

Introduction

The Long Term Financial Plan (LTFP) serves an important function in Council's strategic planning process. The LTFP is one component of the Resourcing Strategy Council is required to have under the Integrated Planning and Reporting requirements of the Local Government Act 1993 (Sect 403) and covers the next 10 years from 2015-16 to 2024-25.

The purpose of the LTFP is to provide a guide for future action. It is a tool to assess the community's aspirations and goals against financial realities. It will be used to inform decision making during the development of the Delivery Program (DP) and Operational Plan (OP).

The LTFP includes:

- 1) Councils financial objectives
- 2) Current financial position
- 3) Financial Strategies
- 4) Scenario analysis and projected financial statements
- 5) Key Assumptions
- 6) Sensitivity analysis

Eurobodalla Shire Council (ESC) has three main operating funds: General Fund (includes Environment and Waste), Water Fund and Sewer Fund. Separate rates are raised to fund general, environmental, waste, sewer and water services and can only be spent on these specific services requiring the need for separate accountability.

The LTFP provides Financial Statements and Performance Measures for the whole of Council (Consolidated) and the three funds separately. For the Special Rate Variation (SRV) we have provided two different scenarios as follows:

1. Base case – business as usual (only the rate peg amount estimated at 3%)
2. SRV case – general rate increase of 5% for 3 years above the rate peg amount (estimated 3%) with associated community and transport infrastructure program.

It is highlighted that the SRV is only to be applied to residential, business and farmland rates; these are known as your general rates. The SRV is not to be applied to other charges such as the environmental levy, water, sewerage, waste and stormwater.

In accordance with legislation, the LTFP is updated on an annual basis as more information becomes known during the development of the Operational Plan and reviewed in detail as part of the four yearly review of the Community Strategic Plan (CSP) following the most recent council elections. This current version has been updated as part of the IPART Special Rate Variation application requirements.

1. Councils Financial Objectives

Eurobodalla Shire Councils financial objective is to be financially sustainable.

The New South Wales Treasury Corporation (TCorp) defines financial sustainability as “where a council is able to generate sufficient funds over the long term to provide for the planned level and scope of services and infrastructure for communities as identified through the CSP process”.

Council’s goal is to achieve a break even operating result to provide adequate service delivery. This would include funding of maintenance and renewal programs to maintain the condition of infrastructure and funding to upgrade the existing infrastructure to meet community expectations.

In 2013, the Local Government Review Panel made a number of recommendations to reform local government in NSW and to lay the foundations for a stronger system of local government and stronger local communities. The Office of Local Government (OLG) have released a program for making NSW local government “Fit for the Future”. The program is asking councils to make the transition to become financially sustainable, efficient and to provide effective infrastructure and service management. The report noted that many councils are financially unsustainable. Council must demonstrate to OLG by the 30 June 2015 how it will meet the criteria.

Council is also responsible to the community for sound financial and asset management as well as effective and efficient delivery of service and outcomes as per the CSP. Council has a responsibility both to its community and the state government.

The Fit for the Future criteria provides financial indicators and benchmarks to assess financial sustainability, effective infrastructure and service provision and efficiency. The indicators are relevant to council’s objective to be financially sustainable and the SRV proposal. They are as follows:

1. Financial Sustainability indicators

a. Operating Performance ratio

Benchmark – between surplus of 5% and deficit of -3% averaged over 3 years

The operating performance ratio is calculated by dividing the operating result, excluding capital grants and contributions by operating revenue, excluding capital grants and contributions.

This ratio measures a council’s ability to generate sufficient revenues to address expenditure requirements for the delivery of services and infrastructure. This includes the adequate funding for required maintenance and renewals measured by the consumption of assets (depreciation).

b. Building and infrastructure asset renewal ratio

Benchmark – 100% averaged over 3 years

The building and infrastructure asset renewal ratio is calculated by dividing the renewal expenditure on buildings and infrastructure assets by depreciation. Depreciation measures the wear and tear or consumption of assets and to maintain the condition of infrastructure an equivalent amount of funds needs to be set aside for renewal programs.

A ratio of less than 100% may indicate that the infrastructure backlog is increasing. Whilst Council has adopted the benchmark by IPART, there may be periods where the renewal requirements are lower than depreciation so that the backlog is not increasing. As long as the funds are being set aside then it is still achieving the objective of this indicator. For example, cash is accumulating in the Water Fund due to renewal of major items being required beyond the current short term planning period.

2. Effective infrastructure and service management

a. Infrastructure backlog ratio

Benchmark – less than 2% averaged over 3 years or an improvement

The infrastructure backlog ratio measures the estimated cost to bring assets to a satisfactory condition divided by the total infrastructure, building, other structure and depreciable land improvement assets.

The ratio measures the size of Councils backlog relative to its asset base and assesses if council can reduce it.

b. Asset Maintenance Ratio

Benchmark – greater than 1

The asset maintenance ratio reflects the actual asset maintenance expenditure relative to the required asset maintenance.

This ratio indicates whether councils are allowing their assets to degrade by not undertaking all the maintenance requirements and thereby adding to the backlog.

c. Debt Service Ratio

Benchmark – greater than 0% and less than 20%

The debt service ratio is calculated by dividing debt service costs (interest expenses and principal repayments) by operating revenue excluding capital grants and contributions.

Debt is seen as an effective method in financing infrastructure needs and Local Government has been encouraged to make more use of debt to reduce backlogs. Council proposes to use debt to leverage against its revenue to deliver the SRV infrastructure program in a more timely manner.

Council also aims to achieve inter-generational equity for ratepayers. This means that today's ratepayers are not paying for services tomorrows ratepayers will receive and vice versa. Debt funding of long lived infrastructure assets is an effective strategy to match both the costs and benefits of these assets so that ratepayers only pay for services they receive.

3. Efficiency

a. Efficiency ratio

Benchmark –improving over time

This ratio is calculated by dividing total expenditure by total population.

The efficiency ratio reflects Council's trend in real operational expenditure per capita. Whilst Council has used this criterion it does not agree on the reliability of this ratio in adequately tracking efficiency improvements. Both IPART and OLG acknowledge that many factors

affect efficiency and that it is difficult to measure. The measure assumes a constant level of service. However, typically service levels are increasing to meet community desires. For transparency and consistency with the Fit for the Future criteria Council has included this measure.

2. Current Financial Position

Council's current financial performance is not that dissimilar to many other councils. Particularly, the significant operating deficits in the General Fund. For example, NSW councils averaged an operating deficit ratio of 6% for 2012/13 according to data from OLG. Eurobodalla Shire Council's General Fund deficit ratio was 4.8% for 2013/14, which doesn't meet the Fit for the Future benchmarks.

Table 1 shows the recent history in operating performance for the General Fund. The General Fund consists of services funded from the general rate, environment rate and waste charges. The general rated element of the fund shows significant operating deficits before capital revenue. The operating results after capital revenue have been surpluses. However, capital revenues typically fund new or upgraded capital works and do not fund renewals or operating expenditure including depreciation. The exception to this has been grant funding in the boating area used to replace existing ramps in poor condition and one black spot funded project which resulted in the reconstruction of the road pavement on Tomakin

Table 1
Operating Performance
General Fund breakdown

Operating Result (after capital revenue)

	2009/10	2010/11	2011/12	2012/13	2013/14
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
Environment	(537)	(99)	(396)	(483)	(164)
Waste	1,600	1,012	1,552	1,757	1,297
General	3,709	4,354	2,266	3,246	585
Total	4,772	5,267	3,422	4,520	1,718

Operating Result (before capital revenue)

	2009/10	2010/11	2011/12	2012/13	2013/14
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
Environment	(537)	(164)	(396)	(483)	(244)
Waste	1,581	994	1,506	1,734	1,281
General	(851)	(1,548)	(1,821)	(2,160)	(4,028)
Total	193	(718)	(711)	(909)	(2,991)

Road. Renewal expenditure has typically been around 60%.

In contrast to the General Fund, the Waste, Sewer and Water Funds are in a sound financial position. They have the financial flexibility to maintain that position as they have separate charges and user fees to recover the cost of their capital base and recurrent operating costs of service provision. These funds are not rate pegged with their rates and charges set based on the cost of delivering the service.

The General Fund is unable to cover the full cost of the various services it provides and in particular the cost of maintaining and renewing the existing level of infrastructure. There are various reasons for this such as;

- rate pegging by the NSW government
- cost shifting by the Federal and State Government
- ageing long lived infrastructure
- increased community expectations for service delivery in a variety of areas
- costs faced by Local Government increasing faster than rate pegging (as identified in the NSW Local Road Construction Cost Forecasts 2010-2020 – IPWEA NSW Roads & Transport Directorate)

TCorp in 2012 completed an assessment of NSW Council's financial sustainability and their findings support Council's own assessment. The report comments on the Consolidated and General Fund. The key findings in their report are;

- Council's Consolidated financial sustainability rating was assessed as moderate and this means;
 - A local government with an adequate capacity to meet its financial commitments in the short to medium term and an acceptable capacity in the long term
 - While it has a record of reporting minor to moderate deficits they may also have recently reported a significant operating deficit
 - Council is likely to be able to address its operating deficits, manage unforeseen financial shocks and any adverse changes in its business, with moderate revenue and/or expense adjustments. The expense adjustments are likely to result in a number of changes to the range of and/or quality of services offered
 - Its capacity to manage core business risks is moderate
- Council is underspending on asset renewal and maintenance and if this continues then the backlog of infrastructure works will increase.
- General Fund results adversely affect the Consolidated results
- The forecast highlights deficit positions in the General Fund are expected in all 10 years when capital grants and contributions are excluded. This indicates Council could face financial sustainability issues in the future.
- TCorp assessed Council's Consolidated outlook as neutral and this means
 - There are no known foreseeable events that would have a direct impact on the financial sustainability of the Council.

- It may be possible for a rating upgrade or a downgrade to occur from a neutral outlook, if warranted by an event or circumstance.

It is important to note that the TCorp financial sustainability rating and outlook refers to the Consolidated entity and not the General Fund by itself.

In summary, Council's recent history and its current financial performance of the Consolidated position is relatively satisfactory due to the sound position of the Waste, Water and Sewer Funds. However, the financial sustainability and outlook for the General Fund are not satisfactory and without change the Fit for the Future criteria will not be met.

4. Financial Strategies

Council has been striving to find alternative funding sources such as grants to deliver services and employing strategies to find efficiencies and drive productivity. Service reviews, strategic plans for business development, recreation services and property management, energy efficiency initiatives, technological improvements and organisational restructures are part of this overall financial strategy. The operating deficits are significant and to address the infrastructure funding shortfall Council is considering a special rate variation to increase revenue. Other than direct government funding this is realistically the only remaining financial strategy to address infrastructure needs.

5. Scenarios analysis and projected financial statements

Council has projected the financial position over the next ten years under two separate scenarios.

The base case scenario models business as usual and the SRV case models a proposed general rate increase.

1. Base case – business as usual (only the rate peg amount estimated at 3%)
2. SRV case – general rate increase of 5% for 3 years above the rate peg amount (estimated 3%) with associated community and transport infrastructure program.

Table 2 presents the 10 year average impacts on the key indicators for the Base Case and SRV case (see page 35 for details).

Table 2
Consolidated Summary
10 year averages

Measure	Scenario			Benchmark
	Base	SRV	Difference	
Operating Performance	-\$5.5M	-\$3.8M	+\$1.7M	0
Operating Performance Ratio	-5.1%	-3.4%	1.7%	+5% - (3)%
Infrastructure Renewal Ratio	38%	42%	4%	100%
Debt Service Ratio	11%	12%	-1%	<20%
Asset Maintenance Ratio	1	1	0	1
Infrastructure Backlog Ratio	12%	6%	6%	<2%
Efficiency Ratio	\$2,526	\$2,559	-\$33	improving

General Fund Summary
10 year averages

Measure	Scenario			Benchmark
	Base	SRV	Difference	
Operating Performance	-\$5.9M	-\$4.1M	+\$1.8M	0
Operating Performance Ratio	-8.7%	-5.8%	2.85%	+5% - (3)%
Infrastructure Renewal Ratio	39%	51%	11%	100%
Debt Service Ratio	13%	14%	-1%	<20%
Asset Maintenance Ratio	1	1	0	1
Infrastructure Backlog Ratio	22%	10%	12%	<2%
Efficiency Ratio	\$1,648	\$1,681	-\$33	improving

In considering the above scenarios, it is important to highlight the following differences between the two.

BASE CASE

Council's base case was developed from the objectives of the Eurobodalla 2030 Community Strategic Plan. The base case maintains critical and priority infrastructure, significantly slowing the increase in the backlog of works but with unchanged levels of revenue. The gap between revenue and expenditure or the funding gap was identified and clearly explained during the process. Under the base case Council will face the need to increase renewal expenditure to manage ageing assets in the future. It is widely understood across all Councils in NSW that the real cost of maintaining assets and infrastructure is not able to be met by existing rating income. Eurobodalla's situation is not unique.

Base Case - Consolidated Result

Modelling shows that revenue will fall short of the cost of providing services by an average of \$5.5 million (net operating result before Capital Grants and Contributions) per year. This result is heavily influenced by the General Fund. The level of renewal expenditure is less than half that of the consumption of assets (depreciation). Further as cost increases for infrastructure work continues above rate pegging the infrastructure gap will continue to widen with time.

The following statements show the Consolidated projected Operating Result, Balance Sheet and Cash Flows for the ten years 2015-25 for the base case scenario. Financial indicators are shown for both the base and SRV case further below in the SRV case (page 35).

Eurobodalla Shire Council

10 Year Financial Plan for the Years ending 30 June 2025

INCOME STATEMENT - CONSOLIDATED

Scenario: Base Case

	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income from Continuing Operations										
Revenue:										
Rates & Annual Charges	54,118,013	55,613,474	57,087,882	58,370,586	59,713,109	61,086,511	62,491,501	63,928,805	65,399,168	66,903,349
User Charges & Fees	21,088,286	21,714,032	22,436,549	23,024,060	23,645,710	24,284,144	24,939,816	25,613,191	26,304,747	27,014,975
Interest & Investment Revenue	3,087,506	3,170,871	3,256,490	3,344,407	3,434,706	3,527,443	3,622,684	3,720,497	3,820,950	3,924,116
Other Revenues	2,024,470	2,086,038	2,156,198	2,214,415	2,274,204	2,335,608	2,398,669	2,463,433	2,529,946	2,598,255
Grants & Contributions provided for Operating Purposes	15,273,839	15,581,253	16,044,031	16,482,746	16,927,780	17,384,830	17,854,220	18,336,284	18,831,364	19,339,811
Grants & Contributions provided for Capital Purposes	4,919,330	1,887,966	1,613,981	1,587,451	1,630,312	1,674,330	1,719,537	1,765,965	1,813,646	1,862,614
Other Income:										
Net gains from the disposal of assets	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	100,511,444	100,053,634	102,595,131	105,023,665	107,625,821	110,292,866	113,026,427	115,828,175	118,699,820	121,643,119
Expenses from Continuing Operations										
Employee Benefits & On-Costs	36,085,317	37,023,037	38,091,649	39,115,981	40,172,113	41,256,760	42,370,692	43,514,701	44,689,598	45,896,217
Borrowing Costs	4,348,253	4,590,408	5,000,052	4,646,558	4,308,440	4,076,788	3,996,524	3,597,187	3,230,180	3,317,395
Materials & Contracts	19,419,567	20,415,671	20,465,809	21,163,797	21,790,952	22,865,447	23,243,697	23,980,128	24,671,174	25,337,295
Depreciation & Amortisation	32,004,153	33,574,692	35,041,035	35,878,598	36,881,341	38,266,768	39,413,483	40,462,809	41,540,467	42,662,060
Other Expenses	7,266,594	7,461,905	7,608,776	7,814,213	8,025,197	8,241,877	8,464,407	8,692,947	8,927,656	9,168,703
Net Losses from the Disposal of Assets	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	99,123,884	103,065,713	106,207,320	108,619,147	111,178,042	114,707,639	117,488,804	120,247,771	123,059,075	126,381,670
Net Operating Result for the Year	1,387,561	(3,012,079)	(3,612,189)	(3,595,482)	(3,552,220)	(4,414,774)	(4,462,377)	(4,419,597)	(4,359,255)	(4,738,551)
Net Operating Result before Grants and Contributions provided for Capital Purposes	(3,531,769)	(4,900,046)	(5,226,171)	(5,182,933)	(5,182,532)	(6,089,104)	(6,181,914)	(6,185,561)	(6,172,900)	(6,601,165)

Eurobodalla Shire Council
10 Year Financial Plan for the Years ending 30 June 2025
BALANCE SHEET - CONSOLIDATED

Scenario: Base Case

	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS										
Current Assets										
Cash & Cash Equivalents	21,941,576	27,524,541	33,828,656	42,701,365	32,606,430	39,701,375	49,815,593	61,502,362	73,979,905	86,532,938
Investments	43,122,129	43,117,585	43,117,585	43,117,585	39,736,120	39,693,581	39,693,581	39,693,581	39,693,581	39,693,581
Receivables	9,918,043	10,190,323	10,521,246	10,746,823	11,011,574	11,289,495	11,564,616	11,859,854	12,167,868	12,167,868
Inventories	512,588	537,275	520,850	541,243	553,880	588,143	584,194	601,891	616,166	616,166
Other	306,215	307,203	333,653	330,300	339,007	350,220	357,561	367,420	377,130	377,130
Non-current assets classified as "held for sale"	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
Total Current Assets	75,842,552	81,718,928	88,363,991	97,479,316	84,289,012	91,664,813	102,057,544	114,067,108	126,876,650	139,429,683
Non-Current Assets										
Investments	215,396	215,370	215,370	215,370	215,370	215,370	215,370	215,370	215,370	215,370
Receivables	40,814	19,800	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	1,236,797,640	1,231,583,127	1,218,172,013	1,199,408,548	1,205,117,948	1,192,930,372	1,172,097,719	1,150,730,922	1,128,815,559	1,105,286,008
Total Non-Current Assets	1,237,053,850	1,231,818,297	1,218,387,383	1,199,623,918	1,205,333,319	1,193,145,742	1,172,313,089	1,150,946,292	1,129,030,929	1,105,501,378
TOTAL ASSETS	1,312,896,402	1,313,537,226	1,306,751,374	1,297,103,234	1,289,622,331	1,284,810,556	1,274,370,634	1,265,013,400	1,255,907,579	1,244,931,061
LIABILITIES										
Current Liabilities										
Payables	4,496,000	4,621,191	4,643,038	4,755,746	4,854,959	5,009,624	5,071,355	5,188,690	5,299,488	5,299,488
Borrowings	9,919,411	9,537,567	8,760,939	8,119,928	5,892,381	10,105,785	7,155,410	6,073,969	6,296,124	6,296,124
Provisions	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764
Total Current Liabilities	23,500,176	23,243,523	22,488,742	21,960,438	19,832,104	24,200,173	21,311,530	20,347,423	20,680,376	20,680,376
Non-Current Liabilities										
Borrowings	57,299,198	61,208,752	58,789,872	53,175,517	51,195,168	46,070,097	42,531,195	38,017,665	32,308,145	26,070,179
Provisions	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236
Total Non-Current Liabilities	59,304,433	63,213,988	60,795,108	55,180,753	53,200,404	48,075,333	44,536,431	40,022,901	34,313,381	28,075,415
TOTAL LIABILITIES	82,804,609	86,457,511	83,283,849	77,141,191	73,032,508	72,275,506	65,847,961	60,370,324	54,993,757	48,755,791
Net Assets	1,230,091,794	1,227,079,715	1,223,467,525	1,219,962,043	1,216,589,823	1,212,535,049	1,208,522,673	1,204,643,076	1,200,913,822	1,196,175,270
EQUITY										
Retained Earnings	711,091,794	708,079,715	704,467,525	700,962,043	697,589,823	693,535,049	689,522,673	685,643,076	681,913,822	677,175,270
Revaluation Reserves	519,000,000	519,000,000	519,000,000	519,000,000	519,000,000	519,000,000	519,000,000	519,000,000	519,000,000	519,000,000
Total Equity	1,230,091,794	1,227,079,715	1,223,467,525	1,219,962,043	1,216,589,823	1,212,535,049	1,208,522,673	1,204,643,076	1,200,913,822	1,196,175,270

Eurobodalla Shire Council

10 Year Financial Plan for the Years ending 30 June 2025

CASH FLOW STATEMENT - CONSOLIDATED

Scenario: Base Case

	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	54,072,568	55,567,538	57,037,516	58,328,363	59,669,131	61,041,521	62,445,476	63,881,722	65,351,002	66,854,075
User Charges & Fees	20,939,754	21,566,946	22,272,896	22,880,360	23,495,243	24,129,614	24,781,114	25,450,204	26,137,359	26,843,068
Interest & Investment Revenue Received	3,103,530	3,163,656	3,244,885	3,325,486	3,411,093	3,496,996	3,601,539	3,685,908	3,780,433	3,882,505
Grants & Contributions	20,186,461	17,457,444	17,639,954	18,055,833	18,540,502	19,041,095	19,555,205	20,083,195	20,625,442	21,182,329
Other	1,983,060	2,040,014	2,086,839	2,196,208	2,236,205	2,296,557	2,358,539	2,422,193	2,487,565	2,554,729
Payments:										
Employee Benefits & On-Costs	(36,085,317)	(37,023,037)	(38,091,649)	(39,115,981)	(40,172,113)	(41,256,760)	(42,370,692)	(43,514,701)	(44,689,598)	(45,896,217)
Materials & Contracts	(19,401,225)	(20,329,846)	(20,473,085)	(20,987,874)	(21,546,352)	(22,409,858)	(22,749,301)	(23,364,643)	(23,969,012)	(24,616,175)
Borrowing Costs	(4,102,549)	(4,338,070)	(4,740,901)	(4,380,409)	(4,035,105)	(3,796,073)	(3,708,231)	(3,301,110)	(2,926,109)	(3,005,114)
Other	(7,266,594)	(7,461,905)	(7,608,776)	(7,814,213)	(8,025,197)	(8,241,877)	(8,464,407)	(8,692,947)	(8,927,656)	(9,168,703)
Net Cash provided (or used in) Operating Activities	33,429,688	30,642,741	31,367,681	32,487,774	33,573,407	34,301,216	35,449,240	36,649,821	37,869,427	38,630,497
Cash Flows from Investing Activities										
Receipts:										
Sale of Investment Securities	2,543,298	4,570	-	-	3,381,466	42,539	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	501,735	767,242	455,641	1,510,160	510,434	510,716	511,005	511,302	511,608	525,421
Deferred Debtors Receipts	19,924	20,462	21,014	21,582	22,164	22,763	23,377	24,009	24,657	25,322
Payments:										
Purchase of Infrastructure, Property, Plant & Equipment	(35,164,522)	(29,127,421)	(22,085,562)	(18,625,293)	(43,101,176)	(26,589,908)	(19,091,835)	(19,607,314)	(19,854,179)	(20,390,241)
Net Cash provided (or used in) Investing Activities	(32,099,565)	(28,335,148)	(21,608,907)	(17,093,551)	(39,187,112)	(26,013,890)	(18,557,452)	(19,072,003)	(19,317,914)	(19,839,498)
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	14,153,112	13,194,784	6,082,908	2,239,425	3,638,698	4,700,000	3,328,215	1,264,362	-	-
Payments:										
Repayment of Borrowings & Advances	(10,900,208)	(9,919,411)	(9,537,567)	(8,760,939)	(8,119,928)	(5,892,381)	(10,105,785)	(7,155,410)	(6,073,969)	(6,237,966)
Net Cash Flow provided (used in) Financing Activities	3,252,904	3,275,373	(3,454,659)	(6,521,514)	(4,481,230)	(1,192,381)	(6,777,570)	(5,891,049)	(6,073,969)	(6,237,966)
Net Increase/(Decrease) in Cash & Cash Equivalents	4,583,027	5,582,965	6,304,115	8,872,709	(10,094,934)	7,094,944	10,114,218	11,686,769	12,477,543	12,553,033
plus: Cash, Cash Equivalents & Investments - beginning of year	17,358,548	21,941,576	27,524,541	33,828,656	42,701,365	32,606,430	39,701,375	49,815,593	61,502,362	73,979,905
Cash & Cash Equivalents - end of the year	21,941,576	27,524,541	33,828,656	42,701,365	32,606,430	39,701,375	49,815,593	61,502,362	73,979,905	86,532,938
<hr/>										
Cash & Cash Equivalents - end of the year	21,941,576	27,524,541	33,828,656	42,701,365	32,606,430	39,701,375	49,815,593	61,502,362	73,979,905	86,532,938
Investments - end of the year	43,337,525	43,332,956	43,332,956	43,332,956	39,951,490	39,908,951	39,908,951	39,908,951	39,908,951	39,908,951
Cash, Cash Equivalents & Investments - end of the year	65,279,101	70,857,497	77,161,612	86,034,321	72,557,921	79,610,326	89,724,544	101,411,313	113,888,856	126,441,890
<hr/>										
Representing:										
- External Restrictions	35,609,669	41,732,628	47,912,871	56,439,208	42,349,322	48,158,950	57,930,706	68,074,692	78,487,246	89,047,302
- Internal Restrictions	10,504,667	10,503,728	10,767,396	10,338,137	9,897,289	9,164,538	8,699,562	8,222,032	7,731,609	9,950,724
- Unrestricted	19,164,765	18,621,141	18,481,344	19,256,975	20,311,309	22,286,838	23,094,276	25,114,590	27,670,002	27,443,863
	65,279,101	70,857,497	77,161,612	86,034,321	72,557,921	79,610,326	89,724,544	101,411,313	113,888,856	126,441,890

Base Case - General Fund

The base case includes limited new capital works and is substantially a maintenance and renewal only budget. The infrastructure gap (the difference between what council should be spending and what council is spending on asset maintenance and renewals) is partially addressed, excluding road pavement annual renewals. The transport program's backlog (sum of all the work council should have but has not done to maintain and renew our assets) is not addressed.

The modelling shows that if Council continues with the current situation the result is an average annual operating deficit of \$5.9 million or an average annual operating deficit ratio of 9% with renewal expenditure that is on average 42% of depreciation. To balance the annual cash budgets renewal works are deferred as there are insufficient funds to cover all the required works, thereby increasing the backlog of infrastructure works.

When infrastructure is not maintained the condition deteriorates at an increasing rate and can potentially end up costing more. The outcome of Council's General Fund being financially unsustainable is deteriorating infrastructure. This also increases the risk to public safety and functionality of the assets which can also lead to reduced utilisation and user income.

Sufficient funds are required on an ongoing basis to cover the maintenance and renewal works to keep the infrastructure in its current condition. If Council's operating result is break even then Council has sufficient funds to cover both the requirements for renewal and maintenance. Annual reactive and preventative maintenance programs keep the assets in working order and renewal programs replace assets when they reach the end of their useful life.

The following statements show the General Fund projected Operating Result, Balance Sheet and Cash flows for the ten years 2015-25 for the base case scenario.

Eurobodalla Shire Council

10 Year Financial Plan for the Years ending 30 June 2025

INCOME STATEMENT - GENERAL FUND

Scenario: Base Case

	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income from Continuing Operations										
Revenue:										
Rates & Annual Charges	30,161,798	30,942,992	31,799,533	32,517,582	33,265,487	34,030,593	34,813,297	35,614,002	36,433,125	37,271,086
User Charges & Fees	10,860,600	11,210,190	11,649,081	11,945,363	12,267,888	12,599,120	12,939,297	13,288,658	13,647,451	14,015,933
Interest & Investment Revenue	2,486,711	2,553,854	2,622,814	2,693,622	2,766,350	2,841,041	2,917,749	2,996,529	3,077,435	3,160,526
Other Revenues	1,935,121	1,994,276	2,061,959	2,117,632	2,174,808	2,233,528	2,293,833	2,355,766	2,419,372	2,484,695
Grants & Contributions provided for Operating Purposes	14,852,829	15,140,228	15,582,037	16,009,703	16,441,965	16,885,898	17,341,817	17,810,046	18,290,918	18,784,772
Grants & Contributions provided for Capital Purposes	657,280	675,027	693,255	641,865	659,196	676,994	695,273	714,045	733,324	753,124
Other Income:										
Net gains from the disposal of assets	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	60,954,339	62,516,567	64,408,679	65,925,767	67,575,693	69,267,174	71,001,265	72,779,046	74,601,625	76,470,136
Expenses from Continuing Operations										
Employee Benefits & On-Costs	29,963,392	30,778,005	31,612,995	32,466,411	33,343,004	34,243,265	35,167,833	36,117,365	37,092,533	38,094,032
Borrowing Costs	2,954,991	3,141,998	3,317,577	3,183,062	2,957,333	2,716,690	2,518,690	2,239,752	2,002,483	2,056,550
Materials & Contracts	7,109,422	7,315,388	6,573,002	7,320,041	7,573,415	8,264,037	8,248,049	8,579,597	8,854,828	9,093,909
Depreciation & Amortisation	18,232,645	19,348,311	20,467,134	20,914,512	21,513,225	22,093,163	22,688,760	23,300,438	23,928,631	24,574,704
Other Expenses	6,716,287	6,896,740	7,028,352	7,218,117	7,413,006	7,613,157	7,818,713	8,029,818	8,246,623	8,469,282
Net Losses from the Disposal of Assets	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	64,976,738	67,480,442	68,999,060	71,102,144	72,799,982	74,930,313	76,442,045	78,266,970	80,125,098	82,288,476
Net Operating Result for the Year	(4,022,399)	(4,963,874)	(4,590,381)	(5,176,377)	(5,224,290)	(5,663,138)	(5,440,779)	(5,487,923)	(5,523,474)	(5,818,340)
Net Operating Result before Grants and Contributions provided for Capital Purposes	(4,679,679)	(5,638,902)	(5,283,635)	(5,818,242)	(5,883,485)	(6,340,132)	(6,136,052)	(6,201,968)	(6,256,798)	(6,571,464)

Eurobodalla Shire Council
10 Year Financial Plan for the Years ending 30 June 2025
BALANCE SHEET - GENERAL FUND

Scenario: Base Case	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS										
Current Assets										
Cash & Cash Equivalents	-	-	317,892	1,585,549	3,145,195	5,359,679	6,700,084	9,267,754	12,385,303	15,441,485
Investments	37,994,129	37,989,585	37,989,585	37,989,585	37,989,585	37,989,585	37,989,585	37,989,585	37,989,585	37,989,585
Receivables	6,511,963	6,692,275	6,928,743	7,057,333	7,222,469	7,398,084	7,568,137	7,755,469	7,952,665	7,952,665
Inventories	459,141	481,099	463,674	483,290	494,362	527,018	521,418	537,421	549,955	549,955
Other	145,601	138,414	135,240	128,898	132,168	137,796	139,401	143,370	147,030	147,030
Non-current assets classified as "held for sale"	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
Total Current Assets	45,152,834	45,343,374	45,877,135	47,286,656	49,025,780	51,454,162	52,960,625	55,735,600	59,066,539	62,122,721
Non-Current Assets										
Investments	215,396	215,370	215,370	215,370	215,370	215,370	215,370	215,370	215,370	215,370
Receivables	40,814	19,800	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	726,364,580	722,172,284	716,332,204	706,266,542	695,908,585	685,285,383	674,389,773	663,214,399	651,751,709	639,150,137
Total Non-Current Assets	726,620,790	722,407,454	716,547,575	706,481,912	696,123,956	685,500,753	674,605,143	663,429,770	651,967,080	639,365,508
TOTAL ASSETS	771,773,624	767,750,828	762,424,709	753,768,568	745,149,735	736,954,915	727,565,768	719,165,370	711,033,619	701,488,229
LIABILITIES										
Current Liabilities										
Payables	4,419,383	4,539,662	4,557,914	4,671,033	4,767,959	4,920,275	4,979,594	5,094,451	5,202,705	5,202,705
Borrowings	6,634,649	6,836,899	5,922,308	5,310,167	3,743,999	4,870,385	4,221,007	3,629,065	3,794,150	3,794,150
Provisions	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764
Total Current Liabilities	20,138,797	20,461,325	19,564,987	19,065,964	17,596,721	18,875,425	18,285,365	17,808,280	18,081,619	18,081,619
Non-Current Liabilities										
Borrowings	36,584,190	37,202,740	37,363,340	34,292,598	32,187,297	28,016,912	24,208,604	21,233,214	17,721,598	13,994,548
Provisions	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236
Total Non-Current Liabilities	38,589,426	39,207,976	39,368,576	36,297,834	34,192,533	30,022,148	26,213,840	23,238,450	19,726,833	15,999,784
TOTAL LIABILITIES	58,728,222	59,669,301	58,933,562	55,363,798	51,789,255	48,897,573	44,499,205	41,046,730	37,808,452	34,081,403
Net Assets	713,045,402	708,081,528	703,491,147	698,404,770	693,360,481	688,057,342	683,066,563	678,118,640	673,225,167	667,406,826
EQUITY										
Retained Earnings	449,125,402	444,161,528	439,571,147	434,484,770	429,440,481	424,137,342	419,146,563	414,198,640	409,305,166	403,486,826
Revaluation Reserves	263,920,000	263,920,000	263,920,000	263,920,000	263,920,000	263,920,000	263,920,000	263,920,000	263,920,000	263,920,000
Total Equity	713,045,402	708,081,528	703,491,147	698,404,770	693,360,481	688,057,342	683,066,563	678,118,640	673,225,166	667,406,826

Eurobodalla Shire Council

10 Year Financial Plan for the Years ending 30 June 2025

CASH FLOW STATEMENT - GENERAL FUND

Scenario: Base Case

	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	30,116,353	30,897,056	31,749,167	32,475,360	33,221,509	33,985,603	34,767,272	35,566,920	36,384,959	37,221,813
User Charges & Fees	10,801,615	11,155,072	11,579,883	11,898,649	12,217,037	12,546,897	12,885,663	13,233,575	13,590,882	13,957,836
Interest & Investment Revenue Received	2,502,735	2,546,639	2,611,209	2,674,701	2,742,737	2,810,594	2,896,604	2,961,940	3,036,918	3,118,915
Grants & Contributions	15,503,400	15,803,479	16,257,234	16,637,205	17,083,571	17,544,827	18,018,537	18,505,038	19,004,674	19,517,800
Other	1,893,711	1,948,252	1,992,600	2,099,425	2,136,808	2,194,477	2,253,702	2,314,526	2,376,991	2,441,170
Payments:										
Employee Benefits & On-Costs	(29,963,392)	(30,778,005)	(31,612,995)	(32,466,411)	(33,343,004)	(34,243,265)	(35,167,833)	(36,117,365)	(37,092,533)	(38,094,032)
Materials & Contracts	(7,087,987)	(7,223,572)	(6,553,247)	(7,139,942)	(7,324,099)	(7,803,605)	(7,748,679)	(7,959,005)	(8,147,421)	(8,367,401)
Borrowing Costs	(2,954,991)	(3,141,998)	(3,317,577)	(3,183,062)	(2,957,333)	(2,716,690)	(2,518,690)	(2,239,752)	(2,002,483)	(2,056,550)
Other	(6,716,287)	(6,896,740)	(7,028,352)	(7,218,117)	(7,413,006)	(7,613,157)	(7,818,713)	(8,029,818)	(8,246,623)	(8,469,282)
Net Cash provided (or used in) Operating Activities	14,095,156	14,310,184	15,677,923	15,777,809	16,364,219	16,705,681	17,567,863	18,236,059	18,905,364	19,270,269
Cash Flows from Investing Activities										
Receipts:										
Sale of Investment Securities	2,543,298	4,570	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	501,735	767,242	455,641	1,510,160	510,434	510,716	511,005	511,302	511,608	525,421
Deferred Debtors Receipts	19,924	20,462	21,014	21,582	22,164	22,763	23,377	24,009	24,657	25,322
Payments:										
Purchase of Infrastructure, Property, Plant & Equipment	(20,044,001)	(15,923,256)	(15,082,696)	(12,359,010)	(11,665,703)	(11,980,677)	(12,304,155)	(12,636,367)	(12,695,016)	(13,037,781)
Net Cash provided (or used in) Investing Activities	(16,979,044)	(15,130,983)	(14,606,041)	(10,827,268)	(11,133,104)	(11,447,198)	(11,769,772)	(12,101,056)	(12,158,751)	(12,487,038)
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	5,691,139	7,455,449	6,082,908	2,239,425	1,638,698	700,000	412,699	653,675	-	-
Payments:										
Repayment of Borrowings & Advances	(2,807,252)	(6,634,649)	(6,836,899)	(5,922,308)	(5,310,167)	(3,743,999)	(4,870,385)	(4,221,007)	(3,629,065)	(3,727,049)
Net Cash Flow provided (used in) Financing Activities	2,883,887	820,800	(753,991)	(3,682,883)	(3,671,469)	(3,043,999)	(4,457,686)	(3,567,332)	(3,629,065)	(3,727,049)
Net Increase/(Decrease) in Cash & Cash Equivalents	0	0	317,892	1,267,658	1,559,646	2,214,484	1,340,405	2,567,670	3,117,548	3,056,182
plus: Cash, Cash Equivalents & Investments - beginning of year	(0)	(0)	(0)	317,892	1,585,549	3,145,195	5,359,679	6,700,084	9,267,754	12,385,303
Cash & Cash Equivalents - end of the year	(0)	(0)	317,892	1,585,549	3,145,195	5,359,679	6,700,084	9,267,754	12,385,303	15,441,485
Cash & Cash Equivalents - end of the year	(0)	(0)	317,892	1,585,549	3,145,195	5,359,679	6,700,084	9,267,754	12,385,303	15,441,485
Investments - end of the year	38,209,525	38,204,956	38,204,956	38,204,956	38,204,956	38,204,956	38,204,956	38,204,956	38,204,956	38,204,956
Cash, Cash Equivalents & Investments - end of the year	38,209,525	38,204,956	38,522,847	39,790,505	41,350,151	43,564,635	44,905,040	47,472,710	50,590,258	53,646,441
Representing:										
- External Restrictions	8,540,093	9,080,087	9,274,107	10,195,392	11,141,553	12,113,259	13,111,202	14,136,089	15,188,648	16,251,853
- Internal Restrictions	10,504,667	10,503,728	10,767,396	10,338,137	9,897,289	9,164,538	8,699,562	8,222,032	7,731,609	8,272,821
- Unrestricted	19,164,765	18,621,141	18,481,344	19,256,975	20,311,309	22,286,838	23,094,276	25,114,590	27,670,002	29,121,766
	38,209,525	38,204,956	38,522,847	39,790,505	41,350,151	43,564,635	44,905,040	47,472,710	50,590,258	53,646,441

Base Case – Water Fund

The base case assumes existing services continue at similar levels including treatment, disinfection and fluoridation and includes only limited new water capital works. Council is currently reviewing its Integrated Water Cycle Management Strategy (IWCMS) and this could impact the extent of new capital works required. The review is due for completion by June 2015 and will be factored into the LTFP next year. Renewal expenditure is less than depreciation. However, it is sufficient considering the age and condition of the network and maintenance expenditure is satisfactory. The infrastructure backlog ratio is within benchmark as per Special Schedule 7 of the Financial Statements 2013-14.

The base case results in net operating surpluses in all years, both before and after capital revenue. The cash balance is accumulating to significant levels during the LTFP period due to the renewal of major items not required within the planning period. Any new capital requirements resulting from the IWCMS review would ideally be funded from the cash reserves to limit borrowing, provided this is timed such that it does not impact the funds needed for future renewals.

A provision for a dividend to the general fund is included in the LTFP, as the net operating results predict sufficient surplus in most years. Borrowings have been reduced to make use of the available cash balances. This strategy will reduce borrowing costs, improving profitability and thereby reducing the pressure on rates.

Best practice pricing compliance is maintained in this LTFP with an indicative stable steadily increasing pricing path.

The Water Fund with consistent and reasonable operating surpluses, a stable pricing path and positive cash balances indicates it is in a sound financial position.

The following statements show the Water Fund projected Operating Result, Balance Sheet and Cash flows for the ten years 2015-25.

Eurobodalla Shire Council

10 Year Financial Plan for the Years ending 30 June 2025

INCOME STATEMENT - WATER FUND

Scenario: Base Case

	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income from Continuing Operations										
Revenue:										
Rates & Annual Charges	6,006,143	6,166,003	6,329,792	6,472,933	6,621,810	6,774,112	6,929,917	7,089,305	7,252,359	7,419,163
User Charges & Fees	9,498,516	9,754,984	10,018,391	10,288,856	10,566,655	10,851,954	11,144,957	11,445,871	11,754,909	12,072,292
Interest & Investment Revenue	292,695	300,598	308,714	317,049	325,610	334,401	343,430	352,702	362,225	372,005
Other Revenues	48,269	49,572	50,911	52,285	53,697	55,147	56,636	58,165	59,735	61,348
Grants & Contributions provided for Operating Purposes	216,240	226,520	237,290	242,965	249,525	256,263	263,182	270,288	277,585	285,080
Grants & Contributions provided for Capital Purposes	513,500	527,365	541,603	556,227	571,245	586,668	602,508	618,776	635,483	652,641
Other Income:										
Net gains from the disposal of assets	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	16,575,362	17,025,042	17,486,700	17,930,315	18,388,542	18,858,545	19,340,629	19,835,107	20,342,297	20,862,530
Expenses from Continuing Operations										
Employee Benefits & On-Costs	5,398,348	5,501,920	5,715,477	5,865,788	6,024,164	6,186,817	6,353,861	6,525,415	6,701,601	6,882,545
Borrowing Costs	166,101	65,762	63,298	54,522	50,771	46,794	42,658	36,251	32,296	33,168
Materials & Contracts	3,069,665	3,226,381	3,823,779	3,883,005	3,987,846	4,095,518	4,206,097	4,319,661	4,436,292	4,556,072
Depreciation & Amortisation	6,568,259	6,772,086	6,727,079	6,925,853	7,112,851	7,304,898	7,502,131	7,704,688	7,912,715	8,126,358
Other Expenses	89,279	91,690	94,165	96,708	99,319	102,000	104,754	107,583	110,488	113,471
Net Losses from the Disposal of Assets	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	15,291,653	15,657,837	16,423,798	16,825,875	17,274,951	17,736,027	18,209,501	18,693,598	19,193,391	19,711,613
Net Operating Result for the Year	1,283,709	1,367,205	1,062,902	1,104,440	1,113,590	1,122,518	1,131,128	1,141,509	1,148,906	1,150,917
Net Operating Result before Grants and Contributions provided for Capital Purposes	770,209	839,841	521,299	548,213	542,346	535,850	528,620	522,732	513,423	498,276

Eurobodalla Shire Council
10 Year Financial Plan for the Years ending 30 June 2025
BALANCE SHEET - WATER FUND

Scenario: Base Case	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS										
Current Assets										
Cash & Cash Equivalents	10,202,244	15,349,150	20,023,838	24,690,326	29,461,235	34,341,695	39,334,105	44,454,298	49,691,976	55,042,061
Investments	745,000	745,000	745,000	745,000	745,000	745,000	745,000	745,000	745,000	745,000
Receivables	3,264,716	3,352,866	3,443,401	3,536,362	3,631,843	3,729,903	3,830,611	3,934,037	4,040,256	4,040,256
Inventories	53,448	56,177	57,176	57,953	59,518	61,125	62,775	64,470	66,211	66,211
Other	155,420	163,249	192,763	195,802	201,089	206,518	212,094	217,820	223,702	223,702
Total Current Assets	14,420,827	19,666,441	24,462,177	29,225,443	34,098,685	39,084,241	44,184,585	49,415,626	54,767,144	60,117,230
Non-Current Assets										
Infrastructure, Property, Plant & Equipment	270,487,330	266,539,811	262,739,479	259,011,174	255,182,206	251,249,855	247,211,331	243,063,767	238,804,219	234,546,126
Total Non-Current Assets	270,487,330	266,539,811	262,739,479	259,011,174	255,182,206	251,249,855	247,211,331	243,063,767	238,804,219	234,546,126
TOTAL ASSETS	284,908,157	286,206,252	287,201,656	288,236,618	289,280,891	290,334,097	291,395,917	292,479,393	293,571,363	294,663,356
LIABILITIES										
Current Liabilities										
Payables	11,588	12,172	14,373	14,599	14,994	15,398	15,814	16,241	16,680	16,680
Borrowings	69,693	69,699	69,705	69,711	69,717	565,628	259,493	57,375	60,281	60,281
Total Current Liabilities	81,282	81,871	84,077	84,310	84,711	581,027	275,307	73,616	76,960	76,960
Non-Current Liabilities										
Borrowings	1,066,691	996,992	927,288	857,577	787,859	222,231	458,642	602,301	542,020	483,096
Total Non-Current Liabilities	1,066,691	996,992	927,288	857,577	787,859	222,231	458,642	602,301	542,020	483,096
TOTAL LIABILITIES	1,147,973	1,078,863	1,011,365	941,887	872,570	803,258	733,949	675,916	618,980	560,057
Net Assets	283,760,184	285,127,389	286,190,291	287,294,731	288,408,321	289,530,839	290,661,968	291,803,476	292,952,382	294,103,300
EQUITY										
Retained Earnings	148,330,184	149,697,389	150,760,291	151,864,731	152,978,321	154,100,839	155,231,968	156,373,476	157,522,382	158,673,300
Revaluation Reserves	135,430,000	135,430,000	135,430,000	135,430,000	135,430,000	135,430,000	135,430,000	135,430,000	135,430,000	135,430,000
Total Equity	283,760,184	285,127,389	286,190,291	287,294,731	288,408,321	289,530,839	290,661,968	291,803,476	292,952,382	294,103,300

Eurobodalla Shire Council
10 Year Financial Plan for the Years ending 30 June 2025
CASH FLOW STATEMENT - WATER FUND

Scenario: Base Case	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	6,006,143	6,166,003	6,329,792	6,472,933	6,621,810	6,774,112	6,929,917	7,089,305	7,252,359	7,419,163
User Charges & Fees	9,412,686	9,666,834	9,927,856	10,195,895	10,471,173	10,753,895	11,044,250	11,342,444	11,648,690	11,963,205
Interest & Investment Revenue Received	292,695	300,598	308,714	317,049	325,610	334,401	343,430	352,702	362,225	372,005
Grants & Contributions	729,740	753,885	778,893	799,192	820,770	842,931	865,690	889,064	913,068	937,721
Other	48,269	49,572	50,911	52,285	53,697	55,147	56,636	58,165	59,735	61,348
Payments:										
Employee Benefits & On-Costs	(5,398,348)	(5,501,920)	(5,715,477)	(5,865,788)	(6,024,164)	(6,186,817)	(6,353,861)	(6,525,415)	(6,701,601)	(6,882,545)
Materials & Contracts	(3,074,222)	(3,236,354)	(3,852,091)	(3,886,594)	(3,994,303)	(4,102,149)	(4,212,907)	(4,326,656)	(4,443,475)	(4,563,449)
Borrowing Costs	(166,101)	(65,762)	(63,298)	(54,522)	(50,771)	(46,794)	(42,658)	(36,251)	(32,296)	(33,168)
Other	(89,279)	(91,690)	(94,165)	(96,708)	(99,319)	(102,000)	(104,754)	(107,583)	(110,488)	(113,471)
Net Cash provided (or used in) Operating Activities	7,761,581	8,041,166	7,671,134	7,933,742	8,124,503	8,322,725	8,525,741	8,735,776	8,948,219	9,160,811
Cash Flows from Investing Activities										
Payments:										
Purchase of Infrastructure, Property, Plant & Equipment	(2,694,848)	(2,824,567)	(2,926,747)	(3,197,549)	(3,283,883)	(3,372,548)	(3,463,606)	(3,557,124)	(3,653,166)	(3,751,802)
Net Cash provided (or used in) Investing Activities	(2,694,848)	(2,824,567)	(2,926,747)	(3,197,549)	(3,283,883)	(3,372,548)	(3,463,606)	(3,557,124)	(3,653,166)	(3,751,802)
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	-	-	-	-	-	-	495,904	201,034	-	-
Payments:										
Repayment of Borrowings & Advances	(1,509,688)	(69,693)	(69,699)	(69,705)	(69,711)	(69,717)	(565,628)	(259,493)	(57,375)	(58,924)
Net Cash Flow provided (used in) Financing Activities	(1,509,688)	(69,693)	(69,699)	(69,705)	(69,711)	(69,717)	(69,724)	(58,460)	(57,375)	(58,924)
Net Increase/(Decrease) in Cash & Cash Equivalents	3,557,045	5,146,906	4,674,688	4,666,488	4,770,909	4,880,460	4,992,410	5,120,192	5,237,678	5,350,086
plus: Cash, Cash Equivalents & Investments - beginning of year	6,645,199	10,202,244	15,349,150	20,023,838	24,690,326	29,461,235	34,341,695	39,334,105	44,454,298	49,691,976
Cash & Cash Equivalents - end of the year	10,202,244	15,349,150	20,023,838	24,690,326	29,461,235	34,341,695	39,334,105	44,454,298	49,691,976	55,042,061
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Cash & Cash Equivalents - end of the year	10,202,244	15,349,150	20,023,838	24,690,326	29,461,235	34,341,695	39,334,105	44,454,298	49,691,976	55,042,061
Investments - end of the year	745,000	745,000	745,000	745,000	745,000	745,000	745,000	745,000	745,000	745,000
Cash, Cash Equivalents & Investments - end of the year	10,947,244	16,094,150	20,768,838	25,435,326	30,206,235	35,086,695	40,079,105	45,199,298	50,436,976	55,787,061
<hr/>										
Representing:										
- External Restrictions	5,538,236	5,467,567	5,391,403	5,308,343	5,219,011	5,123,026	5,019,986	4,909,466	4,791,017	4,920,374
- Internal Restrictions	-	-	-	-	-	-	-	-	-	-
- Unrestricted	5,409,008	10,626,583	15,377,435	20,126,983	24,987,224	29,963,669	35,059,119	40,289,832	45,645,959	50,866,687
	10,947,244	16,094,150	20,768,838	25,435,326	30,206,235	35,086,695	40,079,105	45,199,298	50,436,976	55,787,061

Base Case – Sewer Fund

The base case for the Sewer Fund includes the following major capital works:

- Small towns sewer schemes at Bodalla and Rosedale/Guerrilla Bay over three years costing approximately \$15 million
- Batemans Bay Treatment Plant upgrade in 2015/16 with an estimated cost of \$5 million
- Tomakin Treatment Plant upgrade in 2019/20 estimated to cost \$20 million
- Malua Bay diversion in 2020/21 estimated to cost \$8 million

The small town's schemes will attract subsidies of \$4 million. Developer contributions, borrowings and available cash balances are expected to fund the remainder of the capital program. Available cash is taken into account to minimise the need for borrowing.

The base case results in net operating surpluses after capital revenue in most years. There are anticipated small deficits before capital revenue in the years following significant capital investment. This is due to high borrowing costs associated with the early stages of loan repayments. Cash balances remain significant during the LTFP period apart from the use of cash to fund capital works in the later years.

A provision for a dividend to the General Fund has been included in the years with surpluses.

The major capital works place pressure on the operating result. Increased borrowing, depreciation, operational and maintenance costs stretch the ability of rates to cover the net operating expenses. Council intends to continue compliance with best practice pricing by maintaining a stable pricing path. The capital works in 2019/20 and 2020/21 in particular, may require an adjustment to the pricing path. A clear position will not be known till closer to that time and it is only an indication at present.

The Sewer Fund with an indicative stable pricing path, close to break-even operating results and positive cash balances indicates it is in a reasonable financial position. Close monitoring of financial performance and position will be required to maintain a satisfactory result.

The following statements show the Sewer Fund projected Operating Result, Balance Sheet and Cash flows for the ten years 2015-25.

Eurobodalla Shire Council

10 Year Financial Plan for the Years ending 30 June 2025

INCOME STATEMENT - SEWER FUND

Scenario: Base Case

	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income from Continuing Operations										
Revenue:										
Rates & Annual Charges	17,950,072	18,504,478	18,958,557	19,380,071	19,825,812	20,281,806	20,748,287	21,225,498	21,713,684	22,213,099
User Charges & Fees	729,170	748,858	769,077	789,842	811,168	833,069	855,562	878,662	902,386	926,750
Interest & Investment Revenue	308,100	316,419	324,962	333,736	342,747	352,001	361,505	371,266	381,290	391,585
Other Revenues	41,080	42,189	43,328	44,498	45,700	46,933	48,201	49,502	50,839	52,211
Grants & Contributions provided for Operating Purposes	204,771	214,506	224,704	230,077	236,290	242,669	249,221	255,950	262,861	269,958
Grants & Contributions provided for Capital Purposes	3,748,550	685,574	379,123	389,359	399,871	410,668	421,756	433,143	444,838	456,849
Other Income:										
Net gains from the disposal of assets	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	22,981,742	20,512,024	20,699,752	21,167,583	21,661,587	22,167,147	22,684,532	23,214,021	23,755,898	24,310,453
Expenses from Continuing Operations										
Employee Benefits & On-Costs	723,576	743,112	763,177	783,782	804,944	826,678	848,998	871,921	895,463	919,641
Borrowing Costs	1,227,160	1,382,647	1,619,177	1,408,974	1,300,336	1,313,304	1,435,175	1,321,183	1,195,402	1,227,678
Materials & Contracts	9,240,479	9,873,903	10,069,028	9,960,751	10,229,691	10,505,893	10,789,552	11,080,870	11,380,053	11,687,315
Depreciation & Amortisation	7,203,249	7,454,296	7,846,821	8,038,233	8,255,265	8,868,706	9,222,592	9,457,683	9,699,121	9,960,998
Other Expenses	461,027	473,475	486,259	499,388	512,872	526,719	540,940	555,546	570,546	585,950
Net Losses from the Disposal of Assets	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	18,855,492	19,927,434	20,784,462	20,691,127	21,103,108	22,041,300	22,837,258	23,287,203	23,740,585	24,381,581
Net Operating Result for the Year	4,126,251	584,590	(84,711)	476,455	558,479	125,847	(152,726)	(73,182)	15,313	(71,129)
Net Operating Result before Grants and Contributions provided for Capital Purposes	377,701	(100,984)	(463,834)	87,097	158,608	(284,821)	(574,482)	(506,325)	(429,525)	(527,977)

Eurobodalla Shire Council
10 Year Financial Plan for the Years ending 30 June 2025
BALANCE SHEET - SEWER FUND

Scenario: Base Case	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS										
Current Assets										
Cash & Cash Equivalents	11,739,332	12,175,392	13,486,927	16,425,489	-	-	3,781,403	7,780,309	11,902,627	16,049,392
Investments	4,383,000	4,383,000	4,383,000	4,383,000	1,001,534	958,996	958,996	958,996	958,996	958,996
Receivables	141,365	145,182	149,102	153,128	157,262	161,508	165,869	170,348	174,947	174,947
Inventories	-	-	-	-	-	-	-	-	-	-
Other	5,194	5,539	5,651	5,600	5,751	5,906	6,066	6,229	6,398	6,398
Total Current Assets	16,268,891	16,709,113	18,024,679	20,967,217	1,164,548	1,126,410	4,912,334	8,915,882	13,042,967	17,189,732
Non-Current Assets										
Infrastructure, Property, Plant & Equipment	239,945,730	242,871,032	239,100,330	234,130,832	254,027,157	256,395,134	250,496,615	244,452,756	238,259,631	231,589,744
Total Non-Current Assets	239,945,730	242,871,032	239,100,330	234,130,832	254,027,157	256,395,134	250,496,615	244,452,756	238,259,631	231,589,744
TOTAL ASSETS	256,214,621	259,580,145	257,125,009	255,098,048	255,191,704	257,521,544	255,408,949	253,368,638	251,302,598	248,779,476
LIABILITIES										
Current Liabilities										
Payables	65,028	69,357	70,751	70,113	72,006	73,950	75,947	77,998	80,104	80,104
Borrowings	3,215,069	2,630,970	2,768,926	2,740,050	2,078,666	4,669,772	2,674,910	2,387,530	2,441,693	2,441,693
Total Current Liabilities	3,280,097	2,700,327	2,839,677	2,810,163	2,150,672	4,743,722	2,750,857	2,465,528	2,521,797	2,521,797
Non-Current Liabilities										
Borrowings	19,648,317	23,009,020	20,499,244	18,025,343	18,220,011	17,830,954	17,863,949	16,182,150	14,044,528	11,592,535
Total Non-Current Liabilities	19,648,317	23,009,020	20,499,244	18,025,343	18,220,011	17,830,954	17,863,949	16,182,150	14,044,528	11,592,535
TOTAL LIABILITIES	22,928,414	25,709,347	23,338,922	20,835,506	20,370,683	22,574,676	20,614,807	18,647,677	16,566,325	14,114,332
Net Assets	233,286,208	233,870,798	233,786,087	234,262,542	234,821,021	234,946,868	234,794,142	234,720,960	234,736,273	234,665,144
EQUITY										
Retained Earnings	113,636,208	114,220,798	114,136,087	114,612,542	115,171,021	115,296,868	115,144,142	115,070,960	115,086,273	115,015,144
Revaluation Reserves	119,650,000	119,650,000	119,650,000	119,650,000	119,650,000	119,650,000	119,650,000	119,650,000	119,650,000	119,650,000
Total Equity	233,286,208	233,870,798	233,786,087	234,262,542	234,821,021	234,946,868	234,794,142	234,720,960	234,736,273	234,665,144

Eurobodalla Shire Council

10 Year Financial Plan for the Years ending 30 June 2025

CASH FLOW STATEMENT - SEWER FUND

Scenario: Base Case

	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	17,950,072	18,504,478	18,958,557	19,380,071	19,825,812	20,281,806	20,748,287	21,225,498	21,713,684	22,213,099
User Charges & Fees	725,453	745,041	765,157	785,816	807,033	828,823	851,201	874,184	897,787	922,027
Interest & Investment Revenue Received	308,100	316,419	324,962	333,736	342,747	352,001	361,505	371,266	381,290	391,585
Grants & Contributions	3,953,321	900,080	603,827	619,436	636,161	653,337	670,977	689,094	707,699	726,807
Other	41,080	42,189	43,328	44,498	45,700	46,933	48,201	49,502	50,839	52,211
Payments:										
Employee Benefits & On-Costs	(723,576)	(743,112)	(763,177)	(783,782)	(804,944)	(826,678)	(848,998)	(871,921)	(895,463)	(919,641)
Materials & Contracts	(9,239,016)	(9,869,919)	(10,067,746)	(9,961,338)	(10,227,949)	(10,504,104)	(10,787,715)	(11,078,983)	(11,378,116)	(11,685,325)
Borrowing Costs	(981,456)	(1,130,309)	(1,360,026)	(1,142,825)	(1,027,002)	(1,032,590)	(1,146,882)	(1,025,106)	(891,330)	(915,396)
Other	(461,027)	(473,475)	(486,259)	(499,388)	(512,872)	(526,719)	(540,940)	(555,546)	(570,546)	(585,950)
Net Cash provided (or used in) Operating Activities	11,572,951	8,291,391	8,018,624	8,776,223	9,084,685	9,272,810	9,355,636	9,677,987	10,015,844	10,199,417
Cash Flows from Investing Activities										
Receipts:										
Sale of Investment Securities	-	-	-	-	3,381,466	42,539	-	-	-	-
Payments:										
Purchase of Infrastructure, Property, Plant & Equipment	(12,425,673)	(10,379,598)	(4,076,119)	(3,068,734)	(28,151,590)	(11,236,683)	(3,324,074)	(3,413,824)	(3,505,997)	(3,600,659)
Net Cash provided (or used in) Investing Activities	(12,425,673)	(10,379,598)	(4,076,119)	(3,068,734)	(24,770,125)	(11,194,144)	(3,324,074)	(3,413,824)	(3,505,997)	(3,600,659)
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	8,461,973	5,739,335	-	-	2,000,000	4,000,000	2,419,612	409,653	-	-
Payments:										
Repayment of Borrowings & Advances	(6,583,268)	(3,215,069)	(2,630,970)	(2,768,926)	(2,740,050)	(2,078,666)	(4,669,772)	(2,674,910)	(2,387,530)	(2,451,993)
Net Cash Flow provided (used in) Financing Activities	1,878,705	2,524,266	(2,630,970)	(2,768,926)	(740,050)	1,921,334	(2,250,160)	(2,265,257)	(2,387,530)	(2,451,993)
Net Increase/(Decrease) in Cash & Cash Equivalents	1,025,983	436,059	1,311,535	2,938,563	(16,425,489)	-	3,781,403	3,998,906	4,122,317	4,146,765
plus: Cash, Cash Equivalents & Investments - beginning of year	10,713,350	11,739,332	12,175,392	13,486,927	16,425,489	-	-	3,781,403	7,780,309	11,902,627
Cash & Cash Equivalents - end of the year	11,739,332	12,175,392	13,486,927	16,425,489	-	-	3,781,403	7,780,309	11,902,627	16,049,392
Cash & Cash Equivalents - end of the year	11,739,332	12,175,392	13,486,927	16,425,489	-	(0)	3,781,403	7,780,309	11,902,627	16,049,392
Investments - end of the year	4,383,000	4,383,000	4,383,000	4,383,000	1,001,534	958,996	958,996	958,996	958,996	958,996
Cash, Cash Equivalents & Investments - end of the year	16,122,332	16,558,392	17,869,927	20,808,489	1,001,534	958,996	4,740,399	8,739,305	12,861,622	17,008,388
Representing:										
- External Restrictions	10,176,557	10,147,899	10,116,275	10,079,558	2,137,194	1,678,343	1,193,720	681,927	141,492	151,396
- Internal Restrictons	2,724,300	3,673,556	4,648,442	5,649,650	1,677,891	1,677,894	1,677,897	1,677,900	1,677,903	1,677,903
- Unrestricted	3,221,475	2,736,936	3,105,210	5,079,281	(2,813,550)	(2,397,241)	1,868,782	6,379,478	11,042,228	15,179,088
	16,122,332	16,558,392	17,869,927	20,808,489	1,001,534	958,996	4,740,399	8,739,305	12,861,622	17,008,388

SRV CASE

This scenario proposes an increase above rate pegging in the general rate only (residential, business and farming rate) and hence impacts the General Fund. It is not applied to any other rates or charges that are included on the rate notice so the Water and Sewer Fund projections are unchanged from the base case.

The SRV proposal aims to:

- Assist in addressing the long term financial sustainability of Council by providing funding for infrastructure renewal
- Provide for a broad range of new and upgraded community infrastructure to:
 - support the needs of our community as identified in our key strategies, plans and in feedback from the community
 - help promote economic development and employment within Eurobodalla. These works include the proposed upgrade of Batemans Bay CBD, the Moruya Library Exhibition Centre, Corrigans Beach reserve upgrade, and viewing platforms and accessibility improvements. As an example, the improvements to the Moruya Library is anticipated to grow the 60,000 visitations occurring each year. The study titled *Enriching Communities: the value of public libraries in New South Wales* reported that for each \$1 spent on public libraries, \$2.82 of real economic benefit is generated.

The SRV proposal is a 5% rate increase on top of the estimated 3% IPART rate peg amount over three years. The general rate is to increase by a total of 8% for 3 years and thereafter is to increase by the IPART rate peg amount. The cumulative increase over the three years is 25.97% compared to 9.27% without the SRV. It is important to note that the SRV becomes a permanent and not temporary part of the rate base after the third year. The rate peg amount in year four is added to the new increased rate amount. The estimated income generated from this increase is approximately \$1.2million, \$2.42million and \$3.84million at years one, two and three and beyond respectively.

The additional revenue will fund a community and transport infrastructure program to be delivered over five years costing \$26.6 million including approximately \$1.2 million annually of ongoing renewals. The program will deliver:

- Increased annual funding to help address the gap in funding for infrastructure renewal, particularly for short lived assets (useful life less than 20 years)
- A capital renewal program for existing infrastructure in poor condition (eg bridges)
- A capital program to upgrade existing infrastructure (eg improvements to existing roads, reserves and community facilities) including funding for on-going 'whole of life costs'
- In addition, the SRV will replace funds as a result of the flat lining of Federal Assistance Grants, a decision of the Federal Government June 2013.

The SRV will help to close the current general rate gap between Eurobodalla and other comparative councils noting that Eurobodalla's general rate is 20% below the Group 4 average (2012/13) and to assist with progress towards meeting the Fit for the Future criteria.

To leverage the benefit for the community and minimise the impact on ratepayers, the financing strategy for the SRV includes:

- cash funding renewal of short lived infrastructure (less than 20 year life) to address the annual infrastructure funding gap
- borrowings of \$15.7 million to be repaid over 20 years to match the benefits and costs of long lived infrastructure to ratepayers
- ensuring that the 'whole of life costs' of any new or upgraded assets are covered including maintenance, operations and depreciation costs

This community and transport infrastructure program consists of:

- \$4M for upgrades and new infrastructure to sportsgrounds, local reserves and parks to improve amenities and increase year round use
- \$1.8M to create a multi-use exhibition space with meeting rooms at Moruya Library to increase community usage and support events
- \$1M for Caseys Beach Rockwall
- \$1.3M to upgrade Batemans Bay CBD (North and Orient Street north) to increase town centre vitality
- \$560K to improve local community halls and improve amenities to increase year round use
- \$50k additional recurrent funding for new pathways
- \$270K to upgrade Moruya Airport terminal building, car park and plane holding area to improve accessibility and user amenity
- \$300K upgrade to Corrigans Beach Reserve Batehaven, Gundry Oval Moruya and Rotary Park Narooma to include playgrounds with special accessibility elements
- \$350K for the provision of accessible toilets (seven) at high profile public sites across Eurobodalla
- \$300K for the provision of accessible viewing platforms and walks at high profile sites to improve visitor experiences and beach access
- \$6M for reconstruction and sealing of a number of higher trafficked gravel roads and upgrading of bridges and culverts
- Project management costs of \$750K to deliver the projects
- Approximately \$1.2M of annual renewal funding to begin to address the infrastructure backlog

The increased renewal funding allows a significant reduction in the annual infrastructure gap. It is intended to direct a significant proportion of this renewal to short lived assets (useful lives less than 20 years). By taking a longer term approach, this allows the cycle of renewal activities to progressively reduce the backlog of works using a risk management approach.

For high risk assets such as bridges, it is proposed to loan fund replacement works to allow them to be addressed with greater urgency and remove these from the backlog of existing works.

The program of works for the SRV includes capital expenditure on renewing and upgrading existing assets. These works are planned for the first four years of the ten year cycle which will increase the renewal ratios in those years.

In both the base and SRV case, Council is:

- directing the whole of its roads to recovery funding to addressing the backlog and annual infrastructure gap from 2015/16 (as flagged several years ago)
- undertaking capital improvements to roads under the Section 94 Rural Roads Plan to meet its legal commitment to reconstruct and seal lead-in roads. This will take approximately ten years to complete

In the longer term, a greater percentage of long lived assets such as road pavements will begin to fail, resulting in a need to move additional funds from rural roads reconstruction and sealing to renewal of transport assets to help arrest the decline in condition.

Council is continuing to improve the level of asset management with time. In particular further work is being undertaken on the condition assessment of buildings and stormwater. This work may identify additional issues not fully covered by the current SRV proposal. From 2016/17 onwards the amount of funding available for stormwater renewal will be increased by redirecting current capital funding for stormwater to renewal/replacement works to aid in addressing issues identified from the condition assessment and analysis of existing stormwater systems.

Council has not funded the SRV program from current cash reserves. Council's total cash and investments balance as at 30 June 2014 is \$75 million. As per Note 6 (c) of the Financial Statements only \$25.9 million of this is freely available cash and investments. For example \$20.6 million relates to the Water and Sewer Funds and can only be expended on these activities. Further, whilst there is \$25.9 million of unrestricted cash reserves and a further \$19 million in other unrestricted current assets, there are also significant unrestricted current liabilities. Total current liabilities are \$25 million (Statement of Financial Position). Of this amount \$10 million are liabilities in the Water, Sewer or Waste Funds and hence are restricted (Note 10 (a) (i)). A further \$5.3 million, whilst being classified as a current liability is not actually expected to be settled within the next year (Note 10 (a) (ii)). This results in a balance of \$15.7 million of liabilities that are unrestricted and required to be settled from unrestricted assets of \$45 million. Hence the external unrestricted current ratio as per Note 13 of the Financial Statements as at 30 June 2014 is \$2.85:\$1. The OLG benchmark is >\$1.5:\$1. Please note that this ratio doesn't take into account internal restrictions. Whilst the target is exceeded it is not significant and Council is prudent in holding sufficient spare reserves for general operating conditions and for emergencies. Spare working capital would only fund the initial costs of upgraded works and it is not a recurrent source of funding. It does not address the funding gap as Council requires additional ongoing revenue to solve its financial issues.

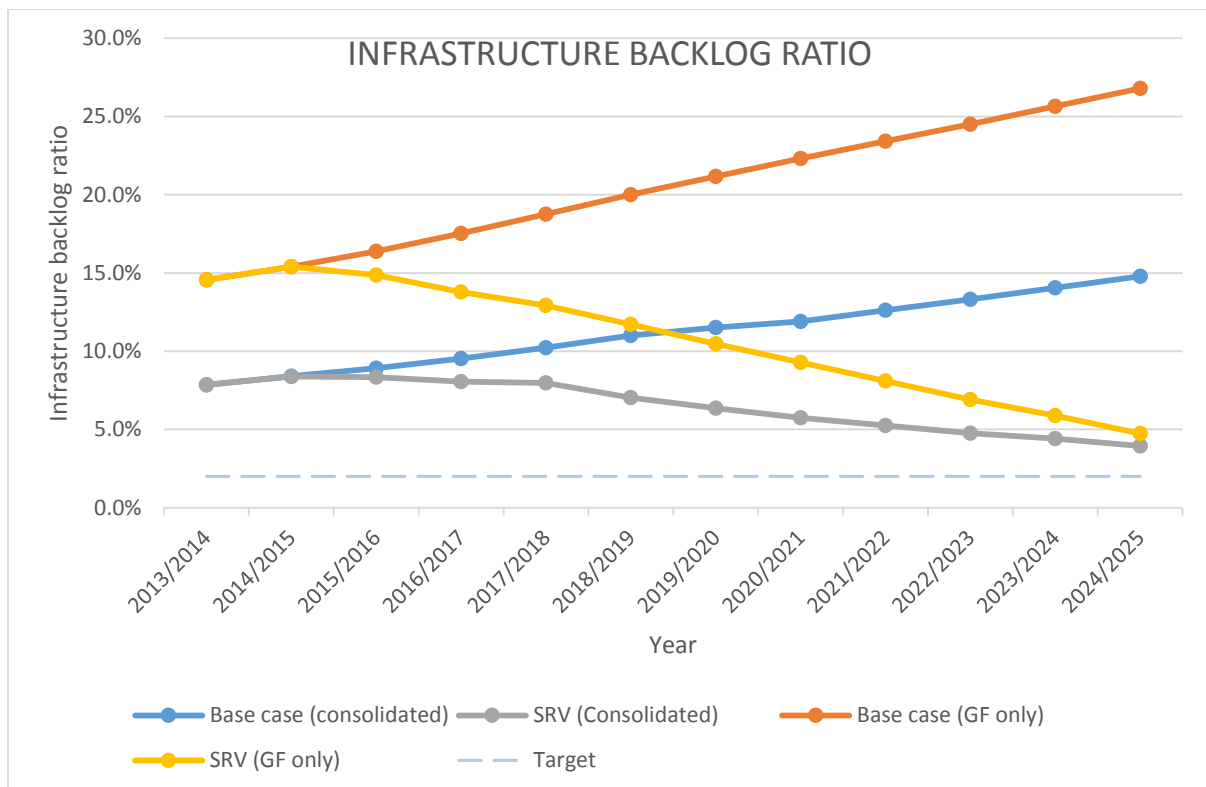
If Council decides to progress the SRV and IPART approves the application, Council will be fully transparent in accounting for the expenditure of the SRV funds. A specific reserve will show the balance by accounting for all revenue and expenditure items. All residual cash is to be allocated to priority renewals or maintenance programs in the following year. The balance of the reserve will be reported annually in Note 6 (c) of the Financial Statements as well as more detailed accountability requirements in the Annual Report.

Table 2 above provides a summary of the SRV impacts. The table shows the average for each key indicator for the ten year modelling period. Whilst the financial indicators have improved they still do not meet all the benchmarks as set in the Fit for the Future criteria. In particular, the Financial Sustainability indicators are not met.

LONG TERM FINANCIAL PLAN 2015-25

The financial indicators show an improvement in the Financial Sustainability indicators. This is particularly evident for the General Fund. The General Fund operating deficit ratio is 5.8% which is a significant improvement from 8.7% however is still not within benchmark. The average renewal ratio is 53% with an 11% improvement. Therefore approximately half of the annual depreciation expense is being matched by renewals, whereas the benchmark is 100%.

The Effective Infrastructure and Service Management indicators show an improvement and the benchmarks are met. The backlog ratio improves considerably from 14% to only 6% in the General Fund by 2024/25. This is a considerable improvement and satisfies the aspect of the benchmark that requires improvement. The Consolidated indicator does satisfy the 2% benchmark requirement by 2023/24. The graph below illustrates the projected trends.



The asset maintenance ratio is satisfactory with programs being sufficient to cover the required routine maintenance.

The debt service ratio being less than 20% is well within the target range. It does reach nearly 20% in the period 2016/17 to 2019/20 but it doesn't exceed the benchmark in any one year. The debt service ratio is an indicator of infrastructure service provision and not financial sustainability. Debt is being used effectively to finance the community and transport infrastructure program.

The efficiency indicator does achieve the benchmark of improving over time. The expenditure per capita for both cases is decreasing each year as per the projected financial indicators shown below. However the SRV case does not improve as much as the base case. The 10 year averages in Table 2 illustrate this. The SRV program increases the level of service by upgrading and providing infrastructure identified as a priority to the community. This does increase maintenance, operational and depreciation costs with the SRV model allowing to cover these extra whole of life costs.

LONG TERM FINANCIAL PLAN 2015-25



The following statements show the Consolidated and General Fund projected Operating Result, Balance Sheet and Cash flows for the ten years 2015-25 for the SRV case. Projected financial indicators for the Consolidated and General Fund are shown for both the base and SRV case.

Eurobodalla Shire Council

10 Year Financial Plan for the Years ending 30 June 2025

INCOME STATEMENT - CONSOLIDATED

Scenario : SRV Case

	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income from Continuing Operations										
Revenue:										
Rates & Annual Charges	55,267,972	58,039,887	60,928,400	62,326,319	63,787,515	65,283,149	66,814,037	68,381,018	69,984,947	71,626,701
User Charges & Fees	21,088,286	21,714,032	22,436,549	23,024,060	23,645,710	24,284,144	24,939,816	25,613,191	26,304,747	27,014,975
Interest & Investment Revenue	3,087,506	3,170,871	3,256,490	3,344,407	3,434,706	3,527,443	3,622,684	3,720,497	3,820,950	3,924,116
Other Revenues	2,024,470	2,086,038	2,156,198	2,214,415	2,274,204	2,335,608	2,398,669	2,463,433	2,529,946	2,598,255
Grants & Contributions provided for Operating Purposes	14,971,240	15,122,115	15,574,332	15,998,956	16,429,477	16,871,578	17,325,571	17,791,775	18,270,520	18,762,141
Grants & Contributions provided for Capital Purposes	6,019,330	1,965,216	1,693,549	1,587,451	1,855,413	1,674,330	1,719,537	1,765,965	1,813,646	1,862,614
Total Income from Continuing Operations	102,458,804	102,098,159	106,045,518	108,495,609	111,427,026	113,976,252	116,820,314	119,735,878	122,724,755	125,788,802
Expenses from Continuing Operations										
Employee Benefits & On-Costs	36,085,317	37,023,037	38,091,649	39,115,981	40,172,113	41,256,760	42,370,692	43,514,701	44,689,598	45,896,217
Borrowing Costs	4,348,253	4,862,489	5,717,885	5,789,640	5,517,669	5,253,516	5,138,185	4,701,010	4,293,176	4,336,337
Materials & Contracts	19,419,567	20,465,435	20,583,910	21,347,152	22,046,634	23,128,800	23,514,950	24,259,518	24,958,946	25,633,701
Depreciation & Amortisation	32,004,153	33,693,837	35,328,618	36,282,017	37,397,045	38,864,773	40,029,428	41,097,233	42,193,924	43,335,120
Other Expenses	7,266,594	7,461,905	7,608,776	7,814,213	8,025,197	8,241,877	8,464,407	8,692,947	8,927,656	9,168,703
Total Expenses from Continuing Operations	99,123,884	103,506,703	107,330,837	110,349,003	113,158,657	116,745,725	119,517,663	122,265,408	125,063,299	128,370,077
Net Operating Result for the Year	3,334,921	(1,408,544)	(1,285,319)	(1,853,395)	(1,731,631)	(2,769,474)	(2,697,348)	(2,529,530)	(2,338,544)	(2,581,276)
Net Operating Result before Grants and Contributions provided for Capital Purposes	(2,684,409)	(3,373,760)	(2,978,868)	(3,440,845)	(3,587,045)	(4,443,804)	(4,416,885)	(4,295,494)	(4,152,190)	(4,443,890)

Eurobodalla Shire Council
10 Year Financial Plan for the Years ending 30 June 2025
BALANCE SHEET - CONSOLIDATED

Scenario: SRV Case

	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS										
Current Assets										
Cash & Cash Equivalents	21,941,576	27,524,541	34,565,237	43,706,870	33,651,192	41,072,974	51,286,098	63,361,144	76,389,153	88,942,187
Investments	42,634,489	42,548,717	42,548,717	42,548,717	39,167,251	39,124,713	39,124,713	39,124,713	39,124,713	38,801,617
Receivables	9,918,043	10,190,323	10,521,246	10,746,823	11,011,574	11,289,495	11,564,616	11,859,854	12,167,868	12,167,868
Inventories	512,588	537,275	520,850	541,243	553,880	588,143	584,194	601,891	616,166	616,166
Other	306,215	307,203	333,653	330,300	339,007	350,220	357,561	367,420	377,130	377,130
Non-current assets classified as "held for sale"	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
Total Current Assets	75,354,912	81,150,060	88,531,703	97,915,953	84,764,905	92,467,544	102,959,181	115,357,022	128,717,030	140,946,967
Non-Current Assets										
Investments	215,396	215,370	215,370	215,370	215,370	215,370	215,370	215,370	215,370	215,370
Receivables	40,814	19,800	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	1,243,142,640	1,245,204,383	1,238,719,806	1,222,255,760	1,229,333,487	1,218,018,865	1,198,371,758	1,177,988,338	1,156,983,979	1,135,331,505
Total Non-Current Assets	1,243,398,850	1,245,439,553	1,238,935,176	1,222,471,130	1,229,548,857	1,218,234,235	1,198,587,129	1,178,203,708	1,157,199,349	1,135,546,875
TOTAL ASSETS	1,318,753,763	1,326,589,613	1,327,466,879	1,320,387,083	1,314,313,763	1,310,701,779	1,301,546,310	1,293,560,730	1,285,916,379	1,276,493,842
LIABILITIES										
Current Liabilities										
Payables	4,496,000	4,621,191	4,643,038	4,755,746	4,854,959	5,009,624	5,071,355	5,188,690	5,299,488	5,299,488
Borrowings	9,919,411	9,537,567	8,760,939	8,119,928	5,892,381	10,105,785	7,155,410	6,073,969	6,296,124	6,296,124
Provisions	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764
Total Current Liabilities	23,500,176	23,243,523	22,488,742	21,960,438	19,832,104	24,200,173	21,311,530	20,347,423	20,680,376	20,680,376
Non-Current Liabilities										
Borrowings	61,209,198	70,710,244	73,627,611	68,839,514	66,446,158	60,875,579	56,856,101	51,824,158	45,555,398	38,714,136
Provisions	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236
Total Non-Current Liabilities	63,214,433	72,715,480	75,632,847	70,844,749	68,451,393	62,880,815	58,861,337	53,829,394	47,560,633	40,719,372
TOTAL LIABILITIES	86,714,609	95,959,003	98,121,589	92,805,187	88,283,498	87,080,988	80,172,867	74,176,817	68,241,010	61,399,748
Net Assets	1,232,039,154	1,230,630,610	1,229,345,291	1,227,581,896	1,226,030,265	1,223,620,791	1,221,373,443	1,219,383,913	1,217,675,369	1,215,094,094
EQUITY										
Retained Earnings	713,039,154	711,630,610	710,345,291	708,581,896	707,030,265	704,620,791	702,373,443	700,383,913	698,675,369	696,094,094
Revaluation Reserves	519,000,000	519,000,000	519,000,000	519,000,000	519,000,000	519,000,000	519,000,000	519,000,000	519,000,000	519,000,000
Total Equity	1,232,039,154	1,230,630,610	1,229,345,291	1,227,581,896	1,226,030,265	1,223,620,791	1,221,373,443	1,219,383,913	1,217,675,369	1,215,094,094

Eurobodalla Shire Council

10 Year Financial Plan for the Years ending 30 June 2025

CASH FLOW STATEMENT - CONSOLIDATED

Scenario: SRV Case

	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	55,222,527	57,993,951	60,878,034	62,284,097	63,743,537	65,238,159	66,768,013	68,333,935	69,936,781	71,577,428
User Charges & Fees	20,939,754	21,566,946	22,272,896	22,880,360	23,495,243	24,129,614	24,781,114	25,450,204	26,137,359	26,843,068
Interest & Investment Revenue Received	3,103,530	3,163,656	3,244,885	3,325,486	3,411,093	3,496,996	3,601,539	3,685,908	3,780,433	3,882,505
Grants & Contributions	20,983,862	17,075,556	17,249,824	17,572,044	18,267,301	18,527,843	19,026,555	19,538,686	20,064,597	20,604,659
Other	1,983,060	2,040,014	2,086,839	2,196,208	2,236,205	2,296,557	2,358,539	2,422,193	2,487,565	2,554,729
Payments:										
Employee Benefits & On-Costs	(36,085,317)	(37,023,037)	(38,091,649)	(39,115,981)	(40,172,113)	(41,256,760)	(42,370,692)	(43,514,701)	(44,689,598)	(45,896,217)
Materials & Contracts	(19,401,225)	(20,379,610)	(20,591,186)	(21,171,229)	(21,802,033)	(22,673,211)	(23,020,554)	(23,644,034)	(24,256,784)	(24,912,580)
Borrowing Costs	(4,102,549)	(4,610,151)	(5,458,734)	(5,523,492)	(5,244,335)	(4,972,802)	(4,849,891)	(4,404,932)	(3,989,104)	(4,024,056)
Other	(7,266,594)	(7,461,905)	(7,608,776)	(7,814,213)	(8,025,197)	(8,241,877)	(8,464,407)	(8,692,947)	(8,927,656)	(9,168,703)
Net Cash provided (or used in) Operating Activities	35,377,048	32,365,420	33,982,134	34,633,281	35,909,701	36,544,521	37,830,214	39,174,312	40,543,594	41,460,833
Cash Flows from Investing Activities										
Receipts:										
Sale of Investment Securities	3,030,938	85,798	-	-	3,381,466	42,539	-	-	-	323,096
Sale of Infrastructure, Property, Plant & Equipment	501,735	767,242	455,641	1,510,160	510,434	510,716	511,005	511,302	511,608	525,421
Deferred Debtors Receipts	19,924	20,462	21,014	21,582	22,164	22,763	23,377	24,009	24,657	25,322
Payments:										
Purchase of Infrastructure, Property, Plant & Equipment	(41,509,522)	(36,522,821)	(29,299,682)	(21,328,131)	(44,985,206)	(28,060,867)	(20,893,327)	(21,225,115)	(21,418,640)	(22,940,379)
Net Cash provided (or used in) Investing Activities	(37,956,925)	(35,649,319)	(28,823,027)	(19,796,390)	(41,071,142)	(27,484,850)	(20,358,945)	(20,689,804)	(20,882,375)	(22,066,540)
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	18,063,112	18,880,384	11,642,024	3,425,034	3,638,698	4,700,000	3,328,215	1,264,362	-	-
Payments:										
Repayment of Borrowings & Advances	(10,900,208)	(10,013,519)	(9,760,436)	(9,120,291)	(8,532,935)	(6,337,889)	(10,586,360)	(7,673,824)	(6,633,210)	(6,841,261)
Net Cash Flow provided (used in) Financing Activities	7,162,904	8,866,865	1,881,588	(5,695,257)	(4,894,237)	(1,637,889)	(7,258,145)	(6,409,462)	(6,633,210)	(6,841,261)
Net Increase/(Decrease) in Cash & Cash Equivalents	4,583,027	5,582,965	7,040,695	9,141,634	(10,055,678)	7,421,782	10,213,124	12,075,046	13,028,009	12,553,033
plus: Cash, Cash Equivalents & Investments - beginning of year	17,358,548	21,941,576	27,524,541	34,565,237	43,706,870	33,651,192	41,072,974	51,286,098	63,361,144	76,389,153
Cash & Cash Equivalents - end of the year	21,941,576	27,524,541	34,565,237	43,706,870	33,651,192	41,072,974	51,286,098	63,361,144	76,389,153	88,942,187
Cash & Cash Equivalents - end of the year	21,941,576	27,524,541	34,565,237	43,706,870	33,651,192	41,072,974	51,286,098	63,361,144	76,389,153	88,942,187
Investments - end of the year	42,849,885	42,764,087	42,764,087	42,764,087	39,382,622	39,340,083	39,340,083	39,340,083	39,340,083	39,016,987
Cash, Cash Equivalents & Investments - end of the year	64,791,461	70,288,629	77,329,324	86,470,958	73,033,814	80,413,057	90,626,181	102,701,227	115,729,236	127,959,173
Representing:										
- External Restrictions	35,122,029	41,163,760	48,080,583	56,875,845	42,825,216	48,961,681	58,832,343	69,364,606	80,327,626	90,564,587
- Internal Restrictions	10,504,667	10,503,728	10,767,396	10,338,137	9,897,289	9,164,538	8,699,562	8,222,032	7,731,609	8,272,821
- Unrestricted	19,164,765	18,621,141	18,481,344	19,256,975	20,311,309	22,286,838	23,094,276	25,114,590	27,670,002	29,121,766
	64,791,461	70,288,629	77,329,324	86,470,958	73,033,814	80,413,057	90,626,181	102,701,227	115,729,236	127,959,174

Eurobodalla Shire Council

10 Year Financial Plan for the Years ending 30 June 2025

INCOME STATEMENT - GENERAL FUND

Scenario : SRV Case

	Projected Years									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income from Continuing Operations										
Revenue:										
Rates & Annual Charges	31,311,757	33,369,405	35,640,051	36,473,316	37,339,892	38,227,231	39,135,833	40,066,215	41,018,904	41,994,439
User Charges & Fees	10,860,600	11,210,190	11,649,081	11,945,363	12,267,888	12,599,120	12,939,297	13,288,658	13,647,451	14,015,933
Interest & Investment Revenue	2,486,711	2,553,854	2,622,814	2,693,622	2,766,350	2,841,041	2,917,749	2,996,529	3,077,435	3,160,526
Other Revenues	1,935,121	1,994,276	2,061,959	2,117,632	2,174,808	2,233,528	2,293,833	2,355,766	2,419,372	2,484,695
Grants & Contributions provided for Operating Purposes	14,550,230	14,681,090	15,112,339	15,525,914	15,943,662	16,372,646	16,813,168	17,265,537	17,730,073	18,207,103
Grants & Contributions provided for Capital Purposes	1,757,280	752,277	772,822	641,865	884,297	676,994	695,273	714,045	733,324	753,124
Total Income from Continuing Operations	62,901,699	64,561,092	67,859,066	69,397,711	71,376,897	72,950,560	74,795,153	76,686,750	78,626,560	80,615,819
Expenses from Continuing Operations										
Employee Benefits & On-Costs	29,963,392	30,778,005	31,612,995	32,466,411	33,343,004	34,243,265	35,167,833	36,117,365	37,092,533	38,094,032
Borrowing Costs	2,954,991	3,414,080	4,035,410	4,326,145	4,166,562	3,893,418	3,660,351	3,343,575	3,065,478	3,075,492
Materials & Contracts	7,109,422	7,365,152	6,691,102	7,503,397	7,829,097	8,527,389	8,519,301	8,858,987	9,142,600	9,390,314
Depreciation & Amortisation	18,232,645	19,467,455	20,754,717	21,317,931	22,028,929	22,691,169	23,304,706	23,934,862	24,582,088	25,247,765
Other Expenses	6,716,287	6,896,740	7,028,352	7,218,117	7,413,006	7,613,157	7,818,713	8,029,818	8,246,623	8,469,282
Total Expenses from Continuing Operations	64,976,738	67,921,431	70,122,577	72,832,001	74,780,598	76,968,399	78,470,904	80,284,607	82,129,323	84,276,884
Net Operating Result for the Year	(2,075,039)	(3,360,339)	(2,263,510)	(3,434,289)	(3,403,701)	(4,017,838)	(3,675,751)	(3,597,856)	(3,502,763)	(3,661,064)
Net Operating Result before Grants and Contributions provided for Capital Purposes	(3,832,319)	(4,112,617)	(3,036,332)	(4,076,154)	(4,287,998)	(4,694,832)	(4,371,023)	(4,311,902)	(4,236,087)	(4,414,189)

Eurobodalla Shire Council

10 Year Financial Plan for the Years ending 30 June 2025

BALANCE SHEET - GENERAL FUND

Scenario: SRV Case

	Projected Years								
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS									
Current Assets									
Cash & Cash Equivalents	-	(0)	1,054,472	2,591,055	4,189,957	6,731,279	8,170,590	11,126,537	14,794,551
Investments	37,506,489	37,420,717	37,420,717	37,420,717	37,420,717	37,420,717	37,420,717	37,420,717	37,420,717
Receivables	6,511,963	6,692,275	6,928,743	7,057,333	7,222,469	7,398,084	7,568,137	7,755,469	7,952,665
Inventories	459,141	481,099	463,674	483,290	494,362	527,018	521,418	537,421	549,955
Other	145,601	138,414	135,240	128,898	132,168	137,796	139,401	143,370	147,030
Non-current assets classified as "held for sale"	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
Total Current Assets	44,665,194	44,774,505	46,044,847	47,723,293	49,501,673	52,256,893	53,862,262	57,025,515	60,906,919
Non-Current Assets									
Investments	215,396	215,370	215,370	215,370	215,370	215,370	215,370	215,370	215,370
Receivables	40,814	19,800	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	732,709,580	735,793,540	736,879,997	729,113,754	720,124,124	710,373,876	700,663,812	690,471,815	679,920,130
Total Non-Current Assets	732,965,790	736,028,710	737,095,368	729,329,124	720,339,494	710,589,246	700,879,182	690,687,185	680,135,500
TOTAL ASSETS	777,630,984	780,803,216	783,140,214	777,052,418	769,841,167	762,846,139	754,741,445	747,712,700	741,042,419
LIABILITIES									
Current Liabilities									
Payables	4,419,383	4,539,662	4,557,914	4,671,033	4,767,959	4,920,275	4,979,594	5,094,451	5,202,705
Borrowings	6,634,649	6,836,899	5,922,308	5,310,167	3,743,999	4,870,385	4,221,007	3,629,065	3,794,150
Provisions	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764	9,084,764
Total Current Liabilities	20,138,797	20,461,325	19,564,987	19,065,964	17,596,721	18,875,425	18,285,365	17,808,280	18,081,619
Non-Current Liabilities									
Borrowings	40,494,190	46,704,232	52,201,079	49,956,594	47,438,287	42,822,394	38,533,510	35,039,707	30,968,850
Provisions	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236	2,005,236
Total Non-Current Liabilities	42,499,426	48,709,468	54,206,315	51,961,830	49,443,523	44,827,630	40,538,746	37,044,943	32,974,086
TOTAL LIABILITIES	62,638,222	69,170,793	73,771,302	71,027,794	67,040,244	63,703,055	58,824,111	54,853,223	51,055,705
Net Assets	714,992,762	711,632,423	709,368,913	706,024,623	702,800,923	699,143,084	695,917,334	692,859,477	689,986,714
EQUITY									
Retained Earnings	451,072,762	447,712,423	445,448,913	442,104,623	438,880,923	435,223,084	431,997,334	428,939,477	426,066,714
Revaluation Reserves	263,920,000	263,920,000	263,920,000	263,920,000	263,920,000	263,920,000	263,920,000	263,920,000	263,920,000
Total Equity	714,992,762	711,632,423	709,368,913	706,024,623	702,800,923	699,143,084	695,917,334	692,859,477	689,986,714

Eurobodalla Shire Council
10 Year Financial Plan for the Years ending 30 June 2025
CASH FLOW STATEMENT - GENERAL FUND

Scenario: SRV Case	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	31,266,312	33,323,469	35,589,685	36,431,093	37,295,914	38,182,241	39,089,809	40,019,133	40,970,738	41,945,165
User Charges & Fees	10,801,615	11,155,072	11,579,883	11,898,649	12,217,037	12,546,897	12,885,663	13,233,575	13,590,882	13,957,836
Interest & Investment Revenue Received	2,502,735	2,546,639	2,611,209	2,674,701	2,742,737	2,810,594	2,896,604	2,961,940	3,036,918	3,118,915
Grants & Contributions	16,300,801	15,421,591	15,867,103	16,153,416	16,810,370	17,031,575	17,489,888	17,960,529	18,443,830	18,940,131
Payments:										
Employee Benefits & On-Costs	(29,963,392)	(30,778,005)	(31,612,995)	(32,466,411)	(33,343,004)	(34,243,265)	(35,167,833)	(36,117,365)	(37,092,533)	(38,094,032)
Materials & Contracts	(7,087,987)	(7,273,337)	(6,671,348)	(7,323,297)	(7,579,781)	(8,066,958)	(8,019,932)	(8,238,395)	(8,435,193)	(8,663,806)
Borrowing Costs	(2,954,991)	(3,414,080)	(4,035,410)	(4,326,145)	(4,166,562)	(3,893,418)	(3,660,351)	(3,343,575)	(3,065,478)	(3,075,492)
Other	(6,716,287)	(6,896,740)	(7,028,352)	(7,218,117)	(7,413,006)	(7,613,157)	(7,818,713)	(8,029,818)	(8,246,623)	(8,469,282)
Net Cash provided (or used in) Operating Activities	16,042,516	16,032,863	18,292,376	17,923,315	18,700,513	18,948,986	19,948,837	20,760,549	21,579,532	22,100,605
Cash Flows from Investing Activities										
Receipts:										
Sale of Investment Securities	3,030,938	85,798	-	-	-	-	-	-	-	323,096
Sale of Infrastructure, Property, Plant & Equipment	501,735	767,242	455,641	1,510,160	510,434	510,716	511,005	511,302	511,608	525,421
Deferred Debtors Receipts	19,924	20,462	21,014	21,582	22,164	22,763	23,377	24,009	24,657	25,322
Payments:										
Purchase of Infrastructure, Property, Plant & Equipment	(26,389,001)	(23,318,656)	(22,296,816)	(15,061,848)	(13,549,733)	(13,451,636)	(14,105,647)	(14,254,167)	(14,259,477)	(15,587,919)
Net Cash provided (or used in) Investing Activities	(22,836,404)	(22,445,155)	(21,820,161)	(13,530,107)	(13,017,135)	(12,918,158)	(13,571,265)	(13,718,856)	(13,723,212)	(14,714,079)
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	9,601,139	13,141,049	11,642,024	3,425,034	1,638,698	700,000	412,699	653,675	-	-
Payments:										
Repayment of Borrowings & Advances	(2,807,252)	(6,728,757)	(7,059,768)	(6,281,660)	(5,723,174)	(4,189,506)	(5,350,961)	(4,739,421)	(4,188,305)	(4,330,344)
Net Cash Flow provided (used in) Financing Activities	6,793,887	6,412,292	4,582,256	(2,856,626)	(4,084,476)	(3,489,506)	(4,938,262)	(4,085,746)	(4,188,305)	(4,330,344)
Net Increase/(Decrease) in Cash & Cash Equivalents	-	0	1,054,472	1,536,583	1,598,902	2,541,322	1,439,311	2,955,947	3,668,014	3,056,182
plus: Cash, Cash Equivalents & Investments - beginning of year	-	-	-	1,054,472	2,591,055	4,189,957	6,731,279	8,170,590	11,126,537	14,794,551
Cash & Cash Equivalents - end of the year	-	0	1,054,472	2,591,055	4,189,957	6,731,279	8,170,590	11,126,537	14,794,551	17,850,733
Cash & Cash Equivalents - end of the year	-	-	1,054,472	2,591,055	4,189,957	6,731,279	8,170,590	11,126,537	14,794,551	17,850,733
Investments - end of the year	37,721,885	37,636,087	37,636,087	37,636,087	37,636,087	37,636,087	37,636,087	37,636,087	37,636,087	37,312,991
Cash, Cash Equivalents & Investments - end of the year	37,721,885	37,636,087	38,690,559	40,227,142	41,826,044	44,367,366	45,806,677	48,762,624	52,430,638	55,163,725
Representing:										
- External Restrictions	8,052,453	8,511,219	9,441,819	10,632,030	11,617,446	12,915,990	14,012,839	15,426,003	17,029,028	17,769,138
- Internal Restrictions	10,504,667	10,503,728	10,767,396	10,338,137	9,897,289	9,164,538	8,699,562	8,222,032	7,731,609	8,272,821
- Unrestricted	19,164,765	18,621,141	18,481,344	19,256,975	20,311,309	22,286,838	23,094,276	25,114,590	27,670,002	29,121,766
	37,721,885	37,636,087	38,690,559	40,227,142	41,826,044	44,367,366	45,806,677	48,762,624	52,430,638	55,163,725

Eurobodalla Shire Council

FINANCIAL PERFORMANCE INDICATORS

Projected Years

2015/16 2016/17 2017/18 2018/19 2019/20 2020/21 2021/22 2022/23 2023/24 2024/25 Average

Financial Sustainability

Operating Ratio

Benchmark - between 5% surplus and -3% deficit average over 3 years

Consolidated

Base	-4%	-5%	-5%	-5%	-5%	-6%	-6%	-5%	-5%	-6%	-5%
SRV	-3%	-3%	-3%	-3%	-3%	-4%	-4%	-4%	-3%	-4%	-3%
Difference	1%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%

General Fund

Base	-8%	-9%	-8%	-9%	-9%	-9%	-9%	-9%	-8%	-9%	-9%
SRV	-6%	-6%	-5%	-6%	-6%	-6%	-6%	-6%	-5%	-6%	-6%
Difference	1%	3%	4%	3%	3%	3%	3%	3%	3%	3%	3%

Infrastructure Renewal Ratio

Benchmark - 100% average over 3 years

Consolidated

Base	42%	52%	36%	35%	36%	35%	36%	35%	35%	37%	38%
SRV	50%	62%	47%	38%	38%	37%	38%	38%	37%	40%	42%
Difference	8%	10%	11%	3%	2%	2%	2%	2%	2%	2%	4%

General Fund

Base	56%	40%	39%	38%	38%	38%	38%	38%	38%	38%	39%
SRV	74%	62%	62%	46%	46%	44%	46%	44%	44%	48%	51%
Difference	18%	22%	24%	8%	8%	6%	8%	7%	6%	11%	11%

Effective Infrastructure and Service Management

Infrastructure Backlog ratio

Benchmark - less than 2% averaged over three years or an improvement

Consolidated

Base	8.9%	9.5%	10.2%	11.0%	11.5%	11.9%	12.6%	13.3%	14.1%	14.8%	11.9%
SRV	8.3%	8.1%	8.0%	7.0%	6.4%	5.7%	5.3%	4.8%	4.4%	3.9%	6.1%
Difference	0.6%	1.5%	2.2%	4.0%	5.2%	6.2%	7.4%	8.6%	9.6%	10.9%	5.7%

General Fund

Base	16.4%	17.5%	18.8%	20.0%	21.2%	22.3%	23.4%	24.5%	25.7%	26.8%	21.7%
SRV	14.9%	13.8%	12.9%	11.7%	10.5%	9.3%	8.1%	6.9%	5.9%	4.7%	9.8%
Difference	1.5%	3.8%	5.8%	8.3%	10.7%	13.0%	15.3%	17.6%	19.8%	22.0%	12.0%

Eurobodalla Shire Council

FINANCIAL PERFORMANCE INDICATORS

Projected Years

2015/16 2016/17 2017/18 2018/19 2019/20 2020/21 2021/22 2022/23 2023/24 2024/25 Average

Asset Maintenance Ratio

Benchmark - greater than 1

Consolidated

Base	1	1	1	1	1	1	1	1	1	1	1	1
SRV	1	1	1	1	1	1	1	1	1	1	1	1
Difference	0	0	0	0	0	0	0	0	0	0	0	0

General Fund

Base	1	1	1	1	1	1	1	1	1	1	1	1
SRV	1	1	1	1	1	1	1	1	1	1	1	1
Difference	0	0	0	0	0	0	0	0	0	0	0	0

Debt Service ratio

Benchmark - greater than 0% and less than 20%

Consolidated

Base	12%	11%	12%	14%	13%	10%	14%	10%	8%	6%	11%
SRV	12%	11%	12%	15%	14%	11%	15%	11%	10%	7%	12%
Difference	0%	0%	1%	1%	1%	1%	1%	1%	1%	1%	1%

General Fund

Base	11%	18%	18%	16%	14%	11%	12%	10%	9%	7%	13%
SRV	11%	18%	19%	18%	16%	13%	14%	12%	11%	9%	14%
Difference	0%	0%	1%	2%	2%	2%	2%	2%	2%	2%	1%

Efficiency

Benchmark - improving over time

Efficiency ratio

Consolidated

Base	\$ 2,627	\$ 2,631	\$ 2,612	\$ 2,573	\$ 2,539	\$ 2,524	\$ 2,491	\$ 2,457	\$ 2,423	\$ 2,397	\$ 2,526
SRV	\$ 2,627	\$ 2,642	\$ 2,639	\$ 2,614	\$ 2,584	\$ 2,569	\$ 2,534	\$ 2,498	\$ 2,462	\$ 2,435	\$ 2,559
Difference	\$ -	-\$ 11	-\$ 28	-\$ 41	-\$ 45	-\$ 45	-\$ 43	-\$ 41	-\$ 39	-\$ 38	-\$ 33

General Fund

Base	\$ 1,722	\$ 1,723	\$ 1,697	\$ 1,684	\$ 1,662	\$ 1,649	\$ 1,621	\$ 1,599	\$ 1,577	\$ 1,561	\$ 1,648
SRV	\$ 1,722	\$ 1,734	\$ 1,724	\$ 1,725	\$ 1,708	\$ 1,694	\$ 1,659	\$ 1,640	\$ 1,617	\$ 1,598	\$ 1,681
Difference	\$ -	-\$ 11	-\$ 28	-\$ 41	-\$ 45	-\$ 45	-\$ 39	-\$ 41	-\$ 39	-\$ 38	-\$ 33

6. Key Assumptions

Planning assumptions

General

The projected statements and financial indicators have been prepared based on a number of assumptions.

Council approaches budgeting and modelling in a **conservative** manner. The explanation of revenue and expenditure forecasts outlines any relevant considerations. Only budget items that can be reliably estimated are included in the projected statements and significant items that cannot be are disclosed in the narrative so the reader is aware of them.

The **current level of service** is assumed to be maintained over the planning period consistent with the current CSP developed in 2011 and applicable till 2016. Reducing the level of service to the community is a way of reducing costs. However this would need to be an option presented to the community in the next review of the CSP in 2017. Whilst the next CSP period does fit within the modelling period it is assumed that the level of service will remain the same.

The Fit for the Future criteria assess the scale and capacity of councils and whether they should **amalgamate**. Eurobodalla has **not** been assessed as suitable for amalgamation and hence no part of full amalgamation is assumed.

Population growth is assumed to be 0.02%. Rates revenue has been adjusted accordingly and it is assumed that this level of growth and demographical changes over the next ten years will not significantly impact the expenditure required for delivery of services.

The **indexation** factor applied to the figures to allow for inflation is based on the consumer price index forecast of between 2.7% and 3%. The projected estimates are shown in **nominal** and not real dollars.

Revenue forecasts

Rates

- The General rate is indexed by the IPART rate peg. The IPART rate peg is not released till December of the preceding rating year. The estimate of IPART for 2015-16 and the modelling period is 3%. Water, Sewer and Waste rates are set to achieve break even operating results and to satisfy state government best practice requirements. The indexation applied to the Water, Sewer and Waste rates is 3% with no additional increases required based on satisfactory financial performance projected. The small town's sewer schemes in Bodalla, Guerrilla Bay and Rosedale will bring on new ratepayers for sewer charges and the additional revenue is included.

User Charges

- Fees and Charges are reviewed each year in line with the recovery principle applicable for the goods or services being provided. Fees and charges either seek a commercial return, cost recovery or are a subsidised service. The fees and charges have been increased by 2.7%.

Interest on investments

- Investment revenue is based on the estimate of the returns expected on Councils investment portfolio mainly being term deposits in accordance with the Ministers

investment order and councils investment policy. The projected return is between 3% and 5%.

Grants and contributions

- Only specifically known grant funds are included. Non recurrent grant funds are included in the first few years however in the later years there are only a few successful grant projects that Council is aware of. Ongoing recurrent grant funds included are the Financial Assistance grants and Roads to Recovery program. Conversely, the associated grant funded expenditure is also recognised where applicable. Council has an excellent reputation with its grants programs and typically receives significant additional grants in each financial year over and above the original estimates. Grants provide excellent leveraging to the services being provided by Council as evidenced by environmental, community care, recreation and other programs run by Council. These programs are mostly funded by grants. However, apart from recurrent grants, they generally do not save Council money as they do not contribute to the basic services already provided and some grants require a matching component.

Other Revenues

- Other revenues are estimated assuming they are recurrent and applied consistently over the projected period except for known specific items. Indexed by 2.7%.

Net Gain on Disposal of Assets

- Disposal of plant and investments are assumed to be for nil gain as they are assets that meet operational needs and are not of a commercial nature.
- The remaining value of infrastructure assets on Councils books which have been renewed has been significant and the resulting write-off has impacted the operating result. It is anticipated that improvements to depreciation modelling and the annual review of useful life of infrastructure assets will reduce this write-off. The modelling assumes no write-off of the remaining book value of renewed assets.
- Land sales in most cases will have an estimated gain on disposal as the sales proceeds are expected to exceed the book value. Land sales have only been budgeted where there is a high probability of sale in a financial year. Typically, the timing of land sales can be difficult to predict. Land sales have been budgeted at \$5.8 million. The recreation land strategy rationalises the number of facilities, providing upgrades to the remaining to streamline services and save costs. Upgrades are funded from the surplus recreation land sales.

Borrowings

- Borrowings are utilised to finance Council's infrastructure programs and enables the benefits and costs of long- life assets to be shared equitably between current and future generations of ratepayers. The SRV scenario utilises borrowings to ensure the program is delivered within a short time frame.
- Council complies with its borrowing policy. Council funds its capital program from its cash reserves before borrowing from external financial institutions where there are

sufficient reserves. The Water Fund has seen debt reduced to take advantage of building cash reserves due to low renewal requirements in the short to medium term.

- Council has been successful in applying for two rounds of the Local Infrastructure Replacement Scheme (LIRS) that provides subsidised loan funding to accelerate renewal works.
- Council projects its borrowing costs using the actual interest rates on existing loans and between 6% - 8% for future loans. Whilst the current interest rate environment is soft it is expected to tighten in the near future.

Expenditure Forecasts

Employee costs

- Salary and wages costs are estimated based on Councils approved organisational chart and applicable rates of pay. Increases based on an estimate of annual award increase and annual performance for grade and step increases are considered. Award increases are estimated to be similar to CPI and 2.7% has been assumed. The budget is estimated using a prudent approach as it is based on full capacity. Typically, there are vacancy savings due to staff turnover which is difficult to reliably measure so only a conservative amount has been forecast. Salaries and wages normally are under budget by year end and the modelled figures are more than likely to be at the higher end of the expenditure range.

Materials, contracts and other operating costs

- Expenditure has been budgeted for specific projects (normally grant funded) only where they are certain and for the recurrent service areas and programs. Maintenance programs are indexed for growth in the relevant asset class. Indexed based on CPI estimates of between 2.7% and 3%.

Depreciation

- Depreciation is estimated based on current infrastructure and the projected asset expenditure in the future, and is calculated using the straight line basis over the estimated useful life of the asset. Depreciation takes into account the expected asset value at the end of its useful life where applicable. This is commonly known as salvage value and an example is a truck where there is a trade in value.
- It is assumed that when assets are renewed assets they will have been fully depreciated to their salvage value and as a result that there is no write-off of the book value required.
- An assets useful life is dependent on the associated service level being provided by the asset in accordance with community expectations.
- Depreciation is indexed by CPI and hence the effect of revaluations which update assets values to current replacement cost is taken into account.

7. Sensitivity Analysis

The SRV community and transport infrastructure program is highly leveraged to borrowings. The capital outlay for the five year program, including recurrent renewals will be approximately \$22.6 million with borrowings of \$15.7 million.

Changes in interest rates will impact the modelled improvement in operating performance compared to the base case. For instance a low interest rate scenario (5%) will improve the operating deficit by \$0.3 million and the operating performance ratio by approximately 0.5% per year.

Conversely, a high interest rate scenario (8% to 10%) will reduce the benefit of the SRV by \$0.2 million operating deficit or 0.34% operating ratio.

The purpose of sensitivity analysis is to identify significant risks to the projections provided. Council's financial objective is to be financially sustainable and the key aspects are operating performance and the condition of its infrastructure. Financial parameters including CPI, rate pegging, growth, interest rates will impact the operating performance. However, the potential range that these parameters will realistically move by will not significantly alter revenue or expenditure to the point where the underlying situation of significant operating deficits will change. Council expects significant General Fund operating deficits irrespective of the external financial environment.

Risks to the projected condition of infrastructure such environmental events can seriously impact the condition of the transport network and community infrastructure. This has occurred in northern NSW where bridges and road pavements have been seriously impacted by flood events. These events cause damage to road pavements, excessive potholing, bridge failure etc and thereby increase the amount of work that needs to be done ie the infrastructure backlog. If Eurobodalla Shire had a significant event it could increase the infrastructure backlog and potentially render a substantial portion of the community and transport network unsatisfactory. Such an event would significantly change the infrastructure ratios modelled.