

Long Term Financial Plan

2023-24 to 2032-33

Acknowledgement of Country

“Kaya, Nala Maat Kaya Noonduk (Hello, Our Family Welcomes You) to Wadandi Boodja (Saltwater People’s Country) – we all come together on Boodja (Country). Whilst on Wadandi Boodja we ask that you respect the land by walking softly and take the time to listen to Boodja as she Wongi (Talks).

We respect the presence of the Demmala Goomala (Ancestors) whose Djanga (Spirits) reside on Boodja and whose Djenna (feet) walk the land and whose Djanga Korda (heart spirit) flows through all creation. Wooditjup (Margaret River) is the heart of Wadandi Boodja (country), a meeting place between land and sea, connecting us all with Wadandi Boodja.

The Wadandi Boodja (Motherland) reaches from Bunbury, along the coast of Geographe Bay, extending to Yallingup (Place of Holes) to Talinup, Augusta (Place of Reeds) inland to Nannup (The Stopping Place), taking in the region of Undalup (Busselton) The Wadan Boodja (Sea Country) is of great spiritual significance to the coastal Wadandi people. Boodja – Land, Country, Mother Earth – is our most important resource. No matter what culture or religion – all of us rely on Nala Boodja, Our Country.

It is up to all of us to listen to the land, understand the connection to Country that we all have and realise how urgent it is to work together to make better decisions on how we can create that balance, ensuring sustainability for the generations to come, in order to protect and preserve the beauty of Boodja.

Whilst living, travelling, visiting and holidaying on Wadandi Boodja (Saltwater People’s Country) we ask that you respect the area and walk softly on the country, taking the time to listen to Boodja (Country) as she Wongi (Talks) of the Season, and leave nothing but footprints”.

Wadandi Traditional Cultural Custodian Wayne “Wonitji” Webb.

The Shire of Augusta Margaret River acknowledges we are on Wadandi and Pibelmen Boodja, whose ancestors and their descendants are the traditional owners of this country.

We acknowledge the Wadandi and Pibelmen have been custodians since the land was soft (creation times) and continue to perform age old ceremonies of celebration, initiation and renewal. We acknowledge their living culture and their unique role in the life of this region.

The Shire is committed to Aboriginal Australians sharing fairly and equitably in the region’s cultural, social, environmental and economic future.

Contents

Executive Summary	1
Integrated planning and reporting framework	1
Strategic community plan 2040	1
Corporate Business Plan 2022-2026	1
Resourcing Plans	1
Principles for sustainable financial management	3
Sustainable Financial Management Policy	3
Rating Strategy	4
Fees and Charges	4
Grants and contributions	5
Developer contributions	5
Reserves	6
Investments	7
Debt management	8
Asset management	8
Key Assumptions	12
Population and demographics	12
Economic and social drivers	13
Operating estimates - revenue	13
Operating estimates - expenditure	14
Risk assessment	16
Scenario modelling / sensitivity analysis	17
Financial reports, ratios and analysis	18
Financial reports	18
Ratio Analysis	24
Summary	28

Alignment to the Strategic Community Plan 2040

COMMUNITY VISION

Augusta Margaret River
Sustainable, inclusive,
connected to place and
respecting Boodja

Environment

We will protect and enhance the unique natural environment and biodiversity of the region through climate action and informed decision making.

We will focus on:

Outcome EN.1: Ecology and biodiversity protection
Outcome EN.2: Healthy waterways, foreshores and natural landscapes
Outcome EN.3: Collective climate action
Outcome EN.4: Sustainable resource and waste management

People

We will support and strengthen our diverse, resilient, welcoming, safe and connected community through our services and advocacy.

We will focus on:

Outcome PE.1: Diverse cultural values are respected and adopted
Outcome PE.2: Equal opportunities for all
Outcome PE.3: Active, healthy and fulfilling lifestyles
Outcome PE.4: Safe and resilient communities

Place

We will responsibly develop vibrant, sustainable places which maintain their distinctive characters, and which supports a local economy that is resilient, equitable and sustainable.

We will focus on:

Outcome PL.1: Diverse, sustainable and well-designed places
Outcome PL.2: Infrastructure which caters to need
Outcome PL.3: Sustainable agriculture and thriving rural community
Outcome PL.4: Resilient circular local economy

Performance

We will deliver quality governance, service and value with integrity and transparency.

We will focus on:

Outcome PF.1: Responsible planning and ownership of outcomes
Outcome PF.2: Community and customer focus
Outcome PF.3: High performing and engaged people
Outcome PF.4: A culture of innovation, quality and continuous improvement

Executive Summary

The long-term financial estimates contained in this Long Term Financial Plan are an integral part of Council's strategic planning process, informing the Corporate Business Plan which activates Strategic Community Plan priorities. It indicates the Shire's long-term financial sustainability, and allows early identification of financial issues and their longer-term impacts.

This plan addresses the operating and capital needs expected to be placed on the Shire over the next ten years. It also shows the linkages between specific plans and strategies and enhances the transparency and accountability of the Shire to the community.

This version of the LTFP is a baseline model, with some information that will critically influence future financial forecasts – such as information in the Asset Management Plan, Leisure Plan and Workforce Plan – currently under development or review to ensure alignment with strategic priorities and to ensure their proposed expenditures are able to be funded.

The LTFP forecasts for operating revenue and operating expenditures over the next ten years use the 2022-23 budget as their basis. Year One of the LTFP will act as the framework for preparation of the Shire's 2023-24 Annual Budget.

Economic and social indicators are inherent to predicting future values; these include the impact of the COVID-19 pandemic, consumer price index, interest rates, employment levels, population growth and demographic trends. Consideration has been given to the economic and social drivers that will influence the future cost of providing infrastructure, facilities and services for the period 2023-24 to 2032-33, and assumptions used are detailed in this document. The values disclosed in this plan represent estimated future prices and costs.

This plan endeavours to balance the funding needs of renewal and new infrastructure assets, existing services against rating expectations, reasonable fees and charges, and the use of accumulated funds held in reserve accounts.

Whilst the plan shows a balanced budget for each financial year as included in the Statement of Financial Activity, a 'savings or additional

funding' target has been included for each year of the LTFP to achieve this position, with the aim being to achieve this target during the budgeting process for each year.

This plan has not included any additional borrowings over the next ten years. However this is not to say that the Shire will not take on more debt, but rather than projects which may require debt funding have not yet been fully scoped, researched and endorsed by Council. Potential strategic projects with a draw on funds will need to be prioritised and endorsed by Council prior to recognition as part of future LTFPs.

This plan is set against economic uncertainty. With plans, strategies, priorities, issues and risks all being dynamic influences in relation to any planning, the LTFP is reviewed and adjusted annually to reflect material changes, and to incorporate the outcomes of reviews.

Exclusions

There are projects and facilities that are not sufficiently detailed at this stage and therefore are not included in this plan. They will be incorporated into future plans once detail around timing, revenue, expenditure and capital is known, and once their outlay requirements have been assessed and prioritised.

These projects include those associated with the Leisure Plan, ICT and Customer Experience Strategies, and Holiday Parks business plan currently under development.

Financial sustainability

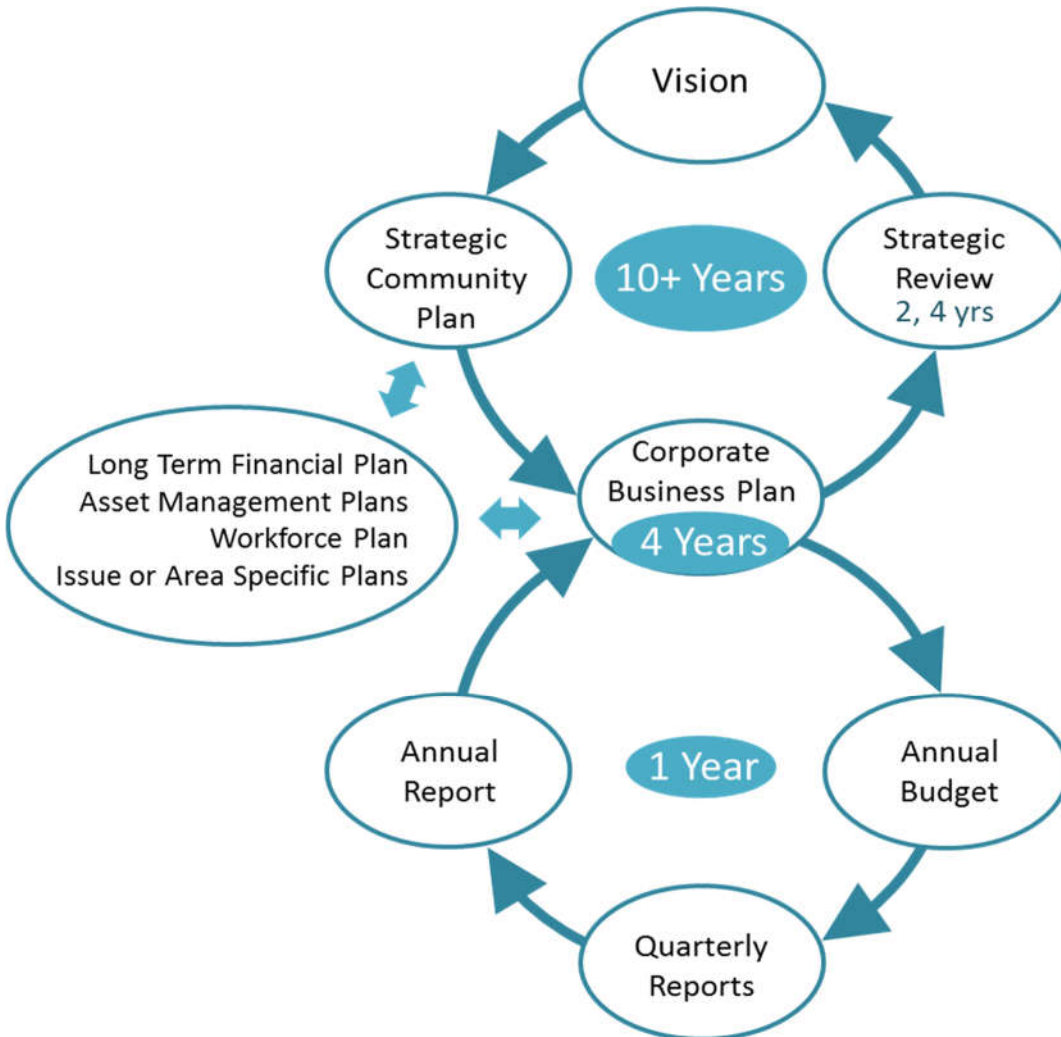
Long term financial sustainability is a key objective of the Shire, and this objective will continue to be addressed through a variety of actions, including the service review program, optimisation of processes and systems, and investigation of all possible revenue streams.

Integrated planning and reporting framework

The Shire of Augusta Margaret River's Integrated Planning and Reporting Framework encompasses a strategic and business planning system that delivers accountable and measurable linkages between the Council's long term vision and practical service delivery. Long term financial planning is a key element of the Shire's Integrated Planning and Reporting Framework.

The LTFP is a ten-year rolling plan that informs the Corporate Business Plan to activate the Strategic Community Plan priorities. The annual budget is developed from these planning processes, and is aligned with the organisational strategic objectives.

The following figure illustrates how the LTFP informs the Integrated Planning and Reporting Framework.



Strategic community plan 2040

The predominant strategic direction for the Shire is provided through the Shire's Strategic Community Plan 2040 (SCP). The latest iteration of the SCP was developed in between 2020 and 2021, with input from 1,570 community submissions.

The SCP sets out the Shire's vision, aspirations and objectives for our community over the next 20 years and is our principal strategy document. This means that it governs all of the work that the Shire undertakes, either through direct service delivery, partnership arrangements or advocacy on behalf of our community. The direction set through the SCP ensures infrastructure and service provision is focussed to meet the requirement of our community, now and into the future.

Vision

Sustainable, inclusive, connected to place and respecting Boodja

This vision is delivered through key outcomes and strategies within the four focus areas of Environment, People, Place and Performance. The Shire's role in each of these focus areas is summarised as:

Environment

We will protect and enhance the unique natural environment and biodiversity of the region through climate action and informed decision making

People

We will support and strengthen our diverse, resilient, welcoming, safe and connected community through our services and advocacy

Place

We will responsibly develop vibrant, sustainable places, which maintain their distinctive characters, and which supports a local economy that is resilient, equitable and sustainable

Performance

We will deliver quality governance, service and value with integrity and transparency

Corporate Business Plan 2022-2026

The Shire of Augusta Margaret River Corporate Business Plan 2022-26 (CBP) contains the same key objectives and strategies as the SCP, with the addition of specific operational priorities and initiatives the Shire will focus on over the next four years. The CBP ensures the Shire will deliver services in line with community aspirations and priorities.

Resourcing Plans

Resourcing Plans are the Shire of Augusta Margaret River's documents that outline the Shire's long-term sustainability planning. Resource planning is informed by the aspirations and key objectives of the SCP and support the implementation of the CBP.

The Shire's resource planning currently includes:

- **Long Term Financial Plan (this document):** provides an outline of the forecast financial position of the Shire over the next ten years. It plans for the Shire's long term financial sustainability and allows early identification of financial issues and their longer term impacts.
- **Asset Management Plan:** described how the Shire's assets will meet the service delivery needs of the community into the future. It plans for the long term sustainable management of assets based on a 'whole of life' and 'whole of organisation' approach. The Asset Management Plan is due for a major review in 2023-24.

- **Workforce Plan:** provides an outlined of the Shire's workforce requirements and workforce strategies needed to deliver services into the future. It plans for the long-term delivery of current and future operations of the organisation. The Workforce Plan is currently in the process of being reviewed.

Strategic planning is a dynamic, ongoing process of review and improvement. In addition to the above, a number of further resourcing plans and strategies are currently in the process of being developed or reviewed. These include the Developer Contributions Plan, Leisure Plan, Public Open Space Strategy, ICT Strategy and Customer Experience Strategy.

Principles for sustainable financial management

With the Shire needing to continue in perpetuity, it must consider how it acquires and manages a stock of financial and physical assets in order to provide services for future generations of local residents and ratepayers. As such, a principal aim of long term financial planning is to ensure the Shire remains financially sustainable.

To ensure the Shire remains financially sustainable, it is important that sound financial strategies and principles are developed and continually reviewed in line with the changing economic and demographic outlook for the community.

Sustainable Financial Management Policy

Council has adopted a Sustainable Financial Management Policy recognising that the Shire must plan for the current and future needs of its community in a financially sustainable manner. The following principles from the Sustainable Financial Management Policy support the Shire's approach:

1. Sound financial management

The Shire will ensure it has financial systems which are accurate and dependable, with effective internal control procedures and transparent reporting processes. Budgeting and long term financial planning will be undertaken in a responsible manner, with financial decisions being made with a considered and balanced approach to revenue and future expenditure.

2. Effective service delivery

The Shire will regularly review its services to ensure they are appropriate, delivered in an effective and efficient manner, and according to community need. New services will go through a rigorous review and prioritisation process prior to being implemented, which can include the requirement for preparation of a business case.

3. Annual budgeting

The Shire will use zero-based budgeting to annually reconfirm the mix of services to be provided, and will use all reasonable endeavours to deliver a balanced budget for each financial year.

4. Long term planning

The Shire will continually engage with the community to work towards optimal prioritisation of Council spending, management of public expectations, and the achievement of financial sustainability in alignment with its strategic goals.

5. Funding prioritisation

The Shire recognises the competing demands for limited financial resources and will endeavour to allocate resources in compliance with the objectives of the Sustainable Financial Management Policy. Prioritisation of funding will be based on factors outlined in the Policy, which include; risk mitigation, renewal, upgrade and maintenance of existing assets, and new assets or programs.

6. Funding strategy

Methods of funding may include fees and charges, rates, borrowings, use of reserves, sale of assets and grants and contributions.

Rating Strategy

The rating strategy has a direct impact on the long term financial sustainability and thus the Shire's ability to deliver services at levels necessary to meet the community's expectations.

As part of the Long Term Financial Plan, the Shire has used the 2022-23 budget, including the amount anticipated to be raised through rates, to assess whether the rating strategy utilised will allow Council to meet its financial needs now and into the future.

Local governments are required to align to the Department of Local Government, Sport and Cultural Industries Differential Rating Policy, the principles of which are stated in the rating strategy contained within the Shire's Sustainable Financial Management Policy:

- ✓ **Objectivity:** where an objective assessment of relevant criteria is used to determine the predominant use of the property, external parties will be in a position to understand how and why a particular determination was made
- ✓ **Equity and fairness:** this will be inherent within rating principles, where each property will make a fair contribution to rates based upon an appropriate method of valuation that reflects predominant use
- ✓ **Consistency:** will be applied within the whole of the Shire, with like being treated in a like manner, according to usage classifications
- ✓ **Transparency:** in the method used to determine land valuation, systems and procedures are clearly documented and available for public inspection
- ✓ **Administrative efficiency:** by implementing sustainable rating principles and procedures whilst maintaining cost effective use of Council resources to levy and collect rates and maintain accurate and timely records.

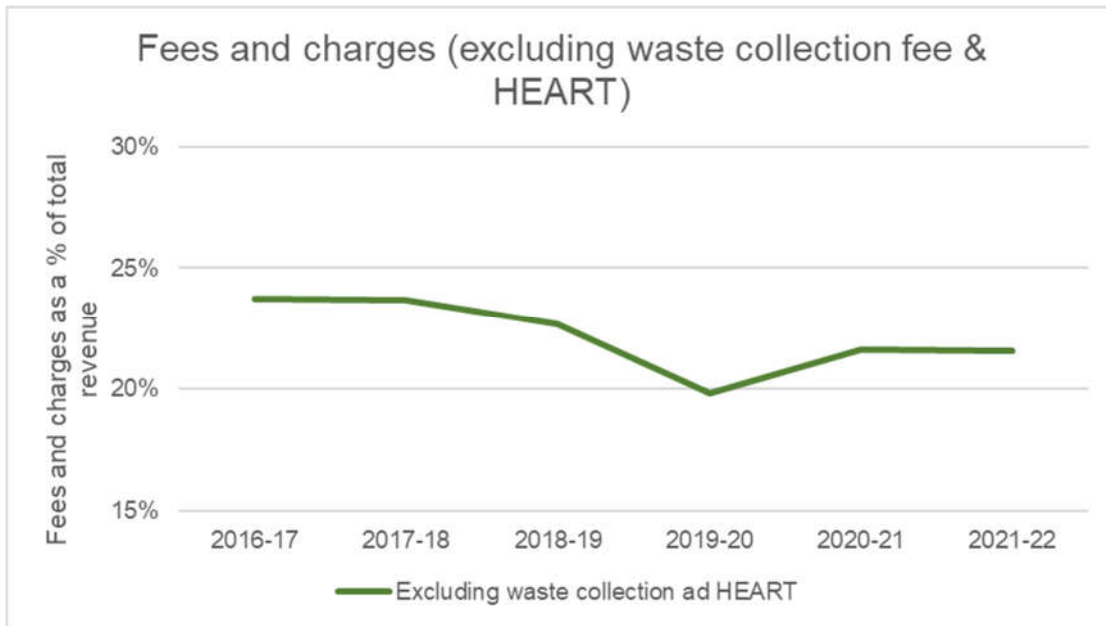
Fees and Charges

Local governments impose fees and charges in order to recoup the costs, or part of the costs, of providing goods and services to the community. The Local Government Act 1995 requires that when setting fees and charges, local governments consider:

- the cost to the local government of providing the service or goods;
- the importance of the service or goods to the community; and
- the price at which the service or goods could be provided by an alternative provider.

At a minimum, fees and charges are reviewed annually as part of the budgeting process. The Shire's Sustainable Financial Management Policy notes that there are various other circumstances that may justify a review of fees and charges. These may include:

- legislative changes requiring Council to prescribe a new fee or charge
- a change of legislative compliance, requiring a change in resources or expertise
- a change to the level of service provided
- increased public demand for goods or services
- establishment of a new service
- changes to the level of inflation
- to lower the ratepayer contribution towards goods or services that principally benefit distinct groups or individuals in the community.



Under its Sustainable Financial Management Policy, the Shire acknowledges the requirements of the National Competition Policy and ensures compliance by regularly reviewing its fees, charges and services with a view to identify whether these should be adjusted to ensure they do not create or have the potential to create unfair competition with the private sector.

Fees and charges, and fees and charges per capital, have generally been trending downward as a percentage of total operating revenue over the past few years, with minimal increases as seen in the graph above. This indicates that the Shire may need to take a longer term approach to comprehensively understanding whether its fees and charges are set at optimal levels, and whether its fee setting policies need to be adjusted.

Grants and contributions

Grants may be received from the State or Federal Government. Contributions are funds obtained from private sources such as developers, sporting clubs or individuals. The Shire aims to obtain grant/contribution funding wherever possible in order to minimise the Rates burden on residents.

Shire grant management procedures were reviewed and refined during 2022-23 to ensure more effective grant administration throughout the organisation, providing a structure for better identifying grant opportunities and tracking applications.

Whilst Grants and Contributions can be a useful alternative source of revenue, it is important that the project utilising the funding have been identified ahead of time as a priority for community.

Developer contributions

Developer contributions for infrastructure are an established part of the town planning system. They may be levied by local governments under local planning schemes towards the cost of infrastructure necessary to accommodate urban growth.

Contributions are generally levied directly through the subdivision and development process, or where there are multiple landowners, through Development Contribution Plans (DCPs). The Shire is currently reviewing its Developer Contributions Plans. Whilst this review is undertaken, for the purpose of the LTFP, no future contributions have been assumed to be received, and existing contributions have been utilised for projects scheduled in the LTFP identified to be funded by these contributions.

Reserves

Reserves are sources of funding that have been aside by Council to finance future expenditures, including unbudgeted or unforeseen events that may result in a budget deficit, and to smooth out expenditures that tend to fluctuate from year to year.

Reserves are reviewed at least annually to confirm that they are being utilised when necessary, to confirm that the reserve purpose is still relevant, and to ensure that balances are sufficient for the requirements of the Shire, without being excessive. As a result, the majority of Reserve funds are committed or designated for special purposes over the long term.

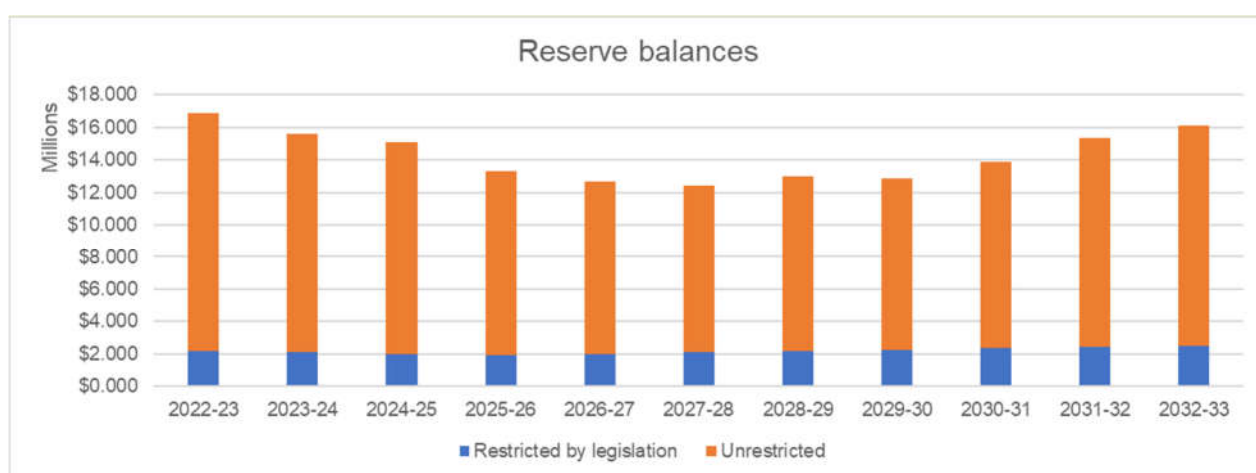
The Shire is currently targeting two main areas for reserve funding – Asset Renewal and Waste Management.

The LTFP includes a provision at least equal to 4% of rates to be transferred to the Asset Renewal Reserve for each year of the LTFP, except for the first two years where the transfer is at a reduced rate of 2% based on the Shire's financial capacity during these early years. Regular transfers into the Asset Renewal reserve will assist the Shire in meeting its fluctuating asset renewal expenditure requirements outlined in this LTFP without the use of disruptive revenue measures.

Regular transfers to the Waste Management Reserve are required to ensure sufficient funds available for the development of a transfer station to replace the Davis Road Waste Management Facility, which will also require decommissioning.

Reserve name	Opening balance 22/23 (\$m)	Transfers In (\$m)	Transfers Out (\$m)	Closing balance 32/33 (\$m)
Developer contributions reserve	\$1.267	\$0.425	(\$0.568)	\$1.124
Infrastructure contributions reserve	\$0.796	\$0.372	(\$0.024)	\$1.143
Cash in lieu of public open space reserve	\$0.141	\$0.068	-	\$0.209
Leave reserve	\$0.378	\$0.182	-	\$0.560
Caravan park upgrade reserve	\$1.491	\$0.703	(\$0.031)	\$2.163
Lime sand pit reserve	\$0.068	\$0.032	-	\$0.100
Cemeteries reserve	\$0.036	\$0.054	(\$0.012)	\$0.079
Community loan reserve	\$0.177	\$0.253	-	\$0.431
Cedarvale reserve	\$0.232	\$0.111	-	\$0.343
Waste management reserve	\$6.238	\$4.428	(\$9.590)	\$1.076
Parking reserve	\$0.091	\$0.044	-	\$0.135
Biodiversity reserve	\$0.150	\$0.072	-	\$0.223
Community facilities reserve	\$0.352	\$0.169	-	\$0.521
Plant reserve	\$0.351	\$11.979	(\$12.284)	\$0.046
Cowaramup reserve	\$0.433	\$0.195	(\$0.034)	\$0.594
Gravel pits reserve	\$0.351	\$0.168	-	\$0.519
Self-insurance reserve	\$0.034	\$0.016	-	\$0.050
Recreation centres reserve	\$0.025	\$0.034	-	\$0.059
Old settlement reserve	\$0.203	\$0.618	-	\$0.822

Community grants reserve	\$0.024	\$0.011	-	0.035
Emergency services reserve	\$0.163	\$0.078	-	\$0.241
Augusta revitalisation reserve	\$0.148	\$0.015	(\$0.152)	\$0.011
Youth facilities reserve	\$0.063	\$0.279	-	\$0.342
Gloucester Park reserve	\$0.004	\$0.002	-	\$0.006
Roads reserve	\$1.009	\$0.484	-	\$1.493
Emergency disaster relief reserve	\$0.726	\$0.348	-	\$1.074
Legal/risk reserve	\$0.053	\$0.026	-	\$0.079
ICT reserve	\$0.587	\$0.282	-	\$0.868
Asset renewal reserve	\$1.265	\$12.751	(\$12.288)	\$1.729
Total forecast reserve balance	\$16.856	\$34.983	(\$34.983)	\$16.076



In the graph above, restricted funds are those funds restricted in their use by legislation. These include developer contributions and cash in lieu of public open space. Whilst the remainder of reserves are legislatively unrestricted, most of these funds are tied to specific uses, and are therefore committed.

The graph illustrates that there is a decrease in the balance of reserves during the middle years of the LTFP, which is predominantly due to the draw on the Waste Management Reserve for expenditure related to the capping and closure of the Davis Road Waste Management Facility, and development of a transfer station.

Investments

The Shire invests its surplus cash as restricted by the provision contained in the *Local Government (Financial Management) Regulations 1996* which state that deposits can only be placed with:

- authorised deposit-taking institutions and the Western Australian Treasury Corporation; or
- bonds that are guaranteed by the Commonwealth Government or a State or Territory,

for a term not exceeding three years, and where all investments are in Australian currency.

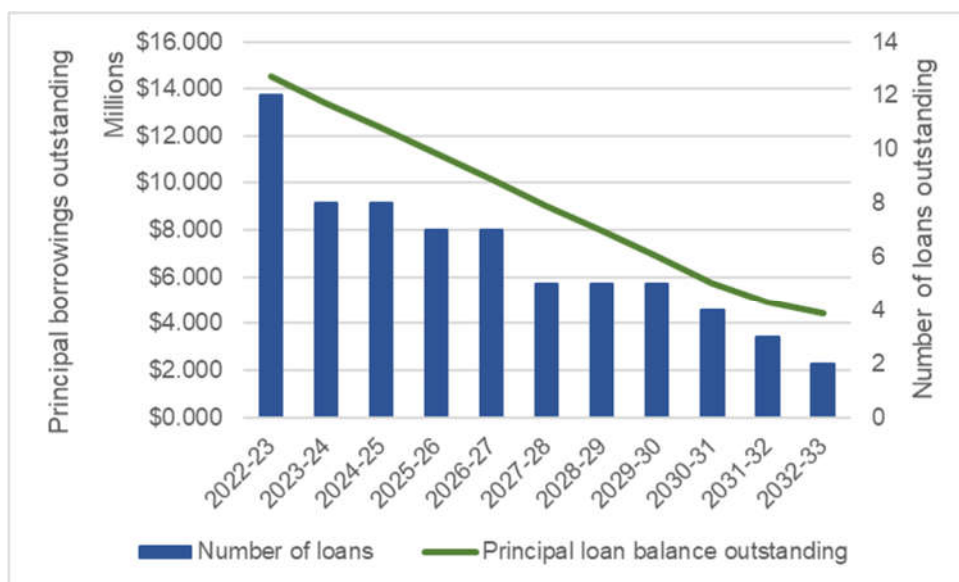
Whilst exercising the power to invest, the principal objectives are threefold in terms of liquidity, return on investment and supporting the Shire's environmental, social and local economic values and priorities.

PRINCIPLES

- ✓ Investments shall be made in a manner which ensures sufficient liquidity to meet all reasonably anticipated cash flow requirements without incurring significant costs due to unanticipated sale of an investment
- ✓ Investments are to be managed in a manner that enables maximum returns on the investment within certain credit risk and diversification parameters adopted as part of the Shire's Investments Policy
- ✓ Preference will be given to placing investments with authorised financial institutions who do not support fossil fuels, either directly or indirectly, and who align with Council's other environmental, social and local economic priorities, where such preference doesn't materially affect the rate of return or risk exposure of the Shire.

Debt management

The Shire reviews its debt level and borrowing requirements as part of the Long Term Financial Planning process, and will consider borrowings as a valid funding source for capital or operational projects that allow the Shire to achieve its long term strategic priorities, and where insufficient funds are available to otherwise meet strategic requirements.



In 2021-22 the Shire borrowed \$8 million from the Western Australian Treasury Corporation (WATC) to be repaid over twenty years for undertake the required refurbishment of the Margaret River Aquatic Centre. The Shire's borrowing capacity is now limited until such time as some of its other loans are repaid.

As can be seen from above graph, over the term of the LTFP ten of the Shire's twelve loans will be fully repaid, and the amount of debt borrowings will reduce by almost two thirds of the current level of debt. Provision has not been made for any additional debt funding over the term of the LTFP, as funding requirements will be assessed as part of the business case for any strategic projects presented to Council in the future and borrowings endorsed as part of this prioritisation and project approval process.

Asset management

The Shire owns and maintains a large number of assets, in particular infrastructure assets such as road, bridges, parks, reserves and buildings. The value of this asset portfolio totalled \$474 million at 30 June 2022, with a refurbishment of the Margaret River Aquatic Centre and revaluation of infrastructure assets being undertaken during 2022-23 expected to increase this value further. Maintenance and renewal of this asset portfolio ensures that the Shire can continue to provide services and facilities to community now, and into the future.

A capital works program based on a Forward Capital Works Plan (FCWP) has been prepared, listing capital projects for the next ten years. The FCWP provides summary information for each of the Shire's asset classes, including plant and equipment, buildings, roads, road bridges, drainage assets

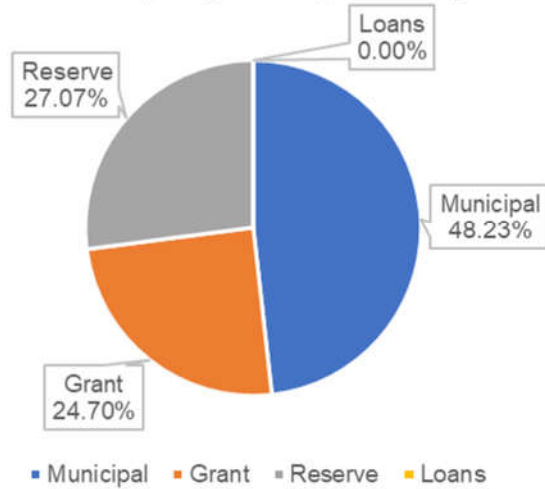
A significant challenge facing the Shire is how it will sustainably balance the timely provision of new or upgrade facilities for the rapidly growing population as well as ensuring that the existing portfolio of assets are maintained, renewed and/or upgraded to suitable standards.

CAPITAL WORKS PROGRAM 2022-23 – 2032-33

FUNDING BREAKDOWN \$M

Municipal	\$62.317	48.2%
Grants and contributions	\$31.916	24.7%
Reserves	\$34.971	27.1
Total	\$129.204	100%

Capital works program by funding source

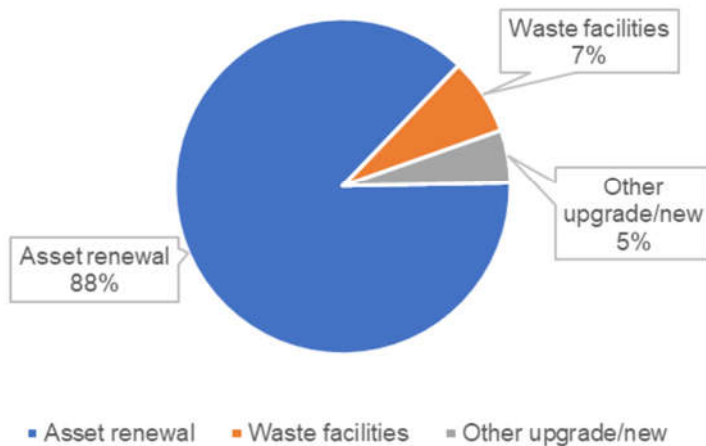


CAPITAL WORKS PROGRAM 2022-23 – 2032-33

PROGRAM BREAKDOWN \$M

Community amenities	\$21.212	16.4%
Economic services	\$2.032	1.6%
Governance	\$1.091	0.8%
Law, order, public safety	\$1.197	0.9%
Other property and services	\$0.312	0.3%
Recreation and culture	\$6.861	5.3%
Transport	\$96.499	74.7%
Total	\$129.204	100%

Capital works program by expenditure type



Asset Renewal Gap

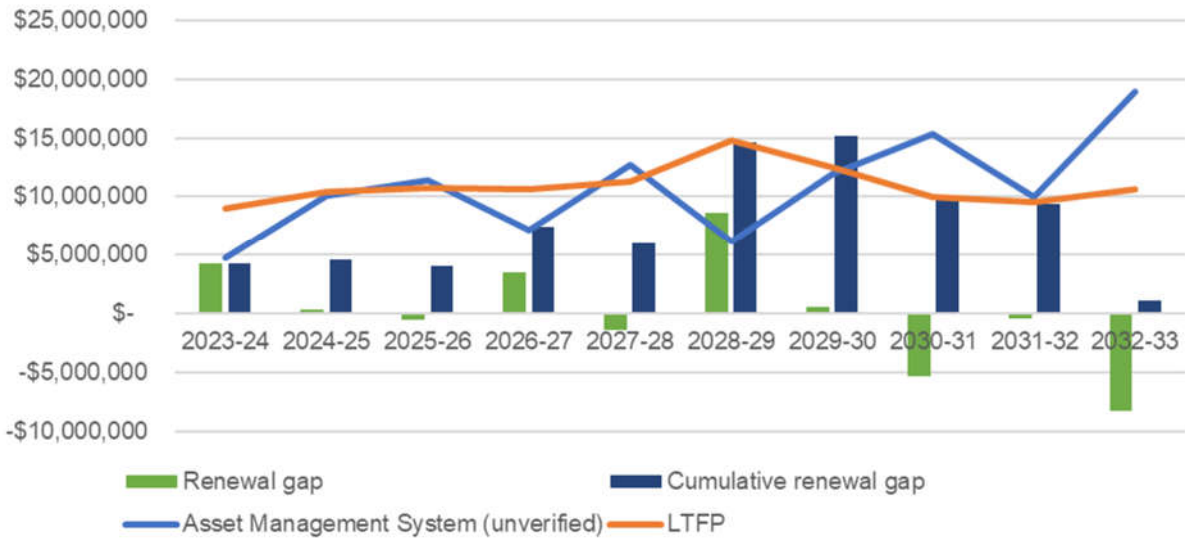
Asset renewal amounts identified in the LTFP for all asset classes, with the exception of plant and equipment and furniture and equipment, are compared against the Asset Management Plan asset renewal needs to determine the asset renewal gap.

The Shire's current AMP, endorsed by Council on 10 June 2020, covers the period 2019-20 to 2028-29, and figures from this Plan have been used as the comparative information for the first six years of the LTFP. Estimates of asset renewal outlay requirements for the last four years have been taken from the Shire's asset management system.

The following chart shows the asset renewal requirements identified in the LTFP and AMP vary, in some cases significantly, year on year. However the total asset renewal expenditure requirements for the whole 10 years detailed in the LTFP and AMP are not significantly different to each other.

Caution should be exercised in reading this chart, as it should be noted that the endorsed AMP is three years old. Changes to asset renewal priorities have changed in this time and the cost of materials and labour have increased, in some cases significantly. Both of these factors impact upon the asset renewal outlay requirements. This is demonstrated by the fact that the year on year asset renewal gap in the latter years of the below chart – based on the Shire's asset management system rather than the AMP – indicate a higher renewal outlay requirement than that included in the LTFP.

Asset Renewal Gap

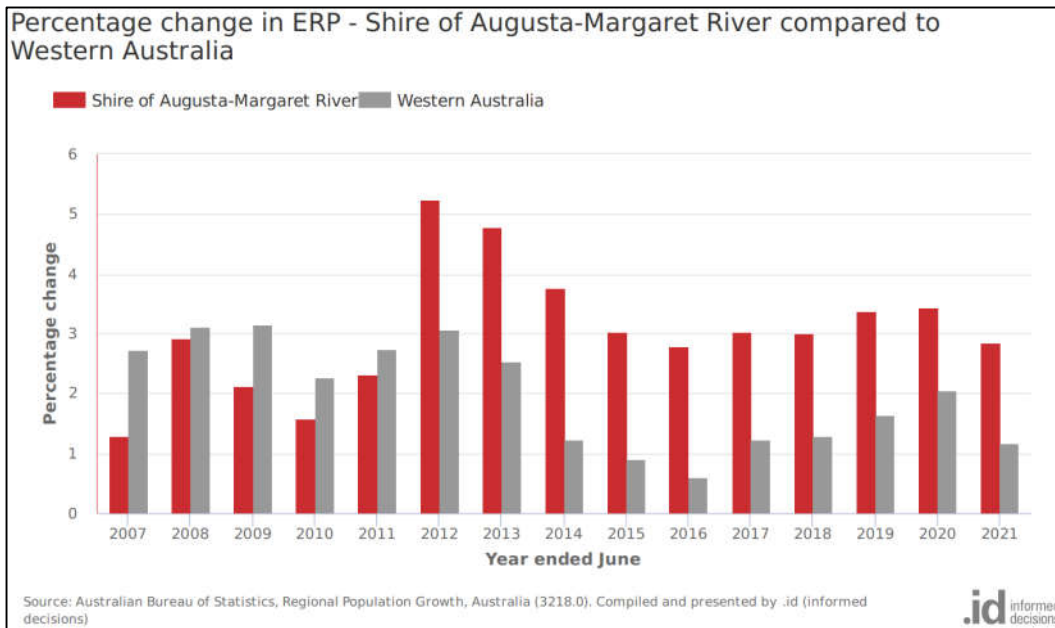


Key Assumptions

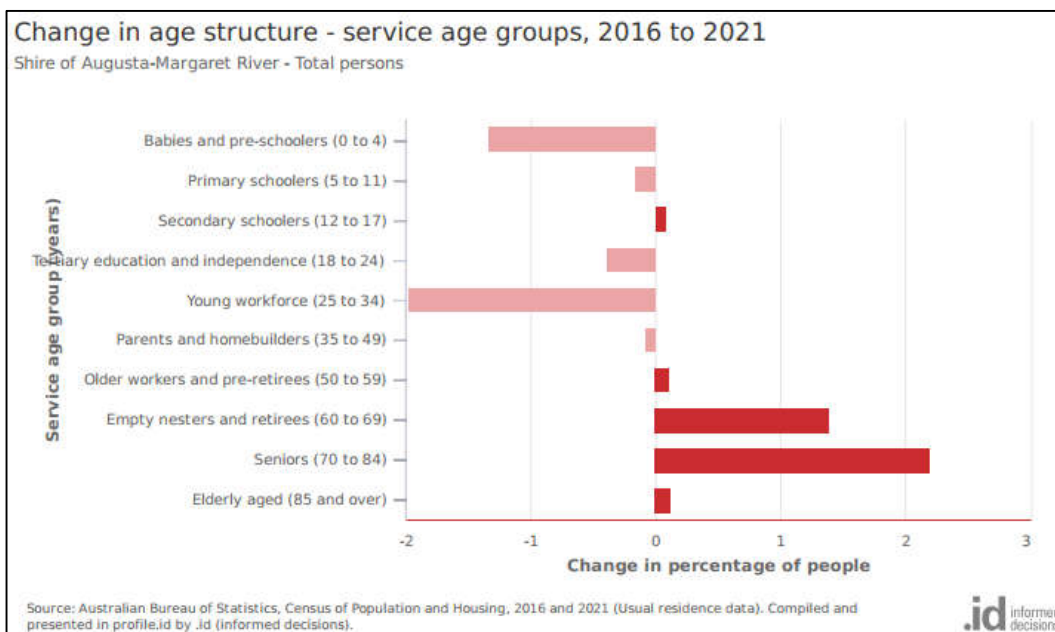
Population and demographics

The Shire of Augusta Margaret River has one of the most rapidly growing populations in regional WA, with 2021 census data showing a 17.8% increase since 2016, equating to an average of 3.6% per annum. This compares with the State average of 1.5% over the same time period.

In its WA Tomorrow Report No. 11, the State demographer has forecast an average annual growth rate of 2.9% for the Shire region between 2016 and 2031. Whilst historically the State demographer has underestimated growth in the Shire's population, the WA Tomorrow population forecast has been used as the basis for the Shire's Local Planning Strategy 2036, and for the sake of consistency has also been used as the basis of population growth forecasts for the LTFP.



As well as changing in size, the Shire's population has also changed demographically over recent years with census data showing a clear indication of an ageing population. Whilst this trend is consistent with WA as a whole, the Shire region has a higher proportion of parents, homebuilders, empty nesters and retirees, and has a lower proportion of youth in tertiary education and young workforce.



Census data from 2016 and 2021 shows a definite ageing in the local population over this timeframe with decreases being seen in the majority of age groups under 49, and an increase in all service age groups aged 50 and over – most notably in the seniors age group.

Population and demographic changes impact on the long term financial plan in many ways – for example the ability of the Shire to collect rates income, the demand placed on services and possible changes to services required into the future. These impacts are all considered during the Shire’s strategic planning processes, which inform the LTFP.

Economic and social drivers

The following economic and social drivers have been used to develop this Plan:

Economic Assumption	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Gross Domestic Product (GDP) ¹	1.0%	1.8%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Gross State Product WA ¹	3.0%	2.2%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Population - WA ¹	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Population – Shire ³	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
Consumer Price Index Perth ¹	3.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
WALGA Local Government Cost Index – materials and contracts ²	2.1%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
WALGA Local Government Cost Index – utilities ²	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
WALGA Local Government Cost Index – insurance ²	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
WALGA Local Government Cost Index – other costs ²	3.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Interest – Public Bank Account earnings ¹	3.2%	3.3%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%

¹ 2022-23 Western Australia Government Mid-year Financial Projections Statement (December 2022)

² WALGA Quarterly Economic Briefing (December 2022)

³ WA Tomorrow population report no. 11

Operating estimates - revenue

Rates

Rates have been increased by 0.75% above Perth CPI in Year One of the LTFP and then 0.5% above Perth CPI in subsequent years, with Perth CPI being forecast the rate predicted by the State Government. Growth in the number of rateable assessments also increases the total amount obtained from property rates, with growth being based on population forecasts outlined earlier in this document, and on development forecasts outlined in the Shire’s Local Planning Strategy 2036. This increase is the minimum required to fund the forecast deficit between expenditure and revenue with some expenditure items generally forecast to increase by more than Perth CPI.

Operating Grants, subsidies and contributions

In developing this LTFP, it is anticipated that using Perth CPI as an indicator to forecast operating grants, subsidies and contributions to be a reasonable estimate over the ten-year period.

The Shire will continue to pursue grant funding for strategic operational projects from both the State and Federal Government.

Fees and charges

Assumptions regarding escalation of fees and charges have previously been based on Perth CPI indicators, statutory charges and projected increase in population. Over time however, basing fees and charge increases on an assumption which is different from that used for rate escalations has the potential to put a greater burden on ratepayers to cover the costs of the Shire in providing services and community facilities. As such, assumptions regarding discretionary fees and charges have been aligned with those used for rates.

Service charges

No service charge has been included. Previously a service charge of \$333.33 per property was imposed on properties in the main street of Cowaramup to recover the cost of undergrounding of electricity. The charge was imposed for 10 years and ended in 2020-21.

Interest earnings

Interest is earned on the balance of reserves and any surplus cash. The default interest rate for investments has been set at 4.0% for the term of the LTFP, being 0.9% above the State Government's mid-year projection of between 3.1% and 3.3% for the short to medium term.

The Reserve Bank of Australia have increased interest rates at a rapid pace since mid-2022 in an attempt to curb rising inflation. Whilst forecasting in this area is problematic, the Shire's investments are obtaining returns of over 4% at the present time, with rates forecast to increase again in the short term. Given that current interest returns are higher than the short term State Government forecast for interest rates, 4% is deemed to be a reasonable assumption for the duration of the LTFP.

Other revenue

Other revenue has been escalated in line with the State Government's forecast for Perth CPI.

Operating estimates - expenditure

Employee costs

Estimates for employee costs are based on requirements outlined in the draft Workforce Plan and associated growth drivers. The Shire's average growth in FTE between 2018 and 2022 required to address these growth drivers was equivalent to 3.5 FTE per year, and this growth rate has been forecast for Year One of the LTFP. Growth in FTE has then been reduced to 2 FTE per year for subsequent years. This reduced growth in workforce levels is unlikely to be sustainable if service levels remain as they are and the Shire's population continues to grow as projected, and further work will need to be done to look at how the Shire's processes and service levels can be optimised into the future.

The Shire's enterprise bargaining agreement (EBA) lapsed on 30 June 2022, and negotiations are currently underway for the replacement agreement. In the absence of a finalised EBA, employee costs have been escalated at a rate of 3.5% over the first three years of the LTFP, and the reduced to a capped level of 2.5% for the outlying years. This escalation rate will need to cover:

- changes to the EBA;
- annual performance-based increases for eligible employees; and
- legislated increases to the Superannuation Guarantee Charge.

Materials and Contracts

Various price drivers escalate the cost of materials and contracts in reality on a case-by-case basis. It is not practical for the Shire to forecast at this level of detail however, and so for the sake of the LTFP materials and contracts have been escalated at the overall materials and contracts escalation rate

forecast by WALGA in its Economic Briefing (December 2022). This rate is 2.1% in year 1 of the LTFP, and 1.9% thereafter.

Utilities

Utilities have been escalated at the overall utilities escalation rate forecast by WALGA in its Economic Briefing (December 2022). This rate is 2.5% for the duration of the LTFP. Savings have been realised from investment in solar technology over the past few years, and future iterations of the plans may incorporate further innovations which reduce the escalation in utility costs further.

At present, utility charges represent 4% of rates and this remains consistent for the term of the plan.

Insurances

Insurances have been escalated at the insurances escalation rate forecast by WALGA in its Economic Briefing (December 2022). This rate is 2.8% for the duration of the LTFP. The rationale for this increase being higher than Perth CPI is to ensure insurance costs reflect increased insured property values and likely increased insurance risk in the future.

Interest expenses

The Shire has a portfolio of debt funding which is secured at a fixed rate of interest for the duration of the loan term. As such, interest costs are known with certainty and have been included at actual expected cost.

By 2032-33 the plan forecasts that only two loans will be outstanding, being a loan drawn for works at the HEART (to be fully repaid by December 2033), and a loan drawn in 2021-22 for the refurbishment of the Margaret River Aquatic Centre (to be fully repaid in May 2042).

No new borrowings have been forecast for the ten year term of the LTFP. Whilst there are a number of projects which may be considered for debt funding, none of these projects have yet been endorsed as part of Council's project prioritisation process. As such, neither the cost nor funding for these projects have been included in the LTFP.

Depreciation

The allocation of depreciation is based on historical asset values that are revalued for fair value purposes, and also increased to include capital expenditure projections. The rate of depreciation is the average rate of depreciation for each asset class. Due to this methodology, depreciation is at risk of being misstated.

At time of compiling this LTFP, the Shire was undergoing a comprehensive revaluation process for its infrastructure assets. This revaluation has the potential to significantly alter the fair value of the Shire's infrastructure assets and change the depreciation charge. Outcomes from this revaluation will be reflected in future iterations of the LTFP.

Other expenses

Generally, other expenses have been escalated at the escalation rate forecast by WALGA for other expenses in its Economic Briefing (December 2022). This rate is 3.25% in Year One of the LTFP, and 2.5% in subsequent years. This category of expenditure includes grant funding and elected member sitting fees, as well as elected member donations and projects. Grant funding has not been escalated, pending review of the Shire's Community Economic, Environmental and Events Funding Policy.

Risk assessment

With the LTFP using assumptions as the basis for expenditure and revenue forecasts in a time of economic volatility, there is a high level of risk the outcomes forecast by the model will not be achieved. Specific areas of risk include but are not limited to the following:

Risk	Likelihood	Consequence	Risk Rating
Inflation – base rate of 3.25% in Year One and 2.5% in outlying years is too low as a forecast	High	High	High
Escalation rates – risk that assumptions used as the basis for forecast revenue and expenditure escalation rates may result in these escalation rates being misstated, therefore compromising the legitimacy of the LTFP as a planning document	High	Medium	High
State Government decisions – possibility the State Government do not provide grants such as Regional Roads Group grants. As these grants have been provided for many years it is unlikely they will be discontinued and the risk is very low.	Low	High	Low
State Government cost shifting – impact of State Government financial decisions which shift costs to local government	High	Low	Low
Property growth – risk that growth rates will not reach that projected, impacting upon the Shire’s revenue generation ability	Medium	Medium	Medium
Capital works forecasts – risk that capital works forecasts have been underestimated, given that Asset Management Plan is three years old, and inflation has affected costs	High	High	High
Unbudgeted expenditure – risk that expenditure is required to be incurred which was not considered in the LTFP. Risk mitigated in part through development of reserves	High	Low	Low
LTFP balancing target – to balance the LTFP a ‘savings or additional funding required’ line has been added into the plan. There is a risk that these savings or additional funds may not be able to be source	Medium	High	High

Scenario modelling / sensitivity analysis

To determine the sensitivity and financial impact of changing the assumptions used to prepare the baseline balanced LTFP model detailed in this document, alternative scenarios may be considered. However, as the assumptions for this version of the LTFP are not complex, the process of preparing full-scale scenario models was not undertaken. The following table outlines some of the potential scenarios and likely results.

Scenario	Likely Outcome
Rates yield increased in line with the State Government's CPI forecast, rather than 0.75% above CPI in Year One and 0.5% above CPI in future years	This scenario will result in rates income reducing by approximately \$0.180 million in Year One, with a cumulative impact of \$10.2 million over ten years
Rate yield increased at 1.0% above CPI for the duration of the plan, rather than 0.75% above CPI in Year One and 0.5% above CPI in future years	This scenario will result in rates income increasing by approximately \$0.060 million in Year One, with a cumulative impact of \$8.9 million over ten years
Fees and charges increased in line with the State Government's CPI forecast, rather than 0.75% above CPI in Year One and 0.5% CPI in future years	This scenario will result in fee and charge revenue decreasing by approximately \$0.043 million in Year One, with a cumulative impact of \$3.8 million over ten years
Materials and contracts increased in line with the State Government's CPI forecast, rather than 2.1% in Year One and 1.9% in future years as per WALGA Economic Forecast	This scenario will result in operating expenditure increasing by \$0.123 million in Year One, with a cumulative impact of \$6.2 million over ten years
Employee costs increased at 4% for the first three years, and then align with the State Government's CPI forecast of 2.5% thereafter, rather than 3.5% in the first three years and 2.0% thereafter	This scenario will result in operating expenditure increasing by \$0.085 million in Year One, with a cumulative impact of \$7.2 million over ten years

Financial reports, ratios and analysis

Financial reports

The following financial statements have been prepared for the ten years covered in this plan. These estimates have been prepared on the basis of the assumptions shown previously in this document:

Statement of Comprehensive Income by Nature/Type

Identifies the inputs by nature/type of the revenue or expense. Descriptions are defined by Regulation under the *Local Government Act 1995*.

The Statement of Comprehensive Income is prepared on an accrual basis. This process recognises income as it is earned and expenses as they are incurred. In addition, it makes adjustments for unearned income, credit sales, pre-payments, accrued expenses and non-cash provisions (i.e. depreciation and leave entitlements). This method provides a more accurate reflection of the transactions which actually occurred during the accounting period and is a better reflection of the actual business activities undertaken by the Shire. Depreciation, which is an expense charged in the Statement of Comprehensive Income, reflects the value of capital assets consumed during the accounting period.

Statement of Financial Position (Balance Sheet)

The purpose of the Statement of Financial position is to provide a snapshot of the overall financial position of the Shire. This statement is constructed according to well-defined accounting principles which are embodied in the Australian Accounting Standards. The ratepayer equity in the Shire can be calculated by deducting the total liabilities from total assets.

The Statement discloses transactions as current and non-current assets, current and no-current liabilities and equity.

Statement of Funding / Statement of Financial Activity (Rate Setting Statement)

This statement summarises the operating, capital, debt and reserve transactions. It utilises the same reporting procedures required in formulating the Shire's annual budget under the Local Government Act 1995. The plan identifies the funds necessary to balance the budget in each financial year through the collection of Council rates.

Statement of Cashflows

This statement indicates the cash inflows and outflows, and therefore the net cash impact, of the Shire's forecast operating, financing and investing activity over the next ten years.

Statement of Changes in Equity

This statement reports the changes in equity over a financial year. The LTFP uses this to show the changes in accumulated funds and reserves over the next ten years.

Shire of Augusta Margaret River
Forecast Statement of Comprehensive Income - by Nature or Type
For the period 2023 - 2033
Base Scenario - balanced - Version 1

	1	2	3	4	5	6	7	8	9	10
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues										
Rates	26,073,364	27,340,654	28,573,352	29,699,392	30,933,974	32,145,853	33,294,540	34,461,614	35,561,337	36,682,484
Operating grants, subsidies and contributions	3,287,322	3,369,040	3,452,634	3,537,287	3,624,021	3,712,893	3,803,954	3,897,260	3,992,862	4,090,819
Fees and charges	11,832,312	12,324,653	13,198,057	13,642,927	14,111,790	14,609,341	14,645,824	15,167,338	15,708,577	16,268,823
Service charges	0	0	0	0	0	0	0	0	0	0
Interest earnings	1,262,420	1,163,313	1,153,309	1,090,374	1,076,388	1,076,910	1,111,786	1,119,744	1,173,137	1,244,316
Other revenue	77,638	70,656	62,794	63,864	64,961	46,085	47,237	48,418	49,629	50,870
	<u>42,533,056</u>	<u>44,268,316</u>	<u>46,440,146</u>	<u>48,033,844</u>	<u>49,811,134</u>	<u>51,591,082</u>	<u>52,903,341</u>	<u>54,694,374</u>	<u>56,485,542</u>	<u>58,337,312</u>
Expenses										
Employee costs	(19,026,025)	(19,938,548)	(20,895,709)	(21,505,505)	(22,133,168)	(22,774,425)	(23,436,513)	(24,113,104)	(24,809,037)	(25,520,343)
Materials and contracts	(12,556,328)	(11,598,923)	(12,077,068)	(12,077,228)	(13,358,192)	(13,907,011)	(15,354,472)	(16,552,752)	(17,767,283)	(18,918,959)
Utility charges	(1,063,652)	(1,090,242)	(1,152,931)	(1,181,754)	(1,211,297)	(1,241,581)	(1,272,621)	(1,304,436)	(1,337,045)	(1,370,472)
Depreciation on non-current assets	(10,162,805)	(10,431,589)	(10,700,026)	(10,968,058)	(11,210,293)	(11,563,990)	(11,784,238)	(12,043,538)	(12,278,290)	(12,551,077)
Interest expenses	(593,256)	(543,809)	(498,273)	(451,327)	(403,120)	(355,110)	(318,202)	(272,157)	(222,718)	(195,216)
Insurance expenses	(921,357)	(1,003,382)	(1,049,942)	(1,098,740)	(1,149,885)	(1,203,492)	(1,259,683)	(1,318,584)	(1,380,328)	(1,445,055)
Other expenditure	(911,363)	(934,148)	(957,501)	(981,437)	(1,005,973)	(1,031,123)	(1,056,903)	(1,083,326)	(1,110,410)	(1,138,170)
	<u>(45,234,786)</u>	<u>(45,540,641)</u>	<u>(47,331,450)</u>	<u>(48,264,049)</u>	<u>(50,471,928)</u>	<u>(52,076,732)</u>	<u>(54,482,632)</u>	<u>(56,687,897)</u>	<u>(58,905,111)</u>	<u>(61,139,292)</u>
	(2,701,730)	(1,272,325)	(891,304)	(230,205)	(660,794)	(485,650)	(1,579,291)	(1,993,523)	(2,419,569)	(2,801,980)
Non-operating grants, subsidies and contributions	2,406,906	4,354,716	2,798,792	3,201,662	2,620,151	6,400,848	3,266,316	2,217,373	2,363,759	2,285,641
Fair value adjustments to investment property	0	0	0	0	0	0	0	0	0	0
Profit on asset disposals	0	0	0	0	0	0	0	0	0	0
Loss on asset disposal	0	0	0	0	0	0	0	0	0	0
NET RESULT	<u>(294,824)</u>	<u>3,082,391</u>	<u>1,907,488</u>	<u>2,971,457</u>	<u>1,959,357</u>	<u>5,915,198</u>	<u>1,687,025</u>	<u>223,850</u>	<u>(55,810)</u>	<u>(516,339)</u>
Other comprehensive income	8,695,681	8,892,262	9,098,902	9,310,884	9,528,008	9,783,105	9,997,240	10,142,193	10,282,841	10,438,662
TOTAL COMPREHENSIVE INCOME	<u>8,400,857</u>	<u>11,974,653</u>	<u>11,006,390</u>	<u>12,282,341</u>	<u>11,487,365</u>	<u>15,698,303</u>	<u>11,684,265</u>	<u>10,366,043</u>	<u>10,227,031</u>	<u>9,922,323</u>

Shire of Augusta Margaret River
Forecast Statement of Financial Position
For the period 2023 - 2033

Base Scenario - balanced - Version 1

	1	2	3	4	5	6	7	8	9	10
	30 June 24	30 June 25	30 June 26	30 June 27	30 June 28	30 June 29	30 June 30	30 June 31	30 June 32	30 June 33
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
CURRENT ASSETS										
Unrestricted cash and cash equivalents	6,055,709	6,055,709	6,055,710	6,055,710	6,055,710	6,055,710	6,055,711	6,055,710	6,055,711	6,055,710
Restricted cash and cash equivalent	15,592,476	15,102,926	13,278,715	12,666,494	12,404,633	12,988,529	12,885,913	13,904,809	15,353,286	16,076,396
Financial assets	1,224,466	1,224,466	1,224,466	1,224,466	1,224,466	1,224,466	1,224,466	1,224,466	1,224,466	1,224,466
Trade and other receivables	1,885,138	1,885,138	1,885,138	1,885,138	1,885,138	1,885,138	1,885,138	1,885,138	1,885,138	1,885,138
Inventories	65,649	65,649	65,649	65,649	65,649	65,649	65,649	65,649	65,649	65,649
Other assets	186,565	186,565	186,565	186,565	186,565	186,565	186,565	186,565	186,565	186,565
TOTAL CURRENT ASSETS	25,010,003	24,520,453	22,696,243	22,084,022	21,822,161	22,406,057	22,303,442	23,322,337	24,770,815	25,493,924
NON-CURRENT ASSETS										
Financial assets	97,255	97,255	97,255	97,255	97,255	97,255	97,255	97,255	97,255	97,255
Other receivables	0	0	0	0	0	0	0	0	0	0
Property plant and equipment	98,823,037	99,923,229	101,691,296	103,312,911	105,590,497	107,292,626	110,374,234	111,954,094	113,270,535	114,764,819
Infrastructure	395,102,085	405,342,309	415,251,931	425,347,276	433,613,393	445,909,679	453,455,055	460,014,070	466,603,435	473,705,925
TOTAL NON-CURRENT ASSETS	494,022,377	505,362,793	517,040,482	528,757,442	539,301,145	553,299,560	563,926,544	572,065,419	579,971,225	588,567,999
TOTAL ASSETS	519,032,380	529,883,246	539,736,725	550,841,464	561,123,306	575,705,617	586,229,986	595,387,756	604,742,040	614,061,923
CURRENT LIABILITIES										
Trade and other payables	9,417,528	9,417,528	9,417,528	9,417,528	9,417,528	9,417,528	9,417,528	9,417,528	9,417,528	9,417,528
Contract liabilities	0	0	0	0	0	0	0	0	0	0
Lease liabilities	82,196	67,734	64,846	66,687	68,577	66,887	67,557	69,473	71,443	0
Current portion of long-term liabilities	1,041,591	1,085,177	1,112,756	1,138,836	1,047,415	1,093,009	1,140,716	803,274	530,997	434,607
Provisions	2,945,007	2,945,007	2,945,007	2,945,007	2,945,007	2,945,007	2,945,007	2,945,007	2,945,007	2,945,007
TOTAL CURRENT LIABILITIES	13,486,322	13,515,446	13,540,137	13,568,058	13,478,527	13,522,431	13,570,808	13,235,282	12,964,975	12,797,142
NON-CURRENT LIABILITIES										
Contract liabilities	26,450	26,450	26,450	26,450	26,450	26,450	26,450	26,450	26,450	26,450
Lease liabilities	285,290	217,556	152,710	86,023	17,446	(49,441)	(116,998)	(186,471)	(257,914)	(257,914)
Long-term borrowings	12,354,660	11,269,483	10,156,727	9,017,891	7,970,476	6,877,467	5,736,751	4,933,477	4,402,480	3,967,873
Provisions	5,507,251	5,507,251	5,507,251	5,507,251	5,507,251	5,507,251	5,507,251	5,507,251	5,507,251	5,507,251
TOTAL NON-CURRENT LIABILITIES	18,173,651	17,020,740	15,843,138	14,637,615	13,521,623	12,361,727	11,153,454	10,280,707	9,678,267	9,243,660
TOTAL LIABILITIES	31,659,973	30,536,186	29,383,275	28,205,673	27,000,150	25,884,158	24,724,262	23,515,989	22,643,242	22,040,802
NET ASSETS	487,372,407	499,347,060	510,353,450	522,635,791	534,123,156	549,821,459	561,505,724	571,871,767	582,098,798	592,021,121
EQUITY										
Retained surplus	229,601,510	233,173,451	236,905,150	240,488,828	242,710,046	248,041,348	249,830,988	249,035,942	247,531,655	246,292,206
Reserves - cash backed	15,592,476	15,102,926	13,278,715	12,666,494	12,404,633	12,988,529	12,885,914	13,904,810	15,353,287	16,076,397
Asset revaluation surplus	242,178,421	251,070,683	260,169,585	269,480,469	279,008,477	288,791,582	298,788,822	308,931,015	319,213,856	329,652,518
TOTAL EQUITY	487,372,407	499,347,060	510,353,450	522,635,791	534,123,156	549,821,459	561,505,724	571,871,767	582,098,798	592,021,121

Shire of Augusta Margaret River
Forecast Statement of Funding - for the period 2023 - 2033
Base Scenario - balanced - Version 1

	1	2	3	4	5	6	7	8	9	10
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
FUNDING FROM OPERATIONAL ACTIVITIES										
Revenues										
Rates	26,073,364	27,340,654	28,573,352	29,699,392	30,933,974	32,145,853	33,294,540	34,461,614	35,561,337	36,682,484
Operating grants, subsidies and contributions	3,287,322	3,369,040	3,452,634	3,537,287	3,624,021	3,712,893	3,803,954	3,897,260	3,992,862	4,090,819
Profit on asset disposal	0	0	0	0	0	0	0	0	0	0
Fees and charges	11,832,312	12,324,653	13,198,057	13,642,927	14,111,790	14,609,341	14,645,824	15,167,338	15,708,577	16,268,823
Interest earnings	1,262,420	1,163,313	1,153,309	1,090,374	1,076,388	1,076,910	1,111,786	1,119,744	1,173,137	1,244,316
Other revenue	77,638	70,656	62,794	63,864	64,961	46,085	47,237	48,418	49,629	50,870
	<u>42,533,056</u>	<u>44,268,316</u>	<u>46,440,146</u>	<u>48,033,844</u>	<u>49,811,134</u>	<u>51,591,082</u>	<u>52,903,341</u>	<u>54,694,374</u>	<u>56,485,542</u>	<u>58,337,312</u>
Expenses										
Employee costs	(19,026,025)	(19,938,548)	(20,895,709)	(21,505,505)	(22,133,168)	(22,774,425)	(23,436,513)	(24,113,104)	(24,809,037)	(25,520,343)
Materials and contracts	(12,556,328)	(11,598,923)	(12,077,068)	(12,077,228)	(13,358,192)	(13,907,011)	(15,354,472)	(16,552,752)	(17,767,283)	(18,918,959)
Utility charges (electricity, gas, water etc.)	(1,063,652)	(1,090,242)	(1,152,931)	(1,181,754)	(1,211,297)	(1,241,581)	(1,272,621)	(1,304,436)	(1,337,045)	(1,370,472)
Depreciation on non-current assets	(10,162,805)	(10,431,589)	(10,700,026)	(10,968,058)	(11,210,293)	(11,563,990)	(11,784,238)	(12,043,538)	(12,278,290)	(12,551,077)
Loss on asset disposal	0	0	0	0	0	0	0	0	0	0
Interest expense	(593,256)	(543,809)	(498,273)	(451,327)	(403,120)	(355,110)	(318,202)	(272,157)	(222,718)	(195,216)
Insurance expense	(921,357)	(1,003,382)	(1,049,942)	(1,098,740)	(1,149,885)	(1,203,492)	(1,259,683)	(1,318,584)	(1,380,328)	(1,445,055)
Other expenditure	(911,363)	(934,148)	(957,501)	(981,437)	(1,005,973)	(1,031,123)	(1,056,903)	(1,083,326)	(1,110,410)	(1,138,170)
	<u>(45,234,786)</u>	<u>(45,540,641)</u>	<u>(47,331,450)</u>	<u>(48,264,049)</u>	<u>(50,471,928)</u>	<u>(52,076,732)</u>	<u>(54,482,632)</u>	<u>(56,687,897)</u>	<u>(58,905,111)</u>	<u>(61,139,292)</u>
	<u>(2,701,730)</u>	<u>(1,272,325)</u>	<u>(891,304)</u>	<u>(230,205)</u>	<u>(660,794)</u>	<u>(485,650)</u>	<u>(1,579,291)</u>	<u>(1,993,523)</u>	<u>(2,419,569)</u>	<u>(2,801,980)</u>
Funding position adjustments										
Depreciation on non-current assets	10,162,805	10,431,589	10,700,026	10,968,058	11,210,293	11,563,990	11,784,238	12,043,538	12,278,290	12,551,077
Net profit and losses on disposal	0	0	0	0	0	0	0	0	0	0
Net funding from operational activities	<u>7,461,075</u>	<u>9,159,264</u>	<u>9,808,722</u>	<u>10,737,853</u>	<u>10,549,499</u>	<u>11,078,340</u>	<u>10,204,947</u>	<u>10,050,015</u>	<u>9,858,721</u>	<u>9,749,097</u>
FUNDING FROM CAPITAL ACTIVITIES										
Inflows										
Proceeds on disposal	294,711	388,517	545,723	321,442	615,018	537,322	294,186	360,299	291,195	565,023
Non-operating grants, subsidies and contributions	2,406,906	4,354,716	2,798,792	3,201,662	2,620,151	6,400,848	3,266,316	2,217,373	2,363,759	2,285,641
Outflows										
Purchase of property plant and equipment	(2,067,350)	(2,078,185)	(2,916,795)	(2,556,477)	(3,506,499)	(2,888,633)	(4,013,141)	(2,633,001)	(2,327,894)	(2,834,097)
Purchase of infrastructure	(9,209,603)	(11,190,075)	(10,907,741)	(11,139,099)	(9,334,507)	(13,427,989)	(8,695,027)	(7,767,518)	(7,864,556)	(8,440,115)
Net funding from capital activities	<u>(8,575,336)</u>	<u>(8,525,027)</u>	<u>(10,480,021)</u>	<u>(10,172,472)</u>	<u>(9,605,837)</u>	<u>(9,378,452)</u>	<u>(9,147,666)</u>	<u>(7,822,847)</u>	<u>(7,537,496)</u>	<u>(8,423,548)</u>
FUNDING FROM FINANCING ACTIVITIES										
Inflows										
Transfer from reserves	4,026,485	3,343,408	5,205,134	4,802,635	4,139,342	3,813,561	3,482,606	2,055,820	1,666,660	2,447,038
Self supporting loan	0	0	0	0	0	0	0	0	0	0
Outflows										
Transfer to reserves	(2,762,100)	(2,853,858)	(3,380,924)	(4,190,414)	(3,877,481)	(4,397,457)	(3,379,991)	(3,074,715)	(3,115,137)	(3,170,148)
Advances to community groups	0	0	0	0	0	0	0	0	0	0
Repayment of past borrowings	(1,140,591)	(1,041,591)	(1,085,177)	(1,112,756)	(1,138,836)	(1,047,415)	(1,093,009)	(1,140,716)	(803,274)	(530,997)
Principal elements of finance lease payments	(97,909)	(82,196)	(67,734)	(64,846)	(66,687)	(68,577)	(66,887)	(67,557)	(69,473)	(71,443)
Net funding from financing activities	<u>25,885</u>	<u>(634,237)</u>	<u>671,299</u>	<u>(565,381)</u>	<u>(943,662)</u>	<u>(1,699,888)</u>	<u>(1,057,281)</u>	<u>(2,227,168)</u>	<u>(2,321,224)</u>	<u>(1,325,550)</u>
Estimated surplus/deficit July 1 B/Fwd	1,088,376	0	0	0	0	0	0	0	0	0
Estimated surplus/deficit June 30 C/Fwd	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Shire of Augusta Margaret River

Forecast Statement of Cashflows - for the period 2023 - 2033

Base Scenario - balanced - Version 1

	1	2	3	4	5	6	7	8	9	10
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash flows from operating activities										
Receipts										
Rates	26,073,364	27,340,654	28,573,352	29,699,392	30,933,974	32,145,853	33,294,540	34,461,614	35,561,337	36,682,484
Operating grants, subsidies and contributions	3,287,322	3,369,040	3,452,634	3,537,287	3,624,021	3,712,893	3,803,954	3,897,260	3,992,862	4,090,819
Fees and charges	11,832,312	12,324,653	13,198,057	13,642,927	14,111,790	14,609,341	14,645,824	15,167,338	15,708,577	16,268,823
Interest earnings	1,262,420	1,163,313	1,153,309	1,090,374	1,076,388	1,076,910	1,111,786	1,119,744	1,173,137	1,244,316
Other revenue	77,638	70,656	62,794	63,864	64,961	46,085	47,237	48,418	49,629	50,870
	42,533,056	44,268,316	46,440,146	48,033,844	49,811,134	51,591,082	52,903,341	54,694,374	56,485,542	58,337,312
Payments										
Employee costs	(19,026,025)	(19,938,548)	(20,895,709)	(21,505,505)	(22,133,168)	(22,774,425)	(23,436,513)	(24,113,104)	(24,809,037)	(25,520,343)
Materials and contracts	(12,556,328)	(11,598,923)	(12,077,068)	(12,077,228)	(13,358,192)	(13,907,011)	(15,354,472)	(16,552,752)	(17,767,283)	(18,918,959)
Utility charges	(1,063,652)	(1,090,242)	(1,152,931)	(1,181,754)	(1,211,297)	(1,241,581)	(1,272,621)	(1,304,436)	(1,337,045)	(1,370,472)
Interest expenses	(593,256)	(543,809)	(498,273)	(451,327)	(403,120)	(355,110)	(318,202)	(272,157)	(222,718)	(195,216)
Insurance expenses	(921,357)	(1,003,382)	(1,049,942)	(1,098,740)	(1,149,885)	(1,203,492)	(1,259,683)	(1,318,584)	(1,380,328)	(1,445,055)
Other expenditure	(911,363)	(934,148)	(957,501)	(981,437)	(1,005,973)	(1,031,123)	(1,056,903)	(1,083,326)	(1,110,410)	(1,138,170)
	(35,071,981)	(35,109,052)	(36,631,424)	(37,295,991)	(39,261,635)	(40,512,742)	(42,698,394)	(44,644,359)	(46,626,821)	(48,588,215)
Net cash provided by (used in) operating activities	7,461,075	9,159,264	9,808,722	10,737,853	10,549,499	11,078,340	10,204,947	10,050,015	9,858,721	9,749,097
Cash flows from investing activities										
Payments for purchase of property, plant & equipment	(2,067,350)	(2,078,185)	(2,916,795)	(2,556,477)	(3,506,499)	(2,888,633)	(4,013,141)	(2,633,001)	(2,327,894)	(2,834,097)
Payments for construction of infrastructure	(9,209,603)	(11,190,075)	(10,907,741)	(11,139,099)	(9,334,507)	(13,427,989)	(8,695,027)	(7,767,518)	(7,864,556)	(8,440,115)
Proceeds from non-operating grants, subsidies and contributions	2,406,906	4,354,716	2,798,792	3,201,662	2,620,151	6,400,848	3,266,316	2,217,373	2,363,759	2,285,641
Proceeds from sale of plant & equipment	294,711	388,517	545,723	321,442	615,018	537,322	294,186	360,299	291,195	565,023
Net cash provided by (used in) investing activities	(8,575,336)	(8,525,027)	(10,480,021)	(10,172,472)	(9,605,837)	(9,378,452)	(9,147,666)	(7,822,847)	(7,537,496)	(8,423,548)
Cash flows from financing activities										
Repayment of debentures	(1,140,591)	(1,041,591)	(1,085,177)	(1,112,756)	(1,138,836)	(1,047,415)	(1,093,009)	(1,140,716)	(803,274)	(530,997)
Repayment of leases	(97,909)	(82,196)	(67,734)	(64,846)	(66,687)	(68,577)	(66,887)	(67,557)	(69,473)	(71,443)
Net cash provided by (used in) financing activities	(1,238,500)	(1,123,787)	(1,152,911)	(1,177,602)	(1,205,523)	(1,115,992)	(1,159,896)	(1,208,273)	(872,747)	(602,440)
Net increase (decrease) in cash held	(2,352,761)	(489,550)	(1,824,210)	(612,221)	(261,861)	583,896	(102,615)	1,018,895	1,448,478	723,109
Cash at beginning of year	24,000,946	21,648,185	21,158,635	19,334,425	18,722,204	18,460,343	19,044,239	18,941,624	19,960,519	21,408,997
Cash and cash equivalents at the end of year	21,648,185	21,158,635	19,334,425	18,722,204	18,460,343	19,044,239	18,941,624	19,960,519	21,408,997	22,132,106

Shire of Augusta Margaret River
Forecast Statement of Changes in Equity
For the period 2023 - 2033
Base Scenario - balanced - Version 1

	1	2	3	4	5	6	7	8	9	10
	30 June 24	30 June 25	30 June 26	30 June 27	30 June 28	30 June 29	30 June 30	30 June 31	30 June 32	30 June 33
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
RETAINED SURPLUS										
Opening balance	228,631,950	229,601,510	233,173,451	236,905,150	240,488,828	242,710,046	248,041,348	249,830,988	249,035,942	247,531,655
Net result	(294,824)	3,082,391	1,907,488	2,971,457	1,959,357	5,915,198	1,687,025	223,850	(55,810)	(516,339)
Amount transferred (to)/from reserves	1,264,384	489,550	1,824,211	612,221	261,861	(583,896)	102,615	(1,018,896)	(1,448,477)	(723,110)
Closing balance	<u>229,601,510</u>	<u>233,173,451</u>	<u>236,905,150</u>	<u>240,488,828</u>	<u>242,710,046</u>	<u>248,041,348</u>	<u>249,830,988</u>	<u>249,035,942</u>	<u>247,531,655</u>	<u>246,292,206</u>
RESERVES - CASH/INVESTMENT BACKED										
Opening balance	16,856,860	15,592,476	15,102,926	13,278,715	12,666,494	12,404,633	12,988,529	12,885,914	13,904,810	15,353,287
Amount transferred to/(from) retained surplus	(1,264,384)	(489,550)	(1,824,211)	(612,221)	(261,861)	583,896	(102,615)	1,018,896	1,448,477	723,110
Closing balance	<u>15,592,476</u>	<u>15,102,926</u>	<u>13,278,715</u>	<u>12,666,494</u>	<u>12,404,633</u>	<u>12,988,529</u>	<u>12,885,914</u>	<u>13,904,810</u>	<u>15,353,287</u>	<u>16,076,397</u>
ASSET REVALUATION SURPLUS										
Opening balance	233,482,740	242,178,421	251,070,683	260,169,585	269,480,469	279,008,477	288,791,582	298,788,822	308,931,015	319,213,856
Total other comprehensive income	8,695,681	8,892,262	9,098,902	9,310,884	9,528,008	9,783,105	9,997,240	10,142,193	10,282,841	10,438,662
Closing balance	<u>242,178,421</u>	<u>251,070,683</u>	<u>260,169,585</u>	<u>269,480,469</u>	<u>279,008,477</u>	<u>288,791,582</u>	<u>298,788,822</u>	<u>308,931,015</u>	<u>319,213,856</u>	<u>329,652,518</u>
TOTAL EQUITY	<u>487,372,407</u>	<u>499,347,060</u>	<u>510,353,450</u>	<u>522,635,791</u>	<u>534,123,156</u>	<u>549,821,459</u>	<u>561,505,724</u>	<u>571,871,767</u>	<u>582,098,798</u>	<u>592,021,121</u>

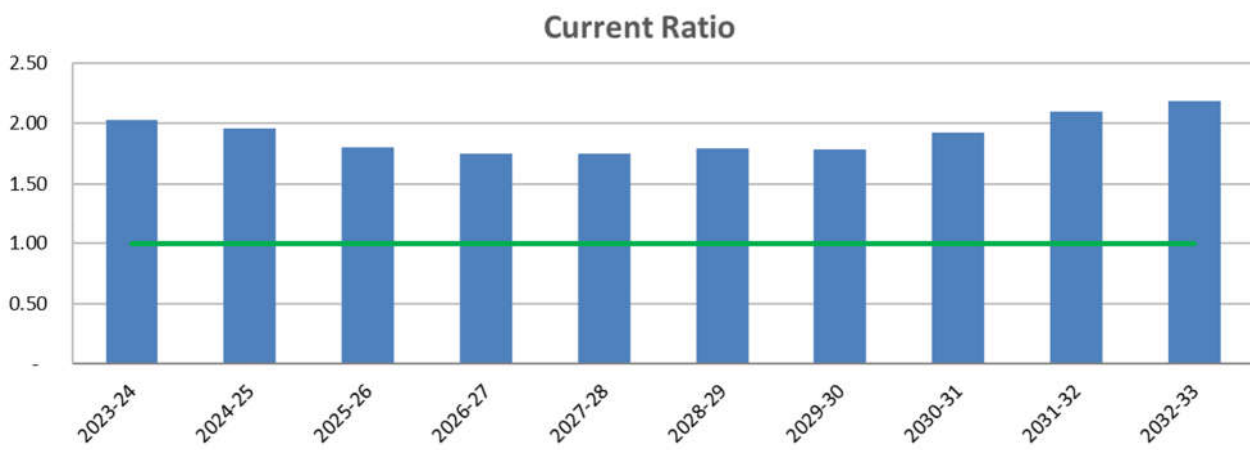
Ratio Analysis

The following ratios are performance indicators based on the information contained within the LTFFP. They are calculated and assessed in accordance with the Department of Local Government, Sport and Cultural Industries' guidelines.

Current Ratio

This is a modified commercial ratio designed to focus on the liquidity position of a local government that has arisen from past year's transactions. It is calculated by dividing current assets less restricted assets by current liabilities excluding those current liabilities associated with restricted assets.

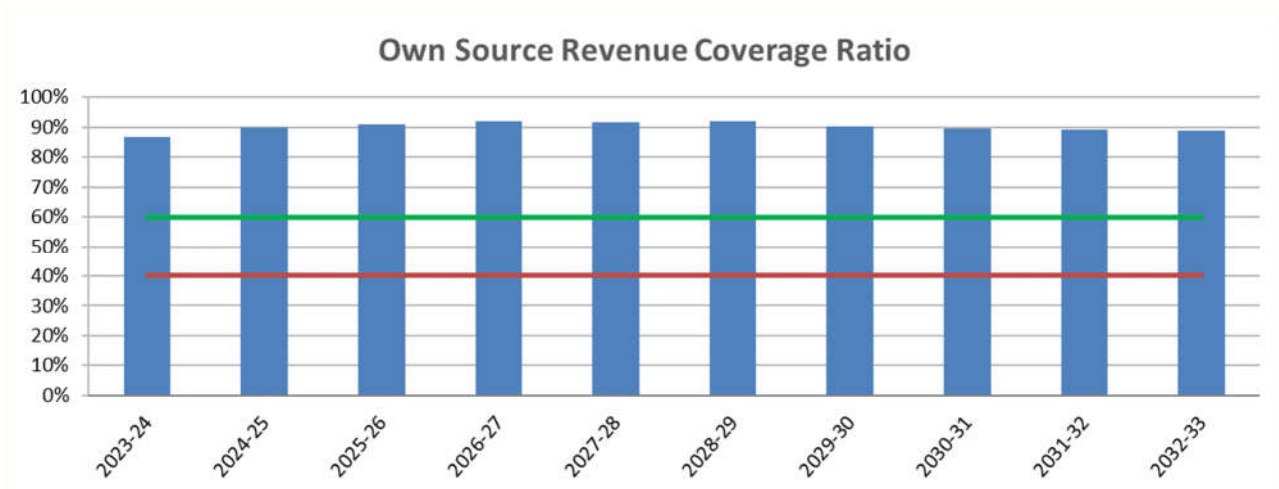
The base standard is met if the ratio is greater than 1. The standard is not met if the ratio is lower than 1.



The Shire meets the requirements of this ratio for all years on the LTFFP. This indicates that the Shire has sufficient working capital to be able to meet its short term commitments in the longer term.

Own source revenue coverage ratio

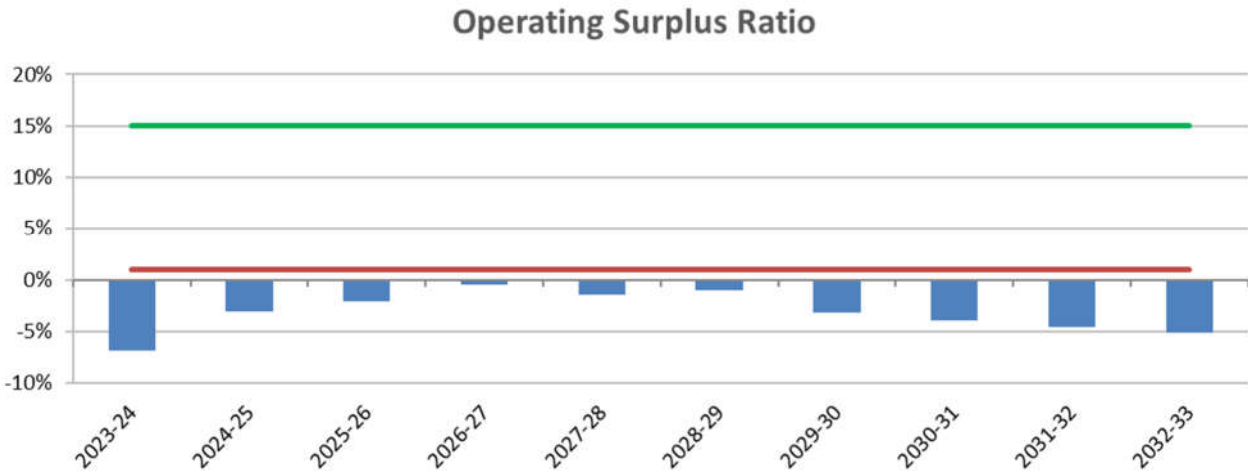
This is an indicator of the ability of a local government to cover costs through its own revenue efforts, and is calculated by dividing own source operating revenue by operating expenditure. The basic standard is met if the ratio exceeds 60%, and is not met if the ratio is less than 40%.



The Shire's ability to generate the majority of its revenue from rates, fees and charges rather than relying on operating grants has contributed to the strong Own Source Revenue Coverage ratio, which is forecast to exceed the basic standard in each year of the LTFFP.

Operating surplus ratio

This is an indicator of whether a local government has the ability to cover its operational costs and have revenues available for capital funding or other purposes, and is calculated by dividing the net operating surplus by own source revenue. The basic standard is met if the ratio is between 0% and 15%.

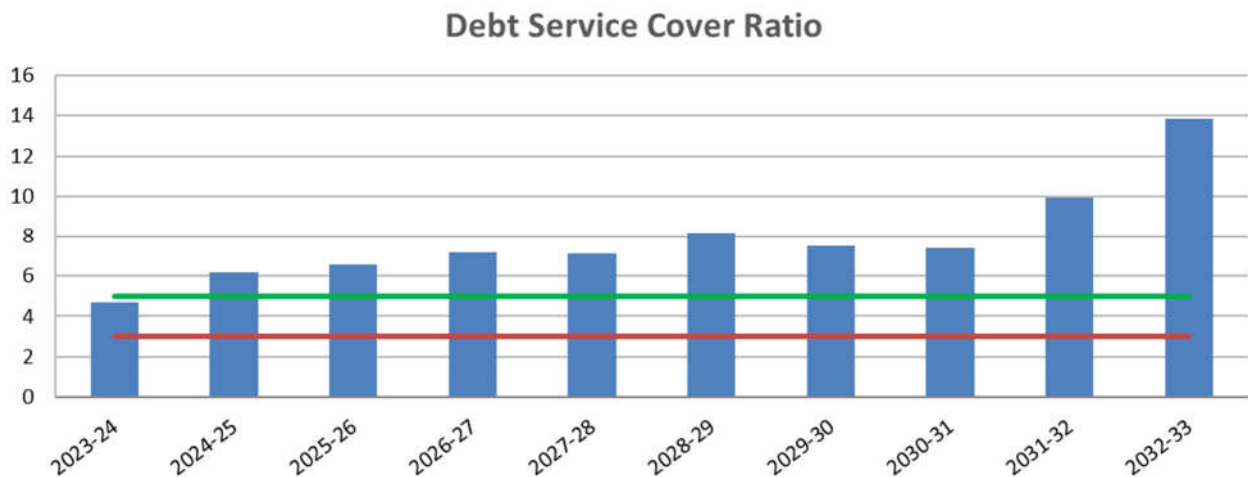


Recording a net operating deficit for each year of the LTFP has resulted in the Operating Surplus Ratio not achieving the basic standard.

Debt service cover ratio

This is an indicator of a local government's ability to repay its debts including lease payments. It is calculated by dividing the annual operating surplus before interest and depreciation by the annual debt service payments (both principal and interest).

The basic standard is achieved if the ratio is greater than or equal to 2. An advanced standard is achieved if the ratio is greater than 5.



The Shire took out a loan of \$8 million in 2021-22 to fund the refurbishment of the Margaret River Aquatic Centre, which has resulted in the debt service cover ratio not meeting the advanced standard in Year One of the LTFP. No additional borrowings have been forecast over the term of the LTFP, resulting in the ratio improving over time.

Asset consumption ratio

This is an indicator of the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.

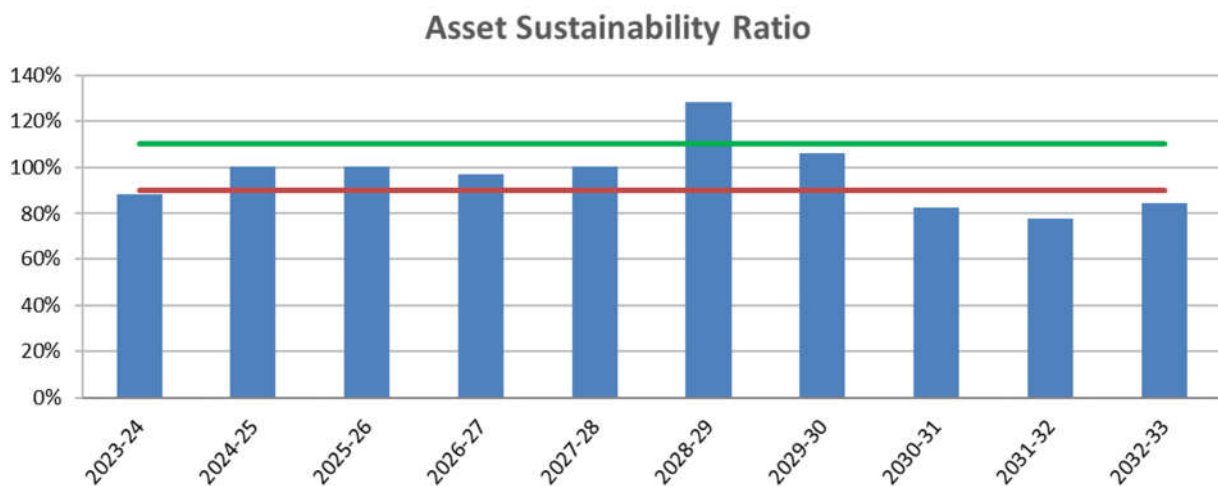
The basic standard is met if the ratio can be measured and is 50% or greater. Standard is improving if the ratio is between 60% and 75%.



The declining trend of this ratio indicates that the Shire needs to invest in capital expenditure to ensure assets do not deteriorate, and to build on the strong results evident in the initial years of the forecast.

Asset sustainability ratio

This is an indicator of whether a local government is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out. It is calculated by dividing capital expenditure on asset renewal by the depreciation expense. The basic standard is met if the ratio is more than 90%.



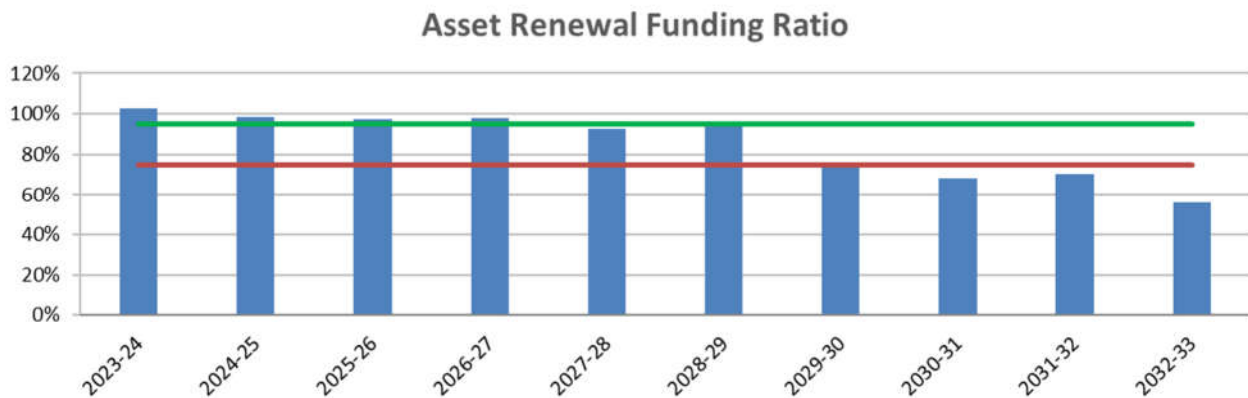
The ratio meets the basic standard for most years of the LTFP, with the exception being the outlying years.

Asset renewal funding ratio

This is an indicator of the ability of a local government to fund its projected asset renewal/replacements in the future, by comparing the amounts allowed in the LTFP for asset

renewal with the Asset Management Plan (AMP). The Shire's current AMP is due for review in 2023-24. As such, for the purpose of the calculation, amounts allowed in the LTFP for asset renewal have been compared against amounts estimated in the Shire's asset management system.

The base standard is met if the ratio is between 75% and 95%.



The Asset Renewal Funding Ratio does not meet the basic standard for the majority of the LTFP term, which shows that the amount allocated for asset renewal in the LTFP is consistently less than that indicated in the Shire's asset management system. This result is corroborated in the Asset Renewal Gap section of this report, on page 10.

The Shire is currently undertaking condition assessments of its infrastructure asset portfolio and working on a number of documents which will give more reliable asset renewal figures. These documents include the Leisure Plan and refreshed AMP. This information will provide us with more reliable indicators of our asset renewal requirements, and will inform future iterations of the LTFP.

Summary

The LTFP presents a balanced position for each financial year, as shown in the Statement of Funding (page 21).

The net operating result, shown in the Statement of Comprehensive Income (page 19) shows a negative position in Years 1, 9 and 10 of the Plan. The negative position in 2023-24 arises from lower non-operating grants flagged as confirmed to be received in that year. An improving result after Year 1 arises from increased revenue against stabilised costs in delivering the Shire's services and community facilities, but declines towards the end of the LTFP with a forecast reduction in property development impacting upon the ability of the Shire to derive own-source revenue.

No future borrowings have been included for the term of the LTFP pending Council's endorsement of future projects which may require debt as a source of funding.

The LTFP aims to address the Shire's operating and capital requirements from 2023-24 to 2032-33 based on economic and social drivers, strategic priorities and other information known at the current time. However the LTFP will be continuously reviewed to reflect the prevailing economic conditions and evolving community demands.

A key objective of the Shire is to increase its financial sustainability, and this will be achieved through a range of initiatives including:

- ✓ focussing on delivering excellence in service through employment of efficient processes and contemporary technology;
- ✓ continually reviewing service offerings and service levels to ensure they are appropriate and valued by the community;
- ✓ working towards better understanding the Shire's financial requirements to maintain and renew its current asset base, including through review of the Asset Management Plan in 2023-24;
- ✓ ensuring a clear and well-understood prioritisation process is put in place for projects which fully considers resourcing requirements;
- ✓ reviewing own-source revenue sources to maximise grant funding opportunities, ensure discretionary fees and charges are set at appropriate levels and to develop alternative revenue streams wherever possible; and
- ✓ benchmark against, and collaborate with, other local governments who demonstrate best practice.



amrshire@amrshire.wa.gov.au
www.amrshire.wa.gov.au

Margaret River

41 Wallcliffe Rd (PO Box 61)
Margaret River 6285

T (08) 9780 5255 | **F** (08) 9757 2512

Office Hours

Mon to Fri, 9am – 4pm

Phone enquiries

8.30am – 4.30pm

Augusta

66 Allnut Tce
Augusta 6290

T (08) 9780 5255 | **F** (08) 9757 2512

Office Hours

Tue to Thu 9am – 12pm, 1pm – 4pm

Phone enquiries

8.30am – 4.30pm

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