

# GLEN INNES SEVERN COUNCIL

DRAFT

LONG TERM FINANCIAL PLAN

2022-2032



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## **The Integrated Planning and Reporting Framework**

The Integrated Planning and Reporting (IP&R) framework includes the development of a Community Strategic Plan (CSP) and a Delivery Program (DP) with the associated Resourcing Strategy comprising Asset Management, Work Force and Long Term Financial Plans.

Council plans and policies should not exist in isolation; they are inter-connected. The IP&R framework allows NSW councils to draw their various plans together, understand how they interact and get the maximum leverage from their efforts by planning holistically and sustainably for the future.

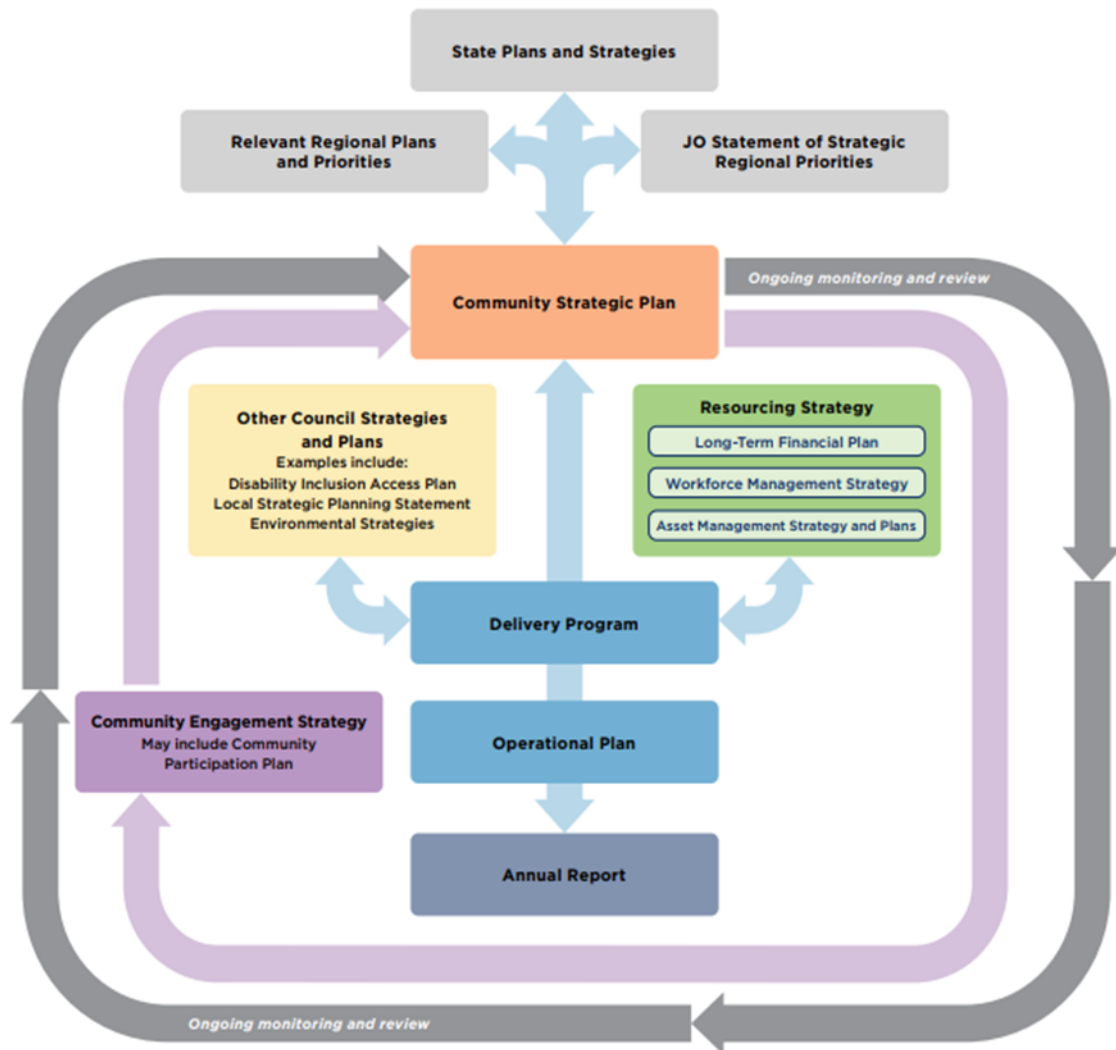
The Resourcing Strategy is situated within the framework to emphasise the important role that resource planning plays in delivering a councils strategic objectives.

While there is a direct link from the CSP to the DP and Annual Operational Plan and Budget, this must be informed and supported by the financial, asset and workforce planning undertaken by a council as part of its Resourcing Strategy. Any community-endorsed changes to a councils strategic direction and priorities should be reflected in their resource planning and allocation.

Glen Innes Severn Council's IP& R documents can all be accessed on Council's website [www.gisc.nsw.gov.au](http://www.gisc.nsw.gov.au).

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The Integrated Planning and Reporting Framework is represented diagrammatically as follows:



Source: NSW Office of Local Government's Integrated Planning and Reporting Guidelines For Local Government in NSW - September 2021

The **Long Term Financial Plan (LTFP)** sits within the Resourcing Strategy. While the CSP is responsible for capturing the community's long-term vision and aspirations, it is the responsibility of the Resourcing Strategy to clearly articulate how Council will implement and resource that vision.

The Resourcing Strategy consists of 3 components, being:

1. Long-Term Financial Planning;
2. Workforce Management Planning; and
3. Asset Management Planning.

The LTFP is a 10-year rolling plan that informs decision-making and demonstrates how the objectives of the CSP and commitments of the DP and annual Operational Plans and Budgets will be resourced and funded. The LTFP captures financial implications of asset management and workforce planning. For example, by identifying how additional assets will be funded, or existing assets renewed or upgraded and what provisions are made for changes to service levels.

The purpose of the LTFP is to show potential future trends based on assumptions at a point in time. The LTFP is a constantly evolving document that needs to be perpetually monitored and reviewed. Going forward the LTFP will need to be reviewed on a regular basis with an update being presented to Council.

Regular monitoring and review of the LTFP may help mitigate some of the uncertainty, however, trying to predict what the financial position of Council will look like over a ten-year period is fraught with difficulty.

In developing the Long Term Financial Plan, due regard must be given to promoting the financial sustainability of the Council through:

- the progressive elimination of operating deficits;
- the establishment of a clear revenue path for all rates linked to specific expenditure proposals;
- ensuring that any proposed increase in services and/or assets is within the financial means of the Council including a proposed special rate variation;
- ensuring the adequate funding of infrastructure maintenance and renewal;
- the use of borrowing, where appropriate and financially responsible; and
- the fair and equitable distribution of the rate burden across all rate payers.

The LTFF must include:

- projected income and expenditure, balance sheet and cash flow statement;
- planning assumptions;
- sensitivity analysis, highlighting factors and assumptions most likely to impact the LTFF; and
- methods of monitoring financial performance.

The LTFF is a tool to aid decision making, priority setting and problem solving. It is a guide for future action, to be reviewed and updated annually, and addresses the following:

- how Council will survive future financial pressures;
- opportunities for future income and economic growth;
- whether Council can afford what the community requests; and
- how Council can achieve outcomes agreed with the community.

External factors have a significant impact on Council's financial position. The Annual Operational Plan and Budget is the best indicator of the immediate performance of a Council. The LTFF can help identify issues that may need to be addressed by looking at expected trends.

In the current environment significant external issues that may impact on Council's future financial position include:

- Limited ability to raise addition income, in particular through rate pegging;
- For the 2022/2023 Financial Year, the **Independent Pricing and Regulatory Tribunal (IPART)** released a rate peg of 0.7% based on population growth. This is the lowest rate peg in two (2) decades and less than half the previous record low of 1.5%, which was applied in 2017/2018.
- Rate pegs below the inflation rate present a challenge to Council's ability to maintain service levels;
- A macro-economic environment with rising Consumer Price Index (CPI) indicating increases in future expenses;
- Uncertainty of the level of future grant funding. Currently Council is receiving high levels of capital grant funding, it is uncertain what level of funding will be received in future years;
- The sharp increase in interest rates after a long period of low, stable rates;
- Externally set wage and superannuation increases;
- The current trend of rising fuel prices;

- Financial impacts and uncertainty caused by Covid 19; and
- Political instability in Europe.

**Planning Assumptions:**

Within this LTFP model no assumptions have been made to implement a **Special Rate Variation (SRV)**.

The assumption has been made and included in this LTFP model that the Additional Special Variation applied to IPART for in April 2022, will be accepted.

The tables below give the assumptions made for this LTFP model. To understand what the numbers in these tables mean, a figure of 102% means that there is a 2% increase on the previous year’s total amount. A figure of 100% means that there will be no change from the previous year’s amount.

There are tables below gives the assumptions for this model.

**How to read the assumption tables:**

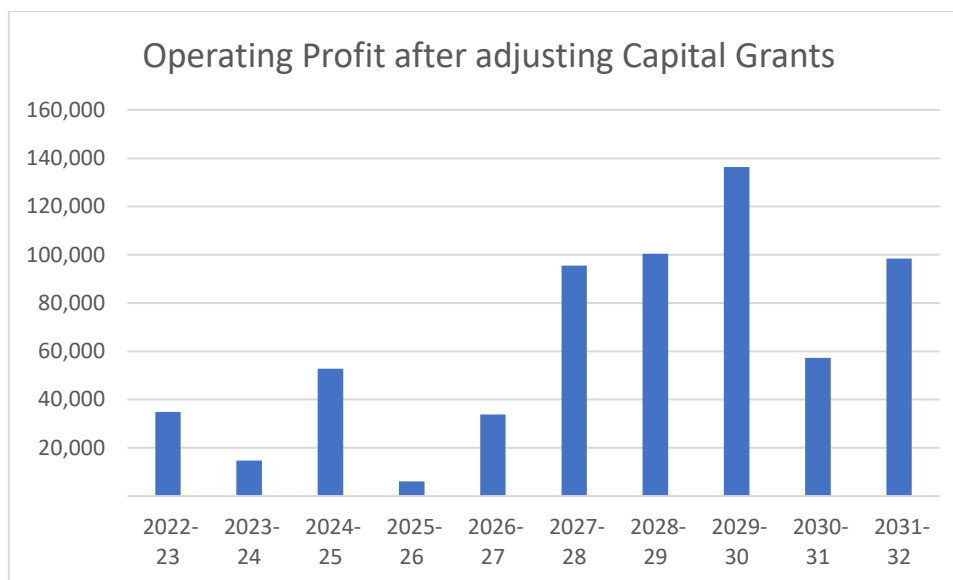
To understand what the numbers in these tables mean, a figure of 102% means that there is a 2% increase on the previous year’s total amount. A figure of 100% means that there will be no change from the previous year’s amount.

Budget Parameters	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
<b>Revenue</b>									
Rates	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%
Annual/User Charges - water	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%
Annual/User Charges - Sewer	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%
Annual/User Charges - Drainage	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%
Annual/User Charges - Waste	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%
Fees & Charges - Other	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%
Interest & Investment	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%
Other Revenue	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%
Operating Grants - FAGS	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%
Operating Grants - other	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%
Operating Contributions/Donations	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%
Quarry	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%
<b>Expenditure</b>									
Wages	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%
Materials and Contracts	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%
Workers Compensation Insurance	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%
Deprecaion	101.00%	101.00%	104.00%	104.00%	100.50%	101.00%	104.00%	104.00%	100.50%

## Projected Operating Results Estimates:

LONG TERM FINANCIAL PLAN SUMMARY	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General Purpose Revenues	10,415,284	10,727,742	11,049,574	11,381,062	11,722,493	12,074,168	12,436,393	12,809,485	13,193,770	13,589,583
Governance	(744,027)	(749,894)	(796,365)	(793,459)	(817,113)	(841,476)	(924,571)	(894,318)	(920,967)	(948,416)
Administration	(2,929,864)	(2,949,121)	(3,065,009)	(2,978,355)	(3,210,934)	(3,384,272)	(3,514,924)	(3,623,092)	(3,739,923)	(4,003,064)
Public Order and Safety	(282,051)	(749,670)	(770,684)	(792,292)	(816,061)	(840,543)	(865,759)	(891,732)	(918,484)	(946,038)
Health	(123,763)	(126,871)	(130,056)	(133,322)	(137,322)	(141,441)	(145,685)	(150,055)	(154,557)	(159,194)
Environment	(149,657)	(153,922)	(158,310)	(162,823)	(167,708)	(172,739)	(177,922)	(183,259)	(188,757)	(194,420)
Housing and Community Amenities	568,323	600,604	633,980	630,109	662,829	693,822	725,856	741,966	758,332	796,402
Recreation and Culture	(2,427,600)	(2,423,524)	(2,475,460)	(2,527,889)	(2,588,197)	(2,653,357)	(2,770,348)	(2,809,827)	(2,900,744)	(2,970,547)
Mining, Manufacturing and Construction	(40,863)	(41,484)	(42,108)	(42,735)	(44,017)	(45,338)	(46,698)	(48,099)	(49,542)	(51,028)
Glen Innes Aggregates	513,420	531,370	551,824	570,338	587,703	605,539	623,912	642,525	661,692	681,826
Transport and Communication	(4,186,693)	(4,214,537)	(4,242,715)	(4,565,551)	(4,596,564)	(4,649,273)	(4,702,712)	(4,887,244)	(5,079,049)	(5,113,932)
Community Services and Education	(20,504)	(16,068)	(11,413)	(12,566)	(10,770)	(9,346)	(7,862)	(8,988)	(10,185)	(8,081)
Economic Affairs	(1,038,368)	(988,898)	(1,107,841)	(1,148,790)	(1,181,100)	(1,214,324)	(1,248,529)	(1,289,318)	(1,331,427)	(1,367,868)
Committees of Council - Section 355										
Water Supplies	314,257	394,260	423,238	406,641	435,603	462,148	489,625	497,439	505,214	538,958
Sewer Supplies	167,019	174,675	194,080	175,713	194,910	211,969	229,652	230,931	231,925	254,249
Capital Income	11,202,241	1,722,316	1,327,694	3,772,600	1,462,000	1,555,000	1,462,000	1,462,000	1,462,000	1,516,040
<b>Operating Profit - Including Capital Grants</b>	<b>11,237,152</b>	<b>1,736,979</b>	<b>1,380,429</b>	<b>3,778,681</b>	<b>1,495,754</b>	<b>1,650,537</b>	<b>1,562,429</b>	<b>1,598,415</b>	<b>1,519,298</b>	<b>1,614,469</b>
Less Capital Grants	11,202,241	1,722,316	1,327,694	3,772,600	1,462,000	1,555,000	1,462,000	1,462,000	1,462,000	1,516,040
<b>Operating Profit after adjusting Capital Grants</b>	<b>34,911</b>	<b>14,663</b>	<b>52,735</b>	<b>6,081</b>	<b>33,754</b>	<b>95,537</b>	<b>100,429</b>	<b>136,415</b>	<b>57,298</b>	<b>98,429</b>

The Long Term Financial Plan estimates that Council will return a small positive surplus each year over the next 10 years.





## Statement of Financial Position Estimate:

Statement of Financial Position Long Term Financial Plan 2023 to 2032	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
<b>ASSETS</b>										
<b>Current assets</b>										
Cash and cash equivalents	25,670,823	26,290,086	26,094,450	28,114,774	31,791,743	34,408,546	37,773,493	41,366,470	44,868,473	48,590,740
Investments										
Receivables	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Inventories	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Contract assets and contract cost assets	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000
Other	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
<b>Total current assets</b>	<b>30,030,823</b>	<b>30,650,086</b>	<b>30,454,450</b>	<b>32,474,774</b>	<b>36,151,743</b>	<b>38,768,546</b>	<b>42,133,493</b>	<b>45,726,470</b>	<b>49,228,473</b>	<b>52,950,740</b>
<b>Non-current assets</b>										
Receivables	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Infrastructure, property, plant and equipment acc depn	498,784,216 -172,774,440	506,843,957 -180,586,974	515,636,110 -188,437,790	525,249,448 -196,748,377	531,283,486 -205,100,517	538,613,730 -213,536,178	545,418,792 -222,056,196	552,259,793 -230,917,015	559,359,720 -240,132,266	566,270,012 -249,393,593
Investment property	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Right of use assets	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
<b>Total non-current assets</b>	<b>327,259,775</b>	<b>327,506,983</b>	<b>328,448,320</b>	<b>329,751,070</b>	<b>327,432,968</b>	<b>326,327,551</b>	<b>324,612,596</b>	<b>322,592,779</b>	<b>320,477,454</b>	<b>318,126,418</b>
<b>Total assets</b>	<b>357,290,598</b>	<b>358,157,069</b>	<b>358,902,770</b>	<b>362,225,845</b>	<b>363,584,711</b>	<b>365,096,098</b>	<b>366,746,089</b>	<b>368,319,248</b>	<b>369,705,927</b>	<b>371,077,158</b>
<b>LIABILITIES</b>										
<b>Current liabilities</b>										
Payables	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Contract liabilities	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
Lease liabilities	250,000	250,000	250,000	120,000	126,215					
Borrowings	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
Employee benefit provisions	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
<b>Total current liabilities</b>	<b>14,350,000</b>	<b>14,350,000</b>	<b>14,350,000</b>	<b>14,220,000</b>	<b>14,226,215</b>	<b>14,100,000</b>	<b>14,100,000</b>	<b>14,100,000</b>	<b>14,100,000</b>	<b>14,100,000</b>
<b>Non-current liabilities</b>										
Payables	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000
Lease liabilities	635,375	352,595	190,827	50,210						
Borrowings	10,075,072	9,487,343	9,014,383	8,829,394	8,736,501	8,723,566	8,811,128	8,785,872	8,653,253	8,410,015
Employee benefit provisions	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Provisions	3,700,000	3,700,000	3,700,000	3,700,000	3,700,000	3,700,000	3,700,000	3,700,000	3,700,000	3,700,000
<b>Total non-current liabilities</b>	<b>14,780,447</b>	<b>13,909,938</b>	<b>13,275,209</b>	<b>12,949,604</b>	<b>12,806,501</b>	<b>12,793,566</b>	<b>12,881,128</b>	<b>12,855,872</b>	<b>12,723,253</b>	<b>12,480,015</b>
<b>Total liabilities</b>	<b>29,130,447</b>	<b>28,259,938</b>	<b>27,625,209</b>	<b>27,169,604</b>	<b>27,032,716</b>	<b>26,893,566</b>	<b>26,981,128</b>	<b>26,955,872</b>	<b>26,823,253</b>	<b>26,580,015</b>
<b>Net assets</b>	<b>328,160,152</b>	<b>329,897,131</b>	<b>331,277,560</b>	<b>335,056,241</b>	<b>336,551,996</b>	<b>338,202,532</b>	<b>339,764,962</b>	<b>341,363,377</b>	<b>342,882,675</b>	<b>344,497,143</b>
<b>EQUITY</b>										
Accumulated surplus	157,754,152	159,491,131	160,871,560	164,650,241	166,145,995	167,796,532	169,358,961	170,957,376	172,476,674	174,091,143
IPPE revaluation reserve	170,406,000	170,406,000	170,406,000	170,406,000	170,406,000	170,406,000	170,406,000	170,406,000	170,406,000	170,406,000
<b>Council equity interest</b>	<b>328,160,152</b>	<b>329,897,131</b>	<b>331,277,560</b>	<b>335,056,241</b>	<b>336,551,995</b>	<b>338,202,532</b>	<b>339,764,961</b>	<b>341,363,376</b>	<b>342,882,674</b>	<b>344,497,143</b>

## Statement of Cashflow Estimate

Statement of Cashflow Estimate	Budget 2022-23	Budget 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27	Budget 2027-28	Budget 2028-29	Budget 2029-30	Budget 2030-31	Budget 2031-32
<b>Sources of Funds</b>										
Operating Profit after adjusting Capital Grants	34,911	14,663	52,735	6,081	33,754	95,537	100,429	136,415	57,298	98,429
Capital Grants	11,202,241	1,722,316	1,327,694	3,772,600	1,462,000	1,555,000	1,462,000	1,462,000	1,462,000	1,516,040
Depreciation - Non Cash Add Back	7,774,440	7,812,533	7,850,817	8,310,587	8,352,140	8,435,661	8,520,018	8,860,819	9,215,251	9,261,328
New Loans	2,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
<b>Net Cashflow Addition</b>	<b>21,011,592</b>	<b>10,549,513</b>	<b>10,231,246</b>	<b>13,089,268</b>	<b>10,847,894</b>	<b>11,086,198</b>	<b>11,082,447</b>	<b>11,459,233</b>	<b>11,734,549</b>	<b>11,875,796</b>
<b>Application of Funds</b>										
Existing Loan Principal Repayments	(1,624,928)	(1,500,635)	(1,296,129)	(915,699)	(728,338)	(549,729)	(348,596)	(357,213)	(357,214)	(357,214)
New Loan Principal Repayments		(87,094)	(176,831)	(269,290)	(364,555)	(462,709)	(563,842)	(668,043)	(775,405)	(886,024)
Lease Principle Payments	(281,625)	(282,780)	(161,768)	(270,617)	(43,995)	(126,712)				
Capital Expenditure	(19,534,216)	(8,059,741)	(8,792,154)	(9,613,338)	(6,034,038)	(7,330,244)	(6,805,062)	(6,841,001)	(7,099,927)	(6,910,292)
<b>Net Cashflow Use</b>	<b>(21,440,769)</b>	<b>(9,930,250)</b>	<b>(10,426,882)</b>	<b>(11,068,943)</b>	<b>(7,170,926)</b>	<b>(8,469,394)</b>	<b>(7,717,500)</b>	<b>(7,866,257)</b>	<b>(8,232,546)</b>	<b>(8,153,530)</b>
<b>Net Cashflow Movement</b>	<b>(429,177)</b>	<b>619,263</b>	<b>(195,636)</b>	<b>2,020,324</b>	<b>3,676,969</b>	<b>2,616,803</b>	<b>3,364,947</b>	<b>3,592,976</b>	<b>3,502,004</b>	<b>3,722,267</b>
<b>Cash and Investments at year end</b>	<b>25,670,823</b>	<b>26,290,086</b>	<b>26,094,450</b>	<b>28,114,774</b>	<b>31,791,743</b>	<b>34,408,546</b>	<b>37,773,493</b>	<b>41,366,470</b>	<b>44,868,473</b>	<b>48,590,740</b>

Note: The balance of cash and investments may be tied to Council reserves and does not represent funds available for Council discretionary spending.

## **Methods of Monitoring Financial Performance - Financial Indicators**

Financial Indicators provide an indication of the financial health of an organisation.

The financial indicators used by Council are those that were required for the “Fit For Future” benchmarking process. A definition and description of how they are calculated is provided below.

These ratios will be reviewed annually and will appear in Councils Financial Statements.

## **FIT FOR FUTURE RATIO DEFINITIONS**

### **Operating Performance Ratio**

**This ratio measures Councils ability of containing operating expenditure within operating revenue**

**Calculated as:**

**Total Continuing Operating Revenue (excluding Capital Grants & Contributions) - Operating Expenses**

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**Total Continuing Operating Revenue (excluding Capital Grants & Contributions)**

**Benchmark**

**=>0**

**(Greater or equal to break even average over three years)**

### **Own Source Operating Revenue Ratio**

**This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.**

**Calculated as:**

**Total Continuing Operating Revenue (excluding all Grants & Contributions)**

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**Total Continuing Operating Revenue (including Capital Grants & Contributions)**

**Benchmark**

**>60%**

**(Average over three years)**

## **Own Source Operating Revenue Ratio (Rural Council version)**

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Calculated as:

Total Continuing Operating Revenue (excluding all Grants & Contributions except Financial Assistance Grants)

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Total Continuing Operating Revenue (including Capital Grants & Contributions)

Benchmark

>60%

(Average over three years)

## **Building & Infrastructure Renewal Ratio**

This ratio measures the rate at which assets are being renewed relative to the rate they are being depreciated.

Calculated as:

Asset Renewals (Building & Infrastructure)

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Depreciation, Amortisation and Impairment (Building & Infrastructure)

Benchmark

>100%

(Average over three years)

## **Infrastructure Backlog Ratio**

This ratio shows the annual renewal backlog as a proportion of the total value of Council's infrastructure

Calculated as:

Estimated Costs to bring assets to a satisfactory condition

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Total value of infrastructure and building assets

Benchmark

<2%

(Average over three years)

## **Asset Maintenance Ratio**

This ratio compares actual asset maintenance with required asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog through insufficient funds.

Calculated as:

Actual Asset Maintenance

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Required Asset Maintenance

Benchmark

=>100%

(Average over three years)

## **Debt Service Ratio**

This ratio measures the availability of operating cash to service debt.

Calculated as:

Debt Service Costs (Interest Expense and Principal Repayments)

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Income from continuing operations (excluding capital items and specific purpose grants and contributions)

Benchmark

>0% and <=20%

(Average over three years)