



# **LONG TERM FINANCIAL PLAN 2022-2031**

**BROKEN HILL**  
CITY COUNCIL

**AUSTRALIA'S FIRST  
HERITAGE LISTED CITY**

### QUALITY CONTROL

KEY DIRECTION	4. Our Leadership		
OBJECTIVE	4.1 Openness and transparency in decision making		
STRATEGY	4.1.1 Support the organisation to operate within its legal framework		
FUNCTION	Financial Management		
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# INTRODUCTION

## MESSAGE FROM YOUR MAYOR

The 2021-22 financial year will see Council make some adjustments to its Long Term Financial Plan to ensure we remain financially viable well into the future

Although the impact of COVID-19 on Council's finances were significant, Council moved quickly to adjust our services accordingly to try and limit the financial impact

As a result, Council is now entering a period where our services and finances are beginning to return to a semblance of normality.

We remain committed to returning to surplus in 2023 and continuing to find internal efficiencies and more cost-effective methods of service delivery.

Council's historical underspend of \$43 million on infrastructure renewal remains an issue however and will need to stay at the forefront of Council's financial planning.

Ongoing reviews of assets have unearthed significant costs required to renew and maintain ageing plant, buildings, and other infrastructure at a level that outpaces their deterioration.

In the long term, Council will not be able to maintain its vast assets at an acceptable level, and asset rationalisation will need to be considered if we wish to avoid significant financial hardship.



In the meantime we will continue to push ahead with delivering millions of dollars in roads, footpaths, public amenities, and other major projects.

Our commitment to increased spending on improving the city's liveability will provide a boost to the economy and bolster our ability to attract and retain individuals and families who move to the region for employment.

This will in turn help prevent or reverse population decline and provide stability and security to grow our city and consolidate our financial position.

Mayor Darriea Turley AM



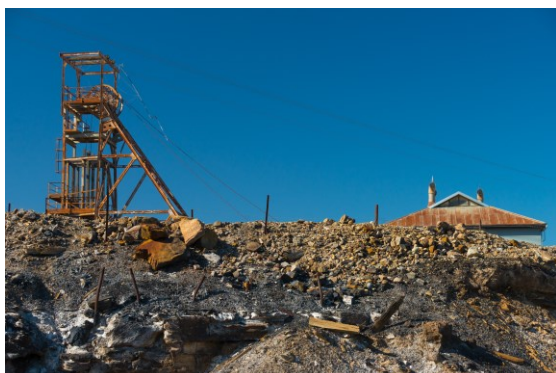
# OVERVIEW

A Long Term Financial Plan (LTFP) is one of the three key Resourcing Strategies required by the NSW Integrated Planning and Reporting legislation. Local Government operations are vital to its community and it is important stakeholders can understand the financial implications arising from its Community Strategic Plan, Delivery Program and annual Operational Plan.

The Integrated Planning and Reporting Guidelines support preparation of the LTFP for Local Government in NSW issued by the Division of Local Government.

The LTFP includes:

- Projected income and expenditure.
- Balance sheet.
- Cash flow statement.
- Planning assumptions used to develop the plan.
- Sensitivity analysis used to highlight factors most likely to affect the plan.
- Financial modelling for different scenarios.
- Methods of monitoring financial performance.



The LTFP contains a core set of assumptions. These assumptions are based on Consumer Price Index (CPI) forecasts, interest rate expectations, employee award increases, loan repayment schedules and other special income and costs.

Broken Hill City Council's revised LTFP covers the period 2021/22 to 2030/31. It recognises Council's current and future financial capacity, to continue delivering high quality services, facilities and infrastructure to the community, while commencing new initiatives and projects to achieve the goals set down in the Broken Hill 2033 Community Strategic Plan.

The LTFP was first adopted 25 June 2014.

Financial planning over a 10-year time horizon is difficult and relies on a variety of assumptions that will undoubtedly change during the period. The LTFP is therefore closely monitored and regularly revised, to reflect these changing circumstances.

This revision takes into consideration a number of significant decisions which have been implemented to improve Council's financial sustainability over the past year.

A number of scenarios and sensitivities were considered during the development of the LTFP to demonstrate Council's sensitivity to internal and external drivers.

**"The Long Term Financial Plan is the point where long-term community aspirations and goals are tested against financial realities."**

**DLG Manual, 2013**

The aims of Council's LTFP are to:

- Set out the assumptions upon which Council's Financial Plans and budgets have been structured.
- Identify the Key Performance Indicators upon which Council can benchmark its financial performance.
- Set the framework so that the impact of future policy decisions can be identified.
- Evaluate the impact of future scenarios upon Council's financial position.
- Provide a basis for future informed decision making.
- Identify issues which impact upon the financial sustainability of Council, including known opportunities and threats.

Achieve a balanced budget on a funding basis over time, acknowledging that efficient service delivery and urgent asset renewal are current priorities where working fund deficits are forecast.

- Seek to reduce the current working fund deficits, by reducing operating costs in real terms, or expanding the revenue base of Council.



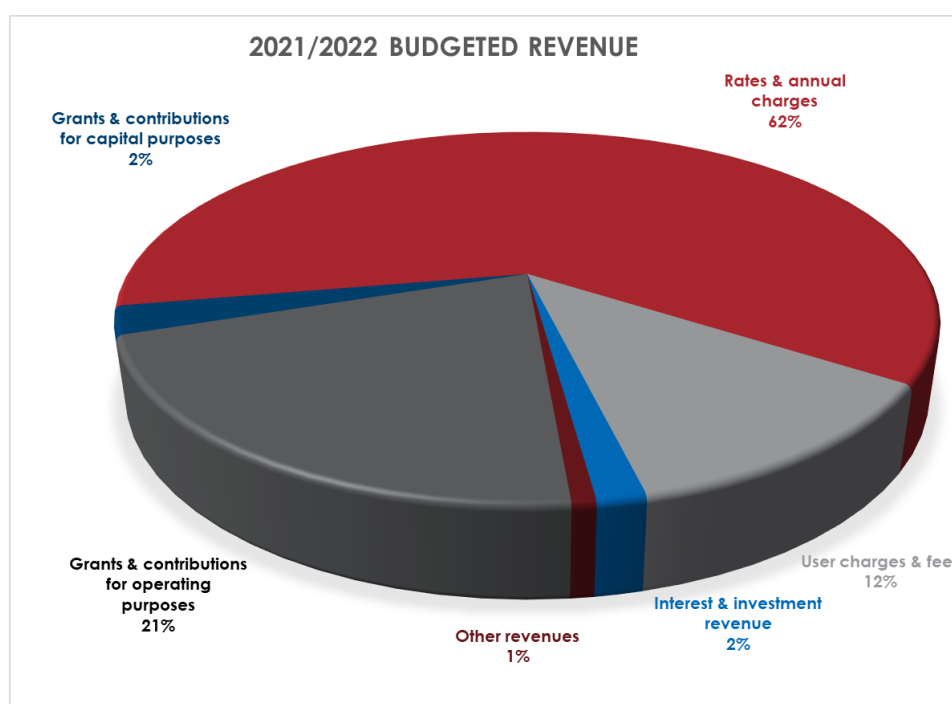
# FINANCIAL POSITION

Council faces a number of challenges in terms of financial sustainability. Our Council administers the largest regional centre in the western half of New South Wales.

As per the 2019 NSW Population Projection, the population of the Far West Region is projected to decrease by 25% between 2016 and 2041.

As a result, the Broken Hill Local Government Area's population is forecast to decrease from 18,100 in 2016 to 13,650 in 2041. This population decline puts pressure on the affordability of services by the ratepayers.

Council currently operates on an annual income of around \$30 million, with a substantial percentage being derived from government grants which cannot be guaranteed into the future. The graph below shows sources of income.



In 2013, the Division of Local Government appointed New South Wales Treasury Corporation (TCorp) to undertake an assessment of the financial sustainability of all New South Wales councils.

The report by TCorp, which considered both historic financial information and a 10-year financial forecast, determined Council to be in a very unstable financial position and unsustainable.

Overall, the financial sustainability of Council was assessed as 'Very Weak'. A rating of 'Very Weak' was given to only five New South Wales councils and can be described as follows:

- A Local Government with limited capacity to meet its financial

commitments in the short to medium term and a very limited capacity long term.

- It has a record of reporting significant operating deficits. It is highly unlikely to be able to address its operating deficits, manage unforeseen financial shocks and any adverse changes in its business without the need for structural reform and major revenue and/or expense adjustments.
- The expense adjustments are likely to result in significant changes to the range of and/or quality of services offered and it may need the assistance from higher levels of government.

- It has difficulty in managing its core business risks.

Council has since achieved significant improvement and taken steps in the right direction towards becoming financially sustainable. Since Council received the report, it has undertaken the following key actions.

Council undertook a major review of its 10-year LTFP in FY2015, with the aim to guide Council towards achieving a balanced budget, through cost reduction strategies, whilst prioritising service delivery and asset renewals.

In December 2014, Council resolved to cease operations of a financially unsustainable aged care facility – the Shorty O'Neil Village. In October 2016, Council successfully transitioned out of community services avoiding the loss of block funding by the introduction of the National Disability Insurance Scheme (NDIS).

In November 2016, the Office of Local Government initiated a review of all western councils, with the view to reassess their ongoing financial sustainability.

Due to the actions taken since the initial review in 2013 and the significant improvements made, TCorp have made the assessment that Council now has a Financial Sustainability Ratio of 'Weak' with an outlook of positive, with further improvements likely based on key planning assumptions.

A rating of 'Weak' can be described as follows:

- A local government with acceptable capacity to meet its financial commitments in the short to medium term and a limited capacity in the long term.
- It has a record of reporting moderate to significant operating deficits with a recent operating deficit being significant. It is unlikely to be able to

address its operating deficits, manage unforeseen financial shocks and any adverse changes in its business, without the need for significant revenue and/or expense adjustments.

- The expense adjustments would result in significant changes to the range and/or quality of services offered.
- It may experience difficulty in managing core business risks.

Whilst this has been a significant improvement, Council still has a lot of hard work and tough decisions ahead of it before it can be deemed financially sustainable in the long-term.

The effects of the COVID-19 pandemic have tested much of the terminology described above and proven true that Council must adjust its services as a result of unforeseen financial shocks.

Council must now review its service levels with the community and understand the priority areas and not only the capacity, but the desire of paying for these services.

The strength of Local Government is important when considering the quality of life for residents within a community and our community cannot afford major revenue adjustments in the form of high rating increases, for the purpose of balancing the bottom line. It is therefore important that we only spend what we can afford; what our community can afford.

Local Government decisions impact not only the current generation but the next. In order to ensure services and infrastructure adapt to the changing needs of our generations, we must ensure our financial position and our asset management practices are strong.

It is clear that in order to continue to meet the needs of current and future residents of Broken Hill; that Council must address financial and ongoing asset sustainability.



# FINANCIAL IMPACTS OF THE COVID-19 PANDEMIC

The COVID-19 (novel coronavirus) pandemic is an unprecedented public health crisis which has fast tracked an associated economic crisis. Short term unemployment rose significantly, with job losses impacting many sectors across our community such as accommodation and food services, retail trade, arts and recreation services, education services, construction and professional services. With a long term projected decline in population for Broken Hill, it was feared further job losses may hasten any decline, unless focussed stimulus was implemented and received.

To date the broader financial implications of the pandemic have been severe. The City of Broken Hill has not been immune to these impacts and has sustained a significant financial impact from this crisis. Major projected and actual impacts include additional operational costs as the Council increased cleaning and maintenance regimes and losses in revenue as the local community and wider economy were impacted.

Prolonged and reoccurring closures/restrictions of the City's community facilities, such as the Broken Hill Regional Art Gallery, Aquatic Centre and other community centres, have also resulted in a reduction in revenue and visitation, and the City now needs to rebuild from this base.

A range of initiatives designed to alleviate financial pressure on small businesses across the City were presented to Council in March 2020. They included a revised procurement policy to favour local businesses, a freeze on overdue interest and a freeze on debt recovery until 31 December 2020.

To reduce the threat to its own operations Council initially closed customer-facing facilities, expanded online service alternatives, discouraged non-essential staff travel and encouraged staff to work from home where possible to reduce risk of infection both in the workplace and the wider community.

By late September 2020, the pandemic had mostly eased in regional NSW and Council has been able to gradually ease restrictions on facilities after implementing COVID-19 Safety plans and greatly increased safety measures.

The major financial impacts over the past two financial years have resulted in:

- Reduction in revenue from user fees and charges and investment income
- Reduction in revenue for capital grants due to COVID -19 related delays in capital projects.
- Increased maintenance and cleaning expenditure partly offset by reductions in staff training and travel expenses.

In last year's LTFP, Council had budgeted for a return to pre-COVID conditions for revenue and expenditure assumptions for the 2022 Financial year. Australia is now operating in an environment of what is considered 'COVID Normal' and these assumptions remain true.

Council is beginning to see an uplift in revenue generation and the City has experienced a tourism boom over the past 6 months.

Council's foresight in taking advantage of T-Corp's lending opportunity to safeguard Council's workforce and stimulate the local economy through major liveability and amenity improvement projects will be finalised in the upcoming financial year to further sustain the long term growth of the City as well as renewing core infrastructure.

# FINANCIAL PRINCIPLES AND ASSUMPTIONS

Broken Hill City Council remains committed to operating within a financially sustainable framework, to ensure that its community and other stakeholders can rely upon the ongoing provision of a full and diverse range of quality community services, facilities and infrastructure.

The Council plans to maintain its financial position and performance, to ensure resilience and maintain capacity to adapt and respond to emerging community needs in a measured and equitable manner.

The following are the key principles employed in the financial planning and modelling process:

- Financially sustainable.
- Maintain diversity of income sources.
- Return the Council to surplus in a sustainable manner.
- Maintain tight control over expenditure and staff numbers.
- Deliver best value services, facilities and infrastructure.
- Effective and efficient utilisation of funding sources to fund capital works and asset acquisitions.
- Prudent financial investment.
- Consider appropriate use of debt for capital purposes.

The Long Term Financial Plan continues the Council's commitment to maintain tight control over its financial position and performance, an achievement that has been continually demonstrated through reducing the annual operating deficit.

The funds generated from operations are used to maintain current services and programs and to fund delivery of the Council's capital renewal program, however, the suitability of utilising debt should be considered for appropriate projects and initiatives.

The Operational Plan and forward projections have been set to allow for the delivery of appropriate levels of service, incorporating asset rationalisation and to adequately allow for all known and anticipated changes over the coming ten-year period.

Unexpected cost pressures will always arise (as evidenced by the COVID-19

pandemic), along with increasing service demands. However, in responding to these challenges, the Council will continue to underpin its quality of services with a value for money approach through competitive procurement processes, internal controls and the completion of business improvement programs, incorporating customer feedback; to ensure effectiveness and efficiency.

For the 'Balanced Scenario' of the long term financial model, revenue and expenditure projections are generally based on stable overall cost increases of 2-3% per annum, conservatively reflecting the upper end of recent trends in CPI movements and wages growth. Elements of revenue and expenditure that are subject to wider fluctuation have been modelled accordingly (refer to Assumptions). For this plan, ongoing Covid-19 impacts such as enhanced cleaning and compliance with health regulations have been incorporated into both to the proposed 'Balanced Scenario' and alternate scenarios.

As noted above, the annual operational budget plans for a reducing deficit with a surplus planned for in 2023, which, combined with the Council's interest earnings and capital contributions, provide funding for ongoing capital works projects and programs that are designed and constructed to provide Broken Hill with renewed and revitalised infrastructure.

The Council will continue to prudently manage its cash reserves and investments, to ensure that appropriate financial reserves are available to meet the Council's liabilities and commitments, as they fall due and manage cash flow demands to ensure responsible financial management control.

While externally restricted reserves will be maintained in accordance with legislative requirements, several internally restricted reserves are used to ensure that funds are set aside to directly support capital commitments of the Council.

The Council closely monitors its financial performance and publishes several key financial indicators within its quarterly budget reviews, to demonstrate its financial health and sustainability.

# ASSUMPTIONS

The Council's 2021/22 financial year budgets (as detailed in the Operational Plan and included in the attached plan) form the basis of the financial projections within the Long Term Financial Plan. While relevant adjustments have been made in the plan's short to medium term, in respect of the impact of the COVID-19 pandemic, the underlying Income Statement and Balance Sheet, are taken to represent "business-as-usual". The underlying income and expenditure form the basis of the later years in the plan, having been escalated by appropriate indices, with appropriate adjustments.

Broadly, the Plan utilises forecast annual CPI and wages growth as an indicative guide to annual income and expenditure movements. Appropriate adjustments are made where income or expenditure items are known to escalate on a different basis. Where new initiatives/projects that will impact operating revenue and/or expenditure are anticipated, additional adjustments are made to long term projections in the model.

Significant adjustments include:

- Allowances for asset maintenance growth, as a result of understanding the cost to maintain the City's Assets at an appropriate standard.
- Adjustments to staff resourcing to coincide with a transition from a program of service delivery and maintenance, to an increase in capital renewal.
- Additional borrowing costs and principle repayments have been factored into the 'Balanced Scenario' model, to account for \$10 million low cost borrowings, accessed through

the Office of Local Government's Stimulus Package in 2021.

- Adjustments in respect of several Council's revenue-generating facilities and services, returning to Pre-COVID-19 level of activity.

The Capital Program is forecast over the ten-year timeframe of the Plan. In later years, where specific projects may not have yet been fully identified, provisional sums are included reflecting historical works patterns and in line with renewal requirements, identified as part of the Asset Management Strategy and T-Corp Ratios.

The Plan also reflects the fast tracking of certain capital projects and programs through accessing low cost borrowings, through the Office of Local Government's Stimulus package. This purpose of these funds is to leverage additional grant money and effectively turning \$10 million into \$20-\$30 million of capital projects.

As capital projects are forecast to be completed, corresponding income and expenditure (including depreciation) impacts, are factored into future financial results.

Other assumptions relating to specific income and expenditure types are included within this Long Term Financial Plan.

In preparing the Plan, the Council undertakes a wide range of sensitivity testing and scenario modelling, to ensure the most effective and realistic balanced scenario; in this case the 'Future Proof' scenario.

## REVENUE ASSUMPTIONS

Item	Assumption	Comment
Rate Increase	2.0%	Ipact Rate Peg
Waste Management Charge	3.2%	Annual charges will increase in line with operating expenses.
Statutory Charges	CPI	Statutory charges are expected to increase in line with CPI.
User Fees and Charges	3%	Statutory charges are expected to increase in line with CPI.
Investment Interest	2-3%	Interest is calculated on the forecast cash and investment balances.
Interest on overdue rates	6%	6% above the Reserve Bank cash rate. (section 566(3) of the <i>Local Government Act 1993</i> )
Other revenues	CPI	Other revenues consist of program fees and sundry income items.
Operating grants	CPI	Operating grants include the financial assistance grant and the public library funding agreement.

## EXPENDITURE ASSUMPTIONS

Item	Assumption	Comment
Employee Benefits and on-costs	2.75%	Employee costs increase in line with the 2018 Broken Hill Consent Award.
Borrowing Costs	N/A	All Council loans are fixed and are based on actual interest repayments.
Materials, contracts and other expenses	CPI	These increase in line with CPI however, an efficiency factor of 2% has been built into the plan.



# OUR PROGRESS TOWARDS FINANCIAL SUSTAINABILITY

Since the adoption of the Balanced Scenario LTFP in 2014, Council has made several decisions that have improved our financial outlook. This section outlines some of those improvements.

## IMPROVING EFFICIENCY OF COUNCIL OPERATIONS

Although operational efficiencies alone are unlikely to provide the level of additional funding required to achieve financial sustainability, there is scope to improve Council's financial position, by undertaking a full review of operations. This includes reviewing the organisational structure and business systems, exploring opportunities for out-sourcing activities and improving project management capabilities.

At the March 2017 Ordinary Council Meeting, Council adopted a Service Review Framework and methodology. During this term of Council, management will oversee more than 65 internal and external service reviews, to generate efficiencies and savings throughout the organisation. This review is not all about financial savings, it is about ensuring Council is delivering the services that the Community requires, at the level the Community expects. In some instances, this may mean further resources are dedicated to some areas, where other areas may have resources reduced. Most importantly, it will ensure that all services are delivered in the most effective and efficient way possible.

In October 2017, Council adopted a Smart Community Framework to improve quality of life, prosperity and sustainability for its community, by using technology in optimising processes, solving challenges proactively, building intelligence and productivity and facilitating proactive and meaningful engagement, between all stakeholders.

Council has successfully implemented several technologies to increase efficiency and sustainability throughout the city. Examples of this include, smart bins - which reduce the number of bin collections, smart solar and wind lighting - which has

enabled Council to remove the lighting for Sturt Park, Patton Park and the Administrative Centre Grounds, from the electrical grid. This has not only enabled a financial savings but is a sustainable option for the community. Further implementation of similar technologies is planned through the reporting period.



## IMPROVING ASSET MANAGEMENT

Council is in the process of undertaking a review of all infrastructure assets, to ensure that it is providing services and infrastructure that meets the community needs and is within the community's ability to pay. As a result of this process, it is anticipated that Council will generate significant replacement savings and associated running costs.

During this year's review of the LTFP, the 'Future Proof' scenario will see Council continuing to budget for a greater than, or equal to, 110% asset renewal. This is a direct impact of the prior year's decisions in improving Council's financial position and beginning to understand the renewal requirement to reduce the backlog. This enables Council to continually renew and maintain assets as they are required, as well as ensuring quality infrastructure is in place, for future generations. The ongoing success of this is dependent on ensuring that we are only renewing required and utilised assets.

## REVIEW OF COMMUNITY EXPECTATIONS AND SERVICE LEVELS

It is imperative that service level reviews occur throughout the 2021/2022 financial year, with consultation with the community.

It is expected that a detailed plan of community expectations and priorities, will be achieved and factored into service levels and capital expenditure, throughout further reviews of the LTFP. This is a significant piece of work that will be required to ensure the future financial sustainability of Council and balancing the budget within the reporting period. Council is approaching the crossroads, where a decision will need to be made in regard to asset rationalisation, or a special rate variation (SRV); COVID-19 has made this more important than ever. If either one of these solutions is not adopted, the Council will be in financial peril.

### **IMPROVING FINANCIAL CONTROL**

Improving staffing understanding and capacity, systems controls, procedures and reporting for Council's finance function, has been imperative to achieve improvements in Council's financial position.

Savings have been generated throughout the year, as a result of a concerted effort by staff to reduce expenditure.

A review of procurement practices has facilitated improved governance, resulting in greater value for money.

An internal audit function was implemented in the 2018/19 financial year to ensure greater governance and transparency and has already achieved a number of process improvements and identified lost revenue opportunities.

### **INCREASING INCOME**

Throughout the past year, Council has proactively sought private works including Transport NSW contracts. Increasing our income in this area, allows more effective use of Council resources; contributing to an improved financial position. Council has increased Transport NSW private works income by 104% over the past two years.

Improved capacity to bid for State and Federal funding has resulted in competitive grants being awarded to Council.

Council is also currently reviewing all fees and charges, to ensure appropriate costs recovery and additional areas of revenue generation.

### **CASHFLOW MANAGEMENT**

Close monitoring in relation to the timing of expenditure and level of cash reserves throughout the year, has resulted in efficiencies; generating savings.

### **RECRUITMENT SUCCESS**

Leadership, experience and technical skills are of shortage across Local Government in general. Throughout the year, Council has been successful in attracting a number of professional staff and sourcing talent from within to fill key positions, resulting in, improved efficiencies and continuing to move Council towards financial sustainability.

The importance of key positions within the organisational structure, on the financial fortunes of a Council, cannot be underestimated.

# THE BALANCED SCENARIO REVIEWED

On 25 June 2014, Council endorsed a Balanced Scenario to ensure financial sustainability and to strengthen Council to serve the community of Broken Hill, into the future.

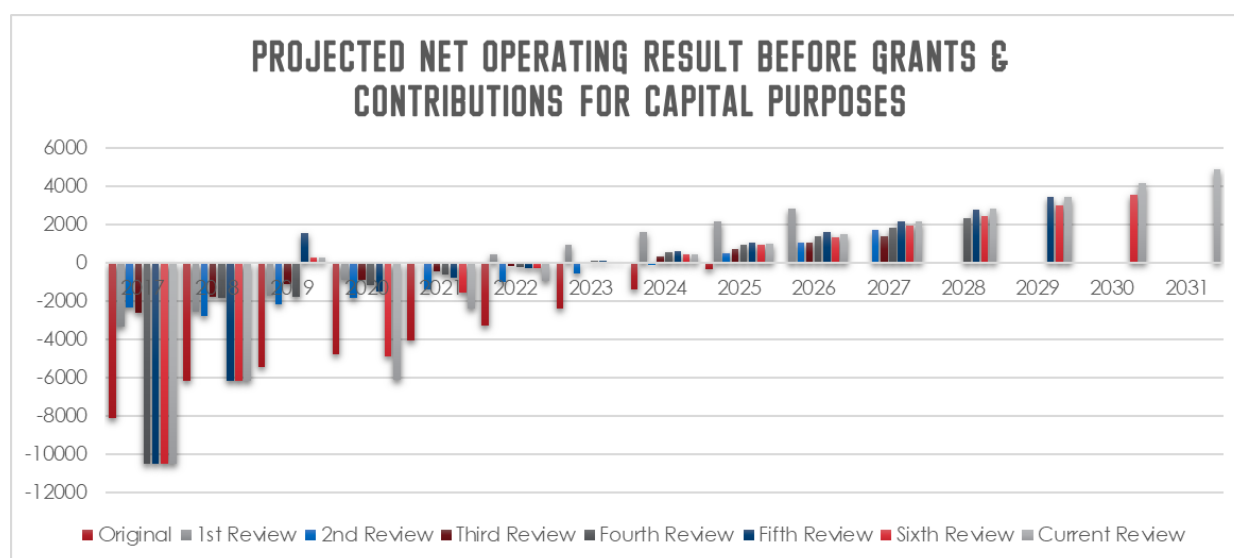
The Balanced Scenario incorporated organisational efficiencies, decreasing expenditure and increasing revenue to achieve a surplus operating position, by the end of the Plan.

As outlined in this review, significant progress has been made in relation to

Council's financial position since the 2014 review.

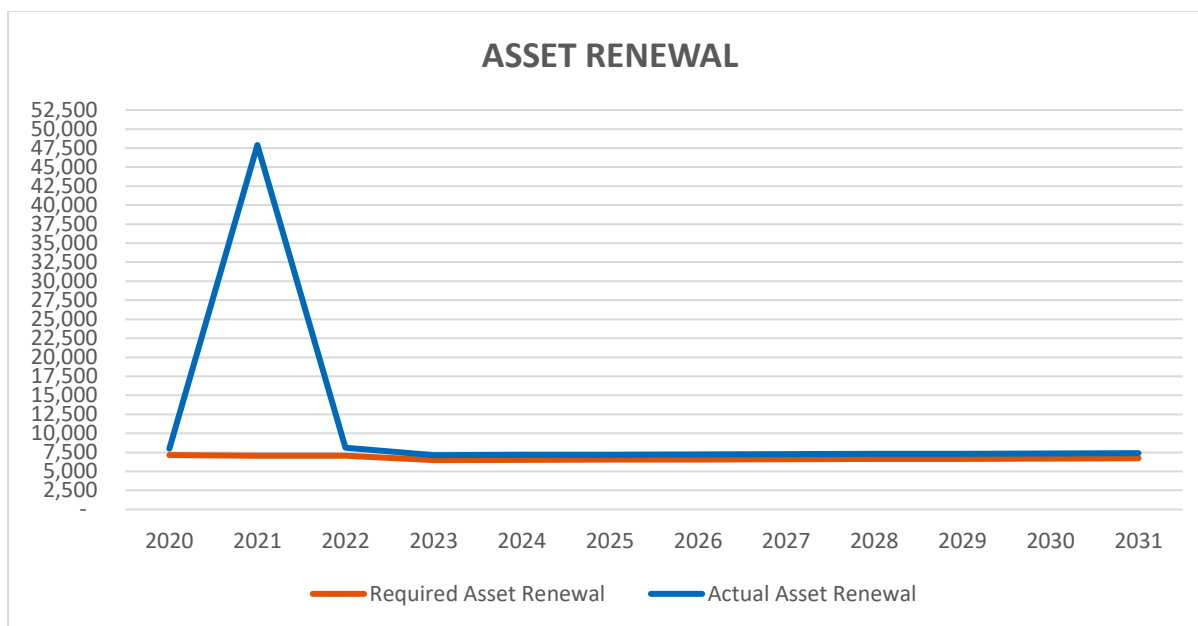
This has strengthened Council's financial position; however, further improvements can only be made by adjusting service levels to the community, to a more realistic and feasible level.

The following chart demonstrates the improvement in Council's financial position, over the previous six reviews. Council is still anticipating to breakeven in 2023.



Over the 10 year period, Council will spend in excess of \$72m on infrastructure renewals and upgrades. This will cover the required amount to meet Infrastructure renewal, from ongoing consumption of assets, as well as investing in reducing the Infrastructure backlog, due to

Infrastructure replacement neglect, due to insufficient cash reserves and operating practices during the past decade. This is a significant step forward for Council in achieving sustainable assets, reducing ongoing operational maintenance costs and ensuring quality Infrastructure, for future generations.



The Balanced Scenario, adopted 25 June 2014, decreases operating expenditure and increases revenue, to achieve a surplus operating position by the end of the planning period.

This scenario has been reviewed, considering strategies implemented over the past seven years and strategies to deal with the impacts of COVID-19. Council is still expected to achieve a surplus operating position in 2022/2023.

To achieve this result, the Balanced Scenario assumes that Council:

1. Undertakes additional operational changes to generate productivity improvements and efficiency gains thus reducing employment costs and materials and contracts costs;
2. Undertakes service level reviews to determine the communities service needs and what they are willing to pay; and
3. Undertakes a review of assets held and where appropriate adopts a rationalisation strategy to reduce overall operating costs.
4. Utilises the \$10 million borrowed from T-Corp as part of the Office of Local Government Stimulus package to assist in fast tracking community infrastructure projects and kick start the local economy post COVID-19.

The Scenario is based on a 2.0% annual efficiency gain for materials, contracts and other expenditure which is offset by an underlying CPI index of 2.5%. Therefore the annual efficiency gain does not completely absorb the indexation.

Successful implementation of the plan will result in all financial indicators (excluding extra-ordinary items and other than the operating indicator) being maintained within the Office of Local Government benchmarks throughout the planning period.

A review of asset management plans to align with updated financial projections are currently being undertaken along with revised asset valuations to better analyse Council's asset ratios.

Based upon planned asset expenditure and cash and investments, Council's available funds for asset renewals over the planning period under the balanced scenario is equal to or greater than the 100% of the rate of asset consumption via depreciation.

#### **Key Aspects of the proposed (Balanced) scenario are:**

- Return to surplus in 2023.
- Maintain and grow Council's permanent workforce.
- Ensure a healthy cash reserve to weather any unforeseen financial shocks (such as COVID-19).



- Ensure an appropriate rate of asset renewals is maintained so the City's infrastructure backlog is continually reduced.
- Meet all key financial and OLG benchmarks apart from the Operational Ratio for 2021-22.



# LONG TERM FINANCIAL PLAN - 2022-2031 - BALANCED SCENARIO

## INCOME STATEMENT

\$ '000	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Actual	Q2 Review	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Income from Continuing Operations</b>												
<b>Revenue:</b>												
Rates & annual charges	18,473	18,923	19,464	19,912	20,430	20,961	21,506	22,065	22,639	23,227	23,831	24,451
User charges & fees	3,149	3,011	3,762	3,856	3,952	4,051	4,152	4,256	4,362	4,471	4,583	4,698
Interest & investment revenue	53	286	497	426	462	513	585	771	892	1,035	1,201	1,392
Other revenues	470	366	243	249	256	262	268	275	282	289	296	304
Grants & contributions for operating purposes	6,728	6,761	6,621	6,754	6,889	7,026	7,167	7,310	7,457	7,606	7,758	7,913
Grants & contributions for capital purposes	1,684	30,338	771	3,260	3,342	3,408	3,476	3,546	3,617	3,689	3,763	3,838
<b>Other Income:</b>												
Net gains from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-
Net share of interests in joint ventures	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL INCOME FROM CONTINUING OPERATIONS</b>	<b>30,557</b>	<b>59,685</b>	<b>31,358</b>	<b>34,456</b>	<b>35,329</b>	<b>36,221</b>	<b>37,155</b>	<b>38,224</b>	<b>39,248</b>	<b>40,318</b>	<b>41,433</b>	<b>42,596</b>
<b>Expenses from Continuing Operations</b>												
Employee benefits & costs	12,463	12,908	13,503	13,773	14,049	14,330	14,616	14,909	15,207	15,511	15,821	16,138
Borrowing costs	737	727	641	606	570	533	495	455	413	371	327	284
Materials & contracts	9,580	6,238	5,459	5,484	5,508	5,533	5,558	5,583	5,608	5,633	5,659	5,684
Depreciation & amortisation	7,147	7,064	7,074	6,490	6,518	6,547	6,576	6,604	6,634	6,663	6,692	6,721
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	4,831	4,768	4,813	4,835	4,857	4,879	4,901	4,923	4,945	4,967	4,989	5,012
Net losses from disposal of assets	131	-	-	-	-	-	-	-	-	-	-	-
Net share of interests in joint ventures	102	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENSES FROM CONTINUING OPERATIONS</b>	<b>34,991</b>	<b>31,705</b>	<b>31,491</b>	<b>31,187</b>	<b>31,502</b>	<b>31,821</b>	<b>32,145</b>	<b>32,474</b>	<b>32,806</b>	<b>33,145</b>	<b>33,488</b>	<b>33,839</b>
<b>OPERATING RESULT FOR THE YEAR</b>	<b>(4,434)</b>	<b>27,981</b>	<b>(133)</b>	<b>3,269</b>	<b>3,827</b>	<b>4,400</b>	<b>5,010</b>	<b>5,750</b>	<b>6,442</b>	<b>7,172</b>	<b>7,944</b>	<b>8,757</b>
<b>NET OPERATING RESULT FOR THE YEAR BEFORE GRANTS &amp; CONTRIBUTIONS FOR CAPITAL PURPOSES</b>	<b>(6,118)</b>	<b>(2,358)</b>	<b>(904)</b>	<b>9</b>	<b>486</b>	<b>991</b>	<b>1,533</b>	<b>2,204</b>	<b>2,825</b>	<b>3,483</b>	<b>4,181</b>	<b>4,918</b>
<b>NET OPERATING RESULT FOR THE YEAR EXCLUDING EXTRAORDINARY ITEMS BEFORE GRANTS &amp; CONTRIBUTIONS FOR CAPITAL PURPOSES</b>	<b>(6,118)</b>	<b>(2,358)</b>	<b>(904)</b>	<b>9</b>	<b>486</b>	<b>991</b>	<b>1,533</b>	<b>2,204</b>	<b>2,825</b>	<b>3,483</b>	<b>4,181</b>	<b>4,918</b>
<b>Assumptions</b>												
Rate Peg	2.70%	2.60%	2.60%	2.30%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%
General Index	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Employee Cost Index	2.50%	2.75%	2.75%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Grant Index	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Interest rate	3.50%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Overdue rates interest rate	8.00%	6.50%	6.00%	7.00%	7.00%	7.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Efficiency gain on Materials & Contracts	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%

# LONG TERM FINANCIAL PLAN - 2022-2031 - BALANCED SCENARIO

## STATEMENT OF FINANCIAL POSITION

\$ '000	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Actual	Q2 Review	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Assets</b>												
<b>Current Assets:</b>												
Cash & cash equivalents	13,527	4,413	1,807	2,959	4,619	6,794	9,523	11,932	13,975	15,685	19,103	24,372
Investments	6,000	11,000	11,000	11,000	11,000	11,000	11,000	12,000	14,000	17,000	19,000	21,000
Receivables	3,690	5,116	5,518	5,942	6,227	6,292	7,141	7,313	7,669	8,038	8,449	8,867
Inventories	112	115	118	121	124	127	130	133	136	140	143	147
Other	673	690	707	725	743	761	780	800	820	840	861	883
Non-current assets classified as 'held for sale'	190	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>24,192</b>	<b>21,333</b>	<b>19,149</b>	<b>20,746</b>	<b>22,713</b>	<b>24,974</b>	<b>28,574</b>	<b>32,178</b>	<b>36,601</b>	<b>41,703</b>	<b>47,556</b>	<b>55,269</b>
<b>Non-Current Assets:</b>												
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	16	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant & equipment	248,757	289,590	290,643	291,292	291,944	292,599	293,257	293,917	294,580	295,247	295,916	296,588
Investments accounted for using the equity method	1,359	1,359	1,359	1,359	1,359	1,359	1,359	1,359	1,359	1,359	1,359	1,359
Investment property	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>250,132</b>	<b>290,949</b>	<b>292,002</b>	<b>292,651</b>	<b>293,303</b>	<b>293,958</b>	<b>294,616</b>	<b>295,276</b>	<b>295,939</b>	<b>296,606</b>	<b>297,275</b>	<b>297,947</b>
<b>TOTAL ASSETS</b>	<b>274,324</b>	<b>312,282</b>	<b>311,152</b>	<b>313,398</b>	<b>316,016</b>	<b>318,932</b>	<b>323,190</b>	<b>327,454</b>	<b>332,540</b>	<b>338,309</b>	<b>344,832</b>	<b>353,216</b>
<b>Liabilities</b>												
<b>Current Liabilities:</b>												
Payables	3,456	3,994	2,774	2,939	2,597	2,070	1,981	1,547	1,239	978	606	322
Income Received in Advance	-	-	-	-	-	-	-	-	-	-	-	-
Contract Liabilities	544	-	-	-	-	-	-	-	-	-	-	-
Borrowings	535	1,428	1,469	1,508	1,551	1,595	1,641	1,687	1,736	1,786	733	733
Provisions	3,835	3,401	3,184	2,855	2,529	2,256	1,928	1,629	1,329	1,015	715	408
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,370</b>	<b>8,823</b>	<b>7,427</b>	<b>7,301</b>	<b>6,677</b>	<b>5,920</b>	<b>5,551</b>	<b>4,863</b>	<b>4,303</b>	<b>3,779</b>	<b>2,055</b>	<b>1,463</b>
<b>Non-Current Liabilities:</b>												
Payables	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	11,957	19,610	18,141	16,633	15,082	13,487	11,846	10,159	8,423	6,637	5,904	5,171
Provisions	9,264	10,350	11,912	13,156	14,612	15,927	17,336	18,682	20,070	21,430	22,809	24,175
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>21,221</b>	<b>29,960</b>	<b>30,053</b>	<b>29,789</b>	<b>29,694</b>	<b>29,414</b>	<b>29,182</b>	<b>28,841</b>	<b>28,493</b>	<b>28,067</b>	<b>28,713</b>	<b>29,346</b>
<b>TOTAL LIABILITIES</b>	<b>29,591</b>	<b>38,783</b>	<b>37,479</b>	<b>37,090</b>	<b>36,371</b>	<b>35,334</b>	<b>34,732</b>	<b>33,704</b>	<b>32,796</b>	<b>31,846</b>	<b>30,767</b>	<b>30,809</b>
<b>NET ASSETS</b>	<b>244,733</b>	<b>273,499</b>	<b>273,673</b>	<b>276,308</b>	<b>279,645</b>	<b>283,598</b>	<b>288,457</b>	<b>293,750</b>	<b>299,744</b>	<b>306,463</b>	<b>314,064</b>	<b>322,407</b>
<b>Equity</b>												
Retained earnings	106,082	134,848	135,022	137,657	140,994	144,947	149,806	155,099	161,093	167,812	175,413	183,756
Revaluation reserves	138,651	138,651	138,651	138,651	138,651	138,651	138,651	138,651	138,651	138,651	138,651	138,651
<b>Council equity interest</b>	<b>244,733</b>	<b>273,499</b>	<b>273,673</b>	<b>276,308</b>	<b>279,645</b>	<b>283,598</b>	<b>288,457</b>	<b>293,750</b>	<b>299,744</b>	<b>306,463</b>	<b>314,064</b>	<b>322,407</b>
<b>Non-controlling interest</b>	<b>-</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 EQUITY</b>	<b>244,733</b>	<b>273,499</b>	<b>273,673</b>	<b>276,308</b>	<b>279,645</b>	<b>283,598</b>	<b>288,457</b>	<b>293,750</b>	<b>299,744</b>	<b>306,463</b>	<b>314,064</b>	<b>322,407</b>
<b>Assumptions</b>												
General Index	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
No impact from revaluation of assets												
No restricted cash												

# LONG TERM FINANCIAL PLAN - 2022-2031 - BALANCED SCENARIO

## STATEMENT OF CASH FLOWS

\$ '000	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Actual	Q2 Review	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Cash Flows from Operating Activities</b>												
<b>Receipts:</b>												
Rates & annual charges	18,072	18,355	18,880	19,315	19,817	20,332	20,861	21,403	21,959	22,530	23,116	23,717
User charges & fees	2,792	2,921	3,649	3,740	3,834	3,929	4,028	4,128	4,232	4,337	4,446	4,557
Investment & interest revenue received	35	431	495	424	459	510	583	768	889	1,032	1,198	1,389
Grants & contributions	9,955	37,099	7,392	10,014	10,230	10,435	10,643	10,856	11,073	11,295	11,521	11,751
Bonds, deposits & retention amounts received	-	-	-	-	-	-	-	-	-	-	-	-
Other	3,439	355	236	242	248	254	260	267	274	280	287	295
<b>Payments:</b>												
Employee benefits & costs	(12,562)	(12,521)	(13,098)	(13,360)	(13,627)	(13,900)	(14,178)	(14,461)	(14,751)	(15,046)	(15,347)	(15,653)
Materials & contracts	(10,982)	(6,051)	(5,295)	(5,319)	(5,343)	(5,367)	(5,391)	(5,416)	(5,440)	(5,464)	(5,489)	(5,514)
Borrowing costs	(581)	(727)	(641)	(606)	(570)	(533)	(495)	(455)	(413)	(371)	(327)	(284)
Bonds, deposits & retention amounts refunded	(22)	-	-	-	-	-	-	-	-	-	-	-
Other	(6,572)	(4,625)	(4,669)	(4,690)	(4,711)	(4,732)	(4,754)	(4,775)	(4,796)	(4,818)	(4,840)	(4,862)
<b>NET CASH PROVIDED (OR USED IN) OPERATING ACTIVITIES</b>	<b>3,574</b>	<b>35,237</b>	<b>6,949</b>	<b>9,760</b>	<b>10,337</b>	<b>10,928</b>	<b>11,557</b>	<b>12,315</b>	<b>13,027</b>	<b>13,775</b>	<b>14,565</b>	<b>15,396</b>
<b>Cash Flows from Investing Activities</b>												
<b>Receipts:</b>												
Sale of investment securities	3,000	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant & equipment	2	-	-	-	-	-	-	-	-	-	-	-
Deferred debtors receipts	61	-	-	-	-	-	-	-	-	-	-	-
Other investing activity receipts	-	-	-	-	-	-	-	-	-	-	-	-
<b>Payments:</b>												
Purchase of investment securities	-	(5,000)	-	-	-	-	-	(1,000)	(2,000)	(3,000)	(2,000)	(2,000)
Purchase of infrastructure, property, plant & equipment	(7,983)	(47,897)	(8,127)	(7,139)	(7,170)	(7,201)	(7,233)	(7,265)	(7,297)	(7,329)	(7,361)	(7,394)
Deferred debtors & advances made	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET CASH PROVIDED (OR USED IN) INVESTING ACTIVITIES</b>	<b>(4,920)</b>	<b>(52,897)</b>	<b>(8,127)</b>	<b>(7,139)</b>	<b>(7,170)</b>	<b>(7,201)</b>	<b>(7,233)</b>	<b>(8,265)</b>	<b>(9,297)</b>	<b>(10,329)</b>	<b>(9,361)</b>	<b>(9,394)</b>
<b>Cash Flows from Financing Activities</b>												
<b>Receipts:</b>												
Proceeds from borrowings & advances	-	10,000	-	-	-	-	-	-	-	-	-	-
<b>Payments:</b>												
Repayment of borrowings & advances	(600)	(1,454)	(1,428)	(1,469)	(1,508)	(1,551)	(1,595)	(1,641)	(1,687)	(1,736)	(1,786)	(733)
<b>NET CASH PROVIDED (OR USED IN) FINANCING ACTIVITIES</b>	<b>(600)</b>	<b>8,546</b>	<b>(1,428)</b>	<b>(1,469)</b>	<b>(1,508)</b>	<b>(1,551)</b>	<b>(1,595)</b>	<b>(1,641)</b>	<b>(1,687)</b>	<b>(1,736)</b>	<b>(1,786)</b>	<b>(733)</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(1,946)</b>	<b>(9,114)</b>	<b>(2,606)</b>	<b>1,152</b>	<b>1,659</b>	<b>2,176</b>	<b>2,728</b>	<b>2,409</b>	<b>2,043</b>	<b>1,710</b>	<b>3,418</b>	<b>5,269</b>
<b>plus: CASH &amp; CASH EQUIVALENTS - beginning of year</b>	<b>15,473</b>	<b>13,527</b>	<b>4,413</b>	<b>1,807</b>	<b>2,959</b>	<b>4,619</b>	<b>6,794</b>	<b>9,523</b>	<b>11,932</b>	<b>13,975</b>	<b>15,685</b>	<b>19,103</b>
<b>CASH &amp; CASH EQUIVALENTS - end of year</b>	<b>13,527</b>	<b>4,413</b>	<b>1,807</b>	<b>2,959</b>	<b>4,619</b>	<b>6,794</b>	<b>9,523</b>	<b>11,932</b>	<b>13,975</b>	<b>15,685</b>	<b>19,103</b>	<b>24,372</b>
<b>Additional Information</b>												
<b>plus: Investments on hand - end of year</b>	<b>6,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>12,000</b>	<b>14,000</b>	<b>17,000</b>	<b>19,000</b>	<b>21,000</b>
<b>TOTAL CASH, CASH EQUIVALENTS &amp; INVESTMENTS - end of year</b>	<b>19,527</b>	<b>15,413</b>	<b>12,807</b>	<b>13,959</b>	<b>15,619</b>	<b>17,794</b>	<b>20,523</b>	<b>23,932</b>	<b>27,975</b>	<b>32,685</b>	<b>38,103</b>	<b>45,372</b>
<b>Assumptions</b>												
Rates & charges recover y rate	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
Debtor recover y rate	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
General Index	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Investment Interest rate	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Overdue rates interest rate	7.50%	7.50%	6.00%	7.00%	7.00%	7.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
No restricted cash												



# LONG TERM FINANCIAL PLAN - 2022-2031 - BALANCED SCENARIO

## FINANCIAL RATIOS

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Actual	Q2 Review	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Operating Ratio</b>												
<b>This ratio measures Council's ability to contain operating expenditure within operating revenue</b>	-21.19%	-8.04%	-2.96%	0.03%	1.52%	3.02%	4.55%	6.36%	7.93%	9.51%	11.10%	12.69%
Benchmark - Greater than 0%												
(operating revenue excl. capital grants and contributions - operating expenses) / operating revenue excluding capital grants and contributions												
<b>Cash Expense Cover Ratio</b>												
<b>This ratio indicates the number of months Council can continue paying for its immediate expenses without additional cash inflow</b>	8.64	5.23	3.94	4.46	5.22	6.21	7.43	8.47	9.31	9.97	11.38	13.58
Benchmark - Greater than 3.0 months												
(current year's cash and cash equivalents / (total expenses - depreciation - interest costs) * 12												
<b>Current Ratio</b>												
<b>This ratio represents Council's ability to meet debt payments as they fall due. It should be noted that Council's externally restricted assets will not be available as operating funds and as such can significantly impact Council's ability to meet its liabilities.</b>	2.89	2.42	2.58	2.84	3.40	4.22	5.15	6.62	8.50	11.04	23.15	37.78
Benchmark - Greater than 1.5												
current assets / current liabilities												
<b>Unrestricted Current Ratio</b>												
<b>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</b>	2.29	2.35	2.39	2.46	2.93	3.64	4.58	6.07	8.02	10.69	24.54	43.65
Benchmark - Greater than 1.5												
current assets less all external activities/ current liabilities, less specific purpose liabilities												
<b>Own Source Operating Revenue</b>												
<b>This ratio measures the level of Council's fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. Council's financial flexibility improves the higher the level of its own source revenue</b>	72.47%	37.84%	76.43%	70.94%	71.04%	71.19%	71.35%	71.60%	71.79%	71.99%	72.19%	72.41%
Benchmark - Greater than 60%												
rates, utilities and charges / total operating revenue (inclusive of capital grants and contributions)												
<b>Debt Service Cover Ratio</b>												
<b>This ratio measures the availability of cash to service debt including interest, principal, and lease payments</b>	1.42	2.49	3.29	3.42	3.64	3.87	4.12	4.42	4.70	4.99	5.30	11.72
Benchmark - Greater than 2.0												
operating result before interest and depreciation (EBITDA) / principal repayments + borrowing interest costs												
<b>Interest Cover Ratio</b>												
<b>This ratio indicates the extent to which Council can service its interest bearing debt and take on additional borrowings. It measures the burden of the current interest expense upon Council's operating cash</b>	2.40	7.47	10.62	11.72	13.29	15.14	17.38	20.36	23.90	28.35	34.25	41.99
Benchmark - Greater than 4.0												
operating result before interest and depreciation (EBITDA) / interest expense												
<b>Capital Expenditure Ratio</b>												
<b>This ratio indicates the extent to which Council is forecasting to expand its asset base with capital expenditure spent on both new assets and replacement and renewal of existing assets</b>	1.12	6.78	1.15	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Benchmark - Greater than 1.1												
annual capital expenditure / annual depreciation												

# IMPROVING OUR FINANCIAL POSITION FURTHER

Whilst significant improvements have been made over the past number of years, Council still has a long way to go in ensuring a strong financial position.

Council is committed to assisting the community achieve the objectives outlined in the community's Broken Hill 2033 Community Strategic Plan. This includes addressing current goals, while planning to meet the requirements for the future. To do this, Council must be strong.

A strong Council is one that has the financial capacity to meet its short and long term needs; a Council that can withstand financial shocks without burdening the community with increased rates or reduced services. Council is carrying out and will continue to review the following initiatives to maximise the ability to meet the community's needs in service provision.

Council has updated the 2022 Operating and Long Term Financial Plan, with the most current and best available information, but it is subject to change due to the dynamic health and economic crisis, created by the global COVID-19 (novel coronavirus) pandemic.

The current plan is based on a steady return to pre-COVID conditions however the unpredictability of the pandemic means this cannot be guaranteed.

The Council also acknowledges that planned deliverables and actions may be impacted or need to be reprioritised, based on the effects of this crisis. New priorities may also emerge.

The Council will adjust to this crisis, to ensure the health and wellbeing of the community is our primary focus. Council will engage with the community using the principles outlined in our Community Engagement Strategy, to ensure that changing and emerging priorities are identified.

## IMPROVING EFFICIENCY OF COUNCIL OPERATIONS

Council will adopt a continuous improvement approach to achieving greater efficiency in service delivery.



This will include monitoring of performance, targeted reviews of current processes and procedures, the introduction of new technology and an emphasis on staffing capacity development.

## IMPROVING ASSET MANAGEMENT

Council currently manages a large number of assets, some of which may be surplus to community needs. Undertaking a review and possible rationalisation of assets, will assist in reducing operational costs.

## REVIEW OF COMMUNITY EXPECTATIONS AND SERVICE LEVELS

Council needs to ensure that it is providing services and infrastructure that meets community needs and is within the community's ability to pay.

To ascertain community expectations, service levels reviews are being undertaken.

## INCREASING STATE AND FEDERAL FUNDING

Council needs to continue to aggressively pursue all avenues for State and Federal grants which may improve its position. This includes lobbying Local Members and Government Ministers for additional funding.

## INCREASING RATE REVENUE

To maintain services at their expected level, the community may consider if an

increase in rates is appropriate. This option will not be imposed without significant community consultation and consideration of affordability.

# SCENARIOS AND SENSITIVITY

Long term planning is critical for effective delivery of Local Government services, perhaps more critical than many other organisations due to Council's role in infrastructure provision. At Broken Hill, Council manages over \$250m in infrastructure assets with varying lifecycles, all requiring investment to ensure continued service to our community.

When planning for the long term, we rely on assumptions and we rely on strategies being successful. For example, Council is reliant on grants and contributions for 20% of its overall income and our plan assumes that these grants will continue into the future. We assume, that we will be successful in our strategies to reduce costs. We assume, our rate base will remain the same and we assume, that we will not be faced with any financial shocks.

Long term planning provides decision makers and stakeholders in our community, with a view of how our goals can be achieved, but what if things don't go as planned?

Our plan is sensitive to a number of internal and external drivers including: Council decisions, operational performance, the external economic environment, State and Federal Government decisions including changes to legislation. The following examples demonstrate some of Council's main sensitivities and outline the impact of various scenarios on Council's long term financial position.

## SCENARIO 2 – 'Limited Savings'

This scenario follows the same assumptions as the 'Balanced Scenario', but without achieving cost savings and increased revenue proposed in the 'Balanced Scenario'.

The scenario assumes Council undertakes a review and possible rationalisation of assets during 2023 and that an appropriate rate of asset renewals is maintained so the city's infrastructure backlog is continually reduced.

This model pushes Council's breakeven point back to 2025 .

### Key Aspects of this Scenario

- Breakeven moved from 2023 to 2025.
- Inefficient operating model.
- Borrowings remain the same.
- Potentially Reduced service delivery and infrastructure to the community.

# LONG TERM FINANCIAL PLAN - 2022-2031 - LIMITED SAVINGS

## INCOME STATEMENT

\$ '000	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Actual	Q2 Review	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Income from Continuing Operations</b>												
<b>Revenue:</b>												
Rates & annual charges	18,473	18,923	19,464	19,912	20,430	20,961	21,506	22,065	22,639	23,227	23,831	24,451
User charges & fees	3,149	3,011	3,263	3,345	3,428	3,514	3,602	3,692	3,784	3,879	3,976	4,075
Interest & investment revenue	53	286	397	404	417	443	491	630	717	825	955	1,107
Other revenues	470	366	243	249	256	262	268	275	282	289	296	304
Grants & contributions for operating purposes	6,728	6,761	6,621	6,754	6,889	7,026	7,167	7,310	7,457	7,606	7,758	7,913
Grants & contributions for capital purposes	1,684	30,338	771	3,260	3,342	3,408	3,476	3,546	3,617	3,689	3,763	3,838
<b>Other Income:</b>												
Net gains from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-
Net share of interests in joint ventures	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL INCOME FROM CONTINUING OPERATIONS</b>	<b>30,557</b>	<b>59,685</b>	<b>30,760</b>	<b>33,924</b>	<b>34,761</b>	<b>35,615</b>	<b>36,510</b>	<b>37,518</b>	<b>38,496</b>	<b>39,515</b>	<b>40,579</b>	<b>41,688</b>
<b>Expenses from Continuing Operations</b>												
Employee benefits & costs	12,463	12,908	13,503	13,773	14,049	14,330	14,616	14,909	15,207	15,511	15,821	16,138
Borrowing costs	737	727	641	606	570	533	495	455	413	371	327	284
Materials & contracts	9,580	6,238	5,574	5,599	5,624	5,650	5,675	5,701	5,726	5,752	5,778	5,804
Depreciation & amortisation	7,147	7,064	7,074	6,507	6,535	6,564	6,593	6,622	6,651	6,680	6,710	6,739
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	4,831	4,768	4,943	4,965	4,988	5,010	5,033	5,055	5,078	5,101	5,124	5,147
Net losses from disposal of assets	131	-	-	-	-	-	-	-	-	-	-	-
Net share of interests in joint ventures	102	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENSES FROM CONTINUING OPERATIONS</b>	<b>34,991</b>	<b>31,705</b>	<b>31,736</b>	<b>31,450</b>	<b>31,766</b>	<b>32,086</b>	<b>32,412</b>	<b>32,741</b>	<b>33,075</b>	<b>33,415</b>	<b>33,759</b>	<b>34,111</b>
<b>OPERATING RESULT FOR THE YEAR</b>	<b>(4,434)</b>	<b>27,981</b>	<b>(976)</b>	<b>2,474</b>	<b>2,995</b>	<b>3,529</b>	<b>4,099</b>	<b>4,777</b>	<b>5,421</b>	<b>6,100</b>	<b>6,820</b>	<b>7,577</b>
<b>NET OPERATING RESULT FOR THE YEAR BEFORE GRANTS &amp; CONTRIBUTIONS FOR CAPITAL PURPOSES</b>	<b>(6,118)</b>	<b>(2,358)</b>	<b>(1,747)</b>	<b>(786)</b>	<b>(347)</b>	<b>120</b>	<b>622</b>	<b>1,231</b>	<b>1,804</b>	<b>2,411</b>	<b>3,056</b>	<b>3,739</b>
<b>NET OPERATING RESULT FOR THE YEAR EXCLUDING EXTRAORDINARY ITEMS BEFORE GRANTS &amp; CONTRIBUTIONS FOR CAPITAL PURPOSES</b>	<b>(6,118)</b>	<b>(2,358)</b>	<b>(1,747)</b>	<b>(786)</b>	<b>(347)</b>	<b>120</b>	<b>622</b>	<b>1,231</b>	<b>1,804</b>	<b>2,411</b>	<b>3,056</b>	<b>3,739</b>
<b>Assumptions</b>												
Rate Peg	2.70%	2.60%	2.60%	2.30%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%
General Index	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Employee Cost Index	2.50%	2.75%	2.75%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Grant Index	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Interest rate	3.50%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Overdue rates interest rate	8.00%	6.50%	6.00%	7.00%	7.00%	7.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Efficiency gain on Materials & Contracts	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%



# LONG TERM FINANCIAL PLAN - 2022-2031 - LIMITED SAVINGS

## STATEMENT OF FINANCIAL POSITION

\$ '000	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Actual	Q2 Review	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Assets</b>												
<b>Current Assets:</b>												
Cash & cash equivalents	13,527	4,413	1,085	1,464	2,312	3,638	5,477	6,936	7,980	8,642	10,958	15,073
Investments	6,000	11,000	11,000	11,000	11,000	11,000	11,000	12,000	14,000	17,000	19,000	21,000
Receivables	3,690	5,116	5,518	5,942	6,227	6,292	7,141	7,313	7,669	8,038	8,449	8,867
Inventories	112	115	118	121	124	127	130	133	136	140	143	147
Other	673	690	707	725	743	761	780	800	820	840	861	883
Non-current assets classified as 'held for sale'	190	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>24,192</b>	<b>21,333</b>	<b>18,427</b>	<b>19,251</b>	<b>20,406</b>	<b>21,818</b>	<b>24,528</b>	<b>27,182</b>	<b>30,605</b>	<b>34,660</b>	<b>39,412</b>	<b>45,970</b>
<b>Non-Current Assets:</b>												
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	16	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant & equipment	248,757	289,590	290,643	291,294	291,948	292,604	293,263	293,926	294,591	295,259	295,930	296,604
Investments accounted for using the equity method	1,359	1,359	1,359	1,359	1,359	1,359	1,359	1,359	1,359	1,359	1,359	1,359
Investment property	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>250,132</b>	<b>290,949</b>	<b>292,002</b>	<b>292,653</b>	<b>293,307</b>	<b>293,963</b>	<b>294,622</b>	<b>295,285</b>	<b>295,950</b>	<b>296,618</b>	<b>297,289</b>	<b>297,963</b>
<b>TOTAL ASSETS</b>	<b>274,324</b>	<b>312,282</b>	<b>310,430</b>	<b>311,904</b>	<b>313,712</b>	<b>315,781</b>	<b>319,151</b>	<b>322,466</b>	<b>326,555</b>	<b>331,278</b>	<b>336,701</b>	<b>343,933</b>
<b>Liabilities</b>												
<b>Current Liabilities:</b>												
Payables	3,456	3,994	2,774	2,939	2,597	2,070	1,981	1,547	1,239	978	606	322
Income Received in Advance	-	-	-	-	-	-	-	-	-	-	-	-
Contract Liabilities	544	-	-	-	-	-	-	-	-	-	-	-
Borrowings	535	1,428	1,469	1,508	1,551	1,595	1,641	1,687	1,736	1,786	733	733
Provisions	3,835	3,401	3,184	2,855	2,529	2,256	1,928	1,629	1,329	1,015	715	408
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,370</b>	<b>8,823</b>	<b>7,427</b>	<b>7,301</b>	<b>6,677</b>	<b>5,920</b>	<b>5,551</b>	<b>4,863</b>	<b>4,303</b>	<b>3,779</b>	<b>2,055</b>	<b>1,463</b>
<b>Non-Current Liabilities:</b>												
Payables	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	11,957	19,610	18,141	16,633	15,082	13,487	11,846	10,159	8,423	6,637	5,904	5,171
Provisions	9,264	10,350	11,912	13,156	14,612	15,927	17,336	18,682	20,070	21,430	22,809	24,175
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>21,221</b>	<b>29,960</b>	<b>30,053</b>	<b>29,789</b>	<b>29,694</b>	<b>29,414</b>	<b>29,182</b>	<b>28,841</b>	<b>28,493</b>	<b>28,067</b>	<b>28,713</b>	<b>29,346</b>
<b>TOTAL LIABILITIES</b>	<b>29,591</b>	<b>38,783</b>	<b>37,479</b>	<b>37,090</b>	<b>36,371</b>	<b>35,334</b>	<b>34,732</b>	<b>33,704</b>	<b>32,796</b>	<b>31,846</b>	<b>30,767</b>	<b>30,809</b>
<b>NET ASSETS</b>	<b>244,733</b>	<b>273,499</b>	<b>272,951</b>	<b>274,814</b>	<b>277,341</b>	<b>280,447</b>	<b>284,418</b>	<b>288,762</b>	<b>293,759</b>	<b>299,432</b>	<b>305,934</b>	<b>313,124</b>
<b>Equity</b>												
Retained earnings	106,082	134,848	134,300	136,163	138,690	141,796	145,767	150,111	155,108	160,781	167,283	174,473
Revaluation reserves	138,651	138,651	138,651	138,651	138,651	138,651	138,651	138,651	138,651	138,651	138,651	138,651
<b>Council equity interest</b>	<b>244,733</b>	<b>273,499</b>	<b>272,951</b>	<b>274,814</b>	<b>277,341</b>	<b>280,447</b>	<b>284,418</b>	<b>288,762</b>	<b>293,759</b>	<b>299,432</b>	<b>305,934</b>	<b>313,124</b>
<b>Non-controlling interest</b>	<b>-</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 EQUITY</b>	<b>244,733</b>	<b>273,499</b>	<b>272,951</b>	<b>274,814</b>	<b>277,341</b>	<b>280,447</b>	<b>284,418</b>	<b>288,762</b>	<b>293,759</b>	<b>299,432</b>	<b>305,934</b>	<b>313,124</b>
<b>Assumptions</b>												
General Index	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

# LONG TERM FINANCIAL PLAN - 2022-2031 - LIMITED SAVINGS

## STATEMENT OF CASH FLOWS

\$ '000	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Actual	Q2 Review	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Cash Flows from Operating Activities</b>												
<b>Receipts:</b>												
Rates & annual charges	18,072	18,355	18,880	19,315	19,817	20,332	20,861	21,403	21,959	22,530	23,116	23,717
User charges & fees	2,792	2,921	3,165	3,245	3,326	3,409	3,494	3,581	3,671	3,763	3,857	3,953
Investment & interest revenue received	35	431	495	402	414	441	488	627	714	822	952	1,104
Grants & contributions	9,955	37,099	7,392	10,014	10,230	10,435	10,643	10,856	11,073	11,295	11,521	11,751
Bonds, deposits & retention amounts received	-	-	-	-	-	-	-	-	-	-	-	-
Other	3,439	355	236	242	248	254	260	267	274	280	287	295
<b>Payments:</b>												
Employee benefits & costs	(12,562)	(12,521)	(13,098)	(13,360)	(13,627)	(13,900)	(14,178)	(14,461)	(14,751)	(15,046)	(15,347)	(15,653)
Materials & contracts	(10,982)	(6,051)	(5,407)	(5,431)	(5,456)	(5,480)	(5,505)	(5,530)	(5,554)	(5,579)	(5,605)	(5,630)
Borrowing costs	(581)	(727)	(641)	(606)	(570)	(533)	(495)	(455)	(413)	(371)	(327)	(284)
Bonds, deposits & retention amounts refunded	(22)	-	-	-	-	-	-	-	-	-	-	-
Other	(6,572)	(4,625)	(4,795)	(4,816)	(4,838)	(4,860)	(4,882)	(4,904)	(4,926)	(4,948)	(4,970)	(4,992)
<b>NET CASH PROVIDED (OR USED IN) OPERATING ACTIVITIES</b>	<b>3,574</b>	<b>35,237</b>	<b>6,227</b>	<b>9,005</b>	<b>9,544</b>	<b>10,098</b>	<b>10,686</b>	<b>11,384</b>	<b>12,047</b>	<b>12,746</b>	<b>13,484</b>	<b>14,261</b>
<b>Cash Flows from Investing Activities</b>												
<b>Receipts:</b>												
Sale of investment securities	3,000	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant & equipment	2	-	-	-	-	-	-	-	-	-	-	-
Deferred debtors receipts	61	-	-	-	-	-	-	-	-	-	-	-
Other investing activity receipts	-	-	-	-	-	-	-	-	-	-	-	-
<b>Payments:</b>												
Purchase of investment securities	-	(5,000)	-	-	-	-	-	(1,000)	(2,000)	(3,000)	(2,000)	(2,000)
Purchase of infrastructure, property, plant & equipment	(7,983)	(47,897)	(8,127)	(7,157)	(7,189)	(7,220)	(7,252)	(7,284)	(7,316)	(7,348)	(7,381)	(7,413)
Deferred debtors & advances made	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET CASH PROVIDED (OR USED IN) INVESTING ACTIVITIES</b>	<b>(4,920)</b>	<b>(52,897)</b>	<b>(8,127)</b>	<b>(7,157)</b>	<b>(7,189)</b>	<b>(7,220)</b>	<b>(7,252)</b>	<b>(8,284)</b>	<b>(9,316)</b>	<b>(10,348)</b>	<b>(9,381)</b>	<b>(9,413)</b>
<b>Cash Flows from Financing Activities</b>												
<b>Receipts:</b>												
Proceeds from borrowings & advances	-	10,000	-	-	-	-	-	-	-	-	-	-
<b>Payments:</b>												
Repayment of borrowings & advances	(600)	(1,454)	(1,428)	(1,469)	(1,508)	(1,551)	(1,595)	(1,641)	(1,687)	(1,736)	(1,786)	(733)
<b>NET CASH PROVIDED (OR USED IN) FINANCING ACTIVITIES</b>	<b>(600)</b>	<b>8,546</b>	<b>(1,428)</b>	<b>(1,469)</b>	<b>(1,508)</b>	<b>(1,551)</b>	<b>(1,595)</b>	<b>(1,641)</b>	<b>(1,687)</b>	<b>(1,736)</b>	<b>(1,786)</b>	<b>(733)</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(1,946)</b>	<b>(9,114)</b>	<b>(3,328)</b>	<b>379</b>	<b>848</b>	<b>1,327</b>	<b>1,839</b>	<b>1,459</b>	<b>1,044</b>	<b>662</b>	<b>2,317</b>	<b>4,115</b>
<b>plus: CASH &amp; CASH EQUIVALENTS - beginning of year</b>	<b>15,473</b>	<b>13,527</b>	<b>4,413</b>	<b>1,085</b>	<b>1,464</b>	<b>2,312</b>	<b>3,638</b>	<b>5,477</b>	<b>6,936</b>	<b>7,980</b>	<b>8,642</b>	<b>10,958</b>
<b>CASH &amp; CASH EQUIVALENTS - end of year</b>	<b>13,527</b>	<b>4,413</b>	<b>1,085</b>	<b>1,464</b>	<b>2,312</b>	<b>3,638</b>	<b>5,477</b>	<b>6,936</b>	<b>7,980</b>	<b>8,642</b>	<b>10,958</b>	<b>15,073</b>
<b>Additional Information</b>												
<b>plus: Investments on hand - end of year</b>	<b>6,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>	<b>12,000</b>	<b>14,000</b>	<b>17,000</b>	<b>19,000</b>	<b>21,000</b>
<b>TOTAL CASH, CASH EQUIVALENTS &amp; INVESTMENTS - end of year</b>	<b>19,527</b>	<b>15,413</b>	<b>12,085</b>	<b>12,464</b>	<b>13,312</b>	<b>14,638</b>	<b>16,477</b>	<b>18,936</b>	<b>21,980</b>	<b>25,642</b>	<b>29,958</b>	<b>36,073</b>
<b>Assumptions</b>												
Rates & charges recovery rate	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
Debtor recovery rate	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
General Index	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Investment Interest rate	3.50%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Overdue rates interest rate	7.50%	7.50%	6.00%	7.00%	7.00%	7.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

# LONG TERM FINANCIAL PLAN - 2022-2031 - LIMITED SAVINGS

## FINANCIAL RATIOS

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Actual	Q2 Review	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Operating Ratio</b>												
<b>This ratio measures Council's ability to contain operating expenditure within operating revenue</b>	-21.19%	-8.04%	-5.83%	-2.56%	-1.10%	0.37%	1.88%	3.62%	5.17%	6.73%	8.30%	9.88%
Benchmark - Greater than 0%												
(operating revenue excl. capital grants and contributions - operating expenses) /												
operating revenue excluding capital grants and contributions												
<b>Cash Expense Cover Ratio</b>												
<b>This ratio indicates the number of months Council can continue paying for its immediate expenses without additional cash inflow</b>	8.64	5.23	3.54	3.68	4.04	4.63	5.44	6.05	6.45	6.66	7.62	9.34
Benchmark - Greater than 3.0 months												
(current year's cash and cash equivalents / (total expenses - depreciation - interest costs) * 12												
<b>Current Ratio</b>												
<b>This ratio represents Council's ability to meet debt payments as they fall due. It should be noted that Council's externally restricted assets will not be available as operating funds and as such can significantly impact Council's ability to meet its liabilities.</b>	2.89	2.42	2.48	2.64	3.06	3.69	4.42	5.59	7.11	9.17	19.18	31.42
Benchmark - Greater than 1.5												
current assets / current liabilities												
<b>Unrestricted Current Ratio</b>												
<b>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</b>	2.29	2.35	2.28	2.25	2.57	3.08	3.81	4.97	6.52	8.67	19.90	35.66
Benchmark - Greater than 1.5												
current assets less all external activities/ current liabilities, less specific purpose liabilities												
<b>Own Source Operating Revenue</b>												
<b>This ratio measures the level of Council's fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. Council's financial flexibility improves the higher the level of its own source revenue</b>	72.47%	37.84%	75.97%	70.48%	70.57%	70.70%	70.85%	71.06%	71.23%	71.42%	71.61%	71.81%
Benchmark - Greater than 60%												
rates, utilities and charges / total operating revenue (inclusive of capital grants and contributions)												
<b>Debt Service Cover Ratio</b>												
<b>This ratio measures the availability of cash to service debt including interest, principal, and lease payments</b>	1.42	2.49	2.88	3.05	3.25	3.46	3.69	3.96	4.22	4.49	4.78	10.58
Benchmark - Greater than 2.0												
operating result before interest and depreciation (EBITDA) / principal repayments + borrowing interest costs												
<b>Interest Cover Ratio</b>												
<b>This ratio indicates the extent to which Council can service its interest bearing debt and take on additional borrowings. It measures the burden of the current interest expense upon Council's operating cash</b>	2.40	7.47	9.31	10.44	11.86	13.54	15.58	18.26	21.47	25.50	30.87	37.89
Benchmark - Greater than 4.0												
operating result before interest and depreciation (EBITDA) / interest expense												
<b>Capital Expenditure Ratio</b>												
<b>This ratio indicates the extent to which Council is forecasting to expand its asset base with capital expenditure spent on both new assets and replacement and renewal of existing assets</b>	1.12	6.78	1.15	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Benchmark - Greater than 1.1												
annual capital expenditure / annual depreciation												

### **SCENARIO 3 – No Asset Rationalisation**

This scenario is based on the same revenue and expenditure levels as scenario 2 however, it does not include a review and rationalisation of assets in 2023 resulting in increased depreciation expense and asset maintenance costs over the term of the plan.

As you will see below, this pushes Council's breakeven point back to 2030, minimises capital works and puts Council in a high-risk cash position for the immediate future.

If this scenario was adopted, Council would find itself in a similar position to that of 2013, when there was not enough cash available to cover external restriction and payable provisions, as well as not meeting the key criteria of a sustainable Council.

This position would likely see staff levels reduced and service levels to the community reduced, to ensure the short-medium term viability of Council.

### **Key Aspects to this Scenario**

- Operational expenditure remains the same as pre COVID-19.
- Breakeven pushed back to 2030
- Capital works reduced to protect Council's cash reserves.
- Cash reserves will be low and would not tolerate another financial shock such as COVID-19.
- With limited capital works, staff will be funded from the operating budget and will be unsustainable. This may result in staff reductions.
- Inefficient operating model.
- Borrowings remain the same.
- Some key financial ratios and OLG benchmarks will not be met in the short term.
- Reduced service delivery and infrastructure to the community

# LONG TERM FINANCIAL PLAN - 2022-2031 - NO ASSET RATIONALISATION

## INCOME STATEMENT

\$ '000	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Actual	Q2 Review	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Income from Continuing Operations</b>												
<b>Revenue:</b>												
Rates & annual charges	18,473	18,923	19,464	19,912	20,430	20,961	21,506	22,065	22,639	23,227	23,831	24,451
User charges & fees	3,149	3,011	3,263	3,345	3,428	3,514	3,602	3,692	3,784	3,879	3,976	4,075
Interest & investment revenue	53	286	397	404	355	319	300	328	332	353	393	452
Other revenues	470	366	243	249	256	262	268	275	282	289	296	304
Grants & contributions for operating purposes	6,728	6,761	6,621	6,754	6,889	7,026	7,167	7,310	7,457	7,606	7,758	7,913
Grants & contributions for capital purposes	1,684	30,338	771	3,260	3,342	3,408	3,476	3,546	3,617	3,689	3,763	3,838
<b>Other Income:</b>			-									
Net gains from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-
Net share of interests in joint ventures	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL INCOME FROM CONTINUING OPERATIONS</b>	<b>30,557</b>	<b>59,685</b>	<b>30,760</b>	<b>33,924</b>	<b>34,699</b>	<b>35,490</b>	<b>36,320</b>	<b>37,217</b>	<b>38,111</b>	<b>39,044</b>	<b>40,017</b>	<b>41,033</b>
<b>Expenses from Continuing Operations</b>												
Employee benefits & costs	12,463	12,908	13,503	13,773	14,049	14,330	14,616	14,909	15,207	15,511	15,821	16,138
Borrowing costs	737	727	641	606	570	533	495	455	413	371	327	284
Materials & contracts	9,580	6,238	5,574	6,099	6,127	6,154	6,182	6,210	6,238	6,266	6,294	6,322
Depreciation & amortisation	7,147	7,064	7,074	7,925	7,960	7,995	8,030	8,066	8,101	8,137	8,173	8,209
Impairment	-		-	-	-		-	-	-	-	-	-
Other expenses	4,831	4,768	4,943	4,965	4,988	5,010	5,033	5,055	5,078	5,101	5,124	5,147
Net losses from disposal of assets	131	-	-	-	-	-	-	-	-	-	-	-
Net share of interests in joint ventures	102		-									
<b>TOTAL EXPENSES FROM CONTINUING OPERATIONS</b>	<b>34,991</b>	<b>31,705</b>	<b>31,736</b>	<b>33,369</b>	<b>33,693</b>	<b>34,022</b>	<b>34,356</b>	<b>34,694</b>	<b>35,037</b>	<b>35,385</b>	<b>35,738</b>	<b>36,099</b>
<b>OPERATING RESULT FOR THE YEAR</b>	<b>(4,434)</b>	<b>27,981</b>	<b>(976)</b>	<b>555</b>	<b>1,006</b>	<b>1,468</b>	<b>1,964</b>	<b>2,522</b>	<b>3,074</b>	<b>3,658</b>	<b>4,279</b>	<b>4,934</b>
<b>NET OPERATING RESULT FOR THE YEAR BEFORE GRANTS &amp; CONTRIBUTIONS FOR CAPITAL PURPOSES</b>	<b>(6,118)</b>	<b>(2,358)</b>	<b>(1,747)</b>	<b>(2,705)</b>	<b>(2,335)</b>	<b>(1,940)</b>	<b>(1,513)</b>	<b>(1,024)</b>	<b>(543)</b>	<b>(31)</b>	<b>516</b>	<b>1,096</b>
<b>NET OPERATING RESULT FOR THE YEAR EXCLUDING EXTRAORDINARY ITEMS BEFORE GRANTS &amp; CONTRIBUTIONS FOR CAPITAL PURPOSES</b>	<b>(6,118)</b>	<b>(2,358)</b>	<b>(1,747)</b>	<b>(2,705)</b>	<b>(2,335)</b>	<b>(1,940)</b>	<b>(1,513)</b>	<b>(1,024)</b>	<b>(543)</b>	<b>(31)</b>	<b>516</b>	<b>1,096</b>
<b>Assumptions</b>												
Rate Peg	2.70%	2.60%	2.60%	2.30%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%
General Index	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Employee Cost Index	2.50%	2.75%	2.75%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Grant Index	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Interest rate	3.50%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Overdue rates interest rate	8.00%	6.50%	6.00%	7.00%	7.00%	7.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Efficiency gain on Materials & Contracts	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%

# LONG TERM FINANCIAL PLAN - 2022-2031 - NO ASSET RATIONALISATION

## STATEMENT OF FINANCIAL POSITION

\$ '000	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Actual	Q2 Review	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Assets</b>												
<b>Current Assets:</b>												
Cash & cash equivalents	13,527	4,413	1,085	418	150	287	(137)	(61)	(494)	(405)	241	1,581
Investments	6,000	11,000	11,000	10,000	9,000	8,000	8,000	8,000	9,000	10,000	11,000	13,000
Receivables	3,690	5,116	5,518	5,942	6,227	6,292	7,141	7,313	7,669	8,038	8,449	8,867
Inventories	112	115	118	121	124	127	130	133	136	140	143	147
Other	673	690	707	725	743	761	780	800	820	840	861	883
Non-current assets classified as 'held for sale'	190	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>24,192</b>	<b>21,333</b>	<b>18,427</b>	<b>17,205</b>	<b>16,244</b>	<b>15,467</b>	<b>15,914</b>	<b>16,184</b>	<b>17,132</b>	<b>18,614</b>	<b>20,695</b>	<b>24,478</b>
<b>Non-Current Assets:</b>												
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	16	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant & equipment	248,757	289,590	290,643	291,436	292,232	293,032	293,835	294,641	295,452	296,265	297,083	297,904
Investments accounted for using the equity method	1,359	1,359	1,359	1,359	1,359	1,359	1,359	1,359	1,359	1,359	1,359	1,359
Investment property	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>250,132</b>	<b>290,949</b>	<b>292,002</b>	<b>292,795</b>	<b>293,591</b>	<b>294,391</b>	<b>295,194</b>	<b>296,000</b>	<b>296,811</b>	<b>297,624</b>	<b>298,442</b>	<b>299,263</b>
<b>TOTAL ASSETS</b>	<b>274,324</b>	<b>312,282</b>	<b>310,430</b>	<b>310,000</b>	<b>309,835</b>	<b>309,858</b>	<b>311,108</b>	<b>312,185</b>	<b>313,942</b>	<b>316,238</b>	<b>319,137</b>	<b>323,741</b>
<b>Liabilities</b>												
<b>Current Liabilities:</b>												
Payables	3,456	3,994	2,774	2,939	2,597	2,070	1,981	1,547	1,239	978	606	322
Income Received in Advance	-	-	-	-	-	-	-	-	-	-	-	-
Contract Liabilities	544	-	-	-	-	-	-	-	-	-	-	-
Borrowings	535	1,428	1,469	1,508	1,551	1,595	1,641	1,687	1,736	1,786	733	733
Provisions	3,835	3,401	3,184	2,855	2,529	2,256	1,928	1,629	1,329	1,015	715	408
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,370</b>	<b>8,823</b>	<b>7,427</b>	<b>7,301</b>	<b>6,677</b>	<b>5,920</b>	<b>5,551</b>	<b>4,863</b>	<b>4,303</b>	<b>3,779</b>	<b>2,055</b>	<b>1,463</b>
<b>Non-Current Liabilities:</b>												
Payables	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	11,957	19,610	18,141	16,633	15,082	13,487	11,846	10,159	8,423	6,637	5,904	5,171
Provisions	9,264	10,350	11,912	13,156	14,612	15,927	17,336	18,682	20,070	21,430	22,809	24,175
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>21,221</b>	<b>29,960</b>	<b>30,053</b>	<b>29,789</b>	<b>29,694</b>	<b>29,414</b>	<b>29,182</b>	<b>28,841</b>	<b>28,493</b>	<b>28,067</b>	<b>28,713</b>	<b>29,346</b>
<b>TOTAL LIABILITIES</b>	<b>29,591</b>	<b>38,783</b>	<b>37,479</b>	<b>37,090</b>	<b>36,371</b>	<b>35,334</b>	<b>34,732</b>	<b>33,704</b>	<b>32,796</b>	<b>31,846</b>	<b>30,767</b>	<b>30,809</b>
<b>NET ASSETS</b>	<b>244,733</b>	<b>273,499</b>	<b>272,951</b>	<b>272,910</b>	<b>273,464</b>	<b>274,524</b>	<b>276,376</b>	<b>278,481</b>	<b>281,146</b>	<b>284,392</b>	<b>288,369</b>	<b>292,932</b>
<b>Equity</b>												
Retained earnings	106,082	134,848	134,300	134,259	134,813	135,873	137,725	139,830	142,495	145,741	149,718	154,281
Revaluation reserves	138,651	138,651	138,651	138,651	138,651	138,651	138,651	138,651	138,651	138,651	138,651	138,651
<b>Council equity interest</b>	<b>244,733</b>	<b>273,499</b>	<b>272,951</b>	<b>272,910</b>	<b>273,464</b>	<b>274,524</b>	<b>276,376</b>	<b>278,481</b>	<b>281,146</b>	<b>284,392</b>	<b>288,369</b>	<b>292,932</b>
<b>Non-controlling interest</b>	<b>-</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 EQUITY</b>	<b>244,733</b>	<b>273,499</b>	<b>272,951</b>	<b>272,910</b>	<b>273,464</b>	<b>274,524</b>	<b>276,376</b>	<b>278,481</b>	<b>281,146</b>	<b>284,392</b>	<b>288,369</b>	<b>292,932</b>
<b>Assumptions</b>												
General Index	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%



# LONG TERM FINANCIAL PLAN – 2022-2031 – NO ASSET RATIONALISATION

## STATEMENT OF CASH FLOWS

\$ '000	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Actual	Q2 Review	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Cash Flows from Operating Activities</b>												
<b>Receipts:</b>												
Rates & annual charges	18,072	18,355	18,880	19,315	19,817	20,332	20,861	21,403	21,959	22,530	23,116	23,717
User charges & fees	2,792	2,921	3,165	3,245	3,326	3,409	3,494	3,581	3,671	3,763	3,857	3,953
Investment & interest revenue received	35	431	495	402	353	316	297	325	329	350	390	449
Grants & contributions	9,955	37,099	7,392	10,014	10,230	10,435	10,643	10,856	11,073	11,295	11,521	11,751
Bonds, deposits & retention amounts received	-	-	-	-	-	-	-	-	-	-	-	-
Other	3,439	355	236	242	248	254	260	267	274	280	287	295
<b>Payments:</b>												
Employee benefits & costs	(12,562)	(12,521)	(13,098)	(13,360)	(13,627)	(13,900)	(14,178)	(14,461)	(14,751)	(15,046)	(15,347)	(15,653)
Materials & contracts	(10,982)	(6,051)	(5,407)	(5,916)	(5,943)	(5,970)	(5,996)	(6,023)	(6,050)	(6,078)	(6,105)	(6,133)
Borrowing costs	(581)	(727)	(641)	(606)	(570)	(533)	(495)	(455)	(413)	(371)	(327)	(284)
Bonds, deposits & retention amounts refunded	(22)	-	-	-	-	-	-	-	-	-	-	-
Other	(6,572)	(4,625)	(4,795)	(4,816)	(4,838)	(4,860)	(4,882)	(4,904)	(4,926)	(4,948)	(4,970)	(4,992)
<b>NET CASH PROVIDED (OR USED IN) OPERATING ACTIVITIES</b>	<b>3,574</b>	<b>35,237</b>	<b>6,227</b>	<b>8,520</b>	<b>8,996</b>	<b>9,483</b>	<b>10,004</b>	<b>10,589</b>	<b>11,166</b>	<b>11,775</b>	<b>12,422</b>	<b>13,103</b>
<b>Cash Flows from Investing Activities</b>												
<b>Receipts:</b>												
Sale of investment securities	3,000	-	-	1,000	1,000	1,000	-	1,000	1,000	2,000	1,000	-
Sale of infrastructure, property, plant & equipment	2	-	-	-	-	-	-	-	-	-	-	-
Deferred debtors receipts	61	-	-	-	-	-	-	-	-	-	-	-
Other investing activity receipts	-	-	-	-	-	-	-	-	-	-	-	-
<b>Payments:</b>												
Purchase of investment securities	-	(5,000)	-	-	-	-	-	(1,000)	(2,000)	(3,000)	(2,000)	(2,000)
Purchase of infrastructure, property, plant & equipment	(7,983)	(47,897)	(8,127)	(8,718)	(8,756)	(8,795)	(8,834)	(8,872)	(8,911)	(8,951)	(8,990)	(9,030)
Deferred debtors & advances made	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET CASH PROVIDED (OR USED IN) INVESTING ACTIVITIES</b>	<b>(4,920)</b>	<b>(52,897)</b>	<b>(8,127)</b>	<b>(7,718)</b>	<b>(7,756)</b>	<b>(7,795)</b>	<b>(8,834)</b>	<b>(8,872)</b>	<b>(9,911)</b>	<b>(9,951)</b>	<b>(9,990)</b>	<b>(11,030)</b>
<b>Cash Flows from Financing Activities</b>												
<b>Receipts:</b>												
Proceeds from borrowings & advances	-	10,000	-	-	-	-	-	-	-	-	-	-
<b>Payments:</b>												
Repayment of borrowings & advances	(600)	(1,454)	(1,428)	(1,469)	(1,508)	(1,551)	(1,595)	(1,641)	(1,687)	(1,736)	(1,786)	(733)
<b>NET CASH PROVIDED (OR USED IN) FINANCING ACTIVITIES</b>	<b>(600)</b>	<b>8,546</b>	<b>(1,428)</b>	<b>(1,469)</b>	<b>(1,508)</b>	<b>(1,551)</b>	<b>(1,595)</b>	<b>(1,641)</b>	<b>(1,687)</b>	<b>(1,736)</b>	<b>(1,786)</b>	<b>(733)</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(1,946)</b>	<b>(9,114)</b>	<b>(3,328)</b>	<b>(667)</b>	<b>(268)</b>	<b>137</b>	<b>(424)</b>	<b>76</b>	<b>(432)</b>	<b>89</b>	<b>646</b>	<b>1,340</b>
<b>plus: CASH &amp; CASH EQUIVALENTS - beginning of year</b>	<b>15,473</b>	<b>13,527</b>	<b>4,413</b>	<b>1,085</b>	<b>418</b>	<b>150</b>	<b>287</b>	<b>(137)</b>	<b>(61)</b>	<b>(494)</b>	<b>(405)</b>	<b>241</b>
<b>CASH &amp; CASH EQUIVALENTS - end of year</b>	<b>13,527</b>	<b>4,413</b>	<b>1,085</b>	<b>418</b>	<b>150</b>	<b>287</b>	<b>(137)</b>	<b>(61)</b>	<b>(494)</b>	<b>(405)</b>	<b>241</b>	<b>1,581</b>
<b>Additional Information</b>												
<b>plus: Investments on hand - end of year</b>	<b>6,000</b>	<b>11,000</b>	<b>11,000</b>	<b>10,000</b>	<b>9,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>9,000</b>	<b>10,000</b>	<b>11,000</b>	<b>13,000</b>
<b>TOTAL CASH, CASH EQUIVALENTS &amp; INVESTMENTS - end of year</b>	<b>19,527</b>	<b>15,413</b>	<b>12,085</b>	<b>10,418</b>	<b>9,150</b>	<b>8,287</b>	<b>7,863</b>	<b>7,939</b>	<b>8,506</b>	<b>9,595</b>	<b>11,241</b>	<b>14,581</b>
<b>Assumptions</b>												
Rates & charges recovery rate	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
Debtor recovery rate	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
General Index	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Investment Interest rate	3.50%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.50%	3.50%	3.50%	3.50%	3.50%

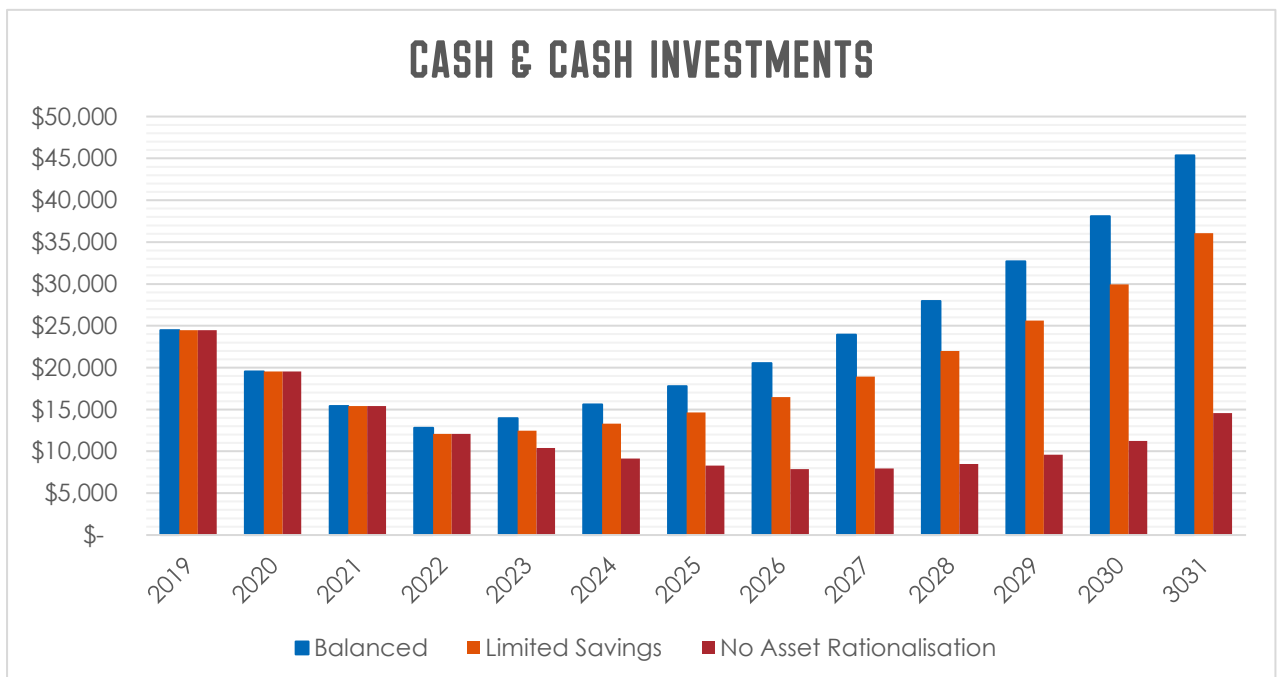
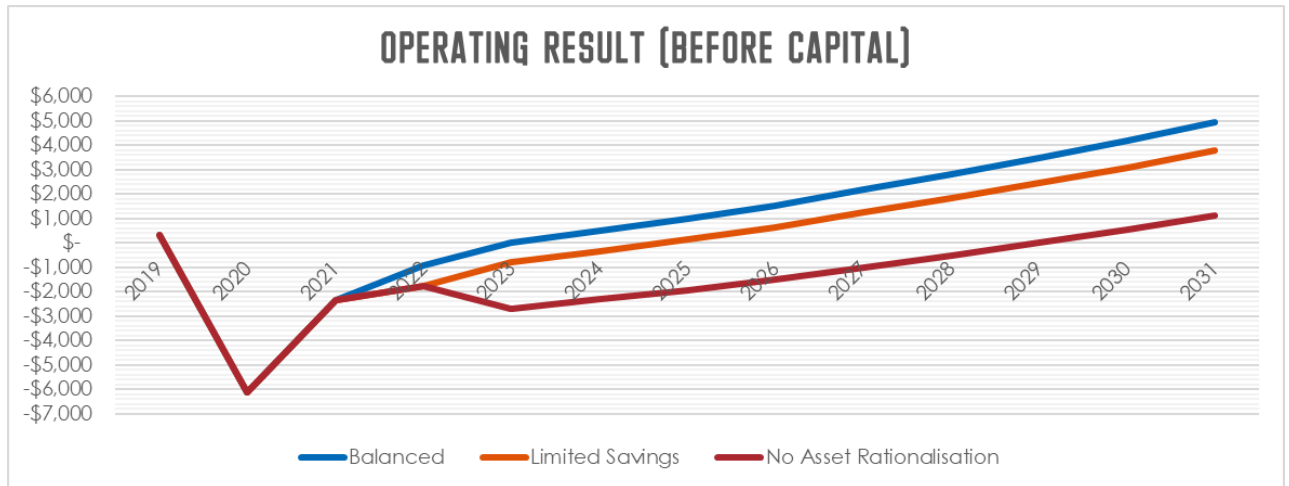
# LONG TERM FINANCIAL PLAN - 2022-2031 - NO ASSET RATIONALISATION

## FINANCIAL RATIOS

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Actual	Q2 Review	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Operating Ratio</b>												
<b>This ratio measures Council's ability to contain operating expenditure within operating revenue</b>	-21.19%	-8.04%	-5.83%	-8.82%	-7.45%	-6.05%	-4.61%	-3.04%	-1.57%	-0.09%	1.42%	2.95%
Benchmark - Greater than 0%												
(operating revenue excl. capital grants and contributions - operating expenses) /												
operating revenue excluding capital grants and contributions												
<b>Cash Expense Cover Ratio</b>												
<b>This ratio indicates the number of months Council can continue paying for its immediate expenses without additional cash inflow</b>	8.64	5.23	3.54	3.10	2.93	2.96	2.72	2.72	2.49	2.50	2.75	3.30
Benchmark - Greater than 3.0 months												
(current year's cash and cash equivalents / (total expenses - depreciation - interest costs) * 12												
<b>Current Ratio</b>												
<b>This ratio represents Council's ability to meet debt payments as they fall due. It should be noted that Council's externally restricted assets will not be available as operating funds and as such can significantly impact Council's ability to meet its liabilities.</b>	2.89	2.42	2.48	2.36	2.43	2.61	2.87	3.33	3.98	4.93	10.07	16.73
Benchmark - Greater than 1.5												
current assets / current liabilities												
<b>Unrestricted Current Ratio</b>												
<b>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</b>	2.29	2.35	2.28	1.96	1.92	1.95	2.17	2.56	3.16	4.06	9.23	17.18
Benchmark - Greater than 1.5												
current assets less all external activities / current liabilities, less specific purpose liabilities												
<b>Own Source Operating Revenue</b>												
<b>This ratio measures the level of Council's fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. Council's financial flexibility improves the higher the level of its own source revenue</b>	72.47%	37.84%	75.97%	70.48%	70.52%	70.60%	70.70%	70.83%	70.94%	71.07%	71.21%	71.36%
Benchmark - Greater than 60%												
rates, utilities and charges / total operating revenue (inclusive of capital grants and contributions)												
<b>Debt Service Cover Ratio</b>												
<b>This ratio measures the availability of cash to service debt including interest, principal, and lease payments</b>	1.42	2.49	2.88	2.81	2.98	3.16	3.36	3.58	3.80	4.02	4.27	9.43
Benchmark - Greater than 2.0												
operating result before interest and depreciation (EBITDA) / principal repayments + borrowing interest costs												
<b>Interest Cover Ratio</b>												
<b>This ratio indicates the extent to which Council can service its interest bearing debt and take on additional borrowings. It measures the burden of the current interest expense upon Council's operating cash</b>	2.40	7.47	9.31	9.61	10.87	12.36	14.17	16.48	19.30	22.85	27.57	33.76
Benchmark - Greater than 4.0												
operating result before interest and depreciation (EBITDA) / interest expense												
<b>Capital Expenditure Ratio</b>												
<b>This ratio indicates the extent to which Council is forecasting to expand its asset base with capital expenditure spent on both new assets and replacement and renewal of existing assets</b>	1.12	6.78	1.15	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Benchmark - Greater than 1.1												
annual capital expenditure / annual depreciation												
Cash&Investments	19,527	15,413	12,085	10,418	9,150	8,287	7,863	7,939	8,506	9,595	11,241	14,581

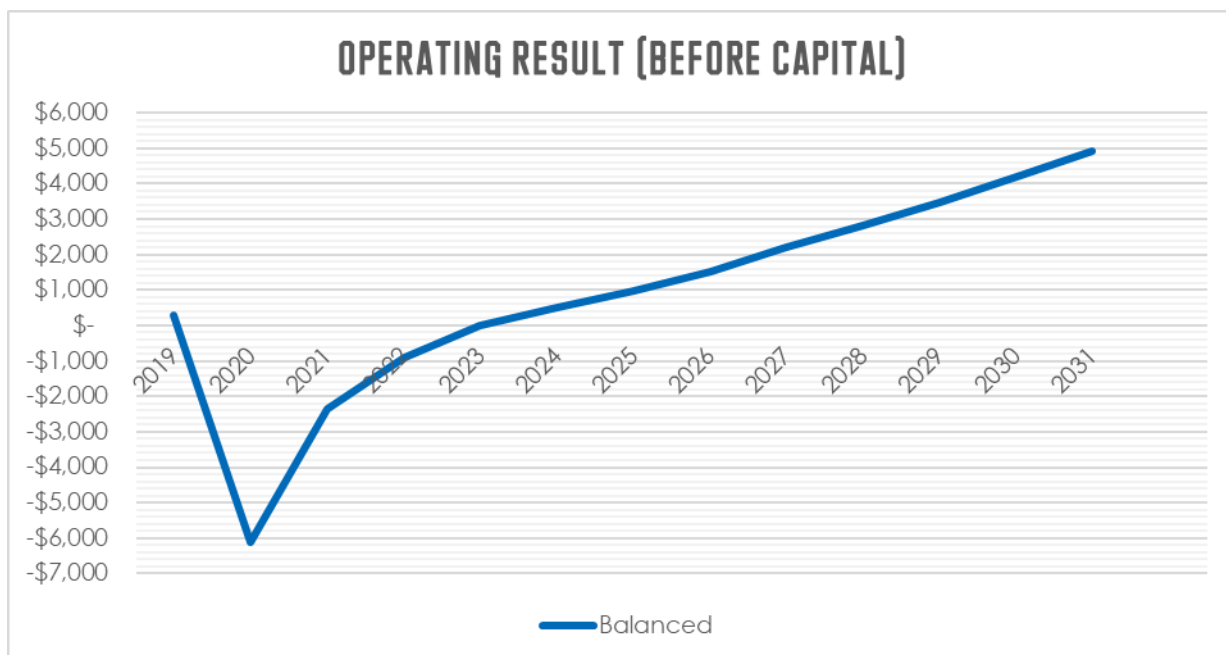
## OPERATING RESULT AND CASH RESERVES

The below graph illustrates the three scenarios and how they each effect Council's operating surplus, as well as cash reserves for capital investment and renewal.



## SENSITIVITY ANALYSIS

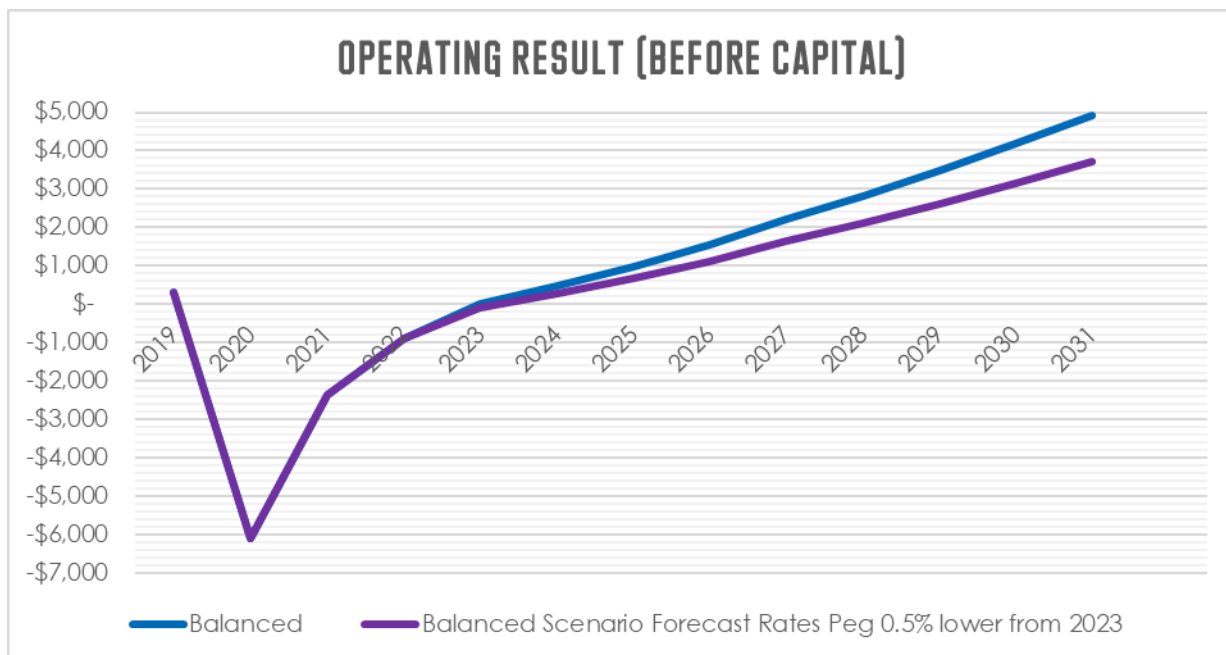
The LTFP Balanced Scenario (proposed) is demonstrated below.



The below section illustrates the financial effect on Council's result if certain assumptions were to change.

## RATES

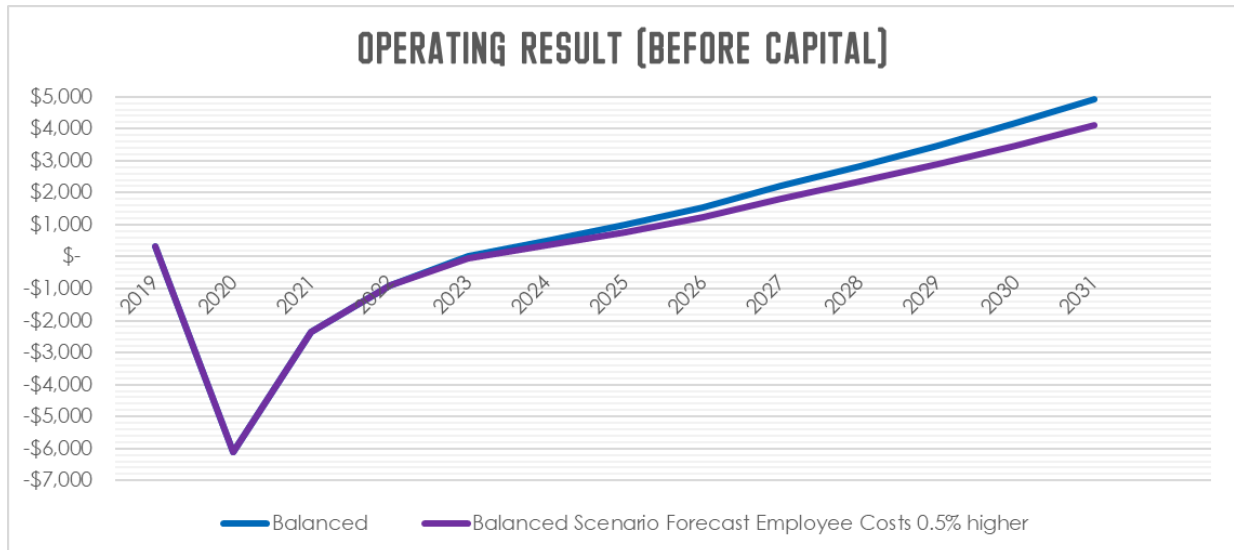
Rate income comprises of 60% of Council's total operating income. Rates are capped by the State Government and Council can only increase rates above the rate pegging percentage, if a special rate variation is submitted and approved.



This sensitivity analysis is based upon if Council chose to hold rate increases at 0.5% pa below the predicted rate pegging percentage from 2023, the effect on the LTFP Balanced Scenario operating result before capital grants and contributions is shown above.

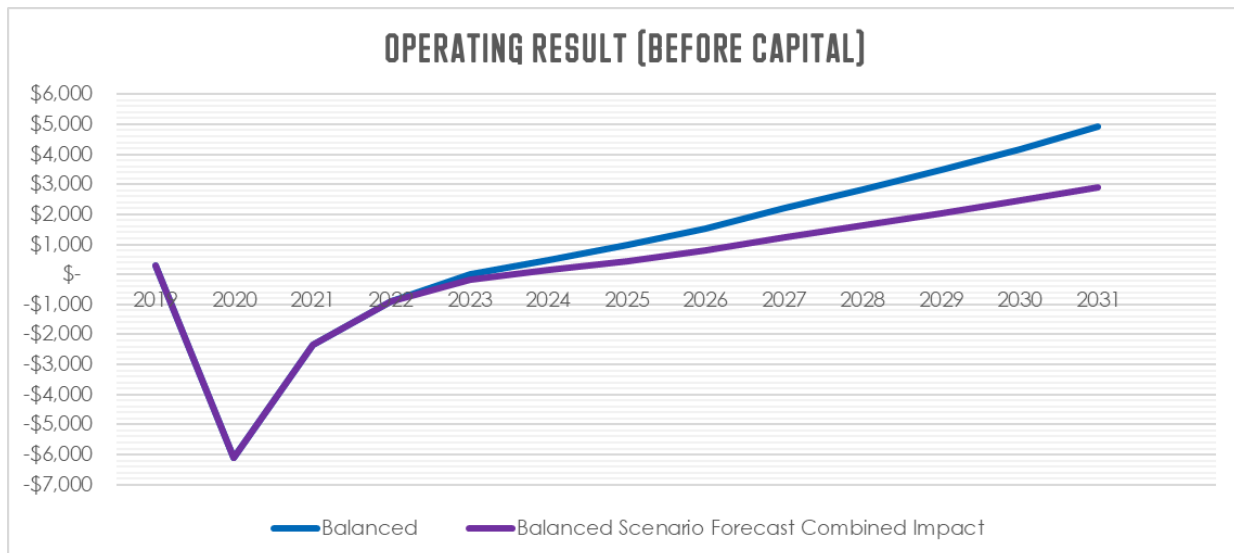
## EMPLOYEE COSTS

Employee costs comprise of 42% of Council's operating expenditure. Salary growth is largely subject to the Broken Hill City Council Consent Award. Council has factored in the current award increase annually for employee expenses in the Balanced Scenario. If the award increases by a further 0.5% in future years, the effect on the LTFP Balanced Scenario operating result before capital grants and contributions is shown below.



## COMBINED IMPACT

The chart below shows the combined impact of both the unfavourable variances described above.



# MEASURING PERFORMANCE

Council will continue to report on and monitor its financial performance based on standard financial indicators.

These indicators include:

- **Operating Ratio**

This measures the capacity of Council to contain its operating expenditure within its operating revenue, allowing for asset renewals funded through depreciation. The minimum benchmark for this ratio, as advised by TCorp and the Local Government Accounting Code for NSW, is greater than 0%. The current operating ratio, based on the proposed 2021/2022 budget, is -2.960. It is forecast that this ratio will be above the benchmark in 2023, when an operating surplus is achieved.

- **Cash Expense Ratio**

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses, without additional cashflow. The minimum benchmark for this ratio, as advised by TCorp and the Local Government Accounting Code for NSW, is greater than 3 months. The current cash expense ratio, based on the proposed 2021/2022 budget, is 4.17 months.

- **Current Ratio**

This ratio represents Council's ability to meet debt repayments as they fall due. It should be noted that Council's externally restricted assets will not be available as operating funds and as such, can significantly impact Council's ability to meet its liabilities. The minimum benchmark for this ratio, as advised by TCorp and the Local Government Accounting Code for NSW, is greater than 1.5. The current ratio, based on the proposed 2021/2022 budget, is 2.64.

- **Unrestricted Current Ratio**

This ratio measures the adequacy of working capital and its ability to satisfy the obligations in the short term, for the unrestricted activities of Council. The minimum benchmark for this ratio, as advised TCorp and the Local Government Accounting Code for NSW, is greater than

1.5. The unrestricted current ratio, based on the proposed 2021/2022 budget, is 2.46.

- **Own Source Operating Revenue Ratio**

This ratio measures fiscal flexibility. It is the degree of reliance that Council places on external funding sources, such as operating grants and contributions, to fund its day to day operations. The minimum benchmark for this ratio, as advised by TCorp and the Local Government Accounting Code for NSW, is greater than 60%. The own source operating revenue ratio based on the proposed 2021/2022 budget is 77.470%.

- **Debt Service Cover Ratio**

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The minimum benchmark for this ratio, as advised by TCorp and the Local Government Accounting Code for NSW, is greater than 2. The debt service cover ratio, based on the proposed 2021/2022 budget, is 3.29.

- **Interest Cover Ratio**

This ratio indicates the extent to which Council can service its interest bearing debt and take on additional borrowing. It measures the burden of the current interest expense, upon Council's operating cash. The minimum benchmark for this ratio, as advised by TCorp and the Local Government Accounting Code for NSW, is greater than 4. The interest cover ratio, based on the proposed 2021/2022 budget, is 10.62.

- **Building and Infrastructure Backlog Ratio**

This ratio shows what proportion the backlog is against the total value of Council's infrastructure. Council is in the process of revaluations for all building and infrastructure assets, as well as an in-depth review of all assets, to calculate the current backlog.

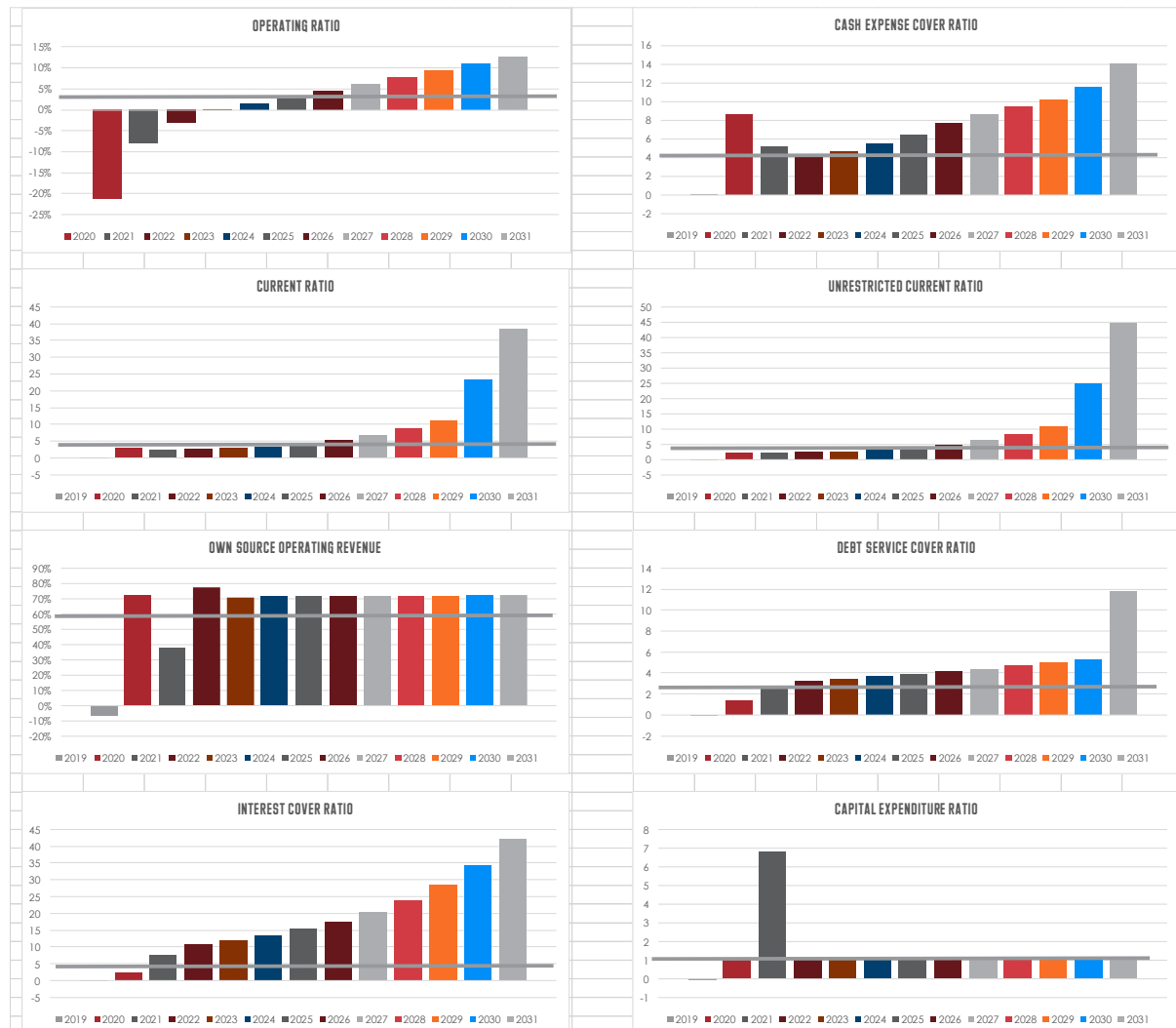


- **Capital Expenditure Ratio**

This ratio assesses the extent to which a Council is expanding its asset base through capital expenditure, on both new assets and the replacement and renewal of existing assets. The minimum benchmark for this ratio, as advised by TCorp and the Local Government Accounting Code for NSW, is greater than 1.10. The capital expenditure ratio, based

on the proposed budget for 2021/2022, is - 1.03.

We will also ensure compliance with the accounting and reporting requirements of the Local Government Code of Accounting Practice, including annual auditing of accounts and provision of information to the community and the Division of Local Government.



## QUARTERLY REPORTING

Performance in regard to Operational Plan budgets will be monitored and reported to Council each quarter. Reports will include budget variations and reviews.

## ANNUAL REPORTING

Council will prepare annual reports to the community, in accordance with the requirements of the *Local Government Act 1993* and the Integrated Planning and Reporting Guidelines. The report will include a summary of financial performance and achievements against delivering the outcomes of the Operational Plan and Delivery Program.

## REVIEW OF THE LONG TERM FINANCIAL PLAN

The LTFP will be reviewed annually, in conjunction with the review of the Operational Plan 2021/2022 and Delivery Program 2021/2022 and financial projections will be revised and updated.



# CONCLUSION

The Balanced Scenario is ambitious but achievable, affordable and significantly improves the financial position of Council allowing Council to continue to meet the expectations of the community, maintain service levels and stimulates the local economy to assist in the economic recovery of businesses and retain and grow local employment.

Council is committed to long-term financial sustainability and intergenerational equity, where each generation 'pays their way,' rather than any generation 'living off their assets' and leaving it to future generations to address the issue of replacing worn out infrastructure, without the necessary funds to do so. Council is currently relatively low on un-restricted reserves and is operating with continuous deficits until 2023.

However, the organisation itself is sustainable and financially viable and with the use of internal restrictions and low cost borrowings, as well as prudent and responsible budgeting, planning and

financial management, the Council will be able to rebuild its reserves, continue to deliver quality services to the community and replace and renew assets now and into the future, ensuring the same level of service for each generation.

It is proposed that further community engagement be carried out, to discuss service level expectations and affordability, to maintain or provide additional services. These reviews began in 2016/2017 and will continue through the current term of Council. It is expected significant efficiencies will be found through this process, as well as ensuring service delivery meets community expectations, within the financial constraints in which Council operates.

Council must develop strategies during 2021/22, to ensure the forecast efficiency gains and productivity improvements are realised and this will be monitored annually.

Council remains committed to ensuring internal efficiencies are realised, before considering increasing the financial burden on the community, through special rate variations.





[www.brokenhill.nsw.gov.au](http://www.brokenhill.nsw.gov.au)