Attachment D

LTFP Staff Consultation/ information

Session Slides

December 2013

Attachment D

Long Term Financial Plan Staff Consultation / Information sessions

December 2013

GLEN INNES SEVERN COUNCIL

Integrated Planning and Reporting Framework

- How the 10 year LTFP fits in
- Can we afford what the Community wants?
- Sets the base line for the annual budget
- It is also a projection of our future position

Current situation

- NSW Treasury Corporation Review
- Future Directions Report
- The industry as a whole is in a poor and deteriorating position
- Amalgamation could become a real concern if we are unable to demonstrate our long term financial sustainability.
- Meeting with NSW Commission

No expected FAGS and R2R increases

Original Plan included significant increases –

- R2R increase of 25% was expected in the 2014/15 financial year (approx $151,500 increase)
- Financial Assistance Grant was expected to increase by 4% with a 20% increase in the 2014-15 financial year (approx $715,000 increase)
- Therefore approximately $866,500 decrease in annual revenue!

Conclusion:

- The Commission appeared to be suggesting that Council should consider other sources of revenue and suggested that a Special Rate Variation combined with a LIRS loan would be a good deal.

TCORPs recommendation:

"However we would also recommend that the following points be considered:

- *Council's rates and annual charges and user fees and charges makeup only 42.0% of it's overall revenue. It is recommended Council considers its options for improving its performance in this area, either by securing new or additional revenue;*
- *Council is reliant on Operating Grants as a key source of revenue. While this is not unusual for rural LGA's it is an area that requires monitoring;*
- *While Council has forecast increases in operating grants Council should continue to source additional revenue streams should this not eventuate".*

Internal changes – since current Plan

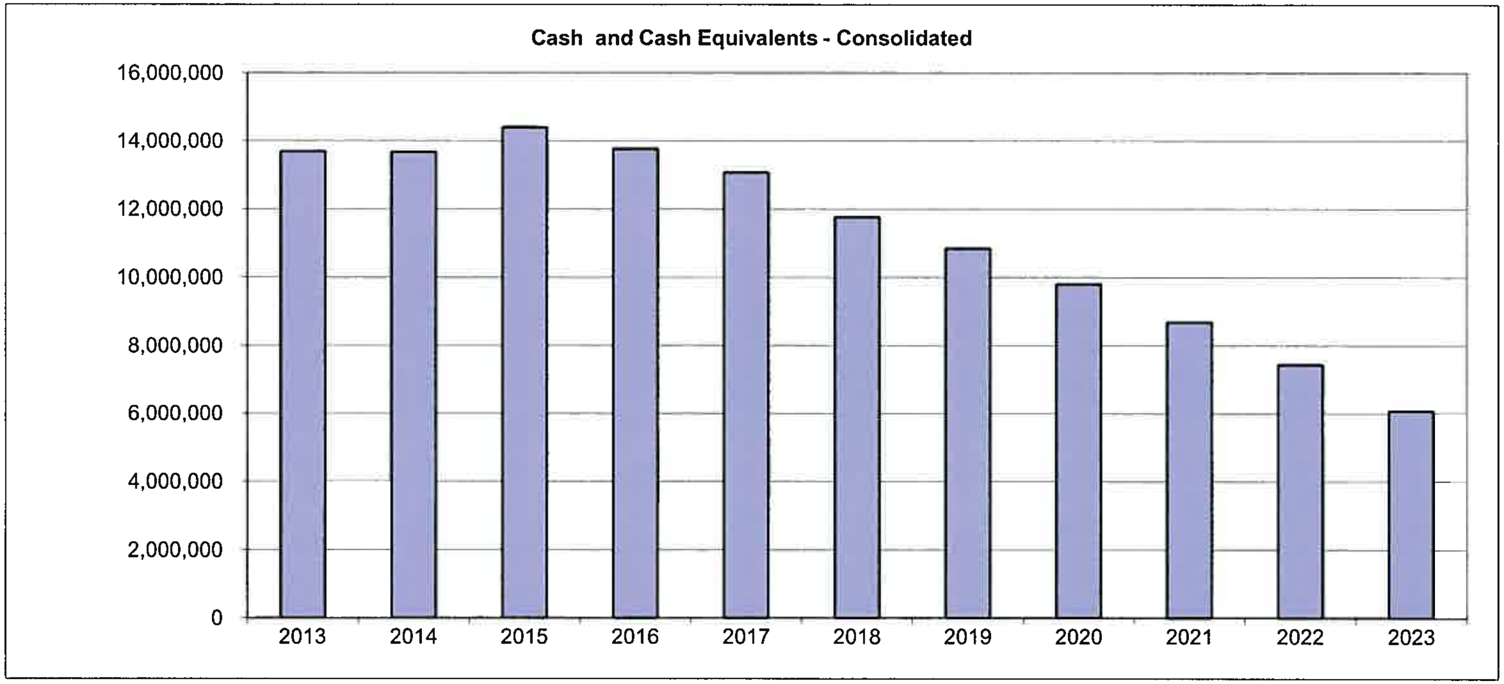
- The effects of the Airport
- Glen Innes Aggregates
- Drainage Charge
- Council's request - operating surplus within 3 years
- The effects of ceasing the Long Day Care Service
- Swimming Pool capital works
- LIRS loans were not factored in – previous plan included loans at 8% (compared with 1.32% and 1.46%)
- Capital expenditure was lower than realistically required to meet the requirements of TCORP
- 2011/12 and 2012/13 actual figures and 2013/14 budgeted figures included.

Further savings initiatives

- Vehicles and FBT – only used around 30% of the time
- Overtime and TIL – only when necessary
- Acting in higher grade positions
- Taking un-replaced leave
- Not hiring casual staff unless absolutely necessary
- Selling properties and land
- Procurement initiatives implemented
- Stricter budget control.

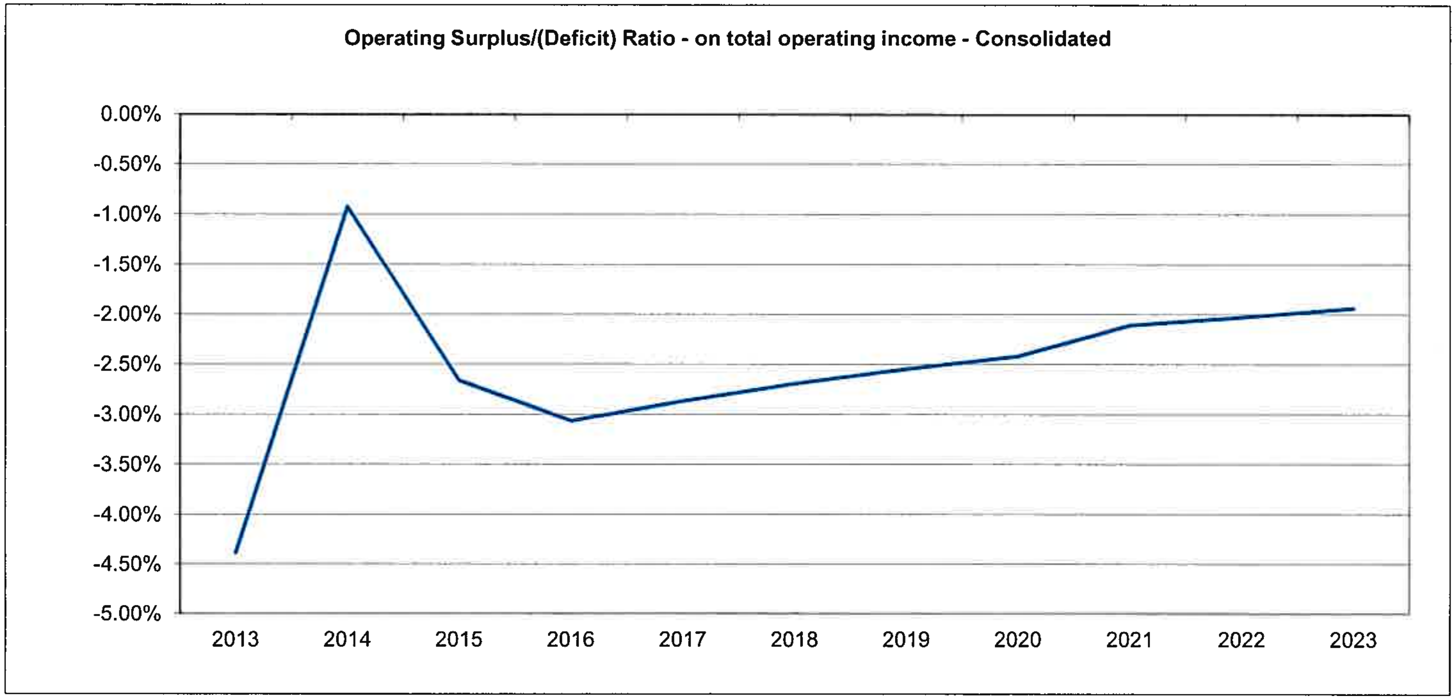
Base Case Scenario

- Cash and Cash Equivalents



Base Case Scenario

- Operating Surplus/(Deficit) Ratio



Base Case Scenario

- Continuing operating deficits in the order of $700k to $800k
- Won’t meet target of 3 year operational surplus
- Not cash funding our depreciation
- Won’t meet required infrastructure renewal ratios
- If we take no action and allow infrastructure assets to deteriorate further, it will catch up with us in a few years time. The longer you don't meet the required asset renewal ratio the greater the backlog gets.

TCORP Indicators

		2013	2012	2011	2010
Financial Ratios					
Operating Ratio	**> (4.0%)**	(4.53%)	(0.27%)	(12.1%)	(5.4%)
Interest Cover Ratio	**> 4.00x**	5.58x	7.46x	8.42x	7.02x
Debt Service Cover Ratio	**> 2.00x**	3.34x	4.78x	5.13x	4.44x
Unrestricted Current Ratio	**> 1.50x**	4.78x	3.46x	2.40x	2.83x
Own Source Operating Revenue Ratio	**> 60.0%**	44.68%	39.65%	31.5%	32.2%
Cash Expense Ratio	**> 3.0 months**	8.64 months	6.98 months	6.8 months	7.0 months
Infrastructure Ratios					
Infrastructure Backlog Ratio	**< 0.02x**	0.12x	0.14x	0.17x	0.16x
Asset Maintenance Ratio	**> 1.00x**	0.74x	0.63x	0.62x	0.62x
Building and Infrastructure Renewals Ratio	**> 1.00x**	0.89x	0.55x	0.57x	0.07x
Capital Expenditure Ratio	**> 1.10x**	0.87x	1.37x	1.10x	0.51x

The Basic Balance

Mock example	$
Revenue	23,941,000
Expenditure	24,804,000
Net Position	(863,000)
Add: Depreciation	4,880,000
Less: Loan Repayments	559,000
Less: Capital Purchases (Renewals)	4,880,000
Less: Capital Purchases (New)	488,000
Net Cash Position	(1,910,000)

The TCORP Suggested Balance

	$
Revenue	25,851,000
Expenditure	24,804,000
Net Position (4% profit)	1,047,000
Add: Depreciation	4,880,000
Less: Loan Repayments	559,000
Less: Capital Purchases (Renewals)	4,880,000
Less: Capital Purchases (New)	488,000
Net Cash Position	0

Options available

- If Council cannot raise additional revenue it must cut costs
- To cut $900,000 <u>per annum</u> out of the budget is a massive ask

Function	Cost (Total revenue – expenditure) $
Rangers (Enforcing Local Government Regulations, Animal Control)	$151,000
Emergency Services (Fire Protection, SES etc) Councils contribution	$327,000
Noxious weeds	$150,000
Public Cemeteries	$23,000

Options available

Function	Cost ($) (2012/13)
Town Planning	$164,000
Libraries	$615,000
Swimming Pools (Emmaville and Glen Innes)	$419,000
Parks and Gardens	$413,000
Sports and Recreation	$175,000
Administration	$1.581 million

Cost Cutting

- Admin costs are high!
- Admin cost and Governance Cost (2012/13) were \$1,581,000 + \$51,000 = \$1,632,000
- \$1,632,000 / 9,000 people = \$181.33 per person (\$207.25 in 2011/12)
- DLG comparative for our Group (for 2011/12) was \$408.57.

The recommended Plan....

- Scenario 5 – preferred option by Council
- We reviewed where we need to get to (TCORP) and where we are (original LTFP), we have considered community comments
- It is clear that we need to improve the state of roads and infrastructure
- To do this we need to cut costs and increase road expenditure. Unfortunately it also means we need to raise additional revenue (and this revenue must be untied).

Scenario 5 includes

- Small increase in water and sewer fund charges
- Special rates variation
- Additional LIRS loan of $4,000,000

Water and Sewer Funds

- Water fund ‘cash’ balance is decreasing rapidly
- Sewer fund ‘ cash’ balance is also decreasing
- This is due to increased capital expenditure to maintain the 1:1 ratio
- This is what needs to happen and should be addressed through a small fee increase.

Special Rates Variation

- Rate Peg
- DLG Group and Regional Average (handout)
- LTFP suggests in the order of $800,000 to $1 million
- 17 cents per day on average for Residential ($62/year)
- $2 for farmland per day ($708/year in 2016/17)
- Why farmland?
- Where will this revenue be spent?

LIRS FUNDING

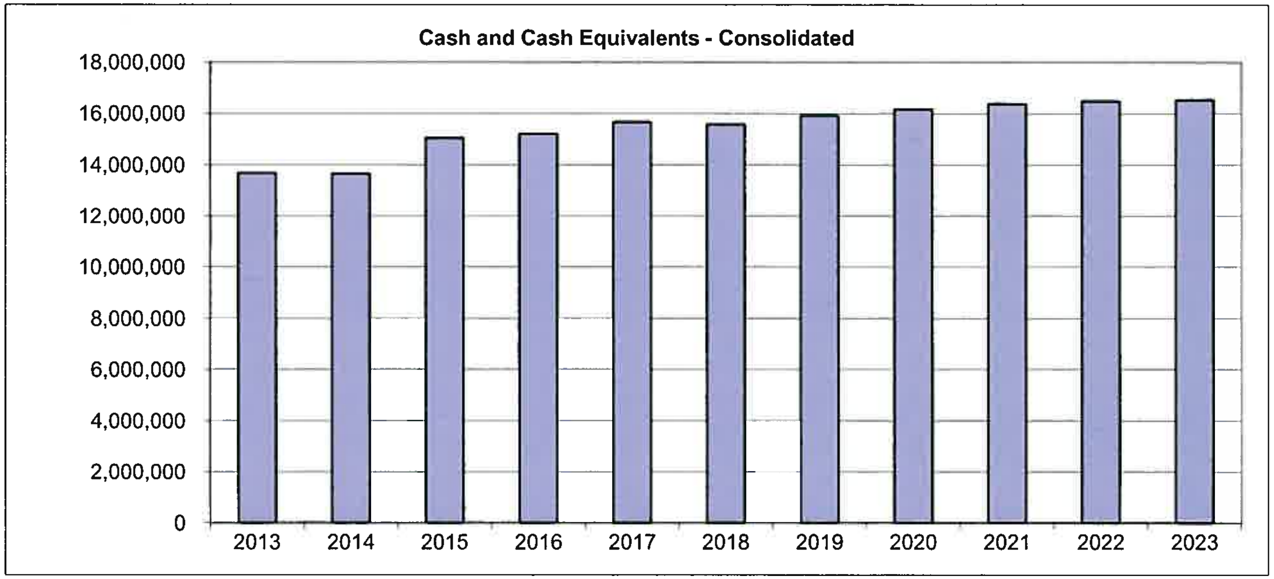
- What is LIRS Funding
- Why doesn't Council use the $13.7 million it has in the bank instead?
- Targeting bridges.

Bridges currently under inspection.

Asset ID	Road Name	Stream
5105	Bargens Rd	Nobby Ck
5130	Cherry Tree Rd	Furracabad Ck
5140	Clairville Rd	Five Mile Ck
5150	Coxs Rd	Deepwater Rvr
5170	Furracabad Rd	Furracabad Ck
5175	Gulf Rd	Beardy Rvr
5195	Polhill Rd	Wellingrove Ck
5205	Glen Elgin Rd	Glen Elgin Ck
5215	Mt Mitchell Rd	Mann Rvr
5220	Mt Mitchell Rd	Yarrow Rvr
5230	Mt Slow Rd	Yarrow Rvr
5235	Nine Mile Rd	Severn Rvr
5270	Shannon Vale Rd	Mann Rvr
5280	Shaws Rd	Deepwater Rvr

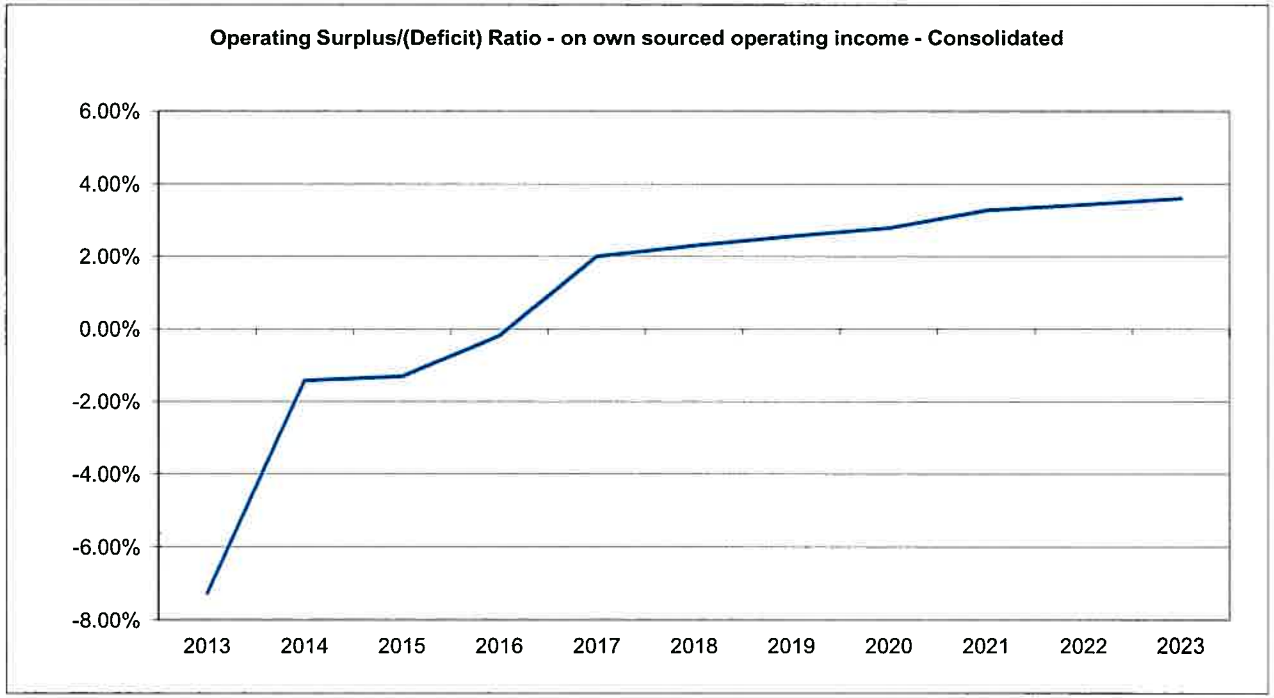
Scenario 5 – SRV, LIRS Loan & Reduced Capital Expenditure

- Cash and Cash Equivalents



Scenario 5 – SRV, LIRS Loan & Reduced Capital Expenditure

- Operating Surplus/(Deficit) Ratio



Scenario 5 – SRV, LIRS Loan & Reduced Capital Expenditure

- A strong scenario
- Stable cash position and satisfactory operating position
- Addresses a number of critical infrastructure projects
- Financially sustainable into the future.

Applications to IPART

- 2013/14 - 24 applications ,all were successful
- 2012/13 - 15 applications, all were successful
- 2011/12 - 23 applications, 4 were declined, remainder were approved either in part or in full

- Only a matter of time before all councils need to apply for a SRV
- This year Tenterfield and Armidale are also applying.

Process

- Draft Plan available to Community
- Written feedback requested
- Extensive Community Consultation
- Feedback collated and presented to Council
- Extraordinary meeting 20 February, application sent
- Independent assessment by IPART

- Refer to business paper report for more technical information.