

# LONG-TERM FINANCIAL PLAN (LTFP)

## BACKGROUND

This comprehensive long-term financial plan is designed to stimulate discussion and engender a long-range perspective for the community and decision makers. It is a tool to prevent financial challenges; stimulate long-term and strategic thinking; give consensus on long-term financial direction; and is useful for communications with internal and external stakeholders.

## Best Practice

As a responsible local government body it is imperative that Council regularly engage in long-term financial planning that encompasses the following elements:

1. Time Horizon. A plan should look at least five to ten years into the future.
2. Scope. A plan should consider all appropriated funds, but especially those funds that are used to account for the issues of top concern to elected officials and the community.
3. Frequency. Council should update long-term planning activities as needed in order to provide direction to the budget process, though not every element of the long-range plan must be repeated.
4. Content. A plan should include an analysis of the financial environment, revenue and expenditure forecasts, debt position and affordability analysis, strategies for achieving and maintaining financial balance, and plan monitoring mechanisms, such as a scorecard of key performance indicators of financial health.
5. Context. A plan should include context from the economic, political and social environments. It should consider making trade-offs by choosing 'what not to do', creating a 'best fit' by aligning the Council's activities with one another to support the chosen strategy, and cognisance of the spheres of influence, what Council can and can not influence.
6. Visibility. The public and elected officials should be able to easily learn about the long-term financial prospects of the Council and strategies for financial balance. Hence, the Council includes this plan into the Municipal Plan to effect communicating this information.

## Outcomes

This long-term financial plan is intended to project revenues and expenditures over a long-term period, using assumptions about economic conditions, future spending scenarios, and other salient variables. It is a process of aligning financial capacity with long-term service objectives.

The forecasts provide insight into future financial capacity so that strategies can be developed to achieve long-term sustainability in light of the Council's service objectives and financial challenges.

This long-term financial plan will form the basis to combine financial forecasting with strategising. Long-term financial planning works best as part of an overall strategic plan. The Council is preparing to develop plans for long-term strategic; asset management and service delivery. In the development of these strategic plans the financial plan will guide a highly collaborative process that considers future scenarios and helps the Council to navigate challenges.

## **Review of 2015/16 Long-Term Financial Plan**

The long-term financial plan published in the 2014/15 Municipal Plan included a projected rate increase of 9% for 2015/16, 9% for 2016/17 and 8.1% for 2017/18. These rate increase projections have been reassessed and the only variance intended is in the 2017/18 financial year moving from the projected 8.1% to 9%.

The overall need to increase income in the 2014/15 long-term financial plan projections for Council is also recognised in the proposed 2015/16 long-term financial plan. However, the realistic increase in income can largely come from rates, rather than user charges and interest.

## **ECONOMIC CONSIDERATIONS**

### **New Land Release**

New lots (particularly as part of the Katherine East Development) have been released however; there are no titles available for these lots. The expected time frame for the first batch of titles and UCV of land to be available is November 2015. The recognition of increased rates revenue for lots underdevelopment has been forecasted to occur from the 2015/16 financial year onwards.

### **Capital**

A major cost for Council is the maintenance and upgrade of capital items. The long-term financial plan projects what capital expenditure is financially sustainable. However, a long-term strategic asset management plan (AMP) is a work in progress that is expected to be completed in the 2015/16 financial year. This AMP will inform future LTFPs.

### **Plant and Machinery**

The current average expected replacement time for Council's plant and machinery is projected to be six (6) years. Historically, the replacement of plant and machinery has not occurred according to this expectation. Council is now faced with the need to initially work on a catch up plan before being able to transition to a sustainable asset management plan. We have begun to be back on target with our rolling plan within the next few years.

### **Vehicles**

The replacement program for vehicles has been 80,000kms (between 3-4 years). This figure will continue to be tested to achieve optimum value for money. Historically, the rate of replacement of vehicles has not been in accordance with this replacement plan which has resulted in the need to 'catch up' in the 2015/16 budget. Following the catch up year of 2015/16 it is expected that the asset management plan will support a more sustainable and manageable framework for replacement of all assets.

### **Employee Costs**

Calculations have used a 3.5% increase per year in accordance with EBA agreement and contracts. The Council has formulated a long-term workforce plan to ensure an alignment of Council services projections is sustainable and affordable.

## **MAJOR LONG-TERM FINANCIAL PLAN SUSTAINABILITY RISKS**

The following items identify major long-term financial plan sustainability risks:

### **Pensioner Concession for Rates**

Historically, the NT Government has passed on the Federal Government's funding to subsidise a discount to reduce the cost of rates for pensioners. This subsidy was paid to the Council and the Council passed this onto pensioners as a rates concession. However the NT Government has budgeted to fund the pensioner concessions.

There has been no provision in the long-term financial plan to accommodate the loss of funding for pensioner concessions. All pensioner concessions received from the NT Government will be passed on to pensioners.

### **Long-Term Asset Management Plan**

There is an acknowledged urgent need for a long-term asset management plan to manage the financial risks of the Council's investment in infrastructure, which is currently in excess of \$60M. In 2015/16 provision has been made to purchase an Asset Management module compatible with our current software system. This tool is intended to enable Council to be better able to manage our infrastructure and obtain better value for money in the delivery of services to the community by applying a strategic approach to asset management.

A key factor in a sustainable and strong long-term financial plan is a robust asset management plan. Council is preparing to construct this plan during the 2015/2016 financial year and as this plan is assembled it will be necessary to adjust the long-term financial plan accordingly. However, in the interim the average annual historical capital expense over the past five (5) years (plus CPI) has been used to forecast future financial years costs.

### **Roads**

Currently the Katherine Town Council is responsible for 170kms of roads of which 1.8kms are dirt roads. Serious consideration is being given by the NT Government to hand to Council an additional 190kms of roads, which includes dirt roads.

Additionally the NT Government is responsible for the costs associated with slashing the verges on these roads. The amount of slashing contracted out by the NT Government for the \$190kms includes two (2) separate cuts during any one season – an open (single cut) and a full maintenance cut (available verge and offlets).

The community has requested that Council resume the slashing of rural verges and therefore in the 2015/16 financial year budget a provision has been made to achieve industry standards for the appropriate level of maintenance to verges including the provision of a full maintenance cut.

The potential impact of this outcome will be a considerable draw on expenditure.

## **Street Lighting**

PowerWater has declared their intention is to potentially hand over to Council the street lighting assets on local roads and ongoing maintenance. Should this situation take place, a plan to manage these assets into the future could include replacing the current lighting used to LED lighting, which would reduce the electrical costs incurred. Negotiations are currently underway between Council and PowerWater on the matter.

## **Airport – Regular Passenger Transport**

There is currently no regular passenger transport service at the Katherine Airport. There is an expired agreement for the operations of an RPT airport service that has been continued on a month to month basis. The Council has advocated to the Northern Territory Government to reintroduce the RPT service and will work with the Department of Defence to determine the future of the facility.

The income and expenditure associated with recommencing an RPT service is not included in this long-term financial plan.

## **Depot – Chardon Street**

As part of Council's workforce planning the Depot situated in Chardon Street was highlighted as requiring consideration as the current site is unable to be expanded.

The long-term financial plan does not include any provision for the relocation of the Depot from Chardon Street.

## **Waste Management Facility**

Long term planning needs to occur to close and rehabilitate the current Waste Management Facility and open a new facility. The current Waste Management Facility has a life of between eight (8) and 15 years. The implementation of a new Waste Management Facility and the close and rehabilitation of the existing facility will exceed a million dollars. Currently the Council has set aside a reserve of \$78,740 towards this cost.

In the long-term financial plan provision has been made to increase the waste management levy by the same percentage rate as the projected rates increases from 2016/17 onwards. This measure will increase the reserve available; however there will be a significant deficit. Ongoing work by the Big Rivers Waste Management Working Group in 2015/2016 will inform future long term financial plans.

## **Cemetery**

Planning needs to occur to increase the plots available at the cemetery as the availability of plots will exceed the demand within a few years.

The long-term financial plan does not include any provision for increasing the available land for the cemetery as the cost will depend on the option taken to source land. The long term feasibility plan for the cemetery to be conducted in 2015/2016 will inform future long term financial plans.

### **Nixon's Crossing – Leight Creek Crossing Bridge – Emungalan Road**

The Council is expecting to receive the total funding of \$1.5M in 2015/16 for the Nixon's Crossing - Leight Creek Crossing Bridge – Emungalan Road, which will be constructed over the next few years. This funding will be included in restricted funds for the life of the project.

The income and expenditure for this capital work is excluded from the long-term financial plan. However, it will be included when a project plan is confirmed for the construction costs and timelines.

### **Employees – Aging Workforce**

As part of Council's Workforce Planning Strategy the necessity for Council to look at strategies to alleviate the impact of an aging workforce are noted.

### **Community Engagement**

There have been open sessions provided for the community to engage with the Council in the 2015/16 budget preparation phase. This was the first step in seeking greater community engagement and building relations with Council. The intention is to be better able to support community interests.