



District Council of
Loxton Waikerie
Influencing today...shaping tomorrow

Long Term Financial Plan 2023-2032

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1. Executive Summary

1.1 Purpose

Legislation requires Council to comply with principles of sound financial management including the provision of a Long-Term Financial Plan (LTFP). The purpose of a LTFP is to express, in financial terms, the activities Council intends to undertake over the next 10 years to achieve its objectives. It guides the future planning of Council's financial operations in regard to key components such as rate increases, service levels to our community, infrastructure asset replacement / renewal. It also influences Council's treasury management decisions such as loan indebtedness and internal cash reserve utilisation. In this regard, Council has prepared forward budgets for the ten years 2022-23 to 2031-32.

1.2 Principles

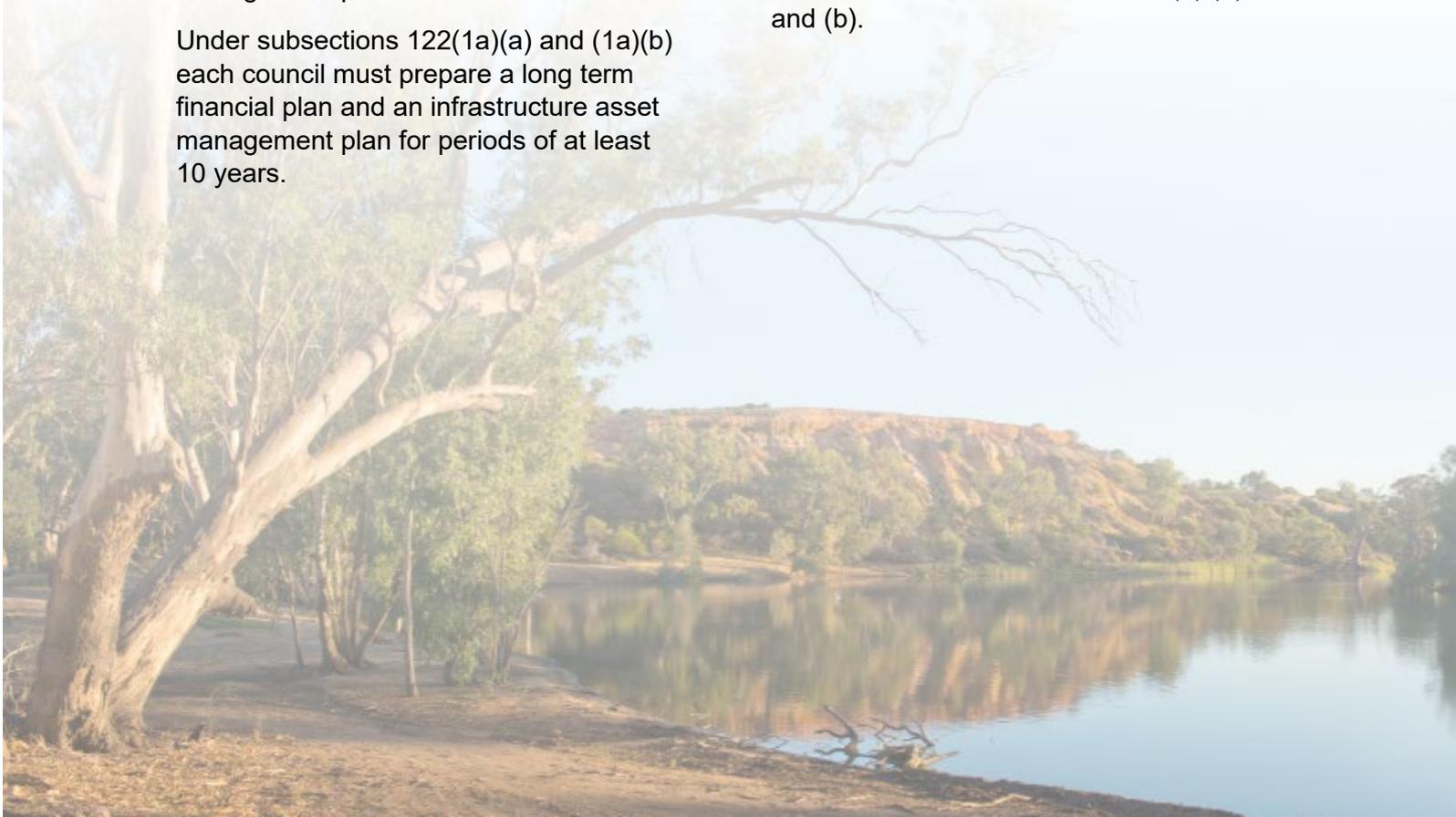
The Local Government Act 1999 s122 requires Councils to prepare strategic management plans.

Under subsections 122(1a)(a) and (1a)(b) each council must prepare a long term financial plan and an infrastructure asset management plan for periods of at least 10 years.

The Local Government (Financial Management) Regulations 2011 5(1) requires a Long-Term Financial Plan to include:

- a) a summary of proposed operating and capital investment activities presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances; and
- b) estimates and target ranges adopted by the council for each year of the long-term financial plan with respect to an operating surplus ratio, a net financial liabilities ratio and an asset sustainability ratio presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.

Councils must also prepare an Annual Business Plan and Budget pursuant to the Local Government Act 1999 s123(1) (a) and (b).



2. Financial Sustainability

2.1 Financial Sustainability Defined

The definition of financial sustainability, as adopted nationally by the Australian Local Government Association by resolution at its December 2006 National General Assembly arose as a result of the independent inquiry into the financial sustainability of Local Government occurring in 2005. It is defined as follows:

"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."

2.2 Why is Financial Sustainability Important?

An independent inquiry, instigated by the Local Government Association of SA, revealed that a high proportion of South Australian Councils were deemed to be financially unsustainable. They either could not sustain / maintain necessary service / infrastructure levels without significant rate increases or cuts to existing service levels to their communities or had significant infrastructure backlogs.

Of central significance is the need for intergenerational equity to be ensured or, put simply, to make certain that each generation 'pays their way', rather than any generation consuming disproportionate amounts of Council resources / services, leaving it to future generations to make up the difference.

With community infrastructure such as

roads, footpaths, and stormwater drainage comprising a major proportion of Council's balance sheets, it is important that Council implement appropriate strategies towards the effective upkeep of such assets – so that the maintenance and renewal of such assets is fairly and equitably funded from current ratepayers (i.e. general rate income) and future ratepayers (long term loan borrowings). Given the importance of ensuring financial sustainability of Council operations in the longer term, it is a legislative requirement that individual Councils adopt Long Term Financial Management and Infrastructure and Asset Management Plans (minimum 10 years) as part of future planning.

2.3 How is it Measured?

To ensure intergenerational equity is achieved it is crucial that current ratepayers effectively fund the net cost of services provided and community assets consumed. Without this (i.e. - an operating deficit), future generations are effectively subsidising the current cost of service provision and asset consumption.

Based on this, and as a result of the recommendations made by the Inquiry, a standard set of indicators were developed to be utilised allowing Councils to gauge financial sustainability against these indicators and to establish targets. The major indicator of financial sustainability is whether Council is achieving an operating surplus / deficit (before capital revenues) as disclosed in the Council's Income Statement. A consistent breakeven or operating surplus result is indicative that Council is financially sustainable in the long term. Other financial sustainability indicators recommended to be utilised are separately included in this report.

3. Key Assumptions

made in preparation of the plan

The preparation of the Long-Term Financial Plan has been determined based upon the following key assumptions:

- Core service levels are to be maintained within Council's continuous improvement philosophy. This ensures services are effectively and efficiently undertaken while under regular review. Included in this review will be an efficiency audit to ensure that agreed standards are met.
- This plan makes allowance for total renewal of all existing assets in line with the combined infrastructure asset management plan.
- Proposed projects are indicative only and will be subject to future Council approval.

Operating Expenditure

Employee Costs

- No increases in staffing levels proposed over the life of the plan
- Wage component increases to be based on the 5-year average consumer price index movement of 2.38% per annum
- Incremental increase in superannuation guarantee levy as per legislation. Superannuation to reach 12.0% on 1 July 2025

Materials, Contracts and Other Expenses

- Insurances to increase by 2.38% per annum
- Plant and machinery-based costs increased by construction indexation of 2.38% per annum
- Power costs to increase by 2.38% per annum
- All other operational costs to increase by 2.38% per annum which is reflective of the 5-year average increase in consumer price index (Adelaide All Groups 5 years ending 31 March 2021)

Finance Costs

- No new borrowings are reflected in this version of the plan, rather the utilisation of cash reserves to fund capital expenditure has been employed (consistent with Council's Treasury Management Policy)

Depreciation, Amortisation and Impairment

- Depreciation to increase by 2.38% per annum

Operating Income

Rates

- With a focus on the maintenance of an operating surplus position general rate revenue (inclusive of natural growth) is projected to increase by 2.98% per annum over the term of the plan. This projected increase includes a natural growth factor of 0.6% per annum plus the 5-year average CPI indexation of 2.38%).

Statutory Charges

- Statutory Charges revenue to increase by 2.38% per annum

User Charges

- User Charges revenue to increase by 2.38% per annum

Grants, Subsidies and Contributions

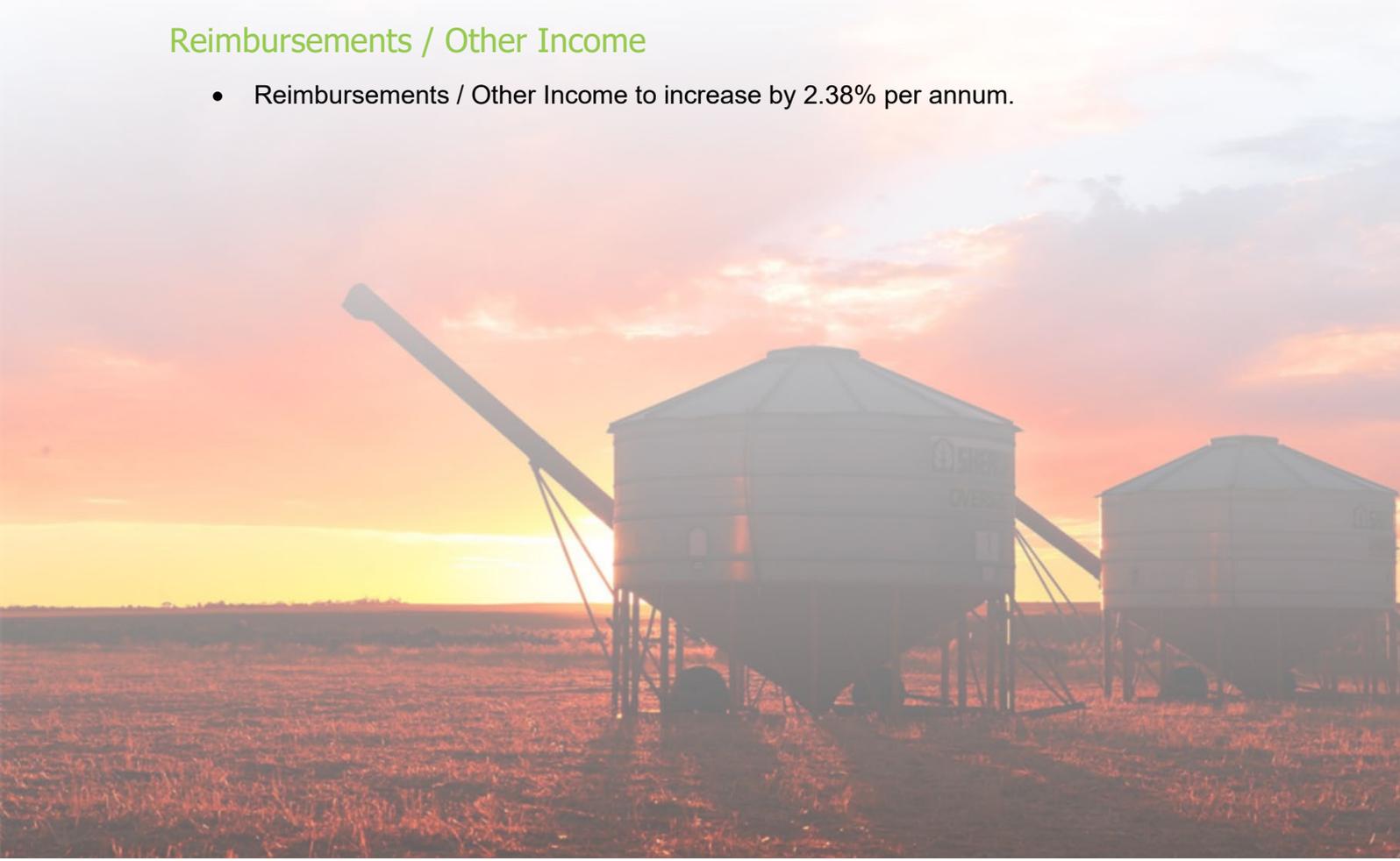
- Operating Grants to increase by 2.38% per annum
- Roads to Recovery Grants projected to continue for the term of the plan.
- A number of capital projects highlighted within this plan are contingent upon a significant portion of grant funding being forthcoming.

Investment Income

- Investment income for deposits projected to increase by 1.00 % per annum

Reimbursements / Other Income

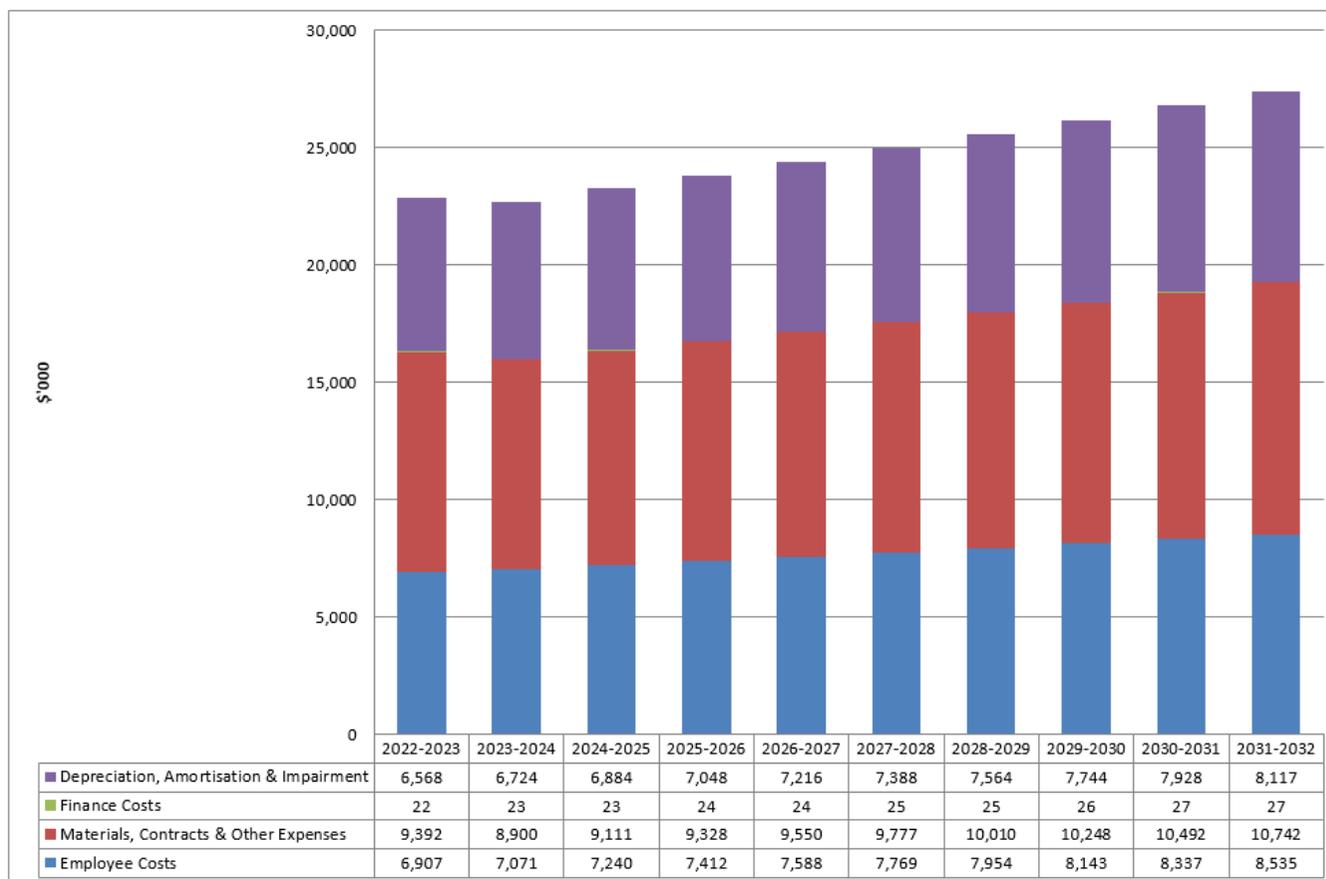
- Reimbursements / Other Income to increase by 2.38% per annum.



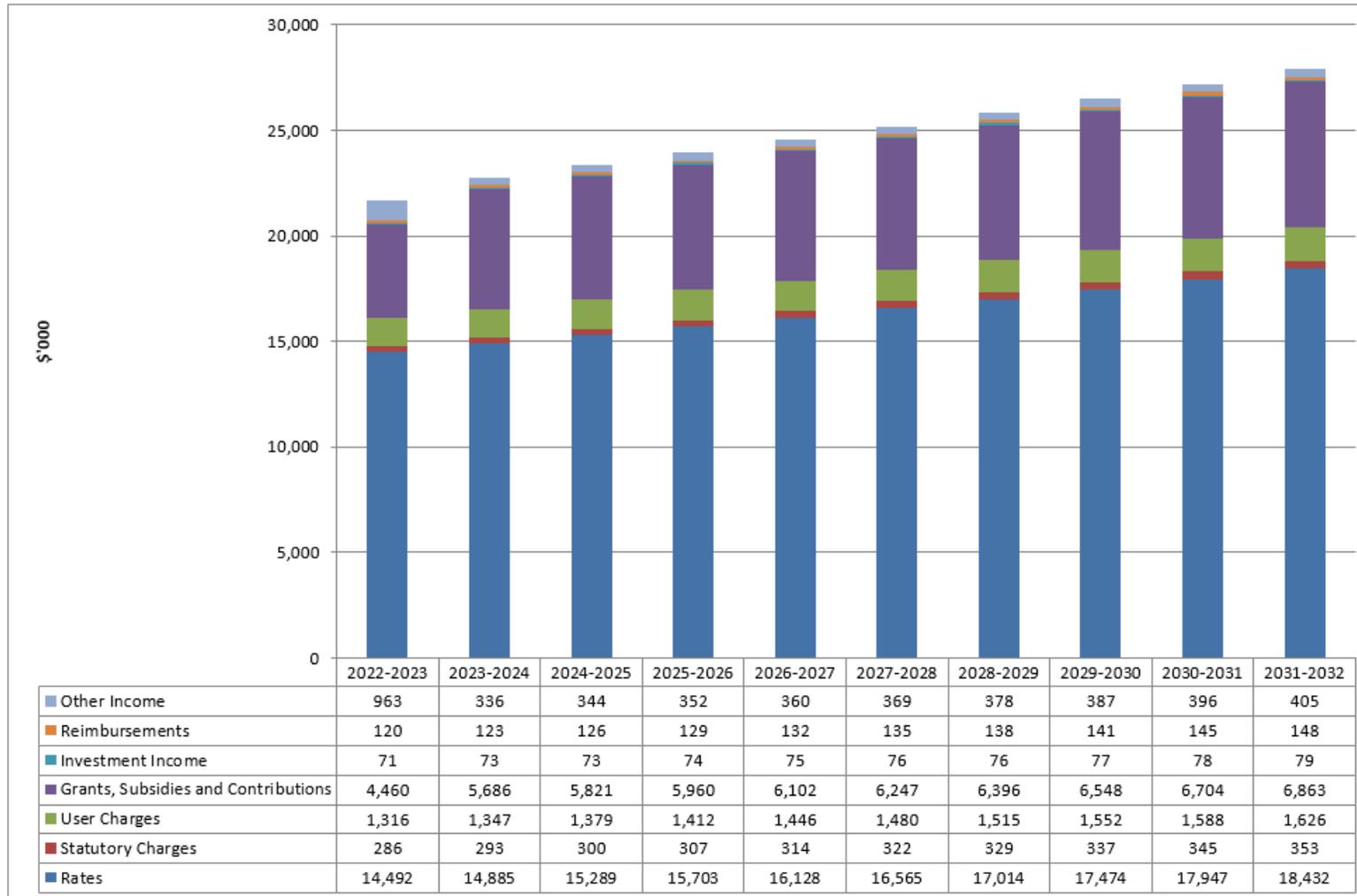
4. Summary of Council Operations

The Long-Term financial plan shows Council's Operating is sustainable over the life of the plan while still maintaining the level of service Council current provides to the community. The below tables demonstrate the growth in Council's operating expenditure and income.

4.1 Operating Expenditure



4.1 Operating Income



4.1 Capital Expenditure – renewal and replacement of existing assets

Total expenditure on the renewal and replacement of existing assets over the term of the plan is estimated at \$74.2 million dollars. This amount reflects requirements within Council's consolidated asset management plan and includes additional renewal expenditure as follows:

Buildings and Structures

- Ongoing allocations for the renewal of building and structures have been included throughout the life of the plan in line with Council's Buildings Asset Management Plan.
- Ongoing allocations for the renewal of Loxton Retirement Village building assets throughout the life of the plan. This allocation is funded from Loxton Retirement Village investment reserves
- Expected replacement of Waikerie swimming pool assets at an estimate of \$500,000 has been incorporated into the plan with \$250,000 allocated over years 2 and 3 of the plan pending advice being currently sought. Detailed costing and planning still be completed
- Expected replacement of Loxton swimming pool assets at an estimate of \$500,000 has been incorporated into the plan with \$250,000 allocated over years 4 and 5 of the plan pending advice being currently sought. Detailed costing and planning still be completed

Roads, Footpaths and Kerbing

Over the course of the plan funding is allocated toward the renewal and replacement of roads. Location priorities have been determined by a condition rating exercise that has been incorporated into Asset Management Plans at a total amount of \$36 million dollars.

Community Wastewater Management Scheme (CWMS)

Capital renewal amounts have been included over the course of the plan toward the renewal and replacement of the respective community wastewater management schemes throughout the district. A total of \$1.8 million dollars has been allocated over the life of the plan for the renewal of CWMS assets.

Stormwater

Stormwater infrastructure asset renewal has been identified in accordance with priorities set in the asset management plan. A total of \$236,000 has been allocated over the term of the plan.

Irrigation

Irrigation asset renewal has been identified in accordance with priorities set in the asset management plan. A total of \$183,000 has been allocated over the term of the plan.

Plant and Equipment

Replacement of motor vehicles and major plant replacement to increase by indexation of 2.38% per annum. A total of \$11 million dollars has been allocated over the term of the plan toward the replacement of plant and equipment.

A table showing capital expenditure forecasts for the renewal and replacement of Council assets is shown at Appendix 1 to this report. This appendix is for year 2-10 only. Year 1 projects have been included in Council's 2022-2023 Annual business plan.

4.2 Capital Expenditure – new and upgrade assets

Total expenditure on new and upgraded assets over the term of the plan is estimated at \$8 million. The projects have been classified below as either 'approved' or 'proposed'.

Approved Projects

- It is the requirement that Councils in South Australia develop a disability access and inclusion plan. Ongoing allocations of \$30,000 per annum are included throughout years 2 to 10 of the plan to improve access to Council facilities
- An amount of \$275,000 has been allocated each year over years 1 to 10 of the plan for upgrades to footpath and mobility access in the district
- The delivery of the Riverland Councils Information technology communications (ICT) strategy has been incorporated over the life of the plan and an ongoing yearly allocation. This project will ensure effective, modern and best practice ICT requirements for staff and the community. Efficiencies will be gained by all 3 Riverland Councils working together in collaboration.

Proposed Projects

- A new Loxton Library/Visitor Information Centre estimated at \$6 million to be staged over year 1 and 2 of the plan.
- Upgrade of the Waikerie Rec Centre estimated at \$3 million to be staged over the years of 4 and 5 of the plans.
- Upgrade of the Loxton Works Depot estimated at \$1 million to be staged over the years 2 and 3 of the plan
- An allocation of \$100,000 is provided in year 2 of the plan to provide expanded houseboat moorings in the Council district
- As per Council's Boating and Riverfront facilities plan 2023-2025 an amount of \$234,000 has been included to upgrade of boat ramp facilities located over years 2 through 3. This is subject to capital grant funding of 50% towards these projects

**The estimated costs of the proposed projects may vary depending on the final project scope.*

A table showing capital expenditure forecasts for new and upgraded Council assets is shown at 5.6. This appendix is for year 2-10 only. Year 1 projects have been included in Council's 2022-2023 Annual business plan.





Long Term Financial Plan Model

5. Summary of Council Financial Statements

5.1 Summary Statement

Year Ending 30 June:	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Audited	Adopted										
	Actual	Budget	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Activities												
Operating Income	22,441	23,562	21,708	22,743	23,332	23,937	24,558	25,194	25,847	26,516	27,203	27,908
less Operating Expenses	22,218	23,368	22,889	22,718	23,258	23,812	24,379	24,959	25,553	26,161	26,784	27,421
Operating Surplus / Deficit	223	194	-1,181	25	74	125	179	235	294	355	419	486
Capital Activities:												
Net Outlays on Existing Assets												
Capital Expenditure on renewal and replacement of Existing Assets	5,955	6,407	7,862	4,825	4,963	5,583	5,152	5,072	5,140	5,513	5,655	6,220
less Depreciation, Amortisation and Impairment	6,653	6,376	6,568	6,724	6,884	7,048	7,216	7,388	7,564	7,744	7,928	8,117
less Proceeds from Sale of Replaced Assets	305	255	362	162	166	170	174	178	183	187	192	196
Net Outlays on Existing Assets	-1,003	-224	932	-1,900	-1,921	-1,465	-2,064	-2,316	-2,424	-2,231	-2,273	-1,896
Net Outlays on New and Upgraded Assets												
Capital Expenditure on New and Upgraded Assets	5,357	4,949	9,066	3,900	2,468	1,869	371	372	374	376	377	379
less Amounts received for New and Upgraded Assets	3,766	3,704	4,608	17	50	0	0	-	-	-	-	-
	1,591	1,245	4,458	3,883	2,418	1,869	371	372	374	376	377	379
Net Lending / (Borrowing) for Financial Year	-365	-827	-6,571	-1,959	-423	-279	1,872	2,178	2,343	2,210	2,315	2,004

5.2 Statement of Comprehensive Income

Year Ending 30 June:	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Audited	Adopted										
	Actual	Budget	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income												
Rates	13,571	13,995	14,492	14,885	15,289	15,703	16,128	16,565	17,014	17,474	17,947	18,432
Statutory Charges	411	283	286	293	300	307	314	322	329	337	345	353
User Charges	1,245	1,284	1,316	1,347	1,379	1,412	1,446	1,480	1,515	1,552	1,588	1,626
Grants, Subsidies and Contributions	5,716	6,925	4,460	5,686	5,821	5,960	6,102	6,247	6,396	6,548	6,704	6,863
Investment Income	63	40	71	73	73	74	75	76	76	77	78	79
Reimbursements	268	120	120	123	126	129	132	135	138	141	145	148
Other Income	1,167	915	963	336	344	352	360	369	378	387	396	405
Total Income	22,441	23,562	21,708	22,743	23,332	23,937	24,558	25,194	25,847	26,516	27,203	27,908
Expense												
Employee Costs	5,983	6,628	6,907	7,071	7,240	7,412	7,588	7,769	7,954	8,143	8,337	8,535
Materials, Contracts & Other Expenses	9,547	10,337	9,392	8,900	9,111	9,328	9,550	9,777	10,010	10,248	10,492	10,742
Finance Costs	35	27	22	23	23	24	24	25	25	26	27	27
Depreciation, Amortisation & Impairment	6,653	6,376	6,568	6,724	6,884	7,048	7,216	7,388	7,564	7,744	7,928	8,117
Total Expenses	22,218	23,368	22,889	22,718	23,258	23,812	24,379	24,959	25,553	26,161	26,784	27,421
Operating Surplus/Deficit	223	194	-1,181	25	74	125	179	235	294	355	419	486
Net Gain (Loss) on Disposal or Revaluation of Assets	-2	-	-	-	-	-	-	-	-	-	-	-
Amounts Specifically for New or Upgraded Assets	3,766	3,704	4,608	17	50	-	-	-	-	-	-	-
Gain (Loss) on Sale of Asset	-	-	-	1,500	-	-	-	-	-	-	-	-
Net Surplus / Deficit	3,987	3,898	3,427	1,542	124	125	179	235	294	355	419	486

5.3 Statement of Financial Position

Year Ending 30 June:	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Actual	Budget	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current Assets												
Cash and Cash Equivalents	12,586	7,713	7,423	6,736	5,202	5,132	5,267	7,565	10,181	12,974	15,647	18,437
Trade and Other Receivables	1,564	1,400	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Inventories	48	50	55	15	15	16	16	14	11	11	12	12
Total Current Assets	14,198	9,163	8,978	8,251	6,717	6,648	6,783	9,079	11,692	14,485	17,158	19,949
Non-current Assets												
Financial Assets	515	271	271	256	231	215	198	184	185	174	162	150
Investment Property	15,048	14,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500
Infrastructure, P P & E	205,094	201,388	224,629	226,913	228,581	228,776	228,819	226,759	224,428	221,989	219,735	217,431
Other Non Current Assets	12,430	10,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Total Non-current Assets	233,087	226,659	254,900	257,170	258,812	258,990	259,017	256,943	254,612	252,163	249,897	247,581
Total Assets	247,285	235,822	263,878	265,421	265,529	265,638	265,801	266,022	266,304	266,648	267,055	267,530
Current liabilities												
Trade and Other Payables	12,850	12,500	14,850	14,850	14,850	14,850	14,850	14,850	14,850	14,850	14,850	14,850
Short Term Provisions	14	1,600	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650
Short Term Borrowings	1,714	15	15	15	16	17	14	11	11	12	12	12
Total Current liabilities	14,578	14,115	16,515	16,515	16,516	16,517	16,514	16,511	16,511	16,512	16,512	16,512
Non - Current liabilities												
Long Term Provisions	256	220	150	150	150	150	150	150	150	150	150	150
Long Term Borrowings	133	255	240	240	224	208	194	182	171	159	147	135
Total Non-Current liabilities	389	475	390	390	374	358	344	332	321	309	297	285
Total liabilities	14,967	14,590	16,905	16,905	16,890	16,874	16,858	16,844	16,832	16,821	16,809	16,797
Net Assets	232,318	221,232	246,973	248,515	248,639	248,764	248,943	249,178	249,472	249,827	250,246	250,733
Equity												
Accumulated Surplus	87,557	93,637	102,854	104,396	104,520	104,645	104,824	105,059	105,353	105,708	106,127	106,614
Asset Revaluation Reserve	143,256	126,796	143,256	143,256	143,256	143,256	143,256	143,256	143,256	143,256	143,256	143,256
Reserves	1,505	799	863	863	863	863	863	863	863	863	863	863
Total Equity	232,318	221,232	246,973	248,515	248,639	248,764	248,943	249,178	249,472	249,827	250,246	250,733

5.4 Statement of Changes in Equity

Year Ending 30 June:	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Actual	Budget	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accumulated Surplus												
Bal. at beginning of period	83,526	89,739	98,785	102,854	104,396	104,520	104,645	104,824	105,059	105,353	105,708	106,127
Net Surplus / (Deficit) for Yr	3,987	3,898	3,427	1,542	124	125	179	235	294	355	419	486
Transfer (to) / from reserves	44	-	642	-	-	-	-	-	-	-	-	-
Balance at end of period	87,557	93,637	102,854	104,396	104,520	104,645	104,824	105,059	105,353	105,708	106,127	106,614
Reserve Accounts												
Asset Revaluation Reserve												
Bal. at beginning of period	126,796	126,796	143,256	143,256	143,256	143,256	143,256	143,256	143,256	143,256	143,256	143,256
Additional revaluations	16,060	-	-	-	-	-	-	-	-	-	-	-
Changes revaluations	-	-	-	-	-	-	-	-	-	-	-	-
Reductions in valuations	400	-	-	-	-	-	-	-	-	-	-	-
Impairment/recoupments	-	-	-	-	-	-	-	-	-	-	-	-
Balance at end of period	143,256	126,796	143,256									
Other Reserves												
Bal. at beginning of period	1,549	799	1,505	863	863	863	863	863	863	863	863	863
Transfer to / (from) reserves	-44	-	-642	-	-	-	-	-	-	-	-	-
Balance at end of period	1,505	799	863									
Total Reserve Balances	144,761	127,595	144,119									
Total Equity	232,318	221,232	246,973	248,515	248,639	248,764	248,943	249,178	249,472	249,827	250,246	250,733

5.5 Statement of Cash Flow

Year Ending 30 June:	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Audited Actual \$'000	Adopted Budget \$'000	Yr 1 \$'000	Yr 2 \$'000	Yr 3 \$'000	Yr 4 \$'000	Yr 5 \$'000	Yr 6 \$'000	Yr 7 \$'000	Yr 8 \$'000	Yr 9 \$'000	Yr 10 \$'000
Cash flow from Operating Activities												
<u>Receipts</u>												
Operating receipts	21,951	23,008	21,308	22,670	23,259	23,863	24,483	25,118	25,770	26,439	27,125	27,829
Investment receipts	58	40	71	73	73	74	75	76	76	77	78	79
<u>Payments</u>												
Operating payments to suppliers and employees	-17219	-16,688	-15,738	-15,971	-16,351	-16,740	-17,139	-17,546	-17,964	-18,392	-18,829	-19,278
Finance payments	-42	-7	-7	-7	-6	-6	-5	-5	-5	-4	-4	-4
Net Cash provided by (or used in) Operating Activities	4,748	6,353	5,634	6,765	6,975	7,191	7,414	7,642	7,878	8,120	8,370	8,626
Cash flows from Investing Activities												
<u>Receipts</u>												
Amounts specifically for new or upgraded assets	3,766	3,704	4,479	17	50	0	0	-	-	-	-	-
Sale of replaced assets	305	255	362	162	166	170	174	178	183	187	192	196
Sale of assets	-	-	-	3,000	-	-	-	-	-	-	-	-
Repayments of loans by community groups	25	15	16	15	16	16	14	11	11	12	12	12
<u>Payments</u>												
Expenditure on renewal/replacement of assets	-5955	-6,407	-7,529	-4,546	-4,825	-4,963	-5,583	-5,152	-5,072	-5,140	-5,513	-5,655
Expenditure on new/upgraded assets	-5002	-4,949	-8,467	-6,085	-3,900	-2,468	-1,869	-371	-372	-374	-376	-377
Purchase of Investment Property	-355	-	-	-	-	-	-	-	-	-	-	-
Loans made to community groups	-250	-	-	-	-	-	-	-	-	-	-	-
Net Cash provided by (or used in) Investing Activities	-7466	-7,382	-11,139	-7,436	-8,493	-7,245	-7,265	-5,334	-5,250	-5,315	-5,685	-5,824
Cash flows from Financing Activities												
<u>Receipts</u>												
Proceeds from Borrowings	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Aged Care Facility deposits	817	300	2,300	-	-	-	-	-	-	-	-	-
<u>Payments</u>												
Repayments of Borrowings	-28	-15	-15	-15	-16	-17	-14	-11	-11	-12	-12	-12
Repayment of Aged Care Facility deposits	-730	-280	-280	-	-	-	-	-	-	-	-	-
Net Cash provided by (or used in) Financing Activities	59	5	2,005	-15	-16	-17	-14	-11	-11	-12	-12	-12
Net Increase (Decrease) in cash held	-2659	-1,024	-3,500	-687	-1,534	-70	135	2,298	2,616	2,793	2,673	2,790
Cash & cash equivalents at beginning of period	15,245	8,737	10,923	7,423	6,736	5,202	5,132	5,267	7,565	10,181	12,974	15,647
Cash & cash equivalents at end of period	12,586	7,713	7,423	6,736	5,202	5,132	5,267	7,565	10,181	12,974	15,647	18,437

5.6 Capital Expenditure

Year Ending 30 June:	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Asset Renewal/ Replacement									
Buildings	-	-	241,902	-	-	1,638	-	-	114,430
Buildings - Loxton Retirement Village	316,354	323,883	331,592	339,484	347,563	355,835	364,304	372,975	381,852
Waikerie Swimming Pool Refurbishment	250,000	250,000	-	-	-	-	-	-	-
Loxton Swimming Pool Refurbishment	-	-	250,000	250,000	-	-	-	-	-
Roads	3,366,065	3,446,177	3,528,196	3,612,167	3,698,137	3,786,153	3,876,263	3,968,518	4,062,969
Community Waste Management System (CWMS)	-	-	303,380	-	-	-	74,487	269,066	591,773
Stormwater	-	14,085	-	-	-	-	121,800	-	-
Plant & Fleet Management	1,048,166	1,073,113	1,098,653	1,124,801	1,151,571	1,178,978	1,207,038	1,235,766	1,265,177
Plant Trade In	- 162,466	- 166,332	- 170,291	- 174,344	- 178,494	- 182,742	- 187,091	- 191,544	- 196,102
Irrigation	6,382	22,306	-	-	53,097	-	55,878	-	-
Total Asset Renewal/Replacement	4,824,502	4,963,232	5,583,432	5,152,108	5,071,875	5,139,863	5,512,679	5,654,781	6,220,098
New/ Upgraded Assets									
Loxton Depot**	500,000	500,000	-	-	-	-	-	-	-
Loxton Library/Visitor Information Centre	3,000,000	-	-	-	-	-	-	-	-
Waikerie Recreation Centre**	-	1,500,000	1,500,000	-	-	-	-	-	-
House boat Mooring Expansion*	-	-	-	-	-	-	-	-	-
Implementation of Boating & Riverfront Facilities Plan*	34,000	100,000	-	-	-	-	-	-	-
Disability Access Plan Building Upgrade	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Mobility Access / Footpath Upgrade Program	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000
Waikerie stormwater*	-	-	-	-	-	-	-	-	-
G3 ICT Initiatives	61,428	62,890	64,387	65,919	67,488	69,094	70,739	72,422	74,146
Total New/Upgraded Assets	3,900,428	2,467,890	1,869,387	370,919	372,488	374,094	375,739	377,422	379,146
Total Capital Expenditure	8,724,930	7,431,122	7,452,818	5,523,027	5,444,363	5,513,957	5,888,418	6,032,203	6,599,244

6. Key Financial Indicators

6.1 Explanation of Financial Indicators

Informed by a comprehensive review by the SA Local Government Financial Management Group and with encouragement by the Australian Centre of Excellence for Local Government, all jurisdictions in Australia have agreed in principle to adopt three key financial indicators being the

- Operating Surplus Ratio
- Net Financial Liabilities Ratio
- Asset Sustainability Ratio

These indicators provide decision makers and stakeholders with better focus on and the key outcomes and implications in regard to financial performance, financial position and asset management performance. Commentary is provided on each indicator that provides a description, rationale and proposed target.



6.2 Operating Surplus Ratio (financial performance)

This ratio is a measure of the ability to cover operational costs and have revenues available for capital funding, repayment of debt or consider the provision of new services.

By what percentage does the major controllable income source vary from day-to-day expenses?

How is this ratio calculated?

$$\frac{A}{B}$$

A = Operating surplus

B = Rates revenue less NRM levy raised

Council Target

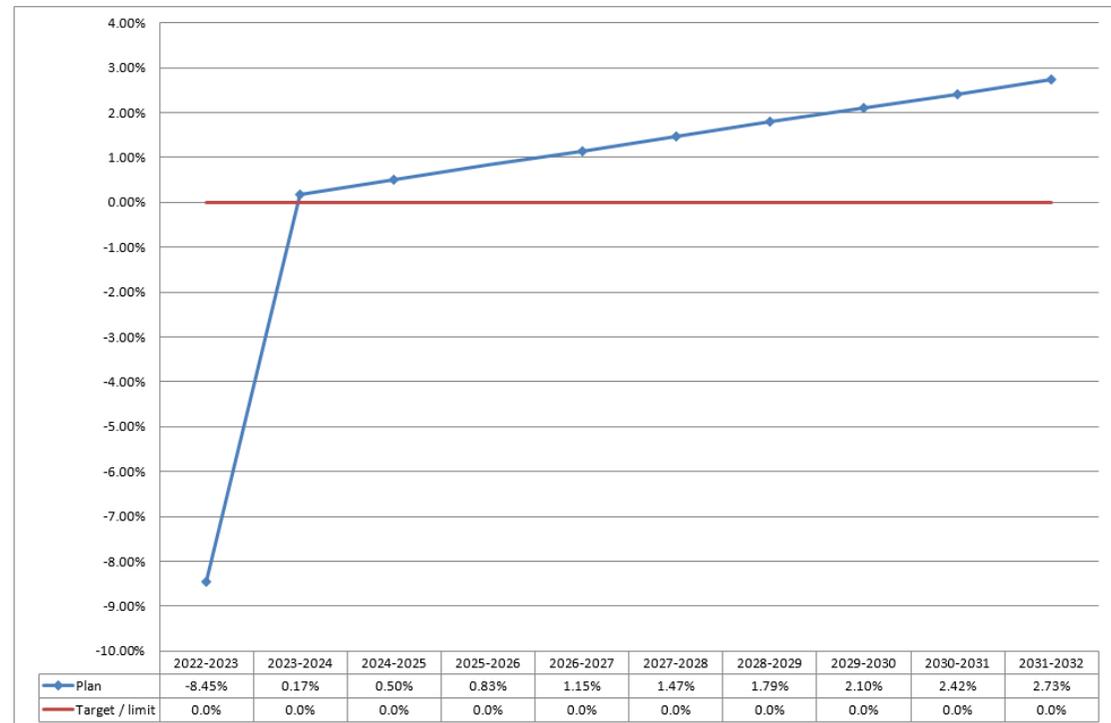
Council's target is to achieve, on average over time, an operating surplus ratio of 0%.

LGA Target

The Local Government Association of SA's generally applicable recommended target is to achieve an operating surplus ratio of between 0% and 15% over any five year period.

Commentary on Projected Performance

It is noted that Council's projected operating surplus ratio is consistent with the adopted target range.



6.3 New Financial Liabilities Ratio (financial position)

This ratio is a measure of the ability to cover operational costs and have revenues available for capital funding, repayment of debt or consider the provision of new services.

What is owed to others less money held, invested or owed to Council?

How is this ratio calculated?

$$\frac{A}{B}$$

A = Total liabilities less current cash and cash equivalents, trade and other receivables, other financial assets, non-current financial assets

B = Total operating revenue less NRM levy raised

Council Target

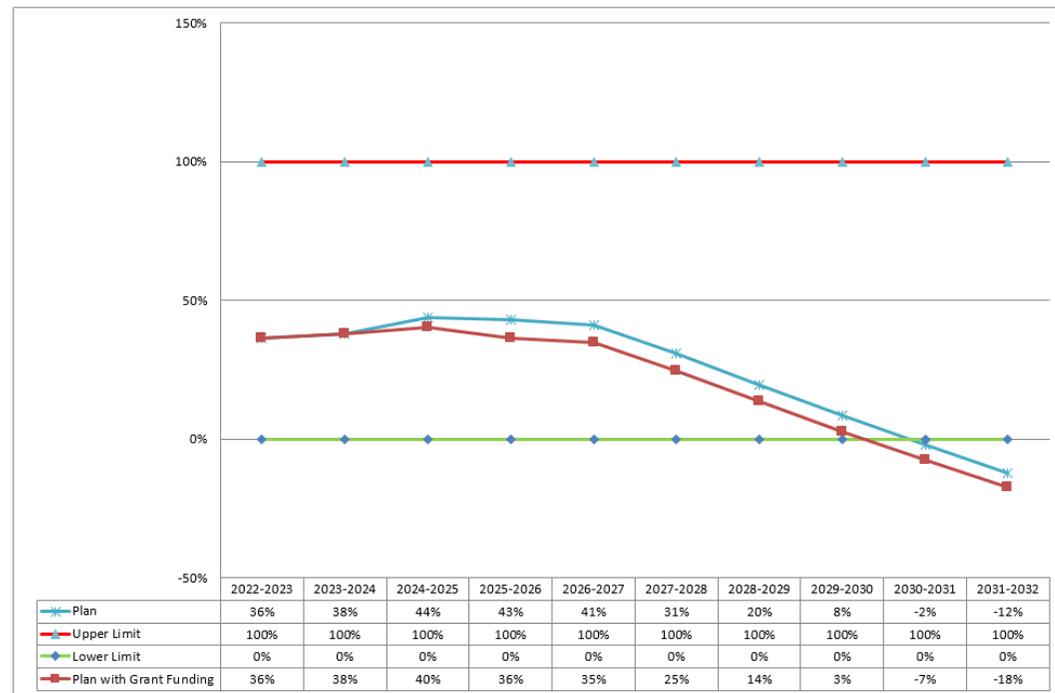
Council’s limit is for Net Financial Liabilities to be greater than zero and less than 100% of total operating revenue.

LGA Target

The Local Government Association of SA’s target is the same as Council’s.

Commentary on Projected Performance

A negative percentage result indicates that Council has more cash available than what is owed by Council’s borrowings. Therefore, a negative result is a positive financial indicator for Council regarding this ratio. Where possible Council will seek Grant funding for capital projects. If council is successful, this would have a further positive impact on the financial position as demonstrated in the graph above.



6.4 Asset Sustainability Ratio (asset management performance)

This ratio is a measure of the ability to cover operational costs and have revenues available for capital funding, repayment of debt or consider the provision of new services.

Capital expenditure on renewal or replacement of existing depreciable assets/required expenditure as required by respective asset management plans.

How is this ratio calculated?

$$\frac{A}{B}$$

A = Expenditure on the renewal / replacement of assets less sale of replaced assets

B = Optimal level of such expenditure proposed in Council's Infrastructure and Asset Management Plan

Council Target

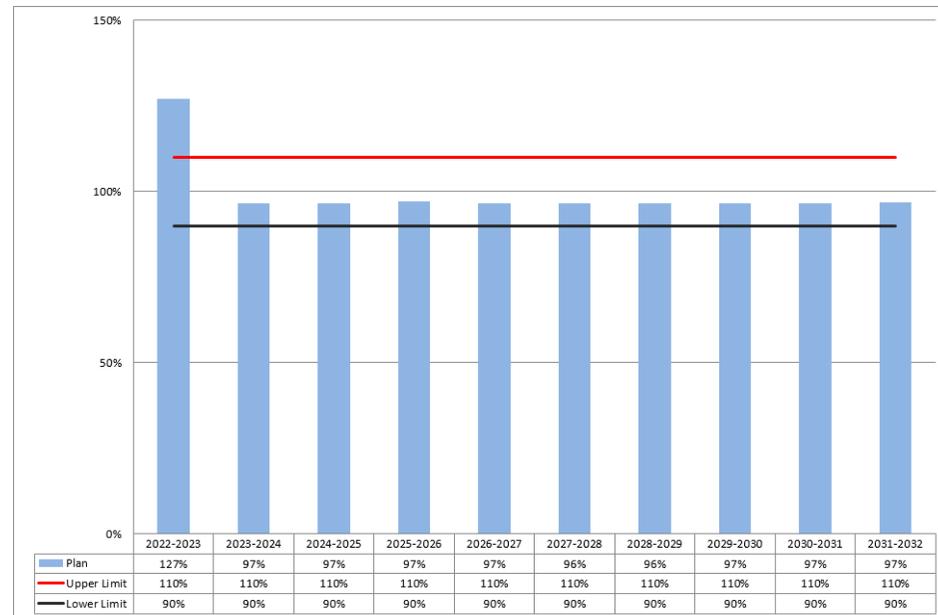
Council's target is that capital outlays on renewal / replacement of assets net of proceeds from sale of replaced assets are greater than 90% but less than 110% of the level proposed in the Infrastructure and Asset Management Plan.

LGA Target

The Local Government Association of SA's target is the same as Council's.

Commentary on Projected Performance

Council to spend an amount each year roughly equivalent to that determined by the respective infrastructure asset management plans.



Glossary

Operating Expenses

Recurrent expenditure necessary in the operations of Council.

Operating Income

Revenue generated by the provision of service including any service rates and charges raised. It is also inclusive of grant funding, statutory charges, reimbursements, contributions, donations and other income.

Operating Surplus / (Deficit) before capital amounts

Operating income less operating expenditure before capital amounts.

Capital Expenditure on Renewal / Replacement of Existing Assets

Expenditure on assets has two components. The first is maintenance. This is included in operating expenditure. The second is capital. That is, expenditure on the renewal of Council assets. This is not shown under operating expenditure, rather it is included in the Balance Sheet of Council as an asset. Generally the asset is subsequently depreciated.

Depreciation, Amortisation and Impairment

Depreciation represents the systematic allocation of the depreciable amount (service potential) of an asset over its useful life. Put simply – an expense recognising systematic consumption of Council assets.

Capital Expenditure on New/Upgraded Assets

The amount spent on new or upgraded assets.

Amounts Received Specifically For New or Upgraded Assets

Monies received generally tied to the specific projects for which they are granted, which are often upgrade and/or expansion or new investment proposals.

Cash and Cash Equivalents

“Cash Assets include all amounts readily convertible to cash on hand at Council’s option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition” (South Australian Model Financial Statements 2014).

Loans Received

Representative of loans drawn down and received throughout the year. Loans result in funds being received which are then repaid over a period of time with interest (an additional cost).

Net Lending / (Borrowing) for the Financial Year

“Net lending / (borrowing) is a ‘flow’ measure that takes account of both operating and capital activities for the financial year. Achieving a zero result on the net lending / (borrowing) measure in any one year essentially means that the Council has met all of its expenditure (both operating and capital) from the current year’s income (with income including amounts received specifically for new / upgraded assets).” (South Australian Model Financial Statements 2008).

Reserves

Council may elect to nominate funds that will be required for specified future capital expenditure. Until these funds are required, they may be used to fund other capital expenditure that would otherwise require a loan.

Depreciation, Amortisation and Impairment

Depreciation, Amortisation and Impairment is represented by the fact that all non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential embodied in those assets.

Finance Costs

Finance costs are represented by the cost of borrowings including the interest component of loan repayments.

Materials, Contracts and Other Expenses

Materials, contracts and other expenses include costs associated with both the acquisition of goods and services such as payments for insurance cover premiums, light and power, consulting fees, legal charges, fuel and oil, repairs and maintenance, communications and all other costs not elsewhere attributable.

Employee Costs

This classification includes all expenditure in the employment of Council’s staff inclusive of on-costs. It includes staff salaries and wages, accrued leave entitlements, superannuation, and workers compensation. It does not include capitalised employee expenditure.

Other Revenues

Other revenue is revenue received, not elsewhere classified. Examples include insurance recoupments, rebates and commissions.

Reimbursements

Reimbursements are amounts received as payment for work done by the Council acting as an agent for other government bodies and property owners, organisations and individuals. It also includes "contributions" received by the parent or main operating council from member Council’s for a joint undertaking. They include:

- a) reimbursement for road works - state government, public corporations, private bodies/private roads,
- b) Council’s private works
- c) joint undertakings - dog control, health/building inspection boards, libraries

- d) recoveries from other bodies for work done - Construction Industry Training Fund Levy collection fees
- e) reimbursement of collection costs for NRM levy.

Investment Income

Investment income is revenue from financial investments or loans to community groups. It includes interest received:

- from the Local Government Finance Authority or banks; and
- on loans to community groups.

Grants, Subsidies and Contributions

Grants, subsidies and contributions include such grant and other related income from all sources but excludes grants and subsidies received specifically for new or upgraded assets.

User Charges

User charges is revenue from the sale of goods and services or rent of property/facilities (other than rental of investment property as defined in the accounting standards). They are voluntary charges for which the payer receives a direct benefit. They include:

admission charges; caravan park fees; cemetery fees; parking fees; building rents; library fees/fines; road moieties; rubbish tip fees; sundry sales; hall hire; equipment hire.

Statutory Charges

Statutory charges are fees levied from regulatory services. They are associated with the granting of a permit/licence, the regulation of an activity or penalties for non-compliance with a regulatory requirement. They include *Development Act fees; town planning fees; rate searches; dog registration fees and fines; parking fines and expiation fees; litter fines; health fines; environmental control fines; litter control fines; septic tank fees; other licences/fees/fines.*

Rates

Rates income is all revenue including an amount charged by reference to a valuation, any fixed charge also included within that structure. It includes amounts received from general rates, service rates (CWMS and Kerbside Waste Collection charges), levies collected on behalf of State Government agencies (Natural Resource Management Levy) and late payment penalties imposed. Mandatory and discretionary rebates allowed are netted off against rate revenue items.