



Long Term Financial Plan for the period 2021/22 to 2030/31

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 2021/22 to 2030/31. The basis of the LTFP is consistent with the Financial Statements 30 June 2020 and the 2020/21 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 next two 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 final budget review of 2021/22 (March Budget Review) that has been endorsed by Council. 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 undertaken 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 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 8, also reducing its net financial liabilities ratio from 95% in 2021/22 to 23% in 2030/31 and to protect its assets by having an asset renewal ratio target of between 85% to 115% and averaging over any 5-year period 100%.

The key challenges arising from within this LTFP are:

- 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.

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 being the requirement of one third of Councils to annually to lodge the Annual Business Plan with a designated authority (thought to be the Essential Services Commission of SA) by the 31 December for approval. 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 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 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 March 2021 is 1.2%, and the 2020/21 budget has been prepared with an estimated CPI increase of 1.5% (in line with February 2021 forecasts of the Reserve Bank). On an average over the past 6 years the Local Government Price Index has been 0.28% higher than CPI.

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 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) \$3,998,000 (estimate 2021/22)

It is assumed that these grants will increase annually at CPI rates throughout the term of the LTFP.

State Government Infrastructure Partnership Program

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

2021/22 \$1,555,000

Special Local Roads Program Funding

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

2022/23 \$692,000

2024/25 \$713,000

2026/27 \$734,500.

Roads to Recovery - \$663,650 (estimate 2021/22)

It is assumed that these grants will increase annually at CPI rates throughout the term of the LTFP, the grant being discounted in real terms throughout the future LTFP due to only being increased by CPI only one year every three years. 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 - \$334,000 (estimate 2021/22)

It is assumed that these grants will increase annually at CPI rates throughout the term of the LTFP.

Library Operating \$14,900

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.

General Rates & Waste Management Service Charge

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

	<u>Annual Rate Increases</u>
CPI	1.5%
*Sustainability	<u>2.0%</u>
Increase to Existing Assessments	3.5%

Plus expected Growth	<u>0.5%</u>
Total Increase	<u>4.0%</u>

**Presently the Council is in a deficit position, an annual sustainability increase will gradually reduce the deficit position as long as other operational expenses are kept within CPI.*

Service charges are based on the estimated cost of providing the service, 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 movement in the capital value of their property in relation to total property valuation changes and the impact of changing to rating previously based on land use & locality to only land use and the introduction of a Waste Collection Service Charge from 2021/22. Capping rebates of 15% will be available to a certain criteria of properties to reduce the impact of the rating change over the next three years.

Community Wastewater Management Systems (CWMS) Service Charges

Due to the introduction of a new methodology of calculation of the CWMS, in 2020/21 there was a budgeted reduction of fees of approximately \$42,000 (or 6.2%) to an amount of \$635,000 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, excluding depreciation costs 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.

General Waste Management Service Charge (1 bin system)

As part of the Rate Review carried out over the past 12 months, Council elected to introduce a Waste Management Service Charge, being a charge for a weekly waste bin collection and disposal for ratepayers of \$190 (2021/22) for whom the service is available. Overall, with the introduction of the Waste Management Service Charge no additional income will be generated, with General Rates income being reduced proportionally. The total amount of budgeted Rates (consisting of general rates and service charges) will remain the same.

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

The Kerbside Collection of Recyclables component has been increased by 4% in 2021/22 due to the expectations that disposal costs will increase (due to the expected reduction in the value of recycled materials, caused by the recent fire at the Wingfield Visy Recycling facility). In future years the annual increases of the collection service have been estimated to increase by CPI. In 2021/22 the service fee will be \$276 (being \$190 for the General Waste Collection and \$86 for the Kerbside Collection of Recyclables).

Other Service Charges

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

Operating revenue from all sources except where otherwise stated is expected to remain constant in real terms over the plan period.

User Charges

User charges have been increased in 2021/22 on the expectations there will not be any further COVID-19 relief of commercial lease fees and Tourism income has also predicted to be back to pre COVID times. The Waste Management operations of Council have increased income by 32% or \$71,000, mainly due to increase commercial dumping fees.

Employee Costs

Casual employee hours have been reduced along with several positions that have not been filled in 2020/21 to offset the loss of income due to COVID-19, Council has in part used short term contract staff at reduced hours. The level of employee costs 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.

Materials, Contracts & Other Services

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 South Australia Local Government sector. It is prepared and updated on a quarterly basis by the South Australian Centre for Economic Studies, it is to be noted that the LGPI has been tracking close to the CPI in recent years. This price index is used because it

better reflects the 'basket of goods' purchased by local government than the standard CPI does.

EPA Solid Waste Levy

The EPA Solid Waste Levy increased by 25% in 2019/20 and will increase by 14% in 2020/21 and then by 3.1% in 2021/22. In total Council will pay a total amount of \$340,000 (equal to 2.5% of General Rates) 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), Footpaths 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 \$452,000 and maintenance of \$539,000 over the 10 years of the plan.

Council presently operate 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 \$2.8million at the site over the next 10 years. Council has budgeted over the 10 years to generate commercial income of approximately \$3.3million. This is dependent on future commercial contractual agreements to accept waste at the Cambrai Waste Site.

Council's remaining two uncompleted Asset Management Plan are for Land & Buildings and Marine Facilities, the new valuation and associated depreciation expense for Land & Buildings were included in the 2019/20 Annual Financial Statements. Once these two Asset Management Plans have been adopted there will be additional capital renewal expenditure that will be incorporated 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.

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, as a result the annual depreciation expenses have increased annually throughout the plan instead of only increasing in the future years when revaluations are expected. On average depreciation expense increases annually by 1.5% throughout the ten years of the LTFP.

Funding Requirements

No additional fixed term loans (Fixed Interest Rates) are included in the LTFP as any funding shortfall is covered by using our Cash Advance Debenture facilities (Variable Interest Rates) with the Local Government Finance Authority. Cash Advance Debentures interest rates historically on average are 0.4% to 0.5% lower than Fixed Term Loans.

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 2.05%. The Local Government Finance Authority has given Council a discount of 0.75% in relation to \$2.3million of loans for three years that amounts to an annual saving of \$17,250 for three years.

The average nominal interest rate earned on invested funds is assumed to be as per current rates of 0.3% for the whole of the LTFP.

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% rate growth factor.

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. Once the Land & Building valuation is completed it is expected that there will be a rationalization 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.

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.

Interest Rate Movement

Financial Assistance Grant (FAGs) Reduction

Growth Variation from projected

Variation in Operating & Capital Expenditure

Other Factors

There are a number of other factors that may have an impact to 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 analysis 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

Can be expressed as either \$'000 or percentage and is an indicator of the extent to which revenues raised cover operational expenses including depreciation.

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

Net Financial Liabilities Ratio

Can be expressed as either \$'000 or percentage and is an indicator of 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:
$$\frac{\text{Net Financial Liabilities}}{\text{Total Operating Revenue}}$$

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:
$$\frac{\text{Net Asset Renewals}}{\text{Total AMP* Capital Renewal}}$$

*AMP – Asset Management Plans

Mid Murray Council Proposed Target Ratios

Operating Surplus Ratio – Not Adjusted

A modest Operating Surplus in 2028/29 of 1.38% or \$397,000.

Maximum Operating Deficit in 2021/22 (18.3%) or \$4million

Operating Surplus Ratio – Adjusted (Adjusting any effect of Grants Received in Advance)

A modest Operating Surplus in 2028/29 of 1.38% or \$397,000.

Maximum Operating Deficit in 2021/22 (8.5%) or \$2.million

Net Financial Liabilities Ratio

Minimum Ratio of 23% in 2030/31 Net Financial Liabilities of \$7million, Total Operation Income of \$30.5million (Loans of \$5.4million).

Maximum Ratio of 95% in 2021/22 Net Financial Liabilities of \$20.7million, Total Operating Income of \$21.9million (Loans of \$18.5million).

Asset Renewal Funding Ratio %

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											
Year Ended 30 June:		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
		\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)
Expenditure on New/Upgraded Assets	Cross Ref.										
Sealed Roads (99% Murraylands Road)	(1)	3,115	1,040	-	1,071	-	1,104	-	-	-	-
LRCIP2 Project Ramm Rd S/Water	(2)	510	-	-	-	-	-	-	-	-	-
MDBEDP Mannum Wharf & Display Buildings	(2)	75	40	-	-	-	-	-	-	-	-
MDBEDP Morgan (PS Canally)											
MDBEDP Blanchetown Revitalisation	(2)	255	195	-	-	-	-	-	-	-	-
Murray Coorong Trail (Swan Reach 2022)	(3)	439	50	50	50	50	50	50	50	50	50
Open Space Projects		132	134	136	138	140	142	144	147	149	151
CWMS (Cowirra)	(4)										
Town Entrances		21	20	20	20	20	20	20	20	20	20
Expenditure on Renewal											
Kerbs Renewal		57	73	81	61	39	85	86	88	89	90
Footpaths Renewal		214	167	173	182	209	203	211	218	227	225
LRCIP2 Project - Toilets Refurbishments	(2)	226	-	-	-	-	-	-	-	-	-
Major Plant, Vehicles & Small Plant (Net)		1,359	849	887	1,041	1,411	1,608	1,908	831	899	1,173
IT Technology		90	118	120	122	123	125	127	129	131	133
Martime Vessels		75	38	67	-	69	48	49	74	-	44
Bridges		66	51	33	16	19	9	50	51	53	55
Sealed Roads	(5) & (6)	829	1,188	1,127	1,001	915	1,175	1,183	1,201	1,219	1,237
Unsealed Roads	(5) & (6)	1,686	1,709	1,698	1,783	1,743	1,765	1,803	1,830	1,857	1,885
Buildings (2023 Leisure Ctr Wet Areas \$240k)		105	347	108	110	111	113	115	117	118	120
Landfill & Transfer Stations		137	400	700	-	250	-	-	112	440	778
CWMS Renewal	(4)	14	207	71	76	43	77	351	357	300	300
Grant Funding											
Sealed Roads (99% Murraylands Road)	(1)	1,550	692	-	713	-	734	-	-	-	-
LRCIP2 & MDMEDP Projects	(2)	1,166	275	-	-	-	-	-	-	-	-
Murray Coorong Trail (100% Grants Recd 2020)	(3)	333	-	-	-	-	-	-	-	-	-
CWMS	(4)	255	-	-	-	-	-	-	-	-	-
Federal Financial Assistance & Supplementary	(5)	783	1,053	1,069	1,085	1,101	1,118	1,134	1,151	1,169	1,186
Roads to Recovery	(6)	664	664	674	674	674	684	684	684	694	694
Summary											
Expenditure on New/Upgraded Assets		4,547	1,479	206	1,279	210	1,316	214	217	219	221
Expenditure on Renewal		4,858	5,147	5,065	4,392	4,932	5,208	5,883	5,008	5,333	6,040
Gross Capital Expenditure		9,405	6,626	5,271	5,671	5,142	6,524	6,097	5,225	5,552	6,261
Less Associated Grants		4,751	2,684	1,743	2,472	1,775	2,536	1,818	1,835	1,863	1,880
Net Capital Costs After Grants		4,654	3,942	3,528	3,199	3,367	3,988	4,279	3,390	3,689	4,381

Mid Murray Council

10 Year Financial Plan for the Years ending 30 June 2031

FINANCIAL PERFORMANCE INDICATORS

Scenario: LTFP 2020/21 to 2029/30 (rolled back)	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Note 15 Ratios											
Operating Surplus Ratio	-6.95%	-18.33%	-8.19%	-7.57%	-5.96%	-4.65%	-2.88%	-0.27%	1.38%	2.89%	4.55%
Adjusted Operating Surplus Ratio	-5.06%	-8.45%	-8.19%	-7.57%	-5.96%	-4.65%	-2.88%	-0.27%	1.38%	2.89%	4.55%
Net Financial Liabilities Ratio	72.70%	94.59%	88.34%	85.85%	79.73%	73.13%	66.98%	58.83%	46.63%	34.31%	22.78%
Asset Renewal Funding Ratio	130.83%	110.86%	116.54%	117.64%	100.26%	103.07%	97.78%	97.40%	105.34%	110.85%	117.62%
Interest Cover Ratio	0.91%	1.39%	1.86%	1.93%	1.65%	1.51%	1.37%	1.21%	0.99%	0.73%	0.47%
Asset Consumption Ratio	58.31%	57.18%	55.76%	54.28%	53.12%	52.03%	51.19%	50.32%	49.35%	48.46%	47.70%

Mid Murray Council

10 Year Financial Plan for the Years ending 30 June 2031

INCOME STATEMENT - GENERAL FUND

Scenario: LTFP 2020/21 to 2029/30 (rolled over from V11 -

	Current Year	Projected Years									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income											
Rates	15,668,481	16,330,028	16,904,323	17,500,810	18,130,466	18,784,249	19,463,113	20,168,046	20,900,076	21,660,264	22,449,722
Statutory Charges	365,200	362,580	368,020	373,540	379,144	384,833	390,607	396,466	402,414	408,450	414,577
User Charges	766,655	1,172,680	1,190,271	1,208,125	1,226,245	1,244,637	1,263,299	1,282,247	1,301,479	1,321,001	1,340,818
Grants, Subsidies and Contributions	6,240,303	3,787,841	5,322,867	5,223,006	5,295,181	5,330,365	5,443,674	5,787,918	5,865,217	5,890,840	5,964,293
Investment Income	1,022	606	614	623	632	641	650	659	668	677	686
Reimbursements	173,672	195,895	198,834	201,817	204,843	207,916	211,034	214,199	217,413	220,674	223,984
Other Income	137,735	86,508	87,805	89,120	90,455	91,813	93,191	94,587	96,008	97,448	98,910
Total Income	23,353,068	21,936,138	24,072,734	24,597,041	25,326,966	26,044,454	26,865,568	27,944,122	28,783,275	29,599,354	30,492,990
Expenses											
Employee Costs	8,414,577	8,610,886	8,781,617	8,955,043	9,131,845	9,311,939	9,451,618	9,593,393	9,737,293	9,883,357	10,031,599
Materials, Contracts & Other Expenses	9,243,293	9,871,045	9,536,982	9,644,462	9,794,235	9,946,433	10,100,999	10,258,029	10,417,540	10,579,582	10,744,203
Depreciation, Amortisation & Impairment	6,969,000	7,073,550	7,179,654	7,287,349	7,396,660	7,507,611	7,620,227	7,734,531	7,850,547	7,968,304	8,087,828
Finance Costs	350,064	401,234	545,158	571,983	514,720	490,437	465,148	434,887	380,841	311,957	241,317
Total Expenses	24,976,934	25,956,715	26,043,411	26,458,837	26,837,460	27,256,420	27,637,992	28,020,840	28,386,221	28,743,200	29,104,947
Operating Surplus / (Deficit)	(1,623,866)	(4,020,577)	(1,970,677)	(1,861,796)	(1,510,494)	(1,211,966)	(772,424)	(76,718)	397,054	856,154	1,388,043
Asset Disposal & Fair Value Adjustments	-	-	-	-	-	-	-	-	-	-	-
Amounts Received Specifically for New or Upgraded Assets	3,468,222	2,688,917	927,000	-	712,922	-	734,470	-	-	-	-
Net Surplus / (Deficit)	1,844,356	(1,331,660)	(1,043,677)	(1,861,796)	(797,572)	(1,211,966)	(37,954)	(76,718)	397,054	856,154	1,388,043

Mid Murray Council

10 Year Financial Plan for the Years ending 30 June 2031

BALANCE SHEET - GENERAL FUND

Current Year

Scenario: LTFP 2020/21 to 2029/30 (revised)

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS											
Current Assets											
Cash & Cash Equivalents	600,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Trade & Other Receivables	3,421,008	2,747,041	2,857,628	2,910,614	3,025,269	3,100,204	3,224,622	3,322,961	3,431,700	3,541,564	3,658,134
Inventories	349,173	359,819	349,085	353,131	358,599	364,154	369,796	375,528	381,349	387,263	393,270
Total Current Assets	4,370,181	3,256,860	3,356,713	3,413,745	3,533,867	3,614,358	3,744,418	3,848,489	3,963,049	4,078,826	4,201,404
Non-Current Assets											
Financial Assets	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Infrastructure, Property, Plant & Equipment	192,156,638	194,585,858	194,070,422	192,054,304	190,327,531	187,962,689	186,867,823	185,231,295	182,603,878	180,187,652	178,361,634
Total Non-Current Assets	192,216,638	194,645,858	194,130,422	192,114,304	190,387,531	188,022,689	186,927,823	185,291,295	182,663,878	180,247,652	178,421,634
TOTAL ASSETS	196,586,819	197,902,718	197,487,135	195,528,049	193,921,398	191,637,047	190,672,241	189,139,784	186,626,927	184,326,478	182,623,038
LIABILITIES											
Current Liabilities											
Cash Advance Debenture	13,115,708	16,950,760	18,145,948	18,426,152	17,733,419	16,782,404	15,984,094	14,662,390	11,714,582	8,519,486	5,388,906
Trade & Other Payables	2,817,519	2,364,926	2,302,788	2,323,305	2,357,314	2,391,819	2,424,880	2,458,381	2,496,279	2,534,772	2,573,869
Borrowings	734,900	504,955	398,011	150,354	155,876	161,602	167,537	-	-	-	-
Provisions	1,946,496	1,946,496	1,946,496	1,946,496	1,946,496	1,946,496	1,946,496	1,946,496	1,946,496	1,946,496	1,946,496
Total Current Liabilities	18,614,623	21,767,137	22,793,243	22,846,306	22,193,104	21,282,321	20,523,006	19,067,266	16,157,356	13,000,754	9,909,270
Non-Current Liabilities											
Borrowings	1,538,335	1,033,380	635,369	485,015	329,139	167,537	-	-	-	-	-
Provisions	905,504	905,504	905,504	905,504	905,504	905,504	905,504	905,504	905,504	905,504	905,504
Total Non-Current Liabilities	2,443,839	1,938,884	1,540,873	1,390,519	1,234,643	1,073,041	905,504	905,504	905,504	905,504	905,504
TOTAL LIABILITIES	21,058,463	23,706,022	24,334,116	24,236,826	23,427,748	22,355,363	21,428,511	19,972,771	17,062,861	13,906,258	10,814,775
Net Assets	175,528,356	174,196,696	173,153,019	171,291,223	170,493,651	169,281,685	169,243,731	169,167,013	169,564,067	170,420,220	171,808,263
EQUITY											
Accumulated Surplus	20,630,356	19,298,696	18,255,019	16,393,223	15,595,651	14,383,685	14,345,731	14,269,013	14,666,067	15,522,220	16,910,263
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
Other Reserves	1,231,000	1,231,000	1,231,000	1,231,000	1,231,000	1,231,000	1,231,000	1,231,000	1,231,000	1,231,000	1,231,000
Total Equity	175,528,356	174,196,696	173,153,019	171,291,223	170,493,651	169,281,685	169,243,731	169,167,013	169,564,067	170,420,220	171,808,263
Total Loans	15,388,943	18,489,095	19,179,328	19,061,521	18,218,434	17,111,543	16,151,631	14,662,390	11,714,582	8,519,486	5,388,906

Mid Murray Council

10 Year Financial Plan for the Years ending 30 June 2031

CASH FLOW STATEMENT - GENERAL FUND

Current Year

Scenario: LTFP 2020/21 to 2029/30 (rolled over fi

	2020/21	2021/22	2022/23	2023/24	2024/25	Projected Years		2027/28	2028/29	2029/30	2030/31
	\$	\$	\$	\$	\$	2025/26	2026/27	\$	\$	\$	\$
Cash Flows from Operating Activities											
Receipts:											
Rates Receipts	15,468,489	16,458,373	16,824,957	17,418,377	18,043,449	18,693,898	19,369,295	20,070,626	20,798,911	21,555,208	22,340,621
Statutory Charges	375,842	381,859	367,768	373,285	378,885	384,570	390,340	396,195	402,139	408,171	414,294
User Charges	839,116	1,194,112	1,189,457	1,207,299	1,225,407	1,243,786	1,262,436	1,281,370	1,300,589	1,320,098	1,339,901
Grants, Subsidies and Contributions (operating purpose)	5,268,267	4,473,401	5,335,242	5,279,013	5,252,360	5,367,330	5,397,435	5,809,202	5,861,001	5,889,442	5,960,287
Investment Receipts	1,156	670	614	623	632	641	650	659	668	677	686
Reimbursements	203,516	204,398	198,754	201,735	204,760	207,832	210,949	214,113	217,325	220,585	223,894
Other	456,127	(99,524)	42,144	64,934	108,454	73,124	111,734	75,334	95,645	97,079	98,536
Payments:											
Payments to Employees	(8,401,383)	(8,458,277)	(8,774,086)	(8,947,393)	(9,124,046)	(9,303,995)	(9,445,457)	(9,587,140)	(9,730,946)	(9,876,914)	(10,025,060)
Payments for Materials, Contracts & Other Expenses	(9,017,509)	(9,827,180)	(9,581,211)	(9,627,790)	(9,771,705)	(9,923,541)	(10,077,751)	(10,234,413)	(10,393,552)	(10,555,214)	(10,719,449)
Finance Payments	(350,224)	(463,054)	(556,654)	(581,043)	(518,143)	(493,986)	(468,827)	(438,701)	(380,841)	(311,957)	(241,317)
Net Cash provided (or used in) Operating Activities	4,843,395	3,864,778	5,046,985	5,389,039	5,800,052	6,249,659	6,750,803	7,587,245	8,170,938	8,747,174	9,392,390
Cash Flows from Investing Activities											
Receipts:											
Amounts Received Specifically for New/Upgraded Assets	2,858,300	2,087,839	927,000	-	712,922	-	734,470	-	-	-	-
Sale of Replaced Assets	324,000	262,970	220,407	228,349	232,988	419,724	417,889	461,636	190,935	181,239	184,509
Payments:											
Expenditure on Renewal/Replacement of Assets	(6,919,834)	(5,194,220)	(5,397,150)	(5,293,589)	(4,614,657)	(5,352,393)	(5,618,214)	(6,345,304)	(5,197,565)	(5,514,619)	(6,225,391)
Expenditure on New/Upgraded Assets	(4,886,804)	(4,571,520)	(1,487,475)	(205,991)	(1,288,218)	(210,100)	(1,325,036)	(214,335)	(216,500)	(218,698)	(220,928)
Net Cash provided (or used in) Investing Activities	(8,624,338)	(7,414,931)	(5,737,218)	(5,271,231)	(4,956,965)	(5,142,769)	(5,790,891)	(6,098,003)	(5,223,130)	(5,552,078)	(6,261,810)
Cash Flows from Financing Activities											
Receipts:											
Proceeds from CAD	4,392,708	3,835,052	1,195,188	280,203	-	-	-	-	-	-	-
Payments:											
Repayments of Borrowings	(763,765)	(734,900)	(504,955)	(398,011)	(150,354)	(155,876)	(161,602)	(167,537)	-	-	-
Repayment of Bonds & Deposits	(5,000)	-	-	-	-	-	-	-	-	-	-
Net Cash Flow provided (used in) Financing Activities	3,623,943	3,100,152	690,233	(117,808)	(843,087)	(1,106,890)	(959,912)	(1,489,242)	(2,947,808)	(3,195,096)	(3,130,580)
Net Increase/(Decrease) in Cash & Cash Equivalents	(157,000)	(450,000)	-	-	-	-	-	-	-	-	-
plus: Cash & Cash Equivalents - beginning of year	757,000	600,000	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	600,000	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 2031

EQUITY STATEMENT - GENERAL FUND

Scenario: LTFP 2020/21 to 2029/30 (rolled over)

	Current Year 2020/21	Projected Years									
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening Balance	173,684,000	175,528,356	174,196,696	173,153,019	171,291,223	170,493,651	169,281,685	169,243,731	169,167,013	169,564,067	170,420,220
Net Surplus / (Deficit) for Year	1,844,356	(1,331,660)	(1,043,677)	(1,861,796)	(797,572)	(1,211,966)	(37,954)	(76,718)	397,054	856,154	1,388,043
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-
- Gain (Loss) on Revaluation of I,PP&E	-	-	-	-	-	-	-	-	-	-	-
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income	1,844,356	(1,331,660)	(1,043,677)	(1,861,796)	(797,572)	(1,211,966)	(37,954)	(76,718)	397,054	856,154	1,388,043
Transfers between Equity	-	-	-	-	-	-	-	-	-	-	-
Equity - Balance at end of the reporting period	175,528,356	174,196,696	173,153,019	171,291,223	170,493,651	169,281,685	169,243,731	169,167,013	169,564,067	170,420,220	171,808,263

Mid Murray Council
10 Year Financial Plan for the Years ending 30 June 2031
UNIFORM PRESENTATION OF

Scenario: LTFP 2020/21 to 2029/30 (rolled	Current Year	Projected Years									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Operating Activities											
Income	23,353,068	21,936,138	24,072,734	24,597,041	25,326,966	26,044,454	26,865,568	27,944,122	28,783,275	29,599,354	30,492,990
less Expenses	(24,976,934)	(25,956,715)	(26,043,411)	(26,458,837)	(26,837,460)	(27,256,420)	(27,637,992)	(28,020,840)	(28,386,221)	(28,743,200)	(29,104,947)
Operating Surplus / (Deficit)	(1,623,866)	(4,020,577)	(1,970,677)	(1,861,796)	(1,510,494)	(1,211,966)	(772,424)	(76,718)	397,054	856,154	1,388,043
Capital Activities											
less (Net Outlays) on Existing Assets											
Capital Expenditure on Renewal and Replacement of Existing Assets	(6,919,834)	(5,194,220)	(5,397,150)	(5,293,589)	(4,614,657)	(5,352,393)	(5,618,214)	(6,345,304)	(5,197,565)	(5,514,619)	(6,225,391)
add back Depreciation, Amortisation and Impairment	6,969,000	7,073,550	7,179,654	7,287,349	7,396,660	7,507,611	7,620,227	7,734,531	7,850,547	7,968,304	8,087,828
add back Proceeds from Sale of Replaced Assets	324,000	262,970	220,407	228,349	232,988	419,724	417,889	461,636	190,935	181,239	184,509
(Net Outlays) on Existing Assets	373,166	2,142,300	2,002,911	2,222,109	3,014,991	2,574,942	2,419,902	1,850,863	2,843,917	2,634,924	2,046,946
less (Net Outlays) on New and Upgraded Assets											
Capital Expenditure on New and Upgraded Assets											
(including Investment Property & Real Estate	(4,886,804)	(4,571,520)	(1,487,475)	(205,991)	(1,288,218)	(210,100)	(1,325,036)	(214,335)	(216,500)	(218,698)	(220,928)
add back Amounts Received Specifically for New and Upgraded Assets	2,858,300	2,087,839	927,000	-	712,922	-	734,470	-	-	-	-
(Net Outlays) on New and Upgraded Assets	(2,028,504)	(2,483,681)	(560,475)	(205,991)	(575,296)	(210,100)	(590,566)	(214,335)	(216,500)	(218,698)	(220,928)
Net Lending / (Borrowing) for Financial Year	(3,279,204)	(4,361,958)	(528,241)	154,322	929,201	1,152,876	1,056,912	1,559,810	3,024,471	3,272,380	3,214,061

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 the 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 nonprofit 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

Year	LGPI	CPI(Adelaide)	LGPIvsCPI
2014/15	1.7%	1.6%	0.1%
2015/16	0.9%	0.9%	0.0%
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%)
Average	1.88%	1.6%	0.28%

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