

Kingston District Council | Draft Budget Workshop 4
18 April 2023



Agenda

- ▶ Materials, Contracts and Other Expenses - breakdown of costs
- ▶ Draft Long Term Financial Plan and Budget
 - ▶ Key Influences
 - ▶ Assumptions
 - ▶ Modelling
 - ▶ Financial Sustainability Ratios and Targets
 - ▶ Uniform Presentation of Finances
 - ▶ Statement of Financial Position

Long Term Financial Plan (LTFP) & Key Assumptions

- ▶ 2023/24 Annual Budget and LTFP preparation needs to be in principle agreed set of underlying assumptions that the LTFP will be framed upon.
- ▶ Assumptions include indexation factors for Rates Revenue and non rate revenue, material and contractual expenditure and salaries.

External Budget Influences

- ▶ The Reserve Bank of Australia (RBA) has an inflationary target range of between 2% and 3% per annum. The RBA has indicated that it will continue to increase cash rates until the inflation is within its target range.
- ▶ State and Commonwealth Policy/ Decisions, and funding
 - ▶ Local Government Reform
- ▶ Increases to the Superannuation Guarantee levy
- ▶ Electricity/ Insurance/ Availability of contractors and supplies
- ▶ Depreciation - increase in value of Council's infrastructure due to inflation.

External Influences -Inflation

Reserve Bank of Australia summary of CPI expectations for next two years

	Year Ended						
	June 2022	Dec 2022	June 2023	Dec 2023	June 2024	Dec 2024	June 2025
CPI Inflation	6.1%	7.8%	6.7%	4.8%	3.6%	3.2%	3%

Source: RBA Statement of Monetary Policy - February 2023

Adelaide CPI - December quarter 8.6%

Local Government Price Index - December quarter 8.6%

* March quarter CPI released 26 April 2023

Internal Budget Influences

- ▶ Increase in salaries/ wages as per Enterprise Bargaining Agreements (EBA)
 - ▶ LGE (Depot) Employees:
 - ▶ 5 September 2023, the value of Adelaide CPI for the June quarter or 2.5% increase, whichever is higher
 - ▶ SAMOA (Admin) Employees:
 - ▶ 18 April 2023, the value of Adelaide CPI for the December quarter or 3%, whichever is higher
- ▶ Council's strategic decision (based on Key financial indicators)
- ▶ Ongoing costs associated with legislated community consultation requirements and internal controls/ risks

LTFP Assumptions - Continued....

- ▶ No changes to recurrent service levels
- ▶ Existing fees and charges to be increased in line with the revised fees and charges schedule (May Council meeting)
- ▶ Non- recurrent grants to be based on confirmed funding levels only
- ▶ Financial Assistance and Roads to Recovery Grants to remain throughout life of plan
- ▶ Superannuation Guarantee to increase (stepped) to 12% by 2025/26
- ▶ One Loan commencing 2025/26 \$1,250,000 15 years @ 5.10% (Foreshore Development) - only to proceed with 50% funding (originally 2023/24 commencement)
- ▶ Service charges are set to fully recover costs of providing the services (Limestone Coast Landscape board, Mobile Garbage Bin, CWMS)
- ▶ The content of the LTFP is based on nominal (2022/23) dollar values for all future years to make it easier to compare between years
- ▶ Year 1 general rate increase 5% (CPI 7.6%, growth 0.5%)
- ▶ Years 2-10 general rate increase CPI plus 1% plus 0.5% development growth
- ▶ Adelaide CPI - March

LTFP Summary

- ▶ ABP & Budget workshop administration directed to model a rate increase in 2023/24 of 5%.
- ▶ Careful consideration required on the need to remain financially sustainable, the high level of inflation.
- ▶ Draft budget and LTFP scenario underpinned by assumption CPI Adelaide June will be 6.7%, with the understanding that inflation may vary and the CPI % will be reviewed once March 2023 CPI is released 26 April 2023.

Operating Projects - LTFP Assumptions

Project Name	Exp.	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
Line Marking	\$26,000		\$26,000		\$26,000		\$26,000		\$26,000		\$26,000
Hard waste Disposal	\$38,000		\$38,000		\$38,000		\$38,000		\$38,000		\$38,000
Election Expense	\$45,000				\$45,000				\$45,000		
By Law Review	\$6,500									\$6,500	
Elector Representation Review	\$7,150		\$7,000								
Asset Valuation/ Condition Assessments	\$40,000			\$40,000	\$40,000			\$40,000	\$40,000		
Insurance valuations	\$10,000			\$10,000				\$10,000			
TOTAL		\$165,200	\$71,000	\$50,000	\$149,000	\$0	\$64,000	\$50,000	\$149,000	\$6,500	\$64,000

Capital Projects (New) - LTFP Assumptions (as per draft Infrastructure and Asset Management Plan)

Project Name	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
Wyomi Rock Seawall*	\$2,605,000									
Faun Trackway deployment attachment	\$92,018									
Skid Steer Loader	\$120,000									
Janet Street Pump Station	\$242,650									
Chlorination ponds upgrade	\$40,000									
Pram Ramps	\$25,000									
Roller Doors	\$15,100									
MacDonnell Street Storage (stormwater)					\$348,450					
Cooke Street pump & Storage (stormwater)								\$363,400		
Foreshore Development*			\$2,500,000							
TOTAL	\$3,139,768	\$0	\$2,500,000	\$0	\$348,450	\$0	\$0	\$363,400	\$0	\$0

Sealed Roads

- ▶ **Special Local Roads - Cape Jaffa**
- ▶ Expenditure \$990,000
- ▶ Funding \$495,000 (50%)
- ▶ Cost to Council \$495,000

Infrastructure and Asset Management Plan \$400,000

Current Capital Sealed works \$386,227

Excluded projects

- ▶ CWMS ponds
- ▶ CWMS extension
- ▶ Childcare
- ▶ Commercially Confidential projects
- ▶ Draft Strategic Plan outcomes

LTFP Assumptions

Description	LTFP Assumptions (Years 1-10)									
	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
General Rates (inclusive of growth)	5%	5.1%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Projected increase in Total Rate Revenue sourced from Development Growth	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Increase in other income (excl. Rates and Grants)	6.7%	3.6%	3%	3%	3%	3%	3%	3%	3%	3%
Interest Income*	3.31%	2.83%	3.01%	3.19%	3.37%	3.55%	3.78%	3.83%	3.67%	3.59%
Increase in Employee costs (excl. superannuation)	6.35%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Finance Costs*	5.26%	4.78%	4.96%	5.14%	5.32%	5.50%	5.73%	5.78%	5.62%	5.54%
Materials, Contracts and Other Expenses	6.7%	3.6%	3%	3%	3%	3%	3%	3%	3%	3%
Forecast Inflation	6.7%	3.6%	3%	3%	3%	3%	3%	3%	3%	3%

*Using the yield curve to forecast the interest rates on deposits as well as CAD rate. For deposits assuming the LGFA rate will be at the same level 1 year bond

Financial Ratios/ Targets

	Target Range in any one year	Current 2022/23 (BR2)	Draft 2023/24 LTFP	5 year Target Range	5 year average (2023/24-2027-28)
Operating Surplus Ratio	(0.2%) - 2%	(17.18%)	(5.86%)	0%	(8.27%)
Asset Renewal Funding Ratio	100%	125.26%	97.08%	100%	99.41%
Net Financial Liabilities Ratio	90% -110%	(15.72%)	(5.21%)	Max 100%	7.06%

Kingston District Council
10 Year Financial Plan for the Years ending 30 June 2033
KEY PERFORMANCE INDICATORS - GENERAL FUND
Scenario: Rolled over from V13 (with 21/22 as base year)

[illegible]

Financial Sustainability Indicators and Targets Comparisons (in any one year)

	LGA	KDC	Grant	Wattle Range	Robe	Naracoorte/ Lucindale	Tatiara
Operating Surplus Ratio	0% -10%	-2% - 2%	-10% to 10%	0% - 10%	-5% - 5%	0% - 15%	0% -15%
Asset Renewal Funding Ratio	90% - 110%	100%	90% - 110%	85% - 105%	90% - 110%	0% -100%	90% - 110%
Net Financial Liabilities Ratio	0%- 100%	90% - 110%	1% - 80%	0% - 100%	<100%	90% -110%	0% - 65%

Uniform Presentation of Finances

Kingston District Council												
10 Year Financial Plan for the Years ending 30 June 2033												
UNIFORM PRESENTATION OF FINANCES - GENERAL	Actuals	Current Year	Projected Years									
FUND	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Scenario: Rolled over from V13 (with 21/22 as base year)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Operating Activities												
Income	9,170,000	8,385,172	9,069,823	8,948,390	9,299,312	9,694,339	10,110,512	10,548,618	11,006,720	11,486,399	11,990,155	12,518,036
less Expenses	(8,561,000)	(9,804,928)	(9,601,046)	(9,933,690)	(10,199,170)	(10,588,840)	(10,676,809)	(11,041,513)	(11,250,303)	(11,580,852)	(11,759,097)	(12,112,896)
Operating Surplus / (Deficit)	609,000	(1,419,756)	(531,223)	(985,300)	(899,858)	(894,501)	(566,297)	(492,895)	(243,582)	(94,453)	231,058	405,140
Capital Activities												
less (Net Outlays) on Existing Assets												
Capital Expenditure on Renewal and Replacement of Existing Assets	(1,229,000)	(3,095,229)	(1,989,105)	(1,946,000)	(2,306,000)	(2,189,000)	(2,076,000)	(1,926,000)	(2,259,000)	(1,886,000)	(1,886,000)	(1,989,000)
add back Depreciation, Amortisation and Impairment	2,581,000	2,605,981	2,621,699	2,687,832	2,708,671	2,734,099	2,734,100	2,740,549	2,740,550	2,740,551	2,747,278	2,747,279
add back Proceeds from Sale of Replaced Assets	61,000	317,000	215,000	105,000	165,000	165,000	110,000	70,000	225,000	60,000	55,000	135,000
(Net Outlays) on Existing Assets	1,413,000	(172,248)	847,594	846,832	567,671	710,099	768,100	884,549	706,550	914,551	916,278	893,279
less (Net Outlays) on New and Upgraded Assets												
Capital Expenditure on New and Upgraded Assets												
(including Investment Property & Real Estate Developments)	(1,231,000)	(949,500)	(3,139,768)	-	(2,500,000)	-	(348,450)	-	-	(363,400)	-	-
add back Amounts Received Specifically for New and Upgraded Assets	614,000	768,959	1,953,000	-	1,250,000	-	-	-	-	-	-	-
add back Proceeds from Sale of Surplus Assets												
(including Investment Property & and Real Estate Developments)	8,000	-	-	-	-	-	-	-	-	-	-	-
(Net Outlays) on New and Upgraded Assets	(609,000)	(180,541)	(1,186,768)	-	(1,250,000)	-	(348,450)	-	-	(363,400)	-	-
Net Lending / (Borrowing) for Financial Year	1,413,000	(1,772,545)	(870,397)	(138,468)	(1,582,187)	(184,402)	(146,647)	391,654	462,968	456,698	1,147,336	1,298,418

Statement of Financial Position

(Balance Sheet)

10 Year Financial Plan for the Years ending 30 June 2033												
STATEMENT OF FINANCIAL POSITION - GENERAL FUND												
Scenario: Rolled over from V13 (with 21/22 as base year)												
	Actuals	Current Year	Projected Years									
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS												
Current Assets												
Cash & Cash Equivalents	6,122,000	3,596,447	2,517,415	2,352,863	1,867,406	1,581,122	1,336,333	1,661,013	2,030,310	2,404,431	3,441,447	4,646,689
Trade & Other Receivables	272,000	321,395	365,230	310,274	355,282	335,719	347,843	363,065	377,381	393,445	408,683	426,192
Other Financial Assets	-	-	-	-	-	-	-	-	-	-	-	-
Inventories	95,000	110,885	101,890	106,474	109,753	115,974	116,536	123,160	126,240	132,118	134,382	140,554
Other Current Assets	-	-	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as "Held for Sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	6,489,000	4,028,727	2,984,536	2,769,611	2,332,441	2,032,814	1,800,712	2,147,237	2,533,931	2,929,994	3,984,512	5,213,435
Non-Current Assets												
Financial Assets	2,853,000	2,848,103	2,845,837	2,845,837	2,845,837	2,845,837	2,845,837	2,845,837	2,845,837	2,845,837	2,845,837	2,845,837
Equity Accounted Investments in Council Businesses	-	-	-	-	-	-	-	-	-	-	-	-
Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	139,468,000	140,691,381	143,044,180	142,257,710	144,427,804	143,814,201	143,456,095	142,692,311	142,214,897	141,747,663	140,893,472	140,062,280
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as "Held for Sale"	-	-	-	-	-	-	-	-	-	-	-	-
Other Non-Current Assets	227,000	227,000	227,000	227,000	227,000	227,000	227,000	227,000	227,000	227,000	227,000	227,000
Total Non-Current Assets	142,548,000	143,766,484	146,117,017	145,330,547	147,500,641	146,887,038	146,528,932	145,765,148	145,287,734	144,820,500	143,966,309	143,135,117
TOTAL ASSETS	149,037,000	147,795,211	149,101,553	148,100,159	149,833,083	148,919,852	148,329,644	147,912,385	147,821,665	147,750,494	147,950,821	148,348,552
LIABILITIES												
Current Liabilities												
Cash Advance Debenture	-	-	-	-	-	-	-	-	-	-	-	-
Trade & Other Payables	1,290,000	1,174,743	1,118,953	1,162,084	1,206,597	1,261,989	1,276,654	1,336,758	1,371,089	1,426,708	1,456,080	1,515,014
Borrowings	1,077,000	156,271	119,587	121,250	170,617	100,120	105,233	110,606	116,254	122,190	128,429	134,987
Provisions	327,000	382,663	382,663	382,663	382,663	382,663	382,663	382,663	382,663	382,663	382,663	382,663
Other Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities relating to Non-Current Assets classified as "Held for Sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	2,694,000	1,713,676	1,621,203	1,665,997	1,759,877	1,744,772	1,764,550	1,830,026	1,870,006	1,931,561	1,967,172	2,032,663
Non-Current Liabilities												
Cash Advance Debenture	421,000	-	-	-	-	-	-	-	-	-	-	-
Trade & Other Payables	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	2,881,000	3,645,361	3,561,774	3,440,524	4,491,661	4,391,540	4,286,307	4,175,701	4,059,447	3,937,257	3,808,828	3,673,841
Provisions	129,000	73,337	73,337	73,337	73,337	73,337	73,337	73,337	73,337	73,337	73,337	73,337
Liability - Equity Accounted Council Businesses	-	-	-	-	-	-	-	-	-	-	-	-
Other Non-Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities relating to Non-Current Assets classified as "Held for Sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	3,431,000	3,718,698	3,635,111	3,513,861	4,564,998	4,464,878	4,359,645	4,249,039	4,132,784	4,010,594	3,882,165	3,747,179
TOTAL LIABILITIES	6,125,000	5,432,374	5,256,314	5,179,858	6,324,875	6,209,650	6,124,195	6,079,065	6,002,791	5,942,155	5,849,337	5,779,842
Net Assets	142,912,000	142,362,837	143,845,239	142,920,301	143,508,208	142,710,202	142,205,449	141,833,320	141,818,875	141,808,339	142,101,484	142,568,710
EQUITY												
Accumulated Surplus	24,703,000	24,052,203	25,473,980	24,488,680	24,838,823	23,944,321	23,378,024	22,885,129	22,641,547	22,547,094	22,778,152	23,183,292
Asset Revaluation Reserves	115,313,000	115,414,633	115,475,258	115,535,620	115,773,386	115,869,881	115,931,425	116,052,191	116,281,328	116,365,245	116,427,331	116,489,418
Available for Sale Financial Assets	-	-	-	-	-	-	-	-	-	-	-	-
Other Reserves	2,896,000	2,896,000	2,896,000	2,896,000	2,896,000	2,896,000	2,896,000	2,896,000	2,896,000	2,896,000	2,896,000	2,896,000
Total Equity	142,912,000	142,362,837	143,845,239	142,920,301	143,508,208	142,710,202	142,205,449	141,833,320	141,818,875	141,808,339	142,101,484	142,568,710

Loans- Detailed

Purpose of Loan	Maturity Date/ CAD facility end date	Term (Yrs)	Interest Rate	Amount of Loan	Balance 30.6.2023	Balance 30.6.2024
COUNCIL LOANS						
Town Hall/ Toilets	16.06.2024	10	5.4%	\$226,000	\$28,390	\$0
Dredge	15.03.2038	20	4.95%	\$780,000	\$649,780	\$619,693
TOTAL COUNCIL LOANS					\$678,170	\$619,693
COMMUNITY LOANS						
Football Club	15.10.2024	4	1.5%	\$17,666	\$6,748	\$4,482
CASH ADVANCE DEBENTURE FACILITY (CAD)						
Council	15.6.2035			\$1,200,000	\$378,120	\$291,710
CJDC	15.08.2023			\$2,846,320	\$2,784,563	\$2,784,563
TOTAL CAD					\$3,162,683	\$3,076,273
TOTAL OUTSTANDING LOANS					\$3,847,601	\$3,700,448

Loans - Summary

	Balance 30.6.2023	Balance 30.6.2024
Debenture Loan - Fixed	\$684,918	\$624,175
CAD - Variable	\$3,162,683	\$3,076,273
Current proportion of the Debt portfolio		
Debenture Loans - Fixed	18%	16%
CAD - Variable	82%	84%

2023/24 Annual Business Plan & Budget Timetable April/ May

- ▶ Leadership Team review/ approve Draft budget (line by line)
- ▶ Preparation of reports for Audit and Risk Committee:
 - ▶ Financial Sustainability Ratios and Targets Policy
 - ▶ Draft Long Term Financial Plan 2024-2034
 - ▶ Draft Budget 2023/24
 - ▶ Draft IAMP 2024-2034
- ▶ Commence drafting Annual Business Plan document
- ▶ Workshop #5 9 May to consider Audit & Risk Committee comments
- ▶ Council meeting 23 May to endorse draft LTFP, IAMP and Annual Business Plan & Budget



KINGSTON DISTRICT COUNCIL