



Long Term Financial Plan 2020/2021 – 2030/2031

Adopted by Council at its Special Meeting on 6 July 2021

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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 Community Plan.

It is a guide for future action based on the longer-term impact of revenue and expenditure proposals. The aggregation of future intended outlays and anticipated revenues enables the accumulating overall financial implications to be readily identified and if warranted, for proposed future activities to be revised.

Long-term financial plans are particularly important for Local Government 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 additional 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. Strategic Objectives

The District Council of Mount Remarkable acknowledges that a balanced, robust and well developed set of objectives will serve the Council and community well.

Council's objectives for the District are detailed within the Community Plan, in the form of our vision, our mission and our values. These are as follows:

Our Vision

This is a remarkable community to be a part of; a remarkable place to live, and a remarkable place to work or be in business. We're a 'can do' Council and what we do, we strive to do remarkably well.

Our Mission

- To *enhance* a sense of community.
- To *develop* vibrant, sustainable townships that our people feel proud of and connected to and that visitors want to explore.
- To *provide* quality services across all of our community.
- To *advocate* for the protection of our environment and heritage.
- To *facilitate* opportunities for the economic, social and cultural benefit of our community.
- To *perform* regulatory functions with diligence, care and consideration.
- To *demonstrate* sound leadership and work with our community to meet their expectations whilst operating in a financially responsible manner.

Our Values

Be Remarkable

Unique doesn't cut it. Remarkable is in our name, in our hearts and in our destiny.

Take Others on the Journey

It takes a collective effort; we know we can't do it alone. We work with our stakeholders to build prosperity.

Engage, Listen, Act

Within the boundaries of good public governance we 'have a go'.

Innovate

Forward-thinking, we balance aspiration with responsibility in our considerations, priorities and decision making.

Adapt

Change is behind us, upon us and ahead of us. We are receptive and adaptable.

Be Open and Transparent

Through good governance and transparency, we hold the trust of our community.

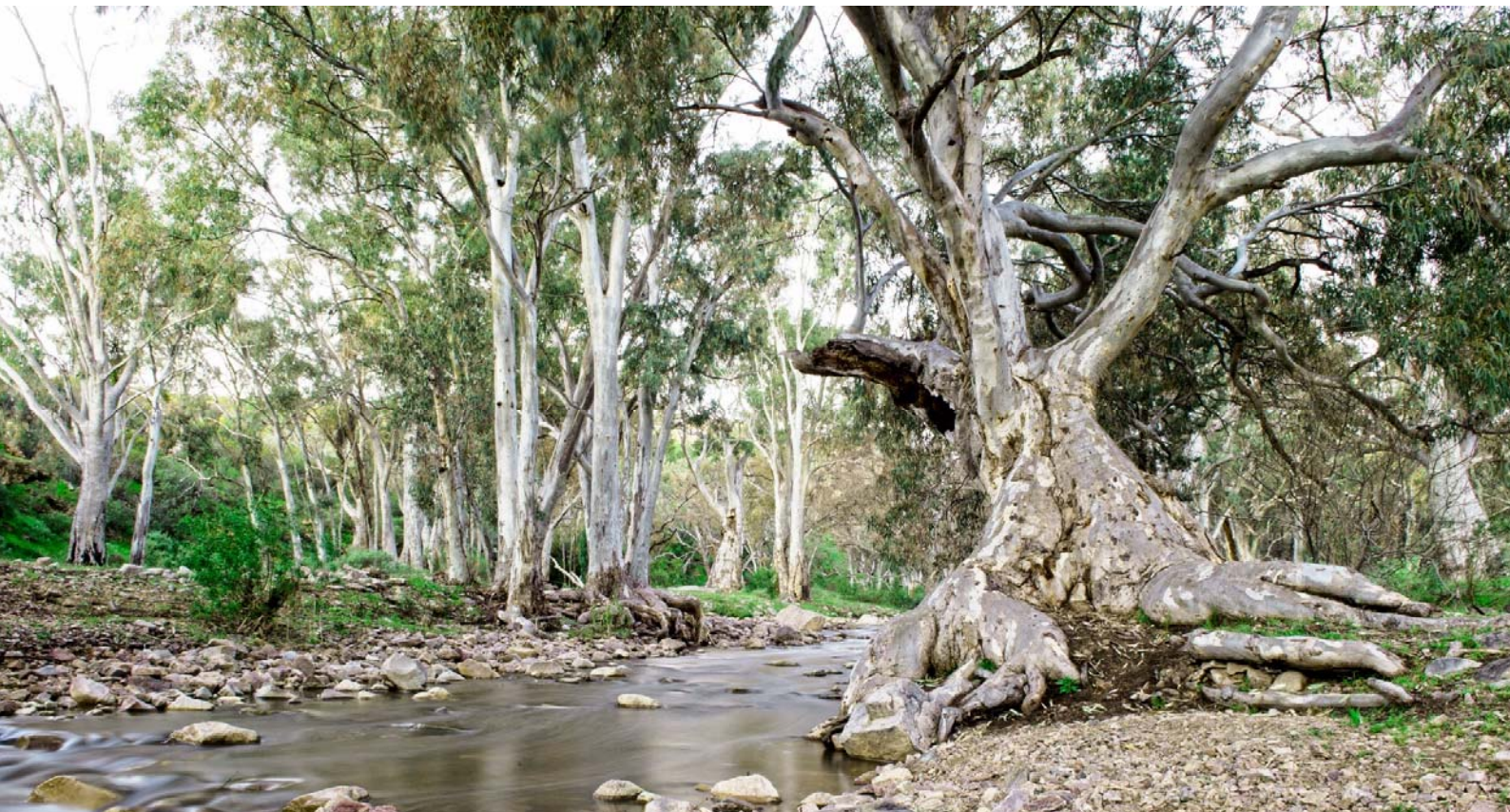
Take Pride and Be Proud

We take pride in what we do. We are proud of our past and optimistic about our future.

3. Financial Strategy

The LTFP is based on Councils current operating service levels as well as projected capital renewal expenditure obtained from Councils existing asset databases and asset management plans. The following is a summary of the financial strategy that will be used by Council to guide its decision making such that it maintains its current financially sustainable outlook:

- Community Wastewater Management Schemes (CWMS) service charges are set at an appropriate level to ensure whole of life costs are recovered.
- Waste management user charges are set at an appropriate level to recover the full cost of providing these services from those who benefit from the service.
- Council will continue to review service delivery to the community to identify any further opportunities to reduce operating costs due to improved operating efficiencies. This will be an ongoing objective for management to ensure the maximum benefit to the community per dollar of rates.
- Grant revenue will be targeted in a strategic manner. This means that grant revenue to build new assets would only be pursued and accepted if the new assets were deemed to be consistent with Councils Strategic Objectives particularly if additional funding is required to be contributed by Council. Where an operating grant is sought and additional Council funds are required to be contributed, then careful consideration will be given to long-run benefits and costs.
- The LTFP will be reviewed at any time that significant projects are being considered to ensure that any debt to be incurred will have a revenue stream identified that will facilitate its repayment.



4. Key Assumptions

The following assumptions have been built into the forecast calculations:

- The content of the LTFP is based on current (2020/2021) dollar values adjusted for inflation for all future years to facilitate comparisons between years.
- Commonwealth Financial Assistance Grant (FAGs) revenue is not expected to vary over the planning period other than indexation. Timing of receipt of FAGs revenue has been assumed to be quarterly (four payments each year) in the year that it is due. This assumption may well change in future iterations depending upon federal government policy and budgeting developments relating to this area.
- Funding of Phase 3 of the Local Roads and Community Infrastructure Program was announced in May 2021, which has been factored into 2021/2022 and 2022/2023 financial years.
- Capital expenditure on road renewal has been determined based on current asset data and what is planned for the 2021/2022 financial year. Council has engaged an external provider to complete a robust Asset Management Plan that will provide an outline of all Council assets, and its operational management and maintenance.
- Any future new assets will be determined by the Council annually.
- Annual Rates increases have been proposed at an average of 5% from 2021/2022 to 2023/2024 and then 3% from 2024/2025 onwards. The increase for 2021/2022 includes the introduction of 'green waste' within the waste management sphere.
- User Charges increases have been proposed at an average of 10% from 2021/2022 to 2023/2024 and then 5% from 2024/2025 onwards.
- Other Income increases have been proposed at an average of 10% from 2021/2022 to 2023/2024 and then 3% from 2024/2025 onwards.
- Salaries and wages are adjusted at 2.5% per financial year.

5. Long-Term Financial Sustainability - Key Financial Indicators

Indicator 1 - Operating Surplus Ratio

The operating surplus ratio expresses the operating surplus (deficit) as a percentage of operating income. Calculated as: (operating revenue minus operating expense) divided by total operating revenue, expressed as a percentage.

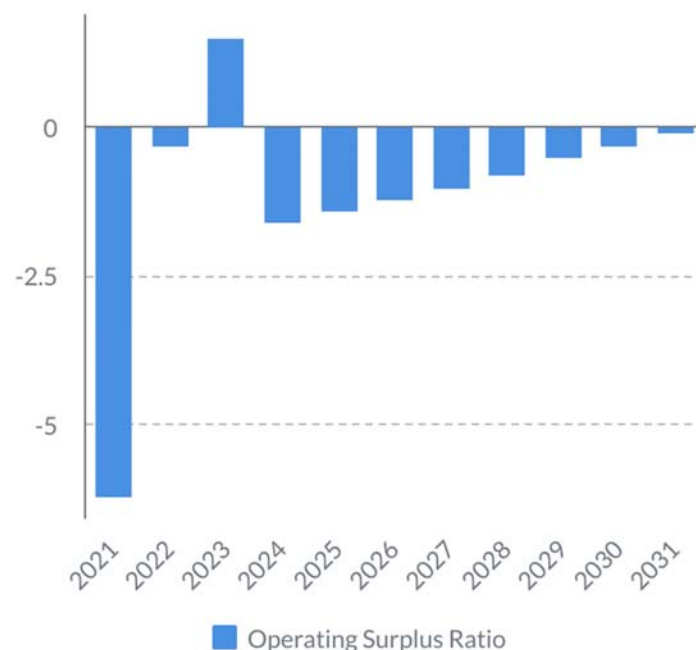
“A positive ratio indicates the percentage of operating income available to help fund proposed capital expenditure. If the relevant amount is not required for this purpose in a particular year, it can be held for future capital expenditure needs by either increasing financial assets or preferably, where possible, reducing debt in the meantime.

A negative ratio indicates the percentage increase in operating income or the approximate decrease in operating expenses required to achieve a break-even operating result.”

The Operating Surplus Ratio is a most important financial indicator for councils. Council is projected to have an operating deficit in most years in the plan.

Council’s operating surplus ratio is above 0% for the 2022/2023 financial year only, and is achieving modest deficits for the remaining financial years, with -1.6% being the highest deficit in this span in the 2023/2024 financial year. This obviously does not include the 2020/2021 financial year of which has already occurred.

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Operating Surplus Ratio	-6.2%	-0.3%	1.5%	-1.6%	-1.4%	-1.2%	-1.0%	-0.8%	-0.5%	-0.3%	-0.1%
Target Min	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Target Max	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%



Indicator 2 - Net Financial Liabilities Ratio

The Net Financial Liabilities Ratio is calculated by expressing net financial liabilities at the end of a financial year as a percentage of operating revenue for the year.

Net financial liabilities is a broader and more appropriate measure of indebtedness than the level of borrowings, because it includes items such as employee long-service leave entitlements and other amounts payable as well as taking account of a Council's cash and investments.

The net financial liabilities ratio is calculated by expressing net financial liabilities at the end of a financial year as a percentage of operating revenue for the year. If the ratio falls, over time, this indicates that the Council's capacity to meet its financial obligations from operating revenue is strengthening.

Cash on hand is forecast to be \$3.927M at the end of the 2021 year increasing to \$5.828M by the end of 2031. Council is in a position to consider projects or cover unforeseen events such as major storm damage. It is anticipated that projects will arise that will require significant capital to deliver. Future iterations of this plan will incorporate these projects as they eventuate and accurate costing become available. At this stage only known expenditure commitments have been incorporated into the plan.

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Net Financial Liabilities Ratio	-31%	-18%	-20%	-21%	-23%	-25%	-28%	-32%	-37%	-42%	-48%
Target Min	-40%	-40%	-40%	-40%	-40%	-40%	-40%	-40%	-40%	-40%	-40%
Target Max	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%



Indicator 3 - Asset Sustainability Ratio

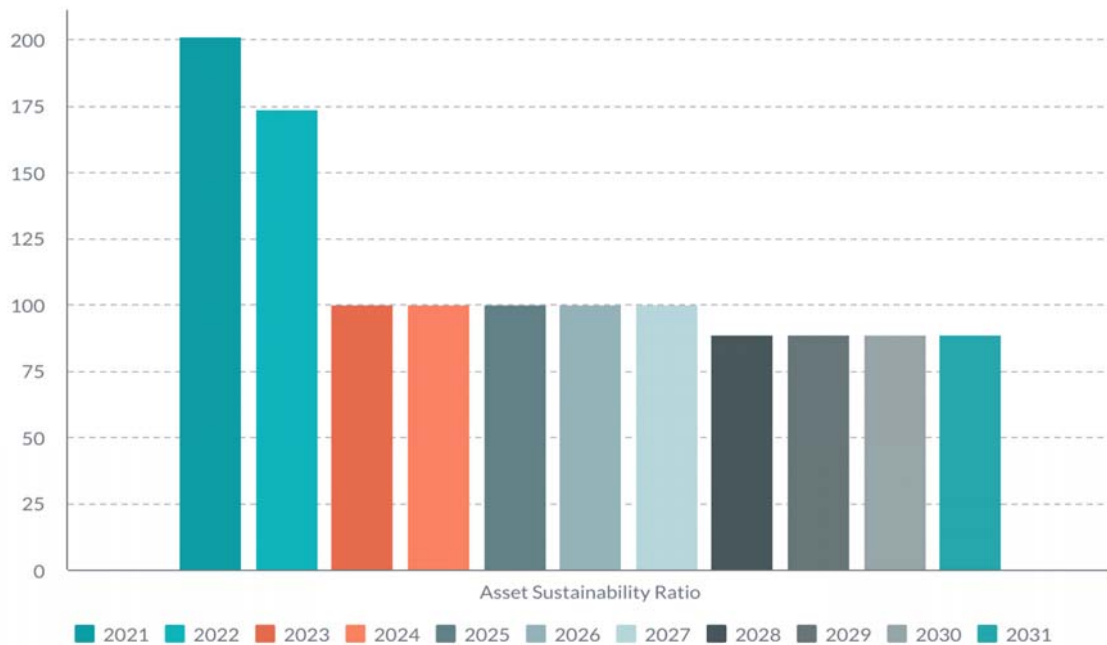
The Asset Sustainability Ratio indicates the extent to which Council is renewing and replacing its existing non-financial assets compared with the asset renewal and replacement expenditure identified in Council's current infrastructure and asset management plan (IAMP). The ratio is calculated by measuring capital expenditure on renewal or replacement of assets, relative to the optimal level of such expenditure proposed in Council's (IAMP).

If capital expenditure on renewing or replacing existing assets is at least equal to the level proposed by Council's asset data, then Council is ensuring optimal timing of replacement of physical assets to maintain service levels. Any material underspending on renewal and replacement over the medium term is likely to adversely impact on the achievement of preferred, affordable service levels and could potentially progressively undermine Council's financial sustainability.

The Council has engaged an external contractor to develop a robust infrastructure and asset management plan (IAMP) which will provide Council with information and direction on future asset maintenance.

Council is consistently replacing assets at 100% indicates that assets are being renewed at the rate required by Council's current IAMP.

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Asset Sust. Ratio	201%	174%	100%	100%	100%	100%	100%	89%	89%	89%	89%
Target Min	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Target Max	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%



Council is Financially Sustainable

A Council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met. All Council ratios will continue to be monitored, with specific aim to increase the operating surplus ratio to a positive position. However, Council can demonstrate it is operating in a financially sustainable manner in the short term as well as the medium to long term.



6. Statement of Uniform Presentation of Finances

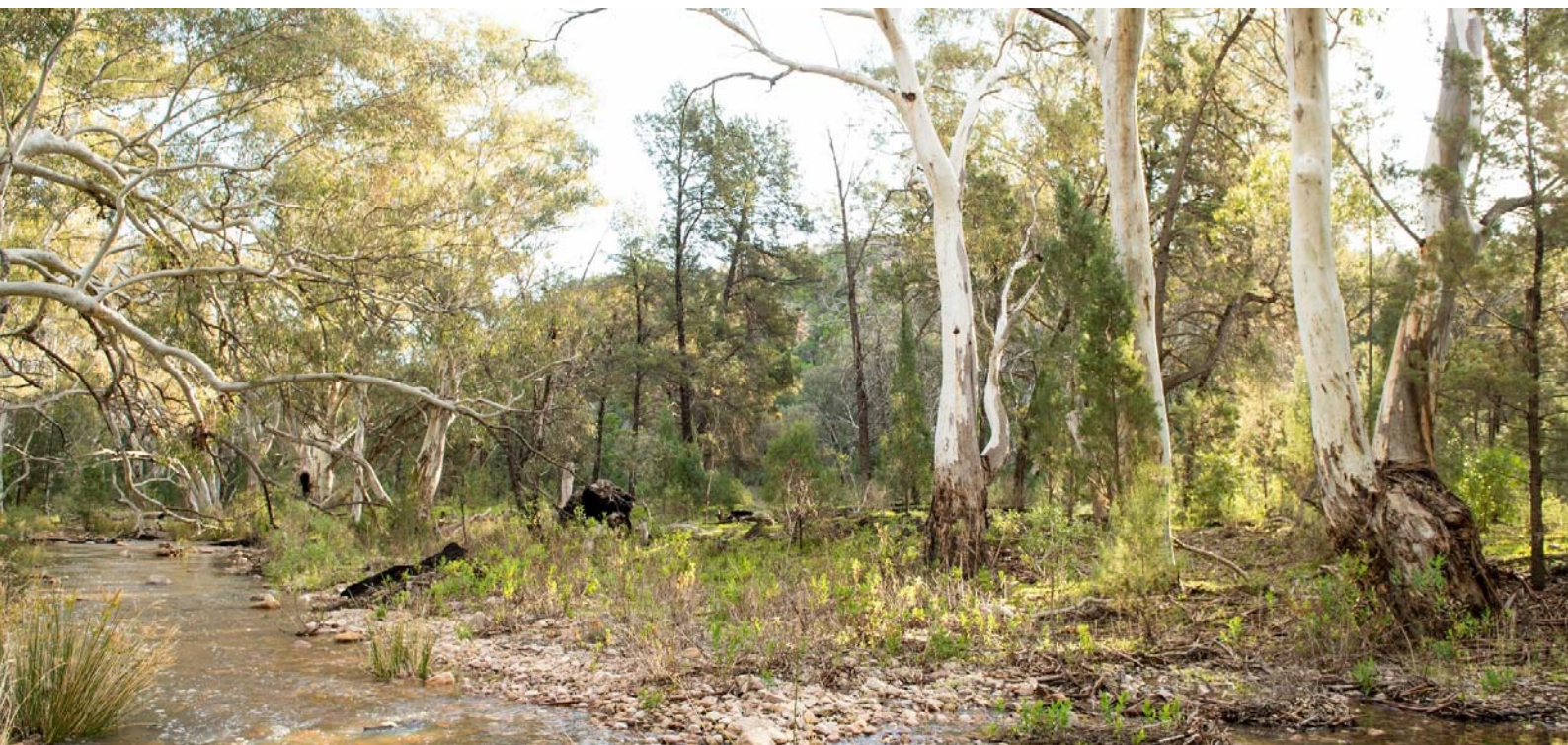
The Uniform Presentation of Council Finances together with the results of the Key Financial Indicators provides a summarised report that focuses on Council's finances at a strategic level.

Readers are strongly encouraged to take the time to comprehend how this report is structured and what the implications of the various lines of this report are for the Key Financial Indicator calculations.

The Summary of Uniform Presentation of Finances report highlights the operating surplus (deficit) measure which is considered a most critical indicator of a Council's financial performance. The result of this report is the movement in Net Financial Liabilities (Net Lending / Borrowing) for the year based on Council's planned capital and operating budgets for that year. Achieving a zero result on the net lending / (borrowing) measure in any one year essentially means that the Council has met all of its expenditure (both operating and capital) from the current year's income (with income including amounts received specifically for new / upgraded assets).

An important point is that if Council is not able to replace its existing assets in a timely manner then new assets should not be built unless more essential. By acquiring new assets Council is effectively building new liabilities as the assets usually don't generate revenue (e.g. roads), cannot be sold, will need to be maintained and eventually replaced.

The **Uniform Presentation of Finances** is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis. All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis. The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.



APPENDIX A – FINANCIAL STATEMENTS

Statement of Uniform Presentation of Finances

Year Ending 30 June:	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	BR #3	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	\$'001
Section 1:											
Operating Revenues	8,609	9,076	9,458	9,383	9,621	9,866	10,119	10,380	10,649	10,927	11,215
less Operating Expenses	9,147	9,103	9,316	9,534	9,757	9,986	10,219	10,459	10,705	10,960	11,220
Operating Surplus/(Deficit) before Capital Amounts	-538	-27	142	-150	-136	-120	-101	-80	-56	-32	-6
Section 2:											
LESS: Net Outlays on Existing Assets											
Capital Expenditure on Renewal or Replacement of Existing Assets	3,017	2,695	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
less Depreciation, Amortisation & Impairment	-2,340	-2,290	-2,359	-2,429	-2,502	-2,577	-2,655	-2,734	-2,816	-2,901	-2,988
less Proceeds from Sale of Replaced Assets	-84	-260	-215	-215	-215	-215	-215	-215	-215	-215	-215
Net Outlays on Existing Assets	593	145	-974	-1,044	-1,117	-1,192	-1,270	-1,349	-1,431	-1,516	-1,603
Section 3:											
LESS: Net Outlays on New or Upgraded Assets											
Capital Expenditure on New/Upgraded Assets	1,685	1,268	800	800	800	800	800	800	800	800	800
less Amounts Specifically for New/Upgraded Assets	-1,212	-329	0	0	0	0	0	0	0	0	0
less Proceeds from Sale of Surplus Assets	0	0	0	0	0	0	0	0	0	0	0
Net Outlays on New or Upgraded Assets	473	939	800	800	800	800	800	800	800	800	800
Section 4:											
EQUALS: Net Lending / (Borrowing) for Financial Year	-1,604	-1,111	315	94	181	272	369	470	575	683	797

Statement of Comprehensive Income

Year Ending 30 June:	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	BR #3	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income											
Rates	4,052	4,246	4,408	4,628	4,767	4,910	5,058	5,209	5,366	5,527	5,692
Statutory charges	60	63	66	69	73	77	80	84	89	93	98
User charges	779	857	943	1,037	1,089	1,143	1,200	1,260	1,323	1,389	1,459
Grants, subsidies and contributions	3,408	3,583	3,693	3,277	3,310	3,343	3,376	3,410	3,444	3,478	3,513
Investment income	30	30	30	30	30	31	31	31	32	32	32
Reimbursements	115	115	118	122	126	129	133	137	141	146	150
Other income	165	182	200	220	226	233	240	247	255	262	270
Total Operating Revenue	8,609	9,076	9,458	9,383	9,621	9,866	10,119	10,380	10,649	10,927	11,215
Expenses											
Employee Costs	2,500	2,400	2,460	2,522	2,585	2,649	2,715	2,783	2,853	2,924	2,997
Material, Contractors & Other	4,220	4,373	4,460	4,550	4,641	4,733	4,828	4,925	5,023	5,124	5,226
Depreciation	2,340	2,290	2,359	2,429	2,502	2,577	2,655	2,734	2,816	2,901	2,988
Finance Charges	87	40	37	33	29	26	21	17	13	11	9
Total Operating Expenses	9,147	9,103	9,316	9,534	9,757	9,986	10,219	10,459	10,705	10,960	11,220
Operating Surplus / (Deficit)	-538	-27	142	-150	-136	-120	-101	-80	-56	-32	-6
Amounts specifically for new or upgraded assets	1223	329	0	0	0	0	0	0	0	0	0
Asset disposal & fair value adjustments	0	0	0	0	0	0	0	0	0	0	0
Net Surplus / (Deficit)	685	302	142	-150	-136	-120	-101	-80	-56	-32	-6

Statement of Financial Position

Year Ending 30 June:	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
BR #3	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS											
Current Assets											
Cash and Cash Equivalents	3,927	2,740	2,977	2,989	3,084	3,266	3,541	3,913	4,427	5,071	5,828
Trade & Other Receivables	650	650	650	650	650	650	650	650	650	650	650
Inventories	40	40	40	40	40	40	40	40	40	40	40
Total Current Assets	4,617	3,430	3,667	3,679	3,774	3,956	4,231	4,603	5,117	5,761	6,518
Non Current Assets											
Financial Assets	30	30	30	30	30	30	30	30	30	30	30
Infrastructure, Property, Plant & Equipment	64,402	65,804	65,622	65,372	65,054	64,665	64,203	63,664	63,006	62,243	61,521
Total Non-current Assets	64,432	65,834	65,652	65,402	65,084	64,695	64,233	63,694	63,036	62,273	61,551
Total Assets	69,049	69,264	69,319	69,081	68,858	68,651	68,464	68,297	68,153	68,034	68,069
LIABILITIES											
Current Liabilities											
Trade & Other Payables	253	253	253	253	253	253	253	253	253	253	253
Borrowings	87	87	87	87	87	87	87	87	87	87	87
Provisions	107	107	107	107	107	107	107	107	107	107	107
Total Current Liabilities	447	447	447	447	447	447	447	447	447	447	447
Non-current Liabilities											
Borrowings	1,382	1,295	1,208	1,121	1,034	947	860	773	686	599	640
Provisions	86	86	86	86	86	86	86	86	86	86	86
Total Non-Current Liabilities	1,468	1,381	1,294	1,207	1,120	1,033	946	859	772	685	726
Total Liabilities	1,915	1,828	1,741	1,654	1,567	1,480	1,393	1,306	1,219	1,132	1,173
Net Assets	67,134	67,436	67,578	67,427	67,291	67,171	67,071	66,991	66,934	66,902	66,896
EQUITY											
Accumulated Surplus	37,770	38,072	38,214	38,063	37,927	37,807	37,707	37,627	37,570	37,538	37,532
Asset Revaluation Reserves	27,857	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	1,507
Total Equity	67,134	67,436	67,578	67,427	67,291	67,171	67,071	66,991	66,934	66,902	66,896

Statement of Equity

Year Ending 30 June:	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
BR #3	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 10
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ACCUMULATED SURPLUS											
Balance at end of previous reporting period	37,085	37,770	38,072	38,214	38,063	37,927	37,807	37,707	37,627	37,570	37,538
Net Result for Year	685	302	142	-150	-136	-120	-101	-80	-56	-32	-6
Transfers to other reserves											
Balance at end of period	37,770	38,072	38,214	38,063	37,927	37,807	37,707	37,627	37,570	37,538	37,532
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	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	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	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	1,507
TOTAL EQUITY AT END OF REPORTING PERIOD	67,134	67,436	67,578	67,427	67,291	67,171	67,071	66,991	66,934	66,902	66,896

Statement of Cash Flows

Year Ending 30 June:

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	BR #3	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES											
Receipts											
Operating Receipts	8,579	9,046	9,428	9,353	9,590	9,835	10,088	10,348	10,618	10,895	11,182
Investment Receipts	30	30	30	30	30	31	31	31	32	32	32
Payments											
Operating Payments to Suppliers & Employees	6,720	6,773	6,920	7,071	7,225	7,383	7,544	7,708	7,876	8,048	8,223
Finance Payments	87	40	37	33	29	26	21	17	13	11	9
Net Cash provided by (or used in) Operating Activities	1,802	2,263	2,500	2,279	2,366	2,457	2,554	2,655	2,760	2,868	2,982
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Grants specifically for new or upgraded assets	1,223	329	0	0	0	0	0	0	0	0	0
Sale of Assets	211	260	215	215	215	215	215	215	215	215	215
Payments											
Expenditure on upgrading assets	3,017	2,695	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Expenditure on new assets	1,122	1,268	800	800	800	800	800	800	800	800	800
Net cash provided by (used in) Investing Activities	-2,705	-3,374	-2,185	-2,185	-2,185	-2,185	-2,185	-2,185	-2,185	-2,185	-2,185
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Proceeds from Borrowings	480	0	0	0	0	0	0	0	0	0	0
Payments											
Repayment of Borrowings	-87	-76	-79	-82	-86	-90	-94	-98	-61	-39	-41
Net Cash Provided by (used in) Financing Activities	393	-76	-79	-82	-86	-90	-94	-98	-61	-39	-41
Net Increase / (Decrease) in Cash	-510	-1,187	236	12	95	182	275	372	514	644	756
Cash and Cash Equivalents at start of reporting period	4,437	3,927	2,740	2,977	2,989	3,084	3,266	3,541	3,913	4,427	5,071
Cash & Cash Equivalents at the end of the reporting period	3,927	2,740	2,977	2,989	3,084	3,266	3,541	3,913	4,427	5,071	5,828

Reference Material

IPWEA Practice Note 6 – Long-term Financial Planning

LGA Information Paper 8 – Long Term Financial Plans

LGA Information Paper 9 – Local Government Financial Indicators

LGA Information Paper 12 – Targets for Local Government Financial Indicators

South Australian Local Government Model Financial Statements 2020



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District Council of
Mount Remarkable