Port Pirie
Regional Council

LONG TERM

FINANCIAL PLAN

2013-2023

CONTENTS

FOREWORD - Mayor

It gives me great pleasure to present Port Pirie Regional Council's Long Term Financial Plan for the period from 2013 to 2023. This document is a complete rewrite and recalculation of Council's previous Long Term Financial Plan adopted in 2005 and seeks to provide the services and infrastructure required by the community in a financially responsible manner, having regard to Council's limited resources.

Your Council has worked hard over recent years to position itself financially to continue to deliver high levels of service to the community, and to address the growing infrastructure backlog associated with funding constraints and ageing infrastructure, whilst maintaining a relatively low level of rates.

The Long Term Financial Plan sets the high level financial parameters that guide the development of service levels, revenue levels and budgets in line with long term strategies and objectives in a financially sustainable manner. On this basis, and given the 'high-level' nature of the document, the plan has been developed based on a number of key assumptions which are documented throughout this Plan.

To achieve its purpose, the Long Term Financial Plan considers the Council's current financial position and builds on this with future information based on:

- Council's Asset Management Plan and Capital Works Program
- Desired future services and service levels
- Expected changes in service provision costs
- Future rating strategies
- Anticipated growth of the Region
- Future efficiency gains that need to be realised

The achievement of financial sustainability is one goal, but an even more important is the achievement of service sustainability. This is much more than just paying the bills, it is ensuring the funding of long term service delivery in a sustainable way.

Council's operations and financial performance are measured by three sustainability indicators. The projected ratios for each of these indicators over the term of the Long Term Financial Plan are provided as follows:

KEY FINANCIAL INDICATOR	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Surplus Ratio	-5%	-1%	2%	4%	6%	8%	9%	11%	12%	13%
Net Financial Liabilities Ratio	30%	43%	44%	47%	48%	44%	32%	19%	8%	-6%
Asset Sustainability Ratio	100%	114%	109%	121%	120%	105%	80%	75%	79%	84%

The Operating Surplus Ratio shows that Council is planning to achieve and sustain an operating surplus from 2016, something it has failed to achieve in its amalgamated history. A sustained operating surplus will increase the Council's ability to maintain and increase the services and facilities provided for the community, and protect future ratepayers from unexpected rate increases and service reductions.

FOREWORD – Mayor (Cont'd)

The Asset Sustainability Ratio shows that over the full period, Council will average a ratio of 98%, meaning that its assets will be replaced at about the same rate that they are used. Borrowings are proposed in the first five years to assist in this strategy until operating surpluses are able to be generated. The increase in and repayment of borrowings is reflected in the Net Financial Liabilities Ratio.

The Long Term Financial Plan includes all projected operating costs to maintain the current levels of service provided by the Council. Allowance has also been made for expected increases in utility costs and for expansion of resources to provide for an increase in services and facilities.

The Plan also includes a very significant capital works program to a value of $92 million, most of which will be committed to the renewal and upgrade of Council's existing assets, in particular its road network.

The Plan also provides several exciting new projects, which if grant applications are successful, will provide for a $7 million rejuvenation of the Port Pire CBD, a $10 million redevelopment of the Memorial Oval precinct and a range of marine facility upgrades. Other major allocations are proposed for stormwater drainage projects, footpaths, buildings and parks and reserves improvements.

In order to achieve financial sustainability, Council will need to either reduce services, raise rates or a combination of these. Council has planned for an overall rate revenue increase of 9% in the first year, followed by increases of 6% for the following four years and to 3% by the end of the Plan (all plus CPI). Despite these increases, Council's average residential rate will still be much less than the projected non-metropolitan average residential rate at all times during the period.

While these increases may be slightly higher in percentage terms than some of our neighbouring Councils, residents are reminded that they still enjoy some of the lowest residential rates in the State. This situation has been recently confirmed by an independent review of Council's rating structure. In recent years, your Council has been able to deliver a massive capital works program whilst keeping user charges and rates to a minimum. To enable these improvements to continue, a planned and managed increase in rates, together with containment of expenditure and increases in grant revenue, are considered the keys to achieving sustainability in Council's operations and the delivery of the desired levels of capital investment in the district.

This Long Term Financial Plan, unlike it predecessor, will be a rolling ten year plan, which will be updated annually as part of Council's budget process. The Plan will utilise information and strategies from other key Council documents to provide a realistic and achievable outcome for the community. The Plan also provides a solid starting point for the preparation of each year's Annual Business Plan and Budget, with the knowledge that if followed, Council can plan its future with confidence.

The Long Term Financial Plan was made available for community comment and feedback prior to its adoption by Council. Nine persons attended a public forum held in June and Council received four written submissions.

Mayor Brenton Vanstone

INTRODUCTION
Chief Executive Officer

Port Pirie Regional Council aims to achieve a balance of financial, environmental, social and political goals that reflect both the short term and long term needs of the wider community. There is an ongoing commitment to continuing major projects, addressing an infrastructure backlog and responding to community priorities, so far as Council's limited resources allow.

This Long Term Financial Plan contains a commitment to initially continue with existing services and to maintain current service levels, but acknowledges that a review of delivery options are in order to identify further efficiency gains and cost reduction.

The following aspects have been specifically considered in preparing this Long Term Financial Plan:

- A planned and managed increase in property rates (excluding growth);
- Adequate commitment of capital expenditure to maintain infrastructure at service levels;
- External funding sources to be fully exploited;
- Service targets to be met in a timely manner;
- Continued implementation of improved efficiencies;
- Activities to be achieved within budget allocation;
- Achieve a sustainable positive operating result.

Council's Asset Management Plan (including Capital Works Program) was adopted by Council in July 2013 to provide a strategy to manage, renew and replace its significant fixed asset base (replacement value of $265 million in 2012). As these assets predominantly comprise major community infrastructure such as roads, footpaths, stormwater drainage and bridges, it is imperative that there is an appropriate link and consistency between the Asset Management Plan and the Long Term Financial Plan, in that the latter Plan provides for the necessary capital outlays for their renewal and replacement.

Council will continue to be presented with challenges during the coming years. To provide some important perspective, Council benchmarks itself against other Provincial Cities in the State as follows.

	Port Pirie RC	Whyalla	Pt Augusta	Mt Gambier	Pt Lincoln	Murray Bridge
Population	**18,169**	23,243	14,725	26,206	14,739	19,724
Area (ha)	**178,281**	107,168	118,856	3,420	3,207	182,434
Average Taxable Income	**$50,998**	$62,206	$52,159	$50,084	$53,139	$43,485
Road Length (km)	**1,175**	349	409	219	158	974
Rateable Properties	**10,136**	11,984	7,511	13,937	8,271	11,419
Capital Values	**$2,071m**	$2,332m	$1,609m	$3,209m	$2,291m	$2,688m
Total Rate Revenue	**$9..8m**	$13.2m	$12.7m	$13.9m	$8.4m	$15.1m
Ave Residential Rates	**$772**	$1,045	$1,603	$901	$984	$1,251
Total Operating Income	**$16.9m**	$23.4m	$29.1m	$19.6m	$12.5m	$26.6m
Employee Numbers	**94**	119	203	110	44	172
Employee Costs	**$5.9m**	$8.4m	$13.7m	$7.3m	$3.1m	$11.4m
Capital Expenditure	**$5.3m**	$6.5m	$6.1m	$11.1m	$2.8m	$3.5m
Infrastructure Assets	**$104.3m**	$110.7m	$106.6m	$45.3m	$51.5m	$67.8m
Borrowings	**$2.4m**	$5.2m	$15.3m	$9.1m	$0.5m	$12.6m

Source Local Government Grants Commission data 2011

INTRODUCTION – Chief Executive Officer (Cont'd)

As a result, these indicators reveal that Port Pirie Regional Council is responsible for:

- One of the largest geographical areas;
- The largest road network; and
- A very significant infrastructure asset base.

Despite these factors and compared to the other Provincial Cities, Council has

- The lowest average residential rates (by far);
- A very low level of borrowing; and
- Low employee numbers and associated costs.

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The table highlights the challenges for Council to continue to provide new and improved assets for the community while at the same time maintaining a largely ageing and deteriorating asset base. It is also highly apparent that it must use rating and borrowing opportunities to a greater degree than in the past.

The Council faces several major challenges in the coming years and it has actively sought to address these through better planning practices, improved level of involvement by the community through consultation and building co-operative relationships with local and regional groups.

The first challenge relates to the ageing infrastructure maintained by Council. The condition of road infrastructure, which has been identified as a major concern, is further compounded by the lack of funds to return these assets to a more acceptable service level. Other ageing infrastructure required to be maintained to acceptable standards by Council include footpaths, lighting, stormwater drainage, street trees and plantings, open space and Council properties.

While Council has been very successful in securing a high level of grant funding in recent years, funding is unlikely to continue at this high level as a result of State and Federal Governments tightening their finances. Funding programs have also generally become more difficult to access, more competitive in their nature, and many require a greater applicant contribution (generally 1:1), which can be restrictive when trying to access large amounts of funding.

Previous capital budgets have also been assisted by non-sustainable sources such as loan borrowings, asset sales and the use of cash holdings from uncompleted projects in previous years. Such large capital works programs cannot be sustained without an increased commitment by ratepayers.

The final challenge relates to Council's ability to continue to respond to the changing needs of the community and to meet the increasing expectations and demands for both new and improved services. As the region grows and develops, Council will continue to face increasing pressure on its resources to deliver more and more services.

This produces an environment wherein these increased expectations need to be funded by some of the lowest level of residential rates and user charges in the State. As a result, Council and the community will together need to determine what levels of service that they are prepared to pay for, as there is currently a large gap between the level of services required by the community and what it currently pays.

Dr Andrew Johnson B.Ec (Acc) FCPA LGMA MBA PhD
Chief Executive Officer

FINANCIAL SUSTAINABILITY

The key objective of the Long Term Financial Management Plan is to ensure the ongoing sustainability of both Council's finances and of the many services it delivers.

Financial Sustainability is defined as:

"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 application of financial sustainability to Local Government emanated from the independent SA Local Government Financial Sustainability Inquiry of 2005, which reported that Councils were not adequately managing their resources in a sustainable manner and that the industry's performance was in need of major improvement.

The Inquiry identified that almost half of South Australian Councils were classified as either "unsustainable" or "vulnerable", whereby infrastructure spending was too low to maintain their assets and that governance and policy needed considerable attention. As a result, Councils across the State have addressed their position over the past eight years with varying degrees of success.

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 future generations to address the issue of repairing worn out infrastructure. Such issues are frequently referred to as 'intergenerational equity'.

With community infrastructure such as roads, footpaths, and stormwater drainage comprising a major proportion of Council's asset base, it is important that Councils implement appropriate strategies towards the effective upkeep of such assets – so that the maintenance and renewal of these assets is fairly and equitably funded from current ratepayers (i.e. general rate income) and future ratepayers (long term loan borrowings).

Given the importance of ensuring financial sustainability of Council operations in the longer term, it is a legislative requirement that each Council adopts Long Term Financial Management and Asset Management Plans (minimum ten years) as part of future planning. In accordance with this requirement, the Long Term Financial Plan must include:

- Financial Statements that are prepared in accordance with the South Australian Local Government Model Financial Statements;
- Uniform Presentation of Finances; and
- Estimates with respect to Operating Surplus Ratio, Net Financial Liabilities Ratio and Asset Sustainability Ratio.

Council's Asset Management Plan has been reviewed and will be adopted by Council in June 2013. The Plan includes a Capital Works Program which costs and prioritises Council's asset renewal strategy, as well as including a number of new assets demanded by the community. This Plan will be further developed and enhanced over coming years as part of a continuous improvement process.

To ensure openness and accountability, this Plan meets the above statutory requirements, including the legislative Local Government financial sustainability indicators and some other additional financial indicators developed by Council.

FINANCIAL SUSTAINABILITY (Con't)

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 (ie 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 annual surplus/deficit result (before capital revenues) in the Statement of Comprehensive Income (profit and loss) financial report. A consistent breakeven or operating surplus result would be indicative of a Council that is financially sustainable in the long term.

Financial sustainability indicators recommended by the Financial Sustainability Inquiry, adopted by the industry and now included in legislation are included later in in this report.

HOW IS COUNCIL ADDRESSING THE ISSUE

In order to achieve financial sustainability, Council will need to either reduce services, increase rates or impose a combination of these. In recent years, Council has reduced many of its costs, some to a point where service delivery has suffered to some degree.

Council has planned for a rate revenue increase of 9% in the first year of the Plan (+ CPI), 6% in each of the following four years and reducing to 3% in the final three years of the Plan. This will result in Council's average residential rate still being maintained well under the non-metropolitan average residential rates.

In addition, an internal program was implemented in early 2012 to improve the efficiency and effectiveness of Council's operation as well as improve its financial sustainability. This *Business Improvement Program* has a number of key elements including:

1. Completion of Long Term Financial Plan
2. Undertake a review of current rates and the rating structure
3. Improving the Management of Council's Assets
4. Improve reporting, accountability and transparency
5. Review and document service levels
6. Identifying savings and efficiency gains in Council's operations.

Further details on this Business Improvement Program are included later in this report.

IMPORTANT INFORMATION ON THE LONG TERM FINANCIAL PLAN:

The Long Term Financial Plan 2013-2023 has been prepared within the following parameters and assumptions:

- ***CPI has not been included in any projections. The assumption is that in general terms, the CPI on income will match the CPI on expenditure. Each review of the Plan will update estimates with the application of current CPI to all estimates.***

- ***The Long Term Financial Plan is intended to be updated annually, to provide an accurate basis from which to project estimates. This will be conducted in conjunction with updates of the Capital Works Program and other relevant documents.***

- ***References to "the Plan" refers to the 2013-2023 Long Term Financial Plan. References to years such as 2014, 2015 etc generally refer to the year ending on the 30th June of that year.***

STRATEGIC PLAN OBJECTIVES

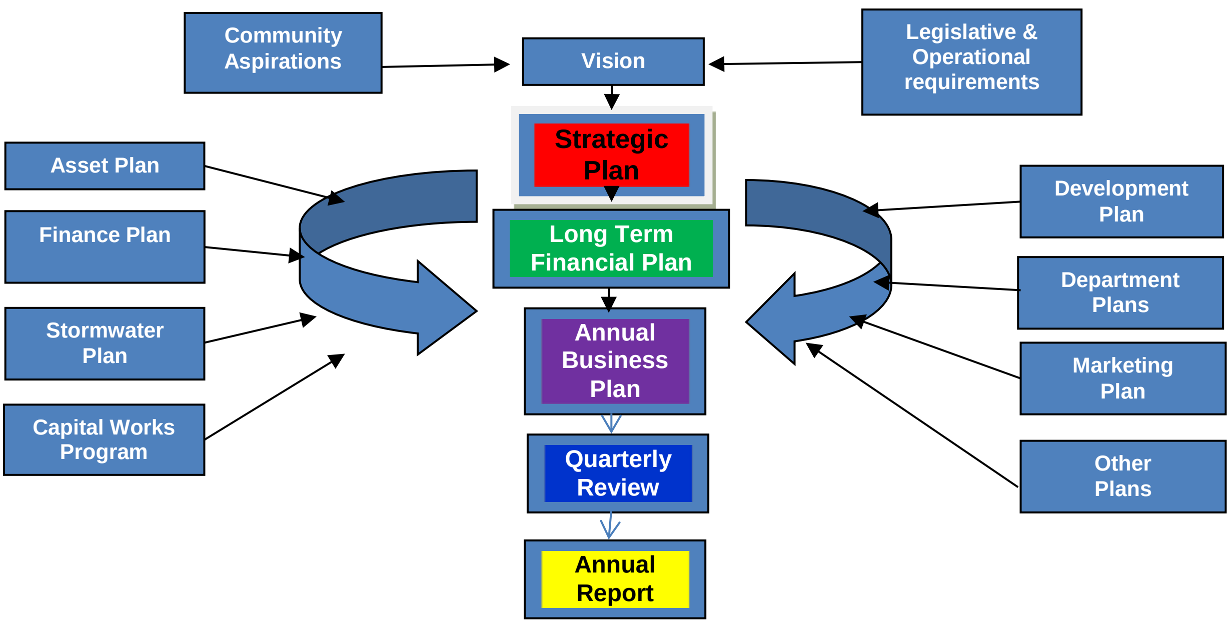
Council adopted its ten year Strategic Plan in January 2010. The Strategic Plan sets out what Council aims to achieve and gives direction and timeframes to Council staff as to when its objectives need to be achieved. It also sets out measures which can be used by Council to see whether tasks and targets have been achieved.

The Strategic Plan also outlines Council's vision for the future being '*To promote a quality lifestyle in a dynamic and prosperous region';* as well as its mission which is *'A progressive organisation delivering to our customers high quality value for money services that meet their diverse needs'.*

The Strategic Plan's direction focuses on achieving the following five key goals:

- **Quality Lifestyle -** Establish the Port Pirie Region as a quality lifestyle choice which has an inclusive sense of community pride.
- **Economic Prosperity -** Port Pirie is a clean, vibrant, thriving region that encourages sustainable new business investment, supports existing business growth and has a growing population base.
- **Infrastructure & Asset Management -** Provide public infrastructure and amenities that enhance the image of the Port Pirie Region, that are safe, functional, welcoming and appealing to the local community, investors and visitors while achieving the principles of triple bottom line sustainability.
- **Environment Sustainability -** Effective management of the region's environment to ensure ecological sustainability.
- **Organisational Excellence -** Develop an organisation that is outwardly focused, responsive and progressive, balanced with financial and performance accountability

While the Strategic Plan sets out Council's goals, priorities and objectives, it is the Long Term Financial Plan which provides the financial framework to address the items in Council's Strategic Plan. However until these initiatives become priorities in the Annual Business Plan and resourced, they are not able to be implemented. The figure below indicates the relationships between the various plans of Council and its planning framework.



STRATEGIC FINANCIAL POLICIES

Council has adopted a series of Financial Management Policies which have set many of the parameters and financial targets used to prepare the Long Term Financial Plan.

The objectives of the Revenue and Financing Policy (4/13.1) ensure that Council supplements its rate revenue by:

- Ensuring Council's projected cash budget result for the year as defined is nil;
- Grants and subsidies (obtaining allocations of funds from governments or other organisations);
- Imposing statutory charges as provided in a number of Acts, eg dog fees, development fees etc;
- Sale of surplus property and other assets;
- Charging fees (user pays) for a range of activities, facilities and functions provided eg sporting venues, hall hire etc;
- Investing surplus funds; and
- Borrowing funds.

The Plan is based on the following principles outlined in Council's Revenue and Financing, Investment of Surplus Funds, Treasury and Reserve Policies:

- Defining the type of investments where Council can place its surplus funding, including a series of conservative investment options which Council can utilise. As a result, the Plan has assumed conservative returns on investments.
- Council actively seeks new sources of grants and subsidies, ensures the accountability reporting requirements are met, and where the grant relates to additional services ensures that the cost of the service equates with the grant funding.
- Council charges the maximum statutory fees permitted by legislation, and where fees do not cover the full cost of the service, actively lobby for legislative change towards full cost recovery.
- Surplus property and other assets be identified and valued for possible sale.
- To reduce dependence on rate revenue, user charges be considered and/or reviewed as part of the annual budget process and be set with regard to Council's costs, the benefits to direct users and the nature of each charge or fee.
- Council considers opportunities for commercial activities within the Council area.
- Council maintains liquidity to be able to pay its liabilities when they fall due.
- Council's debt management should focus on the net debt situation, ie borrowings less investments. Council should ensure that they are not borrowing at higher interest rates when they have significant funds invested at lower interest rates.
- Council provides clear direction in relation to the reserve function and establishes a decision framework that provides when funds are to be set aside for future expenditure, reduces the requirement for borrowing in the Plan and provides a framework for access to funded reserves in lieu of borrowing.
- Cash backed reserves (which may not be needed for many years) be used rather than borrow externally. However the Plan needs to allow for the replenishment of these cash backed reserves when they are required.

This Plan is also based on the financial sustainability targets as adopted by Council in March 2013 and discussed in more detail later in the Plan.

BUSINESS IMPROVEMENT

Port Pirie Regional Council is aware that it must operate in the most efficient and effective manner possible in order to provide value for money services to the community.

As part of Council's financial sustainability agenda, this Plan includes expenditure to establish and resource a process to implement efficiency and productivity savings across Council operations. This will entail reviewing how Council operates on a day to day basis and identifying smarter and more productive approaches and practices. It promotes a work culture that continuously seeks ways to improve operational efficiency and an improved decision making framework to fast track productivity within the organisation.

As a result, Council has embarked on an internal *Business Improvement Program* to improve the efficiency and effectiveness of Council's operation as well as improve its financial sustainability. This *Business Improvement Program* has a number of key elements, including:

1. **Completion of an updated Long Term Financial Plan.**

2. **Undertaking a review of current rates and rating structure.**
   Implementation of recommendations from the independent review undertaken in 2011

3. **Improving the management of Council's assets.**
   Preparation of an updated Asset Management Plan in 2013
   Establishment of a Section 41 Committee of Council to make recommendations to Council on the future management of its assets, including disposal, rationalisation, service levels and improvements to management strategies.

4. **Improving reporting, accountability and transparency.**
   Setting up software to track and report on key strategic tasks and major projects.
   Setting up software to record and report on key performance indicators.
   Integrating the *Synergysoft* finance and project management systems.
   Providing a monthly review of Council's budget position to Management and Council.
   Moving to quarterly performance reporting.

5. **Reviewing and documenting service levels.**
   Reviewing alignment of strategic priorities, community demands and services provided.
   Ensuring that resources provide the highest possible benefit to the community.
   Ensuring that services are delivered at a cost the community is willing and able to pay.

6. **Identifying savings and efficiency gains in Council's operations.**
   Creating business plans for each activity.
   Encourage Council stakeholders to identify potential savings.
   Maximise plant utilisation, technology use and automation.
   Review employee numbers, requirements, EBA and productivity improvements.

Many of these initiatives have now been implemented and the resulting benefits impact positively on the Long Term Financial Plan and other strategies of the Council. Each will be reviewed and monitored at regular intervals to provide a continuous improvement environment within the Council.

FINANCIAL INDICATORS

In order to measure the sustainability of Councils in South Australia and to enable comparisons between Councils, a formal set of financial ratios has been developed for the sector. As outlined previously, Port Pirie Regional Council has set up short and long term targets for these indicators. Definitions, targets and planned results for these indicators for the ten year period of the Plan are provided below.

OPERATING SURPLUS RATIO

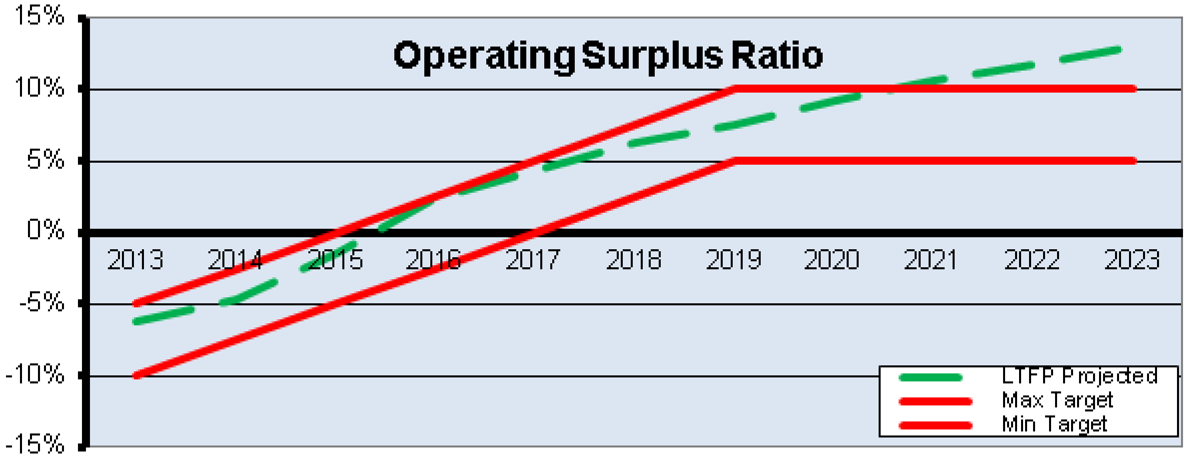
The **Operating Surplus (Deficit)** is the measure of the difference between operating income and operating expenses for the year. An operating surplus (deficit) arises when operating revenue exceeds (is less than) operating expenses.

The **Operating Surplus Ratio** expresses the operating surplus (deficit) as a percentage of general and other rates, net of the NRM levy. A positive ratio will indicate that all operating expenses including depreciation are being fully funded by revenue sources and that assets are being replaced at their rate of consumption. It is calculated as:

Operating surplus (as above)
Rates Revenues (less NRM levy revenue)

Council has experienced large operating deficits for many years. The Plan proposes a significant improvement in Council's annual operating result, culminating in an annual operating surplus from 2016.

Council's Operating Surplus Ratio target was adopted to provide a strategy towards gradual improvement. The target steadily grows to between 5% and 10% in 2019, afterwhich targets are retained to generate funds towards the acquisition of new assets without reliance on new loans.



NET FINANCIAL LIABILITIES RATIO

Net Financial Liabilities are Council's total liabilities less financial assets, and highlight the relative debt level of the Council when compared to its financial assets. It is calculated as:

Total Liabilities (from Balance Sheet)
LESS: Current cash & cash equivalents
Current trade & other receivables
Current other financial assets
Non current financial assets

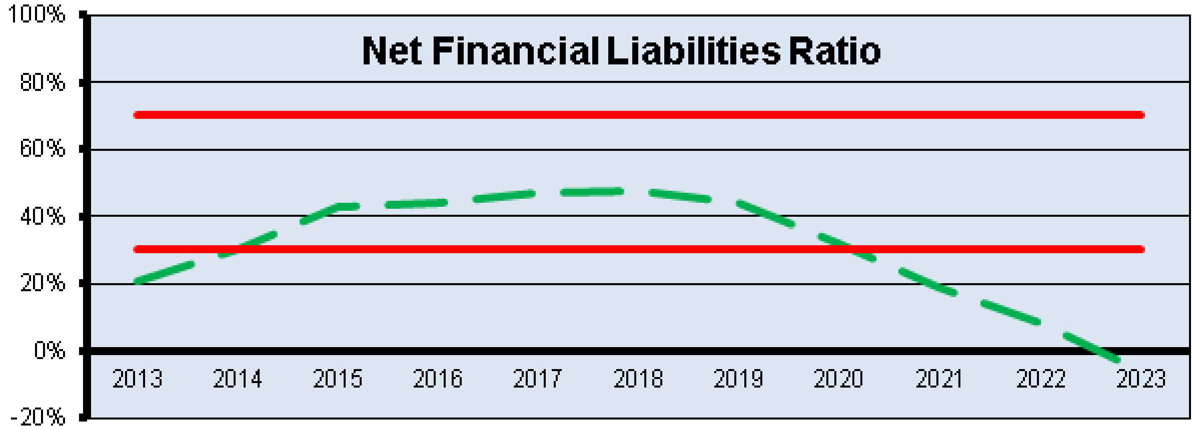
The **Net Financial Liabilities Ratio** is the measure of the Council's Net Financial Liabilities against its operating revenue. It is calculated as:

Net financial liabilities (as above)
Total operating revenue (less NRM levy revenue)

FINANCIAL INDICATORS (Cont'd)

Council's Net Financial Liabilities target is between 30% and 70%, recognising that a moderate level of debt may be carried to fund various asset works. The Plan provides for new loans in the first five years of the Plan, and for repayments to be met from operating surpluses later in the period.

During the period covered by the Plan, this ratio peaks at 48% in 2018, however the percentage reduces quickly as operating surpluses are generated to replace borrowing later in the period.



ASSET SUSTAINABILITY RATIO

The **Asset Sustainability Ratio** measures whether existing assets are being renewed or replaced at the same rate that they are being consumed. The commitment to address infrastructure renewal and replacement backlog is a strong focus of the Plan.

If capital expenditure on the renewal or replacement of existing assets is at least equal to depreciation on average over time, then the value of existing assets is maintained. If expenditure is less than the amount of depreciation, the financial sustainability will be undermined due to the high cost of maintaining assets that have exceeded their economic life. The Ratio is calculated as:

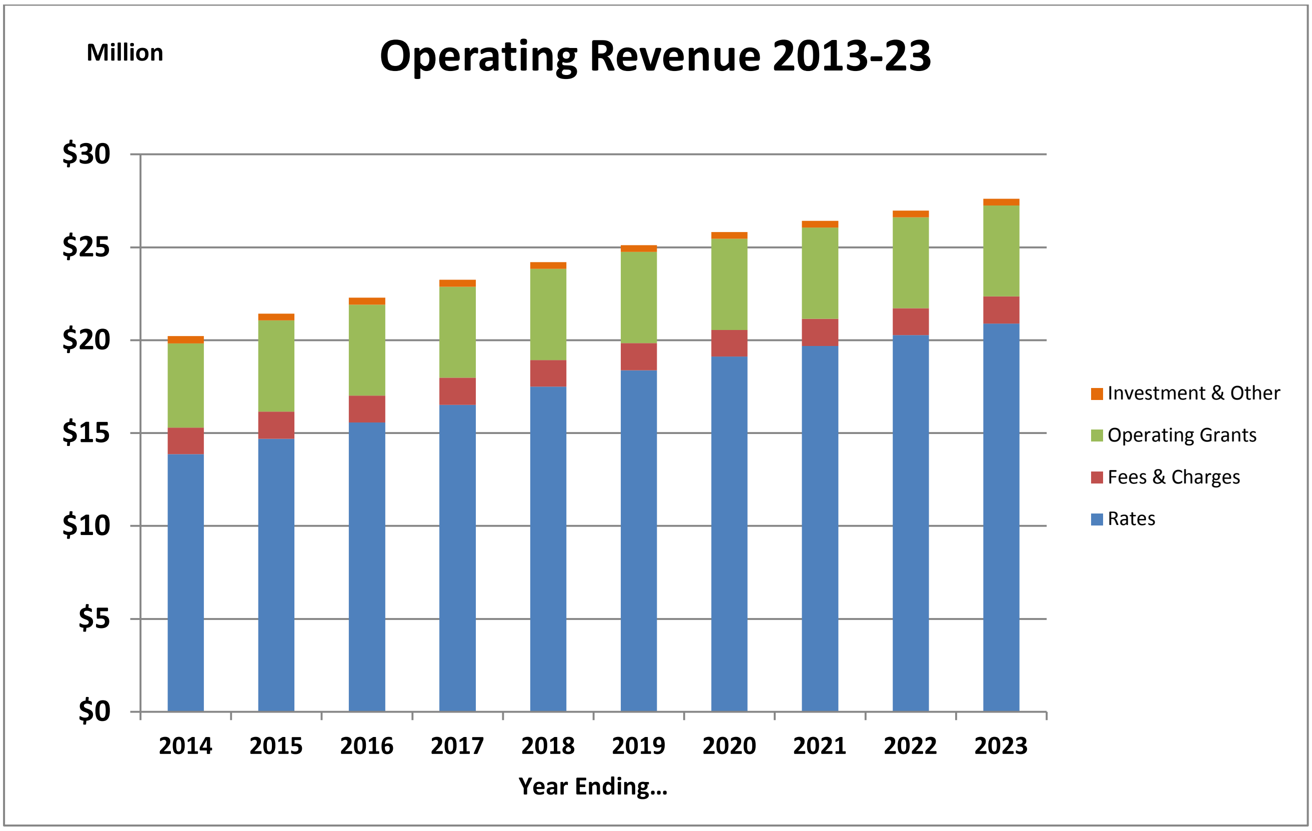
Cash expenditure on renewal/replacement of assets; Less: Sale of replaced assets
Depreciation expense

Council's Asset Sustainability Ratio target has been adopted at 100%-120% until 2018 to address a backlog of asset renewal, reducing to 90%-110% thereafter. While the Plan temporarily falls outside of the targets, the ratio should be considered on average over a period of years.

OPERATING REVENUE ANALYSIS

The Local Government Act provides the ability for Councils to raise revenue through property rates and other sources such as fees and charges, investment income, reimbursements, contributions, donations, sale of surplus assets and commercial activity.

The graph below provides an analysis of the projected movement in Council's operating revenue over the life of the Long Term Financial Plan. The chart indicates that rates income is planned to increase each year, in accordance with Council's strategy to achieve and maintain financial sustainability. All other categories remain at a consistent level during the life of the Plan (NB: The Plan does not include CPI adjustments on either expense or revenue).



Further explanation of these revenue elements is provided as follows.

RATES

Rates include revenue from General Rates, Service Charges (Waste Collection/CWMS) and levies collected on behalf of State Government agencies (Natural Resource Management Levy). It also includes fines and penalties and adjustments for rebates, remissions and refunds.

Rates are an integral part of the Council's revenue base, the value of which is determined through Council's commitment to achieve the strategies articulated in the Council's Community Plan. Rate revenue will increase from about 70% of total operating revenue to 77% over the ten year period.

Council has reviewed its long term rating strategy following an independent review of Council's rating system in 2011. As a result, Council resolved to '…in the short to medium term (3-5 years), minimise the gap between Council's average residential rate and the State non-metropolitan average residential rate'.

Further analysis and explanation of rating impacts is provided later in the Plan.

OPERATING REVENUE ANALYSIS (cont'd)

STATUTORY CHARGES
Statutory charges are fees arising from the provision of statutory or regulatory services. They are associated with the granting of a permit/licence, the regulation of an activity or penalties for non-compliance with a regulatory requirement. They include Development Act fees, rate property searches, dog registration fees and fines, parking fines and expiation fees, septic tank fees and other licences, fees and fines.

The Plan anticipates no significant change in amounts received during the term of the Plan.

USER CHARGES
User Charges are revenues from the sale of goods and services, or rent of property and facilities. They are charges imposed by Council for which the payer receives a direct benefit. They include cemetery fees, waste disposal fees, sundry sales, facility hires, leases and licences and equipment hire.

User Charges are forecast to remain at the current level over the life of the Plan, however Council will continue to apply the user pays principle where a limited group of ratepayers receives an exclusive benefit for costs incurred for those activities.

GRANTS, SUBSIDIES AND CONTRIBUTIONS
This category of revenue includes grants and subsidies from all sources, excluding grants and subsidies specifically provided for new or upgraded assets.

The primary grants received are the untied Financial Assistance Grants (general and roads) received through the Local Government Grants Commission, and Roads to Recovery Grants from the Federal Government. Due to an advance payment, no Roads to Recovery grant will be received in 2014, however allowance has been made for this to resume in 2015.

Council currently has a significant reliance on Financial Assistance Grants which represent about 20% of total operating revenue. The allocation of these grants is based on a complex formula involving analysis of Council's income and expenses compared with State averages and other factors such as demographic profile, movements in population relative to the movement in both South Australia's and Australia's population, and the community's ability to pay relative to other council communities.

Council has for a number of years, received the first instalment of its Financial Assistance Grant in the year prior to when the grant was due. In June 2012, Council received 50% of the following year's grant, reducing 2013 income by more than $2 million. The Plan has been prepared on the assumption that normal allocations will resume in future years.

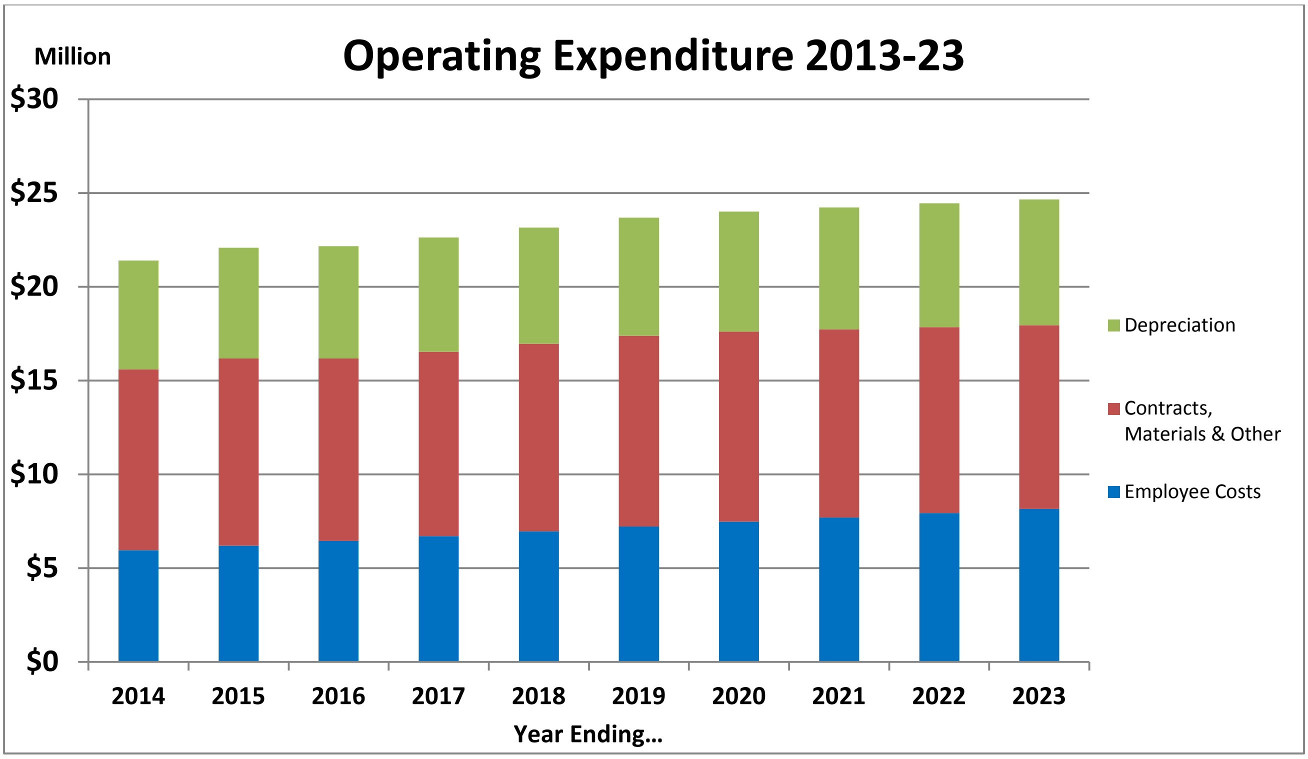
INVESTMENT INCOME
Investment income is revenue from financial investments or from loans to community groups.

It includes interest received from the LGFA and banks and interest received on loans to community groups. A reduction of investment income is projected over the life of the Plan due to the strategy to hold only minimum surplus funds at any given time.

OTHER INCOME
Other revenue is revenue not classified elsewhere, such as reimbursements, insurance claims, rebates and commissions.

OPERATING EXPENDITURE ANALYSIS

The graph below provides an analysis of the projected movement in Council's operating expenditure over the life of the Plan. It indicates that all expense categories are likely to remain at relatively consistent levels over the next ten years. (NB: The Plan does not include CPI adjustments on either expense or revenue).



Further explanation of these expenditure elements is provided as follows.

EMPLOYEE COSTS

Employee Costs include all costs necessarily incurred as a result of their employment. Such expenses include salaries and wages as remuneration for labour, employee leave expense provisions, superannuation contributions and workers compensation premiums.

On the basis of current Enterprise Bargaining agreements and anticipated future agreements it has been assumed that employee costs may increase by an average of 1% above CPI each year. Allowance has also been provided for mandatory superannuation guarantee increases over the next few years.

Staffing numbers are assumed to increase by 1-2 positions per year, to reflect the changing and increasing demands placed on Council, including a substantial increase in capital works during the life of the Plan.

CONTRACTS, MATERIALS & OTHER EXPENSES

Contracts, Materials and Other expenses effectively include all expenses that are not employee costs, finance costs or depreciation. It includes payments and provisions for the external provision of services, purchase of physical goods, contractor and consultant costs, communications, donations and legal expenses.

Specific allowances have been made for increased power, water and insurance costs (2% above CPI), along with increases for tree planting, street sweeping, community events, building maintenance and property management matters. Periodic events (eg Council elections in 2014, 2018 and 2022) and known one-off activities (dredging of the Port Pirie River in 2015) have also been included in the Plan.

OPERATING EXPENDITURE ANALYSIS (Cont'd)

FINANCE COSTS
Finance Costs are the costs of financing a Council's activities through borrowings or other types of financial accommodation (eg finance leases).

Finance charges for the purpose of the Plan have been derived as the interest payable over the next ten years on Council's existing loan portfolio, as well as interest payable on proposed new loans. An additional allowance is included for interest payable on Council's cash advance facility which is drawn down and repaid as required throughout the year.

The Loan Borrowings section of the Plan provides further detail on Council's debt management strategies.

DEPRECIATION, AMORTISATION & IMPAIRMENT
Depreciation relates to infrastructure, property, plant and equipment to which the Council has title, amortisation to leasehold assets and impairment charges.

The annual depreciation of an asset reflects the financial value of the rate at which the asset wears out each year. This is also a fair indicator of the average amount needed to be spent on existing assets each year to maintain the current condition of the asset base.

Council currently re-values all of its assets on a three year rolling cycle, the result of which may cause fluctuation in deprecation through the life of the Plan. Council is currently undertaking a major asset management exercise to confirm existing asset data and improve future asset reporting and planning.

The Plan has included an annual increase to depreciation of $100,000, being an estimate of new depreciation expenses due to the acquisition of new assets and for revaluations in excess of CPI.

OTHER OPERATING EXPENDITURE IMPACTS
Council has an enormous responsibility to provide and maintain facilities and services for its ratepayers and residents. The cost of these activities can be difficult to manage and predict, given the outside influences of legislative change, cost shifting from other levels of Government and the same financial pressures experienced by members of the public.

It is also important to note that Council's costs do not always align with CPI. The Local Government Price Index is a recognised industry analysis of the typical costs incurred by Councils, rather than the "basket of goods and services" methodology used to calculate CPI.

It is common for the majority of Council's costs to be incurred through construction, waste management, fuel and energy, water, insurance and employee costs, all of which increase at rates higher than CPI. As an example, the CPI for the year ending December 2012 was 2.1%, while the Local Government Price Index for the same period was 2.8%. Some of these are discussed further below.

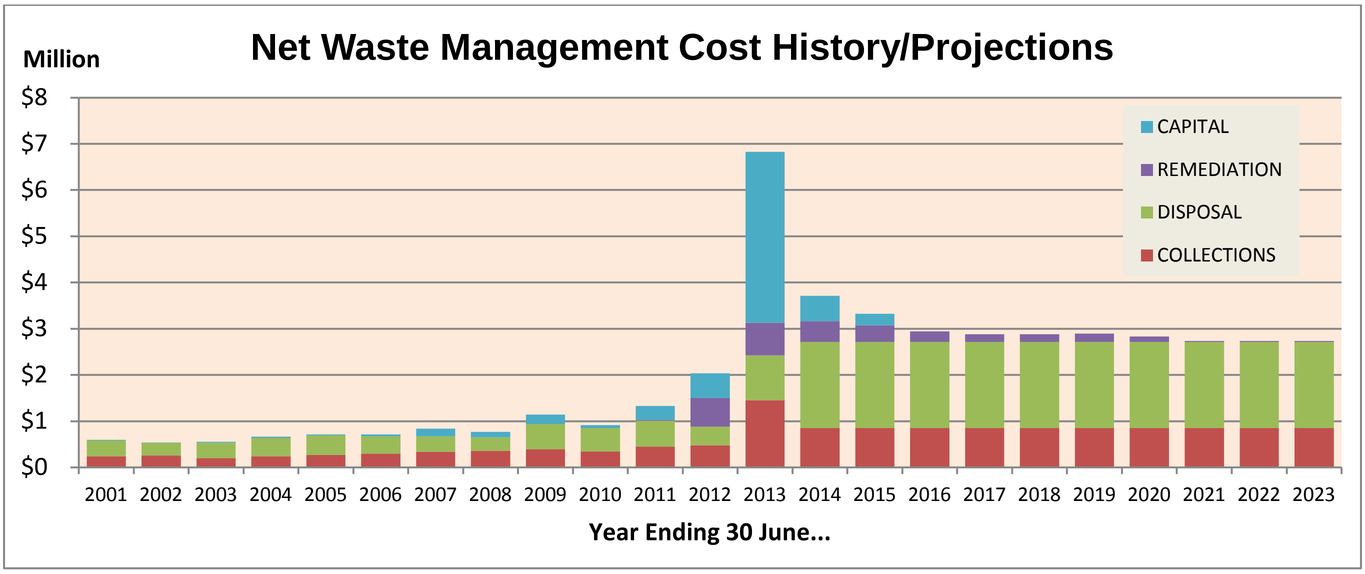
Waste Management
The past few years have seen a dramatic change in the way Council manages its waste collection and disposal. Legislative requirements enforced by the Environment Protection Agency have necessitated Council to undertake:

- Introduction of kerbside recycling (three bin collection service);
- Transportation of its non-recyclable waste outside of the region;
- Permanent closure of its Three Chain Road landfill operation; and
- Significant rehabilitation of its landfill site, including ongoing post closure costs.

The three bin collection service to all residential properties in the district commenced in April 2013, while the new Port Pirie Waste Transfer Station opened to the public in June 2013. The landfill facility closed in June 2013, while rehabilitation at a further cost of $1.2 million will continue at the site until 2020, afterwhich post closure costs for gas and water monitoring will continue for many years.

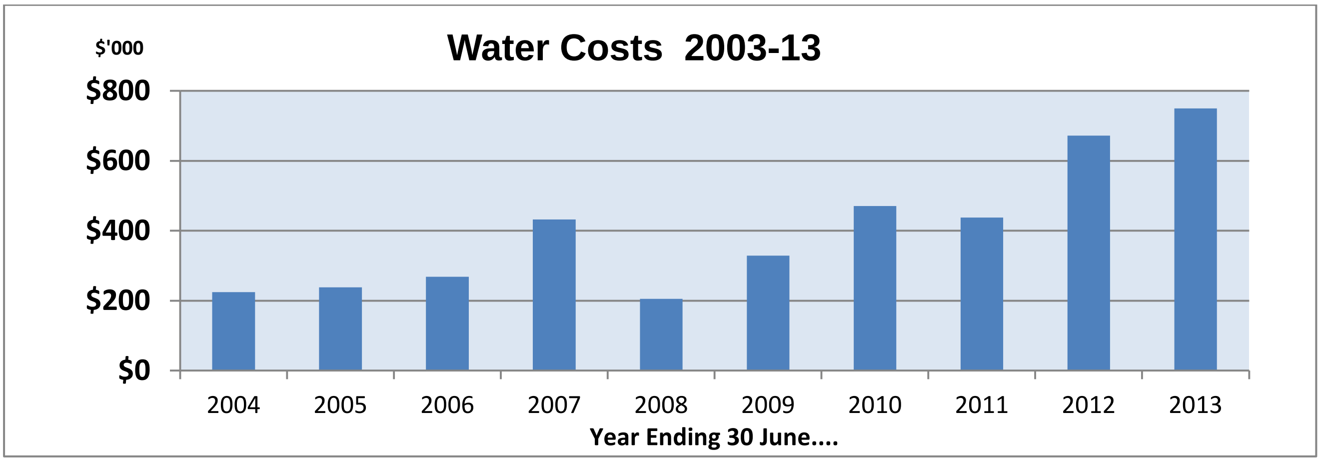
OTHER OPERATING IMPACTS (Cont'd)

The graph below illustrates the total costs incurred and projected for waste management, including significant capital outlays in 2013 and 2014. The ongoing annual cost for kerbside collection and disposal (excluding capital) has trebled from about $1 million (2001-2011), to almost $3 million after 2013.



While the community must pay for this cost imposition, it should also recognise that the investment will go towards a much cleaner and environmentally friendly waste management system, whereby waste is properly processed and recycled in a far superior way than ever before.

Water
With the responsibility of maintaining a high number of community buildings, reserves and sporting facilities, Council is heavily exposed to increases in water costs. In recent years, Council has experienced a large increase in the cost of water, which has needed to be passed on to ratepayers and to a small extent, users of recreation facilities. The following graph shows that water costs have increased by some $312,000 or 71% over just the past two years, with no significant increase in consumption.



In 2012, Council completed a joint water re-use project with Nyrstar to provide an annual allocation of 100 megalitres of water to Council at a reduced fixed cost. While this will reduce Council's reliance on SA Water and its exposure to rising water rates, water will continue to be a major expense for Council.

Other Costs
In conducting its operations, Council also incurs high costs for the purchase of fuels and oils ($300k), power and lighting ($600k) and registrations and insurances ($400k), each of which are known to increase at rates exceeding CPI. Allowances have been made in the Plan to acknowledge these increases.

LOAN BORROWINGS

Council's Treasury Policy (4/13.2) indicates that the management of Council's debt should focus on net debt situation (ie borrowings less investments) to ensure that it is not borrowing at higher interest rates when it has significant funds invested at lower interest rates. It also follows the general principle that replacement of existing assets should be funded by current ratepayers (ie funding depreciation) and that borrowing should only occur for new capital works or major long-term infrastructure if required.

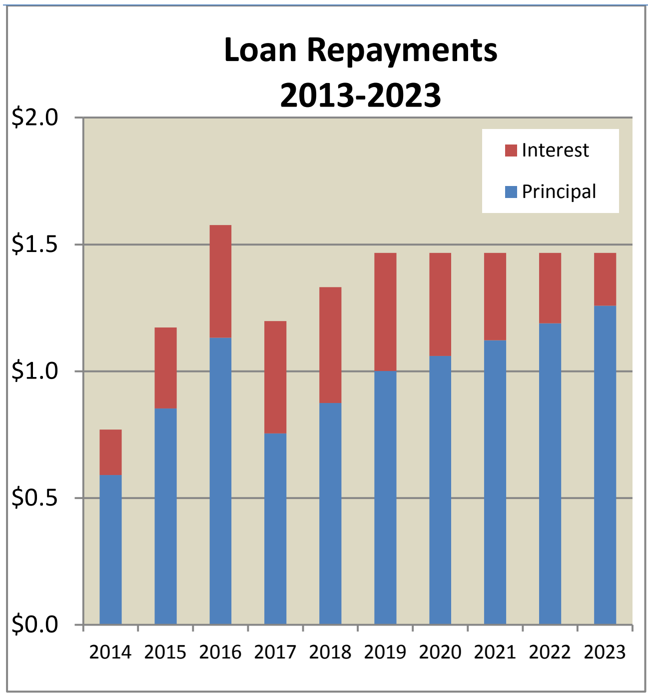
Council has carefully considered its debt position and believes that it has substantial capacity to borrow funds to complete a backlog of infrastructure projects, most notably road resealing and resheeting. It is known that a short term focus on these issues will assist in significantly reducing future costs for expensive reconstruction of these roads.

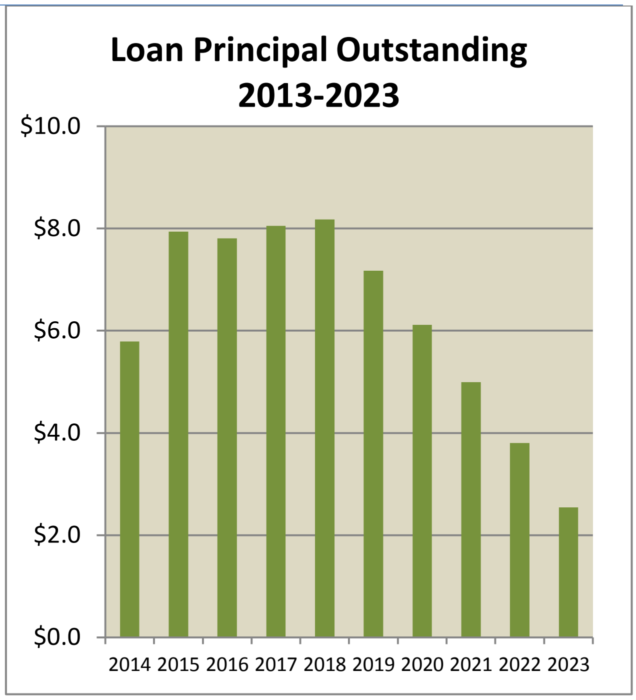
Borrowing is also seen as advantageous with current low interest rates and Council's ability to access cash advance debentures, which allow it to borrow only the amounts required on a short term basis.

The Plan provides for new loans of $9 million during the first five years, with no further loans proposed in later years. The strategy is for rate revenue to assume the role of funding new assets after 2018, which will also allow the repayment of earlier loans and the release of further funds into the future.

Council's Net Financial Liabilities (amounts owed less amounts held) will increase from $6.3 million in 2014 to $11.8 million in 2018, only to reduce quickly to zero by the end of the Plan. The peak ratio of 48% in 2018 is within the target range set by Council (30-70%) and not uncommon amongst Councils with asset renewal backlogs and increasing community development demands.

The following graphs show the planned annual principal and interest repayments and reducing principal amount outstanding at the end of each financial year.





Council's principal and interest repayments will represent 5% of total rate revenue in 2014, 10% in 2018 and returning to 5% by 2023 (taking into account planned increases in rate revenue). Historically, it is not unusual for Councils to carry debt equating to 15-20% of rate revenue, and that a commitment of up to 10% is very manageable.

Appropriate use of debt is a valuable strategy for Councils to embrace to achieve their many important objectives. The amounts and methods of borrowing however need to be reviewed regularly to minimize Council's exposure and to maximize borrowing opportunities.

ASSET MANAGEMENT

The Port Pirie Regional Council has the important responsibility to ensure that its 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 a major element of achieving and maintaining financial sustainability. There is a clear and direct link between the development and implementation of Council's Asset Management Plan and its Long Term Financial Plan.

Council maintains an asset base valued at a replacement cost of about $270 million. Each asset requires ongoing maintenance and eventual renewal and replacement, and so the allocation of resources at the most cost effective time is critical to minimise its funding requirements.

Considerable funds are also allocated by Council for the acquisition and management of new assets. It must be acutely aware of the implications of acquiring these new assets, in particular to allow for future maintenance and replacement costs. It is not necessarily a good decision to expand Council's asset base if it incurs significant costs for future generations of ratepayers.

Council is committed to implementing a systematic methodology in order to apply appropriate asset management best practices across all areas of Council. This includes ensuring that assets are planned, created, operated, maintained, renewed and disposed of in accordance with Council's priorities for service delivery. Asset management relates directly to the goals and objectives within the Strategic Plan. A strategic approach to asset management will ensure that the Council delivers the highest appropriate level of service through its assets.

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.

ASSET MANAGEMENT POLICY

Council has adopted an Asset Management Policy which sets guidelines for implementing consistent asset management processes.

The principles of Council's Asset Management Policy include:

- All relevant legislative requirements together with political, social and economic environments are to be taken into account.
- An inspection regime will be used to ensure agreed service levels are maintained and to identify asset renewal priorities.
- Asset renewals required to meet agreed service levels and identified in infrastructure and asset management plans and long term financial plans, will be fully funded in the annual budget.
- Asset renewal plans will be prioritised and implemented progressively, based on agreed service levels and the effectiveness of the current assets to provide that level of service.
- Systematic and cyclic reviews will be applied to all asset classes and are to ensure that the assets are managed, valued and depreciated in accordance with appropriate best practice and applicable Australian Standards.
- Future life cycle costs will be reported and considered in all decisions relating to new services and assets and upgrading of existing services and assets.
- Future service levels will be determined in consultation with the community.

ASSET MANAGEMENT (cont'd)

ASSET MANAGEMENT PLANS

The Port Pirie Regional Council adopted its first Asset Management Plan in 2009, in accordance with the requirements of Section 122 of the Local Government Act 1999. The Plan has been thoroughly reviewed and is to be adopted by Council in June 2013.

Information from the Asset Management Plan has been used to formulate the Long Term Financial Plan and will be pivotal to annual review processes in the future.

The key objectives of the Asset Management Plan are to:

- Apply the Asset Management Framework to the Council's asset portfolio;
- Effectively manage the Council's financial investment in assets;
- Ensure community requirements and expectations are translated into services through the application of appropriate service levels;
- Demonstrate and facilitate the implementation of whole of life strategies;
- Effectively manage the risks associated with the portfolio;
- Use a set of specific goals and objectives to guide the development and implementation of strategies for management of Council's assets.

The Plan will continue to improve and develop the quality of information relating to the Council's asset base. This information, as it matures, will provide valuable input to the Long Term Financial Plan and strategy to fully fund the renewal of Council's assets in the most economic and effective timeframes.

CAPITAL WORKS PROGRAM

The Council has prepared a Capital Works Program to identify the extent and priority of works required to be undertaken over the next decade, which provides a sound basis for annual budgeting over that time.

The Program includes

- Programmed renewal and replacement of existing assets (eg roads, footpaths, buildings, parks infrastructure and equipment);
- Major new projects (Port Pirie CBD rejuvenation, Memorial Oval redevelopment, marine facilities); and
- Capital Revenues (eg plant sales, government grants).

More specifically, the following total budget allocations are proposed over the next ten years:

CAPITAL WORKS PROGRAM 2013-2023 ($million)

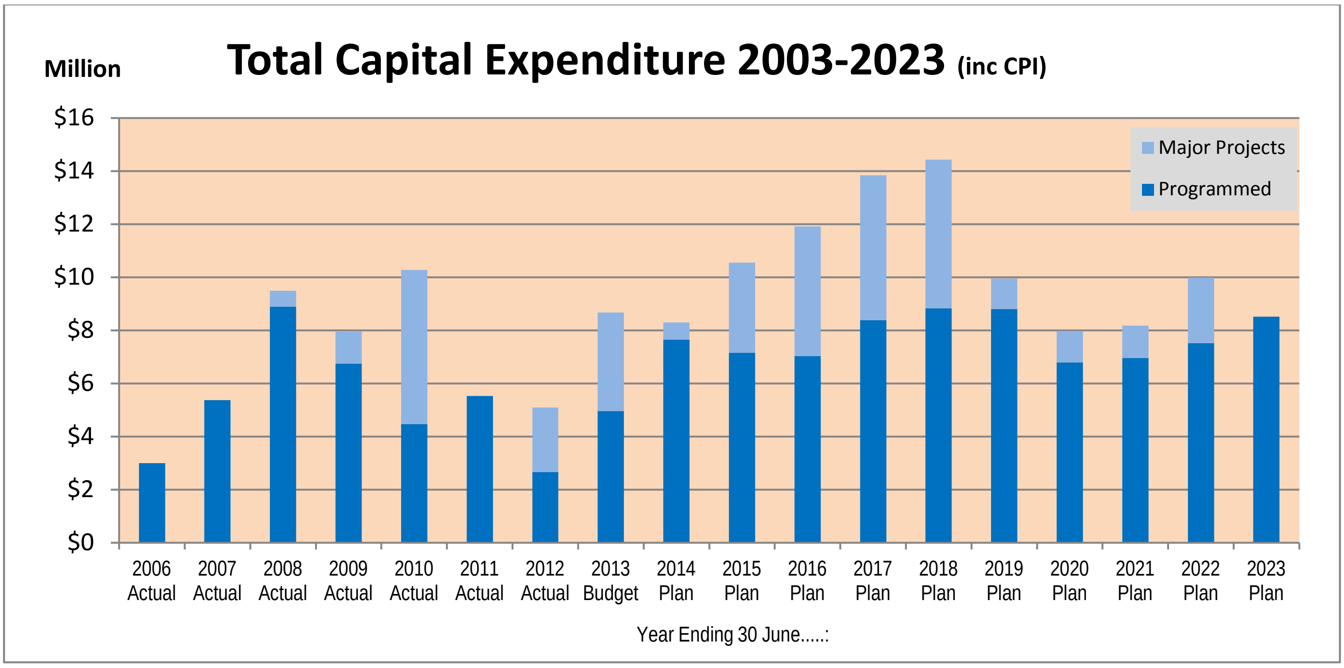
Public Conveniences	$1.0
Swimming Pools	$1.0
Recreation	$10.5
Parks and Gardens	$1.6
Marine Facilities	$5.3
Cemeteries	$0.3
Waste Facilities and Access	$0.8
Other Buildings/Structures	$1.2
Land Easements	$0.8
Sealed Roads	$28.2
Unsealed Roads	$9.1
Kerbing and Footpaths	$4.1
Stormwater Drainage	$9.9
CWMS	$0.8
Plant and Equipment	$8.3
PP CBD Rejuvenation	$7.0
Water Re-use	$2.0
Other	$0.6
TOTAL CAPITAL EXPENDITURE	**$92.5**

Comprising of:	
New and Upgraded Assets	$30.0
Renewed and Replaced Assets	$63.5

Funded by:	
Grants and Contributions	$18.3
Asset Sales	$2.1
General Revenue	$72.1

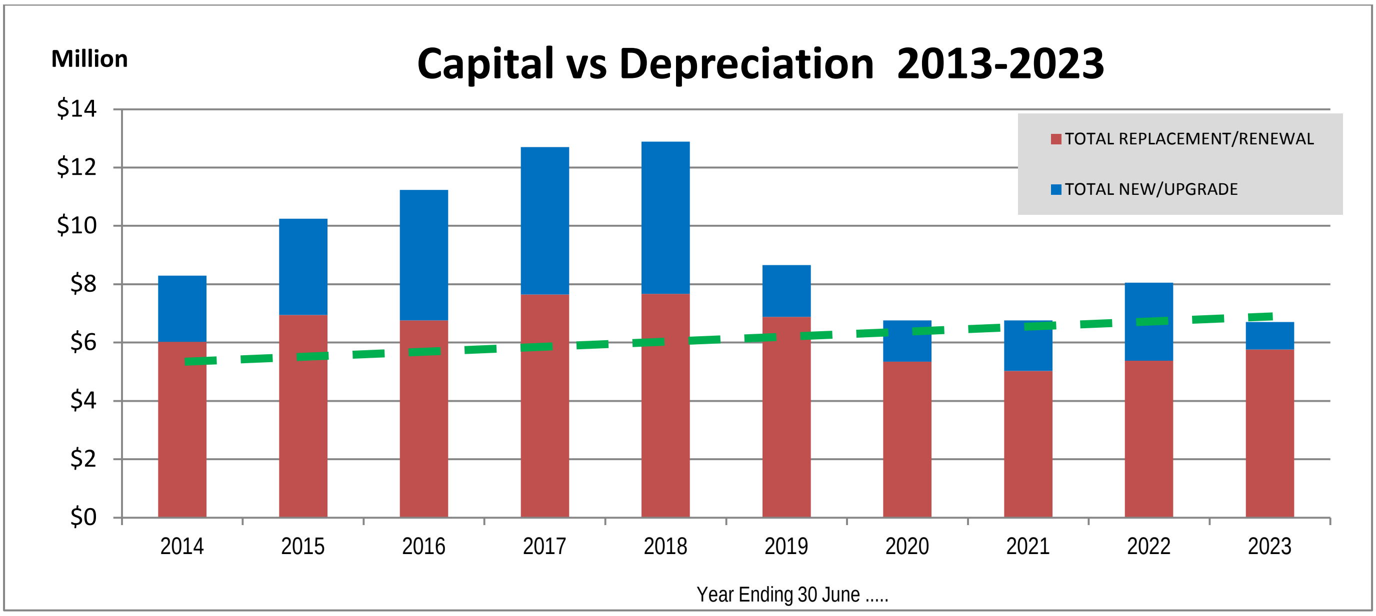
ASSET MANAGEMENT (cont'd)

The following graph illustrates that the Capital Works Program commits to a much higher level of works over the next ten years than in the past period, to both address a previous shortfall in renewal works and for several new major projects to meet expected community demand.



An important consideration of capital works planning is the classification of projects as New/Upgrade or Renewal/Replacement assets (or proportions thereof) to enable the Council to assess whether it is committing sufficient resources to adequately replace its existing asset base over the longer term.

A total of $63 million is committed for this purpose, which is 2% more than the depreciation cost over the same period. These allocations, along with estimated depreciation (shown in green) are shown below.

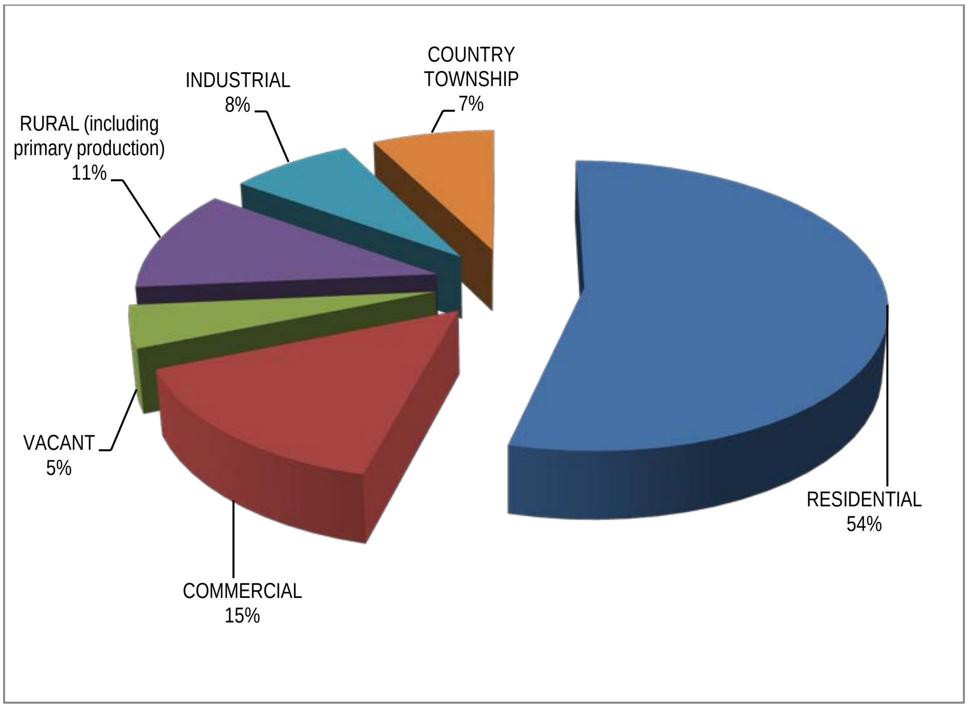


The Long Term Financial Plan intentionally omits major projects to which Council has made no formal commitment. Any such project will be critically assessed against Council's capacity to meet any necessary loan repayments, depreciation expenses and lifecycle maintenance costs of the particular project, and be measured for priority against projects already included in the Plan.

RATING IMPACT

Chapter 10 of the Local Government Act (LGA) 1999 sets out the provisions with which Council must comply in setting property rates. As part of the Annual Business Plan and Budget preparation process, Council reviews its approach to the setting of property rates.

The current distribution of the rate 'burden' by category is shown in the chart below:



Port Pirie Regional Council employed the services of John Comrie (former CEO of both the Local Government Association of SA and the Department of Local Government) to undertake an independent review of Council's rating system in 2011. The main findings of this independent review were as follows:

- Council's rating system is structurally sound.
- The average residential rate is well below the State average and the non-metro State average.
- The rate charged for commercial properties, relative to residential properties was slightly higher than other Council's (however as noted above, the residential rate itself is extremely low by industry standards).
- The farmland/rural rate was low relative to the residential rate when compared to neighbouring Councils.
- That the average income of residents was slightly below the State average.
- That Council's expenditure was relatively high when compared to other Councils and its low rate base.

Based on these findings, Council resolved at its meeting held in June 2011:

That Council as part of the review of its Long Term Financial Plan seeks to, in the short to medium term (3-5 years), minimise the gap between Council's average residential rate and the State non-metro average residential rate; and

That Council as part of the review of its Long Term Financial Plan seeks to, in the short to medium term (3-5 years), increase and maintain its Regional Rural and Primary Production differential rates at 80% of the residential differential rate.

That Council as part of the review of its Long Term Financial Plan seeks to, in the short to medium term (3-5 years), achieve a Commercial and Light Industrial rate at 200% of the residential differential rate.

RATING IMPACT (Cont'd)

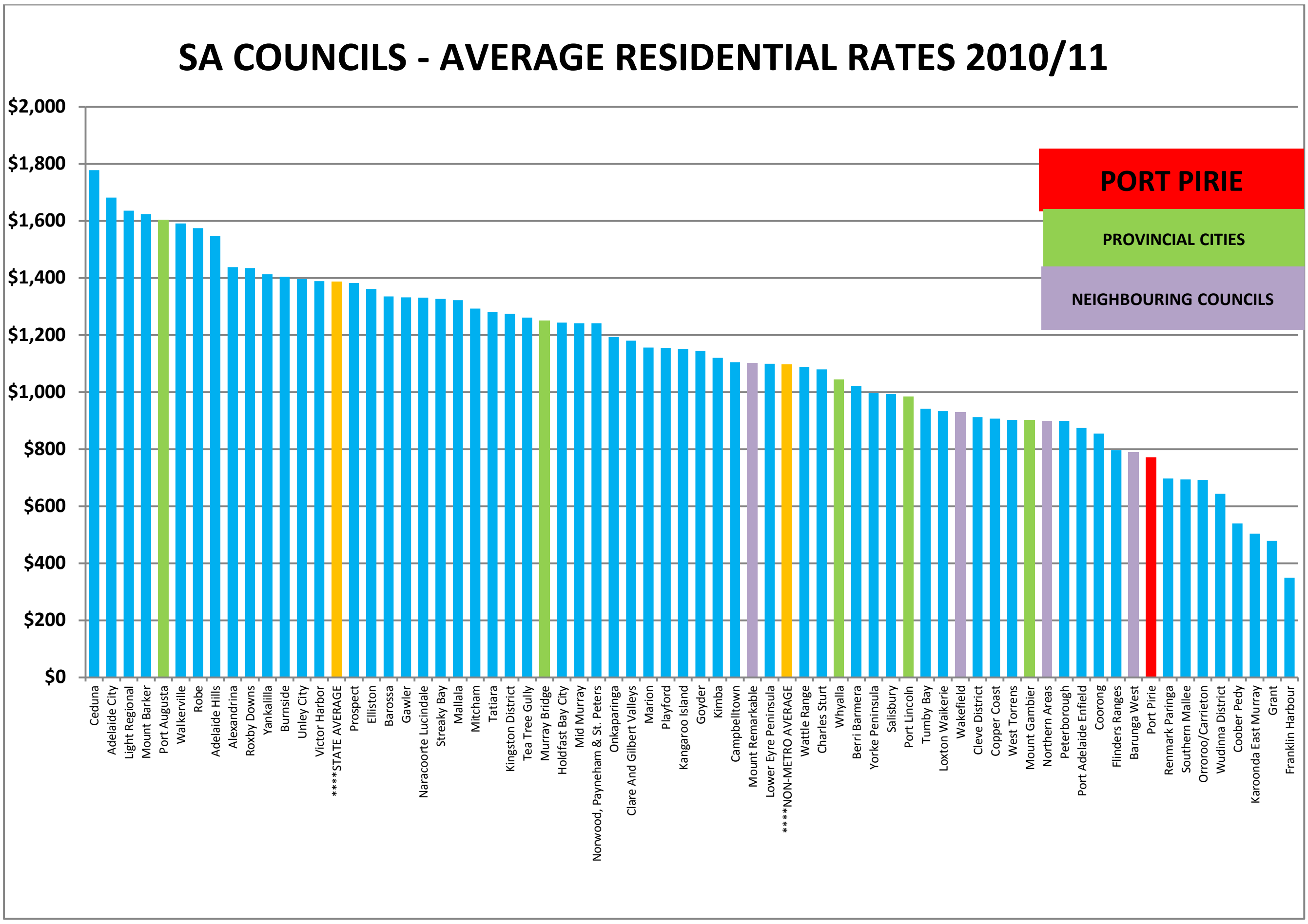
The process was commenced in the 2011/12 year and continued into the 2012/13 year.

The independent review confirmed that Council has for a considerable amount of time, charged some of the lowest average residential rates in the State. This practice has significantly limited the amount of works it can undertake, and is partially responsible for Council's under-performance in asset renewal.

The shortfall between the average non-metropolitan average rate and that of the Port Pirie Regional Council equated to more than $2 million per year. The decisions of the past two years and the proposals of the Long Term Financial Plan seek to address this deficiency to enable Council to more adequately plan for its future.

The graph below indicates the actual average residential rates (as published by the Local Government Grants Commission) for Port Pirie Regional Council, together with those of all other Councils in the State. The graph shows that Port Pirie Regional Council has the lowest rate of all of its peer regional Councils and also amongst its neighbours.

Importantly, Council's average residential rate is shown as just **56% of the State Average** and **70% of the Non-Metropolitan Average** (shown in orange). The gap has closed slightly in the previous two years to be 67% and 80% respectively.



Source: Local Government Grants Commission 2010/11 (most recent available)

The Long Term Financial Plan provides for increases in total rate revenue of 9% (+CPI) in 2014, 6% for the following four years and decreasing to 3% for the final years of the Plan (each plus CPI).

While the early increases may appear excessive, it should be remembered that percentages are derived from a low base. *For example, an increase of $100 would equate to 10% of Port Pirie's average rate, whereas the same $100 would represent just 6% of the State average.*

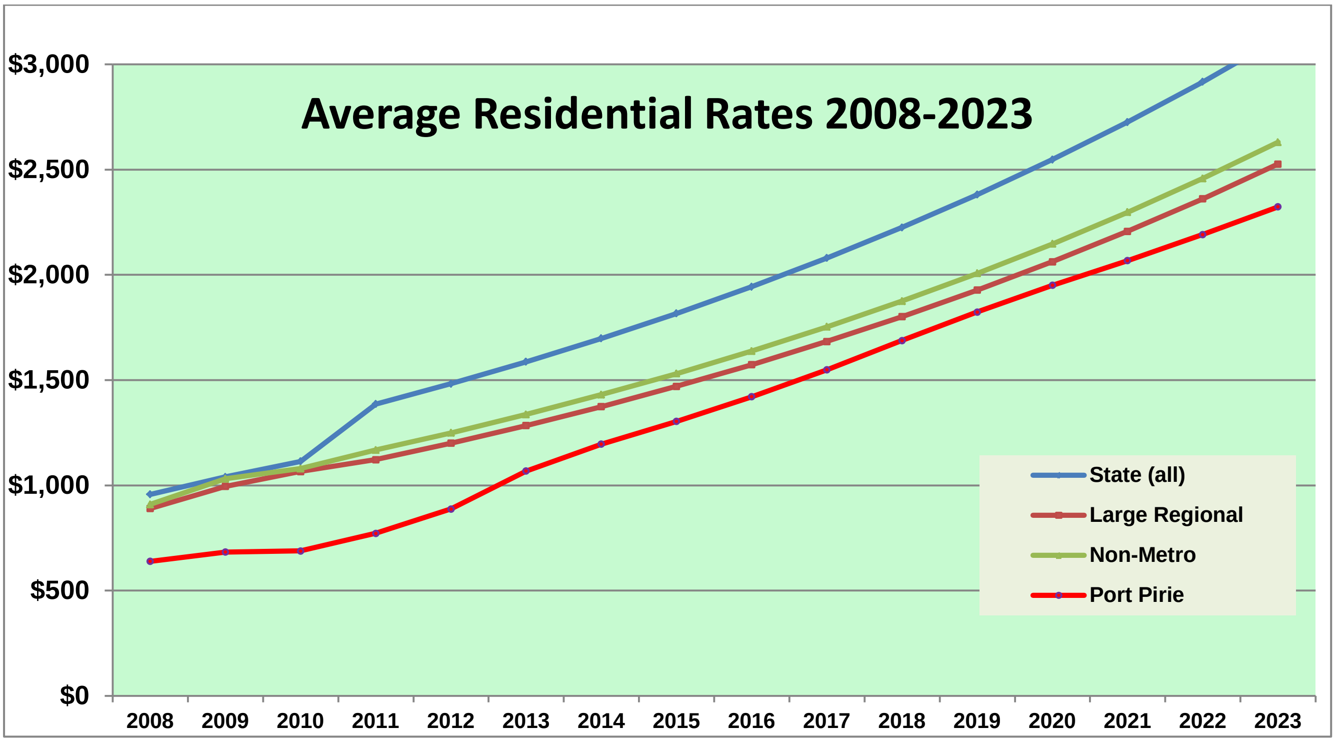
RATING IMPACT (Cont'd)

Council believes that the proposed rate increases are reasonable, taking into consideration Council's:

- Current low level of rating;
- Intention to address backlogs of asset renewals;
- Plans for major new initiative and projects;
- Intention to repay loans initially and to fund future projects through rate revenue;
- Strategy to ensure that current ratepayers are responsible for their own current costs and services, and not deferring them for future generations of ratepayers;
- Plans to achieve and maintain financial sustainability in the near future.

Another important consideration is the historical and future impacts of rate policy. The following graph shows the average residential rates of the Port Pirie Regional Council, along with the State, Large Regional and all Non-Metropolitan Councils. Council's projections to 2023 are based on those contained in the Long Term Financial Plan, while the other averages are based on (conservative) historical trends.

The graph demonstrates that even with the proposed rates growth over the next ten years, Port Pirie Regional Council's residential rates will still be substantially less than each of the stated average rates.



Source: Local Government Grants Commission 2010/11 and estimated rate increases based on historical data

In setting rates for the Long Term Financial Plan, the Council has considered the following:

- service delivery needs and related expenditure priorities in relation to the Strategic Plan, Community needs, and Federal and State grants received;
- need for a significant capital works program to renew and upgrade essential infrastructure assets;
- resources required for the delivery of Council services;
- impact of rate increases on the community, including householders, businesses and primary producers;
- broad principle that the rate in the dollar should be the same for all properties except where there is clearly a different level of services available to ratepayers or some other circumstance which warrants variation from the broad principle;
- minimising the level of general rates required by levying fees and charges for goods and services on a user pays basis, where that is possible to recover the full cost of operating or providing the service or goods, with provision for concessions to those members of the community unable to meet the full cost;
- increase/decrease in capital values of properties.

RATING IMPACT (Cont'd)

The 2013 Rating Review has been conducted to review the proportion of rates to be payable by the various categories of ratepayers. The new strategy will replace the former structure with the following impacts:

- All rates will be charged according to the land use principle, whereby a rate in the dollar will be applied to each of Residential, Commercial, Industrial, Primary Production, Vacant and Other land uses. This principle was previously applied only to the Port Pirie city area;
- The fixed charge will continue to be applied to all properties, and continue to raise approximately 33% of all general rate revenue, with the remaining 67% raised through differential rates (via valuation);
- Primary Production rates will increase over the next three years to 80% of the Residential rate in the dollar (70% in 2012/13);
- Commercial and Industrial rates (excluding smelters) will reduce over the next three years to 200% of the Residential rate (250% in 2012/13);
- Vacant properties will continue to be rated at 200% of the Residential rate, to encourage development and recover a meaningful contribution towards associated costs;
- Other property will be charged at the same as the Residential rate, to provide some relief for sporting and community groups owning or leasing property. (200% in 2012/13);
- Residential properties in Port Pirie, Crystal Brook and towns will be unaffected (75% of all properties).

The review seeks to provide a more equitable method of recovering rates from properties across the district, in particular by allowing natural variations in valuations to determine the levels of rates payable within the various land use categories.

WASTE MANAGEMENT SERVICE CHARGE
In 2012, Council introduced a waste management service charge to recover the cost of kerbside collection and disposal on an equitable basis from all residential properties. An initial amount of $150 was charged for the existing service (12 months) and new service (9 months) for the 2012/13 year. This was based on estimated costs of contract costs of collection, haulage and disposal of waste collected under the new three bin service.

In 2013/14, with the benefit of known contract costs, the new charge was calculated to be $226. A reduced amount of $196 was however charged to recognise the delays of the previous year.

Council will continue to fully recover the costs of kerbside collection and disposal on an equitable basis. The Waste Management Service Charge is expected to increase by CPI in future years and has been included in the Long Term Financial Plan under this assumption.

COMMUNITY WASTEWATER MANAGEMENT SCHEME (CWMS)
The Council provides an effluent disposal system (CWMS) to residential and commercial properties in Napperby and Crystal Brook. The full cost of operating and maintaining the service is recovered through a service charge for each property unit for which the service is available. Where the service is provided to non-rateable properties, a service charge is levied against the property.

It is proposed to increase Community Wastewater Management Scheme fees by CPI over the life of this Plan. This will ensure that the schemes are able to fund the cost of operating and maintaining them. Any surplus generated is placed in reserve for future replacement or upgrades of the respective schemes.

NATURAL RESOURCE MANAGEMENT (NRM) LEVY
The Council collects the NRM levy on behalf of the State Government, and pays the amount to the Northern and Yorke NRM Board each year. Council has previously recovered this amount under a rating/valuation principle, whereby the higher the valuation, the higher the contribution. The Council has amended this approach for 2013/14 to a fixed charge of $28-50 for all properties in the district. This amount will vary in accordance with the amounts advised by the State Government.

APPENDICES

APPENDIX A : FINANCIAL INDICATORS AND TARGETS

Year Ending 30 June:	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Surplus Ratio	**-5%**	**-1%**	**2%**	**4%**	**6%**	**8%**	**9%**	**11%**	**12%**	**13%**
Operating Surplus Ratio Target Min%	-7.5%	-5.0%	-2.5%	0.0%	2.5%	5.0%	5.0%	5.0%	5.0%	5.0%
Operating Surplus Ratio Target Max%	-2.5%	0.0%	2.5%	5.0%	7.5%	10.0%	10.0%	10.0%	10.0%	10.0%
Net Financial Liabilities Ratio	**30%**	**43%**	**44%**	**47%**	**48%**	**44%**	**32%**	**19%**	**8%**	**-6%**
Net Fin Liabilities Ratio Target Min%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Net Fin Liabilities Ratio Target Max%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Asset Sustainability Ratio	**100%**	**114%**	**109%**	**121%**	**120%**	**105%**	**80%**	**75%**	**79%**	**84%**
Asset Sustainability Ratio Target Min%	100%	100%	100%	100%	100%	90%	90%	90%	90%	90%
Asset Sustainability Ratio Target Max%	120%	120%	120%	120%	120%	110%	110%	110%	110%	110%

APPENDIX B : FINANCIAL STATEMENTS AND FINANCIAL INDICATORS

Port Pirie Regional Council - Long Term Financial Plan

STATEMENT OF COMPREHENSIVE INCOME	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
INCOME										
Rates - general	14,160	15,010	15,910	16,865	17,877	18,771	19,521	20,107	20,710	21,331
Statutory Charges	275	275	275	275	275	275	275	275	275	275
User Charges	1,287	1,257	1,287	1,257	1,287	1,257	1,287	1,257	1,287	1,257
Grants, subsidies and contributions	4,587	4,957	4,957	4,957	4,957	4,957	4,957	4,957	4,957	4,957
Investment Income	118	260	70	70	70	70	70	70	70	212
Reimbursements and Other	340	340	340	340	340	340	340	340	340	340
TOTAL INCOME	**20,767**	**22,099**	**22,839**	**23,764**	**24,806**	**25,669**	**26,450**	**27,006**	**27,639**	**28,372**
EXPENSES										
Employee Costs	6,085	6,325	6,580	6,835	7,090	7,345	7,600	7,825	8,050	8,275
Materials, contracts & other expenses	9,637	9,872	9,412	9,442	9,520	9,592	9,557	9,522	9,640	9,612
Finance Charges	210	329	316	358	441	490	469	304	108	102
Depreciation, amortisation & impairment	5,800	5,900	6,000	6,100	6,200	6,300	6,400	6,500	6,600	6,700
TOTAL EXPENSES	**21,732**	**22,426**	**22,308**	**22,735**	**23,251**	**23,727**	**24,026**	**24,151**	**24,398**	**24,689**
Operating Surplus/(Deficit) before Capital Revenue	**(965)**	**(327)**	**531**	**1,029**	**1,555**	**1,943**	**2,425**	**2,855**	**3,241**	**3,683**
CAPITAL REVENUE										
Asset disposal & fair value adjustments	-	-	-	-	-	-	-	-	-	-
Amounts received specifically for new or upgraded assets	1,410	1,230	4,000	4,100	4,250	650	600	500	1,000	100
TOTAL COMPREHENSIVE INCOME	**445**	**903**	**4,531**	**5,129**	**5,805**	**2,593**	**3,025**	**3,355**	**4,241**	**3,783**

Port Pirie Regional Council - Long Term Financial Plan

BALANCE SHEET	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
ASSETS										
Current Assets										
Cash and cash equivalents	3,811	-	-	-	-	-	-	-	2,834	6,780
Trade and other receivables	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051
Other	17	17	17	17	17	17	17	17	17	17
Total Current Assets	**4,879**	**1,068**	**1,068**	**1,068**	**1,068**	**1,068**	**1,068**	**1,068**	**3,902**	**7,848**
Non-current Assets										
Financial Assets	346	346	346	346	346	346	346	346	346	346
Infrastructure, Property, Plant and Equipment	181,031	185,159	190,164	196,501	202,953	205,017	205,174	205,273	206,571	206,408
Total Non-Current Assets	**181,377**	**185,505**	**190,510**	**196,847**	**203,299**	**205,363**	**205,520**	**205,619**	**206,917**	**206,754**
TOTAL ASSETS	**186,256**	**186,573**	**191,578**	**197,915**	**204,367**	**206,431**	**206,588**	**206,687**	**210,819**	**214,602**
LIABILITIES										
Current Liabilities										
Trade and other payables	3,466	3,466	3,466	3,466	3,466	3,466	3,466	3,466	3,466	3,466
Provisions	1,200	1,070	1,010	1,010	1,020	960	840	840	840	840
Total Current Liabilities	**4,666**	**4,536**	**4,476**	**4,476**	**4,486**	**4,426**	**4,306**	**4,306**	**4,306**	**4,306**
Non-current Liabilities										
Borrowings	5,486	5,260	5,964	7,342	8,159	7,810	5,063	1,806	1,698	1,698
Provisions	1,340	1,110	940	770	590	470	470	470	470	470
Total Non-Current Liabilities	**6,826**	**6,370**	**6,904**	**8,112**	**8,749**	**8,280**	**5,533**	**2,276**	**2,168**	**2,168**
TOTAL LIABILITIES	**11,492**	**10,906**	**11,380**	**12,588**	**13,235**	**12,706**	**9,839**	**6,582**	**6,474**	**6,474**
NET ASSETS	**174,764**	**175,667**	**180,198**	**185,327**	**191,132**	**193,725**	**196,749**	**200,105**	**204,345**	**208,128**
EQUITY										
Accumulated Surplus	54,922	55,825	60,356	65,485	71,290	73,883	76,907	80,263	84,503	88,286
Asset Revaluation Reserve	116,683	116,683	116,683	116,683	116,683	116,683	116,683	116,683	116,683	116,683
Other Reserves	3,159	3,159	3,159	3,159	3,159	3,159	3,159	3,159	3,159	3,159
TOTAL EQUITY	**174,764**	**175,667**	**180,198**	**185,327**	**191,132**	**193,725**	**196,749**	**200,105**	**204,345**	**208,128**

Port Pirie Regional Council - Long Term Financial Plan

UNIFORM PRESENTATION OF FINANCES	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Income	20,767	22,099	22,839	23,764	24,806	25,669	26,450	27,006	27,639	28,372
less Expenses	21,732	22,426	22,308	22,735	23,251	23,727	24,026	24,151	24,398	24,689
	(965)	**(327)**	**531**	**1,029**	**1,555**	**1,943**	**2,425**	**2,855**	**3,241**	**3,683**
less **Net Outlays on Existing Assets**										
Capital Expenditure on renewal/replacement of Existing Assets	6,021	6,946	6,763	7,653	7,667	6,884	5,342	5,029	5,383	5,767
less Depreciation, Amortisation and Impairment	(5,800)	(5,900)	(6,000)	(6,100)	(6,200)	(6,300)	(6,400)	(6,500)	(6,600)	(6,700)
less Proceeds from Sale of Replaced Assets	(210)	(220)	(230)	(260)	(230)	(290)	(200)	(160)	(160)	(170)
	11	**826**	**533**	**1,293**	**1,237**	**294**	**(1,258)**	**(1,631)**	**(1,377)**	**(1,103)**
less **Net Outlays on New and Upgraded Assets**										
Capital Expenditure on New and Upgraded Assets	2,320	3,303	4,473	5,045	5,215	1,770	1,415	1,730	2,675	940
less Amounts received specifically for New/upgraded Assets	(1,410)	(1,230)	(4,000)	(4,100)	(4,250)	(650)	(600)	(500)	(1,000)	(100)
less Proceeds from Sale of Surplus Assets	-	-	-	-	-	-	-	-	-	-
	910	**2,073**	**473**	**945**	**965**	**1,120**	**815**	**1,230**	**1,675**	**840**
Net Lending / (Borrowing) for Financial Year	**(1,886)**	**(3,225)**	**(474)**	**(1,208)**	**(647)**	**529**	**2,868**	**3,256**	**2,943**	**3,946**

FINANCIAL INDICATORS	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Surplus Ratio	**-5%**	**-1%**	**2%**	**4%**	**6%**	**8%**	**9%**	**11%**	**12%**	**13%**
Operating Surplus										
Rates - general & other less NRM levy										
Net Financial Liabilities Ratio	**30%**	**43%**	**44%**	**47%**	**48%**	**44%**	**32%**	**19%**	**8%**	**-6%**
Net Financial Liabilities										
Total Operating Revenue less NRM levy										
Asset Sustainability Ratio	**100%**	**114%**	**109%**	**121%**	**120%**	**105%**	**80%**	**75%**	**79%**	**84%**
Net Asset Renewals										
Depreciation Expense										