

Gawler



TOWN OF GAWLER LONG TERM FINANCIAL PLAN 2021/22 – 2030/31

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Front cover photo: An alderman on Gawler's first Council in 1857, James Martin is regarded as the father of Gawler. A statue resides in Martin's Place Reserve in his honour.

Acknowledgement of Country:

Council acknowledge the land of the Gawler Township is the traditional lands for the Kaurna people and that we respect their spiritual relationship with their country. We also acknowledge the Kaurna people as the custodians of the Adelaide region and that their cultural and heritage beliefs are still as important to the living Kaurna people today.

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Version Control	1.0 (Audit & Risk Committee) 1 March 2022

1. Message from the Mayor

In accordance with Section 122 of the Local Government Act 1999, Councils are required to have a Long Term Financial Plan (LTFP) (forecasting a minimum period of 10 years) as part of their suite of Strategic Management Plans, with the Plan also required to be updated on an annual basis.

This document subsequently reflects the annual review of Council's LTFP, and has acted as a key reference point in the formulation of Council's 2022/23 Budget / Business Plan.

Many of Council's services are asset based. Council, like other local governments, is responsible for managing a very large stock of assets (over \$300m) relative to its annual income level (\$34m). These assets are typically long-lived but as they age they require additional maintenance to preserve preferred minimum service levels. At a particular point in time it is necessary and cost effective that they be replaced. The LTFP incorporates financial projections for future asset maintenance and renewal consistent with that identified as cost effectively warranted in Council's Asset Management Plans.

The LTFP is designed as a 'road-map' to chart the Council's future strategic financial direction and aspirations. To this end, Council has various strategic financial performance indicator targets and strategic financial policies to facilitate and guide key long-term financial planning, whilst at the same time delivering on the myriad of goals and objectives detailed in Council's over-arching Community Plan 2030+.

A fundamental and core element of the financial indicator targets and policies is planning for the long term financial sustainability of Council's operations and also ensuring that Council remains in a sound and manageable financial position.

Council is cognisant of the fact that General Rates paid by ratepayers provides approximately two-thirds of its recurrent revenue, and as such plays a key role in long-term financial planning. Consequently, the Plan is also developed on the basis of maintaining future Rate increases to a sustainable and affordable level, whilst at the same time noting that Council, like all other businesses, is not immune to the current financial consequences of increased inflation and interest rates.

The Council has in place a Strategic Rating Policy, which is reviewed annually, to ensure that the Rate revenue burden is fairly and equitably apportioned across the community.



Karen Redman

MAYOR

2. Message from the Chief Executive Officer

The annual review of the LTFP undertaken during the latter half of the 2021/22 financial year has been a particularly challenging exercise, given the major global and national economic changes that have more recently eventuated.

The notable factors, directly or indirectly, in this regard have been Russia's invasion of Ukraine, China's renewed severe COVID-19 lockdowns, and major flooding along the east coast of Australia, all of which have led to major supply chain issues, which have not only subsequently hampered the delivery of various Council projects, but have also led to major increases in the cost of materials due to supply/demand consequences.

Furthermore, forward financial forecasts have also been challenged and influenced by recent major spikes in both interest rates and the rate of inflation, after both of these indices had been relatively stable for a prolonged period of time. Increases in the rate of inflation have been notably influenced by major increases in the cost of fuel and energy prices, both of which are considerable service cost inputs for the Council.

Given the intended 'high-level' nature of the document, the updated LTFP has been developed based on a number of key future assumptions. These key assumptions, as outlined in Section 4, are informed by a number of elements, including recent independent economic analysis and financial forecast projections from the likes of the Reserve Bank of Australia and the National Australia Bank. Due to the material forecast changes in both interest and inflation rates during April-June 2022, this LTFP has been revised with the updated economic forecasts since the previous iteration of the LTFP that was endorsed for public consultation purposes in early April 2022. This revision subsequently incorporates, inter alia, revised forecasts for future General Rate revenue increases, such that Council's major recurrent revenue stream keeps pace with the forecast inflation rate and facilitates the ongoing financial sustainability of Council's operations.

To coordinate its long term financial planning, the Council has developed a sound strategic financial framework based on a long term sustainable operating result and also ensuring that the Council's overall financial position remains sound and sustainable from an inter-generational perspective. The Plan has accordingly been modelled and developed on the achievement of such intrinsic goals.

The Administration continually strives to deliver long term operational cost savings and efficiencies, and source external grant funding towards major capital investments, so that the ongoing financial impost to our ratepayers is kept to a minimum, whilst at the same time managing the financial challenges / opportunities, and demand for new / increased services that is inherent in major growth Councils' such as Gawler.

The dollar amounts disclosed in the LTFP are expressed in nominal values (i.e. adjusted each year by a forecast general inflation rate), and the LTFP is predicated on existing service levels being maintained (albeit levels of service will continue to be periodically reviewed by the Council to ensure they remain appropriate and consistent with changing community needs).



Henry Inat
CHIEF EXECUTIVE OFFICER

3. Financial Sustainability

Definition

The definition of Financial Sustainability for Local Government emanated from the independent SA Local Government Financial Sustainability Inquiry 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."

The definition was endorsed nationally at the National General Assembly of Local Government at Canberra in November 2006.

How is it measured?

To ensure each generation 'pays its way', it is important that current ratepayers effectively fund the annual net cost of services provided and community assets consumed. Without this being achieved (i.e. an operating deficit), future generations are effectively subsidising the current cost of service provision and asset consumption.

Based on this, the financial sustainability of a Council is measured by the surplus/deficit (before capital revenues) disclosed in the Statement of Comprehensive Income financial report – with a consistent breakeven or operating surplus result indicative of a Council that is financially sustainable in the long term.

Financial sustainability indicators are included in Section 10 of this report.

Financial Strategy for Town of Gawler

Financial Performance Strategy (Operating Result)

The Council's annual financial performance is measured by its Operating result as disclosed in the Statement of Comprehensive Income.

Council's policy position is for its Operating Surplus Ratio to be between 0-10% over any 5 year rolling period, consistent with Council's Treasury Management Policy. The five year rolling period is incorporated on the basis that, being a major growth Council, the Council may have short-term instances of where an operating deficit is appropriate or unavoidable (without major General Rate revenue increase spikes).

Council's estimated Operating result and estimated Operating ratio result over the life of the LTFP is disclosed in Sections 9-10.

Financial Position Strategy (Balance Sheet – Debt Management)

The key elements of Council's loan funding strategy approach is that Council only borrow funds when its cashflow physically requires and that loan funds utilised will generally be via the variable interest rate Cash Advance Debenture facility with the Local Government Finance Authority rather than a fixed long-term loan arrangement.

The key difference in this regard is that the Cash Advance Debenture facility effectively acts as a 'bank overdraft' which can be drawn down and, importantly, repaid at any time as cashflow permits.

Consequently, during periods of peak cash inflows (e.g. quarterly rate payment cycles), revenue received can be immediately utilised to repay a component of the Cash Advance Debenture balance, thereby substantially reducing Council's net interest costs.

Nonetheless, Councils Treasury Management Policy prescribes that not less than 25% of its gross debt will be in the form of fixed interest rate borrowings whereas, conversely, not less than 30% of its gross debt will be in the form of variable interest rate borrowings. However, the policy also indicates that the policy targets may be temporarily exceeded where to do so is in the interest of the Council and its community.

A schedule of Council's current debt is outlined in Table 1 below:

Table 1 – Schedule of Council Loan Debt (as at 10 June 2022)

Loan No.	Maturity Date	Amount Borrowed / Available	Interest Rate	Balance Outstanding	Loan purpose
<i>Fixed Interest Rate Loans: *</i>					
97	15/5/2023	\$3,000,000	7.88%	\$325,119	2007/8 Capital Works program
99	16/3/2024	\$3,000,000	4.99%	\$538,920	2008/9 Capital Works program
100	15/1/2025	\$3,000,000	6.80%	\$861,133	2009/10 Capital Works program
102	15/2/2026	\$3,000,000	6.85%	\$1,114,212	2010/11 Capital Works program
TOTAL FIXED INTEREST RATE LOANS				\$2,839,384	15% (Policy position not less than 25%)
<i>Variable Interest Rate Loans (overdraft facilities) **</i>					
96	15/06/2022	\$1,687,754	2.8%	\$1,687,754	Capital works program
101	28/04/2025	\$2,000,000	2.8%	\$2,000,000	Capital works program
103	15/09/2026	\$100,000	2.8%	\$0	Gawler Bowling Club
104	17/10/2026	\$5,600,000	2.8%	\$0	Capital works program
105	17/10/2026	\$4,400,000	2.8%	\$2,801,730	Capital works program
106	17/09/2029	\$3,000,000	2.8%	\$3,000,000	Capital works program
107	15/08/2029	\$5,000,000	2.8%	\$1,080,000	Capital works program
108***	17/08/2030	\$900,000	2.05%	\$900,000	Capital works program (Karbeethan Reserve)

Loan No.	Maturity Date	Amount Borrowed / Available	Interest Rate	Balance Outstanding	Loan purpose
108	17/08/2030	\$1,200,000	2.8%	\$1,200,000	Capital works program
109****	17/08/2023	\$2,900,000	2.05%	\$2,900,000	Capital works program
TOTAL VARIABLE INTEREST RATE LOANS				\$15,569,484	85% (Policy position not less than 30%)
TOTAL DEBT				\$18,408,868	

**Loans repaid via fixed half-yearly Principal/Interest repayments. Loan terms of 15 years*

***Repayments off loan principal can be made at any time as cashflow permits*

****As part of a COVID-19 support package, the Local Government Finance Authority provided Councils who were successful in securing State Government grant funding from the SA Local Government Infrastructure Partnership Program a 0.75% interest rate reduction (off the market interest rate) relating to the Council's share of the associated project funding, for a period of 3 years – under the Program, Council secured a dollar-for-dollar grant of \$900,000*

*****As part of its COVID-19 support package to the sector, the Local Government Finance Authority is providing Councils' with a 0.75% interest rate reduction (off the market interest rate) for a period of 3 years. The value of borrowings attracting the lower interest rate is equivalent to 10% of a Council's 2018/19 operating revenue.*

As outlined in Table 1 above, the Council is currently operating outside of its Treasury Management Policy position relative to the split between variable interest and fixed interest debt. However, given that fixed-interest rates continue to remain considerably above the variable-interest rate, in addition to the advantage that variable-interest rate debt can be repaid at any time as cashflow permits, the current loan funding split is deemed appropriate.

In light of recent interest rate movements (e.g. since April 2022, the variable-interest has increased from 2.05% to 2.8%, after being unchanged since November 2020, the Council will nonetheless continue to monitor its debt portfolio to determine potential future instances of where it may be financial practical to 'lock-in' a component of its variable-interest rate debt (i.e. transfer from a variable-interest rate to fixed-interest rate).

This will, importantly, take into consideration instances of where favourable short-term cash in-flows will provide the opportunity to temporarily reduce variable-interest rate debt and thereby materially reduce Council's net interest costs - a notable current example of this is the \$7.45m State Government grant funding expected to now be received in advance early in the 2022/23 financial year, to fund the future delivery of various State Government election promises for Gawler over the next few years. This assessment will also take into consideration the estimated longevity of increased interest rates.

Due to Council's existing emphasis on variable-interest rate debt, this grant funding will naturally be able to be immediately utilised towards temporary variable-interest rate debt reduction, pending the funding being required to fund the completion of the associated projects over coming years – this temporary debt repayment option would not be available in the scenario of the Council having the majority of its debt 'locked-in' via fixed-interest rate loans. Fixed-interest rate loans are reflected by fixed six-monthly principal and interest repayments over the life of the loan.

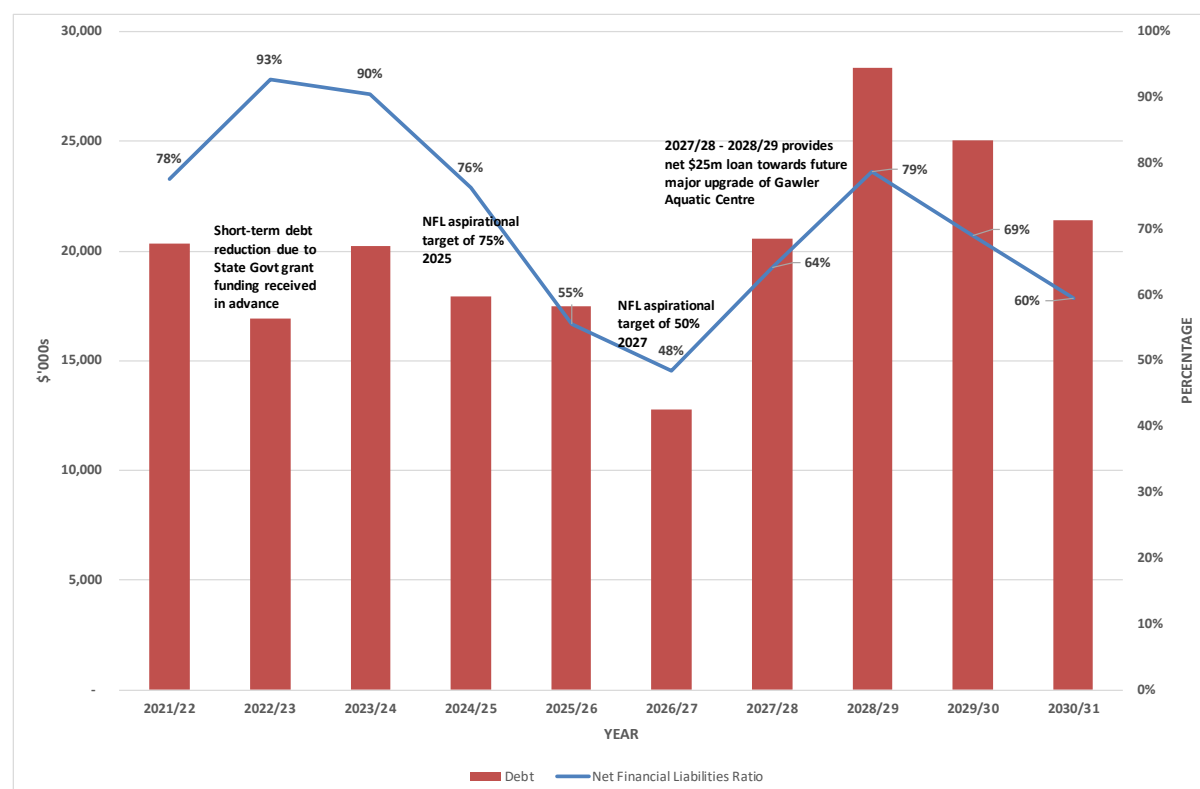
So that debt can be effectively managed, Council's Treasury Management Policy prescribes that the Net Financial Liabilities Ratio will be maintained between 0-100%, thereby meaning Council's net financial liabilities will not exceed its annual operating revenue.

In recognition of Council's current aspiration to reduce debt, to thereby achieve increasing borrowing capacity towards Council's the future major upgrade of the Gawler Aquatic Centre,

the Treasury Management Policy has recently been updated to incorporate the aspirational Net Financial Liabilities ratio targets of <75% by 30 June 2025 and <50% by 30 June 2027.

Council's forecast Debt, and associated Net Financial Liabilities ratio, over the 10-year LTFP horizon is outlined in Graph 1 below.

Graph 1 – Forecast Debt / Net Financial Liabilities Ratio 2021/22- 2030/31



Council's estimated overall financial position (Balance Sheet), and the estimated Net Financial Liabilities Ratio result over the life of the LTFP, is disclosed within Sections 9-10.

Asset Management Performance Strategy

Council's activities are typically far more asset-intensive than those of other spheres of Government.

In this regard, Council manages a large stock of fixed assets (currently over \$300m), many of which are long-lived assets such as roads, footpaths, stormwater drains, and buildings.

It is important that Council has appropriate management plans in place to manage the recurring maintenance and future replacement of such assets.

To this end, the Council has long-term Asset Management Plans (AMP) to illustrate indicative asset management works required to ensure that the fixed assets of Council are maintained in an appropriate condition for service delivery purposes.

Importantly, the future optimum asset replacement/renewal funding requirements outlined in the AMP are incorporated into the LTFP. On this basis, Council's policy position is to achieve an Asset Renewal Funding Ratio result of between 90 to 100% each financial year.

The Asset Renewal Funding Ratio measures the actual investment by Council in asset replacement/renewal, as a percentage of the optimum asset replacement/renewal investment outlined in Council's AMP.

Council's estimated Asset Renewal Funding Ratio results are disclosed in Section 10.

Impact of development growth in Gawler

The Town of Gawler continues to experience rapid development growth. As such, the Council is one of the fastest growing Council's in the state.

The key catalysts behind such a large increase are major land developments that have occurred, and are continuing to occur, within the Gawler East and Gawler South precincts.

Both of these developments areas will continue to have a marked impact on the Town of Gawler, which poses particular challenges (and opportunities) for the Council.

The key financial impacts from these developments will be:

- The requirement to upgrade various existing infrastructure assets to accommodate the new development and increased traffic flows;
- An increase in depreciation expense, relating to the annual consumption of the major infrastructure assets (e.g. roads, footpaths, stormwater drainage, etc) to be constructed within the developments;
- An increase in other operating costs due to new assets and extended services that will need to be provided (e.g. there will be new reserves to be maintained, new streets/drains to be routinely cleaned, increased streetlighting costs, etc) together with pressures to increase various staff numbers as the population of the town markedly increases (e.g. increase in volume of development applications to be considered, increase in rating property database to be administered and managed, etc);
- New rate revenue received (from land divisions and building construction) as the developments progress;
- An increase in revenue from development application fees and property search fees during the development phases.

To ensure the rapid development growth occurring in Gawler East is effectively managed, and appropriate developer contributions towards major transport and community infrastructure provided are received, in 2017/18 Council introduced Separate Rates against properties within the Gawler East Development area as a financial security mechanism to ensure such developer contributions towards infrastructure are received.

Acting as a financial security mechanism, the Separate Rates are levied, and then immediately postponed, pending a future possible trigger for their un-postponement. Un-postponement of the Separate Rates will only occur if the required infrastructure contribution from the associated developer is not secured by way of a separate Infrastructure Deed at the time that development occurs.

The financial contribution or Separate Rate payment will only be required once, such that when payment under either mechanism is secured by Council, the Separate Rate will no longer be applicable to the respective properties.



Council secured Federal Government grant funding of \$1.3m towards its \$1.8m major upgrade of Adelaide Road between the Gawler Mill Inn Bridge and the southern end of Seventh Street – Tenth Street intersection. Part of the works included major beautification of the existing median strip as shown in the photo above.



The ongoing maintenance of community parks, gardens and reserves remains an important function of Council's operations. Staff currently maintain 475 ha of such facilities, which is increasing each year as a consequence of the staged residential land divisions occurring across the Council area.

4. Funding the Long Term Financial Plan

Overview

Consistent with all other local government authorities, the Town of Gawler is heavily reliant on General Rate revenue to fund the delivery of the myriad of recurrent services provided to the local community.

From a recurrent operating position, General Rate revenue currently comprises two-thirds of the Council's operating income budget. The remainder is primarily sourced from grants and contributions from other tiers of government and developers (15%), Waste Management service charges (7%), and user charge fees (5%) derived from property rentals and activities such as the Gawler Aquatic Centre and the Gawler Sports & Community Centre.

Ideally, to ensure the financial sustainability of its operations, the Council's operating revenue should match its operating expenditure, thereby ensuring that depreciation of existing fixed assets is effectively 'funded'. This practice importantly culminates in funds effectively being available towards replacing *existing* assets (most notably community infrastructure such as footpaths, sealed roads, etc) at the end of their useful/economic lives.

Essentially, the overall funding of the LTFP is primarily sourced from either existing ratepayers (via general rates for recurrent operational purposes, including the annual consumption of fixed assets) or future ratepayers (short/long term loan borrowings towards the purchase or construction of new/upgraded assets).

This update to the LTFP is predicated on the following key funding mix factors:

- An annual increase in general rate revenue as outlined in Table 2 below:

Table 2 – LTFP 2021/22 – 2030/31: Future General Rate revenue increases

	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31
Existing Ratepayers	3.25%	4.25%	4.25%	4.25%	3.75%	3.75%	3.5%	3.5%	3.5%
Existing Ratepayers: contribution towards future major upgrade of the Gawler Aquatic Centre	0.25%	0.25%	0.25%	0.25%	0.25%	-	-	-	-
'New' General Rate revenue from growth	2.40%	1.50%	2.50%	2.20%	1.80%	1.60%	1.50%	1.20%	1.20%

- Indicative new external loan funding of \$19.7m over the future life of the Plan, towards the purchase or construction of new / upgraded fixed assets, offset by indicative loan principal repayments of \$18.6m over the future life of the plan – such that Council's indicative debt as at 30 June 2031 would marginally increase by approximately \$1m above the forecast 30 June 2022 debt of \$20.4m. The LTFP forecasts that \$15.6m of the \$19.7m new loan borrowings (approximately 80%) would be towards the future major upgrade of the Gawler Aquatic Centre (proposed for construction across the 2027/28 – 2028/29 financial years).

It is important to note, that the LTFP is not reliant whatsoever from the proceeds of sale from surplus property assets. Whilst the sale of property assets deemed surplus to community or operational needs should be pursued, such sales invariably incorporate a lengthy sale period

(e.g. in most instances the Council would need to seek Ministerial revocation of Community Land status for the sale of property) and can often prove potentially problematic for residents in close proximity to the proposed property asset to be sold.

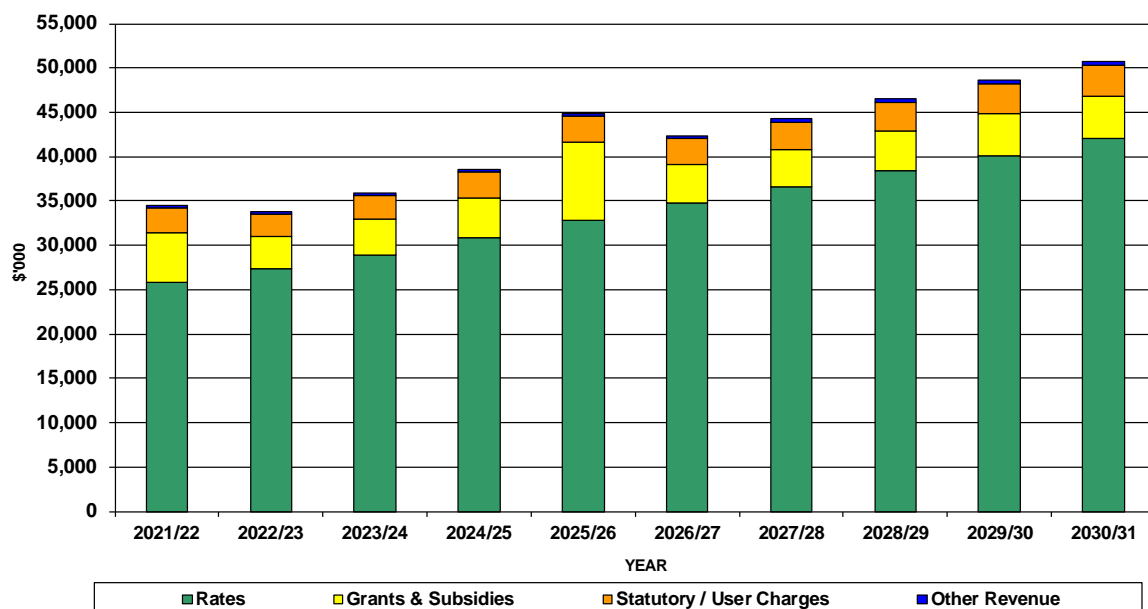
Show the Council realise any proceeds from the sale of surplus property assets, it is recommended that such proceeds be immediately allocated towards the reduction in debt.

Assumptions & Analysis

Operating Revenue Assumptions & Analysis

Graph 2 below provides a graphical analysis of the projected movement in Council's operating revenue over the life of the Long Term Financial Plan.

Graph 2 – Actual / Projected Operating Revenue 2021/22 – 2030/31



The graph above clearly illustrates the traditional on-going reliance placed on Rate revenue to fund the Council's recurrent operating activities.

(a) Rates & Service Charges

This includes revenue from General / Separate rates, Service charges (kerbside waste collection service), levies collected on behalf of State Government agencies (Regional Landscapes levy) and late rate payment penalty fines.

The plan projects an annual increase in General rate revenue as outlined in Table 2 above.

New rate revenue from *future* ratepayers, as informed by the indicative number of new allotments each year, is estimated at between 1.2% - 2.5% over the life of the LTFP. Whilst it is recognised that this is new revenue available to the Council, it will be effectively offset by new additional operating costs incurred (e.g. depreciation on new infrastructure assets acquired, new streetlighting, new reserves to be maintained, and the potential demand for the expansion of existing services culminating from the population growth within the town).

The Council applies a Waste Management Service Charge, pursuant to Section 155 of the *Local Government Act 1999*, to recover the cost of kerbside waste collection and disposal services provided.

(b) Grants, Subsidies and Contributions

Includes Government grants and subsidies and developer contributions from all sources, but excludes revenue specifically provided towards new/upgraded assets.

The main recurrent grants received include the following:

Federal Government:

- General Financial Assistance Grant
- Local Roads Grant
- Supplementary Local Roads Grant (expiring after 2024/25)
- 'Roads to Recovery' Grant (noting Council's 2023/24 grant was prepaid to Council in 2019/20)
- Local Roads & Community Infrastructure Program (Economic Stimulus) – currently forecast to cease after 2023/24

State Government:

- Home Assistance Scheme
- Library Operations

Based on the recent 2022/23 Federal Budget papers, the LTFP is predicated on annual advance payments of the General Financial Assistance Grant and Local Roads Grant no longer continuing after the 2021/22 financial year. This *timing* adjustment of such grant payments is demonstrated in Graph 2 above, which reflects reduced grant funding in the 2022/23 financial year.

The SA Local Government sector continues to lobby the Federal Government for continuation of the Supplementary Local Roads funding post the 2024/25 financial year, to ensure that South Australia receives its fair share of road maintenance funding compared to other States.

The LTFP includes \$4.8m funding from the State Government for the replacement of the existing netball courts at Hallum Drive. Whilst this funding is to be physically received in the 2022/23 financial year, from an accounting perspective the majority of the funding will be accounted for in the 2025/26 financial year coinciding with the timed delivery of the works. The revenue is treated as operating, not capital, revenue on the basis that ownership and maintenance of the courts lies with the Gawler & District Netball Association Inc., pursuant to the ground lease held by the Association over the site.

The LTFP also incorporates developer contributions towards the provision of transport and community infrastructure. The majority of such contributions relate to the Gawler East Development area, with the contributions determined on a per new allotment basis each year. A portion of the Gawler East developer contributions received each year are on-payable to the State Government, as a reimbursement to the State Government towards their cost of constructing the Gawler East Link Road, which was completed in 2020.

The LTFP forecasts an annual increase of 4% in the Federal Government Financial Assistance / Local Roads grant funding, and CPI-indexed increases in other Government grant funding.

(c) Statutory & User Charges

Statutory charges are fees for regulatory services. They are associated with the regulation of an activity (e.g. Development application fees, dog registration fees, etc.) or the granting of a permit/licence.

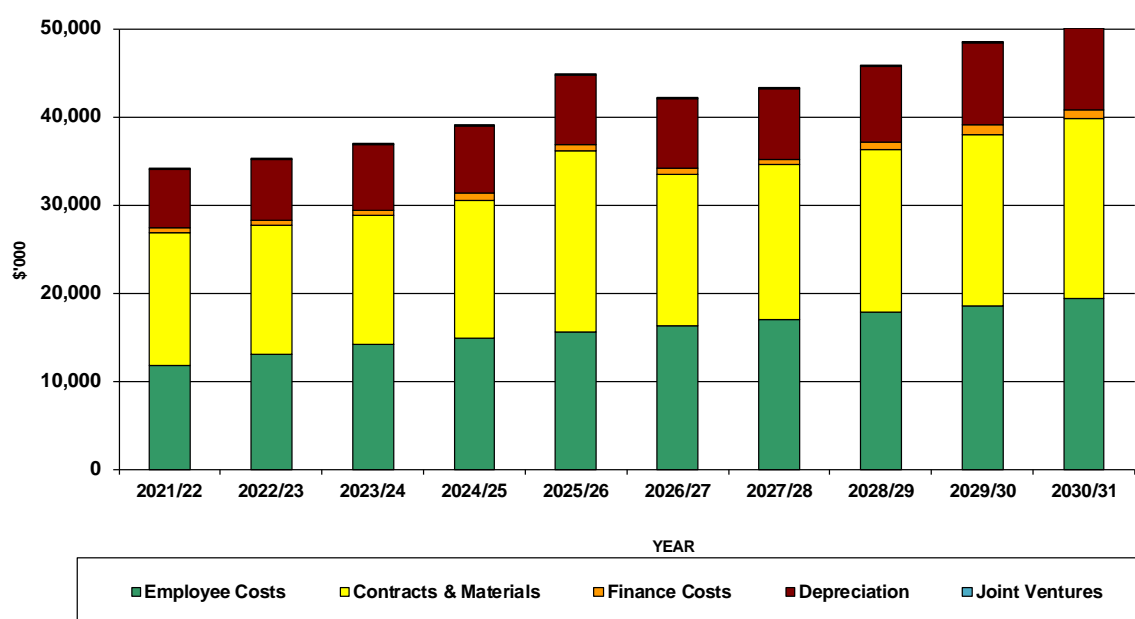
The LTFP provides for CPI-indexed increases in all statutory charges.

User charges relate to the recovery of service delivery costs through the charging of fees to users of Council's services. They include use of community facilities (e.g. Gawler Aquatic Centre, Gawler Sports & Community Centre) and cemetery fees. In instances such as swimming pool fees, the annual revenue collected from such services can fluctuate dramatically from year to year based on factors outside of Council's immediate control (e.g. climatic conditions experienced during the Pool season).

Overall, user charges are forecast to increase by CPI over the life of the LTFP, towards ensuring parity of user charges with the costs of service delivery.

Operating Expenditure Assumptions & Analysis

Graph 3 – Actual/Projected Operating Expenditure 2021/22 – 2030/31



(a) Employee Costs

Employee costs include all labour related expenses such as wages and salaries, and on-costs such as workers compensation / income protection insurance, leave entitlements and employer superannuation.

Employee costs for existing staff are projected to increase by CPI each year over the life of the LTFP, excluding provision for increases in Superannuation expense as a consequence of required annual percentage increases in Council's superannuation contributions (the percentage contribution rate increasing by 0.5% p.a. until a contribution rate of 12% is achieved in 2025/26). Actual increases incurred in direct labour costs will be based on the negotiated outcomes of Enterprise Bargaining Agreements in place at the time.

With the Council being one of the fastest growing in the State, the impact of population and development growth will, over time, trigger the need for additional staff at various intervals. The LTFP provides for a 2.0FTE increase in staff each year as a consequence of such factors.

(b) Materials & Contracts

Materials include payments for physical goods, such as office consumables, water, fuel, electricity and road making materials.

Contracts include payments for the external provision of services, such as domestic waste collection, plant & machinery servicing, insurance, and cleaning services.

The following annual incremental factors have been applied in this update to the LTFP:

- 3-4% p.a. for Water supply & consumption charges (including growth due to the increase in irrigated spaces within new parks/gardens, etc. acquired as a result of new residential land developments). Council has recently invested in initiatives to maximise irrigation efficiency. The amount of water demand / consumed each year on irrigated surfaces will invariably be informed and influenced by the amount and timing of annual rainfall.
- 4% p.a. for Waste disposal and collection costs, incorporating increases due to the expansion of services to new development areas
- 5% p.a. for Electricity (the LTFP does provide, however, for a reduction in electricity costs for 2022/23 as a direct consequence of converting streetlights across the Council area to LED lights)
- Fuel costs increase of 10% in 2022/23 (in consideration of recent major spike in fuel price), following which a 5% annual increase is then incorporated thereafter.
- Other Contracts and Materials increasing by 0.5% less than forecast CPI (the 0.5% reflective of an ongoing efficiency dividend)

Provision has been made within the LTFP for cyclic (but not annual) costs such as periodic Council election costs and elector representation reviews. The next periodic Council election will occur in November 2022.

Indexed funding of \$208,000 per annum, from the 2023/24 financial year, has been provided for 'one-off' or recurring new operating projects and initiatives (consistent with previous LTFP). 75% of this annual provision has been assumed to be 'one-off' in nature, whereas 25% has been assumed to be new recurring costs.

New *recurring* costs, *averaged* at over \$200k p.a. have been provided for as a direct consequence of development growth. This provides for increased costs directly attributable to new residential subdivisions such as streetsweeping, footpath and road maintenance, stormwater maintenance, playgrounds maintenance, etc.

The LTFP also provides for annual repayments to the State Government as a reimbursement towards their cost of constructing the Gawler East Link Road, which was completed in 2020. The amount of each annual repayment is determined and funded by matching developer contributions received relating to the Gawler East Development area, which is informed by the number of new allotments created in the Gawler East Development area each year.

The LTFP also provides for indicative new / increased maintenance costs (\$150k indexed from the 2029/30 financial year), as a direct consequence of the proposed \$50m capital investment in the future major upgrade of the Gawler Aquatic Centre, indicatively earmarked to occur across the 2027/28 – 2028/29 financial years.

(c) Finance Costs

Finance costs cover the costs of financing the Council's activities through borrowings or other types of financial accommodation.

Since 2011, to minimize its net interest costs, Council has solely relied on variable-interest Cash Advance Debentures for any external loan borrowings required. The interest rate on such Debentures, which effectively act as a bank overdraft facility that can be drawn down and repaid as cashflow requirements dictate, increased from 2.05% to 2.8% across May-June 2022 (consistent with movements in the cash rate announced by the Reserve Bank of Australia), after being unchanged since November 2020.

Council's existing fixed-interest rate debt will be repaid in full by February 2026, and attracts interest rates of between 4.99-7.88% (as noted in Table 1 on page 6).

Given that financial markets are anticipating further interest rate rises in the 2022 calendar year, the Administration will continue to closely monitor financial market forecasts to determine whether it would be in the long term financial interest of the Council to 'lock in' (via a fixed interest rate) a component of Council's existing variable interest rate debt, thereby appropriately mitigating future interest rate risk. This consideration will take into effect the fact that variable-interest rate debt can be repaid as cashflow permits, in addition to the estimated longevity of increased interest rates.

Due to effective Treasury Management principles which continue to be applied on a daily basis, Council's Interest Cover Ratio has reduced from 4.9% (2010/11) to 1.9% (2020/21), and is forecasted to then remain relatively stable for the duration of the LTFP (minimum 1.1% in 2027/28, maximum 2.3% in 2029/30), prior to returning to 1.9% in 2030/31.

(d) Depreciation

Depreciation is a statutory 'non-cash' accounting measure which records the consumption of Council's infrastructure, buildings, plant & equipment and furniture & fittings over their useful lives.

There have been major increases in Council's depreciation expense in recent years, to the extent that the amount of depreciation incurred has doubled within the space of just seven years (from \$3.3m in 2014/15 to \$6.7m in 2021/22). This increase has been informed by changes in Australian Accounting Standards interpretation; the value of property and infrastructure assets received from developers as part of new residential land developments (average valuation in the order of \$4m p.a.); the cost of the recently constructed Gawler East Link Road (which became a Council asset upon completion of construction by the State Government in 2020); and Council's own investment in new/upgraded assets (which has averaged, excluding the \$16m investment in the award-winning Gawler Civic Centre, \$4m over the last 7 years).

Whilst Council's depreciation expense is forecast to further increase over the life of the LTFP, primarily due to the estimated valuation of property and infrastructure assets to be received from developers as part of new residential land developments (estimated at an average of \$6.5m across the LTFP), the future rate of increase will be tempered over the next 6 years by Council's reduced investment in discretionary capital expenditure (i.e. new/upgraded assets), as a direct consequence of Council's aspiration to reduce debt.

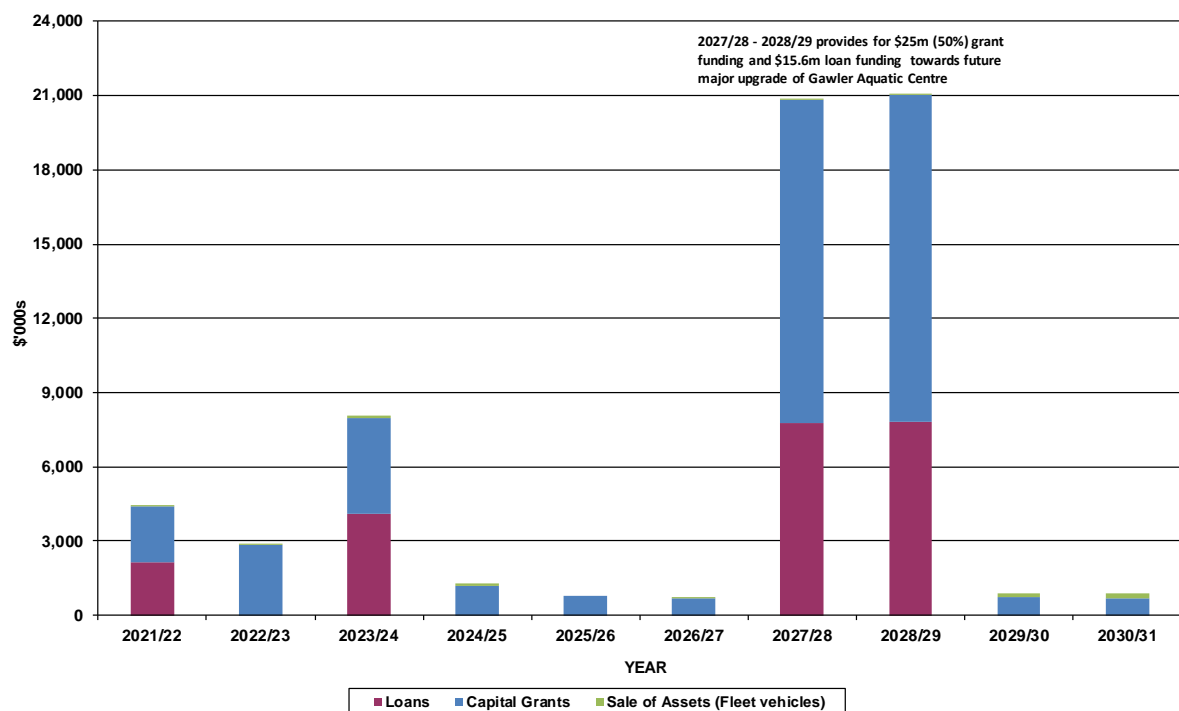
The level of depreciation expense is forecast to then materially increase again in 2028/29 and 2029/30, following the \$50m gross capital provision for the future major upgrade of the Gawler Aquatic Centre across the 2027/28 and 2028/29 financial years.



The Gawler Aquatic Centre is a much loved community asset, attracting approximately 60,000 visits per season. The Long Term Financial Plan provides for \$50m indicative funding, across the 2027/28 and 2028/29 financial years, towards the next major upgrade of the facility.

Capital Revenue analysis

Graph 4 – Estimated Capital Revenue 2021/22 – 2030/31



(a) External Loans

With the Council continuing to realise sustainable operating results, future loan borrowings (short or long term) will effectively be restricted towards the purchase or construction of *new / upgraded* assets, as the cost of replacing / renewing *existing* assets will invariably be able to be funded from Council's surplus operating cashflows.

The LTFP provides for future increases in the variable interest rate up to 4.0% (currently 2.8%). Any further major variation in interest rates is also likely to be accompanied by a significant further variation in inflation rates. This will result in nominal increases in the price of other expenses and probable acceptability of higher nominal increases in General Rates and charges levied by the Council. These nominal increases in revenue and other expenses are likely to mean that the overall relative impact of a significant increase in nominal interest rates is modest.

(b) Grants

Capital grants are not a guaranteed revenue stream as they are reliant on the matching nature of capital works due and the availability of related grants (invariably from higher tiers of government).

Nonetheless, Council continues to have considerable success in securing external grant funding for various capital projects. In this regard, recent success stories include:

- Murray Street (Stage 6 / 7) (\$1.9m)
- Karbeethan Reserve redevelopment (\$1.7m)
- Walker Place precinct redevelopment (\$1m)
- Gawler Mill Inn Bridge refurbishment (\$660k)
- Hillier fire-affected Ground rehabilitation (\$440k)
- Gawler Aquatic Centre amenities upgrade (\$409k)
- Essex Park Master Plan implementation (Princes Park) (\$356k)
- Greater Adelaide Cycleway (\$342k)
- Tambelin Railway Station access improvements (\$150k)
- Changing Places (Martins Place accessible toilets) (\$100k)

The LTFP also provides for future grant funding towards the following proposed initiatives:

- Modular changerooms at three sporting precincts (\$1.338m) (2023/24)
- Gawler Aquatic Centre upgrade (\$25m) (across 2027/28 and 2028/29)

Should Council not be successful in securing the future grant funding above, then it is envisaged that the projects would not proceed, albeit this would ultimately need to be determined by the Council at the time in consideration of the prevailing financial performance / position, and future long term forecasts.

Outside of future grant funding above, a nominal \$300,000 p.a. has been provided in the LTFP for various capital grants revenue.

The LTFP also provides for capital contributions from Gawler East developers towards the provision of future identified traffic interventions within Gawler East. Such contributions are payable on a per new allotment basis as development occurs within the Gawler East Development area. The LTFP provides for, on average, approximately \$330k of contributions being received each year. Such funding is transferred to the associated Internal Equity Reserve, pending future allocation from the Internal Equity Reserve when associated capital works occur.

Prior to the recent State Government election, local Member Tony Piccolo MP advised of State Government grant funding that would be provided towards various projects and initiatives in Gawler should the Labor Party be elected to government. With the Labor Party winning the election, the Council looks forward to working with the State Government towards the implementation of election promises including the following items.

Table 3 – State Government 2022 election promises relating to Gawler

Project / Initiative	Election promise \$	Comments
New Gawler Netball Courts in Essex Park - \$4.8M	\$4.8m	Construct ten (10) new netball courts for the Gawler and Districts Netball Association (GDNA) in Essex Park. The upgrade will include efficient LED lighting for all courts, new shelter, disability access, correct run off distances and improved drainage on the courts and larger car park.
Karbeethan Reserve (Gawler Eagles FC)	\$1m	Build a synthetic pitch for soccer at Karbeethan Reserve
Reid Reserve Playground	\$600,000	Nature playground with adventure play elements (flying fox, rope climb and swings), turf lawn area, mounding, plantings, trees, new paths, furniture, shelter, and a drinking fountain
Tambelin Station Carpark	\$530,000	Build a 'kiss and ride' facility, all day car parking and provision for car parking for people living with disability at the Tambelin Railway Station. Allows for the sealing of the carpark, kerbing and lighting.
Redbanks Road Roundabout Safety Upgrades	\$380,000	Pedestrian safety upgrades at Redbanks Rd roundabout extending to Xavier College which will be of benefit to their students.
Brigalo/Britton Street Playground (Gawler West) and Bacton Street Reserve (Evanston)	81,000	Playground Lighting and Shade installation at Bacton Reserve (\$66,000) and Playground Lighting at Gawler West Reserve (\$15,000)
Inclusive play equipment at Apex Park	60,000	Improve the playground at Apex Park to make it more accessible for people living with disability. Add water, sensory and acoustic features to make the playground more useable for people living with intellectual disabilities.

Council will continue to endeavor to secure external grants wherever possible to supplement its own capital funding.



The new Hemaform Grove Reserve playground, constructed in late 2021, which replaces the previous playground which was at the end of its serviceable life. As part of its Long Term Financial Planning, Council commits appropriate funding towards the replacement / renewal of existing assets, so that existing assets can be replaced at the end of their serviceable lives.



The Town of Gawler was the first Council in South Australia to declare a Climate Emergency. One of Council's aspirational initiatives in its draft Climate Emergency Action Plan 2022-2030 is to transition its fleet to electric vehicles by 2030. Mayor Karen Redman is pictured here next to an electric vehicle charging station adjacent the Gawler Administration Centre.

5. Infrastructure & Asset Management

Infrastructure & Asset Management Plans

The key objectives of the Infrastructure and Asset Management Plans are to:

- Apply the Asset Management Framework to the Council's asset portfolio;
- Effectively manage the Council's financial investment in assets;
- Ensure community requirements and expectations are translated into services through the application of appropriate service levels;
- Demonstrate and facilitate the implementation of whole of life strategies;
- Effectively manage the risks associated with the portfolio;
- Use a set of specific goals and objectives to guide the development and implementation of strategies for management of Council's assets.

Future asset replacement/renewal funding identified in the Infrastructure and Asset Management Plans has been fully provided for within the LTFP.

However, an updated Buildings Condition Audit has been recently completed, which will inform the updated Buildings Asset Management Plan to be tabled to the August 2022 Audit & Risk Committee meeting.

Consequently, there is a degree of financial risk that the existing contingent funding provided in the LTFP for the replacement/renewal of existing Buildings will be less than the optimum funding required outlined in the updated Buildings Asset Management Plan.

Infrastructure Asset Management Policy

The objective of Council's Infrastructure Asset Management Policy (Policy No. 10.1) is to guide the programmed long-term replacement of infrastructure assets.

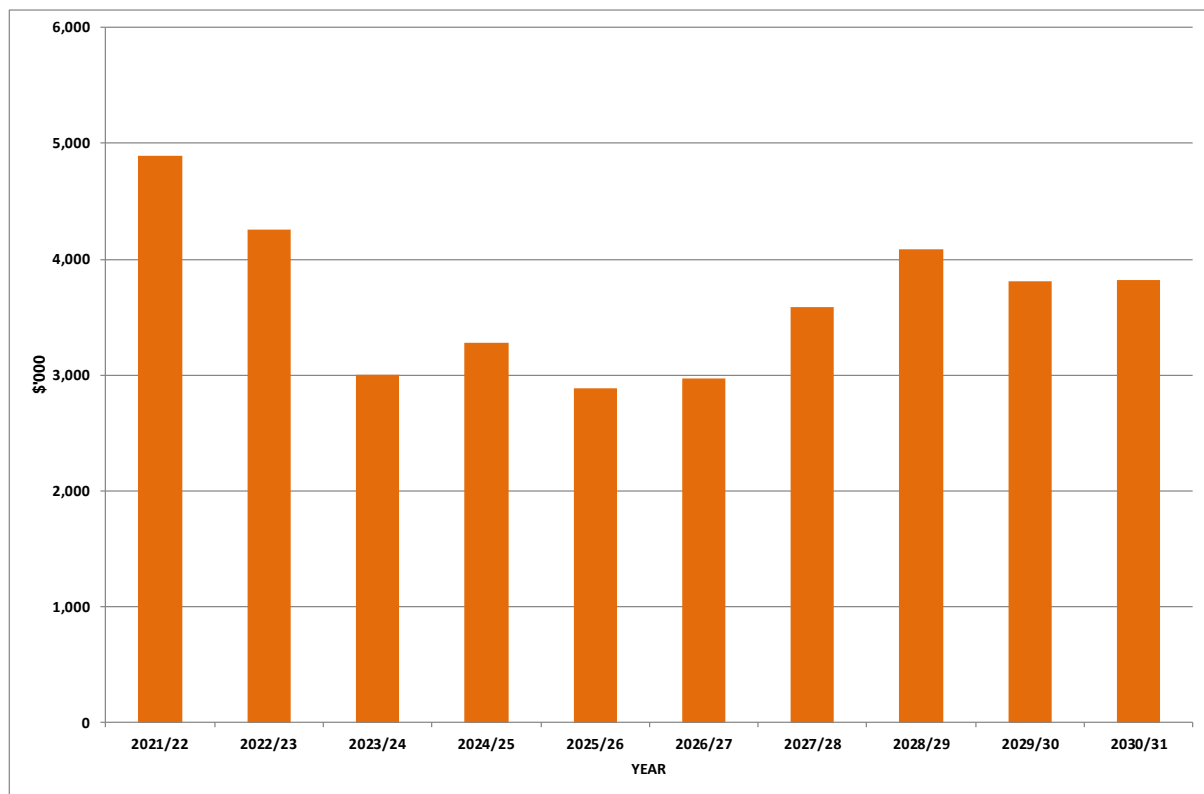
One of the key principles outlined in the Policy is that *'Future life cycle costs will be reported and considered in all decisions relating to new services and assets and/or upgrading of existing services and assets'*.

To this end, the internal process for the annual consideration of new budget bids takes into consideration whole-of-life cycle costs and appropriate risk assessments.

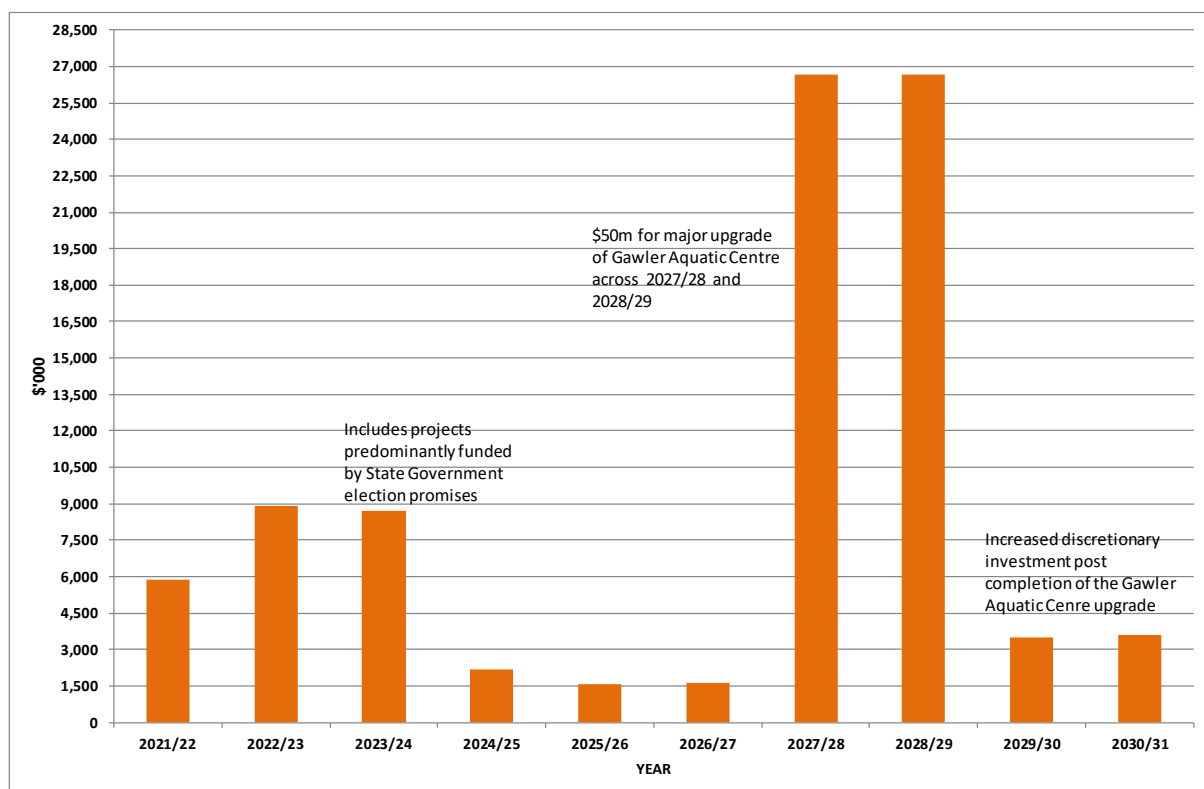
Capital Expenditure Proposals

A comparison between capital expenditure proposals for the replacement / renewal of existing assets and the purchase / construction of new assets are outlined in Graphs 5-6 below.

Graph 5 – Capital Expenditure projections 2021/22 – 2030/31 (Replacement / Renewal)



Graph 6 – Capital Expenditure projections 2021/22 – 2030/31 (New / Upgraded)



Key features of the proposed future capital works programs include:

i. New / Upgraded assets:

Over the life of the LTFP, funding allocated includes:

- \$50m towards the major upgrade of the Gawler Aquatic Centre (across the 2027/28 and 2028/29 financial years, and subject to 50% Government grant funding being secured)
- \$7.1m towards the progressive upgrade of Karbeethan Reserve (across the 2021/22 – 2023/24 financial years), as informed by the Masterplan for the precinct
- \$2.556m for modular changerooms at 3 key sporting precincts (subject to \$1.248m of grant funding being secured – 2023/24)
- \$1.5m indexed funding p.a. towards these and/or other Discretionary Capital investment, increasing to \$3.5m (from 2029/30) following the proposed completion of the major upgrade of the Gawler Aquatic Centre

Note: All of the above are subject to future Council ratification on a project by project basis.

The investment in New/Upgraded Assets will invariably culminate in new recurring depreciation and maintenance expenses being incurred by the Council.

Being mindful of this, Council's Budget Management Policy prescribes that all new projects and capital works programs will be evaluated in terms of meeting Council's strategic directions and incorporate a cost benefit analysis which includes whole of life costing.

Some capital investment initiatives, however, are considered in the context of reducing Council's recurring costs – the Council's \$1.3m investment in the conversion of existing streetlights across the Council area to LED lights being representative of this. This initiative is estimated to realise annual electricity savings in the order of \$200k.

Compared to recent years, the LTFP proposes a reduction in discretionary capital investment over the next five years, towards reducing debt and creating future borrowing capacity for the proposed major upgrade of the Gawler Aquatic Centre across the 2027/28 and 2028/29 financial years.

ii. Replacement / Renewal of existing assets:

Over the life of the LTFP, on average, \$3.7m is provided for the replacement and renewal of existing assets, consistent with the optimum funding for such outlined in Council's Asset Management Plan.

Council's investment in the replacement/renewal of existing assets is deemed to be capital expenditure of a 'non-discretionary' nature, thereby ensuring existing assets continue to be maintained at the appropriate service level, and avoiding the incremental development of an infrastructure 'backlog'.

6. Rating Strategy

Strategic Rating Policy

The current Strategic Rating Policy was initially adopted by Council in June 2012, and is reviewed on an annual basis to ensure it remains contemporary and equitable.

The key rating methodology change incorporated within the Strategic Rating Policy from the 2012/13 financial year was the introduction of an innovative 'tiered' rating approach for all Commercial and Industrial properties, and the disbandment of the previous Car Parking Separate Rate which had previously applied since 2001.

The 'tiered' rating concept for Commercial and Industrial properties (based on various property valuation ranges) introduced a rating methodology which more equitably distributes the rate burden based on a capacity to pay – rather than simply leaving such capacity to be determined by the individual property valuation as had previously been the case. The methodology, which essentially operates similar to a progressive taxation system, has been applied based in recognition of the fact that high-valued commercial properties such as national food/supermarket chains have a far greater capacity to pay (particularly via economies of scale) than low-valued small local businesses, and that they also have a far greater impact on Council's road infrastructure.

It is important to note that the Strategic Rating Policy only proposes *how* the annual rate burden should be equitably distributed across the community, as distinct from the quantum of rate revenue required which is outlined in the LTFP and the annual Budget / Business Plan.

A copy of the Strategic Rating Policy can be downloaded from Council's website at www.gawler.sa.gov.au.

Impact on Ratepayers

Cognisant of Council's strategic financial indicator target of achieving an operating surplus ratio of between 0-10% over any five year rolling period, the LTFP reflects future increases in General Rate revenue as outlined in Table 4 below.

Table 4 – LTFP 2021/22 – 2030/31: Future General Rate revenue increases

	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31
Existing Ratepayers	3.25%	4.25%	4.25%	4.25%	3.75%	3.75%	3.5%	3.5%	3.5%
Existing Ratepayers: contribution towards future major upgrade of the Gawler Aquatic Centre	0.25%	0.25%	0.25%	0.25%	0.25%	-	-	-	-
'New' General Rate revenue from growth	2.40%	1.50%	2.50%	2.20%	1.80%	1.60%	1.50%	1.20%	1.20%

Such increases, informed by various external economic forecasts from the Reserve Bank of Australia and the National Australia Bank, are required to ensure that annual operating costs are funded from annual operating revenue, thereby ensuring a sustainable recurrent operating position and inter-generational equity.

7. Service Delivery Strategy

The recurrent expenditure of any Council is ultimately determined and driven by the myriad of various service levels provided to the community – ranging from the frequency of cleaning of public conveniences to the frequency of street-sweeping or cleaning of stormwater drains.

In December 2013, Council adopted Policy 6.13 *Service Range Policy*, which discloses the range of services provided by the Council.

Following the adoption of this Policy, Council has progressively been developing and adopting *Service Level Policies* for some of the services outlined in the Service Range Policy. Development of the Service Level Policies provides an opportunity for Council to review all aspects of a particular service, to ensure it is provided in an efficient manner and at a level that can be appropriately sustained.

A review of Service Levels is to be considered as a Budget Bid for the 2022/23 financial year.



One of Council's many services provided to residents is the weekly kerbside waste collection and disposal service. Council continues to work with its subsidiary partner, the Northern Adelaide Waste Management Service (NAWMA), towards implementing initiatives to increase landfill diversion rates.

8. General Rates Sensitivity Analysis

Rating sensitivity analysis has been undertaken relative to future increases in General Rate revenue from existing ratepayers, based on the scenarios outlined in Table 5 below.

Table 5 – LTFP Rating Sensitivity analysis

	21/22	22/23*	23/24*	24/25*	25/26*	26/27*	27/28	28/29	29/30	30/31
LTFP General Rates incr. less 1%	2.5%	2.5%	3.5%	3.5%	3.5%	3.0%	2.75%	2.5%	2.5%	2.5%
LTFP General Rates incr. less 0.5%	2.5%	3.0%	4.0%	4.0%	4.0%	3.5%	3.25%	3.0%	3.0%	3.0%
LTFP	2.5%	3.5%	4.5%	4.5%	4.5%	4.0%	3.75%	3.5%	3.5%	3.5%
LTFP General Rates incr. plus 0.5%	2.5%	4.0%	5.0%	5.0%	5.0%	4.5%	4.25%	4.0%	4.0%	4.0%
LTFP General Rates incr. plus 1.0%	2.5%	4.5%	5.5%	5.5%	5.5%	5.0%	4.75%	4.5%	4.5%	4.5%

*Each scenario incorporates a 0.25% contribution above the base General Rate increase for the next five years (i.e. 2022/23 – 2026/27) towards the future major upgrade of the Gawler Aquatic Centre (\$50m), earmarked to occur from the 2027/28 financial year.

All other elements of the LTFP remain unchanged (other than Loan borrowings and Finance costs which will be informed by the differing level of cash proceeds received under each rating scenario).

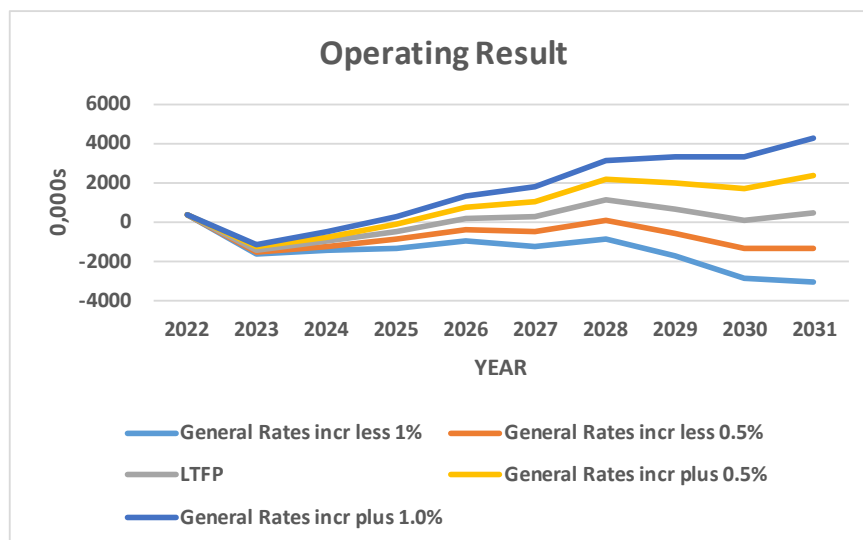
The outcomes of the sensitivity analysis on Council's key financial indicators is outlined below (noting that an Asset Renewal Funding Ratio of 100% is maintained under each scenario).

Operating Result

(Red shading = outside of Council policy target; Green shading = within Council policy target)

Table 6 / Graph 7 – Rating sensitivity analysis – Operating Result (2022-2031)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Operating Result										
LTFP General Rates incr less 1%	380	-1605	-1428	-1274	-948	-1242	-813	-1712	-2810	-3013
LTFP General Rates incr less 0.5%	380	-1492	-1187	-882	-384	-486	155	-511	-1356	-1280
LTFP	380	-1379	-944	-486	189	284	1145	723	145	516
LTFP General Rates incr plus 0.5%	380	-1266	-701	-86	769	1067	2158	1990	1694	2378
LTFP General Rates incr plus 1.0%	380	-1154	-456	317	1357	1866	3194	3292	3292	4307

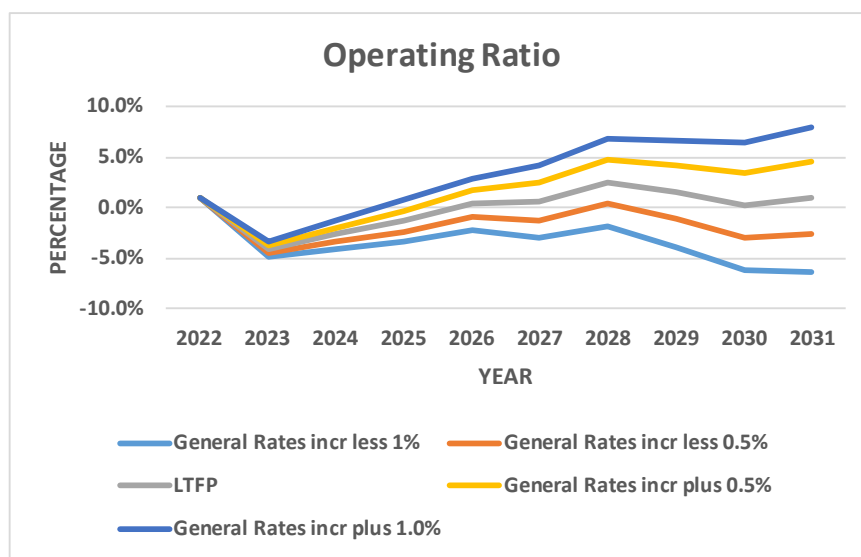


Operating Ratio

(Red shading = outside of Council policy target; Green shading = within Council policy target)

Table 7 / Graph 8 - Rating sensitivity analysis – Operating Ratio (2022-2031)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Operating Ratio										
LTFP General Rates incr less 1%	1.1%	-4.8%	-4.0%	-3.4%	-2.2%	-3.0%	-1.9%	-3.9%	-6.1%	-6.3%
LTFP General Rates incr less 0.5%	1.1%	-4.4%	-3.3%	-2.3%	-0.9%	-1.2%	0.4%	-1.1%	-2.9%	-2.6%
LTFP	1.1%	-4.1%	-2.6%	-1.3%	0.4%	0.7%	2.6%	1.6%	0.3%	1.0%
LTFP General Rates incr plus 0.5%	1.1%	-3.7%	-1.9%	-0.2%	1.7%	2.5%	4.8%	4.2%	3.4%	4.5%
LTFP General Rates incr plus 1.0%	1.1%	-3.4%	-1.3%	0.8%	2.9%	4.3%	6.9%	6.7%	6.4%	8.0%



Whilst planned annual increases in General Rate revenue will be a key informing factor as part of Council's methodology regarding ongoing financial sustainability (based on General Rate revenue representing two-thirds of Council's recurrent revenue), Council should also continually review its other operating expenditure and revenue elements. Similarly, it should also consider the future financial impacts (i.e. new maintenance and depreciation costs, and increased net Finance costs) that will directly flow from major investment in new/upgraded assets.

It is also important to note that the Town of Gawler is one of the fastest growing Councils' in the State, which naturally culminates in significant growth challenges (and potential opportunities). It is widely acknowledged that there may be legitimate and appropriate circumstances where a growth Council operates within an operating deficit environment for a short period of time, nonetheless providing there is an appropriate and sustainable plan to return to an operating surplus within a certain period of time.

The graph/tables above reflect that, all else being equal, General Rate increases below those incorporated within this LTFP are not operationally sustainable and would effectively culminate in Council not returning to an operating surplus over the 10 year LTFP horizon.

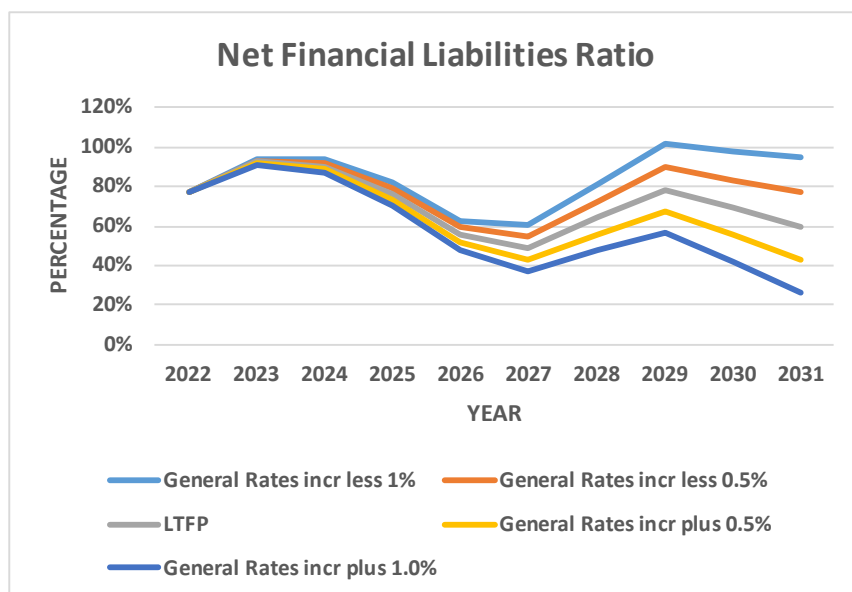
The tables and graphs above reflect that it is only the General Rate increases reflected in this LTFP (and above) that would, all else being equal, effectively achieve Council's target of a return to an Operating surplus within the short to medium term.

Net Financial Liabilities Ratio

(Red shading = outside of Council policy / aspirational target; Green shading = within Council policy / aspirational target)

Table 8 / Graph 9 - Rating sensitivity analysis – Net Financial Liabilities Ratio (2022-2031)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Net Financial Liabilities Ratio										
LTFP General Rates incr less 1%	78%	94%	94%	82%	63%	60%	81%	102%	98%	95%
LTFP General Rates incr less 0.5%	78%	93%	92%	79%	59%	54%	73%	90%	83%	77%
LTFP	78%	93%	90%	76%	55%	48%	64%	79%	69%	60%
LTFP General Rates incr plus 0.5%	78%	92%	89%	74%	52%	43%	56%	68%	55%	43%
LTFP General Rates incr plus 1.0%	78%	91%	87%	71%	48%	37%	48%	57%	42%	27%



Council's policy target, and the generally accepted industry target, is that the Net Financial Liabilities Ratio should be between 0-100%, such that its Net Financial Liabilities should not exceed its total Operating Revenue.

However, at the 22 February 2022 meeting, Council also determined aspirational targets for its Net Financial Liabilities Ratio of <75% within 3 years (2025) and <50% within 5 years (2027), consistent with Council's desire to reduce debt and incrementally build important future borrowing capacity for the future major upgrade of the Gawler Aquatic Centre.

As outlined in Table 8 / Graph 9 above, it is only the General Rate increases incorporated within this LTFP (and above) that are effectively forecast to achieve Council's aspirational ratio target (noting this updated LTFP only exceeds the 2025 target of 75% by one basis point (i.e. 76%).

It is important to consider the compounding effect of each General Rates increase scenario on Council's debt – in this regard, the lowest scenario increase would culminate in estimated debt of \$36.3m as at 30 June 2031, whereas the highest scenario would culminate in estimated debt of only \$5.7m as at the same date, representing a variance of over \$30m in debt between the two outlier scenarios.

9. Financial Reports

Estimated Statement of Comprehensive Income

	2021/22 \$'000s Forecast	2022/23 \$'000s Forecast	2023/24 \$'000s Forecast	2024/25 \$'000s Forecast	2025/26 \$'000s Forecast	2026/27 \$'000s Forecast	2027/28 \$'000s Forecast	2028/29 \$'000s Forecast	2029/30 \$'000s Forecast	2030/31 \$'000s Forecast
INCOME										
Rates	25,788	27,313	28,908	30,860	32,860	34,722	36,548	38,355	40,143	42,015
Statutory Charges	912	843	878	905	932	960	989	1,018	1,049	1,080
User Charges	1,758	1,779	1,854	1,919	1,987	2,056	2,128	2,203	2,280	2,360
Grants, subsidies and contributions	5,700	3,645	4,038	4,538	8,830	4,337	4,256	4,517	4,692	4,814
Investment Income	27	27	27	27	27	27	27	27	27	27
Reimbursements	253	207	205	208	211	214	218	221	225	229
Other Revenues	58	31	32	33	34	35	36	38	39	40
Net gain - Equity Accounted Council Businesses	5	0	0	8	35	52	108	100	113	113
TOTAL INCOME	34,501	33,844	35,943	38,498	44,916	42,403	44,310	46,479	48,569	50,679
EXPENSES										
Employee Costs	11,753	13,083	14,117	14,835	15,584	16,288	17,019	17,776	18,555	19,352
Materials, Contracts & Other Expenses	15,099	14,617	14,684	15,637	20,544	17,129	17,554	18,456	19,419	20,444
Finance Costs	533	511	568	798	713	699	512	822	1,135	1,001
Depreciation, Amortisation & Impairment	6,680	6,965	7,471	7,666	7,838	7,957	8,034	8,656	9,267	9,318
Net loss - Equity Accounted Council Businesses	56	47	47	47	47	47	47	47	47	47
TOTAL EXPENSES	34,121	35,223	36,887	38,984	44,727	42,120	43,165	45,756	48,423	50,163
OPERATING SURPLUS / (DEFICIT)	380	(1,379)	(944)	(486)	189	284	1,145	723	145	516
Asset Disposal & Fair Value Adjustments	46	0	0	0	0	0	0	0	0	0
Amounts received specifically for new or upgraded assets	2,217	2,827	3,894	1,206	788	686	13,087	13,192	723	705
Physical resources received free of charge	4,200	9,525	4,775	10,200	8,825	6,925	6,225	5,750	4,575	4,450
NET SURPLUS / (DEFICIT)	6,843	10,973	7,725	10,920	9,802	7,894	20,457	19,665	5,443	5,671
OTHER COMPREHENSIVE INCOME										
Changes in Revaluation Surplus	0	0	0	0	0	0	0	0	0	0
Share of Other Comprehensive Income - Equity Accounted Council Businesses	0	0	0	0	0	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME	6,843	10,973	7,725	10,920	9,802	7,894	20,457	19,665	5,443	5,671

Estimated Balance Sheet

	2021/22 \$'000s Forecast	2022/23 \$'000s Forecast	2023/24 \$'000s Forecast	2024/25 \$'000s Forecast	2025/26 \$'000s Forecast	2026/27 \$'000s Forecast	2027/28 \$'000s Forecast	2028/29 \$'000s Forecast	2029/30 \$'000s Forecast	2030/31 \$'000s Forecast
ASSETS										
Current Assets										
Cash and cash equivalents	100	100	100	100	100	100	100	100	100	100
Trade & other receivables	2,019	1,523	1,617	1,732	2,021	1,908	1,994	2,092	2,186	2,281
Loans to Community Groups	6	6	3	3	3	1	1	1	2	0
Inventories	17	17	17	17	17	17	17	17	17	17
Total Current Assets	2,142	1,646	1,738	1,853	2,141	2,026	2,112	2,210	2,304	2,398
Non-Current Assets										
Loans to Community Groups	141	135	132	129	126	125	124	123	121	122
Investments in subsidiaries	4,642	4,595	4,548	4,509	4,497	4,502	4,563	4,616	4,682	4,748
Infrastructure, Property, Plant & Equipment	323,971	339,572	348,477	356,289	361,678	365,162	393,440	421,225	423,567	425,804
Total Non-Current Assets	328,754	344,302	353,157	360,927	366,301	369,789	398,127	425,964	428,370	430,674
TOTAL ASSETS	330,896	345,947	354,895	362,780	368,442	371,815	400,239	428,174	430,675	433,072
LIABILITIES										
Current Liabilities										
Trade & Other Payables	4,986	12,191	9,840	8,774	4,761	4,572	4,441	4,516	4,538	4,524
Borrowings - Fixed Term Debentures	1,107	831	594	307	0	0	0	0	0	1
Provisions / Lease Liabilities	3,071	3,071	3,071	3,071	3,071	3,071	3,071	3,071	3,071	3,071
Total Current Liabilities	9,164	16,093	13,505	12,152	7,832	7,643	7,512	7,587	7,609	7,596
Non-Current Liabilities										
Trade & Other Payables										
Borrowings - Fixed Term Debentures	1,732	901	307	0	0	0	0	0	0	(1)
Borrowings - Cash Advance Facility	17,528	15,215	19,310	17,616	17,466	12,793	20,539	28,373	25,036	21,393
Provisions	571	865	1,174	1,493	1,824	2,164	2,515	2,877	3,249	3,632
Other Non-Current Liabilities	56	56	56	56	56	56	56	56	56	56
Total Non-Current Liabilities	19,887	17,037	20,847	19,165	19,346	15,013	23,110	31,306	28,341	25,080
TOTAL LIABILITIES	29,051	33,130	34,352	31,317	27,177	22,656	30,622	38,893	35,950	32,677
NET ASSETS	301,845	312,818	320,543	331,462	341,265	349,159	369,616	389,281	394,725	400,395
EQUITY										
Accumulated Surplus	112,828	123,966	131,148	141,483	150,323	157,445	177,702	196,678	201,363	206,289
Asset Revaluation Reserve	185,714	185,714	185,714	185,714	185,714	185,714	185,714	185,714	185,714	185,714
Other Reserves	3,303	3,138	3,681	4,266	5,228	6,000	6,200	6,890	7,648	8,392
TOTAL EQUITY	301,845	312,818	320,543	331,462	341,265	349,159	369,616	389,281	394,725	400,395

Estimated Statement of Changes in Equity

	2021/22 \$'000s Forecast	2022/23 \$'000s Forecast	2023/24 \$'000s Forecast	2024/25 \$'000s Forecast	2025/26 \$'000s Forecast	2026/27 \$'000s Forecast	2027/28 \$'000s Forecast	2028/29 \$'000s Forecast	2029/30 \$'000s Forecast	2030/31 \$'000s Forecast
ACCUMULATED SURPLUS										
Balance at end of previous reporting period	106,407	112,828	123,966	131,148	141,483	150,323	157,445	177,702	196,678	201,363
Net Surplus/(Deficit) for year	6,843	10,973	7,725	10,920	9,802	7,894	20,457	19,665	5,443	5,671
Transfers to Other Reserves	(533)	(807)	(543)	(585)	(962)	(773)	(532)	(699)	(758)	(744)
Transfers from Other Reserves	110	972	0	0	0	0	0	0	0	0
Balance at end of period	112,827	123,966	131,148	141,483	150,323	157,445	177,370	196,669	201,363	206,289
ASSET REVALUATION RESERVE	185,714	185,714	185,714	185,714	185,714	185,714	185,714	185,714	185,714	185,714
OTHER RESERVES										
Car Parks										
Balance at end of previous reporting period	631	636	642	649	655	662	668	675	682	689
Transfers from Accumulated Surplus	5	6	6	6	7	7	7	7	7	7
Transfers to Accumulated Surplus	0	0	0	0	0	0	0	0	0	0
Balance at end of period	636	642	649	655	662	668	675	682	689	696
Property										
Balance at end of previous reporting period	1,055	954	0	0	0	0	0	0	0	0
Transfers from Accumulated Surplus	9	0	0	0	0	0	0	0	0	0
Transfers to Accumulated Surplus	(110)	(954)	0	0	0	0	0	0	0	0
Balance at end of period	954	0	0	0	0	0	0	0	0	0
Gawler East Development										
Balance at end of previous reporting period	1,082	1,601	2,341	2,814	3,325	4,208	4,897	5,422	6,114	6,865
Transfers from Accumulated Surplus	519	740	473	511	883	689	525	692	751	737
Transfers to Accumulated Surplus	0	0	0	0	0	0	0	0	0	0
Balance at end of period	1,601	2,341	2,814	3,325	4,208	4,897	5,422	6,114	6,865	7,602
Gawler Aquatic Centre										
Balance at end of previous reporting period		0	60	124	192	264	341			
Transfers from Accumulated Surplus		60	64	68	72	77	0			
Transfers to Accumulated Surplus		0	0	0	0	0	(332)			
Balance at end of period	0	60	124	192	264	341	9	0	0	0
Other Reserves										
Balance at end of previous reporting period	112	112	94	94	94	94	94	94	94	94
Transfers from Accumulated Surplus	0	0	0	0	0	0	0	0	0	0
Transfers to Accumulated Surplus	0	(18)	0	0	0	0	0	0	0	0
Balance at end of period	112	94	94	94	94	94	94	94	94	94
TOTAL OTHER RESERVES AT END OF PERIOD	3,303	3,138	3,681	4,266	5,228	6,000	6,200	6,890	7,648	8,392
TOTAL EQUITY AT END OF PERIOD	301,844	312,818	320,543	331,462	341,265	349,159	369,284	389,272	394,725	400,395

Estimated Cash Flow Statement

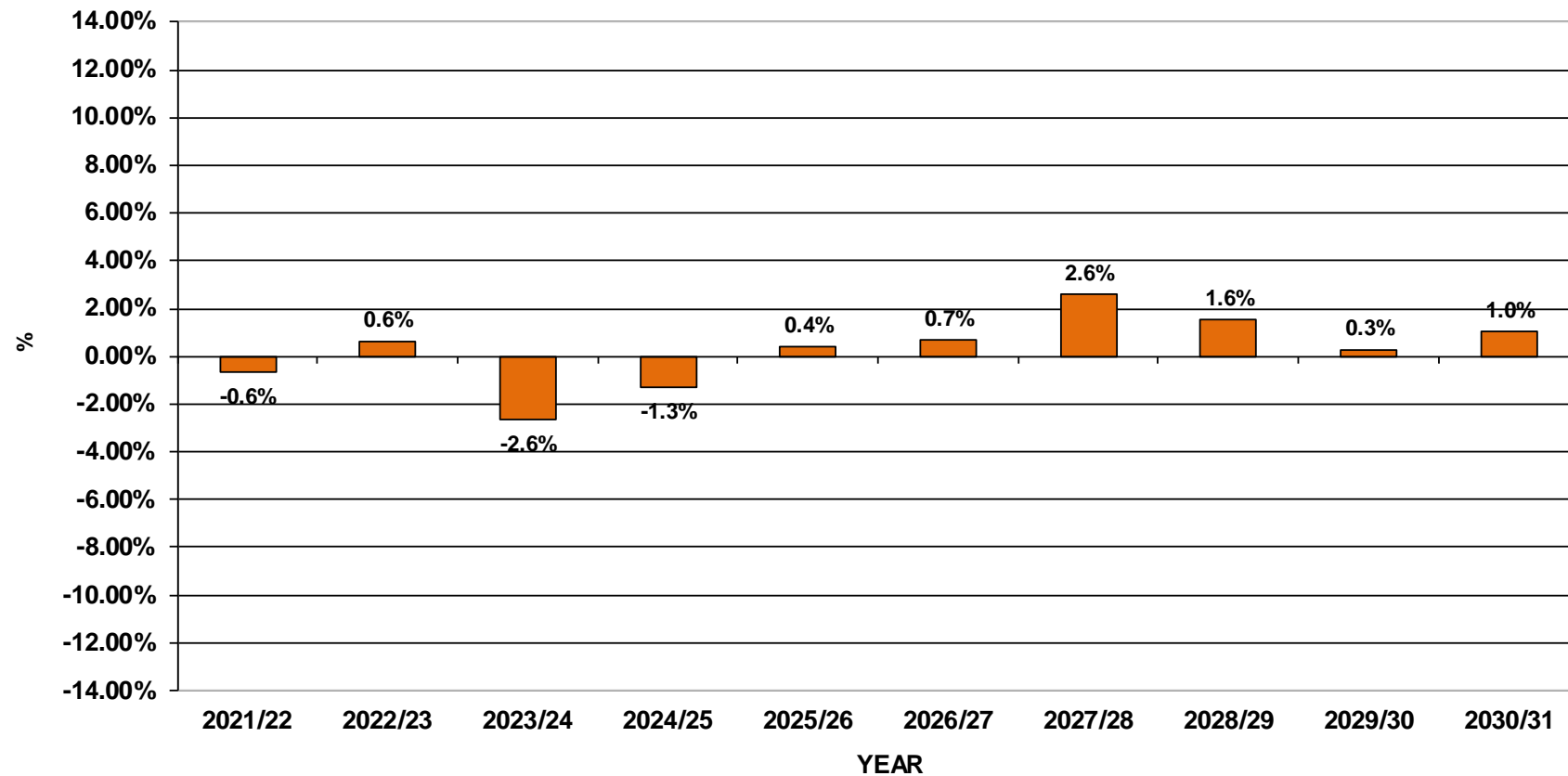
	2021/22 \$'000s Forecast	2022/23 \$'000s Forecast	2023/24 \$'000s Forecast	2024/25 \$'000s Forecast	2025/26 \$'000s Forecast	2026/27 \$'000s Forecast	2027/28 \$'000s Forecast	2028/29 \$'000s Forecast	2029/30 \$'000s Forecast	2030/31 \$'000s Forecast
CASH FLOWS FROM OPERATING ACTIVITIES										
<i>Receipts:</i>										
Investment receipts	27	27	27	27	27	27	5	5	5	5
Operating receipts	34,628	39,113	35,821	37,868	40,245	42,437	44,111	46,276	48,357	50,466
<i>Payments:</i>										
Finance payments	(533)	(511)	(568)	(798)	(713)	(699)	(512)	(822)	(1,135)	(1,001)
Operating payments to suppliers & employees	(26,015)	(27,571)	(28,873)	(30,139)	(35,492)	(33,265)	(34,353)	(35,795)	(37,581)	(39,426)
Net cash provided by (or used in) Operating Activities	8,107	11,058	6,407	6,958	4,067	8,500	9,252	9,664	9,646	10,043
CASH FLOW FROM INVESTING ACTIVITIES										
<i>Receipts:</i>										
Amounts specifically for new or upgraded assets	1,385	5,397	1,924	606	788	686	13,087	13,192	723	705
Sale of assets	162	108	110	160	70	74	157	86	280	280
Repayment of loans by community groups	13	6	6	3	3	3	1	1	1	2
<i>Payments:</i>										
Expenditure on renewal/replacement of assets	(4,897)	(4,255)	(3,005)	(3,278)	(2,880)	(2,967)	(3,587)	(4,088)	(3,814)	(3,815)
Expenditure on new/upgraded assets	(5,881)	(8,894)	(8,706)	(2,161)	(1,592)	(1,624)	(26,656)	(26,689)	(3,500)	(3,570)
Loans made to community groups	0	0	0	0	0	0	0	0	0	(1)
Net cash provided by (or used in) Investment Activities	(9,218)	(7,638)	(9,671)	(4,670)	(3,610)	(3,828)	(16,998)	(17,498)	(6,310)	(6,399)
CASH FLOWS FROM FINANCING ACTIVITIES										
<i>Receipts:</i>										
Proceeds from external borrowings (Fixed interest)	0	0	0	0	0	0	0	0	0	0
Proceeds from external borrowings (Variable interest)	2,159	0	4,095	0	0	0	7,746	7,834	0	0
Proceeds from Bonds & Deposits	0	0	0	0	0	0	0	0	0	0
<i>Payments:</i>										
Repayment of external borrowings (Fixed interest)	(1,037)	(1,107)	(831)	(594)	(307)	0	0	0	0	0
Repayment of external borrowings (Variable interest)	0	(2,313)	0	(1,694)	(150)	(4,673)	0	0	(3,337)	(3,643)
Repayment of Bonds & Deposits	0	0	0	0	0	0	0	0	0	0
Net cash provided by (or used in) Financing Activities	1,122	(3,420)	3,264	(2,288)	(457)	(4,673)	7,746	7,834	(3,337)	(3,643)
Net Increase/(Decrease) in Cash held	11	(0)	0	0	(0)	(0)	0	1	(1)	1
Cash at beginning of period	89	100	100	100	100	100	100	100	100	100
CASH AT END OF PERIOD	100	100	100	100	100	100	100	100	100	100

Summary Statement including Financing Transactions

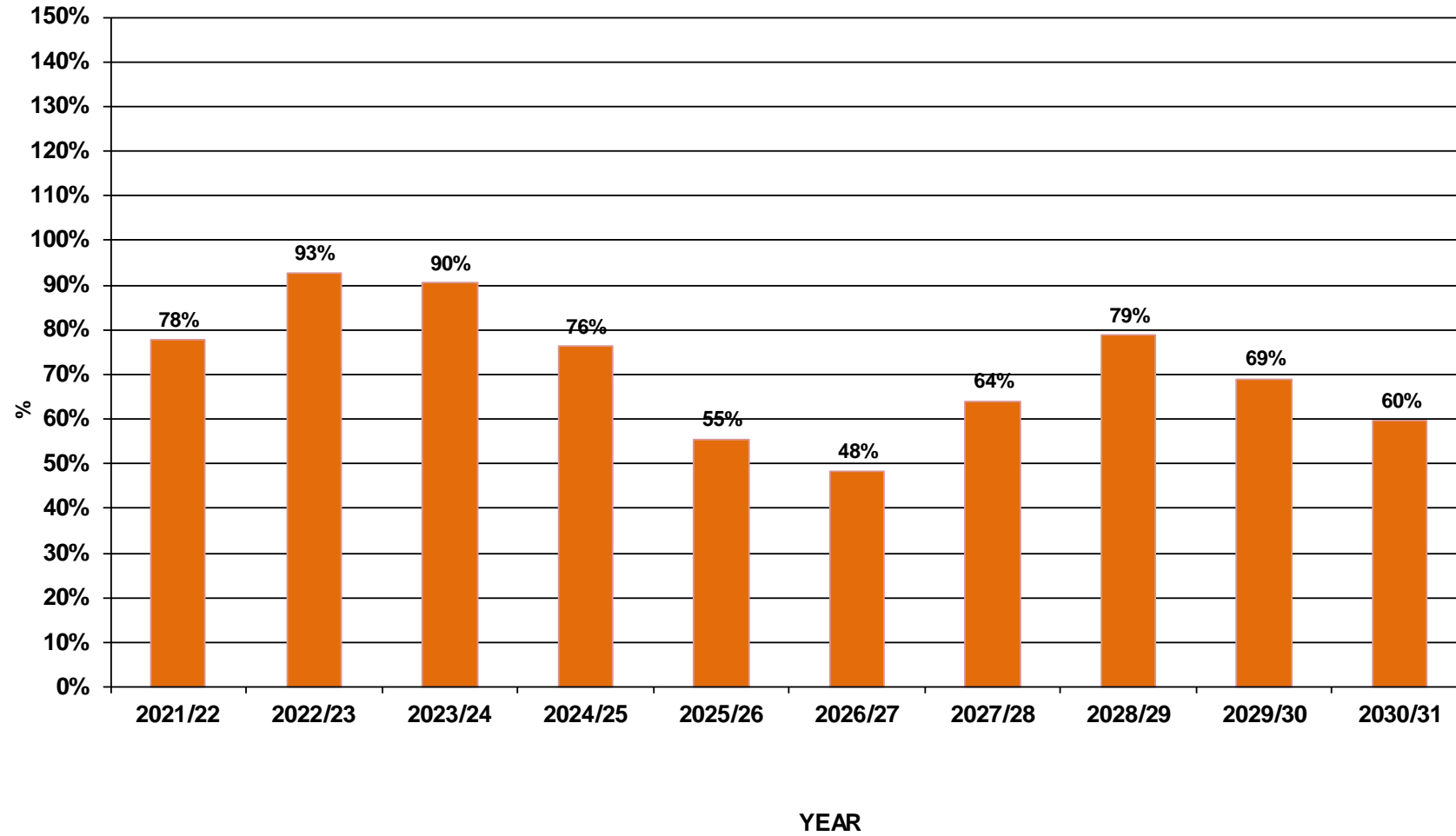
	2021/22 \$'000s Forecast	2022/23 \$'000s Forecast	2023/24 \$'000s Forecast	2024/25 \$'000s Forecast	2025/26 \$'000s Forecast	2026/27 \$'000s Forecast	2027/28 \$'000s Forecast	2028/29 \$'000s Forecast	2029/30 \$'000s Forecast	2030/31 \$'000s Forecast
Operating Revenues	34,501	33,844	35,943	38,498	44,916	42,403	44,310	46,479	48,569	50,679
less Operating Expenses	(34,121)	(35,223)	(36,887)	(38,984)	(44,727)	(42,120)	(43,165)	(45,756)	(48,423)	(50,163)
Operating Surplus / (Deficit)	380	(1,379)	(944)	(486)	189	284	1,145	723	145	516
less Net outlays on existing Assets										
Capital expenditure on renewal and replacement of existing assets	(4,897)	(4,255)	(3,005)	(3,278)	(2,880)	(2,967)	(3,587)	(4,088)	(3,814)	(3,815)
less Depreciation, Amortisation and Impairment	6,680	6,965	7,471	7,666	7,838	7,957	8,034	8,656	9,267	9,318
less Proceeds from Sale of Replaced Assets	162	108	110	160	70	74	157	86	280	280
	1,945	2,818	4,576	4,548	5,028	5,064	4,604	4,654	5,733	5,783
less Net outlays on New and Upgraded Assets										
Capital expenditure on New and Upgraded Assets	(5,881)	(8,894)	(8,706)	(2,161)	(1,592)	(1,624)	(26,656)	(26,689)	(3,500)	(3,570)
less Amounts received specifically for New and Upgraded Assets	1,385	5,397	1,924	606	788	686	13,087	13,192	723	705
less Proceeds from Sale of Surplus Assets	(40)	0	0	0	0	0	0	0	0	0
	(4,536)	(3,497)	(6,782)	(1,555)	(803)	(938)	(13,569)	(13,497)	(2,777)	(2,865)
Net Lending / (Borrowing) for Financial Year	(2,211)	(2,058)	(3,150)	2,508	4,414	4,410	(7,820)	(8,121)	3,101	3,434

10. Financial Indicators

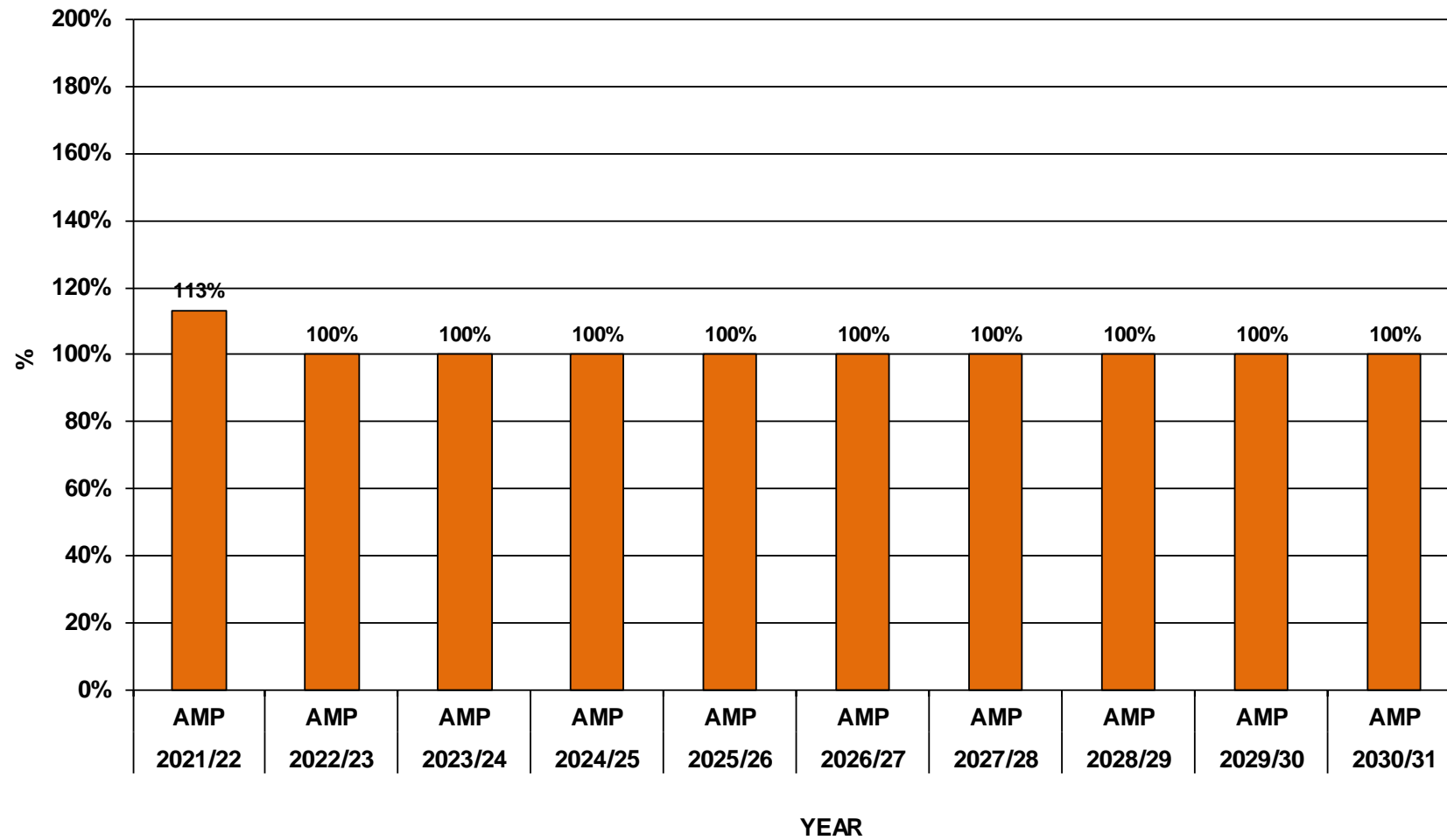
Operating Surplus / (Deficit) Ratio (Operating Result as a % of total Operating Revenue)



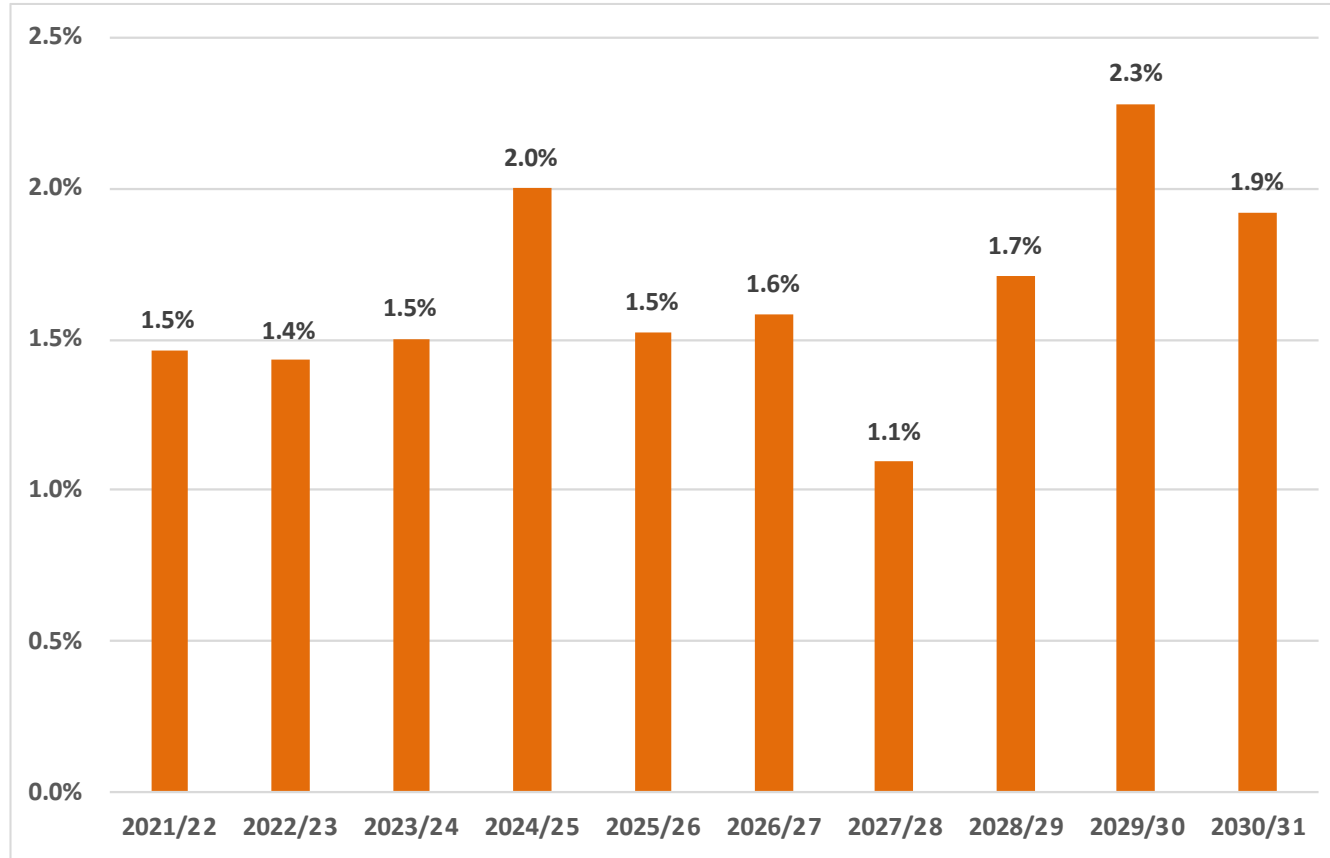
Net Financial Liabilities Ratio (Net Financial Liabilities as a % of total Operating Revenue)



Asset Renewal Funding Ratio (actual Asset Replacement / Renewal investment as a % of optimum funding disclosed in Asset Management Plan)



Interest Cover Ratio (net interest costs as a % of Total Operating Revenue)



11. Glossary

Asset Renewal Funding Ratio

Asset Renewal Funding Ratio indicates whether the Council is renewing or replacing existing non-financial assets at the same rate as its overall stock of assets is wearing out. The ratio is calculated by measuring actual capital expenditure on renewal and replacement of assets relative to the level of associated optimum funding required in the Asset Management Plan.

Capital Expenditure (Discretionary)

Discretionary capital expenditure is expenditure on the purchase or construction of new or upgraded assets. Examples of upgraded assets is where an existing road is widened, or where the nature of a playing field surface is upgraded to a higher standard.

Capital Expenditure (Non-Discretionary)

Non-discretionary capital expenditure is expenditure on the replacement/renewal of existing assets.

Financial Assets

Financial Assets include cash, cash equivalents, trade and other receivables, and other financial assets, but excludes equity held in Council businesses.

Financial Sustainability

Financial Sustainability is where planned long-term service and infrastructure levels and standards are met without unplanned and disruptive increases in rates or cuts to services.

Interest Cover Ratio

Measures the proportion of operating income used to pay interest on loans net of interest income.

Net Financial Liabilities

Net Financial Liabilities equals total liabilities less financial assets, where financial assets for this purpose includes cash, cash equivalents, trade and other receivables, and other financial assets, but excludes equity held in Council businesses, inventories and land held for resale.

Net Financial Liabilities Ratio

Net Financial Liabilities Ratio expresses Net Financial Liabilities as a percentage of total operating revenue. The ratio allows interested parties to readily equate the outstanding level of the Council's accumulated financial obligations against the level of one-year's operating revenue. Where the ratio is falling over time, it generally indicates that the Council's capacity to meet its financial obligations is strengthening.

Net Lending/ (Borrowing)

Net Lending/ (Borrowing) equals Operating Surplus / (Deficit), less net outlays on non-financial assets. The Net Lending / (Borrowing) result is a measure of the Council's overall (i.e. operating and capital) budget on an accrual basis. 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 revenues.

Non-financial or Physical Assets

Non-financial or Physical Assets means infrastructure, land, buildings, plant, equipment and furniture and fittings.

Nominal Values

Nominal values are the actual values of the day (or in the case of projected amounts at a future point in time the expected values after allowing for estimates of the impact of future inflation).

Operating Deficit

Operating Deficit is where operating revenues less operating expenses is negative and operating income is therefore not sufficient to cover all operating expenses.

Operating Expenses

Operating Expenses are operating expenses including depreciation shown in the Statement of Comprehensive Income but excluding losses on disposal or revaluation of non-financial assets.

Operating Revenues

Operating Revenues are operating revenues shown in the Statement of Comprehensive Income but exclude profit on disposal of non-financial assets and amounts received specifically for new/upgraded assets, e.g. from a developer.

Operating Surplus

Operating Surplus is where operating revenues less operating expenses is positive and operating revenue is therefore sufficient to cover all operating expenses.

Operating Surplus Ratio

Operating Surplus Ratio expresses the operating surplus (deficit) as a percentage of general and other rates.