



SOUTHERN MALLEE DISTRICT COUNCIL

2017/18 – 2026/27

LONG TERM FINANCIAL PLAN

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1. Long Term Financial Planning Defined

1.1 Purpose

The purpose of a long-term financial plan (LTFP) is to guide the future direction of Council in a sustainable manner. It describes the way that Council is responding to changes in the community and how we can help the community respond to these changes. Council plays an important role in community life and must be prepared to work with its community to develop the local environment.

The Long Term Financial Plan is linked with Council's strategic objectives, goals and desired outcomes and is expressed in financial terms. It is a guideline for future action and encourages council to think about the future impact that decisions made today have on council's long-term sustainability.

The Council role is embedded in development of the community and includes:

- Providing stable and responsible government and long term financial stability.
- Providing the facilities, activities and services that bring people together and strengthens the societal links.
- Acting as an advocate for the community to other levels of government to facilitate the provision of essential services to meet their needs.
- Working with the community to ensure that sustainable growth is experienced across the region.

To achieve these roles and the strategic objectives set out in the council strategic plan the Council must take a long term view to enable the necessary work to be undertaken to achieve the steps needed to develop a stronger and more resilient community.

This plan will provide a financial projection of how Council will play its role in the development of this community. It demonstrates the capacity of Council to achieve the aspirations of its community.

The preparation of this plan forms the basis for identifying and quantifying service level standards and the future investment requirements to adequately maintain council's infrastructure and asset portfolio.

1.2 Principles

The Local Government Act 1999 requires councils to prepare strategic management plans including an annual business plan and long term financial plan.

Under section 122(1a) each council must prepare a long term financial plan for a period of at least 10 years.

Regulation 5 of the Local Government (Financial Management) Regulations 2011 states:

A long-term financial plan developed and adopted for the purposes of section 122 (1a)(a) of the Act must include

- (b) a summary of proposed operating and capital investment activities presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances;*
- (c) estimates and target ranges adopted by the council for each year of the long-term financial plan with respect to an operating surplus ratio, a net financial liabilities ratio and an asset sustainability ratio presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.*

The long-term financial plan must also be accompanied by a statement which sets out
—

- a) the purpose of the long-term financial plan; and*
- b) the basis on which it has been prepared; and*
- c) the key conclusions which may be drawn from the estimates, proposals and other information in the plan*

This statement must be expressed in plain English and must avoid unnecessary technicality and excessive detail.

The first projected year of the LTFP is consistent with the Annual Budget adopted for the current 2017/18 financial year.

It assumes that council intends to maintain the existing asset stock in a sustainable manner. It also assumes that council wants to maintain the current service levels.

2. Financial Planning Considerations

2.1 Councils Vision/Mission

Vision

- *A Place where people aspire to recreate, do business and live well.*

Mission

- *With passion and pride we provide civic and fiscal opportunities and infrastructure that builds and supports an energetic, inclusive community.*

2.2 Strategic Management Plans

Council has a 5-year Strategic Plan for 2017-21. As well as identifying key issues and priorities, our Strategic Plan addresses a number of key challenges for Local government. Now more than ever councils will be measured by their ability to address issues of aging infrastructure, declining resources and greater demands for service delivery, both from the community and from other levels of government.

The Strategic Plan focuses on sustainability to ensure that the needs of both current and future needs are met by achieving strong communities and productive economies through their integrated and long-term management.

The core values which guide all decisions of Council and which are reflected in the Strategic Plan include: people, excellence, heritage, partnerships and sense of place.

2.3 Service Delivery

In the preparation of the LTFP it has been assumed that the current levels of service provided by Council will be maintained throughout the life of the plan.

2.4 Roles and Responsibilities

The Local Government Act 1999 specifies the services that councils are to provide. Sometimes councils provide additional services on behalf of State or Federal governments. Grants, subsidies or reimbursements are provided to fund these services. When funding is insufficient or ceases Council has to determine whether it will fund the shortfall or continue to provide the service.

2.5 Infrastructure and Asset Management Strategy

Under section 122(1a) of the Local Government Act 1999 councils must prepare an infrastructure and asset management plan (IAMP) for a period of at least ten years. Due to the long lived nature of many Council assets the IAMP covers a much longer time frame.

2.5 Infrastructure and Asset Management Strategy Cont.

In the plan Council is required to distinguish between the replacement and renewal of existing assets and the acquisition or construction of new assets.

The income raised to offset the depreciation expense is generally used to fund asset replacement and renewal, new assets require additional funding either from additional grants, subsidies or contributions, loans or additional rates revenue.

The South Australian Model Financial Statements contain the following definitions;

- *A new asset is additional to Council's previous asset complement.*
- *An upgraded asset replaces a previously existing asset with enhanced capability or functionality, where an option existed for replacement without the enhanced capability or functionality.*

Council's strategy is to maintain infrastructure at the current service standard. Due to the nature of infrastructure assets if they are not adequately maintained at a minimum service standard their renewal cost will increase significantly. For example the most expensive part of a road is the sub-base. If the seal on top is regularly renewed the sub-base will have a long life. If it is not then the road will eventually need to be reconstructed. Regular resealing significantly reduces the "whole of life cost" of maintaining roads.

2.6 Revenue and Financing Strategy

Council needs to continue to identify services and facilities that are provided to specific groups rather than the general community. Rate funding of these services needs to be considered where user charges or where applicable grant funding could be increased.

2.7 Rating Strategy

The current approach to raising rates is to adopt a rating policy that limits the annual increase in rates revenue with an allowance for new property development.

Council rating policy also considers who bears the rates burden. Whilst property valuations are the main factor, minimum rates, service charges and selective capping can shift some of the burden between ratepayer classes based on the perceived ability to pay.

2.8 Treasury Strategy

In the past council's borrowed for specific projects. They are now encouraged to globally fund their budget over a longer timeframe.

3. Financial Sustainability

The definition of Financial Sustainability for Local Government emanated from the independent SA Local Government Financial Sustainability Inquiry in 2005.

It is defined as follows:

“A Council’s long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.”

The definition was endorsed nationally at the National General Assembly of Local Government in Canberra in November 2006.

Why is it important?

The importance of financial sustainability is to ensure that each generation ‘pays their way’, rather than any generation ‘living off their assets and leaving it to the future generations to address the issue of repairing worn out infrastructure.

The Council is the custodian of infrastructure and assets with a value in excess of \$102 million. Council has the responsibility to ensure that assets are managed efficiently and effectively and that decisions regarding the acquisition of new assets and the sale and maintenance of existing assets are undertaken in an open and transparent fashion.

Sound asset management is the key to financial sustainability. There is clearly a direct link between the development and implementation of Council’s Infrastructure and Asset Management Plan and its Long Term Financial Plan. Council expends considerable funds on the acquisition and management of assets. It will be exposed to financial risk over the longer term if budget processes have little regard for ongoing costs associated with the maintenance and renewal of these assets beyond the current budget period. It is incumbent on Council to carefully consider information about the stock of infrastructure and other assets and the contribution that current ratepayers are making to their consumption.

Council is facing new challenges in managing infrastructure and other assets as a result of issues such as increasing community expectations; population growth; replacement of ageing infrastructure; new legislative requirements (e.g. EPA standards) and the growing demands of an ageing population.

The term “asset management” is used to describe the process by which the Council manages physical assets to meet current and future levels of service. The Council determines the policy framework within which existing assets are managed and new assets acquired and the overall program for maintenance and disposal of assets. This policy framework typically has regard to the link between the purchase, upgrade and disposal of assets, the delivery of services to communities and consultation processes required to ensure the community is well informed and able to influence the decisions of the Council.

3. Financial Sustainability (continued)

How is it measured?

To ensure that each generation 'pays its way', it is crucial that current ratepayers effectively fund the current net cost of services provided and community assets consumed. Without this being achieved (i.e. an operating deficit), future generations are effectively subsidising the current cost of service provision and asset consumption.

Based on this, the financial sustainability of a Council is measured by the surplus/(deficit) (before capital revenues) disclosed in the Statement of Comprehensive Income. A Council's long-term financial sustainability is dependent upon ensuring that on average, over time its expenses are less than its associated revenues.

In addition to the Operating Surplus/(Deficit), the following indicators have been developed specifically to focus attention on factors identified as key to securing long-term financial security:

- Net financial liabilities
- Operating surplus ratio
- Net financial liabilities ratio
- Asset sustainability ratio

For each indicator, appropriate targets have been nominated to enable meaningful performance measurement. These indicators are consistent with industry standards and are discussed in more detail later in the document.

How is Council addressing the issue?

This Plan sees Council making slight operating surpluses whilst keeping rates at a minimum. This plan utilises Council Asset Management Plans for Capital replacement and renewal making significant inroads into its Asset Sustainability. Council is making a conscious effort to concentrate on the sustainability indicators to ensure that Council is heading in the correct direction.

Significant progress is being made towards comprehensive Infrastructure and Asset Management plans to act as stewardship documents in the effective upkeep and renewal of the \$102 Million community infrastructure assets maintained by Council. As can be seen in the Long Term Financial Plan however, Council will need to generate a significant amount of revenue to ensure that the assets are not completely run down.

3. Financial Sustainability (continued)

Long Term Financial Plan Presentation

In accordance with the Local Government (Financial Management) Regulations 1999, Part 2, Section 5 and pursuant to section 122(2)(b) of the Local Government Act 1999, a Long Term Financial Plan must include –

- (a) *an estimated income statement, balance sheet, statement of changes in equity and statement of cashflows with respect to the period of the long-term financial plan presented in a manner consistent with the Model Financial Statements;*
- (b) *a summary of proposed operating and capital investment activities presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances;*
- (c) *estimates with respect to an operating surplus ratio, an asset sustainability ratio and net financial liabilities ratio presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.*

Council's Long Term Financial Plan has been expressed and presented in accordance with the above mentioned legislation and can be found in Part 5.

4. Performance Indicators

The legislation requires that council's strategic management plans, which include the Long Term Financial Plan, state the measures (financial and non-financial) that are to be used to monitor and assess the performance of the council against its objectives.

4.1 Basic Assumptions

The basic assumptions in relation to the major drivers of council expenditure including inflation (Consumer Price Index), rates growth and projected rates income as well as a number of expenditure influencers and capital expenditure projections are detailed below.

The underlying assumption is that the levels of service being provided are relatively unchanged. As indicated above some of these levels are externally determined. Others depend on Council policy. For instance if Council wishes to increase the level of expenditure on renewal of assets or to construct new assets then that is an increase in service level. This increase must be accompanied by an increase in funding either from an increase in income or borrowings.

- The Consumer Price Index (CPI) is regarded as Australia's key measure of inflation. It is designed to provide a general measure of price inflation for the Australian household sector as a whole. The CPI measures changes over time in a wide range of consumer goods and services acquired by Australian metropolitan households and is measured quarterly this is assumed to be 2% for the life of the plan
- Existing service levels will be maintained;
- General rates will increase by 2.0% over the life of the plan;

4. Performance Indicators (Continued)

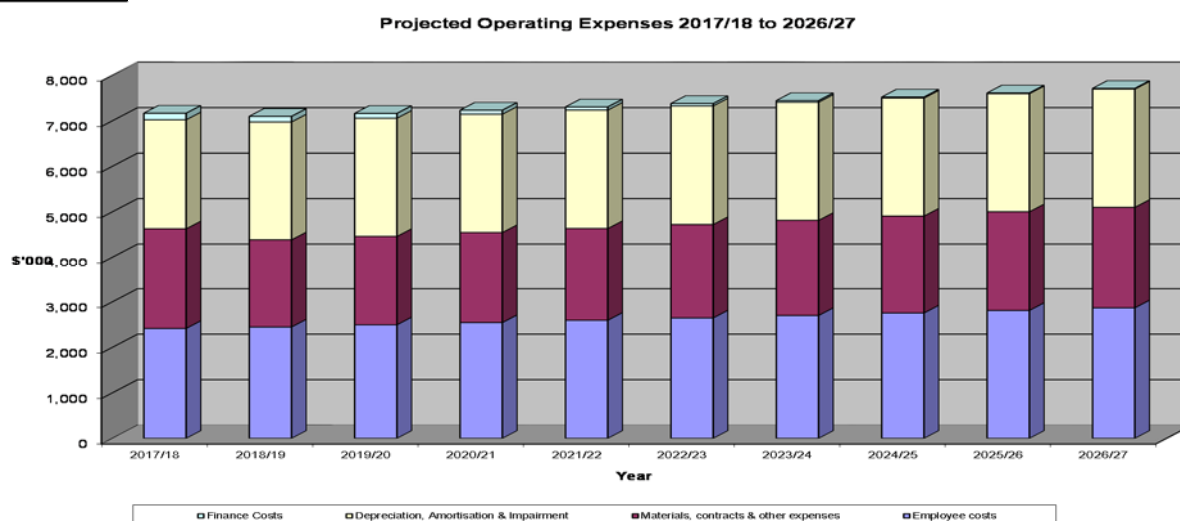
- Service charges for CWMS and waste collection will increase in accordance with CPI each year;
- Operating grants will increase by CPI. A Decrease to the Roads To Recovery Funding factored in the 2018/19 financial year as well as the Supplementary Roads funding ceasing in 2019/20;
- Statutory charges will remain unchanged;
- User charges will increase by CPI;
- Other revenues will increase by CPI;
- Employment costs will increase by CPI over the life of the plan;
- Operating costs(other than financing costs) will increase by CPI;
- Financing costs will reduce over the life of the plan reflecting repayment of all outstanding loans and no further borrowings are forecasted;
- Asset renewal has been indexed by 2% per annum compared to what is included in the Asset Management Plans;
- New Footpaths and upgraded roads are the only new capital projects included for the life of the in the plan.

4.2 Council Operations Expenditure/Revenue Analysis

Operating Expenses – this is what it costs to operate the Council services including financing costs and depreciation. Financing costs represent the interest on loans taken out to fund capital expenditure. Assets purchased to aid with the provision of a service only have a limited life before they need to be replaced. Depreciation expense represents the cost of using the asset over its life.

Support Services Allocation – external financial reports produced by Council must include an appropriate allocation of administrative overhead for each service.

EXPENSES



Employee Costs

Employee costs include all costs necessarily incurred as a result of their employment. It therefore includes such items as Salaries and Wages as remuneration for labour, employee leave expense, superannuation contributions and workers compensation insurance.

Employee costs have been forecasted to increase by CPI.

We expect staffing numbers to remain the same throughout the plan.

Materials, Contracts & Other Expenses

Materials, Contract & Other Expenses, effectively include all expenses that are NOT employee costs, finance costs, or depreciation, amortisation & impairment.

This plan factors that these costs will increase by CPI.

Finance Costs

Finance Costs are the costs of financing Council's activities through borrowings or other types of financial accommodation (e.g. finance leases). This does not include bank charges which is included under materials, contract and other expenses.

Finance Charges for the purpose of this plan have been derived by the interest payable over the next ten years on our already existing loan portfolio.

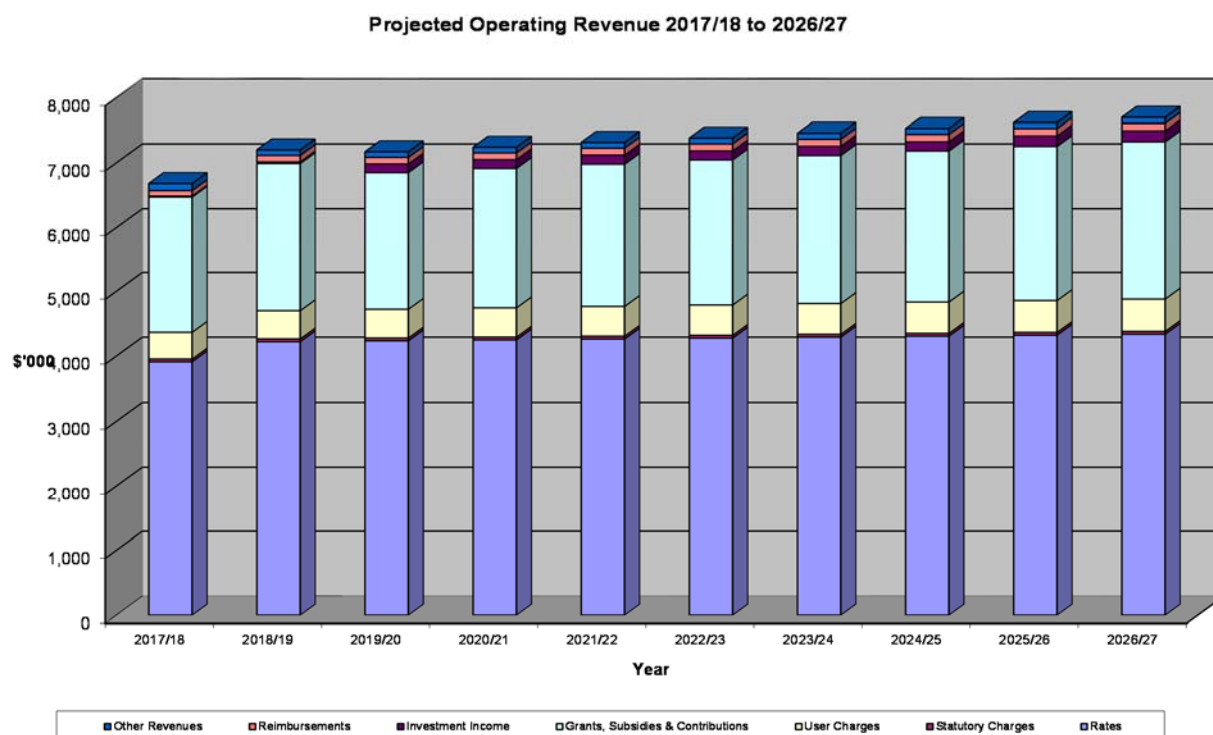
Depreciation, Amortisation & Impairment

Depreciation relates to infrastructure, property, plant and equipment to which the Council has title, amortisation to leasehold assets and impairment charges are all recognised pursuant to AASB 136.

The annual depreciation of an asset reflects the financial value of the rate at which the asset wears out each year and hence the amount of money which will need to be spent at a point in time in the future to either rebuild or replace the asset.

Operating Income – this represents any revenue generated by the provision of the service including any service rates and charges raised.

REVENUE



Rates

Rates include revenue from General Rates, Service Rates [Garbage/CWMS charges], levies collected on behalf of State Government agencies (Natural Resource Management Levy) and late rate payment penalty fines.

General rate revenue currently comprises approximately 59% of total operating revenue, and this is projected to decrease to approximately 56% by 2026/27

Rate revenue is an integral part of the Council's finance resource base, the value of which is determined through Council's desire, on behalf of the community, to achieve the strategies articulated in the Council's Strategic Plan.

Statutory Charges

Statutory Charges are fees from regulatory services. They are associated with the granting of permit/licence, the regulation of an activity or penalties for non-compliance with a regulatory requirement.

Statutory Charges include:

- Development Act fees; Town planning fees; Rate searches; Animal registration fees and fines; Parking fines and expiation fees; Septic Tank fees; other licences/fees/fines.

Development application fees are determined on an annual basis by State legislation.

User Charges

User Charges are revenues from the sale of goods and services or rent of property/facilities. They are voluntary charges for which the payer receives a direct benefit.

They include:

- Cemetery/crematoria fees; Parilla Accommodation, Swimming Pools, Sundry sales; Hall / Building Hire; Equipment Hire.

Grants, Subsidies and Contributions

Includes grants and subsidies from all sources but excludes grants and subsidies specifically provided for new/upgraded assets.

The main grants received are the General untied Financial Assistance Grants [general and roads] as well as the Roads to Recovery Grants and Childcare Grants

Investment Income

Investment income is revenue from financial investments or loans to community groups.

It includes:

- Interest received from the Local Government Finance Authority [LGFA] or banks and interest received on loans to community groups.
- A marked increase in investment income is projected over the life of the plan due to Council increasing its cash reserves.

Reimbursements

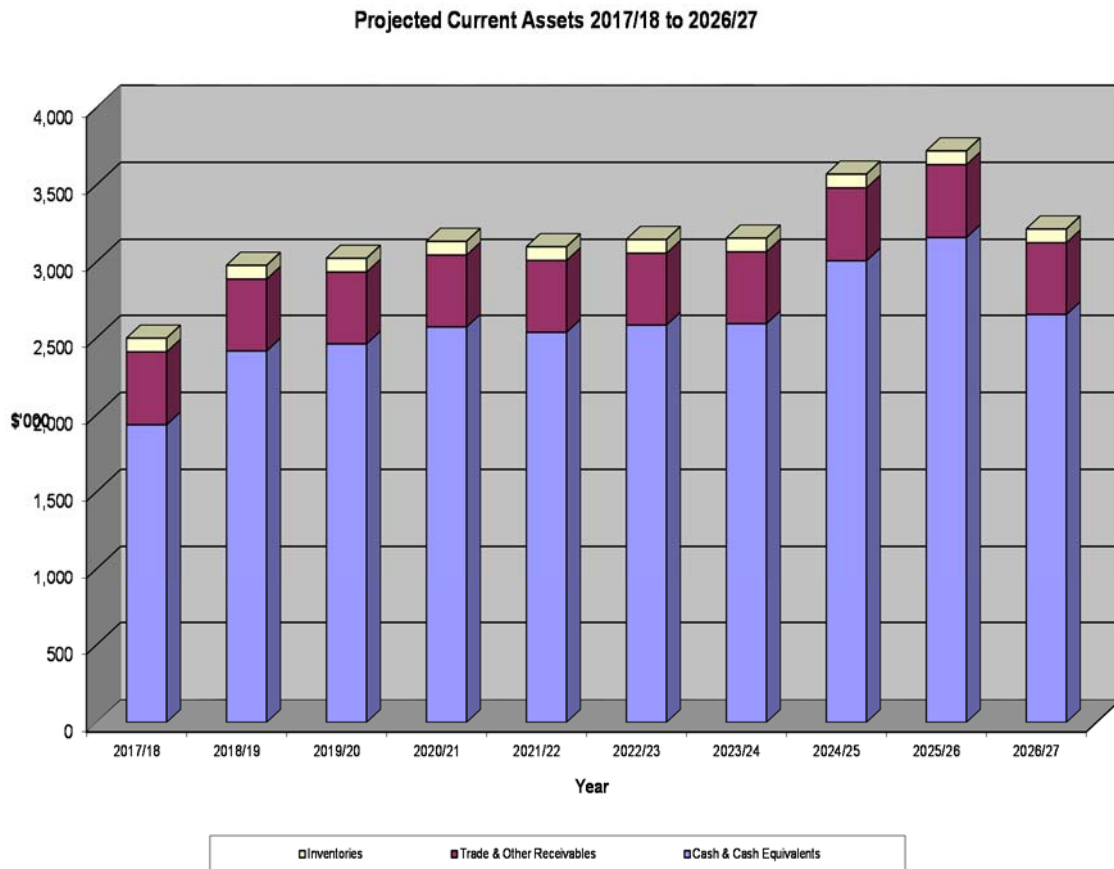
Reimbursements are amounts received as payment for work done by the council acting as an agent for other government bodies and property owners, organisations and individuals.

Other Income

Other revenue is revenue not classified elsewhere.

Examples of revenues within this classification include insurance recoupments, rebates and commissions

CURRENT ASSETS

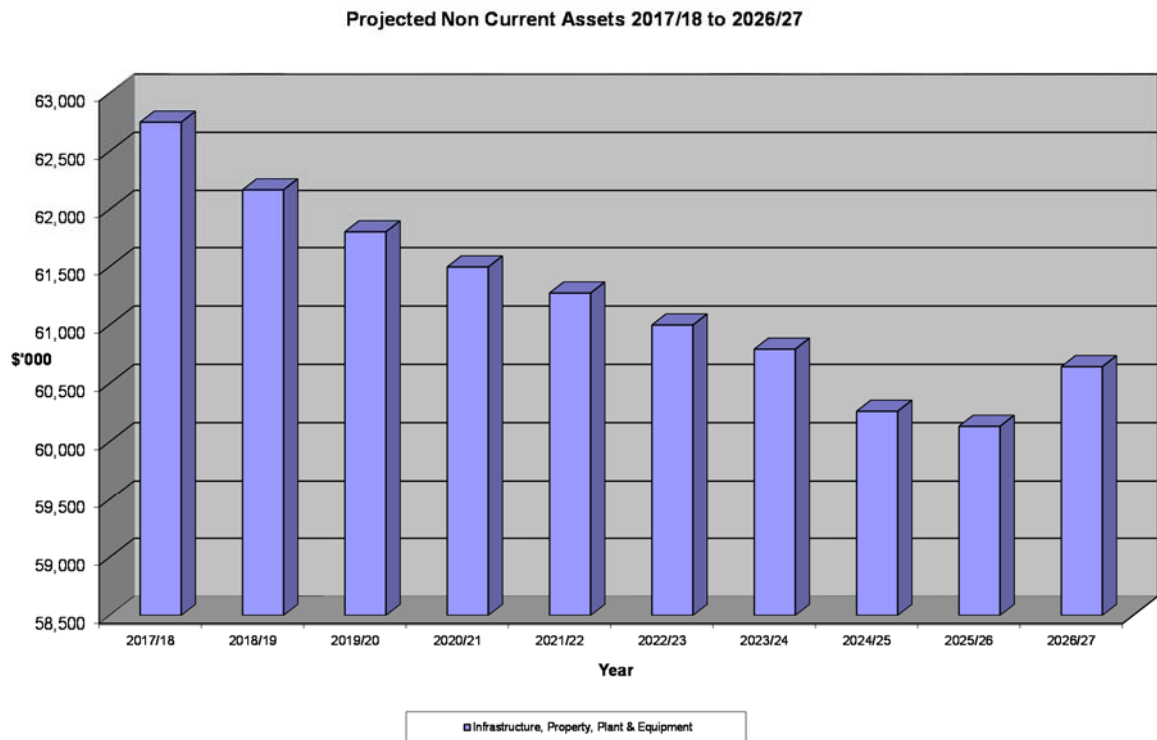


No new loan borrowings have been factored in for the life of this plan. All Council Loans have been repaid during the life of the plan so any surplus monies will be used for future asset replacement.

The Cash position remains pretty stable throughout the plan as the Asset Management Plans have spread the capital spend on major projects such as the CWMS over a number of years.

Outstanding rate and other debtor balances are not expected to change significantly and are at acceptable levels.

NON CURRENT ASSETS



Non-current assets include 'fixed' assets such as Land and Buildings, Infrastructure (e.g. Roads, Footpaths, Stormwater Drainage and CWMS systems), Plant and Equipment and Furniture and Fittings.

Capital Expenditure on Renewal Replacement of Existing Assets - Council expenditure on assets has two parts.

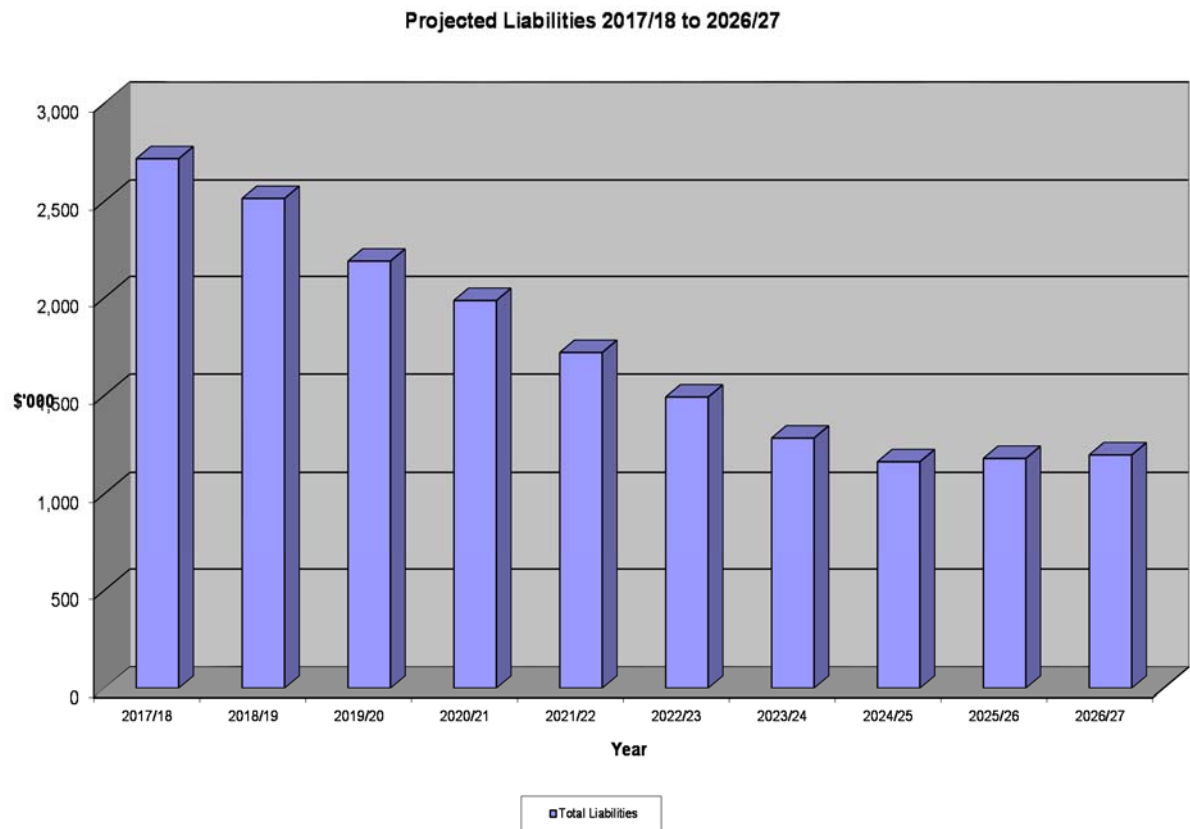
The first is maintenance. This is included in operating expenditure.

The second is capital. That is expenditure on the renewal of Council assets. This is not shown under operating expenditure. It is included in the Balance Sheet of the Council as an asset. Generally the asset is subsequently depreciated. As indicated above this depreciation expense is included in the operating expenses.

With the focus of achieving financial sustainability, Council is constrained by the level of capital works [additions to value of non-current assets] that can be undertaken.

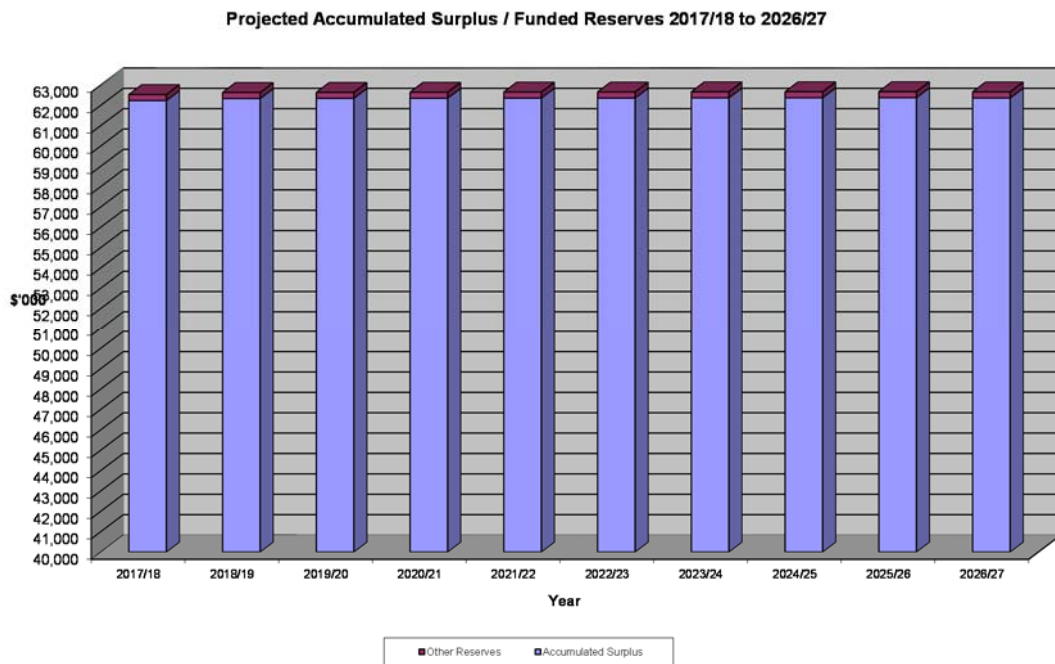
The replacement of Assets is in accordance with Councils Asset Management Plans and indexed by CPI for the purposes of the Long Term Financial Plan.

LIABILITIES



No New borrowings are forecast for the life of this plan with all Council Borrowings having been repaid during the life of the plan.

ACCUMULATED SURPLUS / FUNDED RESERVES



The movement in the Accumulated Surplus / Funded Reserves is determined by the net operating surplus / (deficit) illustrated on the budgeted Statement of Comprehensive Income – an operating surplus will increase the overall balance whilst a deficit will reduce it.

4.3 Key Financial Indicators

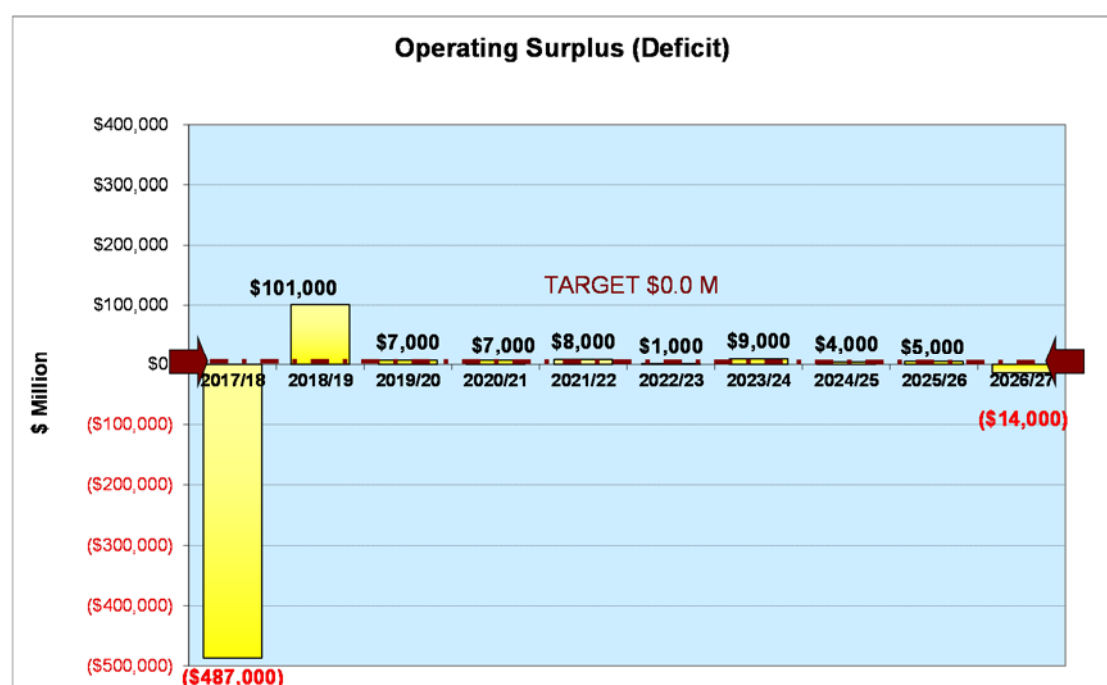
Indicator 1 – Operating Surplus (Deficit)

An operating surplus indicates the extent to which operating revenues are sufficient to meet all operating expenses including depreciation and consequently the extent to which the burden of expenses is being met by current ratepayers.

An operating deficit occurs when total operating expenses exceed total operating revenues and consequently the burden of a portion of expenses will need to be met by future ratepayers.

Calculated as: Operating surplus/ (deficit) before capital amounts (as shown on the Income Statement)

Council's target is to be at break even or a small surplus at the end of the ten years.



Council's Long Term Financial Plan indicates through the graph above that it will operate on average over the term with a slight operating deficit. The average operating deficit is forecast to be \$36,000 over the plan period.

This means that Council will have less available cash to spend on the construction of new assets after repayment of loans and renewal of existing assets whilst maintaining its current level of services.

Indicator 2 - Operating Surplus (Deficit) Ratio

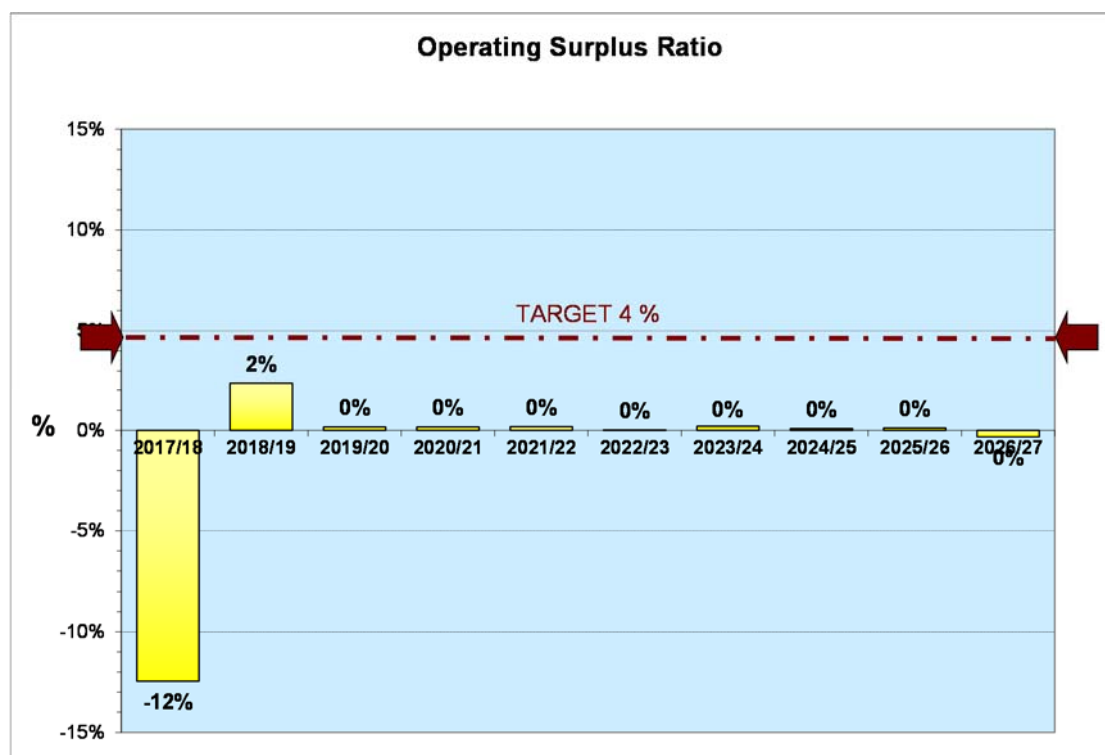
This ratio expresses the operating surplus (deficit) as a percentage of general and other rates, net of rebates.

A negative ratio indicates the percentage increase in total rates required to achieve a breakeven operating result.

A positive ratio indicates the percentage of total rates available to fund capital expenditure over and above the level of depreciation expense, without increasing Council's level of net financial liabilities. If this amount is not required for capital expenditure it simply reduces the level of net financial liabilities.

Calculated as; Operating surplus (as above) Divided by Rates revenues Less NRM levy raised

Council's target is a small % per annum.



Council's Long Term Financial Plan indicates through the graph above that it will operate on average over the term with a slight operating surplus.

Local Government sector proposed targets suggest that a Council should achieve an operating surplus ratio of between 0% and 15% over any five year period. The average operating surplus ratio is forecast to be (0.94%) per annum over the Plan period.

This indicates that Council is operating within the proposed Targets issued.

Indicator 3 - Net Financial Liabilities

Net Financial Liabilities measure a Council's total indebtedness.

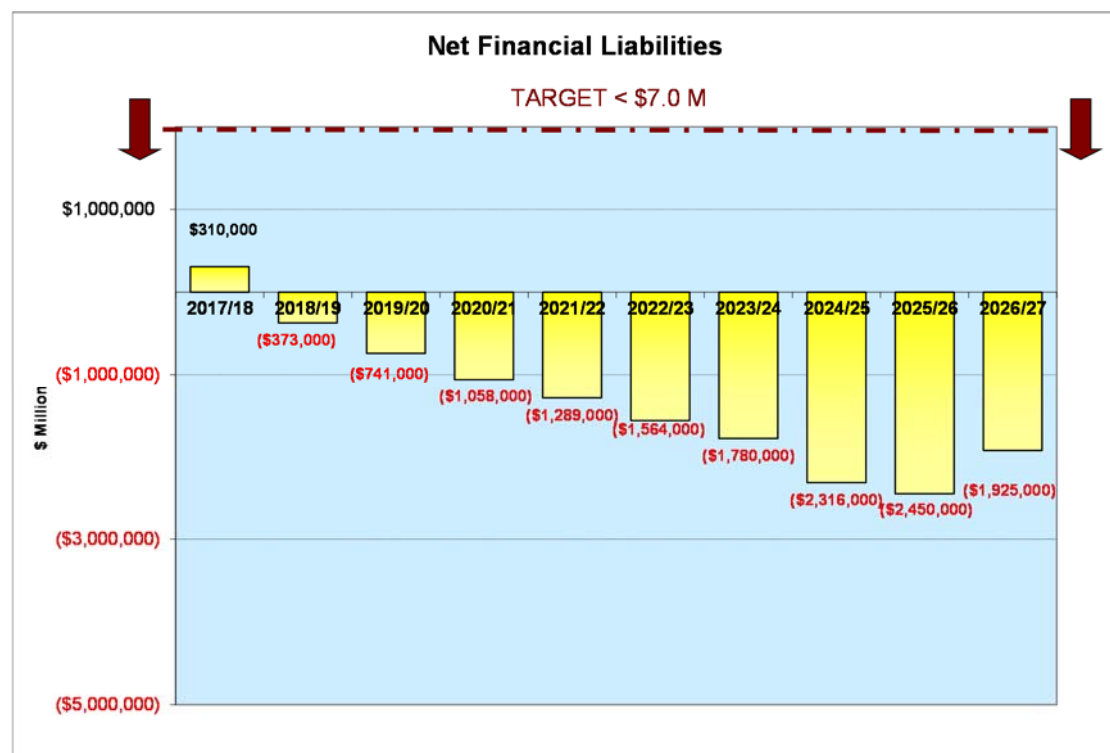
Net financial liabilities is a broader measure than net debt as it includes all of a Council's obligations including provisions for employee entitlements and creditors.

The level of net financial liabilities increases when a net borrowing result occurs in a financial year and will result in a Council incurring liabilities and/or reducing financial assets.

The level of net financial liabilities decreases when a net lending result occurs in a financial year and will result in a Council purchasing financial assets and/or repaying liabilities.

Calculated as: Total Liabilities (from Balance Sheet) Less Current cash and cash equivalents Current trade & other receivables Current other financial assets Noncurrent financial assets

Council's limit is 100% of total annual revenue.



Local Government sector proposed targets for this indicator suggest that a Council's Net Financial Liabilities should not exceed total operating revenue. For the purpose of preparing the Plan a cap of \$7.0 million was nominally used and Council will remain within this cap over the forecast period.

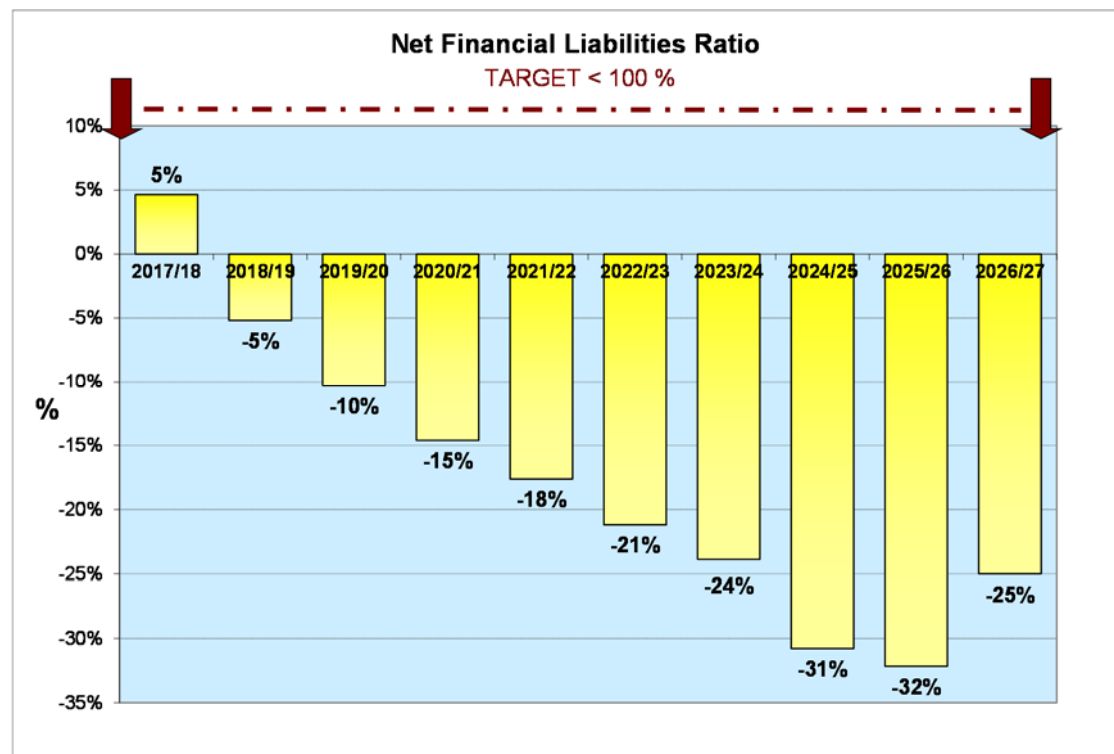
Council's Net Financial Liabilities drops dramatically over the years as no new loans are factored in and Council pays off all existing fixed term loans. 2026/27 has a slight increase in Net Financial Liabilities ratio as a result of additional capital spend consuming some cash.

Indicator 4 - Net Financial Liabilities Ratio

This ratio indicates the extent to which net financial liabilities of the Council can be met by the Council's total operating revenue. Where the ratio is falling it indicates the Council's capacity to meet its financial obligations from operating revenues is strengthening. Where the ratio is increasing it indicates a greater amount of Council's operating revenues is required to service its financial obligations.

Calculated as; Net financial liabilities (as above) Divided by Total operating revenues Less NRM levy raised

Council's limit is 100%.



Local Government sector proposed targets for this indicator suggest that a Council's Net Financial liabilities should not exceed total operating revenue or 100%.

For the purpose of preparing the Plan a target of 100% has been adopted, Council will remain within this target for the life of the plan.

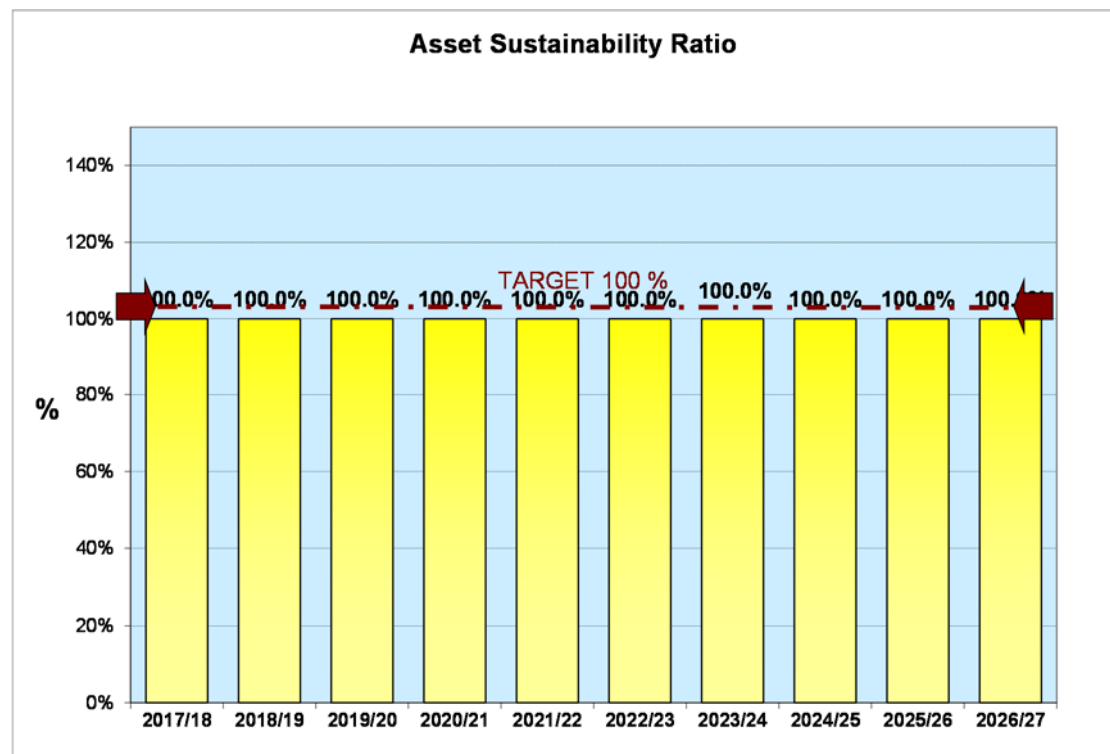
Council's Net Financial Liabilities drops dramatically over the years as no new loans are factored in for the life of the plan.

Indicator 5 - Asset Sustainability Ratio

This ratio indicates whether the Council is renewing or replacing existing physical assets at the rate at which they are wearing out. On occasions, the Council will accelerate or reduce asset expenditures over time to compensate for prior events, or invest in assets by spending more now so that it costs less in the future to maintain.

Calculated as : Expenditure on renewal/replacement of assets (Cash Flow Statement) Less Sale of replaced assets (Cash Flow Statement) Divided by Proposed Expenditure per Asset Management Plan.

Council's target is 100%. That is Council spending an amount as determined by the Asset Management Plan



Local Government sector proposed targets for this indicator suggest that Council's should target a range of between 90% to 100% over any three year period, however this does not allow for the "lumpy" nature of required expenditure on asset renewal, e.g. a drainage pipe requires almost no maintenance expenditure or capital expenditure for many years, however when the pipe fails there can be an immediate and significant expenditure requirement to upgrade or replace the pipe.

Significant Long Term Financial Plan Risks

Whilst the Plan has included all ongoing commitments it primarily forecasts results based on existing activities. There is an inherent risk that circumstances may change in the future which may materially affect the projected financial estimates.

Typically for the Local Government Sector, changes in community expectations and legislative changes can affect costs associated with services, service levels and governance activities. If there is legislative change e.g. legislation on environmental matters, carbon trading or global warming initiatives, this could significantly impact on the LTFP. These potential costs have not been factored into the LTFP, but may need to be considered in future LTFP considerations and or reviews.

The financial modelling undertaken in developing the roads and drainage Infrastructure and Asset Management Plans in particular, has been based upon existing asset attributes such as condition rating and construction date data held by the organisation. There is a risk that the data may contain some deficiencies or infrastructure may deteriorate at a faster rate than anticipated due to such factors as changes in traffic patterns, new development, etc. The drainage Infrastructure and Asset Management Plan outlines strategies for future data improvement in order to minimise this type of risk for future financial forecasts.

5. Estimated Comprehensive Income Statement

SOUTHERN MALLEE DISTRICT COUNCIL

Long Term Financial Plan Model

ESTIMATED COMPREHENSIVE INCOME STATEMENT

Year Ended 30 June:	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Estimate	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)
INCOME												
Rates	3,709	3,805	3,910	4,220	4,234	4,248	4,262	4,276	4,291	4,306	4,321	4,336
Statutory Charges	30	54	43	44	44	44	44	44	44	44	44	44
User Charges	464	482	413	436	444	452	460	468	476	484	492	500
Grants, subsidies, contributions	2,073	3,762	2,105	2,289	2,126	2,169	2,212	2,256	2,301	2,347	2,394	2,442
Investment Income	26	29	15	25	134	136	141	139	141	142	160	167
Reimbursements	138	142	85	100	102	104	106	108	110	112	114	116
Other Revenue	229	180	109	85	86	87	88	89	90	91	92	93
Total Revenues	6,669	8,454	6,680	7,199	7,170	7,240	7,313	7,380	7,453	7,526	7,617	7,698
EXPENSES												
Employee costs	2,592	2,458	2,416	2,448	2,496	2,545	2,596	2,647	2,701	2,756	2,812	2,869
Materials, contracts & other expenses	1,786	1,775	2,211	1,937	1,964	2,000	2,037	2,074	2,112	2,151	2,190	2,230
Depreciation	2,377	2,411	2,396	2,590	2,598	2,601	2,603	2,606	2,596	2,593	2,595	2,598
Finance Costs	179	156	144	123	105	87	69	52	35	22	15	15
Total Expenses	6,934	6,800	7,167	7,098	7,163	7,233	7,305	7,379	7,444	7,522	7,612	7,712
OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	(265)	1,654	(487)	101	7	7	8	1	9	4	5	(14)
Net gain/(loss) on disposal or revaluations	(56)	13	0	0	0	0	0	0	0	0	0	0
Amounts specifically for new assets	409	866	734	0	0	0	0	0	0	0	0	0
NET SURPLUS/(DEFICIT)	88	2,533	247	101	7	7	8	1	9	4	5	(14)
Other Comprehensive Income												
Changes in revaluation surplus - IPP&E	7,164	6,896	0	0	0	0	0	0	0	0	0	0
Total Other Comprehensive Income	7,164	6,896	0	0	0	0	0	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME	7,252	9,429	247	101	7	7	8	1	9	4	5	(14)

6. Estimated Balance Sheet

SOUTHERN MALLEE DISTRICT COUNCIL

Long Term Financial Plan Model

ESTIMATED BALANCE SHEET

Year Ended 30 June:	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Estimate	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)
ASSETS												
Current Assets												
Cash & Equivalent Assets	854	2,265	1,935	2,414	2,460	2,570	2,535	2,582	2,591	3,006	3,157	2,651
Trade & Other Receivables	488	473	473	473	473	473	473	473	473	473	473	472
Inventories	69	89	89	89	89	89	89	89	89	89	89	89
Total Current Assets	1,411	2,827	2,497	2,976	3,022	3,132	3,097	3,144	3,153	3,568	3,719	3,212
Non-Current Assets												
Receivables	65	59	53	47	41	35	29	23	17	11	5	0
Infrastructure, Property, Plant & Equipment	54,757	62,455	62,697	62,121	61,766	61,462	61,245	60,977	60,776	60,250	60,127	60,643
Total Non-Current Assets	54,822	62,514	62,750	62,168	61,807	61,497	61,274	61,000	60,793	60,261	60,132	60,643
Total Assets	56,233	65,341	65,247	65,144	64,829	64,629	64,371	64,144	63,946	63,829	63,851	63,855
LIABILITIES												
Current Liabilities												
Trade & Other Payables	355	491	421	506	433	473	457	469	467	472	474	477
Borrowings	338	298	280	271	255	266	252	220	140	0	0	0
Provisions	677	571	597	587	608	615	630	641	655	668	682	696
Total Current Liabilities	1,370	1,360	1,298	1,364	1,296	1,354	1,339	1,330	1,262	1,140	1,156	1,173
Non-Current Liabilities												
Borrowings	1,982	1,684	1,404	1,133	878	612	360	140	0	0	0	0
Provisions	28	15	16	17	18	19	20	21	22	23	24	25
Total Non-Current Liabilities	2,010	1,699	1,420	1,150	896	631	380	161	22	23	24	25
Total Liabilities	3,380	3,059	2,718	2,514	2,192	1,985	1,719	1,491	1,284	1,163	1,180	1,198
NET ASSETS	52,853	62,282	62,529	62,630	62,637	62,644	62,652	62,653	62,662	62,666	62,671	62,657
EQUITY												
Accumulated Surplus	9,315	11,848	12,095	12,196	12,203	12,210	12,218	12,219	12,228	12,232	12,237	12,223
Asset Revaluation Reserve	43,241	50,137	50,137	50,137	50,137	50,137	50,137	50,137	50,137	50,137	50,137	50,137
Other Reserves	297	297	297	297	297	297	297	297	297	297	297	297
TOTAL EQUITY	52,853	62,282	62,529	62,630	62,637	62,644	62,652	62,653	62,662	62,666	62,671	62,657

7. Estimated Statement of Changes in Equity

SOUTHERN MALLEE DISTRICT COUNCIL

Long Term Financial Plan Model

ESTIMATED STATEMENT OF CHANGES IN EQUITY

Year Ended 30 June:	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Estimate	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)
ACCUMULATED SURPLUS												
Balance at end of previous reporting period	9,209	9,315	11,848	12,095	12,196	12,203	12,210	12,218	12,219	12,228	12,232	12,237
Net Result for Year	88	2,533	247	101	7	7	8	1	9	4	5	(14)
Other Comprehensive Income	0	0	0	0	0	0	0	0	0	0	0	0
Transfers to Other Reserves	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Other Reserves	18	0	0	0	0	0	0	0	0	0	0	0
Balance at end of period	9,315	11,848	12,095	12,196	12,203	12,210	12,218	12,219	12,228	12,232	12,237	12,223
ASSET REVALUATION RESERVE												
Land	1,308	2,643	2,643	2,643	2,643	2,643	2,643	2,643	2,643	2,643	2,643	2,643
Buildings & Other Structures	3,362	8,152	8,152	8,152	8,152	8,152	8,152	8,152	8,152	8,152	8,152	8,152
Infrastructure, Property, Plant & Equipment	38,571	39,342	39,342	39,342	39,342	39,342	39,342	39,342	39,342	39,342	39,342	39,342
Balance at end of period	43,241	50,137	50,137	50,137	50,137	50,137	50,137	50,137	50,137	50,137	50,137	50,137
OTHER RESERVES												
Balance at end of previous reporting period	315	297	297	297	297	297	297	297	297	297	297	297
Transfers from Accumulated Surplus	0	0	0	0	0	0	0	0	0	0	0	0
Transfers to Accumulated Surplus	(18)	0	0	0	0	0	0	0	0	0	0	0
Balance at end of period	297	297	297	297	297	297	297	297	297	297	297	297
TOTAL EQUITY AT END OF REPORTING PERIOD	52,853	62,282	62,529	62,630	62,637	62,644	62,652	62,653	62,662	62,666	62,671	62,657

8. Estimated Cash Flow Statement

SOUTHERN MALLEE DISTRICT COUNCIL

Long Term Financial Plan Model

ESTIMATED CASH FLOW STATEMENT

Year Ended 30 June:	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Estimate	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)
CASH FLOWS FROM OPERATING ACTIVITIES												
<u>Receipts</u>												
Rates		3,845	3,910	4,220	4,234	4,248	4,262	4,276	4,291	4,306	4,321	4,336
Statutory Charges		54	43	44	44	44	44	44	44	44	44	44
User Charges		482	413	436	444	452	460	468	476	484	492	500
Grants, subsidies, contributions		3,762	2,105	2,289	2,126	2,169	2,212	2,256	2,301	2,347	2,394	2,442
Investment Income		26	15	25	134	136	141	139	141	142	160	167
Reimbursements		142	85	100	102	104	106	108	110	112	114	116
Other Revenue		154	109	85	86	87	88	89	90	91	92	93
<u>Payments</u>												
Employee costs		(2,600)	(2,378)	(2,451)	(2,484)	(2,531)	(2,582)	(2,633)	(2,686)	(2,741)	(2,796)	(2,853)
Materials, contracts & other expenses		(1,636)	(2,292)	(1,858)	(2,027)	(1,966)	(2,051)	(2,064)	(2,114)	(2,147)	(2,189)	(2,228)
Finance Costs		(156)	(144)	(123)	(105)	(87)	(69)	(52)	(35)	(22)	(15)	(15)
Net Cash provided by (or used in) Operating Activities		4,073	1,866	2,767	2,554	2,656	2,611	2,631	2,618	2,616	2,617	2,602
CASH FLOWS FROM INVESTING ACTIVITIES												
<u>Receipts</u>												
Amounts Specifically for New/Upgraded Assets		866	734	0	0	0	0	0	0	0	0	0
Sale of Renewed/Replaced Assets		158	160	240	100	100	100	100	100	100	100	100
Repayments of Loans by Community Groups		10	6	6	6	6	6	6	6	6	6	6
<u>Payments</u>												
Expenditure on Renewal/Replacement of Assets		(1,730)	(2,753)	(1,954)	(2,243)	(2,297)	(2,386)	(2,338)	(2,395)	(2,067)	(2,472)	(3,114)
Expenditure on New/Upgraded Assets		(1,628)	(45)	(300)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Net Cash Provided by (or used in) Investing Activities		(2,324)	(1,898)	(2,008)	(2,237)	(2,291)	(2,380)	(2,332)	(2,389)	(2,061)	(2,466)	(3,108)
CASH FLOWS FROM FINANCING ACTIVITIES												
<u>Receipts</u>												
Proceeds from Borrowings		0	0	0	0	0	0	0	0	0	0	0
<u>Payments</u>												
Repayments of Borrowings		(338)	(298)	(280)	(271)	(255)	(266)	(252)	(220)	(140)	0	0
Net Cash provided by (or used in) Financing Activities		(338)	(298)	(280)	(271)	(255)	(266)	(252)	(220)	(140)	0	0
Net Increase/(Decrease) in cash held		1,411	(330)	479	46	110	(35)	47	9	415	151	(506)
Opening cash, cash equivalents or (bank overdraft)		854	2,265	1,935	2,414	2,460	2,570	2,535	2,582	2,591	3,006	3,157
Closing cash, cash equivalents or (bank overdraft)	854	2,265	1,935	2,414	2,460	2,570	2,535	2,582	2,591	3,006	3,157	2,651

9. Summary Statement Including Financing Transactions

SOUTHERN MALLEE DISTRICT COUNCIL

Long Term Financial Plan Model

SUMMARY STATEMENT INCLUDING FINANCING TRANSACTIONS

Year Ended 30 June:	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Estimate	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)
Operating Revenues	6,669	8,454	6,680	7,199	7,170	7,240	7,313	7,380	7,453	7,526	7,617	7,698
<i>less Operating Expenses</i>	6,934	6,800	7,167	7,098	7,163	7,233	7,305	7,379	7,444	7,522	7,612	7,712
Operating Surplus/(Deficit) before Capital Amounts	(265)	1,654	(487)	101	7	7	8	1	9	4	5	(14)
Less: Net Outlays on Existing Assets												
Capital Expenditure on Renewal/Replacement of Existing Assets	1,652	1,730	2,753	1,954	2,243	2,297	2,386	2,338	2,395	2,067	2,472	3,114
<i>less Depreciation, Amortisation & Impairment</i>	2,377	2,411	2,396	2,590	2,598	2,601	2,603	2,606	2,596	2,593	2,595	2,598
<i>less Proceeds from Sale of Replaced Assets</i>	247	158	160	240	100	100	100	100	100	100	100	100
	(972)	(839)	197	(876)	(455)	(404)	(317)	(368)	(301)	(626)	(223)	416
Less: Net Outlays on New and Upgraded Assets												
Capital Expenditure on New/Upgraded Assets	704	1,628	45	300	100	100	100	100	100	100	100	100
<i>less Amounts Specifically for New/Upgraded Assets</i>	409	866	734	0	0	0	0	0	0	0	0	0
<i>less Proceeds from Sale of Surplus Assets</i>	0	0	0	0	0	0	0	0	0	0	0	0
	295	762	(689)	300	100	100	100	100	100	100	100	100
Net Lending / (Borrowing) for Financial Year	412	1,731	5	677	362	311	225	269	210	530	128	(530)
In any one year, the above financing transactions are associated with either applying surplus funds stemming from a net lending result or accommodating the funding requirement stemming from a net borrowing result.												

10. Key Financial Indicators

KEY FINANCIAL INDICATORS	2016 Actual	2017 Estimate	2018 Plan Year 1	2019 Plan Year 2	2020 Plan Year 3	2021 Plan Year 4	2022 Plan Year 5	2023 Plan Year 6	2024 Plan Year 7	2025 Plan Year 8	2026 Plan Year 9	2027 Plan Year 10
Operating Surplus / (Deficit) - \$'000	(265)	1,654	(487)	101	7	7	8	1	9	4	5	(14)
Operating Surplus Ratio - %	(7)%	43%	(12)%	2%	0%	0%	0%	0%	0%	0%	0%	(0)%
Net Financial Liabilities - \$'000	2,038	321	310	(373)	(741)	(1,058)	(1,289)	(1,564)	(1,780)	(2,316)	(2,450)	(1,925)
Net Financial Liabilities Ratio - %	30.6%	3.8%	4.6%	(5.2)%	(10.3)%	(14.6)%	(17.6)%	(21.2)%	(23.9)%	(30.8)%	(32.2)%	(25.0)%
Interest Cover Ratio - %	2.3%	1.5%	1.9%	1.4%	(0.4)%	(0.7)%	(1.0)%	(1.2)%	(1.4)%	(1.6)%	(1.9)%	(2.0)%
Asset Sustainability Ratio - %	59%	65%	100%	100%	100%	100%	100%	100%	100%	100%	100%	116%
Asset Consumption Ratio - %	57%	61%	60%	59%	59%	59%	58%	58%	58%	57%	57%	58%