LONG TERM FINANCIAL PLAN

2018-2028

Adopted 2 July 2018

Long Term Financial Plan 2018 – 2028

Introduction

Long term financial planning promotes thinking about the influence of changing circumstances on the decisions made about the service programs and the assessment of potential new projects and their impact on the future financial sustainability of council business. Financial planning is a guiding framework and so is an essential tool for responsible financial management. The importance is recognised in that financial plans both long term and short term are a requirement of the Local Government Act.

The key documents required for successful long term planning are:

- Community Strategic Plan
- Asset Management Plan
- Capital Works Program
- Long Term Financial Plan

The Long Term Financial Plan (LTFP) sets out the projected income and expenses for the period from 2018 – 2028, using 2017/18 as the base year and includes 2016/17 to assist trend analysis. Each year, as part of the development of the annual budget, the LTFP is reviewed to assess the potential impact of the planned service levels and service delivery on the future longer term financial position and whether the performance will be sustainable.

The Long Term Financial Plan (LTFP) is regularly reviewed during the year to ensure that the financial performance is monitored and compared with the planned targets.

Objectives of the Long Term Financial Plan

1. To achieve and maintain an Operating Surplus

   Aim for a breakeven operating position in the short to medium term. In the longer term, seek to achieve and maintain consistent operating surpluses to reduce and eventually eliminate the need for regular borrowing to fund new assets and asset backlogs.

2. To fund Asset Renewal/Replacement of existing assets

   Target an average Asset Sustainability Ratio of 100% (measured against the planned Capital works program). This would mean that the existing assets are being renewed and replaced to maintain the existing services levels.

3. To review New Asset Requirements

   Identify and include priority new works, including a number of major projects to be primarily funded by grants and future operating surpluses.

4. To reduce Reliance on Borrowing

   Provide for new loans for major capital projects until the operating surpluses can be achieved to fund the capital program.

5. To achieve the Plan

   The success of the Plan is totally reliant on ongoing consistency with its objectives. The financial performance shall be reviewed at each budget review and annually when preparing the Business Plan and Budget to identify any issues which could negatively impact the successful achievement of the Plan.

Structure of the Plan

The LTFP covers a period of 10 years and is supported by information from the current and previous financial years to assist comparison and trend analysis.

Years 1- 3 of the LTFP underpin the delivery of the Business Plan 2018/19 - 2021/21 while the remaining years are estimates. Each year as part of the review and update process the information becomes more accurate as decisions about the services and activities are based on more reasonably known circumstances.

The first year of the LTFP forms the base for the Annual Budget so this information is very closely examined in an effort to ensure that is reflects the current actual and expected situation as closely as possible.

		1	2	3	4	5	6	7	8	9	10
Previous Financial Year Actual	Current Year Budget	Detailed Budget	Projections based on Business Plan		Estimates guided by goals of the Community Plan and other strategic plans						

Increasing level of reliability

Influencing factors

There are a number of external and internal factors which influence the assumptions used when preparing the LTFP.

These include:

External

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

Internal

- Goals of the Community Plan
- Asset management strategy and plans
- Financial sustainability target goals
- Service levels – current and future
- Workforce planning and Enterprise Agreements conditions and pay rates
- Treasury management and the need for borrowings
- Increase and /or decrease in service levels and their affordability

Assumptions

The content of the LTFP is based on a number of assumptions, particularly to assist the collating of information for years 4 – 10 as there are many unkowns when attempting to anticipate the longer term future.

Assumptions (Cont'd)

Much of the information in the LTFP is based on the expected forecast movement in CPI and interest rates. Interest rate movement is based on forecast trends provided by various economic analysts which indicates that rates will remain relatively low however are expected to increase gradually throughout the term of the LTFP.

The increases in expenses are based on the estimated Local Government Price Index which is described as a basket of goods purchased by local government to conduct their business, in a similar approach to the CPI measure. An estimated annual figure of 3% has been used for the entire period of the LTFP.

Capital Expenses

The cost estimates for the capital works program are based on the information provided in the most recent asset valuation report for each asset group with an annual increase consistent with the LGPI.

Capital Income

Funding that can be identified as being specifically for new and upgraded assets and also includes funding that is planned to be sourced external to council. Some of the planned capital, may not proceed if external funding applications are not successful. All other funding is treated as operating income even if it is used to support the capital program. This may include grant funds, other contributions and proceeds from the sale of assets.

Operating Income

- Total Rates Income
  The movement in the Total Rates Income is guided by the Rating Strategy which is reviewed and each year. The Rating Strategy outlines the approach to the setting of all the components of rates.

  Total rate income includes:
  - Property Rates
  - Service Charges
    - CWMS
    - Waste Collection
  - Area Rates
    - NRM levy – this amount is advised by the Northern & Yorke Natural Resources Management Board early each year.

- Grant funds
  - The Financial Assistance Grants are forecast to increase by an annual index.

  - Roads to Recovery funds are expected to cease in 2019.

  - Other grants are included where these are known or reasonably expected to be realised. This includes Public library Services funding which is assumed to be ongoing and Starclub funding for the current term to 2021.

- Investment income is forecast to be relatively low in the first 3 years of the LTFP due to the low level of funds to be held however this is expected to improve from 2020 so there will be an increase in this income source.

Assumptions (Cont'd)

Operating Expenses

- Employee costs are based on full time equivalent level at full employment. Annual increases are based on the conditions of the Enterprise Bargaining Agreement (EBA) where these are known and after the end of the term, is the LGPI is used based on the assumption that future EBA negotiated increases will be similar to LGPI.

- Materials, contract & other costs
The estimated annual increase is an average of 3% which includes higher estimated increases for utilities. However known circumstances have also been taken into account particularly in the early years of the LTFP.

- Depreciation
An average percent increase is used of 3% which is based on the planned capital works program. Movement in depreciation derived from fair value asset revaluations have not been included as they can not be reliability estimated.

Loan Borrowings & Debt

Borrowing is an important strategy for Council to fund new assets. Responsible debt management in the long term should demonstrate assessment of the impact on financial performance. The borrowing options include overdraft, fixed term or combination of arrangements. The amounts used in the LTFP are based on fixed term loans due to the low cost of funds at present.

The amount of new loan borrowings planned throughout the LTFP is low which is consistent with the objectives of the LTFP. New loans are proposed in the LTFP to support the upgrading of assets. The affordability of debt is measured by the net Financial Liabilities Ratio. A measure of 40% is a reasonably accepted sector position.

All repayments of principal and interest payments are included in the LTFP. Interest payments are shown in operating expenses.

Non-current Assets

Fair value Asset revaluation movement has not been included as it can not be reliability estimated.

Reserves

Council maintains several reserve funds for specific purposes. These include:

- Community Wastewater Management Scheme (CWMS) Reserves hold unspent rates paid by Crystal Brook and Napperby ratepayers which is used to provide for maintenance programs, repairs and capital upgrades and replacements.

- Fisherman's Wharf Reserve holds mooring fees used to provide future capital works to this area.

- Asset Revaluation Reserve is an unfunded record of changes in the fair value of Council's fixed assets.

GST

All the amounts in the LTFP are shown as exclusive of GST where this is known.

Financial Sustainability

With in Local Government, the long term financial performance and position of a council is considered to be sustainable, where planned long term service and infrastructure standards are met without unplanned increases in rates or disruptive decreases in service levels. This means that each generation pays for the cost of services and assets that they use and is known as intergenerational equity.

The financial performance is monitored using three key indicators. Target ranges for each of these are set in the Long Term Financial Plan. The financial impact of all planned activities is assessed against the targets as part of the preparation of the draft Annual Budget and at each subsequent review of the Budget. The results should be consistent with the long term target for each indicator.

The financial indicators are:
- Operating Surplus Ratio
- Net Financial Liabilities Ratio
- Asset Sustainability Ratio

A copy of the graphs for each of the financial indicators is attached to the draft LTFP.

The table shows a summary of the projected financial sustainability indicators for the first five years of the LTFP compared to the target ranges for each indicator.

FINANCIAL INDICATORS - LTFP	2017/18	2018/19	2019/20	2020/21	LTFP Target Ranges
Operating Surplus Ratio *	3%	2%	0%	2%	1 – 5 %
Net Financial Liabilities Ratio	62%	55%	50%	37%	30 - 70%
Asset Renewal Ratio	109%	75%	58%	63%	80% - 110%

Operating Surplus Ratio
The Operating Surplus Ratio expresses the operating surplus (or deficit) as a percentage of Total Income.   A deficit result means that future generations will be subsidising the current costs of services and will need to address the funding of replacement of assets.

Commencing with a small positive result in 2018/19 the position declines to 0% in 2019/20 which is below the minimum target range. It improves to 2% in 2020/21 and then continues to steadily increase for the remainder of the LTFP exceeding the maximum of the target range of 5% in 2024.

Net Financial Liabilities
Net financial liabilities are calculated as the difference between amounts owed and amounts held. Borrowing is an important strategy for Council to fund new assets. The Net Financial Liabilities Ratio measures the net financial liability amount against total operating income.

Financial Sustainability (Cont'd)

The "net debt" peaks at 63% in 2017/18 and then reduces from this point to below zero by 2028. As the ratio declines, this means that there is capacity to take out new loans to fund capital works in the later years of the LTFP when the ratio moves into negative result.

Responsible debt management in the long term should demonstrate regular assessment of the impact on financial performance. A measure of 40% is a reasonably accepted sector result.

The improvement in the debt position shows that from 2024, there is capacity to borrow funds. The strategy of the long term plan is to reduce the need for new borrowings by funding future renewal/replacement capital works from the operating surplus. This performance measure is within the target range of the LTFP.

<u>Asset Renewal Ratio</u>
The Asset Renewal Ratio measures the extent to which existing assets are being renewed or replaced, compared to the planned capital works identified in the Asset Management Plan/s.

If the capital expenditure budget for the renewal or replacement of existing assets matches that projected in the Asset Management Plan/s, then the ratio will be 100%. If the ratio is less than 100% for any extended period, this will lead to a deterioration of asset condition over time, leaving future generations of ratepayers to fund high asset maintenance and replacement to restore the asset service level.

From 2017/18, the ratio decreases to 75% in 2018/19 then declines in 2020 to 58% and remains below the minimum target range until 93% in 2022 then increases to 112% in 2023 and maintains the performance within the target range for the remainder of the LTFP. The ten year average is 94% which is within the target range of between 80 – 110%.

The development of the Asset Management Strategy and the updating of the Plans will continue to improve the forward planning.

Components of the LTFP

10 year Capital Works Plan

The draft Capital Works Plan (CWP) has gross expenditure of $84.2 million over the ten year period commencing 2017/18, of which $60.4 million represents renewal and replacement of existing assets and $23.9m for new and upgraded assets.

The CWP includes the Sports Precinct redevelopment and Swimming Facility upgrade based on a scenario of an estimated capital cost of $24m over the years 2017 - 2019.

The funding of the CWP is supported with new loan borrowings of $2 million in 2018/19 and grant funds of $2 million in 2018/19 with the balance of $80.2 million being provided from general income.

The CWP includes unfunded projects which will require further investigation of partnership funding, detailed costing and the expected Council contribution. The decisions about including these in the LTFP will need to consider all aspects and the influence on the future financial sustainability.

Capital Plan Summary 2018-28

Component	$ (m)
Total capex	$89.4
• Renewal/Replacement	$64.6
• New/Upgrade	$24.8
Funded by:	
• Grant income for New/upgrade	$2.0
• New loans proposed	$2.0
• General income	$85.4

Loans

Borrowing options include overdraft, fixed term or combination of arrangements. The amounts used in the LTFP are based on fixed term loans due to the low cost of funds at present.

The LTFP requires new borrowing of $2 million in 2018/19. There are no other new loans planned. The total loan portfolio will be $14.3 million as at 30 June 2019. This balance will gradually decrease as repayments are made. All repayments of principal and interest payments are included in the LTFP. Interest payments are shown in operating expenses.

A review of the current debt position shows that from 2023 there is capacity for new borrowings, however one of the objectives of the long term plan is to reduce the need for new borrowings by funding future renewal/replacement capital works from the operating surplus so saving the cost of interest.

Landfill liability

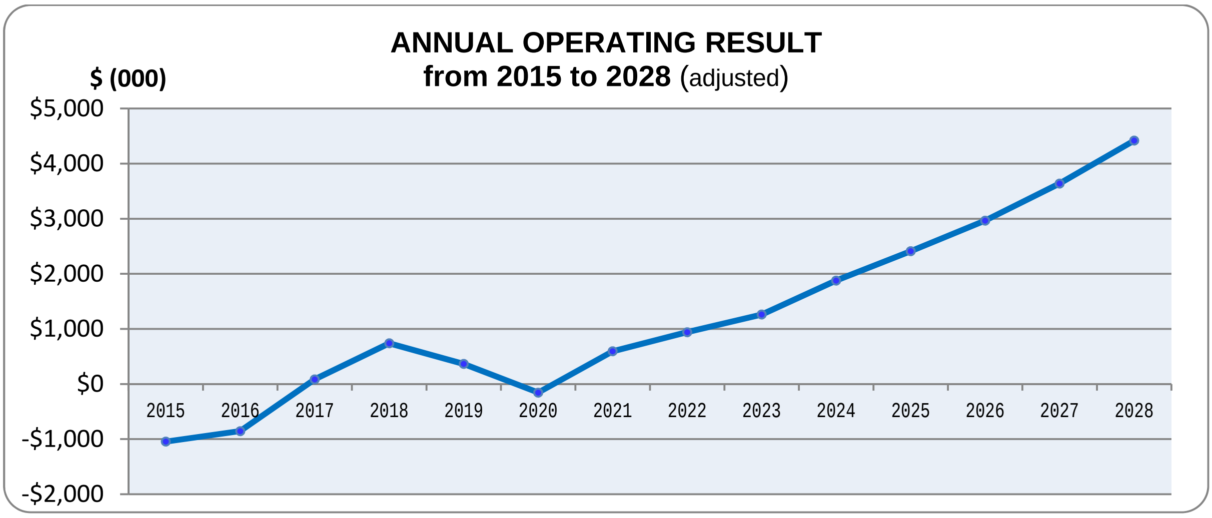
The rehabilitation of the port Pirie landfill site has been completed and the ongoing monitoring costs are now included in operating expenses

Operating Income and Expenses

The operating component of the draft LTFP is largely based on the base year with a range of adjustments to acknowledge changes of circumstances for the coming year and then projected for the future years. In general it is assumed that service levels will be maintained at the current level.

The Operating Result shows a surplus in 2018/19 and then a balanced result for 2019/20. From 2021 there is an increasing surplus for the remainder of the LTFP.

Operating Income and Expenses (Cont'd)



* Adjusted for financial assistance grant prepayments.

Operating Income:

Rate Income

Rates are the main source of income. The setting of the rates is guided by the Rating strategy. A basic principle for long term financial sustainability is for <u>ratepayers to fund the services they consume, in short for a balanced operating position</u>.

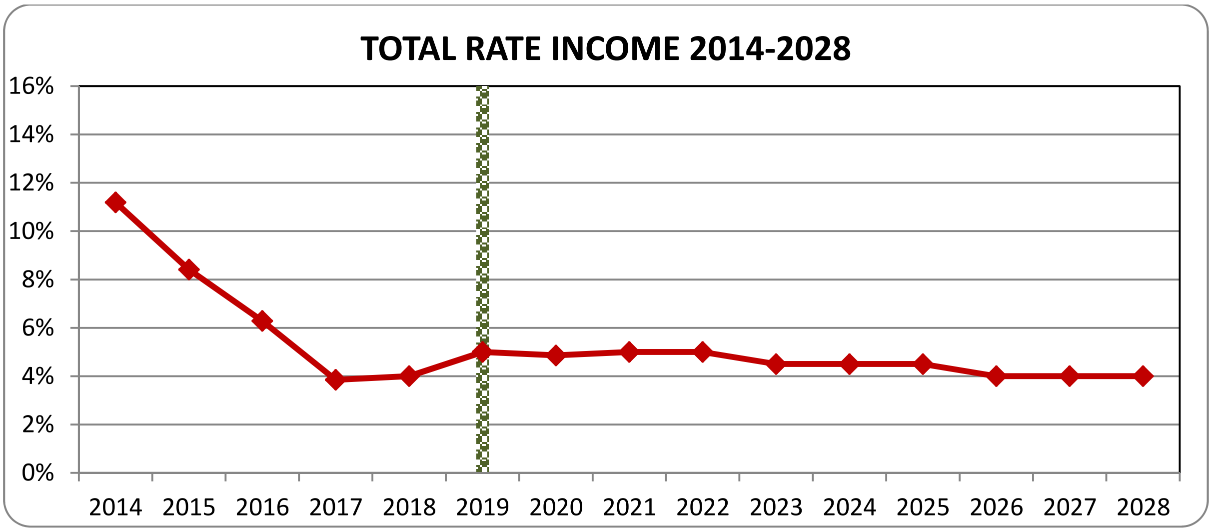
The current Rating strategy commenced in 2016 with the general approach of consistent rate increases. This followed an affirmative strategy for the previous three years to bring the average residential rate amount up to nearer the State average.

The Total Rate Income also includes Service Charges for CWMS, Waste collection and NRM levy which are calculated separately.

Total Rates Income is forecast to increase by 5% each year and then decrease to 4.5% from the year 2022 then to 4% for the remainder of the LTFP.

This assumption will be reviewed each year in light of Council planned programs and the potential influence of changing economic and socio-economic conditions on the capacity of the community to pay.

The graph below shows the history of rate increases from 2014 with the projected increases to 2028.



Recent discussions about the introduction of rate capping is a major influence. The planned increase of 5% in Total Rate Income is relative to a low rate base and the potential impact of capping at a level less than this, would effect the future financial sustainability of Council and its ability to deliver the Community Plan.

Other Income types:

- Grants and Subsidies are based on information at the time of preparation. The main grant income is the Financial Assistance Grants (FAG's) which has been indexed and the current information regarding the Roads to Recovery (R2R) funding up to 2019.
- Fees & Charges including Licence fees – assumes an increase each year of between 2.5% and 5% which also includes anticipated growth in the number of users of these services. (The methodology for Lease fees is based on property information.)
- Interest income from funds on hand is monitored and reviewed each year depending on the level of anticipated funds and interest rate movements.
  Funds on hand are expected to be relatively low throughout the early years and with the current low interest rates expected to continue, the estimated income is lower than in later years of the plan. This income type also includes community loan repayments.

Operating Expenses:

An underlying assumption of the LTFP is that current service levels and programmed activities would continue so the future estimated expenses are developed from the base year and adjusted to reflect known changes. This includes additional maintenance costs for new and upgraded assets and, also includes expected decreases where investment in infrastructure will mean improved efficiencies and reduced ongoing expenses.

Adjustments include:

- Employee costs increase of between 2% - 2.5%. This may vary in future years as it is dependant on future EB negotiations. From 2021 there are further planned increases in the Superannuation Guarantee at the rate of 0.5% each year for 4 years;
- Sport & Recreation: increase due to operation of new facilities (estimated);
- Depreciation: increase following asset revaluations and for new assets;
- Finance Charges: increase to reflect the proposed new borrowings;
- Other expenses: increase up to 2% each year;
- Specific events: LG Elections in 2022 and 2026;
- GST is excluded from all amounts.

Monitoring Financial Performance

The LTFP is available for public consultation each year as part of the community consultation prior to the adoption of the Business Plan.

The LTFP is updated during the year, firstly to include the result from the previous financial year and then following each budget review, to ensure that the financial performance is monitored against the target range set for each financial indicator.

FINANCIAL STATEMENTS AND FINANCIAL INDICATORS

Port Pirie Regional Council - Long Term Financial Plan 2018-28 (draft)

STATEMENT OF COMPREHENSIVE INCOME	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Actual	Year 0 Budget	Year 1 Budget	Year 2 Plan	Year 3 Plan	Year 4 Plan	Year 5 Plan	Year 6 Plan	Year 7 Plan	Year 8 Plan	Year 9 Plan	Year 10 Plan
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
INCOME												
Rates & Charges	16,914	17,582	18,426	19,355	20,322	21,338	22,298	23,302	24,350	25,324	26,337	27,391
Statutory Charges	268	356	249	255	261	268	274	280	286	292	298	304
User Charges	1,578	1,591	1,560	1,638	1,720	1,806	1,887	1,972	2,061	2,143	2,229	2,318
Grants, subsidies and contributions	7,394	3,933	5,252	4,677	4,719	4,787	4,857	4,927	4,998	5,071	5,144	5,219
Investment Income	105	51	75	99	153	119	65	93	92	120	196	315
Reimbursements and Other	695	515	554	566	583	601	619	637	656	676	696	717
TOTAL INCOME	**26,954**	**24,027**	**26,116**	**26,590**	**27,758**	**28,919**	**30,000**	**31,210**	**32,443**	**33,626**	**34,901**	**36,263**
EXPENSES												
Employee Costs	7,151	7,229	7,709	7,899	8,088	8,316	8,581	8,885	9,226	9,569	9,912	10,257
Materials, contracts & other expenses	10,595	11,397	10,790	10,820	10,962	11,082	11,193	11,346	11,530	11,715	11,903	12,093
Finance Charges	157	190	263	614	560	506	450	402	353	312	270	226
Depreciation, amortisation & impairment	6,741	6,661	6,883	7,326	7,461	7,978	8,433	8,643	8,899	9,087	9,259	9,430
TOTAL EXPENSES	**24,644**	**25,477**	**25,645**	**26,659**	**27,071**	**27,882**	**28,656**	**29,275**	**30,007**	**30,682**	**31,344**	**32,005**
Operating Surplus/(Deficit) before Capital Income	**2,310**	**(1,449)**	**471**	**(69)**	**687**	**1,037**	**1,344**	**1,935**	**2,436**	**2,944**	**3,557**	**4,258**
CAPITAL INCOME												
Asset disposal & fair value adjustments	(909)	-	-	-	-	-	-	-	-	-	-	-
Amounts received specifically for new or upgraded assets	7,352	3,947	2,000	-	-	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME	**8,753**	**2,498**	**2,471**	**(69)**	**687**	**1,037**	**1,344**	**1,935**	**2,436**	**2,944**	**3,557**	**4,258**

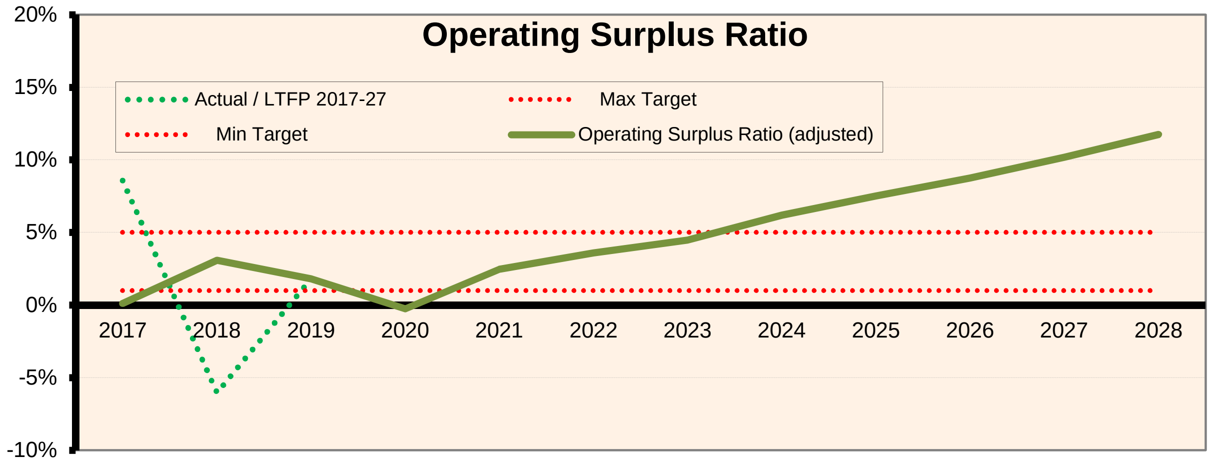
Port Pirie Regional Council - Long Term Financial Plan

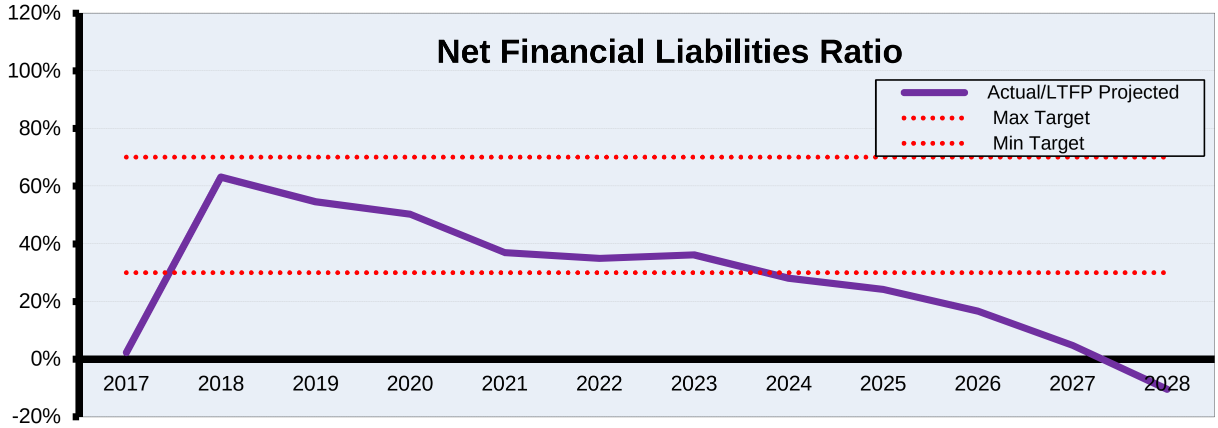
STATEMENT OF FINANCIAL POSITION	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS												
Current Assets												
Cash and cash equivalents	3,201	65	2,450	2,432	4,250	3,137	1,349	2,280	2,260	3,024	5,556	9,521
Trade and other receivables	3,273	2,173	1,173	773	773	773	773	773	773	973	973	973
Other	93	93	98	98	98	98	98	98	98	98	98	98
Total Current Assets	**6,567**	**2,331**	**3,721**	**3,303**	**5,121**	**4,008**	**2,220**	**3,151**	**3,131**	**4,095**	**6,627**	**10,592**
Non-current Assets												
Financial Assets	244	183	121	99	81	63	47	32	22	15	15	-
Infrastructure, Property, Plant and Equipment	237,089	239,290	257,162	258,099	255,664	256,592	258,792	258,635	260,357	261,240	261,072	260,097
Other	2,566	18,388	2,388	500	500	500	500	500	500	500	500	500
Total Non-Current Assets	**239,899**	**257,861**	**259,671**	**258,698**	**256,245**	**257,155**	**259,340**	**259,167**	**260,879**	**261,755**	**261,588**	**260,597**
TOTAL ASSETS	**246,466**	**260,192**	**263,392**	**262,001**	**261,366**	**261,163**	**261,560**	**262,318**	**264,010**	**265,850**	**268,215**	**271,189**
LIABILITIES												
Current Liabilities												
Trade and other payables	1,595	1,360	2,046	2,030	2,030	2,030	2,030	2,030	2,030	1,730	1,430	1,122
Borrowings	393	413	1,233	1,263	1,316	1,107	1,150	945	982	1,019	1,059	1,059
Provisions	2,547	1,583	1,570	1,498	1,442	1,477	1,533	1,505	1,506	1,482	1,407	1,288
Total Current Liabilities	**4,535**	**3,356**	**4,849**	**4,791**	**4,788**	**4,614**	**4,713**	**4,480**	**4,518**	**4,231**	**3,896**	**3,469**
Non-current Liabilities												
Borrowings	2,691	15,098	13,034	11,772	10,455	9,349	8,199	7,253	6,272	5,252	4,194	3,135
Provisions	111	111	111	111	111	111	111	111	111	111	111	111
Total Non-Current Liabilities	**2,802**	**15,209**	**13,145**	**11,883**	**10,566**	**9,460**	**8,310**	**7,364**	**6,383**	**5,363**	**4,305**	**3,246**
TOTAL LIABILITIES	**7,337**	**18,565**	**17,994**	**16,674**	**15,354**	**14,074**	**13,023**	**11,846**	**10,900**	**9,595**	**8,201**	**6,715**
NET ASSETS	**239,129**	**241,628**	**245,398**	**245,327**	**246,012**	**247,089**	**248,537**	**250,472**	**253,110**	**256,255**	**260,014**	**264,474**
EQUITY												
Accumulated Surplus	63,862	66,377	70,166	70,095	70,780	71,817	73,160	75,095	77,533	80,477	84,034	88,291
Asset Revaluation Reserve	174,437	174,437	174,437	174,437	174,437	174,437	174,437	174,437	174,437	174,437	174,437	174,437
Other Reserves	830	814	795	795	795	835	940	940	1,140	1,341	1,543	1,746
TOTAL EQUITY	**239,129**	**241,628**	**245,398**	**245,327**	**246,012**	**247,089**	**248,537**	**250,472**	**253,110**	**256,255**	**260,014**	**264,474**

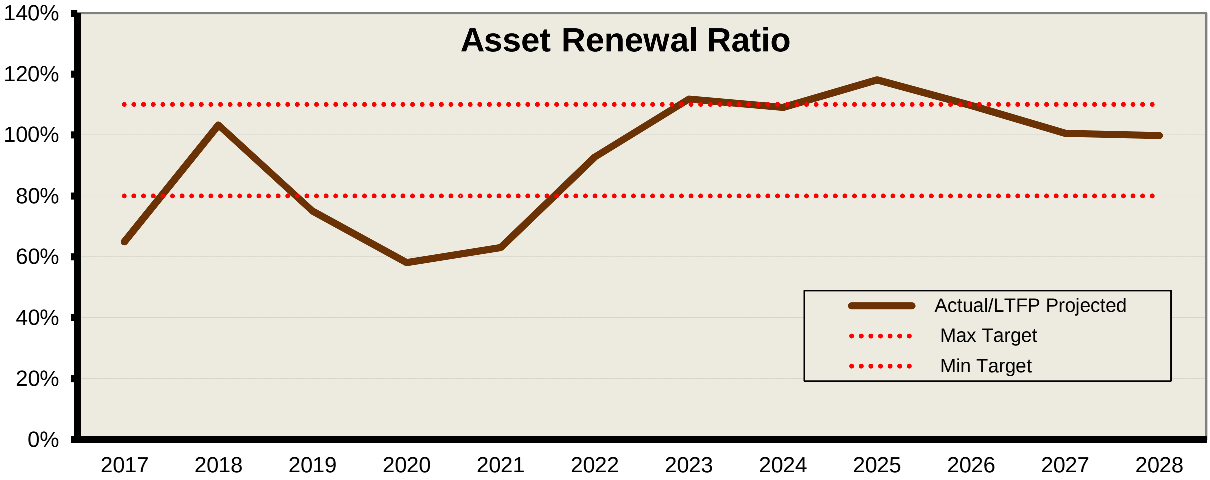
Port Pirie Regional Council - Long Term Financial Plan

UNIFORM PRESENTATION OF FINANCES	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Income	26,954	24,027	26,116	26,590	27,758	28,919	30,000	31,210	32,443	33,626	34,901	36,263
less Expenses	24,644	25,477	25,645	26,659	27,071	27,882	28,656	29,275	30,007	30,682	31,344	32,005
	2,310	**(1,449)**	**471**	**(69)**	**687**	**1,037**	**1,344**	**1,935**	**2,436**	**2,944**	**3,557**	**4,258**
less **Net Outlays on Existing Assets**												
Capital Expenditure on renewal/replacement of Existing Assets	4,663	7,879	5,320	4,096	4,384	6,376	7,654	7,468	8,076	7,509	6,896	6,845
less Depreciation, Amortisation and Impairment	(6,741)	(6,661)	(6,883)	(7,326)	(7,461)	(7,978)	(8,433)	(8,643)	(8,899)	(9,087)	(9,259)	(9,430)
less Proceeds from Sale of Replaced Assets	(119)	(160)	(290)	(200)	(160)	(160)	(160)	(160)	(160)	(160)	(160)	(160)
	(2,197)	**1,058**	**(1,853)**	**(3,430)**	**(3,237)**	**(1,764)**	**(939)**	**(1,335)**	**(983)**	**(1,738)**	**(2,523)**	**(2,745)**
less **Net Outlays on New and Upgraded Assets**												
Capital Expenditure on New and Upgraded Assets	6,505	16,757	3,863	2,979	1,304	2,890	3,139	1,178	2,705	2,621	2,355	1,770
less Amounts received specifically for New/upgraded Assets	-	(3,947)	(2,000)	-	-	-	-	-	-	-	-	-
less Proceeds from Sale of Surplus Assets	(120)	-	-	-	-	-	-	-	-	-	-	-
	6,385	**12,810**	**1,863**	**2,979**	**1,304**	**2,890**	**3,139**	**1,178**	**2,705**	**2,621**	**2,355**	**1,770**
Net Lending / (Borrowing) for Financial Year	**(1,878)**	**(15,316)**	**461**	**382**	**2,621**	**(89)**	**(857)**	**2,093**	**714**	**2,061**	**3,725**	**5,233**
New Loan Borrowings proposed		*12,820*	*2,000*	-	-	-	-	-	-	-	-	-
FINANCIAL INDICATORS												
Operating Surplus Ratio	**9%**	**-6%**	**2%**	**0%**	**2%**	**4%**	**4%**	**6%**	**8%**	**9%**	**10%**	**12%**
Operating Surplus												
Operating Result / Total Operating Income												
Operating Surplus Ratio (adjusted)	**0%**	**3%**	**2%**	**0%**	**2%**	**4%**	**4%**	**6%**	**8%**	**9%**	**10%**	**12%**
Operating Surplus												
Operating Result / Total Operating Income +/- FAG's grants												
Net Financial Liabilities Ratio	**2%**	**63%**	**55%**	**50%**	**37%**	**35%**	**36%**	**28%**	**24%**	**17%**	**5%**	**-10%**
Net Financial Liabilities												
Financial Liabilities less Financial Assets / Total Operating Income												
Asset Renewal Ratio	**65%**	**103%**	**75%**	**58%**	**63%**	**93%**	**112%**	**109%**	**118%**	**110%**	**101%**	**100%**
Net Asset Renewals												
Capital Renewal / Asset Management Plan												

Port Pirie Regional Council: LTFP Financial Indicators 2018-2028







CAPEX	***2017***	***2018***	***2019***	***2020***	***2021***	***2022***	***2023***	***2024***	***2025***	***2026***	***2027***	***2028***
Capital Renewal	$4,663	$7,879	$5,320	$4,096	$4,384	$6,376	$7,654	$7,468	$8,076	$7,509	$6,896	$6,845
Capital New	$6,505	$16,757	$3,863	$2,979	$1,304	$2,890	$3,139	$1,178	$2,705	$2,621	$2,355	$1,770
Capital Total	**$11,168**	**$24,636**	**$9,183**	**$7,075**	**$5,688**	**$9,265**	**$10,793**	**$8,645**	**$10,781**	**$10,130**	**$9,251**	**$8,615**

Assumptions												
Total Rate Income increase	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**4.5%**	**4.5%**	**4.5%**	**4.0%**	**4.0%**	**4.0%**
New Loans	***$0.0***	***$12.8***	***$2.0***	***$0.0***	***$0.0***	***$0.0***	***$0.0***	***$0.0***	***$0.0***	***$0.0***	***$0.0***	***$0.0***

PP Sport Precinct Total **$24m** Capital; $10m Grant, $14m Loan

Summary of Capital Works Program by Asset

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	TOTAL 2018-28
Land	250										**250**
Buildings	315	100	50	185	200	170	250	500	400	500	**2,670**
Site Imp/Structures	3,865	370	750	375	598	640	695	780	775	565	**9,413**
CWMS	80			80	210		400				**770**
Drainage	110	600	30	1,400	225	1,415	3,000	2,920	1,000	900	**11,600**
Roads - Sealed	1,700	1,800	1,860	1,100	2,500	2,700	2,460	2,940	2,400	2,900	**22,360**
Roads - Unsealed	885	1,115	1,160	1,180	1,210	1,160	1,170	1,165	1,150	1,370	**11,565**
Footpaths	50	50	200	550	600	600	600	300	400	400	**3,750**
Kerb	300	500	400	400	650	850	850	850	850	850	**6,500**
Road ancillary			2								**2**
Bridges		1,500									**1,500**
Plant & Vehicles	865	795	1,080	870	1,460	910	1,220	640	720	970	**9,530**
Equipment		20	16				16				**52**
IT / Equipment	215	215	70	115	130	135	110	25	46	145	**1,206**
Furniture & Fittings	548	10	70	10	10	65	10	10	10	15	**758**
Major Projects				3,000	3,000				1,500		**7,500**
Grand Total	**9,183**	**7,075**	**5,688**	**9,265**	**10,793**	**8,645**	**10,781**	**10,130**	**9,251**	**8,615**	**89,426**

TOTAL NEW/UPGRADE	*3,863*	*2,979*	*1,304*	*2,890*	*3,139*	*1,178*	*2,705*	*2,621*	*2,355*	*1,770*	***24,802***
TOTAL REPLACEMENT/RENEWAL	*5,320*	*4,096*	*4,384*	*6,376*	*7,654*	*7,468*	*8,076*	*7,509*	*6,896*	*6,845*	***64,622***
TOTAL	*9,182*	*7,075*	*5,688*	*9,265*	*10,793*	*8,645*	*10,781*	*10,130*	*9,251*	*8,615*	***89,425***
Asset Renewal Ratio (AMP)	*75%*	*58%*	*63%*	*93%*	*112%*	*109%*	*118%*	*110%*	*101%*	*100%*	***94%***

RATING STRATEGY 2018-28

OVERVIEW

Rates are a major income source for the delivery of the many Council services and activities. Periodically Council will review its approach to the setting of property rates, particularly as part of reviewing Strategic long term plans and the Business Plan and Budget.

In 2016 Council decided that future rate increases will be both reasonable and consistent across all land use types. This followed a period of variable rate increases. Council will also continue to actively seek alternate funding sources in an effort to reduce the impact of the rate burden.

PURPOSE OF RATES

Each year Council seeks to raise an amount in general rate income, including the waste management service charge that will provide a level of funding to enable Council to meet all of its operating expenses and to make a significant contribution towards the capital works program.

The Local Government Act 1999 provides for a Council to raise income to be spent for the purposes of its operations. Chapter 10 of the Act describes the requirements for the setting of property rates. A Council is also able to raise a separate rate for specific areas of the Council or a service rate or charge for any specific service.

PREVIOUS RATING STRATEGY

In 2013, Council conducted a review of its property rating structure, which resulted in a reduction of the business differential rate in the dollar and an increase to primary production rates in the dollar to 80% of the residential rate. In addition, the 'Other' differential rate was reduced to align with the Residential rate, resulting in reduced rates for many sporting and community groups.

These changes were fully implemented over a three year period ending June 2016.

LONG TERM FINANCIAL PLANNING

Council has adopted a 10 year Long Term Financial Plan to guide the consideration of the income needed to implement the strategies outlined in the Community Plan and to meet the ongoing and future funding obligations.

Over the period of the Long Term Financial Plan, it is proposed that Total Rate Income will be increased by:

- 5% each year to 2023,
- then by 4.5% each year to 2026 and
- then by 4% each year.

PROPERTY RATES CALCULATION

Council is able to raise income through a general rate, which applies to all rateable properties, or through a differential general rate, which applies to different classes of property (land-use types) and location.

Land use types are based on information provided by the SA Valuer General.

LAND USE TYPES
Residential
Commercial - Shops
Commercial - Offices
Commercial - Other
Industry - Light
Industry - Other
Primary Production
Vacant Land
Other

Method Used to Value Land

In accordance with the Local Government Act 1999, Council may adopt one of three valuation methodologies to value the properties in its area.

These are:

- Capital Value – the value of the land and all of the improvements on the land.
- Site Value – the value of the land and any improvements which permanently affect the amenity of use of the land, such as drainage works, but excluding the value of buildings and other improvements.
- Annual Value – a valuation of the rental potential of the property.

Capital value will continue to be used as the basis for valuing land within the Council area.

The Council considers that this method of valuing land provides the fairest method of distributing the rate burden across all ratepayers when applying the equity test of taxation.

The valuation method adopted also takes into account the locality of property and accessibility to facilities and services.

RATING STRATEGY 2018-28

Impact of Rating

Council considers the impact of rate increases on residential, business, including manufacturing and retail, service industry and primary production sectors.

It also takes into account the goals of the strategic community plan, comments received from community consultation and the current economic conditions.

Changes in the valuation of different types of properties, and the equity balance of the distribution of the rate burden are reflected in the Council decision to set a differential general rate based on the land-use types across the entire council area.

Setting of Rates

In setting the rates, Council considers a number of matters including the:

- service delivery needs and related expenditure priorities in relation to the Strategic Plan, community needs, and Federal and State grants received;
- need for an ongoing sustainable capital works program to renew and upgrade essential infrastructure assets;
- amount and type of resources required to deliver Council services;
- impact of rate increases on the community, including householders, businesses and primary producers;
- the broad principle that the rate in the dollar should be the same for all properties except where there is clearly a different level of services available to ratepayers or some other circumstance to consider a variation;
- minimising the level of general rates by setting fees and charges for council goods and services, on a user pays basis, where it is possible to recover the full cost of operating or providing the service or goods, with provision for concessions to those members of the community unable to meet the full cost;
- increase or decrease in the capital values of properties.

Fixed Charge and Differential General Rates

Council has decided to apply differential rating strategies across the council area.

Property rates for individual properties comprise of a fixed charge plus an amount calculated by multiplying the rating factor (determined by Council) by the capital value of the property (determined by the Valuer-General.)

The fixed charge component of individual property rates will continue to provide 30% of the total rate income by equal contribution. The remaining 70% is provided through the differential rates in the dollar.

In recognition of the variation in the level of services provided or available to occupiers of the different land-use categories and locations throughout Council's area, a differential rating factor has been applied. In setting the variable rate, Council is mindful to apply consistency across all assessments, and to ensure that the rate burden does not shift significantly from one sector to another.

Council has decided to apply the following differential rating strategies across the entire area, according to principal use of the land:

- The assumption that residential properties represent the majority number of properties (75%) and that any other categories should be calculated as a percentage of this 'base rate'.
- Acknowledgement that businesses can generate a greater relative consumption of Council's infrastructure and services, therefore being a greater draw on Council's resources. A differential rate of 200% of the base rate is applicable for Commerce and Industry.
- Acknowledgement of the economic and social importance of primary production to the district and therefore to support its long term viability. A differential rate of 80% of the base rate is applicable for Primary Production property.
- Acknowledgement that vacant land can incur a significant holding cost for constructed infrastructure (above what valuations would produce), to encourage its development or sale and to recover a meaningful contribution towards the provision of community facilities and services, a differential rate of 200% of the base rate is applicable for Vacant property.
- Other land generally includes properties owned by community groups and sporting associations, many of which are eligible and receive rebates from Council. A differential rate of 100% of the base rate is applicable for Other property.

RATING STRATEGY 2018-28

SERVICE CHARGES

Waste Management Service Charge (WMSC)

Council has a three bin waste collection service for all residential properties. Council is required to recover no more than the actual cost of providing the service.

A number of rural properties will receive a discounted charge where their property access point is more than 500 metres from their bin collection point. Rebates will be automatically applied to these properties.

NB: Many commercial properties have voluntarily participated in the new collection service and are invoiced through Council's debtor system, with no impact on rates.

Community Wastewater Management Schemes

Council provides effluent disposal systems to residential and commercial properties in Crystal Brook and Napperby. The full cost of operating and maintaining the service is recovered through a charge for each property to which the service is available, including non-rateable properties.

The following charging principles apply:

- CWMS systems to be assessed independently, as each is of a different type and age;
- Total charges will reflect the average annual cost of operations (including depreciation);
- Charges on vacant properties will be 75% of occupied properties, reflecting pump out cost recovery from occupied properties;
- Ongoing Napperby irrigation costs be treated as general Council and not CWMS cost.

Any surplus of income over expense is kept in a dedicated reserve account for future scheme replacement or upgrades.

Natural Resources Management Levy

The Natural Resource Management Act 2004 requires Council to raise a levy on behalf of the Northern and Yorke Natural Resources Management Board. This levy is shown separately on the rates notice.

Council is required to raise the levy amount on each property and it recovers this amount by applying a 'rate in the dollar' against the capital value of every property in the area.

Council does not retain this income, nor determine how the income is spent.

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