

382.2 DRAFT LONG TERM FINANCIAL PLAN 2023/24 - 2032/33 - UPDATE

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

To seek Council endorsement of the Draft Long Term Financial Plan (LTFF) for 2023/24 – 2032/33 for Public Consultation in conjunction with the Draft Annual Business Plan & Budget 2024/25.

Background

Council is required to adopt a LTFF 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 LTFF on 14 August 2023 (Item 187.3).

In line with ESCOSA recommendations, Council endorsed a Draft Long Term Financial Plan (LTFF) 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 2023.

Council approved the current endorsed Long Term Financial Plan at its meeting on 14 August 2023 (Item 187.3).

Council approved the 2023/24 Annual Budget and Business Plan on 10 July 2023 (Item 108.1). Council has approved First and Second Quarter Budget Reviews during the 2023/24 financial year on 13 November 2023 (item 245.4) and 12 February 2024 (item 306.2) respectively.

This Draft LTFF is an update and takes into account of the 2022/23 actual result and 2023/24 revised Budgets.

The Draft 2023/24 – 2032/33 Long Term Financial Plan is modelled on the following trends and assumptions:

LTFF Assumptions

CPI/LGPI	<ul style="list-style-type: none"> • The Consumer Price Index (CPI) for Adelaide increased by 4.3% for the year to 31 March 2024. During the same period the CPI for the eight capital cities in Australia increased by 3.6%. • The Local Government Price Index (LGPI) has increased by 4.8% for the year to 31 December 2023. • CPI Forecasts vary and the South Australian Centre for Economic Studies forecasts CPI of 4.0% over 2023/2024 and 3.5% over 2024/25. On the back of this forecast the financial model assumes
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	<p>4.3% CPI in 2024/25, 3.5% CPI in 2025/26 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.</p> <ul style="list-style-type: none"> • These CPI assumptions are an adjustment from the 3.5% in the 2023/24 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 to 2026/27 on the back of growth focused key projects within the 2024/25 Budget. It is then forecast to return to 2.0% thereafter. This is also based on ID Census research and modelling and is consistent with the GARP estimated growth in achieving population of 32,000 people by 2046. • The growth forecasts are broadly inline with the LTFP for 2022/23, albeit an uplift in years 1-3. • Council's past operating performance enables ratable income increases consistent with CPI estimates to be included in this plan which is 4.3% 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 4.3% 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 4.3% 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 4.3% 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 maintain in line with the ANACC funding model in 2024/25. A 4.3% 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 4.25% over 2023/24 and 4.0% over 2024/25. • The salary increases for Years 1 and Year 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. • There is an additional increase of 0.5% in on costs due to the legislated annual increase in Superannuation Guarantee Contributions until 2025/26.
Non-salary costs	<ul style="list-style-type: none"> • The Local Government Price Index has increased by 4.8% in the year to December 2023 and Adelaide CPI has increased by 4.3% in the year to March 2024. • 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 4.3% CPI in 2024/25, 3.5% CPI in 2025/26 and 2.0% thereafter. • Also included in 2024/25 are uplifts for known increases above CPI for inputs such as Waste and Insurance.
Lerwin Costs	<ul style="list-style-type: none"> • Lerwin Salaries are assumed to increase as per EB in 2024/25 and as per CPI thereafter.
Key Projects	<ul style="list-style-type: none"> • Key Projects are assumed to decrease in 2024/25 to balance the budget. In 2025/26 they are assumed continue at this level but with an increase of 4.3% which reflects 1.0% growth plus CPI of 3.5%.
Depreciation/capex	<ul style="list-style-type: none"> • Depreciation charge is forecast to increase 1.6% in 2024/25

	reflecting increased investments in Councils infrastructure assets, having already updated all asset classes for replacement cost in the past two years.
Interest rates	<ul style="list-style-type: none"> Interest received on deposits has been calculated at 4.55% being the current interest rate the Council receives on deposits placed with the Local Government Finance Authority (LGFA). Interest on loans is calculated at 4.76% based on the impact of required borrowings at the current LGFA rate of 6.05% 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	2023/24 Forecast	2024/25	2025/26	2026/27
INCOME				
Rates	33,405	35,879	38,060	39,986
Other	14,838	19,520	20,112	20,486
Total Operating income	48,243	55,399	58,172	60,472
EXPENDITURE				
Employee costs	25,389	27,447	28,333	29,098
Finance	782	978	977	975
Other expenses	29,205	29,496	29,798	30,366
	55,376	57,921	59,108	60,439
Operating Surplus/(Deficit)	(7,133)	(2,523)	(936)	33
Underlying Operating Surplus/(Deficit)	(2,318)	(2,523)	(936)	33

The underlying operating result for 2023-24 is a deficit of \$2,318k after considering the advanced grants payment of \$4,815k that was received in advance in 2022-23.

The operating deficit increases to \$2,523 in 2024-25, before decreasing across 2025/26 and 2026/27 when it returns to a surplus of \$33k. The operating result then increases steadily to \$3,967m in 2032-33.

The result reflects a concerted effort in cost restraint to ensure financial sustainability striving to return to an operating surplus after depreciation and substantial cost impacts over the past two financial years. This forecast result will be achieved through sound financial management and improved efficiency and performance in the provision of all services and asset management plans.

The return to 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 (3.0% vs 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 \$392.7m at June 2024 to \$488.5m in June 2034.

The cash position is shown on the Statement of Financial Position and is made up of three (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 (4) year's balances are shown below:

Rural City of Murray Bridge Net Funding Position				
Year ending 30 June	2023/24 Forecast	2024/25	2025/26	2026/27
Cash and Cash equivalents	3,252	4,717	3,534	3,605
Short Term Borrowings	(1,084)	(1,106)	(1,128)	(1,150)
Long Term Borrowings	(20,548)	(20,526)	(20,504)	(20,482)
Net Funding Position	(18,380)	(16,915)	(18,098)	(18,027)

The cash balance at the end of 2023-24 is forecast to be \$3.3m. The 2024/25 increase represents the deferral of the 2024/25 Capital Enhancement allocation of \$1.4m to achieve potential strategic capital projects in future years. From 2025/26 it is forecast to return to normal and then forecast to increase steadily year on year until it reaches \$4.1m in 2032-33. 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 2023-24 is forecast to be (\$18.4m). After a decrease in the 2024/25 financial year (to \$16.9m because of the Capital Enhancement assumption) this improves steadily in subsequent years principally due to the increasing operating surplus only partially offset by investment in the capital enhancement program. In 2032-33 the Net Funding position is forecast to improve to (\$17.6m).

Council should note that this financial position is achievable whilst, continuing to invest over \$1.9m net per annum (increasing) on Key Projects, satisfying an Asset Renewal Funding Ratio (ARFR) of 100% and whilst it includes no Capital Enhancement in 2024/25 it allows for potential investments in the Capital Enhancement Program of \$3.1m in 2025/26 increasing to \$6.7m in 2033/34 for a total of \$31.8m across the 8 year period.

Capital Investment

The ARFR is shown in **Attachment 5**. An ARFR of 100% is forecast to be achieved from 2024-25 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 improves from a deficit of 4.8% in 2023/24 to a surplus of 7.0% in 2032/33, which generates the major part of the increased funding of the capital enhancement program.

The Net Financial Liabilities Ratio is forecast to be 74% in 2023/24 but then reduces year by year to reach 56% in 2032-33 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.

Rural City of Murray Bridge Financial Indicators						
Year ending 30 June	2023/24 Foreca	2024/25	2025/26	2026/27	Council Target	LGA Target
Underlying operating surplus ratio	-4.8%	-4.6%	-1.6%	0.1%	> 0%	> 0%
Net Financial Liabilities Ratio	74%	65%	65%	64%	0% ----> 80%	0% ----> 100%
Asset Renewal Funding Ratio	121%	100%	100%	100%	90% ----> 120%	90% ----> 100%

Proposal

That Council endorse the Draft LTFP 2023/24 to 2032/33 for public consultation.

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 2023-24 revised forecast. This LTFP forecasts an increasing Underlying Operating Result that rises to a surplus of \$3.97m in 2032/33.

Risk

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

Regularly reviewing and updating the Council's 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 publicly consulted during the month of May and into June where in conjunction with the development of the Draft 2024/25 Annual Business Plan and Budget any feedback or adjustments can be captured. The Audit & Risk Committee were directly consulted during this process.

Once endorsed a copy will be made available on Council's website.

This Updated Long Term Financial Plan will be used as a basis to begin the development of the 2024/25 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 382.2 entitled Draft Long Term Financial Plan 2023/24 – 2032/33 - Update on Council agenda of 13 May 2024 be received.
2. That the Draft Long Term Financial Plan 2023/24 to 2032/33 be endorsed for the purpose of public consultation between 14 May 2024 to 13 June 2024.

Attachments

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

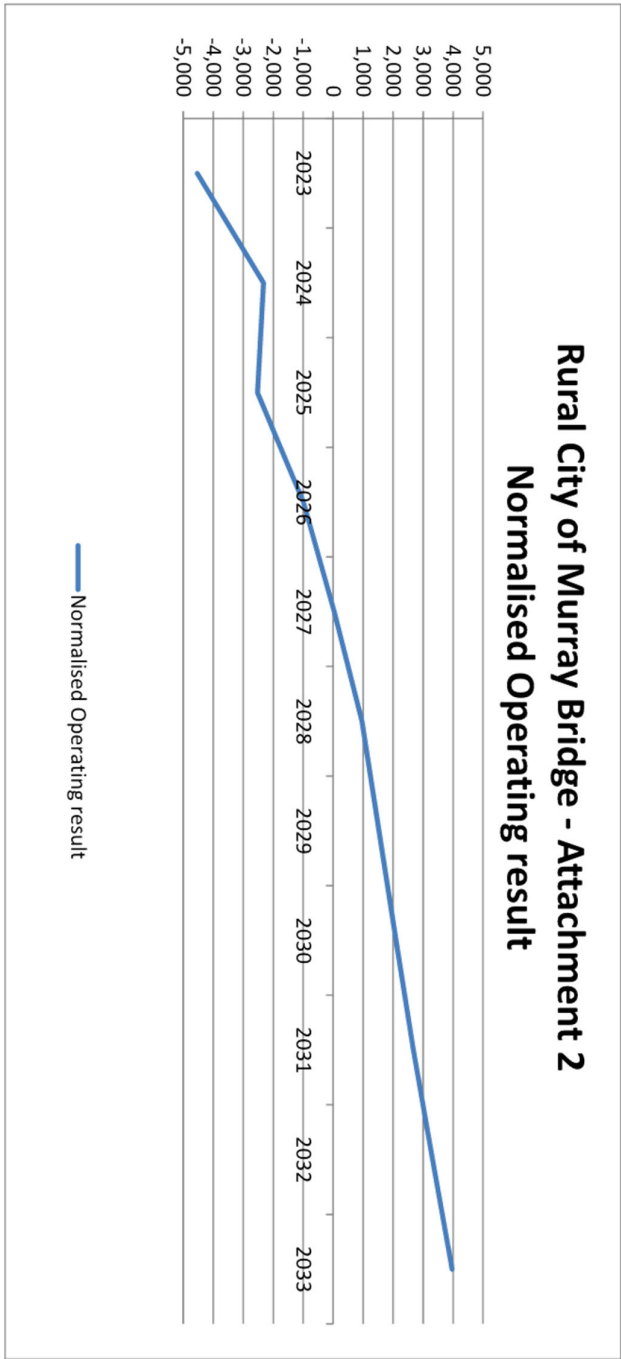
Rural City of Murray Bridge

Attachment 1

Statement of Comprehensive Income

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	Actual	Forecast									
INCOME											
Rates	29,776	33,405	35,879	38,060	39,986	42,010	43,707	45,473	47,310	49,221	51,209
Statutory charges	699	716	747	770	785	801	817	833	850	867	884
User charges	2,799	2,508	2,617	2,696	2,750	2,805	2,861	2,918	2,977	3,036	3,097
Grants, Sub. Cont.	14,352	9,669	15,113	15,570	15,881	16,199	16,523	16,853	17,190	17,534	17,885
Investment income	84	163	181	188	162	166	169	172	176	179	183
Reimbursements	510	184	192	198	202	206	210	214	218	223	227
Other income	526	613	639	658	672	685	699	713	727	742	756
Equity accounted investments	85	28	30	32	34	36	38	40	42	44	46
Key Projects income	1,951	957	0	0	0	0	0	0	0	0	0
	50,782	48,243	55,399	58,172	60,472	62,907	65,023	67,216	69,490	71,846	74,288
EXPENDITURE											
Employee costs	21,627	25,389	27,447	28,333	29,098	29,883	30,691	31,521	32,374	33,251	34,153
Material and contracts	15,460	14,589	15,484	15,606	15,891	16,349	16,820	17,305	17,805	18,319	18,847
Depreciation	11,728	11,883	12,082	12,203	12,446	12,667	12,899	13,167	13,467	13,750	14,068
Finance	494	782	978	977	975	974	973	972	971	970	969
Key Projects Expenditure	4,422	2,733	1,930	1,989	2,028	2,069	2,110	2,153	2,196	2,240	2,284
	53,731	55,376	57,921	59,108	60,439	61,943	63,494	65,118	66,812	68,529	70,321
Operating Surplus/(Deficit)	-2,949	-7,133	-2,523	-936	33	964	1,529	2,098	2,677	3,316	3,967
Underlying Operating Surplus/(Deficit)	-4,532	-2,318	-2,523	-936	33	964	1,529	2,098	2,677	3,316	3,967

Rural City of Murray Bridge - Attachment 2 Normalised Operating result

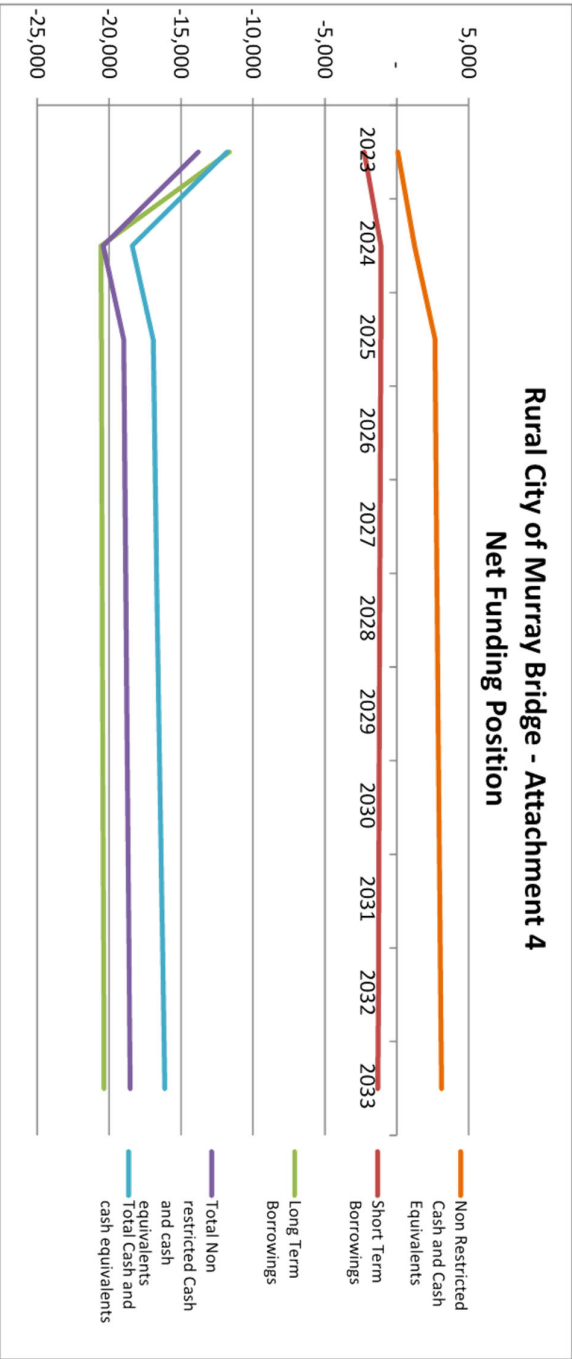


**Rural City of Murray Bridge
Statement of Financial Position**

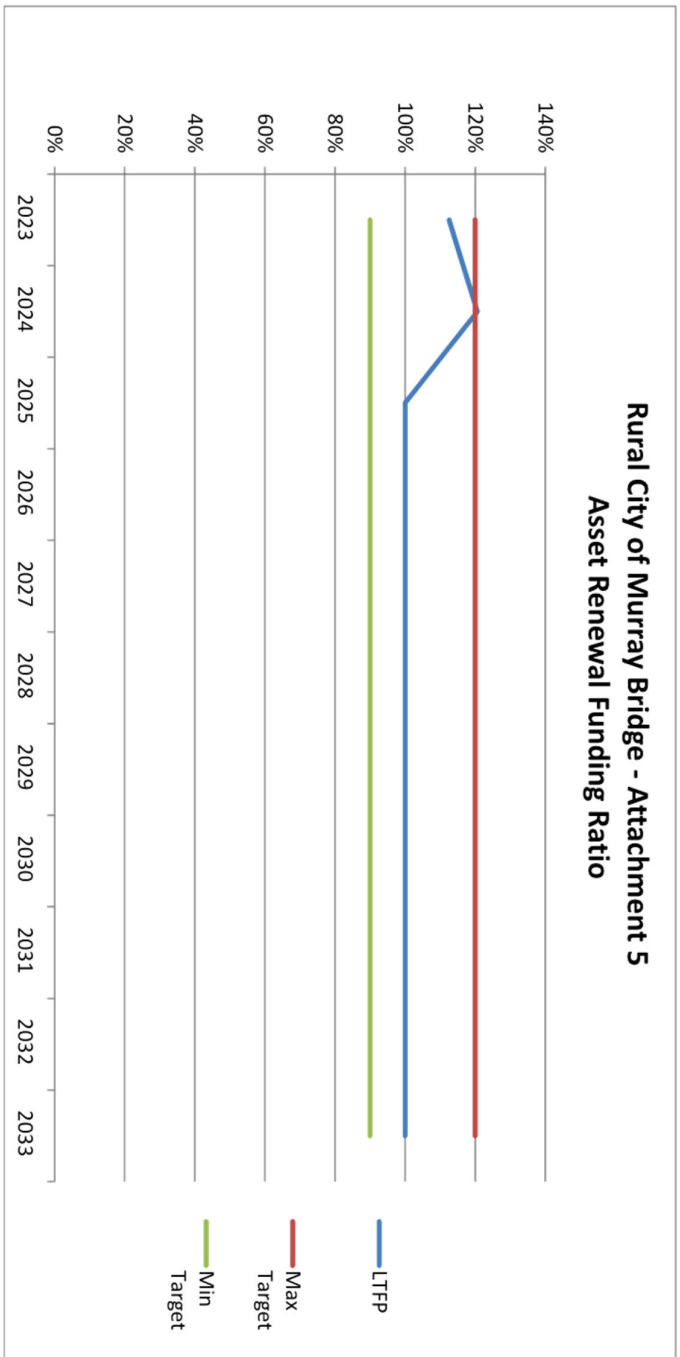
Attachment 3

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	Actual	Forecast									
ASSETS											
Current Assets											
Restricted Cash	1,995	2,014	2,054	2,095	2,137	2,180	2,224	2,268	2,313	2,360	2,407
Cash and Cash Equivalents	91	1,238	2,663	1,439	1,468	1,497	1,527	1,558	1,589	1,621	1,653
Trade & Other Receivables	3,154	1,018	1,038	1,059	1,080	1,102	1,124	1,146	1,169	1,193	1,217
Other Financial Assets	1,701	202	206	210	214	219	223	227	232	237	241
Inventories	752	584	596	608	620	632	645	658	671	684	698
Total Current Assets	7,693	5,056	6,557	5,411	5,519	5,630	5,742	5,857	5,974	6,094	6,216
Non-current Assets											
Equity accounted Investments	690	664	694	726	760	796	834	874	916	960	1,006
Investment Property	0	0	0	0	0	0	0	0	0	0	0
Infrastructure, Prop, Plant & Equip	418,412	429,751	432,160	441,598	451,707	462,009	473,171	485,124	497,908	511,597	526,221
Capital WIP	2,808	1,720	1,754	1,789	1,825	1,862	1,899	1,937	1,976	2,015	2,056
Other Non-current Assets	0	0	0	0	0	0	0	0	0	0	0
Total Non-current Assets	421,910	432,135	434,609	444,113	454,292	464,667	475,904	487,935	500,799	514,572	529,283
Total Assets	429,603	437,191	441,166	449,525	459,811	470,296	481,646	493,793	506,774	520,666	535,498
Liabilities											
Current Liabilities											
Trade & Other Payables	1,748	5,301	2,117	2,676	3,702	3,786	3,955	4,120	4,294	4,475	4,663
Deposits and payments in advance	14,622	10,580	11,542	11,472	11,702	11,936	12,175	12,418	12,666	12,920	13,178
Short Term Borrowings	2,247	1,084	1,106	1,128	1,150	1,173	1,197	1,221	1,245	1,270	1,295
Employee Provisions	4,725	4,830	4,927	5,025	5,126	5,228	5,333	5,439	5,548	5,659	5,772
Other Provisions	1,218	577	589	600	612	625	637	650	663	676	690
Total Current Liabilities	24,560	22,372	20,280	20,901	22,292	22,747	23,296	23,848	24,417	25,000	25,599
Non-current Liabilities											
Long Term Borrowings	11,626	20,548	20,526	20,504	20,482	20,459	20,435	20,411	20,387	20,362	20,337
Employee Provisions	691	849	866	883	901	919	937	956	975	995	1,015
Other Provisions	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	12,317	21,397	21,392	21,388	21,383	21,378	21,373	21,367	21,362	21,357	21,351
Net Assets	39,286	43,769	41,672	42,289	43,675	44,125	44,659	45,216	45,779	46,357	46,950
Accumulated Surplus	117,075	113,856	114,553	112,031	111,095	111,128	112,092	113,620	115,718	118,395	121,712
Asset Revaluation Reserves	278,888	278,888	287,463	296,141	305,009	314,080	323,357	332,859	342,600	352,597	362,870
Other Reserves	(3,212)	697	(2,523)	(936)	33	964	1,529	2,098	2,677	3,316	3,967
Total Equity	392,726	393,421	399,494	407,236	416,137	426,171	436,978	448,577	460,995	474,309	488,548

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**

	2022/23/24 Forecast	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Underlying Operating Surplus Ratio										
Operating Surplus	-2,949	-2,318	-2,523	-936	33	964	1,529	2,098	2,677	3,316
Total Operating Income	50,782	48,243	55,399	58,172	60,472	62,907	65,023	67,216	69,490	71,846
	-5.8%	-4.8%	-4.6%	-1.6%	0.1%	1.5%	2.4%	3.1%	3.9%	5%
Net Financial Liabilities Ratio										
Net Financial Liabilities	31,637	39,499	35,917	37,695	38,989	39,346	39,794	40,244	40,707	41,184
Total Operating Revenue	50,782	53,058	55,399	58,172	60,472	62,907	65,023	67,216	69,490	71,846
	62%	74%	65%	65%	64%	63%	61%	60%	59%	57%
Asset Renewal Funding Ratio										
Asset Renewal Expenditure	7,393	10,903	7,650	12,998	13,723	11,751	11,127	10,645	12,573	12,092
Net Asset Renewal Expenditure per AMP	6,569	9,040	7,650	12,998	13,723	11,751	11,127	10,645	12,573	12,092
	113%	121%	100%	100%	100%	100%	100%	100%	100%	100%