LONG TERM FINANCIAL PLAN

FOR THE PERIOD 2016-17 TO 2025-26

Community Strategic Plan Linkage

Goal 5, Strategy 8

“Ensure the Shire’s financial performance is well managed and leads to a strong financial performance.”

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1.0 EXECUTIVE SUMMARY

1.1 BACKGROUND

- The Long Term Financial Plan (LTFP) is one of the key documents of the Shire's Integrated Planning and Reporting Framework.
- The LTFP is reviewed and updated annually and is used to provide the framework for and inform the preparation of the 2016-17 Budget.

1.2 KEY ISSUES

- Continued pressure to minimise annual property rate increases.
- Expectation that services do not deteriorate and are in fact enhanced.
- State and Federal Government budget deficits place pressure upon financial resources through reduced grants and the possibility of further cost shifting.
- Growth in properties increases revenue but also places pressure on service delivery.
- Future labour costs are subject to an Enterprise Agreement to be negotiated.
- Increases in costs such as insurance, fuel, contract services, road construction materials, electricity, water, etc are outside the Shire's control.
- Increase in the Perth CPI is not a strong indicator of cost escalation for the Shire.
- Long term forecast escalation rates for labour and materials are uncertain.
- Capital works planning and asset management is improving but still developing.
- The fair value revaluation of assets is increasing asset values and depreciation and sufficient funds need to be generated from operations to fund these increases.
- In addition to servicing an estimated population of over 13,000 people, Shire services are provided to a visitor population which at any one time is estimated to be equivalent to the Shire's population increasing by at least one third.[1]
- Financial performance needs to be assessed against prescribed ratios and will soon be made publicly available on a comparative "My Council" style website.

1.3 CONCLUSIONS

- The annual yield from property rates needs to exceed forecast inflation in order to meet service level needs and provide a financially sustainable platform for the future.
- A lower rate yield increase of 3% is achievable from 2018-19 but has negative consequences for the net operating result and therefore the availability of funds required to renew the Shire's increasing asset base.
- The forecasts show the net operating deficit is increasing.
- Expenditure must continue to be monitored and restrained, particularly if the annual increase to the rate yield declines.
- Limitations on workforce growth in the Workforce Plan and the Shire's 2013 Enterprise Agreement have controlled increases in employee costs.
- Improved forward capital works planning is resulting in capital projects and their likely funding sources, including grants, being included in the LTFP.
- The Shire's financial performance exceeds the benchmarks set for the Own Source Revenue Coverage, Debt Service Cover and Asset Consumption ratios.
- Based on the assumptions a balanced budget position is forecast for each year of the LTFP despite an annual net operating deficit being forecast.
- Overall, the LTFP provides a reasonable financial framework for the Shire for the next 10 years. However, due to constantly changing financial parameters, assumptions and projects the LTFP will need to continue to be reassessed annually.

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[1] Tourism WA Overnight Fact Sheet for 2011/12/13 for the Shire identified the average number of visitors to the Shire per year for the 3 years was 457,200 and they stayed a total of 1,619,900 nights.

2.0 INTRODUCTION

The Long Term Financial Plan (LTFP) is a financial planning document providing a high level view of the Shire's possible financial position for the 10 financial years from 2016-17 to 2025-26. This forecast takes into consideration the outlook and growth for the economy as outlined in Section 3.

In general the LTFP does not provide detailed projects and programs. Its intent is to provide the broad financial parameters within which the Shire should base its detailed annual operating and capital budgets. Detailed information about individual projects or items, such as road works or vehicle replacements, are held within asset management plans such as the Road Works Programme, the Plant Replacement Programme and the Building Maintenance Programme.

The LTFP's objectives are to:

1. Provide a balanced financial position which recognises that all sources of funding (rates, grants, fees and charges, loans, etc) are fully allocated to expenditures (operating and capital) with any surplus transferred to reserves and used for future year's expenditure.
2. Improve the annual net operating result which is the difference between operating revenue and operating expenditure (including interest and depreciation) so funds can be allocated towards the renewal of the Shire's asset base.
3. Demonstrate continuous and ongoing improvement in the various ratios used to assess and compare the financial performance of Western Australian local governments.
4. Ensure improvements to waste management infrastructure and processes in accordance with the Waste Management Strategy are able to be funded.
5. Reinvest a greater proportion of the funds obtained from the operation of the caravan parks in the infrastructure, buildings and facilities of the caravan parks.
6. Focus on controlling operating expenditure.

Being a high level plan, the LTFP is predicated on a number of assumptions that are detailed in Section 4. In some cases this section includes reference to the forecast results of the LTFP. However, the overall results are discussed in greater detail in Section 5. Some of the main financial statement report outputs are included for reference in Section 7.

Section 6 outlines the result of a scenario to assess the positive impact on the forecast financial results of continuing with a 4% annual increase to the rate yield rather than the proposal contained within this LTFP of reducing to a 3% annual increase to the rate yield from 2018-19.

3.0 ECONOMIC OUTLOOK AND GROWTH

The following comments are relevant to the economic outlook influencing this LTFP.

- The Federal Government's mid-year budget review in December 2015 expects increased deficits for the next four years due to lower revenue with the 2015-16 deficit raised to $37.4 billion from $35.1 billion. The return to a balanced budget position has been pushed back to 2020-21. The forecast increase in GDP for 2015-16 has reduced to 2.50% from 2.75% and the iron ore price forecast has been reduced to $39/tonne from $48/tonne.
- The State Government announced the deficit for 2015-16 is expected to increase from $2.7 billion to $3.1 billion and then decrease slightly to $3 billion in 2016-17 and to $820 million in 2017-18. Low iron ore prices compounded by sluggish economic growth and consumption have contributed to the State's deteriorating financial positon. This deterioration is resulting in low growth in wages and unemployment is also increasing. The expected deficit results also impact upon government funding for projects either by delaying the funding or in the worst case removing the funding.
- The increase in the Australian Wage Price Index for the public sector for the 12 months to September 2015 was 2.7%.
- The rate of increase in the Perth CPI for the financial year to 30 September 2015 was only 0.4% and for the 12 months to 30 September 2015 was 1.1%. (Source: *Australian Bureau of Statistics* www.abs.gov.au)
- The increase in the Perth CPI for the financial year to 31 December 2015 was 0.8% and for the 12 months to 31 December 2015 was 1.5%. The main contributors to the increase for the quarter were tobacco (+8.1%), domestic holiday travel and accommodation (+4.2%) and international holiday travel and accommodation (+3.6%). Falls in automotive fuel (-6.5%), rents (-1.3%) and telecommunication equipment and services (-2.4%) partly offset these increases. (Source: *Australian Bureau of Statistics* www.abs.gov.au)
- The Local Government Cost Index increased by only 0.9% for the 12 months to June 2015. The level of increase is recognised as low by historical standards and is due to low growth in the road and non-residential construction indexes and low growth in the WA Wage Price index.
- WA Treasury has forecast an increase of 2.5% per annum in the Perth CPI for 2016-17 to 2018-19 (*Department of Treasury, 2015-16 Budget Paper Number 3*).
- The Reserve Bank's cash reference rate of 2% is at historically low levels and there is continued uncertainty amongst Economists about future changes to this rate. The low rate has implications for lending and borrowing rates.
- Key economic forecasts from the State Government's 2015-16 Mid-year Financial Projections Statement (December 2015) are shown in the following table.

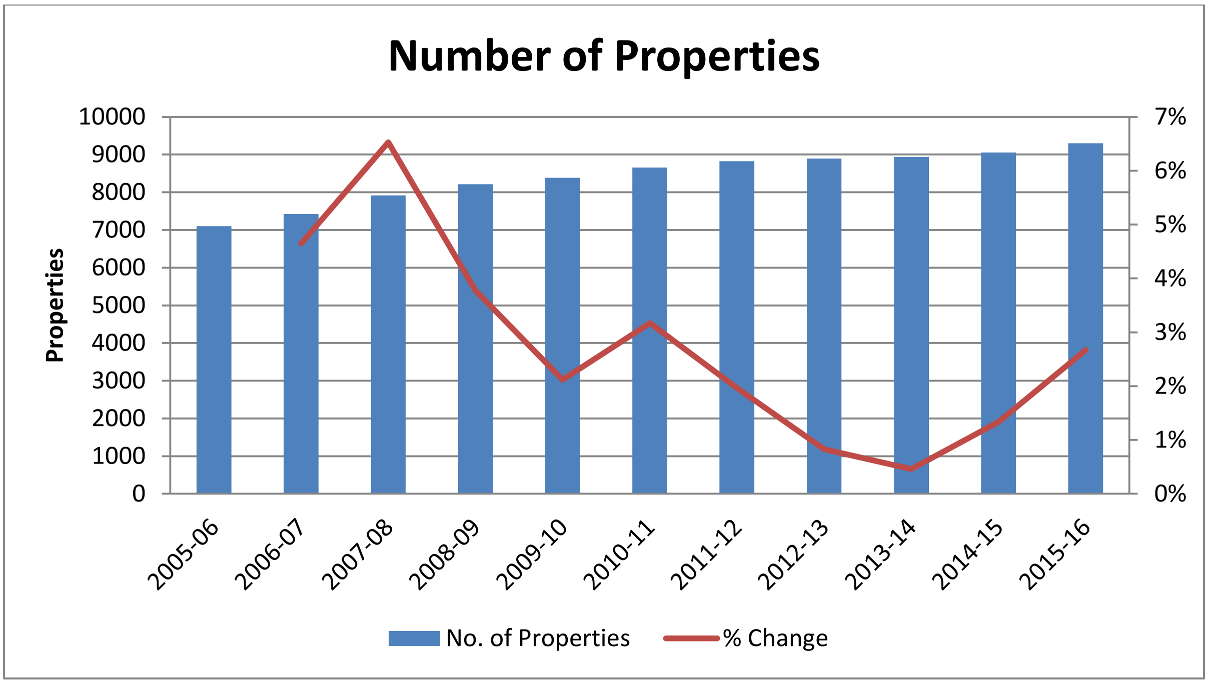
	2014-15	2015-16	2016-17	2017-18	2018-19
Employment Growth (%)	1.5	1.25	1.25	1.5	1.5
Unemployment Rate (%)	5.4	6.5	6.5	6.25	5.75
Wage Price Index Growth	2.2	2.0	2.25	2.25	2.75
Perth CPI Growth (%)	1.8	1.5	2.0	2.5	2.5

- The updated Wage Price Index released by the Australian Bureau of Statistics in February 2016, shows the change in the index for the public sector for Perth for the 12 months to December 2015 is 3.2%. This compares to a change of 3.5% for the 12 months to December 2014 and 3.7% for the 12 months to December 2013.
- The State's jobless rate rose slightly to 6% in February 2016 with the loss of 6,700 full time jobs during the month. The number of full-time jobs in WA has decreased to 925,000 although part-time positions have increased[2]. Anecdotal evidence suggests the Shire has been impacted by the loss in full-time employment, particularly in the mining sector. This situation impacts the affordability and payment of rates.

The growth of the Shire is assessed from the number of new lots that are created and able to be rated. The number of rateable properties in the Shire is expected to increase by an average of 180 properties per annum. Based on 9,055 rateable properties at 30 June 2015 this represents a growth rate of 2% per annum. Growth has an impact upon a number of categories of revenue and expenditure including rates, fees and charges and materials and contracts.

For the 6 months to December 2015, 242 new properties have been created which represents a growth rate of 2.7%. The expectation of an average annual growth rate of 2% has been exceeded for 2015-16.

Should the number of rateable properties increase at the same rate for the remainder of the year, the rateable property growth rate for the year would be similar to levels recorded almost 10 years ago.



Recent Australian economic data shows the value of new home loans is 4.1% lower than last year with new home loans to owner occupiers up 7.3% higher than last year and new loans to investors being 14.8% lower than last year[3]. If the same trend is evident in the Shire growth in rateable properties is being driven by owner occupiers.

[2] The West Australian, Friday March 18 2016
[3] WA Treasury Corporation Market Watch Weekly for week ending 11 March 2016

4.0 ASSUMPTIONS

4.1 Global Variables

- The base data used for revenue and expenditure forecasts is the 2015-16 Budget.
- Amendments have been made to the base data to remove once off items and carryovers as well as to include the full year impact of the 2015 organisation restructure and update rate revenue to reflect interim rates billed during the financial year to February 2016.
- For the term of the plan the base escalation rate to be applied to operating revenue and operating expenditure is 3% per annum.
- Despite high actual rateable property growth rates being recorded in 2015-16, a conservative property growth rate of 1% per annum has been applied to specific revenue and expenditure items within the categories of rates, fees and charges and materials and contracts.

4.2 Capital Grants

- Capital grants budgeted for 2015-16 have been removed so they do not carry forward to future years.
- Capital grants included in the LTFP are only associated with funding specific capital works projects.
- Roads to Recovery (R2R) funding is assumed to continue with the grant for 2016-17 being $1.504 million compared to $1.302 million to be received in 2015-16. The grant will then decrease to $0.455 million for 2017-18 to 2018-19. From 2019-20 an estimated grant of $0.455 million per annum has been included. This grant will fund additional road works.
- Regional Roads Group (RRG) funding is assumed to continue on the basis of a 2/3rd contribution from MRWA and 1/3rd from the Shire for designated road works projects. The grant allocations included in the LTFP correspond with the five year program provided to MRWA and include works for Leeuwin, Rosa Brook, Treeton, Rosa Glen, Carters, Warner Glen and Cowaramup Bay roads.
- For simplicity RRG grants are allocated against the annual allocation for road reconstruction and R2R grants are allocated against the annual allocation for road resurfacing.
- Bridge works for roads are assumed to be fully funded by MRWA apart from replacing the Carbunup South Road bridge with a culvert in order to increase its capacity to a double lane.
- The State Government's 2015-16 mid-year financial projections statement included $58.3 million in 2016-17 and 2017-18 to construct Stage 2 of the Margaret River Perimeter Road ($52.89 million) and John Archibald Drive ($5.37 million). The funding source for these projects is Royalties for Regions.
- Royalties for Regions grants of $5.490 million have been included in 2017-18 for Stage 2 of the Margaret River main street redevelopment project, although the project was not included in the State Government's mid-year financial projections.
- Grants totalling $6.244 million from Royalties for Regions, Lotterywest and the Federal Government's National Stronger Regions Fund have been included for the

redevelopment of the Cultural Centre in 2016-17 and 2017-18 and complement the Shire's financial contribution of $1.76 million.

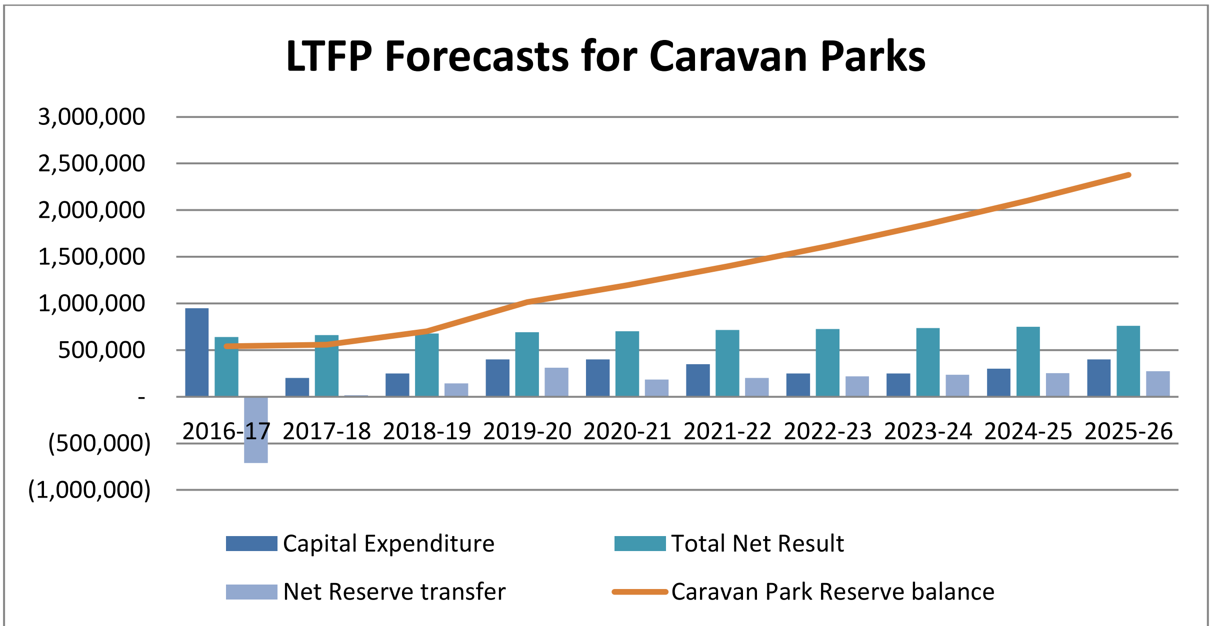
- The Margaret River Youth Precinct/Skatepark project will require substantial grant funding and $0.85 million from Lotterywest, Royalties for Regions, the Department of Sport and Recreation, the Margaret River Lions Club and community contributions have been included at this stage. However, the increased scope of the project will require more grant funding to supplement the Shire's contribution of $0.65 million.
- Various grants have been included within the plan for specific recreational and other projects, with the intention of maximising the Shire's financial contribution.
- Developer contributions received for new lots represent an income flow of up to $0.200 million per annum. Although the developer contributions scheme amendment proposes varying contributions per new lot depending upon the contribution area and the facilities requiring a contribution, for simplicity an estimated average of $2,000 per lot has been used. This income, less any loan repayments for community assets developed as part of the Developer Contributions Plan, is transferred to the Developer Contributions reserve and used to fund other projects.

4.3 Capital Expenditure

- Capital projects are partially grant funded where grants are applicable and feasible.
- Capital works for 2015-16 are assumed to be completed in that year and not carried forward.
- Plant Replacement Program has been reviewed and updated to include all fleet and mobile plant at December 2015. Replacement timeframes are based on usage. For light fleet and utilities replacement occurs at 125,000 kilometres of use while for mobile plant it varies depending on the hours of expected use for the item. Transfers from the Plant Replacement reserve occur to partly fund some mobile plant replacements. The historical practice of leasing some plant items such as graders, loaders and the patching truck have continued rather than purchasing them outright.
- Replacement of Bushfire Brigade and Emergency Services Plant and Equipment are assumed to be fully funded by DFES capital grants and as they require no Shire funding have not been included in the Plan.
- The Margaret River Perimeter Road (MRPR), main street upgrade and John Archibald Drive (JAD) project is a significant undertaking for the Shire and is estimated to cost $65.750 million with the Shire's contribution of $2 million being funded from land asset sales. The balance is to be funded from Royalties for Regions. Stage 2 of the MRPR is expected to cost $52.890 million and this expenditure and its matching funding is not included in the LTFP as the road will not be the responsibility of the Shire. The construction cost of JAD is expected to be $5.370 million and has been included in the LTFP with its matching funding.
- The redevelopment of the main street in Margaret River is estimated to cost $7.490 million. The project was initially expected to commence in June 2016 with the calling of construction tenders with project completion anticipated for March 2019. However, as funding has not been included in the State Government's forward estimates the project has been included in the LTFP in 2017-18 but is dependent on funds being provided by the State Government.
- The redevelopment of the Margaret River Cultural Centre is the major building project planned for the next 10 years. Subject to the success of grant funding applications, the project could commence in 2016-17 and is expected to take two years to

complete. The practical completion date for stage 1 is September 2017 and for stage 2 is March 2018. The estimated cost of the project, including project management and administration which will be absorbed in-house is in the order of $8.5 million with $6.5 million proposed to be obtained from grants. The balance of $2 million is to be funded by the Shire with a loan of $1.100 million expected to be drawn down in 2016-17 and $0.660 million to be transferred from the Community Facilities reserve with the balance being the in-house project management and administration costs. However, the scope of the project and its funding mix is subject to change and is largely influenced by the success of external grant applications.

- A major community infrastructure project is the Margaret River Youth Precinct/Skatepark. $1.500 million is allocated in this Plan although the scope and cost of the project is expected to increase. Any increase in cost will be funded from grants as the Shire's $0.650 million contribution is fixed and will be funded by a loan of $0.350 million, funds held in reserve of $0.200 million and a budget allocation of $0.100 million. Should grant applications be successful construction should commence in 2016-17 and be completed in the following year.
- The Caravan Park reserve will be used to fund the construction of chalets at Turner Caravan Park. $0.750 million has been allocated in the first year of the LTFP for this project. Following approval of a design, the construction tender should be awarded by May 2015 to allow construction to occur during the less busy time for the caravan parks.
- An annual allocation has been included for renewal and upgrade works at Caravan Parks to ensure these assets and there facilities are kept in good order to continue to provide services to customers. The total annual amount allocated is funded from revenue generated by these assets during the year. The allocation in the initial years of the plan are lower as until revenue from other sources increases, revenue from caravan park operations is required to fund operational expenditure.

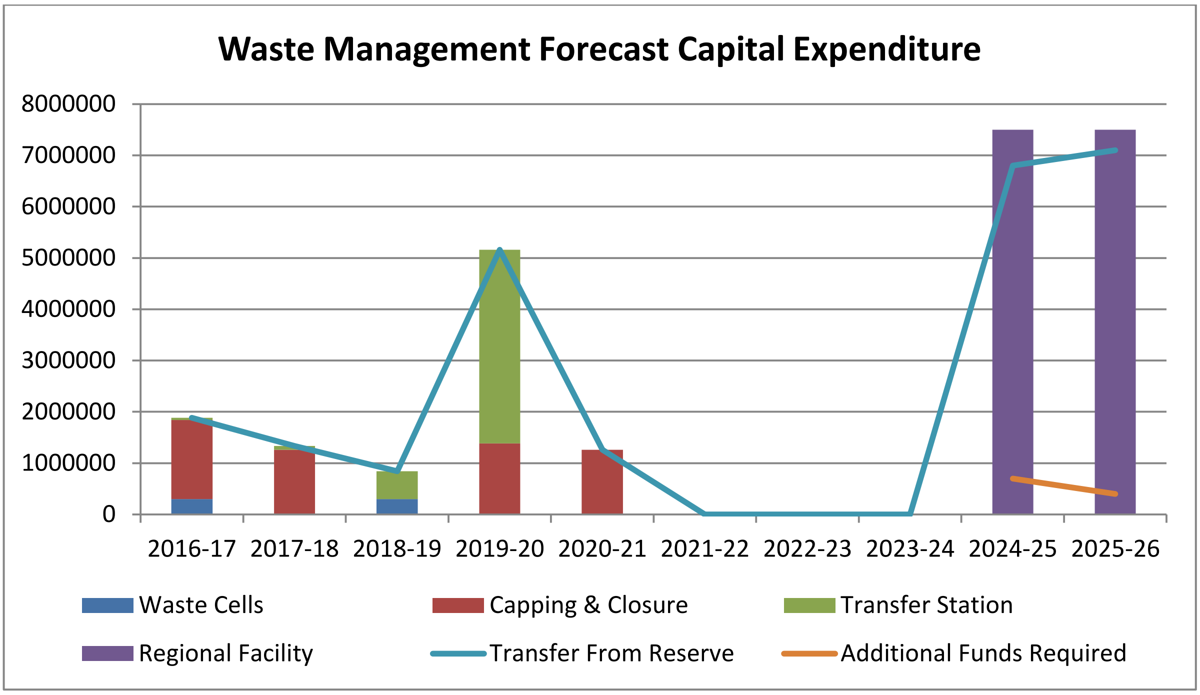


- A revised plan of improvements for the Works depot was approved in October 2015 and detailed $0.425 million of high and medium priority projects to be completed over the next five years to 2019-20. A number of low priority projects totalling $0.350

million and that possibly could be completed from 2020 have been included in the LTFP but have not been scheduled at this stage.

- Proposed expenditure for bridges is based on the South West – 10 Year Strategy for Local Authority Bridges and assumes all expenditure will be funded by Main Roads WA apart from of $0.057 million of Council funds in 2016-17 to upgrade the Carbunup South road bridge to two lanes by installing a culvert.
- The LTFP assumes no land assets will be purchased as part of capital expenditure as any land transactions in accordance with the Land Asset Management Program (LAMP) are self-funded from land asset sales which are held in reserves. Should any land asset sales occur proceeds will be provided to the Margaret River and Augusta revitalisation/redevelopment reserves, depending upon the location of the land parcel.
- Furniture and equipment includes the programmed replacement of large items such as the Records shredder every 5 years, Records scanner every 4 years, computer servers every 4 years, computer storage every 4 years and uninterruptable power supply units every 3 years.
- The forecast annual allocation for playground equipment has been obtained from a recent playground equipment replacement/improvement study. Over 10 years the average expenditure required to renew the Shire's playground assets is almost $0.100 million and is an increase on the amount of $0.060 million per annum that was included in the previous plan. The updated amount represents the supply of playground equipment and soft-fall areas and does not incorporate any allowance for removal, installation or site works.
- Annual allocations for parks and ovals related capital expenditure such as renewal of parks, new tree planting and new cemetery works is obtained from asset management models.
- Annual allocation estimates have been included for parks and reserves projects which are being developed or have been previously approved by Council but are not yet planned in detail such as the Wadandi Track, Bridle Trails, mountain bike trail development, Augusta Interpretation Plan, Cape Leeuwin Tourism Precinct and Cape Mentelle to Gas Bay plan.
- The development of the Gloucester Park recreation precinct is a major parks and ovals project and includes the development of the new lit western oval at an estimated cost of $1.085 million, road works, carparking, signage, landscaping, building works and power supply upgrade. These works are expected to be staged from 2016-17 to 2022-23 and will be funded from Community Sporting and Recreation Facility Fund (CSRFF) grants and transfers from the Community Facilities reserve and Developer Contributions reserve.
- The development of the Rapids Landing oval is expected to commence in 2016-17 in time for the possible opening of the school in 2018. It is intended this oval would be a joint use facility and at this stage the preference is for the Department of Education and Training to fund and construct the oval and for the Shire to repay its share of the construction costs over 10 years. However, this approach is subject to negotiation with the Department of Education and Training (DET) and preliminary indications are DET are willing to prefund but the repayment term will be less favourable than those included in this Plan.
- An annual allocation to renew the Shire's extensive buildings asset inventory has been included rather than specifying individual projects. The initial allocation is $0.300 million in 2016-17 and this has been increased by 25% per annum thereafter.

- Apart from the Cultural Centre redevelopment project, the only specific building projects included are upgrades and renewal of buildings within the Gloucester Park precinct.
- At Council's Ordinary Meeting on 9 September 2015 the recommendations of a Waste Disposal Strategy for the Shire and a Regional Waste Management Strategy for the South West region were received and noted by Council. These documents have significant financial implications for the Shire which need to be reflected in the LTFP. The magnitude of the expenditure will require any surplus funds generated from waste fees and charges to be provided to the Waste Management Reserve. Should these reserved funds be insufficient other funding options will need to be considered. The major projects include the construction of 2 new waste cells ($0.300 million each), the capping of the Davis Road landfill site ($5.45 million by 2020-21), conversion of the Davis Road landfill site to a Waste Transfer Station and Resource Recovery Facility ($4.5 million by 2019-20) and construction of a regional waste facility ($15 million possibly in 2024-25 to 2025-26). As the timing of these projects and their estimated expenditures are unconfirmed, the prudent strategy is to ensure all excess funds are reserved for the future. The Plan indicates that over the 10 years the possible shortfall in funding from waste services fees and charges is $1.1 million and the Plan has assumed this could be funded in 2024-25 and 2025-26 with additional transfers of Shire funds to the Waste Management reserve.



- Rather than including detail at a project level (by road, drain or path) for all asset classes the approach has been to include annual average expenditure for ongoing expenditure items and only include individual projects that are significant in scope and value. The assumption is that details of road, footpath, drainage and other projects are held in specific asset management plans for these asset classes. For example, a pathways plan for town sites was recently approved by Council for advertising (OM2015/246, 25/11/15).
- For roads the information source is the sealed road strategy which uses a Pavement Condition Index (PCI) to assess the overall condition of the Shire's sealed roads and the expenditure required to achieve a specific PCI. The current PCI for the Shire's

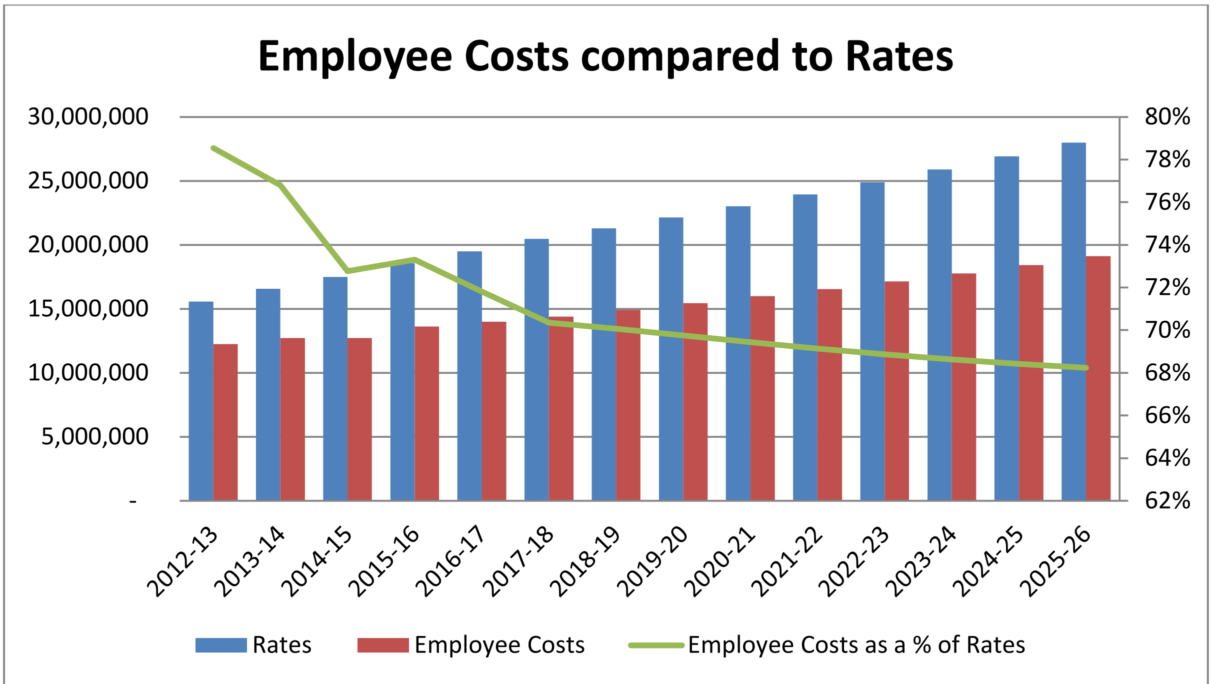
roads is 79 and with annual expenditure over 10 years of $1.2 million for pavement rehabilitation (reconstruction) and $0.7 million for pavement resurfacing (reseals), a PCI of 68 could be recorded. Maintaining the current PCI would require over $3 million to be allocated each year.

- The Shire's forecast financial position allows additional funds to be allocated to road reconstruction from 2019-20.
- For the infrastructure asset classes of kerbs, airports, drainage, footpaths, jetties and boat-ramps, pedestrian bridges and structures the expenditure and funding details are generally averages of future planned expenditure for these asset classes.
- Specific projects have been included for some of these infrastructure asset classes where the project is reasonably well defined in name if not in detail or there is an expectation of grant funding. The proposed path from Flinders Bay to Cape Leeuwin is an example of one of these projects and at the time this Plan was prepared the low key path option was included to ensure the project was at least identified in the Plan. In March 2016 Council resolved to proceed with a concrete path to Dead Finish Road in 2016-17 and for a group to determine the most suitable path alignment. As the cost and funding has not yet been determined the details in the Plan have not been updated.
- Asset values are revalued each year in accordance with the annual inflation forecast of 3%.

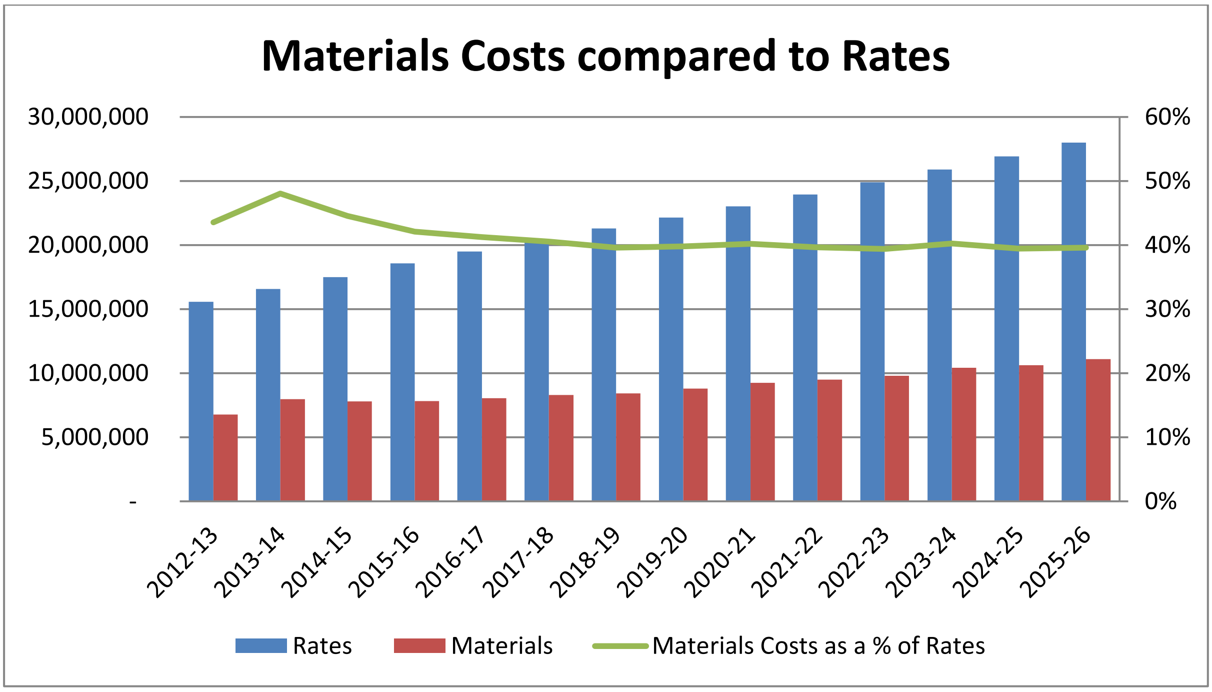
4.4 Operating Expenditure

- Labour costs for the 2015-16 Budget (the base for the LTFP) have been adjusted to reflect the impact of the organisational restructure. Adjustments were processed for salaries and superannuation. As a result of the restructure the Net Result for 2015-16 increased to $2.207 million from $2.116 million reported in the adopted Budget. The improvement of $0.091 million is primarily associated with removing the position of Manager Customer & Information Services.
- Labour costs for 2015-16 (base year) reflect the 2.75% increase agreed to in the 2013 Enterprise Agreement.
- Labour costs have been increased by 3.0% which is 0.75% higher than the State Government's Wage Price Index forecast for 2016-17 and 2017-18 published in the 2015-16 Mid-year Financial Projections Statement (December 2015). This percentage increase includes the possible increase to the renegotiated Enterprise Agreement as well as the annual performance increase for eligible employees. Currently about 60% of the workforce is eligible to progress to the next step in their level subject to achieving satisfactory performance. Typically, the magnitude of this increase is about 2% of the employee's base labour rate. The complexity of the enterprise agreement increase and the performance agreement increase cannot be reflected in the detail provided in the LTFP therefore the overall 3% increase accommodates both of these factors.
- A new position of Economic Development Officer has been included in 2018-19 to develop and promote economic opportunities within the Shire.
- An increase of 1% per annum to labour costs has been included from 2019-20 (year 3) to allow for some possible growth in employee numbers. The Shire's adopted Workforce Plan provides for no increase in staff from 2014-15 to 2016-17. This increase has been applied at the account level for all accounts with the description Salaries.

- Protective clothing and uniforms have been held stable.
- The 2013 Enterprise Agreement reduces matching superannuation to 3% from 2014-15 onwards but this level of detail is difficult to include in the Plan.
- Superannuation guarantee charge will remain at 9.5% from 2014-15 to 2020-21 and increase to 10% in 2021-22. It will then increase in 0.5% increments from 2022-23 until it reaches 12% in 2025-26. However, as the Shire currently pays 10% for all employees other than those with common law contracts, the increase will not apply until 2022-23. A percentage increase has been made at the Account level for all accounts with the description Superannuation. The annual percentage increase that has been applied includes the increase to labour rates.
- Training and conference costs have not been increased.
- In comparison to the annual rate yield, total employee costs are forecast to reduce to 68% by the end of the Plan compared to being 79% of rates in 2012-13.



- No increase has been applied to Fringe Benefits Tax payable. In fact with changes being made to employee contribution rates this impost should reduce.
- Materials and Contracts expenditure has been increased by 3% per annum as a base and selected items have been increased by an additional 1% from 2018-19 to accommodate growth in services, properties and population. Specifically selected expenditure items for the areas of parks and gardens, road maintenance, waste management, community rangers and community buildings have been increased.

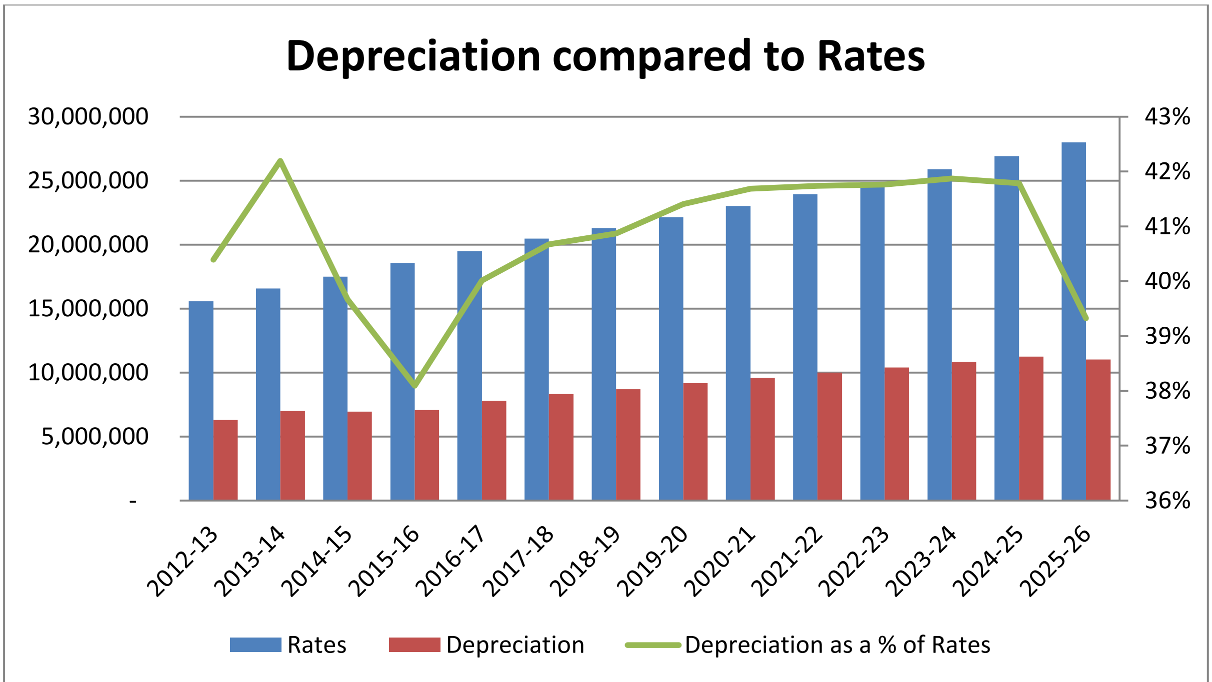


- As a percentage of the annual rate yield, expenditure on materials and contracts is forecast to reduce to 40% from 48% in 2013-14.
- Utility Charges have been increased by 4% per annum as historically increases for utilities have been greater than the increase in CPI.
- Insurance costs have been increased by 4% per annum as historically increases for insurance have been greater than the increase in CPI.
- The Other Expenditure category has been increased by 3% per annum.
- Operating expenditure items that have been carried over to the 2015-16 Budget or are once off items or grant funded projects have been removed from the base year. These items totalled $0.700 million.
- Base operating expenditure has been adjusted to include savings arising form process improvements implemented in 2015-16 including the revised building cleaning contract and the joint in-house and contractor collection of waste in public open spaces which was previously a fully contracted service. These improvements are estimated to save $0.120 million.
- The fair value valuation of property, plant, equipment and infrastructure will require external specialist assistance each year and expenditure has been allocated in Asset Services for this purpose.
- Allowance has been included for legislative compliance reviews required on a regular basis such as the Audit Regulation 17 and Financial Management Regulation 5(2)(c) reviews.
- Estimated expenditure for the Cultural Centre has been increased from 2018-19 to reflect the increased cost of operating the extended and upgraded building. This expenditure is partly offset by an additional revenue stream of $30,000 in 2018-19 that represents the possible gross profit arising from the hire of the facility.
- Election expenses associated with the WA Electoral Commission conducting a postal election have been included every 2 years from 2017-18.
- Gross Rental Valuation (GRV) revaluation expenses have been included every 3 years from 2017-18. The high cost of these revaluations (over $150,000 each) creates some fluctuation in the annual percentage increase recorded for materials.

- Postage costs have been increased to include Australia Post's 38% increase that applies from 1/1/16.
- Consultant costs have been held at 2015-16 levels for the first 2 years of the plan.
- $0.030 million included in 2017-18 to prepare a detailed Business Plan for the operation of the redeveloped Cultural Centre.
- Public relations/marketing budget increased by $0.020 million per annum for 3 years from 2018-19 as part of the proposed Economic Development Officer's role.
- To assist with the process of balancing the Plan, a 2 year freeze (2016-17 and 2017-18) on increases for discretionary expenditure items including refreshments, travel & accommodation, subscriptions and publications, consumables, printing, advertising, stationery and some maintenance and equipment purchases has been included in the Plan. This has assisted in keeping the overall increase in materials expenditure for 2016-17 to less than 3%.
- Expenditure has not been included for the development or maintenance of projects that are not certain to occur in the future such as the Witchcliffe and Gracetown Wastewater Systems. Similarly income that may arise from the levying of specified area rates or fees and charges has also not been included.

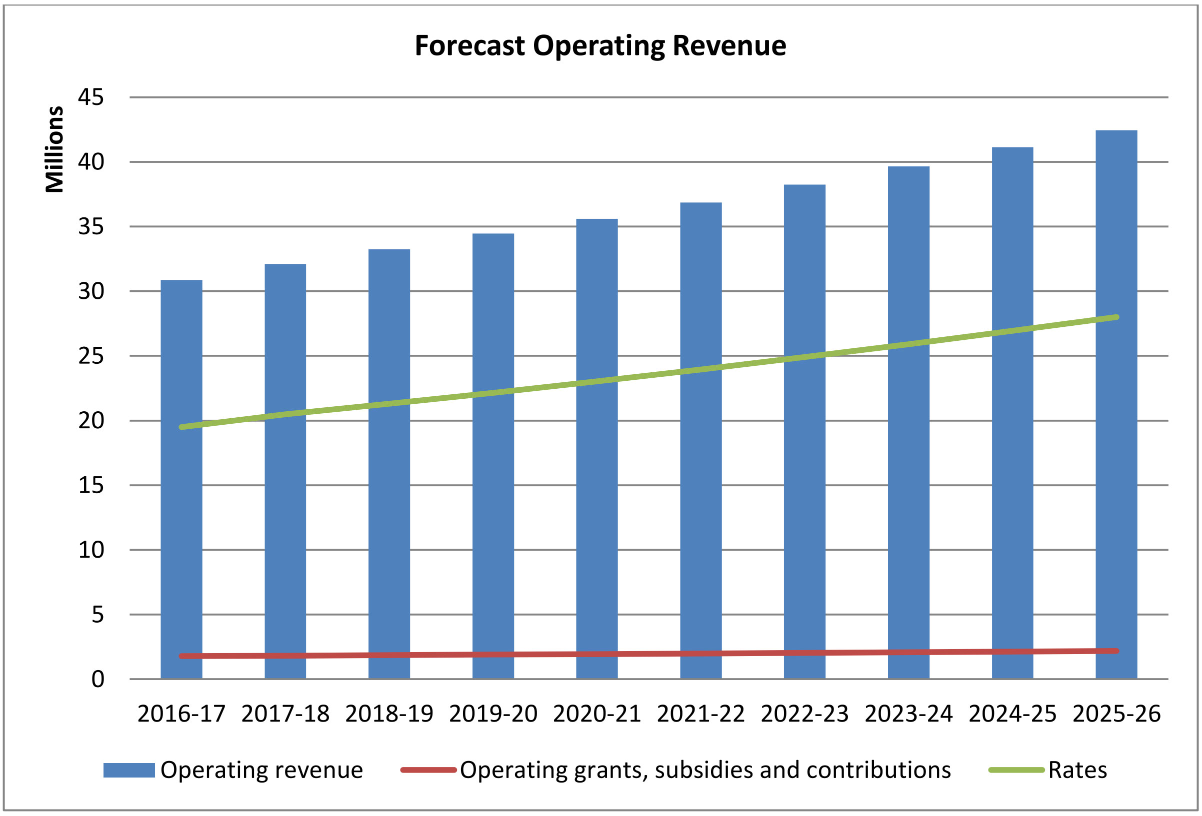
4.5 Depreciation

- The allocation of depreciation is based on the Shire's standard depreciation rates as published in the Annual Financial Report for 2014-15.
- Initial asset values included in the LTFP are based on fair value revaluations completed in the past 3 years.
- Asset values are escalated by the annual inflation rate to achieve an estimated annual revaluation amount.
- Depreciation is a significant item of operating expenditure and its accuracy (or otherwise) has a profound effect upon the overall financial results, particularly the net operating result and the various ratios which use this result.
- On average forecast depreciation represents 41% of the forecast annual rates yield.



4.6 Operating Revenue

- The Federal Government's 2014-15 Budget announced that Financial Assistance Grants provided through the WA Local Government Grants Commission will be frozen from 2014-15 to 2016-17 instead of the usual indexation arrangements applying. The Plan has assumed these grants will increase from 2017-18 at 2% per annum (CPI).
- The advance payment in 2014-15 of more than half of the Financial Assistance Grant for 2015-16 has been adjusted by increasing the grant for 2016-17 to the full amount that would normally have been received during the year. This has had the impact of increasing the percentage change in operating grants for 2016-17 by over 60% compared to the previous year. It has also been assumed for the term of the plan that the annual grant will be paid in full during the year the grant is due to be paid rather than a partial advance payment being made in the previous year.
- Operating grants for future years are forecast to increase by 3% per annum where the grant is of a continuing nature and is funding expenditure which is expected to increase by 3% (for example the Emergency Services Levy).
- Once off operating grants have been removed.
- As the following chart shows operating grants contribute a relatively small proportion of forecast operating revenue and rates contribute the majority of operating revenue.

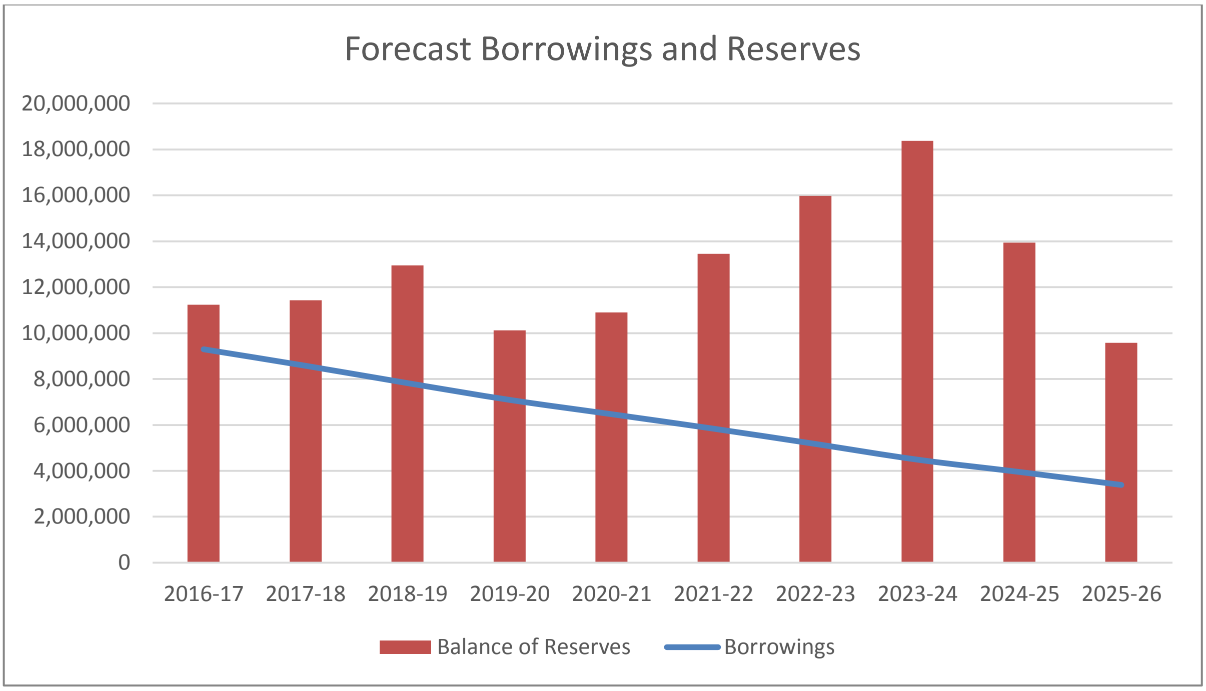


- The 2015-16 base amount for rates has been increased by $0.300 million to include the interim rates from updated property valuations that have been raised during 2015-16.
- The annual rate yield has been increased by 1% above the base cost escalation increase of 3% included in the LTFP for the first two years of the plan. This equates to an annual increase in the rate yield, excluding property growth, of 4%. From year 3 (2018-19) the rate yield is expected to increase by 3% per annum plus growth.

- Updated property valuations for all properties (GRV and UV) are expected to be received in 2018 and would take effect from 1 July 2018. In order to minimise the impact of these valuation increases the annual rate yield increase has been reduced to 3% which is considered to be the minimum increase necessary to fund operational and capital expenditure needs.
- A conservative property growth rate of 1% per annum has also been applied to reflect an expected increase in the number of properties. Therefore the annual percentage increase in the rate yield from rateable properties, including growth, is 5% up to and including 2017-18 and 4% per annum from 2018-19.
- Fees and Charges are forecast to increase by 3% per annum unless they are of a statutory nature.
- The Waste Facility Maintenance Rate has been capped at $200 per property and the increase to this revenue stream is based only on property growth of 1% per annum.
- Waste Services fees and charges have been increased by CPI and a property growth rate of 1% per annum.
- Service charges for recovery of Cowaramup main street underground power are expected to end in 2020-21.
- Other Revenue is expected to increase by 3% over the term of the LTFP.
- At this stage no increase has been included for additional revenue from the intended construction of chalets at Turner Caravan Park.

4.7 Borrowings

- $1.100 million is proposed to be borrowed for the Cultural Centre project in 2016-17 with a loan term of 15 years.
- $0.350 million is proposed to be borrowed for the Margaret River Youth Precinct/Skatepark project in 2016-17 with a loan term of 10 years.



- New loan borrowings are sourced from WA Treasury Corporation (WATC) and are borrowed at a fixed rate of interest with quarterly repayments.

- Principal and interest repayments for fixed interest loans for the Cultural Centre and the Skate Park will be repaid from developer contributions.
- Default borrowing interest rate is 4% although current loan interest rates could be 50 basis points lower than this rate. A quotation received from WATC on 28/1/16 advised an indicative interest rate of 3.79% for the $1.100 million loan and 3.5% for the $0.350 million loan.
- Using the indicative interest rates in the LTFP instead of the default interest rate has no impact on the annual budget closing position as loan principal and interest repayments are funded from the Developer Contributions reserve.

4.8 Asset Sales

- The only land asset sales included in the LTFP are the land sales of $2 million required to fund the Shire's contribution to the Margaret River main street upgrade project.
- The only other asset sales relate to the disposal of plant and equipment in accordance with the plant replacement program.

4.9 Reserves

- The opening balances of reserves are in accordance with the 2015-16 approved Budget.
- Interest is earned on reserve balances at a rate of 3% per annum.
- The Margaret River Redevelopment reserve and Margaret River CBD reserve have been amalgamated.
- An Emergency Services reserve has been created with funds transferred from the Community Facility reserve.
- Funds received from developer contributions for the creation of new lots are transferred to the Developer Contributions reserve. Principal and interest repayments for the Cultural Centre redevelopment and Margaret River Youth Precinct/Skatepark projects are transferred from this reserve.
- The Margaret River and Augusta Redevelopment reserves have been set aside to accumulate the proceeds of land asset sales in these towns. At this stage only actual asset sales have been transferred and no allowance has been made for possible future land asset sales as there likelihood is uncertain.
- Revenue collected from waste service activities funds all waste services operating and capital expenditure needs. Any shortfall in revenue is met by a transfer from the Waste Management reserve and any surplus is transferred to this reserve.
- A regular transfer to the Plant reserve has been included to allow the use of this reserve to fund future plant purchases. Ideally this transfer should be equivalent to the annual plant depreciation allocation in order to ensure plant is being renewed. However, there are insufficient funds being generated from operations to provide a transfer of this magnitude in this version of the LTFP.
- From 2018-19 the difference between revenue and operating expenditure and capital expenditure for the caravan parks is transferred to the Caravan Park Redevelopment reserve.
- As details of capital projects are firmer in the first years of the LTFP, there is also a greater demand for funding from reserves and consequently reserves tend to be more heavily used in these earlier years.

Funds transferred from reserves to fund specific capital works projects are shown in the following table.

Table 1: Transfers from Reserves

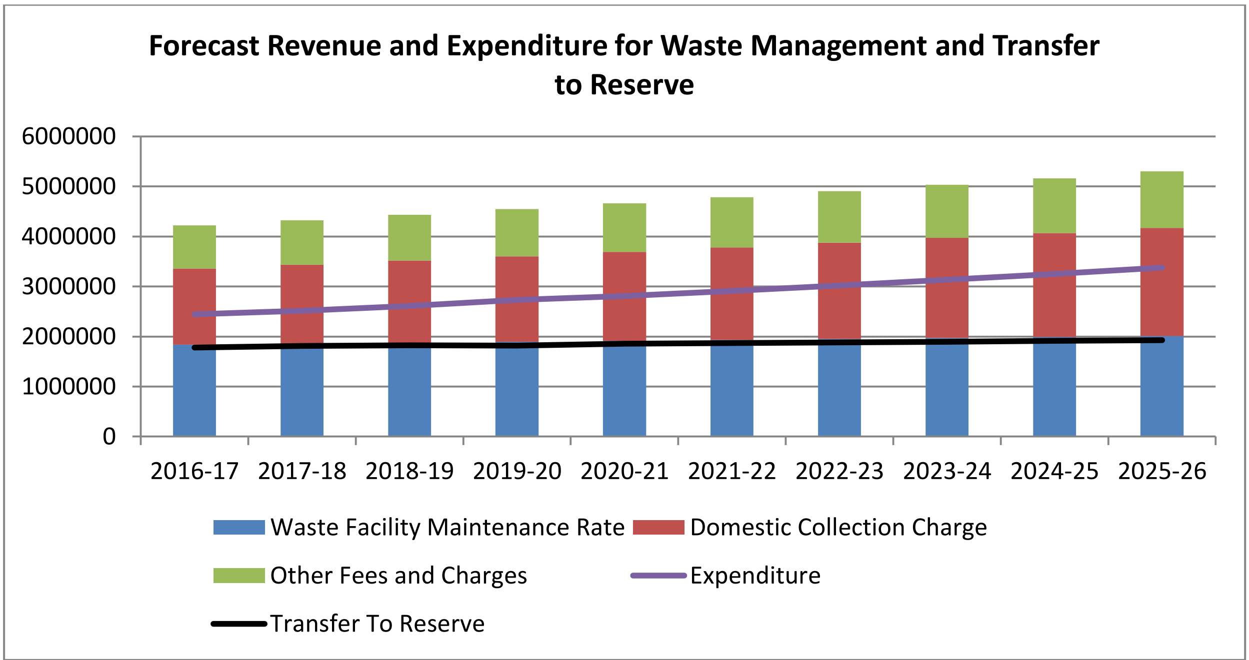
Reserve	Year	Project	Amount $
Caravan Park	2016-17	Construction of chalets	750,000
Waste Management		Infrastructure projects	1,881,250
Community Facility		Margaret River Skatepark	200,000
Plant Reserve		Replacement of various plant	490,860
Developer Contributions		Loan repayments	70,257
Developer Contributions		Lower Western Oval	125,000
Waste Management	2017-18	Infrastructure projects	1,337,500
Community Facility		Lower Western Oval	300,000
Community Facility		Cultural Centre redevelopment	660,000
Community Facility		Football club changerooms	100,000
Developer Contributions		Loan repayments	140,514
Waste Management	2018-19	Infrastructure projects	843,750
Community Facility		Lower Western Oval	100,000
Developer Contributions		Loan repayments	140,514
Waste Management	2019-20	Infrastructure projects	5,162,500
Plant Reserve		Replacement of various plant	225,947
Developer Contributions		Loan repayments	140,514
Waste Management	2020-21	Infrastructure projects	1,262,500
Plant Reserve		Replacement of various plant	318,741
Developer Contributions	2021-22	Loan repayments	140,514
Developer Contributions	2022-23	Loan repayments	140,514
Developer Contributions		Gloucester Park landscaping	100,000
Plant Reserve	2023-24	Replacement of various plant	228,931
Developer Contributions		Loan repayments	140,514
Waste Management	2024-25	Infrastructure projects	7,500,000
Plant Reserve		Replacement of various plant	342,314
Developer Contributions		Loan repayments	140,514
Waste Management	2025-26	Infrastructure projects	7,500,000
Developer Contributions		Loan repayments	140,514

Total reserves are expected to decrease from an opening balance of $12.371 million for the base position at 30 June 2016 to $9.579 million in 2025-26. The possible balance of reserves for years 1, 5 and 10 are shown in the following table.

Table 2: Forecast Reserve Balances

Reserve	2016-17 Year 1	2020-21 Year 5	2025-26 Year 10
Employee Entitlement	403,627	454,286	526,642
Public Open Space	84,393	94,986	110,115
Caravan Park Upgrade	541,734	1,196,003	2,376,819
Limesand Pits	63,543	71,517	82,908
Cemeteries	10,633	11,968	13,874
Community Loan	103,839	116,872	135,486
Cedarvale	229,232	258,003	299,096
Waste Management	4,508,933	3,776,384	340,967
Parking	154,097	173,438	201,062
Road Asset	1,354,772	1,524,807	1,767,670
Community Facility	1,143,235	186,250	215,916
Margaret River CBD	1,016,279	1,143,830	1,326,013
Augusta Revitalisation	0	0	0
Plant	654,025	558,691	427,822
West Cowaramup POS	51,060	57,469	66,622
Gravel Pits	373,906	420,834	487,863
Self Insurance	212,860	239,576	277,734
Recreation Centres	12,340	13,889	16,101
Old Settlement	34,348	38,658	44,815
Developer Contributions	210,743	486,061	770,025
Community Grants	20,600	23,186	26,879
Emergency Services	49,440	55,646	64,508
Total	**11,233,639**	**10,902,354**	**9,578,937**

The Waste Management reserve is one of the Shire's largest reserves and is required to fund the various capital works projects identified in the Waste Management strategy. The following chart shows the forecast annual transfer to this reserve is almost equivalent to the Waste Facility Maintenance rate of $200 per property that is raised each year.



5.0 MODEL RESULTS

A balanced model means all revenue and expenditure items, including capital works, transfers to and from reserves, loan borrowings and repayments represented in the Forecast Statement of Funding balance each other and there is no closing surplus or deficit for any year of the LTFP. This result satisfies the first objective of this LTFP.

The forecast Statement of Comprehensive Income shows a deteriorating net operating result over the term of the LTFP. The forecast net operating deficit increases from $1.651 million in 2016-17 to $2.097 million in 2025-26. However, the 2024-25 operating result is an improvement upon the forecast result for 2023-24 which indicates the net operating result for 2024-25 is the lowest point of the forecast. This slight improvement satisfies the second objective of this LTFP but the net operating result is still a deficit.

If the operating revenue and operating expenditure assumptions of this LTFP were applied for another 10 years, the forecast shows a net operating deficit would continue to decline for until 2031-32. Extending the term of the LTFP shows increasing depreciation allocations resulting from increased fixed asset balances (dues to annual asset revaluations and annual capital expenditure), does not allow a net operating surplus to be achieved.

The following table provides an extract of this statement's results for a number of years and is compared against the 2015-16 Budget.

<u>Table 3: Summary of LTFP Operating Results</u>

	2015-16 Budget	**2016-17 Year 1**	**2020-21 Year 5**	**2025-26 Year 10**
Revenue				
Rates	18,275,260	19,501,523	23,024,334	28,001,790
Operating Grants	1,126,355	1,776,703	1,946,408	2,182,504
Fees and Charges	8,723,750	8,963,667	10,031,801	11,524,458
Service Charges	4,333	4,333	4,333	0
Interest Earnings	659,427	607,601	562,817	711,325
Other Revenue	13,000	13,390	15,070	17,469
Total Revenue	28,802,125	30,867,217	35,584,763	42,437,546
Expenses				
Employee Costs	(13,706,610)	(14,004,674)	(15,989,060)	(19,108,465)
Materials and contracts	(8,618,548)	(8,043,495)	(9,258,039)	(11,090,426)
Utility charges	(1,106,864)	(1,151,133)	(1,411,551)	(1,717,365)
Depreciation	(7,076,400)	(7,802,487)	(9,598,130)	(11,011,034)
Interest expense	(555,982)	(483,923)	(352,363)	(189,438)
Insurance expense	(578,087)	(601,211)	(703,332)	(855,713)
Other Expenditure	(418,562)	(431,119)	(485,235)	(562,524)
Total Expenses	(32,061,053)	(32,518,042)	(37,797,710)	(44,534,965)
Net Operating Result	**(3,258,928)**	**(1,650,825)**	**(2,212,947)**	**(2,097,419)**
Capital Grants	5,393,686	11,663,673	3,205,000	2,629,000
Profit/(Loss) on Asset Sales	(18,494)	0	0	0
Net Result	**2,116,264**	**10,012,848**	**992,053**	**531,581**

The third objective of the LTFP was to demonstrate continuous improvement in the statutory ratios used to assess local government performance. A sample of the results for a number of years is provided to demonstrate trends and these are compared with the actual audited results for 2013-14 and 2014-15. The formula used to calculate these ratios and the acceptable target ranges are also provided for reference.

Table 4: Summary of Ratio Results

Financial Ratio	2013-14	2014-15	2015-16 Year 1	2019-20 Year 5	2024-25 Year 10	DLGC Target
Current Ratio	1.07	1.21	0.38	0.39	0.41	> 1
Debt Service Cover Ratio	4.91	8.01	5.91	7.93	12.08	> 2 (basic) > 5 (advanced)
Operating Surplus Ratio	(0.05)	0.05	(0.06)	(0.06)	(0.05)	> 0.01 (basic) > 0.15 (advanced)
Own Source Revenue Coverage Ratio	0.90	0.92	0.89	0.89	0.90	> 0.4 (basic) > 0.9 (advanced)
Asset Sustainability Ratio	1.10	0.57	1.30	0.75	0.53	> 0.9 (basic) > 1.1 (advanced)
Asset Consumption Ratio	0.79	0.75	0.97	0.93	0.87	> 0.5 (basic) > 0.6 (advanced)
Asset Renewal Funding Ratio	0.57	1.18	Not Calculated	Not Calculated	Not Calculated	> 0.75 (basic) > 0.95 (advanced

The above ratios are calculated as follows:

Current Ratio
$$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$$

Asset Sustainability Ratio
$$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expenses}}$$

Debt Service Cover Ratio
$$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$$

Operating Surplus Ratio
$$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$$

Own Source Revenue Coverage Ratio
$$\frac{\text{own source operating revenue}}{\text{operating expenses}}$$

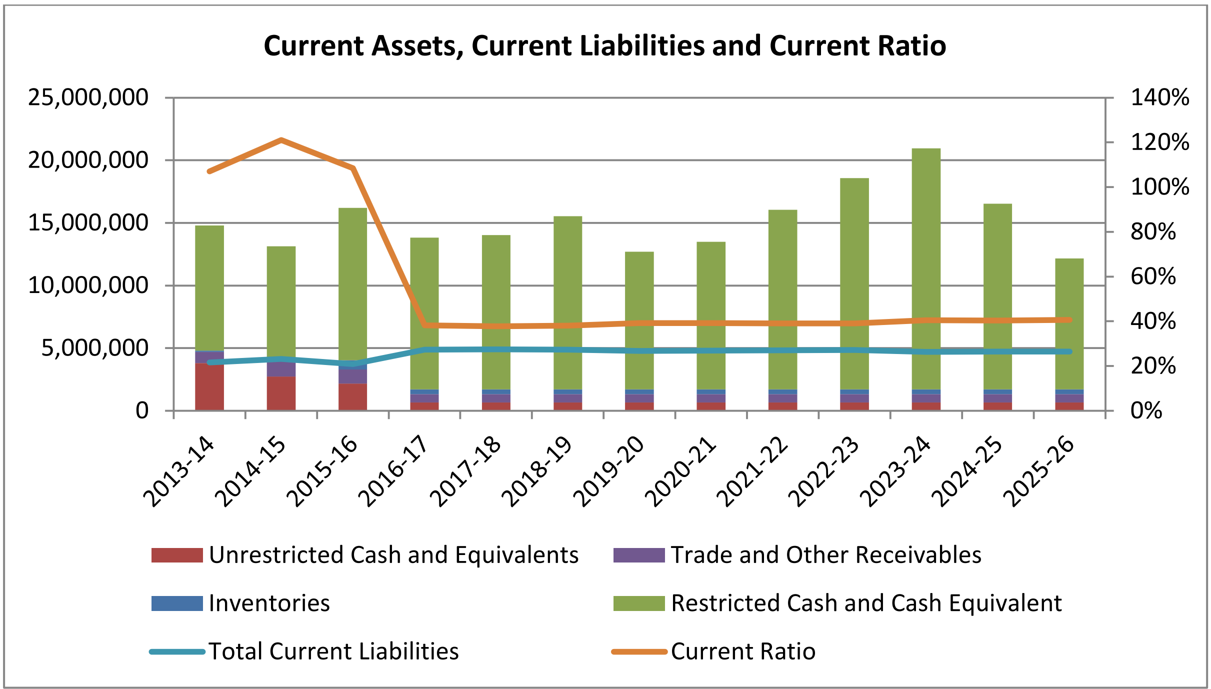
Asset Consumption Ratio
$$\frac{\text{depreciated replacement cost of assets}}{\text{current replacement cost of depreciable assets}}$$

Asset Renewal Funding Ratio
$$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$$

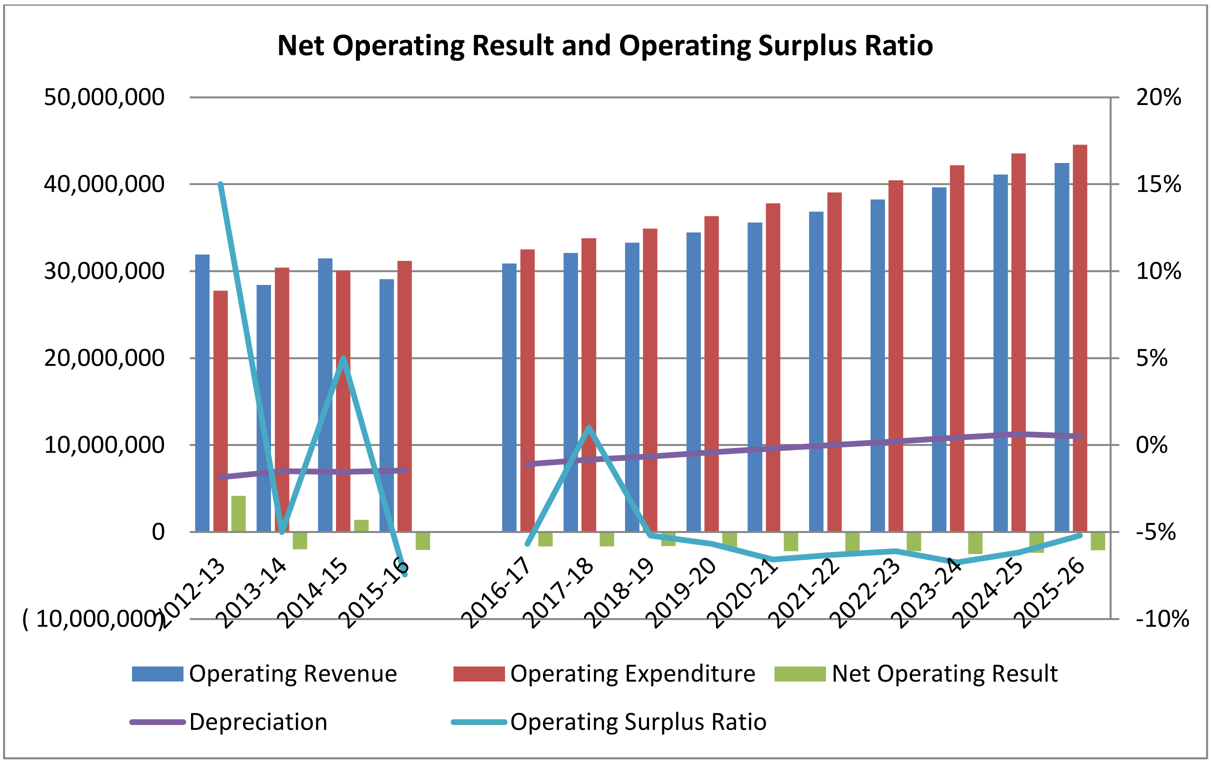
The forecast result shows some improvement in three of the seven ratios and the results of the Debt Service Cover ratio and Own Source Revenue Coverage ratios also exceed the advanced standard prescribed by the DLGC. Of the other ratios, the Asset Renewal

Funding ratio has not been calculated and the results of the Asset Consumption ratio exceed the advanced standard prescribed by the DLGC.

The Current ratio shows an erroneous result as the amount of Shire reserves are considered to be restricted assets and are deducted from the balance of current assets. In reality most of the Shire's reserves, particularly the larger reserves, are restricted by choice rather than legislation and could be excluded from the calculation. The following chart shows the forecast balance of current assets and clearly shows that Restricted Cash represents the largest component and the other current asset categories are much less than forecast current liabilities. The inclusion of the actual results for 2013-14 and 2014-15 also shows that compared to the forecast results unrestricted cash is considerably lower which is primarily a result of the difficulty associated with forecasting cash balances in the LTFP.



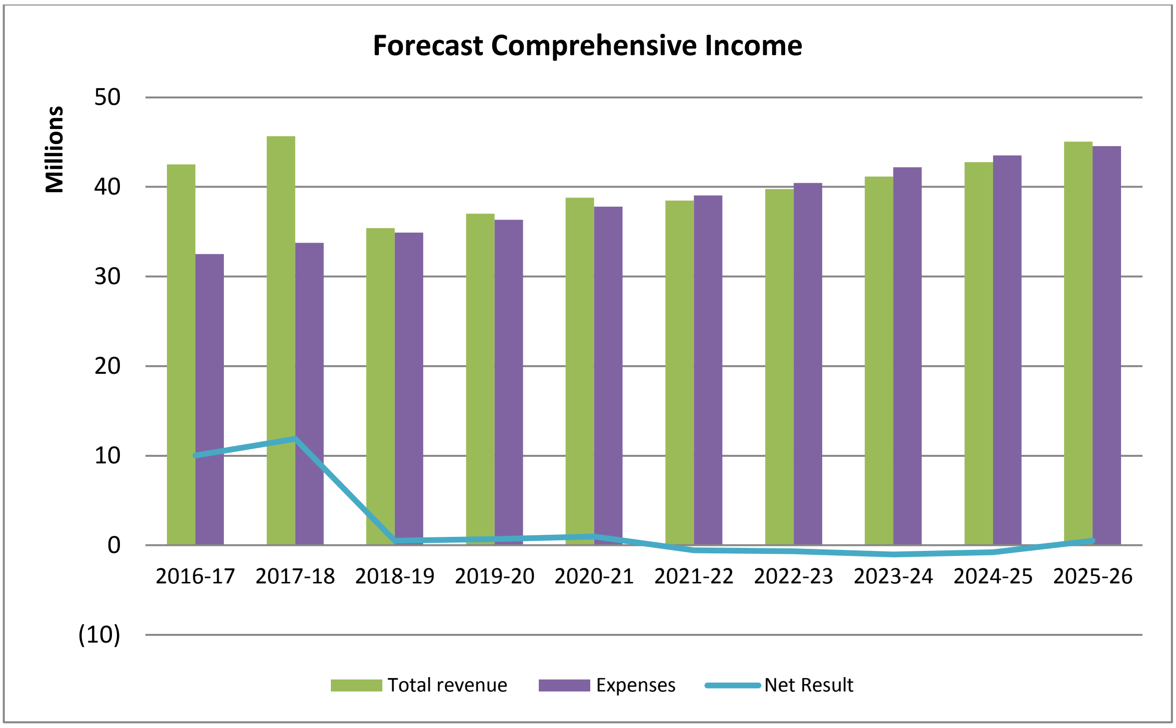
The following chart shows the actual and forecast net operating result and operating surplus ratio. In this case the net operating result excludes grants received for capital projects. Although the Operating Surplus ratio shows some improvement, the recording of net operating deficits means the ratio continues to be negative. The Shire's forecast net operating result and consequently the Operating Surplus ratio are significantly influenced by the increasing allocation of depreciation over the term of the Plan.



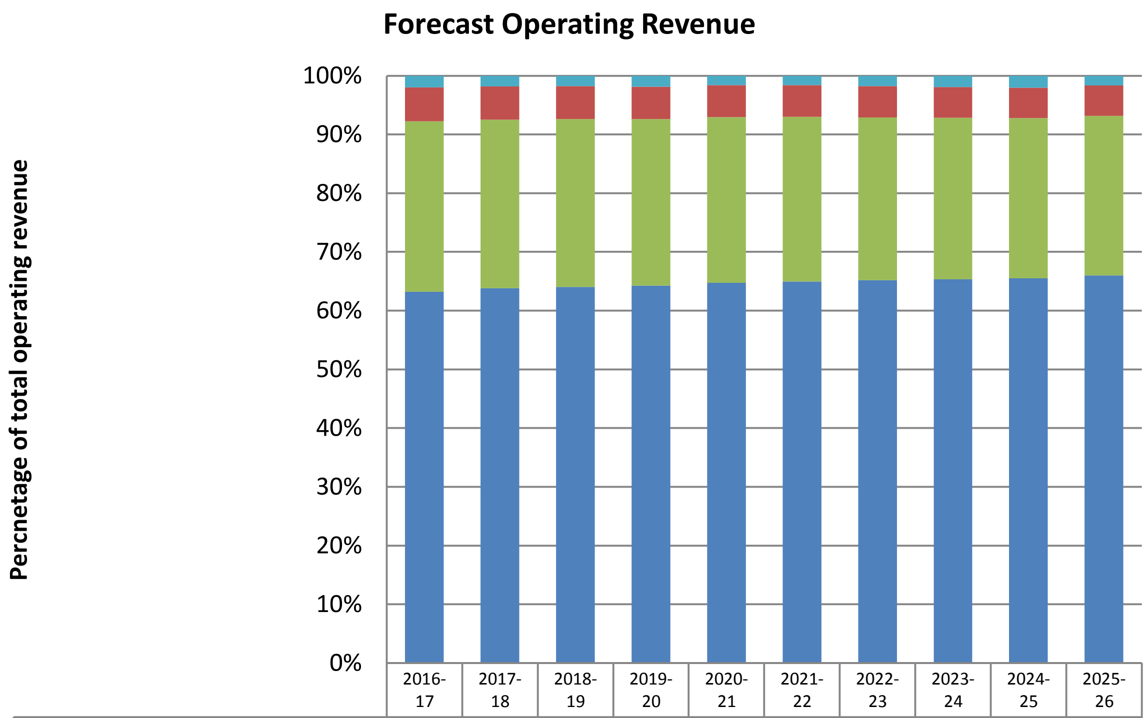
Section 5.3 provides charts of each of the ratios for the term of the plan.

5.1 Forecast Operating Results

The following chart shows the forecast net result and how total revenue, including non-operating grants, exceeds total operating expenditure. The result is significantly influenced by non-operating or capital grants and it can be seen that in the early years of the plan the net result is significantly higher than the later years when forecast non-operating grants decline. The reduction in grants reflects the difficulty of forecasting capital works projects and their likely sources of funding.

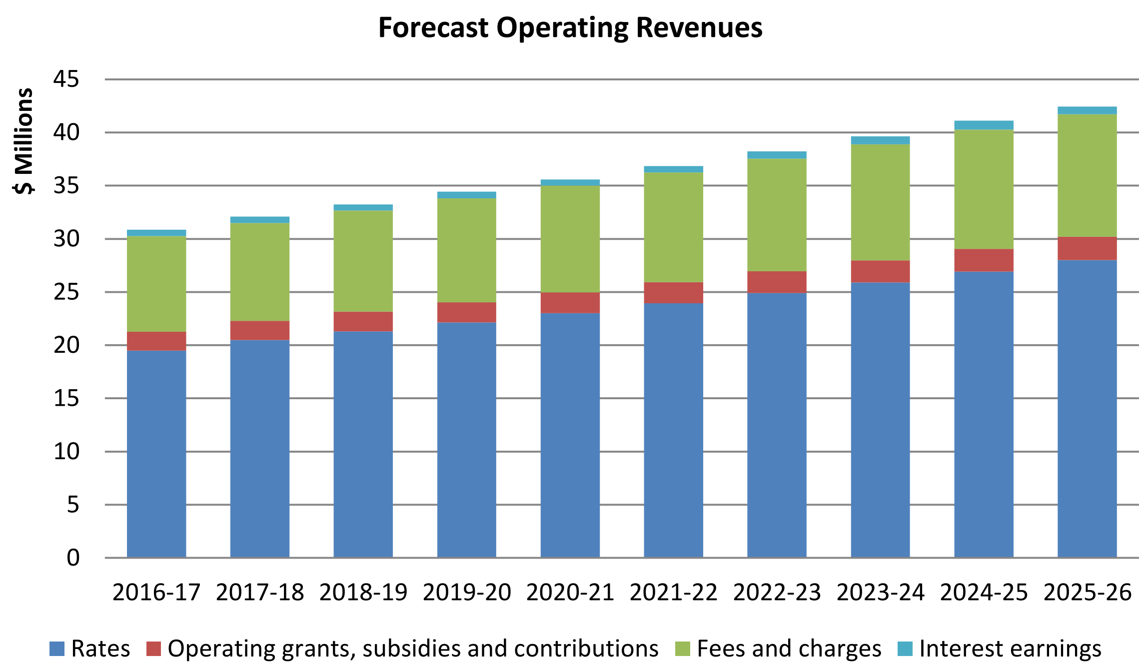


The following chart shows the majority of the Shire's revenue is obtained from rates and fees and charges and that operating grants are a relatively minor source of revenue..

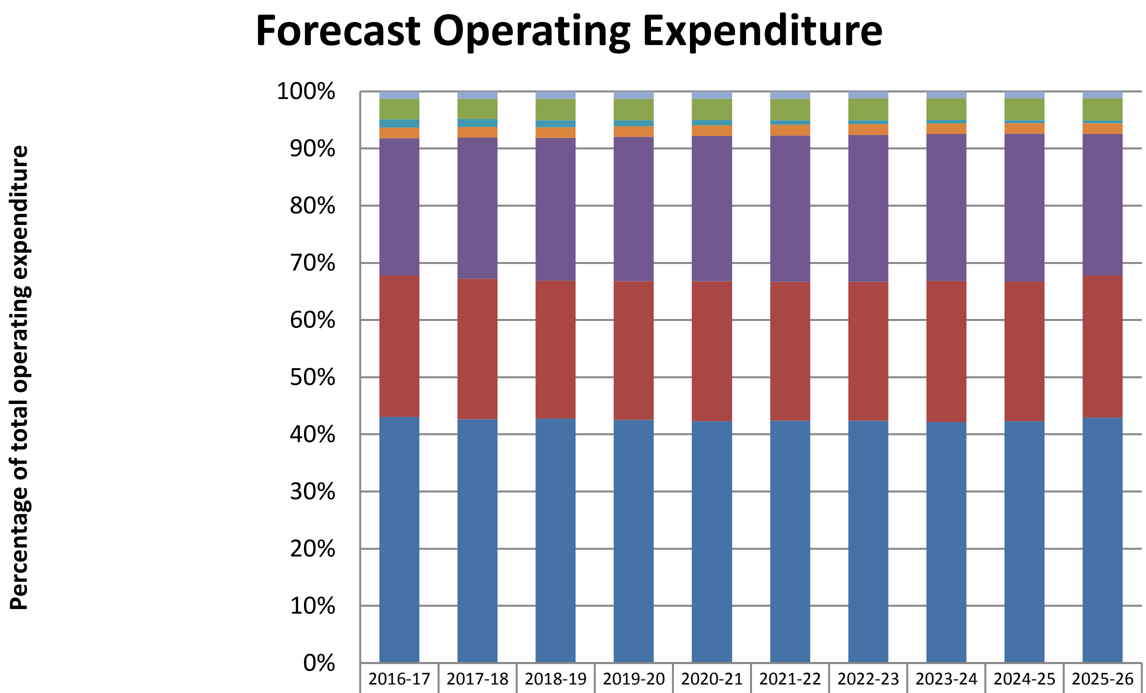


	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Interest earnings	1%	1%	2%	2%	1%	2%	2%	2%	2%	2%
Operating grants, subsidies and contributions	4%	4%	5%	5%	5%	5%	5%	5%	5%	5%
Fees and charges	21%	20%	27%	26%	26%	27%	27%	26%	26%	26%
Rates	46%	45%	60%	60%	59%	62%	63%	63%	63%	62%

Total operating revenue is expected to increase from $30.9M to $42.4M over 10 years with revenue from property rates contributing the largest increase. The Shire's lack of reliance upon external funding such as operating grants is very positive and is reflected in the strong performance of the Own Source Revenue Coverage ratio.

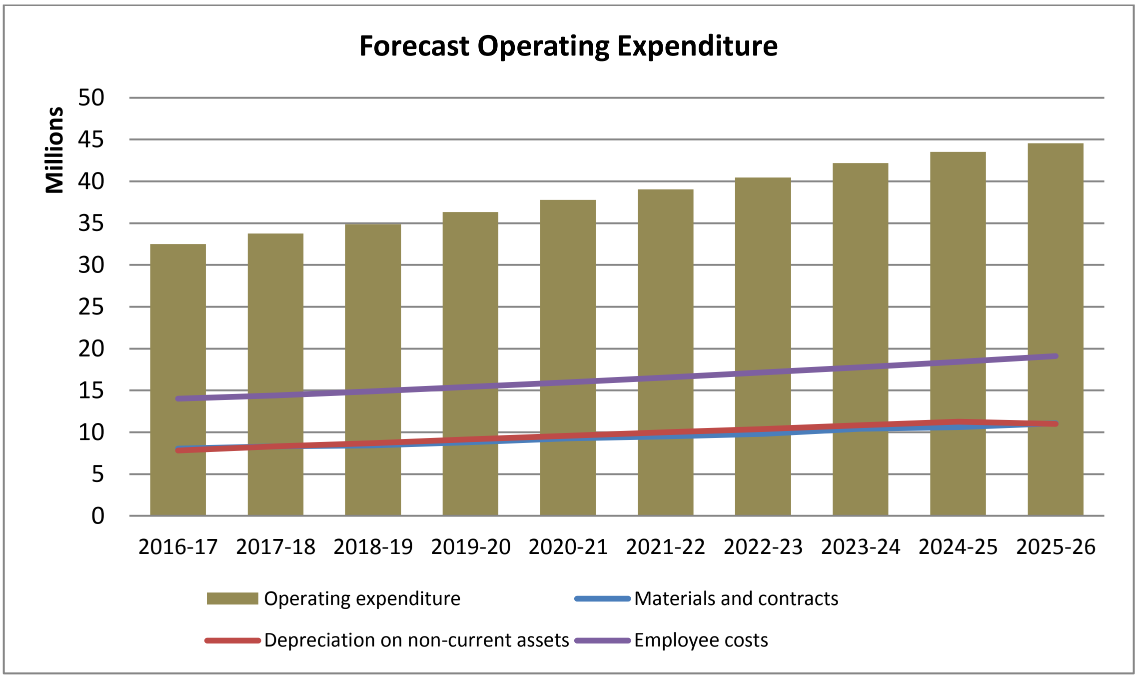


The following chart shows there is little change in the proportion of total operating expenditure for each of the expenditure categories.



	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Other expenditure	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Utility charges (electricity, gas, water etc.)	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Interest expense	1%	1%	1%	1%	1%	1%	1%	1%	1%	0%
Insurance expense	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Depreciation on non-current assets	24%	25%	25%	25%	25%	26%	26%	26%	26%	25%
Materials and contracts	25%	25%	24%	24%	24%	24%	24%	25%	24%	25%
Employee costs	43%	43%	43%	43%	42%	42%	42%	42%	42%	43%

Operating expenditure is forecast to increase from $32.5M to $44.5M over 10 years. Employee costs, materials and contracts and depreciation are the main items of expenditure and together constitute over 90% of annual operating expenditure. Depreciation is now forecast to be greater than materials and contracts expenditure.



5.2 Forecast Capital Expenditure

Over the term of the LTFP almost $120 million has been allocated to capital works expenditure. A summary of total capital expenditure by asset class and source of funding is shown in the following table.

Table 5: Summary of Capital Expenditure

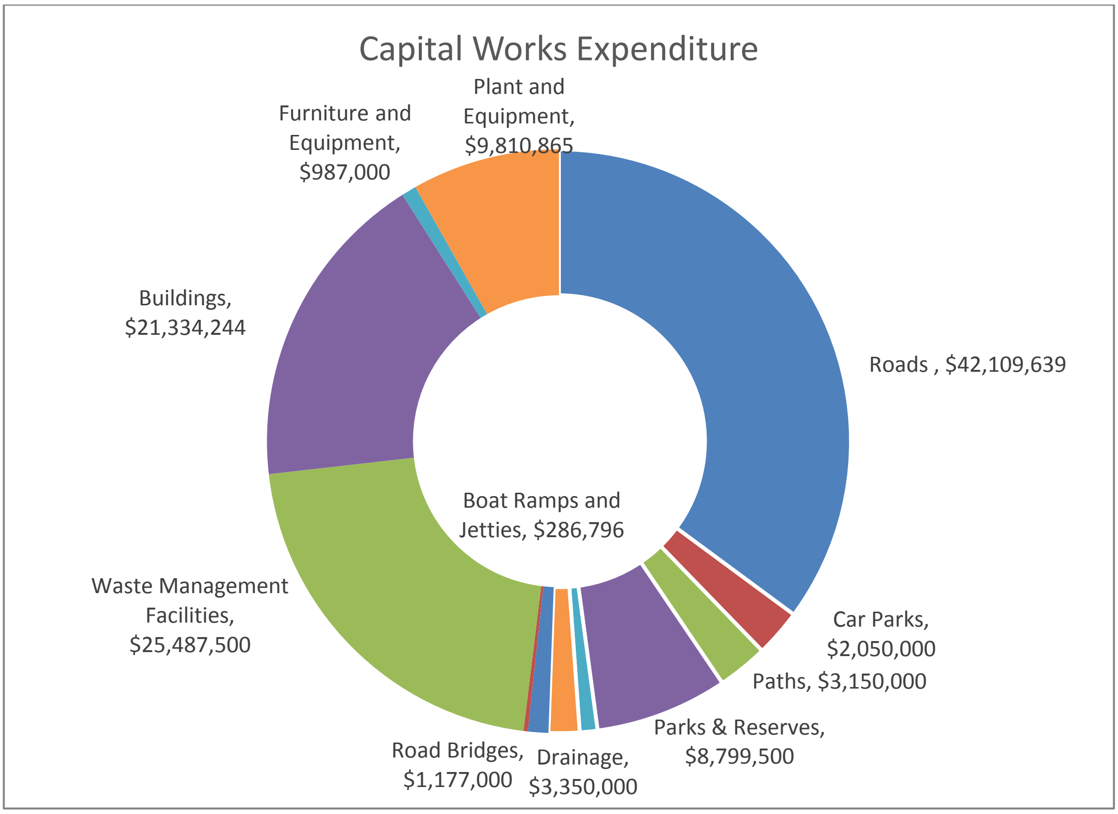
Asset Class	**Expenditure ($'000)**	**Grants ($'000)**	**Other ($'000)**	**Own Source ($'000)**
Roads	42,110	26,747	2,000	13,363
Paths	3,150	75		3,075
Drainage	3,350	0		3,350
Parks & Reserves	8,799	1,538	350	6,911
Road Bridges	1,177	1,120		57
Car Parks	2,050	1,785		265
Caravan and Camping	1,350	0		1,350
Boat Ramps and Jetties	287	150		137
Waste Management	25,488	0		25,488
Buildings	21,334	6,603	1,100	13,631
Furniture & Equipment	987	0		987
Plant & Equipment	9,811	32	3,516	6,263
	119,893	**38,050**	**6,966**	**74,877**

The table shows that 62% of forecast capital expenditure will be funded from own source funds being rates and reserves. 32% of funding will be provided by capital grants and the other category represents the two new loans to be drawn down, proceeds from the sale of plant and equipment and proceeds from land sales to fund the Margaret River main street project stage 2.

As a comparison the 2015 to 2025 LTFP forecast capital expenditure of $89 million of which 30% was to be funded from grants and 65% from own source funds. The two loans and their purposes are the same. The increase in the proportion of capital expenditure funded by grants in the 2016 LTFP is a positive improvement.

Year 1 of the LTFP proposes a total capital spend of $20.151 million funded by $11.644 million of grants, $1.450 million of loans, $0.382 million of proceeds from the sale of plant and equipment and $3.517 million of transfers from reserves. The balance of $3.338 million is funded from property rates and is lower than the amount budgeted in 2015-16. This result is an indication the proposed 2016-17 capital works programme is affordable in the context of the assumptions of this LTFP.

The proposed capital works program also provides a firm basis for the preparation of the 2016-17 Budget.



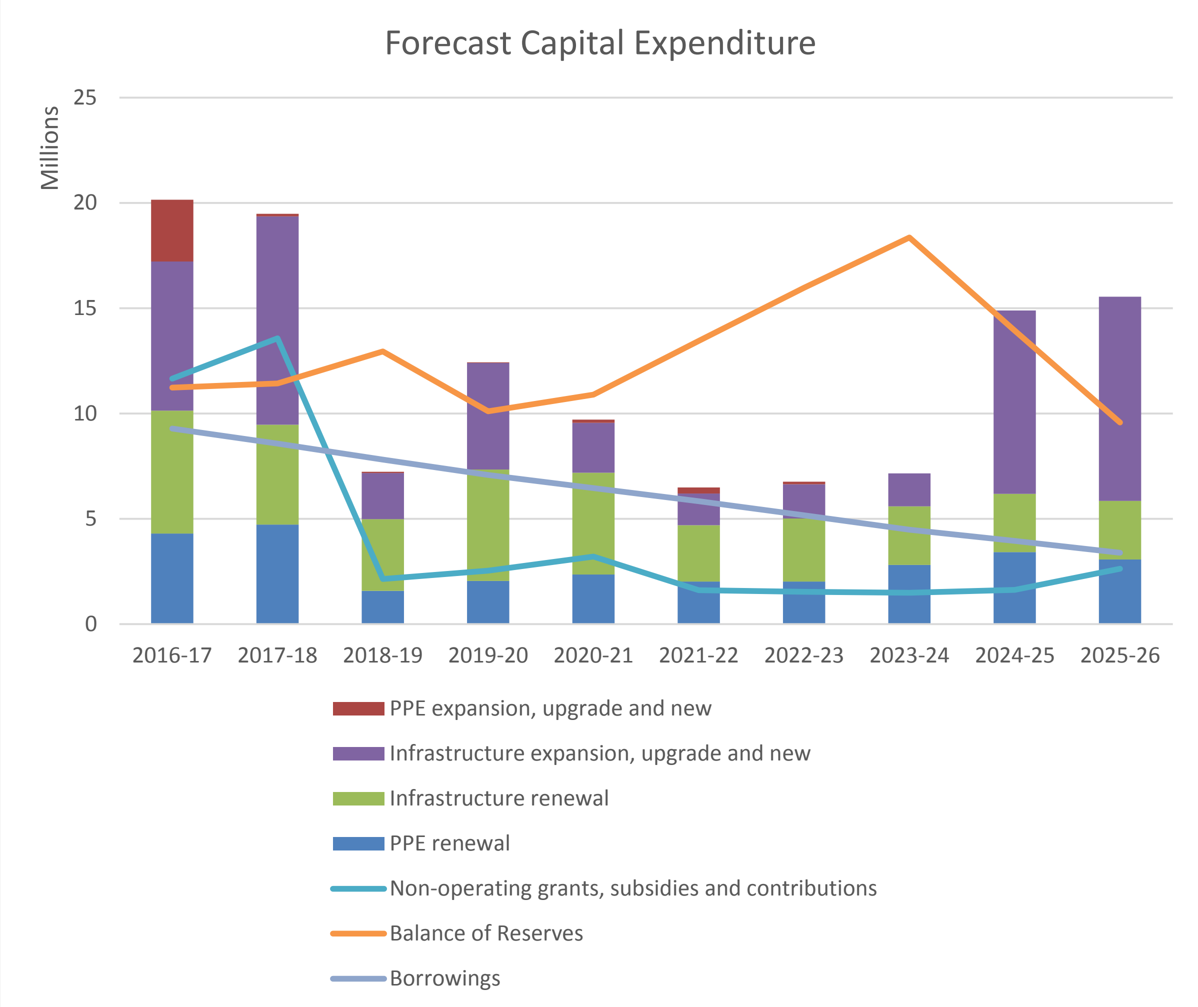
The chart shows that roads, waste management and buildings are expected to be the largest areas of forecast capital expenditure for the next 10 years. 35% of capital expenditure is to be invested in the Shire's road network, 21% on improving waste management facilities and 18% on renewing and upgrading buildings.

A key objective of the LTFP was to ensure the proposed improvements to waste management facilities in accordance with the Waste Management Strategy could be funded. An earlier chart in this document showed that this would be the case and the following table details the projects and their funding sources. The approach within the LTFP of transferring all surplus waste management funds to the Waste Management reserve allows the majority of these capital expenditure items to be funded. However, an additional $1.1 million is required in the final two years of the Plan to meet a funding shortfall and this should be able to be funded from property rates.

	Waste Cells	Capping & Closure	Transfer Station	Regional Facility	Transfer From Reserve	Additional Funds Required
2016-17	300,000	1,537,500	43,750		1,881,250	
2017-18		1,262,500	75,000		1,337,500	
2018-19	300,000		543,750		843,750	
2019-20		1,387,500	3,775,000		5,162,500	
2020-21		1,262,500			1,262,500	
2021-22					-	
2022-23					-	
2023-24					-	
2024-25				7,500,000	6,800,000	700,000
2025-26				7,500,000	7,100,000	400,000
	600,000	5,450,000	4,437,500	15,000,000	24,387,500	1,100,000

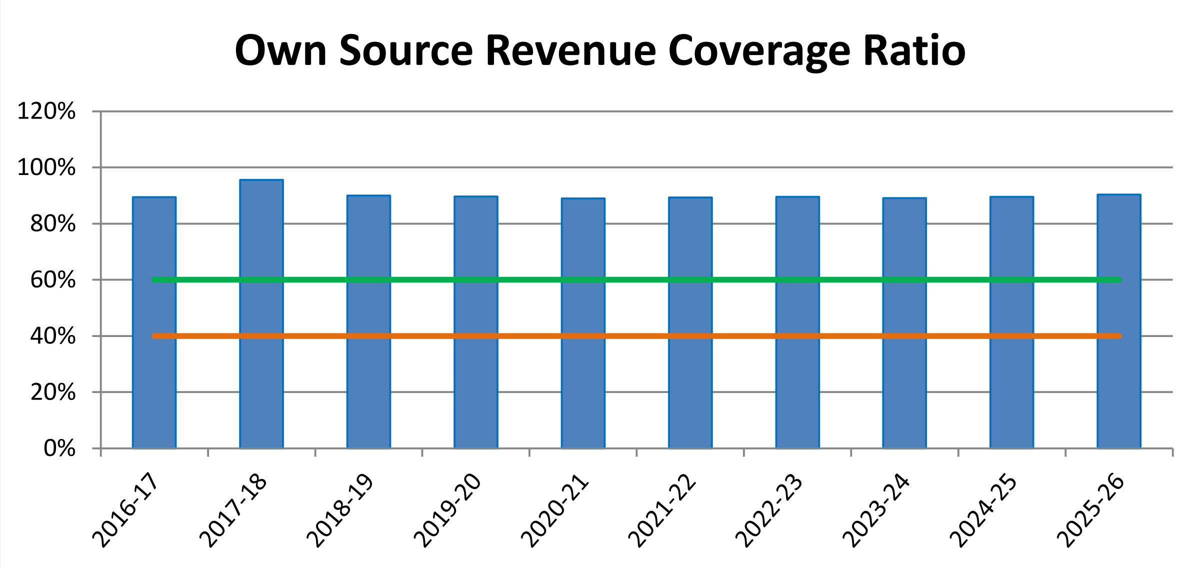
The following chart shows annual forecast capital expenditure categorised into the asset management categories of renewing assets, upgrading assets or developing new assets. The chart shows there is an emphasis on renewing assets. However, due to the requirement to invest in waste management infrastructure, the category of infrastructure expansion, upgrade and new is higher than would normally be the case.

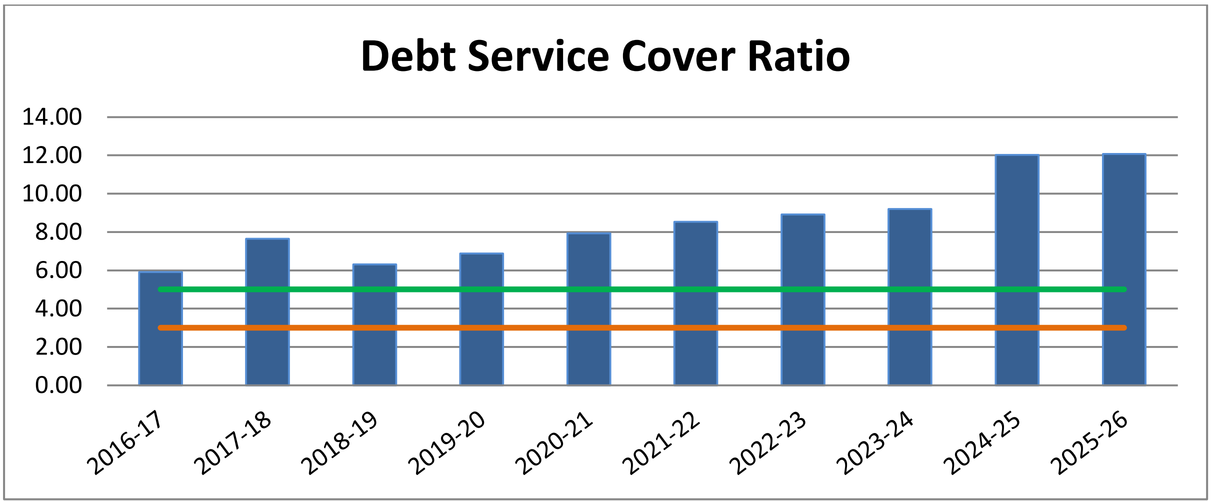
Overlaying the annual expenditure are the various funding sources for capital expenditure including capital grants, the balance of reserves and the balance of loan borrowings.

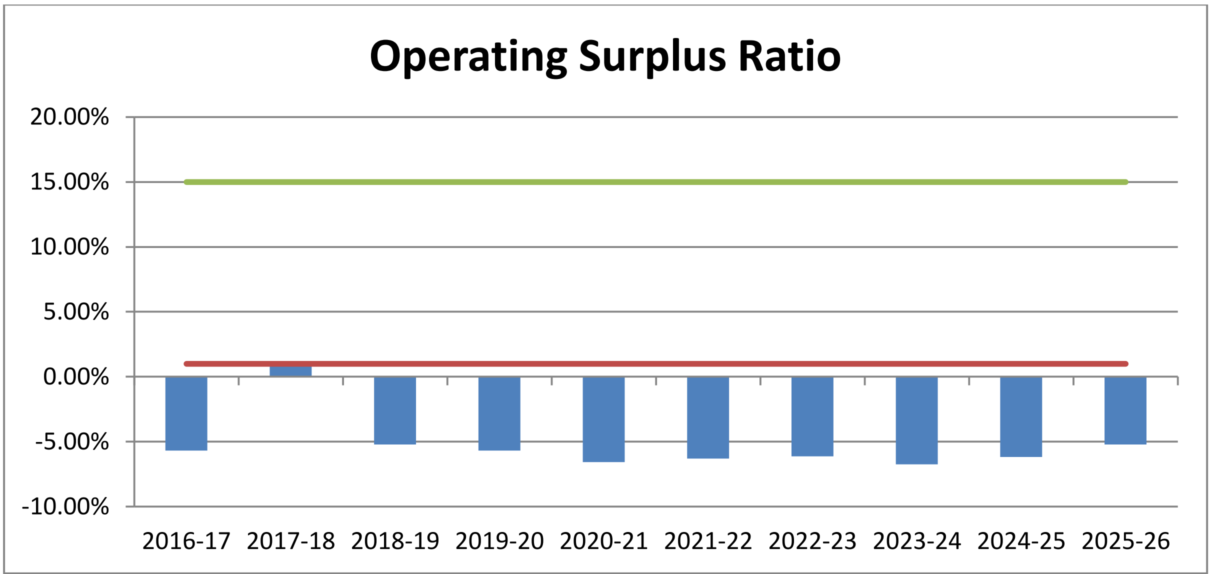


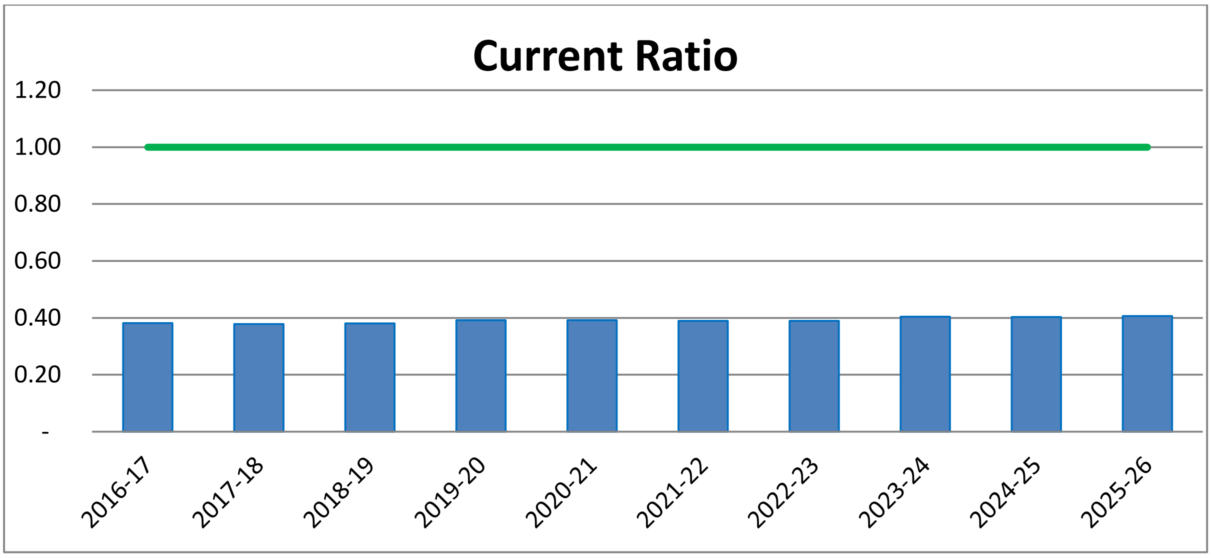
5.3 Forecast Ratios

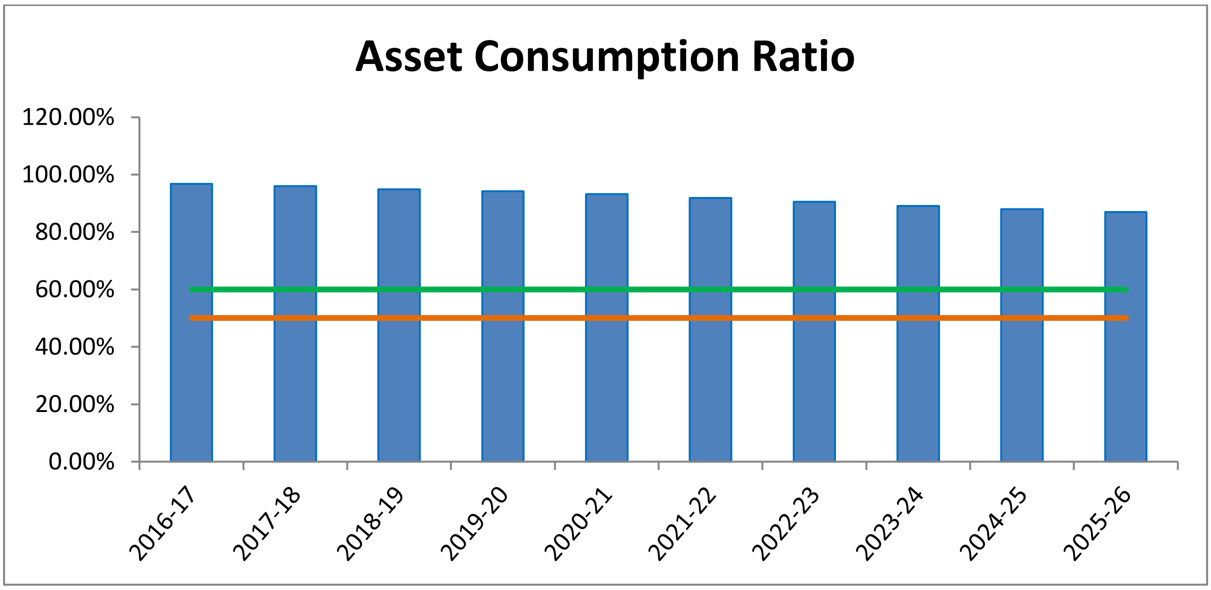
The following charts depict the forecast ratio results with the solid lines representing the targets set by the Department of Local Government and Communities.

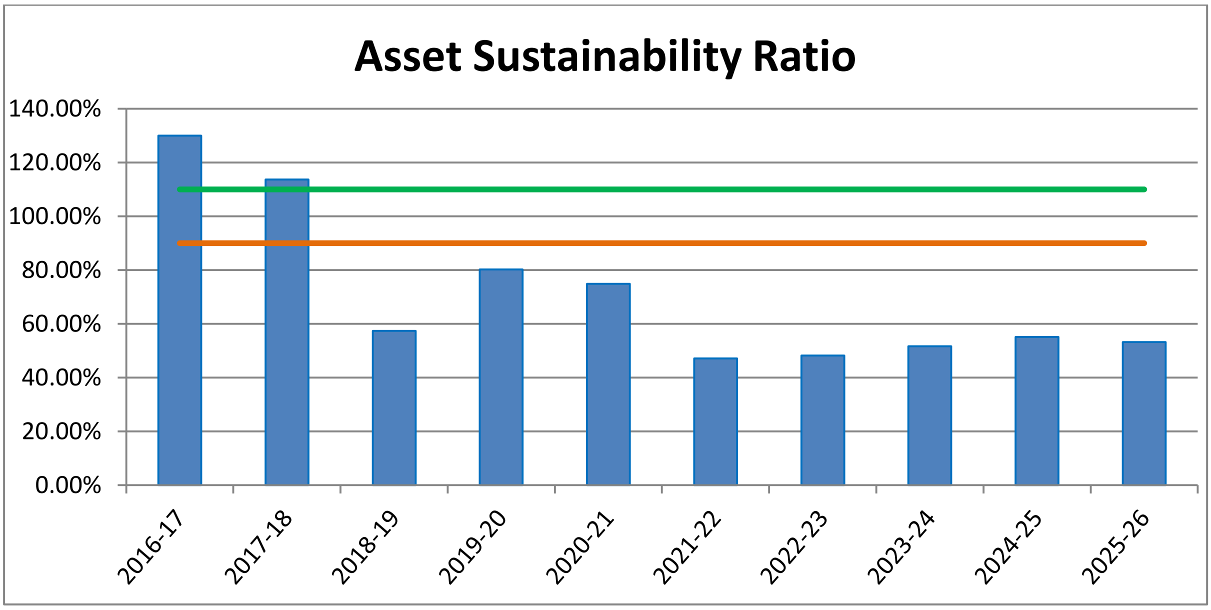







Current Ratio
1.20
1.00
0.80
0.60
0.40
0.20
-
2016-17
2017-18
2018-19
2019-20
2020-21
2021-22
2022-23
2023-24
2024-25
2025-26


Asset Consumption Ratio
120.00%
100.00%
80.00%
60.00%
40.00%
20.00%
0.00%
2016-17
2017-18
2018-19
2019-20
2020-21
2021-22
2022-23
2023-24
2024-25
2025-26


Asset Sustainability Ratio
140.00%
120.00%
100.00%
80.00%
60.00%
40.00%
20.00%
0.00%
2016-17
2017-18
2018-19
2019-20
2020-21
2021-22
2022-23
2023-24
2024-25
2025-26

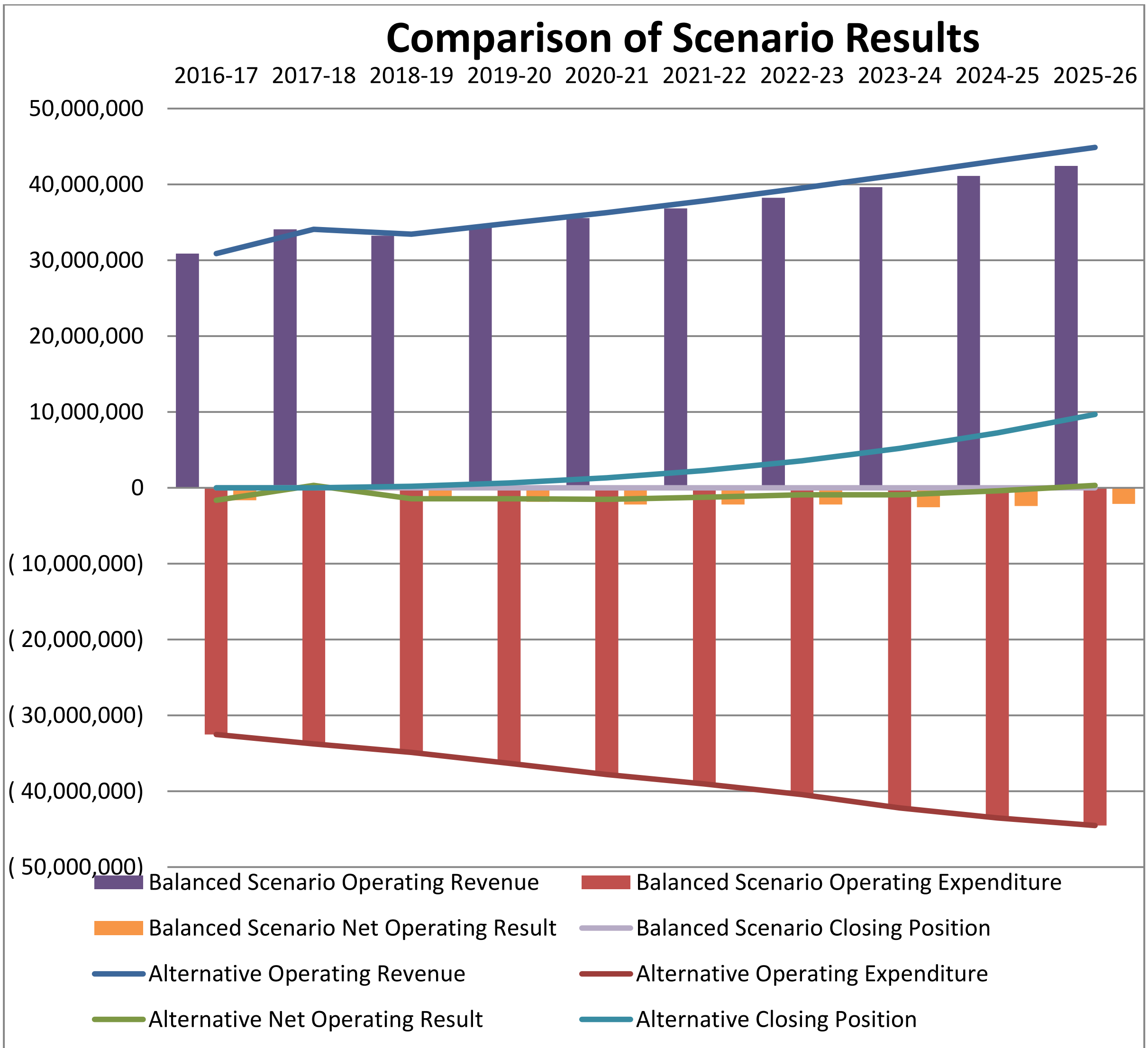
6.0 SCENARIO MODELLING

The LTFP balanced model includes the assumptions that the annual increase to the rate yield would be 4% in 2016-17 and 2017-18 and that the annual rate yield increase would reduce to 3% from 2018-19. The possible consequences of these assumptions include:

- The continued recording of a net operating deficit;
- Less funds being available for asset renewal;
- Less funds being available for new or expanded services; and
- The risk of a higher rate yield increase being required in the future if the assumptions underlying the LTFP or circumstances change.

However, if these consequences are not acceptable it would be prudent to continue with the annual rate yield increase of 4% that has been in place since 2014-15.

The LTFP model was rerun to include the assumption of increasing the annual rate yield by 4% from 2016-17 to 2025-26. No other assumptions were changed as the objective was to identify the additional revenue that would be raised and the impact upon the net operating result and balanced budget position. The result of this scenario is shown in the following chart.



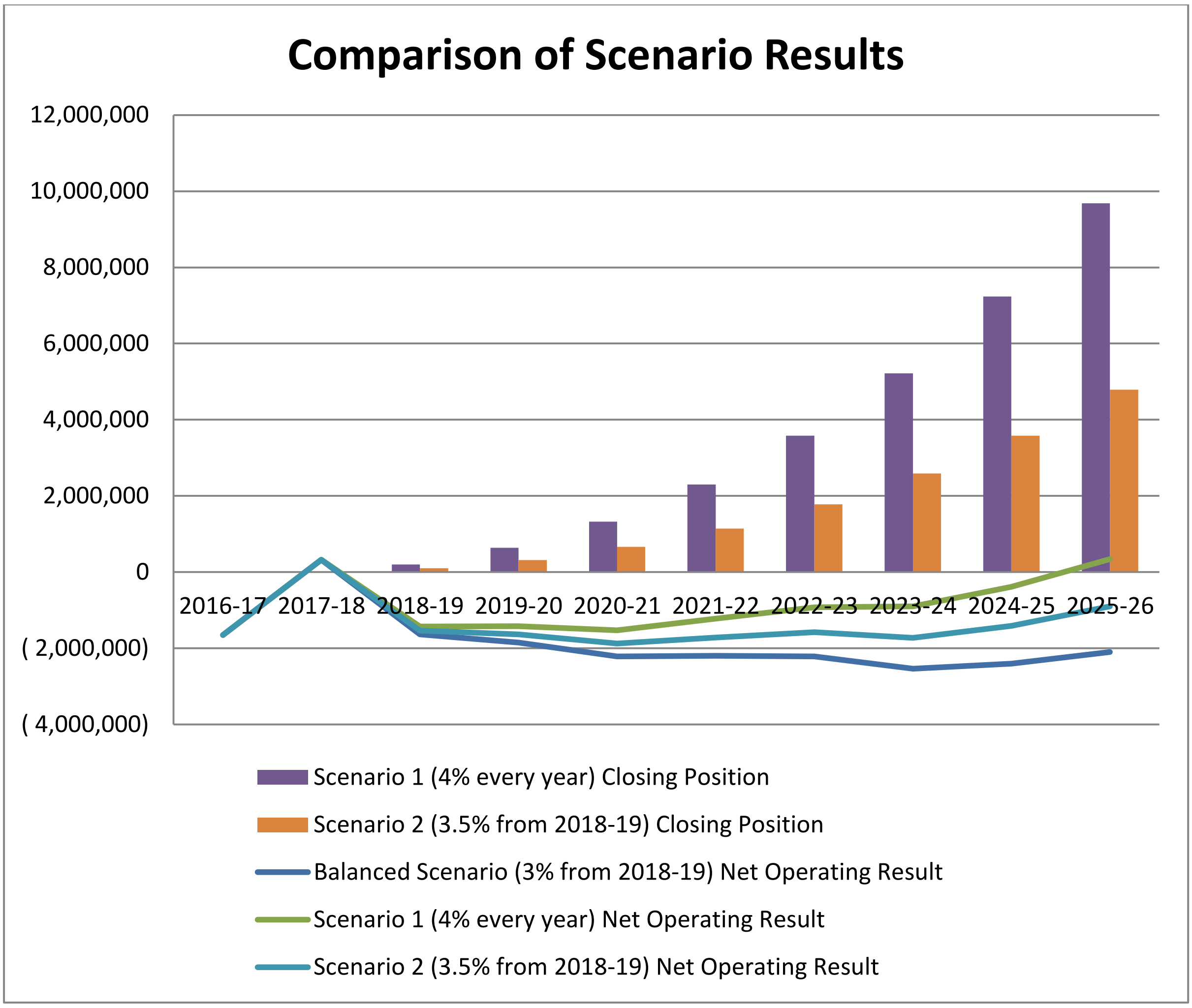
An additional $0.204 million rate revenue is forecast to be generated in 2018-19 and the compound impact of this increased revenue results in:

- The net operating result becoming a surplus of $0.343 million in 2025-26 compared to a deficit of $2.097 million in the balanced scenario.
- An additional $9.678 million in revenue being raised from 2018-19 to 2025-26 which could be allocated to asset renewal or improved delivery of services.

The model was also rerun to identify the impact of an annual rate yield increase of 3.5% from 2018-19. This scenario would result in an additional $0.102 million rate revenue in 2018-19 compared to a 3% rate yield increase. The compound impact of this increased rate revenue results in:

- The net operating result becoming a deficit of $0.896 million in 2025-26 compared to a deficit of $2.097 million in the balanced scenario.
- An additional $4.784 million in revenue being raised from 2018-19 to 2025-26 which could be allocated to asset renewal or improved delivery of services.

In summary increasing the annual rate yield from the proposed increase of 3% from 2018-19 to 2025-26 will result in an improved net operating result (and closing budget position) if all other assumptions were unchanged.



7.0 STATEMENTS AND OTHER INFORMATION

The following Statements and information are included for reference.

- Forecast Statement of Comprehensive Income shows the expected operating result for each year.
- Forecast Statement of Financial Position is the expected Balance Sheet.
- Forecast Statement of Funding shows the expected closing position for each year.
- Forecast Statement of Cash Flow.
- Summary of Percentage Adjustments shows the percentage change for each category of revenue and expenditure.
- Forecast Ratio Analysis shows the ratio results for each year.
- Forecast Statement of Capital Funding shows total capital expenditure and funding sources by year and highlights “own source funding”.
- Forecast Statement of Capital Works lists the capital works projects by asset class for each year.

Shire of Augusta Margaret River

Forecast Statement of Comprehensive Income - *by Nature or Type*

For the period 2016 - 2026

Scenario - 4% annual rate increase to 2017-18 - Version 2

	1	2	3	4	5	6	7	8	9	10
	2016-17	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
	$	$	$	$	$	$	$	$	$	$
Revenues										
Rates	19,501,523	20,474,099	21,291,063	22,140,706	23,024,334	23,943,307	24,899,039	25,893,001	26,926,721	28,001,790
Operating grants, subsidies and contributions	1,776,703	1,817,634	1,859,545	1,902,461	1,946,408	1,991,407	2,037,489	2,084,682	2,133,010	2,182,504
Fees and charges	8,963,667	9,211,005	9,495,993	9,759,798	10,031,801	10,312,266	10,601,472	10,899,707	11,207,267	11,524,458
Service charges	4,333	4,333	4,333	4,333	4,333	0	0	0	0	0
Interest earnings	607,601	578,495	590,356	641,581	562,817	592,795	675,639	758,108	836,870	711,325
Other revenue	13,390	13,792	14,205	14,631	15,070	15,522	15,987	16,467	16,961	17,469
	30,867,217	32,099,358	33,255,495	34,463,510	35,584,763	36,855,297	38,229,626	39,651,965	41,120,829	42,437,546
Expenses										
Employee costs	(14,004,674)	(14,405,184)	(14,916,649)	(15,443,018)	(15,989,060)	(16,555,530)	(17,149,213)	(17,771,516)	(18,424,016)	(19,108,465)
Materials and contracts	(8,043,495)	(8,302,030)	(8,426,283)	(8,808,535)	(9,258,039)	(9,484,914)	(9,808,605)	(10,415,139)	(10,614,107)	(11,090,426)
Utility charges (electricity, gas, water etc.)	(1,151,133)	(1,197,178)	(1,305,063)	(1,357,265)	(1,411,551)	(1,468,013)	(1,526,730)	(1,587,799)	(1,651,312)	(1,717,365)
Depreciation on non-current assets	(7,802,487)	(8,327,137)	(8,701,106)	(9,167,361)	(9,598,130)	(9,993,743)	(10,397,558)	(10,842,568)	(11,251,618)	(11,011,034)
Interest expense	(483,923)	(474,500)	(433,227)	(390,763)	(352,363)	(319,362)	(284,981)	(248,688)	(216,475)	(189,438)
Insurance expense	(601,211)	(625,259)	(650,269)	(676,280)	(703,332)	(731,466)	(760,725)	(791,154)	(822,801)	(855,713)
Other expenditure	(431,119)	(444,055)	(457,377)	(471,100)	(485,235)	(499,794)	(514,788)	(530,233)	(546,139)	(562,524)
	(32,518,042)	(33,775,343)	(34,889,974)	(36,314,322)	(37,797,710)	(39,052,822)	(40,442,600)	(42,187,097)	(43,526,468)	(44,534,965)
	(1,650,825)	(1,675,985)	(1,634,479)	(1,850,812)	(2,212,947)	(2,197,525)	(2,212,974)	(2,535,132)	(2,405,639)	(2,097,419)
Non-operating grants, subsidies and contributions	11,663,673	11,574,876	2,148,667	2,540,000	3,205,000	1,624,000	1,539,000	1,497,000	1,629,000	2,629,000
Profit on disposal of assets	0	2,000,000	0	0	0	0	0	0	0	0
Loss on asset disposal	0	0	0	0	0	0	0	0	0	0
NET RESULT	10,012,848	11,898,891	514,188	689,188	992,053	(573,525)	(673,974)	(1,038,132)	(776,639)	531,581
Other Comprehensive Income	10,836,877	11,527,374	12,198,999	12,506,840	12,964,146	13,349,245	13,637,321	13,924,507	14,720,038	15,313,479
TOTAL COMPREHENSIVE INCOME	20,849,725	23,426,265	12,713,187	13,196,028	13,956,199	12,775,720	12,963,347	12,886,375	13,943,399	15,845,060

Shire of Augusta Margaret River

Forecast Statement of Financial Position

For the period 2016 - 2026

Scenario - 4% annual rate increase to 2017-18 - Version 2

	1	2	3	4	5	6	7	8	9	10
	30 June 17	**30 June 18**	**30 June 19**	**30 June 20**	**30 June 21**	**30 June 22**	**30 June 23**	**30 June 24**	**30 June 25**	**30 June 26**
	$	$	$	$	$	$	$	$	$	$
CURRENT ASSETS										
Unrestricted Cash and Equivalents	667,561	667,561	667,561	667,561	667,561	667,561	667,561	667,561	667,561	667,561
Restricted Cash and Cash Equivalent	12,128,002	12,330,216	13,838,867	11,008,458	11,796,717	14,340,994	16,866,020	19,260,955	14,838,629	10,473,300
Trade and Other Receivables	654,613	650,804	649,466	649,466	649,466	649,466	649,466	649,466	649,466	649,466
Inventories	382,813	382,813	382,813	382,813	382,813	382,813	382,813	382,813	382,813	382,813
TOTAL CURRENT ASSETS	13,832,989	14,031,394	15,538,707	12,708,298	13,496,557	16,040,834	18,565,860	20,960,795	16,538,469	12,173,140
NON-CURRENT ASSETS										
Other Receivables	105,505	104,167	104,167	104,167	104,167	104,167	104,167	104,167	104,167	104,167
Property Plant and Equipment	87,415,929	91,418,954	92,036,520	92,733,945	93,604,530	94,430,999	94,948,050	95,718,576	97,493,305	100,008,067
Infrastructure	313,983,906	332,491,505	342,324,046	356,924,047	368,597,992	377,371,599	386,627,121	395,665,952	411,719,767	428,851,176
TOTAL NON-CURRENT ASSETS	402,079,340	424,588,626	435,038,733	450,336,159	462,880,689	472,480,765	482,253,338	492,062,695	509,891,239	529,537,410
TOTAL ASSETS	415,912,329	438,620,020	450,577,440	463,044,457	476,377,246	488,521,599	500,819,198	513,023,490	526,429,708	541,710,550
CURRENT LIABILITIES										
Trade and Other Payables	2,443,338	2,443,338	2,443,338	2,443,338	2,443,338	2,443,338	2,443,338	2,443,338	2,443,338	2,443,338
Current Portion of Long-term Liabilities	713,427	754,429	729,011	623,410	631,367	665,748	682,083	537,181	564,218	553,246
Provisions	1,716,430	1,716,430	1,716,430	1,716,430	1,716,430	1,716,430	1,716,430	1,716,430	1,716,430	1,716,430
TOTAL CURRENT LIABILITIES	4,873,195	4,914,197	4,888,779	4,783,178	4,791,135	4,825,516	4,841,851	4,696,949	4,723,986	4,713,014
NON-CURRENT LIABILITIES										
Long-term Borrowings	8,580,706	7,821,130	7,090,781	6,467,371	5,836,004	5,170,256	4,488,173	3,950,992	3,386,774	2,833,528
Provisions	217,813	217,813	217,813	217,813	217,813	217,813	217,813	217,813	217,813	217,813
TOTAL NON-CURRENT LIABILITIES	8,798,519	8,038,943	7,308,594	6,685,184	6,053,817	5,388,069	4,705,986	4,168,805	3,604,587	3,051,341
TOTAL LIABILITIES	13,671,714	12,953,140	12,197,373	11,468,362	10,844,952	10,213,585	9,547,837	8,865,754	8,328,573	7,764,355
NET ASSETS	**402,240,615**	**425,666,880**	**438,380,067**	**451,576,095**	**465,532,294**	**478,308,014**	**491,271,361**	**504,157,736**	**518,101,135**	**533,946,195**
EQUITY										
Retained Surplus	206,752,791	218,449,468	217,455,005	220,974,602	221,178,396	218,060,594	214,861,594	211,428,527	215,074,214	219,971,124
Reserves - Cash Backed	11,233,639	11,435,853	12,944,504	10,114,095	10,902,354	13,446,631	15,971,657	18,366,592	13,944,266	9,578,937
Reserves - Revaluation	184,254,185	195,781,559	207,980,558	220,487,398	233,451,544	246,800,789	260,438,110	274,362,617	289,082,655	304,396,134
TOTAL EQUITY	**402,240,615**	**425,666,880**	**438,380,067**	**451,576,095**	**465,532,294**	**478,308,014**	**491,271,361**	**504,157,736**	**518,101,135**	**533,946,195**

Shire of Augusta Margaret River

Forecast Statement of Funding - for the period 2016 - 2026

Scenario - 4% annual rate increase to 2017-18 - Version 2

	1	2	3	4	5	6	7	8	9	10
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	$	$	$	$	$	$	$	$	$	$
FUNDING FROM OPERATIONAL ACTIVITIES										
Revenues										
Rates	19,501,523	20,474,099	21,291,063	22,140,706	23,024,334	23,943,307	24,899,039	25,893,001	26,926,721	28,001,790
Operating grants, subsidies and contributions	1,776,703	1,817,634	1,859,545	1,902,461	1,946,408	1,991,407	2,037,489	2,084,682	2,133,010	2,182,504
Profit on asset disposal	0	2,000,000	0	0	0	0	0	0	0	0
Fees and charges	8,963,667	9,211,005	9,495,993	9,759,798	10,031,801	10,312,266	10,601,472	10,899,707	11,207,267	11,524,458
Service charges	4,333	4,333	4,333	4,333	4,333	0	0	0	0	0
Interest earnings	607,601	578,495	590,356	641,581	562,817	592,795	675,639	758,108	836,870	711,325
Other revenue	13,390	13,792	14,205	14,631	15,070	15,522	15,987	16,467	16,961	17,469
	30,867,217	34,099,358	33,255,495	34,463,510	35,584,763	36,855,297	38,229,626	39,651,965	41,120,829	42,437,546
Expenses										
Employee costs	(14,004,674)	(14,405,184)	(14,916,649)	(15,443,018)	(15,989,060)	(16,555,530)	(17,149,213)	(17,771,516)	(18,424,016)	(19,108,465)
Materials and contracts	(8,043,495)	(8,302,030)	(8,426,283)	(8,808,535)	(9,258,039)	(9,484,914)	(9,808,605)	(10,415,139)	(10,614,107)	(11,090,426)
Utility charges (electricity, gas, water etc.)	(1,151,133)	(1,197,178)	(1,305,063)	(1,357,265)	(1,411,551)	(1,468,013)	(1,526,730)	(1,587,799)	(1,651,312)	(1,717,365)
Depreciation on non-current assets	(7,802,487)	(8,327,137)	(8,701,106)	(9,167,361)	(9,598,130)	(9,993,743)	(10,397,558)	(10,842,568)	(11,251,618)	(11,011,034)
Loss on asset disposal	0	0	0	0	0	0	0	0	0	0
Interest expense	(483,923)	(474,500)	(433,227)	(390,763)	(352,363)	(319,362)	(284,981)	(248,688)	(216,475)	(189,438)
Insurance expense	(601,211)	(625,259)	(650,269)	(676,280)	(703,332)	(731,466)	(760,725)	(791,154)	(822,801)	(855,713)
Other expenditure	(431,119)	(444,055)	(457,377)	(471,100)	(485,235)	(499,794)	(514,788)	(530,233)	(546,139)	(562,524)
	(32,518,042)	(33,775,343)	(34,889,974)	(36,314,322)	(37,797,710)	(39,052,822)	(40,442,600)	(42,187,097)	(43,526,468)	(44,534,965)
	(1,650,825)	324,015	(1,634,479)	(1,850,812)	(2,212,947)	(2,197,525)	(2,212,974)	(2,535,132)	(2,405,639)	(2,097,419)
Funding Position Adjustments										
Depreciation on non-current assets	7,802,487	8,327,137	8,701,106	9,167,361	9,598,130	9,993,743	10,397,558	10,842,568	11,251,618	11,011,034
Net profit and losses on disposal	0	(2,000,000)	0	0	0	0	0	0	0	0
Net Funding From Operational Activities	6,151,662	6,651,152	7,066,627	7,316,549	7,385,183	7,796,218	8,184,584	8,307,436	8,845,979	8,913,615
FUNDING FROM CAPITAL ACTIVITIES										
Inflows										
Proceeds on disposal	382,130	2,168,683	291,758	480,595	534,424	242,393	239,826	439,572	531,047	205,619
Non-operating grants, subsidies and contributions	11,663,673	11,574,876	2,148,667	2,540,000	3,205,000	1,624,000	1,539,000	1,497,000	1,629,000	2,629,000
Outflows										
Purchase of property plant and equipment	(7,249,024)	(4,856,570)	(1,642,222)	(2,091,542)	(2,502,642)	(2,312,967)	(2,157,636)	(2,818,990)	(3,421,171)	(3,079,345)
Purchase of infrastructure	(12,901,889)	(14,622,500)	(5,601,750)	(10,347,000)	(7,210,296)	(4,174,000)	(4,615,000)	(4,348,000)	(11,470,000)	(12,470,000)
Net Funding From Capital Activities	(8,105,110)	(5,735,511)	(4,803,547)	(9,417,947)	(5,973,514)	(4,620,574)	(4,993,810)	(5,230,418)	(12,731,124)	(12,714,726)
FUNDING FROM FINANCING ACTIVITIES										
Inflows										
Transfer from reserves	3,517,367	2,538,738	1,084,264	5,528,961	1,721,755	149,884	275,470	369,445	7,982,828	7,712,526
New borrowings	1,450,000	0	0	0	0	0	0	0	0	0
Self supporting loan	4,832	5,147	1,338	0	0	0	0	0	0	0
Outflows										
Transfer to reserves	(2,379,857)	(2,740,952)	(2,592,915)	(2,698,552)	(2,510,014)	(2,694,161)	(2,800,496)	(2,764,380)	(3,560,502)	(3,347,197)
Advances to community groups	0	0	0	0	0	0	0	0	0	0
Repayment of past borrowings	(638,894)	(718,574)	(755,767)	(729,011)	(623,410)	(631,367)	(665,748)	(682,083)	(537,181)	(564,218)
Net Funding From Financing Activities	1,953,448	(915,641)	(2,263,080)	2,101,398	(1,411,669)	(3,175,644)	(3,190,774)	(3,077,018)	3,885,145	3,801,111
Estimated Surplus/Deficit July 1 B/Fwd	0	0	0	0	0	0	0	0	0	0
Estimated Surplus/Deficit June 30 C/Fwd	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Shire of Augusta Margaret River

Forecast Statement of Cashflows - for the period 2016 - 2026

Scenario - 4% annual rate increase to 2017-18 - Version 2

	1	2	3	4	5	6	7	8	9	10
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	$	$	$	$	$	$	$	$	$	$
Cash Flows From Operating Activities										
Receipts										
Rates	19,501,523	20,474,099	21,291,063	22,140,706	23,024,334	23,943,307	24,899,039	25,893,001	26,926,721	28,001,790
Operating grants, subsidies and contributions	1,776,703	1,817,634	1,859,545	1,902,461	1,946,408	1,991,407	2,037,489	2,084,682	2,133,010	2,182,504
Fees and charges	8,963,667	9,211,005	9,495,993	9,759,798	10,031,801	10,312,266	10,601,472	10,899,707	11,207,267	11,524,458
Service charges	4,333	4,333	4,333	4,333	4,333	0	0	0	0	0
Interest earnings	607,601	578,495	590,356	641,581	562,817	592,795	675,639	758,108	836,870	711,325
Other revenue	13,390	13,792	14,205	14,631	15,070	15,522	15,987	16,467	16,961	17,469
	30,867,217	32,099,358	33,255,495	34,463,510	35,584,763	36,855,297	38,229,626	39,651,965	41,120,829	42,437,546
Payments										
Employee costs	(14,004,674)	(14,405,184)	(14,916,649)	(15,443,018)	(15,989,060)	(16,555,530)	(17,149,213)	(17,771,516)	(18,424,016)	(19,108,465)
Materials and contracts	(8,043,495)	(8,302,030)	(8,426,283)	(8,808,535)	(9,258,039)	(9,484,914)	(9,808,605)	(10,415,139)	(10,614,107)	(11,090,426)
Utility charges	(1,151,133)	(1,197,178)	(1,305,063)	(1,357,265)	(1,411,551)	(1,468,013)	(1,526,730)	(1,587,799)	(1,651,312)	(1,717,365)
Interest expenses	(483,923)	(474,500)	(433,227)	(390,763)	(352,363)	(319,362)	(284,981)	(248,688)	(216,475)	(189,438)
Insurance expenses	(601,211)	(625,259)	(650,269)	(676,280)	(703,332)	(731,466)	(760,725)	(791,154)	(822,801)	(855,713)
Other expenditure	(431,119)	(444,055)	(457,377)	(471,100)	(485,235)	(499,794)	(514,788)	(530,233)	(546,139)	(562,524)
	(24,715,555)	(25,448,206)	(26,188,868)	(27,146,961)	(28,199,580)	(29,059,079)	(30,045,042)	(31,344,529)	(32,274,850)	(33,523,931)
Net Cash Provided By (Used In) Operating Activiti	6,151,662	6,651,152	7,066,627	7,316,549	7,385,183	7,796,218	8,184,584	8,307,436	8,845,979	8,913,615
Cash Flows from Investing Activities										
Payments for development of land held for resale	0	0	0	0	0	0	0	0	0	0
Payments for purchase of property, plant & equip	(7,249,024)	(4,856,570)	(1,642,222)	(2,091,542)	(2,502,642)	(2,312,967)	(2,157,636)	(2,818,990)	(3,421,171)	(3,079,345)
Payments for construction of infrastructure	(12,901,889)	(14,622,500)	(5,601,750)	(10,347,000)	(7,210,296)	(4,174,000)	(4,615,000)	(4,348,000)	(11,470,000)	(12,470,000)
Advances to community groups	0	0	0	0	0	0	0	0	0	0
Non-operating grants, subsidies and contributior	11,663,673	11,574,876	2,148,667	2,540,000	3,205,000	1,624,000	1,539,000	1,497,000	1,629,000	2,629,000
Proceeds from sale of plant & equipment	382,130	2,168,683	291,758	480,595	534,424	242,393	239,826	439,572	531,047	205,619
Proceeds from sale of land held for resale	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from investments	0	0	0	0	0	0	0	0	0	0
Net Cash Provided By (Used In) Investing Activitie	(8,105,110)	(5,735,511)	(4,803,547)	(9,417,947)	(5,973,514)	(4,620,574)	(4,993,810)	(5,230,418)	(12,731,124)	(12,714,726)
Cash Flows from Financing Activities										
Repayment of debentures	(638,894)	(718,574)	(755,767)	(729,011)	(623,410)	(631,367)	(665,748)	(682,083)	(537,181)	(564,218)
Proceeds from self supporting loans	4,832	5,147	1,338	0	0	0	0	0	0	0
Proceeds from new debentures	1,450,000	0	0	0	0	0	0	0	0	0
Net Cash Provided By (Used In) Financing Activiti	815,938	(713,427)	(754,429)	(729,011)	(623,410)	(631,367)	(665,748)	(682,083)	(537,181)	(564,218)
Net Increase (Decrease) in Cash Held	(1,137,510)	202,214	1,508,651	(2,830,409)	788,259	2,544,277	2,525,026	2,394,935	(4,422,326)	(4,365,329)
Cash at beginning of year	13,933,073	12,795,563	12,997,777	14,506,428	11,676,019	12,464,278	15,008,555	17,533,581	19,928,516	15,506,190
Cash and Cash Equivalents at the End of Year	12,795,563	12,997,777	14,506,428	11,676,019	12,464,278	15,008,555	17,533,581	19,928,516	15,506,190	11,140,861

Shire of Augusta Margaret River

Summary of Percentage Adjustments on Prior Year

For the period 2016 - 2026

Scenario - 4% annual rate increase to 2017-18 - Version 2

	1	2	3	4	5	6	7	8	9	10
	2016-17	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
OPERATING										
Revenues										
Rates	4.99%	4.99%	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%
Operating grants, subsidies and contributions	60.21%	2.30%	2.31%	2.31%	2.31%	2.31%	2.31%	2.32%	2.32%	2.32%
Non-Operating grants, subsidies and contributions	116.25%	(0.76%)	(81.44%)	18.21%	26.18%	(49.33%)	(5.23%)	(2.73%)	8.82%	61.39%
Fees and charges	2.75%	2.76%	3.09%	2.78%	2.79%	2.80%	2.80%	2.81%	2.82%	2.83%
Service charges	-	-	-	-	-	- 1.00	-	-	-	-
Interest earnings	(7.86%)	(4.79%)	2.05%	8.68%	(12.28%)	5.33%	13.98%	12.21%	10.39%	(15.00%)
Other revenue	3.00%	3.00%	2.99%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
	6.13%	3.99%	3.60%	3.63%	3.25%	3.57%	3.73%	3.72%	3.70%	3.20%
Expenses										
Employee costs	2.86%	2.86%	3.55%	3.53%	3.54%	3.54%	3.59%	3.63%	3.67%	3.71%
Materials and contracts	2.92%	3.21%	1.50%	4.54%	5.10%	2.45%	3.41%	6.18%	1.91%	4.49%
Utility charges (electricity, gas, water etc.)	4.00%	4.00%	9.01%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Depreciation on non-current assets	10.26%	6.72%	4.49%	5.36%	4.70%	4.12%	4.04%	4.28%	3.77%	(2.14%)
Interest Expense	(12.96%)	(1.95%)	(8.70%)	(9.80%)	(9.83%)	(9.37%)	(10.77%)	(12.74%)	(12.95%)	(12.49%)
Insurance expense	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Other expenditure	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
	4.34%	3.87%	3.30%	4.08%	4.08%	3.32%	3.56%	4.31%	3.17%	2.32%
NET OPERATIONS	(20.71%)	1.52%	(2.48%)	13.24%	19.57%	(0.70%)	0.70%	14.56%	(5.11%)	(12.81%)
CAPITAL										
Borrowings										
Total Long Term Liabilities ($)	9,294,133	8,575,559	7,819,792	7,090,781	6,467,371	5,836,004	5,170,256	4,488,173	3,950,992	3,386,774
Movement in Total Long Term Liabilities	(7.73%)	(7.73%)	(8.81%)	(9.32%)	(8.79%)	(9.76%)	(11.41%)	(13.19%)	(11.97%)	(14.28%)
Movement in Total Long Term Liabilities ($)	811,106	(718,574)	(755,767)	(729,011)	(623,410)	(631,367)	(665,748)	(682,083)	(537,181)	(564,218)
Reserves										
Total Cash Backed Reserves ($)	11,233,639	11,435,853	12,944,504	10,114,095	10,902,354	13,446,631	15,971,657	18,366,592	13,944,266	9,578,937
Movement in Total Cash Backed Reserves	1.80%	1.80%	13.19%	(21.87%)	7.79%	23.34%	18.78%	14.99%	(24.08%)	(31.31%)
Movement in Total Cash Backed Reserves ($)	(1,137,510)	202,214	1,508,651	(2,830,409)	788,259	2,544,277	2,525,026	2,394,935	(4,422,326)	(4,365,329)
Property, Plant and Equipment										
Total WDV. Property, Plant and Equipment ($)	87,415,929	91,418,954	92,036,520	92,733,945	93,604,530	94,430,999	94,948,050	95,718,576	97,493,305	100,008,067
Movement in WDV. Property, Plant and Equipment	4.58%	4.58%	0.68%	0.76%	0.94%	0.88%	0.55%	0.81%	1.85%	2.58%
Movement in WDV. Property, Plant and Equipment ($)	6,200,307	4,003,025	617,566	697,425	870,585	826,469	517,051	770,526	1,774,729	2,514,762
Infrastructure										
Total WDV. Infrastructure ($)	313,983,906	332,491,505	342,324,046	356,924,047	368,597,992	377,371,599	386,627,121	395,665,952	411,719,767	428,851,176
Movement in WDV. Infrastructure	5.29%	5.89%	2.96%	4.26%	3.27%	2.38%	2.45%	2.34%	4.06%	4.16%
Movement in WDV. Infrastructure ($)	16,602,866	18,507,599	9,832,541	14,600,001	11,673,945	8,773,607	9,255,522	9,038,831	16,053,815	17,131,409

Shire of Augusta Margaret River

Forecast Ratio Analysis

For the period 2016 - 2026

Scenario - 4% annual rate increase to 2017-18 - Version 2

	Target Range		Average	1 2016-17	2 2017-18	3 2018-19	4 2019-20	5 2020-21	6 2021-22	7 2022-23	8 2023-24	9 2024-25	10 2025-26
LIQUIDITY RATIOS													
Current Ratio	> 1.00	> 1.20	0.39	0.38	0.38	0.38	0.39	0.39	0.39	0.39	0.40	0.40	0.41
OPERATING RATIOS													
Operating Surplus Ratio	> 1.00%	> 15.00%	(5.27%)	(5.67%)	1.00%	(5.21%)	(5.68%)	(6.58%)	(6.30%)	(6.11%)	(6.75%)	(6.17%)	(5.21%)
Own Source Revenue Coverage Ratio	> 40.00%	> 60.00%	90.15%	89.46%	95.58%	89.99%	89.66%	89.00%	89.27%	89.49%	89.05%	89.57%	90.39%
BORROWINGS RATIOS													
Debt Service Cover Ratio	> 3	> 5	8.54	5.91	7.65	6.31	6.88	7.93	8.54	8.91	9.19	12.02	12.08
Net Debt Ratio		< 50%		28%	25%	22%	19%	16%	14%	12%	10%	8%	6%
FIXED ASSET RATIOS													
Asset Sustainability Ratio	> 90.00%	> 110.00%	71.13%	130.00%	113.71%	57.35%	80.16%	74.88%	47.10%	48.25%	51.61%	55.06%	53.16%
Asset Consumption Ratio	> 50.00%	> 60.00%	92.14%	96.74%	96.03%	94.90%	94.15%	93.24%	91.85%	90.51%	89.10%	87.93%	86.91%
Asset Renewal Funding Ratio	> 75.00%	> 95.00%	Unknown	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Shire of Augusta Margaret River

Forecast Statement of Capital Funding - for the period 2016 - 2026

Scenario - 4% annual rate increase to 2017-18 - Version 2

	1	2	3	4	5	6	7	8	9	10	
	2016-17	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**10 Year Total**
	$	$	$	$	$	$	$	$	$	$	
Capital Expenditure											
Roads	8,754,639	10,550,000	2,455,000	2,800,000	2,800,000	2,550,000	2,850,000	2,950,000	2,650,000	3,750,000	42,109,639
Paths	450,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	3,150,000
Drainage	330,000	330,000	380,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000	3,350,000
Parks & Reserves	1,209,000	1,835,000	973,000	789,500	641,000	844,000	985,000	543,000	540,000	440,000	8,799,500
Road Bridges	177,000	150,000	300,000	550,000	0	0	0	0	0	0	1,177,000
Car Parks	0	0	0	285,000	1,690,000	0	0	75,000	0	0	2,050,000
Caravan and Camping	100,000	100,000	150,000	100,000	150,000	150,000	150,000	150,000	150,000	150,000	1,350,000
Boat Ramps and Jetties	0	20,000	200,000	30,000	36,796	0	0	0	0	0	286,796
Waste Management Facilities	1,881,250	1,337,500	843,750	5,162,500	1,262,500	0	0	0	7,500,000	7,500,000	25,487,500
Buildings	5,641,034	4,188,210	669,000	686,000	1,079,000	1,570,000	1,445,000	1,631,000	1,989,000	2,436,000	21,334,244
Furniture and Equipment	90,000	134,000	60,000	114,000	87,000	104,000	80,000	84,000	100,000	134,000	987,000
Plant and Equipment	1,517,990	534,360	913,222	1,291,542	1,336,642	638,967	632,636	1,103,990	1,332,171	509,345	9,810,865
Total - Capital Expenditure	**20,150,913**	**19,479,070**	**7,243,972**	**12,438,542**	**9,712,938**	**6,486,967**	**6,772,636**	**7,166,990**	**14,891,171**	**15,549,345**	**119,892,544**
Funded By:											
Capital Grants & Contributions											
Roads	7,827,639	7,185,000	1,325,000	1,455,000	1,455,000	1,247,000	1,247,000	1,247,000	1,379,000	2,379,000	26,746,639
Paths	75,000	0	0	0	0	0	0	0	0	0	75,000
Drainage	0	0	0	0	0	0	0	0	0	0	
Parks & Reserves	0	1,036,666	141,667	50,000	50,000	50,000	60,000	50,000	50,000	50,000	1,538,333
Road Bridges	120,000	150,000	300,000	550,000	0	0	0	0	0	0	1,120,000
Car Parks	0	0	0	285,000	1,500,000	0	0	0	0	0	1,785,000
Caravan and Camping	0	0	0	0	0	0	0	0	0	0	
Boat Ramps and Jetties	0	0	150,000	0	0	0	0	0	0	0	150,000
Waste Management Facilities	0	0	0	0	0	0	0	0	0	0	
Buildings	3,441,034	3,003,210	0	0	0	127,000	32,000	0	0	0	6,603,244
Furniture and Equipment	0	0	0	0	0	0	0	0	0	0	
Plant and Equipment	0	0	32,000	0	0	0	0	0	0	0	32,000
Total - Capital Grants & Contributions	**11,463,673**	**11,374,876**	**1,948,667**	**2,340,000**	**3,005,000**	**1,424,000**	**1,339,000**	**1,297,000**	**1,429,000**	**2,429,000**	**38,050,216**
Own Source Funding											
Roads	927,000	1,365,000	1,130,000	1,345,000	1,345,000	1,303,000	1,603,000	1,703,000	1,271,000	1,371,000	13,363,000
Paths	375,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	3,075,000
Drainage	330,000	330,000	380,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000	3,350,000
Parks & Reserves	859,000	798,334	831,333	739,500	591,000	794,000	925,000	493,000	490,000	390,000	6,911,167
Road Bridges	57,000	0	0	0	0	0	0	0	0	0	57,000
Car Parks	0	0	0	0	190,000	0	0	75,000	0	0	265,000
Caravan and Camping	100,000	100,000	150,000	100,000	150,000	150,000	150,000	150,000	150,000	150,000	1,350,000
Boat Ramps and Jetties	0	20,000	50,000	30,000	36,796	0	0	0	0	0	136,796
Waste Management Facilities	1,881,250	1,337,500	843,750	5,162,500	1,262,500	0	0	0	7,500,000	7,500,000	25,487,500
Buildings	1,100,000	1,185,000	669,000	686,000	1,079,000	1,443,000	1,413,000	1,631,000	1,989,000	2,436,000	13,631,000
Furniture and Equipment	90,000	134,000	60,000	114,000	87,000	104,000	80,000	84,000	100,000	134,000	987,000
Plant and Equipment	1,135,860	365,677	589,464	810,947	802,218	396,574	392,810	664,418	801,124	303,726	6,262,818
Total - Own Source Funding	**6,855,110**	**5,935,511**	**5,003,547**	**9,617,947**	**6,173,514**	**4,820,574**	**5,193,810**	**5,430,418**	**12,931,124**	**12,914,726**	**74,876,281**
Borrowings											
Parks & Reserves	350,000	0	0	0	0	0	0	0	0	0	350,000
Buildings	1,100,000	0	0	0	0	0	0	0	0	0	1,100,000
Total - Borrowings	**1,450,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,450,000**
Other (Disposals & C/Fwd)											
Roads	0	2,000,000	0	0	0	0	0	0	0	0	2,000,000
Plant and Equipment	382,130	168,683	291,758	480,595	534,424	242,393	239,826	439,572	531,047	205,619	3,516,047
Total - Other (Disposals & C/Fwd)	**382,130**	**2,168,683**	**291,758**	**480,595**	**534,424**	**242,393**	**239,826**	**439,572**	**531,047**	**205,619**	**5,516,047**
Total Capital Funding	**20,150,913**	**19,479,070**	**7,243,972**	**12,438,542**	**9,712,938**	**6,486,967**	**6,772,636**	**7,166,990**	**14,891,171**	**15,549,345**	**119,892,544**

Shire of Augusta Margaret River

Forecast Statement of Capital Expenditure - for the period 2016 - 2026

Scenario - 4% annual rate increase to 2017-18 - Version 2

Asset class	Project	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Grand Total
Buildings	Cultural Centre Redevelopment	4,541,034	3,463,210									8,004,244
	Turner Caravan Park Chalets	750,000										750,000
	Replace existing sheds ($200,000)						200,000					200,000
	Football Club Changerooms redevelopment		300,000									300,000
	Western Pavilion (Cricket/Soccer) Upgrade					146,000	254,000					400,000
	Tennis/Rugby Club Building upgrade							100,000				100,000
	Annual Allocation for C/Pk Buildings	50,000	50,000	200,000	100,000	200,000	200,000	200,000	200,000	200,000	200,000	1,600,000
	Annual allocation for building renewal works	300,000	375,000	469,000	586,000	733,000	916,000	1,145,000	1,431,000	1,789,000	2,236,000	9,980,000
Buildings Total		5,641,034	4,188,210	669,000	686,000	1,079,000	1,570,000	1,445,000	1,631,000	1,989,000	2,436,000	21,334,244
Furniture and Ec	Child Care		20,000			7,000						27,000
	CS Shredder Main office replacement		10,000					10,000				20,000
	Zone Room Furniture			10,000				10,000				20,000
	MRRC - Basketball rings (removable)				10,000							10,000
	Records Desktop scanner				14,000				14,000			28,000
	Security Camera surveillance system				30,000							30,000
	ICT - Servers	30,000				30,000				30,000		90,000
	ICT - Replacement Storage		54,000				54,000				54,000	162,000
	ICT - Replacement UPS	10,000			10,000			10,000			10,000	40,000
	Various Furniture and Equipment - annual allocation								20,000	20,000	20,000	60,000
	Annual Allocation for C/Pk Equipment	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	500,000
Furniture and Equipment Total		90,000	134,000	60,000	114,000	87,000	104,000	80,000	84,000	100,000	134,000	987,000
Plant and Equip	Plant Replacement	1,372,990	424,360	733,222	1,206,542	1,336,642	608,967	602,636	1,103,990	1,332,171	509,345	9,230,865
	Augusta hydrotherapy pool (heater, pumps etc) (Building mechanics)				15,000							15,000
	Bitumen Emulsion Tank Storage Improvements	45,000										45,000
	Washdown Facility	70,000										70,000
	General Stores compound			30,000								30,000
	Demolish large ramp area/construct smaller ramp area				50,000							50,000
	Decommision old washdown facility				20,000							20,000
	Expand depot yard ($30,000)						30,000					30,000
	Noise barrier between depot and external properties ($30,000)							30,000				30,000
	Ergonomic Dog Handling Equipment for Rangers	30,000	30,000	30,000								90,000
	Replacement Pool Liner			120,000								120,000
	Material storage bays and hardstand area		80,000									80,000
Plant and Equipment Total		1,517,990	534,360	913,222	1,291,542	1,336,642	638,967	632,636	1,103,990	1,332,171	509,345	9,810,865
Drainage	Annual Allocation for Drainage works	330,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000	3,300,000
	Stormwater drainage improvements			50,000								50,000
Drainage Total		330,000	330,000	380,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000	3,350,000
Roads	Margaret River Main Street Project Stage 2		7,490,000									7,490,000
	Caves Rd/Wallcliffe Rd Roundabaout										1,000,000	1,000,000
	Annual Allocation for Road Reconstruction	1,431,000	1,860,000	1,305,000	1,650,000	1,650,000	1,400,000	1,600,000	1,700,000	1,400,000	1,500,000	15,496,000
	Annual Allocation for Road Resurfacing	1,503,639	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	7,803,639
	Annual Allocation for Kerbs	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	500,000
	Annual Allocation for Gravel Road Resheeting	300,000	300,000	300,000	300,000	300,000	300,000	400,000	400,000	400,000	400,000	3,400,000
	Annual Allocation for Sealed Road Reshouldering	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,000,000
	Resurface and linemark internal roads		50,000									50,000
	John Archibald Drive	5,370,000										5,370,000
Roads Total		8,754,639	10,550,000	2,455,000	2,800,000	2,800,000	2,550,000	2,850,000	2,950,000	2,650,000	3,750,000	42,109,639

Asset class	Project	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Grand Total
Waste Managen	Davis Road New Waste Cell No 2	300,000										300,000
	Davis Road New Waste Cell No 3			300,000								300,000
	Implement Landfill Capping & Closure Plan - old area	1,537,500										1,537,500
	Implement Landfill Capping & Closure Plan - phase 1		1,262,500									1,262,500
	Implement Landfill Capping & Closure Plan - phase 2											
	Implement Landfill Capping & Closure Plan - phase 3				1,387,500							1,387,500
	Implement Landfill Capping & Closure Plan - phase 4					1,262,500						1,262,500
	Waste Tfr Stn & Resource Recovery Facility - preliminary works	43,750	75,000									118,750
	Waste Tfr Stn & Resource Recovery Facility - equipment procurement			543,750								543,750
	Waste Tfr Stn & Resource Recovery Facility - construction				3,775,000							3,775,000
	Investment in Capes Regional Waste Facility									7,500,000	7,500,000	15,000,000
Waste Management Facilities Total		1,881,250	1,337,500	843,750	5,162,500	1,262,500				7,500,000	7,500,000	25,487,500
Parks & Reserve	Margaret River Skatepark	650,000	850,000									1,500,000
	Cape Mentelle-Gas Bay plan implementation - Stage 1 (was 2015-16)						100,000					100,000
	Cape Mentelle-Gas Bay plan implementation - Stage 2 (was 2016-17)							100,000				100,000
	Cape Mentelle-Gas Bay plan implementation - Stage 3 (was 2017-18)								100,000			100,000
	Cape Mentelle-Gas Bay plan implementation - Stage 4 (was 2018-19)									100,000		100,000
	Annual Allocation for Playground Equipment	99,000	85,000	103,000	94,500	96,000	99,000	110,000	98,000	95,000	95,000	974,500
	Annual Allocation for Public Open Space	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	1,200,000
	Annual Allocation for Tree Planting			10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	80,000
	Annual Allocation for Cemetery Works	10,000	10,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	140,000
	Gloucester Park - Roads and Carparking - Western Oval to Bowling Club			250,000								250,000
	Gloucester Park - Roads and Carparking - Western Oval to Station Road				250,000							250,000
	Gloucester Park - Roads and Carparking - Karate Club/BMX Road					100,000	150,000					250,000
	Gloucester Park Signage						50,000					50,000
	Gloucester Park Landscaping							200,000				200,000
	Gloucester Park Extend Cricket Club Nets							30,000				30,000
	Gracetown Beach Stairway - Huzzas							200,000				200,000
	Annual Allocation for Pedestrian structure works	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	300,000
	Gloucester Park - Lower Western Oval Drainage (undergrounding of swale drain	250,000										250,000
	Gloucester Park - Lower Western Oval (earthworks, drainage, turf, irrigation, carpark)		560,000									560,000
	Gloucester Park - Lower Western Oval (Fencing & Lights)			275,000								275,000
	Rapids Landing School Oval - Repay DET part construction cost over 10 years		30,000									30,000
	Rapids Landing School Oval - Repay DET part construction cost			30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	240,000
	Foreshore walls, Augusta foreshore including Turner, Colourpatch and Ellis St- Stage 2		100,000									100,000
	C ape Leeuwin Tourism Precinct - Stage 2 (was 2017-18)				100,000							100,000
	C ape Leeuwin Tourism Precinct - Stage 3 (was 2018-19)					100,000						100,000
	C ape Leeuwin Tourism Precinct - Stage 4 (was 2019-20)						100,000					100,000
	Darch Trail Extension to new pedestrian bridge		50,000									50,000
	Alexandra Bridge campground riverside platform	40,000										40,000
	Relocation of dump point	10,000										10,000
	Wadandi Track - annual allocation			100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	800,000
	Bridle Trails - annual allocation			20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	160,000
	MTB Trail Development - annual allocation			20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	160,000
	Augusta Interpretation Plan - annual allocation											
Parks & Reserves Total		1,209,000	1,835,000	973,000	789,500	641,000	844,000	985,000	543,000	540,000	440,000	8,799,500

Asset class	**Project**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**Grand Total**
Paths	Flinders Bay to Cape Leeuwin Lighthouse trail - stage 2	150,000										150,000
	Annual Allocation for Footpath works	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	3,000,000
Paths Total		450,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	3,150,000
Car Parks	Gracetown Main Beach - seal and formalise carpark				285,000							285,000
	Margaret River town entry (north) - pull over bay upgrade					30,000						30,000
	Ellis St Boatramp car park					120,000						120,000
	IGA/Target carpark - multi storey					1,500,000						1,500,000
	Formalisation of staff car parking ($40,000)					40,000						40,000
	Barrett Street Weir - seal car park and access road								75,000			75,000
Car Parks Total					285,000	1,690,000			75,000			2,050,000
Boat Ramps and	Boat Ramps - East Augusta - Refurbish				15,000							15,000
	Boat Ramps - Various					36,796						36,796
	Jetties - East Augusta public jetty - replace jetty timbers				15,000							15,000
	Ellis St Boatramp boat trailer parking bays			200,000								200,000
	Flinders Bay Boat Ramp - handrail for disabled persons		20,000									20,000
Boat Ramps and Jetties Total			20,000	200,000	30,000	36,796						286,796
Caravan and Car	Annual Allocation for Infrastructure	100,000	100,000	150,000	100,000	150,000	150,000	150,000	150,000	150,000	150,000	1,350,000
Caravan and Camping Total		100,000	100,000	150,000	100,000	150,000	150,000	150,000	150,000	150,000	150,000	1,350,000
Road Bridges	Carbunup South Road (4591)	177,000										177,000
	Glenarty Road (4847)		150,000									150,000
	Treeton Road (3228A)			300,000								300,000
	Treeton Road (3229A)				350,000							350,000
	Carters Road (4835)				200,000							200,000
Road Bridges Total		177,000	150,000	300,000	550,000							1,177,000
Grand Total		**20,150,913**	**19,479,070**	**7,243,972**	**12,438,542**	**9,712,938**	**6,486,967**	**6,772,636**	**7,166,990**	**14,891,171**	**15,549,345**	**119,892,544**