

MOUNT BARKER WASTEWATER SERVICE

Long Term Financial Plan

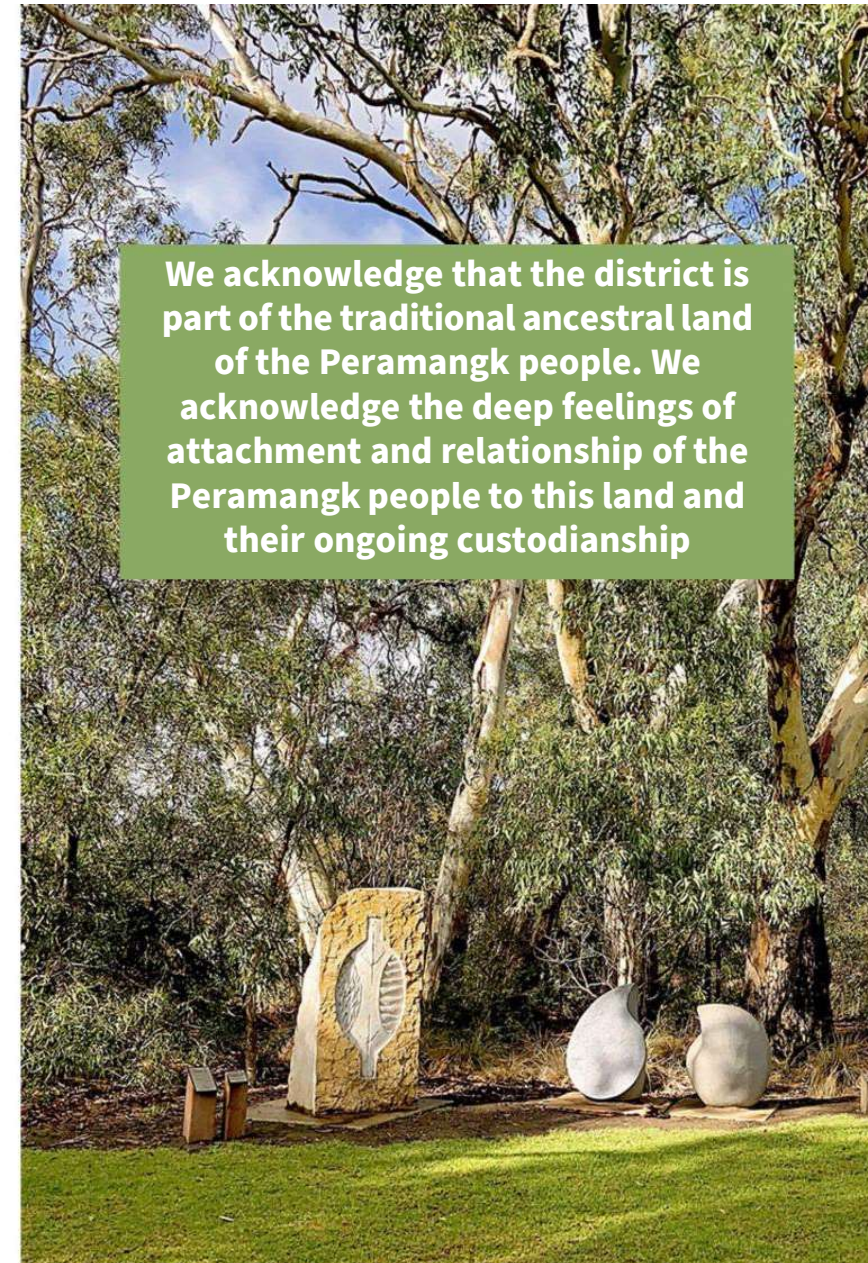


MOUNT BARKER
DISTRICT COUNCIL

2023
—
2033

Delivering Our Future

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FOREWORD FROM THE CEO



On behalf of Council, I take pride in presenting the Long Term Financial Plan (LTFP) 2023-2033 for the council owned and operated wastewater service.

The Mount Barker Wastewater Service LTFP guides our future actions and activities in relation to the provision of wastewater, recycled water and bore water services to the community. It is the foundation to Mount Barker Wastewater Service's financial sustainability and ensures that decisions made support the objectives outlined in the Community Plan 2020 – 2035.

The recent change in management of wastewater services supports the achievement of the Council endorsed strategic objectives that include, but are not limited to, the construction of a new Wastewater Treatment Plant and associated trunk main infrastructure to cater for growth and provide improved environmental outcomes for our community.

Financial sustainability is critical. It means our community continues to have well maintained wastewater, recycled water and bore water facilities and services. Importantly it also supports an affordable level of service charges for Mount Barker Wastewater Service customers both now and into the future.

Mount Barker Wastewater Service's long-term financial management strategy has carefully considered the ongoing cost of growth, the continued maintenance of existing assets and the achievement of improved environmental outcomes as well as supporting economic growth in the district.

Our community continues to face significant challenges that are expected to last for many years, both personally and financially, and as Council we are focused on meeting the needs of our growing community during these challenging times. It is also vital we maintain the delivery of these essential services and continue to work with state and federal governments to generate local economic activity.

Andrew Stuart CEO

WHAT IS THIS DOCUMENT

This is the Long Term Financial Plan (LTFP) for the Mount Barker District Council owned and operated Mount Barker Wastewater Service, for the 10 year period 2023 -2033. The Long Term Financial Plan provides the forward financial capacity framework to resource the community's needs and aspirations for the wastewater service. Through the alignment of this plan with the Community Plan 2020-2035, and the Mount Barker Wastewater Service Corporate Plan strategies and priorities, a budget and work plan have been set to implement these sustainably for the coming decade.

The plan focuses on delivering the essential services of wastewater collection, wastewater treatment, bore water supply, and recycled water treatment and distribution for the Mount Barker district. In particular this plan looks at delivering large scale investment required to meet the rapid population growth and also transitioning to a contemporary wastewater and recycled water system and improving environmental outcomes.

Mount Barker Wastewater Service is a self-sustaining operation. 100% of wastewater charges and fees go back into the operations, and pay for the delivery of wastewater services.

This Long Term Financial Plan is predicated on an assumption of ongoing significant growth driven by the Ministerial Development Plan Amendment(MDPA). If this growth is not achieved, other assumptions may need to change, for example service charge increases, capital investment, and service levels.

The Long Term Financial Plan is a roadmap for the future and provides a target for future Annual Business Plans and Budgets for Mount Barker Wastewater Services. As such it provides guidance and does not determine the charges for the future.

Over the life of this plan, Mount Barker Wastewater Services is projected to maintain a strong financial position and on average meet or exceed all of its financial targets. Over the medium to long term, Mount Barker Wastewater Services is expected to be financially sustainable in accordance with the information contained within this plan

While the Long Term Financial Plan covers 10 years ahead, we renew it every year. This is because the opportunities and challenges facing our growing communities is ever changing.



WHY WE ENGAGE - HOW YOU CAN GET INVOLVED

Mount Barker District Council is seeking your input and feedback regarding the draft Wastewater Long Term Financial Plan 2023-2033 (LTFP). We'll also be running forums and meeting with developers, business groups

The Waste Water Service is owned and operated by the Mount Barker District Council and delivers a key function which is an essential service to the community.

Our intention with engagement on the LTFP is to provide you with the opportunity to understand and have your say on how Council can remain financially sustainable over the next 10 years as we continue to deliver major projects and perform operational activities that meet the needs of our growing community, now and into the future.

Community engagement activities will start on Wednesday 14 December 2022 and continue until 6 February 2023.

A variety of engagement activities are planned to ensure a range of voices, views and representative groups contribute to the conversation. A key mechanism for engagement will be our Your Say website - yoursay.mountbarker.sa.gov.au - which will be the place to find all of the documents, FAQ, contact information and online engagement tools.

We'll also be running forums and meeting with developers, business groups and resident associations to allow these stakeholders to provide input to the LTFP from the perspective of their particular interest areas.

In addition, staff and Council Members will be going out to townships to talk with community members and gather your feedback at places you already gather like sports grounds, shopping centres and the library.

Once community engagement is finished we will take on board the feedback received, update this draft document and adopt the plan.



VISION AND VALUES

As the largest local government provider of wastewater and recycled water services in South Australia, Mount Barker District Council is an industry leader.

With a focus on sustainability and operational efficiency, Council is committed to maximising productive reuse of our quality recycled water for the benefit of our economy, community and the environment.

Serving one of Australia's fastest growing regions, our careful planning and use of leading edge technology and equipment ensure our wastewater and recycled water networks are being expanded and upgraded in a sustainable and efficient manner.



STRATEGIC CONTEXT

15 Years	COUNCIL COMMUNITY PLAN	• Community themes • Long-term goals and objectives • Priority directions
10 Years	LONG TERM FINANCIAL PLAN	Anticipates and plans for fiscal challenges and opportunities and aligns with other documents to ensure Mount Barker Water can achieve its objectives and maintain is financial sustainability in the medium to long term
10 Years	STRATEGY	Sets our course for ten years while having a view toward 2050 and beyond, understanding that the decisions we make have a long term impact
4 Years	CORPORATE PLANNING	Sets priorities and budgets for projects, programs and services stemming from strategies, plans and other priorities.
1 Year	ANNUAL BUSINESS PLAN	The Annual Business Plan sets the annual work program and budget, and provides a view of the forecast for the following two years, and is informed by the Corporate plan

WASTEWATER SERVICE CONTRIBUTION TO THE COMMUNITY PLAN

From the Community Plan 2020-2035

The Mount Barker Community Plan 2020-2035 sets out a vision of “A community that is smart, culturally rich, prosperous, safe, connected and sustainable.”

The Community Plan is developed around three guiding themes that recognise that the health of the community and the economy, is wholly dependent on the health of the environment and availability of clean air, water and soil, and thriving biodiversity. These themes and the relationship with Council’s long-term objectives for wastewater management across the region are:

Community Wellbeing | Goal 4 – Safety and Resilience

CW Objective 4.4 – Provide wastewater treatment services to deliver public health, environmental and economic outcomes, and climate change adaptation solutions.

CW Objective 4.5 – Prepare the district for the impacts of climate change by identifying and responding to associated corporate and community risks.

Ecological Sustainability | Goal 5 – Clean and abundant water

ES Objective 5.1 – Continue to build on Council’s reputation as a leader in wastewater management and promote water recycling and reuse.

ES Objective 5.5 – Strengthen and promote the water recycling and reuse business of Council.

Economic Prosperity | Goal 5 – Growth and opportunity

EP Objective 3.4 – Support and facilitate quality, sustainable residential and commercial development including iconic public and private building development in town centres.

The Community Plan, as a result of the growth in the region, identifies Growth Infrastructure as one of six community priority directions:

“3. Growth Infrastructure

Providing the infrastructure and services needed to enable Mount Barker’s evolution into a small, modern and progressive city, servicing its residents and businesses, smaller towns and villages and the wider region.”

Wastewater and recycled water is essential infrastructure fundamental to underpinning much of this growth.

REGULATION

The wastewater service operates in a wider regulatory context that impacts its activities, including its provision of wastewater services. The regulatory bodies most relevant to wastewater service operations are:

- The **Essential Services Commission of South Australia** (ESCOSA) is the economic regulator and is responsible for ensuring consumers of regulated services are adequately protected. Its role covers pricing, licensing, performance monitoring and reporting, compliance and scheme administration.
- **Office of the Technical Regulator** (OTR) is responsible for the safety and performance of electrical, gas and water industries. It enforces safety measures and standards across the industries it regulates. All entities licensed by ESCOSA are required to periodically submit a Safety, Reliability, Maintenance and Technical Management Plan (SRMTM) to OTR. For water entities, the SRMTM must demonstrate compliance with *Water Industry Act 2012* and *Water Industry Regulations 2012*.
- The **Environment Protection Authority** (EPA) regulates air and water quality, and control of pollution, waste, noise and radiation. The EPA's water quality and monitoring activities aim to protect South Australian waters from the adverse impacts of pollution so that this water may support a variety of organisms and sustain public health and agricultural applications.
- **SA Health** provides a portfolio of health-related services aimed at protecting and improving the health of South Australians. It is responsible for regulated water quality standards.

SIGNIFICANT INFLUENCES

Climate Change and Resource Stress

Rising greenhouse gas emissions are driving unpredictable alterations to the environment and taxing the resilience of natural and built systems. Climate variability and change, along with population and economic growth will increase stress on essential resources including water, food, arable land and energy. The Mount Barker district is expected to experience extended droughts, an increase in extreme rainfall events, temperature increase with heat extremes and a higher frequency of fire as a result of climate change.

Technology and Big Data

Current and emerging technologies are changing the ways in which utilities operate and compete. Network equipment and management tools are becoming more sophisticated, with increasing remote network monitoring and management through sensors and other technology. Linked to this the world is increasingly driven by data, resulting in a greater reliance on and vulnerability from data systems. The rapid rate of data creation provides opportunities to seek new value through more sophisticated data analytics.



Empowered Customers

New platforms allow customers to voice their expectations and create empowered community networks. Individuals show greater trust in their peers through these networks than with large organisations, leading to an increased demand for transparency and openness in decision-making processes.

Demographics

Since the rezoning in 2010 population growth in the Mount Barker district has had broad impacts across Council's services. From 2016 to 2021, Mount Barker District Council's population increased by 5,812 people (17.4%). This represents an average annual population change of 2.26% per year over the period.

Economic Connectivity

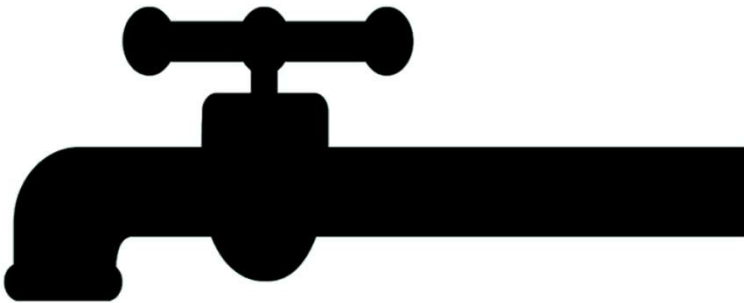
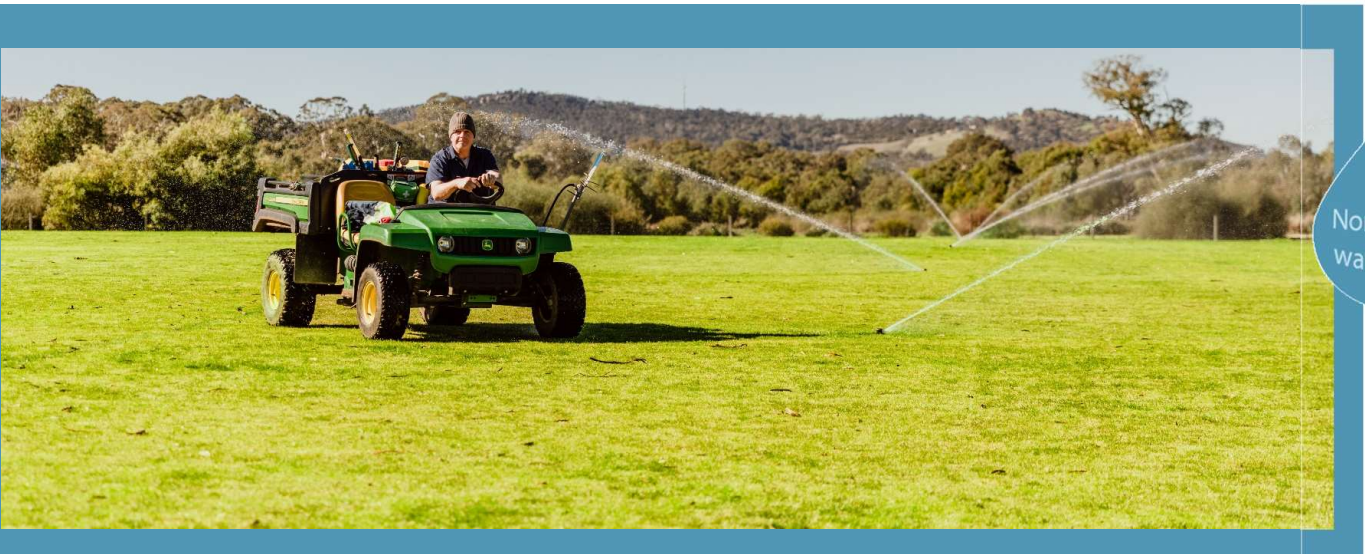
The interconnected global economy will see an increase in international trade and capital flows. The export of water-intensive commodities such as food and mineral resources will raise national water demand. International conflicts and other disruptions may further contribute to global resource demands, which may exacerbate existing and predicted materials and labour shortages, thereby impacting on delivery of infrastructure projects and the ability to purchase plant and equipment.

SERVICES

Mount Barker District Council (MBDC) owns and operates the largest council-run wastewater and recycled water scheme in South Australia comprising wastewater collection, wastewater treatment, bore water supply, and recycled water treatment and distribution.

The Wastewater service needs to have a strong customer focus to deliver an efficient and affordable service, provide customer benefit, and meet the community's expectations and aspirations of environmental sustainability.

The services provided by Mount Barker Water and considered in this LTFP are



Network expansion

- wastewater and recycled water infrastructure expansion to support growth in the areas of service

Wastewater Collection

- operation and maintenance of the wastewater, CWMS and sewer, collection systems to meet required levels of service

Wastewater Treatment

- operation and maintenance of the wastewater treatment plants and other associated infrastructure to meet required levels of service

Non-drinking water supply

- provision of non-drinking bore water supply to a limited number of customers in the Meadows area

Disposal

- discharge of suitably treated effluent from the wastewater treatment plants and other associated infrastructure to the environment and to provide recycled water to connected customers and sites

FLOW OF WASTEWATER



Mount Barker
Wastewater services
13,604 household and
business customers

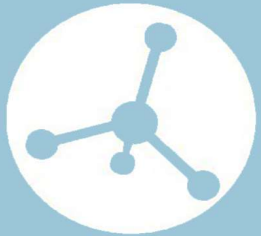


Wastewater is received
from household septic
tanks or through the
sewer lines

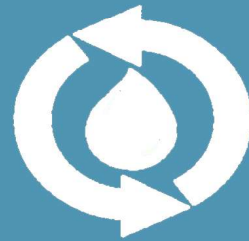
Our wastewater
network consists of
388kms of pipes and 16
pump stations connecting
homes and businesses to
wastewater treatment



Wastewater goes to one
of our treatment plants
in Mount Barker,
Meadows, Echunga and
Macclesfield

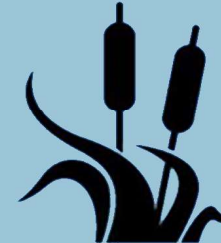


Recycled water is
used in agriculture
and to irrigate our
parks and reserves



Treated water for
reuse travels along
the 46 km recycled
water network

1.4 Gigalitres of
wastewater is
received
and recycled annually



Treated water is
discharged into
the Laratinga wetlands
or treated and provided
for recycled use



KEY DECISIONS

It is essential that the wastewater service manages and maintains its assets responsibly to maximize the value and the services customers derive from them. The forward capital works program is informed by:

- Council Members and community input
- The wastewater asset management plan
- The wastewater service strategy and corporate plan 2022-2028
- The wastewater service Long Term Financial Plan

This Plan identifies the amount of money to be invested in the long term wastewater and recycled water physical assets.

The objective is to undertake a staged approach to capital investment to achieve cost effective delivery of wastewater services and to maximize the productive use of recycled water to deliver environmental, economic and social benefits to the community.

STRATEGIC INITIATIVES

A number of initiatives are planned for now and beyond, with some already underway.



Organisation Structure Review

A review of the activities of the wastewater service against water industry good practice to assess capacity and capability and develop a plan to fill any identified gaps and move toward a fully standalone team structure for the wastewater service by the end of 2024/25.



Subsidiary Establishment

Progress to be made toward establishment of the wastewater service as a subsidiary, with go/no-go decision points for Council at key milestones.

The proposed timeline will necessitate interim and transitional arrangements to be in place and assumes that staff and community engagement can occur progressively.



Recycled Water Strategy

Development of a strategy to maximise use of recycled water for use in irrigation for agriculture and viticulture, the resources industry, and maintenance of open spaces. Business development and other activities to attract customers and, strategic and planned expansion of the recycled water network.



Trade Waste

Continue and accelerate the implementation of the Trade Waste Management Plan and Trade Waste Policy to improve the operation of the wastewater network and treatment facilities.



Asset Management Maturity Improvement

Updating the wastewater asset management plan, to align with ISO55001 and reflect current information and priorities set the basis for growth capital expenditure and renewals. Development of a plan to take asset management for wastewater assets from innocent and aware to developing and competent.



Smart Meters

Program of replacement of the over 200 customer meters in the network to achieve operational efficiencies, improve customer service and remove WHS risks.

SUSTAINABILITY INITIATIVES

Continue to build on Council's reputation as a leader in wastewater management and promote water recycling and reuse' from the Community Plan 2020-25, the wastewater service can, and should, contribute to all the **Ecological Sustainability** goals that the wastewater service can, and should, contribute to. The goals are:

Goal 1 – Emissions Reduction – The district embarks on rapid transition to net zero emissions, including 100% renewable energy

Goal 2 – Low Waste – Waste reduction is the priority objective followed by reuse, repurposing and recycling

Goal 3 – Urban Greening – The district's urban areas are known for the high levels of tree canopy coverage, biodiverse watercourses, linear trails and parklands. Natural and remnant vegetation is integrated with and enhances residential and commercial development

Goal 4 – Nature and Wildlife – The district's nature and wildlife are highly valued and thriving, appropriately protected and replenished. Urban and rural areas are designed and managed to allow harmonious co-existence between people and other species. Native vegetation areas are fully protected and extended

Goal 5 – Clean and abundant water – Water is highly valued and used frugally and wisely. Innovative treatment and reuse of wastewater and storm water becomes the norm. Water sensitive urban design is the cornerstone that supports the ecology, greening and liveability of urban areas. The district strives to be water self sufficient.

The specific initiatives to be undertaken by the wastewater service are shown in the figure to the right.

Circular Economy	Provision and maximizing use of recycled water for use in irrigation for agriculture and viticulture, the resources industry, and maintenance of open spaces by: • Business development and other activities to attract customers • Opportunistic and planned expansion of the recycled water network • Development and implementation of a recycled water strategy	ES objective 2.2 5.1
	Development of additional and new markets for wastewater sludge reuse and recycling through in compost production for use in agriculture, including future proofing new assets	ES objective 2.2 5.1
	Promoting and rewarding use of recycled materials in capital project and program delivery	ES objective 2.2, 5.1
Climate Change	Energy management, including opportunities to reduce emissions and adopt renewable energy to be incorporated as a key element in design and decision making for new assets	ES objective 1.1, 1.2, 1.3 and 1.4
	When vehicles are due for replacement or a need for additional vehicles is identified, fuel efficiency will be a key decision criteria, along with consideration of electric or hybrid vehicles where feasible	ES objective 1.1, 1.2
Biodiversity and urban greening	Supporting healthy communities through provision of high quality recycled water and infrastructure to supply it, for watering of open green spaces and sports, and other community, facilities	ES objective 3.2, 3.3 and 3.4
	Management of quality of water entering the Laratinga Wetland to support biodiversity protection and restoration, including sponsorship of a University of Adelaide PhD student's industry placement	ES objectives 3.2, 4.1 and 4.3

CAPITAL EXPENDITURE

Growth Infrastructure

Each year the population of Mount Barker regional centre grows by around 2.6%, although this has been significantly higher in the last two years. With this growth comes the need and expectation to provide infrastructure and services and protect heritage and community values as Mount Barker evolves into a small, modern and progressive city. Growth infrastructure is equally as important to the smaller towns and villages of the district as it is to Mount Barker in servicing residents and businesses.

A Total of \$155.2M has been provisioned for Capital projects and program over the LTFP period. These projects will be funded by both Annual Charges and Developer Contributions.



Collection Projects : The LTFP allows for expansion and renewing both Sewer and CWMS collection networks over the next 10 years



Treatment Projects : The LTFP allows for upgrading our current treatment systems over the coming 10 years. The upgrade of our treatment system will improve our environmental impact and cater for continuing growth in our region



Recycled Water Projects : The LTFP allows for expansion of our Recycled Water networks.



Renewals Program: The LTFP allows for maintenance of infrastructure that enables the provision of services to the community for current and future generations.



Other Capital: The LTFP allows for purchasing additional equipment to assist in delivering a quality service to our customers.

How is our Capital program being funded?

Funding for the capital program will come from a combination of revenue sources, it is expected that grant funding will be sourced for 50% of the recycled water projects, developer contributions will pay for growth projects and annual service charges will pay for renewal projects with borrowings being required to address cash flow shortfalls in these revenue sources.



WHO ULTIMATELY PAYS FOR THE CAPITAL PROGRAM

\$155.2M has been provisioned for capital projects and programs over the LTFP period.
\$100.9M will ultimately be paid for by developers contributions to fund essential growth infrastructure.
\$47.4M will be paid for by annual service charges towards renewals, upgrades and new infrastructure.
\$6.9M will be received in grants to fund recycled water projects.



Mount Barker Wastewater Service is a self-sustaining operation. 100% of wastewater charges and fees go back into the operations, and pay for the delivery of wastewater services and infrastructure.

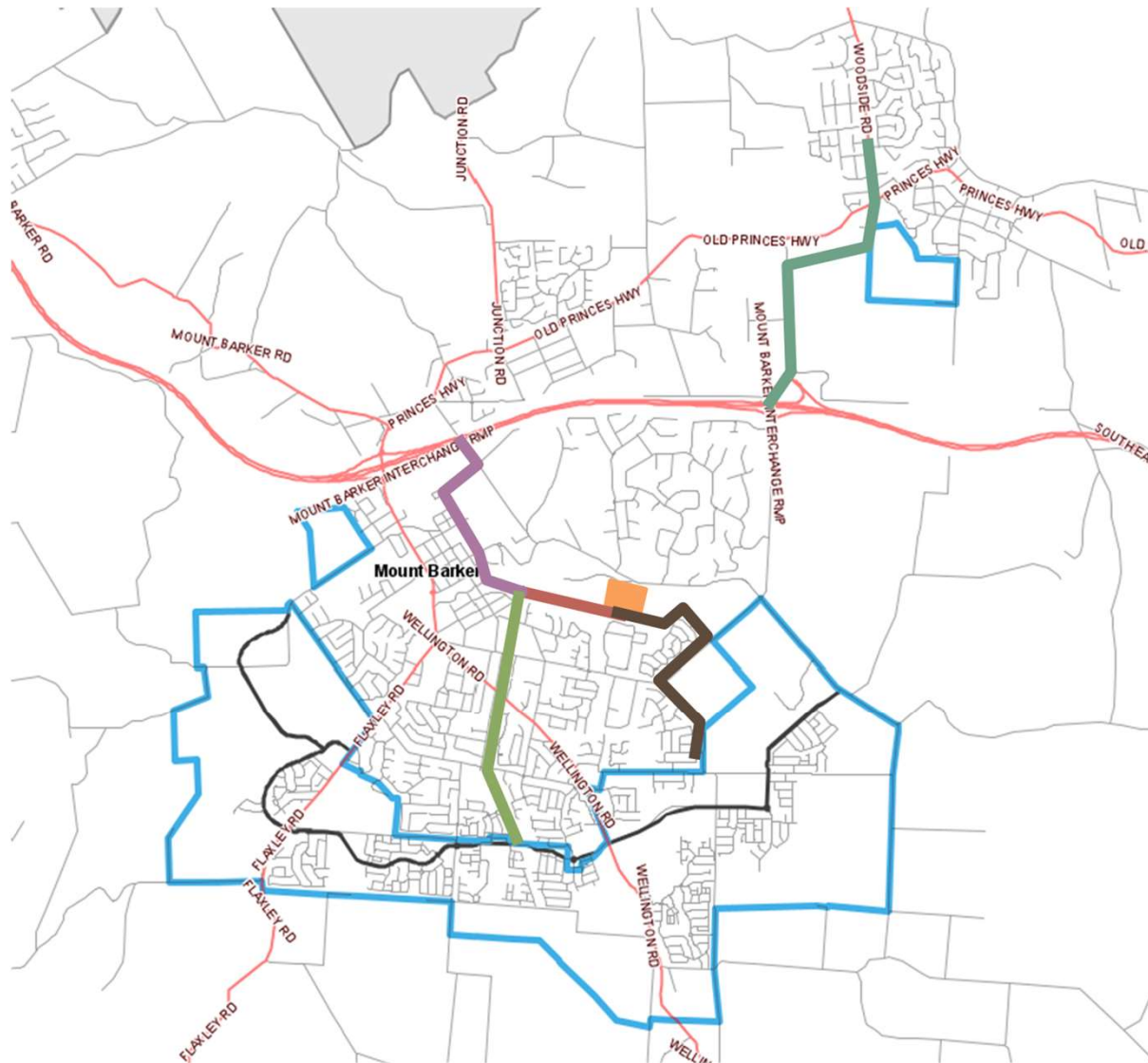
Infrastructure Fee Reserve (Developers Contributions): are raised for the purpose of funding the essential infrastructure requirements to service new properties within the district for the collection, treatment and disposal of wastewater which is charged per connection or equivalent when development is undertaken in addition to any relevant augmentation costs charged.

Maintenance Reserve (Annual Service Charges): are raised and held in the Maintenance Reserve net of expenditure. The Maintenance Reserve ensures sufficient money is available to continue to supply services and to maintain and renew the wastewater assets as per the updated Strategic Asset Management Plan.

Reserves are important tools for providing affordability for ratepayers, and financial stability and sustainability for the organisation. Reserve funds are a critical component of a long term financial plan for Wastewater. The importance of maintaining reserves is to:

- Provide a source of internal financing
- Provide flexibility to manage debt
- Make provision for acquisition and replacement of assets and infrastructure that are currently being consumed and depreciated

LOCATION OF NEW TRUNK SEWERS AND PUMP STATIONS



KEY

-  Mount Barker Urban Growth Development Plan Amendment (MDPA) Area
-  Springs Road WWTP
-  Hampden Road Trunk Sewer
-  Nairne Trunk Sewer (Stage 1)
-  CBD Trunk Sewer
-  Central Sector Trunk Main
-  Eastern Sector Trunk Main (Stage 2)

USING DEBT WISELY

Utilising borrowings to fund large scale, long life assets, spreads the cost of these assets across generations, ensuring those who have access to and benefit from them, contribute to funding them.

Wastewater's debt management approach within the Long Term Financial Plan is aligned to Council's Treasury Management Policy, whereby an appropriate mix of fixed and variable interest rate borrowings has been utilised to minimise net interest costs and manage interest rate risk.

As a growth business, debt is required to ensure the wastewater service can deliver on the extensive capital program included in the Long Term Financial Plan and to face head on the challenges of growth on our service.

Over the life of the plan borrowings are utilized to cover the cashflow shortfall in capital funding sources, with Wastewater's peak debt occurring in FY2031 with borrowings reaching \$78M. This in line with the delivery of stage two of the Laratinga Water Recovery Plant. Debt decreases in later years of the Long Term Financial Plan as the capital intensive investment period reaches an end and debt is repaid from developers contributions and annual services charges.



REVENUE SOURCES

Operational Income

Recycled Water Charges

Recycled water sales to customers (excluding charges for Council use on parks and gardens). Allowances have been made within the LTFP for increased recycled water sales reflective of the current capital program for the recycled water network.

Trade Waste Charges

Trade waste is liquid wastewater from a food business or industrial entity that enters the wastewater system. Trade Waste income is indexed by CPI.

Annual Service Charges

CWMS, Sewer, Bore Water and Meadows recycled water are annual charges for services provided by Mt Barker Wastewater Service. Annual increases are based on cost recovery and include a growth allocation.

Amounts Specifically For New / Upgraded Assets

Gifted Assets

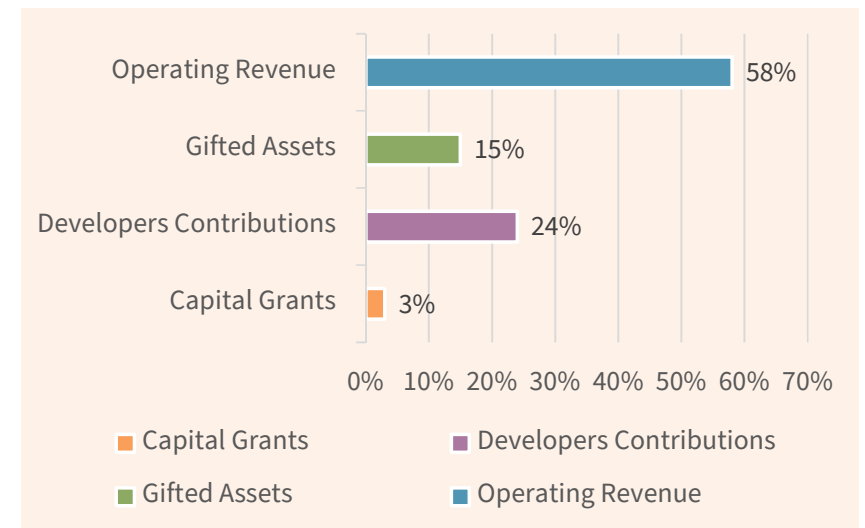
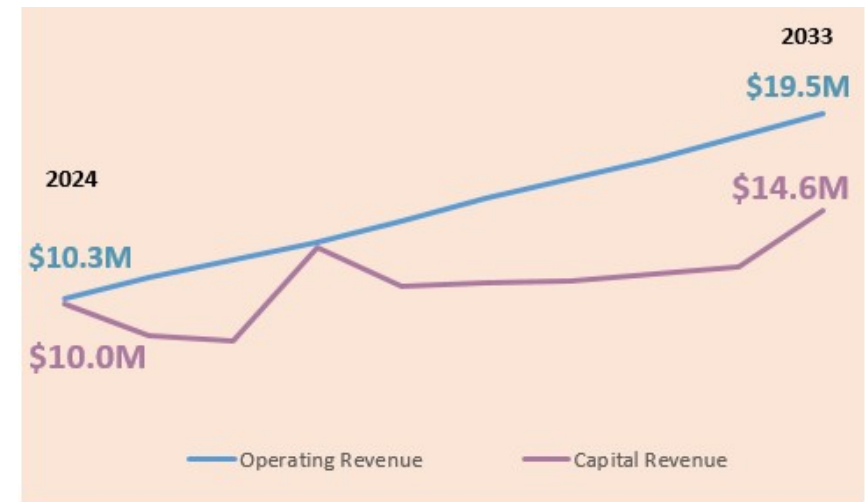
Infrastructure, Property, Plant & Equipment Assets received free of charge (generally from developers) are based on Mt Barker Wastewater Services growth projections and have been indexed by the ABS Road and Bridge index.

Developers Contributions

Over the ten years of the LTFP, the Mt Barker Wastewater Service anticipates it will receive \$60.9 million in capital revenue from developers to service growth needs. This amount has been indexed by Road and Bridge index and is subject to application and approvals.

Capital grants

Income is based on anticipated grants and contributions being received for identified recycled water capital works projects and has been indexed by CPI. These grants are received predominantly from the State Government.



OPERATIONAL EXPENDITURE



Depreciation \$35.4M

Depreciation is an accounting measure, which records the consumption of Council's infrastructure, property, plant and equipment and has been based on Council's Asset Management Plan. It reflects the combined effect of the impact of depreciable assets created by capital expenditure on new / upgraded assets, and the ongoing impact of regularly revaluing infrastructure assets on a 'fair value' basis.



Cost of Capital \$38.1M

The Weighted Average Cost of Capital (WACC) is applied to the Regulated Asset Base of the Wastewater Service. The Regulated Asset Based is calculated as the Written down Value (WDV) of Wastewater Service assets excluding Contributed Assets to arrive at a cost of capital/return on investment to Council for the Wastewater Service. The WACC calculation reflects industry standards and factors risk into the equation based on funding alternatives to calculate a return on investment. Finance costs will be paid to Council by the Wastewater Service through the Costs of Capital Mechanism.



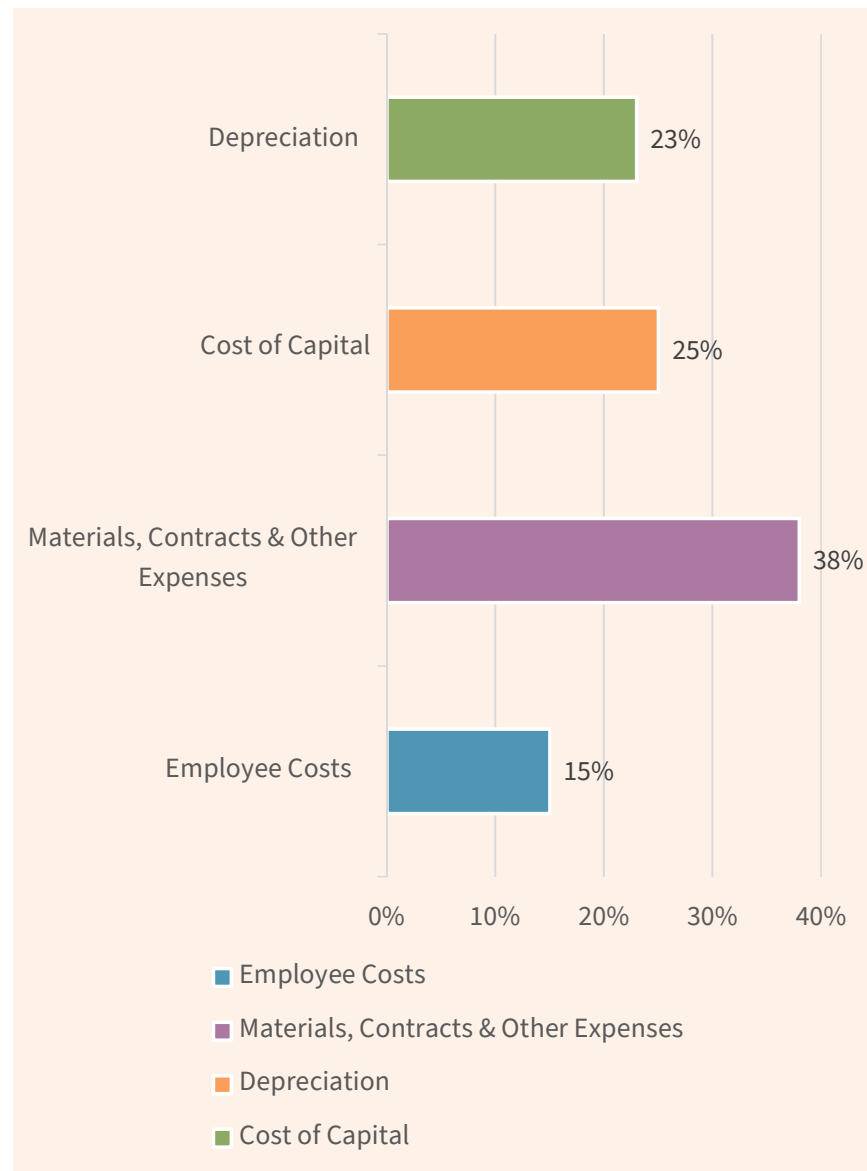
Material, Contracts & Other Expenses \$57.9M

Materials cover payments for physical goods, including purchase of consumables such as water and energy. Contract services involves payments for the external provision of services. Over the period of the plan, a growth factor and CPI has been applied for indexation purposes.



Employee Costs \$23.1M

Employee costs include all labour related expenses such as wages and salaries and on-costs such as allowances, leave entitlements and employer superannuation. The current enterprise agreement for inside staff expires 31 December 2022 and outside staff 21 September 2023, the outcomes of these negotiations will impact salary and wages in the coming years.



Annual increase in Service Charges

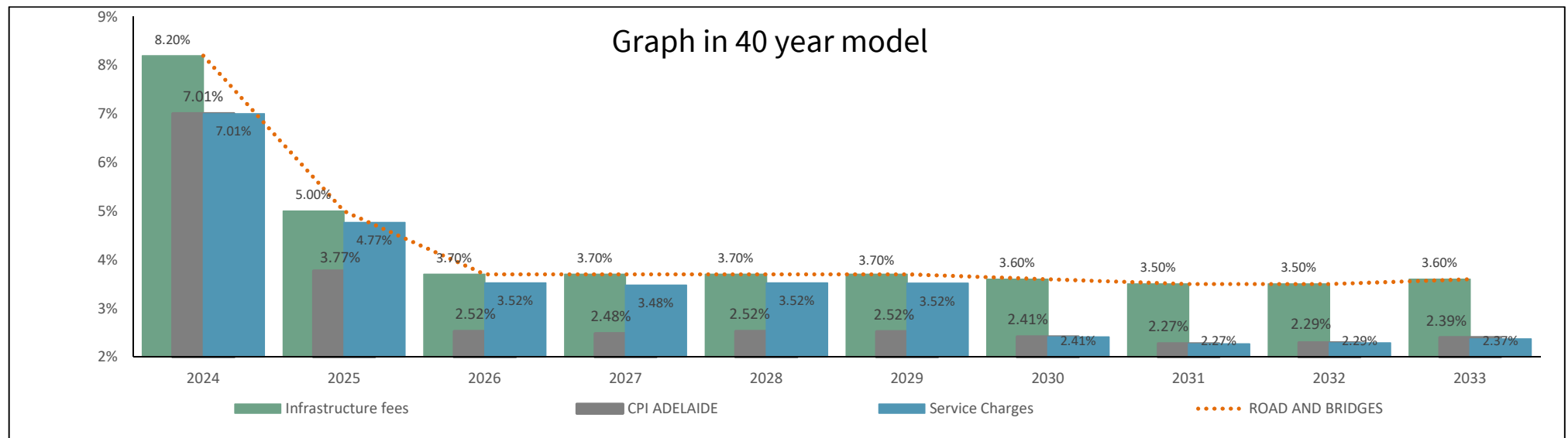
Annual Service Charges

Annual Service Charges are raised to operate, maintain, improve and replace infrastructure in relation to providing the Wastewater Service. Service charges are reviewed and increased annually in line with the cost to deliver the service, ensuring the ongoing financial sustainability of the Wastewater service. Annual service charges increase loosely align with CPI increases however the price path reflected in the LTFP echoes the forecasted increase in costs to provide the services.

The LTFP has increases in Annual Services Charges of CPI + 1% from FY2025 to FY2029.

Infrastructure fees

Infrastructure fees are used to secure developer contributions to fund essential infrastructure works (new and/or upgraded) to meet Wastewater Service growth needs. Infrastructure fees are based on a new allotment created basis when development is undertaken. Infrastructure fees are indexed annually via the Road and Bridge index as per Developer Deeds.



Wastewater Service (WWS)

Long Term Financial Plan 2023/2024-2032/2033

KEY ASSUMPTIONS

FORECAST ESCALATION AND RATES

Wastewater		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
CPI	= Deloitte forecast for Sep Qtr. 2022	7.01%	3.77%	2.52%	2.48%	2.52%	2.52%	2.41%	2.27%	2.29%	2.39%
Road & Bridge Construction Index	= historical average differential to CPI	8.20%	5.00%	3.70%	3.70%	3.70%	3.70%	3.60%	3.50%	3.50%	3.60%
Employee Costs	= CPI March Qtr.	5.58%	2.68%	2.46%	2.49%	2.53%	2.48%	2.32%	2.26%	2.34%	2.34%
Electricity	= one off step increase in 23/24 then CPI	50.00%	3.77%	2.52%	2.48%	2.52%	2.52%	2.41%	2.27%	2.29%	2.39%
Annual Service Charges	Reflective of Cost Inputs	7.01%	4.77%	3.52%	3.48%	3.52%	3.52%	2.41%	2.27%	2.29%	2.39%
Connections Growth	= Council Modelled	5.57%	3.92%	3.36%	3.45%	4.34%	4.04%	3.72%	3.59%	3.44%	3.27%
WACC	= Calculated	4.14%	4.25%	4.12%	4.13%	4.14%	4.20%	4.26%	4.14%	4.03%	4.03%
CAD Rate (Cash Advance Debenture)	= historical average differential to Std Var rate.	5.75%	5.44%	5.25%	5.00%	4.89%	4.74%	4.52%	4.42%	4.41%	4.41%
Infrastructure Fees	= Road and Bridge Index	8.20%	5.00%	3.70%	3.70%	3.70%	3.70%	3.60%	3.50%	3.50%	3.60%

Wastewater Service (WWS)

Long Term Financial Plan 2022/2023-2032/2033

OPERATING INCOME

Wastewater Annual Service Charges have been modelled based on a full cost of recovery, this ensures the ongoing financial sustainability of the Mt Barker Wastewater Service. Annual increases Year 1 - 7.01%, Year 2 - 4.77% Year 3 - 3.52%, the average increase over the 10 year period of the LTFP of 3.5%. The increases will ensure wastewater assets can be renewed and maintained as per the updated Asset Management Plan and allows for the full cost recovery of the wastewater service from the customers that have access to the service.

User Charges including sales of Recycled Water and Bore water has been indexed in line with forecast CPI over the 10 year period. The average increase over the period of the plan is forecasted to be 3%.

Growth in residential assessments has been forecast to be between 3% and 4% annually over the period of the plan. The basis of this assumption has been prepared by the city development team based on historical trend, lodged applications, developer sentiment and expected activity in the region.

OPERATING EXPENDITURE

Employee Costs have been indexed by forecast CPI. The current enterprise agreement for inside staff expires 31 December 2022 and outside staff 21 September 2023.

Materials, Contracts & Other Expenditure has been indexed in line with forecast CPI increases and growth over the 10 year period of the plan.

Other Costs indexed in line with forecast CPI.

Cost of Capital The Weighted Average Cost of Capital (WACC) has been used to calculate the return on investment to Council (from the Wastewater Service) for

Wastewater Assets. The WACC reflects industry standards and also the environment the Mt Barker Wastewater Service will operate in over the period of the Long Term Financial Plan. Funding infrastructure investment by debt as compared to equity increases business risk, the WACC calculation factors this risk into calculating a return on investment that not only covers borrowing costs but also risk. The WACC percentage is then applied to the regulated asset base of the Mt Barker Wastewater Service. The regulated asset base is calculated as the written down Value (WDV) of wastewater assets excluding contributed assets (including grants and developer contributions) to arrive at a cost of capital/return on investment.

CAPITAL EXPENDITURE

Asset Renewal is provisioned to allow for wastewater to achieve requirements of the adopted Council Strategic Asset Management Plans. Both the Strategic Asset Management Plans and the renewal expenditure included in the plan are indexed by forecast Road and Bridges index.

New Capital included in the plan is based on the Mt Barker Wastewater Service Corporate and Strategic plans and is modelled to achieve the objectives of these plans in a financially sustainable manner. Amounts are indexed based on forecast Road and Bridges index.

CAPITAL REVENUE

Recycled Water Grants have been included in the plan based on pledges, historical trend or required funding for a project to be deliverable in a financially sustainable manner.

Developer Contributions are raised to fund essential infrastructure works to meet the wastewater service growth needs. Infrastructure fees annual increases are based on the Road and Bridges index in line with developer deeds.

Wastewater Service (WWS)

Long Term Financial Plan 2022/2023-2032/2033

BALANCE SHEET

Assets such as trade & other receivables, inventories and equity accounted investments have all been modelled based on historical averages, with no significant variances expected over the period of the plan.

Infrastructure, Property, Plant and Equipment are modelled based on the cumulative effect of depreciation, capital expenditure, asset disposals and adjustments made to maintain valuations at fair value.

Liabilities such as trade & other payables & provisions, have been modelled based on historical averages of Council, with no significant variances expected over the period of the plan.

Borrowings are modelled based on the cumulative effect of operating surpluses, capital expenditure & revenue.

Wastewater Service (WWS)

Long Term Financial Plan 2022/2023-2032/2033

KEY FINANCIAL INDICATORS (KFI)

The Key Financial Indicators deemed by the Local Government Sector to be the best indicators for determining financial sustainability are: Operating Surplus Ratio, Net Financial Liabilities Ratio and Asset Renewals

These indicators are also a requirement of Council's annual financial reporting in accordance with Local Government legislation and regulation and have been used to prepare this LTFP.

Additional key performance indicators for Interest Cover and an adjusted Net Financial Liabilities which includes developer contributions have been included in the key financial indicators for The Mt Barker Wastewater Service to reflect the changing environment that this LTFP has been developed in, increasing debt, increasing inflation and higher interest rates. Key financial indicators and appropriate targets are under development for the Mt Barker Wastewater Service and the ensuing targets will reflect the intergenerational nature of the service and its assets. Key financial indicators are best considered over a period to remove abnormal fluctuations and significant economic conditions.

The following KFI's are represented against an average in place of a target.

Wastewater Service (WWS)

Long Term Financial Plan 2022/2023-2032/2033

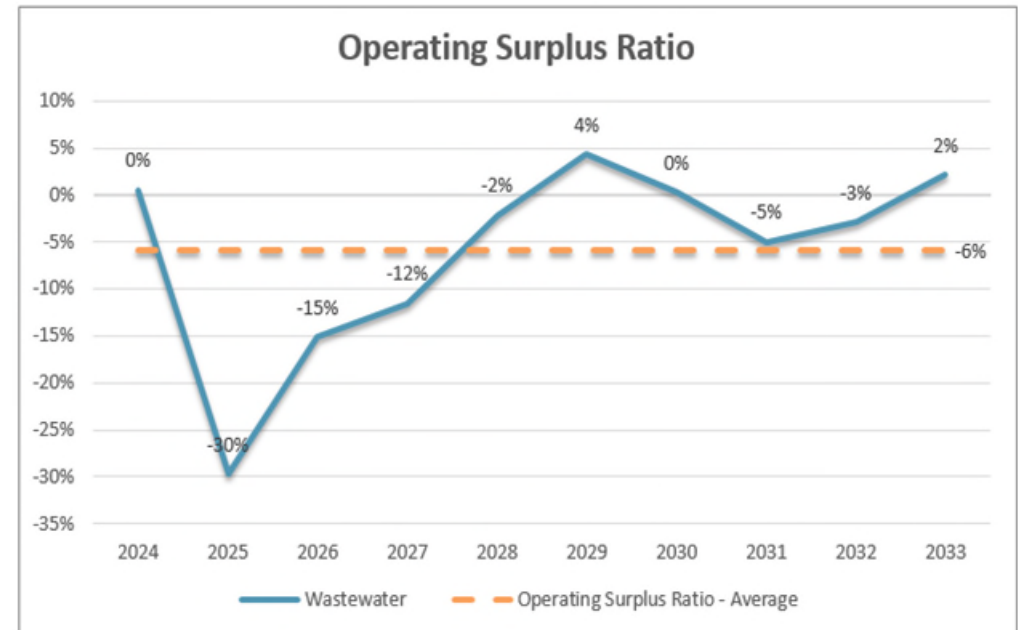
OPERATING SURPLUS RATIO

The operating surplus is the difference between day to day operating income and expenses. The operating surplus ratio measures the percentage that total income derived from rate payers (Sewer, CWMS, Recycled Water sales, Bore Water Sales and other general income) is enough to cover the day to day operating expense of the wastewater service for each period.

A negative result indicates living beyond your means and requires other funding sources such as debt to cover day to day operations. Operating deficits can be appropriate in the short term to cater for fluctuations in revenues or expenses, or significant economic conditions, as long as there is an appropriate roadmap to progressively achieve financial stability. A high positive result indicates the community is potentially being over charged for wastewater services. Ideally over time the proposition should be to break even.

Calculation: Operating surplus before capital revenue as a percentage of total operating revenue.

Result: Negative operating surplus ratios for the Mt Barker Wastewater Service in period FY2025 - 2027 reflect the timing of substantial investment in infrastructure assets and the affects of current economic conditions of high inflation and interest rates correlating with this investment. Projections in the latter 5 years of the LTFP see an average operating surplus of 0% and wastewater returning to financial sustainability. Average Operating Result over the LTFP is a deficit (6%).



Wastewater Service (WWS)

Long Term Financial Plan 2022/2023-2032/2033

NET FINANCIAL LIABILITIES RATIO

Net financial liabilities is what is owed to others, less cash on hand, less money owed to The Wastewater Service. The net financial liability ratio measures how significant the net amount owed to others is, compared to income.

The Mt Barker Wastewater Service requires high capital investment which will be repaid over a longer payback period. These types of businesses, particularly those which are experiencing high growth can expect to have a higher net financial liabilities ratios due to the need to borrow money to fund infrastructure spending and facilitate intergenerational equity (i.e services are funded by those who utilise/benefit from them). As a result, the target for the net financial liabilities ratio is subject to review in future plans to better reflect the characteristics and requirements of this service unit.

For comparison, consider the household analogy: a household with income of \$66,000 and a mortgage of \$345,000 = a net financial liabilities ratio of 522%. This ratio reflects how much you make versus how much you owe and will decrease as the repayments are made.

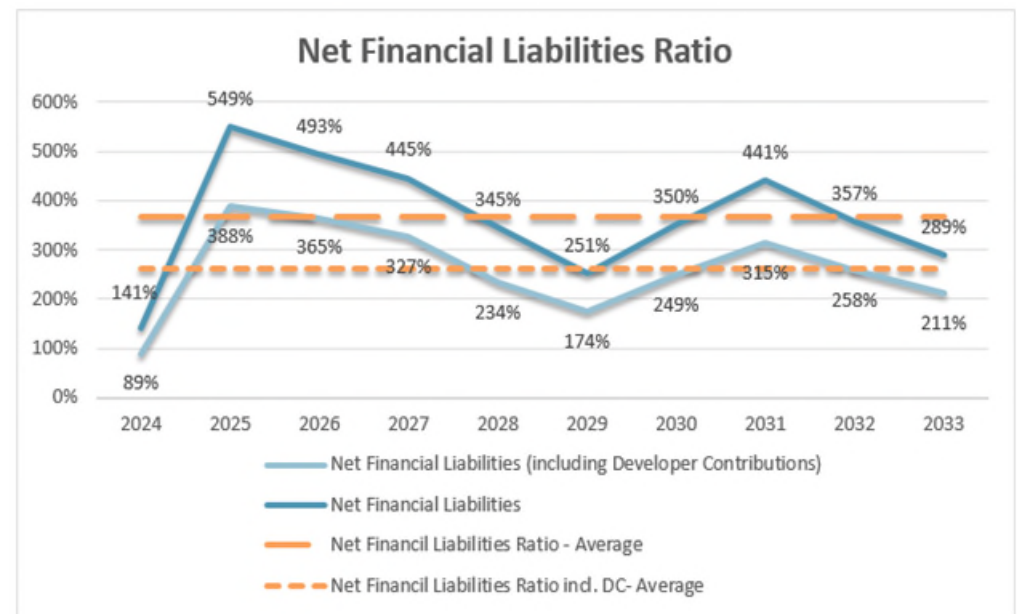
Calculation: This is demonstrated by dividing net financial liabilities by total operating revenue.

Result: The Mt Barker Wastewater Service has high net financial liability ratios due to significant investment in both new and upgraded assets during the LTFP period. These projects will initially be funded by reserves and borrowings, but will largely be repaid by developer contributions and this is reflected by peaks in the ratios in FY2025 and FY2031. The average ratio (excluding developer contributions) over the LTFP is 366% and after the initial peak in FY2025 of 549% the ratio reduces as debt is repaid.

ADDITIONAL ANALYSIS: ADJUSTED NET FINANCIAL LIABILITIES RATIO (INCLUDES DEVELOPER CONTRIBUTIONS)

As an additional indicator of performance beyond those required by the Local Government legislation and regulation the net financial liabilities ratio has been adjusted to include developer contributions received to fund infrastructure growth projects.

Result: The inclusion of these contributions more appropriately demonstrates the funding mix that Council and the Mt Barker Wastewater Service will be using to repay borrowings. The result demonstrates an improved net financial liability position, with an average ratio of 261% instead of 366%.



Wastewater Service (WWS)

Long Term Financial Plan 2022/2023-2032/2033

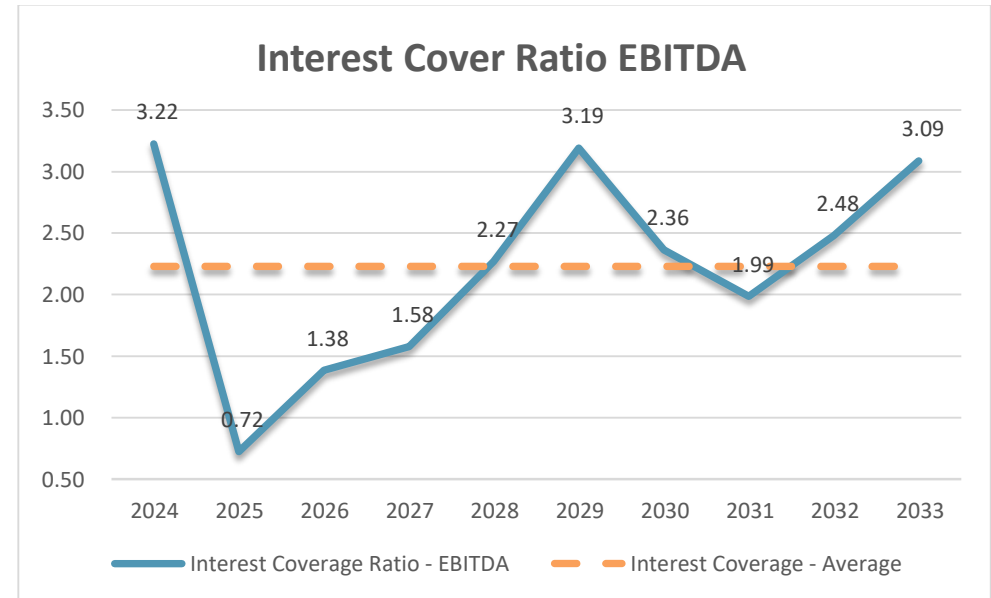
ADDITIONAL ANALYSIS: INTEREST COVER RATIO

This financial indicator has been analysed in addition to those in the Treasury Management Policy as a measure of the affordability of the Mt Barker Wastewater Service's debt. It articulates the percentage of the wastewater service operating income before interest and depreciation that can be used to pay interest on the Mt Barker Wastewater Services debt. This ratio is influenced by interest rates, level of debt and the timeframe for debt repayment.

A business making 1.5 times more in earning than their current interest payment means that it shouldn't have any problems making payments.

Calculation: This is demonstrated by dividing finance charges (interest) by total operating revenue before interest and depreciation.

Result: The Mt Barker Wastewater Service is in a period of growth and therefore requires borrowings to fund its capital program, which increases wastewater services exposure to interest rates and rate rises. The average interest cover over the period of the LTFP is 2.22 reflecting that the Mt Barker Wastewater Service has the ability to cover its interest payments from operating income over the period of the LTFP.



Wastewater Service (WWS)

Long Term Financial Plan 2022/2023-2032/2033

ASSET RENEWAL RATIO

This financial indicator is useful in determining if the Mt Barker Wastewater Service is maintaining, renewing and replacing its assets in line with its Asset Management plan. The wastewater Asset Management plan is currently being refreshed and will provide the bases for the denominator in future iterations of the LTFP.

Calculation: This is demonstrated by dividing total capital renewal expenditure by planned expenditure included in Asset Management Plans.

Result: The Mt Barker Wastewater Service is planning to achieve 100% of the adopted Council Strategic Asset Management Plans renewals program for wastewater.

As further analysis the asset sustainability ratio has been considered. This financial indicator reflects the extent to which assets are being replaced as they reach the end of their useful lives. The Mt Barker Wastewater Service invests heavily in renewal of assets in the first 2 years of LTFP, the ratio then reduces in the remaining 8 years, with an average of 186% over the 10 years. This reflects that assets are being adequately maintained and replaced as they reach their useful lives.



WASTEWATER FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000
Income											
Rates	8,758	9,940	10,878	11,683	12,562	13,626	14,732	15,694	16,677	17,691	18,753
Statutory Charges	101	179	242	306	314	322	330	338	345	353	362
User Charges	121	172	178	183	187	192	197	202	206	311	418
Reimbursements	2	2	2	3	3	3	3	3	3	3	3
Total Income	8,982	10,293	11,301	12,175	13,065	14,143	15,261	16,236	17,231	18,358	19,536
Expenses											
Employee Costs	1,382	1,633	2,095	2,147	2,200	2,256	2,312	2,366	2,548	2,739	2,803
Materials, Contracts & Other Expenses	6,567	6,574	10,151	8,792	9,120	8,757	8,790	10,265	11,297	11,234	11,323
Depreciation, Amortisation & Impairment	1,797	2,035	2,416	3,083	3,252	3,434	3,497	3,561	4,250	4,923	4,995
Total Expenses	9,746	10,243	14,663	14,022	14,573	14,447	14,599	16,192	18,096	18,896	19,121
Operating Surplus / (Deficit)	-763	51	(3,361)	(1,847)	(1,508)	(304)	663	44	(865)	(537)	415
Asset Disposal & Fair Value Adjustments	(1,062)	(1,079)	(2,369)	(229)	(49)	(46)	(50)	(499)	(216)	(109)	(96)
Amounts Received Specifically for New or Upgraded Assets	4,125	6,394	4,674	4,270	8,758	6,695	6,734	6,645	6,878	7,071	9,685
Physical Resources Received Free of Charge	2,590	3,556	3,734	3,872	4,015	4,164	4,318	4,473	4,630	4,792	4,964
Net Surplus / (Deficit)	4,890	8,922	2,678	6,067	11,216	10,509	11,664	10,664	10,427	11,216	14,969
Other Comprehensive Income											
Amounts which will not be reclassified subsequently to operating result											
Changes in Revaluation Surplus - I,PP&E	0	0	0	5,619	0	0	0	6,246	0	0	0
Total Other Comprehensive Income	0	0	0	5,619	0	0	0	6,246	0	0	0
Total Comprehensive Income	4,890	8,922	2,678	11,686	11,216	10,509	11,664	16,910	10,427	11,216	14,969

WASTEWATER FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS											
Current Assets											
Cash & Cash Equivalents	2,206	500	500	500	500	500	500	500	500	500	500
Trade & Other Receivables	1,161	1,801	1,361	1,271	2,472	1,925	1,939	1,919	1,984	2,065	2,794
Total Current Assets	3,367	2,301	1,861	1,771	2,972	2,425	2,439	2,419	2,484	2,565	3,294
Non-Current Assets											
Infrastructure, Property, Plant & Equipment	111,910	138,137	188,294	197,975	207,265	208,407	209,676	245,114	274,610	275,458	281,245
Other Non-Current Assets	7,201	7,201	7,201	7,201	7,201	7,201	7,201	7,201	7,201	7,201	7,201
Total Non-Current Assets	119,111	145,338	195,495	205,176	214,466	215,608	216,877	252,315	281,811	282,659	288,446
TOTAL ASSETS	122,478	147,639	197,355	206,947	217,438	218,033	219,315	254,733	284,295	285,224	291,740
LIABILITIES											
Current Liabilities											
Trade & Other Payables	445	368	532	414	452	445	474	503	533	572	605
Borrowings	0	0	1,988	775	9,919	10,424	0	0	10,340	8,499	0
Provisions	71	75	80	85	90	95	100	105	110	116	121
Total Current Liabilities	516	443	2,600	1,274	10,461	10,964	574	608	10,983	9,187	726
Non-Current Liabilities											
Borrowings	0	16,304	61,179	60,404	50,484	40,060	40,060	58,526	67,278	58,779	58,779
Provisions	105	111	118	125	132	139	147	155	162	170	179
Total Non-Current Liabilities	105	16,416	61,297	60,529	50,616	40,200	40,207	58,681	67,440	58,949	58,957
TOTAL LIABILITIES	620	16,859	63,897	61,802	61,077	51,163	40,781	59,289	78,423	68,136	59,683
Net Assets	121,858	130,780	133,458	145,145	156,361	166,870	178,534	195,445	205,872	217,088	232,057
EQUITY											
Accumulated Surplus	92,751	101,673	104,351	110,418	121,634	132,144	143,808	154,472	164,899	176,116	191,084
Asset Revaluation Reserves	29,107	29,107	29,107	34,726	34,726	34,726	34,726	40,972	40,972	40,972	40,972
Total Equity	121,858	130,780	133,458	145,145	156,361	166,870	178,534	195,445	205,872	217,088	232,057

STATEMENT OF CASH FLOWS

[illegible]

WASTEWATER FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000
Opening Balance	116,968	121,858	130,780	133,458	145,145	156,361	166,870	178,534	195,445	205,872	217,088
Net Surplus / (Deficit) for Year	4,890	8,922	2,678	6,067	11,216	10,509	11,664	10,664	10,427	11,216	14,969
Other Comprehensive Income											
- Gain (Loss) on Revaluation of I,PP&E	0	0	0	5,619	0	0	0	6,246	0	0	0
Other Comprehensive Income	0	0	0	5,619	0	0	0	6,246	0	0	0
Total Comprehensive Income	4,890	8,922	2,678	11,686	11,216	10,509	11,664	16,910	10,427	11,216	14,969
Equity - Balance at end of the reporting period	121,858	130,780	133,458	145,145	156,361	166,870	178,534	195,445	205,872	217,088	232,057

WASTEWATER FINANCIAL STATEMENTS

UNIFORM PRESENTATION OF FINANCES

	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000	2032/33 \$'000
Operating Activities											
Income	8,982	10,293	11,301	12,175	13,065	14,143	15,261	16,236	17,231	18,358	19,536
less Expenses	(9,746)	(10,243)	(14,663)	(14,022)	(14,573)	(14,447)	(14,599)	(16,192)	(18,096)	(18,896)	(19,121)
Operating Surplus / (Deficit)	(763)	51	(3,361)	(1,847)	(1,508)	(304)	663	44	(865)	(537)	415
Capital Activities											
less (Net Outlays) on Existing Assets											
Capital Expenditure on Renewal and Replacement of Existing Assets	(5,924)	(10,787)	(23,690)	(2,290)	(492)	(459)	(497)	(4,989)	(2,163)	(1,088)	(963)
add back Depreciation, Amortisation and Impairment	1,797	2,035	2,416	3,083	3,252	3,434	3,497	3,561	4,250	4,923	4,995
(Net Outlays) on Existing Assets	(4,126)	(8,752)	(21,274)	793	2,760	2,975	3,000	(1,427)	2,088	3,835	4,032
less (Net Outlays) on New and Upgraded Assets											
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(9,385)	(14,998)	(27,518)	(1,211)	(8,084)	0	0	(23,790)	(27,170)	0	(4,950)
add back Amounts Received Specifically for New and Upgraded Assets	3,024	5,789	5,134	4,378	7,560	7,246	6,723	6,669	6,816	7,019	8,987
(Net Outlays) on New and Upgraded Assets	(6,360)	(9,209)	(22,385)	3,167	(524)	7,246	6,723	(17,121)	(20,354)	7,019	4,037
Net Lending / (Borrowing) for Financial Year	(11,250)	(17,910)	(47,019)	2,113	729	9,917	10,386	(18,504)	(19,131)	10,317	8,484

