



Port Augusta

CITY COUNCIL

PORT AUGUSTA CITY COUNCIL LONG TERM FINANCIAL PLAN 2021/22 – 2031/32

PURPOSE & BACKGROUND

The *Local Government Act 1999* (“the Act”) requires each Council to develop and adopt a Long Term Financial Plan (“LTFP”) covering a period of at least 10 years, along with an Infrastructure and Asset Management Plan also covering a period of at least 10 years. There is a direct link between the development and implementation of these two plans. They both form part of Councils’ suite of Strategic Management Plans (“SMPs”).

The Act requires a Council’s SMPs to address:

- the sustainability of the Council’s financial performance and position;
- the maintenance, replacement, or development needs for infrastructure within its area;
- proposals with respect to debt levels; and,
- identification of any anticipated or predicted changes that will have a significant effect upon the costs of the Council’s activities/operations.

Each Council is required to review its LTFP annually, as soon as practicable after the adoption of its annual business plan. There is an express statutory obligation on the Council’s CEO to report, as part of the annual review of the LTFP, on the sustainability of the Council’s long term financial performance and position, having considered the annual business plan and SMPs.

The purpose of a Council’s LTFP is to express, in financial terms, the activities that the Council proposes to undertake over the medium to longer term to achieve its stated objectives. It is similar to, but usually less detailed than, the annual budget. Just like the budget, it is a guide for future action although its preparation requires the Council to think about not just one year but the longer-term impact of capital investment expenditure proposals. The aggregation of future intended outlays and anticipated revenues enables the accumulating overall financial implications to be readily identified and, if warranted, proposed future activities to be revised. Long term planning is critical for Councils to plan the renewal, replacement, or upgrade of assets into the foreseeable future, in addition to managing service levels and maintaining rate rises to an acceptable level.

The preparation of a LTFP generates improved information to guide decisions about the mix and timing of outlays on operating activities, renewal and replacement of existing assets, future additional assets, and the funding implications of these. Without a soundly based LTFP a Council and its management team will have insufficient financial information to determine sustainable service levels and affordable asset strategies, appropriate revenue targets or optimal treasury management.

PLAN FRAMEWORK

This update of Council's LTFP aims to 'break-even' at year ten of the plan 2031/32. 'Break-even' is achieved when operating income equals or exceeds operating expenditure, resulting in an operating surplus on the Income Statement.

This version of the LTFP incorporates the following:

- Adopted Budget 2021/22
- Adopted Audited Annual Financial Statements 2020/21
- Revised Asset Management Plan (AMP) capital expenditure for CWMS and Wastewater, Stormwater, Transport Assets and Building and Land Improvements
- The Transport AMP includes a limited amount of new capital expenditure for the continuation of the footpath connectivity program and re-sheeting of unsealed roads
- CPI of 2.5% as per Adelaide All Groups September 2021
- Annual wage increases of 2.5% (CPI)
- Annual rate revenue increases of 3.5% (CPI + 1%)
- Inclusion of a \$2M Cash Advance Debenture and applicable Finance Costs to secure and match grant funding for Infrastructure upgrades, of which \$1.0M has been committed to the Ryan Mitchell Swim Centre Upgrade
- Inclusion of Roads to Recovery grant funding throughout the life of the plan at current levels
- Inclusion of externally funded programs budgeted in 2021/22 throughout the life of the plan, with corresponding revenue and expenditure

This version of the LTFP does not include or consider the financial impacts relating to:

- Growth in the number of rateable properties or capital values (Council has not experienced any material growth for a number of years)
- Outcomes from further Service Level and Range Reviews
- Proposed outcomes from the Local Government Reforms
- Results of Enterprise Bargaining Agreements currently being negotiated

KEY OUTCOMES & CONCLUSIONS

Port Augusta City Council has been focussed on financial sustainability in recent years. Minor Service Level & Range reviews have been undertaken in an unstructured manner, with small savings identified across many programs. Further savings are likely to have significant impact on service levels and the range of services provided by the Council.

The impact on Council's revenue of the closure of the Port Augusta Power Station in 2015 has been significant with an approximately \$450,000 reduction in revenue with a compounding effect on the Long Term Financial Plan. To date, there has not been any other major industry commence to replace this lost revenue.

Council provided lower rate revenue increases than the Long Term Financial Plan indicated in the 2020/21 financial year as a Covid-19 relief measure and again in the 2021/22 financial year following feedback from the community due to the impact of the change in basis of rating. These decisions have significantly impacted Council's long term financial sustainability and break-even targets.

Based on the current information, to achieve a break-even operating result by the end of the ten year period 2031/32, Council requires an annual reduction in operating expenditure of \$272,000 per annum from 2022/23 to 2031/32. This reduction is shown as a separate line item on the Income Statement.

Alternatively, a break-even result by 2031/32 could be achieved by an increase in rate revenue of 4.69% per annum (1.19% higher than currently estimated); however, the Council will need to consider the impact of this to the community

Over the life of the plan, debt levels are anticipated to reduce from \$4.0M in 2022/23 to \$0.8M in 2031/32. This is a result of cash surpluses being allocated against borrowings and is reflected in an improvement to the Net Financial Liabilities Ratio.

The Asset Renewal Funding Ratio indicates the extent to which existing non-financial assets are being renewed and replaced, compared with the asset renewal and replacement expenditure identified as warranted in Council's Asset Management Plans. The LTFP is based on the target of 100% and is predicated on achieving the level of expenditure as stated in Councils Revised Asset Management Plans.

OTHER POTENTIAL REVENUE SOURCES & OPPORTUNITIES

Grant funding is Council's second largest operating revenue source. Council's ability and opportunity to attract State and Federal Government funding for major projects and service improvements is critical to the long-term financial sustainability of the organisation.

The Long Term Financial Plan is predicated on known grant funding continuing for the foreseeable future including funds from the Grants Commission and Roads to Recovery funding. However, the plan does not include grant funding for capital projects which may be available at the time of undertaking capital works. Grant programs such as the Local Government Infrastructure Partnership Program or the Local Government Community Infrastructure Program have not been included other than known funding levels for the Ryan Mitchell Swim Centre upgrade. Council will continue to seek grant funding to offset cost of capital works and operational costs where possible.

Shared services is another potential revenue source for Councils, thereby entering into shared service arrangements with other councils in order to achieve economies of scale. Partnering with not-for-profit entities to provide services and facilities for the community is another option.

The sale of surplus land and buildings also provides a potential opportunity to decrease expenditure and create an opportunity to receive funds. Whilst the LTFP is prepared on the basis that there is no reliance on gains from the disposal of assets to fund essential services, consideration should be given to this potential revenue source.

Council may also consider community governance and community capacity building opportunities to empower the community to explore, fund and manage their projects and/or services with minimal council assistance.

FINANCIAL SUSTAINABILITY – CEO STATEMENT

The LTFP indicates that the Council is improving its financial position over the next decade, with a target to fully fund asset renewal in accordance with its Asset Management Plans and achieve improved financial sustainability.

However, the plan does not state how the \$272,000 annual reduction in operating expenditure will be achieved and Council will find it increasingly difficult to achieve the required level of annual savings without making difficult decisions in relation to the level and range of services it provides. The challenge that is before Council is not to be underestimated and will require substantial work to be undertaken.

Council must remain focussed on financial sustainability to meet new legislative requirements of Local Government Reform and be in a position to borrow funds to undertake major capital works in the future. The Local Government Finance Authority (LGFA) is undertaking stronger due diligence when assessing loan applications from South Australian Councils. If Council cannot show that it is on track to achieving financial sustainability, the LGFA is unlikely to approve new loans for future work.

Port Augusta City Council												
10 Year Financial Plan for the Years ending 30 June 2032												
STATEMENT OF COMPREHENSIVE INCOME - GENERAL FUN	Actuals	Current Year	Projected Years									
Scenario: Rates 3.5% - BE 31/32 - OPEX Reduction \$272k	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income												
Rates	20,240	19,445	20,098	20,773	21,471	22,193	22,939	23,711	24,508	25,333	26,186	27,067
Statutory Charges	361	319	326	335	343	352	360	369	379	388	398	408
User Charges	3,226	2,895	3,268	3,349	3,433	3,519	3,607	3,697	3,790	3,884	3,981	4,081
Grants, Subsidies and Contributions	8,412	6,162	6,423	6,412	6,541	6,672	6,806	6,944	7,084	7,227	7,373	7,522
Investment Income	15	15	49	43	37	87	125	157	157	156	160	200
Reimbursements	394	233	239	245	251	257	264	270	277	284	291	298
Other Income	1,124	1,103	1,130	1,159	1,188	1,217	1,248	1,279	1,311	1,344	1,377	1,412
Total Income	33,772	30,172	31,533	32,316	33,264	34,297	35,349	36,426	37,505	38,616	39,766	40,989
Expenses												
Employee Costs	11,387	12,766	12,887	13,268	13,659	14,062	14,414	14,774	15,143	15,522	15,910	16,308
Materials, Contracts & Other Expenses	12,809	12,541	12,867	13,200	13,543	13,894	14,255	14,625	15,004	15,394	15,793	16,203
Depreciation, Amortisation & Impairment	7,889	7,594	7,964	8,044	8,125	9,268	9,350	9,433	9,517	9,601	10,995	11,081
Finance Costs	203	426	248	198	186	184	174	163	152	141	129	117
Total Expenses	32,288	33,327	33,967	34,710	35,513	37,408	38,192	38,994	39,816	40,657	42,827	43,708
Operating Surplus / (Deficit)	1,484	(3,155)	(2,433)	(2,394)	(2,249)	(3,112)	(2,843)	(2,568)	(2,311)	(2,042)	(3,060)	(2,720)
Asset Disposal & Fair Value Adjustments & Gain on sale of held for sale assets	(10)	-	-	-	-	-	-	-	-	-	-	-
Amounts Received or Returned Specifically for New or Upgraded Assets	(292)	826	1,183	-	-	-	-	-	-	-	-	-
Physical Resources Received Free of Charge	728	-	-	-	-	-	-	-	-	-	-	-
Operating Result from Discontinued Operations	-	-	272	544	816	1,088	1,360	1,632	1,904	2,176	2,448	2,720
Net Surplus / (Deficit)	1,910	(2,329)	(979)	(1,850)	(1,433)	(2,024)	(1,483)	(936)	(407)	134	(612)	0
Other Comprehensive Income												
Amounts which will not be reclassified subsequently to operating result												
Changes in Revaluation Surplus - I,PP&E	45,655	-	-	-	26,880	-	-	-	-	28,270	-	-
Total Other Comprehensive Income	45,655	-	-	-	26,880	-	-	-	-	28,270	-	-
Total Comprehensive Income	47,565	(2,329)	(979)	(1,850)	25,447	(2,024)	(1,483)	(936)	(407)	28,404	(612)	0

Port Augusta City Council												
10 Year Financial Plan for the Years ending 30 June 2032												
STATEMENT OF FINANCIAL POSITION - GENERAL FUND	Actuals	Current Year	Projected Years									
Scenario: Rates 3.5% - BE 31/32 - OPEX Reduction \$272k	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS												
Current Assets												
Cash & Cash Equivalents	3,817	3,259	8	1,660	1,954	4,430	6,909	8,548	7,044	8,007	7,539	12,695
Trade & Other Receivables	2,256	1,144	1,192	1,211	1,250	1,290	1,332	1,375	1,419	1,465	1,512	1,561
Inventories	172	230	230	230	230	230	230	230	230	230	230	230
Total Current Assets	6,245	4,633	1,430	3,101	3,434	5,950	8,471	10,153	8,693	9,701	9,281	14,486
Non-Current Assets												
Infrastructure, Property, Plant & Equipment	221,331	220,267	221,478	216,976	241,838	237,049	232,788	229,904	230,683	257,796	257,311	251,804
Other Non-Current Assets	286	286	286	286	286	286	286	286	286	286	286	286
Total Non-Current Assets	221,617	220,553	221,764	217,262	242,124	237,335	233,074	230,190	230,969	258,082	257,597	252,090
TOTAL ASSETS	227,862	225,185	223,194	220,363	245,558	243,285	241,545	240,343	239,662	267,783	266,878	266,576
LIABILITIES												
Current Liabilities												
Cash Advance Debenture	-	-	736	-	-	-	-	-	-	-	-	-
Trade & Other Payables	3,760	2,800	2,875	2,952	3,031	3,112	3,195	3,281	3,368	3,459	3,551	3,647
Borrowings	898	1,823	322	3,764	330	341	351	362	374	385	397	410
Provisions	1,886	1,854	1,854	1,854	1,854	1,854	1,854	1,854	1,854	1,854	1,854	1,854
Total Current Liabilities	6,544	6,477	5,787	8,570	5,215	5,307	5,401	5,497	5,596	5,698	5,803	5,911
Non-Current Liabilities												
Borrowings	4,399	4,086	3,764	-	3,103	2,762	2,411	2,049	1,675	1,290	893	483
Provisions	66	98	98	98	98	98	98	98	98	98	98	98
Total Non-Current Liabilities	4,465	4,184	3,862	98	3,200	2,860	2,508	2,146	1,773	1,387	990	581
TOTAL LIABILITIES	11,009	10,661	9,649	8,668	8,416	8,166	7,909	7,643	7,369	7,086	6,793	6,491
Net Assets	216,853	214,524	213,546	211,695	237,142	235,119	233,636	232,700	232,293	260,697	260,085	260,085
EQUITY												
Accumulated Surplus	(4,823)	(7,152)	(8,130)	(9,981)	(11,414)	(13,437)	(14,920)	(15,856)	(16,263)	(16,129)	(16,741)	(16,741)
Asset Revaluation Reserves	221,676	221,676	221,676	221,676	248,556	248,556	248,556	248,556	248,556	276,826	276,826	276,826
Total Equity	216,853	214,524	213,546	211,695	237,142	235,119	233,636	232,700	232,293	260,697	260,085	260,085

Port Augusta City Council												
10 Year Financial Plan for the Years ending 30 June 2032												
STATEMENT OF CASH FLOWS - GENERAL FUND	Actuals	Current Year	Projected Years									
Scenario: Rates 3.5% - BE 31/32 - OPEX Reduction \$272k	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash Flows from Operating Activities												
Receipts:												
Rates Receipts	-	18,934	20,075	20,750	21,447	22,168	22,913	23,684	24,480	25,304	26,156	27,036
Statutory Charges	-	339	326	334	343	351	360	369	378	388	398	408
User Charges	-	3,073	3,262	3,348	3,432	3,518	3,606	3,696	3,788	3,883	3,980	4,079
Grants, Subsidies and Contributions (operating purpose)	-	6,649	6,414	6,428	6,539	6,670	6,805	6,942	7,082	7,225	7,371	7,520
Investment Receipts	15	15	49	43	37	86	125	156	157	156	160	200
Reimbursements	-	250	239	245	251	257	263	270	277	284	291	298
Other	36,681	1,163	1,402	1,702	2,003	2,305	2,607	2,910	3,214	3,519	3,825	4,131
Payments:												
Payments to Employees	-	(12,766)	(12,887)	(13,268)	(13,659)	(14,062)	(14,414)	(14,774)	(15,143)	(15,522)	(15,910)	(16,308)
Payments for Materials, Contracts & Other Expenses	(26,263)	(12,706)	(12,802)	(13,134)	(13,474)	(13,824)	(14,183)	(14,551)	(14,928)	(15,316)	(15,713)	(16,121)
Finance Payments	(240)	(426)	(248)	(198)	(186)	(184)	(174)	(163)	(152)	(141)	(129)	(117)
Net Cash provided (or used in) Operating Activities	10,193	4,526	5,830	6,251	6,732	7,285	7,909	8,540	9,153	9,780	10,428	11,127
Cash Flows from Investing Activities												
Receipts:												
Amounts Received Specifically for New/Upgraded Assets	195	826	1,183	-	-	-	-	-	-	-	-	-
Sale of Replaced Assets	63	102	104	107	110	112	115	118	121	124	127	130
Sale of Surplus Assets	209	-	-	-	-	-	-	-	-	-	-	-
Sale of Non Current Assets "Held for Sale"	605	-	-	-	-	-	-	-	-	-	-	-
Repayments of Loans by Community Groups	15	8	-	-	-	-	-	-	-	-	-	-
Payments:												
Expenditure on Renewal/Replacement of Assets	(2,009)	(4,704)	(6,669)	(3,019)	(5,786)	(4,151)	(4,754)	(6,437)	(10,181)	(8,448)	(10,514)	(5,579)
Expenditure on New/Upgraded Assets	(668)	(1,927)	(2,611)	(630)	(430)	(440)	(450)	(230)	(235)	(120)	(123)	(125)
Other Investing Activity Payments	(487)	-	-	-	-	-	-	-	-	-	-	-
Net Cash provided (or used in) Investing Activities	(2,077)	(5,696)	(7,993)	(3,542)	(6,106)	(4,479)	(5,089)	(6,549)	(10,295)	(8,444)	(10,510)	(5,574)
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings	-	2,000	-	-	3,433	-	-	-	-	-	-	-
Payments:												
Repayments of Borrowings	(4,572)	(1,388)	(1,823)	(322)	(3,764)	(330)	(341)	(351)	(362)	(374)	(385)	(397)
Net Cash Flow provided (used in) Financing Activities	(4,572)	612	(1,823)	(322)	(331)	(330)	(341)	(351)	(362)	(374)	(385)	(397)
Net Increase/(Decrease) in Cash & Cash Equivalents	3,544	(558)	(3,986)	2,387	294	2,476	2,479	1,639	(1,504)	962	(467)	5,156
plus: Cash & Cash Equivalents - beginning of year	273	3,817	3,259	(728)	1,660	1,954	4,430	6,909	8,548	7,044	8,007	7,539
Cash & Cash Equivalents - end of the year	3,817	3,259	(728)	1,660	1,954	4,430	6,909	8,548	7,044	8,007	7,539	12,695

Port Augusta City Council												
10 Year Financial Plan for the Years ending 30 June 2032												
STATEMENT OF CHANGES IN EQUITY - GENERAL FUND	Actuals	Current Year	Projected Years									
Scenario: Rates 3.5% - BE 31/32 - OPEX Reduction \$272k	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance	169,288	216,853	214,524	213,546	211,695	237,142	235,119	233,636	232,700	232,293	260,697	260,085
Net Surplus / (Deficit) for Year	1,910	(2,329)	(979)	(1,850)	(1,433)	(2,024)	(1,483)	(936)	(407)	134	(612)	0
Other Comprehensive Income												
- Gain (Loss) on Revaluation of I,PP&E	45,655	-	-	-	26,880	-	-	-	-	28,270	-	-
Other Comprehensive Income	45,655	-	-	-	26,880	-	-	-	-	28,270	-	-
Total Comprehensive Income	47,565	(2,329)	(979)	(1,850)	25,447	(2,024)	(1,483)	(936)	(407)	28,404	(612)	0
Transfers between Equity	-	-	-	-	-	-	-	-	-	-	-	-
Equity - Balance at end of the reporting period	216,853	214,524	213,546	211,695	237,142	235,119	233,636	232,700	232,293	260,697	260,085	260,085

Port Augusta City Council
10 Year Financial Plan for the Years ending 30 June 2032
KEY PERFORMANCE INDICATORS - GENERAL FUND
Scenario: Rates 3.5% - BE 31/32 - OPEX Reduction \$272k

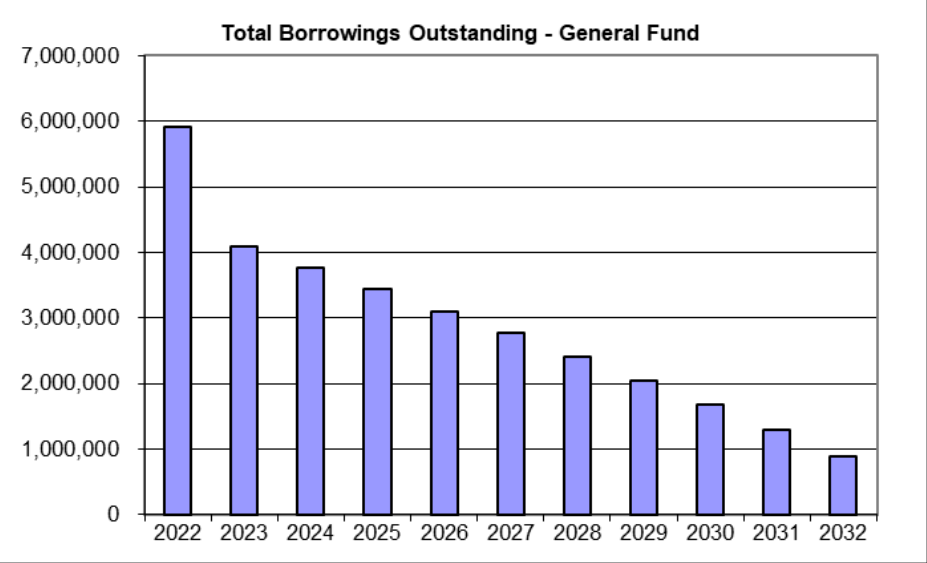
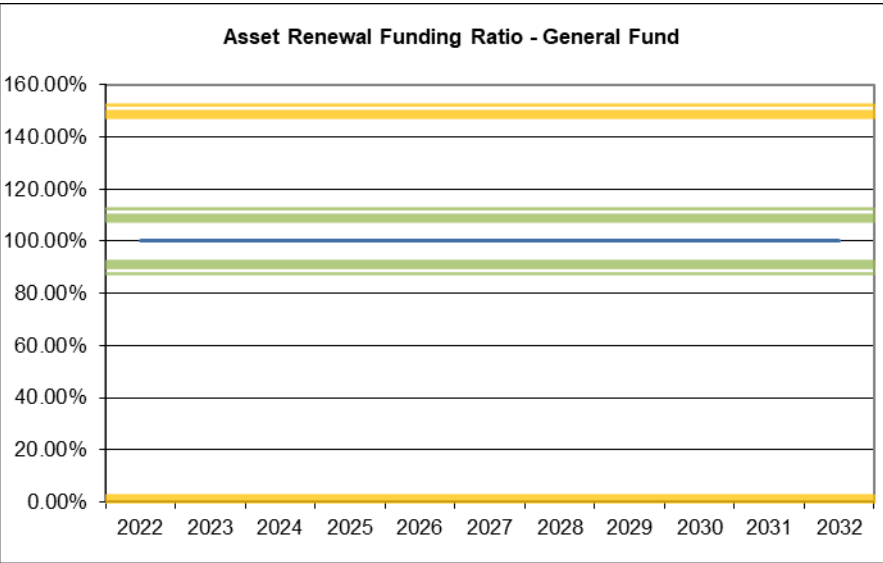
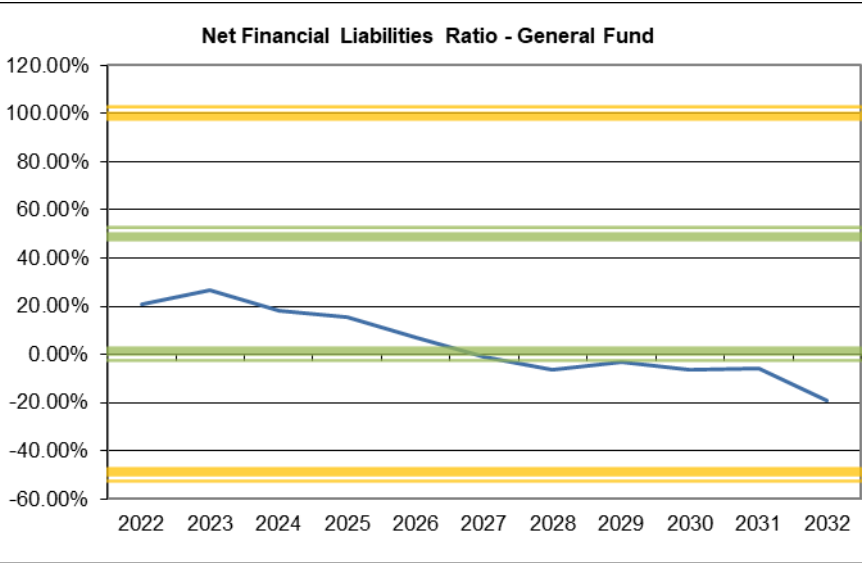
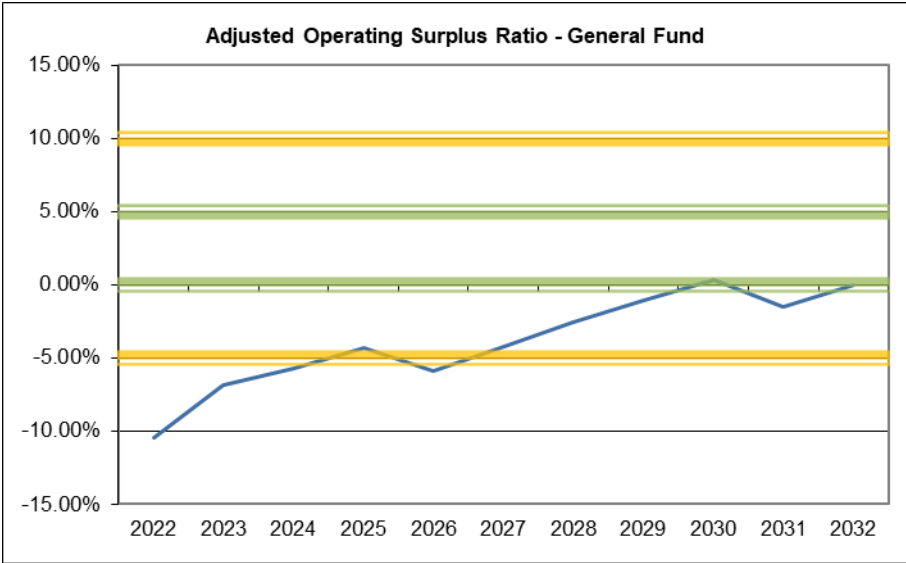
			Year	Projected Years									
			2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
				<div><div></div> Within green benchmark (green min and/or green max)</div>				<div><div></div> Within green benchmark</div>					
				<div><div></div> Within amber benchmark (amber min and/or amber max)</div>				<div><div></div> above green maximum and below amber maximum</div>					
								<div><div></div> below green minimum and above amber minimum</div>					
				<div><div></div> Not within benchmark (amber min and/or amber max)</div>				<div><div></div> above amber maximum</div>					
								<div><div></div> below amber minimum</div>					
Council's Target Benchmarks													
Note 15 Ratios													
Operating Surplus Ratio	Snapshot		<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>
	Actual Ratio		-10.46%	-6.85%	-5.73%	-4.31%	-5.90%	-4.19%	-2.57%	-1.09%	0.35%	-1.54%	0.00%
Adjusted Operating Surplus Ratio	Snapshot		<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>
	Actual Ratio		-10.46%	-6.85%	-5.73%	-4.31%	-5.90%	-4.19%	-2.57%	-1.09%	0.35%	-1.54%	0.00%
Net Financial Liabilities Ratio	Snapshot		<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>
	Actual Ratio		20.74%	26.79%	17.94%	15.67%	7.13%	-0.94%	-6.26%	-2.92%	-6.18%	-5.68%	-18.94%
Asset Renewal Funding Ratio	Snapshot		<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>
	Actual Ratio		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Council's Target Benchmarks

Note 15 Ratios

Adjusted Operating Surplus Ratio	min amber:	-5%
	min green:	0%
	max green:	5%
	max amber:	10%
Net Financial Liabilities Ratio	min amber:	-50%
	min green:	0%
	max green:	50%
	max amber:	100%
Asset Renewal Funding Ratio	min amber:	0%
	min green:	90%
	max green:	110%
	max amber:	150%

*Adjusted Operating Surplus Ratio includes the 'Reduction in Operating Expenditure' amounts on the Income Statement





Minimum Amber



Minimum Green



Maximum Green



Maximum Amber

**Adjusted Operating Surplus Ratio Graph includes the 'Reduction in Operating Expenditure' amounts on the Income Statement*