

LONG TERM FINANCIAL PLAN



KING ISLAND COUNCIL LONG TERM FINANCIAL PLAN (LTFP)

PERIOD FY2022 TO FY2031

ADOPTED 26 APRIL 2022

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INTRODUCTION AND EXECUTIVE SUMMARY

This long-term financial plan (LTFP) is one of a number of a number of prescribed plans, strategies and policies required under the *Local Government Act 1993* (The Act), including:

- A strategic plan (s.66)
- An annual plan (s.71)
- Financial management strategies (s.70A)
- Long-term strategic asset management plans (s.70B)
- Asset management policies (s.70C)
- Asset management strategies (s.70D)

The Act requires the long-term financial plan to be consistent with the strategic plan and the long-term strategic asset management plans.

The plan covers the period of financial year ended 30th June 2022 to 30th June 2031.

The plan shows:

- A modest operating surplus from FY2024 onwards (excluding quarry rehabilitation costs – In-progress);
- Includes the one-off council contribution to communication infrastructure in FY2023 of \$813k (yet to be expended);
- No new debt and repayment of current debt in FY2027;
- Cash break-even position for period FY2024 to FY2031;
- Asset renewal funding ratio of 95.6% over the period (benchmark is minimum of 90%);
- Asset consumption ratio of 62% (benchmark of between 40 to 60%);
- Recurring annual revenue of \$8.1m;
- Assumed small scale capital expenditure/works for Airport is \$200k per annum on a “maintenance” basis; funding for any major capital works is outside of the plan and council resources;
- An adjusted annual depreciation charge for the Airport at \$200K, matching the “maintenance capital” expenditure assumption;
- A provision for anticipated Quarry rehabilitation costs included at \$200K pa between FY2025 and FY2031 (Total \$1.4m).
- CPI increases have been excluded from the plan and utilised baseline revenue and expenditure (the first review of this document will address the inclusion of CPI);
- Overall a “business as usual” baseline financial plan;

PURPOSE

The purpose of the plan is to enable Councillors, staff and the community to take a long-term view of how Council's finances are best managed and planned to generate the revenue needed to meet annual service delivery and operational costs and long-term infrastructure maintenance and asset renewal costs.

The plan is also to assist Council achieve:

- equitable and efficient revenue raising, including intergenerational equity;
- compliant, prudent and transparent financial management; and
- long-term financial sustainability, including the ability to respond to and recover from unexpected financial impacts.

The plan provides a framework for Council's consideration of its annual plans and budgets and periodic reviews and updates of its strategic plan and asset management plans.

CONTEXT – KING ISLAND ECONOMY, JOBS AND POPULATION

Compared to most Tasmanian councils, King Island Council has a small, low growth property base on which to generate rate income. This constrains Council's capacity to raise rate revenue to deliver its core services, meet ever-increasing regulatory compliance obligations, and fund infrastructure and asset renewals.

The financial sustainability of Council is dependent on the sustainability of the Island's economy and State and Federal government policy.

The Island's economy is driven by its agriculture, fishing, mining and tourism industries, business services and government services, the size and scale of which are beyond Council's powers to control.

History shows that industry and business closures or marginal economic conditions can significantly impact Council's rate base and its capacity to raise revenue without necessarily reducing Council's infrastructure, service delivery and compliance commitments and costs.

Closures of the Scheelite mine in the early 1990s and the King Island Abattoir in 2009 are real world examples of events that negatively impacted the local economy, employment and population with flow-on impacts on Council's financial position.

The unpredictability of such events requires Council to closely monitor potential economic and social changes and be in a strong financial position to respond to and manage the change.

Council will seek to maintain a reasonable level of cash reserves to accommodate impacts on revenues and expenditures with a minimum of disruption. Council will also work with State and Commonwealth Governments to secure fair and equitable assistance.

Council will also continue to support the Island's existing industries which underpin the economy and its rate base as well as new appropriate and sustainable private and public investments to grow the economy and rate base to improve Council's financial sustainability.

BACKGROUND – FINANCIAL PERFORMANCE

Council uses two accounting methods to measure its annual financial performance. The first is the underlying statutory operating result (surplus/deficit), which includes depreciation. The second is the net underlying cash result.

Council's budget for FY2022 have projected an underlying statutory surplus of \$119,776. The Federal Assistant Grant (FAG) prepayment for the current year of \$985,628 is added to calculate a budgeted net underlying surplus of \$1,105,404.

The underlying "cash" result for FY2022 is a deficit of \$448,613. This is due to some "one-off" capital items incurred in FY2022.

The actual net Operating result for FY2021 on a statutory formula basis was \$698,392. The Long Term Financial Plan has added back the non-monetary contribution for roads of \$205,000 that was included in this reported result and has shown the underlying operating result for FY2021 as \$493k.

10-YEAR STRATEGIC ASSET MANAGEMENT PLAN

Council's Strategic Asset Management Plan (SAMP) sets out the 10-year commitments needed to maintain Council's major asset categories (Roads, Bridges, Drainage, and Buildings) in the most cost-effective manner and to upgrade and add new assets to meet demand.

The strategies in this financial plan provide for the continued investment in asset maintenance, renewal and replacement. Assumptions have been made in this Plan around the level of maintenance and renewal funding required for those asset categories not yet included in Council's SAMP. The Financial Management Plan will be revised periodically as asset management plans are developed for the balance of Council's asset portfolio, including Council's airport, parks and recreational facilities, plant and equipment, and waste management facilities.

STATUTORY FINANCIAL COMPLIANCE

As a public authority, Council has obligations to manage and report its finances in accordance with the Act, accounting standards, audit requirements and other regulatory requirements such as those associated with grant funding.

Council also has a suite of financial policies to manage matters such as rates and charges, investments, financial reserves, financial IT systems, debt recovery, prevention of fraud, risk management and other related matters. The policies are subject to regular monitoring and review.

1. REVENUE SOURCES

1.1. GENERAL RATES

General rates are a property tax and the principal means Council has to raise revenue. Rates represent approximately 33% of Council's total recurring revenue

Council levies rates on the basis of a property's Assessed Annual Value (AAV) set by the Tasmanian Valuer-General, which are subject to periodic revaluations and adjustments.

Council ensures it only raises sufficient rate revenue to fund, together with other revenue sources, its legislative compliance obligations and its infrastructure, services and operational commitments. Council will also minimise increases by continuing to find and implement cost savings and efficiencies, including opportunities to resource share with the community and other councils.

It is important that Council maintains a stable and predictable approach to setting rates to enable ratepayers to plan and manage their finances with certainty and to ensure rate income keeps pace with general inflationary price increases as well as additional commitments imposed through government regulation or additional spending to meet community needs.

For the purposes of this plan the FY2022 budgeted revenue amount of \$2,724k has been assumed to be the recurring revenue amount. No rate increases have been modelled in the LTFP.

1.2. USER AND STATUTORY CHARGES

User charges include aircraft landing fees at the airport, fees set in facility lease agreements with sporting and recreation groups, and commercial leases.

The user pays principle usually applies when setting rates. However, in the case of airport charges, Council takes into account the level of passenger and freight movements, the viability of full cost recovery fees, and the economic and social benefits the airport generates for the community.

Similarly, sporting and recreation lease charges are set at amounts that take into account the level of volunteer support provided by lessees and the social and economic benefits the community derives from these activities being available to existing and potential participants.

Statutory charges include fees prescribed in legislation and regulation associated with a wide range of services, including planning, development and building permits, dog licences, public health and food safety licences and so on.

User and statutory charges represent approximately 9% of Council's total recurrent revenue.

For the purposes of this plan the FY2022 budgeted revenue amount of \$761k has been assumed to be the recurring revenue amount. There have been no planned increases for airport charges included in the LTFP model.

1.3. PRIVATE WORKS

Council earns substantial revenue from private civil construction and maintenance works, including a contract with the State Government to maintain the state road network on the Island. As Council is competing with the private sector for this work, its charges reflect full cost recovery plus a market-driven profit margin. The profits are used to fund public works and services.

Revenue from private works represents approximately 18% of Council's total recurrent revenue.

For the purposes of this plan the FY2022 budgeted revenue amount of \$1,455k has been assumed to be the recurring revenue amount.

1.4. GENERAL PURPOSE GRANTS

The annual Federal Assistant Grant (FAG) is allocated to all councils as general-purpose, untied funding. Each council's allocation is based on a horizontal fiscal equalisation methodology implemented by the State Grants Commission in accordance with Commonwealth legislation.

While a component of the grant is set on a per capita basis, the major portion is calculated on measurable revenue and expenditure adjustments to achieve nominal equalisation between councils.

As Council faces significant revenue and expenditure disadvantages because of the island's size and isolation, the equalisation methodology generates a FAG contribution that represents 25% of its total recurrent revenue.

While the grant is untied, Council prioritises its allocation to address these disadvantages rather than initiate new projects or programs unrelated to the equalisation methodology.

While Council makes submissions to assist the State Grants Commission's deliberations, actual allocations are beyond Councils control and can materially impact its total revenue and spending capacity. It is for this reason Council needs to maintain a positive rate revenue raising effort and minimise potential risks should Commonwealth Government funding policies change.

For the purposes of this plan the advised future amount of \$2,059k has been assumed to be the recurring revenue amount.

1.5. OTHER GRANTS

Council, along with other councils, also receives annual road infrastructure funding under the Commonwealth Government’s Roads to Recovery Program. This represents approximately 5% of Council’s total recurrent revenue.

These grants are an important source of revenue and are allocated to the maintenance, renewal and upgrade of Council’s road and bridge infrastructure.

For the purposes of this plan the FY2022 budgeted revenue amount of \$415k for the Road to Recovery grant and \$30k for fuel tax credits has been assumed to be the recurring revenue amount of \$445k.

This forecast amount is materially different to the FY2022 budget. The budget includes one-off capital grant including the Currie Oval, Currie Lighthouse painting, Grassy Oval and LRCI Phases 2 and 3. These grants have not been including in the plan from FY2023 onwards.

1.6. CAPITAL AND SPECIFIC PURPOSE GRANTS

Council also submits grant applications under State and Commonwealth Government programs and can receive one-off grants for specific purposes for projects or service programs. These grants should not be relied upon to achieve a sustainable balanced budget or to deliver core infrastructure asset and service delivery functions. Caution also needs to be exercised to ensure one-off grants do not create ongoing obligations that cannot be funded from Council’s core rate, user charges and general-purpose grant revenue.

For the purposes of the plan as noted above these grants have not been included in the forecast recurrent revenue for Council.

1.7. INTEREST ON INVESTMENTS AND OVERDUE RATE PAYMENTS

Interest derived from cash-at-bank and cash reserves provides another source of revenue for Council. Currently in a low interest rate environment these returns are minimal. Potential upside is possible but for the purposes of the plan the budgeted income of \$55k for FY2022 has been assumed to be the recurrent revenue for Council from this source.

1.8. DIVIDENDS

Council is a part-owner of the Tasmanian Water and Sewerage Corporation (TasWater) along with other Tasmanian councils and may receive a dividend in proportion to its contributed assets. Dividends are determined by the TasWater Board and vary according to TasWater’s annual financial position and dividend policy.

For the purposes of this plan the FY2022 budgeted revenue amount of \$131k has been assumed to be the recurring revenue amount.

The dividend revenue has been included in the Other revenue line in the Operating revenue section.

1.9. OTHER REVENUE

The State Government provides Council with revenue collected from light vehicle registrations on the island. This represents approximately 6% of Council’s total revenue. Council revenue is raised from a road user charge paid by the Naracoopa Sand Mine.

For the purposes of this plan the FY2022 budgeted revenue amount of \$493k has been assumed to be the recurring revenue amount for motor tax. This has been included in Other revenue total.

From time to time, Council may derive revenue from the sale of property or surplus plant and machinery. While Council owns four residential properties, no major property sales are planned during the 10-year period. However, it remains an option available to Council should the need arise and one-off funds generated would be included in the appropriate annual budget. The plan does not include any forecast asset sales proceeds.

2. EXPENSES

In the delivery of Council functions, the major areas of expenditure are: employee costs; materials, contracts and other costs; and, State Government levies. Council's accounts also include depreciation, which is non-cash book entry.

2.1. EMPLOYEE COSTS

Council has a very small number of employees compared to most other Tasmanian councils. Given continued low growth in Council's rate base, it is expected that employee numbers will be generally maintained at this level over the next 10-years.

Employee costs include all salaries and wages and all employment related expenses including payroll tax, employer superannuation, leave entitlements, fringe benefit tax, workers compensation insurance and professional development. For the purposes of this plan the FY2022 budgeted amount of \$2,688k has been assumed to be the estimated ongoing expenditure.

2.2. CONTRACTUAL SERVICES

This category includes the purchase of consumables, payments to contractors for the provision of services, insurances, utility services, such as telecommunications, water, sewerage, and electricity.

The FY2022 budgeted amount of \$2,493k has been reduced for the Currie lighthouse painting project of \$450k, for an ongoing recurrent expenditure estimate of \$2,043k. The budgeted FY2022 Internal cost recovery charges of \$1,262k has been included as an offset to estimate ongoing net expenditure in this category of \$781k.

An amount for Quarry rehabilitation costs of \$50k has been included in FY2022 capital expenditure budget. The amount required to set aside for this activity is under constant review. As this liability is yet to be quantified the plan has not included any known costs at this stage.

2.3. MATERIALS

This category includes the purchase of materials for Council works.

For the purposes of this plan the FY2022 budgeted amount of \$1,857k has been assumed to be the estimated ongoing expenditure.

2.4. DEPRECIATION

Depreciation is a non-cash item in Council’s budget that allocates the cost (revalued amount) of an asset, as an expense, to each financial year over its estimated useful life. Market valuations of major assets, including roads and the airport, are obtained from independent specialists.

Council calculates depreciation of its existing assets in accordance with Australian Accounting Standards and includes it in Council’s statutory operating result (surplus or deficit).

Depreciation is an indicative measure of the expense provision needed for asset renewal in any given year and is applied, in part, to indicate a council’s financial sustainability.

Depreciation is not, however, an accurate measure of amount needed for asset renewal or replacement. Council’s Strategic Asset Management Plan provide a more reliable estimate of expenditure required for inclusion in its annual budgets.

The main assumption in this expense category is that Airport depreciation matches the forecast “maintenance” capital requirement of \$200k per annum. Accordingly, from FY2023 onward, the estimated Airport depreciation on an “asset consumption” basis (and including additions of \$2k) has been set at \$202k per annum instead of the statutory accounting standard of \$472k as included in the budget for FY2022.

Depreciation on Culverts has also now been included.

The recurrent depreciation for existing assets has been estimated to range between \$1,991 and \$1,819 per annum across the life of the Plan. Total annual depreciation charges include the assets covered by Council’s Strategic Asset Management Plan, and those asset categories yet to be incorporated.

New assets included in the Strategic Asset Management Plan have also been included in the forecast depreciation with estimated useful lives between 20 and 80 years.

The reconciliation of depreciation has been included in the Appendix 9.

2.5. FINANCE CHARGES

Finance charges includes interest on borrowings and related charges.

For the purposes of this plan the FY2022 budgeted amount of \$31k has been adjusted depending on the timing of the fixed interest rate schedule.

2.6. OTHER EXPENSES

The category of other expenses includes insurances, fire service levy, and a range of administrative expenses

For the purposes of this plan the FY2022 budgeted amount of \$974k has been assumed to be the estimated ongoing expenditure each year.

In FY2023 a one-off payment for Council's contribution to the telecommunications infrastructure of \$831k has been included.

2.7. CAPITAL WORKS/EXPENDITURE

Council adopts an annual capital works program to renew or replace infrastructure and other assets. This is to maintain the asset base and a consistent level of service.

Council aims to allocate sufficient resources to the program to meet commitments identified in its Strategic Asset Management Plan. A reconciliation between the Long Term Financial Plan and the Asset Management plan is provided in Appendix 7.

Small scale capital expenditure for the Airport from a “maintenance” perspective is estimated to be \$200k per annum and has been included in the plan. The actual capital required is yet to be determined. It is likely that any significant capital expenditure would require funding from outside Council resources.

The reconciliation for FY2022 between the approved budget and the plan is as follows:

	FY2022 \$'000 Replacement Assets	FY2022 \$'000 New Assets	FY2022 \$'000 Total
Airport	20	120	140
Roads & Transportation	1,400	460	1,760
Bridges & Drainage	100		100
Plant & Equipment	356	50	406
Property	100		100
Parks & Recreation	470		470
Waste Management	160	100	260
Total	\$2,606	\$730	\$3,336

2.8. LOANS

The general purpose of loan borrowings is to fund major strategic infrastructure assets that provide long-term economic, social and environmental benefit for the community. Council’s most recent loan borrowing was to fund an upgrade of the passenger terminal at the airport.

Council’s small rate base and a generally low growth economy requires a cautious approach to loan borrowings over the next 10-years. A low or zero interest rate environment potentially enables Council to borrow and fund asset management and improvement priorities in its long-term infrastructure asset plan. Consideration of such a strategic borrowing program needs to include the capacity of the community to fund the repayment over the term of the loan and the ability of the community to fund maintenance and renewal of the asset during its expected life.

Existing loans are forecast to be repaid in FY2027. No new borrowings have been included in the plan. The timing of the loan repayments has been aligned to the fixed term nature of each loan.

FINANCIAL MANAGEMENT AIMS

The aims of Council's Long Term Financial Plan are:

- to tightly manage revenue and expenses to ensure a balanced budget with sufficient cash-at-bank and in reserves to meet its debts, as and when they fall due;
- to fund asset renewals; and
- to manage the financial impacts from unexpected events.

This is challenging given Council's limited rate base, the Island's low growth economy and the ever-increasing regulation and compliance obligations imposed on Council.

The long-term strategies in this plan will assist Council in meeting this challenge.

Council will also establish, maintain and progressively update a model of Council's finances over a rolling 10-year timeframe. The model is to test and project financial results to be derived from detailed application of the strategies.

The plan projects underlying statutory results, operating cash results and key indicators such as a net financial liabilities ratio and an indebtedness ratio.

The long term financial plan will form part of Council's consideration of each annual budget.

TIME PERIOD AND OVERALL KEY ASSUMPTIONS:

- Year 0 is FY2021 Actuals (based on unaudited 2021 financials);
- Year 1 is FY2022 approved budget;
- Year 2 is FY2023 and Year 10 is FY2031
- CPI has not been included in future years for both revenue and expenditure;
- No rate rises have been included in the plan as a base line assumption;
- Also the time value of money has not been included ie future revenue and expenditure has not been discounted by the time value of money;
- Airport small scale capital expenditure has been adjusted to maintenance of \$200k per annum. Annual forecast depreciation has been adjusted in line with the \$200k per annum;
- Quarry rehabilitation costs of \$50k in FY2022 have not been quantified for future years.
- Culvert depreciation has been included.

APPENDICES

1. OPERATING SURPLUS FORECAST

Year Ending 30 June:	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	Actual	Budget	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Revenue											
Rates	2,662	2,724	2,724	2,724	2,724	2,724	2,724	2,724	2,724	2,724	2,724
Charges	709	761	761	761	761	761	761	761	761	761	761
Commercial Revenue	1,454	1,455	1,455	1,455	1,455	1,455	1,455	1,455	1,455	1,455	1,455
Grants - FAG	1,906	1,947	2,059	2,059	2,059	2,059	2,059	2,059	2,059	2,059	2,059
Grants - Non FAG	709	2,312	445	445	445	445	445	445	445	445	445
Investment Income	107	55	55	55	55	55	55	55	55	55	55
Other	581	624	654	654	654	654	654	654	654	654	654
Total Operating Revenue	8,128	9,878	8,153	8,153	8,153	8,153	8,153	8,153	8,153	8,153	8,153
Operating Expenses											
Salaries & Wages	2,515	2,688	2,688	2,688	2,688	2,688	2,688	2,688	2,688	2,688	2,688
Contractual Services	607	1,231	781	781	781	781	781	781	781	781	781
Materials	1,658	1,857	1,857	1,857	1,857	1,857	1,857	1,857	1,857	1,857	1,857
Depreciation	1,954	1,991	1,789	1,793	1,796	1,800	1,804	1,808	1,811	1,815	1,819
Finance Charges	37	31	26	25	23	8	6	0	0	0	0
Other	864	974	1,805	974	974	974	974	974	974	974	974
Total Operating Expenses	7,635	8,772	8,946	8,118	8,119	8,108	8,110	8,108	8,111	8,115	8,119
Operating Surplus / (Deficit)	493	1,106	(793)	36	34	45	43	46	42	38	34

The FY2023 result includes the impact of \$813k for council’s contribution to infrastructure.

The forecast is for an operating surplus from FY2024 onwards.

2. SUMMARY OF FINANCIAL PERFORMANCE AND POSITION

Year Ending 30 June:	2021 Year 0 Actual \$'000	2022 Year 1 Budget \$'000	2023 Year 2 Plan \$'000	2024 Year 3 Plan \$'000	2025 Year 4 Plan \$'000	2026 Year 5 Plan \$'000	2027 Year 6 Plan \$'000	2028 Year 7 Plan \$'000	2029 Year 8 Plan \$'000	2030 Year 9 Plan \$'000	2031 Year 10 Plan \$'000
Operating Revenues	8,128	9,878	8,153	8,153	8,153	8,153	8,153	8,153	8,153	8,153	8,153
less Operating Expenses	7,635	8,772	8,946	8,118	8,119	8,108	8,110	8,108	8,111	8,115	8,119
Operating Surplus/(Deficit) before Capital Amounts	493	1,106	(793)	36	34	45	43	46	42	38	34
LESS: Net Outlays on Existing Assets											
Capital Expenditure on Renewal or Replacement of Existing Assets	1,463	2,606	1,152	1,133	1,071	2,496	1,170	1,182	1,060	1,037	2,456
less Depreciation, Amortisation & Impairment	(1,954)	(1,991)	(1,789)	(1,793)	(1,796)	(1,800)	(1,804)	(1,808)	(1,811)	(1,815)	(1,819)
Less: Capital Grants	(575)	(458)	(415)	(415)	(415)	(415)	(415)	(415)	(415)	(415)	(415)
less Proceeds from Sale of Replaced Assets	0	0	0	0	0	0	0	0	0	0	0
Net Outlays on Existing Assets	(1,066)	157	(1,051)	(1,075)	(1,140)	281	(1,049)	(1,040)	(1,167)	(1,193)	222
LESS: Net Outlays on New or Upgraded Assets											
Capital Expenditure on New/Upgraded Assets	0	730	300	300	300	300	300	300	300	300	300
less Amounts Specifically for New/Upgraded Assets	0	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	0
Net Outlays on New or Upgraded Assets	0	730	300	300	300	300	300	300	300	300	300
EQUALS: Net Lending / (Borrowing) for Financial Year	1,559	219	(41)	810	874	(536)	792	786	908	931	(488)

3. STATEMENT OF FINANCIAL POSITION

As at 30 June:	2021 Year 0 Actual \$'000	2022 Year 1 Budget \$'000	2023 Year 2 Plan \$'000	2024 Year 3 Plan \$'000	2025 Year 4 Plan \$'000	2026 Year 5 Plan \$'000	2027 Year 6 Plan \$'000	2028 Year 7 Plan \$'000	2029 Year 8 Plan \$'000	2030 Year 9 Plan \$'000	2031 Year 10 Plan \$'000
ASSETS											
Financial Assets											
Cash and Cash Equivalents	4,943	4,545	4,042	4,388	4,500	3,522	3,641	4,011	4,505	5,021	4,118
Current Trade & Other Receivables	350	350	350	350	350	350	350	350	350	350	350
Current Other Financial Assets	2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637	2,637
Total Financial Assets	7,930	7,532	7,029	7,375	7,487	6,509	6,628	6,998	7,492	8,008	7,105
Non Financial Assets											
Inventories	698	698	698	698	698	698	698	698	698	698	698
Other Current Assets	35	35	35	35	35	35	35	35	35	35	35
Infrastructure, Property, Plant & Equipment	64,774	66,119	65,783	65,423	64,998	65,994	65,660	65,335	64,883	64,405	65,342
Other Non-current Assets	4,727	4,727	4,727	4,727	4,727	4,727	4,727	4,727	4,727	4,727	4,727
Total Non Financial Assets	70,234	71,579	71,243	70,883	70,458	71,454	71,120	70,795	70,343	69,865	70,802
Total Assets	78,164	79,111	78,271	78,258	77,945	77,963	77,748	77,793	77,835	77,873	77,907
LIABILITIES											
Current Liabilities											
Trade & Other Payables	465	465	465	465	465	465	465	465	465	465	465
Borrowings	159	47	49	347	27	258	0	0	0	0	0
Provisions	418	418	418	418	418	418	418	418	418	418	418
Other Current Liabilities	174	174	174	174	174	174	174	174	174	174	174
	1,216	1,104	1,106	1,404	1,084	1,315	1,057	1,057	1,057	1,057	1,057
Non-current Liabilities											
Borrowings	728	681	632	285	258	0	0	0	0	0	0
Provisions	166	166	166	166	166	166	166	166	166	166	166
	894	847	798	451	424	166	166	166	166	166	166
Total Liabilities	2,110	1,951	1,904	1,855	1,508	1,481	1,223	1,223	1,223	1,223	1,223
Net Assets	76,054	77,160	76,367	76,403	76,437	76,482	76,525	76,570	76,612	76,650	76,684
EQUITY											
Accumulated Surplus	28,858	29,964	29,171	29,207	29,241	29,286	29,329	29,374	29,416	29,454	29,488
Asset Revaluation Reserves	42,910	42,910	42,910	42,910	42,910	42,910	42,910	42,910	42,910	42,910	42,910
Other Reserves	4,286	4,286	4,286	4,286	4,286	4,286	4,286	4,286	4,286	4,286	4,286
Total Equity	76,054	77,160	76,367	76,403	76,437	76,482	76,525	76,570	76,612	76,650	76,684

4. CASH FLOW FORECAST

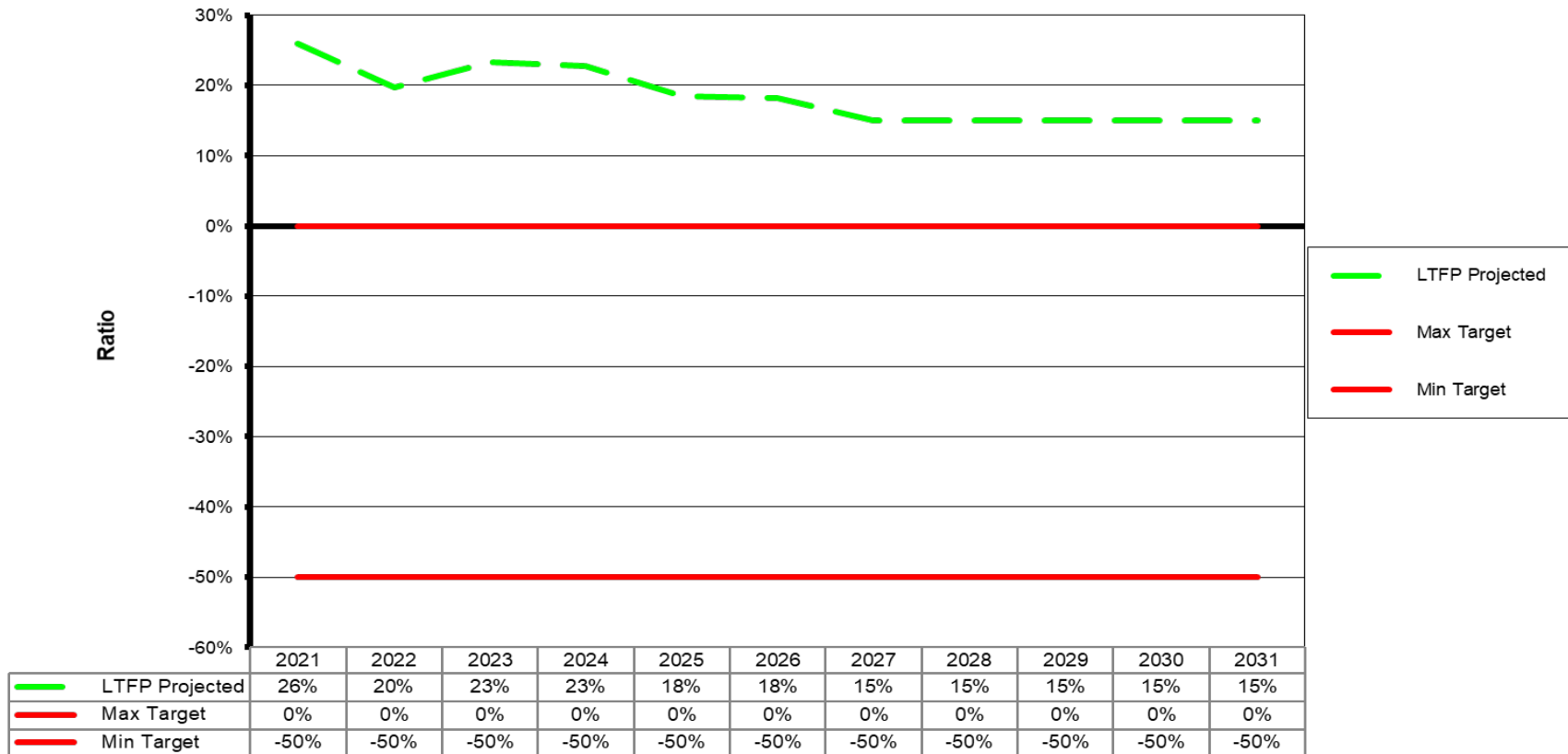
Year Ending 30 June:	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	Actual	Budget	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash Flows from Operating											
Receipts	7,553	9,420	7,738	7,738	7,738	7,738	7,738	7,738	7,738	7,738	7,738
Payments	-5,681	-6,781	-7,157	-6,325	-6,323	-6,308	-6,306	-6,300	-6,300	-6,300	-6,300
Net Cash Provided from Operating	1,872	2,639	581	1,413	1,415	1,430	1,432	1,438	1,438	1,438	1,438
Cash Flows from Investing											
Receipts											
Sale of property, P&E											
Payment for Property, Plant and Equipment	-1,463	-3,336	-1,452	-1,433	-1,371	-2,796	-1,470	-1,482	-1,360	-1,337	-2,756
Net Cash Flow from Investing	-1,463	-3,336	-1,452	-1,433	-1,371	-2,796	-1,470	-1,482	-1,360	-1,337	-2,756
Cash flows from Financing											
Capital Grants	575	458	415	415	415	415	415	415	415	415	415
Repayment of Borrowings	-159	-159	-47	-49	-347	-27	-258	0	0	0	0
Net Cash from Financing	416	299	368	366	68	388	157	415	415	415	415
Net Increase (Decrease) in Cash	825	-398	-503	346	112	-978	119	371	493	516	-903
Cash at Beginning of Period	4,118	4,943	4,545	4,042	4,388	4,500	3,522	3,641	4,011	4,505	5,021
Cash at End of Period	4,943	4,545	4,042	4,388	4,500	3,522	3,641	4,011	4,505	5,021	4,118

5. NET FINANCIAL LIABILITIES

Council is a positive net financial liabilities position; which is above the target range benchmark set by Tasmanian Audit Office.

The target benchmark is net financial liabilities to be between negative 50% and zero. Council is in a positive net asset position.

King Island Council - Net Financial Liabilities Ratio from FYE 2021 to FYE 2031



6. OPERATING SURPLUS RATIO

The Tasmanian Audit Office has set a benchmark of an underlying surplus or deficit ratio of greater than zero.

Council is forecast to achieve this from FY2024 onwards. FY2023 has a one-off contribution of \$813k for Communications infrastructure. It is also noted that the forecast operating surplus has adjusted depreciation for Airport small scale maintenance capital expenditure of \$200k per annum.

King Island Council - Operating Surplus Ratio for FYE 2021 to FYE 2031



7. ASSET RENEWAL FUNDING RATIO

The Ratio is derived by the 10 year total Planned (Budgeted) Renewal Expenditure / 10 year total projected (Required) Renewal Expenditure.

Tasmanian Audit Office has set a benchmark of at least 90%.

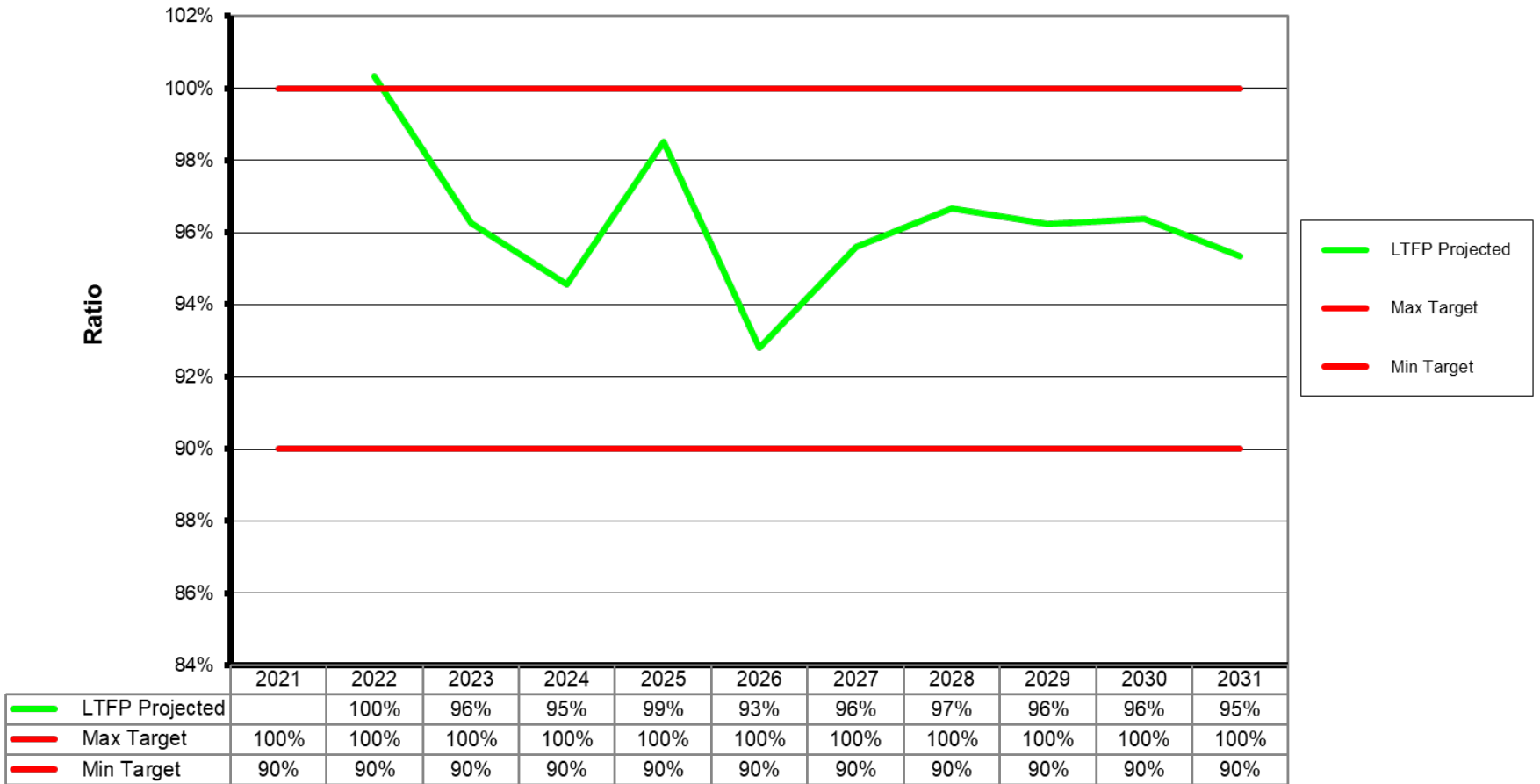
Council is forecast to average 95.6% over the period.

Asset Renewal Funding Ratio	2021 Year 0 Actual \$'000	2022 Year 1 Budget \$'000	2023 Year 2 Plan \$'000	2024 Year 3 Plan \$'000	2025 Year 4 Plan \$'000	2026 Year 5 Plan \$'000	2027 Year 6 Plan \$'000	2028 Year 7 Plan \$'000	2029 Year 8 Plan \$'000	2030 Year 9 Plan \$'000	2031 Year 10 Plan \$'000
Asset Management Plan recommended Capital Expenditure on Renewal/Replacement of Existing Assets	1,668	2,597	1,197	1,198	1,087	2,690	1,224	1,223	1,101	1,076	2,576
Capital Expenditure on Renewal/Replacement of Existing Assets accommodated in LTFP	1,463	2,606	1,152	1,133	1,071	2,496	1,170	1,182	1,060	1,037	2,456
Difference in Asset Renewal/Replacement proposed in AMP and accommodated in LTFP	(205)	9	(45)	(65)	(16)	(194)	(54)	(41)	(41)	(39)	(120)

Note the Asset Management Plan figures as per Table 7.1.2 does not include Airport capital expenditure included. The reconciliation to the table above is as follows:

Year	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2030/31
As per above table	2,597	1,197	1,198	1,087	2,690	1,224	1,223	1,101	1,076
Less Airport	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)
As per AMP	2,587	997	998	887	2,490	1024	1,023	901	876

King Island Council - Asset Renewal Funding Ratio for FYE 2021 to FYE 2031



8. ASSET CONSUMPTION RATIO

The Asset Consumption Ratio has a performance benchmark of between 60-40% set by the Tasmanian Audit Office.

The Ratio is calculated by the total asset Written Down Value / total Gross Replacement Cost.

The Asset Consumption Ratio for Council as at 30th June 2021 is 62%. The plan has not incorporated modelling for asset decay over time to determine changes in the written down value over the 10 year period.

The funding provided by this Plan on asset capital renewal is planned to maintain Council’s assets at the current service levels. Accordingly, the current Asset Consumption Ratio of 62% is expected to be maintained across the life of this Plan.

values as at 30 June 21	TOTAL VALUATION (from source Asset Report)				
Asset Category	Replace. Value \$	W.D. Value \$	Accum. Dep. \$	Annual Dep \$	Asset Consumption Ratio %
TOTAL SAMP PORTFOLIO	83,308,248	51,450,480	31,857,766	1,131,286	62%

Source: SAMP Asset Valuation June21 v2

9. DEPRECIATION RECONCILIATION

King Island Council Depreciation reconciliation																							
Asset class	Year 0 Actual \$'000	Year 1 Budget \$'000	Year 2		Year 2 Plan \$'000	Year 3 adds \$'000	Year 3 Plan \$'000	Year 4 adds \$'000	Year 4 Plan \$'000	Year 5 adds \$'000	Year 5 Plan \$'000	Year 6 adds \$'000	Year 6 Plan \$'000	Year 7 adds \$'000	Year 7 Plan \$'000	Year 8 adds \$'000	Year 8 Plan \$'000	Year 9 adds \$'000	Year 9 Plan \$'000	Year 9 adds \$'000	Year 10 Plan \$'000		
			adds \$'000	adjustm ents \$'000																			
Airport	467	472	2	272	202	-	202	-	202	-	202	-	202	-	202	-	202	-	202	-	202	-	202
Roads & Transportation	804	811	6		817	4	821	4	824	4	828	4	832	4	836	4	839	4	843	4	847	4	847
Bridges & Drainage	159	158	-	55	213	-	213	-	213	-	213	-	213	-	213	-	213	-	213	-	213	-	213
Plant & Equipment	402	395	3		398	-	398	-	398	-	398	-	398	-	398	-	398	-	398	-	398	-	398
Property	68	108	-		108	-	108	-	108	-	108	-	108	-	108	-	108	-	108	-	108	-	108
Parks & Recreation	21	21	-		21	-	21	-	21	-	21	-	21	-	21	-	21	-	21	-	21	-	21
Waste Management	33	26	5		31	-	31	-	31	-	31	-	31	-	31	-	31	-	31	-	31	-	31
Total	1,954	1,991	15	- 217	1,789	4	1,793	4	1,796	4	1,800	4	1,804	4	1,808	4	1,811	4	1,815	4	1,819	4	1,819
Balance as per P&L	1,954	1,991			1,789		1,793		1,796		1,800		1,804		1,808		1,811		1,815		1,819		1,819

Depreciation Reconciliation LTFP to Asset Management Plan (AMP)			
		FY2022 \$'000	FY2023 \$'000
Depreciation as per AMP			
Roads & Transportation		810	817
Bridges & Drainage		155	155
Drainage & Culverts		58	58
Property		108	108
		1,131	1,138
Asset Classes not included in AMP			
Airport		472	202
Plant & Equipment		395	398
Parks & Recreation		21	21
Waste Management		26	31
		914	651
Less Culverts & Drainage not budgeted	-	54	-
Depreciation in LTFP		1,991	1,789

10. REPLACEMENT CAPITAL EXPENDITURE

Year Ending 30 June:	2021 Year 0 Actual \$'000	2022 Year 1 Budget \$'000	2023 Year 2 Plan \$'000	2024 Year 3 Plan \$'000	2025 Year 4 Plan \$'000	2026 Year 5 Plan \$'000	2027 Year 6 Plan \$'000	2028 Year 7 Plan \$'000	2029 Year 8 Plan \$'000	2030 Year 9 Plan \$'000	2031 Year 10 Plan \$'000
Capital Expenditure on Renewal or Replacement of Existing Assets:											
Airport	78	20	200	200	200	200	200	200	200	200	200
Roads & Transportation	408	1,400	401	381	386	1,509	353	366	373	350	1,505
Bridges & Drainage	75	100	100	101	34	336	166	165	36	36	300
Plant & Equipment	261	356	300	300	300	300	300	300	300	300	300
Property	50	100	61	61	61	61	61	61	61	61	61
Parks & Recreation	531	470	10	10	10	10	10	10	10	10	10
Waste Management	60	160	80	80	80	80	80	80	80	80	80
Total	1,463	2,606	1,152	1,133	1,071	2,496	1,170	1,182	1,060	1,037	2,456
Less Airport		(20)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)
As per Asset Management Plan		2,586	952	933	871	2,296	970	982	860	837	2,256