

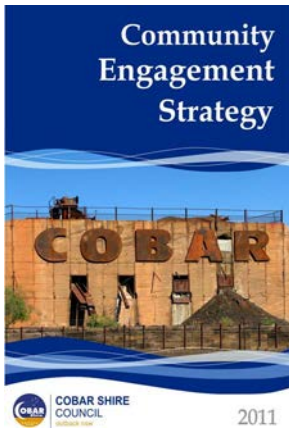
Resource Strategy

Long Term Financial Plan

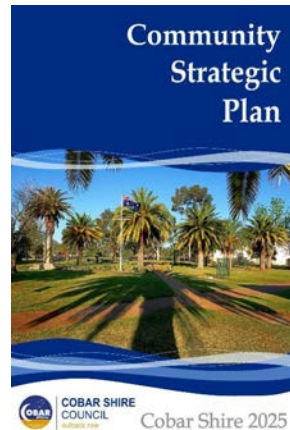


**COBAR SHIRE
COUNCIL**
outback nsw

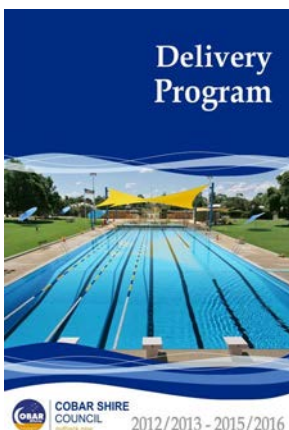
2012/2013 - 2021/2022



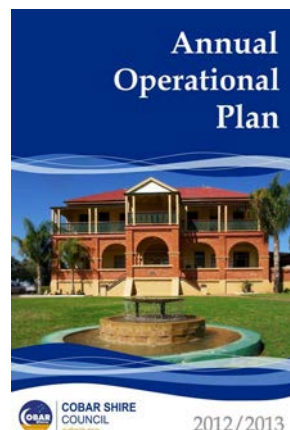
The **Community Engagement Strategy** outlines how Council will engage with its community and relevant stakeholders in developing and finalising the Community Strategic Plan. Over time it will be reviewed to outline how Council will ensure regular engagement and discussion with our community about their needs and aspirations for the town.



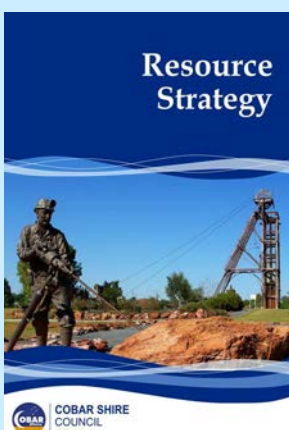
The **Community Strategic Plan** identifies the long term aspirations for our community. The Strategic Plan stretches beyond the next ten years, identifying the outcomes and long term strategic responses needed to achieve the agreed directions and meet the community's values. It demands strong leadership from Council in working with others to grow our Shire into the future.



The 4 Year **Delivery Program** links the 'planning' in the long term Strategic Plan with the 'implementing' in the Annual Operational Plan. It is the strategic document that guides the organisation's work program over the Councillor's four year elected term. The Delivery Program sets out clear priorities, ongoing activities and specific actions Council will undertake, within its responsibilities and capacity, towards achieving the community's outcomes.



The **Annual Operational Plan** is the 'implementing' part of Council's key strategic documents, and outlines all of Council's services and infrastructure activities and tasks for the year. Both ongoing activities and specific tasks contribute to the implementation of Council's Delivery Program.



The **Resource Strategy** outlines Council's capacity to manage assets and deliver services over the next ten years. The Resource Strategy includes three key elements – a Long Term Financial Plan, a Workforce Plan and Asset Management Plans. To prepare the Resource Strategy, Council determines its capacity and how to effectively manage its finances, the sustainability of its workforce, and the overall costs of its community assets.

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Long Term Financial Plan

Council's Long Term Financial Plan (LTFP) contains long range financial projections and statements based on an informed set of assumptions. It is based on Council's budget and Integrated Planning & Reporting (IP&R) framework and is designed to show the financial impacts of providing different levels of service and Asset Management.

Council's LTFP covers a 10 year time frame from 2012/2013 to 2021/2022. This period of time has been selected to be within the timeframe of the Community Strategic Plan – *Cobar Shire 2025*. This version of the LTFP is the first review of the original plan adopted by Council in May 2012 and reflects changes to the current year's budgets (following the Q2 financial review), improvements to the budget modelling process and changes to the Asset Management Plans. It also aims to better integrate the Asset Management Plans, such as including a more realistic estimate of asset depreciation each year. The LTFP shows the impact and need for a Special Rate Variation (SRV) and outlines what the additional funds would be spent on.

Council's Long Term Financial Sustainability

Long term financial sustainability is the key aim for all businesses, including local governments. The aim of the LTFP is to highlight what Council must do to be sustainable into the future. Cobar Shire Council incurred substantial operating deficits for the years 2010/2011 and 2011/2012. A further deficit is forecast for 2012/2013. Council has increased its borrowings in recent years to ensure that its restricted cash requirements are met and that Council has adequate cash for its day to day operations.

Recent borrowings were required as major capital projects had been undertaken in prior years without borrowing, and when combined with the deficits, Council had insufficient liquidity. Cash reserves were further enhanced as at 30 June 2012 by the early payment of the first two instalments of the 2012/2013 Financial Assistance Grant in June 2012. This early payment will be consumed during the 2012/2013 year.

Modelling shows that without an increase in income or a reduction in expenditure, Council will continue to experience operating deficits. Council has undertaken a number of measures to reduce the operating deficit from \$1.5m in 2010/2011 to around \$600k in 2011/2012. Measures taken have included:

- Reduction in staff numbers through natural attrition. Most staff reductions have occurred across the outdoor crews and in the trainee positions indoors.
- All budgets have been tightened. Budget reporting systems have been improved, budget reporting processes are fortnightly to staff and quarterly to Council (and where there is a major difference between actual expenditure and budgeted expenditure, this is reported to Council monthly). Budgets have been critically analysed to determine where any cost savings can be made and where additional revenue can be raised.

- Internal plant hire rates have been raised to equal the cost of running the plant. The higher cost of running our plant has meant that less output is achieved for the same amount of money.
- On-costs have been increased and are now consistent across the organisation for non-salaried staff.
- Fees and charges have been increased where possible. It is believed there are no further opportunities to raise fees and charges.
- Redevelopment of the Section 94 Plans and Section 64 Plans into the new Development Servicing Plans for Water Supply and Sewerage Services 2013. This will allow Council to receive income from any new development over \$100k.
- Development of a VPA with a new mine and contributions plans as part of consent conditions with another.
- Bad debts have been written off and Council is currently undertaking a sale of land for unpaid rates.
- The employee leave entitlements liability to Council has been significantly reduced.

In order to be financially sustainable, Council must demonstrate through its long term planning process that it can meet its current and future obligations relative to the provision of its services. This includes the maintenance, renewal and replacement of required assets, without incurring operating deficits over sustained periods of time, without imposing excessive debt on current or future generations and without significant unplanned rate revenue increases.

For this to occur, it is evident that additional income is required. Should Council continue with the current business model, Council will continue to have an operating deficit of around \$650K per annum. This will result in continued deterioration in the asset base, namely the road network. For this reason, Council is seeking a Special Rate Variation in 2013/2014 of a one-off 25% rate rise (including the rate peg of 3.4%) that will then set the new 'base' for future rate peg rises. This SRV is expected to raise around \$674k.

The funds raised through this SRV are almost equivalent to the operating deficit. However, the change to the bottom line does not reflect the total sum of the SRV as \$300k will go towards sustainability and the rest will be used to maintain the asset base via capital expenditure.

Council's Income

Cobar's LTFP is designed to show the financial impacts of varying the income to Council in terms of rates. Cobar Shire Council is dependent upon government funding to remain sustainable with 50% of Council's income derived from government grants. It is not expected that government funding will increase significantly in the near future. Council derives 16% of its income from general rates and 34% of its income from fees and charges.

Council has limited options in the short term to raise additional funds to address pressures of increased demands from the community on service levels and infrastructure backlogs. Like all Councils, Cobar can access funds (limited) through a variety of sources including:

- Rates (including special variations)
- User Fees and Charges
- Borrowings
- Grants

- Asset Rationalisation
- Developer Contributions
- Sundry Income

Council has a rate base of just 2,821 rateable assessments. Of those, 27 are mining assessments. The mining industry is integral to the economic prosperity of the Shire, and in 2012/2013 Council will levy 40% or \$1.07m rates income from mining assessments, from a total of \$2.7m

Due to recent increases in fees and charges, Council believes there is limited capacity to apply further increases. Council currently has borrowings of around \$3.1m as at 31 January 2013. Council does not want to increase this level due to its limited ability to raise revenue to repay debt. Unless new mining developments commence that result in the receipt of new development charges and also add to the rates base, debt repayments will have to be funded at the expense of infrastructure maintenance.

Council has limited opportunity to realise assets. However, Council has recently sold a couple of surplus residential blocks and will continue to try to sell other blocks of land suitable for commercial properties. Any 'windfall' gains on disposal of property excess to Council's needs, will ideally be applied to ensuring that Council has sufficient cash to cover expected employee entitlements. This was formally resolved by Council as part of its suite of actions to address its poor liquidity situation. Further gains on disposals may be applied to debt reduction. It is to be noted that this Council has a low debt ratio.

Council is reliant upon grant income from government sources. The Financial Assistance Grants and Roads to Recovery grants, in particular, are critical to Council's operations. In 2013/2014 the Roads to Recovery program will deliver \$300k less than 2012/2013. This is reflected in the LTFP and is an important factor in seeking a larger one-off SRV, rather than a series of smaller variations over this Council's term. It is assumed that Roads to Recovery funding will be resumed in future years, at similar levels to the current program.

Developer contributions are limited with the value of developments being \$35.5m in 2010/2011 and \$10.2m in 2011/2012. The figure for 2011/2012 is the level of development Council would normally expect. Development values were very high in 2010/2011 due to a number of mining related developments undertaken. Of all developments, very few have attracted Section 94 contributions. The new Development Servicing Plans for Water Supply and Sewerage Services 2013 aims to supplement income from all new developments over \$100k.

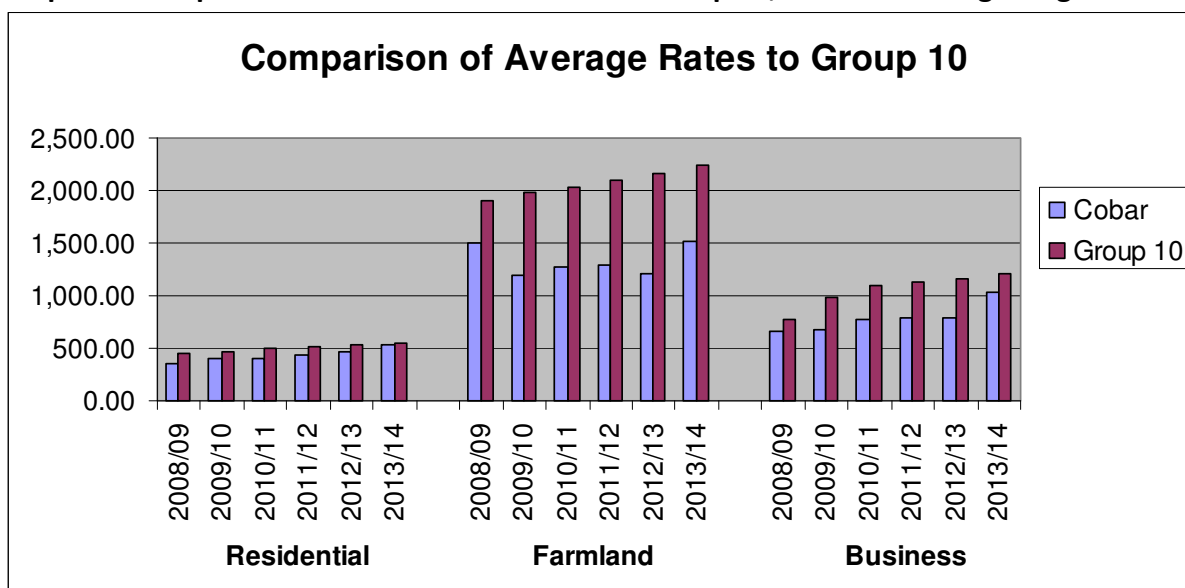
Cobar Rates Compared to Group 10 Average

Cobar Shire Council's rates are well below those of similar councils for all rating categories. The DLG groups similar councils together and Cobar is in the Group 10 councils, along with Narromine, Bland, Walgett, Upper Lachlan and a number of others. In 2010/2011 (the most recent data available), the following comparisons between Cobar rates and the group average can be made:

Table 1 – Group 10 Rating Comparisons for 2010/2011

Category	Cobar Rates	Group 10 average rates	Difference
Residential	\$395.26	\$495.63	Cobar \$100 lower 20% below group av.
Farmland	\$1271.36	\$2035.49	Cobar \$764 lower 38% below group av.
Business	\$769.94	\$1091.96	Cobar \$322 lower 30% below group av.

Graph 1 – Comparison of Cobar rates to those in Group 10, across all rating categories



Rate Pegging and the Mining Industry

Whilst Cobar Shire’s prosperity is extremely dependent on the fortunes of the metaliferous mining industry, Council has not been able to benefit from the current mining boom. It is estimated that around \$30m is paid in mining royalties from the Cobar region each year, of which very little is returned in the form of government grants and projects.

Cobar has three well established mines, one has recently commenced production and two are in the development phase and are expected to be operational in the next two years. In addition, significant exploration activity is undertaken annually across the Shire, with new or expanded operations possible in the future.

Two of Cobar’s mines have been in operation since the 1800’s when copper and gold were first discovered in the area. A third mine has been operational since 1983. Many of the developments that take place on these sites are exempt from a DA and Council makes no money from DA fees and contributions. In fact, due to rate pegging, when these leases are revalued (due to upgrades in infrastructure or new mineral discoveries) Council receives no benefit at all.

In 2011/2012, one mine was significantly revalued. The new valuation saw the rate in the dollar for mining fall and farmland and residential rates fall so that Council could stay within the 3.6% rate peg figure. This was despite a doubling in the valuation for the mine and a significant increase in the rates they had to pay.

Cobar has three other mines that are either in the development or early production phases. All prospective new mining operations within the Shire are not expected to be high value operations, and consequently, any new rating income is minimal (ie \$50k or less). Council is unlikely to receive significant additional income from new or expanded mining operations in the short to medium term.

Council's Expenditure

Council must continuously improve operations to gain efficiencies, although being in a service industry it does not have access to major economies of scale, except for those gained via regional efficiencies, such as through the Orana Regional Organisation of Councils (OROC) and the Lower Macquarie Water Utilities Alliance (LMWUA).

2012/2013 Council projections drastically reduce capital works programs and the asset replacement program in order to rein in Council expenditure and to guide the budget back towards a future surplus. This reduced pattern of expenditure will continue until the budget is able to afford capital works after which a steady increase in asset replacement expenditure is planned. In 2018 an additional \$500,000 is put towards asset maintenance.

There is no significant forecast reduction in operational expenditure and further efficiencies in this area will be sought in the future.

Cost of Service Provision

Cobar Shire covers a very large land area and is in an isolated part of the state. Council provides a wide range of services and most do not receive adequate income to cover the cost of providing them, therefore it is a net cost to Council to provide these services.

The table below shows the key services Council provides to the community and the net cost of doing so (ie the cost minus any income received from doing so. Income received includes admissions, government grants and funding). It must be remembered, Council receives around \$2.5m in rates income (not including Council sources).

Table 2 – Cost of Service Provision

Service	Net Cost To Council
LBV	\$120,000
Aerodromes	\$36,000
Cobar Youth and Fitness Centre	\$166,000
Television Services	\$4,000
Public Cemeteries	\$42,400
Emergency Services	\$173,171
Noxious Weeds	\$56,040
Libraries	\$275,904
Tourism	\$161,172
Museum	\$194,636
Swimming Pool	\$400,000
Roads and Footpaths	\$2,900,000
Parks and Gardens	\$568,826

Whilst our income has not increased by more than the CPI, Council's costs continue to rise and the gap between what is needed to be spent on providing services and managing our assets, and what is available to be spent, continues to increase. Rate pegging, cost shifting from other levels of government and increasing costs have all restricted Council's ability to meet existing and emerging community priorities with current income.

Cost shifting impacts significantly on the Council. For instance, Council maintains around \$9m in health infrastructure (medical centre, dental clinic, doctors surgery and aged care facility) and also provides accommodation to medical professionals, to ensure that the community receives basic access to health services. This is not a function of local government, however other levels of government are not providing the services and they will not be provided by the private sector.

Balancing the Budget

A balanced solution is likely to involve an increase in income, of which the most likely source is a special rate variation, along with continued efforts to increase regional roads funding and funding for the Lilliane Brady Village in conjunction with continuous initiatives to control costs in some service areas and minimal capital and asset replacement expenditure. Other known sources of income are unlikely to yield much more than minor increases in funds compared to the quantum of the necessary increase in funding required to ensure financial sustainability.

In consideration of the long term financial needs of the Cobar Shire community, Council placed within its initial Delivery Program notification to the community of the likely need for a special rate variation. In October and November 2012 significant community consultation was undertaken, where the majority of the community agreed to a 25% one-off rate rise to limit further service level losses.

Special Rate Variation

The scenarios presented under the LTFP show that the special rate variation is required to ensure Council's short term and long term financial sustainability. Council is proposing a one-off increase of 25% in 2013/14, which includes the rate peg amount of 3.4%. This will raise an additional \$676,000. The first \$300,000 will go towards financial sustainability. It will effectively reduce the budget deficit by this amount. The rest of the funds will be used for additional Shire road maintenance, split between gravel resheeting (\$150K) and bitumen reseals (\$200k), with around 7km of each being funded. The burden between the categories will be evenly spread as all categories are well below the group average.

A 25% SRV equates to an average \$130 pa per Cobar residential assessment. Once the SRV is implemented, average rates paid by all rating categories will remain below the group average

Following the application of a 25% rate increase, all rating categories in Cobar Shire are still under the group average. The following comparisons between Cobar rates and the group average can be made:

Table 3 – Group 10 Rating Comparisons for 2013/2014 – with a 25% SRV

Category	Cobar Rates 2013/2014	Group 10 average rates	Difference
Residential	\$526.67	\$545.80	\$19 under group av 4% below group av
Farmland	\$1512.50	\$2240.98	\$728 under group av 33% below group av
Business	\$1027.26	\$1202.49	\$175 under group av 15% below group av

The Special Rate Variation is just one piece of the puzzle that is required to make this Council sustainable. It is critical that Council pursue greater Regional Roads funding. At present, Council receives about two thirds that of neighbouring Councils on a per kilometre basis to maintain their regional road network. This must be rectified and should increase Council's income by a further \$600k, to be spent on maintaining the regional road network.

In addition, adequate funding must be found to run and maintain the Lilliane Brady Village. This is a community asset that Council manages to provide aged care accommodation for aged people in the Shire. Council has sought alternative management arrangements, however other not-for-profit service providers were not willing to take the facility on as it was not viable – primarily due to the low bed numbers (33). Whilst it is well run, it is about 30 years old and will require significant ongoing maintenance of the asset. Around 90% of the operational costs are for staffing. Wage rates are low and it is difficult to attract staff or new services. Funding assistance from the Commonwealth Government is required to

ensure this facility is sustainable into the future and is able to continue to provide a high level of care to our local aged residents.

Asset Management Plans

The Transport Asset Management Plan (AMP) was reworked for this review of the LTFP. The other AMPs will be reworked over the duration of the LTFP. Under the new Transport AMP, it is estimated that an average of \$8.82m is required each year for maintenance, renewal and upgrade of the asset base. However, only about \$4.68m is available in the budget., creating an annual shortfall of around \$4.14m. Consequently, the service level that Council can provide is below what is required. Council aims to maintain the asset base in a safe condition.

The priority areas identified in the AMP were bitumen reseals and gravel resheeting. Renewal and upgrade works will be undertaken based on a risk assessment. It is estimated that an additional 7km of gravel resheeting can be undertaken each year at a cost of \$150,000 and around 7km of bitumen reseals can be completed at a cost of around \$200,000.

Why a Funding Shortfall?

Council inherited the regional road network from other levels of government and does not receive adequate funding to maintain it. The road network is at the later end of its lifecycle and requires significant repair and replacement.

Council has for many years been depreciating the road network below adequate levels, at just \$1.9m pa. The new Transport AMP has identified annual asset consumption (depreciation) at \$7.8m. This reflects a more realistic lifespan of the asset base. The lifecycle expenditure identified in the LTFP is \$4.62m pa, leaving a gap of \$4.1m pa.

Loss of \$300,000 Roads to Recovery Funds in 2013/2014

The Federal Government's current Roads to Recovery income will be reduced from \$761k in 2012/2013 to \$461k in 2013/2014. In addition, we have made the assumption in the models that Roads to Recovery funding will be re-established from 2014/2015 at current levels.

The reduction of funds in 2013/2014 will have a significant impact on Council's roads maintenance and renewal program. This reduction of income in 2014 is one of the driving forces behind applying for a large, one-off SRV, to help cover the temporary shortfall (rather than a smaller annual increase). Council will also focus on trying to win more private works to make up the shortfall and to ensure the roads crew and machinery productivity is maintained.

Scenarios

Four scenarios are presented in the LTFP, showing the impacts associated with the scenario. The scenarios are:

1. The Status Quo – there is no special rate variation, depreciation of the roads network is retained at \$1.9m pa.
2. Successful SRV – Council receives a one-off SRV of 25% (including the rate peg amount of 3.4%) in 2013/2014 and depreciation of the roads network is retained at \$1.9m pa. Funds generated through the SRV are split with \$300,000 towards financial sustainability and the remainder funding maintenance works on the Shire road network (evenly split between bitumen reseals and gravel resheeting).
3. Status Quo with \$7.8m pa in road depreciation. According to the reworked Transport Asset Management Plan, an additional \$7.8m pa should be spent on maintaining (not improving) the road network. This very large gap is unlikely to be funded in the short or medium term.
4. SRV application for 25% increase in 2013/2014 successful, and road depreciation set at \$7.8m pa.

In all budget scenarios, the Roads to Recovery funding will fall by \$300,000 in 2013/2014. It is assumed that the program will resume at \$761k in 2014/2015. The shortfall can be funded through the SRV in scenario 2.

Rate rises are not likely to result in significant improvements in service delivery or asset management, but rather are required to maintain Council's operations at current levels, without creating a deficit budget.

Assumptions

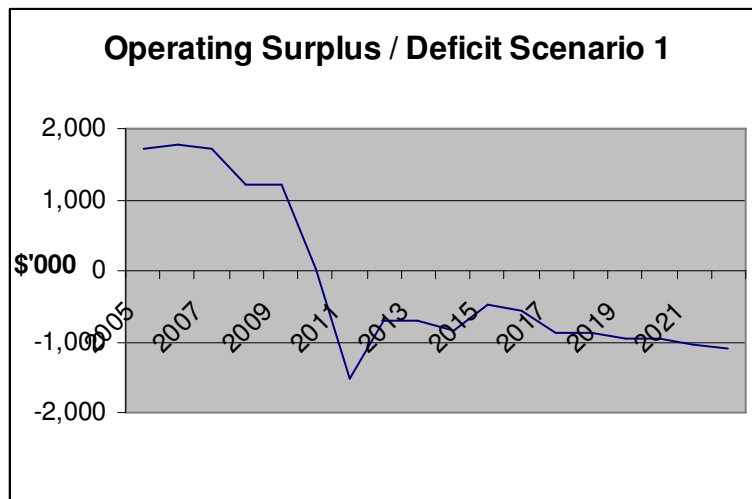
Common assumptions across all three scenarios are as follows:

- Council's current borrowings will be repaid by 2021 and no additional borrowings will be undertaken and \$825K is still owed in 2021/2022
- Interest rates will remain flat for both borrowed funds and invested funds.
- Inflation has been set at 3% per annum.
- Wage costs will increase by 3.5% per annum.
- The rate peg is 3.4% in 2013/2014 and 3% thereafter.
- Any windfalls from the sale of land are excluded from the model.
- Plant disposals are at break even.
- Roads to Recovery falls by \$300,000 in 2013/2014 and then returns to current levels.
- There are no revaluations to impact on depreciation.
- In 2018 when the financial position improves, an additional \$500,000 is added to asset maintenance.
- Roads to Recovery funding alternates between asset renewal (capital works) and maintenance improvement.

The Status Quo Scenario

Under the Status Quo scenario, the business model remains as it currently is in 2012/2013. Rates are increased by the rate pegging amount. Council continues to operate with an operating deficit throughout the ten year period and has around \$2.3m in cash reserves at the end of 2021/2022. Restrictions are met. Council is unable to fully fund depreciation which starts at \$4.2m in 2012/2013 and ends at \$5.3m in 2021/2022. Council's unrestricted current ratio has fallen from 1.79 in 2012/13 to 1.26 in 2021/2022.

Graph 2 – Results of the Status Quo Scenario



In 2010/2011 the deficit was \$1.52m. After adjusting for the early payment of the Financial Assistance Grants in 2012 the deficit was reduced to \$700k. This improvement occurred due to a number of short term cost cuts and a labour freeze.

Revenue in 2013/2014 is subject to a \$300k reduction in Roads to Recovery Program funding when compared to the previous year.

Scenario 1: The Status Quo

Summary

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
REVENUE										
Rates and Annual Charges	4,298,604	4,441,202	4,574,573	4,712,999	4,854,606	5,000,525	5,150,889	5,305,837	5,465,513	5,630,066
User Fees and Charges	2,911,005	3,335,701	3,435,772	3,538,846	3,645,011	3,754,361	3,866,992	3,983,002	4,102,492	4,225,567
Interest and Investment Revenue	135,500	208,000	255,000	306,000	355,000	402,000	442,000	495,000	560,000	630,000
Other Revenues	12,637,675	12,986,083	13,291,945	13,699,996	14,120,614	14,554,187	15,001,116	15,461,813	15,936,704	16,426,229
Operating Grants	6,624,740	8,049,163	8,290,638	8,539,357	8,795,538	9,059,404	9,331,186	9,611,122	9,899,455	10,196,439
Capital Grants	761,723	421,723	807,426	831,649	856,599	882,297	908,766	936,028	964,109	993,033
Total Income from Continuing Operations	27,369,248	29,441,873	30,655,354	31,628,847	32,627,367	33,652,773	34,700,948	35,792,802	36,928,274	38,101,333
EXPENSES										
Employee Benefits and On-costs	10,007,757	10,324,921	10,673,696	11,034,351	11,462,796	11,850,122	12,250,653	12,664,845	13,093,172	13,536,124
Borrowing Costs	241,481	287,888	303,252	322,614	340,007	359,315	366,479	385,235	402,045	417,725
Materials and Contracts	6,512,537	6,725,615	6,913,172	7,171,671	7,462,820	7,690,889	7,993,848	8,211,303	8,486,534	8,832,387
Depreciation and Amortisation	4,201,723	4,324,502	4,465,876	4,586,680	4,711,107	4,839,267	4,971,272	5,107,238	5,247,282	5,391,527
Other Expenses	7,927,916	8,517,558	8,707,446	9,003,974	9,465,444	9,701,626	9,999,117	10,308,816	10,664,050	10,933,476
Net Losses from the Disposal of Assets	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	28,891,414	30,180,485	31,063,443	32,119,290	33,442,174	34,441,220	35,581,368	36,677,438	37,893,083	39,111,239
Operating Result from Continuing Operations	- 1,522,166	- 738,612	- 408,089	- 490,443	- 814,807	- 788,446	- 880,420	- 884,635	- 964,809	- 1,009,906
Cash on hand at year end	3,302,786	2,920,121	3,289,603	3,032,862	2,946,907	2,420,827	2,355,188	1,966,267	2,528,038	2,308,902
Sundry and Rate Debtors and Inventories	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
Estimate of Current Assets	5,602,786	5,220,121	5,589,603	5,332,862	5,246,907	4,720,827	4,655,188	4,266,267	4,828,038	4,608,902

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Estimate of Restrictions	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Loan	216,048	225,882	238,751	251,965	267,195	283,061	300,124	268,332	288,189	266,796
Payables	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Estimate of Current Liabilities	2,016,048	2,025,882	2,038,751	2,051,965	2,067,195	2,083,061	2,100,124	2,068,332	2,088,189	2,066,796
Depreciation	4,201,723	4,324,502	4,465,876	4,586,680	4,711,107	4,839,267	4,971,272	5,107,238	5,247,282	5,391,527
Capital Expenditure	2,848,723	3,742,673	3,449,555	4,101,012	3,715,061	4,293,839	3,856,368	4,343,191	3,432,513	4,333,961
Difference	- 1,353,000	- 581,829	- 1,016,322	- 485,668	- 996,046	- 545,428	- 1,114,905	- 764,046	- 1,814,769	- 1,057,566
Unrestricted Current Ratio:1	1.79	1.59	1.76	1.62	1.57	1.31	1.26	1.10	1.35	1.26
Loans outstanding	3,214,952	2,989,070	2,750,319	2,498,354	2,231,159	1,948,098	1,647,974	1,379,642	1,091,453	824,657

Assumptions

	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Wages increase by	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Expenses other than wages increase by	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Rate increase	3.40%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Variation increase	0.00%								
Plant costs increase by	2%	2%	2%	2%	2%	2%	2%	2%	2%
Road expenditure increases by - flat base level - if SRV application successful	0								
Road expenditure increases as cash balances increase									
No service level changes in corporate and community and environmental services									
Increase in water usage charges	30%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Increase in cost of water	67%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Increase in sewerage rates	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Increase in domestic waste charges	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Increase in trade waste charges	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Interest on earnings	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Roads Wages	37%								

Capital

GENERAL FUND	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
ADMINISTRATION										
Computer Equipment	100,000	30,000	30,000	30,000	40,000	40,000	45,000	45,000	50,000	50,000
PLANT										
P1040 - Truck Tipper	55,000									
Back Hoe		112,200	114,444	116,733	119,068					
Tractor							80,000			
4/5 Tonne Trucks		61,200	31,212							
Prime Mover			228,888	233,466	238,135	242,898	247,756	252,711	257,765	
Street Sweeper							157,663			
Heavy Trucks					194,838		135,139			
Bus					86,595					
Skidsteer Loader					32,473					
Loader		200,000								
Light trucks						33,785	67,570			119,986
Heavy trailers						82,806				28,233
Grader			208,080	212,242	216,486	220,816	225,232	229,737		
Water Pumps & Minor Items	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951
Miscellaneous Plant	5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975
Light Vehicles Changeover	131,000	230,520	243,454	181,467	136,386	241,794	141,896	181,492	214,804	188,825
Sedans Changeover	120,000	154,020	126,929	118,855	154,788	133,139	134,698	149,780	155,831	133,850
Mower Small	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Mower Large	26,000	26,520	27,050	27,591	28,143	28,706	29,280	29,866	30,463	31,072
Fuel Tanker	5,000		5,202		5,412		5,631		5,858	
Caravans		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Generators		17,340		18,041		18,770		19,528		20,317
Roller Multi Tyred	170,000									131,460
Road Train Dolly	35,000									
Semi Trailer Side Tipper	100,000		83,232	84,897						
Paveliner		193,800								

GENERAL FUND	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
LIBRARIES										
Library Books Etc	25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669	32,619
HOUSING										
Up grade Various Dwellings	60,000	61,800	63,654	65,564	67,531	69,556	71,643	73,792	76,006	78,286
Nymagee School	5,000									
AERODROME										
Airport Terminal/Apron/Runway										
SWIMMING POOL										
PARKS & GARDENS										
General Parks Upgrade	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143
ECONOMIC DEVELOPMENT										
Main Street Reinstatements										
Grant Expenditure	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Street Decorations - Christmas	5,000		5,000							
LILLIANE BRADY VILLAGE										
Extension of Lounge Room	90,000									
CARAVAN PARK										
Land Purchase		165,000								
RURAL SHIRE ROADS										
Gravelling		216,300	222,789	229,473	236,357	243,448	250,751	258,274	266,022	274,002
Resealing	210,000	216,300	222,789	229,473	236,357	243,448	250,751	258,274	266,022	274,002

GENERAL FUND	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
ROADS TO RECOVERY										
Unallocated	761,723	421,723	807,426	831,649	856,599	882,297	908,766	936,028	964,109	993,033

REGIONAL ROADS										
Roads to Recovery Gravel & Seal										
Gravelling	300,000	100,000	300,000	100,000	300,000	100,000	300,000	100,000	300,000	100,000
Sealing and Resealing	200,000	206,000	212,180	218,545	225,102	231,855	238,810	245,975	253,354	260,955
Renewal Program		824,000		874,182		927,419		983,899		1,043,819
SRV additional expenditure										
TOTAL CAPITAL GENERAL FUND	2,548,723	3,433,673	3,131,285	3,773,194	3,377,408	3,946,057	3,498,152	3,974,229	3,052,482	3,942,529

WATER FUND	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
WATER										
Water Mains Replacement	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477
New Mains Purchase										
Filtration Plant - replace piping & Valves	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477
TOTAL CAPITAL WATER FUND	200,000	206,000	212,180	218,545	225,102	231,855	238,810	245,975	253,354	260,955

SEWERAGE SERVICES	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
SEWER										
Sewerage Works Improvements	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477
TOTAL CAPITAL SEWERAGE FUND	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477

WASTE FUND	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
CAPITAL EXPENDITURE										
Commercial Waste Truck				68,000						
Town Waste Truck			200,000							
Landfill Loader				80,000						
TOTAL CAPITAL WASTEFUND			200,000	148,000						
TOTAL CAPITAL ALL FUNDS	2,848,723	3,742,673	3,449,555	4,101,012	3,715,061	4,293,839	3,856,368	4,343,191	3,432,513	4,333,961

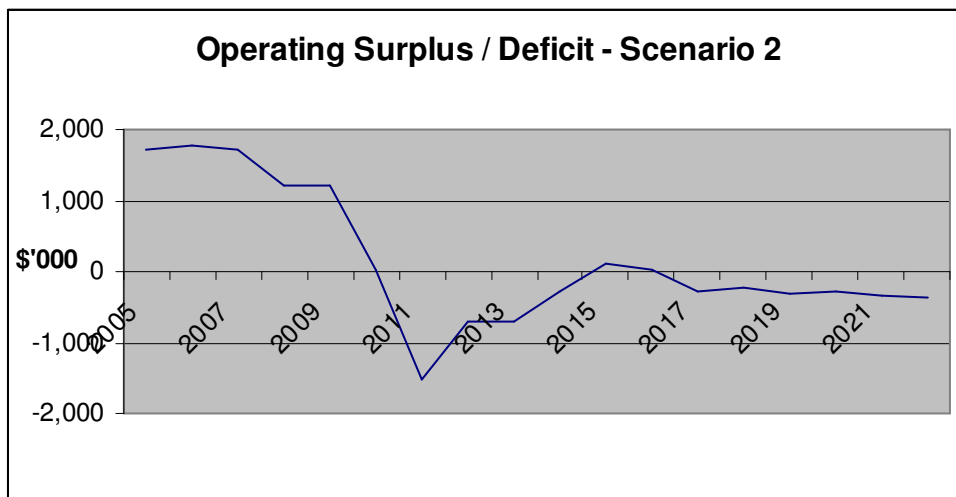
The 25% SRV Scenario

Under this scenario, Council receives a one-off 25% rate rise in 2013/2014 which raises an additional \$676,000. The first \$300,000 is used to fund service provision. This amount has been applied as it equates to the incremental cost of operating the upgraded swimming pool. When the pool was upgraded no strategy was put into place to accommodate the increased running costs. The additional funds will be used for capital renewal of the shire road network – split evenly between bitumen reseals (at a cost of \$29,000 per kilometre) and gravel resheeting (at a cost of \$22,000 per kilometre).

Under this scenario, Council continues to have an operating deficit in most years (other than 2014/2015 and 2015/2016) of around \$250,000. In these two years there is an operating surplus because of increased Roads to Recovery funding of \$300,000 when compared to 2013/14. This is gradually eroded and marginal deficits occur thereafter.

Council does have cash reserves of around \$4m at the end of the ten years. Council still has outstanding loans of \$824,000 the unrestricted current ratio rises to 2.08 and the gap between depreciation and capital expenditure falls to around \$614k. Council's debt servicing ability is adequate.

Graph 3 – Operating surplus/deficit Scenario 2



A successful SRV application enables Cobar Shire Council to minimise its deficits by 2021/2022. Capital investment is still less than desirable. Further work is required to overcome the reduced deficits and capital expenditure but Council is out of risk.

Scenario 2: The 25% SRV

Summary

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
REVENUE										
Rates and Annual Charges	4,298,604	5,006,268	5,156,591	5,312,478	5,472,070	5,636,512	5,805,956	5,980,556	6,160,474	6,345,875
User Fees and Charges	2,911,005	3,335,701	3,435,772	3,538,846	3,645,011	3,754,361	3,866,992	3,983,002	4,102,492	4,225,567
Interest and Investment Revenue	135,500	208,000	255,000	306,000	355,000	402,000	442,000	495,000	560,000	630,000
Other Revenues	12,637,675	12,986,083	13,291,945	13,699,996	14,120,614	14,554,187	15,001,116	15,461,813	15,936,704	16,426,229
Operating Grants	6,624,740	8,049,163	8,290,638	8,539,357	8,795,538	9,059,404	9,331,186	9,611,122	9,899,455	10,196,439
Capital Grants	761,723	421,723	807,426	831,649	856,599	882,297	908,766	936,028	964,109	993,033
Total Income from Continuing Operations	27,369,248	30,006,939	31,237,373	32,228,326	33,244,831	34,288,761	35,356,015	36,467,521	37,623,235	38,817,142
EXPENSES										
Employee Benefits and On-costs	10,007,757	10,324,921	10,673,696	11,034,351	11,462,796	11,850,122	12,250,653	12,664,845	13,093,172	13,536,124
Borrowing Costs	241,481	287,888	303,252	322,614	340,007	359,315	366,479	385,235	402,045	417,725
Materials and Contracts	6,512,537	6,725,615	6,913,172	7,171,671	7,462,820	7,690,889	7,993,848	8,211,303	8,486,534	8,832,387
Depreciation and Amortisation	4,201,723	4,324,502	4,465,876	4,586,680	4,711,107	4,839,267	4,971,272	5,107,238	5,247,282	5,391,527
Other Expenses	7,927,916	8,517,558	8,707,446	9,003,974	9,465,444	9,701,626	9,999,117	10,308,816	10,664,050	10,933,476
Net Losses from the Disposal of Assets	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	28,891,414	30,180,485	31,063,443	32,119,290	33,442,174	34,441,220	35,581,368	36,677,438	37,893,083	39,111,239
Operating Result from Continuing Operations	- 1,522,166	- 173,545	173,930	109,036	- 197,343	- 152,459	- 225,353	- 209,916	- 269,848	- 294,096
Cash on hand at year end	3,302,786	3,135,188	3,726,188	3,697,612	3,846,665	3,062,645	3,246,327	3,114,206	3,940,482	3,993,787
Sundry and Rate Debtors and Inventories	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
Estimate of Current Assets	5,602,786	5,435,188	6,026,188	5,997,612	6,146,665	5,362,645	5,546,327	5,414,206	6,240,482	6,293,787

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Estimate of Restrictions	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Loan	216,048	225,882	238,751	251,965	267,195	283,061	300,124	268,332	288,189	266,796
Payables	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Estimate of Current Liabilities	2,016,048	2,025,882	2,038,751	2,051,965	2,067,195	2,083,061	2,100,124	2,068,332	2,088,189	2,066,796
Depreciation	4,201,723	4,324,502	4,465,876	4,586,680	4,711,107	4,839,267	4,971,272	5,107,238	5,247,282	5,391,527
Capital Expenditure	2,848,723	4,092,673	3,810,055	4,472,327	4,097,515	5,187,768	4,262,114	4,761,110	3,862,969	4,777,330
Difference	- 1,353,000	- 231,829	- 655,822	- 114,353	- 613,592	348,500	- 709,159	- 346,128	- 1,384,313	- 614,197
Unrestricted Current Ratio:1	1.79	1.70	1.97	1.95	2.01	1.61	1.69	1.65	2.03	2.08
Loans outstanding	3,214,952	2,989,070	2,750,319	2,498,354	2,231,159	1,948,098	1,647,974	1,379,642	1,091,453	824,657

Assumptions

	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Wages increase by	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Expenses other than wages increase by	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Rate increase	3.40%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Variation increase	21.60%								
Plant costs increase by	2%	2%	2%	2%	2%	2%	2%	2%	2%
Road expenditure increases by - flat base level - if SRV application successful	350,000				500,000				
Road expenditure increases as cash balances increase									
No service level changes in corporate and community and environmental services									
Increase in water usage charges	30%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Increase in cost of water	67%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Increase in sewerage rates	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Increase in domestic waste charges	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Increase in trade waste charges	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Interest on earnings	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Roads Wages	37%								

Capital

GENERAL FUND	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
ADMINISTRATION										
Computer Equipment	100,000	30,000	30,000	30,000	40,000	40,000	45,000	45,000	50,000	50,000
PLANT										
P1040 - Truck Tipper	55,000									
Back Hoe		112,200	114,444	116,733	119,068					
Tractor							80,000			
4/5 Tonne Trucks		61,200	31,212							
Prime Mover			228,888	233,466	238,135	242,898	247,756	252,711	257,765	
Street Sweeper							157,663			
Heavy Trucks					194,838		135,139			
Bus					86,595					
Skidsteer Loader					32,473					
Loader		200,000								
Light trucks						33,785	67,570			119,986
Heavy trailers						82,806				28,233
Grader			208,080	212,242	216,486	220,816	225,232	229,737		
Water Pumps & Minor Items	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951
Miscellaneous Plant	5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975
Light Vehicles Changeover	131,000	230,520	243,454	181,467	136,386	241,794	141,896	181,492	214,804	188,825
Sedans Changeover	120,000	154,020	126,929	118,855	154,788	133,139	134,698	149,780	155,831	133,850
Mower Small	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Mower Large	26,000	26,520	27,050	27,591	28,143	28,706	29,280	29,866	30,463	31,072
Fuel Tanker	5,000		5,202		5,412		5,631		5,858	
Caravans		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Generators		17,340		18,041		18,770		19,528		20,317
Roller Multi Tyred	170,000									131,460
Road Train Dolly	35,000									
Semi Trailer Side Tipper	100,000		83,232	84,897						
Paveliner		193,800								

GENERAL FUND	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
LIBRARIES										
Library Books Etc	25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669	32,619
HOUSING										
Up grade Various Dwellings	60,000	61,800	63,654	65,564	67,531	69,556	71,643	73,792	76,006	78,286
Nymagee School	5,000									
AERODROME										
Airport Terminal/Apron/Runway										
SWIMMING POOL										
PARKS & GARDENS										
General Parks Upgrade	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143
ECONOMIC DEVELOPMENT										
Main Street Reinstatements										
Grant Expenditure	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Street Decorations - Christmas	5,000		5,000							
LILLIANE BRADY VILLAGE										
Extension of Lounge Room	90,000									
CARAVAN PARK										
Land Purchase		165,000								
RURAL SHIRE ROADS										
Gravelling		216,300	222,789	229,473	236,357	243,448	250,751	258,274	266,022	274,002
Resealing	210,000	216,300	222,789	229,473	236,357	243,448	250,751	258,274	266,022	274,002

GENERAL FUND	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
ROADS TO RECOVERY										
Unallocated	761,723	421,723	807,426	831,649	856,599	882,297	908,766	936,028	964,109	993,033
REGIONAL ROADS										
Roads to Recovery Gravel & Seal										
Gravelling	300,000	100,000	300,000	100,000	300,000	100,000	300,000	100,000	300,000	100,000
Sealing and Resealing	200,000	206,000	212,180	218,545	225,102	231,855	238,810	245,975	253,354	260,955
Renwal Program		824,000		874,182		927,419		983,899		1,043,819
Renewal Program due to extra cash						500,000				
SRV additional expenditure		350,000	360,500	371,315	382,454	393,928	405,746	417,918	430,456	443,370
TOTAL CAPITAL GENERAL FUND	2,548,723	3,783,673	3,491,785	4,144,509	3,759,863	4,839,985	3,903,898	4,392,147	3,482,937	4,385,898
WATER FUND										
WATER										
Water Mains Replacement	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477
New Mains Purchase										
Filtration Plant - replace piping & Valves	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477
TOTAL CAPITAL WATER FUND	200,000	206,000	212,180	218,545	225,102	231,855	238,810	245,975	253,354	260,955
SEWERAGE SERVICES										
SEWER										
Sewerage Works Improvements	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477
TOTAL CAPITAL SEWERAGE FUND	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477

WASTE FUND	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
CAPITAL EXPENDITURE										
Commercial Waste Truck				68,000						
Town Waste Truck			200,000							
Landfill Loader				80,000						
TOTAL CAPITAL WASTEFUND			200,000	148,000						
TOTAL CAPITAL ALL FUNDS	2,848,723	4,092,673	3,810,055	4,472,327	4,097,515	5,187,768	4,262,114	4,761,110	3,862,969	4,777,330

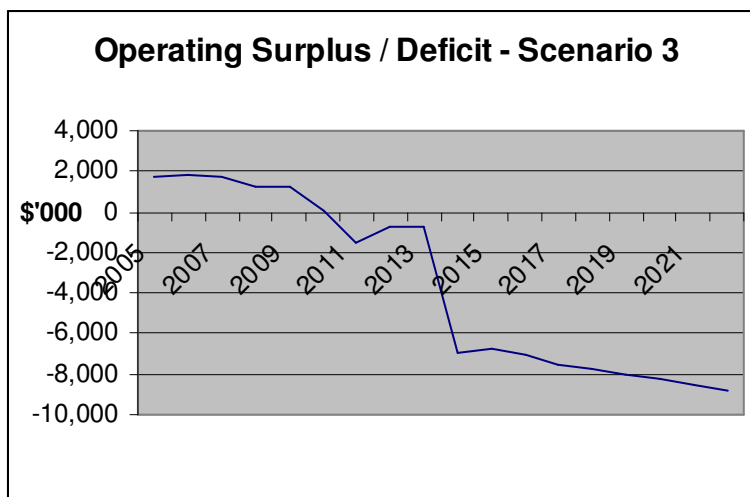
Increased Depreciation of the Transport Network Scenario

Under this scenario, depreciation of the roads network is increased from \$2m annually to \$7m and Council is not successful in the SRV application. This scenario demonstrates the dire state of our asset base and the inability of Council to fund it.

In accounting terms, annual depreciation has traditionally been \$2m per annum on the road network. However, a recent reworking of the Transport Asset Management Plan has shown that actual depreciation is likely to be closer to \$7m.

Naturally, the operating deficit under this scenario blows out to around \$8.79m in 2021/2022. Council still has around \$2.3m in cash and the unrestricted current ratio falls to 1.24 at the end of the ten years.

Graph 4 – Operating surplus/deficit Scenario 3



This model has been discounted because of its commercial impracticality at this point. Council is unlikely to be able to attract the additional funding required to invest to the levels identified in the Asset Management Plans.

Scenario 3: Increased Depreciation of the Transport Network

Summary

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
REVENUE										
Rates and Annual Charges	4,298,604	4,441,202	4,574,573	4,712,999	4,854,606	5,000,525	5,150,889	5,305,837	5,465,513	5,630,066
User Fees and Charges	2,911,005	3,335,701	3,435,772	3,538,846	3,645,011	3,754,361	3,866,992	3,983,002	4,102,492	4,225,567
Interest and Investment Revenue	135,500	208,000	255,000	306,000	355,000	402,000	442,000	495,000	560,000	630,000
Other Revenues	12,637,675	12,986,083	13,291,945	13,699,996	14,120,614	14,554,187	15,001,116	15,461,813	15,936,704	16,426,229
Operating Grants	6,624,740	8,049,163	8,290,638	8,539,357	8,795,538	9,059,404	9,331,186	9,611,122	9,899,455	10,196,439
Capital Grants	761,723	421,723	807,426	831,649	856,599	882,297	908,766	936,028	964,109	993,033
Total Income from Continuing Operations	27,369,248	29,441,873	30,655,354	31,628,847	32,627,367	33,652,773	34,700,948	35,792,802	36,928,274	38,101,333
EXPENSES										
Employee Benefits and On-costs	10,007,757	10,324,921	10,673,696	11,034,351	11,462,796	11,850,122	12,250,653	12,664,845	13,093,172	13,536,124
Borrowing Costs	241,481	287,888	303,252	322,614	340,007	359,315	366,479	385,235	402,045	417,725
Materials and Contracts	6,512,537	6,725,615	6,913,172	7,171,671	7,462,820	7,690,889	7,993,848	8,211,303	8,486,534	8,832,387
Depreciation and Amortisation	10,096,723	10,396,352	10,719,882	11,028,305	11,345,982	11,673,188	12,010,211	12,357,344	12,714,891	13,083,165
Other Expenses	7,927,916	8,517,558	8,707,446	9,003,974	9,465,444	9,701,626	9,999,117	10,308,816	10,664,050	10,933,476
Net Losses from the Disposal of Assets	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	34,786,414	36,252,335	37,317,448	38,560,916	40,077,048	41,275,141	42,620,307	43,927,544	45,360,693	46,802,877
Operating Result from Continuing Operations	- 7,417,166	- 6,810,462	- 6,662,094	- 6,932,069	- 7,449,681	- 7,622,367	- 7,919,359	- 8,134,742	- 8,432,418	- 8,701,544
Cash on hand at year end	3,302,786	2,920,121	3,289,603	3,032,862	2,946,907	2,420,827	2,355,188	1,966,267	2,528,038	2,308,902
Sundry and Rate Debtors and Inventories	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
Estimate of Current Assets	5,602,786	5,220,121	5,589,603	5,332,862	5,246,907	4,720,827	4,655,188	4,266,267	4,828,038	4,608,902

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Estimate of Restrictions	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Loan	216,048	225,882	238,751	251,965	267,195	283,061	300,124	268,332	288,189	266,796
Payables	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Estimate of Current Liabilities	2,216,048	2,225,882	2,238,751	2,251,965	2,267,195	2,283,061	2,300,124	2,268,332	2,288,189	2,266,796
Depreciation	10,096,723	10,396,352	10,719,882	11,028,305	11,345,982	11,673,188	12,010,211	12,357,344	12,714,891	13,083,165
Capital Expenditure	2,848,723	3,742,673	3,449,555	4,101,012	3,715,061	4,293,839	3,856,368	4,343,191	3,432,513	4,333,961
Difference	- 7,248,000	- 6,653,679	- 7,270,327	- 6,927,293	- 7,630,921	- 7,379,349	- 8,153,843	- 8,014,153	- 9,282,379	- 8,749,204
Unrestricted Current Ratio:1	1.72	1.54	1.69	1.57	1.52	1.28	1.24	1.09	1.32	1.24
Loans outstanding	3,214,952	2,989,070	2,750,319	2,498,354	2,231,159	1,948,098	1,647,974	1,379,642	1,091,453	824,657

Assumptions

	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Wages increase by	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Expenses other than wages increase by	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Rate increase	3.40%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Variation increase	0.00%								
Plant costs increase by	2%	2%	2%	2%	2%	2%	2%	2%	2%
Road expenditure increases by - flat base level - if SRV application successful	0								
Road expenditure increases as cash balances increase									
No service level changes in corporate and community and environmental services									
Increase in water usage charges	30%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Increase in cost of water	67%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Increase in sewerage rates	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Increase in domestic waste charges	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Increase in trade waste charges	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Interest on earnings	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Roads Wages	37%								

Capital

GENERAL FUND	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
ADMINISTRATION										
Computer Equipment	100,000	30,000	30,000	30,000	40,000	40,000	45,000	45,000	50,000	50,000
PLANT										
P1040 - Truck Tipper	55,000									
Back Hoe		112,200	114,444	116,733	119,068					
Tractor							80,000			
4/5 Tonne Trucks		61,200	31,212							
Prime Mover			228,888	233,466	238,135	242,898	247,756	252,711	257,765	
Street Sweeper							157,663			
Heavy Trucks					194,838		135,139			
Bus					86,595					
Skidsteer Loader					32,473					
Loader		200,000								
Light trucks						33,785	67,570			119,986
Heavy trailers						82,806				28,233
Grader			208,080	212,242	216,486	220,816	225,232	229,737		
Water Pumps & Minor Items	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951
Miscellaneous Plant	5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975
Light Vehicles Changeover	131,000	230,520	243,454	181,467	136,386	241,794	141,896	181,492	214,804	188,825
Sedans Changeover	120,000	154,020	126,929	118,855	154,788	133,139	134,698	149,780	155,831	133,850
Mower Small	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Mower Large	26,000	26,520	27,050	27,591	28,143	28,706	29,280	29,866	30,463	31,072
Fuel Tanker	5,000		5,202		5,412		5,631		5,858	
Caravans		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Generators		17,340		18,041		18,770		19,528		20,317
Roller Multi Tyred	170,000									131,460
Road Train Dolly	35,000									
Semi Trailer Side Tipper	100,000		83,232	84,897						
Paveliner		193,800								

GENERAL FUND	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
LIBRARIES										
Library Books Etc	25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669	32,619
HOUSING										
Up grade Various Dwellings	60,000	61,800	63,654	65,564	67,531	69,556	71,643	73,792	76,006	78,286
Nymagee School	5,000									
AERODROME										
Airport Terminal/Apron/Runway										
SWIMMING POOL										
PARKS & GARDENS										
General Parks Upgrade	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143
ECONOMIC DEVELOPMENT										
Main Street Reinstatements										
Grant Expenditure	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Street Decorations - Christmas	5,000		5,000							
LILLIANE BRADY VILLAGE										
Extension of Lounge Room	90,000									
CARAVAN PARK										
Land Purchase		165,000								
RURAL SHIRE ROADS										
Gravelling		216,300	222,789	229,473	236,357	243,448	250,751	258,274	266,022	274,002
Resealing	210,000	216,300	222,789	229,473	236,357	243,448	250,751	258,274	266,022	274,002

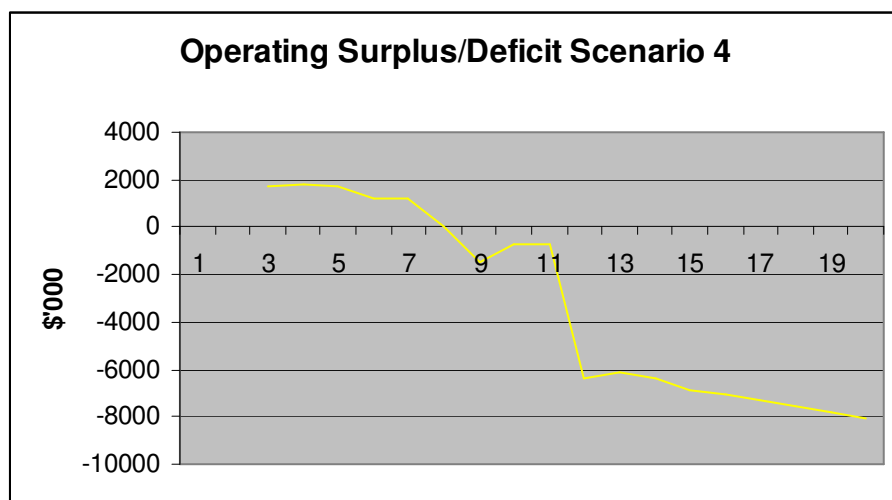
GENERAL FUND	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
ROADS TO RECOVERY										
Unallocated	761,723	421,723	807,426	831,649	856,599	882,297	908,766	936,028	964,109	993,033
REGIONAL ROADS										
Roads to Recovery Gravel & Seal	300,000	100,000	300,000	100,000	300,000	100,000	300,000	100,000	300,000	100,000
Gravelling	200,000	206,000	212,180	218,545	225,102	231,855	238,810	245,975	253,354	260,955
Sealing and Resealing		824,000		874,182		927,419		983,899		1,043,819
Renewal Program										
SRV additional expenditure	300,000	100,000	300,000	100,000	300,000	100,000	300,000	100,000	300,000	100,000
TOTAL CAPITAL GENERAL FUND	2,548,723	3,433,673	3,131,285	3,773,194	3,377,408	3,946,057	3,498,152	3,974,229	3,052,482	3,942,529
WATER FUND										
WATER										
Water Mains Replacement	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477
New Mains Purchase										
Filtration Plant - replace piping & Valves	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477
TOTAL CAPITAL WATER FUND	200,000	206,000	212,180	218,545	225,102	231,855	238,810	245,975	253,354	260,955
SEWERAGE SERVICES										
SEWER										
Sewerage Works Improvements	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477
TOTAL CAPITAL SEWERAGE FUND	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477

WASTE FUND	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
CAPITAL EXPENDITURE										
Commercial Waste Truck				68,000						
Town Waste Truck			200,000							
Landfill Loader				80,000						
TOTAL CAPITAL WASTEFUND			200,000	148,000						
TOTAL CAPITAL ALL FUNDS	2,848,723	3,742,673	3,449,555	4,101,012	3,715,061	4,293,839	3,856,368	4,343,191	3,432,513	4,333,961

Successful SRV and Increased Depreciation Scenario

Under this scenario, a one-off rate increase of 25% in 2013/2014 is granted, of which \$300,000 is spent on sustainability measures and the rest is allocated to road asset maintenance (split between gravel resheeting and bitumen reseals). By the end of the ten year period, Council is facing a \$8.07m operating deficit as the annual depreciation has increased to \$13.1m and there is only \$4.8m available for capital expenditure. Council has \$4.5m in cash reserves and the unrestricted current ratio is 2.2.

Graph 4 – Operating surplus/deficit Scenario 4



Scenario 4: Successful SRV and Increased Depreciation

Summary

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
REVENUE										
Rates and Annual Charges	4,298,604	5,006,268	5,156,591	5,312,478	5,472,070	5,636,512	5,805,956	5,980,556	6,160,474	6,345,875
User Fees and Charges	2,911,005	3,335,701	3,435,772	3,538,846	3,645,011	3,754,361	3,866,992	3,983,002	4,102,492	4,225,567
Interest and Investment Revenue	135,500	208,000	255,000	306,000	355,000	402,000	442,000	495,000	560,000	630,000
Other Revenues	12,637,675	12,986,083	13,291,945	13,699,996	14,120,614	14,554,187	15,001,116	15,461,813	15,936,704	16,426,229
Operating Grants	6,624,740	8,049,163	8,290,638	8,539,357	8,795,538	9,059,404	9,331,186	9,611,122	9,899,455	10,196,439
Capital Grants	761,723	421,723	807,426	831,649	856,599	882,297	908,766	936,028	964,109	993,033
Total Income from Continuing Operations	27,369,248	30,006,939	31,237,373	32,228,326	33,244,831	34,288,761	35,356,015	36,467,521	37,623,235	38,817,142
EXPENSES										
Employee Benefits and On-costs	10,007,757	10,324,921	10,673,696	11,034,351	11,462,796	11,850,122	12,250,653	12,664,845	13,093,172	13,536,124
Borrowing Costs	241,481	287,888	303,252	322,614	340,007	359,315	366,479	385,235	402,045	417,725
Materials and Contracts	6,512,537	6,725,615	6,913,172	7,171,671	7,462,820	7,690,889	7,993,848	8,211,303	8,486,534	8,832,387
Depreciation and Amortisation	10,470,019	10,780,847	11,115,912	11,436,216	11,766,129	12,105,940	12,455,946	12,816,451	13,187,771	13,570,232
Other Expenses	7,927,916	8,517,558	8,707,446	9,003,974	9,465,444	9,701,626	9,999,117	10,308,816	10,664,050	10,933,476
Net Losses from the Disposal of Assets	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	35,159,710	36,636,829	37,713,478	38,968,826	40,497,196	41,707,893	43,066,042	44,386,651	45,833,573	47,289,943
Operating Result from Continuing Operations	- 1,522,166	- 738,612	- 408,089	- 490,443	- 814,807	- 788,446	- 880,420	- 884,635	- 964,809	- 1,009,906
Cash on hand at year end	3,302,786	3,135,188	3,726,188	3,697,612	3,846,665	3,562,645	3,746,327	3,614,206	4,440,482	4,493,787
Sundry and Rate Debtors and Inventories	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Estimate of Current Assets	5,802,786	5,635,188	6,226,188	6,197,612	6,346,665	6,062,645	6,246,327	6,114,206	6,940,482	6,993,787

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Estimate of Restrictions	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Loan	216,048	225,882	238,751	251,965	267,195	283,061	300,124	268,332	288,189	266,796
Payables	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Estimate of Current Liabilities	2,216,048	2,225,882	2,238,751	2,251,965	2,267,195	2,283,061	2,300,124	2,268,332	2,288,189	2,266,796
Depreciation	10,470,019	10,780,847	11,115,912	11,436,216	11,766,129	12,105,940	12,455,946	12,816,451	13,187,771	13,570,232
Capital Expenditure	2,848,723	4,092,673	3,810,055	4,472,327	4,097,515	4,687,768	4,262,114	4,761,110	3,862,969	4,777,330
Difference	7,621,296	- 6,688,174	- 7,305,857	- 6,963,889	- 7,668,614	- 7,418,173	- 8,193,832	- 8,055,341	- 9,324,803	- 8,792,901
Unrestricted Current Ratio:1	1.72	1.63	1.89	1.86	1.92	1.78	1.85	1.81	2.16	2.20
Loans outstanding	3,214,952	2,989,070	2,750,319	2,498,354	2,231,159	1,948,098	1,647,974	1,379,642	1,091,453	824,657

Assumptions

	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Wages increase by	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Expenses other than wages increase by	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Rate increase	3.40%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Variation increase	21.60%								
Plant costs increase by	2%	2%	2%	2%	2%	2%	2%	2%	2%
Road expenditure increases by - flat base level - if SRV application successful	350,000								
Road expenditure increases as cash balances increase									
No service level changes in corporate and community and environmental services									
Increase in water usage charges	30%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Increase in cost of water	67%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Increase in sewerage rates	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Increase in domestic waste charges	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Increase in trade waste charges	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Interest on earnings	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Roads Wages	37%								

Capital

GENERAL FUND	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
ADMINISTRATION										
Computer Equipment	100,000	30,000	30,000	30,000	40,000	40,000	45,000	45,000	50,000	50,000
PLANT										
P1040 - Truck Tipper	55,000									
Back Hoe		112,200	114,444	116,733	119,068					
Tractor							80,000			
4/5 Tonne Trucks		61,200	31,212							
Prime Mover			228,888	233,466	238,135	242,898	247,756	252,711	257,765	
Street Sweeper							157,663			
Heavy Trucks					194,838		135,139			
Bus					86,595					
Skidsteer Loader					32,473					
Loader		200,000								
Light trucks						33,785	67,570			119,986
Heavy trailers						82,806				28,233
Grader			208,080	212,242	216,486	220,816	225,232	229,737		
Water Pumps & Minor Items	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951
Miscellaneous Plant	5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975
Light Vehicles Changeover	131,000	230,520	243,454	181,467	136,386	241,794	141,896	181,492	214,804	188,825
Sedans Changeover	120,000	154,020	126,929	118,855	154,788	133,139	134,698	149,780	155,831	133,850
Mower Small	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Mower Large	26,000	26,520	27,050	27,591	28,143	28,706	29,280	29,866	30,463	31,072
Fuel Tanker	5,000		5,202		5,412		5,631		5,858	
Caravans		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Generators		17,340		18,041		18,770		19,528		20,317
Roller Multi Tyred	170,000									131,460
Road Train Dolly	35,000									
Semi Trailer Side Tipper	100,000		83,232	84,897						
Paveliner		193,800								

GENERAL FUND	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
LIBRARIES										
Library Books Etc	25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669	32,619
HOUSING										
Up grade Various Dwellings	60,000	61,800	63,654	65,564	67,531	69,556	71,643	73,792	76,006	78,286
Nymagee School	5,000									
AERODROME										
Airport Terminal/Apron/Runway										
SWIMMING POOL										
PARKS & GARDENS										
General Parks Upgrade	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143
ECONOMIC DEVELOPMENT										
Main Street Reinstatements										
Grant Expenditure	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Street Decorations - Christmas	5,000		5,000							
LILLIANE BRADY VILLAGE										
Extension of Lounge Room	90,000									
CARAVAN PARK										
Land Purchase		165,000								
RURAL SHIRE ROADS										
Gravelling		216,300	222,789	229,473	236,357	243,448	250,751	258,274	266,022	274,002
Resealing	210,000	216,300	222,789	229,473	236,357	243,448	250,751	258,274	266,022	274,002

GENERAL FUND	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
ROADS TO RECOVERY										
Unallocated	761,723	421,723	807,426	831,649	856,599	882,297	908,766	936,028	964,109	993,033

REGIONAL ROADS										
Roads to Recovery Gravel & Seal										
Gravelling	300,000	100,000	300,000	100,000	300,000	100,000	300,000	100,000	300,000	100,000
Sealing and Resealing	200,000	206,000	212,180	218,545	225,102	231,855	238,810	245,975	253,354	260,955
Renewal Program		824,000		874,182		927,419		983,899		1,043,819
SRV additional expenditure		350,000	360,500	371,315	382,454	393,928	405,746	417,918	430,456	443,370
TOTAL CAPITAL GENERAL FUND	2,548,723	3,783,673	3,491,785	4,144,509	3,759,863	4,339,985	3,903,898	4,392,147	3,482,937	4,385,898

WATER FUND	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
WATER										
Water Mains Replacement	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477
New Mains Purchase										
Filtration Plant - replace piping & Valves	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477
TOTAL CAPITAL WATER FUND	200,000	206,000	212,180	218,545	225,102	231,855	238,810	245,975	253,354	260,955

SEWERAGE SERVICES	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
SEWER										
Sewerage Works Improvements	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477
TOTAL CAPITAL SEWERAGE FUND	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477

WASTE FUND	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
CAPITAL EXPENDITURE										
Commercial Waste Truck				68,000						
Town Waste Truck			200,000							
Landfill Loader				80,000						
TOTAL CAPITAL WASTEFUND			200,000	148,000						
TOTAL CAPITAL ALL FUNDS	2,848,723	4,092,673	3,810,055	4,472,327	4,097,515	4,687,768	4,262,114	4,761,110	3,862,969	4,777,330

Conclusion

The long term financial plans will continue to be monitored and amended as circumstances change. Should the 2013/2014 budget be amended significantly at the time of adoption, then a flow through amendment to this LTFP will be required. Council is reliant on a special rate variation to be able to work towards returning the budget to a surplus. A special rate variation is just one step in the process to get to this point. Council is continuing to find other measures to fund depreciation, return the budget to an operating surplus and start to accumulate cash.

The LTFP has integrated the information from the Asset Management Plans, however the gap between asset consumption (depreciation) and the amount of funding council has available to invest in assets is too large. As a result, these scenarios have been discounted. This is only likely to change should there be a new source of funding made available to Council, such as through taxation reform or a well funded Royalties to the Regions program.

Version Control

No.	Date Adopted	Minute No.	Date Commenced	Date notified in Local Paper
1	3 May 2012	79.4.2012	04/05/2012	No
2	28 February 2013	16.2.2013	01/03/2013	N/A