

Glenorchy City Council

Long Term Financial Management Plan 2018/19 to 2027/28

Background

During November 2017, Management began to formulate the 2018/19 Budget and the Long Term Financial Management Plan (LTFMP) 2018/19 to 2027/28. An important part of the annual Budget development process includes a review of both external and internal conditions and the development of assumptions and parameters for the Budget and the 10 year LTFMP. These internal and external conditions are considered in the annual review of the Organisation's Strategic Plan and are critical in the development of the Organisations 4 Year Operational Plan.

The starting point for this process was the 2016/17 and 2017/18 Budgets and the LTFMP approved by Council in June 2016. The 2018/19 assumptions build on the 2017/18 Budget assumptions updated to reflect changes in economic conditions and on projections including forecasts of the Consumer Price Index (CPI), the Council Cost Index (CCI) and Interest Rates. Other assumptions specific to Council are based on projected future financial performance and known changes to Revenue, Expenditure and Capital Expenditures.

A Consumer Price Index of 2.5% and a Council Cost Index of 2.5% have been used in the 2018/19 to 2027/28 LTFMP. Council Internal Assumptions include:

- an updated Organisation Structure,
- the maintenance of existing Service Levels, and
- projected key financial assumptions for Revenue, Expenditure and Capital Works.

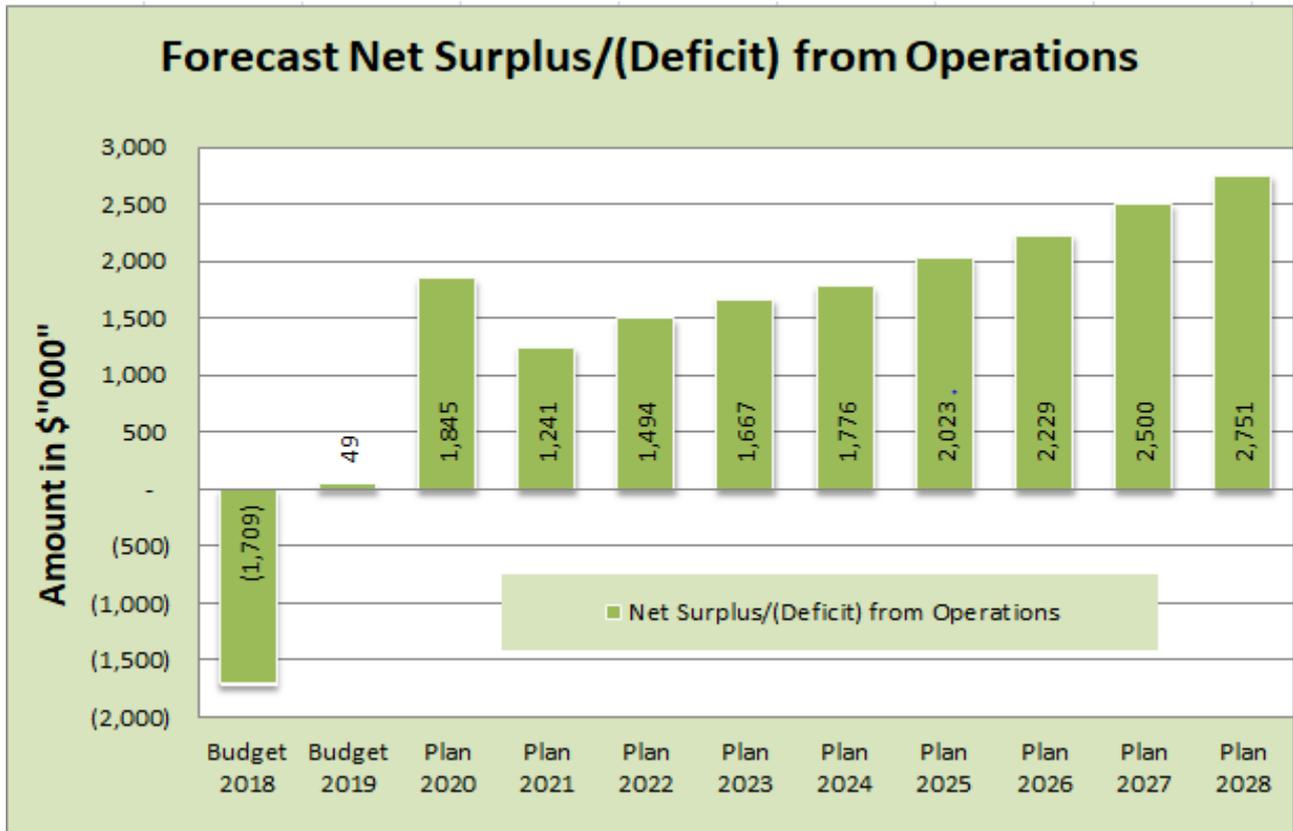
Net Surplus/ Deficit

The following chart illustrates Council's Long Term Net Surplus/ Deficit from Operations Forecast over the 10 year period commencing 1 July 2018, based on current Revenue and Expenditure settings.

Beyond the General Rate increase of 12.5% in the 2018/19 Budget, the LTFMP includes annual increases of 2.5% over the next nine years. This increase is partially offset by a planned \$1.1 million per annum reduction in revenue from TasWater for the next seven years. Regardless of this offset, Operating Revenue over the next 10 years is predicted to grow on average by 2.5% each year.

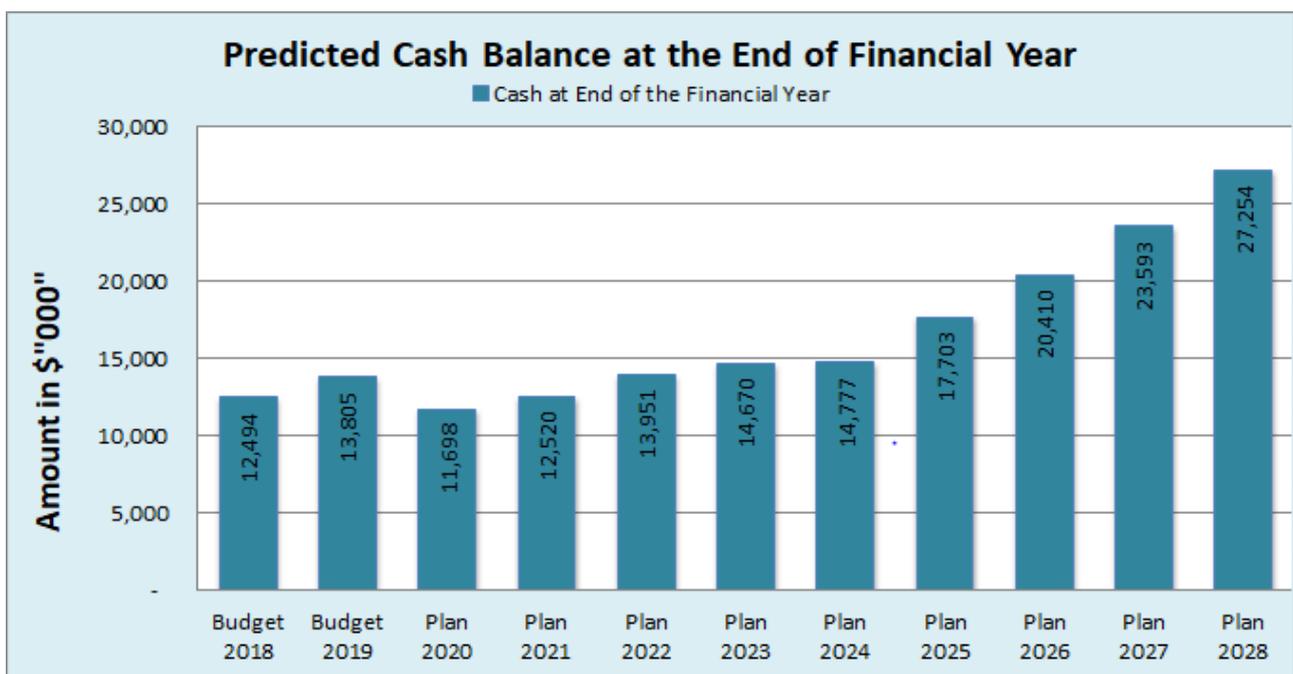
In concert with this increase in Operating Revenue, Operating Expenditure is predicted to grow on average by 2.2% annually over the next 10 years. It should however be noted that financial modelling of the landfill closure, currently planned for 2020/21, has not yet been undertaken and may unfavourably impact the financial position of the Council from that time onwards.

As the chart shows, Operating Surpluses are growing over the longer term and presenting Council with the ability to continue to maintain community services and delivery on a sustainable basis.



Cash Flow

The Chart below illustrates Council's predicted Cash Balance as at 30 June, over the 10 year period of the LTFMP commencing 1 July 2018.



The chart discloses that Council's proposed revenue and expenditure measures will generate sufficient Cash to meet all currently known expenditure obligations, while creating sufficient reserve funds to maintain sustainable operations.

Summary

Based on the LTFMP assumptions, outlined above, Council is forecasting for 2018/19 and beyond as follows:

1. **Net Surplus** from Operations (including Capital Grants \$429K and Net Asset Sales) of \$567,000 in 2018/19 increasing to \$3.35 million in 2027/28.
2. **Total Revenue** of \$60.17 million in 2018/19 and increasing at an average rate of 2.5% to \$75.52 million in 2027/28,
3. **Total Operating Expenses** of \$59.6 million in 2018/19 and increasing at an average rate of 2.2% to \$72.17 million in 2027/28,
4. **Capital expenditure** of \$13.76 million in 2018/19 and increasing at an average rate of 2.1% to \$16.54 million in 2027/28,
5. **Loan balances** of \$4.27 million as at 30 June 2018 and decreasing in line with existing approved repayment plans to fully extinguish the debt in 2026/27,
6. **Cash balances** of \$13.61 million as at 30 June 2018 and increasing to \$27.25 million at 30 June 2028.

Table 1– LTFMP Comprehensive Income Statement over 10 Year Period

Long Term Financial Management Plan											
Low Scenario											
Period start	1 Jul 18	1 Jul 19	1 Jul 20	1 Jul 21	1 Jul 22	1 Jul 23	1 Jul 24	1 Jul 25	1 Jul 26	1 Jul 27	1 Jul 28
Period end	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26	30 Jun 27	30 Jun 28	30 Jun 29
# Comprehensive Income Statement											
Revenue from Operating Activities											
Rates and Charges	34,204	35,230	36,287	37,376	38,497	39,652	40,841	42,067	43,329	44,628	
Grants - Operating (Recurrent)	4,126	4,229	4,335	4,443	4,554	4,668	4,785	4,905	5,027	5,153	
Contributions (Monetary)	118	121	124	127	130	134	137	140	144	147	
User Charges	12,532	12,002	12,312	12,630	12,956	13,290	13,622	13,963	14,322	14,690	
State Fire Contribution Income	5,670	5,755	5,870	6,017	6,122	6,214	6,369	6,529	6,692	6,859	
Investment Income from TasWater	2,172	2,172	2,172	2,172	2,172	2,172	2,172	2,226	2,282	2,339	
Total Revenue from Operating Activities	58,822	59,509	61,100	62,765	64,432	66,130	67,926	69,829	71,795	73,817	
Revenue from Outside of Operating Activities											
Interest Revenue	375	289	306	335	345	339	402	458	525	601	
Other Revenue Outside of Operating Activities	541	555	568	583	597	612	627	643	659	676	
Total Revenue from Outside Operating Activities	916	844	874	918	942	951	1,029	1,101	1,184	1,277	
Total Revenue	59,738	60,353	61,974	63,682	65,374	67,081	68,956	70,930	72,979	75,093	
Operating Expenses from Ordinary Activities											
Employee Costs	(22,450)	(23,348)	(24,664)	(25,404)	(26,166)	(26,951)	(27,760)	(28,592)	(29,450)	(30,334)	
Employee Costs Provisioned	-	(146)	(148)	(150)	(152)	(154)	(157)	(159)	(161)	(164)	
Materials & Consumables	(16,885)	(14,263)	(14,653)	(14,849)	(15,049)	(15,252)	(15,459)	(15,708)	(15,962)	(16,226)	
Bad and Doubtful Debts	(2)	(2)	(3)	(3)	(3)	(4)	(4)	(4)	(4)	(4)	
Depreciation	(13,818)	(13,906)	(14,260)	(14,624)	(14,999)	(15,383)	(15,778)	(16,185)	(16,601)	(17,062)	
Other Operating Expenses	(650)	(666)	(683)	(700)	(717)	(735)	(754)	(773)	(792)	(812)	
Interest on Borrowings (Finance Costs)	(72)	(123)	(78)	(35)	(12)	(8)	(3)	(1)	(0)	(0)	
State Fire Contribution Expenditure	(5,642)	(5,755)	(5,870)	(5,987)	(6,107)	(6,229)	(6,354)	(6,513)	(6,675)	(6,842)	
Additional WDL costs on New Assets	-	(129)	(204)	(266)	(331)	(418)	(495)	(597)	(664)	(729)	
Assets Written Off	(170)	(170)	(170)	(170)	(170)	(170)	(170)	(170)	(170)	(170)	
Total Operating Expenses	(59,689)	(59,508)	(60,734)	(62,189)	(63,707)	(65,305)	(66,933)	(68,702)	(70,480)	(72,343)	
Net Surplus/(Deficit) from Operations	49	1,845	1,241	1,494	1,667	1,776	2,023	2,229	2,500	2,751	
Adjustments											
Grants - Capital (Recurrent)	429	429	429	429	429	429	429	429	429	429	
Net Gain/(Loss) on Disposal of Property Plant & Equipment	(70)	200	200	200	200	200	200	200	200	200	
Total Adjustments	359	629	629	629	629	629	629	629	629	629	
Operating Surplus/(Deficit) after Adjustments	408	2,474	1,870	2,123	2,296	2,405	2,652	2,858	3,129	3,380	

Table 2- LTFMP for major Capital expenditure over 10 Year Period

Long Term Financial Management Plan		Low Scenario											
		1 Jul 18	1 Jul 19	1 Jul 20	1 Jul 21	1 Jul 22	1 Jul 23	1 Jul 24	1 Jul 25	1 Jul 26	1 Jul 27	1 Jul 28	
# Capital Works Statement		Period start	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26	30 Jun 27	30 Jun 28	
		Period end											
Buildings		2,305	2,262	2,324	2,388	2,454	2,520	2,590	2,661	2,734	2,808		
Plant, machinery and equipment		1,746	496	629	637	805	924	567	741	644	762		
Computers and telecommunications		510	555	273	155	1,675	2,323	150	545	473	240		
Roads		7,696	9,455	9,239	9,409	9,645	9,887	10,136	10,382	10,655	10,925		
Stormwater		1,358	1,510	1,530	1,560	1,590	1,620	1,653	1,683	1,716	1,751		
Stormwater Property Connections		50	50	50	50	50	50	50	50	50	50		
Water		100	.	.	.	.	.	.	.	.	.
Total Capital Works		13,765	14,318	14,045	14,199	16,219	17,324	15,166	16,072	16,272	16,536		
Represented by:													
Renewal Investment		9,794	10,832	11,131	11,237	12,390	13,342	11,992	12,774	12,916	13,088		
Upgrade Investment		1,445	1,754	1,450	1,466	1,698	1,817	1,572	1,660	1,679	1,731		
Expansion Investment		.	.	.	.	.	.	.	.	.	.
New Investment		2,526	1,732	1,464	1,496	1,530	1,565	1,602	1,639	1,677	1,717		
Total Capital Works		13,765	14,318	14,045	14,199	16,219	17,324	15,166	16,072	16,272	16,536		

Table 3- LTFMP Cash Flow balances over 10 Year Period

Long Term Financial Management Plan												
Low Scenario												
Period start												
Period end												
# Cash Flow Statement												
Cash flows from Operating Activities												
Rates and Charges Received	33,795	34,244	36,229	37,320	38,441	39,600	40,774	42,002	43,262	44,566		
Grants - Operational Received	4,126	4,111	4,328	4,437	4,548	4,662	4,777	4,897	5,019	5,146		
Grants - Capital Received	429	417	428	428	428	428	428	428	428	428		
Interest Received	375	289	306	335	345	339	402	458	525	601		
User Fees Received	12,155	11,666	12,292	12,611	12,937	13,273	13,600	13,942	14,300	14,670		
Other Revenue Received	2,802	8,362	8,721	8,885	9,008	9,120	9,290	9,524	9,762	10,007		
Employee Costs Paid	(22,450)	(24,050)	(24,649)	(25,393)	(26,154)	(26,941)	(27,744)	(28,572)	(29,432)	(30,319)		
Materials and Consumables Paid	(17,562)	(14,694)	(14,646)	(14,844)	(15,044)	(15,248)	(15,452)	(15,698)	(15,954)	(16,220)		
Trust Funds and Deposits	-	21	22	22	22	22	23	23	23	23		
Other Expenses Paid	(5,851)	(6,917)	(6,923)	(7,120)	(7,322)	(7,550)	(7,768)	(8,047)	(8,296)	(8,549)		
Net Cash flows from Operating Activities	13,919	13,449	16,108	16,681	17,209	17,706	18,330	18,957	19,636	20,353		
Cash flows from Investing Activities												
Payment for Property Plant and Equipment and Infrastructure	(12,670)	(14,318)	(14,045)	(14,199)	(16,219)	(17,324)	(15,166)	(16,072)	(16,272)	(16,536)		
Proceeds/(Payments) from/for Financial Assets	-	(329)	(332)	(335)	(339)	(342)	(346)	(349)	(353)	(356)		
Net Cash flows from Investing Activities	(12,670)	(14,447)	(14,177)	(14,334)	(16,357)	(17,466)	(15,312)	(16,221)	(16,425)	(16,692)		
Cash flows from Financing Activities												
Repayments of Interest Bearing Loans and Borrowings	(950)	(986)	(1,031)	(881)	(120)	(125)	(89)	(28)	(28)	-		
Finance Costs	-	(123)	(78)	(35)	(12)	(8)	(3)	(1)	(0)	(0)		
Net Cash flows from Financing Activities	(950)	(1,109)	(1,109)	(916)	(132)	(132)	(93)	(29)	(29)	(0)		
Net Change in Cash Held	199	(2,107)	822	1,431	719	107	2,926	2,707	3,183	3,661		
Cash at Beginning of the Financial Year	13,606	13,805	11,698	12,520	13,951	14,670	14,777	17,703	20,410	23,593		
Cash at End of the Financial Year	13,805	11,698	12,520	13,951	14,670	14,777	17,703	20,410	23,593	27,254		
Cash and Cash Equivalents												
Unrestricted Cash	1,672	(1,860)	(2,512)	(2,610)	(2,957)	(3,671)	(2,070)	(717)	1,279	3,519		
Restricted Cash (due to reserves)	12,133	13,558	15,032	16,561	17,627	18,448	19,773	21,127	22,314	23,735		
Cash and Cash Equivalents	13,805	11,698	12,520	13,951	14,670	14,777	17,703	20,410	23,593	27,254		

Table 4- LTFMP Balance Sheet over 10 Year Period

Long Term Financial Management Plan		Low Scenario																			
		1 Jul 18	30 Jun 19	1 Jul 19	30 Jun 20	1 Jul 20	30 Jun 21	1 Jul 21	30 Jun 22	1 Jul 22	30 Jun 23	1 Jul 23	30 Jun 24	1 Jul 24	30 Jun 25	1 Jul 25	30 Jun 26	1 Jul 26	30 Jun 27	1 Jul 27	30 Jun 28
# Balance Sheet		Period start	Period end																		
Current Assets																					
Cash and Cash Equivalents	13,805	11,898	12,520	13,951	14,670	14,777	17,703	20,410	23,593	27,254											
Trade and Other Receivables	1,612	3,304	3,399	3,491	3,583	3,667	3,776	3,881	3,990	4,090											
Inventories	154	156	157	159	160	162	163	165	167	168											
Accrued Income	30	30	31	31	31	32	32	32	32	33											
Prepayments	39	39	40	40	41	41	41	42	42	43											
Total Current Assets	15,640	15,227	16,146	17,672	18,485	18,678	21,716	24,530	27,824	31,588											
Non Current Assets																					
Property Plant and Equipment	242,526	250,645	258,879	267,272	277,627	289,082	298,395	308,560	318,886	319,860											
Infrastructure Assets	412,950	424,908	423,978	435,645	434,528	446,379	445,127	457,154	455,756	467,929											
Investment in Associates and Joint Ventures	166,653	166,653	166,653	166,653	166,653	166,653	166,653	166,653	166,653	166,653											
Work in Progress	32,879	33,208	33,540	33,875	34,214	34,556	34,902	35,251	35,603	35,959											
Total Non Current Assets	855,008	875,413	883,050	903,445	913,022	936,670	945,076	967,618	976,899	990,401											
Total Assets	870,648	890,640	899,196	921,117	931,507	955,348	966,792	992,148	1,004,723	1,021,989											
Current Liabilities																					
Trade and Other Payables	3,350	2,022	2,051	2,072	2,095	2,114	2,143	2,182	2,215	2,242											
Trust Funds and Deposits	2,149	2,170	2,192	2,214	2,236	2,259	2,281	2,304	2,327	2,350											
Current Employee Benefits	4,326	4,391	4,456	4,521	4,586	4,651	4,716	4,781	4,846	4,911											
Current Interest Bearing Liabilities	929	1,031	881	120	125	89	28	28	0	0											
Total Current Liabilities	10,754	9,615	9,580	8,928	9,042	9,113	9,168	9,295	9,388	9,504											
Non Current Liabilities																					
Non Current Employee benefits	1,907	1,888	1,971	2,056	2,143	2,233	2,324	2,418	2,515	2,613											
Non Current Provisions	3,948	3,948	3,948	3,948	3,948	3,948	3,948	3,948	3,948	3,948											
Non Current Interest Bearing Loans and Borrowings	2,359	1,271	390	270	145	56	28	-	-	-											
Total Non Current Liabilities	8,114	7,107	6,309	6,274	6,236	6,236	6,301	6,366	6,463	6,561											
Total Liabilities	18,868	16,722	15,889	15,202	15,278	15,350	15,469	15,662	15,850	16,065											
Net Assets	851,780	873,918	883,307	905,915	916,229	939,999	951,323	976,487	988,872	1,005,924											
Equity																					
Accumulated Surplus	551,650	552,639	553,094	553,688	554,918	556,502	557,829	559,332	561,274	563,233											
Reserve - Election	50	100	150	200	50	100	150	200	50	100											
Reserve - City Revaluation	245	295	345	395	445	22	72	122	172	222											
Reserve - Landfill Close Out	2,582	2,826	3,093	3,385	3,385	3,385	3,385	3,385	3,385	3,385											
Reserve - Landfill Plant and Equipment	1	1	1	1	1	1	1	1	1	1											
Reserve - Strategic Asset Management	300	307	314	322	330	338	346	354	363	373											
Reserve - Car Parking (statutory)	462	473	484	496	508	521	534	547	561	576											
Reserve - Incomplete Works (statutory)	3,010	3,010	3,010	3,010	3,010	3,010	3,010	3,010	3,010	3,010											
Reserve - Property Plant and Equipment	172	176	180	185	190	195	200	205	210	215											
Reserve - Public Open Space (statutory)	-	16	32	48	65	82	100	118	137	157											
Reserve - Asset Sales	5,472	5,600	5,731	5,865	6,003	6,144	6,289	6,437	6,589	6,745											
Reserve - Community Based Programs-Public Open Space	634	634	634	634	634	634	634	634	634	634											
Reserve - Tas Water	(30,251)	(29,336)	(28,398)	(27,436)	(26,450)	(25,440)	(24,404)	(23,342)	(22,254)	(21,139)											
Reserve - Community Based Programs	318,248	337,912	345,432	365,917	373,935	395,300	403,973	426,278	435,535	449,208											
Asset Revaluation Reserve	-	-	-	(795)	(795)	(795)	(795)	(795)	(795)	(795)											
Total Equity	851,780	873,918	883,307	905,915	916,229	939,999	951,323	976,487	988,872	1,005,924											