

LONG TERM FINANCIAL PLAN 2022/23 - 2031/32 - UPDATE

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Legislative ()**Corporate (X)****Other ()****Purpose**

To present for adoption by Council the updated Long Term Financial Plan (LTFP) for 2022/23 – 2031/32.

Background

Council is required to adopt a LTFP covering a period of at least 10 years, along with Asset Management Plans, both of which form part of Council's suite of Strategic Management Plans (SMPs).

The *Local Government Act 1999* requires a Council's SMPs to address:

- the sustainability of the Council's financial performance and position;
- the maintenance, replacement or development needs for infrastructure within its area; and
- identification of any anticipated or predicted changes that will have a significant effect upon the costs of the Council's activities/operations.

Section 122 (4) & (4a) of the *Local Government Act* require:

- a review of Council's Long Term Financial Plan
- preparation of the CEO Statement of Financial Sustainability

Council approved the last version of the LTFP on 12 September 2022 (Item 149.1).

Inline with ESCOSA recommendations, Council endorsed a Draft Long Term Financial Plan (LTFP) for 2022/23 – 2031/32 for Public Consultation in conjunction with the consultation of the Draft 2023/24 Annual Business Plan & Budget on 29 May 2022.

Council approved the 2023/24 Annual Budget and Business Plan on 10 July 2023 (Item 108.1). This LTFP is an update and takes into account of the 2023/24 adopted Annual Budget.

The 2022/23 – 2031/32 Long Term Financial Plan is modelled on the following trends and assumptions:

LTFP Assumptions

CPI/LGPI	<ul style="list-style-type: none"> • The Consumer Price Index (CPI) for Adelaide increased by 7.9% for the year to 31 March 2023. During the same period the CPI for the eight capital cities in Australia increased by 7.0%. • The Local Government Price Index (LGPI) has increased by 6.4% for the year to 31 March 2023. • CPI Forecasts vary and the South Australian Centre for Economic Studies forecasts CPI of 4.5% over 2023/2024 and 3.5% over 2024/25. On the back of this forecast the financial model assumes 7.9% CPI in 2023/24, 3.5% CPI in 2024/25 and a normalisation of 2.0% thereafter as it is assumed that fiscal measures by the RBA (such as interest rate rises) will have a deflating effect on CPI. • These CPI assumptions are an adjustment from the 2.0% in the 2022/23 LTFP.
Rates	<ul style="list-style-type: none"> • Growth in the number of ratable properties is estimated to increase by 3.0% from 2024/25 and 2.0% thereafter. The

	<p>increased 1% for 2024/25 is to ensure recovery and continuing financial sustainability following the decision to limit the rate increase to an average of 6.9% in 2023/24, which is based on ID Census research and modelling. This is consistent with the growth estimate to deliver Council's aspiration of a population of 30,000 people and is consistent with the 30 Year Plan for Greater Adelaide, and aligns to identified developments that are currently underway.</p> <ul style="list-style-type: none"> • The growth forecasts are broadly inline with the LTFP for 2022/23. • Council's past operating performance enables ratable income increases consistent with CPI estimates to be included in this plan which is 7.9% in year 2, 3.5% in year 3 and 2.0% for the 7 years thereafter. This is an adjustment from the 2.0% included in the previous LTFP.
Statutory and User Charges	<ul style="list-style-type: none"> • Charges are assumed to increase by CPI of 7.9% in year 2, 3.5% in year 3 and 2.0% for the 7 years thereafter.
Grants	<ul style="list-style-type: none"> • Grant incomes are assumed to increase by CPI of 7.9% in year 2, 3.5% in year 3 and 2.0% for the 7 years thereafter.
Reimbursement and Other income	<ul style="list-style-type: none"> • Other incomes are assumed to increase by CPI of 7.9% in year 2, 3.5% in year 3 and 2.0% for the 7 years thereafter.
Lerwin Income	<ul style="list-style-type: none"> • Lerwin Incomes are assumed to increase in line with the ANACC funding model in 2023/24. A 3.5% CPI has been applied in 2024/25 and 2.0% there after, but no growth is assumed in this plan.
Salaries	<ul style="list-style-type: none"> • The South Australian Centre for Economic Studies forecasts a Wage Price Index increase of 4.0% over 2023/24 and 3.75% over 2024/25. • The salary increases for Years 1 and 2 reflect the current negotiation position of the Enterprise Bargaining Agreements (EBA's) the earliest expiring 30 June 2024. Outside of these the Wages Increase is assumed to align with CPI. • The plan also assumes salary increases of 1% growth in costs resulting from the provision of services to a higher population • There is an additional increase of 0.5% in on costs due to the legislated increase in Superannuation Guarantee Contributions from 2023/24 to 2025/26.
Non-salary costs	<ul style="list-style-type: none"> • The Local Government Price Index has increased by 6.4% in the year to March 2023 and Adelaide CPI has increased by 7.9% in the year to March 2023. • The South Australian Centre for Economic Studies forecasts CPI of 4.5% over 2023/24 and 3.5% over 2024/25. • The financial model assumes 7.9% CPI in 2023/24, 3.5% CPI in 2024/25 and 2.0% thereafter. • Also included in 2023/24 are uplifts for known increases above CPI for inputs such as Waste, Energy and Insurance. • The plan also assumes Non Salary increases of 1% growth in costs resulting from the provision of services to a higher population
Lerwin Costs	<ul style="list-style-type: none"> • As mandated by Federal Government Lerwin Salaries are assumed to increase by 15% in 2023/24 as per EB in 2024/25 and as per CPI thereafter. There is a general proportionate offset in ANACC income to support this increase.
Key Projects	<ul style="list-style-type: none"> • Key Projects are assumed to decrease in 2023/24 to balance the budget. In 2024/25 they are assumed return to the original allocation and increase by a further 4.5% which reflects 1.0% growth plus CPI of 3.5%.

Depreciation/capex	<ul style="list-style-type: none"> Depreciation charge is forecast to increase 2.5% in 2023/24 reflecting increased investments in new infrastructure.
Interest rates	<ul style="list-style-type: none"> Interest received on deposits has been calculated at 2.0% being the current interest rate the Council receives on deposits placed with the Local Government Finance Authority (LGFA). Interest on loans is calculated at 4.0% based on the impact of required borrowings at the current LGFA rate of 5.85% on the weighted interest rates across Councils mix of fixed and variable interest bearing liabilities. This is due to long term debentures currently in place at a historically lower rate.

Statement of Comprehensive Income

The current and next ten years Statement of Comprehensive Income is shown in **Attachment 1**, including a graph of the Normalised Operating Result in **Attachment 2**.

The next four years are summarised below:

Rural City of Murray Bridge Statement of Comprehensive income				
\$000's	2022/23 Forecast	2023/24	2024/25	2025/26
INCOME				
Rates	29,705	33,125	35,308	36,734
Other	18,846	13,659	19,107	19,489
Total Operating income	48,551	46,784	54,415	56,224
EXPENDITURE				
Employee costs	20,356	25,230	27,022	27,888
Finance	308	848	801	801
Other expenses	26,339	24,607	25,617	25,908
	47,003	50,685	53,441	54,596
Operating Surplus/(Deficit)	1,548	-3,900	974	1,276
Underlying Operating Surplus/(Deficit)	(37)	914	974	1,276

The underlying operating result for 2023-24 is a surplus of \$914k after considering the advanced grants payment of \$4,815k in 2022-23.

The operating surplus increases to \$974k in 2024-25, and continues to rise to \$4.5m in 2031-32.

The result reflects an extremely robust statement of financial sustainability driven from the operating surplus in 2023-24 which will be achieved through sound financial management and improved efficiency and performance in the provision of all services and asset management plans.

The operating surplus increases throughout the 10 year period of the plan which arises from a lower increase in costs than rates income achieved through generating additional property growth (2.0%) throughout the region.

Statement of Financial Position

The Statement of Financial Position is shown in **Attachment 3**. The net assets of the Council

are forecast to increase from \$333.8m at June 2023 to \$420.1m in June 2032.

The cash position is shown on the Statement of Financial Position and is made up of 3 elements – cash, current liabilities (due within one year) and non-current liabilities (due after one year).

A graph of the net funding position is shown in **Attachment 4**.

The next four year's balances are shown below:

Rural City of Murray Bridge Net Funding Position				
Year ending 30 June	2022/23 Forecast	2023/24	2024/25	2025/26
Cash and Cash equivalents	8,188	3,406	3,474	3,544
Short Term Borrowings	(1,084)	(1,084)	(1,106)	(1,128)
Long Term Borrowings	(20,048)	(20,048)	(20,026)	(20,004)
Net Funding Position	(12,944)	(17,726)	(17,658)	(17,588)

The cash balance at the end of 2022-23 is forecast to be \$8.2m due to the FAGS received in advance. It is expected to normalize to \$3.4m in 2023/24, and is forecast to increase steadily year on year until it reaches \$4.0m in 2031-32. This is consistent with the 2021/22- 2030/31 LTFP in that it reflects utilisation of Lerwin Resident Deposits to fund the Expansion and Refurbishment Project. The non-restricted cash will be kept to a minimum to enable borrowings to be paid off sooner.

The net funding position at the end of 2022-23 is forecast to be (12.9m). After normalizing in 2023/24 (\$17.7m) this improves steadily in subsequent years principally due to the increasing operating surplus only partially offset by investment in the capital enhancement program. In 2031-32 the Net Funding position is forecast to improve to (17.1m).

Council should note that this financial position is achievable whilst, continuing to invest over \$1.8m net per annum (increasing) on Key Projects, satisfying an Asset Renewal Funding Ratio (ARFR) of 100% and includes investments in the Capital Enhancement Program of \$1.1m in 2024/25 increasing to \$5.0m in 2031/32 for a total of \$23.4m across the 7 year period.

Capital Investment

The ARFR is shown in **Attachment 5**. An ARFR of 100% is forecast to be achieved from 2022-23 onwards ensuring that assets are being replaced at the same rate as they are wearing out and confirming Council's long term financial sustainability.

Council should note that a significant number of Council's strategies can be achieved including the Town Entrance Enhancements, Playgrounds, Toilets and enhancement of roads and footpaths as well as a portion of the Sturt Reserve Masterplan and Riverfront Strategy.

Financial Indicators

The key financial indicators required to be reported by Councils are the:

- Underlying Operating Surplus ratio

- Net Financial Liabilities ratio
- Asset Renewable Funding ratio (ARFR)

These are shown in **Attachment 6** and they demonstrate an improving financial performance throughout the 10 year period of the plan.

The ARFR is at 100% throughout the life of the plan.

The Operating Surplus Ratio increases from 2.0% in 2023/24 to 6.7% in 2031/32, which generates the major part of the increased funding of the capital enhancement program.

The Net Financial Liabilities Ratio is forecast to be 71% in 2022/23 but then reduces year by year to reach 56% in 2031-32 as borrowings remain at a conservative level throughout the period of the plan. Councils Net Financial Liabilities Ratio target is set to keep the percentage less than 80%.

The ratios for the next four years are shown below and are significantly better than Council or LGA guidelines.

Year ending 30 June	Financial Indicators				Council Target	LGA Target
	2022/23 Foreca	2023/24	2024/25	2025/26		
Underlying operating surplus ratio	-0.1%	2.0%	1.8%	2.3%	> 0%	> 0%
Net Financial Liabilities Ratio	71%	72%	66%	64%	0% ----> 80%	0% ----> 100%
Asset Renewal Funding Ratio	100%	100%	100%	100%	90% ----> 120%	90% ----> 100%

Proposal

That Council endorse for consultation the Draft LTFP in conjunction with the Draft 2023/24 Annual Business Plan & Budget.

Legislative Requirements

The Local Government Act 1999 requires each Council to develop and adopt a Long Term Financial Plan (LTFP) covering at least 10 years, along with an Infrastructure and Asset Management Plan (I&).

The Local Government Act 1999 requires each Council to perform at least once in each year, a review of the performance (individually and as a whole) of its investments.

Council Policy

Financial Sustainability Policy
Treasury Management Policy

Financial Implications

Regularly updating and reviewing LTFP's enables Council to make informed decisions consistent with its long-term strategy and a financially sustainable Council. This LTFP has been updated based on the 2022-23 forecast and 2023-24 Draft Annual Business Plan and Budget. This LTFP forecasts an increasing Underlying Operating Surplus that rises to \$4.5m in 2031/32.

Risk

Regularly reviewing and updating the LTFP, reduces the risk of unforeseen outcomes resulting from short term decisions.

Regularly reviewing and updating the Councils Investments, reduces the risk of unforeseen outcomes resulting from short term decisions.

WHS

Not applicable.

Asset Management

Asset Management Plans are regularly updated and have previously been adopted by Council.

Implementation Strategy

The LTFP will be considered during the process of adopting the 2023/24 Annual Business Plan and Budget.

Communication Strategy

The LTFP will appear on Council's website.

Strategic Plan

Goal 5 - Our Performance
5.2 - Sustainable

Recommendation

1. That item number on Council agenda of 14 August 2023 be received.
2. That Council adopts the Long Term Financial Plan 2023/24 - 2032/33.

Attachments

1.	Statement of Comprehensive Income	Attachment
2.	Normalised Operating Result	Attachment
3.	Statement of Financial Position	Attachment
4.	Net Funding Position	Attachment
5.	Asset Renewal Funding Ratio	Attachment
6.	Financial Indicators	Attachment

Council

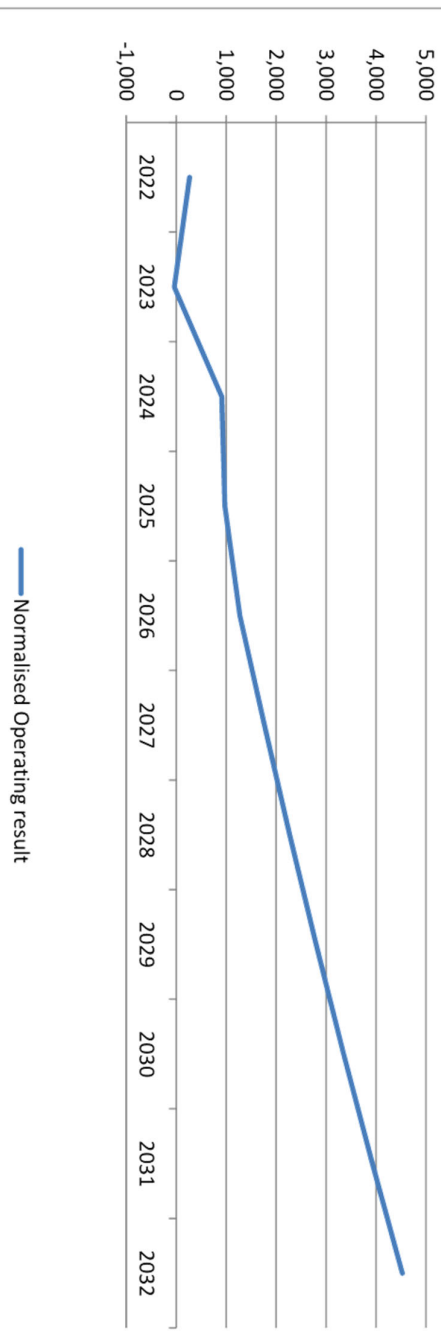
Rural City of Murray Bridge

Attachment 1

Statement of Comprehensive Income

	2022/23 Forecast	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
INCOME										
Rates	29,705	33,125	35,308	36,734	38,218	39,762	41,369	43,040	44,779	46,588
Statutory charges	663	716	741	756	771	787	803	819	835	852
User charges	2,799	2,715	2,811	2,868	2,925	2,983	3,043	3,104	3,166	3,229
Grants, Sub. Cont.	13,594	9,081	14,389	14,677	14,970	15,270	15,575	15,886	16,204	16,528
Investment income	45	54	69	70	72	73	74	76	77	79
Reimbursements	275	197	204	208	212	216	220	225	229	234
Other income	526	479	496	506	516	526	536	547	558	569
Equity accounted Investments	28	28	0	0	0	0	0	0	0	0
Key Projects Income	916	390	397	405	413	422	430	439	448	457
	48,551	46,784	54,415	56,224	58,097	60,039	62,051	64,136	66,297	68,536
EXPENDITURE										
Employee costs	20,356	25,230	27,022	27,888	28,640	29,413	30,208	31,024	31,864	32,727
Material and contracts	13,393	13,617	14,214	14,620	15,037	15,467	15,910	16,365	16,833	17,315
Depreciation	8,816	9,040	9,076	9,229	9,386	9,564	9,754	9,957	10,174	10,407
Finance	308	848	801	801	800	799	798	797	796	795
Key Projects Expenditure	4,130	1,950	2,327	2,374	2,421	2,470	2,519	2,570	2,621	2,673
	47,003	50,685	53,441	54,596	55,963	57,385	58,854	60,372	61,941	63,563
Operating Surplus/(Deficit)	1,548	-3,901	974	1,276	1,768	2,273	2,801	3,352	3,927	4,528
Underlying Operating Surplus/(Deficit)	-37	913	974	1,276	1,768	2,273	2,801	3,352	3,927	4,528

Rural City of Murray Bridge - Attachment 2 Normalised Operating result



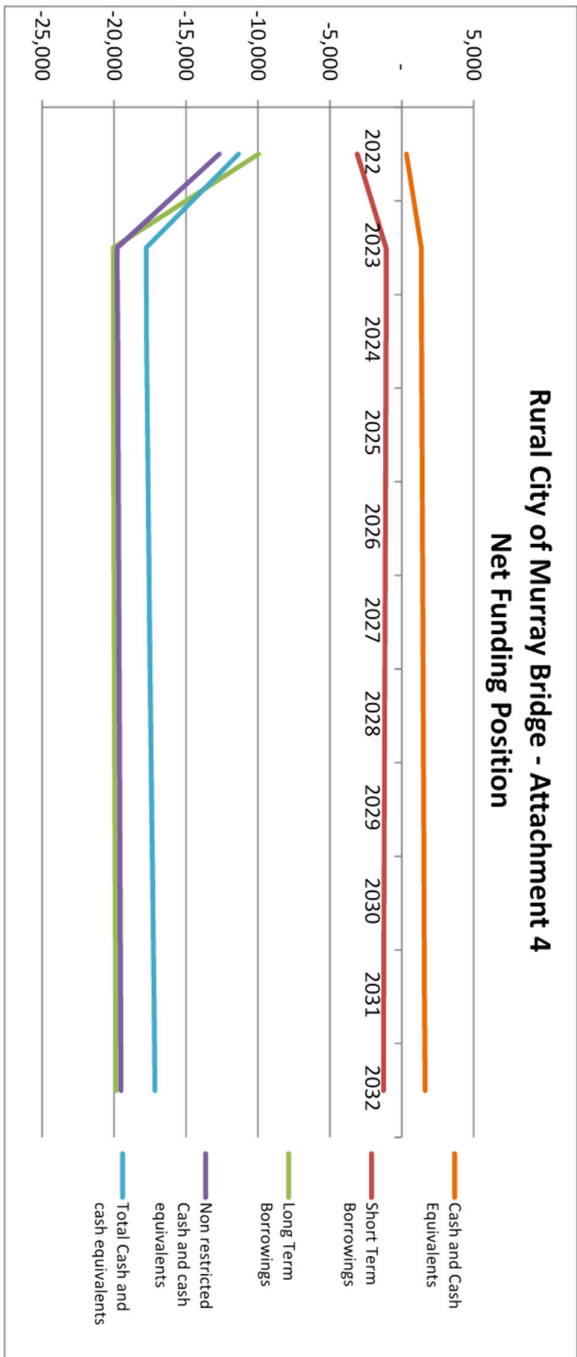
BALANCE SHEET

**Rural City of Murray Bridge
Statement of Financial Position**

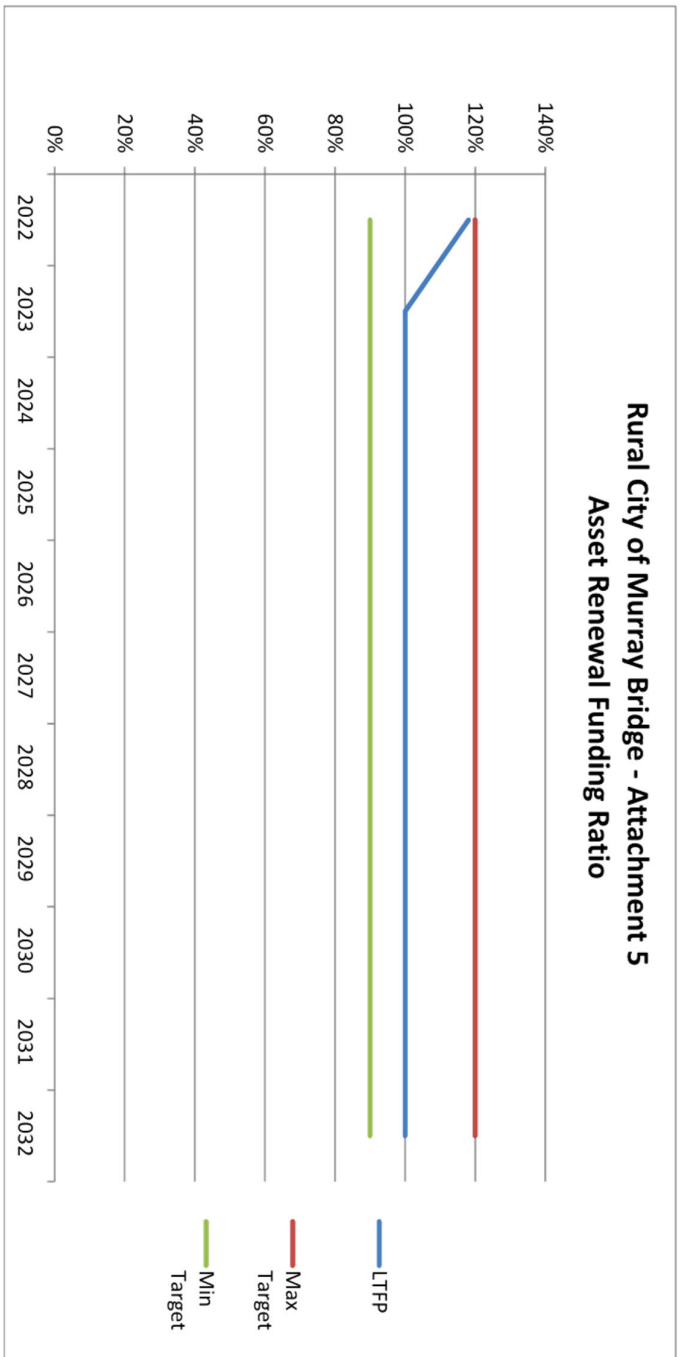
Attachment 3

	2022/23 Forecast	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
ASSETS										
Current Assets										
Restricted Cash	6,831	2,014	2,055	2,096	2,138	2,180	2,224	2,268	2,314	2,360
Cash and Cash Equivalents	1,357	1,392	1,420	1,448	1,477	1,507	1,537	1,568	1,599	1,631
Trade & Other Receivables	1,218	1,018	1,038	1,059	1,080	1,102	1,124	1,146	1,169	1,193
Other Financial Assets	202	202	206	210	214	219	223	227	232	237
Inventories	584	584	596	608	620	632	645	658	671	684
Total Current Assets	10,192	5,210	5,314	5,421	5,529	5,640	5,753	5,868	5,985	6,105
Non-current Assets										
Equity accounted investments	636	664	664	664	664	664	664	664	664	664
Investment Property	0	0	0	0	0	0	0	0	0	0
Infrastructure, Prop, Plant & Equip	368,601	368,896	375,534	384,202	394,065	404,565	415,825	427,869	440,741	454,482
Capital WIP	1,720	1,720	1,754	1,789	1,825	1,862	1,899	1,937	1,976	2,015
Total Non-current Assets	370,957	371,280	377,953	386,656	396,554	407,091	418,388	430,470	443,381	457,161
Total Assets	381,139	376,490	383,267	392,076	402,083	412,731	424,140	436,338	449,366	463,265
Liabilities										
Trade & Other Payables	5,651	5,301	3,451	3,126	3,325	3,456	3,604	3,756	3,915	4,081
Deposits and payments in advance	9,080	9,080	9,262	9,447	9,636	9,828	10,025	10,226	10,430	10,639
Short Term Borrowings	1,084	1,084	1,106	1,128	1,150	1,173	1,197	1,221	1,245	1,270
Employee Provisions	5,286	4,830	4,927	5,025	5,126	5,228	5,333	5,439	5,548	5,659
Other Provisions	577	577	589	600	612	625	637	650	663	676
Total Current Liabilities	21,678	20,872	19,333	19,326	19,849	20,311	20,796	21,292	21,801	22,325
Long Term Borrowings	20,048	20,048	20,026	20,004	19,982	19,959	19,935	19,911	19,887	19,862
Employee Provisions	799	849	866	883	901	919	937	956	975	995
Other Provisions	0	0	0	0	0	0	0	0	0	0
Total Liabilities	20,847	20,897	20,888	20,888	20,883	20,878	20,873	20,867	20,862	20,857
Net Assets	338,622	334,721	343,042	351,863	361,351	371,542	382,472	394,179	406,702	420,084
Accumulated Surplus	117,075	127,718	123,817	124,791	126,037	127,806	130,079	132,880	136,232	140,160
Asset Revaluation Reserves	210,904	210,904	218,251	225,826	233,546	241,463	249,592	257,946	266,542	275,397
Other Reserves	10,643	(3,901)	974	1,276	1,768	2,273	2,801	3,352	3,927	4,528
Total Equity	338,622	334,721	343,042	351,863	361,351	371,542	382,472	394,179	406,702	420,084

Rural City of Murray Bridge - Attachment 4 Net Funding Position



Rural City of Murray Bridge - Attachment 5 Asset Renewal Funding Ratio



**Rural City of Murray Bridge
Net Financial Indicators**

	2022/23 Forecast	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Underlying Operating Surplus Ratio										
Operating Surplus	-37	913	974	1,276	1,768	2,273	2,801	3,352	3,927	4,528
Total Operating Income	48,551	46,784	54,415	56,224	58,097	60,039	62,051	64,136	66,297	68,536
	0%	2%	2%	2%	3%	4%	5%	5%	6%	7%
Net Financial Liabilities Ratio										
Net Financial Liabilities	33,119	37,345	35,713	35,610	36,037	36,399	36,783	37,177	37,581	37,998
Total Operating Revenue	46,966	51,598	54,415	56,224	58,097	60,039	62,051	64,136	66,297	68,536
	71%	72%	65%	64%	62%	61%	60%	58%	57%	56%
Asset Renewal Funding Ratio										
Asset Renewal Expenditure	8,816	9,040	9,076	9,229	9,386	9,564	9,754	9,957	10,174	10,407
Net Asset Renewal Expenditure per AMP	8,816	9,040	9,076	9,229	9,386	9,564	9,754	9,957	10,174	10,407
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%