



Port Augusta

CITY COUNCIL

PORT AUGUSTA CITY COUNCIL LONG TERM FINANCIAL PLAN

2020/21 – 2030/31

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 (I&) 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 taken into account the annual business plan and SMPs.

BASIS OF PREPARATION

This version of Port Augusta City Council’s Long Term Financial Plan has been developed following the adoption of the 2020/21 Annual Business Plan & Budget and the 2019/20 Audited Financial Statements. It also takes into account the recent Asset Revaluation for Land, Buildings, Plant & Equipment as at 1st July 2020.

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 the original ten year target of 2027/28. 'Break even' is achieved when operating income equals or exceeds operating expenditure, resulting in an operating surplus on the Income Statement.

The LTFP incorporates the following:

- Adopted Budget 2020/21
- Adopted Audited Annual Financial Statements 2019/20
- Asset Revaluation 1/7/2020 for Land, Building, Plant and Equipment asset classes
- Draft Revised Asset Management Plan capital expenditure for CWMS and Waste Water, Stormwater, Transport Assets and Building and Land Improvements (*disclaimer: these draft plans are yet to be adopted by Council*)
- CPI forecast of 1.7% based on analysis of prior years' data and trend analysis
- Annual wages increases of 2.0%
- Annual rate revenue increases of 2.7% (i.e. CPI + 1%)
- Inclusion of a \$2M Cash Advance Debenture and applicable Finance Costs to secure and match grant funding for Infrastructure upgrades
- Cessation of the City Safe program
- Removal of Julia Lodge due to sale
- Inclusion of Roads to Recovery grant funding throughout the life of the plan at current levels
- Inclusion of externally funded programs budgeted in 2020/21 throughout the life of the plan, with matching revenue and expenditure

Items not included in the LTFP:

- Asset Management Plan expenditure for Bridge and Marine Structures
- Any growth in the number of rateable properties (Council has not experienced any material growth for a number of years)
- Outcomes from further Service Level and Range Reviews
- Proposed Local Government Reform
- Changes resulting from new Enterprise Bargaining Agreements currently being negotiated

KEY OUTCOMES & CONCLUSIONS

Based on the current information, to achieve a break even operating result by 2027/28 (initial year 10 target), Council requires an annual reduction in operating expenditure of \$276k per annum from 2021/22 to 2027/28. This reduction is shown as a separate line item on the Income Statement.

Alternatively, a break even result by 2027/28 could be achieved by an increase in rate revenue of 4.03% per annum (1.33% 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 \$9.3M in 2020/21 to \$3.2M in 2030/31. 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 Draft Revised Asset Management Plans.

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 \$276k 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.

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.

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.

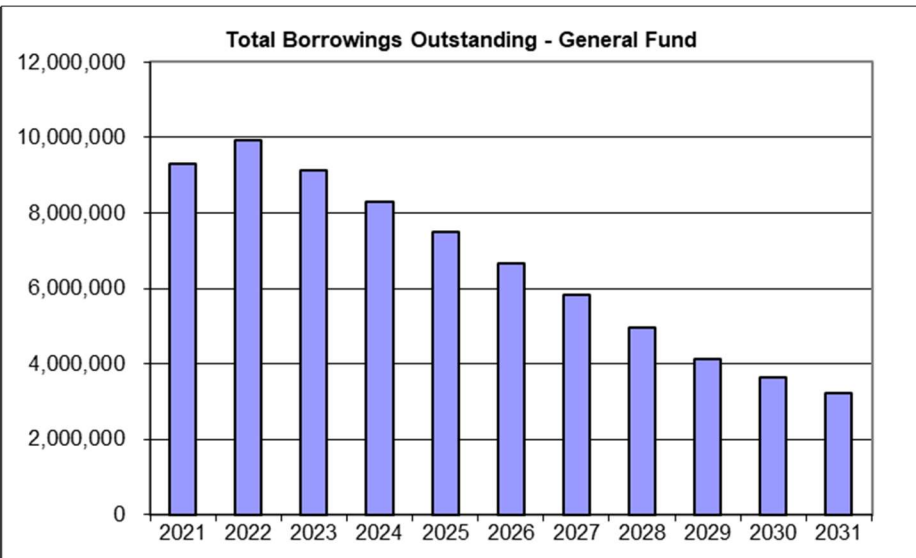
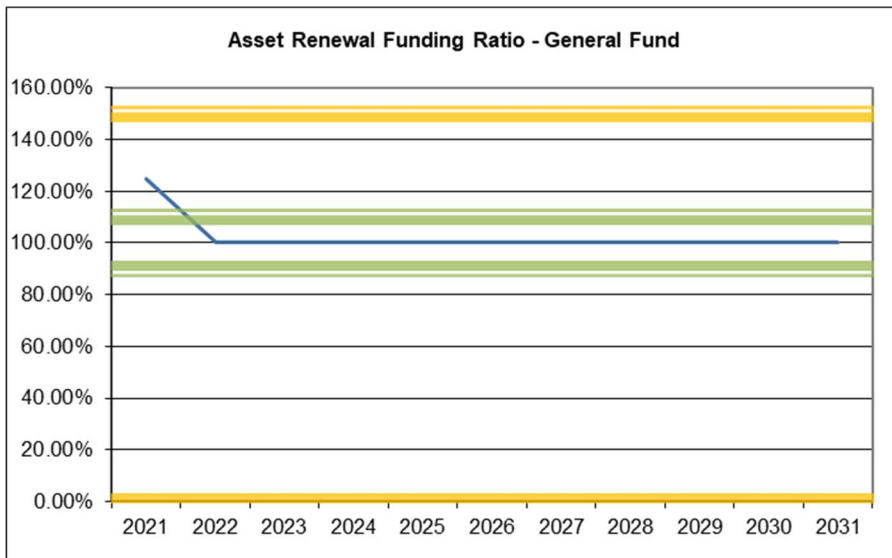
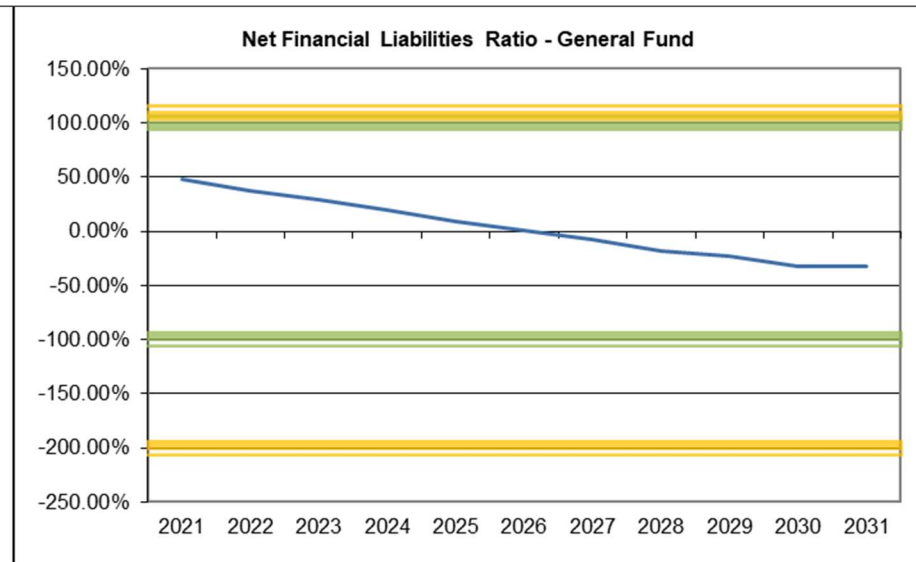
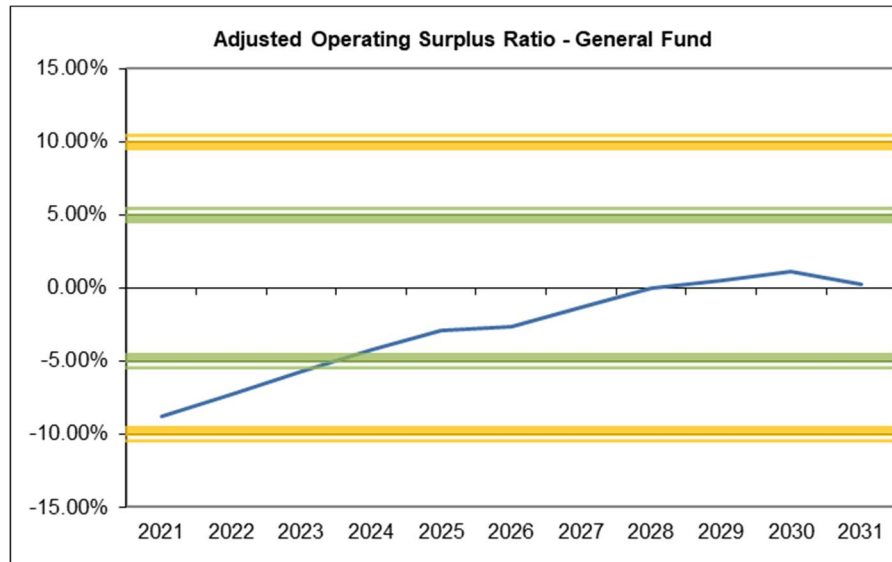
Port Augusta City Council											
10 Year Financial Plan for the Years ending 30 June 2031											
BALANCE SHEET - GENERAL FUND	Current Year	Projected Years									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS											
Current Assets											
Cash & Cash Equivalents	1,130	1,869	3,707	5,579	8,266	10,447	12,532	15,458	16,806	20,137	19,737
Trade & Other Receivables	1,175	1,196	1,225	1,256	1,287	1,320	1,353	1,387	1,422	1,457	1,494
Inventories	230	230	230	230	230	230	230	230	230	230	230
Total Current Assets	2,536	3,295	5,162	7,065	9,783	11,996	14,115	17,075	18,458	21,824	21,460
Non-Current Assets											
Infrastructure, Property, Plant & Equipment	178,783	199,592	195,144	191,088	186,632	182,714	179,341	175,589	173,603	170,226	170,336
Other Non-Current Assets	4	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	178,787	199,592	195,144	191,088	186,632	182,714	179,341	175,589	173,603	170,226	170,336
TOTAL ASSETS	181,323	202,887	200,306	198,154	196,416	194,710	193,456	192,664	192,061	192,049	191,796
LIABILITIES											
Current Liabilities											
Trade & Other Payables	2,797	2,832	2,885	2,939	2,995	3,051	3,109	3,167	3,227	3,288	3,350
Borrowings	1,388	803	812	490	830	840	850	860	478	391	402
Provisions	2,086	2,086	2,086	2,086	2,086	2,086	2,086	2,086	2,086	2,086	2,086
Total Current Liabilities	6,271	5,721	5,783	5,515	5,911	5,977	6,045	6,114	5,792	5,766	5,839
Non-Current Liabilities											
Borrowings	7,927	9,124	8,312	7,822	6,660	5,820	4,971	4,111	3,632	3,241	2,839
Provisions	110	110	110	110	110	110	110	110	110	110	110
Total Non-Current Liabilities	8,037	9,234	8,422	7,932	6,770	5,930	5,080	4,220	3,742	3,351	2,949
TOTAL LIABILITIES	14,308	14,955	14,205	13,447	12,682	11,908	11,125	10,334	9,534	9,116	8,787
Net Assets	167,015	187,932	186,102	184,706	183,734	182,803	182,330	182,330	182,527	182,933	183,009
EQUITY											
Accumulated Surplus	(9,006)	11,911	10,081	8,685	7,713	6,782	6,309	6,309	6,506	6,912	6,988
Asset Revaluation Reserves	176,021	176,021	176,021	176,021	176,021	176,021	176,021	176,021	176,021	176,021	176,021
Total Equity	167,015	187,932	186,102	184,706	183,734	182,803	182,330	182,330	182,527	182,933	183,009

Port Augusta City Council												
10 Year Financial Plan for the Years ending 30 June 2031												
CASH FLOW STATEMENT - GENERAL FUND	Current Year	Projected Years										
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash Flows from Operating Activities												
Receipts:												
Rates Receipts	19,851	20,720	21,261	21,815	22,385	22,969	23,569	24,184	24,816	25,464	26,130	
Statutory Charges	279	271	276	280	285	290	295	300	305	310	315	
User Charges	2,692	2,675	2,721	2,767	2,814	2,862	2,910	2,960	3,010	3,061	3,113	
Grants, Subsidies and Contributions (operating purpose)	7,470	6,328	6,433	6,542	6,654	6,767	6,882	6,999	7,118	7,239	7,362	
Investment Receipts	37	43	78	107	117	179	212	252	284	321	342	
Reimbursements	215	209	212	216	219	223	227	231	235	239	243	
Other	1,150	1,395	1,691	1,987	2,282	2,578	2,875	3,172	3,193	3,214	3,236	
Payments:												
Payments to Employees	(12,962)	(13,222)	(13,486)	(13,756)	(14,031)	(14,312)	(14,598)	(14,890)	(15,188)	(15,491)	(15,801)	
Payments for Materials, Contracts & Other Expenses	(12,755)	(12,576)	(12,783)	(13,013)	(13,246)	(13,484)	(13,726)	(13,972)	(14,223)	(14,478)	(14,738)	
Finance Payments	(681)	(527)	(487)	(463)	(440)	(415)	(391)	(367)	(342)	(317)	(303)	
Net Cash provided (or used in) Operating Activities	5,297	5,317	5,915	6,482	7,039	7,657	8,255	8,868	9,207	9,562	9,899	
Cash Flows from Investing Activities												
Receipts:												
Amounts Received Specifically for New/Upgraded Assets	200	-	-	-	-	-	-	-	-	-	-	
Sale of Replaced Assets	100	102	103	105	107	109	111	113	114	116	118	
Sale of Non Current Assets "Held for Sale"	604	-	-	-	-	-	-	-	-	-	-	
Repayments of Loans by Community Groups	15	8	-	-	-	-	-	-	-	-	-	
Payments:												
Expenditure on Renewal/Replacement of Assets	(3,543)	(4,384)	(2,758)	(3,272)	(3,211)	(4,321)	(4,999)	(4,980)	(6,887)	(5,755)	(9,909)	
Expenditure on New/Upgraded Assets	(1,262)	(915)	(620)	(631)	(427)	(434)	(441)	(224)	(227)	(115)	(117)	
Net Cash provided (or used in) Investing Activities	(3,886)	(5,190)	(3,275)	(3,798)	(3,531)	(4,646)	(5,329)	(5,091)	(7,000)	(5,754)	(9,908)	
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings	1,345	2,000	-	-	3,433	-	-	-	-	-	-	
Payments:												
Repayments of Borrowings	(1,899)	(1,388)	(803)	(812)	(4,254)	(830)	(840)	(850)	(860)	(478)	(391)	
Net Cash Flow provided (used in) Financing Activities	(554)	612	(803)	(812)	(821)	(830)	(840)	(850)	(860)	(478)	(391)	
Net Increase/(Decrease) in Cash & Cash Equivalents	857	739	1,837	1,872	2,687	2,181	2,085	2,926	1,348	3,330	(400)	
plus: Cash & Cash Equivalents - beginning of year	273	1,130	1,869	3,707	5,579	8,266	10,447	12,532	15,458	16,806	20,137	
Cash & Cash Equivalents - end of the year	1,130	1,869	3,707	5,579	8,266	10,447	12,532	15,458	16,806	20,137	19,737	
Cash & Cash Equivalents - end of the year	1,130	1,869	3,707	5,579	8,266	10,447	12,532	15,458	16,806	20,137	19,737	
Investments - end of the year	-	-	-	-	-	-	-	-	-	-	-	
Cash, Cash Equivalents & Investments - end of the year	1,130	1,869	3,707	5,579	8,266	10,447	12,532	15,458	16,806	20,137	19,737	

Port Augusta City Council												
10 Year Financial Plan for the Years ending 30 June 2031												
EQUITY STATEMENT - GENERAL FUND	Actuals	Current Year	Projected Years									
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance	169,244	169,288	167,015	187,932	186,102	184,706	183,734	182,803	182,330	182,330	182,527	182,933
Net Surplus / (Deficit) for Year	44	(2,273)	20,917	(1,831)	(1,395)	(972)	(931)	(472)	0	197	406	76
Other Comprehensive Income												
- Gain (Loss) on Revaluation of I,PP&E	-	-	-	-	-	-	-	-	-	-	-	-
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income	44	(2,273)	20,917	(1,831)	(1,395)	(972)	(931)	(472)	0	197	406	76
Equity - Balance at end of the reporting period	169,288	167,015	187,932	186,102	184,706	183,734	182,803	182,330	182,330	182,527	182,933	183,009

Port Augusta City Council
 10 Year Financial Plan for the Years ending 30 June 2031
 KEY PERFORMANCE INDICATORS - GENERAL FUND

			Current Year 2020/21	Projected Years									
				2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Council's Target Benchmarks				 Within green benchmark (green min and/or green max)				 Within green benchmark					
				 Within amber benchmark (amber min and/or amber max)				 above green maximum and below amber maximum					
								 below green minimum and above amber minimum					
				 Not within benchmark (amber min and/or amber max)				 above amber maximum					
								 below amber minimum					
Note 15 Ratios													
Adjusted Operating Surplus Ratio	Snapshot	 		 	 	 	 	 	 	 	 	 	
	Actual Ratio	-8.8%		-7.3%	-5.7%	-4.2%	-2.9%	-2.7%	-1.3%	0.0%	0.5%	1.1%	0.2%
Net Financial Liabilities Ratio	Snapshot	 		 	 	 	 	 	 	 	 	 	
	Actual Ratio	48.3%		37.9%	28.8%	20.1%	9.3%	0.4%	-7.8%	-18.0%	-23.5%	-32.9%	-32.0%
Asset Renewal Funding Ratio	Snapshot	 		 	 	 	 	 	 	 	 	 	
	Actual Ratio	125.0%		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%



Minimum Amber
 Minimum Green
 Maximum Green
 Maximum Amber

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