



Port Augusta

CITY COUNCIL

Long Term

Financial Plan Update

2017/18 – 2027/28

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.¹

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.

OBJECTIVES & PRINCIPLES

This update of Port Augusta City Council’s Long Term Financial Plan has been developed following the adoption of the 2017/18 Budget and adoption of the audited 2016/17 Financial Statements.

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.

This update of Council's LTFP which shows a deficit of \$1.8M at year 10 includes:

- 2017/18 adopted budget and 2016/17 audited financial statement amounts. (The 2017/18 depreciation and finance costs amounts are lower than the adopted budget as the LTFP model automatically calculates these amounts based on the Asset and Borrowings data from the Balance Sheet).
- Asset Management Plan capital expenditure for CWMS and Waste Water, Stormwater, Transport Assets (maintenance expenditure is included within the 2017/18 budget)
- Removal of Aged Care from 2018/19 onwards
- CPI set as 1.9% as per ABS for the change between June 2016 and June 2017.
- Wages increase at 2.0%
- Rates increase at 3.0%

Items not included in the LTFP include:

- Asset Management Plan expenditure for Bridge and Marine Structures of \$11.5m
- Airport runway expenditure of \$1m to be included within the Asset Management Plan for Buildings

Based on the current information, in order to break even by Year 10, Council would require an increase in rate revenue of 3.76% per annum (0.76% higher than currently estimated). As this is not acceptable for the community, Council must review expenditure to mitigate the need to increase rate revenue. It is estimated that an annual reduction in expenditure of \$158k per annum would achieve a break even result by Year 10.

It should be noted that the LTFP does not take into account any growth in rates. However, Council may see growth due to a number of new projects that are being undertaken in the Port Augusta area in the near future.

The LTFP does not take into account further service level and range reviews which may be undertaken by Council.

It should be noted that the 2016/17 audited deficit shown in the LTFP is understated by the prepayment of the Financial Assistance Grant relating to 2017/18. The adjusted operating deficit for this financial year was \$2.7M. For the remainder of the LTFP, it is assumed that the full amount of Financial Assistance Grants will be paid in the financial year to which it relates.

The results of the LTFP show that the deficit peaks in the 2018/19 year but then reduces over the life of the plan. Contributing to this turnaround is the reduction in finance costs due to repayment of borrowings and the assumption that rates increase by 3% p.a., whilst expenses increase by approx. 2%.

Over the life of the plan, debt levels are anticipated to reduce from \$26.8M in 2016/17 to \$3.8M in 2027/28. 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 Sustainability Ratio improves during the 10 year period of the LTFP, ranging from 28% to 59%. However it does not meet the LGA Financial Sustainability Information Paper 9 – Financial Indicators recommended ratio level of 90-110%.

Port Augusta City Council
Long Term Financial Plan

ESTIMATED COMPREHENSIVE INCOME STATEMENT

	Year Ended 30 June:											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Actual	Estimate	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10		
	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)
INCOME												
Rates	18,085	18,737	19,294	19,867	20,457	21,064	21,690	22,335	22,999	23,683	24,387	25,112
Statutory Charges	221	245	249	253	257	261	265	269	273	277	281	285
User Charges	5,033	5,026	5,122	5,219	5,319	5,420	5,522	5,627	5,734	5,841	5,951	6,062
Grants, subsidies, contributions	14,646	12,676	12,451	12,683	12,919	13,160	13,405	13,656	13,911	14,171	14,436	14,706
Investment Income	103	88	0	0	0	0	0	0	0	0	0	0
Reimbursements	500	399	406	413	421	429	437	445	453	461	469	478
Other Income	1,746	1,301	1,325	1,351	1,377	1,403	1,430	1,457	1,484	1,513	1,542	1,571
Removal of Aged Care (Revenue)	0	0	(9,002)	(9,173)	(9,347)	(9,525)	(9,706)	(9,890)	(10,078)	(10,269)	(10,464)	(10,663)
Total Revenues	40,334	38,472	29,845	30,613	31,403	32,212	33,043	33,899	34,776	35,677	36,602	37,551
EXPENSES												
Employee costs	17,825	18,730	19,104	19,486	19,877	20,275	20,681	21,095	21,518	21,949	22,388	22,836
Materials, contracts & other expenses	14,507	14,773	15,093	15,421	15,755	16,095	16,441	16,796	17,158	17,527	17,906	18,295
Depreciation	7,978	7,463	7,604	7,748	7,896	8,045	8,196	8,351	8,511	8,674	8,838	9,006
Finance Costs	1,285	1,018	1,127	1,051	1,017	988	910	801	746	643	460	235
Removal of Aged Care (Expense)	0	0	(9,170)	(9,344)	(9,522)	(9,703)	(9,887)	(10,075)	(10,266)	(10,461)	(10,660)	(10,863)
Total Expenses	41,595	41,984	33,758	34,362	35,023	35,700	36,341	36,968	37,667	38,332	38,932	39,509
OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	(1,261)	(3,512)	(3,913)	(3,749)	(3,620)	(3,488)	(3,298)	(3,069)	(2,891)	(2,655)	(2,330)	(1,958)
Net gain/(loss) on disposal or revaluations	(128)	100	100	100	100	100	100	100	100	100	100	100
Amounts specifically for new assets	762	0	0	0	0	0	0	0	0	0	0	0
Operating result from discontinued operations (Liabilities Assoc with Assets Held for Sale)	0	(4,268)	0	0	0	0	0	0	0	0	0	0
NET SURPLUS/(DEFICIT)	(627)	(7,680)	(3,813)	(3,649)	(3,520)	(3,388)	(3,198)	(2,969)	(2,791)	(2,555)	(2,230)	(1,858)
Other Comprehensive Income												
Changes in revaluation surplus - IPP&E	(340)	0	0	0	16,610	0	0	0	0	24,522	0	0
Impairment (expense) / recoupments offset to asset revaluation reserve	(7,838)	0	0	0	0	0	0	0	0	0	0	0
Total Other Comprehensive Income	(8,178)	0	0	0	16,610	0	0	0	0	24,522	0	0
TOTAL COMPREHENSIVE INCOME	(8,805)	(7,680)	(3,813)	(3,649)	13,090	(3,388)	(3,198)	(2,969)	(2,791)	21,967	(2,230)	(1,858)

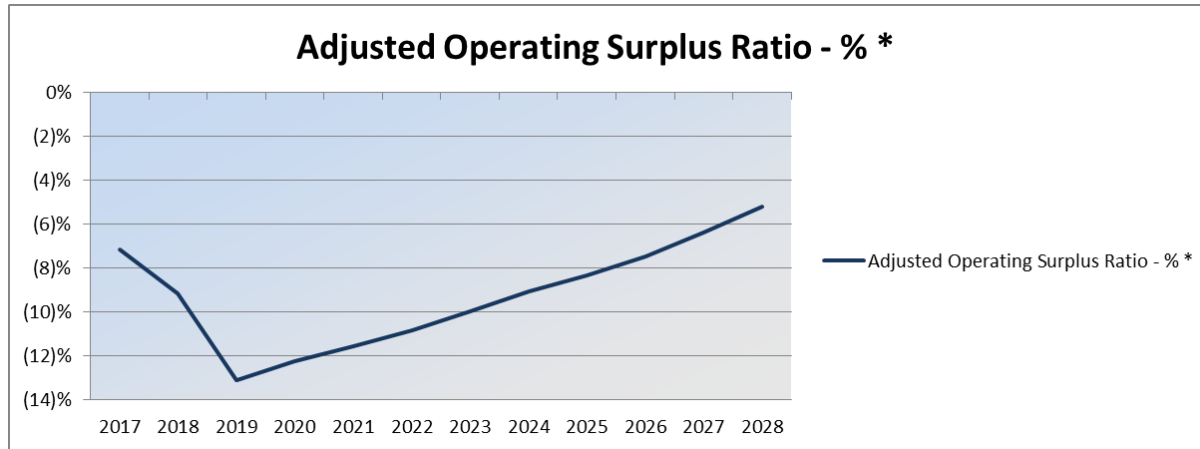
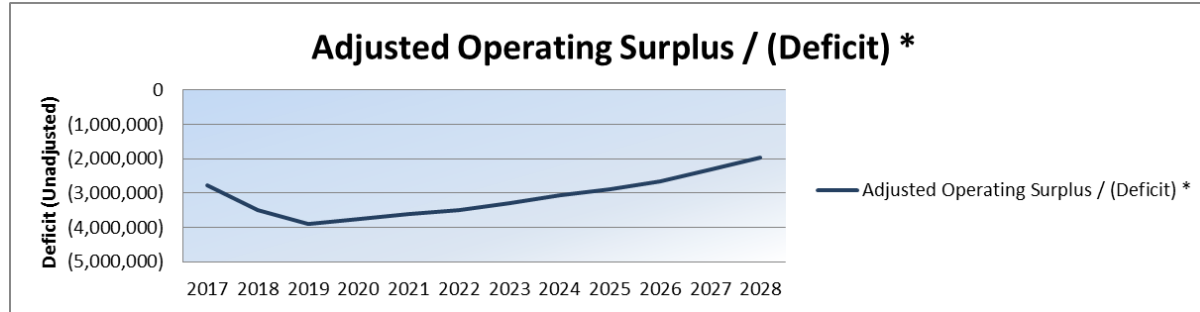
Port Augusta City Council
Long Term Financial Plan
ESTIMATED BALANCE SHEET

Year Ended 30 June:	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Actual	Estimate	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)
ASSETS												
Current Assets												
Cash & Equivalent Assets	609	0	0	0	0	0	0	0	0	0	0	2,884
Trade & Other Receivables	1,883	2,100	2,139	2,177	2,210	2,244	2,286	2,330	2,374	2,419	2,465	2,513
Inventories	241	255	255	255	255	255	255	255	255	255	255	255
Sub-total	2,733	2,355	2,394	2,432	2,465	2,499	2,541	2,585	2,629	2,674	2,720	5,652
Non-current assets held for sale	8,580	0	0	0	0	0	0	0	0	0	0	0
Total Current Assets	11,313	2,355	2,394	2,432	2,465	2,499	2,541	2,585	2,629	2,674	2,720	5,652
Non-Current Assets												
Receivables	62	43	24	8	0	0	0	0	0	0	0	0
Infrastructure, Property, Plant & Equipment	204,166	198,988	193,703	188,383	200,593	195,454	190,582	186,601	182,158	201,386	195,854	190,287
Total Non-Current Assets	204,228	199,031	193,727	188,391	200,593	195,454	190,582	186,601	182,158	201,386	195,854	190,287
Total Assets	215,541	201,386	196,121	190,823	203,058	197,953	193,123	189,186	184,787	204,060	198,574	195,939
LIABILITIES												
Current Liabilities												
Trade & Other Payables	3,173	2,196	2,709	2,478	2,621	2,576	2,626	2,630	2,656	2,671	2,692	2,711
Borrowings	10,774	8,604	8,354	8,767	8,911	7,885	6,813	6,482	5,487	3,432	849	0
Provisions	2,344	2,000	2,226	2,134	2,202	2,190	2,218	2,226	2,244	2,257	2,273	2,287
Other Current Liabilities	4,268	4,268	4,268	4,268	4,268	4,268	4,268	4,268	4,268	4,268	4,268	4,268
Sub-total	20,559	17,068	17,557	17,647	18,002	16,919	15,925	15,606	14,655	12,628	10,082	9,266
Liabilities Relating to Non-Current Assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Liabilities	20,559	17,068	17,557	17,647	18,002	16,919	15,925	15,606	14,655	12,628	10,082	9,266
Non-Current Liabilities												
Borrowings	16,051	13,043	11,051	9,291	8,043	7,379	6,705	6,022	5,328	4,624	3,876	3,876
Provisions	90	100	151	172	210	240	276	310	347	384	422	461
Other Non-Current Liabilities	0	14	14	14	14	14	14	14	14	14	14	14
Total Non-Current Liabilities	16,141	13,157	11,216	9,477	8,267	7,633	6,995	6,346	5,689	5,022	4,312	4,351
Total Liabilities	36,700	30,225	28,773	27,124	26,269	24,552	22,920	21,952	20,344	17,650	14,394	13,617
NET ASSETS	178,841	171,161	167,348	163,699	176,789	173,401	170,203	167,234	164,443	186,410	184,180	182,322
EQUITY												
Accumulated Surplus	(8,239)	(15,919)	(19,732)	(23,381)	(26,901)	(30,289)	(33,487)	(36,456)	(39,247)	(41,802)	(44,032)	(45,890)
Asset Revaluation Reserve	187,080	187,080	187,080	187,080	203,690	203,690	203,690	203,690	203,690	228,212	228,212	228,212
TOTAL EQUITY	178,841	171,161	167,348	163,699	176,789	173,401	170,203	167,234	164,443	186,410	184,180	182,322

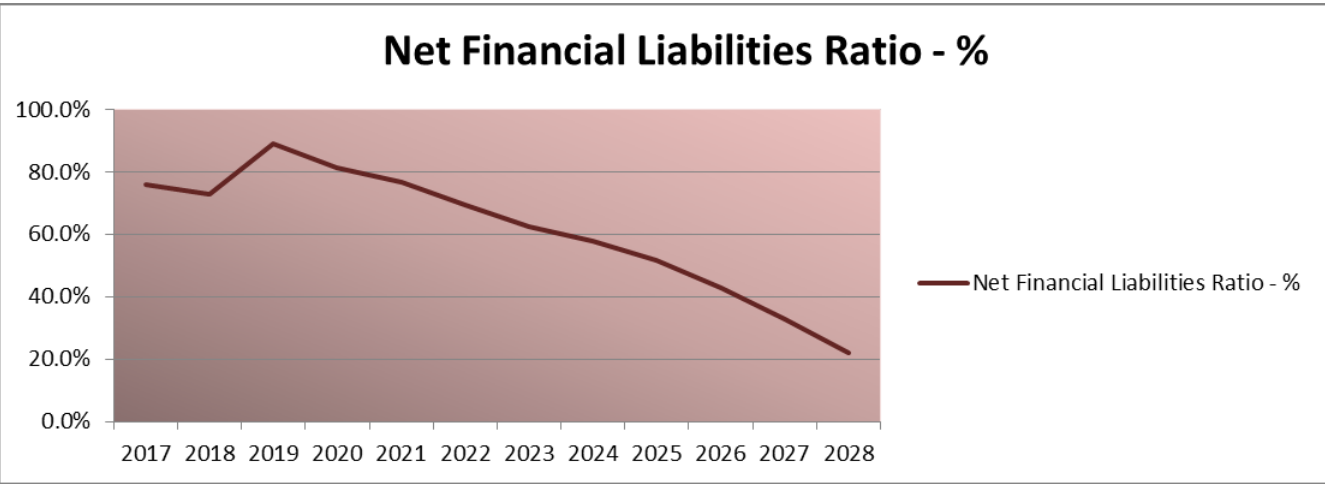
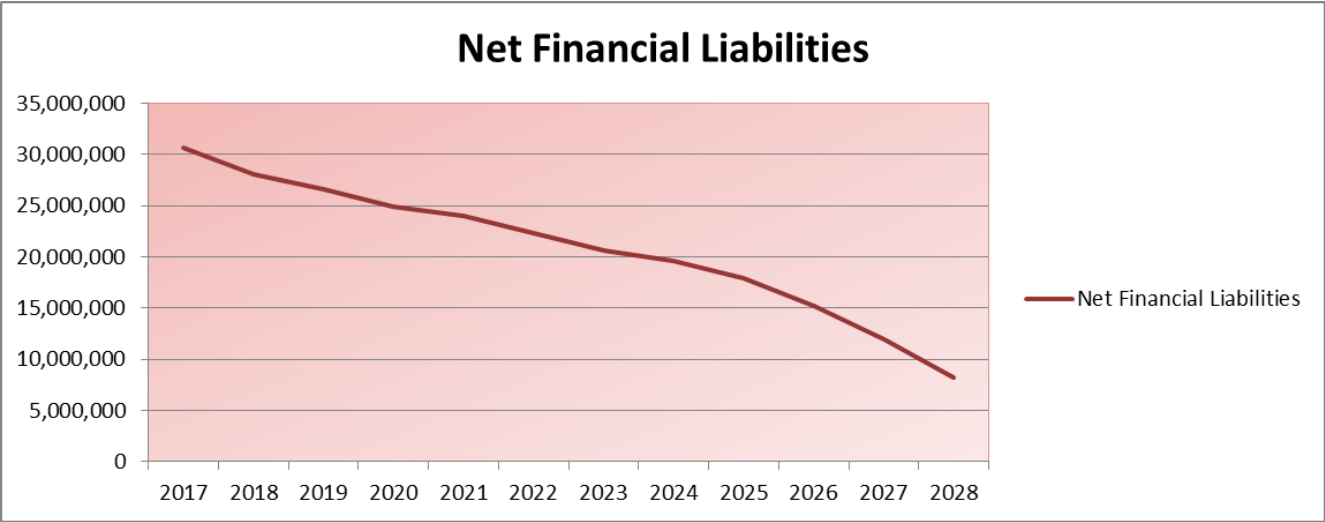
Port Augusta City Council
Long Term Financial Plan
ESTIMATED CASH FLOW STATEMENT

	Year Ended 30 June:	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
		Actual	Estimate	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
		\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)
CASH FLOWS FROM OPERATING ACTIVITIES													
<u>Receipts</u>													
Rates			18,464	19,268	19,840	20,430	21,036	21,662	22,306	22,970	23,653	24,357	25,081
Statutory Charges			245	249	253	257	261	265	269	273	277	281	285
User Charges			5,236	5,111	5,207	5,307	5,408	5,510	5,614	5,721	5,828	5,938	6,048
Grants, subsidies, contributions			12,686	12,446	12,686	12,918	13,161	13,405	13,657	13,911	14,172	14,436	14,707
Investment Income			88	0	0	0	0	0	0	0	0	0	0
Reimbursements			334	400	407	415	423	431	439	447	455	462	471
Other Income			1,301	1,325	1,351	1,377	1,403	1,430	1,457	1,484	1,513	1,542	1,571
Removal of Aged Care (Revenue)			0	(9,002)	(9,173)	(9,347)	(9,525)	(9,706)	(9,890)	(10,078)	(10,269)	(10,464)	(10,663)
<u>Payments</u>													
Employee costs			(19,016)	(18,840)	(19,538)	(19,768)	(20,246)	(20,610)	(21,043)	(21,455)	(21,890)	(22,325)	(22,774)
Materials, contracts & other expenses			(15,808)	(14,562)	(15,674)	(15,614)	(16,152)	(16,398)	(16,803)	(17,140)	(17,522)	(17,894)	(18,286)
Finance Costs			(1,018)	(1,127)	(1,051)	(1,017)	(988)	(910)	(801)	(746)	(643)	(460)	(235)
Removal of Aged Care (Expense)			(89)	9,174	9,348	9,526	9,707	9,891	10,079	10,270	10,465	10,664	10,867
Net Cash provided by (or used in) Operating Activities			2,423	4,442	3,656	4,484	4,488	4,970	5,284	5,657	6,039	6,537	7,072
CASH FLOWS FROM INVESTING ACTIVITIES													
<u>Receipts</u>													
Sale of Renewed/Replaced Assets			300	300	300	300	300	300	300	300	300	300	300
Sale of Surplus Assets			4,312	0	0	0	0	0	0	0	0	0	0
Repayments of Loans by Community Groups			19	19	19	16	8	0	0	0	0	0	0
<u>Payments</u>													
Expenditure on Renewal/Replacement of Assets			(1,814)	(2,010)	(2,181)	(3,060)	(2,481)	(2,917)	(3,829)	(3,709)	(3,119)	(3,048)	(3,407)
Expenditure on New/Upgraded Assets			(671)	(509)	(447)	(636)	(625)	(607)	(741)	(559)	(461)	(458)	(232)
Net Cash Provided by (or used in) Investing Activities			2,146	(2,200)	(2,309)	(3,380)	(2,798)	(3,224)	(4,270)	(3,968)	(3,280)	(3,206)	(3,339)
CASH FLOWS FROM FINANCING ACTIVITIES													
<u>Receipts</u>													
<u>Payments</u>													
Repayments of Borrowings			(10,774)	(3,008)	(1,992)	(1,760)	(1,248)	(664)	(674)	(683)	(694)	(704)	(748)
Net Cash provided by (or used in) Financing Activities			(10,774)	(3,008)	(1,992)	(1,760)	(1,248)	(664)	(674)	(683)	(694)	(704)	(748)
Net Increase/(Decrease) in cash held			(6,205)	(766)	(645)	(656)	442	1,082	340	1,006	2,065	2,627	2,985
Opening cash, cash equivalents or (bank overdraft)			609	(5,596)	(6,362)	(7,007)	(7,663)	(7,221)	(6,139)	(5,799)	(4,793)	(2,728)	(101)
Closing cash, cash equivalents or (bank overdraft)			609	(5,596)	(6,362)	(7,007)	(7,663)	(7,221)	(6,139)	(4,793)	(2,728)	(101)	2,884

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Operating Surplus / (Deficit)	(1,261,000)	(3,512,000)	(3,913,000)	(3,749,000)	(3,620,000)	(3,488,000)	(3,298,000)	(3,069,000)	(2,891,000)	(2,655,000)	(2,330,000)	(1,958,000)
Operating Surplus Ratio - %	(3)%	(9)%	(13)%	(12)%	(12)%	(11)%	(10)%	(9)%	(8)%	(7)%	(6)%	(5)%
Adjusted Operating Surplus / (Deficit) *	(2,771,000)	(3,512,000)	(3,913,000)	(3,749,000)	(3,620,000)	(3,488,000)	(3,298,000)	(3,069,000)	(2,891,000)	(2,655,000)	(2,330,000)	(1,958,000)
Adjusted Operating Surplus Ratio - % *	(7)%	(9)%	(13)%	(12)%	(12)%	(11)%	(10)%	(9)%	(8)%	(7)%	(6)%	(5)%
Net Financial Liabilities	30,641,234	28,082,000	26,610,000	24,939,000	24,059,000	22,308,000	20,634,000	19,622,000	17,970,000	15,231,000	11,929,000	8,220,000
Net Financial Liabilities Ratio - %	76.0%	73.0%	89.2%	81.5%	76.6%	69.3%	62.4%	57.9%	51.7%	42.7%	32.6%	21.9%
Interest Cover Ratio - %	3.0%	2.4%	3.8%	3.5%	3.3%	3.1%	2.8%	2.4%	2.2%	1.8%	1.3%	0.6%
Asset Sustainability Ratio - %	19%	28%	31%	33%	48%	38%	45%	59%	56%	46%	44%	49%
Asset Consumption Ratio - %	60%	56%	54%	52%	51%	49%	48%	46%	44%	43%	42%	40%



*The Adjusted Operating Surplus / (Deficit) figure and percentage takes into account the Financial Assistance Grant paid in advance in 2016/17. All other years assume the full amount of FAGS is received in the year to which it relates.



Asset Sustainability Ratio - %

