



Wyong Shire Council
Special purpose financial statements
 for the year ended 30 June 2011

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Wyong Shire Council

Special Purpose Financial Statements for the year ended 30 June 2011

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

The attached Special Purpose Financial Statements have been prepared in accordance with:

- NSW Government Policy Statement "*Application of National Competition Policy to Local Government*".
- Division of Local Government guidelines "*Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality*".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water and Office of Environment and Heritage Guidelines.

To the best of our knowledge and belief, these Reports


- present fairly the operating result and financial position for each of Council's declared Business Activities for the year, and
- accord with Council's accounting and other records.

We are not aware of any matter that would render the Reports false or misleading in any way.

Signed in accordance with a resolution of Council made on 12 October 2011:




Robert Graham
Mayor



Sue Wynn
Deputy Mayor



Michael Whittaker
General Manager



David Jack
Responsible Accounting Officer

Wyong Shire Council

Income statement of the Water Supply business activity* for the year ended 30 June 2011

	Actual 2011 \$'000	Actual 2010 \$'000	Actual 2009 \$'000
Income from continuing operations			
Access charges	13,605	12,332	6,703
User charges	20,317	20,671	18,577
Fees	57	101	179
Interest	2,190	1,409	370
Other	3,591	5,497	4,773
Grants and contributions for non capital purposes	961	802	590
Profit from sale of assets	(3)	-	-
Total income from continuing operations	40,718	40,812	31,192
Expenses from continuing operations			
Employee costs	6,979	7,990	7,680
Borrowing costs	9,161	6,454	5,723
Materials and contracts	5,954	4,408	6,761
Depreciation	14,072	14,577	12,550
Purchase of water	439	1,190	387
Other	12,040	12,127	14,849
Loss on sale of assets	1,641	-	-
Taxation equivalent payments	384	331	233
Debt guarantee fee	-	-	-
Total expenses from continuing operations	50,670	47,077	48,183
Surplus (deficit) from continuing operations before capital amounts	(9,952)	(6,265)	(16,991)
Capital grants and contributions	30,525	17,826	4,621
Surplus (deficit) from continuing operations after capital amounts	20,573	11,561	(12,370)
Surplus from discontinued operations	-	-	-
Surplus (deficit) before tax	20,573	11,561	(12,370)
Corporate taxation equivalent (30%) (Based on surplus result before capital)	-	-	-
Surplus (deficit) for year	20,573	11,561	(12,370)
Add: Opening retained profits	351,878	340,170	352,491
JWS asset adjustment			
Adjustments for amounts unpaid:			
* Taxation equivalent payments	384	331	233
* Debt guarantee fees	-	-	-
* Corporate taxation equivalent	-	-	-
* Dividend payment	-	-	-
Less: Tax equivalent dividend payment	185	184	184
Closing retained profits	372,650	351,878	340,170
Return on capital	-0.10%	0.03%	-1.83%
TARGET RETURN ON CAPITAL	2.00%	2.00%	2.00%
Subsidy from Council	16,589	14,568	23,584

* Water supply business activity includes stormwater drainage assets and maintenance. Operational drainage expenses in the year ended 30 June 2011 were \$3.1 million.

Wyong Shire Council

Income statement for the Sewerage business activity for the year ended 30 June 2011

	Actual 2011 \$'000	Actual 2010 \$'000	Actual 2009 \$'000
Income from continuing operations			
Access charges	25,803	25,156	23,987
User charges	603	758	675
Trade waste charges	565	417	651
Fees	118	111	(71)
Interest	2,488	1,909	383
Other	174	154	172
Grants and contributions for non capital purposes	663	662	653
Profit from sale of assets	-	-	-
Total income from continuing operations	30,414	29,167	26,450
Expenses from continuing operations			
Employee costs	7,045	6,498	7,188
Borrowing costs	1,354	1,469	1,623
Materials and contracts	3,857	3,118	3,360
Depreciation	14,043	13,647	12,929
Other	9,952	9,719	12,027
Loss on sale of assets	-	-	-
Taxation equivalent payments	250	221	158
Debt guarantee fee	-	-	-
Total expenses from continuing operations	36,501	34,672	37,285
Surplus (deficit) from continuing operations before capital amounts	(6,087)	(5,505)	(10,835)
Capital grants and contributions	806	1,314	522
Surplus (deficit) from continuing operations after capital amounts	(5,281)	(4,191)	(10,313)
Surplus from discontinued operations	-	-	-
Surplus (deficit) before tax	(5,281)	(4,191)	(10,313)
Corporate taxation equivalent (30%) (Based on surplus result before capital)	-	-	-
Surplus (deficit) for year	(5,281)	(4,191)	(10,313)
<i>Add:</i> Opening retained profits	259,699	263,827	274,140
Depreciation adjustment	-	-	-
Adjustments for amounts unpaid:			
* Taxation equivalent payments	250	221	158
* Debt guarantee fees	-	-	-
* Corporate taxation equivalent	-	-	-
* Dividend payment	-	-	-
<i>Less:</i> Tax equivalent dividend payment	181	158	158
Closing retained profits	254,487	259,699	263,827
Return on capital	-1.16%	-1.00%	-1.67%
TARGET RETURN ON CAPITAL	2.00%	2.00%	2.00%
Subsidy from Council	12,923	12,141	14,603

Wyong Shire Council

Income statement for other business activities for the year ended 30 June 2011

	Waste Management		Care and Education		Holiday Parks	
	2011 (Cat. 1) \$'000	2010 (Cat. 1) \$'000	2011 (Cat. 1) \$'000	2010 (Cat. 1) \$'000	2011 (Cat. 1) \$'000	2010 (Cat. 1) \$'000
Income from continuing operations						
Rates and annual charges	21,649	19,849	-	-	-	-
User charges and fees	10,269	9,980	3,947	3,777	8,448	8,070
Interest	123	107	-	-	-	-
Other	259	5,469	1	-	-	-
Grants and contributions for non capital purposes	652	1,206	492	462	-	-
Profit from sale of assets	-	-	-	-	-	-
Total income from continuing operations	32,952	36,611	4,440	4,239	8,448	8,070
Expenses from continuing operations						
Employee costs	1,318	1,361	3,734	3,847	226	211
Borrowing costs	-	-	-	-	111	119
Materials and contracts	11,211	13,261	1,078	1,214	3,363	5,027
Depreciation	1,909	2,706	164	137	930	2,588
Other	10,962	20,638	122	88	2,739	2,721
Loss on sale of assets	-	-	-	-	-	1
Taxation equivalent payments	63	72	218	236	321	264
Debt guarantee fee	-	-	-	-	-	-
Total expenses from continuing operations	25,463	38,038	5,316	5,522	7,690	10,931
Surplus (deficit) from continuing operations before capital amounts	7,489	(1,427)	(876)	(1,283)	758	(2,861)
Capital grants and contributions	-	-	-	-	-	-
Surplus (deficit) from continuing operations after capital amounts	7,489	(1,427)	(876)	(1,283)	758	(2,861)
Surplus from discontinued operations	-	-	-	-	-	-
Surplus (deficit) before tax	7,489	(1,427)	(876)	(1,283)	758	(2,861)
Corporate taxation equivalent (30%) (Based on surplus result before capital)	2,247	-	-	-	227	-
Surplus (deficit) after tax	5,242	(1,427)	(876)	(1,283)	531	(2,861)
Dividend payment	-	-	-	-	-	-
Surplus (deficit) after dividend payment	5,242	(1,427)	(876)	(1,283)	531	(2,861)
Opening retained profits	19,058	20,413	(6,155)	(5,108)	10,046	12,643
Adjustments for amounts unpaid						
* Taxation equivalent payments	63	72	218	236	321	264
* Debt guarantee fees	-	-	-	-	-	-
* Corporate taxation equivalent	2,247	-	-	-	227	-
* Dividend payment	-	-	-	-	-	-
Closing retained profits	26,610	19,058	(6,813)	(6,155)	11,125	10,046
Return on capital	63.54%	-10.26%	-14.10%	-25.21%	4.60%	-15.24%
Target return on capital	8.00%	8.00%	7.00%	7.00%	8.00%	8.00%
Subsidy from Council	-	2,540	1,311	1,639	642	4,181

Wyong Shire Council

Balance Sheet for the Water Supply business activity as at 30 June 2011

	Actual 2011 \$'000	Actual 2010 \$'000
Current assets		
Cash and cash equivalents	-	7
Investments	39,152	34,974
Receivables	19,039	20,209
Inventories	392	373
Other	-	-
Total current assets	58,583	55,563
Non current assets		
Investments securities	-	639
Receivables	553	585
Inventories	-	-
Property, plant and equipment	789,906	737,862
Intangible assets	433	562
Total non current assets	790,892	739,648
Total assets	849,475	795,211
Current liabilities		
Payables	17,406	16,525
Interest bearing liabilities	8,725	8,162
Provisions	2,070	2,025
Other	-	-
Total current liabilities	28,201	26,712
Non current liabilities		
Payables	-	-
Interest bearing liabilities	159,854	142,579
Provisions	441	715
Other	-	-
Total non current liabilities	160,295	143,294
Net assets	660,979	625,205
Equity		
Retained earnings	372,649	351,876
Asset revaluation reserve	288,330	273,329
Total equity	660,979	625,205

Wyong Shire Council

Balance Sheet for the Sewerage business activity

as at 30 June 2011

	2011 \$'000	2010 \$'000
Current assets		
Cash and cash equivalents	-	7
Investments	26,909	24,151
Receivables	2,843	2,839
Inventories	-	-
Other		(28)
Total current assets	29,752	26,969
Non current assets		
Investments securities	-	639
Receivables	41	39
Inventories	-	-
Property, plant and equipment	409,491	405,236
Intangible assets	257	333
Total non current assets	409,789	406,247
Total assets	439,541	433,216
Current liabilities		
Payables	2,874	1,985
Interest bearing liabilities	1,239	1,646
Provisions	2,590	2,645
Other		
Total current liabilities	6,703	6,276
Non current liabilities		
Payables	-	-
Interest bearing liabilities	17,094	18,333
Provisions	446	320
Other		
Total non current liabilities	17,540	18,653
Net assets	415,298	408,287
Equity		
Retained earnings	254,487	259,699
Asset revaluation reserve	160,811	148,588
Total equity	415,298	408,287

Wyong Shire Council

Balance Sheet for other business activities

as at 30 June 2011

	Waste Management		Care and Education		Holiday Parks	
	2011 (Cat. 1) \$'000	2010 (Cat. 1) \$'000	2011 (Cat. 1) \$'000	2010 (Cat. 1) \$'000	2011 (Cat. 1) \$'000	2010 (Cat. 1) \$'000
Current assets						
Cash and cash equivalents						
Investments	22,899	13,735	-	-	3,253	2,526
Receivables	1,477	1,285	-	-	102	141
Inventories	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total current assets	24,376	15,020	-	-	3,355	2,667
Non current assets						
Investments securities	-	-	-	-	-	-
Receivables	17	15	-	-	-	-
Inventories	-	-	-	-	-	-
Property, plant and equipment	11,787	13,913	6,211	5,090	18,882	17,988
Other	-	-	-	-	-	-
Total non current assets	11,804	13,928	6,211	5,090	18,882	17,988
Total assets	36,180	28,948	6,211	5,090	22,237	20,655
Current liabilities						
Payables	3,893	5,390	72	38	362	447
Interest bearing liabilities	-	-	12,598	10,792	10,732	10,141
Provisions	-	4,500	354	415	18	21
Other	-	-	-	-	-	-
Total current liabilities	3,893	9,890	13,024	11,245	11,112	10,609
Non current liabilities						
Payables	-	-	-	-	-	-
Interest bearing liabilities	-	-	-	-	-	-
Provisions	5,677	-	-	-	-	-
Other	-	-	-	-	-	-
Total non current liabilities	5,677	-	-	-	-	-
Net assets	26,610	19,058	(6,813)	(6,155)	11,125	10,046
Equity						
Retained earnings	26,610	19,058	(6,813)	(6,155)	11,125	10,046
Asset revaluation reserve	-	-	-	-	-	-
Total equity	26,610	19,058	(6,813)	(6,155)	11,125	10,046

Notes to the Special Purpose Financial Statements for the year ended 30 June 2011

Note 1 – Summary of significant accounting policies

This note summarises the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements. These statements are prepared for use by the Council and the Division of Local Government. For the purpose of these statements the Council is not a reporting entity.

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition criteria of applicable Australian Accounting Standards, other authoritative pronouncements of the AASB and Australian Accounting Interpretation. The disclosures in these special purpose financial statements have been prepared in accordance with the Local Government Act and Regulation and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values, and, except where stated, current values of non-current assets. Certain taxes and other costs have been imputed in line with National Competition Policy.

National competition policy

Council has adopted the principal of competitive neutrality in respect of its business activities. This accords with the national competition policy applied at every level of government in Australia and is set out in the June 1996 NSW Government policy statement *“Application of National Competition Policy to Local Government”*. Reporting of Water and Sewerage business activities is also governed by the Department of Environment, Climate Change and Water guidelines *“Best-Practice Management of Water Supply and Sewerage”*.

The Division of Local Government’s July 1997 guidelines *“Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality”* have been followed.

Under the July 1997 guidelines Council must:

- declare certain activities as business activities,
- report costs and revenues of activities in a prescribed format, and
- calculate taxation equivalent charges, dividends, rates of return, and subsidies in a prescribed manner.

Council has declared that the following are considered to be Category 1 business activities:

Name	Brief description of activity
Water Supplies	Water catchment, treatment and supply; stormwater drainage
Sewerage Services	Sewerage collection, treatment and disposal
Waste Management	Collection and disposal of household and commercial waste
Care and Education	Provision of six child care centres
Holiday Parks	Provision of four holiday parks

Monetary amounts

Amounts in notes 2 and 3 are expressed in whole dollars, as required by the NSW Office of Water, Department of Environment, Climate Change and Water guidelines. All other monetary amounts are in Australian currency and rounded to the nearest one thousand dollars.

Taxation equivalent charges and dividends for taxation equivalent

Council pays some taxes that would apply to a private business but not others. The taxes Council does pay are disclosed as a cost of operations in the General Purpose Financial Report. The taxes Council does not pay are disclosed in this Special Purpose Financial Report as a taxation equivalent payment, a notional expense item.

For water and sewerage business activities, *“the Best-Practice Management of Water Supply and Sewerage”* guidelines mandate the payment of a *“Dividend for Taxation equivalent”* to Council. The total amount paid is the lesser of

- \$3 per assessment or
- the total of Tax Equivalent Payments excluding income tax equivalents

Council's water and sewerage accounts include a notional payment of land tax (taxation equivalent charge) but Council itself does not pay actual land tax. The taxation equivalent dividend for these business activities has been limited to \$3 per assessment as the value of land tax is more than this amount. The tax equivalent dividend may be used for any purpose under the *Local Government Act (NSW) 1993*.

Council does not pay land tax on its other business activity properties and a notional amount has been included as a taxation equivalent charge.

Council rates, charges and fees

A calculation of the equivalent rates and charges for all category one businesses has been applied to all assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council's business units face equivalent commercial borrowing costs to private sector competitors. In order to calculate the debt guarantee fees, Council has determined the average differential between actual and commercial borrowing rates for each business unit.

Income tax equivalent

In these special purpose reports, an income taxation equivalent has been calculated at the current rate (30%) on the operating result before capital amounts. The amount is only notionally payable where this calculation results in a positive gain. Any such amount has no effect on the overall operations of Council. No allowance has been made for non-deductible items, timing differences or carried forward losses.

Dividends from surplus

Council has the option to pay a dividend to the General Fund of Council from surpluses generated by water supply and sewerage operations. Under the *"Best-Practice Management of Water Supply and Sewerage"* guidelines such dividend may not exceed either 50% of the annual surplus, or \$30 per assessment, less the amount of any tax equivalent dividend.

The guidelines mandate that a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit report are to be submitted to the Department of Environment, Climate Change and Water.

Return on investment (rate of return)

According to the June 1996 policy statement, Category 1 businesses "would be expected to generate a rate of return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field". Funds are available to meet commitments or to finance future investment strategies. The actual rate of return is disclosed on the Income Statement.

Subsidies

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis. Council has taken this latter option for Child Care and Holiday Parks into order to fulfil community service obligations. The amount of subsidy is disclosed in the Income Statement and has been calculated as the dollar difference between the required and actual rates of return.

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2011 (continued)

Note 2 – Best practice management disclosures – Water Supply business

	2011
Calculation and payment of tax-equivalents	
(i) Calculated tax equivalents	384,000
(ii) No. of assessments multiplied by \$3/assessment	185,000
(iii) Amounts payable for tax equivalents (lesser of (i) and (ii))	185,000
(iv) Amounts paid for tax equivalents	-

Dividend from surplus

(i) 50% of surplus before dividends	
(ii) No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	n/a
(iii) Cumulative surplus before dividends for 3 years to 30 June 2011, less cumulative dividends for 2 years to 30 June 2010	n/a
(iv) Maximum dividend from surplus	
(v) Dividend paid from surplus	

	<u>Yes</u>	<u>No</u>
Required outcomes for 4 criteria		
(1) Completion of strategic business plan	Yes	<input type="checkbox"/>
(2) Pricing with full cost-recovery, without significant cross subsidies	Yes	<input type="checkbox"/>
Complying charges (a) Residential	Yes	<input type="checkbox"/>
Complying charges (b) Non-residential	Yes	<input type="checkbox"/>
DSP with commercial developer charges	Yes	<input type="checkbox"/>
(3) Complete performance reporting form by 31 October each year	Yes	<input type="checkbox"/>
(4) Sound demand management implemented	Yes	<input type="checkbox"/>
(5) Sound drought management implemented	Yes	<input type="checkbox"/>
(6) Integrated water cycle management strategy	Yes	<input type="checkbox"/>

National Water Initiative (NWI) Financial Performance Indicators:

F1	Total revenue (water)	\$'000	41,390
F4	Revenue from residential usage charges (water)	%	59.86%
F9	Written down replacement cost of fixed assets (water)	\$'000	789,907
F11	Operating cost (OMA) (water)	\$'000	24,008
F14	Capital expenditure (water)	\$'000	180
F26	Capital works grants (water)	\$'000	27,668

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2011 (continued)

Note 3 – Best practice management disclosures – Sewerage business

	2011	
Calculation and payment of tax-equivalents		
(i) Calculated tax equivalents	250,000	
(ii) No. of assessments multiplied by \$3/assessment	181,000	
(iii) Amounts payable for tax equivalents (lesser of (i) and (ii))	181,000	
(iv) Amounts paid for tax equivalents	-	
Dividend from surplus		
(i) 50% of surplus before dividends		
(ii) No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	n/a	
(iii) Cumulative surplus before dividends for 3 years to 30 June 2011, less cumulative dividends for 2 years to 30 June 2010	n/a	
(iv) Maximum dividend from surplus		
(v) Dividend paid from surplus		
Required outcomes for 4 criteria		
(1) Completion of strategic business plan	Yes	No
(2) Pricing with full cost-recovery, without significant cross subsidies	Yes	No
Complying charges (a) Residential	Yes	No
Complying charges (b) Non-residential	Yes	No
Complying charges (c) Trade waste	Yes	No
DSP with commercial developer charges	Yes	No
Liquid trade waste approvals and policy	Yes	No
(3) Complete performance reporting form by 31 October each year	Yes	No
(4) Integrated water cycle management strategy	Yes	No

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2011 (continued)

Note 3 – Best practice management disclosures – Sewerage business (continued)

National Water Initiative (NWI) Financial Performance Indicators:

F2	Total revenue (sewerage)	\$'000	28,692
F10	Written down replacement cost of fixed assets (sewerage)	\$'000	409,493
F12	Operating cost (sewerage)	\$'000	20,856
F15	Capital expenditure (sewerage)	\$'000	6,070
F18	Economic real rate of return (sewerage)	%	-1.86%
F27	Capital works grants (sewerage)	\$'000	39
F3	Total income (water and sewerage)	\$'000	70,082
F8	Revenue from community service obligations (water and sewerage)	%	1.69%
F13	Operating cost (OMA) (water and sewerage)	\$'000	47,907
F16	Capital expenditure (water and sewerage)	\$'000	6,250
F19	Economic real rate of return (water and sewerage)	%	-0.66%
F20	Dividend (water and sewerage)	\$'000	-
F21	Dividend payout ratio (water and sewerage)	\$'000	n/a
F22	Net debt to equity (water and sewerage)	%	13.50%
F23	Interest cover (water and sewerage)	times	9.44
F24	Net profit after tax (water and sewerage)	\$'000	15,292
F25	Community service obligations (water and sewerage)	\$'000	1,183

---End of audited special purpose financial reports---



**Wyang Shire Council
Special Purpose Financial Report
Independent Auditors' Report**

Scope

We have audited the special purpose financial report of **Wyang Shire Council** for the year ended 30 June 2011, comprising the Statement by Council, Income Statements of Business Activities, Balance Sheets of Business Activities, and accompanying Notes to the Accounts. The financial report includes the accounts of the business activities of the Council and the entities it controlled at the year's end or from time to time during the year. The Council is responsible for the preparation and presentation of the financial report and the information it contains. We have conducted an independent audit of the financial report in order to express an opinion on it to the Council.

The special purpose financial report has been prepared for distribution to the Council and the Division of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the Council or the Division of Local Government or for any purpose other than for which the report was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with those Australian Accounting Standards adopted and the Local Government Code of Accounting Practice and Financial Reporting so as to present a view which is consistent with our understanding of the business activities of the Council and their financial position and the results of their operations.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the special purpose financial report of **Wyang Shire Council** is presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

PricewaterhouseCoopers

P L Buchholz
Partner
17 October 2011

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Wyong Shire Council
Special Schedules for the
 year ended 30 June 2011

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Wyong Shire Council
Special Schedule No. 1
 Net Cost of Services for the year
 ended 30 June 2011

Function or activity	Expenses *	Revenues - non capital *	Revenues - capital *	Net cost of services
	\$000	\$000	\$000	\$000
Governance	7,926	-	-	(7,926)
Administration	15,662	18,553	1,204	4,095
Public order and safety				
Fire Protection, Emergency services	3,417	675	745	(1,997)
Beach Control	2,014	58	3,255	1,299
Enforcement of Local Gov't. Regs	1,545	727	-	(818)
Animal control	643	305	-	(338)
Other	-	-	-	-
Total Public order and safety	7,619	1,765	4,000	(1,854)
Health	728	200	-	(528)
Environment				
Noxious plants & Vermin Control	264	31	-	(233)
Other Environmental protection	2,366	1,329	20	(1,017)
Solid waste management	47,124	41,548	-	(5,576)
Street cleaning	-	-	-	-
Drainage	(76)	130	8	214
Sormwater Management	5,446	10,387	1,979	6,920
Total Environment	55,124	53,425	2,007	308
Community services and education				
Administration	1,605	174	-	(1,431)
Social protection (welfare)	-	-	-	-
Aged Persons & Disabled	322	31	-	(291)
Childrens Services	5,137	4,439	-	(698)
Total Community Services and Education	7,064	4,644	-	(2,420)

* from continuing operations

Wyong Shire Council

Special Schedule No. 1

Net Cost of Services for the year
ended 30 June 2011 (continued)

Function or activity	Expenses	Revenues - non capital	Revenues - capital	Net cost of services
	\$000	\$000	\$000	\$000
Housing and community amenities				
Public cemeteries	194	142	-	(52)
Public conveniences	1,316	-	-	(1,316)
Street lighting	2,662	223	-	(2,439)
Town planning	8,837	2,814	3,307	(2,716)
Other community amenities	-	-	-	-
Total Housing and community amenities	13,009	3,179	3,307	(6,523)
Water supplies	44,952	31,896	28,538	15,482
Sewerage services	36,251	30,413	806	(5,032)
Recreation and culture				
Public libraries	4,602	412	28	(4,162)
Museums	-	-	-	-
Art galleries	19	-	26	7
Community centres & Halls	3,339	681	304	(2,354)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	126	36	50	(40)
Sporting grounds	3,655	10	71	(3,574)
Swimming Pools	851	-	-	(851)
Parks & Gardens (lakes)	11,683	3,753	56	(7,874)
Other Sport & Recreation	13	-	-	(13)
Total Recreation and Culture	24,288	4,892	535	(18,861)
Fuel and energy	-	-	-	-
Agriculture	-	-	-	-
Mining, manufacturing and Construction				
Building control	453	674	-	221
Other	-	-	-	-
Total Mining, Manufacturing and Construction	453	674	-	221

Wyong Shire Council

Special Schedule No. 1

Net Cost of Services for the year
ended 30 June 2011 (continued)

Function or activity	Expenses	Revenues - non capital	Revenues - capital	Net cost of services
	\$000	\$000	\$000	\$000
Transport and communication				
Urban roads: Local	20,477	3,782	1,030	(15,665)
Urban roads: Regional	565	644	18	97
Sealed rural roads: Local	-	-	-	-
Sealed rural roads: Regional	-	-	-	-
Unsealed rural roads: Local	927	-	-	(927)
Unsealed rural roads: Regional	-	-	-	-
Bridges on urban roads: Local	578	-	-	(578)
Bridges on sealed rural roads: Local	-	-	-	-
Bridges on unsealed rural roads: Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	792	-	-	(792)
Footpaths	825	-	25	(800)
Aerodromes	-	-	-	-
Other Transport & Communication	8,672	3,512	1,935	(3,225)
Total Transport and Communication	32,836	7,938	3,008	(21,890)
Economic affairs				
Camping Areas & Caravan parks	7,370	8,448	1	1,079
Other Economic Affairs	3,877	(7)	-	(3,884)
Total Economic Affairs	11,247	8,441	1	(2,805)
Totals - functions	257,159	166,020	43,406	(47,733)
General purpose revenues				73,774
Net Operating Result for the Year	257,159	166,020	43,406	26,041

Wyong Shire Council

Special Schedule No. 2 (a)

Statement of long-term debt (all purpose)
for the year ended 30 June 2011

\$ '000

Classification of debt	Principal outstanding at beginning of year			New loans raised during the year	Debt redemption		Interest applicable for year	Principal outstanding at end of year		
	Current	Non-current	Total		From revenue	Sinking funds		Current	Non-current	Total
Loans (by source)										
Commonwealth Government Treasury Corporation		300	300				42		300	300
Other State Government	517	1,611	2,128	450	264		94	560	1,754	2,314
Public subscription	22	144	166		119		4	23	24	47
Financial institutions	10,169	161,757	171,926	26,000	10,325		10,309	10,235	177,366	187,601
Other										
Total loans	10,708	163,812	174,520	26,450	10,708		10,449	10,818	179,444	190,262
Add: other long term debt										
Ratepayers' advances										
Government advances										
Finance leases										
Deferred payment										
Total long term debt	10,708	163,812	174,520	26,450	10,708		10,449	10,818	179,444	190,262

Wyong Shire Council

Special Schedule No 2. (b) – Statement of internal loans (Section 410(3) LGA 1993) for the year ended 30 June 2011

Council had no internal loans as at 30 June 2011.

Wyong Shire Council
Special Schedule No. 3
Water Supply Income Statement
(gross including internal transactions)
for the year ended 30 June 2011

A. Expenses and income

Expenses

	2011 \$'000	2010 \$'000
Management expenses		
Administration	7,993	10,991
Engineering and supervision	3,490	-
Operations and maintenance expenses		
Dams and weirs		
Operation expenses	486	138
Maintenance expenses	585	872
Mains		
Operation expenses	2,869	2,888
Maintenance expenses	4,248	4,127
Reservoirs		
Operation expenses	43	(6)
Maintenance expenses	247	237
Pumping stations		
Operation expenses - excluding energy costs	861	926
Energy costs	-	-
Maintenance expenses	571	535
Treatment		
Operation expenses - excluding chemical costs	1,715	219
Chemical costs	-	-
Maintenance expenses	480	1,063
Other		
Operation expenses	27	48
Maintenance expenses	145	152
Purchase of water	248	1,225
Depreciation		
System assets	13,887	14,321
Plant and equipment	185	257
Miscellaneous		
Interest	9,161	6,454
Drainage maintenance	3,054	4,232
Other	-	-
Total expenses	50,295	48,679
Income		
Residential charges		
Access	13,605	12,332
User charges	20,289	20,699
Non-residential charges		
Access	-	-
User charges	-	-
Extra charges	-	3
Interest	2,190	1,409
Other revenues	419	3,555
Grants		
Acquisition of assets	27,668	12,835
Pensioner rebates	681	677
Other	280	125
Contributions		
Developer charges	735	2,572
Developer provided assets	2,121	2,419
Other	3,260	3,943
Total income	71,248	60,569
Operating result before dividend	20,953	11,890
Dividend payment	185	184
Operating result after dividend	20,768	11,706
Operating result (less grants for acquisition of assets)	(6,900)	(1,129)

Wyong Shire Council
Special Schedule No. 3
Water Income Statement (*gross including internal transactions*) for the year ended 30 June 2011
 (continued)

B. Capital transactions

Non-operating expenditures

Acquisition of fixed assets		
New Assets- improved standards	-	-
New Assets- growth	-	-
Renewals	-	-
Plant and equipment	31,657	51,554
Repayment of debt		
Loans	8,162	7,841
Advances	-	-
Finance leases	-	-
Transfer to sinking funds	-	-

Total non-operating expenditures

2011	2010
\$'000	\$'000
-	-
-	-
-	-
31,657	51,554
8,162	7,841
-	-
-	-
-	-
39,819	59,395

Non-operating funds employed

Proceeds from disposal of assets	-	-
Borrowings utilised		
Loans	26,000	70,000
Advances	-	-
Finance leases	-	-
Transfer from sinking funds	-	-

Total non-operating funds employed

26,000 **70,000**

C. Rates and charges

Number of assessments:	
- Residential (occupied)	57072
- Residential (unoccupied)	1703
- Non-residential (occupied)	2930
- Non-residential (unoccupied)	204

Number of ETs for which developer charges were received

Total amount of pensioner rebates 1238

D. Best practice annual charges and developer charges

Annual charges

Does Council have best practice water supply annual charges and usage charges?

If Yes go to developer charges

Yes

Developer charges

Has Council completed a Water Supply Development Servicing Plan?

Yes

Total cross subsidies

Nil

Wyong Shire Council

Special Schedule No. 4

Water Supply Balance sheet (gross including internal transactions) as at 30 June 2011

	Current (\$'000)	Non-current (\$'000)	Total (\$'000)
Assets			
Cash and investments			
Developer contributions	-	-	-
Specific purpose grants	269	-	269
Accrued leave	373	-	373
Unexpended loans	14,771	-	14,771
Sinking funds	-	-	-
Other	23,739	-	23,739
Receivables			
Specific purpose grants	1,002	-	1,002
Rates and charges	17,749	553	18,302
Other	298	-	298
Inventories	384	-	384
Property, plant and equipment			
System assets	-	789,789	789,789
Plant and equipment	-	117	117
Other	-	433	433
Total assets	58,585	790,892	849,477
Liabilities			
Bank overdraft	-	-	-
Creditors			
Goods and services	304	-	304
Unearned revenue	2,925	-	2,925
Accrued expenses	13,961	-	13,961
Other	216	-	216
Borrowings			
Loans	8,725	159,854	168,579
Advances	-	-	-
Finance leases	-	-	-
Provisions			
Accrued leave	1,978	27	2,005
Legal claims	-	-	-
Self insurance	91	414	505
Total liabilities	28,200	160,295	188,495
Net assets committed	30,385	630,597	660,982
Equity			
Accumulated surplus/deficit			372,860
Asset - revaluation reserve			288,122
Total equity			660,982
Current replacement cost of system assets			777,870
Accumulated current cost depreciation of system assets			220,660
Written down current cost of system assets			557,210

Wyong Shire Council
Special Schedule No. 5
Sewerage Income Statement
(gross including internal transactions)
for the year ended 30 June 2011

A. Expenses and income	2011	2010
	(\$'000)	(\$'000)
Expenses		
Management expenses		
Administration	4,249	7,488
Engineering and supervision	-	-
Operations and maintenance expenses		
Mains		
Operation expenses	872	463
Maintenance expenses	1,624	1,610
Pumping Stations		
Operation expenses (excluding energy costs)	3,164	1,877
Energy costs	-	-
Maintenance expenses	2,334	2,180
Treatment		
Working expenses	4,906	3,635
excluding energy and chemical costs	-	-
Chemical costs	-	-
Energy costs	-	-
Maintenance expenses	2,066	1,853
Other		
Operation expenses	1,517	197
Maintenance expenses	124	31
Depreciation		
System assets	13,941	13,507
Plant and equipment	103	140
Miscellaneous		
Interest	1,354	1,469
Other	-	-
Total expenses	36,254	34,450
Income		
Residential charges	23,163	22,482
Non-residential charges		
Access	2,433	2,475
User charges	597	-
Trade Waste Charges		
Annual fees	207	199
User charges	565	753
Excess mass charges	-	-
Extra charges	-	-
Interest	2,488	1,459
Other income	298	1,137
Grants		
Acquisition of assets	39	1
Pensioner rebates	663	662
Other	-	-
Contributions		
Developer charges	290	870
Developer provided assets	476	86
Other	-	357
Total Income	31,219	30,481
Operating result before dividend payment	(5,035)	(3,969)
Dividend Payment	181	158
Operating result after dividend payment	(5,216)	(4,127)
Operating result	(5,177)	(4,128)
(less grants for acquisition of assets)		

Wyong Shire Council
Special Schedule No. 5
Sewerage Income Statement
(gross including internal transactions)
for the year ended 30 June 2011
(continued)

B. Capital transactions

Non-operating expenditure

Acquisition of fixed assets		
New Assets- improved standards	-	-
New Assets- growth	4,386	7,534
Renewals	-	-
Plant and equipment	-	-
Repayment of debt		
Loans	1,647	2,498
Advances	-	-
Finance leases	-	-
Transfer to sinking funds	-	-

Total non-operating expenditure

2011	2010
(\$'000)	(\$'000)
-	-
4,386	7,534
-	-
-	-
1,647	2,498
-	-
-	-
-	-
6,033	10,032

Non-operating funds employed

Assets sold	-	-
Borrowings utilised		
Loans	-	-
Advances	-	-
Finance leases	-	-
Transfer from sinking funds	-	-
Total non-operating funds employed	-	-

C. Rates and charges

Number of assessments:	
- Residential (occupied)	56000
- Residential (unoccupied)	1000
- Non-residential (occupied)	3000
- Non-residential (unoccupied)	

Number of ETs for which developer charges were received

Total amount of pensioner rebates	1000
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D. Best practice annual charges and developer charges

Annual charges

Does Council have best practice sewerage annual charges, usage charges and trade waste fees and charges?

Yes

If Yes go to developer charges

Developer charges

Has Council completed a Sewerage Development Servicing Plan?

Yes

Total of cross subsidies

Nil

Wyong Shire Council

Special Schedule No. 6

Sewerage Balance sheet (*gross including internal transactions*) as at 30 June 2011

	Current (\$'000)	Non-current (\$'000)	Total (\$'000)
Assets			
Cash and Investments			
Developer contributions	-	-	-
Specific purpose grants	-	-	-
Accrued leave	472	-	472
Unexpended loans	-	-	-
Sinking funds	-	-	-
Other	26,437	-	26,437
Receivables			
Specific purpose grants	-	-	-
Rates and charges	-	-	-
User charges	2,838	41	2,879
Other	5	-	5
Inventories	-	-	-
Property, plant and equipment			
System assets	-	409,462	409,462
Plant and equipment	-	29	29
Other	-	257	257
Total Assets	29,752	409,789	439,541
Liabilities			
Bank overdraft	-	-	-
Creditors			
Goods and services	419	-	419
Unearned revenue	801	-	801
Accrued expenses	1,653	-	1,653
Other	-	-	-
Borrowings			
Loans	1,239	17,094	18,333
Advances	-	-	-
Finance leases	-	-	-
Provisions			
Accrued leave	2,501	34	2,535
Legal claims	-	-	-
Self insurance	89	412	501
Total liabilities	6,702	17,540	24,242
Net assets committed	23,050	392,249	415,299
Equity			
Accumulated surplus/deficit			254,488
Asset - revaluation reserve			160,811
Total Equity			415,299
Current replacement cost of system assets			591,128
Accumulated current cost depreciation of system assets			190,681
Written down current cost of system assets			400,447

Wyong Shire Council

Notes to Special Schedules 3 and 5

Administration (item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

Engineering and supervision (item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads

Operation expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) include all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when infrastructure assets have decreased in fair value.

Residential charges (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a Access Charges (including rates applicable) and 6b User Charges. Exclude non-residential charges.

Non-residential charges (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b User Charges. Exclude residential charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges, 8c Excess Mass Charges and 8d Re-inspection Fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) include capital contributions for water supply or sewerage services received by Council under Section 565 of the Local Government Act.

Wyong Shire Council
Special Schedule No. 7
 Condition of public works as at 30 June 2011

Asset class	Asset category	Depreciation rate %	Depreciation expense \$000	Cost \$000	Valuation \$000	Accumulated depreciation \$000	WDV \$000	Asset Condition	Estimated cost to bring to satisfactory \$000	Reqd. annual maintenance expense \$000	Current annual maintenance expense \$000
Public Buildings	Administration/Depot	2.50%	966		38,641	22,878	15,763	2.1	890	734	397
	Bush Fire Buildings	2.50%	163		6,526	2,584	3,942	2.2	180	104	67
	Aged Care	2.50%	253		10,130	6,919	3,211	2.5	77	182	104
	Amenities	2.50%	211		8,435	3,378	5,057	3.1	278	160	87
	Art Centres	2.50%	7		273	105	168	2.0	2	2	3
	Child Care	2.50%	122		4,872	2,192	2,681	2.1	279	107	50
	Community Centres	2.50%	679		27,153	13,875	13,278	2.7	235	489	279
	Community Halls	2.50%	321		12,859	9,058	3,801	2.8	536	231	132
	Heritage Buildings	2.50%	41		1,651	1,636	14	2.5	70	26	17
	Holiday Parks	2.50%	380		15,207	9,007	6,200	2.1	755	304	156
	Libraries	2.50%	81		3,254	1,390	1,865	2.0	69	59	33
	Neighbourhood Centres	2.50%	63		2,516	1,792	724	2.7	80	50	26
	Youth and Recreation Centres	2.50%	450		17,995	8,561	9,434	2.6	214	360	185
	Public Toilets	2.50%	136		5,453	3,383	2,070	2.1	336	360	56
	Residential	2.50%	89		3,546	3,024	522	3.0	465	50	36
	Clubhouses	2.50%	320		12,802	6,395	6,407	2.5	254	243	132
	Surf Clubs	2.50%	192		7,670	3,928	3,742	2.0	721	169	79
	Swimming Pools	2.50%	81		3,224	2,356	869	2.8	108	55	33
	Tourist Offices	2.50%	13		524	378	145	2.0	9	9	5
			4,569		182,732	102,839	79,893		5,556	3694	1,877
Public Roads	Sealed Road Surface	7.07%	5,860		82,889	54,756	28,133	3.2	33,819	1,824	3,042
	Sealed Road Structure	2.11%	6,872		325,709	148,043	177,666	3.2	94,781	4,886	5,347
	Unsealed Roads	19.95%	526		2,634	2,634		3.2	1,580	111	730
	Kerb and Gutter	1.25%	830		66,438	16,692	49,746	2.8	4,916	532	90
	Bridges	1.10%	119		10,794	6,028	4,766	3.9	3,345	100	100
	Footpaths	1.00%	310		30,973	5,052	25,921	2.5	3,717	650	339
			14,517		519,437	233,205	286,232		142,159	8,102	9,648
Other Structures											

This Schedule is to be read in conjunction with the explanatory notes following.

Wyong Shire Council
Special Schedule No. 7

Condition of public works as at 30 June 2011 (continued)

Asset class	Asset category	Depreciation rate %	Depreciation expense \$000	Cost \$000	Valuation \$000	Accumulated depreciation \$000	WDV \$000	Asset Condition	Estimated cost to bring to satisfactory \$000	Reqd. annual maintenance expense \$000	Current annual maintenance expense \$000
Water	Treatment Plants	2.78%	1,667		59,970	25,810	34,160	2.0			247
	Reservoirs	2.21%	1,056		47,794	20,379	27,414	2.0			4,248
	Mains	1.63%	8,050		493,858	197,596	296,262	2.5	6,910	12,270	716
	Pump Stations	4.05%	2,137		52,756	18,166	34,590	2.0			5,721
			12,910		654,378	261,951	392,426		6,910	12,270	10,932
Sewerage	Pump Stations	4.44%	2,294		51,673	26,507	25,166	3.0	3,210	720	2,334
	Mains	1.32%	5,043		382,069	80,838	301,232	3.2	12,690	7,710	1,624
	Treatment Works	4.65%	6,972		149,930	83,337	66,593	2.8	2,090	2,160	2,190
			14,309		583,672	190,682	392,991		17,990	10,590	6,148
Drainage Works	Pipes-all sizes	0.83%	851		102,486	25,308	77,178	3.0	7,072	1,230	258
	Culverts and Channels	1.15%	776		67,506	20,304	47,202	3.0	5,806	810	729
	GPTs // wetlands	1.25%	126		10,040	391	9,649	3.0	1,104	120	272
	Pits	1.25%	727		58,151	17,276	40,875	3.0	6,397	698	289
	Headwalls	1.25%	20		1,588	556	1,032	3.0	175	19	22
			2,500		239,771	63,836	175,936	0	20,553	2,877	1,570
Total	All Assets		48,805		2,179,990	852,513	1,327,478		193,168	33,843	30,175
* The Asset Condition categories are as follows:			1	Near perfect condition							
			2	Some superficial deterioration							
			3	Serious deterioration, requiring substantial maintenance							
			4	Level of deterioration affects the fabric of the asset, requiring major reconstruction or refurbishment							
			5	Level of deterioration is such as to render the asset unserviceable							

This Schedule is to be read in conjunction with the explanatory notes following.

Wyong Shire Council Notes to Special Schedule No. 7

What are “public works”?

This year the schedule as presented by Wyong Shire Council (WSC) lists in detail only those assets conforming to a traditional description of public works – roads, drainage, public buildings, and water and sewerage infrastructure. Council is responsible for a wide range of other assets – plant, equipment, library books, recreational assets (including open space assets) and natural assets.

It is intended for future years to include data for natural assets on Council land, and recreational assets, within the body of this schedule. The new data will be the product of an extended effort to record and value these assets and to assess future maintenance requirements.

Asset condition and the definition of “satisfactory”

The following **asset condition** codes have been used in this Schedule. They are adapted from the Division of Local Government’s (DLG) *Planning and Reporting Manual for local government in NSW* (2010).

- | | |
|---|--|
| 1 | Excellent – no work required, normal maintenance |
| 2 | Good – only minor maintenance work required |
| 3 | Average – maintenance work required |
| 4 | Poor – renewal required |
| 5 | Very Poor – urgent renewal and/or upgrading required. |

The condition codes in this schedule represent a simplification as compared to Council's rating system, to facilitate comparisons between different asset types. The condition codes are an average for thnoe category.

Satisfactory is defined in the *Manual* as “satisfying expectations of needs, leaving no room for complaint, causing satisfaction, adequate”. The Wyong Shire Council has therefore determined that the “**amount to bring assets to a satisfactory standard**” is the money needed to bring the assets within a category to an average condition assessment of 3 (average). This amount does not include enhancements or renewals. Put another way, it means the amount needed to keep the assets in a functional condition, but not to extend their useful life or to increase their service potential.

The total for each asset category is the sum of the known or projected values of significant repair, refurbishment or restoration projects.

Required annual maintenance is the amount of money that should be spent each year to maintain all assets within a category in a satisfactory condition. It is expenditure to ensure than an asset reaches its estimated useful life. For infrastructure assets this cost has been derived from current industry benchmarks and it is clear that the amount considerably exceeds the actual expenditure, especially in water and sewerage where the amount Council can charge for services is restricted by the Independent Pricing and Review Tribunal. Spending less than the desirable level of maintenance will result in an otherwise avoidable premature deterioration of the asset. Clearly, in future years ensuring the continued sustainability of Council’s infrastructure will be a significant challenge.

Current annual maintenance is what has actually been spent in the current year to maintain current assets.

Wyong Shire Council Special Schedule No 8 – Financial projections

	2011 Actual \$m	2012 Budget \$m	2013 Budget \$m	2014 Budget \$m	2015 Budget \$m
Recurrent budget					
Income from continuing operations	208	227	238	250	262
Expenses from continuing operations	225	242	250	262	274
Operating result from continuing operations before capital grants and contributions	(17)	(15)	(12)	(12)	(12)
Capital grants and contributions	43	18	13	13	14
Operating result from continuing operations	26	3	1	1	2
Net operating result from continuing operations before capital grants and contributions - Management 4 year intervention *					
	(17)	(15)	(10)	(5)	0
Capital budget					
New works	69	29	55	30	16
Replacement of existing assets	26	49	58	59	45
Total capital	95	78	113	89	61
Funded by:					
Loans	26	15	15	11	3
Asset sales	1				
Reserves	11	13	30	28	15
Grants/contributions	43	23	25	14	10
Recurrent revenue	14	24	41	35	33
Other	-	3	2	1	-
Total funds	95	78	113	89	61

Council's Strategic Plan 2011/15 presents a four year projection based on the current levels of service, however identifies a number of Management Intervention Strategies which will see the current level of the operating deficits reduced, through a series of service and asset reviews, revenue maximisation, and a potential special rate increase in 2013/14. The Management 4 Year Intervention strategy shows a return to break-even over four years.