



CLARE & GILBERT
VALLEYS COUNCIL

Long Term Financial Plan

2020/2021 to 2029/2030

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1. Long Term Financial Planning

1.1. Purpose

Long term financial planning promotes thinking about the influence of changing circumstances on the decisions made about the service programs and the assessment of potential new projects and their impact on the future financial sustainability of Council business.

Financial planning is a guiding framework and so is an essential tool for responsible financial management. The importance is recognised in that long term financial plans are a requirement of the Local Government Act.

The preparation of this Plan forms the basis for identifying and quantifying service level standards and the future investment requirements to adequately maintain Council's infrastructure and asset portfolio.

1.2. Legislative Requirements

The Local Government Act 1999 requires Council to develop and adopt a Long Term Financial Plan covering a period of at least 10 years. This forms part of Council's suite of strategic plans that also include the Strategic Plan 2019-2029 (adopted October 2019) and Infrastructure Asset Management Plan (adopted July 2020).

Council is required to review the Long Term Financial Plan annually as soon as possible after the adoption of its Annual Business Plan and undertake a comprehensive review of its strategic management plans including Long Term Financial Plan within 2 years after each general election.

1.3. Influencing Factors

There are a number of external and internal factors which influence the assumptions used when preparing the Long Term Financial Plan.

These include:

External

- Australian and State Government new and reviewed legislation and policies
- Current and forecast economic environment
- Consumer Price Index (CPI) and Local Government Price Index (LGPI)
- Increasing impact of the pricing of power and water
- Interest rates

Internal

- Community expectation
- Asset Management Plan
- Financial sustainability target and goals
- Increase or decrease in service levels (current and future)
- Workforce Planning and Enterprise Agreement conditions and pay rates
- Treasury management and the need for borrowings

2. Assumptions

2.1. General Assumptions – Nominal Values

All income and expenditure have been stated at their nominal value.

2.2. General Assumptions – Consumer Price Index

Unless known not to be indexed all income and expenditure are indexed for inflation at 2.2% based upon the all capital cities Consumer Price Index for March 2020 quarter.

2.3. Rate Revenue

Annual rate increases are forecast at 2.9% which includes 0.5% growth for the life of the plan. Council has considered the organisations future financial sustainability as well as the community's capacity to pay in determining future increases in general rates.

2.4. Rate Revenue – Regional Landscape Levy & Service Charges

The Regional Landscape Levy is assumed to increase by CPI.

In 2020/21 the waste collection for kerbside waste, general and recycling, will move to full cost recovery excluding transfer station costs. This will increase the fee to \$211. In 2021/22 a new kerbside green waste collection service is forecasted to commence with full cost recovery.

Council's CWMS is forecasted to move to full cost recovery in 2021/22.

2.5. Grant Revenue

Grant revenue has been assumed to remain consistent with the 2019/20 financial year for Financial Assistance Grants and other ongoing funding. It has been assumed that Roads to Recovery will continue per the current agreement through to 2023/24.

All other grant timings are included based on their current funding agreement.

2.6. Investment Income

Interest earned on cash balances and term deposits is calculated by multiplying the available cash at 30 June by the assumed interest rate which is 0.25% for the life of this plan.

Interest from loans given to community groups, is calculated based on the loan schedule.

2.7. Employee Costs

In the 2020/21 financial year Council has committed to including one (1) new positions within the organisation. This is for an Engineer – Technical Lead.

2.8. Depreciation

Depreciation is calculated based on current valuation data to determine fair value and useful life allowing for changes in prices. Additional depreciation is included for asset acquisitions made over the life of the plan.

2.9. Other Costs

Other costs include contributions to the Clare Oval Redevelopment Committee project in 2020/21 and 2020/22 of \$1,002,000 and \$381,000 respectively. All other costs have been indexed annually by CPI.

2.10. Asset Disposals

In 2020/21 it is assumed that a lease will be signed for the Clare Caravan Park. Other disposals in 2020/21 include the replacement of plant. Plant disposals continue for the life of the plan with the assumption that Council will receive a sale price equal to the written down value on the asset register.

In 2021/22 it is assumed that a property will be sold. All buildings for disposal or divestment will be subject to council approval and public consultation.

2.11. Capital Expenditure

Renewal/replacement and new/upgrade capital expenditure within the Long Term Financial Plan is indexed based upon spending contained within Council's Infrastructure Asset Management Plan.

2.12. Borrowing and Finance Costs

Council will be required to take on additional borrowings during the term of this Long Term Financial Plan as well as repay all borrowing currently held within agreed terms. The following table details the levels of borrowings and related interest rates for each year.

Year	Total Outstanding 30 June	Weighted Average Interest rate
2020/21	2,745,753	7.67%
2021/22	2,370,188	7.75%
2022/23	2,188,122	7.76%
2023/24	2,529,258	6.66%
2024/25	2,360,221	6.59%
2025/26	1,680,207	7.77%
2026/27	1,491,446	7.77%
2027/28	1,287,733	7.77%
2028/29	1,067,885	7.77%
2029/30	830,622	7.77%

3. Financial Sustainability

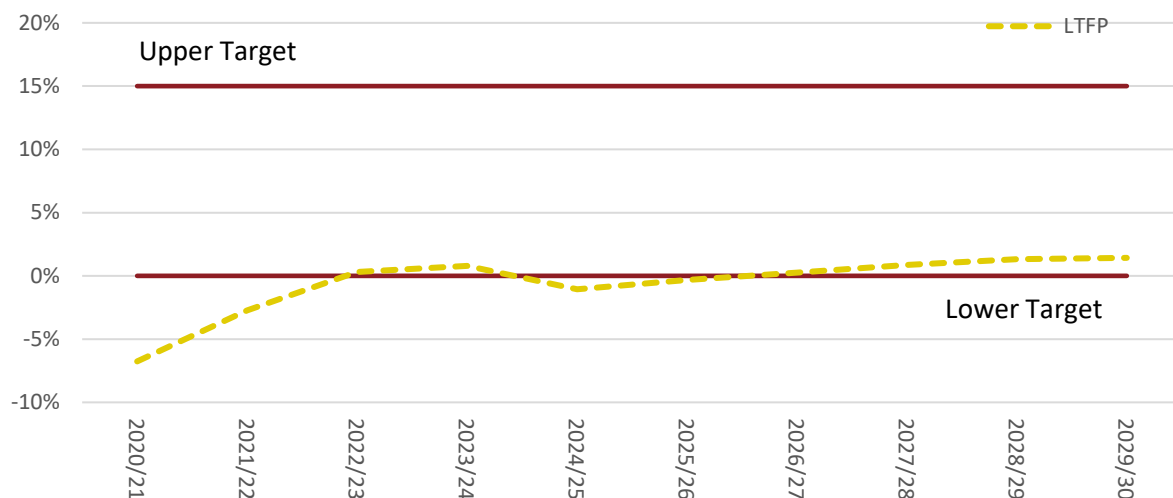
A council is financially sustainable if it achieves

- a positive operating surplus/(deficit) ratio over time – indicating a surplus of income over expenses which can be applied to future proposed capital expenditure, reducing debt or increasing financial assets,
- a reducing financial liabilities ratio unless the council is increasing or improving its physical asset base, and
- an asset renewal funding ratio of between 90% and 110%, which shows the council is renewing assets when required to retain agreed service levels.

3.1. Operating Surplus Ratio

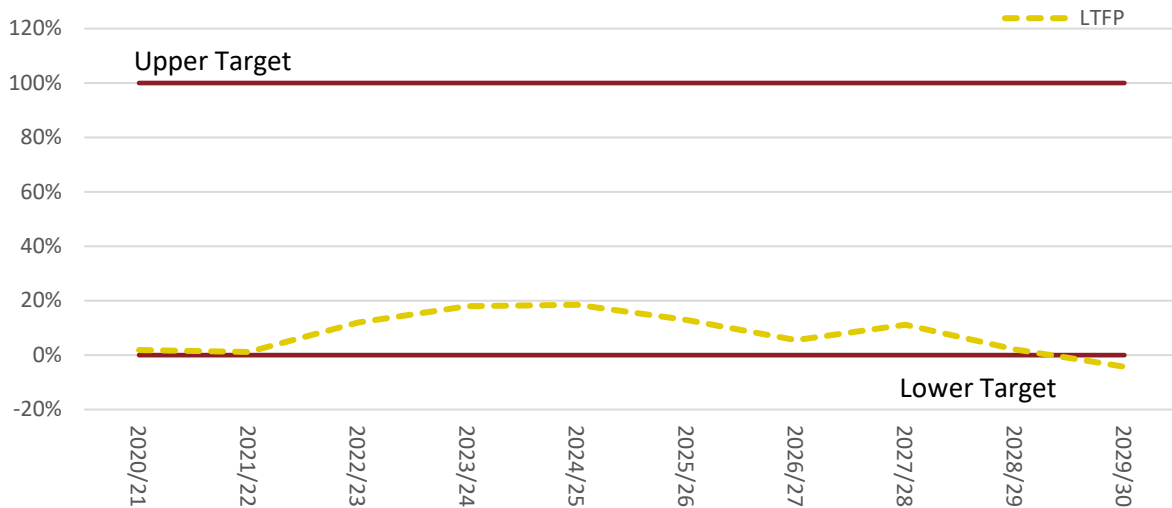
An operating surplus (or deficit) arises when operating income exceeds (or is less than) operating expenses for a period (usually a year). Over time Council will be financially sustainable when its expenses are less than income. The operating surplus ratio expresses the surplus (or deficit) as a percentage of total operating income.

Council has considered carefully how it can return to a trend of small to marginal operating surpluses over time. Past years have seen the Council absorbing increased operating expenses arising from price pressures and service level increases. In some instances it has done so without increasing service charges and general rates. The forecasts in this Long Term Financial Plan have incorporated principles of full cost recovery for the CWMS and Waste Service as well as committing to providing service levels that the community can afford in a way that is equitable for the current and future generations of ratepayers. As a result Council forecasts it will move to achieve an operating surplus in 2022/23, with ongoing surpluses from 2026/27 onwards.



3.2. Net Financial Liabilities Ratio

Net financial liabilities are defined as total liabilities less financial assets. These are expressed as a percentage of total operating revenue and provides information on Council’s overall indebtedness. Where the ratio is falling it indicates that Council’s ability to meet its obligations is strengthening.

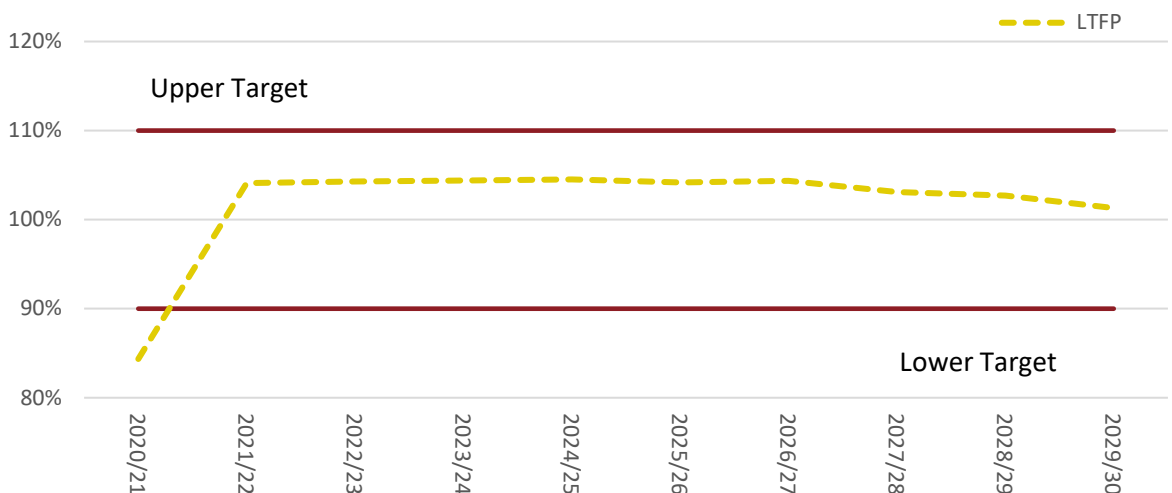


To ensure the ongoing renewal of Councils aging assets, and to fund new projects, additional borrowing will be required in 2023/24 and will be repaid by 2025/26.

3.3. Asset Renewal Funding Ratio

The asset renewal funding ratio expresses the total expenditure on asset replacement and renewal as a percentage of the indexed expenditure required per Council’s Infrastructure Asset Management Plans.

Council will commit to undertaking the renewal and replacement of its infrastructure and other assets at the optimum time to achieve the service levels it has agreed within its Infrastructure Asset Management Plan over the period of the Long Term Financial Plan.



4. Future Council Considerations

During the Council's deliberations in finalising the Long Term Financial Plan it considered the level of service it provides to the community and the related cost. Possible future service level changes considered but not included in the Long Term Financial Plan include;

- The disposing of buildings which are surplus to service delivery requirements.
- Inclusion of a special levy to raise funds to support the tourism sector.

ASSUMPTIONS

LOANS INCLUDED				500		(500)				
TOTAL RATES INCREASE INCLUDED	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%

ESTIMATED STATEMENT OF FINANCIAL POSITION

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	DRAFT BUDGET	LTFP	LTFP	LTFP	LTFP	LTFP	LTFP	LTFP	LTFP	LTFP
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS										
Current Assets										
Cash and cash equivalents	2,535	2,615	830	227	190	543	1,800	434	2,101	3,259
Trade & other receivables	1,381	1,393	1,044	845	648	658	673	688	703	718
Other Financial Assets	271	277	283	289	295	301	308	315	322	329
Inventories	300	300	300	300	300	300	300	300	300	300
Total Current Assets	4,487	4,585	2,457	1,661	1,433	1,802	3,081	1,737	3,426	4,606
Non-current Assets										
Financial Assets	84	30	15	5	-	-	-	-	-	-
Infrastructure, property, plant & equipment	148,204	147,681	150,852	153,302	153,212	152,144	150,777	152,146	150,571	149,517
Other Non-current assets	989	989	989	989	989	989	989	989	989	989
Total Non-current Assets	149,277	148,700	151,856	154,296	154,201	153,133	151,766	153,135	151,560	150,506
Total Assets	153,764	153,285	154,313	155,957	155,634	154,935	154,847	154,872	154,986	155,112
LIABILITIES										
Current Liabilities										
Trade & other payables	505	800	818	836	854	873	892	912	932	953
Current Borrowings	376	182	159	169	180	189	204	220	237	256
Current Provisions	1,278	1,306	1,335	1,364	1,394	1,425	1,456	1,488	1,521	1,554
Total Current Liabilities	2,159	2,288	2,312	2,369	2,428	2,487	2,552	2,620	2,690	2,763
Non-current Liabilities										
Non Current Borrowings	2,370	2,188	2,029	2,360	2,180	1,491	1,288	1,068	831	575
Non Current Provisions	64	65	66	67	68	69	71	73	75	77
Other Non-current Liabilities	292	292	292	292	292	292	292	292	292	292
Total Non-current Liabilities	2,726	2,545	2,387	2,719	2,540	1,852	1,651	1,433	1,198	944
Total Liabilities	4,885	4,833	4,699	5,088	4,968	4,339	4,203	4,053	3,888	3,707
NET ASSETS	148,879	148,452	149,614	150,869	150,666	150,596	150,644	150,819	151,098	151,405
EQUITY										
Accumulated Surplus	8,621	8,194	9,356	10,611	10,408	10,338	10,386	10,561	10,840	11,147
Asset Revaluation Reserve	131,115	131,115	131,115	131,115	131,115	131,115	131,115	131,115	131,115	131,115
Other Reserves	9,143	9,143	9,143	9,143	9,143	9,143	9,143	9,143	9,143	9,143
TOTAL EQUITY	148,879	148,452	149,614	150,869	150,666	150,596	150,644	150,819	151,098	151,405

ASSUMPTIONS

LOANS INCLUDED				500		(500)				
TOTAL RATES INCREASE INCLUDED	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%

ESTIMATED STATEMENT OF CHANGES IN EQUITY

	2020/21 DRAFT BUDGET \$'000	2021/22 LTFP \$'000	2022/23 LTFP \$'000	2023/24 LTFP \$'000	2024/25 LTFP \$'000	2025/26 LTFP \$'000	2026/27 LTFP \$'000	2027/28 LTFP \$'000	2028/29 LTFP \$'000	2029/30 LTFP \$'000
ACCUMULATED SURPLUS										
Balance at end of previous reporting period	9,527	8,621	8,194	9,356	10,611	10,408	10,338	10,386	10,561	10,840
Net Surplus/(Deficit) for year	(906)	(427)	1,162	1,255	(204)	(70)	48	175	278	307
Other Comprehensive Income										
Gain on revaluation of infrastructure, property, plant & equipment										
Transfers between reserves	-	-	-	-	-	-	-	-	-	-
Balance at end of period	8,621	8,194	9,356	10,611	10,408	10,338	10,386	10,561	10,840	11,147
ASSET REVALUATION RESERVE										
Balance at end of previous reporting period	131,115	131,115	131,115	131,115	131,115	131,115	131,115	131,115	131,115	131,115
Net Surplus/(Deficit) for year										
Other Comprehensive Income										
Gain/(Loss) on revaluation of infrastructure, Property plant & equipment	-	-	-	-	-	-	-	-	-	-
Impairment/recoupments offset to asset revaluation reserve										
Transfers between reserves	-	-	-	-	-	-	-	-	-	-
Balance at end of period	131,115	131,115	131,115	131,115	131,115	131,115	131,115	131,115	131,115	131,115
OTHER RESERVES										
Balance at end of previous reporting period	9,143	9,143	9,143	9,143	9,143	9,143	9,143	9,143	9,143	9,143
Net Surplus/(Deficit) for year										
Other Comprehensive Income										
Gain on revaluation of infrastructure, property, plant & equipment										
Transfers between reserves	-	-	-	-	-	-	-	-	-	-
Balance at End of Period	9,143	9,143	9,143	9,143	9,143	9,143	9,143	9,143	9,143	9,143
Total Equity										
Balance at end of previous reporting period	149,785	148,879	148,452	149,614	150,869	150,666	150,596	150,644	150,819	151,098
Net Surplus/(Deficit) for year	(906)	(427)	1,162	1,255	(204)	(70)	48	175	278	307
Other Comprehensive Income										
Gain on revaluation of infrastructure, Property plant & equipment	-	-	-	-	-	-	-	-	-	-
Impairment/recoupments offset to asset revaluation reserve	-	-	-	-	-	-	-	-	-	-
Transfers between reserves	-	-	-	-	-	-	-	-	-	-
Balance at End of Period	148,879	148,452	149,614	150,869	150,666	150,596	150,644	150,819	151,098	151,405

ASSUMPTIONS

LOANS INCLUDED				500		(500)				
TOTAL RATES INCREASE INCLUDED	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%

ESTIMATED STATEMENT OF CASH FLOWS

	2020/21 DRAFT BUDGET \$'000	2021/22 LTFP \$'000	2022/23 LTFP \$'000	2023/24 LTFP \$'000	2024/25 LTFP \$'000	2025/26 LTFP \$'000	2026/27 LTFP \$'000	2027/28 LTFP \$'000	2028/29 LTFP \$'000	2029/30 LTFP \$'000
CASH FLOWS FROM OPERATING ACTIVITIES										
Receipts										
Rates - general & other	13,317	14,569	15,312	15,603	16,029	16,259	16,704	17,160	17,631	18,114
Fees & other charges	213	218	223	228	233	238	243	248	253	259
User charges	1,050	846	865	884	903	923	943	964	985	1,008
Investment receipts	68	15	11	4	2	1	2	5	2	6
Grants utilised for operating purposes	2,282	2,144	2,181	2,220	1,865	1,906	1,947	1,989	2,032	2,076
Reimbursements	182	186	190	194	198	202	206	211	216	221
Other revenues	25	20	21	22	23	24	24	25	26	27
Payments										
Employee costs	(4,547)	(4,806)	(4,925)	(5,050)	(5,175)	(5,304)	(5,437)	(5,572)	(5,712)	(5,856)
Materials, contracts & other expenses	(9,148)	(7,410)	(7,421)	(7,536)	(7,725)	(7,867)	(8,039)	(8,214)	(8,420)	(8,577)
Finance payments	(253)	(204)	(180)	(167)	(154)	(141)	(127)	(112)	(96)	(220)
Net Cash provided by (or used in) Operating Activities	3,189	5,578	6,277	6,402	6,199	6,241	6,466	6,704	6,917	7,058
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Amounts specifically for new or upgraded assets	300	-	1,110	1,110	-	-	-	-	-	-
Sale of replaced assets	62	165	225	203	195	185	-	55	-	-
Sale of surplus assets	1,100	280	-	-	-	-	-	-	-	-
Repayments of Loans by community groups	134	71	49	16	9	5	-	-	-	-
Payments										
Expenditure on renewal/replacement of assets	(4,189)	(5,073)	(4,347)	(4,542)	(4,653)	(4,526)	(4,139)	(7,039)	(4,148)	(5,310)
Expenditure on new/upgraded assets	(1,791)	(564)	(4,917)	(4,133)	(1,618)	(872)	(882)	(882)	(882)	(353)
Net purchase of investment securities	-	-	-	-	-	-	-	-	-	-
Loans to community groups	-	-	-	-	-	-	-	-	-	-
Net Cash provided by (or used in) Investing Activities	(4,384)	(5,121)	(7,880)	(7,346)	(6,067)	(5,208)	(5,021)	(7,866)	(5,030)	(5,663)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Proceeds from borrowings	-	-	-	500	-	-	-	-	-	-
Payments										
Repayments of borrowings	(982)	(376)	(182)	(159)	(169)	(680)	(188)	(204)	(220)	(237)
Net Cash provided by (or used in) Financing Activities	(982)	(376)	(182)	341	(169)	(680)	(188)	(204)	(220)	(237)
Net Increase (Decrease) in cash held	(2,177)	81	(1,785)	(603)	(37)	353	1,257	(1,366)	1,667	1,158
Cash & cash equivalents at beginning of period	4,712	2,534	2,615	830	227	190	543	1,800	434	2,101
Cash & cash equivalents at end of period	2,535	2,615	830	227	190	543	1,800	434	2,101	3,259

ASSUMPTIONS

LOANS INCLUDED				500		(500)				
TOTAL RATES INCREASE INCLUDED	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%

ESTIMATED UNIFORM PRESENTATION OF FINANCES

	2020/21 DRAFT BUDGET \$'000	2021/22 LTFP \$'000	2022/23 LTFP \$'000	2023/24 LTFP \$'000	2024/25 LTFP \$'000	2025/26 LTFP \$'000	2026/27 LTFP \$'000	2027/28 LTFP \$'000	2028/29 LTFP \$'000	2029/30 LTFP \$'000
Income	17,448	18,033	18,494	18,968	19,066	19,574	20,091	20,624	21,167	21,733
less Expenses	18,631	18,528	18,442	18,823	19,270	19,644	20,043	20,449	20,889	21,426
Operating Surplus / (Deficit)	(1,183)	(495)	52	145	(204)	(70)	48	175	278	307
Net Outlays on Existing Assets										
Capital Expenditure on renewal and replacement of Existing Assets	(4,189)	(5,073)	(4,347)	(4,542)	(4,653)	(4,526)	(4,139)	(7,039)	(4,148)	(5,310)
Depreciation, Amortisation and Impairment	5,724	5,784	5,868	6,022	6,167	6,281	6,388	6,497	6,606	6,717
Proceeds from Sale of Replaced Assets	62	165	225	203	195	185	-	55	-	-
Net (Outlays) on Existing Assets	1,597	876	1,746	1,683	1,709	1,940	2,249	(487)	2,458	1,407
Net Outlays on New and Upgraded Assets										
Capital expenditure on new/upgraded assets (including investment property & real estate developments)	(1,791)	(564)	(4,917)	(4,133)	(1,618)	(872)	(882)	(882)	(882)	(353)
Amounts received specifically for New or Upgraded Assets	300	-	1,110	1,110	-	-	-	-	-	-
Proceeds from sale of surplus assets	1,100	280	-	-	-	-	-	-	-	-
Net (Outlays) on New and Upgraded Assets	(391)	(284)	(3,807)	(3,023)	(1,618)	(872)	(882)	(882)	(882)	(353)
Net Lending / (Borrowing) for Financial Year	23	97	(2,009)	(1,195)	(113)	998	1,415	(1,194)	1,854	1,361

ASSUMPTIONS

LOANS INCLUDED				500		(500)				
TOTAL RATES INCREASE INCLUDED	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%

ESTIMATED KEY FINANCIAL INDICATORS

	2020/21 DRAFT BUDGET \$'000	2021/22 LTFP \$'000	2022/23 LTFP \$'000	2023/24 LTFP \$'000	2024/25 LTFP \$'000	2025/26 LTFP \$'000	2026/27 LTFP \$'000	2027/28 LTFP \$'000	2028/29 LTFP \$'000	2029/30 LTFP \$'000
Operating Surplus Ratio	(7%)	(3%)	0%	1%	(1%)	(0%)	0%	1%	1%	1%
<u>Operating Surplus</u>	(1,183)	(495)	52	145	(204)	(70)	48	175	278	307
Total Operating Income	17,448	18,033	18,494	18,968	19,066	19,574	20,091	20,624	21,167	21,733
<i>This ratio expresses the operating surplus as a percentage of total operating revenue.</i>										
Net Financial Liabilities Ratio	2%	1%	12%	18%	19%	13%	6%	11%	2%	(4%)
<u>Net Financial Liabilities</u>	322	226	2,235	3,430	3,543	2,545	1,130	2,324	470	(891)
Total Operating Income	17,448	18,033	18,494	18,968	19,066	19,574	20,091	20,624	21,167	21,733
<i>Net Financial Liabilities are defined as total liabilities less financial assets. These are expressed as a percentage of total operating revenue.</i>										
Asset Renewal Funding Ratio	84%	104%	104%	104%	105%	104%	104%	103%	103%	101%
<u>Net Asset Renewals</u>	4,189	5,073	4,347	4,542	4,653	4,526	4,139	7,039	4,148	5,310
Infrastructure & Asset Management Plan required expenditure	4,966	4,873	4,168	4,351	4,452	4,344	3,966	6,828	4,039	5,241

Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.