

EastWaste

Long Term Financial Plan



FY2024 - FY2033

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Introduction

Under *Section 122(1)(a) of the Local Government Act 1999*, Councils are required to develop and adopt a Long Term Financial Plan for a period of at least 10 years, which forms part of its suite of Strategic Management Plans. As a Council Subsidiary East Waste is governed by the same legislation, and the development of a Long Term Financial Plan (the Plan) not only satisfies that requirement but assists Administration in determining financial projections for the proceeding decade.

The Plan has been developed based on a series of assumptions and information provided by East Waste Administration, as well as information contained within the draft FY2024 Budget, and for full context should also be read in conjunction with East Waste's *Strategic Plan 2030*. The Plan is also closely aligned with East Waste's Charter, Annual Plans, Policies and cash-flow requirements.

East Waste's adopted accounting policies have been consistently applied to all assumptions and projections. The Plan assumes no changes to Common Fleet Costing allocation to Member Councils throughout the life of the Plan. While the on-boarding of additional services and changes to the current collection model and truck types will undoubtedly occur within the period of the Plan, the timing and extent is too uncertain at this point to predict with any confidence.

The Plan is not designed to provide any investment advice for any capital projects or services that are designed to deliver a financial return to East Waste.

General Manager's Statement

East Waste operates almost entirely on a full user pays and cost recovery service, ensuring the ongoing financial sustainability of the Organisation. The challenge for East Waste is undertaking this in the most efficient and effective manner, while at the same time advancing the Organisation and operations through the implementation of innovative approaches and technology and ultimately providing Member Councils with high levels of confidence and satisfaction.

As a logistics business with a fleet of over 50 collection vehicles, truck purchases, running costs and labour costs dominate our annual budgets and Long-Term Financial Plan considerations. Trucks are currently retained for a period of eight years (increased from seven years, in 2018), however each truck is heavily monitored and scrutinised on an annual basis to determine the best logistical and financial outcome for the Organisation.

A key change associated with the replacement of all Robotic Arm Collection Vehicles (RACV) across the life of this plan is that all replacement vehicles will have 29m³ fitted. With several changes to collection frequency likely across the life of this Plan, the larger bodies provide the greatest fleet flexibility.

Over the short, medium and long term life of this Plan, East Waste maintains a strong financial and sustainable position. The East Waste Charter has clear and defined mechanisms when returns to Member Councils will occur which ensures our financial sustainability is overlaid with fiscal responsibility to our Owners. A separate piece of work will be undertaken prior to the next review of the LTFP to formalise required Operating Capital and the triggers for returns. Any variation to, or additional services will only be undertaken on a full cost recovery basis, which ensures financial sustainability is able to be maintained through any adaptation of service.

It is accepted and understood that there will be changes to the nature of East Waste's future delivery services across the life of this Plan. The most likely anticipated change is expected through Member Councils moving to fortnightly waste collections and weekly Organics services and alternate powered

collection vehicles. In the development of this Plan, both variables are still in their infancy and the uncertainty on when, and to what extent they will be implemented, is too great to predict with any degree of certainty and confidence. As such, they have not been included in this Plan, nor has any scenario planning been undertaken. Future updates of the Plan will incorporate any service changes as more information is known.

The East Waste's Long Term Financial Plan as demonstrated on the following pages highlights strong financial sustainability with a target of achieving a modest Operating Surplus each year, consistent with Member Council expectations.

Risk/Review

This Plan has been developed based on the most up to date information and assumptions available at the time. Users of this information should be aware that there are inherent risks associated with the outcomes reported, as circumstances (ie. change in legislative requirements) may bring about changes that could materially affect the outcome and projected results of the Plan. As noted in the previous section, changes to the fleet composition are expected across the life of the Plan that will require it to be updated to better reflect these.

To ensure that the Plan is timely and relevant to East Waste's forecasts, it will be reviewed at least once per year in accordance with *Section 122(4)(a)(i) of the Local Government Act 1999*. East Waste will review its Long-Term Financial Plan via the Audit & Risk Management Committee and Board following the development of the draft Annual Plan and Budget to allow for the most relevant financial parameters to be considered.

About East Waste

East Waste is the trading name of Eastern Waste Management Authority, which was established in 1928. The Authority is a regional subsidiary of the Adelaide Hills Council, City of Burnside, Campbelltown City Council, City of Norwood Payneham & St Peters, City of Mitcham, City of Prospect, City of Unley, and Town of Walkerville.

East Waste is governed by a Charter ([the Charter](#)) pursuant to *Section 43 of the Local Government Act 1999* and administered by a Board, which includes a director appointed by each Council and an Independent Chair. Through the admission of the City of Unley as a Member Council, East Waste undertook the required periodic review of the Charter which has now been endorsed by all Member Councils and is live.

As a regional subsidiary, East Waste recognises that success from this Plan is not possible without the continued support, integration and active working partnership of all our Member Councils and key Strategic Partners. East Waste is committed to developing and continuing partnerships which ultimately drive value back to the communities we serve. The value East Waste offers is unique, in that we are continually working with our Member Councils to drive down costs. East Waste have established a model where we are nimble and respond swiftly to external impacts and Member Council requests, in a far timelier manner than industry counterparts. East Waste takes much of the worry and pressures associated with waste away from the Member Councils, allowing them to focus on other key matters of importance to them and their communities.

Key Assumptions

- Annual CPI Increase of 3.0% assumed across the life of the Plan.
- Assumes no change to Common Fleet Costing allocation to Member Councils throughout the life of the Plan.
- Assumes no change in current service delivery model and/or service standards, and no additional Member Councils throughout the life of the Plan.
- Assumes a new 10-year lease at the Ottoway Depot will be renewed in FY2025 on the same terms as the current lease agreement held with the landlord.

Operating Income

Section	Key Assumptions
Member Council Common Fleet Costing Charges	<ul style="list-style-type: none"> • Based on methodology outlined within adopted Budget Framework Policy. • A 1% Common Fleet Costing Surplus charge has been applied each year in line with the objectives of the Budget Framework Policy.
Administration Fee	<ul style="list-style-type: none"> • Based on FY24 budgeted charge with 3.0% annual increase applied to each year thereafter.
Bin Supply and Bin Service Income	<ul style="list-style-type: none"> • Full fee recovery activity based on estimated expenses (refer below for key assumptions)
Waste Processing Income	<ul style="list-style-type: none"> • Full fee recovery activity based on estimated annual expenses (refer below for key assumptions).
Interest Income	<ul style="list-style-type: none"> • Income calculated based on 3.0% return on estimated annual net cash holdings.
Profit on Disposal of Assets	<ul style="list-style-type: none"> • Assumes \$10,000 sale per truck sold each year based on Fleet replacement Plan.

Operating Expenses

Section	Key Assumptions
Bin Supply and Bin Service Expenses	<ul style="list-style-type: none"> • Based on historical experience and estimated future activity, an annual increase of 5% across the life of the Plan will occur which incorporates the estimated increased in cost and volume of activity undertaken.
Waste Processing Fees	<ul style="list-style-type: none"> • Based on historical experience and estimated future activity, an annual increase of 5% across the life of the LTFP will occur which incorporates the estimated increased in cost and volume of activity undertaken.
Interest on Borrowings	<ul style="list-style-type: none"> • Assumed interest rates applicable to all new loans across the following financial years: <ul style="list-style-type: none"> • FY24 – FY25: 6.5% • FY26 – FY27: 6.0% • FY28 – FY33: 5.5%
Ottoway Lease	<ul style="list-style-type: none"> • Assume that a new lease agreement is entered into in FY2025 for a period of 10 years based on the same terms as the current lease held with the landlord.

Fuel	<ul style="list-style-type: none"> Fuel expenses have been estimated based on a varying \$/L charge across the life of the Plan. It assumes no change in total volume of fuel used over the life of the Plan consistent with forecasted level/number of services.
Wages & Salaries	<ul style="list-style-type: none"> Administration estimates cost increases ranging from 5% to 3.5% across life of the Plan. 5% applied for years 1-2, to offset lower than CPI increases applied for East Waste's EBA staff in recent years. Increase reduced to 4% in year 3, and CPI of 3.5% applied to remaining years. Assumes no change in the number of staff over the life of the Plan.
Fleet Maintenance	<ul style="list-style-type: none"> Fleet Maintenance costs are based on Administration estimates on annual spend required to maintain Fleet assets. Based on FY2024 budget assumptions.
All other General Expenses	<ul style="list-style-type: none"> Assume an annual 3.0% - 5% increase in costs as estimated by East Waste.

Fleet Replacement

- Fleet Replacement has been based on estimates developed from Administration and inflated annually based on an indexed rate.
- All trucks have an assumed useful life of 8 years with a residual value of \$10,000 applied to each truck.
- All trucks are individually assessed annually towards the end of life to ensure ultimate optimisation of the asset.

Capital Expenditure

- Assume that annual expenditure of \$100,000 required on additional other unidentified CAPEX relating to leasehold improvements, motor vehicles and other minor assets will be required.
- All other CAPEX has an assumed useful life of 10-years for depreciation purposes.

Borrowings

- Assume that borrowings are required each year to fund 100% replacement cost of Fleet assets replaced.
- Interest rates applied to borrowings based on the following:
 - FY24-25:** 6.5%
 - FY26-27:** 6%
 - FY28-33:** 5.5%
- Assume all borrowings are 8-year, fixed interest borrowings taken out with the LGFA.
- All borrowings commence as from October of each financial year and are on 6-monthly P+I repayment schedules.
- All borrowings commence as from October of each financial year and are on 6-monthly P+I repayment schedules.

East Waste

Long Term Financial Plan (LTFP): FY2024 - FY2033

Projected Statement of Comprehensive Income

	Financial Year									
	1 2024	2 2025	3 2026	4 2027	5 2028	6 2029	7 2030	8 2031	9 2032	10 2033
Income										
User Charges	22,747	24,245	25,611	26,673	27,879	28,895	30,011	31,235	32,285	33,674
Investment income	20	90	107	127	142	152	163	169	177	181
Grants, subsidies & contributions	50	-	-	-	-	-	-	-	-	-
Other	1,322	1,378	1,447	1,519	1,595	1,675	1,758	1,846	1,938	2,035
Total	24,139	25,713	27,165	28,319	29,616	30,722	31,932	33,250	34,400	35,890
Expenses										
Employee Costs	7,675	8,092	8,527	8,875	9,195	9,527	9,871	10,228	10,598	10,981
Materials, contracts & other expenses	13,275	14,100	14,965	15,630	16,325	17,051	17,810	18,603	19,432	20,299
Depreciation, amortisation & impairment	2,657	2,712	2,804	2,886	3,125	3,157	3,239	3,407	3,333	3,536
Finance costs	384	682	734	787	820	841	848	850	870	898
Total	23,991	25,586	27,030	28,178	29,465	30,576	31,768	33,088	34,233	35,714
Operating Surplus / (Deficit)	148	127	135	141	151	146	164	162	167	176
Asset disposals & fair value adjustments	18	50	50	50	50	60	50	60	60	60
Net Surplus / (Deficit)	166	177	185	191	201	206	214	222	227	236
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income	166	177	185	191	201	206	214	222	227	236

East Waste

Long Term Financial Plan (LTFP): FY2024 - FY2033

Projected Statement of Financial Position

	Financial Year									
	1 2024	2 2025	3 2026	4 2027	5 2028	6 2029	7 2030	8 2031	9 2032	10 2033
Assets										
Current										
Cash & Cash Equivalents	3,001	3,567	4,217	4,720	5,067	5,426	5,643	5,905	6,041	6,225
Trade & Other Receivables	935	935	935	935	935	935	935	935	935	935
Inventory	50	50	50	50	50	50	50	50	50	50
Total	3,986	4,552	5,202	5,705	6,052	6,411	6,628	6,890	7,026	7,210
Non-Current										
Infrastructure, Property, Plant & Equipment	10,490	12,352	12,229	12,105	11,862	12,029	11,891	12,309	12,943	13,521
Total	10,490	12,352	12,229	12,105	11,862	12,029	11,891	12,309	12,943	13,521
Total Assets	14,476	16,904	17,431	17,810	17,914	18,440	18,519	19,199	19,969	20,731
Liabilities										
Current										
Trade & Other Payables	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311
Borrowings	2,200	2,051	2,251	2,631	2,606	2,760	2,885	2,894	3,003	3,003
Provisions	893	893	893	893	893	893	893	893	893	893
Total	4,404	4,255	4,455	4,835	4,810	4,964	5,089	5,098	5,207	5,207
Non-Current										
Borrowings	8,402	10,802	10,944	10,752	10,680	10,846	10,586	11,035	11,469	11,995
Provisions	229	229	229	229	229	229	229	229	229	229
Total	8,631	11,031	11,173	10,981	10,909	11,075	10,815	11,264	11,698	12,224
Total Liabilities	13,035	15,286	15,628	15,816	15,719	16,039	15,904	16,362	16,905	17,431
Net Assets	1,441	1,618	1,803	1,994	2,195	2,401	2,615	2,837	3,064	3,300
Equity										
Accumulated Surplus	1,441	1,618	1,803	1,994	2,195	2,401	2,615	2,837	3,064	3,300
Total	1,441	1,618	1,803	1,994	2,195	2,401	2,615	2,837	3,064	3,300

East Waste

Long Term Financial Plan (LTFP): FY2024 - FY2033

Projected Statement of Changes in Equity

	Financial Year									
	1	2	3	4	5	6	7	8	9	10
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Balance at Start of Period	1,275	1,441	1,618	1,803	1,994	2,195	2,401	2,615	2,837	3,064
Net Surplus / (Deficit) for Year	166	177	185	191	201	206	214	222	227	236
Contributed Equity	-	-	-	-	-	-	-	-	-	-
Distribution to Councils	-	-	-	-	-	-	-	-	-	-
Balance at End of Period	1,441	1,618	1,803	1,994	2,195	2,401	2,615	2,837	3,064	3,300

East Waste

Long Term Financial Plan (LTFP): FY2024 - FY2033

Projected Statement of Cash Flows

	Financial Year									
	1	2	3	4	5	6	7	8	9	10
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Cash Flows from Operating Activities										
Receipts										
Operating Receipts	24,069	25,623	27,058	28,192	29,474	30,570	31,769	33,081	34,223	35,709
Investment Receipts	20	90	107	127	142	152	163	169	177	181
Payments										
Operating Payments	(20,840)	(22,192)	(23,492)	(24,505)	(25,520)	(26,578)	(27,681)	(28,831)	(30,030)	(31,280)
Interest Payments	(384)	(682)	(734)	(787)	(820)	(841)	(848)	(850)	(870)	(898)
Net Cash Flows from Operating Activities	2,865	2,839	2,939	3,027	3,276	3,303	3,403	3,569	3,500	3,712
Cash Flows from Investing Activities										
Receipts										
Sale of Replaced Assets	50	50	50	50	50	60	50	60	60	60
Payments										
Expenditure on Renewal/Replaced Assets	(2,115)	(2,066)	(2,564)	(2,636)	(2,746)	(3,177)	(2,942)	(3,654)	(3,782)	(3,914)
Expenditure of New/Upgraded Assets	(40)	(108)	(117)	(126)	(136)	(147)	(159)	(171)	(185)	(200)
Net Cash Flows from Investing Activities	(2,105)	(2,124)	(2,631)	(2,712)	(2,832)	(3,264)	(3,051)	(3,765)	(3,907)	(4,054)
Cash Flow from Financing Activities										
Receipts										
Proceeds from Borrowings	2,115	2,050	2,560	2,630	2,750	3,170	2,900	3,650	3,780	3,910
Payments										
Repayment of Borrowings	(1,944)	(2,051)	(2,051)	(2,251)	(2,631)	(2,606)	(2,760)	(2,885)	(2,894)	(3,003)
Repayment of Lease Liability	(285)	(148)	(167)	(191)	(216)	(244)	(275)	(307)	(343)	(381)
Net Cash Flow from Financing Activities	(114)	(149)	342	188	(97)	320	(135)	458	543	526
Net Increase (Decrease) in cash held	646	566	650	503	347	359	217	262	136	184
Cash & Cash Equivalents at beginning of period	2,355	3,001	3,567	4,217	4,720	5,067	5,426	5,643	5,905	6,041
Cash & Cash Equivalents at end of period	3,001	3,567	4,217	4,720	5,067	5,426	5,643	5,905	6,041	6,225

East Waste

Long Term Financial Plan (LTFP): FY2024 - FY2033

Projected Uniform Presentation of Finances

	Financial Year									
	1 2024	2 2025	3 2026	4 2027	5 2028	6 2029	7 2030	8 2031	9 2032	10 2033
Income	24,139	25,713	27,165	28,319	29,616	30,722	31,932	33,250	34,400	35,890
Expenses	(23,991)	(25,586)	(27,030)	(28,178)	(29,465)	(30,576)	(31,768)	(33,088)	(34,233)	(35,714)
Operating Surplus / (Deficit)	148	127	135	141	151	146	164	162	167	176
Net Outlays on Existing Assets										
Capital Expenditure on Renewal and Replacement of Existing Assets	(2,115)	(2,066)	(2,564)	(2,636)	(2,746)	(3,177)	(2,942)	(3,654)	(3,782)	(3,914)
Depreciation, amortisation & impairment	2,657	2,712	2,804	2,886	3,125	3,157	3,239	3,407	3,333	3,536
Proceeds from Sale of Replaced Assets	50	50	50	50	50	60	50	60	60	60
	592	696	290	300	429	40	347	(187)	(389)	(318)
Net Outlays on New and Upgraded Assets										
Capital Expenditure on New and Upgraded Assets	(40)	(108)	(117)	(126)	(136)	(147)	(159)	(171)	(185)	(200)
Amounts Specifically for New and Upgraded Assets	-	-	-	-	-	-	-	-	-	-
Proceeds from Sale of Surplus Assets	-	-	-	-	-	-	-	-	-	-
Net Cash Flow from Financing Activities	(40)	(108)	(117)	(126)	(136)	(147)	(159)	(171)	(185)	(200)
Net Lending / (Borrowing) for the Financial Year	700	715	308	315	444	39	352	(196)	(407)	(342)

Projected Financial Indicators

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
1. Operating Surplus Ratio	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
2. Net Financial Liabilities Ratio	38%	42%	39%	36%	33%	32%	29%	29%	29%	29%
3. Asset Renewal Funding Ratio	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%