



**Long Term Financial Plan for
the period
2022/23 to 2031/32**

Introduction

The purpose of a Long Term Financial Plan (LTFP) is to express, in financial terms, the activities that Council proposes to undertake over the medium to longer term to achieve its stated objectives outlined in the Strategic Management Plan. The LTFP is an important management tool, which highlights anticipated movements in annual cash flows and links Council's level of borrowings and financial assets with its activities.

This document presents the LTFP for the years 2022/23 to 2031/32. The basis of the LTFP is consistent with the Financial Statements 30 June 2021 and the forecasted financial results of 30 June 2022 along with the 2022/23 Annual Business Plan and Budget adopted by Council and any authorised amendments and material financial impacts. The LTFP also incorporates the Asset Management Plans projections for new, upgraded and renewal of assets for the next 10 years. This is a fluid document, which will be updated and amended over time as circumstances change. Council will review its LTFP once annually during the preparation of its Annual Business Plan and Budget. In addition, when quarterly budget reviews are performed, these adjustments will also show any flow on effect of the financial indicators for the future years. Council will continue to explore opportunities to return to surplus earlier than projected.

Council has large asset holdings, such as an extensive road network, wharfs, boat ramps, heritage vessels, numerous buildings and structures, etc., and a relatively small population and rate revenue base. Our financial modelling shows we cannot afford to maintain and replace all of the assets we currently own and continue to provide the current levels of service without adjustments to either the levels of service or increases in rate revenue. Council has adopted a rating strategy that seeks to achieve a reasonable degree of stability and predictability in the overall rates burden over time, while ensuring ratepayers are paying for those services and infrastructure renewal/maintenance obligations they are consuming.

This review of the plan is based on the adopted Budget 2022/23. Each income and expenditure item has been examined and updated to reflect Council's normal service levels. Any additional items or changes in service levels that are expected to occur are included in the relevant years. It has also been developed based on a number of assumptions, which are detailed in the plan. These assumptions are reviewed on an annual basis.

In reviewing its LTFP, Council must be aware of its key financial indicators. These indicators provide Council and the general public with information that demonstrates the sustainability of its operations. The 10-year plan aims for Council to move from an operating deficit to a surplus in Year 7, also reducing its net financial liabilities ratio from 90% in 2022/23 to be 52% in 2031/32 (Year 10) and to protect its assets by targeting an asset renewal ratio target of between 85% to 115%, and an average over any 5-year period of 100%.

The key challenges arising from within this LTFP are:

- Challenging and volatile world economic
- implementation and funding of appropriate asset management principles to ensure cost effective management of all Council's assets
- meeting the ongoing expectations of our community with regard to service delivery
- managing the impact of cost shifting from other levels of government
- the use of debt as a means of funding asset renewal and rehabilitation
- ensuring the financial sustainability of Council operations.

Mid Murray Council CEO Financial Sustainability Report.

Mid Murray Council applies the nationally agreed definition of financial sustainability for the local government sector, which is:

A Council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

Having reviewed the attached Long Term Financial Plan (LTFP) of the Mid Murray Council, and taking into consideration the following:

- the assumptions used in the LTFP;
- the Sensitivity Analysis related to the 2022/23 Financial Year; and
- the Financial Indicators used in the LTFP.

I advise that, over the term of this LTFP, being 2022-23 to 2031-32:

- Council's Operating Surplus Ratio will improve from (24.5%) to 1.8%;
- The Net Financial Liabilities Ratio will improve from 90% to 51.8%;
- The Asset Renewal Funding Ratio will average 96% over the 10 years;
- Council expects to meet its financial targets each year;
- Expenditure on new upgraded assets will be minimised, including the deferral of the sealing of one stage of the Murraylands Road from 2023/24 to 2025/26;
- Council will be able to fund its operations within the funding arrangements currently in place with the LGFA; and
- Council will meet the agreed definition of Financial Sustainability.

This position can be maintained while Council continues to fund the existing services, provided that restraint is exercised by not extending the present asset base or increasing the present service levels, without additional funding.

Amendments to the Public Consultation Version

The following table is provided to summarise the changes to Capital Renewal Expenditure and associated Income. The net amendments in years 1 to 5 total an increase of expenditure of approximately \$673,000, while in years 6 to 10 there has been a total net increase of approximately \$6,422,000. The material increases are as a result of the Building Land & Structures 2031/32 demand budget being increased by \$3.8m (previous budget set on the average of the previous nine (9) years, now replaced by the calculated assets demand) and Community Wastewater Management Systems 2028/29 to 2031/32 budgeted renewal being updated from being the previous year's average to the actual calculated asset demand. A correction to the calculation of indexation of Sealed Roads and Building Land & Structures has also increased the renewal budget, each annual figure was under indexed by a factor of one year.

The increased renewal expenditure has then increased financial costs and loan balances, particularly in the later years of the plan.

Summary of Amendments to the previous Consultation Version (V7 vs V8)

	Years 1-5	Years 6-10	Total	Comment
Major Plant Renewal (Net)	(265,366)	168,129	(97,237)	Amend annual figures
UnSealed Road Renewal	-	58,543	58,543	Amendment to 2031/32
Sealed Road Renewal	(407,467)	(1,167,548)	(1,575,015)	Correct Indexation of annual budget
Buildings Land & Structures Renewal	-	(5,470,561)	(5,470,561)	Correct indexation & 2031/32 actual asset demand entered replacing average of previous 9 years renewal expenditure result \$3.8m increase.
Footpath Renewal	-	6,074	6,074	Correct Indexation 2031/32
Kerbing Renewal	-	2,563	2,563	Correct Indexation 2031/32
Community Wastewater Management Systems (CWMS) Renewal	-	(38,308)	(38,308)	2028/29 to 2031/32 actual asset demand entered, replacing average of first 6 years renewal expenditure.
CWMS Ratepayer Contributions	-	19,154	19,154	Budgeted that 50% of renewal will be funded by CWMS Ratepayers
Total Decrease/(Increase)	(672,834)	(6,421,955)	(7,094,788)	

Local Government Review Bill 2020

The South Australian State Government "Local Government Review Bill 2020" contains a large number of amendments to the Local Government Act. One of these is the requirement of the "Local Government Rates Oversight Scheme", where annually one quarter of Councils will be required to lodge the Annual Business Plan, Long Term Financial Plan and associated Asset Management Plans with a designated authority, being the Essential Services Commission of SA (ESCOSA). Historical documentation is required to be lodged by 1 August 2022, followed by the current year's information to be lodged by the 30 September 2022. The Mid Murray Council has been chosen to be in the first year of the ESCOSA Rates Oversight. The amendments have not changed the preparation or format of this version of the Long Term Financial Plan.

Assumptions used in the Long Term Financial Plan

The LTFP is based on a number of assumptions and any shift in the actual results compared to the assumptions will cause variations to the LTFP forecast. A number of these underlying key assumptions have been listed along with a calculation of the dollar value and the equivalent percentage of general rates to offset the variation.

Material variations between the assumptions and actuals over several years would have a very significant impact of the LTFP forecast results due to the compounding effect year on year into the future.

Consumer Price Index (CPI) / Local Government Price Index (LGPI)

The average operating cost increases for local government materials, contracts and other service costs are estimated using the Local Government Price Index (LGPI) as prices of these items move in different ways to how average household prices move. The LGPI is similar to the Consumer Price Index (CPI), but represents the movements of prices associated with goods and services consumed by local government in the South Australia Local Government sector. It is prepared and updated on a quarterly basis by the South Australian Centre for Economic Studies.

The Adelaide CPI for the year ending June 2022 was 6.4%, and the 2022/23 budget was prepared with an estimated CPI increase of 3% in line with the recent Federal Government Budget Forecasts (April 2022). On an average over the past twenty (20) years the LGPI has been 0.4% higher than CPI, indicating that Local Government costs, on average increase at a greater rate.

Statement of Comprehensive Income

The plan assumes overall service levels will remain materially unchanged throughout the planning period except as specified below:

- Provision has been made for outlays for major new/upgraded assets that will add to service levels as per the capital works listing included in the plan
- Some specific services may be varied or minor additional services added over time in response to changes in community needs and preferences. It is assumed that any such variations will be made without impacting on overall operating expense levels except where otherwise specified.
- As initiatives and actions specified in Council's strategic plans are prioritised and costed they are added into the financial plan.

Recurring Government Grants

Financial Assistance Grants (General & Local Roads) \$4,161,000 (estimate 2022/23)

It is assumed that these grants will increase annually at CPI rates throughout the term of the LTFP. The Federal Government have at times paid this grant in advance in prior years (May 2022, advance payment of \$3,222,000 received) to stimulate economic growth, it is unknown if this will occur in the future 10 years of the present plan. The 2022/23 budget has been prepared on the assumption that an advance Financial Assistance Grant will not be paid in advance and therefore the grant paid during 2022/23 will be \$3,222,000 lower.

Roads to Recovery - \$663,650 (estimate 2022/23)

It is assumed that these grants will increase once every three years at CPI rates throughout the term of the LTFP, the grant being discounted in real terms throughout the future LTFP. The Federal Government have at times temporarily materially increased this grant for one or two years to stimulate economic growth, it is unknown if this will occur in the future 10 years of the present plan.

Supplementary Road Grant - \$328,320 (estimate 2022/23)

It is assumed that these grants will be continually received and increase once every three years at CPI rates throughout the term of the LTFP (the grant being discounted in real terms throughout the future LTFP). The Federal Government have at times paid this grant in advance in prior years to stimulate economic growth, it is unknown if this will occur in the future 10 years of the present plan.

Library Operating \$21,500

It is assumed that this grant will continue and will increase approximately in line with CPI.

Any other operating grants are assumed not to be continued.

Non-Recurring Government Grants

State Government Infrastructure Partnership Program

In relation to the sealing of Murraylands Road, the following amount has been included:

2022/23 - \$1,555,000. This project was originally forecast to commence in 2021/22.

Special Local Roads Program Funding (66% funding of the project cost)

In relation to the sealing of Murraylands Road, the following amounts have been included:

2025/26 - \$768,000

2027/28 - \$810,000

2029/30 - \$856,000.

Note. The project has been timed to ensure that the Net Financial Liability Ratio overall improves throughout the 10-year plan.

General Rates

Council's draft Long Term Financial Plan assumes rate revenue forecasts have been based on:-

	<u>2022/23</u>	<u>2022/23 Onwards</u>
#CPI	3.0%	2.75%
^Adjustment to 2021/22 CPI Estimate	1.0%	N/A
*Sustainability	<u>2.0%</u>	<u>2.0%</u>
Increase to Existing Assessments	6.0%	4.75%
Plus New/Additional Development	<u>0.8%</u>	<u>0.5%</u>
Total Increase	<u>6.8%</u>	<u>5.25%</u>

Forecasted by the Federal Government (April 2022 budget delivery) for the year end June 2023, forward years have been based on The Reserve Bank CPI forecast for CPI years ending 30 June 2024 at 2.75%.

^When adopting the 2021/22 budget Council assumption that CPI would be 1.5% for year ending June 2022, now due to the higher than expected CPI Council has deemed that an addition 1% is required to ensure that Council reaches a sustainable financial position..

*Presently the Council is in a deficit position, an annual sustainability increase will gradually reduce the deficit position as long as operational expenses are kept near CPI. Service charges are based on the estimated cost of providing the service, with present assumptions are that they will increase by CPI.

The actual increase payable by any individual ratepayer may be more or less than this depending on the value and movement in the capital value of their property and the impact of changing to rating from a mixture of locality and land use to only land use from 2021-22. Capping rebates of 15% will be available to a certain criteria of properties to reduce the impact of these rating change over the next two years (as per the rating policy).

Community Wastewater Management Systems (CWMS) Service Charges (excluding Truro & Cowirra)

Due to the introduction of a new methodology of calculation of the CWMS in 2020/21, there will be an impact once again this year with a reduction of budgeted fees of approximately \$37,000 (or 6.3%) to an amount of \$544,000 for existing schemes. The reduction is in recognition that overall the CWMS have been collecting excess monies to cover annual maintenance costs and minor capital renewal items. Income is not considered to increase over the 2022/23 or 2023/24 financial years until the surpluses have been adequately reduced. There are also a small number of individual schemes that have been running at a deficit and will therefore receive material percentage increases over the next few years. The Council does not recover whole of life costs, as depreciation costs are excluded when calculating the annual maintenance fee, therefore major renewal capital items and upgrades will require additional capital contributions from property owners if the schemes balance of funds is insufficient.

Truro & Cowirra Community Wastewater Management Systems (CWMS) Service Charges

These two schemes had their CWMS infrastructure heavily funded by the State Government, therefore annual fees are calculated based on the annual maintenance costs (including Depreciation). Cowirra ratepayers are currently not being charged full annual maintenance costs, but annually their Service Charge will continually be increased, capped at twice the estimated CPI until full recovery is obtained.

General Waste Management Service Charge (1 bin system)

A Waste Management Service Charge was introduced in 2021/22, for the weekly waste bin collection and disposal for ratepayers for whom the service is available. Council will continue to provide this service in the future and seek to recover the cost of the service. The two cost components consist of the Contractor providing the pickup of the bins and the disposal cost of the waste at the Council owned/operated Cambrai landfill site. The Cambrai Landfill site disposal costs per tonne varies greatly based on the volume processed (last three years range from 3,965 - 6,456 tonnes annually), this causes issues with estimating cost and setting the new year's service charge. In 2022/23 the service fee will be \$200 being an increase of \$10 from \$190 in 2021/22. Any adverse swings of costs upward will be phased in over a period of greater than one year, in consideration of the ratepayer's ability to pay.

General Waste & Kerbside Collection of Recyclables (2 bin system)

The Kerbside Collection of Recyclables component has not been increased in 2022/23, as collection and processing costs have not increased, with adequate income being generated to cover the expected cost of the service. In future years the annual increases of the collection service have been estimated to increase by CPI. In 2022/23 the service fee has not increased and was set at \$286 (being \$200 for the General Waste Collection and \$86 for the Kerbside Collection of Recyclables).

Mannum Waters Separate Rate

The Mid Murray Council is required under the Landscape South Australia Act 2019 to cover the annual evaporation loss of 187ML within the Mannum Waters Marina. A Separate Rate for Mannum Waters to recover the \$1.534m cost (plus finance costs) to purchase the required 187ML permanent water entitlement will be raised over a period 15 years (2022/23 being the first year), the annual amount raised being \$96,600. Ratepayers have been given a limited time to apply to pay the full 15 years levy in 2022/23, the cost of financing has been deducted as an incentive.

Other Service Charges

Annual increases for the Bowhill Multi-Access Television system and Water Supply have been estimated to increase by CPI.

Other Operating Revenue

All other sources of revenue except where otherwise stated is expected to remain constant to CPI over the plan period.

User Charges

The majority of user charges are expected to return back to the pre COVID-19 levels. During 2021/22 the Council received materially higher quantities of commercial waste dumping fees, this is expected not to continue in 2022/23 or any future LTFP years.

Employee Costs

Several positions were vacant during 2021/22, and future years have been budgeted for these positions to be filled. The level of employee costs included in the plan is based on estimated full time equivalent (FTE) resource levels. The previous Enterprise Agreement increases were linked to Adelaide CPI, and this has been assumed to continue in the future along with the increase of the Superannuation Guarantee Levy.

Materials, Contracts & Other Services

These LTFP increases have been based on Consumer Price Index (CPI), although on average this is lower than the Local Government Price Index (LGPI), as a quasi-efficiency levy (relying on increasing operational efficiencies and competitive quoting/tendering to restrain costs within CPI).

EPA Solid Waste Levy

The EPA Solid Waste Levy has increased by:

- 2019/20 25%
- 2020/21 14%
- 2021/22 3.1%
- 2022/23 2.1%

In total Council will pay a total amount of \$349,000 (equal to 2.4% of General Rates) in 2022/23 to the Environmental Protection Authority for Solid Waste Levy and Transfer Station & CWMS Licenses. It is unknown what increase will occur in the future but the plan has only factored increases at estimated CPI in future years. This levy has a direct impact to increasing the cost of providing the General Waste Collection Service (weekly red bin service).

Efficiencies

Management will continue to identify efficiencies in the delivery of services as it has in the past, and when efficiencies are identified and costed and deemed achievable they will be placed into the budget and LTFP. It is expected that future savings will be achieved by a combination of efficiencies, procurement savings and a reduction of some current services.

Capital Renewal (annual increase for the replacement of existing assets)

Provision has been made for outlays on renewal, replacement and maintenance of depreciable assets under Council's care and control consistent with recommended outlay levels shown in Council's various Asset Management Plans.

Capital renewal has been sourced from Council's Asset Management Plans for Roads, Plant and Community Wastewater Management Scheme (CWMS), and Bridges forward figures have been appropriately indexed in future expenditure years. The LTFP has included forward capital renewal expenditure of the three heritage vessels that total approximately \$320,000 over the 10 years of the plan.

Council presently operates the Cambrai Landfill site, this is expected to continue into the future and therefore there will be future requirements of expanding the cell and capping the used part of the cell. In all, it is estimated that Council will spend approximately \$3million at the site over the next 10 years, off-set by grant funding of \$1.1m.

The Building and Land Asset Management Plan was adopted on the 14 April 2022 by Council, it should be noted that presently there is an unfunded shortfall of approximately \$2.5m in the forward 10 years (Total Asset Renewal demand of \$20m with \$17.5m budgeted into the LTFP). The majority of the budgeted Capital Renewal expenditure has been delayed and budgeted into 2028/29 to 2031/32, (\$15m of the \$17.5m is budgeted in the four years) into the period when the Council is forecasted to be operating in a Surplus position, as there is then a greater financial capacity to increase the renewal capital budget. Strategies will be investigated to reduce this shortfall, which will include divesting and consolidating current assets, with any improvements to be incorporated into the future versions of the Building and Land Asset Management Plan.

Although budget allocation has been included in the LTFP for marine facilities, maritime vessels, Kerbs, Footpaths and Information Technology assets, their Asset Management Plans are yet to be completed. Once these have been completed and adopted, the capital renewal expenditure will be updated into the next annual review of the LTFP. As always, when Asset Management Plans are created or reviewed, these new figures are incorporated in the next revision of the LTFP. In calculation of the Asset Renewal Funding Ratio, only the Asset classes that have a current Asset Management Plan have been used in calculating the ratio.

Depreciation / Asset Revaluations

Depreciation is based on regular asset valuations performed for Council's transport infrastructure assets, CWMS assets, land, buildings and structures. The LTFP uses these valuations as the basis for its depreciation figures. The aggregate depreciable value of existing assets is assumed to remain constant in real terms throughout the plan period, except where Council has planned for the upgrading of existing assets and the acquisition of new additional assets. In the plan all assets are deemed to be revalued every year, in that the annual depreciation expenses have increased annually throughout the plan instead of only increasing every four future years when revaluations are expected. The depreciation expense has been indexed annually throughout the ten years of the LTFP.

Funding Requirements

No additional fixed term loans (Fixed Interest Rates) have been included in the LTFP in the medium term, with any funding shortfall covered by using our Cash Advance Debenture facilities (Variable Interest Rates) with the Local Government Finance Authority. Cash Advance Debentures interest rates are historically on average 0.4% to 0.5% lower than Fixed Term Loans. Council will still need to have a mixture of Fixed and Variable loans to satisfy Council's Treasury Policy and spread the risk of adverse interest rate changes.

Interest Rates

Interest rates payable on loans have been calculated as being the actual rate against the various Fixed Term Loans with the balance of required finance being sourced at the current Cash Advance Debenture (CAD) rate of 2.3%. In forward years the CAD interest has been set at the following levels in the plan:

- 2022/23 3.45%
- 2023/24 3.95%
- 2024/25 3.95%
- 2025/26 plus years 3.5%

The average nominal interest rate earned on invested funds:

- 2022/23 1.7%
- 2023/24 2.2%
- 2024/25 2.2%
- 2025/26 plus years 1.75%

Material Future Residential Land / Industrial Developments

Future developments are expected to occur within the Council area. However, as there is no accurate estimate of the amount or timing of the completion of these developments at this stage, future assets free of charge have not been included in the LTFP or any additional levels of income in relation to General Rates or Service Charges. As previously mentioned the LTFP has assumed an annual 0.5% will be generated from new assessments and capital improvements/developments.

Sale of Assets – Profit/Loss on Disposal

Council will continue to identify surplus assets including land that will be placed for sale, no allocation for these sales have been included in the LTFP, as timing and expected income in any one year cannot be reliably estimated at this stage. In future years it is expected that there will be a rationalisation of building assets. It is assumed that all assets that will be sold/disposed in the future will be at book value, therefore no Profit/Loss on disposal has been forecasted.

Sensitivity Analysis related to the 2022/23 Financial Year

The LTFP is based on a number of assumptions and so any shift in the actual results compared to these assumptions will cause variations to the LTFP forecast. A number of these underlying key assumptions have been listed along with a calculation of the dollar value and the equivalent percentage of general rates to offset the variation.

Material variations between the assumptions and actuals over several years would have a very significant impact of the LTFP forecast results due to the compounding effect year on year into the future.

Interest Rate Movement

0.5% plus/minus on interest payable on variable CAD loans of \$17million equals \$85,000 or equivalent to 0.6% of general rates income. The balance of borrowings \$2.5million are on fixed interest term loans.

Financial Assistance Grant (FAGs) Reduction

1% plus/minus of FAGs in 2021/22 (adjusted for Advance payment) equals \$41,610 or equivalent to 0.3% of general rates income.

New Development Variation from projected

0.25% plus/minus of new assessments and new/additional building development General Rate income is equal to \$36,500.

Variation in Operating & Capital Expenditure

1% plus/minus of Operating Expenses (Including Depreciation) \$271,400

1% plus/minus of Capital Expenses \$128,900

Total \$400,300

or equivalent to 2.7% of general rates income

Other Factors

There are a number of other factors that may have an impact on the LTFP, many may not be able to be foreseen such as changes to the level of government taxes. Other factors worth mentioning that can have an effect include the Australian dollar exchange rate for goods or raw materials that are sourced from overseas and the price of oil that impacts on the cost of fuel and asphalt. Many of Council's contracts have a rise and fall clause in relation to the cost of fuel. An accurate forecast is not possible for the movement in the Australian dollar and the rise and fall of international oil prices.

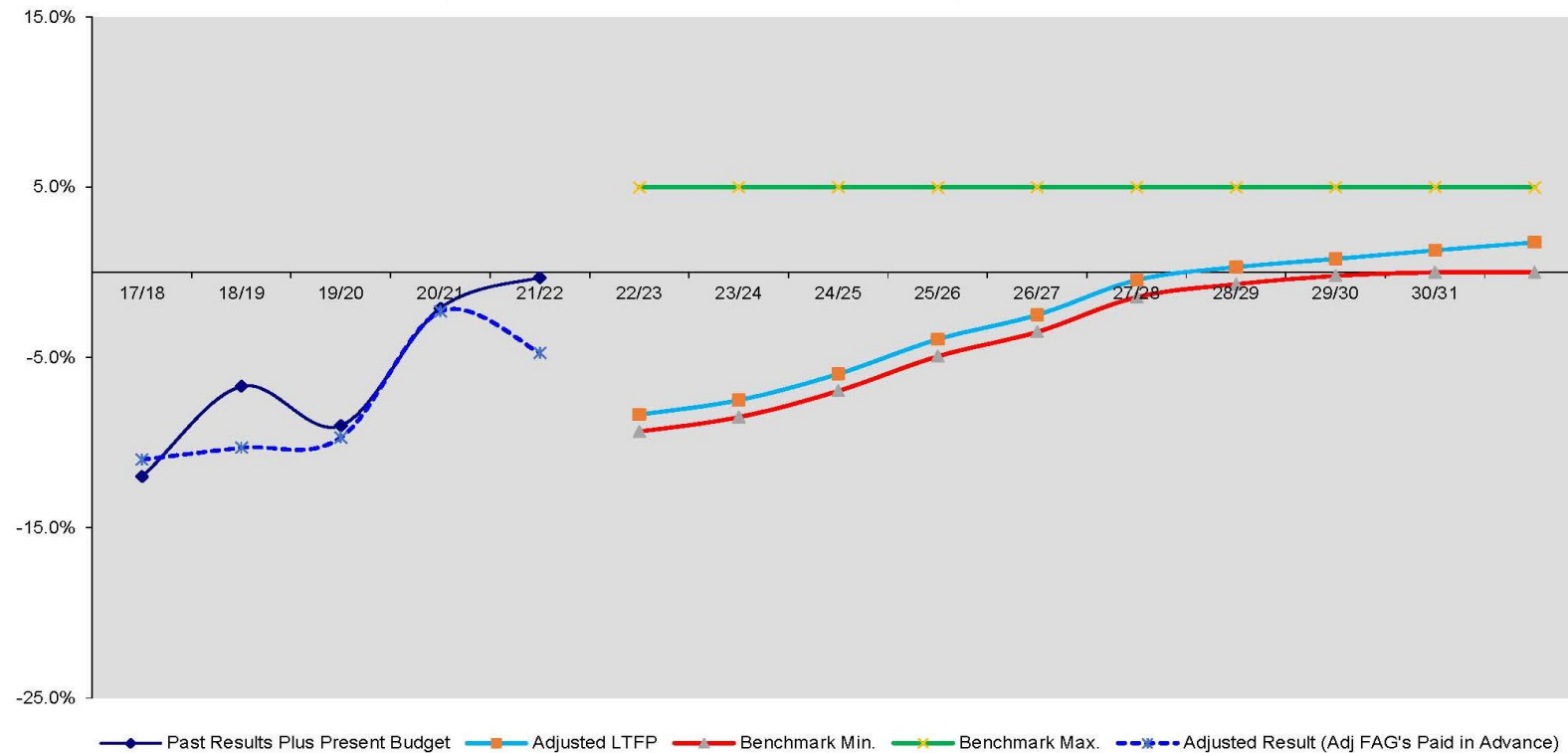
Financial Indicators used in the Long Term Financial Plan

Operating Surplus Ratio

Indicates the extent to which revenues raised cover operational expenses including depreciation.

The percentage ratio indicator is calculated as:
$$\frac{\text{Operating Surplus (Deficit)}}{\text{Total Operating Revenue}}$$

Operating Surplus/(Deficit) Ratio



Adjusted Operating Surplus Ratio - Targets

A modest Operating Surplus in 2028/29 of 0.31% or \$96,000.

Maximum Operating Deficit in 2022/23 of (8.35%) or (\$2,078,000) - Adjusting the effect of \$3,222,000 of Financial Grants received in advance in May 2022 for the 2022/23 financial year. *Not Adjusted Maximum Operating Deficit in 2022/23 (24.47%) or (\$5.3million)*

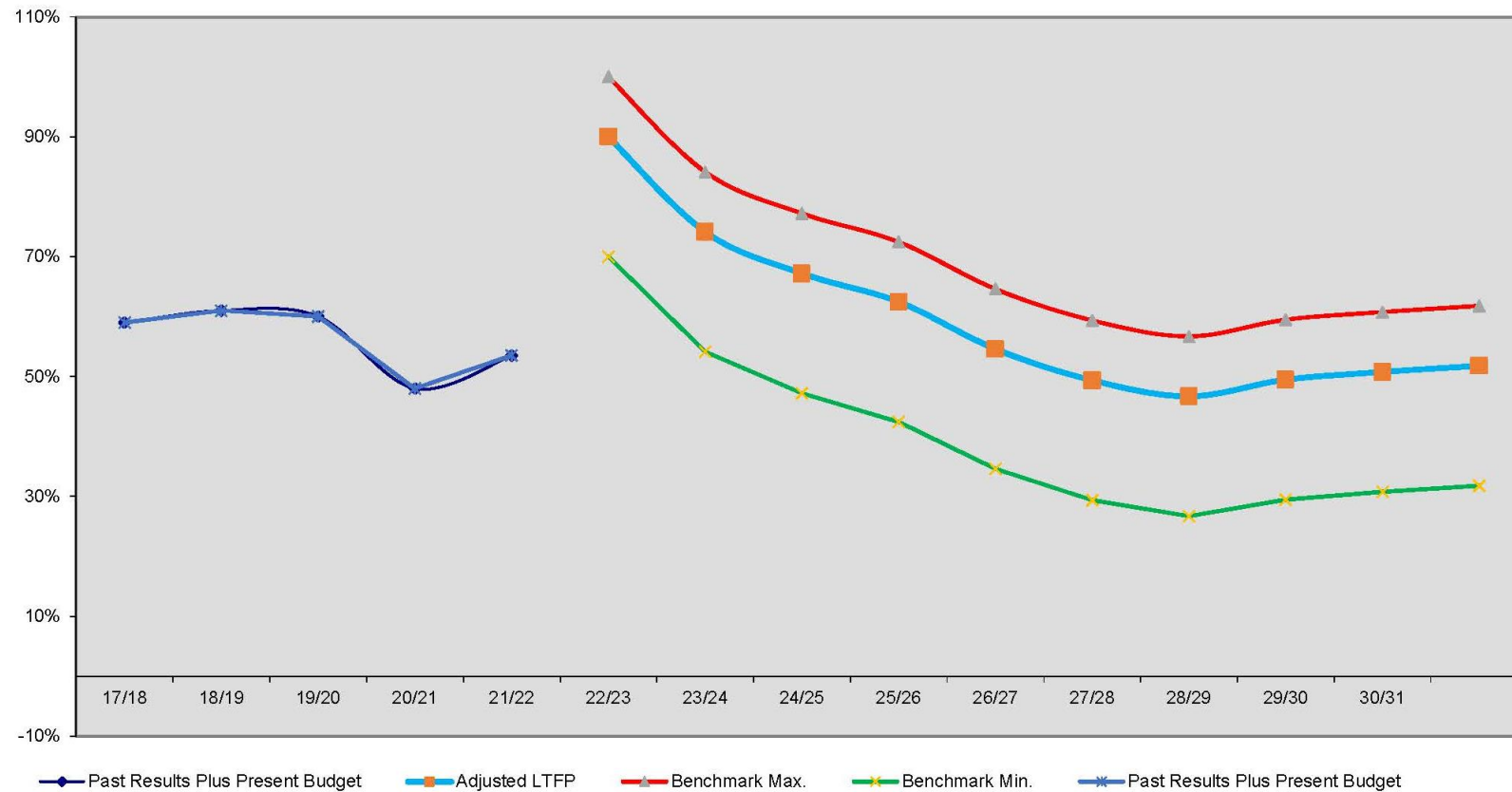
Net Financial Liabilities Ratio

Indicates the extent to which the net financial liabilities of a local government can be serviced by its operating revenues.

The percentage ratio indicator is calculated as:

$$\frac{\text{Net Financial Liabilities}}{\text{Total Operating Revenue}}$$

Net Financial Liabilities Ratio



Adjusted Net Financial Liabilities Ratio - Targets

Minimum Ratio of 46.7% in 2028/29 Net Financial Liabilities of \$14.7million, Total Operation Income of \$31.5million (Loans of \$13.8million).

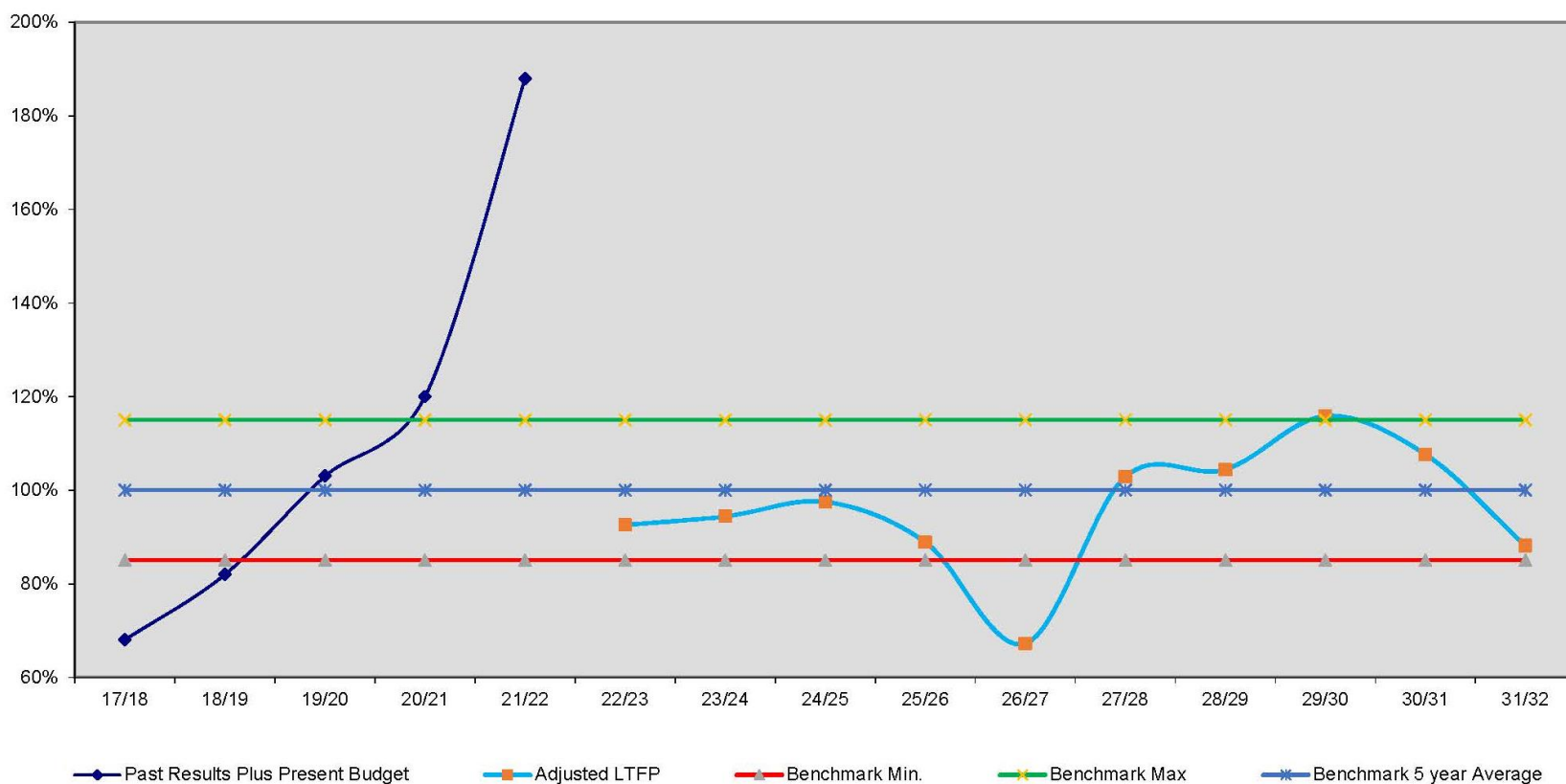
Maximum Ratio of 90% in 2022/23 Net Financial Liabilities of \$19.5million, Total Operating Income of \$21.7million (Loans of \$18million).

Asset Renewal Funding Ratio

Expressed as a percentage, it is an approximation of the extent to which the infrastructure assets managed by Council are being replaced as they reach the end of their useful lives.

The indicator is calculated as:

$$\frac{\text{Net Asset Renewals}}{\text{Total AMP* Capital Renewal}} = \text{Asset Renewal Funding Ratio}$$



Asset Renewal Funding Ratio - Targets (Calculated only on Assets Classes that currently have an Asset Management Plan)

10 year target 100% (average)

Range 85%-115% in any one year, averaging 100% over any 5-year period.

Major Capital Expenditure & Associated Grant Income (V8)											
Year Ended 30 June:		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
		\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)
Expenditure on New/Upgraded Assets		Cross Ref.									
Murraylands Road Seal	(1)	3,336	-	-	1,151	-	1,216	-	1,283	-	-
LRCIP Ramm Rd S/Water & Others	(2)	316	-	-	-	-	-	-	-	-	-
MDBEDP Blanchetown	(3)	450	-	-	-	-	-	-	-	-	-
Murray Coorong Trail (\$439k S/Reach 2022)	(4)	269	50	50	50	50	50	50	50	50	50
Buildings AMP-Open Space Projects		151	140	141	141	142	143	126	144	144	148
Town Entrances		41	20	20	20	20	20	20	20	20	20
Expenditure on Renewal											
Kerbs Renewal		73	75	77	79	81	84	86	88	91	93
Footpaths Renewal		173	178	183	188	193	198	204	209	215	221
Major Plant, Vehicles & Small Plant (Net)		902	958	1,138	1,563	1,803	2,166	952	1,043	1,379	1,469
IT Technology		233	113	116	119	123	126	129	133	137	140
Mid Murray Maritime Committee		240	67	-	69	48	49	74	-	44	30
Bridges		202	-	-	224	-	256	-	-	114	607
Sealed Roads	(5)	1,194	1,154	1,076	1,017	1,245	1,285	1,170	697	1,213	1,448
Unsealed Roads	(6)	1,730	1,807	1,845	1,742	1,733	1,938	2,045	2,149	2,701	2,129
Buildings (Toilets & Solar Panels 2022/23)	(7)	408	351	114	117	120	124	2,119	5,127	3,880	3,885
Landfill & Transfer Stations	(8)	1,500	-	-	250	-	-	1,012	-	-	260
CWMS Renewal	(9)	225	71	81	45	80	304	151	149	250	92
Grant Funding											
MDBEDP Blanchetown	(3)	450	-	-	-	-	-	-	-	-	-
LRCIP3 Cambrai Landfill	(8)	1,100	-	-	-	-	-	-	-	-	-
Sealed Roads (99% Murraylands Road)	(1)	1,636	-	-	768	-	810	-	856	-	-
LRCIP2 Toilets & Solar	(7)	376	-	-	-	-	-	-	-	-	-
Murray Coorong Trail (100% Grant Funded)	(4)	110	-	-	-	-	-	-	-	-	-
CWMS - Property Owners	(9)	15	36	40	23	40	152	76	74	125	46
LRCIP Ramm Rd S/Water & Others	(2)	247	-	-	-	-	-	-	-	-	-
FAGs, Supplementary & Roads to Recovery	(5) & (6)	1,096	1,769	1,818	1,840	1,862	1,914	1,938	1,962	2,016	2,042
Summary											
Expenditure on New/Upgraded Assets		4,563	210	211	1,362	212	1,429	196	1,497	214	218
Expenditure on Renewal		6,880	4,774	4,630	5,413	5,426	6,530	7,942	9,595	10,024	10,374
Gross Capital Expenditure		11,443	4,984	4,841	6,775	5,638	7,959	8,138	11,092	10,238	10,592
Less Associated Grants		5,030	1,805	1,858	2,631	1,902	2,876	2,014	2,892	2,141	2,088
Net Capital Costs After Grants		6,413	3,179	2,983	4,144	3,736	5,083	6,124	8,200	8,097	8,504

Mid Murray Council

10 Year Financial Plan for the Years ending 30 June 2032

FINANCIAL PERFORMANCE INDICATORS

Scenario: V8 LTFP 2022/23 To 2031/32	Current Year	Projected Years									
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Note 15 Ratios											
Operating Surplus Ratio	-0.30%	-24.47%	-7.50%	-5.96%	-3.93%	-2.50%	-0.46%	0.31%	0.79%	1.30%	1.77%
Adjusted Operating Surplus Ratio	-4.73%	-8.35%	-7.50%	-5.96%	-3.93%	-2.50%	-0.46%	0.31%	0.79%	1.30%	1.77%
Net Financial Liabilities Ratio	53.50%	90.02%	74.13%	67.20%	62.45%	54.60%	49.37%	46.70%	49.47%	50.75%	51.78%
Asset Renewal Funding Ratio	188.30%	92.57%	94.39%	97.49%	88.91%	67.25%	102.85%	104.42%	115.84%	107.64%	88.12%

Mid Murray Council
10 Year Financial Plan for the Years ending 30 June 2032
STATEMENT OF COMPREHENSIVE INCOME
Scenario: V8 LTFP 2022/23 To 2031/32

	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income											
Rates	16,549,177	17,629,125	18,553,528	19,430,782	20,352,460	21,320,845	22,354,461	23,298,233	24,134,611	25,001,482	25,899,962
Statutory Charges	453,207	439,120	451,196	463,604	476,353	489,452	502,912	516,743	530,953	545,554	560,558
User Charges	1,091,963	1,214,600	1,248,003	1,282,323	1,317,586	1,353,821	1,391,055	1,429,310	1,468,620	1,509,007	1,550,501
Grants, Subsidies and Contributions	7,048,571	2,178,880	5,325,076	5,475,339	5,579,142	5,721,003	5,989,262	6,041,607	6,178,954	6,348,876	6,493,880
Investment Income	4,476	8,700	8,940	9,186	9,439	9,699	9,966	10,240	10,522	10,811	11,108
Reimbursements	215,725	107,615	110,575	113,617	116,741	119,951	123,249	126,639	130,121	133,701	137,377
Other Income	97,077	84,490	86,814	89,202	91,655	94,176	96,765	99,426	102,161	104,971	107,860
Total Income	25,460,196	21,662,530	25,784,132	26,864,053	27,943,376	29,108,947	30,467,670	31,522,198	32,555,942	33,654,402	34,761,246
Expenses											
Employee Costs	8,388,667	9,542,737	9,836,657	10,153,278	10,327,862	10,660,606	10,953,765	11,254,995	11,564,512	11,882,545	12,209,324
Materials, Contracts & Other Expenses	9,859,707	9,648,520	9,776,761	10,039,265	10,326,556	10,611,824	10,910,308	11,223,283	11,532,933	11,857,544	12,183,590
Depreciation, Amortisation & Impairment	7,073,550	7,105,837	7,301,246	7,502,026	7,708,335	7,920,316	8,138,129	8,361,930	8,591,885	8,828,161	9,070,935
Finance Costs	214,693	665,640	804,427	771,785	680,121	643,094	604,973	585,695	608,481	650,123	683,763
Total Expenses	25,536,617	26,962,734	27,719,091	28,466,354	29,042,874	29,835,840	30,607,175	31,425,903	32,297,811	33,218,373	34,147,612
Operating Surplus / (Deficit)	(76,421)	(5,300,204)	(1,934,959)	(1,602,301)	(1,099,498)	(726,893)	(139,505)	96,295	258,131	436,029	613,634
Asset Disposal & Fair Value Adjustments	-	-	-	-	-	-	-	-	-	-	-
Amounts Received Specifically for New or Upgrad	2,735,139	3,855,834	11,064	11,064	778,590	11,064	821,384	11,064	866,564	11,064	-
Physical Resources Received Free of Charge	-	-	-	-	-	-	-	-	-	-	-
Operating Result from Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-
Net Surplus / (Deficit)	2,658,718	(1,444,370)	(1,923,895)	(1,591,237)	(320,908)	(715,829)	681,879	107,359	1,124,695	447,093	613,634

Mid Murray Council

10 Year Financial Plan for the Years ending 30 June 2032

STATEMENT OF FINANCIAL POS

Scenario: V8 LTFP 2022/23 To 20

Current Year		Projected Years									
2021/22		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
\$		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS											
Current Assets											
Cash & Cash Equivalents	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Trade & Other Receivables	3,032,750	2,991,363	3,090,160	3,226,928	3,405,098	3,498,482	3,702,836	3,803,743	3,976,662	4,070,764	4,210,066
Inventories	363,997	357,870	363,085	372,856	383,488	394,077	405,139	416,717	428,211	440,238	452,343
Total Current Assets	3,546,747	3,499,233	3,603,246	3,749,784	3,938,586	4,042,559	4,257,975	4,370,460	4,554,873	4,661,001	4,812,410
Non-Current Assets											
Financial Assets	195,000	179,500	163,500	146,500	129,500	129,500	129,500	129,500	129,500	129,500	129,500
Infrastructure, Property, Plant & Equipm	191,815,254	196,257,768	193,940,933	191,278,578	190,344,707	188,061,185	187,879,800	187,655,416	190,154,240	191,563,603	193,084,832
Total Non-Current Assets	192,010,254	196,437,268	194,104,433	191,425,078	190,474,207	188,190,685	188,009,300	187,784,916	190,283,740	191,693,103	193,214,332
TOTAL ASSETS	195,557,001	199,936,501	197,707,679	195,174,862	194,412,793	192,233,244	192,267,275	192,155,376	194,838,613	196,354,104	198,026,742
LIABILITIES											
Current Liabilities											
Trade & Other Payables	2,894,102	2,138,956	2,150,786	2,200,932	2,249,758	2,303,805	2,358,359	2,420,116	2,481,600	2,545,773	2,610,454
Borrowings	641,347	539,381	296,890	307,772	319,060	330,766	169,219	175,434	181,885	188,581	-
Provisions	1,875,168	1,875,168	1,875,168	1,875,168	1,875,168	1,875,168	1,875,168	1,875,168	1,875,168	1,875,168	1,875,168
Total Current Liabilities	5,410,617	4,553,504	4,322,844	4,383,871	4,443,986	4,509,738	4,402,745	4,470,718	4,538,653	4,609,522	4,485,621
Non-Current Liabilities											
Cash Advance Debenture	8,356,846	15,577,210	15,802,833	15,107,997	14,925,781	13,727,074	13,355,439	13,243,642	14,916,134	16,102,245	17,285,148
Borrowings	2,508,988	1,969,607	1,672,717	1,364,945	1,045,885	715,119	545,900	370,466	188,581	0	0
Provisions	718,832	718,832	718,832	718,832	718,832	718,832	718,832	718,832	718,832	718,832	718,832
Total Non-Current Liabilities	11,587,666	18,268,649	18,194,382	17,191,775	16,690,499	15,161,025	14,620,171	14,332,941	15,823,548	16,821,077	18,003,981
TOTAL LIABILITIES	16,998,283	22,822,153	22,517,226	21,575,646	21,134,485	19,670,764	19,022,916	18,803,659	20,362,200	21,430,599	22,489,602
Net Assets	178,558,718	177,114,348	175,190,453	173,599,216	173,278,308	172,562,480	173,244,359	173,351,718	174,476,412	174,923,506	175,537,139
EQUITY											
Accumulated Surplus	23,603,718	22,159,348	20,235,453	18,644,216	18,323,308	17,607,480	18,289,359	18,396,718	19,521,412	19,968,506	20,582,139
Asset Revaluation Reserves	153,667,000	153,667,000	153,667,000	153,667,000	153,667,000	153,667,000	153,667,000	153,667,000	153,667,000	153,667,000	153,667,000
Available for Sale Financial Assets	-	-	-	-	-	-	-	-	-	-	-
Other Reserves	1,288,000	1,288,000	1,288,000	1,288,000	1,288,000	1,288,000	1,288,000	1,288,000	1,288,000	1,288,000	1,288,000
Total Equity	178,558,718	177,114,348	175,190,453	173,599,216	173,278,308	172,562,480	173,244,359	173,351,718	174,476,412	174,923,506	175,537,139
Total Loans	11,507,181	18,086,198	17,772,440	16,780,714	16,290,726	14,772,959	14,070,558	13,789,542	15,286,600	16,290,826	17,285,148

Mid Murray Council

10 Year Financial Plan for the Years ending 30 June 2032

STATEMENT OF CASH FLOWS - GENERAL FUND

Scenario: V8 LTFP 2022/23 To 2031/32

	Current Year 2021/22	Projected Years									
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities											
Receipts:											
Rates Receipts	16,444,262	17,478,652	18,424,728	19,308,551	20,224,039	21,185,916	22,210,443	23,166,734	24,018,075	24,880,698	25,774,773
Statutory Charges	460,990	439,711	450,689	463,083	475,818	488,902	502,347	516,163	530,357	544,941	559,928
User Charges	1,129,903	1,209,454	1,246,601	1,280,883	1,316,106	1,352,300	1,389,493	1,427,705	1,466,970	1,507,312	1,548,760
Grants, Subsidies and Contributions (operating purpose)	6,049,289	2,365,049	5,359,766	5,467,877	5,535,873	5,752,073	5,935,701	6,079,247	6,129,651	6,382,921	6,487,229
Investment Receipts	4,527	8,597	8,934	9,180	9,433	9,693	9,960	10,233	10,515	10,804	11,101
Reimbursements	222,384	110,473	110,497	113,537	116,658	119,866	123,162	126,549	130,029	133,606	137,280
Other Revenue	107,412	85,018	86,716	89,102	91,552	94,070	96,656	99,314	102,046	104,853	107,739
Payments:											
Payments to Employees	(8,223,638)	(9,500,899)	(9,826,004)	(10,141,802)	(10,321,535)	(10,648,546)	(10,943,140)	(11,244,077)	(11,553,294)	(11,871,018)	(12,197,480)
Payments for Materials, Contracts & Other Expenses	(9,110,505)	(9,669,294)	(9,759,077)	(10,006,137)	(10,290,506)	(10,575,918)	(10,872,801)	(11,184,026)	(11,493,961)	(11,816,763)	(12,142,544)
Finance Payments	(198,141)	(683,261)	(819,246)	(779,942)	(688,576)	(651,859)	(614,061)	(590,344)	(613,301)	(655,120)	(688,945)
Net Cash provided (or used in) Operating Activities	6,886,484	1,843,500	5,283,605	5,804,332	6,468,862	7,126,497	7,837,761	8,407,498	8,727,087	9,222,234	9,597,841
Cash Flows from Investing Activities											
Receipts:											
Amounts Received Specifically for New/Upgraded Assets	2,238,139	3,105,834	11,064	11,064	778,590	11,064	821,384	11,064	866,564	11,064	-
Sale of Replaced Assets	356,993	223,122	247,056	255,178	465,362	469,033	524,515	219,614	211,028	217,482	442,415
Repayments of Loans by Community Groups	-	20,000	15,500	16,000	17,000	17,000	-	-	-	-	-
Payments:											
Expenditure on Renewal/Replacement of Assets	(7,725,620)	(6,921,883)	(5,021,611)	(4,883,932)	(5,877,555)	(5,894,068)	(7,053,095)	(8,161,354)	(9,804,465)	(10,240,591)	(10,816,192)
Expenditure on New/Upgraded Assets	(4,680,177)	(4,849,590)	(209,856)	(210,917)	(1,362,271)	(211,759)	(1,428,164)	(195,806)	(1,497,272)	(214,415)	(218,387)
Loans Made to Community Groups	(140,000)	-	-	-	-	-	-	-	-	-	-
Net Cash provided (or used in) Investing Activities	(9,950,665)	(8,422,517)	(4,957,847)	(4,812,607)	(5,978,874)	(5,608,730)	(7,135,360)	(8,126,482)	(10,224,145)	(10,226,460)	(10,592,164)
Cash Flows from Financing Activities											
Receipts:											
Proceeds from CAD	1,016,846	7,220,364	225,623	-	-	-	-	-	1,672,492	1,186,111	1,182,904
Proceeds from Borrowings	1,612,000	-	-	-	-	-	-	-	-	-	-
Payments:											
Repayments of CAD	-	-	-	(694,835)	(182,216)	(1,198,707)	(371,635)	(111,797)	-	-	-
Repayments of Borrowings	(734,665)	(641,347)	(539,381)	(296,890)	(307,772)	(319,060)	(330,766)	(169,219)	(175,434)	(181,885)	(188,581)
Net Cash Flow provided (used in) Financing Activities	1,894,181	6,579,017	(325,758)	(991,725)	(489,988)	(1,517,767)	(702,401)	(281,016)	1,497,058	1,004,226	994,323
Net Increase/(Decrease) in Cash & Cash Equivalents	(1,170,000)	-	-	-	-	-	-	-	-	-	-
plus: Cash & Cash Equivalents - beginning of year	1,320,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Cash & Cash Equivalents - end of the year	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Cash & Cash Equivalents & Investments - end of the year											
Cash & Cash Equivalents - end of the year	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Investments - end of the year	-	-	-	-	-	-	-	-	-	-	-
Cash, Cash Equivalents & Investments - end of the year	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000

Mid Murray Council

10 Year Financial Plan for the Years ending 30 June 2032

STATEMENT OF CHANGES IN EQUITY - GENE

Scenario: V8 LTFP 2022/23 To 2031/32

	Current Year 2021/22 \$	Projected Years									
		2022/23 \$	2023/24 \$	2024/25 \$	2025/26 \$	2026/27 \$	2027/28 \$	2028/29 \$	2029/30 \$	2030/31 \$	2031/32 \$
Opening Balance	175,900,000	178,558,718	177,114,348	175,190,453	173,599,216	173,278,308	172,562,480	173,244,359	173,351,718	174,476,412	174,923,506
Net Surplus / (Deficit) for Year	2,658,718	(1,444,370)	(1,923,895)	(1,591,237)	(320,908)	(715,829)	681,879	107,359	1,124,695	447,093	613,634
Total Comprehensive Income	2,658,718	(1,444,370)	(1,923,895)	(1,591,237)	(320,908)	(715,829)	681,879	107,359	1,124,695	447,093	613,634
Equity - Balance at end of the reporting period	178,558,718	177,114,348	175,190,453	173,599,216	173,278,308	172,562,480	173,244,359	173,351,718	174,476,412	174,923,506	175,537,139

Mid Murray Council

10 Year Financial Plan for the Years ending 30 June 2032

UNIFORM PRESENTATION OF FINANCES -

Scenario: V8 LTFP 2022/23 To 2031/32	Current Year	Projected Years									
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Operating Activities											
Income	25,460,196	21,662,530	25,784,132	26,864,053	27,943,376	29,108,947	30,467,670	31,522,198	32,555,942	33,654,402	34,761,246
less Expenses	(25,536,617)	(26,962,734)	(27,719,091)	(28,466,354)	(29,042,874)	(29,835,840)	(30,607,175)	(31,425,903)	(32,297,811)	(33,218,373)	(34,147,612)
Operating Surplus / (Deficit)	(76,421)	(5,300,204)	(1,934,959)	(1,602,301)	(1,099,498)	(726,893)	(139,505)	96,295	258,131	436,029	613,634
Capital Activities											
less (Net Outlays) on Existing Assets											
Capital Expenditure on Renewal and Replacement of	(7,725,620)	(6,921,883)	(5,021,611)	(4,883,932)	(5,877,555)	(5,894,068)	(7,053,095)	(8,161,354)	(9,804,465)	(10,240,591)	(10,816,192)
add back Depreciation, Amortisation and Impairment	7,073,550	7,105,837	7,301,246	7,502,026	7,708,335	7,920,316	8,138,129	8,361,930	8,591,885	8,828,161	9,070,935
add back Proceeds from Sale of Replaced Assets	356,993	223,122	247,056	255,178	465,362	469,033	524,515	219,614	211,028	217,482	442,415
(Net Outlays) on Existing Assets	(295,077)	407,076	2,526,691	2,873,272	2,296,142	2,495,281	1,609,549	420,190	(1,001,552)	(1,194,948)	(1,302,842)
less (Net Outlays) on New and Upgraded Assets											
Capital Expenditure on New and Upgraded Assets											
(including Investment Property & Real Estate											
Developments)	(4,680,177)	(4,849,590)	(209,856)	(210,917)	(1,362,271)	(211,759)	(1,428,164)	(195,806)	(1,497,272)	(214,415)	(218,387)
add back Amounts Received Specifically for New and	2,238,139	3,105,834	11,064	11,064	778,590	11,064	821,384	11,064	866,564	11,064	-
add back Proceeds from Sale of Surplus Assets											
(including Investment Property & and Real Estate											
Developments)	-	-	-	-	-	-	-	-	-	-	-
(Net Outlays) on New and Upgraded Assets	(2,442,038)	(1,743,756)	(198,792)	(199,853)	(583,681)	(200,695)	(606,780)	(184,742)	(630,708)	(203,351)	(218,387)
Net Lending / (Borrowing) for Financial Year	(2,813,536)	(6,636,884)	392,940	1,071,118	612,963	1,567,693	863,264	331,743	(1,374,129)	(962,270)	(907,595)

APPENDIX - COST CAPACITY INDICATORS

Introduction

Ultimately, Council budgets must be set in the context of a Council's Strategic Management Plan, community consultation, and decisions about the required level of services each year. However, in estimating costs and the impact on communities, various indicators may assist Council in making informed decisions.

Ratepayer capacity

It has been noted that Councils have ratepayers of three broad types:

- individual salary earners;
- businesses, primary producers and non-profit organisations; and
- those on some form of government benefit payments.

Different indicators may assist Councils in making judgements regarding capacities of those in each group. This may assist in judgements regarding the adoption of the budget and the overall level of rates revenue, as well as mechanisms which deal with the distribution of rates among ratepayers (including such options as differentials, caps, rebates and remissions). It must also be remembered that the actual changes in capacity in such groups will vary across the State, as will the proportion of each group within each Council area.

Average Weekly Earnings

In most Council areas, Average Weekly Earnings will be the most relevant indicator in terms of understanding the capacity of the majority of ratepayers. This is not a perfect indicator for this purpose. For example, it does not factor in the accumulation of wealth that can occur in various structures such as partnerships, companies and family trusts.

State Government Budget

The State Government Budget indicates another example in relation to variations of pricing policies whereby the annual indexation of fees and charges (revenue) is set to reflecting the average increase in the cost of providing the relevant services (www.statebudget.sa.gov.au). We understand that this figure is established by incorporating a weighting for CPI and a weighting for salary movements reflecting the major cost factor in provision of State services.

Consumer Price Index (CPI)

The CPI measures quarterly historic changes in the cost of a typical metropolitan household 'basket' of goods and services, including a wide range of goods and services in eleven categories; food, alcohol & tobacco, clothing & footwear, housing, household contents and services, health, transport, communication, recreation, education and financial & insurance services (further information on the CPI is available on the ABS website <http://www.abs.gov.au/>).

Most government personal benefit payments are linked to CPI and a significant number of ratepayers are on such benefits. This proportion will vary from Council to Council. Again, CPI is not a complete measure of the capacity of this group as it does not take into account other benefits (e.g. additional State electricity concessions) and the fact that some benefit recipients receive other income and may be affected by changes to income tax rates. While it is relevant to the capacity of some ratepayers and the cost of living it is not an accurate reflection of changes to items relevant to Council expenditure.

Local Government Price Index (LGPI)

Unlike most households, local Councils spend a large proportion of their budgets on road construction materials; other construction costs (e.g. drains, environmental projects, footpaths, etc.); salaries for staff who provide services; contractors (such as for recycling and waste management), and on governance/administration. The prices of these items move in different ways to how average household prices move and this will be reflected in Council budgets, along with changes in standards, efficiency gains, and expansion of services, cuts in services, new services and major projects.

The LGPI is a reliable and independent measure of the inflationary effect on price changes in the South Australian Local Government sector it is prepared and updated on a quarterly basis by the South Australian Centre for Economic Studies. The index is similar in nature to the Consumer Price Index (CPI), however it represents the movements of prices associated with the goods and services consumed by local government in South Australia as opposed to the basket of goods and services consumed by the 'average metropolitan household'. Unlike the CPI, the LGPI is not an "official" ABS publication (the LGPI was prepared by the ABS up to the December quarter 2008).

The South Australian Local Government Financial Management Group commissioned the Australian Bureau of Statistics (ABS) to develop the LGPI as an independent and reliable measure of price movements faced by Local Government in South Australia. The lack of relevance of CPI (which is a measure of household costs) as an indicator of changes of Council costs has been noted by many in the sector over a number of years. Despite the CPI not being relevant for the Local Government sector, many ratepayers and the media continue to use the CPI as a reference point when evaluating Council rate rises.

What is it?

The LGPI provides Councils with a useful reference regarding the inflationary effect of price changes of goods and services consumed by Local Government. The index reflects, over time, the movement in prices for a number of cost components as well as the aggregate spend on these components. The index includes both operating and capital expenditure on a state average basis.

The model which is used to generate the LGPI can function at two levels:

1. Providing indexes for the whole Local Government sector, based on aggregated annual financial data provided by the SA Local Government Grants Commission, and commodity weights determined from a survey of SA councils conducted by the SA Local Government Financial Management Group,
2. Providing indexes for individual Councils based on their financial data (both annual and quarterly expenses), and the commodity weights determined from the councils' spending patterns.

The LGPI should be treated as one of the many items referenced when developing annual budgets. The LGPI is a better reflection (compared to the CPI) of the changing cost (or price) of the inputs used by councils to deliver services. The LGPI is a valuable tool for Councils, the LGA and the sector as a whole and maybe a useful reference in a number of situations. For example, it would/could be relevant when:

1. Preparing annual budgets and developing long-term financial plans,
2. Undertaking cost/benefit analysis on various projects,
3. Seeking better funding from state/federal governments,
4. Assisting with explaining to ratepayers (and the media) one of the reasons why Council rates have moved in different ways to CPI increases, and
5. Analysing the underlying trend in past expenditure levels and thereby better forecasting the future cost of goods and services purchased by the sector.

It is important to note that the ABS price indexes used in the model are estimates, based on a sample of goods and services from a sample of retailers, wholesalers and employing organisations. Therefore, the Local Government Price Indexes which are calculated using ABS price indexes are also estimates.

What it is not?

The LGPI is not an official ABS publication and should not be used for contract fixing purposes. The LGPI does not represent a quasi-indication of how Council rates should change in any given year. Ultimately, Council budgets (and rates) must be set in the context of a Council's Strategic Management Plan, community consultation, and decisions about the level of services and revenue required each year.

The LGPI addresses only changes in the costs of existing services and does not address issues such as required changes in standards (for example the requirements of the Disability Discrimination Act to upgrade access to buildings). It also does not address needs for improved infrastructure maintenance, infrastructure backlogs, expansion of existing services (e.g. growth in the number of food premises requiring more food safety inspections which are only partly covered by fees) or new services or major projects. Equally it does not address efficiency gains or cuts to services.

When assessing the impact on communities and their capacity to pay Council rates, it is useful to refer to the various other indicators.

How is the LGPI calculated?

The LGPI is calculated using a model developed by the ABS. Data sources for the model includes:

Local Government Grants Commission - Aggregated expenditure data

Australian Bureau of Statistics - Price Indexes

SA Local Government Finance Managers Group - Weights

The LGPI is compiled from a set, or a basket, of commodities (goods and services) that is deemed to be representative of the major spending categories of SA Councils. These commodities are weighted according to their relative contributions to the total spending on goods and services. The basket of commodities and their weights are said to reflect the spending behavior for a given period. While the basket of commodities is open to variation by the owners of the model, the weights will be measured each year, (commencing 2006-07), from data supplied by councils in the LGPI form of the Local Government Grants Commission's Supplementary Data to the Financial Statements forms. The weights are calculated automatically in the LGPI model when the supplementary data is included.

From these weights, and from price indexes published by the ABS, a chained Laspeyres method is used to calculate price indexes for each commodity, and more importantly for total current expenditure, total capital expenditure, and total expenditure. The latter three are usually referred to as LGPI. The measure of the impact of commodity price changes is then expressed as a percentage change for the period of interest.

Thus the LGPI provide a guide to the change in expenditure that would arise from the effects of price changes only, with spending behavior remaining constant. In other words, if Council's spending behavior was exactly the same as for the previous period, how much extra would it cost due to price rises.

The cost components included in the model are:-

Operating:

- Salaries: & Wages
- Superannuation
- Contractual Services (Excluding Waste Management)
- Waste Management
- Electricity
- Gas
- Water & Sewage
- Fuel
- Motor Vehicle Expenses
- Printing, publishing & recorded media
- Other Operating Expenses
- Insurance
- Property Expenses
- Consultancy Expenses, and
- Telecommunications Expenses

Capital:

- Construction of Buildings
- Construction of Infrastructure
- Purchase of Plant & Equipment

Annual Local Government Price Index (LGPI), Expenditure Components vs. CPI

<u>Year</u>	<u>SA LGPI</u>	<u>Adelaide CPI</u>	<u>LGPI vs.CPI</u>
2001/02	2.9	2.7	0.2
2002/03	4	4	0
2003/04	4.3	3	1.3
2004/05	3.1	2.4	0.7
2005/06	3.5	3.1	0.4
2006/07	3.9	2.6	1.3
2007/08	3.8	3.3	0.5
2008/09	4.5	3.2	1.3
2009/10	2.8	2.2	0.6
2010/11	3.5	3.2	0.3
2011/12	3.7	2.6	1.1
2012/13	2.8	2	0.8
2013/14	2.3	2.6	-0.3
2014/15	1.7	1.6	0.1
2015/16	0.9	0.9	0
2016/17	1.8	1.5	0.3
2017/18	2.9	2.3	0.6
2018/19	2.6	1.5	1.1
2019/20	1.4	1.8	-0.4
2020/21	0.4	1.5	-1.1
2021/22	5.4	6.4	-1.0
Average	3.0	2.6	0.4

Figures sourced from <https://www.adelaide.edu.au/saces/economy/lgpi/>