

16.2.2 April 2023



FLINDERS
COUNCIL

Long-Term Financial & Asset Management Plans, Strategies and Policy

2021-2031

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PART 1 - LONG-TERM FINANCIAL MANAGEMENT PLAN AND STRATEGY

General Introduction

1 Introduction

Under the *Local Government Act 1993 (The Act)*, Councils have a range of functions and powers including but not limited to the following:

- to provide for the health, safety, and welfare of the community;
- to represent and promote the interests of the community;
- to provide for peace, order, and good government of the municipal area;

In terms of achieving these and other objectives, Council is required to develop a range of strategic and operational plans that underpin the operations of the Council. These include:

- Strategic Plan
- Long-Term Financial Management Plan (LTFMP)
- Long-Term Financial Management Strategy (LTFMS)
- Long-Term Asset Management Plan (LTAMP)
- Long-Term Asset Management Strategy (LTAMS)
- Asset Management Policy (AMP)
- Annual Plan
- Budget and Rating Strategy

The Flinders Council's Long-Term Financial and Asset Management Plans, Strategies and Policy provide a framework for the ongoing Budget Estimates of Council's revenue and expenditure, and aims to explain the rationale, context and overall philosophy underpinning Flinders Council's Financial and Asset Management Plans and Strategies.

The Long-Term Financial and Asset Management Plans, Strategies and Policy are required to be reviewed at least every four years, as per Section 70E of The Act.

The next date for review is 30 June 2025.

The overall objective of the Long-Term Plans and Strategies is to:

- Provide an understanding of Council's present challenges;
- Identify what needs to be done to achieve the short, medium and longer-term goals;
- Ensure that achievements and improvements can be measured; and
- Ensure that the main risks have been identified.

The strategic outlook is based on evaluating the priority needs of Council and the community. It then applies a range of assumptions to demonstrate Council's commitment to delivering sound financial planning, whilst achieving an attainable Asset Management Plan.

2 Executive Summary

Council has a large asset base with a net-book value of \$53 million at 30 June 2020. Relative to its annual rateable income of \$2.2 million, this poses an enormous burden on Tasmania's smallest Council. As such, this document identifies that the future challenge of attaining financial sustainability, through Council's objective to deliver its core operations, and fund its asset renewal program, will require greater Federal and State assistance to support large asset infrastructure upgrade programs.

The Long-Term Financial and Asset Management Plans and Strategies and the related commentary embrace fundamental principles and assumptions, to enable the achievement of a credible financial strategy over the next ten years.

Importantly these documents highlight the significant disadvantages of Council's structural and financial operations, due to its remoteness and very small population.

Flinders Council, although referred to as a 'small' council, is not dissimilar to other larger councils in that as it is required to address the same complex socio-economic, environmental issues, and legislative requirements, with a smaller rate base, and with the added challenge of maintaining an expensive Airport. As such, the complexity for this very small and remote council creates a raft of issues and burdens.

2.1 Guiding Principles

The main guiding principles to measure the integrity of the Financial Management Strategy are:

- **Cash sustainability:** Meeting the minimum cash reserve / operational cash requirements, that have been set at \$1.7million in the 2021 Budget. The minimum cash reserve uses the depreciation level to determine future years requirements. This is one of the key measures to ensure that Council can meet its working capital needs.
- Council's ability to **achieve a Low-Risk Underlying Surplus within a reasonable timeframe**. This measure is used to determine Council's future sustainability, and its ability to remain autonomous. *The Underlying Surplus measures Council's ability to generate a surplus from its ordinary course of business, excluding capital receipts (Recurrent income Less Recurrent Expenditure = Underlying Surplus or Deficit).*
- Council's ability to **meet its grant obligations**, which form a significant part of Council's income.
- Council's ability to **maintain and replace its assets**, with the exception of major infrastructure requiring grant funding.
- The Long-Term Financial Management Plan **does not include grant income or expenditure for any potential projects** for infrastructure upgrades or major operational projects, until the project funding and costs have been reasonably assured and committed to by Council.

2.2 Assumptions

The main assumptions applied are:

- **Consumer Price Index (CPI):** 3% CPI is applied to Income, Operating Expenditure and Capital Expenditure. Although the *2021-22 Federal Budget BP1 Table 2: Major economic parameters* prediction indicates a decline from 3.5% in 2021/22 to 2.5% in 2024/25, Council has applied the CPI at 3%, as remote living on an Island, with high increases in freight, and the shortage of skilled contractor services, contribute to the rise in costs.
- **Base Budget:** The detailed Budget Estimates for the year 2021/2022, provides a base level of service, costs and income, which was used to prepare the Long-Term Financial and Asset Management Plans. The base budget has assessed the ability of Council to meet its obligations, and determine what resources it can afford.
- **Service Provision:** The Long-Term Financial Management Plan does not assume that all desired projects will automatically be funded, particularly those requiring external grant funding.
- **Rates and Charges:** To achieve the base operational service level, fulfill the capital replacement program needs, and repay Council loans, the minimum Rate increase is expected to be 7% per annum over the next ten years. The base 7% rate rise assumes that 2% is derived from natural growth, 3% is CPI and 2% is capital funding requirements.
- **Airport Fees and Charges:** Due to the major costs incurred on capital programs in relation to the Airport Runway, Council will require 100% grant funding on any future runway upgrades. Based on this assumption, User Fees will be collected to support the normal operational cost of the Airport, and the Capital costs of Plant and Building maintenance. User Fees therefore exclude the capital cost of upgrading the runways. The LTFMP predicts an annual increase of 3% over three years, then an ongoing 5 % will be required to achieve the Airport's current service level.
- **Other User Fees and Charges:** Applies 3% CPI, and assumes Budget 2021/2022 resumes to normal levels after the COVID-19 slump.
- **Grants - Financial Assistance Grant (FAG):** Applies the predicted income as provided by the 2021/22 Federal Budget up to 2024/25, and thereafter applied an ongoing growth of 1.7% as per the predicted outlook over the next three years.
- **Grants - Heavy Vehicle Motor Tax:** Applies 3% CPI.
- **Grants - Roads to Recovery:** Applies 3% CPI.
- **Grants - Operational GST Free:** Prior year projects reflected here are Telstra, and Airport Runway Upgrade. Budget 2021/2022 has a forecast \$225k and 50% of \$597k for the COVID-19 stimulus grant; Forecast 2022/2023 predicts 50% of \$597k for the COVID-19 stimulus grant; and all years beyond have a nil prediction, as aligned with the general assumption that projects are only included in the LTFMP when the funding and costs are reasonably assured and committed to Council.

2.3 Impact of major project works on Council, and its ability to fund major project work:

- It is normal practice for Council to identify grant opportunities and utilise them wherever possible. A common misconception about grants is that the grant covers 100% of the cost. This is usually not the case, as Council is required to satisfy a range of criteria including contributing a substantial proportion (usually 50%) in order to be eligible to access grant funds.

The ten-year plan has identified that **Flinders Council has too small a rate base to sustain major infrastructure work on existing assets**, let alone contribute to any new major projects. This in itself places another disadvantage to living remotely, and hinders Council's ability to support future major progressive works and assist in the Islands growth strategies. With limited human resources and cash constraints, major projects have had adverse effects on the health of the Council and require greater Government Support.

- Previous Strategies saw the upgrading and improving of Buildings and Facilities through 50% grant funding, purchasing and constructing new assets such as Quarries, Public Toilets and a bitumen truck, which resulted in the **taking out of large loans to fund such programs**.

In 2019, Council was awarded a 50% grant for the upgrade of the Airport Long Runway to meet Civil Aviation Safety Authority (CASA) regulations, however Council was unable to contribute the required 50% share, due to the projected shortage of cash reserves.

As a result of significant lobbying, the Federal Government assisted by allowing a portion of a separate grant funding (the Flinders Island Marine and Safe Harbour Grant) to be utilised on the Airport Upgrade. This was a unique situation, which allowed 100% grant funding on the Airport Long Runway.

- **Future large infrastructure programs will require more significant assistance from both State and Federal Governments**, with a focus to consider the Island's Airport as a Public Transport System, that benefits not only the local Islanders, but Tasmania's strategic aims to grow its tourism.

2.4 Summary

Council's policies, strategies, plans and programs are based on realistic forward projections, with the focus on developing sustainable solutions. Council aims to further strengthen the partnerships with the Community, State and Federal Governments, and consult with all stakeholders to develop a shared vision and negotiate common goals.

The Flinders Council Long-Term Financial and Asset Management Plans and Strategies for 2021 to 2031, have been prepared to provide a holistic approach to address the challenges Council face in the short, medium and longer term. They represent a prudent approach to achieve Council's Strategic Plan, whilst ensuring Council remains financially viable in the longer term.

Warren Groves _____ Date _____
General Manager

Heidi Marshall _____ Date _____
Finance, Organisational Performance Manager

Part A - Long-Term Financial Management Plan and Strategy.

3 Council's Strategic Plan 2021 to 2031

Council's Strategic Plan 2021 to 2031 was adopted following public consultation in January 2021. Under The Act it needs to be reviewed at least every 4 years, however, a Council may decide if it wishes, to adopt a rolling review. The next review is 30 June 2025.

Council has identified 4 main Strategic Priorities:

- 1 **Liveability** – to protect and build on our Islands' way of life.
- 2 **Accessibility / Infrastructure** – to develop quality infrastructure with a focus on achieving safe and reliable air, sea and road access; to maintain and build on existing infrastructure and services for the benefit of the community.
- 3 **Economy / Business** – an environment where a variety of businesses can thrive and integrate.
- 4 **Good Governance** – effective, efficient and transparent management and operations.

The Strategic Objectives encompass Council's overarching philosophy which is community building and the improvement of the community Infrastructure.



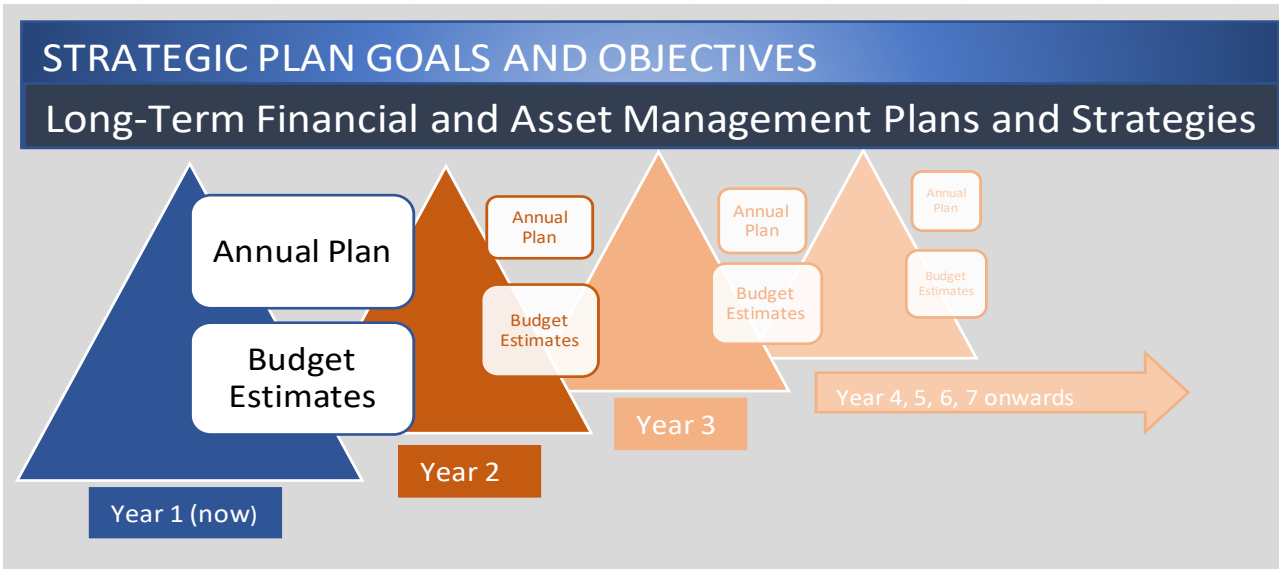
4 Annual Plan

Council adopts a range of actions through its Annual Plan, which identifies the way Council endeavours to meet the goals and objectives as determined by the Strategic Plan. Every formal report to Council references elements of Council’s Strategic Plan which includes these goals and objectives. Progress reports on the achievement of the Strategic Plan, will be delivered through the Annual Plan, and submitted to Council on a Quarterly basis as well as annually through the Annual Report.

Over a ten year period, Council has demonstrated a leaning towards 'community-building' and the general support of local organisations. This is evidenced by an acceleration in a range of activities such as upgrades of the Furneaux Arts and Entertainment Centre, Lady Barron Hall, Emita Hall, art gallery, playgrounds, new and improved toilet and BBQ facilities, community gyms, youth development programs and the Furneaux Islands Festival.

Due to positive response from the community regarding Council’s support for the community services sector, the current level of performance and support, as articulated through Council’s Annual Plan Actions, should be at least retained at current levels in the short term. Council should also further encourage an increase in community participation. As a small community, with a limited resource base, Council’s leadership in this area is pivotal.

Each Annual Plan, along with the Annual Budget Estimates represent a step towards achieving Council's Strategic goals and objectives over the long-term.



Short-Term Priority Projects:

In June 2021, Council identified a number of priority projects, and will endeavour to seek State and Federal Government funding for these aspirational undertakings:

- Reconstruction and sealing of Palana Road, and lobbying to transfer ownership to the State Government, which will extend the current state road to form the main transport backbone for Flinders Island.
- Scope with TasWater a wastewater treatment solution for the whole of Flinders Island.
- Investigate an island-based integrated multi-faceted waste management solution, e.g. Anaerobic digestors, glass crushers, and a green waste / cardboard shredder.
- Scope the rehabilitation requirements of the Council Depot land to develop affordable housing options in Whitemark.
- Investigate the requirements of camping facilities at Holloway Park and North East River.

Medium to Long-Term Priority Projects:

- Investigate land utilisation for long-term residential accomodation for rental and purchase - Walkers Street Tennis courts, Canns Hill and Mann's Pit.
- Advocate for freight equalisation to Tasmania and Victoria, with waste eligible for rebates.
- Investigate, with other remote, small councils, opportunities to address the burden of depreciation and other financial legislation.
- Reconstruction of Road Pavements and additional works on resealing. Current ten-year plan aims to resheet 74%, reseal 65% and reconstruct 57% of the road asset requirements, in line with the Long-Term Asset Management Plan. Additional works above the ten-year plan levels will require grant funding.
- Seek funding for upgrades to Airport Short Runway, in line with the Long-Term Asset Management Plan.



5 Financial Plan

This section comprises the following topics:

- Classes of Assets
- Income and Expenditure and Other Comprehensive Income - Plan
- Capital Expenditure - Plan
- Key Performance Indicators
- Statement of Financial Position - Plan
- Cashflow Projection
- Risk Analysis

5.1 Classes of Assets

As at the Year Ended 30 June 2020, Flinders Council held the following classes of assets:

Classes of Asset	Net Book Value as at 30 Jun 2020 incl WIP \$000's
Land - at Fair Value	3,197
Land - under Roads	2,053
Total Land	5,250
Buildings - at Fair Value	4,370
Buildings - Land Improvements - Quarries	119
Buildings - Leasehold Improvements (incl revaluations)	2,340
Total Buildings	6,829
Roads	26,672
Bridges	4,246
Footpaths and cycleways	848
Total Roads , Bridges and Traffic infrastructure	31,766
P&E - Plant, machinery and equipment	1,413
P&E - Fixtures, fittings and furniture	67
Total Plant and Equipment (P&E)	1,480
Stormwater Infrastructure - Drainage	330
Total Stormwater Infrastructure	330
Airport Infrastructure	6,877
Total Airport Infrastructure	6,877
Other Assets - Waste Management	565
Other Assets - Recreation, leisure and community facilities	275
Total Other Assets	840
TOTAL ASSETS	53,372

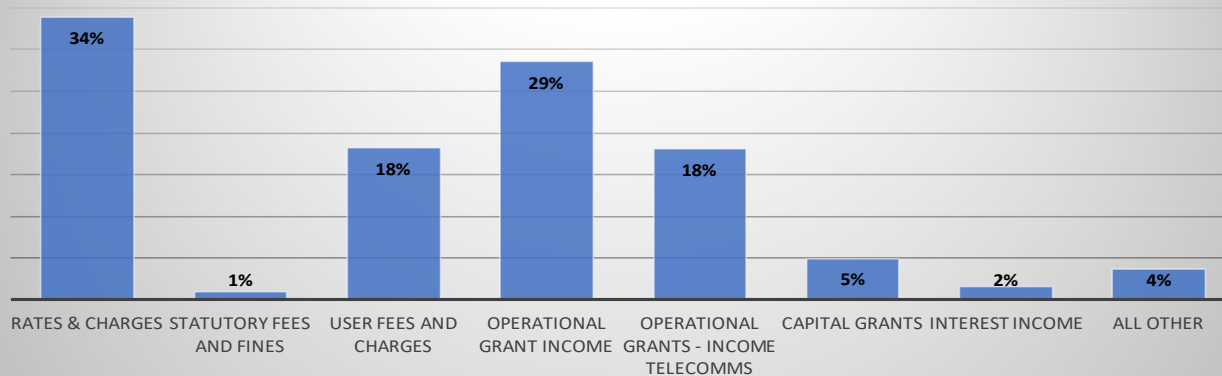
5.2 Income and Expenditure and Other Comprehensive Income - Plan

The ten-year Financial Operational Income and Expenditure Plan has applied the Budget 2021/22 as the base for future planning. It has assumed no major shifts to the operational activity from 2021, and aligns with historical trending patterns, and any known assumptions.

Income and Expenditure and Other Comprehensive Income										
Period Start 1 July	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Period End 30 June	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's
Recurrent Income										
Rates and charges	2,174	2,355	2,551	2,727	2,915	3,116	3,331	3,561	3,807	4,070
Statutory fees and fines	54	55	57	59	60	62	64	66	68	70
User fees	1,039	760	1,119	833	1,223	924	1,337	1,026	1,463	1,141
Grants - Operational	2,228	2,048	1,843	1,878	1,914	1,951	1,988	2,026	2,065	2,105
Interest income	35	36	36	36	37	37	38	38	38	39
Other income	69	71	73	75	77	80	82	84	87	90
Investment revenue from water co	18	18	18	19	19	19	19	19	19	20
	5,616	5,343	5,697	5,627	6,245	6,189	6,859	6,821	7,547	7,533
Capital Income										
Grants Capital	297	297	297	306	306	306	306	306	315	315
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	-	-	-	-	-	-	-	-	-	-
Recognition of land under roads										
	297	297	297	306	306	306	306	306	315	315
Total Income from continuing operations	5,913	5,640	5,994	5,933	6,551	6,495	7,164	7,127	7,862	7,848
Expenses from continuing operations										
Employee benefits	(2,599)	(2,672)	(2,675)	(2,755)	(2,838)	(2,923)	(3,010)	(3,101)	(3,194)	(3,290)
Materials and services	(2,693)	(2,222)	(2,363)	(2,153)	(2,515)	(2,305)	(2,687)	(2,466)	(2,868)	(2,638)
Impairment of debts	-	-	-	-	-	-	-	-	-	-
Depreciation and amortisation	(1,720)	(1,776)	(1,834)	(1,896)	(1,961)	(2,030)	(2,103)	(2,182)	(2,267)	(2,360)
Finance costs	(67)	(69)	(71)	(73)	(75)	(78)	(80)	(82)	(85)	(87)
Other expenses	(141)	(145)	(149)	(154)	(158)	(163)	(168)	(173)	(178)	(183)
Total Expenses from continuing operations	(7,219)	(6,883)	(7,092)	(7,030)	(7,547)	(7,498)	(8,048)	(8,004)	(8,592)	(8,558)
Net Surplus/(Deficit)	(1,306)	(1,243)	(1,098)	(1,097)	(996)	(1,003)	(883)	(877)	(730)	(710)

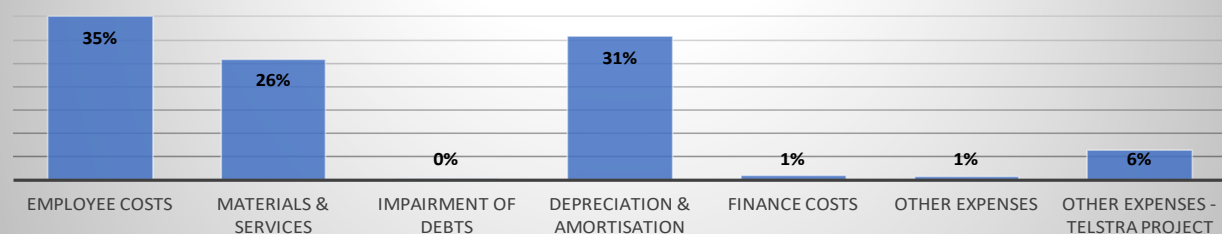
Sources of Income Revenue Comparison	Actual	Actual	Actual	Actual
	2020	2019	2018	2017
Rates & Charges	34%	22%	20%	28%
Statutory Fees and Fines	1%	1%	1%	1%
User Fees and Charges	18%	12%	11%	16%
Operational Grant Income	29%	22%	21%	42%
Operational Grants - Telecommunications	18%	37%	41%	0%
Capital Grants	5%	4%	7%	13%
Interest Income	2%	2%	2%	2%
All Other Income	4%	2%	1%	2%
Non-Monetary Income	-10%	-2%	-3%	-4%

Source of Income at 30th June 2020



Application of Expenses Operation Expense Comparison	2020	2019	2018	2017
	Employee Costs	35%	20%	22%
Materials & Services	26%	17%	20%	33%
Impairment of Debts	0%	0%	0%	0%
Depreciation & Amortisation (Non-Monetary)	31%	15%	16%	28%
Finance Costs	1%	1%	1%	0%
Other Expenses - Other	1%	1%	1%	2%
Other Expenses - Telstra Project	6%	46%	39%	0%

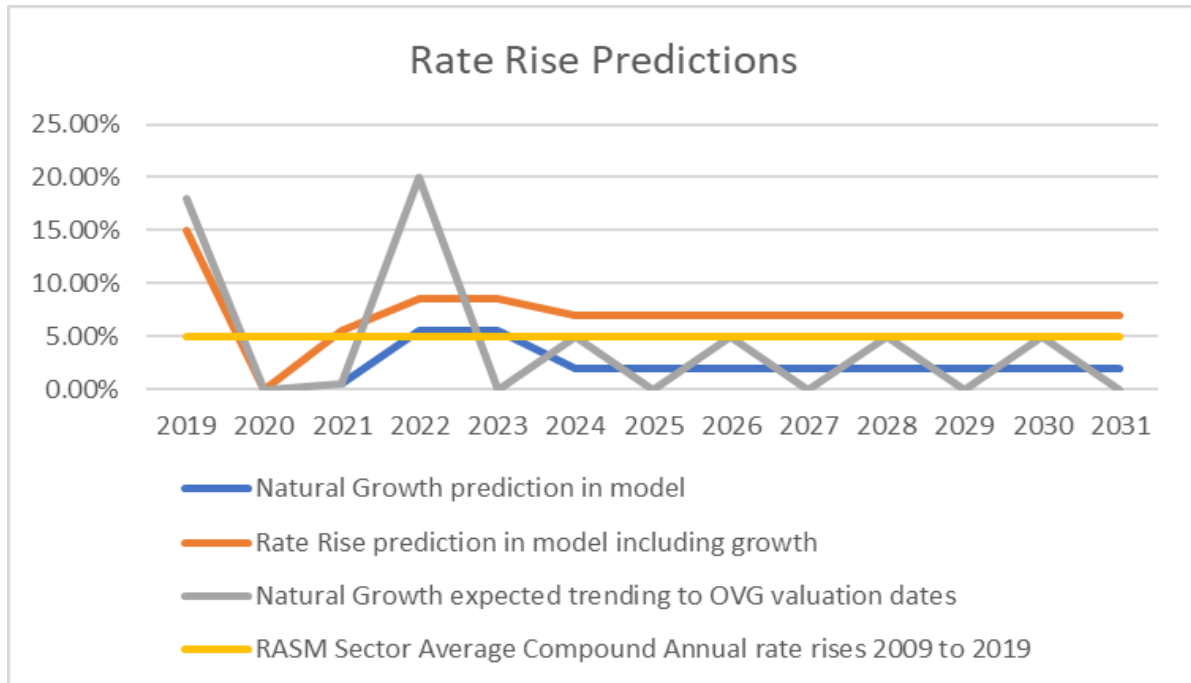
Operational Expenses at 30th June 2020



Rateable Income:

Rateable Income constitutes Council's most reliable Income, along with key government grants such as the Financial Grant Assistance (FAG) and Roads to Recovery Grants.

Rate increases have been modelled in the LTFMP to align with operational needs and the asset maintenance and replacement programs. It has considered Natural Growth, Consumer Price Index (CPI) at 3% and a need for additional rates to support the capital program.

Rate Rise Predictions**Natural Growth prediction in model:**

The model has assumed that growth will spike in the upcoming year, due to released information on Land Valuations from the Officer of the Valuer General (OVG). Out years are predicted low at 2%, due to uncertainty around the fall out of COVID-19.

Rate Rise prediction in model including growth:

The predicted base rate rise of 7% prediction has been calculated to meet the service requirements of the Long-Term Financial and Asset Management Plans, and consists of 3% CPI, 2% Capital Cost Funding requirements and 2% Natural Growth.

The rate rise deviates from the base in years 2022 and 2023, and is predicted at 8.5% for 2 years, to absorb the predicted spike of growth in 2022.

Risk analysis scenarios have indicated that a fall of even 1% below the predicted Rate increases, will result in a rapid decline in cash. This means that Council is highly sensitive to Rate Income, and any fall in predicted Rate Income, would result in a requirement to downward adjust operational costs and/or capital costs in order to maintain cash levels. This would result in an inability to meet the intended service levels and asset replacements.

Council has recognised the burden of rate rises, and has made two major assumptions in the strategy, to alleviate the impact of rate increases on rate payers:

- To acknowledge that the Airport Runway Costs are far too excessive a burden on the community, and as such Council will seek 100% grant funding towards the Airport Runway upgrades;
- To acknowledge the burden of the extensive road network that a small community is required to upkeep. As such road capital targets are set between 65% and 71% attainment (dependent on road class) and Council will seek Government grants to support major Road Infrastructure upgrades.

Natural Growth expected trending to OVG valuation dates:

Flinders Council rate on Capital Valuations (CV). The Office of Valuer General release Fresh Valuations on Land Values (LV), Capital Values (CV) and Annual Assessed Values (AAV) every 6 years. Interim Adjustments to LV, CV and AAV are provided in alternate years, in between the period of Fresh Valuations being issued.

COVID-19 delayed the release of the Fresh Valuations roll out, and in 2021, only the Land Valuations were released for Flinders Council, with an Adjusted Capital Valuation rescheduled to 1 July 2022 and a Fresh Valuation due 1 July 2024.

Predicted CV changes are aligned with expected changes in LVs. Based on the increases in the Land Valuation segments as released in March 2021, which for example, saw Residential Properties increase by 15% -20% and Primary Production increase by 40%, Council can therefore expect that 2021's Adjusted Capital Values will also have a correlating high Increase.

The forecast trend therefore creates spikes of growth periods and is only provided above as estimates. Council aims to smooth the transition of natural growth spikes over time.

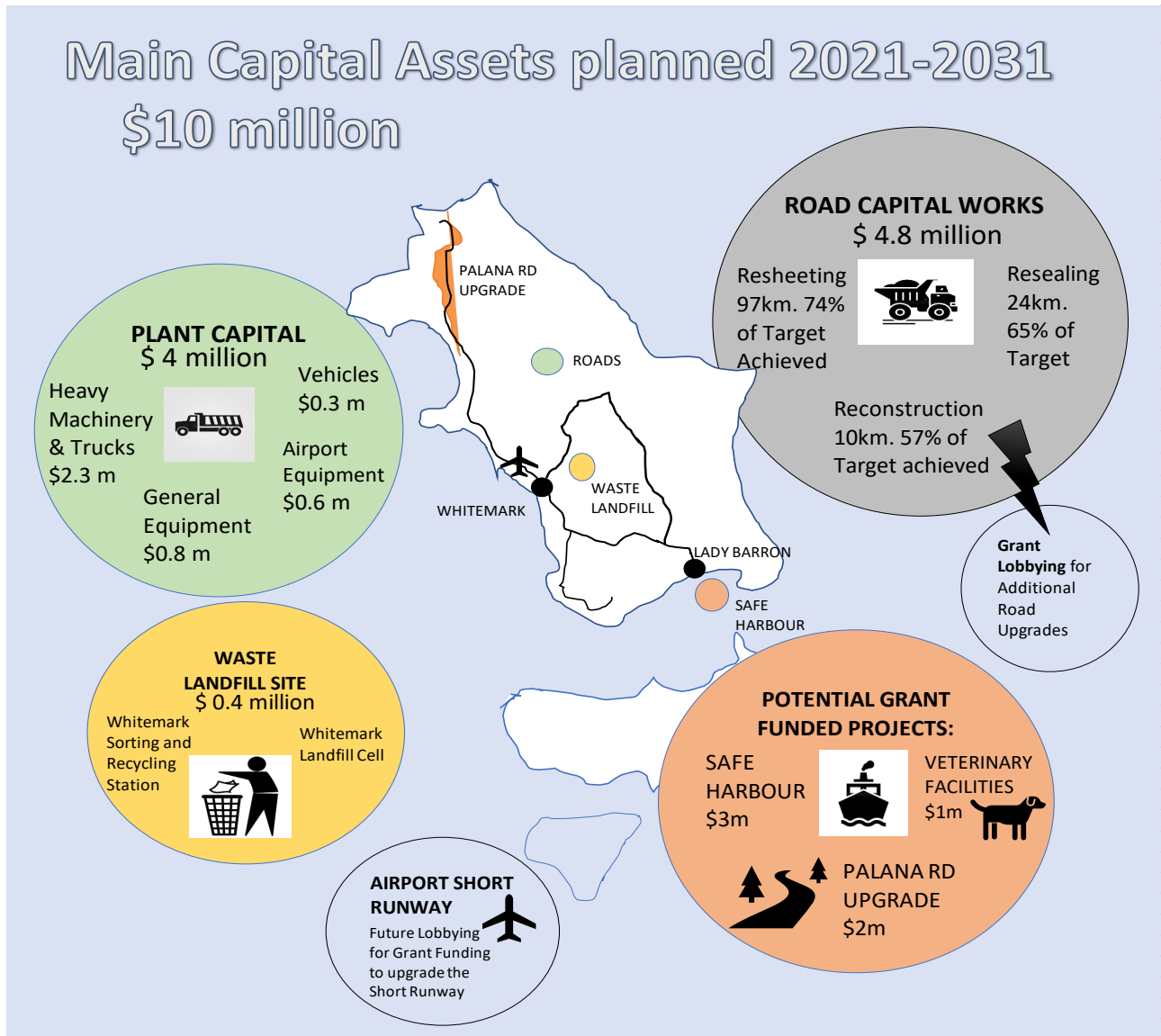
RASM Sector Average Compound Annual Rate Rises 2009 to 2019:

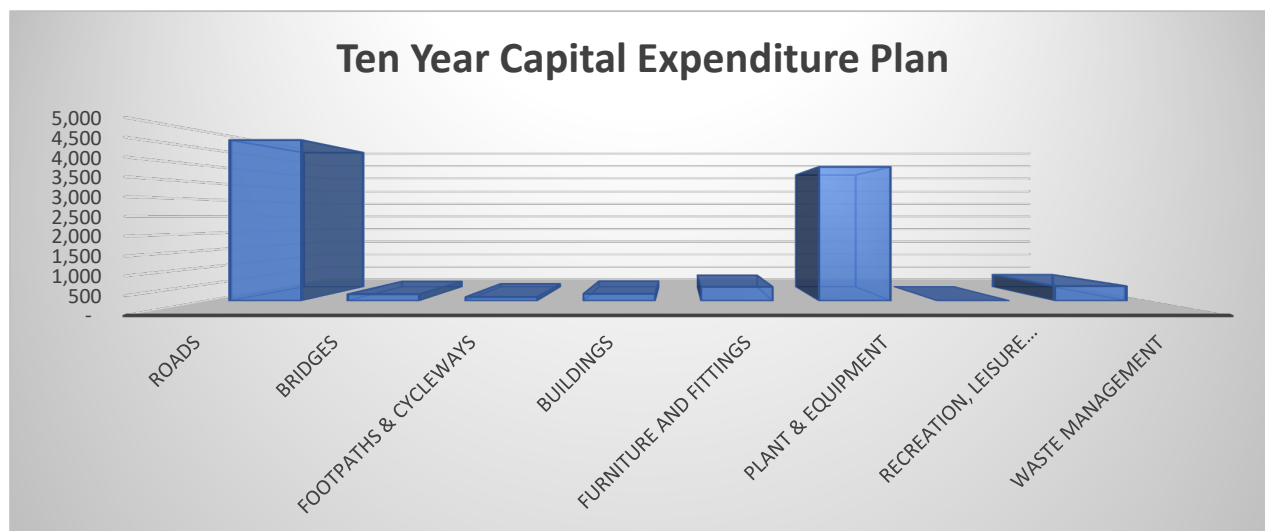
Councils in Tasmania are grouped into five classifications, in line with the Australian Classification of Local Governments. Flinders Council falls under the classification Rural Agricultural, Small and Medium (RASM) Councils. This measure is used as a benchmark.

The issue of 'a small council supporting such large infrastructure needs' indicates that Rate Increases in the upcoming years will ride higher than the RASM compound annual rate increase between 2009 and 2019, which averaged 5%.

5.3 Capital Expenditure - Plan

Capital Expenditure Plan as per the Asset Management Plan, has been aligned to the Financial Management Plan.





FLINDERS COUNCIL Classification 1	1 July 21 30 June 22	1 July 22 30 June 23	1 July 23 30 June 24	1 July 24 30 June 25	1 July 25 30 June 26	1 July 26 30 June 27	1 July 27 30 June 28	1 July 28 30 June 29	1 July 29 30 June 30	1 July 30 30 June 31	Total 10 years 000's
Airport Infrastructure	-	-	-	-	-	-	-	-	-	-	-
Roads	358	346	607	347	328	840	330	343	895	367	4,760
Bridges	-	-	-	-	-	-	-	197	-	-	197
Drainage	-	-	-	-	-	-	-	-	-	-	-
Footpaths & Cycleways	10 ▲	10 ▲	10 ▲	11 ▲	11 ▲	11 ▲	12 ▲	12 ▲	12 ▲	13	112
Land Under Roads	-	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	145	63	-	207
FF - Art Work	-	-	-	-	-	-	-	-	-	-	-
Fixtures, Fittings & Furniture	7	-	-	18	5	-	10	7	-	-	46
Furniture & Fittings	45	32	33	34	39	35	36	37	38	39	368
Land	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - Quarries	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvement	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements at Replacement Cost	-	-	-	-	-	-	-	-	-	-	-
Plant & Equipment	245	335	215	486	444	524	524	338	224	633	3,966
Recreation, Leisure and Community Facilities	-	-	-	-	-	-	4	-	-	-	4
Waste Management	239	-	33	24	35	-	-	15	89	-	435
TOTAL ASSETS	904	723	898	919	860	1,410	916	1,094	1,320	1,052	10,096

5.4 Key Performance Indicators (KPI's)

All Councils are required to address issues associated with long-term sustainability, through Strategic, Annual, Long-Term Financial and Asset Management Plans. For smaller Councils without economies of scale this becomes a challenge. The main KPI's used to determine the financial health of a Council are the Underlying Surplus, and the Net Financial Liabilities measure.

In Tasmania there are no set adopted recommended limits for these management indicators, and the metrics alone should be reviewed in conjunction with the underlying assumptions of the Long-Term Financial and Asset Management Plans. Overall, the strategy aims to improve both measures, without placing an unfair burden on its community's ability to be sustainable.

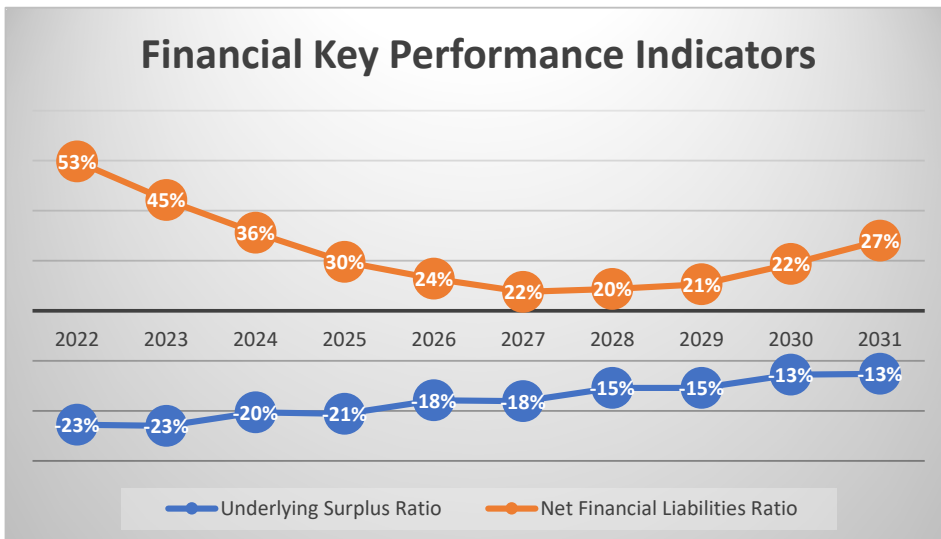
Underlying Surplus:

The Underlying Surplus and Underlying Surplus Ratio are key measures used to determine Council's future sustainability. They measure Council's ability to generate a surplus from its ordinary course of business, excluding capital receipts. It is important to monitor the adjusted underlying surplus to ensure that Council can generate sufficient funds to deliver its service levels based on community needs.

Net Financial Liabilities Measure:

The Net Financial Liabilities Measure and Ratio shows whether Council's total liabilities can be met by its liquid assets. An excess of total liabilities over liquid assets means that, if all liabilities fell due at once, additional revenue would be required to fund the shortfall. This ratio indicates the net financial obligations of Council compared to its Recurrent Income.

Recurrent Income excludes income received specifically for new or upgraded assets; physical resources received free of charge; or other income of a capital nature.



The Long-Term Financial Plan predicts considerable improvements for both the Financial Liabilities Ratio, and the Underlying Surplus Ratio. Although the underlying surplus is negative, the trend over the next ten years indicates gradual improvements towards its goal to attain sustainability.

Key Performance Indicators										
Period Start 1 July	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Period End 30 June	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's
a) Underlying Surplus or Deficit										
Recurrent Income*	5,575	5,301	5,653	5,582	6,198	6,141	6,809	6,770	7,495	7,479
less Recurrent Expenditure	7,219	6,883	7,092	7,030	7,547	7,498	8,048	8,004	8,592	8,558
= Underlying Surplus or Deficit	(1,644)	(1,583)	(1,439)	(1,448)	(1,349)	(1,356)	(1,239)	(1,234)	(1,097)	(1,079)
*Recurrent Income excludes income received specifically for new or upgraded assets, physical resources received free of charge or other income of a capital nature.										
b) Underlying Surplus Ratio %										
<u>Underlying Surplus or Deficit</u>	<u>(1,644)</u>	<u>(1,583)</u>	<u>(1,439)</u>	<u>(1,448)</u>	<u>(1,349)</u>	<u>(1,356)</u>	<u>(1,239)</u>	<u>(1,234)</u>	<u>(1,097)</u>	<u>(1,079)</u>
Recurrent Income*	7,219	6,883	7,092	7,030	7,547	7,498	8,048	8,004	8,592	8,558
Underlying Surplus Ratio %	-23%	-23%	-20%	-21%	-18%	-18%	-15%	-15%	-13%	-13%
This ratio serves as an overall measure of financial overall effectiveness.										
c) Net Financial Liabilities										
Liquid Assets	4,637	3,987	3,608	3,208	3,038	2,808	2,836	2,822	3,108	3,372
less Total Liabilities	1,704	1,594	1,581	1,511	1,533	1,465	1,491	1,421	1,451	1,381
= Net Financial Liabilities	2,933	2,392	2,028	1,697	1,504	1,344	1,346	1,401	1,657	1,992
This measure shows whether Council's Total Liabilities can be met by its liquid assets. An excess of Total Liabilities over Liquid Assets means that, if all liabilities fell due at once, additional revenue would be required to fund the shortfall.										
d) Net Financial Liabilities Ratio %										
Net Financial Liabilities	2,933	2,392	2,028	1,697	1,504	1,344	1,346	1,401	1,657	1,992
Recurrent Income*	5,575	5,301	5,653	5,582	6,198	6,141	6,809	6,770	7,495	7,479
= Net Financial Liabilities Ratio	53%	45%	36%	30%	24%	22%	20%	21%	22%	27%
This ratio indicates the net financial obligations of Council as compared to its recurrent income.										

5.5 Statement of Financial Position - Plan

Statement of Financial Position - Plan										
Period Start 1 July	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Period End 30 June	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Assets	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's
Current Assets	4,637	3,987	3,608	3,208	3,038	2,808	2,836	2,822	3,108	3,372
Cash and Cash Equivalents	3,956	3,265	2,843	2,405	2,193	1,919	1,900	1,835	2,067	2,274
Trade and Other Receivables	478	518	561	600	641	686	733	783	837	895
Financial Assets	112	112	112	112	112	112	112	112	112	112
Inventories	89	89	89	89	89	89	89	89	89	89
Other Assets	3	3	3	3	3	3	3	3	3	3
Non - Current Assets	55,243	54,541	53,807	53,040	52,237	51,395	50,509	49,577	48,591	47,546
Investment in Water Corp.	3,030	3,030	3,030	3,030	3,030	3,030	3,030	3,030	3,030	3,030
Property, Plant and Equipment	52,128	51,426	50,692	49,925	49,122	48,279	47,394	46,461	45,476	44,431
Intangible Assets	26	26	26	26	26	26	26	26	26	26
Other Assets	59	59	59	59	59	59	59	59	59	59
Total Assets	59,881	58,528	57,416	56,249	55,275	54,203	53,346	52,399	51,699	50,919
Liabilities	-	-	-	-	-	-	-	-	-	-
Current Liabilities	910	834	857	823	881	848	909	874	938	884
Trade and Other Payables	431	356	378	344	402	369	430	395	459	422
Trust Funds and Deposits	67	67	67	67	67	67	67	67	67	67
Provisions	370	370	370	370	370	370	370	370	370	370
Interest-Bearing Loans	42	42	42	42	42	42	42	42	42	25
Non - Current Liabilities	794	760	724	688	652	617	582	547	513	497
Provisions	348	359	370	381	392	404	416	429	441	455
Interest-Bearing Loans	446	401	354	307	260	213	166	119	72	42
Total Liabilities	1,704	1,594	1,581	1,511	1,533	1,465	1,491	1,421	1,451	1,381
	-	-	-	-	-	-	-	-	-	-
Net Assets	58,177	56,933	55,835	54,737	53,741	52,738	51,855	50,978	50,248	49,538
	-	-	-	-	-	-	-	-	-	-
Equity	58,177	56,933	55,835	54,737	53,741	52,738	51,855	50,978	50,248	49,538
Accumulated Surplus	45,054	43,811	42,712	41,615	40,619	39,616	38,732	37,855	37,126	36,416
Reserves	13,123	13,123	13,123	13,123	13,123	13,123	13,123	13,123	13,123	13,123
Total Equity	58,177	56,933	55,835	54,737	53,741	52,738	51,855	50,978	50,248	49,538

Notes to the Statement of Financial Position:

Note 1 - Capital Works Program:

The Capital works program has reviewed and analysed the requirements of each class of assets in detail as per the Asset Management Plan.

Due to financial constraints, the Financial Management Plan does not provide for the upgrade of major infrastructure upgrades on the Airport Runways.

Note 2 - Loans and Borrowings:

The Financial Management Plan assumes that the majority of loans will be repaid, and no additional loans will be taken out in the upcoming years, unless for the purpose of funding large projects.

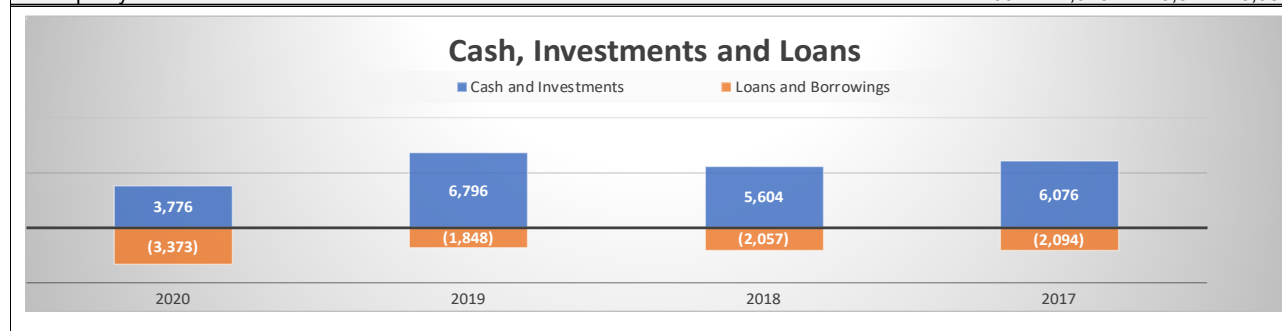
Loan Balances	Predicted											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Period Start 1 July												
Period End 30 June	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	
		000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's
Opening Balance of loans	3,373	1,573	488	443	396	349	302	255	208	161	114	
Proceeds from Interest bearing loans and borrowings	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of interest bearing loans and borrowings	(1,800)	(1,085)	(45)	(47)	(47)	(47)	(47)	(47)	(47)	(47)	(47)	(47)
Closing Balance of Loans	1,573	488	443	396	349	302	255	208	161	114	67	

Summary at 30 June 2020	Date due for repayment
Total Loans held at 30 June 2020	3,373
Loan - Stabilisation of Council Gravel Roads	567 1/6/2022
Loan - Bridge Railing Project	350 1/6/2022
Loan - Township Footpath Program	125 1/6/2022
Loan - Tasmanian Public Finance Corp - Bitumen Truck and \$700k	531 Ongoing Final Balloon \$310k due Nov 2030
Loan - Airport Long Runway Bridging Loan	1,800 15/6/2021

Note 3 - Cash, Investments and Loans:

A comparison of Cash, Investments and Loans, as per the Annual Report at 30 June 2020 is shown below.

Cash, Investments and Loans	2020 000's	2019 000's	2018 000's	2017 000's
Cash and Cash Equivalents	3,664	2,328	3,714	4,165
Financial Assets	112	4,468	1,890	1,911
Cash and Investments	3,776	6,796	5,604	6,076
Loans and Borrowings	(3,373)	(1,848)	(2,057)	(2,094)
Net Liquidity	403	4,948	3,547	3,982

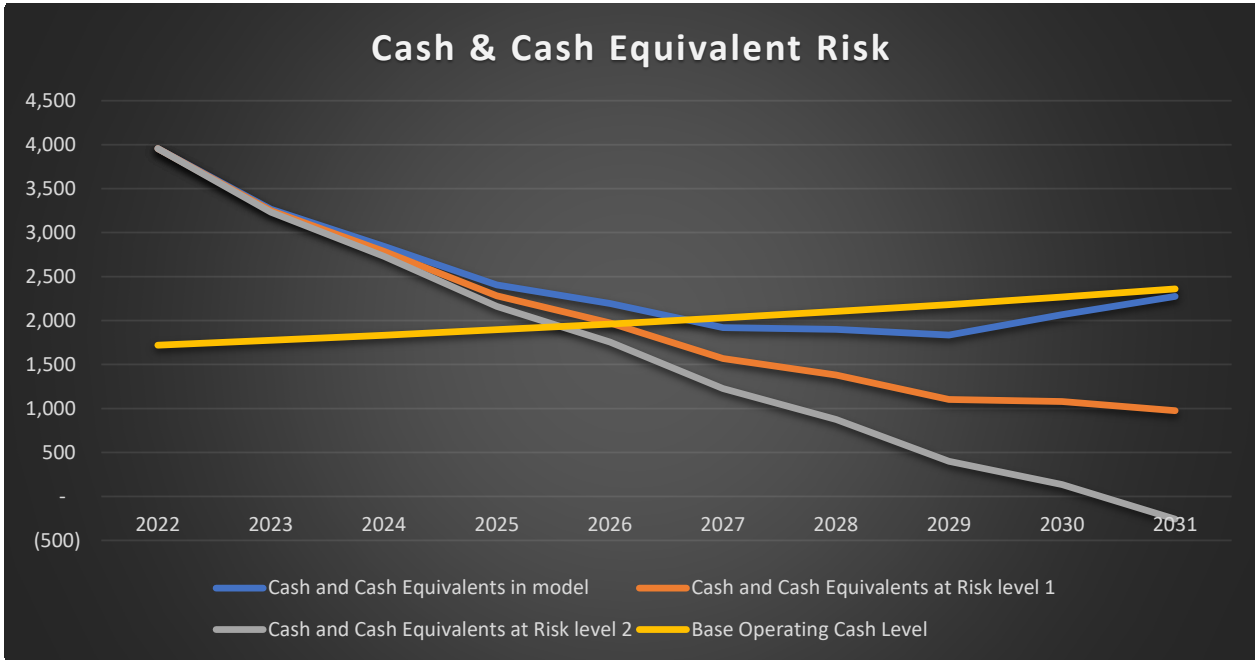


5.6 Cash Projection

Council's Cash projection is hinged on the assumptions made in the Long-Term Financial Management Plan. Council predicts that the cash position will hover slightly above and below the base minimum carrying level throughout the ten year period. The cash projection does not account for any major projects, that will require bridging loans to sustain the working capital demands, nor does it allow for a degree in comfort for unforeseen circumstances. With such low tolerances, monitoring impacts on cash will become a major KPI in the Financial Management Strategy.

Cash Flow Statement - Plan										
Period Start 1 July	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Period End 30 June	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Cash Flows from Operating Activities	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's
Rates and Charges Received	2,174	2,355	2,551	2,727	2,915	3,116	3,331	3,561	3,807	4,070
Statutory Fees and Fines Received	54	55	57	59	60	62	64	66	68	70
User Fees and Other Fines Received	1,039	760	1,119	833	1,223	924	1,337	1,026	1,463	1,141
Grants - Received	2,228	2,048	1,843	1,878	1,914	1,951	1,988	2,026	2,065	2,105
Interest Received	35	36	36	36	37	37	38	38	38	39
Investment Revenue from Water Corp received	18	18	18	19	19	19	19	19	19	20
Other Revenue Received	69	71	73	75	77	80	82	84	87	90
GST Received / (Paid)	243	227	208	215	215	225	225	235	235	245
Payments to Suppliers (Inclusive of GST)	(3,103)	(2,617)	(2,738)	(2,535)	(2,897)	(2,697)	(3,079)	(2,868)	(3,270)	(3,050)
Payments to Employees (Inclusive of GST)	(2,599)	(2,672)	(2,675)	(2,755)	(2,838)	(2,923)	(3,010)	(3,101)	(3,194)	(3,290)
Finance Costs	(67)	(69)	(71)	(73)	(75)	(78)	(80)	(82)	(85)	(87)
Other Payments	(83)	(249)	(159)	(215)	(130)	(229)	(142)	(246)	(155)	(265)
Net Cash flows from Operating Activities	8	(36)	262	264	519	488	773	759	1,079	1,086
Cash flows from Investing Activities										
Payments for Property, Infrastructure, Plant and Equipment	(880)	(906)	(934)	(962)	(990)	(1,020)	(1,051)	(1,082)	(1,115)	(1,148)
Capital Grants (inclusive of GST)	297	297	297	306	306	306	306	306	315	315
Net Cash flows from Investing Activities	(583)	(609)	(637)	(656)	(685)	(714)	(745)	(776)	(800)	(833)
Cash flows from Financing Activities										
Proceeds from Interest bearing loans and borrowings	-	-	-	-	-	-	-	-	-	-
Repayment of interest bearing loans and borrowings	(1,085)	(45)	(47)	(47)	(47)	(47)	(47)	(47)	(47)	(47)
Net Cash flows from Financing Activities	(1,085)	(45)	(47)	(47)	(47)	(47)	(47)	(47)	(47)	(47)
	-	-	-	-	-	-	-	-	-	-
Net Increase/ (Decrease) in Cash and Cash Equivalents	(1,660)	(691)	(422)	(438)	(212)	(273)	(19)	(65)	232	206
Cash and Cash Equivalents at the beginning of the financial year	5,615	3,956	3,265	2,843	2,405	2,193	1,919	1,900	1,835	2,067
Cash and Cash Equivalents at the end of the financial year	3,956	3,265	2,843	2,405	2,193	1,919	1,900	1,835	2,067	2,274

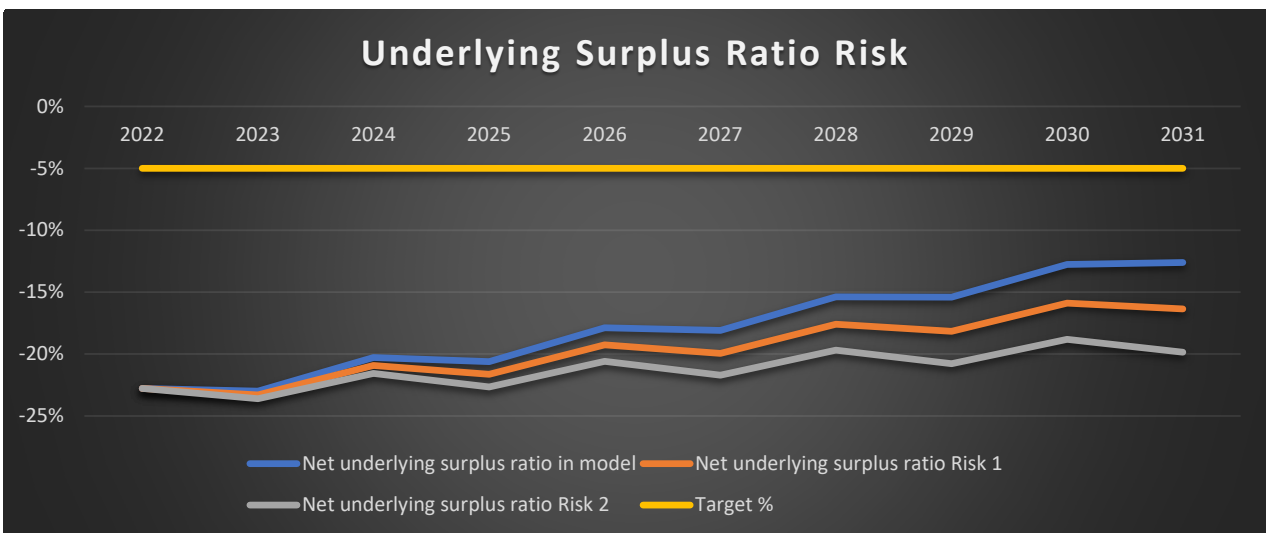
Impacts on Cash and Cash Equivalents, and the Underlying Surplus ratio.



Cash and Cash Equivalents is predicted to dip below the Base Operating Cash Level between 2027 and 2031.

To sustain working capital requirements during this period a bridging loan would be required to allow operational and capital needs to be met.

The risk identified shows a high degree of sensitivity to Rate Income.



The Underlying Surplus seeks to improve over the ten year plan, and shows a steady upward trend. The risk identified indicates that a decline in Rateable Income will result in Council's inability to sufficiently improve its Underlying Surplus within the next ten years, and the problem will continue into the outward decade.

6 Financial Strategy

This section comprises the following topics:

- Overview of the purpose and intent of the Financial Management Strategy
- Financial Principles guiding the determination of the Financial Management Strategies
- Key Financial Management Strategies employed by Council
- Financial Aims and Targets of Council
- Framework of Financial Principles, Key Strategies employed, Aims and Targets

6.1 Overview of the purpose and intent of the Financial Management Strategy

The Financial Management Strategy is an important part of the overall financial management activities of Council. It is not intended to be static but will be reviewed annually as part of the annual planning process, so to incorporate any future changes in council policy, priorities, new initiatives or strategic direction.

A key component of sound financial management is the preparation of long-term financial strategies, plans and budgets. The development and adherence of the long-term plans is critical to ensure that Council remains financially sustainable.

The key reasons for the development of a long-term financial framework are:

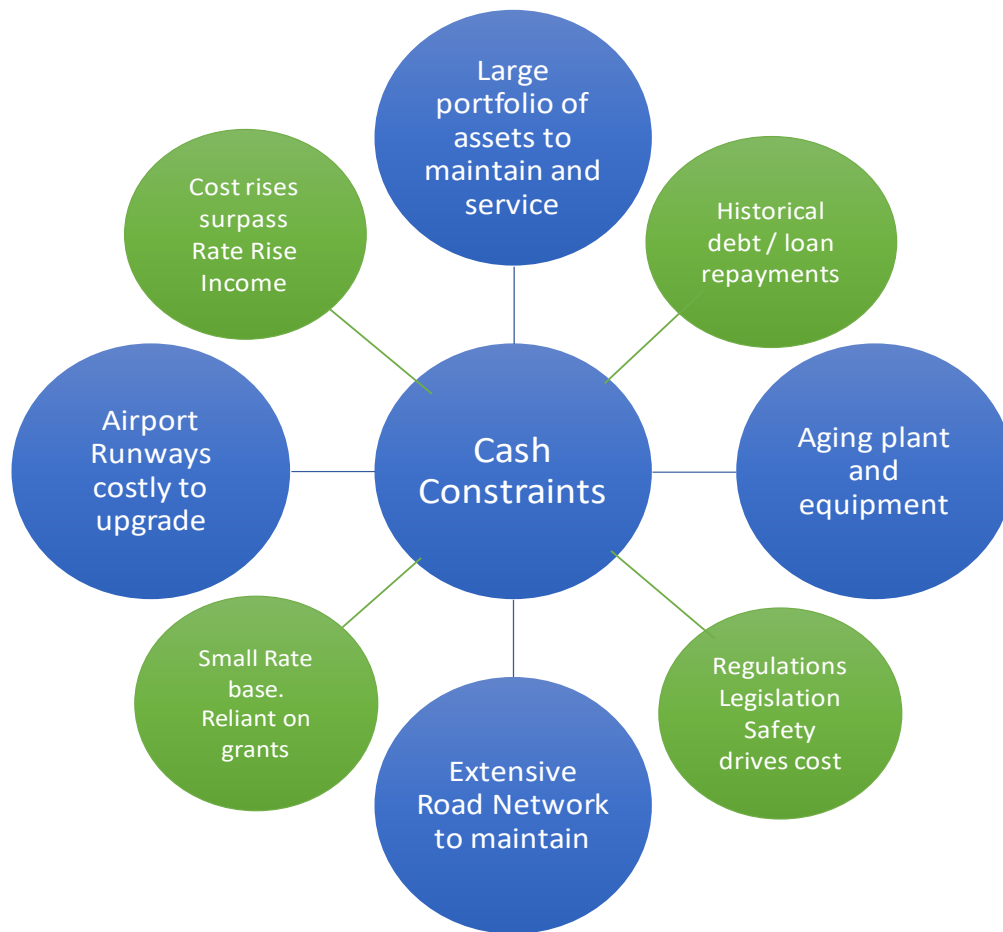
- To establish a prudent and sound financial framework to enable Council to achieve financial sustainability in the short, medium and long-term;
- to provide an assessment of the financial resources required to accomplish the objectives and strategies included in Council's Strategic Plan;
- to establish a basis to measure Council's adherence to its policies and strategies;
- to assist Council to comply with sound financial management principles, in accordance with The Act.

Purpose and Intent:

Council's Financial Management Strategy over the next ten years is to provide a sustainable financial position to meet all of its statutory, operational and asset management obligations, despite the challenges facing Council.

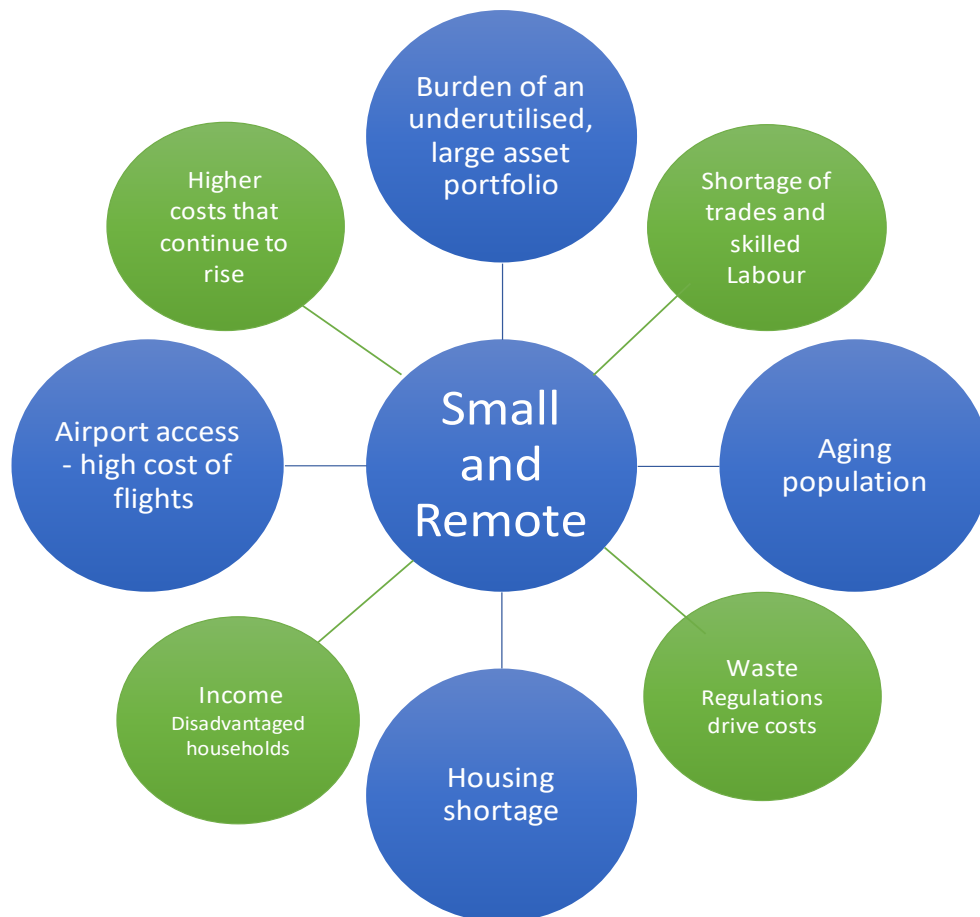
In doing so, it intends to present the Council as a long-term viable operation, so to encourage the State and Australian Governments to view Flinders as a unique island-based municipality, that justifies special and appropriate community service obligation considerations.

Council's Strategies and Assumptions in the LTFMP aim to work cohesively with the challenges of the Island as highlighted in the Study of Economic Business and Social Structure on Flinders Island, to develop long-term sustainability.

Challenges facing Council:

Flinders Council, as a small local council, has a limited rateable base and is therefore heavily reliant on grant support. The main challenges Council face are predominantly related to cash constraints:

- maintaining and replacing the extensive network of road infrastructure;
- maintaining and replacing its aging plant and equipment and upkeeping numerous buildings and facilities;
- delivering major infrastructure projects on the Airport Runway, and Road Pavement upgrades;
- keeping abreast with regulatory demands, which drive additional costs and resources;
- tackling environmental issues such as waste management;
- managing the ongoing rise of costs in an already disadvantaged community.

Challenges facing Flinders Island:**Flinders Island challenges as identified by FTI Consulting's Study of Economic Business and Social Structure:**

In 2018/2019 Council sought independent evaluation of the Flinders Island economic situation, and in February 2019 the report from FTI Consulting was completed. Its findings have highlighted significant issues facing Island life, and adverse future consequences if these issues are not addressed.

The FTI report provides an independent assessment of Flinders disadvantage and highlights a significant number of actions and reasons for the State and Federal Government to assist over and above the support currently received.

The overall messages are clear, and include (but not limited to):

- There is a quantifiable disadvantage of between \$346-\$612 per household per week (\$17992-\$31824 per household per annum) associated with living on Flinders Island;
- Flinders Island will need to grow its population urgently if it is to sustain the amenity, quality of life and opportunity it has enjoyed in the past;
- Flinders Island will likely reach a tipping point in 7 years, in which its own population will not be able to maintain essential public and private services, because its resident working population will reduce to fewer than 472 people; and

- The cost of providing services (infrastructure-related and social services) will grow and Flinders Island will become increasingly dependent on outside resourcing. If sustainable structural funding models are not realised, and factors of 'remoteness' are not given appropriate weighting, then Government intervention may be necessary.

Other independent reviews have been conducted on specific areas such as the Accommodation Supply Analysis Report, which identified that there is a shortage of available and affordable housing on the Island.

Given the interconnectedness of social, economic, and ecological systems, it is increasingly acknowledged that addressing these challenges requires an integrated strategic approach that identifies the root causes of the issues and accounts for the multiple interlinkages and dependencies between social and economic systems. As such, Council's strategies and assumptions in the LTFMP attempt to work cohesively with the challenges of the Island, to develop long-term sustainability.

Extensive work has been undertaken in preparing a Long-Term Asset Management Plan which plays a significant part in the LTFMP and provides a framework to enable an assessment of Councils revenue resources and assists Council to plan and fund operational and capital expenditures.

6.2 Financial Principles guiding the determination of the Financial Management Strategies

The Financial Management Strategy has been prepared based on the following main principles:

- The community's finances will be managed to provide sustainable and responsible financial management of the community's resources;
- Council will maintain community wealth, to ensure that the wealth enjoyed by today's generation will be enjoyed by tomorrow's generation;
- Council will endeavour to apply a user-pays principle where it is appropriate to do so, and there is clearly an identifiable cohort benefit from using those facilities and services;
- Resources will be allocated to those activities that generate community benefit.
- The Financial Management Strategy aims to support the intention of Flinders Island remaining autonomous, and therefore demonstrates ongoing sustainability.

At this point in time, Council has been unable to include the following principle, and therefore, it needs to be a consideration for future strategies:

- Councils financial position will over time have a margin of comfort to absorb the impact of unexpected developments.

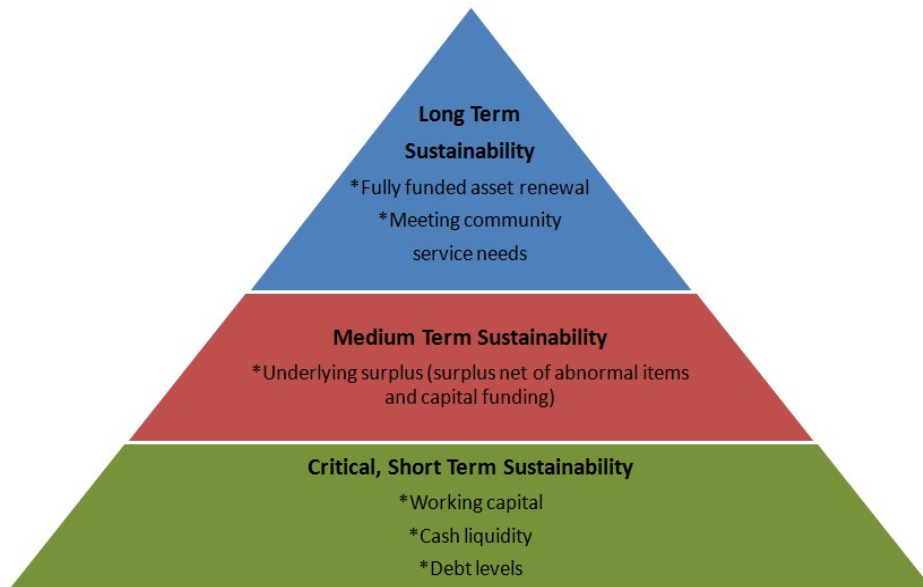
Detailed principles on key areas have also been outlined in a later section: 'Framework of Financial Principles, Key Strategies employed and Aims and Targets'.

6.3 Key Financial Management Strategies employed by Council

The Financial Management Strategy (FMS) assists in the development and revision of long-term financial planning and determines financial boundaries for delivery of operational and capital plans. The key focus of the FMS is to demonstrate and maintain financial sustainability in the medium and long-term whilst achieving the strategic objectives of Council.

Hierarchy of needs approach:

In reference to the strategy to achieve financial sustainability, the diagram below is modelled essentially on the hierarchy of needs approach.



In an ideal course of events, Council's FMS would consider all three layers and be heavily focused on a range of financial management indicators as specified under the Local Government (Management Indicators) Order 2014.

The current strategy focuses on the Critical Short Term Sustainability criteria which places emphasis on sustainable cash management and has incorporated ways to achieve the Medium Term Sustainability to include routine replacement of assets within the Asset Management Plan, with the exception of the Airport Runway upgrades and some of the reconstruction of major road pavement works, for which Council will seek grant funding.

At this point in time Flinders Council faces significant constraints that warrant this approach. The main ones relate to the disadvantages of size (being an Island with a small population, and hence a small revenue base); and remoteness (resulting in inefficiencies generated by a large asset carrying base).

At best the ten year program strives towards the Medium Term Sustainability, and aims to work with the State and Federal Governments to consider future strategies to attain long-term sustainability.

Long-Term Cash Sustainability:

Flinders Council's LTFP focuses on achieving cash sustainability in the next ten years, through maintaining the base services, meeting its regulatory requirements, and creating a robust program for maintaining and replacing aged plant and equipment.

Although this decade presents numerous challenges, Council believes that consolidation to improve efficiencies and focusing on the core service delivery will allow for greater success in the years beyond. This strategy alone will however not attain sustainability, as it is unreasonable to expect a meagre population of 1000 people, and a Council with such a small rate base to support a \$53 million asset base. As such additional grant support will need to be required to attend to major infrastructure work.

This plan demonstrates Council's intention that:

- The community's finances will be managed to provide sustainable and responsible management of the community's resources; and
- The Financial Management Strategy aims to support the intention of Flinders Island remaining autonomous, through ongoing sustainability.

Understanding the life cycle of financial sustainability and what that looks like for Flinders Council requires an examination of the challenges facing the Furneaux Group, and the role Council plays in the lives and future of not just Islanders, but the future economy of Tasmania. As such, the challenges, as identified in the FTI report, have influenced Council's stance on developing a carefully planned strategy, that considers the burdens of its community.

6.4 Financial Aims and Targets of Council

The financial aims and targets to guide Council at present, in determining the required financial outcomes include the following:

- 1 The minimum operating level of Net Cash will be set at approx. \$1.7 million** - As a critical measure to base the financial cashflow forecast, and to provide sound decision making, the Minimum Net Cash Holding is a key determinant used to establish whether Council can meet its cash obligations in the short, medium and long-term periods. The depreciation level has been used as the minimum basis for future cash holdings, and at June 2021 the minimum is set at \$1.7 million, varying in future with the carrying level of depreciation. This amount is by no means ideal and though the strategy has not planned for bridging loans, these will need to be considered for any future major project works which require working capital.

- 2 Council will aim to review its Rate Revenue, to benchmark where possible with the sector average for Rural Agricultural, Small and Medium (RASM) classification of Tasmanian Local Governments, and consider rate rises in accordance with reasonable assumptions, to avoid any detrimental impact on the liveability of Islanders.**

Rate Revenue:

Rates represent council's most reliable base income. As a critical component of Council's revenue base, the Long-Term Financial Management Plan identifies a range of assumptions which include rate revenue increases.

Councils are grouped into five classifications, in line with the Australian Classification of Local Governments. Flinders Council falls under the classification 'Rural Agricultural, Small, and Medium, (RASM) Council's, with a population under 5000, and density less than 30 people per km².

The extracted table shown below represents Flinders along with the 5 other councils in this classification for 2018-2019. It shows that Flinders Council 'Average Rate per Rateable Property' ranks in line with other RASM councils and is marginally below the RASM average. While being a significantly smaller population than most of the comparative group, the 'Average Rate per Head average of Population' is only marginally below the RASM average.

Recent rate increases, prior to the Covid year June 2020 (which had zero increase in rates), had significant rate rises to address the adverse impact of falling cash reserves, and was necessary to halt 'falling off the cliff.'

The LTFMP has identified that prior years' rate rises were not unfounded, and the current ten year plan, still requires an ongoing 7% per annum rate rise (which includes 2% predicted from Natural Growth). The Compound Annual Rate Increase in the RASM table for the period 2009/10 to 2018/19, shows a historical average of 5%.

Comparative table – all councils rates data 2018-19

Council	Population No.	Number of Rateable Valuations No.	Rate Revenue \$'000	Average rate per rateable property \$	Average rate per head of population \$	Rate revenue to operating revenue %	Operating costs per rateable valuation \$
Rural Agricultural Small & Medium councils (RASM)							
Central Highlands	2,144	3,765	3,473	922	1,620	48.6	1,865
Flinders	987	1,245	1,614	1,296	1,635	21.0	8,818
Glamorgan-Spring Bay	4,528	5,763	7,453	1,293	1,646	57.1	2,199
King Island	1,601	1,661	2,454	1,477	1,533	32.3	5,405
Tasman	2,404	3,502	4,782	1,366	1,989	68.9	1,692
West Coast	4,167	4,202	6,865	1,634	1,647	60.5	2,604
RASM Average	2,639	3,356	4,440	1,323	1,683	48.1	3,764
Average all councils	18,214	9,631	17,669	1,606	1,079	58.9	2,889

Source

Population figures derived from Australian Bureau of Statistics (ABS) cat. 3281.0 Regional Population Growth, 28 July 2017
Rates information derived from the Tasmanian Local Government Consolidated Data Collection and Tasmanian Auditor-General Reports

Average rate Council Classifications						
Average rate per rateable property						
Reporting period	Urban Medium Councils Average	Urban Small Councils Average	RAVL Councils Average	RAL Councils Average	RASM Councils Average	All Tasmanian Councils Average
	\$	\$	\$	\$	\$	\$
2009-10	1,462	1,327	948	1,100	895	1,122
2014-15	1,908	1,608	1,183	1,338	1,169	1,410
2017-18	2,111	1,708	1,320	1,507	1,338	1,565
2018-19	2,204	1,746	1,368	1,542	1,323	1,606
Overall rate increase as a percentage between 2009-10 and 2018-19						
	50.8%	31.6%	44.3%	40.3%	47.8%	43.1%
12 month rate increase as a percentage between 2017-18 and 2018-19						
	4.4%	2.2%	3.6%	2.4%	-1.1%	2.6%
Compound annual rate increase as a percentage between 2009-10 and 2018-19						
	5.3%	3.5%	4.7%	4.3%	5.0%	4.6%

3 Council will endeavour to seek and secure grant funding for both operational and capital needs.

Grant income is currently a vital part of the long-term finance viability strategy. With such a small rate base, even with consistently moderate rate rises, Flinders Council cannot maintain the large asset base of \$53 million without the assistance of grant income.

The Financial Assistance Grant and the Roads to Recovery Grant both constitute major income streams and are considered as part of Recurrent Income for the computations in the long-term strategy.

The Long-Term Financial Plan does not include grant income for any potential funding projects for infrastructure upgrades or major operational projects, until the project funding and costs have been reasonably assured and committed to by Council.

- 4 Council will endeavour to review its operational efficiency and costs, to ensure future increases are substantiated.** Council's strategy is to observe the User pays principle and where possible, operational activities which drive costs, will recover these costs via the 'user pays' principle.

User Fees:

User Fee Income is predominantly derived from the Airport. As the Airport is a vitally important infrastructure asset, careful consideration has been made in relation to the User-Pays principle, to determine:

- How to recoup the Operations Costs and the Capital Costs for Plant and Equipment, and Building upgrades;
- How to recoup the Capital Costs in respect of the upgrades to the Airport Runways, which pose an ongoing burden to Council.

The provision of Capital Costs relating to the Airport Runways has been excluded from the calculation of User Fees, and aims to mitigate abnormally high passenger taxes and landing fees. Council therefore will need to actively seek grant support for the Runway Upgrades.

The Long-Term Financial Plan predicts a 3% Airport User Fee rate rise for three years, then an ongoing 5% rise in passenger taxes and landing fees.

Operating Costs:

The operating costs per property for the RASM sector is significantly above most other councils, yet the rateable income shows the reverse theory, where the RASM rateable income is below other Council Classifications. As indicated in the table excerpt below, the Rural Agricultural Small and Medium Councils experienced the largest average increases at 9.3%.

Operating costs per property Council Classifications						
The average amount of operating costs per rateable property						
Reporting period	Urban Medium Councils Average	Urban Small Councils Average	RAVL Councils Average	RAL Councils Average	RASM Councils Average	All Tasmanian Councils Average
	\$	\$	\$	\$	\$	\$
2009-10	2,651	2,343	1,835	2,102	2,319	2,219
2014-15	3,017	2,530	2,045	2,441	2,656	2,506
2017-18	3,129	2,579	2,279	2,558	3,445	2,776
2018-19	3,292	2,707	2,257	2,568	3,764	2,889
Overall change as a percentage between 2009-10 to 2018-19						
	24.2%	15.5%	23.0%	22.2%	62.3%	30.2%
12 month change as a percentage between 2017-18 and 2018-19						
	5.2%	5.0%	-1.0%	0.4%	9.3%	4.1%
Compound annual increase as a percentage between 2009-10 to 2018-19						

- By classification, Rural Agricultural Small & Medium councils experienced the largest average increase, at 9.3 per cent (Figure 19). Rural Agricultural Very Large councils experienced the largest average decrease, with one per cent decrease over the 12 month period (Figure 19).

5 Council will endeavour to benchmark and improve its performance.

A suite of financial indicators as presented in the Annual Financial Reports and outlined in the Local Government (Management Indicators) Order 2014 have been included in the Long-Term Asset Management and Financial Management Plans. They comprise the following:

- Underlying Surplus or Deficit Ratio
- Net Financial Liabilities Ratio
- Asset Consumption Ratio
- Asset Sustainability Ratio
- Asset Renewal Funding Ratio

The indicators are interrelated and enable both self-analysis and comparative analysis with other Local government entities. It is important to note that the ratios are only indicators of financial performance and should not be considered in isolation when determining financial sustainability. Ratio's have been evaluated over time, to consider trends, so that results taken together over time can indicate good or poor performance / improving or declining performance.

6 Council will include Risk and Sensitivity Analysis to enable its decision making.

Council's main sustainability focus is to meet its cash obligations and show an improvement in the Underlying Surplus. As such the risk modelling has focused on the risks associated with the forecast of Rateable Income.

6.5 Framework of Financial Principles, Key Strategies employed, Aims and Targets

This section overviews the Principles, Key Strategies Employed, Financial Aims and Targets that underpin:

- **Cash Reserves**
- **Rating**
- **User Fees**
- **Other Revenue Sources**
- **Debt Levels**
- **Infrastructure Funding**
- **Operating Expenses**

Cash Reserves

Principles

- The budgeted cash position is sufficient to fund daily operations and budgeted capital requirements, as well as provide opportunities for funding short to medium-term contingencies.
- Council aims to develop strategies to allow for a small margin of comfort to absorb the impact of unexpected developments.

Key Strategies

- The minimum level of Net Liquid Councils Financial Reserves will be set at the depreciation level.
- Council invests in high security, low risk financial products (usually term deposits) to safeguard the Council's financial position.

Financial Aims and Targets

- Council has sufficient cash to fund daily cash requirements, operations and capital needs as per assumptions and to respond to future opportunities or unexpected events.
- Quarterly reporting to Council of cash balances.
- The long-term cash projection has sufficient funds to meet the needs of the LTFMP and LTAMP.

Rating

Principles

- Council reviews its Rating policies and User Fees and Charges at least once a year to ensure compliance and reasonableness.
- Council will continue to balance the benefit and capacity to pay principles through its rating system.
- Growth in the Rates base will be separately identified in the budget comparative year to year Rates analysis.

Key Strategies

- Council will aim to review its Rate revenue to benchmark where possible with the sector average for Rural Agricultural, Small and Medium (RASM) classification of Tasmanian Local Governments.
- Council will continue to undertake detailed Rates modelling at a property as well as sector level.

Financial Aims and Targets

- Rating over time should provide Council with a reasonable degree of consistency and stability.

User Fees

Principles

- Consistent increases to User Fees and Charges are applied to the LTFMP.
- Determine those fees and charges to which a user pays principle applies.
- For commercial arrangements commercial fee setting principles will apply.

Key Strategies

- Consider the application of new fees or charges where a new service is introduced or amend fees and charges where service delivery is changed significantly.
- Explore revenue raising opportunities for the Airport.

Financial Aims and Targets

- Aim to stabilise the General Local Government type fees by scheduling increases over a three-year period in line with the Local Government Cost index.
- Community Group User Fees will continue to be waived in accordance with Councils Community Fee Rationale.
- Stabilise the medium and long-term viability of Council cost areas.
- Airport Fees and Charges will be set on a business basis.

Other Revenue Sources

Principles

- Council actively pursues funding aligned with the Council's Strategic Plan Objectives.

Key Strategies

- Implementation of strategies that consider the independent Flinders Business Economic Social and Structural Review.
- Continue to maximise revenues from grants which should be reviewed in conjunction with Council's ability to meet it's "own source" cash contribution.
- Research and identify revenue streams that could complement/substitute for existing sources including seeking new and innovative funding sources.
- Investigate the rationalisation of Council assets to allow for some funding from the sale of assets surplus to communities core needs.
- As part owners of TasWater ensure that future entitlements are maintained through the owner's representatives of TasWater.

Financial Aims and Targets

- To continue to seek an equitable share of funding for Local Government from the Australian and Tasmanian Governments.
- Continue to explore possible grant funding opportunities.
- Grant opportunities should only be considered if the Council's ability to match through own source contribution does not have a detriment effect on long-term sustainability.

Debt Levels

Principles

- Council borrows funds to support capital projects that provide intergenerational equity, and any new loan borrowings are to be used to fund intergenerational capital investments where the community benefits are long-term and other sources of funding are not as favourable.
- Council will only use debt to fund capital expenditure.
- Council will allow bridging loans to fund major operational and capital projects on a case by case basis.
- If funds are borrowed to support a capital project, the capital project needs to be fully assessed to incorporate the costs of borrowing as part of its validation process.

Key Strategies

- In considering borrowing for capital projects, council will consider the impact of borrowing costs on the sustainability of operating positions and its capacity to repay the debt.
- The Long-Term Financial Strategy should ensure a healthy level of borrowing capacity to ensure that Council has the capacity to deal with significant unexpected events.
- The term of any debt shall not exceed the life of the asset it is used to fund.
- Council will review and establish a debt service ratio (principal and interest) repayments compared to operational revenue) at sustainable levels.

Financial Aims and Targets

- To continue to maintain a low debt profile.
- Borrowing needs should be accessed in conjunction with the principles of cash holding. Future strategies should consider Council's agreed ratios between cash and loans.

Infrastructure Funding

Principles

- Council, having established its critical renewal investment levels, continues to regularly update Asset Management Plans for all classes of Council assets incorporating service level assessments.
- Council, as part of the review of its Asset Management Plans, determines how service levels will be reached including a combination of improved revenue raising, review of existing service levels, asset disposal and composition of the asset portfolio.
- Council's Long-Term Financial Plan has sufficient funds for the maintenance and replacement of existing assets and acquisition or construction of new assets within the projected plan.
- Council regularly updates the Asset Renewal Program to ensure that Council adequately maintains its existing asset base.

Key Strategies

- Continue to improve the Rate base and review the need to renew assets.
- Continue to improve asset management practices with a high priority to have adequate asset assessments (condition and fit for purpose assessments) to enable reasonable long-term capital renewal forecasts which can be directly linked to long-term financial planning and annual budgets.
- The Long-Term Financial Management Plan integrates with the Asset Management Plan to assess the overall principle of ongoing sustainability.
- New asset additions must be assessed to ensure that one-off capital costs and future operational costs (including depreciation), are fully reviewed and understood, so as to pose no burden to the principle of financial sustainability for future generations.
- The asset management documentation is regularly reviewed to ensure compliance with relevant legislative requirements and accepted asset management practices.

Financial Aims and Targets

- To have a long-term equitable funding plan for adequate renewal of Council assets as well as capacity for new infrastructure to cater for Council's desired levels of service to the community.
- Council's assets will be fit for purpose to provide the desired level of service to the community.
- To ensure funds available for the development and maintenance of Council's facilities and infrastructure are consistent with responsible asset management.
- To accommodate the organisation's cash flow needs, to enable Council to carry out asset maintenance, renewal and replacement, that are based on financially sustainable service levels.
- The long-term asset-carrying level is regularly reviewed to enable Council to work towards long-term sustainability.

Operating Expenses

Principles

- Council's operating expenses will be reviewed regularly to ensure relevance to the goals of Council's Strategic Plan.
- Council's operating expenses will aim to fulfil grant obligations where grants are applicable.

Key Strategies

- Council will continually review its operating methods to optimise its operating expenditure.

Financial Aims and Targets

- Fulfil operational expenses at the best value for the community.

PART 2 - LONG-TERM ASSET MANAGEMENT PLAN, STRATEGY AND POLICY

7 Long-Term Asset Management Strategy and Plan

7.1 Overview of the Asset Management Strategy and Plan:

7.1.1 Background:

Flinders Council owns, leases and maintains a broad range of assets comprising of: Roads, Bridges and Traffic infrastructure, Airport Infrastructure (including runways), Stormwater Infrastructure, Buildings and Facilities, Plant and equipment (including Furniture and Fittings), Waste Infrastructure and Land assets.

The municipality of Flinders Island is classified as a very remote area and geographically separated from the Tasmanian mainland. As an Island, the harsh maritime conditions increase the servicing and maintenance requirements to retain the asset's useful lives, and therefore pose additional costs.

Flinders 'Very Remote' status directly results in the requirement for Council to hold a large portfolio of assets to service and maintain:

- a large network of road infrastructure;
- an Airport which is the prime access to the Island;
- Community assets such as buildings, galleries, parks and gardens, halls and a museum.

With such a small population of approximately 1000 people, Council relies heavily on grant funding to support the maintenance and renewal of assets and infrastructure.

7.1.2 Council's Goals, Objectives and Assumptions:

The main guiding principles and assumptions, that were used to prepare the Asset Management Strategy and Plans, focused on the following objectives:

- Identification of major assets and sub-classes, with detailed review of their useful economic lives and life cycles, to determine realistic timeframes for replacement, and ensure that Council's focus of expenditure is aligned to the most relevant asset classes.
- Ensuring that priority needs of Council are addressed, and that the Asset Management Plan is aligned with the financial affordability of Council in the next ten years.
- Evaluation of the replacement costs to ensure future predictions are robust, and reliable.
- Understanding the nature of the maintenance and service deliveries to ensure that Council can meet its long-term asset expectations.
- Application of benchmarks to give weighting to the assumptions driving the Plan and Strategy.
- Assessing the asset condition, based on physical assessments, historical evidence-based assumptions, and third-party assessments.
- Major infrastructure upgrades such as the Airport Runways and Road Pavements, will be supported through grant funding, and the Airport Runway will seek 100% Grant funding. The Financial Strategy has not made provision for future upgrading of the Airport Runways.

- Projects are only included in the Long-Term Asset and Financial Management Plan's when funding and costs are reasonably assured and committed to by Council.

7.1.3 Council's Asset Management Strategies to ensure the objectives are achieved:

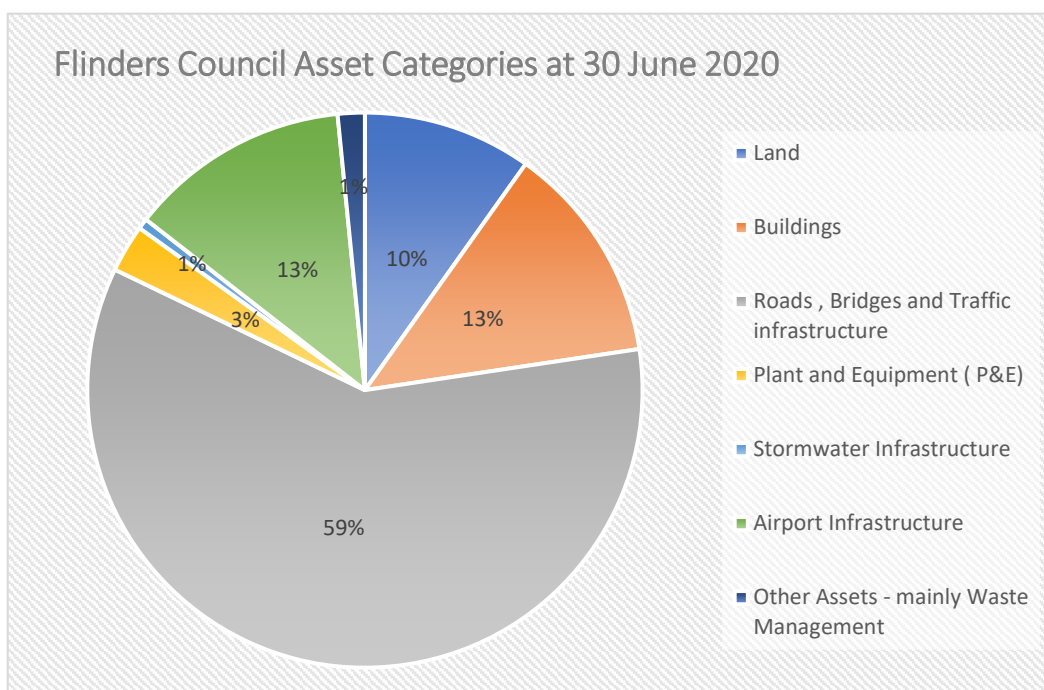
- **Grant Lobbying:** For major infrastructure upgrades such as the Airport Runways and Road Pavements, Council will be actively seeking State and Federal Grant funding to support such large capital outlays.
In 2020 the Airport Long Runway was upgraded at a cost of \$3.6 million and Council managed to secure 100% Grant Funding for this upgrade.
The Palana Road upgrade has been listed as a priority project for the last four years, and recently in 2021, Council has been advised by the Tasmanian State Government, that \$2 million will be awarded to the Council for the upgrade of the Palana Road. The Flinders Island Marine and Safe Harbour Project(FIMASH) has been awarded \$3 million to build a rockwall and jetty at Lady Barron. The Palana Road and FIMASH Projects have not been included in the Asset and Financial Plan as only projects that are reasonably assured and committed by Council have been included.
- **Plant & Machinery:** Indepth analysis has been undertaken of the existing Council Plant and Equipment, but further work will be undertaken over the next year to identify efficiency gains and opportunities that will have positive effects on the asset management program.
- **State Growth Works and TasWater:** Council to negotiate with State Growth for an economically viable model to undertake works that do not adversely impact on its capacity to undertake core business.
- **Useful Economic Lives of Assets:** Future work will be performed to provide condition reports across the road network, so as to refine the useful economic lives under the High, Medium and Low category roads, and assess the depreciation useful economic lives for consistency and accuracy.
- **Revaluations of Assets:** Council aims to ensure that assets are revalued at required intervals to ensure accuracy of data.
- **Independent Assessments:** Council will continue to utilise skilled independent consultants to review and assess major infrastructure areas such as Airport, Roads, Land, and Waste. This is to ensure legislation requirements, and standards are achieved and maintained.
- **Asset and Risk Analysis:** Council has developed an in-house Asset Management modelling tool which has been used to assess the assets and complete the Long-Term Asset Management Plan and Strategy. The model will be continually reviewed and improved to ensure reliability of the forecasted data.

7.2 Classes of Assets

At the 30th of June 2020 the assets totalled \$76 million at Fair Value / \$53 million at Book Value. The extent of future cash outlays on the extensive range of assets is a burden on cash reserves. The Asset Management Plan has assessed all asset categories, and provided a strategic approach to address our priority needs over the next ten years, to best maintain and replace our existing asset base, whilst striving to meet operational cash sustainability. The asset management plan has applied current replacement cost plus 3% Consumer Price Index (CPI).

FLINDERS COUNCIL Classification 1	ASSET RENEWAL PLAN 2021 to 2031 Classification 2	Closing Cost at 30 June 2020	Closing Accum Depreciation at 30 June 2020	Closing Book Value at 30 June 2020
		000's	000's	000's
Airport Infrastructure	Airport Infrastructure	8,308	1,432	6,877
Roads	Roads, Bridges and Traffic	40,619	13,947	26,672
Bridges	Roads, Bridges and Traffic	6,791	2,545	4,246
Drainage	Stormwater Infrastructure	452	122	330
Footpaths & Cycleways	Roads, Bridges and Traffic	1,456	608	849
Land Under Roads	Land	2,053	-	2,053
Buildings	Buildings	4,700	330	4,370
FF - Art Work	Plant and Equipment (P&E)	14	-	14
Fixtures, Fittings & Furniture	Plant and Equipment (P&E)	59	18	41
Furniture & Fittings	Plant and Equipment (P&E)	167	155	12
Land	Land	3,197	-	3,197
Land Improvements - Quarries	Buildings	155	36	119
Leasehold Improvement	Buildings	403	46	356
Leasehold Improvements at Replacement Cost	Buildings	2,063	84	1,980
Plant & Equipment	Plant and Equipment (P&E)	4,207	2,794	1,413
Recreation, Leisure and Community Facilities	Other Assets	307	32	276
Waste Management	Other Assets	565	88	477
Work In Progress	Roads, Bridges and Traffic	92	-	92
TOTAL ASSETS		75,608	22,236	53,373

ASSET CATEGORIES - Classification 2	Value at 30 June 2020 in 000s	%
Land	5,250	10%
Buildings	6,829	13%
Roads, Bridges and Traffic Infrastructure	31,766	59%
Plant and Equipment (P&E)	1,480	3%
Stormwater Infrastructure	330	1%
Airport Infrastructure	6,877	13%
Other Assets - mainly Waste Management	840	2%
TOTAL	53,372	100%



7.3 Infrastructure Revaluation Schedule

Council measures and recognises assets at fair value on a recurring basis, and undertakes periodic revaluations to recognise the fluctuations and ensure replacement costs are realistic. The table below indicates the next scheduled revaluation dates.

Asset Class	Last Date Performed	Next Scheduled Date
Land		
Land - Property at fair value	30th June 2017	30th June 2023
Land- Under Roads	30th June 2020	30th June 2027
Buildings	30th June 2017	30th June 2023
Roads, Bridges and Traffic Infrastructure		
Roads	30th June 2017	30th June 2023
Bridges	30th June 2014	30th June 2021
Stormwater Infrastructure	30th June 2014	30th June 2021
Airport Infrastructure	30th June 2018	30th June 2023

7.4 Asset Useful Economic Lives

The Useful Economic Life of an Asset is the expected period of time during which an asset remains useful and it may differ to its actual physical life. The table below outlines the 'Useful Economic Lives applied for Depreciation' as compared to the expected 'Council applied Useful Economic Lives as used for the Asset Forecast'.

Road Useful Lives are based on historical knowledge of road wear and tear, existing traffic numbers, and does not account for future changes to traffic volumes and types of vehicles.

Recent reports from Pitt and Sherry Consulting (2018) have been used to form the basis for the expected lives of the Sealed Pavements of Palana and Memana roads, and identified that approximately 50% of the pavements would require reconstruction within 20 years. In 2020, an independent roads consultant, was used to inspect and assess the condition of the roads and the quality of the material; the general consensus being that the materials used in the pavements (extracted from our quarries) was of good condition.

Very little information exists to benchmark the Useful Lives, however, a review was conducted by Tonkin Consultancy in 2014, of 31 councils in South Australia. The results were published in a report 'Infrastructure Asset Useful Lives - Local Government Association of SA -2014'.

The survey published the following, which has been used to benchmark the reasonableness of Flinders Council's Useful Economic Lives:

Road Type	Useful Economic Lives - MIN	Useful Economic Lives - MAX	Useful Economic Lives - AVG	Quality of Material	Traffic Use	Flinders Applied Useful Lives
Resheeting Unsealed Road - High Road Use	10	31.5	19	Good		14
Resheeting Unsealed Road - High Road Use	10	26	16	Poor		
Resheeting Unsealed Road - Med Road Use	12	40	24	Good		19
Resheeting Unsealed Road - Med Road Use	8	32	20	Poor		
Resheeting Unsealed Road - Low Road Use	20	50	31	Good		25
Resheeting Unsealed Road - Low Road Use	20	40	27	Poor		
Resealing - Sealed Road	15	30	21	N/A	Normal	20
Resealing - Sealed Road	15	25	19	N/A	Heavy	
Pavement - Sealed Road	20	85	68	N/A	Normal	50
Pavement - Sealed Road	20	90	52	N/A	Heavy	

Future work will be performed to provide condition reports across the road network, so as to refine the useful economic lives under the High, Medium and Low category roads.

Asset Category	Category of Road	Useful Economic Life applied for Depreciation	Council applied Useful Economic Lives for Asset Forecast	Quantification of Asset	Quantification of Asset - description
Resheeting	High-Use	10 years	14 years	50	Kms
Resheeting	Medium-Use	10 years	19 years	104	Kms
Resheeting	Low-Use	10 years	25 years	124	Kms
Resealing	High-Use	15 years	20 years	75	Kms
Resealing	Medium-Use				
Reconstruction - Sealed	High-Use	50 years	50 years	75	Kms
Reconstruction - Unsealed	All-Use	100 years	100 years	278	Kms
Bridges - Guard rails		40 years	40 years	29	Bridges
Bridges - Super structure		80 years	80 years	29	Bridges
Bridges - Substructure		80 years	80 years	29	Bridges
Footpaths and Cycleways - Kerb		50 - 60 years	50 - 60 years	8.45	Kms
Footpaths and Cycleways - Footpath concrete		40 years	40 years	3.7	Kms
Footpaths and Cycleways - Footpath bitumen		20 years	20 years	1.6	Kms
Stormwater pipe and pits		100 years	100 years		Length of Pipe 2500kms/ Qty 93 pits
Airport Infrastructure - Runways & Taxiway Pavement - Foam Stabilised		30 years	30 years	1.7	Kms
Airport Infrastructure - Runways & Taxiway Pavement		30 years	30 years	1.2	Kms
Airport Infrastructure - Runways and Taxiway Bituminous Seal		15 years	15 years	2.9	Kms
Plant & Equipment		5 - 15 years	5 - 15 years	various	
Recreation Leisure & Community Facilities		15 years	15 years	various	
Waste Management - Landfill site works		50 years	50 years	various	
Waste Management - Waste Cells		3 years	3 years	as required	

7.5 Land - Council owned Land

Land was valued utilising the municipal valuations undertaken by the Office of the Valuer General as at June 2017. The valuations of Land is at Fair Value based on the highest and best use permitted by relevant land planning provisions.

Flinders Council has identified that there is a need to review the use of land assets held by Council, and whether some of these assets may be released for public sale, to aid future funding or achieve better utilisation of community resources.

Land Under Roads: Council recognised the value of Land Under Roads it controls at Fair Value. Land Under Roads was revalued at 30 June 2020.

In 2012, an Airport Masterplan was developed to provide strategic direction for the Airport site, and future opportunities were identified in the masterplan. Some of these included development of commercial and private hangers, fuel storage and a potential industrial precinct areas. Future strategies in respect of Airport Land utilisation will need to be reviewed alongside Councils' assumptions in respect of the Airport Runway assets.

An independent review has been conducted in prior years, which identified that there is a shortage of available and affordable housing on the Island. From the analysis table below of Property at Fair Value, there is very limited scope for Council to utilise its Land assets to support future strategies to improve the housing shortage.

Land - Property at Fair Value	3197
Land - Under Roads	2053
Total Land	5250

Land - Property at Fair Value:	3,197
Airport	430
Cape Barren	58
Cemeteries	147
Communications Facility	19
Crown Section 12	448
Depot	170
Gallery	16
Halls	94
House	104
Lady Barron Tennis Courts	83
Museum	70
Public Open Space	249
Public Toilets	122
Quarries	685
Tip and Transfer Stations	372
Whitemark Lagoon	42
Whitemark Tennis Courts	90

7.6 Buildings and Improvements

7.6.1 Buildings Valuation:

The Fair Value of Buildings was determined by the Officer of the Valuer General at 30th June 2017.

FLINDERS COUNCIL Classification 1	ASSET RENEWAL PLAN 2021 to 2031 Classification 2	Closing Cost at 30 June 2020	Closing Accum Depreciation at 30 June 2020	Closing Book Value at 30 June 2020
		000's	000's	000's
Buildings	Buildings	4,700	330	4,370
Land Improvements - Quarries	Buildings	155	36	119
Leasehold Improvement	Buildings	403	46	356
Leasehold Improvements at Replacement Cost	Buildings	2,063	84	1,980
TOTAL BUILDINGS, IMPROVEMENTS AND LEASEHOLD IMPROVEMENTS		7,321	496	6,825

Closing Cost at 30 June 2020

Description	Buildings	Land Improvements - Quarries	Leasehold Improvements - at Replacement Cost	Leasehold Improvements at Fair Value	Total
Airport buildings	1,909,703				1,909,703
Art Gallery	39,956				39,956
Boat ramps				117,766	117,766
Cemetery	6,000				6,000
Council Main Office & Halls	12,369		1,976,056		1,988,425
Emita Hall	465,186				465,186
Holloway Park				120,720	120,720
House - Robert St	230,000				230,000
House Martin St	141,000				141,000
Lady Barron Memorial Hall	667,565				667,565
Lady Barron Tennis Court	52,500				52,500
Memorial Emita	15,318				15,318
Museum Emita	210,000				210,000
P&G Bakery Park	6,000				6,000
Public Toilets	61,417		87,274	164,107	312,798
Quarry Canns Hill	45,000	111,712			156,712
Quarry Lughrata	40,000	43,407			83,407
Quarry Manns Pitt	10,000				10,000
Whitemark Showgrounds	245,664				245,664
Whitemark Tennis Courts	20,000				20,000
Whitemark Waste Site	102,500				102,500
Works Office Depot	273,193				273,193
Works SES buildings	146,245				146,245
Closing Cost at 30 June 2020	4,699,616	155,119	2,063,330	402,593	7,320,657

Written Down Value at 30 June 2020

Description	Buildings	Land	Leasehold	Leasehold	Total
		Improvements - Quarries	Improvements - at Replacement Cost	Improvements at Fair Value	
Airport buildings	1,777,552				1,777,552
Art Gallery	34,608				34,608
Boat ramps				106,492	106,492
Cemetery	5,596				5,596
Council Main Office & Halls	12,266		1,896,905		1,909,171
Emita Hall	421,430				421,430
Holloway Park				103,834	103,834
House - Robert St	214,826				214,826
House Martin St	131,373				131,373
Lady Barron Memorial Hall	639,988				639,988
Lady Barron Tennis Court	48,965				48,965
Memorial Emita	13,266				13,266
Museum Emita	195,858				195,858
P&G Bakery Park	5,596				5,596
Public Toilets	55,145		82,909	145,806	283,860
Quarry Canns Hill	42,300	78,198			120,498
Quarry Lughrata	37,600	40,803			78,403
Quarry Manns Pitt	9,340				9,340
Whitemark Showgrounds	230,911				230,911
Whitemark Tennis Courts	18,653				18,653
Whitemark Waste Site	95,779				95,779
Works Office Depot	257,387				257,387
Works SES buildings	121,129				121,129
Written Down Value at 30 June 2020	4,369,569	119,001	1,979,815	356,131	6,824,516

Buildings and facilities were physically inspected and reviewed in detail in 2018.

The main principles applied during this assessment included (but are not limited to):

- Health and Safety considerations;
- Avoidance of asset deterioration;
- Committed obligations e.g. work required to complete / comply with a grant conditions;
- Age of asset and expected useful life; and
- Physical identification of major assets and their subcomponents.

7.6.2 Strategies for future Building and Infrastructure acquisitions:

In past years, there has been a significant amount of grant funding to upgrade halls and buildings, therefore the asset maintenance program for the next ten years requires very little capital upgrades in this area. In more recent years, Council has received Federal Government funding to repair and maintain community facilities, which will continue into 2022.

Buildings and Facilities of Council span a wide range of assets as listed below. The upkeep and maintenance of these assets include regular cleaning, adhoc repairs and maintenance, ongoing replacement of fixtures and fittings, and intermittent capital upgrades to buildings, which are normally part grant funded.

The ten year program aims to maintain and upgrade existing council assets, and does not account for any new asset acquisitions.

BUILDINGS & FACILITIES CATEGORIES		
Category 1	Category 2	Facility Description
Buildings & Facilities Council Buildings	TMTCO - Council Office	Main Council Office, with public access to Visitor Information Centre, Community Development and Development Services.
Buildings & Facilities Council Buildings	TMTWB - Works Buildings	Works Depot sheds and outbuildings; Plant and Equipment housing and maintenance.
Buildings & Facilities Council Buildings	TMTWO - Works Office	Works Depot house/office.
Buildings & Facilities Halls	TMTFAEC1 - FAEC Hall	Whitemark FAEC public hall, Rose Garden Room and Memorial; For use by Council and Community for meetings and events.
Buildings & Facilities Halls	TMTLH1 - Lady Barron Hall	Lady Barron Memorial public hall. Used by Community and Council for meetings and events. It also has a section designated for the gym.
Buildings & Facilities Houses	TMTH1 - Robert Street	House - Council rented staff accommodation.
Buildings & Facilities Houses	TMTH3 - Martin Street	House - Council rented staff accommodation.
Buildings & Facilities Other	TMTAG - Art Gallery	Whitemark - Leased to Furneaux Community Arts. Building maintained by Council.
Buildings & Facilities Other	TMTMAC1 - Maintenance - Child Care Centre	Whitemark - Leased to Northern Children's Network. Building maintained by Council.
Buildings & Facilities Other	TMTMU1 - Museum Building	Emita Museum, Council maintains the exhibition building and lawn mowing. The Furneaux Historical Research Association Inc. maintains the Artifact Buildings and upkeeps the gardening.
Buildings & Facilities Public Toilets	TMTPT1 - Public Toilets- All 4	Public Toilets at Whitemark Foreshore, Yellow Beach, Killiecrankie and Lady Barron Tennis Courts (and all include showers).
Buildings & Facilities Recreation Facilities	TMTMAH1 - Maintenance - Holloway Park	Lady Barron Holloway Park utilised by Community groups. Leases provided to Lapidary Club, and Furneaux Maritime History Association Inc. (FMHA). Building maintained by Council.
Buildings & Facilities Recreation Facilities	TMTMAK1 - Maintenance - All BBQs	Barbeques are at Whitemark Foreshore, Yellow Beach, Killiecrankie, Allports, and Council cleans and provides gas for the free BBQs.
Buildings & Facilities Recreation Facilities	TMTMAS1 - Maintenance - Whitemark Showgrounds	Whitemark Showgrounds utilised by the Community for a range of recreational activities, e.g. Annual Show; Pony Club; Junior Football; Lions Club Market; Community Shed and various events.
Buildings & Facilities Recreation Facilities	TMTMAS2 - Maintenance - Emita Sports Ground	Emita Sports Club utilised by the Community for a range of recreational activities, e.g. Twilight Cricket; Emita Sports Day; School Holiday Programs; various events.
Buildings & Facilities Recreation Facilities	TMTMAT1 - Maintenance - Tennis Courts Lady Barron	Public Space for Community exercise.
Buildings & Facilities Recreation Facilities	TMTWG1 - Whitemark Gym	Lions Club Building is leased to Council for the purpose of providing a gym in the Whitemark township.
Buildings & Facilities Recreation Facilities	CDVLBGYM - Lady Barron Community Gym	Lady Barron hall is utilised to provide a gym space in the Lady Barron township.
Buildings & Facilities Recreation Facilities	Library (not owned by Council)	Island Library; Not a Council-Owned asset, however historic practice is to maintain some of the exterior building maintenance and public toilets.
Airport Buildings	AIROB1 - Airport - Office Buildings	Airport Depot sheds and office.
Airport Terminal	AIRTB1 - Airport - Terminal Building	Airport Terminal leased to Sharp Airlines and Flinders Island Car Rentals. Building is maintained by Council.
Roads & Streets Boat Ramps	TMTMAB1 - Maintenance - Boat Ramps	Main boat ramps include: Whitemark, Palana and Port Davies.
Emita Monument Cemetery	Emita Cenotaph	ANZAC Memorial.
Works SES buildings	Grounds and Niche Wall	Cemetery grounds and Niche Wall for placing ashes.
Whitemark Tennis Courts	SES Buildings	State Emergency Services (SES) meeting room and sheds, to house SES vehicles and equipment.
Whitemark Waste Site	Whitemark Tennis Court	Redundant tennis court, with expressions of interest released in June 2021 for potential sale.
Bakery Park	Waste Site improvements	Waste Site improvements - sheds.
	P&G Bakery Park	Shade structure.

7.7 Roads, Bridges and Traffic Infrastructure (Footpaths and Cycleways)

The Roads, Bridges and Traffic infrastructure comprise 59% of the total Council assets. Individual asset management plans have been developed to address Council's priority needs over the next ten years, using condition assessments, benchmarking, and independent asset inspections.

7.7.1 Roads

7.7.1.1 Road Overview:

Council categorises its road infrastructure as rural roads and then further subcategorises these into sealed and unsealed roads. A further classification is used to determine the High, Medium and Low use roads, to determine the road Useful Economic Life.

All road segments are divided into Formation, Pavement and Surface components. Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

The present condition of the road network is in reasonably good shape, and the resealing program is ahead of schedule. The 2021/2022 Budget Estimates has reviewed the resourcing levels to ensure the basic maintenance schedule of the Roads and Streets can be achieved.

Capital Category and Classification of Road Works.

Category 1	Category 2	Category 3 Traffic Use
Sealed	Formation; Pavement; Surface	High-Use
Unsealed	Formation; Pavement; Surface Resheet	High-Use; Med-Use; Low-Use

Maintenance Category and Classification of Road Works.

Category 1	Category 2	Category 3 Traffic Use
Sealed	Bitumen Patching; Edge breaks; Gravel shoulder edging; Slashing; Herbicide spraying; Roadside guideposts and signage; drainage works.	High-Use
Unsealed	Potholing; Grading; Slashing; Herbicide spraying; Roadside guideposts and signage; drainage works.	High-Use; Med-Use; Low-Use

Road Network:**Sealed Road Network**

	High-Use	Medium-Use	Low-Use	Total
Sealed (Bitumen) Kms	75	0	0	75
No of Roads	33	0	0	33
Main Roads based on length of road	Palana, Lackrana and Memana, Lucks, Melrose, Bluff, Port Davies, Thule, Franklin Parade, Barr Street.			
State owned, managed by Council	State Growth Road - Lady Barron (28 km)			28

Unsealed Road Network

	High-Use	Medium-Use	Low-Use	Total
Unsealed (Gravel)	51	104	125	279
No of Roads	3	17	20	40
Main Roads based on length of road	Coast, Palana, Trousers Point.	Fairhaven, Melrose, North East River, Wingaroo, Memana gravel.	Five Mile, Thule, Big River, Edens, Logan, Lagoon, Boat Harbour, Wallinippi, Reedy Lagoon, Summers, Summer	



7.7.1.2 Roads Program - Planned Expenditure:

The long-term roads capital and operational program below has been aligned to the expected useful lives of assets, and to ensure the Roads to Recovery and Financial Grant Assistance conditions have been met.

FLINDERS COUNCIL Classification 1	Roads, Bridges and Traffic Infrastructure program 2021 to 2031 Classification 2	Classification 3	Total 10 years 000's	Number of Kms
Roads	Roads, Bridges and Traffic Infrastructure	Capital	4,761	
Roads Formation	Construction		-	
Roads Pavement	Reconstruction		1,005	10
Roads Surface Sealed	Reseals		1,688	24
Roads Surface Unsealed	Resheeting		2,068	96
Bridges	Roads, Bridges and Traffic Infrastructure	Capital	197	
Drainage	Stormwater Infrastructure	Capital	-	
Footpaths & Cycleways	Roads, Bridges and Traffic Infrastructure	Capital	112	
Land Under Roads	Land	Capital	-	
TOTAL CAPITAL COSTS			5,070	130
Maintenance Program Costs excl depreciation	Roads, Bridges and Traffic Infrastructure	Operations	6,109	
TOTAL OPERATIONAL COSTS			6,109	
TOTAL ROAD PROGRAM			11,179	

Roads Capital Maintenance Program:

The projected capital expenditure for the next ten years on Roads is \$4.8 million, which includes CPI of 3%.

Capital Road Program for ten year period 2021 to 2031

Asset Category	Cost per Km \$	Planned for ten year period 2021 to 2031 in Value (including 3% CPI) \$	Planned for ten year period 2021 to 2031 in Kms	Annual average Kms	Annual average Kms benchmark	% Achieved
Resheeting	\$18,800	2,067,583	96.5	9.6	13.0	74%
Resealing	\$60,000	1,688,200	24.4	2.4	3.8	65%
Reconstruction - Sealed	\$90,000	1,005,000	9.6	1.0	1.7	57%

- **Resheeting**

Resheeting applies to gravel roads only, and is the replenishing of gravel for unsealed surfaces. Gravel is obtained from our quarries, and it is assumed that materials are consistent across the ten year period. Council has scheduled resheeting works evenly throughout the ten year period, in alignment with the asset management requirements and the financial cash management plans.

The Unsealed Road network is approximately 279km, and 14 years is applied on High-Use roads, 19 years on Medium-Use roads and 25 years on Low-Use roads.

The resheeting program allows for 74% of the target kilometres(kms). This means that the focus will be on the high and medium use roads in the next ten years. The cost per km for resheeting is calculated at \$18,800, based on an average of 6000 square metres (sqm).

The benchmark over the total network of 279 km applies a mean average of 21 years to give an average of 13 km a year.

- **Resealing**

Resealing is performed inhouse, and consists of applying a spray seal of bitumen and aggregate. Labour and material costs are assumed to be consistent across the ten year period.

The cost per km for resealing is calculated at \$60,000, based on an average of 6000 sqm. The total kms planned for the ten year period is 24.4 km and includes 10 kms to be allotted to reconstruction sealing.

The benchmark takes the total network of 75km and divides it by an average of 20 years useful economic life, as applied by the asset forecast, to achieve an expected 3.8 average kms.

- **Reconstruction**

The cost per km for reconstruction is calculated at \$90,000, based on an average of 6000 sqm. The total kms planned for the ten year period is 9.6 km. The reconstruction requires specialist contractors to stabilise the pavements, prior to sealing (which is done inhouse - see resealing above).

Reconstruction of Palana Road and Memana Road uses the assessment as indicated in the Pitt and Sherry report. For all other sealed roads we have assumed that a similar estimate would apply as the pavement materials are consistent.

The benchmark applies the 2018/19 Pitt and Sherry report for Palana and Memana Road, which recommended that 50% reconstruction should be completed within 20 years. Bitumen Roads excluding Streets is 75km, so this would be 1.7km a year.

Roads Operational Maintenance Program:

The projected operational maintenance expenditure for the next ten years on Roads is \$6.1 million, which includes CPI of 3%. This includes the additional 'Local Roads and Community Infrastructure Grant' (LRCI) funding for road maintenance of \$597k, which is budgeted in 2021/22 and 2022/23.

Sealed Road Network - Operational Maintenance Program

	High-Use	Medium-Use	Low-Use	Total
Sealed (Bitumen) Kms	104	0	0	104
Operational Maintenance				
Pothole, patch	2-4 times a year	N/A	N/A	
Edge Breaks	1 times a year (once a year)	N/A	N/A	
Shoulder Edging	0.5 times a year (half the bitumen roads a year)	N/A	N/A	
Slashing	0.5 times a year (half the bitumen roads a year)	N/A	N/A	
Herbicide Spraying	1 times a year (once a year)	N/A	N/A	

Unsealed Road Network - Operational Maintenance Program

	High-Use	Medium-Use	Low-Use	Total
Unsealed (Gravel)	51	104	125	279
Operational Maintenance				
Grade	3-5 times a year	1-2 times a year	0.5-1 times a year	
Pothole	3-5 times a year	1-2 times a year	0.5-1 times a year	
Slashing	0.5 times a year	0.25 times a year	0.25 times a year	
Herbicide Spraying	1 times a year	1 times a year	1 times a year	

7.7.1.3 Roads Grants:

Council receives a Roads to Recovery Grant which averages \$300k per annum, and also allocates 28% of the Financial Assistance Grant to the roads program.

In addition to the above grants, Council actively seeks further grant funding to assist the roads program. In 2022/23 the Council will be utilising the LRCI Grant of \$ 597k over two years to focus on increasing the maintenance of 'Low Priority' roads in the upcoming years. 50% of this grant has been included in the 2021/2022 Budget Estimates.

Council have placed the Palana Road on the priority list for upgrade, and the Tasmanian State Government has awarded \$2 million towards the reconstruction of the Palana Road. This has not been included in the LTAMP as yet and will be included when funds and costs are reasonably assured and committed to by Council.

7.7.2 Bridges

Bridge Infrastructure consists of 29 bridges. All the bridge structures have been converted from timber to concrete.

The guard rails on bridges were not meeting the required standards so the long-term strategy is to upgrade all the guard rails. The capital program plans to complete this exercise by 2023. Council has spent \$240k on the guard rail upgrade program between 2018 and 2020, and the program is near completion as at 30 June 2021.

In January 2021, the Bowmans Creek Bridge on Lackrana Road failed due to an extreme weather event, which took out the bridge foundation. The bridge will be reconstructed in 2021 using emergency grant funding.

The asset model is based on requirements due to age and does not account for unforeseen events.

Bridges are scheduled for revaluation at 30 June 2021, and general ongoing maintenance on bridges is based on bi-annual bridge inspections by AusSpan.

7.7.3 Footpaths and Cycleways (includes Kerb and channel)

Footpaths have an average useful economic life of 40 years and kerbs have an estimated life between 50 and 60 years. Although no footpath works are flagged in the next 10 years, the program allows for minor essential repairs. Council will seek grant infrastructure opportunities to upgrade the footpath network in future years if required. Concrete Footpaths are only in the townships of Whitemark and Lady Barron, and in recent years (2018/2019) Council has spent \$150k on upgrading Footpaths and Cycleways (which includes a bitumen cycleway in Whitemark to the School). Very little capital upgrades are required in the next ten years.

A **Pedestrian Crossings** survey was completed by a Brighton Council Engineer (in approximately 2015), who identified the Pedestrian Crossings in Whitemark did not meet the current regulatory standards. In 2018 the Council commenced a strategy to improve the Pedestrian Crossings in Whitemark and Lady Barron which was scheduled for completion in 2023. Council has completed approximately 75% of crossings by June 2021, and the balance is on track for completion.

Kerbs and Gutters: in prior years 2018/2019, Council spent \$70k on additional Kerbs and Gutters in Whitemark and Lady Barron, and the planned expenditure for essential replacement of existing Kerbs and Gutters is \$100k.

7.8 Stormwater

Stormwater Infrastructure consists of pipes and pits in the townships of Whitemark and Lady Barron. The useful life of the assets is approximately 100 years, and therefore there are no planned upgrades in the next ten years. Stormwater assets have a book value of \$330k at 30 June 2020, and are due for revaluation at 30 June 2021. Physical evaluation of Stormwater pipes has indicated drainage issues, which require further investigation in the short to medium term.

Stormwater Infrastructure

Stormwater Infrastructure	Pipe in meters	Pits Quantity
Lady Barron township	1700	52
Whitemark township	800	41
Total	2500	93

7.9 Airport Infrastructure

Flinders Island, as the largest and most inhabited of the Furneaux Group of islands, is highly dependent on its airport. The airport is wholly owned and operated by Flinders Council, which has the smallest rate base in Tasmania. The highly regulated asset, with ever changing legislative demands places an enormous burden on Council.

The **Airport sustainability** has been questioned and reviewed by previous councils, and there was hope that it could be possible to achieve sustainability. Unfortunately, with recent expenditure outlays on the Airport Long Runway, such a myth has been dispelled, as the \$3.6 million upgrade required 100% grant funding, with Council's inability to fund major infrastructure costs.

User fee increases to maintain normal operations are predicted at 3% for three years, and an ongoing 5% a year. User fee income does not contribute towards the capital upgrades of the runways. If Council attempted to recoup the costs of the runways, this would see significant increases in the Regular Passenger Transport(RPT) flight costs, which would have detrimental consequences for the RPT and smaller charters. We believe this method is not considered tenable given the adverse effects this will have on the price of airline tickets and Council's desire to improve on the affordability of access to the Island.

The airport has two runways - Long Runway just recently upgraded, and a Short Runway which will be in need of upgrade in approximately year 2033. Future upcoming upgrades of the Short Runway and ongoing smaller upgrades to the Long Runway are expected to be \$4 million. Council's inability to provide for this funding therefore requires 100% funding from either the Federal Government, State Government or both.

Assumption: The Long-Term Asset Management Plan assumes that 100% grant funding will be achieved from either the Federal Government, State Government or both, to support the Airport Runway Infrastructure. All other Airport Infrastructure which includes the Terminal Building, Plant and Equipment, will be included in the Asset Management Plan.

The Long-Term Financial Management Plan has allocated the **normal operational maintenance costs**, which average approximately \$460k per annum, towards the Airport operational and servicing requirements, and nil capital expenses are projected for the next ten years.

AIRPORT INFRASTRUCTURE

Written Down Value at 30 June 2020	Long Runway	Short Runway	Taxiways and Aprons	Total
Airport Runway Formation	1,197	756		1,953
Airport Runway Pavement	2,802	659	434	3,895
Airport Runway Surface	647	306	76	1,028
Total	4,646	1,721	510	6,877

Replacement Value at 30 June 2020	Long Runway	Short Runway	Taxiway and Apron	Total
Airport Runway Formation	1,197	756		1,953
Airport Runway Pavement	2,818	1,798	543	5,158
Airport Runway Surface	654	417	126	1,197
Total	4,669	2,971	669	8,308
Segment Length in Kms	1720	1070	155	2945



7.10. Waste Infrastructure

7.10.1 Council Planned Expenditure:

Waste Infrastructure is at present mainly related to site infrastructure works at the Whitemark Landfill, which include sheds and road works. Future Waste Infrastructure will also include the construction of Lined Waste Cells, as explained below in the Waste Strategy.

Council has planned to spend on average \$303k per annum (as per the Budget 2020/21 expenditure), to manage the Island's waste, and the Capital requirements have a predicted expenditure of \$435k over the next ten years.

7.10.2 Council Waste Strategy:

Council's Waste Strategy has been developed to comply with strict environmental regulations, workplace health and safety legislation, and to ensure longevity of the landfill site.

The previous Council Waste Strategy identified a need to reduce the amount of waste going into Landfill, otherwise Council would require a new site in under ten years. The prior strategy aimed to 'bale collected household bins and deposit them in lined cells'. This strategy has been revised, due to the high estimated costs of bin collection, and the inability to monitor waste streams destined for the baler.

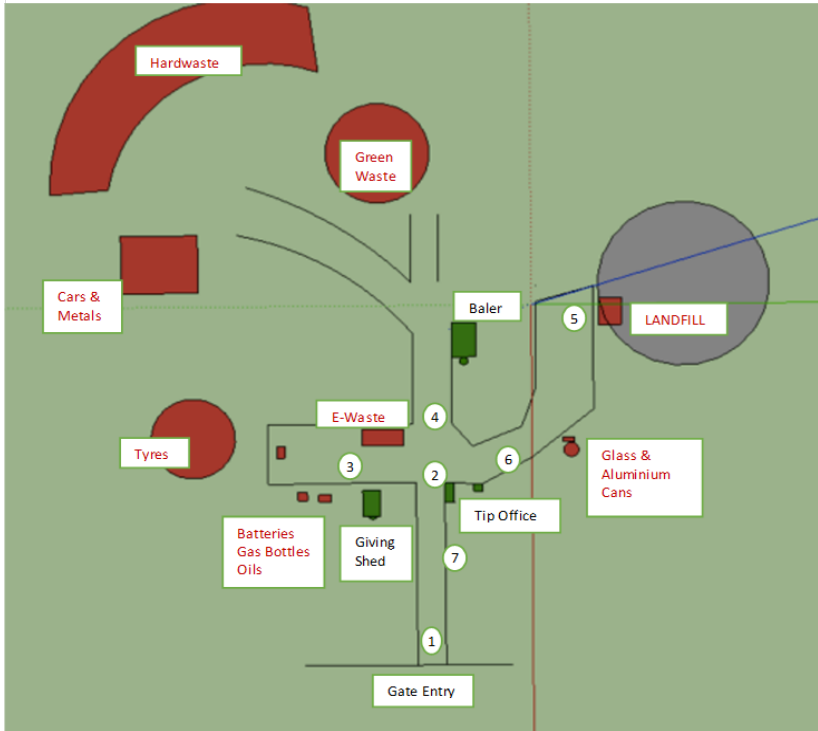
The current waste strategy aims to:

- Sort waste at the Whitemark Landfill and the transfer stations, to enable the baler to operate without risk of contamination;
- Restrict public access at the landfill and transfer stations, to avoid contamination, and address public health and safety needs;
- Build lined cells and a leachate management pond, to comply with environmental regulations;
- Bale segregated waste streams, to limit the volume of waste going into the cell.

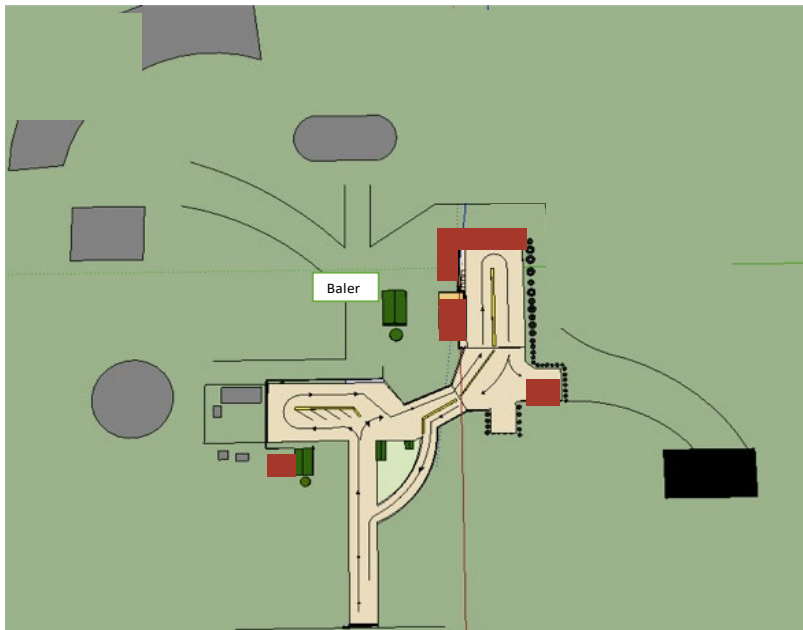
In 2020/21 Council has commenced the waste project utilising \$130k LRCI Grant funding and \$160k own source funds to construct the infrastructure required for the strategy. Below slides, show the changes that will take place at the Whitemark Landfill site in the upcoming years.

**WASTE LANDFILL SITE- WHITEMARK TIP
BEFORE PROJECT**

- WASTE AREAS ACCESSIBLE TO PUBLIC
- WORK SHEDS
- 1 Road Markings for Points of Reference

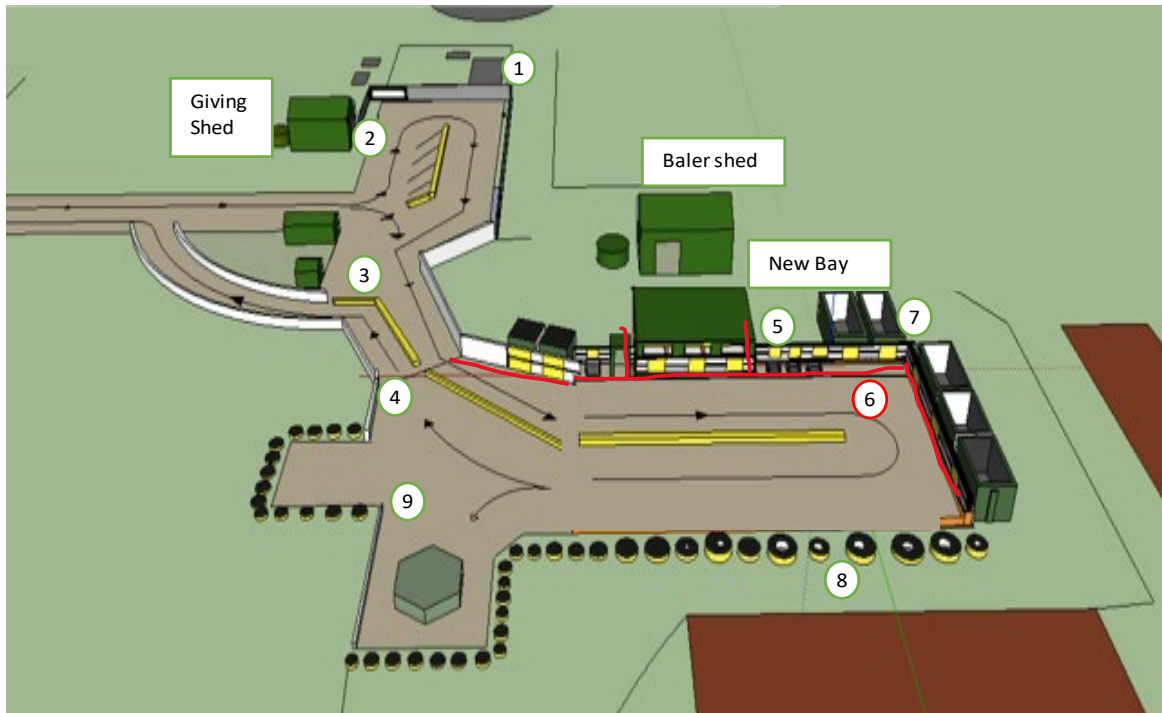


- WASTE AREAS ACCESSIBLE TO PUBLIC NOW CONTAINED
- WORK SHEDS
- Designated access roads for public use



Waste access has been significantly restricted by fencing off areas and creating a new waste deposit area; and new access roadways.

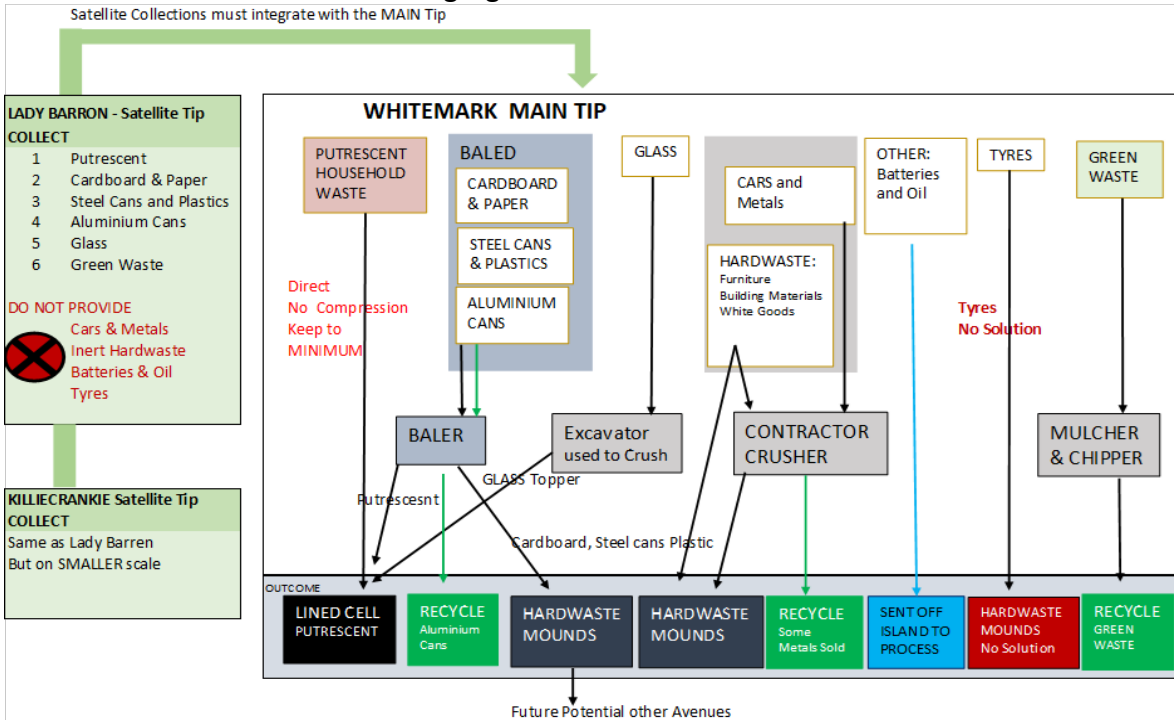
BELOW INFRASTRUCTURE CHANGES:



LEGEND FOR INFRASTRUCTURE:

- ① Fencing off work areas from public access areas.
- ② Creation of safe carparking area for public, adjacent to Giving Shed.
- ③ Vehicular Road Safety Railing and Signage to direct traffic.
- ④ Creation of new access roadways to ensure safe movement of traffic.
- ⑤ Pedestrian Safety Barrier Rail and Waste Signage.
- ⑥ Retained Wall.
- ⑦ Waste bins repainted to remove old signage and prevent rusting.
- ⑧ Tyre wall to prevent access to old Landfill pit. Pit to be filled in.
- ⑨ New areas for Green Waste.

Table below shows the intended segregated Waste Streams of Council and treatments.



7.10.3 Waste assumptions:

The new waste strategy has forecast \$435k capital expenditure in the next ten years, for initial infrastructure to set up the waste collection stations and ongoing building of lined cells. The number of lined cells required is based on an assumed level of waste streams which affect the tonnage going into Landfill, as per slide below.

WASTE MODEL ASSUMPTIONS						
Assumptions	Field	%	Total Waste per Annum (Tonnes)	Baled (tonnes)	Chipped/Mulch (tonnes)	Land Fill Cell (tonnes)
1a Annual household waste is computed as per ABS; and converted it to average per person- 593 tonnes a year based on 1010 people	Tonnes a year based on 1001 people		545			
1b Additional visitor waste is assumed to increase average by 16% (assumes 8000 visitors contributes 1 week waste each)		Visitor Waste	87			
Total		Total Household Waste	632			
2a 50% of waste is Organic Stream (ORG -green waste & foodscraps & cardboard)	Organic Stream(green waste & foodscraps & cardboard)	50%	316			
2b 50% is Plastic, Glass and Packaging and Cans stream (PGPC)	PGPC - Plastics Packaging and Cans	50%	316			
3a 30% of Organic waste food scraps is put into lined cell	Food scraps & meat scraps	30%	95			95
3b 25% of Organic green waste - chipped / mulched	Green Waste	25%	79		79	
3c 45% of Organic green waste - cardboard, baled not put in cell	Cardboard	45%	142	142		
4a 33% of PGPC stream is glass - used as capper for cell	PGPC - Glass	20%	63			63
4b 50% of PGPC is Plastics and Packaging - to be Baled - not put into the cell	PGPC -Plastics & Packainq	50%	158	158		
4c 17% of PGPC is Other (sanitary) Landfill - goes straight into the cell	PGPC - Other Landfill	30%	95			95
	Tonnes		632	300	79	253
				48%	13%	40%

7.11 Plant and Equipment

Plant replacement and maintenance is affected by the Island's 'Very Remote' disadvantage, where Council is required to hold and maintain expensive, under-utilised plant and machinery.

Hiring local contract plant and equipment is a more expensive option and less flexible, and therefore it is used in limited circumstances, where it is not practicable for Council to use its own resources.

Leasing options, have few gains to be achieved as larger, more expensive machines are purchased second hand (realising cost savings) because of the lower utilisation of assets on Flinders Island. For the small to medium sized assets like vehicles and smaller trucks, the option to lease is not viable as it would be more expensive, and most likely prohibitive due to remoteness.

Council has planned to spend approximately \$4 million to replace aging plant and equipment in the next ten years. The useful life of major plant and equipment is extended through continuous maintenance and lower operational hours. The replacement of plant and equipment has been aligned to the ability of Council to fund the acquisitions.

FLINDERS COUNCIL		Total planned
Classification 1		10 year Capital expenditure
Plant & Equipment		3,966
Plant & Equipment Airport Plant		381
Plant & Equipment Airport Tractor		98
Plant & Equipment Airport Vehicles		77
Plant & Equipment Waste Baler		6
Plant & Equipment Excavator		132
Plant & Equipment General		355
Plant & Equipment Graders		767
Plant & Equipment Loader/Backhoe		428
Plant & Equipment Mowers		13
Plant & Equipment Roller		96
Plant & Equipment Sweeper		35
Plant & Equipment Tipper Trucks		840
Plant & Equipment Tractors		150
Plant & Equipment Trailers		180
Plant & Equipment Vehicles		262
Plant & Equipment Waste TipTrucks		144

7.12 Recreation, Leisure and Community Facilities

Recreation, Leisure and Community assets comprise Playgrounds and the Whitemark Exersite (outdoor gym) area. These were new and upgraded assets which utilised 50% grant funding in 2018/2019. There are no plans for any further capital upgrades in the next ten years, and these areas will be maintained under the operational budget.

7.13 Fixtures Furniture and Fittings

Fixtures, Furniture and Fittings, as indicated in the table below, consist of various categories. The main assets in this segment relate to Computer hardware and software.

The Computer assets require upgrading to ensure assets are functioning reliably and security of data is maintained. Information Technology (IT), is constantly changing, with an ever-increasing need to keep abreast with the demands of cyber security.

In January 2021, Council has changed its IT Support Provider, and will be working towards improving the network reliability and security in the short to medium term. The long-term future strategic work will need to review and improve Council's Financial and Asset Management programs to gain better efficiencies.

Fixtures, Fittings and Furniture	Original Cost	Written Down Value at 30 June 2020
	000's	000's
IT Software and Hardware	154	32
Fixtures	26	2
Furniture	16	5
Other Equipment	29	14
Paintings and Artwork	14	14
Total Fixtures Fittings and Furniture	239	67

7.14 Future Potential Asset Acquisitions

The following projects have not been included in the Financial and Asset Management Plans, and will only be included when funds and costs are reasonably assured and committed to by Council.

7.14.1 Safe Harbour - Lady Barron

In 2019/20, the Federal Government awarded \$3 million for the construction of a Safe Harbour at Lady Barron. The project is currently being scoped to submit for grant approval. The grant has been submitted on the 15th June 2021, and the project, if approved, will commence in January 2022.

Based on previous estimates on the project, the impact on depreciation is estimated to be \$74k per annum (based on depreciated useful economic lives of between 30 and 50 years). The Replacement Cost at the end of its depreciated life is, however, expected to be much lower, as most of the rock wall will not require full replenishment after 50 years. The provision for replacement is therefore estimated at \$20k per annum (as compared to the depreciation of \$74k per annum). The facility would require some minor maintenance to ensure safety of the road/jetty. Council anticipates full grant funding for future upgrades.

7.14.2 Reconstruction of the Palana Road

The Palana Road Priority Project, aims to extend the current State Growth Road to form the main transport backbone for Flinders Island. The project is to 'Reconstruct and seal Palana Road, and then transfer ownership to the State Government.

The Palana Road has a 29 km stretch of unsealed road. If the grant is secured, this would allow approximately 10 km of the unsealed road to be sealed.

The Tasmanian State Government has awarded \$2 million towards the reconstruction of the Palana Road in May 2021.

7.14.3 Veterinary Facilities

In May 2021, State Government committed \$980k for the provision of Veterinary Facilities on Flinders Island.

7.15 Asset Planned Expenditure

7.15.1 Capital Planned Expenditure

The planned expenditure for the upcoming ten years focuses heavily on the road program, and the replacement of aging plant and machinery. The Replacement Costs in the table below include 3% CPI.

The previous strategic focus concentrated on the acquisition of new infrastructure (such as quarry's, public toilets, and contribution to the major Telstra upgrade). Grant and Council funding was channelled towards improving the community's halls and facilities, and in 2020 /21 the LRCI grants of \$298k and \$225k allowed for further upgrades to buildings and facilities.

The Airport has no planned infrastructure in the upcoming ten years, as major upgrades to the Long Runway, Taxiway and Lights were recently completed in June 2020 at a cost of \$3.6 million, which was 100% grant funded. The next major infrastructure upgrade will be the Short Runway, which is predicted to be due for upgrade in 2033. The ten year strategy has not made provision for the Short Runway upgrade.

FLINDERS COUNCIL Classification 1	ASSET RENEWAL PLAN 2021 to 2031 Classification 2	Total 10 years 000's
Airport Infrastructure	Airport Infrastructure	
Roads	Roads, Bridges and Traffic Infrastructure	4,760
Bridges	Roads, Bridges and Traffic Infrastructure	197
Drainage	Stormwater Infrastructure	-
Footpaths & Cycleways	Roads, Bridges and Traffic Infrastructure	112
Land Under Roads	Land	-
Buildings	Buildings	207
FF - Art Work	Plant and Equipment (P&E)	-
Fixtures, Fittings & Furniture	Plant and Equipment (P&E)	46
Furniture & Fittings	Plant and Equipment (P&E)	368
Land	Land	-
Land Improvements - Quarries	Buildings	-
Leasehold Improvement	Buildings	-
Leasehold Improvements at Replacement Cost	Buildings	-
Plant & Equipment	Plant and Equipment (P&E)	3,966
Recreation, Leisure and Community Facilities	Other Assets	4
Waste Management	Other Assets	435
Work In Progress	Roads, Bridges and Traffic Infrastructure	
TOTAL ASSETS		10,096

7.15.2 Operational Planned Expenditure:

Council provides for the operational repairs and maintenance for each department, via the annual Budget Estimates. The budget process evaluates the labour and material resources each year to ensure service levels can be achieved. The extract below with highlighted areas in orange, show the departments which relate to Councils' asset management. In Budget Year 2021/22, Council plans to spend a total of \$2.3 million to upkeep the maintenance and deliver the service requirements for Airport, Buildings, Parks & Gardens, Plant, Quarries, Roads & Streets, and Waste Management. These costs include Council labour costs, and any known grants available.

Council's LTFMP has planned similar ongoing costs, which will vary from year to year with grant funding achieved. The Budget 2021/22 has been used as a base budget to project the Long-Term Financial and Asset Management Plans.

Budget 2021/22 - Appendix 3 - Departmental Expense Analysis

	2020/21 Predicted year End	2019/20 Budget	2020/21 Budget COVID Year	2021/22 Budget	Notes
	000's	000's	000's	000's	
Airport	(357)	(428)	(357)	(460)	
Buildings & Facilities	(444)	(132)	(444)	(350)	Note 1
Community Economic Development	(171)	(209)	(171)	(178)	
Corporate	(1,274)	(1,181)	(1,175)	(1,290)	
Depot	(130)	(128)	(130)	(138)	
Governance	(563)	(604)	(563)	(608)	
Parks & Gardens	(123)	(96)	(123)	(133)	
Planning & Development	(536)	(402)	(536)	(537)	
Plant - Plant Expenses	(213)	55	(213)	(224)	
Private Works	(223)	(453)	(223)	(474)	
Quarries	33	65	33	29	
Roads & Streets	(489)	(409)	(489)	(833)	Note 2
Waste Management	(291)	(185)	(291)	(303)	
Depreciation	(1,632)	(1,602)	(1,632)	(1,720)	
Total Operational excluding Telstra Project	(6,414)	(5,708)	(6,314)	(7,219)	
TELSTRA Operational Project	(5)	(350)	(5)	0	
Total Operational including Telstra Project	(6,419)	(6,058)	(6,319)	(7,219)	

Budget Notes:

1 - The increase in Building and Facilities costs relate to the Local Roads and Community Infrastructure LRCI Grant funding applied for in Budget 2020/21 (\$298k), and \$225k to be applied for in Budget 2021/2022.

2 - Roads and Streets increase relates to LRCI Grant for 50% of \$597k to be recognised in Budget 2021/22, and 50% recognised in Budget 2022/23.

7.16 Asset Ratios

7.16.1 Asset Sustainability Ratio:

Calculation:
$$\frac{\text{Capital expenditure on replacement or renewal of existing assets}}{\text{Annual depreciation expense}}$$

This ratio approximates the extent to which assets managed by Council are being replaced, as these reach the end of their useful lives. It is calculated by measuring capital expenditure on renewal or replacement of assets, relative to depreciation expense. Expenditure on new or additional assets is excluded (and as such has not been included in the planned forecast).

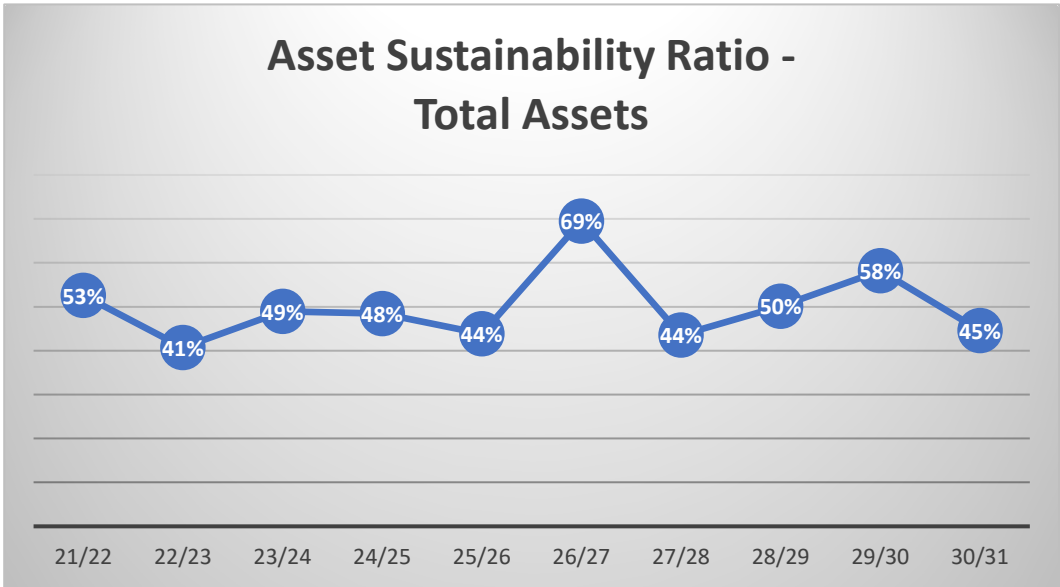
Depreciation expense represents an estimate of the extent to which the assets have been consumed during that period. Measuring assets at fair value is critical to the asset sustainability ratio calculation of a valid depreciation expense value. As the useful life calculated for the depreciation of the road assets is considerably different to the projected useful economic lives applied for the asset forecast, the upcoming years will need to review and align the asset management useful economic lives applied for the purpose of depreciation.

The purpose of this ratio indicates whether a Council is replacing or renewing existing assets at the same rate that its overall asset stock is wearing out.

The standard is met if the ratio is 90% or greater.

Historical ratios indicate that Council has been operating between 254% and 35% over the last four years 2017 to 2020 (as per the Annual Financial Reports), and the significant fluctuation is a result of large asset replacements such as the Airport Long Runway, which have skewed the ratios.

The projected ratios indicate that Council will operate between 53% and 45% over the next ten years, with a fluctuating trend. Spiking in the forecast relates mainly to the prediction for Road Pavement renewal at varying intervals.



Airport

Airport has not been calculated, as no asset infrastructure is required for the next ten years. The next major capital infrastructure in this class is the Short Runway, which is projected to cost \$4 million in 2033. Council has assumed that all major airport infrastructure will be 100% grant funded, and no provisions are made in the financial model for the future upgrade of this asset.

Roads

The asset renewal ratio is based on the benchmark applied for each category of road (i.e. Resheeting, Reconstruction and Resealing). The ratio declines in the roads class from 76% to 60% over the next ten years due mainly to Council's cash requirements. Over the next ten years, Reconstruction of roads is averaging 57% renewal of best practice (as per Pitt and Sherry recommendation); Resealing is forecasting an average of 65% renewal, and Resheeting is forecasting 74% renewal.

The above program, does not account for any additional funding that Council is currently seeking in respect of upgrading the Palana Road. Additional works through grant funding will increase the renewal %. Council is confident that it can achieve some major upgrades in the roads segment through Government lobbying.

7.16.3 Asset Consumption Ratio:

Calculation:
$$\frac{\text{Depreciated replacement cost}}{\text{Current replacement cost}}$$

This ratio seeks to highlight the aged condition of Council's physical assets. If Council is responsibly maintaining and renewing / replacing its assets in accordance with a well prepared asset management plan, then the fact that its Asset Consumption Ratio may be relatively low and/or declining should not be cause for concern – providing it is operating sustainably.

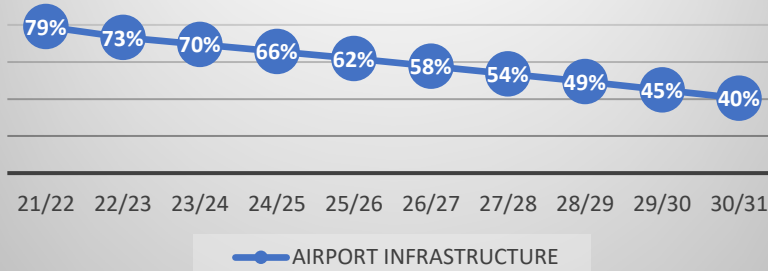
This ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.

The standard is met if the ratio is 50% or greater.

Historical ratios indicate that Council has been operating between 66% and 69% over the last four years.

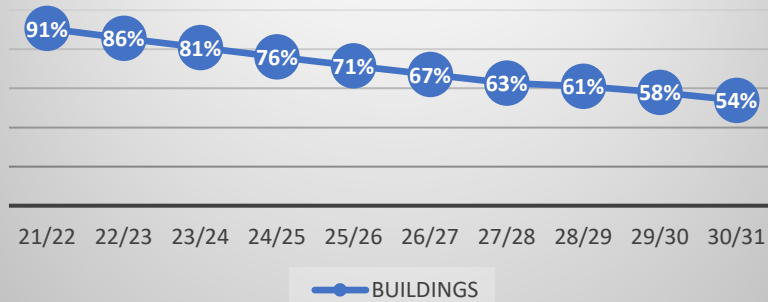
The projected ratios indicate that Council will operate at varying percentage rates, across the different classes over the next ten years.

Asset Consumption Ratio - Airport



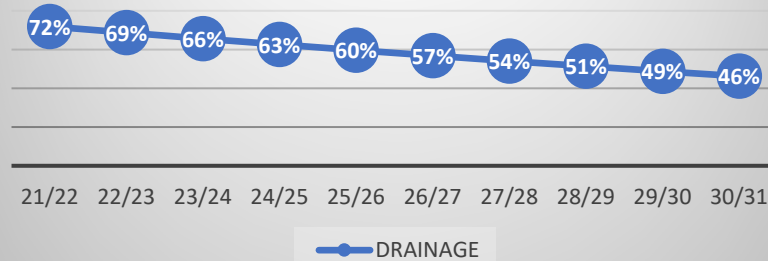
Airport
The ratio declines from 79% to 40% over the next ten years, as a recent major upgrade on the Long Runway was completed in June 2020, and the next major upgrade on the Short Runway is not due until 2033.

Asset Consumption Ratio - Buildings



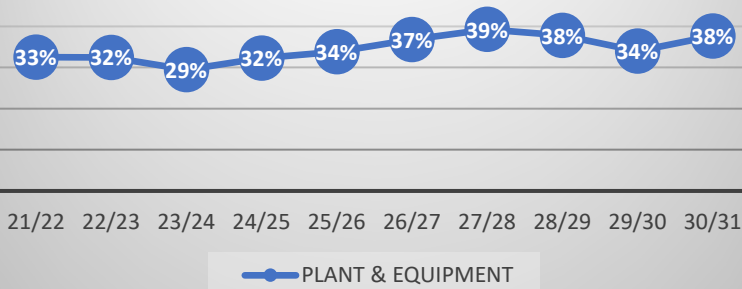
Buildings
The ratio declines from 91% to 54% over the next ten years. Recent years have had significant upgrades and improvements to Buildings and Facilities, and therefore no major expenditure is required for the next ten years.

Asset Consumption Ratio - Drainage



Drainage
The ratio declines from 72% to 46% over the next ten years. The expected useful life for Stormwater pipes and pits is 100 years, and as such the ratio will decline over time, where no expected replacements are required.

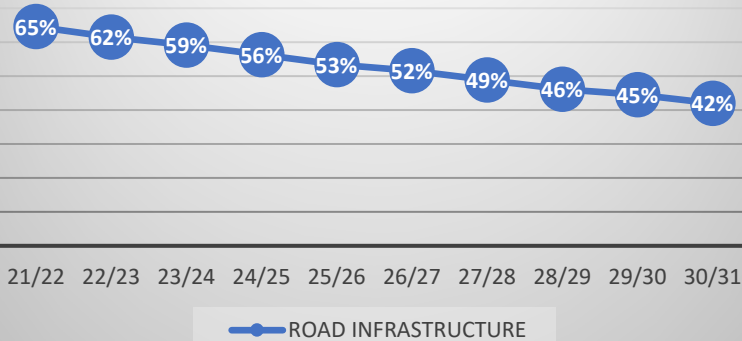
Asset Consumption Ratio - Plant & Equipment



Plant and Equipment

The ratio increases from 33% to 38% over the next ten years. Council has an extensive range of plant and equipment, due to being very remote. The useful life of major plant and equipment is extended through continuous maintenance, and due to low operational hours. Due to Council cash constraints, the replacement of assets has been aligned to the ability of Council to fund the acquisitions. Though the ratio is low, Council are working to improve it over the next ten years.

Asset Consumption Ratio - Roads



Roads

The ratio declines from 65% to 42% over the next ten years. The major reason for the decline, is due to the high proportion of road assets being the road pavement (which represents approximately 50% of road assets), which have a 50 to 100 year lifespan. More than half of the pavement assets relates to unsealed roads, which rarely require replacement, due to the resheeting program continually topping the pavement up. Another reason for the decline is that the useful lives of road assets used in the depreciation model, differs to the estimated useful economic life as per the asset forecast model; for example, Resheeting depreciates at 10 years but the useful economic lives are 14 years for High-Use roads, 19 years for Medium-Use roads and, 25 years for Low-Use roads.

7.17 Asset Life Cycle and Condition of Assets

7.17.1 Asset Life Cycle:

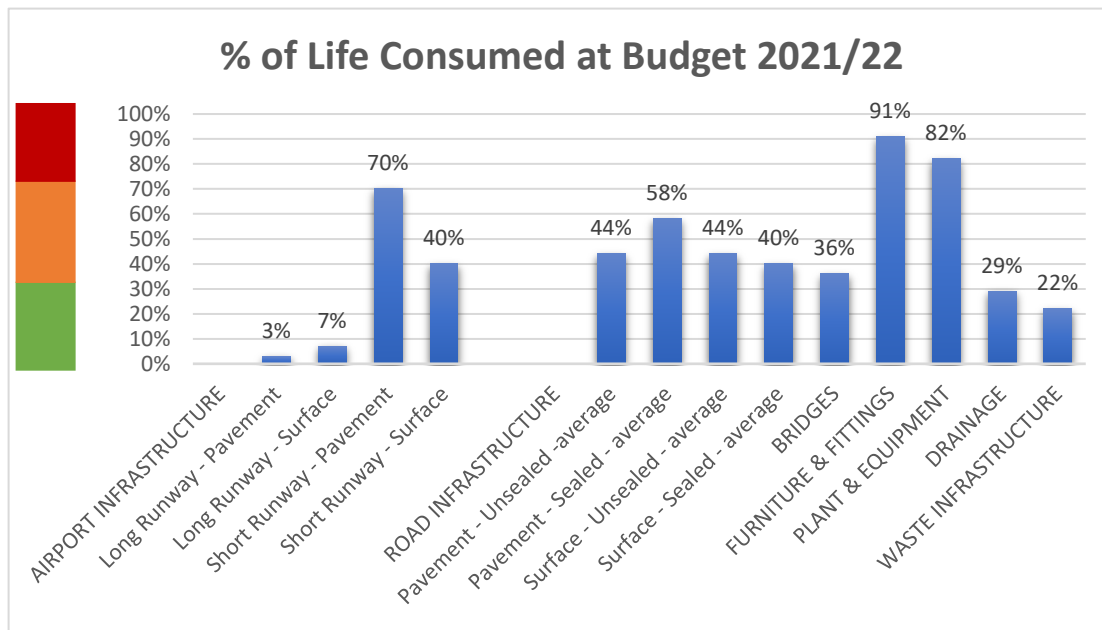
The lifecycle of the asset gives an indication of the condition of the asset. Although good regular maintenance can prolong the use of an asset, the percentage of life consumed provides a reliable measure to predict where Council should focus future spending.

The lifecycle of the main categories of assets has been calculated using the Council applied useful economic lives of the assets, as per section 7.1.3.

The Buildings category has been excluded from the table below, as major upgrades and repairs alter the true lifecycle of the asset.

The lifecycle percentage has been assessed using a risk barometer as indicated on the graph.

- High Risk: Plant and Equipment and Furniture and Fittings.
- Medium Risk: Road Infrastructure and Airport Short Runway.
- Low Risk: Airport Long Runway, Drainage, Bridges and Waste Infrastructure.



7.17.2 Condition of Assets Rating:

The major category of assets has been rated using a barometer of 'Very Good, Good, Fair and Poor'. The rating has been applied using local knowledge of the assets and analysis of the history of works performed to maintain and upgrade those assets. Future work will refine the rating condition for all major categories of assets.

CONDITION DESCRIPTION	
VERY GOOD	Recently acquired asset, or asset performs to a very high standard
GOOD	Good condition with no indicators of future obsolescence.
FAIR	Aged and in fair condition, providing an adequate level of service. No signs of immediate or short-term obsolescence.
POOR	Will need to renew, upgrade or dispose in the near future. Signs of obsolescence is evident.

CONDITION OF ASSETS - FOR MAIN CATEGORIES VERY GOOD / GOOD / FAIR / POOR	
Category Type	Condition
AIRPORT INFRASTRUCTURE	
Long Runway - Pavement	VERY GOOD
Long Runway - Surface	VERY GOOD
Short Runway - Pavement	GOOD
Short Runway - Surface	GOOD
ROAD INFRASTRUCTURE	
Pavement - Unsealed - average	GOOD
Pavement - Sealed - average	GOOD / FAIR
Surface - Unsealed - average	GOOD
Surface - Sealed - average	GOOD
BRIDGES	GOOD / FAIR
FURNITURE & FITTINGS	FAIR / POOR
PLANT & EQUIPMENT	FAIR
DRAINAGE	GOOD
WASTE INFRASTRUCTURE	VERY GOOD
BUILDINGS	VERY GOOD

7.18 Summary of Improvements in the next ten years

The Asset Management Strategy and Plan aims to deliver a number of improvements in the next ten years. Below are some of these improvements:

- Providing a framework that aligns to the Financial Management Plan to allow for the replacement of aging Plant and Equipment;
- Reviewing the condition of the road network to refine the predicted useful economic lives;
- Utilisation of LRCI grants to boost the Road maintenance program and the Buildings maintenance program;
- Setting achievable targets to replace Road Infrastructure, whilst adhering to Roads to Recovery Grant conditions;
- Maintaining the standard of Plant and Equipment to meet Health and Safety requirements;
- Focus on core Council activities to ensure best utilisation of resources;
- Focus on priority needs, to manage cash constraints;
- Development of an in-house Asset Management tool to allow for future analytical work to find better efficiency gains;
- Focus on upgrading the Information Technology Systems in the short and medium term, so as to improve the security of Council data systems;
- Construction of Waste Sorting Station and Landfill Cell, to improve the Community's treatment of waste.



8 Asset Management Policy

8.1 Purpose To set guidelines for implementing consistent Asset Management processes throughout Flinders Council.

8.2 Objective To ensure adequate provision is made for the long-term replacement of major assets by:

- Ensuring that Council's services and infrastructure are provided in a sustainable manner, with the appropriate levels of service to residents, visitors and the environment.
- Safeguarding Council assets including physical assets and employees by implementing appropriate asset management strategies and appropriate financial resources for those assets.
- Creating an environment where all Council employees take an integral part in overall management of Council Assets by creating and sustaining an asset management awareness throughout the organisation by training and development.
- Meeting legislative requirements for asset management.
- Ensuring resources and operational capabilities are identified and
- Demonstrating transparent and responsible asset management

8.3 Scope This Policy applies to all Council activities.

8.4 Policy **8.4.1 Background**

8.4.1.1 Council is committed to implementing a systematic asset management methodology in order to apply appropriate asset management best practices across all areas of the organisation. This includes ensuring that assets are planned, created, operated, maintained, renewed and disposed of in accordance with Council's priorities for service delivery.

8.4.1.2 Council currently owns and uses approximately \$53 million of non-current assets to support its core business of delivery of service to the community.

8.4.1.3 Asset management practices impact directly on the core business of the organisation and appropriate asset management is required to achieve our strategic service delivery objectives.

8.4.1.4 Adopting the asset management principles will assist Council in achieving its Long-Term Financial and Asset Management Plans and Strategies.

8.4.1.5 A strategic approach to Asset Management will ensure that Council delivers the most appropriate, and affordable level of service through its assets. This will provide positive impact on:

- Members of the public and staff;
- Council's financial position;
- The ability of Council to deliver the expected level of service and infrastructure;
- The political environment in which Council operates; and
- The legislative and environmental obligations of Council.

8.4.2 Principles

8.4.2.1 A consistent Asset Management Strategy must exist for implementing systematic asset management and appropriate asset management best-practice throughout all Departments of Council.

8.4.2.2 All relevant legislative requirements together with political, social and economic environments, are to be taken into account in asset management.

8.4.2.3 Asset Management principles will be integrated within existing planning and operational processes.

8.4.2.4 Asset Management Plans will be developed for major service/asset categories. The plans will be informed by community consultation and financial planning and reporting.

8.4.2.5 An inspection regime will be used as part of Asset Management to ensure agreed service levels are maintained; identify asset renewal priorities; and ensure health and safety standards have been met.

8.4.2.6 Asset renewals required to meet agreed service levels and identified in adopted Asset Management Plans and Long Term Financial Plans, will be fully funded in the Annual Budget Estimates.

8.4.2.7 Service levels agreed through the budget process and defined in adopted Asset Management Plans will be fully funded in the Annual Budget Estimates.

8.4.2.8 Asset renewal plans will be prioritised and implemented progressively based on agreed service levels and the effectiveness of the current assets to provide that level of service.

8.4.2.9 Systematic and cyclic reviews will be applied to all asset classes and are to ensure that the assets are managed, valued and depreciated in accordance with appropriate best practice and applicable Australian Standards.

8.4.2.10 Future life cycle costs will be reported and considered in all decisions relating to new services and assets and upgrading of existing services and assets.

8.4.2.11 Future service levels will be determined in consultation with the community.

8.4.2.12 Training in Asset and Financial Management will be provided for all Councillors and relevant staff.

8.5 Legislation *Local Government Act 1993 (The Act)*
Local Government (Highways) Act 1982
Local Government (Buildings & Miscellaneous Provisions) Act 1993
Land Use Planning & Approvals Act 1993
ISO 31000:2009 Risk Management – Principles & Guidelines
Australian Standards (AS)

8.6 Related Documents Long-Term Financial Management Plan and Strategy, and Long-Term Asset Management Plan and Strategy.

8.7. Responsibility Councillors are responsible for adopting the Policy and ensuring that sufficient resources are available to manage all assets.

The General Manager has overall responsibility for developing a Long-Term Financial Management Plan and Strategy, and Long-Term Asset Management Plan and Strategy; procedures and reporting on the status and effectiveness of Financial and Asset Management Plans within Council.

8.8 Review Date 8.8 Review Date
This policy has a life of 4 years.
The next date for review is 30 June 2025.

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