



Port Augusta

CITY COUNCIL

Long Term

Financial Plan

2018/19 – 2028/29

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.

OBJECTIVES & PRINCIPLES

This version of Port Augusta City Council’s Long Term Financial Plan has been developed following the adoption of the 2018/19 Budget. The plan will be updated to include the 2017/18 audited financial statement amounts when available.

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 \$1.158M at year 10 includes:

- 2018/19 adopted budget
- Asset Management Plan capital expenditure for CWMS and Waste Water, Stormwater, Transport Assets (maintenance expenditure is included within the 2018/19 budget)
- Removal of Aged Care
- CPI set as 2.3% as per ABS for the change between March 2017 and March 2018.
- Wages increase at 2.0%
- Rates increase at 3.2%

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 and Land Assets
- Rates growth
- Outcomes from the Service Level and Range Review
- Proposed Rate Oversight Amendment Bill

Based on the current information, in order to break even by 2027/28 (initial year 10 target), Council would require an increase in rate revenue of 3.86% per annum (0.66% 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 \$140k per annum from 2019/20 to 2027/28 would achieve a break even result.

It should be noted that the LTFP does not take into account any growth in rates. Council has not experienced any growth in rateable properties for a number of years.

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

Over the life of the plan, debt levels are anticipated to reduce from \$17.4M in 2018/19 to \$7.8M in 2028/29. 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 78% to 90%. This 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 a Council's infrastructure and asset management plan. By the end of the life of the plan Council aims to meet the LGA Financial Sustainability Information Paper 9 – Financial Indicators recommended ratio level of 90-110%. The LTFP result does not equal 100% due to work continuing on the draft Building and Land Asset Management Plan.

Council is monitoring the passage of the Rate Oversight Amendment Bill through parliament and is conscious that this may require additional modelling for the Long Term Financial Plan.

Port Augusta City Council
Long Term Financial Plan
ESTIMATED COMPREHENSIVE INCOME STATEMENT

Year Ended 30 June:	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	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)
INCOME											
Rates	19,416	20,012	20,625	21,258	21,910	22,583	23,276	23,991	24,729	25,490	26,274
Statutory Charges	241	246	251	256	261	267	273	279	285	291	297
User Charges	2,714	2,776	2,841	2,906	2,974	3,042	3,112	3,183	3,256	3,329	3,404
Grants, subsidies, contributions	5,382	5,707	5,834	5,964	6,096	6,231	6,370	6,511	6,656	6,804	6,956
Investment Income	22	78	0	0	0	0	0	40	135	244	384
Reimbursements	262	268	274	280	286	292	298	305	312	319	326
Other Income	1,228	1,257	1,286	1,316	1,346	1,377	1,409	1,441	1,474	1,508	1,543
Total Revenues	29,265	30,344	31,111	31,980	32,873	33,792	34,738	35,750	36,847	37,985	39,184
EXPENSES											
Employee costs	12,152	12,394	12,641	12,893	13,151	13,413	13,680	13,953	14,230	14,515	14,805
Materials, contracts & other expenses	12,697	12,677	12,976	13,284	13,668	13,922	14,253	14,591	15,007	15,293	15,655
Depreciation	7,101	7,264	7,432	7,603	7,777	7,956	8,138	8,326	8,518	8,713	8,914
Finance Costs	1,103	1,351	1,352	1,273	1,239	1,132	1,099	1,058	1,027	998	968
Total Expenses	33,053	33,686	34,401	35,053	35,835	36,423	37,170	37,928	38,782	39,519	40,342
OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	(3,788)	(3,342)	(3,290)	(3,073)	(2,962)	(2,631)	(2,432)	(2,178)	(1,935)	(1,534)	(1,158)
NET SURPLUS/(DEFICIT)	(3,788)	(3,342)	(3,290)	(3,073)	(2,962)	(2,631)	(2,432)	(2,178)	(1,935)	(1,534)	(1,158)
Other Comprehensive Income											
Changes in revaluation surplus - IPP&E	0	0	23,883	0	0	0	0	25,258	0	0	0
Total Other Comprehensive Income	0	0	23,883	0	0	0	0	25,258	0	0	0
TOTAL COMPREHENSIVE INCOME	(3,788)	(3,342)	20,593	(3,073)	(2,962)	(2,631)	(2,432)	23,080	(1,935)	(1,534)	(1,158)

Port Augusta City Council
Long Term Financial Plan
ESTIMATED BALANCE SHEET

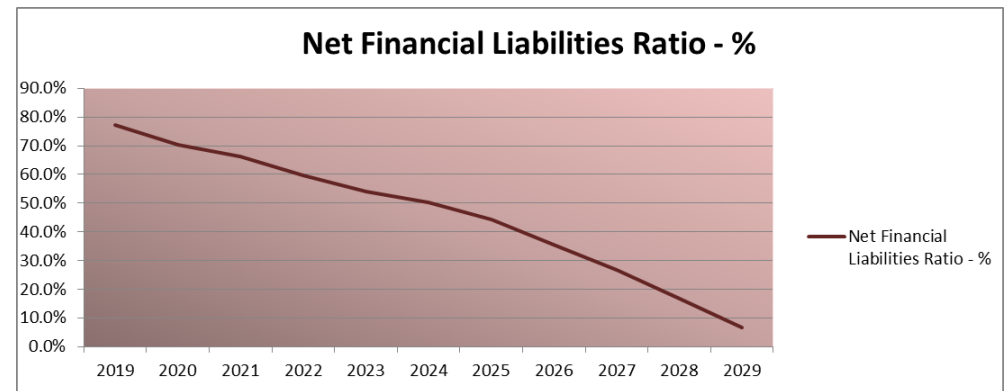
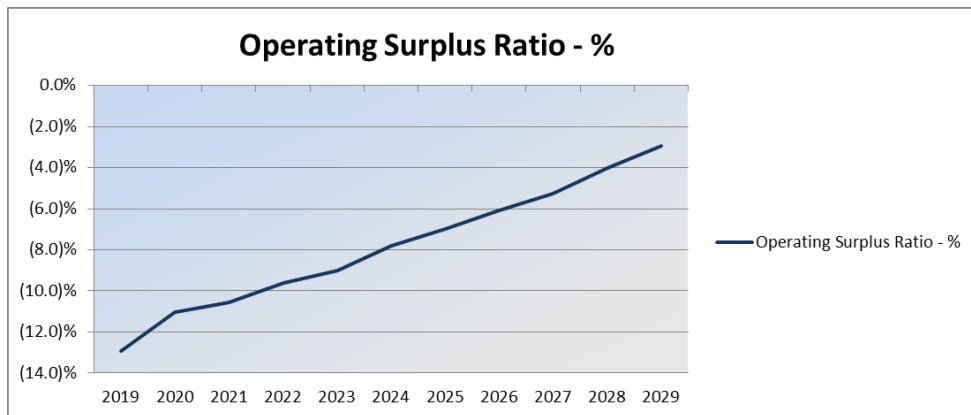
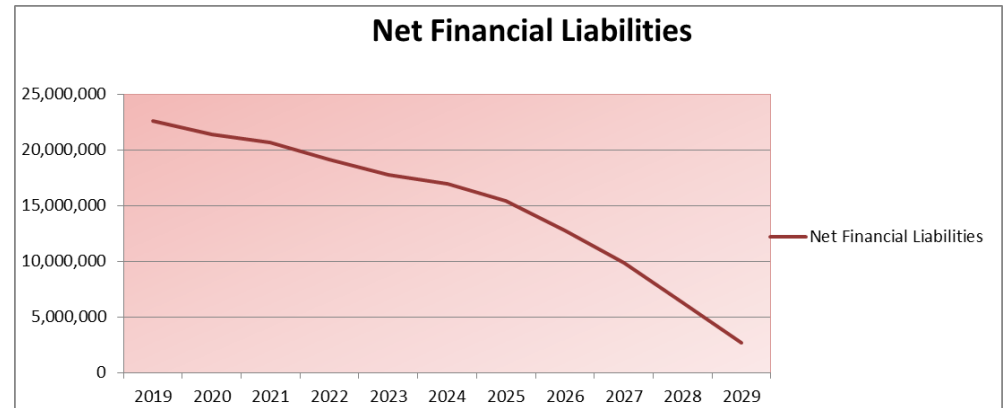
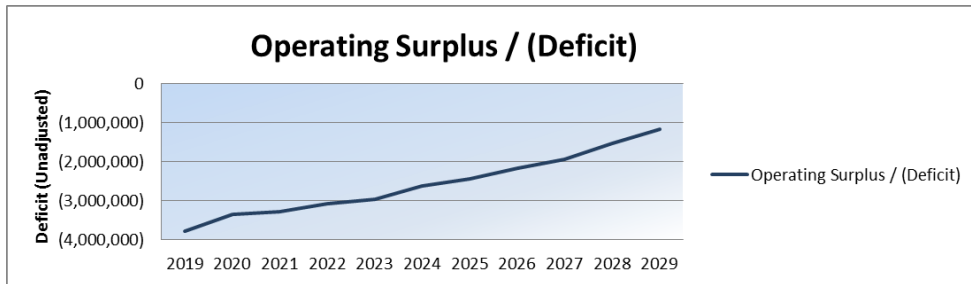
Year Ended 30 June:	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Estimate	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)
ASSETS											
Current Assets											
Cash & Equivalent Assets	1,618	0	0	0	0	0	842	2,821	5,093	8,007	11,166
Trade & Other Receivables	1,139	1,161	1,178	1,198	1,225	1,253	1,282	1,312	1,343	1,375	1,407
Inventories	230	230	230	230	230	230	230	230	230	230	230
Total Current Assets	2,987	1,391	1,408	1,428	1,455	1,483	2,354	4,363	6,666	9,612	12,803
Non-Current Assets											
Receivables	23	7	0	0	0	0	0	0	0	0	0
Other Financial Assets	11	11	11	11	11	11	11	11	11	11	11
Infrastructure, Property, Plant & Equipment	191,717	187,191	207,029	202,435	198,090	194,677	190,677	211,117	206,271	201,205	196,393
Total Non-Current Assets	191,751	187,209	207,040	202,446	198,101	194,688	190,688	211,128	206,282	201,216	196,404
Total Assets	194,738	188,600	208,448	203,874	199,556	196,171	193,042	215,491	212,948	210,828	209,207
LIABILITIES											
Current Liabilities											
Trade & Other Payables	5,500	4,066	4,798	4,483	4,694	4,655	4,718	4,741	4,784	4,830	4,852
Borrowings	1,993	2,831	2,315	1,871	870	823	694	704	680	537	0
Provisions	2,300	1,883	2,112	2,017	2,085	2,071	2,098	2,105	2,122	2,134	2,149
Total Current Liabilities	9,793	8,780	9,225	8,371	7,649	7,549	7,510	7,550	7,586	7,501	7,001
Non-Current Liabilities											
Borrowings	15,400	13,640	12,392	11,728	11,055	10,372	9,678	8,974	8,294	7,757	7,757
Provisions	165	142	200	217	256	285	321	354	390	426	463
Total Non-Current Liabilities	15,565	13,782	12,592	11,945	11,311	10,657	9,999	9,328	8,684	8,183	8,220
Total Liabilities	25,358	22,562	21,817	20,316	18,960	18,206	17,509	16,878	16,270	15,684	15,221
NET ASSETS	169,380	166,038	186,631	183,558	180,596	177,965	175,533	198,613	196,678	195,144	193,986
EQUITY											
Accumulated Surplus	(17,700)	(21,042)	(24,332)	(27,405)	(30,367)	(32,998)	(35,430)	(37,608)	(39,543)	(41,077)	(42,235)
Asset Revaluation Reserve	187,080	187,080	210,963	210,963	210,963	210,963	210,963	236,221	236,221	236,221	236,221
Other Reserves	0	0	0	0	0	0	0	0	0	0	0
TOTAL EQUITY	169,380	166,038	186,631	183,558	180,596	177,965	175,533	198,613	196,678	195,144	193,986

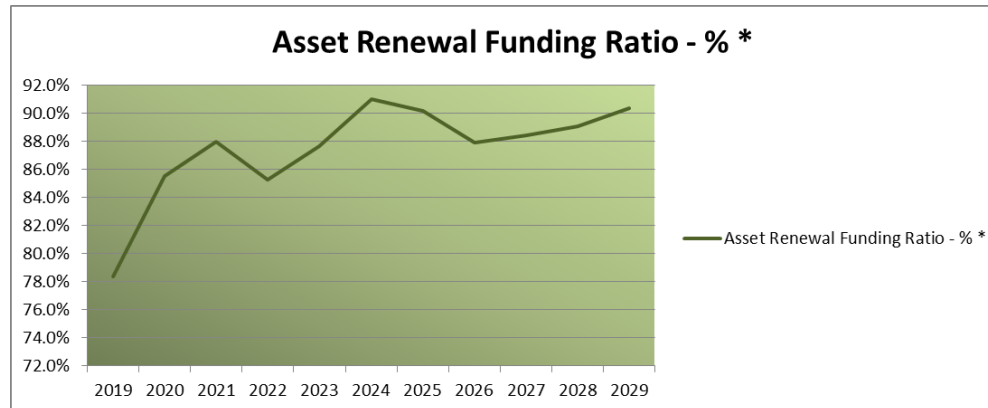
Port Augusta City Council
Long Term Financial Plan
ESTIMATED CASH FLOW STATEMENT

Year Ended 30 June:	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	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)
CASH FLOWS FROM OPERATING ACTIVITIES											
<u>Receipts</u>											
Rates	19,705	19,993	20,606	21,238	21,890	22,562	23,255	23,969	24,707	25,467	26,251
Statutory Charges	241	246	251	256	261	267	273	279	285	291	297
User Charges	3,024	2,764	2,829	2,894	2,962	3,029	3,099	3,170	3,242	3,315	3,390
Grants, subsidies, contributions	5,342	5,744	5,834	5,964	6,096	6,232	6,370	6,511	6,656	6,805	6,956
Investment Income	22	78	0	0	0	0	0	40	135	244	384
Reimbursements	397	266	272	278	284	290	295	302	309	316	323
Other Income	1,228	1,257	1,286	1,316	1,346	1,377	1,409	1,441	1,474	1,508	1,543
<u>Payments</u>											
Employee costs	(11,273)	(13,363)	(12,091)	(13,084)	(12,968)	(13,412)	(13,594)	(13,905)	(14,161)	(14,451)	(14,745)
Materials, contracts & other expenses	(11,167)	(13,612)	(12,500)	(13,479)	(13,526)	(13,940)	(14,205)	(14,568)	(14,972)	(15,256)	(15,633)
Finance Costs	(1,103)	(1,351)	(1,352)	(1,273)	(1,239)	(1,132)	(1,099)	(1,058)	(1,027)	(998)	(968)
Net Cash provided by (or used in) Operating Activities	6,416	2,022	5,135	4,110	5,106	5,273	5,803	6,181	6,648	7,241	7,798
CASH FLOWS FROM INVESTING ACTIVITIES											
<u>Receipts</u>											
Sale of Renewed/Replaced Assets	100	100	100	100	100	100	100	100	100	100	100
Repayments of Loans by Community Groups	19	20	16	7	0	0	0	0	0	0	0
<u>Payments</u>											
Expenditure on Renewal/Replacement of Assets	(1,817)	(2,391)	(2,851)	(2,483)	(2,923)	(3,899)	(3,676)	(3,143)	(3,309)	(3,511)	(3,940)
Expenditure on New/Upgraded Assets	(702)	(447)	(636)	(626)	(609)	(744)	(562)	(465)	(463)	(236)	(262)
Net Cash Provided by (or used in) Investing Activities	(2,400)	(2,718)	(3,371)	(3,002)	(3,432)	(4,543)	(4,138)	(3,508)	(3,672)	(3,647)	(4,102)
CASH FLOWS FROM FINANCING ACTIVITIES											
<u>Receipts</u>											
<u>Payments</u>											
Repayments of Borrowings	(3,007)	(1,993)	(1,760)	(1,248)	(664)	(673)	(683)	(694)	(704)	(680)	(537)
Net Cash provided by (or used in) Financing Activities	(3,007)	(1,993)	(1,760)	(1,248)	(664)	(673)	(683)	(694)	(704)	(680)	(537)
Net Increase/(Decrease) in cash held	1,009	(2,689)	4	(140)	1,010	57	982	1,979	2,272	2,914	3,159
Opening cash, cash equivalents or (bank overdraft)	609	1,618	(1,071)	(1,067)	(1,207)	(197)	(140)	842	2,821	5,093	8,007
Closing cash, cash equivalents or (bank overdraft)	1,618	(1,071)	(1,067)	(1,207)	(197)	(140)	842	2,821	5,093	8,007	11,166

**Port Augusta City Council
Long Term Financial Plan
FINANCIAL INDICATORS**

Year Ended 30 June:	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	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)
Operating Surplus / (Deficit)	(3,788,000)	(3,342,000)	(3,290,000)	(3,073,000)	(2,962,000)	(2,631,000)	(2,432,000)	(2,178,000)	(1,935,000)	(1,534,000)	(1,158,000)
Operating Surplus Ratio - %	(12.9)%	(11.0)%	(10.6)%	(9.6)%	(9.0)%	(7.8)%	(7.0)%	(6.1)%	(5.3)%	(4.0)%	(3.0)%
Net Financial Liabilities	22,578,000	21,394,000	20,639,000	19,118,000	17,735,000	16,953,000	15,385,000	12,745,000	9,834,000	6,302,000	2,648,000
Net Financial Liabilities Ratio - %	77.2%	70.5%	66.3%	59.8%	54.0%	50.2%	44.3%	35.7%	26.7%	16.6%	6.8%
Interest Cover Ratio - %	3.7%	4.2%	4.4%	4.0%	3.8%	3.4%	3.2%	2.9%	2.5%	2.0%	1.5%
Asset Renewal Funding Ratio - % *	78.3%	85.5%	88.0%	85.3%	87.7%	91.0%	90.2%	87.9%	88.4%	89.1%	90.4%
Asset Consumption Ratio - %	58%	56%	62%	53%	51%	50%	48%	53%	46%	44%	43%





This 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 a Council's infrastructure and asset management plan.

Contents, Plant and Vehicles asset class has now been excluded from this ratio as there is no asset management plan for this class of assets.

The draft Building and Land Asset Management Plan expenditure has been included in this Ratio for 2018/19 (previously depreciation had been used). The draft is yet to be reviewed and adopted by Council.

The Asset Management Plan for Bridge and Marine Structures indicates capital expenditure of \$11.58m which has not been included in this Ratio as Council is yet to make a formal resolution on these assets.