District Council of Coober Pedy

Annual Business Plan

2015/2016

FINAL

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

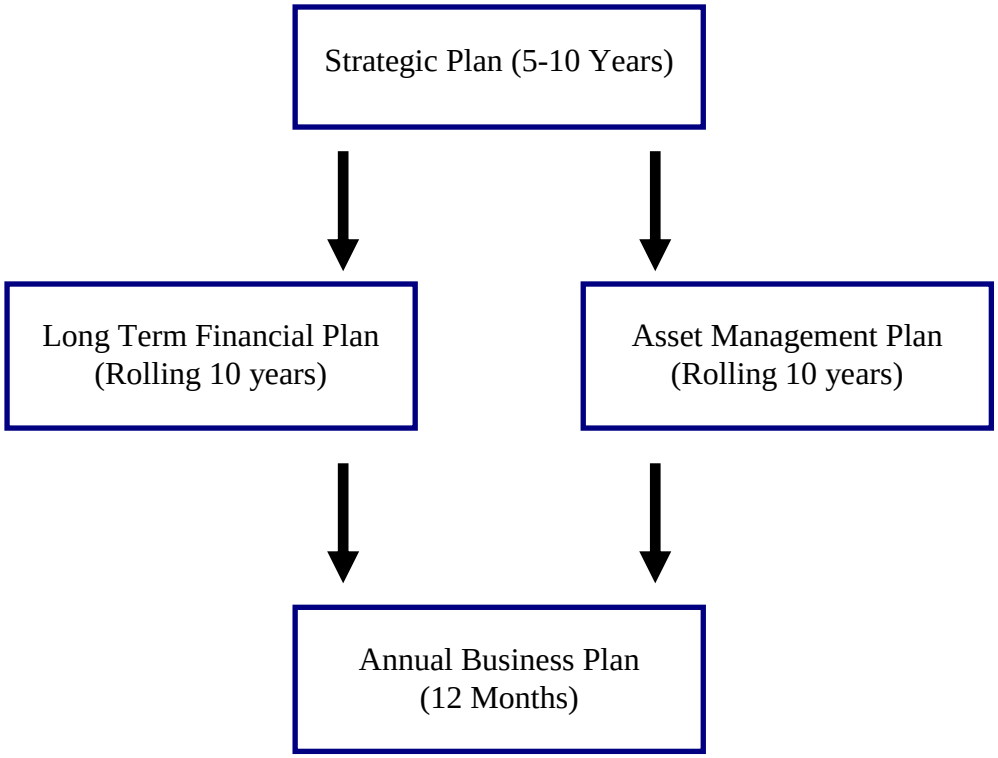
Introduction

Council each year is required to develop an Annual Business Plan for the following financial year to determine services, programs and projects that it will deliver to the community.

The objectives of the Council will come from its 10 year Long Term Financial Plan. Integral to this is a Long Term Asset Management Plan. Councils historically are large infrastructure organisations and Coober Pedy is no different in that respect. The Asset Management Plan focuses on costs, efficiency, effectiveness and risk management of assets.

During 2012/2013 Council reviewed its Strategic Plan, Long Term Finance Plans and Asset Management Plans. These plans are now current for five years and due for review in this financial year.

Each year the Long Term Financial plan and Asset Management Plan are reviewed to take account of any changes in service delivery or other circumstances.



This Annual Business Plan has been prepared so that the Coober Pedy Community can have an opportunity to comment and make suggestions to Council with regard to it. This can be done within the Public Consultation period of the Budget process.

The District Council of Coober Pedy has many unique challenges that it must face on a day to day basis, one of which being the isolation and distance factor from other communities. This means that Council has very limited opportunities to join in partnerships or synergies with other Councils across the State. This ultimately means that we have to purchase more Capital Equipment to perform the services required.

For a South Australian Council, Coober Pedy performs some very unique tasks in the community. These include the Electricity and Water Supply to the Community.

The Electricity Supply has many external pressures that cause the Council constant vigilance. Council essentially runs a "Balanced" Electricity budget, meaning that in broad details the calculation is as follows:

Reasonable Electricity Expenditure
Minus Customer Tariffs
Equals Subsidy from Minister for Energy

Included in reasonable expenditure are items such as Power Purchased from Energy Developments Ltd, repairs and maintenance on Distribution equipment, depreciation on assets, vehicle costs etc.

During the 2010/2011 year Council was able to sign a funding agreement for the Electricity Subsidy that gives us some certainty for the future. It also means that we can plan for future projects, such as renewal/upgrades to power lines and other needed infrastructure. With this added certainty we have developed Long Term Financial Plan and Asset Management Plans that can be used for future budget development. At the time of preparing this plan Council was in the process of negotiating another funding deed with the State Government.

Over the past 12 months Coober Pedy has seen some changes in Mining Developments affecting the town, with the rapid downturn in commodity prices, which has meant that there has been a reduction in drilling and a closing of two (2) mines close to Coober Pedy. In June 2014 the operator of Cairn Hill mine, Termite Resources, was placed in Voluntary administration due to falling iron ore prices and the mine consequently ceased operations. The mining camp that is located in the township of Coober Pedy is not being utilised at the moment. In April/May 2015 the Arrium mine located 75km south of Coober Pedy was put into care and maintenance and has since ceased mining operations, again due to falling iron ore prices. Oz Minerals are also in the process of reducing their workforce as the open cut mine finishes it mine life. Oz Minerals will continue to mine underground with a reduced work force.

These changes over the past 12 months have meant that Coober Pedy's future will not be reliant on large scale mining, but Coober Pedy will need to continue to look at Opal Mining, Tourism and associated services for economic development.

Council has also seen the Tourism sector gain from the reduction in $A, which has meant that it is cheaper for overseas visitors to come to Australia and also more appealing for local visitors to continue to travel within Australia.

Council Members are as follows:

Mayor:	Stephen Staines
Deputy Mayor:	Michelle Provatidis
Councillors:	Peter Pantelis
	Ian Crombie
	Rose Marie Berry
	Paul Athanasiadis
	Boro Rapaic
	Albert McCormack

District Council of Coober Pedy

Council Senior Staff are as follows:

Chief Executive Officer:	Trent Rusby
Finance & Admin Manager:	Damien Clark
Works Manager:	Jan van der Merwe
Water Supply Manager:	Phil Van Poorten
Electricity Distribution Supervisor:	Graeme Norton

1. Strategic Management Plan - Vision & Goals

1.1 Vision

"Our ambition for Coober Pedy"

In 2020—

- *With our heart in a strong mining industry …* we will be a pivotal provider of services to the mining community.

- *As the most prolific opal region in the world …* we will have nurtured the opal mining industry to meet demand from national and international markets.

- *As a globally unique tourist destination …* we will offer a satisfying outback experience with transport links to other Australian icon destinations.

- *As a home town to our local community …* we will have created an environment where our residents have a sense of personal safety and social wellbeing, and are able to access health, housing, education, child care, policing, sporting facilities and recreation services that meet the expectations of young people, young families and an ageing population, ensuring a high standard of living in a prosperous local economy.

- *As a remote township …* we will have a culture of proud independence, freedom and autonomy, while working together across the community for the common good.

- *As one of Australia's most ethnically diverse populations …* our inclusive attitude, seen in our social programs and community governance, will be a model to all."

1.2 Goals

- Enhance the economic prosperity of Coober Pedy

- Improve the social wellbeing of Coober Pedy

- Upgrade the visual amenity of Coober Pedy without compromising its character

- Increase community participation in the leadership of Coober Pedy

- Sustain local government services

1.3 Non Financial Performance Measures 2015-16 & Achievements 2014-15

Goal	Strategy	Action	Performance Measure / Achievement
Enhance the economic prosperity of Coober Pedy	Council determine its role and responsibility for local economic development	Council examine the options for its role and responsibility for economic development	Completed in 2014-15. .
		Council prepare a local economic development policy	Included in Budgeted 2014-15. Measure: Completed by June 2015.
	Optimise the tourism potential of Coober Pedy	Review all relevant tourism plans and strategies and consolidate actions relevant to Coober Pedy	Included in Budgeted 2014-15. Measure: Completed by October 2015.
		Give consideration to preparing a Coober Pedy tourism development strategy	Included in Budgeted 2014-15. Measure: Completed by October 2015.
		Ensure the Breakaways Reserve agreement is successfully introduced and the tourism opportunities are fully realised	Included in Budgeted 2015-16
	Facilitate the ongoing development of the opal industry	Continue to support the annual Gem Trade Show, and increased support for Coober Pedy Miners Association.	Ongoing yearly support.
	Ensure the long term viability of Coober Pedy Airport	Review/update the Airport Master Plan Take an active role in the LGA Regional Airport working group	Included in Budgeted 2014-15. Measure: Completed by November 2015. Ongoing
Improve the social wellbeing of Coober Pedy	Continue to foster town pride and community spirit	Ongoing support for events in Coober Pedy including Opal Festival, Breakaways Marathon and development of Dakar Style Rally	Included in budgeted 2015-16

Goal	Strategy	Action	Performance Measure / Achievement
	Further develop meaningful relationships with the mining companies for the benefit of the town and the community	Work with the mining companies for the benefit of the community	Ongoing
		Develop and maintain a strong 'community partnership' with the mining companies	Ongoing via Coober Pedy Mining Alliance
	Improving the social fabric of Coober Pedy	Complete the dry zone review and alcohol management strategy	Included in Budgeted 2015-16
		Prepare a social development strategy (including a socio-economic database to detail the nature of the demographic changes)	Included in Budgeted 2014-15 and 2015-16. Measure: Completed by Dec 2015.
Upgrade the visual amenity of Coober Pedy without compromising its character	Continue to progress the Urban Design Project and introduce other initiatives which aim to improve the visual amenity of Coober Pedy	Development of Avenue of Honour	Included in Budgeted 2015-16
Sustain local government services	Financial management	Manage Council's financial position in accordance with the Long Term Financial Plan	Ongoing
	Asset management	Manage Council's assets in accordance with the Asset Management Plans	Ongoing

Goal	Strategy	Action	Performance Measure / Achievement
	Ensure the continued availability of water at a sustainable long-run cost	Assess the feasibility of additional solar units for water bore	Included in Budgeted 2015-16
	Ensure the continued availability of electricity at a sustainable long-run cost	Continue to negotiate with EDL and State government about alternative power generation via a hybrid power station	Measure: Completed by November 2015
		Commence negotiations with En Gen regarding the possibility of allowing electricity to be fed back into the electricity grid	Measure: Completed by November 2015
	Improve the waste management service	Continue to pursue the land fill issue	Included in Budgeted 2015-16. Measure: Completed by Feb 2016.
	Community Wastewater Management System (CWMS)	Continue to progress the Community Wastewater Management System project	Ongoing
	Council will continue to provide its existing range of services at their current levels	Invest in sport, recreation and leisure infrastructure and programs	Ongoing
		Review the children services programs including child care services and the Child Links program	Completed 2014-15
	Organisational development and continuous improvement	Develop an Occupational Health and Safety and Injury Management Strategic Plan	Completed 2014-15

2. Significant Influences and Priorities

The Coober Pedy Community is very unique and diverse. It has a population of around 3,500 comprised of over 40 nationalities. The community was born out of the Opal Industry over the past 90 years. The community has only had a Local Government Council since 1987.

This has meant that Council does not have a large infrastructure base such as roads, sewerage and storm water drainage. The challenge is therefore to invest in this infrastructure with limited available funds.

There is also the need to comply with regulations and rules without the support of neighbouring Councils to provide synergies, such as waste management. There is also the pressure of raising our entire infrastructure to a standard that complies with all risk management requirements.

Each year we have to deal with the increase in price of services and products that Council consumes. The Local Government Price Index has increased by 2.6% as opposed to the CPI of 1.9% for the same period. This means that Council still has to be prudent with all of its spending.

Council will endeavour to provide services at least equal to that which was previously provided. Council is also committed to maintaining its assets so that the long term cost is minimised.

Fuel price fluctuations for the generation of electricity. This is due to the fact that the Coober Pedy power station uses between 3.3 million - 3.5 million litres of diesel annually. This means that even a small increase in fuel price will have a large impact on Council's overall budget.

3. Continuing Services

As a Local Government Council, we must, as a part of regulations, perform the following functions:

- Governance, supporting the elected Council members
- Administration for the whole of Council
- Management of roads, parks, public open spaces
- Waste Management for the community
- Development & Planning control
- Environmental Health services
- Public Conveniences
- Dog Control
- Cemeteries

Council also provides the following services:

- Triangle Recreation facilities (Recreational Hub, Oval, Skate Park etc)
- Visitor Information Centre
- Tourism Marketing support
- Youth services
- Child Links programs

Council also operates the following services for which a cost is charged:

- Electricity Supply
- Water Supply
- Waste Water
- Aerodrome
- Swimming Pool
- Child Care services

Council is not at this point planning to take on new services.

4. Departmental Services, Activities & Budgets for 2015/2016

ADMINISTRATION				
Function	Revenue $	Expenses $	Surplus/ (Deficit) $	Capital Exp $
Governance		423,027	(423,027)	
Rates	1,441,500	50,551	1,390,949	
Finance/Support	1,746,250	934,875	811,375	25,000
Payroll		25,600	(25,600)	
HR/OHS		77,243	(77,243)	
TOTAL	**3,187,750**	**1,511,296**	**1,676,454**	**25,000**

Administration Services

- Governance functions of Council
- Providing Administration support for the whole of Council
- Providing IT support for the whole of Council
- Providing HR and OHS support for Council
- Customer Service for the community

Activities / Projects 2015/2016

- Data Storage Increase
- Productivity Report/Workforce Review
- Review Strategic Plan
- Media Consultant

COMMUNITY				
Function	Revenue $	Expenses $	Surplus/ (Deficit) $	Capital Exp $
Dog Control	16,300	50,500	34,200	
Library		30,400	(30,400)	
Health		25,000	(25,000)	
Community Services	1,500	189,000	(187,500)	20,000
Swimming Pool	36,500	196,770	(160,270)	
Development/Planning	16,200	66,950	(50,750)	
Tourism	10,000	110,250	(100,250)	
Economic Development		13,700	(13,700)	
Aged & Disabled	0	3,000	(3,000)	
Child Care Services	492,500	465,550	26,950	
Child Care Links	124,076	126,861	2,785	
Youth Services	105,450	136,660	31,210	
Breakaways Co-Man	283,000	246,000	37,000	
Alcohol Management	0	55,415	(55,415)	
Opal Festival	32,000	61,800	(29,800)	
Centenary	0	0	0	
Breakaways Bolt	23,500	33,500	(10,000)	
TOTAL	**1,141,025**	**1,811,356**	**(670,331)**	**20,000**

Community Services

- Tourism for the Community
- Dog Control
- Child Care Services
- Child Community Links Officer/Youth Services
- Swimming Pool Facilities
- School Community Library
- Economic Development with RDAFN
- Planning and Development
- Environmental Health Inspections

Activities / Projects 2015/2016

- Increased Support for Coober Pedy Miners Association
- Increase in Community Donations
- Dakar Rally Style Event
- Community Forum
- Skate Park plans
- Free Tourist Push Bikes
- Care Alert Program
- Community Bus
- Resources for Drive In Stage 2 & 3
- Tourism Plan
- Project Delivery

- Opal Symposium
- Gem Trade Show

WATER				
Function	Revenue $	Expenses $	Surplus/ (Deficit) $	Capital Exp $
Retail	1,670,000	69,250	1,600,750	
Reticulation		646,226	(646,226)	
Production		512,500	(512,500)	92,000
Raw Water/Bore		177,500	(177,500)	
TOTAL	**1,670,000**	**1,405,476**	**264,524**	**92,000**

Water Services

- Process water for the community from the Bore to the tap

Activities / Projects 2015/2016

- RO2 VSD on Raw Water Pumps
- RO2 Dosing Pumps
- RO2 MMF Media
- Mains & Services Renewal
- Feasibility of Solar @ Bore
- Brine Outflow – Bird Hide, Footpath & Seating
- Water Bottling Plant Feasibility Study

WASTE WATER				
Function	Revenue $	Expenses $	Surplus/ (Deficit) $	Capital Exp $
Waste Water	293,000	197,245	95,755	21,000
TOTAL	**293,000**	**197,245**	**95,755**	**21,000**

Waste Services

- Provide sewerage treatment for the main street and other connected areas
- Provide vac pump facilities to the rest of the community

Activities / Projects 2015/2016

- Sewerage Chamber Sprayer
- Refurbish Aerator

INFRASTRUCTURE				
Function	Revenue $	Expenses $	Surplus/ (Deficit) $	Capital Exp $
Aerodrome	144,000	107,974	36,026	
Garbage Collection	2,300	121,501	(119,201)	
Commercial Garbage	85,000	25,170	59,830	
Rubbish Dump Oper	22,000	184,500	(162,500)	
Other Works	147,671	177,351	(29,680)	500,000
Plant Operations	415,000	434,127	(19,127)	300,000
Roads	225,000	918,243	(693,243)	430,000
Works Overheads	614,782	707,333	(112,748)	
Sport & Rec (Parks)		218,549	(218,549)	
Other Community	4,500	35,818	(31,318)	
Housing	14,250	15,621	(1,371)	
TOTAL	**1,674,503**	**2,946,187**	**(1,271,684)**	**1,230,000**

Infrastructure Services

- Road construction and maintenance
- Parks & Gardens
- Plant repairs and maintenance
- Cemetery maintenance
- Waste Collection
- Rubbish Dump operations
- Airport maintenance

Activities / Projects 2015/2016

- Hospital Rd Seal
- Bartrum St Seal
- Brady St Seal
- Grund St Seal
- Reineke St Seal
- Kent St Seal
- Aylett St Seal
- Matrix Ave Seal
- Judd Parade Seal
- The Painters Rd Seal
- Street Kerbing
- Street Footpaths
- Entrances to Water Dispenser
- Crushing Plant for Quarry
- Water Truck

ELECTRICITY				
Function	Revenue $	Expenses $	Surplus/ (Deficit) $	Capital Exp $
Retail	9,052,365	670,090	8,382,275	
Distribution		737,032	(737,032)	220,000
PPA		6,976,000	(6,976,000)	
Generation		96,512	(96,512)	
TOTAL	**9,052,365**	**8,699,634**	**352,731**	**220,000**

Electricity Services

- Provide electricity to the whole of the community via diesel generators (via contractor)
- Maintenance of the electricity distribution system
- Hire of Crane facilities

Activities / Projects 2015/2016

- Transformer Upgrade
- North West Ridge HV & LV upgrade
- Lighting Upgrades

5. Capital Expenditure Budget

Project	$	$	Comments
Administration			
Server Storage Increase		**25,000**	Extend electronic data storage capabilities to fulfil Councils record management responsibilities.
Water			
RO2 Dosing Pumps	22,000		As identified in Asset Management Plan
RO2 VSD on Raw Water Pumps (New)	15,000		As identified in Asset Management Plan
RO2 MMF Media Replacement	15,000		As identified in Asset Management Plan
Mains & Service Renewal	20,000		As identified in Asset Management Plan
Feasibility of Solar/Storage for Bore	10,000	**82,000**	
Works			
Water Truck	300,000	**300,000**	Improve capacity to maintain and seal roads
Electricity			
Transformer Upgrades	20,000		As identified in Asset Management Plan
Lighting Upgrades	20,000		
North West Ridge HV & LV Upgrade	180,000	**220,000**	As identified in Asset Management Plan
Total Capital Expenditure On Replacing Existing Assets		**627,000**	
Community			
Coober Pedy Museum Start-up/Town Hall Revitalisation	20,000	**20,000**	Community & tourism initiative
Water			
Brine Outflow – Bird Hide, Footpath	10,000	**10,000**	Required by EPA Regulations
Waste			
Sewerage Chamber Sprayer	6,000		
Reburbish Aerator	15,000	**21,000**	

Project	$	$	Comments
Works			
Street Kerbing	50,000		As identified in Asset Management Plan
Street Paving	30,000		As identified in Asset Management Plan
Kent Street New Seal	17,000		To accurately measure material weights prior to sale
Hospital Road New Seal	8,000		As identified in Asset Management Plan
Reineke Street New Seal	8,000		As identified in Asset Management Plan
Brady Street New Seal	21,000		As identified in Asset Management Plan
Grund St New Seal	18,000		As identified in Asset Management Plan
Aylett Street New Seal	28,000		
Matrix Ave New Seal	50,000		
Judd Parade New Seal	50,000		
The Painters Road New Seal	120,000		
Entrances to Water Dispenser	20,000		
Shade at Works Office	10,000		
Crushing Plant for Quarry	500,000	**930,000**	
Total Capital Expenditure On Construction New Or Upgraded Assets		**981,000**	
Total Capital Expenditure		**1,608,000**	

6. Financial Sustainability/Financial Performance Measures

Amendments to the Local Government Act 1999 (the Act) in 2005 combined with an independent review initiated by the Local Government Association into the long term financial sustainability of South Australian councils clearly indicated that there was a need for councils to take a longer view into their financial planning and sustainability in working towards their goals.

Council is committed to ensuring its long term financial sustainability. Council's financial sustainability is dependent on ensuring that, on average over time, its expenses are at least matched by its revenue. In addition, capital expenditure on existing infrastructure and other assets should be optimised (in accordance with the Infrastructure and Asset Management Plan so as to minimise the whole-of-life-cycle costs of assets).

Regulation 7 (Budgets) of the Local Government Financial Regulations states:
Pursuant to section 123(10)(b) of the Act, each budget of a council under the Act must include estimates with respect to the council's operating surplus ratio, asset sustainability ratio and net financial liabilities ratio presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.

6.1 Operating Surplus Ratio

As outlined in Councils Long Term Financial Plan the Operating Surplus Ratio expresses the operating surplus (deficit) as a percentage of operating income. Council's is aiming to make a small percentage surplus for the year ending 30th June 2016.

The operating surplus ratio from the proposed budgeted activity for the year is 1.7% (i.e. a better than breakeven result). This result arises because operating income is budgeted to be $458k more than Council's operating expenses for the year. It is considered prudent to maintain a small margin to cover any operating contingencies. The result of 1.7% is within with Councils Long Term Financial Plan operating surplus ratio target of 0% to 15%.

6.2 Asset Sustainability Ratio

The Asset Sustainability Ratio indicates whether the Council is renewing or replacing existing non-financial assets at the same rate as its overall stock of assets is wearing out.

The ratio is calculated by measuring capital expenditure on renewal and replacement of assets relative to its level of depreciation. Council is aiming to attain a result of 101% for the year ending 30th June 2016. This indicates that Council is replacing assets at the same rate in which they are wearing out.

6.3 Net Financial Liabilities & Net Financial Liabilities Ratio

Net Financial Liabilities is a comprehensive measure of the indebtedness of the Council as it includes items such as employee long-service leave entitlements and other amounts payable as well as taking account of the level of Council's available cash and investments. Specifically Net Financial Liabilities equals total liabilities less financial assets, where financial assets for this purpose includes cash, cash equivalents, trade and other receivables, and other financial assets, but excludes equity held in Council businesses, inventories and land held for resale. The following table sets out revised estimates as at 30th June 2016:

Calculation of Net Financial Liabilities

	Estimated 30th June 2016 $000
Gross Borrowings	5,878
Less: Cash and investments	296
Equals: Net debt	**5,582**
Add: Trade and other payables	372
Add: Provisions for employee entitlements	448
Less: Trade and other receivables	2,979
Equals: Net financial liabilities	**3,423**
Net Financial Liabilities Ratio	**21%**

The local government sector wide, as well as Councils Long Term Financial, requires this financial indicator to fall between the target range of 0% and 100%.

Net Financial Liabilities Ratio of 21% indicates that Council is operating well below its capacity based on the target ranges identified in Council's Long Term Financial Plan.

6.4 Overall Assessment of Councils Financial Sustainability (based on ratios above)

The above ratios indicate that the proposed annual business plan and the associated budget that underpins it, is financially sustainable over the following 12 months.

The operating surplus indicates that Council is covering the cost of its operating activities from its operating revenue.

Council is well below the ceiling level of debt that it could safely incur. This gives Council a buffer should unexpected cash be required due to circumstances outside of Council control

The target Asset Sustainability Ratio of 101% is within the range the local government sector usually operates within, this demonstrates that Council is committed to maintaining and replacing the large amount of infrastructure it is responsible for in a timely and efficient manner.

7. Funding the Business Plan

7.1 General Rate Revenue

Council has many different ways in which it raises income. Rates income forms a relatively small part of Council income. The estimated Rate income for the 2014/2015
Year will be $1,317,997. This represents an increase of 3% in the rates in the dollar.

7.2 Other Rates and Service Charges

Council also sets a separate rate for the Coober Pedy Sewerage Scheme. This only applies to properties that are on the sewerage scheme or are able to be connected. There is no increase on these rates. Refer later in this plan for additional information.

7.3 Statutory Charges Set by State Government

Council collects the following charges pursuant to regulations set by the State Government. These include:

- Development Applications – Increase as per Government Gazette
- Dog Registrations – No increase
- Environmental Health Inspections – No increase
- Freedom of Information applications – No increase
- NRM Levy of $60 per rateable property to be raised for Arid Lands NRM

7.4 User Charges Set by Council

Council sets the following charges:

- Water Access Fee – 2% increase
- Water Tariff - 5% Decrease
- Aerodrome Landing fees - No increase
- Cemetery Fees – $500
- Child Care Fees – 9% increase
- Commercial Refuse Collection – Various increases
- Swimming Pool Fees – No Increase

7.5 User Charges Set by State Government

Council receives a subsidy from the State Government to run the Electricity Supply which means that they determine the electricity tariff rate for Domestic, Commercial and Government organisations.

- Electricity Supply Charge
- Electricity Tariff

7.6 Grants & Subsidies

Local Government receives three types of grant funding, namely:

General Purpose & Local Roads Financial Assistance Grants (**Federal**)
Council has complete discretion as to expenditure of funds received.

Council's 2015/2016 budget assumes that four quarterly instalments of Federal Government financial assistance grants (both general purpose and local roads components) will be received during 2015/2016. 2 of the quarterly payments will be made at the start of the financial year (1 July 2015).

Specific Purpose Grants
These are to be spent on specific projects or programs. In Council's case include:

Youth Grant
Child Community Links Grant
RAES Subsidy
Diesel Fuel Rebate

The cost to produce electricity in an "off-grid" location is very expensive. This is because the fuel used here to produce "base load" electricity is diesel. The cost variation in fuel prices can be quite volatile at times. The State Government subsidy is used to reduce the tariff that the consumer in Coober Pedy pays.

Roads to Recovery & Financial Assistance Grants (Federal)
Whilst funds received are to be spent on road projects, Council has complete discretion on whether such spending is on maintaining, renewing or upgrading roads.

Grant Funding	**Amount**
Local Roads (Grants Commission)	46
Roads to Recovery	88
General Purpose (Grants Commission)	635
Other Grants	4858
Total Grant Funding	**5627**

Council also receives funding from the Commonwealth's Financial Assistance Grants and administered by the SA Grants Commission. The amount is expected to be $845k for the 2015/2016 year.

7.7 Investment Income

This income comes from two sources. The first is interest from the LGFA investment account.

Secondly, Council also receives interest from the bank we use for day to day banking.

7.8 Loan Funds

Council is now in a position where it can proactively borrow money for capital projects. We are required to borrow for all Electricity capital projects for the life of the asset. This will mean that we borrow for terms of up to 40-50 years. Currently the Local Government Finance Authority (LGFA) does not have facilities that extend to 40 or 50 years. They can provide a split facility (2 loans) that will extend over that period needed. All of these Electricity Loans will be accounted for in RAES Subsidy payment that Council receives.

Currently Council has short term Line of Credit Facilities that are used in conjunction with the Deed of Agreement with the State Government to fund the Electricity supply. The working capital is to fund both Inventory and Receivables for the Electricity Supply. This loan will be renewed this financial year for a period of 5 years.

Council has taken out a 1 year Line of Credit for $1M for the purchase of working capital to enable Council to lodge the Disaster Recovery Fund application with the State Government, following the flood event of April 2014.

Other loans for the coming year will be for the purchase of a new Water truck and the possible purchase of a crushing plant for the quarry.

8. Uniform Presentation of Finances

The Uniform Presentation of Council Finances together with the results of the Key Financial Indicators provides a summarised report that focuses on Council's finances at a strategic level.

Readers are strongly encouraged to take the time to comprehend how this report is structured and what the implications of the various lines of this report are for the Key Financial Indicator calculations. Definitions and examples of the key components of this report are included in the glossary at the end of this document.

The Summary of Financial Position report highlights the operating surplus/(deficit) measure which is considered the most critical indicator of a Council's financial performance.

The result, i.e. Net Lending / (Borrowing) for the Financial Year, of this report is the movement in Net Financial Liabilities (Net Lending / Borrowing) for the year based on Council's planned capital and operating budgets for that year.

Achieving a zero result on the net lending / (borrowing) measure in any one year essentially means that the Council has met all of its expenditure (both operating and capital) from the current year's income (with income including amounts received specifically for new / upgraded assets).

The resultant movement of $961k in Net Financial Liabilities indicates that Council has effectively funded its operating and capital expenditure budgets from its available cash flow.

UNIFORM PRESENTATION OF FINANCES	
For the year Ended 30 June 2016	**Budget 2015/2016 $'000**
Operating Revenue	16,892
Operating Expenses	(16,385)
Operating Surplus / (Deficit) before Capital Amounts	**507**
Less: Net Outlays On Existing Assets	
Capital Exp on Renewal or Replacement	402
Less Depreciation	1126
Less Proceeds from Sale of Assets	0
	724
Less: Net Outlays On New Assets	
Capital Exp on New & Upgraded	1,206
Less Capital Grant	74
Less surplus from Sale of Surplus Assets	0
	1,132
Net Lending/(Borrowing) for Financial Year	**99**

9. Budgeted Statutory Statements

STATEMENT OF COMPREHENSIVE INCOME	
For the year Ended 30 June 2016	**Budget 2015/2016 $'000**
Income	
Rate	
- General	1,443
- Other	480
Statutory Charges	23
User Charges	7,950
Operating Grants & Subsidies	5,653
Investment Income	9
Other	1,226
Total Income	**16,804**
Expenses	
Employee Costs	5,131
Materials, Contracts & Other Expenses	10,007
Finance Charges	158
Depreciation	1,126
Total Expenses	**16,422**
Operating Surplus/(Deficit)	**382**
Amounts Specifically for New or Upgraded Assets	76
Total Comprehensive Income	**458**

STATEMENT OF FINANCIAL POSITION	
For the year Ended 30 June 2016	**Budget 2015/2016 $'000**
Current Assets	
Cash & Cash Equivalents	394
Trade & Other Receivables	2,561
Inventories	1,342
Total Current Assets	**4,297**
Non Current Assets	
Infrastructure, Property, Plant & Equipment	30,166
Total Non Current Assets	**30,166**
Total Assets	**34,463**
Current Liabilities	
Trade & Other Payables	371
Current Portion of Long Term Borrowings	4,092
Short Term Provisions	295
Total Current Liabilities	**4,758**
Non Current Liabilities	
Long Term Borrowings	712
Long Term Provisions	184
Total Non Current Liabilities	**896**
Total Liabilities	**5,654**
Net Assets	**28,809**
Equity	
Accumulated Surplus	15,374
Reserves	24
Asset Revaluation	13,411
Total Equity	**28,809**

CHANGES IN EQUITY	
For the year Ended 30 June 2016	**Budget 2015/2016 $'000**
Accumulated Surplus	
Balance As At 1 July 2015	14,926
Net Surplus (Deficit)	448
Transfer In/(Out)	0
Balance As At 30 June 2016	**15,374**
Reserves	
Breakaways Pass	
Balance As At 1 June 2015	24
Transfer In/(Out)	0
Balance As At 30 June 2016	**24**
Asset Revaluation Reserve	
Balance As At 1 June 2015	12,959
Revaluation Increment	452
Balance As At 30 June 2016	**13,411**
Total Equity	**28,809**

STATEMENT OF CASH FLOWS	
For the year Ended 30 June 2016	**Budget 2015/2016 $'000**
Cash flows From Operating Activity	
Receipts	16,871
Interest Received	9
Payments	(15,101)
Interest Payments	(158)
Net Cash Provided By Operating	**1,621**
Cash flows From Investing Activity	
Receipts	
Amounts Received Specifically for New Assets	76
Payments	
Expenditure on Renewal/Replacement Assets	(1,206)
Expenditure on New / Upgraded Assets	(402)
	(1,608)
Cash flows From Financing Activity	
Proceeds from Borrowings	800
Repayment of Borrowings	(179)
Net Cash Provided By Financing Activities	**621**
Net Increase In Cash Held	**621**
Cash At Beginning Of Year	(227)
Cash At End Of Year	**394**

STATEMENT OF CURRENT LOANS	
For the year Ended 30 June 2016	**Budget 2015/2016 $'000**
Current Loans Opening Balance	3,300
Add New Loans	1,000
Renewed Loans	3,300
Less Loans Repaid	1,000
Current Loans Closing Balance	**3,300**

10. Rating arrangements & Policies

Background

Rates are a tax levied on properties according to their capital value which are determined by the Valuer General (Valuation SA). The rates which a property owner pays are calculated by multiplying the property valuation by a rate in the dollar.

To determine the rate in the dollar Council must identify, through its Strategic Planning and budget deliberations, what services will be provided and what work needs to be carried out, and then calculate the cost of these works and services.

Once Council has determined its budgeted expenditure it then estimates the revenue it will receive from fees and charges, grants, investment income, other income and loans. The shortfall of revenue to balance the budget will come from the ratepayers.

Strategic Focus

In setting its rates for the 2015/2016 financial year the Council has considered the following:

- the content included in its current strategic plan, The District Council of Coober Pedy Strategic Management Plans, which was adopted on. The strategic plan was developed following an extensive community consultation program;

- the Budget for the 2015/2016 financial year;

- the current economic climate and relevant factors such as inflation and interest rates, employment opportunities, the downturn in the commodity mining industry, the fluctuating nature of the opal mining and tourism industries;

- the specific issues faced by our community, which are:

  - The ongoing challenge of funding maintenance and renewal of Council's infrastructure assets, in particular the Electricity Distribution system and town water reticulation system.
  - Council's determination of the long-term generation for Coober Pedy's electricity supply. Currently Council has a contract with EDL which expires on July 2019. Council is currently in negotiations with EDL about a Hybrid (Diesel, Wind, Solar & Storage) Power Station. This contract is expected to last 20 years if agreed upon.
  - The improvements expected from the introduction of the National Broadband Network (NBN) to Coober Pedy. The NBN is expected to arrive in Coober Pedy by December 2016. The NBN will enable businesses and consumers to connect to a quick, reasonably priced internet connection. Educating the community on the benefits of the NBN will ensure that Coober Pedy gains the most from this large infrastructure project.

- the impact of rates on the community, including householders and businesses and the need to balance the community's capacity to pay with the needs and desires of the wider interests that form our community.

- For the 2015/2016 financial year the Council has decided to increase rates by 3%, because this will provide the Council with sufficient additional revenue to meet cost increases and its desire to maintain services.

Method Used To Value Land

The Council may adopt one of three valuation methodologies to value the properties in its area. They are:

- *Capital Value* – the value of the land and all of the improvements on the land.
- *Site Value* – the value of the land and any improvements which permanently affect the amenity of use of the land, such as drainage works, but excluding the value of buildings and other improvements.
- *Annual Value* – a valuation of the rental potential of the property.

The Council has decided to continue to use capital value as the basis for valuing land within the council area. The Council considers that this method of valuing land provides the fairest method of distributing the rate burden across all ratepayers on the following basis:

- 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 a relatively good indicator of wealth and capital value, which closely approximates the market value of a property and provides the best indicator of overall property value;
- The distribution of property values throughout the Council area is such that few residential ratepayers will pay significantly more than the average rate per property.

Adoption Of Valuations

The Council adopted the valuations made by Valuation SA for the 2014/2015 financial year. If a ratepayer is dissatisfied with the valuation made by Valuation SA then the ratepayer may object to Valuation SA in writing, within 60 days of receiving the Council's rate notice referencing the valuation, explaining the basis for the objection, provided they have not: (a) previously received a notice of this same valuation under the Local Government Act 1999, in which case the objection period is 60 days from the receipt of the first notice; or (b) previously had an objection to the valuation considered by the Valuation SA. The address of the Office of Valuation SA is:

The contact details for the State Valuation Officer are:
State Valuation Office
GPO Box 1354
ADELAIDE SA 5001 .
Email: lsg.objections@sa.gov.au
Telephone: 1300 653 345

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

Notional Values

Certain properties may be eligible for a notional value under the Valuation of Land Act 1971 where the property is the principal place of residence of a ratepayer. This can relate to certain primary production land or where there is State heritage recognition. A notional value is generally less than the capital value and this will result in reduced rates, unless the minimum rate already applies. Application for a notional value must be made to the Office of Valuation SA.

Business Impact Statement

The Council has considered the impact of rates on all businesses in the Council area. In considering the impact, Council assessed the following matters:

- Council's policy on facilitating local and regional economic development;
- Current local, state and national economic conditions and expected changes during the next financial year. The general economic climate is quite unstable and appears likely to continue this way over the next twelve months. The major concern is the continued limited employment prospects for school leavers and other persons currently unemployed. The mining development at Prominent Hill is now in at a point where the company is looking for future development opportunities and is downsizing the Open Cut Mine.
- The prospect is good for a continuation of a low rate of inflation and low interest rates.
- Inconsistent changes in the upward valuation of some property types continues from the previous financial year.
- Specific Council projects for the coming year that will solely or principally benefit the business and mining industries – Council will be committed to providing funds to the Coober Pedy Miners Association for assistance with its administration, funding tourism marketing, providing funding towards the employment of a Tourism Officer out of Port Augusta with the Regional Development Australia Far North (RDAFN) with this role incorporating strategies for enhancing the opportunities in the region.
- Specific infrastructure maintenance and other relevant issues that will benefit the whole of the community.

Council's Revenue Raising Powers

All land within a Council area, except for land specifically exempt (e.g. Crown land, Council owned/occupied land and other land prescribed in the Local Government Act 1999 – refer Section 147 of the Act), is rateable. The Local Government Act provides for a Council to raise revenue for the broad purposes of the Council through a general rate, which applies to all rateable properties, or through differential general rates, which apply to classes of properties. In addition, Council can raise separate rates, for specific areas of the Council or service rates or charges for specific services. The Council also raises revenue through fees and charges, which are set giving consideration to the cost of the service provided and any equity issues.

General Rates – Differential Rating

The Council has decided to impose differential rates on properties within its area for the financial year ending 30th June 2016 and that the rates will vary according to the use of the land however it is proposed to apply a 1.9% increase in overall general rate revenue.

The land uses which have been used are as defined in Regulation 10 (2) of the Local Government (General) Regulations 1999 and are as follows:

	# of Rate payers	**Relativity**	**Rate % in the $**	**Amount to be Collected $'000**
Residential	1210	100%	0.3014	801
Commercial – shop	61	300%	0.9385	130
Commercial – office	9	300%	0.9385	35
Commercial – other	45	300%	0.9689	230
Industry – light	10	300%	0.9689	13
Industry – other	7	300%	0.9689	10
Vacant Land	239	60%	0.1889	89

Council has previously decided that Commercial and Industrial Land use ratepayers use a larger proportion of Councils funds when compared with residential land use ratepayers.

Examples of additional costs include:
Daily street cleaning
Daily rubbish removal
Frequent dust suppression activities
Public convenience maintenance
Playground maintenance
Regulatory & inspection costs
Hutchison Street maintained to a high standard
Seventeen mile road constructed to a higher standard and maintained to a higher standard than residential roads
Tourism initiatives. E.g. Tourism centre, festivals and other marketing

The loading on industrial properties (when compared with residential properties) reflects the increased capacity of these industrial properties to pay. Land values in Coober Pedy are relatively low compared with the rest of the state, accordingly the low land values would indicate that in these situations capital value is not as appropriate when considering the relative capacity of a ratepayer to be able to afford to pay.

Accordingly it is appropriate for the businesses that benefit from these activities to pay a higher level of tax than residential ratepayers.

At the budget meeting, following community Consultation, the Council will consider adopting the above rate model, raising rate revenue of $1.347M in a total revenue budget of $16.880M.

Fixed Charge

The Council intends to impose a fixed charge of $370; this is an increase of $10 from the amount levied for 2014-15 year. The fixed charge is levied against the whole of an allotment (including land under a separate lease or license). Only one fixed charge is levied against two or more pieces of adjoining land (whether intercepted by a road or not) if they are owned by the same owner and occupied by the same occupier. The reasons for imposing a fixed charge is the Council considers it appropriate that all rateable properties make a contribution to the cost of creating and maintaining the physical infrastructure that supports each property.

A total of $414k will be collected from fixed charges which is equal to 30% of total rate revenue.

Average Residential Rates (Excluding Service Charges)

2011/2012 State Average	$1,238
2011/2012 Metro Average	$1,265
2011/2012 Regional Rural Average	$1,128
2011/2012 Coober Pedy Average	**$ 666**

Separate Rate

Pursuant to Section 154 of the Local Government Act 1999, Council will consider declaring a separate rate in that part of the District Council of Coober Pedy within the “Defined Area” (as adopted in the Budget for 2015/2016) for the purposes of the Coober Pedy sewerage scheme. That rate shall be 0.4327 cents in the dollar of the capital value of the rateable land, with the exception of those properties that cannot be connected to the system. It is budgeted for Council to collect a total of $175k from this separate rate. The amount collect will only be expended on the operation and maintenance of the said sewerage scheme.

NRM Levy

This year (2015/2016) is the third year that Council has had to collect the NRM levy from ratepayers, on behalf of the State Government. The levy will be $60 per ratable property. It will be shown on the rate statement separately. The amount budgeted to be collect from this levy is $86k. This amount will paid directly to the state government.

Service Charges

Pursuant to Section 155 of the Local Government Act 1999, Council proposes that a water service charge in the form of an access charge be set for the 2015/2016 financial year and that the access charge is to be included on the rate notice.

Access Charges have been determined as follows:

- Vacant Land (Land Use 8) $140.00
- Residential (Land Use 1) $175.00
- Business with usage last year less than 300 kilolitres (Land Use 2-7) $345.00
- Commercial with usage last year over 300 kilolitres (Land Use 2-7) $655.00
- Aged Pensioner Concession (Residential – Land Use 1) $90.00

It is budgeted for Council to collect a total of $314k from this service charge. The amount collect will only be expended on the operation and maintenance of the said sewerage scheme.

Furthermore Council proposes via its Fees and Charges Schedule that water usage charges will be as follows:

- Up to 50 kilolitres $3.92/kl
- 50 kilolitres to 300 kilolitres $5.00/kl
- 300 kilolitres and over $6.16/kl

It is expected that Council will raise $1.395M from this user charge.

Discretionary Rebates

The following in an extract of Councils Rating Policy section # 4:

4. Discretionary Rebates

4.1 The Council may in its absolute discretion grant a rebate of rates or service charges in any of the following cases pursuant to Section 166 of the Act –

4.1.1 Where it is desirable for the purpose of securing the proper development of the area (or a part of the area);

4.1.2 Where it is desirable for the purpose of assisting or supporting a business in its area;

4.1.3 Where it will be conducive to the preservation of buildings or places of historic significance;

4.1.4 Where the land is being used for educational purposes;

4.1.5 Where the land is being used for agricultural, horticultural or floricultural exhibitions;

4.1.6 Where the land is being used for a hospital or health centre;

4.1.7 Where the land is being used to provide facilities or services for children or young persons;

4.1.8 Where the land is being used to provide accommodation for the aged or disabled;

Discretionary Rebates con't

4.1.9 Where the land is being used for a residential aged care facility that is approved for Commonwealth funding under the Aged Care Act 1987 (Commonwealth) or a day therapy centre;

4.1.10 where the land is being used by an organisation which, in the opinion of the Council, provides a benefit or service to the local community;

4.1.11 where the rebate relates to common property or land vested in a community corporation under the Community Titles Act 1996 over which the public has a free and unrestricted right of access and enjoyment; and

4.1.12 where the rebate is considered by the Council to be appropriate to provide relief against what would otherwise amount to a substantial change in rates payable due to a change in the basis of valuation used for the purposes of rating, rapid changes in valuations, or anomalies in valuations.

4.2 The Council may grant a rebate of rates up to and including 100% of the relevant rates or service charges. The Council may grant a rebate for a period exceeding one year, but not exceeding 10 years in respect of those cases identified at 4.1.1, 4.1.2 or 4.1.11 above.

4.3 The Council has an absolute discretion –

4.3.1 To grant a rebate of rates or service charges in the above cases; and

4.3.2 To determine the amount of any such rebate.

4.4 Persons who or bodies which seek a discretionary rebate will be required to submit an application form to the Council and provide to the Council such information as stipulated on the application form and any other information that the Council may reasonably require.

Rate Concessions

The State Government, in providing equity across SA in this area, funds a range of concessions on Council rates. The concessions are administered by various State Agencies who determine eligibility and pay the concession direct to Council on behalf of the ratepayer. Concessions are available only on the principal place of residence.

Ratepayers who believe they are entitled to a concession should not withhold payment of rates pending assessment of an application by the State Government as penalties apply to overdue rates. A refund will be paid to an eligible person if Council is advised that a concession applies and the rates have already been paid.

State Seniors Card Ratepayer (Self Funded Retiree)

This concession was introduced from 1st July 2001 and is administered by RevenueSA. 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 Seniors 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 rates notice or would like further information, please contact RevenueSA Call Centre on 1300 366 150 or email: revsa@saugov.sa.gov.au or www.revenuesa.sa.gov.au

Pensioner Concessions

An eligible pensioner may be entitled to a rebate on Council rates and water usage, where applicable. Application forms, which include information on the concessions, are available from SA Water and its District Offices or Families SA. An eligible pensioner must hold a Pension Card, State Concession Card or be a T.P.I. Pensioner.

They must also be responsible for the payment of rates on the property for which they are claiming a concession. Concessions are available only on the principal place of residence.

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 and the rates have already been paid.

Unemployed Persons Concessions

The Department of Human Services 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 office for details.

Payment Of Rates

Payment of rates will be by way of four (4) equal (or approximately equal) installments per year notwithstanding that any rate account can still be paid in full following the issue of the first installment account.

Rate accounts (30 day accounts) will be issued in respect of the four payments with the proposed due dates for each payment to be as follows:

1st Payment	Friday 9th October 2015
2nd Payment	Friday 18th December 2015
3rd Payment	Friday 18th March 2016
4th Payment	Friday 17th June 2016

Rates may be paid:

- In person, at the Council Offices during the hours of 8.30am to 5.00pm, Monday to Friday. EFTPOS facilities are available for payments.
- By post, to District Council of Coober Pedy, PO Box 425, Coober Pedy SA 5723
- By internet at http://www.cooberpedy.sa.gov.au

Any ratepayer who may, or is likely to, experience difficulty with meeting the standard payment arrangements is invited to contact Ms Jayde Grava, Rates & Property Officer, on Ph: 08 8672 4600 to discuss alternative payment arrangements. Such inquiries are treated confidentially by the Council.

The Council has adopted a policy that where the payment of rates will cause a ratepayer demonstrable hardship, the Council is prepared to make available extended payment arrangements.

Late Payment of Rates

The Local Government Act provides that Councils impose a penalty of a 2% fine on any payment for rates, whether instalment or otherwise, that is received late. A payment that continues to be late is then charged an interest rate, set each year according to a formula in the Act, for each month it continues to be late. 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. The prescribed interest rate for 2013/2014 financial year has not been declared. When the interest rate is declared the Council will publish the rate and circulate this information by the most practical means at its disposal at the time.

The 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 21 days after the issue of the final notice then the 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 the 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).

Rebate of Rates

The Local Government Act requires Councils to rebate the rates payable on some land. Specific provisions are made for land used for health services, community services, religious purposes, public cemeteries and educational institutions. Discretionary rebates may be applied by the Council under Section 166 of the Act.

Council (by Policy) has agreed to grant other specific rate rebates pursuant to the said Act.

Council's Rate Rebate Policy for the 2015/2016 financial year is available for inspection at the Council Offices during normal business hours.

Postponement of Rates – Hardship

Section 182 of the Local Government Act permits the Council, on the application of the ratepayer, to partially or wholly remit rates or to postpone rates, on the basis of hardship. Where the ratepayer is suffering hardship in paying rates he/she is invited to contact the Council's Rates & Property Officer on 08 8672 4600 to discuss the matter. Council treats such inquiries confidentially.

Postponement of Rates – Seniors

Application may be made to Council for postponement of the payment of any amount of rates in excess of $500.00, for the current or a future financial year by –

- A ratepayer who holds a current State Seniors Card issued by the State Government, (prescribed ratepayer) or spouse of a prescribed ratepayer;
    - Where the rates are payable on the principal place of residence;
    - Where the land is owned by the prescribed ratepayer, or the prescribed ratepayer and his or her spouse, and no other person has an interest, as owner, in the land.

Any rates which are postponed will become due and payable:

- When the title to the land is transferred to another person; or
- There is a failure to comply with a condition of postponement.
- Interest will accrue on the amount postponed at the prescribed rate per month until the full amount is paid.
- Postponement is available as a right and can only be refused when the applicant/s has/have less than 50% equity in the property.

Sale of Land for Non-Payment of Rates

The Local Government Act provides that a Council may sell any property where the rates have been in arrears for three years or more. The Council is required to notify the owner of the land of its intention to sell the land, provide the owner with details of the outstanding amounts, and advise the owner of its intention to sell the land if payment of the outstanding amount is not received within one month.

Application of the Policy

Where a ratepayer believes that the Council has failed to properly apply this policy it should raise the matter with the Council. In the first instance contact Ms Emily Natt, Rates & Property Officer on Ph: 08 8672 4600 or email: *jgrava@cpcouncil.sa.gov.au* to discuss the matter. If, after this initial contact, a ratepayer is still dissatisfied they should write to Mr Trent Rusby, Chief Executive Officer, District Council of Coober Pedy, PO Box 425, Coober Pedy SA 5723, or email *trusby@cpcouncil.sa.gov.au* .

For further information:

Trent Rusby, Chief Executive Officer
PO Box 425
Coober Pedy SA 5723
08 8672 4600
trusby@cpcouncil.sa.gov.au

Appendix A – Explanation of Uniform Presentation of Finances

UNIFORM PRESENTATION OF FINANCES	2012-13 Actual $'000	2013-14 Forecast $'000	2014-15 Budget $'000
Income			
less Expenses			
Operating Surplus / (Deficit)	-	-	-
Less: Net Outlays on Existing Assets			
Capital Expenditure on Renewal / Replacement of Existing Assets			
less Depreciation, Amortisation and Impairment Expenses			
less Proceeds from Sale of Replaced Assets			
Net Outlays on Existing Assets	-	-	-
Less: Net Outlays on New and Upgraded Assets			
Capital Expenditure on New / Upgraded Assets			
less Amounts received specifically for New / Upgraded Assets			
less Proceeds from Sale of Surplus Assets			
Net Outlays on New and Upgraded Assets	-	-	-
Net Lending / (Borrowing) for Financial Year	-	-	-

Explanation / Examples of Components of Uniform Presentation of Finances

Operating Revenue and Expenditure: Represent the totals from the relevant lines of the Statement of Comprehensive Income (operating statement) for the year being reported on.

Capital Expenditure on renewal and replacement of Existing Assets: e.g. Roads reseals, replacement tractor, building renovations, replacement computer hardware.

Proceeds from sale of replaced assets: e.g. trade in value of a tractor or motor vehicle being replaced.

Capital Expenditure on New & Upgraded Assets: e.g. constructing a new building, constructing a new catchment pond, purchasing a piece of machinery that was not previously on hand.

Amounts specifically for new or upgraded Assets: e.g. Capital grants to partly fund a new CWMS, funds received to build new footpaths that did not previously exist.

Proceeds from Sale of Surplus Assets: Proceeds from the sale of a council building that was no longer required, sale of surplus land.

New / Upgraded vs Renewal / Replacement of Assets

The following definitions have been obtained from the South Australian Local Government Model Financial Statements (see http://www.lga.sa.gov.au/site/page.cfm?u=769#e4291).

A *new asset* is additional to Council's previous asset complement.
E.g. Roads constructed as part of a Council owned subdivision are new assets. Similarly laying footpaths in areas where they did not previously exist are also new assets.

An *upgraded asset* replaces a previously existing asset with enhanced capability or functionality.

Renewal or replacement of an asset occurs where a previously existing asset is replaced without enhancement of the service capability except where this is incidental and unavoidable.

It is possible for capital expenditure to be a *combination of renewal as well as upgrade*. This is particularly prevalent in this Council region due to the increased volume of B-double traffic experienced in recent times. This has required existing roads to be rebuilt to higher standards.
E.g. the replacement of a road that was initially was a 6 metre wide sheeted surface with an 8 metre width sheeted surface can be considered part replacement and part upgrade.

The important point to understand is that if Council is not able to replace its existing assets in a timely manner then new assets should not be built unless essential. By building new assets Council is effectively building new liabilities as the assets usually don't generate revenue (e.g. roads) cannot be sold and will need to be maintained and eventually replaced.