Wakefield Regional Council

Long Term Financial Plan
2018/19 to 2027/28

Endorsed by Council on 1 August 2018

Contents

Purpose of this plan

This Long Term Financial Plan (LTFP) is a critical part of our planning process as we consider the longer term financial outcomes of the decisions we make today. It is a plan that must be financially sustainable, while meeting the expectations of our community and ensuring we can deliver the objectives of our 2017-2022 Strategic Management Plan.

The LTFP is part of the suite of strategic plans for Council, along with the Strategic Management Plan and Infrastructure Asset Management Plans (IAMPs). The first year of this plan is consistent with the Wakefield Regional Council 2018/19 Annual Business Plan and budget, which sets the foundation for future year financial projections.

At the time of preparing this LTFP, Council had endorsed the following IAMPs:

- Transport IAMP
- Bridges IAMP
- Community Wastewater Management Schemes IAMP
- Stormwater IAMP

The Buildings & Structures IAMP was in the early stages of development.

The Local Government Act requires the LTFP financial projections to be based on those in IAMPs adopted by Council. The existing Buildings & Structures IAMP is 10 years old and it is considered more valid, prudent and responsible to base financial projections on the most recent valuations and capital expenditure estimates for those assets, rather than an old and now unreliable plan. As explained in the LTFP table towards the end of this plan, the amount proposed for capital renewal for buildings is indicative only and, once the IAMP is finalised, the amount may be less and/or smoothed over a number of years. At this point in time a more reliable and precise forecast cannot be provided. The 2018/19 Annual Business Plan includes funding provisions for the development of the Buildings & Structures IAMP.

Report by Chief Executive Officer

In line with the requirements of the *Local Government Act 1999*, each year we review and update our LTFP. This allows us to reassess potential impacts on our financial sustainability due to changes in our operating environment.

Last year, my report on the sustainability of our LTFP performance flagged a looming risk to our income with the possible introduction of rate capping. This new plan is modelled on the assumption that rate capping based on the Local Government Price Index (LGPI) will be introduced in the 2019/20 financial year, in line with the new Liberal Government’s stated intent. While it is not guaranteed this will occur, as it is yet to pass through Parliament, Council believes it is prudent to plan for this eventuality.

Wakefield has one of South Australia’s largest unsealed road networks but a relatively small ratepayer base, making the management of transport infrastructure one of our major ongoing challenges. We want to deliver the kind of roads our community expects but this has been – and will continue to be – a major draw on our income. Like our local government peers, Council also faces challenges in relation to the price of recyclable products and increases in the landfill levy imposed by the Environment Protection Authority.

With limitations on our income base, and looming risks and challenges, to ensure our ongoing financial sustainability we have three key options:

- Seek new funding sources such as grants;
- Lobby, with community support, for an exemption to the rate cap for particular purpose(s);
- Reduce service levels, either overall or in relation to specific activities.

In polling undertaken in the past two years, our community has told us it supports rate capping. However, more than a third of those we surveyed told us they would tolerate a small additional increase in rates if it meant we could focus more on our unsealed roads. Similarly, respondents wanted us to undertake activities to drive economic development and population growth – activities outlined in our 2017-2022 Strategic Management Plan.

Council has scrutinised the options available and chosen to do the following:

- Beyond 2018/19 apply a 2.9% cap on rate increases (based on the December 2017 LGPI). In 2018/19, the increase will be in line with the last year's LTFP projection of 5.5% (plus 0.5% growth);
- Postpone – or extend the time to deliver – several activities scheduled to be implemented or initiated in 2018/19 as part of our Strategic Management Plan.;
- Further interrogate areas where efficiencies can be found, rather than reduce service levels;
- Invest resources in attempts to attract grants, in particular to fund road upgrades and promote the region's importance as a corridor to the north and west of the State.

Over the life of this plan, Council will maintain a strong financial position and remain financially sustainable. Reaching surplus will take longer but we will continue to deliver for our community.

Jason Kuchel
Chief Executive Officer

Summary

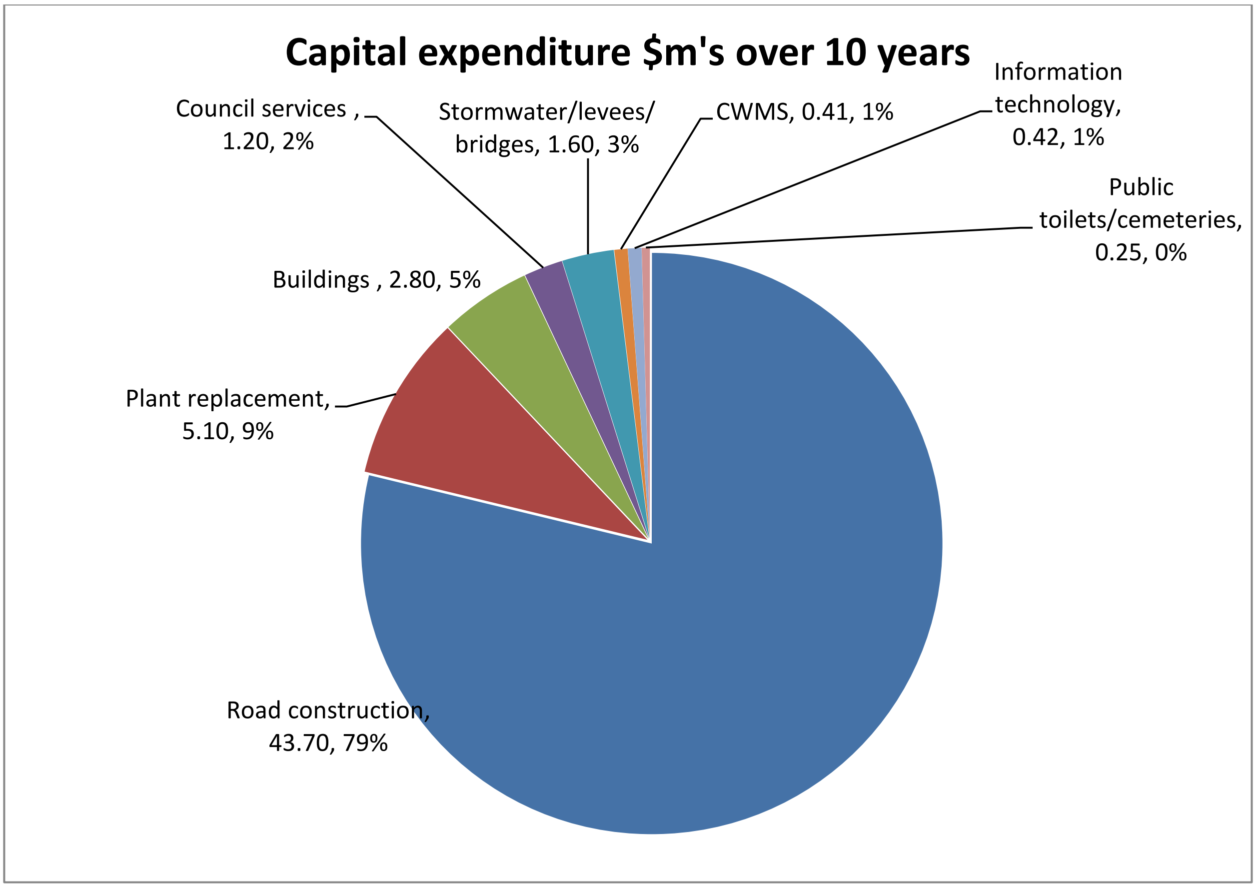
Wakefield Regional Council is required to develop and adopt a Long Term Financial Plan for a period of at least 10 years and to review the plan annually. The purpose of a LTFP is to express, in financial terms, the activities that Council proposes to undertake over the medium to longer term to achieve the objectives of its Strategic Management Plan.

Our last LTFP detailed the impacts on Council's budget from both the devastating 2015 Pinery Fire and 2016 significant storm and flood events across the region. The impact on our finances from these events and our efforts to mitigate against future similar events continues to be felt.

This review of the plan is based on the budget figures endorsed by Council as part of its March 2018 third quarter budget review. Each income and expenditure item has been examined and updated to reflect our normal service levels. Any additional items or improved service levels that are expected to occur are included in the relevant years. It has also been undertaken based on a number of assumptions, which are detailed in the plan. These assumptions will be reviewed on an annual basis.

Other key points about this LTFP are:

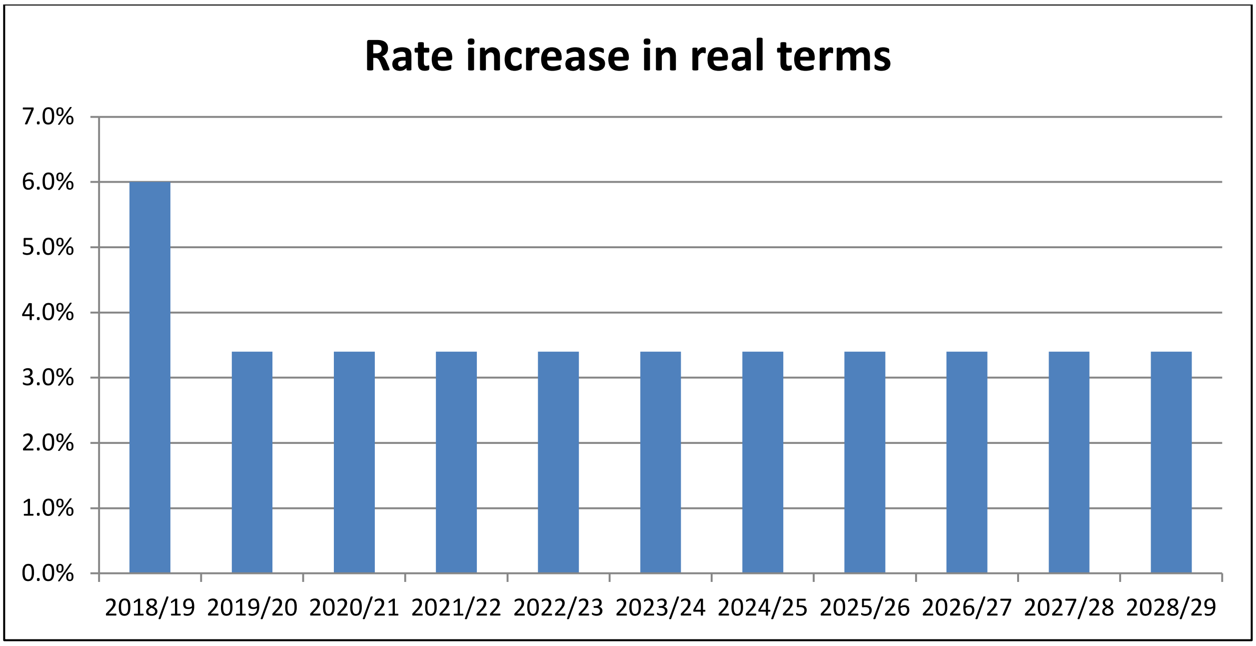
- Rate capping at LGPI of 2.9% has been factored in beyond the 2018/19 years;
- An overall aim is for Council to continually improve its net financial liabilities and asset consumption ratio in the long term. However, given rate capping this will be a more gradual process than previously anticipated;
- Council proposes to further increase spending in relation to the capital renewal of its assets, particularly its road network, in order to improve asset condition. Over the next 10 years of the plan, $56.1 million of capital expenditure allocations will be made to the following areas:
    - Road construction $43.7 million
    - Plant replacement (net) $5.1 million
    - Buildings $2.8 million
    - Council services (works depot replacement) $1.2 million
    - Stormwater / Levees / Bridges $1.6 million
    - Community wastewater management system $406,000
    - Information technology $420,000
    - Public toilets / cemeteries $248,000
    - **Total $55.7 million**



Renewal capital expenditure will comprise approximately 97.16% of the $54.9 million capital expenditure as Council seeks to improve the condition of its current assets rather than invest in new assets.

Shared service arrangements with neighbouring councils will continue to provide additional operational savings, particularly in the General Inspectorate services area ($39,600 savings).

The general rate increases (in real terms) shown in the graph below factors in rate capping from 2019/20. It aims to ensure we can fund the required capital renewal of assets, meet community expectations and still achieve the target of a sustainable operating surplus, albeit in the 2024/25 year, not 2019/20 as we estimated last year.



Assuming rate capping at LGPI averages 2.9% over the 10 year period.

Assumptions used in the Long Term Financial Plan

Rate capping – at the Local Government Price Index will be introduced in the 2019/20 year.

Local Government Price Index – is 2.9% (based on the December 2017 index). This price index is used because it reflects the 'basket of goods' purchased by local government rather than the standard CPI 'basket of goods'. Over the past five years the difference between Adelaide CPI and that the LGPI has, on average, been 0.18% higher than CPI. Refer Appendix 1.

Consumer Price Index – CPI increases over the past five years have averaged 1.94% but the forward outlook is estimated to average 2.25% over the next few years (as per Federal Budget May 2018-19 estimates). March 2018 Adelaide CPI was 2.3%. Refer Appendix 1.

Employee costs – Wages have been increased in line with Enterprise Agreements for the relevant time periods of those agreements, and then inflation:

- Inside staff – 2.1% in 18/19, 2.1% in 19/20 and then 2.3% thereafter (kept at CPI).
- Outside staff – 2.5% in 18/19, 3% in 19/20 and then 2.3% thereafter (kept at CPI).

It has been assumed there will be the equivalent of 2.73 additional full time equivalent employees over the next three years to improve customer service, along with an additional two field staff trainees as part of a commitment to train local young people and provide less disruption to services when staff retire.

Materials, Contracts & Other Services – Expenditure on Materials, Contracts & Other Services in the Long Term Financial Plan has been modelled with an average increase of the current LGPI (2.9%).

Capital Renewal - Capital renewal costs are a mixture of employee costs and material contracts and services. The renewal costs are based on the information contained in the IAMPs for Transport, Bridges, CWMS and Stormwater, along with the preliminary Capital Expenditure report provided by Liquid Pacific in relation to the Buildings & Structures IAMP, and the Council-agreed expenditure for toilet renewals.

New Capital - Major new capital has only been included as per the IAMPs or when it relates to projects identified within the Strategic Management Plan.

Depreciation - The LTFP uses the most recent asset valuations as the basis for its depreciation figures. The valuations undertaken in 2017 are factored into the 2018/19 LTFP. Depreciation is not reflected as going up by inflation.

Interest Rates

	Actual June 2018	**LTFP Estimate**
Cash Advance Debentures (overdraft)	3.75%	4.40%

Funding Requirements (Borrowings)

No additional fixed term loans are included, any temporary funding shortfall is covered by using the $5 million cash advance debenture (CAD) facility with the Local Government Finance Authority. The interest rate of our CAD is lower than long term fixed interest loans. A CAD facility also allows for early repayments therefore the finance sourced through the CAD during the financial year has saved several thousands of dollars of interest payable that would otherwise be payable if the finance required was in the form of a fixed loan.

Recurring Government Grants

- Financial Assistance Grants have been increased by CPI.

- Roads to Recovery – Council has been advised the payment of this grant will be approximately $379,000 in 2018/19, however this amount has been paid in advance and will be recognised in the 2017/18 year.
- Library Operating Grants – it is assumed that this grant will continue and will increase approximately in line with CPI, in 2018/19.

Material Future Land Developments

Future housing developments are expected to occur at Sea Breeze Estate, Port Wakefield, Wattle Ridge Balaklava, Blyth (Rural Living) and Hamley Bridge. However, there are no accurate estimates for the value or timing of the completion of these future developments at this stage. The Long Term Financial Plan has only been given a nominal 0.5% increase for growth in general rates in relation to new/additional developments for urban and rural that will occur in the future.

Fair Value Adjustments due to Asset Revaluations

The LTFP has not included any fair value adjustments due to the revaluation of assets, as this cannot be reliably estimated.

Community Wastewater Management Systems (CWMS) & Waste Collection Service Charges

CWMS have been budgeted to increase by LGPI. However, waste charges in the 2018/19 year have been increased by about 8% due to issues with high cost of recyclable waste and increases to the solid waste levy imposed by the South Australian Government (15% in 2018/19). In future years, waste charges have been budgeted to increase by LGPI but this may change depending upon the waste business and unexpected EPA levy increases.

Sensitivity analysis related to the 2018/19 financial year

The LTFP is based on a number of assumptions and so any shift in the actual results compared to these assumptions will cause variations to the LTFP forecast. A number of these underlying key assumptions have been listed along with a calculation of the dollar value and the equivalent percentage of general rates to offset the variation.

Material variations between the assumptions and actuals over several years would have a significant impact of the LTFP forecast results due to the compounding effect year on year into the future.

<u>Interest Rate Movement</u>
1% plus / minus on interest rates 2018/19 equals $18,000 or equivalent to 0.21% of general rates income, based on approximately $1.8 million borrowed on a variable Cash Advance Debentures facility. The balance of borrowings is with fixed interest term loans.

<u>Financial Assistance Grant (FAGs) Reduction</u>
5% plus / minus of FAGs in 2018/19 equals $134,450 or equivalent to 1.6% of general rates income.

<u>Growth Variation from projected</u>
0.25% plus / minus of growth equals $21,480 of general rates income.

<u>Variation in Operating & Capital Expenditure</u>

1% plus / minus of Operating Expenses (including Depreciation)		$149,870
1% plus / minus of Capital Expenses		$ 67,800
	Total	$ 217,670
	or equivalent to	2.62% of general rates income

<u>Other Factors</u>
There are a number of other factors that may have an impact to the LTFP, many may not be able to be foreseen such as changes to the level of government taxes. This was evident with the introduction of a new tax on quarry material extracted from borrow pits in 2015/16 which amounted to an estimated extra $42,500 expense per year or equal to 0.62% of general rates.

Other factors worth mentioning that can have an effect include the Australian dollar exchange rate for goods or raw materials that are sourced from overseas and the price of oil that impacts on the cost of fuel and asphalt. Many Council contracts have a rise and fall clause in relation to the cost of fuel. An accurate analysis is not possible for the movement in the Australian dollar and the rise and fall of international oil prices.

Key Financial Indicators

Operating Surplus Ratio

An operating surplus arises when operating income exceeds operating expenses for a period. An operating deficit arises when income is less than expenses for a period.

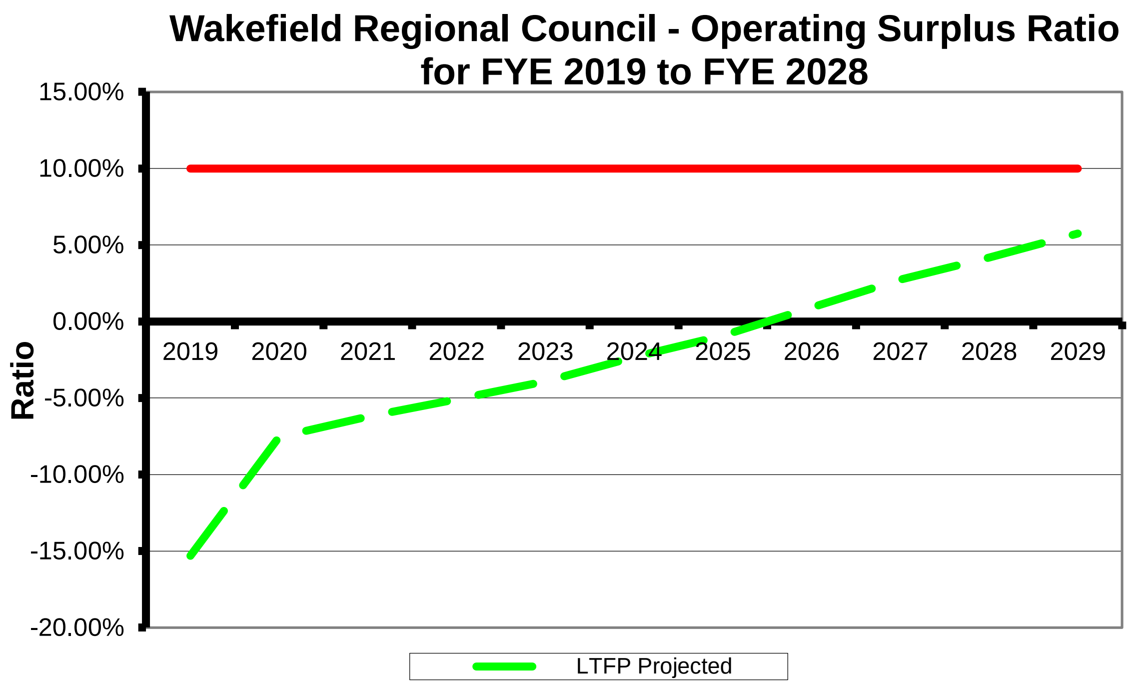
Just like any organisation or household, Council's long-term financial sustainability depends on ensuring that, on average over time, our expenses are less our associated income.

The operating surplus ratio is the operating surplus (or deficit) expressed as a percentage of operating income. A positive ratio indicates the percentage of operating income available to help fund proposed capital expenditure. If the relevant amount is not required for this purpose in a particular year, it can be held for future capital expenditure needs by either increasing financial assets or preferably, where possible, reducing debt in the meantime.

A negative ratio indicates the percentage increase in operating income or the approximate decrease in operating expenses required to achieve a break-even operating result.

Our Annual Business Plan target for the Operating Surplus Ratio is within 2% of the LTFP projections.

The LTFP indicates that operating surplus will be possible to achieve by year 2025/2026.



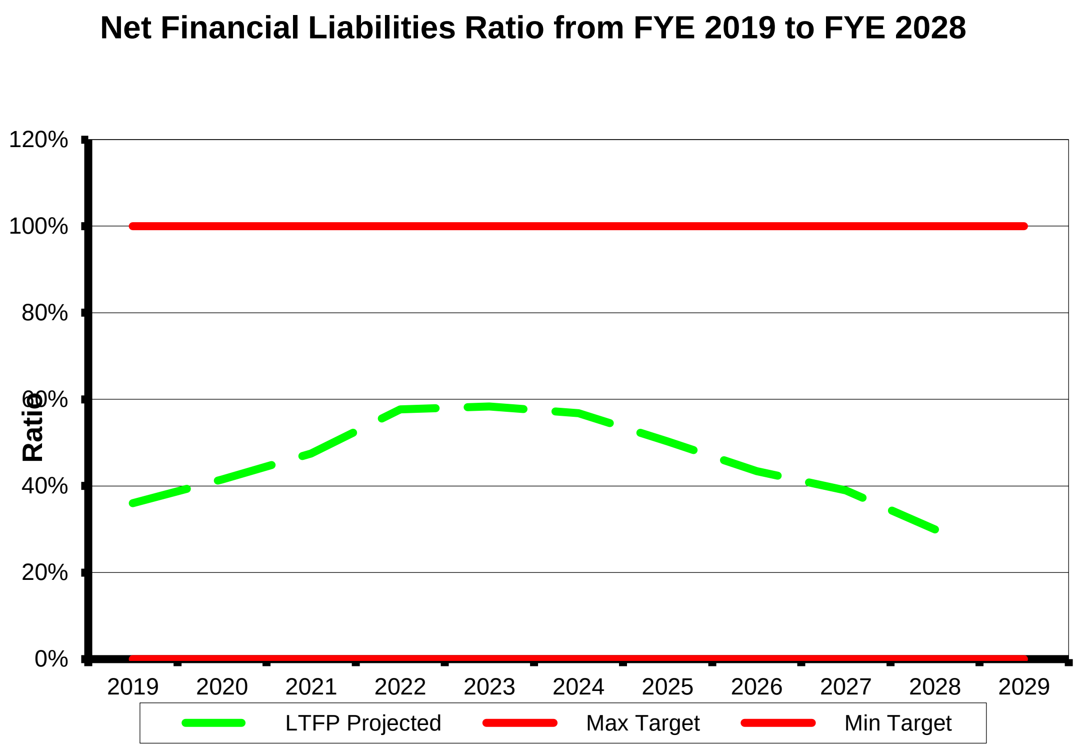
Performance: Achieving an operating surplus of greater than 0% indicates that Council has sufficient funds to replace assets in a timely manner. If Council is constantly planning for an operating surplus ratio to be below 0, it indicates that Council will not have sufficient funds to timely replace the assets and alternatively the Council will have to borrow more funds in order to keep providing the services to the community.

Net Financial Liabilities Ratio

The net financial liabilities ratio is calculated by expressing net financial liabilities at the end of a financial year as a percentage of operating income for the year. If the ratio falls, over time, this indicates that the Council's capacity to meet its financial obligations from operating income is strengthening.

An increase in the net financial liabilities ratio will sometimes mean that a Council is incurring higher operating expenses (e.g. as a result of additional maintenance and depreciation costs associated with purchasing new assets).

Our LTFP target for the Net Financial Liabilities Ratio is greater than 0% but less than 50% of total operating revenue until 2021/22. Further work to refine the Buildings & Structures IAMP in 2018 is likely to keep this ratio under 50% beyond 2021/22.



Performance: the graph above indicates that, over time, Council will be able to reduce its net financial liability. As Council starts producing operating surplus the net financial liability ratio reduces significantly from the year 2025/2026 onwards.

Asset Sustainability Ratio

This ratio indicates the extent to which existing non-financial assets are being renewed and replaced, compared with the asset renewal and replacement expenditure identified as required in our infrastructure and asset management plans.

It is calculated by measuring capital expenditure on renewal or replacement of assets for a period, divided by the optimal level of such expenditure proposed in the IAMPs.

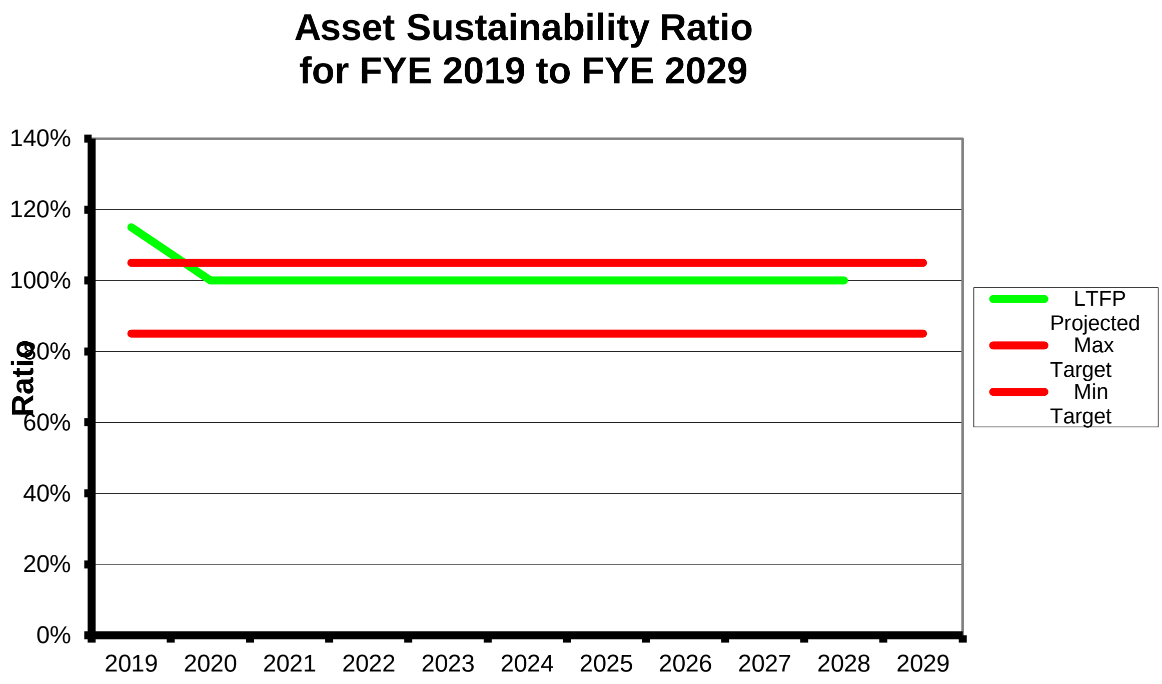
If capital expenditure on renewing or replacing existing assets is at a level consistent with that proposed in soundly prepared IAMPs (i.e. that is based on long-run affordable service levels) then it is likely that a Council is reasonably optimising timing of asset renewal activity.

Any material underspending on renewal and replacement over the medium term is likely to adversely impact on the cost-effective achievement of preferred, affordable service levels and could potentially progressively undermine a Council's financial sustainability.

Achievement of the suggested target would mean that a Council was reasonably optimising the timing of capital outlays on the renewal/replacement of assets (for its specified and preferred level of service from assets).

Failure to achieve the target would most likely mean that a Council was not optimising its financial sustainability and in order to do so may need to consider revising service levels.

Our LTFP target for the Asset Sustainability Ratio is maximum 110%, minimum within 5% of the LTFP projections.



Year Ending 30 June:	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Average**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	
General Rate Increase	5.5%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	3.2%
General Rate Growth	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Total Rate Increase inc Growth	6.0%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.7%
Rates (net of rebates & fines)	**8,304**	**8,586**	**8,878**	**9,180**	**9,492**	**9,815**	**10,148**	**10,493**	**10,850**	**11,219**	9,696
Operating Surplus Ratio %	(15.3%)	(7.5%)	(6.2%)	(5.1%)	(3.9%)	(2.3%)	(0.9%)	0.9%	2.7%	4.2%	(3.3%)
Operating Surplus / (Deficit)	(1,990)	(1,086)	(921)	(777)	(615)	(377)	(154)	159	487	764	(451)
Net Financial Liabilities Ratio %	36.0%	41.5%	47.5%	57.7%	58.3%	56.8%	50.3%	43.4%	39.0%	30.0%	46.0%
Net Financial Liability	4,589	5,970	7,036	8,814	9,178	9,209	8,402	7,478	6,916	5,482	7,307
Asset Sustainability Ratio %	115.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	101.5%
Capital Expenditure on Renewal or Replacement of Existing Assets:											Total
Transport	4,262	4,235	4,467	4,148	4,289	4,631	4,032	4,281	3,801	4,267	42,414
Storm Water	70	73	74	53	7	31	34	35	34	46	457
CWMS	100	-	-	-	30	84	62	-	45	84	406
Buildings	135	127	-	1,519	-	-	-	-	1,015	-	2,797
Bridges	0	47	-	-	116	-	13	-	116	17	311
Plant & Equipment	742	779	635	708	750	714	700	721	720	721	7,190
Office Equip	38	42	42	42	42	42	42	42	42	42	420
Works Depot - Balaklava	400	400	400	-							1,200
Public Toilets	108	88	-	-							196
Cemeteries	19	3	3	3	4	4	4	4	4	4	52
Total	**6,051**	**5,794**	**5,621**	**6,474**	**5,239**	**5,507**	**4,888**	**5,083**	**5,777**	**5,182**	**55,617**
Capital Expenditure on New/Upgraded Assets:											
transport	468	206	206	206	207	0	0	0	0	0	1,293
Storm Water	261	154	155	155	155	0	0	0	0	0	880
Total:	**729**	**360**	**361**	**361**	**361**	**0**	**0**	**0**	**0**	**0**	**2,173**
Grand Total	**6,780**	**6,154**	**5,982**	**6,835**	**5,601**	**5,507**	**4,888**	**5,083**	**5,777**	**5,182**	**57,790**

* The amount proposed for Buildings reflects initial work undertaken – as part of the development of Council's new Buildings & Structures IAMP – to determine levels of capital renewal that may be required. This is indicative only and, once the IAMP is finalised, the amount may be less and/or smoothed over a number of years. At this point in time a more reliable and precise forecast cannot be provided.

Wakefield Regional Council - Income Statement

Year Ending 30 June:	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	2025 $'000	2026 $'000	2027 $'000	2028 $'000
Operating Revenue										
Rates (net of rebates & fines)	8,304	8,586	8,878	9,180	9,492	9,815	10,148	10,493	10,850	11,219
Other Rates Charges	2,336	2,404	2,473	2,545	2,619	2,695	2,773	2,854	2,936	3,021
Statutory Charges	201	206	210	215	220	225	230	235	240	246
User Charges	509	520	532	544	556	569	582	595	608	622
Grants	1,487	2,514	2,571	2,630	2,689	2,751	2,815	2,879	2,945	3,012
Investment Income	14	5	3	2						
Reimbursements	115	118	120	123	126	129	131	134	137	140
Other	31	32	32	33	34	35	35	36	37	38
Total Operating Revenue	**12,997**	**14,384**	**14,820**	**15,272**	**15,735**	**16,217**	**16,714**	**17,226**	**17,754**	**18,298**
Operating Expenses										
Salaries & Wages	4,014	4,110	4,205	4,302	4,401	4,502	4,605	4,711	4,820	4,930
Contractual Services	5,486	5,592	5,702	5,859	5,976	6,097	6,265	6,394	6,526	6,707
Depreciation	5,394	5,619	5,626	5,633	5,640	5,647	5,647	5,647	5,647	5,647
Finance Charges	93	147	208	255	333	349	351	315	274	250
Total Operating Expenses	**14,987**	**15,469**	**15,741**	**16,049**	**16,350**	**16,594**	**16,868**	**17,067**	**17,267**	**17,534**
Operating Surplus / (Deficit)	**(1,990)**	**(1,086)**	**(921)**	**(777)**	**(615)**	**(377)**	**(154)**	**159**	**487**	**764**
Physical Resources Free of Charge	0	0	0	0	0	0	0	0	0	0
Amounts specifically for new or upgraded assets	0	0	0	0	0	0	0	0	0	0
Asset disposal & fair value adjustments										
Net Surplus / (Deficit)	**(1,990)**	**(1,086)**	**(921)**	**(777)**	**(615)**	**(377)**	**(154)**	**159**	**487**	**764**
Changes in revaluation surplus	(1,990)	(1,086)	(921)	(777)	(615)	(377)	(154)	159	487	764
Other Comprehensive Income										
Total Comprehensive Income	**(3,981)**	**(2,171)**	**(1,842)**	**(1,554)**	**(1,229)**	**(755)**	**(307)**	**318**	**974**	**1,528**

CASH FLOW STATEMENT – GENERAL ENTITY

Year Ending 30 June:	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash Flows from Operation Activities										
Receipts										
Operating Receipts	13,602	14,379	14,817	15,270	15,735	16,217	16,714	17,226	17,754	18,298
Investment receipts	14	5	3	2	-	-	-	-	-	-
Payments										
Operating payments to suppliers& employees	- 10,019	- 9,703	- 9,907	- 10,161	- 10,377	- 10,598	- 10,871	- 11,105	- 11,346	- 11,637
Finance Payments	- 93	- 147	- 208	- 255	- 333	- 349	- 351	- 315	- 274	- 250
Net Cash provided by (or used in) Operating Activities	**3,504**	**4,534**	**4,706**	**4,856**	**5,025**	**5,270**	**5,493**	**5,806**	**6,134**	**6,411**
Cash Flows from Investing Activities										
Receipts										
Amounts received specifically for new or upgraded assets	-	-	-	-	-	-	-	-	-	-
Sale of replaced assets	222	221	190	190	211	206	201	202	205	206
Sale of surplus assets	-	-	-	-	-	-	-	-	-	-
Repayments of loans by community groups	15	19	20	11	-	-	-	-	-	-
Payments										
Expenditure on renewal/replacement of assets	- 5,688	- 5,794	- 5,621	- 6,474	- 5,239	- 5,507	- 4,888	- 5,083	- 5,777	- 5,182
Expenditure on new/upgraded assets	- 859	- 360	- 361	- 361	- 361	-	-	-	-	-
Loans made to community groups										
Net Cash provided by (or used in) Investing Activitries	**- 6,310**	**- 5,914**	**- 5,772**	**- 6,634**	**- 5,389**	**- 5,301**	**- 4,687**	**- 4,882**	**- 5,572**	**- 4,976**
Cash Flows from Financing Activities										
Receipts										
Proceeds from borrowings	2,429	1,380	1,066	1,777	364	31	-	-	-	-
Payments										
Repayments of borrowings	-	-	-	-	-	-	- 807	- 924	- 562	- 1,434
Net Cash provided by (or used in) Financing Activities	**2,429**	**1,380**	**1,066**	**1,777**	**364**	**31**	**- 807**	**- 924**	**- 562**	**- 1,434**
Net Increase (Decrease) in cash held	**- 377**	-	-	-	-	-	-	-	-	-
Cash & cash equivalents at beginning of period	387	10	10	10	10	10	10	10	10	10
Cash & cash equivalents at end of period	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**

BALANCE SHEET – GENERAL ENTITY

As at 30 June:	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	2025 $'000	2026 $'000	2027 $'000	2028 $'000
ASSETS										
Financial Assets										
Cash and Cash Equivalents	10	10	10	10	10	10	10	10	10	10
Current Trade & Other Receivables	982	982	982	982	982	982	982	982	982	982
Inventories	195	195	195	195	195	195	195	195	195	195
Total Financial Assets	**1,187**	**1,187**	**1,187**	**1,187**	**1,187**	**1,187**	**1,187**	**1,187**	**1,187**	**1,187**
Non Financial Assets										
Financial Assets	50	31	11							
Infrastructure, Property, Plant & Equipment	130,229	130,543	130,708	131,720	131,469	131,123	130,163	129,397	129,323	128,652
Other Non-current Assets	514	514	514	514	514	514	514	514	514	514
Total Non Financial Assets	**130,793**	**131,088**	**131,233**	**132,234**	**131,983**	**131,637**	**130,677**	**129,911**	**129,837**	**129,166**
Total Assets	131,980	132,275	132,420	133,421	133,170	132,824	131,864	131,098	131,024	130,353
LIABILITIES										
Current Liabilities										
Trade & Other Payables	1,204	1,204	1,204	1,204	1,204	1,204	1,204	1,204	1,204	1,204
Borrowings	2,795	191								
Provisions	926	926	926	926	926	926	926	926	926	926
	4,925	**2,321**	**2,130**	**2,130**	**2,130**	**2,130**	**2,130**	**2,130**	**2,130**	**2,130**
Non-current Liabilities										
Trade & Other Payables	0	0	0	0	0	0	0	0	0	0
Borrowings	552	4,537	5,794	7,572	7,936	7,967	7,160	6,236	5,674	4,240
Provisions	299	299	299	299	299	299	299	299	299	299
	851	**4,836**	**6,093**	**7,871**	**8,235**	**8,266**	**7,459**	**6,535**	**5,973**	**4,539**
Total Liabilities	**5,776**	**7,157**	**8,223**	**10,001**	**10,365**	**10,396**	**9,589**	**8,665**	**8,103**	**6,669**
Net Assets	**126,203**	**125,118**	**124,197**	**123,420**	**122,805**	**122,428**	**122,274**	**122,433**	**122,920**	**123,684**
EQUITY										
Accumulated Surplus	20,128	19,042	18,122	17,344	16,730	16,353	16,199	16,358	16,845	17,609
Asset Revaluation Reserves	105,911	105,911	105,911	105,911	105,911	105,911	105,911	105,911	105,911	105,911
Other Reserves	164	164	164	164	164	164	164	164	164	164
Total Equity	**126,203**	**125,117**	**124,197**	**123,419**	**122,805**	**122,428**	**122,274**	**122,433**	**122,920**	**123,684**

Wakefield Regional Council Long-term Financial Plan

Uniform Presentation of Finances for the Years Ending 30 June 2019 to the 30 June 2028

Year Ending 30 June:	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'001
Operating Revenues	12,997	14,384	14,820	15,272	15,735	16,217	16,714	17,226	17,754	18,298
less Operating Expenses	14,987	15,469	15,741	16,049	16,350	16,594	16,868	17,067	17,267	17,534
Operating Surplus/(Deficit) before Capital Amounts	**(1,990)**	**(1,086)**	**(921)**	**(777)**	**(615)**	**(377)**	**(154)**	**159**	**487**	**764**
LESS: Net Outlays on Existing Assets										
Capital Expenditure on Renewal or Replacement of Existing Assets	5,832	5,794	5,621	6,474	5,239	5,507	4,888	5,083	5,777	5,182
less Depreciation, Amortisation & Impairment	(5,393)	(5,619)	(5,626)	(5,633)	(5,640)	(5,647)	(5,647)	(5,647)	(5,647)	(5,647)
less Proceeds from Sale of Replaced Assets	(222)	(221)	(190)	(190)	(211)	(206)	(201)	(202)	(205)	(206)
Net Outlays on Existing Assets	**217**	**(47)**	**(195)**	**650**	**(612)**	**(346)**	**(960)**	**(765)**	**(75)**	**(671)**
LESS: Net Outlays on New or Upgraded Assets										
Capital Expenditure on New/Upgraded Assets	703	360	361	361	361	0	0	0	0	0
less Amounts Specifically for New/Upgraded Assets	0	0	0	0	0	0	0	0	0	0
less Proceeds from Sale of Surplus Assets	0	0	0	0	0	0	0	0	0	0
Net Outlays on New or Upgraded Assets	**703**	**360**	**361**	**361**	**361**	**0**	**0**	**0**	**0**	**0**
EQUALS: Net Lending / (Borrowing) for Financial Year	**(2,910)**	**(1,399)**	**(1,086)**	**(1,788)**	**(364)**	**(31)**	**807**	**924**	**562**	**1,434**

Attachment 1 – the LGPI and CPI

Local Government Price Index (LGPI)

The LGPI is a reliable and independent measure of the inflationary effect on price changes in the South Australian Local Government sector. The LGPI reflects, over time, the movement in prices for a number of cost components as well as the aggregate spend on these components. The index includes both operating and capital expenditure on a state average basis.

Unlike most households, Councils spend a large proportion of their budgets on:

- Road construction materials
- Other construction costs (e.g. stormwater, footpaths etc)
- Wage for staff who provide services
- Contractors (e.g. waste management)
- Governance/administration

As the mix of goods and services purchased by Local Councils is quite different from that typically consumed by households, overall price movements faced by Local Councils may differ markedly from those faced by households. Overall price movements indicated by the Consumer Price Index (CPI) - which measures changes in the price of a 'basket' of goods and services which account for a high proportion of expenditure by metropolitan households - may therefore not accurately reflect price movements faced by Local Councils.

The movement in the prices of these items is different to how average household prices move. This is reflected in Council budgets, along with changes in standards, efficiency gains, service changes and major projects. The LGPI is a better reflection (compared to the CPI) of the changing cost/price of the inputs used by councils to deliver services and is, therefore, and important tool for developing long-term financial plans.

Annual Local Government Price Index, Expenditure Components vs. CPI

Year	***LGPI***	***CPI (Adelaide)***	*LGPI vs CPI*
2012/13	*2.8*	*2.0*	*0.8*
2013/14	*2.3*	*2.6*	*(0.3)*
2014/15	*1.7*	*1.6*	*0.1*
2015/16	*0.9*	*0.9*	*0.0*
2016/17	*1.8*	*1.5*	*0.3*
Average over 5 years	***1.9***	***1.72***	***0.18***
	Dec 2017 = 2.9%	***Mar 2018 = 2.3%***	

Consumer Price Index (CPI)

The CPI measures quarterly historic changes in the cost of a typical metropolitan household 'basket' of goods and services, including a wide range of goods and services in eleven categories; food, alcohol & tobacco, clothing & footwear, housing, household contents and services, health, transport, communication, recreation, education and financial and insurance services.

Most government personal benefit payments are linked to CPI and a significant number of ratepayers are on such benefits. This proportion will vary from Council to Council. Again, CPI is not a complete measure of the capacity of this group as it does not take into account other benefits and the fact that some benefit recipients receive other income and may be affected by changes to income tax rates. While it is relevant to the capacity of some ratepayers and the cost of living, CPI is not an accurate reflection of changes to items relevant to Council expenditure.