



Meander Valley Council

**FINANCIAL MANAGEMENT STRATEGY
2023 TO 2032**

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:

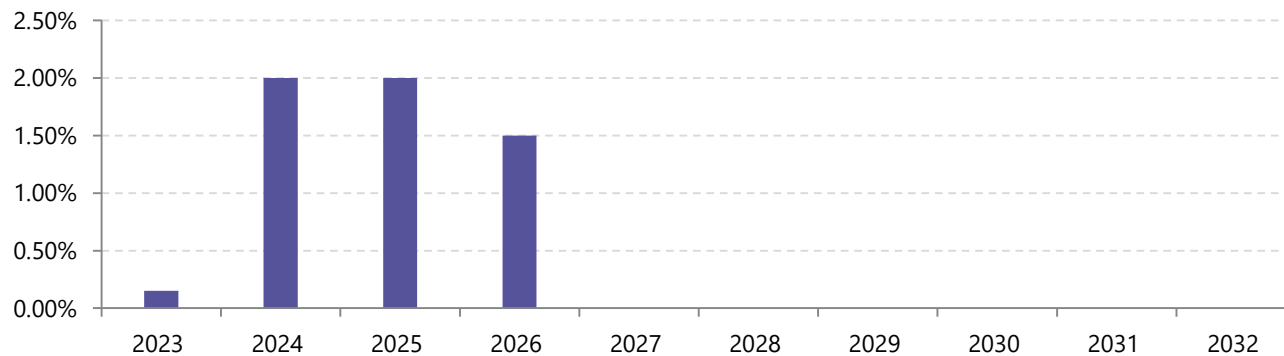
- Manage its finances on behalf of its community in a responsible and sustainable manner
- Maintain its community wealth in a manner where the wealth enjoyed by today's generation may also be enjoyed by tomorrow's generation
- Apply a user pays principle where appropriate, taking into account any community 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 Community 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

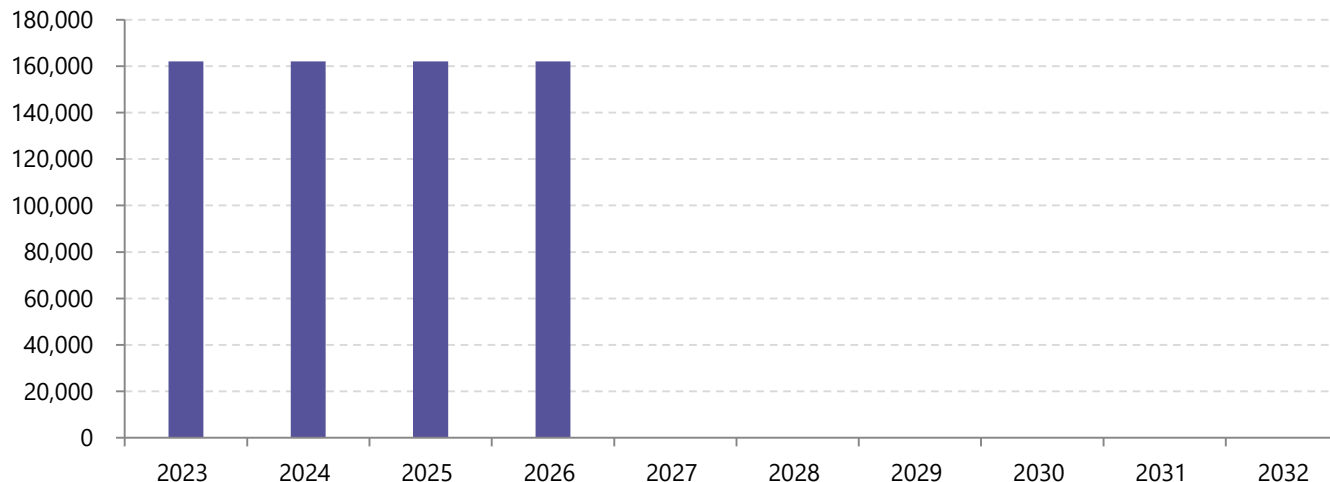
- Service charges will be regarded as a fee for service. A user pays concept is applied to service charges where possible.
- Council will raise a waste management service charge which covers the collection costs of waste and recycling. An additional fixed charge is applied that recovers the cost of all other waste services including the provision of refuse sites and a transfer station. 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 2022-26 Corporate Plan and is based on Council's existing ownership. All distributions are subject to TasWater achieving sufficient underlying profits.
- Interest on Cash and Investments are currently projected at a rate of 2.50% 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, noting the majority of loans are due to be repaid to Council during the 2022 and 2023 financial years.

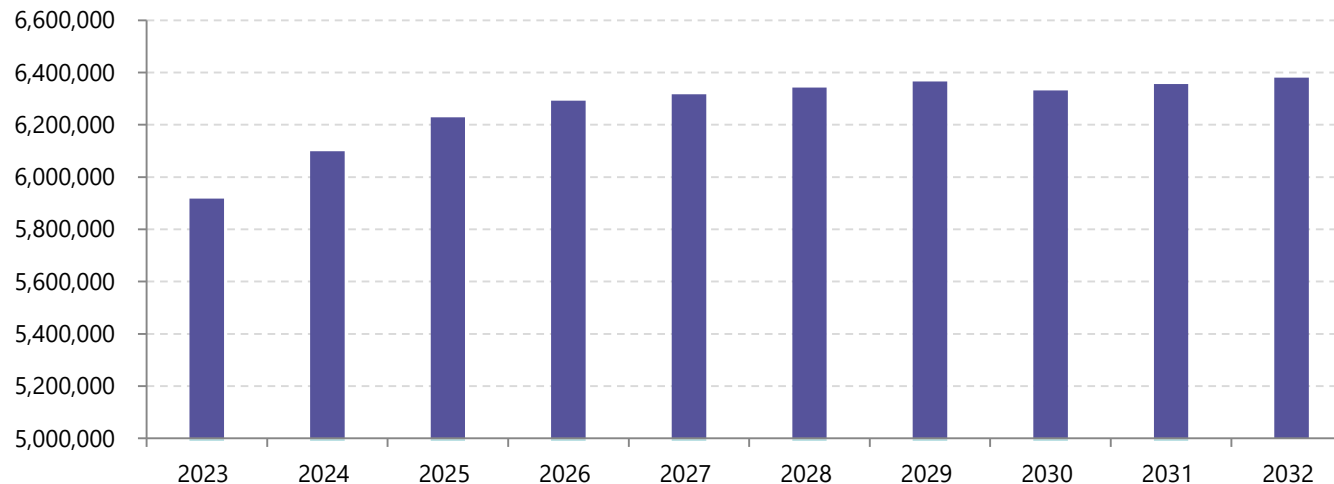


Operating Expenditure

- 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.

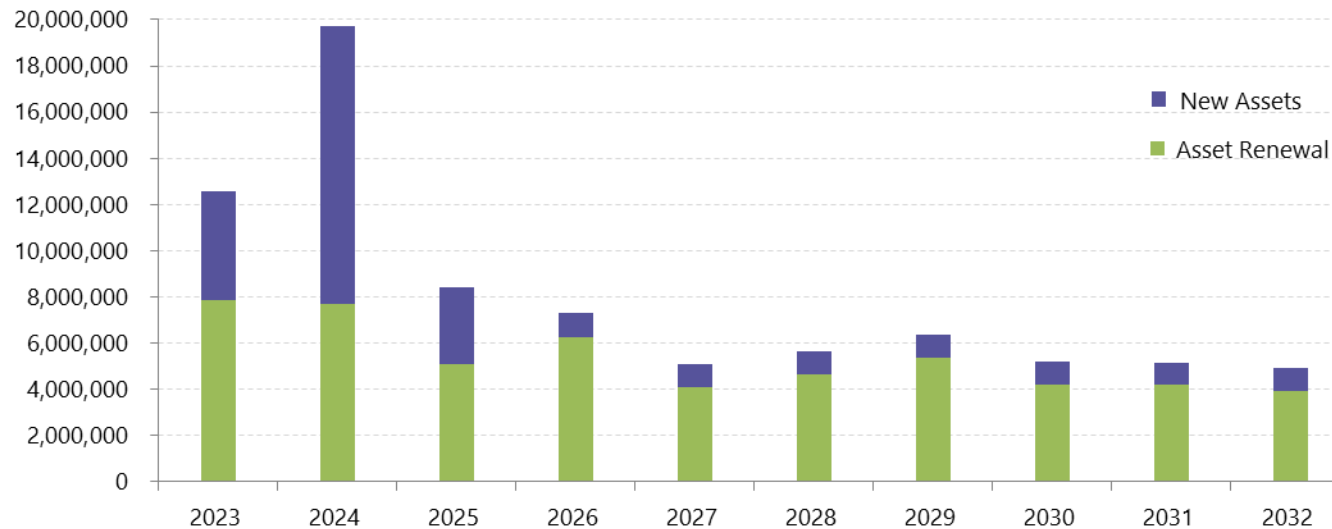
Depreciation

- 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

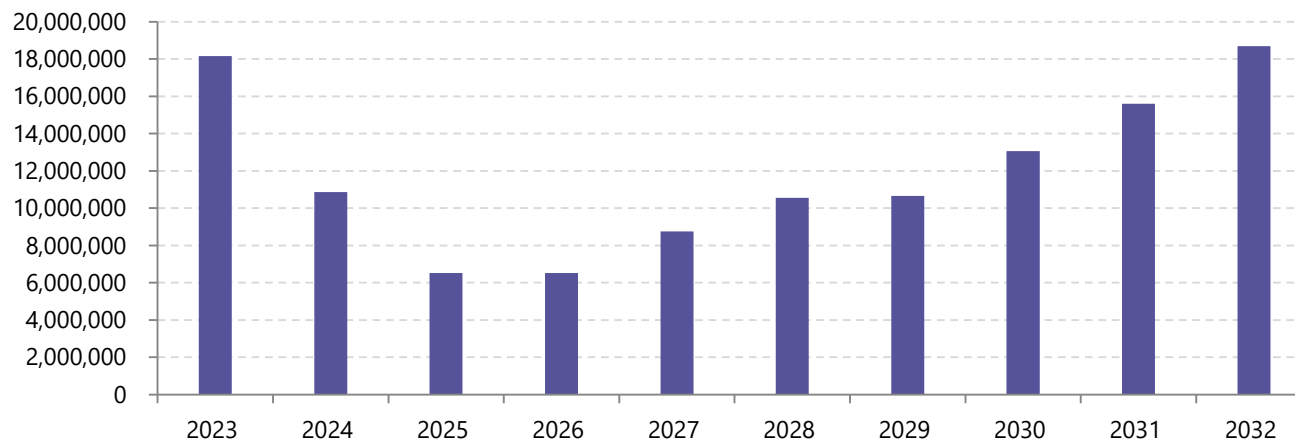
- Council will manage its assets in line with the 'Asset Management' policy, ensuring adequate provision is made for the long-term replacement of major assets is sustainable, through informed decision making on reliable information that is accountable and responsible.
- Council's AMP's will determine 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

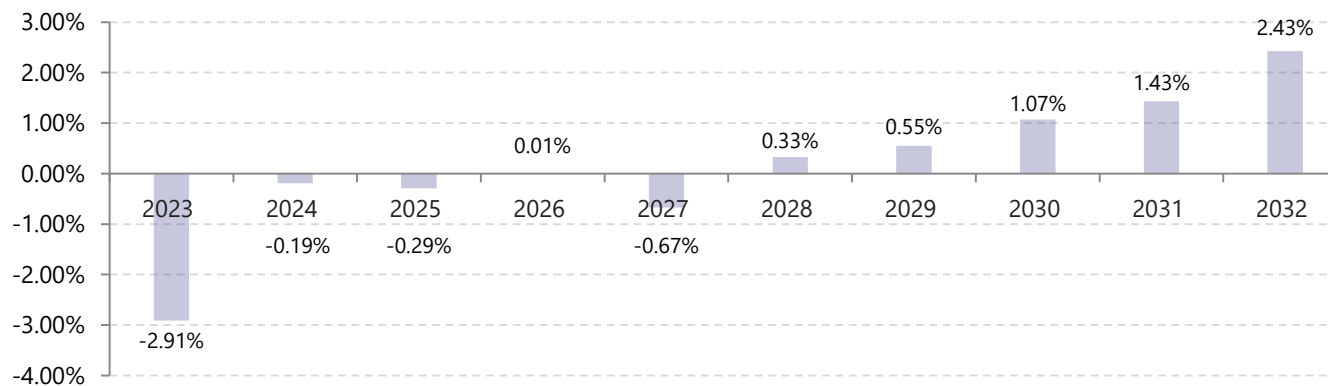
- Council will continue to adopt a low debt environment. Borrowings will be considered for use with strategic purposes that provide new community infrastructure.
- Borrowings are intended to fund long term new asset creation that improves services to the community. The term of new borrowings must be 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.
- Council's borrowings are due to be repaid in full during the 2023 financial year.

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
2023 TO 2032**

Key Assumptions

- Rate increases of 2% over and above annual CPI in each of the 2024 and 2025 financial years and 1.5% in the 2026 financial year.
- Retain current service levels with costs increasing by the Council Cost Index.
- 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 will be incurred in 2023 and 2029 and at the Deloraine tip site in 2025.
- Council's \$3.6M loan from Tascorp will be repaid in 2023. The corresponding amount loaned to Aged Care Deloraine will be repaid to Council in the same year.
- Council's cash reserves will decrease from \$20.2M to \$18.6M over the 10 years of the Long Term Financial Plan.

Statement of Comprehensive Income 2023 to 2032

Statement of Comprehensive Income	Anticipated	Budget	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Revenue											
General Rate Revenue	10,787	11,509	11,796	12,091	12,333	12,395	12,457	12,519	12,582	12,644	12,708
Waste Management Service Charges	2,565	2,896	2,896	2,896	2,896	2,896	2,896	2,896	2,896	2,896	2,896
Fire Levy	1,297	1,346	1,346	1,346	1,346	1,346	1,346	1,346	1,346	1,346	1,346
Fees & User Charges	1,436	1,483	1,483	1,483	1,483	1,483	1,483	1,483	1,483	1,483	1,483
Contributions & Donations	189	130	130	130	130	130	130	130	130	130	130
Interest	512	596	500	342	257	301	426	468	523	700	838
Operating Grants	4,787	4,895	4,543	4,543	4,543	4,543	4,543	4,543	4,543	4,543	4,543
Other Revenue	906	869	843	843	843	732	732	732	732	732	732
Total Operating Revenue	22,478	23,722	23,536	23,673	23,830	23,824	24,012	24,116	24,233	24,474	24,674
Operating Expenditure											
Employee Expenses	6,410	7,129	7,129	7,129	7,129	7,129	7,129	7,129	7,129	7,129	7,129
Materials & Contractors Expenses	7,093	8,109	8,109	8,109	8,109	8,109	8,109	8,109	8,109	8,109	8,109
Added Maintenance Estimate: AM Plans	-	-	96	127	150	182	205	231	257	283	309
Interest	228	214	-	-	-	-	-	-	-	-	-
Depreciation	5,562	5,918	6,059	6,188	6,232	6,257	6,282	6,306	6,331	6,356	6,380
Unwinding Tip Provision	192	38	40	40	60	60	60	60	-	-	-
Payments to Government Authorities	1,295	1,346	1,346	1,346	1,346	1,346	1,346	1,346	1,346	1,346	1,346
One off Non-Recurrent	756	1,406	550	550	550	650	550	550	550	650	550
Other Payments	230	250	251	251	251	251	251	251	251	251	251
Total Operating Expenditure	21,767	24,412	23,580	23,741	23,827	23,985	23,933	23,983	23,974	24,124	24,075
Underlying Surplus/(Deficit)	712	(690)	(44)	(68)	2	(160)	79	133	260	349	599
Non-Operating Items											
Subdivisions Taken Over	1,897	645	600	600	600	600	600	600	600	600	600
Profit/(Loss) on Disposal of Asset	-	-	-	1,000	-	-	-	-	-	-	-
Capital Grants & Contributions	1,837	5,076	6,254	874	900	900	900	900	900	900	900
Comprehensive Result	4,446	5,031	6,811	2,406	1,502	1,340	1,579	1,633	1,760	1,849	2,099
Add											
Depreciation	5,731	5,918	6,099	6,228	6,292	6,317	6,342	6,366	6,331	6,356	6,380
Loan Funds & Internal Transfers	940	3,600	-	-	-	162	-	-	-	-	-
Cost of Asset Sales	16	-	-	-	-	-	-	-	-	-	-
Less											
New Asset Expenditure (incl.subdivisions)	3,382	5,344	12,623	3,909	1,616	1,597	1,576	1,576	1,576	1,577	1,577
Asset Renewal/Replacement Expenditure	6,280	7,860	7,688	5,109	6,280	4,097	4,657	5,383	4,224	4,188	3,927
Loan Principal	-	3,600	-	-	-	-	-	-	-	-	-
Accrual Non-Cash Adjustments	(88)	(114)	(109)	(109)	(109)	(109)	(109)	(109)	(109)	(109)	(109)
Tip Rehabilitation Payments	-	-	-	4,065	-	-	-	1,045	-	-	-
Cash Surplus/(Deficit)	1,559	(2,141)	(7,293)	(4,339)	7	2,233	1,797	104	2,400	2,549	3,085
Opening Cash Balance	18,733	20,292	18,151	10,858	6,518	6,525	8,759	10,556	10,659	13,059	15,608
Closing Cash Balance	20,292	18,151	10,858	6,518	6,525	8,759	10,556	10,659	13,059	15,608	18,693

Statement of Financial Position 2023 to 2032

Statement of Financial Position

	Anticipated 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	Estimate 2030-31 \$'000	Estimate 2031-32 \$'000
Assets											
Cash and Cash Equivalents	20,292	18,151	10,858	6,518	6,525	8,759	10,556	10,659	13,059	15,608	18,693
Current Receivables	1,209	1,209	1,209	1,209	1,209	1,209	1,209	1,209	1,209	1,209	1,209
Financial Assets	-	-	-	-	-	-	-	-	-	-	-
Other	167	167	167	167	167	167	167	167	167	167	167
Investment in Water Corporation	46,023	46,023	46,023	46,023	46,023	46,023	46,023	46,023	46,023	46,023	46,023
Land Under Roads	29,031	29,031	29,031	29,031	29,031	29,031	29,031	29,031	29,031	29,031	29,031
Non-Current Receivables	167	202	202	202	202	40	40	40	40	40	40
Loans Receivable	3,600	-	-	-	-	-	-	-	-	-	-
Work in Progress	850	850	850	850	850	850	850	850	850	850	850
Land Improvements	10,640	12,815	16,062	18,290	18,388	18,320	18,197	17,012	16,921	16,830	16,739
Buildings	21,896	23,602	30,098	29,565	29,101	28,496	27,912	27,329	26,756	26,195	25,643
Plant & Equipment	3,983	5,371	6,084	6,610	7,574	8,251	8,974	9,272	9,454	9,861	10,331
Heritage	19	19	19	19	19	19	19	19	19	19	19
Computer Software	110	110	110	110	110	110	110	110	110	110	110
Valuations	136	136	136	136	136	136	136	136	136	136	136
Land	10,843	11,113	11,916	12,246	12,246	12,246	12,246	12,246	12,246	12,246	12,246
Roads, Streets & Bridges	154,548	155,908	158,672	158,748	159,611	158,944	158,781	159,745	159,604	159,170	158,383
Stormwater	22,045	22,322	22,443	22,537	22,631	22,623	22,611	22,597	22,579	22,558	22,533
Total Assets	325,559	327,030	333,880	332,261	333,824	335,224	336,863	336,444	338,204	340,054	342,153
Liabilities											
Current Payables	1,435	1,435	1,435	1,435	1,435	1,435	1,435	1,435	1,435	1,435	1,435
Current Provisions	1,360	1,360	1,360	1,360	1,360	1,360	1,360	1,360	1,360	1,360	1,360
Contract Liabilities	895	895	895	895	895	895	895	895	895	895	895
Non-Current Employee Provisions	151	151	151	151	151	151	151	151	151	151	151
Non-Current Tip Rehab Provisions	5,816	5,856	5,896	1,871	1,931	1,991	2,051	-	-	-	-
Loans Payable	3,600	-	-	-	-	-	-	-	-	-	-
Total Liabilities	13,257	9,697	9,737	5,712	5,772	5,832	5,892	3,841	3,841	3,841	3,841
Net Assets	312,302	317,333	324,143	326,549	328,052	329,392	330,971	332,603	334,363	336,213	338,312
Equity											
Accumulated Surplus	220,667	225,698	232,508	234,914	236,417	237,757	239,336	240,968	242,728	244,578	246,677
Land Revaluation Reserve	10,025	10,025	10,025	10,025	10,025	10,025	10,025	10,025	10,025	10,025	10,025
Building Revaluation Reserve	8,975	8,975	8,975	8,975	8,975	8,975	8,975	8,975	8,975	8,975	8,975
Roads & Streets Revaluation Reserve	49,515	49,515	49,515	49,515	49,515	49,515	49,515	49,515	49,515	49,515	49,515
Bridges Revaluation Reserve	16,960	16,960	16,960	16,960	16,960	16,960	16,960	16,960	16,960	16,960	16,960
Stormwater Revaluation Reserve	11,824	11,824	11,824	11,824	11,824	11,824	11,824	11,824	11,824	11,824	11,824
Water Corporation Reserve	(5,664)	(5,664)	(5,664)	(5,664)	(5,664)	(5,664)	(5,664)	(5,664)	(5,664)	(5,664)	(5,664)
Total Equity	312,302	317,333	324,143	326,549	328,052	329,392	330,971	332,603	334,363	336,213	338,312