DISTRICT COUNCIL OF TUMBY BAY

LONG-TERM FINANCIAL PLAN

2024/25 TO 2038/39

Draft 1

PURPOSE OF THE LONG-TERM FINANCIAL PLAN

The Long-Term Financial Plan has been developed in accordance with the requirements of the *Local Government Act 1999*, and forms part of Council's Strategic planning documents.

The purpose of the plan is to measure the Council's capacity to achieve the themes and strategies set out in the Strategic Plan, and to ensure that the Council is adequately providing for Asset renewal as identified in the various Asset Management Plans.

The fifteen-year plan has been set based on the premise that Council wishes to be financially sustainable over the fifteen-year period and takes into consideration Council's position in relation to the three key financial indicators adopted by Council.

ASSUMPTIONS

The following assumptions were used in the formulation of the Long-Term Financial Plan: -

REVENUE

General Rates

General rate revenue has been increased in line with the table below. To reach and maintain a sustainable operating position significant general rate increases have been included in the early years of the plan. The final 11 years of the plan include general rate increases of 2.5% in line with assumed consumer price index increases.

Draft Plan	
2024/2026	9.5% Increase
2026/2028	4.5% Increase
2028/2039	2.5% Increase

The plan allows for minimal growth in ratable properties over the fifteen-year period.

Other Revenues

Council also receives revenue from several other sources including statutory charges, user charges, reimbursements, and other revenues; these items have been increased in line with assumed consumer price index increases:

Draft Plan	
2024/2025	4.5% Increase
2025/2026	3.0% Increase
2026/2039	2.5% Increase

Operating Grants

Local Government Grants Commission general purpose grants have been increased by 1% until 2030 and then in line with assumed consumer price index increases.

Local Government Grants Commission road grants and supplementary road funding have been indexed in line with assumed consumer price index increases, however the supplementary road funding is subject to continued Federal Government approval beyond 2026.

Roads to Recovery grants have been included for the duration of the plan and increased in line with recent Federal announcements that the funding program would be increased by 100%.

Investment Income

Interest earned on investments has been calculated at an interest rate of 3% over the period of the plan.

EXPENDITURE

Operating Expenditure

Operating expenditure has been increased in line with assumed consumer price index for the duration of the plan.

Draft Plan

2024/2025	4.5% Increase
2025/2026	3.0% Increase
2026/2039	2.5% Increase

Wages

In determining likely increases in annual wage payments the following items have been taken into consideration:

- No Increase in Current Staffing
- Enterprise Bargaining Agreements
- Senior Staff Contracts

On this basis the following increases have been applied within the plan.

Draft Plan

2024/2025	6.0% Increase
2025/2026	3.0% Increase
2026/2039	2.5% Increase

Finance Charges

Finance Charges have been calculated at variable interest rates ranging from 2.09% to 4.35% in line with current fixed term loans. Finance charges for future cash advance loans included within the Long-Term Financial Plan have been calculated at 5%.

Depreciation

Depreciation has been calculated using the 'Straight Line Method' based on Current Replacement Cost (CRC) of an asset and its expected life. In applying depreciation amounts to the various assets CRC has been indexed in line with anticipated asset revaluations to ensure depreciation rates are keeping pace with the increased cost of asset provision and renewal. These rates therefore vary from asset to asset:

Draft Plan

<u>Buildings</u>	
2026/2027	26.7% Increase
2031/2032	13.1% Increase
2036/2037	13.1% Increase
<u>Plant</u>	
2024/2025	4.5% Increase
2025/2026	3.0% Increase
2026/2039	2.5% Increase
<u>Infrastructure</u>	
2025/2026	16.1% Increase
2028/2029	7.7% Increase
2031/2032	7.7% Increase
2034/2035	7.7% Increase
2037/2038	7.7% Increase

CAPITAL EXPENDITURE

Renewal

Capital renewal requirements are a key component of Council's suite of Asset Management Plans with proposed works costed and included within the Long-Term Financial Plan. The plan aims for a 100% renewal program at the optimum time to ensure assets do not deteriorate to a point where additional works are required.

The following provides a summary of planned renewals within the plan:

Plant & Equipment	$9.6M
Buildings & Structures	$6.0M
Foreshore Mitigation	$1.0M
CWMS	$1.8M
Sealed Roads	$6.1M
Unsealed Roads	$16.7M
Other Infrastructure	$0.5M
Total	$41.7M

Total capital renewal works forecast for the 15-year plan amount to $41.7M at an average of $2.78M per year.

New and Upgraded Assets

The plan includes the provision of new and upgraded assets identified within the Council's suite of Asset Management Plans.

The most significant being the staged construction of a rock revetment wall along the Tumby Bay foreshore. The seawall is seen as critical in the future mitigation of climate change induced coastal erosion and will provide vital protection for foreshore recreation areas and public and private infrastructure within the township. Council will be actively pursuing funding from the Federal Government's Disaster Ready Fund and will be relying on a combination of cash advance loan borrowings and cash reserves to facilitate the project.

The following provides a summary of planned new and upgraded assets within the plan:

Buildings	$1.6M	
Foreshore Mitigation	$23.3M	
Sealed Roads	$2.8M	*(Includes lifting McCallum Street for Mitigation)*
Other Infrastructure	$0.3M	
Total	$28.0M	

Total new and upgraded capital works for the 15-year plan is $28M at an average of $1.87M per year.

SELF FUNDED ACTIVITIES

Funding for the Tumby Bay and Port Neill Community Wastewater Management Schemes has been included within the Long-Term Financial Plan and includes future asset renewal in line with Asset Management Plans. As per legislative requirements any funds raised through service charges applied for the schemes must be quarantined for future use within the scheme. These funds are managed by Council through the provision of a reserve account, with any excess funds allocated to reserve and available for future asset renewals as required.

It is planned to increase the service charge for the Community Wastewater Management Schemes in line with assumed consumer price index for the duration of the plan.

LOAN BORROWING

Council enters this planning period with relatively few loan borrowings and with a number of these loans in the category of self-servicing loans. It is envisaged that the only new borrowing required to fund the plan will be a $4M cash advance facility which will be utilised to fund the three stages of the rock revetment wall and associated mitigation works.

The use of a cash advance loan facility will enable Council to use cash reserves in the first instance before calling on loan funds, reducing financing costs.

FINANCIAL INDICATORS

South Australian Councils are required to use nationally consistent approach of measuring their financial sustainability by using three key indicators:

- Operating Surplus Ratio
- Net Financial Liabilities Ratio
- Asset Renewal Funding Ratio

Operating Surplus Ratio

This ratio expresses the operating surplus as a percentage of total operating revenue.

“This indicator is by far the most important indicator for Councils. If a Council consistently achieves a modest positive operating surplus ratio and has soundly based projections showing that it can continue to do so in the future, having regard to asset management and its community’s service level needs, then it is financially sustainable.” – LGA Financial Sustainability Paper 9.

The Local Government Association suggests Council’s should be targeting “To achieve, on average, an operating surplus ratio of between 0% and 10%”.

In Council Policy 5.25 Revenue and Financing, Council’s target is to consistently achieve a positive ratio as it plans for the future. Council have faced a constant struggle over the past decade to consistently deliver a sound operating position, however with prudent rate increases and a commitment to continue these increases until 2025/26 Council looks to a more sustainable future.

The current plan includes an average operating surplus of $142k across the 15 years, equivalent to an average operating surplus ratio of 1.0%.
(See Chart – Page 10)

Net Financial Liabilities Ratio

Net Financial Liabilities are defined as total liabilities less financial assets. These are expressed as a percentage of total operating revenue.

“Net financial liabilities is a broader and more appropriate measure of indebtedness than the level of borrowings, because it includes items such as employee long-service leave entitlements and other amounts payable in future as well as taking account of a Council’s cash holdings and invested monies” – LGA Financial Sustainability Paper 9.

The Local Government Association suggests a Council’s net financial liabilities ratio is between zero and 100% of total operating income, but possibly higher in some circumstances.

In Council Policy 5.24 Treasury, Council has set itself a limit of 100%. This LTFP shows Council’s ratio sitting well below this target with only two years exceeding 40% and the bulk of the plan well below these levels.
(See Chart – Page 11)

Asset Renewal Funding Ratio
Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets relative to the optimal level planned and excludes new capital expenditure on the acquisition of additional assets.

“If capital expenditure on renewing or replacing existing assets is at a level consistent with proposed or soundly prepared I&AMP that is based on long-run affordable service levels, then it is likely that a Council is reasonably optimizing timing of asset renewal activity. Any material underspending on renewal and replacement over the medium term is likely to adversely impact on the cost-effective achievement of preferred, affordable service levels and could potentially progressively undermine a Council’s financial sustainability.” – LGA Financial Sustainability Paper 9.

The Local Government Association suggests capital outlays on renewing/replacing assets are greater than 90% but less than 110% of the level proposed in the Infrastructure and Asset Management Plan’s (I&AMP). This plan enables Council to maintain a ratio of 100% throughout the planning period.
(See Chart – Page 12)

ASSET MANAGEMENT PLANS
Council’s suite of Asset Management Plans included the following assets:

- Plant & Equipment
- Buildings & Structures
- Community Wastewater Management Systems
- Transport & Stormwater

In recognition of the vital role good asset management plays in the future sustainability of Council, assets are revalued using the following cycles, depreciation is then indexed within this plan based on these cycles:

- Plant & Equipment – Valuation not required.
- Buildings & Structures – Valuation and condition assessment 5 yearly.
- CWMS – Valuation 3 yearly.

- Transport & Stormwater – Valuation 3 yearly with condition assessment 6 yearly.

Council's full suite of asset management plans have been reviewed and extended in line with this Long-Term Financial Plan until 2038/39. Financial projections from the asset management plans have been included within the current long-term financial plan.

STRATEGIC PLAN

It is recognized that the Long-Term Financial Plan does not necessarily cover off on all actions and activities mentioned in Council's Strategic Plan, however every endeavor is made to include all information considered relevant to the plan. As Council is currently reviewing their Strategic Plan, further information from the adopted plan will be integrated into asset management plans and the long-term financial plan at the next annual review.

KEY PROJECTS

Tumby Bay Foreshore Mitigation

The foreshore mitigation project has been programmed to commence with detailed planning and design in 2024/25 and then followed by three major construction phases:

- Segments 1-3 in 2025/26 - $10.36M
- Segments 4-6 in 2031/32 - $12.92M
- McCallum Street in 2034/35 - $1.28M

Council will be actively pursuing funding under the Australian Government's Disaster Ready Fund with all works in the plan based on the receipt of 50% funding for this purpose. Council is aware that should fund applications be unsuccessful there will be a requirement to review construction timelines over the course of the plan.

Recreational Jetties

Council currently leases two jetties from the State Government:
Tumby Bay Jetty – Lease Expires 22/12/2024.
Port Neill Jetty – Lease Expires 27/6/2025.
Repairs and maintenance of the two jetties has been a hot topic over the past 18 months with Council struggling to come to terms with the financial commitment required to continue to maintain both facilities for recreational use. Following various forms of public consultation and faced with costs running into $millions Council have decided to continue to maintain the Port Neill jetty in the medium term with the future of the Tumby Bay jetty remaining uncertain. Projected costs for the Port Neill jetty include:

- Remediation of end section in 2025/26 - $0.75M
- Remediation whole structure in 2035/36 - $2.0M

Cape Hardy Precinct

Cape Hardy is in the District Council of Tumby Bay, 20 kilometres north of Tumby Bay township and there are currently $20 billion in projects that are in, or dependent on, one precinct, being Cape Hardy. If these projects were to proceed it is predicted the population of Tumby Bay could potentially double over the next 5-10 years. To commence planning for a development of this size Council have lodged an application under the Federal Government's Regional

Partnerships Program for an amount of $4.2M to develop the Cape Hardy Precinct Plan. The plan will include multiple layers and enable the Council to understand the requirements and processes required to move Tumby Bay district forward for such a proposal. Council is aware that any planning, developments, hard and soft infrastructure will impact on the district and its resources, requiring complex investigations and consideration for inclusion in future revision of Council's suite of strategic management plans where appropriate.

CHIEF EXECUTIVE OFFICER – SUSTAINABILITY STATEMENT

This Long-Term Financial Plan demonstrates that Council is working studiously towards a sustainable financial position over the next four years, with a longer-term commitment to deliver quality services within the financial capacity of its ratepayers.

The fundamental purpose of the Long-Term Financial Plan is to provide assurance that Council has considered all relevant information available and has a clear understanding of the financial resources that will be required to deliver on its suite of strategic management plans. In doing this and through consultation with the community, Council has had to make many decisions around the needs of the community and their capacity to pay.

In assessing our financial sustainability, we look at the following key financial indicators:

- Operating surplus/(deficit) ratio,
- Net financial liabilities ratio,
- Asset sustainability ratio.

Whilst the current plan highlights that Council has work to do in turning its operating position around, the other key indicators are well within Council's desired level across the life of the plan. Ultimately Council aims to deliver quality services and infrastructure whilst sustaining an acceptable level of general rate increase, to this end the final eleven years of the plan include increases in line with CPI only.

Council has always had a strong commitment to asset management and has continued to refine its asset management through thorough planning and prudent spending in line with best intervention practices. The current review asset management plans include latest valuation data including asset conditions and remaining life, as well as renewal projections and select new assets and improvements. The most significant being the provision of suitable foreshore mitigation along the Tumby Bay foreshore to ensure the longevity of both the foreshore and community and private assets within the town.

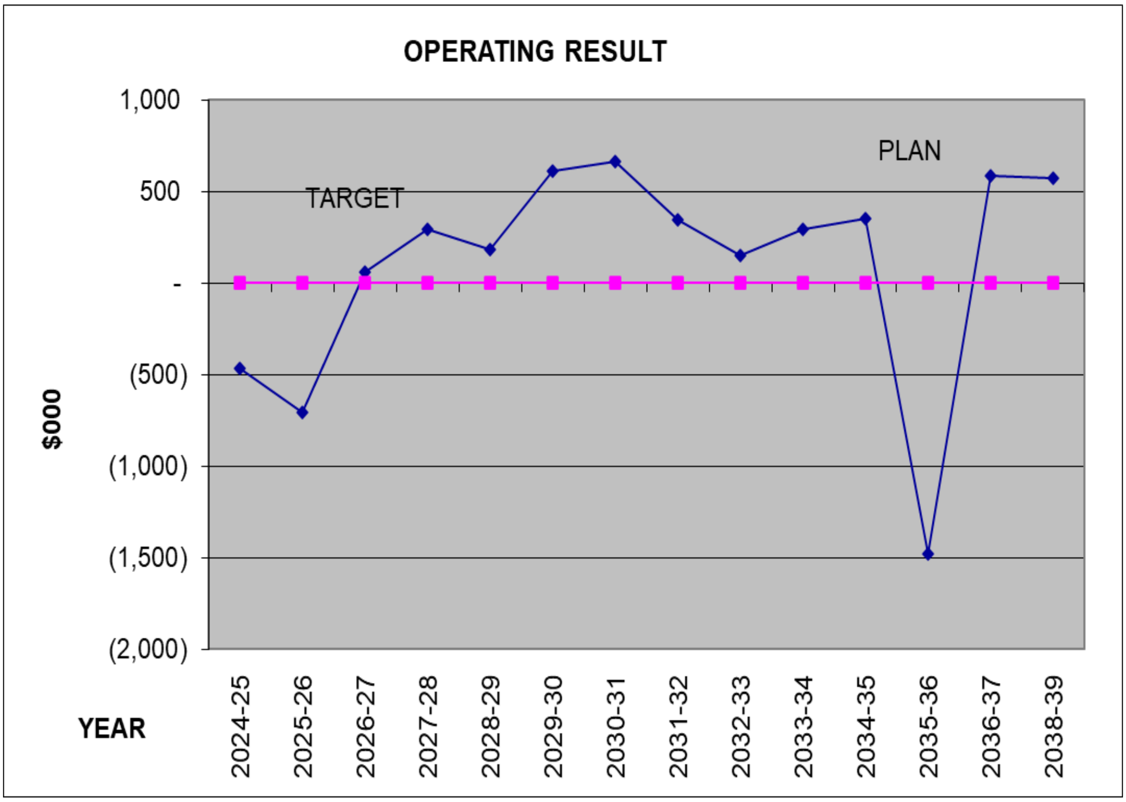
Council is also on the cusp of what could be a transformational change to the district and more particularly the Tumby Bay township with $20 billion of projects linked to the Cape Hardy precinct situated 20 kilometres north of Tumby Bay. In recognition of this potential, an application has been lodged under the Federal Government's Regional Partnerships Program for an amount of $4.2M to develop the Cape Hardy Precinct Plan. Further planning and developments associated with the precinct and the local impacts will need to be carefully considered by Council in future reviews.

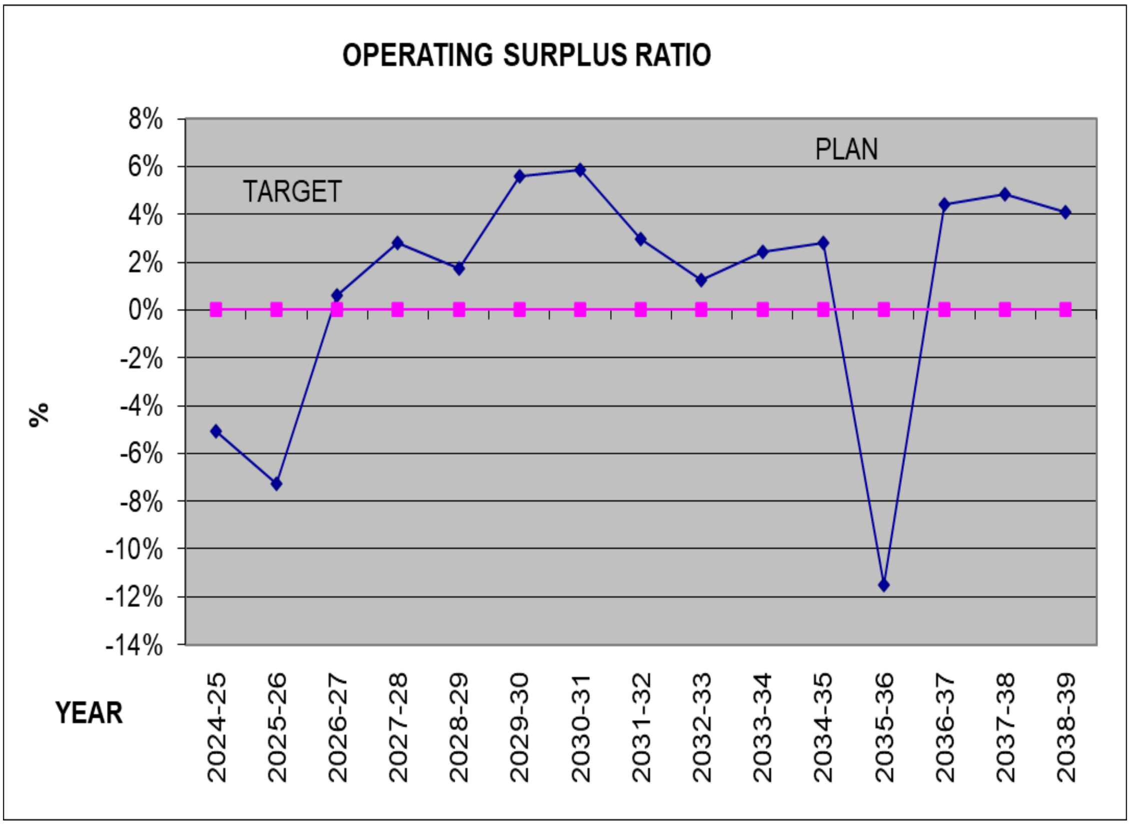
Long-term financial planning is an interactive process, and the assumptions and contents are reviewed annually as well as being a key consideration during the annual business plan and budget deliberations. This ensures the Council continually reviews its financial performance along with the requirements of the community whilst always remaining focused on long term sustainability.

Whilst there are several external factors that have potential to influence future needs and services, the current suite of strategic management plans provides a level of assurance to the Council and community of a positive and sustainable future.

Rebecca Hayes
Chief Executive Officer
District Council of Tumby Bay

FINANCIAL CHARTS





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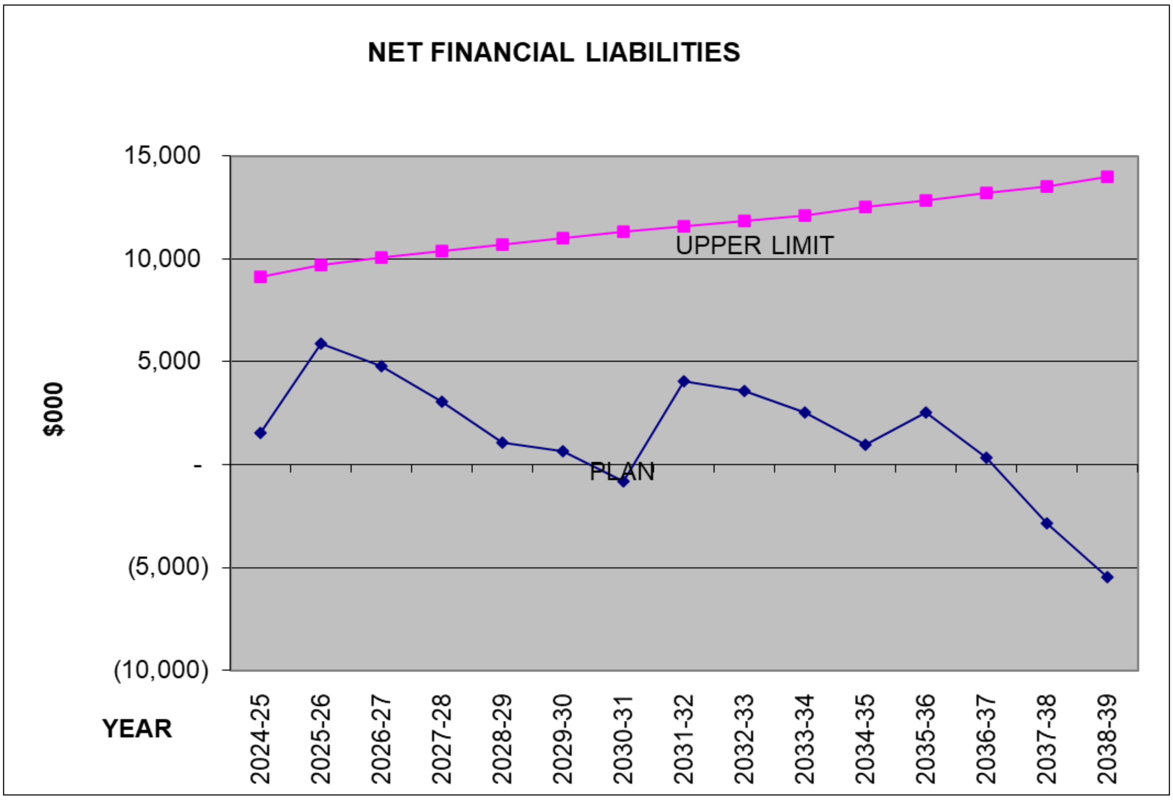

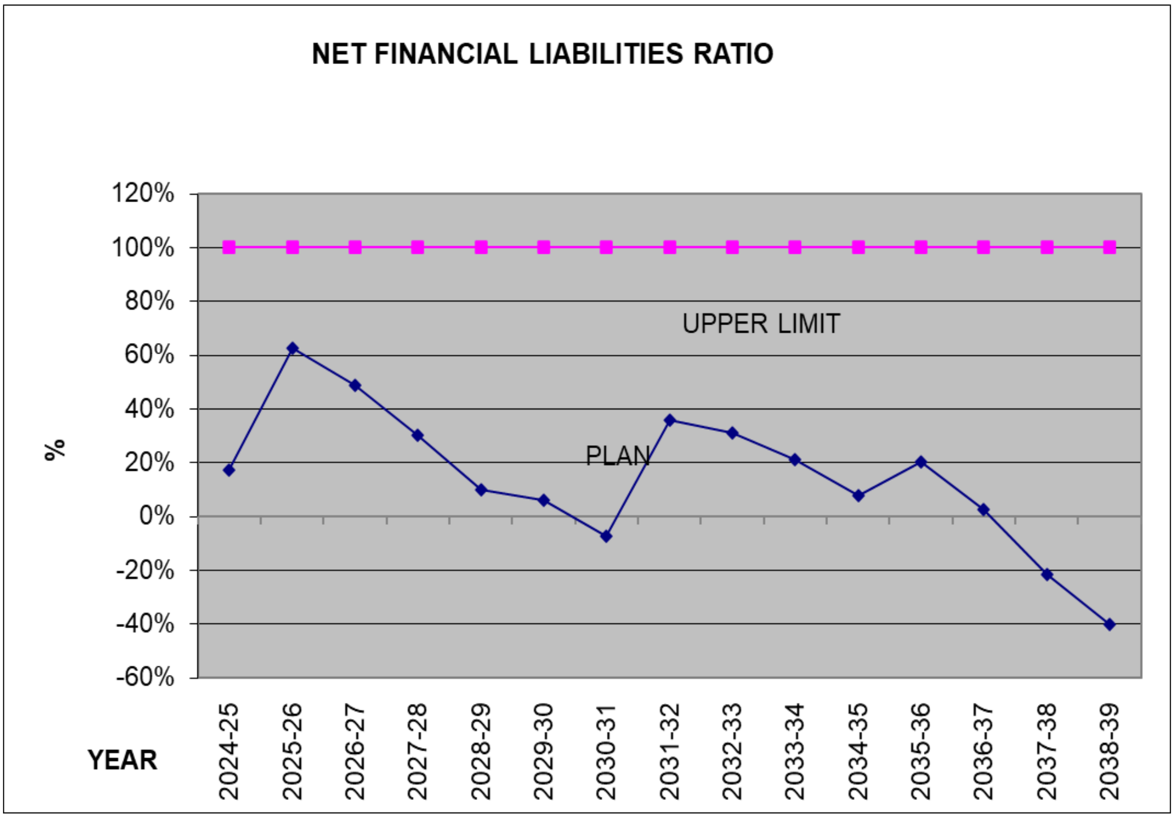

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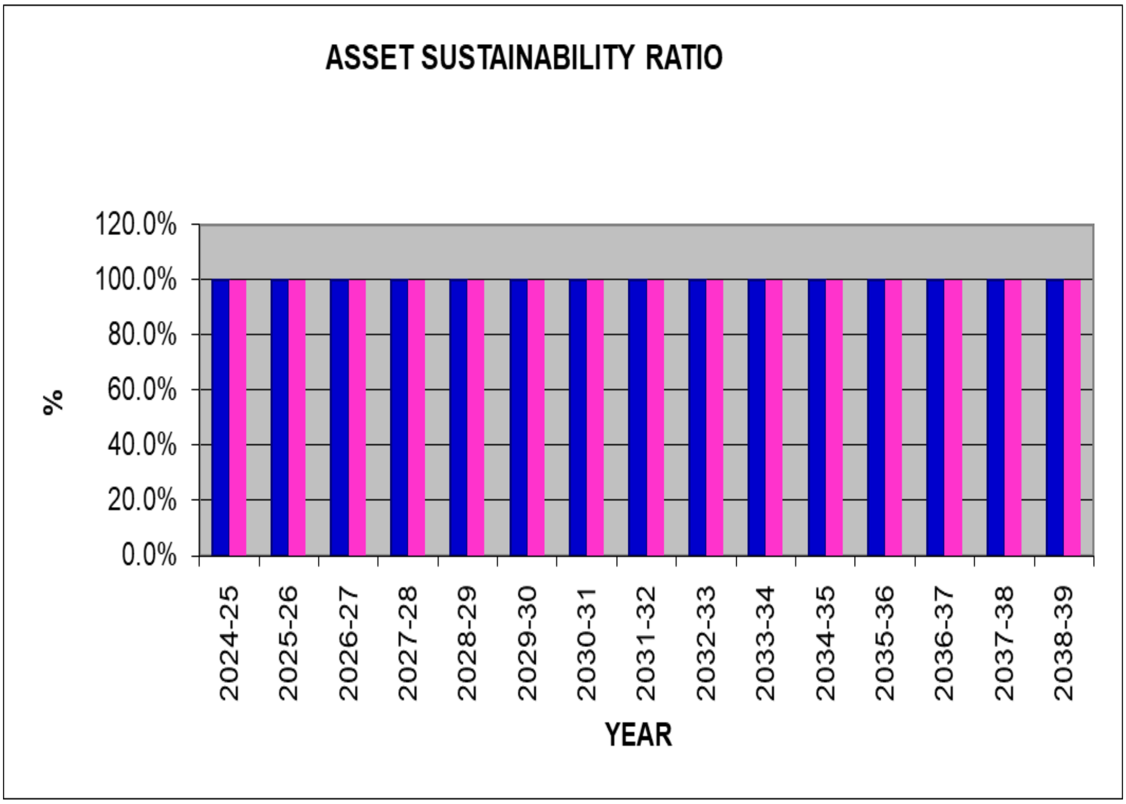

TARGET - PLAN

DISTRICT COUNCIL OF TUMBY BAY

2024-2039 LTFP BUDGET UNIFORM PRESENTATION OF FINANCES - DRAFT for PUBLIC CONSULTATION

	2025 PLAN	2026 PLAN	2027 PLAN	2028 PLAN	2029 PLAN	2030 PLAN	2031 PLAN	2032 PLAN	2033 PLAN	2034 PLAN	2035 PLAN	2036 PLAN	2037 PLAN	2038 PLAN	2039 PLAN
Income															
Rates	7,185,148	7,767,779	8,098,651	8,444,168	8,670,110	8,902,071	9,140,211	9,384,695	9,635,690	9,893,369	10,157,910	10,429,496	10,708,310	10,994,548	11,288,406
Staturtory charges	80,465	82,879	84,951	87,075	89,252	91,483	93,770	96,114	98,517	100,980	103,504	106,092	108,744	111,463	114,250
User charges	242,204	244,055	255,621	256,387	268,605	269,381	282,216	283,017	296,486	297,328	311,448	312,399	327,236	328,215	343,789
Grants, subsidies and contributions - capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants, subsidies and contributions - operating	1,542,526	1,537,558	1,577,299	1,573,410	1,615,099	1,680,851	1,732,188	1,735,398	1,789,299	1,792,707	1,928,523	1,932,200	1,991,638	1,995,458	2,057,878
Investment income	72,664	46,475	26,350	26,479	34,895	47,213	71,331	58,749	26,068	26,187	26,207	26,227	30,847	83,969	171,790
Reimbursements	13,481	13,885	14,232	14,588	14,953	15,326	15,710	16,102	16,505	16,917	17,340	17,774	18,218	18,674	19,141
Other income	6,479	6,673	6,840	7,011	7,186	7,366	7,550	7,739	7,933	8,131	8,334	8,542	8,756	8,975	9,199
	9,142,966	**9,699,305**	**10,063,945**	**10,409,118**	**10,700,101**	**11,013,691**	**11,342,976**	**11,581,815**	**11,870,497**	**12,135,619**	**12,553,267**	**12,832,729**	**13,193,751**	**13,541,301**	**14,004,453**
Expenses															
Employee costs	(2,480,849)	(2,574,621)	(2,641,911)	(2,705,619)	(2,796,329)	(2,842,627)	(2,916,252)	(2,986,845)	(3,064,332)	(3,138,640)	(3,244,258)	(3,297,543)	(3,383,352)	(3,464,810)	(3,555,010)
Materials, contracts and other expenses	(4,109,903)	(4,420,268)	(3,717,831)	(3,830,212)	(4,037,520)	(3,905,728)	(4,112,469)	(4,228,338)	(4,439,100)	(4,513,359)	(4,620,794)	(6,668,279)	(4,741,791)	(4,759,001)	(5,200,336)
Depreciation, Amortisation and Impairment	(2,901,500)	(3,224,989)	(3,410,455)	(3,417,359)	(3,599,699)	(3,606,954)	(3,613,389)	(3,919,874)	(4,056,836)	(4,064,843)	(4,276,343)	(4,284,755)	(4,435,957)	(4,663,741)	(4,672,800)
Finance costs	(114,918)	(182,094)	(230,448)	(161,418)	(81,736)	(43,160)	(37,673)	(101,976)	(158,562)	(121,423)	(56,550)	(57,934)	(47,908)	-	-
	(9,607,170)	**(10,401,971)**	**(10,000,645)**	**(10,114,609)**	**(10,515,285)**	**(10,398,469)**	**(10,679,783)**	**(11,237,032)**	**(11,718,829)**	**(11,838,265)**	**(12,197,944)**	**(14,308,511)**	**(12,609,007)**	**(12,887,552)**	**(13,428,146)**
Operating Surplus / (Deficit)	**(464,204)**	**(702,666)**	**63,300**	**294,509**	**184,817**	**615,223**	**663,192**	**344,783**	**151,668**	**297,353**	**355,323**	**(1,475,782)**	**584,744**	**653,748**	**576,306**
Timing adjustment for grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted Operating Surplus / (Deficit)	**(464,204)**	**(702,666)**	**63,300**	**294,509**	**184,817**	**615,223**	**663,192**	**344,783**	**151,668**	**297,353**	**355,323**	**(1,475,782)**	**584,744**	**653,748**	**576,306**
Net Outlays on Existing Assets															
Capital Expenditure on renewal and replacement of Existing Assets	**(2,770,089)**	**(1,870,410)**	**(2,425,190)**	**(1,814,171)**	**(1,964,786)**	**(2,503,027)**	**(3,245,762)**	**(2,351,614)**	**(4,259,227)**	**(3,624,166)**	**(2,350,802)**	**(4,371,339)**	**(2,962,562)**	**(2,365,115)**	**(2,852,013)**
Add back Depreciation, Amortisation and Impairment	**2,901,500**	**3,224,989**	**3,410,455**	**3,417,359**	**3,599,699**	**3,606,954**	**3,613,389**	**3,919,874**	**4,056,836**	**4,064,843**	**4,276,343**	**4,284,755**	**4,435,957**	**4,663,741**	**4,672,800**
Proceeds from Sale of Replaced Assets	**384,300**	**266,220**	**309,100**	**205,660**	**207,640**	**231,455**	**453,840**	**56,250**	**504,320**	**536,445**	**120,600**	**195,960**	**379,290**	**241,425**	**199,800**
	515,711	**1,620,799**	**1,294,365**	**1,808,848**	**1,842,553**	**1,335,382**	**821,467**	**1,624,510**	**301,929**	**977,122**	**2,046,140**	**109,376**	**1,852,684**	**2,540,051**	**2,020,587**
Net Outlays on New and Upgraded Assets															
Capital Expenditure on New and Upgraded Assets (including investment property & real estate developments)	**(10,500)**	**(10,450,080)**	**(225,500)**	**(395,500)**	-	**(1,570,800)**	-	**(13,290,000)**	-	**(196,500)**	**(1,483,648)**	**(207,000)**	**(211,500)**	-	-
Amounts received specifically for New and Upgraded Assets	-	**5,181,840**	-	-	-	-	-	**6,457,500**	-	-	**641,356**	-	-	-	-
Proceeds from Sale of Surplus Assets (including investment property & real estate developments)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(10,500)	**(5,268,240)**	**(225,500)**	**(395,500)**	-	**(1,570,800)**	-	**(6,832,500)**	-	**(196,500)**	**(842,292)**	**(207,000)**	**(211,500)**	-	-
Annual Net Impact to Financiing Activities	**41,007**	**(4,350,108)**	**1,132,165**	**1,707,857**	**2,027,370**	**379,804**	**1,484,659**	**(4,863,207)**	**453,597**	**1,077,975**	**1,559,171**	**(1,573,406)**	**2,225,928**	**3,193,799**	**2,596,894**

2024-2039 LTFP BUDGET STATEMENT OF FINANCIAL INDICATORS - DRAFT for PUBLIC CONSULTATION

	2025 PLAN	2026 PLAN	2027 PLAN	2028 PLAN	2029 PLAN	2030 PLAN	2031 PLAN	2032 PLAN	2033 PLAN	2034 PLAN	2035 PLAN	2036 PLAN	2037 PLAN	2038 PLAN	2039 PLAN
Operating Surplus Ratio															
Adjusted Operating Surplus	(5.1%)	(7.2%)	0.6%	2.8%	1.7%	5.6%	5.8%	3.0%	1.3%	2.5%	2.8%	(11.5%)	4.4%	4.8%	4.1%
Total Operating Revenue															
Adjusted Operating Surplus Ratio	(5.1%)	(7.2%)	0.6%	2.8%	1.7%	5.6%	5.8%	3.0%	1.3%	2.5%	2.8%	(11.5%)	4.4%	4.8%	4.1%
Net Financial Liabilities Ratio (LGFA Target <100%)															
Net Financial Liabilities	17.1%	60.9%	47.5%	29.5%	9.7%	6.0%	(7.2%)	34.9%	30.2%	20.7%	7.6%	19.7%	2.3%	(21.4%)	(39.2%)
Total Operating Revenue															
Adjusted Net Financial Liabilities Ratio	17.1%	60.9%	47.5%	29.5%	9.7%	6.0%	(7.2%)	34.9%	30.2%	20.7%	7.6%	19.7%	2.3%	(21.4%)	(39.2%)
Asset Funding Renewal Ratio															
Outlays on Existing Assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Asset Renewals - IAMP															