Weddin Shire Council

LONG TERM FINANCIAL PLAN

2017 - 2027

CONTENTS

1 Executive Summary

1.1 Introduction

The Long Term Financial Plan (LTFP) is one of three components of the Resourcing Strategy under the NSW Integrated Planning and Reporting framework (IP&R), and is an important part of Council's strategic planning process. The LTFP is the document that tests long-term community aspirations and goals against financial realities.

Weddin Shire Council's LTFP details Council's expected income, recurrent and capital expenditure, and the external environment that Council is expected to face in the coming ten years. The LTFP is in effect Council's financial road map for the ten-year period commencing with the 2016/17 financial year.

This long term financial plan provides a framework in which the Weddin Shire Council can assess its revenue building capacity to meet the activities and level of services outlined in the Community Strategic Plan.

The plan has identified key financial issues and provides a means of ensuring that the Council can remain financially sustainable in the longer term.

Weddin Shire is a well-connected region within the Central West of New South Wales. With excellent connections to regional centres such as Forbes and Cowra, and within 2 hours of Orange, Canberra, Wagga Wagga and Dubbo, Weddin Shire combines the benefits of a rural location with proximity to a wide variety of regional centres.

The service Centre of Grenfell, at the heart of the region, has experienced significant growth over the last few years, attracting professionals seeking a high quality, low-stress lifestyle. There is a strong sense of community in Weddin Shire.

While Weddin Shire's economy is focused on agriculture, which makes up 37% of the economy, other important sectors include education, public administration, transport and warehousing and healthcare.

The Council is the custodian of $152 million of community-built and natural assets and a key aspect of the financial plan is the development of strategies to ensure appropriate and affordable funding for the maintenance and renewal of these assets over the next ten years.

1.2 Background to the Long Term Financial Plan

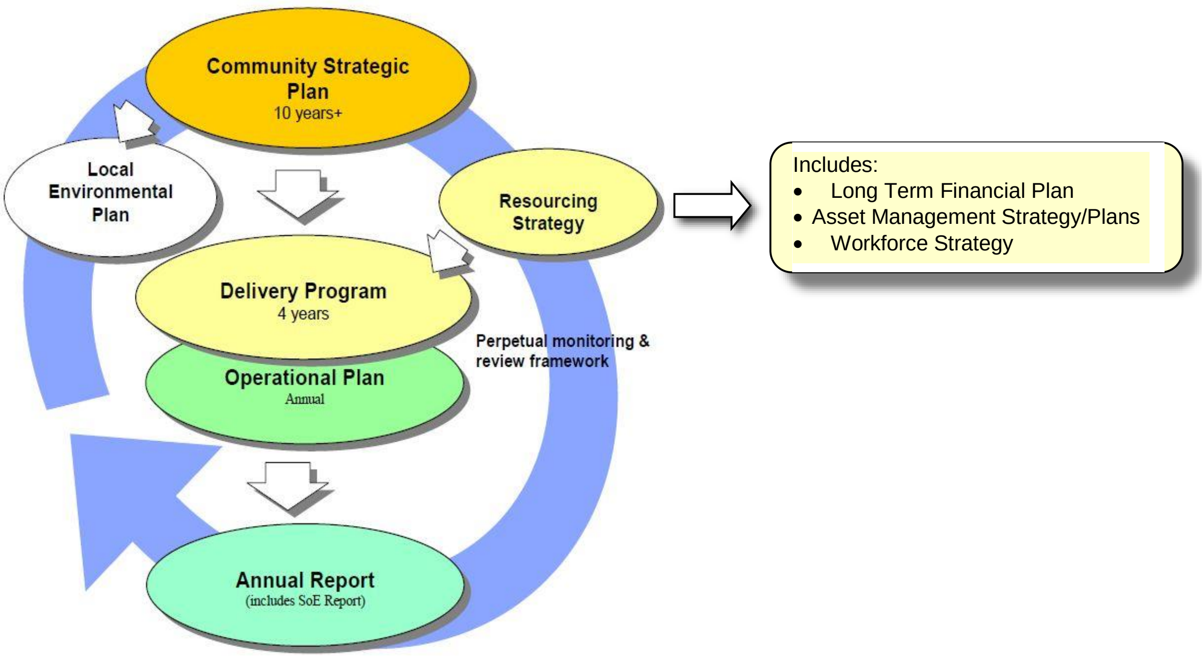
Weddin Shire's agriculturally-based economy is comprised of many family-owned farms specialising in grain and lamb production. While agricultural activity underpins the region's economy, there has been recent growth in the heritage tourism and professional business sectors.

The most recent Census data (2011) estimates a population of 3665 which roughly equates to the 2006 data when the population of the Shire was 3,797. Males represent 50.7% of the population. Recently, the end of the drought has brought a return to some semblance of a healthy economy for the local rural producers.

The 2011 census indicates that there are 1832 private dwellings and 1045 families in the Shire.

Integrated Planning & Reporting (IP&R)

Under the IP&R framework councils are required to draw together the various plans (that is the Community Strategic Plan, LTFP, Asset Management Plans and Workforce Plan) to understand how these interact and ensure maximum leverage by planning holistically for the future. The *Community Strategic Plan* provides a vehicle for expressing long term community aspirations. However, these aspirations can only be achieved if sufficient resources - time, money, assets and people – are allocated.



The Shire's 2012 – 2023 Community Strategic Plan expresses the community's priorities and aspirations for the future and presents the vision, objectives and strategies for achieving a more sustainable Shire. The Council and the community worked together in the development of this plan that has six interlinked key focus areas:

1. Strong, Diverse & Resilient Local Economy
2. Healthy, Safe, And Educated Community
3. Democratic and Engaged Community
4. Culturally Rich, Vibrant and Inclusive Community
5. Cared for Natural, Agricultural & Built Environments
6. Well Maintained & Improving Shire Assets and Services

The Community Strategic Plan was reviewed in 2013 as required by the Integrated Planning & Reporting legislation, with the determination that all assumptions were still valid.

Delivery Program & Operational Plan

Through the Delivery Program, the Council outlines how the objectives of the Community Strategic Plan will be implemented through projects and services during the term of the office of Council. The implementation will be within the resources identified in the accompanying Resourcing Strategy.

Resourcing Strategy

The Resourcing Strategy that underpins the community strategic plan consists of three components:

1. long term financial planning,
2. asset management planning and
3. Workforce planning.

The Resourcing Strategy is the critical link between the community strategic plan and the Delivery Program. Each component of the Resourcing Strategy is crucial to achieving the goals and objectives of the strategic plan.

The Resourcing Strategy is reviewed each year in line with the preparation of the annual Operational Plan. It details the provision of resources required to implement strategies for which Council is responsible.

Long Term Financial Plan

The Long Term Financial Plan (LTFP) is a decision-making tool. It is governed by a series of financial strategies and accompanying performance indicators that Council considers and adopts. The LTFP is not intended to be a document that specifically indicates what services/proposals funds should be allocated; rather it addresses the impact of the Council's ability to fund its services and capital works, whilst living within its means i.e. achieving financial sustainability. It establishes the financial framework upon which sound financial decisions are made in order to meet the levels of services outlined in the Shire's Community Strategic Plan.

The LTFP can be viewed as a roadmap of how Council will finance the expectations of the community as detailed in the Community Strategic Plan, and what the long term (over a ten-year horizon) cost of these outcomes will be to the community.

The starting point for the LTFP is Council's expectations in relation to revenue that will be available to the council over the next ten years. The LTFP forecasts the projected revenue that Council will be able to obtain based on general planning assumptions such as demographic, economic and political trends and specific factors that affect individual revenue line items (e.g. rate pegging, projected new sources of revenue, and the future of individual grant programs).

Once Council has determined the level of revenue projected to be available over the ten-year time frame, the next step is to assess the level of expenditure that will be required to meet the day to day cost to Council of providing services to the community.

Expenditure projections depend on both the future level of service forecast to be provided, the planning assumptions, as well as expectations regarding input costs such as expected salary increases, movements in materials costs, and movements in financing costs.

Expenditure of a capital nature such as on the construction of new assets and capital renewal will also impact the future sustainability of Council. Capital expenditure is dependent on community expectations regarding service levels, as well as the future costs of inputs such as staff costs and material costs (e.g. fuel and bitumen). Capital expenditure is dealt with separately in great detail in the AMP, and assumptions around the future cost of asset construction and rehabilitation from the AMP have been incorporated into the LTFP. This information is captured in the ten-year capital program from the AMP, which has been included in the LTFP.

The LTFP also deals with projected movements in balance sheet items such as the payment of loans and projected movements in working capital.

The LTFP includes the financial statements for Council's base scenario (i.e. income statement, balance sheet, cash flow statement) and alternative scenarios that address weaknesses in the current position of Council.

Risk analysis and sensitivity analysis have been undertaken to strengthen the strategies arising from the plan.

1.3 Current Financial Position

In conducting financial sustainability reviews, NSW TCorp relies upon the following definition of sustainability to provide guidance:

"A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community."

As a result, the key elements of any NSW TC review will be:

- Evidence of community engagement on service levels and costs
- An ongoing infrastructure renewal program consistent with community expectations
- An ongoing operating surplus position.

NSW TC regards the recent history of the Council as being more reliable than the financial forecasts that have been provided. This is not unusual and many councils fail to demonstrate consistency between financial forecasts, actual planning processes and responses, including annual budgets.

The analysis utilises the 2015-15 & 2015-16 budgets as a starting point and forecast data for the period 2016-17 to 2026-27.

As seen in Scenario 1 being the current position, Council's financial position would currently be regarded as weak with a negative outlook. It is clear however that Council has the capacity to alter its forecasts and improve its financial outlook.

The key aspects to the improvement are:

1. A plan to return to an operating surplus position, and
2. Reduce Service levels and community expectations for asset renewal.
3. Seek operating efficiencies where possible

It is possible for Council to revise its current practices and underlying policy settings to improve its sustainability outlook as outlined in Scenario 2 & Scenario 3.

Council needs to consider a greater allocation of funding for renewals, either through use of its own cash and investments or through borrowings. Council also needs to consider the forecasts associated with its asset management plans (AMP's). It is expected that as Council's asset management practices improve the data underlying the AMP's will be increasingly accurate and facilitate enhanced strategic asset management planning. In reviewing the AMP's an interactive process is needed that will:

- Match renewal funding requirements against available funding in the current LTFP, and
- Revise the renewal program to match available funding in the LTFP.

In balancing renewals with available funding, the Council will need to consider service and service level impacts and be prepared to make consequential changes to the asset register to incorporate the changes to expected remaining useful lives.

Council should seek to incorporate a balanced capital renewal program arising from its asset management planning processes with the LTFP.

Changes made to the asset register will affect forecast depreciation expense. Changes made to balance renewal expenditure to available funding will affect Infrastructure WDV forecasts and associated cash flows.

Council may need to reconsider all planned new /upgrade capital expenditures for the period of the forecast and consider renewal funding as a priority, other than for those infrastructure programs that are funded from contributions received previously.

Council needs to consider the operating position and the annual cash position and seek to reduce the annual operating deficit to sustainable levels.

1.4 Long Term Financial Plan Objectives

In accordance with the Division of Local Government's Long Term Financial Plan Guidelines (2013), the objectives of the Council's LTFP are to:

- establish greater transparency and accountability of the Council to the community;
- provide an opportunity for early identification of financial issues and any likely impacts in the longer term;
- provide a mechanism to:
    - solve financial problems as a whole
    - see how various plans fit together
    - understand the impact of some decisions on other plans or strategies;
- provide a means of measuring the Council's success in implementing strategies;
- confirm that the Council can remain financially sustainable in the longer term; and
- Meet the requirements of the Division of Local Government's Integrated Planning & Reporting (IP&R) framework.

The LTFP links to the Organisation's key strategies in the following ways:

<u>Asset Management Strategy and Strategic Asset Management Plans</u> - through the capital works program figures and projected adjustments in future years, in particular;

- The Asset Management Strategy guides the planning, construction, maintenance and operation of the assets essential for the Council to provide services to the community. Funds have been allocated to achieve this in each year of the LTFP from sources such as grants, borrowings, revenue from special variations etc.
- The implementation of the Asset Management Strategy will ensure improved financial and asset management capacity within the Council.
- Asset Management Plans (AMPs) identify key expenditure priorities based on asset condition and risk.

<u>HR Strategy</u>

- Additional budget has been allocated to accommodate cost rises in the future for superannuation
- Scrutiny on employment costs will ensure the organisation tightly monitors future operational employment costs

<u>Delivery Program</u>

- Details initiatives, performance measures and resources required to deliver activities for the four years of the program.

1.5 Performance Monitoring and Review

Council has at its disposal a wide array of financial performance measures that can be used to track and measure Council's long term financial viability and financial performance. Council will utilise the financial ratios associated with the Fit for the Future (FFTF) reform process as they are the ratios being used to measure our performance and thus to effectively determine our future. The FFTF Ratios are:

1. Operating Performance Ratio

2. Own Source Revenue Ratio

3. Building and Infrastructure Asset Renewal Ratio

4. Infrastructure Backlog Ratio

5. Asset Maintenance Ratio

6. Debt Service Ratio

7. Real Operating Expenditure Per Capita

These ratios are further explained as follows:

Operating Performance Ratio	The operating performance ratio is an important measure as it provides an indication of how a Council generates revenue and allocates expenditure (e.g. asset maintenance, staffing costs). It is an indication of continued capacity to meet ongoing expenditure requirements. Ongoing operating deficits are unsustainable and they are one of the key financial sustainability challenges facing the sector as a whole. While operating deficits are acceptable over a short period, consistent deficits will not allow Councils to maintain or indeed increase their assets and services or execute their infrastructure plans. It is recommended that all Councils should be in an at least break even operating position or better, as a key component of financial sustainability. Consistent with this recommendation the benchmark for this ratio is greater than or equal to break-even over a 3-year period.
Own Source Revenue Ratio	Own source revenue measures the degree of reliance on external funding sources (e.g. grants and contributions). This ratio measures fiscal flexibility and robustness. Financial flexibility increases as the level of own-source revenue increases. It also gives councils a greater ability to manage external shocks or challenges. Councils with higher own source revenue have a greater ability to control or manage their own operating performance and financial sustainability. All Councils should aim to meet or exceed the benchmark of greater than 60 per cent of total operating revenue over a three year period.

Building & Infrastructure Asset Renewal Ratio	The building and infrastructure renewals ratio represents the replacement or refurbishment of existing assets to an equivalent capacity or performance, as opposed to the acquisition of new assets or the refurbishment of old assets that increase capacity or performance. The ratio compares the proportion spent on infrastructure asset renewals and the asset's deterioration. Performance of less than one hundred percent indicates that a Council's existing assets are deteriorating faster than they are being renewed and that potentially council's infrastructure backlog is worsening. Councils with consistent asset renewals deficits will face degradation of building and infrastructure assets over time. Given this, a ratio of greater than one hundred percent is adopted. In recognition of the fact that capital expenditures are sometimes lumpy and can be lagged, this ratio is averaged over three years.
Infrastructure Backlog Ratio	The infrastructure backlog ratio indicates the proportion of backlog against the total value of the Council's infrastructure assets. It is a measure of the extent to which asset renewal is required to maintain or improve service delivery in a sustainable way. This measures how councils are managing their infrastructure which is so critical to effective community sustainability. It is acknowledged, that the reliability of infrastructure data within NSW local government is mixed. However, as asset management practices within councils improve, it is anticipated that infrastructure reporting data reliability and quality will increase. The benchmark for this ratio is less than 2 per cent reflecting the State Government's focus on reducing infrastructure backlogs.
Asset Maintenance Ratio	The asset maintenance ratio reflects the actual asset maintenance expenditure relative to the required asset maintenance as measured by an individual council. The ratio provides a measure of the rate of asset degradation (or renewal) and therefore has a role in informing asset renewal and capital works planning. The benchmark adopted is greater than one hundred percent, which implies that asset maintenance expenditure exceeds the council identified requirements. A ratio of less than one hundred percent indicates that there may be a worsening infrastructure backlog. In recognition of the fact that capital expenditures are sometimes lumpy and can be lagged, this ratio is averaged over three years.

Real Operating Expenditure Per Capita	The capacity to secure efficiency improvements can be measured with respect to a range of factors, for example population, assets, and financial turnover. Assuming that service levels remain constant, decline in real expenditure per capita indicates efficiency improvements (i.e. the same level of output per capita is achieved with reduced expenditure). It is acknowledged that efficiency and service levels are impacted by a broad range of factors, and that it is unreasonable to establish an absolute benchmark across Councils. It is also acknowledged that council service levels are likely to change for a variety of reasons however, it is important that councils prioritise or set service levels in conjunction with their community. Councils will be assessed on a joint consideration of the direction and magnitude of their improvement or deterioration in real expenditure per capita. Given that efficiency improvements require some time for the results to be fully achieved and as a result, this analysis will be based on a 5-year trend.

The financial projections associated with the LTFP will be reviewed at least annually and whenever a major adjustment is made to the agreed budget.

1.6 Planning Assumptions

Under the LTFP the Council sets out the approach it has developed as part of the Fit for the Future (FFTF) reform process to improve its ongoing financial sustainability. This will assist it to be in a better position to accommodate asset renewal needs as these fall due.

The key strategies under the LTFP are:

- Rates - A Special Rate Variation (SRV) incorporated into Scenario 3 of 4% above the rate peg introduced in 2015-16 (6.4%) and continued in 2016-17 (7%), 2017-18 (7%) and 2018-19 (7%). Thereafter the forecast rate increases return to the assumed rate peg of 2.5%.

- Operating Grants - An increase of $1,500,000 in 2018 in the Financial Assistance Grant (FAG) allocation to improve support for disability in Rural Council areas.

- Salaries & Wages – An ongoing reduction of $70,000 in Salaries & Wages expenses forecast in 2017 & 2018 from anticipated staff retirements.

- Materials & Contracts – An ongoing reduction of $60,000 in the cost of the plant & vehicle fleet costs in 2017.
  An ongoing reduction of $30,000 in 2017 represents a reduction in operating costs of health assets as Council seeks full funding or alternate service delivery models for health services.
  An ongoing reduction of $180,000 in procurement costs being anticipated savings as Council matures it procurement model towards best practice.
  An ongoing reduction of $100,000 targeted from bulk purchasing and resource sharing arrangements was established as part of the FFTF reform process.

- Depreciation - A revaluation of Infrastructure assets taking into account current asset performance is expected to reduce depreciation based on the extension of asset useful lives, adoption of proper componentisation and residual value where appropriate. Council is also reviewing the inclusion of Rural Fire Service Assets given the substance of the current arrangement entails a maintenance agreement and thus these assets are deemed to be under Council control. Initial forecasts indicate this could be in excess of a 30% reduction in annual depreciation. A further note on the assumptions underpinning the depreciation reductions is contained within A5 Attachment – Assumptions.

- Other – A reduction of $45,000 in 2017 as a direct result of a planned reduction in Councillors to 5.

By following the above strategies and ensuring that services are not expanded without corresponding revenue increases, by 2024-2025 the Council will be in a much stronger financial position.

1.7 Policy Assumptions

As with economic trends, the impact of political trends is extremely hard to measure. Council has assumed that the current political risks that Council faces include:

- Risk relating to grants and contributions from State and Federal government;
- Pressure on local Councils to amalgamate or share services;
- Increased federal and state pressure for local governments to provide increased services without commensurate financial support (cost shifting).

The main measurable impact of these trends on Council's financial position relates to the risk around Federal and State support. As Council receives roughly 65% (2014 figures, - 55% from 2015 onwards) from grants and contributions it faces significant revenue risk due to this heavy reliance on support from other levels of government.

For the purpose of this plan, it has been assumed that there will be no amalgamations that affect Weddin Shire Council within the next ten years and that the level of service sharing can't be estimated, nor can the potential financial impact that this would entail.

Although there may be a trend towards the responsibility for the provision of certain services being passed down to local government, Council is currently unable to predict what responsibilities would be transferred to Council, nor the financial impact of such transfers and has therefore not addressed this issue in the LTFP.

Rate Pegging

The Minister for Local Government regulates the growth of annual rates revenue through 'Rate Pegging'. Rate pegging determines the maximum amount by which Councils can increase their annual rates income. This limit applies to Council's total rates base, and individual rates may increase above the limit. Commencing from the 2011/12 financial year, responsibility for determining the annual rate peg has been delegated to the Independent Pricing and Regulatory Tribunal (IPART). Under this framework, a new local government cost index has been established by IPART and this index, less a productivity coefficient, forms the basis for the rate peg each year.

The projections in the LTFP assume a rate peg of 2.4% for the 2015/16 financial year and later years (Source: 2015/16 Rate Peg Local Government Fact Sheet December 2014).

A policy framework is necessary to help guide the development of Council budgeting and long term financial planning. Future resource use and decision making by the Council can be guided by the structure provided in the policy framework. Council's Long Term Financial Plan has been drafted to comply with the following policies:

Certain policy assumptions have been applied in creating the scenarios.

Debt	All Scenarios have assumed that the projected capital works program will be partly funded by loans and new borrowings will continue to have a 20-year repayment term. This has been the case in recent years.
Employment	All scenarios have assumed the employment establishment will not be constrained except as a direct result of reduced service levels.

Service Levels	The Scenarios include budget constraints that may impact service levels. The FFTF process has forced Council to review non-core service provisions and the way in which service provisions generally are delivered.
Special Variations	Scenario 3 includes allowance for a special rate variation
Maintenance	An assumption has been made that asset maintenance will continue at the current level despite the fact that some service provisions may be reviewed resulting in a reduced maintenance requirement.
Grant Income	Only recurring Grant Income has been included with the exception of an increased Financial Assistance Grant (FAG) allocation anticipated for Rural Councils.

1.8 Financial Management Strategies

The emphasis on asset management planning in local government arises as a result of the reliance that councils have on infrastructure to deliver services and support communities, particularly through the road and bridges network but also through community buildings, water and sewerage networks and stormwater management systems. This emphasis, combined with the broad range of estimates and assumptions associated with valuing and depreciating infrastructure, means that asset management planning practices and financial projections for renewal, maintenance and operations expenditures are critical to understanding and managing the financial position of any council.

Financial sustainability for a council means being able to manage likely developments and unexpected shocks in future periods without having to introduce substantial and economically significant or socially destabilising income or expenditure adjustments.

Expressed a different way, the decisions made by Council must ensure that the needs of the present generation are met without compromising the ability of future generations to meet their own needs[1].

The financial sustainability evaluation of a local government is undertaken with reference to a properly developed and complete long term financial plan. The financial plan should:

- be based on the achievement of projected performance against carefully developed financial sustainability targets
- fully accommodate in quantum and timing all expenditures as included in the asset management plans for the council’s infrastructure assets
- Include a sensitivity analysis highlighting key factors or assumptions most likely to impact on the achievement of plans’ financial targets.

Financial sustainability indicators are used to support the analysis of a council’s long term financial plan.

Evaluations based on the use of the ratios seek to identify whether the infrastructure assets of the council are being maintained whilst the council remains financially viable in the long term (operating surplus) and retains financial capacity to manage risks and unexpected events.

In balancing renewals with available funding, the Council will need to consider service and service level impacts and be prepared to make consequential changes to the asset register to incorporate the changes to expected remaining useful lives.

Council should seek to incorporate a balanced capital renewal program arising from its asset management planning processes within the LTFP.

Changes made to the asset register will affect forecast depreciation expense. Changes made to balance renewal expenditure to available funding will affect Infrastructure written down value (WDV) forecasts and associated cash flows.
Council may need to reconsider all planned new/upgrade capital expenditures for the period of the forecast and consider renewal funding as a priority, other than for those infrastructure programs that are funded from tied contributions received previously.

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[1]Drawn from Brundtland Commission report “Our Common Future” 1987.

Council needs to consider the operating position and the annual cash position and seek to reduce the annual operating deficit to sustainable levels. A focus on the asset register and depreciation expense will be beneficial in this regard.

1.9 Risk Analysis

The Long Term Financial Plan assumptions have been tested through a risk assessment process. Issues considered include:

- The accuracy of projected estimates of expenditure;
- The certainty of revenue streams;
- Scenarios that could impact revenue and expenditures;
- The reliability of investment returns and borrowing costs.

The Council has considered a variety of options and alternatives and has chosen the option that is most likely to succeed whilst being able to manage current and emerging risks.

1.10 Sensitivity Analysis

The preferred strategy (Scenario 3) is sensitive to three primary elements:

1. A Special Rate Variation of 4% above the rate peg was introduced in 2015-16 (6.4%) and continued in 2016-17 (7%), 2017-18 (7%) and 2018-19 (7%). Thereafter the forecast rate increases return to the assumed rate peg of 2.5%. Council currently has an SRV application before IPART for assessment.

2. An ongoing increase in the allocation of the Financial Assistance Grant totaling $1.5 million was introduced in 2018. Anecdotal evidence is that there is an appetite for an adjustment to the distribution of the FAG Grant in acknowledgement of the unfunded externalities in agricultural and mining production borne inequitably by Rural Councils.

3. A reduction in operating expenditure achieved via the identified FFTF strategies. It must be noted that as part of the FFTF reform process Council has also identified numerous visionary strategies to achieve cost reductions and/or additional income. Whilst some of these visionary strategies may be considered challenging to implement achievement of any of these strategies would further enhance Council's financial sustainability.

2 Summary of Planning Scenarios

Under this LTFP, a number of scenarios have been modelled to assist the Council in developing the best plan to meet community requirements and expectations as well as the requirements of the FFTF reform process. In summary, these scenarios are:

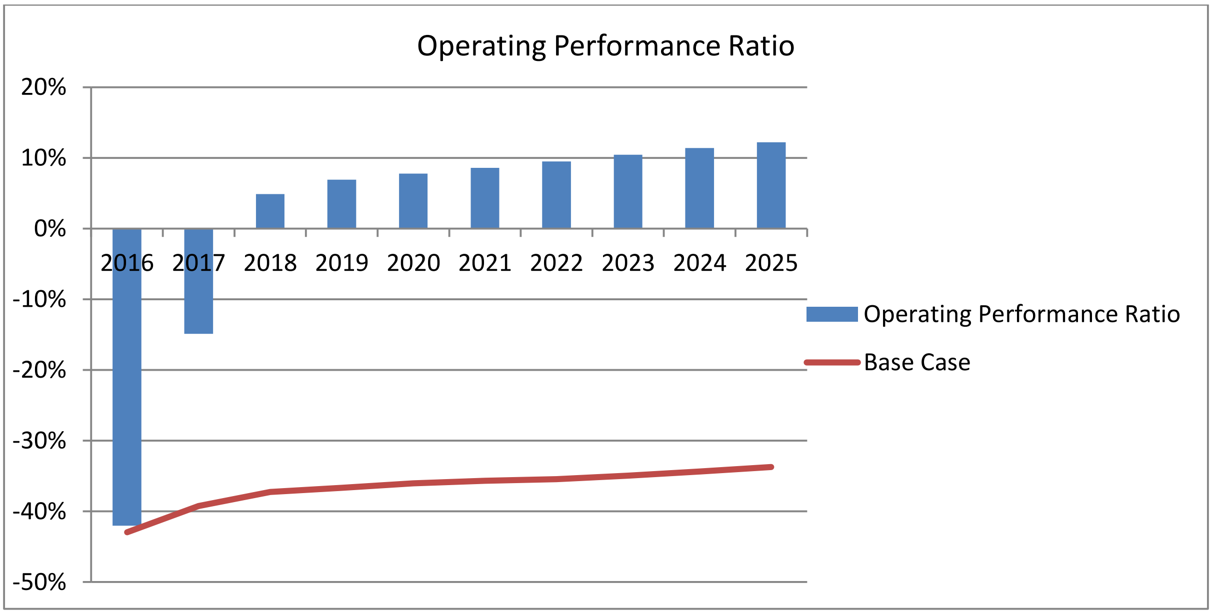
1. **Base Scenario (Scenario 1)** – identifies the current position and outlook from maintaining "business as usual" policy settings
2. **Achievable FFTF Scenario No SRV (Scenario 2)** – Incorporates the achievable FFTF strategies identified by Council however excludes an SRV.
3. **Achievable FFTF Scenario including SRV (Scenario 3)** – Incorporates the achievable FFTF strategies and an SRV.

Each of these positions is outlined in the following sections of this Long Term Financial Plan.

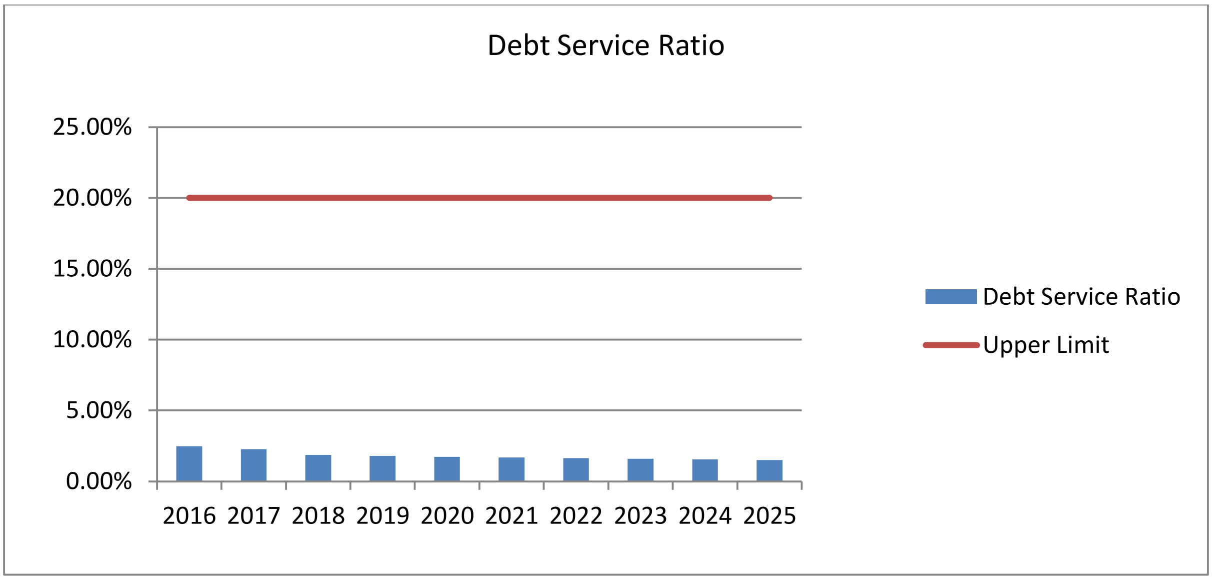
Preferred Strategy

The preferred scenario is Scenario 3, which provides a number of strategies for the Council to achieve a sustainable financial position.

Financial Sustainability Evaluation – Preferred Strategy – Scenario 3



The additional revenue and cost reductions result in Council moving to a breakeven position over the forecast period.



The Council remains in a solid position to borrow additional funds as needed with the Debt Service Ratio within the upper limit at all times within the forecast period. The move to funding capital expenditure with debt is a significant strategic change in a Council which has traditionally been debt-averse. Council is conscious of being able to meet debt servicing costs and accordingly the levels of borrowing will be managed closely.

On the basis of Scenario 3, Council would be regarded as being in a financially sustainable position enabling it to maintain its asset base and consequently meet its ongoing service provision requirements in accordance with community expectations

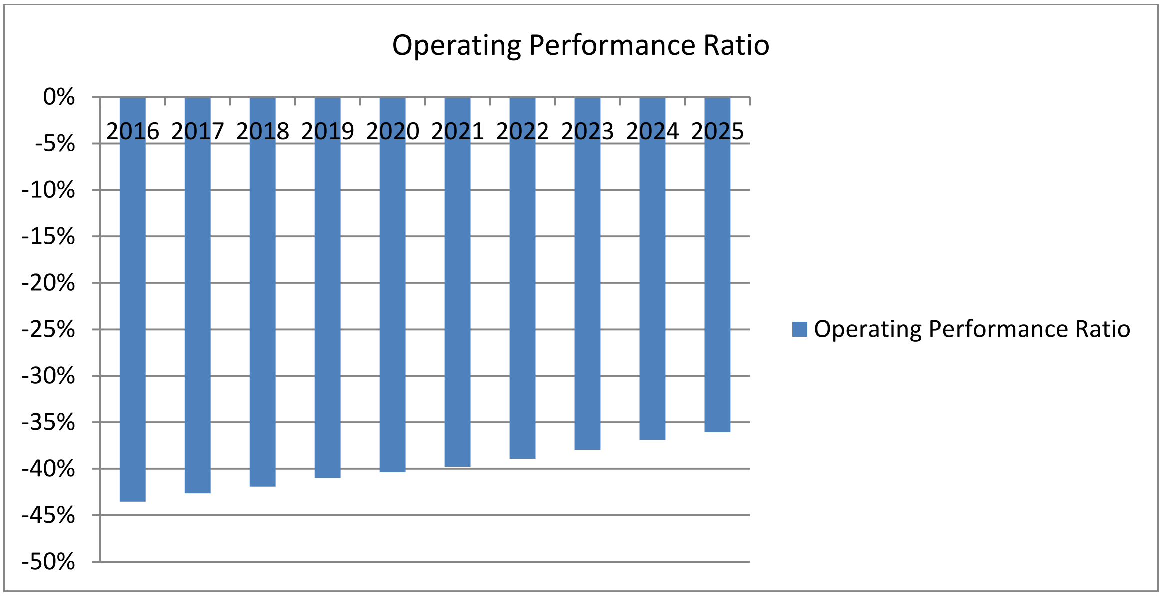
3 MODEL - Base Scenario/Current Position (Scenario 1)

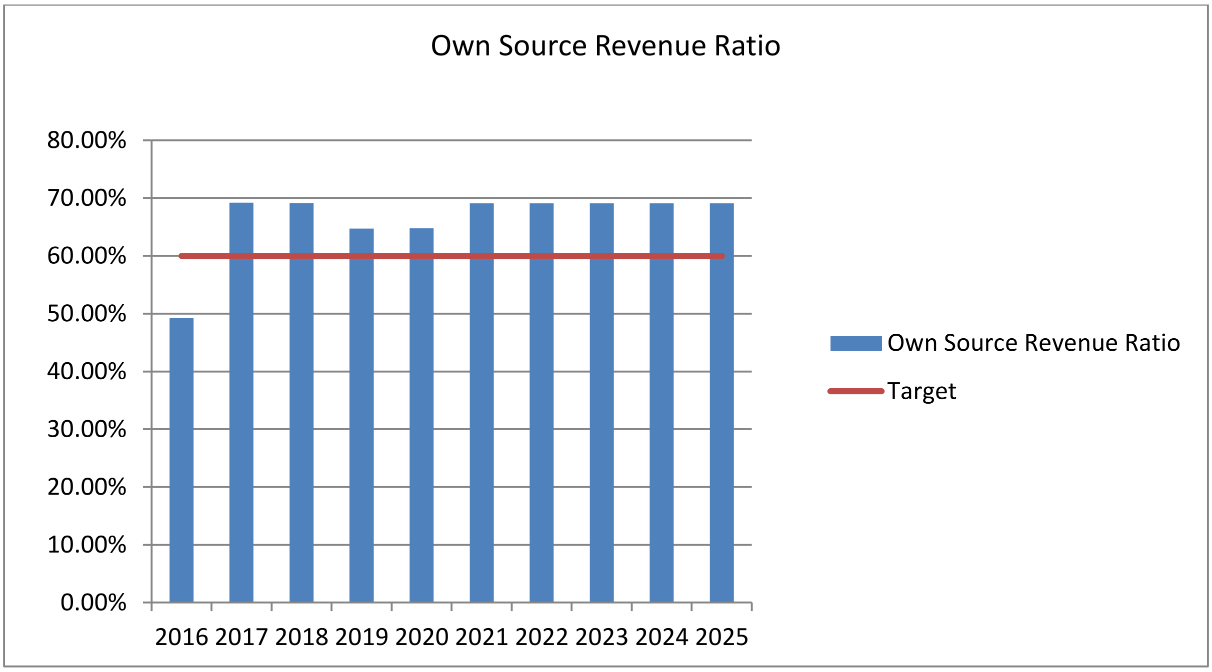
BASE CASE ASSUMPTIONS - Summary

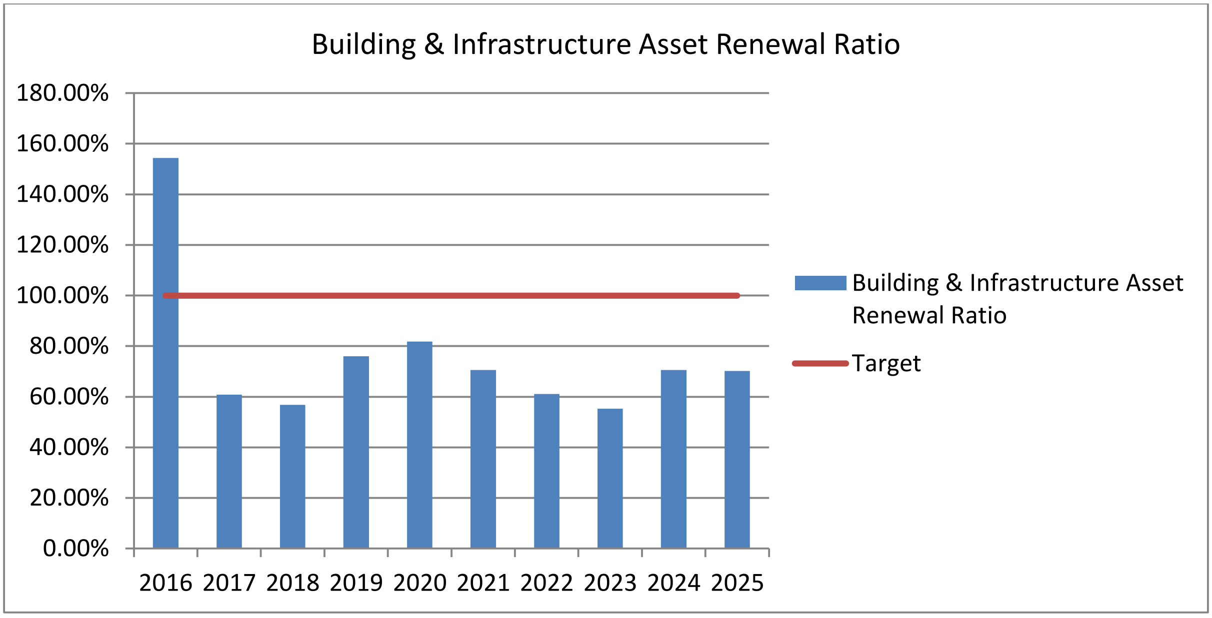
The starting point for the analysis of strategic options available is the Base Case which sets out Council's current position and highlights the challenges ahead. The Base Case is the business as usual approach with no changes factored in.

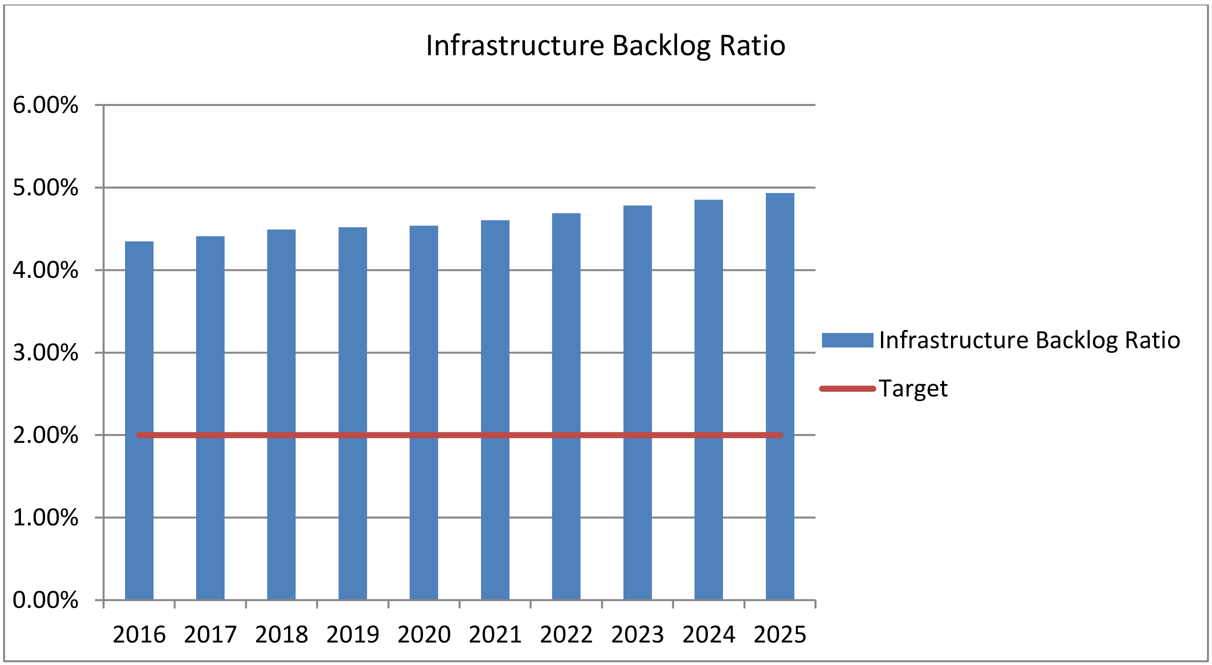
Assumption percentages have been applied to all projection years. The percentages are an indication of the change in value on average over the ten-year period, including CPI, and have been determined based on historical trends and external indicators.

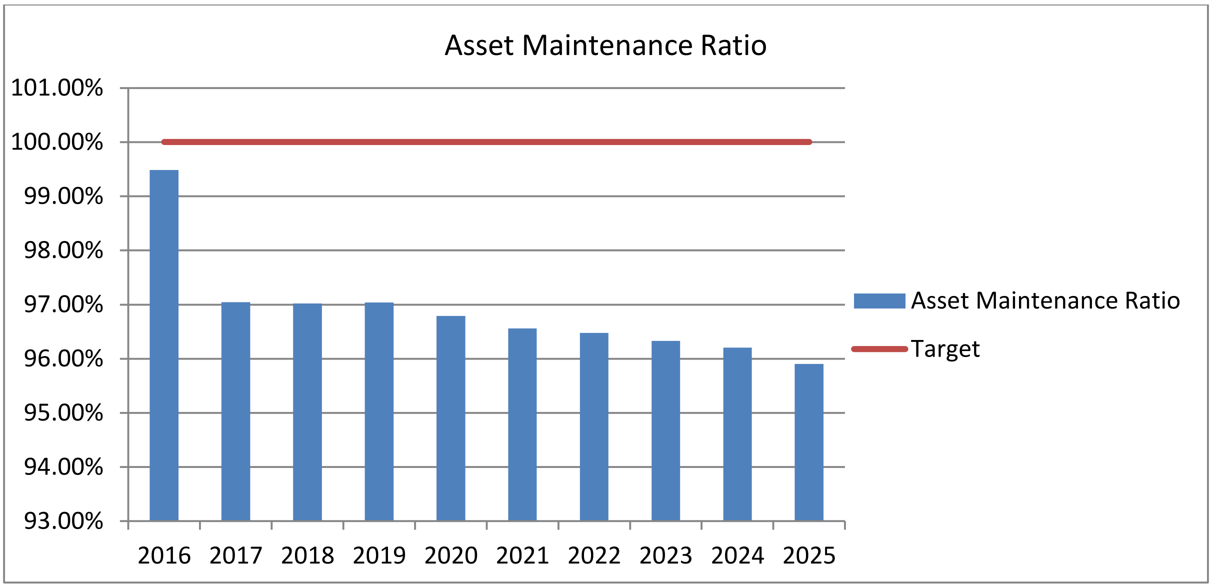
INCOME	
Rates	2.4% in 2015-16 in accordance with the rate peg, 3% thereafter being the assumed rate peg
Charges	2.5%
Grants – Operating Purposes	2.5%
Grants – Capital Purposes	2.5%
Investment Income	2.5%
Net Gain from Disposal of Assets	Nil expected
Other	2.5%
EXPENSES	
Salaries & Wages	2.5%
Materials & Contracts	2.5%
Depreciation	Based on current asset management plan data
Borrowings Costs	Based on current loan projections - 5%pa over 20 year term
Net Loss from Disposal of Assets	Nil Expected
Other	2.5%

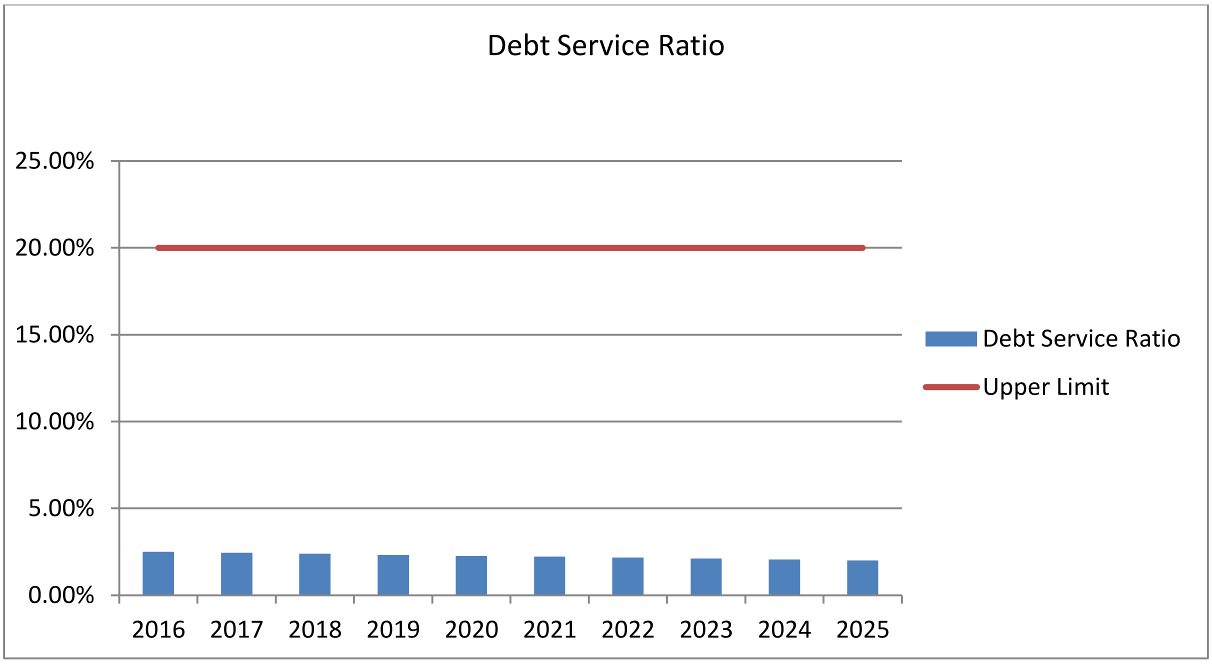

Operating Performance Ratio
0%
-5%
-10%
-15%
-20%
-25%
-30%
-35%
-40%
-45%
-50%
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
Operating Performance Ratio

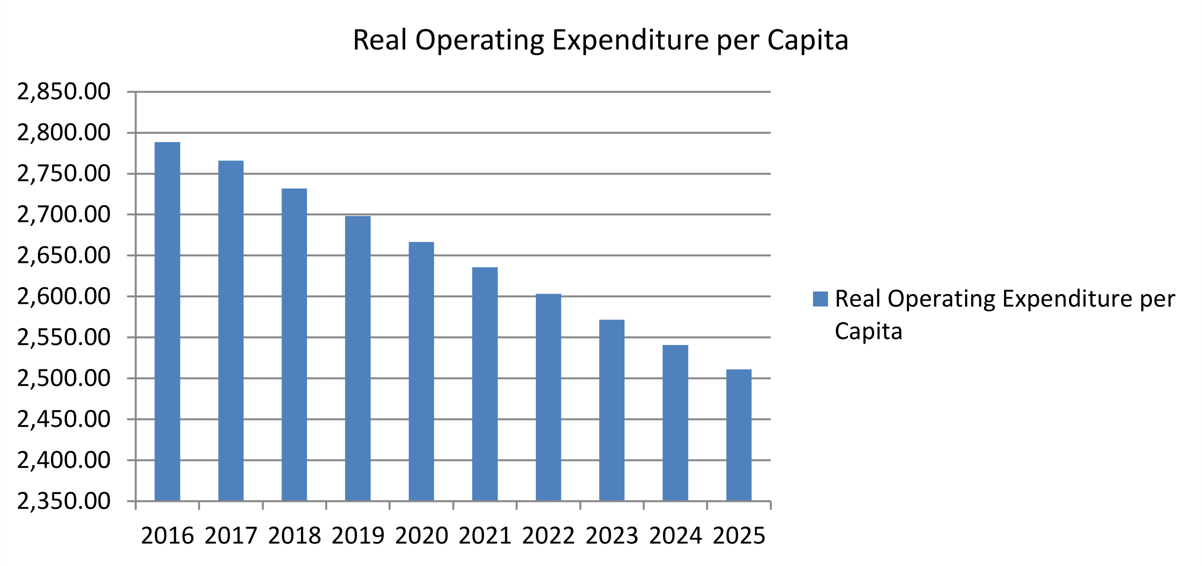

Own Source Revenue Ratio
80.00%
70.00%
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
Own Source Revenue Ratio
Target


Building & Infrastructure Asset Renewal Ratio
180.00%
160.00%
140.00%
120.00%
100.00%
80.00%
60.00%
40.00%
20.00%
0.00%
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
Building & Infrastructure Asset Renewal Ratio
Target


Infrastructure Backlog Ratio
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
Infrastructure Backlog Ratio
Target


Asset Maintenance Ratio
101.00%
100.00%
99.00%
98.00%
97.00%
96.00%
95.00%
94.00%
93.00%
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
Asset Maintenance Ratio
Target


Debt Service Ratio
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
Debt Service Ratio
Upper Limit

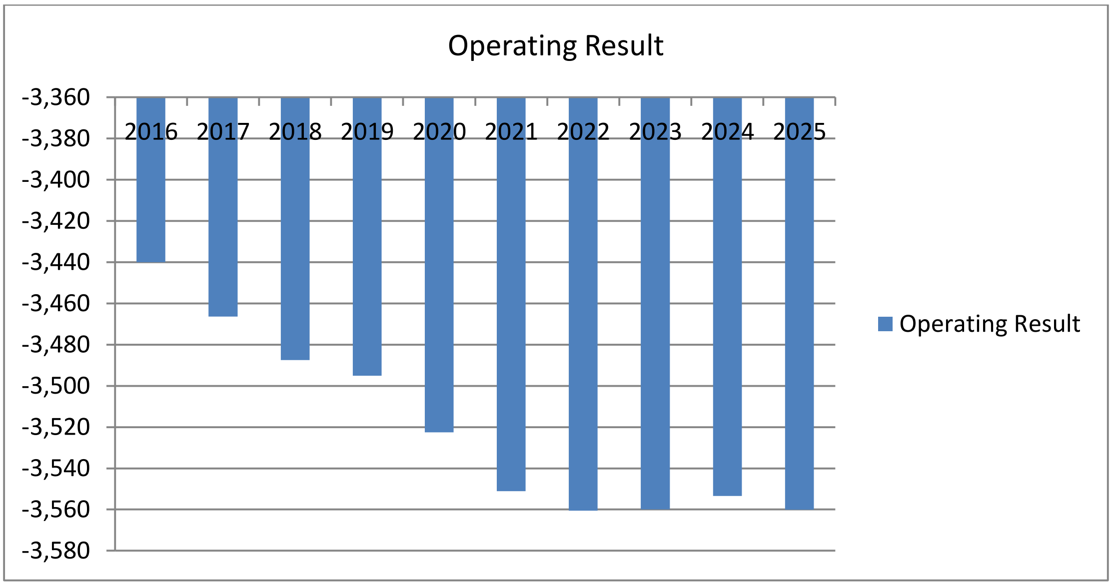


Financial Sustainability Ratios – Base Case

Operating Performance Ratio	Remains negative throughout the forecast period. An average ratio of -39.91% over the ten-year forecast highlights the need for change. Ongoing operating deficits are unsustainable and will not allow Council to maintain its asset base over the long term.
Own Source Revenue Ratio	With the inclusion of the Financial Assistance Grant (FAG) as allowed for Rural Council this ratio exceeds the 60% benchmark throughout the forecast period with an average of 66.25%. Excluding the FAG sees the ratio drop below the benchmark to a 10-year average of 44.08% with the final year ratio of 46.00% equal to the target benchmark. Given the unique 'Rural Council' characteristics with which Council is faced it will always be reliant on external funding sources.
Building & Infrastructure Asset Renewal Ratio	This ratio does not meet the target benchmark of 100%. Asset renewal is a challenge that Council needs to address. Council is looking to undertake several strategies to improve its asset management performance as part of the Fit for the Future reform process. It is also expected that as Council's asset management practices improve the data underlying this ratio will be increasingly accurate and facilitate enhanced strategic asset management planning.
Infrastructure Backlog Ratio	This ratio does not meet the target benchmark of 2%. The ratio is also trending slightly negatively starting at 4.35% in 2016 and ending at 4.93% in 2025. Despite this negative trend the challenge in front of Council to bring this ratio under the target benchmark of 2% is not unachievable. Council is looking to undertake several strategies to improve its asset management performance as part of the Fit for the Future reform process. It is also expected that as Council's asset management practices improve the data underlying this ratio will be increasingly accurate and facilitate enhanced strategic asset management planning.

Asset Maintenance Ratio	This ratio does not meet the target benchmark of 100% averaging 96.89% over the forecast period and ending at 95.90% in 2025. However, as with some of the other asset management challenges closing of the asset maintenance gap and achieving the 100% target benchmark is not unachievable. It would only require an additional $62,000 to be spent on asset maintenance per year on average over the forecast period to meet the shortfall and achieve the benchmark. Strategies Council is looking to implement to improve its asset management performance as part of the Fit for the Future reform process will have an impact on this ratio. It is also expected that as Council's asset management practices improve the data underlying this ratio will be increasingly accurate and facilitate enhanced strategic asset management planning.
Debt Service Ratio	This ratio remains within the upper limit throughout the forecast period which indicates Council has the capacity to increase borrowings to address some of the asset management challenges with which it is faced. Council is however conscious of improving the operating position to ensure debt servicing requirements can be met.
Real Operating Expenditure Per Capita	The positive trend in this ratio shows a decline in real operating expenditure per capita over the forecast period which indicates some efficiency gains over the forecast period.

BASE CASE - OPERATING DEFICITS



The projected cumulative operating deficit (excluding capital revenues) for the base case for the period 2015-16 to 2024-25 is **($38.4) M.** The council remains in deficit over the entire projected period. The operating deficit results in a deficit of ($3,560,000) for the final year 2024-25.

Other Scenarios

The remaining two scenarios are based on improving weaknesses in the Base Case. Adjustments have been made to show the impact on the Council from the adoption of revised financial management and asset management strategies.

These are discussed in the following sections.

4 MODEL – ACHIEVABLE FFTF SCENARIO NO SRV (Scenario 2)

ACHIEVABLE FFTF SCENARIO NO SRV ASSUMPTIONS - Summary

The Achievable FFTF Scenario No SRV (Scenario 2) includes a number of strategies to reduce the operating deficit and manage community expectations over the course of the LTFP as follows:

- Rates - No special rate variations (SRV) are incorporated into Scenario 2.

- Operating Grants - An increase of $1,500,000 in 2018 in the Financial Assistance Grant (FAG) allocation to improve support for disability in Rural Council areas.

- Salaries & Wages – An ongoing reduction of $70,000 in Salaries & Wages expenses forecast in 2017 & 2018 from anticipated staff retirements.

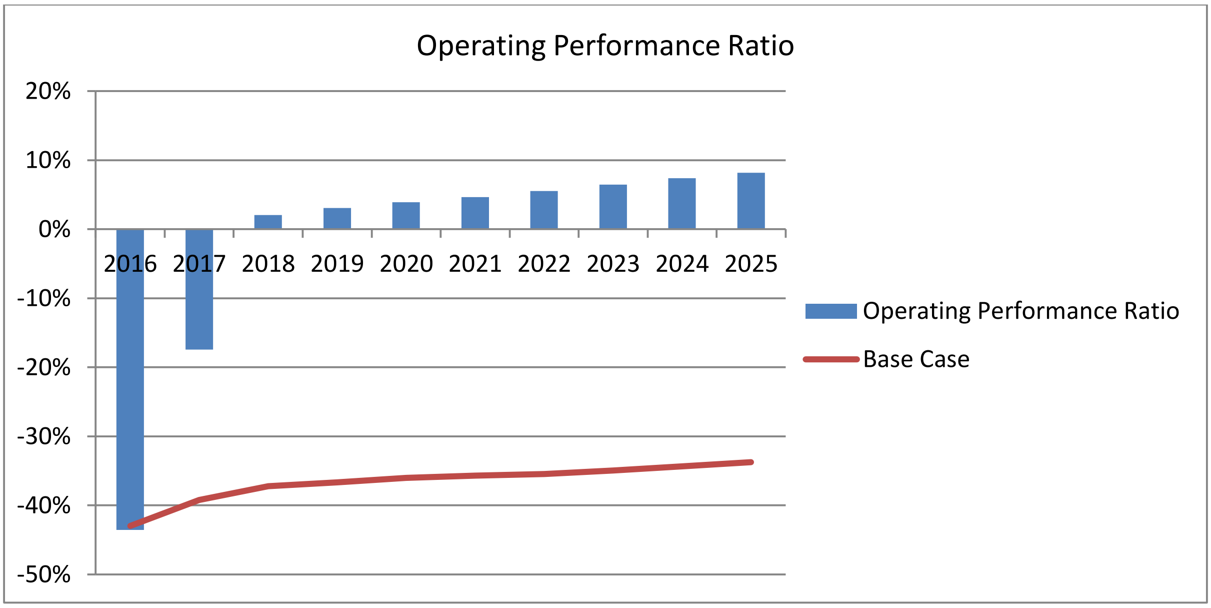
- Materials & Contracts – An ongoing reduction of $60,000 in the cost of the plant & vehicle fleet costs in 2017.
  An ongoing reduction of $30,000 in 2017 represents a reduction in operating costs of health assets as Council seeks full funding or alternate service delivery models for health services.
  An ongoing reduction of $180,000 in procurement costs being anticipated savings as Council matures it procurement model towards best practice.
  An ongoing reduction of $100,000 targeted from bulk purchasing and resource sharing arrangements was established as part of the FFTF reform process.

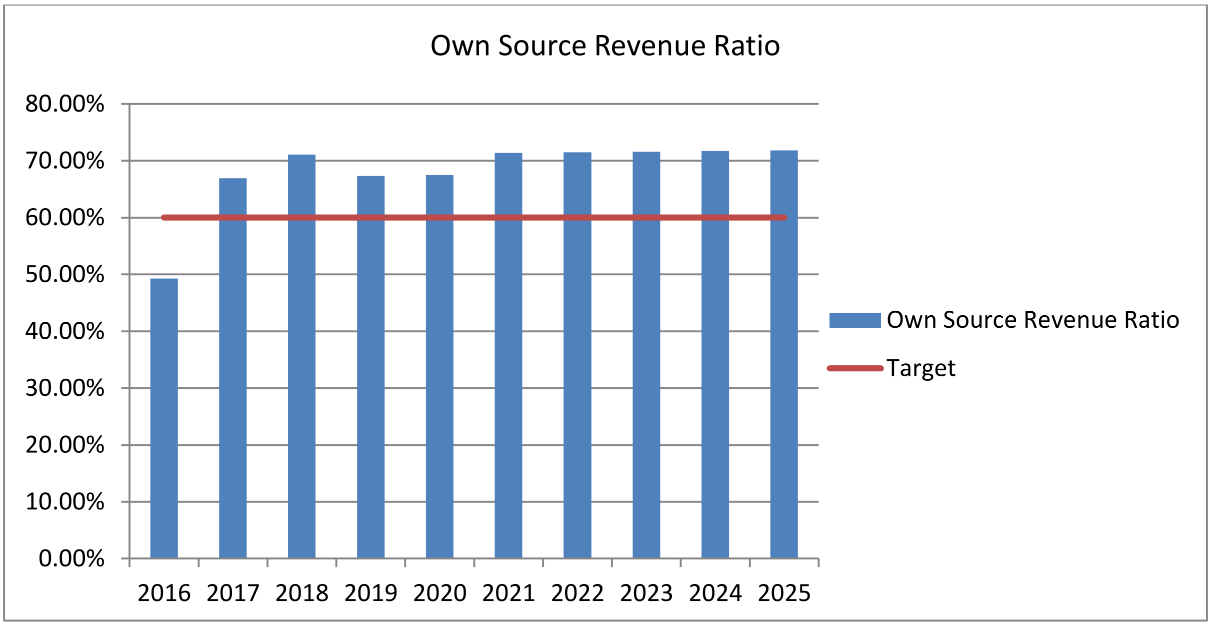
- Depreciation - A revaluation of Infrastructure assets taking into account current asset performance is expected to reduce depreciation based on the extension of asset useful lives, adoption of proper componentisation and residual value where appropriate. Council is also reviewing the inclusion of Rural Fire Service Assets given the substance of the current arrangement entails a maintenance agreement and thus these assets are deemed to be under Council control. Initial forecasts indicate this could be in excess of a 30% reduction in annual depreciation. A further note on the assumptions underpinning the depreciation reductions is contained within A4 Attachment – Assumptions for Depreciation Reduction.

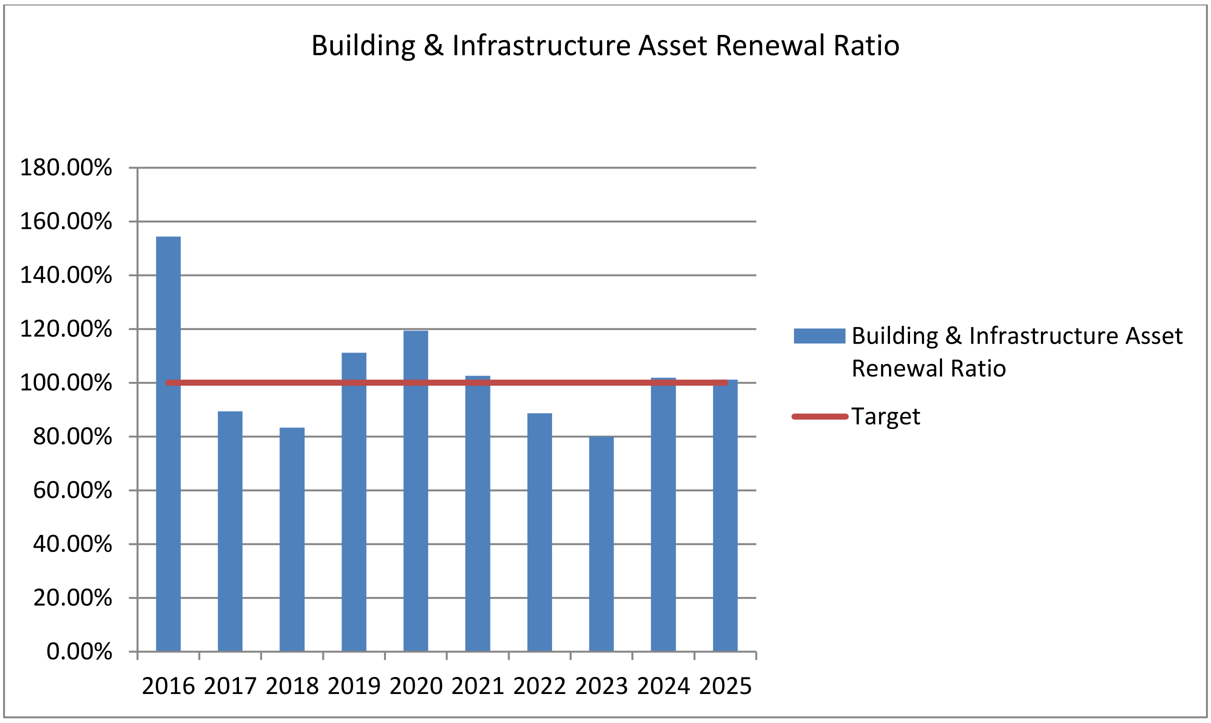
- Other – A reduction of $45,000 in 2017 as a direct result of a planned reduction in Councillors to 5.

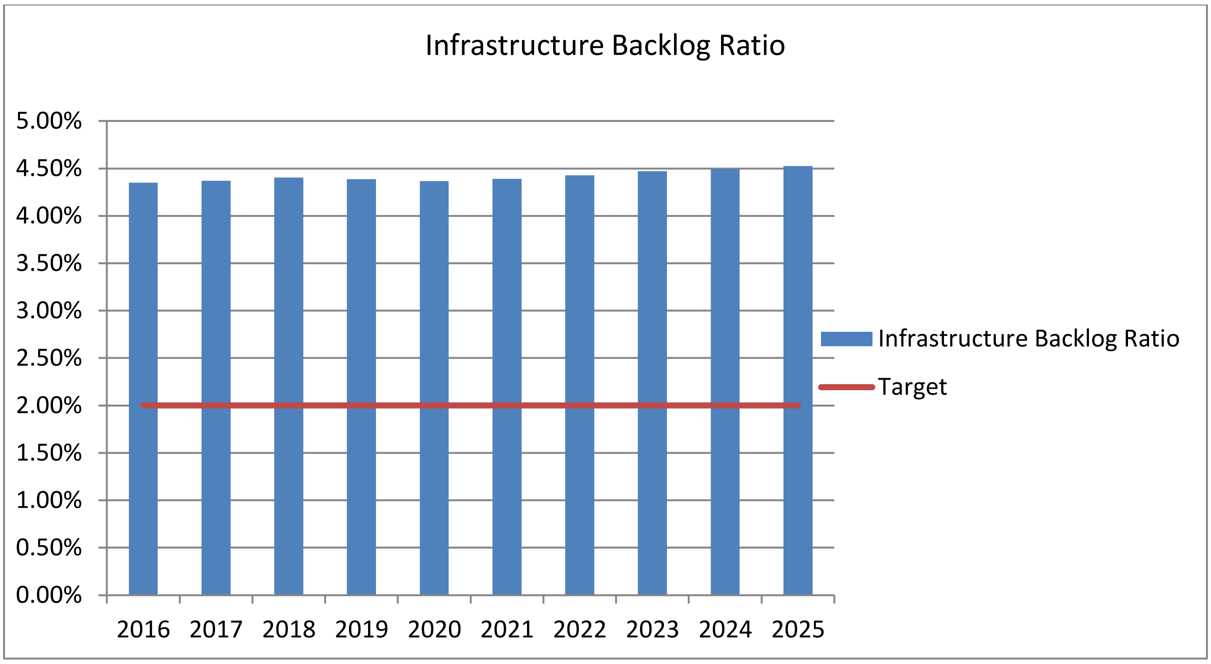
Assumption percentages have been applied to all projection years. The percentages are an indication of the change in value on average over the ten-year period, including CPI, and have been determined based on historical trends and external indicators.

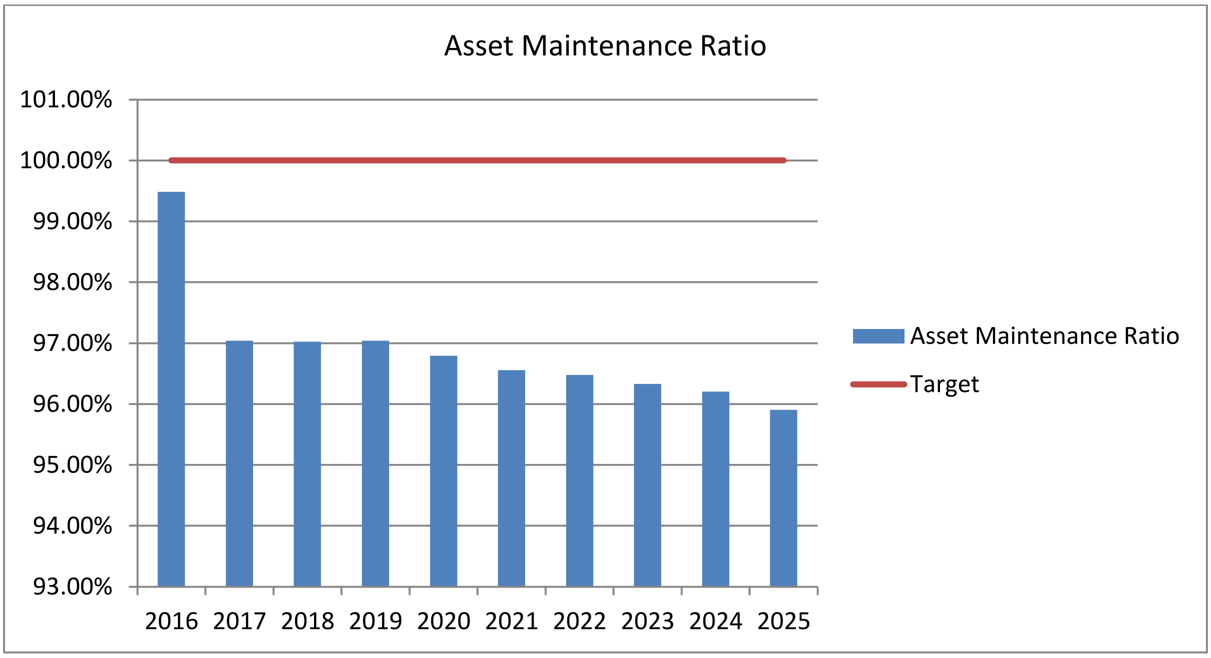
INCOME	
Rates	2.4% in 2015-16 in accordance with the rate peg, 3% thereafter being the assumed rate peg
Charges	2.5%
Grants – Operating Purposes	2.5%
Grants – Capital Purposes	2.5%
Investment Income	2.5%
Net Gain from Disposal of Assets	Nil expected
Other	2.5%
EXPENSES	
Salaries & Wages	2.5%
Materials & Contracts	2.5%
Depreciation	Based on current asset management plan data
Borrowings Costs	Based on current loan projections - 5%pa over 20 year term
Net Loss from Disposal of Assets	Nil Expected
Other	2.5%

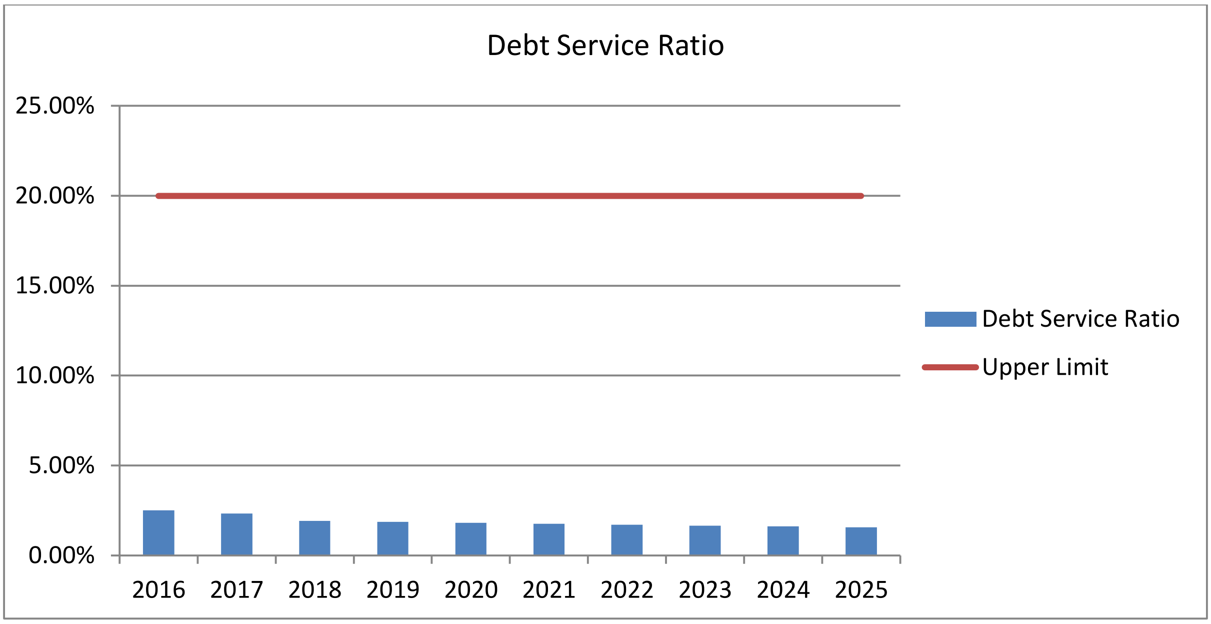


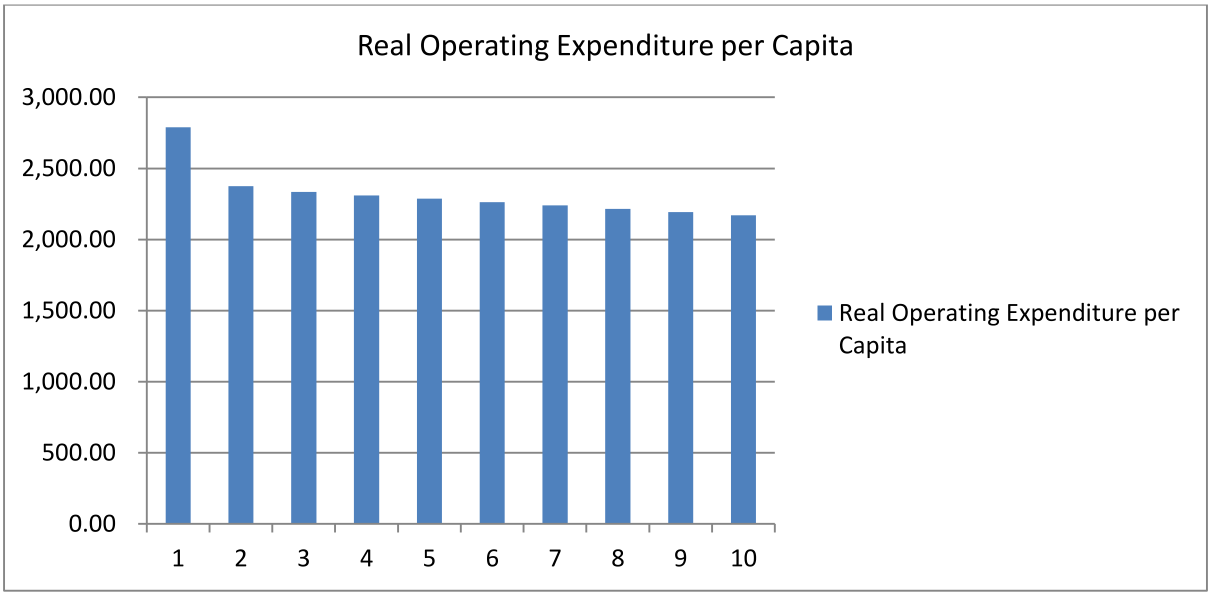

Own Source Revenue Ratio
80.00%
70.00%
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
Own Source Revenue Ratio
Target


Building & Infrastructure Asset Renewal Ratio
180.00%
160.00%
140.00%
120.00%
100.00%
80.00%
60.00%
40.00%
20.00%
0.00%
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
Building & Infrastructure Asset Renewal Ratio
Target


Infrastructure Backlog Ratio
5.00%
4.50%
4.00%
3.50%
3.00%
2.50%
2.00%
1.50%
1.00%
0.50%
0.00%
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
Infrastructure Backlog Ratio
Target


Asset Maintenance Ratio
101.00%
100.00%
99.00%
98.00%
97.00%
96.00%
95.00%
94.00%
93.00%
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
Asset Maintenance Ratio
Target

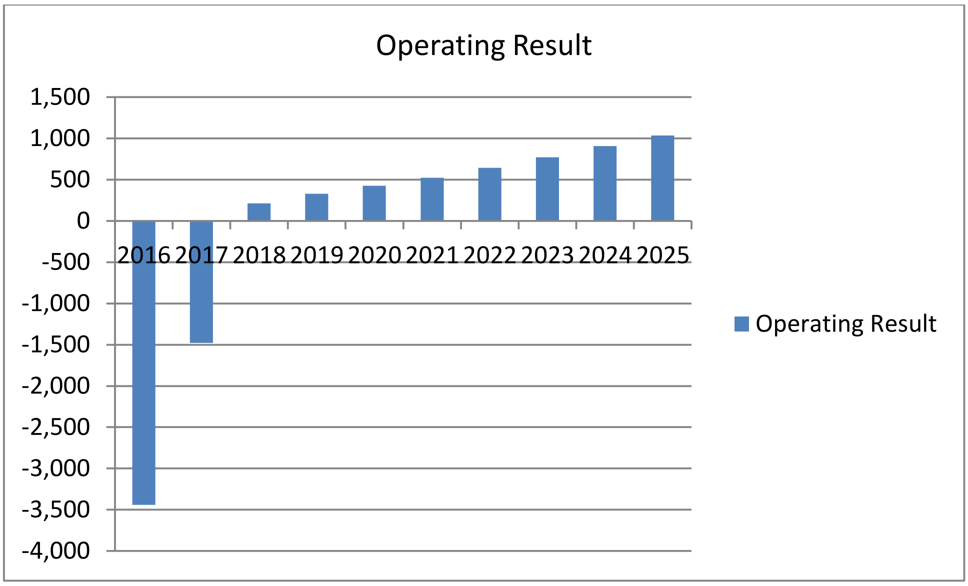




Operating Performance Ratio	This ratio is a key indicator of financial sustainability. The strategies implemented as part of the FFTF reform process see the ratio return to a greater than breakeven position in 2018 exceeding the target benchmark at this time and for all subsequent years.
Own Source Revenue Ratio	As with the base scenario including FAG sees the 60% benchmark exceeded with a 10-year average of approximately 68%. However, if the FAG is excluded the 10-year average drops to 39.82% which is under the target benchmark. The reality is that Weddin Shire as a 'Rural Council' will always be reliant on external funding for its financial sustainability.

Building & Infrastructure Asset Renewal Ratio	This ratio fluctuates above and below the target benchmark over the forecast period exceeding the benchmark in 5 of the 10 years. Council is looking to undertake several strategies to improve its asset management performance as part of the Fit for the Future reform process. It is also expected that as Council's asset management practices improve the data underlying this ratio will be increasingly accurate and facilitate enhanced strategic asset management planning. As the operating position improves and Council builds a surplus, additional Asset maintenance and renewal expenditure is achievable which will have a positive impact on the Asset Management ratios. Additional expenditure on these items has not been factored into the current modelling however this will be reviewed as part of the asset management improvement process.
Infrastructure Backlog Ratio	The infrastructure backlog ratio does not meet the target benchmark of 2% but sits at a relatively consistent 4 – 4.5% over the 10-year forecast. It is expected that as Council's asset management practices improve the data underlying this ratio will be increasingly accurate and facilitate enhanced strategic asset management planning. As the operating position improves and Council builds a surplus, additional Asset maintenance and renewal expenditure is achievable which will have a positive impact on the Asset Management ratios. Additional expenditure on these items has not been factored into the current modelling however this will be reviewed as part of the asset management improvement process.
Asset Maintenance Ratio	This ratio does not meet the benchmark however closing the gap and exceeding the benchmark is not unachievable. It is expected that as Council's asset management practices improve the data underlying this ratio will be increasingly accurate and facilitate enhanced strategic asset management planning. As the operating position improves and Council builds a surplus, additional Asset maintenance and renewal expenditure is achievable which will have a positive impact on the Asset Management ratios. Additional expenditure on these items has not been factored into the current modelling however this will be reviewed as part of the asset management improvement process.
Debt Service Ratio	This ratio remains within the upper limit throughout the forecast period which indicates Council has the capacity to increase borrowings to address some of the asset management challenges with which it is faced. Council is however conscious of improving the operating position to ensure debt servicing requirements can be met.
Real Operating Expenditure Per Capita	The positive trend in this ratio shows a decline in real operating expenditure per capita over the forecast period which indicates some efficiency gains over the forecast period.

SCENARIO 2 - OPERATING RESULT



Compared to the base case there is an improvement in the operating result with an operating surplus achieved in 2018 and for all subsequent years. The forecast operating surplus in 2024-25 is a healthy $1,035,000. The projected cumulative operating deficit (excluding capital revenues) for Scenario 2 for the projection years is (**$3.3) M.**

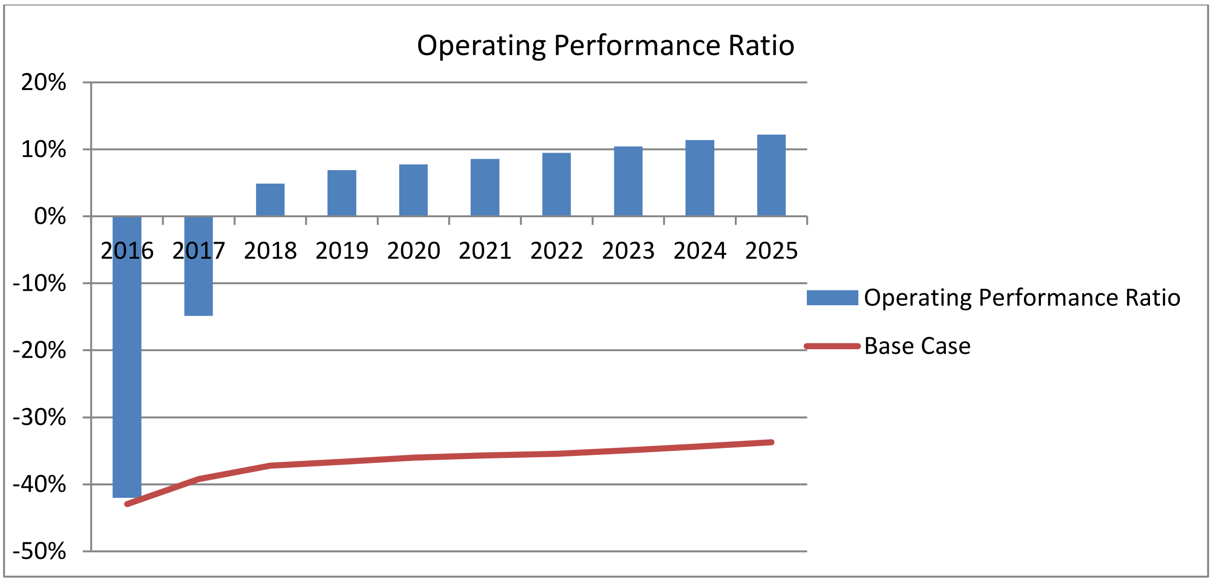
5 MODEL – ACHIEVABLE FFTF SCENARIO INCLUDING SRV (Scenario 3)

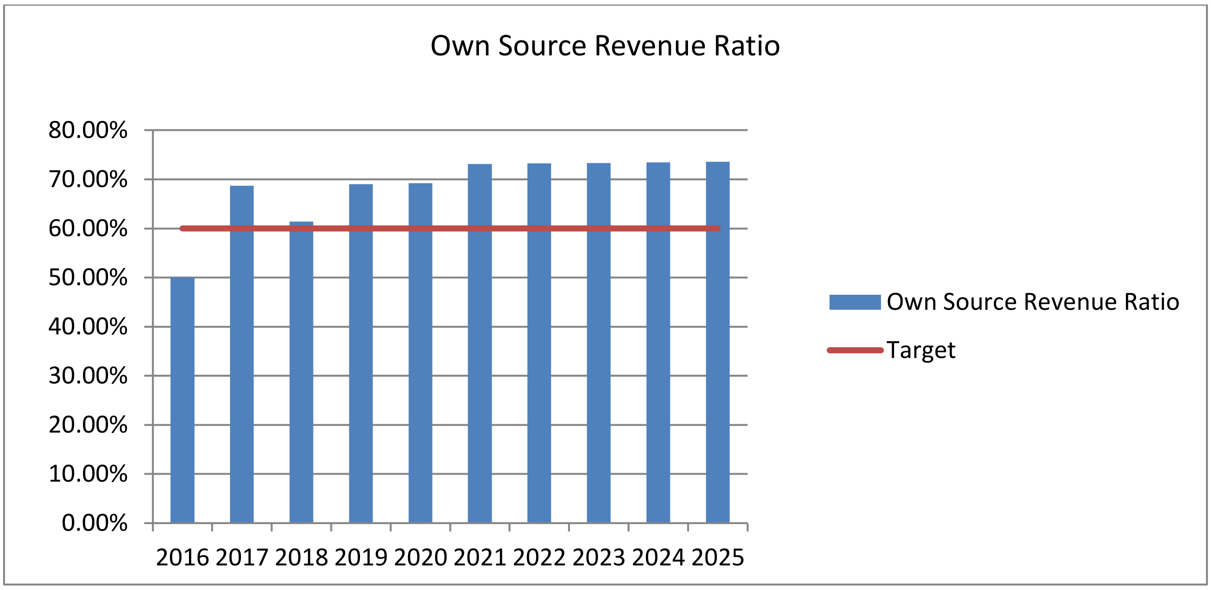
ACHIEVABLE FFTF SCENARIO INCLUDING SRV ASSUMPTIONS – Summary

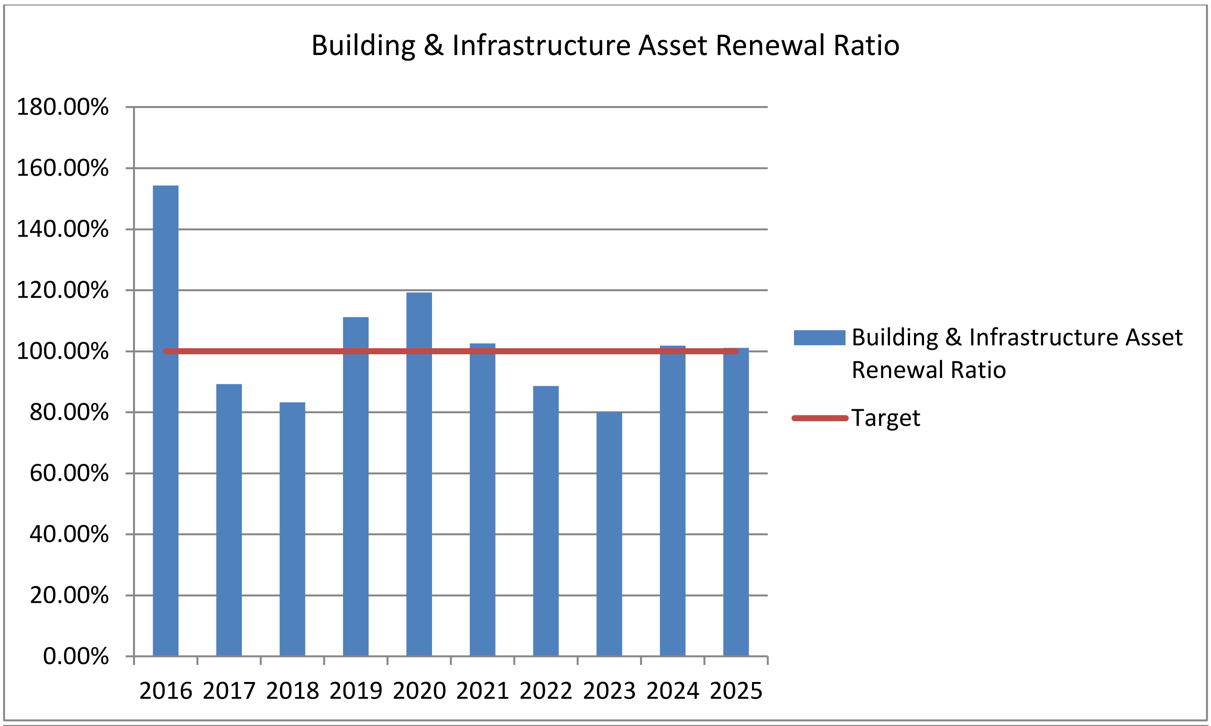
This scenario uses identical assumptions from Scenario 2 however also includes a Special Rate Variation of 4% above the rate peg introduced in 2015-16 (6.4%) and continued in 2016-17 (7%), 2017-18 (7%) and 2018-19 (7%). Thereafter the forecast rate increases return to the assumed rate peg of 2.5%.

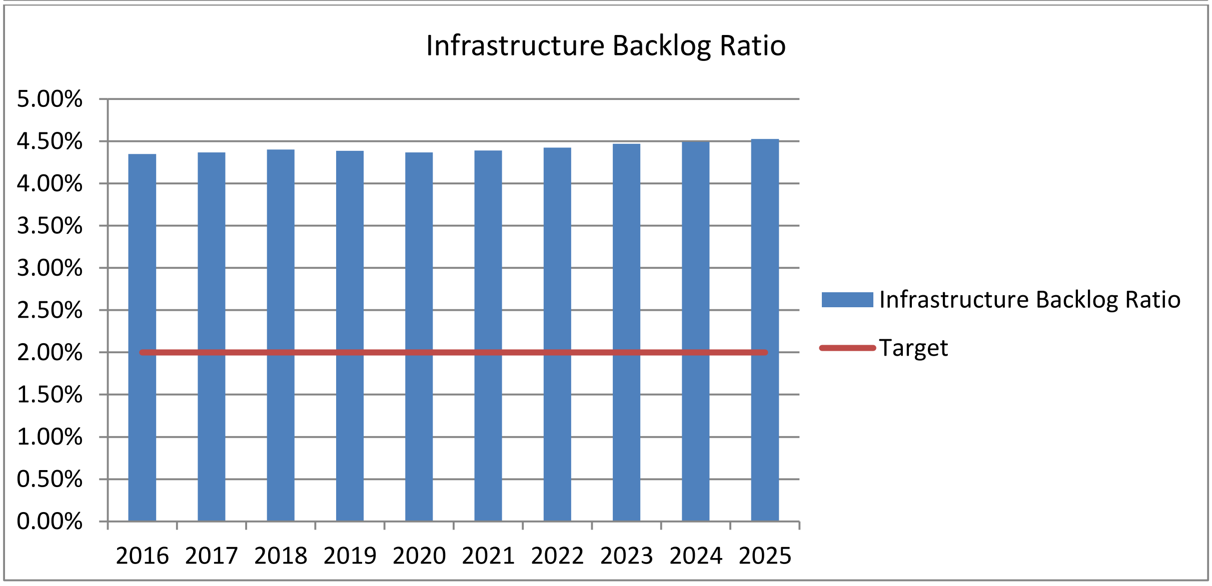
Assumption percentages have been applied to all projection years. The percentages are an indication of the change in value on average over the ten-year period, including CPI, and have been determined based on historical trends and external indicators.

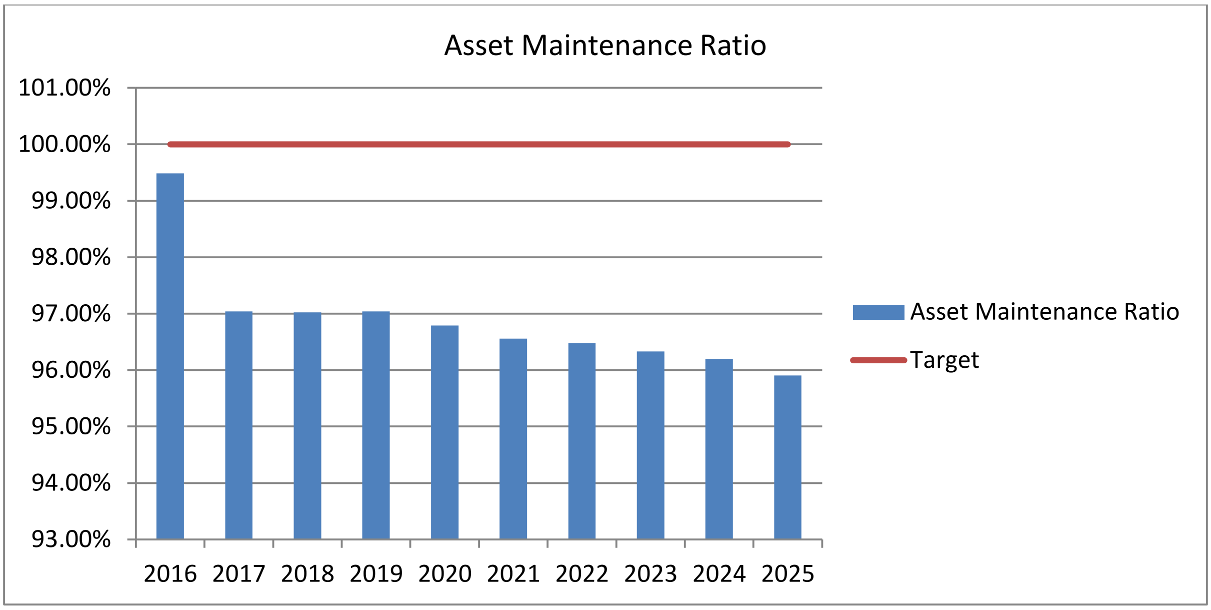
INCOME	
Rates	2.4% in 2015-16 in accordance with the rate peg, 2.5% thereafter being the assumed rate peg
Charges	
Grants – Operating Purposes	2.5%
Grants – Capital Purposes	2.5%
Investment Income	2.5%
Net Gain from Disposal of Assets	Nil expected
Other	2.5%
EXPENSES	
Salaries & Wages	2%
Materials & Contracts	2.5%
Depreciation	Based on current asset management plan data
Borrowings Costs	Based on current
Net Loss from Disposal of Assets	Nil Expected
Other	2.5%

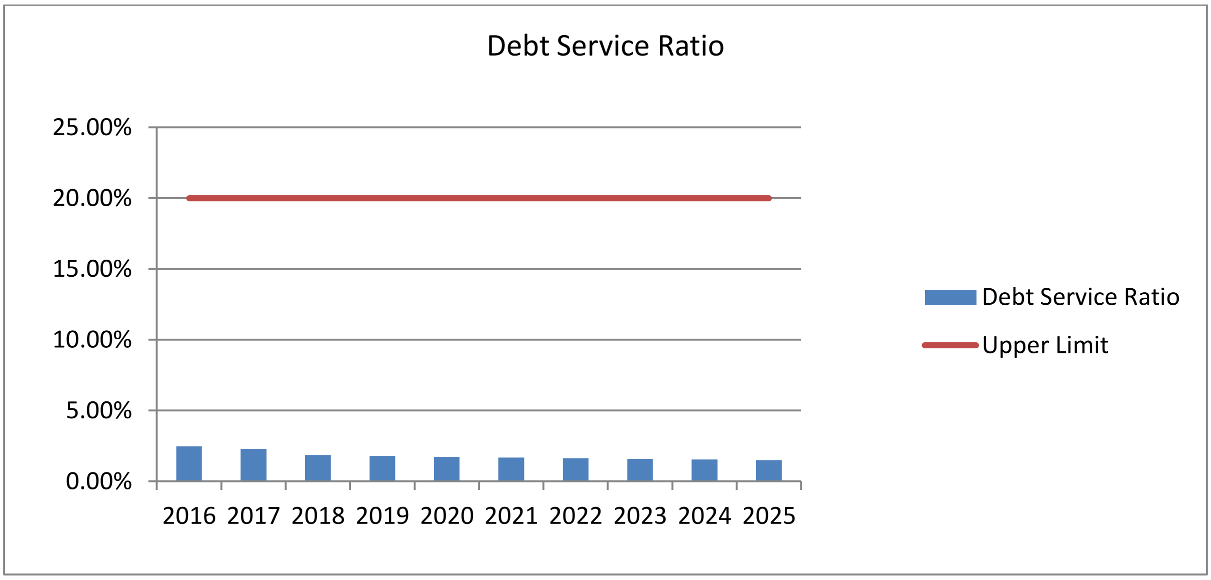

Operating Performance Ratio
20%
10%
0%
-10%
-20%
-30%
-40%
-50%
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
Operating Performance Ratio
Base Case

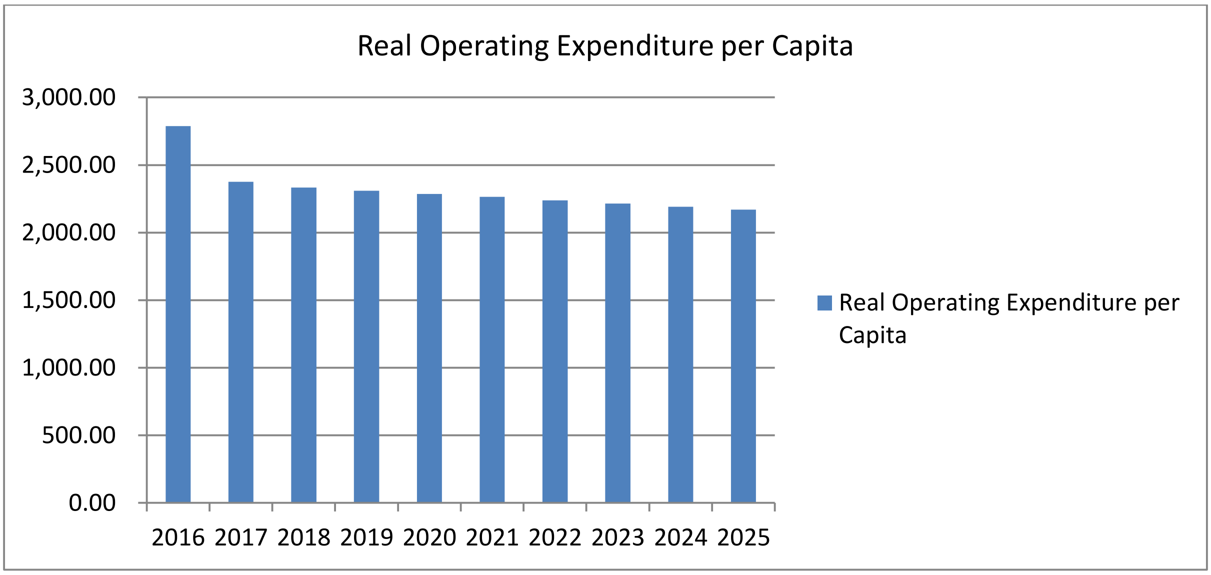

Own Source Revenue Ratio
80.00%
70.00%
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
Own Source Revenue Ratio
Target


Building & Infrastructure Asset Renewal Ratio
180.00%
160.00%
140.00%
120.00%
100.00%
80.00%
60.00%
40.00%
20.00%
0.00%
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
Building & Infrastructure Asset Renewal Ratio
Target


Infrastructure Backlog Ratio
5.00%
4.50%
4.00%
3.50%
3.00%
2.50%
2.00%
1.50%
1.00%
0.50%
0.00%
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
Infrastructure Backlog Ratio
Target

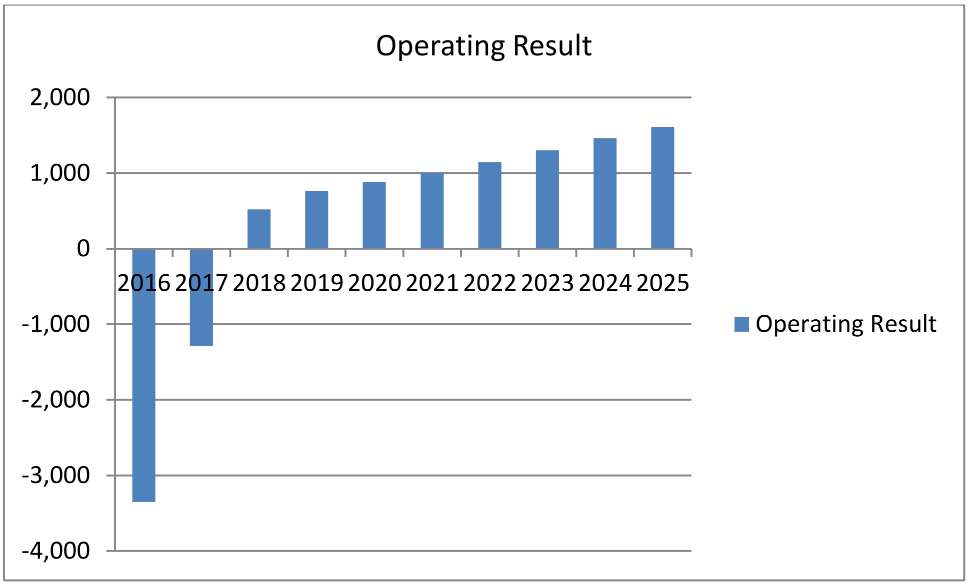

Asset Maintenance Ratio
101.00%
100.00%
99.00%
98.00%
97.00%
96.00%
95.00%
94.00%
93.00%
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
Asset Maintenance Ratio
Target


Debt Service Ratio
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
Debt Service Ratio
Upper Limit


Real Operating Expenditure per Capita
3,000.00
2,500.00
2,000.00
1,500.00
1,000.00
500.00
0.00
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
Real Operating Expenditure per Capita

Operating Performance Ratio	Like scenario 2 a greater than breakeven ratio is achieved in 2018 with the ratio exceeding the benchmark at this point and for all subsequent years.
Own Source Revenue Ratio	As with the previous scenarios including FAG sees the 60% benchmark exceeded with a 10-year average of approximately 68%. However, if the FAG is excluded the 10-year average drops to approximately 41% which is under the target benchmark. The reality is that Weddin Shire as a 'Rural Council' will always be reliant on external funding for its financial sustainability.
Building & Infrastructure Asset Renewal Ratio	This ratio fluctuates above and below the target benchmark over the forecast period exceeding the benchmark in 5 of the 10 years. Council is looking to undertake several strategies to improve its asset management performance as part of the Fit for the Future reform process. It is also expected that as Council's asset management practices improve the data underlying this ratio will be increasingly accurate and facilitate enhanced strategic asset management planning. As the operating position improves and Council builds a surplus, additional Asset maintenance and renewal expenditure is achievable which will have a positive impact on the Asset Management ratios. Additional expenditure on these items has not been factored into the current modelling however this will be reviewed as part of the asset management improvement process.
Infrastructure Backlog Ratio	The infrastructure backlog ratio does not meet the target benchmark of 2% but sits at a relatively consistent 4 – 4.5% over the 10-year forecast. It is expected that as Council's asset management practices improve the data underlying this ratio will be increasingly accurate and facilitate enhanced strategic asset management planning. As the operating position improves and Council builds a surplus, additional Asset maintenance and renewal expenditure is achievable which will have a positive impact on the Asset Management ratios. Additional expenditure on these items has not been factored into the current modelling however this will be reviewed as part of the asset management improvement process.
Asset Maintenance Ratio	This ratio does not meet the benchmark however closing the gap and exceeding the benchmark is not unachievable. It is expected that as Council's asset management practices improve the data underlying this ratio will be increasingly accurate and facilitate enhanced strategic asset management planning. As the operating position improves and Council builds a surplus, additional Asset maintenance and renewal expenditure is achievable which will have a positive impact on the Asset Management ratios. Additional expenditure on these items has not been factored into the current modelling however this will be reviewed as part of the asset management improvement process.

Debt Service Ratio	This ratio remains within the upper limit throughout the forecast period which indicates Council has the capacity to increase borrowings to address some of the asset management challenges with which it is faced. Council is however conscious of improving the operating position to ensure debt servicing requirements can be met.
Real Operating Expenditure Per Capita	The positive trend in this ratio shows a decline in real operating expenditure per capita over the forecast period which indicates some efficiency gains over the forecast period.



In scenario 3 Council moves into an operating surplus in 2017-18 and increases this trend for the remainder of the projected period, resulting in a $1,612,000 surplus for the year 2024-25. The projected cumulative operating deficit (excluding capital revenues) for Scenario 3 is extinguished in 2023-24 with a cumulative surplus of **$0.7 M** established in the final year 2024-25**.**

A1 Attachment – Financial Statements – Base Scenario/ Current Position (Scenario 1)

Year Ending 30 June:	2015 Year 0 Actual $'000	2016 Year 1 Budget $'000	2017 Year 2 Plan $'000	2018 Year 3 Plan $'000	2019 Year 4 Plan $'000	2020 Year 5 Plan $'000	2021 Year 6 Plan $'000	2022 Year 7 Plan $'000	2023 Year 8 Plan $'000	2024 Year 9 Plan $'000	2025 Year 10 Plan $'000
Operating Revenue											
Rates	2,376	2,417	2,490	2,564	2,641	2,720	2,802	2,886	2,973	3,062	3,154
Charges	1,485	1,990	2,040	2,091	2,143	2,197	2,252	2,308	2,365	2,425	2,485
Grants - For Operating Purposes	3,420	3,161	3,240	3,321	3,404	3,489	3,576	3,666	3,757	3,851	3,948
Grants- For Capital Purposes	6,155	6,671	2,465	2,527	3,355	3,420	2,721	2,789	2,859	2,930	3,003
Investment Income	251	140	168	147	137	114	88	72	66	64	50
Net gain from disposal of Assets	5	5	0	0	0	0	0	0	0	0	0
Other	109	186	191	195	200	205	210	216	221	227	232
Total Operating Revenue	**13,801**	**14,570**	**10,593**	**10,845**	**11,880**	**12,145**	**11,649**	**11,936**	**12,241**	**12,558**	**12,873**
Operating Expenses											
Salaries & Wages	3,680	3,670	3,762	3,856	3,952	4,051	4,152	4,256	4,362	4,472	4,583
Materials & Contracts	2,917	3,254	3,335	3,419	3,504	3,592	3,682	3,774	3,868	3,965	4,064
Depreciation	3,494	3,538	3,605	3,625	3,641	3,666	3,691	3,707	3,723	3,740	3,760
Borrowing Costs	0	123	119	115	111	107	102	97	92	87	81
Net loss from disposal of Assets	0	0	0	0	0	0	0	0	0	0	0
Other	840	754	773	792	812	832	853	874	896	919	942
Total Operating Expenses	**10,931**	**11,339**	**11,594**	**11,806**	**12,021**	**12,248**	**12,480**	**12,708**	**12,942**	**13,182**	**13,429**
Operating Surplus / (Deficit)	**2,870**	**3,231**	**(1,001)**	**(961)**	**(140)**	**(103)**	**(830)**	**(772)**	**(701)**	**(623)**	**(557)**
Operating Surplus / (Deficit) less Capital Grants	**(3,285)**	**(3,440)**	**(3,466)**	**(3,487)**	**(3,495)**	**(3,523)**	**(3,551)**	**(3,561)**	**(3,560)**	**(3,553)**	**(3,560)**
Cumulative Impact	**(3,285)**	**(6,725)**	**(10,191)**	**(13,679)**	**(17,174)**	**(20,696)**	**(24,248)**	**(27,808)**	**(31,368)**	**(34,922)**	**(38,482)**
Physical Resources Free of Charge	0	0	0	0	0	0	0	0	0	0	0
Amounts specifically for new or upgraded assets	0	2,425	(79)	(83)	(87)	(91)	(96)	(101)	(106)	(111)	(117)
Gain (loss) on revaluaion of I,PP&E	282	289	296	304	311	319	327	335	344	352	361
Net Surplus / (Deficit)	**3,152**	**5,945**	**(784)**	**(740)**	**84**	**125**	**(599)**	**(537)**	**(464)**	**(382)**	**(313)**
Other Comprehensive Income											
Total Comprehensive Income	**3,152**	**5,945**	**(784)**	**(740)**	**84**	**125**	**(599)**	**(537)**	**(464)**	**(382)**	**(313)**

As at 30 June:	2015 Year 0 Actual $'000	2016 Year 1 Budget $'000	2017 Year 2 Plan $'000	2018 Year 3 Plan $'000	2019 Year 4 Plan $'000	2020 Year 5 Plan $'000	2021 Year 6 Plan $'000	2022 Year 7 Plan $'000	2023 Year 8 Plan $'000	2024 Year 9 Plan $'000	2025 Year 10 Plan $'000
ASSETS											
Financial Assets											
Cash and Cash Equivalents	5,498	5,635	4,831	4,419	3,491	2,463	1,810	1,556	1,487	948	539
Current Trade & Other Receivables	852	873	873	873	873	873	873	873	873	873	873
Current Other Financial Assets	15	15	15	15	15	15	15	15	15	15	15
Inventories	175	179	179	179	179	179	179	179	179	179	179
Total Financial Assets	**6,540**	**6,704**	**5,899**	**5,487**	**4,559**	**3,531**	**2,878**	**2,624**	**2,555**	**2,016**	**1,607**
Non Financial Assets											
Inventories	0	0	0	0	0	0	0	0	0	0	0
Non-current Receivables	0	0	0	0	0	0	0	0	0	0	0
Infrastructure, Property, Plant & Equipment	138,965	142,439	142,339	141,908	142,875	144,040	144,113	143,818	143,391	143,621	143,791
Other Non-current Assets	0	0	0	0	0	0	0	0	0	0	0
Total Non Financial Assets	**138,965**	**142,439**	**142,339**	**141,908**	**142,875**	**144,040**	**144,113**	**143,818**	**143,391**	**143,621**	**143,791**
Total Assets	145,505	149,143	148,238	147,395	147,434	147,572	146,990	146,442	145,946	145,638	145,398
LIABILITIES											
Current Liabilities											
Trade & Other Payables	971	995	995	995	995	995	995	995	995	995	995
Borrowings	0	0									
Provisions	1,486	1,523	1,523	1,523	1,523	1,523	1,523	1,523	1,523	1,523	1,523
Other Current Liabilities	0	0	0	0	0	0	0	0	0	0	0
	2,457	**2,518**	**2,518**	**2,518**	**2,518**	**2,518**	**2,518**	**2,518**	**2,518**	**2,518**	**2,518**

	2015 Year 0 Actual $'000	2016 Year 1 Budget $'000	2017 Year 2 Plan $'000	2018 Year 3 Plan $'000	2019 Year 4 Plan $'000	2020 Year 5 Plan $'000	2021 Year 6 Plan $'000	2022 Year 7 Plan $'000	2023 Year 8 Plan $'000	2024 Year 9 Plan $'000	2025 Year 10 Plan $'000
Non-current Liabilities											
Trade & Other Payables			0	0	0	0	0	0	0	0	0
Borrowings		0	0	0	0	0	0	0	0	0	0
Provisions	609	624	624	624	624	624	624	624	624	624	624
Other Non-current Liabilities											
	609	**624**	**624**	**624**	**624**	**624**	**624**	**624**	**624**	**624**	**624**
Total Liabilities	**3,066**	**3,143**	**3,143**	**3,143**	**3,143**	**3,143**	**3,143**	**3,143**	**3,143**	**3,143**	**3,143**
Net Assets	**142,439**	**146,000**	**145,095**	**144,252**	**144,291**	**144,429**	**143,848**	**143,300**	**142,804**	**142,495**	**142,255**
EQUITY											
Retained Earnings	117,759	120,703	119,919	119,179	119,263	119,388	118,789	118,251	117,787	117,405	117,092
Asset Revaluation Reserves	24,680	25,297	25,297	25,297	25,297	25,297	25,297	25,297	25,297	25,297	25,297
Other Reserves			0	0	0	0	0	0	0	0	0
Adjustment to Cash & Borrowings for effects of inflation			(121)	(224)	(268)	(256)	(238)	(248)	(281)	(207)	(134)
Total Equity	**142,439**	**146,000**	**145,095**	**144,252**	**144,291**	**144,429**	**143,848**	**143,300**	**142,804**	**142,495**	**142,255**

A2 Attachment – Financial Statements – Achievable FFTF Scenario No SRV (Scenario 2)

Year Ending 30 June:	2015 Year 0 Budget $'000	2016 Year 1 Budget $'000	2017 Year 2 Plan $'000	2018 Year 3 Plan $'000	2019 Year 4 Plan $'000	2020 Year 5 Plan $'000	2021 Year 6 Plan $'000	2022 Year 7 Plan $'000	2023 Year 8 Plan $'000	2024 Year 9 Plan $'000	2025 Year 10 Plan $'000
Operating Revenue											
Rates	2,376	2,417	2,490	2,564	2,641	2,720	2,802	2,886	2,973	3,062	3,154
Charges	1,485	1,990	2,040	2,191	2,246	2,302	2,359	2,418	2,479	2,541	2,604
Grants - For Operating Purposes	3,420	3,161	3,593	5,183	5,312	5,445	5,581	5,721	5,864	6,010	6,161
Grants- For Capital Purposes	6,155	6,671	2,465	2,527	3,355	3,420	2,721	2,789	2,859	2,930	3,003
Investment Income	251	140	168	168	218	255	289	332	385	443	488
Net gain from disposal of Assets	5	5	0	0	0	0	0	0	0	0	0
Other	109	186	191	195	200	205	210	216	221	227	232
Total Operating Revenue	**13,801**	**14,570**	**10,945**	**12,828**	**13,972**	**14,347**	**13,963**	**14,362**	**14,780**	**15,212**	**15,642**
Operating Expenses											
Salaries & Wages	3,680	3,670	3,692	3,714	3,807	3,902	4,000	4,100	4,202	4,307	4,415
Materials & Contracts	2,917	3,254	2,965	3,039	3,115	3,193	3,273	3,355	3,439	3,525	3,613
Depreciation	3,494	3,538	2,454	2,474	2,490	2,515	2,540	2,556	2,572	2,589	2,609
Borrowing Costs	0	123	119	115	111	107	102	97	92	87	81
Net loss from disposal of Assets	0	0	0	0	0	0	0	0	0	0	0
Other	840	754	728	746	765	784	803	823	844	865	887
Total Operating Expenses	**10,931**	**11,339**	**9,958**	**10,088**	**10,288**	**10,501**	**10,718**	**10,931**	**11,149**	**11,373**	**11,604**
Operating Surplus / (Deficit)	**2,870**	**3,231**	**988**	**2,740**	**3,683**	**3,846**	**3,245**	**3,431**	**3,631**	**3,839**	**4,038**
Operating Surplus / (Deficit) less Capital Grants	**(3,285)**	**(3,440)**	**(1,477)**	**213**	**329**	**426**	**524**	**642**	**772**	**909**	**1,035**
Cumulative Impact	**(3,285)**	**(6,725)**	**(8,202)**	**(7,989)**	**(7,661)**	**(7,235)**	**(6,711)**	**(6,069)**	**(5,297)**	**(4,387)**	**(3,353)**
Physical Resources Free of Charge	0	0	0	0	0	0	0	0	0	0	0
Amounts specifically for new or upgraded assets	0	2,425	(79)	(83)	(87)	(91)	(96)	(101)	(106)	(111)	(117)
Gain (loss) on revaluaion of I,PP&E	282	289	296	304	311	319	327	335	344	352	361
Net Surplus / (Deficit)	**3,152**	**5,945**	**1,205**	**2,960**	**3,908**	**4,074**	**3,476**	**3,665**	**3,868**	**4,080**	**4,282**
Other Comprehensive Income											
Total Comprehensive Income	**3,152**	**5,945**	**1,205**	**2,960**	**3,908**	**4,074**	**3,476**	**3,665**	**3,868**	**4,080**	**4,282**

As at 30 June:	2015 Year 0 Actual $'000	2016 Year 1 Budget $'000	2017 Year 2 Plan $'000	2018 Year 3 Plan $'000	2019 Year 4 Plan $'000	2020 Year 5 Plan $'000	2021 Year 6 Plan $'000	2022 Year 7 Plan $'000	2023 Year 8 Plan $'000	2024 Year 9 Plan $'000	2025 Year 10 Plan $'000
ASSETS											
Financial Assets											
Cash and Cash Equivalents	5,498	5,635	5,648	7,643	9,119	10,488	12,223	14,347	16,642	18,452	20,373
Current Trade & Other Receivables	852	873	873	873	873	873	873	873	873	873	873
Current Other Financial Assets	15	15	15	15	15	15	15	15	15	15	15
Inventories	175	179	179	179	179	179	179	179	179	179	179
Total Financial Assets	**6,540**	**6,704**	**6,716**	**8,711**	**10,187**	**11,556**	**13,291**	**15,415**	**17,710**	**19,520**	**21,441**
Non Financial Assets											
Inventories	0	0	0	0	0	0	0	0	0	0	0
Non-current Receivables	0	0	0	0	0	0	0	0	0	0	0
Infrastructure, Property, Plant & Equipment	138,965	142,439	143,490	144,210	146,328	148,644	149,868	150,724	151,448	152,829	154,150
Other Non-current Assets	0	0	0	0	0	0	0	0	0	0	0
Total Non Financial Assets	**138,965**	**142,439**	**143,490**	**144,210**	**146,328**	**148,644**	**149,868**	**150,724**	**151,448**	**152,829**	**154,150**
Total Assets	145,505	149,143	150,206	152,921	156,514	160,200	163,159	166,139	169,158	172,349	175,591
LIABILITIES											
Current Liabilities											
Trade & Other Payables	971	995	995	995	995	995	995	995	995	995	995
Borrowings	0	0									
Provisions	1,486	1,523	1,523	1,523	1,523	1,523	1,523	1,523	1,523	1,523	1,523
Other Current Liabilities	0	0	0	0	0	0	0	0	0	0	0
	2,457	**2,518**	**2,518**	**2,518**	**2,518**	**2,518**	**2,518**	**2,518**	**2,518**	**2,518**	**2,518**

	2015 Year 0 Actual $'000	2016 Year 1 Budget $'000	2017 Year 2 Plan $'000	2018 Year 3 Plan $'000	2019 Year 4 Plan $'000	2020 Year 5 Plan $'000	2021 Year 6 Plan $'000	2022 Year 7 Plan $'000	2023 Year 8 Plan $'000	2024 Year 9 Plan $'000	2025 Year 10 Plan $'000
Non-current Liabilities											
Trade & Other Payables			0	0	0	0	0	0	0	0	0
Borrowings			0	0	0	0	0	0	0	0	0
Provisions	609	624	624	624	624	624	624	624	624	624	624
Other Non-current Liabilities											
	609	**624**	**624**	**624**	**624**	**624**	**624**	**624**	**624**	**624**	**624**
Total Liabilities	**3,066**	**3,143**	**3,143**	**3,143**	**3,143**	**3,143**	**3,143**	**3,143**	**3,143**	**3,143**	**3,143**
Net Assets	**142,439**	**146,000**	**147,064**	**149,778**	**153,372**	**157,058**	**160,016**	**162,996**	**166,016**	**169,206**	**172,448**
EQUITY											
Retained Earnings	117,759	120,703	121,908	124,868	128,776	132,849	136,325	139,991	143,859	147,939	152,221
Asset Revaluation Reserves	24,680	25,297	25,297	25,297	25,297	25,297	25,297	25,297	25,297	25,297	25,297
Other Reserves			0	0	0	0	0	0	0	0	0
Adjustment to Cash & Borrowings for effects of inflation			(141)	(387)	(701)	(1,089)	(1,606)	(2,291)	(3,140)	(4,030)	(5,070)
Total Equity	**142,439**	**146,000**	**147,064**	**149,778**	**153,372**	**157,058**	**160,016**	**162,996**	**166,016**	**169,206**	**172,448**

A3 Attachment – Financial Statements – Achievable FFTF Scenario including SRV (Scenario 3)

Year Ending 30 June	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	2025 $'000	2026 $'000	2027 $'000
Income Statement										
Operating Revenue										
Rates & Annual Charges	2,865	3,065	3,157	3,252	3,349	4,288	4,411	4,538	4,670	4,805
User charges & Fess	2,191	2,246	2,302	2,359	2,418	3,009	3,084	3,161	3,240	3,321
Other Revenue	195	200	205	210	216	160	164	168	172	177
Grants & Contributions for Operating Purposes	5,183	5,312	5,445	5,581	5,721	5,180	5,310	5,442	5,578	5,718
Grants & Contributions for Capital Purposes	2,527	3,355	3,420	2,721	2,789	-	-	-	-	-
Interest & Investment Income	172	229	276	320	374	60	62	63	65	66
Net Gain from the Disposal of Assets	-	-	-			215	220	226	232	237
Rental Income						111	113	116	119	122
Total Income from Continuing Operations	**13,133**	**14,408**	**14,805**	**14,444**	**14,866**	**13,023**	**13,364**	**13,715**	**14,076**	**14,447**
Operating Expenses										
Employee Benefits & On-Costs	3,714	3,807	3,902	4,000	4,100	4,256	4,341	4,428	4,516	4,607
Materials & Services	3,039	3,115	3,193	3,273	3,355	3,553	3,642	3,731	3,740	3,833
Borrowing Costs	115	111	107	102	97	215	210	204	199	195
Depreciation, Amortisation & Impairment	2,474	2,490	2,515	2,540	2,556	3,278	3,344	3,412	3,480	3,550
Other Expenses	746	765	784	803	823	1,549	1,587	1,627	1,668	1,710
Total Expenses from Continuing Operations	**10,088**	**10,288**	**10,501**	**10,718**	**10,931**	**12,850**	**13,124**	**13,402**	**13,603**	**13,895**
Operating Result from Continuing Operations	**3,044**	**4,119**	**4,304**	**3,726**	**3,936**	**172**	**240**	**314**	**473**	**552**
Operating Result before Capital Grants and Contributions from Continuing Operations	**517**	**764**	**884**	**1,005**	**1,147**	**172**	**240**	**314**	**473**	**552**

Year Ending 30 June	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	2025 $'000	2026 $'000	2027 $'000
Balance Sheet										
Current Assets										
Cash and Cash Equivalents	8,112	9,981	11,744	13,874	16,392	12,500	13,074	13,718	14,476	15,461
Receivables (Current)	888	888	888	888	888	900	900	900	900	900
Inventories (Current)	179	179	179	179	179	190	190	190	190	190
Total Current Assets	**9,180**	**11,048**	**12,812**	**14,941**	**17,460**	**13,590**	**14,164**	**14,808**	**15,566**	**16,551**
Non-Current Assets										
Investments using Equity Method	-	-	-	-	-	29,812	29,812	29,812	29,812	29,812
Property, Plant & Equipment	144,210	146,328	148,644	149,868	150,724	218,257	217,392	216,483	215,505	214,508
Total Non-Current Assets	**144,210**	**146,328**	**148,644**	**149,868**	**150,724**	**218,257**	**217,392**	**216,483**	**215,505**	**214,508**
Total Assets	**153,389**	**157,376**	**161,456**	**164,809**	**168,185**	**231,847**	**231,556**	**231,291**	**231,072**	**231,059**
Liabilities										
Current Liabilities										
Payables (Current)	995	995	995	995	995	1,000	1,000	1,000	1,000	1,000
Borrowings (Current)	-	-	-	-	-	545	462	464	465	470
Provisions (Current)	1,523	1,523	1,523	1,523	1,523	1,500	1,500	1,500	1,500	1,500
Income Received in Advance										
Total Current Liabilities	**2,518**	**2,518**	**2,518**	**2,518**	**2,518**	**3,045**	**2,962**	**2,964**	**2,965**	**2,970**
Non-Current Liabilities										
Borrowings (Non-Current)	-	-	-	-	-	4,041	3,900	3,600	3,500	3,400
Provisions (Non-Current)	624	624	624	624	624	750	750	750	750	750
Total Non-Current Liabilities	**624**	**624**	**624**	**624**	**624**	**4,791**	**4,650**	**4,350**	**4,250**	**4,150**
Total Liabilities	**3,143**	**3,143**	**3,143**	**3,143**	**3,143**	**3,795**	**3,712**	**3,714**	**3,715**	**3,720**
Net Assets	**150,247**	**154,234**	**158,314**	**161,667**	**165,042**	**228,052**	**227,844**	**227,577**	**227,357**	**227,339**
Equity										
Retained Earnings	125,361	129,704	134,236	138,193	142,363	156,225	156,017	155,750	155,530	155,512
Revaluation Reserves	25,297	25,297	25,297	25,297	25,297	71,827	71,827	71,827	71,827	71,827
Adjustment to Cash/Borrowings/Inflation	- 411	- 767	- 1,219	- 1,823	- 2,618					
Total Equity	**150,247**	**154,234**	**158,314**	**161,667**	**165,042**	**228,052**	**227,844**	**227,577**	**227,357**	**227,339**

Year Ending 30 June	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	2025 $'000	2026 $'000	2027 $'000
Cash Flow Statement										
Cash Flows from Operating Activities										
Receipts										
Rates & Annual Charges						4,288	4,411	4,538	4,670	4,805
User charges & Fess						3,009	3,084	3,161	3,240	3,321
Other Revenue						160	164	168	172	177
Grants & Cntributions for Operating Purposes						5,180	5,310	5,442	5,578	5,718
Grants & Cntributions for Capital Purposes						-	-	-	-	-
Interest & Investment Income						60	62	63	65	66
Net Gain from the Disposal of Assets						215	220	226	232	237
Rental Income						111	113	116	119	122
Employee Benefits & On-Costs						- 4,256	- 4,341	- 4,428	- 4,516	- 4,607
Materials & Services						- 3,553	- 3,642	- 3,731	- 3,740	- 3,833
Borrowing Costs						- 215	- 210	- 204	- 199	- 195
Other Expenses						- 1,549	- 1,587	- 1,627	- 1,668	- 1,710
Net Cash provided (or used in) Operating Activities						3,450	3,584	3,725	3,953	4,102
Cash Flows from Investing Activities										
Receipts										
Purchase of infra, property, plant & Equip						- 2,731	- 2,479	- 2,503	- 2,503	- 2,553
Purchase of real estate assets										
Net Cash provided (or used in) Investing Activities						- 2,731	- 2,479	- 2,503	- 2,503	- 2,553
Cash Flows from Financing Activities										
Receipts										
Proceeds from Borrowings & Advances						400				
Payments										
Repayment of Borrowings & Advances						- 545	- 462	- 464	- 465	- 470
Repayment of Finance Lease Liabilities										
Net Cash provided (or used in) Financing Activities						**- 145**	**- 462**	**- 464**	**- 465**	**- 470**
Net Increase/(Decrease) in Cash & Cash Equivalents						**574**	**643**	**759**	**985**	**1,080**

A4 Attachment – Assumptions for Depreciation Reduction

Assumptions for Depreciation reduction

The following numbers are a high-level analysis taking into account current asset performance. Any actual changes in useful life should be conducted with the help of a professional valuer and should highlight the changes in future service levels, and potential risks and be based on the best available evidence.

Transport reduced by 40%
- Sub Base non-depreciable
- K & G increase life to 90 years
- All Bitumen Seals to 30 years
- Gravel re-sheets to 20years
- Culverts to 120 years

Buildings reduced by 30%
- Council Chambers Superstructure to 80 years
- Council Chambers floor to 20 years
- Depot, Library and Bank - componentised and lives extended. Residual added
- Doctors Surgery componentised and life extended
- Museum componentised and life extended
- Grandstand componentised and life extended
- swimming pool life extended

Drainage reduced by >30%
- Componentisation of pipework, trenching to become non-depreciable and a preferred strategy of pipe re-lining for future works.
- Lives extended to 100 years for all pipes and pits

Parks & Rec reduced by 20%
- memorials to 120 years
- playgrounds to 20 years
- Skate park to 80 years
- Fencing to 30 years
- BBQ's 40 years

Plant & Equipment reduced by 20%
- Large plant items to have lives extended to between 12 – 15 years

Sewerage reduced by 20%
- Extend lives to 100 years