# 2026 - 2035
# DRAFT LONG TERM FINANCIAL PLAN

(PLAIN ENGLISH VERSION)

Yorke Peninsula Council

YORKE PENINSULA COUNCIL

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# Table of Contents


Table of Contents ..... 1

Purpose of the Long-Term Financial Plan ..... 2

Planning Framework ..... 3

Long Term Financial Plan (including Funding Plan) ..... 3

Key Assumptions ..... 5

- Inflation ..... 5
- Operating Income ..... 5
- Operating Expenditure ..... 8
- Operating Surplus/(Deficit) ..... 10
- Major Projects ..... 11
- Asset Renewal ..... 12
- Net Outlays on Existing Assets ..... 12
- New and Upgraded Assets ..... 13

Chief Executive Officer's Report on Financial Sustainability ..... 14

- Funding Plan Results ..... 15
- Financial Indicator Results ..... 16

Further Information ..... 19

Acknowledgements ..... 19

## Purpose of the Long-Term Financial Plan

Councils are required to prepare a number of long-term plans these include a Strategic Management Plan (SMP) which must cover a period of at least 4 years, a Long-term Financial Plan (LTFP) which must cover a period of at least 10 years and Strategic Asset Management Plan (SAMP)[1] for major assets which must also cover a period of at least 10 years. Together, these are known as Strategic Management Plans (SMPs).

Whilst it may not be obvious, most of the Council's business, financial and management decisions revolve around community infrastructure, assets, and associated services. The infrastructure itself may provide a direct service (roads, footpaths) or the infrastructure is being used to deliver a service (buildings used to deliver community programs or services such as the YP Leisure Options and Council Offices).

The SMP outlines the long-term vision of the Council which helps Council to identify the key infrastructure that will be needed to deliver on this vision.

The SAMP then detail how each major asset class will be managed to ensure they can provide the services needed by the community now and into the future in the most cost-effective manner.

The revised draft LTFP (this document[2]) makes projections about the funding of Council's plans (i.e., through rates, grants and/or borrowings) based on several assumptions and helps Council to assess the impact of their proposed plans on the future financial sustainability of the Council including the potential impact on ratepayers. This document is an update to the current adopted LTFP 2025-2034, which was previously endorsed by Council in April 2024, and will replace it should Council adopt this version following public consultation.

If identified projects or actions would have a significant impact on the future financial sustainability of Council, the Council will need to consider how this can be managed or addressed via alternative scenarios and/or trade-offs (e.g., adjusting timing, making the project dependent on external funding grants, delivering the project to a lower service level or standard, using budget surpluses or increasing borrowings).

The SMP and SAMP used to inform this revised draft LTFP are available on Council's website at: Corporate publications – Yorke Peninsula Council

[1] Section 122(1a)(b) of the Local Government Act 1999 refers to an Infrastructure and Asset Management Plan, Council has elected the naming convention "Strategic Asset Management Plan" for its document.

[2] This document is declared as the Council's LTFP as required by section 122(8) of the Local Government Act 1999.

## Planning Framework

The financial basis of the revised draft LTFP are consistent with Council's audited Annual Financial Statements as at 30 June 2024, the 2024/2025 Annual Business Plan and the 2024/2025 Budget. The revised draft LTFP forecasts have been based on the September 2024 (and significant December 2024) quarter revised Budget and incorporate SAMP renewal requirements, reflect current financial policies and include a set of assumptions which are necessary, given the high-level nature of a LTFP and the long-term assumptions which sit beneath all forecasts proposed.

The revised draft LTFP is primarily used as a tool to establish and communicate Council's general financial direction over the longer term (10 years) and to assist in the assessment of Council's current financial position in conjunction with its Annual Business Plan (ABP) and Budget preparation together with ongoing quarterly Budget reviews.

This is intended to be a "live" document requiring adjustment and assessment as Council makes financial decisions which may impact its long-term financial position. Council will review this Plan at least annually, post audit of its Financial Statements, and prior to development of its Annual Business Plan and Budget. Other updates will be made when considered necessary.

Council's ABP and Budget will be prepared with reference to this revised draft LTFP and with consideration of new information at hand regarding economic, political and social factors at time of preparation.

The revised draft LTFP is prepared using multiple assumptions, especially regarding projected rate income, fees, charges, grants, future operational and capital expenditure requirements. Given the long-term nature of this Plan and forecasts derived from an estimate of future performance, it should be noted that actual results have the potential to vary from the information contained in the revised draft LTFP. It should also be noted that some of these variations could be material.

## Long Term Financial Plan (including Funding Plan)

Councils are required by the Local Government (Financial Management) Regulations 2011 to present certain information on a uniform and consistent basis. The data presented below, and on the next page, provides ten-year projections for income, expenditure, and the expected operating result (surplus and/or deficit), along with projected outlays required to maintain existing and/or acquire or upgrade assets and infrastructure[3].

[3] Data is presented in the Uniform Presentation of Finances (UPF) format as required by the Local Government (Financial Management) Regulations Part 2, Section 5(1)(b). Elements of the UPF for which no income or expenditure has been forecast have been removed from the data (e.g. – timing adjustment for grant revenue).

**Table 1: Long Term Financial Plan (Funding Plan)**

| Forecast 24/25 | | Year 1 25/26 | Year 2 26/27 | Year 3 27/28 | Year 4 28/29 | Year 5 29/30 | Year 6 30/31 | Year 7 31/32 | Year 8 33/34 | Year 9 34/35 | Year 10 35/36 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Income** | | | | | | | | | | |
| 31,514 | Rates | 32,458 | 33,851 | 35,101 | 36,399 | 37,746 | 39,144 | 40,595 | 42,102 | 43,666 | 45,290 |
| 465 | Statutory Charges | 479 | 494 | 506 | 519 | 532 | 545 | 559 | 573 | 587 | 602 |
| 5,715 | User Charges | 5,897 | 6,079 | 6,381 | 6,541 | 6,704 | 6,872 | 7,044 | 7,220 | 7,400 | 7,585 |
| 3,259 | Grants, Subsidies and Contributions - operating | 7,186 | 3,998 | 3,360 | 2,725 | 2,757 | 2,789 | 2,823 | 2,858 | 2,893 | 2,929 |
| 2,302 | Grants, Subsidies and Contributions - capital | 1,315 | 3,961 | 3,644 | 3,644 | 3,644 | 3,644 | 1,644 | 1,644 | 1,644 | 1,644 |
| 320 | Investment Income | 185 | 207 | 194 | 212 | 218 | 220 | 214 | 219 | 233 | 250 |
| 255 | Reimbursements | 156 | 161 | 165 | 169 | 173 | 177 | 182 | 186 | 191 | 196 |
| 517 | Other Income | 154 | 158 | 161 | 164 | 167 | 171 | 174 | 177 | 181 | 185 |
| **44,348** | **Total Income** | **47,831** | **48,909** | **49,512** | **50,371** | **51,941** | **53,562** | **53,234** | **54,979** | **56,795** | **58,680** |
| | **Expenses** | | | | | | | | | | |
| 12,320 | Employee Costs | 12,779 | 13,336 | 13,749 | 14,175 | 14,614 | 15,067 | 15,534 | 16,015 | 16,511 | 17,023 |
| 21,748 | Materials, Contracts & Other Expenses | 22,975 | 19,093 | 18,500 | 17,880 | 18,500 | 20,593 | 19,634 | 20,075 | 20,770 | 21,455 |
| 14,006 | Depreciation, Amortisation & Impairment | 14,944 | 15,784 | 16,319 | 16,324 | 17,384 | 17,850 | 17,993 | 17,993 | 19,145 | 19,326 |
| 220 | Finance Costs | 187 | 442 | 499 | 492 | 440 | 394 | 364 | 333 | 299 | 263 |
| **48,294** | **Total Expenses** | **50,886** | **48,655** | **49,067** | **48,871** | **50,938** | **53,904** | **53,525** | **54,416** | **56,725** | **58,067** |
| **(3,946)** | **Operating Surplus/(Deficit)** | (3,055) | 254 | 445 | 1,501 | 1,003 | (342) | (290) | 563 | 70 | 612 |
| (2,302) | Less: Grants, subsidies, and contributions – Capital | (1,315) | (3,961) | (3,644) | (3,644) | (3,644) | (3,644) | (1,644) | (1,644) | (1,644) | (1,644) |
| **(6,248)** | **Adjusted Operating Surplus / (Deficit)** | **(4,370)** | **(3,708)** | **(3,199)** | **(2,143)** | **(2,641)** | **(3,986)** | **(1,934)** | **(1,081)** | **(1,573)** | **(1,031)** |
| | | | | | | | | | | | |
| | **Net Outlays on Existing Assets** | | | | | | | | | | |
| (13,018) | Capital Expenditure on Renewal and Replacement of Existing Assets | (15,100) | (17,000) | (16,500) | (16,300) | (16,700) | (16,600) | (16,500) | (17,300) | (18,000) | (18,500) |
| 14,006 | add back Depreciation, Amortisation, and Impairment | 14,944 | 15,784 | 16,319 | 16,324 | 17,384 | 17,850 | 17,993 | 17,993 | 19,145 | 19,326 |
| 2,302 | add back Grants, subsidies, and contributions – Capital Renewal | 1,315 | 3,961 | 3,644 | 3,644 | 3,644 | 3,644 | 1,644 | 1,644 | 1,644 | 1,644 |
| 286 | add back Proceeds from Sale of Replaced Assets | 380 | 380 | 380 | 400 | 400 | 425 | 425 | 450 | 450 | 450 |
| **3,576** | **Total Net Outlays on Existing Assets** | **1,539** | **3,125** | **3,843** | **4,068** | **4,728** | **5,319** | **3,561** | **2,786** | **3,239** | **2,920** |
| | | | | | | | | | | | |
| | **Net Outlays on New and Upgraded Assets** | | | | | | | | | | |
| (11,555) | "Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)" | (1,700) | (625) | (660) | (810) | (925) | (1,020) | (1,060) | (1,020) | (1,110) | (1,120) |
| 6,974 | add back Amounts Received Specifically for New and Upgraded Assets | 796 | 19 | - | - | - | - | - | - | - | - |
| **(4,581)** | **Total Net Outlays on New and Upgraded Assets** | **(904)** | **(606)** | **(660)** | **(810)** | **(925)** | **(1,020)** | **(1,060)** | **(1,020)** | **(1,110)** | **(1,120)** |
| | | | | | | | | | | | |
| **(7,253)** | **Annual Net Impact to Financing Activities (surplus / (deficit))** | **(3,735)** | **(1,188)** | **(16)** | **1,115** | **1,162** | **313** | **567** | **686** | **555** | **769** |

## Key Assumptions

The revised draft LTFP is based on a set of underlying assumptions. Given that it has a 10-year time horizon, the reader should keep in mind that projections contained within this plan are inherently less reliable as time progresses.

## Inflation

The revised draft LTFP assumes the following annual inflation[4] movements.

**Table 2: Inflation Assumptions**

| | Year 1[5] 2025/2026 | Year 2[6] 2026/2027 | Year 3 2027/2028 | Year 4 2028/2029 | Year 5 2029/2030 | Year 6 2030/2031 | Year 7 2031/2032 | Year 8 2033/2034 | Year 9 2034/2035 | Year 10 2035/2036 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Inflation** | 3.0% | 3.1% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |

## Operating Income

### *General Assumptions*

The table below broadly summarises forecast annual adjustments for general income areas. It should be noted that several individual income line items within these broader categories have increased or decreased at rates independent of the assumptions below.

**Table 3: General Operating Income Assumptions**

| | Year 1 2025/2026 | Year 2 2026/2027 | Year 3 2027/2028 | Year 4 2028/2029 | Year 5 2029/2030 | Year 6 2030/2031 | Year 7 2031/2032 | Year 8 2033/2034 | Year 9 2034/2035 | Year 10 2035/2036 |
|---|---|---|---|---|---|---|---|---|---|---|
| **General Rates and Rebates** | 3.0% | 4.6% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% |
| **Landscape Levy (State Gov't Tax)** | 3.0% | 3.1% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| **Service Charges (CWMS, Water, Waste)** | 3.0% | 3.1% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| **Statutory Charges** | 3.0% | 3.1% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |

[4] Inflation is an increase in the level of prices of the goods and services that households buy. The Consumer Price Index (CPI) measures the rate of change of these prices.
[5] Based on Reserve Bank of Australia's (RBA) Statement of Monetary Policy – November 2024 CPI forecast for 30 June 2025.
[6] Based on Reserve Bank of Australia's (RBA) Statement of Monetary Policy – November 2024 Trimmed Mean Inflation forecast for 30 June 2026.

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **User Charges (including Caravan Parks and NDIS)** | 3.0% | 3.1% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| **Reimbursements** | 3.0% | 3.1% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| **Other income (excluding ATO Fuel Tax Credits)** | 3.0% | 3.1% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |

The revised draft LTFP assumes that Council's operating income, excluding rate and grant income, will generally move in concert with inflation (CPI).

### *General Rates*

Rates constitute a system of taxation for local government purposes (generally based on the value of land)[7].

Forecast rate increases are set with reference to inflation assumptions, as measured by the CPI, plus an additional increase above CPI to ensure forecast reductions to regular grant income (i.e. Supplementary Local Roads Grant) and increases to operating income (e.g. Loans associated with the clean-up of illegal asbestos dumping) are addressed.

Over the life of the revised draft LTFP, General Rates account for 59.3% of Council's total operating income, providing approximately $311.7m.

### *Other Rates*

Other rate income includes service charges (CWMS, Water Supply and Waste Management), separate rates (relating to community loan repayments) and the State Government landscape levy.

Over the life of the revised draft LTFP, Other Rates account for 14.2% of Council's total operating income, providing approximately $74.6m.

### *Statutory Charges*

Statutory Charges are fees from regulatory services. This income is associated with the granting of a licence, the regulation of an activity or penalties for non-compliance with a regulatory activity. Statutory charges include planning and development fees, rates searches, animal registration fees and fines, septic tank registration and inspection fees and other licences, permits, fines and penalties.

[7] Section 150(a) of the Local Government Act 1999.

Statutory charges are generally set externally to Council by the State Government, with increases to these fees generally following CPI. The cost to deliver services related to Statutory Charges exceeds the level of income generated by associated fees. As such these services are partially funded through Council's general revenue.

Over the life of the revised draft LTFP, Statutory Charges account for 1.0% of Council's total operating income, providing approximately $5.4m.

### *User Charges*

This category of income consists of fees and charges for recovery of service delivery costs (i.e. user pays). This includes income from Caravan Parks, Council's Leisure Options service (NDIS), Boat Ramps and Bush Camping sites. The fees and charges which generate user charges income are generally set at the discretion of Council.

Over the life of the revised draft LTFP, these User Charges account for 12.9% of Council's total operating income, providing approximately $67.7m.

### *Grants (capital and operating)*

Council relies on several regular grant (capital and operating) programs to fund ongoing service delivery and infrastructure maintenance and renewal requirements. Assumptions regarding the following grant programs have been included in the revised draft LTFP: Financial Assistance Grants, Supplementary Local Roads Grant, Roads to Recovery Grant,  Municipal Services. Of most note is the cessation of the Supplementary Local Roads grant after 2025/2026, which will result in a reduction to Council's annual operating income of approximately $400k.

In addition to regular grant funding the revised draft LTFP contains grant funding assumptions in relation a number to one-off grants for specific operational and capital projects[8].

Over the life of the revised draft LTFP Grants, Subsidies and Contributions Income (Operating and Capital) accounts for 11.6% of Council's total operating income, providing approximately $60.7m.

### *Investment Income*

Investment Income is derived from interest on Council investments and available cash at bank and includes reimbursement of interest paid by Council on loans to community groups.

Over the life of the revised draft LTFP Investment Income accounts for 0.4% of Council's total operating income, providing approximately $2.2m.

[8] For further information please refer the Major Projects section of this document.

### *Reimbursements*

This income category includes reimbursements received from Community Groups, Sporting Clubs, Government bodies and individuals for expenses incurred by Council in undertaking work on their behalf and then on-charged.

Over the life of the revised draft LTFP, Reimbursement Income accounts for 0.3% of Council's total operating income, providing approximately $1.8m.

### *Other Income*

All income that cannot be classified in the categories above is included here. Examples of income within this classification include insurance recoupments, rebates, and commissions.

Over the life of the revised draft LTFP, Other Income accounts for 0.3% of Council's total operating income, providing approximately $1.7m.

## Operating Expenditure

### *General Assumptions*

The table below broadly summarises forecast annual adjustments for several expenditure areas. It should be noted that a number of individual income line items have increased or decreased at a rate different to those presented in the table below.

**Table 4: General Operating Expenditure Assumptions**

| | Year 1 2025/2026 | Year 2 2026/2027 | Year 3 2027/2028 | Year 4 2028/2029 | Year 5 2029/2030 | Year 6 2030/2031 | Year 7 2031/2032 | Year 8 2033/2034 | Year 9 2034/2035 | Year 10 2035/2036 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Employee Costs (excluding Superannuation)** | 4.50% | 4.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| **Employee Costs (Superannuation)** | 5.00% | 4.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| **Materials, Contracts & Other Expenses (Legal)** | 4.00% | 4.10% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |
| **Materials, Contracts & Other Expenses (Insurance)** | 5.00% | 15.00% | 5.00% | 5.00% | 5.00% | 15.00% | 5.00% | 5.00% | 5.00% | 15.00% |
| **Materials, Contracts & Other Expenses (Other)** | 3.00% | 3.10% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |

### *Employee Costs*

Includes all operating employee costs and is inclusive of salaries, wages, and overheads such as allowances, superannuation, leave entitlements and workers compensation insurance. Wage costs (including allocation of staff overheads) relating to capital projects are included in the total capital expenditure for renewal and replacement of existing assets. The revised LTFP accounts for current Enterprise Agreements, legislated increases to Superannuation payable and an allowance for role reclassifications and step increment increases. No increase to the number of Full Time Equivalent (FTE) staff positions are factored into this LTFP.

Over the life of the LTFP, operating Employee Costs account for 28.3% of Council's total operating expenditure, costing approximately $148.8m.

### *Materials, Contracts and Other Expenses*

Materials cover payments for physical goods including the purchase of road making materials, water, fuel, electricity, and office consumables. Contracts include payments to external entities for provision of services to Council including Waste Management, electrical, plumbing, fire, and safety, building maintenance, line marking, insurance etc. This category also includes payments to consultants and legal fees incurred by Council and all other expenses that do not fit into the categories Employee Costs, Depreciation or Finance Costs.

As noted under general assumptions, while an underlying CPI increase is built into most expense lines in this category, some expense lines have increased by more than CPI or have had to be adjusted (reduced or increased) to reflect their one-off nature[9].

Significant changes to one-off operating projects included in this review to the revised draft LTFP:

Over the life of the revised draft LTFP Materials, Contracts and Other Expenses account for 38.0% of Council's total operating expenditure, costing approximately $199.5m.

### *Depreciation*

Depreciation is an accounting charge to operating expenditure which estimates the rate of consumption of Council's infrastructure, buildings, plant and equipment and other fixed assets in financial terms. The steady increase to depreciation over the life of the plan relates to the addition of new and upgrade assets and revaluations of significant asset classes.

Over the life of the LTFP, Depreciation account for 33.0% of Council's total operating expenditure, costing approximately $173.1m.

[9] Examples of significant adjustments include information relating to Major Projects. For further information refer to the Major Projects section of this document.

### *Finance Costs*

Finance Costs include interest on borrowings inclusive of community loans and are based on loan repayment schedules for existing loans. In addition to existing loans the revised draft LTFP provides for increases to borrowings of approximately $8.4m across the life of the plan.

Over the life of the LTFP, Finance Cost account for 0.7% of Council's total operating expenditure, costing approximately $3.7m.

## Operating Surplus/(Deficit)

An operating surplus (or deficit) arises when operating income exceeds (or is less than) operating expenses for a period (usually a year).

If a Council is not generating an operating surplus in most periods, then it is unlikely to be operating sustainably. It means that the cost of services provided to the community exceeds income generated. The operating surplus/(deficit) measure is considered the most critical indicator of Council's financial performance.

**Table 5: Operating Results**

| | Year 1 2025/2026 ($'000) | Year 2 2026/2027 ($'000) | Year 3 2027/2028 ($'000) | Year 4 2028/2029 ($'000) | Year 5 2029/2030 ($'000) | Year 6 2030/2031 ($'000) | Year 7 2031/2032 ($'000) | Year 8 2032/2033 ($'000) | Year 9 2033/2034 ($'000) | Year 10 2034/2035 ($'000) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating Surplus/(Deficit)** | (3,055) | 254 | 445 | 1,501 | 1,003 | (342) | (290) | 563 | 70 | 612 |

## Major Projects

The table below provides an overview of major projects included in the revised draft LTFP and assumed funding sources. Many of these projects materially impact financial results in the year they are undertaken.

**Table 6: Major Project Assumptions**

| Project | Anticipated Timing[10] | Classification | Total Cost ($'000) | | Grant Funding ($'000) | New Borrowings ($'000) | General Revenue ($'000) |
|---|---|---|---|---|---|---|---|
| **North Coast Road – Stage 3b** | 2025/26 | Capital New/Upgrade | 961 | | 577 | Nil | 384 |
| **Yorketown Undergrounding of Power (PLEC)** | Over 3 years 2025/26 -2027/28 | Operating | 4,000 | | 2,700 | 1,300 | Nil |
| **Yorketown Undergrounding of Power (Streetscaping allocation to accompany PLEC works)[12]** | Over 3 years 2025/26 -2027/28 | Capital Renewal | 1,000 | | Nil | 1,000 | Nil |
| **Jetties Renewal Program – Stage 1** | 2025/26 | Operating | 5,500 | **Funding Assumptions[11]** | 3,500 | 2,000 | Nil |
| **Robert Street, Maitland (Streetscaping allocation)[13]** | 2025/2026 | Capital Renewal | 1,000 | | Nil | 1,000 | 1,000 |
| **Illegal Dumping Project[14]** | Over 2 years 2024/25 - 2025/26 | Operating | 2,000 | | Nil | 2,000 | Nil |
| **Clinton Road Renewal – Stages 1 to 5** | Over 5 years 2026/27 - 2030/31 | Capital Renewal | 13,000 | | 10,400 | 1,100 | 1,500 |
| **Jetties Renewal Program – Stage 2** | 2030/31 | Operating | 1,500 | | Nil | Nil | 1,500 |
| **Totals** | | | **28,961** | | **17,177** | **8,400** | **3,384** |

[10] The anticipated timing of these major projects is often subject to circumstances outside of Council's ability to control (i.e. – availability of grant funding).

[11] Funding assumptions are subject to change and are dependent on circumstances outside of Council's ability to control. Grant applications may not be successful and even where successful are subject to change at the discretion of the funding body.

[12] Streetscaping is a requirement of any grant funding for the undergrounding of power through the PLEC program. The allocation provided in this plan represents a significantly reduced project scope when compared to concept design plans developed by external consultants. Further investigation in relation to minimum street scaping requirements is needed to accurately assess project viability.

[13] The streetscaping allocation for Robert Street, Maitland represents a significantly reduced project scope when compared to concept design plans and related cost estimates. The inclusion of this project assumes Council will be unsuccessful in its current application for grant funding. This timing of this project requires further guidance from the Department of Infrastructure and Transport (DIT) as works for aspects of streetscaping, which are Council's responsibility, will require coordination with works on the road, which is the responsibility of DIT as Robert Street, Maitland (i.e. the road) is a State Government asset. Any future applications for grant funding in relation to this project would need to be modelled in a future iteration of the LTFP.

[14] Allocation represents an estimate only. This project is subject to requirements of the Environmental Protection Agency (EPA) which are yet to be finalised. The LTFP assumes expenditure will be recognised in 2024/25 with the physical project undertaken in 2025/26. Deviation from these assumptions may have a material impact of financial projections.

## Asset Renewal

In line with Council's SMP and SAMP one of the major aims of this Plan is to maximise the provision of funds for the renewal and replacement of existing assets. The table below presents total annual projected capital renewal expenditure compared to total annual SAMP asset renewal requirements[15]. The plan provides for $168.5m in asset renewal funding which is $3.5m greater than SAMP requirements over the 10-year period.

**Table 7: Asset Renewal Allocations Compared to Strategic Asset Management Plan Renewal Requirements**

| | Year 1 2025/2026 ($'000) | Year 2 2026/2027 ($'000) | Year 3 2027/2028 ($'000) | Year 4 2028/2029 ($'000) | Year 5 2029/2030 ($'000) | Year 6 2030/2031 ($'000) | Year 7 2031/2032 ($'000) | Year 8 2032/2033 ($'000) | Year 9 2033/2034 ($'000) | Year 10 2034/2035 ($'000) | Total Over 10 Years ($'000) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Renewal Total** | **15,100** | **17,000** | **16,500** | **16,300** | **16,700** | **16,600** | **16,500** | **17,300** | **18,000** | **18,500** | **168,500** |
| **SAMP Required Renewal** | 21,666 | 10,504 | 16,394 | 12,194 | 16,129 | 19,051 | 18,041 | 11,491 | 14,904 | 24,602 | 164,976 |
| **Variance Over/(Under)** | **(6,566)** | **6,496** | **106** | **4,106** | **571** | **(2,451)** | **(1,541)** | **5,809** | **3,096** | **(6,102)** | **3,524** |

It should be noted that individual projects under each asset class will be determined annually as part of Council's ABP and Budget preparation and are subject to Council approval. The allocations presented in the tables above are a guide only and may be varied during ABP and Budget preparation.

The anticipated development of a Marine and Coastal assets register, which will be subject to regular revaluation, may increase the funding requirements for renewal of existing assets placing further pressure on Council's financial position. Reduction to new/upgrade capital expenditure and delays/removal of major new capital and operating projects may be required to fund this renewal in addition to consideration of increases to income.

## Net Outlays on Existing Assets

Results for the net outlays on existing assets are presented below. The positive results suggests that Council's asset renewal is adequately funded through its depreciation allocation (a non-cash expense), capital grant funding and proceeds from the sale of existing assets.

[15] SAMP values have been indexed for inclusion in the revised draft LTFP to account for the effect of inflation on projected expenditure requirements. CPI has been used in calculating indexed renewal values for the revised draft LTFP. Failure to index SAMP renewal values may result in an overstatement of Council's ability to meet renewal requirements.

**Table 8: Net Outlays on Existing Assets**

| | Year 1 2025/2026 ($'000) | Year 2 2026/2027 ($'000) | Year 3 2027/2028 ($'000) | Year 4 2028/2029 ($'000) | Year 5 2029/2030 ($'000) | Year 6 2030/2031 ($'000) | Year 7 2031/2032 ($'000) | Year 8 2032/2033 ($'000) | Year 9 2033/2034 ($'000) | Year 10 2034/2035 ($'000) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Net Outlays on Existing Assets** | 1,539 | 3,125 | 3,843 | 4,068 | 4,728 | 5,319 | 3,561 | 2,786 | 3,239 | 2,920 |

## New and Upgraded Assets

The table below presents total annual projected new and upgrade capital expenditure by asset class compared to total annual SAMP new and upgrade capital expenditure requirements[16]. The plan provides for approximately $10m in asset new and upgrade asset funding which is approximately $8m less than SAMP requirements over the 10-year period. Based on the level of funding available (i.e. – affordability) it is recommended that the SAMP be revised to consider Council's reduced expenditure capacity.

**Table 9: New and Upgrade Asset Allocations Compared to Strategic Asset Management Plan Projections**

| | Year 1 2025/2026 ($'000) | Year 2 2026/2027 ($'000) | Year 3 2027/2028 ($'000) | Year 4 2028/2029 ($'000) | Year 5 2029/2030 ($'000) | Year 6 2030/2031 ($'000) | Year 7 2031/2032 ($'000) | Year 8 2032/2033 ($'000) | Year 9 2033/2034 ($'000) | Year 10 2034/2035 ($'000) | Total Over 10 Years ($'000) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **LTFP New/Upgrade Capital Total** | **1,700** | **625** | **660** | **810** | **925** | **1,020** | **1,060** | **1,020** | **1,110** | **1,120** | **10,050** |
| **SAMP Required New/Upgrade Capital Total** | 2,606 | 1,625 | 1,667 | 1,708 | 1,749 | 1,641 | 1,681 | 1,723 | 1,767 | 1,810 | 17,977 |
| **Variance Over/(Under)** | **(906)** | **(1,000)** | **(1,007)** | **(898)** | **(824)** | **(621)** | **(621)** | **(703)** | **(657)** | **(690)** | **(7,927)** |

### *Net Outlays on New and Upgrade Assets*

Results for the net outlays on new and upgrade assets are presented below. The negative results suggests that the Council's forecast expenditure on new and upgrade assets is funded by general revenue and capital renewal funding sources as opposed to income items associated with supporting

[16] SAMP values have been indexed for inclusion in the revised draft LTFP to account for the effect of inflation on projected expenditure requirements. CPI has been used in calculating indexed new and upgrade capital values for the revised draft LTFP. Failure to index SAMP values may result in an overstatement of Council's ability to meet SAMP requirements.

new and upgrade capital expenditure. Where decisions to expend funds on new and upgrade assets are not deemed essential, Council could choose to redirect this expenditure to bolster asset renewal funding or undertake significant operating projects.

**Table 10: Net Outlays on New and Upgrade Assets**

| | Year 1 2025/2026 ($'000) | Year 2 2026/2027 ($'000) | Year 3 2027/2028 ($'000) | Year 4 2028/2029 ($'000) | Year 5 2029/2030 ($'000) | Year 6 2030/2031 ($'000) | Year 7 2031/2032 ($'000) | Year 8 2032/2033 ($'000) | Year 9 2033/2034 ($'000) | Year 10 2034/2035 ($'000) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Net Outlay on New Assets & Upgrades to Existing Assets** | (904) | (606) | (660) | (810) | (925) | (1,020) | (1,060) | (1,020) | (1,110) | (1,120) |

## Chief Executive Officer's Report on Financial Sustainability

The following defintion of financial sustainabilty represents the industry standard for Local Government:

> *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 Funding Plan and Financial Indicator results presented and discussed below further deliberation regarding potential trade-offs and project reproritisation which may bolster Council's overall financial health. The revised draft LTFP continues to reflect the significant finanical commitment required to maintain existing Council assets highlighting the challenges faced in ensuring adequate levels of funding are available to facilitate this task. The forecasts in the revised draft LTFP, whilst addressing asset renewal requirments over the 10 year period, do little to address current asset renewal backlog and are yet to factor in revised Marine and Coastal asset information which will further increase asset renewal requirements. As such, discussions regarding appropriate revenue targets (e.g. – rating) and/or potential reductions to current services levels may be required. Development of the next ABP and Budget and pending revision of the Transport Asset Management Plan (TAMP), will also feed into the decision making process.

Overall financial performance[17] averages are breakeven over the life of the plan, with significant negative results early in the plan. These two factors provide little scope for Council to respond to unforeseen circumstances or situations where the actual financial movements do not align with the asumptions in this plan. Reprioritisation and/or changes to the timing major projects may provide improved results, as would reductions to service levels and/or increased revenue.

Council's financial performance[18] improves over the life of the plan as the value of borrowings reduces. The net financial liabilities ratio effectively shows the percentage of a Council's operating income that would be required if the Council had to repay all its liabilities, including borrowings. Council's ratio peaks at 25% early in the plan reducing to 12% by its conclusion, this is well below Council maximum threshold of 100%.

Council achieves its stated asset management performance[19] target over the life of the plan due to prioritisation of asset renewal funding, however, the forecast distribution of renewal allocation is weighted heaviliy towards transport assets (e.g. – roads) to the determent of other asset classes such as Buildings and Other Structures. Over time such an approach runs the risk of exposing Council to higher renewal costs where assets deteriorate to such an extent that more expensive intervention is required. As previously noted, further work in improving Council's Marine and Coastal asset data is likely to increase renewal asset requirements placing further strain on Council finances.

If the revised draft LTFP is adopted as presented, and future annual Budgets align with the revised draft LTFP projections, Council will achieve its objectives as stated but not without concerns regarding its ability to respond to circumstances outside plan projections. As such, Council continues to face challenges to its long term financial sustainability. Reviews of operations, and reassesment of project prioritisation may help realise savings and increases productivity, efficiency, and effectiveness. Any such gains will be reflected in future revisions of the revised draft LTFP.

## Funding Plan Results

The Funding Plan provides calculated a bottom-line result labelled "Annual Net Impact to Financing Activities" this result "is a flow measure that takes account of both operating and capital activities for the financial year. Achieving a zero result on the Annual Net Impact to Financing Activities measure in any one year means that the Council has met all its expenditure (both operating and capital) from the current year's income (with income including amounts received specifically for new/upgrade assets)." Council's forecast results, provided below, present a return to positive territory from 2028/2029 which is reflected in a steady decrease to net financial liabilities over the later part of the plan. Early years of the LTFP rely heavily on utilisation of existing cash balances and new loans to fund operating and capital expenditure.

[17] Refer to discussion on the Operating Surplus Ratio.
[18] Refer to discussion on the Net Financial Liabilities Ratio.
[19] Refer to discussion on the Asset Renewal Funding Ratio.

**Table 11: Annual Net Impact to Financing Activities Results**

| | Year 1 2025/2026 ($'000) | Year 2 2026/2027 ($'000) | Year 3 2027/2028 ($'000) | Year 4 2028/2029 ($'000) | Year 5 2029/2030 ($'000) | Year 6 2030/2031 ($'000) | Year 7 2031/2032 ($'000) | Year 8 2032/2033 ($'000) | Year 9 2033/2034 ($'000) | Year 10 2034/2035 ($'000) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Annual Net Impact to Financing Activities** | (3,735) | (1,188) | (16) | 1,115 | 1,162 | 313 | 567 | 686 | 555 | 769 |

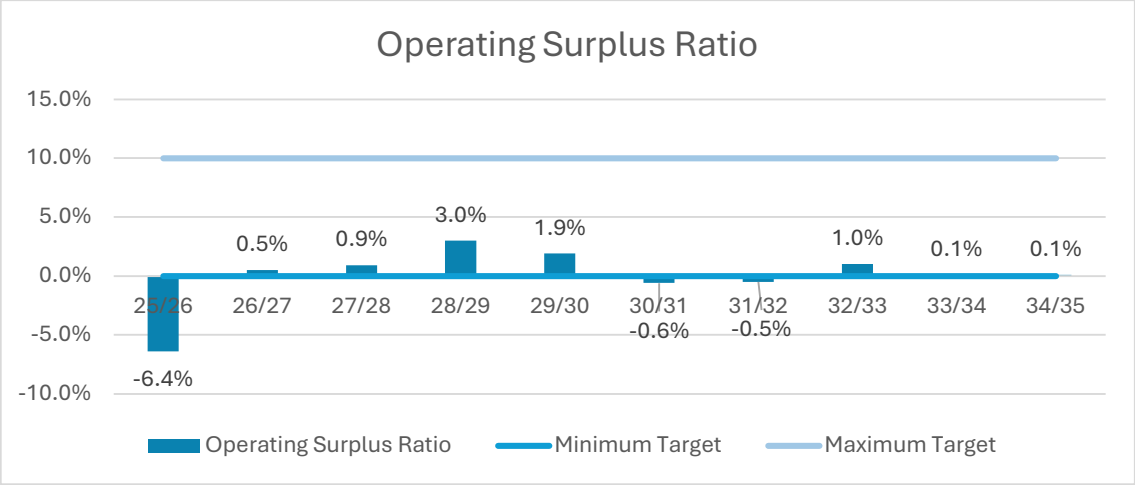
## Financial Indicator Results

In addition to regular means of financial reporting all South Australia Councils are required to report on financial estimates and target ranges for three financial indicators (ratios). These being, the Operating Surplus Ratio, Net Financial Liabilities Ratio and Asser Renewal Funding Ratio.

### *Operating Surplus Ratio (OSR)*

This ratio measures the extent to which operating income covers operating expenditure (including depreciation). It is calculated by expressing the operating surplus (deficit) as a percentage of operating income. This indicator is by far the most important. If Council consistently achieves a modest positive operating surplus ratio and has soundly based forecasts showing that it can continue to do so in future, having regard to asset management and its community's service level needs, then it is financially sustainable.

**Chart 1: Operating Surplus Ratio**



Council's average Operating Surplus Ratio over the ten-year period is 0.0%. Despite variances in the annual surplus/(deficit) outcomes the average OSR reflects a breakeven operating result over the ten-year period. Whilst this may sound positive, a breakeven result provides little to no room for Council to respond to unexpected events and/or uncertain economic conditions.

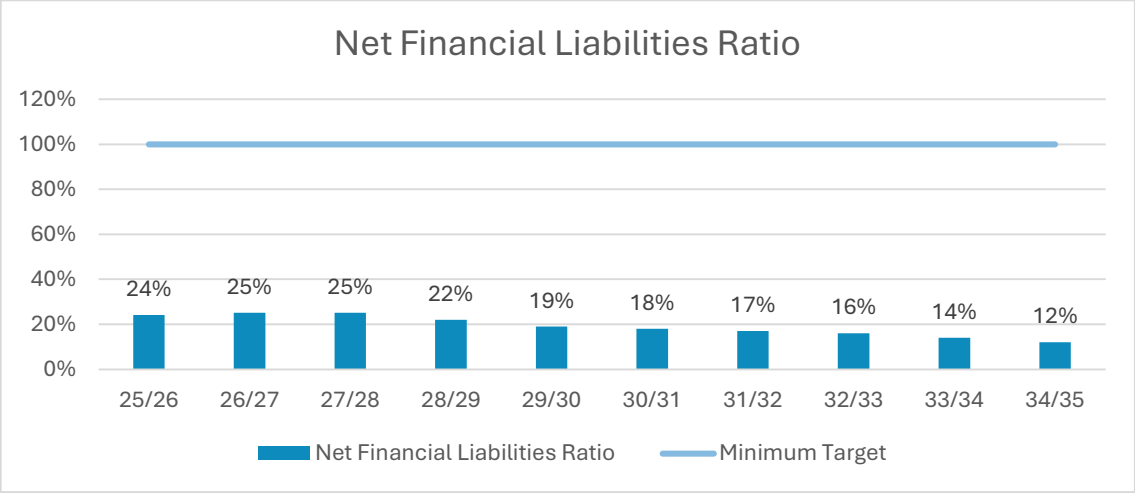
Council is close to living beyond its means. To address this Council should consider the following options:

- Adjusting service levels (generally reducing) if permissible (i.e. within regulatory ability to do so).
- Reducing or deferring proposed outlays on new and upgraded assets, or major operating projects having regard to the risks that might arise.
- Identifying additional revenue sources and/or the need to adjust rates and charges.

### *Net Financial Liabilities Ratio (NFLR)*

This ratio indicates the extent to which the net financial liabilities of Council can be met by its annual operating income. Net financial liabilities can be defined as the total liabilities (debt, employee leave entitlements and other amounts payable in future) of Council less financial assets (cash holdings, invested funds etc.). This ratio is calculated by expressing net financial liabilities at the end of the financial year as a percentage of operating income for the year. If the ratio falls over time, this indicates that Council's capacity to meet its financial obligations from operating income is strengthening. It may also allow Council to increase its borrowings for strategic capital expenditure.

**Chart 2: Net Financial Liabilities Ratio**



The graph shows that Council's forecast NFLR is well below the ceiling of 100% over the life of this LTFP, with 25% being the highest (Y2 and Y3) and 12% being the lowest (Y10). This is well within the financial sustainability targets of this LTFP.

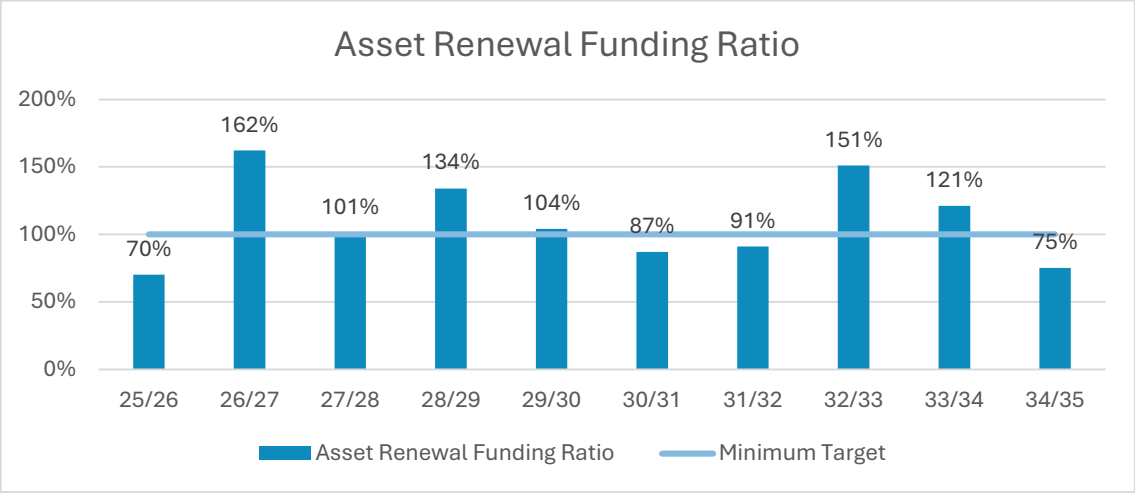
As stated earlier, new loans totalling approximately $8.4m are forecast over Y1 to Y3 to fund Council's contribution to several major projects.

The decreasing ratio may provide Council with the opportunity to make strategic use of further debt to optimise renewal of existing assets and/or address existing asset renewal backlog before these assets deteriorate to a level which will require much greater expenditure to rectify. Such use of debt could be considered if Council's OSR results were stronger.

### *Asset Renewal Funding Ratio (ARFR)*

This ratio indicates the extent to which Council's non-financial assets are being renewed and replaced compared to expenditure identified in Council's SAMP. It is calculated by measuring capital expenditure on renewal and replacement of assets in any given year divided by the expenditure required on renewal of assets in Council's SAMP in that year. This Plan uses SAMP renewal requirements to calculate this ratio, with the annual capital renewal allocation divided across Council's various asset classes on an affordability basis.

**Chart 3: Asset Renewal Funding Ratio**




The revised draft LTFP adopts a minimum target Asset Renewal Funding Ratio of 100%. When calculated over the 10-year period the actual ratio is 102%, with asset renewal funding exceeding plan requirements by $3.5m. This result means that only a small portion of the asset renewal backlog is being addressed. An asset renewal backlog is created when required asset renewal is not undertaken in accordance with the timing indicated in the

SAMP. When this continues over a length of time assets generally deteriorate at a rapid rate due to lack of investment and require increased funding to bring them up to a satisfactory standard.

The inconsistent nature of the revised ratio is reflective of the use of SAMP renewal targets which are largely based on asset expiry dates. The revised draft LTFP has sought to provide funding for the 10-year renewal requirements of the SAMP by smoothing out the lumpy financial expenditure requirements reported in the SAMP. For the purposes of this plan SAMP values have been indexed by CPI.

It should be noted that the revised draft LTFP assumes revaluation of major asset classes reflecting the cumulative inflationary assumptions of the plan.

## Further Information

Council provides a report on the actions and projects undertaken every year in its Annual Report and this includes financial statements. These reports are available on Council's website at: Corporate publications – Yorke Peninsula Council

## Acknowledgements

The revised draft LTFP 2026-2035 contains references to, and portions of material sourced directly from Financial Sustainability Information Papers and the Model Financial Statements framework issued by the Local Government Association of South Australia.