SOUTHERN MALLEE DISTRICT COUNCIL

2022/23 – 2031/32

LONG TERM FINANCIAL PLAN

Index to Contents

1. Long Term Financial Planning Defined

1.1 Purpose

The purpose of a long-term financial plan (LTFP) is to guide the future direction of Council in a sustainable manner. It describes the way that Council is responding to changes in the community and how we can help the community respond to these changes. Council plays an important role in community life and must be prepared to work with its community to develop the local environment.

The Long Term Financial Plan is linked with Council's strategic objectives, goals and desired outcomes and is expressed in financial terms. It is a guideline for future action and encourages council to think about the future impact that decisions made today have on council's long-term sustainability.

The Council role is embedded in development of the community and includes:

- Providing stable and responsible government and long term financial stability.
- Providing the facilities, activities and services that bring people together and strengthens the societal links.
- Acting as an advocate for the community to other levels of government to facilitate the provision of essential services to meet their needs.
- Working with the community to ensure that sustainable growth is experienced across the region.

To achieve these roles and the strategic objectives set out in the council strategic plan the Council must take a long term view to enable the necessary work to be undertaken to achieve the steps needed to develop a stronger and more resilient community.

This plan will provide a financial projection of how Council will play its role in the development of this community. It demonstrates the capacity of Council to achieve the aspirations of its community.

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 Principles

The Local Government Act 1999 requires councils to prepare strategic management plans including an annual business plan and long term financial plan.

Under section 122(1a) each council must prepare a long term financial plan for a period of at least 10 years.

Regulation 5 of the Local Government (Financial Management) Regulations 2011 states:

A long-term financial plan developed and adopted for the purposes of section 122 (1a)(a) of the Act must include

(b) a summary of proposed operating and capital investment activities presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances;

(c) estimates and target ranges adopted by the council for each year of the long-term financial plan with respect to an operating surplus ratio, a net financial liabilities ratio and an asset sustainability ratio presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.

The long-term financial plan must also be accompanied by a statement which sets out

a) *the purpose of the long-term financial plan; and*

b) *the basis, including key assumptions, on which it has been prepared; and*

c) *the key conclusions which may be drawn from the estimates, proposals and other information in the plan*

This statement must be expressed in plain English and must avoid unnecessary technicality and excessive detail.

The first projected year of the LTFP is consistent with the Annual Budget adopted for the current 2022/23 financial year.

It assumes that council intends to maintain the existing asset stock in a sustainable manner. It also assumes that council wants to maintain the current service levels.

1.3 CEO Statement on Financial Sustainability

Financial sustainability is achieved when service and infrastructure levels and standards are delivered according to a long-term plan without the need to significantly increase rates or significantly reduce services.

Responsible long-term financial sustainability ensures that:

- public resources are distributed fairly between current and future ratepayers (inter-generational equity);
- funding is made available for the maintenance, replacement and upgrade of assets to deliver levels of service to the community;
- there is consistent delivery of essential community services and efficient development of infrastructure; and
- current and future Council rates are given a fair degree of stability and predictability

This LTFP demonstrates that Council is in a good financial position being able to limit rate increases to CPI with a 5.2% average rate increase in 2022-23 and incorporates a proposed 4% average rate increase (3.5% assumed CPI +0.5%), along with appropriate debt and treasury management, over the 10 year term of the LTFP.

As with any long-term plan, the accuracy is subject to many influences which are both internal and external and include economic, political and climatic changes along with community drivers. To minimise the impacts Council reviews and updates its Plan regularly and ensures that the most recent economic data and forecasts are being used as the basis of developing the Plan.

The key financial indicators used to assess Council's long-term financial sustainability include the operating surplus ratio, asset renewal funding ratio, and net financial liabilities ratio. These ratios are in line with Council's established benchmarks to ensure the sustainability of Council's long-term financial performance and position.

This Long Term Financial Plan shows that Council is in a strong financial position over the 10 year period with all performance ratios being well within target. Over the 10 years, this Plan builds in $34m in asset renewal and replacement and $7m in new and upgraded assets. After a period of significant investment into new and upgraded assets this Plan is a plan of recovery with the focus being on current assets and to ensure long term financial sustainability. This Plan shows a positive Surplus across the 10 year period which contributes to the financial sustainability.

Council's LTFP currently indicates there is sufficient funding to meet the renewal requirements of its Asset Management Plans, however timing of funds and works for different asset classes will be refined with annual iterations of the asset management plans that further inform the LTFP.

2. Financial Planning Considerations

2.1 Councils Vision/Mission

Vision

- *A prosperous and welcoming community where we share a sustainable and safe environment and a diverse economy.*

Values

- **ACTIVE LISTENING**
  We actively listen to and engage with people and we seek their participation and keep them informed.
- **EXCELLENCE**
  We strive to achieve excellence in ethical governance and to consistently provide consultative, innovative and responsive services of the highest standard.
- **STRATEGIC THINKING**
  We understand the past and have a focus on the future, increasing our ability to balance today's needs with the long-term interests of future generations.
- **RELATIONSHIPS**
  We have collaborative relationships and partnerships that increase value to our community.
- **SENSE OF PLACE**
  We know our place in the world and we seek to protect and enhance our streetscapes, built environment, and natural environment (including landscapes).

2.2 Strategic Management Plans

Council has a 4-year Strategic Plan for 2021-25. As well as identifying key issues and priorities, our Strategic Plan addresses a number of key challenges for Local government. Now more than ever councils will be measured by their ability to address issues of aging infrastructure, declining resources and greater demands for service delivery, both from the community and from other levels of government.

The Strategic Plan focuses on sustainability to ensure that the needs of both current and future needs are met by achieving strong communities and productive economies through their integrated and long-term management.

The core values which guide all decisions of Council and which are reflected in the Strategic Plan include:

- An Engaged Community
- A Diverse and Prosperous Economy
- Sustainable Infrastructure and Services
- Governance and Organisational Structure
- Advocacy and Working with Others

2.3 Service Delivery

In the preparation of the LTFP it has been assumed that the current levels of service provided by Council will be maintained throughout the life of the plan.

2.4 Roles and Responsibilities

The Local Government Act 1999 specifies the services that councils are to provide.

Sometimes councils provide additional services on behalf of State or Federal governments. Grants, subsidies or reimbursements are provided to fund these services. When funding is insufficient or ceases Council has to determine whether it will fund the shortfall or continue to provide the service.

2.5 Infrastructure and Asset Management Strategy

Under section 122(1a) of the Local Government Act 1999 councils must prepare an infrastructure and asset management plan (AM) for a period of at least ten years. Due to the long lived nature of many Council assets the AM covers a much longer time frame.

In the plan Council is required to distinguish between the replacement and renewal of existing assets and the acquisition or construction of new assets.

The income raised to offset the depreciation expense is generally used to fund asset replacement and renewal, new assets require additional funding either from additional grants, subsidies or contributions, loans or additional rates revenue.

The South Australian Model Financial Statements contain the following definitions;

- *A new asset is additional to Council's previous asset complement.*
- *An upgraded asset replaces a previously existing asset with enhanced capability or functionality, where an option existed for replacement without the enhanced capability or functionality.*

Council's strategy is to maintain infrastructure at the current service standard. Due to the nature of infrastructure assets if they are not adequately maintained at a minimum service standard their renewal cost will increase significantly. For example the most expensive part of a road is the sub-base. If the seal on top is regularly renewed the sub-base will have a long life. If it is not then the road will eventually need to be reconstructed. Regular resealing significantly reduces the "whole of life cost" of maintaining roads.

2.6 Revenue and Financing Strategy

Council needs to continue to identify services and facilities that are provided to specific groups rather than the general community. Rate funding of these services needs to be considered where user charges or where applicable grant funding could be increased.

2.7 Rating Strategy

The current approach to raising rates is to adopt a rating policy that limits the annual increase in rates revenue with an allowance for new property development.

Council rating policy also considers who bears the rates burden. Whilst property valuations are the main factor, minimum rates, service charges and selective capping can shift some of the burden between ratepayer classes based on the perceived ability to pay.

2.8 Treasury Strategy

In the past council's borrowed for specific projects. They are now encouraged to globally fund their budget over a longer timeframe.

3. Financial Sustainability

The definition of Financial Sustainability for Local Government emanated from the independent SA Local Government Financial Sustainability Inquiry in 2005.

It is defined as follows:

"A Council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services."

The definition was endorsed nationally at the National General Assembly of Local Government in Canberra in November 2006.

Why is it important?
The importance of financial sustainability is to ensure that each generation 'pays their way', rather than any generation 'living off their assets and leaving it to the future generations to address the issue of repairing worn out infrastructure.

The Council is the custodian of infrastructure and assets with a value in excess of $125 million. Council has the responsibility to ensure that assets are managed efficiently and effectively and that decisions regarding the acquisition of new assets and the sale and maintenance of existing assets are undertaken in an open and transparent fashion.

Sound asset management is the key to financial sustainability. There is clearly a direct link between the development and implementation of Council's Infrastructure and Asset Management Plan and its Long Term Financial Plan. Council expends considerable funds on the acquisition and management of assets. It will be exposed to financial risk over the longer term if budget processes have little regard for ongoing costs associated with the maintenance and renewal of these assets beyond the current budget period. It is incumbent on Council to carefully consider information about the stock of infrastructure and other assets and the contribution that current ratepayers are making to their consumption.

Council is facing new challenges in managing infrastructure and other assets as a result of issues such as increasing community expectations; population growth; replacement of ageing infrastructure; new legislative requirements (e.g. EPA standards) and the growing demands of an ageing population.

3. Financial Sustainability (continued)

The term “asset management” is used to describe the process by which the Council manages physical assets to meet current and future levels of service. The Council determines the policy framework within which existing assets are managed and new assets acquired and the overall program for maintenance and disposal of assets. This policy framework typically has regard to the link between the purchase, upgrade and disposal of assets, the delivery of services to communities and consultation processes required to ensure the community is well informed and able to influence the decisions of the Council.

How is it measured?

To ensure that each generation ‘pays its way’, it is crucial that current ratepayers effectively fund the current net cost of services provided and community assets consumed. Without this being achieved (i.e. an operating deficit), future generations are effectively subsidising the current cost of service provision and asset consumption.

Based on this, the financial sustainability of a Council is measured by the surplus/(deficit) (before capital revenues) disclosed in the Statement of Comprehensive Income. A Council’s long-term financial sustainability is dependent upon ensuring that on average, over time its expenses are less than its associated revenues.

In addition to the Operating Surplus/(Deficit), the following indicators have been developed specifically to focus attention on factors identified as key to securing long-term financial security:

- Operating surplus ratio
- Net financial liabilities ratio
- Asset Renewal Funding ratio

For each indicator, appropriate targets have been nominated to enable meaningful performance measurement. These indicators are consistent with industry standards and are discussed in more detail later in the document.

How is Council addressing the issue?

This Plan sees Council making slight operating surpluses for the life of the plan whilst keeping rates at a minimum. This plan utilises Council Asset Management Plans for Capital replacement and renewal making significant inroads into its Asset Sustainability. Council is making a conscious effort to concentrate on the sustainability indicators to ensure that Council is heading in the correct direction.

Significant progress is being made towards comprehensive Infrastructure and Asset Management plans to act as stewardship documents in the effective upkeep and renewal of the $125 Million community infrastructure assets maintained by Council. As can be seen in the Long Term Financial Plan however, Council will need to generate a significant amount of revenue to ensure that the assets are not completely run down.

3. Financial Sustainability (continued)

Long Term Financial Plan Presentation

In accordance with the Local Government (Financial Management) Regulations 1999, Part 2, Section 5 and pursuant to section 122(2)(b) of the Local Government Act 1999, a Long Term Financial Plan must include –

(a) *an estimated income statement, balance sheet, statement of changes in equity and statement of cashflows with respect to the period of the long-term financial plan presented in a manner consistent with the Model Financial Statements;*

(b) *a summary of proposed operating and capital investment activities presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances;*

(c) *estimates with respect to an operating surplus ratio, an asset sustainability ratio and net financial liabilities ratio presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.*

Council's Long Term Financial Plan has been expressed and presented in accordance with the above mentioned legislation and can be found in Part 5.

4. Performance Indicators

The legislation requires that council's strategic management plans, which include the Long Term Financial Plan, state the measures (financial and non-financial) that are to be used to monitor and assess the performance of the council against its objectives.

4.1 Basic Assumptions

The basic assumptions in relation to the major drivers of council expenditure including inflation (Consumer Price Index), rates growth and projected rates income as well as a number of expenditure influencers and capital expenditure projections are detailed below.

The underlying assumption is that the levels of service being provided are relatively unchanged. As indicated above some of these levels are externally determined. Others depend on Council policy. For instance if Council wishes to increase the level of expenditure on renewal of assets or to construct new assets then that is an increase in service level. This increase must be accompanied by an increase in funding either from an increase in income or borrowings.

- The Consumer Price Index (CPI) is regarded as Australia's key measure of inflation. It is designed to provide a general measure of price inflation for the Australian household sector as a whole. The CPI measure changes over time in a wide range of consumer goods and services acquired by Australian metropolitan households and is measured quarterly. This is assumed to be 3.5% each year for the life of the plan.

4.1 Basic Assumptions (Continued)

- Assumption has been made that Supplementary Local Roads Funding and Roads to Recovery Funding will continue for the life of this plan, if it were to cease than maintenance on roads may need to be cut with the Re-Sheeting program to continue;

- General rates will increase by 0.5% more than CPI over the life of the plan;

- Service charges for CWMS and waste collection will increase in accordance with CPI each year;

- Operating grants will increase by CPI.

- Statutory charges will remain unchanged;

- User charges will increase by CPI;

- Other revenues will increase by CPI;

- Employment costs will increase by CPI over the life of the plan after existing EB's expire;

- Operating costs, (other than financing costs) will increase by CPI;

- Financing costs will reduce over the life of the plan reflecting repayment loans, New loan borrowings have been factored in for 2022/23 of $500K for the completion of the major capital works;

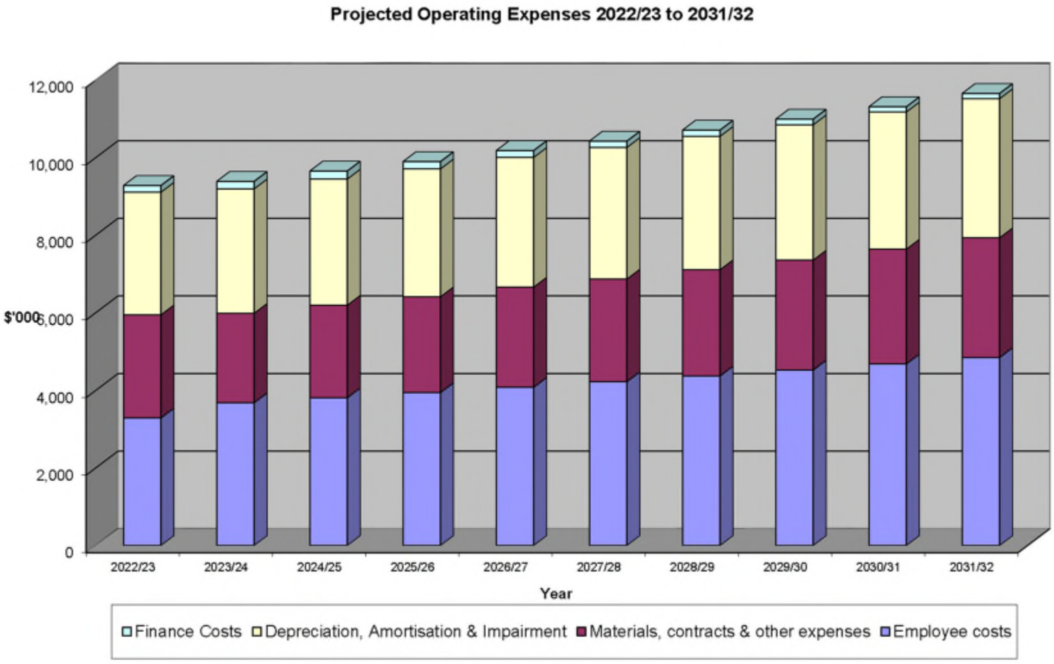
- Asset renewal has been forecast in accordance with Councils Asset Management Plans. Work is continuing on the Buildings and Other Structures Asset Management Plan.

4.2 Council Operations Expenditure/Revenue Analysis

Operating Expenses – this is what it costs to operate the Council services including financing costs and depreciation. Financing costs represent the interest on loans taken out to fund capital expenditure. Assets purchased to aid with the provision of a service only have a limited life before they need to be replaced. Depreciation expense represents the cost of using the asset over its life.

Support Services Allocation – external financial reports produced by Council must include an appropriate allocation of administrative overhead for each service.

EXPENSES



Employee Costs

Employee costs include all costs necessarily incurred as a result of their employment. It therefore includes such items as Salaries and Wages as remuneration for labour, employee leave expense, superannuation contributions and workers compensation insurance.

Employee costs have been forecasted to increase by 3.3% for 2022/23 & 2023/24 and 3.5% from 2024/25 for the remainder of the plan.

It is expected staffing numbers to remain constant throughout the plan.

Materials, Contracts & Other Expenses

Materials, Contract & Other Expenses, effectively include all expenses that are NOT employee costs, finance costs, or depreciation, amortisation & impairment.

This plan factors that these costs will increase by CPI.

Finance Costs

Finance Costs are the costs of financing Council's activities through borrowings or other types of financial accommodation (e.g. finance leases). This does not include bank charges which is included under materials, contract and other expenses.

Finance Charges for the purpose of this plan have been derived by the interest payable over the next ten years on our loan portfolio.

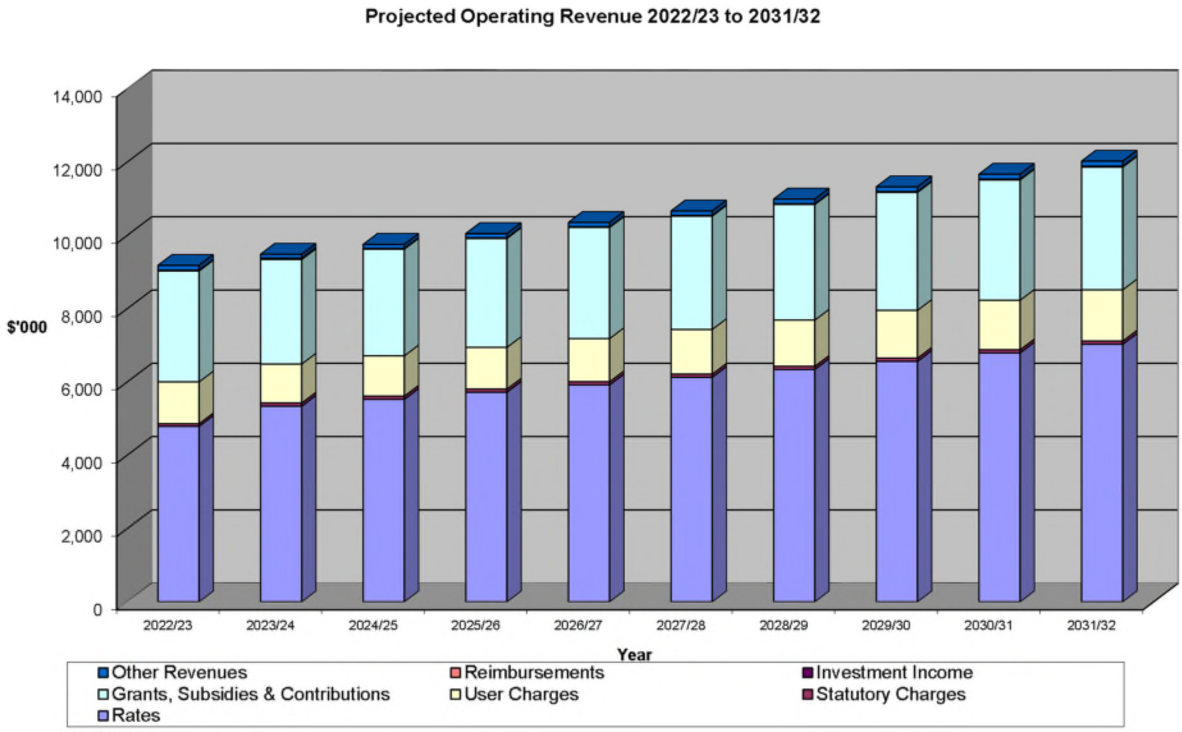
Depreciation, Amortisation & Impairment

Depreciation relates to infrastructure, property, plant and equipment to which the Council has title, amortisation to leasehold assets and impairment charges are all recognised pursuant to AASB 116.

The annual depreciation of an asset reflects the financial value of the rate at which the asset wears out each year and hence the amount of money which will need to be spent at a point in time in the future to either rebuild or replace the asset.

Operating Income – this represents any revenue generated by the provision of the service including any service rates and charges raised.

<u>REVENUE</u>



Rates

Rates include revenue from General Rates, Service Rates [Garbage/CWMS charges], levies collected on behalf of State Government agencies (Regional Landscape Levy) and late rate payment penalty fines.

General rate revenue currently comprises approximately 52.12% of total operating revenue, and this is projected to increase to approximately 58.44% by 2031/32

Rate revenue is an integral part of the Council's finance resource base, the value of which is determined through Council's desire, on behalf of the community, to achieve the strategies articulated in the Council's Strategic Plan.

Statutory Charges

Statutory Charges are fees from regulatory services. They are associated with the granting of permit/licence, the regulation of an activity or penalties for non-compliance with a regulatory requirement.

Statutory Charges include:

- Development Act fees; Town planning fees; Rate searches; Animal registration fees and fines; Parking fines and expiation fees; Septic Tank fees; other licences/fees/fines.

Development application fees are determined on an annual basis by State legislation.

User Charges

User Charges are revenues from the sale of goods and services or rent of property/facilities. They are voluntary charges for which the payer receives a direct benefit.

They include:

- Cemetery/crematoria fees; Sundry sales; Hall / Building Hire; Equipment Hire.

Grants, Subsidies and Contributions

Includes grants and subsidies from all sources but excludes grants and subsidies specifically provided for new/upgraded assets.

The main grants received are the General untied Financial Assistance Grants [general and roads] as well as the Roads to Recovery Grants and Childcare Grants

Investment Income

Investment income is revenue from financial investments or loans to community groups.

It includes:

- Interest received from the Local Government Finance Authority [LGFA] or banks and interest received on loans to community groups.
- A marked decrease in investment income is projected over the life of the plan due to Council spending its cash reserves on construction of new assets.

Reimbursements

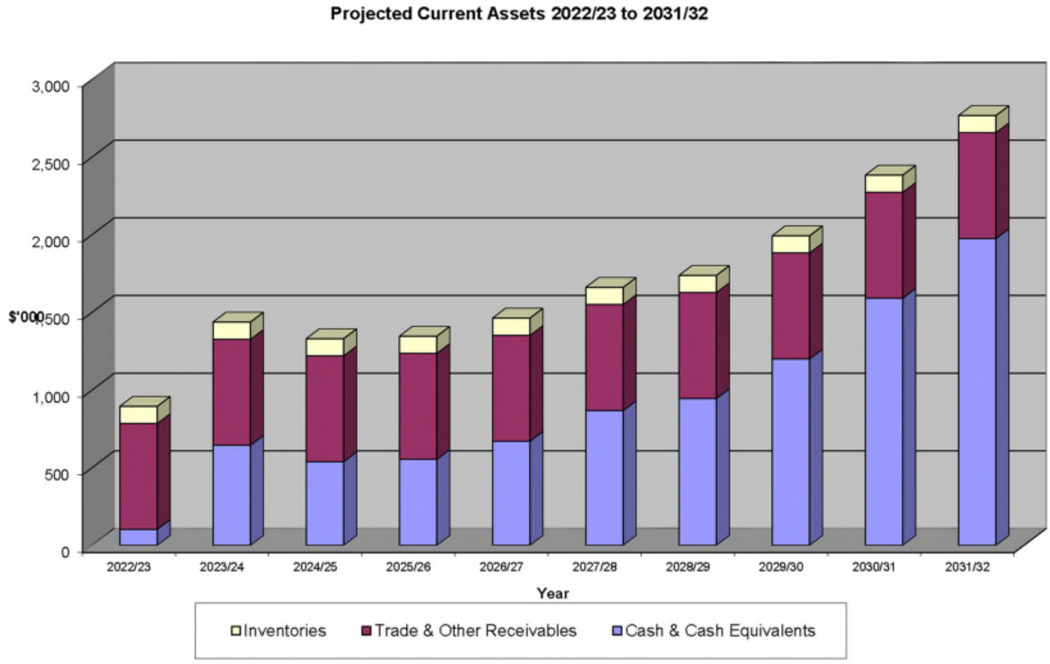
Reimbursements are amounts received as payment for work done by the council acting as an agent for other government bodies and property owners, organisations and individuals.

Other Income

Other revenue is revenue not classified elsewhere.

Examples of revenues within this classification include insurance recoupments, rebates and commissions.

CURRENT ASSETS

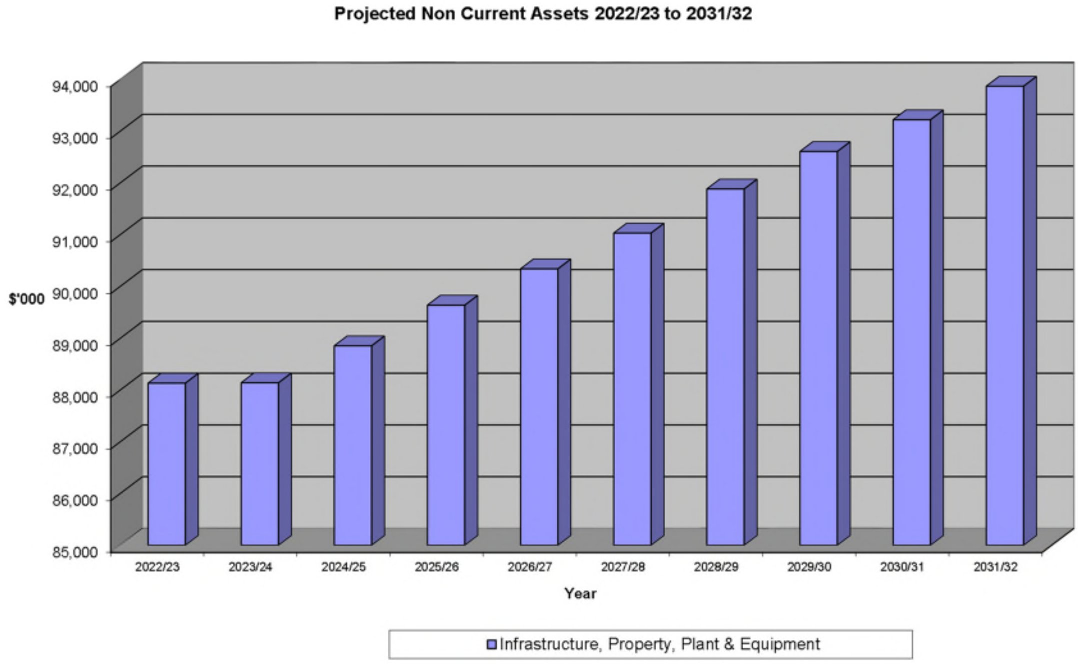


The Cash position fluctuates significantly particularly in the early years as a result of significant upgrades to the Lameroo and Pinnaroo town centres as a result of grant funding. Following on from the significant capital works program for 2020-2021 through 2022/2023 limited capital works will be carried out in 2023/2024 mainly just road renewals.

New Borrowings have been factored in in for 2022/2023 for $500K to assist in the completion of capital works programs.

Outstanding rate and other debtor balances are not expected to change significantly and are at acceptable levels.

NON CURRENT ASSETS



Non-current assets include ‘fixed’ assets such as Land and Buildings, Infrastructure (e.g. Roads, Footpaths, Stormwater Drainage and CWMS systems), Plant and Equipment and Furniture and Fittings.

Capital Expenditure on Renewal Replacement of Existing Assets - Council expenditure on assets has two parts.

The first is maintenance. This is included in operating expenditure.

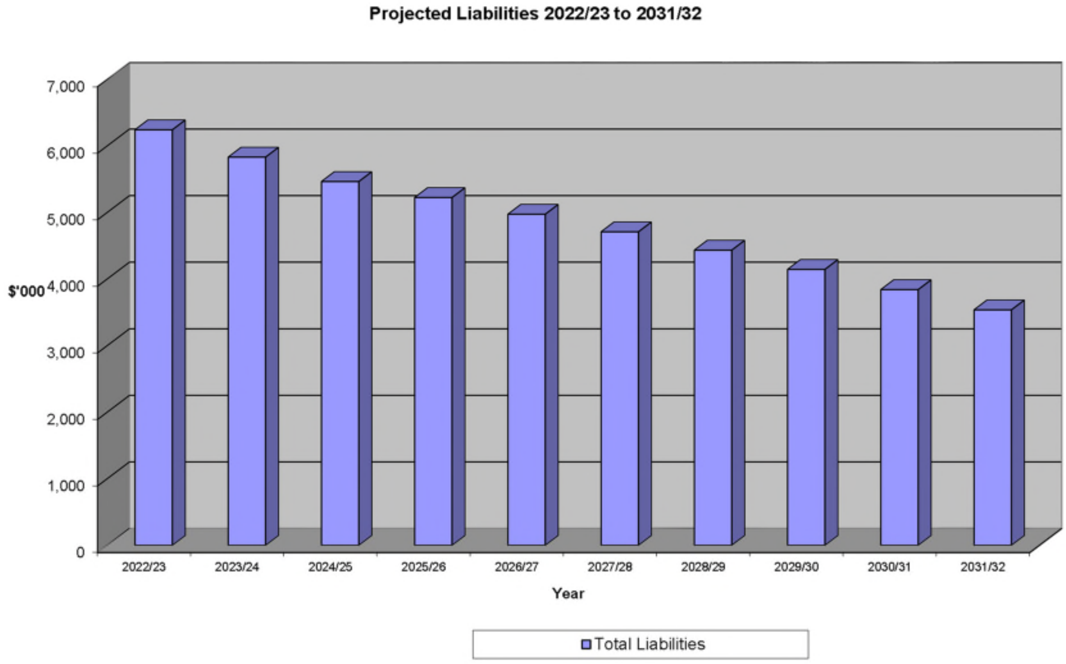
The second is capital. That is expenditure on the renewal of Council assets. This is not shown under operating expenditure. It is included in the Balance Sheet of the Council as an asset. Generally the asset is subsequently depreciated. As indicated above this depreciation expense is included in the operating expenses.

With the focus of achieving financial sustainability, Council is constrained by the level of capital works [additions to value of non-current assets] that can be undertaken.

The replacement of Assets is in accordance with Councils Asset Management Plans and indexed by CPI for the purposes of the Long Term Financial Plan.

2023/2024 sees a period of consolidation with regards to capital expenditure following a few years of significant capital investment.

LIABILITIES

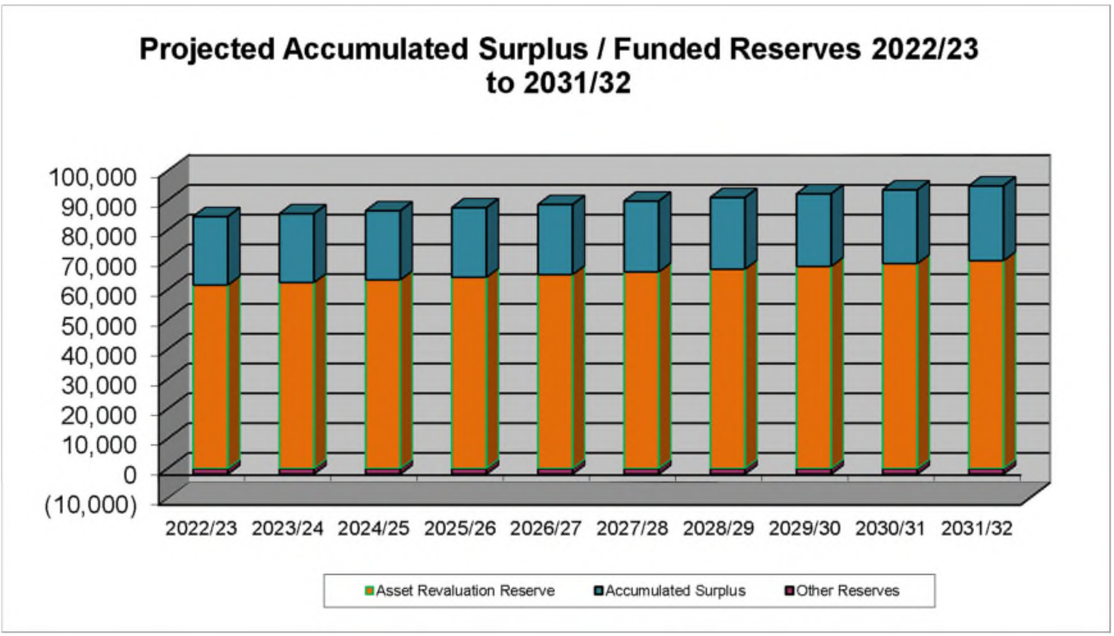


Loan borrowings of $500K has been allowed in 22/23 being completion of Capital works programs.

The steady decline thereafter is the continual repayment of principal off the loans.

Please note that the Total Liabilities also includes creditors and leave liabilities which are expected to remain constant throughout the plan at $2,224,000

ACCUMULATED SURPLUS / FUNDED RESERVES



The movement in the Accumulated Surplus / Funded Reserves is determined by the net operating surplus / (deficit) illustrated on the budgeted Statement of Comprehensive Income – an operating surplus will increase the overall balance whilst a deficit will reduce it.

There is also a movement in the Asset Revaluation Reserve with the valuations forecast to increase by 1.4% every year.

4.3 Key Financial Indicators

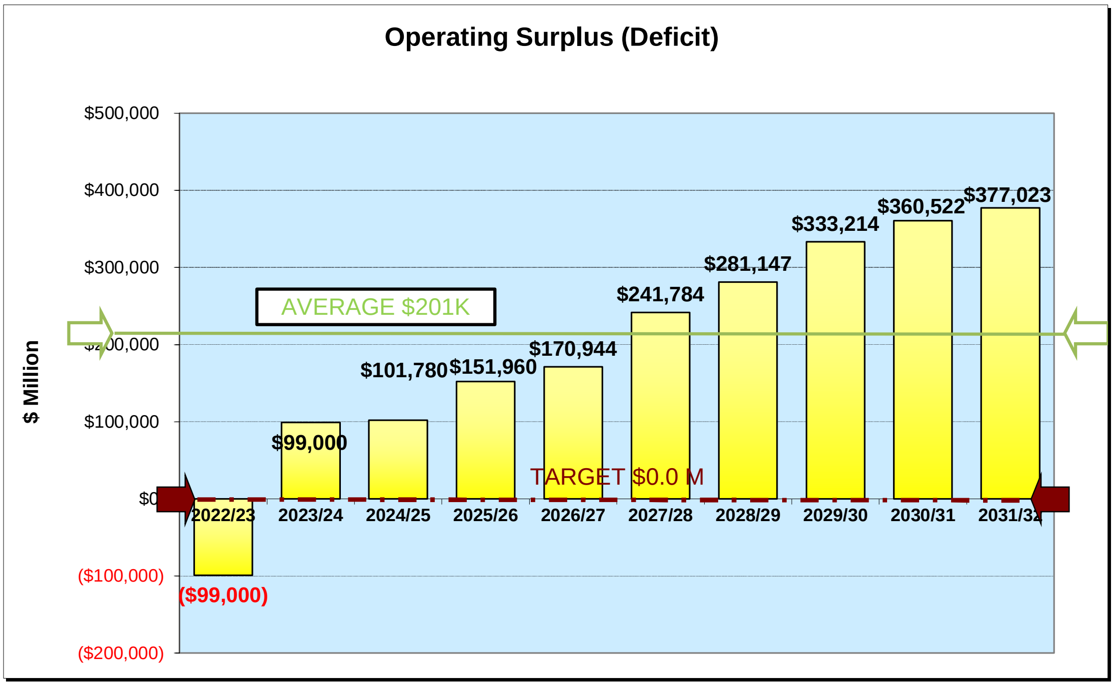
<u>Indicator 1 – Operating Surplus (Deficit)</u>

An operating surplus indicates the extent to which operating revenues are sufficient to meet all operating expenses including depreciation and consequently the extent to which the burden of expenses is being met by current ratepayers.

An operating deficit occurs when total operating expenses exceed total operating revenues and consequently the burden of a portion of expenses will need to be met by future ratepayers.

Calculated as: Operating surplus/ (deficit) before capital amounts (as shown on the Income Statement)

Council's target is to be at break even or a small surplus at the end of the ten years.



Council's Long Term Financial Plan indicates through the graph above that it will operate on average over the term with an operating surplus. The average operating surplus is forecast to be $201,837 over the plan period.

This means that Council will have more available cash to spend on the construction of new assets after repayment of loans and renewal of existing assets whilst maintaining its current level of services.

Indicator 2 - Operating Surplus (Deficit) Ratio

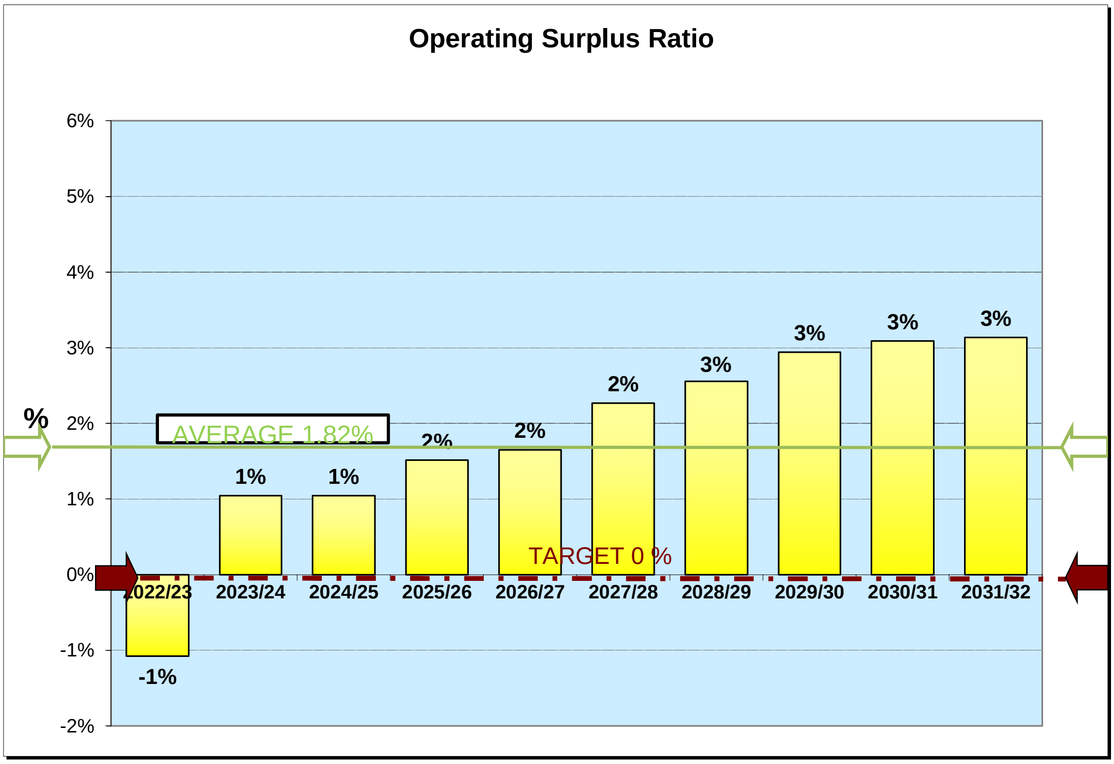
This ratio expresses the operating surplus (deficit) as a percentage of operating revene.

A negative ratio indicates the percentage increase in total rates required to achieve a breakeven operating result.

A positive ratio indicates the percentage of total rates available to fund capital expenditure over and above the level of depreciation expense, without increasing Council's level of net financial liabilities. If this amount is not required for capital expenditure it simply reduces the level of net financial liabilities.

Calculated as; Operating surplus (as above) Divided Operating Revenue

Council's target is a small % surplus per annum.



Council's Long Term Financial Plan indicates through the graph above that it will operate on average over the term with an operating surplus.

Local Government sector proposed targets suggest that a Council should achieve an operating surplus ratio of between 0% and 15% over any five year period. The average operating surplus ratio is forecast to be 1.82% per annum over the Plan period.

This indicates that Council is operating within the proposed Targets issued.

Indicator 3 - Net Financial Liabilities

Net Financial Liabilities measure a Council's total indebtedness.

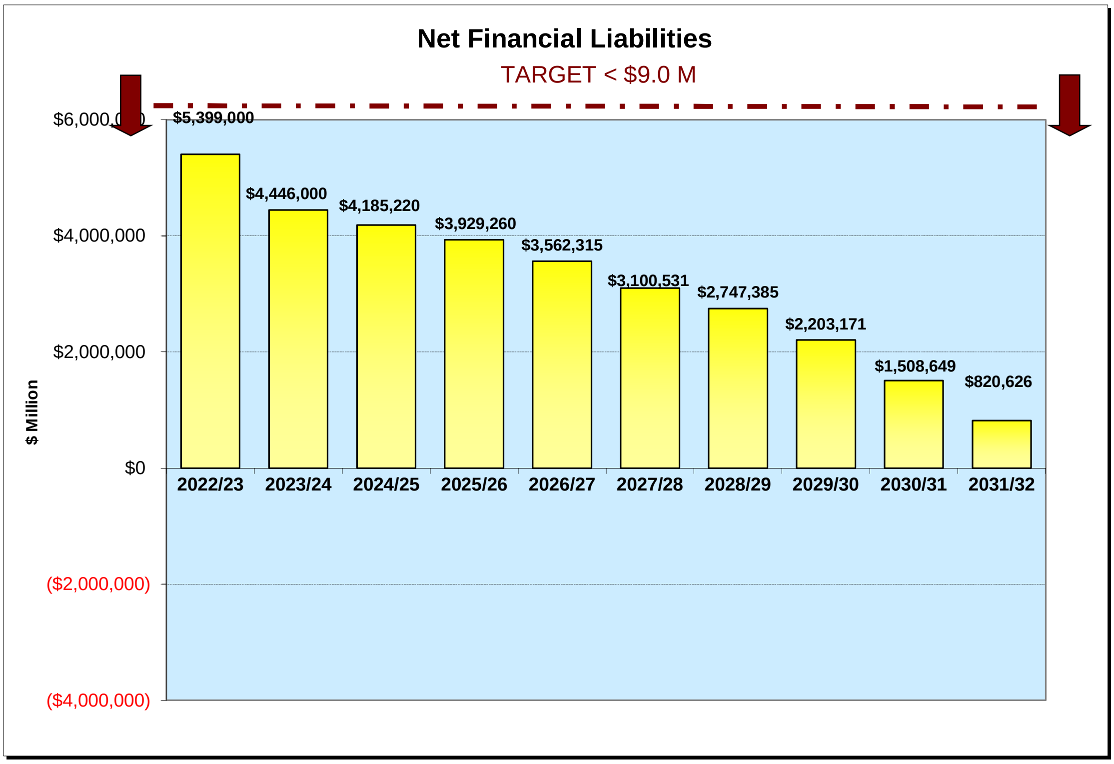
Net financial liabilities is a broader measure than net debt as it includes all of a Council's obligations including provisions for employee entitlements and creditors.

The level of net financial liabilities increases when a net borrowing result occurs in a financial year and will result in a Council incurring liabilities and/or reducing financial assets.

The level of net financial liabilities decreases when a net lending result occurs in a financial year and will result in a Council purchasing financial assets and/or repaying liabilities.

Calculated as:Total Liabilities (from Balance Sheet) Less Current cash and cash equivalents, Current trade & other receivables, Current other financial assets, and Non current financial assets

Council's limit is 100% of total annual revenue.



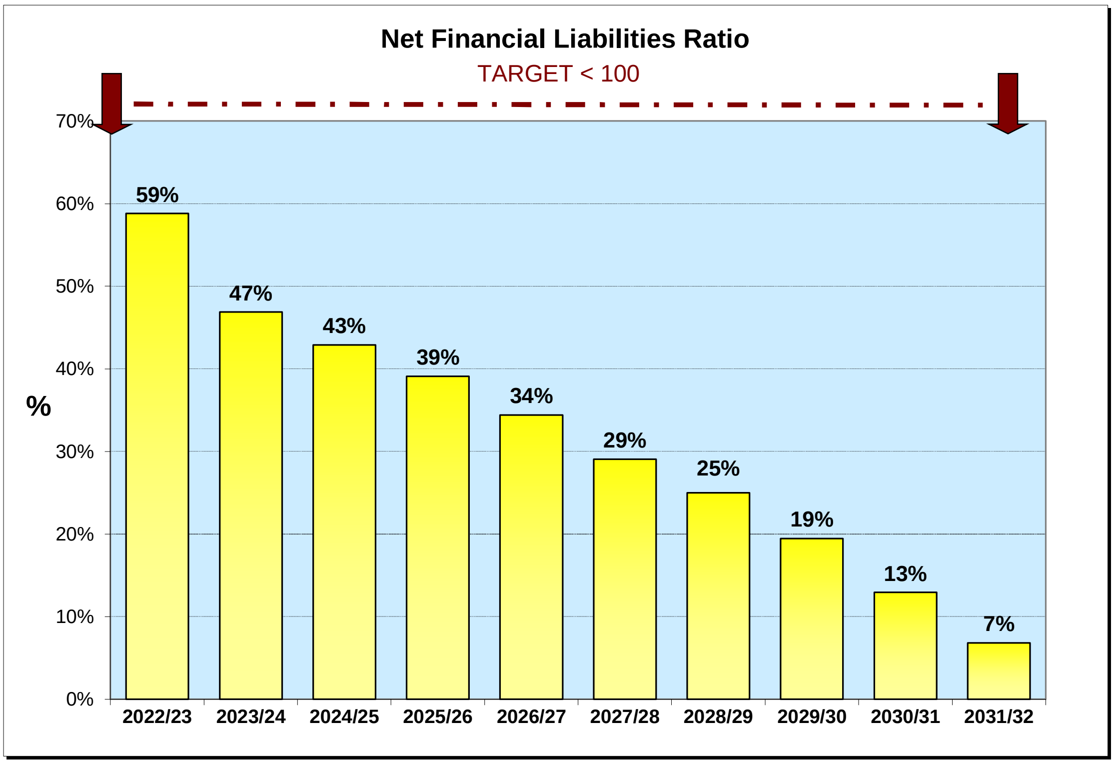
Local Government sector proposed targets for this indicator suggest that a Council's Net Financial Liabilities should not exceed total operating revenue. For the purpose of preparing the Plan a cap of $9.0 million was nominally used and Council will remain within this cap over the forecast period.

Indicator 4 - Net Financial Liabilities Ratio

This ratio indicates the extent to which net financial liabilities of the Council can be met by the Council's total operating revenue. Where the ratio is falling it indicates the Council's capacity to meet its financial obligations from operating revenues is strengthening. Where the ratio is increasing it indicates a greater amount of Council's operating revenues is required to service its financial obligations.

Calculated as;Net financial liabilities (as above) Divided by Total operating revenues

Council's limit is 100%.



Local Government sector proposed targets for this indicator suggest that a Council's Net Financial liabilities should not exceed total operating revenue or 100%.

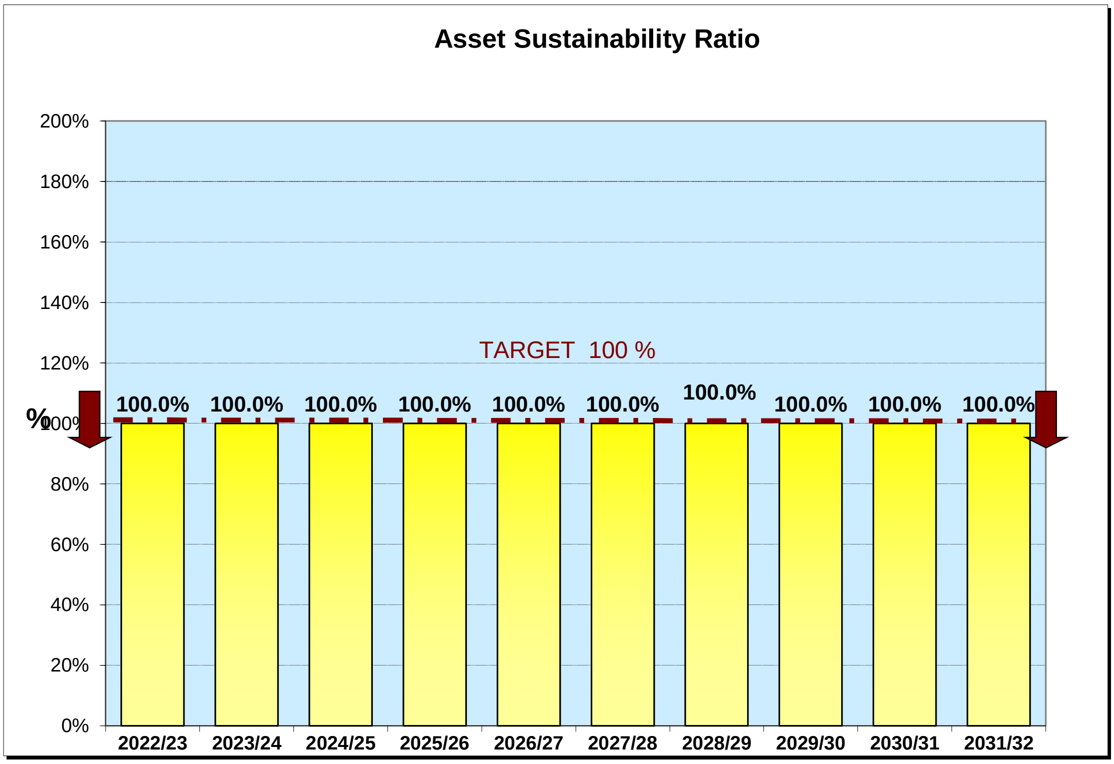
For the purpose of preparing the Plan a target of 100% has been adopted, Council will remain within this target for the life of the plan.

Indicator 5 - Asset Renewal Funding Ratio

This ratio indicates whether the Council is renewing or replacing existing physical assets at the rate at which they are wearing out. On occasions, the Council will accelerate or reduce asset expenditures over time to compensate for prior events, or invest in assets by spending more now so that it costs less in the future to maintain.

Calculated as : Expenditure on renewal/replacement of assets (Cash Flow Statement) Less Sale of replaced assets (Cash Flow Statement) Divided by Proposed Expenditure per Asset Management Plan.

Council's target is 100%. That is Council spending an amount as determined by the Asset Management Plan



Local Government sector proposed targets for this indicator suggest that Council's should target a range of between 90% to 110% over any three year period.

For the life of the Plan it is assumed that Council will spend the forecast Capital Replacement as indicated in its revised asset management plans.

Significant Long Term Financial Plan Risks

Whilst the Plan has included all ongoing commitments it primarily forecasts results based on existing activities. There is an inherent risk that circumstances may change in the future which may materially affect the projected financial estimates.

Typically for the Local Government Sector, changes in community expectations and legislative changes can affect costs associated with services, service levels and governance activities. If there is legislative change e.g. legislation on environmental matters, carbon trading or global warming initiatives, this could significantly impact on the LTFP. These potential costs have not been factored into the LTFP, but may need to be considered in future LFTP considerations and or reviews.

The financial modelling undertaken in developing the roads and drainage Infrastructure and Asset Management Plans in particular, has been based upon existing asset attributes such as condition rating and construction date data held by the organisation. There is a risk that the data may contain some deficiencies or infrastructure may deteriorate at a faster rate than anticipated due to such factors as changes in traffic patterns, new development, etc.

5. Estimated Comprehensive Income Statement

Southern Mallee District Council

Long Term Financial Plan Model

ESTIMATED COMPREHENSIVE INCOME STATEMENT

Year Ended 30 June:		**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
		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)
INCOME											
General Rates	4.00%	3,903	4,398	4,552	4,711	4,876	5,047	5,223	5,406	5,595	5,791
Rates Service Charges - Other	3.50%	883	939	972	1,006	1,041	1,078	1,115	1,154	1,195	1,236
Statutory Charges		72	89	89	89	89	89	89	89	89	89
User Charges	3.50%	1,144	1,062	1,099	1,138	1,177	1,219	1,261	1,305	1,351	1,398
Grants, subsidies, contributions	2.00%	3,028	2,856	2,913	2,971	3,031	3,091	3,153	3,216	3,281	3,346
Investment Income	0.50%	17	30	15	15	15	15	16	17	18	20
Reimbursements	3.50%	8	8	8	9	9	9	10	10	10	11
Other Revenue	3.50%	126	103	107	110	114	118	122	127	131	136
Total Revenues		**9,181**	**9,485**	**9,755**	**10,049**	**10,352**	**10,666**	**10,990**	**11,326**	**11,672**	**12,031**
EXPENSES											
Employee costs	3.50%	3,290	3,682	3,811	3,944	4,082	4,225	4,373	4,526	4,685	4,848
Materials, contracts & other expenses	3.50%	2,656	2,303	2,384	2,467	2,578	2,644	2,736	2,832	2,956	3,084
Depreciation	1.40%	3,163	3,210	3,255	3,301	3,347	3,394	3,441	3,489	3,538	3,588
Finance Costs		171	191	204	185	174	162	159	145	133	133
Total Expenses		**9,280**	**9,386**	**9,653**	**9,897**	**10,181**	**10,424**	**10,709**	**10,992**	**11,312**	**11,654**
OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMC		**(99)**	**99**	**102**	**152**	**171**	**242**	**281**	**333**	**361**	**377**
Net gain/(loss) on disposal or revaluations		0	0	0	0	0	0	0	0	0	0
Amounts specifically for new assets		4,236	0	0	0	0	0	0	0	0	0
NET SURPLUS/(DEFICIT)		**4,137**	**99**	**102**	**152**	**171**	**242**	**281**	**333**	**361**	**377**
Other Comprehensive Income											
Changes in revaluation surplus - IPP&E	1.40%	0	862	874	886	899	911	924	937	950	963
Total Other Comprehensive Income		**0**	**862**	**874**	**886**	**899**	**911**	**924**	**937**	**950**	**963**
TOTAL COMPREHENSIVE INCOME		**4,137**	**961**	**976**	**1,038**	**1,069**	**1,153**	**1,205**	**1,270**	**1,310**	**1,340**

6. Estimated Balance Sheet

Southern Mallee District Council Long Term Financial Plan Model ESTIMATED BALANCE SHEET										
Year Ended 30 June:	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	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)
ASSETS										
Current Assets										
Cash & Equivalent Assets	103	645	539	555	671	868	946	1,201	1,591	1,975
Trade & Other Receivables	682	682	682	682	682	682	682	682	682	682
Inventories	110	110	110	110	110	110	110	110	110	110
Total Current Assets	895	1,437	1,331	1,347	1,463	1,660	1,738	1,994	2,385	2,770
Non-Current Assets										
Receivables	59	59	59	59	59	59	59	59	59	59
Infrastructure, Property, Plant & Equipment	88,074	88,082	88,797	89,579	90,281	90,972	91,824	92,549	93,162	93,813
Total Non-Current Assets	88,133	88,141	88,856	89,638	90,340	91,031	91,883	92,608	93,221	93,872
Total Assets	**89,028**	**89,578**	**90,186**	**90,985**	**91,803**	**92,692**	**93,621**	**94,602**	**95,606**	**96,643**
LIABILITIES										
Current Liabilities										
Trade & Other Payables	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333
Borrowings	411	367	240	251	264	276	289	304	304	0
Provisions	865	865	865	865	865	865	865	865	865	865
Total Current Liabilities	**2,609**	**2,565**	**2,438**	**2,449**	**2,462**	**2,474**	**2,487**	**2,502**	**2,502**	**2,198**
Non-Current Liabilities										
Borrowings	3,608	3,241	3,001	2,750	2,486	2,210	1,921	1,617	1,313	1,313
Provisions	26	26	26	26	26	26	26	26	26	26
Total Non-Current Liabilities	3,634	3,267	3,027	2,776	2,512	2,236	1,947	1,643	1,339	1,339
Total Liabilities	**6,243**	**5,832**	**5,465**	**5,225**	**4,974**	**4,710**	**4,434**	**4,145**	**3,841**	**3,537**
NET ASSETS	**82,785**	**83,746**	**84,721**	**85,760**	**86,829**	**87,982**	**89,187**	**90,457**	**91,765**	**93,106**
EQUITY										
Accumulated Surplus	23,040	23,139	23,241	23,393	23,564	23,805	24,087	24,420	24,778	25,155
Asset Revaluation Reserve	61,559	62,421	63,295	64,181	65,079	65,990	66,914	67,851	68,801	69,764
Other Reserves	(1,814)	(1,814)	(1,814)	(1,814)	(1,814)	(1,814)	(1,814)	(1,814)	(1,814)	(1,814)
TOTAL EQUITY	**82,785**	**83,746**	**84,721**	**85,760**	**86,829**	**87,982**	**89,187**	**90,457**	**91,765**	**93,106**

7. Estimated Statement of Changes in Equity

Southern Mallee District Council

Long Term Financial Plan Model

ESTIMATED STATEMENT OF CHANGES IN EQUITY

Year Ended 30 June:	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	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)
ACCUMULATED SURPLUS										
Balance at end of previous reporting period	18,903	23,040	23,139	23,241	23,393	23,564	23,805	24,087	24,420	24,780
Net Result for Year	4,137	99	102	152	171	242	281	333	361	377
Transfers to Other Reserves	0	0	0	0	0	0	0	0	0	0
Transfers from Other Reserves	0	0	0	0	0	0	0	0	0	0
Balance at end of period	**23,040**	**23,139**	**23,241**	**23,393**	**23,564**	**23,805**	**24,087**	**24,420**	**24,780**	**25,157**
ASSET REVALUATION RESERVE										
Land	2,247	2,278	2,310	2,343	2,375	2,409	2,442	2,477	2,511	2,547
Buildings & Other Structures	11,971	12,139	12,309	12,481	12,656	12,833	13,012	13,195	13,379	13,567
Infrastructure Transport	46,547	47,199	47,859	48,529	49,209	49,898	50,596	51,305	52,023	52,751
Sewerage	770	781	792	803	814	825	837	849	861	873
Stormwater Drainage	24	24	25	25	25	26	26	26	27	27
Balance at end of period	**61,559**	**62,421**	**63,295**	**64,181**	**65,079**	**65,990**	**66,914**	**67,851**	**68,801**	**69,764**
OTHER RESERVES										
Balance at end of previous reporting period	(1,814)	(1,814)	(1,814)	(1,814)	(1,814)	(1,814)	(1,814)	(1,814)	(1,814)	(1,814)
Transfers from Accumulated Surplus	0	0	0	0	0	0	0	0	0	0
Transfers to Accumulated Surplus	0	0	0	0	0	0	0	0	0	0
Balance at end of period	**(1,814)**	**(1,814)**	**(1,814)**	**(1,814)**	**(1,814)**	**(1,814)**	**(1,814)**	**(1,814)**	**(1,814)**	**(1,814)**
TOTAL EQUITY AT END OF REPORTING PERIOD	**82,785**	**83,746**	**84,721**	**85,760**	**86,829**	**87,982**	**89,187**	**90,457**	**91,767**	**93,108**

8. Estimated Cash Flow Statement

Southern Mallee District Council

Long Term Financial Plan Model

ESTIMATED CASH FLOW STATEMENT

Year Ended 30 June:	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	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)
CASH FLOWS FROM OPERATING ACTIVITIES										
Receipts										
Rates	4,786	5,337	5,524	5,717	5,917	6,124	6,339	6,561	6,790	7,028
Statutory Charges	72	89	89	89	89	89	89	89	89	89
User Charges	1,144	1,062	1,099	1,138	1,177	1,219	1,261	1,305	1,351	1,398
Grants, subsidies, contributions	3,028	2,856	2,913	2,971	3,031	3,091	3,153	3,216	3,281	3,346
Investment Income	17	30	15	15	15	15	16	17	18	20
Reimbursements	8	8	8	9	9	9	10	10	10	11
Other Revenue	126	103	107	110	114	118	122	127	131	136
Payments										
Employee costs	(3,290)	(3,682)	(3,811)	(3,944)	(4,082)	(4,225)	(4,373)	(4,526)	(4,685)	(4,848)
Materials, contracts & other expenses	(2,656)	(2,303)	(2,384)	(2,467)	(2,578)	(2,644)	(2,736)	(2,832)	(2,956)	(3,084)
Finance Costs	(171)	(191)	(204)	(185)	(174)	(162)	(159)	(145)	(133)	(133)
Other Expenses	0	0	0	0	0	0	0	0	0	0
Net Cash provided by (or used in) Operating Activities	**3,064**	**3,309**	**3,357**	**3,452**	**3,518**	**3,635**	**3,722**	**3,821**	**3,897**	**3,962**
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Amounts Specifically for New/Upgraded Assets	4,236	0	0	0	0	0	0	0	0	0
Sale of Renewed/Replaced Assets	156	134	159	104	196	220	72	212	336	314
Sale of Surplus Assets	0	0	0	0	0	0	0	0	0	0
Repayments of Loans by Community Groups	0	0	0	0	0	0	0	0	0	0
Payments										
Expenditure on Renewal/Replacement of Assets	(3,138)	(2,297)	(3,255)	(3,301)	(3,347)	(3,394)	(3,441)	(3,489)	(3,538)	(3,588)
Expenditure on New/Upgraded Assets	(7,064)	(193)	0	0	0	0	0	0	0	0
Loans Made to Community Groups	0	0	0	0	0	0	0	0	0	0
Net Cash Provided by (or used in) Investing Activities	**(5,810)**	**(2,356)**	**(3,096)**	**(3,197)**	**(3,151)**	**(3,174)**	**(3,369)**	**(3,277)**	**(3,202)**	**(3,274)**
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Proceeds from Borrowings	500	0	0	0	0	0	0	0	0	0
Proceeds from Bonds & Deposits	0	0	0	0	0	0	0	0	0	0
Payments										
Repayments of Borrowings	(492)	(411)	(367)	(240)	(251)	(264)	(276)	(289)	(304)	(304)
Net Cash provided by (or used in) Financing Activities	**8**	**(411)**	**(367)**	**(240)**	**(251)**	**(264)**	**(276)**	**(289)**	**(304)**	**(304)**
Net Increase/(Decrease) in cash held	**(2,738)**	**542**	**(106)**	**16**	**116**	**198**	**77**	**255**	**391**	**384**
Opening cash, cash equivalents or (bank overdraft)	2,841	103	645	539	555	671	868	946	1,201	1,591
Closing cash, cash equivalents or (bank overdraft)	**103**	**645**	**539**	**555**	**671**	**868**	**946**	**1,201**	**1,591**	**1,975**

9. Summary Statement Including Financing Transactions

Southern Mallee District Council
Long Term Financial Plan Model
SUMMARY STATEMENT INCLUDING FINANCING TRANSACTIONS

Year Ended 30 June:	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
	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)
Operating Revenues	9,181	9,485	9,755	10,049	10,352	10,666	10,990	11,326	11,672	12,031
less Operating Expenses	9,280	9,386	9,653	9,897	10,181	10,424	10,709	10,992	11,312	11,654
Operating Surplus/(Deficit) before Capital Amounts	**(99)**	**99**	**102**	**152**	**171**	**242**	**281**	**333**	**361**	**377**
Less: Net Outlays on Existing Assets										
Capital Expenditure on Renewal/Replacement of Existing	3,138	2,297	3,255	3,301	3,347	3,394	3,441	3,489	3,538	3,588
less Depreciation, Amortisation & Impairment	3,163	3,210	3,255	3,301	3,347	3,394	3,441	3,489	3,538	3,588
less Proceeds from Sale of Replaced Assets	156	134	159	104	196	220	72	212	336	314
	(181)	**(1,047)**	**(159)**	**(104)**	**(196)**	**(220)**	**(72)**	**(212)**	**(336)**	**(314)**
Less: Net Outlays on New and Upgraded Assets										
Capital Expenditure on New/Upgraded Assets	7,064	193	0	0	0	0	0	0	0	0
less Amounts Specifically for New/Upgraded Assets	4,236	0	0	0	0	0	0	0	0	0
less Proceeds from Sale of Surplus Assets	350	0	0	0	0	0	0	0	0	0
	2,478	**193**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net Lending / (Borrowing) for Financial Year	**(2,396)**	**953**	**261**	**256**	**367**	**462**	**353**	**545**	**697**	**691**

In any one year, the above financing transactions are associated with either applying surplus funds stemming from a net lending result or accommodating the funding requirement stemming from a net borrowing result.

Year Ended 30 June:	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
FINANCING TRANSACTIONS	**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)**
New Borrowings	500	0	0	0	0	0	0	0	0	0
Repayment of Principal on Borrowings	492	411	367	240	251	264	276	289	304	304
Increase/(Decrease) in Cash and Cash Equivalents	(2,738)	542	(106)	16	116	198	77	255	391	384
Increase/(Decrease) in Receivables	0	0	0	0	0	0	0	0	0	1
Increase/(Decrease) in Payables & Provisions	0	0	0	0	0	0	0	0	0	0
Other – Including the Movement in Inventories	0	0	0	0	0	0	0	0	0	1
Financing Transactions	**(1,746)**	**953**	**261**	**256**	**367**	**462**	**353**	**544**	**695**	**690**

10. Key Financial Indicators

KEY FINANCIAL INDICATORS		2023 Plan Year 1	2024 Plan Year 2	2025 Plan Year 3	2026 Plan Year 4	2027 Plan Year 5	2028 Plan Year 6	2029 Plan Year 7	2030 Plan Year 8	2031 Plan Year 9	2032 Plan Year 10
Operating Surplus / (Deficit) - $'000		(99)	99	102	152	171	242	281	333	361	377
Operating Surplus Ratio - %		(1.08)%	1.04%	1.04%	1.51%	1.65%	2.27%	2.56%	2.94%	3.09%	3.13%
Net Financial Liabilities - $'000		5,399	4,446	4,185	3,929	3,562	3,101	2,747	2,203	1,509	821
Net Financial Liabilities Ratio - %		58.8%	46.9%	42.9%	39.1%	34.4%	29.1%	25.0%	19.5%	12.9%	6.8%
Asset Renewal Funding Ratio %		77%	100%	100%	100%	100%	100%	100%	100%	100%	100%