

# Long Term Financial Plan

2017 to 2027



SHIRE of  
WYNDHAM  
EAST KIMBERLEY



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## 1. Introduction

### 1.1. Background

The Shire of Wyndham East Kimberly's Long Term Financial Plan (LTFP) 2017-2027 is a "high-level" planning document governed by a series of financial strategies and performance indicators that the Shire considers and adopts. It establishes the financial framework within which sound financial decisions are made. Section 5.56(1) of the Local Government Act, 1995 (the Act) requires Council's to plan for the future under the regulations under Section 5.56(2) require the minimum requirements to achieve this. In 2010 the Integrated Planning and Reporting (IPR) Framework and Guidelines were introduced. In September 2016 the Advisory Standard was issued which compliments the legislative requirements. This Plan has been drawn up to be compliant with these provisions.

The Long Term Financial Plan (LTFP) is a framework based on a range of assumptions that assesses the financial requirements to achieve the Shires strategic objectives. It further examines the impact that decisions made today may have on the Shire's long term financial sustainability. It ensures equality between generations of ratepayers in that each generation is responsible for the costs of the resources that they consume. The LTFP demonstrates the Shire's obligation to sound financial planning to ensure the future prosperity of the community.

A key assumption in the preparation of the LTFP is that future expenditure is dependent on the income streams that the Shire can rely upon with a great degree of certainty. It cannot assume that all desired projects will automatically be funded by a combination of either grants, loans or by general rate increases. This would render the LTFP unreliable as the funding would be contingent on many future uncertain events. Projects should only be included in the LTFP when funding is reasonably expected to be received. This will create a picture of what the Shire can currently afford and what it can deliver with reasonable certainty over the forecast period. Since the document is updated annually, as and when funding is secured for desired projects, the Plan is amended to include the changing circumstances and any changing priorities.

The LTFP provides financial and non-financial measures to assess the Shire's performance in achieving its objectives. It consists of an Income Statement, Statement of Cash Flows, Rate Setting Statement, Statement of Financial Position and an Equity Statement. Normally the capital works part of the LTFP has as its basis the Asset Management Plans and the Forward Capital Works programs covering the 10 year forecast period. This is not the situation in this first version of the LTFP. The LTFP does include the management indicators that Shire is required to report on in the Annual Report.

It is critical to understand that this is the first step in the process of developing an integrated approach to the LTFP. This version of the LTFP is being developed concurrently with the Asset Management Plan and the Workforce Plan and does not take into account the data developed in these plans. Future versions of the LTFP will integrate with these plans. The current plan, while taking into account the Corporate Business Plan, is aspirational over the forecast period. Care has been taken in developing the assumptions to ensure that while the plan may not be able to give specific detail in each of the forecast periods, it can give a reasonable idea of the expected financial data. This version of the LTFP has as its basis assumptions to ensure that the Shire is financially sustainable in that it moves towards operating

surpluses, maintains its liquidity and has sufficient funds to meet its asset management obligations.

## 1.2. Integrated Planning and Reporting Framework

The below diagram depicts the components that make up the Shire’s Integrated Planning and Reporting Framework (IPRF). It shows the interaction between the plans, the influence of the informing strategies and the strategic enablers, with emphasis given to a mutual informing relationship. The intent of the IPRF is to ensure the priorities and services provided by the Shire are aligned with our community needs and aspirations. The strategic enablers allow rigour to be applied to these, taking into account available resources to deliver the best possible results for the community.



The Strategic Community Plan 2012 - 2022, is our long term strategic direction that guides the remainder of the framework. It expresses the community’s aspirations for the future, together with the goals, objectives and strategies that Council are intending to implement to address strategic community outcomes. This is a key document for Council to track and report on progress to the community.

The Strategic Community Plan 2012 - 2022 drives the Shire’s Corporate Business Plan, which is the detailed implementation plan for key services, projects and capital investments over the next four years. The intention is that the implementation of this plan contributes towards the delivery of the community objectives over the longer term. It contains the same themes, community outcomes and strategies as the Strategic Community Plan 2012 - 2022, to ensure we deliver services in line with community aspirations.

The Shire’s key strategic enablers show how we are equipped to deliver on the commitments made in this Corporate Business Plan. These key enablers are:

- Long Term Financial Plan

This ten year rolling plan assists the City to set priorities in accordance with its financial resources, through the use of key assumption based analysis. This allows the organisation to make decisions in a financially sustainable manner.

- Workforce Plan

The plan identifies the workforce requirements and strategies for current and future operations, ensuring the needs and limitations to support the delivery of the Corporate Business plan are met.

- Asset Management Plan

This plan provides guidance on service provision and whole of life cycle asset management to inform the Shire's financial sustainability and key service levels.

The Annual Budget is based on the projected costing of year one of the Corporate Business Plan and the LTFP, with opportunity to review the Corporate Business Plan during the mid-year budget review process. The budget creation process will be continually improved to strengthen the financial integration between the plans within the framework.

## 2. Context

### 2.1. Snapshot of Shire of Wyndham East Kimberly

#### Shire Statistics

Distance from Perth:	3,215 (km)
Area:	121,189 (Square km)
Length of sealed roads:	245 (km)
Length of unsealed roads:	699 (km)
Population:	8,610 (2016 - Australian Bureau of Statistics)
Rateable properties	2751

#### Suburb and localities

Wyndham, Kununurra (including the Hidden Valley, Lakeside Park, Weaber Plain Road, Packsaddle Road, River Farm Road and Crossing Falls), Lake Argyle and Kalumburu.

#### Local industry and Tourism attractions

Tourism, agriculture, irrigation, melons, mangoes, pumpkins, sandalwood, cattle, mining, aquaculture and Wyndham Port facilities are the main local industries.

Tourism attractions include, Carboyd Ranges, Celebrity Tree Park, Cockburn Ranges, Drysdale River National Park, Emma Gorge, Five Rivers Lookout (the Bastion), Gibb River Road, The Grotto, Ivanhoe Crossing, Kelly's Knob, Kununurra Diversion Dam/Lake Kununurra, Lake Argyle, Lily Lagoons, Mirima National park, Mitchell Plateau, Ord River Irrigation Area, Ord River, Parry's Lagoon Nature Reserve, Pentecost River, Ragged Range, Wyndham Community Fishing Jetty and Zeberdee Springs.

#### Workforce

The Council has a workforce equating to an Effective Full Time (EFT) staff level of approximately 100. The workforce is divided into four major categories with staff

operating under the Executive, Corporate, Infrastructure and Community Development services directories.

Internal and external forces that have been taken into consideration when developing the plan document.

### External influences

In preparing this LTFP a number of external influences have been taken into consideration, because they are likely to impact significantly on the services delivered by Council in the period. These include but are not limited to:-

- External specific grant funding and operational funding
- Commonwealth Financial Assistance Grant funding
- Ongoing commitment from the Federal Government's Roads to Recovery Program

### Internal influences

There are also a number of internal influences that continually arise and have had a significant impact on setting the plan. These include but are not limited to:

- Council's existing Enterprise Bargaining Agreement will expire on 30 June 2016. For the purposes of this document the staff remuneration increases are assumed to be a maximum of 1.5% p.a.;
- Ongoing loan repayments for existing loans will continue to maturity and no allowance is provided for new loans. Loan finance can be permitted specifically for a new capital asset project;
- Capital expenditure has been held to be the same as depreciation expense (in the absence of an Asset Management Plan).

## **2.2. Shire Assets and Services**

The Shire of Wyndham East Kimberly provides an extensive range of services to the community which fall into the following programs prescribed under the *Local Government (Financial Management) Regulations 1996*. Estimates of expenditure and income have been calculated for each of these programs in this LTFP.

**Governance** – relates to the support of members of Council (councillors) and administration and operation of services and facilities to support the Shire's function.

**General Purpose Funding** – expenses and income associated with levying and collecting rates, general purpose grants and interest from investments.

**Law, Order and Public Safety** – covers expenses and income principally associated with Shire Rangers. This includes administration and implementation of various local laws, animal control (licensing and enforcement), fire prevention and emergency services.

**Health** – Inspection of food outlets and their control, provision of meat inspection services, noise control, pest control measures (mosquito control) and waste disposal compliance.

**Education and Welfare** - operation of youth services, the support of day care centres and assistance to other voluntary services.

**Community Amenities** – principally covers operations of waste services (rubbish collection, disposal and recycling), maintenance of cemeteries, town planning and development and urban stormwater drainage functions.

**Recreation and Culture** – maintenance of halls, recreation centres, various sports grounds, ovals, parks and reserves throughout the district. The operation of libraries and community development services.

**Transport** – maintenance of streets, roads, bridges, parking areas and footpaths including street cleaning and lighting of streets. Costs associated with operation of the works depot and airport are also included.

**Economic Services** – building control services (licences), support for the local tourist centre, area promotion and economic development initiatives under taken by the Shire.

**Other Property and Services** – private works undertaken by the Shire and operating and maintenance costs of the Shire’s plant and equipment used in maintenance and construction works.

### **3. Long Term Financial Strategies**

#### **3.1. Purpose**

The Long Term Financial Strategies are intended as a set of business rules or tools to be used in developing and managing the annual estimates, Corporate Business Plan and LTFPs. These need to be reviewed on an annual basis to ensure they meet changing circumstances that the Shire may face. The purpose of the Long Term Financial Strategies is to:

- a) Ensure that the Shire establishes and maintains control of its financial destiny in a manner consistent with the current financial management processes of the Shire.
- b) Ensure that the Shire’s financial resources are applied towards achieving the desired outcomes, strategies and initiatives articulated in the LTFP.
- c) Ensure that the Shire balances its expenditure between services and capital works with its revenue raising capacity.
- d) Ensure the proposed financial strategies are enabling guidelines that will support both the ongoing viability of the Shire and its ability to achieve the objectives and vision in its Strategic Corporate Plan and Corporate Business Plan.

#### **3.2. General Financial Principles**

The general financial principles used in determining the strategies are as follows:

- a) Achieve long term income and expenditure neutrality while keeping rates growth in line with the Local Government Cost Index.
- b) Achieve long term cash flow neutrality while keeping rates growth in line with the Local Government Cost Index.
- c) Maintain reserves at levels that are adequate to provide a buffer for large or unexpected short-term cash flow fluctuations.

- d) Ensure that the Shire's long term capital program fully funds asset renewal requirements.
- e) Significant or material shifts in the allocation of Shire expenditure are directly linked to policy changes, changes in service levels or conscious Council decisions that are supported by Council resolutions.

### 3.3. Long Term Financial Strategies

The Long-Term Financial Strategies are:

- a) Target consistent operating surpluses that provide sufficient funds for both recurrent service level and asset renewal and upgrade requirements. The forecast income statement, balance sheet, rate setting statement, cash flow statement and capital works programs must be prepared to achieve consistent operating surpluses, funded capital renewal programs and cash balances sufficient to implement these strategies. Where there is an operating deficit ratio, the LTFP must include measures to return a positive ratio within the forecast period.
- b) Target the Balance Sheet having at least a 1.1 to 1 working capital ratio in the LTFP after ensuring reserves are backed by cash.
- c) Transfers to asset replacement reserves for future capital expenses will only be included in the Annual Estimates if matched by an equivalent budgeted surplus in the Income Statement to preserve the accumulated surplus position of the Shire.
- d) Material favourable operational budget variations realised at year's end in a given financial year will be quarantined and form part of the Shire reserves that can be used as a funding source for future priority projects. Positive capital works budget variations relating to ongoing capital works will be carried over to the following financial year to preserve funding to meet its renewal obligations.
- e) Annual transfers to reserves must be backed by cash on hand. The LTFP must ensure that over the forecast period sufficient funds are retained to eliminate any funding deficit.
- f) Annual transfers equivalent to the average interest earned on investments during the financial year be made to reserves.
- g) Budgeted cash at the end of each year shall be measured by referencing it against the working capital ratio in the LTFP.
- h) Service level funding gaps will be identified and classified as primary or secondary in nature to clearly distinguish the cash flow requirements of maintaining existing service levels (primary gaps) and for service level enhancements (secondary gaps).
- i) Services impacted by the climate change must identify cost impacts and incorporate cost implications (both expenditure and revenue streams) into the LTFP.
- j) A series of key financial performance indicators, with appropriate threshold targets will be utilised to strategically analyse the financial integrity of the Plan. Refer to 4.7 below.
- k) Capital expenditure on asset renewal and upgrade projects be given priority over capital expenditure on new assets (extensions) where the



sustainability index (Capital renewal and upgrade expenditure as a percentage of depreciation) falls below the benchmark of 100%.

- l) Any new capital work (capital extension) proposals must be preceded by a business justification case which includes a whole of life cost evaluation that identifies the asset's construction, maintenance and operating cash flow requirements as well as the depreciation impact.
- m) Capital income must only be utilised as a funding source for capital expenditure requirements.
- n) The Shire considers borrowing for new capital projects only when consistent operating surplus results are being achieved. Borrowings are considered for other capital projects where such expenditure will generate significant future savings for the Council in renewal, maintenance or operating costs. Borrowings will not be considered to fund ongoing operations.
- o) For borrowings to be considered, projects must have had a full whole of life cost analysis undertaken, proving that future cash inflows will exceed the cash outlays, or alternatively where there is no financial return that the additional capital and operating costs are quantified in the LTFFP and the integrity of the financial strategies is not compromised.
- p) Where reasonably possible, fees and charges are increased by the same general rates increase until full cost recovery is achieved for direct service provision where appropriate.
- q) The Council considers the most appropriate rating strategy to provide adequate funds to:
  - . achieve sustainable operating surpluses;
  - . achieve sustainable cash flows; and
  - . fund capital renewal projects;

in both the annual estimates, Corporate Business Plan and LTFFP.

- r) Investments are to comply with the Investment Policy adopted by the Council.

## 4. Assumptions

### 4.1. General Assumptions

The LTFFP 2017 - 2027 has been developed applying the following general assumptions:

- Current service levels will be maintained.
- The LTFFP is constructed by analysing information by nature and type. The relationship of this information to each program is assumed to be consistent over the forecast period.
- The data in the LTFFP is expressed in real average 2017-18 values. This discounts the effects of the time value of money over the term of the forecast period. The most common measure of this is the Consumer Price Index (CPI). The Shire prefers to use the Local Government Cost Index (LGCI) as a measure of the time value of money as it relates more particularly to its core

operations. The effect of the LGCI over the forecast period is ignored. As the LTFP is reviewed on an annual basis to account for any changes in circumstances or priorities, movements in LGCI will be addressed at that time. Any increases in values in excess of the LGCI are explained where relevant below.

- No change in the level of subsidisation that existing services receive from general revenue.
- Any increase in output or service levels will come as a result of efficiency gains from continual improvement processes.
- Capital renewal gap will be reduced with the aim of eliminating it over the forecast period.
- Debt levels will vary depending on the funding needs for new assets.
- All amounts in the Plan are rounded to the nearest \$1. This results in some rounding errors which have been corrected in the cash flow projections.

#### 4.2. Revenue

Rates and Charges for the financial year ended 30 June 2016-17 is estimated to be 43.7% (2015-16 – 48.1%) of the Shire's operating revenue. The Shire has factored into the LTFP an increase of 0.25% per annum over the LGCI for rates. While the Shire has had fairly large rate increase above CPI in previous financial years, it desires to have a more moderate rate increase over the forecast period.

Increases can and should be made depending on the number and level of service variances desired over the forecast period as well as the impact additional new assets will have on the maintenance and operating budgets of the Shire. Increases in the general rate should further be considered where the cost profile of maintaining service levels increases faster than the LGCI. This will further assist returning the Shire to an operating surplus ratio.

ABS population statistics for the Shire area indicate that the population growth was from 7,800 in 2011 to 7,148 in 2016. This is a decrease of 652 over the 5 year period or an annual average decrease of 1.67%. This is contrary to the natural growth in the rates base over the last few years of approximately 1%. Since the Shire is optimistic that the local economy will improve, it assumes that the rates base will continue to increase at a rate of 1% per annum.

The Shire raises supplementary rates during its financial year for new properties coming onto the valuation role and changes in property values due to development. As the amounts are uncertain they are not provided for in the annual estimates process. However it is prudent to include them in the long term forecasting, at an amount that is considered to be a conservative estimate. The increase in economic activity and the natural growth factor have been allowed for in the forecast with the increase of the general rate revenue by the 1% annually.

Fees and Charges in general are expected to increase by the same percentage that the cost of providing the service increases by LGCI. Natural growth, increased population and increased economic activity are assumed to not have a material effect on the Fees and Charges. Variations to individual fees are accounted for on an annual basis during the annual revision of the LTFP. One area where fees are expected to increase above the LGCI is airport revenue. The Corporate Business Plan includes capital works for the extension to the runway and the possibility of having flights direct to and from Melbourne. As the cost aspects relating to this have been included the revenue must be included as well. This has been recognised by

increasing the Fees and Charges revenue by 0.25% per annum over the forecast period.

Interest on investments is based on current estimates of returns on investment funds. Rates are assumed to be consistent with the weighted average interest rate currently obtained on funds invested for the Shire. It must be noted that the current interest rate trend is flat at historical lows. However, we continue to believe that interest rates will recover to higher levels during the forecast period. The timing of these changes is uncertain and therefore we assume the average annual interest income to be consistent at current levels. This will be reviewed annually.

The Commonwealth Financial Assistance Grant comprises general purpose, bridge, Indigenous access roads and local road funding. These amounts are not currently indexed due to the freeze on indexation by the Federal Government. No increase is provided for over the forecast period.

The number of general operating grants and contributions are assumed to remain constant over the forecast period. It is further assumed that increases in these grants and contributions will be not more than LGCI on an annual basis.

Capital contributions are generally specific purpose grants received. Projected revenue is linked to capital and special projects funding.

“Roads to Recovery” funding was extended to a third 5 year round concluding in 2018-2019. The approach for the Plan has been to assume that funding levels will remain constant at existing levels over the forecast period either under an extension of the existing program or a new program with similar benefits.

Other revenue includes reimbursements and private works charges. It is assumed that increases will not be more than LGCI.

### **4.3. Expenditure**

The Shire has traditionally had a fairly high turnover of staff due to the transient nature of the community. There is normally a difference in what the Shire budgets and what the Shire expends on staff. While staff levels are normally expected to remain constant over the forecast period this does not take into account factors that may influence the establishment numbers and remuneration levels.

This version of the LTFP assumes that there will be significant improvements in systems and processes. This will allow for the natural attrition of staff levels. It also assumes that with the end of the mining investment boom that competition for staff will have a dampening effect on the general wage bill and allow for more modest rates of pay. Finally it also assumes that the budgeting process will incorporate a vacancy factor that will allow for more accurate projections of the cash effect of staff vacancies. To this end the LTFP forecasts a decrease of 1% per annum over the forecast period to recognise these factors. It is noted that will differ to the Workforce Plan but as part of the integration of all the informing plans the actual workforce data will be incorporated into the plan before further actions regarding cost forecasts are made.

Future versions of the LTFP will take into account the data from the Workforce Plan.

Materials and Contracts have two main constituent parts – operational expenditure and asset maintenance. Operational expenditure is expected to increase in line with

the LGCI. Where asset maintenance is performed by third party organisations the costs are expected to increase in line with the LGCI. Operational and asset maintenance expenditure that is performed by Shire staff, these cost are assumed to fall as per the assumptions for staff costs above. Shire staff are committed to finding operational savings and this needs to be reflected in this plan. Material and Contract costs are therefore forecast to fall over the LTFP by 0.5% per annum. Future versions of the LTFP will include asset maintenance data generated from the asset management process. It will also take into account the impact on operating and maintenance costs of new assets taken on in the forecast period.

Borrowing Costs from loan finance are determined from repayment schedules for current loan finance over the forecast period. Any estimated future loan finance is calculated using current estimates of interest charges and will be structured on a principle and interest basis.

The depreciation expense is determined by reference to the carrying value of the asset category and the estimated average useful life of that category. The carrying value of the assets is affected by the extent of the capital works program and the periodic revaluation cycle. No revaluations are included in the forecast until actually conducted and recorded in the financial and asset records of the Shire.

Other expenses include councillor allowances and audit fees. It is assumed that increases will not be more than LGCI.

The comprehensive result of trading in each year is transferred to the accumulated surplus of the Shire.

#### **4.4. Capital Works**

Capital Work in Progress balances are derived from the forecast capital works program. It has been assumed that the program is completed annually and transferred to completed assets. Any capital work in progress carried forward is assumed to be completed during the year it is carried forward to. This version of the plan does not provide for carry forward amounts as it is assumed that the projects are completed in the year commenced.

Capital works program should be extracted from the Asset Management Plan developed by the Infrastructure Services division of the Shire. As the Shire has not completed the Asset Management Plans at the time of the drafting of this LTFP this data cannot be integrated into the Plan. An assumption is made that the level of capital works undertaken is sufficient to preserve the assets ability to deliver future services.

Property, plant and infrastructure balances have been determined considering three separate factors. Firstly, the capital works program delivers an annual amount which is capitalized as completed assets. Secondly, there is a revaluation program for the assets that re-values assets on at least a three year rotational basis. For purposes of the LTFP revaluations are not done as they do not have an impact on the cash flows of the Council. Thirdly, depreciation charged against the assets is described in the Income Statement section above.

#### **4.5. Debt Management**

Financial Liabilities balances are determined with reference to amortization schedules for each loan that is outstanding at the end of each year during the

forecast period. Any new loan finance is assumed to be at the rates currently achieved and on an interest and principal basis over a period of time determined with reference to the asset it is funding. Repayment of the principal forms part of the capital budget over the forecast period.

#### 4.6. Reserves

The LTFP assumes that the current level of reserves will fund the planned projects that are currently part of the Corporate Business Plan. Funds will only move into Reserves where external funding and borrowings are carried over between financial years to fund projects. Operational surpluses will be invested in Reserves to maintain them at a level to support ongoing operational asset management costs.

#### 4.7. Key performance indicators

The Integrated Planning and Reporting Advisory Standard of September 2016 provided the table below as the key financial performance indicators. The LTFP has been drafted to meet at least the Achieving Standards over the forecast period.

Key Performance Indicator	Data and Calculation	Information	Standards
Operating surplus ratio	Net operating surplus, divided by own source operating revenue, expressed as a percentage. <sup>*^</sup>	This is an indicator of the extent to which revenues raised cover operational expenses only or available for capital funding purposes.	Standard is not met if the operating surplus ratio is 0%  Achieving standard is met if the operating surplus ratio is between 0% and 15%  Advanced standard is met if the operating surplus ratio is greater than 15%
Current ratio or working capital ratio	Current Assets MINUS Restricted Assets divided by Current Liabilities MINUS Liabilities associated with Restricted Assets	This is a modified commercial ratio designed to focus on the liquidity position of a local government.  Expressed as percentage, 1:X, or decimal figure <sup>*^</sup>	Standard is not met if this ratio is lower than 1:1  Achieving standard is met if the ratio is 1:1 or greater (e.g. 100% or 1.0)

Debt service cover ratio	Annual operating surplus before interest and depreciation divided by annual debt service payments (both principal and interest). <sup>*^</sup>	Also known as 'debt coverage ratio', this is the ratio of cash available for debt servicing to interest, principal and lease payments.	Standard is not met if this ratio is lower than 2 Achieving standard is met if this ratio is greater than or equal to 2 Advanced standard is met if this ratio is greater than 5
Own Source Revenue Coverage Ratio	Own Source Operating Revenue divided by Operating Expense	This ratio is the measurement of a local government's ability to cover its costs through its own revenue efforts.	Standard is not met if this ratio is lower than 0.4 Achieving standard is met if the ratio is between 0.4 and 0.9 Advanced standard is met if the ratio is greater than 0.9

The Advisory Standard also lists the Asset Management Plan performance indicators. These have been taken into account in the preparation of the Asset Management Plan and are reflected in the data in the LTFP. These are:

Key Performance Indicator	Data and Calculation	Information	Standards
Asset consumption ratio (ACR)	Depreciated replacement cost of assets (written down value) divided by current replacement costs of depreciable assets. <sup>*^</sup>  Expressed as a percentage.	This shows the written down current value of a local government's depreciable assets relative to their 'as new' value in up to date prices.  The ratio highlights the aged condition of the local government's stock of physical assets.	Standard is not met if ratio data cannot be identified or ratio is less than 50%  Achieving standard is met if ratio data can be identified and ratio is 50% or greater  Standard is improving if ratio is between 60% and 75%
Asset sustainability ratio (ASR)	Capital expenditure on replacement or renewal of assets divided by the depreciation expense. <sup>*^</sup>	This measures the extent to which assets managed by the local government are being replaced as they reach the end of their useful lives.	Standard is not met if ratio data cannot be identified or ratio is less than 90%

Key Performance Indicator	Data and Calculation	Information	Standards
	Expressed as a percentage.		Achieving standard is met if ratio data can be calculated and ratio is 90%
			Standard is improving if ratio is between 90% and 110%
Asset renewal funding ratio	Net present value of planned capital expenditure based on current Departmental guidance on renewals over ten years divided by the net present value of the required capital expenditures on renewals over the same period.*^	This indicates whether the local government has the financial capacity to fund asset renewal as required, and can continue to provide existing levels of services in future, without: <ul style="list-style-type: none"> <li>- additional operating income; or</li> <li>- reductions in operating expenses; or</li> <li>- an increase in net financial liabilities above that currently projected.</li> </ul>	Standard is not met if ratio data cannot be identified or ratio is less than 75%
	Expressed as a percentage.		Achieving standard is met if ratio data can be identified and ratio is between 75% and 95%
			Standard is improving if ratio is between 95% and 105% and the ASR falls within the range 90% to 110% and ACR falls within the range of 50% to 75%

## 5. Financial Commentary

### 5.1. General Comments

As stated in the opening comments to this document, this version of the LTFP is aspirational and it is based on assumptions that move the organisation to the point where, in terms of the key financial indicators, the Shire is in a sustainable financial position. The primary objective is to ensure that the Shire plans to return a positive operating surplus ratio within the forecast period. Some of these assumptions may seem unachievable at the present time but they are what is necessary if the Shire is to achieve the benchmarks required.

There will be actions that will arise out of this plan for the Executive that will require to be included in future Corporate Business Plans. This LTFP is therefore a starting point for discussion and planning, to develop an integrated path forward that ensures that the sustainability benchmarks are achieved.

Please note that the various financial statements produced are interlinked and so the comments made with reference to one statement may well be true for other statements that are commented on.

## 5.2. Forecast Income Statement

The main item that stands out on the Income Statement is the fact that the operating expenditure exceeds the operating income by \$6m in Year 1 of the LTFFP (2017/18 Budget) which consequently yields an Operating Surplus Ratio that is negative. The benchmark for this ratio at the Basic Standard for Councils is between positive 0.4 and 0.6. The LTFFP moves this ratio over the forecast period to be positive in the later years of the Plan. This is the maximum period the Shire should take to meet this target. Despite the ratio being negative for most of the forecast period the cash position of the Shire remains healthy as reflected in the statements below.

Rate income is forecast to rise from \$10.4m in year 1 to \$11.6m in year 10. This is achieved by having an average natural growth in the rates base of 1% per year and increasing rates at 0.25% over the LGCI. This increase is necessary to ensure the financial sustainability of the Shire. It is a moderate increase and should see the Shire provide the best value for money rating in the Kimberley over the forecast period. Factors such as the increase in population and the prospects for economic development have been factored into the model.

While many of the fees and charges the Shire levies will remain relatively static over the forecast period, many of the commercial fee income will increase with changes in market prices. One of these income streams is airport revenue. The LTFFP has included significant expansion to the infrastructure at the East Kimberley Regional Airport. This will mean additional capacity for flights and consequently additional revenue. As detailed modelling has not been done on this yet the total revenue was increased by the 0.25% to account for the potential additional revenue. The revenue raised over the forecast period is considered to be sufficient to ensure continued service delivery.

One of the key assumptions made in this version of the LTFFP is that in real terms that staff costs need to reduce by 1% on average over the forecast period. This assumption has been made without reference to the Workforce Plan. The assumption is partly justified on the basis that there is always room for improving and becoming more efficient. The other reasons set out at 4.3 above include process improvement, normalisation of salary levels and the inclusion of vacancy factors in the budgeting process.

The factors that will be critical in achieving the goal of reducing staff costs in real terms is process improvement across the Shire. If this can be achieved it will have the effect of creating capacity for individual staff members and staff costs will reduce by natural attrition over time. This will inevitably mean the Shire will have to invest in better capital equipment to achieve these efficiencies. Examples of this may include more effective plant, new IT solutions, out sourcing where appropriate etc.



Materials and Contracts costs are assumed to fall in real terms by 0.5% on average over the forecast period. Once again this is necessary if the target of an operational surplus is to be achieved. This assumption is realistic based on a number of factors. Firstly, the continuous improvement process and the staff commitment to it should deliver annual savings in real terms for the Shire. Secondly, the asset management plans should deliver a more focussed approach to maintenance and renewal expenditure. Some of the "maintenance" expenditure will be reclassified to renewal expenditure as the Asset Management Plans are rolled out. Finally, the budgeting process will be refined over time so that the actual and the budget positions will converge.

Depreciation is shown at \$7.3m in year 1 of the LTFFP. The figure going forward will depend on the content of the asset management plans. It is anticipated by Shire staff that the depreciation charge is too high in some of the asset classes and this needs to be considered by the Shires auditors before the changes to the depreciation policy can be made. For purposes of the LTFFP it is assumed that the average depreciation rate for infrastructure assets is 2% (this includes those assets that are not depreciated). The effect of this is to reduce the depreciation to between \$6.4m and \$6.8m over the forecast period. The quality of this data will be measured by determining from the asset management plan what the Shire needs to spend on its asset renewals over the forecast period to maintain the service potential of the assets. In order to meet the required asset renewal benchmarks, the Shire needs to expend an amount on asset renewal that is at least equal to the annual depreciation charge.

Non-Operating Grants and Subsidies show significant amounts of funding in years 1 to 4 of the LTFFP. This coincides with the Corporate Business Plan. In the 2017/18 year there is additional funding of \$8m included for WANDRRA works to be conducted. There is also road funding brought forward from the 2016/17 year that will be received once the associated works are completed. In year 2, 3 and 4 of the LTFFP the funding associated with the expansion at the Airport of \$19m and funding for bridge replacement of \$4.5m is included. This means that the Shire will have to attract on average \$4.7m of grant funding in each of the years 2, 3 and 4 of the Corporate Business Plan to ensure that all capital projects listed are funded.

It should be noted that revaluations of assets is excluded as per the assumptions and that there is no profit or loss on the disposal of assets.

### **5.3. Forecast Statement of Cash Flows**

The LTFFP has been drawn up to ensure that there is a healthy cash balance that underwrites the reserves of the Shire and provides sufficient cash to meet its working capital requirements. The opening cash balance is projected to be \$17.8m.

The cash reserves decrease over the period the Corporate Business Plan covers and then increase annually until the end of the plan where a \$24.7m cash balance is forecast. The reason for this increase is related to the capital works program. In the absence of the asset management plan the assumption has been made that the capital works program will approximate depreciation and that funding for non-operating grants will remain relatively constant from year 5. This results in surplus capital funds accumulating from year 5 to the end of the forecast period. As the asset management plans become more mature they will be able to provide input

into the LTFP to detail forward capital works programs that will utilise these cash reserves.

#### **5.4. Forecast Rate Setting Statement**

The logic applied to the rate setting statement is somewhat opposite to the manner it is usually applied. Conventionally it is used to indicate what rate revenue needs to be generated in order to ensure the program of operating services and capital works will be delivered. As the LTFP is based on the assumption that the Shire will remain a moderate rating Shire, the rates have been determined in the Comprehensive Income Statement.

The balancing of the plan is done through the reserves and the amount of funding that would be needed to meet the capital works projects.

#### **5.5. Forecast Statement of Financial Position**

Working capital items other than cash have been assumed to remain constant over the forecast period. The movement in the cash balance has been discussed above. With respect to borrowings, for the purpose of this version of the LTFP no additional borrowings were factored in. The existing borrowings are expected to be paid off in year 8 of the plan.

The assets shown in the statement grow from a total of \$282,5m in year 1 to \$318,2m in year 10. This indicates that the Shire has invested in new assets but has also renewed its existing asset stock. The data is based on assumptions in the main and is not built up on actual asset data. This will be done once the Asset Management Plans are integrated with this plan.

#### **5.6. Key Financial Indicators**

The key financial indicators are found at 8.7 in Appendix A.

**Operating Surplus Ratio** – This measures, relative to the size of the Shire, the extent to which operating revenue exceeds operating expenses. This measure should be positive. The ratio starts out negatively with the current budget. Assumptions have been made to both increase revenue and reduce costs over the forecast period to bring the ratio back into positive.

**Current Ratio** – the current ratio in the first year is 0.74 against a benchmark of 1.1. This is mainly due to the assumptions made in the budgeting process. The main assumption affecting the level of predicted cash is that all staff positions will be filled for the entire year. This will not be the case as there will be vacancies which will result in lower employment costs and higher cash levels thereby improving the ratio. This is consistent with practice in prior years. The forecast after year one takes into account a vacancy factor amongst other items which allow for a current ratio that meets the benchmark in each of the remaining periods.

**Debt Service Ratio** – This ratio is similarly below the benchmark for the same reasons as the current ratio. As the cash flows improve over the forecast period and the debt level reduces the ratio improves. The plan does not cater for new debt and therefore the ratio becomes irrelevant in years 9 and 10.

Own Source Revenue Coverage Ratio – This ratio is positive for the whole forecast period primarily due to the level of fees and charges earned by the Shire.

Asset Sustainability Ratio – The LTFP shows that the Shire meets this target with ease mainly due to the WANDRRA expenditure in year 1. In the remaining years the assumption has been made that at least the amount of depreciation will be spent on renewals. This has ensured that the ratio is above the benchmark.

Asset Consumption Ratio – This is a measure of how much life on average is left in the Shire assets. The assumptions ensured that there is sufficient funds spent on renewal expenditure over the forecast period so that we would expect that the remaining life of the assets would be fairly stable over the period. This is the case and that the required remaining life in the assets is above the benchmark.

Asset Renewal Funding Ratio – We cannot calculate this ratio at this stage as we do not have the detailed input from the Asset Management Plan. This ratio will be able to be determined when the LTFP is integrated with the Asset Management Plan.

## **6. Risk Assessment**

The major risks associated with this version of the LTFP are how the assumptions made in developing the plan relate to the data that will be provided from the Asset Management Plans and the Workforce Plan. The actual data may differ significantly from the assumed data in both quantum and timing. This risk can only be mitigated by reviewing the plans on an annual basis and developing action plans to ensure that the key benchmarks are achieved over the forecast period.

Another risk is the certainty of revenue flows from grant funding. The Shire has no control over grant income especially for new projects. Failing to secure the funding timeously will push projects further back in the LTFP or lead to them being eliminated from the Plan. The overall impact on the financial sustainability is low in that both the revenue and the expense items would be excluded.

It should be noted that it is impractical to identify all risks related to all aspects of the plan. The Shire will as a matter of course conduct its risk management processes at the relevant times to ensure that projects are delivered on time and on budget.

## **7. Scenario Modelling**

All modelling and analysis undertaken was primarily concentrated around achieving the following:

- The period within the plan where Council achieves an operating surplus from ordinary activities.
- Achievement of financial and sustainability ratios.
- Renewing assets when required to maintain capacity of performance and associated levels of services.

## APPENDIX A - 8.1

SHIRE OF WYNDHAM EAST KIMBERLEY LONG TERM FINANCIAL PLAN 2017/18-2026/27  
FORECAST STATEMENT OF COMPREHENSIVE INCOME BY NATURE AND TYPE

	Annual Budget 2017/18 \$	Year 2 2018/19 \$	Year 3 2019/20 \$	Year 4 2020/21 \$	Year 5 2021/22 \$	Year 6 2022/23 \$	Year 7 2023/24 \$	Year 8 2024/25 \$	Year 9 2025/26 \$	Year 10 2026/27 \$
<b>Revenue</b>										
Rates	10,376,869	10,402,811	10,532,846	10,663,467	10,795,717	10,929,608	11,065,159	11,202,391	11,341,325	11,481,982
Rates growth	-	103,769	104,028	105,328	106,635	107,957	109,296	110,652	112,024	113,413
Operating grants, subsidies and contributions	2,148,876	4,144,768	4,144,768	4,144,768	4,144,768	4,144,768	4,144,768	4,144,768	4,144,768	4,144,768
Service charges	8,073,733	8,093,917	8,114,152	8,134,438	8,154,774	8,175,161	8,195,598	8,216,087	8,236,628	8,257,219
Fees and charges	-	-	-	-	-	-	-	-	-	-
Interest earnings	426,400	426,400	426,400	426,400	426,400	426,400	426,400	426,400	426,400	426,400
Other revenue	413,500	440,778	440,778	440,778	440,778	440,778	440,778	440,778	440,778	440,778
	<b>21,439,378</b>	<b>23,612,443</b>	<b>23,762,973</b>	<b>23,915,179</b>	<b>24,069,071</b>	<b>24,224,671</b>	<b>24,381,999</b>	<b>24,541,076</b>	<b>24,701,923</b>	<b>24,864,561</b>
<b>Expenses</b>										
Employee costs	(11,371,809)	(10,758,091)	(10,650,510)	(10,544,005)	(10,438,565)	(10,334,179)	(10,230,837)	(10,128,529)	(10,027,244)	(9,926,971)
Materials and contracts	(5,924,085)	(5,094,661)	(5,069,187)	(5,043,841)	(5,018,622)	(4,993,529)	(4,968,561)	(4,943,719)	(4,919,000)	(4,894,405)
Utility charges	(968,536)	(968,536)	(968,536)	(968,536)	(968,536)	(968,536)	(968,536)	(968,536)	(968,536)	(968,536)
Depreciation on non-current assets	(7,374,526)	(6,244,738)	(6,471,906)	(6,709,462)	(6,651,833)	(6,731,022)	(6,656,679)	(6,694,257)	(6,734,445)	(6,769,225)
Interest expenses	(258,682)	(175,844)	(135,089)	(102,332)	(73,805)	(43,467)	(22,181)	(5,758)	-	-
Insurance expenses	(571,777)	(571,777)	(571,777)	(571,777)	(571,777)	(571,777)	(571,777)	(571,777)	(571,777)	(571,777)
Other expenditure	(1,353,961)	(1,203,961)	(1,203,961)	(1,203,961)	(1,203,961)	(1,203,961)	(1,203,961)	(1,203,961)	(1,203,961)	(1,203,961)
	<b>(27,823,376)</b>	<b>(25,017,607)</b>	<b>(25,070,966)</b>	<b>(25,143,914)</b>	<b>(24,927,099)</b>	<b>(24,846,471)</b>	<b>(24,622,533)</b>	<b>(24,516,536)</b>	<b>(24,424,963)</b>	<b>(24,334,875)</b>
	<b>(6,383,998)</b>	<b>(1,405,164)</b>	<b>(1,307,993)</b>	<b>(1,228,735)</b>	<b>(858,028)</b>	<b>(621,799)</b>	<b>(240,534)</b>	<b>24,539</b>	<b>276,960</b>	<b>529,686</b>
Non-operating grants, subsidies and contributions	11,448,756	12,958,027	12,958,027	12,958,027	2,958,027	2,958,027	2,958,027	2,958,027	2,958,027	2,958,027
Profit on asset disposals	51,084	-	-	-	-	-	-	-	-	-
(Loss) on asset disposals	(42,074)	-	-	-	-	-	-	-	-	-
<b>Net result</b>	<b>5,073,768</b>	<b>11,552,863</b>	<b>11,650,034</b>	<b>11,729,292</b>	<b>2,099,999</b>	<b>2,336,228</b>	<b>2,717,493</b>	<b>2,982,566</b>	<b>3,234,987</b>	<b>3,487,713</b>
<b>Other comprehensive income</b>										
<i>Items that will not be reclassified subsequently to profit or loss</i>										
Changes on revaluation of non-current assets	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>5,073,768</b>	<b>11,552,863</b>	<b>11,650,034</b>	<b>11,729,292</b>	<b>2,099,999</b>	<b>2,336,228</b>	<b>2,717,493</b>	<b>2,982,566</b>	<b>3,234,987</b>	<b>3,487,713</b>

	Annual Budget 2017/18	Year 2 2018/19	Year 3 2019/20	Year 4 2020/21	Year 5 2021/22	Year 6 2022/23	Year 7 2023/24	Year 8 2024/25	Year 9 2025/26	Year 10 2026/27
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Rates	9,339,182	10,506,580	10,636,874	10,768,795	10,902,352	11,037,565	11,174,455	11,313,042	11,453,349	11,595,396
Operating grants, subsidies and contributions	2,148,876	4,144,768	4,144,768	4,144,768	4,144,768	4,144,768	4,144,768	4,144,768	4,144,768	4,144,768
Fees and charges	8,073,733	8,498,613	8,519,860	8,541,159	8,562,512	8,583,919	8,605,378	8,626,892	8,648,459	8,670,080
Service charges	-	-	-	-	-	-	-	-	-	-
Interest earnings	426,400	426,400	426,400	426,400	426,400	426,400	426,400	426,400	426,400	426,400
Goods and services tax	1,816,153	2,299,352	2,784,998	2,509,024	1,487,020	1,507,272	1,505,891	1,524,686	1,525,649	1,548,053
Other revenue	413,500	484,856	484,856	484,856	484,856	484,856	484,856	484,856	484,856	484,856
	22,217,844	26,360,568	26,997,756	26,875,002	26,007,907	26,184,780	26,341,748	26,520,645	26,683,481	26,869,553
<b>Payments</b>										
Employee costs	(11,371,809)	(10,758,091)	(10,650,510)	(10,544,005)	(10,438,565)	(10,334,179)	(10,230,837)	(10,128,529)	(10,027,244)	(9,926,971)
Materials and contracts	(5,924,085)	(5,604,127)	(5,576,106)	(5,548,226)	(5,520,484)	(5,492,882)	(5,465,418)	(5,438,091)	(5,410,900)	(5,383,846)
Utility charges	(968,536)	(1,065,390)	(1,065,390)	(1,065,390)	(1,065,390)	(1,065,390)	(1,065,390)	(1,065,390)	(1,065,390)	(1,065,390)
Interest expenses	(571,777)	(628,955)	(628,955)	(628,955)	(628,955)	(628,955)	(628,955)	(628,955)	(628,955)	(628,955)
Insurance expenses	(213,471)	(175,844)	(135,089)	(102,332)	(73,805)	(43,467)	(22,181)	(5,758)	0	0
Goods and services tax	(801,669)	(448,774)	(449,785)	(450,800)	(451,816)	(452,836)	(453,858)	(454,882)	(455,909)	(456,939)
Other expenditure	(1,353,961)	(1,324,357)	(1,324,357)	(1,324,357)	(1,324,357)	(1,324,357)	(1,324,357)	(1,324,357)	(1,324,357)	(1,324,357)
	(21,205,308)	(20,005,536)	(19,830,192)	(19,664,063)	(19,503,373)	(19,342,065)	(19,190,995)	(19,045,961)	(18,912,754)	(18,786,457)
<b>Net cash provided by (used in) operating activities</b>	<b>1,012,536</b>	<b>6,355,032</b>	<b>7,167,564</b>	<b>7,210,939</b>	<b>6,504,535</b>	<b>6,842,714</b>	<b>7,150,752</b>	<b>7,474,684</b>	<b>7,770,727</b>	<b>8,083,096</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
Payments for Development of Land Held for Resale	-	(247,500)	-	(275,000)	(275,000)	(275,000)	(275,000)	(275,000)	(275,000)	(275,000)
Payments for Purchase of Property, Plant & Equipment	(2,344,976)	(961,109)	(752,642)	(800,306)	(829,785)	(805,168)	(927,433)	(831,515)	(759,295)	(812,794)
Payments for Construction of Infrastructure	(14,481,399)	(15,236,430)	(21,287,530)	(17,707,030)	(6,463,245)	(6,738,245)	(6,628,245)	(6,958,245)	(7,068,245)	(7,288,245)
Advances to Community Groups	-	-	-	-	-	-	-	-	-	-
Proceeds from Advances	-	-	-	-	-	-	-	-	-	-
Grants / Contributions for the Development of Assets	11,448,756	12,958,027	12,958,027	12,958,027	2,958,027	2,958,027	2,958,027	2,958,027	2,958,027	2,958,027
Proceeds from Sales (excluding Land)	220,039	-	-	-	-	-	-	-	-	-
Proceeds from Sale of Land	-	-	-	-	-	-	-	-	-	-
<b>Net cash provided by (used in) investment activities</b>	<b>(5,157,580)</b>	<b>(3,239,512)</b>	<b>(9,082,145)</b>	<b>(5,549,309)</b>	<b>(4,335,003)</b>	<b>(4,585,386)</b>	<b>(4,597,651)</b>	<b>(4,831,732)</b>	<b>(4,869,513)</b>	<b>(5,143,011)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
Repayment of debentures	(1,044,642)	(871,186)	(745,888)	(653,149)	(677,697)	(551,614)	(417,763)	(203,834)	-	-
Proceeds from self supporting loans	(2,128)	-	-	-	-	-	-	-	-	-
Proceeds from new debentures	-	-	-	-	-	-	-	-	-	-
<b>Net cash provided by (used in) financing activities</b>	<b>(1,046,770)</b>	<b>(871,186)</b>	<b>(745,888)</b>	<b>(653,149)</b>	<b>(677,697)</b>	<b>(551,614)</b>	<b>(417,763)</b>	<b>(203,834)</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash held</b>	<b>(5,191,814)</b>	<b>1,996,834</b>	<b>(2,660,469)</b>	<b>733,481</b>	<b>1,216,835</b>	<b>1,430,715</b>	<b>1,860,339</b>	<b>2,164,117</b>	<b>2,626,214</b>	<b>2,665,084</b>
Cash at beginning of year	17,851,579	12,659,764	14,656,599	11,996,130	12,729,610	13,946,445	15,377,160	17,237,498	19,401,616	22,027,830
<b>Cash and cash equivalents at the end of the year</b>	<b>12,659,764</b>	<b>14,656,599</b>	<b>11,996,130</b>	<b>12,729,610</b>	<b>13,946,445</b>	<b>15,377,160</b>	<b>17,237,498</b>	<b>19,401,616</b>	<b>22,027,830</b>	<b>24,692,914</b>

APPENDIX A - 8.3  
SHIRE OF WYNDHAM EAST KIMBERLEY LONG TERM FINANCIAL PLAN 2017/18-2026/27  
FORECAST RATE SETTING STATEMENT

	Annual Budget 2017/18 \$	Year 2 2018/19 \$	Year 3 2019/20 \$	Year 4 2020/21 \$	Year 5 2021/22 \$	Year 6 2022/23 \$	Year 7 2023/24 \$	Year 8 2024/25 \$	Year 9 2025/26 \$	Year 10 2026/27 \$
<b>Net current assets at start of financial year - surplus/(deficit)</b>	2,556,220	(0)	(0)	(0)	(0)	0	(0)	0	0	(0)
	2,556,220	(0)	(0)	(0)	(0)	0	(0)	0	0	(0)
<b>Revenue from operating activities (excluding rates)</b>										
Governance	25,800	25,800	25,800	25,800	25,800	25,800	25,800	25,800	25,800	25,800
General purpose funding	2,214,536	4,144,706	4,144,706	4,144,706	4,144,706	4,144,706	4,144,706	4,144,706	4,144,706	4,144,706
Law, order, public safety	443,171	443,171	443,171	443,171	443,171	443,171	443,171	443,171	443,171	443,171
Health	84,117	84,117	84,117	84,117	84,117	84,117	84,117	84,117	84,117	84,117
Education and welfare	11,242	11,242	11,242	11,242	11,242	11,242	11,242	11,242	11,242	11,242
Housing	165,540	165,540	165,540	165,540	165,540	165,540	165,540	165,540	165,540	165,540
Community amenities	3,025,024	3,009,025	3,009,025	3,009,025	3,009,025	3,009,025	3,009,025	3,009,025	3,009,025	3,009,025
Recreation and culture	787,133	797,133	797,133	797,133	797,133	797,133	797,133	797,133	797,133	797,133
Transport	4,215,656	4,291,239	4,311,474	4,331,760	4,352,096	4,372,483	4,392,920	4,413,409	4,433,948	4,454,541
Economic services	69,556	69,066	69,066	69,066	69,066	69,066	69,066	69,066	69,066	69,066
Other property and services	71,818	64,824	64,824	64,824	64,824	64,824	64,824	64,824	64,824	64,824
	11,113,593	13,105,863	13,126,098	13,146,384	13,166,720	13,187,107	13,207,544	13,228,033	13,248,572	13,269,165
<b>Expenditure from operating activities</b>										
Governance	(1,400,330)	(1,344,455)	(1,327,307)	(1,310,743)	(1,282,698)	(1,260,127)	(1,237,749)	(1,226,031)	(1,218,163)	(1,213,656)
General purpose funding	(257,281)	(253,231)	(253,948)	(254,806)	(252,754)	(252,095)	(249,516)	(248,617)	(247,776)	(246,859)
Law, order, public safety	(1,086,626)	(1,068,364)	(1,071,392)	(1,075,011)	(1,066,352)	(1,063,571)	(1,052,692)	(1,048,901)	(1,045,350)	(1,041,482)
Health	(289,992)	(275,874)	(276,656)	(277,590)	(275,354)	(274,636)	(271,827)	(270,848)	(269,931)	(268,932)
Education and welfare	(255,602)	(168,628)	(164,541)	(163,285)	(161,970)	(161,548)	(159,895)	(159,319)	(158,780)	(158,192)
Housing	(564,576)	(497,575)	(497,493)	(499,174)	(495,153)	(493,862)	(497,433)	(487,050)	(485,401)	(483,605)
Community amenities	(4,789,750)	(4,667,998)	(4,672,485)	(4,679,112)	(4,632,373)	(4,610,615)	(4,544,731)	(4,528,366)	(4,513,032)	(4,496,335)
Recreation and culture	(6,862,007)	(6,156,760)	(6,169,871)	(6,190,713)	(6,140,849)	(6,124,837)	(6,062,185)	(6,040,356)	(6,019,902)	(5,997,630)
Transport	(10,784,612)	(8,644,080)	(8,691,132)	(8,740,764)	(8,682,608)	(8,673,244)	(8,634,329)	(8,601,758)	(8,567,792)	(8,536,372)
Economic services	(705,106)	(668,198)	(670,092)	(672,355)	(666,940)	(665,201)	(658,396)	(656,025)	(653,804)	(651,385)
Other property and services	(869,567)	(1,272,445)	(1,276,050)	(1,280,361)	(1,270,048)	(1,266,736)	(1,253,779)	(1,249,264)	(1,245,034)	(1,240,428)
	(27,865,449)	(25,017,607)	(25,070,966)	(25,143,914)	(24,927,099)	(24,846,471)	(24,622,533)	(24,516,536)	(24,424,963)	(24,334,875)
<b>Operating activities excluded from budget</b>										
(Profit) on disposal of assets	(9,010)	-	-	-	-	-	-	-	-	-
Loss on disposal of assets	-	-	-	-	-	-	-	-	-	-
Movement in deferred pensioner rates (non-current)	-	-	-	-	-	-	-	-	-	-
Movement in employee benefit provisions (non-current)	-	-	-	-	-	-	-	-	-	-
Depreciation and amortisation on assets	7,374,526	6,244,738	6,471,906	6,709,462	6,651,833	6,731,022	6,656,679	6,694,257	6,734,445	6,769,225
<b>Amount attributable to operating activities</b>	(6,830,120)	(5,667,006)	(5,472,963)	(5,288,068)	(5,108,547)	(4,928,343)	(4,758,310)	(4,594,246)	(4,441,945)	(4,296,485)
<b>INVESTING ACTIVITIES</b>										
Non-operating grants, subsidies and contributions	11,448,756	12,958,027	12,958,027	12,958,027	2,958,027	2,958,027	2,958,027	2,958,027	2,958,027	2,958,027
Purchase Land and Buildings	(603,000)	(225,000)	-	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)
Infrastructure Assets - Roads	(16,335,685)	(12,311,300)	(18,097,300)	(15,057,300)	(5,875,677)	(6,125,677)	(6,025,677)	(6,325,677)	(6,425,677)	(6,625,677)
Infrastructure Assets - Other	(360,000)	(1,540,000)	(1,255,000)	(1,040,000)	-	-	-	-	-	-
Purchase Plant and Equipment	(489,025)	(653,281)	(484,220)	(504,824)	(531,623)	(509,244)	(570,394)	(483,195)	(417,541)	(466,176)
Purchase Furniture and Equipment	(732,043)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(250,000)	(250,000)	(250,000)
Proceeds Disposal of Assets	220,039	-	-	-	-	-	-	-	-	-
<b>Amount attributable to investing activities</b>	(6,750,958)	(1,971,554)	(7,078,493)	(4,094,097)	(3,899,273)	(4,126,894)	(4,138,044)	(4,350,845)	(4,385,191)	(4,633,826)
<b>FINANCING ACTIVITIES</b>										
Repayment of advances to community groups										
Repayment of debentures	(1,044,643)	(871,186)	(745,888)	(653,149)	(677,697)	(551,614)	(417,763)	(203,833)	-	-
Proceeds from new debentures	50,000	-	-	-	-	-	-	-	-	-
Proceeds from self supporting loans	2,129	-	-	-	-	-	-	-	-	-
Advances to community groups	(50,000)	-	-	-	-	-	-	-	-	-
Transfers to reserves (restricted assets)	(5,573,939)	(2,101,835)	(449,809)	(838,481)	(1,321,835)	(1,535,715)	(1,965,338)	(2,269,118)	(2,731,213)	(2,770,085)
Transfers from reserves (restricted assets)	9,820,663	905,000	3,110,279	105,000	105,000	105,000	105,000	105,000	105,000	105,000
<b>Amount attributable to financing activities</b>	3,204,210	(2,068,021)	1,914,582	(1,386,630)	(1,894,532)	(1,982,329)	(2,278,101)	(2,367,951)	(2,626,213)	(2,665,085)
<b>Surplus(deficiency) before general rates</b>	(10,376,869)	(9,706,581)	(10,636,874)	(10,768,795)	(10,902,352)	(11,037,565)	(11,174,455)	(11,313,042)	(11,453,349)	(11,595,396)
<b>Total amount raised from general rates</b>	10,376,869	10,506,580	10,636,874	10,768,795	10,902,352	11,037,565	11,174,455	11,313,042	11,453,349	11,595,396
<b>Net current assets at June 30 c/fwd - surplus/(deficit)</b>	(0)	800,000	(0)	(0)	0	(0)	0	0	(0)	(0)
Transfer to accumulated surplus	-	(800,000)	-	-	-	-	-	-	-	-
	-0	-0	-0	-0	0	-0	0	0	-0	-0

## APPENDIX A - 8.4

## SHIRE OF WYNDHAM EAST KIMBERLEY LONG TERM FINANCIAL PLAN 2017/18-2026/27

## FORECAST STATEMENT OF FINANCIAL POSITION

	Annual Budget 2017/18 \$	Year 2 2018/19 \$	Year 3 2019/20 \$	Year 4 2020/21 \$	Year 5 2021/22 \$	Year 6 2022/23 \$	Year 7 2023/24 \$	Year 8 2024/25 \$	Year 9 2025/26 \$	Year 10 2026/27 \$
<b>CURRENT ASSETS</b>										
Cash and cash equivalents	12,659,764	14,656,599	11,996,129	12,729,610	13,946,445	15,377,160	17,237,498	19,401,616	22,027,829	24,692,914
Trade and other receivables	1,643,380	1,643,380	1,643,380	1,643,380	1,643,380	1,643,380	1,643,380	1,643,380	1,643,380	1,643,380
Inventories	14,576	14,576	14,576	14,576	14,576	14,576	14,576	14,576	14,576	14,576
<b>TOTAL CURRENT ASSETS</b>	<b>14,317,720</b>	<b>16,314,555</b>	<b>13,654,085</b>	<b>14,387,566</b>	<b>15,604,401</b>	<b>17,035,116</b>	<b>18,895,454</b>	<b>21,059,572</b>	<b>23,685,785</b>	<b>26,350,870</b>
<b>NON-CURRENT ASSETS</b>										
Other receivables	21,233	21,233	21,233	21,233	21,233	21,233	21,233	21,233	21,233	21,233
Investments	6,682	6,682	6,682	6,682	6,682	6,682	6,682	6,682	6,682	6,682
Inventories	46,283	46,283	46,283	46,283	46,283	46,283	46,283	46,283	46,283	46,283
Property, plant and equipment	62,002,079	61,384,188	60,386,132	59,679,828	59,176,715	58,588,705	58,204,027	57,714,052	57,141,327	56,608,088
Infrastructure	220,502,617	229,805,351	244,368,021	255,416,988	256,125,568	257,067,477	257,891,548	258,996,137	260,177,635	261,533,502
<b>TOTAL NON-CURRENT ASSETS</b>	<b>282,578,894</b>	<b>291,263,737</b>	<b>304,828,352</b>	<b>315,171,014</b>	<b>315,376,481</b>	<b>315,730,381</b>	<b>316,169,773</b>	<b>316,784,387</b>	<b>317,393,160</b>	<b>318,215,788</b>
<b>TOTAL ASSETS</b>	<b>296,896,614</b>	<b>307,578,292</b>	<b>318,482,436</b>	<b>329,558,580</b>	<b>330,980,882</b>	<b>332,765,497</b>	<b>335,065,226</b>	<b>337,843,959</b>	<b>341,078,945</b>	<b>344,566,658</b>
<b>CURRENT LIABILITIES</b>										
Trade and other payables	2,540,197	2,540,197	2,540,197	2,540,197	2,540,197	2,540,197	2,540,197	2,540,197	2,540,197	2,540,197
Current portion of long term borrowings	871,186	745,888	653,149	677,697	551,614	417,763	0	0	0	0
Provisions	1,087,056	1,087,056	1,087,056	1,087,056	1,087,056	1,087,056	1,087,056	1,087,056	1,087,056	1,087,056
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,498,439</b>	<b>4,373,141</b>	<b>4,280,402</b>	<b>4,304,950</b>	<b>4,178,867</b>	<b>4,045,016</b>	<b>3,627,253</b>	<b>3,627,253</b>	<b>3,627,253</b>	<b>3,627,253</b>
<b>NON-CURRENT LIABILITIES</b>										
Long term borrowings	3,249,945	2,504,056	1,850,907	1,173,211	621,597	203,834	203,834	0	0	0
Provisions	226,868	226,868	226,868	226,868	226,868	226,868	226,868	226,868	226,868	226,868
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>3,476,813</b>	<b>2,730,924</b>	<b>2,077,775</b>	<b>1,400,079</b>	<b>848,465</b>	<b>430,702</b>	<b>430,702</b>	<b>226,868</b>	<b>226,868</b>	<b>226,868</b>
<b>TOTAL LIABILITIES</b>	<b>7,975,251</b>	<b>7,104,066</b>	<b>6,358,177</b>	<b>5,705,028</b>	<b>5,027,332</b>	<b>4,475,718</b>	<b>4,057,955</b>	<b>3,854,121</b>	<b>3,854,121</b>	<b>3,854,121</b>
<b>NET ASSETS</b>	<b>288,921,363</b>	<b>300,474,226</b>	<b>312,124,259</b>	<b>323,853,551</b>	<b>325,953,550</b>	<b>328,289,779</b>	<b>331,007,271</b>	<b>333,989,838</b>	<b>337,224,824</b>	<b>340,712,537</b>
<b>EQUITY</b>										
Retained surplus	96,832,806	107,188,834	121,499,338	132,495,148	133,378,313	134,283,825	135,140,981	135,959,429	136,568,203	137,390,830
Cash backed Reserves	11,784,205	12,981,040	10,320,570	11,054,051	12,270,886	13,701,601	15,561,939	17,726,057	20,352,270	23,017,355
Revaluation surplus	180,304,352	180,304,352	180,304,352	180,304,352	180,304,352	180,304,352	180,304,352	180,304,352	180,304,352	180,304,352
<b>TOTAL EQUITY</b>	<b>288,921,363</b>	<b>300,474,226</b>	<b>312,124,260</b>	<b>323,853,551</b>	<b>325,953,551</b>	<b>328,289,778</b>	<b>331,007,272</b>	<b>333,989,838</b>	<b>337,224,825</b>	<b>340,712,537</b>

**APPENDIX A - 8.5**  
**SHIRE OF WYNDHAM EAST KIMBERLEY LONG TERM FINANCIAL PLAN 2017/18-2026/27**  
**FORECAST EQUITY STATEMENT**

	Annual Budget 2017/18	Year 2 2018/19	Year 3 2019/20	Year 4 2020/21	Year 5 2021/22	Year 6 2022/23	Year 7 2023/24	Year 8 2024/25	Year 9 2025/26	Year 10 2026/27
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>RETAINED SURPLUS</b>										
Balance 1 July	88,578,732	96,832,806	107,188,834	121,499,338	132,495,148	133,378,313	134,283,825	135,140,981	135,959,429	136,568,203
Transfer from / (to) Reserve	3,180,305	(1,196,835)	2,660,470	(733,481)	(1,216,835)	(1,430,715)	(1,860,338)	(2,164,118)	(2,626,213)	(2,665,085)
Net Result	5,073,769	11,552,863	11,650,034	11,729,292	2,099,999	2,336,228	2,717,493	2,982,566	3,234,987	3,487,713
Balance 30 June	96,832,806	107,188,834	121,499,338	132,495,148	133,378,313	134,283,825	135,140,981	135,959,429	136,568,203	137,390,830
<b>CASH BACKED RESERVES</b>										
Balance 1 July	14,964,510	11,784,205	12,981,040	10,320,570	11,054,051	12,270,886	13,701,601	15,561,939	17,726,057	20,352,270
Transfer (from) / to Reserve	(3,180,305)	1,196,835	(2,660,470)	733,481	1,216,835	1,430,715	1,860,338	2,164,118	2,626,213	2,665,085
Balance 30 June	11,784,205	12,981,040	10,320,570	11,054,051	12,270,886	13,701,601	15,561,939	17,726,057	20,352,270	23,017,355
<b>ASSET REVALUATION RESERVE</b>										
Balance 1 July	180,304,352	180,304,352	180,304,352	180,304,352	180,304,352	180,304,352	180,304,352	180,304,352	180,304,352	180,304,352
Total Other Comprehensive Income			-	-	-	-	-	-	-	-
Balance 30 June	181,136,195	181,136,195	181,136,195	181,136,195	181,136,195	181,136,195	181,136,195	181,136,195	181,136,195	181,136,195
<b>TOTAL EQUITY</b>										
Balance 30 June	288,921,363	300,474,226	312,124,260	323,853,551	325,953,551	328,289,778	331,007,272	333,989,838	337,224,825	340,712,537
Net Assets as Balance Sheet	288,921,363	300,474,226	312,124,259	323,853,551	325,953,550	328,289,779	331,007,271	333,989,838	337,224,824	340,712,537





APPENDIX A - 8.7

SHIRE OF WYNDHAM EAST KIMBERLEY LONG TERM FINANCIAL PLAN 2017/18-2026/27

FORECAST STATEMENT OF RESERVE BALANCES

	Annual Budget 2017/18 \$	Year 2 2018/19 \$	Year 3 2019/20 \$	Year 4 2020/21 \$	Year 5 2021/22 \$	Year 6 2022/23 \$	Year 7 2023/24 \$	Year 8 2024/25 \$	Year 9 2025/26 \$	Year 10 2026/27 \$
Opening Balance	14,964,510	11,784,205	12,981,040	10,320,570	11,054,051	12,270,886	13,701,601	15,561,939	17,726,057	20,352,270
Transfer to Reserve	7,748,252	2,101,835	449,809	838,481	1,321,835	1,535,715	1,965,338	2,269,118	2,731,213	2,770,085
Transfer From Reserve	(10,928,557)	(905,000)	(3,110,279)	(105,000)	(105,000)	(105,000)	(105,000)	(105,000)	(105,000)	(105,000)
<b>Total Reserves 30 June</b>	<b>11,784,205</b>	<b>12,981,040</b>	<b>10,320,570</b>	<b>11,054,051</b>	<b>12,270,886</b>	<b>13,701,601</b>	<b>15,561,939</b>	<b>17,726,057</b>	<b>20,352,270</b>	<b>23,017,355</b>



# KIMBERLEY

To contact us:


 +61 08 9168 4100

 [mail@swek.wa.gov.au](mailto:mail@swek.wa.gov.au)

 [www.swek.wa.gov.au](http://www.swek.wa.gov.au)

 PO Box 614 Kununurra WA 6743

Shire Offices and Chambers

	<u>Kununurra</u>	<u>Wyndham</u>
	20 Coolibah Drive	Koolama Street
	Kununurra WA 6743	Wyndham WA 6740

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