



Naracoorte Lucindale Council

Better by Nature

Long Term Financial Plan

2020 – 2030



*The Best place in regional South Australia to live, work,
do business, raise a family and retire.*

*Created by having a Prosperous Community with Healthy Landscapes,
Liveable Neighbourhoods and a focus on Harmony and Culture*

The Naracoorte Lucindale Story

The Naracoorte Lucindale Council is located at the heart of the Limestone Coast region. The Council is approximately 300 kilometres from Adelaide and 450 kilometres from Melbourne. Naracoorte is the main service centre for the Council district, which also contains the smaller communities of Lucindale, Hynam, Kybybolite and Frances.

Settlement began in the 1840s. The Naracoorte town layout is a result of its beginning as two separate towns. Prior to European settlement, several groups of Indigenous peoples occupied the region, with the Meintangk most closely aligned to our district.

The district is characterised by reliable rainfall and contains prime agricultural land and accessible underground water. It is home to a thriving and vibrant rural economy; featuring beef and dairy cattle, sheep for both wool and meat, and cereal growing.

Two large enterprises; Teys Australia Meat Processing Facility and Mini Jumbuk wool manufacturing centre value add to the primary produce with large grain storage facilities supporting the cereal growing industry. Naracoorte Lucindale Council is central to some of Australia's best wine producing areas with parts of both the Wrattonbully and Padthaway wine regions within the district.

There is a strong tourism industry in the Council area supported by the Visitor Information Centre in Naracoorte. South Australia's only World Heritage site, Naracoorte Caves and Bool Lagoon Game Reserve, a wetland of international importance, are the district's two best known natural features. Several more conservation parks and reserves are home to abundant wildlife. Other attractions in the area include the Sheep's Back Museum, Mini Jumbuk Centre, Cockatoo Lake, Limestone Coast Cheese Factory, Naracoorte Golf Club, Lucindale Country Club and the Naracoorte Swimming Lake.

The official population count from the 2016 Census is 8291, with 52% males and 48% females. This was a small decline from the 2011 Census. Since the 2011 Census, there has been an increase in migrants settling in Naracoorte, reflected by the decrease in Australian born residents from 85% to 80.4% with 8.6% from non-English speaking backgrounds. Employment levels remain high at over 96% of the labour force. Of these 58.3%, a decrease from 64% in 2011, are working fulltime.



Strategic Plans

Naracoorte Lucindale Council's high level strategic documents include the Strategic Management Plan 2016-2026, Infrastructure and Asset Management Plan and Long Term Financial Plan.

The Strategic Plan is the key document guiding the direction of Council. It is structured so that Council's decision making can be informed by the outcomes and actions set in the Strategic Plan.

Council's Strategic Management Plan provides a vision for the Naracoorte Lucindale community.

By 2026 NLC will be:

The best place in regional South Australia to live, work, do business, raise a family and retire.

*Created by having a **Prosperous Community** with **Healthy Landscapes, Liveable Neighbourhoods** and a focus on **Harmony and Culture***

An organisation known for:

Progressive Leadership with strong community connections, efficiently managing our shared assets, services and natural resources.

Council's **VISION** will be reached by achieving a number of **Themes** (principal goals), **Outcomes** (specific results), **Actions** and **Targets**.

The purpose of Council's Long Term Financial Plan (LTFP) is to guide the future strategies and actions of the Council to ensure that Council achieves its **VISION, Themes** and **Outcomes** in a financially sustainable manner.

Due to the nature of Local Government and the high level of long-lived assets that Council is responsible for, Council's Summary Infrastructure & Asset Management Plan is integral to the development of a robust LTFP.

Council's infrastructure and asset management plan aims to predict infrastructure consumption and renewal needs, as well as considering new infrastructure to meet the future service needs and desires of our community. The results generated by this plan is very dependent on the accuracy of data (eg. road condition, length, material, etc) and assumptions made (eg. useful lives). Due to the amount of data involved, it makes the analysis and verification of this data a complex process. As Council's infrastructure and asset management plan matures, so will the LTFP.

Council's LTFP can provide guidance for future actions and encourages thought to be given to the future impact decisions made today have on the future sustainability of the Council.

Council's Long Term Financial Plan is not set in stone, but is a live document and will be updated on an ongoing basis.

Legislative Requirements

The Local Government Act, Section 122 (1a) (a) states that a Council must adopt a long-term financial plan for a period of at least 10 years.

Section 122 (1b) states that the financial projects in a LTFP adopted by Council must be consistent with those in the IAMP adopted by the Council.

Section 122(4) (a) requires Council to undertake a review of its long-term financial plan as soon as practicable after adopting the Council's annual business plan for a particular year.

Section 122(4) (b) states that in any event, Council must undertake a comprehensive review of its

strategic management plans (which includes the LTFP) within 2 years after each general election of the Council.

The Local Government (Financial Management) Regulations 2011 Part 2, Section 5 provides further detail in relation to the required content of the LTFP.

Key Assumptions and Basis for Preparation of the Long Term Financial Plan

The following assumptions have been used as the basis for preparing the Long Term Financial Plan:

- Based on best estimates, it has been assumed that the movement in Consumer Price Index (CPI) as at December each year will be 2% for the period 2020 - 2030.
- A modest growth factor is assumed
- Provision of services is based on current practice and it is assumed that no additional services will be introduced for the term of the Plan
- Priority is given to funding the maintenance or renewal of existing assets
- Minimal extension or expansion of assets will occur for the term of the Plan
- Priority is given to undertaking works which reduce the future maintenance costs of Council and/or significantly extend the useful life of existing assets.
- There are a number of potential projects that Council discusses in general terms from time to time. These projects have not been taken into consideration when formulating this Plan.
- Funding opportunities will continue to be investigated and grant revenue targeted in a strategic manner.

REVENUE

- **Rate & Service Charge Income, Statutory Charges, User Charges, Reimbursements and Other Income** – annual CPI increase of 2% assumed
- **Investment Income** - has been calculated on an assumed rate of 1.5% per annum
- **Grants Commission Allocation** – annual CPI increase of 2% assumed
- **Roads to Recovery Allocation** – it is assumed that this program will continue in a similar format to its current operation, that is, a five-year allocation is made with equal payments received each year for the five-year term. It is assumed that the initial five-year allocation will be increased by CPI for the following five years.
- **Additional Grants** (including amounts specifically for new or upgraded assets) – it is assumed that minimal grants will be received for the term of the Plan. This assumption will not have a material impact on the Plan as “additional grants” are often sourced and required to be spent on a particular project, therefore income would offset expenditure.

EXPENDITURE

- It has been assumed that staff levels will remain relatively constant, therefore **employee costs** will increase by an average of 2.5% each year. This is above CPI to reflect employment contracts, reclassifications and movement through the applicable salary/wage increments as per Award conditions.
- **Contracts, materials and other** – annual CPI increase of 2% assumed
- **Finance Charges** – Council’s current loan borrowings are all fixed for both term and interest

rate, therefore this figure includes actual interest payable.

ASSETS

- **Current Trade & Other Receivables and Inventories** – it has been assumed that these figure will remain constant
- **Community Loans** – it has been assumed that no new community loans will be granted for the term of the Plan
- **Renewal of Assets** – forecasts of expenditure have been based on the Summary Infrastructure & Asset Management Plan plus minor expenditure on library

2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
7,087	6,316	6,353	7,920	6,933	6,848	6,436	5,041	5,378	6,118

- **New & Upgraded Assets** – minimal expenditure on new or upgraded assets is planned in the latter years of the plan (expressed in \$'000).

2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
3,174	3,091	1,782	576	828	1,082	1,565	790	644	592

LIABILITIES

- **Trade & Other Payables** – it has been assumed that these figure will remain constant
- Liabilities in relation to the **Harry Tregoweth Retirement Village** are included in **Trade & Other Payables**. It has been assumed that the units will be maintained at 100% occupancy for the term of this Plan.
- A loan of \$1 million to develop the library at its new site is the only new **Loan Borrowings** for the term of the current plan. Majority of existing loans will be acquitted by 30 June 2022.
- It has been assumed that **LSL Provision** will remain constant, due to greater diligence being placed on the management or leave.
- **Landfill Liability** relates to the rehabilitation costs identified in the Naracoorte Landfill Closure Plan.

DISPOSAL AND REVALUATION OF ASSETS

- There is no inclusion for **Revaluation of Assets**.

EXCLUDED PROJECTS

- There are a number of potential projects that Council discusses in general terms from time to time. These “maybe” projects have not been taken into consideration when formulating this Plan. The impact on the Plan would need to be considered following preparation of costings and direction by Council.

Financial Strategy

The following strategy is essential for Council’s future financial sustainability: -

- Continued review and improvement of the Summary Infrastructure & Asset Plan and supporting documentation.
- Forging of strong links between projected asset spend and the long term financial plan.

- Loan borrowings to be used as appropriate to achieve strategic targets, where detailed analysis of cost/benefit has been undertaken.
- Requests for expansion of asset base to be fully assessed for “whole of life” cost & benefit prior to any commitment.
- Grant revenue to be targeted in a strategic manner. This means that grant revenue will not be accessed where the benefits are not clear and there is potential to delay Council objectives.

Financial Sustainability

Financial Sustainability is defined as:

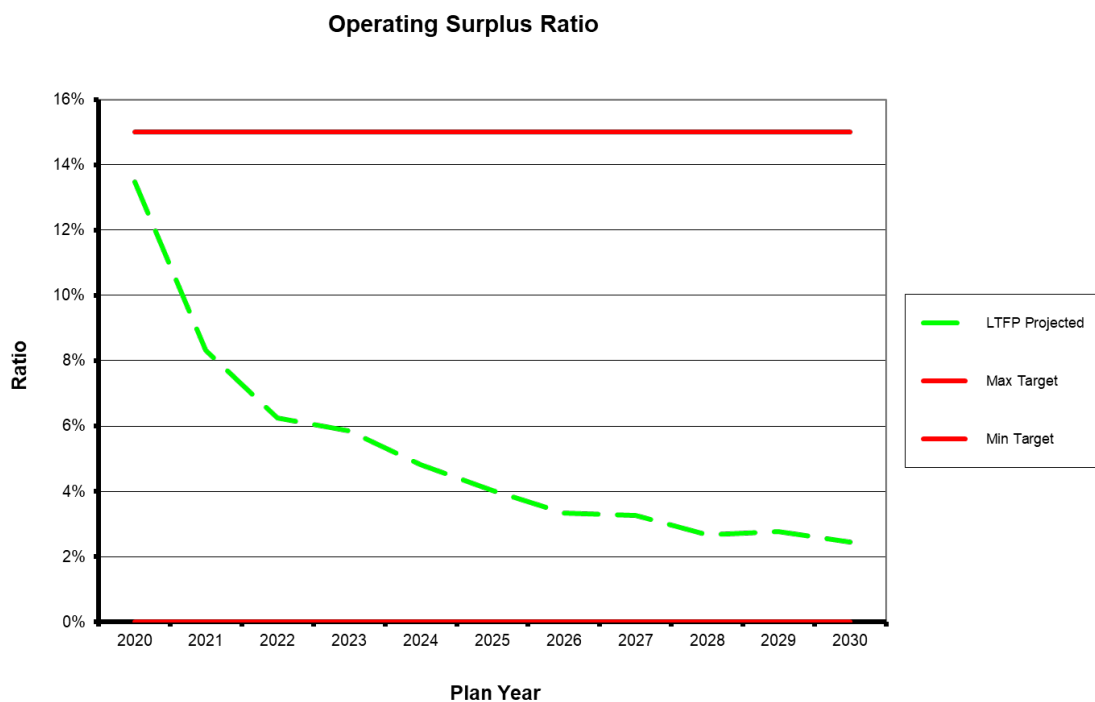
“A Council’s long-term financial performance and position is sustainable where planned long term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.”

The financial plan includes the forecast achievement of projected performance against agreed financial sustainability targets.

OPERATING SURPLUS RATIO

Operating surplus is the difference between day to day income and expenditure.

The ratio is calculated by dividing the operating result by the operating income.



Target

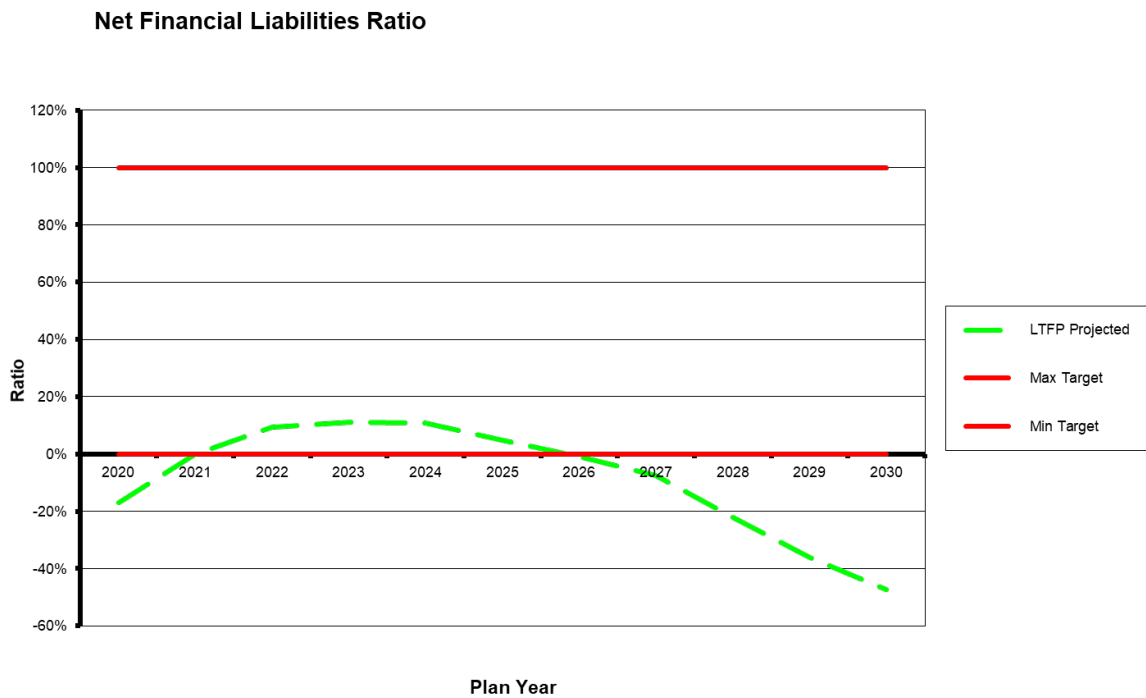
To achieve an operating surplus ratio of between 0% and 15% over any five-year period.

The graph indicates that Council will be operating within its target range, however this position can be easily influenced by small movements in Council’s operating income and expenditure, such as, adjustments to depreciation or changes to grant income.

NET FINANCIAL LIABILITIES RATIO

Net Financial Liabilities are defined as total liabilities less financial assets.

The ratio is calculated by dividing the result by operating income.



Target

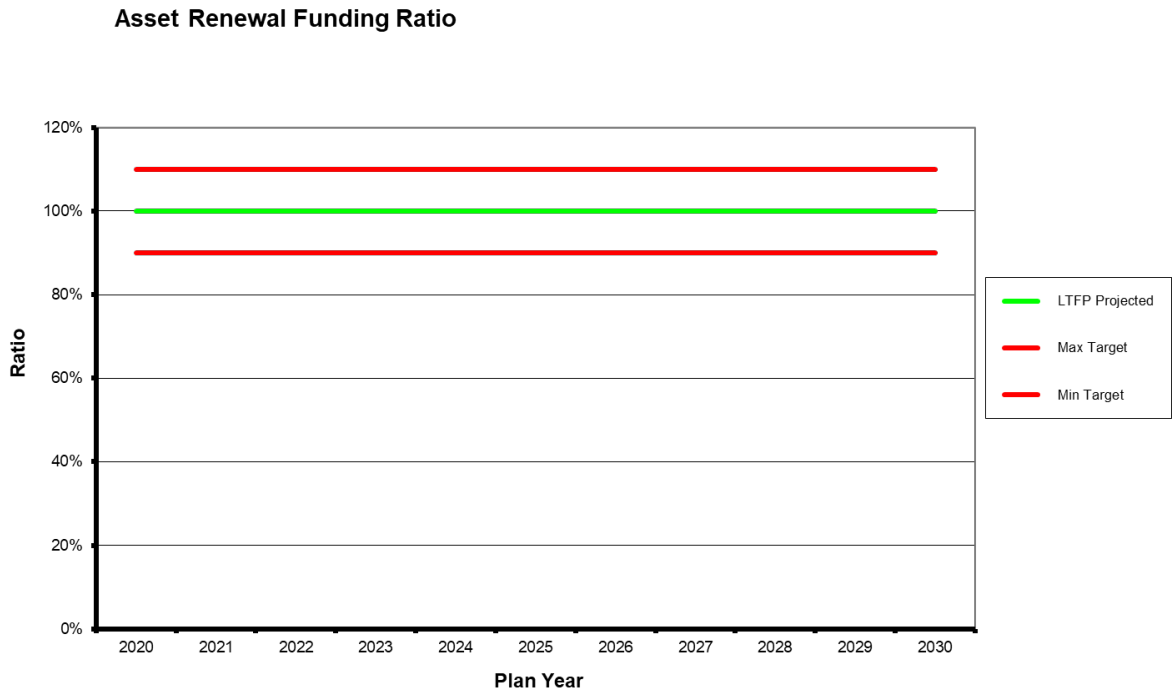
Net financial liabilities ratio is greater than zero but less than 100% of total operating revenue.

The long-term financial plan indicates that Council’s loan borrowings will be finalised by 30 June 2027. With a continuing positive cash balance, it is therefore no surprise that assets will be greater than liabilities and Council’s target will not be met.

ASSET RENEWAL FUNDING RATIO

The extent to which assets are being replaced/renewed as they wear out.

The ratio is calculated by dividing expenditure on asset replacement/renewal by required expenditure based on the asset management plans.



Under spending on renewal and replacement over the medium to long term is likely to adversely impact on the achievement of preferred, affordable service levels and could potentially undermine Council’s financial sustainability.

Target

Capital outlays on renewing/replacing assets net of proceeds from sale of replaced assets is greater than 90% but less than 110% of planned expenditure according to the Summary Infrastructure & Asset Management Plan over a rolling 3-year period.

Asset renewal expenditure is based on the Summary Infrastructure & Asset Management Plan (IAMP), therefore it is not surprising that the asset renewal funding ratio is sitting at 100%.

Summary of Financial Performance & Position Statement

The Summary of Financial Performance & Position Statement (SFPPS) together with the financial indicators included above comprise the financial information which Council has a **legislated** requirement to include in its Long Term Financial Plan.

The SFPPS provides a summarised report of Council's financial outlook at a strategic level and the data included in this report is used to calculate the ratios in the previous section.

The operating surplus/(deficit) is considered the most critical indicator of a Council's financial performance and the achievement of this target (0% - 15%) ensures that each generation 'pays their way', rather than any generation 'living off their assets' and leaving it to future generations to address the issue of repairing worn out infrastructure.

The result of the SFPPS is the movement in Net Financial Liabilities (Net Lending/Borrowing) for the year based on planned capital and operating budgets for that year.

Achieving a zero result on the net lending/(borrowing) measure in any one year essentially means that the Council has met all of its expenditure (both operating and capital) from the current year's income (with income including amounts received specifically for new/upgraded assets).

Conclusion

Council is the custodian of infrastructure and assets with a carrying value of \$186 million. Sound asset management is the key to financial sustainability.

The long-term financial plan as presented as Appendix A indicates that Council will continue to operate with a projected small surplus for the next 10 years and not need to borrow for planned projects, however, this may change based on continued maturity of asset management plans and as consideration is given to additional projects.

Appendix A – Summary of Financial Performance & Position

Year Ending 30 June:	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actuals	Budget	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Revenues	19,100	19,032	19,353	19,703	20,087	20,485	20,908	21,338	21,781	22,259	22,750
less Operating Expenses	16,524	17,447	18,143	18,552	19,119	19,658	20,212	20,645	21,202	21,644	22,191
Operating Surplus/(Deficit)	2,576	1,585	1,210	1,151	969	827	695	694	580	615	559
LESS: Net Outlays on Existing Assets											
Capital Expenditure on Renewal or Replacement of Existing Assets	9,023	7,087	6,316	6,353	7,920	6,933	6,848	6,436	5,041	5,378	6,118
add back Depreciation, Amortisation & Impairment	(5,543)	(5,655)	(6,007)	(6,243)	(6,514)	(6,735)	(6,974)	(7,221)	(7,463)	(7,653)	(7,843)
Proceeds from Sale of Replaced Assets	(180)	(80)	(285)	(318)	(326)	(385)	(425)	(230)	(87)	(130)	(245)
Net Outlays on Existing Assets	3,300	1,352	24	(208)	1,079	(187)	(550)	(1,014)	(2,509)	(2,405)	(1,970)
LESS: Net Outlays on New or Upgraded Assets											
Capital Expenditure on New/Upgraded Assets	2,418	3,175	3,091	1,782	576	828	1,082	1,565	790	644	592
Amounts Received Specifically for New/Upgraded Assets	(808)	(934)	0	(52)	(690)	(974)	(994)	(1,295)	(804)	(820)	(837)
Proceeds from Sale of Surplus Assets	0	(254)	0	0	0	0	0	0	0	0	0
Net Outlays on New or Upgraded Assets	1,610	1,987	3,091	1,730	(114)	(146)	88	270	(14)	(176)	(245)
EQUALS: Net Lending / (Borrowing) for Financial Year	(2,334)	(1,755)	(1,905)	(370)	4	1,159	1,158	1,438	3,103	3,196	2,774

Appendix A – Balance Sheet

Year Ending 30 June:	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual	Budget	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Revenue											
Rates	12,450	12,484	12,734	12,989	13,249	13,514	13,784	14,060	14,341	14,628	14,920
Charges	243	210	214	218	222	227	231	236	241	246	251
User Charges	2,067	2,022	2,063	2,104	2,146	2,189	2,233	2,277	2,323	2,369	2,417
Grants - FAGS	3,768	3,916	3,995	4,075	4,156	4,239	4,324	4,410	4,499	4,589	4,680
Reimbursements	112	129	132	135	137	140	143	146	149	152	155
Investment Income	129	126	69	34	24	21	34	47	64	108	155
Other	331	144	147	150	153	156	159	162	165	169	172
Total Operating Revenue	19100	19,032	19,353	19,698	20,081	20,481	20,903	21,336	21,785	22,263	22,754
Operating Expenses											
Salaries & Wages	4,905	5,457	5,594	5,733	5,877	6,024	6,174	6,329	6,487	6,649	6,815
Contracts, Materials and Other	5,952	6,236	6,472	6,529	6,689	6,869	7,043	7,083	7,249	7,342	7,533
Depreciation	5,543	5,655	6,007	6,243	6,514	6,735	6,974	7,221	7,463	7,653	7,843
Finance Charges	124	99	70	47	39	30	22	12	3	-	-
Total Operating Expenses	16,524	17,447	18,143	18,552	19,119	19,658	20,212	20,645	21,202	21,644	22,191
Operating Surplus / (Deficit)	2,576	1,585	1,210	1,151	969	827	695	694	580	615	559
Physical Resources Free of Charge	-	254	-	-	-	-	-	-	-	-	-
Amounts specifically for new or upgraded assets	808	934	-	52	690	974	994	1,295	804	820	837
Profit/(Loss) on Disposal	(1,834)										
Net Surplus / (Deficit)	1,550	2,773	1,210	1,203	1,659	1,801	1,689	1,989	1,384	1,435	1,396
Other Comprehensive Income	5,590										
Total Comprehensive Income	7,140	2,773	1,210	1,203	1,659	1,801	1,689	1,989	1,384	1,435	1,396

Appendix A – Balance Sheet

As at 30 June:	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual	Budget	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS											
Financial Assets											
Cash and Cash Equivalents	7,269	4,610	2,240	1,620	1,369	2,264	3,147	4,293	7,185	10,365	12,998
Current Trade & Other Receivables	985	1,440	1,469	1,498	1,528	1,559	1,590	1,621	1,654	1,687	1,721
Community Loans	40	39	33	33	33	33	27	22	123	-	-
Total Financial Assets	8,294	6,089	3,741	3,151	2,929	3,855	4,763	5,936	8,963	12,052	14,719
Non-Financial Assets											
Inventories	600	663	676	690	704	718	732	747	762	777	792
Community Loans	342	315	270	237	205	172	145	123	-	-	-
Infrastructure, Property, Plant & Equipment	185,308	185,697	188,813	190,386	192,041	192,682	193,214	193,765	192,046	190,285	188,907
WIP Not Capitalised	511	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042
Total Non-Financial Assets	186,761	187,717	190,801	192,355	193,991	194,614	195,133	195,677	193,849	192,104	190,741
Total Assets	195,055	193,806	194,542	195,506	196,921	198,469	199,896	201,613	202,812	204,156	205,460

Appendix A – Balance Sheet

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual	Budget	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
LIABILITIES											
Current Liabilities											
Trade & Other Payables	1,747	2,064	2,105	2,069	2,031	1,994	1,955	1,915	1,875	1,834	1,792
Borrowings	450	499	198	206	214	223	233	145	50	50	-
Lease Liability	59	59	4	1	-	-	-	-	-	-	-
Leave Provisions	1,185	1,228	1,253	1,253	1,253	1,253	1,253	1,253	1,253	1,253	1,253
Landfill Rehabilitation Liabilities	1	1	1	-	-	-	-	-	-	-	-
	3,442	3,850	3,560	3,528	3,499	3,469	3,440	3,313	3,178	3,137	3,045
Non-current Liabilities											
Loan Borrowings	1,367	869	1,672	1,465	1,251	1,028	795	650	600	550	550
New Borrowings	-	1,000	-	-	-	-	-	-	-	-	-
Lease Liability	48	48	-	-	-	-	-	-	-	-	-
Leave Provisions	169	277	340	340	340	340	340	340	340	340	340
Landfill Rehabilitation Liabilities	2	1	-	-	-	-	-	-	-	-	-
	1,587	2,195	2,012	1,805	1,590	1,367	1,134	990	940	890	890
Total Liabilities	5,029	6,046	5,572	5,333	5,089	4,837	4,575	4,302	4,117	4,026	3,934
Net Assets	190,026	187,760	188,970	190,173	191,832	193,633	195,322	197,311	198,695	200,130	201,526
EQUITY											
Accumulated Surplus	49,148	52,637	53,847	55,050	56,709	58,510	60,199	62,188	63,572	65,007	66,403
Asset Revaluation Reserves	137,855	132,265	132,265	132,265	132,265	132,265	132,265	132,265	132,265	132,265	132,265
Other Reserves	3,023	2,858	2,858	2,858	2,858	2,858	2,858	2,858	2,858	2,858	2,858
Total Equity	190,026	187,760	188,970	190,173	191,832	193,633	195,322	197,311	198,695	200,130	201,526

Appendix A – Balance Sheet