



Clarence...
a brighter place

LONG-TERM FINANCIAL MANAGEMENT PLAN

PRINCIPLES, INSIGHTS
& FORECASTS



INTRODUCTION

Council's long term financial management plan (LTFMP) is a guiding document that is reviewed annually and considered when developing council's annual plan and budget. The LTFMP forecasts council's financial position in future years, based on assumptions outlined in this document, and provides transparency and accountability of council's financial projections to the municipality of Clarence.

The LTFMP is an important component of council's financial management framework. The management of financial assets and resources is directed by the following objectives as contained within council's Strategic Plan:

- Maintaining a financially sustainable organisation,
- Maintaining council in a sound financial position,
- Making affordable and equitable rates and charges, and
- Having effective control of financial risk.

Further informing the LTFMP is the adopted Financial Management Strategy, which includes the following underlying principles to achieve those objectives:

- own-sourced revenue effort will be maintained in real terms, allowing for growth in the city's property base, and adjusted for major increases or reductions in the level or scope of service provided to the community
- rate revenue will include a component dedicated to the ongoing renewal of existing infrastructure, with an infrastructure renewal reserve to be maintained to quantify the cumulative balance of funds appropriate for this purpose
- expenditure increases will have regard to inflation, growth in the city's property base, changes in statutory obligations, and specific increases or reductions in the level or scope of service provided to the community
- cash holdings will be invested in accordance with council's Investment Policy, with interest attributable to the infrastructure renewal reserve to be appropriated to that reserve
- decisions regarding the provision of new or significantly enhanced community assets will take account of associated increase in recurrent expenditure (including depreciation), and
- use of debt in accordance with council's Borrowing Policy.

To ensure consistency across all council strategies, the forecast of capital and renewal asset expenditure is drawn from council's Draft 10 Year Strategic Asset Management Plan.

PREPARATION

PREPARATION OF THE LONG-TERM FINANCIAL MANAGEMENT PLAN

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The basis for preparation of the LTFMP is the budget estimates for 2023/24. When forming Annual Estimates Council refers to the guiding principles of the LTFMP

Guiding principles revenue, expenditure and cashflow

The guiding principles in relation to revenue, expenditure and cashflow include:

- Ensuring that there is balance between ensuring capacity to maintain the delivery of council services that continue to meet community expectations and the relative rating effort required.
- Ensuring that cashflow is well understood and managed to support council operations, capital program and debt commitments.
- Ensuring that council's long-term financial plan is framed to effectively manage debt and the rating strategy in coming years.

Guiding principles capital, service and establishment

The guiding principles in relation to capital, service and establishment include:

- That the capital budget adopts a focus on long-term strategic asset management plans that balances renewal effort, risk mitigation and the development of new community infrastructure.

- Completing existing/iconic masterplans through continued community engagement, progressing to DA where possible.
- That council's service delivery be focussed on statutory, regulatory and core service requirements in the first instance.
- That the budget Estimates have a focus on building and maintaining staffing and organisation capacity to ensure council continues to respond to the needs of a growing city.

Assumptions

The LTFMP has been prepared by setting percentage increases for various classes of revenue and expenditure, and then reviewing where one-off or other adjustments are required. The majority of specific purpose grants are only included in the LTFMP as confirmed, hence beyond 2023/24 the majority of external funding is only provided by Financial Assistance Grants, Tas Water dividends, and Government subsidies relate to our self-funded child services programs.

The high-level assumptions used in the development of the LTFMP are summarised in the table below.

Variable	Year 1	Year 2	Year 3	Year 4	Year 5–10
CPI	6.9%	3.75%	3%	2.5%	2.5%
Rating increase	6.53%	CPI + 5.0%	CPI + 5.0%	CPI + 0.5%	CPI + 0.5%
Rate base growth	1.1%	1.1%	1.1%	1.1%	1.0%
RBA cash rate	3.35%	2.85%	2.5%	2.5%	2.5%
Interest rate (revenue)	RBA cash rate + 0.5%	RBA cash rate + 0.5%	RBA cash rate + 0.5%	RBA cash rate + 0.5%	RBA cash rate + 0.5%
New Borrowings	\$6M	NIL	\$24M	NIL	\$22M
Weighted average interest rate (expense)	1.64%	4.22%	5.20%	5.39%	5.41% – 5.49%
New capital depreciation rate	1.5%	1.5%	1.5%	1.5%	1.5%

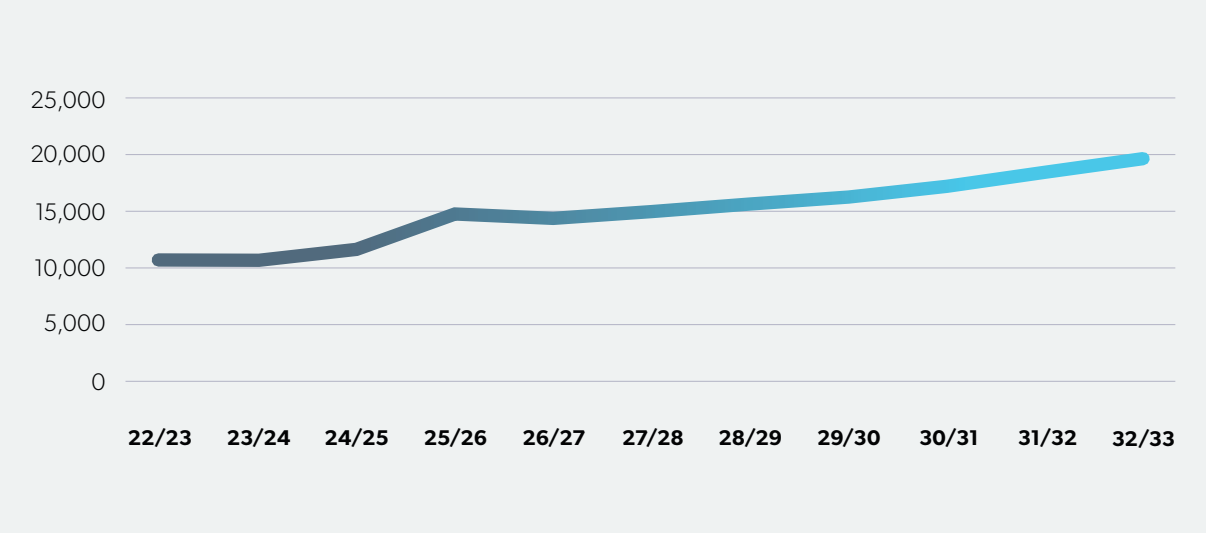
The LTFMP is not intended to provide an accurate prediction of specific line items. Rather, it attempts to show the likely set of high-level outcomes arising from implementing Council’s strategies. On this basis, the LTFMP presents a balanced plan with responsible outcomes, and which is likely to be affordable for the community.

FACTS, TABLES & FIGURES

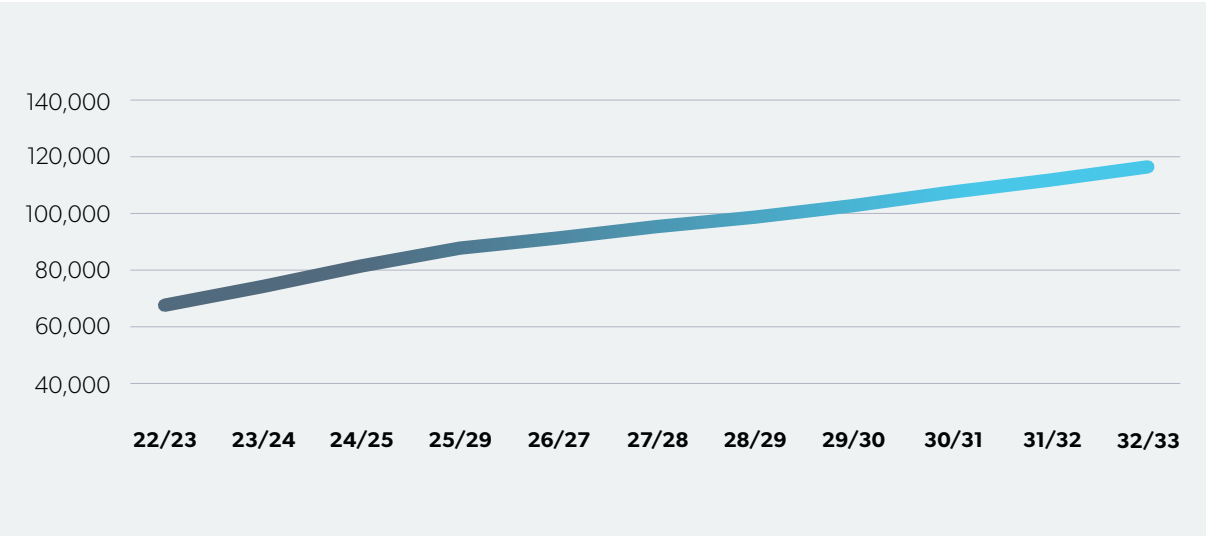
Statement of Income and Expenditure

	Actual 21/22 \$000	Budget 22/23 \$000	Budget 23/24 \$000	Forecast 24/25 \$000	Forecast 25/26 \$000	Forecast 26/27 \$000	Forecast 27/28 \$000	Forecast 28/29 \$000	Forecast 29/30 \$000	Forecast 30/31 \$000	Forecast 31/32 \$000	Forecast 32/33 \$000
Revenue												
Rates	56,128	59,897	65,838	72,323	78,904	82,140	85,425	88,842	92,396	96,092	99,935	103,933
User Charges	8,199	8,204	8,482	8,893	9,258	9,591	9,927	10,274	10,634	11,006	11,391	11,790
Interest earnings – standard	350	1,451	2,453	1,626	1,302	1,226	952	1,028	1,148	965	842	810
Interest earnings – renewal funds	939	626	1,219	1,057	937	919	891	862	847	823	794	759
Financial Assistance Grants	4,069	3,285	3,541	3,674	3,784	3,879	3,976	4,075	4,177	4,281	4,388	4,498
Specific Capital Grants	1,407	1,025	1,500	55	57	59	60	62	63	65	66	68
Other Government Subsidies	3,319	3,631	4,049	4,201	4,327	4,435	4,546	4,660	4,776	4,895	5,018	5,143
Contributions of Capital (Assets)	10,269	7,518	8,027	8,773	9,318	9,936	10,398	10,899	11,384	11,875	12,382	12,881
Gain/Loss on Disposal/Retirement of Assets	(1,477)	(1,250)	(1,336)	(1,386)	(1,428)	(1,464)	(1,500)	(1,538)	(1,576)	(1,616)	(1,656)	(1,697)
Dividends	2,654	2,654	2,654	2,654	2,654	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Dividends – Balance	1,485	550	582	622	645	665	681	698	716	734	752	771
Developer Contributions	1,439	640	600	623	641	657	674	690	708	725	744	762
Other Revenue	2,147	464	827	867	903	935	968	1,002	1,037	1,073	1,111	1,150
Total Revenue	90,684	88,695	98,435	103,981	111,302	115,178	119,197	123,754	128,508	133,119	137,967	143,067
Expenditure												
Employee Costs	22,024	25,438	29,504	30,610	31,529	32,317	33,125	33,953	34,802	35,672	36,564	37,478
Depreciation	14,683	15,842	17,273	18,386	19,502	20,546	21,540	22,526	23,544	24,632	25,741	26,896
Materials and Contracts	13,945	13,646	14,835	15,554	16,192	16,775	17,362	17,970	18,599	19,250	19,924	20,621
Interest Expense	122	249	287	566	1,212	1,835	1,775	2,321	2,840	2,738	2,631	2,516
State Government Charges	6,856	7,511	7,867	8,249	8,587	8,896	9,207	9,529	9,863	10,208	10,565	10,935
Other Expenses	12,381	15,425	18,144	19,024	19,804	20,517	21,235	21,978	22,747	23,544	24,368	25,221
Total Expenses	70,011	78,111	87,910	92,389	96,826	100,885	104,245	108,278	112,395	116,043	119,792	123,666
Surplus/(Deficit)	20,673	10,584	10,525	11,592	14,476	14,292	14,952	15,477	16,113	17,076	18,174	19,400
Fair Value Revaluation of Fixed Assets	47,559	43,605	55,385	32,897	27,954	24,841	25,994	27,248	28,460	29,688	30,955	32,202
Fair value revaluation of investments and associates	4,450	10,448	13,150	7,640	6,341	5,443	5,579	5,718	5,861	6,008	6,158	6,312
Comprehensive Result	72,682	64,636	79,060	52,129	48,771	44,575	46,525	48,443	50,434	52,772	55,287	57,914

Surplus



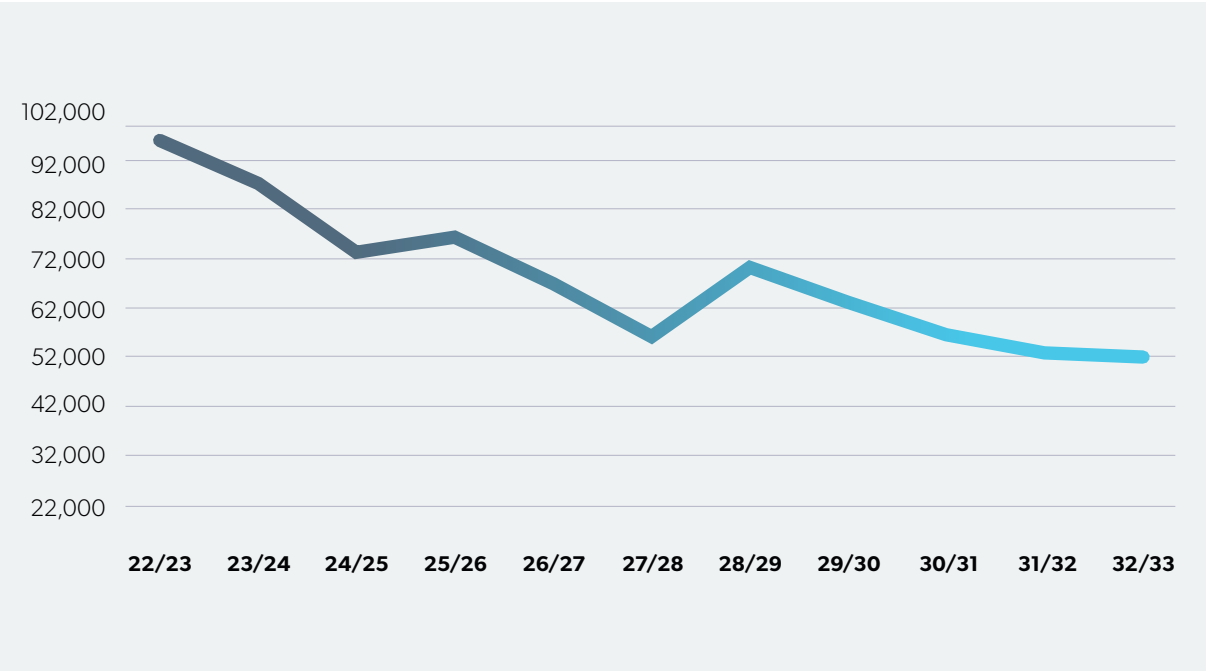
Own source income



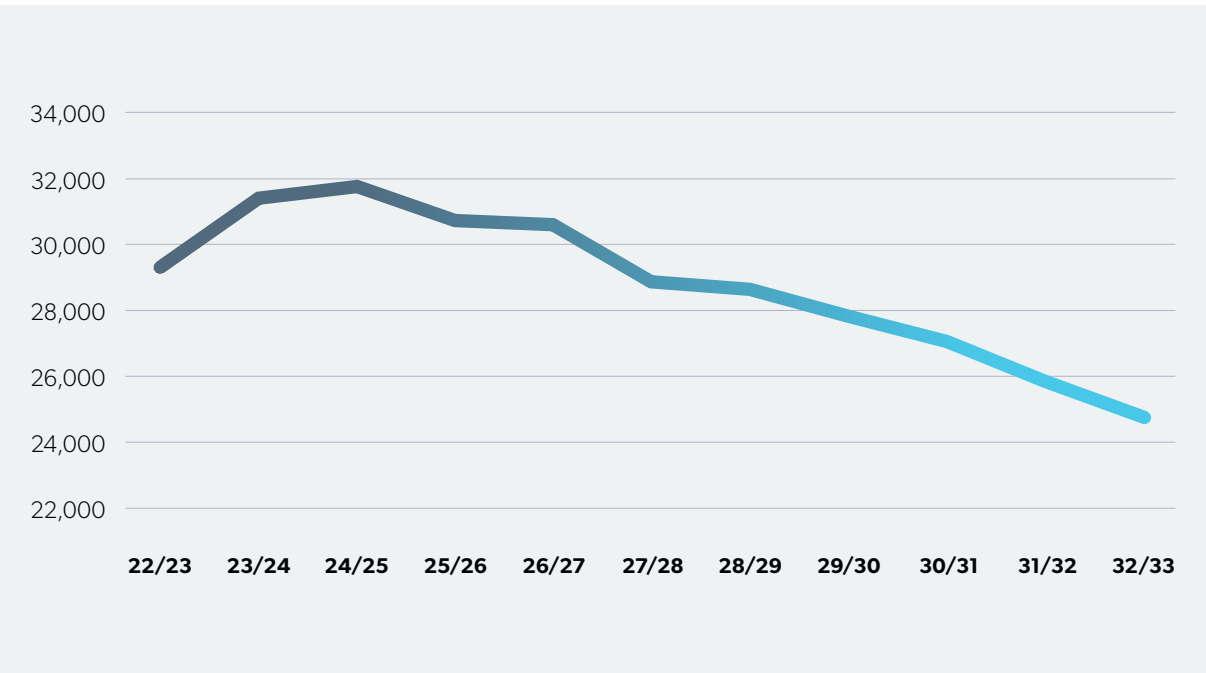
Statement of Financial Position

	Actual 21/22 \$000	Budget 22/23 \$000	Budget 23/24 \$000	Forecast 24/25 \$000	Forecast 25/26 \$000	Forecast 26/27 \$000	Forecast 27/28 \$000	Forecast 28/29 \$000	Forecast 29/30 \$000	Forecast 30/31 \$000	Forecast 31/32 \$000	Forecast 32/33 \$000
Assets												
Cash Assets	98,471	95,755	87,020	73,152	76,052	66,941	55,929	70,047	62,903	56,310	52,718	51,844
Other Current Assets	9,349	9,891	10,574	10,970	11,299	11,582	11,871	12,168	12,472	12,784	13,104	13,431
Total Current Assets	107,820	105,646	97,594	84,123	87,351	78,523	67,801	82,216	75,375	69,094	65,821	65,275
Infrastructure Assets	751,807	802,681	877,259	931,804	993,622	1,039,757	1,089,938	1,138,382	1,187,523	1,238,185	1,288,085	1,337,606
Other Non Current Assets	180,131	190,579	203,729	211,368	217,709	223,152	228,731	234,449	240,310	246,318	252,476	258,788
Total Non Current Assets	931,938	993,260	1,080,987	1,143,173	1,211,331	1,262,909	1,318,669	1,372,832	1,427,834	1,484,503	1,540,562	1,596,394
Total Assets	1,039,758	1,098,906	1,178,581	1,227,295	1,298,682	1,341,431	1,386,469	1,455,047	1,503,209	1,553,597	1,606,383	1,661,670
Liabilities & Equity												
Current Borrowings	5,411	5,464	3,173	721	1,444	1,096	1,156	1,861	1,962	2,071	2,185	2,305
Other Current Liabilities	16,474	17,606	19,014	19,936	20,754	21,501	22,253	23,032	23,838	24,673	25,536	26,430
Total Current Liabilities	21,885	23,070	22,187	20,657	22,198	22,597	23,409	24,893	25,800	26,744	27,721	28,735
Non Current Borrowings	14,569	9,013	11,840	11,119	33,338	32,242	31,086	50,917	48,956	46,884	44,700	42,395
Other Non Current Liabilities	1,677	1,792	1,936	2,029	2,113	2,189	2,265	2,345	2,427	2,512	2,600	2,691
Total Non Current Liabilities	16,246	10,805	13,776	13,148	35,451	34,431	33,351	53,262	51,383	49,396	47,300	45,086
Total Liabilities	38,131	33,875	35,963	33,806	57,648	57,028	56,761	78,155	77,183	76,139	75,021	73,821
Net Assets	1,001,627	1,065,031	1,142,618	1,193,489	1,241,034	1,284,404	1,329,709	1,376,892	1,426,026	1,477,458	1,531,362	1,587,849
Infrastructure Renewal Reserve	29,292	29,271	31,381	31,722	30,715	30,548	28,829	28,608	27,827	27,055	25,852	24,732
Other Cash Backed Reserves	9,014	5,231	1,246	(558)	66	725	1,417	2,143	2,904	3,702	4,538	5,414
Other Reserves and Equity	963,321	1,030,529	1,109,991	1,162,326	1,210,253	1,253,131	1,299,463	1,346,142	1,395,295	1,446,700	1,500,971	1,557,703
Total Equity	1,001,627	1,065,031	1,142,618	1,193,489	1,241,034	1,284,404	1,329,709	1,376,892	1,426,026	1,477,458	1,531,362	1,587,849

Cash assets



Infrastructure Renewal Reserve



Statement of Cash Flows

	Actual 21/22 \$000	Budget 22/23 \$000	Budget 23/24 \$000	Forecast 24/25 \$000	Forecast 25/26 \$000	Forecast 26/27 \$000	Forecast 27/28 \$000	Forecast 28/29 \$000	Forecast 29/30 \$000	Forecast 30/31 \$000	Forecast 31/32 \$000	Forecast 32/33 \$000
Cash flows from Operating Activities												
Rates and User Charges	65,860	68,511	74,744	81,661	88,625	92,210	95,848	99,630	103,562	107,648	111,896	116,312
Interest Received	907	2,077	3,672	2,683	2,238	2,145	1,843	1,890	1,994	1,788	1,635	1,568
Government Receipts	6,627	7,608	8,349	8,662	8,922	9,145	9,374	9,608	9,848	10,094	10,347	10,605
Dividends Received	2,654	2,654	2,654	2,654	2,654	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Net GST Refunds	3,047	3,666	5,218	5,787	7,192	6,094	6,735	6,791	6,924	7,154	7,180	7,229
Other Revenue	3,363	1,214	1,570	1,639	1,698	1,752	1,806	1,861	1,919	1,978	2,040	2,103
Wages and Salaries Expense	(21,590)	(25,438)	(29,504)	(30,610)	(31,529)	(32,317)	(33,125)	(33,953)	(34,802)	(35,672)	(36,564)	(37,478)
Finance Costs Paid	(122)	(249)	(287)	(566)	(1,212)	(1,835)	(1,775)	(2,321)	(2,840)	(2,738)	(2,631)	(2,516)
Other Expenses	(33,910)	(39,250)	(43,872)	(46,011)	(47,910)	(49,647)	(51,396)	(53,207)	(55,082)	(57,022)	(59,031)	(61,110)
Net cash provided by Operating Activities	26,836	20,793	22,544	25,898	30,679	29,746	31,509	32,499	33,724	35,432	37,072	38,915
Cash flows from Investing Activities												
Payments for property, plant and equipment	(16,061)	(18,528)	(32,753)	(35,913)	(50,023)	(36,704)	(40,513)	(37,797)	(37,859)	(38,880)	(37,357)	(36,334)
Proceeds from sale of property, plant & equipment	584	0	0	0	0	0	0	0	0	0	0	0
Investment in Term Deposits	(31,098)	3,000	9,000	14,000	(3,000)	9,000	11,000	(14,000)	7,000	7,000	4,000	1,000
Net cash provided (used) by investing activities	(46,575)	(15,528)	(23,753)	(21,913)	(53,023)	(27,704)	(29,513)	(51,797)	(30,859)	(31,880)	(33,357)	(35,334)
Cash flows from Financing Activities												
Drawing/(Repayment) of Borrowings	17,640	(5,480)	514	(3,189)	22,932	(1,444)	(1,095)	20,536	(1,860)	(1,962)	(2,069)	(2,184)
Repayment of Lease Liabilities	(936)	(990)	(1,059)	(1,098)	(1,131)	(1,160)	(1,189)	(1,218)	(1,249)	(1,280)	(1,312)	(1,345)
Government Grants (Capital)	2,168	1,128	1,650	61	63	64	66	68	69	71	73	75
Loans repaid to (advanced by) Council	479	362	368	374	380	386	210	30	31	26	0	0
Net cash provided (used) by financing activities	19,351	(4,981)	1,473	(3,852)	22,244	(2,153)	(2,008)	19,415	(3,008)	(3,145)	(3,308)	(3,454)
Net increase (decrease) in cash and equivalents	(388)	284	265	132	(100)	(111)	(12)	118	(144)	407	407	127
Opening cash and equivalents	8,421	8,033	8,317	8,582	8,714	8,614	8,503	8,491	8,609	8,465	8,872	9,280
Closing cash and equivalents	8,033	8,317	8,582	8,714	8,614	8,503	8,491	8,609	8,465	8,872	9,280	9,406
Term Deposits Held	90,438	87,438	78,438	64,438	67,438	58,438	47,438	61,438	54,438	47,438	43,438	42,438

Financial Metrics

	Benchmark*	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Net Financial Liabilities		\$61,631	\$50,317	\$29,703	\$21,495	\$11,040	\$4,061	-\$1,808	-\$7,045	-\$9,200	-\$8,545
Net Financial Liabilities Ratio	> 0%	69%	53%	29%	20%	10%	4%	-2%	-6%	-7%	-7%
Underlying Surplus		\$398	\$2,141	\$4,460	\$3,640	\$3,821	\$3,825	\$3,958	\$4,411	\$4,983	\$5,689
Underlying Surplus Ratio	> 1.0	0.4	2.2	4.4	3.5	3.5	3.4	3.4	3.6	4.0	4.4
Asset Consumption Ratio – Roads	> 60%	51%	53%	54%	54%	55%	55%	56%	56%	57%	57%
Asset Consumption Ratio – Stormwater	> 60%	65%	65%	64%	64%	63%	63%	62%	62%	61%	61%
Asset Consumption Ratio – Buildings	> 60%	86%	85%	85%	84%	83%	82%	81%	80%	80%	79%
Asset Renewal Funding Ratio	100%	83%	88%	88%	88%	88%	88%	88%	88%	87%	88%
Asset Sustainability Ratio	100%	69%	77%	82%	75%	81%	74%	76%	75%	76%	75%
Liquidity Ratio		440%	407%	394%	347%	290%	330%	292%	258%	237%	227%
Gearing Ratio		1%	1%	3%	2%	2%	4%	3%	3%	3%	3%

* Benchmarks as per Auditor-General Report to Parliament 2013/14

