



CLARE & GILBERT VALLEYS COUNCIL

LONG TERM FINANCIAL PLAN

2018/19 to 2027/28

1 Contents

2	LONG TERM FINANCIAL PLANNING DEFINED	3
	2.1 Purpose.....	3
	2.2 Legislative Requirements	3
3	ASSUMPTIONS	3
	3.1 General Assumptions	3
	3.1.1 Nominal Values.....	3
	3.1.2 CPI.....	3
	3.2 Rate Revenue	3
	3.2.1 General Rates	3
	3.2.2 NRM levy and Service Charges	4
	3.3 Grant Revenue.....	4
	3.4 Investment Income	4
	3.4.1 Interest earned on cash balances & term deposits.....	4
	3.4.2 Interest from loans given to community groups.....	4
	3.5 Employee Costs	4
	3.6 Depreciation.....	4
	3.7 Other Costs.....	4
	3.8 Capital Expenditure	5
	3.9 Borrowings and Finance Costs	5
4	FINANCIAL SUSTAINABILITY	5
	4.1 Operating Surplus Ratio	5
	4.2 Net Financial Liabilities Ratio	6
	4.3 Asset Sustainability Ratio	7
5	CLARE & GILBERT VALLEYS COUNCIL LONG TERM FINANCIAL PLAN.....	8

2 LONG TERM FINANCIAL PLANNING DEFINED

2.1 Purpose

The Long Term Financial Plan (LTFP) is prepared to guide the future direction of Council in a sustainable manner and links with Council's objectives, goals and desired outcomes in financial terms.

It provides a guideline for future action and discloses the potential impact that decisions made today may have on Council's long-term sustainability.

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.

2.2 Legislative Requirements

The Local Government Act 1999 requires Council to develop and adopt a LTFP covering a period of at least 10 years. This forms part of Council's suite of strategic plans that also include its Strategic Plan 2020 (adopted March 2016) and Asset Management Plan (adopted September 2017.)

The Council is required to review the LTFP annually as soon as possible after the adoption of its annual business plan and undertake a comprehensive review of its strategic management plans including LTFP within 2 years after each general election.

3 ASSUMPTIONS

3.1 General Assumptions

3.1.1 Nominal Values

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

3.1.2 CPI

Unless known not to be indexed, all income and expenditure are indexed for inflation at 3% based upon the SA LG Price Index for the March 2018 quarter.

3.2 Rate Revenue

3.2.1 General Rates

To fund the operations of the council including the ongoing management and improvement of its vast infrastructure network will require an average annual rate increase of 3% plus growth of 1%. (4% total)

Even though there is a possibility that rate capping may be applied to Council's within South Australia, the Council believes that a rate increase of 3% is warranted to continue adequate service levels to its community

and would request that consideration be given to allow the rate increase. If this was not granted the LTFP would be reviewed at that time.

Council's general operations have been maintained over the life of the LTFP, with additional employees included within Year 1 (2018/19).

The Council's Asset Management Plan does highlight the additional investment required by Council compared to the level of spending seen in previous years requiring ongoing rate increases.

- 3.2.2 NRM levy and Service Charges
Increased by CPI only.

3.3 Grant Revenue

Grant revenue has been assumed to remain consistent with the 2017/18 financial year for general purpose and other ongoing funding. It has been assumed that Roads to Recovery (or something similar) will continue from 2019/20 of the LTFP. All other grants are included based on their current funding agreements.

3.4 Investment Income

- 3.4.1 Interest earned on cash balances & term deposits
Interest is calculated by multiplying the available cash at 30 June by the assumed interest rate which is 2% for the life of this plan.
- 3.4.2 Interest from loans given to community groups.
Interest is calculated based on the loan schedule.

3.5 Employee Costs

In the 2018/19 financial year Council has committed to including four (4) new positions within the organisation. These are;

- IT Officer
- Finance Officer
- Compliance Officer
- Graduate town planner

No other increases in staffing levels are anticipated over the term of the LTFP. Employee costs have been indexed annually by CPI.

3.6 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.

3.7 Other Costs

Other costs have been indexed annually by CPI.

3.8 Capital Expenditure

Renewal/replacement and new/upgrade capital expenditure within the LTFP is based upon spending contained within Council’s draft Asset Management Plan.

This does not affect Council’s Asset Sustainability ratio as it only effects the programming of new and upgraded assets.

Over the ten-year period covered by the plan Council will spend \$54.8 million on replacement and renewal on its existing asset inventory and \$32.7 million on new or upgrading assets.

3.9 Borrowings and Finance Costs

Council will be required to take on additional borrowings during the term of this LTFP as well as repay all borrowings 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
2018/2019	4,807,809	7.16%
2019/2020	4,978,793	6.66%
2020/2021	5,186,067	6.20%
2021/2022	5,438,383	5.95%
2022/2023	5,342,767	5.86%
2023/2024	5,500,890	5.74%
2024/2025	5,366,544	5.67%
2025/2026	4,949,375	5.64%
2026/2027	4,512,546	5.61%
2027/2028	4,049,350	5.57%

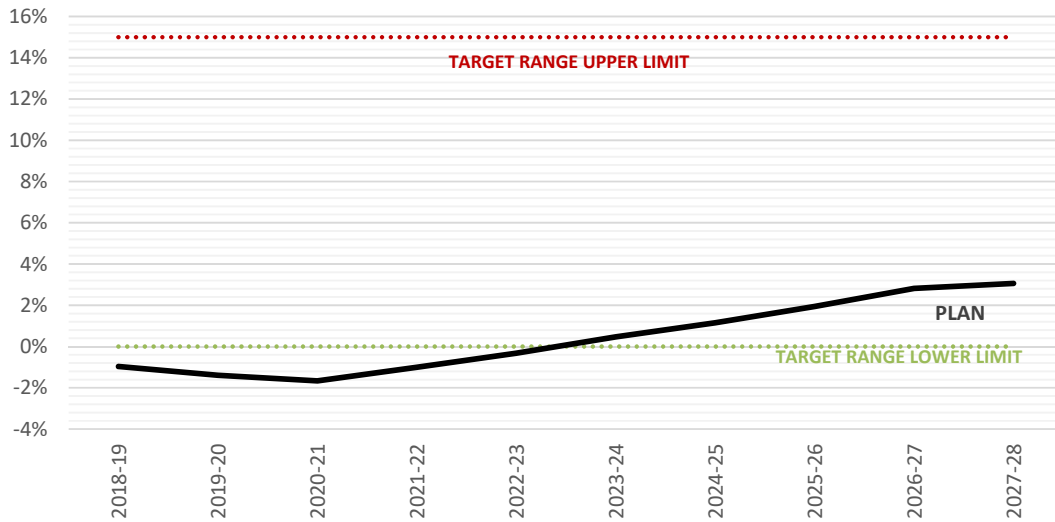
4 FINANCIAL SUSTAINABILITY

4.1 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 its expenses are less than income. The Operating Surplus Ratio expresses the surplus (or deficit) as a percentage of total operating income.

Council is working towards operating at a continuing small surplus over the long term. Moving past the term of the LTFP Council will only require rate increases similar to inflation, unless additional services or increased service levels are required.

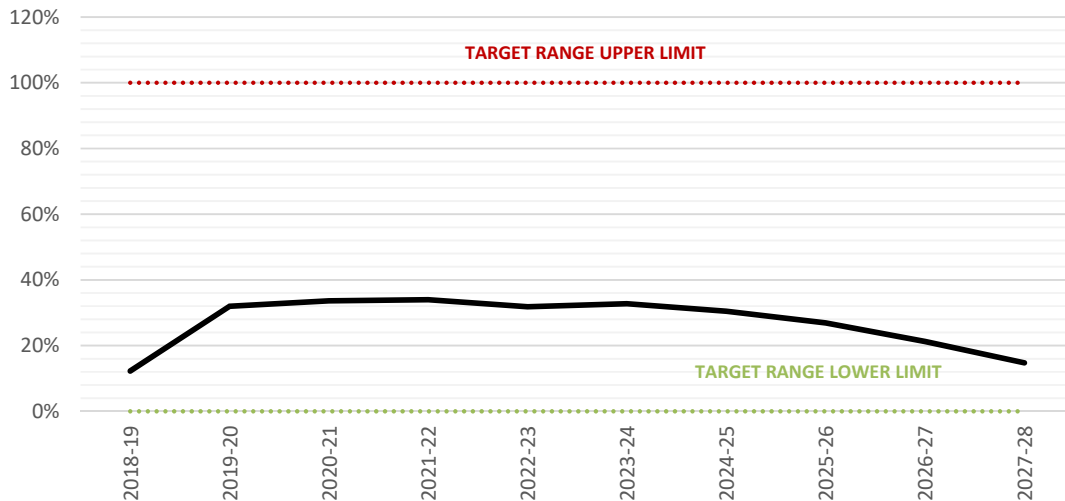
Operating Surplus/(Deficit) Ratio



4.2 Net Financial Liabilities Ratio

Net Financial Liabilities is equal to Council’s total liabilities less its financial assets providing information on Council’s overall indebtedness. The Net Financial Liabilities Ratio expresses Net Financial Liabilities as a percentage of total operating income.

Net Financial Liabilities Ratio

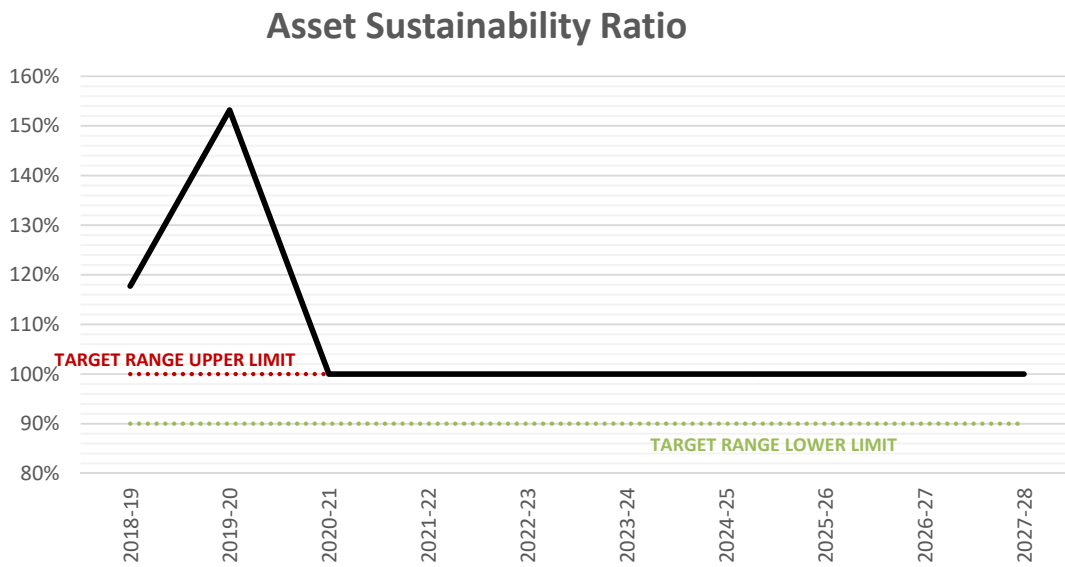


To ensure the ongoing renewal of the Councils aging assets, and fund new projects additional borrowings will be required. Net financial liabilities will remain relatively stable as the Council takes out new borrowings similar to amounts it is reducing old borrowings by.

4.3 Asset Sustainability Ratio

The Asset Sustainability Ratio expresses the total funds expended on asset replacement and renewal as a percentage of asset replacement and renewal identified as warranted in Council’s draft Asset Management Plan.

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 to within its draft Asset Management Plan over the period of the LTFP.



5 CLARE & GILBERT VALLEYS COUNCIL LONG TERM FINANCIAL PLAN

ASSUMPTIONS

LOANS INCLUDED	-	1,250,000	1,250,000	750,000	250,000	500,000	250,000	-	-	-
TOTAL RATES INCREASE INCLUDED (including estimated Growth)	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

ESTIMATED UNIFORM PRESENTATION OF FINANCES

	2018-19 DRAFT BUDGET \$'000	2019-20 Plan \$'000	2020-21 Plan \$'000	2021-22 Plan \$'000	2022-23 Plan \$'000	2023-24 Plan \$'000	2024-25 Plan \$'000	2025-26 Plan \$'000	2026-27 Plan \$'000	2027-28 Plan \$'000
Operating revenues	16,750	16,906	17,340	17,963	18,613	19,292	19,988	20,720	21,482	22,274
less Operating expenses	(16,912)	(17,141)	(17,629)	(18,143)	(18,672)	(19,202)	(19,758)	(20,318)	(20,876)	(21,592)
Operating Surplus / (Deficit) Before Capital Amounts	(162)	(235)	(289)	(180)	(59)	90	230	402	606	682
Less: Net Outlays on Existing Assets										
Capital expenditure on renewal/replacement of existing assets (net of assets free of charge)	4,415	6,431	3,901	3,980	3,689	4,863	4,272	4,283	4,329	4,330
Assets Received Free of Charge										
Depreciation, amortisation & impairment	(4,831)	(5,288)	(5,493)	(5,705)	(5,920)	(6,142)	(6,368)	(6,601)	(6,839)	(7,035)
Proceeds from sale of replaced assets	(63)	(291)	(350)	(331)	(217)	(517)	(252)	(218)	(389)	(389)
Net (Outlays) on Existing Assets	(479)	852	(1,942)	(2,056)	(2,448)	(1,796)	(2,348)	(2,536)	(2,899)	(3,094)
Less: Net Outlays on New and Upgraded Assets										
Capital expenditure on new/upgraded assets	2,191	10,458	2,082	2,147	2,211	2,279	2,349	2,421	2,498	2,499
Proceeds from sale of surplus assets	-	-	-	-	-	-	-	-	-	-
Amounts received specifically for new or upgraded assets	(869)	(8,194)	-	-	-	-	-	-	-	-
Net (Outlays) on New and Upgraded Assets	1,322	2,264	2,082	2,147	2,211	2,279	2,349	2,421	2,498	2,499
Equals: Net Lending / (Borrowing) for Financial Year	(1,005)	(3,351)	(429)	(271)	178	(393)	229	517	1,007	1,277

ESTIMATED KEY FINANCIAL INDICATORS

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	DRAFT BUDGET \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000
Operating Surplus / (Deficit) - \$'000	(162)	(235)	(289)	(180)	(59)	90	230	402	606	682
Operating Surplus Ratio - %	-1%	-1%	-2%	-1%	0%	0%	1%	2%	3%	3%
TARGET: Between 0% and 15% over 5 year period										
Net Financial Liabilities - \$'000	2,053	5,404	5,833	6,104	5,926	6,319	6,090	5,573	4,566	3,289
Net Financial Liabilities Ratio - %	12%	32%	34%	34%	32%	33%	30%	27%	21%	15%
TARGET: Greater than 0% and less than 100%										
Asset Sustainability Ratio - %	118%	153%	100%	100%	100%	100%	100%	100%	100%	100%
TARGET: Greater than 90% less than 100% over 3 year period										

ESTIMATED STATEMENT OF COMPREHENSIVE INCOME

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	DRAFT BUDGET \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000
INCOME										
Rates	13,107	13,603	14,123	14,666	15,228	15,813	16,418	17,049	17,706	18,386
Statutory charges	217	223	229	236	243	250	258	266	275	282
User charges	780	822	847	872	899	926	952	981	1,011	1,040
Grants, subsidies and contributions	2,269	1,964	1,907	1,955	2,005	2,058	2,112	2,167	2,223	2,279
Investment Income	175	86	20	14	11	11	7	9	12	24
Reimbursements	94	97	100	103	106	109	112	115	118	122
Other Income	108	111	114	117	121	125	129	133	137	141
Total Income	16,750	16,906	17,340	17,963	18,613	19,292	19,988	20,720	21,482	22,274
EXPENSES										
Employee costs	4,443	4,393	4,473	4,556	4,640	4,725	4,813	4,904	4,995	5,089
Materials, contracts & other expenses	7,240	7,135	7,348	7,568	7,794	8,027	8,267	8,515	8,769	9,031
Finance costs	398	325	315	314	318	308	310	298	273	437
Depreciation, amortisation & impairment	4,831	5,288	5,493	5,705	5,920	6,142	6,368	6,601	6,839	7,035
Total Expenses	16,912	17,141	17,629	18,143	18,672	19,202	19,758	20,318	20,876	21,592
OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	(162)	(235)	(289)	(180)	(59)	90	230	402	606	682
Asset Disposal & fair value adjustments	(131)	-	-	-	-	-	-	-	-	-
Amounts received specifically for new or upgraded assets	869	8,194	-	-	-	-	-	-	-	-
Physical resources received free of charge	-	-	-	-	-	-	-	-	-	-
NET SURPLUS/(DEFICIT) transferred to Equity Statement	576	7,959	(289)	(180)	(59)	90	230	402	606	682

ESTIMATED STATEMENT OF FINANCIAL POSITION

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	DRAFT BUDGET \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000
ASSETS										
Current Assets										
Cash and cash equivalents	3,235	146	4	68	217	14	139	271	866	1,708
Trade & other receivables	1,247	1,287	1,328	1,349	1,354	1,392	1,432	1,470	1,514	1,559
Other Financial Assets	253	261	269	277	285	294	303	312	321	331
Inventories	287	287	287	287	287	287	287	287	287	287
Total Current Assets	5,022	1,981	1,888	1,981	2,143	1,987	2,161	2,340	2,988	3,885
Non-current Assets										
Financial Assets	190	124	64	21	12	5	-	-	-	-
Infrastructure, property, plant & equipment	145,589	161,558	166,868	172,299	177,576	183,741	189,622	195,575	201,432	207,283
Other Non-current assets	599	599	599	599	599	599	599	599	599	599
Total Non-current Assets	146,378	162,281	167,531	172,919	178,187	184,345	190,221	196,174	202,031	207,882
Total Assets	151,400	164,262	169,419	174,900	180,330	186,332	192,382	198,514	205,019	211,767
LIABILITIES										
Current Liabilities										
Trade & other payables	1,039	1,078	1,110	1,143	1,177	1,212	1,248	1,285	1,324	1,364
Current Borrowings	1,079	1,043	498	346	342	384	417	437	463	495
Current Provisions	1,070	1,102	1,135	1,169	1,204	1,240	1,277	1,315	1,354	1,395
Total Current Liabilities	3,188	3,223	2,743	2,658	2,723	2,836	2,942	3,037	3,141	3,254
Non-current Liabilities										
Non Current Borrowings	3,729	3,936	4,689	5,094	5,001	5,117	4,949	4,513	4,049	3,554
Non Current Provisions	61	63	66	67	70	71	73	76	77	79
Other Non-current Liabilities	254	254	254	254	254	254	254	254	254	254
Total Non-current Liabilities	4,044	4,253	5,009	5,415	5,325	5,442	5,276	4,843	4,380	3,887
Total Liabilities	7,232	7,476	7,752	8,073	8,048	8,278	8,218	7,880	7,521	7,141
NET ASSETS	144,168	156,786	161,667	166,827	172,282	178,054	184,164	190,634	197,498	204,626
EQUITY										
Accumulated Surplus	16,089	23,689	23,032	22,474	22,027	21,719	21,541	21,524	21,688	21,927
Asset Revaluation Reserve	121,832	126,491	131,661	137,001	142,515	148,197	154,077	160,145	166,403	172,849
Other Reserves	6,247	6,606	6,974	7,352	7,740	8,138	8,546	8,965	9,407	9,850
TOTAL EQUITY	144,168	156,786	161,667	166,827	172,282	178,054	184,164	190,634	197,498	204,626

ESTIMATED STATEMENT OF CHANGES IN EQUITY

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	DRAFT BUDGET \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000
ACCUMULATED SURPLUS										
Balance at end of previous reporting period	15,563	16,089	23,689	23,032	22,474	22,027	21,719	21,541	21,524	21,688
Net result for year	576	7,959	(289)	(180)	(59)	90	230	402	606	682
Transfers to other reserves	(50)	(359)	(368)	(378)	(388)	(398)	(408)	(419)	(442)	(443)
Transfers from Other Reserves										
Balance at end of period	16,089	23,689	23,032	22,474	22,027	21,719	21,541	21,524	21,688	21,927
ASSET REVALUATION RESERVE										
Balance at end of previous reporting period	121,832	121,832	126,491	131,661	137,001	142,515	148,197	154,077	160,145	166,403
Gain on revaluation of infrastructure, Property plant & equipment	-	4,659	5,170	5,340	5,514	5,682	5,880	6,068	6,258	6,446
Balance at End of Period	121,832	126,491	131,661	137,001	142,515	148,197	154,077	160,145	166,403	172,849
OTHER RESERVES										
Balance at end of previous reporting period	6,197	6,247	6,606	6,974	7,352	7,740	8,138	8,546	8,965	9,407
Transfers from Accumulated Surplus	50	359	368	378	388	398	408	419	442	443
Transfers to Accumulated Surplus	-	-	-	-	-	-	-	-	-	-
Balance at End of Period	6,247	6,606	6,974	7,352	7,740	8,138	8,546	8,965	9,407	9,850
TOTAL EQUITY AT END OF REPORTING PERIOD	144,168	156,786	161,667	166,827	172,282	178,054	184,164	190,634	197,498	204,626

ESTIMATED STATEMENT OF CASH FLOWS

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	DRAFT BUDGET \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000	Plan \$'000
CASH FLOWS FROM OPERATING ACTIVITIES										
<u>Receipts</u>										
Operating receipts	16,574	16,794	17,283	17,912	18,562	19,241	19,937	20,669	21,425	22,205
Investment receipts	175	86	20	14	11	11	7	9	12	24
<u>Payments</u>										
Operating payments to suppliers and employees	(11,562)	(11,463)	(11,761)	(12,064)	(12,370)	(12,689)	(13,014)	(13,350)	(13,694)	(14,047)
Refuse site remediation										
Finance payments	(414)	(325)	(315)	(314)	(318)	(308)	(310)	(298)	(273)	(437)
Net Cash Provided by (or used in) Operating Activities	4,773	5,092	5,227	5,548	5,885	6,255	6,620	7,030	7,470	7,745
CASH FLOWS FROM INVESTING ACTIVITIES										
<u>Receipts</u>										
Amounts specifically for new or upgraded assets	869	8,194	-	-	-	-	-	-	-	-
Sale of replaced assets	63	291	350	331	217	517	252	218	389	389
Repayments of loans by community groups	51	52	56	60	43	9	7	5	-	-
<u>Payments</u>										
Expenditure on renewal/replacement of assets	(4,415)	(6,431)	(3,901)	(3,980)	(3,689)	(4,863)	(4,272)	(4,283)	(4,329)	(4,330)
Expenditure on new/upgraded assets	(2,191)	(10,458)	(2,082)	(2,147)	(2,211)	(2,279)	(2,349)	(2,421)	(2,498)	(2,499)
Net Cash Provided by (or used in) Investing Activities	(5,623)	(8,352)	(5,577)	(5,736)	(5,640)	(6,616)	(6,362)	(6,481)	(6,438)	(6,440)
CASH FLOWS FROM FINANCING ACTIVITIES										
<u>Receipts</u>										
Proceeds from Borrowings	-	1,250	1,250	750	250	500	250	-	-	-
<u>Payments</u>										
Repayments of borrowings	(1,166)	(1,079)	(1,042)	(498)	(346)	(342)	(383)	(417)	(437)	(463)
Net Cash Provided by (or used in) Financing Activities	(1,166)	171	208	252	(96)	158	(133)	(417)	(437)	(463)
Net Increase (Decrease) in Cash Held	(2,016)	(3,089)	(142)	64	149	(203)	125	132	595	842
Cash & Cash Equivalents at Beginning of Period	5,251	3,235	146	4	68	217	14	139	271	866
Cash & Cash Equivalents at End of Period	3,235	146	4	68	217	14	139	271	866	1,708