Shire of
Nannup
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Long Term Financial Plan

2013-2023

: "Sustainability is the key to Nannup's future"

Community View from the Community Strategic Plan

CONTENTS

Executive Summary

The Shire of Nannup has a history of prudent financial management and of taking difficult decisions when the need arises; it therefore benefits from a sound financial base. However, this stability is being threatened by a projected reduction in capital grants that are supporting ongoing revenue expenditure.

Capital resources are also limited by the level of available capital grants and the capital program is structured to deliver projects within the resources available without resorting to borrowing. This too will come under pressure as resources decline and the decision will have to be taken on whether borrowing is necessary to meet the Council's priorities.

Total spending in 2012/13 is a little over $11 million, with almost $7.2 million being devoted to capital projects. The majority of the council's income, approximately $7.5 million, is in the form of capital grants. Revenue grants account for another $1.5 million and rate income $1.2 million. Fees and charges for services are approximately $550,000.

The heavy reliance on capital grants means that as these grants decline increasing pressure will be put on other income streams, primarily rate income, to fund the shortfall. This situation arises because the capital grants are making a contribution to the council's fixed overheads and other operational costs that will remain once the grant income has gone. The council's net operational expenditure is almost $2.5 million, with funding from rates accounting for $1.2 million of this. The remaining expenditure is supported by capital grants and there is therefore a capital grant "subsidy" supporting ongoing operational expenditure of around $1 million in 2012/13.

The rate requirement for 2012/13 is currently $1,236,189 and this has been modelled forward over the 10 year planning horizon so that the rate yield funds the expenditure remaining after all other income sources have been applied.

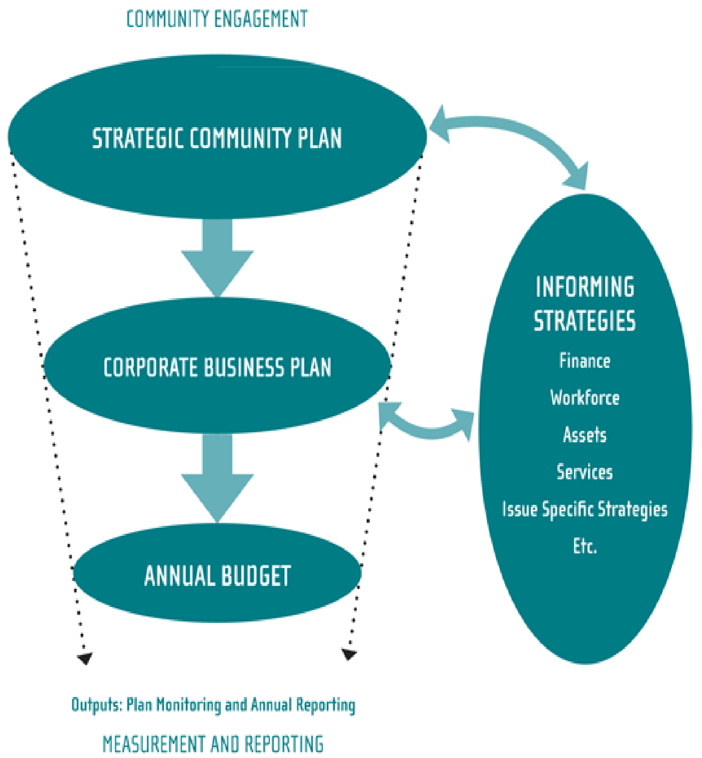
The main change over the period is the loss of capital grant funding for the Mowen Road construction project in 2015/16. The operational expenditure currently being supported by these grants will need to be met from rate income unless compensating income streams can be identified or savings in operational expenditure identified. This represents a significant challenge for the council over the next two years.

A Council workshop in the new financial year will review the Long Term Financial Plan in the light of the budget adopted for 2013/14. After the financial position stabilises by 2016/17 the pressure on income streams is expected to reduce and rate increases of around the level of CPI are anticipated.

1 Why are we doing this

The West Australian State Government requires all local governments to develop an integrated planning and reporting framework. The elements of the framework must be implemented by 1 July 2013. The Long Term Financial Plan has been prepared as part of this framework and is one of the Informing Strategies that underpin the key documents.

It has been designed as a flexible planning tool to aid the Council's decision making in facing the financial demands placed upon it over the next 10 years. It is reviewed annually to continuously inform other strategic plans and the annual budget.

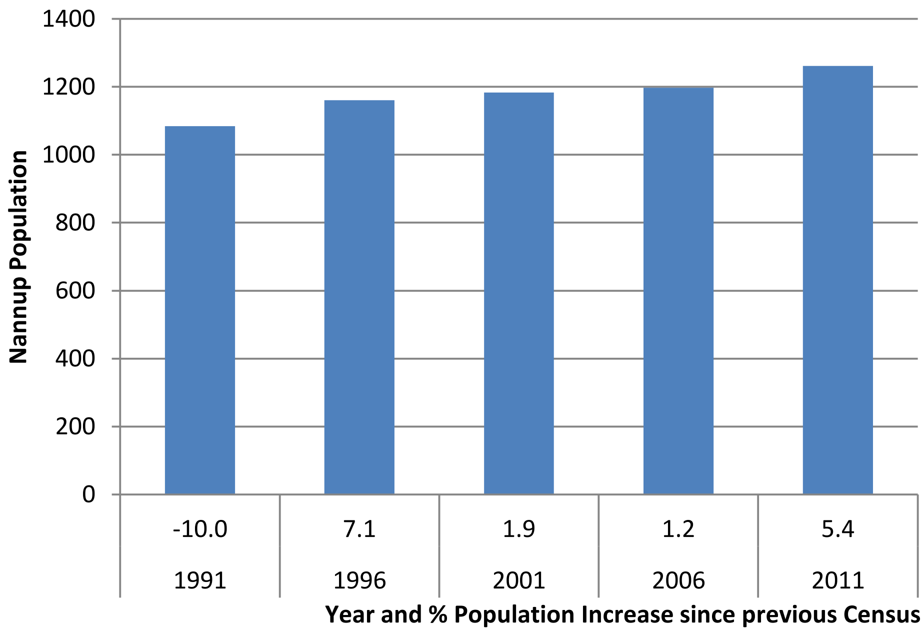


1.1 About Us

Nannup is situated 288km south of Perth, and is geographically in the centre of the South West. The Shire of Nannup covers over 3,000 square kilometres, with a total population of 1,262 (2011 Census). Eighty-five percent of the Shire is under forest, however the rich soils, high rainfall and an excellent climate also provides ideal conditions for farming. Environment and heritage play a large role in the community's culture. Nannup boasts a variety of successful industries including beef cattle, horticulture, tourism, arts and crafts, floriculture, aquaculture, viticulture and timber processing.

With National Parks and State Forest being a prominent feature in the Shire, it makes us a significant tourist attraction for the region and is popular with outdoor adventure enthusiasts. Nannup hosts several significant local events including the Nannup Music Festival, Flower and Garden Festival, and Forest Car Rally.

The population is spread throughout the Shire district with about half of the population residing in the Nannup town site.



People	Home Life	Working Life
Population 1262 Median Age 49 Average Children per family 1.8	Median Weekly Household Income $821 Median Weekly house rent $116.00	People >15 years in the workforce 620 Top five industries Agriculture 13.6% Timber 7.3% Education 6.1% Accommodation 4.1% Volunteers, (unpaid) 32.5%

Based on the 2011 census

1.2 Community Statement

"We are a unique town that role models sustainability, friendliness and take the time to celebrate our heritage and festivals. We are surrounded by amazing nature, with charming historic and built fabric. Our leaders provide for and listen to us all."

1.3 Linkage To Shire Of Nannup's Strategic Plans

The Long Term Financial Plan is one component of a number of integrated strategic planning practices the Council has developed in response to the West Australian State Government's Integrated Planning Framework.

The plan influences and has been prepared after taking account of financial issues arising from other Council plans and strategies, in particular:

- Strategic Community Plan
- Corporate Business Plan

- Asset Management Plan
- Workforce Plan

The Strategic Community Plan expresses the community's vision and priorities for the next ten years and beyond. The plan establishes priorities and aligns them with operational functions. It also supports improved services and outcomes for the community and will continue to evolve to support the needs of our community.

The Shire of Nannup's Corporate Business Plan 2013-2017 uses the Community Plan to identify and prioritise the principal strategies and activities that Council will undertake in response to the aspirations and objectives stated in the Community Plan. It sets out in greater detail the resources required to deliver our priorities and sets out the direction and specific actions for our organisation to deliver the communities priorities for the next four years.

The Asset Management Plan sets out the Council's overall approach to asset management. The plan, and the linked Asset Improvement Strategy, sit below the Community Strategic Plan and inform the Long Term Financial Plan. Together, these documents will inform the annual budget.

1.4 Objectives

The Long Term Financial Plan is linked to and underpins the Council's priorities as set out in the Corporate Business Plan; it has four main objectives:

- To enable the long term planning of the delivery of the Council's strategic vision, its corporate priorities and objectives;
- To secure a continual and sustainable level of reserves which will underpin the Council's financial standing;
- To support the required level of capital investment to meet the Council's strategic requirements;
- To manage spending within affordable net expenditure levels, to avoid major in year variances and to give a greater certainty of outturn.

Objective 1

The Council's strategic vision, its corporate priorities and objectives are set out in the Strategic Community Plan and the Corporate Business Plan. The Corporate Business Plan identifies the financial resource requirement needed to deliver the council's service objectives, thus providing a direct thread from the corporate vision to annual service budgets, ensuring that the Council's budget setting process is informed by the council's priorities.

Objective 2

Reserves are the principle mechanism that the council uses to save for the future and to protect itself from financial shocks. The Long Term Financial Plan assesses the spending requirements over a 10 year planning horizon and maps the reserve contributions required to maintain the council's operations.

Objective 3

The Council currently has a capital financing requirement of some $17 million funded from capital grants and council reserves and other contributions. The Long Term Financial Plan assesses the resources required to maintain this investment without resorting to borrowing.

Objective 4

The Council has a well developed financial management framework both to develop budgets and to manage those budgets during the financial year. This is supported by robust monitoring arrangements carried out by service managers and monthly reporting to Council.

2 Methodology Used

The plan is underpinned by a financial model that can be updated and enables 'what if' testing for various future scenarios; including the impact on cash flow of the use of reserves and capital spending. The model is designed to estimate the rate increases that would be required to fully meet the council's expenditure plans over the next 10 years. These estimates are then used to develop an investment/savings strategy to bring the rate increase to a level that meets community expectations.

2.1 Assumptions

A range of assumptions have been made in developing the financial model underpinning the Long Term Financial Plan:

- Estimates of inflation have been used to model the council's income and expenditure. Different rates are used for different classes. Wage inflation is based on the current three year agreement with employees which terminates in 2015/16. A general level of 2% for CPI has been assumed, which reflects the long term intention of the Federal Government.
- Interest rates are based upon a long term estimate of 2%.
- Population growth and the consequent growth in the rate base are assumed to be stable over the life of the plan. This is a conservative assumption as any growth is likely to be upward.
- Service delivery levels reflect the aspirations as set out in the Strategic Community Plan.
- With the exception of specific projects and Commodity Route funding all external grant sources are assumed to continue over the life of the plan with a modest increase to reflect CPI.
- Borrowing requirements reflect the council's current loan portfolio and no new borrowing is assumed over the life of the plan.
- Known changes to costs and funding levels (such as the planned increase in employer superannuation contributions) have been built into the planning model.

2.2 Financial Strategies

The Long Term Financial Plan incorporates a number of financial strategies that underpin the forward projections.

Balanced Budget

The projections assume a balanced budget position throughout the life of the plan. This means that each year will be fully funded with expenditure matching exactly the income available; there is no allowance made for rates to be higher or lower than required to meet the financial obligations of the council.

The balanced budget model also implies that expenditure and income budgets will be fully utilised in each year, with no budget carry forwards applied. Whilst this might not be achievable in practice it does allow a simplification of the modelling process and does not materially affect the results of the model.

Reserves

The Council has a strategy of funding long term commitments and cyclical expenditure from established reserves. This policy allows uneven expenditure patterns for items such as the replacement of major plant and equipment, to be smoothed over the period, thus reducing the variability of the rate demand.

Debt

The Council currently has two outstanding loans, one of which is a self supporting loan that has no net effect on the council's operational expenditure. The remaining loan will be fully repaid in 2017/18. No allowance has been made in the projections for further loan debt.

Asset Management

The Long Term Financial Plan models the data projected in the Asset Management Plan. The capital program reflects the investment profile or assets as set out in the Asset Management Plan and funds this investment profile over the 10 year planning horizon by making suitable contributions to the Asset Management Reserve.

2.3 Risk Management & Sensitivity Analysis

The purpose of risk management is to develop a culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects. It also is designed to reduce the potential cost of risk by reducing liability, preventing litigation and improving loss control. Risk management is a key process in developing the strategic direction of the Shire.

Nannup Shire Council is committed to managing risk in the Shire and will implement the AS/NZ 4360 Standard as the minimum standard.

The risk assessment process identifies credible risks, the likelihood of the risk event occurring, the consequences should the event occur, developing a risk rating, evaluating the risk and developing a risk treatment plan for non acceptable risks. Critical risks, being those assessed as 'High'- require immediate corrective action.

Risk will be managed by systematically applying policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

An assessment of the risks associated with the issues addressed in the Long Term Financial Plan is set out below. The impact of assumptions on issues identified as carrying a high risk have been disclosed along with the sensitivity of movements in those assumptions on the forecasts contained within this plan. Those assumptions with a high level of uncertainty and high values represent areas where there is a high risk of unexpected and detrimental consequences.

Risk	Sensitivity	Probability	Impact	Risk Treatment Plan
Population growth: Population growth is not constant	1% movement in the base would generate $11,000	Medium	Low	Projections assume constant base. Any upward movement would be beneficial.
Operating Grants: Operating grants could be reduced by the State Government	1% movement in operating grants is equivalent to $14,700	Low	Low	Figures released for Financial Assistance Grants show steady growth over the next 3 years. The plan forecasts a lower growth rate.
Non Operating Grants: Non Operating grants could be reduced by the State Government	1% movement in non operating grants is equivalent to $38,000	Medium	Medium	Non operating grants are tied to capital expenditure. Capital projects affected would need to be curtailed.
Fees & Charges: Fees and charges may not achieve the levels in the plan	1% movement in fees & charges is equivalent to $3,900	Medium	Low	Fees and charges have been modelled with a conservative increase based on long term inflation expectations.
Interest Received: Interest income could fall as rates reduce and grant income declines	Interest income equates to $122,000 in 2013/14. 1% fall would be around $20,000	High	Medium	The plan models a 14% reduction in investment income in year 1. This could decline further and the plan will be updated to reflect expected trends.
Employee costs: Employee costs could rise at a greater extent than modelled.	1% movement equivalent to $19,500	Low	Medium	A three year agreement is currently in place with staff. Council has good control over this cost.
Councillor Expenses: The review of councillor expenses could result in significant additional costs.	The 2013/14 councillor expenses budget is $34,800. This could treble.	High	High	This event would need to be addressed by cost savings or an increase in rates.
Other Expenditure	1% movement equivalent to $25,000	Medium	Medium	Other operating costs have been modelled with a conservative increase based on long term inflation expectations.

Asset Renewal: The asset renewal estimates could be underestimated	The Asset Management Plan show a net investment requirement of $1.8m over the next 10 years	Medium	Medium	A higher than anticipated investment requirement would be met by either an increase in the annual contribution to the Asset Management Reserve or a re-profiling of the investment program.
Carbon Tax: No allowance has been made for the Federal Government's carbon Tax. It is assumed that no direct payment will be required.	Unquantified but expected to be significant if the tax were to apply.	Low	High	The probability is low and any change to the current liability to the tax is likely to be given well in advance, allowing the plan to be readily updated.

3 Financial Summary

The Shire of Nannup has a history of prudent financial management and of taking difficult decisions when the need arises; it therefore benefits from a sound financial base. However, this stability is being threatened by a projected reduction in capital grants that are supporting ongoing revenue expenditure.

Capital resources are also limited by the level of available capital grants and the capital program is structured to deliver projects within the resources available without resorting to borrowing. This too will come under pressure as resources decline and the decision will have to be taken on whether borrowing is necessary to meet the Council's priorities.

3.1 External Trends

The 2013/14 Federal Budget, released on 14 May, has been delivered against a worsening economic outlook. The economic growth forecast for 2013/14 has been revised downwards and required the Federal Government to make spending cuts in a number of areas. However, this has had a limited effect on resources allocated to local government and major spending programs remain largely unaffected.

Financial Assistance Grants (FAGs) support general council spending and have been maintained at their anticipated levels over the next four years. Nationally the FAGs pool of funding is projected to increase by 4.1% in 2014/15 and 4.3% in 2015/156 and 2016/17, reflecting population growth and CPI trends.

The Roads to Recovery program helps to fund capital expenditure on the council's road network and funding is broadly consistent with forward estimates from previous Budgets. Western Australia is expected to receive $54.6 million in 2013/14, with funding dropping to $51.2 million a year from 2014/15 to 2016/17.

Although forecasts are lower compared to the previous year, the Australian economy continues to perform strongly compared to the rest of the developed world. CPI is expected to drop from 3.5% to

2.5% in 2013/14 and wage increases are expected to fall from 3.75% to 3.5%. The Local Government Cost Index, which measures a basket of goods more typically procured by councils, is also falling and has steadily decreased from 3.4% in June 2012 to 2.5% in March 2013. This trend is a result of lower wage increases and road/bridge construction costs.

Interest rates continue to fall and this will affect the council's income from investments. Interest is earned on money held from annual rate payments and from capital grants received and this income will decline as rates fall and capital grants diminish.

3.2 Nannup's Budget

Total spending in 2012/13 is a little over $11 million, with almost $7.2 million being devoted to capital projects.

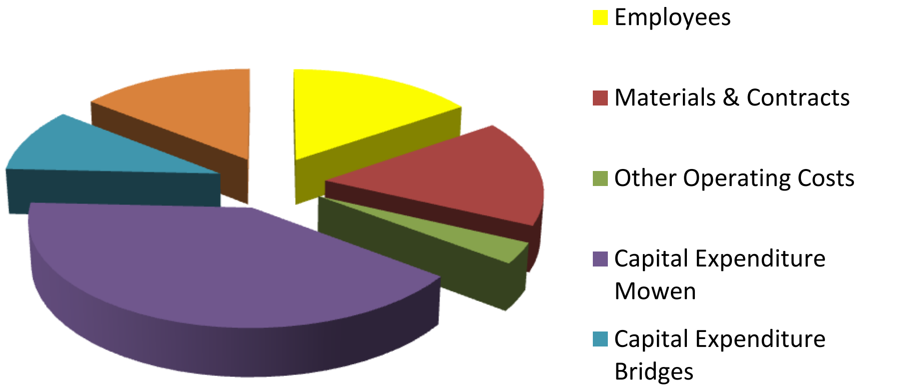


Figure 1: Total Expenditure

The employee budget is a major constituent of the Council's finances. The 2013/14 budget allows for a pay award of 4.5% for employees as part of a three year agreement from 2012/13 to 2014/15. This drops to 4% in 2014/15 and then mirrors the CPI projection for the rest of the plan period. Employee costs have also increased as a result of the statutory increase in employer superannuation contributions; employer contributions for 2013/14 have increased from 9% to 9.25%. Employer contributions will continue to increase over the next six years until they reach 12%.

The majority of the council's income, approximately $7.5 million, is in the form of capital grants. Revenue grants account for another $1.5 million and rate income $1.2 million. Fees and charges for services are approximately $550,000.

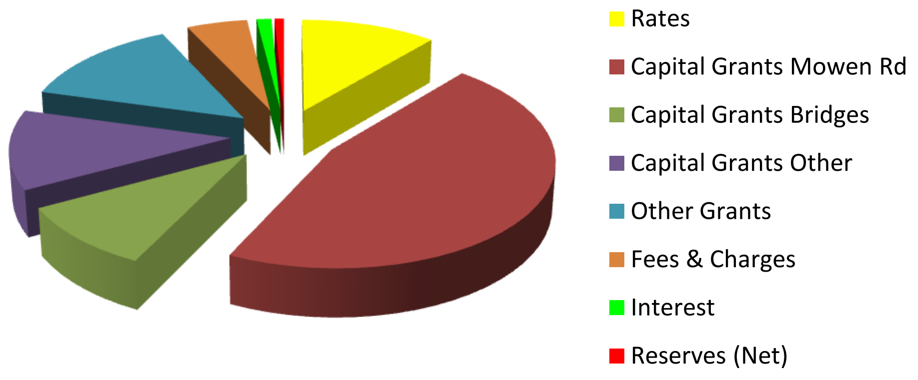


Figure 2: Total Income

The heavy reliance on capital grants means that as these grants decline increasing pressure will be put on other income streams, primarily rate income, to fund the shortfall. This situation arises because the capital grants are making a contribution to the council's fixed overheads and other operational costs that will remain once the grant income has gone. The council's net operational expenditure is almost $2.5 million, with funding from rates accounting for $1.2 million of this. The remaining expenditure is supported by capital grants and there is therefore a capital grant "subsidy" supporting ongoing operational expenditure of around $1 million in 2012/13.

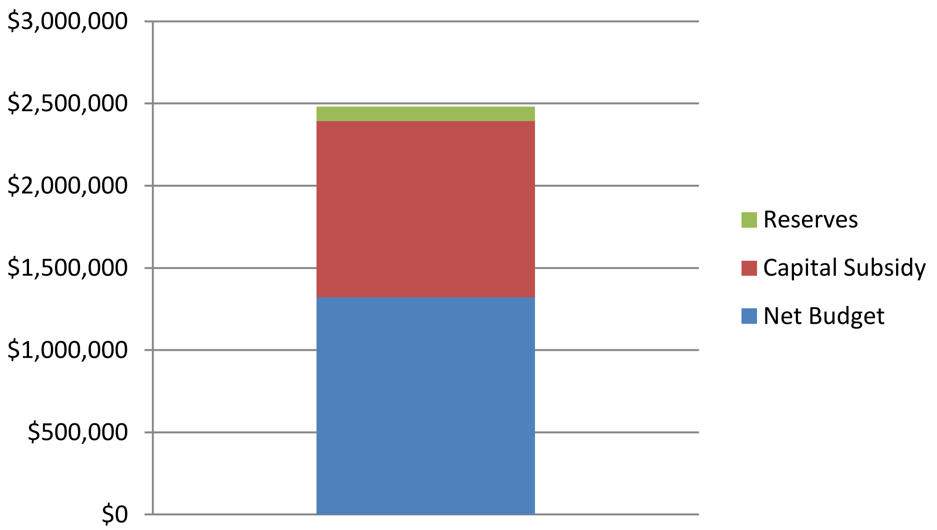


Figure 3: Capital Subsidy

The Council maintains a number of reserves set up for specific purposes. The table in Appendix 1 details the reserve position as reflected in the Long Term Financial Plan and the purpose for which each reserve is maintained. The reserves are adequate to meet the future needs of the Council and are anticipated to have sufficient funds to meet expected expenditure over the next 10 years.

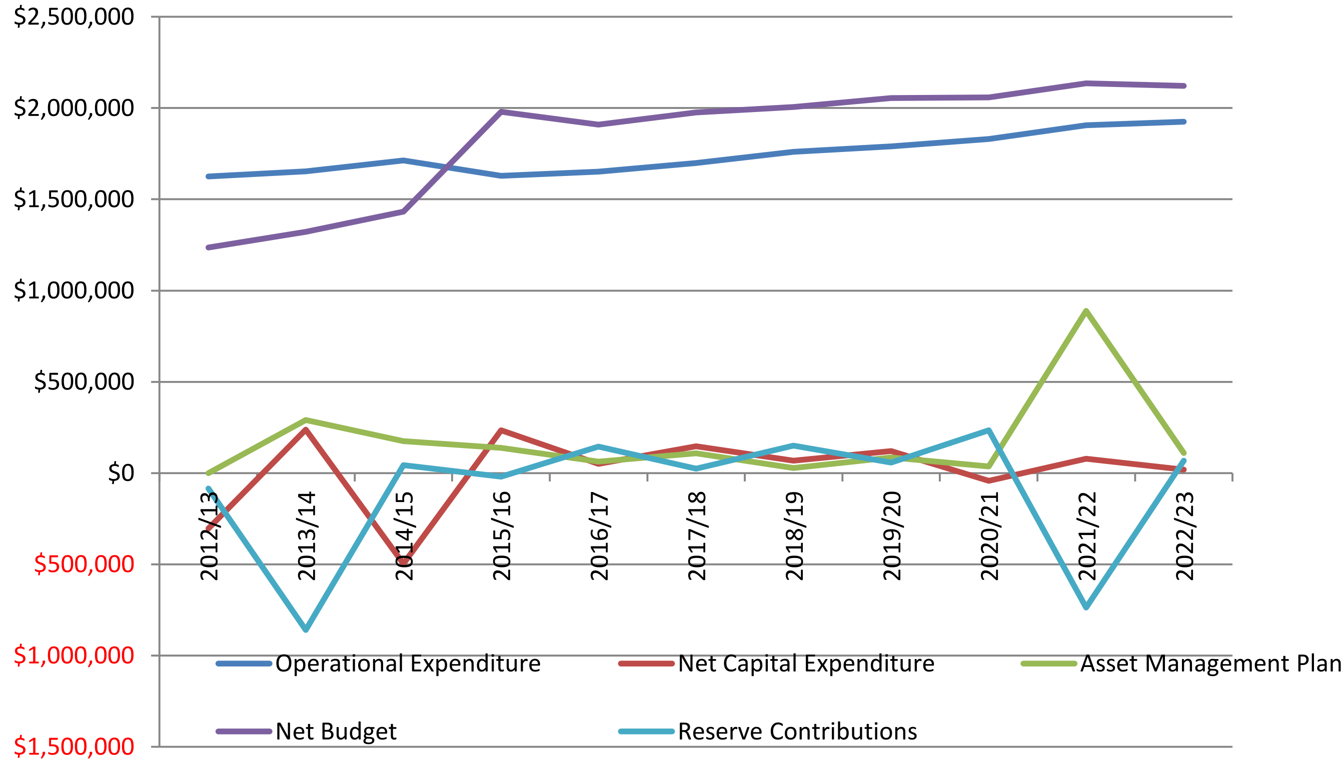
The Kindergarten Extension Reserve will be fully utilised in 2012/13 to fund the remaining costs of constructing the FROGS Early Learning Centre. Once plans for the upgrade of the main street of Nannup are more developed, the Main Street Upgrade Reserve will be used to provide Shire resources to supplement external funding secured against this project.

The Emergency Management Reserve was established with an initial contribution of $50,000 from savings in the 2011/12 budget. The 2012/13 budget did not include an annual contribution to this reserve and an annual contribution will need to be considered to keep the reserve at a sufficient level to accommodate any unexpected expenditure.

The Asset Management Plan shows that significant funds will be required over the next 10 years to maintain the Council's buildings and infrastructure. The resources required to maintain Council-owned buildings is anticipated to be $180,000 per annum and this sum has been built into forward projects so that the anticipated capital expenditure on assets can be accommodated.

3.3 Forward Projections

Costs over the next 10 years are projected forward using a planning model of the Council's revenue and capital budget. The results of this modelling are shown in the chart below.



The net budget is currently below the operating expenditure, reflecting the contribution being made by capital grants to the council's day-to-day running costs. Once the project to construct Mowen Road comes to an end a large proportion of these grants will no longer be received and the net budget will rise above operating expenditure for the remainder of the planning period. The gap between the net budget and operating expenditure represents the ongoing capital program once the construction of Mowen Road has been completed.

Net capital expenditure represents capital costs less capital grant income and for the purposes of this illustration does not include ongoing operational expenditure charged to capital projects. The Asset Management Plan graph represents the investment profile contained within the Asset Management Plan and shows an initial expenditure requirement smoothed through to 2015/16 and a significant requirement for investment in 2021/22. The contributions to and from reserves broadly mirror the costs of these capital commitments, with reserve contributions supporting the budget in years of significant capital expenditure.

The council's forecast capital program includes the following major projects:

- Construction of Mowen Road, linking the Vasse Highway to Sues Road and a more direct route between Nannup and Margaret River
- Redevelopment of the Nannup Recreation Centre
- Heart of Nannup – redevelopment of the main street to improve its infrastructure and visual appearance
- Bridgework program – works to bridges in the Shire funded by Main Roads Australia
- Local road construction program
- Resealing of the local road network
- Footpath program – provision of new footpaths in the Nannup townsite
- Construction/refurbishment of fire sheds
- Construction of a waste transfer station at the Nannup Waste and Recycling Facility
- Major plant renewals
- Office equipment and plant renewals

The costs relating to the program and the funding sources are shown in more detail at Appendix 2.

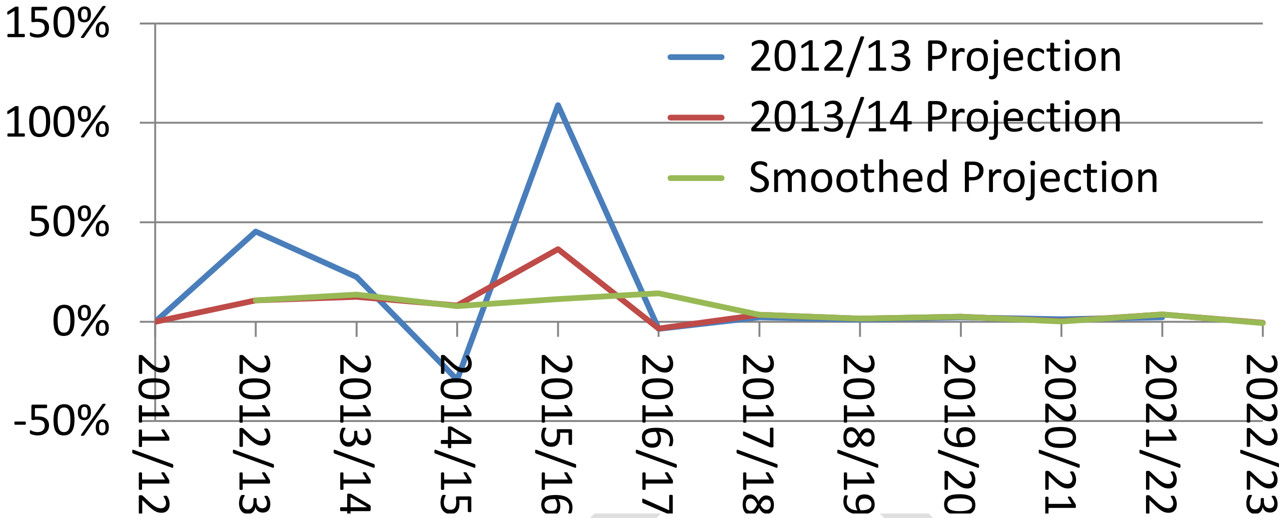
As disclosed in the Financial Strategies in Section 2.2, the Council does not at this time anticipate further borrowing to fund its capital commitments. Details of anticipated borrowing costs are shown in Appendix 3.

The rate requirement for 2012/13 is currently $1,236,189 and this has been modelled forward over the 10 year planning horizon so that the rate yield funds the expenditure remaining after all other income sources have been applied. The table below illustrates the results of this financial modelling.

Year	Rate Requirement $	Increase Annual %	Increase Cumulative %
2012/13	1,236,189		
2013/14	1,321,773	6.92	6.92
2014/15	1,433,046	8.42	15.92
2015/16	1,980,354	38.19	60.20
2016/17	1,909,992	(3.55)	54.51
2017/18	1,975,831	3.45	59.83
2018/19	2,005,485	1.50	62.23
2019/20	2,055,231	2.48	66.26
2020/21	2,058,569	0.16	66.53
2021/22	2,135,693	3.75	72.76
2022/23	2,122,577	(0.61)	71.70

The main change over the period is the loss of capital grant funding for the Mowen Road construction project in 2015/16. The operational expenditure currently being supported by these grants will need to be met from rate income unless compensating income streams can be identified or savings in operational expenditure identified. This represents a significant challenge for the council over the next two years.

This issue was initially identified in the preparation for the 2012/13 budget, when the Long Term Financial Planning model was initially developed. At that time the increase in rates in 2015/16 was projected to be just over 100% but decisions taken during the budget process and further refinement of the model has reduced this projection to just over 38%. The budget for 2013/14 will include further measures to mitigate the projected increase. Work will also be undertaken to smooth this increase over future years. This is shown in the graph below.



Identifying measures to mitigate projected rate increases will be the main focus for the 2013/14 financial year and will commence with a further review of the Long Term Financial Plan; the output from this will be a savings and investment plan. Typically, there will be four strands to this work:

1. Reducing the cost base by identifying efficiencies
2. Achieving economies of scale by working with others
3. Increasing other income streams
4. Reducing service levels
5. Creation of a reserve to mitigate the 2015/16 loss of grant funding

A Council workshop in the new financial year will review the Long Term Financial Plan in the light of the budget adopted for 2013/14. After the financial position stabilises by 2016/17 the pressure on income streams is expected to reduce and rate increases of around the level of CPI are anticipated.

4 Monitoring and Performance

The plan will be the subject of regular monitoring and updating to ensure that it remains a useful document to inform the annual budget and other plans.

4.1 Annual Monitoring

The plan will be reviewed each year and revised in January to take into account changes circumstances and decisions made as part of the budget process. This early revision will allow the updated projects to inform the budget for the following financial year and commentary from the plan can form part of the annual budget review.

4.2 Financial Ratios

Seven performance indicators, in the form of financial ratios, have been specified by the Department for Local Government in Regulation 50 of the Local Government (Financial Management) Regulations 1996. The Department has also set target levels for these ratios.

The projected ratios are shown in the table below:

Year	Bench mark	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23
		$	$	$	$	$	$	$	$	$	$	$
Current Ratio	>1	1.72	2.62	3.64	3.60	3.96	3.90	3.89	3.85	3.97	4.83	4.87
Operating Surplus Ratio	>0.15	1.00	1.00	0.68	0.57	0.63	0.62	0.64	0.63	0.65	0.64	0.67
Own Source Revenue Coverage Ratio	>0.9	0.35	0.35	0.42	0.47	0.45	0.45	0.45	0.45	0.44	0.45	0.44
Debt Service Cover Ratio	>10	-0.82	-0.60	6.48	6.16	21.59	22.65	21.21	22.26	27.77	-	-
Asset Sustainability Ratio	>1.1	1.46	1.25	0.47	0.49	0.42	0.46	0.42	0.44	0.37	0.43	0.40
Asset Consumption Ratio	>0.6	0.63	0.62	0.61	0.60	0.59	0.58	0.56	0.55	0.53	0.52	0.51
Asset Renewal Funding Ratio	>0.95	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Current Ratio

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

A measure of the council's immediate liquidity and the capacity to meet short term financial obligations from unrestricted current assets.

Benchmark >1

With this ratio comfortably above the benchmark it demonstrates that the council will maintain a suitable level of liquid funds over the period of the plan.

Operating Surplus Ratio

$$\frac{\text{Operating revenue minus operating expense}}{\text{Own source operating revenue}}$$

A measure of the extent to which own source revenues raised cover operational expenses.

Benchmark >0.15

With this ratio comfortably above the benchmark it demonstrates that the council will maintain a suitable level of own sourced funds to cover operating expenditure over the period of the plan.

Own Source Revenue Coverage Ratio

$$\frac{\text{Own source operating revenue}}{\text{Operating expense}}$$

A measure of the extent of the Shire’s ability to cover costs using only discretionary revenue.

Benchmark >0.9

This ratio demonstrates the council’s reliance on external sources of funding to cover its operating expenditure. While the ratio starts to improve after the cessation of capital grant contributions it continues to reflect the council’s dependence on Financial Assistance Grants to fund its spending programs.

Debt Service Coverage Ratio

$$\frac{\text{Annual operating surplus before interest and depreciation}}{\text{Principal and interest}}$$

A measure of the Shire’s capacity to generate sufficient cash to cover debt payments.

Benchmark >10

This ratio is skewed in the early years by the contribution being made to operating expenditure by capital grants. Once the effect of this drops out in 2014/15 the ratio improves and the repayment of debt in 2016/17 sees it jump significantly until all debt is repaid in 2020/21.

Asset Consumption Ratio

$$\frac{\text{Depreciated replacement cost of assets}}{\text{Current replacement cost of depreciable assets}}$$

A measure of the extent to which assets managed by the council are being replaced as they reach the end of their useful lives.

Benchmark >0.6

This ratio suggests that current level of investment is adequate to maintain assets and to preserve their service levels.

Asset Sustainability Ratio

$$\frac{\text{Capital renewal and replacement expenditure}}{\text{Depreciation expense}}$$

A measure of the aged condition of the council’s physical assets.

Benchmark >1.1

This ratio ignores the expenditure relating to the construction of Mowen Road as this represents the creation of a new asset, rather than the maintenance of an existing asset. With the funding for Commodity Routes ending in 2013/14 this ratio will decline and is expected to stabalise at around 40% - 50%. The reason for this is that there is no funding program to maintain disposable assets but these assets will continue to attract a depreciation charge.

Asset Renewal Funding Ratio

$$\frac{\text{NPV of planned capital renewals over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$$

The council's financial capacity to fund asset renewal to support existing service levels.

Benchmark >0.95

This ratio sits in the mid-range of expectations. The value represents the intention of the Council to continue to ensure that the funding requirements for asset renewal are met.

5 Financial Statements

Forecast financial statements have been prepared in accordance with the guidance on long term financial planning issued by the Department for Local Government. These statements are set out in Appendix 4.

Statement of Comprehensive Income

Often referred to as the operating statement, it shows the revenues and expenses over the periods, broken down into the nature and type of income and expenditure, to disclose a net result.

Statement of Financial Position

More commonly referred to as the Balance Sheet, this statement discloses the forecast changes in the balance of assets and liability accounts over the periods.

Statement of Cash Flows
Represents the forecast cash inflows and outflows and discloses the balance of cash over the period.

Rate Setting Statement

Represents the calculation of the rates required to fund the budget.

6 Other Information

In line with guidance issued by the Department for Local Government the accounting policies used in compiling these statements are disclosed in Appendix 5.

7. About this Document

Effective From:	1 July 2013
Expires on:	30 June 2023
Next Review:	2014
Adopted by Council:	To be inserted

8. Appendices

APPENDIX 1 – FORECAST RESERVES

	2012/13 $	2013/14 $	2014/15 $	2015/16 $	2016/17 $	2017/18 $	2018/19 $	2019/20 $	2020/21 $	2021/22 $	2022/23 $
<u>Long Service Leave</u>											
Opening Balance	125,825	139,196	164,196	189,196	214,196	239,196	264,196	289,196	314,196	339,196	364,196
Contributions to reserve	13,371	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Contributions from reserve											
Closing Balance	139,196	164,196	189,196	214,196	239,196	264,196	289,196	314,196	339,196	364,196	389,196
<u>Plant Reserve</u>											
Opening Balance	414,685	465,444	460,444	455,444	345,444	320,444	240,444	195,444	110,444	148,444	88,444
Contributions to reserve	340,259	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000
Closing Balance	465,444	460,444	455,444	345,444	320,444	240,444	195,444	110,444	148,444	88,444	43,444
<u>Recreation Centre Reserve</u>											
Opening Balance	791,870	442,524	0	0	0	0	0	0	0	0	0
Contributions to reserve	10,077										
Contributions from reserve	-359,423	-442,524									
Closing Balance	442,524	0	0	0	0	0	0	0	0	0	0
<u>Kindergarten Reserve</u>											
Opening Balance	19,344	0	0	0	0	0	0	0	0	0	0
Contributions to reserve											
Contributions from reserve	-19,344										
Closing Balance	0	0	0	0	0	0	0	0	0	0	0

	2012/13 $	2013/14 $	2014/15 $	2015/16 $	2016/17 $	2017/18 $	2018/19 $	2019/20 $	2020/21 $	2021/22 $	2022/23 $
Office Equipment Fund											
Opening Balance	8,887	16,589	4,589	4,089	9,089	19,089	7,089	6,589	11,589	21,589	9,589
Contributions to reserve	25,202	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Contributions from reserve	-17,500	-33,000	-21,500	-16,000	-11,000	-33,000	-21,500	-16,000	-11,000	-33,000	-21,500
Closing Balance	16,589	4,589	4,089	9,089	19,089	7,089	6,589	11,589	21,589	9,589	9,089
Main Street Upgrade Reserve											
Opening Balance	330,826	332,826	0	0	0	0	0	0	0	0	0
Contributions to reserve	2,000	0	0	0	0	0	0	0	0	0	0
Contributions from reserve	0	-332,826	0	0	0	0	0	0	0	0	0
Closing Balance	332,826	0	0	0	0	0	0	0	0	0	0
Landfill Site Reserve											
Opening Balance	10,000	20,000	30,000	40,000	50,000	60,000	70,000	80,000	90,000	100,000	110,000
Contributions to reserve	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Contributions from reserve											
Closing Balance	20,000	30,000	40,000	50,000	60,000	70,000	80,000	90,000	100,000	110,000	120,000
Gravel-Pit Reserve											
Opening Balance	8,000	8,000	16,000	24,000	32,000	40,000	48,000	56,000	64,000	72,000	80,000
Contributions to reserve	0	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Contributions from reserve											
Closing Balance	8,000	16,000	24,000	32,000	40,000	48,000	56,000	64,000	72,000	80,000	88,000
Emergency Management Reserve											
Opening Balance	50,000	50,200	50,200	50,200	50,200	50,200	50,200	50,200	50,200	50,200	50,200
Contributions to reserve	200										
Contributions from reserve	0										
Closing Balance	50,200	50,200	50,200	50,200	50,200	50,200	50,200	50,200	50,200	50,200	50,200

	2012/13 $	2013/14 $	2014/15 $	2015/16 $	2016/17 $	2017/18 $	2018/19 $	2019/20 $	2020/21 $	2021/22 $	2022/23 $
Aged Housing Reserve											
Opening Balance	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Contributions to reserve											
Contributions from reserve											
Closing Balance	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Asset Management Reserve											
Opening Balance	0	180,000	68,750	73,907	116,407	233,407	305,907	458,407	553,407	697,407	-11,343
Contributions to reserve	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000
Contributions from reserve	0	-291,250	-174,843	-137,500	-63,000	-107,500	-27,500	-85,000	-36,000	-888,750	-109,500
Closing Balance	180,000	68,750	73,907	116,407	233,407	305,907	458,407	553,407	697,407	-11,343	59,157
Total Reserves											
Opening Balance	1,779,437	1,674,779	814,179	856,836	837,336	982,336	1,005,836	1,155,836	1,213,836	1,448,836	711,086
Contributions to reserve	581,109	519,000	519,000	519,000	519,000	519,000	519,000	519,000	519,000	519,000	519,000
Closing Balance	1,674,779	814,179	856,836	837,336	982,336	1,005,836	1,155,836	1,213,836	1,448,836	711,086	779,086

	2012/13 $	2013/14 $	2014/15 $	2015/16 $	2016/17 $	2017/18 $	2018/19 $	2019/20 $	2020/21 $	2021/22 $	2022/23 $
Infrastructure											
Mowen Road	5,100,000	2,200,000	1,300,000	0	0	0	0	0	0	0	0
Special Bridgeworks	1,095,000	558,000	0	0	0	0	0	0	0	0	0
Commodity Routes	120,000	0	0	0	0	0	0	0	0	0	0
Local Road Construction	498,000	452,881	457,777	462,771	467,865	473,060	478,360	483,766	489,279	494,903	500,640
Footpaths	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Reseals		50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Heart of Nannup, Reserve	0	332,826	0	0	0	0	0	0	0	0	0
Total Infrastructure	**6,863,000**	**3,643,707**	**1,857,777**	**562,771**	**567,865**	**573,060**	**578,360**	**583,766**	**589,279**	**594,903**	**600,640**
Land & Buildings											
SES – Carlotta fire shed	79,900	0	0	0	0	0	0	0	0	0	0
SES – Bedellia fire shed	0	70,000	0	0	0	0	0	0	0	0	0
Waste Transfer Station	0	0	65,000	0	0	0	0	0	0	0	0
Recreation Centre, Reserve	359,423	542,524	0	0	0	0	0	0	0	0	0
Depot	20,000	0	0	0	0	0	0	0	0	0	0
Total Land & Buildings	**459,323**	**612,524**	**65,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Plant & Equipment											
Officers Vehicles	4,000	25,000		25,000		25,000		25,000		25,000	
Major Plant	410,000	280,000	280,000	385,000	300,000	355,000	320,000	360,000	237,000	335,000	320,000
Total Plant & Equipment	**414,000**	**305,000**	**280,000**	**410,000**	**300,000**	**380,000**	**320,000**	**385,000**	**237,000**	**360,000**	**320,000**
Furniture & Equipment											
Office Equipment	27,450	33,000	21,500	16,000	11,000	33,000	21,500	16,000	11,000	33,000	21,500
Grand Total	**7,763,773**	**4,594,231**	**2,224,277**	**988,771**	**878,865**	**986,060**	**919,860**	**984,766**	**837,279**	**987,903**	**942,140**

	2012/13 $	2013/14 $	2014/15 $	2015/16 $	2016/17 $	2017/18 $	2018/19 $	2019/20 $	2020/21 $	2021/22 $	2022/23 $
Income											
SES capital income	79,900	70,000	0	0	0	0	0	0	0	0	0
FROGS capital income	0	0	0	0	0	0	0	0	0	0	0
Recreation Centre capital income	0	0	0	0	0	0	0	0	0	0	0
Mowen Road - Grant	5,100,000	2,200,000	1,300,000	0	0	0	0	0	0	0	0
Mowen Road - Supervision Fee	140,000	150,000	10,000	0	0	0	0	0	0	0	0
Special Bridgework - Grant	1,095,000	558,000	0	0	0	0	0	0	0	0	0
TIRES - Grant	80,000	0	0	0	0	0	0	0	0	0	0
Blackspot Grants	0	0	0	0	0	0	0	0	0	0	0
Regional Road Group	160,000	163,200	166,464	169,793	173,189	176,653	180,186	183,790	187,466	191,215	195,039
Roads to Recovery	208,081	208,081	208,081	208,081	208,081	208,081	208,081	208,081	208,081	208,081	208,081
Footpath Funding	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Plant sales	140,000	0	0	0	0	0	0	0	0	0	0
Profit/Loss on Sale of Assets	19,500	0	0	0	0	0	0	0	0	0	0
Reserve Contributions	289,500	612,826	280,000	385,000	300,000	355,000	320,000	360,000	237,000	335,000	320,000
Own Source Funding	439,792	620,124	247,732	213,897	185,595	234,326	199,593	220,895	192,733	241,607	207,020
Total Income	**7,763,773**	**4,594,231**	**2,224,277**	**988,771**	**878,865**	**986,060**	**919,860**	**984,766**	**837,280**	**987,903**	**942,140**

	2012/13 $	2013/14 $	2014/15 $	2015/16 $	2016/17 $	2017/18 $	2018/19 $	2019/20 $	2020/21 $	2021/22 $	2022/23 $
Existing Loans											
Loan 37 – Self Supporting Loan											
Principal	12,163	12,915	13,713	14,560	15,460	16,415	17,429	18,506	14,626	0	0
Interest	7,829	7,078	6,280	5,433	4,533	3,578	2,564	1,487	369	0	0
Charges	83	83	83	83	83	83	83	83	63	0	0
Total Loan 37	**20,075**	**20,076**	**20,076**	**20,076**	**20,076**	**20,076**	**20,076**	**20,076**	**15,058**	**0**	**0**
Loan 38 - Grader											
Principal	52,818	55,828	59,010	62,373	0	0	0	0	0	0	0
Interest	12,196	9,186	6,004	2,641	0	0	0	0	0	0	0
Charges	160	160	160	160	0	0	0	0	0	0	0
Total Loan 38	**65,174**	**65,174**	**65,174**	**65,174**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Existing Loans											
Principal	64,981	68,743	72,723	76,933	15,460	16,415	17,429	18,506	14,626	0	0
Interest	20,025	16,264	12,284	8,074	4,533	3,578	2,564	1,487	369	0	0
Charges	243	243	243	243	83	83	83	83	63	0	0
Total All Loans	**85,249**	**85,250**	**85,250**	**85,250**	**20,076**	**20,076**	**20,076**	**20,076**	**15,058**	**0**	**0**

STATEMENT OF COMPREHENSIVE INCOME BY NATURE & TYPE

	2012/13 $	2013/14 $	2014/15 $	2015/16 $	2016/17 $	2017/18 $	2018/19 $	2019/20 $	2020/21 $	2021/22 $	2022/23 $
REVENUE											
Rates	1,236,189	1,321,773	1,433,046	1,980,354	1,909,992	1,975,831	2,005,485	2,055,231	2,058,569	2,135,693	2,122,577
Operating Grants	1,599,405	1,638,593	1,528,365	1,548,732	1,579,707	1,611,301	1,643,527	1,676,398	1,709,926	1,744,124	1,779,007
Fees and Charges	493,538	498,675	508,648	518,821	529,198	539,782	550,577	561,589	572,821	584,277	595,962
Service Charges	0	0	0	0	0	0	0	0	0	0	0
Interest Earnings	135,609	115,609	115,609	115,609	115,609	115,609	115,609	115,609	115,609	115,609	115,609
Other Revenue	49,947	50,706	51,480	52,270	53,075	53,897	54,734	55,589	56,461	57,350	58,257
Total Revenue	**3,514,688**	**3,625,356**	**3,637,148**	**4,215,786**	**4,187,581**	**4,296,419**	**4,369,933**	**4,464,415**	**4,513,385**	**4,637,053**	**4,671,413**
EXPENSES											
Employee Costs	(1,229,315)	(1,361,010)	(1,420,450)	(1,694,777)	(1,738,672)	(1,783,446)	(1,829,115)	(1,875,697)	(1,913,211)	(1,951,475)	(1,990,504)
Materials and Contracts	(2,076,084)	(2,030,136)	(1,373,884)	(1,699,547)	(1,713,038)	(1,749,799)	(1,800,295)	(1,820,801)	(1,854,717)	(1,912,311)	(1,930,058)
Utility Charges	(81,559)	(83,190)	(84,854)	(86,551)	(88,282)	(90,048)	(91,849)	(93,686)	(95,559)	(97,471)	(99,420)
Depreciation	(1,818,318)	(1,918,755)	(1,977,166)	(2,028,783)	(2,068,467)	(2,120,620)	(2,164,543)	(2,213,937)	(2,247,604)	(2,298,045)	(2,342,261)
Interest	(20,368)	(16,607)	(12,627)	(8,417)	(4,716)	(3,761)	(2,747)	(1,670)	(532)	(100)	(100)
Insurance	(197,531)	(201,482)	(205,511)	(209,621)	(213,814)	(218,090)	(222,452)	(226,901)	(231,439)	(236,068)	(240,789)
Other	(300)	(306)	(312)	(318)	(325)	(331)	(338)	(345)	(351)	(359)	(366)
Total Expenses	**(5,423,475)**	**(5,611,485)**	**(5,074,804)**	**(5,728,015)**	**(5,827,315)**	**(5,966,095)**	**(6,111,338)**	**(6,233,036)**	**(6,343,414)**	**(6,495,828)**	**(6,603,498)**
	(1,908,787)	(1,986,129)	(1,437,656)	(1,512,229)	(1,639,734)	(1,669,676)	(1,741,405)	(1,768,621)	(1,830,029)	(1,858,775)	(1,932,086)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	$	$	$	$	$	$	$	$	$	$	$
Net Operating Result	(1,908,787)	(1,986,129)	(1,437,656)	(1,512,229)	(1,639,734)	(1,669,676)	(1,741,405)	(1,768,621)	(1,830,029)	(1,858,775)	(1,932,086)
Non Operating Grants	7,453,917	3,931,417	1,736,969	441,547	446,216	450,979	455,837	460,792	465,846	471,001	476,260
NET RESULT	**5,545,130**	**1,945,288**	**299,313**	**(1,070,682)**	**(1,193,518)**	**(1,218,697)**	**(1,285,569)**	**(1,307,829)**	**(1,364,183)**	**(1,387,773)**	**(1,455,826)**
Other Comprehensive Income	0	0	0	0	0	0	0	0	0	0	0
TOTAL	**5,545,130**	**1,945,288**	**299,313**	**(1,070,682)**	**(1,193,518)**	**(1,218,697)**	**(1,285,569)**	**(1,307,829)**	**(1,364,183)**	**(1,387,773)**	**(1,455,826)**

STATEMENT OF FINANCIAL POSITION

	2012/13 $	2013/14 $	2014/15 $	2015/16 $	2016/17 $	2017/18 $	2018/19 $	2019/20 $	2020/21 $	2021/22 $	2022/23 $
CURRENT ASSETS											
Cash and Cash Equivalents	2,566,863	2,476,789	3,442,432	3,455,935	3,732,347	3,764,721	3,967,057	4,053,855	4,440,747	4,484,589	4,686,486
Trade and Other Receivables	560,403	571,611	583,043	594,704	606,598	618,730	631,105	643,727	656,601	669,733	683,128
Inventories	0	0	0	0	0	0	0	0	0	0	0
TOTAL CURRENT ASSETS	3,127,266	3,048,400	4,025,475	4,050,639	4,338,945	4,383,451	4,598,162	4,697,582	5,097,349	5,154,323	5,369,614
NON-CURRENT ASSETS											
Other Receivables	156,871	160,008	163,209	166,473	169,802	173,198	176,662	180,195	183,799	187,475	191,225
Inventories	0	0	0	0	0	0	0	0	0	0	0
Property, Plant and Equipment	5,967,913	6,866,024	7,198,599	7,580,399	7,859,199	8,227,599	8,532,799	8,892,099	9,114,199	9,464,599	9,769,799
Infrastructure	90,831,149	94,426,832	96,260,124	96,815,477	97,375,858	97,941,365	98,512,102	99,088,174	99,669,686	100,256,749	100,849,472
TOTAL NON-CURRENT ASSETS	96,955,934	101,452,865	103,621,932	104,562,349	105,404,859	106,342,163	107,221,564	108,160,468	108,967,685	109,908,823	110,810,496
TOTAL ASSETS	100,083,200	104,501,265	107,647,406	108,612,989	109,743,804	110,725,614	111,819,726	112,858,050	114,065,034	115,063,146	116,180,110
CURRENT LIABILITIES											
Trade and Other Payables	629,292	641,878	654,715	667,810	681,166	694,789	708,685	722,859	737,316	752,062	767,103
Current Portion of Long Term Borrowings	64,982	68,743	72,723	76,933	15,460	16,415	17,429	18,506	14,626	0	0
Provisions	256,070	267,593	278,297	283,863	289,540	295,331	301,237	307,262	313,407	319,676	326,069
TOTAL CURRENT LIABILITIES	950,344	978,214	1,005,735	1,028,606	986,166	1,006,535	1,027,351	1,048,627	1,065,349	1,071,738	1,093,173

	2012/13 $	2013/14 $	2014/15 $	2015/16 $	2016/17 $	2017/18 $	2018/19 $	2019/20 $	2020/21 $	2021/22 $	2022/23 $
NON-CURRENT LIABILITIES											
Long Term Borrowings	300,820	232,092	159,369	82,436	66,976	50,561	33,132	14,626	0	0	0
Provisions	22,122	22,122	22,122	22,122	22,122	22,122	22,122	22,122	22,122	22,122	22,122
TOTAL NON-CURRENT LIABILITIES	322,942	254,214	181,491	104,558	89,098	72,683	55,254	36,748	22,122	22,122	22,122
TOTAL LIABILITIES	1,273,286	1,232,428	1,187,226	1,133,164	1,075,264	1,079,218	1,082,605	1,085,375	1,087,471	1,093,860	1,115,295
NET ASSETS	98,809,914	103,268,837	106,460,180	107,479,825	108,668,540	109,646,396	110,737,120	111,772,675	112,977,562	113,969,286	115,064,816
EQUITY											
Retained Surplus	28,230,701	33,264,414	35,625,010	36,701,390	37,712,891	38,634,389	39,541,599	40,484,968	41,419,987	43,113,894	44,105,146
Reserves - Cash Backed	1,674,779	814,179	856,836	837,336	982,336	1,005,836	1,155,836	1,213,836	1,448,836	711,086	779,086
Reserves - Asset Revaluation	70,198,705	70,198,705	70,198,705	70,198,705	70,198,705	70,198,705	70,198,705	70,198,705	70,198,705	70,198,705	70,198,705
TOTAL EQUITY	100,104,185	104,277,298	106,680,551	107,737,431	108,893,932	109,838,930	110,896,140	111,897,509	113,067,528	114,023,685	115,082,937

STATEMENT OF CASH FLOWS

	2012/13 $	2013/14 $	2014/15 $	2015/16 $	2016/17 $	2017/18 $	2018/19 $	2019/20 $	2020/21 $	2021/22 $	2022/23 $
Cash Flows From Operating Activities											
Receipts											
Rates	1,236,189	1,321,773	1,433,046	1,980,354	1,909,992	1,975,831	2,005,485	2,055,231	2,058,569	2,135,693	2,122,577
Operating Grants, Subsidies and Contributions	1,599,405	1,638,593	1,528,365	1,548,732	1,579,707	1,611,301	1,643,527	1,676,398	1,709,926	1,744,124	1,779,007
Fees and Charges	493,538	498,675	508,648	518,821	529,198	539,782	550,577	561,589	572,821	584,277	595,962
Service Charges	0	0	0	0	0	0	0	0	0	0	0
Interest Earnings	135,609	115,609	115,609	115,609	115,609	115,609	115,609	115,609	115,609	115,609	115,609
Other Revenue	49,947	50,706	51,480	52,270	53,075	53,897	54,734	55,589	56,461	57,350	58,257
	3,514,688	3,625,356	3,637,148	4,215,786	4,187,581	4,296,419	4,369,933	4,464,415	4,513,385	4,637,053	4,671,413
Payments											
Employee Costs	(1,046,174)	(1,169,627)	(1,221,413)	(1,491,758)	(1,531,593)	(1,572,225)	(1,613,670)	(1,655,943)	,689,062)	,722,843)	,757,300)
Materials and Contracts	(2,076,084)	(2,030,136)	(1,373,884)	(1,699,547)	(1,713,038)	(1,749,799)	(1,800,295)	(1,820,801)	,854,717)	,912,311)	,930,058)
Utility Charges	(81,559)	(83,190)	(84,854)	(86,551)	(88,282)	(90,048)	(91,849)	(93,686)	(95,559)	(97,471)	(99,420)
Insurance Expenses	(197,531)	(201,482)	(205,511)	(209,621)	(213,814)	(218,090)	(222,452)	(226,901)	(231,439)	(236,068)	(240,789)
Interest expenses	(17,949)	(14,048)	(9,920)	(5,553)	(4,140)	(3,150)	(2,098)	(981)	(100)	(100)	(100)
Other Expenditure	(300)	(306)	(312)	(318)	(325)	(331)	(338)	(345)	(351)	(359)	(366)
	(3,419,597)	(3,498,789)	(2,895,893)	(3,493,350)	(3,551,193)	(3,633,643)	(3,730,702)	(3,798,657)	,871,229)	,969,152)	,028,033)
Net Cash Provided By Operating Activities	95,091	126,568	741,255	722,436	636,388	662,776	639,231	665,759	642,156	667,902	643,380

	2012/13 $	2013/14 $	2014/15 $	2015/16 $	2016/17 $	2017/18 $	2018/19 $	2019/20 $	2020/21 $	2021/22 $	2022/23 $
Cash Flows from Investing Activities											
Payments for Purchase of Property, Plant & Equipment	(900,773)	(950,524)	(366,500)	(426,000)	(311,000)	(413,000)	(341,500)	(401,000)	(248,000)	(393,000)	(341,500)
Payments for Construction of Infrastructure	(6,863,000)	(3,643,707)	(1,857,777)	(562,771)	(567,865)	(573,060)	(578,360)	(583,766)	(589,279)	(594,903)	(600,640)
Non-Operating Grants, Subsidies and Contributions used for the Development of Assets	7,453,917	3,931,417	1,736,969	441,547	446,216	450,979	455,837	460,792	465,846	471,001	476,260
Proceeds from Sale of Plant & Equipment	0	0	0	0	0	0	0	0	0	0	0
Proceeds from Advances	0	0	0	0	0	0	0	0	0	0	0
Net Cash Used In Investing Activities	(309,856)	(662,814)	(487,308)	(547,224)	(432,649)	(535,082)	(464,023)	(523,974)	(371,433)	(516,902)	(465,880)
Cash Flows from Financing Activities											
Repayment of Debentures	(64,981)	(68,743)	(72,723)	(76,933)	(15,460)	(16,415)	(17,429)	(18,506)	(14,626)	0	0
Proceeds from New Debentures	0	0	0	0	0	0	0	0	0	0	0
Net Cash Provided By (Used In) Financing Activities	(64,981)	(68,743)	(72,723)	(76,933)	(15,460)	(16,415)	(17,429)	(18,506)	(14,626)	0	0
Net Increase (Decrease) in Cash Held	(279,746)	(604,989)	181,224	98,279	188,279	111,279	157,779	123,279	256,096	151,000	177,500
Cash at Beginning of Year	3,776,510	3,171,521	3,352,744	3,451,023	3,639,302	3,750,581	3,908,360	4,031,639	4,287,736	4,438,736	4,616,236
Cash and Cash Equivalents at the End of the Year	3,496,764	2,566,531	3,533,968	3,549,302	3,827,581	3,861,860	4,066,139	4,154,918	4,543,832	4,589,736	4,793,736

RATE SETTING STATEMENT

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Revenue	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Governance	1,000	669	423	287	292	297	303	308	313	319	325
General Purpose Funding	1,494,085	999,352	631,679	429,069	436,574	444,230	452,038	460,003	468,127	476,413	484,865
Law, Order & Public Safety	350,733	234,596	148,285	100,723	102,485	104,282	106,115	107,985	109,892	111,837	113,821
Health	4,818	3,223	2,037	1,384	1,408	1,433	1,458	1,483	1,510	1,536	1,564
Education & Welfare	41,230	27,578	17,431	11,840	12,047	12,259	12,474	12,694	12,918	13,147	13,380
Housing	16,796	11,234	7,101	4,823	4,908	4,994	5,082	5,171	5,263	5,356	5,451
Community Amenities	122,270	81,783	51,694	35,113	35,728	36,354	36,993	37,645	38,310	38,988	39,679
Recreation & Culture	29,054	19,433	12,284	8,344	8,490	8,638	8,790	8,945	9,103	9,264	9,429
Transport	7,018,779	4,694,667	2,967,445	2,015,642	2,050,899	2,086,862	2,123,544	2,160,960	2,199,124	2,238,051	2,277,757
Economic Services	216,000	144,476	91,322	62,031	63,116	64,222	65,351	66,503	67,677	68,875	70,097
Other Property & Services	26,894	17,989	11,370	7,723	7,858	7,996	8,137	8,280	8,426	8,576	8,728
	9,321,659	6,235,000	3,941,071	2,676,979	2,723,805	2,771,567	2,820,285	2,869,976	2,920,662	2,972,362	3,025,095
Expenses											
Governance	(844,118)	(807,322)	(730,109)	(824,087)	(838,373)	(858,339)	(879,235)	(896,744)	(912,624)	(934,551)	(950,042)
General Purpose Funding	(1,148,126)	(1,098,077)	(993,057)	(1,120,880)	(1,140,312)	(1,167,469)	(1,195,891)	(1,219,705)	(1,241,304)	(1,271,129)	(1,292,198)
Law, Order & Public Safety	(331,371)	(316,926)	(286,615)	(323,507)	(329,116)	(336,954)	(345,157)	(352,030)	(358,264)	(366,872)	(372,953)
Health	(36,420)	(34,832)	(31,501)	(35,556)	(36,172)	(37,034)	(37,935)	(38,691)	(39,376)	(40,322)	(40,990)
Education & Welfare	(175,141)	(167,506)	(151,486)	(170,985)	(173,949)	(178,092)	(182,427)	(186,060)	(189,355)	(193,905)	(197,119)
Housing	(28,096)	(26,871)	(24,301)	(27,429)	(27,905)	(28,569)	(29,265)	(29,848)	(30,376)	(31,106)	(31,622)
Community Amenities	(380,051)	(363,484)	(328,720)	(371,032)	(377,464)	(386,454)	(395,862)	(403,745)	(410,895)	(420,767)	(427,742)
Recreation & Culture	(404,272)	(386,649)	(349,670)	(394,678)	(401,520)	(411,083)	(421,091)	(429,476)	(437,081)	(447,583)	(455,002)
Transport	(2,207,212)	(2,110,996)	(1,909,101)	(2,154,834)	(2,192,189)	(2,244,398)	(2,299,037)	(2,344,819)	(2,386,342)	(2,443,679)	(2,484,183)
Economic Services	(340,937)	(326,075)	(294,889)	(332,846)	(338,617)	(346,681)	(355,121)	(362,192)	(368,606)	(377,463)	(383,719)
Other Property & Services	28,496	27,254	24,647	27,820	28,302	28,976	29,681	30,273	30,809	31,549	32,072
	(5,867,248)	(5,611,485)	(5,074,804)	(5,728,015)	(5,827,315)	(5,966,095)	(6,111,338)	(6,233,036)	(6,343,414)	(6,495,828)	(6,603,498)
	3,454,411	623,514	(1,133,732)	(3,051,036)	(3,103,510)	(3,194,528)	(3,291,054)	(3,363,060)	(3,422,751)	(3,523,466)	(3,578,403)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Non-Cash Expenditure & Revenue	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Depreciation	1,818,318	1,918,755	1,977,166	2,028,783	2,068,467	2,120,620	2,164,543	2,213,937	2,247,604	2,298,045	2,342,261
Leave Provisions	183,141	191,382	199,038	203,018	207,079	211,220	215,445	219,754	224,149	228,632	233,204
Accruals	2,419	2,559	2,707	2,864	576	611	649	689	545	(0)	(0)
Capital Expenditure & Revenue											
Land & Buildings	(645,402)	(887,855)	(223,288)	(137,500)	(63,000)	(107,500)	(27,500)	(85,000)	(36,000)	(888,750)	(109,500)
Infrastructure Assets - Roads	(7,261,114)	(3,643,707)	(1,857,777)	(562,771)	(567,865)	(573,060)	(578,360)	(583,766)	(589,279)	(594,903)	(600,640)
Plant & Equipment	(414,000)	(305,000)	(280,000)	(410,000)	(300,000)	(380,000)	(320,000)	(385,000)	(237,000)	(360,000)	(320,000)
Furniture & Equipment	(27,450)	(33,000)	(21,500)	(16,000)	(11,000)	(33,000)	(21,500)	(16,000)	(11,000)	(33,000)	(21,500)
Proceeds from Disposal of Assets	0	0	0	0	0	0	0	0	0	0	0
Repayment of Debentures	(64,982)	(68,744)	(72,724)	(76,934)	(15,461)	(16,416)	(17,430)	(18,507)	(14,627)	0	0
Proceeds from New Debentures	0	0	0	0	0	0	0	0	0	0	0
Self Supporting Loan Principal Income	19,722	19,722	19,722	19,722	19,722	19,722	19,722	19,722	14,792	0	0
Transfers to Reserves	(581,109)	(519,000)	(519,000)	(519,000)	(519,000)	(519,000)	(519,000)	(519,000)	(519,000)	(519,000)	(519,000)
Transfers (to)/from Reserves	666,373	1,379,600	476,343	538,500	374,000	495,500	369,000	461,000	284,000	1,256,750	451,000
	(6,284,584)	(1,945,287)	(299,314)	1,070,682	1,193,518	1,218,697	1,285,569	1,307,829	1,364,183	1,387,773	1,455,826
Estimated Surplus/(Deficit) B/fwd 1 July	1,593,984	(0)	0	0	0	0	0	0	0	0	0
Estimated Surplus/(Deficit) C/fwd 30 June	(0)	0	0	0	0	0	0	0	0	0	0
NET RESULT	**(1,236,189)**	**(1,321,773)**	**(1,433,046)**	**.980,354)**	**(1,909,992)**	**(1,975,831)**	**(2,005,485)**	**(2,055,231)**	**(2,058,569)**	**(2,135,693)**	**(2,122,577)**

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this budget are:

(a) Basis of Preparation

The budget has been prepared in accordance with applicable Australian Accounting Standards (as they apply to local government and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations.

The budget has also been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

(b) The Local Government Reporting Entity

All Funds through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this budget.

In the process of reporting on the local government as a single unit, all transactions and balances between those Funds (for example, loans and transfers between Funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements, but a separate statement of those monies appears at Note 16 to this budget document.

(c) 2011/12 Actual Balances

Balances shown in this budget as 2011/12 Actual are as forecast at the time of budget preparation and are subject to final adjustments.

(d) Rounding Off Figures

All figures shown in this budget, other than a rate in the dollar, are rounded to the nearest dollar.

(e) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

(f) Goods and Services Tax

Revenues, expenses and assets capitalised are stated net of any GST recoverable.

Receivables and payables in the statement of financial position are stated inclusive of applicable GST.

The net amount of GST recoverable from, or payable to, the ATO is included with receivables on payables in the statement of financial position.

Cash flows are presented on a Gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

(g) Superannuation

The Council contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Council contributes are defined contribution plans.

(h) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

Bank overdrafts are shown as short term borrowings in current liabilities in the statement of financial position.

(i) Trade and Other Receivables

Collectibility of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

(j) Inventories

General

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land Held for Resale

Land purchased for development and/or resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Finance costs and holding charges incurred after development is completed are expensed.

Revenue arising from the sale of property is recognised in the statement of comprehensive income as at the time of signing an unconditional contract of sale.

Land held for resale is classified as current except where it is held as non-current based on Council's intentions to release for sale.

(k) Fixed Assets

Each class of fixed assets is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Initial Recognition

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the statement of comprehensive income in the period in which they are incurred.

Revaluation

Certain asset classes may be revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ materially from that determined using fair value at reporting date.

Land Under Roads

In Western Australia, all land under roads is Crown land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with treatment available in Australian Accounting Standard AASB 1051 Land Under Roads and the fact that Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

Whilst such treatment is inconsistent with the requirements of AASB 1051, Local Government (Financial Management) Regulation 4(2) provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the Council.

Depreciation of Non-Current Assets

All non-current assets having a limited useful life (excluding freehold land) are systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time the asset is completed and held ready for use.

Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period. Major depreciation periods are:

Buildings	40 years	Straight Line
Furniture and Equipment	10 years	Straight Line
Office Equipment	5 years	Straight Line
Plant and Equipment	10 years	Reducing Balance
Sealed roads and streets		
• formation		Not Depreciated
• pavement	50 years	Straight Line
• seal		
- bituminous seals	15 years	Straight Line
- asphalt surfaces	15 years	Straight Line
Kerbs	100 years	Straight Line

Parks & Gardens	50 years	Straight Line
Footpaths - slab	50 years	Straight Line
Water supply piping and drainage systems	50 years	Straight Line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Capitalisation Threshold

Expenditure on items of equipment under $1,000 is not capitalised.

(l) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Council commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or cost.

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

(a) the amount in which the financial asset or financial liability is measured at initial recognition;

(b) less principal repayments;
(c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method; and
(d) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(i) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading.

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Derivatives are classified as held for trading unless they are designated as hedges.

Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Council's management has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets, where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as non-current.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in profit or loss. Any cumulative decline in fair value is reclassified to profit or loss at this point.

Derecognition

Financial assets are derecognised where the contractual rights for receipt of cash flows expire or the asset is transferred to another party, whereby the Council no longer has any significant continual involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(m) Impairment

In accordance with Australian Accounting Standards the Council's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

At the time of adopting this budget, it is not possible to estimate the amount of impairment losses (if any) as at 30 June 2013.

In any event, an impairment loss is a non-cash transaction and consequently, has no impact on this budget document.

(n) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Council prior to the end of the financial year that are unpaid and arise when the Council becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Employee Benefits

Provision is made for the Council's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

(p) Borrowing Costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset.

(q) Provisions

Provisions are recognised when:

a) The Council has a present legal or constructive obligation as a result of past events;

b) for which it is probable that an outflow of economic benefits will result; and

c) that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(r) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

In the case of liabilities where the Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for resale where it is held as non-current based on the Council's intentions to release for sale.

(s) Comparative Figures

Where required, comparative figures have been adjusted to conform with changes in presentation for the current budget year.

(t) Budget Comparative Figures

Unless otherwise stated, the budget comparative figures shown in this budget document relate to the original budget estimate for the relevant item of disclosure.