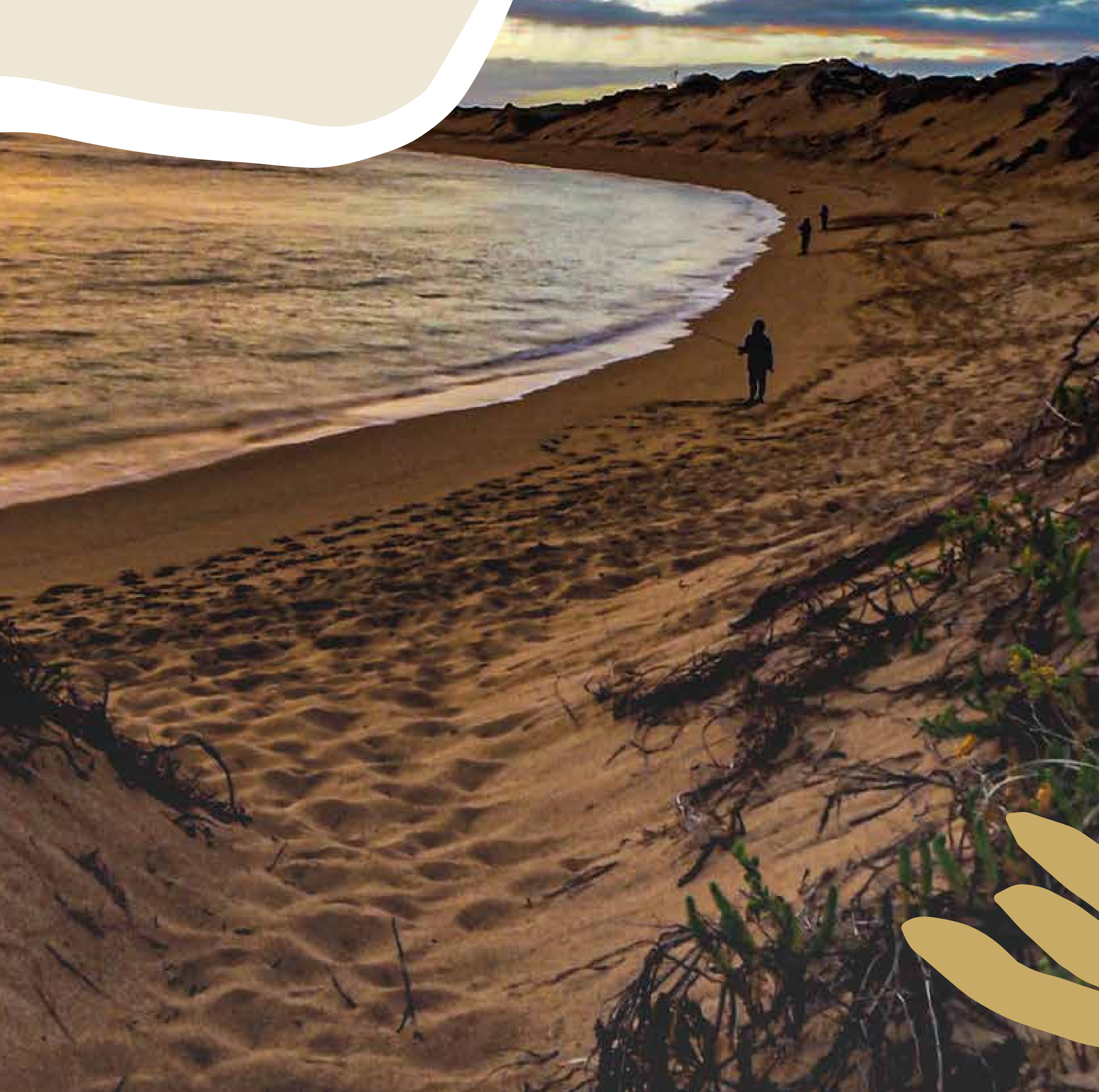
Wattle Range
COUNCIL

LONG-TERM FINANCIAL PLAN 2023-2033



Public Consultation

Council welcomes feedback and comments in relation to the Long-Term Financial Plan.

Comments and feedback were addressed to the Chief Executive Officer, Ben Gower and could be made via the following methods:

- Council's website www.engage.wattlerange.sa.gov.au
- Email council@wattlerange.sa.gov.au
- By mail to PO Box 27 Millicent SA 5280, or
- Delivered in person to Council's offices at Millicent, Penola or Beachport.

The public consultation period for the 2023-2033 Long-Term Financial Plan was open for 21 days in accordance with Council's Community Engagement Policy from 18 April 2023 to 10 May 2023.

As part of the consultation, the Long-Term Financial Plan was advertised in the local print media and on Council's Website, Community Engagement page, and Facebook site.

The document was also made available for downloading from Council's website at www.engage.wattlerange.sa.gov.au and hard copies of the document were made available for viewing from Council's Millicent office, Millicent Library, and the Visitor Information Centres at Penola & Beachport.

There were no external submissions received throughout the consultation period for the 2023-2033 Long-Term Financial Plan.

Contents

Mayor's Message

On behalf of Council, I present the Long-Term Financial Plan 2023-2033.

The purpose of this Long-Term Financial Plan (LTFP) is to express, in financial terms, the activities that the Wattle Range Council (Council) proposes to undertake over the medium to longer term to achieve its stated objectives as outlined in its Strategic Plan 2023-2027.

It is a guide for future action based on the longer-term impact of revenue and expenditure proposals.

Council has developed a Strategic Plan 2023-2027. Underpinning the success of the Strategic Plan is Council's ability to fund the various strategies and actions included within.

Equally as important, the LTFP provides clarity on whether longer term commitments such as Council's Infrastructure Asset Management Plans and existing services that provide community benefit, are sustainably funded into the future.

Long-Term Financial Plans are particularly important for local governments as they are responsible for managing a high level of long-lived assets relative to their income base.

A Council may have long periods with modest levels of asset renewal requirements and then other periods when very significant expenditures are necessary. All Councils need to generate revenue in an equitable manner over time and ensure they have capacity to finance peaks in asset management and other costs, including by way of borrowings where necessary.

The preparation of a LTFP generates improved information to guide decisions about the mix and timing of expenditure on operating activities and additional assets and the funding implications of these.

Without a soundly based LTFP, an organisation with significant asset management responsibilities is unlikely to have sufficient data to determine sustainable service levels and affordable asset stockholding strategies, appropriate revenue targets or optimal treasury management. The 2023-2033 Long-Term Financial Plan has been developed with this in mind.

Des Noll
MAYOR

About Wattle Range

Wattle Range Council extends from the coast to the Victorian border. It incorporates the seaside towns of Beachport and Southend, extending inland to Millicent as the major service centre and easterly across to the historic town of Penola and the world-renowned wine region of Coonawarra.

The Council was formed on 1 July 1997 following the amalgamation of the former district Councils of Beachport, Millicent and Penola.

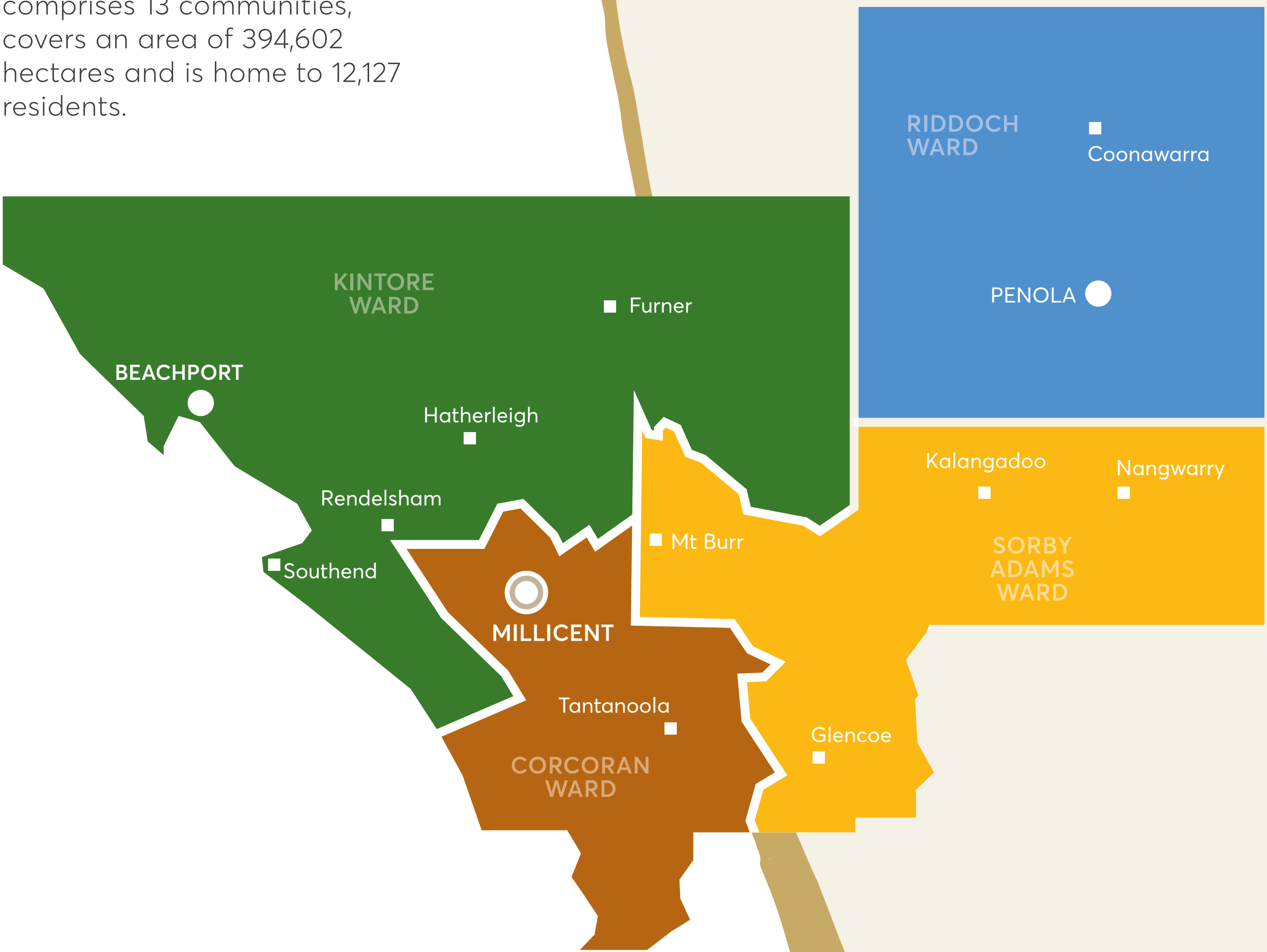
One of the most diverse and productive rural areas in South Australia, the Council comprises 13 communities, covers an area of 394,602 hectares and is home to 12,127 residents.

Population
12,127

Townships
13

Total Area
394,602 Ha

Agriculture
Production Value
$560m



Elected Members

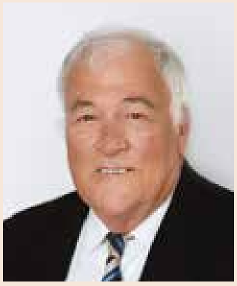
Wattle Range Council comprises a Mayor and 11 Councillors representative of four Wards. The Council is elected for a four year term and meets on a monthly basis.

Mayor

Mayor Des Noll

Corcoran Ward

Cr. John Drew



Cr. Peter Dunnicliff

Cr. Dennis Muhovics

Cr. Moira Neagle

Cr. David Walshaw

Kintore Ward

Cr. Richard Cassidy

Cr. Sharon Cox

Riddoch Ward

Cr. Chris Brodie

Cr. Emma Castine

Sorby Adams Ward

Cr. Deb Agnew

Cr. Dale Price

CEO's Sustainability Statement

Pursuant to Section 122 (4) (a) of the *Local Government Act 1999* the CEO is required to make a statement of the sustainability of a reviewed Long-Term Financial Plan. Within this context, I provide the following statement on the sustainability of the Wattle Range Council 2023-2033 Long-Term Financial Plan.

The 2023-2033 Long-Term Financial Plan has been prepared with linkage to Council's Strategic Plan, Infrastructure Asset Management Plans and other key strategic documents such as the 25 Year Strategic Land Use Plan.

Within the current economic climate, there are a number of headwinds that are impacting the costs and income of Council over the course of the next 10 years.

Factors such as high inflation and interest rates, coupled with low unemployment, has and will continue to impact Council operations over the shorter term of the plan. These economic drivers coupled with an environment of governmental grants focussing on recovery from COVID-19 and natural disasters will impact the ability to obtain grants competitively. Further, Council has had the benefit of having the Federal Assisted Grants paid in advance with three quarters of the next year's annual Federal Assisted Grants now being prepaid. It is envisaged that these prepayments will be wound back in 2024 and the Local Roads Community Infrastructure Program grants will cease in 2025 which will impact operating revenue in these forward years.

Further pressure has also been noted in the Long-Term Financial Plan surrounding the impact of working within a highly competitive labour sector. There is continued pressure on Council's costs both in attracting employees and attracting contractors that are balanced in their costing approach to Local Government Councils.

Given the above background, there are three key performance indicators that define the financial sustainability of Council being the: Operating Surplus, Net Financial Liabilities and Asset Renewal Funding Ratio.

In assessing the long-term financial impact, the key financial indicators point to Council operating in a sustained manner over the life of the plan and supports the Council's current financial sustainable position, provided that the proposed financial strategy is followed.

The Operating Surplus (Deficit) Ratio does project a deficit, but this does diminish over the life of the plan with a better than break-even result expected by 2032. To enable Council to achieve this result, it is assumed that rate revenue increases above CPI coupled with cost savings through improved service delivery will be required to achieve this break-even position.

Net Financial Liabilities Ratio is a measure of Council's indebtedness. It is anticipated that loans will be drawn down through the period of 2024-28 to fund major capital projects that are new in nature.

These include the proposed construction of the Council Service Centre in Millicent, the Penola and Millicent Streetscaping projects, Penola Stormwater projects, the Beachport waste transfer station, realignment of Scenic Drive Beachport and Coastal revetment works on Groynes within Rivoli Bay.

With expected borrowings of $17.5 Million, the Net Financial Liabilities Ratio will increase to 65% in 2027 before declining to 27% by 2033. In assessment of these results, Council's debt levels are deemed moderate and sustainable in the short and longer term.

Asset Renewal Funding Ratio will improve over the course of the plan, averaging 104% over the course of the plan which is firmly within the target range of 80% - 110%. This indicates that Council can both fund and renew assets as and when they fall due for renewal.

Based on the above assessments, the Long-Term Financial Plan 2023-2033 delivers a sustainable outlook for Council over the term.

Ben Gower
CEO

Strategic Planning Framework

Vision

Wattle Range - a great place to live and work.

Values

Trust

The glue that binds us all together as a community. Doing what we say we are going to do and being honest and transparent in both our intentions and actions helps build trusted relationships.

Teamwork

The cornerstone of high performing organisations. Embracing the diversity of thoughts and experiences that exist within a team generates a broader range of innovative ideas and leads to better decision making.

Individuals perform better when they are a valued member of a team. They are more confident, they have more fun and they are more productive. We become more resilient when we know someone is watching our back, and we are more likely to cope under stressful or difficult circumstances.

Fun

The importance of enjoying what we do and how we do it should never be underestimated. Having fun at work builds stronger teams and enhances relationships. Recognising and celebrating our successes - no matter how big or small they are - encourages the right behaviours in the workplace and ultimately enhances our performance.

Council's Strategic Plan

The Council Strategic Plan is a core document for guiding Council's future direction. The plan takes into consideration Council's strategic planning framework and both the communities' priorities and external considerations such as the State Strategic Plan.

As detailed under Section 122 of the *Local Government Act 1999*, Council's Strategic Plan covers a period of 4 years from 2023-2027.

The 2023-2027 Strategic Plan focuses on four key themes and objectives:

Theme One

Community Vibrancy & Presentation

Objective: Generate and support community vibrancy through advocacy and maintenance of community services and enhanced public facilities.

Theme Two

Environmentally Sustainable

Objective: Protect the natural assets and infrastructure of the region by leveraging additional environmental programs that will protect the environment for future generations.

Theme Three

Infrastructure & Asset Sustainability

Objective: Provide functional, safe, fit for purpose assets that meet the changing needs of the community.

Theme Four

Organisational Excellence

Objective: A great place to work where innovation and efficiency is expected, and customers are our focus.

Council's Strategic Plan

The Wattle Range Council Strategic Plan forms an integral part of Council's 'planning framework'. The Council Strategic Plan integrates the future asset management requirements for Council, whilst integrating external priorities recognised from community engagement, local township and state government plans.

The Long-Term Financial Plan (LTFP) also forms an integral part of the strategic planning framework. The LTFP acts as the mechanism for determining whether the actions in the asset management plans and the strategies and actions within the Strategic Plan are affordable and sustainable into the future.

Key Projects

There are a number of key projects / strategies and priorities that Council has included in its Strategic Plan and have been included within this LTFP for the purposes of assessing the long-term financial sustainability of these projects / strategies including:

- Finalisation of the design, tendering and construction of the Council Service Centre.
- Main street streetscaping projects for both Millicent and Penola.
- Address the coastal erosion issues in Beachport through the re-alignment of Scenic Drive.
- Construction of a new waste transfer station in Beachport.
- Continuation of coastal revetment work, including the replacement of groynes in conjunction with State Government, in alignment with the priorities within the Rivoli Bay Study.
- Continuation of the implementation of the Stormwater Management Plan for Penola.
- Implementation of priorities from the Climate Change action plan such as:
    - » Conversion of Council's light vehicle fleet to electric and/or hybrid.
    - » Retrofit street lighting to LED.
    - » Installation of green energy generation and storage infrastructure on Council assets.
- Implementation of priorities from Council's Disability Access and Inclusion Plan.
- Implementation of the 25-Year Strategic Land Use Plan, including undertaking Code Amendments to progress development and re-zoning of lands in the district.
- Installation of updated wayfinding / tourism signage across the district.
- Installation of tourism signage on the Coonawarra Rail Trail.
- Update to the Roadside Vegetation Management Plan.
- Continuing development and improvement of Asset Management Plans for all asset categories.
- Continued investment into asset renewals for major asset categories such as roads, buildings, footpaths, kerb & gutter, stormwater and community wastewater management scheme assets.

Financial Influences and Challenges

In determining the assumptions within the LTFP there are a number of financial influences that have been considered including:

- Managing ongoing cost shifting from the State Government to Local Government such as:
  - Historical increases in the Solid Waste Levy (a levy imposed on the disposal of waste)
  - The transfer of Housing SA – Community Housing stock to a private entity. This transfer resulted in a financial impact to ratepayers of $96K ongoing, with the granting of a 75% mandatory rebate of rates.
  - A historical increase of 213% in the Limestone Coast Landscape Levy (formerly South East Natural Resources Management Levy).
- Continued focus of recovery from the COVID-19 pandemic.
- Changing legislative requirements that impact Local Government, such as changes to the:
  - *Local Government Act 1999*
  - *Planning, Development and Infrastructure Act 2016*
- Controlling costs in an environment where cost increases are increasing above CPI such as:
  - Energy and other utility costs
- Adverse economic conditions with higher than anticipated inflationary pressures coupled with higher than expected interest rates.
- Low unemployment, creating recruitment and retention issues with staff which is impacting on delivery of services.
- Balancing community expectation of new assets and services whilst providing sufficient funding to renew existing assets and maintain current services to meet community needs.
- Funding new and upgraded community infrastructure (roads, buildings, kerbing & guttering, drains, footpaths etc.) to address demands of a changing community.
- Maintaining Council rates and charges in an environment of significant recurrent increases in property rating valuations and balancing the increases in rates across the ratepayer base at an acceptable level.

Key Assumptions

The following assumptions have been built into the forecast calculations:

- The content of the LTFP is based on the objectives, strategies and actions included within Council's Strategic Plan 2023-2027.
- The LTFP financial results are based on Council's forecast 2nd Quarter 2023 financial results.
- The 2023/24 financial estimates have the known budget impacts for the 2023/24 annual budget included at the date of publishing.
- Financial Indicator Targets assumptions:
  - » (Operating Surplus Ratio – Surplus Ratio between 0% - 10%)
  - » (Net Financial Liabilities Ratio – Between 0% - 100%)
  - » (Asset Renewal Funding Ratio – Between 80% - 110%)
- Adelaide Consumer Price Index (CPI) March Quarter 2023, (7.9%) has been used as the basis of cost and income escalations in the first year of the plan. In years 2 – 10 the Reserve Bank Australia (RBA) February 2023 forward forecasts are used. Year 2 (3.6%), Year 3 (3%) and Years 4-10 (2.8%) are utilised based on the RBA's expectation that inflation will return to between 2%-3% over the longer term.
- Consideration of the recommendations from the recent Local Government Advice Scheme report from the Essential Services Commission of South Australia (ESCOSA).
- General rates revenue and (discretionary / mandatory) rate rebate will increase - Year 1 is in line with Adelaide CPI (7.9%), Year 2 (5.6%), Year 3 (5%), Year 4-8 (4.8%), Year 9 (3.8%) and Year 10 (2.8%).
- Growth from new rating assessments is assumed to be 0.5% annually or 20 new properties created.
- Service Charges – Community Wastewater Management Schemes (CWMS) & Waste Management Collection Charges are assumed to increase by the CPI annually.
- Limestone Coast Landscape Levy is assumed to escalate by CPI annually.
- User Charges, Statutory Charges, Other Income and Reimbursement are all assumed to increase by the CPI annually.
- Grants Commission – Federal Assisted Grants are assumed to increase annually by CPI, assumption that the annual prepayment of 75% of forward years Grants Commission funds will cease and repayment will occur in 2024. Expectation of grant fund decline of $2.8M for 2024 and returning to normal annual payments in 2025 and beyond.
- Supplementary Local Roads grant funds (included as part of Federal Assisted Grants) are assumed to continue and are indexed annually.
- Roads to Recovery funding assumed to continue and indexed every 5 years (2025 and 2030)
- Local Road and Community Infrastructure Program assumed to cease from 2025, which is a decline in grants income of $992K.

Continued over...

Key Assumptions

- Investment income assumed interest collected will be calculated by the 10-year bond rate equivalent interest rate.
- Employee costs are fixed to negotiated Enterprise Bargaining Agreements currently based on the State Wage Case annual increase assumed to be linked to CPI increases.
- Assumption of no new employees for the life of the plan unless legislative changes or cost shifting from other government agencies requires the addition of employees. Otherwise, it is assumed that employee full time equivalent numbers will decline over time and savings from vacancies allowed for annually.
- Superannuation Guarantee Charge to increase from 10.5% current to 12% (2026).
- Assume increase costs due to Local Government Election costs increasing every 4 years (2026/27 & 2030/31).
- Other expenditure costs to increase in line with CPI apart from; energy costs assume 10% increase, fuel costs to decline slightly due to uptake of hybrid vehicles and declining fuel prices.
- Depreciation – escalations based on new assets.
- Interest expenses assume to increase upon requirement for loans to fund major capital projects. Interest assumed to be 5.5% current rate, based on the Bond Rate Yields interest is assumed to decline over the 10-year period. Assumption of a 0.25% decline in interest rates annually from 2027.
- Loans drawn down are assumed to be Cash Advance Debentures (CAD) allowing for Council to pay back funds and drawdown funds more flexibly when increased cash is available and minimising interest payments.
- Capital expenditure will be based on the existing adopted Infrastructure Asset Management Plans.
- New assets will be constructed over the life of the plan however, renewing existing assets over the planning period will be prioritised.
- Major Capital Projects –
  - Coastal revetment works on groynes - Assume matching grant from Coastal Protection Board on an 80% funded basis.
  - Waste Transfer Station – Assume 50% funded by Greening Australia.
  - Coastal Protection works – Scenic Drive assume 50% funded by Federal Government Building Better Regions.
  - Streetscaping Projects – Assume 50% funded by Open Spaces and Places for People grant.
  - Special Local Roads Program – assume successful applications made for Tower and Crusher Roads and assumption of further funding every two years.

Financial Strategy

The LTFP projects a continuing steady performance in Council's financial position and performance over time. This is based on an achievement of the financial strategy described below. It is anticipated that general rates will increase by CPI in 2024 plus growth from new assessments of 0.5% however, for the years 2025-2032, increases of 2% above CPI have been assumed plus growth from new assessments. This increase is required to address rate increase that averaged 2% below CPI over the preceding five year period that were implemented in response to the pandemic and to fund the addition of a range of new assets

Council's current average rating levels are consistent with other similar sized rural and regional Councils in South Australia. However, following the recent Essential Services Commission of South Australia (ESCOSA) review of Council's draft LTFP, Council will review the rating differential between Primary Production and Residential to re-baseline rating distribution.

Community Wastewater Management Schemes (CWMS) service charges are anticipated to increase in line with the CPI assumptions. A review of the charges will be undertaken following the next update to the CWMS Asset Management Plan.

Waste Collection Service Charges are anticipated to increase by CPI assumptions; however, the waste collection contract is set for renewal during the timeframe of this plan and no assumptions have been made as to pricing of the service at this time.

Services provided by Council will be reviewed through the course of the plan, cost pressures related to delivery of some services will be assessed and rationalised for efficiency and to reduce financial impact to ratepayers and Council resource allocation.

Council recognises the need to maintain its financial capacity to address the increased investment requirements of townships and maximise their long-term sustainability. Council will strive to replace assets in a strategic manner with the aim of minimising the necessity to build any major new additional assets over the next 10 years. By committing to this strategy, Council will be allocating resources to replace existing assets in a timely manner as well as minimising any increases in operating costs associated with additional assets.

Council also recognises that not all assets need to be retained and can be either surplus to requirements and/or are not aligned to Council's core operations. Council will seek to rationalise these assets throughout the course of this plan.

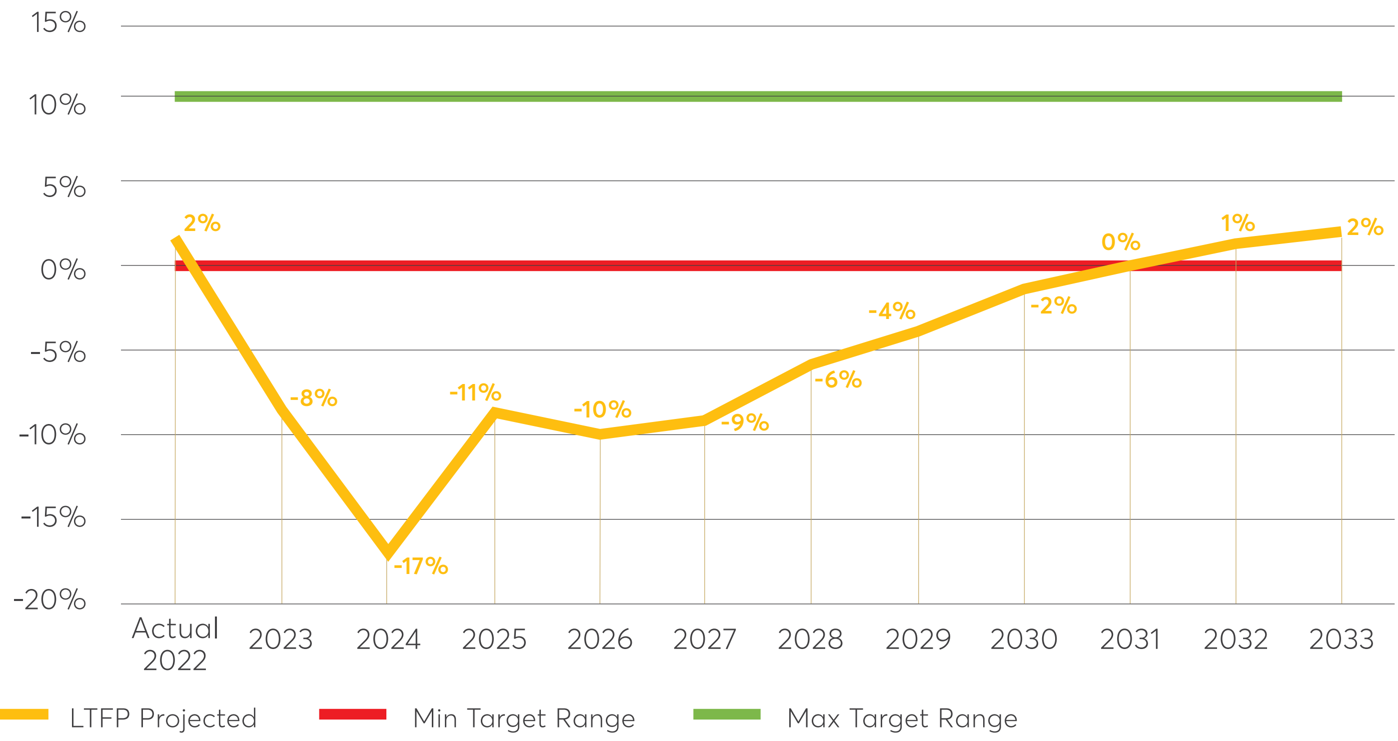
Grant revenue will be targeted in a proactive and strategic manner. This means that grant revenue to build new assets would only be pursued and accepted if the new assets were deemed to be of economic benefit and a community necessity.

Where an operating grant is sought and additional Council funds are required to be contributed, then careful consideration will be given to long-run benefits and costs. This will ensure activities that may better fit Council's strategic objectives are not being delayed in lieu of the activity being funded by the grant.

Council is focussed on returning the Operating Surplus (Deficit) back to break-even or better position to secure the ongoing financial sustainability of Council and maintaining the Net Financial Liabilities and Asset Renewal Funding Ratio within the target ranges set.

Long Term Financial Sustainability – Key Financial Indicators

Indicator 1: Operating Surplus Ratio



DEFINITION

The operating surplus ratio expresses the operating surplus (deficit) as a percentage of operating revenue.

Calculated as: (Operating revenue minus operating expense) divided by operating revenue.

ANALYSIS BASED ON LTFP FORECASTS

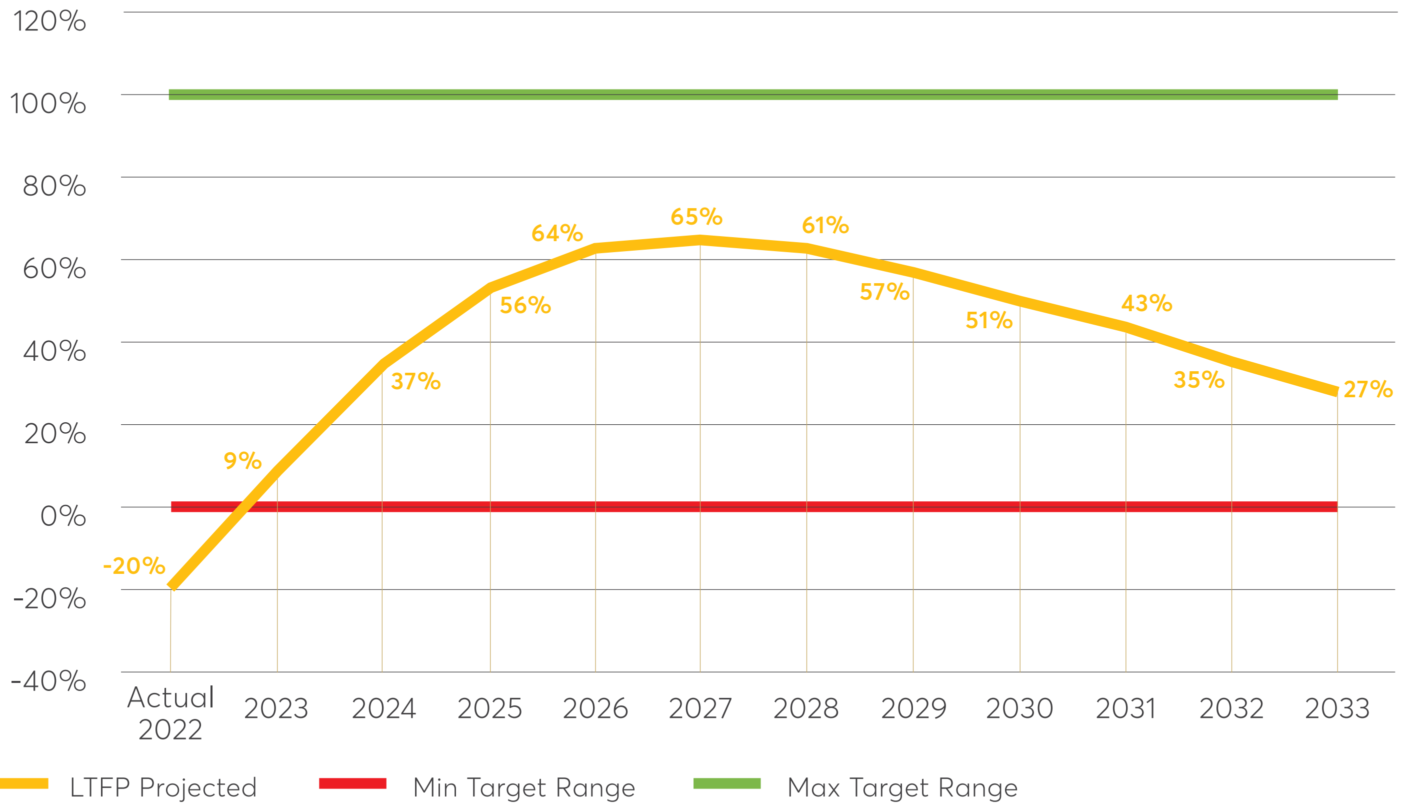
The target ranges allow for the planned financial strategies discussed earlier in this document to be implemented and to take effect.

Please note that it is generally accepted across the Local Government sector that appropriate level of operating surplus should range from between 0% to 10%.

It is important for Council to achieve a surplus position over the life of the plan as periods of continuous operating deficits over a medium to long-term would require increased borrowings to be raised to accommodate asset renewal when required.

Long Term Financial Sustainability – Key Financial Indicators

Indicator 2: Net Financial Liabilities Ratio



DEFINITION

Net Financial Liabilities Ratio is a comprehensive measure of the indebtedness of the Council as it includes items such as employee long-service leave entitlements and other amounts payable as well as taking account of the level of Council's available cash and investments. Specifically, Net Financial Liabilities equals total liabilities less financial assets, where financial assets for this purpose includes cash, cash equivalents, trade and other receivables, and other financial assets; but excludes equity held in Council businesses, inventories and land held for resale.

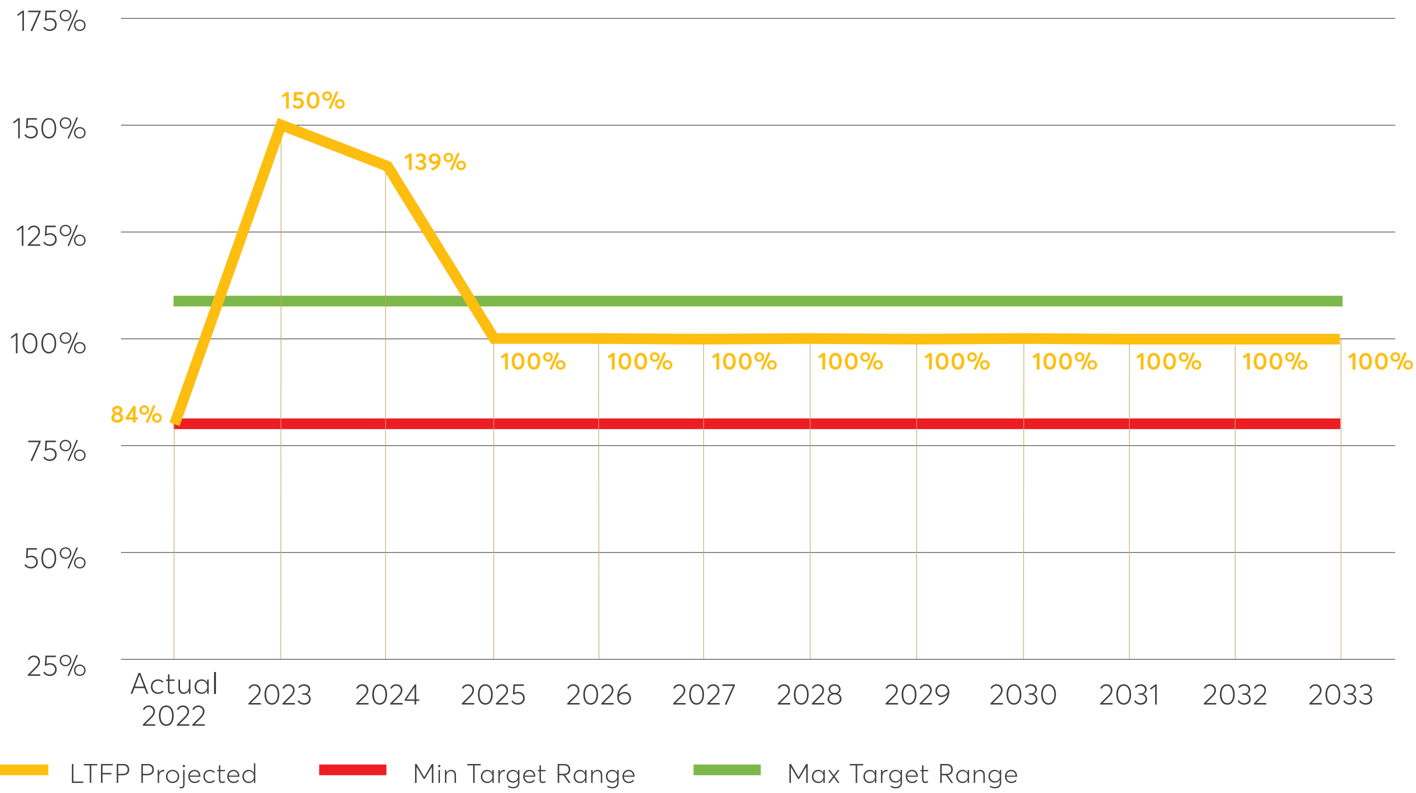
ANALYSIS BASED ON LTFP FORECASTS

It is generally accepted across the Local Government sector that appropriate level of Net Financial Liabilities should range from between 0% to 100% of operating revenue. Councils with sound projected financial performance could operate satisfactorily with higher Net Financial Liabilities if needed (e.g. to finance assets associated with rapid growth or generation of future income).

Based on the implementation of the financial strategies outlined earlier in this document, the forecast Net Financial Liabilities Ratio will remain within the target range of 0% to 100% throughout the planning period.

Long Term Financial Sustainability – Key Financial Indicators

Indicator 3: Asset Renewal Funding Ratio



DEFINITION

This ratio indicates the extent to which existing non-financial assets are being renewed and replaced, compared with what is needed to cost-effectively maintain service levels. It is calculated by measuring capital expenditure on renewal or replacement of assets, relative to the optimal level of such expenditure proposed in a Council's Infrastructure Asset Management Plan (IAMP).

ANALYSIS BASED ON LTFP FORECASTS

If capital expenditure on renewing or replacing existing assets is at least equal to the level proposed in the IAMP, then a Council is ensuring optimal timing of replacement of physical assets to maintain service levels. Any material underspending on renewal and replacement over the medium term is likely to adversely impact on the achievement of preferred, affordable service levels and could potentially, progressively undermine a Council's financial sustainability.

The Wattle Range Council currently has in place IAMP's for the following asset categories: Roads, Buildings & Structures, Kerb & Gutter, Footpaths, Stormwater, Community Wastewater Management Schemes and Plant and Equipment. Reviews have commenced on the asset management plans of some of the asset categories with the aim of updating all by the end of 2025.

In the interim and until all individual asset management plans are developed, depreciation will be utilised as a surrogate for the optimal capital replacement expenditure. For the purpose of this plan, 100% of the depreciation charge has been included as planned renewal expenditure for all asset categories that do not have an asset management plan in place. For the life of this plan, it is forecast that Council will maintain an asset renewal funding level of between 80% - 110%.

Summary of Council's Long-Term Sustainability

The above key financial indicators point to Council operating in a sustained manner over the life of the plan and supports the Council's current financial sustainable position, provided that the proposed financial strategy or similar is followed.

Whilst operating deficits are forecast for the course of the plan, they are diminishing over the life of the plan with a break-even or better financial position expected to be achieved in 2032. To enable Council to achieve this result, it is assumed that rate revenue increases above CPI coupled with cost savings through improved service delivery efficiencies will achieve this break-even position.

Council will seek to reduce costs where and when necessary, through the review of employee positions, review of services provided and assessment of need of its stock of assets, to minimise impacts on ratepayers over the life of the plan.

In relation to debt, Council anticipates that there will be a requirement for new borrowings to commence in 2024 of $5.5 Million, and it is anticipated that a total of $17.5 Million will be required to be drawn down between 2024-2028 in order to fund significant construction works such as the Council Service Centre, the Beachport Waste Transfer Station, Realignment of Scenic Drive Beachport, Streetscaping projects in Penola and Millicent, groyne and coastal revetment works at Rivoli Bay, and stormwater projects in Penola.

As these significant works are completed, debt levels are expected to peak in 2027 at 65%, which is well within Council's minimum and maximum target ranges of 0% - 100%, meaning Council will still have capacity to borrow with the overall debt ratio reducing to 27% by 2033. Whilst this level of debt is conservative in nature, it does provide Council with financial scope to undertake larger capital projects if the opportunity arises in the future.

The Asset Renewal Funding Ratio will improve over the course of the plan. The average over the course of the plan is 104%, which is firmly within the target range of 80% - 110%. This indicates that Council can both fund and renew assets as and when they fall due to renew.

Summary of Council's Long-Term Sustainability

UNIFORM PRESENTATION OF FINANCIAL STATEMENT (UPFS)

The UPFS, in tandem with the above results of the Key Financial Indicators, provides a strategic summarised report of Council's finances. In assessing the future impact of undertaking the strategic initiatives and capital projects set by Council, the following are the forecasted impacts to the UPFS:

- The Operating Surplus / (Deficit) measure is considered the most critical indicator of a Council's financial performance. Over the course of the plan's life an average of a $1.808M operating deficit is forecast. Whilst these deficits are forecast for the larger portion of the plan, the deficit amount will decline over the period of the plan with an expectation that a break-even or better position will be attained in the final year of the plan. It should be noted that in the financial year 2024, there will be adverse financial impact due to the Federal Government advising that the practice of prepayments of the Federal Assisted Grants will cease. The impact of this correction will result in $2.8M in grants funding not being prepaid, however normal annual grants funding will resume in 2025. Further from 2025 the Local Roads and Community Infrastructure Program grants were introduced to stimulate the economy following COVID-19, will cease operation. This change will negatively impact grant funds from 2025 and beyond by $0.99M.
- Net Outlays on Existing Assets are set to consistently average $4.8M for the life of the plan. It should be noted that the amount differs from the depreciation figure which anticipates average expenditure of $6.9 Million. Thorough reviews of both the depreciation amounts and asset management plans will be conducted over the next few years to better align the amounts expended on renewals comparative to depreciation and vice versa. Currently the amounts differ due largely to timing issues between asset revaluation and condition assessment of assets comparative to updates made to the Asset Management Plans. As detailed above based on these projected capital renewals, Council's Asset Renewal Funding Ratio is expected to be at an average of 104% for the life of the plan.
- Net Outlays on New & Upgraded Assets are set to increase in the short term and on average expenditure will remain over $1.9M per annum for the life of the plan. It should be noted that any increase in expenditure on new and upgraded assets creates additional pressure on Council's ability to renew assets in the future when they are required to be renewed without a corresponding increase in revenue through a combination of grants and rates.

In assessing the above movements, it should be noted that if the net lending / (borrowing) is zero in any given year, it reflects that the Council has met all of its expenditure (both operating and capital) from the current year's income (with income including amounts received specifically for new / upgraded assets).

In summary, based on the expected levels of capital expenditure and Council's operating position over the life of the plan, it is envisaged that cash reserves will be drawn down in order to fund these levels of expenditure. Furthermore, there will be a requirement for loan borrowings between 2024-2028 in order to fund major capital projects.

Council's debt levels will still be relatively conservative comparative to other like Councils. However, it should be noted that if this plan is delivered as detailed, Council will fund the necessary capital renewals at a progressive rate and in line with its IAMP's and in a sustainable manner.

Summary of Council's Long-Term Sustainability

UNIFORM PRESENTATION OF FINANCIAL STATEMENT (UPFS) cont.

Uniform Presentation of Finances	Actual 2022 $'000	Budget Review 2 2023 $'000	2024 $'000	2025 $'000	2026 $'000	2027 $'000	2028 $'000	2029 $'000	2030 $'000	2031 $'000	2032 $'000	2033 $'000
Operating Revenues	29,659	29,794	29,191	32,344	33,627	34,911	36,285	37,718	39,228	40,786	42,158	43,318
less Operating Expenses	29,106	32,131	34,030	35,815	37,145	37,997	38,585	39,327	40,076	40,865	41,537	42,265
Operating Surplus/(Deficit) before Capital Amounts	553	(2,336)	(4,839)	(3,471)	(3,518)	(3,085)	(2,300)	(1,609)	(848)	(80)	621	1,053
LESS: Net Outlays on Existing Assets												
Capital Expenditure on Renewal or Replacement of Existing Assets	4,521	7,336	6,935	4,627	4,554	4,497	4,359	4,604	4,249	4,657	4,657	4,672
less Depreciation, Amortisation & Impairment	(6,470)	(6,537)	(6,729)	(6,773)	(6,849)	(6,885)	(6,916)	(6,920)	(6,925)	(6,941)	(6,946)	(6,950)
less Proceeds from Sale of Replaced Assets	(163)	(204)	(190)	(115)	(274)	(216)	(199)	(40)	(323)	(301)	(184)	(66)
Net Outlays on Existing Assets	(2,112)	595	16	(2,262)	(2,569)	(2,604)	(2,755)	(2,357)	(2,999)	(2,586)	(2,473)	(2,344)
LESS: Net Outlays on New or Upgraded Assets												
Capital Expenditure on New/Upgraded Assets	3,740	5,594	3,896	6,772	3,873	2,007	421	391	988	388	388	638
less Amounts Specifically for New/Upgraded Assets	(407)	(143)	(405)	(437)	(1,400)	(1,187)	(100)	(137)	(100)	(137)	(100)	(137)
less Proceeds from Sale of Surplus Assets	(1,184)	0	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)
Net Outlays on New or Upgraded Assets	2,149	5,451	3,291	6,135	2,273	620	121	54	688	51	88	301
Net Lending / (Borrowing) for Financial Year	516	(8,382)	(8,145)	(7,344)	(3,222)	(1,101)	335	694	1,463	2,455	3,006	3,096

Appendix A – Financial Statements

Comprehensive Income Statement

	Actual 2022 $'000	Budget Review 2 2023 $'000	2024 $'000	2025 $'000	2026 $'000	2027 $'000	2028 $'000	2029 $'000	2030 $'000	2031 $'000	2032 $'000	2033 $'000
Operating Revenue												
Rating Revenue	19,617	20,473	22,190	23,348	24,427	25,509	26,640	27,823	29,060	30,354	31,455	32,336
Statutory Charges	396	337	364	377	388	399	410	422	433	445	458	471
User Charges	2,768	2,712	2,925	3,028	3,116	3,202	3,289	3,380	3,472	3,568	3,666	3,766
Grants Revenue	6,295	5,622	3,095	4,997	5,130	5,258	5,389	5,524	5,679	5,821	5,968	6,119
Investment Income	95	303	243	207	166	133	135	136	137	139	140	142
Reimbursements	115	76	81	84	87	89	92	94	97	100	103	105
Other	373	271	293	303	312	321	330	339	349	359	369	379
Total Operating Revenue	**29,659**	**29,794**	**29,191**	**32,344**	**33,627**	**34,911**	**36,285**	**37,718**	**39,228**	**40,786**	**42,158**	**43,318**
Operating Expenses												
Employee Costs	11,207	13,551	14,652	14,965	15,414	15,839	16,282	16,738	17,207	17,689	18,184	18,693
Materials, Contractual Services & Other	11,203	11,765	12,320	13,067	13,311	13,596	13,805	14,184	14,572	15,019	15,385	15,806
Depreciation	6,470	6,537	6,729	6,773	6,849	6,885	6,916	6,920	6,925	6,941	6,946	6,950
Finance Charges	226	278	328	1,009	1,571	1,677	1,582	1,484	1,372	1,216	1,023	815
Total Operating Expenses	**29,106**	**32,131**	**34,030**	**35,815**	**37,145**	**37,997**	**38,585**	**39,327**	**40,076**	**40,865**	**41,537**	**42,265**
Operating Surplus / (Deficit)	**553**	**(2,336)**	**(4,839)**	**(3,471)**	**(3,518)**	**(3,085)**	**(2,300)**	**(1,609)**	**(848)**	**(80)**	**621**	**1,053**
Physical Resources Free of Charge	-	-	-	-	-	-	-	-	-	-	-	-
Amounts specifically for new or upgraded assets	407	143	405	437	1,400	1,187	100	137	100	137	100	137
Asset disposal & fair value adjustments	(344)	18	(190)	(195)	(200)	(205)	(210)	(215)	(220)	(225)	(230)	(235)
Net Surplus / (Deficit)	**616**	**(2,175)**	**(4,624)**	**(3,229)**	**(2,318)**	**(2,103)**	**(2,410)**	**(1,687)**	**(968)**	**(168)**	**491**	**955**
Total Comprehensive Income	**616**	**(2,175)**	**(4,624)**	**(3,229)**	**(2,318)**	**(2,103)**	**(2,410)**	**(1,687)**	**(968)**	**(168)**	**491**	**955**

Appendix A – Financial Statements

Balance Sheet

	Actual 2022 $'000	Budget Review 2 2023 $'000	2024 $'000	2025 $'000	2026 $'000	2027 $'000	2028 $'000	2029 $'000	2030 $'000	2031 $'000	2032 $'000	2033 $'000
Assets												
Current Assets												
Cash and Cash Equivalents	12,839	4,051	1,058	1,342	918	603	710	1,163	1,371	1,555	1,274	566
Current Trade & Other Receivables	1,816	1,481	1,690	1,690	1,724	1,733	1,795	1,949	1,959	1,969	1,888	1,897
Inventories	394	394	433	431	431	433	435	438	440	442	684	688
Total Current Assets	15,049	5,926	3,181	3,463	3,073	2,768	2,941	3,550	3,770	3,966	3,846	3,150
Non-Current Assets												
Loans to Community Organisations	124	117	110	102	95	87	79	71	63	54	46	37
Infrastructure, Property, Plant & Equipment	239,150	245,669	249,190	253,305	254,209	253,207	250,463	248,082	245,651	243,029	240,514	238,373
Total Non-Current Assets	239,274	245,786	249,300	253,407	254,304	253,294	250,542	248,153	245,714	243,083	240,560	238,410
Total Assets	**254,323**	**251,712**	**252,482**	**256,871**	**257,377**	**256,062**	**253,482**	**251,703**	**249,484**	**247,048**	**244,405**	**241,560**
Liabilities												
Current Liabilities												
Trade & Other Payables	2,716	2,700	2,750	2,649	2,599	2,528	2,526	2,597	2,522	2,442	2,511	2,581
Borrowings	420	355	379	209	222	235	249	1,263	2,279	3,295	3,812	3,831
Provisions	2,140	2,140	2,309	2,392	2,464	2,533	2,604	2,677	2,752	2,829	2,908	2,989
Total Current Liabilities	5,276	5,195	5,438	5,250	5,285	5,295	5,379	6,537	7,553	8,566	9,231	9,401
Non-Current Liabilities												
Borrowings	3,128	2,773	7,894	15,685	18,463	19,229	18,980	17,717	15,438	12,143	8,331	4,500
Provisions	374	374	404	418	431	443	438	450	463	476	489	350
Total Non-Current Liabilities	3,502	3,147	8,298	16,103	18,894	19,672	19,418	18,167	15,901	12,619	8,820	4,850
Total Liabilities	**8,778**	**8,342**	**13,736**	**21,354**	**24,178**	**24,967**	**24,797**	**24,704**	**23,453**	**21,185**	**18,051**	**14,251**
Net Assets	**245,545**	**243,370**	**238,746**	**235,517**	**233,199**	**231,095**	**228,685**	**226,999**	**226,031**	**225,863**	**226,354**	**227,309**

Appendix A – Financial Statements

Balance Sheet *(cont.)*

	Actual 2022 $'000	Budget Review 2 2023 $'000	2024 $'000	2025 $'000	2026 $'000	2027 $'000	2028 $'000	2029 $'000	2030 $'000	2031 $'000	2032 $'000	2033 $'000
Equity												
Accumulated Surplus	69,333	67,019	62,340	59,055	56,676	54,512	52,043	50,296	49,270	49,045	49,478	50,376
Asset Revaluation Reserves	173,496	173,496	173,496	173,496	173,496	173,496	173,496	173,496	173,496	173,496	173,496	173,496
Other Reserves	2,716	2,855	2,911	2,966	3,027	3,087	3,147	3,206	3,265	3,323	3,380	3,437
Total Equity	**245,545**	**243,370**	**238,746**	**235,517**	**233,199**	**231,095**	**228,685**	**226,999**	**226,031**	**225,863**	**226,354**	**227,309**

Appendix A – Financial Statements

Cash Flow Statement

	Actual 2022 $'000	Budget Review 2 2023 $'000	2024 $'000	2025 $'000	2026 $'000	2027 $'000	2028 $'000	2029 $'000	2030 $'000	2031 $'000	2032 $'000	2033 $'000
Cash Flows from Operating Activities												
Receipts												
Operating Receipts	29,635	29,491	28,948	32,137	33,461	34,778	36,151	37,582	39,091	40,647	42,018	43,176
Investment Receipts	95	303	243	207	166	133	135	136	137	139	140	142
Payments												
Employee Costs	11,176	13,552	14,652	14,965	15,414	15,839	16,282	16,738	17,207	17,689	18,184	18,693
Materials, contracts & other expenses	13,247	11,765	12,320	13,067	13,311	13,596	13,805	14,184	14,572	15,019	15,385	15,807
Finance Payments	226	278	328	1,009	1,571	1,677	1,582	1,484	1,372	1,216	1,023	815
Net Cash provided by (or used in) Operating Activities	**5,081**	**4,200**	**1,890**	**3,302**	**3,330**	**3,800**	**4,616**	**5,312**	**6,077**	**6,861**	**7,567**	**8,003**
Cash Flows from Investing Activities												
Receipts												
Grants Specifically for new or upgraded assets	407	143	405	437	1,400	1,187	100	137	100	137	100	137
Sale of replaced Assets	163	204	190	115	274	216	199	40	323	301	184	66
Sale of surplus Assets	1,184	-	200	200	200	200	200	200	200	200	200	200
Repayments of Loans Community Groups	7	7	7	7	7	8	8	8	8	8	8	8
Payments												
Expenditure on renewal/replaced assets	4,521	7,337	6,935	4,627	4,554	4,497	4,359	4,604	4,249	4,657	4,657	4,672
Expenditure on new/upgraded assets	3,740	5,594	3,896	6,772	3,873	2,007	421	391	988	388	388	638
Net cash provided by (used in) Investing Activities	**(6,500)**	**(12,577)**	**(10,029)**	**(10,640)**	**(6,546)**	**(4,893)**	**(4,273)**	**(4,610)**	**(4,606)**	**(4,399)**	**(4,553)**	**(4,899)**

Appendix A – Financial Statements

Cash Flow Statement *(cont.)*

	Actual 2022 $'000	Budget Review 2 2023 $'000	2024 $'000	2025 $'000	2026 $'000	2027 $'000	2028 $'000	2029 $'000	2030 $'000	2031 $'000	2032 $'000	2033 $'000
Cash Flows from Financing Activities												
Receipts												
Proceeds from Borrowings	-	-	5,500	8,000	3,000	1,000	-	-	-	-	-	-
Proceeds from Bonds & Deposits	70	-	-	-	-	-	-	-	-	-	-	-
Payments												
Repayment of Borrowings	464	411	355	379	209	222	235	249	1,263	2,279	3,295	3,812
Repayments of Lease Liabilities	10	-	-	-	-	-	-	-	-	-	-	-
Net Cash Provided by (Used in) Financing Activities	**(404)**	**(411)**	**5,145**	**7,621**	**2,791**	**778**	**(235)**	**(249)**	**(1,263)**	**(2,279)**	**(3,295)**	**(3,812)**
Net Increase / Decrease in Cash	(1,823)	(8,788)	(2,993)	284	(424)	(315)	108	453	208	184	(281)	(708)
Cash and Cash Equivalents at start of reporting period	14,662	12,839	4,051	1,058	1,342	918	603	710	1,163	1,371	1,555	1,274
Cash & Cash Equivalents at the end of the reporting period	**12,839**	**4,051**	**1,058**	**1,342**	**918**	**603**	**710**	**1,163**	**1,371**	**1,555**	**1,274**	**566**

Appendix A – Financial Statements

Statement of Equity

	Actual 2022 $'000	Budget Review 2 2023 $'000	2024 $'000	2025 $'000	2026 $'000	2027 $'000	2028 $'000	2029 $'000	2030 $'000	2031 $'000	2032 $'000	2033 $'000
Accumulated Surplus												
Balance at end of previous reporting period	68,947	69,333	67,019	62,340	59,055	56,676	54,512	52,043	50,296	49,270	49,045	49,478
Net Result for Year	616	(2,175)	(4,624)	(3,229)	(2,318)	(2,103)	(2,410)	(1,687)	(968)	(168)	491	955
Transfer to & from Reserves	(230)	(139)	(56)	(56)	(61)	(60)	(60)	(59)	(59)	(58)	(58)	(56)
Balance at end of period	**69,333**	**67,019**	**62,340**	**59,055**	**56,676**	**54,512**	**52,043**	**50,296**	**49,270**	**49,045**	**49,478**	**50,376**
Asset Revaluation Reserve												
Balance at end of previous reporting period	173,496	173,496	173,496	173,496	173,496	173,496	173,496	173,496	173,496	173,496	173,496	173,496
Balance at end of period	**173,496**	**173,496**	**173,496**	**173,496**	**173,496**	**173,496**	**173,496**	**173,496**	**173,496**	**173,496**	**173,496**	**173,496**
Other Reserves												
Balance at end of previous reporting period	2,486	2,716	2,855	2,911	2,966	3,027	3,087	3,147	3,206	3,265	3,323	3,380
Transfers to / from Accumulated Surplus	230	139	56	56	61	60	60	59	59	58	58	56
Balance at end of period	**2,716**	**2,855**	**2,911**	**2,966**	**3,027**	**3,087**	**3,147**	**3,206**	**3,265**	**3,323**	**3,380**	**3,437**
Total Equity at end of Reporting Period	**245,545**	**243,370**	**238,746**	**235,517**	**233,199**	**231,095**	**228,685**	**226,999**	**226,031**	**225,863**	**226,354**	**227,309**

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