



# City of Port Lincoln



## Long Term Financial Plan

2022-2031

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# City of Port Lincoln – Long Term Financial Plan

Document Control Version **3.0**

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1	17/06/21	N213240	AUDIT&RISK21/012	MFB	Audit & Risk Committee
2	28/06/21	N213748		MFB	Special Council Meeting
3	28/06/21	FINAL2121	SPCO21/025	MFB	Adopted Special Council Meeting

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## 1. INTRODUCTION

The City of Port Lincoln’s Strategic Management Plans are:

- the Strategic Directions Plan, which provides the community vision and Council objectives that drive Council’s decision-making and activities;
- the Long Term Financial Plan (LTFP), and
- the Infrastructure and Asset Management Plan (IAMP).

The latter two Plans are essential to both enabling and ensuring the delivery capability and financial sustainability of the community’s needs, expectations and plans over the future 10 year period.

The LTFP is a financial representation of the strategies Council has endorsed to achieve its objectives over the medium to long term. Similar to an annual budget but not as detailed, the LTFP identifies Council’s projected revenue and expenses over a ten year cycle, adjusting new capital expenditures and other factors where needed to maintain a sustainable outcome. The LTFP provides a financial roadmap with the ability to adjust the scope and timing of use of limited resources and to act proactively within a sustainability framework when unexpected issues arise.

The LTFP is also a rich source of information that will improve Council’s ability to model, forecast and make decisions on possible future funding for operational needs, renewal and replacement of existing assets and new and upgraded assets to meet future service demands.

The Council must review the LTFP annually, in conjunction with the adoption of the Annual Business Plan (ABP), to account for any material changes arising from the adopted ABP and budget, which is a detailed representation of Council’s immediate capital and operational commitments.

## 2. LONG TERM FINANCIAL PLAN - FINANCIAL REPORT OUTPUTS

Council's LTFP modelling has produced a set of reports in line with the Model Financial Statements as approved by the South Australian Local Government Association (LGA SA). These reports provide a 10 year projection, accounting for capital expenditure planned in the IAMP and revenue and expenditure policies identified in the ABP and SMPs. These reports are included as **Appendix A** and include:

### *2.1. Statement of Comprehensive Income*

A requirement under accounting standard AASB 101.81A. The Statement of Comprehensive Income is a combination of a Profit and Loss; revenues and expenses of operations whose net effect produces an Operating and Net Surplus/(Deficit), and Other Comprehensive Income; typically includes disclosures relating to changes in revaluation surplus, gains and losses on defined benefit plans, gains and losses arising from translating the financial statements of a foreign operation, gains and losses on re-measuring available-for-sale financial assets, and the gains and losses on hedging instruments in a cash flow hedge.

### *2.2. Balance Sheet*

Also known as a Statement of Financial Position (AASB 101.54), this report shows the accumulative value of Council Assets (current and non-current), Liabilities (current and non-current), Net Assets (total Assets less total Liabilities) and Equity. This report is presented with a comparative to the previous year.

### *2.3. Statement of Changes to Equity*

A requirement under accounting standard AASB 101.106, this statement provides a reconciliation of the equity components; Accumulated Surplus/(Deficit), Asset Revaluation Reserves, and Other Reserves. The reconciliation is also required to show a comparison for each item of equity between the opening and closing balances resulting from changes in the Statement of Comprehensive Income, transfers in equity distribution, and adjustments to subsidiary ownership that do not represent loss of control (AASB 101.106(d)).

### *2.4. Statement of Cash Flows*

A requirement under accounting standard AASB 101.111, this report presents information on how the Council generates Cash and Cash Equivalents (AASB 107 – Statement of Cash Flows), and where this cash is utilised within the business operations; cash flows from operating activities, investing activities, and financing activities.

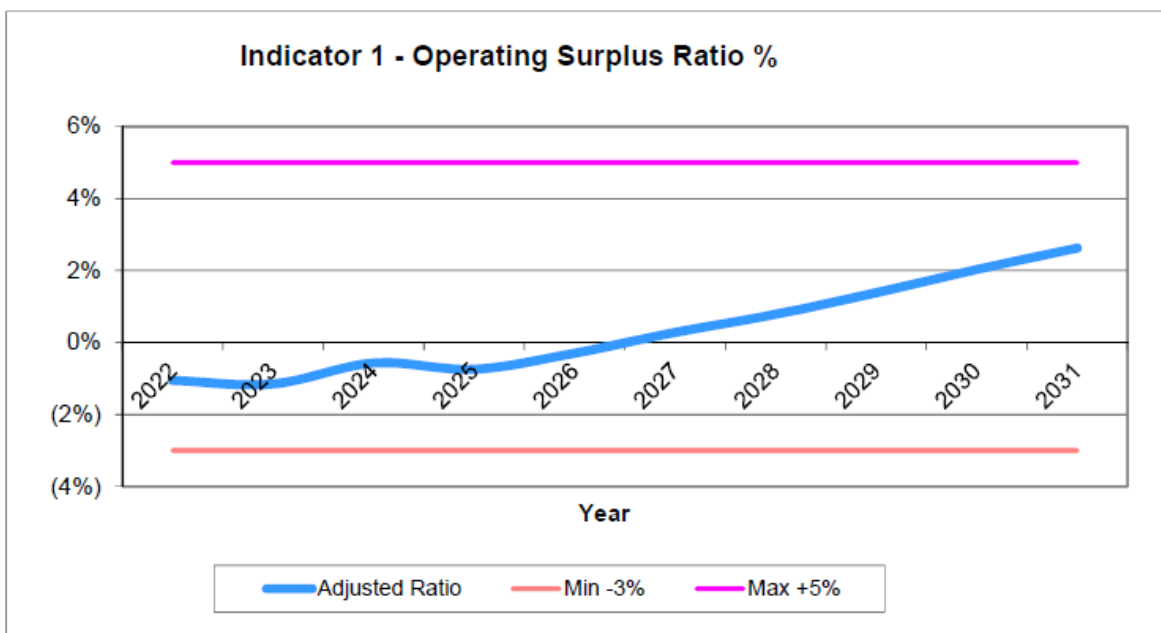
## 3. FORECAST OF KEY FINANCIAL SUSTAINABILITY INDICATORS

Note 15 of the South Australian Model Financial Statements (Local Government (Financial Management) Regulation 2011, Reg. 5(1)(c)) sets out the key local government financial sustainability indicators.

The LGA SA has recommended using three of these financial indicators in the preparation of a LTFP as they provide guidance in strategic, infrastructure and financial decision making processes.

### 3.1. Operating Surplus Ratio – Indicator 1

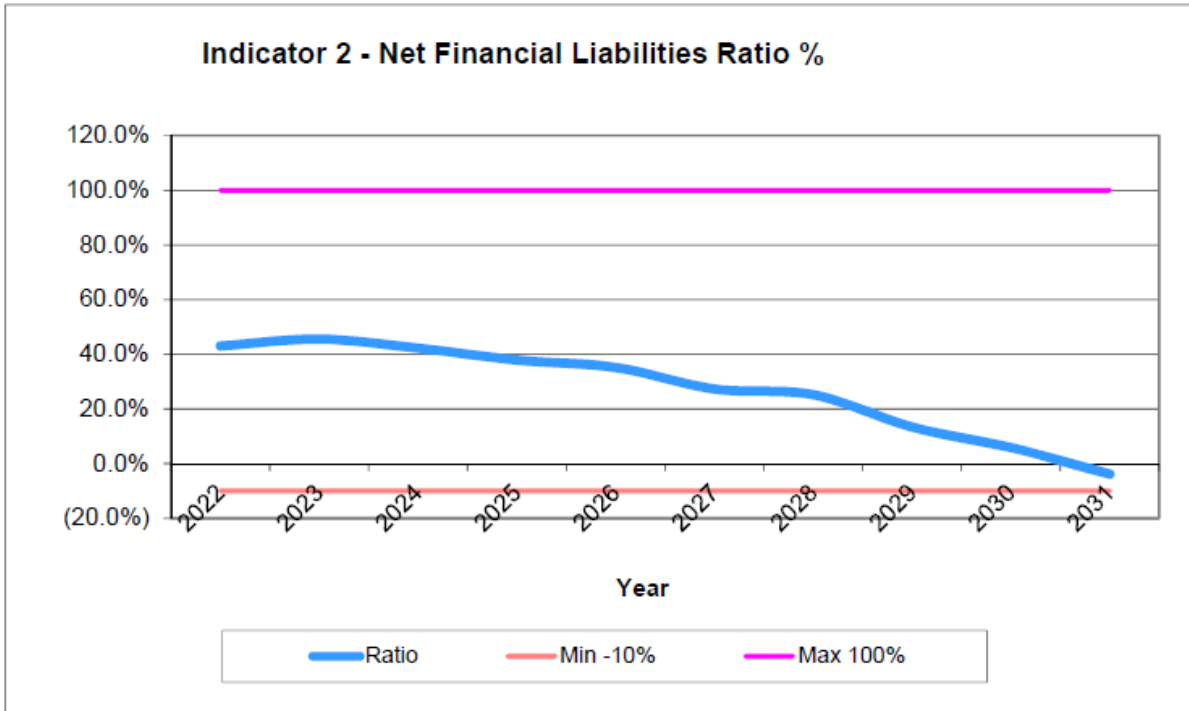
Calculated as Operating Surplus/(Deficit) divided by Operating Revenue - “Is Council covering its operating expenditure and depreciation charge from its operating revenue?”



- Positive percentage result indicates that Council is covering these costs and indicates available funding for future capital expenditure or ability to pay down debt.
- Negative percentage result indicates that Council is not covering these costs and the percentage increase required in operating revenue or the approximate decrease in operating expenses required to achieve a break-even operating position.
- The Operating Surplus Ratio forecast for the 2021/2022 financial year is a deficit of -1.1%. This result represents the operating income budgeted to be \$236,857 less than Council’s operating expenses for the year.
- The LTFP reflects a significant improvement to the ratio over the 10 year period.

**3.2. Net Financial Liabilities Ratio – Indicator 2**

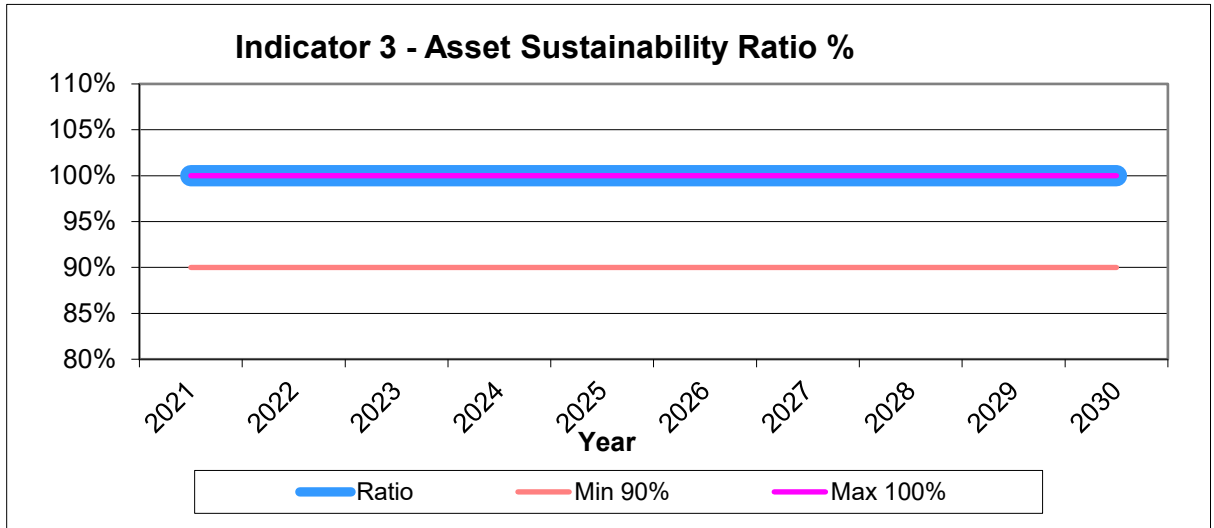
Calculated as Net Financial Liabilities divided by Total Operating Revenue – “Does Council have a manageable level of debt and other liabilities when considering its available revenue and other cash reserves?” (Note - Net Financial Liabilities equals total liabilities less financial assets excluding equity accounted investments in Council businesses).



- Suggested target ratio: between 0% and 100% (Financial Indicators 2015 (LGA SA Information Paper 9), p. 7-8). Council Target Range is -10% to +100%.
- A result in this Target Range indicates that Council has a manageable level of debt and other liabilities.
- Negative percentage result in this ratio indicates that Council has more cash available than what is owed by Council in borrowings. Therefore a negative result is a positive financial indicator for Council in this regards.
- The Net Financial Liabilities Ratio forecast for the 2021-2022 financial year is 43%. The above graph currently shows a significant depletion in the ratio over ten years. This is a result of increased cash being held over the period and a significant lowering of Council borrowings.

### 3.3. Asset Sustainability Ratio – Indicator 3

Calculated as Expenditure on Renewal and Replacement of Assets (refer to Cash Flow Statement) relative to Council’s Asset Management Plan (IAMP) – “Is Council replacing its assets at the same rate as the assets are wearing out?”



- Suggested target ratio: between 90% and 110% (Financial Indicators 2015 (LGA SA Information Paper 9),p.9). Council Target Range is 90% to 100%.
- A result within this Target Range indicates that sufficient funds have been allocated to replace Council assets.
- The Asset Sustainability Ratio meets agreed targets.

### 3.4. Overall Assessment of Council’s Financial Sustainability (based on the above Ratios)

The above ratios indicate that the 10 year LTFP is financially sustainable:

- Operating deficit is expected in 2022, improving through to year 5, before increasing to surplus for the remaining years of the plan.
- Net Financial Liabilities are at acceptable levels; &
- Asset Sustainability Ratio is at acceptable levels.



## 4. MAJOR ASSUMPTIONS AND SETTINGS UNDERPINNING THE LTFP

The City of Port Lincoln, like many councils, has used the “Coalface” software tool to develop the core data sets and modelling for its Long Term Financial Plan.

The following key assumptions have been adopted:

- **Establish a Base** - to generate future year revenues and expenses, the model incorporates last year’s financial results (2019/20 audited financial figures) and the current year’s budget estimates (2020/21 March Budget Review). Once these items have been entered and the balance sheet is in balance, future financial estimates are derived from the model drivers.
- **Customisation** - the model allows the basic appearance of the LTFP to be customised. Reporting formats are controlled from here (Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and Cash Flow Statement) by linking revenue and expense lines via an established code. Depreciation rates are also set for each class of asset.
- **Drivers** - the model allows for ‘drivers’, which are displayed as percentages. The drivers used for the LTFP 2022-2031 are:
  - CPI (Consumer Price Index) – a measure of local price inflation for recurrent operational services,
  - Wages – a discrete measure of salary and wage cost (i.e., workforce expenditure) growth, influenced by Consumer Price Index (CPI), Enterprise Bargaining Agreements, staff reclassifications,
  - Custom – a unique setting for use when appropriate for individual revenue or expense lines.
- **IPPE\_Build** - capitalised assets are separately recognised incorporating planned renewals of assets as identified in IAMP and depreciation is calculated based on a pre-determined rate per asset class.
- **LoanWk** - A cash balance is calculated based on information entered into the model; this is an automated procedure and cannot be manually adjusted. Where cash reserves are fully utilised (i.e. cash balance goes into overdraft), new borrowing may be planned to address issues of timing or prioritisation with regard to capital expenses as well as reviewing rate payer contributions.

The overall output of the Coalface LTFP is both sound and robust. It produces a concise set of reports in line with the Model Financial Statements and is capable of modelling multiple scenarios where various factors will work in combination to provide different long term financial performance.

The drivers, supporting explanation and budget line settings for this 2022-2031 LTFP are included as [Appendix B](#).

## 5. KEY ISSUES AND CONSIDERATIONS

The 2022-2031 LTFP is based on the following key assumptions:

- Year 1 of the LTFP includes the Draft Annual Budget 2021-22 figures;
- Projection of recurrent operational expenditures and revenues from the 2021-22 operational budget base, reflecting service continuity:
  - Including for non-recurrent 'operational new (project) initiatives' in 2021-22;
  - Roads to Recovery (R2R) (revenue) and Financial Assistance Grants (FAGS) (revenue) are forecast based on known adjusted amounts, with FAGS assumed to be ongoing and R2R to cease after 2024-25;
  - An annual allocation of \$150,000 per year has been included for ongoing operational new initiatives, with an additional \$250,000 allocated in 2022-2023 for Corporate Software Replacement.
- Fully funded IAMP projected renewals and required maintenance levels:
  - IAMP renewal works to 2030-31 total \$25 million (including indexation). This includes an annual road reseal program of \$750,000 and provision of \$5 million over the ten year period for implementation of the Stormwater Management Plan Projects;
- Total rates revenues forecast in the LTFP are indexed as follows;
  - Year 1 – 4: 4%
  - Year 5 – 10: 3%
- Limited grant revenue:
  - Operational:
    - on-going Federal Assistance Grants which is assumed to be received by Council in the correct allocated financial year, with indexation applied;
    - Roads to Recovery funding will cease after 2024-25, (Roads to Recovery funding is not indexed);

Council will continue to seek capital revenue opportunities to support its planned new capital expenditure, such as selling identified surplus land assets and renewed/replaced assets. New and upgraded assets included in the LTFP include the following:

- Stormwater projects as per Stormwater Management Plan;
- \$200,000 new footpaths per year;
- \$150,000 allowance per year for other new projects;
- Allocation of \$500,000 in years four and seven (2025 and 2028) for CBD and Marina Capital Redevelopments.

Council plans to maintain the Cash and Cash Equivalents figure each financial year at a level that will fund all foreseeable operating requirements.

## 6. RISKS

Council acknowledges that there are potential risks to the achievement of the LTFP's objectives.

The following is a non-exhaustive list of identified potential risks:

- Assumptions, settings, drivers and considerations included in the LTFP do not occur or are significantly changed;
- Council does not receive the assumed grant funding revenues;
- The growth of the city, affecting both service and asset demands (costs) and rates revenue, is significantly either more or less than forecast;
- Rate capping is introduced by the State Government and assumed rate revenue is above the cap amount;
- Enterprise Bargaining Agreement/s and other employment negotiations increase employee salary and wages costs above the amount provided for in the LTFP;
- Large scale capital projects go over budget.

In the event that future outcomes do not align with the forecast LTFP, a review of the LTFP will be required to incorporate the future outcomes and project the flow on financial implications to determine the financial sustainability of Council and the risks involved.

## 7. REVIEW PROCESS

The LTFP will be reviewed on an annual basis taking into consideration changes and updates to the IAMP, the most recent financial year's revised budget or audited statements and current year adopted or revised budget, including the specific commitments planned in the current ABP.

The Council's CEO is legally obligated to report on the long-term financial performance and position of the Council and its ongoing sustainability. If there is any concern about the Council's financial sustainability under existing revenue and expenditure policy settings, the CEO should report on strategies to remedy this exposure to achieve financial sustainability in the future.

Section 122 (6) of the Local Government Act provides that *"A council must adopt a process or processes to ensure that members of the public are given a reasonable opportunity to be involved in the development and review of its strategic management plans"*. Updates to the plans in the normal course of operations will not necessitate community consultation.

## 8. CONCLUSION

The LGA SA provides a good analogy for the importance of adopting and working with a LTFP:

*“Operating without a LTFP is like driving a car at night in the country at the open-road speed limit without the car’s lights on ‘high-beam’. You can see the road immediately ahead but not far enough into the distance to be able to anticipate and respond quickly to needed turns in direction. A driver might get by in familiar surroundings but will be unprepared to appropriately respond to hazards that would have been recognised if the car’s lights and the driver’s eyes had been set on a longer-distance horizon.” (LGA SA website)*

The LTFP will be reviewed and updated for current financial forecasts and to include any other variations to reflect updated strategic plans, projects, opportunities and financial position.

Likewise the LTFP will be an important consideration informing both major service and/or project decision-making and future iterations of the Strategic Directions Plan, providing a concise picture of Council’s forward resourcing capacity within which sustainable decisions and possibly adjustments will occur.

Council’s LTFP will provide a sound platform for future decision-making and planning, with all Strategic Management Plans expected to evolve through future review processes that ensure they are reflective of community expectations and priorities.

## 9. REFERENCES

The Local Government Act 1999 (“The Act”)

Rising to the Challenge: Towards Financially Sustainable Local Government in South Australia, published in August 2005, an Independent Inquiry into the Financial Sustainability of Local Government, sited at website <http://www.lga.sa.gov.au/page.aspx?c=8801>

National Financial Sustainability Study of Local Government, Commissioned by the Australian Local Government Association, November 2006, sited at website [http://alga.asn.au/site/misc/alga/downloads/pwc/PwC\\_Report.pdf](http://alga.asn.au/site/misc/alga/downloads/pwc/PwC_Report.pdf)

Model Financial Statements, Local Government (Financial Management) Regulations 2011 – regulation 5

LGA SA, Financial Sustainability; Information Paper 1 – Financial Sustainability, revised Feb 2015 sited at website <http://www.lga.sa.gov.au/webdata/resources/files/01%20-%20Financial%20Sustainability%202015.pdf>

LGA SA, Financial Sustainability; Information Paper 8 – Long-term Financial Plans, revised Feb 2015 sited at website <https://www.lga.sa.gov.au/webdata/resources/files/08%20-%20Long%20Term%20Financial%20Plans%202015.pdf>

LGA SA, Financial Sustainability; Information Paper 9 - Financial Indicators, revised May 2015 sited at website <https://www.lga.sa.gov.au/webdata/resources/files/09%20-%20Financial%20Indicators%202015.pdf>

Coalface LTFP model, sited at website <http://www.coalface.com.au/index.html>  
Australian Accounting Standards, sited at <http://www.aasb.gov.au/Pronouncements/Current-standards.aspx>

# APPENDIX A

# FINANCIAL STATEMENTS

City of Port Lincoln

Long Term Financial Plan 2022-2031 Adopted by Council 28.06.2021

ESTIMATED COMPREHENSIVE INCOME STATEMENT

Year Ended 30 June:	2020 Actual \$('000)	2021 Estimate \$('000)	2022 Plan Year 1 \$('000)	2023 Plan Year 2 \$('000)	2024 Plan Year 3 \$('000)	2025 Plan Year 4 \$('000)	2026 Plan Year 5 \$('000)	2027 Plan Year 6 \$('000)	2028 Plan Year 7 \$('000)	2029 Plan Year 8 \$('000)	2030 Plan Year 9 \$('000)	2031 Plan Year 10 \$('000)
<b>INCOME</b>												
Rates	15,011	15,124	15,687	16,255	16,844	17,456	17,946	18,450	18,968	19,502	20,050	20,614
Statutory Charges	272	309	284	288	292	296	300	305	310	315	320	325
User Charges	2,110	2,475	2,573	2,612	2,651	2,691	2,731	2,772	2,814	2,856	2,899	2,942
Grants, subsidies, contributions	2,252	1,604	1,964	1,990	2,016	1,819	1,846	1,874	1,902	1,931	1,960	1,989
Investment Income	44	60	79	101	102	108	109	106	115	112	135	150
Reimbursements	545	773	903	857	870	883	896	909	923	937	951	965
Other Income	1,010	1,029	949	963	977	992	1,007	1,022	1,037	1,053	1,069	1,085
Operational New Initiatives Projects Income	0	0	20	0	0	0	0	0	0	0	0	0
<b>Total Revenues</b>	<b>21,244</b>	<b>21,374</b>	<b>22,459</b>	<b>23,066</b>	<b>23,752</b>	<b>24,245</b>	<b>24,835</b>	<b>25,438</b>	<b>26,069</b>	<b>26,706</b>	<b>27,384</b>	<b>28,070</b>
<b>EXPENSES</b>												
Employee costs	6,392	5,919	6,709	6,983	7,160	7,341	7,523	7,674	7,828	7,984	8,143	8,307
Materials, contracts & other expenses	10,408	11,385	11,125	11,403	11,688	11,980	12,280	12,587	12,902	13,225	13,556	13,895
Depreciation	4,318	4,164	4,164	4,280	4,626	4,669	4,688	4,709	4,756	4,768	4,789	4,810
Finance Costs	246	212	261	267	259	279	259	235	214	192	170	148
Operational New Initiatives Projects	0	0	437	407	163	165	167	170	173	176	179	182
<b>Total Expenses</b>	<b>21,364</b>	<b>21,680</b>	<b>22,696</b>	<b>23,340</b>	<b>23,896</b>	<b>24,434</b>	<b>24,917</b>	<b>25,375</b>	<b>25,873</b>	<b>26,345</b>	<b>26,837</b>	<b>27,342</b>
<b>OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS</b>	<b>(120)</b>	<b>(306)</b>	<b>(237)</b>	<b>(274)</b>	<b>(144)</b>	<b>(189)</b>	<b>(82)</b>	<b>63</b>	<b>196</b>	<b>361</b>	<b>547</b>	<b>728</b>
Net gain/(loss) on disposal or revaluations	(182)	(265)	0	0	0	0	0	0	0	0	0	0
Amounts specifically for new assets	3,929	0	1,281	2,200	1,077	0	0	0	0	0	0	0
Physical resources free of charge	97	0	0	0	0	0	0	0	0	0	0	0
<b>NET SURPLUS/(DEFICIT)</b>	<b>3,724</b>	<b>(571)</b>	<b>1,044</b>	<b>1,926</b>	<b>933</b>	<b>(189)</b>	<b>(82)</b>	<b>63</b>	<b>196</b>	<b>361</b>	<b>547</b>	<b>728</b>
<b>Other Comprehensive Income</b>												
Changes in revaluation surplus - IPP&E	33,242	0	0	0	0	0	0	0	0	0	0	0
<b>Total Other Comprehensive Income</b>	<b>33,242</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>36,966</b>	<b>(571)</b>	<b>1,044</b>	<b>1,926</b>	<b>933</b>	<b>(189)</b>	<b>(82)</b>	<b>63</b>	<b>196</b>	<b>361</b>	<b>547</b>	<b>728</b>



City of Port Lincoln

Long Term Financial Plan 2022-2031 - Adopted by Council 28.06.2021

ESTIMATED BALANCE SHEET

Year Ended 30 June:	2020 Actual \$('000)	2021 Estimate \$('000)	2022 Plan Year 1 \$('000)	2023 Plan Year 2 \$('000)	2024 Plan Year 3 \$('000)	2025 Plan Year 4 \$('000)	2026 Plan Year 5 \$('000)	2027 Plan Year 6 \$('000)	2028 Plan Year 7 \$('000)	2029 Plan Year 8 \$('000)	2030 Plan Year 9 \$('000)	2031 Plan Year 10 \$('000)
<b>ASSETS</b>												
<b>Current Assets</b>												
Cash & Equivalent Assets	5,140	4,906	2,754	3,498	4,442	4,848	4,848	6,161	6,053	8,553	10,030	12,194
Trade & Other Receivables	1,899	1,887	1,875	1,821	1,824	1,827	1,830	1,834	1,764	1,765	1,760	1,742
<b>Total Current Assets</b>	<b>7,039</b>	<b>6,793</b>	<b>4,629</b>	<b>5,319</b>	<b>6,266</b>	<b>6,675</b>	<b>6,678</b>	<b>7,995</b>	<b>7,817</b>	<b>10,318</b>	<b>11,790</b>	<b>13,936</b>
<b>Non-Current Assets</b>												
Financial Assets	556	622	491	411	330	245	158	66	45	22	5	5
Infrastructure, Property, Plant & Equipment	225,155	224,490	228,419	231,176	231,649	230,603	230,065	228,341	228,163	225,530	224,096	222,146
<b>Total Non-Current Assets</b>	<b>225,711</b>	<b>225,112</b>	<b>228,910</b>	<b>231,587</b>	<b>231,979</b>	<b>230,848</b>	<b>230,223</b>	<b>228,407</b>	<b>228,208</b>	<b>225,552</b>	<b>224,101</b>	<b>222,151</b>
<b>Total Assets</b>	<b>232,750</b>	<b>231,905</b>	<b>233,539</b>	<b>236,906</b>	<b>238,245</b>	<b>237,523</b>	<b>236,901</b>	<b>236,402</b>	<b>236,025</b>	<b>235,870</b>	<b>235,891</b>	<b>236,087</b>
<b>LIABILITIES</b>												
<b>Current Liabilities</b>												
Trade & Other Payables	2,815	2,807	2,803	2,782	2,819	2,827	2,849	2,864	2,883	2,899	2,918	2,935
Borrowings	477	505	511	491	681	698	716	734	681	699	711	711
Provisions	922	922	951	1,018	1,018	1,046	1,059	1,077	1,091	1,107	1,123	1,140
<b>Total Current Liabilities</b>	<b>4,214</b>	<b>4,234</b>	<b>4,265</b>	<b>4,291</b>	<b>4,518</b>	<b>4,571</b>	<b>4,624</b>	<b>4,675</b>	<b>4,655</b>	<b>4,705</b>	<b>4,752</b>	<b>4,786</b>
<b>Non-Current Liabilities</b>												
Borrowings	7,837	7,543	8,132	9,441	9,502	8,804	8,088	7,354	6,673	5,974	5,263	4,552
Provisions	2,421	2,421	2,391	2,497	2,615	2,727	2,850	2,971	3,099	3,232	3,370	3,515
<b>Total Non-Current Liabilities</b>	<b>10,258</b>	<b>9,964</b>	<b>10,523</b>	<b>11,938</b>	<b>12,117</b>	<b>11,531</b>	<b>10,938</b>	<b>10,325</b>	<b>9,772</b>	<b>9,206</b>	<b>8,633</b>	<b>8,067</b>
<b>Total Liabilities</b>	<b>14,472</b>	<b>14,198</b>	<b>14,788</b>	<b>16,229</b>	<b>16,635</b>	<b>16,102</b>	<b>15,562</b>	<b>15,000</b>	<b>14,427</b>	<b>13,911</b>	<b>13,385</b>	<b>12,853</b>
<b>NET ASSETS</b>	<b>218,278</b>	<b>217,707</b>	<b>218,751</b>	<b>220,677</b>	<b>221,610</b>	<b>221,421</b>	<b>221,339</b>	<b>221,402</b>	<b>221,598</b>	<b>221,959</b>	<b>222,506</b>	<b>223,234</b>
<b>EQUITY</b>												
Accumulated Surplus	41,443	40,872	41,916	43,842	44,775	44,586	44,504	44,567	44,763	45,124	45,671	46,399
Asset Revaluation Reserve	175,564	175,564	175,564	175,564	175,564	175,564	175,564	175,564	175,564	175,564	175,564	175,564
Other Reserves	1,271	1,271	1,271	1,271	1,271	1,271	1,271	1,271	1,271	1,271	1,271	1,271
<b>TOTAL EQUITY</b>	<b>218,278</b>	<b>217,707</b>	<b>218,751</b>	<b>220,677</b>	<b>221,610</b>	<b>221,421</b>	<b>221,339</b>	<b>221,402</b>	<b>221,598</b>	<b>221,959</b>	<b>222,506</b>	<b>223,234</b>

City of Port Lincoln

Long Term Financial Plan 2022-2031 - Adopted by Council 28.06.2021

ESTIMATED CASH FLOW STATEMENT

Year Ended 30 June:	2020 Actual \$('000)	2021 Estimate \$('000)	2022 Plan Year 1 \$('000)	2023 Plan Year 2 \$('000)	2024 Plan Year 3 \$('000)	2025 Plan Year 4 \$('000)	2026 Plan Year 5 \$('000)	2027 Plan Year 6 \$('000)	2028 Plan Year 7 \$('000)	2029 Plan Year 8 \$('000)	2030 Plan Year 9 \$('000)	2031 Plan Year 10 \$('000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>												
<u>Receipts</u>												
Rates		15,124	15,687	16,255	16,844	17,456	17,946	18,450	18,968	19,502	20,050	20,614
Statutory Charges		309	284	288	292	296	300	305	310	315	320	325
User Charges		2,475	2,573	2,612	2,651	2,691	2,731	2,772	2,814	2,856	2,899	2,942
Grants, subsidies, contributions		1,604	1,965	1,989	2,017	1,819	1,846	1,874	1,902	1,931	1,960	1,989
Investment Income		60	79	101	102	108	109	106	115	112	135	150
Reimbursements		773	903	857	870	883	896	909	923	937	951	965
Other Income		1,029	949	963	977	992	1,007	1,022	1,037	1,053	1,069	1,085
Operational New Initiatives Projects Income		0	20	0	0	0	0	0	0	0	0	0
<u>Payments</u>												
Employee costs		(5,919)	(6,703)	(6,815)	(7,038)	(7,201)	(7,385)	(7,534)	(7,685)	(7,834)	(7,988)	(8,144)
Materials, contracts & other expenses		(11,393)	(11,146)	(11,412)	(11,662)	(11,972)	(12,263)	(12,574)	(12,887)	(13,211)	(13,541)	(13,880)
Finance Costs		(212)	(254)	(272)	(254)	(279)	(257)	(234)	(212)	(191)	(168)	(147)
Operational New Initiatives Projects		0	(437)	(407)	(163)	(165)	(167)	(170)	(173)	(176)	(179)	(182)
<b>Net Cash provided by (or used in) Operating Activities</b>		<b>3,850</b>	<b>3,920</b>	<b>4,159</b>	<b>4,636</b>	<b>4,628</b>	<b>4,763</b>	<b>4,926</b>	<b>5,112</b>	<b>5,294</b>	<b>5,508</b>	<b>5,717</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>												
<u>Receipts</u>												
Amounts Specifically for New/Upgraded Assets		0	1,281	2,200	1,077	0	0	0	0	0	0	0
Sale of Renewed/Replaced Assets		90	45	115	123	152	212	107	404	142	153	188
Repayments of Loans by Community Groups		157	145	133	79	82	85	88	92	22	23	18
<u>Payments</u>												
Expenditure on Renewal/Replacement of Assets		(1,746)	(2,603)	(2,673)	(2,826)	(2,313)	(3,412)	(2,078)	(3,363)	(1,867)	(2,492)	(2,012)
Expenditure on New/Upgraded Assets		(2,108)	(5,535)	(4,479)	(2,396)	(1,462)	(950)	(1,014)	(1,619)	(410)	(1,016)	(1,036)
Loans Made to Community Groups		(211)	0	0	0	0	0	0	0	0	0	0
<b>Net Cash Provided by (or used in) Investing Activities</b>		<b>(3,818)</b>	<b>(6,667)</b>	<b>(4,704)</b>	<b>(3,943)</b>	<b>(3,541)</b>	<b>(4,065)</b>	<b>(2,897)</b>	<b>(4,486)</b>	<b>(2,113)</b>	<b>(3,332)</b>	<b>(2,842)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>												
<u>Receipts</u>												
Proceeds from Borrowings		211	1,100	1,800	742	0	0	0	0	0	0	0
<u>Payments</u>												
Repayments of Borrowings		(477)	(505)	(511)	(491)	(681)	(698)	(716)	(734)	(681)	(699)	(711)
<b>Net Cash provided by (or used in) Financing Activities</b>		<b>(266)</b>	<b>595</b>	<b>1,289</b>	<b>251</b>	<b>(681)</b>	<b>(698)</b>	<b>(716)</b>	<b>(734)</b>	<b>(681)</b>	<b>(699)</b>	<b>(711)</b>
<b>Net Increase/(Decrease) in cash held</b>		<b>(234)</b>	<b>(2,152)</b>	<b>744</b>	<b>944</b>	<b>406</b>	<b>0</b>	<b>1,313</b>	<b>(108)</b>	<b>2,500</b>	<b>1,477</b>	<b>2,164</b>
<b>Opening cash, cash equivalents or (bank overdraft)</b>		5,140	4,906	2,754	3,498	4,442	4,848	4,848	6,161	6,053	8,553	10,030
<b>Cash at Bank &amp; on Hand</b>	3,399	3,165	1,013	1,757	2,701	3,107	3,107	4,420	4,312	6,812	8,289	10,453
<b>Cash Reserves</b>	1,741	1,741	1,741	1,741	1,741	1,741	1,741	1,741	1,741	1,741	1,741	1,741
<b>Closing cash, cash equivalents or (bank overdraft)</b>	<b>5,140</b>	<b>4,906</b>	<b>2,754</b>	<b>3,498</b>	<b>4,442</b>	<b>4,848</b>	<b>4,848</b>	<b>6,161</b>	<b>6,053</b>	<b>8,553</b>	<b>10,030</b>	<b>12,194</b>

# **APPENDIX B**

## **DRIVERS AND ASSUMPTIONS**

## GENERAL ASSUMPTION DRIVERS

### City of Port Lincoln

### Long Term Financial Plan 2022-2031 - Adopted by Council 28.06.2021

#### General Assumption Drivers

Year ended 30 June:	2020	Audited	Actual	<i>Growth</i>	<i>CPI</i>	<i>Wages</i>	<i>Materials</i>	<i>Custom</i>
	2021	This Year	Estimate					
	2022	Long Term Financial Plan	Year 1					
	2023		Year 2	0.5%	1.5%	2.0%	0.5%	2.0%
	2024		Year 3	0.5%	1.5%	2.0%	0.5%	2.0%
	2025		Year 4	0.5%	1.5%	2.0%	0.5%	2.0%
	2026		Year 5	0.5%	1.5%	2.0%	0.5%	1.0%
	2027	Long Term Financial Plan	Year 6	0.5%	1.5%	1.5%	0.5%	1.0%
	2028		Year 7	0.5%	1.5%	1.5%	0.5%	1.0%
	2029		Year 8	0.5%	1.5%	1.5%	0.5%	1.0%
	2030		Year 9	0.5%	1.5%	1.5%	0.5%	1.0%
	2031		Year 10	0.5%	1.5%	1.5%	0.5%	1.0%

### Consumer Price Index (CPI)

- The CPI represents estimated local price inflation for recurrent operational services.
- The Reserve Bank, in setting a target for economic growth, takes the position of achieving between 2-3% as part of its Monetary Policy strategy. However with the onset of current global economic uncertainty lower iron ore prices, the slow-down of China's economy and the impact of COVID-19 on the Australian and global economy, Australia has felt the impact which can be seen in the current Reserve Bank rate of 0.25% cash rate.

### General Expenses and Capital Indexation

- The measure used to estimate cost increases of activities requiring materials is based on the CPI driver plus Materials driver.
- These drivers are applied to the LTFP Chart of Accounts headings where capital works are involved.
- These drivers plus Growth are applied to the LTFP Chart of Accounts for recurrent operational services.

### Wages

- Council's Current Enterprise Bargaining Agreement is scheduled to conclude on 30 June 2022 and the agreed increase of 2.5% is included in year one of the LTFP.
- The LTFP has made allowances for the stepped increasing of the Compulsory Superannuation Guarantee from 9.5% to 12% over the first 5 years of the LTFP.
- After this the wage increases will return to an estimated annual increase of 1.5% plus growth.

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*City of Port Lincoln*

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