



**GILGANDRA
SHIRE COUNCIL**

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LONG TERM FINANCIAL PLAN 2021/22 – 2030/31

Document Control		LTFP
Revision Number	Date	Revision Details
1		Initial Plan
2	September 2013	-Two Scenarios Rate Pegging / Special Rate Variation -Revised maintenance and renewal of assets - increased rural road maintenance -Operational savings
3	June 2014	Reflect 2014/15 Operational Plan and 2023/24 financial projections
4	June 2015	Reflect 2015/16 Operational Plan and 2024/25 financial projections
5	June 2016	Reflect 2016/17 Operational Plan and 2025/26 financial projections
6	June 2017	Reflect 2017/18 Operational Plan and 2026/27 financial projections
7	June 2018	Reflect 2018/19 Operational Plan and 2027/28 financial projections
8	June 2019	Reflect 2019/20 Operational Plan and 2028/29 financial projections
9	June 2020	Reflect 2020/21 Operational Plan and 2029/30 financial projections
10	June 2021	Reflect 2021/22 Operational Plan and 2030/31 financial projections

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Introduction

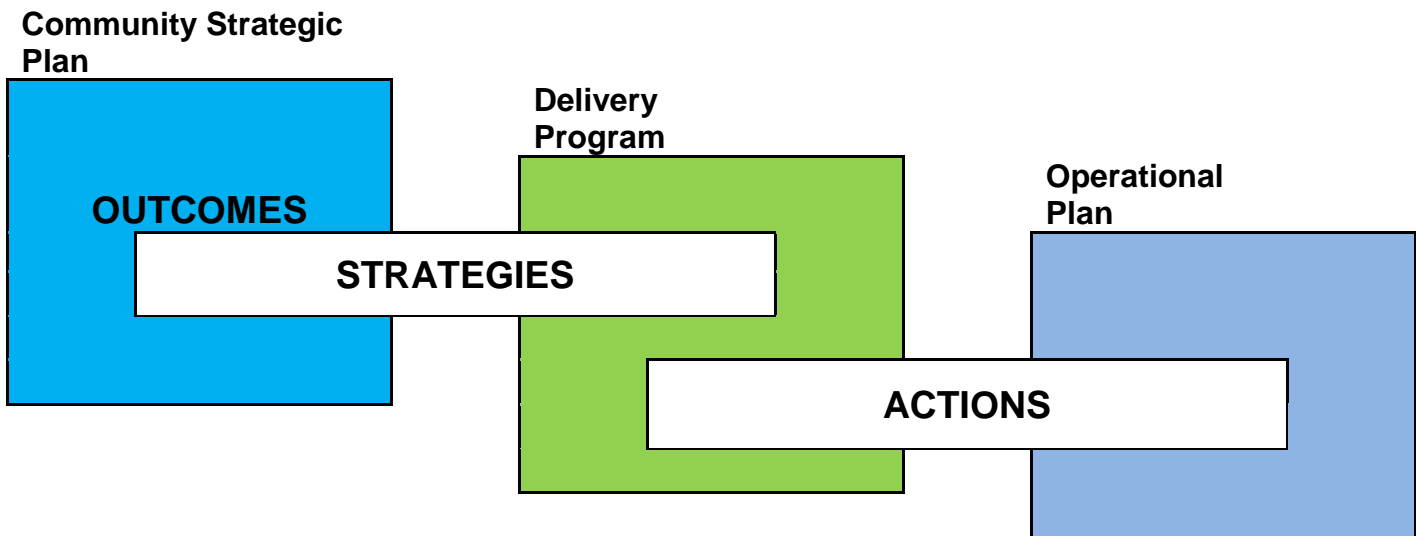
How does the Long Term Financial Plan relate to the Community Strategic Plan and Delivery Program

The Community Strategic Plan is the highest level plan that Council prepares. Its purpose is to identify the community's main priorities and aspirations for the future and to plan strategies for achieving these goals. In doing this, the planning process considers the issues and pressures that may affect the community and the level of resources that will realistically be available to achieve its aspirations.

While Council has a custodial role in initiating, preparing and maintaining the Community Strategic Plan on behalf of the community, it is not wholly responsible for its implementation. Other partners, such as other level of government and community groups are also responsible for the delivery of long term strategies in the Plan. These responsibilities are also identified in the Plan.

The Community Strategic Plan is supported by a number of Council plans including:

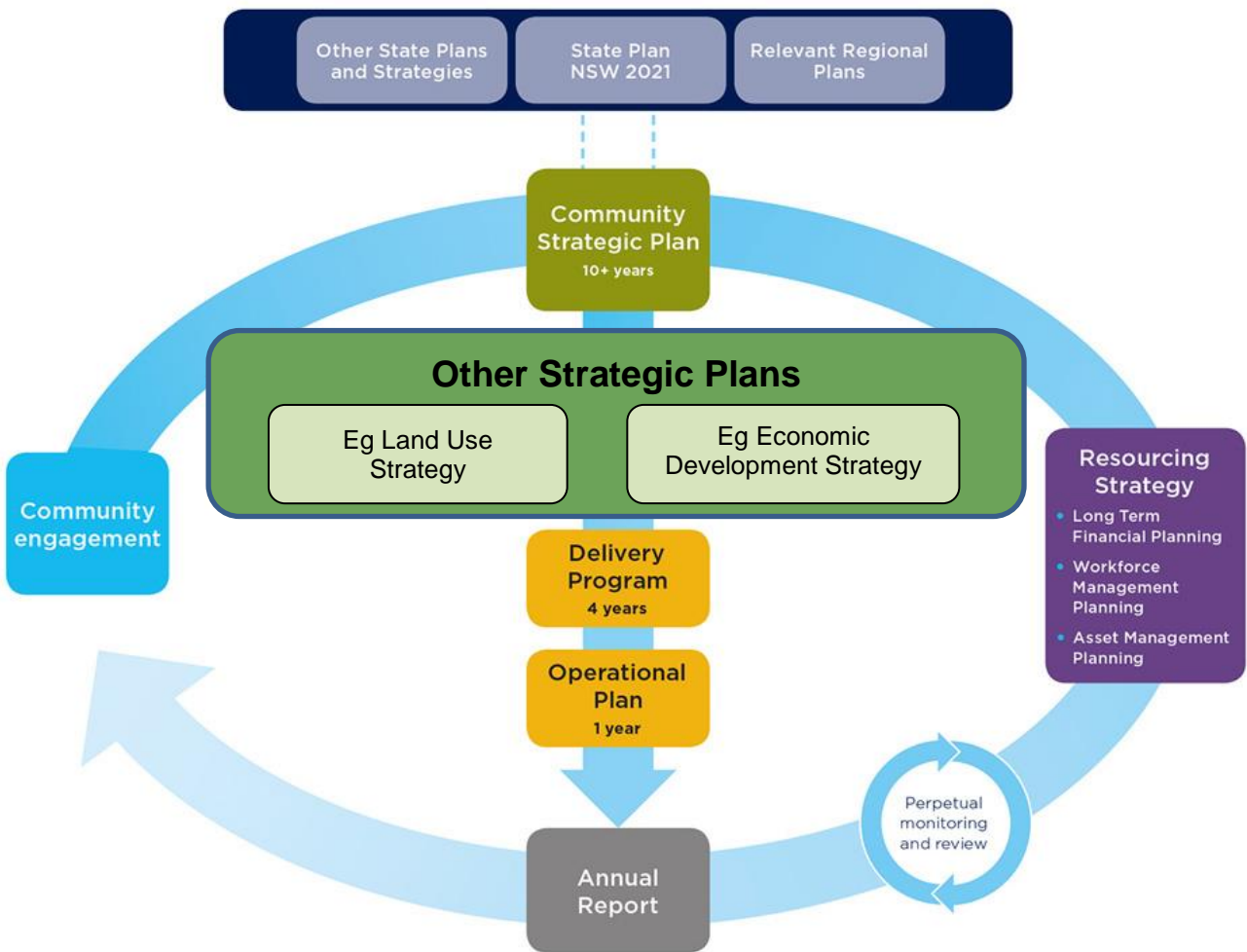
- ❖ **Delivery Program:** This plan sets out the actions, grouped under strategies identified in the Community Strategic Plan, that Council will take over its current four year term, that work towards achieving the outcomes identified in the Community Strategic Plan. This plan also includes anticipated budget requirements associated with these actions.
- ❖ **Operational Plan:** This plan contains details of Council's actions, grouped under strategies from the Community Strategic Plan that Council will take in the next financial year that work towards achieving the outcomes identified in the Community strategic Plan. These actions are a sub set of the actions outlined in the Delivery Program and include detailed budget requirements for the financial year associated with these actions.



- ❖ **Resourcing Strategy:** This Strategy is the basis upon which Council will make decisions designed to deliver the outcomes identified in the Community Strategic Plan and includes:
 - **Workforce Management Plan:** This planning outlines how we will ensure Council has the staff with the skills to work towards delivering the outcomes identified in the Community Strategic Plan
 - **Asset Management Plan:** This planning is a comprehensive process to ensure detailed information on all Council assets is available and delivery of services from assets is provided in a financially sustainable manner. The plan defines the services to be provided, how the services are provided and what funds are required to provide the services and will inform the Community Strategic Plan and Long Term Financial Plan
 - **Long Term Financial Plan:** This plan models a number of scenarios in the context of constraints we face in the longer term, providing a sound basis for financial decision making. The Long Term Financial Plan is a tool that ‘tests’ the community’s aspirations outlined in the Community Strategic Plan against the financial reality. It is both a decision-making tool and a problem solving tool
- ❖ **Local Environmental Plan:** The Community Strategic Plan sets high level objectives that relate to land use planning however the Local Environmental Plan maps out the details of land use planning across the Shire. The Local Environmental Plan is the principal document for controlling development at a council level.

- ❖ **Community Engagement Strategy:** Council has developed a Community Engagement Strategy for ongoing engagement with the local community in developing and reviewing the Community Strategic Plan. Council intends to consult with and inform the community of its plans on a regular basis .

Integrated Planning and Reporting Framework



Objectives of the Long Term Financial Plan

This LTFP covers the 10 year planning period from 2021/22 to 2030/31.

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

Specific objectives of the plan are to:

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

Financial Sustainability

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

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

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

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

- cost shifting from other levels of Government, with local government being forced to take on increased responsibilities without being provided appropriate funding to meet these additional responsibilities.

- significant increases in excess of inflation in a number of major expenditure items such as electricity, insurance and superannuation which have generally not been offset by rate pegging increases.
- the impact of demand for additional facilities and services identified through the development of the CSP.
- an identified shortfall in infrastructure renewals expenditure required to maintain infrastructure assets in a satisfactory condition.

Infrastructure Renewals and Backlog

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

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

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

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

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

Planning Assumptions

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

The key planning assumptions considered in the development of the LTFP are detailed below. All amounts are shown in real values (2020/21 dollars)

Inflation Consumer Price Index (CPI)

Forecast CPI at a rate of 2% per annum over the 10 year period is utilised as the inflator for all items of operating revenue and expenditure except for the following items in Council's financial modelling:

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

Employee Costs

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

The base year (2021/22) employee costs are calculated utilising a zero based budgeting approach, calculating the employee cost for each position in the budgeted staff establishment based on actual rates of pay inflated for known increases in pay rates. The projections include employee on-costs for each employee as well as an allowance for overtime and the impact of vacant positions during the year.

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

Rate Pegging

Council has budgeted to increase general rates by the 2.0% rate peg limit for 2021/22
A forecast rate peg limit of 3.0% has been used for the remainder of the life of this plan

Investment Returns

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

Forecast investment returns have been averaged at 1.25% per year over the life of the plan.

Election Expenses

Forecast to cover the cost of Local Government elections in 2021/22, 2024/25 & 2028/29.

Borrowing Costs

Borrowing costs are forecast to average 2.5% for the 15 year term.

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

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

General Rates

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

Water Supply Charges

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

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

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

Sewer Charges

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

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

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

Domestic Waste Management Charges

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

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

Waste Management Charges have been forecast to increase by 2% in 2021/22 and 3% per annum for the remainder of the life of the plan.

Stormwater Charges

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

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

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

Grants

In 2019/20 a significant increase in grant funding has been budgeted thanks to the introduction of the NSW State Governments Regional Infrastructure and Stronger Communities Grant Funding streams.

A conservative approach has been taken in estimating grants and contributions for future years with a prediction of return to normal levels including increases that cater for 3% CPI.

Capital Works

Council has determined a capital expenditure program that is based on the outcomes of the Community Strategic Plan, asset lifecycle modelling, input from Councillors during financial modelling workshops and community consultation.

- The capital expenditure program adopted by Council totals \$78.5 million over the ten year period of the plan. This includes over \$42 million in renewal works. All amounts are shown in real values (2021/22 dollars).

Capital Works Program 2021/22 to 2030/31

Description	Year	Total 10 Year Cost	Renewals	Upgrades/New
Bushfire Issues	From 2021/22	\$ 2,737,430	\$1,900,000	\$837,430
Plant Fleet	From 2021/22	\$8,126,400	\$8,126,400	
Library Resources	From 2021/22	\$295,321	\$295,321	
Community Housing	From 2021/22	\$110,000	\$110,000	
Offices and Chambers	From 2021/22	\$150,000	\$150,000	
Gilgandra Waste Facility Upgrade	From 2022/23	\$700,000	\$500,000	\$200,000
IT Purchases	2023/24 to 2029/30	\$450,000	\$450,000	
Gilgandra Youth and Citizens Club	2021/22 to 2023/24	\$60,000	\$60,000	
River Restoration	2021/22 to 2023/24	\$400,000		\$400,000
Yarragrinn Creek Bridge	2022/23	\$820,000	\$820,000	
Vacation Care	2022/23	\$50,000		\$50,000
Gilgandra Swimming Pool	From 2022/23	\$90,000	\$90,000	
Stormwater	From 2022/23	\$450,000	\$450,000	
Kerb and Gutter	From 2022/23	\$450,000	\$450,000	
Shire Hall	2021/22	\$10,000	\$10,000	

Gilgandra Cemetery	2021/22 & 2023/24	\$50,000		\$50,000
Curban Hall	From 2021/22	\$100,000	\$100,000	
Footpaths	From 2021/22	\$500,000	\$400,000	\$100,000
Walking Track / Cycle Way	From 2022/23	\$470,000		\$470,000
Cootee Heritage Centre	2021/22	\$779,807	\$779,807	
Dog Pound	From 2021/22	\$150,000	\$150,000	
Fitness Centre	From 2021/22	\$110,000	\$110,000	
Tooraweenah Hall	2021/22	\$10,000	\$10,000	
Roads to Recovery	From 2021/22	\$9,751,186	\$9,751,186	
Additional Transport Renewals	From 2021/22	\$3,532,979	\$3,532,979	
Local Roads & Community Infrastructure Fund	2021/22	\$697,059	\$377,000	\$320,059
Digital Two Ways	2021/22	\$50,000		\$50,000
Admin Building	From 2021/22	\$150,000	\$150,000	
Admin Building Planning	2021/22	\$50,000		\$50,000
Admin Building Relocation	2022/23	\$2,000,000		\$2,000,000
Grain Corp South Industrial	2021/22	\$3,000,000		\$3,000,000
Disability Inclusion Plan Initiatives	From 2021/22	\$1,200,000	\$1,200,000	
New Swimming Pool	2024/25	\$5,000,000	\$2,500,000	\$2,500,000
New Library/Community Hub	2020/21	\$1,778,707		\$1,778,707
Wrigley Street Kerb & Gutter	2023/24	\$1,200,000	\$1,200,000	

Combined Sports Centre	2023/24	\$5,000,000		\$5,000,000
Solar Panels for Council Buildings	2022/23 to 2024/25	\$300,000	\$300,000	
Relocate Dental Surgery	2022/23	\$200,000	\$200,000	
The GIL Events & Activities	2021/22 to 2023/24	\$150,000	\$150,000	
Tooraweenah Showground Amenities	2024/25	\$400,000	\$200,000	\$200,000
Community Flagship Event & Cultural Programs	2022/23 & 2023/24	\$100,000	\$100,000	
Additional Public Seating	2021/22 & 2023/24	\$40,000		\$40,000
All Abilities Access to Council Buildings	2021/22 to 2024/25	\$280,000	\$280,000	
All Abilities Access to New Pool	2024/25	\$70,000		\$70,000
Additional Health Service Accomodation	2024/25 2028/29	\$500,000 \$500,000		\$500,000 \$500,000
Tree Nursery	2021/22	\$100,000		\$100,000
Aboriginal Community Programs	2022/23	\$10,000	\$10,000	
Towards 5000 Population Programs	2023/24 to 2025/26	\$150,000	\$150,000	
Warren Rd Medical Centre Carpark	2023/24	\$100,000		\$100,000
CBD Carparking Improvements	2021/22 to 2023/24	\$500,000		\$500,000
Ecotourism Accommodation Warrumbungles	2028/29	\$2,000,000		\$2,000,000
Link from Hunter Park to CBD	2022/23	\$30,000		\$30,000
Greenery Strategy & Action Plan	2021/22	\$20,000	\$20,000	

The Mill on Miller Plaza Upgrade	2021/22	\$600,000		\$600,000
New IT Software	2024/25	\$500,000	\$500,000	
Water Supply	From 2021/22	\$11,907,500	\$6,507,500	\$5,400,000
Sewerage Services	From 2021/22	\$17,282,114	\$9,446,114	\$7,836,000
Orana Living	From 2021/22	\$2,125,000	\$1,125,000	\$1,000,000
Carlginda Enterprises	From 2021/22	\$130,000	\$130,000	
Cooee Self Care Villa Units	From 2021/22	\$1,280,726	\$930,726	\$350,000
Cooee Lodge Aged Care Hostel	From 2021/22	\$820,000	\$520,000	\$300,000
Home Care Packages	From 2021/22	\$50,000	\$50,000	
Jack Towney Hostel	From 2021/22	\$150,000	\$150,000	

Bushfire Issues

Upgrade and renewal of bushfire plant equipment and infrastructure offset entirely by capital grants from the NSW State Government

Plant Fleet

Renewal and upgrade of Councils plant fleet in line with Councils 10 year plant replacement program.

Library Resources

Library resource purchases required to meet community demands.

Community Housing

Small budget to continually renew Councils community housing assets as required.

Offices and Chambers

Small budget to continually renew administration offices and Council Chambers buildings as required

Gilgandra Waste Facility Upgrade

Establish and excavate new landfill site and improvements waste collection and recycling facilities

IT Purchases

Ongoing renewal expenditure to ensure Councils communication and technology infrastructure meets its business requirements.

Gilgandra Youth Club Facilities

Renewal of existing facilities as required and replacement of Youth Services Vehicles in line with policy.

Castlereagh River Restoration

Proposed plan to extract sand from the Castlereagh River and restore the river bed.

Yarragrin Creek Bridge

Replacement of existing structure in very poor condition with an alternative structure to suit traffic movement's at the same site.

Vacation Care

Investigate and implement a vacation care facility in Gilgandra.

Gilgandra Swimming Pool

Renewal works to pool facility with a view to extending its useful life including modernisation of filtration and pump equipment in line with Councils Parks Master Plan.

Stormwater

Progressive renewal of ageing stormwater infrastructure throughout Gilgandra in line with Councils Asset Management Plan.

Kerb and Gutter

Progressive renewal of ageing kerb and gutter infrastructure throughout Gilgandra in line with Councils Asset Management Plan.

Shire Hall

One off amount to carry out minor renewal works.

Gilgandra Cemetery

Construction of new plinths in lawn section as required.

Curban Hall

Small annual renewal budget for Curban Hall.

Footpaths

Extend and renew existing footpaths as required in line with Council's Pedestrian Access Mobility Plan (PAMP).

Walking Track / Cycle Way

Extension of Windmill Walk in line with Councils Pedestrian Access Mobility Plan (PAMP) as RMS partnership funding becomes available

Cooee Heritage Centre

Upgrade of galleries and displays along with general building asset renewal in line with Councils Cultural Plan and in accordance with grant funding conditions.

Dog Pound

Upgrade of outdated facilities at Gilgandra Pound located on Northern Newell Highway entrance to Gilgandra.

Fitness Centre

Renewal of gym equipment.

Tooraweenah Hall

One off amount to carry out minor renewal works.

Roads to Recovery

Federal Government funded roads renewal program designed to deliver additional renewal works to Councils transport network on an ongoing basis.

Additional Transport Renewals

Additional transport asset renewals as a result of additional funds generated by the special rate variation commencing 2014/15. This additional expenditure will be set aside for this purpose on an ongoing basis.

Local Roads & Community Infrastructure Fund

Projects that include Rural Museum upgrades, Windmill Walk upgrades, Leeches Creek Road renewal, new SES premises landscaping, shade for play equipment and Cooee Heritage Centre fire safety and landscaping as approved under the funding conditions.

Digital Two Ways

Improve Council's ability to communicate with staff in the field via upgraded equipment.

Admin Building

Renewal of aspects of the Administration Building in Warren Road Gilgandra as required.

Planning for Relocation of the Admin Building

Developing concept plans and budgets for the future relocation of the Administration Building in Warren Road to Miller Street Gilgandra.

Admin Building Relocation

Relocation of Councils Administration Offices from the current site to a replacement building in Miller Street.

Grain Corp South Industrial Subdivision

Planning and development of an industrial subdivision at the Grain Corp South site

Disability Inclusion Plan Initiatives

Initiatives to improve access for people with a disability to public facilities in our shire including staged upgrading of Councils public buildings to achieve all ability accessibility to Australian standards.

New Swimming Pool

To construct a new public swimming pool in line with the proposed sports centre but is subject to the availability of 100% grant funding.

New Library/Community Hub

Construction of a new library/community hub in the ex-Target building in Miller Street Gilgandra.

Wrigley Street Renewal Stage 2

Renewal of services including kerb & guttering water supply and associated road works from the Wamboin St intersection to the Miller St intersection

Combined Sports Centre

Construction of a combined sports centre / precinct at Hunter Park which would include a full size indoor basketball court. Subject to the availability of 100% grant funding.

Solar Energy for Council Buildings

A staged approach to converting Councils public building infrastructure to solar energy subject to assessment of viability and sourcing of grant funding to assist.

Relocate Dental Surgery

Proposed relocation of the dental surgery from the MPS to Miller Street.

The GIL Events & Activities

To conduct events and activities in and around The GIL over the next 3 years.

Tooraweenah Showground Amenities

Upgrade of amenities in line with the Tooraweenah Showground management plan including new amenities block.

Community Flagship Event & Cultural Programs

To conduct a large community flagship event and cultural programs that enhance tourism opportunities.

Additional Public Seating

Install additional and upgrade existing seating within the CBD and along the Windmill Walk.

All Abilities Access to Council Buildings

Upgrade the entrances to all Council buildings to allow easy access for people of all abilities.

All Abilities Access to New Pool

Ensure availability of the proposed new pool is provided to allow easy access for people of all abilities.

Additional Health Service Accommodation Units

Construction of additional health service accommodation units in the area adjacent to the MPS for visiting health professionals.

Tree Nursery

Establish a mature tree nursery at the Gilgandra Waste Facility to offer alternative work for people with disabilities.

Aboriginal Programs

Source and conduct programs that focus on the aboriginal community.

Towards 5000 Population Programs

Source and conduct programs that will encourage population growth in Gilgandra.

Warren Road Medical Centre Carpark

Upgrade the carpark at the Warren Road Medical Centre to increase capacity and provide dual access.

CBD Carpark Improvements

Upgrade the carpark capacity within the CBD to create more spaces and ease of movement.

Ecotourism Accommodation Warrumbungles

Opportunity for a joint venture with Warrumbungle Shire Council for construction of high standard Eco friendly accommodation in the Warrumbungle National Park subject to external funding becoming available.

Link from Hunter Park to CBD

Create a pedestrian friendly link from Hunter Park to the CBD.

Greenery Strategy & Action Plan

Create a strategy and action plan to manage green spaces and foliage within the township and villages.

The Mill on Miller Plaza Upgrade

Construct The Mill on Miller Street as per the proposals presented to the recent public meetings.

New IT Software

Purchase and install new operating software for Council if considered required from an upcoming business systems review.

Water Supply

Asset Renewal in line with Councils Water Supply Infrastructure 30 year plan and Asset Management Plan. The planned projects include a new water treatment plant and an additional water reservoir for the Gilgandra township.

Sewerage

Asset Renewal in line with Councils Water Supply Infrastructure 30 year plan and Asset Management Plan. The planned projects include a new sewer treatment plant for the Gilgandra township.

Orana Living

Renewal of motor vehicles, purchase of equipment and the construction of purpose built housing.

Carlginda Enterprises

Renew existing recycling plant and equipment to extend its useful life and ensure facilities are maintained to an acceptable standard to meet the needs of supported employees.

Cooee Self Care Villa Units

Renew existing building assets in order to maintain them at acceptable standards and extend their useful lives.

Cooee Lodge Aged Care Hostel

Renewal of existing hostel assets in order to maintain at an acceptable standard and extend their useful life.

Home Care Packages

Vehicle replacements as required.

Jack Towney Hostel

Renewal of existing hostel assets in order to maintain at an acceptable standard and extend their useful life.

Key Financial Indicators

“Fit for the Future” Benchmarks

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

- Sustainability
- Infrastructure and Service Management; and
- Efficiency

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

Sustainability

- **Operating performance Ratio** – Core measure of sustainability – indicates council’s capacity to meet ongoing operating expenditure requirements
Benchmark
Greater than or equal to break-even over the longer term – ongoing deficits are unsustainable
- **Own source revenue** – Councils with higher own source revenue have greater ability to control their own operating performance and financial sustainability
Benchmark
Greater than 60% to ensure councils have sufficient flexibility to manage external shocks and challenges
- **Building & Asset Renewal Ratio** – Measures whether council’s assets are deteriorating faster than they are being renewed – indicator of whether council’s infrastructure backlog is likely to increase
Benchmark
Greater than 100% ensures community assets are managed in a sustainable way

Infrastructure & Service Management

- **Infrastructure Backlog Ratio** – Measures how effectively councils are managing their infrastructure. Increasing backlogs may affect council’s ability to provide services and remain sustainable
Benchmark
Less than 2% ensures infrastructure backlogs are at manageable levels
- **Asset Maintenance Ratio** – Measures whether council is spending enough on maintaining its assets to avoid increasing its infrastructure backlog
Benchmark
Greater than 100% ensures councils infrastructure position is not deteriorating

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

Benchmark

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

Efficiency

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

Benchmark

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

Sensitivity Analysis

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

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

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

Inflation

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

Rate Pegging

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

Investment Returns

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

Loan Interest Rates

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

Workers Compensation Insurance

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

Productivity Improvements

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

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

Financial Strategies Underpinning the LTFP

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

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

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

Identifying Budget Expenditure Reductions

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

Productivity Improvements & Initiatives

The continued pursuit of productivity improvements over the period of the plan is a critical component of the strategy developed to deliver financial sustainability. As previously indicated, Gilgandra Shire Council is committed to a process of continuous improvement and organisational development and this process will continue to deliver productivity improvements that will contribute to addressing unexpected funding gaps that may occur.

Loan Funding

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

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

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

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

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

Financial Modelling

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

Key Elements

- Capital Works Program of \$78.5m including \$42m asset renewals.
- Borrowings sourced for Capital Projects with intergenerational benefits within Council's debt service ratio policy.
- General Rate Revenue increased by rate pegging for the life of this plan.
- Water Charges increased by 5% per annum over the life of the plan.
- Sewer Charges increased by 7% per annum over the life of the plan.
- All amounts are shown in real values (2021/22 dollars).

Appendix 1

Financial Modelling Outputs

The following financial modelling outputs are provided:

- **Projected Income & Expenditure Statement**
- **Projected Cash Flow Statement**
- **Projected Balance Sheet**
- **Key Financial Indicators and Supporting Financial Strategies**

