District Council of
ROBE

District Council of Robe

NOTICE OF MEETING

Pursuant to Section 81 of the Local Government Act 1999 notice is hereby given that a Special Meeting of the District Council of Robe will be held on **28 June 2010** commencing at **5.00pm** at the Council Chambers, Smillie Street, Robe.

Bill Hender
Chief Executive Officer
23 June 2010

ORDER OF BUSINESS

1. Acknowledgement

1.1 Acknowledgement of traditional owners

The District Council of Robe acknowledges and respects the traditional owners of the ancestral lands of the Robe District. We acknowledge elders past and present and we respect the deep feelings of attachment and relationship of Aboriginal peoples to country.

2. Welcome

2.1 Protocol for members of the public

Members of the public are welcome to speak for up to three minutes on any topic during the public forum session. At other times we ask that members of the public allow Councillors to proceed with the meeting without interruption.

3. Present

4. Apologies

5. Conflicts of Interest

Any Councillor with a potential conflict of interest is asked to declare it at the start of each meeting and explain what the conflict is and why they will not be participating in any item relating to that issue.

6. Public Forum

7. Address

8. Adjourned Matters

8.1 Robe Marina Committee Recommendations

REPORT TITLE:	Robe Marina Committee Recommendations
DATE OF MEETING:	29th June 2010
AUTHOR:	Bill Hender
AUTHOR'S TITLE:	Chief Executive Officer
REPRESENTORS:	Nil
FILE NUMBER:	
ATTACHMENTS:	1.Robe Marina Committee Report to Council 2. Robe Marina Financial Modelling Report

PURPOSE
To consider recommendations from the Robe Marina Committee.

RECOMMENDATION

That Council receive the *Robe Marina Committee Report to Council* and the *Robe Marina Financial Modelling Report* and endorse the following recommendations of the Robe Marina Committee:

1. That Council support the completion of the Marina Project Stage 1 as described in this report and authorises the Section 41 Committee, to undertake the necessary works in line with the financial model as outlined in recommendation 2, hereunder.

2. That Council endorse the results provided by the financial modeling tool developed by Dr Geoff Wells and Council Accountant Vanessa McDonald and supports the adoption of the 99 year lease model for existing contracted berths and the proposed sale of remaining berths for 30 year lease terms.

3. That Council manages further berth sales in the first instance by pursuing those Registrations of Interest already listed with Council and by appointing selling agents if and when necessary, as determined by the Council.

4. That Council notes the reference made during the consultation process for *"a more independent managing body for the Marina project."* Council, however, recognizes its obligation to ensure that the Marina Project is completed in a financially sustainable manner and reserves the right to make further appointments to, and alterations to the Terms of Reference of, the Section 41 Committee on a needs basis.
   That Council requires the Section 41 Committee to report to Council on a regular basis on the progress of the Marina project and particularly the financial status of the project against the budgets which will be generated by the financial model.

5. That in order to bring renewed confidence and interest in the Marina project and to assist the potential marketing of available berths, Council in partnership with the Section 41 Committee, undertake an appropriate marketing and publicity campaign, associated with the anticipated completion of Stage 1 of the project.

BACKGROUND

In September 2009, Council engaged Dr Geoff Wells to assist the Robe Marina Committee with the development of a financial modelling tool to be used to develop plans to complete the Marina. It was intended that the modeling tool would be used to test the financial implications of different strategic scenarios which may be available to move the Marina project forward.

Dr Wells Report has been completed and discussed in detail by the Robe Marina Committee and a number of scenarios have been tested.

Extensive consultation has been undertaken with key stakeholder groups and the broader community and the modelling methodology has been externally reviewed.

The Robe Marina Committee believes that, based on the work to date and using the financial modeling tool as developed, with particular regard for risk assessment, the Marina project should be completed and the remaining berths sold as soon as practicable.

DISCUSSION

As Geoff Wells points out in his Report, the modeling is based on a number of assumptions which, if changed or prove to be inaccurate, will change the outcomes of the model.

The model has been built to account for the length of the leases (99 years), which is an unusually long timeframe for a financial model and is a challenge to the reliability of the model.

POLICY IMPLICATIONS
Nil

BUDGET IMPLICATIONS

If the recommendations of the Robe Marina Committee are adopted by Council, it will be essential to maintain tight financial control over the project to ensure ratepayers are not left with an unfunded long-term debt burden. It was always intended that the Robe Marina would be funded by the users of the marina and if required, Council has the ability to use its rating powers to ensure this occurs.

STRATEGIC PLAN

The recommendations are consistent with Council’s Strategic Plan.

COMMUNITY CONSULTATION

There has been extensive community consultation throughout the process..

SECTION 41 COMMITTEE ROBE

REPORT TO COUNCIL ON THE DEVELOPMENT OF THE LAKE BUTLER MARINA

BACKGROUND:
Since being appointed by Council to oversee the further development of the 'Marina' project and to essentially implement a number of reports, notably the 'Jones' report, the Committee has progressed elements of the project whilst managing the Marina precinct to accommodate the professional and recreational fishing and boating sectors.

Another key responsibility of the Committee has been to investigate issues associated with progressing the Marina project through to completion and to make recommendations to Council in that regard.

To achieve the completion of what might be described as Stage I of the Marina project, a number of matters/works need to be undertaken and they include:-

- Completion of the built form of the marina berths and associated service facilities including connection of power and water to all 144 berths.

- Carry out dredging to designated sections of Lake Butler to allow access to all berths over time.

- Complete external site works including car parking facilities.

- Proceed to sell those remaining berth leases after setting aside berths required by Council for short term leasing.

Before recommending to Council, a plan to address the incomplete items as listed, the Marina Committee agreed that a financial plan was critical to support the decision making process.

Dr Geoff Wells was engaged by Council to work with the Section 41 Committee to implement a brief which included wide consultation with a range of stakeholders with an interest in the Marina project and to develop a financial modeling tool which could be used to access the financial outcomes of the long term project, under a range of scenarios.

DISCUSSION:
The Wells Report has been completed and discussed in detail by the Committee. The methodology of the financial tool was discussed with academic and professional analysts to ensure the soundness of the economic fundamentals of the model. John Comrie, a respected professional analyst with wide experience of local government, acted as the external reviewer of the modelling. A number of scenarios have been tested, ranging from adjusting the terms of existing leases to as low as 30 and 50 year terms in lieu of the 99 year model and to sell remaining berths for a range of prices over a number of lease period options. Berth lease conditions and pricing has been compared to other like marina facilities in South Australia. Key

data inputs, including estimates for capital works, have been subject to careful due diligence, and sensitivity analysis applied.

Broad consultation has been undertaken with key stakeholder groups, particular the executive groups of professional and recreational berthholders, and then with other constituencies, including ratepayers. Various proposals of lease lengths, both current and future were presented and discussed. Input from these meetings was then taken back as inputs to the modelling development.

The external reviewer noted that, although strictly correct from an accounting point of view, under finance modelling amortising lease income across the leases results in a probable underestimate of economic value. This advice was accepted by the modelling team and its advisors. Accordingly, recommended adjustments to the outcomes were made to recognise berth sales in the period in which they occurred. This adjustment was reflected in the increased projected economic value of the project, and the removal of the need to renegotiate existing lease lengths to shorter periods.

The Section 41 Committee believes that based on all its work to date and using the financial modeling tool as developed, with particular regard for risk assessment, the Marina project should be completed and remaining berths sold as soon as practicably possible. Accordingly, the Committee makes the following recommendations to Council:-

1) That Council support the completion of the Marina Project Stage 1 as described in this report and
   authorizes the Section 41 Committee, to undertake the necessary works in line with the financial model as outlined in recommendation 2, hereunder.

2) That Council endorse the results provided by the financial modeling tool developed by Dr Geoff Wells and Council Accountant Vanessa McDonald and supports the adoption of the 99 year lease model for existing contracted berths and the proposed sale of remaining berths for 30 year lease terms.

3) That Council manages further berth sales in the first instance by pursuing those Registrations of Interest already listed with Council and by appointing selling agents if and when necessary, as determined by the Council.

4) That Council notes the reference made during the consultation process for "*a more independent managing body for the Marina project*". Council, however recognizes its obligation to ensure that the Marina project is completed in a financially sustainable manner and reserves the right to make further appointments to and alterations to the Terms of Reference of, the Section 41 Committee.
   The Council requires the Section 41 Committee to report on a regular basis on the progress of the Marina project and particularly the financial status of the project against the budgets which will be generated by the financial model.

5) That in order to bring renewed confidence and interest in the Marina project and to assist the potential marketing of available berths, Council in partnership with the Section 41 Committee, undertake an appropriate marketing and publicity campaign, associated with the anticipated completion of Stage 1 of the project.

SUMMARY REPORT TO THE SECTION 41 ROBE MARINA COMMITTEE
DISTRICT COUNCIL OF ROBE
MARINA FINANCIAL MODELLING PROJECT

Dr Geoff Wells, MIMC
Management Consultant
PO Box 167
Robe SA 5276

April 2010

SUMMARY REPORT TO THE SECTION 41 ROBE MARINA COMMITTEE
DISTRICT COUNCIL OF ROBE
MARINA FINANCIAL MODELLING PROJECT

1. Background

In late September 2009 the Council engaged Dr Geoff Wells to assist it in the development of a financial modelling tool, which could be used in the context of developing plans for the Robe Marina. The brief was to assist Council administration by working with Bill Hender , Council CEO, and Vanessa Macdonald, Council Accountant, in developing this tool. Important elements of the brief were:

- It was intended that the tool would then be used by the Section 41 Committee and the Council to test the financial implications of the different strategic scenarios which might be available to take the Marina forward.
- It was agreed that it was not Dr Wells's role to make policy recommendations, but to help develop the financial modelling tool and to support its use in testing business plan scenarios developed by the Section 41 Committee and by Council.
- Although previous modelling, including the original modelling by the Marina Corporation and subsequent modelling in reports, was expected to be reviewed, it was not part of this brief to express an opinion on the methodologies of these models or their outcomes. All input data for the modelling in the project was to be developed and tested under current conditions.
- The brief did not include consideration of potential entity and management structures for the Marina going forward.
- Dr Wells was further charged with overseeing a process by which key inputs into the modelling tool would be elicited from all sections of the community, in an open and transparent manner.

2. Procedure

The following steps were laid out at the beginning of the process, in consultation with the Section 41 Committee and the Administrations, and have been carefully and throughly implemented:

1) A *stakeholder review* was undertaken. This comprised an open invitation to elected members, Section 41 Committee members, commercial berthholders, recreational berthholders, ratepayers, and the community in general to contact Dr Wells to make their views and opinions known. Over the succeeding months more than 50 individuals, representing all stakeholder groups, took up that offer. Many concerns and creative ideas were expressed, and where possible were applied to the modelling task.
2) A full *review of relevant documentation* was undertaken. This included the Jones report, the Venn report, documentation from the former Robe Marina Corporation (including financial projections), other technical reports in the hands of Council, State and agency reports, and current audited financial statements of Council and the Marina project.

3) A *data gathering* exercise was undertaken, focused mainly on the key financial data that was either missing or unclear or in dispute, that were required inputs into the financial model. This data was retrieved by revisiting quotes with providers (for example, for sheet piling repair and replacement), or seeking expert opinion, (for example, on berth dredging costs), or reviewing comparable numbers (for example, on berth pricing). Some of this information was available from stakeholders, some from external providers. The project brief required that every relevant number had to be revisited under current conditions, whether or not it had been proposed previously, because substantial time had elapsed since those exercises, and because professional standards of due diligence required it.
4) *Financial model development* was then undertaken. Key decisions relating to the model's parameters were made (time horizon, nominal or real approaches, inflation rates, interest rates, cost of capital, terminal value, as detailed below). Spreadsheet development followed, in Projected Statements of Financial Performance (Profit and Loss), Projected Statements of Financial Position (Balance Sheet) and Projected Statements of Cash Flow. Free Cash Flow (FCF) estimates were generated across the time horizon, and the Net Present Value (NPV) of FCF calculated. In consultation with management Sensitivity Analysis was carried out on key variables, and the financial implications of a number of management scenarios were explored. This approach to the financial modelling has strong support in the professional literature, where it is regarded as best practice. In addition, it was checked with external finance professionals and supported by them.
5) *Consultation* was then undertaken with key stakeholder groups, particular the executive groups of professional and recreational berthholders, and then with the wider berthholder constituencies, including ratepayers. On a number of occasions, the modelling of the project as it developed was presented to these groups and feedback invited. Various proposals of lease lengths, both current and future were presented and discussed. Input from these meetings was then taken back as inputs to the modelling development.

3. Key data inputs to the model

At the outset of the modelling project there were many uncertainties about key data inputs. The process outlined above produced the following results on these inputs:

Item	Data	Comments
Time horizon—leases	99 year leases 50 years leases 40 year leases 30 year leases and combinations for current and new leases.	The time horizon of the model is determined by the lease options being contemplated. Leases generate liabilities for the lessor throughout the lease period.
Berth pricing	Current pricing. Pricing on future berth sales. Sensitivity analysis on future pricing carried out.	Current prices were benchmarked against other Marinas in South Australia and interstate. They were found to represent excellent value for money against comparisons.
Dredging: berths	$800,000 every 40 years	
Dredging: channel	$200,000 every 5 years	
Underwater bund	$100,000	To secure dredged material in the Marina basin as per proposal to the EPA.
Marina refurbishing	$3.2m, every 40 years	
Sheet piling replacement	$2.8m, in 22 years, and then in 40 years.	Initial quote of 4.8m was renegotiated to 2.8m.
Straddle lift jetty refurbishment	$600,000 in 30 years, then in 50 years.	
Straddle lift replacement	$400,000 in 15 years, then at 40 year intervals.	
Breakwater rebuild	$72,000 in 30 years, then in 40 years.	
Washdown area renovation	$11,000 in 37 years, then in 40 years.	
Car park renovation	$67,000 in 27 years, then at 30 year intervals.	
Financing costs	7%	Average long-term trend
Cost of capital	7% selected Sensitivity testing on lower and higher discount rates carried out.	Current recommendation of State Treasuries and of Federal agencies. Commercial projects would apply a higher rate, socially-oriented projects a lower rate. This rate reflects the role of local

		government as a provider of social services, and the character of the Marina as a quasi-commercial project.
Valuation framework	Real (inflation adjusted) Nominal (in today's dollars)	Both frameworks are used in project finance and both were modelled. Best practice is to use Real valuation, particularly over longer project horizons, and the model presented is in Real terms.
Operating costs	Current, projected	General, Selling and Administration costs were estimated from current levels, and included provision for marketing around lease resales.

4. Modelling methodology

Net Present Value (NPV) is the standard measure used for evaluating the financial viability of capital projects. It aggregates the annual financial results of the project and allows for the time value of money, by which amounts recorded in the future are discounted to calculate their present value. The annual net cash flows generated by the project are aggregated using the standard formula to calculate the project's NPV. A positive NPV indicates that surplus value is being created by the project; a negative NPV that value is being destroyed by the project. While not the only determinant of a go/no go decision, the NPV result is typically held to be critical to the evaluation of potential projects. It is a required input to any capital works or business project proposed by local government.

The cash flows aggregated in this model are *Free Cash Flows (FCF)*. FCF is calculated by adjusting annual net operating profit to cash, and then deducting amounts for the requirements of the business. Charges are made for the change in non-cash working capital and investment in fixed assets. This ensures that the liquidity and investment requirements of the business are provided for. The surplus is termed Free Cash, and is the basis of the additional economic value being generated by the project. While project modelling is also carried out using net annual cash movements, FCF is regarded in professional theory and practice as best practice[1]. It is a conservative approach with respect to risk. This approach was supported by external professional advisors.

FCF analysis requires data to be drawn in from all three annual financial statements (Statements of Financial Performance, Financial Position and Cash Flows). The financial modelling thus proceeds by developing these statements for each year of the project. Capital budgeting is driven by an annual Asset Register. Linked spreadsheets ensure that the Statements are reconciled under GAAP principles. The output of the model is the stream of annual FCFs, which is then aggregated through the NPV calculation.

[1] Martin, J & Petty, J 2000, *Value Based Management*, Harvard Business School Press, Boston, MA.; Damodaran, A 2006, *Damodaran on valuation: security analysis for investment and corporate finance*, 2nd edn., John Wiley & Sons, New Jersey.

Attention can then be given to the key factors which drive the valuation. In this model those factors were:

- Discount rate
- Income
- Expenses
- Capital investment
- Interest rates

Sensitivity analysis involves exploring the ranges of values that these factors can take, and the financial outcomes of varying the factors in this way.
Each business scenario investigated thus has its own set of spreadsheets, generating different FCF and NPV results. These results represent the financial value that would be generated by the project under each scenario.
After consulting with external financial modelling experts, as an external review, two additional modifications to this approach were made:

- Under accounting rules lease income is amortised across the lease period, to recognise the ongoing liability under the terms of the lease, which is then progressively paid down. The external reviewer noted that, although strictly correct from an accounting point of view, discounting amortisations over a long period, as the NPV calculation requires, results in a probable underestimate of NPV. This advice was accepted by the modelling team. Accordingly, recommended adjustments to the outcomes were made which had the effect of recognising berth sales in the period in which they occurred. This was held to give a more accurate estimate of the economic outcomes of the project, reflected in the increased NPV values.

- As noted above, under the standard formula for Free Cash Flow, a charge is made for the change in non-cash working capital, to ensure adequate liquidity. The external reviewer noted that in this case there is no such change, because no accruals are being carried, and that therefore this line item can be eliminated from the Free Cash Calculation. This advice was accepted by the modelling team. Accordingly this adjustment was made.

5. Financial modelling results

General assumptions

All financial models stand on input assumptions. Changes in these assumptions change the outcomes of the model. In building this model, the following input assumptions were used (notes here refer to the spreadsheet model):

1	Income will increase by 3% CPI factor every year.
2	Interest Income will be 5% of previous year's closing bank account balance.
3	No Grant Income is anticipated.
4	No LGFA bonus has been factored in.
5	Marina Berth Income Premium is the amortisation of the berth payment over the length of the lease (Premium Amortisation Sheet)..
6	Marina Berth Income : Lease Income has been rolled into Administration Fees (Berth Revenue).
7	Marina Berth Income : Short Term Lease Income has been rolled into Administration Fees (Berth Revenue).
8	Administration Fees – refer berth revenue worksheet.
9	No Other Revenue is anticipated.
10	General Rates is included as income.
11	Straddle Hire Fees expected to increase by 10% in 2012/13 with sale of remaining commercial berths and then expected to remain with CPI increase.
12	Mooring Fees has been rolled into Administration Fees (Berth Revenue) – is expected to be 50% utilisation (Berth Revenue)
13	Hardstand Storage expected to increase with CPI.
14	Boat Ramp has been excluded as boat ramp revenue is to be spent on the boat ramp.
15	Fees for Prep Underlease is a one off fee for the preparation of the lease; these have not been included in future years as is offset by legal fees.
16	Separate Rate of $300 is excluded from calculations.
17	Expenses will increase by 3% CPI Factor every year.
18	Advertising will be 10K in first year and 5K for the following 3 years around berth sales every 30 years.
19	Interest Expense expected to be on average 7% of previous years loan balance.
20	No Entry for future losses has been factored in.
21	No asset sales are anticipated

22	No Berth refunds are anticipated
23	Marina Development (Pontoons) Replaced every 40 years: 2047, 2087; $3.2m
24	Breakwater Replaced every 40 years: 2047, 2087; $72,000
25	Washdown Area Replaced every 40 years: 2047, 2087; $11,000
26	Carpark to be replaced every 30 years: 2037, 2067, 2097; $67,000
27	Dredging of Channel to be done every 5 years commencing 2010/11, $200,000
27	Straddle Lift Jetty 50 year life with 30 years remaining life; replacement 2039, 2089; $600,000
28	Straddle Lift $100K to be spent in 09/10; replacement 2025, 2065, 2105; $400,000
30	Construction of bund to hold dredge material is expected to last 99 years; $10,000
31	Dredging of berths $800,000 every 40 years
32	Sheet Piling: replacement $2.8m in 2032, 2072

Importantly, the above assumptions include provisions for maintaining the current leases in their present form, and selling new leases as 30-year leases.

Berth pricing assumptions

Projections of future revenue streams are critical to the outcomes of the model. The following assumptions with respect to berth pricing were used in this model:

	99 Year Leases		30 Year Leases		21 Year Leases
COMMERCIAL	**59,000**		**59,000**		
	72,000				
KARATTA	**90,000**		**60,000**		**50,000**
WATERHOUSE	**25,000**		**25,000**		
BUTLER	**60,000**		**40,000**		
	70,000				

As noted, these price levels were set taking into account pricing at other state marinas, and feedback from the current berthholder groups.

Result

Under these assumptions the model generated the following a positive Net Present Value for the project of **$1,225, 720.**

6. Uncertainties and risk coverage

As noted, the financial model must be built to encompass the length of leases, which generate liabilities throughout the lease period, in this case 99 years for the longest leases. This time horizon is unusually long for a financial model, and presents a challenge to model reliability. In particular, risks and uncertainties associated with the project are material to any decision-making of which this model is a part.

The key variables governing values in this model—revenues, expenses, capital investment, interest rates, cost of capital—are clearly subject to substantial uncertainty over the long time-horizons. Standard sensitivity analysis has been carried out with respect to these variables. Expenses and capital investment were assumed likely to move over narrower ranges. It was also assumed that interest rates ranges would kept in check by current central banking policies. Therefore revenues and discount rates were the focus of the sensitivity analysis.

It should be emphasised that full actuarial methods would be required to better capture uncertainties and risks. However, the modelling presented here has been built on the principle that reasonable estimates of these variables, backed with data and sound methodology, and documenting potential ranges of values in a systematic way, meets the requirements for project modelling under the Local Government Act.

Some comments on key financial risks now follow:

- *Berth income:* The financial results of the model are quite sensitive to variations in income. Sensitivity analysis indicates that, using the 7% discount rate, approximately 80% of new berths would need to be sold when they are offered, in order to maintain a positive NPV for the project. At sales levels less than this the NPV for the project becomes negative. Timing of income may also impact the financial outcome.

- *Discount rates:* The cost of capital increases with increasing interest rates, and the discount rate with it. The discount rate of 7% used in this model is at present standard for most state and federal government treasury modelling. NPV decreases with increases in the discount rate, hence interest rate rises should be monitored carefully for their effect on the projected results.

  On the other side of the equation, an external finance advisor to the project noted that a lower discount rate, set at the long-term bond rate, could also be justified over such an extended time horizon—using the current 10-year bond yield of 5.8% the model would generate an increase in projected NPV over the current outcome. Thus the 7% discount rate recommended represents a conservative approach to the modelling, and may be seen as providing a safety margin, based on this approach.
- *Grant income:* Financial flexibility for the Council was built into the modelling by not including a revenue line item for government grants. It is likely that grants will be available and may be secured, but in order to present a conservative position the decision was made not to include them.

- *Climate change impacts*: Based on recent reports[2], climate change impacts on the project are possible over such a long period of time, and adaptation measures associated with them may have a bearing on the financial viability of the project. For example, it is

[2] Commonwealth of Australia 2009, *Managing our coastal zone in a changing climate,* House of Representatives Standing Committee on Climate Change, Water, Environment and the Arts, Canberra.

possible that climate change over the period may produce a significant increase in storm surges, with resulting damage to infrastructure, or a requirement to upgrade it. In this model it is assumed that targeted government funding for such purposes is likely to be available, and will be pursued by Council. These impacts, on both cost and revenue sides, have therefore not been included in this model.

Summary and conclusions

The brief for this project was for the creation of a modelling tool which the Section 41 committee and the Council could use to test the financial implications of forward strategies for the Marina. That modelling tool is now in place. What is reported in this Summary Report are some of the outcomes of using the tool to predict financial outcomes under different financial scenarios. This does not in any way exhaust the possibilities: there are certainly other scenarios that could be proposed and tested under the model by the Section 41 Committee and the Council.

A central part of the project was to develop robust current numbers for key inputs to the model. The project has delivered such numbers. However, it should be noted that these numbers will continue to change, and will need to be revisited over time.

Under the assumptions listed here, the model indicates a positive NPV that is reasonably robust under key risk sensitivities. However, it has also been noted that relatively small shifts in some of the key drivers, particularly revenues and discount rate, can deliver a negative NPV. Any decision-making which incorporates these model outcomes should therefore pay close attention to the risk probabilities associated with these measures.

A parallel outcome of the project has been the successful implementation of the consultation process with all major stakeholders.

Disclaimer

Dr Geoff Wells has prepared this report with the usual care and thoroughness of the management consulting profession. It was based on data provided or approved by the client and on generally accepted practices and standards at the time it was prepared. No other warranty, expressed or implied, is made as to the accuracy or professional advice contained herein. Dr Wells has made no independent valuation beyond the scope of work contained herein, assumes no responsibility for omissions or the accuracy of the information provided, and accepts no liability for conclusions drawn or actions taken based on the information contained in this report.

9. Officer's Reports – Chief Executive Officer

9.1.1 Budget 2010/2011

REPORT TITLE:	Budget 2010/2011
DATE OF MEETING:	28 June 2010
AUTHOR:	Bill Hender
AUTHOR'S TITLE:	Chief Executive Officer
REPRESENTORS:	Nil
FILE NUMBER:	**Nil**
ATTACHMENTS:	Annual Business Plan 2010/2011

PURPOSE
To adopt the Budget for 2010/2011.

RECOMMENDATION

9.1.1 Adoption of Annual Business Plan

Cr. _____________ moved that pursuant to and in accordance with Section 123 of the Local Government Act 1999 and Regulation 5A of the Local Government (Financial Management) Regulations 1999, having considered any submissions in accordance with Section 126(6) of the Local Government Act 1999, Council adopt the 2010/2011 Annual Business Plan as presented.

Seconded Cr _______________

9.1.2 Budgeted Financial Estimates

Cr. ______________ moved that pursuant to Section 123 (7) of the Local Government Act 1999 and Regulation 5B of the Local Government (Financial Management) Regulations 1999, having considered the Budget in conjunction with, and determined it to be consistent with, the 2010/11 Annual Business Plan, Council adopt the Budget comprising the following Financial Budgeted Statements for 2010/2011 as presented:

Income Statement
Statement of Cash Flows
Balance Sheet
Statement of Changes in Equity
Uniform Presentation of Finances
Financial Indicators
Operating Budget
Capital Budget

Seconded Cr ______________

Adoption of Capital Valuation

Cr. ______________ moved that pursuant to and in accordance with Section 167 (2) (a) of the Local Government Act 1999, adopt for the financial year ended 30th June 2011, for rating purposes the most recent valuations of the Valuer-General available to Council of Capital Values in relation to the area of the Council, with the total of the valuations being $904,273,340 comprising $864,513,000 in respect of rateable land and $39,760,340 in respect of non rateable land before alteration.

Seconded Cr _______________

9.1.3 Declaration of Rates 2010/11

9.1.3.1 Differential General Rates

Cr. ______________ moved that pursuant to and in accordance with Sections 153(1)(b) and 156(1)(b) of the Local Government Act 1999 Council declare a single General Rate of 0.3077 on the assessed Capital Values of all rateable properties for the financial year ended 30th June 2011.

Seconded Cr. _______________

9.1.3.2 Annual Service Charges

9.1.3.2.1 Garbage and Recycling Collection Service

Cr. ____________ moved that pursuant to and in accordance with Section 155 of the Local Government Act 1999 declare an annual service charge based on the nature of the service and level of usage of the service of $265.00 for the financial year 30th June 2011 on all occupied land within the Council area to which Council provides or makes available the prescribed service known as the Garbage and Recycling Collection Service.

Seconded Cr. _______________

9.1.3.2.2 Garbage Collection Service

Cr. _____________ moved that pursuant to and in accordance with Section 155 of the Local Government Act 1999 declare an annual service charge based on the nature of the service and level of usage of the service of $150.00 for the financial year 30th June 2011 on all occupied land within the Boatswains Point Council area to which Council provides or makes available the prescribed service known as the Garbage and Collection Service.

Seconded Cr. _______________

9.1.3.2.3 CWMS Annual Service Charge

Cr. ____________ moved that pursuant to and in accordance with Section 155 of the Local Government Act 1999 Council declare the following annual service charges for the financial year ended 30th June 2011, based on the nature of the service and the level of usage of the service on all land to which Council provides of makes available the prescribed service known as Common Wastewater Management Systems on all properties services by these schemes for the year ended 30th June 2011 as follows

Occupied with desludging	$443.00
Occupied without desludging	$399.00
Unoccupied	$355.00

Seconded Cr. _______________

9.1.3.3 Separate Rates

9.1.3.3.1 South East Natural Resources Management Board Levy

Cr. ______________ moved that pursuant to Section 95 of the Natural Resources Management Act 2004 and Section 154 of the Local Government Act 1999, in order to reimburse Council the amounts contributed to the South East Natural Resources Management Board, Council declare for the financial year ended 30th June 2011 a separate rate based on a fixed charge of the same amount on all rateable land in the area of the Council and the Board of $36.90.

Seconded Cr. _______________

9.1.4 Minimum Amount Payable by way of Rates 2009/10

Cr. ______________ moved that pursuant to and in accordance with Section 158 of the Local Government Act 1999 Council declare that for the financial year ended 30th June 2011 the minimum amount payable by way of rates in respect of any one rateable property shall be $555.00

Seconded Cr. _______________

9.1.5 Payment of Rates

Cr. ____________ moved that the pursuant to Section 181 of the Local Government Act 1999, Council declare that all rates are payable in four equal or approximately equal instalments with the:

First instalment payable on 1 September 2010
Second instalment payable on 1 December 2010
Third instalment payable on 1 March 2011
Fourth instalment payable on 1 June 2011

Seconded Cr. _______________

District Council of ROBE

Annual Business Plan 2010-11

Table of Contents

INTRODUCTION

The Annual Business Plan sets out the Council's proposed services, programs and projects for 2010-11. It aims at continued progress towards the longer term objectives of the District Council of Robe set out in its Strategic Plan.

The Plan has been prepared on the basis of maintaining an appropriate level of services to the community, without imposing an unrealistic rate burden on ratepayers. The provision of services by Council is a reflection of both meeting Council's obligations under legislation and the community's desire for services and facilities.

After taking into account feedback from the community, Council has finalised the Plan and Council's detailed budget. From time to time due to differing circumstances and conditions such as additional or withdrawal of grant funding, weather conditions or change of focus, the Annual Business Plan and the activities included may need to the amended or deleted. Where a major change is proposed Council will advise residents as soon as possible.

1. The Future

The Annual Business Plan for 2010-11 aims to strike a balance between the level of services for the community and the need to ensure the long-term financial sustainability of the Council. Council has undertaken significant work during 2009-10 in relation to its updated Strategic Plan, Long Term Financial Plan and Infrastructure and Asset Management Plan.

Council adopted its 2009-2013 Strategic Management Plan in January 2010. Amongst the obligations when adopting its Plan was consideration of regional, state and national objectives and strategies relevant to the social, physical, environmental development and management of Council's area of responsibility. The Plan identifies key issues and projects which will provide for a range of services and facilities while ensuring the ongoing sustainability and prosperity of Robe.

When developing the Plan, Council reviewed its Vision Statement and prepared a new and revised statement that better reflects the Council aspirations for the Robe community.

VISION
"The District Council of Robe will be a vibrant, harmonious and prosperous place to live, work & visit, where the heritage & environment are preserved for future generations"

Council's long term objectives are set out in its Strategic Plan, the current version being available to the public for inspection at the Council Office, library or on the web site at http://www.council.robe.sa.gov.au.

The Long Term Financial Plan was adopted in June 2010. The Infrastructure and Asset Management Plan is still in draft format at this stage. Costs inherent in the Council's draft Infrastructure and Asset Management Plan have been reflected in the Long Term Financial Plan and both of these documents are integral to, and are heavily influenced by, the

Strategic Plan. Collectively, these plans form the Council's suite of Strategic Management Plans.

2. Significant Influences and Priorities

A number of significant factors have influenced the preparation of the Council's 2010-11 Annual Business Plan. These include:

- Requirements to maintain infrastructure assets at acceptable standards;
- Commitments to complete the Marina;
- The level of State and Commonwealth Government grant funding;
- Fees/charges imposed by the State Government including the waste levy;
- Construction of the Community Wastewater Management Reuse system and requirements to secure Commonwealth Government subsidy for this;
- Cost of compliance with State Government reporting and accountability requirements.

In response to these factors, and to minimise the burden on rate-payers, the Annual Business Plan has been prepared within the following guidelines:

- After excluding new rate revenue associated with development, general rate revenue will increase by 3.85% in 2010-11 (Refer Section 7 for details on the impact on ratepayers).
- Maintenance and renewal of existing assets will be a matter of priority to ensure that the range and level of services being provided by Council's infrastructure is maintained at a reasonable level.

A challenge for the District Council of Robe is to prioritise expenditures to meet the demand for services and facilities. Given the asset intensive nature of the Council's activities, assessing the long term capacity of the community to fund ongoing maintenance and rehabilitation of infrastructure assets is a crucial consideration.

3. Continuing Services

Council plans to continue with its 2009-10 objective of rehabilitating one rural and one town road per year. Securing $402,000 in Commonwealth Government 'Roads to Recovery' funding in 2009-10 for five years will assist in achieving this objective along with catering for other necessary road reseals and re-sheets.

Council has basic responsibilities under the Local Government Act and other relevant legislation. These include:

- regulatory activities e.g. maintaining the voters roll and supporting the elected Council;
- setting rates, preparing an annual budget and determining longer-term Strategic Management Plans for the area;
- management of basic infrastructure including roads, footpaths, parks, public open space, street lighting and storm-water drainage;
- street cleaning and waste management;
- development planning and control, including building safety assessment;

- various environmental health services.

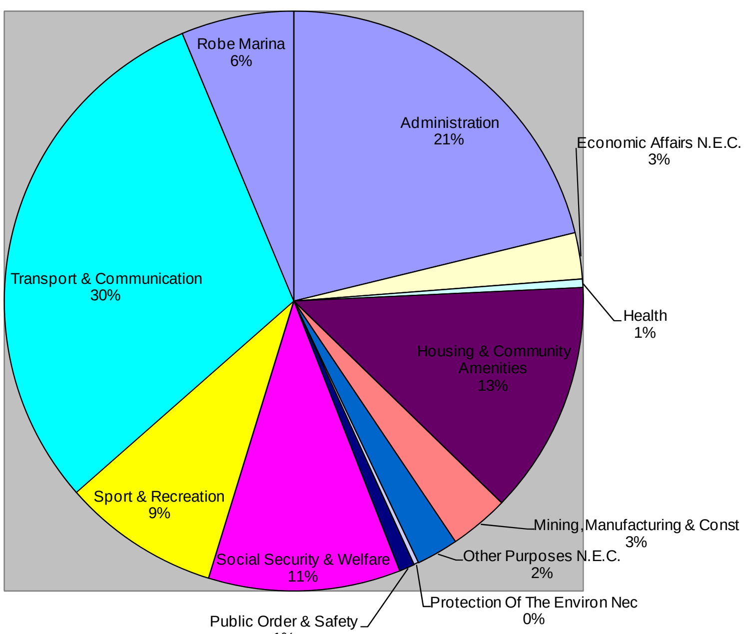
In response to community needs the Council also provides further services and programs including:

- Library and Visitor Information Centre;
- Community facilities;
- Economic development;
- Environmental programs;
- Community programs;
- On-street parking management to maximise use of kerbside space.

Council also provides facilities on a fee for service basis. These include:

- Recreation facilities;
- Robe Marina;
- Waste transfer station.

The following chart and table provide a functional breakdown of the services for which this expenditure is planned in 2010-11.



Programme	Operating Expenses	Capital Expenditure
Administration	$1,108,732	$20,000
Economic Affairs N.E.C.	$135,987	$10,000
Health	$24,853	$10,000
Housing & Community Amenities	$638,768	$1,537,000
Mining,Manufacturing & Const	$174,817	$0
Other Purposes N.E.C.	$123,405	$400,000
Protection Of The Environ Nec	$13,949	$30,000
Public Order & Safety	$45,086	$1,160
Social Security & Welfare	$619,124	$0
Sport & Recreation	$461,668	$234,550
Transport & Communication	$1,592,579	$740,000
Robe Marina	$331,081	$0
Grand Total	**$5,270,049**	**$2,982,710**

4. Project Priorities for the year

Council's planned priorities for capital expenditure in 2010-11 are set out in the table below. Council received funding for Foreshore Walkways from the Commonwealth Government's Regional and Local Community Infrastructure Program (RLCIP) in 2009-10 and propose to complete this project in 2010-11. Council also received State Funding and donations for Royal Circus which will be completed in 2010-11.

Council is proposing to continue with capital works on Nora Creina Road as well as the Long Beach Esplanade and Old Naracoorte Road. Council is, however, open to alternative suggestions as to where residents think that higher priority works should be undertaken.

Capital	Expenditure
Administration P&E (Computers, F&F)	$20,000
Foreshore Walkways (New)	$30,000
Cemetery Wall/Gates	$15,000
Street Lighting	$15,000
CWMS (New Pumps & Water Re-use)	$1,350,000
Public Conveniences	$7,000
Road Construction - Bike Track (New)	$60,000
Road Construction - Road Reseals	$100,000
Road Construction Unsealed - Re-Sheets	$500,000
Road Construction Footways	$30,000
Rural Street Addressing Project (New)	$50,000
Plant Machinery Purchases	$400,000
Plant & Equpment for Regulatory Officer	$1,000
Health Centre - Roof	$10,000
Tourism Hub	$10,000
Institute	$15,000
Parks & Gardens - 2nd Ramp, Lake Fellmongery Trail etc	$12,000
Parks & Gardens - Royal Circus Develop (New)	$158,000
Stormwater Drain Construction	$25,000
Airport Fencing (New)	$5,000
Retaining Wall - Frome Street	$20,000
Resource Recovery Facility (New)	$150,000
Grand Total	**$2,983,000**

UPGRADING OF COMMUNITY WASTE MANAGEMENT SYSTEMS

In September 2007 a report was provided to Council regarding Commonwealth Government funding available for upgrading the Community Waste Management System (CWMS). Committing to the project means that the Council is eligible to receive a Commonwealth grant amounting to 20% of the capital cost of providing the necessary infrastructure which will enable re-use of the excess effluent from the CWMS Treatment Lagoon.

To be eligible for this grant from the Commonwealth Government (co-ordinated by the Local Government Association), Council must ensure that the project is financially sustainable in the long term.

Council has carried out significant research into the project and it was included in the Council's planned capital program in 2009-10 at a capital cost of $1.2 million (offset by a $0.24 million grant from the Commonwealth Government). The CWMS annual service charges were increased significantly in 2008-09 to ensure that Council was charging a rate sufficient to recover the full cost of establishing, maintaining and renewing the CWMS System.

Council has recently received tender documents in relation to the CWMS upgrade and has determined that this project will need to be carried out over two years. As a result a further amount of $1.2 million has been included in the budget for 2010-11 with grant funding of

$480,000. Council intends on spending the $1.2 million included in 2009-10 budget but do not believe the first installment of the grant will be received in 2009-10.

5. Infrastructure and Asset Management Plan

When fully developed, the Plan will relate to the management and development of infrastructure and other major assets by Council for a period of at least 10 years and the extent to which assets will need to be maintained, renewed, replaced or developed by Council. The District Council of Robe is the custodian of infrastructure and assets with a value in excess of $96 million. Council has the responsibility to ensure that assets are managed efficiently and effectively and that decisions regarding the acquisition of new assets and the sale and maintenance of existing assets are undertaken in an open and transparent fashion. This is no easy task and the purpose of including this section in the Annual Business Plan is to help ensure an understanding in the community as to the challenges facing the Council.

Sound asset management is the key to financial sustainability. There is clearly a direct link between the development and implementation of Council's Infrastructure and Asset Management Plan and its Long Term Financial Plan. Council expends considerable funds on the acquisition and management of assets. It will be exposed to financial risk over the longer term if budget processes have little regard for ongoing costs associated with the maintenance and renewal of these assets beyond the current budget period. It is incumbent on Council to carefully consider information about the stock of infrastructure and other assets and the contribution that current ratepayers are making to their consumption.

Unless Council reverses past inappropriate practices in asset management, it will be leaving a considerable financial legacy to future Councils and communities. Coupled with the challenges of scarcity of resources and costs increasing beyond CPI, the Council is facing new challenges in managing infrastructure and other assets as a result of issues such as increasing community expectations, population growth, replacement of ageing infrastructure, new legislative requirements (e.g. EPA standards) and the growing demands of an ageing population.

In developing its Infrastructure and Asset Management Plan, Council is considering the following key issues:

- Assets exist to support the delivery of a range and level of services to achieve a set of outcomes determined in consultation with the community.
- Asset management is a subset of strategic planning.
- In evaluating alternatives for asset acquisition, the life-cycle costs and benefits of assets need to be considered and compared with the outcomes required to be produced by the asset.

The following steps set out the process for sound asset management being pursued by the Council in support of its future asset management policies:

- In consultation with the community, define the outcomes to be achieved and the service levels that will achieve those outcomes.
- Where necessary, establish minimum service standards based on the Council's duty of care.

- Incorporate the service level and outcomes into Councils' strategic management plans (including the financial implications in the longer term).
- Assess alternative methods of providing the service levels (including lower cost assets and non-asset methods where possible) and decide on the best solution. This includes an assessment of the lifecycle costs and benefits for each of the alternatives.
- If appropriate, acquire the assets to meet the required service levels.
- Operate and maintain the assets to achieve required service levels and minimise life-cycle costs.
- Review asset performance and condition.
- Renew assets that will continue to be required to meet community needs.
- Dispose of surplus assets or assets no longer able or required to meet community needs.

In summary, while Council is progressing with compiling improved asset information, the capital works planned for 2010-11 are considered to be of a high priority and in line with Council's strategic focus. Going forward, Council recognises the need for a structured and robust Infrastructure and Asset Management Plan based on reliable information that is understood and agreed with the community.

6. Measuring Performance - Objectives for the year

The Annual Business Plan has been prepared to deliver the following Council objectives for the year:

- **Non financial indicators:**

Governance & Finance

This is a fundamental organisational set of processes which guide Council and Management in carrying out the business of Council.

- 2010-11 Targets:
  i. To develop an estimate of any "infrastructure backlogs"
  ii. To further develop Council's role in facilitating public consultation
  iii. To continue to meet best practice by ensuring information is available on Council's website
  iv. To continue to meet statutory obligations in ensuring that the annual audit is conducted in a timely manner
  v. Prepare a register of Community Land

Tourism & Economic Development

- 2010-11 Targets:
  i. To complete the action plan for the Marina endorsed by Council
  ii. Develop and maintain an appropriate website
  iii. Ensure the Development Plan enables only desirable development
  iv. Facilitate and encourage private sector developments and activity consistent with the Development Plan
  v. Support and encourage appropriate tourism

Environment and Heritage

- 2010-11 Targets:
    i. Conduct an audit to determine our existing Carbon Footprint
    ii. Retain green belt of golf course
    iii. Establish a Heritage Committee/Board to provide advice to Council on heritage related matters
    iv. Prepare a sustainable water strategy
    v. Prepare and implement a waste recycling strategy

Community Services

- 2010-11 Targets:
    i. Ensure Robe has appropriate levels of Aged Care / Accessibility
    ii. Advocate for a new medical facility
    iii. Prepare a strategy to encourage and promote all community service and volunteer groups within the district

Lifestyle

- 2010-11 Targets:
    i. Complete a traffic management plan
    ii. Investigation of development of cycling and walking tracks within the district
    iii. Facilitate and support more activities for the youth of Robe

- **Financial indicators**

The Local Government sector in South Australia has adopted a set of financial indicators which provide a measure of the financial sustainability of Council's financial performance and position over time. Longer term targets for all indicators are being developed in conjunction with the development of the Long Term Financial Plan. (Appendix 3 of this Annual Business Plan provides an explanation of the basis for the indicators and what they tell us about the financial performance and position of the Council).

DISTRICT COUNCIL OF ROBE
FINANCIAL INDICATORS

	DRAFT BUDGET 2010-11	FULL YEAR REVISED ESTIMATE 2009-10	CONSOLIDATED 2008-09
Operating Surplus	$26,000	$483,000	$5
(Being the operating surplus/(deficit) before capital amounts			
Operating Surplus Ratio			
Operating Surplus / Rates - general & other less NRM Levy	1%	13%	0%
This ratio expresses the operating surplus as a percentage of general and other rates, net of NRM Levy			
Net Financial Liabilities	$8,602,000	$8,023,000	$7,181,000
Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses.)			
Net Financial Liabilities Ratio			
Net Financial Liabilities / Total Operating Revenue less NRM levy	165%	153%	147%
Interest Cover Ratio			
Net Interest Expense / Total Operating Revenue less NRM levy less Investment Income	5.0%	3.0%	4.9%
Asset Sustainability Ratio			
Net Asset Renewals / Depreciation Expense	65%	122%	22%
Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisistion of additional assets			
Asset Consumption Ratio			
Carrying value of depreciable assets / Gross value of depreciable assets	72%	74%	72%

7. Funding the Business Plan

As outlined in the Introduction to this document, the 2010-11 Annual Business Plan has been prepared on the basis of maintaining an appropriate level of services to the community, without imposing an unrealistic rate burden on ratepayers. Most importantly, it ensures the long term financial sustainability of the Council. Council's long-term financial sustainability is dependent on ensuring that, on average over time, its expenses are less than its revenue. In addition, capital expenditure levels on existing infrastructure and other assets should be optimised (in accordance with the Infrastructure and Asset Management Plan – when completed) so as to minimise whole-of life-cycle costs of assets.

In delivering the services and programs proposed in this Annual Business Plan, Council is targeting an Operating Surplus of $26,000 in 2010-11, as a result of budgeted Operating Revenues of $5,296,000 and budgeted Operating Expenses of $5,270,000.
As outlined in the "Project Priorities for the year" (Section 4), this Annual Business Plan proposes, Capital Expenditure of $2,983,000.

Apart from Rate Revenue, Operating Revenues are generated by Statutory Charges (development and building fees and dog registrations), User Charges (hall hire, Robe Marina, cemeteries, & waste depot fees), Investment Income, and State & Commonwealth Government operating grants.

Council also sources income in the form of grants for specific capital purposes (mainly from the Commonwealth Government).

The Budgeted Operating Revenue for 2010-11 includes General Rate revenue of $2,832,000 (3.85% more than 2010-11 excluding new development), Separate Rates of $77,000 and Annual Service Charges of $977,000.

Details of Council's planned Separate Rates and Annual Service Charges for 2010-11 can be found in Section 7 of this Plan - "What it means for Rates".

IMPACT ON COUNCIL'S FINANCIAL POSITION

The following table sets out actual levels of gross debt, net debt and net financial liabilities outstanding at 30 June 2009 together with estimates of these measures at 30 June 2010 and 30 June 2011. The revised estimate for 2009-10 shows an increase of $988,000 in the level of net debt for the year resulting in estimated net debt at 30 June 2010 of $3,441,000. The increase is mainly attributable to the financing requirement associated with construction of the CWMS Water reuse project. The level of net debt is expected to decrease to $3,263,000 at 30 June 2011 due to money received from the sale of Marina berths paying off existing loans. The net financial liabilities measure also takes account of the premiums received in advance for Marina berths.

DISTRICT COUNCIL OF ROBE
INDEBTEDNESS

	DRAFT BUDGET 2010-11 $'000	FULL YEAR REVISED ESTIMATE 2009-10 $'000	CONSOLIDATED 2008-09 $'000
Gross Borrowings	3,364	3,909	3,009
Less: Cash and Investments	101	468	556
EQUALS: NET DEBT	**3,263**	**3,441**	**2,453**
Add: Trade and Other Payables (Including premiums received in advance for Marina Berths)	5,613	4,856	5,002
Add: Provisions for Employee Entitlements	255	255	255
Less: Trade and Other Receivables	420	420	420
Less: Other Financial Assets	109	109	109
EQUALS: NET FINANCIAL LIABILITIES	**8,602**	**8,023**	**7,181**

Details of individual borrowings outstanding at 30 June 2010 are set out in the following Schedule.

DISTRICT COUNCIL OF ROBE

LOANS AS AT 30th JUNE 2010

Maturity Date	Balance Outstanding 30/06/10 $'000	Principal Repayments 2010-11 $'000
FIXED INTEREST RATE BORROWINGS		
15/01/2011	43	43
17/02/2012	16	7
17/06/2012	39	19
16/02/2013	15	4
1/03/2013	91	28
15/04/2013	44	14
15/09/2013	21	6
28/06/2014	28	7
15/11/2014	157	31
15/03/2015	116	20
21/04/2015	45	7
15/01/2016	109	15
15/03/2016	168	24
15/03/2016	93	13
15/09/2025	400	0
	1,385	238
VARIABLE INTEREST RATE BORROWINGS		
29/07/2018	2,524	307
TOTAL FIXED AND VARIABLE		
	3,909	545

8. What it means for Rates

Rate income is generated by the broad application of fundamental principles of taxation (fairness and equity, simplicity, ability to pay and efficiency) with a view to achieving an equitable distribution of the rates burden amongst ratepayers, covering general cost movements, including labour and non-labour costs, servicing a rural and coastal population and being sufficient to cover any new initiatives.

Council has limited options to generate the income required to pay for services which it provides to the community. It receives some State and Commonwealth Government grants and subsidies, and some income can be raised through fee paying activities (e.g. hire of community facilities), fines, expiations and commercial activities. However, the primary source of income for Council is a property based tax – “Council Rates”.

GENERAL RATING STRATEGY

The Council has, over a number of years adopted one rate in the dollar and a minimum rate. This will continue for the 2010-11 financial year.

The following table provides a summary of the Council's rating strategy over the past three years and the implications for the proposed 2010-11 rating strategy.

Year	2007-08	2008-09	2009-10	2010-11
Township Rate in $	0.3188	0.3093	0.3065	0.3077
Rural Rate in $	0.3188	0.3093	0.3065	0.3077
Minimum Rate	$ 515	$ 535	$ 535	$ 555

2010-11 RATING STRATEGY
METHODOLOGY USED TO VALUE LAND

Council adopts the valuations made by South Australian Valuer-General in respect of land within the Council's area for rating purposes. The basis of valuation of land used by Council is the capital valuation of land, that is, the value of the land including improvements thereon. Council considers that the capital valuation method provides the fairest method of achieving an equitable distribution of the rates burden across the ratepayers within Council's area for the following reasons:

- the equity principle of taxation requires that ratepayers of similar wealth pay similar taxes and ratepayers of greater wealth pay more tax than ratepayers of lesser wealth. Property value is generally considered a relatively good indicator of wealth; and;
- capital value, which trends with the market value of a property, provides the best indicator of overall property value.

Any ratepayer dissatisfied with a property valuation may object to the Valuer-General in writing within 60 days of receiving notice of the valuation, explaining the basis for the objection – provided they have not:

a) previously received a notice of this valuation under the Local Government Act 1999, in which case the objection period of 60 days runs from the receipt of the first notice; or
b) previously had an objection to the valuation considered by the Valuer-General.

The address of the Valuer-General is:
Office of the Valuer-General,
GPO Box 1354, Adelaide 5001
Email: objections@sa.gov.au
Telephone 1300 653 345.

Council has no role in this process. It is important to note that the lodgement of an objection does not change the due date for payment of rates.

COUNCIL'S REVENUE RAISING POWERS

All land within a Council's area, except for land specifically exempted (e.g. Crown land, Council occupied land and other land prescribed in Section 147(2) of the Local Government Act 1999, is rateable. The Local Government Act 1999 provides for a Council to raise revenue for its broad purposes through the imposition of a single general rate in the dollar or through differential general rates that apply to all rateable land within the Council area.

In addition, Council can impose separate rates on land within specific parts of Council's area, or service rates or annual service charges for specific services provided or made available to that land by Council. Council also raises revenue through fees and charges, which are set giving specific consideration to the cost of the services provided and any equity issues.

GENERAL RATES

Council will continue to calculate its general rates on the basis of a single general rate in the dollar in 2010-11.

The total amount of General Rates to be collected in 2010-11 will increase by 3.85% (excluding new development) compared to 2009-10. The impact of the 3.85% (excluding new development) increase can be seen in the table below.

3.85% CPI Plus NEW Development
NO DIFFERENTIAL

Range	Number of Assessments	% of Total Assessments
Reduction	37	1.60%
No Change	1011	43.71%
0% to 1.99%	39	1.69%
2% to 4.99%	587	25.38%
5% to 9.99%	162	7.00%
10% to 19.99%	370	16.00%
20% to 49.99%	68	2.94%
50% to 99.99%	19	0.82%
> 100%	20	0.86%
TOTAL	**2313**	**100.00%**

Council wishes to emphasise that although total rate revenue (including revenue from new assessments) is increasing by 4.95% in 2010-11 75.82% of ratepayers will face increases of less than 5%. Of the 477 properties that have increased by an amount between 5% and greater than 100% the increase in respect of 114 of those properties (24%) can be attributed to these being new assessments or development carried out on the assessment.

Council would also like to emphasise that any ratepayer that does not own a new assessment or has not carried out any development on their assessment will pay no more than a 15% increase in rates payable upon application to Council..

MINIMUM RATE

Council considers it appropriate that ratepayers in respect of all rateable land make a contribution to the cost of administering Council's activities and that ratepayers in respect of all rateable land make a contribution to the cost of creating and maintaining the physical infrastructure that supports that land and the basic services provided to all ratepayers.

The minimum rate is levied against the whole of an Allotment. Only one minimum rate is levied against two or more pieces of adjoining land (whether separated by a road or not) if they are owned by the same ratepayer and occupied by the same occupier. This is described as contiguous land.

The minimum rate in 2010-11 will be $555 which is an increase of 3.7% on the minimum rate applied in 2009-10. Overall, the minimum rate will be applied to approximately 27.2% of all rateable properties.

SEPARATE RATES
<u>NATURAL RESOURCES MANAGEMENT LEVY</u>

Council is required to collect a regional Natural Resources Management (NRM) Levy in respect of all rateable land in Council's area on behalf of the South East NRM Board.

Council is operating as a revenue collector for the Board in this regard. Council does not retain this revenue or determine how the revenue is spent. Council will collect this money by imposing a separate rate of $36.90 on all of the rateable land in the Council's area.

<u>ROBE MARINA</u>

Following the release of the Judith Jones "Status Options and Actions" Report, Council has been investigating options to ensure that the Marina is to some extent "User Pays". In 2008-09 Council introduced a separate rate of $250 which increased to $300 last year on all rateable land within the Marina (including Marina Berths) for the purpose of helping to defray the ongoing costs of operating the Marina facilities (this includes the unavoidable costs to the Council of meeting obligations to Marina berth holders which will exceed the estimated future income from lease contracts and related Marina fees, charges and other rates). The Marina facilities are of particular benefit to the land within the Marina, to occupiers of that land and to visitors to the Marina.

Council has been negotiating with berth holders with a view to determining a responsible way forward so as to ensure that the Marina is to some extent "User Pays".

Following the adoption of the report by "Dr Geoff Wells" Council will this year not be imposing a separate rate on the Marina berths.

ANNUAL SERVICE CHARGES
<u>COMMUNITY WASTEWATER MANAGEMENT SYSTEMS</u>

Council provides a Community Wastewater Management System (CWMS) to all land within the township of Robe.

All Council CWMS schemes in South Australia have the same basic design, and in order for the schemes to be financially self sufficient on a long term basis, Councils need to model charges - to those to whom the schemes are provided or made available - on charges used by SA Water for its schemes.

A differential in the annual service charges of 25% between occupied and vacant land to which the CWMS is provided or made available will be maintained to reflect the difference between infrastructure establishment and effluent disposal costs for occupied and vacant land.

Further to this, Council will impose its annual service charges against assessments in accordance with the Code for Establishing and Applying Property Units as a Factor for the Imposition of Annual Service Charges for Community Wastewater Management Systems as permitted by Section 155 of the Local Government Act 1999 and Regulation 9A of the Local Government (General) Regulations 1999.

WASTE MANAGEMENT

In 2010-11 Council will increase the Mobile Garbage Bin Collection Annual Service Charge by 4%. This is slightly higher than the Consumer Price Index and will help cover the increasing costs of providing the current collection and disposal service.

Waste Management will continue to be closely monitored by Council in 2010-11 given the more stringent requirements posed by changes to environmental legislation and community expectations.

Council also will be reviewing its Waste Management Fee to Commercial businesses in 2010-11 to help spread the costs evenly throughout the Council area and to ensure a “User Pays” approach. In addition Council will be expanding its Waste Collection Service moving forward to include Boastwains Point.

The table following shows the details of the Separate Rates and Annual Service Charges for 2010-11

Service Charges and Separate Rates 2010-11

Description	$ Charge Per Unit 2010-11	Units	Levied 2010-11	Levied 2009-10	% Change	$ Change
Waste & Recycle Collection	265.00	1087	$ 288,055	$ 262,140	9.9%	$ 25,915
Waste Collection - Boatwains Point	150.00	58	$ 8,700	$ -	100.0%	$ 8,700
						$ -
Occupied CWMS + Desludging	443.00	1117	$ 494,831	$ 471,156	5.0%	$ 23,675
Occupied CWMS	399.00	130	$ 51,870	$ 49,536	4.7%	$ 2,334
Vac CWMS	355.00	377	$ 133,835	$ 130,603	2.5%	$ 3,232
TOTAL CWMS			**$ 680,536**	**$ 651,295**	**4.5%**	**$ 29,241**
SE NRM Levy	36.90	2083	$ 76,863	$ 71,491	7.5%	$ 5,372
Robe Marina Separate Rate	-	72	$ -	$ 22,800	100.0%	-$ 22,800
TOTAL RAISED			**$ 1,054,154**	**$ 1,007,726**	**3.7%**	**$ 37,728**

Details pertaining to Government and Council rate concessions, discretionary and mandatory rebates, provisions for assisting cases of hardship in the payment of rates, a relatively new provision allowing State Seniors to postpone any amount of rates over $500 per annum, and Council’s rights to sell land for the non payment of rates can be found in Appendix 2 to this Draft Annual Business Plan.

Appendix 1: Budgeted Financial Statements 2010-11

At this stage, no additional provision has been made in the Budget Statements to cater for the estimated present value of the amount by which future unavoidable costs to the Council of meeting obligations to Marina berth holders will exceed the estimated future income from lease contracts and related Marina fees, charges and rates.

The provision was established in the 2007-08 financial statements. Council will be reviewing the level of the provision, to comply with the "Onerous Contracts" requirement of Australian Accounting Standard AASB 137.

The impact on Council's finance charges in the 2010-11 (to cater for any increase needed in the provision for cost increases) could be significant – and thus would worsen the operating result in 2010-11.

The overall impact of the Marina operations on the Council's finances will, as mentioned earlier, also depend significantly on the outcome of negotiations with berth holders and the future sale of berths.

DISTRICT COUNCIL OF ROBE
CONSOLIDATED BUDGET 2010/2011

INCOME STATEMENT

2009/2010 FULL YEAR REVISED ESTIMATE $		2010/2011 BUDGET $
	INCOME	
3,689,000	Rates	3,872,130
55,000	Statutory Charges	60,700
500,000	User Charges	628,191
855,000	Grants Subsidies and Contributions	644,718
50,000	Investment Income	18,500
34,000	Reimbursements	20,717
120,000	Other	51,550
5,303,000	TOTAL REVENUES	5,296,506
	EXPENSES	
1,300,000	Wages and Salaries	1,551,820
1,690,000	Materials, contracts & other expenses	1,820,729
180,000	Finance Costs	283,000
1,650,000	Depreciation, amortisation & impairment	1,614,500
4,820,000	Total Expenses	5,270,049
483,000	**OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS**	26,457
521,000	Net gain (loss) on disposal or revaluation of assets	-
143,000	Amounts specifically for new or upgraded assets	510,000
-	Physical resources received free of charge	-
1,147,000	**NET SURPLUS/(DEFICIT)**	**536,457**

Appendix 1: Budgeted Financial Statements 2010-11 (cont…)

DISTRICT COUNCIL OF ROBE
CONSOLIDATED BUDGET 2010/2011

CASH FLOW STATEMENT

2009/2010 FULL YEAR REVISED ESTIMATE $ Inflows (Outflows)		2010/2011 BUDGET $ Inflows (Outflows)
	CASHFLOWS FROM OPERATING ACTIVITIES	
	RECEIPTS	
5,253,000	Operating Receipts	5,278,006
50,000	Investment Receipts	18,500
	PAYMENTS	
(2,990,000)	Operating payments to suppliers & employees	(3,372,549)
(180,000)	Finance Payments	(283,000)
2,133,000	**Net Cash provided by (or used in) Operating Activities**	1,640,957
	CASH FLOWS FROM INVESTING ACTIVITIES	
	RECEIPTS	
143,000	Grants specifically for new or upgraded assets	510,000
603,000	Sale of Assets	253,000
-	**PAYMENTS**	
(1,178,000)	Capital Expenditure on renewal/replacement of assets	(1,307,710)
(2,546,000)	Capital Expenditure on new/upgraded assets	(1,675,000)
(2,978,000)	**Net Cash provided by (or used in) Investing Activities**	(2,219,710)
	CASH FLOWS FROM FINANCING ACTIVITIES	
	RECEIPTS	
-	Premiums recevied in advance (Marina)	757,000
1,200,000	Proceeds from Borrowings	-
	PAYMENTS	
(443,000)	Repayment of Borrowings	(545,000)
757,000	**NET CASH USED IN FINANCING ACTIVITIES**	212,000
(88,000)	**NET INCREASE (DECREASE) IN CASH HELD**	(366,753)
556,000	**CASH AT BEGINNING OF YEAR**	468,000
468,000	**CASH AT END OF YEAR**	101,247

Appendix 1: Budgeted Financial Statements 2010-11 (cont…)

DISTRICT COUNCIL OF ROBE
CONSOLIDATED BUDGET 2010/2011

BALANCE SHEET

2009/2010 FULL YEAR REVISED ESTIMATE		2010/2011 BUDGET
	ASSETS	
$	**CURRENT ASSETS**	**$**
468,000	Cash and cash equivalents	101,247
420,000	Trade & other receivables	420,000
463,000	Inventories	463,000
-	Other Financial Assets	-
1,351,000		984,247
-	Non-Current Assets held for Sale	-
1,351,000	**TOTAL CURRENT ASSETS**	984,247
	NON-CURRENT ASSETS	
109,000	Financial Assets	109,000
95,553,000	Infrastructure, Property, Plant & Equipment	96,921,210
-	Other Non-current Assets	-
95,662,000	**TOTAL NON-CURRENT ASSETS**	97,030,210
97,013,000	**TOTAL ASSETS**	98,014,457
	LIABILITIES	
	CURRENT LIABILITIES	
1,207,000	Trade & Other Payables	1,207,000
1,469,000	Borrowings	1,469,000
229,000	Short-term Provisions	229,000
-	Other Current Liabilities	-
2,905,000		2,905,000
-	Liabilities relating to Non-current Assets held for Sale	-
2,905,000	**TOTAL CURRENT LIABILITIES**	2,905,000
	NON-CURRENT LIABILITIES	
2,157,000	Premiums Received in Advance (Marina)	2,914,000
1,492,000	Provision for Future Losses	1,492,000
2,440,000	Long-term Borrowings	1,895,000
26,000	Long-term Provisions	26,000
-	Other Non-current Liabilities	-
6,115,000	**TOTAL NON-CURRENT LIABILITIES**	6,327,000
9,020,000	**TOTAL LIABILITIES**	9,232,000
87,993,000	**NET ASSETS**	88,782,457
	EQUITY	
7,121,000	Accumulated Surplus	8,242,860
79,930,000	Asset Revaluation	80,183,000
942,000	Other Reserves	356,597
87,993,000	**TOTAL EQUITY**	88,782,457

Appendix 1: Budgeted Financial Statements 2010-11 (cont…)

DISTRICT COUNCIL OF ROBE
CONSOLIDATED BUDGET 2010/2011

STATEMENT OF CHANGES IN EQUITY

2009/2010 FULL YEAR REVISED ESTIMATE $		2010/2011 BUDGET $
	ACCUMULATED SURPLUS	
5,928,000	Balance at end of previous reporting period	7,121,000
1,004,000	Net Result for Year	536,457
1,250,000	Transfer From Reserves	1,578,003
-1,061,000	Transfer To Reserves	-992,600
7,121,000	**BALANCE AT END OF PERIOD**	8,242,860
	ASSET REVALUATION RESERVE	
79,930,000	Balance at end of previous reporting period	79,930,000
0.00	Gain on revaluation of infrastructure, property, plant & equipment	0.00
0.00	Transfer to Accumulated Surplus on sale of infrastructure, property, plant & equipment	253,000.00
79,930,000	**BALANCE AT END OF PERIOD**	80,183,000
	Plant Replacement Reserve	
15,000	Balance at end of previous reporting period	15,000
-	Transfer to reserve from accumulated surplus	
0	Transfer from reserve to accumulated surplus	0
15,000	**BALANCE AT END OF PERIOD**	15,000
	Garbage Reserve	
141,000	Balance at end of previous reporting period	136,000
287,000	Transfer to reserve from accumulated surplus	297,020
-292,000	Transfer from reserve to accumulated surplus	-209,423
136,000	**BALANCE AT END OF PERIOD**	223,597
	CWMS Maintenance	
870,000	Balance at end of previous reporting period	545,000
626,000	Transfer to reserve from accumulated surplus	680,580
- 951,000	Transfer from reserve to accumulated surplus	- 1,225,580
545,000	**BALANCE AT END OF PERIOD**	- 0
	Contribution Reserve	
25,000	Balance at end of previous reporting period	25,000
0	Transfer to reserve from accumulated surplus	-
	Transfer from reserve to accumulated surplus	
25,000	**BALANCE AT END OF PERIOD**	25,000
	Other Reserves	
76,000	Balance at Beginning of Period	217,000
148,000	Transfer to reserve from accumulated surplus	15,000
-7,000	Transfer from reserve to accumulated surplus	-143,000
217,000	**BALANCE AT END OF PERIOD**	89,000
	Lake Butler Reserve	
4,000	Balance at end of previous reporting period	4,000
	Transfer to reserve from accumulated surplus	
	Transfer from reserve to accumulated surplus	
4,000	**BALANCE AT END OF PERIOD**	4,000
87,993,000	**TOTAL EQUITY AT END OF REPORTING PERIOD**	**88,782,457**

Appendix 1: Budgeted Financial Statements 2010-11 (cont…)

DISTRICT COUNCIL OF ROBE
CONSOLIDATED BUDGET 2010/2011

UNIFORM PRESENTATION OF FINANCES

2009/2010 FULL YEAR REVISED ESTIMATE $		2010/2011 BUDGET $
5,233,000	Operating Revenues	5,296,506
(4,876,000)	less Operating Expenses	(5,270,049)
357,000	**Operating Surplus / (Deficit) before Capital Amounts**	26,457
	Less Net Outlays in Existing Assets	
2,043,000	Capital Expenditure on renewal and replacement of Existing Assets	1,307,710
(1,650,000)	less Depreciation, Amortisation and Impairment	(1,614,500)
(30,000)	less Proceeds from Sale of Replaced Assets	(253,000)
363,000		(559,790)
	Less Net Outlays on New and Upgraded Assets	
2,546,000	Capital Expenditure on New and Upgraded Assets	1,675,000
(250,000)	less Amounts received specifically for New and Upgraded Assets	(510,000)
-	less Proceeds from Sale of Surplus Assets	-
2,296,000		1,165,000
(2,302,000)	**Net Lending / (Borrowing) for Financial Year**	(578,753)

Appendix 2: Rating Policy (Concessions & Remissions) 2010-11

Pensioner Concessions

An eligible pensioner may be entitled to a remission on a portion of their Council rates and water and effluent charges where applicable. Application forms, which include information on the concessions, are available from the SA Water Corporation and its District Offices or the Department of Human Services. An eligible pensioner must hold a Pension Card, State Concession Card or be a TPI Pensioner. They must also be responsible for the payment of rates in respect of the land for which they are claiming a concession.

Applications are administered by the State Government. Payment of rates should not be withheld pending assessment of an application by the State Government as penalties apply to unpaid rates. A refund of rates will be paid to an eligible pensioner if Council is advised that a concession applies after the rates have already been paid.

Unemployed Persons Concessions

The Department for Families and Communities (DFC) may assist with the payment of Council rates for your principal place of residence (remissions are not available on vacant land or rental premises). Please contact your nearest Families SA District Centre for details or phone the Concessions Hotline on 1800 307 758.

State Senior Card Ratepayers (self funded retiree)

This is a new concession first introduced from 1 July 2001 and is administered by Revenue SA. If you are a self-funded retiree and currently hold a State Seniors Card you may be eligible for a concession toward Council Rates. In the case of couples, both must qualify, or if only one holds a State Senior's Card, the other must not be in paid employment for more than 20 hours per week.

If you have not received a concession on your rate notice or would like further information, please contact the Revenue SA Call Centre on 1300 366 150.

Payment of Rates

The Council resolved that the payment of all rates will be in four equal or approximately equal instalments due on:-

1st September 2010
1st December 2010
1st March 2011
1st June 2011

Rates may be paid:-

- via the mail with money order or cheque made payable to the District Council of Robe ;
- in person, at the Council offices at:
  District Council of Robe
  Royal Circus, ROBE
  between the hours of 9.00am and 5.00pm, Monday to Friday.
- EFTPOS and credit card facilities are available at the Council Office.
- By BPay (details on the rate notice)

Appendix 2: Rating Policy (Concessions & Remissions) 2010-11 (cont….)

Any ratepayer who may, or is likely to, experience difficulty with meeting the standard payment arrangements is invited to contact the office at 8768 2003 to discuss alternative payment arrangements. Such inquiries are treated confidentially by Council.

Council has adopted a policy that where the payment of rates will cause a ratepayer demonstrable hardship, Council is prepared to make extended provisions or defer the payment of rates.

Late Payment of Rates

The Local Government Act 1999 provides that fine of 2% of the amount of an instalment is imposed in the event that the instalment is not paid on or before the date on which it falls due. An instalment that remains unpaid for a period of one month accrues interest at a rate set each year according to a prescribed formula. That interest continues to accrue at the end of each full month in respect of which the instalment remains unpaid. The purpose of this penalty is to act as a genuine deterrent to ratepayers who might otherwise fail to pay their rates on time, to allow Councils to recover the administrative cost of following up unpaid rates and to cover any interest cost Council may incur because it has not received the rates on time. Council is prepared to remit penalties for late payment of rates where a ratepayer can demonstrate hardship.

Council issues a final notice for payment of rates when rates are overdue i.e. unpaid by the due date. Should rates remain unpaid more than 14 days after the issue of the final notice then Council refers the debt to a debt collection agency for collection. The debt collection agency charges collection fees that are recoverable from the ratepayer.

When Council receives a payment in respect of overdue rates the Council applies the money received as follows:

- first – to satisfy any costs awarded in connection with court proceedings;
- second – to satisfy any interest costs;
- third – in payment of any fines imposed;
- fourth – in payment of rates, in chronological order (starting with the oldest account first).

Postponement of Rates

A postponement of rates may be granted if Council is satisfied that the payment of rates would cause hardship. Council may on application and subject to the ratepayer substantiating the hardship, consider granting a postponement of payments of rates in respect of an assessment on the condition that the ratepayer agrees to pay interest on the amount affected by the postponement at the interest rate applicatble on Council's variable interest rate borrowings.

Appendix 2: Rating Policy (Concessions & Remissions) 2010-11 (cont….)

Postponement of rates for Seniors

State Seniors who expect difficulty in meeting their rate obligations (often as a result of being asset rich but income deprived) have the option to postpone a portion of their Council rates on a long-term basis. Under this scheme eligible ratepayers can annually postpone any rates imposed above $500.

The deferred amount is subject to a monthly interest charge with the accrued debt ultimately being payable on the sale of the property. Where the ratepayer also receives a Pensioner or Self Funded Retiree concession, this concession may be applied (at their discretion) to the $500 payable each year to further reduce the annual amount payable.

To qualify for eligibility:

- the property must be the ratepayers principal place of residence
- the ratepayer (or their spouse) must hold a current State Seniors Card (or be eligible to hold a Seniors Card and have lodged their application to obtain one)
- the ratepayer must own the property (or it can be in joint ownership with their spouse) but no other person can be registered as an owner of the property; and
- if the property has a mortgage that was taken out before 25 January 2007 they must have at least 50% equity in the property.

Should the ratepayer (or spouse) cease to be eligible for the Seniors Card or should the ratepayer move out of the home they do not have to repay any amounts postponed immediately. Postponed rates are only payable upon sale of the property (or earlier if the ratepayer chooses). However if they cease to be eligible any future rates levied cannot be postponed and will be subject to the normal quarterly rating provisions.

Other Concessions

Families SA may assist with the payment of Council rates for your principal place of residence (remissions are not available on vacant land or rental premises).

Rate Rebates

It is the policy of the Council that a rebate of rates in respect of any rateable land in the Council area will be available only when the applicant satisfies the requirements under the Local Government Act 1999 and, where appropriate, the requirements of this Policy.

Detailed information about the legislative provisions and Council policy on rebates can be obtained by contacting the Council Office. All enquires will be dealt with on a confidential basis.

Appendix 3: Local Government Financial Indicator Definitions

Operating Surplus (Deficit)
An operating surplus indicates the extent to which operating revenues are sufficient to meet all operating expenses including depreciation and consequently the extent to which the burden of expenses is being be met by current ratepayers.

The amount of any operating surplus will be applied towards reducing the amount of borrowings otherwise required to undertake new capital expenditure (e.g. CWMS upgrades in 2010-11

Operating Surplus (Deficit) Ratio
This ratio expresses the operating surplus (deficit) as a percentage of general and other rates, net of rebates.

A negative ratio indicates the percentage increase in total rates required to achieve a breakeven operating result.

A positive ratio indicates the percentage of total rates available to fund capital expenditure over and above the level of depreciation expense, without increasing Council's level of net financial liabilities. If this amount is not required for capital expenditure it simply reduces the level of net financial liabilities.

Net Financial Liabilities
Net Financial Liabilities measure a Council's total indebtedness.

Net financial liabilities is a broader measure than net debt as it includes all of a Council's obligations including provisions for employee entitlements and creditors.

The level of net financial liabilities increases when a net borrowing result occurs in a financial year and will result in a Council incurring liabilities and/or reducing financial assets.

The level of net financial liabilities decreases when a net lending result occurs in a financial year and will result in a Council purchasing financial assets and/or repaying liabilities.

Net Financial Liabilities Ratio
This ratio indicates the extent to which net financial liabilities of the Council can be met by the Council's total operating revenue. Where the ratio is falling it indicates the Council's capacity to meet its financial obligations from operating revenues is strengthening. Where the ratio is increasing it indicates a greater amount of Council's operating revenues is required to service its financial obligations.

Interest Cover Ratio
This ratio indicates the extent to which Council's commitment to interest expenses are met by total operating revenues.

Appendix 3: Local Government Financial Indicator Definitions (cont…..)

Asset Sustainability Ratio
This ratio indicates whether the Council is renewing or replacing existing physical assets at the rate at which they are wearing out. On occasions, the Council will accelerate or reduce asset expenditures over time to compensate for prior events, or invest in assets by spending more now so that it costs less in the future to maintain.

Asset Consumption Ratio
This ratio shows the consumption of all of Council's physical assets at a point in time.

Depreciation represents the reduction in value of the assets each year (as they wear out) and therefore accumulated depreciation is the total reduction in the original value of the assets to date.

This measure seeks to best represent the deterioration in the value of an asset and gives an indicator of a potential backlog.

10. Closure