

Long Term Financial Plan 2021-2031

Municipal Council of Roxby Downs



Contents

Purpose of the Long-term Financial Plan 3

Basis of Preparation.....3

Plan Framework.....3

Assumptions 4

Key Outcomes / Conclusions 5

Asset Management.....7

Financial Statements 7

Purpose of the Long-term Financial Plan

The Long-term Financial Plan (LTFP) is an integral part of Council's suite of strategic documents, and a requirement under the Local Government Act 1999.

The LTFP is a planning document, setting the agenda for investment in Roxby Downs over the next 10 years. It shows in financial terms how the Council's Annual Business Plans link in with the Asset Management Plan and other long-term documents. It also shows the impact on annual budgets over the next decade of Council's key income streams (including rates, user charges, etc.), major expense items (such as employee costs) and asset renewal expenditure (CAPEX).

Basis of Preparation

The LTFP has been informed by the Draft Asset Management Plan, which takes a long-term view of Council's many assets. The Draft Asset Management Plan attempts to predict, based on their various condition assessments, the future costs associated with ensuring that Council's assets are maintained to the required standards of serviceability and safety.

The LTFP has also been informed by Council's Strategic Plan. The Strategic Plan informs Council's long-term planning around policies and investments, by identifying priorities for the Roxby Downs community. The key pillars of the Strategic Plan are:

- Health and wellness
- Community vibrancy
- Environment and sustainability
- Economic development
- Infrastructure and essential services
- Community services
- Communication

Plan Framework

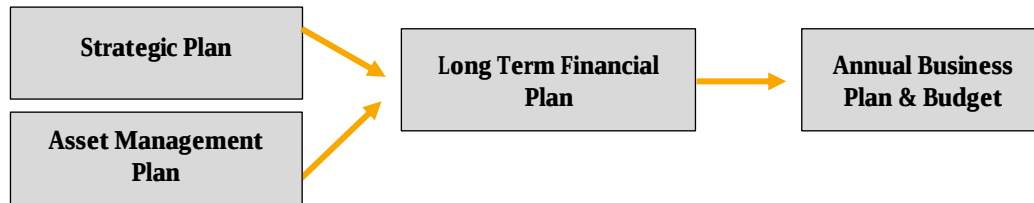
The LTFP has been prepared under the following framework:

- Supports the achievement of the Strategic Plan.
- Ensures a balanced operating budget and positive cash position over the LTFP period.
- Ensures Council is able to fund its activities.
- Ensures Council's assets are maintained to the serviceability and safety standards required by the Draft Asset Management Plan.
- Council remains committed to exploring external funding opportunities relating to any new major projects.
- Ensures that annual increases in municipal rates will be contained.

The following chart shows where the LTFP fits in to Council's overall budget development framework:

Long-term documents (10-year forecast)

Annual documents (1-year forecast)



Assumptions

The development of the LTFP has also been influenced by the following general assumptions:

Generic economic factors:

- An expectation of downward pressure on longer term access to funding support as a result of COVID-19 related financial commitments by State and Federal Governments and cost-shifting.
- Near term expectations have continued low interest rates and low inflation. Beyond this period there are increasing expectations of increases in both economic parameters.

Olympic Dam:

- The 2020 decision on combined development of the Olympic Dam resource by BHP.
- A strong outlook for copper and other minerals provides confidence on the future of Olympic Dam.
- The pivotal relationship between Olympic Dam operations and the Roxby Downs economy.

Assets:

- Progress has been made on transitioning asset data to the Assetic data management system. Phase 1 (financial reporting of assets) is now complete, and Phase 2 (strategic management of assets) is commencing. Asset data will be used to underpin long-term financial forecasts.
- Some assets are now more than 30 years old. Renewal, maintenance, refurbishment, and replacement of these assets will be a focus of the LTFP.

Council organisational and operational factors:

- No forecast expansion of Roxby Downs township or industrial estates.
- Council staffing structure to remain constant in terms of FTE, however, the need for higher-skilled personnel will place upward pressure on costs.
- Rates growth will be constrained with the possibility of moderate increases in line with inflation.
- Demand for electricity will marginally diminish over time due to the increase in uptake of solar systems and other energy-saving technology.
- Demand for water to remain constant over the next decade.
- Cost of electricity and water purchases from BHP will remain unchanged on a per unit basis.
- New services will only be considered with strong support from both business and community.
- New capital projects will only be considered with strong community support, sound business cases and external funding support.

- The Services SA partnership will continue.
- A competitive labour market will place pressure on recruitment of talent.
- Developments in technology will provide new service opportunities for the community.

Key Outcomes / Conclusions

Council's ability to deliver balanced (or surplus) operating budgets

Council has in recent years declared a commitment to delivering either balanced or surplus operating budgets. The Income Statement shows either balanced or small surpluses over the 10-year horizon.

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Income											
Rates	5,441	5,499	5,622	5,768	5,922	6,081	6,243	6,409	6,580	6,755	6,935
Statutory Charges	56	65	66	68	70	72	73	75	77	79	81
User Charges	11,652	11,730	11,871	12,015	12,188	12,398	12,558	12,748	12,887	13,029	13,228
Grants, Subsidies and Contributions	843	806	811	814	816	821	823	826	831	834	837
Investment Income	110	70	74	81	82	83	87	96	101	111	122
Reimbursements	0	0	0	0	0	0	0	0	0	0	0
Other Income	96	84	86	87	89	91	93	95	96	98	100
Total Income	18,197	18,254	18,531	18,834	19,167	19,545	19,878	20,249	20,573	20,907	21,304
Expenses											
Employee Costs	5,268	5,334	5,489	5,652	5,820	5,993	6,171	6,355	6,544	6,739	6,939
Materials, Contracts & Other Expenses	9,794	9,741	9,899	10,030	10,200	10,399	10,522	10,724	10,849	10,974	11,153
Depreciation, Amortisation & Impairment	3,133	3,138	3,141	3,144	3,147	3,153	3,160	3,166	3,176	3,185	3,195
Finance Costs	2	2	2	2	0	0	0	0	0	0	0
Total Expenses	18,196	18,214	18,530	18,828	19,167	19,545	19,853	20,245	20,569	20,898	21,287
Operating Surplus / (Deficit)	1	40	0	6	-0	-0	25	5	4	9	17

In order to achieve this objective, the following key income streams must be subject to incremental increases over time. The following annual increases are assumed for each income stream:

- General (Municipal) Rates
- User Charges (Roxby Link)
- User Charges (Roxby Power)
- User Charges (Roxby Water)

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
General Rates charged (increase on prior year)	1.20%	2.20%	2.50%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%
User Charges (Roxby Link) (increase on prior year)	0.00%	2.50%	2.50%	2.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
User Charges (Roxby Power) (increase on prior year)	0.00%	1.50%	1.50%	2.00%	2.00%	1.00%	1.50%	1.00%	1.00%	1.50%
User Charges (Roxby Water) (increase on prior year)	0.00%	0.50%	0.50%	0.50%	1.00%	1.00%	1.00%	0.50%	0.50%	1.00%

Council must consider the implications to the community of the above planned increases in its key income streams. It must be satisfied based on evidence that the community can afford such increases. Council's assumption that the community has sufficient capacity to afford the above increases are based on the following data:

- Roxby Downs has a high-disposable income demographic.
- Roxby Downs has a very low level of unemployment and social disadvantage.
- The above annual increases are not expected to be materially above the CPI.
- The above annual increases are expected to compare favourably against most South Australian councils.
- The local economy should remain strong, in line with Olympic Dam's planned activity.

Council's ability to finance the required asset renewal

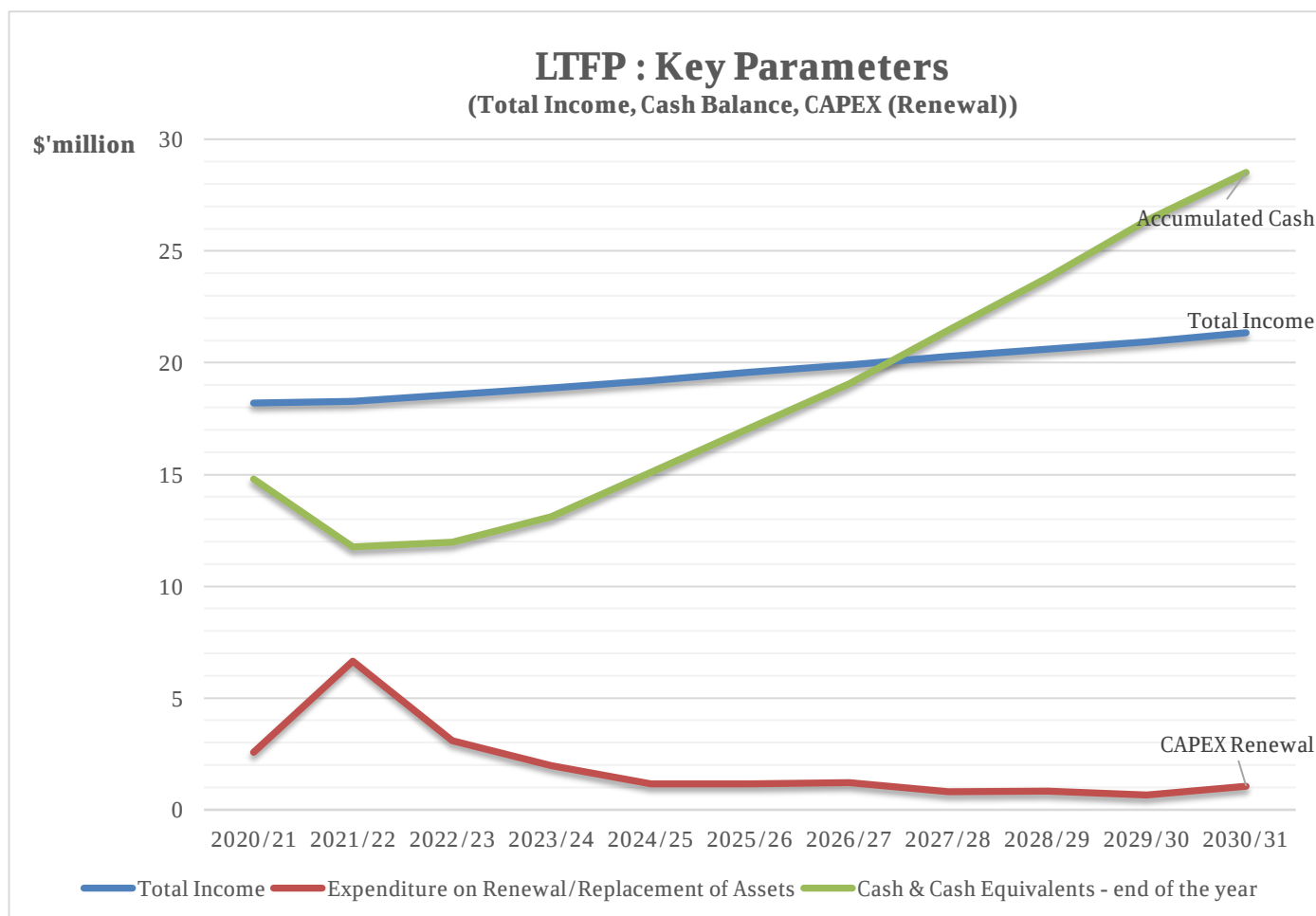
The Cash Flow Statement shows that Council will be able to fund its asset renewal at levels predicted by the Asset Management plan.

Council's two business units, Roxby Power and Roxby Water both own and operate certain asset components that are critical to their networks and are high in value. As an example, Roxby Power's network includes many underground junction boxes. There are around 900 of these in the network, and each one costs around \$30,000 to replace. These units can fail at any time and require immediate replacement. Their failure is generally due to wear and tear but cannot be predicted or prevented (e.g. by maintenance). Their failures cannot be insured against, so when one fails, it results in Council incurring an unplanned cost. Such costs are not reflected in the attached LTFP's financial statements. The accumulated cash reserves shown on the attached Cash Flow Statement must be sufficient to cover any such cost as it arises.

Council's financial sustainability

Council is financially sustainable so long as it is able to maintain sufficient cash reserves to fund its ongoing operating activities and planned major projects. The Cash Flow Statement indicates that Council will have sufficient funds to ensure its financial sustainability over the next 10 years.

The following graph summarises key outcomes from the LTFP:



Asset Management

Asset renewal

Council owns a range of assets from the following asset categories:

- Buildings
- Roads
- Footpaths
- Kerbs and gutters
- Car parks
- Parks and gardens
- Power infrastructure
- Water infrastructure
- Sewerage infrastructure
- Stormwater drainage

The need for Council to manage these assets requires Council's need to invest in capital renewal. This type of expenditure has implications for Council, especially in relation to the long-term planning for its annual budgets. This type of expenditure is normally:

- High in value
- Scheduled well in advance (as opposed to in reaction to a failure)
- Based on independent assessments of the asset's condition

Capital renewal expenditure can take either of the following forms:

- Major scheduled maintenance with the purpose of extending the useful life of the asset, or
- Replacing an existing asset with another similar asset.

New assets

Council's current policy relating to expenditure on any new assets is that it will seek funding from other sources to reduce the cost burden on Council. This would normally take the form of a government grant.

Generally, Council does not specifically budget for capital expenditure for new assets until any external funding related to the project is secured. For this reason, the capital expenditure reflected in the attached Cash Flow Statement is mostly renewal.

Financial Statements

The following documents are attached:

- Income Statement
- Balance Sheet
- Equity Statement
- Cash Flow Statement