



CITY OF PORT LINCOLN
DRAFT
ANNUAL
BUSINESS PLAN
& BUDGET
2023/2024

CONTENTS

| | |
|----|--|
| ii | Table of Contents |
| 1 | The Year Ahead |
| 2 | City Profile |
| 4 | Acknowledgement of Country |
| 5 | What We Achieved Last Year |
| 6 | Strategic Planning Framework |
| 7 | Strategic Directions Plan 2021 - 2030 |
| 8 | Goal 1 – Economic Growth & Opportunity |
| 10 | Goal 2 – Liveable & Active Communities |
| 12 | Goal 3 – Governance & Leadership |
| 14 | Goal 4 – Sustainable Environment |
| 16 | Goal 5 – Community Assets & Placemaking |
| 18 | Capital Expenditure 2023/2024 |
| 20 | How We Compare |
| 22 | Significant Influences |
| 24 | Financial Statements – Uniform Presentation of Finances |
| 25 | Financial Statements – Statement of Comprehensive Income |
| 26 | Financial Statements – Balance Sheet |
| 27 | Financial Statements – Statement of Cash Flows |
| 28 | Financial Statements – Changes in Equity |
| 29 | Funding the Business Plan |
| 30 | Financial Sustainability |
| 32 | Rating Policy and Arrangements |
| 40 | Draft Long Term Financial Plan 2024-2033 - Financial Summary |
| 44 | ESCOSA - LG Advice Scheme |
| | Annexure 1 - ESCOSA Local Government Advice |
| | Annexure 2 - ESCOSA Council Response |

Prepared by **City of Port Lincoln**
Adopted for Consultation
15 May 2023

RM: N239195 18.80.2.8
Annual Business Plan and Budget Consultation
Period 18 May 2023 to 9 June 2023
Hearing of submissions on 29 May 2023
Have your say, visit yoursay.portlincoln.sa.gov.au

THE YEAR AHEAD

It is my pleasure as Mayor to present the Annual Business Plan and Budget for the 2023/2024 financial year which commits to making significant progress towards delivering the 10-year strategic actions defined in Council's Strategic Directions Plan 2021 – 2030. I also take the opportunity to thank the Elected Members for nominating, and the residents and ratepayers for voting in the recent Council Elections. The Council has been invigorated with a diverse representation of our community, who are doing their best to bring community concerns and perspectives to the chamber.

As we approach the end of the 2022/2023 year, we reflect on the achievements during the year, particularly given the labour and skilled worker shortages which continue to have an impact on the operations of Council. Increasing costs, availability of contractors and access to materials have created challenges with project delivery.

Our team has worked very hard to ensure that for the coming 2023/2024 year, we have a balanced approach to new initiatives, renewal programs, core and project delivery, while considering external factors which have increased operating costs, and worked to minimise the impact on our community and ratepayers where possible.

On this basis, we are committed to delivering a schedule of works which will require a total rate revenue increase of 9.5%, which although above current CPI of 7.9%, will allow Council to forward plan to improve services to the city and surrounds.

- Replace Swimming Enclosure \$500k, with \$482k funded through the Local Roads and Community Infrastructure Program
- Ravendale Inclusive Change Facilities \$675k, with \$325k funded by Department of Sport & Recreation



- Additional Carparking in the CBD \$300k, funded through Council's Carparking Reserve
- Road Reseal Program \$850k
- Replace Stage Lighting at Nautilus Arts Centre
- Childcare Services Review
- Housing Strategy
- Youth Action Plan
- Other capital and renewal initiatives as detailed in the Budget.

We welcome the return of the Mayor's concert, and the discovery of emerging talent in our community.

This Annual Business Plan is based on a responsible Budget, in line with Council's Long Term Financial Plan and Strategic Asset Management Plan, which will help Council achieve financial sustainability whilst continuing to serve our community at a high level.

Working together, Council will continue to deliver an inclusive and connected community, committed to excellence in lifestyle, culture, industry and innovation.

Bringing community to the heart of Council decision making,

Diana Mislov
Mayor, City of Port Lincoln

CITY PROFILE

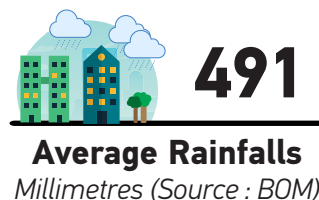
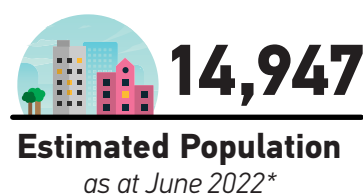
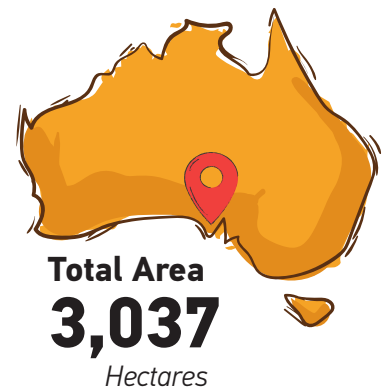
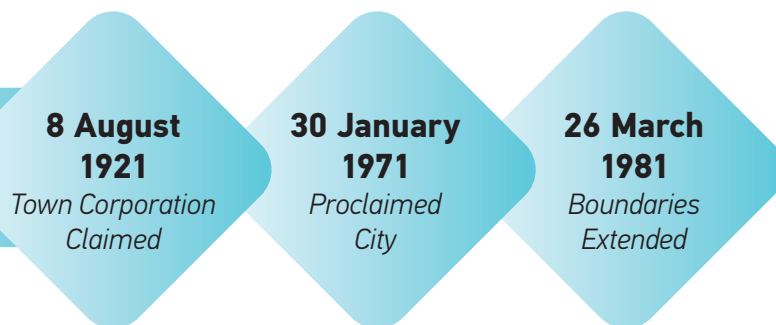
Port Lincoln is the 'Seafood Capital of Australia', an iconic South Australian regional coastal city. We are the major service centre for the southern Eyre Peninsula communities.

The city is located at the base of Eyre Peninsula some 650km west of Adelaide by road, on one of the world's largest protected harbours. The natural setting of Boston Bay is a defining feature of Port Lincoln, with the foreshore open space a highly valued recreation space and visitor experience.

Regional primary production including 50% of South Australia's wheat, barley and oil seed, together with our deep natural harbour and commercial fishing fleet, makes Port Lincoln a major agricultural export and fishing centre.

The economy continues to diversify through the innovation and growth of production and industry, bringing new investment, workforce and population growth.

Port Lincoln is also a popular visitor destination, enhanced by a growing program of cruise ships visits. Numerous festivals and events contribute to the city's vitality and attraction, including Tunarama, Adelaide to Port Lincoln Yacht Club Race, SALT Festival, Teakle Autosprint and Mortlock Shield Football Carnival.





Site Value Rateable Properties
as at June 2023

\$1.210 Billion
8,852 Assessments
(8,568 Rateable)



185
Development Applications
2021/2022
\$20.5 Million
Value of Development Approvals



Cruise Ships
2022/2023

12 cruise ships
24,973 passengers
10,680 crew

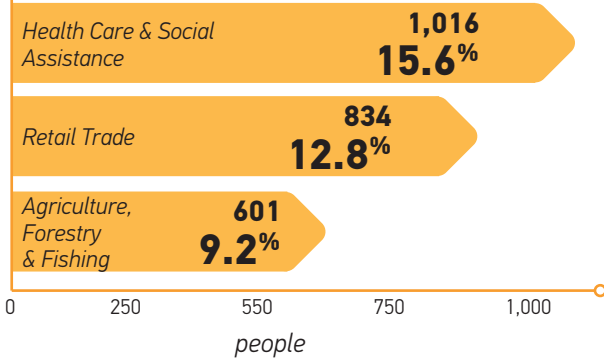
12,200

Tonnes of rubbish goes to landfill per year



1,966
Tonnes recycled per year

3 Most Common
Employment Sector



4.5%
Unemployment Rate



18.9%
2,235 People Volunteer

2021

6.6% of the population are Aboriginal and/or Torres Strait islander people

41 years median age (Regional SA is 47)

44% of people have an education qualification

31.3% young people are disengaged or partially disengaged 15 - 24 years

6.5% people needing assistance (940)

Household Income
16.7% earn >\$2,500 p/w
21.5% earn <\$650 p/w



6.5% of people needing assistance in their day to day lives due to disability*



2,745
2021/2022 Registered dogs

624
Registered cats

Source: <https://profile.id.com.au/rda-eyre-peninsula>

ACKNOWLEDGEMENT OF COUNTRY

We acknowledge the Barngarla People, the Traditional Owners of the land on which the City of Port Lincoln rests and their continuing connection to land, sea, culture and community. We pay our respects to Elders past, present and emerging, and we extend that respect to other Aboriginal and Torres Strait Islander people in our community.



WHAT WE ACHIEVED LAST YEAR

Labour and skilled worker shortages continue to have an impact on the operations of Council. Increasing costs, availability of contractors and access to materials have also hampered project delivery.

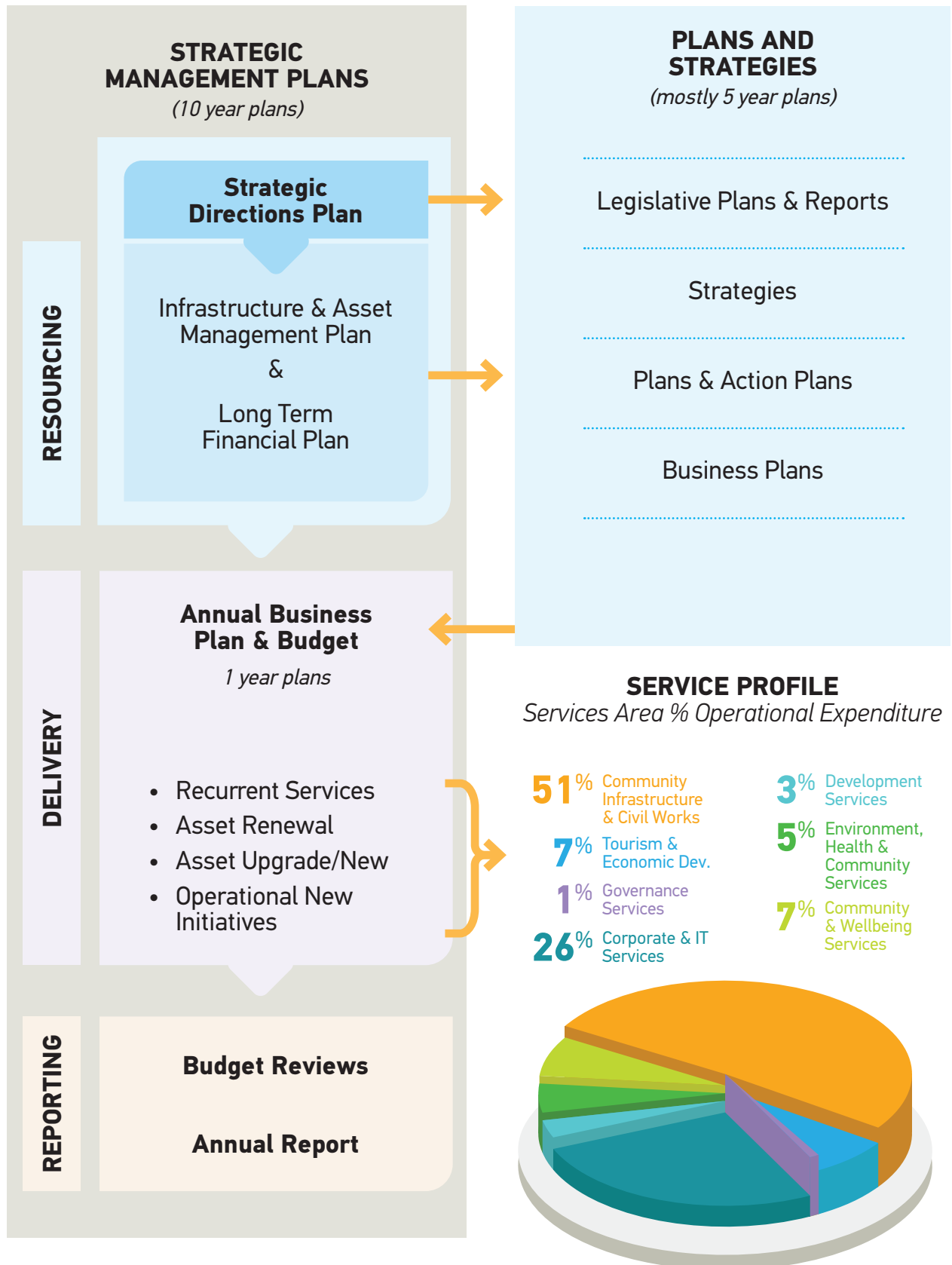
Despite these challenges, which have led directly to delays with projects and initiatives as well as underlying cost increases for the provision of services and projects, Council has still completed significant projects and made good progress on others.

Some of the key projects and initiatives since July 2022 are:

- Completed refurbishment works at ArtEyrea
- Commenced and progressed significant upgrade to Whait Reserve
- Progressed the Redevelopment of Nelson Square
- Progressed the construction of a Dog Park at Puckridge Place
- Commenced planning for the Redevelopment of Council's Depot
- Continued works on the Foreshore Redevelopment, including the completion of a new playground and refurbishment of the Tasman Terrace Toilet facilities
- Commenced Jetty Renewal works
- Completed redevelopment of the Manse Building as the Port Lincoln Uni Hub, officially opened in April 2023.
- Installation of Public Wifi throughout the CBD
- Marina Footbridge Control Panel & Safety Upgrade
- Adoption of Emergency Management Plan
- Development of Waste Management Strategy
- Development of Coastal & Marine Facilities Strategy
- Significant dredging of Axel Stenross and Laguna beach
- Contribution towards resealing works along Liverpool Street, in conjunction with Department for Infrastructure and Transport.
- Installation of Student Crossing on Oxford Terrace
- And more.



STRATEGIC PLANNING FRAMEWORK



STRATEGIC DIRECTIONS PLAN 2021 - 2030

The Strategic Directions Plan Vision is a long term aspiration describing the future place and community of Port Lincoln. The Vision has been developed and confirmed through community engagement. The implementation of the Strategic Directions Plan will lead the city towards our Vision.



VISION

"An inclusive and connected community committed to excellence in lifestyle, culture, industry and innovation"



MISSION

Council will work for and with the community to achieve the Vision by:

- Engaging and empowering the community
- Providing best value and timely services and infrastructure
- Creating a safe and inclusive place to live, work and visit
- Improving environmental sustainability.



VALUES

- UNITY & COLLABORATION
- RESPONSIBILITY & INTEGRITY
- INCLUSIVITY & RESPECT
- RESPONSIVENESS & PROGRESSIVENESS
- SAFETY



GOAL 1

ECONOMIC GROWTH AND OPPORTUNITY

We will be an innovative, diverse and growing local economy

WHAT WE AIM TO FOCUS ON AND ACHIEVE BY 2030

Our Key Focus Areas

- Southern Eyre Peninsula's commercial, health, education and community regional hub
- Productive agriculture, fishing and aquaculture sectors
- Quality tourism and visitor experiences
- Long term job creation, investment growth and partnership opportunities
- Infrastructure supporting growth and import and export viability
- New, sustainable industries based on a clean environment and quality natural resources
- Innovative, entrepreneurial, globally connected businesses

Measuring Our Success

- Tourism activity
- Progress of Strategic Actions that support Economic Growth and Opportunity
- Progress of Annual Business Plan projects supporting Economic Growth and Opportunity
- Development Application Trend Data - number, type and dollar value of applications

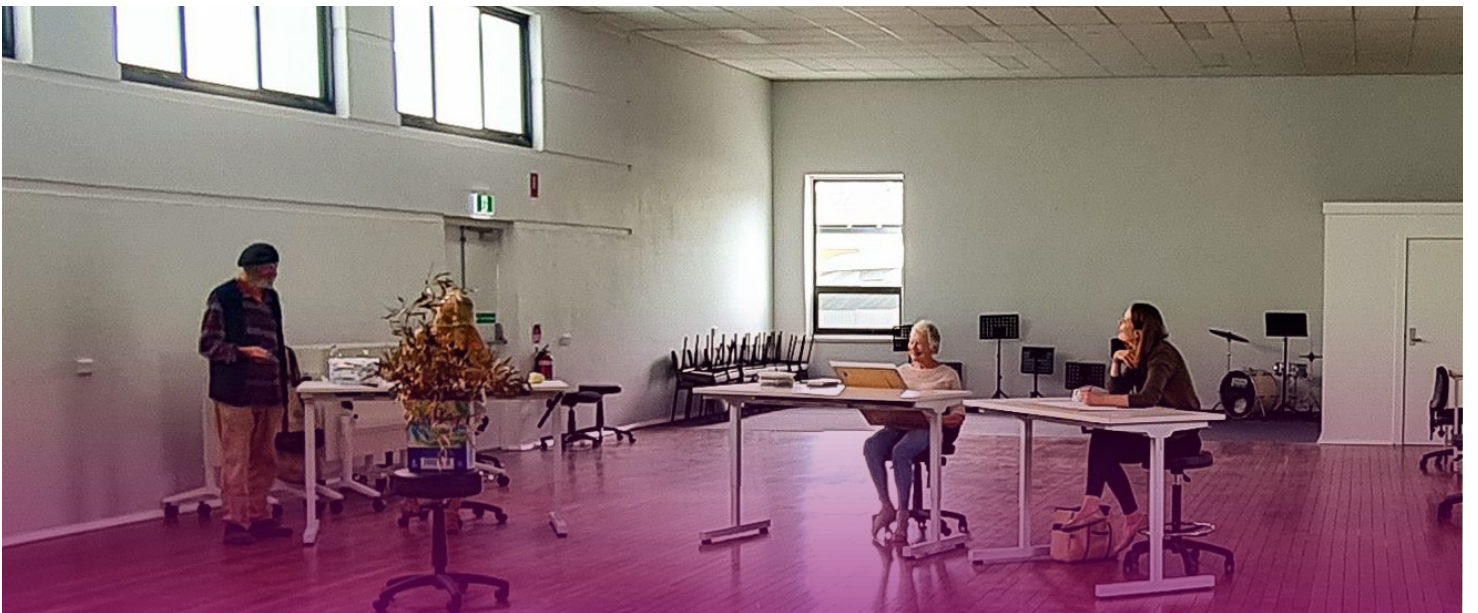
Our Strategic Actions

- 1.1 Advocate for greater education pathways and linkages between schools, educational institutions and local industry and investigate regional university and study hub options
- 1.2 Investigate and implement policies to facilitate and enable diversity of economic development and investment activities
- 1.3 Confirm Port Lincoln's strategic economic priorities and advocate and partner in actions to promote the city's economic vitality through the EPLGA's Eyre Peninsula Strategic Plan
- 1.4 Work with RDA EP and other economic facilitators to advocate for economic growth initiatives in the region for existing and emerging industries, technology and production
- 1.5 Resolve sustainable long-term arrangements for infrastructure and activities at the Port Lincoln Marina Precinct to meet future commercial, tourism and recreational needs
- 1.6 Enable and streamline business development, innovation and growth
- 1.7 Advocate for and facilitate improvements to communication and information technology infrastructure



New Projects & Initiatives for 2023/2024

| Project Name Goal 1 | Description | Expenditure \$'000s | Grants/ Contributions \$'000s |
|---------------------------|--|------------------------|-------------------------------------|
| GPS Tracking | Install and subscription to GPS tracking on Council Vehicles | 12 | |
| Childcare Services Review | | 30 | |



GOAL 2

LIVEABLE AND ACTIVE COMMUNITIES

We will be a healthy, safe, inclusive and empowered community

WHAT WE AIM TO FOCUS ON AND ACHIEVE BY 2030

Our Key Focus Areas

- Community and individual physical and mental health and well-being
- Community safety and liveability
- Empowered, inclusive, connected, diverse and resilient community
- Opportunity for children and young people to reach their potential, older people to be valued and all people to participate fully
- A regional centre for arts, culture and local heritage

Measuring Our Success

- Community safety
- Use and management of public and open spaces
- Library, Nautilus Arts Centre and Port Lincoln Leisure Centre activity
- Progress of the Strategic Actions that support Liveable and Active Communities
- Progress of Annual Business Plan projects supporting Liveable and Active Communities

Our Strategic Actions

- 2.1 Advocate for continued investment and expansion of Health and Aged Care Services including regional offerings
- 2.2 Develop and implement a Sports and Recreation Strategy
- 2.3 Support & collaborate in programs that benefit all diversity groups in our community
- 2.4 Develop and implement a Disability Access and Inclusion Plan
- 2.5 Investigate and implement improvements to community safety
- 2.6 Advocate for and support affordable low cost accommodation and housing diversity
- 2.7 Complete and implement a Reconciliation Action Plan with the Barngarla Native Title holders and wider Aboriginal community
- 2.8 Develop a Youth Action Plan
- 2.9 Develop and implement a Volunteer Management Plan
- 2.10 Develop and implement a Community Events Strategy
- 2.11 Develop and implement an Arts and Culture Strategy



New Projects & Initiatives for 2023/2024

| Project Name | Description | Expenditure \$'000s | Grants/Contributions \$'000s |
|-----------------------------------|---|---------------------|------------------------------|
| Goal 2 | | | |
| ArtEyrea - surrounds | Removal of shed & kiln to make space for community garden | 11 | |
| Mayor's Charity Concert | Reinstatement of Concert at nil cost to Council | 2 | 2 |
| Sporting Infrastructure Reserve | Annual savings over 10 years for sporting infrastructure | 90 | |
| Housing Strategy | | 40 | |
| Sport & Recreation Grants Program | Annual Grant allocation specifically for sporting groups | 15 | |
| Youth Action Plan | Engage contractor to develop Youth Action Plan for the City | 15 | |



GOAL 3

GOVERNANCE AND LEADERSHIP

We will be strategically driven, community aware and accountable

WHAT WE AIM TO FOCUS ON AND ACHIEVE BY 2030

Our Key Focus Areas

- Customer-centric service delivery
- Local and regional community leadership
- Strategic focus, effective and accountable decisions, responsive to significant events
- Open, effective and productive community and stakeholder engagement
- Sustainable long term financial position

Measuring Our Success

- Completion of Annual Business Plan projects
- Long Term Financial Plan and Budget performance
- Grant and partnership funding
- Community engagement with Council
- Progress of the Strategic Actions that support Governance and Leadership
- Progress of Annual Business Plan projects supporting Governance and Leadership
- Progress of Council's strategies and plans

Our Strategic Actions

- 3.1 Implement workforce strategies to attract, develop and retain qualified and experienced staff
- 3.2 Lead regional discussion on local government reform to effectively and efficiently meet community needs in Southern Eyre Peninsula
- 3.3 Advocate for regional co-operation and promote the voice of the community in regional, state and national forums
- 3.4 Develop and implement an Emergency Management Plan, business continuity and related capabilities
- 3.5 Implement Business Excellence and continuous improvement, including service reviews for relevance, efficiency and effectiveness
- 3.6 Develop a strategic response to population growth and service demand from the communities of interest in District Council of Lower Eyre Peninsula adjacent City of Port Lincoln
- 3.7 Monitor and respond to policy directions in Commonwealth/State funding programs relating to the COVID-19 virus
- 3.8 Maximise Council and community grant funding and partnership opportunities to achieve outcomes for the Port Lincoln community to strengthen our financial capacity
- 3.9 Investigate and implement collaborative and resource sharing opportunities with adjoining councils and government agencies



New Projects & Initiatives for 2023/2024

| Project Name | Description | Expenditure \$'000s | Grants/Contributions \$'000s |
|---|--|---------------------|------------------------------|
| Goal 3 | | | |
| Leisure Centre - Slide | Inspection & Report for future works to ensure maintenance schedule maintained | 5 | |
| Cat Management Program | Cat Desexing Program for low income offset - subject to funding | 10 | 5 |
| Enterprise Software implementation | Transition to new Corporate System to be finalised | 150 | |



GOAL 4

SUSTAINABLE ENVIRONMENT

We will be clean, green, renewable and resilient

WHAT WE AIM TO FOCUS ON AND ACHIEVE BY 2030

Our Key Focus Areas

- Healthy natural environment, waterways, land biodiversity and coast
- Pristine protected coastal environment
- Environmental responsibility and sustainability
- Climate change resilience and adaptation

Measuring Our Success

- Recyclable waste ratio
- Environmental sustainability actions in the community
- Investment in stormwater infrastructure and management
- Recycled Water Scheme performance
- Progress of the Strategic Actions that support Sustainable Environment
- Progress of Annual Business Plan projects supporting Sustainable Environment

Our Strategic Actions

- 4.1 Improve stormwater management for safety, business, property protection and environmental outcomes, including water sensitive urban design
- 4.2 Integrate environmental impacts into consideration of service provision and project planning
- 4.3 Work in partnership with local business, Eyre Peninsula Landscape Board, the community and other partners to promote and implement environmental sustainability initiatives
- 4.4 Support and implement renewable energy, energy efficiency, emissions reduction and community sustainability initiatives
- 4.5 Develop and implement a Waste Management Strategy, including community empowerment and education on resource management
- 4.6 Support initiatives through the Regional Climate Change Adaptation Plan for Eyre Peninsula and other coastal and environmental alliances
- 4.7 Develop and implement a Carbon Management Plan



New Projects & Initiatives for 2023/2024

| Project Name Goal 4 | Description | Expenditure \$'000s | Grants/Contributions \$'000s |
|------------------------|--|------------------------|---------------------------------|
| GISA Trial | Kerbside Collection of organics bins - Pilot Program, partially funded | 124 | 58 |



GOAL 5

COMMUNITY ASSETS AND PLACEMAKING

We will be a welcoming, liveable and accessible City

WHAT WE AIM TO FOCUS ON AND ACHIEVE BY 2030

Our Key Focus Areas

- Public places and infrastructure meeting economic and community needs
- Community facilities and open spaces for recreation, leisure and health and well-being
- Foreshore, CBD and Marina Precincts public realm activation
- Safe, inclusive and sustainable public places and Council facilities
- Local and regional accessibility and connectivity

Measuring Our Success

- Community assets satisfaction
- Asset renewal ratio
- Total length of paths and trails
- Placemaking capital investment
- Progress of the Strategic Actions that support Community Assets and Placemaking
- Progress of Annual Business Plan projects supporting Community Assets and Placemaking

Our Strategic Actions

- 5.1 Develop and implement a Footpaths and Trails Strategy
- 5.2 Develop and implement a Trails and Wayfinding Strategy including future development options for the Parnkalla Trail
- 5.3 Complete and implement the Open Space Strategy
- 5.4 Deliver key elements of CBD, Foreshore and Marina Precincts Master Plan
- 5.5 Progress development of a civic and community hub
- 5.6 Investigate options for neighbourhood renewal projects in appropriate precincts of the city
- 5.7 Develop a Road Traffic Management Place including shared and future alternative uses of rail and road corridors.



New Projects & Initiatives for 2023/2024

| Project Name Goal 5 | Description | Expenditure \$'000s | Grants/Contributions \$'000s |
|------------------------|---|------------------------|---------------------------------|
| Painting Toilet Blocks | Implementation of a rolling schedule for refreshing Public Conveniences throughout the City | 30 | |
| Marina Masterplan | Refresh Concept Designs for Lincoln Cove Marina | 50 | |

CAPITAL EXPENDITURE 2023/2024

| Project Name | Project Scope | New / Upgrade (\$) | Renewal (\$) | Funding (\$) |
|---|---|--------------------|----------------|----------------|
| BUILDINGS | | | | |
| Council Depot Redevelopment (ongoing) | Upgrade & redevelopment of Council Depot (Carry over from 22/23) | 4,170,000 | | |
| Ravendale Inclusive Change Facilities | Upgrade of existing change facilities | 675,000 | | 325,000 |
| Replace Civic Centre Roof | Council's Portion as part of Civic Centre Syndicate | | 90,000 | |
| Council Chambers Carpet | Replace carpet | | 15,818 | |
| Administration Offices Carpet | Replace carpet in common areas | | 8,500 | |
| Wellington Square Shade | Replace Shadecloth Over Playground | | 7,000 | |
| Sub Total | | 4,845,000 | 121,318 | 325,000 |
| DRAINAGE | | | | |
| Stormwater Infrastructure (Ongoing) | Continued Implementation of Stormwater Management Plan | 1,892,167 | | |
| Le Brun Street Pump Station | Renewal of pump station components as per asset register | | 287,093 | |
| Sub Total | | 1,892,167 | 287,093 | - |
| FURNITURE & EQUIPMENT | | | | |
| Administration Printer | Ricoh IM C6000LT A3 Digital Colour MFD | | 11,100 | |
| Replacement Server | Onsite Storage facility | | 100,000 | |
| Nautilus Arts Centre Lighting Upgrade | Replacement of Stage Lighting | | 60,000 | |
| Chambers Projector | Replace Projector with TV | | 10,000 | |
| Chambers Furniture | Replace Chambers Chairs | | 10,000 | |
| Sub Total | | - | 191,100 | - |
| FOOTPATHS | | | | |
| Footpath Renewals | Right Footpath Surface - Knott Street from Cardiff Road to London Street | | 11,044 | |
| Footpath Renewals | Right Footpath Surface - Ruskin Road from Port Lincoln High School Entrance to Park Terrace | | 12,246 | |
| Washington Street Refurbishment (Ongoing) | Streetscaping improvements | 108,146 | 261,732 | |
| Sub Total | | 108,146 | 285,022 | - |

Capital Expenditure 2023/2024 – continued

| Project Name | Project Scope | New / Upgrade (\$) | Renewal (\$) | Funding (\$) |
|---|--|--------------------|----------------|------------------|
| KERBS | | | | |
| Kerb Renewals | Left Kerb & Watertable - London Street from Stevenson Street to Knott Street | | 46,441 | |
| Stamford Terrace/Windsor Avenue Kerbing | Complete kerb works & intersection Drainage Issues (Deferred from 22/23) | 60,000 | | |
| Sub Total | | 60,000 | 46,441 | - |
| OTHER COMMUNITY ASSETS | | | | |
| Foreshore Redevelopment (Ongoing) | Completion of 3 year project as per funding agreement | 1,385,582 | | 1,036,000 |
| Streetscaping Upgrading | Porter & Liverpool Street | 64,000 | | |
| Car Park at Anglican Church | Improve carparking facilities | 150,000 | | 150,000 |
| Car Park next to Flinders Theatre | Demolish Car wash and develop carparks | 150,000 | | 150,000 |
| Swimming Enclosure | Installation of a suitable swimming enclosure | 500,000 | | 482,812 |
| Marina Pontoon | Community Pontoon Upgrade | 200,000 | | |
| Ravendale Oval - Goal Posts | Replace goal posts (subject to funding) | | 15,000 | 15,000 |
| Poole Oval Irrigation | Replace Irrigation System | | 150,000 | |
| Poole Oval Carpark | Replace Matthew Place Hardstand | | 19,875 | |
| Foreshore Irrigation | Replace balance of the foreshore irrigation with current works | | 200,000 | |
| CBD Access & Parking Action Plan Implementation (Carry forward) | Complete Implementation of Parking Action Plan | 10,000 | | |
| Sub Total | | 2,459,582 | 384,875 | 1,833,812 |
| PLANT & MACHINERY | | | | |
| Fleet Vehicle | Additional Fleet Vehicle | 40,000 | | |
| Truck | Fuso Fighter Tipper Truck | | 100,000 | 40,000 |
| Excavator (Deferred from 22/23) | Purchase new machinery | 200,000 | | |
| Footpath Sweeper | Deferred from 22/23 | 50,000 | | |
| Purchase of Pressure Cleaner | Deferred from 22/23 | 20,000 | | |
| Construction Truck (Deferred from 22/23) | Replace Mitsubishi Fuso Canter FE Tipper Truck | | 100,000 | 20,000 |
| Line Marker | Deferred from 22/23 | | 25,000 | |
| Sub Total | | 310,000 | 225,000 | 60,000 |

Capital Expenditure 2023/2024 – continued

| Project Name | Project Scope | New / Upgrade (\$) | Renewal (\$) | Funding (\$) |
|---|---|--------------------|------------------|------------------|
| PORT LINCOLN LEISURE CENTRE - PLLC | | | | |
| Resurface Courts - PLLC | Resurface Courts 1 & 2 | | 9,050 | |
| Pool Plant - PLLC | Replace Plant For Main Pool Learners Pool Splash Pool & Spa Pool Plant | | 40,000 | |
| Sub Total | | - | 49,050 | - |
| ROADS | | | | |
| Mallee Park Industrial Link Road | Design Work including survey | 25,000 | | |
| Road Reseal Program | Annual Resealing Program | | 800,000 | 224,100 |
| Road Reseal - Stage 1 Marina renewals | Additional Resealing Works in Lincoln Cove Stage 1 | | 50,000 | 50,000 |
| Sub Total | | 25,000 | 850,000 | 274,100 |
| RESOURCE RECOVERY CENTRE | | | | |
| Resource Recovery Centre Flare | Replace Flare (Deferred from 22/23) | | 450,000 | |
| Line Cell 4 (Deferred from 22/23) | Line Section of Cell 4 to extend life | 200,000 | | |
| Sub Total | | 200,000 | 450,000 | - |
| RECYCLED WATER SCHEME | | | | |
| Lincoln Cove East Reserve & South Point Reserve Development (Carry Forward) | Council's Contribution towards shared infrastructure at Lincoln Cove East & South Point Reserve | 260,000 | | |
| Sub Total | | 260,000 | - | - |
| TOTAL | | 10,159,895 | 2,889,899 | 2,492,912 |

HOW WE COMPARE



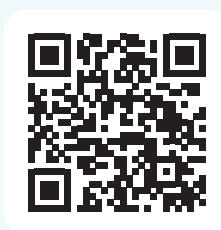
Each year when we prepare the Annual Business Plan and Budget we undertake analysis of some key metrics against the other Councils which are classified as regional cities by the Local Government Grants Commission.

Although we are comparing our draft budget with other council's previous years data (so there is a 12 month gap), this still provides us with a good indication of how we compare in basic terms.

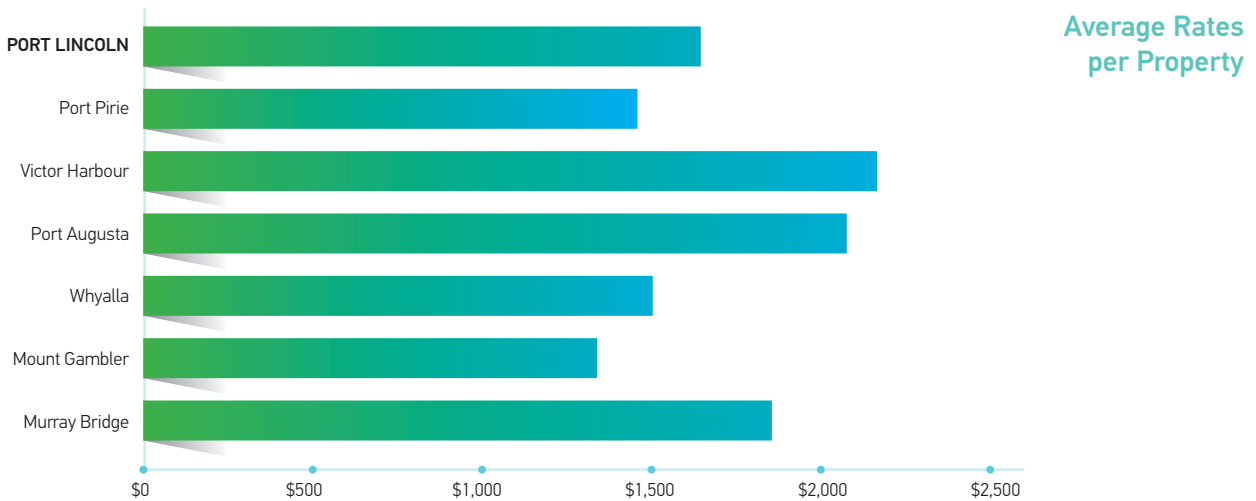
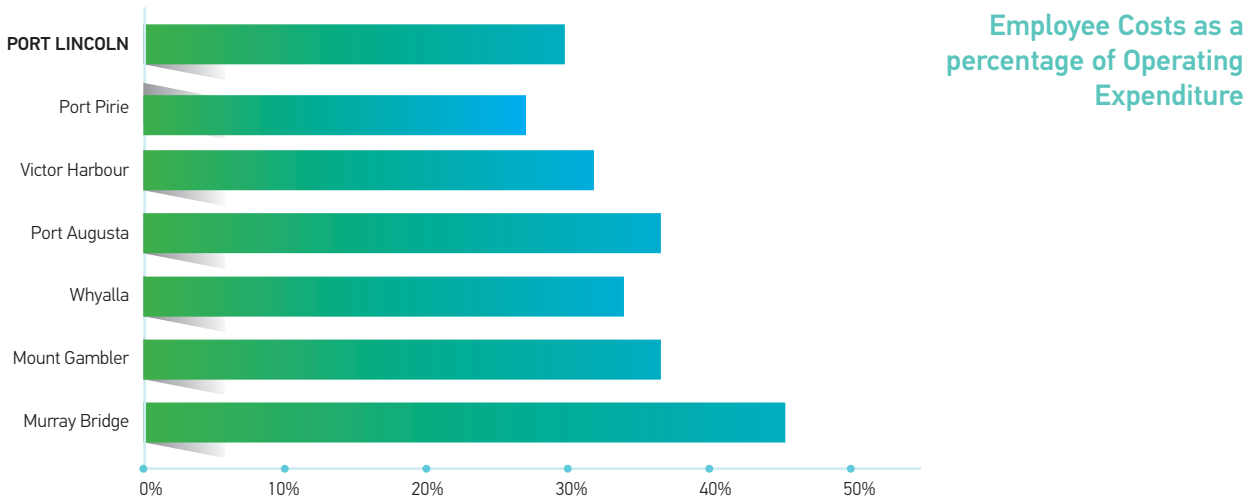
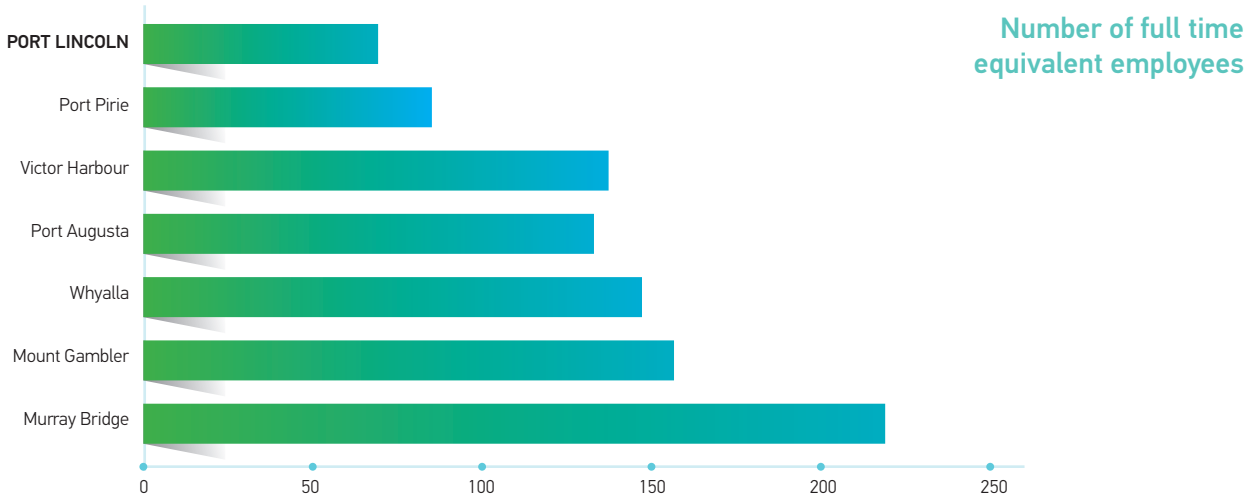
These comparisons provide us with context on resourcing levels compared to other regional cities in South Australia.

Further comparison is available at:

councilsinfocus.sa.gov.au



HOW WE COMPARE



SIGNIFICANT INFLUENCES

A number of significant factors have influenced the preparation of the Council's 2023/2024 Annual Business Plan.

These include:

- Consumer Price Index increases on existing goods and services including increases to regional memberships and subscriptions of around 7.9% (twelve months to March 2023)
- Requirements to maintain and improve infrastructure assets to acceptable standards, including roads, footpaths, stormwater drainage and other community assets
- Planning service delivery needs for an increasing population (0.5% growth)
- Diminishing State / Commonwealth grant funding for standard operating activities in the longer term
- Increased success with obtaining State / Commonwealth grant funding for capital / infrastructure projects
- Need to deliver new initiatives as per the Strategic Directions Plan 2021 - 2030

At a minimum, Council revenue needs to keep pace with these underlying cost indices, simply to continue delivering current services, renewal programs and a modest level of new project and initiative capacity in order to deliver on the long term plans for the community.





FINANCIAL STATEMENTS

UNIFORM PRESENTATION OF FINANCES FOR THE YEAR ENDED 30TH JUNE 2024 Draft Annual Budget 2023/2024

| | Annual Budget 2022/2023 \$ | Forecast #3 2022/2023 \$ | Draft Budget 2023/2024 \$ |
|---|----------------------------------|--------------------------------|---------------------------------|
| Income | 23,706,160 | 23,879,374 | 26,663,540 |
| Expenses | (24,155,144) | (25,286,857) | (26,921,261) |
| Operating Surplus/(Deficit) | (448,984) | (1,407,483) | (257,721) |
| Net Outlays on Existing Assets | | | |
| Capital Expenditure on renewal and replacement of Existing Assets | (2,250,000) | (3,280,509) | (2,908,399) |
| Add back Depreciation, Amortisation & Impairment | 4,171,149 | 4,252,227 | 4,289,992 |
| Proceeds from Sale of Replaced Assets | 186,000 | 216,000 | 60,000 |
| | 2,107,149 | 1,187,718 | 1,441,593 |
| Net Outlays on New and Upgraded Assets | | | |
| Capital Expenditure on New and Upgraded Assets | (8,563,000) | (8,052,558) | (10,159,895) |
| Amounts received specifically for New and Upgraded Assets | 3,042,000 | 3,311,101 | 1,676,000 |
| | (5,521,000) | (4,741,457) | (8,483,895) |
| Net Lending/(Borrowing) for Financial Year | | | |
| | (3,862,835) | (4,961,222) | (7,300,023) |

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2024

| | Annual Budget 2022/2023 \$ | Forecast #3 2022/2023 \$ | Draft Budget 2023/2024 \$ |
|--|----------------------------------|--------------------------------|---------------------------------|
| INCOME | | | |
| Rates | 16,372,919 | 16,387,919 | 17,833,982 |
| Statutory Charges | 359,900 | 362,400 | 341,250 |
| User Charges | 2,711,201 | 2,867,401 | 2,997,947 |
| Grants, Subsidies and Contributions | 2,264,887 | 1,925,646 | 3,127,097 |
| Investment Income | 74,661 | 195,000 | 133,822 |
| Reimbursements | 834,561 | 859,215 | 1,084,508 |
| Other Income | 1,068,031 | 1,261,793 | 1,079,516 |
| Operational New Initiatives Income | 20,000 | 20,000 | 65,418 |
| Total Income | 23,706,160 | 23,879,374 | 26,663,540 |
| EXPENSES | | | |
| Employee Costs | 7,251,628 | 6,967,013 | 8,215,266 |
| Materials, Contracts & Other Expenses | 11,818,914 | 12,993,263 | 13,490,896 |
| Finance Costs | 236,176 | 191,177 | 339,847 |
| Depreciation, Amort & Impairment | 4,171,149 | 4,252,227 | 4,289,992 |
| Operational New Initiatives | 677,277 | 883,177 | 585,260 |
| Total Expenses | 24,125,144 | 25,286,857 | 26,921,261 |
| OPERATING SURPLUS / (DEFICIT) | (448,984) | (1,407,483) | (257,721) |
| Amounts received specifically for new or upgraded assets | 3,042,000 | 3,311,101 | 1,676,000 |
| NET SURPLUS / (DEFICIT) | 2,593,016 | 1,903,618 | 1,418,279 |
| Transferred to Equity Statement | | | |
| TOTAL COMPREHENSIVE INCOME | 2,593,016 | 1,903,618 | 1,418,279 |

FINANCIAL STATEMENTS ... continued

BALANCE SHEET FOR THE YEAR ENDED 30TH JUNE 2024

| | Annual Budget 2022/2023 \$ | Forecast #3 2022/2023 \$ | Draft Budget 2023/2024 \$ |
|--|----------------------------------|--------------------------------|---------------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 2,127,823 | 5,160,062 | 4,208,938 |
| Trade and Other Receivables | 1,547,928 | 1,913,524 | 1,913,524 |
| Financial Assets | 89,121 | 89,920 | 92,569 |
| Total Current Assets | 3,764,872 | 7,163,506 | 6,215,031 |
| Non-Current Assets | | | |
| Financial Assets | 570,168 | 567,714 | 475,145 |
| Other Non-Current Assets | 163,116 | - | - |
| Infrastructure, Property, Plant & Equipment | | | |
| Land | 78,760,000 | 78,760,000 | 78,760,000 |
| Buildings | 27,799,429 | 26,879,412 | 28,528,822 |
| Infrastructure | 107,153,625 | 106,561,130 | 113,343,029 |
| Plant and Equipment | 1,385,511 | 971,843 | 1,067,055 |
| Furniture and Fittings | 337,769 | 308,560 | 261,659 |
| Resource Recovery Centre | 4,299,715 | 1,170,913 | 1,736,289 |
| Leisure Centre | 15,425,831 | 15,382,717 | 14,956,023 |
| Right-of-Use Assets | 810,337 | 616,710 | 616,710 |
| Total Non-Current Assets | 236,705,501 | 231,218,999 | 239,844,732 |
| Total Assets | 240,470,373 | 238,382,505 | 246,059,763 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and Other Payables | 2,331,293 | 3,966,601 | 3,959,226 |
| Borrowings | 685,848 | 718,290 | 718,290 |
| Provisions | 969,811 | 882,426 | 882,426 |
| Total Current Liabilities | 3,986,952 | 5,567,317 | 5,559,942 |
| Non-Current Liabilities | | | |
| Trade and Other Payables | 14,637 | - | - |
| Borrowings | 10,686,303 | 6,393,484 | 12,659,837 |
| Provisions | 3,955,587 | 1,479,176 | 1,479,177 |
| Total Non-Current Liabilities | 14,656,527 | 7,872,659 | 14,139,013 |
| Total Liabilities | 18,643,479 | 13,439,976 | 19,698,955 |
| NET ASSETS | 221,826,893 | 224,942,529 | 226,360,808 |
| EQUITY | | | |
| Accumulated Surplus | 44,995,376 | 44,974,578 | 46,392,857 |
| Asset Revaluation Reserves | 175,563,506 | 178,619,411 | 178,619,411 |
| Other Reserves | 1,268,011 | 1,348,540 | 1,348,540 |
| TOTAL EQUITY | 221,826,893 | 224,942,529 | 226,360,808 |

STATEMENT OF CASH FLOWS

| | Annual Budget 2022/2023 \$ | Forecast #3 2022/2023 \$ | Draft Budget 2023/2024 \$ |
|---|----------------------------------|--------------------------------|---------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Operating Receipts | 22,798,298 | 22,851,173 | 25,666,372 |
| Investment Receipts | 74,661 | 195,000 | 133,822 |
| Payments | | | |
| Operating Payments to suppliers & employees | (18,774,369) | (19,870,003) | (21,287,827) |
| Finance Payments | (236,176) | (191,177) | (339,847) |
| Net Cash provided by (or used in) Operating Activities | 3,862,414 | 2,984,993 | 4,172,520 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Receipts | | | |
| Amounts specifically for new or upgraded assets | 3,042,000 | 3,311,101 | 1,676,000 |
| Sale of Replaced assets | 186,000 | 216,000 | 60,000 |
| Repayments of Loans by community groups | 142,642 | 142,797 | 89,921 |
| Payments | | | |
| Expenditure on renewal/replacement of assets | (2,250,000) | (3,280,508) | (2,908,399) |
| Expenditure on new/upgraded assets | (8,563,000) | (8,052,558) | (10,159,895) |
| Loans made to community groups | (100,000) | (100,000) | - |
| Net Cash provided by (or used in) Investing Activities | (7,542,358) | (7,763,168) | (11,242,373) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Receipts | | | |
| Proceeds from Borrowings | 3,075,000 | 100,000 | 6,792,000 |
| Payments | | | |
| Repayments of Borrowings | (521,510) | (521,510) | (525,647) |
| Repayment of Lease Liabilities | (147,624) | (147,624) | (147,624) |
| Net cash provided by (or used in) Financing Activities | 2,405,866 | (569,134) | 6,118,729 |
| Net Increase (Decrease) in cash Held | (1,274,078) | (5,347,309) | (951,124) |
| Cash & Cash Equivalents at beginning of Period | 3,401,901 | 10,507,371 | 5,160,062 |
| Cash & Cash Equivalents at end of period | 2,127,823 | 5,160,062 | 4,208,938 |

FINANCIAL STATEMENTS ... continued

CHANGES IN EQUITY

| | Accumulated Surplus | Asset Revaluation Reserve | Other Reserves | TOTAL EQUITY |
|---|------------------------|---------------------------------|-------------------|-----------------|
| | \$ | \$ | \$ | \$ |
| Draft Budget 2023/2024 | | | | |
| Balance at end of previous reporting period | 44,974,578 | 178,619,411 | 1,348,540 | 224,942,529 |
| Restated opening balance | 44,974,578 | 178,619,411 | 1,348,540 | 224,942,529 |
| Net Surplus/ (Deficit) for Year | 1,418,279 | - | - | 1,418,279 |
| Balance at End of Period - 30 June 2024 | 46,392,857 | 178,619,411 | 1,348,540 | 226,360,808 |
| Forecast #3 2022/2023 | | | | |
| Balance at end of previous reporting period | 43,070,960 | 178,619,411 | 1,348,540 | 223,038,911 |
| Restated opening balance | 43,070,960 | 178,619,411 | 1,348,540 | 223,038,911 |
| Net Surplus/ (Deficit) for Year | 1,903,618 | - | - | 1,903,618 |
| Balance at End of Period - 30 June 2023 | 44,974,578 | 178,619,411 | 1,348,540 | 224,942,529 |
| Annual Budget 2022/2023 | | | | |
| Balance at end of previous reporting period | 42,402,360 | 175,563,506 | 1,268,011 | 219,233,877 |
| Restated opening balance | 42,402,360 | 175,563,506 | 1,268,011 | 219,233,877 |
| Net Surplus/ (Deficit) for Year | 2,593,016 | - | - | 2,593,016 |
| Balance at End of Period - 30 June 2023 | 44,995,376 | 175,563,506 | 1,268,011 | 221,826,893 |

FUNDING THE BUSINESS PLAN

An operating deficit of \$257,721 is being forecast for 2023/2024. The operating deficit measures the difference between operating revenue and expenses for the period. The Council’s long term financial sustainability is dependent on ensuring that, on average over time, its expenses are less than its revenue, in accordance with the Long Term Financial Plan.

Council’s revenue in 2023/2024 includes \$17,833,982 proposed to be raised from general and other rates revenue. This is based on an increase in general rates revenue of 9.5%.

The graph below outlines the break-up of operational funding budgeted to be received for the 2023/2024 financial year.

Other sources of revenue for the City of Port Lincoln are:

User Pays Charges set by Council – these charges are mainly for Council’s Resource Recovery Centre, but also include private works and other use of Council’s facilities.

Statutory Charges set by State Government – these are fees and charges set by regulation and collected by the Council for regulatory functions

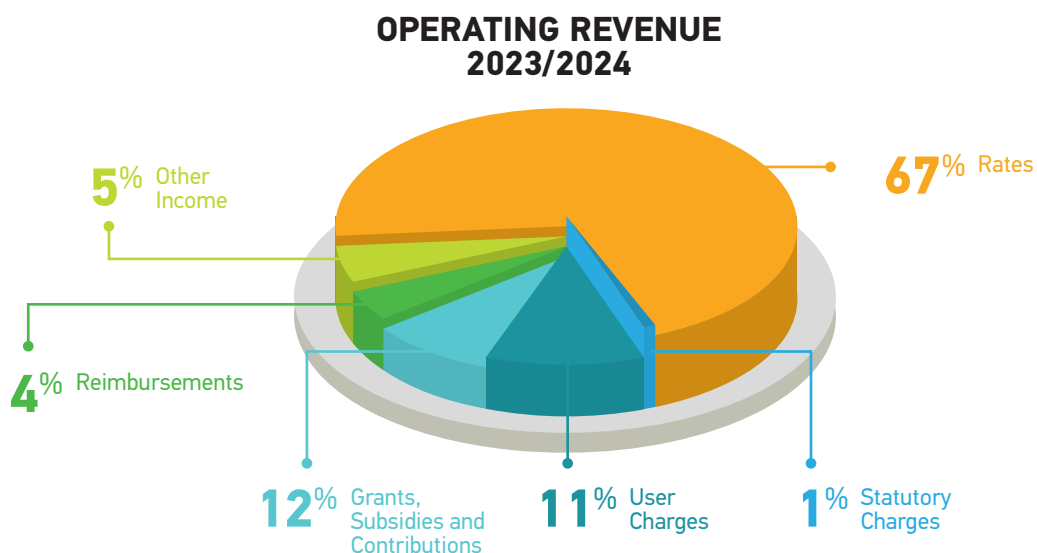
such as assessment of development applications and dog registrations. The revenue from statutory charges generally off-set the cost of the service.

Grants, Subsidies and Contributions – the Council normally seeks to attract as much grant funding as possible from other levels of government, and major projects of wider State benefit are usually jointly funded in partnership with the State Government and other relevant parties.

Investment Income – Council invests funds for future maintenance and capital projects in interest bearing accounts.

Commercial Rental Income – Council has entered into a number of commercial leasing arrangements which has seen a new revenue source from commercial rental income from the Flinders Theatre and the Nautilus Arts Centre.

Throughout the next financial year and beyond, Council will also be investigating strategic borrowings to assist with capital development into the future. Cash Advance facilities are available to Council and may assist in Council’s cashflow throughout the year and provide additional financial resourcing opportunities.



FINANCIAL SUSTAINABILITY

Amendments to the Local Government Act 1999 in 2005, combined with an independent review initiated by the Local Government Association of SA into the long term financial sustainability of South Australian councils, clearly indicated that there was a need for councils to take a longer term view into their financial planning and sustainability in working towards their goals.

Council is committed to ensuring its long term financial sustainability.

Council’s financial sustainability is dependent on ensuring that, on average over time, its expenses are at least matched by its revenue.

In addition, capital expenditure on existing infrastructure and other assets should be optimised in accordance with Council’s long term renewal programs as referenced in Council’s Strategic Asset Management Plan.

Regulation 7 of the Local Government (Financial Management) Regulations 2011 states:

Pursuant to section 123(10)(b) of the Act, each budget of a council under the Act must – include estimates with respect to the council’s operating surplus ratio, asset sustainability ratio and net financial liabilities ratio presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.

OPERATING SURPLUS RATIO

The operating surplus ratio expresses the operating surplus (deficit) as a percentage of operating income.

This ratio answers the question: *Is Council covering its operating expenditure and depreciation charge from its operating revenue?*

The forecast Operating Surplus Ratio for 2023/2024 of -0.97% represents operating income budgeted to be \$257,721 less than Council’s operating expenses for the year.

This falls within the acceptable limits of between -3% and +5% as per Council’s Long Term Financial Plan.

| Calculation of Operating Surplus Ratio | Budget 2023/2024 |
|--|------------------|
| Operating Surplus (a) | (257,721) |
| Operating Revenue (b) | 26,663,540 |
| Operating Surplus Ratio (a)/(b) | (0.97%) |

ASSET SUSTAINABILITY RATIO

The Asset Sustainability 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 capital expenditure on renewal and replacement of assets relative to depreciation.

The targeted ratio is between 90% and 110% and Council budgeted for 100% which indicates that Council is allocating sufficient funds to replace its assets.

NET FINANCIAL LIABILITIES & NET FINANCIAL LIABILITIES RATIO

Net financial liabilities is a comprehensive measure of the indebtedness of the Council as it includes items such as employee long-service leave entitlements and other amounts payable as well as taking account of the level of Council’s available cash and investments.

Specifically, 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.

The following table sets out revised estimates as at 30 June 2024.

| Calculation of Net Financial Liabilities Ratio | Estimated 30/06/24 \$,000 |
|--|---------------------------|
| Net Financial Liabilities (a) | 13,009 |
| Total Operating Revenue (b) | 26,663 |
| Net Financial Liabilities Ratio (a)/(b) | 49% |

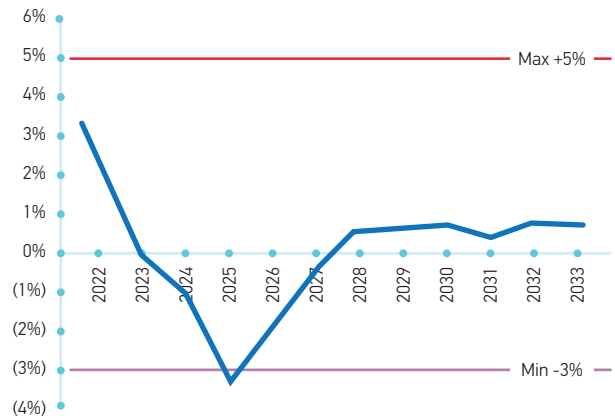
ASSESSMENT OF LONG TERM FINANCIAL SUSTAINABILITY

The below 10 year ratios indicate that the 10 year LTFP is financially sustainable:

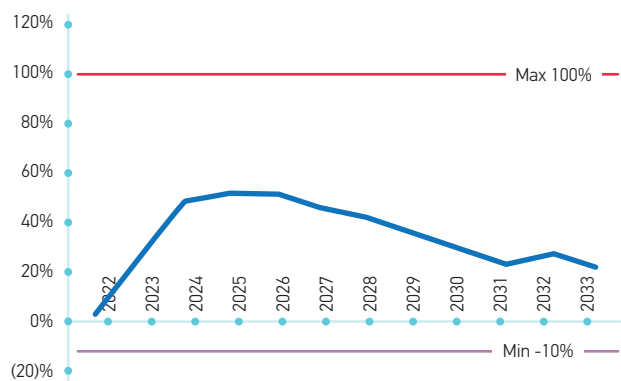
A moderate deficit in 2023/2024, increasing in 2024/2025 and thereafter improving in operating result for the remaining years of the plan, returning to surplus in year 3.

- Net Financial Liabilities are at acceptable levels; &
- Asset Sustainability Ratios are at acceptable levels.

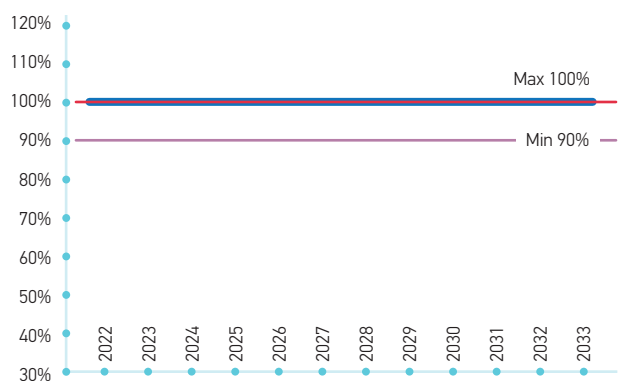
DRAFT OPERATING SURPLUS RATIO



DRAFT NET FINANCIAL LIABILITIES RATIO



DRAFT ASSET SUSTAINABILITY RATIO



RATING POLICY AND ARRANGEMENTS

RATING ARRANGEMENTS 2023/2024

The rate revenue increase has been kept to a level to enable funding of on-going operational expenses, renewal infrastructure works, priority new/upgrade capital and operational new initiatives – and return an Operational Result within the target range.

Council's LTFP forecasts a total rate revenue increase for 2023/2024 of 9.5% in RATE REVENUE DOLLARS. The forecast rate revenue increase in the Long Term Financial Plan incorporates and reflects anticipated growth of the city's rate base plus a Consumer Price Indexation estimate.

Rating Basis – Site Value

The City of Port Lincoln will continue to use site value as the basis for valuing land within the council area for the 2023/2024 financial year.

Council acknowledges that most Council's in South Australia have adopted the 'capital value' basis, and that the Local Government Reform Bill passed in 2021 will require a transition from site value to capital value based rating. This process will began in 2022/2023 for implementation in 2024/2025.

Of the site valuations, 284 totalling a value of \$73,322,973 are non- rateable properties and 8,568 with a total valuation of \$1,137,491,450 are rateable properties for 2023/2024.

Introduction of Differential Rating

In preparation for the transition to capital rates, Council has created land use codes so properties of similar purpose can be rated proportionately into the future under the capital value system. This is known as differential rating; however, it should be noted that there will be no difference in the rate in the dollar between the land use codes in the 2023/2024 financial year.

Land use Codes:

- Residential
- Commercial
- Industrial
- Vacant
- Primary Producers
- Marina Berths
- Other

General Rates (s153 and s156)

The Long Term Financial Plan forecasts a target rate revenue increase for 2023/2024 of 9.5% on the GENERAL RATES (including 'rate in the dollar' component) compared to the previous year, to fund this Annual Business Plan. The percentage rate revenue increase applied in the Annual Business Plan is consistent with funding of the projects, programs and services that Council has included in the Annual Business Plan and Annual Budget.

The general rate revenue calculation is shown in **Table 1. General Rate Revenue Calculation**

The table demonstrates that although the total general rate revenue raised is to increase by 9.5%, the planned increase in the average rate per assessment is 9.2% (total general rate revenue divided by the total number of properties that the rate revenue is distributed across), when the new total revenue is applied to the new number of assessable properties in 2023/2024.

Pursuant to Sections 159 to 165 of the Local Government Act 1999, Council is required to provide mandatory rate rebates to land that is either owned, occupied or used for purposes as described in these sections. Section 166 of the Act also provides that Council may grant discretionary rebates for the purposes as described in Section

Table 1. General Rate Revenue Calculation

| Total General Rate Revenue for 2022/2023 Budget | Total Percentage Increase 2022/2023 | In Comparison Total % Increase in 2021/2022 | Total General Rate Revenue for 2023/2024 Budget | Total Percentage Increase 2023/2024 | In Comparison Total % Increase in 2022/2023 |
|---|-------------------------------------|---|---|-------------------------------------|---|
| \$12,986,290 | 4.37% | 4% | \$14,220,587 | 9.5% | 4.37% |

| 2022/2023 | 2022/2023 | 2022/2023 | Total % Increase on Average Per Property | 2023/2024 | 2023/2024 | 2023/2024 | Total % Increase on Average Per Property |
|----------------------------|---|--|--|----------------------------|---|--|--|
| Total General Rate Revenue | Number of Properties Rates Distribution | Average proposed General Rate Per Property | | Total General Rate Revenue | Number of Properties Rates Distribution | Average proposed General Rate Per Property | |
| \$12,986,290 | 8,544 | \$1,519.93 | 4.07% | \$14,220,587 | 8,568 | \$1,659.73 | 9.20% |

166. Council currently provides mandatory rebates to 119 properties and discretionary rate rebates to 30 properties.

In addition to a general rate, Council will raise income through Service Charges for Recycling and Waste Collection.

The 2023/2024 Budget will be developed to enable Council to undertake the planned services, programs and proposed projects, in line with its financial sustainability objective and principles.

The total rate revenue to be raised for this Annual Business Plan is provided in the summary below in the context of the overall forecast cash flow impact of Council activities.

In order to adopt a sustainable and responsible Annual Business Plan and Budget, Council has reviewed project priorities together with other key budget drivers, demonstrating a clear nexus between any additional debt or reserves use and the community outcomes to be achieved.

The net proceeds of rates received for budget purposes will also reflect additional revenues and expenses related to rates, including revenue for the Regional Landscape Levy, penalties for late payment, rates and legal costs recovered, less rebates, rate remissions and write-offs and the rates early payment discount.

| Rate in the Dollar Summary | | | |
|---------------------------------------|------------|--------------------------|---|
| | | Rate in Dollar component | Increased rates raised - Rate in Dollar component |
| Total Rate in Dollar Charge 2022/2023 | \$0.008392 | \$9,074,665 | |
| Total Rate in Dollar Charge 2023/2024 | \$0.008977 | \$10,211,577 | \$1,136,912 |

To raise **General Rate Revenue** that is identified in the section **FUNDING THE ANNUAL BUSINESS PLAN**, Council declares a **rate in the dollar of \$0.008977** based on the site valuation of land within the City of Port Lincoln together with a fixed charge per rateable property.

Fixed Charge

The Council has elected to impose a fixed charge system, rather than a minimum rate which tends to distort the equity principles of taxation.

The reasons for imposing a combination of rate in the dollar and a fixed charge are:

- a. The Council considers it appropriate that all rateable properties make a contribution to the cost of administering the Council's activities and maintaining the physical infrastructure that supports each property;

- b. The fixed charge system has a lesser proportionate impact on lower income earners than a minimum rate system;
- c. The fixed charge system is more readily understandable than a minimum rate system.

The fixed charge for 2023/2024 will be levied uniformly on all non-contiguous assessments excluding Marina Berths. The fixed charge is levied against the whole of an allotment (including land under a separate lease or license) and only one fixed charge is levied against two or more pieces of adjoining land (whether intercepted by a road or not) if the same owner occupies and owns them.

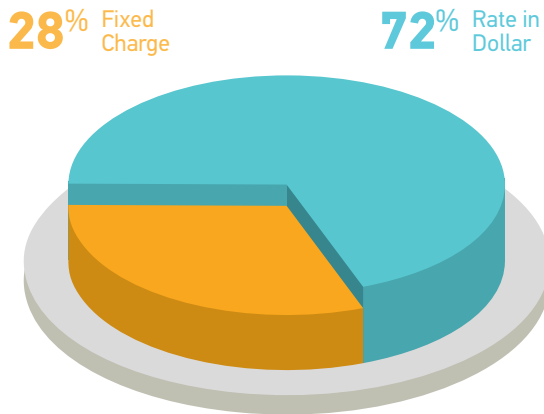
Council has in the past increased the fixed charge by a nominal \$10 per year and will maintain a \$10 increase for 2023/2024.

| Fixed Charge Summary | | | |
|--|-----------|------------------------|---|
| | 2022/2023 | 2023/2024 | |
| Number of rateable properties | 8,544 | 8,568 | |
| Less Adjoining properties | 148 | 141 | |
| Marina berths | 161 | 161 | |
| Adjusted number of properties fixed charge applicable to | 8,235 | 8,266 | |
| | | Fixed Charge component | Increased rates raised - Fixed Charge component |
| Total Fixed Charge 2022/2023 | \$475 | \$3,911,625 | |
| 2023/2024 Fixed Charge | \$485 | \$4,009,010 | \$97,385 |

Pursuant to Section 151(10) of the Local Government Act 1999, revenue raised from the Fixed Charge component cannot raise an amount that exceeds 50% of all revenue raised by the Council from general rates.

Rate Revenue from Fixed Charge and calculated Rate in the Dollar Rates

2023/2024 TOTAL GENERAL RATES REVENUE
\$14,220,587



Waste and Recycling Service Charges

Pursuant to Section 155 of the Local Government Act 1999, Council has declared service charges for both the waste and recycling collection services.

The Waste Service Charge is based on the nature of the service in respect of all land within the area of the City of Port Lincoln to which Council provides or makes available a waste collection service.

Council does not provide kerbside recycling services to properties assessed by the Valuer General’s Office as vacant land or marina berths, and therefore these properties do not attract the Recycling Service Charge.

To be equitable to all ratepayers, property owners should be charged for the services they are eligible to receive from Council. Council continues to model for full cost recovery on waste and recycling services totalling **\$356.45** where applicable, as shown in the table below:

Waste and Recycling Service Charges

| | 2022/2023 | 2023/2024 |
|---|--------------|--------------|
| Number of rateable properties | 8,544 | 8,568 |
| Less exempt from charges under Lease or License | 11 | 8 |
| Number of rateable properties Waste Service Charge applicable | 8,533 | 8,560 |
| Less Marina Berths | 161 | 161 |
| Less Vacant Land | 422 | 451 |
| Number of rateable properties Recycling Service Charge applicable | 7,950 | 7,948 |

| | Service Charges | | Total Amount Raised | |
|--------------------------|-----------------|-----------------|---------------------|--------------------|
| | 2022/2023 | 2023/2024 | 2022/2023 | 2023/2024 |
| Waste Service Charge | \$277.76 | \$296.30 | \$2,370,126 | \$2,536,328 |
| Recycling Service Charge | \$56.22 | \$60.15 | \$446,949 | \$478,072 |
| Combined Service Charge | \$333.98 | \$356.45 | \$2,817,075 | \$3,014,400 |

Although the City of Port Lincoln has experienced significant growth in property values in the past, from \$267 million in June 2002 to over \$1.1 billion at present, the property values have not continued to increase at the same rate over the last 4 years. Over the last year, the total site values have increased by some \$50 million.

The Annual Business Plan has calculated that an increase in assessment numbers between 2022/2023 and 2023/2024 will be less than 0.5%. This determination of rate revenue and rates setting had regard for the growth of the city and the rate base as reflected in the new assessments advised by the Valuer General at the time of budget adoption.

Council staff have undertaken Rates Modelling as part of the annual budgeting process. The modelling system is based on the total amount of rates revenue Council needs to raise, including the Fixed Charge component, applied over the number of assessments. Modelling also reflects the other rating variations applicable to each property in regards to the Service Charges and the Regional Landscape Levy.

In adopting the Annual Business Plan and subsequently the Annual Budget for 2023/2024, Council has determined the rating model considered to be the most fair and equitable to residents and ratepayers.

The City of Port Lincoln does not proportionally raise rates on new developments throughout the financial year.

Property valuations are determined and advised by the State Valuation Office and vary from year to year.

One property's site value in relation to other properties will affect the relative change to the General Rates amount applicable to any one assessment, when compared to the 'average'.

The increase in the general rate revenue, which is inclusive of the rate in the dollar and fixed charge components, when applied across all rateable properties including new assessments, averages a total increase of 9.2% per assessment. This does not include the increase in the Regional Landscape Levy, which is not determined by Council.

The table below is provided as an indicative illustration of the overall impact of the proposed increases in the revenue to be generated from general rates, services charges and Landscape Levy when applied to the estimated 2023/2024 total property assessments. The Landscape Levy comparison is based solely on the Residential, Other and Vacant Land Use Rate as the impact on other land use user groups will differ. The actual impact on an individual assessment may not be the same as the examples provided and may be more or less than the average.

Regional Landscape Levy

The City of Port Lincoln currently falls within the Eyre Peninsula Landscape Board region. The Landscape South Australia Act 2019 allows the process for collecting Levy funds on behalf of the Eyre Peninsula Landscape Board (EPL) to raise funds by way of a fixed charge levy to assist in funding the operations of the Board. The fixed charge is imposed as a separate rate upon all properties within the area of the Board.

Regional Landscape Levy

| | 2022/2023 | 2023/2024 | \$ Increase | % Increase |
|---|-------------------|-------------------|-----------------|-------------|
| Average General Rates | \$1,519.93 | \$1,659.73 | \$139.80 | 9.2% |
| Waste & Recycling Service Charges | \$333.98 | \$356.45 | \$22.47 | 6.7% |
| Combined Average Rates & Service Charges | \$1,853.91 | \$2,016.18 | \$162.27 | 8.8% |
| Landscape Levy | \$80.84 | \$87.10 | \$6.26 | 7.7% |
| Total Rates including Landscape Levy | \$1,934.75 | \$2,103.28 | \$168.53 | 8.7% |

The amount of the levy per property is now determined by the fixed rate applicable to the particular land use as advised by the EPL Board as follows:

Residential, Other and Vacant Land: \$87.10
Commercial and Industrial Land: \$130.65
Primary Producers: \$174.20

Council is required to collect this revenue and pay the amount collected to the EPL Board. It does not retain this revenue or determine how the revenue is spent, nor does it determine the amount of the levy to be collected. The total amount of funds Council is required to raise for the EPL Board based on the property data provided to the EPL Board in October 2022, for the City of Port Lincoln Council area for 2023/2024 is estimated to be \$771,096. This represents an increase of 8.1% on the amount paid in 2022/2023.

Rates Summary

| | |
|--|---------------------|
| General Rate on Property Value @ \$0.008977 | \$10,211,577 |
| Fixed Charge @ \$485.00 | \$4,009,010 |
| Waste Service Charge @ \$296.30 | \$2,536,328 |
| Recycling Service Charge @ \$60.15 | \$478,072 |
| Landscape Levy Charge @ \$87.10* | \$771,096 |
| TOTAL RATE & SERVICE CHARGE REVENUE | \$18,006,083 |

Note : The Landscape Levy charge referenced above applies to residential properties and vacant land. Commercial and Industrial Land uses attract a rate of \$130.65 and Primary Producers attract a charge of \$174.20 per property.



Any queries regarding the Landscape Levy should be raised with the Eyre Peninsula Landscape Board
 Telephone **08 8688 3200**
 or website **www.landscape.sa.gov.au/ep**

Rates Impact Statement

Residential Properties

| Valuation | 2022/2023 | 2023/2024 | Difference | % Change |
|-----------|------------|------------|------------|----------|
| \$80,000 | \$1,561.18 | \$1,646.71 | \$85.53 | 5.48% |
| \$160,000 | \$2,232.54 | \$2,364.87 | \$132.33 | 5.93% |
| \$250,000 | \$2,987.82 | \$3,172.80 | \$184.98 | 6.19% |
| \$370,000 | \$3,994.86 | \$4,250.04 | \$255.18 | 6.39% |

Commercial Properties

| Valuation | 2022/2023 | 2023/2024 | Difference | % Change |
|-----------|------------|------------|------------|----------|
| \$72,000 | \$1,534.46 | \$1,618.44 | \$83.98 | 5.47% |
| \$95,000 | \$1,727.48 | \$1,824.92 | \$97.44 | 5.64% |
| \$300,000 | \$3,447.84 | \$3,665.20 | \$217.36 | 6.30% |
| \$690,000 | \$6,720.72 | \$7,166.23 | \$445.51 | 6.63% |

The tables illustrate the impact of the proposed rates to be applied for 2023/2024 in comparison to the 2022/2023 financial year using the referenced property valuations. The percentage increase in rates for residential properties, will vary, but as shown in the table.

Payment of Rates

Payment of rates for the year ending 30 June 2024 will be allowed to be paid in quarterly instalments with the first payment due on the **second** Friday of September 2023 and the **first** Friday in December 2023, March 2024 and June 2024.

A quarterly rates notice will be sent to ratepayers at least 30 days prior to each due date. A ratepayer may also pay their rates in a single instalment due by **8 September 2023**.

To make bill paying more convenient for customers, the City of Port Lincoln provides the following services for the payment of the rates notice:

- BPAY service using the telephone or Internet. BPAY is available 24 hours a day, 7 days a week. Contact your Bank or financial institution for further details.
- Payment through the mail by posting a cheque with the 'tear off' remittance advice to the City of Port Lincoln.
- Payment in person at the Council Office, Level One, Civic Centre, 60 Tasman Terrace, Port Lincoln. Cheque, cash and EFTPOS facilities are available Monday to Friday 9am to 4.30pm.
- Payment via Council Website – at anytime.

Incentive for Early Payment of Rates

Council has previously offered a 2% discount for payment of rates received in full on or before the September payment date and will continue to offer a 2% discount for payment of rates and charges in full on or before **Friday 8 September 2023**.

Late Payment of Rates

The Local Government Act provides that Council imposes an initial fine of 2% on any payment of rates, whether by instalment or otherwise, that is received late. A payment that continues to be late is then charged a prescribed interest rate on the expiration of each month that it continues to be late.

Should Council refer the debt to a debt collection agency for collection, then any debt collection charges will be recoverable from the ratepayer. When Council receives a payment in respect of overdue rates Council applies the money as follows;

- To satisfy any costs awarded in connection with court proceedings to satisfy any interest costs,
- Payment of any fines imposed, and
- Payment of rates, in chronological order, starting with the oldest account first.

Recovery of Outstanding Rates

The Council has a documented procedure for the recovery of outstanding rates. The process is based on the forwarding of reminder notices when a rate instalment is unpaid, if that instalment and the next remain unpaid after the next instalment reminder is sent out, the outstanding amount is referred to Council's debt collection agent for recovery action.

Sale of Land for Non-Payment of Rates

The Local Government Act 1999 provides that a Council may sell any property where the rates have been outstanding for three years or more. The Council is required to notify the owner of the land of its intention to sell the land, provide the owner with details of the outstanding amount(s), and advise the owner of its intention to sell the land if payment is not received within one month.

Rate Concessions

In previous years the State Government, in providing equity across SA in this area, funded a range of concessions on Council rates. The State Government ceased providing direct funding of Council rates concessions for eligible pensioners and self-funded retirees in 2015-2016 and introduced an alternative form of concession funding for eligible pensioners and self-funded retirees which can be applied to any need at the discretion of the recipient.

Council rates concessions are no longer directly applied and the full rates account is payable.

Remission and Postponement of Rates

Individuals and businesses can apply to have their rates postponed and/or enter into an agreed

payment plan if they meet the hardship criteria outlined in **Council's Financial Hardship Policy 7.63.17**. This will be upon application and assessed on a case by case basis.

Rebate of Rates

The Local Government Act 1999 requires councils to rebate the rates payable on some land. Specific provisions are made pursuant to Section 160 to 165 for land used for health services, community services, religious purposes, public cemeteries and educational institutions. Council also provides Discretionary Rebates for some community groups or organisations pursuant to Section 166, however this rebate is not applicable to rateable properties owned or managed by community groups holding a licence pursuant to the Liquor Licensing Act 1997.

An application for rebate shall only be required upon establishment of a property which meets the criteria as outlined in the Local Government Act 1999 and the rebate will continue to be applied annually unless Council is notified, or becomes aware, of a change in circumstances.

Policy 7.63.8 Rates Concession Scheme

As per Section 166 and Council's Policy 7.63.8 Rates Concession Scheme, Council also provides some rebates of rates to encourage continuing building activity and land development in the City. These are in relation to development construction with a value in excess of \$1,000,000 and subdivision development, including strata and community title developments, where there are unsold new allotments.



Ratepayers can obtain further information about concessions by:

Telephoning the Department of Human Services
– ConcessionsSA Hotline:

on **1800 307 758**

Email: concessions@sa.gov.au

Visiting the website: www.dhs.sa.gov.au

DRAFT LONG TERM FINANCIAL PLAN 2024-2033 - FINANCIAL SUMMARY
ESTIMATED COMPREHENSIVE INCOME STATEMENT

| Year Ended 30 June: | 2022 Actual \$('000) | 2023 Esti- mate \$('000) | 2024 Plan Year 1 \$('000) | 2025 Plan Year 2 \$('000) | 2026 Plan Year 3 \$('000) | 2027 Plan Year 4 \$('000) | 2028 Plan Year 5 \$('000) | 2029 Plan Year 6 \$('000) | 2030 Plan Year 7 \$('000) | 2031 Plan Year 8 \$('000) | 2032 Plan Year 9 \$('000) | 2033 Plan Year 10 \$('000) |
|---|-------------------------|--------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|----------------------------------|
| INCOME | | | | | | | | | | | | |
| Rates | 15,696 | 16,388 | 17,835 | 19,409 | 20,930 | 22,280 | 23,543 | 24,691 | 25,896 | 27,159 | 28,484 | 29,874 |
| Statutory Charges | 382 | 362 | 341 | 361 | 379 | 394 | 410 | 426 | 443 | 461 | 479 | 498 |
| User Charges | 2,723 | 2,867 | 2,998 | 3,178 | 3,337 | 3,470 | 3,609 | 3,753 | 3,903 | 4,059 | 4,221 | 4,390 |
| Grants, subsidies, contributions | 3,497 | 1,926 | 3,126 | 2,564 | 2,692 | 2,799 | 2,911 | 3,028 | 3,149 | 3,275 | 3,406 | 3,542 |
| Investment Income | 67 | 195 | 134 | 84 | 73 | 74 | 74 | 73 | 73 | 72 | 72 | 71 |
| Reimbursements | 554 | 859 | 1,084 | 1,149 | 1,206 | 1,254 | 1,304 | 1,356 | 1,410 | 1,466 | 1,525 | 1,586 |
| Other Income | 941 | 1,262 | 1,080 | 1,145 | 1,202 | 1,250 | 1,300 | 1,352 | 1,406 | 1,462 | 1,520 | 1,581 |
| Operational New Initiatives Income | 0 | 20 | 65 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenues | 23,860 | 23,879 | 26,663 | 27,890 | 29,819 | 31,521 | 33,151 | 34,679 | 36,280 | 37,954 | 39,707 | 41,542 |
| EXPENSES | | | | | | | | | | | | |
| Employee costs | 6,358 | 6,967 | 8,215 | 8,975 | 9,656 | 10,003 | 10,606 | 11,240 | 11,914 | 12,629 | 13,386 | 14,189 |
| Materials, contracts & other expenses | 11,498 | 12,994 | 13,491 | 14,454 | 15,307 | 16,072 | 16,876 | 17,720 | 18,606 | 19,536 | 20,513 | 21,539 |
| Depreciation | 4,427 | 4,252 | 4,290 | 4,612 | 4,654 | 4,677 | 4,702 | 4,728 | 4,754 | 4,783 | 4,812 | 4,843 |
| Finance Costs | 261 | 191 | 340 | 656 | 625 | 591 | 559 | 525 | 493 | 461 | 426 | 393 |
| Operational New Initiatives | 0 | 883 | 585 | 135 | 192 | 327 | 213 | 222 | 231 | 367 | 255 | 265 |
| Total Expenses | 22,544 | 25,287 | 26,921 | 28,832 | 30,434 | 31,670 | 32,956 | 34,435 | 35,998 | 37,776 | 39,392 | 41,229 |
| OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS | 1,316 | (1,408) | (258) | (942) | (615) | (149) | 195 | 244 | 282 | 178 | 315 | 313 |
| Net gain/(loss) on disposal or revaluations | (194) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Amounts specifically for new assets | 202 | 3,311 | 1,676 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET SURPLUS/(DEFICIT) | 1,324 | 1,903 | 1,418 | (942) | (615) | (149) | 195 | 244 | 282 | 178 | 315 | 313 |
| Other Comprehensive Income | | | | | | | | | | | | |
| Changes in revaluation surplus - IPP&E | 3,056 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Other Comprehensive Income | 3,056 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL COMPREHENSIVE INCOME | 4,380 | 1,903 | 1,418 | (942) | (615) | (149) | 195 | 244 | 282 | 178 | 315 | 313 |

DRAFT LONG TERM FINANCIAL PLAN 2024-2033 - FINANCIAL SUMMARY
ESTIMATED BALANCE SHEET

| Year Ended 30 June: | 2022 Actual \$('000) | 2023 Esti- mate \$('000) | 2024 Plan Year 1 \$('000) | 2025 Plan Year 2 \$('000) | 2026 Plan Year 3 \$('000) | 2027 Plan Year 4 \$('000) | 2028 Plan Year 5 \$('000) | 2029 Plan Year 6 \$('000) | 2030 Plan Year 7 \$('000) | 2031 Plan Year 8 \$('000) | 2032 Plan Year 9 \$('000) | 2033 Plan Year 10 \$('000) |
|---|-------------------------|--------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|----------------------------------|
| ASSETS | | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | | |
| Cash & Equivalent Assets | 10,507 | 5,160 | 4,208 | 2,165 | 1,109 | 1,820 | 1,894 | 3,041 | 4,368 | 5,562 | 3,461 | 4,706 |
| Trade & Other Receivables | 2,054 | 2,001 | 2,004 | 2,007 | 2,011 | 2,015 | 1,946 | 1,934 | 1,928 | 1,911 | 1,911 | 1,911 |
| Total Current Assets | 12,561 | 7,161 | 6,212 | 4,172 | 3,120 | 3,835 | 3,840 | 4,975 | 6,296 | 7,473 | 5,372 | 6,617 |
| Non-Current Assets | | | | | | | | | | | | |
| Receivables | 558 | 568 | 475 | 379 | 279 | 175 | 140 | 117 | 100 | 100 | 100 | 100 |
| Infrastructure, Property, Plant & Equipment | 223,789 | 230,655 | 239,373 | 240,220 | 240,398 | 239,161 | 238,942 | 237,684 | 236,281 | 234,897 | 236,940 | 235,625 |
| Total Non-Current Assets | 224,347 | 231,223 | 239,850 | 240,601 | 240,680 | 239,340 | 239,086 | 237,806 | 236,386 | 235,003 | 237,046 | 235,732 |
| Total Assets | 236,908 | 238,384 | 246,062 | 244,773 | 243,800 | 243,175 | 242,926 | 242,781 | 242,682 | 242,476 | 242,418 | 242,349 |
| LIABILITIES | | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | | |
| Trade & Other Payables | 3,975 | 3,970 | 3,964 | 4,026 | 4,104 | 4,157 | 4,211 | 4,265 | 4,320 | 4,376 | 4,433 | 4,491 |
| Borrowings | 522 | 526 | 619 | 640 | 661 | 684 | 634 | 643 | 659 | 663 | 687 | 715 |
| Provisions | 882 | 882 | 1,010 | 1,076 | 1,136 | 1,170 | 1,215 | 1,271 | 1,326 | 1,385 | 1,448 | 1,513 |
| Total Current Liabilities | 5,379 | 5,378 | 5,593 | 5,742 | 5,901 | 6,011 | 6,060 | 6,179 | 6,305 | 6,424 | 6,568 | 6,719 |
| Non-Current Liabilities | | | | | | | | | | | | |
| Borrowings | 6,353 | 5,927 | 12,100 | 11,460 | 10,799 | 10,115 | 9,481 | 8,838 | 8,179 | 7,516 | 6,829 | 6,114 |
| Provisions | 1,479 | 1,479 | 1,351 | 1,495 | 1,639 | 1,737 | 1,878 | 2,013 | 2,165 | 2,325 | 2,495 | 2,677 |
| Other Non-Current Liabilities | 658 | 658 | 658 | 658 | 658 | 658 | 658 | 658 | 658 | 658 | 658 | 658 |
| Total Non-Current Liabilities | 8,490 | 8,064 | 14,109 | 13,613 | 13,096 | 12,510 | 12,017 | 11,509 | 11,002 | 10,499 | 9,982 | 9,449 |
| Total Liabilities | 13,869 | 13,442 | 19,702 | 19,355 | 18,997 | 18,521 | 18,077 | 17,688 | 17,307 | 16,923 | 16,550 | 16,168 |
| NET ASSETS | 223,039 | 224,942 | 226,360 | 225,418 | 224,803 | 224,654 | 224,849 | 225,093 | 225,375 | 225,553 | 225,868 | 226,181 |
| EQUITY | | | | | | | | | | | | |
| Accumulated Surplus | 43,071 | 44,974 | 46,392 | 45,450 | 44,835 | 44,686 | 44,881 | 45,125 | 45,407 | 45,585 | 45,900 | 46,213 |
| Asset Revaluation Reserve | 178,619 | 178,619 | 178,619 | 178,619 | 178,619 | 178,619 | 178,619 | 178,619 | 178,619 | 178,619 | 178,619 | 178,619 |
| Other Reserves | 1,349 | 1,349 | 1,349 | 1,349 | 1,349 | 1,349 | 1,349 | 1,349 | 1,349 | 1,349 | 1,349 | 1,349 |
| Total Equity | 223,039 | 224,942 | 226,360 | 225,418 | 224,803 | 224,654 | 224,849 | 225,093 | 225,375 | 225,553 | 225,868 | 226,181 |

**DRAFT LONG TERM FINANCIAL PLAN 2024-2033 - FINANCIAL SUMMARY
ESTIMATED CASH FLOW STATEMENT**

| Year Ended 30 June: | 2022 Actual \$('000) | 2023 Esti- mate \$('000) | 2024 Plan Year 1 \$('000) | 2025 Plan Year 2 \$('000) | 2026 Plan Year 3 \$('000) | 2027 Plan Year 4 \$('000) | 2028 Plan Year 5 \$('000) | 2029 Plan Year 6 \$('000) | 2030 Plan Year 7 \$('000) | 2031 Plan Year 8 \$('000) | 2032 Plan Year 9 \$('000) | 2033 Plan Year 10 \$('000) |
|--|----------------------------|-----------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|-------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | | | | | |
| Receipts | | | | | | | | | | | | |
| Rates | | 16,388 | 17,835 | 19,409 | 20,930 | 22,280 | 23,543 | 24,691 | 25,896 | 27,159 | 28,484 | 29,874 |
| Statutory Charges | | 362 | 341 | 361 | 379 | 394 | 410 | 426 | 443 | 461 | 479 | 498 |
| User Charges | | 2,867 | 2,998 | 3,178 | 3,337 | 3,470 | 3,609 | 3,753 | 3,903 | 4,059 | 4,221 | 4,390 |
| Grants, subsidies, contributions | | 1,926 | 3,168 | 2,556 | 2,721 | 2,806 | 2,926 | 3,039 | 3,163 | 3,287 | 3,420 | 3,555 |
| Investment Income | | 195 | 134 | 84 | 73 | 74 | 74 | 73 | 73 | 72 | 72 | 71 |
| Reimbursements | | 859 | 1,084 | 1,149 | 1,206 | 1,254 | 1,304 | 1,356 | 1,410 | 1,466 | 1,525 | 1,586 |
| Other Income | | 1,262 | 1,080 | 1,145 | 1,202 | 1,250 | 1,300 | 1,352 | 1,406 | 1,462 | 1,520 | 1,581 |
| Operational New Initiatives Income | | 20 | 65 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Payments | | | | | | | | | | | | |
| Employee costs | | (6,967) | (7,968) | (8,889) | (9,533) | (9,956) | (10,508) | (11,145) | (11,809) | (12,519) | (13,269) | (14,066) |
| Materials, contracts & other expenses | | (12,999) | (13,792) | (14,259) | (15,181) | (15,942) | (16,751) | (17,583) | (18,464) | (19,385) | (20,355) | (21,372) |
| Finance Costs | | (191) | (336) | (657) | (622) | (591) | (557) | (524) | (492) | (460) | (425) | (392) |
| Operational New Initiatives | | (883) | (585) | (135) | (192) | (327) | (213) | (222) | (231) | (367) | (255) | (265) |
| Net Cash provided by (or used in) Operating Activities | | 2,839 | 4,024 | 3,942 | 4,320 | 4,712 | 5,137 | 5,216 | 5,298 | 5,235 | 5,417 | 5,460 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | | | |
| Receipts | | | | | | | | | | | | |
| Amounts Specifically for New/Upgraded Assets | | 3,311 | 1,676 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sale of Renewed/Replaced Assets | | 216 | 60 | 107 | 161 | 80 | 120 | 30 | 47 | 163 | 80 | 228 |
| Repayments of Loans by Community Groups | | 143 | 90 | 93 | 96 | 100 | 104 | 35 | 23 | 17 | 0 | 0 |

Continued...

**DRAFT LONG TERM FINANCIAL PLAN 2024-2033 - FINANCIAL SUMMARY
ESTIMATED CASH FLOW STATEMENT**

| Year Ended 30 June: | 2022 Actual \$('000) | 2023 Esti- mate \$('000) | 2024 Plan Year 1 \$('000) | 2025 Plan Year 2 \$('000) | 2026 Plan Year 3 \$('000) | 2027 Plan Year 4 \$('000) | 2028 Plan Year 5 \$('000) | 2029 Plan Year 6 \$('000) | 2030 Plan Year 7 \$('000) | 2031 Plan Year 8 \$('000) | 2032 Plan Year 9 \$('000) | 2033 Plan Year 10 \$('000) |
|--|----------------------------|-----------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|-------------------------------------|
| Payments | | | | | | | | | | | | |
| Expenditure on Renewal/Replacement of Assets | | (3,281) | (2,908) | (3,677) | (3,302) | (2,447) | (3,482) | (2,328) | (2,175) | (2,283) | (5,598) | (2,359) |
| Expenditure on New/Upgraded Assets | | (8,053) | (10,160) | (1,889) | (1,691) | (1,073) | (1,121) | (1,172) | (1,223) | (1,279) | (1,337) | (1,397) |
| Loans Made to Community Groups | | (100) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Cash Provided by (or used in) Investing Activities | | (7,764) | (11,242) | (5,366) | (4,736) | (3,340) | (4,379) | (3,435) | (3,328) | (3,382) | (6,855) | (3,528) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | | | | |
| Receipts | | | | | | | | | | | | |
| Proceeds from Borrowings | | 100 | 6,792 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Payments | | | | | | | | | | | | |
| Repayments of Borrowings | | (522) | (526) | (619) | (640) | (661) | (684) | (634) | (643) | (659) | (663) | (687) |
| Net Cash provided by (or used in) Financing Activities | | (422) | 6,266 | (619) | (640) | (661) | (684) | (634) | (643) | (659) | (663) | (687) |
| Net Increase/(Decrease) in cash held | | (5,347) | (952) | (2,043) | (1,056) | 711 | 74 | 1,147 | 1,327 | 1,194 | (2,101) | 1,245 |
| Opening cash, cash equivalents or (bank overdraft) | | 10,507 | 5,160 | 4,208 | 2,165 | 1,109 | 1,820 | 1,894 | 3,041 | 4,368 | 5,562 | 3,461 |
| Closing cash, cash equivalents or (bank overdraft) | 10,507 | 5,160 | 4,208 | 2,165 | 1,109 | 1,820 | 1,894 | 3,041 | 4,368 | 5,562 | 3,461 | 4,706 |

ESCOSA

– LG ADVICE SCHEME

On 30 April 2022, the new ‘strategic management plan advice scheme’ established in Section 122 of the Local Government Act 1999 commenced.

This scheme required the designated authority, the Essential Services Commission of SA (ESCOSA), on a four yearly rolling schedule, to review a range of council strategic management planning documents and provide advice to the council. The councils to be reviewed in each year of the cycle were determined by ESCOSA.

The City of Port Lincoln was included in the first tranche of councils to be reviewed.

In terms of the legislation, the ESCOSA advice to councils and each council’s response must be published in both the draft and adopted Annual Business Plan.

The Report received from ESCOSA and Council’s response to that report have been included as Annexure 1 & 2 respectively to this Plan.

Annexure 1 – ESCOSA Local Government Advice

Annexure 2 – ESCOSA Council Response

OFFICIAL



Advice

Local Government Advice

City of Port Lincoln

February 2023

OFFICIAL

Enquiries concerning this advice should be addressed to:

Essential Services Commission
GPO Box 2605
Adelaide SA 5001

Telephone: (08) 8463 4444
Freecall: 1800 633 592 (SA and mobiles only)
E-mail: advice@escosa.sa.gov.au
Web: www.escosa.sa.gov.au

The Essential Services Commission is an independent statutory authority with functions in a range of essential services including water, sewerage, electricity, gas, rail and maritime services, and also has a general advisory function on economic matters. For more information, please visit www.escosa.sa.gov.au.

Table of contents

| | |
|---|----|
| Glossary of terms | ii |
| 1 The Commission’s key advice findings for the City of Port Lincoln | 3 |
| 2 About the advice | 5 |
| 2.1 Summary of advice | 5 |
| 2.2 Detailed advice findings | 7 |
| 2.2.1 Advice on material plan amendments in 2022-23 | 8 |
| 2.2.2 Advice on financial sustainability | 9 |
| 2.2.3 Advice on current and projected rate levels | 12 |
| 2.3 The Commission’s next advice and focus areas | 13 |

Glossary of terms

| | |
|-----------------------------------|---|
| ABS | Australian Bureau of Statistics |
| AMP | Asset management plan (also called an IAMP) |
| Commission | Essential Services Commission, established under the <i>Essential Services Commission Act 2002</i> |
| CPI | Consumer Price Index (Adelaide, All Groups) |
| Council | City of Port Lincoln |
| CWMS | Community Wastewater Management System |
| ESC Act | <i>Essential Services Commission Act 2002</i> |
| F&A | Local Government Advice: Framework and Approach – Final Report |
| FTE | Full Time Equivalent |
| IAMP | Infrastructure and asset management plan (also called an AMP) |
| LG Act | <i>Local Government Act 1999</i> |
| LGA SA Financial Indicators Paper | Local Government Association of South Australia, Financial Sustainability Information Paper 9 - Financial Indicators Revised May 2019 |
| LGGC | Local Government Grants Commission |
| LGPI | Local Government Price Index |
| LTFP | Long-term financial plan |
| Regulations | <i>Local Government (Financial Management) Regulations 2011</i> |
| RBA | Reserve Bank of Australia |
| SACES | The South Australian Centre for Economic Studies |
| SEIFA | Socio-Economic Indexes for Areas |
| SMP | Strategic management plan |
| SG | Superannuation Guarantee |
| The scheme or advice | Local Government Advice Scheme |

1 The Commission's key advice findings for the City of Port Lincoln

The Essential Services Commission (**Commission**) finds the City of Port Lincoln's (**Council's**) current financial position sustainable, on balance, with a small operating surplus achieved historically and growing surpluses and cash reserves forecast. However, the Council's projected improvement to its financial performance is reliant on continued rate increases above inflation. Further, there are some risks to its financial performance around its growth forecasts and the possibility of additional capital spending beyond what it has forecast. This could displace asset renewal spending or create further upward pressure on rate levels.

Acknowledging this outlook, the Commission considers that it would be appropriate for the Council to undertake the following steps to ensure that it budgets transparently, manages its cost base efficiently, renews its asset base to meet sustainable service levels, plans its asset needs appropriately and constrains the extent of further rate increases:

Budgeting considerations

1. **Review** its inflation assumptions related to wages and materials in its forward projections, given the potential for a return to long-term average inflation from 2024-25, and either remove or increase the transparency of the additional 'custom' allowance that it applies to some projections.
2. **Focus** on constraining cost growth in its budgeting, where possible, including related to 'employee' and 'materials, contracts, and other' expenses.

Providing evidence of ongoing cost efficiencies

3. **Report** its actual and projected cost savings in its annual budget, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.

Accumulation of cash reserves

4. **Review** the extent of cash reserves forecast in the context of its financial sustainability outlook and need for the accumulated funds.

Continuing to meet asset renewal needs

5. **Adhere** to the principles underpinning its long-term financial plan projections to continue to adequately fund the renewal of its assets, and to limit future expenditure on new or upgraded infrastructure as required, in consultation with its community about desired service levels and rate contributions.

Refinements to asset management planning

6. **Review** the assumptions underpinning its asset management plans, to ensure those plans incorporate a more accurate picture of required asset expenditure and better align with the allocations in its long-term financial plan as necessary, including the estimates of asset lives and valuations feeding into the forecast rates of asset consumption and depreciation expenses.

Containing rate levels

7. **Review** the rateable property growth forecasts in its budget projections each year to ensure that they remain current and do not create a need for additional rate increases to generate the same level of projected revenue.
8. **Review** and **consider** limiting future increases on its average rates to help reduce any potential emerging affordability risk in the community, in consultation with the community with reference to service levels.

2 About the advice

The Essential Services Commission (**Commission**), South Australia's independent economic regulator and advisory body, has been given a role by the State Government to provide advice on material changes proposed by local councils in relation to elements of their strategic management plans (**SMPs**) and on the proposed revenue sources, including rates, which underpin those plans.¹

One of the main purposes of the Local Government Advice Scheme (**advice or the scheme**) is to support councils to make 'financially sustainable' decisions relating to their annual business plans and budgets in the context of their long-term financial plans (**LTFPs**) and infrastructure and asset management plans (**IAMPs**)² – both required as part of a council's SMP.³ Financial sustainability is considered to encompass intergenerational equity,⁴ as well as program (service level) and rates stability in this context.⁵ The other main purpose is for the Commission to consider ratepayer contributions in the context of revenue sources, outlined in the LTFP.⁶ In addition, the Commission has discretion to provide advice on any other aspect of a council's LTFP or IAMP it considers appropriate, having regard to the circumstances of that council.⁷

The first cycle of the scheme extends over four years from 2022-23 to 2025-26, and the Commission has selected 15 councils for advice in the first scheme year (2022-23), including the City of Port Lincoln (**Council**).

This report provides the Local Government Advice for the City of Port Lincoln in 2022-23.

The Council is obliged under the *Local Government Act 1999* (**LG Act**) to publish this advice and its response, if applicable, in its 2023-24 Annual Business Plan (including any draft Annual Business Plan) and subsequent plans until the next cycle of the scheme.⁸ It does not need to publish the attachment to the advice (these will be available with the advice on the Commission's website⁹), nor is it compelled under the LG Act to follow the advice. The Commission thanks the City of Port Lincoln for providing relevant information to assist the Commission in preparing this advice.

2.1 Summary of advice

In general, the Commission finds the City of Port Lincoln's current financial position sustainable, on balance, with a small operating surplus achieved historically and growing surpluses forecast. The Council will continue to rely on rate increases, generally above the rate of inflation, to achieve this performance.

The Council also forecast an accumulation of cash with declining borrowings over the forecast period, following a period of high capital spending on key projects such as the Council depot upgrade and foreshore redevelopment, and higher short-term debt levels. This should provide it with leverage to

¹ Amendments to the *Local Government Act 1999* (s122(1c) to (1k) and (9)) specify the responsibilities for the Commission and local councils for the Local Government Scheme Advice. The Commission must provide advice to each council in accordance with the matters outlined in s122(1e), (1f) and (1g).

² Commonly referred to as asset management plans.

³ The objectives of the advice with reference to a council's LTFP and IAMPs are presented under LG Act, s122(1g). LG Act s122(1) specifies the requirements of a council's SMP, including the LTFP and IAMPs.

⁴ 'Intergenerational equity' relates to fairly sharing services and the revenue generated to fund the services between current and future ratepayers.

⁵ Commission, *Framework and Approach – Final Report*, August 2022, pp. 2-3, available at www.escosa.sa.gov.au/advice/advice-to-local-government.

⁶ LG Act s122(1f)(a) and (1g)(a)(ii).

⁷ LG Act s122(1f)(b) and (1g)(b).

⁸ LG Act s122(1h).

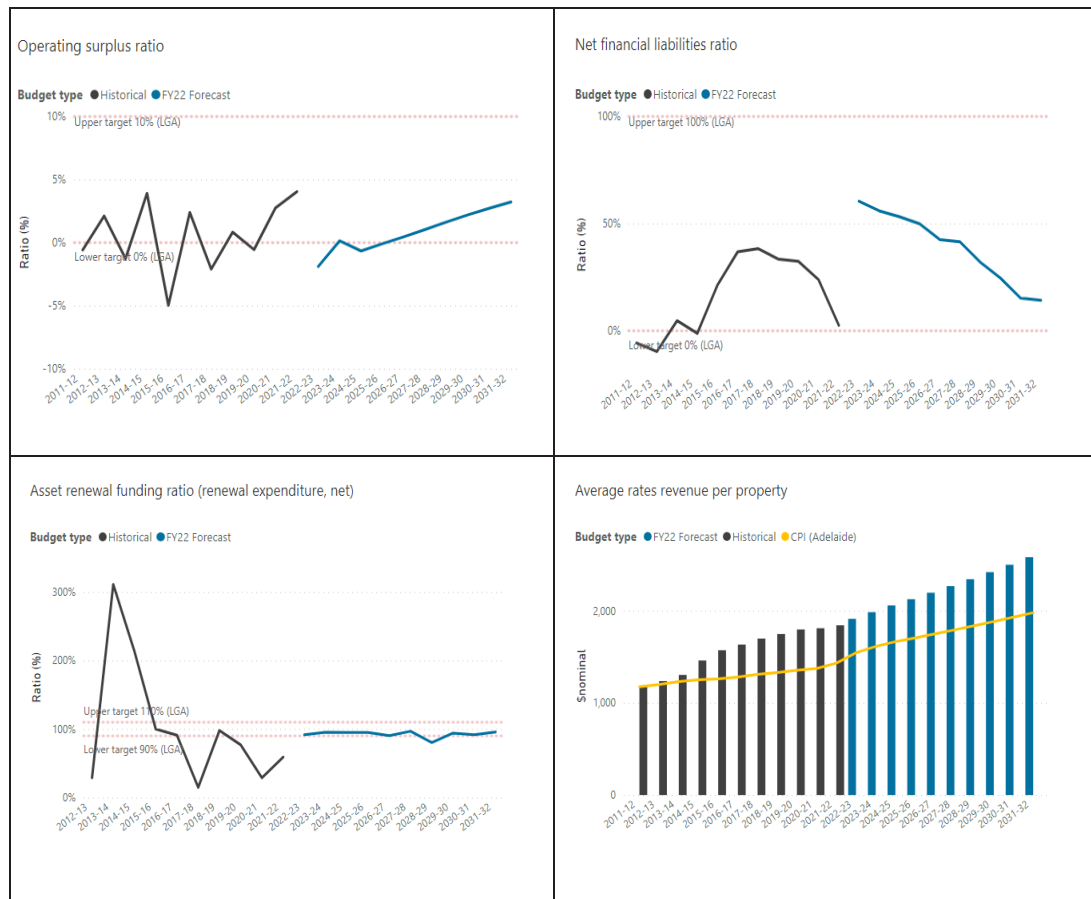
⁹ The Commission must publish its advice under LG Act s122(1i)(a).

consider reducing further rate increases, as well as other spending initiatives, in consultation with its community.

The Council has a history of incurring high growth in employee costs and, to a lesser extent, contract-related costs, with the rate base funding much of that growth. The Commission encourages the Council to identify and report efficiencies and recurrent savings in its annual business plan, including related to its staffing and contracts.

Its projections for lower capital spending on new and upgraded assets will help to reduce the potential of higher than projected rate increases for its community, avoid any emerging affordability risk and support its ongoing asset and service sustainability. The Council has prioritised adequate spending on its asset renewal needs but the Commission has identified potential areas for further review by the Council in relation to asset management planning and consequential depreciation expenses.

The charts below of the City of Port Lincoln’s past and projected operating surplus ratio, net financial liabilities ratio, asset renewal funding ratio and average rate revenue per property, together support these findings. The ‘heat map’ diagram over the page summarises the Commission’s findings with reference to whether the Council has met the suggested LGA target ranges for the three main financial sustainability indicators¹⁰ and the level of cost control and affordability risk identified for the Council over time.



¹⁰ The suggested LGA target range for the ratios are discussed in more detail in the attachment.

Summary of the City of Port Lincoln’s financial sustainability performance and the Commission’s risk assessment

| Financial sustainability indicators: | Last 10 years from 2011-12 (Actual performance) | 2021-22 estimate | Next 10 years from 2022-23 (Council forecasts) |
|---|--|---|---|
| Operating surplus ratio (target 0-10%) | Operating surpluses but ratio target not consistently achieved | Ratio within target range from 2020-21 and throughout forecast period → | |
| Net financial liabilities ratio (target 0-100%) | Negative ratio to 2014-15 | Ratio within target range from 2015-16 and throughout forecast period → | |
| Asset renewal funding ratio (target 90-110%) | Spending on renewal works within target range, on average → | | Ratio target range met in forecasts with higher projected spending on asset renewal works → |
| Identified Risks: | | | |
| Cost control risk | Operating expenses per property average growth 4.3% p.a. to 2020-21 (CPI 1.7%) → | | Operating expenses per property forecast average growth 2.3% p.a. to 2031-32, lower than projected average CPI (2.8%) → |
| Affordability risk | Rate revenue per property average growth 4.6% p.a. to 2021-22 (CPI 2.0%) | | Projected rate revenue per property average growth 3.4% p.a. to 2031-32, above forecast average CPI (2.8%) → |

- Ratio outside suggested LGA target range or higher risk within
- Ratio close to suggested LGA target range or medium risk
- Ratio within suggested LGA target range or lower risk

The higher rate levels for the Council’s community from 2022-23 present an emerging affordability risk, which could be partially addressed through reducing new or upgraded capital expenditure in the short-term (to 2023-24). Furthermore, the Council could investigate reducing the level of its operating surpluses that it has forecast from 2025-26 to avoid rates increases in real terms from 2025-26 onwards.

2.2 Detailed advice findings

The next sections summarise the Commission’s more detailed advice findings regarding the City of Port Lincoln’s material changes to its 2022-23 plans (compared with the previous year’s plans), its financial sustainability (in the context of its long-term operating performance, net financial liabilities, and asset renewals expenditure) and its current and projected rate levels.

In providing this advice, the Commission has followed the approach it previously explained in the Framework and Approach – Final Report (F&A). The attachment explores these matters further.¹¹

¹¹ The attachment will be available on the Commission’s website with the advice.

2.2.1 Advice on material plan amendments in 2022-23

The City of Port Lincoln's 2022-23 budget includes increases to both its projected income and expenditure items to 2030-31, compared with the 2021-22 forecasts,¹² as follows:

- ▶ An additional \$15.2 million or 6.6 percent in total operating income. This includes an additional \$7.1 million or 4.3 percent in rates revenue and \$3.7 million or 21.5 percent in 'grants, subsidies and contributions'.
- ▶ An additional \$14.6 million or 6.4 percent in total operating expenses and \$4.2 million or 11.3 percent in total capital expenditure. More than half of the City of Port Lincoln's higher operating expenses are due to an increase of \$11.0 million or 9.8 percent in materials, contracts, and other expenses.¹³ Employee expenses have also increased by \$6.4 million or 9.4 percent. This is due to an increase in certain cost inputs as assumed by the Council from 2023-24 to 2031-32.

Based on the Council's inflation assumptions,¹⁴ an increase in total revenue and expenditure estimates by around 6 to 7 percent over the nine years to 2030-31,¹⁵ compared with its 2021-22 estimates, would reflect higher inflation alone.

The Council has assumed different cost drivers in its forward projections based on different Consumer Price Index (CPI), wages and material cost assumptions. In general, it assumes that wages and material cost inflation will exceed CPI inflation by 0.5 percent per annum. It has also included an annual 'custom' allowance of 1 percent for its 'use when appropriate for individual revenue or expense lines' in all years except 2024-25, when it is 1.5 percent.¹⁶ This means that the Council could assume in its current budgeting that its costs increase by up to 4 percent annually to 2031-32 (and 4.5 percent in 2024-25).

The Commission considers that the Council's CPI inflation forecasts are not unreasonable in the current inflationary environment (with 2.5 percent as the midpoint of the Reserve Bank of Australia's (RBA's) 2 and 3 percent target band) but that there is the risk that its longer-term cost index forecasts for wages, materials and potentially other series are high.¹⁷

In examining the Council's changes to its 2022-23 plans, the Commission has found that it would be appropriate for it to:

1. **Review** its inflation assumptions related to wages and materials in its forward projections, given the potential for a return to long-term average inflation from 2024-25, and either remove or increase the transparency of the additional 'custom' allowance that it applies to some projections.

¹² The overlapping forecast period in both LTFPs (2021-22 to 2030-31 and 2022-23 to 2031-32).

¹³ City of Port Lincoln, *Long Term Financial Plan 2023-2032*, June 2022, p. 15, available at https://www.portlincoln.sa.gov.au/_data/assets/pdf_file/0021/1170732/18.80.1.7-FINAL228-Long-Term-Financial-Plan-2023-2032.pdf.

¹⁴ The Council has increased its CPI growth forecast for 2022-23 from 1.5 percent to 3 percent from 2023-24 (which is lower than current RBA CPI forecasts in February 2023) and thereafter, from 1.5 to 2.5 percent (which is aligned to the midpoint of the RBA's target band of 2 and 3 percent).

¹⁵ The set of nine years forecast in both the 2021-22 and 2022-23 LTFP projections.

¹⁶ City of Port Lincoln, *Long Term Financial Plan 2023-2032*, June 2022, p. 8.

¹⁷ The RBA forecast for CPI is to increase by 6.7 percent in the year to the June 2023 quarter, by 3.6 percent in the year to the June 2024 quarter and by 3.0 percent in the year to the June 2025 quarter. Beyond June 2025 the RBA has not published inflation forecasts, but a return to the long-term average (of 2.5 percent based on the midpoint of the RBA's target range of 2 and 3 percent) is a reasonable assumption.

2. **Focus** on constraining cost growth in its budgeting, where possible, including related to 'employee' and 'materials, contracts, and other' expenses.

2.2.2 Advice on financial sustainability

Operating performance

The City of Port Lincoln has run five operating deficits¹⁸ within the period 2011-12 to 2020-21 however it has generated a small operating surplus, as indicated by its average operating surplus ratio¹⁹ of 0.2 percent over these years.

The Council's growth in its operating expenses in the 10 years to 2020-21 averaged 4.5 percent per annum, compared with average growth in operating income of 4.9 percent per annum.

The ratio is forecast to meet the suggested Local Government Association (**LGA**) target range, with a surplus, in 2023-24 (when it will be 0.1 percent). To 3031-32, the Council's average ratio is forecast to be 0.9 percent, which is also within the target range.

The past deficits are partly due to higher 'employee' expenses growth. Employee expenses account for 30 percent of the Council's operating expenses in 2022-23 and increased by an average of 7.7 percent each year from 2011-12 to 2020-21. This was due largely to the Council increasing the number of employees over the same period by an average of 4.3 percent each year (to 66 Full Time Equivalents). This compares with average annual CPI growth of 1.7 percent²⁰ and growth in property numbers averaging 0.1 percent annually over the same period.²¹ The Council's 'materials, contracts and other' expenses also increased by an average of 4.4 percent per annum each year from 2011-12 to 2020-21.²²

The estimated reduction in the rate of growth in operating expenses projected over the next 10 years (to an average of 2.8 percent per annum, which is aligned to the forecast inflation²³), combined with higher rates increases, is expected to slowly improve the Council's operating performance. The impact of higher rate levels for the community are discussed more below.

In general, despite the Council's forecasts, the Commission considers that there is limited evidence of cost constraint to date by the Council. It has indicated its focus on further investment in various capital projects and its staffing capacity,²⁴ but there is no mention of specific savings or the quantum of any efficiency gains to be achieved in its forward budget.

¹⁸ This means the Council's operating expenses (including depreciation) have exceeded operating income (including rates and other revenue sources but excluding capital grants, subsidies, and contributions).

¹⁹ The operating surplus ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income. The general target is to achieve, on average over time, an operating surplus ratio of between zero and 10 percent (Local Government Association of South Australia, *Financial Sustainability Information Paper 9 - Financial Indicators Revised*, May 2019 (**LGA SA Financial Indicators Paper**), p. 6).

²⁰ CPI (All groups). Average annual growth in the LGPI published by the South Australian Centre for Economic Studies was similar (at 1.9 percent), available at <https://www.adelaide.edu.au/saces/economic-and-social-indicators/local-government-price-index>.

²¹ Based on the compound average annual growth rate formula (which is the adopted approach to calculating average annual growth rates throughout the Commission's advice).

²² The Commission notes the impact of the increase in the solid waste levy on councils' waste management costs over this period.

²³ The forecast average annual growth in the CPI from 2022-23 to 2031-32 is estimated to be 2.8 percent based on RBA forecasts for the CPI (Australia wide) to June 2025 (and the Commission's calculations of average annual percentage growth) and the midpoint of the RBA's target range (2.5 percent) from 2025-26.

²⁴ City of Port Lincoln, *Annual Business Plan & Budget 2022/2023*, June 2022, p. 1, available at https://www.portlincoln.sa.gov.au/_data/assets/pdf_file/0018/1170720/18.80.1.6-FINAL2210-ABP-and-Budget-2022_2023-V4.pdf.

To improve its operating position without the need for continued rate increases above inflation, the Council would need to find more savings and efficiencies in its budgets. To this end, the Commission has found that it would be appropriate for the City of Port Lincoln to:

3. **Report** its actual and projected cost savings in its annual budget, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.

Net financial liabilities

The net financial liabilities ratio²⁵ result was negative in three of the first four years between 2011-12 and 2020-21 (that is, the level of cash, cash equivalents and financial investments exceeded the level of borrowings and other liabilities). In each of the following six years, a result within the suggested LGA target range was achieved, with an annual average over the six years of 31 percent. The City of Port Lincoln has forecast that its net financial liabilities ratio will remain within the suggested LGA target range between 2022-23 and 2031-32.²⁶

The Council's level of net financial liabilities is forecast to steadily decline from \$14.3 million in 2022-23 to \$4.5 million in 2031-32 while the net financial liabilities ratio is forecast to fall from 60 percent in 2022-23 to 14 percent in 2031-32.

The Council's cash and cash equivalent balance is forecast to increase from \$2.1 million in 2022-23 to \$10.5 million in 2031-32, an annual average growth rate of 19.5 percent. This forecast accumulation of cash would suggest that there is strong capacity to meet borrowing costs projected by the Council and opportunity for it to reconsider its projected rate increases, without comprising its financial sustainability.

For this reason, it would be appropriate for the City of Port Lincoln to:

4. **Review** the extent of cash reserves forecast in the context of its financial sustainability outlook and need for the accumulated funds.

Asset renewals expenditure

The City of Port Lincoln's asset renewal funding ratio (under the 'IAMP-based' approach)²⁷ has performed within the suggested LGA target range²⁸ in the 9 years to 2020-21, with an average of 107 percent. This suggests that the Council has been renewing or rehabilitating its asset base, on average, in line with the requirements for such works specified in its Strategic Asset Management Plan (including its asset management plans).

In recent years, the City of Port Lincoln has spent more on new and upgraded assets than the renewal and rehabilitation of its existing stock. Between 2011-12 and 2020-21, its spending on new or upgraded assets averaged \$3.3 million per annum, compared with \$1.9 million on the renewal of its asset base.

²⁵ The net financial liabilities ratio is defined as: Net financial liabilities ÷ Total operating income. This ratio measures the extent to which a council's total operating income covers, or otherwise, its net financial liabilities. The suggested LGA target range is between zero and 100 percent of total operating income, but possibly higher in some circumstances (LGA SA Financial Indicators Paper, pp. 7-8).

²⁶ City of Port Lincoln, *Long Term Financial Plan 2022-23 to 2031-32*, June 2022, p. 37.

²⁷ The IAMP-based method is the current industry standard whereby asset renewal/replacement expenditure is divided by the recommended expenditure in the IAMP (or AMP). Ideally, this will show the extent to which a council's renewal or replacement expenditure matches the need for this expenditure, as recommended by the plan. The suggested LGA target range for the ratio is 90 to 110 percent (LGA SA Financial Indicators Paper, p. 9).

²⁸ Between 90 and 110 percent.

The Council has forecast continued performance within the suggested LGA target range for the asset renewal funding ratio (with an average of 92.7 percent) from 2022-23 with the Council's annual spending on renewal assets projected to average \$2.7 million to 2031-32 (in nominal terms). This coincides with lower forecast spending by the Council on new or upgraded assets (estimated to average \$1.1 million per annum between 2024-25 and 2031-32) (in nominal terms).

After a period of high asset value growth, the Council is projecting a decline in the value of its asset stock per property in real terms over the forward estimates.

As such the Commission considers that it would be appropriate for the Council to:

5. **Adhere** to the principles underpinning its long-term financial plan projections to continue to adequately fund the renewal of its assets, and to limit future expenditure on new or upgraded infrastructure as required, in consultation with its community about desired service levels and rate contributions.

From 2022-23, the depreciation-based asset renewal funding ratio,²⁹ will continue to track below the suggested LGA target range of 90 percent, averaging 57 percent per annum to 2031-32. This mimics historical trends when the ratio averaged 51 percent from 2011-12 to 2020-21. These trends indicate that the depreciation expense is generally higher than the required expenditure on capital renewals under the council's SMP (including its various AMPs).

One area that might be leading to higher depreciation expense forecasts, relative to annual asset renewal expenditure needs, is the Council's recent accumulation of new assets following its capital expenditure projects. Another risk that arises when depreciation expenses exceed spending on asset renewals is that the asset lives are assumed to be shorter (in the depreciation calculation) than occurs in practice. The implication of projecting higher than necessary depreciation expenses is that higher operating income (and potentially higher rates revenue) is required to generate an operating surplus for the Council.

The Commission has also identified anomalies between the estimates in the City of Port Lincoln's Strategic Asset Management Plan (adopted August 2022) and Long Term Financial Plan (adopted June 2022), for example:

- ▶ In the current 2022-23 to 2031-32 LTFP, the Council has stated that renewal rehabilitation expenditure will be \$27.2 million between 2022-23 and 2031-32³⁰, while the Strategic Asset Management Plan states total expenditure on renewal and rehabilitation will be \$24.3 million for the same period.³¹ Similarly, new and upgraded total expenditure in the 2022-23 LTFP is \$20.0 million between 2022-23 and 2031-32³² while the Strategic Asset Management Plan has total expenditure for new and upgraded expenditure at \$11.3 million for the same period.³³

For these reasons, it would be appropriate for the City of Port Lincoln to:

²⁹ The Council's asset renewal funding ratio by the depreciation-based method (where asset renewal/replacement expenditure is divided by depreciation expenses). This ratio shows the extent to which capital expenditure on the renewal and replacement of assets matches the estimated rate at which these assets are used or consumed.

³⁰ City of Port Lincoln, *Long Term Financial Plan 2022-23 to 2031-32*, June 2022, p. 9.

³¹ City of Port Lincoln, *Strategic Asset Management Plan 2023-2032*, August 2022, p. 8, available at https://www.portlincoln.sa.gov.au/_data/assets/pdf_file/0015/1203612/FINAL2214--STRATEGIC-ASSET-MANAGEMENT-PLAN-2023_2032-ADOPTED-BY-COUNCIL-20220815.pdf. Inflation should not be a significant contributing factor to the differences in estimates given the timing of both forecasts (noting the Strategic Asset Management Plan is dated August 2022).

³² City of Port Lincoln, *Long Term Financial Plan 2022-23 to 2031-32*, June 2022, p. 18.

³³ City of Port Lincoln, *Strategic Asset Management Plan 2023-2032*, August 2022, p. 9.

6. **Review** the assumptions underpinning its asset management plans, to ensure those plans incorporate a more accurate picture of required asset expenditure and better align with the allocations in its long-term financial plan as necessary, including the estimates of asset lives and valuations feeding into the forecast rates of asset consumption and depreciation expenses.

2.2.3 Advice on current and projected rate levels

The City of Port Lincoln has applied rate increases, with average growth in rates revenue per property of 4.6 percent, or \$70, per annum for each property over the last 10 years.³⁴ As stated, the RBA's annual CPI growth averaged 1.7 percent over this same period. The Council has implemented a 4.5 percent increase to its rate revenue in 2022-23,³⁵ which is higher than previously forecast due to a higher inflation estimate for 2022-23 (4.0 percent).³⁶

Its 2022-23 LTFP forecasts an average increase of \$669 to existing rates in total to 2031-32 (to \$2,581 average rate per property), which equates to a 3.4 percent average annual increase (between 2022-23 and 2031-32).³⁷ The RBA revised its inflation forecasts for CPI to increase by 6.7 percent in the year to the June 2023 quarter, by 3.6 percent in the year to the June 2024 quarter and by 3.0 percent in the year to June 2025 quarter.³⁸ Beyond the June 2025 quarter, the RBA has not published inflation forecasts, but a return to the long-term average of 2.5 percent³⁹ from 2025-26 is not unreasonable.

The City of Port Lincoln's consultation on its annual business plan, which incorporated the proposed rate increases for 2022-23, indicated that most community respondents were concerned about different spending priorities and service outcomes. Two of 22 respondents mentioned rate increases as a specific concern.⁴⁰

On the other hand, affordability risk among the community for the further rate increases appears to be emerging when considering:

- ▶ the average annual rate increases over the past 10 years
- ▶ continued rate increases above forecast inflation for the next 10 years
- ▶ the relatively low Socio-Economic Indexes for Areas (SEIFA) economic resources ranking for the City of Port Lincoln area,⁴¹ and

³⁴ From 2011-12 to 2020-21.

³⁵ City of Port Lincoln, *Long Term Financial Plan 2022-23 to 2031-32*, June 2022, p. 9.

³⁶ City of Port Lincoln, *Long Term Financial Plan 2021-22 to 2030-31*, June 2022, p. 9.

³⁷ This includes rates growth of 0.5 percent expected each year.

³⁸ RBA, Forecast Table - February 2023, available at <https://www.rba.gov.au/publications/smp/2023/feb/forecasts.html> The CPI (Australia-wide) is forecast to increase by 6.7 percent in the year to the June 2023 quarter, by 3.6 in the year to the June 2024 quarter and by 3.0 percent in the year to the June 2025 quarter.

³⁹ As per the midpoint of the RBA target range of 2 and 3 percent.

⁴⁰ City of Port Lincoln, *Audit and Risk Meeting Attachments -22 June 2022, Report 5.3 Summary of Community Consultation Report, to Annual Business Plan and draft LTFP*, available at <https://lgasa-web.squiz.cloud/?a=1163588>.

⁴¹ The City of Port Lincoln area is ranked 15 among 71 South Australian 'local government areas' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics SEIFA Index of Economic Resources (2016), where a lower ranking (eg, 1) denotes relatively lower access to economic resources in general, compared with other areas, available at <https://www.abs.gov.au/ausstats/subscriber.nsf/log?openagent&2033055001%20-%20lga%20indexes.xls&2033.0.55.001&Data%20Cubes&5604C75C214CD3D0CA25825D000F91AE&0&2016&27.03.2018&Latest>.

- ▶ the cumulative impact of the rates when the waste and recycling service charges⁴² and landscape levy charges are also considered.

Projected rate revenue is also dependent on the Council's growth forecasts (for rateable properties), which are higher than it has achieved in the past 10 years (averaging 0.5 percent per annum rather than 0.1 percent). If growth does not eventuate as forecast, it might require an additional average rate increase by the Council to generate similar forecast revenue. The strong cash position forecast over the longer term, as was discussed above, might also provide the Council with more financial leverage to limit further rate increases.

For these reasons, it would be appropriate for the City of Port Lincoln to:

7. **Review** the rateable property growth forecasts in its budget projections each year to ensure that they remain current and do not create a need for additional rate increases to generate the same level of projected revenue.
8. **Review** and **consider** limiting future increases on its average rates to help reduce any potential emerging affordability risk in the community, in consultation with the community with reference to service levels.

2.3 The Commission's next advice and focus areas

In the next cycle of the scheme, the Commission will review and report upon the City of Port Lincoln's:

- ▶ ongoing performance against its LTFP estimates
- ▶ review and action concerning its inflation assumptions, including its ad hoc 'custom' allowance
- ▶ achievement of cost savings and efficiencies (including operational savings), and its reporting of these achievements
- ▶ actions to reduce the extent of its projected cash reserves in forward years (through lower projected rate increases, for example)
- ▶ actions to address any misalignment between the capital expenditure and depreciation estimates in its LTFP and the Strategic Asset Management Plan
- ▶ the level of expenditure on new or upgraded assets and renewal or rehabilitation assets, in the context of any further consultation on service level outcomes (as applicable) and rate levels, and
- ▶ review of its growth forecasts and how it has sought to limit any emerging affordability risks identified for its ratepayers.

⁴² The Commission notes the increase in the solid waste levy over the last 10 years, which has impacted waste management costs in the local government sector.



The Essential Services Commission
Level 1, 151 Pirie Street Adelaide SA 5000
GPO Box 2605 Adelaide SA 5001

T 08 8463 4444

E escosa@escosa.sa.gov.au | W www.escosa.sa.gov.au

ANNEXURE 2 – ESCOSA Council Response



Our Ref: N23461

ESCOSA – Local Government Advice Scheme

City of Port Lincoln Response to report

Budgeting Considerations

1. Review its inflation assumptions related to wages & materials in its forward projections, given the potential for a return to long-term average inflation from 2024-25, and either remove or increase the transparency of the additional ‘custom’ allowance that it applies to some projections.
 - *The custom allowance for the City of Port Lincoln Long Term Financial Plan drivers is only used to assist in the future calculation of rating increases.*
 - *Council’s wages assumptions are based on a combination of the current and future EBA agreements, increases in superannuation guarantee, and a small growth allocation.*
 - *Materials assumptions are based on CPI and expected future CPI with an additional driver for material cost increases as well as the small growth driver.*
2. Focus on constraining cost growth in its budgeting, where possible, including related to ‘employee’ and ‘materials, contract and other’ expenses.
 - *Constraining cost growth suggests that Council’s service levels across all functions are currently being met.*
 - *Constraining cost growth has the potential to limit service delivery and impacts service levels, particularly if the service levels are not currently being met under the current expenditure.*
 - *Council regularly reviews contract agreements and staffing levels to ensure Council funds are allocated in the most cost-effective way possible.*

Providing evidence of ongoing cost efficiencies

3. Report its actual and projected cost savings in its annual budget, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.
 - *Each month Council staff review the budget at General Ledger/Job level to find variances to budget, including savings from expenses where applicable. At the end of each quarter, a budget review is presented to Council for adoption, including any savings identified and these figures are used to form the basis of the following year’s operational budget.*
 - *Constraining cost growth suggests that Council’s service levels across all functions are currently being met.*
 - *Constraining cost growth has the potential to limit service delivery and impacts service levels, particularly if the service levels are not currently being met under the current expenditure.*

Accumulation of Cash Reserves

We work on Barngarla Country. The City of Port Lincoln acknowledges Aboriginal and Torres Strait Islander peoples as the First Australians and their continuing connection to land, sea, culture and community. We pay respect to Elders past, present and emerging and are committed to working together on our reconciliation journey.

4. Review the extent of cash reserves forecast in the context of its financial sustainability outlook and need for the accumulated funds.
 - *Cash reserves were included as a buffer to allow for new or upgraded facilities that may arise in the future or unforeseen expenses that may arise. The opportunity to borrow funds to develop new or replacement infrastructure may not always be the most cost-effective way to fund projects and cash reserves are a way to ensure Council has the ability to develop/provide services into the future if required.*

Continuing to meet asset renewal needs

5. Adhere to the principles underpinning its long-term financial plan projections to continue to adequately fund the renewal of its assets, and to limit future expenditure on new or upgraded infrastructure as required, in consultation with its community about desired service levels and rate contributions.
 - *Council's current LTFP includes all required capital renewal costs as per Council's current asset register program calculations.*
 - *Any new projects undertaken:*
 - *Align to Council's Strategic Directions Plan;*
 - *Include whole of life costings prior to final decisions to ensure Council has the capacity to fund the operations, maintenance and renewal of any given facility into the future;*
 - *Are submitted for community consultation prior to the project commencing;*
 - *May be assisted largely by funding programs to ensure Council's funds are leveraged to ensure the best value for money.*

Refinements to asset management planning

6. Review the assumptions underpinning its asset management plans, to ensure those plans incorporate a more accurate picture of required asset expenditure and better align with the allocations in its long-term financial plan as necessary, including the estimates of assets lives and valuations feeding into the forecast rates of asset consumption and depreciation expenses.
 - *Staff are aware of the shortcomings in Council's current Strategic Asset Management Plan (SAMP) and understand the need to complete the following:*
 - *Create whole of life maintenance costs for all assets, in addition to the renewal costs of the assets;*
 - *Determine suitable service levels for services across the organisation. This will allow operating costs to be determined with regard to facilities;*
 - *Development of the above has resulted in budgeting for an Asset Maturity Assessment due to be undertaken in April 2023. This will enable staff to develop a baseline for improvement of the SAMP across the organisation.*

Containing rate levels

7. Review the rateable property growth forecasts in its budget projections each year to ensure that they remain current and do not create a need for additional rate increase to generate the same level of projected revenue.
 - *Property numbers have increased by an average of 0.28% in the last 3 financial years.*

- *Total Property Values on rateable properties have also increased by an average of 0.3% in the last 3 financial years.*
 - *Council's annual growth of 0.5% per year is consistent with these increases.*
8. Review and consider limiting future increases on its average rates to help reduce any potential emerging affordability risk in the community, in consultation with the community with reference to service levels.
- *Councillors and staff are always looking for ways to limit the financial burden on the community, while simultaneously aiming towards providing suitable and acceptable service levels across the Council area.*
 - *It is important to note that the recent changes to the Local Government Act will require Council rates to be determined on Capital Value from 2024/2025. Currently, Council has determined rates based on the site value of properties. This transition is likely to significantly impact the distribution of the rate burden across the City whereby ratepayers with higher valued properties will pay a higher proportion of the rates burden.*
 - *In addition to the above, future rating allocations will also include the allocation of differential rates. This means that the amount of rates a ratepayer is required to pay will vary depending on the land use code of the property in question.*

The SMP Advice Scheme currently operates on a four-yearly cycle (councils make submissions and receive 'advice' once in every 'prescribed period'). In this context, any adjustments, or changes that the City of Port Lincoln might make in response to ESCOSA's advice will be considered and implemented with reference to the longer-term nature of the Scheme (ie. shorter term actions may be implemented within twelve months through to longer term actions where implementation may take a number of years).

The City of Port Lincoln will continue to review ESCOSA's advice over the coming months and consider what actions may be appropriate to address matters council considers relevant and necessary, and this information together to updates on progress will be provided in future Annual Business Plans.

It should be noted that the City of Port Lincoln is not required to accept and/or act upon ESCOSA's advice.



| Version Control | Date | References | Meeting Date | Author | Comments |
|-----------------|------------|------------|--------------|--------|--|
| 1 | 3/05/2023 | N2311191 | 15/05/2023 | BC | DRAFT PRESENTED FOR ENDORSEMENT FOR CONSULTATION |
| 2 | 15/05/2023 | N239195 | 15/05/2023 | BC | DRAFT ADOPTED FOR CONSULTATION |

CONTACT

For further information on the Draft Annual Business Plan & Budget contact the Council Administration Office:

Council Administration

Level One, Civic Centre
60 Tasman Terrace, Port Lincoln SA 5606
PO Box 1787, Port Lincoln SA 5606
Telephone: 08 8621 2300 Fax: 08 8621 2399
Email: plcc@plcc.sa.gov.au
Website: www.portlincoln.sa.gov.au
Facebook: www.facebook.com/cityofportlincoln



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