

DISTRICT COUNCIL OF TUMBY BAY



LONG TERM FINANCIAL PLAN

2020/21 TO 2029/30

Adopted 27/02/2020

Motion Number: *2sp/22020*



PURPOSE OF THE LONG TERM FINANCIAL PLAN

The Long Term Financial Plan has been developed in accordance with the requirements of the Local Government Act 1999, and forms part of Council's Strategic planning documents.

The purpose of the plan is to measure the Council's capacity to achieve the theme's and strategies set out in the Strategic Plan, and to ensure that the Council is adequately providing for Asset renewal as identified in the various Asset Management Plans.

The plan also includes various financing options for a number of proposed new capital works which have been identified in Council's Asset Management Plans.

The ten year plan has been set based on the premise that Council wishes to be financially sustainable over the ten year period, and takes into consideration Council's position in relation to the three key financial indicators adopted by Council.

ASSUMPTIONS

The following assumptions were used in the formulation of the Long Term Financial Plan: -

REVENUE

General Rates

General rate revenue has been increased by 1.8% more than the modelled Local Government cost increases to ensure the long term sustainability of the Council, in doing this the Council will reach a point of sustainability mid-way through the planning period. Proposed rate increases are detailed below:

Draft Plan

2020/2030 3.8% Increase

The plan allows for modest growth in ratable properties over the ten year period.

Other Revenues

Council also receives revenue from several other sources including statutory charges, user charges, reimbursements and other revenues; these items have been increased by the following amounts to mirror estimated Local Government cost increases:-

Draft Plan

2020/2030 2.0% Increase

Operating Grants

Local Government Grants Commission general purpose grants have been reduced by 3% annually based on recent advice from the Commission.

Local Government Grants Commission road grants and supplementary road funding has been indexed at 2.0% for the life of the plan, however funding past 2021/2022 is yet to be confirmed for the supplementary component of this funding.

Roads to Recovery grants of have been included for the duration of the plan; with the current funding program expiring in 2023/2024.

Investment Income

Interest earned on investments has been calculated at an interest rate of 1% over the period of the plan.

EXPENDITURE

Operating Expenditure

Operating expenditure has been based on the following estimated Local Government cost increases:

Draft Plan

2020/2030 2.0% Increase

Wages

In determining likely increases in annual wage payments the following items have been taken into consideration:-

- No Increase in Current Staffing
- Enterprise Bargaining Agreement
- Senior Staff Contracts

On this basis the following increases have been applied within the plan.

Draft Plan

2020/2030 2.0% Increase

Finance Charges

Finance Charges have been calculated at variable interest rates ranging from 4% to 6.75% over the period of the plan, and may include both fixed term and cash advance loan facilities with the LGFA.

Depreciation

Depreciation has been calculated using the 'Straight Line Method' based on the Current Replacement Cost (CRC) of an asset and its expected life. In applying depreciation amounts to the various assets CRC has been indexed in line with anticipated asset revaluations to ensure depreciation rates are keeping pace with the increased cost of asset provision and renewal. These rates therefore vary from asset to asset – see chart below for details.

Draft Plan

<u>Year</u>	<u>20/21</u>	<u>21/22</u>	<u>22/23</u>	<u>23/24</u>	<u>24/25</u>	<u>25/26</u>	<u>26/27</u>	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>
Buildings	0.0%	11.5%	0.0%	0.0%	0.0%	0.0%	10.4%	0.0%	0.0%	0.0%
Plant	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Infrastructure	0.0%	0.0%	6.1%	0.0%	0.0%	6.1%	0.0%	0.0%	6.1%	0.0%

CAPITAL EXPENDITURE

Renewal

The Capital Renewal requirements as estimated in the Asset Management Plans have been included in the Long Term Financial Plan. The plan aims for a 100% renewal program at the optimum time to ensure assets do not deteriorate to a point where additional works are required. In the case of long lived assets such as CWMS, bridges and urban storm water systems, funds will be set aside to offset future renewal programs.

New Assets

The plan includes the provision of new assets identified within the Council's Asset Management Plans. Due to the size and nature of these assets it is envisaged that a combination of grant and loan funds along with accumulated reserves will be utilized in their provision. Dependence on varying degrees of grant funding may dictate at what time during this planning period these projects are able to proceed.

SELF FUNDED ACTIVITIES

Funding for the Tumby Bay and Port Neill Community Wastewater Management Schemes has been included within the LTFP and includes future asset renewal in line with Asset Management Plans. As per legislative requirements any funds raised through service charges applied for the schemes must be quarantined for future use within the scheme. These funds are managed by Council through the provision of reserve accounts, with any excess funds allocated to reserve and available for future asset renewals as required.

LOAN BORROWING

Council enters this planning period with relatively few loan borrowings and with a number of these loans in the category of self-servicing loans. It is envisaged that new borrowings will be required to fund the replacement of the bridge on the Graham Smelt Causeway and some items within the plant replacement program.

FINANCIAL INDICATORS

South Australian Councils are required to use nationally-consistent approach of measuring their financial sustainability by using three key indicators:

- Operating Surplus Ratio
- Net Financial Liabilities Ratio
- Asset Renewal Funding Ratio

Operating Surplus Ratio

The operating surplus ratio is the operating surplus (deficit) expressed as a percentage of total operating income.

“This indicator is by far the most important indicator for Councils. If a Council consistently achieves a modest positive operating surplus ratio, and has soundly based projections showing that it can continue to do so in the future, having regard to asset management and its community’s service level needs, then it is financially sustainable.” – LGA Financial Sustainability Paper 9.

The Local Government Association suggests Council’s should be targeting “To achieve, on average, an operating surplus ratio of between 0% and 10%”.

In Council Policy 5.25 Revenue and Financing, Council has set itself a target to achieve an operating break even position, or better, over any five year period. This LTFP provides Council the opportunity to reach this target in the final four years of the planning period. (See Chart – Page 7)

Net Financial Liabilities Ratio

The net financial liabilities ratio is calculated by expressing net financial liabilities at the end of a financial year as a percentage of operating income for the year.

“Net financial liabilities is a broader and more appropriate measure of indebtedness than the level of borrowings, because it includes items such as employee long-service leave entitlements and other amounts payable in future

as well as taking account of a Council's cash holdings and invested monies" – LGA Financial Sustainability Paper 9.

The Local Government Association suggests a Council's net financial liabilities ratio is between zero and 100% of total operating income, but possibly higher in some circumstances.

In Council Policy 5.24 Treasury, Council has set itself a limit of 100%. This LTFP shows Council's ratio peaking at 39% early in the planning period and closing out in an asset positive position with a ratio of (39%), well below Council's accepted position. (See Chart – Page 8)

Asset Renewal Funding Ratio

This ratio indicates the extent to which non-financial assets are being renewed and replaced, compared with the asset renewal and replacement expenditure identified as warranted in a Council's infrastructure and asset management plan's (I&'s). It is calculated by measuring capital expenditure on renewal or replacement of assets for a period, divided by the optimal level of such expenditure proposed in a Council's I&'s.

"If capital expenditure on renewing or replacing existing assets is at a level consistent with proposed or soundly prepared I&'s that is based on long-run affordable service levels, then it is likely that a Council is reasonably optimizing timing of asset renewal activity. Any material underspending on renewal and replacement over the medium term is likely too adversely impact on the cost-effective achievement of preferred, affordable service levels and could potentially undermine a Council's financial sustainability." – LGA Financial Sustainability Paper 9.

The Local Government Association suggests capital outlays on renewing/replacing assets are greater than 90% but less than 110% of the level proposed in the Infrastructure and Asset Management Plan's (I&'s). This plan enables Council to maintain a ratio of 100% throughout the planning period. (See Chart – Page 9)

STRATEGIC PLAN

It is recognized that the Long Term Financial Plan does not necessarily cover off on all actions and activities mentioned in Council's Strategic Plan, however every endeavor has been made to include all information considered relevant to the plan at this time. Future review of the plan will be carried out on an annual basis.

The current plan includes the following major projects:

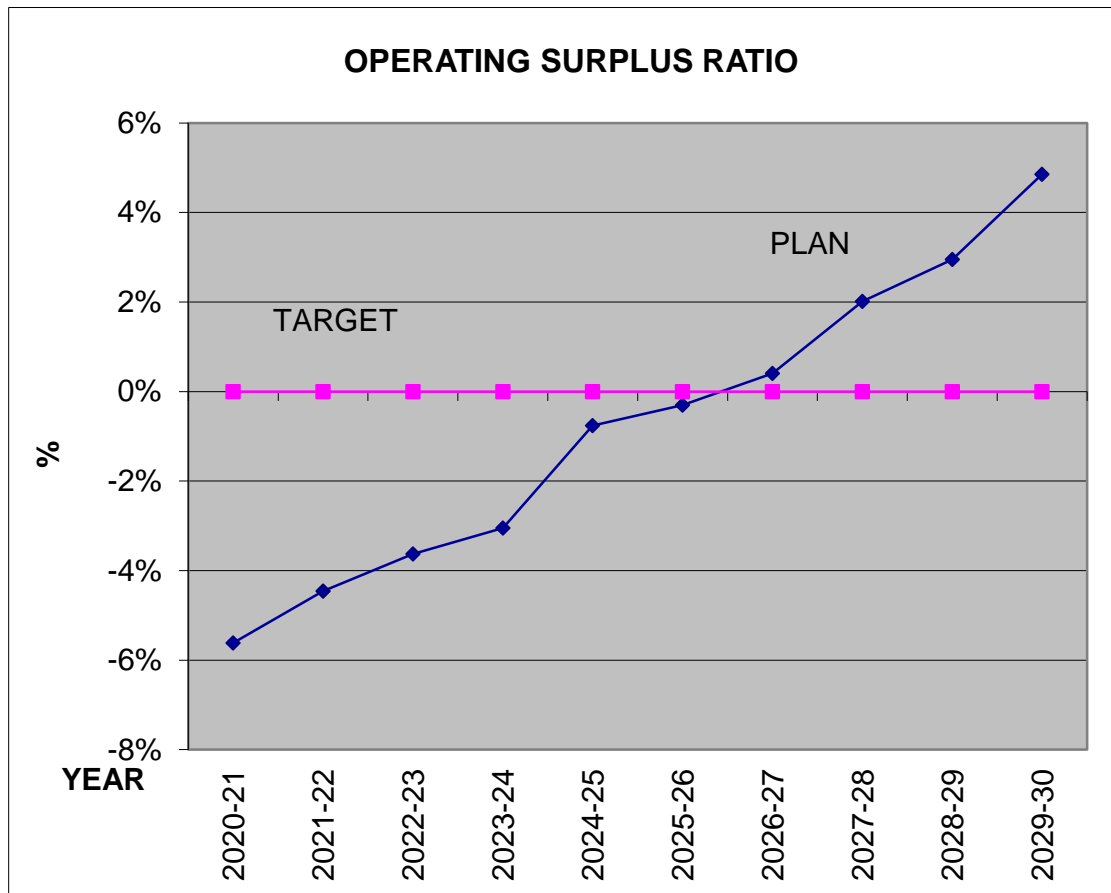
- Tumby Bay Township Master Plan Project
- Graham Smelt Causeway Bridge
- Tumby Bay CWMS Upgrade



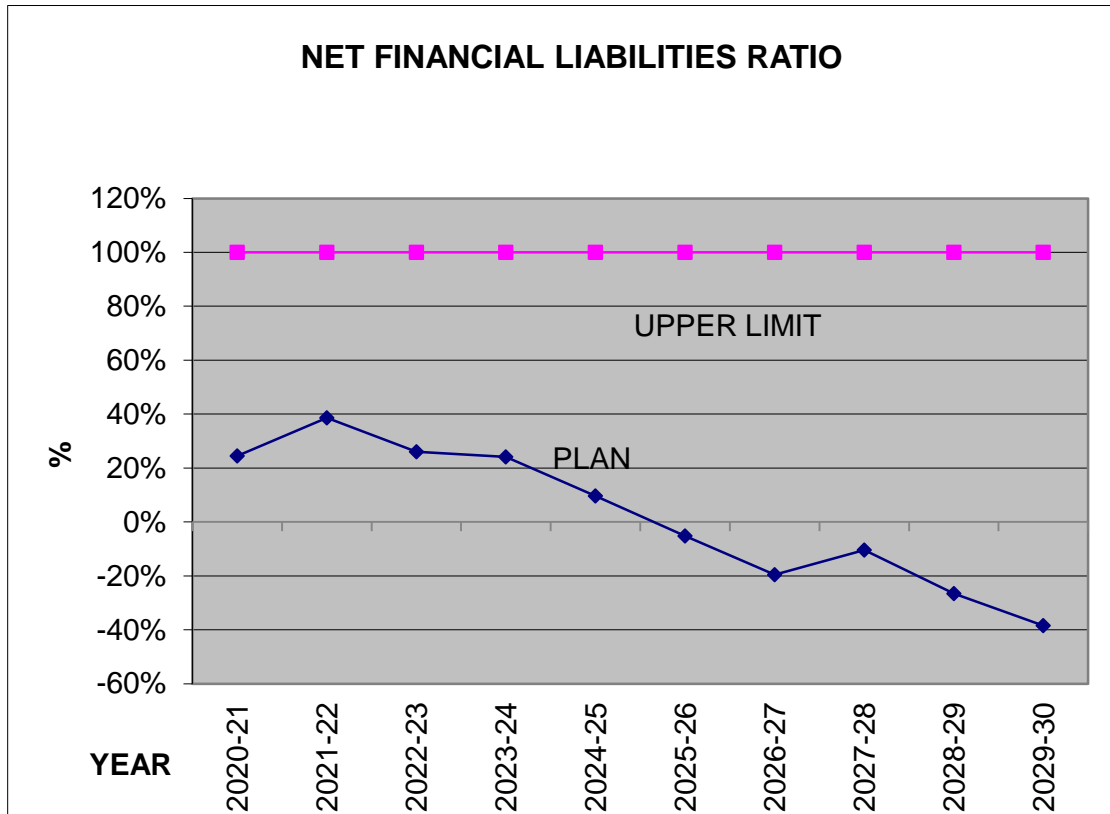
ANALYSIS OF LONG TERM FINANCIAL PLAN

Council has endeavored to approach the formulation of its Long Term Financial Plan with two clear objectives; sustainability of essential service delivery and sound infrastructure management. However in achieving this it is also paramount that Council provides adequate funds within its “Future Projects Reserve” to firstly safeguard against unexpected financial impacts; and secondly, provide funding for future improvements within our communities. Council strongly believes the LTFP provides a degree of certainty in both areas, whilst maintaining an acceptable level of projected rate increases across the plan.

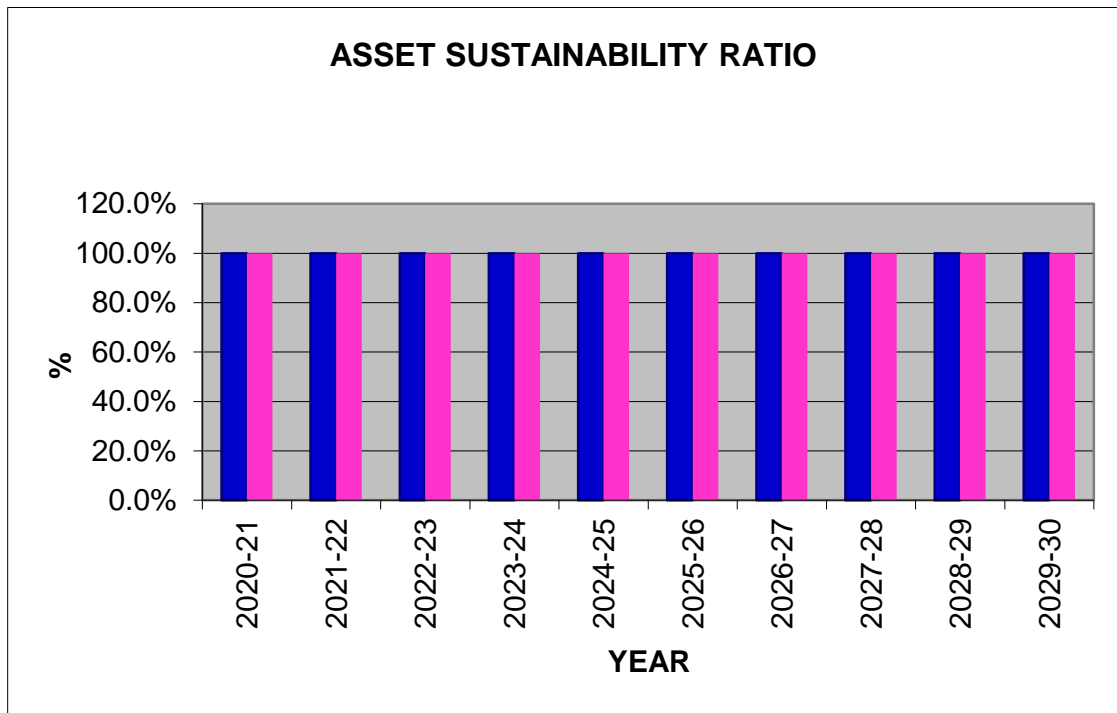
FINANCIAL CHARTS



FINANCIAL CHARTS



FINANCIAL CHARTS



TARGET - PLAN

DISTRICT COUNCIL OF TUMBY BAY - LONG TERM FINANCIAL PLAN

SUMMARY STATEMENT - 2020/2030

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DISTRICT COUNCIL OF TUMBY BAY - LONG TERM FINANCIAL PLAN

ESTIMATED INCOME STATEMENT - 2020/2030

	2020-21 Plan	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan
	\$'000	\$'000	\$'000	\$'000	\$'001	\$'002	\$'003	\$'004	\$'005	\$'006
INCOME										
Rates	5,416	5,608	5,808	6,015	6,230	6,452	6,683	6,923	7,172	7,430
Statutory charges	66	68	69	70	72	73	75	76	78	79
User charges	155	158	161	165	168	172	175	178	182	186
Grants, subsidies and contributions	1,055	1,194	1,173	1,168	1,190	1,186	1,182	1,179	1,177	1,202
Investment Income	19	20	22	24	22	27	32	39	27	38
Reimbursements	19	20	20	21	21	22	22	22	23	23
Other Revenues	51	52	53	55	56	57	58	59	60	61
Share of profit – joint ventures & associates	-	-	-	-	-	-	-	-	-	-
Total Revenues	6,782	7,120	7,306	7,517	7,758	7,988	8,227	8,477	8,719	9,019
EXPENSES										
Employee Costs	1,948	1,998	2,049	2,107	2,186	2,239	2,282	2,336	2,368	2,415
Materials, contracts & other expenses	2,693	2,832	2,791	2,907	2,907	2,958	3,054	3,123	3,142	3,217
Finance Costs	137	156	173	160	145	123	102	84	67	57
Depreciation, Amortisation & Impairment	2,385	2,452	2,559	2,572	2,579	2,692	2,758	2,765	2,885	2,893
Total Expenses	7,163	7,438	7,571	7,747	7,817	8,013	8,195	8,308	8,463	8,582
OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	(381)	(317)	(265)	(229)	(59)	(25)	32	170	256	437
Net gain/(loss) on disposal or revaluation of assets	166	260	111	457	308	70	292	191	128	120
Amounts received specifically for new or upgraded assets	-	-	133	-	110	-	-	-	-	-
Physical resources received free of charge	-	-	-	-	-	-	-	-	-	-
NET SURPLUS/(DEFICIT)	(214)	(57)	(21)	228	359	45	324	361	385	557

DISTRICT COUNCIL OF TUMBY BAY - LONG TERM FINANCIAL PLAN

ESTIMATED BALANCE SHEET - 2020/2030

	2020-21 Plan	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan
	\$'000	\$'000	\$'000	\$'000	\$'001	\$'002	\$'003	\$'004	\$'005	\$'006
ASSETS										
Current Assets										
Cash & cash equivalents	2,343	2,629	3,058	3,007	3,567	4,195	4,962	3,864	5,000	5,981
Trade & other receivables	606	617	629	641	652	665	677	690	703	716
Inventories	9	9	9	9	9	9	9	9	9	9
Total Current Assets	2,958	3,255	3,696	3,657	4,231	4,872	5,654	4,571	5,721	6,718
Non-current Assets										
Financial Assets	35	20	4	(13)	(31)	(40)	(40)	(40)	(40)	(40)
Equity accounted investments in Council	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	64,747	65,748	64,905	65,048	64,365	63,278	62,441	63,504	62,488	61,918
Total Non-current Assets	64,782	65,767	64,909	65,035	64,335	63,240	62,404	63,468	62,453	61,884
Total Assets	67,740	69,022	68,605	68,692	68,565	68,111	68,054	68,035	68,169	68,595
LIABILITIES										
Current Liabilities										
Trade & Other Payables	1,112	1,134	1,157	1,180	1,203	1,228	1,252	1,277	1,303	1,329
Borrowings	575	575	575	575	575	575	575	575	575	575
Short-term Provisions	527	538	549	560	571	582	594	606	618	630
Sub-total	2,214	2,247	2,280	2,314	2,350	2,387	2,424	2,462	2,501	2,540
Liabilities relating to Non-current Assets held for										
Total Current Liabilities	2,214	2,247	2,280	2,314	2,350	2,387	2,424	2,462	2,501	2,540
Non-current Liabilities										
Long-term Borrowings	2,352	3,658	3,228	3,052	2,528	1,991	1,572	1,152	861	689
Long-term Provisions	32	32	33	34	34	35	36	36	37	38
Total Non-current Liabilities	2,384	3,690	3,261	3,086	2,565	2,030	1,614	1,196	908	739
Total Liabilities	4,598	5,937	5,541	5,400	4,915	4,417	4,038	3,658	3,408	3,279
NET ASSETS	63,142	63,085	63,064	63,292	63,650	63,694	64,017	64,377	64,761	65,317
EQUITY										
Accumulated Surplus	9,704	9,383	8,955	9,257	9,079	8,521	8,102	9,586	8,861	8,463
Asset Revaluation Reserve	52,176	52,176	52,176	52,176	52,176	52,176	52,176	52,176	52,176	52,176
Other Reserves	1,263	1,526	1,933	1,859	2,395	2,999	3,741	2,619	3,729	4,684
TOTAL EQUITY	63,142	63,085	63,064	63,292	63,651	63,696	64,020	64,381	64,766	65,323

DISTRICT COUNCIL OF TUMBY BAY - LONG TERM FINANCIAL PLAN

ESTIMATED STATEMENT OF CHANGES IN EQUITY - 2020/2030

	2020-21 Plan	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan
	\$'000	\$'000	\$'000	\$'000	\$'001	\$'002	\$'003	\$'004	\$'005	\$'006
ACCUMULATED SURPLUS										
Balance at end of previous reporting period	8,247	8,046	8,003	7,996	8,240	8,615	8,677	9,019	9,398	9,802
Net Result for Year	(214)	(57)	(21)	228	359	45	324	361	385	557
Transfers to Other Reserves	14	14	15	16	16	17	18	18	19	20
Transfers from Other Reserves	-	-	-	-	-	-	-	-	-	-
Balance at end of period	8,046	8,003	7,996	8,240	8,615	8,677	9,019	9,398	9,802	10,379
ASSET REVALUATION RESERVE										
Balance at end of previous reporting period	52,176	52,176	52,176	52,176	52,176	52,176	52,176	52,176	52,176	52,176
Gain on revaluation of infrastructure, property,	-	-	-	-	-	-	-	-	-	-
Balance at end of period	52,176	52,176	52,176	52,176	52,176	52,176	52,176	52,176	52,176	52,176
OTHER RESERVES										
Balance at end of previous reporting period	2,933	2,919	2,905	2,890	2,875	2,858	2,842	2,824	2,806	2,787
Transfers from Accumulated Surplus	(14)	(14)	(15)	(16)	(16)	(17)	(18)	(18)	(19)	(20)
Transfers to Accumulated Surplus	-	-	-	-	-	-	-	-	-	-
Balance at end of period	2,919	2,905	2,890	2,875	2,858	2,842	2,824	2,806	2,787	2,767
TOTAL EQUITY AT END OF REPORTING PERIOD	63,141	63,084	63,063	63,291	63,650	63,695	64,019	64,380	64,765	65,322

DISTRICT COUNCIL OF TUMBY BAY - LONG TERM FINANCIAL PLAN

ESTIMATED CASH FLOW STATEMENT - 2020/2030

	2020-21 Plan	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan
	\$'000	\$'000	\$'000	\$'000	\$'001	\$'002	\$'003	\$'004	\$'005	\$'006
CASH FLOWS FROM OPERATING										
<u>Receipts</u>										
Operating receipts	6,752	7,089	7,273	7,481	7,724	7,949	8,183	8,426	8,679	8,968
Investment receipts	19	20	22	24	22	27	32	39	27	38
<u>Payments</u>										
Operating payments to suppliers and employees	(4,883)	(5,109)	(5,151)	(5,300)	(5,349)	(5,407)	(5,503)	(5,589)	(5,605)	(5,707)
Finance payments	137	156	173	160	145	123	102	84	67	57
Net Cash provided by (or used in) Operating Activities	2,026	2,157	2,316	2,366	2,543	2,691	2,814	2,959	3,167	3,356
CASH FLOWS FROM INVESTING ACTIVITIES										
<u>Receipts</u>										
Amounts specifically for new or upgraded assets	-	-	133	-	110	-	-	-	-	-
Sale of replaced assets	166	260	111	457	308	70	292	191	128	120
Sale of surplus assets	-	-	-	-	-	-	-	-	-	-
Repayments of loans by community groups	33	16	16	17	18	9	-	-	-	-
<u>Payments</u>										
Expenditure on renewal/replacement of assets	(1,549)	(1,725)	(1,371)	(2,671)	(1,632)	(1,566)	(1,879)	(2,035)	(1,829)	(2,284)
Expenditure on new/upgraded assets	(206)	(1,728)	(346)	(44)	(262)	(40)	(41)	(1,794)	(40)	(40)
Loans made to community groups	-	-	-	-	-	-	-	-	-	-
Net Cash provided by (or used in) Investing Activities	(1,556)	(3,177)	(1,457)	(2,241)	(1,457)	(1,523)	(1,622)	(3,629)	(1,730)	(2,191)
CASH FLOWS FROM FINANCING ACTIVITIES										
<u>Receipts</u>										
Proceeds from Borrowings	-	1,685	-	300	-	-	-	-	-	-
<u>Payments</u>										
Repayments of Borrowings	(348)	(379)	(430)	(476)	(524)	(537)	(419)	(420)	(291)	(172)
Net Cash provided by (or used in) Financing Activities	(348)	1,306	(430)	(176)	(523)	(535)	(416)	(416)	(286)	(166)
Net Increase (Decrease) in cash held	122	285	430	(51)	563	633	776	(1,086)	1,150	999
Cash & cash equivalents at beginning of period	573	695	981	1,410	1,359	1,922	2,556	3,332	2,246	3,397
Cash & cash equivalents at end of period	695	981	1,410	1,359	1,922	2,556	3,332	2,246	3,397	4,396

DISTRICT COUNCIL OF TUMBY BAY - LONG TERM FINANCIAL PLAN
SUMMARY STATEMENT INCLUDING FINANCIAL TRANSACTIONS - 2020/2030

	2020-21 Plan	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan
	\$'000	\$'000	\$'000	\$'000	\$'001	\$'002	\$'003	\$'004	\$'005	\$'006
Operating Revenues	6,782	7,120	7,306	7,517	7,758	7,988	8,227	8,477	8,719	9,019
<i>less Operating Expenses</i>	(7,163)	(7,438)	(7,571)	(7,747)	(7,817)	(8,013)	(8,195)	(8,308)	(8,463)	(8,582)
Operating Surplus / (Deficit) Before Capital Amounts	(381)	(317)	(265)	(229)	(59)	(25)	32	170	256	437
Less: Net Outlays on Existing Assets										
Capital Expenditure on Renewal/Replacement of Existing Assets	(1,549)	(1,725)	(1,371)	(2,671)	(1,632)	(1,566)	(1,879)	(2,035)	(1,829)	(2,284)
<i>less Proceeds from Sale of Replaced Assets</i>	166	260	111	457	308	70	292	191	128	120
<i>less Depreciation, Amortisation & Impairment</i>	2,385	2,452	2,559	2,572	2,579	2,692	2,758	2,765	2,885	2,893
Net Outlays on Existing Assets	1,002	987	1,299	358	1,254	1,197	1,171	921	1,185	729
Less: Net Outlays on New and Upgraded Assets										
Capital Expenditure on New/Upgraded Assets	(206)	(1,728)	(346)	(44)	(262)	(40)	(41)	(1,794)	(40)	(40)
<i>less Proceeds from Sale of Surplus Assets</i>	-	-	-	-	-	-	-	-	-	-
<i>less Amounts received specifically for new or</i>	-	-	133	-	110	-	-	-	-	-
Net Outlays on New and Upgraded Assets	(206)	(1,728)	(213)	(44)	(152)	(40)	(41)	(1,794)	(40)	(40)
Equals: Net Lending / (Borrowing) for Financial Year	415	(1,058)	821	85	1,043	1,131	1,162	(702)	1,401	1,127

In any one year, the financing transactions identified below are associated with either applying surplus funds stemming from a net lending result or accommodating the funding requirement stemming from a net borrowing result.

FINANCING TRANSACTIONS	2020-21 Plan	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan
	\$'000	\$'000	\$'000	\$'000	\$'001	\$'002	\$'003	\$'004	\$'005	\$'006
New Borrowings	-	1,685	-	300	-	-	-	-	-	-
Principal Repayments on Borrowings	(315)	(363)	(414)	(459)	(506)	(528)	(419)	(420)	(291)	(172)
(Increase)/Decrease in Cash and Cash Equivalents	(122)	(285)	(430)	51	(563)	(633)	(776)	1,086	(1,150)	(999)
(Increase)/Decrease in Receivables	(11)	(11)	(11)	(12)	(12)	(12)	(12)	(13)	(13)	(13)
Increase/(Decrease) in Payables and Provisions	33	33	34	35	36	37	38	39	39	40
Other – including movement in inventories	-	-	-	-	-	-	-	-	-	-
Equals: Financing Transactions	(415)	1,058	(821)	(85)	(1,045)	(1,136)	(1,170)	691	(1,415)	(1,144)