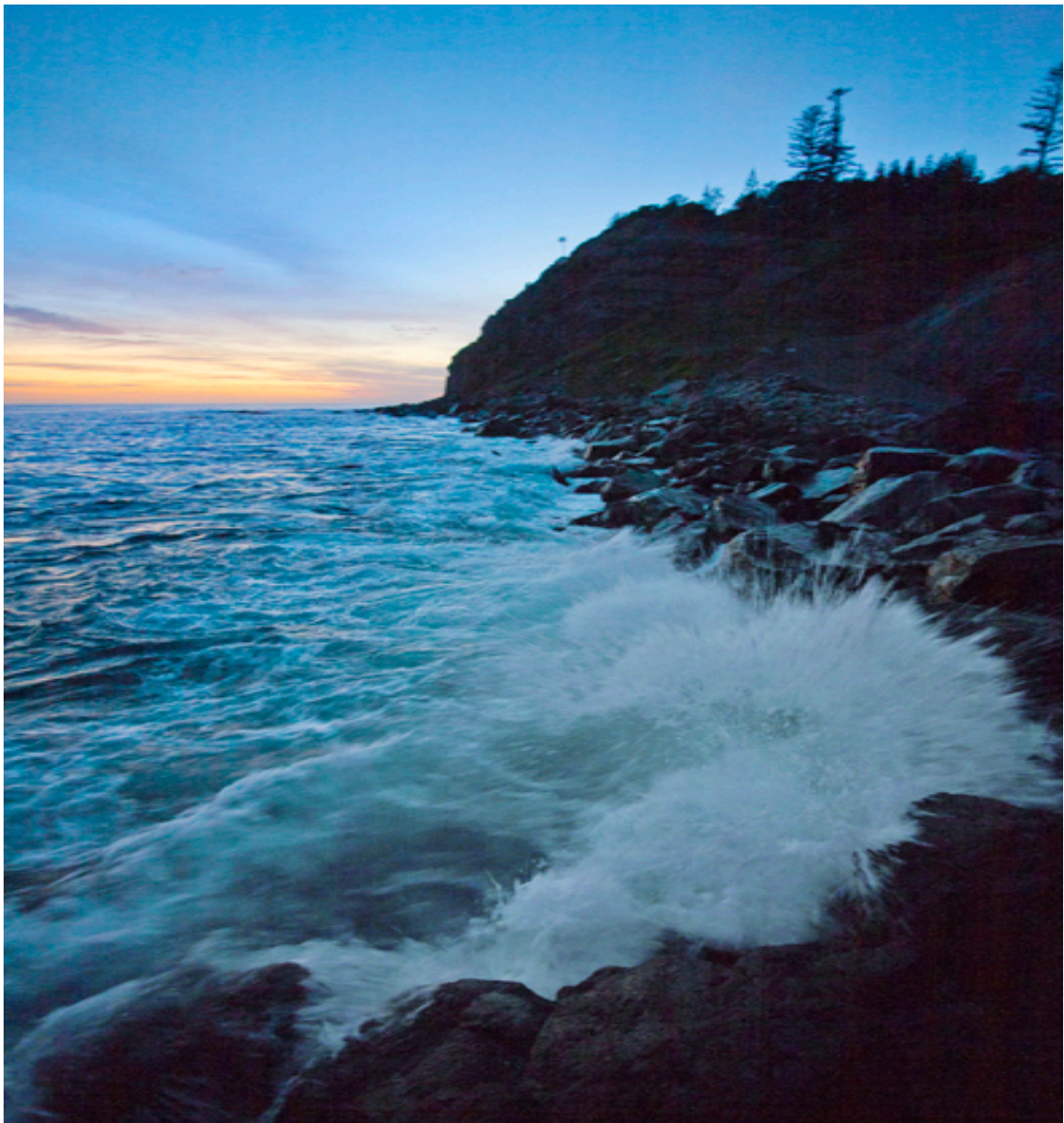


NORFOLK ISLAND REGIONAL
COUNCIL
LONG TERM FINANCIAL PLAN
2019-2028



CONTENTS

Overview	3.
Current financial position	5.
Improving our financial Position	7.
Measuring performance	8.
Scenario Modelling	10.
Planned Scenario	11.
Conservative Scenario.....	17.
Optimistic Scenario	23.
Model Comparison Summary	29.
Conclusion.....	30.

OVERVIEW

A Long Term Financial Plan (LTFP) is one of the three key Resourcing Strategies required by the Integrated Planning and Reporting legislation. Local Government operations are vital to its community, and it is important so stakeholders can understand the financial implications arising from its Community Strategic Plan, Delivery Program and Annual Operational Plan.

The financial modelling supporting the Long Term Financial Plan is used to forecast the Councils financial future over 10 years. The Strategy is a tool which provides for decision making and problem solving, enabling decisions to be made on how to best achieve the Council's corporate objectives while addressing its long term financial challenges. The Long Term Financial Plan is not intended as a document to indicate what services or proposals should be allocated funds, but rather it addresses areas that impact on Council's ability to fund its services and capital works whilst maintaining financial sustainability.

The Integrated Planning and Reporting Guidelines support preparation of the LTFP for Local Government in NSW issued by the Office of Local Government.

The LTFP includes:

- Projected income and expenditure
- Balance sheet
- Cash flow statement
- Planning assumptions used to develop the plan
- Sensitivity analysis – highlight factors most likely to affect the plan
- Financial modelling for different scenarios
- Methods of monitoring financial performance

The LTFP contains a core set of assumptions. These assumptions are based on CPI forecasts, interest rate expectations, employee award increases, loan repayment schedules, and other special income and costs.

Norfolk Island Regional Council's Long Term Financial Plan (LTFP) covers the period 2018/19 to 2027/28. It recognises its current and future financial capacity, to continue delivering quality services, facilities and infrastructure to the community while commencing new initiatives and projects to achieve the goals set down in the Norfolk Island Community Strategic Plan.

Financial planning over a 10-year time horizon is difficult and relies on a variety of assumptions that will undoubtedly change during the period. The LTFP is therefore closely monitored, and regularly revised, to reflect these changing circumstances.

A number of scenarios were considered during the development of the LTFP. In particular, three scenarios; planned, conservative and optimistic, have been outlined in more detail for consideration.

The aims of Norfolk Island Regional Council's Long Term Financial Plan are to:

- Set out the assumptions upon which Council's financial plans and budgets have been structured.
- Identify some Key Performance Indicators upon which Council can benchmark its financial performance.
- Set the framework so that the impact of future policy decisions can be identified.
- Evaluate the impact of future scenarios upon Council's financial position.
- Provide a basis for future informed decision making.
- Identify issues which impact upon the financial sustainability of Council including known opportunities and threats.
- Achieve a balanced budget on a funding basis, acknowledging that continued service delivery and urgent asset renewals are current priorities.
- Seek to eliminate the current working fund deficit by reducing operating costs in real terms and expanding the revenue base of Council.

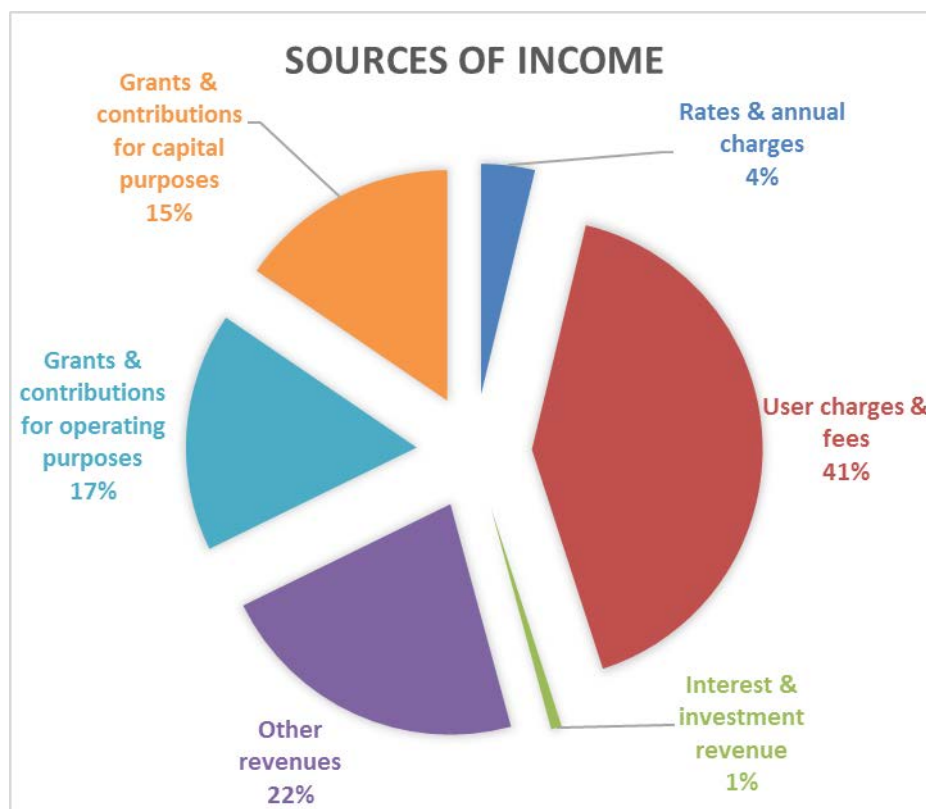
"The Long Term Financial Plan is the point where long-term community aspirations and goals are tested against financial realities."

DLG Manual, 2013

CURRENT FINANCIAL POSITION

Norfolk Island faces a number of challenges in terms of financial sustainability. Our Council administers an extremely broad asset portfolio unlike any other regional Council and does so in the most isolated of environments creating a number of unique challenges for the Council.

On December 21 2016, Council adopted the “Fully Costed Scenario.” This scenario revolved around each of the five main services paying for themselves in their own right, inclusive of overheads and depreciation which will be used to fund future asset renewals. The five services referred to are; Telecom, Electricity, Waste, Sewerage and the Airport. As a consequence, the proposed 2018-19 budget was prepared on these principles. The graph below shows expected sources of income for the 2018-19 financial year:



The proposed budget for 2018-19 has been compiled based on assumptions that Council believes are reflective of the current needs of both Council and the community however some factors remained outside the sphere of direct control by the Council.

Because of the previous uncertainty surrounding the Financial Assistance Type Grant and the limitation on changes of fees in particular landing fees, Council had developed a scenario highlighting the impacts to both Council and the community in scenario two 'Factors Outside NIRC's Control'.

Much of this short-term uncertainty has reduced over the past year from the recent announcement of the Financial Assistance Type Grant amounts, tabled below, being significantly higher than previous allocations with continued increases until at least 2021/22.

Accompanied by the change in legislation to allow Council to set fees and charges has highlighted the requirement to update scenario two from 'Factors Outside NIRC's Control' to a new scenario two renamed as 'Conservative' that reflects the impact of the shift in revenue uncertainty from short-term to long-term, lower capital grants and no indexation on cash flows.

Financial Year	Financial Assistance Type Grant \$000	Tourism Grant \$000	Total Grant \$000
2018/19	\$3,464	\$385	\$3,849
2019/20	\$3,991	\$390	\$4,381
2020/21	\$5,059		\$5,059
2021/22	\$5,663		\$5,663

An asset valuation and condition check were carried out in late December 2016 by an independent qualified valuer. Although some assets were considered to be in a reasonable condition, for example the electrical reticulation network, other critical assets were labelled as poor and near end of life.

Both Council and the community are at risk if one of these critical assets were to fail, the provision of an essential service to the island may potentially cease. It is imperative that Council rectifies this situation through heavy investment in infrastructure replacement and renewal, with the assistance of Commonwealth capital grants.

These factors were built into the previous third model known as the 'Increased Asset Renewal Scenario' now renamed as the 'Optimistic Scenario', to reflect changes in updating the model with additional positive factors such as increases in revenue, higher capital grants and indexation.

The strength of Local Government in a community is important when considering the quality of life for residents in a community. Local Government decisions impact not only this generation but the next. In order to ensure services and infrastructure adapt to the changing needs of our generations, we must ensure our financial position and our asset management practices are strong into the future.

IMPROVING OUR FINANCIAL POSITION

Council is committed to achieving the objectives outlined in Norfolk Island's Community Strategic Plan. This includes addressing current goals while planning to meet the requirements for the future.

Improving efficiency of Council operations

Although operational efficiencies alone are unlikely to provide the level of additional funding required to achieve financial sustainability, there is scope to improve Council's financial position by undertaking a full review of operations. This includes further reviewing the organisational structure, business systems, exploring opportunities for out-sourcing activities and improving project management capabilities.

Improving asset management

Council currently manages a large number of assets. Undertaking a review and possible rationalisation of assets will assist in reducing operational costs. The new Civica information system, recently implemented will assist in this regard but will come at a cost from additional resourcing in the short term.

Review of community expectations and service levels

Council needs to ensure that it is providing services and infrastructure that meets community needs and is within the community's ability to pay. Community liaison on acceptable levels of asset quality will assist in Council's future strategic planning.

Increasing federal funding

Council needs to continue to proactively pursue all avenues for federal grants which may improve its position. This includes lobbying Local Members and Government Ministers for additional funding. Access to a number of funding opportunities are not available to this Council as it is not part of a State Local Government body. Council will need to negotiate with The Federal Government to ensure equity in accessibility to funds.

Fully funding core services

Council is currently responsible for a range of services that are critical to the functioning of the Norfolk Island community. Review of these services has shown that nearly all of them run at a deficit and cannot fund themselves in their own right. Council has reviewed and will continue to monitor user fees and charges for these services so that those that derive benefits from these services pay for the full cost of the services in a fair and equitable manner. The proposed budget 2018/19 projects these services running at breakeven or small surplus, achieved by the reduction in total expenses from the implementation of a more sensitive overhead allocation model and increase in fees and charges. The exception being Waste Management that runs a deficit as facilities upgrade continues.

MEASURING PERFORMANCE

Council will continue to report on and monitor its financial performance based on standard financial indicators. These indicators include:

- Operating Ratio – This measures the capacity of Council to contain its operating expenditure within its operating revenue allowing for asset renewals funded through depreciation. The minimum benchmark for this ratio as advised by Treasury Corp and the Local Government Accounting Code for NSW is greater than 0%. The current operating ratio based on the proposed 2018-19 budget is 0.04%
- Cash Expense Ratio – This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash-flow. The minimum benchmark for this ratio as advised by Treasury Corp and the Local Government Accounting Code for NSW is greater than 3 months. The current cash expense ratio based on the proposed 2018-19 budget is 5.01 months.
- Current Ratio – This ratio represents Council's ability to meet debt repayments as they fall due. It should be noted that Council's externally restricted assets will not be available as operating funds and as such can significantly impact Council's ability to meet its liabilities. The minimum benchmark for this ratio as advised by Treasury Corp and the Local Government Accounting Code for NSW is greater than 1.5. The current ratio based on the proposed 2018-19 budget is 3.03.
- Own Source Operating Revenue Ratio – This ratio measures fiscal flexibility. It is the degree of reliance that Council places on external funding sources such as operating grants and contributions to fund its day to day operations. The minimum benchmark for this ratio as advised by Treasury Corp and the Local Government Accounting Code for NSW is greater than 60%. The own source operating revenue ratio based on the proposed 2018-19 budget is 67.00%.
- Debt Service Cover Ratio – This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The minimum benchmark for this ratio as advised by Treasury Corp and the Local Government Accounting Code for NSW is greater than 2. The debt service cover ratio based on the proposed 2018-19 budget is 47.60.
- Interest Cover Ratio – This ratio indicates the extent to which Council can service its interest bearing debt and take on additional borrowing. It measures the burden of the current interest expense upon Council's operating cash. The minimum benchmark for this ratio as advised by Treasury Corp and the Local Government Accounting Code for NSW is greater than 4. As Council's loans are interest free, this ratio is currently not applicable.
- Capital Expenditure Ratio – This ratio indicates the extent to which Council is forecasting to renew, upgrade, replace or expand the asset base of the Council. The minimum benchmark for this ratio as advised by Treasury Corp and the Local Government Accounting Code for NSW is greater than 1.1. The capital expenditure ratio based on the proposed 2018-19 budget is 1.69.

Quarterly reporting

Performance in regard to Operational Plan budgets will be monitored and reported to Council each quarter. Reports will include budget variations and reviews.

Annual Reporting

Council will prepare annual reports to the community, in accordance with the requirements of the *Local Government Act 1993 (NSW) (NI)* and the Integrated Planning and Reporting Guidelines. The report will include a summary of financial performance and achievements against delivering the outcomes of the Operational Plan and Delivery Program.

Review of LTFP

The Long Term Financial Plan will be reviewed annually, in conjunction with the review of the Operational Plan and Delivery Program and financial projections will be revised and updated.

We will also ensure compliance with the accounting and reporting requirements of the Local Government Code of Accounting Practice and the Australian Accounting Standards including annual auditing of accounts and provision of information to the community.

SCENARIO MODELLING

The Long Term Financial Plan (LTFP) is structured around three financial models or 'scenarios'.

In December 2016, Council adopted the "Fully Costed" scenario, where each service was to pay for the entirety of their costs including overheads and provisions for asset renewal, which had not occurred in the past. As such, the three scenarios are based upon the principle of full cost allocation to each service with a strong focus on asset renewal.

All scenarios incorporate;

- Asset Management Plans for all asset classes funded 100% by Council
- Capital grants funding ratio 75:25 (Cwlth to Council)
- \$30mil Airport upgrade in 2019/20 (100% funded by Cwlth grant/interest free loan)
- \$1.1mil Airport project revenue grant (\$857,000 in 2019/20; \$243,000 in 2020/21)
- Financial Assistance Type Grant at four year estimates

The first, known as the 'Planned Scenario', is based on the proposed 2018/19 budget. It considers asset renewals with average capital grant funding, 2% per year increase in income from rates, fees and charges and general index. Financial Assistance Type Grant at four-year estimates, fourth year amount extended to remaining six years, with no indexation.

The second scenario, known as the 'Conservative Scenario', models the financial sustainability and asset renewal capacity with reduced capital grants, no increase in income from rates, fees and charges and general index. Financial Assistance Type Grant at four-year estimates, fourth year amount extended to remaining six years, with no indexation.

The third scenario, known as the 'Optimistic Scenario', looks at the financial capacity that Council has from surplus cash reserves, and its ability to renew assets at an increased rate from higher capital grant funding, 2% per year increase on income from rates, fees and charges and general index. Financial Assistance Type Grant at four-year estimates, fourth year amount extended to remaining six years, with 5% indexation.

The LTFP details the assumptions used when compiling each scenario as well as the financial outcomes over a 10-year period. It also identifies the major opportunities and risks associated with each scenario to provide an analysis of the sensitivity of the modelling to a variety of changes.

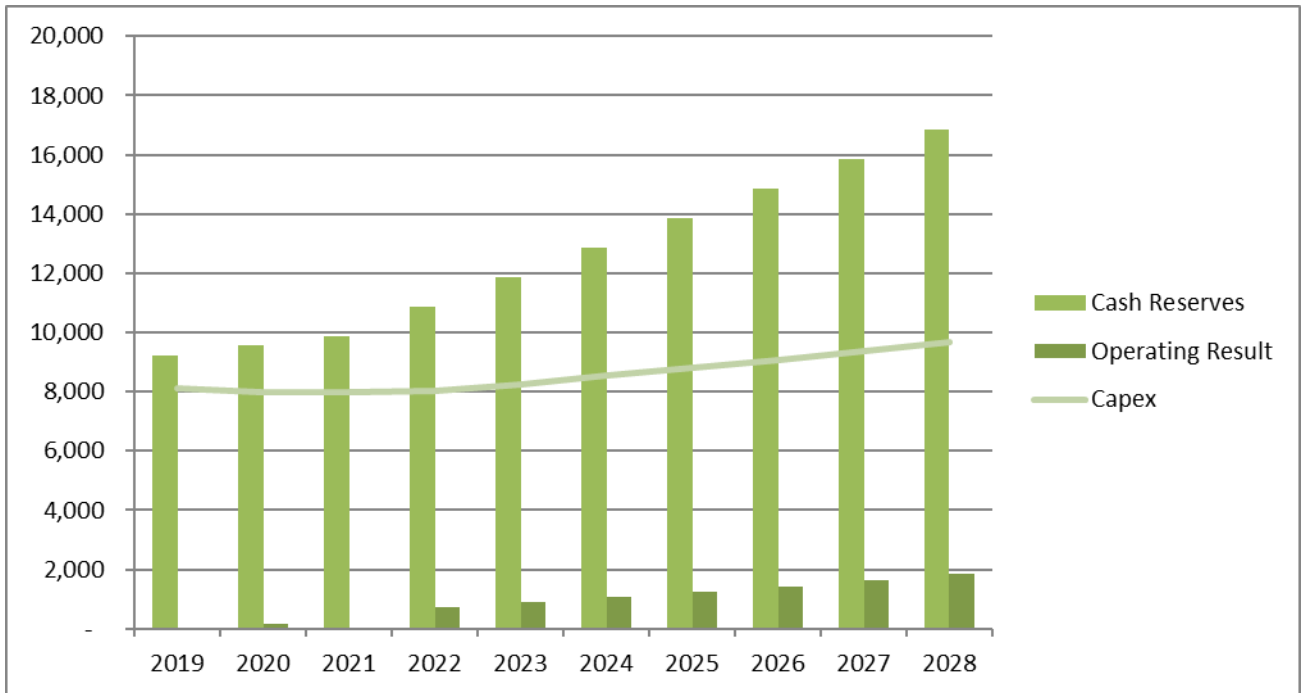
The financial modelling is designed to maintain the long term financial sustainability of the Council with a balanced budget, calculating the equilibrium income and expenditure, protecting and building cash reserves and maximising capital expenditure. Therefore, all scenarios have a positive net operating result for the year before grants & contributions for capital purposes.

PLANNED SCENARIO

The Planned Scenario is the base model that uses the proposed budget for 2018-19 to forecast a result over the 10-year planning period. It is assumed that Council continues to operate the five main services being; sewer, waste, airport, telecom and electricity as fully funded including overheads and depreciation for asset renewal. The following assumptions are also included in the model:

- Financial Assistance Type Grant, at four-year estimates, fourth year amount extended to remaining six years, with no indexation.
- Council is successful in obtaining capital grants to the value of \$3mil per year. These grants are funded 75:25, a total of \$4mil capital works takes place, in addition to planned asset renewals.
- Asset renewal amounts are based on matching depreciation, plus the value of any capital grants plus any net increases cash greater than \$1mil.
- Operating efficiencies are identified and implement by 2022-23 and onwards at 1.00%.
- Rates and annual charges increase at 1.50%, 1.75%, 2.00% thereafter. All other fees and charges and general index increase at 2.00% per year.





The Planned Scenario is based on the proposed budget for 2018-19 which adequately and responsibly adjust user fees and charges for the five services to achieve a balanced budget. The model builds cash reserves, capped at \$1mil per year with any surplus going toward capital expenditure. As a consequence, Council will generate small surpluses gradually increasing over the 10-year planning period.

This model also highlights that asset renewal is occurring at a slightly greater rate than what the assets are being consumed. This is a key focus for Council as the majority of Council assets are in a reasonable to poor condition with many critical assets at or beyond the end of their useful lives. Council is focused on the renewal of critical assets as a priority such as the airport upgrade. A total of \$116mil will be invested in infrastructure over the planning period and will help reduce the infrastructure backlog that has built up over the past several decades.

Council's cash on hand remains relatively strong over the planning period, with surpluses going toward building cash reserves that will provide adequate trading capital for the Council and allow Council to respond to any opportunity or unforeseen circumstance that may present itself over the course of the planning period.

Long Term Financial Plan - Planned

INCOME STATEMENT

\$ '000	Notes	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
		Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Income from Continuing Operations											
Revenue:											
Rates & annual charges		1,200	1,218	1,239	1,264	1,289	1,315	1,341	1,368	1,396	1,424
User charges & fees		13,155	13,418	13,687	13,960	14,240	14,524	14,815	15,111	15,413	15,722
Interest & investment revenue		240	231	239	278	306	363	393	423	491	524
Other revenues		7,008	7,149	7,292	7,437	7,586	7,738	7,893	8,050	8,211	8,376
Grants & contributions for operating purposes		5,346	6,738	6,802	7,163	7,163	7,163	7,163	7,163	7,163	7,163
Grants & contributions for capital purposes		4,936	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Other Income:											
Net gains from disposal of assets		-	-	-	-	-	-	-	-	-	-
Net share of interests in joint ventures		-	-	-	-	-	-	-	-	-	-
TOTAL INCOME FROM CONTINUING OPERATIONS		31,886	31,754	32,259	33,103	33,583	34,104	34,605	35,116	35,674	36,207
Expenses from Continuing Operations											
Employee benefits & costs		9,643	9,836	9,882	9,979	10,077	10,176	10,276	10,376	10,478	10,581
Borrowing costs		-	-	-	-	-	-	-	-	-	-
Materials & contracts		12,482	12,705	12,959	13,218	13,347	13,478	13,610	13,744	13,878	14,014
Depreciation & amortisation		4,813	6,062	6,124	6,196	6,275	6,361	6,454	6,553	6,661	6,775
Impairment		-	-	-	-	-	-	-	-	-	-
Other expenses		-	-	-	-	-	-	-	-	-	-
Net losses from disposal of assets		-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES FROM CONTINUING OPERATIONS		26,939	28,603	28,965	29,393	29,699	30,015	30,340	30,673	31,017	31,370
OPERATING RESULT FOR THE YEAR		4,947	3,151	3,293	3,709	3,884	4,089	4,265	4,443	4,657	4,838
NET OPERATING RESULT FOR THE YEAR BEFORE GRANTS & CONTRIBUTIONS FOR CAPITAL PURPOSES		11	151	293	709	884	1,089	1,265	1,443	1,657	1,838
Assumptions											
Rate Peg		0.00%	1.50%	1.75%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
General Index		0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Employee Cost Index - including superannuation		0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Grant Index		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment Interest rate		2.50%	2.50%	2.50%	2.75%	2.75%	3.00%	3.00%	3.00%	3.25%	3.25%
Overdue rates interest rate		7.50%	7.50%	7.50%	8.00%	8.00%	8.50%	8.50%	8.50%	8.50%	8.50%
Efficiency gain on Materials & Contracts			0.00%	0.00%	0.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%

Long Term Financial Plan - Planned

STATEMENT OF FINANCIAL POSITION

\$ '000		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Notes	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Assets											
Current Assets:											
Cash & cash equivalents		3,234	957	1,011	1,111	1,211	1,311	1,411	1,511	1,611	1,711
Investments		6,000	8,617	9,103	10,003	10,903	11,803	12,703	13,603	14,503	15,403
Receivables		1,560	1,999	2,447	2,903	3,369	3,844	4,329	4,824	5,328	5,842
Inventories		1,262	1,287	1,313	1,339	1,366	1,393	1,421	1,450	1,479	1,508
Other		-	-	-	-	-	-	-	-	-	-
Non-current assets classified as 'held for sale'											
TOTAL CURRENT ASSETS		12,056	12,861	13,874	15,357	16,850	18,352	19,865	21,388	22,921	24,465
Non-Current Assets:											
Investments		-	-	-	-	-	-	-	-	-	-
Receivables		-	-	-	-	-	-	-	-	-	-
Inventories		-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant & equipment		126,192	159,379	161,317	163,215	165,286	167,558	170,003	172,622	175,453	178,459
Investments accounted for using the equity method		-	-	-	-	-	-	-	-	-	-
Investment property		-	-	-	-	-	-	-	-	-	-
Intangible assets		602	301	-	-	-	-	-	-	-	-
TOTAL NON-CURRENT ASSETS		126,794	159,680	161,317	163,215	165,286	167,558	170,003	172,622	175,453	178,459
TOTAL ASSETS		138,850	172,541	175,191	178,572	182,135	185,910	189,868	194,010	198,374	202,924
Liabilities											
Current Liabilities:											
Payables		3,539	3,610	3,682	3,755	3,831	3,907	3,985	4,065	4,146	4,229
Borrowings		254	-	-	-	-	-	-	-	-	-
Provisions		185	200	204	208	212	216	221	225	230	234
TOTAL CURRENT LIABILITIES		3,978	3,810	3,886	3,963	4,043	4,124	4,206	4,290	4,376	4,464
Non-Current Liabilities:											
Payables		-	-	-	-	-	-	-	-	-	-
Borrowings		10,800	40,200	39,600	39,000	38,400	37,800	37,200	36,600	36,000	35,400
Provisions		-	-	-	-	-	-	-	-	-	-
TOTAL NON-CURRENT LIABILITIES		10,800	40,200	39,600	39,000	38,400	37,800	37,200	36,600	36,000	35,400
TOTAL LIABILITIES		14,778	44,010	43,486	42,963	42,443	41,924	41,406	40,890	40,376	39,864
NET ASSETS		124,072	128,531	131,705	135,609	139,693	143,986	148,462	153,120	157,998	163,060
Equity											
Retained earnings - current		11	4,459	3,174	3,904	4,084	4,294	4,475	4,658	4,878	5,062
Retained earnings - accumulative		124,061	124,072	128,531	131,705	135,609	139,693	143,986	148,462	153,120	157,998
Council equity interest		124,072	128,531	131,705	135,609	139,693	143,986	148,462	153,120	157,998	163,060
Non-controlling interest		0	-	-	-	-	-	-	-	-	-
TOTAL EQUITY		124,072	128,531	131,705	135,609	139,693	143,986	148,462	153,120	157,998	163,060
Assumptions											
General Index		0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
No impact from revaluation of assets											
No restricted cash											

Long Term Financial Plan - Planned

STATEMENT OF CASH FLOWS

\$ '000		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Notes	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash Flows from Operating Activities											
<i>Receipts:</i>											
Rates & annual charges		1,164	1,181	1,202	1,226	1,251	1,276	1,301	1,327	1,354	1,381
User charges & fees		13,155	13,016	13,276	13,542	13,812	14,089	14,370	14,658	14,951	15,250
Investment & interest revenue received		240	231	239	278	306	363	393	423	491	524
Grants & contributions		10,282	9,738	9,802	10,163	10,163	10,163	10,163	10,163	10,163	10,163
Bonds, deposits & retention amounts received		-	-	-	-	-	-	-	-	-	-
Other		7,008	6,934	7,073	7,214	7,359	7,506	7,656	7,809	7,965	8,124
<i>Payments:</i>											
Employee benefits & costs		(9,643)	(9,836)	(9,882)	(9,979)	(10,077)	(10,176)	(10,276)	(10,376)	(10,478)	(10,581)
Materials & contracts		(12,482)	(12,323)	(12,570)	(12,821)	(12,947)	(13,074)	(13,202)	(13,331)	(13,462)	(13,594)
Borrowing costs		-	-	-	-	-	-	-	-	-	-
Bonds, deposits & retention amounts refunded		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
NET CASH PROVIDED (OR USED IN) OPERATING ACTIVITIES		9,725	8,941	9,140	9,623	9,866	10,147	10,406	10,673	10,984	11,267
Cash Flows from Investing Activities											
<i>Receipts:</i>											
Sale of investment securities		-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant & equipment		-	-	-	-	-	-	-	-	-	-
Deferred debtors receipts		-	-	-	-	-	-	-	-	-	-
Other investing activity receipts		-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Purchase of investment securities		-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant & equipment		(8,129)	(38,000)	(8,000)	(8,023)	(8,266)	(8,547)	(8,806)	(9,073)	(9,384)	(9,667)
Deferred debtors & advances made		-	-	-	-	-	-	-	-	-	-
NET CASH PROVIDED (OR USED IN) INVESTING ACTIVITIES		(8,129)	(38,000)	(8,000)	(8,023)	(8,266)	(8,547)	(8,806)	(9,073)	(9,384)	(9,667)
Cash Flows from Financing Activities											
<i>Receipts:</i>											
Proceeds from borrowings & advances	1	-	30,000	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Repayment of borrowings & advances		(200)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)
NET CASH PROVIDED (OR USED IN) FINANCING ACTIVITIES		(200)	29,400	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		1,396	341	540	1,000	1,000	1,000	1,000	1,000	1,000	1,000
plus: CASH & CASH EQUIVALENTS - beginning of year		7,838	9,234	9,575	10,114	11,114	12,114	13,114	14,114	15,114	16,114
CASH & CASH EQUIVALENTS - end of year		9,234	9,575	10,114	11,114	12,114	13,114	14,114	15,114	16,114	17,114
Assumptions											
Rates & charges recovery rate		97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
Debtor recovery rate		0.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
General Index		0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Interest rate		2.50%	2.50%	2.50%	2.75%	2.75%	3.00%	3.00%	3.00%	3.25%	3.25%
Overdue rates interest rate		7.50%	7.50%	7.50%	8.00%	8.00%	8.50%	8.50%	8.50%	8.50%	8.50%

Long Term Financial Plan - Planned

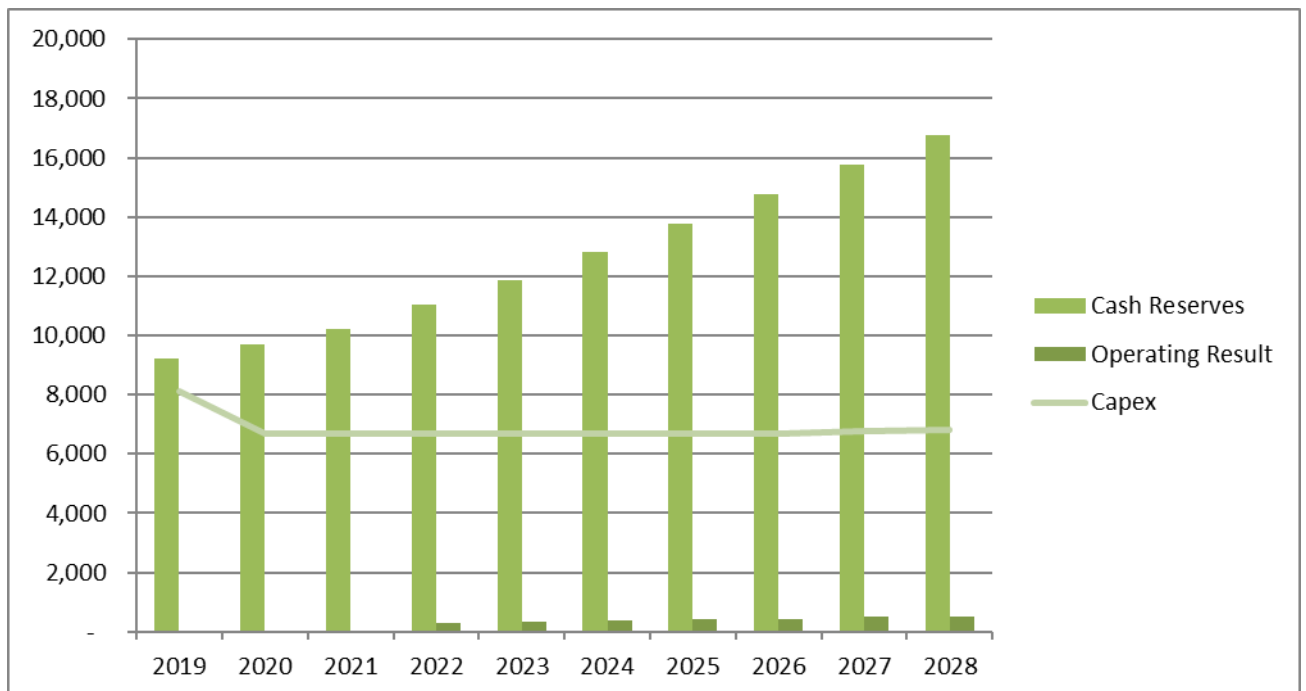
FINANCIAL RATIOS

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Operating Ratio										
<i>This ratio measures Council's ability to contain operating expenditure within operating revenue</i>	0.04%	0.53%	1.00%	2.36%	2.89%	3.50%	4.00%	4.49%	5.07%	5.53%
Benchmark - Greater than 0%										
<i>(operating revenue excl. capital grants and contributions - operating expenses) / operating revenue excluding capital grants and contributions</i>										
Cash Expense Cover Ratio										
<i>This ratio indicates the number of months Council can continue paying for its immediate expenses without additional cash inflow</i>	5.01	5.10	5.31	5.75	6.21	6.65	7.09	7.52	7.94	8.35
Benchmark - Greater than 3.0 months										
<i>(current year's cash and cash equivalents / (total expenses - depreciation - interest costs) * 12</i>										
Current Ratio										
<i>This ratio represents Council's ability to meet debt payments as they fall due. It should be noted that Council's externally restricted assets will not be available as operating funds and as such can significantly impact Council's ability to meet its liabilities.</i>	3.03	3.38	3.57	3.87	4.17	4.45	4.72	4.99	5.24	5.48
Benchmark - Greater than 1.5										
<i>current assets / current liabilities</i>										
Own Source Operating Revenue										
<i>This ratio measures the level of Council's fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. Council's financial flexibility improves the higher the level of its own source revenue</i>	67.00%	68.61%	68.87%	68.46%	68.83%	69.13%	69.50%	69.85%	70.14%	70.49%
Benchmark - Greater than 60%										
<i>rates, utilities and charges / total operating revenue (inclusive of capital grants and contributions)</i>										
Debt Service Cover Ratio										
<i>This ratio measures the availability of cash to service debt including interest, principal, and lease payments</i>	47.60	14.97	15.30	16.05	16.42	16.81	17.21	17.62	18.04	18.48
Benchmark - Greater than 2.0										
<i>operating result before interest and depreciation (EBITDA) / principal repayments + borrowing interest costs</i>										
Interest Cover Ratio										
<i>This ratio indicates the extent to which Council can service its interest bearing debt and take on additional borrowings. It measures the burden of the current interest expense upon Council's operating cash</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benchmark - Greater than 4.0										
<i>operating result before interest and depreciation (EBITDA) / interest expense</i>										
Capital Expenditure Ratio										
<i>This ratio indicates the extent to which Council is forecasting to expand its asset base with capital expenditure spent on both new assets and replacement and renewal of existing assets</i>	1.69	6.27	1.31	1.29	1.32	1.34	1.36	1.38	1.41	1.43
Benchmark - Greater than 1.1										
<i>annual capital expenditure / annual depreciation</i>										

CONSERVATIVE SCENARIO

The Conservative Scenario uses the base scenario and makes three key adjustments to it, reduced capital grant funding, no increase in rates and fees and no grant indexation. This scenario uses all of the assumptions listed in the base scenario but with the following adjustments:

- Financial Assistance Type Grant, at four-year estimates, fourth year amount extended to remaining six years, with no indexation.
- Council is successful in obtaining capital grants to the value of \$2mil per year. These grants are funded 75:25, so a total of \$3mil capital works takes place, in addition to planned asset renewals.
- Asset renewal amounts are based on matching depreciation, plus the value of any capital grants plus any net increases cash greater than \$1mil.
- Operating efficiencies are identified and implement by 2022-23 and onwards at 1.00%.
- No increase on rates and annual charges, other fees & charges and general index.



This result presents a significant reduction in capital expenditure by Council. Over the planning period Council will achieve only small surpluses in any of the planning years. Although Council will remain viable and build cash reserves slowly it will not generate adequate cash to undertake infrastructure renewal as required.

As a consequence, Council owned infrastructure on Norfolk Island will continue to deteriorate to the detriment of the Norfolk Island community. Council will not be able to fund infrastructure renewals at the rate that they are consumed. This in turn is going to result in an ever growing infrastructure backlog for the Community that already is significant with most assets being rated as poor to reasonable at best. Over the planning period Council will only be able to invest \$98mil into infrastructure replacement (as compared to \$116m in the Planned Scenario) and over a third of that will be the airport upgrade.

This scenario also highlights the reliance that Council has on federal funding for operational purposes. Each of Council's core business units are operating at either breakeven or in surplus positions, and Council as a whole is still in deficit. Council has a relatively small ratepayer base and the capacity to generate significant revenue through rates is implausible.

The idea of horizontal fiscal equalisation is to support local governments that have disability factors and provide them with an adequate amount of funding so that they can provide services and infrastructure to their communities with the ideology that one should not be significantly disadvantaged due to their location.

Long Term Financial Plan - Planned

INCOME STATEMENT

\$ '000	Notes	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
		Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Income from Continuing Operations											
Revenue:											
Rates & annual charges		1,200	1,218	1,239	1,264	1,289	1,315	1,341	1,368	1,396	1,424
User charges & fees		13,155	13,418	13,687	13,960	14,240	14,524	14,815	15,111	15,413	15,722
Interest & investment revenue		240	231	239	278	306	363	393	423	491	524
Other revenues		7,008	7,149	7,292	7,437	7,586	7,738	7,893	8,050	8,211	8,376
Grants & contributions for operating purposes		5,346	6,738	6,802	7,163	7,163	7,163	7,163	7,163	7,163	7,163
Grants & contributions for capital purposes		4,936	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Other Income:											
Net gains from disposal of assets		-	-	-	-	-	-	-	-	-	-
Net share of interests in joint ventures		-	-	-	-	-	-	-	-	-	-
TOTAL INCOME FROM CONTINUING OPERATIONS		31,886	31,754	32,259	33,103	33,583	34,104	34,605	35,116	35,674	36,207
Expenses from Continuing Operations											
Employee benefits & costs		9,643	9,836	9,882	9,979	10,077	10,176	10,276	10,376	10,478	10,581
Borrowing costs		-	-	-	-	-	-	-	-	-	-
Materials & contracts		12,482	12,705	12,959	13,218	13,347	13,478	13,610	13,744	13,878	14,014
Depreciation & amortisation		4,813	6,062	6,124	6,196	6,275	6,361	6,454	6,553	6,661	6,775
Impairment		-	-	-	-	-	-	-	-	-	-
Other expenses		-	-	-	-	-	-	-	-	-	-
Net losses from disposal of assets		-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES FROM CONTINUING OPERATIONS		26,939	28,603	28,965	29,393	29,699	30,015	30,340	30,673	31,017	31,370
OPERATING RESULT FOR THE YEAR		4,947	3,151	3,293	3,709	3,884	4,089	4,265	4,443	4,657	4,838
NET OPERATING RESULT FOR THE YEAR BEFORE GRANTS & CONTRIBUTIONS FOR CAPITAL PURPOSES		11	151	293	709	884	1,089	1,265	1,443	1,657	1,838
Assumptions											
Rate Peg		0.00%	1.50%	1.75%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
General Index		0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Employee Cost Index - including superannuation		0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Grant Index		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment Interest rate		2.50%	2.50%	2.50%	2.75%	2.75%	3.00%	3.00%	3.00%	3.25%	3.25%
Overdue rates interest rate		7.50%	7.50%	7.50%	8.00%	8.00%	8.50%	8.50%	8.50%	8.50%	8.50%
Efficiency gain on Materials & Contracts			0.00%	0.00%	0.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%

Long Term Financial Plan - Conservative

STATEMENT OF FINANCIAL POSITION

\$ '000		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Notes	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Assets											
Current Assets:											
Cash & cash equivalents		3,234	971	1,022	1,103	1,188	1,281	1,377	1,477	1,577	1,677
Investments		6,000	8,741	9,197	9,926	10,695	11,531	12,393	13,293	14,193	15,093
Receivables		1,560	1,990	2,420	2,850	3,281	3,711	4,141	4,571	5,001	5,432
Inventories		1,262	1,262	1,262	1,262	1,262	1,262	1,262	1,262	1,262	1,262
Other		-	-	-	-	-	-	-	-	-	-
Non-current assets classified as 'held for sale'		-	-	-	-	-	-	-	-	-	-
TOTAL CURRENT ASSETS		12,056	12,964	13,901	15,141	16,426	17,785	19,173	20,603	22,033	23,464
Non-Current Assets:											
Investments		-	-	-	-	-	-	-	-	-	-
Receivables		-	-	-	-	-	-	-	-	-	-
Inventories		-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant & equipment		126,192	158,047	158,703	159,347	159,965	160,561	161,151	161,723	162,354	163,007
Investments accounted for using the equity method		-	-	-	-	-	-	-	-	-	-
Investment property		-	-	-	-	-	-	-	-	-	-
Intangible assets		602	301	-	-	-	-	-	-	-	-
TOTAL NON-CURRENT ASSETS		126,794	158,348	158,703	159,347	159,965	160,561	161,151	161,723	162,354	163,007
TOTAL ASSETS		138,850	171,311	172,604	174,487	176,391	178,346	180,324	182,326	184,388	186,470
Liabilities											
Current Liabilities:											
Payables		3,539	3,539	3,539	3,539	3,539	3,539	3,539	3,539	3,539	3,539
Borrowings		254	-	-	-	-	-	-	-	-	-
Provisions		185	200	204	208	212	216	221	225	230	234
TOTAL CURRENT LIABILITIES		3,978	3,739	3,743	3,747	3,751	3,755	3,760	3,764	3,769	3,773
Non-Current Liabilities:											
Payables		-	-	-	-	-	-	-	-	-	-
Borrowings		10,800	40,200	39,600	39,000	38,400	37,800	37,200	36,600	36,000	35,400
Provisions		-	-	-	-	-	-	-	-	-	-
TOTAL NON-CURRENT LIABILITIES		10,800	40,200	39,600	39,000	38,400	37,800	37,200	36,600	36,000	35,400
TOTAL LIABILITIES		14,778	43,939	43,343	42,747	42,151	41,555	40,960	40,364	39,769	39,173
NET ASSETS		124,072	127,373	129,261	131,740	134,240	136,791	139,365	141,962	144,619	147,297
Equity											
Retained earnings/(accumulated deficit)		11	3,300	1,889	2,479	2,500	2,551	2,574	2,598	2,657	2,678
Revaluation reserves		124,061	124,072	127,373	129,261	131,740	134,240	136,791	139,365	141,962	144,619
Council equity interest		124,072	127,373	129,261	131,740	134,240	136,791	139,365	141,962	144,619	147,297
Non-controlling interest		0	-	-	-	-	-	-	-	-	-
TOTAL EQUITY		124,072	127,373	129,261	131,740	134,240	136,791	139,365	141,962	144,619	147,297
Assumptions											
General Index		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
No impact from revaluation of assets											
No restricted cash											

Long Term Financial Plan - Conservative

STATEMENT OF CASH FLOWS

\$ '000		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Notes	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash Flows from Operating Activities											
<i>Receipts:</i>											
Rates & annual charges		1,164	1,164	1,164	1,164	1,164	1,164	1,164	1,164	1,164	1,164
User charges & fees		13,155	12,761	12,761	12,761	12,761	12,761	12,761	12,761	12,761	12,761
Investment & interest revenue received		240	231	243	281	303	356	384	413	480	513
Grants & contributions		10,282	8,738	8,802	9,163	9,163	9,163	9,163	9,163	9,163	9,163
Bonds, deposits & retention amounts received		-	-	-	-	-	-	-	-	-	-
Other		7,008	6,798	6,798	6,798	6,798	6,798	6,798	6,798	6,798	6,798
<i>Payments:</i>											
Employee benefits & costs		(9,643)	(9,836)	(9,882)	(9,979)	(10,077)	(10,176)	(10,276)	(10,376)	(10,478)	(10,581)
Materials & contracts		(12,482)	(12,110)	(12,110)	(12,110)	(11,989)	(11,869)	(11,751)	(11,633)	(11,517)	(11,402)
Borrowing costs		-	-	-	-	-	-	-	-	-	-
Bonds, deposits & retention amounts refunded		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
NET CASH PROVIDED (OR USED IN) OPERATING ACTIVITIES		9,725	7,746	7,775	8,077	8,123	8,197	8,244	8,290	8,371	8,416
Cash Flows from Investing Activities											
<i>Receipts:</i>											
Sale of investment securities		-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant & equipment		-	-	-	-	-	-	-	-	-	-
Deferred debtors receipts		-	-	-	-	-	-	-	-	-	-
Other investing activity receipts		-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Purchase of investment securities		-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant & equipment		(8,129)	(36,668)	(6,668)	(6,668)	(6,668)	(6,668)	(6,686)	(6,690)	(6,771)	(6,816)
Deferred debtors & advances made		-	-	-	-	-	-	-	-	-	-
NET CASH PROVIDED (OR USED IN) INVESTING ACTIVITIES		(8,129)	(36,668)	(6,668)	(6,668)	(6,668)	(6,668)	(6,686)	(6,690)	(6,771)	(6,816)
Cash Flows from Financing Activities											
<i>Receipts:</i>											
Proceeds from borrowings & advances	1	-	30,000	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Repayment of borrowings & advances		(200)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)
NET CASH PROVIDED (OR USED IN) FINANCING ACTIVITIES		(200)	29,400	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		1,396	478	507	809	855	929	957	1,000	1,000	1,000
plus: CASH & CASH EQUIVALENTS - beginning of year		7,838	9,234	9,712	10,219	11,028	11,883	12,813	13,770	14,770	15,770
CASH & CASH EQUIVALENTS - end of year		9,234	9,712	10,219	11,028	11,883	12,813	13,770	14,770	15,770	16,770
Assumptions											
Rates & charges recovery rate		97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
Debtor recovery rate		0.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
General index		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment interest rate		2.50%	2.50%	2.50%	2.75%	2.75%	3.00%	3.00%	3.00%	3.25%	3.25%
Overdue rates interest rate		7.50%	7.50%	7.50%	8.00%	8.00%	8.50%	8.50%	8.50%	8.50%	8.50%

Long Term Financial Plan - Conservative

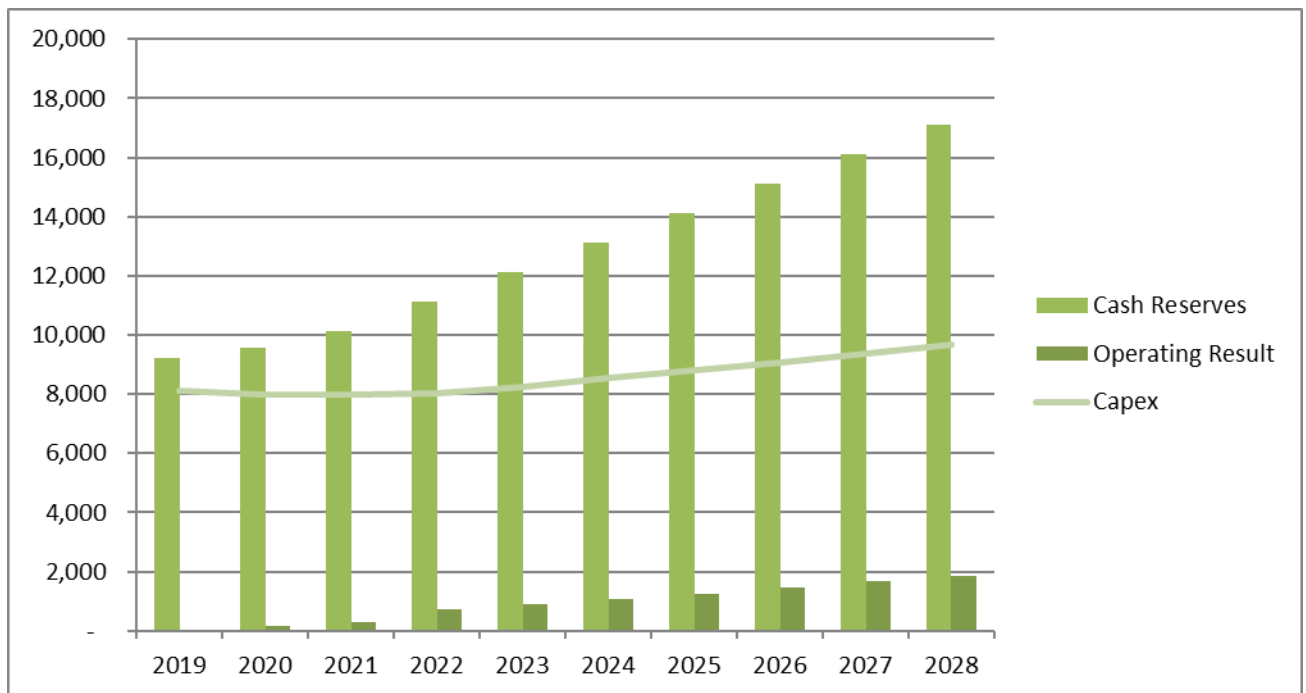
FINANCIAL RATIOS

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Operating Ratio										
<i>This ratio measures Council's ability to contain operating expenditure within operating revenue</i>	0.04%	0.00%	0.06%	1.02%	1.11%	1.30%	1.39%	1.49%	1.70%	1.78%
Benchmark - Greater than 0% (operating revenue excl. capital grants and contributions - operating expenses) / operating revenue excluding capital grants and contributions										
Cash Expense Cover Ratio										
<i>This ratio indicates the number of months Council can continue paying for its immediate expenses without additional cash inflow</i>	5.01	5.22	5.48	5.89	6.36	6.86	7.38	7.92	8.47	9.01
Benchmark - Greater than 3.0 months (current year's cash and cash equivalents / (total expenses - depreciation - interest costs) * 12										
Current Ratio										
<i>This ratio represents Council's ability to meet debt payments as they fall due. It should be noted that Council's externally restricted assets will not be available as operating funds and as such can significantly impact Council's ability to meet its liabilities.</i>	3.03	3.47	3.71	4.04	4.38	4.74	5.10	5.47	5.85	6.22
Benchmark - Greater than 1.5 current assets / current liabilities										
Own Source Operating Revenue										
<i>This ratio measures the level of Council's fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. Council's financial flexibility improves the higher the level of its own source revenue</i>	67.00%	70.43%	70.26%	69.35%	69.30%	69.18%	69.11%	69.05%	68.90%	68.83%
Benchmark - Greater than 60% rates, utilities and charges / total operating revenue (inclusive of capital grants and contributions)										
Debt Service Cover Ratio										
<i>This ratio measures the availability of cash to service debt including interest, principal, and lease payments</i>	47.60	12.97	13.00	13.44	13.48	13.52	13.56	13.60	13.63	13.65
Benchmark - Greater than 2.0 operating result before interest and depreciation (EBITDA) / principal repayments + borrowing interest costs										
Interest Cover Ratio										
<i>This ratio indicates the extent to which Council can service its interest bearing debt and take on additional borrowings. It measures the burden of the current interest expense upon Council's operating cash</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benchmark - Greater than 4.0 operating result before interest and depreciation (EBITDA) / interest expense										
Capital Expenditure Ratio										
<i>This ratio indicates the extent to which Council is forecasting to expand its asset base with capital expenditure spent on both new assets and replacement and renewal of existing assets</i>	1.69	6.10	1.11	1.10	1.10	1.09	1.09	1.09	1.10	1.10
Benchmark - Greater than 1.1 annual capital expenditure / annual depreciation										

OPTIMISTIC SCENARIO

The Optimistic Scenario is based upon the 'Base Scenario' but with a strong focus on increase asset renewal and replacement over the course of the planning period to help rectify the deteriorated condition of many of Council assets. The assumptions used in this scenario are the same as the base scenario however with the following changes:

- Financial Assistance Type Grant, at four-year estimates, fourth year amount extended to remaining six years, with 5% indexation plus Tourism grant continues at \$400,000 per year.
- Council is successful in obtaining capital grants to the value of \$4mil per year. These grants are funded 75:25, so a total of \$5mil capital works takes place, in addition to planned asset renewals.
- Asset renewal amounts are based on matching depreciation, plus the value of any capital grants plus any net increases in cash greater than \$1mil.
- Operating efficiencies are identified and implement by 2022-23 and onwards at 1.00%.
- Rates and annual charges increase initially at 1.50%, 1.75%, 2.00% thereafter. All other fees & charges and general index increase at 2.00% per year.



This scenario highlights the Council’s ability to renew assets at a greater rate than what is proposed in the base scenario. The Council still applies full cost attribution and recovery to the five key services, and still relies on the Commonwealth for adequate Financial Assistance Type Grant funding and as a consequence Council is able to continue to generate surpluses progressively throughout the planning period.

This scenario represents an ideal environment where cash reserves continually build at a moderate rate with surpluses directed toward capital development. Over the planning period Council would invest \$135m in infrastructure replacement, renewals and upgrades. This figure represents an overall capital expenditure ratio of 2.02, which essentially means for every \$1 worth of infrastructure that is consumed Council has invested over \$2 in replacement.



Long Term Financial Plan - Optimistic

INCOME STATEMENT

\$ '000		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Notes	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Income from Continuing Operations											
Revenue:											
Rates & annual charges		1,200	1,218	1,239	1,264	1,289	1,315	1,341	1,368	1,396	1,424
User charges & fees		13,155	13,418	13,687	13,960	14,240	14,524	14,815	15,111	15,413	15,722
Interest & investment revenue		240	231	231	270	298	355	385	415	482	515
Other revenues		7,008	7,149	7,292	7,437	7,586	7,738	7,893	8,050	8,211	8,376
Grants & contributions for operating purposes		5,346	6,738	7,202	7,563	7,846	8,143	8,455	8,783	9,127	9,489
Grants & contributions for capital purposes		4,936	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Other Income:											
Net gains from disposal of assets		-	-	-	-	-	-	-	-	-	-
Net share of interests in joint ventures		-	-	-	-	-	-	-	-	-	-
TOTAL INCOME FROM CONTINUING OPERATIONS		31,886	32,754	33,650	34,495	35,259	36,076	36,889	37,728	38,630	39,524
Expenses from Continuing Operations											
Employee benefits & costs		9,643	9,836	9,882	9,979	10,077	10,176	10,276	10,376	10,478	10,581
Borrowing costs		-	-	-	-	-	-	-	-	-	-
Materials & contracts		12,482	12,705	12,959	13,218	13,347	13,478	13,610	13,744	13,878	14,014
Depreciation & amortisation		4,813	6,113	6,224	6,345	6,481	6,635	6,804	6,989	7,192	7,412
Impairment		-	-	-	-	-	-	-	-	-	-
Other expenses		-	-	-	-	-	-	-	-	-	-
Net losses from disposal of assets		-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES FROM CONTINUING OPERATIONS		26,939	28,653	29,065	29,542	29,906	30,289	30,690	31,109	31,548	32,007
OPERATING RESULT FOR THE YEAR		4,947	4,100	4,586	4,953	5,353	5,787	6,200	6,619	7,082	7,517
NET OPERATING RESULT FOR THE YEAR BEFORE GRANTS & CONTRIBUTIONS FOR CAPITAL PURPOSES		11	100	586	953	1,353	1,787	2,200	2,619	3,082	3,517
Assumptions											
Rate Peg		0.00%	1.50%	1.75%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
General Index		0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Employee Cost Index - including superannuation		0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Grant Index		0.00%	0.00%	0.00%	0.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Investment Interest rate		2.50%	2.50%	2.50%	2.75%	2.75%	3.00%	3.00%	3.00%	3.25%	3.25%
Overdue rates interest rate		7.50%	7.50%	7.50%	8.00%	8.00%	8.50%	8.50%	8.50%	8.50%	8.50%
Efficiency gain on Materials & Contracts			0.00%	0.00%	0.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%

Long Term Financial Plan - Optimistic

STATEMENT OF FINANCIAL POSITION

\$ '000		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Notes	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Assets											
Current Assets:											
Cash & cash equivalents		3,234	924	984	1,084	1,184	1,284	1,384	1,484	1,584	1,684
Investments		6,000	8,316	8,852	9,752	10,652	11,552	12,452	13,352	14,252	15,152
Receivables		1,560	1,999	2,447	2,903	3,369	3,844	4,329	4,824	5,328	5,842
Inventories		1,262	1,287	1,313	1,339	1,366	1,393	1,421	1,450	1,479	1,508
Other		-	-	-	-	-	-	-	-	-	-
Non-current assets classified as 'held for sale'		-	-	-	-	-	-	-	-	-	-
TOTAL CURRENT ASSETS		12,056	12,526	13,596	15,079	16,571	18,073	19,587	21,110	22,643	24,186
Non-Current Assets:											
Investments		-	-	-	-	-	-	-	-	-	-
Receivables		-	-	-	-	-	-	-	-	-	-
Inventories		-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant & equipment		126,192	160,714	163,948	167,139	170,735	174,773	179,228	184,109	189,459	195,250
Investments accounted for using the equity method		-	-	-	-	-	-	-	-	-	-
Investment property		-	-	-	-	-	-	-	-	-	-
Intangible assets		602	-	-	-	-	-	-	-	-	-
TOTAL NON-CURRENT ASSETS		126,794	160,714	163,948	167,139	170,735	174,773	179,228	184,109	189,459	195,250
TOTAL ASSETS		138,850	173,240	177,544	182,217	187,307	192,847	198,815	205,218	212,102	219,437
Liabilities											
Current Liabilities:											
Payables		3,539	3,610	3,682	3,755	3,831	3,907	3,985	4,065	4,146	4,229
Borrowings		254	-	-	-	-	-	-	-	-	-
Provisions		185	200	204	208	212	216	221	225	230	234
TOTAL CURRENT LIABILITIES		3,978	3,810	3,886	3,963	4,043	4,124	4,206	4,290	4,376	4,464
Non-Current Liabilities:											
Payables		-	-	-	-	-	-	-	-	-	-
Borrowings		10,800	40,200	39,600	39,000	38,400	37,800	37,200	36,600	36,000	35,400
Provisions		-	-	-	-	-	-	-	-	-	-
TOTAL NON-CURRENT LIABILITIES		10,800	40,200	39,600	39,000	38,400	37,800	37,200	36,600	36,000	35,400
TOTAL LIABILITIES		14,778	44,010	43,486	42,963	42,443	41,924	41,406	40,890	40,376	39,864
NET ASSETS		124,072	129,230	134,058	139,254	144,864	150,923	157,409	164,328	171,726	179,573
Equity											
Retained earnings/(accumulated deficit)		11	5,158	4,828	5,196	5,610	6,059	6,486	6,920	7,397	7,848
Revaluation reserves		124,061	124,072	129,230	134,058	139,254	144,864	150,923	157,409	164,328	171,726
Council equity interest		124,072	129,230	134,058	139,254	144,864	150,923	157,409	164,328	171,726	179,573
Non-controlling interest		0	-	-	-	-	-	-	-	-	-
TOTAL EQUITY		124,072	129,230	134,058	139,254	144,864	150,923	157,409	164,328	171,726	179,573
Assumptions											
General Index		0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
No impact from revaluation of assets											
No restricted cash											

Long Term Financial Plan - Optimistic

STATEMENT OF CASH FLOWS

\$ '000		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Notes	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash Flows from Operating Activities											
<i>Receipts:</i>											
Rates & annual charges		1,164	1,181	1,202	1,226	1,251	1,276	1,301	1,327	1,354	1,381
User charges & fees		13,155	13,016	13,276	13,542	13,812	14,089	14,370	14,658	14,951	15,250
Investment & interest revenue received		240	231	231	270	298	355	385	415	482	515
Grants & contributions		10,282	10,738	11,202	11,563	11,846	12,143	12,455	12,783	13,127	13,489
Bonds, deposits & retention amounts received		-	-	-	-	-	-	-	-	-	-
Other		7,008	6,934	7,073	7,214	7,359	7,506	7,656	7,809	7,965	8,124
<i>Payments:</i>											
Employee benefits & costs		(9,643)	(9,836)	(9,882)	(9,979)	(10,077)	(10,176)	(10,276)	(10,376)	(10,478)	(10,581)
Materials & contracts		(12,482)	(12,323)	(12,570)	(12,821)	(12,947)	(13,074)	(13,202)	(13,331)	(13,462)	(13,594)
Borrowing costs		-	-	-	-	-	-	-	-	-	-
Bonds, deposits & retention amounts refunded		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
NET CASH PROVIDED (OR USED IN) OPERATING ACTIVITIES		9,725	9,941	10,531	11,015	11,542	12,119	12,690	13,285	13,939	14,584
Cash Flows from Investing Activities											
<i>Receipts:</i>											
Sale of investment securities		-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant & equipment		-	-	-	-	-	-	-	-	-	-
Deferred debtors receipts		-	-	-	-	-	-	-	-	-	-
Other investing activity receipts		-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Purchase of investment securities		-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant & equipment		(8,129)	(39,335)	(9,335)	(9,415)	(9,942)	(10,519)	(11,090)	(11,685)	(12,339)	(12,984)
Deferred debtors & advances made		-	-	-	-	-	-	-	-	-	-
NET CASH PROVIDED (OR USED IN) INVESTING ACTIVITIES		(8,129)	(39,335)	(9,335)	(9,415)	(9,942)	(10,519)	(11,090)	(11,685)	(12,339)	(12,984)
Cash Flows from Financing Activities											
<i>Receipts:</i>											
Proceeds from borrowings & advances	1	-	30,000	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Repayment of borrowings & advances		(200)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)
NET CASH PROVIDED (OR USED IN) FINANCING ACTIVITIES		(200)	29,400	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		1,396	6	596	1,000	1,000	1,000	1,000	1,000	1,000	1,000
<i>plus: CASH & CASH EQUIVALENTS - beginning of year</i>		<i>7,838</i>	<i>9,234</i>	<i>9,240</i>	<i>9,836</i>	<i>10,836</i>	<i>11,836</i>	<i>12,836</i>	<i>13,836</i>	<i>14,836</i>	<i>15,836</i>
CASH & CASH EQUIVALENTS - end of year		9,234	9,240	9,836	10,836	11,836	12,836	13,836	14,836	15,836	16,836
Assumptions											
Rates & charges recovery rate		97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
Debtor recovery rate		0.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
General Index		0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Interest rate		2.50%	2.50%	2.50%	2.75%	2.75%	3.00%	3.00%	3.00%	3.25%	3.25%
Overdue rates interest rate		7.50%	7.50%	7.50%	8.00%	8.00%	8.50%	8.50%	8.50%	8.50%	8.50%

Long Term Financial Plan - Optimistic

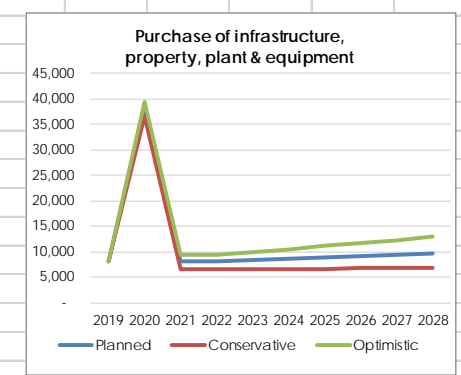
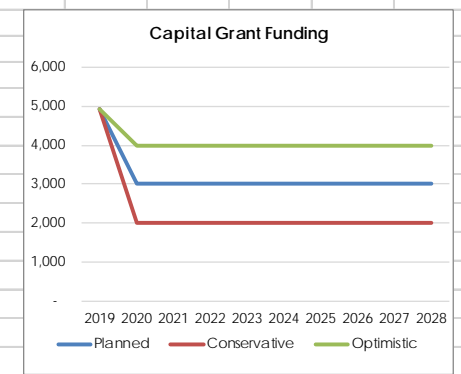
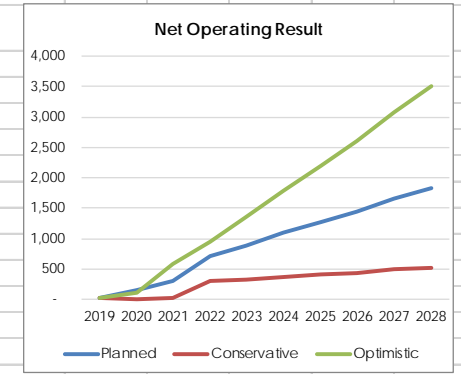
FINANCIAL RATIOS

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Operating Ratio										
<i>This ratio measures Council's ability to contain operating expenditure within operating revenue</i>	0.04%	0.39%	1.96%	3.11%	4.31%	5.55%	6.67%	7.74%	8.88%	9.88%
Benchmark - Greater than 0% (operating revenue excl. capital grants and contributions - operating expenses) / operating revenue excluding capital grants and contributions										
Cash Expense Cover Ratio										
<i>This ratio indicates the number of months Council can continue paying for its immediate expenses without additional cash inflow</i>	5.01	4.81	5.05	5.49	5.95	6.39	6.83	7.26	7.68	8.09
Benchmark - Greater than 3.0 months (current year's cash and cash equivalents / (total expenses - depreciation - interest costs) * 12										
Current Ratio										
<i>This ratio represents Council's ability to meet debt payments as they fall due. It should be noted that Council's externally restricted assets will not be available as operating funds and as such can significantly impact Council's ability to meet its liabilities.</i>	3.03	3.23	3.44	3.75	4.04	4.33	4.60	4.86	5.12	5.36
Benchmark - Greater than 1.5 current assets / current liabilities										
Own Source Operating Revenue										
<i>This ratio measures the level of Council's fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. Council's financial flexibility improves the higher the level of its own source revenue</i>	67.00%	66.51%	66.04%	65.71%	65.57%	65.37%	65.20%	65.03%	64.78%	64.58%
Benchmark - Greater than 60% rates, utilities and charges / total operating revenue (inclusive of capital grants and contributions)										
Debt Service Cover Ratio										
<i>This ratio measures the availability of cash to service debt including interest, principal, and lease payments</i>	47.60	16.64	17.63	18.38	19.23	20.11	21.03	21.99	22.99	24.02
Benchmark - Greater than 2.0 operating result before interest and depreciation (EBITDA) / principal repayments + borrowing interest costs										
Interest Cover Ratio										
<i>This ratio indicates the extent to which Council can service its interest bearing debt and take on additional borrowings. It measures the burden of the current interest expense upon Council's operating cash</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benchmark - Greater than 4.0 operating result before interest and depreciation (EBITDA) / interest expense										
Capital Expenditure Ratio										
<i>This ratio indicates the extent to which Council is forecasting to expand its asset base with capital expenditure spent on both new assets and replacement and renewal of existing assets</i>	1.69	6.45	1.50	1.48	1.53	1.59	1.63	1.67	1.72	1.75
Benchmark - Greater than 1.1 annual capital expenditure / annual depreciation										

Long Term Financial Plan

MODEL COMPARISON SUMMARY

\$ '000	Notes	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total
		Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
Net operating result for the year before grants & contributions for capital purposes												
Planned		11	151	293	709	884	1,089	1,265	1,443	1,657	1,838	9,341
Conservative		11	0	16	294	320	375	403	431	492	516	2,857
Optimistic		11	112	580	947	1,347	1,780	2,192	2,612	3,073	3,509	16,162
Grants & contributions for capital purposes												
Planned		4,936	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	31,936
Conservative		4,936	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	22,936
Optimistic		4,936	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	40,936
Purchase of infrastructure, property, plant & equipment												
Planned		8,129	38,000	8,000	8,023	8,266	8,547	8,806	9,073	9,384	9,667	115,895
Conservative		8,129	36,668	6,668	6,668	6,668	6,668	6,686	6,690	6,771	6,816	98,431
Optimistic		8,129	39,335	9,335	9,415	9,942	10,519	11,090	11,685	12,339	12,984	134,773
Cash & cash equivalents - end of year												
Planned		9,234	9,575	10,114	11,114	12,114	13,114	14,114	15,114	16,114	17,114	127,724
Conservative		9,234	9,712	10,219	11,028	11,883	12,813	13,770	14,770	15,770	16,770	125,969
Optimistic		9,024	9,030	9,621	10,615	11,609	12,602	13,595	14,587	15,579	16,571	122,831
Operating Ratio												
Planned		0.04%	0.53%	1.00%	2.36%	2.89%	3.50%	4.00%	4.49%	5.07%	5.53%	2.94%
Conservative		0.04%	0.00%	0.06%	1.02%	1.11%	1.30%	1.39%	1.49%	1.70%	1.78%	0.99%
Optimistic		0.04%	0.39%	1.96%	3.11%	4.31%	5.55%	6.67%	7.74%	8.88%	9.88%	4.85%
Cash Expense Cover Ratio												
Planned		5.01	5.10	5.31	5.75	6.21	6.65	7.09	7.52	7.94	8.35	6.49
Conservative		5.01	5.22	5.48	5.89	6.36	6.86	7.38	7.92	8.47	9.01	6.76
Optimistic		5.01	4.81	5.05	5.49	5.95	6.39	6.83	7.26	7.68	8.09	6.25
Current Ratio												
Planned		3.03	3.38	3.57	3.87	4.17	4.45	4.72	4.99	5.24	5.48	4.29
Conservative		3.03	3.47	3.71	4.04	4.38	4.74	5.10	5.47	5.85	6.22	4.60
Optimistic		3.03	3.23	3.44	3.75	4.04	4.33	4.60	4.86	5.12	5.36	4.18
Own Source Operating Revenue												
Planned		67.00%	68.61%	68.87%	68.46%	68.83%	69.13%	69.50%	69.85%	70.14%	70.49%	69.09%
Conservative		67.00%	70.43%	70.26%	69.35%	69.30%	69.18%	69.11%	69.05%	68.90%	68.83%	69.14%
Optimistic		67.00%	66.51%	66.04%	65.71%	65.57%	65.37%	65.20%	65.03%	64.78%	64.58%	65.58%
Debt Service Cover Ratio												
Planned		47.60	14.97	15.30	16.05	16.42	16.81	17.21	17.62	18.04	18.48	19.85
Conservative		47.60	12.97	13.00	13.44	13.48	13.52	13.56	13.60	13.63	13.65	16.84
Optimistic		47.60	16.64	17.63	18.38	19.23	20.11	21.03	21.99	22.99	24.02	22.96
Capital Expenditure Ratio												
Planned		1.69	6.27	1.31	1.29	1.32	1.34	1.36	1.38	1.41	1.43	1.88
Conservative		1.69	6.10	1.11	1.10	1.10	1.09	1.09	1.09	1.10	1.10	1.66
Optimistic		1.69	6.45	1.50	1.48	1.53	1.59	1.63	1.67	1.72	1.75	2.10



CONCLUSION

On 21 December 2016, Council adopted the 'Fully Costed' scenario of the long term financial plan. This action was a financially responsible and prudent action, and pointed Norfolk Island Regional Council on the path to financial sustainability, by accurately capturing costs and ensuring that Council covers these costs through appropriate fees and charges for the five government business units of sewerage, waste, airport, telecom and electricity.

The challenges and uncertainties outlined in the previous year version of the Long Term Financial Plan associated with unknown amounts of future funding in Financial Assistance Type Grant and Councils capability to set fees and charges has since reduced in the short to medium term.

From the recent announcement by the Commonwealth commitment in Financial Assistance Type Grant amounts significantly higher than previous allocations, continuing for the next four years until 2021-22. In addition to changes to legislation to allow Council to set fees and charges.

The Long Term Financial Plan base model, known as the 'Planned Scenario', uses the proposed budget for 2018/19 to forecast a result over the 10-year planning period. It demonstrates it is achievable to run a balanced budget with a fully costed Council where each service pays for the entirety of their costs including overheads, provisions for asset renewal and protecting cash reserves.

The airport continues to be a burden for Council. Although as a business unit it is now being budgeted to generate a surplus, the upcoming capital program will require Council to approach the Commonwealth Government to secure funding towards the project, and consequently will affect the cash flow of the Council over the planning period.

Unfortunately, asset planning and adequate asset management did not adequately occur under the previous Administration and as such Council inherited a lot of assets in poor condition including critical assets. Council has identified these assets and has developed plans and strategies around their renewals and the key assets have been included in the forecast capital works of this plan.

Council is committed to continue to supply required services and responsibly manage the community assets at the same time as ensuring the ongoing financial sustainability of the Norfolk Island Regional Council.