



DRAFT

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GILGANDRA REGION
LONG TERM FINANCIAL PLAN
2022/23 – 2031/32



ACKNOWLEDGEMENT OF COUNTRY.

Gilgandra is known as a “meeting place” between three Aboriginal nations - **Wiradjuri, Gamilaroi and Wailwan** - and we proudly continue to be a meeting place for family, friends, locals and visitors alike.

Gilgandra Shire Council acknowledges the traditional custodians of the land on which we live, work and play. We pay our respects to our Elders past, present and emerging, and thank them for the contribution they have made, and continue to make, in the cultural identity of our nation.





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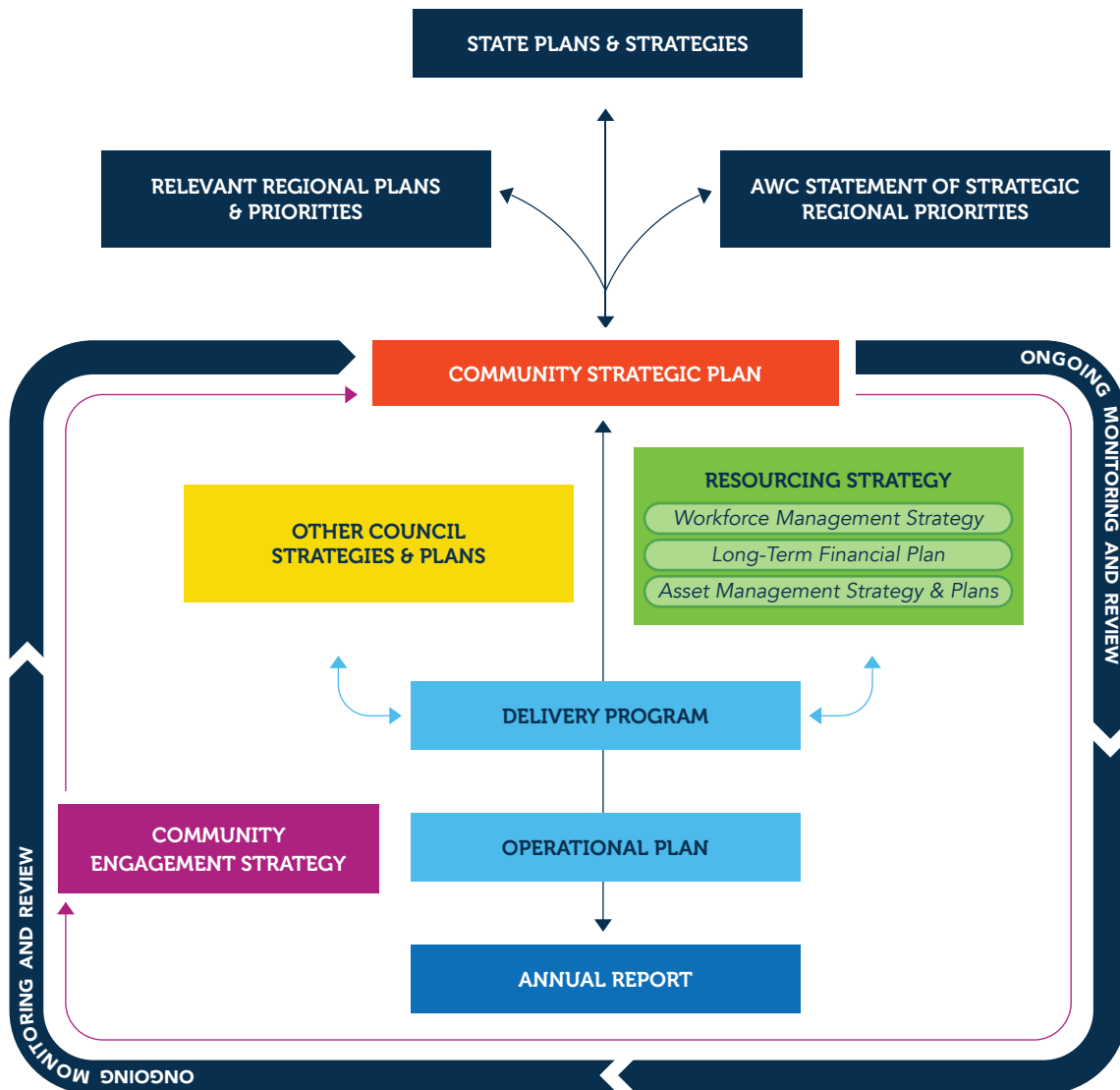


INTEGRATED PLANNING AND REPORTING FRAMEWORK

The Community Strategic plan forms the basis for all Council's programs, projects and plans for the next ten years.

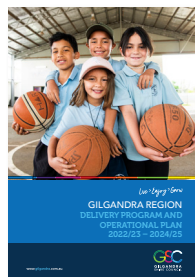
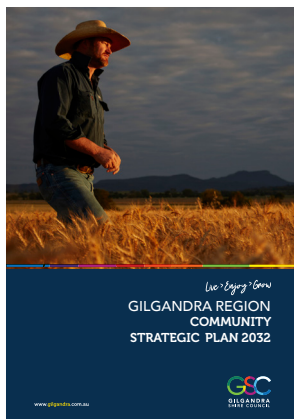
Planning documents include:

- Delivery Program (4 years)
- Operational Plan (1 year)
- Community Engagement Strategy (4 years)
- Resourcing Strategy



SUPPORTING PLANS AND STRATEGIES

A suite of integrated plans and strategies underpin the Community Strategic Plan



Delivery Program Sets out the actions that Council will take over its four year term to work towards achieving the outcomes and strategies identified in the Community Strategic Plan.

Operational Plan Details actions that Council will take in the next financial year towards achieving the outcomes identified in the Community Strategic Plan. These actions are a subset of the actions outlined in the Delivery Program and include detailed budget requirements



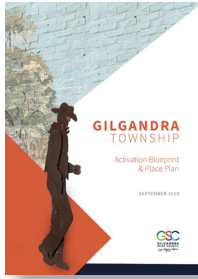
Resourcing Strategy

WORKFORCE MANAGEMENT PLAN Outlines how we will ensure Council has staff with the skills to work towards delivering the outcomes identified in the Community Strategic Plan

ASSET MANAGEMENT PLAN Details information on all assets under Council and delivery of services from assets is provided in a financially sustainable manner.



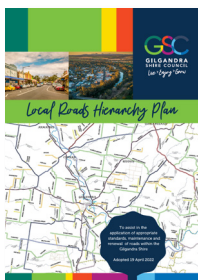
LONG TERM FINANCIAL PLAN Provides a sound basis for financial decision making. The Long Term Financial Plan is a tool that 'tests' the community's aspirations outlined in the Community Strategic Plan against the financial reality.



Other Council Strategies and Plans

GILGANDRA ACTIVATION BLUEPRINT

Provides a framework and process to chart an aspirational future for the Gilgandra Region by striving to unlock the greatest opportunities, and confront our most difficult challenges. It has been informed through an analysis of Council's strategic planning documents.



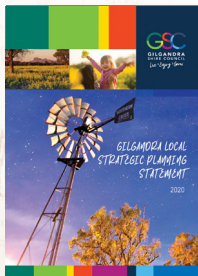
LOCAL ENVIRONMENTAL PLAN Maps out the details of land use planning across the Shire. It is the principal document for controlling development at a Council level.

LOCAL ROADS HIERARCHY PLAN

GILGANDRA LOCAL STRATEGIC PLANNING STATEMENT (LSPS)

GILGANDRA ACTIVE TRANSPORT STRATEGY

COMMUNITY PARTICIPATION PLAN



DISABILITY INCLUSION ACTION PLAN

GILGANDRA CULTURAL PRECINCT STRATEGIC PLAN

GILGANDRA DEVELOPMENT CONTROL PLAN

GILGANDRA COMMUNITY BASED HERITAGE STUDY



OBJECTIVES OF THE LONG TERM FINANCIAL PLAN

This LTFFP covers the 10 year planning period from of the Community Strategic Plan 2022/23 to 2031/32.

The overall objective of the LTFFP is to express in financial terms the activities Gilgandra Shire Council proposes to undertake over the short, medium and long term, provide a sound basis for strategic decision making, and guide the future strategies and actions of Council to ensure that it continues to operate in a manner that achieves financial sustainability.

Specific objectives of the plan are to:

- provide sound forecasts of financial performance and position for a range of planning scenarios that respond to the aspirations of the community
- achieve and maintain a sound and stable financial position over the long term
- identify strategies that support the sustainable provision of services and service levels identified by the community as expressed in the CSP and DP
- ensure that Council can meet its financial obligations as and when they fall due
- ensure that any loans raised to support the achievement of the community aspirations can be serviced over the term of the loans
- provide a clear and transparent picture of Council's long term financial situation to the community





FINANCIAL SUSTAINABILITY

Financial sustainability is a key challenge facing Council and Local Government in general due to several contributing factors including:

- increased demand for services beyond those traditionally provided
- cost shifting from other levels of government
- ageing infrastructure and constraints on revenue growth
- rate pegging constraints and uncertainty over grant income
- increased maintenance due to an ageing infrastructure network
- cost increases in major inputs in excess of the Consumer Price Index (CPI)

The financial modelling underpinning this LTFP confirms that Council can maintain current service levels, ensure existing assets are maintained and renewed as required and the demand for new facilities is met, in the long term given its current and projected level of resourcing.

There are a number of financial challenges identified that have emerged over a number of years and can be attributed to:

- cost shifting from other levels of Government, with local government being forced to take on increased responsibilities without being provided appropriate funding to meet these additional responsibilities.
- significant increases in excess of inflation in a number of major expenditure items such as electricity, insurance and superannuation which have generally not been offset by rate pegging increases.
- the impact of demand for additional facilities and services identified through the development of the Community Strategic Plan.
- an identified shortfall in infrastructure renewals expenditure required to maintain infrastructure assets in a satisfactory condition.

INFRASTRUCTURE RENEWALS AND BACKLOG

The issue of financial sustainability of local government has been identified as a major issue in a number of State based and National inquiries and studies into the issue over many years. Each has identified a shortfall in infrastructure renewal expenditure and a substantial backlog in infrastructure spending as the major issue facing the industry, primarily due to limited funding opportunities available, coupled with the diverse and increasing demand on Council's resources.

Council has developed asset management plans and indications are that current levels of maintenance and renewals of particularly transport assets fall short of that required to maintain the assets in a satisfactory condition while continuing to extend their useful lives. The asset management plans quantify the level of spending required to maintain existing infrastructure assets and address any infrastructure backlog.

This infrastructure challenge places further pressure on Council's ability to remain financially sustainable in the long term. If left unaddressed, Council's infrastructure assets will continue to deteriorate at an increasing rate. This will ultimately result in assets failing, the withdrawal of facilities and services, increased maintenance costs as well as increased exposure to risk.

Further detail in relation to this issue, including its impacts and associated risks if not addressed are contained in Council's Asset Management Plans.

Council is confident that a planned approach to asset management over the longer term and recent significant increases in funding levels for maintenance and renewal of assets will address the current backlog.



PLANNING ASSUMPTIONS

The LTFP is based on a number of planning assumptions. These assumptions were used to model and formulate the plan and test a range of scenarios, a process which ultimately formed the basis of the LTFP.

The key planning assumptions considered in the development of the LTFP are detailed below. All amounts are shown in real values (2022/23 dollars)

INFLATION CONSUMER PRICE INDEX (CPI)

Forecast CPI at a rate of 3% per annum over the 10 year period is utilised as the inflator for all items of operating revenue and expenditure except for the following items in Council's financial modelling:

- Employee Costs
- Rate Pegging
- Investment Returns
- Election expenses
- Borrowing Costs
- Aerodrome Income
- General Rates
- Water Charges
- Sewer Charges
- Domestic Waste Charges
- Stormwater Charges
- Grants
- Capital Works

INVESTMENT RETURNS

Forecast returns on Council's investment portfolio are based on the forecast 90 day bank bill rates, plus a small margin to reflect strategic investments in longer term investment products where appropriate. The source for the forecast 90 day bank bill rates is the 4 major Australian banks.

Forecast investment returns have been averaged at 1.5% per year over the life of the plan.

EMPLOYEE COSTS

Employee costs consist of salaries and wages, employee leave entitlements, Council's contribution to superannuation schemes, workers compensation insurance, fringe benefits tax and employee training costs.

The base year (2022/23) employee costs are calculated utilising a zero based budgeting approach, calculating the employee cost for each position in the budgeted staff establishment based on actual rates of pay inflated for known increases in pay rates. The projections include employee on-costs for each employee as well as an allowance for overtime and the impact of vacant positions during the year.

As part of its financial strategy, Council sets aside a reserve to enable any 'spikes' in employee leave entitlements, particularly resulting from the retirement or resignation of long serving employees, to be funded. The reserve currently represents 43% of total employee entitlement provisions and is forecast to increase to 50% by the end of the 10 year planning period.

RATE PEGGING

Council's capacity to generate rate income and increase the overall annual rate revenue is controlled through rate pegging set by the Independent Pricing and Regulatory Tribunal (IPART). The rate peg announced by IPART for 2022/2023 is 0.70%. Estimates for future rating revenue has been set at 2.5%. The Long Term Financial Plan is based on the Ordinary (General) Rates to increase by 2.5% in 2022/2023 in accordance with the additional special variation limit as determined by the Minister for Local Government.

ELECTION EXPENSES

Forecast to cover the cost of Local Government elections in 2024/25 & 2028/29.

BORROWING COSTS

Borrowing costs are forecast to average 4% for the 15 year term.

It has been assumed that future loans will be for a 15 year term for larger infrastructure projects and a 5 year term for smaller projects and interest rates will be fixed. The basis of forecast interest rates is detailed in the planning assumptions.

Council has been declared "Fit For The Future" as a rural council and as such has access to borrowing facilities through The NSW Treasury Corporation.

WATER SUPPLY CHARGES

Council utilises a two part charging structure for the supply of water to Gilgandra and Tooraweenah, being an access charge according to the size of the water service and a usage charge per kilolitre of water used.

Council uses Best Practice Pricing as directed by the State Government and it is proposed to continue with a two part charging structure under Best Practice Pricing guidelines.

Water supply charging has been forecast to increase by 5% per annum for the life of the plan in accordance with Best Practice Pricing and the 30 year operating and capital replacement plan.

SEWER CHARGES

Council utilises a three part charging structure based around an access charge according to the size of the water service, usage charges based on water usage and trade waste charges based on water usage.

Council uses Best Practice Pricing as directed by the State Government and, it is proposed to continue with a three part charging structure under Best Practice Pricing guidelines.

Sewer services charging has been forecast to increase by 7% per annum for access charges and 7% per annum for usage charges for the life of the plan in accordance with Best Practice Pricing and the 30 year operating and capital replacement plan.

GENERAL RATES

Council currently has 5 general rating categories, being Farmland, Residential Gilgandra, Business Gilgandra, Residential Other and Business Other. Council proposes to continue with its current rating structure of an ad valorem subject to a minimum rate.

DOMESTIC WASTE MANAGEMENT CHARGES

Council's domestic waste management service comprise of a weekly collection of 240 litre garbage bin and a fortnightly collection of a 240 litre recycling bin.

The Local Government Act 1993 requires that Domestic Waste Management Charges must reflect the actual cost of providing those services.

Waste Management Charges have been forecast to increase by 2% in 2022/23 and 2.25% per annum for the remainder of the life of the plan.

STORMWATER CHARGES

Funds generated from this charge are used to fund stormwater backlog works and improve the management of urban stormwater in the local government area.

The charge is set by clause 125AA of the Local Government (General) Regulation 2005 and Council has no scope to increase the charge in line with inflation or any other cost increases. It is assumed the charge will remain in place over 10 year planning horizon.

These charges are currently \$25 per assessment within the Gilgandra urban area and are assumed to remain the same throughout the life of the plan.

GRANTS

In 2022/23 a significant increase in grant funding has been budgeted thanks to the introduction of the NSW State Governments Regional Infrastructure and Stronger Communities Grant Funding streams.

A conservative approach has been taken in estimating grants and contributions for future years with a prediction of return to normal levels including increases that cater for 2.5% CPI.

CAPITAL WORKS 2022/23- 2025/26

The following is an explanation of the capital works Council is planning to achieve over the next four year period

AEROPARK DESIGN COSTS & SUBDIVISION An amount of \$250,000 is included to conduct the design of the subdivision and a further \$2,500,000 to construct it. The construction element is offset by borrowings of the same amount.

ARMATREE PLAYGROUND A request to construct a playground at Armatree village.

BASKETBALL COURT SEATING A request to provide seating at the Youth Club basketball court after the existing seating was removed. Has been included with offsetting grant income that is yet to be applied for. A decision on the project proceeding will be required if the proposed funding does not eventuate

BUSHFIRE ISSUES The allocation of \$250,000 is an estimate only of the value of the plant and equipment to be purchased by the Rural Fire Service. This is a non cash item with Council paying 11.7% of the allocation in the contribution cost listed on page 4. It is offset by a non cash grant included in capital income of the same amount.

CARAVAN PARK WATER SUPPLY Recent upgrades to the internal water supply infrastructure has discovered that the fire safety standard may need improving. An allocation of \$50,000 has been included to achieve this.

CEMTERY ADDITIONAL PLINTH Required to construct additional concrete plinth at Gilgandra Cemetery.

CHAMBERS & OFFICES The Council chambers and offices is an ageing building and regular maintenance and renewals are and will be required into the future. An amount of \$100,000 has been included to replace the air conditioning unit

COMBINED SPORTS CENTRE A total cost of \$15,000,000 over 2 years to construct the proposed sports centre. This is offset by proposed grant funding of \$14,000,000 and borrowings of \$1,000,000.

COMMUNITY FLAGSHIP EVENTS & CULTURAL PROGRAMS An allocation to fund these events and programs.

COOEE HERITAGE CENTRE The amount of \$305,450 is offset by grant funding of the same amount. It will be used to enhance the Joy Trudgett Gallery and for some landscaping works.

COUNCIL DEPOT The allocation of \$30,000 is included to create an entrance to the office building for outside toilet access and to instal pallet racking in the store area.

DISABILITY INCLUSION PLAN INITIATIVES This includes allocations for footpaths (\$50,000), additional seating (\$20,000) and the Windmill Walk (\$30,000). It is offset by the contribution from Orana Living of \$250,000 with the remaining \$150,000 to be transferred to reserves.

ECOTOURISM ACCOMMODATION WARRUMBUNGLE NATIONAL PARK A proposed joint project with Warrumbungle Council to construct accommodation at the National Park. It is offset by proposed grant funding of the same amount.

ELECTRONIC SIGNAGE To provide an electronic, promotional signage unit and is offset by grant funding (\$30,000) and a transfer from reserves (\$39,375).

ERNIE KNIGHT OVAL The cricket wicket at Ernie Knight Oval was unable to be used during the season and requires remediation. An allocation of \$25,000 has been included to fund a solution.

GILGANDRA WASTE FACILITY An allocation to provide a new waste cell at the facility.

GRAINCORP INDUSTRIAL PRECINCT The allocation of \$5,088,333 to complete the development of the subdivision, is offset by grant funding amounts of \$3,332,000 and \$1,756,333 from Local Roads and Community Infrastructure.

CAPITAL WORKS 2022/23- 2025/26 CONTINUED...

HALLS - CURBAN An amount of \$10,000 is included as an estimate only and is offset by a capital contribution of the same amount.

HALLS – TOORAWEEAH Funds included for renewal works if required.

INFORMATION TECHNOLOGY An allocation of \$1,000,000 that is offset by borrowings and transfers from reserves. Refer to the separate report elsewhere in this business paper.

INLAND RAIL – HOUSING PROJECT

Project to construct housing for Inland Rail management that will provide lease income and sale proceeds.

INLAND RAIL - RIVER REVITALISATION

An amount of \$200,000 is allocated for the project and is offset by a transfer from reserves on page 17.

INLAND RAIL - WATER BORE PROJECT

– INLAND RAIL An amount of \$300,000 that is offset by grant funding.

LIBRARY PURCHASES Total library purchases cost of \$24,260 for library purchases including books, toys and other materials. This is funded by the State Library Service.

LIBRARY – WORKSHOPS & GUEST SPEAKERS Planned cost to provide workshops and guest speakers to accompany the opening of the new Library Hub.

LINK FROM HUNTER PARK TO CBD To construct a proposed pedestrian link.

LIVE, ENJOY, GROW TOWARDS 5000 POPULATION A \$10,000 allocation to progress the population of the Shire towards 5,000 people.

MCGRANE OVAL Allocations to provide for painting the commentary box and to seal the carpark at the Northern end.

MEDICAL PRECINCT An amount of \$4.1m has been included to construct a medical precinct in Gilgandra. This is a proposal and has been included with grant funding of the same amount.

MEDICAL – ADDITIONAL UNITS FOR DOCTORS & NURSES Amounts of two lots of \$500,000 to construct further units for itinerant doctors and nurses.

PLANT The allocations for major plant, light trucks and utilities, cars and station wagons and minor plant were noted by Council at the May meeting. The requested amounts are the same as the amounts included in the LTFP. The allocations are as follows:

	(2021/22)	(2022/23)
Major Plant	\$870,000 - \$221,000 = \$649,000	\$955,000 - \$240,000 = \$715,000
Trucks & Utes	\$250,000 - \$145,000 = \$105,000	\$99,000 - \$53,000 = \$46,000
Cars & Wagons	\$45,000 - \$22,000 = \$23,000	\$63,000 - \$30,000 = \$33,000
Minor Plant	\$85,000 - \$15,000 = \$70,000	\$8,000 - \$1,000 = \$7,000
Total	\$1,250,000 - \$403,000 = \$847,000	\$1,125,000 - \$324,000 = \$801,000

POUND Annual allocations for renewal work if required.

RELOCATE ADMINISTRATION BUILDING TO MILLER STREET A proposal to relocate the administration of Council from Warren Road to Miller Street.

ROADS TO RECOVERY Ongoing funds provided by the Federal Government that allows the completion of scheduled resealing and gravel resheeting works on the rural road network.

ROADS TO RECOVERY The 2022/23 Roads to Recovery monetary allocation totals \$952,458. The compilation of the Roads to Recovery budget is normally made up of a three way split between gravel resheets, bitumen reseals and specific rehabilitation works. The 2022/23 allocation will be determined following a separate detailed report to the May or June Council meeting.

The total expenses of \$952,458 matches the funding

CAPITAL WORKS 2022/23- 2025/26 CONTINUED...

ROADS – ADDITIONAL RURAL RENEWALS

The additional rural road allocation vote, in accordance with the Long Term Financial Plan, complies with the resolution of Council when imposing the increase in rates of 10% for three (3) consecutive years. This allocation was an element of reward for the upgrade of rural roads. In accordance with public consultation, it was agreed that rural roads required an amount of “catch up” works and increased maintenance treatment. It is therefore considered appropriate that this allocation be utilised to increase the gravel resheeting and bitumen reseals of rural roads.

The effects of the increase in gravel resheeting and bitumen reseals will see a large degree of “catch up” works and it is considered that in future years, Council may be able to see the opportunity of actually establishing a bitumen seal on some of the higher classified roads processed with the increased gravel resheets.

The total amount originally available for the additional renewal work was \$4,550,000 over 10 years. The allocation for the first year in 2016/17 was \$396,899 increasing by an estimated 3% for CPI up to 20/21 and then 2% from then on. The result is still that \$4,550,000 was spent over the first 10 years.

This allocation was then reduced by the loan repayments for the three bridges being Wallumburrawang Creek, Luckies Gully and Gumin. The repayments are \$210,199 each year and reducing to \$86,180 in 27/28 when the loan for the first two bridges is repaid. The last loan for the bridges is paid out in 30/31. The table below demonstrates this:

YEAR	ADDITIONAL ROADS ALLOCATION	LESS LOAN REPAYMENT	AMENDED ROADS ALLOCATION
22/23	\$481,050	\$210,199	\$270,851
23/24	\$493,076	\$210,199	\$282,877
24/25	\$505,403	\$210,199	\$295,204
25/26	\$518,038	\$210,199	\$307,839
26/27	\$530,989	\$210,199	\$320,790
27/28	\$544,264	\$86,180	\$458,637
28/29	\$557,870	\$86,180	\$471,690
29/30	\$571,817	\$86,180	\$485,637
30/31	\$586,083	\$86,180	\$499,903
31/32	\$600,765	\$0	\$600,765

ROADS – KERB & RENEWALS

Bi-annual allocation to complete renewals works of the network.

ROADS – SEAL NATIONAL PARK RD –

STAGE 1 A proposal to seal one half of the remaining unsealed portion of the road. It is offset by grant funding of the same amount.

ROADS – SEAL NATIONAL PARK RD –

STAGE 2 A proposal to seal the remainder of the unsealed portion of the road. It is offset by grant funding of the same amount.

ROADS – SEAL TOORWEENAH

MENDOORAN RD A proposal to seal all of the unsealed portion of this road. It is offset by grant funding of the same amount.

ROADS – UPGRADE RURAL PROBLEM

SPOTS There are a number of problem spots that have been identified within the rural road network. A proposed allocation has been included to address the issues. It is offset by grant funding of the same amount.

ROADS – WRIGLEY STREET UPGRADE

An allocation has been included to continue the upgrade of Wrigley Street.

ROADS – YARRAGRIN CREEK BRIDGE

The replacement of the Yarragrין Creek Bridge which has attracted 50% funding.

SASS ROUND 2 – MILLER STREET

PLAZA UPGRADES An upgrade to the plaza will be provided after offsetting grant funding has been approved.

SCCF ROUND 4 Round 4 of the Stronger Country Communities Fund has been announced for a total of \$776,383 and is made up of the following projects:

- Pool Female Amenities upgrade (\$150,000)
- Youth Club Amenities upgrade (\$96,383)
- Tooraweenah Showground Toilets (\$180,000)
- CBD Activation & Events (\$50,000)

These projects total \$476,383 with the remaining \$300,000 to incorporate female change rooms at McGrane Oval to be completed in 23/24.

SEWERAGE SERVICES Allocations for infrastructure network renewal works and the construction of a new water treatment plant.

SHIRE DEPOT To install an outside access to the toilets and to provide pallet racking in the store.

SOLAR PANELS FOR COUNCIL

BUILDINGS To install solar panels on Council buildings with grant funds provided.

STORMWATER Bi-annual allocation to complete renewals works of the network.

SWIMMING POOL The amount of \$52,740 is required to instal the shade structure over the wading pool. The previous structure was removed last year after sustaining storm damage.

SWIMMING POOL MATS & TIMING A request to provide electronic timing and touch mats for swimming contest. Has been included with offsetting grant income that is yet to be applied for. A decision on the project proceeding will be required if the proposed funding does not eventuate.

THE GIL EVENTS & ACTIVITIES Allocations included to run various events and programs.

TOORAWEENAH SHOWGROUND

AMENITIES An amount provided to complete upgrade to the showground with the cost offset by grant funding.

YOUTH CLUB An allocation to replace the bus at the Youth Club.

WATER SUPPLY Allocations for infrastructure network renewal works and the construction of a new water treatment plant.

ORANA LIVING Allocations for motor vehicles replacements, relocation of the administration of Orana Living, Disability Inclusion Plan Initiatives contribution to General Fund and the construction of purpose build accommodation facility.

CARLGINDA ENTERPRISES

Ongoing allocation for various capital works as they occur.

COOEE VILLA UNITS Yearly allocation to complete the capital renewal of units as they occur.

COOEE LODGE Yearly allocations to replace motor vehicles and complete renewal works as required.

JACK TOWNEY HOSTEL Yearly allocations to replace motor vehicles and complete renewal works as required.





KEY FINANCIAL INDICATORS

All Councils in NSW have their performance measured in terms of:

- Sustainability
- Infrastructure and Service Management; and
- Efficiency

Seven specific ratios will be measured, monitored and reported on an ongoing basis:

SUSTAINABILITY

- Operating performance Ratio – Core measure of sustainability – indicates council's capacity to meet ongoing operating expenditure requirements

BENCHMARK Greater than or equal to break-even over the longer term – ongoing deficits are unsustainable

- Own source revenue – Councils with higher own source revenue have greater ability to control their own operating performance and financial sustainability

BENCHMARK Greater than 60% to ensure councils have sufficient flexibility to manage external shocks and challenges

- Building & Asset Renewal Ratio – Measures whether council's assets are deteriorating faster than they are being renewed – indicator of whether council's infrastructure backlog is likely to increase

BENCHMARK Greater than 100% ensures community assets are managed in a sustainable way

INFRASTRUCTURE & SERVICE MANAGEMENT

- Infrastructure Backlog Ratio – Measures how effectively councils are managing their infrastructure. Increasing backlogs may affect council's ability to provide services and remain sustainable

BENCHMARK Less than 2% ensures infrastructure backlogs are at manageable levels

- Asset Maintenance Ratio – Measures whether council is spending enough on maintaining its assets to avoid increasing its infrastructure backlog

BENCHMARK Greater than 100% ensures councils infrastructure position is not deteriorating

- Debt Service Ratio – Indicates whether council is using debt wisely to share the life long cost of assets and avoid excessive rate increases

BENCHMARK Greater than 0% and less than or equal to 20% - it is appropriate that councils should carry some level of debt to ensure inter-generational equity in funding major infrastructure

EFFICIENCY

- Real Operating Expenditure per capita – Indicates how well councils are utilising economies of scale and managing service levels to achieve efficiencies

BENCHMARK Focuses on each council's individual performance over time, rather than comparing with others. A decrease in real expenditure per capita indicates improved efficiency (all things being equal)





SENSITIVITY ANALYSIS

The LTFP is based on a number of underlying assumptions. Sensitivity analysis identifies the impact on Council's financial position of changes in these assumptions and highlights the factors most likely to affect the outcomes of the plan.

Sensitivity analysis looks at 'what if' scenarios. For example, what happens to Council's financial position if salary and wages increases are 1% higher than forecast; growth is half that forecast, or investment returns are 1% less than forecast in plan.

The major underlying assumptions underpinning the LTFP have been subject to sensitivity analysis which has identified the following impacts:

INFLATION

The impact of a 1% increase in inflation each year, including CPI and salary and wages inflation, was modelled and resulted in a \$2 m reduction in the unrestricted cash and investment balance or \$1.5 m (assuming the increase will increase other charges and revenues but with no flow on effect of increased inflation to the rate pegging increase).

RATE PEGGING

The impact of a 1% reduction in rate pegging each year was modelled. The analysis indicated that the unrestricted cash and investment balance would be reduced by \$1.9 m at the end of 10 years.

INVESTMENT RETURNS

The impact of a reduction in investment returns of 1% was modelled and the analysis indicated that the unrestricted cash and investment balance would be reduced by \$250,000 at the end of 10 year.

LOAN INTEREST RATES

The impact of a 1% increase in loan interest rates was modelled which indicated that unrestricted cash and investments would reduce by \$300,000.

WORKERS COMPENSATION INSURANCE

Council has a focus on minimising the risk of incidents in the workplace which may lead to workers compensation claims. However, incidents do occur and the nature and impact of claims is difficult to predict. This can lead to significant fluctuations in premium payments from year to year.

PRODUCTIVITY IMPROVEMENTS

As previously indicated, the financial projections are based on continuing to secure productivity improvements that will defray the impact of unexpected increases in operating expenditures.

Council is continuing a process to review all services in terms of cost effectiveness and it is anticipated that this review will continue throughout future terms of Council.

FINANCIAL STRATEGIES UNDERPINNING THE LTFP

This LTFP identifies possible strategies to address the financial challenges identified and ensure Council is financially sustainable into the future.

The key strategies underpinning the LTFP are:

- achieving balanced cash budgets
- maintaining a sound financial position
- maintaining a positive unrestricted cash and investment balance
- maintaining service levels at a sustainable level
- progressively increasing funding for asset maintenance and renewal
- maintaining a fair and equitable rating structure

Without the implementation of appropriate financial strategies, Council is clearly not financially sustainable in the long term and as a result, the community aspirations identified and articulated in the CSP will not be able to be achieved.

IDENTIFYING BUDGET EXPENDITURE REDUCTIONS

In response to the financial challenges highlighted in this LTFP each department within Council will undertake an ongoing annual review of its current activities and service levels to identify possible opportunities to reduce budget expenditures without impacting service levels.

PRODUCTIVITY IMPROVEMENTS & INITIATIVES

The continued pursuit of productivity improvements over the period of the plan is a critical component of the strategy developed to deliver financial sustainability.

As previously indicated, Gilgandra Shire Council is committed to a process of continuous improvement and organisational development and this process will continue to deliver productivity improvements that will contribute to addressing unexpected funding gaps that may occur.

LOAN FUNDING

The financial strategies developed to deliver financial sustainability include the utilisation of a number of funding sources to fund new capital works. The funding sources include a combination of rates revenue, reserves, grants and other third party contributions.

In addition to the above sources of funds, the use of loan funds is proposed to fund, or part fund, long lived infrastructure assets where it can be displayed that the loans can be serviced over the period of the loan and that Council's targeted maximum debt service ratio is not exceeded.

The use of loans spreads the financing cost of an asset over a long period of time and provides an alternative to a larger increase in rates in the short to medium term to meet the demand for additional facilities and other required capital works.

Long lived assets are utilised by current users as well as future users. The use of loans enables the cost of long lived assets to be shared between current and future users and therefore supports the concept of intergenerational equity.

The NSW State Government has set a benchmark debt service ratio of between 0 and 20%. Recognising the risk associated with high levels of debt, particularly in economically uncertain times, Council has set a target maximum debt service ratio of 5% in its Loan Repayment Level Policy. Projections for the period of this LTFP are generally below this limit.

FINANCIAL MODELLING

In preparing this LTFP, Council has carried out detailed financial modelling to inform the community of the financial implications of the outcomes and strategies outlined in the Community Strategic Plan and associated actions detailed in Councils Delivery Program.

KEY ELEMENTS

- Capital Works Program of \$156.3m including \$86.9m asset renewals.
- Borrowings sourced for Capital Projects with intergenerational benefits within Council's debt service ratio policy.
- General Rate Revenue increased by rate pegging for the life of this plan.
- Water Charges increased by 5% per annum over the life of the plan.
- Sewer Charges increased by 7% per annum over the life of the plan.
- All amounts are shown in real values (2022/23 dollars)

APPENDIX 1

Financial Modelling Outputs

The following financial modelling outputs are provided:

- Projected Income & Expenditure Statement
- Projected Cash Flow Statement
- Projected Balance Sheet
- Key Financial Indicators



PROJECTED INCOME & EXPENDITURE STATEMENT											
10 Year Period 2022/23 to 2031/32											
	FORECAST 2022/23	FORECAST 2023/24	FORECAST 2024/25	FORECAST 2025/26	FORECAST 2026/27	FORECAST 2027/28	FORECAST 2028/29	FORECAST 2029/30	FORECAST 2030/31	FORECAST 2031/32	
Income from Continuing Operations											
Rates & Annual Charges	6,899,286	7,112,190	7,332,957	7,562,029	7,799,797	8,046,672	8,303,087	8,569,502	8,846,402	9,134,300	
User Charges & Fees	16,489,501	17,614,323	18,103,810	18,538,860	18,990,092	19,458,155	19,593,729	20,137,529	20,720,307	21,322,852	
Interest & Investment Revenue	267,799	274,494	281,356	288,390	295,600	302,990	310,565	318,329	326,287	334,444	
Other Revenues	787,033	806,709	836,877	867,548	898,737	930,456	952,717	975,535	1,008,923	1,034,196	
Grants & Contributions provided for Operating Purposes	7,890,468	8,107,211	8,307,520	8,513,136	8,725,231	8,774,029	8,993,778	9,219,041	9,449,955	9,686,665	
Grants & Contributions provided for Capital Purposes	7,935,166	16,295,266	10,937,656	39,294,223	11,650,953	657,852	564,923	2,572,171	579,601	2,587,216	
Net gains from disposal of assets	0	0	0	0	0	0	0	0	0	0	
Total Income from Continuing Operations	40,269,253	50,210,193	45,800,176	75,064,187	48,360,411	38,170,154	38,718,799	41,792,107	40,931,476	44,099,673	
Expenses from Continuing Operations											
Employee Costs	17,574,409	17,949,844	18,409,691	18,881,520	19,368,318	19,835,056	20,346,595	20,871,395	21,409,801	21,962,167	
Borrowing Costs	279,980	444,175	409,779	516,914	473,976	430,692	389,418	346,664	302,376	257,129	
Materials & Contracts	7,070,853	7,212,188	6,801,265	6,866,961	7,023,872	6,962,502	7,120,901	7,282,786	7,448,236	7,617,320	
Depreciation & Amortisation	5,690,670	5,690,670	5,690,670	5,690,670	5,690,670	5,690,670	5,690,670	5,690,670	5,690,670	5,690,670	
Other Expenses	2,602,520	2,667,583	2,734,273	2,847,629	2,872,695	2,944,513	3,018,125	3,143,578	3,170,918	3,250,191	
Net losses from disposal of assets	0	0	0	0	0	0	0	0	0	0	
Total Expenses from Continuing Operations	33,218,432	33,964,460	34,045,677	34,803,695	35,429,531	35,863,432	36,565,709	37,335,093	38,022,001	38,777,477	
NET OPERATING RESULT FOR THE YEAR	7,050,821	16,245,733	11,754,498	40,260,492	12,930,879	2,306,721	2,153,090	4,457,015	2,909,475	5,322,196	
Net Operating Result before capital grants & contributions	-884,345	-49,533	816,842	966,269	1,279,926	1,648,869	1,588,167	1,884,843	2,329,875	2,734,980	

PROJECTED BALANCE SHEET											
10 Year Period 2022/23 to 2031/32											
	FORECAST 2022/23	FORECAST 2023/24	FORECAST 2024/25	FORECAST 2025/26	FORECAST 2026/27	FORECAST 2027/28	FORECAST 2028/29	FORECAST 2029/30	FORECAST 2030/31	FORECAST 2031/32	
ASSETS											
Current Assets											
Cash & Cash Equivalents	30,090,110	27,967,083	27,862,366	26,502,225	27,289,968	28,425,622	30,611,208	32,267,936	34,369,394	36,766,420	
Receivables	3,691,862	3,691,862	3,691,862	3,691,862	3,691,862	3,691,862	3,691,862	3,691,862	3,691,862	3,691,862	
Inventories	8,214,589	7,364,589	6,864,589	5,514,589	4,164,589	2,814,589	964,589	214,589	-535,411	-1,185,411	
Total Current Assets	41,996,561	39,023,534	38,418,817	35,708,676	35,146,419	34,932,073	35,267,659	36,174,387	37,525,845	39,272,871	
Non Current Assets											
Investments	0	0	0	0	0	0	0	0	0	0	
Receivables	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	
Infrastructure, Property, Plant & Equipment	376,685,510	399,865,665	411,192,278	456,398,223	468,583,733	469,907,104	470,485,638	472,754,201	472,986,208	475,276,298	
Total Non Current Assets	376,885,510	400,065,665	411,392,278	456,598,223	468,783,733	470,107,104	470,685,638	472,954,201	473,186,208	475,476,298	
TOTAL ASSETS	418,882,071	439,089,199	449,811,095	492,306,898	503,930,152	505,039,177	505,953,297	509,128,588	510,712,053	514,749,170	
LIABILITIES											
Current Liabilities											
Payables	14,724,079	14,724,079	14,724,079	14,724,079	14,724,079	14,724,079	14,724,079	14,724,079	14,724,079	14,724,079	
Overdraft Facility	0	0	0	0	0	0	0	0	0	0	
Borrowings	1,038,604	1,032,603	1,264,688	1,307,626	1,197,696	1,238,970	1,281,723	1,326,011	1,285,079	1,415,624	
Provisions	3,605,915	3,605,915	3,605,915	3,605,915	3,605,915	3,605,915	3,605,915	3,605,915	3,605,915	3,605,915	
Total Current Liabilities	19,368,598	19,362,597	19,594,682	19,637,620	19,527,690	19,568,964	19,611,717	19,656,005	19,615,073	19,745,618	
Non Current Liabilities											
Borrowings	7,867,054	11,834,451	10,569,763	12,762,137	11,564,441	10,325,471	9,043,748	7,717,737	6,432,658	5,017,034	
Provisions	694,000	694,000	694,000	694,000	694,000	694,000	694,000	694,000	694,000	694,000	
Total Non Current Liabilities	8,561,054	12,528,451	11,263,763	13,456,137	12,258,441	11,019,471	9,737,748	8,411,737	7,126,658	5,711,034	
TOTAL LIABILITIES	27,929,652	31,891,048	30,858,445	33,093,757	31,786,131	30,588,435	29,349,465	28,067,742	26,741,731	25,456,652	
NET ASSETS	390,952,419	407,198,151	418,952,650	459,213,141	472,144,021	474,450,742	476,603,832	481,060,846	483,970,322	489,292,518	
EQUITY											
Retained Earnings	117,105,814	133,351,546	145,106,045	185,366,536	198,297,416	200,604,137	202,757,227	207,214,241	210,123,717	215,445,913	
Revaluati on Reserves	273,846,605	273,846,605	273,846,605	273,846,605	273,846,605	273,846,605	273,846,605	273,846,605	273,846,605	273,846,605	
TOTAL EQUITY	390,952,419	407,198,151	418,952,650	459,213,141	472,144,021	474,450,742	476,603,832	481,060,846	483,970,322	489,292,518	

PROJECTED CASH FLOW STATEMENT											
10 Year Period 2022/23 to 2031/32											
	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	
Cash Flows from Operating Activities											
Receipts:											
Rates & Annual Charges	6,899,286	7,112,190	7,332,957	7,562,029	7,799,797	8,046,672	8,303,087	8,569,502	8,846,402	9,134,300	
User Charges & Fees	16,489,501	17,614,323	18,103,810	18,538,860	18,990,092	19,458,155	19,593,729	20,137,529	20,720,307	21,322,852	
Interest & Investment Revenue	267,799	274,494	281,356	288,390	295,600	302,990	310,565	318,329	326,287	334,444	
Grants & Contributions	15,825,634	24,402,477	19,245,176	47,807,359	20,376,184	9,431,881	9,558,702	11,791,212	10,029,556	12,273,881	
Other	787,033	806,709	836,877	867,548	898,737	930,456	952,717	975,535	1,008,923	1,034,196	
Payments:											
Employee Costs	-17,574,409	-17,949,844	-18,409,691	-18,881,520	-19,368,318	-19,835,056	-20,346,595	-20,871,395	-21,409,801	-21,962,167	
Materials & Contracts	-7,070,853	-7,212,188	-6,801,265	-6,866,961	-7,023,872	-6,962,502	-7,120,901	-7,282,786	-7,448,236	-7,617,320	
Borrowing Costs	-279,980	-444,175	-409,779	-516,914	-473,976	-430,692	-389,418	-346,664	-302,376	-257,129	
Other	-2,602,520	-2,667,583	-2,734,273	-2,847,629	-2,872,695	-2,944,513	-3,018,125	-3,143,578	-3,170,918	-3,250,191	
Net Cash provided (or used in) Operating Activities	12,741,491	21,936,403	17,445,168	45,951,162	18,621,549	7,997,391	7,843,760	10,147,685	8,600,145	11,012,866	
Cash Flows from Investing Activities											
Receipts:											
Sale of Investment Securities	0	0	0	0	0	0	0	0	0	0	
Sale of Real Estate Assets	670,000	850,000	500,000	1,350,000	1,350,000	1,350,000	1,850,000	750,000	750,000	650,000	
Sale of Infrastructure, Property, Plant & Equipment	349,000	429,800	429,800	429,800	429,800	429,800	429,800	429,800	429,800	429,800	
Deferred Debtors Receipts	0	0	0	0	0	0	0	0	0	0	
Payments:											
Purchase of Investment Securities	0	0	0	0	0	0	0	0	0	0	
Purchase of Real Estate Assets	-7,838,333	0	0	0	0	0	0	0	0	0	
Purchase of Infrastructure, Property, Plant & Equipment	-8,880,647	-29,300,626	-17,447,083	-51,326,415	-18,305,980	-7,443,841	-6,699,004	-8,389,034	-6,352,477	-8,410,560	
Net Cash provided (or used in) Investing Activities	-15,699,980	-28,020,826	-16,517,283	-49,546,615	-16,526,180	-5,664,041	-4,419,204	-7,209,234	-5,172,677	-7,330,760	
Cash Flows from Financing Activities											
Receipts:											
Proceeds from Borrowings & Advances	3,500,000	5,000,000	0	3,500,000	0	0	0	0	0	0	
Proceeds from Retirement Complex Contributions	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	
Payments:											
Repayment of Borrowings & Advances	-949,187	-1,038,604	-1,032,603	-1,264,688	-1,307,626	-1,197,696	-1,238,970	-1,281,723	-1,326,011	-1,285,079	
Repayment of Retirement Complex Contributions	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000	
Net Cash provided (or used in) Financing Activities	2,550,813	3,961,396	-1,032,603	2,235,312	-1,307,626	-1,197,696	-1,238,970	-1,281,723	-1,326,011	-1,285,079	
NET INCREASE / (DECREASE) IN CASH & EQUIVALENTS	-407,676	-2,123,027	-104,718	-1,360,141	787,743	1,135,654	2,185,586	1,656,728	2,101,458	2,397,026	
plus Cash & Equivalents at beginning of year	30,497,786	30,090,110	27,967,083	27,862,366	26,502,225	27,289,968	28,425,622	30,611,208	32,267,936	34,369,394	
CASH & EQUIVALENTS AT YEAR END	30,090,110	27,967,083	27,862,366	26,502,225	27,289,968	28,425,622	30,611,208	32,267,936	34,369,394	36,766,420	
plus investments on hand at year end	0	0	0	0	0	0	0	0	0	0	
TOTAL CASH, EQUIVALENTS & INVESTMENTS	30,090,110	27,967,083	27,862,366	26,502,225	27,289,968	28,425,622	30,611,208	32,267,936	34,369,394	36,766,420	

	KEY FINANCIAL INDICATORS									
	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Operating Result Ratio %	-2.20%	-0.10%	1.78%	1.29%	2.65%	4.32%	4.10%	4.51%	5.69%	6.20%
Debt Service Ratio %	4.24%	4.87%	4.61%	5.54%	5.40%	4.81%	4.73%	4.60%	4.47%	4.11%
Rates & Annual Charges Ratio %	17.13%	14.16%	16.01%	10.07%	16.13%	21.08%	21.44%	20.51%	21.61%	20.71%
Fees & User Charges Ratio %	40.95%	35.08%	39.53%	24.70%	39.27%	50.98%	50.61%	48.19%	50.62%	48.35%
Grants & Contributions Funding Ratio %	39.30%	48.60%	42.02%	63.69%	42.13%	24.71%	24.69%	28.21%	24.50%	27.83%
Building & Infrastructure Renewals Ratio %	100.96%	485.94%	322.40%	919.45%	107.99%	99.62%	85.09%	134.91%	88.73%	90.04%



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15 Warren Road,
GILGANDRA, NSW 2357
P: (02) 6817 8800
www.gilgandra.nsw.gov.au