

# *Central Darling Shire*

## LONG TERM FINANCIAL PLAN 2024-2033





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## EXECUTIVE SUMMARY

The Central Darling Shire Council's Long Term Financial Plan 2024-2033 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 rate capping predictions by IPART being 3.7%.
- Annual charges for water, sewer and waste services to increase by the rate cap each year.
- No long-term debt
- All revenue sources other than rates and annual charges to rise by inflation, except if better information is available.
- 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.
- It is proposed that 1% of the surplus on RMS works goes to a Plant Replacement Reserve

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

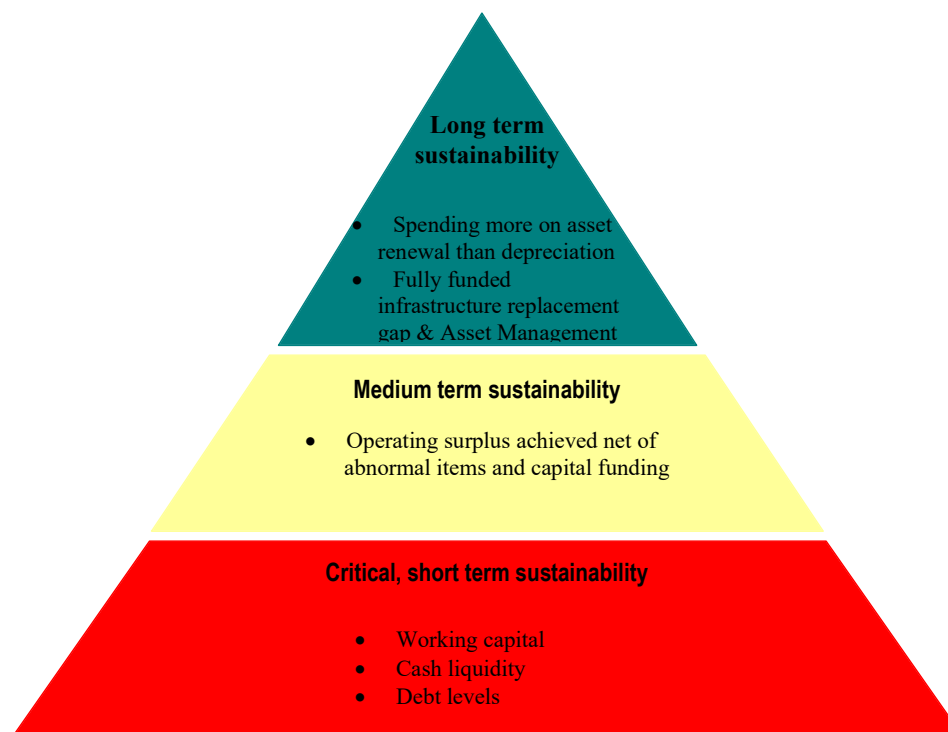
### Financial Modelling

#### 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 2024-2033 LTFP be based on the following guidelines:

- rate increases are in line with estimated IPART rate capping.
- a pricing strategy for services based on Council's preferred options for service delivery and subsidisation vs. user pays principles
- 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 cannot 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 2024 as prepared at the end of the March quarter during Council's formal budget process.

## Key Assumptions of the 10 Year Financial Model

The model is best described as a 'business as usual' scenario with a view to ensure the long-term financial sustainability of Council, and is based on the following assumptions:

- Existing service levels will be maintained.
- There will be no significant changes to the level of subsidization that existing services receive from general revenue.
- Net staff levels will remain constant in line with current service provision.
- Inflation is forecasted as follows:

2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
5.0%	2.5%	2.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

- Staff costs will increase by an average of 2% over the life of the plan.
- 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</b> <b>10 Year Financial Projections</b> <b>Summary of Key Outcomes</b>										
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	Budget									
	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Surplus (deficit) from Operations (Before Capital funding)	23,535	7,941	7,949	7,127	6,773	6,552	6,524	6,416	6,353	6,268
Underlying Surplus	21	24	214	146	(119)	(261)	(288)	(396)	(460)	(545)
Net Cashflow from Operations	27,953	11,086	11,225	10,552	11,183	11,456	11,597	11,653	11,751	11,836
Projected Capital Expenditure	28,276	13,546	10,680	9,348	9,349	9,104	9,146	9,190	9,235	9,282
Closing Cash Balance	3,727	802	881	1,619	2,987	4,874	6,859	8,857	10,907	12,994
Long Term Borrowings	-	-	-	-	-	-	-	-	-	-

Key points of note:

- A net surplus before capital funding until 2027/28 when Council will record deficits each year due to additional depreciation charges for water treatment plants and roads infrastructure
- A stable cash position.
- Responsible capital works
- No long-term borrowings.





## Income Statement Projections

The following tables show the income statement forecasted results, consolidated and for water and sewer, for 2024-33. Explanations on the major components of the statement are included below.

### Consolidated

Central Darling Shire Council Projected Consolidated Income Statement Year Ending 30 June										
	2023/24 Budget	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
INCOME	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$
<b>Rates</b>										
Residential	489	507	526	545	565	586	608	631	654	678
Farmland	373	387	401	416	431	447	464	481	499	517
Business	51	53	55	57	59	61	63	66	68	71
<b>Total Rates</b>	<b>913</b>	<b>947</b>	<b>982</b>	<b>1,018</b>	<b>1,056</b>	<b>1,095</b>	<b>1,135</b>	<b>1,177</b>	<b>1,221</b>	<b>1,266</b>
<b>Annual Charges</b>										
Water	702	727	752	778	802	822	838	855	872	889
Sewer	288	298	309	319	329	337	344	351	358	365
Waste	670	693	718	743	765	784	800	816	832	849
<b>Total Annual Charges</b>	<b>1,660</b>	<b>1,718</b>	<b>1,778</b>	<b>1,840</b>	<b>1,896</b>	<b>1,943</b>	<b>1,982</b>	<b>2,022</b>	<b>2,062</b>	<b>2,103</b>
User Charges & Fees	9,451	10,144	10,370	10,734	11,002	11,477	11,707	11,991	12,560	12,874
Interest & Investment Revenue	87	90	93	96	98	100	102	104	107	109
Other Revenues	383	408	472	534	547	561	572	584	595	607
Contributions	3,238	3,451	3,469	3,555	3,644	3,835	3,912	4,090	4,172	4,256
Operating Grants	6,597	7,792	7,932	8,288	8,438	8,591	9,117	9,404	9,646	10,063
Capital Grants	23,514	7,918	7,735	6,981	6,892	6,812	6,812	6,812	6,812	6,812
<b>Total income</b>	<b>45,842</b>	<b>32,467</b>	<b>32,831</b>	<b>33,046</b>	<b>33,573</b>	<b>34,416</b>	<b>35,341</b>	<b>36,185</b>	<b>37,175</b>	<b>38,090</b>
<b>EXPENSES</b>										
Employee Benefits	6,869	7,119	7,212	7,423	7,607	7,795	7,989	8,127	8,290	8,385
Borrowing Costs	40	39	39	39	39	39	39	39	39	39
Materials & Contracts	8,645	9,108	9,576	10,060	10,406	10,923	11,290	11,666	12,048	12,338
Depreciation	4,329	4,826	5,040	5,233	5,416	5,588	5,762	5,931	6,097	6,270
Other Expenses	2,423	3,433	3,015	3,164	3,333	3,520	3,736	4,006	4,348	4,790
<b>Total expenses</b>	<b>22,307</b>	<b>24,526</b>	<b>24,882</b>	<b>25,919</b>	<b>26,800</b>	<b>27,864</b>	<b>28,816</b>	<b>29,769</b>	<b>30,823</b>	<b>31,822</b>
<b>Surplus(deficit) from Operations</b>	<b>23,535</b>	<b>7,941</b>	<b>7,949</b>	<b>7,127</b>	<b>6,773</b>	<b>6,552</b>	<b>6,524</b>	<b>6,416</b>	<b>6,353</b>	<b>6,268</b>
<b>Less CAPITAL FUNDING</b>										
Capital Grants	23,514	7,918	7,735	6,981	6,892	6,812	6,812	6,812	6,812	6,812
Gross W.D.V. of Disposed Assets	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-	-	-	-	-
	<b>23,514</b>	<b>7,918</b>	<b>7,735</b>	<b>6,981</b>	<b>6,892</b>	<b>6,812</b>	<b>6,812</b>	<b>6,812</b>	<b>6,812</b>	<b>6,812</b>
<b>Net Surplus(deficit)</b>	<b>21</b>	<b>24</b>	<b>214</b>	<b>146</b>	<b>(119)</b>	<b>(261)</b>	<b>(288)</b>	<b>(396)</b>	<b>(460)</b>	<b>(545)</b>

### General Rates

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.

Rates are forecast to increase in line with rate capping predictions by IPART being 3.7%.

### Annual Charges

Annual charges for water, sewer and waste services to increase by the rate cap for the life of the plan.



## Government Grants

Council is in the lower range of grants received for regional centers. 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 2.5% per annum increase has been allowed for recurrent grants reflecting the nature of this revenue type.

Capital grant funding will be received to complete:

- Water Treatment Plants at White Cliffs, Wilcannia and Ivanhoe
- Sealing of the Pooncarie Road

## 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 3.5% 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 3% per annum, so given this and movements within banding levels, plus additional funded positions, a 2% average increase in total employee benefits has been factored into the Plan. This also highlights Council's continued reliance on external 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 2025 year as the new water treatment plant comes online, and the Pooncarie Road Project is completed.

## 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.

## Water Services

<b>Central Darling Shire Council</b> <b>Projected Water Income Statement</b> <b>Year Ending 30 June</b>										
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	Budget									
INCOME	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Annual Charges</b>										
Water	702	727	752	778	802	822	838	855	872	889
<b>Total Annual Charges</b>	702	727	752	778	802	822	838	855	872	889
User Charges & Fees	305	316	327	335	343	352	359	366	373	381
Interest & Investment Revenue	24	25	26	26	27	28	28	29	29	30
Capital Grants	7,000	-	-	-	-	-	-	-	-	-
<b>Total income</b>	<b>8,031</b>	<b>1,067</b>	<b>1,104</b>	<b>1,140</b>	<b>1,172</b>	<b>1,201</b>	<b>1,225</b>	<b>1,250</b>	<b>1,275</b>	<b>1,300</b>
<b>EXPENSES</b>										
Materials & Contracts	755	764	772	781	789	798	807	815	824	834
Depreciation	747	759	770	782	793	805	817	829	842	855
<b>Total expenses</b>	<b>1,503</b>	<b>1,522</b>	<b>1,542</b>	<b>1,562</b>	<b>1,582</b>	<b>1,603</b>	<b>1,624</b>	<b>1,645</b>	<b>1,666</b>	<b>1,688</b>
<b>Surplus(deficit) from Operation</b>	<b>6,528</b>	<b>(455)</b>	<b>(438)</b>	<b>(423)</b>	<b>(410)</b>	<b>(402)</b>	<b>(399)</b>	<b>(395)</b>	<b>(392)</b>	<b>(388)</b>
Less CAPITAL FUNDING										
Capital Grants	7,000	-	-	-	-	-	-	-	-	-
	<b>7,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Surplus(deficit)</b>	<b>(472)</b>	<b>(455)</b>	<b>(438)</b>	<b>(423)</b>	<b>(410)</b>	<b>(402)</b>	<b>(399)</b>	<b>(395)</b>	<b>(392)</b>	<b>(388)</b>

## 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. However, this method is the most commonly used, council therefore, applies an annual charge based on property values.

The annual charge for water increases by the rate cap for the life of the plan.

## Government Grants

Represent capital grants to provide water infrastructure. The \$7.0 million to be received for the 2023-24 to fund a new water treatment plant for the White Cliffs community, and the upgrading of the water treatment plants at Wilcannia and Ivanhoe.



## 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 2022-23 year.

## Depreciation and Amortisation

The anticipated increase in depreciation for the White Cliffs water treatment plant has been factored in from the 2024-25 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 new water treatment plants, the water pricing policies of the Council prior to the 2014/15 year, and Council's decision to be conservative with any increase to the Annual Charge for Water.

## Sewer Services

Central Darling Shire Council Projected Sewer Income Statement Year Ending 30 June										
	2023/24 Budget	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$
INCOME										
Annual Charges										
Sewer	288	298	309	319	329	337	344	351	358	365
Total Annual Charges	288	298	309	319	329	337	344	351	358	365
User Charges & Fees	2	2	2	2	2	2	2	2	2	2
Interest & Investment Revenue	3	3	3	3	3	3	3	4	5	5
Operating Grants	105	107	108	110	111	113	115	117	118	120
Capital Grants	-	-	-	-	-	-	-	-	-	-
Total income	398	410	422	434	446	456	464	474	483	492
EXPENSES										
Materials & Contracts	190	192	195	198	201	204	207	210	214	217
Depreciation	83	84	85	87	88	89	90	92	93	95
Total expenses	273	276	281	285	289	293	298	302	307	311
Surplus(deficit) from Operations	125	133	141	150	157	162	166	171	177	181
Less CAPITAL FUNDING										
Capital Grants	-	-	-	-	-	-	-	-	-	-
Gross W.D.V. of Disposed Assets	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Net Surplus(deficit)	125	133	141	150	157	162	166	171	177	181



## **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. However, this method is the most commonly used, council therefore, applies an annual charge based on property values.

The annual charge for sewer increases by the rate cap for the life 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 CPI.

## **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 for the life of the plan and can be attributed to the increase in annual charges.





## Balance Sheet Projections

The following table shows the balance sheet result for 2024-2033. Explanations on the major components of the statements are included below.

Central Darling Shire Council Projected Balance Sheet As At 30 June										
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	Budget									
	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$	'000s \$
<b>ASSETS</b>										
<b>Current Assets</b>										
Cash & Cash Equivalents	3,727	781	880	1,618	2,986	4,873	6,858	8,856	10,906	12,993
Receivables and other debtors	5,497	5,384	5,407	5,436	5,470	5,496	5,523	5,555	5,840	5,771
Inventories	400	393	386	378	371	364	357	357	357	357
	<b>9,624</b>	<b>6,558</b>	<b>6,673</b>	<b>7,433</b>	<b>8,828</b>	<b>10,733</b>	<b>12,738</b>	<b>14,768</b>	<b>17,103</b>	<b>19,121</b>
<b>Non-current Assets</b>										
Investment in JO	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140
Property, plant and equipment	275,909	291,436	304,364	316,007	327,034	337,419	347,943	358,155	368,191	378,638
Accumulated Depreciation	(93,703)	(98,032)	(102,858)	(107,898)	(113,131)	(118,547)	(124,135)	(129,897)	(135,828)	(141,925)
	<b>183,346</b>	<b>194,544</b>	<b>202,646</b>	<b>209,249</b>	<b>215,042</b>	<b>220,012</b>	<b>224,948</b>	<b>229,398</b>	<b>233,503</b>	<b>237,853</b>
<b>Total assets</b>	<b>192,970</b>	<b>201,102</b>	<b>209,318</b>	<b>216,681</b>	<b>223,870</b>	<b>230,745</b>	<b>237,686</b>	<b>244,166</b>	<b>250,606</b>	<b>256,974</b>
<b>LIABILITIES</b>										
<b>Current Liabilities</b>										
Payables	993	1,075	1,215	1,437	1,667	1,886	2,163	2,208	2,264	2,333
Lease Liabilities	308	308	308	308	308	308	308	308	308	308
Income received in advance	88	88	88	88	88	88	88	88	88	88
Provisions	1,030	1,103	1,205	1,189	1,347	1,403	1,513	1,513	1,513	1,513
	<b>2,419</b>	<b>2,574</b>	<b>2,816</b>	<b>3,023</b>	<b>3,410</b>	<b>3,685</b>	<b>4,073</b>	<b>4,118</b>	<b>4,174</b>	<b>4,243</b>
<b>Non-current Liabilities</b>										
Lease liability	133	133	133	133	133	133	133	133	133	133
Provisions	700	736	763	790	819	866	896	914	946	977
	<b>833</b>	<b>869</b>	<b>896</b>	<b>923</b>	<b>952</b>	<b>999</b>	<b>1,029</b>	<b>1,047</b>	<b>1,079</b>	<b>1,110</b>
<b>Total liabilities</b>	<b>3,252</b>	<b>3,443</b>	<b>3,711</b>	<b>3,946</b>	<b>4,362</b>	<b>4,685</b>	<b>5,102</b>	<b>5,165</b>	<b>5,252</b>	<b>5,353</b>
<b>Net Assets</b>	<b>189,718</b>	<b>197,659</b>	<b>205,607</b>	<b>212,735</b>	<b>219,508</b>	<b>226,060</b>	<b>232,584</b>	<b>239,001</b>	<b>245,354</b>	<b>251,621</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.

Funds are to be allocated to two Reserves from the 2024 financial year.

- Plant Replacement Reserve
  - To be based on one percent of the pro, from the previous financial year, generated from private works and works completed for RMS. The funds to be transferred into this reserve are not to have an adverse effect on the working capital of Council. This reserve is to be used for the long-term replacement of Council plant.
- Waste Management Reserve
  - A loan was taken out during the 2013 financial year to fund the purchase of three garbage trucks and other operational expenditure. The loan was with the Westpac Banking Corporation and the loan balance as at the year ended 30 June 2013 was \$1,249,000. Council had been paying interest and principal payments of \$13,750 per month to service the loan for the garbage trucks. These payments were being funded by the Annual Charge levied for waste management. Council will now allocate these funds, into a waste reserve for the future funding for various waste management projects.

## **Key Information Relayed by Statement**

The Balance Sheet highlights a number of key points:

- Council has paid out its long term loan.
- 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

Central Darling Shire Council Cashflow Projections Year Ending 30 June										
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	Budget									
	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cash Flows from Operating Activities</b>										
<b>Receipts</b>										
Rates & Annual Charges	2,312	2,132	2,208	2,287	2,361	2,430	2,494	2,559	2,626	2,696
User Charges & Fees	7,561	10,042	10,266	10,627	10,892	11,363	11,590	11,871	12,434	12,745
Investment and interest Revenue Received	87	90	93	96	98	100	102	104	107	109
Grants & Contributions	33,350	18,202	18,179	17,883	18,026	19,239	19,842	20,307	20,631	21,131
<b>Payments</b>										
Employee Benefits & Oncosts	(6,869)	(7,325)	(7,418)	(7,629)	(7,813)	(7,795)	(7,989)	(8,127)	(8,290)	(8,385)
Materials and Contracts	(8,472)	(12,040)	(12,087)	(12,695)	(12,365)	(13,864)	(14,426)	(15,045)	(15,740)	(16,443)
Borrowing Costs	(15)	(15)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)
<b>Cashflow from Operations</b>	<b>27,953</b>	<b>11,086</b>	<b>11,225</b>	<b>10,552</b>	<b>11,183</b>	<b>11,456</b>	<b>11,597</b>	<b>11,653</b>	<b>11,751</b>	<b>11,836</b>
<b>Cash Flows from Investing Activities</b>										
<b>Receipts</b>										
Proceeds from sale of non-current assets	-	-	-	-	-	-	-	-	-	-
<b>Payments</b>										
Purchase of Assets	(28,276)	(13,546)	(10,680)	(9,348)	(9,349)	(9,104)	(9,146)	(9,190)	(9,235)	(9,282)
<b>Cashflow from investing activities</b>	<b>(28,276)</b>	<b>(13,546)</b>	<b>(10,680)</b>	<b>(9,348)</b>	<b>(9,349)</b>	<b>(9,104)</b>	<b>(9,146)</b>	<b>(9,190)</b>	<b>(9,235)</b>	<b>(9,282)</b>
<b>Cash Flows from Financing Activities</b>										
<b>Payments</b>										
Leasing payments	(450)	(466)	(466)	(466)	(466)	(466)	(466)	(466)	(466)	(466)
<b>Cashflow from financing activities</b>	<b>(450)</b>	<b>(466)</b>	<b>(466)</b>	<b>(466)</b>	<b>(466)</b>	<b>(466)</b>	<b>(466)</b>	<b>(466)</b>	<b>(466)</b>	<b>(466)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(773)</b>	<b>(2,925)</b>	<b>80</b>	<b>738</b>	<b>1,368</b>	<b>1,886</b>	<b>1,985</b>	<b>1,998</b>	<b>2,050</b>	<b>2,087</b>
<b>Plus Cash and Cash Equivalents - Beginning of Year</b>	<b>4,500</b>	<b>3,727</b>	<b>802</b>	<b>881</b>	<b>1,619</b>	<b>2,987</b>	<b>4,874</b>	<b>6,859</b>	<b>8,857</b>	<b>10,907</b>
<b>Plus Cash and Cash Equivalents - End of Year</b>	<b>3,727</b>	<b>802</b>	<b>881</b>	<b>1,619</b>	<b>2,987</b>	<b>4,874</b>	<b>6,859</b>	<b>8,857</b>	<b>10,907</b>	<b>12,994</b>
Less Employee Provisions	(1,030)	(1,103)	(1,205)	(1,189)	(1,347)	(1,603)	(1,543)	(1,513)	(1,513)	(1,513)
Less Tip Rehabilitation:	(700)	(736)	(763)	(790)	(819)	(866)	(896)	(914)	(946)	(977)
<b>Available cash reserves</b>	<b>1,997</b>	<b>(1,038)</b>	<b>(1,086)</b>	<b>(361)</b>	<b>822</b>	<b>2,405</b>	<b>4,420</b>	<b>6,429</b>	<b>8,448</b>	<b>10,504</b>

## Key Information Relayed by this Statement

The cash flow statement shows Council's cash reserves fluctuate throughout the life of the plan. Highlighting Council's reliance on grant funding and RMS works.

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 now be funded.



## 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 2024-2033, based on Council's activities.

<b>Central Darling Shire Council Projected Capital Works Program As At 30 June</b>										
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
<b>Capital Works Program</b>	<b>Budget</b>									
	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Renewal</b>										
Roads	4,050	3,645	3,281	2,952	2,657	2,391	2,391	2,391	2,391	2,391
Water Infrastructure	300	100	603	621	640	659	679	699	720	742
Sewer Infrastructure	-	60	60	60	60	60	60	60	60	60
Outdoor Infrastructure	461	231	115	58	375	375	375	375	375	375
Buildings	246	250	263	276	289	200	200	200	200	200
Stormwater Management	75	75	75	79	75	75	75	75	75	75
Swimming Pools	-	-	120	120	50	50	50	50	50	50
Waste Management	-	120	80	80	80	150	150	150	150	150
<b>Total Renewal</b>	<b>5,132</b>	<b>4,481</b>	<b>4,596</b>	<b>4,246</b>	<b>4,226</b>	<b>3,960</b>	<b>3,980</b>	<b>4,001</b>	<b>4,021</b>	<b>4,043</b>
<b>New Assets</b>										
Water Infrastructure	50	-	-	-	-	-	-	-	-	-
Sewer Infrastructure	-	-	-	-	-	-	-	-	-	-
Stormwater Management	90									
Outdoor Infrastructure	1,239	400	400	400	400	400	400	400	400	400
Buildings	665	365	383	402	423	444	466	489	514	539
Plant	1,000	300	300	300	300	300	300	300	300	300
Capital Grant Matching Fund	-	-	-	-	-	-	-	-	-	-
<b>Total Asset Expansion</b>	<b>3,044</b>	<b>1,065</b>	<b>1,083</b>	<b>1,102</b>	<b>1,123</b>	<b>1,144</b>	<b>1,166</b>	<b>1,189</b>	<b>1,214</b>	<b>1,239</b>
<b>Upgrade Assets</b>										
Outdoor Infrastructure	-									
Water Infrastructure	7,000									
Roads	13,100	8,000	5,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
<b>Total Upgrade</b>	<b>20,100</b>	<b>8,000</b>	<b>5,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>
<b>Total</b>	<b>28,276</b>	<b>13,546</b>	<b>10,680</b>	<b>9,348</b>	<b>9,349</b>	<b>9,104</b>	<b>9,146</b>	<b>9,190</b>	<b>9,235</b>	<b>9,282</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.



## 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>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>2030/31</b>	<b>2031/32</b>	<b>2032/33</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>External</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Grants	23,514	7,918	7,735	6,981	6,892	6,812	6,812	6,812	6,812	6,812
Contributions	3,238	3,351	3,469	3,555	3,644	3,735	3,810	3,886	3,964	4,043
<b>Total External</b>	<b>26,752</b>	<b>11,269</b>	<b>11,204</b>	<b>10,536</b>	<b>10,536</b>	<b>10,548</b>	<b>10,622</b>	<b>10,699</b>	<b>10,776</b>	<b>10,856</b>
<b>Internal</b>										
Accumulated Funds	2,094	1,218	835	850	508	226	172	117	62	6
<b>Total Internal</b>	<b>2,094</b>	<b>1,218</b>	<b>835</b>	<b>850</b>	<b>508</b>	<b>226</b>	<b>172</b>	<b>117</b>	<b>62</b>	<b>6</b>
<b>TOTAL</b>	<b>28,846</b>	<b>12,487</b>	<b>12,039</b>	<b>11,386</b>	<b>11,044</b>	<b>10,774</b>	<b>10,794</b>	<b>10,816</b>	<b>10,838</b>	<b>10,862</b>

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

## Long Term Borrowing Strategies

There are currently no plans to undertake long term borrowings

## Other Scenarios

Council's small rate base, limited ability to generate revenue and the reliance on government funding somewhat limits the influence Council can exert on its financial plan, when you consider the main financial aim of Central Darling Shire Council is to remain financially sustainable in the long-term. However, council management did model a number of different scenarios with a view to relieving some financial stress to its residents particularly in the area of provision of water services.





## **Risks to The Financial Plan**

Long term financial plans have a level of uncertainty as they are based on a number of assumptions that relate to income, expenditure, capital works and population growth. Some of these assumptions have a relatively minor impact if incorrect; others may have a major impact on future financial plans. By assessing risks associated with assumptions made within the plan, sensitivity scenarios can be considered. The LTFP is updated annually to ensure the assumptions and projections are based upon the latest information.

## **Changes in Economic Conditions**

Changes in inflation will impact revenue and expenditure.

## **Changes in Employee Costs and Liability Conditions**

Forecast employee costs have been adjusted to reflect any identified changes in staff numbers, as well as growth in staff numbers required to satisfy increased service levels. Council re-calculates its provision for leave entitlements on an annual basis. Over the past several years Council's provisions for employee leave entitlements have increased significantly. This is mainly due to Council having a relatively small workforce, which limits the ability to backfill positions as staff take leave. It is predicted that this liability will continue to increase, and may not be able to be funded in the future.

## **Rate Pegging**

Changes in rate pegging will impact revenue forecasts however rate pegging is aligned with the CPI (rate pegging is aligned to the Local Government Cost Index development by IPART each year) therefore any fluctuation in rate pegging will have the opposite effect on the expected expenditure forecast

## **Grant Funding**

Due Council's limited ability to generate its own revenue there is a reliance on government grants to fund Council operations. Any significant reduction in unrestricted government funding would seriously affect the operations of Council.

Further to this, the provision of capital funding for major works, will place pressure on future year budgets as Council will need to fund maintenance and depreciation out of its own source revenue.

## **Loss of Road Maintenance Contracts**

Council is able to generate income from the provision of roads maintenance services to RMS. Loss of these contracts would affect council's sustainability.

## **Conditions of Infrastructure Assets and Aging**

The identified shortfall in infrastructure renewal expenditure and a substantial backlog in infrastructure spending is a major issue facing local government.

The development of asset management plans has confirmed that Council's infrastructure continues to deteriorate, and that current levels of maintenance and renewal fall short of that required to maintain some assets in a satisfactory condition. This infrastructure challenge may place pressure on Council's ability to remain financially sustainable in the long term.



## Landfill Rehabilitation

Council owns a number of landfill sites. These landfill sites will need to be rehabilitated sometime in the future. Council has maintained a provision for landfill rehabilitation, but as future costs are difficult to estimate, there is a risk that Council's current provision may not be adequate.

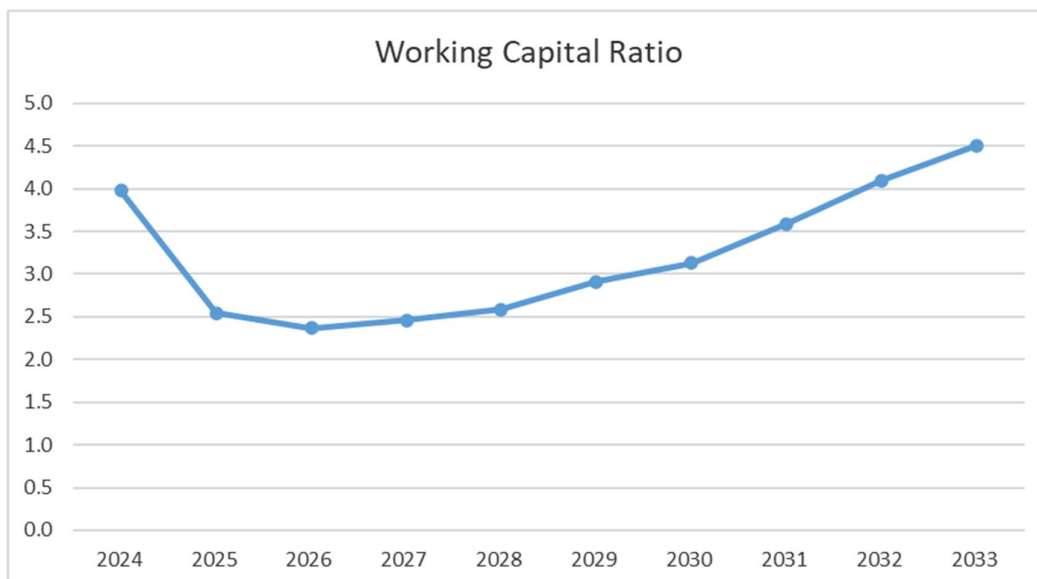
## COVID-19

At the time of preparing this Long-Term Financial Plan the financial impacts of the COVID-19 pandemic are being felt across the whole community. Council is not immune to these financial impacts and it is expected that the financial impact will continue. Due to the long-term nature of this document, it remains drafted on the basis of "business as usual". This provides the necessary alignment with the draft 2023-2024 budget which has also been prepared on a "business as usual" approach. When the full length and financial consequence of COVID-19 is better understood any direct impacts will be factored into an amended Long Term Financial Plan or as part of the next iteration of this document.

## Financial Ratio Analysis of Central Darling Shire Council

It is important that Council regularly assesses its financial performance and position against the projections contained in the LTFP. The planned model has been developed so that its implementation will meet a set of financial indicators:

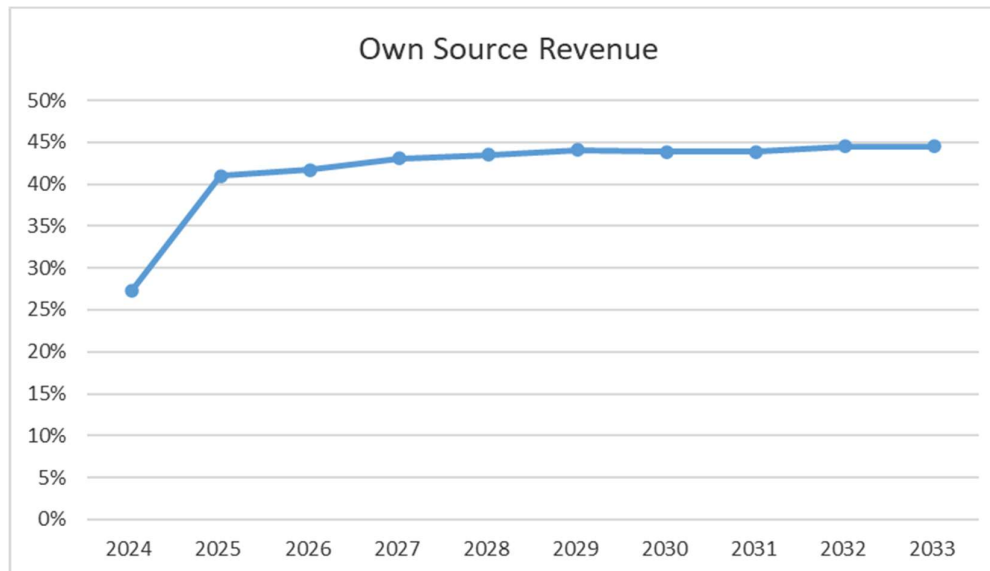
### Working Capital Ratio



This ratio measures Council's ability to pay its debts as they fall due. A ratio of 1.5 is a key threshold for testing liquidity issues, and is the benchmark set by the Local Government Accounting Code for NSW. Council's working capital ratio remains above this level for the life of the plan. This ratio may be influenced by any external restrictions placed on Council funds.

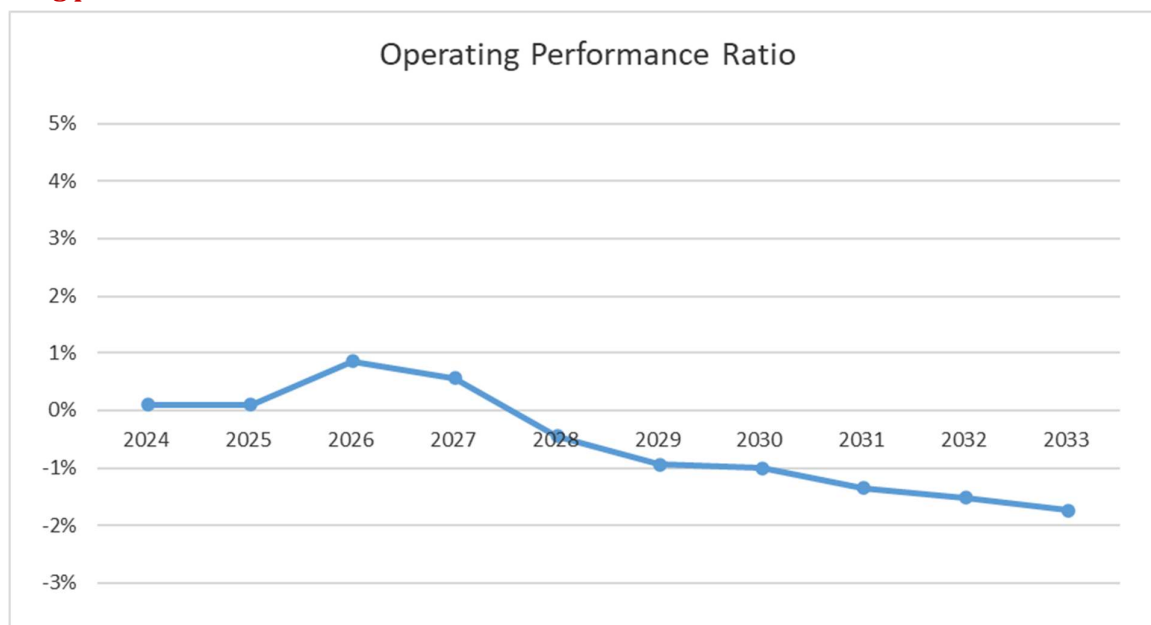


## Own Source Revenue Ratio



This ratio shows the degree of reliance on external funding sources such as operating grants and contributions and its ability to generate own-source revenue. The benchmark for this ratio is >60% . Apart from year 2024 when a number of large grants are expected to be received, 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.

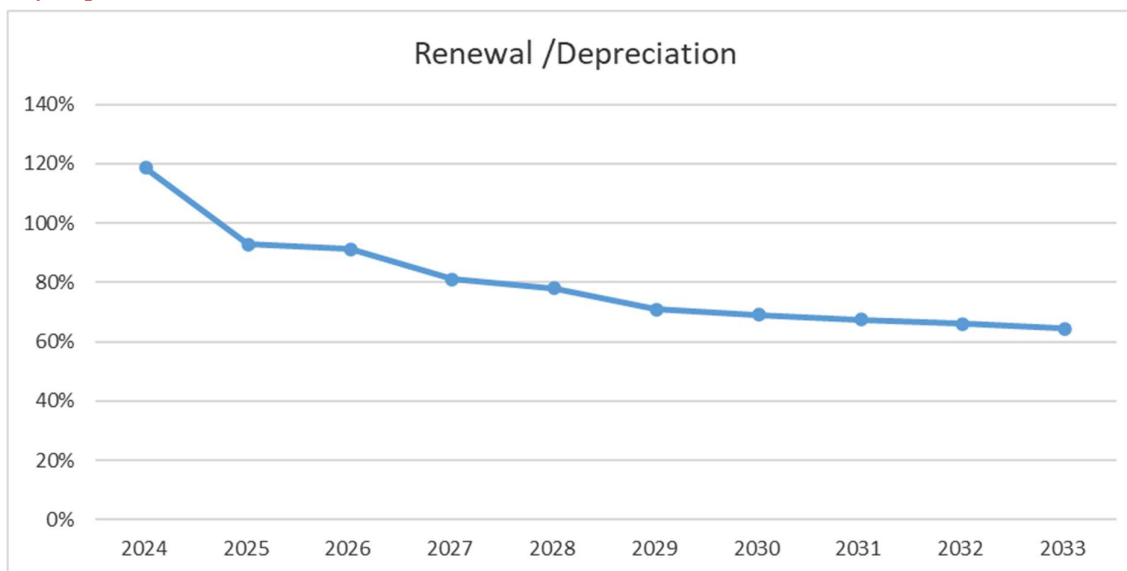
## Operating performance Ratio





This ratio indicates Council's ability to contain operating expenditure within operating revenue. The benchmark for this ratio is 0.00. Council falls below this benchmark from 2028 due to additional depreciation charges for water treatment plants and roads infrastructure.

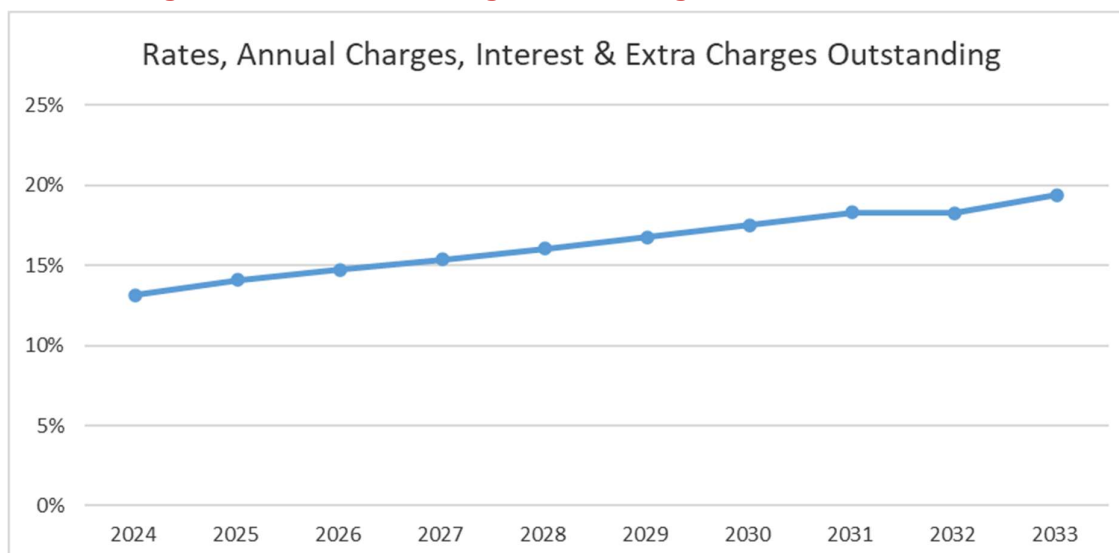
## Renewal/Depreciation Ratio



The Renewal/Depreciation Ratio compares capital expenditure on renewal to depreciation. The threshold for this ratio is 100%. A ratio of less than 100% 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.

## Rates, Annual Charges, Interest & Extra Charges Outstanding

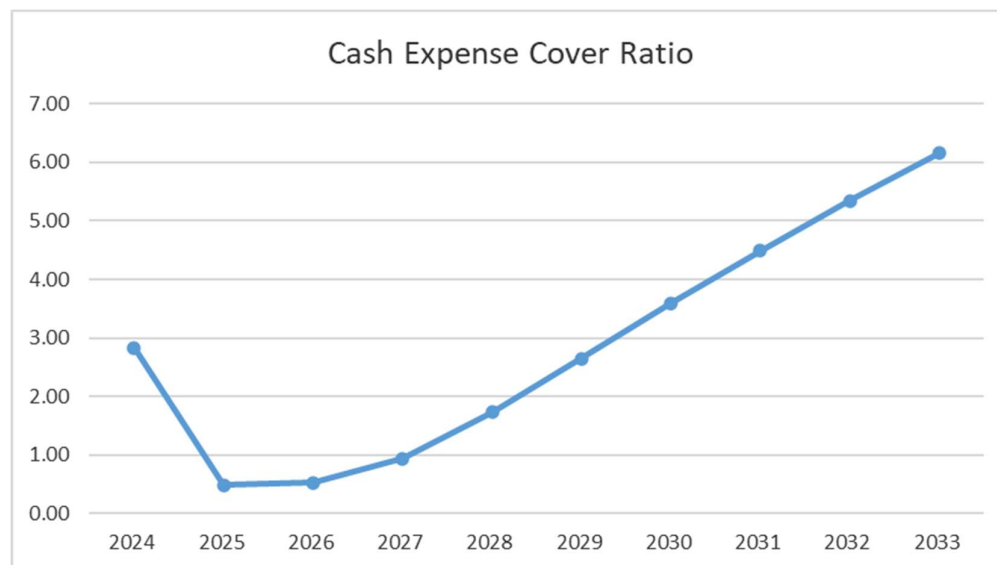




The rates and annual charges outstanding percentage is a measure of the impact of uncollected rates and annual charges on liquidity and the adequacy of recovery efforts. The benchmark for this ratio is <5%. The ratio indicates Council's ongoing issues with debt recovery due to a number of economic factors associated with smaller councils.

## Cash Expense Cover Ratio

This ratio shows the number of months Council can continue to pay its immediate expenses without additional cashflow. The benchmark for this ratio is >3 months. Council remains below this benchmark for the life of the plan, which is not unusual for a Council that has a small rate base.



## Ongoing Performance Measurement

The annual budgets are set to meet the financial indicator benchmarks. Consequently, budget control and monitoring is paramount for Council achieving the outcomes of this plan. Budgets are monitored internally via Quarterly Budget Reviews.

## Conclusion

In the past Council has endured a number of financial difficulties, but with responsible financial management and strong leadership a clear plan for the ongoing financial stability has been developed.

The Council will continue to operate within the principle of a balanced budget and strive to provide excellent services to its community.