

LONG TERM FINANCIAL PLAN 2020 - 2029



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Prepared by:	Sid Jain, Manager Financial Services
Authorised by:	David Harding, Director Corporate and Community Services Andrew Cameron, Chief Executive Officer
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- 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 2019/2020 through to 2028/2029, is to ensure that Council is financially sustainable in the short to medium term (1 - 5 years) and beyond, with the ability 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, 11 April 2018 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 short to medium term (1 - 5 years);
- Spending on asset renewal consistent with Asset Management Plan (AMP) identified needs, Depreciation levels and Asset Sustainability Ratio (ASR) minimum (100%) targets from Year 1 (2019/2020) of the Plan;
- Net Financial Liabilities Ratio (NFLR) to be within the recommended Local Government target of 100% of Operating Income from Year 1 (2019/2020) 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 for the early part of the LTFP to ensure targets are likely to be met.

This increase over and above CPI is as follows:

- 1.7% in Year 1;
- 1.3% in Year 2;
- 1.05% in Year 3;
- 0.8% in Year 4 and
- 0.55% in Year 5.

From Years 6 – 10 of the revised LTFP rates increases revert to CPI only given the Financial Sustainability increase is no longer required based on current income and expenditure forecasts. As a result of savings from Service Level Reviews completed and other changes experienced, the revised LTFP 2020 - 2029 proposes total rate increases that are 6% less than the adopted LTFP 2019 – 2028, over the ten (10) year period.

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 \$104.65 million towards renewal of existing assets, with 82% or \$86.3 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 in the revised LTFP and a 'business as usual' approach, taking into account the impact of recently completed service level reviews, Council will achieve a positive Operating Surplus Ratio in Year 2 (2020/2021) and continue to increase that surplus for the rest of the LTFP to ensure availability of funds to meet asset renewal targets.

The minimum ASR target of 100% is achieved in Year 1 (2019/2020) and forecast to be increased for the rest of the LTFP thereby going some way to addressing asset renewal backlogs.

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 specific purposes 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 2018, 2018/2019 Annual Business Plan and Budget and the 2018/2019 September quarterly budget adjustments endorsed by Council. The LTFP forecasts have been based on the 2018/2019 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 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 from page 26 onwards.

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 assets or upgrade or renewal of existing assets.

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, over the term of the Plan 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)	Minimum 100%

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.

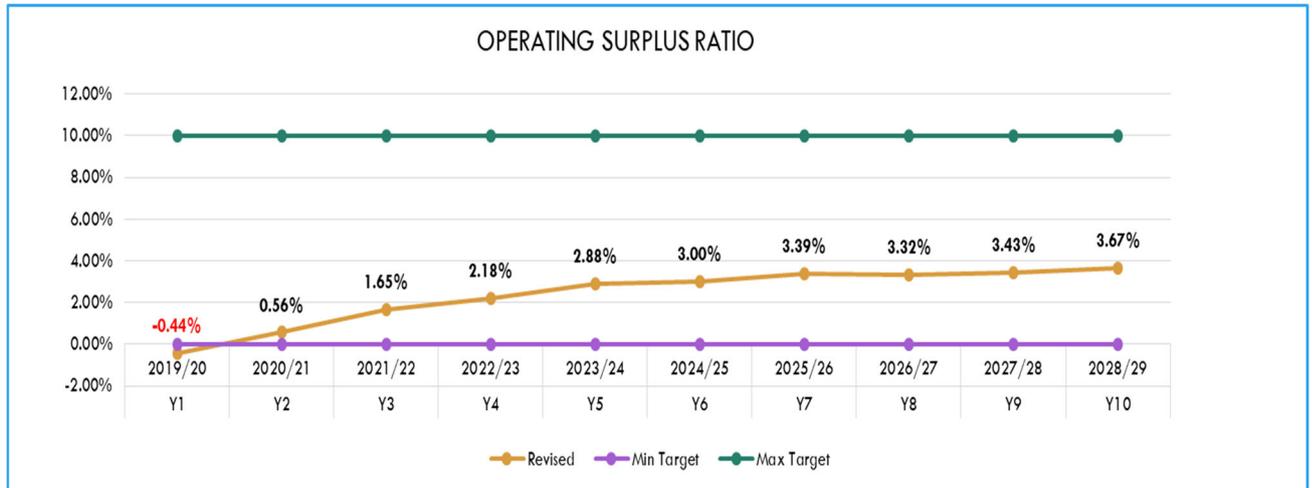
Council’s forecast ten (10) year Operating Surplus is shown in the graph below.



The graph above forecasts an operating deficit in Y1 (2019/2020) before returning to a surplus in Y2 (2020/2021) and maintaining a steady increase over the life of the Plan. The increasing surplus means that Council will have more funds to invest into renewal of existing assets, afford repayments on any potential new loans and meet its financial sustainability targets as stated in this Plan.

The revised financial position is an improvement on the current adopted 2019 – 2028 LTFFP which forecasts the first operating surplus for Council in 2021/2022, with steady increases over the life of the Plan before tapering back to a breakeven position.

Based on the Operating Surplus forecast in the graph on page 10 above the forecast OSR for this LTFP is shown in the graph below.

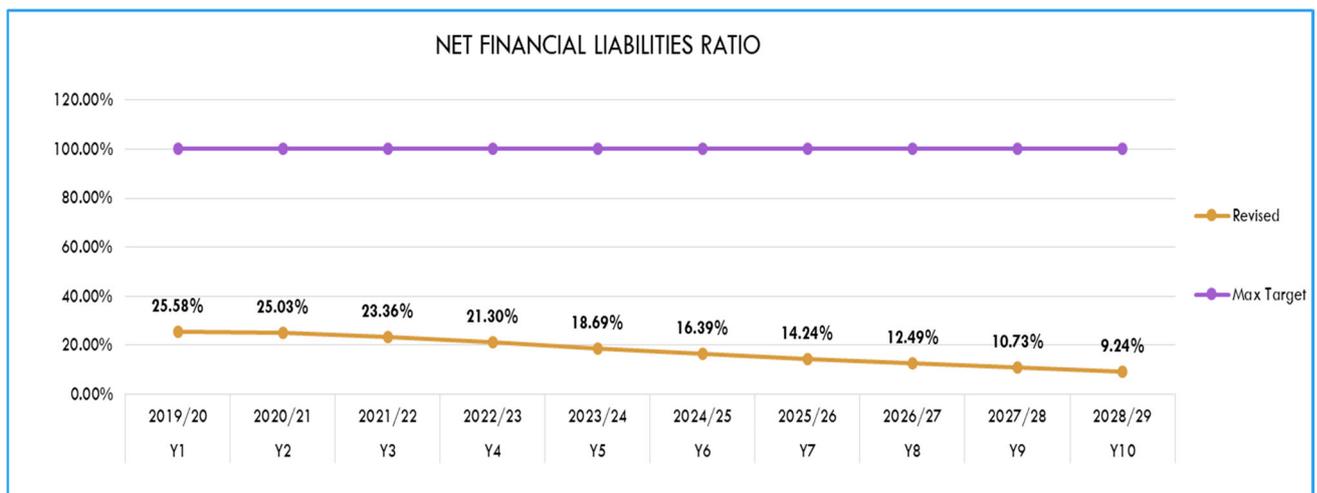


The trend in the OSR in the graph above is reflective of the movement in the forecast operating surplus, steadily increasing and meeting the Local Government sector recommended financial sustainability targets over the term of the Plan.

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 shown in the graph below.



The graph above shows that Council’s forecast NFLR is well below the ceiling of 100% over the life of the Plan, with 25.58% being the highest (Year 1: 2019/2020) and 9.24% being the lowest (Year 10: 2028/2029). This is well within the financial sustainability targets of this Plan.

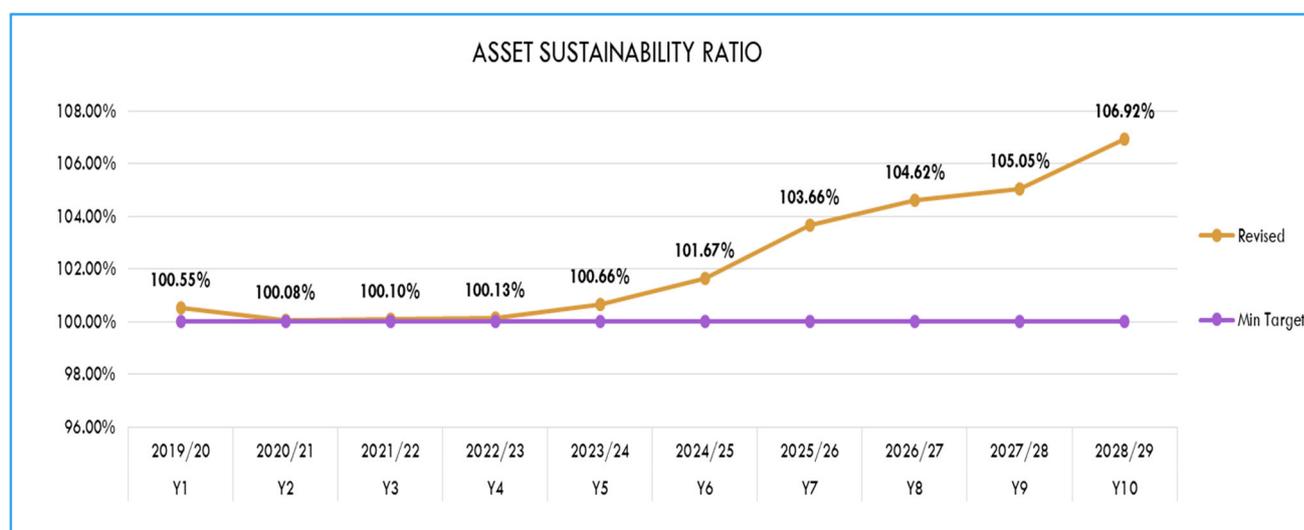
On comparison to the current adopted 2019 – 2028 LTFF, the result above is an improvement on average of between 1% and 2% annually.

The forecast in the graph above reflects Council’s increasing forecast year end cash position, decreasing liabilities (primarily loans) and no new loans proposed for the life of the Plan. The decreasing ratio provides Council with the opportunity to borrow to undertake strategic capital projects.

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 shown in the graph below.



The graph above shows that the ASR meets Council’s minimum target of 100% from Year 1 and gradually increases over the life of the Plan. A ratio in excess of the 100% minimum means that Council is starting to address some of the asset renewal backlog that exists from previous years.

An asset renewal backlog is created when what is required to be spent is more than what is actually spent on asset renewal over an extended period of time. When this continues over a length of time assets generally deteriorate at a rapid rate due to lack of investment and require increased funding to bring them up to a satisfactory standard.

It should be noted that the current adopted 2019 – 2028 LTFF has an ASR financial sustainability minimum target of 90% and a maximum of 110%. This was based on the Local Government sector wide recommended targets. Given that Council has a substantial asset renewal backlog the minimum target for the ASR has been set at 100% with no maximum, in the revised 2020 – 2029 LTFF (this Plan). This means that in order to meet this new increased target more funds will need to be invested into asset renewal, which this Plan does while encouraging an ongoing ASR well in excess of 100% to address the backlog. This is reflected in the graph above.

Key assumptions, influences and priorities

As stated earlier the Plan is based on a 'business as usual' model including any impacts of completed service level reviews, 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, September 2018 quarter CPI of 1.8% has been used for indexation purposes in Year 1 (2019/2020) of the Plan. From Year 2 (2020/2021) onwards an average estimated CPI of 1.95% p.a. has been used for the remainder 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

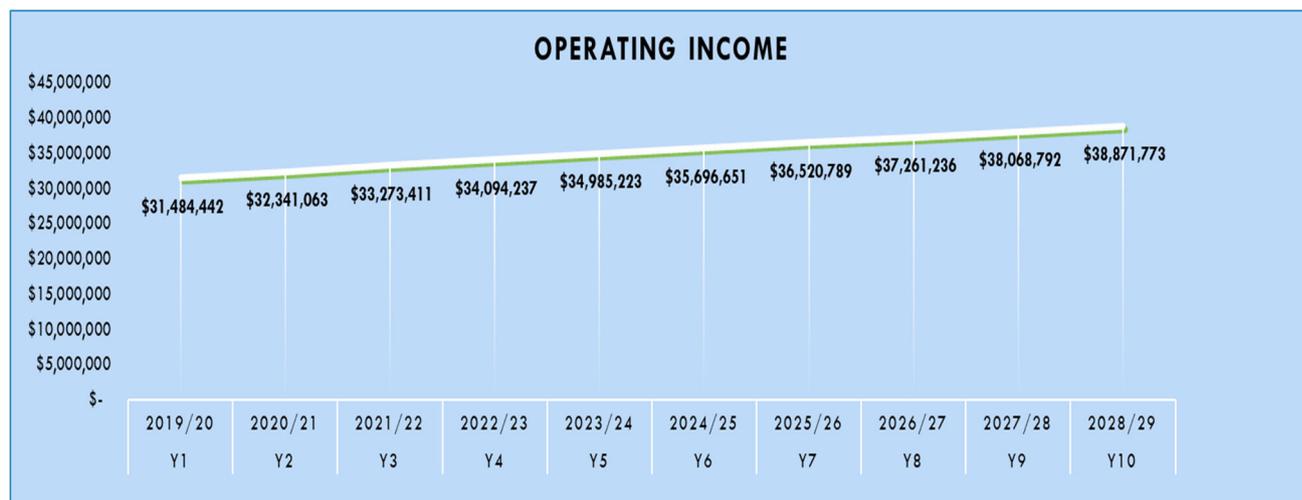
The table below summarises the global indexation factors used in the development of this Plan. It should be noted there are individual items that have increased more than the indexation stated below. These items and the reasons for the increase are outlined in more detail later in the pages that follow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

	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Income										
General Rates	3.50%	3.25%	3.00%	2.75%	2.50%	1.95%	1.95%	1.95%	1.95%	1.95%
NRM Levy	1.8%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%
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	1.8%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%
User Charges – Caravan Parks	2.8%	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	1.8%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%
Investment Income	1.8%	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	2.50%	2.75%	3.00%	2.50%	2.75%	3.00%	2.50%	2.75%	3.00%	2.50%
Leave Expense	2.50%	2.75%	3.00%	2.50%	2.75%	3.00%	2.50%	2.75%	3.00%	2.50%
Superannuation	2.50%	2.75%	3.50%	3.00%	3.25%	3.50%	3.00%	2.75%	3.00%	2.50%
Workers Compensation	2.50%	2.75%	3.00%	2.50%	2.75%	3.00%	2.50%	2.75%	3.00%	2.50%
Other Employee Costs	2.50%	2.75%	3.00%	2.50%	2.75%	3.00%	2.50%	2.75%	3.00%	2.50%
Elections, Elected Members & Audit	1.80%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%
Contractors	0%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%
Utilities - Electricity	0%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Utilities - Water	1%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%
Materials (Maintenance)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Legal Expenses	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other	-2%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Insurance	5%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%
Depreciation	1%	1%	0.5%	1%	1%	1%	0.5%	1%	1%	1%

Operating Income

Council’s operating income base on which this Plan is built is \$29.8 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 \$38.9m (keeping in mind that \$1 today will not be worth that in Y10: 2028/2029). 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 2% and 2.9% (2.4% average) and from Y2 onwards income is sufficient to meet operating expenditure (including depreciation). When compared to the current adopted 2019 – 2028 LTFP, the income over the life of this Plan increases less rapidly. This can be attributed to forecast rate increases being lower than the current adopted Plan. As mentioned earlier, rate increases proposed in the revised 2020 – 2029 Plan (this Plan) are 6% lower over the ten (10) year period.

The table below details the annual variations to operating income and the annual amounts forecast over the life of this Plan.

	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	
OPERATING INCOME	\$31,484,442	\$32,341,063	\$33,273,411	\$34,094,237	\$34,985,223	\$35,696,651	\$36,520,789	\$37,261,236	\$38,068,792	\$38,871,773	
ANNUAL VARIATION		\$ 856,621 2.7%	\$ 932,349 2.9%	\$ 820,826 2.5%	\$ 890,985 2.6%	\$ 711,428 2.0%	\$ 824,138 2.3%	\$ 740,447 2.0%	\$ 807,557 2.2%	\$ 802,980 2.1%	

For more information on Council’s forecast operating income and the various income streams refer to Attachment 1: Statement of Comprehensive Income.

Rates

Rates (\$23m 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 (\$17.7m 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
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
General Rate Revenue – Proposed Annual Increase										
Forecast CPI	1.80%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%
Financial Sustainability Levy	1.70%	1.30%	1.05%	0.80%	0.55%	0%	0%	0%	0%	0%
TOTAL GENERAL RATE REVENUE INCREASE	3.50%	3.25%	3.00%	2.75%	2.50%	1.95%	1.95%	1.95%	1.95%	1.95%

Compared to the current adopted 2019 – 2028 LTFP (adopted April 2018) the rate increases proposed above are 6% less over the life of this Plan.

It should be noted that increases higher than CPI to the Rates base in the early years of this Plan will help keep rate increases to no more than CPI in the later years of this Plan and subsequently lead to Council meeting its financial sustainability long term targets in line with this Plan. Reducing even slightly the rates increase in the early years of this Plan will have a knock on effect on the later years of this Plan with the most likely impact being a reduction to funds available for capital expenditure.

The proposed rate increases are the minimum required to meet the criteria to achieve financial sustainability in the short to medium term and maintain it for the remainder of this Plan and beyond.

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 by residents depending on the distance of their property access point to the nearest collection point.

Therefore the two bin service charge may be 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 Essential Services Commission of South Australia (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 commentary from the current State Government relating to proposed limited increases. Exact annual amounts are generally confirmed by the NRM Board in May/June each year. 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 (\$400k 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. Dog Registration income has been adjusted downwards to reflect the change in the way dog registrations are collected as a result of the implementation of the new Dogs and Cats Online (DACO) system by the State Government. Council now receives income net of the State Government Levy. The decreased income is balanced by a reduction in expenditure as Council no longer undertakes set up, printing and postage of notices and discs. The overall impact to Council's bottom line is negligible.

The average annual increase over the life of the Plan for this income type is 1.3% which is below forecast CPI.

User Charges

This category of income (\$3.5m 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

The average annual increase over the life of the Plan for this income type is 2.6% driven primarily by Caravan Park income.

Grants & Subsidies

This income source has a current base (2018/2019) of \$2.4m which is forecast to increase to \$3.11m in Y1 (2019/2020), then decrease by 0.4% in Y2 before increasing by 0.5% in Y3. This trend is maintained for the remainder of this Plan resulting in overall stagnation over the ten (10) year period.

The stagnant nature of this income stream is due the following major impacts:

- 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 2018/2019 Council has been allocated \$1.4m and \$841k respectively, which is approximately \$22k more than 2017/2018. 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 an overall average reduced allocation. The freeze in indexation has cost Council approximately \$50k p.a. Forecasts for 2019/2020 and beyond have been based on the 2018/2019 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. The funding is not included in this Plan.
- 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. Council's historical annual average allocation has been approximately \$581k. However, the Federal Government recently confirmed that the funding would continue for the next five (5) years, with 2019/2020 being the first year of the new program. Council's new annual amount is \$657k, a \$76k increase to its previous allocation. This has been included from Y1 (2019/2020) of this Plan.
- Point Pearce MUNS funding – Council received approximately \$78k annually to provide maintenance services to the Point Pearce community. This is indexed by CPI annually.
- Leisure Options grants – no increase due to uncertainty of funding and programme. Maintained at 2018/2019 levels for the life of this Plan.
- Library grants - no increase due to uncertainty of funding. Maintained at 2018/2019 levels for the life of this Plan.
- Art Exhibition sponsorship – included every 2nd Year to reflect frequency of programme. Amount maintained at historical levels.

Investment Income

Investment Income (\$177k 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.

There is no average annual increase forecast over the life of the Plan as any increase in interest from investments is balanced by reduction in community loan interest repayments as these loans are paid off. This may change in future if new community loans are approved by Council.

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 \$120k 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 increase is 1.7% up to Y7. Y8 and Y9 see decreases of 9.4% and 11.4% respectively due to various community loans being paid off in full in those years.

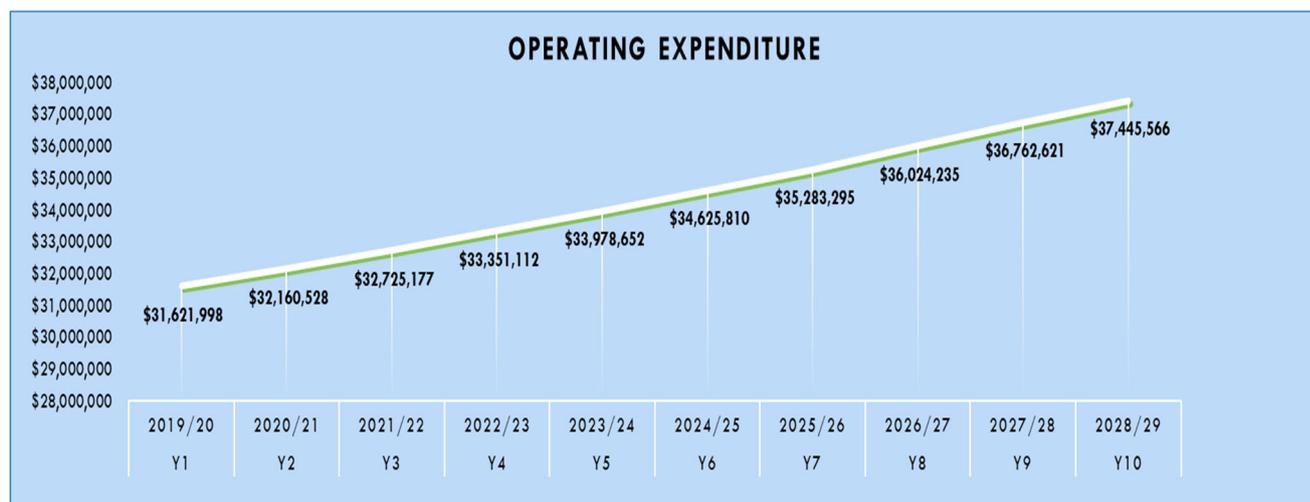
Other Revenue

All income that cannot be classified in the categories above is included here. The current base is \$221k with the biggest item being the ATO's fuel tax credits. After applying a 1% p.a. indexation to the base amount the forecast average annual variation is a 0.5% increase compared to current levels.

Operating Expenses

Council’s operating expense base on which this Plan is built is \$32 million of which approximately 41% or \$13.1 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 \$37.5m (keeping in mind that \$1 today will not be worth that in Y10: 2028/2029). 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 expenditure over the life of this Plan is best shown by the following graph:



There is a steady increase to total operating expenditure based on the proposed indexation factors detailed earlier. However it should be noted that the starting operating expenditure base of this Plan is approximately \$500k lower than the current adopted 2019 – 2028 LTFP. This is a result of service level reviews and removal of certain one-off projects. As a result annual increases range between 1.7% and 2.1% (1.9% average). When compared to the current adopted 2019 – 2028 LTFP, expenditure over the life of this Plan increases less rapidly and is just below the forecast CPI of 1.95%.

The table below details the annual variations to operating expenditure and the annual amounts forecast over the life of this 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.

	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	
OPERATING EXPENDITURE	\$31,621,998	\$32,160,528	\$32,725,177	\$33,351,112	\$33,978,652	\$34,625,810	\$35,283,295	\$36,024,235	\$36,762,621	\$37,445,566	
ANNUAL VARIATION		\$ 538,530	\$ 564,649	\$ 625,934	\$ 627,541	\$ 647,158	\$ 657,485	\$ 740,939	\$ 738,386	\$ 682,945	
		1.7%	1.8%	1.9%	1.9%	1.9%	1.9%	2.1%	2.0%	1.9%	

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 \$1.1m (indexed annually) has been allocated in capital wages every year. The total employee cost base (operating and capital) is approximately \$10.2m.

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 forecast reflective of the current Enterprise Bargaining Agreements (EBA's) at 2% in Y1, 2.25% in Y2 and 2.5% in Y3 with an allowance of 0.5% every year for reclassifications, step increments and contract renegotiations. The additional 1% increase that is included every 2nd Year commencing in 2019/2020 for growth in staff numbers in the current adopted 2019 – 2028 LTFP is no longer included. This has resulted in overall employee costs reducing significantly over the life of the revised 2020 – 2029 Plan and a lower starting expenditure base for this Plan.

The 2019/2020 forecast employee costs are driven by a full time equivalent (FTE) base of 115.42.

Annual increases for employee costs over the life of this Plan range from 2.3% to 2.9%. The average increase is 2.6% annually, which is a 1% decrease to the current adopted 2019 – 2028 LTFP.

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 \$13.1m.

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, reviewing of costs and service level reviews. One-off adjustments made to the base have impacted overall expenditure for this category in Y1 (2019/2020) resulting in a reduction of approximately \$640k compared to 2018/2019. 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.
- Various one-off projects to be completed in 2018/2019 worth \$252k removed.

- Contract cleaning base amount reduced by \$100k resulting from a service level review and subsequent public procurement process.
- Electricity increases not as high as previously forecast due to more stable market conditions and Local Government sector wide procurement advantages.
- Telecommunication costs expected to rise greater than CPI to reflect increased reliance on mobile data, devices and the internet. Somewhat negated by reduction in fixed line costs and infrastructure.
- IT software licensing – annual increase of 5% to reflect current practices (transition to Cloud, increased mobilisation and use of online platforms) and increasing cost of software licensing.
- Caravan park management fees forecast to increase by approximately CPI + 1% in line with increase to income.
- Community grants now capped at \$100k saving approximately \$78k.
- Machinery and vehicle parts forecast to increase by 5% in Y1 with no increase thereafter.
- NRM Levy – collected on behalf of State Government and remitted to them. Previously expected to increase by 9% p.a. for the first two (2) years of this Plan and 5% p.a. thereafter is now only increasing at CPI for the duration of this Plan.
- 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 Y4 (2022/2023). Each election costs approximately \$57k (1 Mayoral and 4 Wards) to conduct. Further Councillor allowances set by an independent tribunal, have historically increased by 2% above CPI, every election year. They generally increase by CPI in every non-election year. All these increases have been reflected in this Plan.

Annual increases for materials, contracts and other expenses over the life of this Plan range from 2% to 2.8% (2.4% average). This compares to a 3% average increase in the current adopted 2019 – 2028 LTFP.

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 0.5% 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.

Revaluation of Council's Land, Building and Structures asset class is currently being finalised and will lead to updating of Council's AMP. The impact on depreciation of the valuation is likely to be significant and have flow on impacts to Council's operating bottom line, asset renewal targets and subsequently its financial sustainability ratios. Future iterations of the LTFP will show the full impact of the revaluation and suggested strategies moving forward.

The updated AMP will provide more accurate data on asset renewal and lead to greater accuracy of the LTFP and subsequent financial sustainability ratios. 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.

Later in this Plan modelling has been undertaken to show the impact to Council's financial position, of a significant increase to depreciation.

As mentioned earlier this Plan proposes to provide \$104.65m 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 for existing loans.

No new borrowings are included over the life of this Plan.

Council's outstanding loan balance (assuming no new borrowings are taken) is forecast to be as follows:

- 30 June 2019: \$8.302m
- 30 June 2020: \$7.472m
- 30 June 2029: \$533k

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 to 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, they need to be continually updated to ensure they remain current.

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 as a starting point to allocate to asset classes the \$104.65m funding available for renewal and replacement of existing assets in this LTFP.

ASSET CLASS	DEPRECIATION AS A % OF TOTAL (does not take backlog into account)	AMP 10 YR REQUIRED SPEND (excluding known backlog 2018/19 & prior)
Transport	55%	\$ 67,152,298 65%
CWMS	5%	\$ 1,383,026 1%
Water	1%	\$ 210,151 0.2%
Stormwater	2%	\$ 596,538 1%
Land, Buildings & Structures	21%	\$ 13,033,000 13%
Furniture & Fittings (incl IT)	3%	\$ 2,538,403 2%
Other Assets	4%	\$ 3,502,319 3%
Minor Plant	1%	\$ 705,181 1%
Major Plant / Fleet Vehicles	9%	\$ 13,494,000 13%
TOTAL	100%	\$ 102,614,916

Graphs presented earlier in this Plan show that Council meets or exceeds the minimum ASR target of 100% every year. The average ASR over the life of this Plan is 102.3% which means Council's backlog or renewal gap i.e. required expenditure to maintain its assets compared to actual expenditure, is being addressed albeit very slowly.

The table below shows a snapshot of how the level of funding for renewal and replacement of assets compares to the AMP's and Depreciation as provided for in this Plan. The funding of \$104.65m forecast to be available for asset renewal over the period 2020 – 2029 is approximately \$10m greater than the current adopted 2019 – 2028 LTFP. The current adopted 2019 – 2028 LTFP shows a shortfall whereas this Plan shows that Council is able to invest additional funding into asset renewal to address the existing backlog.

2020 - 2029 LTFP	AMP	DEPRECIATION
10 YR REQUIRED SPEND	\$102,228,613	\$ 99,024,259
LTFP FUNDING PROPOSED	\$104,650,000	\$104,650,000
FUNDING SHORTFALL EXCL PRIOR YEARS BACKLOG	-\$ 2,421,387	-\$ 5,625,741

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 (\$750k - \$800k annual minimum).

FUNDING AVAILABLE - LTFP	\$ 9,900,000	\$ 9,950,000	\$10,000,000	\$10,100,000	\$10,250,000	\$10,450,000	\$10,700,000	\$10,900,000	\$11,050,000	\$11,350,000	\$ 104,650,000	% of Total
Asset Class	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL	
Transport	\$ 7,951,681	\$ 8,226,446	\$ 8,172,183	\$ 8,405,614	\$ 8,503,997	\$ 8,396,719	\$ 8,967,432	\$ 8,993,213	\$ 9,187,000	\$ 9,506,000	\$ 86,310,285	82%
CWMS	\$ 115,500	\$ 76,244	\$ 62,395	\$ 49,379	\$ 76,555	\$ 367,901	\$ 81,145	\$ 200,907	\$ 181,000	\$ 172,000	\$ 1,383,026	1%
Water	\$ 13,722	\$ -	\$ 46,000	\$ -	\$ 44,448	\$ 17,100	\$ -	\$ 63,881	\$ -	\$ 25,000	\$ 210,151	0.2%
Stormwater	\$ 294,097	\$ 22,310	\$ 94,422	\$ 20,007	\$ -	\$ 43,280	\$ 26,423	\$ 16,999	\$ 57,000	\$ 22,000	\$ 596,538	1%
Land, Buildings & Structures	\$ 400,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 4,900,000	5%
Furniture & Fittings (incl IT)	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 750,000	1%
Other Assets	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 350,000	0.3%
Minor Plant	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 150,000	0.1%
Major Plant / Fleet Vehicles	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 10,000,000	10%
Total	9,900,000	9,950,000	10,000,000	10,100,000	10,250,000	10,450,000	10,700,000	10,900,000	11,050,000	11,350,000	104,650,000	100%

The table above shows that 82% of the \$104.65m 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 55% of Depreciation and require 65% of the AMP spend, thus needing the majority of funding for renewal.

An annual amount of \$325k 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. This amount is unchanged from the current adopted 2019 – 2028 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.

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.

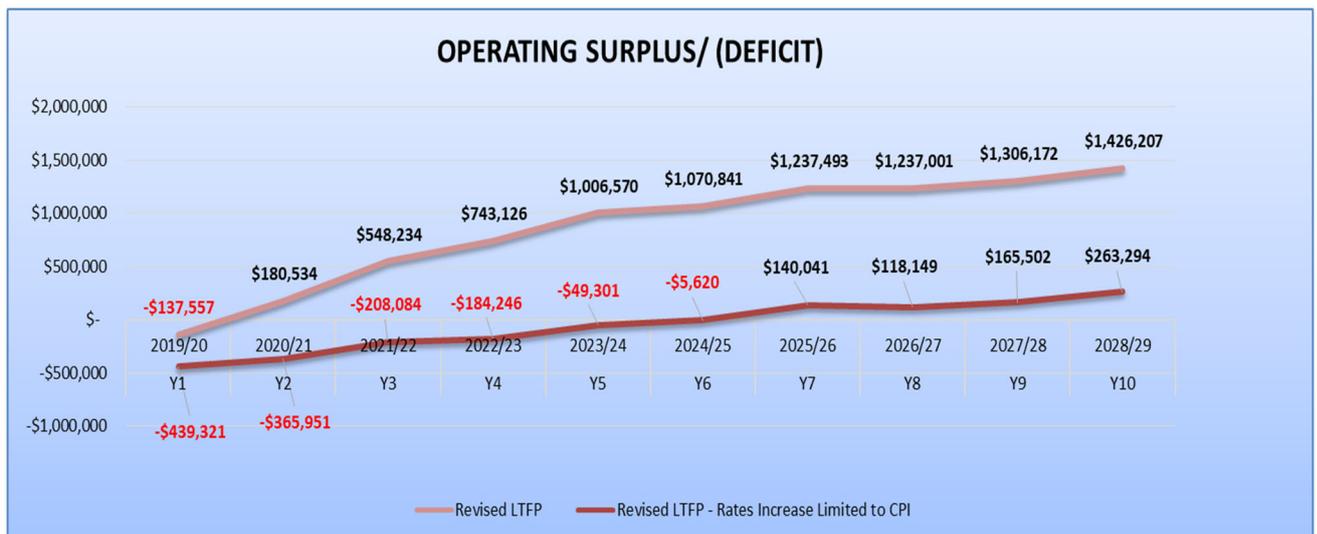
Sensitivity Analysis 1 – General Rate Revenue

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 short to medium 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 (2019/2020). The modelling is based on the assumption that general rate increases would be no more than the annual CPI, meaning an increase of \$1.8% in Y1 followed by a 1.95% increase annually in Y2 – Y10. The results are as follows.

Operating Surplus/ (Deficit)

The graph below shows the impact on Council’s operating bottom line of capping rates to CPI. The impact to Council’s operating bottom line is significant. If rates were capped to CPI Council would remain in a deficit position for an extra five (5) years i.e. positive operating surplus in Y7 rather than Y2. Further, the surpluses over the life of the Plan would be substantially less leading to less revenue being available for asset renewal expenditure. The estimated rates income not generated as a result is approximately \$9.2m.



Capital Expenditure

Removal of the ‘financial sustainability’ general rate increase will also mean that Council will have approximately \$9.2m 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.

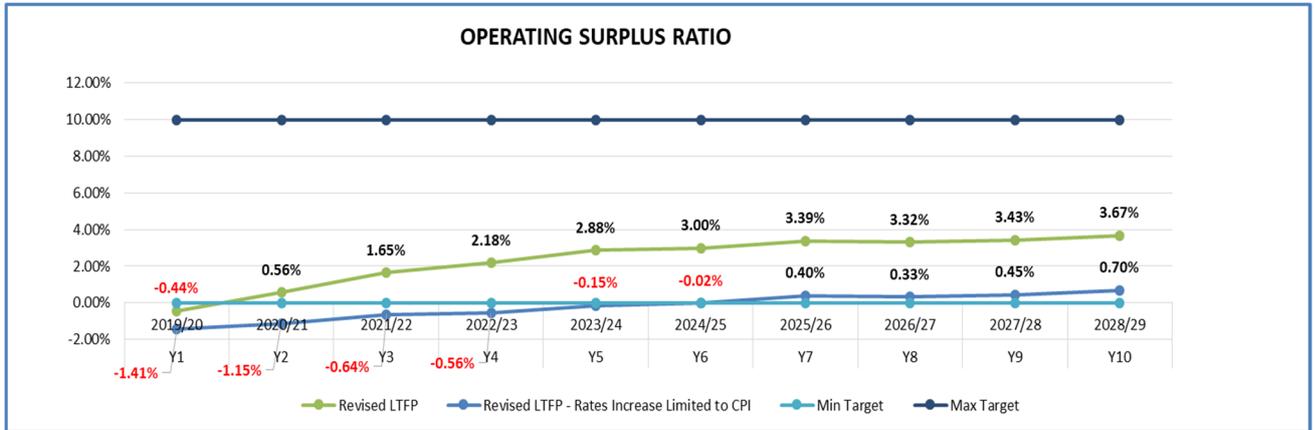
Financial Indicators (Ratios)

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 this Plan.

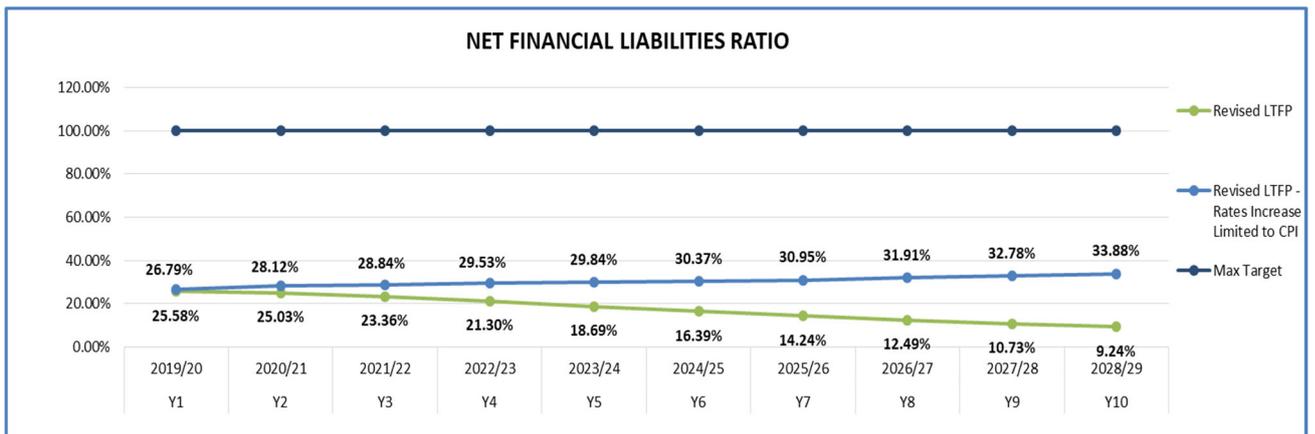
Operating Surplus Ratio

Under the CPI only general rate increase scenario Council will reach a surplus bottom line in Y7 compared to Y2.



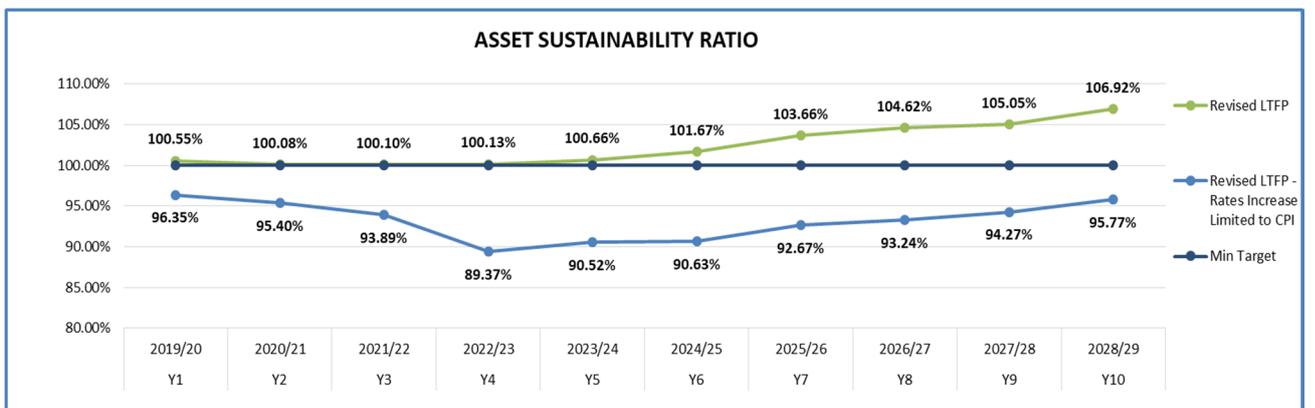
Net Financial Liabilities Ratio

Under the CPI only general rate increase scenario Council's NFLR will increase 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 before increasing over the latter years of the Plan but will still not meet Council's minimum sustainability target of 100%. Council's asset renewal backlog will increase significantly assuming a 'business as usual' model and existing levels of service.



Sensitivity Analysis 2 – Depreciation

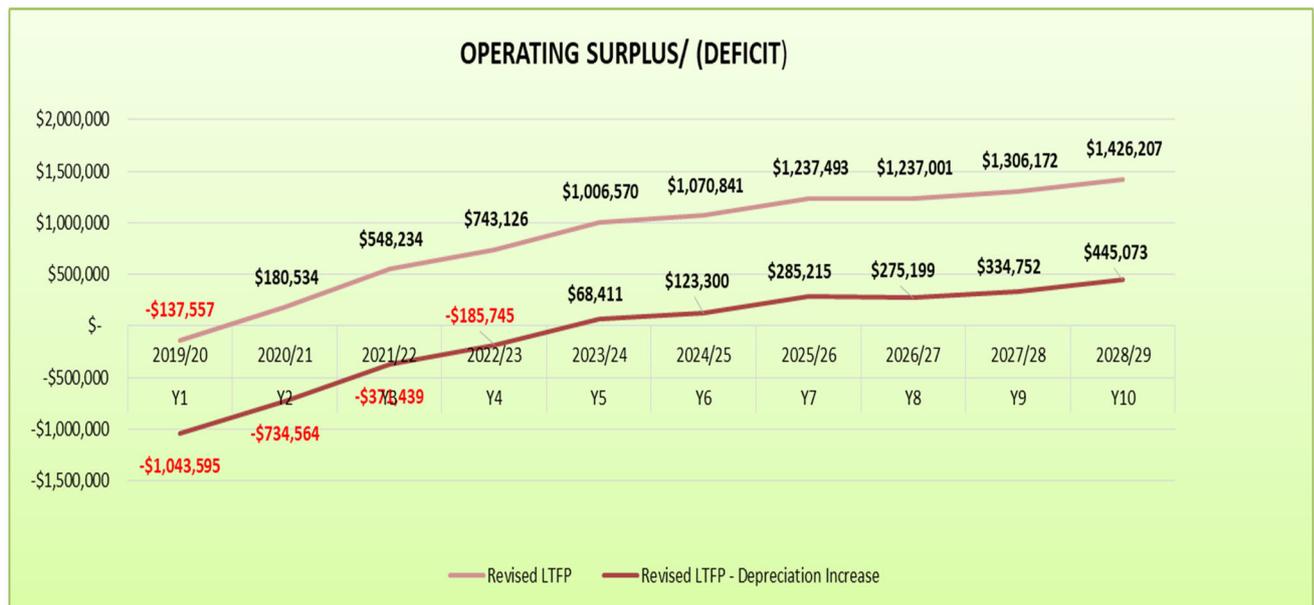
The figures in this LTFP are based on a number of assumptions and increases. One of these that is especially sensitive in terms of impact on the Plan is depreciation expenditure.

As mentioned earlier in this Plan, Council is currently finalising a revaluation of its Land, Buildings and Structures asset class. The revaluation is likely to have a significant impact on Council's depreciation expense for that asset class leading to an increase in overall depreciation.

Modelled below is the impact of a \$1m one-off increase to depreciation in Y1 when compared to a business as usual model.

Operating Surplus/ (Deficit)

The graph below shows the impact on Council's operating bottom line due to a one-off significant increase to depreciation. The impact to Council's operating bottom line is significant. Council would remain in a deficit position for an extra three (3) years i.e. positive operating surplus in Y5 rather than Y2. Further, the surpluses over the life of the Plan would be substantially less although forecast income levels would remain the same as rates income would remain unchanged.



Capital Expenditure

The funding available for asset renewal will remain the same, however, increased depreciation will mean that more needs to be invested into renewal of Buildings and Structures unless an updated AMP suggests otherwise. In the absence of updated AMP targets depreciation will be used to drive asset renewal expenditure on Buildings and Structures. The negative impact of the same amount of funding required to do additional works is shown in the ASR graph below.

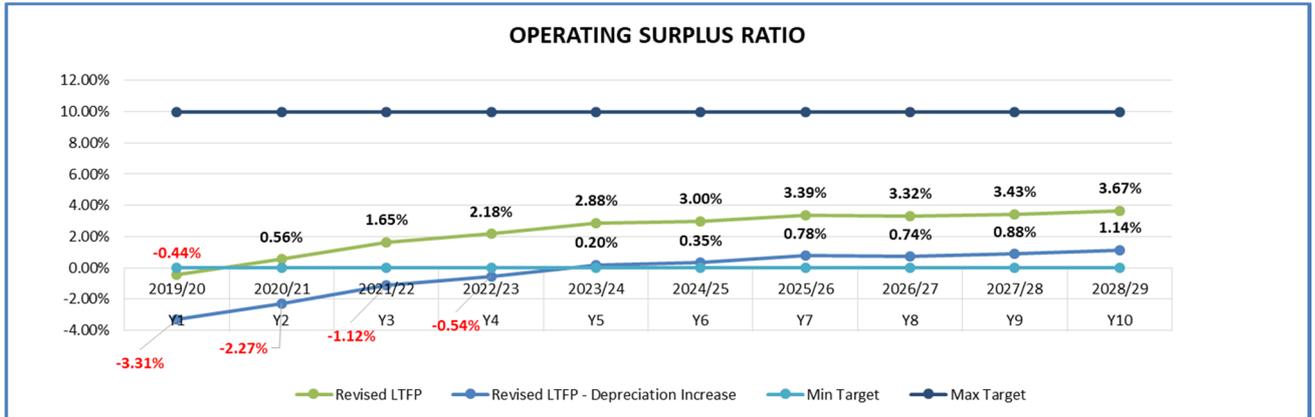
Financial Indicators (Ratios)

Given the sensitivity around depreciation 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 this Plan.

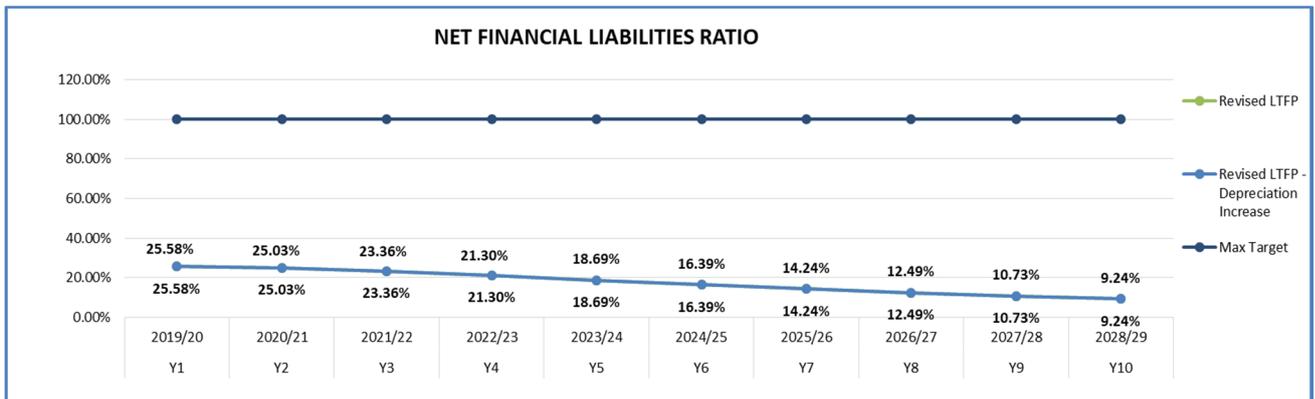
Operating Surplus Ratio

Under this scenario Council will reach a surplus bottom line in Y5 compared to Y2.



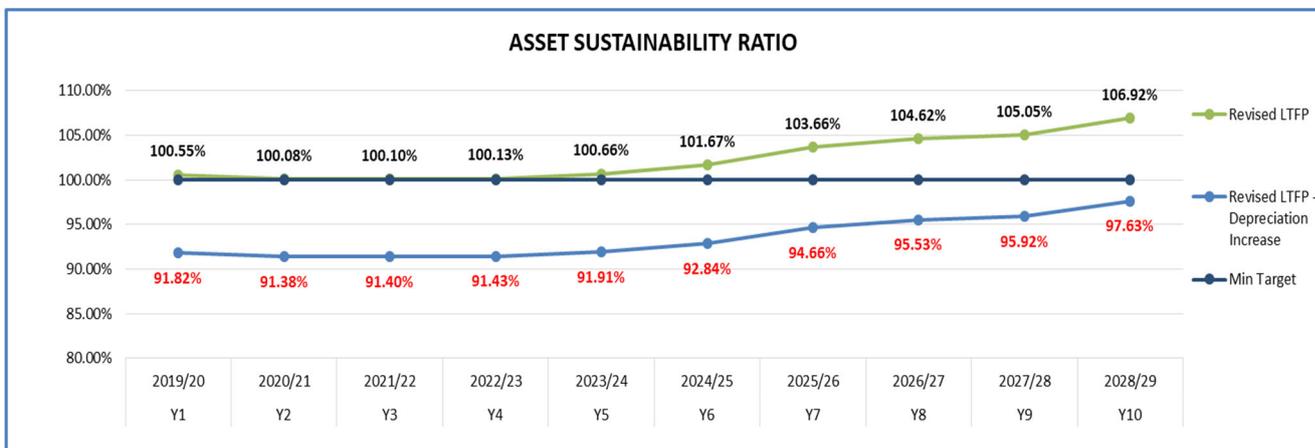
Net Financial Liabilities Ratio

Under this scenario Council’s NFLR will remain unchanged and remain well under Council’s ceiling of 100%.



Asset Sustainability Ratio

Under this scenario Council’s ASR will decline before increasing slightly but will never meet Council’s minimum sustainability target of 100% for the entirety of the Plan. Council’s asset renewal backlog will increase significantly assuming a ‘business as usual’ model and existing levels of service.



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 2020 - 2029	Projected Years									
STATEMENT OF COMPREHENSIVE INCOME	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
Scenario: Yorke Peninsula Council	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income										
Rates	23,810,466	24,610,136	25,390,250	26,147,431	26,878,436	27,518,467	28,176,412	28,852,880	29,500,077	30,215,516
Statutory Charges	403,563	409,575	413,885	420,099	424,578	431,000	435,656	442,294	447,134	453,995
User Charges	3,636,112	3,701,882	3,830,359	3,901,622	4,035,752	4,112,834	4,252,955	4,336,203	4,482,671	4,572,453
Grants, Subsidies and Contributions	3,111,588	3,098,125	3,114,692	3,101,290	3,117,919	3,104,580	3,121,273	3,107,999	3,124,758	3,111,552
Investment Income	176,811	173,952	171,751	169,643	169,100	168,444	167,665	168,116	171,232	174,863
Reimbursements	123,336	125,243	127,229	129,299	131,458	133,710	136,061	123,311	109,308	110,088
Other Income	222,566	222,149	225,245	224,855	227,979	227,616	230,767	230,433	233,612	233,306
Net gain - equity accounted Council businesses	-	-	-	-	-	-	-	-	-	-
Total Income	31,484,442	32,341,063	33,273,411	34,094,237	34,985,223	35,696,651	36,520,789	37,261,236	38,068,792	38,871,773
Expenses										
Employee Costs	9,279,353	9,519,395	9,759,936	9,993,463	10,256,867	10,552,156	10,805,074	11,084,570	11,391,936	11,652,829
Materials, Contracts & Other Expenses	12,458,125	12,701,504	13,018,161	13,353,466	13,657,273	13,947,910	14,340,891	14,733,647	15,091,823	15,439,208
Depreciation, Amortisation & Impairment	9,522,353	9,617,576	9,665,664	9,762,321	9,859,944	9,958,543	10,008,336	10,108,419	10,209,504	10,311,599
Finance Costs	362,168	322,053	281,416	241,861	204,569	167,201	128,995	97,598	69,358	41,930
Net loss - Equity Accounted Council Businesses	-	-	-	-	-	-	-	-	-	-
Total Expenses	31,621,998	32,160,528	32,725,177	33,351,112	33,978,652	34,625,810	35,283,295	36,024,235	36,762,621	37,445,566
Operating Surplus / (Deficit)	(137,557)	180,534	548,234	743,126	1,006,570	1,070,841	1,237,493	1,237,001	1,306,172	1,426,207
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)	(137,557)	180,534	548,234	743,126	1,006,570	1,070,841	1,237,493	1,237,001	1,306,172	1,426,207
Total Other Comprehensive Income	-									
Total Comprehensive Income	(137,557)	180,534	548,234	743,126	1,006,570	1,070,841	1,237,493	1,237,001	1,306,172	1,426,207

Yorke Peninsula Council										
LONG TERM FINANCIAL PLAN 2020 - 2029										
STATEMENT OF FINANCIAL POSITION										
Scenario: Yorke Peninsula Council										
	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS										
Current Assets										
Cash & Cash Equivalents	1,966,188	1,239,624	877,683	733,164	785,462	779,106	820,064	816,437	834,743	829,540
Trade & Other Receivables	1,399,011	1,429,124	1,450,135	1,478,740	1,515,773	1,526,973	1,496,707	1,499,851	1,521,991	1,533,428
Other Financial Assets	-	-	-	-	-	-	-	-	-	-
Inventories	716,083	730,072	748,273	767,546	785,009	801,714	824,303	846,878	867,466	887,433
Non-current assets classified as "Held for Sale"	-	-	-	-	-	-	-	-	-	-
Total Current Assets	4,081,282	3,398,820	3,076,091	2,979,450	3,086,244	3,107,794	3,141,073	3,163,165	3,224,200	3,250,401
Non-Current Assets										
Financial Assets	536,072	432,333	341,061	245,485	145,396	55,600	27,003	12,260	-	-
Equity Accounted Investments in Council Businesses	-	-	-	-	-	-	-	-	-	-
Investment Property	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	294,948,984	295,156,408	295,365,744	295,578,424	295,843,480	296,209,937	296,776,601	297,443,182	298,158,678	299,072,080
Intangible Assets	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as "Held for Sale"	-	-	-	-	-	-	-	-	-	-
Other Non-Current Assets	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	295,485,056	295,588,742	295,706,805	295,823,908	295,988,876	296,265,537	296,803,604	297,455,441	298,158,678	299,072,080
TOTAL ASSETS	299,566,339	298,987,562	298,782,897	298,803,359	299,075,120	299,373,331	299,944,677	300,618,607	301,382,878	302,322,480
LIABILITIES										
Current Liabilities										
Bank Overdraft	-	-	-	-	-	-	-	-	-	-
Trade & Other Payables	1,993,584	2,035,881	2,087,640	2,141,014	2,191,861	2,242,254	2,303,653	2,366,174	2,425,768	2,482,083
Borrowings	851,608	854,659	826,038	835,656	873,022	777,546	675,593	651,494	592,919	532,991
Provisions	2,149,067	2,193,965	2,238,864	2,283,762	2,328,661	2,373,559	2,418,458	2,463,356	2,508,255	2,553,153
Other Current Liabilities	-	-	-	-	-	-	-	-	-	-
Liabilities relating to Non-Current Assets classified as "Held for Sale"	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	4,994,258	5,084,505	5,152,542	5,260,433	5,393,544	5,393,359	5,397,703	5,481,025	5,526,942	5,568,227
Non-Current Liabilities										
Trade & Other Payables	-	-	-	-	-	-	-	-	-	-
Borrowings	6,619,919	5,765,260	4,939,222	4,103,565	3,230,543	2,452,998	1,777,405	1,125,911	532,992	0
Provisions	339,933	345,035	350,136	355,238	360,339	365,441	370,542	375,644	380,745	385,847
Liability - Equity Accounted Council Businesses	-	-	-	-	-	-	-	-	-	-
Other Non-Current Liabilities	-	-	-	-	-	-	-	-	-	-
Liabilities relating to Non-Current Assets classified as "Held for Sale"	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	6,959,852	6,110,295	5,289,358	4,458,803	3,590,882	2,818,438	2,147,947	1,501,554	913,737	385,847
TOTAL LIABILITIES	11,954,110	11,194,799	10,441,900	9,719,236	8,984,426	8,211,798	7,545,651	6,982,579	6,440,678	5,954,075
Net Assets	287,612,228	287,792,763	288,340,997	289,084,123	290,090,693	291,161,534	292,399,027	293,636,028	294,942,199	296,368,406
EQUITY										
Accumulated Surplus	(14,877,772)	(14,697,237)	(14,149,003)	(13,405,877)	(12,399,307)	(11,328,466)	(10,090,973)	(8,853,972)	(7,547,801)	(6,121,594)
Asset Revaluation Reserves	300,901,000	300,901,000	300,901,000	300,901,000	300,901,000	300,901,000	300,901,000	300,901,000	300,901,000	300,901,000
Available for Sale Financial Assets	-	-	-	-	-	-	-	-	-	-
Other Reserves	1,589,000	1,589,000	1,589,000	1,589,000	1,589,000	1,589,000	1,589,000	1,589,000	1,589,000	1,589,000
Total Equity	287,612,228	287,792,763	288,340,997	289,084,123	290,090,693	291,161,534	292,399,027	293,636,028	294,942,199	296,368,406

Yorke Peninsula Council										
LONG TERM FINANCIAL PLAN 2020 - 2029										
STATEMENT OF CASH FLOWS										
Scenario: Yorke Peninsula Council										
	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities										
Receipts:										
Rates Receipts	23,788,184	24,588,252	25,368,901	26,126,709	26,858,431	27,500,952	28,158,407	28,834,368	29,482,366	30,195,937
Statutory Charges	403,563	409,575	413,885	420,099	424,578	431,000	435,656	442,294	447,134	453,995
User Charges	3,636,112	3,701,882	3,830,359	3,901,622	4,035,752	4,112,834	4,252,955	4,336,203	4,482,671	4,572,453
Grants, Subsidies and Contributions (operating purpose)	3,111,588	3,098,125	3,114,692	3,101,290	3,117,919	3,104,580	3,121,273	3,107,999	3,124,758	3,111,552
Investment Receipts	176,811	173,952	171,751	169,643	169,100	168,444	167,665	168,116	171,232	174,863
Reimbursements	122,146	124,545	126,502	128,542	130,668	132,886	135,201	127,974	114,429	109,803
Other	165,992	220,988	215,258	223,322	217,602	225,579	219,947	228,446	222,792	230,725
Payments:										
Payments to Employees	(9,220,110)	(9,458,601)	(9,698,830)	(9,932,927)	(10,195,014)	(10,488,895)	(10,743,617)	(11,021,878)	(11,327,939)	(11,590,812)
Payments for Materials, Contracts & Other Expenses	(12,500,590)	(12,685,335)	(12,997,125)	(13,331,191)	(13,637,090)	(13,928,602)	(14,314,783)	(14,707,555)	(15,068,028)	(15,416,130)
Finance Payments	(362,168)	(322,053)	(281,416)	(241,861)	(204,569)	(167,201)	(128,995)	(97,598)	(69,358)	(41,930)
Net Cash provided (or used in) Operating Activities	9,321,527	9,851,331	10,263,979	10,565,247	10,917,378	11,091,577	11,303,708	11,418,368	11,580,057	11,800,457
Cash Flows from Investing Activities										
Receipts:										
Amounts Received Specifically for New/Upgraded Assets	-	-	-	-	-	-	-	-	-	-
Sale of Replaced Assets	325,000	325,000	325,000	325,000	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	95,608	98,714	103,739	91,272	95,576	100,089	89,795	28,597	14,744	12,260
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	(9,900,000)	(9,950,000)	(10,000,000)	(10,100,000)	(10,250,000)	(10,450,000)	(10,700,000)	(10,900,000)	(11,050,000)	(11,350,000)
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	(9,679,392)	(9,726,287)	(9,771,261)	(9,883,728)	(10,029,424)	(10,224,911)	(10,485,205)	(10,746,403)	(10,910,256)	(11,212,741)
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings	-	-	-	-	-	-	-	-	-	-
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	(830,505)	(851,608)	(854,659)	(826,038)	(835,656)	(873,022)	(777,546)	(675,593)	(651,494)	(592,919)
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	(830,505)	(851,608)	(854,659)	(826,038)	(835,656)	(873,022)	(777,546)	(675,593)	(651,494)	(592,919)
Net Increase/(Decrease) in Cash & Cash Equivalents	(1,188,369)	(726,564)	(361,941)	(144,519)	52,298	(6,356)	40,958	(3,627)	18,306	(5,203)
plus: Cash & Cash Equivalents - beginning of year	3,154,558	1,966,188	1,239,624	877,683	733,164	785,462	779,106	820,064	816,437	834,743
Cash & Cash Equivalents - end of the year	1,966,188	1,239,624	877,683	733,164	785,462	779,106	820,064	816,437	834,743	829,540
Cash & Cash Equivalents - end of the year	1,966,188	1,239,624	877,683	733,164	785,462	779,106	820,064	816,437	834,743	829,540
Investments - end of the year	-	-	-	-	-	-	-	-	-	-
Cash, Cash Equivalents & Investments - end of the year	1,966,188	1,239,624	877,683	733,164	785,462	779,106	820,064	816,437	834,743	829,540

Yorke Peninsula Council										
LONG TERM FINANCIAL PLAN 2020 - 2029										
STATEMENT OF CHANGES IN EQUITY										
Scenario: Yorke Peninsula Council										
	Y1	Y2	Y3	Y4	Projected Years					
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening Balance	287,749,785	287,612,228	287,792,763	288,340,997	289,084,123	290,090,693	291,161,534	292,399,027	293,636,028	294,942,199
Net Surplus / (Deficit) for Year	(137,557)	180,534	548,234	743,126	1,006,570	1,070,841	1,237,493	1,237,001	1,306,172	1,426,207
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	(137,557)	180,534	548,234	743,126	1,006,570	1,070,841	1,237,493	1,237,001	1,306,172	1,426,207
Transfers between Equity	-	-	-	-	-	-	-	-	-	-
Equity - Balance at end of the reporting period	287,612,228	287,792,763	288,340,997	289,084,123	290,090,693	291,161,534	292,399,027	293,636,028	294,942,199	296,368,406

Yorke Peninsula Council										
LONG TERM FINANCIAL PLAN 2020 - 2029										
UNIFORM PRESENTATION OF FINANCES										
Scenario: Yorke Peninsula Council										
	Projected Years									
	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Operating Activities										
Income	31,484,442	32,341,063	33,273,411	34,094,237	34,985,223	35,696,651	36,520,789	37,261,236	38,068,792	38,871,773
less Expenses	(31,621,998)	(32,160,528)	(32,725,177)	(33,351,112)	(33,978,652)	(34,625,810)	(35,283,295)	(36,024,235)	(36,762,621)	(37,445,566)
Operating Surplus / (Deficit)	(137,557)	180,534	548,234	743,126	1,006,570	1,070,841	1,237,493	1,237,001	1,306,172	1,426,207
Capital Activities										
less (Net Outlays) on Existing Assets										
Capital Expenditure on Renewal and Replacement of Existing Assets	(9,900,000)	(9,950,000)	(10,000,000)	(10,100,000)	(10,250,000)	(10,450,000)	(10,700,000)	(10,900,000)	(11,050,000)	(11,350,000)
add back Depreciation, Amortisation and Impairment	9,522,353	9,617,576	9,665,664	9,762,321	9,859,944	9,958,543	10,008,336	10,108,419	10,209,504	10,311,599
add back Proceeds from Sale of Replaced Assets	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000
(Net Outlays) on Existing Assets	(52,647)	(7,424)	(9,336)	(12,679)	(65,056)	(166,457)	(366,664)	(466,581)	(515,496)	(713,402)
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)									
Net Lending / (Borrowing) for Financial Year	(390,204)	(26,890)	338,898	530,447	741,514	704,384	670,829	570,420	590,676	512,805

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 decisions 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.