



2019 to 2028 Long Term Financial Plan



Natural beauty...rich agriculture...spectacular coastline

Document Information

- Document Details

Document Title:	Long Term Financial Plan – 2019 to 2028
Document Version:	2.0
Document Date:	5 th March 2018
File Name:	LTFP 2019 - 2028 Draft for Public Consultation

- Document Authorisation

Prepared by:	Sid Jain, Manager Financial Services
Authorised by:	David Harding, Director Corporate and Community Services Andrew Cameron, Chief Executive Officer
Adopted by Council:	TBA

- Council Details

Name:	Yorke Peninsula Council
ABN:	82 179 825 615
Address:	PO Box 57 Maitland SA
Phone:	+61 8 88320000
E-Mail:	admin@yorke.sa.gov.au

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Overview

Section 122 (1a) (a) of the Local Government Act 1999 requires Councils to develop a Long Term Financial Plan (LTFP or Plan) as a key part of their Strategic Management Plans.

The objective of this LTFP for the financial year commencing 2018/2019 through to 2027/2028, is to ensure that Council is financially sustainable in the medium to long term (5 – 10 years) and able to provide at least the current level of services over the ten (10) years of the plan and achieve Council's five (5) goals as stated in its 2016 – 2020 Strategic Management Plan (SMP).

To this end Council will review its LTFP annually using the latest available financial and service level data and cost indices and incorporating all known future projects and variations to ensure a realistic forecast is presented to the community.

This LTFP builds on the current version adopted by Council on Wednesday, 11th May 2016 and will replace it should Council adopt this version following community consultation. This LTFP has been reviewed and revised taking into account current data (financial and service level), cost indices, internal and external factors, forecast trends, current political environment, revenue streams, limitations and community needs.

The key targets in this LTFP are:

- Positive Operating Surplus Ratio (OSR) i.e. operating surplus, in the medium to long term (5 – 10 years);
- Spending on asset renewal consistent with AMP identified needs, Depreciation levels and Local Government recommended Asset Sustainability Ratio (ASR) minimum (90%) and maximum (110%) targets from Year 1 (2018/2019) of the Plan;
- Net Financial Liabilities Ratio (NFLR) to be within the recommended Local Government target of 100% of Operating Income from Year 1 (2018/2019) of the Plan;
- No new services or assets or increases to existing services to be introduced without consideration of the impact on the LTFP;

This Plan recommends a rating strategy that seeks to achieve a degree of stability and predictability over the next ten (10) years, while ensuring current levels of service and infrastructure are maintained for the Community. Rates will be set at affordable levels having regard to Council's strategic direction and its social and economic goals balanced against the Community's ability to pay and its desire for services and infrastructure.

Rate revenue forecasts are based on Consumer Price Index (CPI) (All groups CPI, Adelaide) plus a 'financial sustainability' increase over and above CPI. This increase over and above CPI is 2.5% in Year 1, followed by 2.85% per annum in Years 2 – 4, then reducing to 1.35% per annum in Years 5 and 6. From Years 7 – 10 this increase is no longer required based on current income and expenditure forecasts. Rate revenue is vital for the delivery of Council's current services over the next ten (10) years and beyond while maintaining and renewing existing assets at a safe and functional standard to meet Community needs and expectations. Council's ten (10) year rate revenue forecasts are explained in detail later in this Plan. The actual increase payable by any individual ratepayer may be more or less than the forecast rate revenue depending on the relative

movement in the capital value of their property and setting of differential rates for individual years of the Plan.

Other sources of income continue to remain stagnant or diminish with reliance on rate revenue increasing as the biggest source of revenue for Council. Grants and subsidies from various levels of Government continue to remain uncertain due to the volatile political environment.

Continuing with the increased focus on renewal of existing assets, Council over the life of this Plan, is proposing to allocate \$94 million towards renewal of existing assets, with 80% or \$75.5 million of that specifically for transport assets (mainly roads). An additional \$2 million over ten (10) years is allocated for upgrades to existing assets and acquisition of new assets. Individual projects will be determined during Council's Annual Business Plan development and are subject to final approval by Council.

Based on the proposed income and expenditure forecasts Council will achieve a positive OSR in Year 4 (2020/2021) and maintain that for the rest of the Plan. The minimum ASR is achieved in Year 1 (2018/2019) and maintained for the rest of the Plan, however, the average over the Plan is 95% which is below the desired 100% average. Council's forecast NFLR continues to be well below sector recommended maximum limits, noting no new borrowings are forecast for the life of this Plan. Any proposal in the future to borrow for whatever purpose will be evaluated using the LTFP model prior to any decision being made.

Key Challenges and Opportunities

The key challenges and opportunities faced by Council regarding its long term financial position are:

- Ensuring ongoing financial sustainability of Council
- Meeting ongoing expectations of our Community for increased or new services
- Maximising funding for renewal and replacement of ageing assets in line with improved asset management principles and practices
- Improved data for Council's asset base leading to accuracy in depreciation levels
- Managing impact of cost shifting from other levels of Government
- Managing political and legislative changes and their impact
- Minimising the impact of economic instability
- Monitoring impact of decisions made outside the Plan
- Rationalisation of underutilised or surplus assets to provide one-off capital injections and reduce maintenance costs
- Use of debt to leverage funding for asset renewal and acquisition of assets
- Review of services to reduce expenditure, increase efficiency and effectiveness and increase value for money to ratepayers
- Use technology to reduce costs, increase productivity, efficiency and effectiveness
- Explore ways to increase existing revenue streams and find new ones by taking a commercial approach to Council business

Planning Framework

The financial basis of this Plan is consistent with the audited Annual Financial Statements as at 30 June 2017, 2017/2018 Annual Business Plan and Budget and the 2017/2018 September quarterly budget adjustments adopted by Council. The LTFP forecasts have been based on the 2017/2018 September quarter revised Budget along with current Asset Management Plans (AMP), strategic financial policies and a set of assumptions necessary given the high level of this Plan and the long term nature of all forecasts proposed.

Once established and adopted the LTFP is then primarily used as a tool to establish and communicate Council's general financial direction over the longer term and to assist in the assessment of Council's current financial position in conjunction with its Annual Business Plan and Annual Budget preparation together with ongoing quarterly Budget reviews.

This is intended to be a "live" document requiring adjustment and assessment as Council makes financial decisions which may impact its long term financial position. Council will review this Plan annually post audit of its Financial Statements and prior to development of its Annual Business Plan and Budget. Other updates will be made when considered necessary.

Council's Annual Business Plan and Budget will be prepared on the basis of this LTFP, taking into account new information at hand regarding economic, political and social factors at time of preparation.

The LTFP is prepared using a number of assumptions (refer page 13 onwards), especially with regard to projected rate income, fees, charges, grants, future operational and capital expenditure requirements. Given the long term nature of this Plan and forecasts derived from an estimate of future performance, it should be noted that actual results are likely to vary from the information contained in this Plan. Some of these variations as a result of Council decisions or changes to the environment Council operates in, could be material. A sensitivity analysis has been undertaken to project the impacts of these movements with more detail available on page 26.

The accuracy of predictions over the longer term decreases and difficulties can arise in accurately predicting capital expenditure requirements for Council's significant asset base. Council has prepared and updated AMP's for its major asset classes to assist in determining the funding impact of maintaining and replacing assets when required. These projections are based on current understanding of asset management needs over the life of this Plan and ensure that assets are maintained at a safe and functional standard to meet Community needs and expectations within the funding available while keeping rates affordable.

The Plan does not rely on asset sales to fund core services and no new debt has been factored into the revised Plan. Debt will be regarded primarily as a strategic tool to be used for the acquisition of new Community assets or upgrade to existing ones.

Debt will be considered:

- In the context of Council's SMP;
- In the context of LTFP forecasts and targets;
- As funding for long term asset acquisition;
- To enable intergenerational equity; and
- As a mechanism to fund temporary cash shortfalls.

Financial sustainability will be measured using the Local Government (Financial Management) Regulations 2011 specified financial indicators (ratios). The three ratios used are:

- Operating Surplus Ratio (OSR) – measures the extent to which operating income meets operating expenditure.
- Net Financial Liabilities Ratio (NFLR) – indicates the extent to which the net financial liabilities of Council could be met by its operating income.
- Asset Sustainability Ratio (ASR) – measure of the amount spent by Council on renewing or replacing existing assets compared to expenditure required in its AMP's. In the absence of AMP's (or subsequent unreliable data) Depreciation may be used as a comparative measure, which is what this Plan uses.

Ideally Council should raise enough operating revenue to cover all operating expenditure including depreciation on an annual basis. This means it has a positive or break even OSR and ratepayers in that year are paying for all resources consumed. However, Council is mindful of the Community's ability to pay, hence in order to avoid excessive rate increases, has decided to reach a positive OSR over a number of years. Operating deficits are not sustainable or equitable in the long term as they result in services consumed by current ratepayers being paid for by future ratepayers i.e. intergenerational inequity. A fair and equitable tax system is one in which taxes paid by each generation are in proportion to the benefits, which that generation receives.

The LTFP forecasts are presented as a series of reports and financial statements (ten (10) year forecasts) in a format similar to the SA Model Financial Statements and comprise the following:

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Cashflows
- Statement of Changes in Equity
- Uniform Presentation of Finances

Please refer to Attachments 1 – 5 for more information.

Measuring our performance

The Local Government (Financial Management) Regulations 2011 sets out three (3) financial indicators (ratios) that allow assessment of Council's long term financial performance, position and eventually long term financial sustainability. Each of the three (3) ratios have been forecast over the life of the Plan and compared to Council targets which are based on recommendations set out in the LGA's Financial Sustainability Information Paper 9: Financial Indicators.

These targets aim to achieve a positive OSR and maximise the ASR, in the medium to long term with the aim of building a solid foundation beyond Year 10 of the Plan and minimise the impact of any risks and uncertainty while maintaining current levels of service without excessive rate increases.

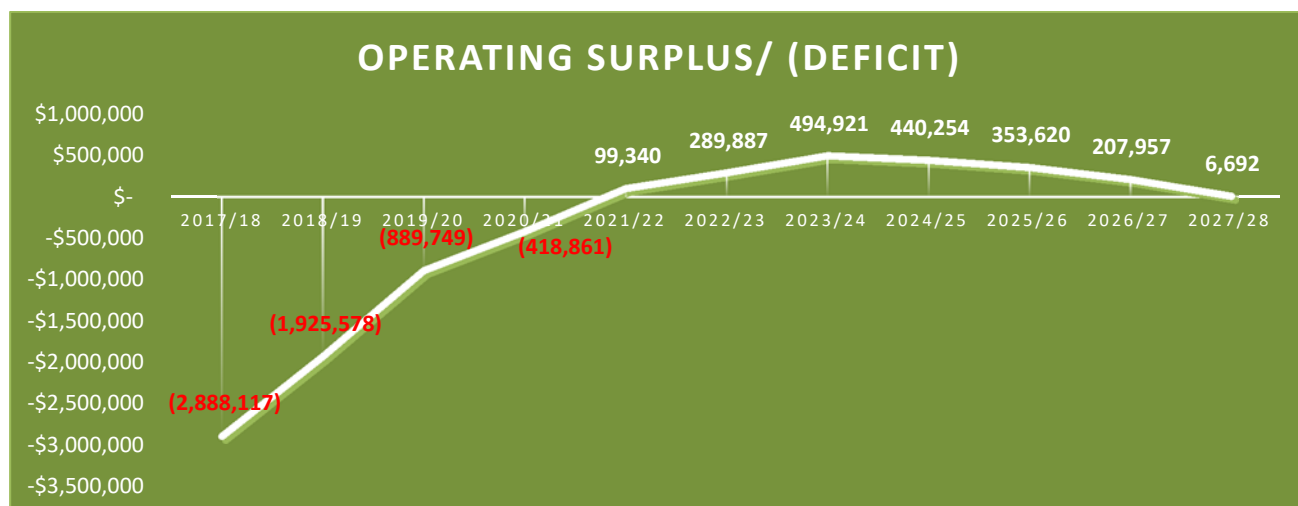
The targets set by Council are:

INDICATOR	TARGET
Operating Surplus Ratio (OSR)	0% to 10%
Net Financial Liabilities Ratio (NFLR)	maximum 100% of total operating income
Asset Sustainability Ratio (ASR)	90% to 110%

Operating Surplus Ratio

This ratio measures the extent to which operating income covers operating expenditure (including depreciation). It is calculated by expressing the operating surplus (deficit) as a percentage of operating income. This indicator is by far the most important. If Council consistently achieves a modest positive operating surplus ratio and has soundly based forecasts showing that it can continue to do so in future, having regard to asset management and its community's service level needs, then it is financially sustainable.

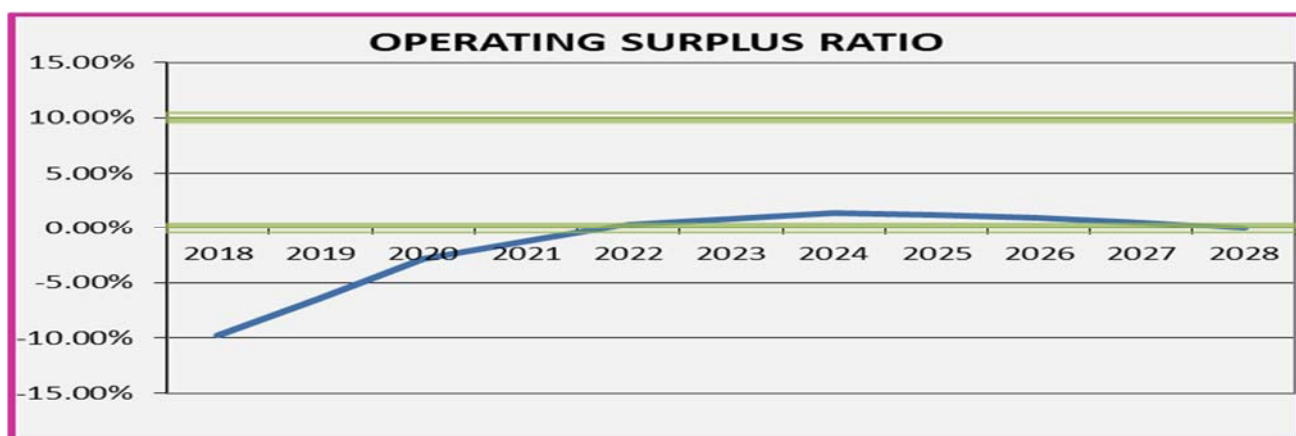
Council's forecast ten (10) year Operating Surplus is shown in the graph below.



Based on the Operating Surplus forecast in the graph above the forecast OSR for this LTTP is as follows:

Scenario: Base		Current Year	Projected Years									
		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Operating Surplus Ratio	Snapshot	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
	Actual Ratio	-9.75%	-6.40%	-2.82%	-1.28%	0.29%	0.83%	1.37%	1.19%	0.94%	0.54%	0.02%

Y1 - Y3 (2018/2019 – 2020/2021) show a rapidly decreasing deficit (indicated by a red light) followed by a first time surplus (indicated by a green light) in Year 4 (2021/2022). This surplus is then forecast to increase in Years 5 and 6 (2022/2023 - 2023/2024) before being slightly above breakeven in Year 10 (2027/2028). This is represented graphically below.



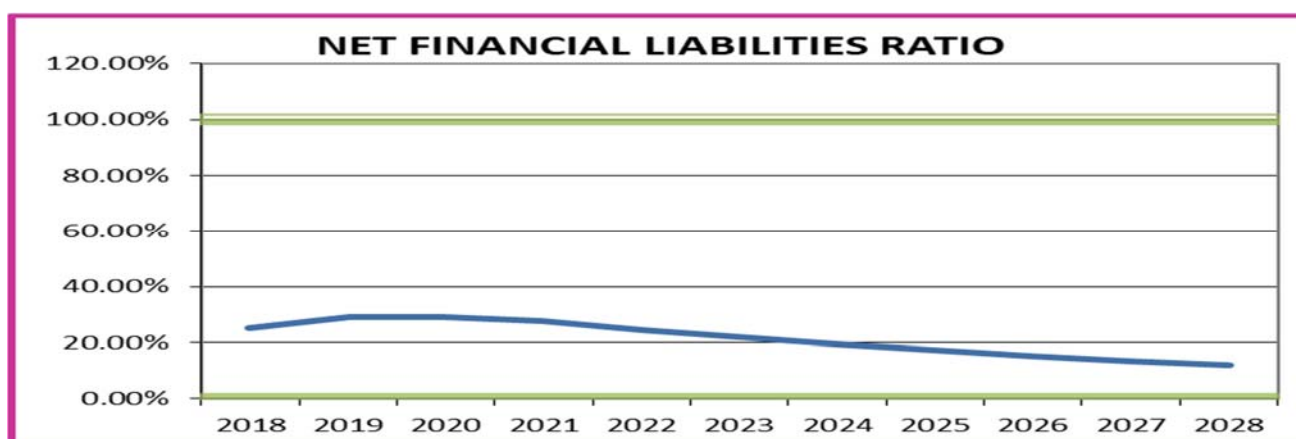
Net Financial Liabilities Ratio

This ratio indicates the extent to which the net financial liabilities of Council can be met by its annual operating income. Net financial liabilities can be defined as the total liabilities (debt, employee leave entitlements and other amounts payable in future) of Council less financial assets (cash holdings, invested funds etc). This ratio is calculated by expressing net financial liabilities at the end of the financial year as a percentage of operating income for the year. If the ratio falls over time, this indicates that Council's capacity to meet its financial obligations from operating income is strengthening. It may also allow Council to increase its borrowings for strategic capital expenditure.

Over the life of the Plan this ratio is forecast as follows:

Scenario: Base		Current Year	Projected Years									
		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Net Financial Liabilities Ratio	Snapshot	25.34%	29.23%	29.24%	27.67%	24.45%	21.93%	19.35%	17.24%	15.42%	13.56%	12.01%
	Actual Ratio											

The results in the table above show that Council's forecast ratio is well below its ceiling of 100% over the life of the Plan, with 29.24% being the highest (Year 2: 2019/2020) and 12.01% being the lowest (Year 10: 2027/2028). Graphically this can be represented as below.



Asset Sustainability Ratio

This ratio indicates the extent to which Council's non-financial assets are being renewed and replaced compared to expenditure identified in Council's AMP's. It is calculated by measuring capital expenditure on renewal and replacement of assets in any given year divided by the expenditure required on renewal of assets in Council's AMP in that year. In the absence of AMP's for all major asset classes or data that is not reliable, Depreciation can be used as a measure. While this is the case this Plan uses the annual Depreciation forecast as the base.

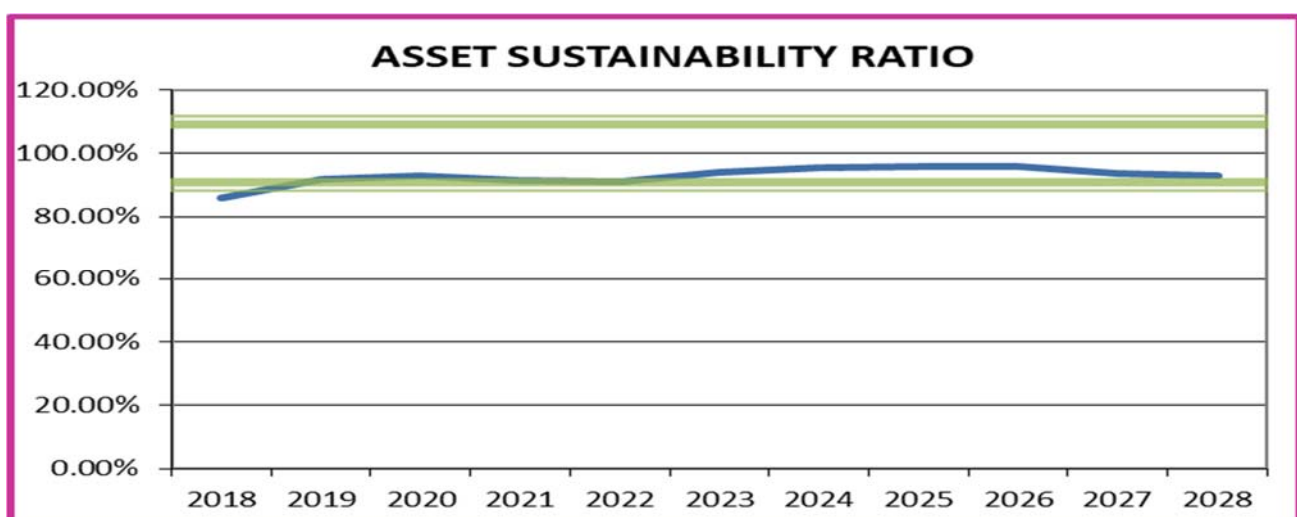
Over the life of this Plan the ASR is forecast as follows:

Scenario: Base		Current Year 2017/18	Projected Years									
Asset Sustainability Ratio		Snapshot Actual Ratio	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
		85.95%	91.69%	92.87%	91.57%	91.01%	94.03%	95.66%	95.73%	95.73%	93.78%	92.85%

The table above and graph below shows that Council meets the minimum target of 90% from Year 1 and maintains this over the life of this Plan. The forecast ASR peaks at 95.73% in Years 7 (2024/2025) and 8 (2025/2026). The maximum target of 110% is not reached.

While the Plan provides for a significant increase in funding compared to previous years, the average over the ten (10) year period (95%) is less than 100% indicating that Council is adding to its existing asset renewal and replacement backlog i.e. it continues to grow. This is brought about by the funds available in this Plan not being sufficient to keep pace with the renewal and replacement of existing assets as and when they fall due. Any gap (backlog) between what is required to be spent and what is actually spent will need to be made up by increasing revenue over the life of the Plan. Council's operating income will be assessed annually to determine if income additional to that specified in this Plan is available for capital renewal expenditure to reduce the backlog.

The forecast ASR is shown graphically as follows.



Key assumptions, influences and priorities

As stated earlier the Plan is based on a 'business as usual' model, with no increase to current levels of service and minimal increase to Council's current asset stock. Based on the most recent Census results for the Council area it has been assumed that growth in the area will be virtually nil.

The external and internal influences which impact this Plan are listed below. A number of assumptions have been made for these influences and are detailed later in the Plan. The influences are listed below.

External

- CPI (All groups, Adelaide)
- Natural Resources Management Levy
- Waste levy increases and associated refuse and recycling costs
- Utility and fuel costs
- Interest rates and current fiscal environment
- Legislative compliance cost increases
- Government policy changes
- Broader economic environment
- Government grants and subsidy amounts and distribution models
- Climate change
- Risk management and insurance
- ESCOSA full cost recovery requirement for CWMS and Water supply

Internal

- Enterprise Bargaining Agreements (EBA) and associated employee costs
- Asset sustainability and service levels
- New and upgraded assets
- Increased focus on asset renewal
- Treasury management policy
- Service level reviews leading to real savings
- Need to increase productivity, efficiency and effectiveness leading to real savings
- One-off Council decisions outside the Plan

CPI

While individual income and expenditure items will have varying degrees of increases, an underlying CPI has been assumed to determine variations in the Plan. The Adelaide all groups, December 2017 quarter CPI of 2.3% has been used for indexation purposes in Year 1 (2018/2019) of the Plan. From Year 2 (2019/2020) onwards an average estimated CPI of 1.95% p.a. has been used for the rest of the Plan.

Borrowings

As stated earlier no new borrowings have been forecast for the life of this Plan, however, the option remains to borrow as the need arises for strategic capital projects to supplement grant funding opportunities. Any such borrowings will need to be modelled through the Plan to determine the impact on Council's ongoing financial performance and position.

Global Indexation

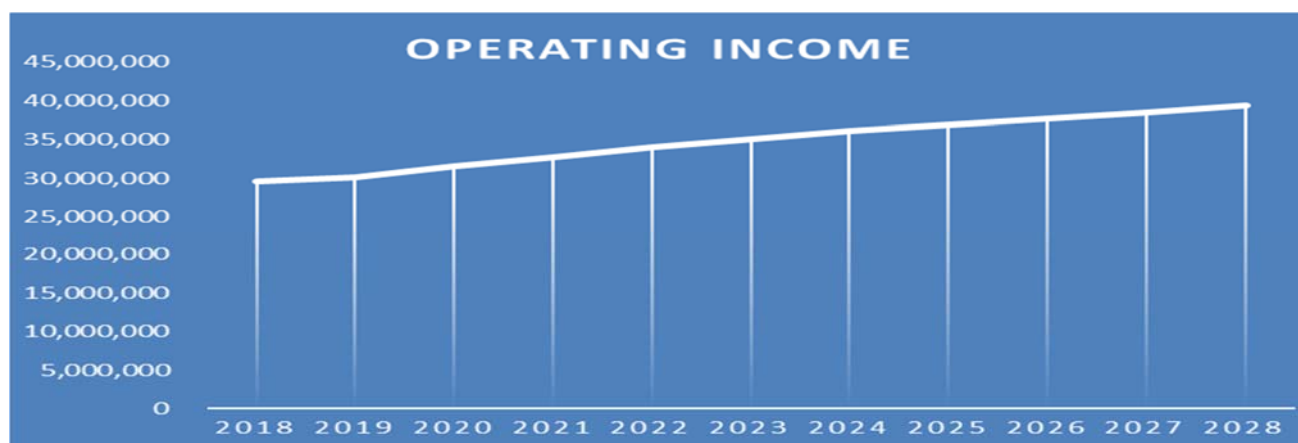
The table below summaries the global indexation factors used in the development of this Plan. It should be noted there are individual items that have increased more than the indexation stated below. These items and the reasons for the increase are outlined in more detail later in the pages that follow the table below.

	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Income										
General Rates	4.8%	4.8%	4.8%	4.8%	3.3%	3.3%	1.95%	1.95%	1.95%	1.95%
NRM Levy	9%	9%	9%	5%	5%	5%	5%	5%	5%	5%
Waste Charge	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
CWMS Charge	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Water Supply Charge	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Statutory Charges	2.3%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%
User Charges – Caravan Parks	3.3%	2.95%	2.95%	2.95%	2.95%	2.95%	2.95%	2.95%	2.95%	2.95%
User Charges – Phone Tower Leases	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
User Charges – Other	2.3%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%
Investment Income	2.3%	1.95%	1.95%	1.95%	1.95%	2.5%	2.5%	2.5%	2.5%	2.5%
Reimbursements	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Other Income	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Expenditure										
Salaries & Wages	2.5%	4%	3%	4%	3%	4%	3%	4%	3%	4%
Leave Expense	3%	4%	3%	4%	3%	4%	3%	4%	3%	4%
Superannuation	3%	4%	3%	4.5%	3.5%	4.5%	3.5%	4.5%	3%	4%
Workers Compensation	3%	4%	3%	4%	3%	4%	3%	4%	3%	4%
Other	3%	4%	3%	4%	3%	4%	3%	4%	3%	4%
Contractors	2.3%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%
Utilities - Electricity	10%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Utilities - Water	-2%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Materials (Maintenance)	-2%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%
Legal Expenses	-2%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other	-2%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Insurance	2.3%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%
Depreciation	0%	0%	1%	0%	1%	1%	1%	0%	1%	1%

Operating Income

Council's operating income base on which this Plan is built is \$29.6 million of which approximately 75% is derived from Rates and Service charges (waste, CWMS and water supply). At the end of the Plan operating income is forecast to be \$39.3m (keeping in mind that \$1 today will not be worth that in Y10: 2027/2028). Values as presented in this LTFP are in future (nominal) values i.e. they have been adjusted each year by a forecast inflation rate – CPI.

The forecast for operating income over the life of this Plan is best shown by the following graph:



There is a steady increase to total operating income based on the proposed increases as detailed earlier. Annual increases range between 1.6% and 4.7% and from Y4 onwards income is sufficient to meet operating expenditure (including depreciation).

The table below details the annual variations to income by type and the initial and final amounts for each type of income generated over the life of the Plan.

	Current Year	YR 1	YR 2	YR 3	YR 4	YR 5	YR 6	YR 7	YR 8	YR 9	YR 10	
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	
Income	\$ 29,633,137	\$ 30,097,045	\$ 31,507,617	\$ 32,709,826	\$ 34,033,657	\$ 35,028,543	\$ 36,137,485	\$ 36,864,193	\$ 37,707,373	\$ 38,482,211	\$ 39,329,582	
Rates	\$ 21,948,501	4.82%	4.84%	4.85%	4.66%	3.50%	3.49%	2.34%	2.36%	2.37%	2.23%	
Statutory Charges	\$ 398,905	4.35%	1.22%	1.23%	1.24%	1.24%	1.25%	1.26%	1.27%	1.28%	1.29%	
User Charges	\$ 3,267,260	1.55%	3.55%	1.76%	3.51%	1.81%	3.47%	1.85%	3.44%	1.90%	3.40%	
Grants, Subsidies and Contributions	\$ 3,354,507	-14.47%	6.05%	-0.44%	0.55%	-0.44%	0.55%	-0.44%	0.55%	-0.44%	0.55%	
Investment Income	\$ 167,536	2.18%	-1.65%	-1.47%	-1.09%	6.23%	-0.07%	-0.12%	-0.18%	0.54%	2.07%	
Reimbursements	\$ 124,448	-15.02%	1.49%	-14.84%	0.63%	0.63%	0.63%	0.63%	0.63%	0.64%	0.64%	
Other Income	\$ 371,980	-43.67%	1.36%	-0.30%	1.35%	-0.29%	1.35%	-0.28%	1.35%	-0.26%	1.34%	
Total Income - Annual Variation		1.6%	4.7%	3.8%	4.0%	2.9%	3.2%	2.0%	2.3%	2.1%	2.2%	
		\$ 463,908	\$ 1,410,572	\$ 1,202,210	\$ 1,323,831	\$ 994,886	\$ 1,108,942	\$ 726,708	\$ 843,180	\$ 774,838	\$ 847,371	

For more information on Council's forecast operating income refer to Attachment 1: Statement of Comprehensive Income.

Rates

Rates (\$21.95m base) include revenue from General Rates, Service Charges (Refuse Collection, CWMS and Water Supply), National Resource Management Levies collected on behalf of State Government, fines for late payment and rebates available for each category.

The table below provides detail on the components that make up the proposed annual general rate revenue (\$17m base) increase for this Plan. The Rate Revenue increase shown in the tables is the

average increase and actual changes to rates may vary dependant on valuations and other criteria. As mentioned previously at this stage no growth has been modelled over the life of the Plan.

	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Income										
Forecast CPI	2.3%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%
Financial Sustainability Levy	2.5%	2.85%	2.85%	2.85%	1.35%	1.35%	0%	0%	0%	0%
TOTAL GENERAL RATE REVENUE INCREASE	4.8%	4.8%	4.8%	4.8%	3.3%	3.3%	1.95%	1.95%	1.95%	1.95%

Compared to the current LTFP (adopted May 2016) the rate increases proposed above are 1.90% less over the life of the Plan. Over the course of this revised Plan the overall rate increase (including service charges) ranges from 2.23% to 4.85% with the average increase being 3.36%.

It should be noted that reducing even slightly the rate increase in the early years of the Plan will result in Y9 and Y10 and possibly Y7 and Y8 returning to operating deficits which will then continue to increase post the ten (10) Year period. Further the funds available for capital expenditure will also reduce. For every 1% of rates that are reduced, a minimum of \$170k of income is removed from the Plan in the year of the reduction and every year after that. Substantial modelling undertaken has confirmed this. The proposed rate increases are the minimum required to meet the criteria to achieve financial sustainability in the medium to long term and maintain it beyond the end of this Plan.

Rates are Council's main source of income. They are used to provide the funds to deliver services and maintain infrastructure required by the community. Rates are a form of property taxation and property values play an important part in determining how much each individual ratepayer contributes. As it is a system of taxation, the rates paid may not directly relate to the services used by each ratepayer. Generally, the higher the value of the property the higher the rates paid. Along with most other Councils, we use capital value to value all properties. Capital value is the value of the land and all improvements.

In determining how rates are applied, Council uses a differential rating system with a fixed charge. Differential rates allow us to set a different rate depending on the use to which the land is put - whether it be residential, commercial, primary production, etc. A fixed charge is a fixed, or flat amount, which all ratepayers have to contribute to equally. Differential rates are calculated on top of a fixed charge.

In addition to General Rates, as described above, Council also raises service charges for waste collection and recycling, CWMS and Water supply.

Refuse and recycling service charges are modelled at a 5% increase p.a. based on historical increases, contract terms, known increases to the State Government's waste levy and some growth in collections. As permitted by legislation this service is charged on a full cost recovery basis and funds the collection and disposal of waste and recycling material collected from properties. Council calculates one service charge for properties entitled to receive a two bin service and another for those properties entitled to receive a three bin service. This service charge is subject to a specific provision of the Local Government Act 1999 and Council is required to reduce the amount payable to residents depending on the distance of their property access point to the nearest collection point. Therefore the two bin service charge maybe reduced depending on a property's distance to the nearest collection point.

CWMS (community effluent or sewerage) and Water Supply service charges are modelled at a 3% increase p.a. based on twenty (20) year modelling undertaken using a Local Government Association costing model compliant with LG legislation and ESCOSA full cost recovery requirements. Council operates 18 CWMS sites and 3 Water Supply sites (excludes Marion Bay desalination plant).

A service charge is calculated each year to cover the cost of operating and maintaining and replacing equipment for all the CWMS. A different CWMS service charge is set each year for occupied and unoccupied properties.

The increase to the NRM Levy is based on their latest Business Plan and increases will be confirmed after the March 2018 State Government Election. Council is required to collect an amount each year as advised by the NRM Board. The amount collected (net of rebates) is then paid to the NRM Board. Capital value of properties are used to determine how much each ratepayer will pay.

Statutory Charges

Statutory Charges (\$399k base) are fees related to the regulation of activities including Development Applications (set by State Government), Animal Registration and various Licence Fees.

While income from these charges is expected to rise by CPI every year of the Plan the exception to this is Dog Registration income and expiations. Both have been held at current levels over the life of the Plan due to the uncertain nature of this revenue driven by constant changes to legislation.

The average annual increase over the life of the Plan for this income type is 1.56% which is below forecast CPI.

User Charges

This category of income (\$3.27m base) consists of fees and charges for recovery of service delivery costs i.e. user pays and income from Caravan Parks, Boat ramps and bush camping sites operated or leased by Council. The fees and charges that generate this income are generally at the discretion of Council and are reviewed annually during the Annual Business Plan and Budget setting process. A full list of all Council fees and charges can be found on Council's website. All user charge income is expected to increase by CPI over the life of the Plan, except for the following:

- Council operated Caravan Parks (5 in total): CPI + 1% increase p.a. to total income
- Phone tower leases: 3% p.a. increase
- YP Leisure Options: remains constant due to uncertainty of funding
- Art Exhibition: only included every 2nd Year and remaining constant
- Kiosk leases: no increase
- Visitor Information Centre (VIC): reduced to reflect new arrangements as a result of Service Level Review adopted by Council

The average annual increase over the life of the Plan for this income type is 3.40% driven primarily by Caravan Park income.

Grants & Subsidies

This income source has a current base (2017/2018) of \$3.35m which is forecast to reduce to \$2.87m in 2018/2019. A 6% increase follows in 2019/2020 followed by virtually no increases year on year after that. Over the ten (10) years of the Plan forecast average annual change is a 0.8%

decrease which results in grant income decreasing by approximately \$300k between now (2017/2018) and Y10 (2027/2028).

The negative movement is due to a number of individual factors impacting the various grants received by Council. More detail on this is as follows:

- Local Government Grants Commission – made up of two (2) components: General and Roads. These funds are not tied to any specific purpose and can be used at Council's discretion. In 2017/2018 Council was allocated \$1.41m and \$809k respectively, which was approximately \$40k less than previous years. Although the freeze on indexation was removed in 2017/2018, Council was deemed to have increases in rural valuations higher than the stage average leading to a reduced allocation. The freeze in indexation has cost Council approximately \$50k p.a. Forecasts for 2018/2019 and beyond have been based on the 2017/2018 allocations with no increases factored in.
- Supplementary Local Roads Funding – provided to SA Councils by the Federal Government. Once again these funds are not tied to any specific purpose and can be used at Council's discretion. This funding was removed a few years ago but was reinstated in 2017/2018 for two (2) years. The cost to Council during the time this funding was removed was approximately \$400k p.a. Y1 (2018/2019) of this Plan includes an amount of \$404k, with no guarantee that it will continue beyond that.
- Roads to Recovery (R2R) – provided by the Federal Government to all Councils in Australia and while Council can decide which projects to spend it on, it must be spent on capital road works. In previous Plans this income has been shown against capital income, however, in the new Plan it has correctly been reallocated against operating income on the Statement of Comprehensive Income. Council's historical annual average allocation has been approximately \$581k. Given that Council brought forward its 2018/2019 allocation to prior years for the completion of Clinton Road, no allocation has been included in Y1 of this Plan. The allocation has been included again annually from Y2 (2019/2020) of this Plan but is subject to Federal Government confirmation.
- One-off grants/ contributions – \$300k State Government grant for footpath upgrades, \$81k for Yorketown Aerodrome and \$31k in CWMS augmentation contributions have all been removed from the 2017/2018 base amount to reflect their one-off nature.
- Traineeship subsidies – a 50% reduction has been made to the 2017/2018 base amount to reflect completion of traineeships. Employee numbers and budgets have been adjusted to reduce the amount of trainees employed.
- Pt Pearce MUNS funding – Council received approximately \$78k annually to provide maintenance services to the Pt Pearce community. This has been indexed by CPI annually.
- Leisure Options grants – no increase due to uncertainty of funding and programme. Maintained at 2017/2018 levels for the life of this Plan.
- Library grants - no increase due to uncertainty of funding. Maintained at 2017/2018 levels for the life of this Plan.
- Art Exhibition sponsorship – included every 2nd Year to reflect frequency of programme. Amount maintained at 2017/2018 levels.

Investment Income

Investment Income (\$168k base) is derived from interest on Council investments and surplus cash at bank and also includes reimbursement of interest paid by Council on community loans. Income

has been forecast based on cash flow projections over the life of the Plan. The current cash rate and investment rates have also been used as a guide.

Council's Treasury Management Policy ensures available funds are managed on a regular basis to maximise returns.

The forecast average annual increase over the life of the Plan is just 0.64% and reflective of the fact that surplus cash levels have been kept to a minimum to ensure any surplus cash is utilised for asset renewal.

Reimbursements

This category includes reimbursements by Community Groups, Sporting Clubs and individuals for expenses incurred by Council on their behalf and on-charged. This category also includes any amounts charged for Private Works performed by Council. With a \$125k base this makes up a very small component of Council's total operating income. While a 1% p.a. indexation has been applied the forecast average annual variation is actually a decrease of 2.39% due to a number of one-off amounts not likely to be received in future years, removed from the base amount.

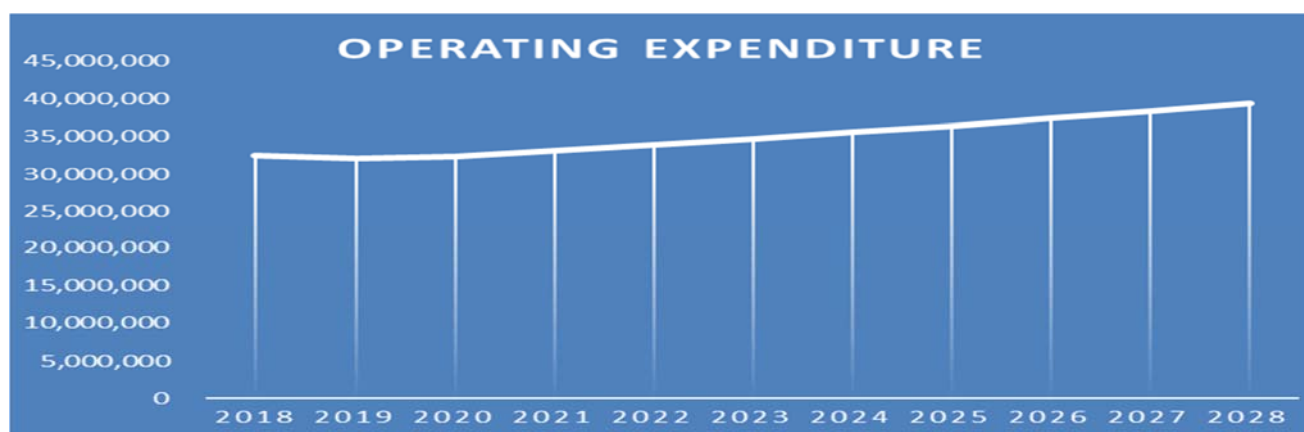
Other Revenue

All income that cannot be classified in the categories above is included here. The current base of \$372k has been adjusted for a one-off amount of \$170k resulting from fuel tax credits received from the ATO. This is unlikely to occur again. After applying a 1% p.a. indexation to the revised base amount the forecast average annual variation is a 3.80% decrease compared to current levels.

Operating Expenses

Council's operating expense base on which this Plan is built is \$32.5 million of which approximately 42% or \$13.6 million consists of materials, contracts and other expenses, 28% consists of employee costs (operating only), 29% is for depreciation and the balance is for finance costs (interest on loans). At the end of the Plan operating expenditure is forecast to be \$39.3m (keeping in mind that \$1 today will not be worth that in Y10: 2027/2028). Values as presented in this LTFP are in future (nominal) values i.e. they have been adjusted each year by a forecast inflation rate – CPI.

The forecast for operating income over the life of this Plan is best shown by the following graph:



After Y1 (2018/2019) there is a steady increase to total operating expenditure based on the proposed increases as detailed earlier. Annual variations range between -1.5% and 2.7%.

The table below details the annual variations to expenses by type and the initial and final amounts for each type of expense incurred over the life of the Plan. While an underlying CPI has been applied to most expense types, they have all been impacted by one-off adjustments and increases above CPI. These are explained in more detail in the following sections of this Plan.

Expenses	\$ 32,521,254	\$ 32,022,622	\$ 32,397,365	\$ 33,128,688	\$ 33,934,318	\$ 34,738,656	\$ 35,642,564	\$ 36,423,939	\$ 37,353,753	\$ 38,274,254	\$ 39,322,890	
Employee Costs	\$ 9,078,131	2.94%	4.18%	3.05%	4.23%	3.10%	4.23%	3.10%	4.23%	3.06%	4.19%	
Materials, Contracts & Other Expenses	\$ 13,600,161	-5.59%	-0.02%	2.96%	3.19%	3.11%	2.76%	2.58%	3.22%	3.16%	2.89%	
Depreciation, Amortisation & Impairment	\$ 9,460,981	0.00%	0.00%	1.00%	0.00%	1.00%	1.00%	1.00%	0.00%	1.00%	1.00%	
Finance Costs	\$ 381,982	-1.42%	-3.65%	-11.06%	-12.60%	-14.04%	-15.41%	-18.26%	-22.85%	-24.38%	-29.04%	
Total Expenses - Annual Variation		-1.53%	1.17%	2.26%	2.43%	2.37%	2.60%	2.19%	2.55%	2.46%	2.74%	
		-\$ 498,632	\$ 374,743	\$ 731,322	\$ 805,630	\$ 804,338	\$ 903,908	\$ 781,375	\$ 929,814	\$ 920,501	\$ 1,048,636	

For more information on Council's forecast operating expenses refer to Attachment 1: Statement of Comprehensive Income.

Employee Costs

Includes all labour costs relating to maintenance and is inclusive of salaries and wages and overheads such as allowances, superannuation, leave entitlements and workers compensation insurance. Wage costs (including allocation of staff overheads) relating to capital projects are included in the total capital expenditure for renewal and replacement of existing assets. The split between operating and capital can vary from year to year depending on capital projects approved by

Council, however overall the LTFP assumes the trend on this split remains consistent across the life of this Plan. Approximately \$1m (indexed annually) has been allocated in capital wages every year. The total employee cost base (operating and capital) is approximately \$10.1m.

The LTFP provides for legislated increases in the superannuation guarantee moving from 9.5% in 2020/2021 to 12.0% by 2025/2026.

Salary and wage increases are projected in line with expected Enterprise Bargaining Agreements (EBA) at 2.5% p.a. reflective of the current EBA with an allowance of 0.5% every year for reclassifications, step increments and contract renegotiations. A further 1% increase has been included every 2nd Year commencing in 2019/2020 for growth in staff numbers. The 2018/2019 forecast employee costs are driven by a full time equivalent (FTE) base of 115.02. It should be noted that the forecast has been adjusted to reflect the change in arrangements at Council's Visitor Information Centre (VIC) as a result of the Service Level Review endorsed by Council in February 2018.

Annual increases for Employee costs over the life of this Plan range from 2.94% to 4.23%.

The current EBA's expire on 30 June 2019.

Materials, Contracts and Other Expenses

Materials cover payments for physical goods including the purchase of road making materials, water, fuel, electricity and office consumables. Contracts include payments to external entities for provision of services to Council including Waste Management, electrical, plumbing, fire and safety, building maintenance, line marking etc. This category also includes payments to consultants and legal fees incurred by Council and all other expenses that do not fit into the categories Employee Costs, Depreciation or Finance Costs. The total materials, contracts and other expenses base (operating only) is approximately \$13.6m.

As mentioned earlier, while an underlying CPI increase is built into most expense lines in this category of expenditure, some expense lines have increased by more than CPI or have had to be adjusted to reflect their one-off nature. Further savings have been made to a number of discretionary expense lines based on efficiency in operations and reviewing of costs. One-off adjustments made to the base have impacted overall expenditure for this category in Y1 (2018/2019) resulting in a 5.6% reduction compared to 2017/2018. More detail is as follows:

- Waste collection, disposal and transfer station management – annual increase of 5% reflective of current and future contracts, State Government waste levy increase and some growth in waste tonnages. Costs are full cost recovery as permitted by legislation.
- Tree trimming contract – one-off adjustment made in Y3 (2018/2019) to reflect three (3) year contract commenced in 2016/2017. Not expected to continue after 2018/2019.
- Visitor Information Centre - \$20k savings reflected as a result of change in operating model due to Service Level Review endorsed by Council in February 2018.
- IT software licensing – annual increase of 5% to reflect current practices (transition of services to the Cloud) and increasing cost of software licensing.
- NRM Levy – collected on behalf of State Government and remitted to them. This amount of almost \$1m in 2017/2018 is expected to grow by 9% p.a. for the first three (3) years of this plan. After that it is expected to grow by 5% p.a.

- Fuel (diesel and petrol) – reflective of recent and expected future price increases resulting in a 5% increase in Y1 then CPI increase annually after that.
- Local Government elections – held every four (4) years commencing Y1 (2018/2019). Each election costs approximately \$57k (1 Mayoral and 4 Wards) to conduct. Further Councillor allowances set by an independent tribunal, have historically been increased by 6% every election year. They generally increase by CPI in every non-election year. All these increases have been reflected in this Plan.

Annual increases/ (decreases) for materials, contracts and other expenses over the life of this Plan range from -5.59% to 3.22%.

Depreciation

Depreciation is an accounting charge to Operating expenses showing the rate of consumption of Council's infrastructure, buildings, plant and equipment and other fixed assets and is often used as a provision for replacement of these assets at the optimum estimated time to support the provision of current Council services.

Depreciation in the LTFP is calculated based on best estimates of consumption of Council's assets over their useful lives. The estimate is also reflective of existing Asset Management Plans, current data collected by Council officers and the strategic direction taken by Council to increase renewal expenditure on assets and minimise spending on new assets.

The annual variation for depreciation over the life of the Plan ranges between 0% and 1%. The increases are reflective of the asset revaluation programme and the resulting increase to Council's replacement value of its asset base with a subsequent increase in Depreciation.

Work is currently underway to review Council's Land, Building and Structures asset class to update its AMP and provide accurate data for renewal of these assets. Further work will be done to develop a management strategy for Council's large number of buildings. The strategy will impact Council's costs such as insurance, depreciation, maintenance and capital. Future iterations of the LTFP will reflect the outcome of this work.

As mentioned earlier this Plan proposes to provide \$94m over ten (10) years for renewal of existing assets with an additional \$2m for upgrade of existing assets and acquisition of new assets.

Finance Costs

Finance Costs include interest on borrowings including community loans and are based on loan repayment schedules.

A \$1.2m borrowing (and subsequent repayments) to be drawn down in July 2018 (approved in 2017/2018) is included in this Plan. Other than that no new borrowings are included over the life of this Plan.

Council's outstanding loan balance (assuming no new borrowings other than the \$1.2m are taken) is forecast to be as follows:

- 30 June 2018: \$7.715m
- 30 June 2019: \$8.178m
- 30 June 2028: \$1.116m

Financing forecasts in the LTFP have been made with consideration of Council's current Treasury Management Strategy. For more information please refer to Council's Treasury Management policy available on its website.

Capital Expenditure

In line with Council's SMP and AMP's the focus of this Plan is to maximise the provision of funds for the renewal and replacement of existing assets. Funding for upgrade to existing assets and acquisition of new assets has been kept a minimum.

As mentioned earlier Council is still in the process of updating its AMP for Land, Buildings and Structures and until such time will continue to use Depreciation as a base to measure and calculate its Asset Sustainability Ratio (ASR). At this stage Depreciation is considered more accurate than renewal targets stated in AMP's. While the AMP's provide reasonable annual renewal expenditure targets for major asset classes, further work needs to be done to increase their accuracy.

The table below highlights the individual asset classes and the proportion of Depreciation and the AMP required spend. It clearly shows that the Transport asset class (majority Road assets) is Council's biggest asset class and therefore requires the biggest investment. It is followed by Land, Buildings and Structures and Major Plant. The table below has been used to allocate the \$94m funding to asset classes for renewal and replacement of existing assets.

ASSET CLASS	DEPRECIATION AS A % OF TOTAL (does not take backlog into account)	AMP 10 YR REQUIRED SPEND (excluding known backlog 2017/18 & prior)	
Transport	57%	\$ 66,934,331	62%
CWMS	5%	\$ 1,277,000	1%
Water	1%	\$ 188,000	0%
Stormwater	2%	\$ 573,000	1%
Land, Buildings & Structures	18%	\$ 18,609,000	17%
Furniture & Fittings**	3%	\$ 2,538,400	2%
Other Assets**	4%	\$ 3,767,120	3%
Minor Plant**	1%	\$ 705,181	1%
Major Plant	9%	\$ 13,753,000	13%
TOTAL	100%	\$ 108,345,032	

Graphs presented earlier in this Plan show that Council meets the minimum ASR target of 90% every year, however does not break the 100% mark at any time during this Plan. The average ASR over the life of this Plan is 93.5% which means Council's backlog or renewal gap i.e. required expenditure to maintain its assets compared to actual expenditure, continues to grow.

The table below shows a snapshot of how the level of funding (and the corresponding ASR) provided for in this Plan for renewal and replacement of assets compares to the AMP's and Depreciation.

	AMP		DEPRECIATION	
10 YR REQUIRED SPEND	\$108,345,032	ASR	\$ 97,108,826	ASR
LTPF FUNDING PROPOSED	\$ 94,000,000	87%	\$ 94,000,000	97%
FUNDING SHORTFALL EXCL PRIOR YEARS BACKLOG	\$ 14,345,031		\$ 3,108,826	

Asset Renewal

The table below sets out the annual proposed allocation for each asset class for renewal and replacement of existing assets. The funding provided each year is the cash available after funding

operating expenses, loan repayments and other liabilities and maintaining a reasonable amount of working capital (\$800k minimum - \$1m maximum).

FUNDING AVAILABLE - LTFP											
Asset Class	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	TOTAL
Transport	\$ 7,200,000	\$ 7,200,000	\$ 7,312,000	\$ 7,200,000	\$ 7,666,000	\$ 7,864,000	\$ 7,657,000	\$ 7,978,000	\$ 7,703,000	\$ 7,747,000	\$ 75,527,000
CWMS	\$ 67,000	\$ 115,000	\$ 76,000	\$ 62,000	\$ 49,000	\$ 77,000	\$ 368,000	\$ 81,000	\$ 201,000	\$ 181,000	\$ 1,277,000
Water	\$ -	\$ 14,000	\$ -	\$ 46,000	\$ -	\$ 44,000	\$ 17,000	\$ -	\$ 64,000	\$ -	\$ 185,000
Stormwater	\$ -	\$ 294,000	\$ 22,000	\$ 94,000	\$ 20,000	\$ -	\$ 43,000	\$ 26,000	\$ 17,000	\$ 57,000	\$ 573,000
Land, Buildings & Structures	\$ 418,000	\$ 400,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 4,818,000
Furniture & Fittings**	\$ 150,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 1,050,000
Other Assets**	\$ 150,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 600,000
Minor Plant**	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 150,000
Major Plant / Fleet Vehicles	\$ 1,000,000	\$ 887,000	\$ 1,000,000	\$ 933,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 9,820,000
0											
Totals	9,000,000	9,075,000	9,075,000	9,000,000	9,400,000	9,650,000	9,750,000	9,750,000	9,650,000	9,650,000	94,000,000
											100%

The table above shows that 80% of the \$94m funding is directed towards the Transport (primarily Roads) asset class. This is in keeping with the table presented earlier highlighting that Transport assets make up 57% of Depreciation and require 62% of the AMP spend, thus needing the majority of funding for renewal.

As mentioned previously there is a gap or backlog between funding available over the life of the LTFP and what is required to be spent on renewal and replacement of assets. Annual reviews of this Plan will include looking at ways to increase the level of funding available in future.

The current LTFP (adopted May 2016) provides \$83.6m over a ten (10) year period commencing 2016/2017 and ending 2025/2026.

An average amount of \$320k p.a. has been included as income from sale of replaced major plant and fleet vehicles (trade-ins).

It should be noted that individual projects will be determined annually as part of Council's Annual Business Plan and Budget preparation and are subject to Council approval.

New or Upgraded Assets

With the focus solely on renewal and replacement, funding provided for upgrades or new assets has been kept to a minimum. A total allocation of \$2m (\$200k p.a.) over the life of this Plan has been included in this LTFP.

No income from grants and contributions for new or upgraded assets has been included at this stage due to the uncertainty surrounding their availability. As projects are assessed and approved, opportunities for external funding will be investigated.

The current LTFP (adopted May 2016) provides \$19.9m over a ten (10) year period commencing 2016/2017 and ending 2025/2026.

It should be noted that individual projects will be determined annually as part of Council's Annual Business Plan and Budget preparation and are subject to Council approval.

Sensitivity Analysis – General Rate Revenue

The figures in this LTFP are based on a number of assumptions and increases. One of these that is especially sensitive in terms of impact on the Plan is general rates revenue (excludes waste, CWMS and water supply service charges).

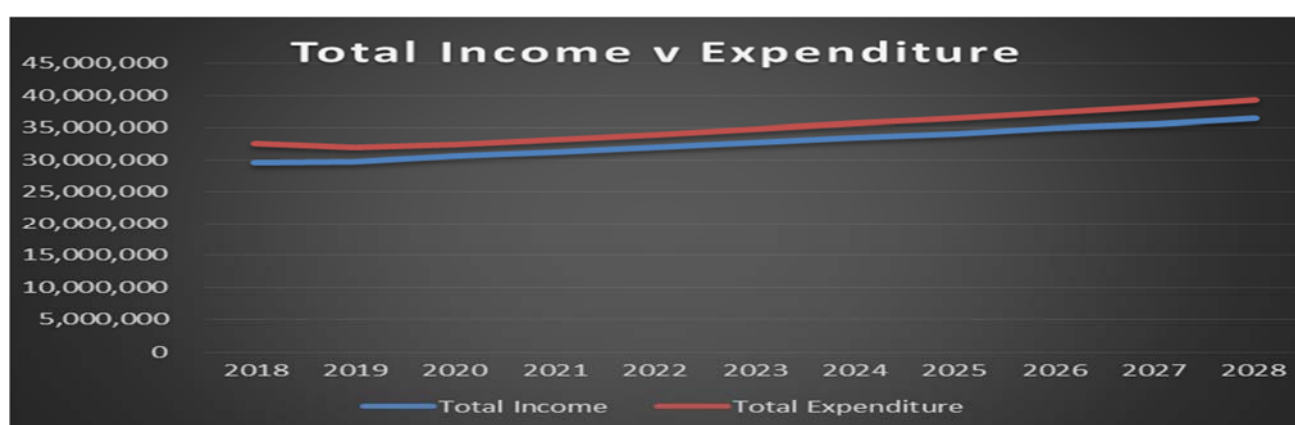
The annual general rate increase forecast for this LTFP includes in addition to CPI, a 'financial sustainability' increase to achieve Council's aim of becoming financially sustainable in the medium to long term. Given the sensitivity of this additional general rate increase on the Plan, modelling has been undertaken to show the detrimental impact on Council's long term financial position of removing the 'financial sustainability' rate increase from Y1 (2018/2019). The modelling is based on the assumption that general rate increases would be no more than the annual CPI, meaning an increase of 2.3% in Y1 followed by a 1.95% increase annually in Y2 – Y10. The results are as follows.

Operating Surplus/ (Deficit)

The table below shows the impact on Council's operating bottom line. Compared to the LTFP proposed (base) model Council remains in deficit for the life of this Plan and beyond, with the deficit getting significantly worse each year, if expenditure patterns and levels of service remain the same. This is due to costs increasing at a rate greater than income.

	YR 1	YR 2	YR 3	YR 4	YR 5	YR 6	YR 7	YR 8	YR 9	YR 10
BASE	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Operating Surplus / (Deficit)	-\$ 1,925,578	-\$ 889,749	-\$ 418,861	\$ 99,340	\$ 289,887	\$ 494,921	\$ 440,254	\$ 353,620	\$ 207,957	\$ 6,692
CPI ONLY INCREASE										
Operating Surplus / (Deficit)	-\$ 2,348,539	-\$1,826,277	-\$ 1,903,228	-\$1,968,967	-\$2,094,263	-\$2,220,322	-\$2,327,937	-\$2,468,551	-\$2,669,246	-\$2,926,617

The graph below shows the gap between total operating income and operating expenditure getting bigger leading to financial unsustainability. This is assuming that expenditure patterns and levels of service remain the same.



Capital Expenditure

Removal of the 'financial sustainability' general rate increase will also mean that Council will have approximately \$21m less to spend on renewal and replacement of existing assets. This will lead to a rapid deterioration of assets and increase in the asset renewal backlog i.e. gap between required

spending and actual spending. The table below presents a snapshot of the funding shortfall under the CPI only general rate increase scenario.

BASE	AMP		DEPRECIATION	
10 YR REQUIRED SPEND	\$108,345,032	ASR	\$ 97,108,826	ASR
LTPF FUNDING PROPOSED	\$ 94,000,000	87%	\$ 94,000,000	97%
FUNDING SHORTFALL EXCL PRIOR YEARS BACKLOG	\$ 14,345,031		\$ 3,108,826	
CPI ONLY INCREASE	AMP		DEPRECIATION	
10 YR REQUIRED SPEND	\$108,345,032	ASR	\$ 97,108,826	ASR
LTPF FUNDING PROPOSED	\$ 72,700,000	67%	\$ 72,700,000	75%
FUNDING SHORTFALL EXCL PRIOR YEARS BACKLOG	\$ 35,645,032		\$ 24,408,826	

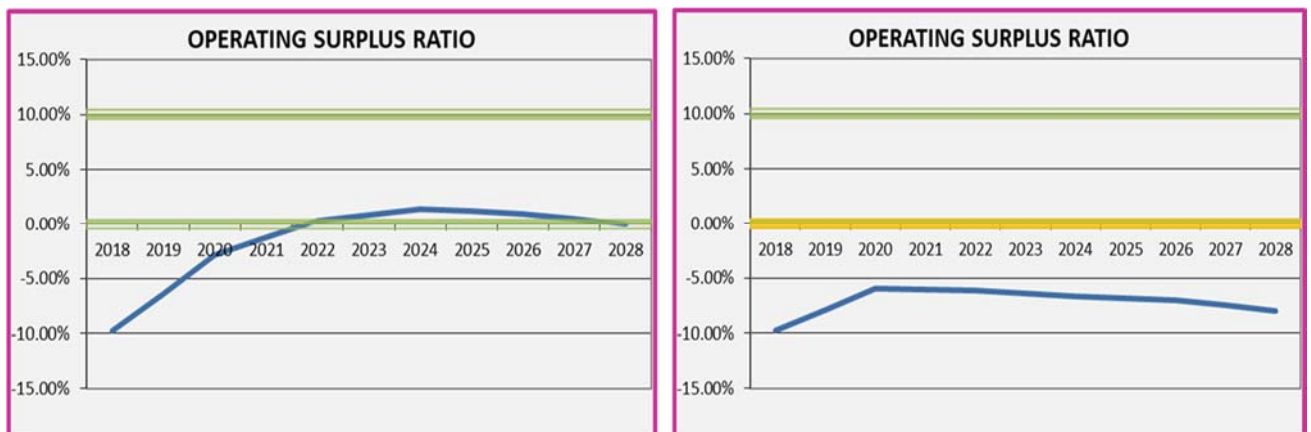
Financial Indicators (Ratios)

Given the sensitivity around rate revenue and its impact on Council's ongoing financial sustainability, the impact is best shown using the three (3) indicators (ratios) used to measure financial sustainability.

The graphs below show the difference in the ratios for the proposed LTFP base model (left) and the CPI only general rate increase scenario (right).

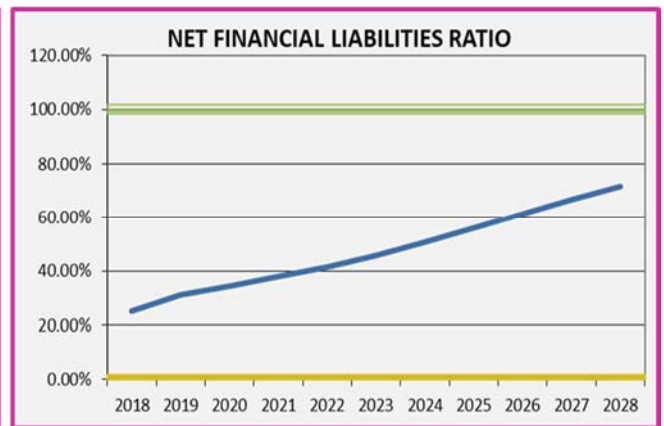
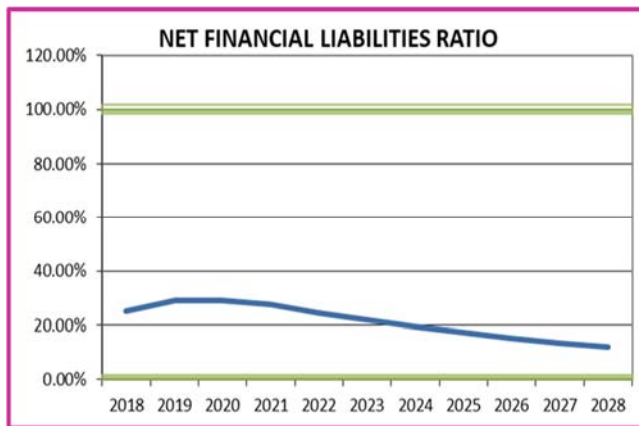
Operating Surplus Ratio

Under the CPI only general rate increase scenario Council will never meet its sustainability target with the OSR getting worse over time.



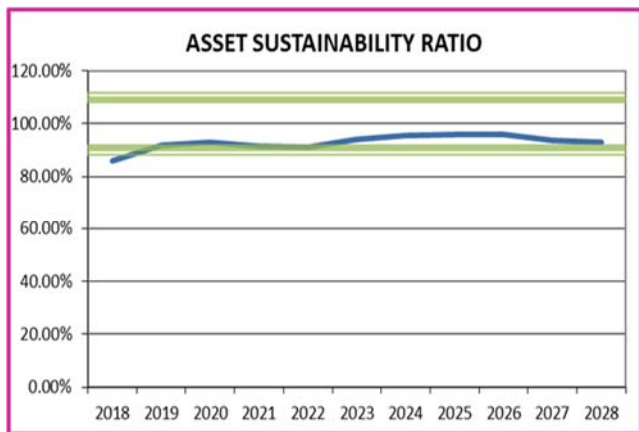
Net Financial Liabilities Ratio

Under the CPI only general rate increase scenario Council's NFLR will increase sharply instead of declining. This will still remain under Council's ceiling of 100%.



Asset Sustainability Ratio

Under the CPI only general rate increase scenario Council's ASR will decline sharply over the life of the LTFP and not meet Council's minimum sustainability target of 90%. Council's asset renewal backlog will increase significantly assuming a 'business as usual' model.



Attachment 1 – Statement of Comprehensive Income

Attachment 2 – Statement of Financial Position

Attachment 3 – Statement of Cashflows

Attachment 4 – Statement of Changes in Equity

Attachment 5 – Uniform Presentation of Finances

Yorke Peninsula Council										
LONG TERM FINANCIAL PLAN 2019 - 2028	Projected Years									
STATEMENT OF COMPREHENSIVE INCOME	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
Scenario: Base	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income										
Rates	23,007,060	24,119,508	25,288,762	26,466,336	27,393,726	28,349,240	29,013,254	29,697,403	30,402,437	31,080,712
Statutory Charges	416,257	421,328	426,498	431,768	437,142	442,620	448,205	453,899	459,704	465,623
User Charges	3,317,976	3,435,872	3,496,189	3,618,996	3,684,362	3,812,359	3,883,061	4,016,545	4,092,889	4,232,174
Grants, Subsidies and Contributions	2,869,273	3,042,827	3,029,338	3,045,879	3,032,449	3,049,050	3,035,683	3,052,347	3,039,044	3,055,774
Investment Income	171,183	168,365	165,892	164,092	174,322	174,201	173,985	173,666	174,599	178,219
Reimbursements	105,762	107,336	91,412	91,983	92,560	93,143	93,732	94,327	94,927	95,534
Other Income	209,535	212,380	211,736	214,604	213,982	216,872	216,273	219,186	218,610	221,546
Net gain - equity accounted Council businesses	-	-	-	-	-	-	-	-	-	-
Total Income	30,097,045	31,507,617	32,709,826	34,033,657	35,028,543	36,137,485	36,864,193	37,707,373	38,482,211	39,329,582
Expenses										
Employee Costs	9,345,130	9,735,720	10,032,899	10,456,960	10,781,199	11,237,142	11,585,978	12,076,168	12,446,001	12,967,132
Materials, Contracts & Other Expenses	12,839,950	12,837,838	13,217,490	13,639,716	14,063,853	14,452,659	14,825,173	15,303,111	15,786,858	16,243,327
Depreciation, Amortisation & Impairment	9,460,981	9,460,981	9,555,591	9,555,591	9,651,147	9,747,658	9,845,135	9,845,135	9,943,586	10,043,022
Finance Costs	376,561	362,826	322,709	282,051	242,457	205,104	167,653	129,339	97,809	69,409
Net loss - Equity Accounted Council Businesses	-	-	-	-	-	-	-	-	-	-
Total Expenses	32,022,622	32,397,365	33,128,688	33,934,318	34,738,656	35,642,564	36,423,939	37,353,753	38,274,254	39,322,890
Operating Surplus / (Deficit)	(1,925,578)	(889,749)	(418,861)	99,340	289,887	494,921	440,254	353,620	207,957	6,692
Asset Disposal & Fair Value Adjustments	-	-	-	-	-	-	-	-	-	-
Amounts Received Specifically for New or Upgraded Assets	-	-	-	-	-	-	-	-	-	-
Physical Resources Received Free of Charge	-	-	-	-	-	-	-	-	-	-
Operating Result from Discontinued Operations	-	-	-	-	-	-	-	-	-	-
Net Surplus / (Deficit)	(1,925,578)	(889,749)	(418,861)	99,340	289,887	494,921	440,254	353,620	207,957	6,692
Total Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income	(1,925,578)	(889,749)	(418,861)	99,340	289,887	494,921	440,254	353,620	207,957	6,692

Yorke Peninsula Council										
LONG TERM FINANCIAL PLAN 2019 - 2028	Projected Years									
STATEMENT OF FINANCIAL POSITION	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
Scenario: Base	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS										
Current Assets										
Cash & Cash Equivalents	2,422,917	1,305,199	809,606	879,860	882,957	925,503	886,068	847,939	906,516	868,534
Trade & Other Receivables	1,192,128	1,234,721	1,261,912	1,286,646	1,314,027	1,350,955	1,358,018	1,323,658	1,328,055	1,355,352
Other Financial Assets	-	-	-	-	-	-	-	-	-	-
Inventories	839,047	838,909	863,718	891,309	919,025	944,432	968,774	1,000,006	1,031,617	1,061,446
Non-current assets classified as "Held for Sale"	-	-	-	-	-	-	-	-	-	-
Total Current Assets	4,454,091	3,378,829	2,935,236	3,057,815	3,116,009	3,220,890	3,212,861	3,171,603	3,266,188	3,285,332
Non-Current Assets										
Financial Assets	520,400	432,708	340,459	261,164	178,073	90,999	14,771	0	0	0
Equity Accounted Investments in Council Businesses	-	-	-	-	-	-	-	-	-	-
Investment Property	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	295,089,604	294,615,348	294,009,757	293,350,942	292,974,795	292,752,137	292,532,002	292,311,867	291,893,281	291,375,259
Intangible Assets	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as "Held for Sale"	-	-	-	-	-	-	-	-	-	-
Other Non-Current Assets	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	295,610,004	295,048,056	294,350,216	293,612,105	293,152,868	292,843,136	292,546,773	292,311,867	291,893,281	291,375,259
TOTAL ASSETS	300,064,095	298,426,885	297,285,452	296,669,920	296,268,876	296,064,025	295,759,634	295,483,470	295,159,469	294,660,591
LIABILITIES										
Current Liabilities										
Bank Overdraft	-	-	-	-	-	-	-	-	-	-
Trade & Other Payables	2,196,919	2,217,171	2,283,419	2,360,437	2,432,816	2,506,032	2,571,825	2,657,108	2,738,399	2,822,140
Borrowings	817,714	838,819	841,890	813,310	822,988	860,438	765,068	663,248	639,310	582,533
Provisions	2,079,075	2,121,436	2,163,798	2,206,159	2,248,520	2,290,881	2,333,243	2,375,604	2,417,965	2,460,327
Other Current Liabilities	-	-	-	-	-	-	-	-	-	-
Liabilities relating to Non-Current Assets classified as "Held for Sale"	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	5,093,708	5,177,426	5,289,107	5,379,906	5,504,324	5,657,352	5,670,135	5,695,961	5,795,675	5,865,000
Non-Current Liabilities										
Trade & Other Payables	-	-	-	-	-	-	-	-	-	-
Borrowings	7,360,598	6,521,779	5,679,888	4,866,579	4,043,591	3,183,152	2,418,085	1,754,836	1,115,526	532,993
Provisions	479,925	487,564	495,202	502,841	510,480	518,119	525,757	533,396	541,035	548,673
Liability - Equity Accounted Council Businesses	-	-	-	-	-	-	-	-	-	-
Other Non-Current Liabilities	-	-	-	-	-	-	-	-	-	-
Liabilities relating to Non-Current Assets classified as "Held for Sale"	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	7,840,523	7,009,342	6,175,091	5,369,420	4,554,070	3,701,271	2,943,842	2,288,232	1,656,561	1,081,666
TOTAL LIABILITIES	12,934,231	12,186,769	11,464,197	10,749,326	10,058,395	9,358,623	8,613,977	7,984,193	7,452,236	6,946,666
Net Assets	287,129,865	286,240,116	285,821,255	285,920,595	286,210,482	286,705,403	287,145,657	287,499,277	287,707,234	287,713,925
EQUITY										
Accumulated Surplus	(14,690,135)	(15,579,884)	(15,998,745)	(15,899,405)	(15,609,518)	(15,114,597)	(14,674,343)	(14,320,723)	(14,112,766)	(14,106,075)
Asset Revaluation Reserves	300,690,000	300,690,000	300,690,000	300,690,000	300,690,000	300,690,000	300,690,000	300,690,000	300,690,000	300,690,000
Available for Sale Financial Assets	-	-	-	-	-	-	-	-	-	-
Other Reserves	1,130,000	1,130,000	1,130,000	1,130,000	1,130,000	1,130,000	1,130,000	1,130,000	1,130,000	1,130,000
Total Equity	287,129,865	286,240,116	285,821,255	285,920,595	286,210,482	286,705,403	287,145,657	287,499,277	287,707,234	287,713,925

Yorke Peninsula Council										
LONG TERM FINANCIAL PLAN 2019 - 2028										
STATEMENT OF CASH FLOWS										
Scenario: Base										
	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities										
Receipts:										
Rates Receipts	22,983,002	24,094,226	25,262,189	26,439,574	27,372,649	28,327,524	28,998,163	29,681,854	30,386,414	31,065,297
Statutory Charges	416,257	421,328	426,498	431,768	437,142	442,620	448,205	453,899	459,704	465,623
User Charges	3,317,976	3,435,872	3,496,189	3,618,996	3,684,362	3,812,359	3,883,061	4,016,545	4,092,889	4,232,174
Grants, Subsidies and Contributions (operating purpose)	2,869,273	3,042,827	3,029,338	3,045,879	3,032,449	3,049,050	3,035,683	3,052,347	3,039,044	3,055,774
Investment Receipts	171,183	168,365	165,892	164,092	174,322	174,201	173,985	173,666	174,599	178,219
Reimbursements	112,248	106,790	96,939	91,785	92,360	92,941	93,528	94,120	94,719	95,323
Other	454,344	202,446	214,249	208,282	215,034	209,523	216,151	210,628	218,323	212,658
Payments:										
Payments to Employees	(9,283,571)	(9,669,366)	(9,970,143)	(10,389,278)	(10,717,358)	(11,168,185)	(11,521,140)	(12,005,845)	(12,380,293)	(12,895,560)
Payments for Materials, Contracts & Other Expenses	(12,889,173)	(12,837,975)	(13,192,908)	(13,612,377)	(14,036,391)	(14,427,485)	(14,801,053)	(15,272,165)	(15,755,536)	(16,213,771)
Finance Payments	(376,561)	(362,826)	(322,709)	(282,051)	(242,457)	(205,104)	(167,653)	(129,339)	(97,809)	(69,409)
Net Cash provided (or used in) Operating Activities	7,774,977	8,601,687	9,205,534	9,716,669	10,012,112	10,307,443	10,358,930	10,275,711	10,232,054	10,126,328
Cash Flows from Investing Activities										
Receipts:										
Amounts Received Specifically for New/Upgraded Assets	-	-	-	-	-	-	-	-	-	-
Sale of Replaced Assets	325,000	288,275	325,000	303,225	325,000	325,000	325,000	325,000	325,000	325,000
Sale of Surplus Assets	-	-	-	-	-	-	-	-	-	-
Sale of Investment Property	-	-	-	-	-	-	-	-	-	-
Sale of Non Current Assets "Held for Sale"	-	-	-	-	-	-	-	-	-	-
Net Disposal of Investment Securities	-	-	-	-	-	-	-	-	-	-
Sale of Real Estate Developments	-	-	-	-	-	-	-	-	-	-
Sale of Intangible Assets	-	-	-	-	-	-	-	-	-	-
Repayments of Loans by Community Groups	86,883	85,035	87,692	92,249	79,295	83,091	87,074	76,228	14,771	-
Sale of Interests in Joint Ventures & Associates	-	-	-	-	-	-	-	-	-	-
Distributions Received from Equity Accounted Council Businesses	-	-	-	-	-	-	-	-	-	-
Other Investing Activity Receipts	-	-	-	-	-	-	-	-	-	-
Payments:										
Expenditure on Renewal/Replacement of Assets	(9,000,000)	(9,075,000)	(9,075,000)	(9,000,000)	(9,400,000)	(9,650,000)	(9,750,000)	(9,750,000)	(9,650,000)	(9,650,000)
Expenditure on New/Upgraded Assets	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	-
Net Purchase of Investment Securities	-	-	-	-	-	-	-	-	-	-
Development of Real Estate for Sale	-	-	-	-	-	-	-	-	-	-
Expenditure on Intangible Assets	-	-	-	-	-	-	-	-	-	-
Loans Made to Community Groups	-	-	-	-	-	-	-	-	-	-
Purchase of Interests in Equity Accounted Council Businesses	-	-	-	-	-	-	-	-	-	-
Capital Contributed to Equity Accounted Council Businesses	-	-	-	-	-	-	-	-	-	-
Other Investing Activity Payments	-	-	-	-	-	-	-	-	-	-
Net Cash provided (or used in) Investing Activities	(8,788,117)	(8,901,690)	(8,862,308)	(8,804,526)	(9,195,705)	(9,441,909)	(9,537,927)	(9,548,772)	(9,510,229)	(9,525,000)
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings	1,200,000	-	-	-	-	-	-	-	-	-
Receipt of Funds from Finance Leases	-	-	-	-	-	-	-	-	-	-
Proceeds from Aged Care Facility Deposits	-	-	-	-	-	-	-	-	-	-
Proceeds from Bonds & Deposits	-	-	-	-	-	-	-	-	-	-
Receipts from Other Financing Activities										
Payments:										
Repayments of Borrowings	(736,894)	(817,714)	(838,819)	(841,890)	(813,310)	(822,988)	(860,438)	(765,068)	(663,248)	(639,310)
Repayment of Finance Lease Liabilities	-	-	-	-	-	-	-	-	-	-
Repayment of Aged Care Facility Deposits	-	-	-	-	-	-	-	-	-	-
Repayment of Bonds & Deposits	-	-	-	-	-	-	-	-	-	-
Payments of Other Financing Activities										
Net Cash Flow provided (used in) Financing Activities	463,106	(817,714)	(838,819)	(841,890)	(813,310)	(822,988)	(860,438)	(765,068)	(663,248)	(639,310)
Net Increase/(Decrease) in Cash & Cash Equivalents	(550,033)	(1,117,718)	(495,593)	70,253	3,097	42,546	(39,435)	(38,129)	58,577	(37,982)
plus: Cash & Cash Equivalents - beginning of year	2,972,950	2,422,917	1,305,199	809,606	879,860	882,957	925,503	886,068	847,939	906,516
Cash & Cash Equivalents - end of the year	2,422,917	1,305,199	809,606	879,860	882,957	925,503	886,068	847,939	906,516	868,534
Cash & Cash Equivalents - end of the year	2,422,917	1,305,199	809,606	879,860	882,957	925,503	886,068	847,939	906,516	868,534
Investments - end of the year	-	-	-	-	-	-	-	-	-	-
Cash, Cash Equivalents & Investments - end of the year	2,422,917	1,305,199	809,606	879,860	882,957	925,503	886,068	847,939	906,516	868,534

Yorke Peninsula Council										
LONG TERM FINANCIAL PLAN 2019 - 2028	Projected Years									
STATEMENT OF CHANGES IN EQUITY	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
Scenario: Base	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening Balance	289,055,443	287,129,865	286,240,116	285,821,255	285,920,595	286,210,482	286,705,403	287,145,657	287,499,277	287,707,234
Net Surplus / (Deficit) for Year	(1,925,578)	(889,749)	(418,861)	99,340	289,887	494,921	440,254	353,620	207,957	6,692
Other Comprehensive Income										
- Gain (Loss) on Revaluation of I,PP&E	-	-	-	-	-	-	-	-	-	-
- Available for Sale Financial Instruments: change in fair value	-	-	-	-	-	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	-	-	-	-	-	-	-	-	-	-
- Transfer to Accumulated Surplus on Sale of I,PP&E	-	-	-	-	-	-	-	-	-	-
- Transfer to Acc. Surplus on Sale of AFS Financial Instruments	-	-	-	-	-	-	-	-	-	-
- Share of OCI - Equity Accounted Council Businesses	-	-	-	-	-	-	-	-	-	-
- Other Equity Adjustments - Equity Accounted Council Businesses	-	-	-	-	-	-	-	-	-	-
- Other Movements	-	-	-	-	-	-	-	-	-	-
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income	(1,925,578)	(889,749)	(418,861)	99,340	289,887	494,921	440,254	353,620	207,957	6,692
Transfers between Equity	-	-	-	-	-	-	-	-	-	-
Equity - Balance at end of the reporting period	287,129,865	286,240,116	285,821,255	285,920,595	286,210,482	286,705,403	287,145,657	287,499,277	287,707,234	287,713,925

Yorke Peninsula Council										
LONG TERM FINANCIAL PLAN 2019 - 2028	Projected Years									
UNIFORM PRESENTATION OF FINANCES	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
Scenario: Base	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Operating Activities										
Income	30,097,045	31,507,617	32,709,826	34,033,657	35,028,543	36,137,485	36,864,193	37,707,373	38,482,211	39,329,582
less Expenses	(32,022,622)	(32,397,365)	(33,128,688)	(33,934,318)	(34,738,656)	(35,642,564)	(36,423,939)	(37,353,753)	(38,274,254)	(39,322,890)
Operating Surplus / (Deficit)	(1,925,578)	(889,749)	(418,861)	99,340	289,887	494,921	440,254	353,620	207,957	6,692
Capital Activities										
less (Net Outlays) on Existing Assets										
Capital Expenditure on Renewal and Replacement of Existing Assets	(9,000,000)	(9,075,000)	(9,075,000)	(9,000,000)	(9,400,000)	(9,650,000)	(9,750,000)	(9,750,000)	(9,650,000)	(9,650,000)
add back Depreciation, Amortisation and Impairment	9,460,981	9,460,981	9,555,591	9,555,591	9,651,147	9,747,658	9,845,135	9,845,135	9,943,586	10,043,022
add back Proceeds from Sale of Replaced Assets	325,000	288,275	325,000	303,225	325,000	325,000	325,000	325,000	325,000	325,000
(Net Outlays) on Existing Assets	785,981	674,256	805,591	858,816	576,147	422,658	420,135	420,135	618,586	718,022
less (Net Outlays) on New and Upgraded Assets										
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
add back Amounts Received Specifically for New and Upgraded Assets	-	-	-	-	-	-	-	-	-	-
add back Proceeds from Sale of Surplus Assets (including Investment Property & and Real Estate Developments)	-	-	-	-	-	-	-	-	-	-
(Net Outlays) on New and Upgraded Assets	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Net Lending / (Borrowing) for Financial Year	(1,339,597)	(415,493)	186,730	758,155	666,034	717,579	660,389	573,755	626,543	524,713

Attachment 6 - Financial Terms Glossary

Accrual Accounting An accounting approach by which expenses, revenue, assets and liabilities are recognised in the reporting period to which they relate even though cash may have exchanged hands in different periods. It recognises expenses as they are incurred and revenue when it is earned.

Annual Budget A Council's statement of its intended operating expenses, revenue and capital expenditure that give effect to its annual business plan for the reporting period, its cash inflows and outflows associated with intended operating, investing and financing activities, and its projected financial position at the end of the reporting period.

Annual Business Plan (ABP) A Council's statement of its intended programmes and outcomes for the year.

Annual Financial Statements The Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity prepared in accordance with Australian Accounting Standards together with notes and certification statements as prescribed in the SA Model Financial Statements.

Assets Resources controlled by an entity the value of which can be reliably measured and from which future economic benefits are expected to flow to the entity.

Asset Maintenance Costs Costs incurred in holding and operating an asset so that it is capable of delivering service levels up to its design capacity over its useful life.

Asset Renewal/ Replacement Costs Costs associated with renewing or replacing an asset in order to maintain existing service level capacity.

Capital Expenditure Expenditure on items which will provide benefits that extend into future financial periods. It includes expenditure to acquire or enhance existing assets to provide expanded, or a higher level of, services.

Classes of Assets/ Asset Categories A grouping of assets of a similar nature and use in an entity's operations.

Community Wastewater Management Systems (CWMS) Systems designed to collect and treat septic tank effluent or effluent from properties.

Depreciation The value of the assets of a Council consumed and systematically allocated as an expense to a particular reporting period.

Financial Sustainability Occurs when expenditure, revenue raising and service level decision are made such that planned long-term service and infrastructure levels and standards can be achieved without unplanned increases in rates or disruptive cuts to services.

Infrastructure A term used to describe physical assets such as roads, buildings stormwater drainage and community wastewater management systems controlled by Council.

Asset Management Plan (AMP) A plan that projects the timing and level of cash flows associated with cost-effectively optimising acquisition of replacement and new additional assets and asset maintenance and disposal in order to be able to achieve desired service levels from assets.

Key Financial Indicators Financial measures or ratios that are used in management plans, annual reports and other internal and external reports to guide or assess the financial performance and position of Council.

Long Term Financial Plan (LTFP) A plan that projects a forecast of Council's financial performance and position over a period of at least ten (10) years.

Model Financial Statements A template format for the presentation of Annual Financial Statements for Councils in SA and other bodies established pursuant to the Local Government Act.