



Government of **Western Australia**
Department of **Local Government**

Integrated Planning and Reporting

Abridged Model - Long Term Financial Plan

for reporting to local government councillors and the community

September 2011



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About this Abridged Model Long Term Financial Plan

The abridged model has been prepared at the request of the sector, for local governments to use to clarify various aspects of their respective local government's Long Term Financial Plans (LTFP) to local government councillors and the community.

The *Model Long Term Financial Plan* is based on the hypothetical "Town of Eagle Bay" local government which is used in the WA Local Government Accounting Manual. The model covers the period 2010-11 to 2019-20 with the initial 2010-11 year based on the model annual budget included in chapter 4 of the Manual.

To allow for ease of understanding, the more detailed accounting focus of the Model LTFP and use of accounting terminology have been minimised. It is acknowledged that all local governments and their elected members and community have different levels of maturity, and based on this, each will need to determine the level of detail to be included in their own abridged LTFP report that is provided to the local government councillors and community

The focus of the abridged model is on operating revenue and expenditure, the level of debt, cash reserves and capital works. KPIs are reported for councillors for each year, however this could also be done for the community version.

The abridged model includes explanation of the various components of the summary; reasons for major variations from one year to the next and comment on the assumptions used that underpin the plan. The "Item No" refers to the reference included in the first column of the financial schedules.

Town of Eagle Bay
Example of Presentation of Information from Long Term Financial Plan to Councillors

Item No		2010 / 2011	2011 / 2012	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017	2017 / 2018	2018 / 2019	2019 / 2020
		\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
1	Opening Surplus / (Deficit) From Previous Year	1,164	52	9	80	200	350	561	694	847	1,011
	DAY TO DAY OPERATIONS										
	Revenue										
2	Rates Revenue	8,387	9,351	10,098	10,857	11,672	12,434	13,242	14,103	15,019	15,996
3	Fees and Charges	5,100	5,355	5,623	5,904	6,081	6,263	6,451	6,645	6,844	7,050
4	Operating Grants	5,424	5,695	5,980	6,279	6,562	6,693	6,827	6,963	7,102	7,244
5	Grants for the Development of Assets	6,658	5,100	5,200	5,400	2,700	2,700	2,920	2,920	3,000	3,130
6	Interest on Investments	675	709	744	781	805	829	854	879	906	933
7	All Other Revenue	469	492	517	543	559	576	593	611	629	648
8	Sale of Land Proceeds	360	3,000	3,250							
		27,073	29,702	31,412	29,764	28,379	29,495	30,887	32,122	33,500	35,001
	Expenditure										
9	Employee Costs	(7,471)	(7,882)	(8,315)	(8,773)	(9,255)	(9,811)	(10,399)	(11,023)	(11,685)	(12,386)
10	Materials and Contracts	(3,645)	(3,809)	(3,980)	(4,160)	(4,347)	(4,542)	(4,747)	(4,960)	(5,184)	(5,417)
11	Utility Costs	(457)	(503)	(553)	(608)	(669)	(736)	(810)	(891)	(980)	(1,078)
12	Interest Expense	(92)	(179)	(170)	(160)	(151)	(154)	(182)	(198)	(185)	(174)
13	Insurance	(347)	(364)	(383)	(402)	(422)	(443)	(465)	(488)	(513)	(538)
14	All Other Expenditure	(841)	(875)	(910)	(946)	(984)	(1,023)	(1,064)	(1,107)	(1,151)	(1,197)
15	Depreciation	(7,200)	(7,359)	(7,436)	(7,616)	(8,224)	(8,280)	(8,434)	(9,174)	(9,279)	(9,367)
		(20,053)	(20,971)	(21,747)	(22,665)	(24,052)	(24,989)	(26,101)	(27,841)	(28,977)	(30,157)
	SUMMARY OF CAPITAL PROJECTS PLANNED										
16	Purchase Land for Development and Resale	(3,421)	(1,250)	-	(75)	(400)	(300)	(100)	(500)	(275)	(300)
17	Renewal/ Upgrade / New Buildings	(829)	(900)	(1,950)	(2,000)	(2,150)	(5,400)	(6,600)	(3,050)	(3,150)	(3,150)
18	Road Infrastructure Projects	(8,334)	(7,544)	(7,948)	(8,357)	(6,038)	(6,417)	(6,799)	(7,186)	(7,576)	(7,721)
19	Other Infrastructure Projects	(1,357)	(1,450)	(1,550)	(1,600)	(750)	(750)	(800)	(800)	(850)	(850)
20	Plant & Equipment (Net of Sale Proceeds)	(1,178)	(360)	(610)	(1,200)	(740)	(720)	(920)	(1,150)	(545)	(1,245)
21	Motor Vehicles (Net of Sale Proceeds)	(79)	(84)	(75)	(50)	10	(80)	(80)	(90)	(92)	(85)
22	Furniture & Equipment	(20)	(75)	(90)	(495)	(95)	(95)	(95)	(645)	(95)	(95)

Town of Eagle Bay
Example of Presentation of Information from Long Term Financial Plan to Councillors

Item No	(15,218)	(11,663)	(12,223)	(13,777)	(10,163)	(13,762)	(15,394)	(13,421)	12,583	(13,446)
23	BORROWINGS									
New Loans Raised	320	-	-	-	-	500	1,000	-	-	-
Debt Repayment	(84)	(128)	(138)	(135)	(144)	(162)	(195)	(221)	(168)	(147)
Debt Outstanding	2,679	2,551	2,413	2,278	2,134	2,472	3,277	3,056	2,888	2,741
24	CASH RESERVES									
Transfers to Reserves	(2,167)	(5,155)	(5,805)	(2,700)	(2,830)	(2,205)	(1,675)	(1,535)	(1,985)	(1,575)
Reserve Funds Used	1,740	650	1,000	1,900	600	2,900	3,000	1,700	1,000	1,000
Total of Cash Reserves	5,590	10,095	14,900	15,700	17,930	17,235	15,910	15,745	16,730	17,305
A	KEY ASSUMPTIONS AND STATISTICS									
Annual Rate Increase	6.0%	8.0%	8.0%	7.5%	7.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Growth in Rate Base		3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Other Revenue Increases	3% to 4.5%	3% to 4.5%	3% to 4.5%	3% to 4.5%	3% to 4.5%	3% to 4.5%	3% to 4.5%	3% to 4.5%	3% to 4.5%	3% to 4.5%
Utilities (Energy, Water) Increases	8.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Other Expense Increases	4% to 5.6%	4% to 5.5%	4% to 5.5%	4% to 5.5%	4% to 5.5%	4% to 6%	4% to 6%	4% to 6%	4% to 6%	4% to 6%
Estimated Population	27,250	28,190	29,163	30,169	31,210	32,286	33,400	34,553	35,745	37,000
Total Staff Numbers (FTEs)	190	193	196	200	204	208	212	217	222	227
25	SUSTAINABILITY RATIOS									
Operating Surplus Ratio - Target 0% to 15%	0.0%	6.8%	12.0%	15.7%	13.9%	14.5%	14.1%	9.7%	10.2%	10.7%
Current Ratio - Target > or = to 1	0.99	0.97	1.00	1.05	1.11	1.20	1.24	1.30	1.41	1.51
Rates Coverage Ratio - Target > or = to 40%	41.8%	44.6%	46.4%	47.9%	48.5%	49.8%	50.7%	50.7%	51.8%	53.0%
Debt Service Coverage Ratio - Target > or = 2	48	30	33	36	39	37	31	29	35	36
Asset Sustainability Ratio - Target > 90%	141.6%	123.3%	135.5%	152.3%	97.1%	96.1%	115.4%	113.2%	108.1%	113.7%
Asset Consumption Ratio - Target > 90%	75.0%	73.4%	71.9%	72.8%	71.6%	70.7%	71.7%	70.7%	69.7%	70.6%
Asset Renewal Funding Ratio - Target 95 - 100%	94.4%									

EXPLANATION OF EXTRACT OF LONG TERM FINANCIAL PLAN FOR COUNCILLORS

The information below is provided to Councillors to clarify various aspects of the Long Term Financial Plan summary attached. It includes explanation of the various components of the summary; reasons for major variations from one year to the next and comment on the assumptions used that underpin the plan. The "Item No" refers to the reference included in the first column of the financial schedules.

Revenues

Item No	Details
A	Key Assumptions Key assumptions used in the calculation of estimates in the LTF plan are summarised on the second page of the plan extract.
1	Opening Surplus / (Deficit) From Previous Year To improve the Town's financial sustainability and liquidity annual operating surpluses are estimated each year so that by 2018/19 an annual surplus of \$1m is achieved and brought forward into 2019/20.
2	Rates Revenue Rates revenue will increase from \$8.4m in 2010/11 to \$16m in 2019/20. This is due to an estimated annual growth in the rate base of 3.5% and the assumed annual increases in the assumptions.
3	Fees and Charges These relate to fees charged for access to Town facilities and services provided including licence and approval fees.
4	Operating Grants These principally comprise the Federal Assistance Grant and Untied Road Grant and HACC operational subsidies plus other minor grants.
5	Grants for the Development of Assets These principally relate to roads constructions and associated infrastructure works as well as ESL grants for fire equipment and contributions towards parks and reserves development. In the Plan, Roads to Recovery and Royalties for Regions grants are anticipated to cease after 2013/14 – hence the significant decline in the 2014/15 year.
6	Interest on Investments Interest earned on surplus cash invested in accordance with Council's Investment Policy as well as interest on rates and debtors.
7	All Other Revenue Revenue that can't be included in the above such as discounts and rebates.
8	Sale of Land Proceeds Proceeds from the sale of Stage 1 land in Little Eagle Cove.

Expenditure

Item No	Details
9	<p>Employee Costs</p> <p>The Towns staff numbers are expected to increase from a current level of 190 to 227 over the life of the Plan to service the demands of a rapidly increasing population and estimated new residential developments.</p>
10	<p>Materials and Contracts</p> <p>All expenditures on materials, supplies and contracts not classified under other headings. These include supply of goods and materials, legal expenses, consultancy, maintenance agreements, communication expenses, advertising expenses, membership, periodicals, publications, hire expenses, rental, leases, postage and freight.</p>
11	<p>Utility Costs</p> <p>These are estimated to increase by 10% pa over the life of the Plan to reflect recent increases and likely future increases in power and water costs.</p>
12	<p>Interest Expense</p> <p>This is the cost of current debt and proposed borrowings associated with the new indoor recreation centre scheduled for construction in 2015/16 and 2016/17.</p>
13	<p>Insurance</p> <p>The Town has experienced good insurance claims experience and despite major disasters that have impacted on insurance premiums globally, increases of only 5% pa are anticipated.</p>
14	<p>All Other Expenditure</p> <p>Includes items like members fees and allowances, donations and contributions to community groups, discounts, statutory fees and taxes.</p>
15	<p>Depreciation</p> <p>This expense is based on the rates for depreciable assets (including additional assets planned to be acquired or developed) and included in the adopted Accounting Policies.</p>

Capital Projects

Item No	Details
16	<p>Purchase Land for Development and Resale</p> <p>These costs relate to land acquired for Stage 2 in Little Eagle Cove. Development costs will be incurred from 2020/21.</p>
17	<p>Renewal / Upgrade / New Buildings</p> <p>This is the expenditure associated with the adopted <i>Eagle Bay Building Renewal Strategy</i>. The major additional expenditure in 2015/16 and 2016/17, is for the proposed new indoor recreation centre.</p>
18	<p>Road Infrastructure</p> <p>This expenditure is in accordance with the adopted <i>Roads to Eagle Bay</i> road management plan including new roads contributed by developers. The reduction in expenditure in 2014/15 relates to anticipated withdrawal of the Roads to Recovery and Royalties for Regions programs.</p>
19	<p>Other Infrastructure Projects</p> <p>Principally relates to new parks and playgrounds developments as a result of new subdivisions.</p>
20	<p>Plant and Equipment</p> <p>Expenditure is in accordance with the adopted <i>Eagle Bay Plant and Vehicle</i> program – Part 1.</p>
21	<p>Motor Vehicles</p> <p>Expenditure is in accordance with the adopted <i>Eagle Bay Plant and Vehicle</i> program – Part 2.</p>
22	<p>Furniture and Equipment</p> <p>Nominal expenditure is included for new and replacement office equipment and furniture. The increased expenditure in 2013/14 and 2017/18 relate to major information technology upgrades to servers and new applications software on a 4 to 5-yearly basis.</p>

Borrowings

Item No	Details
23	<p>New loans in 2015/16 and 2016/17 are for the proposed new indoor recreation centre (see items 12 and 17 above). Debt repayment is the cost of servicing existing loans and the 2 new indoor recreation centre loans.</p>

Cash Reserves

Item No	Details
24	This is a summary of cash reserves that the Town will maintain for expenditure in future years.

Sustainability ratios

Item No	Details
25	There are 4 financial and 3 asset sustainability ratios that are required by regulations to be reported in annual financial statements. These ratios are also calculated here to confirm that estimates in the plan and the assumptions that underpin the plan achieve key performance measures that meet industry targets.

Town of Eagle Bay
Example of Presentation of Long Term Financial Plan Information to Community

Item No		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
		\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
1	Opening Surplus from Previous Year	1,164	52	9	80	200	350	561	694	847	1,011
	DAY TO DAY OPERATIONS										
	Revenue										
2	Rates Revenue	8,387	9,351	10,098	10,857	11,672	12,434	13,242	14,103	15,019	15,996
3	Fees and Charges	5,100	5,355	5,623	5,904	6,081	6,263	6,451	6,645	6,844	7,050
4	Grant Received	12,082	10,795	11,180	11,679	9,262	9,393	9,747	9,883	10,102	10,374
5	Interest and all Other Revenue	1,144	1,201	1,261	1,324	1,364	1,405	1,447	1,491	1,535	1,581
6	Sale of Land Proceeds	360	3,000	3,250							
		27,073	29,702	31,412	29,764	28,379	29,495	30,887	32,122	33,500	35,001
7	Expenditure										
	Cost of Day to Day Services and Facilities	(20,053)	(20,971)	(21,747)	(22,665)	(24,052)	(24,989)	(26,101)	(27,841)	(28,977)	(30,157)
	SUMMARY OF MAJOR WORKS PLANNED										
8	Purchase Land for Development and Resale	(3,421)	(1,250)	-	(75)	(400)	(300)	(100)	(500)	(275)	(300)
9	New Buildings and Building Upgrades	(829)	(900)	(1,950)	(2,000)	(2,150)	(5,400)	(6,600)	(3,050)	(3,150)	(3,150)
10	Road Works	(8,334)	(7,544)	(7,948)	(8,357)	(6,038)	(6,417)	(6,799)	(7,186)	(7,576)	(7,721)
11	Other Works Projects	(1,357)	(1,450)	(1,550)	(1,600)	(750)	(750)	(800)	(800)	(850)	(850)
12	New and Replacement Plant and Equipment	(1,277)	(519)	(775)	(1,745)	(825)	(895)	(1,095)	(1,885)	(732)	(1,425)
		(15,218)	(11,663)	(12,223)	(13,777)	(10,163)	(13,762)	(15,394)	(13,421)	(12,583)	(13,446)
	BORROWINGS										
13	Loans Outstanding	2,679	2,551	2,413	2,278	2,134	2,472	3,277	3,056	2,888	2,741
	CASH RESERVES										
14	Specific Cash Reserves to Meet Future Costs	5,590	10,095	14,900	15,700	17,930	17,235	15,910	15,745	16,730	17,305
A	KEY ASSUMPTIONS AND STATISTICS										
	Annual Rate Increase	6.0%	8.0%	8.0%	7.5%	7.5%	6.5%	6.5%	6.5%	6.5%	6.5%
	Other Revenue Increases	3% to 4.5%	3% to 4.5%	3% to 4.5%	3% to 4.5%	3% to 4.5%	3% to 4.5%	3% to 4.5%	3% to 4.5%	3% to 4.5%	3% to 4.5%
	Utilities (Energy, Water) Increases	8.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
	Other Expense Increases	4% to 5.6%	4% to 5.5%	4% to 5.5%	4% to 5.5%	4% to 5.5%	4% to 6%	4% to 6%	4% to 6%	4% to 6%	4% to 6.1%
	Estimated Population	27,250	28,190	29,163	30,169	31,210	32,286	33,400	34,553	35,745	37,000
	Total Staff Numbers (FTEs)	190	193	196	200	204	208	212	217	222	227

TOWN OF EAGLE BAY LONG TERM FINANCIAL PLAN FOR THE COMMUNITY

The information below is provided to the Community to clarify various aspects of the Long Term Financial Plan summary attached. It includes explanation of the various components of the summary; reasons for major variations from one year to the next and comment on the assumptions used that underpin the plan. The "Item No" refers to the reference included in the first column of the financial schedules.

Revenues

Item No	Details
A	Key Assumptions and Statistics Key assumptions and population estimates used in the calculation of estimates in the LTF plan are summarised here. These assumptions will be reviewed annually as the plan is revised.
1	Opening Surplus / (Deficit) From Previous Year To improve the Town's financial sustainability and liquidity annual operating surpluses are estimated each year so that by 2018/19 an annual surplus of \$1m is achieved and brought forward into 2019/20.
2	Rates Revenue Rates revenue will increase from \$8.4m in 2010/11 to \$16m in 2019/20. This is due to an estimated annual growth in the rate base of 3.5% and the assumed annual increases in the assumptions.
3	Fees and Charges These relate to fees charged for access to Town facilities and services provided including licence and approval fees.
4	Grants Received These comprise operating grants such as the Federal Assistance Grant and Untied Road Grant and HACC operational subsidies plus other minor grants. In addition grants for road constructions and associated drainage and footpath works as well as Emergency Service Levy grants for fire equipment, as well as developers contributions towards parks and reserves development. In the Plan, Roads to Recovery and Royalties for Regions grants are anticipated to cease after 2013/14 – hence the significant decline in the 2014/15 year.
5	Interest on Investments and all Other Revenue This covers interest earned on surplus cash invested in accordance with Council's Investment Policy as well as interest on rates and debtors.
6	Sale of Land Proceeds Proceeds from the sale of land in Stage 1 - Little Eagle Cove.

Expenditure

Item No	Details
7	<p>Cost of Day to Day Services and facilities</p> <p>This covers all expenditures on materials, supplies and contracts, employees costs and utilities. These include supply of goods and materials, interest expense, insurance costs, depreciation, legal, building maintenance, water, power, cleaning street lighting, parks, reserves and building maintenance as well as the staff costs in providing all services to the community.</p>

Major Works

Item No	Details
8	<p>Purchase Land for Development and Resale</p> <p>These costs relate to land acquired for Stage 2 in Little Eagle Cove. Development costs in preparing the land for sale will be incurred from 2020/21.</p>
9	<p>New Buildings and Building Upgrades</p> <p>This is the expenditure associated with the adopted <i>Eagle Bay Building Renewal Strategy</i> and covers the building upgrades identified through the community workshops and survey. The major additional expenditure in 2015/16 and 2016/17, is for the proposed new indoor recreation centre.</p>
10	<p>Road Works</p> <p>This is expenditure on renewing and reconstructing roads (not maintenance of roads) in accordance with the adopted <i>Roads to Eagle Bay</i> road management plan including new roads contributed by developers. The reduction in expenditure in 2014/15 relates to anticipated withdrawal of the Roads to Recovery and Royalties for Regions programs.</p>
11	<p>Other Works Projects</p> <p>Principally relates to new parks and playgrounds developments as a result of new subdivisions.</p>
12	<p>New and Replacement Plant and Equipment</p> <p>This is the estimated expenditure on purchasing new and replacement trucks, graders, motor vehicles and information technology equipment needed to support the services provided to the community.</p>
13	<p>Loans Outstanding</p> <p>This is the Town's estimated debt relating to borrowings. New loans are proposed in 2015/16 and 2016/17 for the new indoor recreation centre.</p>

Cash Reserves

Item No	Details
14	The Town has a financing strategy to maintain cash reserves to fund expenditure in future years. Reserves are maintained for land purchase and development, plant purchases, building construction, costs associated with providing rubbish services and major road construction.

- NOTES -

If you would like more information please contact us.

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