
9	Other Income	CPI 2.7% increase per year
10	Employee cost	3.6% increase per year
11	Community Grants Provided	No change
12	FRWA contract	CPI 2.7% increase
13	Major contractors and Materials	Including CPI increase, total increment assumed 2.2% per year
14	Other materials, contractors and expenses.	Including CPI increase, total increment assumed 2.2% per year
15	Capital Expenditure Program	From 2015-16 onwards, it is assumed to be funded entirely from borrowings. With $1.5m borrowed annually.
16	Variable Interest Borrowings	Variable interest loans assumed at 4.75% per annum till year 3 then increasing to 5.75% onwards.
17	Fixed Interest Borrowings	Interest rate of 5.6% per annum till year 3, then 6.6% per annum onwards.
18	Penneshaw CWMS Project	Penneshaw CWMS project financed by a once off capital grant of $4.110m from the LGFA and a fixed credit foncier loan of $1.182m borrowed over 10years at 5.6% per annum.
19	Expenses	Savings of $250,000 have been factored into the 2016/17 year, with the following years factoring this amount at 1.4% per annum.
20	Revenue	Increased revenue of $200,000 indexed at a rate of 1.1% per annum has been factored in from 2015-16 onwards.