



District Council of
Mount Remarkable

DRAFT LONG TERM FINANCIAL PLAN

2023-24 TO 2032-33

DRAFT FOR PUBLIC CONSULTATION

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1. Introduction

The purpose of this Long Term Financial Plan (“LTFP”) is to express, in financial terms, the activities that the District Council of Mount Remarkable (“Council”) proposes to undertake over the medium to longer term to achieve its stated objectives as outlined in its Strategic Management Plan.

It is a guide for future action based on the longer-term impact of revenue and expenditure proposals. The identification of expected future expenditure and revenue enables the financial implications on Council’s financial sustainability to be readily identified and if warranted, for proposed future activities to be revised.

Long-term financial plans are particularly important for local governments as they are responsible for managing a high level of long-lived assets relative to their income base. A council may have long-periods with modest levels of asset renewal requirements and then other periods when very significant outlays are necessary. All councils need to generate revenue in an equitable manner over time and ensure they have capacity to finance peaks in asset management and other outlays when, and including by way of borrowings where necessary.

The preparation of a LTFP generates improved information to guide decisions about the mix and timing of outlays on operating activities and new and renewal of assets and the funding implications of these. Without a soundly based LTFP, an organisation with significant asset management responsibilities is unlikely to have sufficient data to determine sustainable service levels and affordable asset stockholding strategies, appropriate revenue targets or optimal treasury management.

2. Key assumptions

The following assumptions have been built into the forecast calculations:

- Average CPI forecast of 3.5%
- Contractors annual increases at 0.2% above CPI
- Wage annual increases at 3.5% including increases to superannuation contributions
- General Rate Revenue increases of 6.5% above CPI for Years 1, 2 and 3, followed by increases of 2.0% above CPI for the remainder of the plan
- Capital and maintenance costs are based on the expenditure requirements from the draft Asset Management Plan, noting the estimated value for 2032-33 as per item 3 below.
- Commonwealth Financial Assistance Grant (FAGs) and Roads to Recovery (R2R) funding has been included throughout the life of the plan, based on the current program allocation, indexed by 1%. Timing of receipt of FAGs revenue has been assumed to be quarterly, four times each year.
- A Cash Debenture Loan of \$2.8M, and associated finance costs, have been included from 2028-29 to maintain sufficient cashflows
- The 2023-24 Draft Budget forms year 1 of this LTFP.

This version of the LTFP does not include or consider the financial impacts relating to:

- Growth in the number of rateable properties or capital values
- Outcomes from Service Level and Range Reviews
- Results of future Enterprise Bargaining Agreements

3. Draft Asset Management Plans

The draft Asset Management Plans will be provided to the community for consultation along with the draft Long Term Financial Plan. Asset Management Plans are 'living documents' which require updating following changes to condition of assets, adjustments to service levels and asset revaluations. A revaluation of Council's assets is scheduled for 2023-24 for Transportation assets, and 2024-25 for other categories of assets. Revaluations are required every 5 years in accordance with Council's Asset Accounting Policy.

The level of capital expenditure in the current draft Asset Management Plans has been incorporated within the draft LTFP, with future years indexed by a CPI forecast. However, the draft AMP was prepared to the 2031-32 year, therefore to allow completion of the ten year LTFP, an average of the capital expenditure on renewal of assets across the life of the AMP has been included for the 2032-33 year.

4. Financial Indicators

The financial sustainability evaluation of a Council is undertaken with reference to a properly developed and complete LTFP. The financial plan includes the forecast achievement of projected performance against agreed financial sustainability targets. By achieving these targets Council can claim to be operating in a financially sustainable manner.

In order to demonstrate that the financial strategies above are being achieved, Council needs to monitor the operating surplus ratio.

Further to this, two additional ratios will be reported on to demonstrate that assets are being replaced in line with the requirements of the Councils asset data systems whilst maintaining sensible debt levels.

These ratios are:

Net financial liabilities ratio

Asset renewal funding ratio

Refer to Appendix A – 'Key Financial Indicators' for the data used to populate the following graphs

4.1 Operating Surplus Ratio (OSR)

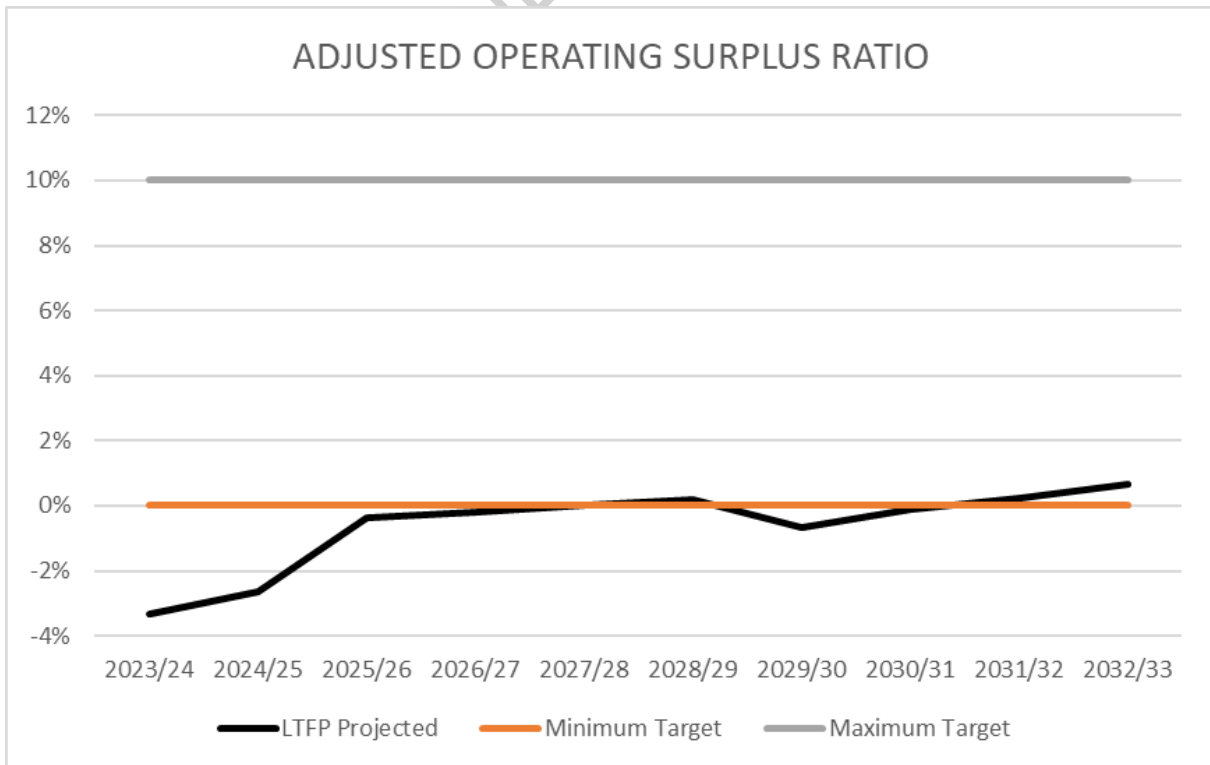
The operating surplus ratio expresses the operating surplus (deficit) as a percentage of total operating revenue.

The ratio is calculated as:

$$\frac{\text{Operating Revenue less Operating Expense}}{\text{Total Operating Revenue}}$$

The OSR is used to determine whether a Council can cover its operating expenditure and depreciation charge from its operating revenue. A positive ratio indicates that operating income is available to help fund proposed capital expenditure. A negative ratio indicates that an increase in operating income or a decrease in operating expenses (or a combination of both) is required to achieve a break-even operating result. Ideally, councils should target breakeven or a small surplus position, with the LGA recommending a target range of 0-10% for this financial indicator.

For the District Council of Mount Remarkable, an adjusted ratio has been provided to remove the LRCIP funding amount from the 2023-24 year and provide an underlying ratio result for comparison. The LTFP for the Council reports a negative OSR until 2027-28 and then again in 2029-30, with a positive result maintained from 2030-31 onwards. This result is contingent on increases to general rates to strengthen the Council's operating position, and achieve and maintain a break-even position.



4.2 Net Financial Liabilities Ratio (NFLR)

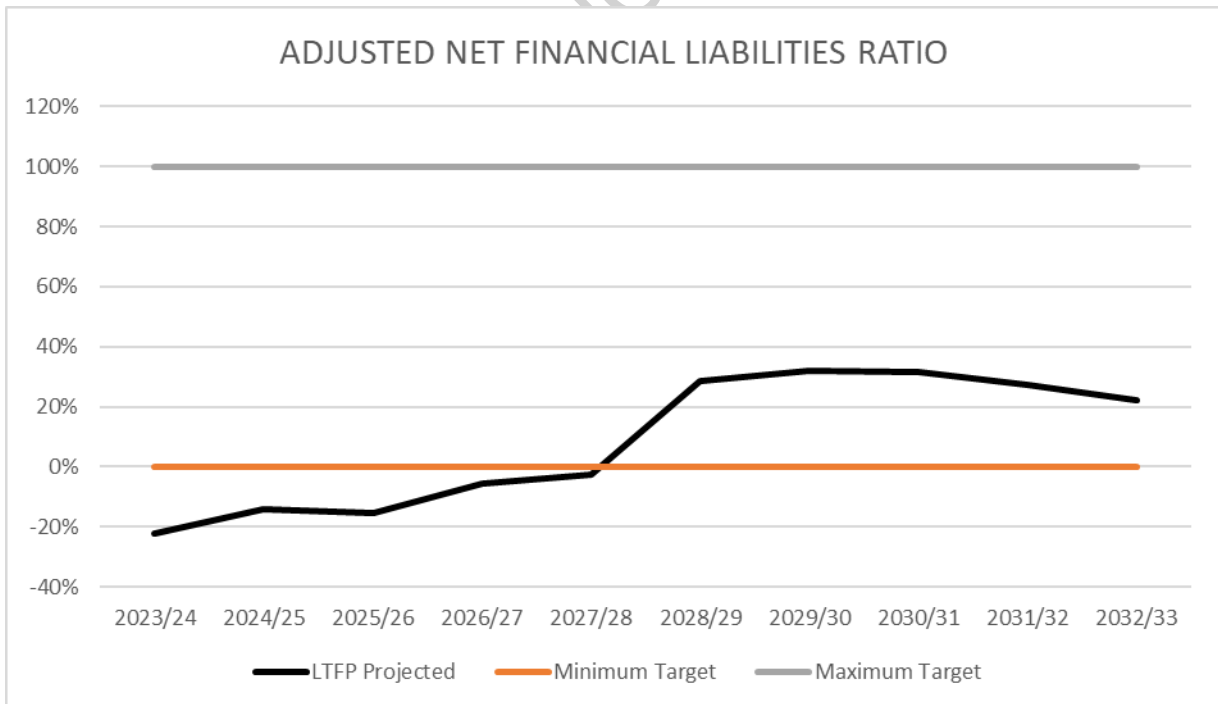
The net financial liabilities ratio shows Council’s net financial liabilities at the end of a financial year as a percentage of operating income for the year.

This ratio is calculated as;

$$\frac{\text{Net Financial Liabilities}}{\text{Total Operating Revenue}}$$

If the ratio falls, over time, this indicates that the Council’s capacity to meet its financial obligations from operating income is strengthening. The LTFP target for the Net Financial Liabilities Ratio, as recommended by the LGA, is greater than 0% but less than 100%.

For the District Council of Mount Remarkable, an adjusted ratio has been provided to remove the LRCIP funding amount from the 2023-24 year and provide an underlying ratio result for comparison. The NFLR for the Council for the first 5 years of the plan is in negative, reflecting that asset balances are exceeding liabilities due to low debt. However, during 2028-29 the AMP predicts a significant increase in capital renewal work required, resulting in the need for a Cash Advance Debenture. From 2028-29 onwards, the LTFP maintains an NFLR in line with the target range for this ratio.



4.3 Asset Renewal Funding Ratio (ARFR)

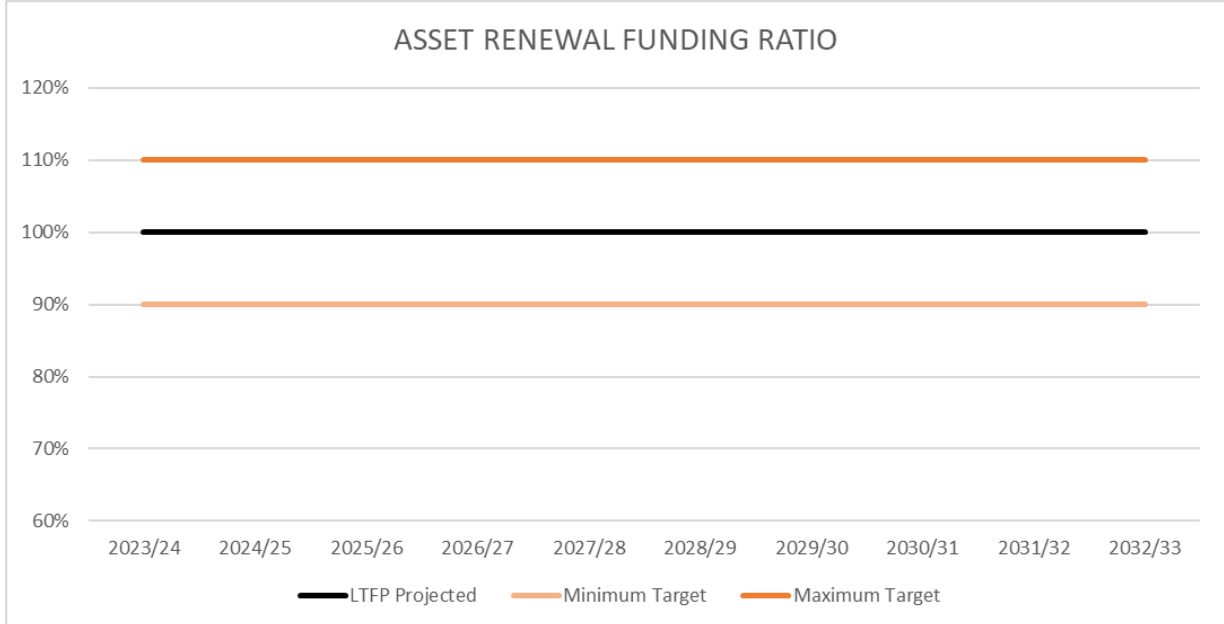
This ratio indicates the extent to which existing infrastructure assets are being renewed and replaced, compared with the asset renewal and replacement expenditure identified as required in the Councils Infrastructure and Asset Management Plans.

This ratio is calculated as;

$$\frac{\text{Expenditure on renewal/replacement of assets}}{\text{Expenditure identified in asset management plans}}$$

If capital expenditure on renewing or replacing existing assets is at a level consistent with that proposed in soundly prepared IAMPs (i.e. that is based on long-run affordable service levels) then it is likely that a Council is reasonably optimising timing of asset renewal activity. The LTFP target for the Asset Renewal Funding Ratio, is between 90% and 110%, as recommended by the LGA.

The District Council of Mount Remarkable has incorporated capital renewal expenditure levels from it’s draft Asset Management Plans, resulting in a forecasted ARFR of 100% throughout the life of the LTFP.



5. Chief Executive Officer Financial Sustainability Statement

Over the past few years, Council has been collecting and refining data on its infrastructure assets. This has included developing a 10-year asset management plan. The most recent data shows that the depreciation of these assets has increased by approximately \$0.5 million per year. This is a significant financial burden for the council.

While the 2023-24 Annual Budget shows a surplus, this includes a one-off external Federal Government grant. Without this grant the underlying deficit is \$280,200.

To achieve long-term financial sustainability, Council will need to consider its current service level standards and income from rates. Council is currently providing a service level standard that is in excess of what it can afford based on its current asset base and income.

Over the coming 12 months, Council will undertake a full asset revaluation. This will provide an up-to-date and accurate understanding of existing assets and a more reflective depreciation expense. The finalisation of asset management plans in all asset classes will also give a greater definition of what is required with respect to annual depreciation expenses and operating maintenance costs (service level standards). This process could, however, result in a depreciation expense greater than what is currently recognised.

Council has made significant improvements in its financial management in recent years, including improved efficiencies and a reduction in expenses (primarily wages). To achieve long-term financial sustainability, Council will need to focus on reviewing its service level standards (through asset management plans) and ensuring that its assets are being fully utilised. It is also proposed that Council consider rate increases above CPI for the forthcoming years to accelerate achieving financial sustainability and therefore an equitable position for both current and future generations of the community.

APPENDIX A

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
STATEMENT OF COMPREHENSIVE INCOME	Draft Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
INCOME										
Rates	4,894	5,303	5,750	6,041	6,347	6,669	7,008	7,365	7,740	8,135
Statutory charges	75	78	80	83	86	89	92	95	98	102
User charges	272	281	291	301	311	322	333	344	356	369
Grants, subsidies and contributions	3,536	2,751	2,774	2,798	2,821	2,845	2,874	2,898	2,923	2,947
Investment income	106	107	109	110	112	114	116	118	121	123
Reimbursements	138	142	147	152	158	163	168	174	180	186
Other income	113	117	121	125	130	134	139	143	148	153
TOTAL INCOME	9,133	8,780	9,273	9,610	9,965	10,336	10,730	11,138	11,566	12,016
EXPENSES										
Employee costs (inc oncosts)	2,127	2,202	2,279	2,358	2,441	2,527	2,615	2,706	2,800	2,897
Materials, contracts & other expenses	4,132	4,290	4,423	4,580	4,743	4,920	5,103	5,263	5,449	5,640
Depreciation	2,398	2,482	2,569	2,659	2,752	2,848	2,948	3,051	3,157	3,268
Finance costs	41	38	34	31	27	24	134	133	132	132
TOTAL EXPENSES	8,698	9,011	9,305	9,628	9,963	10,318	10,800	11,153	11,538	11,937
OPERATING SURPLUS / (DEFICIT)	435	(232)	(33)	(18)	2	18	(70)	(14)	28	79
Asset disposal and fair value adjustments	-	-	-	-	-	-	-	-	-	-
Amounts received specifically for new or upgraded assets	-	-	-	-	-	-	-	-	-	-
NET SURPLUS / (DEFICIT)	435	(232)	(33)	(18)	2	18	(70)	(14)	28	79
Other Comprehensive Income										
Net Gain / (loss) in Revaluation Surplus - infrastructure, property, plant & equipment	-									
TOTAL COMPREHENSIVE INCOME	435	(232)	(33)	(18)	2	18	(70)	(14)	28	79

District Council of Mount Remarkable - Long Term Financial Plan 2023/24 – 2032/33

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	Draft Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
STATEMENT OF FINANCIAL POSITION										
ASSETS										
Current Assets										
Cash & cash equivalents	2,235	1,536	1,670	680	305	-	-	-	-	-
Trade & other receivables	670	670	670	670	663	663	663	663	663	663
Inventories	40	40	40	40	40	40	40	40	40	40
Total Current Assets	2,945	2,246	2,380	1,390	1,008	703	703	703	703	703
Non-current Assets										
Financial Assets	44	30	15	0	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	66,727	67,122	66,881	67,775	68,059	71,294	71,678	71,752	71,426	71,020
Total Non-current Assets	66,771	67,152	66,896	67,775	68,059	71,294	71,678	71,752	71,426	71,020
TOTAL ASSETS	69,717	69,398	69,276	69,165	69,067	71,997	72,381	72,455	72,129	71,723
LIABILITIES										
Current Liabilities										
Trade & Other Payables	154	154	154	154	154	154	154	154	154	154
Overdraft	-	-	-	-	-	174	667	797	486	1
Borrowings	86	90	94	98	62	39	41	43	-	-
Short Term Provisions	237	237	237	237	237	237	237	237	237	237
Total Current Liabilities	477	481	485	489	453	604	1,100	1,231	877	392
Non-current Liabilities										
Long Term Borrowings	469	379	284	186	124	2885	2843	2,800	2,800	2,800
Long Term Provisions	145	145	145	145	145	145	145	145	145	145
Total Non-current Liabilities	614	524	429	331	269	3,030	2,988	2,945	2,945	2,945
TOTAL LIABILITIES	1,091	1,005	915	820	722	3,634	4,088	4,176	3,822	3,337
NET ASSETS	68,626	68,394	68,361	68,344	68,345	68,363	68,293	68,279	68,307	68,386
EQUITY										
Accumulated Surplus (Deficit)	39,261	39,030	38,997	38,980	38,981	38,999	38,929	38,915	38,943	39,022
Asset Revaluation Reserve	27,857	27,857	27,857	27,857	27,857	27,857	27,857	27,857	27,857	27,857
Other Reserves	1,507	1,507	1,507	1,507	1,507	1,507	1,507	1,507	1,507	1,507
TOTAL EQUITY	68,626	68,394	68,362	68,344	68,346	68,363	68,294	68,279	68,307	68,386

District Council of Mount Remarkable - Long Term Financial Plan 2023/24 – 2032/33

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	Draft Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
STATEMENT OF CASH FLOWS										
CASHFLOWS FROM OPERATING ACTIVITIES										
Receipts										
Operating Receipts	9,028	8,673	9,164	9,500	9,846	10,222	10,614	11,020	11,446	11,892
Investment Receipts	106	107	109	110	112	114	116	118	121	123
Payments										
Operating Payments to Suppliers & Employees	6,259	6,492	6,702	6,939	7,184	7,447	7,718	7,969	8,249	8,537
Finance Payments	41	38	34	31	27	24	134	133	132	132
Net Cash provided by (or used in) Operating Activities	2,834	2,250	2,536	2,641	2,746	2,866	2,878	3,036	3,186	3,347
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Amounts specifically for new or upgraded assets	-	-	-	-	-	-	-	-	-	-
Sale of replaced assets	216	278	162	171	227	198	185	185	196	252
Payments										
Expenditure on renewal/replacement of assets	4,301	3,155	2,488	3,723	3,265	6,281	3,517	3,309	3,028	3,114
Expenditure on new/upgraded assets	716	-	-	-	-	-	-	-	-	-
Loans made to community groups	-	-	-	-	-	-	-	-	-	-
Net Cash provided by (or used in) Investing Activities	(4,801)	(2,877)	(2,327)	(3,552)	(3,038)	(6,082)	(3,332)	(3,124)	(2,832)	(2,862)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Proceeds from Borrowings	-	-	-	-	-	2,800	-	-	-	-
Repayments of loans by community groups	24	14	14	15	15	-	-	-	-	-
Payments										
Repayments of Borrowings	83	86	90	94	98	62	39	41	43	-
Net Cash provided by (or used in) Financing Activities	(59)	(73)	(76)	(79)	(83)	2,738	(39)	(41)	(43)	-
Net Increase / (Decrease) in cash held	(2,026)	(699)	134	(990)	(375)	(479)	(494)	(129)	311	485
Cash & cash equivalents at beginning of period	4,261	2,235	1,536	1,670	680	305	(174)	(667)	(797)	(486)
Cash & cash equivalents at the end of the reporting period	2,235	1,536	1,670	680	305	(174)	(667)	(797)	(486)	(1)

District Council of Mount Remarkable - Long Term Financial Plan 2023/24 – 2032/33

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	Draft Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
STATEMENT OF CHANGES IN EQUITY										
ACCUMULATED SURPLUS										
Balance at end of previous reporting period	38,826	39,261	39,030	38,997	38,980	38,981	38,999	38,929	38,915	38,943
Net Surplus / (Deficit) for Year	436	(232)	(33)	(18)	2	18	(70)	(14)	28	79
Balance at end of period	39,261	39,030	38,997	38,980	38,981	38,999	38,929	38,915	38,943	39,022
ASSET REVALUATION RESERVE										
Balance at end of previous reporting period	27,857	27,857	27,857	27,857	27,857	27,857	27,857	27,857	27,857	27,857
Balance at end of period	27,857	27,857	27,857	27,857	27,857	27,857	27,857	27,857	27,857	27,857
OTHER RESERVES										
Balance at end of previous reporting period	1,507	1,507	1,507	1,507	1,507	1,507	1,507	1,507	1,507	1,507
Balance at end of period	1,507	1,507	1,507	1,507	1,507	1,507	1,507	1,507	1,507	1,507
TOTAL EQUITY AT END OF REPORTING PERIOD	68,626	68,394	68,362	68,344	68,346	68,363	68,294	68,279	68,307	68,386

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District Council of Mount Remarkable - Long Term Financial Plan 2023/24 – 2032/33

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
UNIFORM PRESENTATION OF FINANCES	Draft Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Revenues	9,133	8,780	9,273	9,610	9,965	10,336	10,730	11,138	11,566	12,016
less Operating Expenses	(8,698)	(9,011)	(9,305)	(9,628)	(9,963)	(10,318)	(10,800)	(11,153)	(11,538)	(11,937)
	436	(232)	(33)	(18)	2	18	(70)	(14)	28	79
Net Outlays on Existing Assets										
Capital Expenditure on renewal and replacement of Existing Assets	(4,301)	(3,155)	(2,488)	(3,723)	(3,265)	(6,281)	(3,517)	(3,309)	(3,028)	(3,114)
add back Depreciation, Amortisation and Impairment	2,398	2,482	2,569	2,659	2,752	2,848	2,948	3,051	3,157	3,268
add back Proceeds from Sale of Replaced Assets	216	278	162	171	227	198	185	185	196	252
	(1,687)	(395)	242	(893)	(286)	(3,235)	(385)	(73)	326	406
Net Outlays on New and Upgraded Assets										
Capital Expenditure on New and Upgraded Assets	(716)	-	-	-	-	-	-	-	-	-
	(716)	-	-	-	-	-	-	-	-	-
Net Lending / (Borrowing) for Financial Year	(1,967)	163	(275)	876	288	3,252	315	59	(298)	(327)

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District Council of Mount Remarkable - Long Term Financial Plan 2023/24 – 2032/33

FINANCIAL INDICATORS	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	Draft Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
ADJUSTED OPERATING SURPLUS RATIO										
<i>being operating surplus (deficit) divided by operating revenue the adjusted Ratio removes the LRCIP funding amount to provide an underlying ratio result for 2022/23 and 2023/24</i>										
<u>Adjusted Operating Surplus / Deficit</u>	(280)	(232)	(33)	(18)	2	18	(70)	(14)	28	79
Total Adjusted Operating Revenue	8,418	8,780	9,273	9,610	9,965	10,336	10,730	11,138	11,566	12,016
LTFP Projected	-3%	-3%	0%	0%	0%	0%	-1%	0%	0%	1%
ADJUSTED NET FINANCIAL LIABILITIES RATIO										
<i>being total liabilities less financial assets (excluding equity accounted investments in Council business), divided by total operating revenue the adjusted Ratio removes the LRCIP funding amount to provide an underlying ratio result for 2022/23 and 2023/24</i>										
<u>Net Financial Liabilities</u>	(1,859)	(1,232)	(1,441)	(529)	(246)	2,971	3,425	3,513	3,159	2,674
Total Adjusted Operating Revenue	8,418	8,780	9,273	9,610	9,965	10,336	10,730	11,138	11,566	12,016
LTFP Projected	-22%	-14%	-16%	-6%	-2%	29%	32%	32%	27%	22%
ASSET RENEWAL FUNDING RATIO										
<i>Asset renewals expenditure is defined as capital expenditure on the renewal and replacement of existing assets relative to the optimal level planned, and excludes new capital expenditure on the acquisition of additional assets. The optimal level planned refers to the Council's Asset Management Plan (AMP) which forecasts the activities/projects that need to be undertaken in order to maintain the Council's assets.</i>										
<i>The ideal ratio is 100%, where Council is spending the amount required each year to renew and replace existing assets so they continue to operate optimally to meet the organisations objectives.</i>										
<u>Net Asset Renewals</u>	4,301	3,155	2,488	3,723	3,265	6,281	3,517	3,309	3,028	3,114
Asset Renewals per AMP	4,301	3,155	2,488	3,723	3,265	6,281	3,517	3,309	3,028	3,114
LTFP Projected	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

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