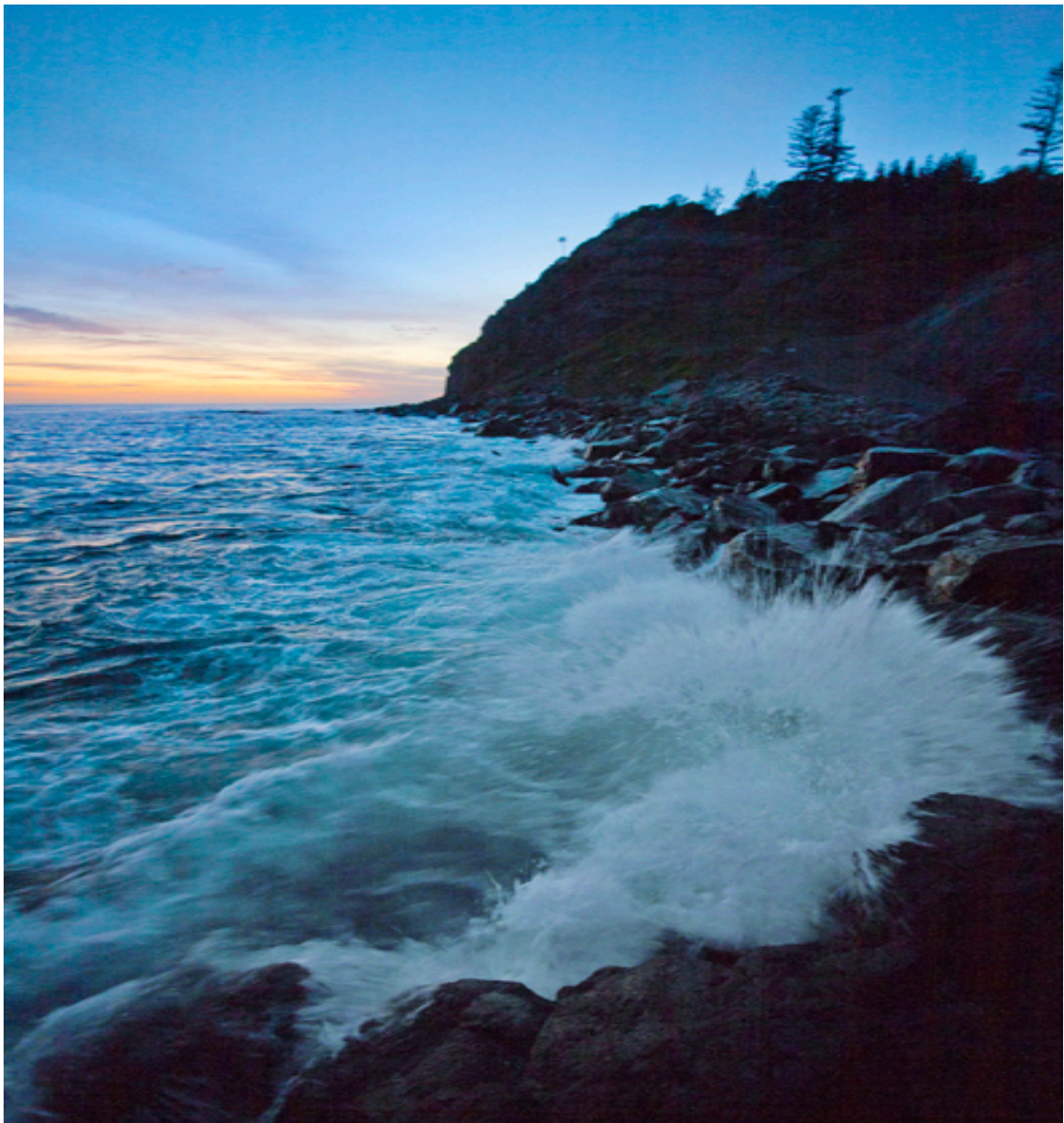


NORFOLK ISLAND REGIONAL
COUNCIL
LONG TERM FINANCIAL PLAN
2020-2029



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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 2019/20 to 2028/29. 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.

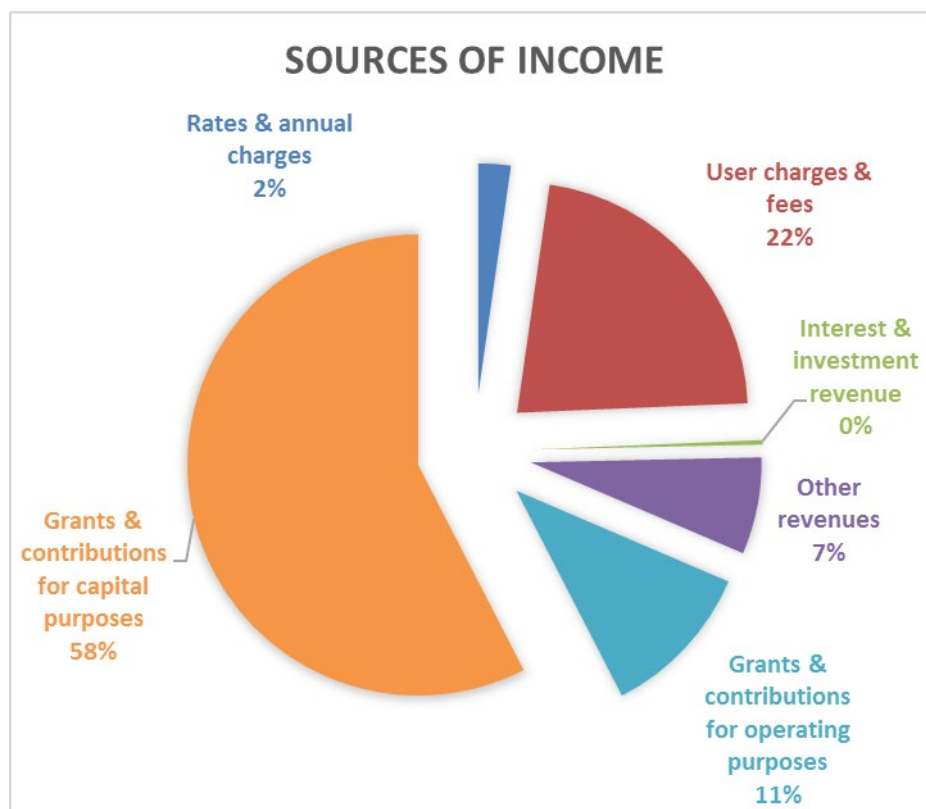
"The Long Term Financial Plan is the point where long-term community aspirations and goals are tested against financial realities."

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 2019-20 budget was prepared on these principles. The graph below shows expected sources of income for the 2019-20 financial year:



The proposed budget for 2019-20 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 had reduced over the past two years from the 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 had 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, 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 original 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.

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 originally showed that nearly all of them ran at a deficit and have struggled to 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 2019/20 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 adjustment 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 2019-20 budget is 0.17%
- 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 2019-20 budget is 4.05 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 2019-20 budget is 2.65.
- 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 2019-20 budget is 31.13% (lower than benchmark due to the large airport project).
- 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 2019-20 budget is currently not applicable as repayments commence the following year.
- 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 2019-20 budget is 11.56.

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)
- \$45mil Airport upgrade in 2019/20 (100% funded by Cwlth grant/interest free loan)
- Financial Assistance Type Grant at four year estimates

The first, known as the 'Planned Scenario', is based on the proposed 2019/20 budget. It considers asset renewals with average capital grant funding, 1.5% per year increase in income from rates, general index set at 2% and employee cost index at 3%. Financial Assistance Type Grant at four-year estimates, fourth year amount extended to remaining seven years, with 1.5% 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, general index set at 2% and employee cost index at 3%. Financial Assistance Type Grant at four-year estimates, fourth year amount extended to remaining seven 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, general index set at 2% and employee cost index at 3%. Financial Assistance Type Grant at four-year estimates, fourth year amount extended to remaining seven years, with 2.5% 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.

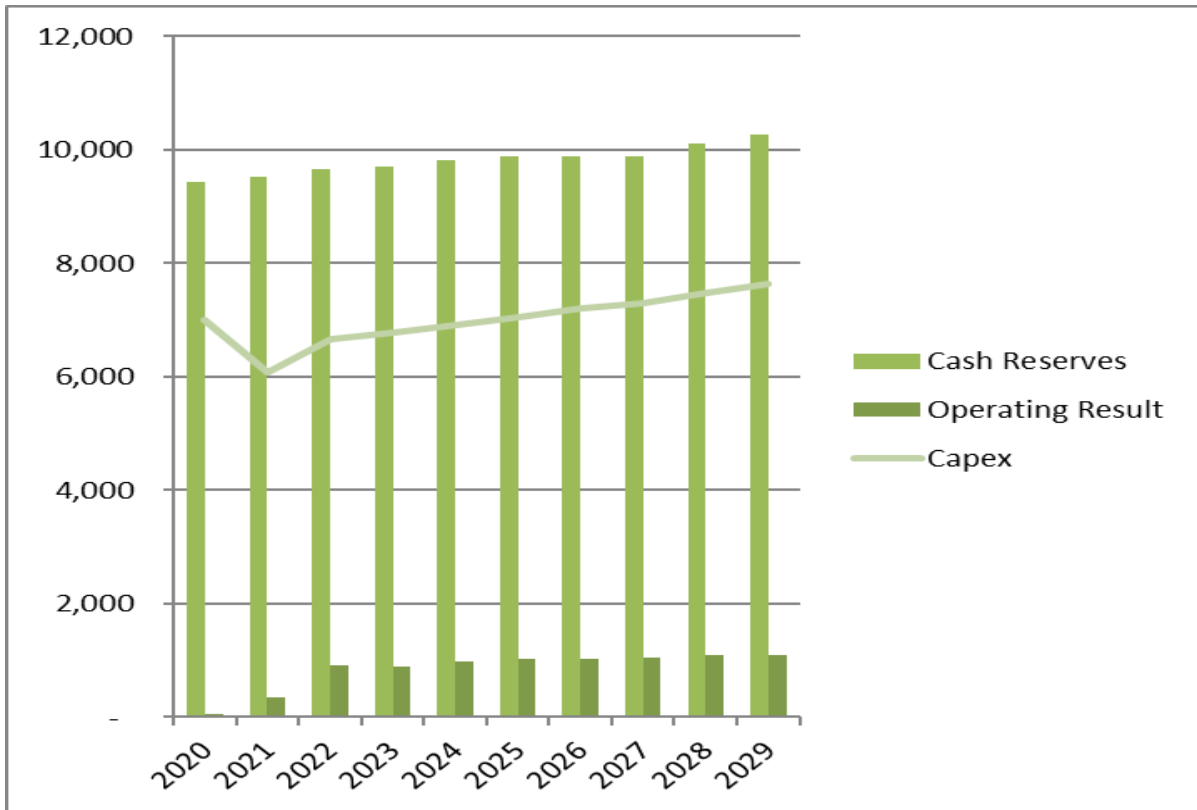
The financial modelling is designed to maintain the long term financial sustainability of the Council with a balanced budget, calculating the equilibrium income and expenditure and maximising capital expenditure. Therefore, all scenarios have a positive net operating result for the year before grants & contributions for capital purposes. However, the Conservative scenario cannot maintain asset management without a decline in cash reserves.

PLANNED SCENARIO

The Planned Scenario is the base model that uses the proposed budget for 2019-20 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 seven years, with 1.5% indexation.
- Council is successful in obtaining capital grants to the value of \$1.5mil per year. These grants are funded 75:25, a total of \$1-1.8mil 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.
- Operating efficiencies are identified and implement by 2023-24 and onwards at 1.00%.
- Rates increase and annual charges at 1.50%. All other fees and charges and general index increase at 2.00% per year and employee cost index at 3% per year.





The Planned Scenario is based on the proposed budget for 2019-20 which adequately and responsibly adjust user fees and charges for the five services to achieve a balanced budget. The model builds cash reserves marginally over the period with any excess applied to capital works. 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 \$119mil (including \$45mil airport resurfacing project) 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 to 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		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Notes	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Income from Continuing Operations											
Revenue:											
Rates & annual charges (inc. sewer)		1,751	1,777	1,804	1,831	1,858	1,886	1,914	1,943	1,972	2,002
User charges & fees		17,066	17,407	17,755	18,110	18,473	18,842	19,219	19,603	19,995	20,395
Interest & investment revenue		243	212	238	266	267	294	296	297	322	328
Other revenues		5,249	5,354	5,461	5,570	5,681	5,795	5,911	6,029	6,150	6,273
Grants & contributions for operating purposes		8,499	9,060	9,665	9,750	9,836	9,923	10,012	10,102	10,194	10,287
Grants & contributions for capital purposes		44,500	1,523	1,545	1,569	1,592	1,616	1,640	1,665	1,690	1,715
Other Income:											
Net gains from disposal of assets		-	-	-	-	-	-	-	-	-	-
Net share of interests in joint ventures		-	-	-	-	-	-	-	-	-	-
TOTAL INCOME FROM CONTINUING OPERATIONS		77,307	35,333	36,468	37,095	37,707	38,357	38,993	39,639	40,322	41,000
Expenses from Continuing Operations											
Employee benefits & costs		13,072	13,464	13,660	13,929	14,203	14,483	14,768	15,059	15,356	15,658
Borrowing costs		-	-	-	-	-	-	-	-	-	-
Materials & contracts		8,111	8,274	8,439	8,608	8,692	8,878	9,065	9,253	9,444	9,637
Depreciation & amortisation		4,844	4,877	4,925	4,975	5,027	5,081	5,138	5,195	5,256	5,320
Impairment		-	-	-	-	-	-	-	-	-	-
Other expenses		6,724	6,858	6,995	7,135	7,205	7,276	7,347	7,419	7,492	7,565
Net losses from disposal of assets		-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES FROM CONTINUING OPERATIONS		32,751	33,473	34,019	34,646	35,127	35,717	36,318	36,927	37,548	38,180
OPERATING RESULT FOR THE YEAR		44,556	1,860	2,449	2,448	2,580	2,639	2,675	2,712	2,774	2,820
NET OPERATING RESULT FOR THE YEAR BEFORE GRANTS & CONTRIBUTIONS FOR CAPITAL PURPOSES		56	338	904	880	988	1,023	1,035	1,047	1,084	1,105
Assumptions											
Rate Increase		1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
General Index		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Employee Cost Index - including superannuation		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Grant Index		1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Investment Interest rate		2.25%	2.25%	2.50%	2.75%	2.75%	3.00%	3.00%	3.00%	3.25%	3.25%
Overdue rates interest rate		7.50%	7.50%	7.75%	7.75%	8.00%	8.00%	8.25%	8.25%	8.50%	8.50%
Efficiency gain on Materials & Contracts		0.00%	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		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Notes	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Assets											
Current Assets:											
Cash & cash equivalents		1,427	517	660	715	809	875	886	893	1,106	1,274
Investments		8,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Receivables		1,714	2,290	2,876	3,474	4,085	4,707	5,341	5,988	6,647	7,319
Inventories		1,809	1,845	1,882	1,920	1,958	1,997	2,037	2,078	2,119	2,162
Other		-	-	-	-	-	-	-	-	-	-
Non-current assets classified as 'held for sale'		-	-	-	-	-	-	-	-	-	-
TOTAL CURRENT ASSETS		12,951	13,652	14,418	15,109	15,852	16,579	17,265	17,958	18,872	19,755
Non-Current Assets:											
Investments		-	-	-	-	-	-	-	-	-	-
Receivables		-	-	-	-	-	-	-	-	-	-
Inventories		-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant & equipment		180,895	182,131	183,912	185,776	187,724	189,755	191,870	194,020	196,306	198,677
Investments accounted for using the equity method		-	-	-	-	-	-	-	-	-	-
Investment property		-	-	-	-	-	-	-	-	-	-
Intangible assets		-	-	-	-	-	-	-	-	-	-
TOTAL NON-CURRENT ASSETS		180,895	182,131	183,912	185,776	187,724	189,755	191,870	194,020	196,306	198,677
TOTAL ASSETS		193,846	195,783	198,330	200,885	203,576	206,335	209,135	211,978	215,178	218,432
Liabilities											
Current Liabilities:											
Payables		4,391	4,479	4,569	4,660	4,753	4,848	4,945	5,044	5,145	5,248
Borrowings		-	-	-	-	-	-	-	-	-	-
Provisions		500	515	530	546	563	580	597	615	633	652
TOTAL CURRENT LIABILITIES		4,891	4,994	5,099	5,206	5,316	5,428	5,542	5,659	5,778	5,900
Non-Current Liabilities:											
Payables		-	-	-	-	-	-	-	-	-	-
Borrowings		2,000	1,714	1,429	1,143	857	571	286	-	-	-
Provisions		-	-	-	-	-	-	-	-	-	-
TOTAL NON-CURRENT LIABILITIES		2,000	1,714	1,429	1,143	857	571	286	-	-	-
TOTAL LIABILITIES		6,891	6,708	6,528	6,349	6,173	5,999	5,828	5,659	5,778	5,900
NET ASSETS		186,954	189,074	191,802	194,536	197,403	200,335	203,307	206,319	209,400	212,532
Equity											
Retained earnings - current		56	338	904	880	988	1,023	1,035	1,047	1,084	1,105
Retained earnings - accumulative		186,898	188,736	190,899	193,656	196,415	199,312	202,272	205,272	208,315	211,427
Council equity interest		186,954	189,074	191,802	194,536	197,403	200,335	203,307	206,319	209,400	212,532
Non-controlling interest											
TOTAL EQUITY		186,954	189,074	191,802	194,536	197,403	200,335	203,307	206,319	209,400	212,532
Assumptions											
General Index		2.00%	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	Notes	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
		Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash Flows from Operating Activities											
Receipts:											
Rates & annual charges (inc. sewer)		1,698	1,724	1,749	1,776	1,802	1,829	1,857	1,885	1,913	1,942
User charges & fees		16,629	16,885	17,223	17,567	17,918	18,277	18,642	19,015	19,395	19,783
Investment & interest revenue received		243	212	238	266	267	294	296	297	322	328
Grants & contributions		58,499	10,583	11,210	11,318	11,428	11,539	11,652	11,767	11,884	12,002
Bonds, deposits & retention amounts received		-	-	-	-	-	-	-	-	-	-
Other		5,100	5,193	5,297	5,403	5,511	5,621	5,734	5,848	5,965	6,085
Payments:											
Employee benefits & costs		(13,072)	(13,464)	(13,660)	(13,929)	(14,203)	(14,483)	(14,768)	(15,059)	(15,356)	(15,658)
Materials & contracts		(8,111)	(8,026)	(8,186)	(8,350)	(8,432)	(8,611)	(8,793)	(8,976)	(9,161)	(9,348)
Borrowing costs		-	-	-	-	-	-	-	-	-	-
Bonds, deposits & retention amounts refunded		-	-	-	-	-	-	-	-	-	-
Other		(6,724)	(6,652)	(6,785)	(6,921)	(6,989)	(7,057)	(7,127)	(7,197)	(7,267)	(7,338)
NET CASH PROVIDED (OR USED IN) OPERATING ACTIVITIES		54,262	6,455	7,086	7,130	7,302	7,410	7,493	7,579	7,694	7,796
Cash Flows from Investing Activities											
Receipts:											
Sale of investment securities		-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant & equipment		-	-	-	-	-	-	-	-	-	-
Deferred debtors receipts		-	-	-	-	-	-	-	-	-	-
Other investing activity receipts		-	-	-	-	-	-	-	-	-	-
Payments:											
Purchase of investment securities		-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant & equipment		(56,000)	(6,080)	(6,658)	(6,789)	(6,922)	(7,058)	(7,196)	(7,287)	(7,481)	(7,627)
Deferred debtors & advances made		-	-	-	-	-	-	-	-	-	-
NET CASH PROVIDED (OR USED IN) INVESTING ACTIVITIES		(56,000)	(6,080)	(6,658)	(6,789)	(6,922)	(7,058)	(7,196)	(7,287)	(7,481)	(7,627)
Cash Flows from Financing Activities											
Receipts:											
Proceeds from borrowings & advances	1	2,000	-	-	-	-	-	-	-	-	-
Payments:											
Repayment of borrowings & advances			(286)	(286)	(286)	(286)	(286)	(286)	(286)	-	-
NET CASH PROVIDED (OR USED IN) FINANCING ACTIVITIES		2,000	(286)	(286)	(286)	(286)	(286)	(286)	(286)	-	-
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		262	90	143	55	94	66	11	6	213	168
plus: CASH & CASH EQUIVALENTS - beginning of year		9,165	9,427	9,517	9,660	9,715	9,809	9,875	9,886	9,893	10,106
CASH & CASH EQUIVALENTS - end of year		9,427	9,517	9,660	9,715	9,809	9,875	9,886	9,893	10,106	10,274
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		97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
General Index		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment interest rate		2.25%	2.25%	2.50%	2.75%	2.75%	3.00%	3.00%	3.00%	3.25%	3.25%
Overdue rates interest rate		7.50%	7.50%	7.75%	7.75%	8.00%	8.00%	8.25%	8.25%	8.50%	8.50%
No restricted cash											

Long Term Financial Plan - Planned

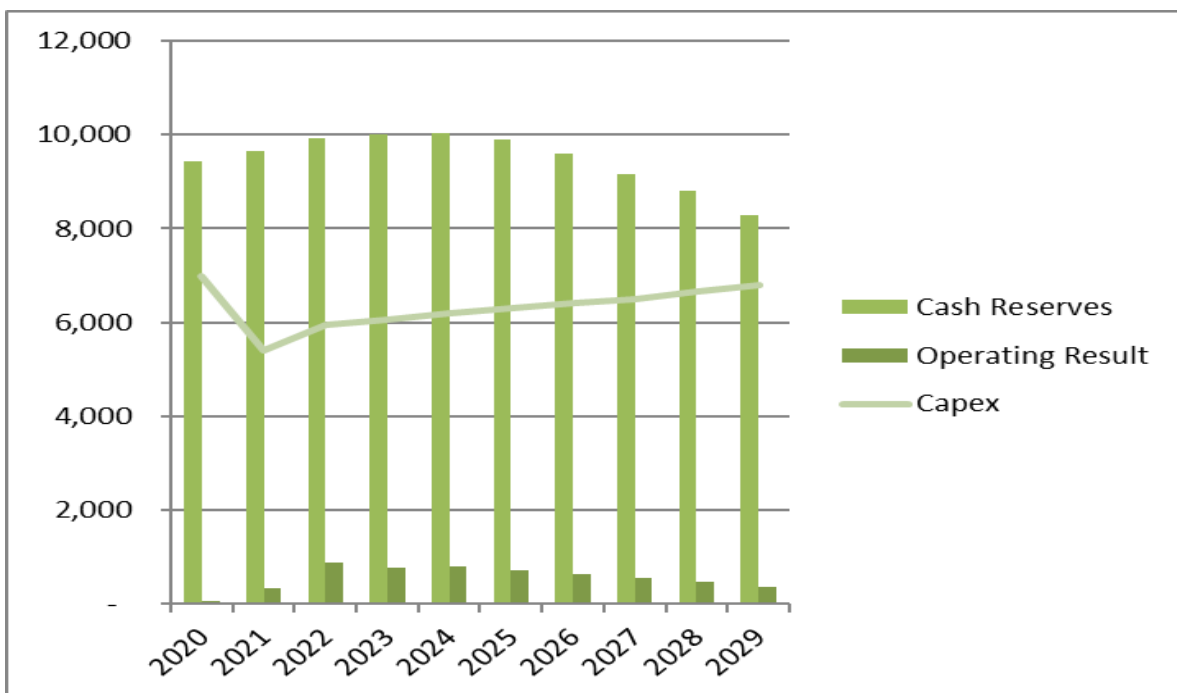
FINANCIAL RATIOS

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	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>	0.17%	1.00%	2.59%	2.48%	2.74%	2.79%	2.77%	2.76%	2.81%	2.81%
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>	4.05	3.99	3.98	3.93	3.91	3.87	3.80	3.74	3.76	3.75
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>	2.65	2.73	2.83	2.90	2.98	3.05	3.12	3.17	3.27	3.35
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>	31.13%	69.45%	68.61%	68.77%	68.98%	69.15%	69.36%	69.57%	69.73%	69.93%
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>	#DIV/0!	22.84	24.97	25.05	25.69	25.99	26.31	26.64	N/A	N/A
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>	11.56	1.25	1.35	1.36	1.38	1.39	1.40	1.40	1.42	1.43
Benchmark - Greater than 1.1 annual capital expenditure / annual depreciation										

CONSERVATIVE SCENARIO

The Conservative Scenario uses the base model 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 Planned Scenario but with the following adjustments:

- Financial Assistance Type Grant, at four-year estimates, fourth year amount extended to remaining seven years, with no indexation.
- Council is successful in obtaining capital grants to the value of \$1mil per year. These grants are funded 75:25, so a total of \$0.5-1.0 mil 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.
- 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 at 2% and employee cost index at 3%.



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, cash reserves decline in later years unable to 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 \$112mil into infrastructure replacement (as compared to \$119m 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 only breaking even. 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 - Conservative

INCOME STATEMENT

\$ '000	Notes	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
		Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Income from Continuing Operations											
Revenue:											
Rates & annual charges (inc. sewer)		1,751	1,751	1,751	1,751	1,751	1,751	1,751	1,751	1,751	1,751
User charges & fees		17,066	17,407	17,755	18,110	18,473	18,842	19,219	19,603	19,995	20,395
Interest & investment revenue		243	212	242	273	275	301	297	288	298	286
Other revenues		5,249	5,354	5,461	5,570	5,681	5,795	5,911	6,029	6,150	6,273
Grants & contributions for operating purposes		8,499	9,060	9,665	9,665	9,665	9,665	9,665	9,665	9,665	9,665
Grants & contributions for capital purposes		44,000	1,010	1,020	1,030	1,041	1,051	1,062	1,072	1,083	1,094
Other Income:											
Net gains from disposal of assets		-	-	-	-	-	-	-	-	-	-
Net share of interests in joint ventures		-	-	-	-	-	-	-	-	-	-
TOTAL INCOME FROM CONTINUING OPERATIONS		76,807	34,794	35,893	36,399	36,885	37,404	37,904	38,408	38,941	39,463
Expenses from Continuing Operations											
Employee benefits & costs		13,072	13,464	13,660	13,929	14,203	14,483	14,768	15,059	15,356	15,658
Borrowing costs		-	-	-	-	-	-	-	-	-	-
Materials & contracts		8,111	8,274	8,439	8,608	8,692	8,878	9,065	9,253	9,444	9,637
Depreciation & amortisation		4,844	4,859	4,888	4,920	4,954	4,990	5,028	5,068	5,111	5,156
Impairment		-	-	-	-	-	-	-	-	-	-
Other expenses		6,724	6,858	6,995	7,135	7,205	7,276	7,347	7,419	7,492	7,565
Net losses from disposal of assets		-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES FROM CONTINUING OPERATIONS		32,751	33,454	33,982	34,592	35,054	35,626	36,208	36,799	37,402	38,016
OPERATING RESULT FOR THE YEAR		44,056	1,340	1,911	1,808	1,831	1,778	1,695	1,608	1,539	1,447
NET OPERATING RESULT FOR THE YEAR BEFORE GRANTS & CONTRIBUTIONS FOR CAPITAL PURPOSES		56	330	891	777	790	727	634	536	456	354
Assumptions											
Rate Increase		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
General Index		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Employee Cost Index - including superannuation		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Grant Index		1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Investment Interest rate		2.25%	2.25%	2.50%	2.75%	2.75%	3.00%	3.00%	3.00%	3.25%	3.25%
Overdue rates interest rate		7.50%	7.50%	7.75%	7.75%	8.00%	8.00%	8.25%	8.25%	8.50%	8.50%
Efficiency gain on Materials & Contracts		0.00%	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		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Notes	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Assets											
Current Assets:											
Cash & cash equivalents		1,427	662	932	1,012	1,022	893	591	1,162	809	1,277
Investments		8,000	9,000	9,000	9,000	9,000	9,000	9,000	8,000	8,000	7,000
Receivables		1,714	2,289	2,874	3,470	4,078	4,695	5,325	5,966	6,619	7,284
Inventories		1,809	1,845	1,882	1,920	1,958	1,997	2,037	2,078	2,119	2,162
Other		-	-	-	-	-	-	-	-	-	-
Non-current assets classified as 'held for sale'		-	-	-	-	-	-	-	-	-	-
TOTAL CURRENT ASSETS		12,951	13,796	14,689	15,402	16,058	16,586	16,953	17,206	17,548	17,722
Non-Current Assets:											
Investments		-	-	-	-	-	-	-	-	-	-
Receivables		-	-	-	-	-	-	-	-	-	-
Inventories		-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant & equipment		180,895	181,447	182,546	183,730	184,997	186,348	187,783	189,252	190,856	192,545
Investments accounted for using the equity method		-	-	-	-	-	-	-	-	-	-
Investment property		-	-	-	-	-	-	-	-	-	-
Intangible assets		-	-	-	-	-	-	-	-	-	-
TOTAL NON-CURRENT ASSETS		180,895	181,447	182,546	183,730	184,997	186,348	187,783	189,252	190,856	192,545
TOTAL ASSETS		193,846	195,244	197,235	199,131	201,055	202,934	204,737	206,458	208,404	210,267
Liabilities											
Current Liabilities:											
Payables		4,391	4,479	4,569	4,660	4,753	4,848	4,945	5,044	5,145	5,248
Borrowings		-	-	-	-	-	-	-	-	-	-
Provisions		500	515	530	546	563	580	597	615	633	652
TOTAL CURRENT LIABILITIES		4,891	4,994	5,099	5,206	5,316	5,428	5,542	5,659	5,778	5,900
Non-Current Liabilities:											
Payables		-	-	-	-	-	-	-	-	-	-
Borrowings		2,000	1,714	1,429	1,143	857	571	286	-	-	-
Provisions		-	-	-	-	-	-	-	-	-	-
TOTAL NON-CURRENT LIABILITIES		2,000	1,714	1,429	1,143	857	571	286	-	-	-
TOTAL LIABILITIES		6,891	6,708	6,528	6,349	6,173	5,999	5,828	5,659	5,778	5,900
NET ASSETS		186,954	188,535	190,707	192,782	194,882	196,935	198,909	200,799	202,626	204,367
Equity											
Retained earnings - current		56	330	891	777	790	727	634	536	456	354
Retained earnings - accumulative		186,898	188,206	189,817	192,005	194,091	196,208	198,275	200,262	202,170	204,013
Council equity interest		186,954	188,535	190,707	192,782	194,882	196,935	198,909	200,799	202,626	204,367
Non-controlling interest											
TOTAL EQUITY		186,954	188,535	190,707	192,782	194,882	196,935	198,909	200,799	202,626	204,367
Assumptions											
General Index		2.00%	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 - Conservative

STATEMENT OF CASH FLOWS

\$ '000		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Notes	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash Flows from Operating Activities											
Receipts:											
Rates & annual charges (inc. sewer)		1,698	1,698	1,698	1,698	1,698	1,698	1,698	1,698	1,698	1,698
User charges & fees		16,629	16,885	17,223	17,567	17,918	18,277	18,642	19,015	19,395	19,783
Investment & interest revenue received		243	212	242	273	275	301	297	288	298	286
Grants & contributions		58,499	10,070	10,685	10,695	10,705	10,716	10,726	10,737	10,748	10,758
Bonds, deposits & retention amounts received		-	-	-	-	-	-	-	-	-	-
Other		5,100	5,193	5,297	5,403	5,511	5,621	5,734	5,848	5,965	6,085
Payments:											
Employee benefits & costs		(13,072)	(13,464)	(13,660)	(13,929)	(14,203)	(14,483)	(14,768)	(15,059)	(15,356)	(15,658)
Materials & contracts		(8,111)	(8,026)	(8,186)	(8,350)	(8,432)	(8,611)	(8,793)	(8,976)	(9,161)	(9,348)
Borrowing costs		-	-	-	-	-	-	-	-	-	-
Bonds, deposits & retention amounts refunded		-	-	-	-	-	-	-	-	-	-
Other		(6,724)	(6,652)	(6,785)	(6,921)	(6,989)	(7,057)	(7,127)	(7,197)	(7,267)	(7,338)
NET CASH PROVIDED (OR USED IN) OPERATING ACTIVITIES		54,262	5,917	6,514	6,436	6,483	6,461	6,409	6,353	6,319	6,266
Cash Flows from Investing Activities											
Receipts:											
Sale of investment securities		-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant & equipment		-	-	-	-	-	-	-	-	-	-
Deferred debtors receipts		-	-	-	-	-	-	-	-	-	-
Other investing activity receipts		-	-	-	-	-	-	-	-	-	-
Payments:											
Purchase of investment securities		-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant & equipment		(56,000)	(5,396)	(5,958)	(6,071)	(6,187)	(6,305)	(6,425)	(6,497)	(6,672)	(6,799)
Deferred debtors & advances made		-	-	-	-	-	-	-	-	-	-
NET CASH PROVIDED (OR USED IN) INVESTING ACTIVITIES		(56,000)	(5,396)	(5,958)	(6,071)	(6,187)	(6,305)	(6,425)	(6,497)	(6,672)	(6,799)
Cash Flows from Financing Activities											
Receipts:											
Proceeds from borrowings & advances	1	2,000	-	-	-	-	-	-	-	-	-
Payments:											
Repayment of borrowings & advances		-	(286)	(286)	(286)	(286)	(286)	(286)	(286)	-	-
NET CASH PROVIDED (OR USED IN) FINANCING ACTIVITIES		2,000	(286)	(286)	(286)	(286)	(286)	(286)	(286)	-	-
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		262	235	270	79	11	(129)	(302)	(430)	(352)	(533)
plus: CASH & CASH EQUIVALENTS - beginning of year		9,165	9,427	9,662	9,932	10,012	10,022	9,893	9,591	9,162	8,809
CASH & CASH EQUIVALENTS - end of year		9,427	9,662	9,932	10,012	10,022	9,893	9,591	9,162	8,809	8,277
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		97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
General index		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment interest rate		2.25%	2.25%	2.50%	2.75%	2.75%	3.00%	3.00%	3.00%	3.25%	3.25%
Overdue rates interest rate		7.50%	7.50%	7.75%	7.75%	8.00%	8.00%	8.25%	8.25%	8.50%	8.50%
No restricted cash											

Long Term Financial Plan - Conservative

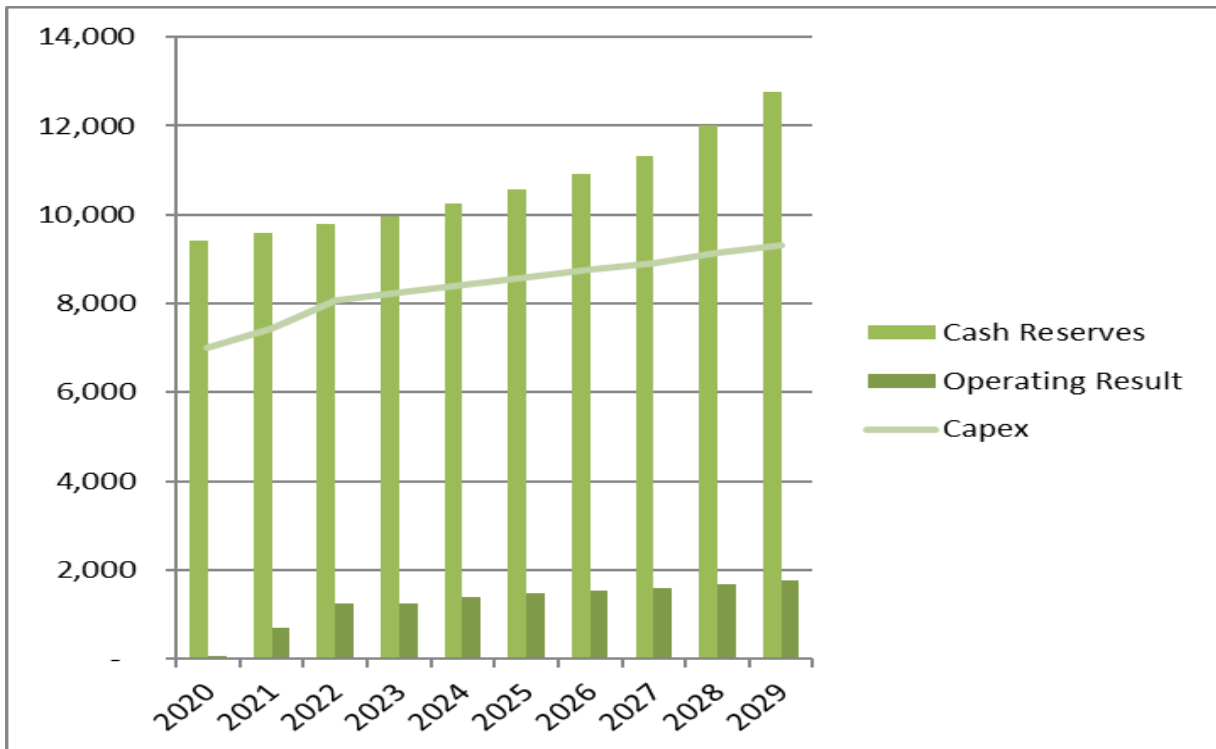
FINANCIAL RATIOS

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	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>	0.17%	0.98%	2.55%	2.20%	2.21%	2.00%	1.72%	1.44%	1.20%	0.92%
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>	4.05	4.05	4.10	4.05	4.00	3.88	3.69	3.46	3.27	3.02
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>	2.65	2.76	2.88	2.96	3.02	3.06	3.06	3.04	3.04	3.00
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>	31.33%	70.45%	69.56%	69.87%	70.23%	70.55%	70.92%	71.30%	71.64%	72.01%
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>	#DIV/0!	20.95	22.95	22.59	22.78	22.64	22.49	22.36	N/A	N/A
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>	11.56	1.11	1.22	1.23	1.25	1.26	1.28	1.28	1.31	1.32
Benchmark - Greater than 1.1 annual capital expenditure / annual depreciation										

OPTIMISTIC SCENARIO

The Optimistic Scenario uses the base model with a stronger 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 Planned Scenario however with the following changes:

- Financial Assistance Type Grant, at four-year estimates, fourth year amount extended to remaining seven years, with 2.5% indexation plus Tourism grant continues at \$400,000 per year.
- Council is successful in obtaining capital grants to the value of \$2.5mil per year. These grants are funded 75:25, so a total of \$2.5-3.5mil 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.
- Operating efficiencies are identified and implement by 2023-24 and onwards at 1.00%.
- Rates and annual charges increase initially at 2.00%, other fees & charges and general index increase at 2.00% per year, employee cost index at 3%



This scenario highlights the Council’s ability to renew assets at a greater rate than what is proposed in the Planned 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 \$133m in infrastructure replacement, renewals and upgrades. This figure represents an overall capital expenditure ratio of 2.61, which essentially means for every \$1 worth of infrastructure that is consumed Council has invested over \$2.61 in replacement.



Long Term Financial Plan - Optimistic

INCOME STATEMENT

\$ '000		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Notes	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Income from Continuing Operations											
Revenue:											
Rates & annual charges (inc. sewer)		1,751	1,786	1,821	1,858	1,895	1,933	1,972	2,011	2,051	2,092
User charges & fees		17,066	17,407	17,755	18,110	18,473	18,842	19,219	19,603	19,995	20,395
Interest & investment revenue		243	212	240	269	274	308	317	327	368	391
Other revenues		5,249	5,354	5,461	5,570	5,681	5,795	5,911	6,029	6,150	6,273
Grants & contributions for operating purposes		8,499	9,460	10,065	10,206	10,351	10,500	10,653	10,809	10,969	11,133
Grants & contributions for capital purposes		45,500	2,550	2,601	2,653	2,706	2,760	2,815	2,872	2,929	2,988
Other Income:											
Net gains from disposal of assets		-	-	-	-	-	-	-	-	-	-
Net share of interests in joint ventures		-	-	-	-	-	-	-	-	-	-
TOTAL INCOME FROM CONTINUING OPERATIONS		78,307	36,769	37,943	38,667	39,381	40,138	40,887	41,651	42,462	43,272
Expenses from Continuing Operations											
Employee benefits & costs		13,072	13,464	13,660	13,929	14,203	14,483	14,768	15,059	15,356	15,658
Borrowing costs		-	-	-	-	-	-	-	-	-	-
Materials & contracts		8,111	8,274	8,439	8,608	8,692	8,878	9,065	9,253	9,444	9,637
Depreciation & amortisation		4,844	4,914	4,998	5,085	5,174	5,265	5,359	5,453	5,552	5,653
Impairment		-	-	-	-	-	-	-	-	-	-
Other expenses		6,724	6,858	6,995	7,135	7,205	7,276	7,347	7,419	7,492	7,565
Net losses from disposal of assets		-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES FROM CONTINUING OPERATIONS		32,751	33,509	34,092	34,757	35,274	35,901	36,538	37,185	37,844	38,513
OPERATING RESULT FOR THE YEAR		45,556	3,260	3,851	3,910	4,106	4,237	4,348	4,466	4,619	4,759
NET OPERATING RESULT FOR THE YEAR BEFORE GRANTS & CONTRIBUTIONS FOR CAPITAL PURPOSES		56	710	1,250	1,257	1,400	1,477	1,533	1,595	1,690	1,771
Assumptions											
Rate Increase		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
General Index		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Employee Cost Index - including superannuation		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Grant Index		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Interest rate		2.25%	2.25%	2.50%	2.75%	2.75%	3.00%	3.00%	3.00%	3.25%	3.25%
Overdue rates interest rate		7.50%	7.50%	7.75%	7.75%	8.00%	8.00%	8.25%	8.25%	8.50%	8.50%
Efficiency gain on Materials & Contracts		0.00%	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		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Notes	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Assets											
Current Assets:											
Cash & cash equivalents		1,427	583	793	973	1,255	575	911	1,318	1,017	1,756
Investments		8,000	9,000	9,000	9,000	9,000	10,000	10,000	10,000	11,000	11,000
Receivables		1,714	2,290	2,877	3,476	4,088	4,711	5,347	5,995	6,657	7,332
Inventories		1,809	1,845	1,882	1,920	1,958	1,997	2,037	2,078	2,119	2,162
Other		-	-	-	-	-	-	-	-	-	-
Non-current assets classified as 'held for sale'		-	-	-	-	-	-	-	-	-	-
TOTAL CURRENT ASSETS		12,951	13,718	14,552	15,369	16,300	17,283	18,295	19,391	20,793	22,251
Non-Current Assets:											
Investments		-	-	-	-	-	-	-	-	-	-
Receivables		-	-	-	-	-	-	-	-	-	-
Inventories		-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant & equipment		180,895	183,501	186,653	189,890	193,212	196,623	200,121	203,659	207,339	211,112
Investments accounted for using the equity method		-	-	-	-	-	-	-	-	-	-
Investment property		-	-	-	-	-	-	-	-	-	-
Intangible assets		-	-	-	-	-	-	-	-	-	-
TOTAL NON-CURRENT ASSETS		180,895	183,501	186,653	189,890	193,212	196,623	200,121	203,659	207,339	211,112
TOTAL ASSETS		193,846	197,219	201,205	205,259	209,513	213,906	218,416	223,050	228,132	233,362
Liabilities											
Current Liabilities:											
Payables		4,391	4,479	4,569	4,660	4,753	4,848	4,945	5,044	5,145	5,248
Borrowings		-	-	-	-	-	-	-	-	-	-
Provisions		500	515	530	546	563	580	597	615	633	652
TOTAL CURRENT LIABILITIES		4,891	4,994	5,099	5,206	5,316	5,428	5,542	5,659	5,778	5,900
Non-Current Liabilities:											
Payables		-	-	-	-	-	-	-	-	-	-
Borrowings		2,000	1,714	1,429	1,143	857	571	286	-	-	-
Provisions		-	-	-	-	-	-	-	-	-	-
TOTAL NON-CURRENT LIABILITIES		2,000	1,714	1,429	1,143	857	571	286	-	-	-
TOTAL LIABILITIES		6,891	6,708	6,528	6,349	6,173	5,999	5,828	5,659	5,778	5,900
NET ASSETS		186,954	190,510	194,677	198,909	203,340	207,906	212,588	217,391	222,354	227,462
Equity											
Retained earnings - current		56	710	1,250	1,257	1,400	1,477	1,533	1,595	1,690	1,771
Retained earnings - accumulative		186,898	189,801	193,427	197,652	201,939	206,430	211,055	215,797	220,664	225,691
Council equity interest		186,954	190,510	194,677	198,909	203,340	207,906	212,588	217,391	222,354	227,462
Non-controlling interest											
TOTAL EQUITY		186,954	190,510	194,677	198,909	203,340	207,906	212,588	217,391	222,354	227,462
Assumptions											
General Index		2.00%	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

Long Term Financial Plan - Optimistic											
STATEMENT OF CASH FLOWS											
\$ '000		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Notes	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash Flows from Operating Activities											
Receipts:											
Rates & annual charges (inc. sewer)		1,698	1,732	1,767	1,802	1,838	1,875	1,912	1,951	1,990	2,029
User charges & fees		16,629	16,885	17,223	17,567	17,918	18,277	18,642	19,015	19,395	19,783
Investment & interest revenue received		243	212	240	269	274	308	317	327	368	391
Grants & contributions		58,499	12,010	12,666	12,859	13,057	13,260	13,468	13,681	13,898	14,121
Bonds, deposits & retention amounts received		-	-	-	-	-	-	-	-	-	-
Other		5,100	5,193	5,297	5,403	5,511	5,621	5,734	5,848	5,965	6,085
Payments:											
Employee benefits & costs		(13,072)	(13,464)	(13,660)	(13,929)	(14,203)	(14,483)	(14,768)	(15,059)	(15,356)	(15,658)
Materials & contracts		(8,111)	(8,026)	(8,186)	(8,350)	(8,432)	(8,611)	(8,793)	(8,976)	(9,161)	(9,348)
Borrowing costs		-	-	-	-	-	-	-	-	-	-
Bonds, deposits & retention amounts refunded		-	-	-	-	-	-	-	-	-	-
Other		(6,724)	(6,652)	(6,785)	(6,921)	(6,989)	(7,057)	(7,127)	(7,197)	(7,267)	(7,338)
NET CASH PROVIDED (OR USED IN) OPERATING ACTIVITIES		54,262	7,891	8,562	8,701	8,975	9,190	9,385	9,590	9,832	10,064
Cash Flows from Investing Activities											
Receipts:											
Sale of investment securities		-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant & equipment		-	-	-	-	-	-	-	-	-	-
Deferred debtors receipts		-	-	-	-	-	-	-	-	-	-
Other investing activity receipts		-	-	-	-	-	-	-	-	-	-
Payments:											
Purchase of investment securities		-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant & equipment		(56,000)	(7,450)	(8,066)	(8,235)	(8,408)	(8,584)	(8,763)	(8,897)	(9,134)	(9,324)
Deferred debtors & advances made		-	-	-	-	-	-	-	-	-	-
NET CASH PROVIDED (OR USED IN) INVESTING ACTIVITIES		(56,000)	(7,450)	(8,066)	(8,235)	(8,408)	(8,584)	(8,763)	(8,897)	(9,134)	(9,324)
Cash Flows from Financing Activities											
Receipts:											
Proceeds from borrowings & advances	1	2,000	-	-	-	-	-	-	-	-	-
Payments:											
Repayment of borrowings & advances		-	(286)	(286)	(286)	(286)	(286)	(286)	(286)	-	-
NET CASH PROVIDED (OR USED IN) FINANCING ACTIVITIES		2,000	(286)	(286)	(286)	(286)	(286)	(286)	(286)	-	-
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		262	155	210	180	281	321	336	407	699	740
plus: CASH & CASH EQUIVALENTS - beginning of year		9,165	9,427	9,583	9,793	9,973	10,255	10,575	10,911	11,318	12,017
CASH & CASH EQUIVALENTS - end of year		9,427	9,583	9,793	9,973	10,255	10,575	10,911	11,318	12,017	12,756
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		97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
General index		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment interest rate		2.25%	2.25%	2.50%	2.75%	2.75%	3.00%	3.00%	3.00%	3.25%	3.25%
Overdue rates interest rate		7.50%	7.50%	7.75%	7.75%	8.00%	8.00%	8.25%	8.25%	8.50%	8.50%
No restricted cash											

Long Term Financial Plan - Optimistic

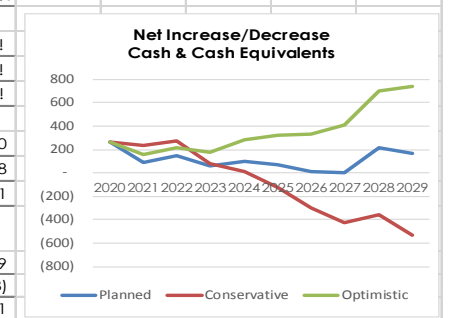
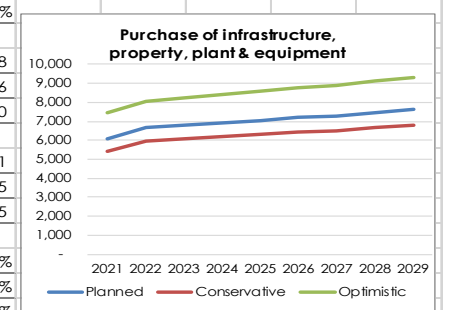
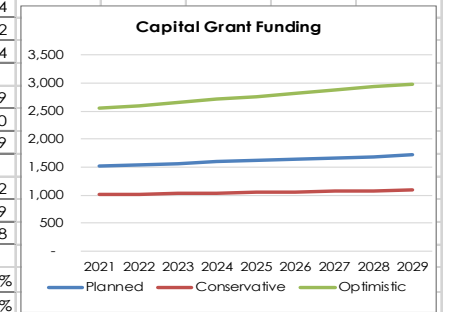
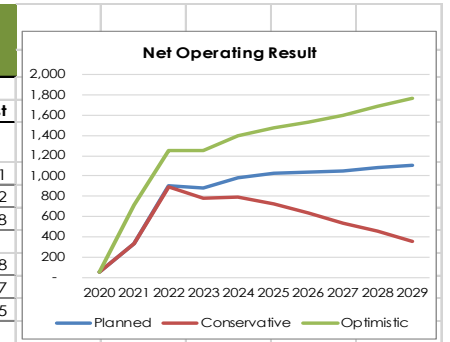
FINANCIAL RATIOS

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	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>	0.17%	2.07%	3.54%	3.49%	3.82%	3.95%	4.03%	4.11%	4.27%	4.40%
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>	4.05	4.02	4.04	4.03	4.09	4.14	4.20	4.28	4.47	4.66
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>	2.65	2.75	2.85	2.95	3.07	3.18	3.30	3.43	3.60	3.77
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>	30.73%	66.76%	65.99%	66.05%	66.15%	66.20%	66.28%	66.37%	66.40%	66.46%
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>	#DIV/0!	27.86	30.13	30.54	31.52	32.18	32.86	33.57	N/A	N/A
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>	11.56	1.52	1.61	1.62	1.63	1.63	1.64	1.63	1.65	1.65
Benchmark - Greater than 1.1 annual capital expenditure / annual depreciation										

Long Term Financial Plan

MODEL COMPARISON SUMMARY

\$ '000	Notes	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
		Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Net operating result for the year before grants & contributions for capital purposes												
Planned		56	338	904	880	988	1,023	1,035	1,047	1,084	1,105	8,461
Conservative		56	330	891	777	790	727	634	536	456	354	5,552
Optimistic		56	710	1,250	1,257	1,400	1,477	1,533	1,595	1,690	1,771	12,738
Grants & contributions for operating purposes												
Planned		8,499	9,060	9,665	9,750	9,836	9,923	10,012	10,102	10,194	10,287	97,328
Conservative		8,499	9,060	9,665	9,665	9,665	9,665	9,665	9,665	9,665	9,665	94,877
Optimistic		8,499	9,460	10,065	10,206	10,351	10,500	10,653	10,809	10,969	11,133	102,645
Grants & contributions for capital purposes												
Planned		44,500	1,523	1,545	1,569	1,592	1,616	1,640	1,665	1,690	1,715	59,054
Conservative		44,000	1,010	1,020	1,030	1,041	1,051	1,062	1,072	1,083	1,094	53,462
Optimistic		45,500	2,550	2,601	2,653	2,706	2,760	2,815	2,872	2,929	2,988	70,374
Purchase of infrastructure, property, plant & equipment												
Planned		56,000	6,080	6,658	6,789	6,922	7,058	7,196	7,287	7,481	7,627	119,099
Conservative		56,000	5,396	5,958	6,071	6,187	6,305	6,425	6,497	6,672	6,799	112,310
Optimistic		56,000	7,450	8,066	8,235	8,408	8,584	8,763	8,897	9,134	9,324	132,859
Cash & cash equivalents - end of year												
Planned		9,427	9,517	9,660	9,715	9,809	9,875	9,886	9,893	10,106	10,274	98,162
Conservative		9,427	9,662	9,932	10,012	10,022	9,893	9,591	9,162	8,809	8,277	94,789
Optimistic		9,427	9,583	9,793	9,973	10,255	10,575	10,911	11,318	12,017	12,756	106,608
Operating Ratio												
Planned		0.17%	1.00%	2.59%	2.48%	2.74%	2.79%	2.77%	2.76%	2.81%	2.81%	2.29%
Conservative		0.17%	0.98%	2.55%	2.20%	2.21%	2.00%	1.72%	1.44%	1.20%	0.92%	1.54%
Optimistic		0.17%	2.07%	3.54%	3.49%	3.82%	3.95%	4.03%	4.11%	4.27%	4.40%	3.38%
Cash Expense Cover Ratio												
Planned		4.05	3.99	3.98	3.93	3.91	3.87	3.80	3.74	3.76	3.75	3.88
Conservative		4.05	4.05	4.10	4.05	4.00	3.88	3.69	3.46	3.27	3.02	3.76
Optimistic		4.05	4.02	4.04	4.03	4.09	4.14	4.20	4.28	4.47	4.66	4.20
Current Ratio												
Planned		2.65	2.73	2.83	2.90	2.98	3.05	3.12	3.17	3.27	3.35	3.01
Conservative		2.65	2.76	2.88	2.96	3.02	3.06	3.06	3.04	3.04	3.00	2.95
Optimistic		2.65	2.75	2.85	2.95	3.07	3.18	3.30	3.43	3.60	3.77	3.15
Own Source Operating Revenue												
Planned		31.13%	69.45%	68.61%	68.77%	68.98%	69.15%	69.36%	69.57%	69.73%	69.93%	65.47%
Conservative		31.33%	70.45%	69.56%	69.87%	70.23%	70.55%	70.92%	71.30%	71.64%	72.01%	66.78%
Optimistic		30.73%	66.76%	65.99%	66.05%	66.15%	66.20%	66.28%	66.37%	66.40%	66.46%	62.74%
Debt Service Cover Ratio												
Planned		#DIV/0!	22.84	24.97	25.05	25.69	25.99	26.31	26.64	N/A	N/A	#DIV/0!
Conservative		#DIV/0!	20.95	22.95	22.59	22.78	22.64	22.49	22.36	N/A	N/A	#DIV/0!
Optimistic		#DIV/0!	27.86	30.13	30.54	31.52	32.18	32.86	33.57	N/A	N/A	#DIV/0!
Capital Expenditure Ratio												
Planned		11.56	1.25	1.35	1.36	1.38	1.39	1.40	1.40	1.42	1.43	2.40
Conservative		11.56	1.11	1.22	1.23	1.25	1.26	1.28	1.28	1.31	1.32	2.28
Optimistic		11.56	1.52	1.61	1.62	1.63	1.63	1.64	1.63	1.65	1.65	2.61
Net Increase/Decrease in Cash & Cash Equivalents												
Planned		262	90	143	55	94	66	11	6	213	168	1,109
Conservative		262	235	270	79	11	(129)	(302)	(430)	(352)	(533)	(888)
Optimistic		262	155	210	180	281	321	336	407	699	740	3,591



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 three 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 2019/20 to forecast a result over the 10-year planning period. It demonstrates it is achievable to run a balanced budget, however only with aid of the Financial Assistance Type Grant; even 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, as Norfolk Island Council cannot generate enough revenue alone from the small population of community without this assistance to cover all costs.

The airport continues to be a burden for Council. Although as a business unit it is now being budgeted to generate a surplus, significant capital works is required to repair the runway, Council has secured a grant to fund the upcoming capital program by the Commonwealth Government towards the project, the impact on Councils cash flow has been factored into the over the planning period.

Asset planning and adequate asset management was limited 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.