

# Central Darling Shire

LONG TERM FINANCIAL PLAN  
2020-30





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# Central Darling Shire



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## EXECUTIVE SUMMARY

The Central Darling Shire Council's Long Term Financial Plan 2020-2030 has been developed using a 10 year Financial Model to ensure Council's future financial sustainability. The financial model is a dynamic tool which analyses financial trends over a ten year future period based on a range of assumptions and produces a means by which Council can assess its financial requirements balanced with its strategic objectives.

The Plan has been developed on the following broad assumptions:

- Rates are forecast to increase in line with inflation predictions being 2.4% for the 2020 year and 2% for the remainder of the plan.
- Annual charges for water, sewer and waste services to increase by 15% for the period 2021 to 2023 then 8% for 2024 to 2026 and then to increase in line with inflation for the remainder of the plan. This assumption will be reviewed during the preparation of the next plan.
- No additional long term debt
- All revenue sources other than rates and annual charges to rise by inflation
- Net staff levels will remain constant in line with current service provision
- No reduction in the level of services provided
- Assets that provide an income stream or allow Council to reduce operating costs may be leased
- As it is expected that the shire's population will remain static for the life of the plan, no population growth factors have been factored into the plan.
- It is acknowledged that some assumptions used within the plan may become less relevant over a 10 year period

The key outcomes from the Long Term Financial Plan include the following:

- Council's liquidity improves over the life of the plan
- Capital Works Program has been increased for the life of the plan
- Funding is being allocated for the renewal of assets must ensure sustainability in the longer term
- Council's service levels have been maintained at the current level and will be reviewed during the term of the Plan
- Funding of Council's liabilities for employee leave entitlements and landfill rehabilitation.
- Council's overall financial position strengthens throughout the Plan.

The Plan highlights the ongoing sustainability of the Council into the future and this is further enhanced by asset management programs and strategies that are being implemented. Council will continue to develop these programs over the next ten years and this will provide confidence for the expenditure levels required in the future.

The continued allocation of funding towards the renewal of assets and the consistent level of funds applied to upgrade and maintenance of assets will result in a positive investment for the community in the future.

Overall, the Long Term Financial Plan provides Council with a sustainable financial outlook for the next ten years. Its continued commitment to provide efficient services and to fund the renewal and upgrade of its assets will result in a positive long term viability for the community.

The plan will be a living document and will be updated each year.





## FINANCIAL RESOURCES

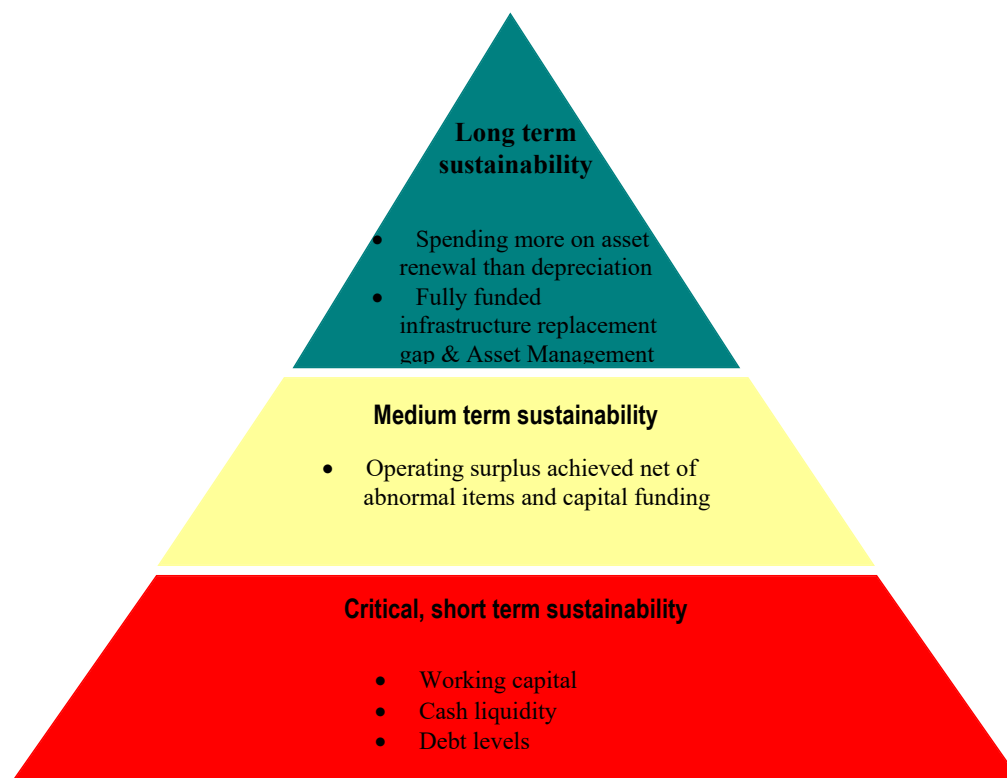
### Financial Modelling

#### Objectives of the Long Term Financial Plan

The overall goal of the LTFP is to ensure that Central Darling Shire Council remains financially sustainable in the long term. It is intended that the 2020-2030 LTFP be based on the following guidelines:

- rate increases are in line with estimated inflation
- a pricing strategy for services based on Council's preferred options for service delivery and subsidisation vs. user pays principles
- optimise debt levels within prudential guidelines
- increased funding levels for capital works and infrastructure asset maintenance
- improved liquidity
- achievement of Operating Statement surpluses with the exclusion of all non operational items such as granted assets, developer contributions and capital income.

Financial sustainability is a poorly defined term within Local Government. In order to clarify its meaning in the terms of this LTFP, the below diagram illustrates sustainability on a hierarchy of needs basis.



The most basic level of the pyramid diagram relates to issues of liquidity, debt ratios and working capital, which have an urgent, short-term focus. Without these building blocks in place, Council can not operate successfully.



The success of this LTFP will be to progress in a structured and transparent way towards the two higher levels of sustainability that have a longer-term focus than the length of this Plan.

## **Modelling Methodology**

Council maintains the ten year financial model on an ongoing basis. The model is based on a series of assumptions that drive the model and any changes made to the assumptions influence the results.

The base point used for modelling this year's LTFP is the budgeted result for 30 June 2020 as prepared at the end of the March quarter during Council's formal budget process.

## **Key Assumptions of the 10 Year Financial Model**

The assumptions used in the 10 Year Financial Model are:

- Existing service levels will be maintained.
- There will be no significant changes to the level of subsidisation that existing services receive from general revenue.
- Net staff levels will remain constant in line with current service provision.
- Inflation is forecasted at 2.4% per annum for 2020 year and the 2% for the remainder of the plan.
- Staff costs will increase by an average of 2.96% per annum.
- All revenue sources other than rates, annual charges and statutory charges to rise by inflation within reason
- The replacement / refurbishment of existing assets will be maintained at current levels.
- Any new borrowings will be on a principal and interest basis.
- Assets that provide income streams or allow Council to reduce operating costs may be leased
- As it is expected that the shire's population will remain static for the life of the plan, no population growth factors have been factored into the plan.



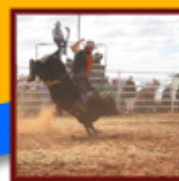
## Summary of Key Outcomes

The following table shows the Summary of Key outcomes over the next 10 years.

<b>Central Darling Shire Council 10 Year Financial Projections Summary of Key Outcomes</b>											
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Budget										
	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$
Surplus (deficit) from Operations (Before Capital funding)	3,205	2,859	532	691	763	824	436	482	438	593	478
Underlying Surplus	455	109	132	291	363	424	36	82	38	193	78
Net Cashflow from Operations	7,332	7,236	4,971	5,205	5,328	5,467	5,196	5,323	5,354	5,559	5,440
Projected Capital Expenditure	6,632	6,362	3,880	3,942	3,960	3,980	4,257	4,216	4,256	4,298	4,341
Closing Cash Balance	4,464	4,883	5,520	6,330	7,335	8,470	9,058	9,813	10,559	11,468	12,215
Long Term Borrowings	(680)	(578)	(476)	(374)	-	-	-	-	-	-	-

### Key points of note:

- A net surplus before capital funding for each year of the plan
- An improving cash position
- An increase in capital works
- Council's current long term debt is paid out in 2023



## Income Statement Projections

The following tables show the income statement forecasted results, consolidated and for water and sewer, for 2020-30. Explanations on the major components of the statement are included below.

### Consolidated

#### Central Darling Shire Council Projected Consolidated Income Statement Year Ending 30 June

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Budget										
	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>INCOME</b>											
<b>Rates</b>											
Residential	339	348	357	367	377	387	398	405	414	422	430
Farmland	451	463	475	488	501	515	529	539	550	561	572
Business	46	47	49	50	51	53	54	55	56	57	59
<b>Total Rates</b>	<b>835</b>	<b>858</b>	<b>881</b>	<b>905</b>	<b>929</b>	<b>954</b>	<b>980</b>	<b>1,000</b>	<b>1,020</b>	<b>1,040</b>	<b>1,061</b>
<b>Annual Charges</b>											
Water	618	711	817	940	1,015	1,096	1,184	1,208	1,232	1,256	1,282
Sewer	244	281	323	371	401	433	467	477	486	496	506
Waste	606	697	801	922	995	1,075	1,161	1,184	1,208	1,232	1,257
<b>Total Annual Charges</b>	<b>1,468</b>	<b>1,688</b>	<b>1,941</b>	<b>2,233</b>	<b>2,411</b>	<b>2,604</b>	<b>2,812</b>	<b>2,869</b>	<b>2,926</b>	<b>2,985</b>	<b>3,044</b>
User Charges & Fees	4,165	4,348	4,333	4,419	4,508	4,598	4,690	4,784	4,879	5,327	5,427
Interest & Investment Revenue	77	78	80	81	83	84	86	88	90	91	93
Other Revenues	324	331	337	344	351	358	365	373	380	388	395
Contributions	2,757	2,812	2,868	2,926	2,984	3,044	3,105	3,167	3,230	3,295	3,361
Operating Grants	8,380	8,491	8,660	8,834	9,010	9,191	9,374	9,562	9,753	9,948	10,147
Capital Grants	2,750	2,750	400	400	400	400	400	400	400	400	400
<b>Total income</b>	<b>20,756</b>	<b>21,356</b>	<b>19,501</b>	<b>20,142</b>	<b>20,677</b>	<b>21,234</b>	<b>21,813</b>	<b>22,241</b>	<b>22,678</b>	<b>23,474</b>	<b>23,928</b>
<b>EXPENSES</b>											
Employee Benefits	4,838	4,923	5,020	5,116	5,213	5,310	5,857	5,854	5,951	6,199	6,453
Borrowing Costs	120	124	116	107	74	75	75	76	76	77	-
Materials & Contracts	7,259	7,808	8,101	8,398	8,702	9,011	9,326	9,611	9,901	10,195	10,494
Depreciation	4,342	4,630	4,704	4,780	4,855	4,924	5,008	5,091	5,169	5,248	5,324
Other Expenses	992	1,011	1,030	1,050	1,070	1,090	1,111	1,127	1,144	1,161	1,179
<b>Total expenses</b>	<b>17,551</b>	<b>18,496</b>	<b>18,970</b>	<b>19,451</b>	<b>19,913</b>	<b>20,410</b>	<b>21,377</b>	<b>21,759</b>	<b>22,241</b>	<b>22,881</b>	<b>23,450</b>
<b>Surplus(deficit) from Oper</b>	<b>3,205</b>	<b>2,859</b>	<b>532</b>	<b>691</b>	<b>763</b>	<b>824</b>	<b>436</b>	<b>482</b>	<b>438</b>	<b>593</b>	<b>478</b>
<b>Less CAPITAL FUNDING</b>											
Capital Grants	2,750	2,750	400	400	400	400	400	400	400	400	400
Gross W.D.V. of Disposed Assets	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-	-	-	-	-	-
	<b>2,750</b>	<b>2,750</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>
<b>Net Surplus(deficit)</b>	<b>455</b>	<b>109</b>	<b>132</b>	<b>291</b>	<b>363</b>	<b>424</b>	<b>36</b>	<b>82</b>	<b>38</b>	<b>193</b>	<b>78</b>

### General Rates

The approach of this LTFP is to set rate levels at the current level of rate capping for 2019/20 and then to increase the rate to be charged by inflation as noted.

### Annual Charges

Annual charges for water, sewer and waste services to increase by 15% for the period 2020-2022 then 8% for 2023 to 2025 and then to increase in line with inflation for the remainder of the plan.





## **Government Grants**

Council is in the lower range of grants received for regional centres. It actively seeks grants. However, its major grant funding is from the NSW Grants Commission which Council is unable to influence to a large degree.

In broad terms, a 2% per annum increase has been allowed for recurrent grants reflecting the nature of this revenue type. Capital grants of \$5.5 million for a new water treatment plant for the White Cliffs community is expected.

## **User Charges & Fees**

Fees and charges have been increased by inflation, however a number of fees are set by legislation and are not under Council's control e.g. Planning Permits.

## **Interest on Investments**

Interest on investments has been based upon year-end cash and investment balances. It has been assumed an average 1.5% return on funds over the life of the model.

## **Employee Benefits**

Increases in labour and oncosts are composed of two elements. The elements are Enterprise Agreement increments and movements within bandings as part of the annual review process. Council's negotiated Enterprise Agreement increase has been 2.8% per annum, so given this and movements within banding levels, a 2.96% average increase in total employee benefits has been factored into the Plan. Influencing this figure is the allocation of expenditure previously treated as wages to contractors.

## **Materials & Contracts**

The broad assumption in materials and contracts is for an increase by inflation per annum based on our CPI assumptions.

## **Depreciation and Amortisation**

Depreciation estimates have been based on the projected capital works outlays contained within this LTFP document. Future asset revaluations, levels of developer contributed infrastructure and unanticipated externally funded capital upgrade and expansion expenditure may further influence depreciation estimates. Additional depreciation will be charged in the 2020 year as the new White Cliffs Water Treatment plant comes online.

## **Gross Written Down Value (WDV) of Non-Current Assets Sold**

All written down values relate to plant items disposed as part of the plant replacement program. No asset sales are predicted for the life of the plan.



## Borrowing Cost Expenses

Interest costs have been assessed on the basis of Council not having any new borrowings over the life of the plan. Also included in borrowing costs is the discount adjustments relating to movements in the Provision for Landfill Rehabilitation.

## Key Information Relayed by Statement

One of Council's first goals must be to achieve an operational surplus without the inclusion of any capital income (against which there is no matching expenditure in the Operating Statement) and abnormal items such as gifted assets. The LTFP as provided achieves this result from the 2017/18 year.

## Water Services

<b>Central Darling Shire Council</b>											
<b>Projected Water Income Statement</b>											
<b>Year Ending 30 June</b>											
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	<b>Budget</b>										
<b>INCOME</b>	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Annual Charges</b>											
Water	618	711	817	940	1,015	1,096	1,184	1,208	1,232	1,256	1,282
<b>Total Annual Charges</b>	618	711	817	940	1,015	1,096	1,184	1,208	1,232	1,256	1,282
User Charges & Fees	301	307	313	319	326	332	339	346	353	360	367
Interest & Investment Revenue	28	28	29	29	30	30	31	32	32	33	34
Capital Grants	2,750	2,750	-	-	-	-	-	-	-	-	-
<b>Total income</b>	<b>3,696</b>	<b>3,796</b>	<b>1,159</b>	<b>1,288</b>	<b>1,371</b>	<b>1,459</b>	<b>1,554</b>	<b>1,585</b>	<b>1,617</b>	<b>1,649</b>	<b>1,682</b>
<b>EXPENSES</b>											
Employee Benefits	-	-	-	-	-	-	-	-	-	-	-
Borrowing Costs	-	-	-	-	-	-	-	-	-	-	-
Materials & Contracts	750	761	773	784	796	808	820	832	845	858	871
Depreciation	628	747	759	770	782	793	805	817	829	842	855
Other Expenses	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>1,378</b>	<b>1,509</b>	<b>1,531</b>	<b>1,554</b>	<b>1,578</b>	<b>1,601</b>	<b>1,625</b>	<b>1,650</b>	<b>1,674</b>	<b>1,700</b>	<b>1,725</b>
<b>Surplus(deficit) from Operation</b>	<b>2,318</b>	<b>2,287</b>	<b>(372)</b>	<b>(266)</b>	<b>(207)</b>	<b>(142)</b>	<b>(71)</b>	<b>(65)</b>	<b>(58)</b>	<b>(51)</b>	<b>(43)</b>
<b>Less CAPITAL FUNDING</b>											
Capital Grants	2,750	2,750	-	-	-	-	-	-	-	-	-
Gross W.D.V. of Disposed Assets	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-	-	-	-	-	-
	2,750	2,750	-	-	-	-	-	-	-	-	-
<b>Net Surplus(deficit)</b>	<b>(432)</b>	<b>(463)</b>	<b>(372)</b>	<b>(266)</b>	<b>(207)</b>	<b>(142)</b>	<b>(71)</b>	<b>(65)</b>	<b>(58)</b>	<b>(51)</b>	<b>(43)</b>

## Annual Charges

To ensure adequate cost recovery a decision was taken to increase the annual charges for water by 5% for the period 2019-2020 then 15% for the period 2021 to 2023, 8% for the period 2024 to 2026 and then to increase in line with inflation for the remainder of the plan. It must be noted that these assumptions will be reviewed in line with the preparation of any new plan.



## **Government Grants**

Represent capital grants to provide water infrastructure. The \$5.5 million to be received over the 2019/20 and 2020/21 years is to fund a new water treatment plant for the White Cliffs community.

## **User Charges & Fees**

Fees and charges generally represent excess water usage by consumers, as this is difficult to predict a conservative approach has been adopted, but in broad terms the increase will be in line with inflation.

## **Materials & Contracts**

The broad assumption is materials and contracts will increase in line with inflation per annum based on our CPI assumption. However additional maintenance costs for the new White Cliffs water treatment plant, have been factored in from the 2018/19 year.

## **Depreciation and Amortisation**

The anticipated increase in depreciation for the White Cliffs water treatment plant has been factored in from the 2018/19 year. However it is acknowledged that this figure is conservative.

## **Key Information Relayed by Statement**

One of Council's first goals must be to achieve an operational surplus without the inclusion of any capital income (against which there is no matching expenditure in the Operating Statement) and abnormal items such as gifted assets.

The Projected Income Statement for the Water Fund does not achieve this objective over the life of this plan. This is mainly attributable to the increase in maintenance and depreciation for the White Cliffs water treatment plant and the water pricing policies of the Council prior to the 2014/15 year.



## Sewer Services

### Central Darling Shire Council Projected Sewer Income Statement Year Ending 30 June

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>INCOME</b>											
<b>Annual Charges</b>											
Sewer	244	281	323	371	401	433	467	477	486	496	506
<b>Total Annual Charges</b>	244	281	323	371	401	433	467	477	486	496	506
User Charges & Fees	6	6	6	6	7	7	7	7	7	7	7
Interest & Investment Revenue	3	3	3	3	3	3	3	3	4	5	5
Other Revenues	-	-	-	-	-	-	-	-	1	2	2
Contributions	-	-	-	-	-	-	-	-	1	2	2
Operating Grants	167	170	172	175	177	180	183	185	188	191	194
Capital Grants	-	-	-	-	-	-	-	-	-	-	-
<b>Total income</b>	<b>420</b>	<b>459</b>	<b>504</b>	<b>555</b>	<b>588</b>	<b>623</b>	<b>660</b>	<b>672</b>	<b>688</b>	<b>703</b>	<b>716</b>
<b>EXPENSES</b>											
Employee Benefits	-	-	-	-	-	-	-	-	-	-	-
Borrowing Costs	-	-	-	-	-	-	-	-	-	-	-
Materials & Contracts	187	190	192	195	198	201	204	207	210	214	217
Depreciation	82	83	84	85	87	88	89	90	92	93	95
Other Expenses	-	-	-	-	-	-	-	-	1	2	3
<b>Total expenses</b>	<b>269</b>	<b>273</b>	<b>276</b>	<b>281</b>	<b>285</b>	<b>289</b>	<b>293</b>	<b>298</b>	<b>303</b>	<b>309</b>	<b>314</b>
<b>Surplus(deficit) from Operations</b>	<b>151</b>	<b>187</b>	<b>228</b>	<b>275</b>	<b>303</b>	<b>333</b>	<b>367</b>	<b>374</b>	<b>384</b>	<b>395</b>	<b>402</b>
<b>Less CAPITAL FUNDING</b>											
Capital Grants	-	-	-	-	-	-	-	-	-	-	-
Gross W.D.V. of Disposed Assets	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-	-	-	-	-	-
<b>Net Surplus(deficit)</b>	<b>151</b>	<b>187</b>	<b>228</b>	<b>275</b>	<b>303</b>	<b>333</b>	<b>367</b>	<b>374</b>	<b>384</b>	<b>395</b>	<b>402</b>

### Annual Charges

To ensure adequate cost recovery a decision was taken to increase the annual charges for sewer by 15% each year for the period 2018-2022 then 8% for 2023 to 2025 and then to increase in line with inflation for the remainder of the plan.

### Government Grants

Represent grants provided under the Aboriginal Sewer Scheme. It is expected this grant will continue for the life of the plan.

### User Charges & Fees

Fees and charges in broad terms will increase in line with our estimates for inflation.

### Materials & Contracts

The broad assumption in materials and contracts is for an increase in line with our estimates for inflation.



## Depreciation and Amortisation

Depreciation of sewer infrastructure, no major capital works programs for the sewer system are expected for the life of the plan.

## Key Information Relayed by Statement

One of Council's first goals must be to achieve an operational surplus without the inclusion of any capital income (against which there is no matching expenditure in the Operating Statement) and abnormal items such as gifted assets.

The Projected Income Statement for the Sewer Fund achieves this objective in the 2018/19 year and can be attributed to the increase in annual charges.

## Balance Sheet Projections

The following table shows the balance sheet result for 2020-2030. Explanations on the major components of the statements are included below.

<b>Central Darling Shire Council</b>											
<b>Projected Balance Sheet</b>											
<b>As At 30 June</b>											
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Budget										
	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>											
<b>Current Assets</b>											
Cash & Cash Equivalents	4,438	4,858	5,494	6,303	7,309	8,444	9,031	9,787	10,533	11,442	12,499
Receivables and other debtors	2,783	3,178	3,472	3,744	3,884	4,282	4,331	4,406	4,730	5,054	5,389
Inventories	187	191	187	183	179	175	172	168	168	168	168
Prepayments	32	36	40	44	48	51	55	55	55	55	55
	<b>7,440</b>	<b>8,262</b>	<b>9,193</b>	<b>10,275</b>	<b>11,420</b>	<b>12,952</b>	<b>13,589</b>	<b>14,416</b>	<b>15,486</b>	<b>16,719</b>	<b>18,111</b>
<b>Non-current Assets</b>											
Property, plant and equipment	260,099	266,469	270,717	275,077	279,407	283,387	288,218	293,013	297,499	302,063	306,433
Accumulated Depreciation	(80,124)	(84,466)	(89,096)	(93,800)	(98,579)	(103,434)	(108,358)	(113,366)	(118,457)	(123,626)	(128,875)
	<b>179,975</b>	<b>182,004</b>	<b>181,621</b>	<b>181,277</b>	<b>180,828</b>	<b>179,953</b>	<b>179,860</b>	<b>179,647</b>	<b>179,042</b>	<b>178,436</b>	<b>177,558</b>
<b>Total assets</b>	<b>187,415</b>	<b>190,266</b>	<b>190,814</b>	<b>191,552</b>	<b>192,248</b>	<b>192,904</b>	<b>193,449</b>	<b>194,063</b>	<b>194,528</b>	<b>195,155</b>	<b>195,669</b>
<b>LIABILITIES</b>											
<b>Current Liabilities</b>											
Payables	1,019	1,032	1,046	1,060	1,073	1,083	1,093	1,086	1,079	1,078	1,078
Interest bearing liabilities	102	102	102	102	11	-	-	-	-	-	-
Provisions	1,068	1,117	1,191	1,295	1,284	1,447	1,512	1,616	1,616	1,616	1,616
	<b>2,189</b>	<b>2,252</b>	<b>2,339</b>	<b>2,457</b>	<b>2,368</b>	<b>2,531</b>	<b>2,605</b>	<b>2,703</b>	<b>2,696</b>	<b>2,695</b>	<b>2,695</b>
<b>Non-current Liabilities</b>											
Interest bearing liabilities	680	578	476	374	363	-	-	-	-	-	-
Provisions	688	719	750	781	814	847	880	914	949	984	1,020
	<b>1,368</b>	<b>1,297</b>	<b>1,226</b>	<b>1,155</b>	<b>1,177</b>	<b>847</b>	<b>880</b>	<b>914</b>	<b>949</b>	<b>984</b>	<b>1,020</b>
<b>Total liabilities</b>	<b>3,557</b>	<b>3,548</b>	<b>3,565</b>	<b>3,612</b>	<b>3,544</b>	<b>3,377</b>	<b>3,485</b>	<b>3,617</b>	<b>3,645</b>	<b>3,679</b>	<b>3,714</b>
<b>Net Assets</b>	<b>183,858</b>	<b>186,718</b>	<b>187,249</b>	<b>187,940</b>	<b>188,703</b>	<b>189,527</b>	<b>189,963</b>	<b>190,446</b>	<b>190,883</b>	<b>191,477</b>	<b>191,955</b>
<b>EQUITY</b>											
Accumulated Surplus	119,492	122,351	122,883	123,574	124,337	125,161	125,598	126,080	126,518	127,111	127,589
Reserves	64,366	64,366	64,366	64,366	64,366	64,366	64,366	64,366	64,366	64,366	64,366
<b>Total Equity</b>	<b>183,858</b>	<b>186,717</b>	<b>187,249</b>	<b>187,940</b>	<b>188,703</b>	<b>189,527</b>	<b>189,964</b>	<b>190,446</b>	<b>190,884</b>	<b>191,477</b>	<b>191,955</b>





## **Cash Assets and Cash Equivalents**

Cash funds improves throughout the ten-year period. No overdraft requirements are planned.

## **Receivables**

A conservative approach has been taken on this item as review of previous years activity reveals fluctuations in the balances.

## **Inventories**

Although inventory levels have remained relatively constant in recent years, modelling assumptions are such that purchase prices will increase in line with CPI and this is reflected in the future asset values.

## **Prepayments**

A lack of a discernible trend has resulted in a conservative approach taken to prepayments and a CPI inflation factor applied.

## **Fixed Assets**

The fixed asset balance is the outcome of projected levels of capital expenditure, depreciation, gifted assets and asset disposals shown in the Income Statement.

## **Accounts Payable**

A lack of a discernible trend has resulted in a conservative approach taken to accounts payable and a CPI inflation factor applied.

## **Provisions**

It has been assumed in the model that the trend for employee provisions (Annual leave and Long Service Leave) will basically increase as staff wages increase.

## **Accumulated Surplus & Reserves**

The accumulated equity of Council (including Reserve funds) continues to increase during the life of the LTFP in line with projected stable reserves and operating surpluses.

## **Key Information Relayed by Statement**

The Balance Sheet highlights a number of key points:

- Council's Working Capital Ratio improves throughout the LTFP, reaching approximately 695% in 2030.
- Council will pay out its long term loan in 2023.
- Council continues to grow its equity and fixed asset levels.
- No use of Council's overdraft facility for the life of the plan.



## Cash Flow Projections

The Statement of Cash Flows illustrated below is drawn directly from the cash based transactions shown in the Income Statement and Balance Sheet.

<b>Central Darling Shire Council</b>											
<b>Cashflow Projections</b>											
<b>Year Ending 30 June</b>											
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	<b>Budget</b>										
	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cash Flows from Operating Activities</b>											
<b>Receipts</b>											
Rates & Annual Charges	2,073	2,546	2,823	3,138	3,341	3,559	3,793	3,869	3,946	4,025	4,105
User Charges & Fees	4,081	4,000	3,986	4,066	4,147	4,230	4,315	4,401	4,489	4,901	4,992
Investment and interest Revenue Received	77	78	80	81	83	84	86	88	90	91	93
Grants & Contributions	13,887	14,053	11,929	12,159	12,395	12,634	12,879	13,129	13,383	13,643	13,908
<b>Payments</b>											
Employee Benefits & Oncosts	(4,838)	(4,923)	(5,020)	(5,116)	(5,213)	(5,310)	(5,857)	(5,854)	(5,951)	(6,199)	(6,453)
Materials and Contracts	(7,921)	(8,467)	(8,765)	(9,070)	(9,381)	(9,697)	(10,019)	(10,309)	(10,603)	(10,902)	(11,206)
Borrowing Costs	(52)	(52)	(61)	(52)	(43)	(34)	-	-	-	-	-
<b>Cash flow from Operations</b>	<b>7,307</b>	<b>7,236</b>	<b>4,971</b>	<b>5,205</b>	<b>5,328</b>	<b>5,467</b>	<b>5,196</b>	<b>5,323</b>	<b>5,354</b>	<b>5,559</b>	<b>5,440</b>
<b>Cash Flows from Investing Activities</b>											
<b>Receipts</b>											
Proceeds from sale of non-current assets	-	-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Purchase of Assets	(6,632)	(6,362)	(3,880)	(3,942)	(3,960)	(3,980)	(4,257)	(4,216)	(4,256)	(4,298)	(4,341)
<b>Cash flow from investing activities</b>	<b>(6,632)</b>	<b>(6,362)</b>	<b>(3,880)</b>	<b>(3,942)</b>	<b>(3,960)</b>	<b>(3,980)</b>	<b>(4,257)</b>	<b>(4,216)</b>	<b>(4,256)</b>	<b>(4,298)</b>	<b>(4,341)</b>
<b>Cash Flows from Financing Activities</b>											
<b>Payments</b>											
Leasing payments	(352)	(352)	(352)	(352)	(352)	(352)	(352)	(352)	(352)	(352)	(352)
Loan repayments	(99)	(102)	(102)	(102)	(11)	-	-	-	-	-	-
<b>Cash flow from financing activities</b>	<b>(451)</b>	<b>(454)</b>	<b>(454)</b>	<b>(454)</b>	<b>(363)</b>	<b>(352)</b>	<b>(352)</b>	<b>(352)</b>	<b>(352)</b>	<b>(352)</b>	<b>(352)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>224</b>	<b>419</b>	<b>637</b>	<b>810</b>	<b>1,005</b>	<b>1,135</b>	<b>588</b>	<b>756</b>	<b>746</b>	<b>909</b>	<b>747</b>
<b>Plus Cash and Cash Equivalents - Beginning of Year</b>	<b>4,214</b>	<b>4,438</b>	<b>4,858</b>	<b>5,495</b>	<b>6,304</b>	<b>7,310</b>	<b>8,445</b>	<b>9,032</b>	<b>9,788</b>	<b>10,534</b>	<b>11,443</b>
<b>Plus Cash and Cash Equivalents - End of Year</b>	<b>4,438</b>	<b>4,858</b>	<b>5,495</b>	<b>6,304</b>	<b>7,310</b>	<b>8,445</b>	<b>9,032</b>	<b>9,788</b>	<b>10,534</b>	<b>11,443</b>	<b>12,190</b>

## Key Information Relayed by this Statement

The cash flow statement shows a continual improvement in Council's cash reserves throughout the life of the plan.

It needs to be noted that for a number of years prior to this plan council has accrued liabilities for employee entitlements and landfill rehabilitation. These liabilities have mostly remained unfunded. Council's intention is that these liabilities will be funded from 2023 onwards.



## Capital Works

### Level and Nature of Capital Works

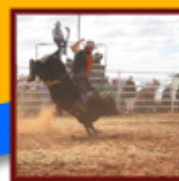
The Capital Works Program is based on what is considered to be known and required expenditures. The program is based upon the fundamental elements of asset renewal, asset upgrade and asset expansion.

The table below sets out the proposed level and nature of capital works in the LTFP 2020-2030, based on Council's activities.

<b>Central Darling Shire Council Projected Capital Works Program As At 30 June</b>											
<b>Capital Works Program</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
	<b>Budget</b>										
	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Renewal</b>											
Roads	2,686	2,726	2,740	2,754	2,767	2,781	2,795	2,809	2,823	2,837	2,851
Water Infrastructure	90	100	100	103	106	109	113	116	119	123	127
Sewer Infrastructure	-	-	115	115	115	115	115	115	115	115	115
Outdoor Infrastructure	97	102	107	112	118	124	130	136	143	150	158
Buildings	227	238	250	263	276	290	304	319	335	352	370
Cemeteries	15	-	-	-	-	-	-	-	-	-	-
Swimming Pools	130	-	-	-	-	-	-	-	-	-	-
Environmental management	48	-	-	25	25	25	25	25	25	25	25
Stormwater Management	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	56	120	120	100	80	-	-	-	-	-
<b>Total Renewal</b>	<b>3,293</b>	<b>3,222</b>	<b>3,432</b>	<b>3,492</b>	<b>3,507</b>	<b>3,524</b>	<b>3,482</b>	<b>3,521</b>	<b>3,561</b>	<b>3,603</b>	<b>3,646</b>
<b>New Assets</b>											
Water Infrastructure	2,840	2,750	-	-	-	-	-	-	-	-	-
Sewer Infrastructure	-	-	-	-	-	-	-	-	-	-	-
Outdoor Infrastructure	-	-	95	95	95	95	95	95	95	95	95
Buildings	-	40	-	-	-	-	-	-	-	-	-
Plant	395	50	53	55	58	61	380	300	300	300	300
Cemeteries	15	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-
Environmental management	65	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-
Capital Grant Matching Fund	300	300	300	300	300	300	300	300	300	300	300
<b>Total Asset Expansion</b>	<b>3,615</b>	<b>3,140</b>	<b>448</b>	<b>450</b>	<b>453</b>	<b>456</b>	<b>775</b>	<b>695</b>	<b>695</b>	<b>695</b>	<b>695</b>
<b>Upgrade Assets</b>											
Outdoor Infrastructure	-	-	-	-	-	-	-	-	-	-	-
<b>Total Upgrade</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>6,908</b>	<b>6,362</b>	<b>3,880</b>	<b>3,942</b>	<b>3,960</b>	<b>3,980</b>	<b>4,257</b>	<b>4,216</b>	<b>4,256</b>	<b>4,298</b>	<b>4,341</b>

Apart from the current year forecast, the table shows a degree of variation over time, but this correlates generally with the level of projects and renewal expenditure proposed. The current year forecast level is a result of 'one off' fully grant funded infrastructure projects and expenditure against capital grant funding.

An amount of \$300,000 has been allocated each year to take advantage of any capital grants available on a expenditure matching basis.



## Capital Funding Sources

In achieving the above capital works program, capital funding is a critical component and variations in this type of funding will have an immediate impact (positive or negative) on the level of works that can be performed. The table below highlights the capital funding sources.

<b>Central Darling Shire Council</b>											
<b>Projected Funding for Capital Works</b>											
<b>As At 30 June</b>											
<b>Capital Works Program</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
	<b>Budget</b>										
	<b>'000s</b>	<b>'000s</b>	<b>'000s</b>	<b>'000s</b>	<b>'000s</b>	<b>'000s</b>	<b>'000s</b>	<b>'000s</b>	<b>'000s</b>	<b>'000s</b>	<b>'000s</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>External</b>											
Grants	4,036	4,036	1,712	1,738	1,765	1,792	1,820	1,848	1,877	1,907	1,937
Contributions	1,400	1,428	1,457	1,486	1,515	1,546	1,577	1,608	1,640	1,673	1,707
<b>Total External</b>	<b>5,436</b>	<b>5,464</b>	<b>3,168</b>	<b>3,224</b>	<b>3,280</b>	<b>3,338</b>	<b>3,396</b>	<b>3,456</b>	<b>3,518</b>	<b>3,580</b>	<b>3,643</b>
<b>Internal</b>											
Accumulated Funds	1,472	898	711	718	680	642	860	760	739	718	697
<b>Total Internal</b>	<b>1,472</b>	<b>898</b>	<b>711</b>	<b>718</b>	<b>680</b>	<b>642</b>	<b>860</b>	<b>760</b>	<b>739</b>	<b>718</b>	<b>697</b>
<b>TOTAL</b>	<b>6,908</b>	<b>6,362</b>	<b>3,879</b>	<b>3,942</b>	<b>3,960</b>	<b>3,980</b>	<b>4,256</b>	<b>4,216</b>	<b>4,257</b>	<b>4,298</b>	<b>4,340</b>

The importance of increased capital expenditure is crucial to establishing a position of long-term sustainability.

## Long Term Borrowing Strategies

### Future Loan Program and Target Ratios

Council's long term borrowing strategy focuses on reaching a debt position that provides future flexibility to use loan funds, without unduly exposing Council to a high debt burden.

There are currently no plans to undertake long term borrowings



## Rating

### Current Rating System

#### General Rate

General land is the balance of land defined by exception to the general rate. General land therefore consists of residential, commercial and agricultural properties and vacant land.

Council applies a Base Rate and an Ad Valorem rate when calculating the rate to be levied.

#### Annual Charges

Council has the power to levy a service rate or service charge or combination service rate and charge to fund the provision of water supply, sewerage or waste services. Council need not necessarily use property value as the basis for levying a service rate or charge and could use some other criteria.

The most commonly used service rate or charge is that used to defray the cost of water/sewer supply and waste collection/recycling.

### Sustainability

#### Introduction

An emerging issue for all councils is long term sustainability. In 2006, Pricewaterhouse Coopers (PwC) undertook a nationwide study into the sustainability of local government, entitled: Working for a Sustainable Future – National Financial Sustainability of Local Government. This work complemented work previously undertaken by the Municipal Association of Australia and raised a number of issues and recommendations. Council acknowledges the findings of the report and when comparing its ratios with those noted in the report, it is considered to be in a sustainable position.

#### Indicators

The indicators of councils with financial sustainability issues include:

- minimal (or negative) revenue growth
- cost growth which has exceeded revenue growth
- increasing involvement in non-core service provision
- Councils that run operating deficits, creating a need to defer or under spend on renewal of infrastructure.
- Infrastructure backlogs that are difficult to identify and estimate.

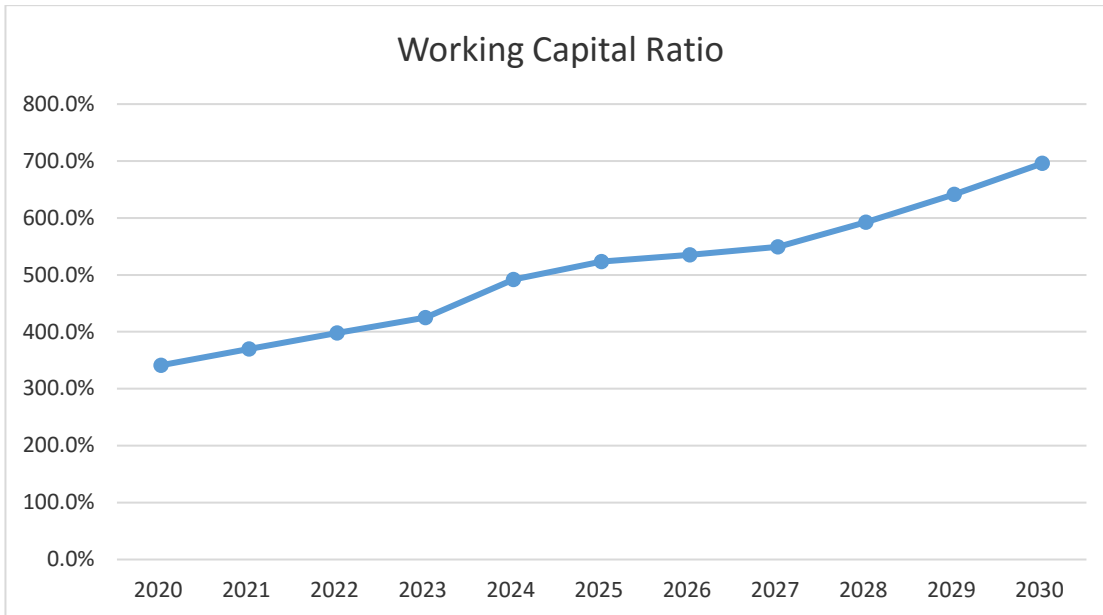
Council's LTFP addresses these issues by ensuring that revenue grows at a rate exceeding costs and that Council does not run operating deficits in consecutive years.





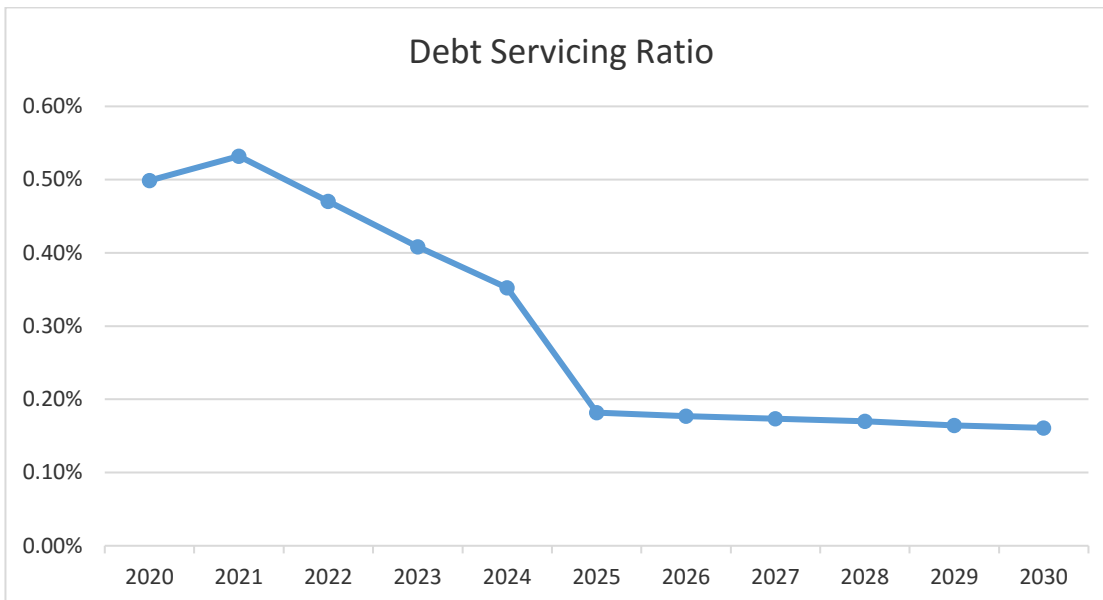
## Financial Ratio Analysis of Central Darling Shire Council

### Working Capital Ratio



A ratio of 200% is a key threshold for testing liquidity issues. Council's working capital ratio remains over this level for the life of the plan. Council does not foresee this level of liquidity having a negative effect on its current operations.

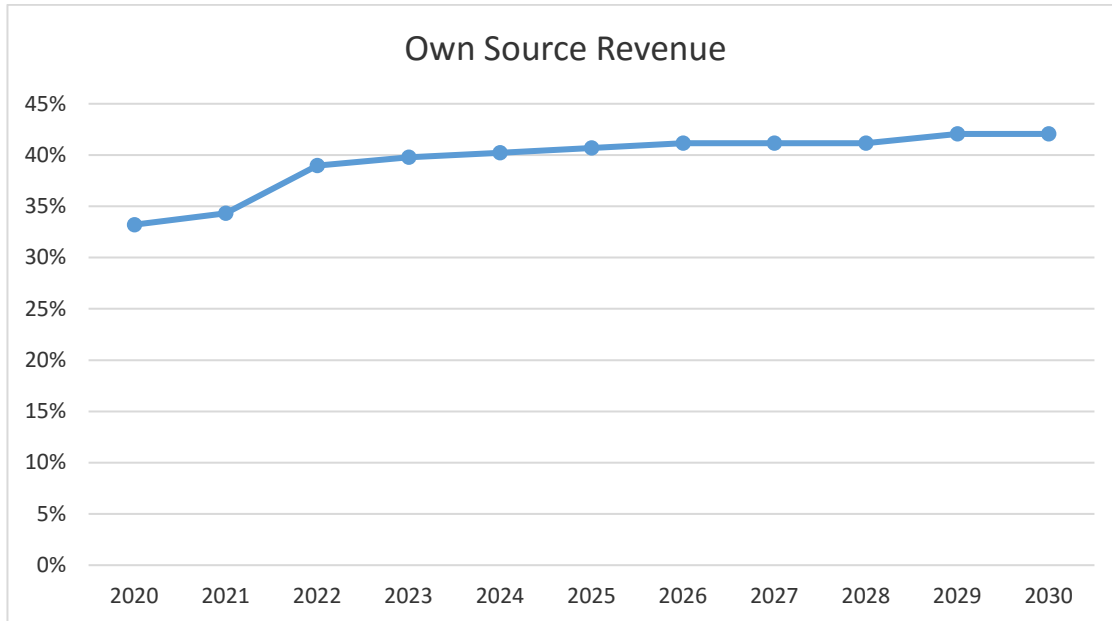
### Debt Servicing Ratio



The debt servicing ratio trends downward in line with repayments made and no overall increase in Council's leasing arrangements. As this ratio remains low there is no appreciable risk of Council not being able to fund its debt.

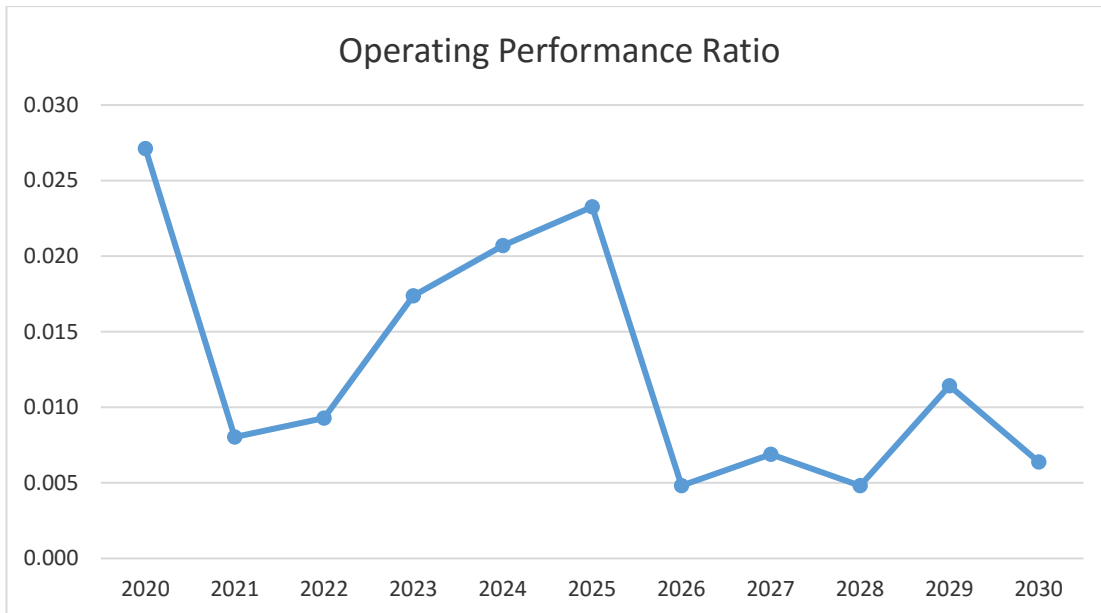


## Own Source Revenue Ratio



Council has a relatively static Own Source Revenue Ratio which reflects a number of issues including, reliance on government grants, a static population base and a reliance on RMS works to drive income other than rates and charges.

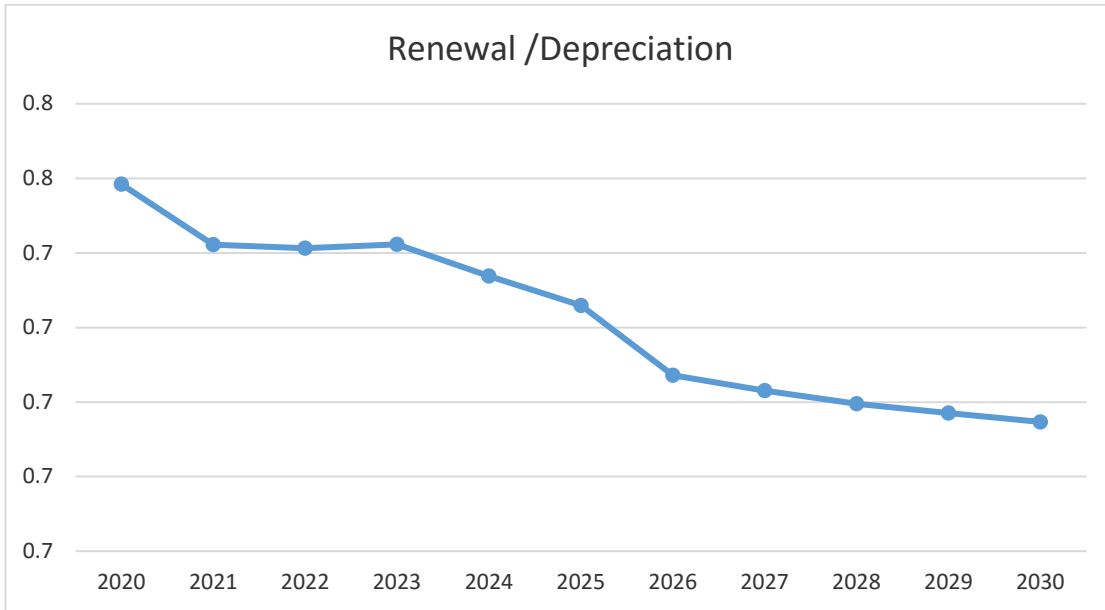
## Operating performance Ratio



The benchmark for this ratio is 0.00. Council remains above this benchmark for the life of the plan, indicating Council is committed to containing expenditure within operating revenue.



## Renewal/Depreciation Ratio



The Renewal/Depreciation Ratio compares capital expenditure on renewal to depreciation. The threshold for this ratio is 1. A ratio of less than 1 indicates that the capital being consumed in an accounting sense exceeds the capital being replaced into the asset base.

Council forecasted expenditure on renewal is adequate, however any unidentified backlog in renewal expenditure is not currently addressed in this plan.