

Long Term Financial Plan

2022-2042



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1 Our Long Term Financial Plan

The City of Karratha is committed to transparent, responsible and accountable financial management. To achieve this, in 2009 the City implemented the Integrated Planning and Reporting Framework introduced by the Department of Local Government, which requires all Western Australian local governments to prepare a long term financial plan linked to a strategic community plan and a corporate business plan.

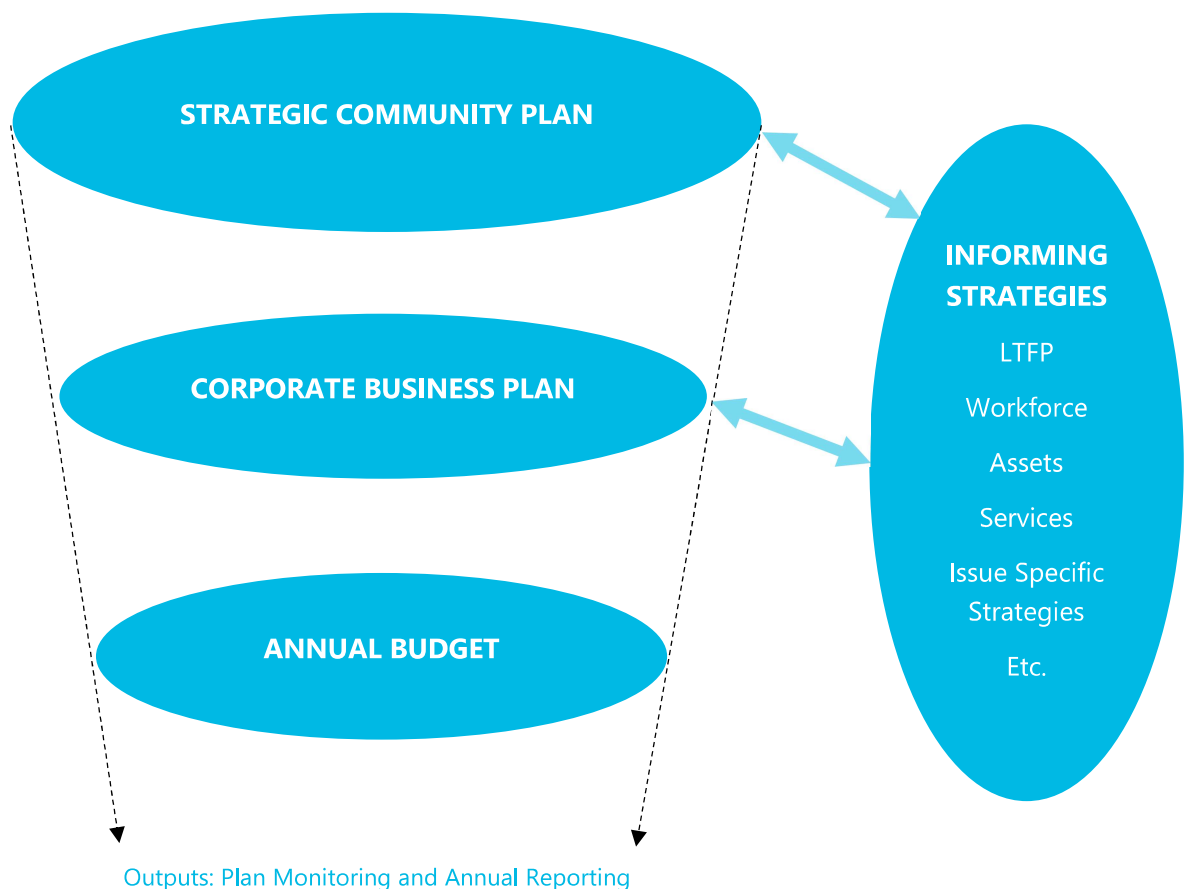
The City of Karratha's Long Term Financial Plan (LTFP) is a key resource that facilitates the delivery of the commitments made in our Strategic Community Plan. It enables the City to set priorities based on its financial resources.

As such, the LTFP is a critical document that underpins and influences the direction of the City's spending and investment now and going forward.

The LTFP, along with information contained in other strategic plans including the Asset Management Plan and Workforce Planning Strategy, form the basis for preparation of the City's Annual Budgets. The LTFP is reviewed regularly, updating the current forecasts out to 2042.

The following plan provides an overview of the City's LTFP including our current financial position, approach to financial planning, revenue sources and the long-term projects we are working to deliver to benefit our community over the next 20 years to ensure the City's long term sustainability.

The following figure illustrates how the LTFP informs the Integrated Planning and Reporting Framework.



2 Message from the CEO

There are challenging yet exciting times ahead for the City of Karratha as we strive to achieve our vision to become Australia's most liveable regional city. We have made great progress towards this goal over the past few years, delivering significant upgrades to infrastructure and facilities and increasing service delivery, which has greatly enhanced the vibrancy and liveability of our City.

Our Strategic Community Plan provides the framework to achieving our bold vision, underpinned by our Long Term Financial Plan, which outlines in detail how we will resource our future plans.

Our Long Term Financial Plan is designed to provide an overview of where we're headed over the next decade, the major infrastructure projects we have planned to benefit the community, as well as our financial position and projections.

Needless to say, strong fiscal management is an essential component of our long term financial planning and underpins everything we do at the City of Karratha.

This means any and all work the City undertakes is in line with our overarching vision for the future, costed out, budgeted for in our long-range and annual budgets, communicated and shared openly with the local community and reported to Council.

In short, we hold ourselves accountable for the responsible financial management of our projects and ongoing operations, and strive to be as transparent as possible.

The past five years have marked a substantial period of growth for us, with the delivery of several significant infrastructure projects, the transformation and activation of our city centre, and numerous upgrades to community services.

While substantial progress has been made, our strong view is that we're not there yet and need to keep our foot on the accelerator to keep things moving within the City.

We are mindful of external factors, such as COVID-19, that have had an impact on our organisation and recognise the importance in balancing the work still to be done with our goal of becoming Australia's most liveable regional city.

There is still a sizable amount of investment required in new capital projects across all of our towns, government services do not yet meet community expectations and, while there are signs of it, the economy is still yet to diversify substantially.

A number of barriers to further increasing our liveability still exist, specifically around the cost of living and availability and affordability of housing. The City has a unique and volatile housing market and solutions to the undersupply of residential properties and ways to stimulate the local construction industry will be a priority with infrastructure in the billions and anticipated population growth over the next few years.

One of the key challenges for the Council over the coming years will be to ensure we stay front of mind with key decision makers and funding partners so the progress we have made over the last five or so years doesn't become the only substantial change we see in the district.

The City of Karratha's in a strong financial position, with a robust framework in place, however responding to changing environments through sound financial management has never been more important.

Chris Adams

CEO, City of Karratha

3 City Profile

3.1 Our Region

The City of Karratha (the City) is located approximately 1,535km north of Perth in the dynamic Pilbara region of Western Australia. The City encompasses a total land area of 15,882 square kilometres and is home to approximately 22,716 residents across the six town sites of Karratha, Dampier, Roebourne, Wickham, Point Samson and the historic village of Cossack.



The North West Australian coastline between Broome and Exmouth is the most cyclone-prone region of the Australian coastline and has the highest frequency of coastal crossings, according to the Bureau of Meteorology. The Australian cyclone season extends from November 1 to April 30. On average, five tropical cyclones occur during each season over waters off the North West coast. Due to the City's location within the cyclone zone, it is critical for the City to be able to swiftly respond to damage sustained by severe impacts.

The City of Karratha is a growing regional centre within the Pilbara region with residents enjoying a myriad of outdoor activities, festivals and community events year-round, as they make the most of the warm weather and coastal location.

Over the past 40 years the City of Karratha has been a powerhouse of economic growth for Western Australia and the nation. The City of Karratha has a diverse economy that includes contributions to Australia's world leading exports of both iron ore and liquefied natural gas (LNG).

Future levels of population growth in the City of Karratha are largely dependent on the performance of the mining sector, new projects and the size of the Fly In Fly Out workforce.

3.2 Key Statistics

Key General Statistics		Key Financial Statistics (2020/2021)	
Distance from Perth	1,535km	Rates revenue	44,298,154
Area	15,882km	Fees and charges	40,196,174
Estimated residential population	22,716	Operating revenue	105,950,409
Number of Electors	11,241	Operating expenditure	100,085,506
Number of City employees (FTE)	303.6	Net assets	771,416,046
Rateable properties	11,433	Cash backed reserves	73,555,557

4 Integrated Strategic Planning

4.1 Background

The Strategic Planning Framework outlines the method to achieve a sustainable local government through adopting a holistic approach to planning and reporting.

It involves improving integration of various statutory planning and reporting processes undertaken by the local government through streamlining business and reporting processes with the involvement of the community.

A key element of the Integrated Planning and Reporting Framework is the Long Term Financial Plan. It enables the City to set priorities, based on resourcing capabilities for short, medium and long term delivery of the community's requirements.

4.2 Strategic Directions

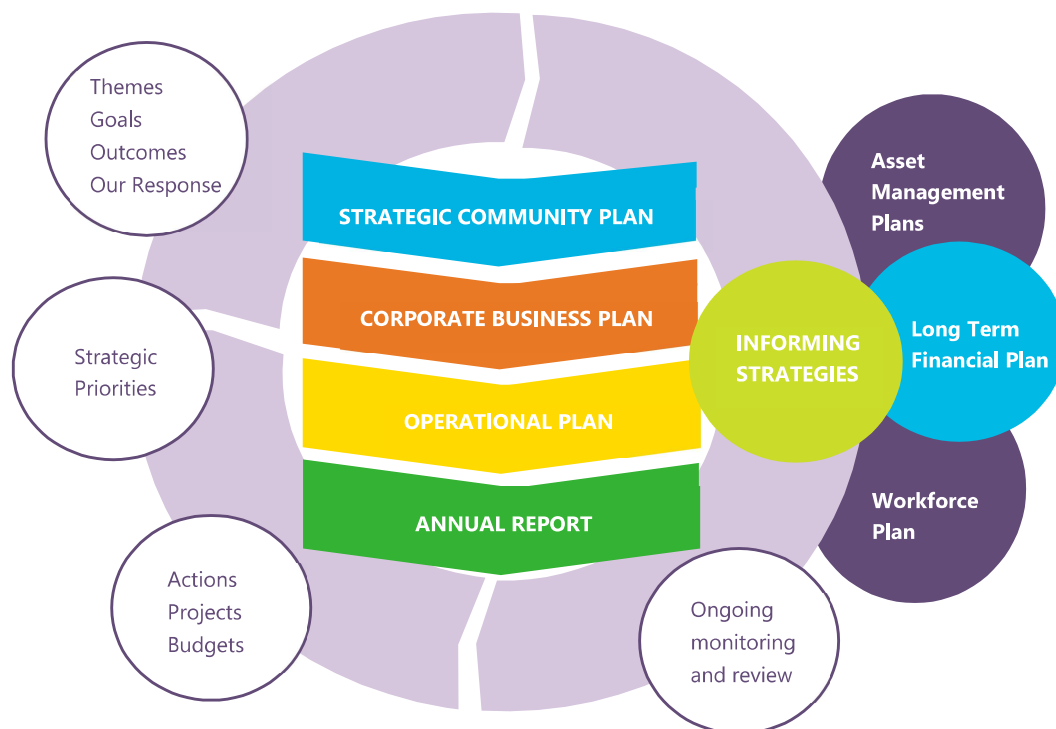
Our Vision: Australia's most liveable regional city

The principal guidelines for the Long Term Financial Plan are provided by the City of Karratha Strategic Community Plan.

The Strategic Community Plan outlines the future of the City of Karratha for the next 10 years, focusing on the development and support of our local community, the growth of our economy and building a sustainable, attractive and exciting place to live, work and play.

The objective of a Strategic Community Plan is to engage the community in planning for the future of the local government area. It involves setting priorities with the community for the future through aligning the community's vision with a clear strategic direction for the City.

The Long Term Financial Plan is an informing strategy to assist with recognising financial resources required for achieving the vision of being *Australia's most liveable regional city*.



5 Our Services

5.1 Service Programs

The City of Karratha is responsible for providing a range of infrastructure and services to the community which fall into the following programs prescribed under the *Local Government Regulations 1996*.

In order to discharge its responsibilities to the community, Council has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the City's Community Vision, and for each of its broad activities/programs.

Estimates of expenditure and income have been calculated for each of these programs in the Long Term Financial Plan;

Program	Explanation
Governance	<p>Objective: To provide a decision making process for the efficient allocation of scarce resources.</p> <p>Activities: Functions relating to Councillors and the oversight of legislative compliance. Expenditure includes election costs as well as fees and allowances paid to elected members and other costs associated with members of Council. Governance also includes other tasks such as the City's internal audit function, Freedom of Information requests, Public Interest Disclosures and procurement policy development and oversight.</p>
General Purpose Funding	<p>Objective: To collect revenue to allow for the provision of services.</p> <p>Activities: Rating (including ex-gratia contributions), interest revenues, investment property revenues and general purpose Government grant functions. Includes the Financial Assistance Grant received from the Local Government Grants Commission and all other rate income.</p>
Law, Order, Public Safety	<p>Objective: To provide services to help ensure a safer and environmentally conscious community.</p> <p>Activities: Supervision of various by-laws, fire and emergency services and animal control. Includes expenditure for Ranger Services, State Emergency Service and disaster preparation and recovery expenses.</p>
Health	<p>Objective: To provide an operational framework for environmental and community health.</p> <p>Activities: Food control, immunisation services, mosquito control and maintenance of child health centres. Expenditure includes the maintenance of the child health clinic buildings, various health promotions and pest control expenses primarily relating to mosquito control.</p>
Education and Welfare	<p>Objective: To provide services to disadvantaged persons, the elderly, children and youth.</p> <p>Activities: Maintain preschool facilities and day care centres. This includes expenditure in maintaining the day care centre buildings and also donations to schools for awards etc.</p>
Housing	<p>Objective: To provide and maintain staff housing.</p> <p>Activities: Maintenance and operational expenses associated with the provision of staff housing.</p>
Community Amenities	<p>Objective: To provide services required by the community.</p> <p>Activities: Rubbish collection services, operation of waste facility, administration of town planning schemes and operation of cemeteries. Also included are the costs associated with the maintaining and cleaning of public toilets.</p>

Program	Explanation
Recreation and Culture	<p>Objective: To establish and effectively manage infrastructure and resources which enhance the social wellbeing of the community.</p> <p>Activities: Maintenance and operation of halls, recreation and aquatic centres, various reserves and libraries. Expenditure includes the cost of the Karratha Leisureplex, Red Earth Arts Precinct, community hubs and other pavilions, ovals and parks maintenance, coastal rehabilitation, and four libraries. Expenses relating to Triple J radio re-broadcasting are also included in this function.</p>
Transport	<p>Objective: To provide safe, effective and efficient transport services to the community.</p> <p>Activities: Construction and maintenance of roads, drainage, footpaths, parking facilities and traffic signs. It also includes expenditure relating to parking control and the operation of the Karratha & Roebourne Airport.</p>
Economic Services	<p>Objective: To help promote the local government and its economic wellbeing.</p> <p>Activities: Includes expenditure associated with operation of visitor services and camping grounds, in addition to the administration of building controls.</p>
Other Property and Services	<p>Objective: To monitor and control operating accounts.</p> <p>Activities: Includes private works on property and services not under the care, control and management of the City. It also includes expenditure relating to plant operations, technical services, town planning schemes and other unclassified works.</p>

5.2 Service Levels

In the last few years, the City has produced major projects to greatly improve the level of service and amenities across our town. While there have been significant improvements to our service levels, it is proposed that service levels will continue to grow.

Significant projects on the horizon to greatly improve the level of service and amenity across our towns include:

Facilities:

- Karratha Leisureplex improvements including solar initiative.
- Completing the redevelopment of the Karratha CBD – Walgu Development (Lot 7020).
- Foreshore and streetscape developments throughout the district.
- Facility refurbishments and enhancements.

Services:

- Ensuring we continuously improve the level and quality of our 'core services' to all of our communities.

Growth:

- Supporting industry growth in multiple sectors.
- Actively engaging in initiatives that diversify our economic base.
- Advocating for initiatives that reduce the cost of living in our district (airfares, insurance, reasonable house, land and rental prices etc.).
- Providing quality, timely approvals and advice to businesses and developers.
- Improving housing availability and affordability.
- Aiming to ensure sufficient land and housing available to meet community and business demand.

Review of services is a continual process that is undertaken along with the associated impact to the annual budget and Long Term Financial Plan.

5.3 Managing Our Assets

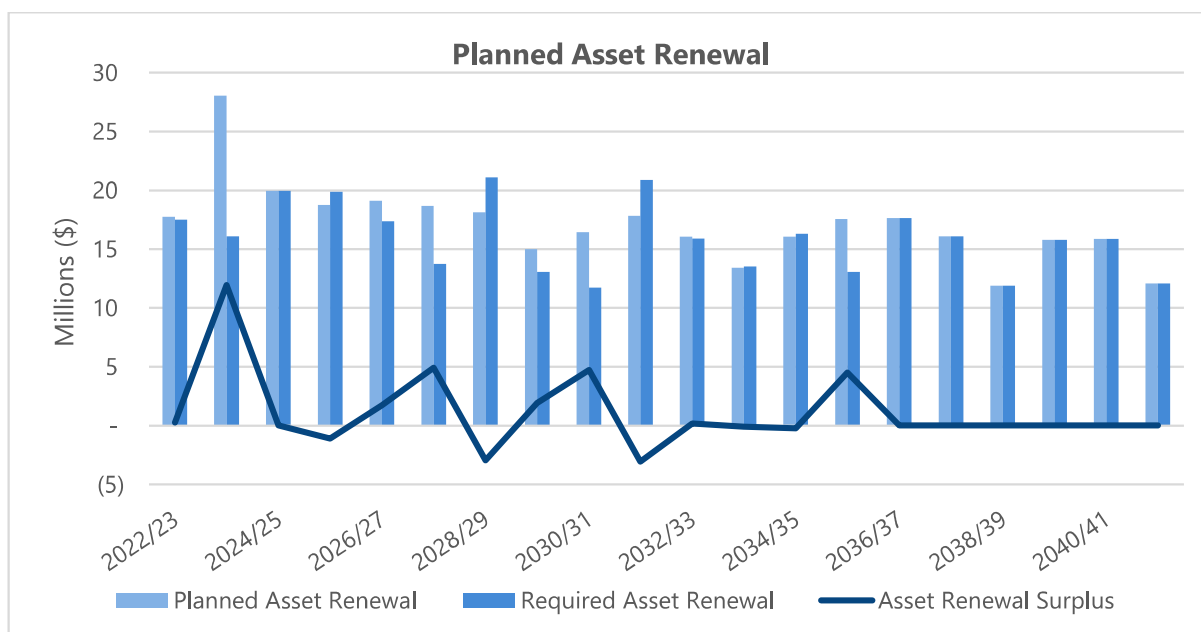
The City has developed a strategic approach to manage local government assets to ensure they meet the community’s current and future requirements and expectations. The Strategic Asset Management framework consists of several documents, systems and processes that address an organisation’s asset management responsibilities. These documents, systems and processes are coordinated to translate the organisation’s strategic goals, as identified in the Strategic Community Plan, into day-to-day activities.

Resilient and sustainable infrastructure assets act as a platform for economic development and meet the social and recreational needs of our local community, allowing us to deliver key services such as:

- Airport and other transport infrastructure
- Community and recreational facilities
- Waste and storm water management
- Council administration buildings

Long term maintenance and renewal of the City’s infrastructure and community assets, remains a significant challenge with increasing community expectations. The Asset Management Plan will assist the City in predicting infrastructure consumption and asset renewal needs and identify costs required to renew or maintain the asset.

The difference between what the City spends on renewing its assets and what it needs to spend to maintain the current average condition and service level of its assets, is called the renewal gap. In 2022/23 to 2024/25 planned asset renewal exceeds required asset renewal. The renewal gap is addressed in the LTFP and will be the focus of future annual budgets.



The continued funding allocated towards the renewal of assets as well as asset maintenance and upgrades, will result in a positive investment for the community in the future and ensure long term sustainability. New assets and capital works projects are funded from cash reserves, rates, airport and waste revenue, or Government grants such as Roads to Recovery.

6 Key Financial Strategies and Policies

The City of Karratha’s Long Term Financial Plan is informed by a number of financial policies to ensure an accurate prediction of our financial position and our resourcing capability, to deliver on commitments made in our Strategic Community Plan.

Key financial strategies are detailed below.

6.1 Rating Income Strategy

The City provides services to a diverse region consisting of residential, commercial, industrial, pastoral, mining and workforce accommodation. The City utilises differential rating on all properties within the City, based on the zoning of the property under the Town Planning Scheme. Differential rates in the dollar are set for different rating categories.

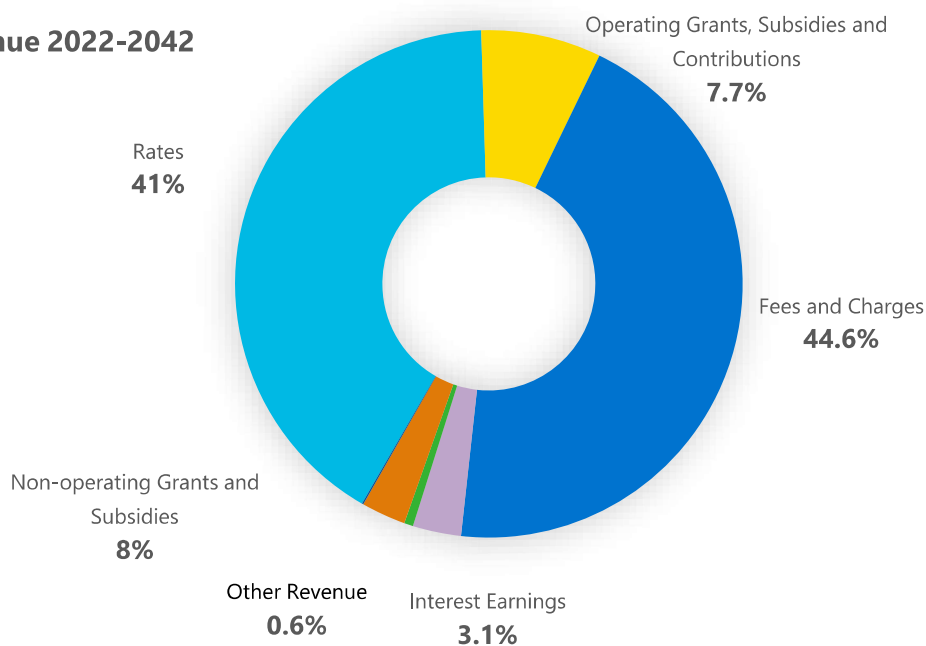
Based on the City’s rating strategy, the City applies for Ministerial Approval annually, in order to impose differential rating for all Gross Rental Value (GRV) properties and Unimproved Value (UV) properties.

The LTFP reflects a rate increase of 3% for 2022/23, 4.3% for 2023/24, 3.9% for 2024/25 and decreasing to 2.5% thereafter. The rate forecast is derived from the forecasted Consumer Price Index (CPI). It is supplemented by additional rates revenue from residential land releases in Madigan, Baynton West and Bulgarra, Commercial Property Growth such as, Gap Ridge Homemakers Centre and Lot 7020 developments, Transient Workforce Accommodation (TWA) rates growth including Bechtel, Civeo and Perdaman camps and the increase in UV rates for the Woodside Interconnector Development.

As per the LTFP, the City will receive approximately 41% of its total funding from rates. To be sustainable, 40% of the City of Karratha’s expenditure each year should be met by rates revenue.

Going forward, a key challenge identified in the LTFP is to reduce Council’s reliance on projected rate increases, and the continued rapid expansion of its rate base as revenue. Any decrease in rates revenue significantly impacts the City’s ability to deliver the required level of services and infrastructure.

Revenue 2022-2042



6.2 Cash Reserves

The establishment and funding of cash reserves is a financial management strategy to ensure sufficient funds exist for future expenditure that cannot otherwise be financed during a single year, without having a material impact on the budget.

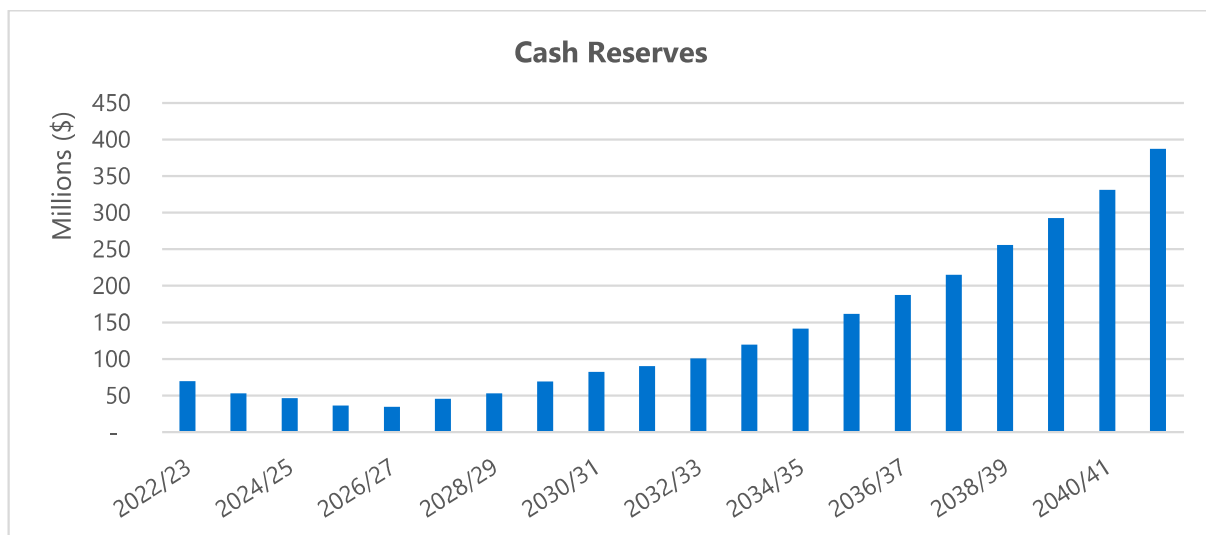
The table below outlines the various reserves Council has established and their respective purpose.

Name of Reserve	Purpose of the reserve
Aerodrome Reserve	The purpose of this reserve is to fund the development, operation and maintenance of the Karratha Airport, inclusive of any repayments of borrowings and the funding of employee entitlements.
Carry Forward Budget Reserve	This reserve is for the purpose of preserving projects funds carried over.
Community Development Reserve	The purpose of this reserve is to hold Annual Community Association Grant Scheme unspent payments each year and to fund future projects initiated by Community Associations from time to time via the Annual Community Association Grant Scheme.
Dampier Drainage Reserve	This reserve is maintained as part of an agreement between the Council and Rio Tinto. The purpose of the reserve is to ensure funds are available for the maintenance of drainage in Dampier. Rio Tinto pay to the Council each year a \$10,000 contribution towards this maintenance with any additional works required being drawn from this reserve and similarly, any funds remaining unspent being transferred to this reserve.
Economic Development Reserve	To fund economic development activities within the City, including destination marketing, business attraction, property development and tourism.
Employee Entitlement Reserve	To fund employee leave entitlements when on extended leave, including long service leave as well as periods of annual leave for periods greater than 4 weeks duration, thereby retaining salary and wages budgets for the funding of replacement staffing during extended periods of leave.
Infrastructure Reserve	The purpose of this reserve is to allow for the use of these reserve funds for the enhancement, replacement, refurbishment and purchase of infrastructure assets or project works of the City inclusive of the associated repayment of borrowings on infrastructure. Project works funded from this reserve may not necessarily belong to the City of Karratha but must be carried out for the benefit of the City of Karratha.
Medical Services Assistance Package Reserve	The purpose of this reserve is to fund future assistance to Medical Services in accordance with Council's participation in the Medical Services Incentive Scheme. This is inclusive of retention payments to general practitioners in accordance with the Medical Services Incentive Scheme.
Mosquito Control Reserve	The purpose of this reserve is to fund mosquito control programmes inclusive of the purchase of replacement equipment as required.
Partnership Reserve	This reserve is maintained as part of the Community Infrastructure and Services Partnership (the Partnership) and the related funding agreements between the Council and Rio Tinto. The purpose of the reserve is to preserve funds received under each funding agreement under the partnership and restrict the funds for the purpose of each funding agreements.
Public Open Space Reserve	The purpose of this reserve is to fund future developments of public open space funded by contributions received in line with the Planning and Development Act 2005 relating to the Hancock Way subdivision.

Restricted Funds Reserve	This reserve is for the purpose of holding unexpended or prepaid grants (other than Royalties for Regions) and capital contributions provided for specific purposes.
Waste Management Reserve	The purpose of this reserve is to fund development, rehabilitation, operation and maintenance of the Council's waste management facilities inclusive of repayments of borrowings and the funding of employee entitlements.
Workers Compensation Reserve	The purpose of this reserve is to provide Council with sufficient funds to cover its potential liability in regard to the performance based workers compensation scheme of Local Government Insurance Services of which the City of Karratha is a member. Funds within the reserve that become surplus to requirements will be transferred to the City's Employee Entitlements Reserve via way of the City's Annual Budget.

Over the life of the Long Term Financial Plan, cash reserves are projected to increase from \$69.5 million at the end of 2022/23 to \$386 million in 2041/42. Reserve funds provide funding capacity for future asset renewal requirements.

As additional expenditure is known in the capital program, reserve funds will be utilised.



6.3 Balancing the Budget

Generating sufficient revenue to balance the annual budget is a constant challenge, with continual improvement to the Council's long-term financial position reliant on growth in its rates base and airport revenue.

The income gap is addressed through productivity gains and efficiency savings, pursuing grants, working collaboratively with neighbouring councils and carefully managing income and expenditure through sound financial reporting systems and regular budgetary monitoring.

The LTFP reflects this approach, however further cost efficiencies or alternative revenue sources are required to reduce the City of Karratha's long-term reliance on projected rate increases and the continued rapid expansion of its rate base.

6.4 Cost Recovery of Services

The adoption of a fee or charge for services and facilities is a means to recover the cost of the service provided and maintain infrastructure in a fit-for-purpose state.

The fees and charges which the City can charge, fall into two categories:

- Regulatory fees - determined by State Government legislation and primarily relate to building, development, or compliance activities. Council has no control over the calculation, and any annual increases in these fees and charges.
- Discretionary fees - Council has the capacity to determine the charge or fee for discretionary works of services such as the use of community facilities and access to community services.

The general principles by which Council sets its fees and charges are that:

- Council does not intend to 'profit' from the setting of fees and charges;
- Fees recover the cost of services provided; and
- Fees maintain community infrastructure in a fit-for-purpose state wherein they are able to achieve expected service delivery standards.

6.5 Prudent Investment and Use of Debt Finance

The City of Karratha's borrowing policy objective is the use of debt, if appropriate to fund the cost of major new community assets or to ease the cost of major asset renewals.

Borrowings are proposed in the LTFP of \$18 million for airport projects including airport terminal and carpark upgrades and the strengthening of the runway and \$60 million debt funding for approximately 80% of the Walgu Development (Lot 7020) costs.

Irrespective of the projected borrowing, our debt to revenue ratio will remain low and we will have a strong capacity to repay debt within twelve years.



7 Workforce Planning Strategy

Our Workforce Planning Strategy identifies workforce requirement and strategies for current and future operations. It is an essential component supporting the delivery of our Corporate Business Plan.

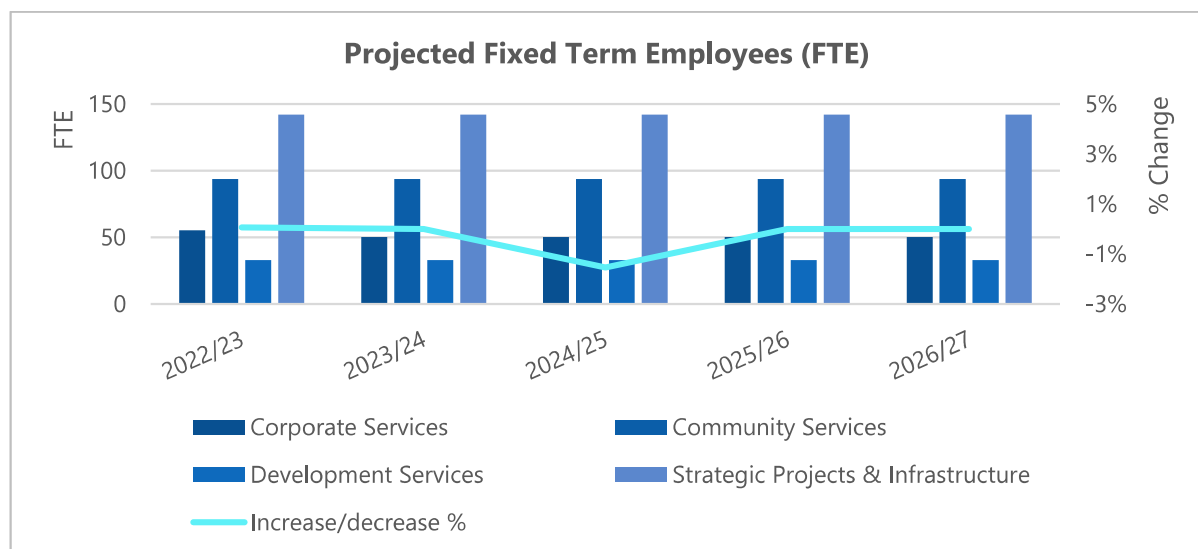
Our Workforce Plan, through recruitment, attraction and retention, succession planning, process mapping, training and housing strategies, will enable the City to plan and address, rather than just react to, business and environmental changes.

At 30 June 2021, the City of Karratha employed 305 full time equivalent (FTE) employees.

FTE increased in 2021/22 due to the recruitment of an ERP project team to implement a new IT system. The ERP project team is on a fixed term contract for the life of the project until 2023/2024.

All new positions are subject to a business case review and the organisational structure is reviewed annually prior to adoption of each annual budget.

The below graph illustrates the projected staff until 2026-27. (Numbers are FTE only and do not take into consideration the number of casual employees or services the City of Karratha outsources to external contractors / organisations).

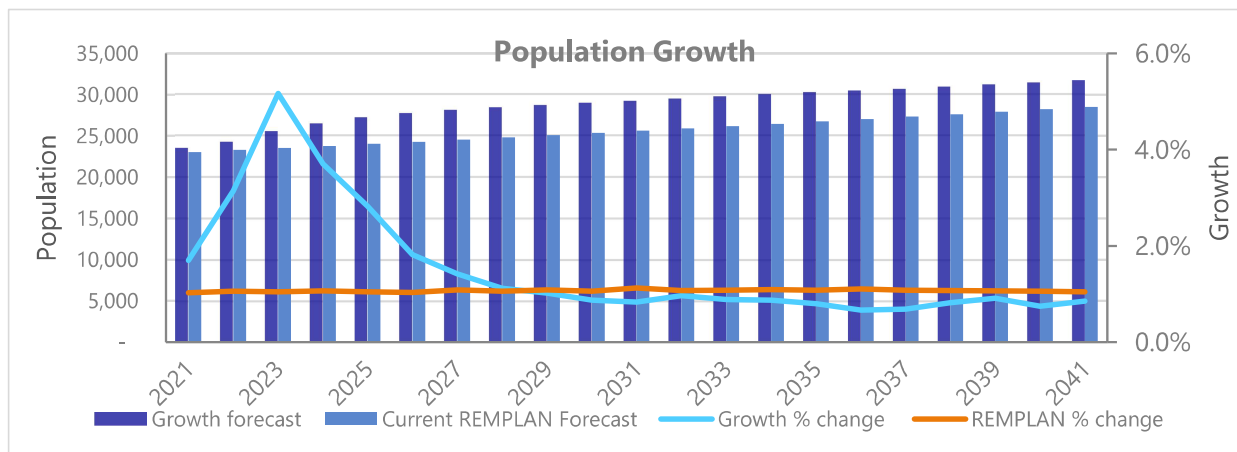


8 Scenario Modelling and Sensitivity Analysis

Scenario modelling has been undertaken to determine the level of flexibility in the LTFP, to enable alternative considerations when meeting community expectations should variations occur in a range of factors or assumptions.

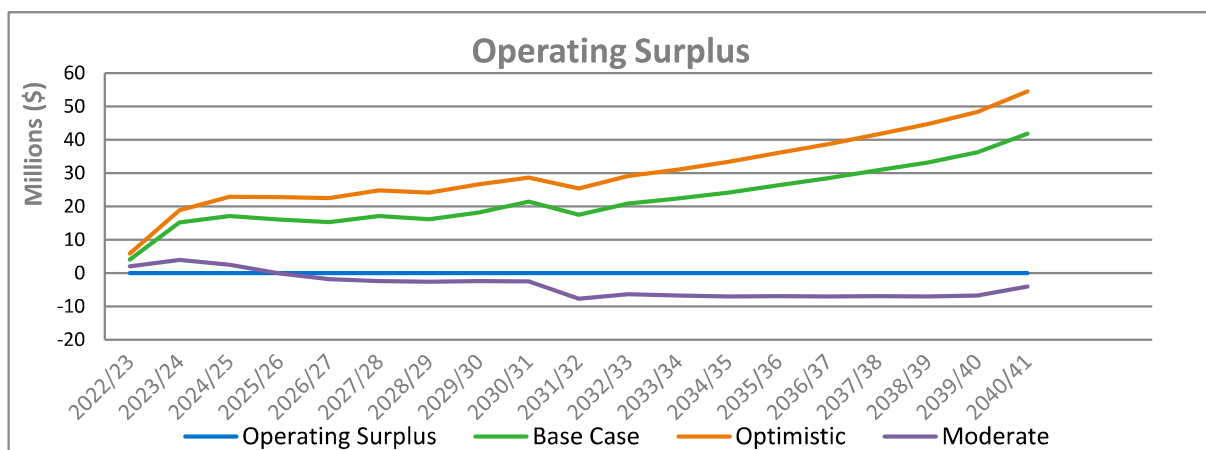
Three growth scenarios based on population growth were tested on each assumption to determine the City of Karratha’s capacity to deliver services and assets to the community in line with strategies outlined in the City’s Strategic Community Plan and Corporate Business Plan.

The base case scenario being a business as usual approach is based on an assessment of demand created by known resource projects, housing initiatives and expected population growth. The moderate growth scenario is based on nominal average population growth of 1% (Current REMPLAN Forecast) and a high growth scenario reflecting increased expectations around major project employment. The high growth scenario is aspirational and assumes all local operational employees of new resources projects will require a residential property.



The base case scenario results in a positive operating surplus, sound capacity to meet short-term financial obligations, an improving trend in rates coverage and ability to generate sufficient cash to cover debt payments.

Higher growth will allow for additional rates and airport revenues while the increasing demand will put pressure on facilities and services to meet the rapid population increase. Lower growth will allow for slower implementation of services and upgrades of facilities however will result in less revenue to expand.



As per the graph, illustrating the operating surplus, by adopting the base case scenario as the foundation for our LTFP, we are able to make financially sustainable decisions, while continuing to seek additional revenue sources, to improve the standard of infrastructure and services available to the community.

The most sensitive criterion in the adopted model is a variation in the level of proposed rate increases. A 1% decrease in the proposed rate assumptions over the life of the LTFP results in \$87 million movement in revenue. Current ratio calculations would be less than the target of 1 from 2022/2023 which measures the City's ability to meet its short term financial obligations. The cash short fall would result in additional borrowings required to deliver services and assets to the community.

Airport fees and charges are a significant and a complimentary revenue source to rates revenue. Should council wish to alter its growth assumption, for every 1% variation the likely impact is approximately \$77 million in the 20 year plan.

9 Measuring Sustainability

The City of Karratha's financial sustainability is measured by its ability to fund ongoing service delivery and the renewal and replacement of assets without imposing excessive debt or rate increases on future generations.

The following Key Performance Indicators (KPI) have been prescribed in the *Local Government (Financial Management) Regulations 1996* to measure the financial sustainability of local governments. The City's LTFP 2022-42 has been assessed against these KPI's and are outlined below;

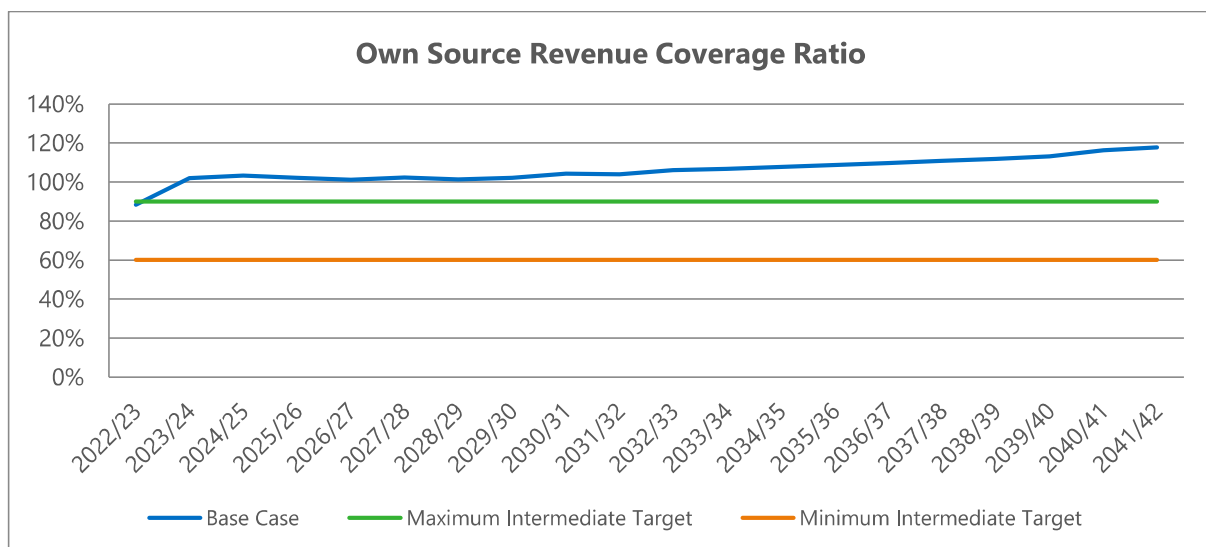
9.1 Key Performance Indicators

Own Source Revenue Coverage Ratio

Indication - A measure of a local government's ability to cover its costs through its own revenue efforts.

Target - Intermediate 60% - 90%, Advanced >90%

Commentary - The advanced target of greater than 90% is achieved over the 20 year period. Revenue derived from the City's operations can cover the City's operational costs.

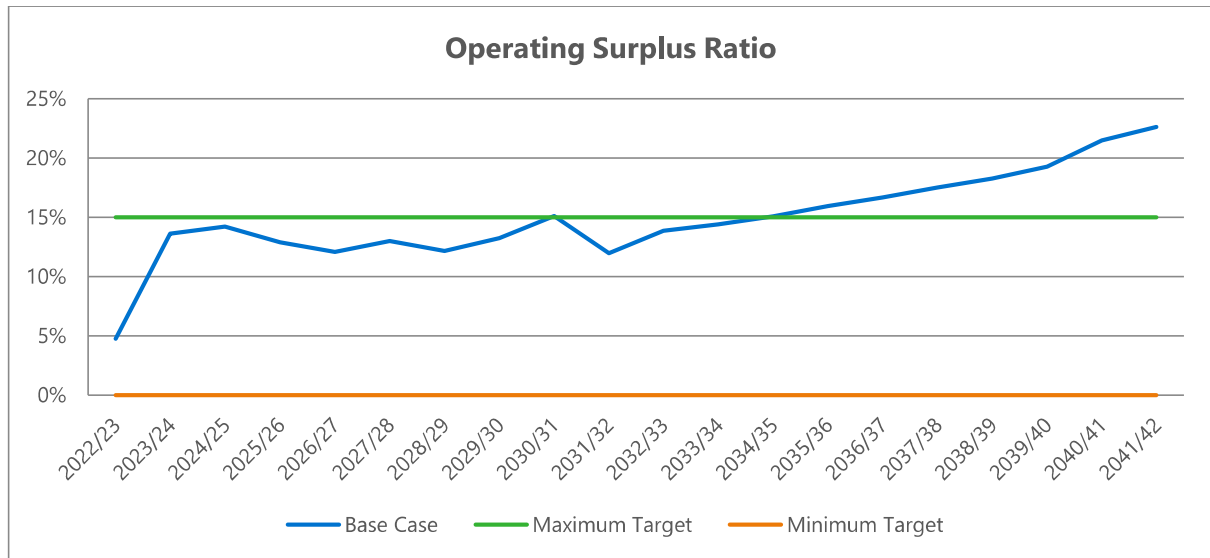


Operating Surplus Ratio

Indication - An indicator of the extent to which revenue raised not only covers operational expenses, but also provides for capital funding.

Target – Between 0% and 15%

Commentary - The target of an operating surplus is achieved each year of the LTFP. This indicates that surplus operational funds are available for capital works.

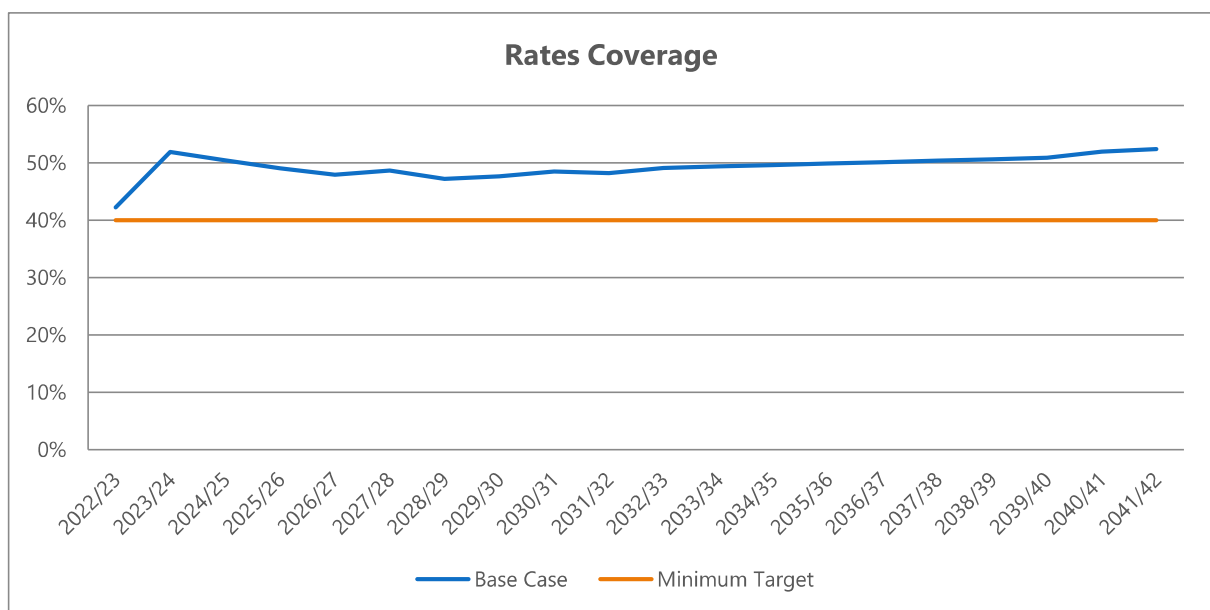


Rates Coverage

Indication - An indicator of a local government's ability to cover its costs through its own revenue efforts.

Target – Greater than or equal to 40%

Commentary - Trend shows the rates coverage ratio increasing from 41% to 51%. This indicates the City's rating strategy allows the town to raise an acceptable level of funds from its rates base.

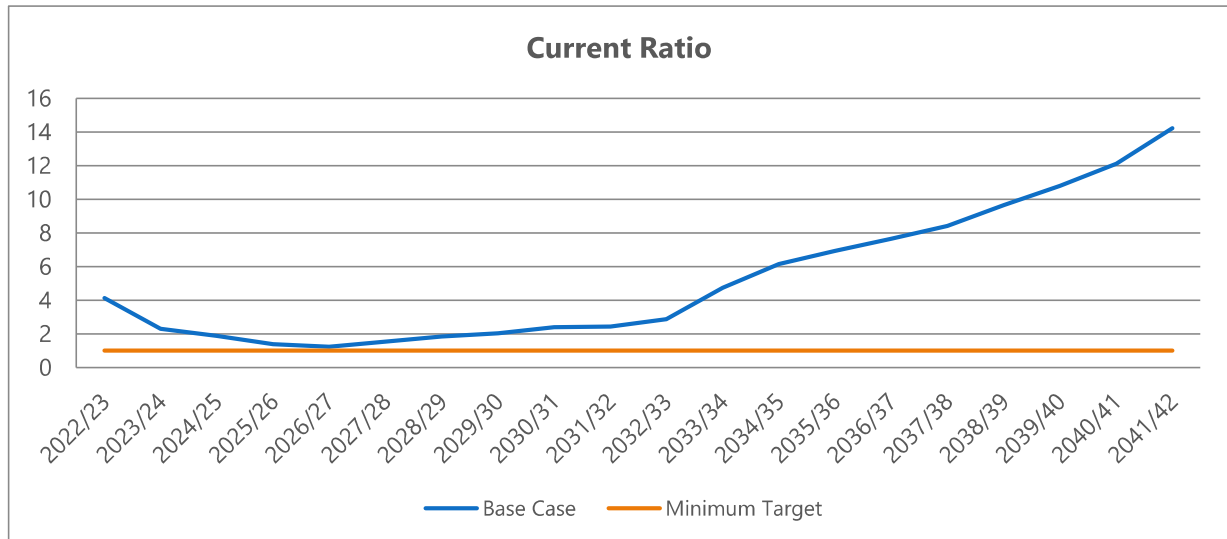


Current Ratio

Indication - A measure of a local government's liquidity and its ability to meet its short term financial obligations from unrestricted current assets.

Target – Great than or equal to 1

Commentary - The target of greater than 1 is maintained throughout the Long Term Financial Plan.

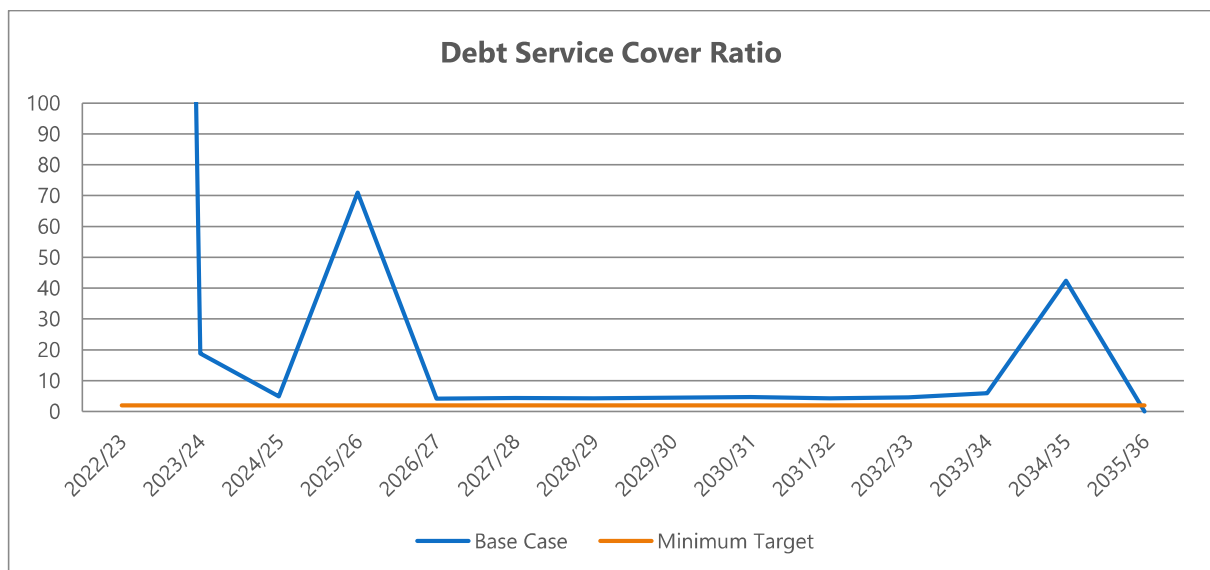


Debt Service Cover Ratio

Indication - An indicator of a local government's ability to generate sufficient cash to cover its debt payment.

Target – Great than or equal to 2

Commentary - The City's debt ratio being higher than 2 indicates the ability to fund the plans proposed levels of debt and in 2035/36 is anticipated to have no outstanding debt.

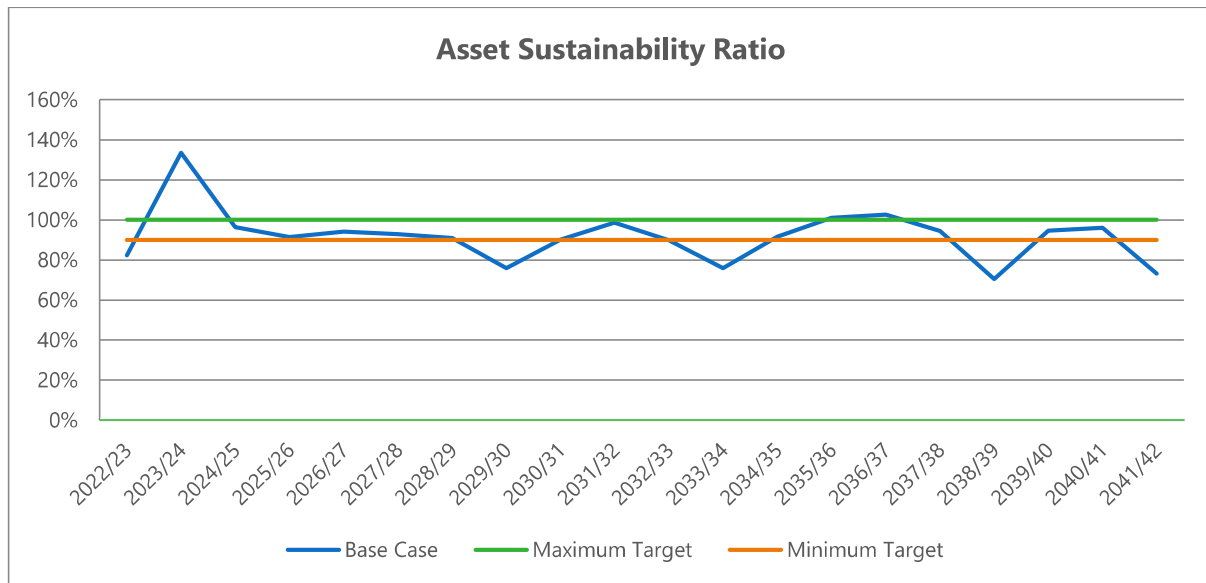


Asset Sustainability Ratio

Indication - An indicator of the extent to which assets managed by a local government are being renewed or replaced as they reach the end of their useful lives.

Target – Between 90% and 100%

Commentary - The City does not expect to achieve a ratio within the target range in 22/23, due to the increase in new asset spend which includes the housing initiative and the Walgu Development (Lot 7020). The shift will return back to asset renewal's thereafter which is reflected in the ratio. It is anticipated that future revisions of the LTFP will identify further asset renewal requirements.

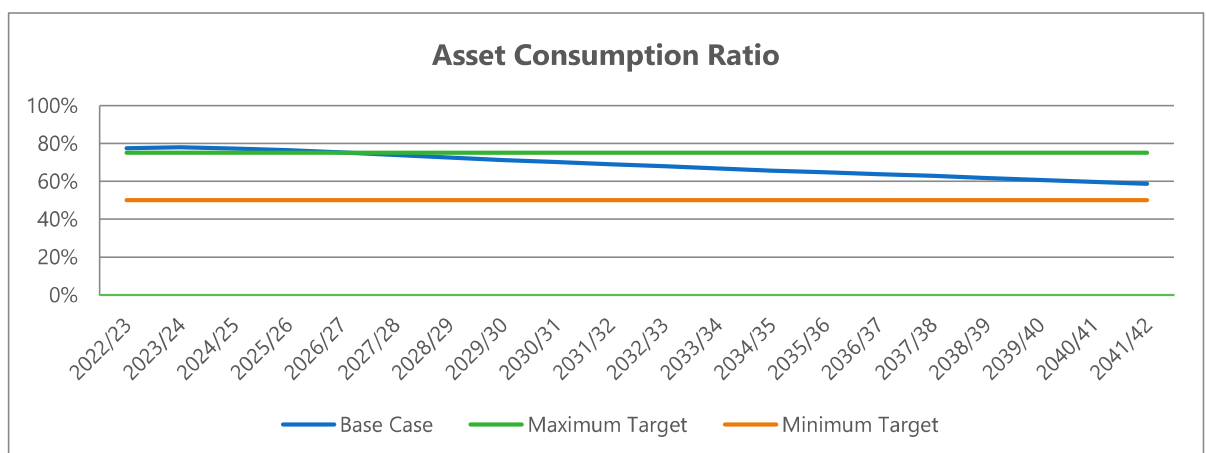


Asset Consumption Ratio

Indication - Highlights the aged condition of a local government's physical assets.

Target – Between 50% and 75%

Commentary - This ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement value. The City's ratio is achieved and maintained at the upper end or over the target band, over the life of the LTFP.

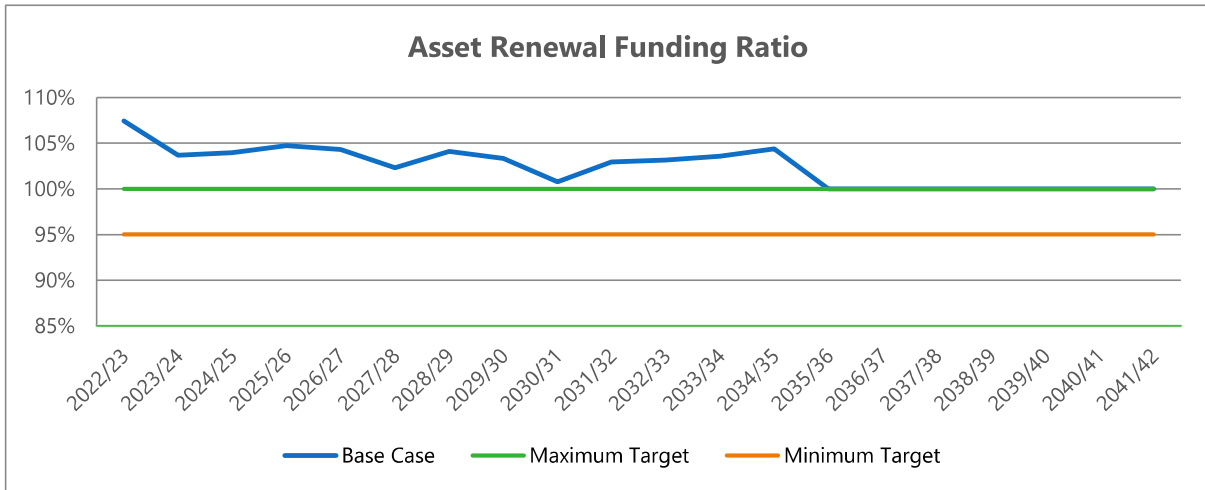


Asset Renewal Funding Ratio

Indication - Indicates whether the local government has the financial capacity to fund asset renewal at existing revenue and service levels.

Target – Between 95% and 100%

Commentary - The target range has been exceeded or met, illustrating the City’s ability to fund its renewal program as outlined in the Capital Program.

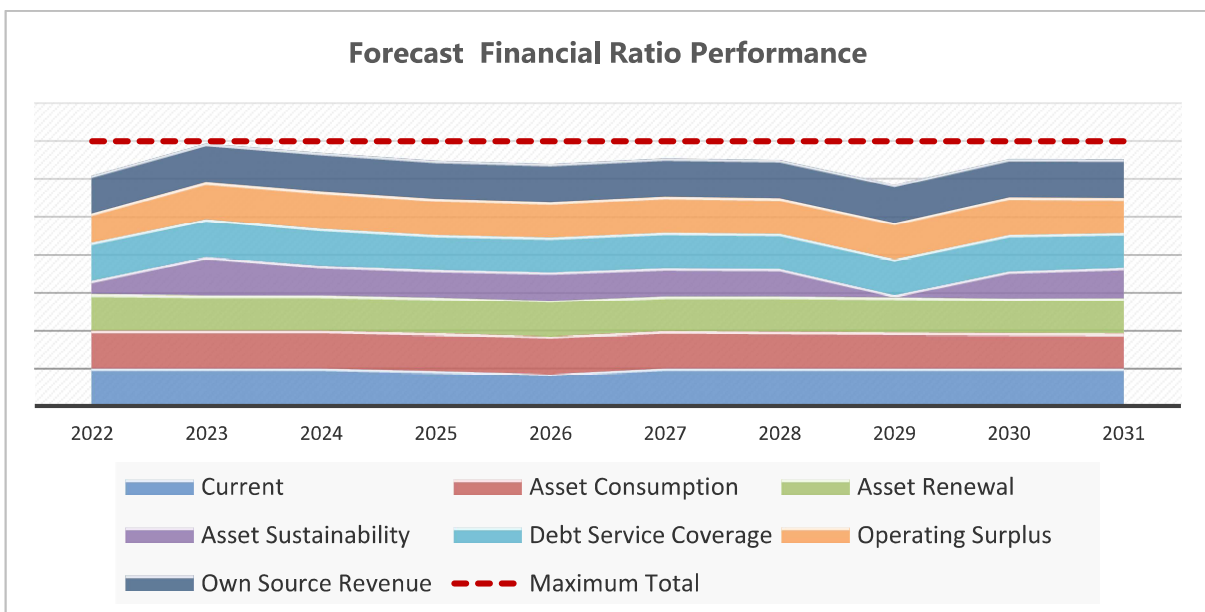


Financial Health Indicator (FHI)

Indication - The Financial Health Indicator is a measurement of a local government’s overall financial health.

Target – Greater than or equal to 70

Commentary - The City is forecast to be in good financial health.



10 Key Assumptions underpinning our LTFP

10.1 Operational Revenue and Expenditure

The City's Long Term Financial Plan projections are based on a number of assumptions regarding Council's operational revenue and expenditure. The first five years of our LTFP contain a high level of accuracy, however, the capacity to accurately predict Council's financial position for the remaining period is diminished and includes reasonable estimates only.

The key assumptions are detailed in the table below.

Base Case Key Assumptions	
Rates revenue	The LTFP is based on a residential increase of 5% over twenty years rates incorporating Madigan, Baynton West, Gregory and Hancock Way, supplemented by additional rates revenue from commercial, plus an annual increase of 2.5%-5.5% based on Consumer Price Index forecast. Conservative estimates for property growth have been utilised pending resource and industry project announcements.
Other fees and charges	2.5%-5.5% increase per year to reflect projected Consumer Price Index (CPI).
Airport fees and charges	Slow recovery from COVID-19 has reduced air travel therefore reducing airport revenue. The LTFP reflects higher revenue being received in 2023 due to COVID-19 recovery and planned construction within Karratha.
Grants and contributions	CPI used as an indicator to forecast Operating Grants and Contributions. Roads to Recovery funding will continue until 2023-24.
Employee costs	Reduction in staff levels in 2023/24 as per the Workforce Plan. Reduction due to the ERP Project completion therefore removing the project team. 2.25% growth rate as per the City of Karratha Enterprise Agreement 2021 in effect August 2021 with (6%) vacancy rate and 0.5% skill step movement.
Materials and contracts	CPI increase for maintenance and operation of existing services and infrastructure.
% of OPEX on new capital	Assumption that 7.5% of major and 2.5% of minor cost of new infrastructure will be incurred in maintenance and operating costs.
Insurance	2.5%-5.5% increase per year to reflect projected CPI.

10.2 Economic Assumptions

The following economic drivers have been used to develop this plan:

Economic Assumptions	
Consumer Price Index Australia (CPI) <i>RBA, Forecast table - June 2022</i>	2.50% - 5.50%
Western Australian Treasury Corporation (WATC) fixed rate semi-annual interest rate <i>WATC Indicative Local Government Interest Rates, June 2022</i>	4.48% - 4.81%
Term Deposit interest rates	3.75% - 4.00%
Western Australia Local Government (WALGA) Local Government Cost Index <i>WALGA Economic Briefing, March 2022</i>	2.20% - 2.50%

10.3 Capital Works Program

Delivering major infrastructure projects to provide long-term benefits to our community for generations to come is the key focus for the City of Karratha as we continue our transformation into Australia’s most liveable regional city. The creation of new assets and renewal or upgrade of existing infrastructure have been included in developing the LTFP.

This plan outlines a capital works program of \$754 million over the 20 year period, which will require borrowings of \$78 million to achieve this program.

Capital by Program

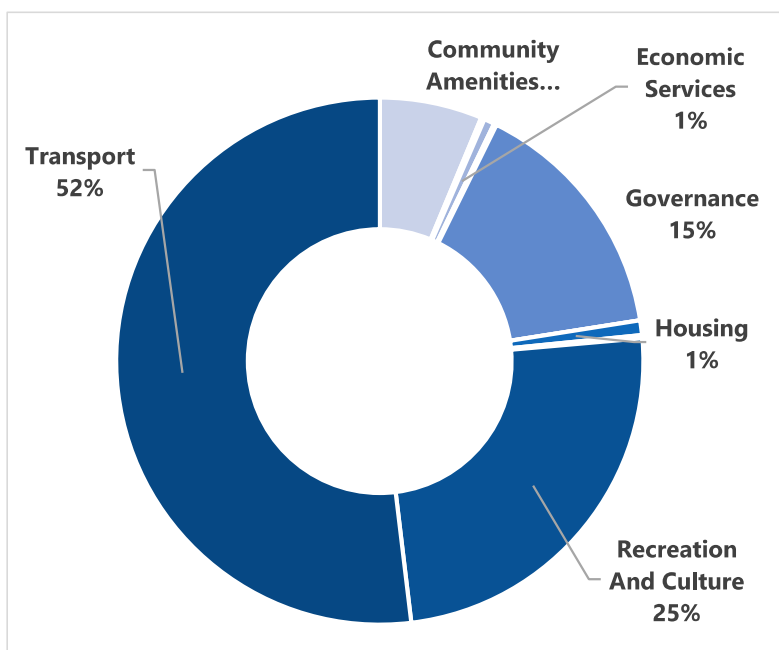
The following graph illustrates capital expenditure by program for the period of the LTFP 2022-2042.

Due to the remote location and large geographical size of the City, transport is a key priority which is demonstrated at 52% of total capital expenditure. Karratha Airport is the City’s largest asset and provides a significant revenue stream. It is essential to the City’s capital portfolio accounting for \$133 million in the 20 year Capital Program. Roads and Streets infrastructure also being a major priority with \$128 million of capital expenditure.

As per the 2022 Community Survey results, housing affordability and availability was regarded as high importance when living in the City of Karratha. Therefore, the City recognises the value of significant expenditure dedicated to new housing initiatives.

Total Capital Works Expenditure by Program (\$)

Community Amenities	47,338,495
General Purpose Funding	1,716,853
Economic Services	4,821,090
Education & Welfare	1,147,908
Governance	114,869,120
Health	72,202
Housing	6,677,123
Law, Order & Public Safety	1,094,215
Other Property Services	414,945
Recreation & Culture	184,863,467
Transport	391,490,037
Total	754,325,454



10.4 Housing Initiatives

The City is currently experiencing a shortage of properties to buy and/or rent and future resource sector growth is likely to intensify this issue. Without a rapid development of additional dwelling stock, it is likely that there will be a spike in house and rental prices. Given this situation, the City is proposing a Housing Investment Program to alleviate this problem.

The housing program includes the following initiatives:

- Service Worker Accommodation (SWA)
- GBSC Yurra Housing
- Hancock Way Development
- Shakespeare Precinct
- Nickol Houses
- Walgu Development (Lot 7020 project)

10.5 Exclusions

Prospective projects and facilities that are not sufficiently detailed at this stage, have not been included in the plan. They will be incorporated into future plans once transparency around timing, revenue, expenditure and capital are known.

At this time of economic uncertainty, costs will continue to change. Therefore, it is necessary to effectively draw a line in the sand when preparing the capital program for the LTFP. The values disclosed in this plan represent estimated future prices and costs and will be reviewed regularly.

11 Key Risks to Long Term Sustainability

The LTFP has identified the below key risks that present substantial challenges for the City of Karratha's long term sustainability given the current and future demands anticipated for facilities and services.

Key risks	Challenge
Population uncertainty	Population growth forecasts vary significantly, making it difficult to calculate market demand for facilities and services in our long term financial planning.
Dispersed population	Population spread across five distinct towns, requires duplication of facilities and services in each town, creating financial pressure.
Resource expansion	Resource projects' State Agreements create inequity in our rating process across business and industry and severely limit our ability to source additional capital and operational funding to offset FIFO impacts on community facilities and services.
Cost pressure increase	Local government costs continually increase at a higher rate than CPI, with additional costs associated with the remoteness of the Pilbara compounding the issue.
Reduction in State and Federal Government grants	Grants and contributions are received from State and Federal Governments based on their population and capacity to generate rates and revenues. As the City progresses, it is anticipated that grants and contributions from Governments will decrease.
Cost shifting from other levels of government	The City's service delivery requirements are beyond typical local government responsibility due to our remote location. These services include a range of community, health, environmental and planning services, tourism, heritage, entertainment and so forth, with funding that does not always account for substantial distances to service localities and higher costs associated with being in the Pilbara.
Organisational capacity	Attracting and retaining staff with requisite skills is a constant challenge due to remoteness, cost of living, housing affordability and salary competition from the resource sector.
Asset management planning	The ability to accurately quantify the financial risks over a long period is difficult as the Asset Management Plan is a five year plan.
COVID-19	The impact on the local, state and national economy arising from COVID-19 are extremely difficult to forecast. At the time of compiling the LTFP, Western Australia is experiencing it's "first wave" as borders opened in February. As the plan is set against economic uncertainty, a review of the plan every 12 months will aim to reflect the prevailing economic conditions and fluctuating economic drivers.

To address these risks, the Long Term Financial Plan is reviewed and updated regularly.

12 Financial Projections

Our financial projections for the LTFP conform to the *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards.

We have followed a format within our LTFP that allows our projections to feed into the statutory format of our Annual Budgets, as well as allowing the key performance measures outlined in our LTFP to be compared with our Annual Budgets and Annual Reports.

12.1 Financial Statements

The financial statements as per Appendix A, have been prepared for the 20 years covered in the LTFP. These estimates have been prepared on the basis of the assumptions shown previously in the document.

Our statutory statements include:

- Statement of Comprehensive Income by Nature and Type
- Statement of Cash Flows
- Rate Setting Statement
- Statement of Financial Position (Balance Sheet)
- Statement of Equity

Statement of Comprehensive Income by Nature and Type

Identifies the cost of goods and services provided, and the extent to which costs are recovered from revenues. A surplus is estimated for each year of the LTFP.

Statement of Cash Flows

The purpose of this statement is to show how changes in balance sheet accounts and income affect cash and cash equivalents, breaking analysis down to operating, investing and financing activities. Net cash provided by operating activities illustrates how much cash is expected to remain after funding services provided to the community. This can be used to fund other activities such as infrastructure and capital works. Information provided by the Statement of Cash Flows can assist in recognising the ability to generate cash and meet financial commitments, including repayments of debt.

Rate Setting Statement

This statement summarises the operating, capital, debt and reserves transactions. The plan identifies the funds necessary to balance the budget in each financial year through the collection of rates. The format of the Rate Setting Statement in the LTFP varies from the Annual Budget. The Annual Budgets bottom line represents the amount required from rates. In the LTFP, rates are assessed in accordance with relevant assumptions to the plan. If a surplus results, this can be used to fund other services however, where a shortfall results this indicates that the Council is unable to fund the services proposed at the planned rating levels. The LTFP shows a budget deficit, however the new borrowings included in the plan will cover the cost of planned service requirements within the LTFP.

Statement of Financial Position

This statement summarises the expected financial position of the City at the end of the financial year. It reports what is expected to be owned (assets) and what is expected to be owed (liabilities). The statement discloses transactions as current and non-current assets, and current and non-current liabilities and equity.

Statement of Equity

The purpose of this statement is to report the changes in equity over an accounting period. The LTFP uses this to show the changes in accumulated funds and reserves over the next 20 years.

These statements are supported by our following schedules:

- Twenty Year Capital Works Program
- Loan Repayment Schedule
- Cash Reserves
- Sustainability Ratios.

13 Implementation and Review of the Long Term Financial Plan

Council considers the content of our long term financial plans when preparing the City of Karratha's Annual Budget.

Since the creation of our first long term financial plan in 2012, adopted Annual Budgets have been aligned with the proposals made in the plan and the underlying assumptions.

We have conducted reviews of the LTFP each year as part of our Operational Plan and Annual Budget development to account for performance information and any changing circumstances.

Council is confident the modelling in the LTFP provides clear guidance on the financial impacts of various activities, initiatives, service levels and programs, allowing the City to set priorities within its resourcing capabilities, to sustainably deliver the infrastructure and services our community needs.

14 Appendices

14.1 Appendix A - Financial Statements

Statement of Comprehensive Income by Nature and Type

	2022 / 23	2023 / 24	2024 / 25	2025 / 26	2026 / 27	2027 / 28	2028 / 29	2029 / 30	2030 / 31	2031 / 32	2032 / 33	2033 / 34	2034 / 35	2035 / 36	2036 / 37	2037 / 38	2038 / 39	2039 / 40	2040 / 41	2041 / 42
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
REVENUE																				
Rates	48,463	57,125	59,524	60,049	60,466	62,840	62,324	64,297	66,173	68,103	69,981	71,911	73,894	75,931	78,024	80,175	82,385	84,655	86,988	89,386
Operating Grants, Subsidies and Contributions	17,341	12,284	12,640	12,656	12,953	13,256	13,568	14,387	14,727	11,062	11,319	11,582	11,851	12,128	12,411	12,701	12,999	13,303	13,616	13,936
Fees and Charges	23,891	24,862	30,566	31,382	32,133	32,904	33,694	34,504	35,429	36,380	37,257	38,156	39,077	40,021	41,101	42,211	43,234	44,282	45,282	46,384
Airport Fees	23,689	26,983	28,872	31,182	33,053	34,375	35,406	36,469	37,563	38,690	39,850	41,046	42,277	43,545	44,852	46,197	47,583	49,011	50,481	51,996
Interest Earnings	2,499	3,276	2,700	2,338	1,963	1,940	2,363	2,641	3,265	3,765	4,072	4,481	5,186	6,026	6,788	7,774	8,815	10,345	11,750	13,206
Other Revenue	855	886	907	926	946	966	986	1,008	916	908	927	946	966	987	1,008	1,029	1,052	1,074	1,098	1,121
	118,747	125,416	135,211	138,533	141,514	146,281	148,342	153,305	158,072	158,908	163,406	168,122	173,251	178,638	184,184	190,088	196,067	202,671	209,215	216,029
EXPENSES																				
Employee Costs	39,790	40,966	42,940	44,510	46,206	47,548	49,003	50,426	51,968	53,038	54,635	56,248	57,888	59,034	60,265	61,470	62,775	64,053	64,511	65,465
Materials and Contracts	32,377	34,690	37,563	39,612	41,281	42,600	43,767	44,968	46,239	47,562	48,892	50,212	51,537	52,945	54,411	55,942	57,484	58,969	58,809	60,224
Utility Charges	6,141	6,405	6,591	6,756	6,925	7,098	7,275	7,457	7,643	7,835	8,030	8,231	8,437	8,648	8,864	9,086	9,313	9,545	9,772	10,016
Depreciation	21,598	21,922	22,251	22,584	22,923	23,267	23,616	23,970	24,324	23,044	23,390	23,741	24,097	24,458	24,825	25,198	25,576	25,959	26,315	26,710
Interest Expenses	131	857	3,232	3,392	3,089	2,773	2,442	2,096	1,734	1,355	959	544	202	154	156	168	160	162	164	164
Insurance Expenses	2,742	2,858	2,939	3,012	3,086	3,163	3,241	3,321	3,403	3,487	3,574	3,662	3,752	3,844	3,939	4,036	4,135	4,237	4,319	4,425
Other Expenditure	11,984	2,462	2,525	2,581	2,640	2,699	2,760	2,823	2,887	5,033	3,019	3,087	3,147	3,208	3,270	3,335	3,401	3,468	3,537	3,608
	114,743	110,159	118,041	122,448	126,151	129,148	132,105	135,061	138,577	141,354	142,488	145,725	149,070	152,291	155,731	159,224	162,843	166,394	167,427	170,615
Surplus (Deficit) before Capital Funding	4,004	15,257	17,170	16,085	15,363	17,134	16,237	18,244	21,495	17,554	20,907	22,397	24,181	26,347	28,453	30,864	33,224	36,277	41,788	45,414
Non-Operating Grants, Subsidies and Contributions	5,904	18,285	18,479	10,635	5,404	3,805	2,716	1,639	1,680	2,998	1,785	1,809	3,229	2,042	2,093	3,625	2,199	2,254	3,903	2,368
Profit on Asset Disposals	864	109	209	109	109	109	109	109	109	109	109	109	109	109	109	109	109	109	109	109
Loss on Asset Disposals	(56)	(57)	(57)	(58)	(58)	(59)	(60)	(60)	(61)	(62)	(62)	(63)	(64)	(65)	(65)	(66)	(67)	(68)	(68)	(69)
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET RESULT	6,712	18,317	18,630	10,686	5,454	3,855	2,765	1,688	1,728	3,045	1,812	1,855	3,274	2,086	2,137	3,668	2,241	2,295	3,944	2,408
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME	10,716	33,575	35,800	26,771	20,817	20,989	19,002	19,932	23,223	20,599	22,719	24,252	27,455	28,433	30,590	34,532	35,465	38,573	45,733	47,822

Statement of Financial Position

	2022 / 23	2023 / 24	2024 / 25	2025 / 26	2026 / 27	2027 / 28	2028 / 29	2029 / 30	2030 / 31	2031 / 32	2032 / 33	2033 / 34	2034 / 35	2035 / 36	2036 / 37	2037 / 38	2038 / 39	2039 / 40	2040 / 41	2041 / 42
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS																				
Cash & Cash Equivalents	1,565	1,811	895	318	915	1,360	3,672	781	1,800	498	961	2,751	6,343	8,343	7,933	7,974	8,566	10,362	14,148	10,579
Cash Backed Reserves	69,533	53,020	46,653	36,459	35,663	46,749	53,965	70,388	83,525	91,477	102,175	120,745	142,918	163,013	189,048	216,556	257,104	294,304	332,878	388,706
Trade and other receivables	9,644	6,483	6,791	5,001	2,136	2,200	2,265	2,331	2,399	2,468	2,539	2,611	2,685	2,760	2,838	2,916	2,997	3,080	3,164	3,272
Inventories	478	451	432	420	409	389	389	379	370	360	351	343	334	326	318	310	302	294	287	280
Total Current Assets	81,220	61,775	54,771	42,197	39,123	50,728	60,291	73,890	88,093	94,803	106,026	126,449	152,280	174,442	200,136	227,756	268,968	308,040	350,477	402,837
NON-CURRENT ASSETS																				
Other Receivables	399	399	399	399	399	399	399	399	399	399	399	399	399	399	399	399	399	399	399	399
Other Financial Assets	4,100	4,100	4,100	4,100	4,100	4,100	4,100	4,100	-	-	-	-	-	-	-	-	-	-	-	-
Inventories	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93
Property, plant and equipment	264,560	269,160	305,366	309,563	313,759	311,254	312,743	312,336	311,474	309,077	306,128	302,643	301,665	300,900	303,461	300,437	297,861	296,111	293,394	290,049
Infrastructure	429,169	467,079	507,684	533,593	546,919	552,070	552,967	552,302	553,500	566,684	572,656	573,110	575,266	582,952	585,971	596,592	594,141	596,117	602,888	602,434
Investment Property	57,300	84,418	84,418	84,418	84,418	84,418	84,418	84,418	84,418	84,418	84,418	84,418	84,418	84,418	84,418	84,418	84,418	84,418	84,418	84,418
Right of Use Assets	1,045	887	737	599	461	323	185	46	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	756,666	856,136	902,797	932,765	950,149	952,656	954,904	953,694	954,884	960,670	963,694	960,663	961,840	968,762	974,341	981,940	976,912	977,138	981,191	977,393
Total Assets	837,886	917,911	957,568	974,962	989,272	1,003,384	1,015,195	1,027,584	1,042,978	1,055,474	1,069,720	1,087,112	1,114,120	1,143,205	1,174,477	1,209,696	1,245,880	1,285,177	1,331,668	1,380,229
CURRENT LIABILITIES																				
Trade and other payables	11,699	12,202	12,556	12,870	13,192	13,522	13,860	14,206	14,561	14,925	15,298	15,681	16,073	16,475	16,887	17,309	17,741	18,185	18,640	19,097
Contract and lease liabilities	134	133	127	134	140	148	155	103	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	1,300	5,654	6,641	6,945	7,263	7,596	7,944	8,308	8,689	9,087	7,478	1,094	-	-	-	-	-	-	-	-
Provisions	5,383	5,543	5,810	6,022	6,251	6,433	6,630	6,822	7,031	7,235	7,456	7,673	7,907	8,137	8,385	8,629	8,892	9,150	9,429	9,686
Total current liabilities	18,517	23,532	25,134	25,971	26,847	27,688	28,589	29,440	30,281	31,247	30,233	24,448	23,980	24,612	25,272	25,937	26,634	27,335	28,069	28,783
NON-CURRENT LIABILITIES																				
Lease Liabilities	940	807	680	547	406	258	103	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	14,700	62,046	64,405	57,460	50,196	42,600	34,656	26,348	17,659	8,572	1,094	-	-	-	-	-	-	-	-	-
Provisions	9,420	3,643	3,666	530	550	566	584	601	619	637	656	675	696	716	738	759	783	805	830	855
Total Non-Current Liabilities	25,060	66,495	68,751	58,536	51,152	43,425	35,343	26,948	18,278	9,209	1,750	675	696	716	738	759	783	805	830	855
Total Liabilities	43,577	90,027	93,885	84,507	78,000	71,123	63,932	56,388	48,559	40,456	31,983	25,123	24,676	25,328	26,010	26,697	27,416	28,140	28,899	29,638
NET ASSETS	794,309	827,883	863,684	890,455	911,272	932,261	951,264	971,195	994,418	1,015,017	1,037,737	1,061,989	1,089,444	1,117,877	1,148,467	1,182,999	1,218,464	1,257,037	1,302,769	1,350,591
EQUITY																				
Retained Surplus	483,728	533,816	575,983	612,949	634,562	644,464	656,251	659,750	669,845	682,492	694,514	700,196	705,478	713,816	718,371	725,395	720,313	721,685	728,844	720,838
Reserves - Cash Backed	69,533	53,020	46,653	36,459	35,663	46,749	53,965	70,388	83,525	91,477	102,175	120,745	142,918	163,013	189,048	216,556	257,104	294,304	332,878	388,706
Reserves - Asset Revaluation	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048
TOTAL EQUITY	794,309	827,883	863,684	890,455	911,272	932,261	951,264	971,195	994,418	1,015,017	1,037,737	1,061,989	1,089,444	1,117,877	1,148,467	1,182,999	1,218,464	1,257,037	1,302,769	1,350,591

Statement of Equity

	2022 / 23	2023 / 24	2024 / 25	2025 / 26	2026 / 27	2027 / 28	2028 / 29	2029 / 30	2030 / 31	2031 / 32	2032 / 33	2033 / 34	2034 / 35	2035 / 36	2036 / 37	2037 / 38	2038 / 39	2039 / 40	2040 / 41	2041 / 42	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
RETAINED SURPLUS																					
Balance at beginning of year (1 July)	461,654	483,728	533,816	575,983	612,949	634,562	644,464	656,251	659,750	669,845	682,482	694,514	700,196	705,478	713,816	718,371	725,395	720,313	721,685	728,844	
Net Surplus (deficit) for the year	10,716	33,575	35,800	26,771	20,817	20,989	19,002	19,932	23,223	20,599	22,719	24,252	27,455	28,433	30,590	34,532	35,465	36,573	45,733	47,822	
Transfers from (to) Cash Backed Reserves	11,357	16,514	6,367	10,194	796	(11,087)	(7,216)	(16,433)	(13,127)	(7,952)	(10,698)	(18,570)	(22,173)	(20,095)	(26,035)	(27,507)	(40,548)	(37,200)	(38,574)	(55,828)	
Transfers from (to) Asset Revaluation Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Prior Period Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance at end of year (30 June)	483,728	533,816	575,983	612,949	634,562	644,464	656,251	659,750	669,845	682,482	694,514	700,196	705,478	713,816	718,371	725,395	720,313	721,685	728,844	720,838	
RESERVES - CASH BACKED																					
Balance at beginning of year (1 July)	80,890	69,533	53,020	46,653	36,459	35,663	46,749	53,965	70,398	83,525	91,477	102,175	120,745	142,918	163,013	189,048	216,556	257,104	294,304	332,878	
Transfers from (to) Retained Surplus	(11,357)	(16,514)	(6,367)	(10,194)	(796)	11,087	7,216	16,433	13,127	7,952	10,698	18,570	22,173	20,095	26,035	27,507	40,548	37,200	38,574	55,828	
Balance at end of year (30 June)	69,533	53,020	46,653	36,459	35,663	46,749	53,965	70,398	83,525	91,477	102,175	120,745	142,918	163,013	189,048	216,556	257,104	294,304	332,878	388,706	
RESERVES - ASSET REVALUATION																					
Balance at beginning of year (1 July)	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	
Transfers from (to) Retained Surplus	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance at end of year (30 June)	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	241,048	

14.2 Appendix B – Supporting Schedules

Twenty Year Capital Works Program

	2022 / 23	2023 / 24	2024 / 25	2025 / 26	2026 / 27	2027 / 28	2028 / 29	2029 / 30	2030 / 31	2031 / 32	2032 / 33	2033 / 34	2034 / 35	2035 / 36	2036 / 37	2037 / 38	2038 / 39	2039 / 40	2040 / 41	2041 / 42	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
EXPENDITURE																					
Capital Funding																					
Capital Grants & Subsidies	5,904	18,265	18,479	10,635	5,404	3,805	2,716	1,639	1,680	2,998	1,765	1,809	3,229	2,042	2,093	3,625	2,199	2,254	3,903	2,368	
Proceeds from Asset Sales	2,951	4,524	2,349	265	262	268	275	282	289	296	304	311	311	311	311	311	311	311	311	311	311
Transfer from Reserve	-	2,943	-	4,125	2,773	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aerodrome Reserve	37,453	28,032	18,142	20,775	11,794	8,423	8,091	5,864	7,126	14,173	14,024	7,371	9,794	7,463	6,676	11,851	8,075	5,907	12,563	6,124	
Infrastructure Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Open Space Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical Services Assistance Reserve	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Employee Entitlements Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Waste Management Reserve	-	868	3,857	-	1,128	583	613	2,302	2,585	1,036	-	-	-	3,934	-	-	-	-	-	-	
Community Development Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Carry Forward Reserve	1,947	1,946	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Medical Services Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Economic Development Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Partnership Reserve	3,323	5,281	7,185	7,273	5,786	7,671	4,852	4,981	5,116	5,252	5,394	5,537	5,688	5,839	5,997	6,156	6,324	6,492	6,668	6,849	
Restricted Funds Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Loans - New borrowings	16,000	53,000	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Loans - Community/Other Groups	15	-	-	-	-	-	-	4,100	-	-	-	-	-	-	-	-	-	-	-	-	
Total Capital funding	67,763	114,860	59,012	43,063	27,146	20,750	16,546	15,068	20,896	23,755	21,487	15,029	18,961	15,655	19,011	21,943	16,909	14,963	23,445	15,652	
Capital Expenditure																					
Infrastructure																					
Renewals	12,823	19,560	13,902	14,532	13,961	15,574	12,175	10,189	12,312	15,938	14,631	12,002	13,437	16,710	13,001	16,767	10,379	15,971	17,503	12,266	
New Assets	3,261	20,353	31,575	17,330	4,537	4,210	1,263	1,852	5,755	5,932	5,492	1,474	1,786	1,549	4,748	1,701	2,643	1,710	1,992	1,796	
New Assets - Airport	40	11,838	9,176	8,306	9,303	58	2,369	2,429	1,867	255	-	1,340	1,511	4,225	289	7,397	-	-	3,186	1,633	
Asset Expansion/Upgrade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Asset Expansion/Upgrade - Airport	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Property Plant and Equipment																					
Renewals	4,952	9,688	7,536	6,108	7,610	6,025	9,322	8,026	8,164	6,814	6,404	6,011	8,655	8,023	12,475	7,035	7,629	8,603	7,783	7,308	
New Assets - Major Community	30,725	58,066	1,717	1,650	23	23	24	24	25	26	26	27	27	28	29	30	30	31	32	33	
New Assets - Minor Community	8,378	6,359	7,201	4,829	5,085	104	936	474	112	115	118	121	124	1,112	130	133	136	140	143	147	
Asset Expansion/Upgrade - Major	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Asset Expansion/Upgrade - Minor	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Loans - Community/Other Groups	1,700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Loan Repayments	17	1,300	5,654	6,641	6,945	7,263	7,596	7,944	8,308	8,689	9,087	7,478	1,094	-	-	-	-	-	-	-	
Total Capital Expenditure	61,895	127,165	76,763	59,397	47,464	33,257	33,686	30,938	36,543	37,768	35,757	28,453	26,634	31,647	30,672	33,064	20,817	26,455	30,639	23,183	
Surplus (Shortfall) in Capital	5,868	(12,304)	(17,751)	(16,334)	(20,318)	(12,506)	(17,139)	(15,870)	(15,647)	(14,013)	(14,270)	(13,423)	(7,673)	(15,992)	(11,660)	(11,121)	(3,908)	(11,491)	(7,194)	(7,530)	

Loan Repayment Schedule

	2022 23	2023 24	2024 25	2025 26	2026 27	2027 28	2028 29	2029 30	2030 31	2031 32	2032 33	2033 34	2034 35	2035 36	2036 37	2037 38	2038 39	2039 40	2040 41	2041 42
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Debt General Funds																				
Opening Balance	17	16,000	67,700	71,046	64,405	57,460	50,196	42,600	34,656	26,348	17,659	8,572	1,094	-	-	-	-	-	-	-
Less Repayments	-	17	-	5,654	-	6,945	-	7,263	-	8,308	-	9,087	-	1,094	-	-	-	-	-	-
Add New Loans	16,000	53,000	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	16,000	67,700	71,046	64,405	57,460	50,196	42,600	34,656	26,348	17,659	8,572	1,094	-	-	-	-	-	-	-	-

Cash reserves

	2021 22	2022 23	2023 24	2024 25	2025 26	2026 27	2027 28	2028 29	2029 30	2030 31	2031 32	2032 33	2033 34	2034 35	2035 36	2036 37	2037 38	2038 39	2039 40	2040 41	2041 42
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reserves Balances (End of Year)																					
Infrastructure Reserve	43,681	20,757	7,206	5,516	1,028	4,397	10,303	10,955	21,206	30,875	33,719	37,019	47,465	62,546	74,636	97,291	116,217	148,024	177,044	206,309	252,466
Aerodrome Reserve	4,357	8,867	6,279	6,762	2,891	227	8,221	14,826	22,279	27,371	32,653	38,134	43,820	49,720	55,840	62,190	68,779	75,614	82,706	90,063	97,697
Waste Management Reserve	17,112	17,804	17,647	14,496	15,080	14,518	14,478	14,410	12,648	10,537	9,895	11,362	13,362	14,137	15,621	12,273	13,909	15,485	16,269	17,947	19,746
Damper Drainage Reserve	11	21	22	23	24	25	26	27	28	29	30	31	32	34	35	36	38	39	40	42	43
Workers Compensation Reserve	400	411	427	444	461	478	496	515	534	554	575	597	619	642	666	691	717	744	772	801	831
Public Open Space Reserve	131	134	140	145	151	156	162	168	175	181	188	195	202	210	218	226	234	243	252	262	271
Mosquito Control Reserve	10	10	11	11	12	12	13	13	14	14	15	15	16	16	17	18	18	19	20	20	21
Economic Development Reserve	1,347	1,385	1,440	1,498	1,554	1,613	1,673	1,736	1,801	1,868	1,938	2,011	2,086	2,165	2,246	2,330	2,418	2,508	2,602	2,700	2,801
Medical Service Assistance Package Reserve	296	133	139	144	150	155	161	167	173	180	187	194	201	208	216	224	233	241	250	260	270
Employee Entitlements Reserve	5,336	5,485	5,704	5,922	6,155	6,386	6,625	6,874	7,131	7,399	7,676	7,964	8,263	8,573	8,894	9,228	9,574	9,933	10,305	10,682	11,093
Community Development Reserve	561	573	596	620	643	667	693	718	745	773	802	832	864	896	930	965	1,001	1,038	1,077	1,118	1,169
Restricted Funds Reserve	394	394	394	394	394	394	394	394	394	394	394	394	394	394	394	394	394	394	394	394	394
Partnership Reserve	7,254	13,558	13,014	10,665	7,916	6,634	3,504	3,163	3,270	3,350	3,404	3,427	3,420	3,378	3,300	3,183	3,025	2,821	2,572	2,271	1,914
	80,890	69,533	53,020	46,653	36,459	35,663	46,749	53,965	70,398	83,525	91,477	102,175	120,745	142,918	163,013	189,048	216,556	257,104	294,304	332,878	388,707

Sustainability Ratios

Ratio	Description of Ratio	Projected 2022 / 23	Projected 2023 / 24	Projected 2024 / 25	Projected 2025 / 26	Projected 2026 / 27	Projected 2027 / 28	Projected 2028 / 29	Projected 2029 / 30	Projected 2030 / 31	Projected 2031 / 32	Projected 2032 / 33	Projected 2033 / 34	Projected 2034 / 35	Projected 2035 / 36	Projected 2036 / 37	Projected 2037 / 38	Projected 2038 / 39	Projected 2039 / 40	Projected 2040 / 41	Projected 2041 / 42
Coverage																					
Own Source Revenue Coverage Ratio	A measure of a local government's ability to cover its costs through its own revenue efforts	88.34%	101.94%	103.20%	102.08%	101.20%	102.29%	101.31%	102.14%	104.32%	103.98%	106.11%	106.80%	107.65%	108.71%	109.68%	110.78%	111.80%	113.18%	116.19%	117.81%
	Own Source Operating Revenue/Operating Expense																				
	Inter-mediate is between 60% and 90% Advanced is above 90%																				
Operating Sustainability																					
Operating Surplus Ratio	An indicator of the extent to which revenue raised not only covers operational expenses, but also provides for capital funding	4.75%	13.63%	14.21%	12.90%	12.07%	13.00%	12.16%	13.25%	15.11%	11.97%	13.85%	14.41%	15.09%	15.93%	16.68%	17.51%	18.27%	19.28%	21.48%	22.60%
	Operating Surplus/Own Source Revenue																				
Rates Coverage	An indicator of a local government's ability to cover its costs through its own tax revenue efforts	42.24%	51.86%	50.43%	49.04%	47.93%	48.66%	47.18%	47.61%	48.45%	48.18%	49.11%	49.35%	49.57%	49.86%	50.10%	50.35%	50.59%	50.88%	51.96%	52.39%
	Rates Revenue/Total Expenses																				
Liquidity Ratios																					
Current Ratio	A measure of a local government's liquidity and its ability to meet its short term financial obligations from unrestricted current assets	4.14	2.31	1.89	1.39	1.23	1.54	1.86	2.04	2.40	2.44	2.88	4.76	6.15	6.93	7.65	8.43	9.65	10.81	12.11	14.23
	Current Assets less Restricted Assets/Current Liabilities less liabilities associated with Restricted assets																				
Debt Ratios																					
Debt Service Cover Ratio	An indicator of a local government's ability to generate sufficient cash to cover its debt payments	179.83	17.66	4.82	4.20	4.13	4.31	4.22	4.42	4.58	4.18	4.51	5.82	37.43	331.90	343.58	356.87	369.47	386.01		
	Operating revenue less Operating expenses except interest expense and depreciation/Principal and interest Expense																				
Asset Ratios																					
Asset Sustainability Ratio	An indicator of the extent to which assets managed by a local government are being renewed or replaced as they reach the end of their useful lives.	82%	133%	96%	91%	94%	93%	91%	76%	90%	99%	90%	76%	92%	101%	103%	94%	70%	95%	96%	73%
	Capital Renewal Expenditure/Depreciation Expense																				
Asset Consumption Ratio	Highlights the aged condition of a local government's physical assets	77%	78%	77%	76%	75%	74%	73%	71%	70%	69%	68%	67%	66%	65%	64%	63%	62%	61%	60%	59%
	Depreciated Replacement Cost of Assets/Current Replacement Cost																				
Asset Renewal Funding Ratio	Indicates whether the local government has the financial capacity to fund asset renewal at existing revenue and service levels	10.7%	104%	104%	105%	104%	102%	104%	103%	101%	103%	103%	104%	104%	100%	100%	100%	100%	100%	100%	100%
	Net present value of planned renewal expenditure/net present value of Asset Management Plan projections																				
Target - between 90% and 100%																					
Target - between 95% and 100%																					

14.3 Appendix C - Important Documents and Policies

This document should be read in conjunction with the following City documents:

- Council Policy CF-03 Investment Policy
- Council Policy CF-10 Rating Equity Policy
- Council Policy CF-13 Asset Management Policy
- Council Policy CF-14 Reserve Funding Policy
- Council Policy CF-16 Budget Review Policy
- Council Policy CG-01 Risk Management Policy
- Strategic Community Plan
- Corporate Business Plan
- Asset Management Plan
- Annual Budget
- Workforce Plan
- Integrated Strategic Plan

14.4 Appendix D - Glossary

Term	Definition
Annual Budget	A statutory requirement outlining the financial estimates to deliver the Corporate Business Plan.
Annual operating surplus	Operating revenue minus net operating expense before interest and depreciation.
Asset Management Plans	Plans that guide the use, acquisition and disposal of assets to make the most beneficial use of their services delivery potential and to manage related risks and costs over their entire life.
Asset consumption ratio (ACR)	The Asset Consumption Ratio seeks to highlight the aged condition of a local government's stock of physical assets. The ratio can be calculated by dividing the depreciated replacement cost of assets by the current replacement cost. Standard is met if the ratio can be measured and is 50% or greater, the standard is improving if the ratio is between 60% and 75%.
Asset renewal funding ratio	Means the ratio determined by depreciated replacement cost of assets divided by current replacement cost of depreciable assets.
Asset sustainability ratio	Means the ratio determined by capital renewal and replacement expenditure divided by depreciation expense.
Capital funding	Funding available to pay for capital expenditure.
Capital grants/contributions	Monies received generally tied to the specific projects for which they are granted, which are often upgrade and/or expansion or new investment proposals.
Capital new expenditure	Capital expenditure that creates a new asset providing a new service to the community that did not exist beforehand. As it increases service potential it may impact revenue and will increase future operating and maintenance expenditure.
Capital renewal expenditure	Capital expenditure on an existing asset that returns the service potential or the life of the asset, up to, that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project costs needs to be allocated accordingly.
Capital upgrade expenditure	Expenditure, which enhances an existing asset to provide a higher level of service, and expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in the council's asset base. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project costs needs to be allocated accordingly.
Corporate Business Plan	A local government's internal business planning tool that translates Council priorities into operations, within the resources available. The Corporate Business Plan details the services, operations and projects a local government will deliver over a defined period.
Current ratio	This is a modified commercial ratio designed to focus on the liquidity position of a local government that has arisen from past year's transactions. (Current Assets MINUS Restricted Assets) divided by (Current Liabilities MINUS Liabilities Associated with Restricted Assets)
Depreciation/amortisation	The systematic allocation of the depreciable amount (service potential) of an asset over its useful life.

Term	Definition
Infrastructure assets	Physical assets of the entity or of another entity that contribute to meeting the public's need for access to major economic and social facilities and services, e.g. roads, drainage, footpaths and shared paths. These are typically large, interconnected networks or portfolios of composite assets. The components of these assets may be separately maintained, renewed or replaced individually so that the required level and standard of service from the network of assets is continuously sustained. Generally, the components and hence the assets have long lives. They are fixed in place and often have no market value.
Integrated Planning and Reporting	A framework for establishing community priorities and linking these to different areas of a local government's functions.
Level of service	The defined service quality for a particular service against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental, acceptability and cost.
Liquidity ratio	Liquidity refers to how quickly and cheaply an asset can be converted into cash. A local government's liquidity is measured by the 'Current Ratio'. This ratio provides information on the ability of a local government to meet its short-term financial obligations out of unrestricted current assets.
Loans / borrowings	Loans result in funds being received which are then repaid over a period of time with interest (an additional cost). Their primary benefit is in 'spreading the burden' of capital expenditure over time. Although loans enable works to be completed sooner, they are only ultimately cost effective where the capital works funded (generally renewals) result in operating and maintenance cost savings, which are greater than the cost of the loan (interest and charges).
Operating expenditure	Recurrent expenditure continuously required to enable the asset to operate excluding maintenance and depreciation, e.g. electricity, water and fuel. It relates to operations and not the condition of the asset.
Operating revenue	Means the revenue that is operating revenue for the purposes of the AAS, excluding grants and contributions for the development or acquisition of assets.
Risk management	The application of a formal process to the range of possible values relating to key factors associated with a risk in order to determine the resultant ranges of outcomes and their probability of occurrence.
Scenario modelling	Preparation of forecast or estimates in the LTFP on optimistic, conservative and worst case scenarios to understand the impact of variations in factors or assumptions.
Sensitivity analysis	Determines those factors or assumptions that if varied have greater impacts on the LTFP.
Strategic Community Plan	The strategy and planning document that reflects the longer term (10+ years) community and local government aspirations and priorities.
Workforce Plan	A coordinated plan that addresses the human resourcing requirements to deliver local government operations.