



Meander Valley Council

**FINANCIAL MANAGEMENT STRATEGY
2021 TO 2030**

Purpose and Intent

The Financial Management Strategy (FMS) has been prepared in accordance with Section 70A of the Local Government Act 1993 to guide Council in its financial decision making. The FMS has been prepared with the following key principles in mind. Meander Valley Council will:

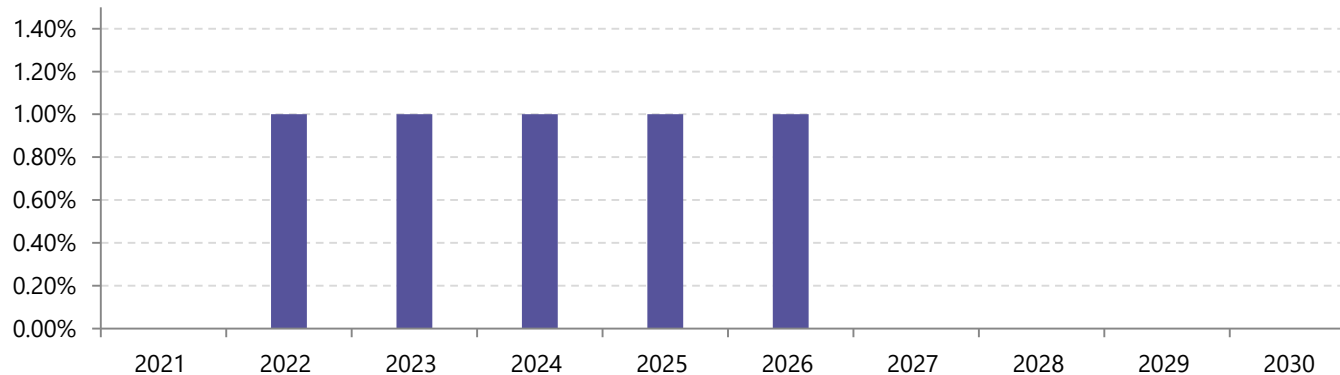
- Manage its finances on behalf of its community in a responsible and sustainable manner
- Maintain its community wealth in a manner where the wealth enjoyed by today's generation may also be enjoyed by tomorrow's generation
- Apply a user pays principle where appropriate, taking into account any community service obligation
- Manage its financial position with an ability to recover from unanticipated events and to absorb the potential volatility inherent in revenues and expenses
- Manage its Long Term Financial Plan (LTFP) to retain an underlying surplus after excluding capital income and expenditure
- Manage the FMS in keeping with the Strategic Plan with evidence based decision-making that is honest, open and transparent

These principles, in addition to the 'Rates and Charges' policy, are key considerations in preparation of Council's annual budget, LTFP and Asset Management Plans (AMP).

The LTFP will be prepared using Council's forecast information at the time of preparation for a period of ten years. The Asset Management Plans determine the projected spend on capital renewals and new/upgraded assets that is integrated into the LTFP. Revenue and Expenditure in the LTFP will not be indexed with inflation and will be stated in today's values.

General Rates

- General rates are taxation for the purpose of local government rather than a fee for service. It is the revenue source that Council has the greatest influence over when determining the annual budget. Council will ensure that it raises the revenue required to meet expenditure obligations in an efficient and equitable manner.
- Council's general rates will be established in the annual budget process in line with the 'Rates and Charges' policy. The objective is to maintain a sustainable rates system that provides revenue stability and supports a balanced budget to avoid placing the burden of current expenditure on future generations; and ensuring that all councillors and staff work together and have a consistent understanding of the Council's long term revenue goals.
- The general rates will be levied based on a property's Assessed Annual Value (AAV) as determined by the Tasmanian Valuer General. AAV generally reflects a ratepayer's capacity to pay.
- General rates will be increased annually at least in line with inflation to ensure the primary source of funding in the LTFP is not diminished and that Council is keeping pace with meeting the cost of providing services to the community.
- The projected rate rises required over and above inflation levels to balance the operating surplus in the LTFP are as follows:



Service Charges

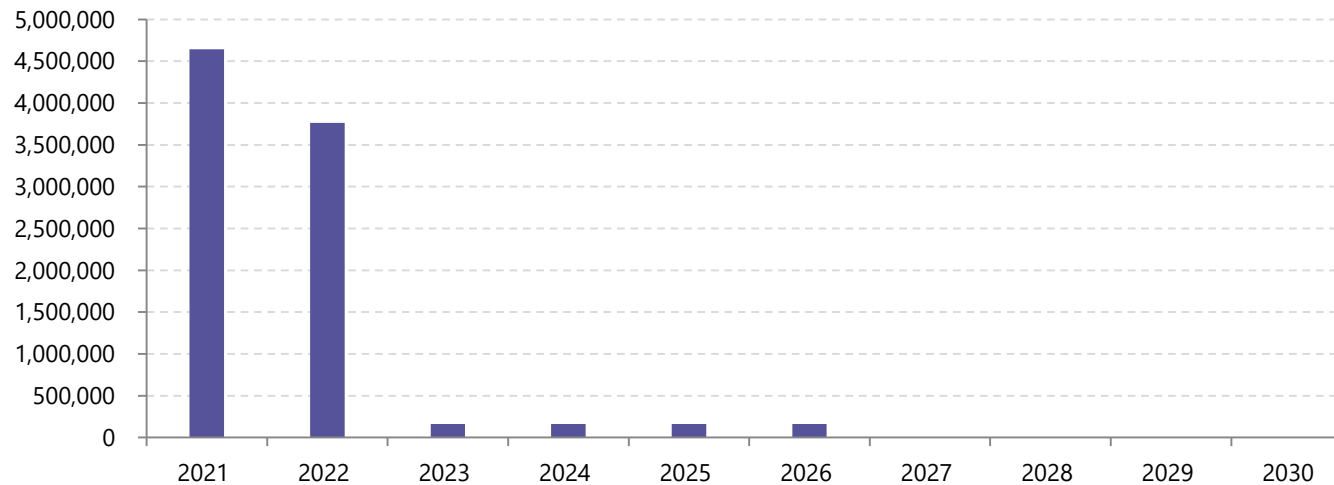
- Service charges will be regarded as a fee for service. A user pays concept is applied to service charges where possible.
- Council will raise a waste management service charge which covers the collection costs of waste and recycling. Since 2015 an additional fixed charge has been applied that begins to recover the cost of all other waste services including the provision of refuse sites and a transfer station. In 2017 the fixed charge achieved full cost recovery, meaning the household waste function is self-funding, as opposed to being included in the general rate's rate in the dollar calculation.
- The fire service contributions charge will be determined by the Tasmanian State Government with Council acting as an agent for the collection.

User Fees & Charges

- User fees and charges for council goods and services will be maintained in line with inflation at approximately six percent of operating revenue over the term of the LTFP.

Other Revenue

- The main source of other revenue are the Financial Assistance Grants received from the Commonwealth Government.
- Another significant source of other revenue is distributions from Council's investment in TasWater. Revenue is in line with TasWater's Corporate Plan and is based on Council's existing ownership. TasWater are not expecting to pay a distribution during 2020-21.
- Interest on Cash and Investments are currently projected at a rate of 1.50% with this rate to be reviewed annually. This revenue item also includes interest from rate debtors and interest from outstanding loaned funds. Other interest revenue includes loans owing to Council.
- Council's projected loans receivable in the LTFP is as follows:

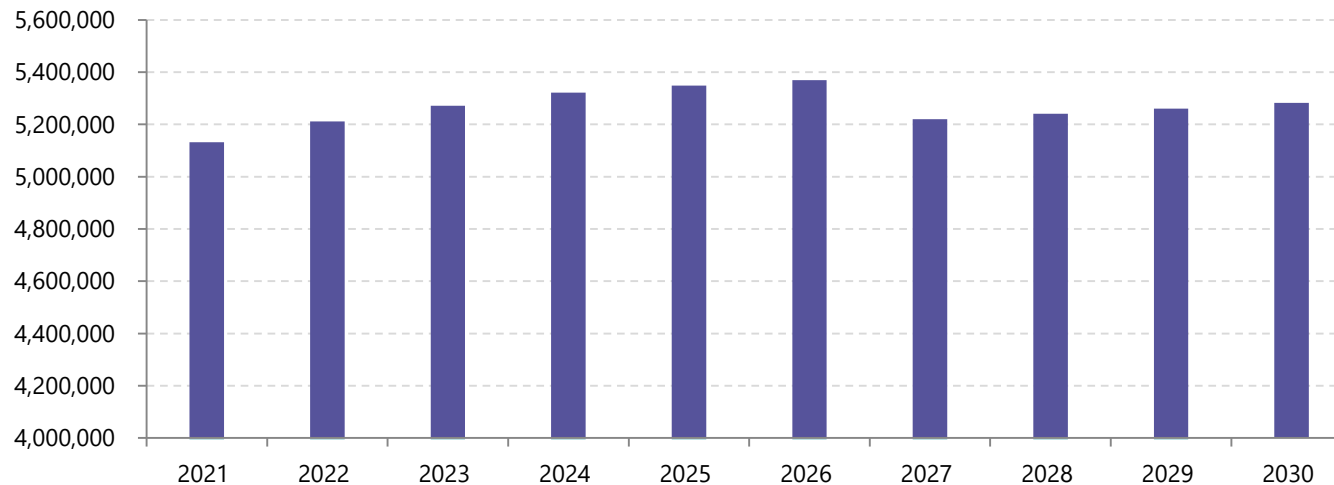


Operating Expenditure

- The operational expenditure of Council covers a wide range of services in the functions of Administration, Roads Streets & Bridges, Health & Community Services, Land Use Planning & Building, Recreation & Culture and Unallocated & Unclassified. Council will determine the level and range of services it provides to the community and approve funding of these services in the annual budget process.
- The LTFP includes no allowance for anticipated changes to the roles, functions and levels of service throughout the ten year period.
- The Unwinding Tip Provision expenditure relates to non-cash entries that recognise Council's liability to rehabilitate refuse sites upon their closure.

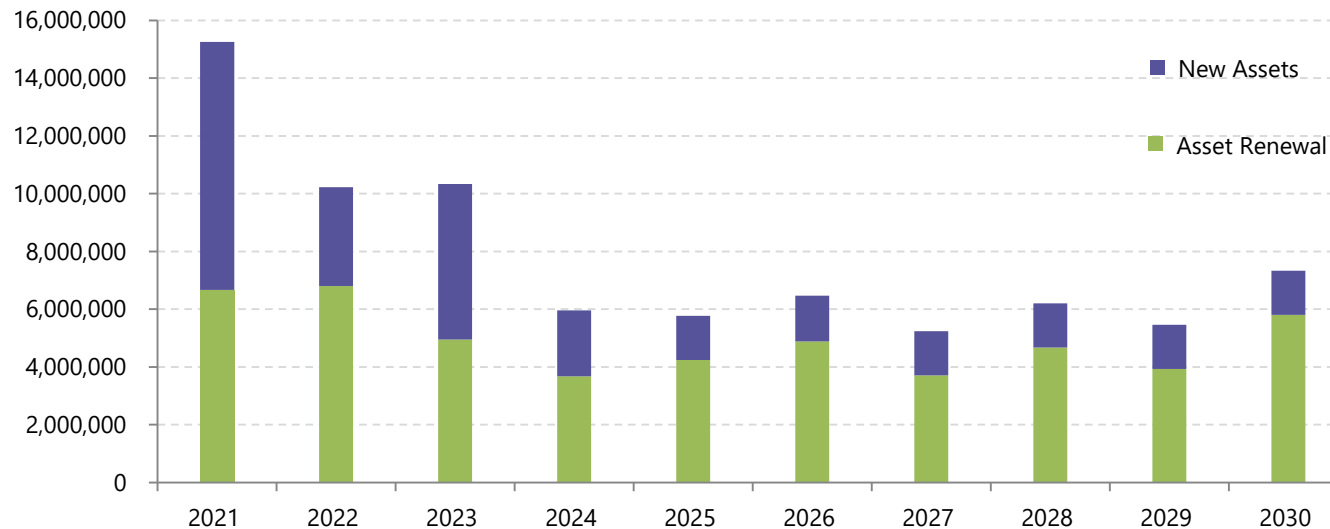
Depreciation

- Depreciation recognises the allocation of the value of an asset over its useful life. Management will make informed assumptions regarding the value of assets and the period of time the assets will provide services to the community. External specialists will be used for valuation services as deemed appropriate.
- The depreciation charged on an annual basis is reflective of the services being provided to the residents in that year.
- The value of depreciation as estimated in the LTFP does not allow for changes due to revaluation of asset classes.
- Councils projected depreciation expense in the LTFP is as follows:



Capital Works Program

- Council will approve the twelve month Capital Works Program on an annual basis.
- Expenditure on asset renewals ensures the existing level of service is maintained and the asset base will be preserved as the assets that are consumed are restored to their full service potential when needed. If Council does not fund asset renewals as a priority then the assets capacity to deliver services to the community will reduce.
- Spend on new and upgraded assets is regarded as a discretionary spend as it increases the level of service provided to the community and may increase operating expenditure into the future.
- Councils projected spend on new assets and asset renewals in the LTFP is as follows:



Asset Management Plans

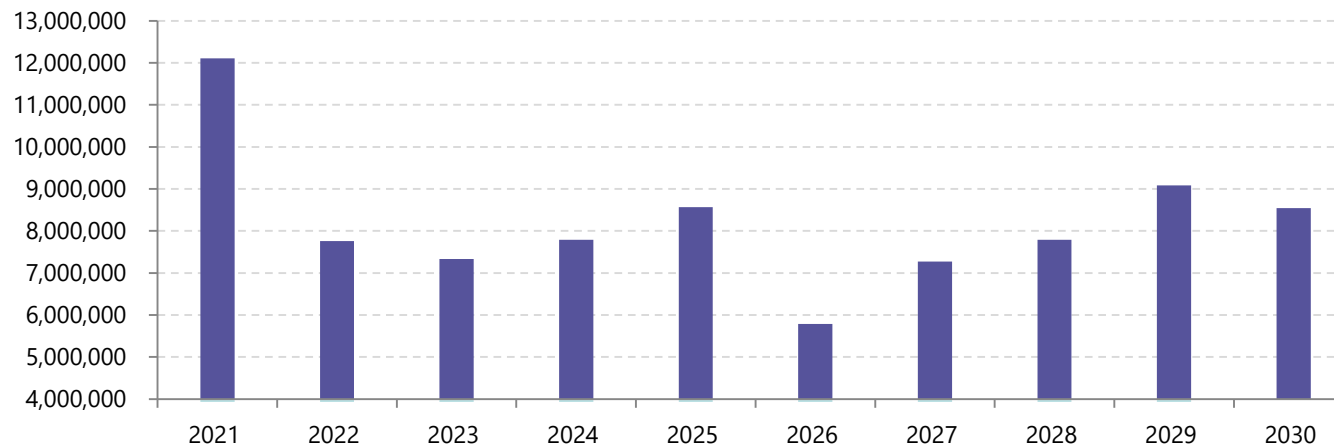
- Council will manage its assets in line with the 'Asset Management' policy, ensuring adequate provision is made for the long-term replacement of major assets is sustainable, through informed decision making on reliable information that is accountable and responsible.
- Council's AMP's will determine the renewal, upgrade and new asset expenditure forecast for all periods in the LTFP. They will be based on Management's forecasts of the infrastructure network's structure, condition and useful lives.
- The AMP's will also establish additional operational costs above existing levels that will be incurred due to the creation of new assets, these costs are to be included in the operating expenses in the LTFP.

Cash

- Council will review cash at bank at least weekly to ensure that all short term cash flow requirements will be paid when they are due.

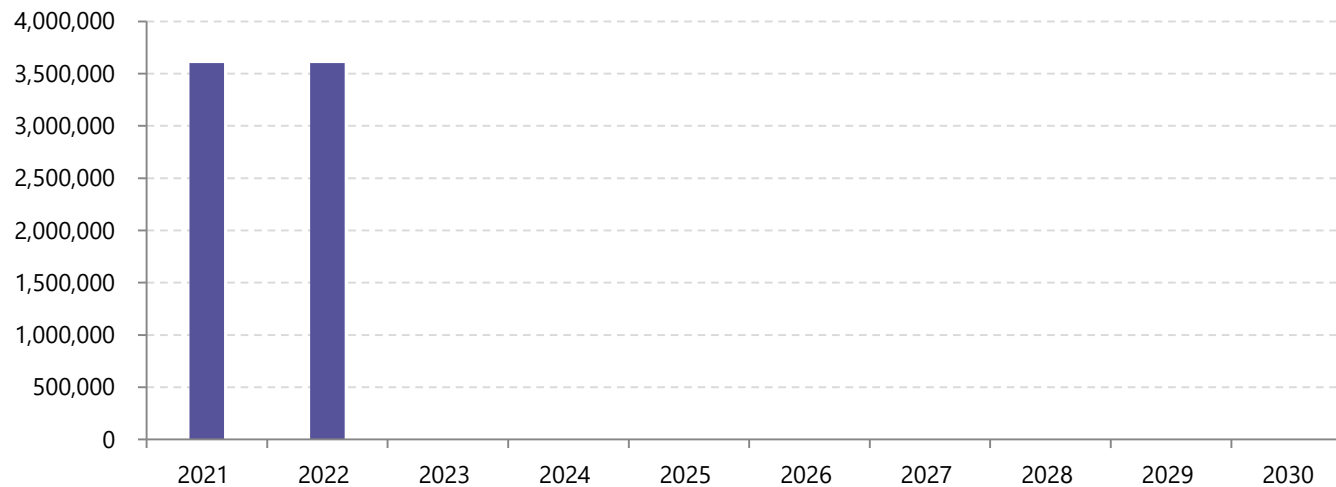
Investments

- Council will make investments in line with the 'Investment of Surplus Funds' policy with the objective of ensuring that the best possible rate of return is achieved from the investment of surplus Council funds whilst, at the same time ensuring the security of those funds.
- Cash and investments will be appropriately managed in order to meet the anticipated expenditure identified in the LTFP.
- Minimum cash and investment balances will be preserved to ensure all current liabilities can be met at any given time.
- Councils projected cash and investment balance in the LTFP is as follows (note, balances do not take into account outstanding liabilities, e.g. employee leave provisions):



Borrowings

- Council will continue to adopt a low debt environment. Borrowings will be considered for use with strategic purposes that provide new community infrastructure.
- Borrowings are intended to fund long term new asset creation that improves services to the community. The term of new borrowings must be considered with a view to link the payment period with the population that enjoys the benefit of those assets.
- Council will manage existing borrowings, cash and investments to ensure that debts are repaid when they are due.
- Councils projected debt in the LTFP is as follows:

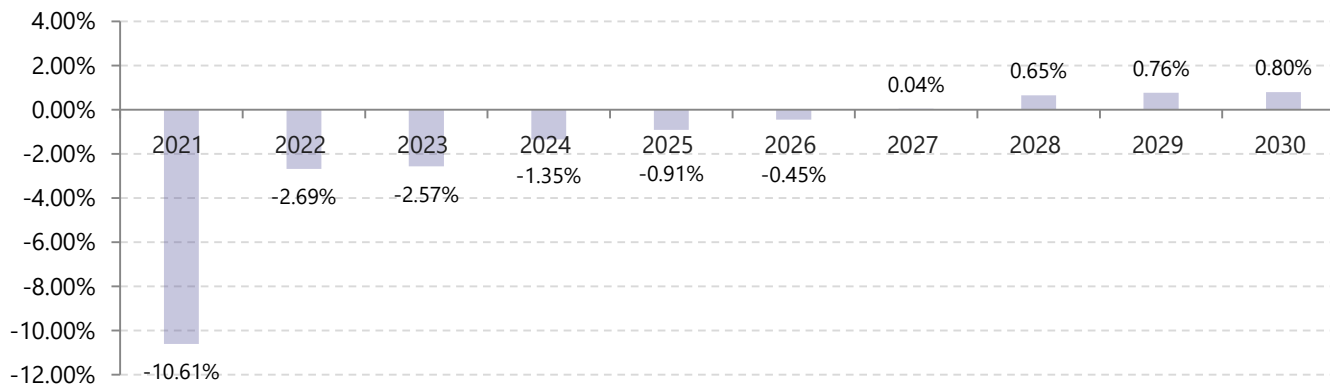


Financial Management Indicators and Asset Management Indicators

The State Government requires Council to disclose a number of management indicators in their annual financial statements. The following indicators will be prepared and disclosed in the financial statements for users to view as a measure of Council’s financial sustainability. In achieving the targets, Council will be performing strongly in achieving a number of aspects identified in the Purpose and Intent of the financial management strategy:

Financial Management Indicators	Target
Underlying Surplus or Deficit	Greater than \$0
Underlying Surplus Ratio	Greater than 0%
These targets will maintain a breakeven operating position for the life of the LTFP, ensure that Council is generating sufficient revenue to meet its operating requirements. A result greater than 0 means that Council’s recurring revenue is greater than recurring expenditure.	

Councils projected Underlying Surplus Ratio in the LTFP is as follows:



Financial Management Indicators and Asset Management Indicators (Cont.)

Financial Management Indicators			Target
Net Financial Liabilities	What is owed to others, less money held, invested or owed to Council	Total liabilities less financial assets (cash and cash equivalents plus trade and other receivables plus other financial assets)	Greater than \$0
Net Financial Liabilities Ratio	The significance of net amount owed compared with the periods income	Total liabilities less liquid assets, divided by total operating income	At least 0%
Asset Management Indicators			Target
Asset Consumption Ratio	The average proportion of 'as new' condition left in assets	The depreciated replacement cost of plant, equipment and infrastructure divided by the current replacement cost of depreciable assets	At least 60%
Asset Renewal Funding Ratio	The extent to which the required renewal capital expenditure in the asset management plans have been funded in the long term financial plan	Present value of renewal capital expenditure in long term financial plan divided by present value of required renewal capital expenditure in the asset management plan	At least 90%
Asset Sustainability Ratio	The ratio of asset replacement expenditure relative to depreciation for the period. This measures if assets are being replaced at the rate they are wearing out	Capital expenditure on replacement, renewal of existing plant, equipment and Infrastructure divided by depreciation expense	At least 90%



Meander Valley Council

**LONG TERM FINANCIAL PLAN
2021 TO 2030**

Key Assumptions

- Rate increases of 1% over and above annual CPI in each of the five financial years from 2021-22 to 2025-26.
- Retain current service levels with costs increasing by CCI.
- Expenditure on asset renewals ensures the existing level of service is maintained and the asset base will be preserved as the assets that are consumed are restored to their full service potential when needed.
- Council's Asset Management Plans determine the renewal, upgrade and new asset expenditure forecast for every year in the Long Term Financial Plan. They are based on management's forecasts of the infrastructure network's structure, condition and useful lives.
- Council will continue to adopt a low debt environment. Borrowings will be considered for use with strategic purposes that provide new community infrastructure that improves services to the community.
- Expenditure to rehabilitate the land at Council's tip sites at Cluan and Deloraine will be incurred in 2021-22 and 2025-26 respectively.
- Council's \$3.6M loan from Tascorp will be repaid in 2022-23. The corresponding amount loaned to Aged Care Deloraine will be repaid to Council in the same year.
- Council's cash reserves will decrease from \$18.7M to \$8.5M over the 10 years of the Long Term Financial Plan.

Statement of Comprehensive Income 2021 to 2030

Statement of Comprehensive Income

	Anticipated 2019-20 \$'000	Budget 2020-21 \$'000	Estimate 2021-22 \$'000	Estimate 2022-23 \$'000	Estimate 2023-24 \$'000	Estimate 2024-25 \$'000	Estimate 2025-26 \$'000	Estimate 2026-27 \$'000	Estimate 2027-28 \$'000	Estimate 2028-29 \$'000	Estimate 2029-30 \$'000
Operating Revenue											
General Rate Revenue	10,010	10,098	10,403	10,559	10,718	10,879	11,042	11,097	11,152	11,208	11,264
Waste Management Service Charges	1,526	1,684	1,684	1,684	1,684	1,684	1,684	1,684	1,684	1,684	1,684
Fire Levy	1,268	1,265	1,265	1,265	1,265	1,265	1,265	1,265	1,265	1,265	1,265
Fees & User Charges	1,227	1,150	1,230	1,230	1,230	1,230	1,230	1,230	1,230	1,230	1,230
Contributions & Donations	147	86	86	86	86	86	86	86	86	86	86
Interest	819	646	466	351	224	242	212	193	223	249	261
Operating Grants	4,869	4,350	4,390	4,390	4,390	4,364	4,390	4,390	4,390	4,390	4,390
Other Revenue	491	185	747	747	747	747	747	747	747	747	747
Total Operating Revenue	20,358	19,463	20,271	20,312	20,343	20,496	20,656	20,692	20,777	20,859	20,926
Operating Expenditure											
Employee Expenses	5,704	6,216	6,216	6,216	6,216	6,216	6,216	6,216	6,216	6,216	6,216
Materials & Contractors Expenses	6,465	6,767	6,767	6,767	6,767	6,767	6,767	6,767	6,767	6,767	6,767
Added Maintenance Estimate: AM Plans	-	-	135	174	218	256	301	339	376	415	453
Interest	218	218	211	211	-	-	-	-	-	-	-
Depreciation	4,845	4,963	5,043	5,102	5,153	5,179	5,200	5,220	5,241	5,261	5,282
Unwinding Tip Provision	223	223	223	223	223	223	223	-	-	-	-
Payments to Government Authorities	1,265	1,265	1,265	1,265	1,265	1,265	1,265	1,265	1,265	1,265	1,265
One off Non-Recurrent	990	1,600	680	600	500	500	500	600	500	500	500
Other Payments	250	277	276	276	276	276	276	276	276	276	276
Total Operating Expenditure	19,959	21,528	20,817	20,834	20,618	20,682	20,748	20,683	20,641	20,700	20,759
Underlying Surplus/(Deficit)	399	(2,065)	(546)	(522)	(275)	(185)	(92)	8	136	159	168
Non-Operating Items											
Subdivisions Taken Over	544	300	300	300	300	300	300	300	300	300	300
(Profit)/Loss on Disposal of Asset	291	-	-	-	-	-	-	-	-	-	-
Capital Grants & Contributions	1,327	5,152	874	4,674	874	900	900	900	900	900	900
Comprehensive Result	2,561	3,387	628	4,452	899	1,015	1,108	1,208	1,336	1,359	1,368
Add											
Depreciation	5,014	5,132	5,212	5,271	5,322	5,348	5,369	5,220	5,241	5,261	5,282
Loan Funds & Internal Transfers	-	-	920	3,600	-	-	130	162	-	-	-
Cost of Asset Sales	376	-	-	-	-	-	-	-	-	-	-
Less											
New Asset Expenditure (incl.subdivisions)	5,265	8,586	3,425	5,388	2,279	1,534	1,585	1,529	1,529	1,529	1,529
Asset Renewal/Replacement Expenditure	6,286	6,669	6,794	4,946	3,675	4,239	4,881	3,713	4,668	3,926	5,799
Loan Principal	-	-	-	3,600	-	-	-	-	-	-	-
Accrual Non-Cash Adjustments	(118)	(124)	(118)	(188)	(188)	(188)	(188)	(134)	(134)	(134)	(134)
Tip Rehabilitation Payments	-	-	1,011	-	-	-	3,106	-	-	-	-
Cash Surplus/(Deficit)	(3,482)	(6,612)	(4,351)	(423)	455	777	(2,777)	1,483	514	1,299	(545)
Opening Cash Balance	22,204	18,722	12,110	7,759	7,336	7,791	8,569	5,791	7,274	7,787	9,087
Closing Cash Balance	18,722	12,110	7,759	7,336	7,791	8,569	5,791	7,274	7,787	9,087	8,542

Statement of Financial Position 2021 to 2030

Statement of Financial Position

	Anticipated 2019-20 \$'000	Estimate 2020-21 \$'000	Estimate 2021-22 \$'000	Estimate 2022-23 \$'000	Estimate 2023-24 \$'000	Estimate 2024-25 \$'000	Estimate 2025-26 \$'000	Estimate 2026-27 \$'000	Estimate 2027-28 \$'000	Estimate 2028-29 \$'000	Estimate 2029-30 \$'000
Assets											
Cash and Cash Equivalents	18,722	12,110	7,759	7,336	7,791	8,569	5,791	7,274	7,787	9,087	8,542
Current Receivables	975	975	975	975	975	975	975	975	975	975	975
Financial Assets	-	-	-	-	-	-	-	-	-	-	-
Other	282	282	282	282	282	282	282	282	282	282	282
Investment in Water Corporation	55,592	55,592	55,592	55,592	55,592	55,592	55,592	55,592	55,592	55,592	55,592
Land Under Roads	26,169	26,169	26,169	26,169	26,169	26,169	26,169	26,169	26,169	26,169	26,169
Non-Current Receivables	1,087	1,151	301	301	301	301	171	9	9	9	9
Loans Receivable	3,600	3,600	3,600	-	-	-	-	-	-	-	-
Work in Progress	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642
Land Improvements	8,024	9,321	11,398	12,023	12,814	12,796	12,822	12,823	12,833	12,842	12,850
Buildings	20,228	24,660	24,372	28,016	27,517	27,027	26,548	26,081	25,658	25,209	24,768
Plant & Equipment	3,489	4,710	5,895	6,208	6,418	7,287	7,881	8,335	9,151	9,506	9,794
Heritage	20	20	20	20	20	20	20	20	20	20	20
Computer Software	85	85	85	85	85	85	85	85	85	85	85
Valuations	133	133	133	133	133	133	133	133	133	133	133
Land	8,663	9,435	9,935	9,935	9,935	9,935	9,935	9,935	9,935	9,935	9,935
Roads, Streets & Bridges	150,008	152,129	153,698	154,267	154,479	154,624	155,661	155,605	156,070	156,259	158,361
Stormwater	19,850	20,165	20,164	20,110	20,063	20,017	19,972	19,927	19,882	19,838	19,793
Total Assets	318,569	322,179	322,020	323,095	324,217	325,454	323,679	324,888	326,223	327,582	328,950
Liabilities											
Current Payables	1,604	1,604	1,604	1,604	1,604	1,604	1,604	1,604	1,604	1,604	1,604
Current Provisions	1,438	1,438	1,438	1,438	1,438	1,438	1,438	1,438	1,438	1,438	1,438
Non-Current Employee Provisions	258	258	258	258	258	258	258	258	258	258	258
Non-Current Tip Rehab Provisions	4,341	4,564	3,776	3,999	4,222	4,445	1,562	1,562	1,562	1,562	1,562
Loans Payable	3,600	3,600	3,600	-	-	-	-	-	-	-	-
Total Liabilities	11,241	11,464	10,676	7,299	7,522	7,745	4,862	4,862	4,862	4,862	4,862
Net Assets	307,328	310,715	311,344	315,796	316,695	317,709	318,817	320,026	321,361	322,720	324,088
Equity											
Accumulated Surplus	213,178	216,565	217,194	221,646	222,545	223,560	224,668	225,876	227,212	228,571	229,938
Land Revaluation Reserve	5,268	5,268	5,268	5,268	5,268	5,268	5,268	5,268	5,268	5,268	5,268
Building Revaluation Reserve	7,917	7,917	7,917	7,917	7,917	7,917	7,917	7,917	7,917	7,917	7,917
Roads & Streets Revaluation Reserve	49,516	49,516	49,516	49,516	49,516	49,516	49,516	49,516	49,516	49,516	49,516
Bridges Revaluation Reserve	16,692	16,692	16,692	16,692	16,692	16,692	16,692	16,692	16,692	16,692	16,692
Stormwater Revaluation Reserve	10,852	10,852	10,852	10,852	10,852	10,852	10,852	10,852	10,852	10,852	10,852
Water Corporation Reserve	3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,905
Total Equity	307,328	310,715	311,344	315,796	316,695	317,710	318,818	320,026	321,362	322,721	324,088