

Central Darling Shire

**DRAFT
LONG TERM FINANCIAL PLAN 2025-2034**





Table of Contents

EXECUTIVE SUMMARY	3
FINANCIAL RESOURCES	5
Financial Modelling	5
Objectives of the Long Term Financial Plan.....	5
Modelling Methodology.....	6
Key Assumptions of the 10 Year Financial Model.....	6
Summary of Key Outcomes.....	7
Income Statement Projections	8
Consolidated	8
General Rates	8
Annual Charges	8
Government Grants.....	9
User Charges & Fees.....	9
Interest on Investments.....	9
Employee Benefits	9
Materials & Contracts.....	9
Depreciation and Amortisation.....	9
Gross Written Down Value (WDV) of Non-Current Assets Sold.....	9
Borrowing Cost Expenses	9
Key Information Relayed by Statement.....	10
Water Services	11
Annual Charges	11
Government Grants.....	11
User Charges & Fees.....	11
Materials & Contracts.....	11
Depreciation and Amortisation.....	12
Key Information Relayed by Statement.....	12
Sewer Services	12
Annual Charges	12
Government Grants.....	13
User Charges & Fees.....	13
Materials & Contracts.....	13
Depreciation and Amortisation.....	13
Key Information Relayed by Statement.....	13
Balance Sheet Projections	14
Cash Assets and Cash Equivalents.....	14
Receivables.....	14
Inventories	15
Accounts Payable.....	15
Provisions	15
Accumulated Surplus & Reserves	15
Key Information Relayed by Statement.....	15
Cash Flow Projections.....	16
Key Information Relayed by this Statement.....	16
Capital Works	17
Level and Nature of Capital Works	17
Capital Funding Sources	18
Long Term Borrowing Strategies	18
Annual Charges	19
Financial Ratio Analysis of Central Darling Shire Council	20
Working Capital Ratio.....	20
Own Source Revenue Ratio	21
Operating performance Ratio	21
Renewal/Depreciation Ratio	22



EXECUTIVE SUMMARY

The Central Darling Shire Council's Long Term Financial Plan 2025-2034 has been developed using a 10 year Financial Model to ensure Council's future financial sustainability. The financial model is a dynamic tool which analyses financial trends over a ten year future period based on a range of assumptions and produces a means by which Council can assess its financial requirements balanced with its strategic objectives.

The Plan has been developed on the following broad assumptions:

- Rates are forecast to increase in line with rate capping predictions by IPART being 4.5%.
- Annual charges for water, sewer and waste services to increase by the rate cap each year.
- No long-term debt
- All revenue sources other than rates and annual charges to rise by inflation, except if better information is available.
- Net staff levels will remain constant in line with current service provision.
- No reduction in the level of services provided.
- Assets that provide an income stream or allow Council to reduce operating costs may be leased.
- As it is expected that the shire's population will remain static for the life of the plan, no population growth factors have been factored into the plan.
- It is acknowledged that some assumptions used within the plan may become less relevant over a 10 year period.
- The plan is to be a living document and will be updated each year.

The key outcomes from the Long-Term Financial Plan include the following:

- Council's liquidity reduces over the life of the plan and will require use of an overdraft.
- Capital Works Program fluctuates in line with grant funding for the life of the plan .
- Not enough funding is being allocated for the renewal of assets.
- Council's service levels have been maintained at the current level and will be reviewed during the term of the plan.
- There is a significant reduction in funding for Roads and Maritime Services (RMS) works.
- Operating grant income remains relatively static.
- Council's overall financial position weakens over the life of the plan.

The Plan highlights the risk of the council becoming unsustainable in the future due to:

- Small value ratebase and rate-capping.

As council only has a small number of properties at low valuation due to their remote location, any increases in the rate-cap only have a minimal effect on councils' overall income. Council has no way of influencing this income, and it is unlikely to improve as there is only limited development occurring in the municipality.

- Reliance on Roads and Maritime Services (RMS) contract works and private works



A major component of fees and charges is the income the council receives from RMS for contracted works and income received from other private works.

Council has completed its latest major contracts for RMS, (sealing of the Cobb Highway and Pooncarie Road). Currently it is expected that council will not have any major RMS contract works for the foreseeable future and this has been reflected in the long-term financial plan, the reduction to income over the life of the plan is several million dollars.

- Reliance on government grants

Council is highly reliant on government grants, with operating grants contributing to, on average, over 40% of total income (not including capital grants) for the year. Any reduction in this government funding significantly affects operating surplus.

- Council is limited in the methods it can use to generate income.

Being remote and small council, it is not possible to levy a variety of fees and charges that a larger council could. E.g. parking.



FINANCIAL RESOURCES

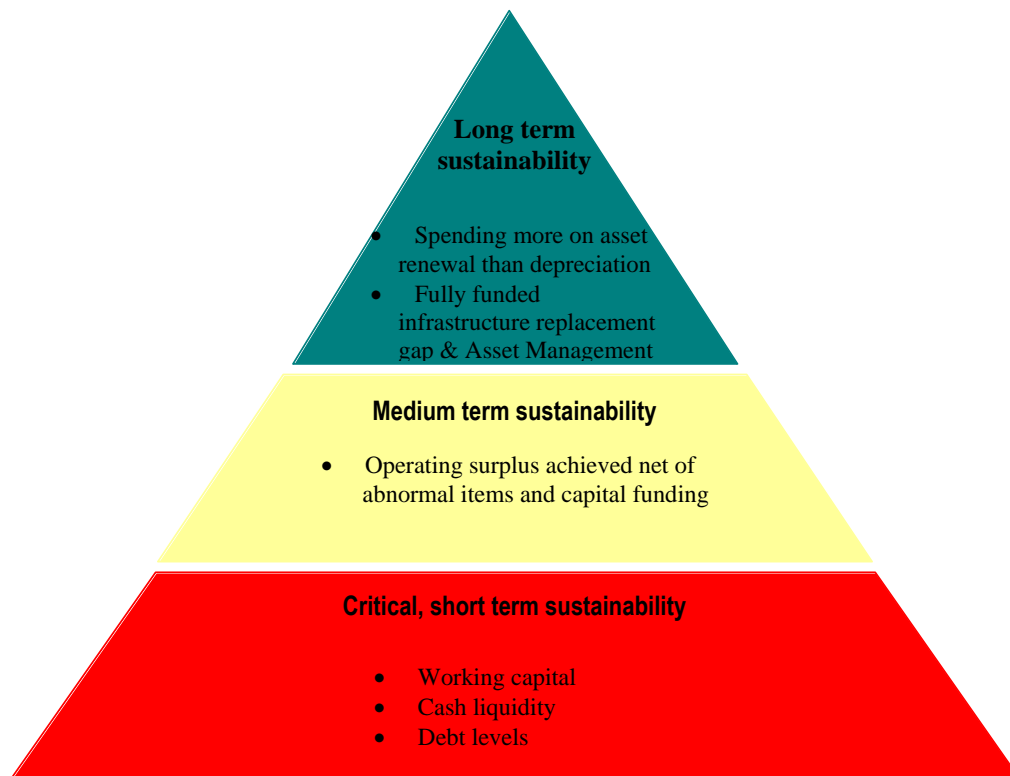
Financial Modelling

Objectives of the Long Term Financial Plan

The overall goal of the LTFP is to ensure that Central Darling Shire Council remains financially sustainable in the long term. It is intended that the 2025-2034 LTFP be based on the following guidelines:

- rate increases are in line with estimated IPART rate capping.
- a pricing strategy for services based on Council's preferred options for service delivery and subsidisation vs. user pays principles
- increased funding levels for capital works and infrastructure asset maintenance
- improved liquidity
- achievement of Operating Statement surpluses with the exclusion of all non operational items such as granted assets, developer contributions and capital income.

Financial sustainability is a poorly defined term within Local Government. In order to clarify its meaning in the terms of this LTFP, the below diagram illustrates sustainability on a hierarchy of needs basis.



The most basic level of the pyramid diagram relates to issues of liquidity, debt ratios and working capital, which have an urgent, short-term focus. Without these building blocks in place, Council cannot operate successfully.

The success of this LTFP will be to progress in a structured and transparent way towards the two higher levels of sustainability that have a longer-term focus than the length of this Plan.



Modelling Methodology

Council maintains the ten year financial model on an ongoing basis. The model is based on a series of assumptions that drive the model and any changes made to the assumptions influence the results.

The base point used for modelling this year's LTFP is the budgeted result for 30 June 2025 as prepared at the end of the March quarter during Council's formal budget process.

Key Assumptions of the 10 Year Financial Model

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

- Existing service levels will be maintained.
- There will be no significant changes to the level of subsidization that existing services receive from general revenue.
- Net staff levels will remain constant in line with current service provision.
- Inflation is forecasted as follows and is based on RBA's Statement on Monetary Policy February 2024

2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
3.5%	3.5%	3.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

- Staff costs will increase by an average of 3.74% over the life of the plan due to increases in the cost of living being addressed through state government award provisions.
- All revenue sources other than rates, annual charges and statutory charges to rise by inflation within reason
- The replacement / refurbishment of existing assets will be maintained at current levels.
- Any new borrowings will be on a principal and interest basis.
- Assets that provide income streams or allow Council to reduce operating costs may be leased
- As it is expected that the shire's population will remain static for the life of the plan, no population growth factors have been factored into the plan.



Summary of Key Outcomes

The following table shows the Summary of Key outcomes over the next 10 years.

Central Darling Shire Council 10 Year Financial Projections Summary of Key Outcomes										
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	Budget									
	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Surplus (deficit) from Operations (Before Capital funding)	10,884	7,541	4,784	4,243	2,050	2,583	2,232	2,901	2,495	3,031
Underlying Surplus/(Deficit)	(1,225)	(639)	(396)	(437)	(530)	(497)	(348)	(179)	(85)	(49)
Net Cashflow from Operations	17,609	9,211	6,671	6,067	3,901	5,447	5,081	5,688	5,262	5,824
Projected Capital Expenditure	18,099	10,415	6,220	6,710	3,860	4,800	4,225	4,485	4,400	5,625
Closing Cash Balance	1,805	151	136	(973)	(1,424)	(1,269)	(915)	(214)	136	(177)
Long Term Borrowings	-	-	-	-	-	-	-	-	-	-

Key points of note:

- A net underlying deficit in 2024-25, with deficits continuing for the life of the plan.
- A negative cash position.
- A reduction in capital works
- No long-term borrowings.



Income Statement Projections

The following tables show the income statement forecasted results, consolidated and for water and sewer, for 2025-34. Explanations on the major components of the statement are included below.

Consolidated

Central Darling Shire Council										
Projected Consolidated Income Statement										
Year Ending 30 June										
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	Budget									
	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
INCOME										
Rates										
Residential	507	530	554	579	605	632	660	690	721	753
Farmland	386	403	422	440	460	481	503	525	549	574
Business	53	55	58	60	63	66	69	72	75	79
Total Rates	946	989	1,033	1,080	1,128	1,179	1,232	1,287	1,345	1,406
Annual Charges										
Water	682	706	731	756	779	798	814	831	847	864
Sewer	294	304	315	326	336	344	351	358	365	373
Waste	669	692	717	742	764	783	799	815	831	848
Total Annual Charges	1,645	1,703	1,762	1,824	1,879	1,926	1,964	2,003	2,043	2,084
User Charges & Fees	7,728	8,056	8,159	8,263	8,420	8,781	8,956	9,285	9,900	10,160
Interest & Investment Revenue	97	100	104	107	109	112	114	116	119	121
Other Revenues	434	475	541	605	620	635	648	661	674	688
Contributions	3,294	3,509	3,529	3,617	3,707	3,900	3,978	4,157	4,241	4,325
Operating Grants	9,003	11,526	11,745	12,158	12,367	12,582	13,158	13,495	13,789	14,259
Capital Grants	12,109	8,180	5,180	4,680	2,580	3,080	2,580	3,080	2,580	3,080
Total income	35,256	34,538	32,053	32,333	30,811	32,194	32,630	34,086	34,691	36,124
EXPENSES										
Employee Benefits	7,070	7,396	7,392	7,501	7,613	7,726	7,841	7,898	7,977	7,983
Borrowing Costs	40	39	39	39	39	39	39	39	39	39
Materials & Contracts	8,524	8,972	9,436	9,917	10,259	10,773	11,139	11,511	11,892	12,180
Depreciation	5,853	6,692	6,908	6,975	7,008	7,032	7,110	7,186	7,384	7,532
Other Expenses	2,885	3,898	3,494	3,658	3,841	4,040	4,269	4,551	4,905	5,360
Total expenses	24,372	26,997	27,269	28,091	28,760	29,611	30,397	31,185	32,196	33,093
Surplus(deficit) from Operations	10,884	7,541	4,784	4,243	2,050	2,583	2,232	2,901	2,495	3,031
Less CAPITAL FUNDING										
Capital Grants	12,109	8,180	5,180	4,680	2,580	3,080	2,580	3,080	2,580	3,080
Gain/(Loss) on Disposed Assets	-	-	-	-	-	-	-	-	-	-
	12,109	8,180	5,180	4,680	2,580	3,080	2,580	3,080	2,580	3,080
Net Surplus(deficit)	(1,225)	(639)	(396)	(437)	(530)	(497)	(348)	(179)	(85)	(49)

General Rates

General land is the balance of land defined by exception to the general rate. General land therefore consists of residential, commercial and agricultural properties and vacant land.

Council applies a Base Rate and an Ad Valorem rate when calculating the rate to be levied.

Rates are forecast to increase in line with rate capping predictions by IPART being 4.5%.

Annual Charges

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



Government Grants

Council is in the lower range of grants received for regional centers. It actively seeks grants. However, its major grant funding is from the NSW Grants Commission which Council is unable to influence to a large degree.

In broad terms, a 3.5% per annum increase has been allowed for operating grants reflecting the nature of this revenue type.

Major capital grant funding will be received to complete:

- Water Treatment Plants at White Cliffs, Wilcannia and Ivanhoe

User Charges & Fees

Fees and charges have been increased by inflation, however a number of fees are set by legislation and are not under Council's control e.g. Planning Permits.

Interest on Investments

Interest on investments has been based upon year-end cash and investment balances. It has been assumed an average 3.5% return on funds over the life of the model.

Employee Benefits

Increases in labour and oncosts are composed of two elements. The elements are Enterprise Agreement increments and movements within bandings as part of the annual review process. Council's negotiated Enterprise Agreement increase has been 3.5% per annum, so given this and movements within banding levels, plus additional funded positions, a 3.74% average increase in total employee benefits has been factored into the Plan. This also highlights Council's continued reliance on external contractors to complete works.

Materials & Contracts

The broad assumption in materials and contracts is for an increase by inflation per annum based on our CPI assumptions.

Depreciation and Amortisation

Depreciation estimates have been based on the projected capital works outlays contained within this LTFP document. Future asset revaluations, levels of developer contributed infrastructure and unanticipated externally funded capital upgrade and expansion expenditure may further influence depreciation estimates. Additional depreciation will be charged in the 2025 year as the new water treatment plant comes online, and the Pooncarie Road Project is completed.

Gross Written Down Value (WDV) of Non-Current Assets Sold

All written down values relate to plant items disposed as part of the plant replacement program. No asset sales are predicted for the life of the plan.

Borrowing Cost Expenses

Interest costs have been assessed on the basis of Council not having any new borrowings over the life of the plan. Also included in borrowing costs is the discount adjustments relating to movements in the Provision for Landfill Rehabilitation.



Key Information Relayed by Statement

One of Council's first goals must be to achieve an operational surplus without the inclusion of any capital income (against which there is no matching expenditure in the Operating Statement) and abnormal items such as gifted assets. Under the current plan council does not achieve this result. For the following reasons:

- Small value ratebase and rate-capping.

As council only has a small number of properties at low valuation due to their remote location, any increases in the rate-cap only have a minimal effect on councils' overall income. Council has no way of influencing this income, and it is unlikely to improve as there is only limited development occurring in the municipality.

- Reliance on Roads and Maritime Services (RMS) contract works and private works

A major component of fees and charges is the income the council receives from RMS for contracted works and income received from other private works.

Council has completed its latest major contracts for RMS, (sealing of the Cobb Highway and Pooncarie Road). Currently it is expected that council will not have any major RMS contract works for the foreseeable future and this has been reflected in the long-term financial plan, the reduction to income over the life of the plan is several million dollars.

- Reliance on government grants

Council is highly reliant on government grants, with operating grants contributing to, on average, over 40% of total income (not including capital grants) for the year. Any reduction in this government funding significantly affects operating surplus.

- Council is limited in the methods it can use to generate income.

Being remote and small council, it is not possible to levy a variety of fees and charges that a larger council could. E.g. parking.

The above issues will also affect council's financial ratios.



Water Services

Central Darling Shire Council										
Projected Water Income Statement										
Year Ending 30 June										
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	Budget									
INCOME	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Annual Charges										
Water	682	706	731	756	779	798	814	831	847	864
Total Annual Charges	682	706	731	756	779	798	814	831	847	864
User Charges & Fees	275	285	295	302	310	317	324	330	337	343
Interest & Investment Revenue	24	25	26	26	27	28	28	29	29	30
Capital Grants	5,000	4,500	2,500	1,000	-	-	-	-	-	-
Total income	5,981	5,515	3,551	2,084	1,115	1,143	1,166	1,189	1,213	1,237
EXPENSES										
Materials & Contracts	755	764	772	781	789	798	807	815	824	834
Depreciation	591	759	770	782	793	805	817	829	842	855
Total expenses	1,346	1,522	1,542	1,562	1,582	1,603	1,624	1,645	1,666	1,688
Surplus(deficit) from Operation	4,635	3,993	2,009	522	(467)	(460)	(458)	(456)	(453)	(451)
Less CAPITAL FUNDING										
Capital Grants	5,000	4,500	2,500	1,000	-	-	-	-	-	-
	5,000	4,500	2,500	1,000	-	-	-	-	-	-
Net Surplus(deficit)	(365)	(507)	(491)	(478)	(467)	(460)	(458)	(456)	(453)	(451)

Annual Charges

Council has the power to levy a service rate or service charge or combination service rate and charge to fund the provision of water supply, sewerage or waste services. Council need not necessarily use property value as the basis for levying a service rate or charge and could use some other criteria. However, this method is the most commonly used, council therefore, applies an annual charge based on property values.

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

Government Grants

Represent capital grants to provide water infrastructure. The \$12.0 million to be received for the 2024-25 to 2027-28 years is to fund a new water treatment plant for the White Cliffs community, and the upgrading of the water treatment plants at Wilcannia and Ivanhoe.

User Charges & Fees

Fees and charges generally represent excess water usage by consumers, as this is difficult to predict a conservative approach has been adopted, but in broad terms the increase will be in line with inflation.

Materials & Contracts

The broad assumption is materials and contracts will increase in line with inflation per annum based on our CPI assumption. However additional maintenance costs for the new White Cliffs water treatment plant, have been factored in from the 2022-23 year.



Depreciation and Amortisation

The anticipated increase in depreciation for the White Cliffs water treatment plant has been factored in from the 2025-26 year. However, it is acknowledged that this figure is conservative.

Key Information Relayed by Statement

One of Council's first goals must be to achieve an operational surplus without the inclusion of any capital income (against which there is no matching expenditure in the Operating Statement) and abnormal items such as gifted assets.

The Projected Income Statement for the Water Fund does not achieve this objective over the life of this plan. This is mainly attributable to the increase in maintenance and depreciation for the new water treatment plants, the water pricing policies of the Council prior to the 2014-15 year, and Council's decision to be conservative with any increase to the Annual Charge for Water.

Sewer

Services

Central Darling Shire Council Projected Sewer Income Statement Year Ending 30 June										
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	Budget									
	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
INCOME										
Annual Charges										
Sewer	294	304	315	326	336	344	351	358	365	373
Total Annual Charges	294	304	315	326	336	344	351	358	365	373
User Charges & Fees	4	4	4	4	5	5	5	5	5	5
Interest & Investment Revenue	3	3	3	3	3	3	3	4	5	5
Operating Grants	125	127	129	131	133	135	137	139	141	143
Capital Grants	-	-	-	-	-	-	-	-	-	-
Total income	426	438	451	464	476	486	495	506	516	525
EXPENSES										
Materials & Contracts	190	192	195	198	201	204	207	210	214	217
Depreciation	138	140	142	144	146	149	151	153	155	158
Total expenses	328	332	337	343	348	353	358	364	369	375
Surplus(deficit) from Operations	98	106	114	122	128	134	137	142	147	151
Less CAPITAL FUNDING										
Capital Grants	-	-	-	-	-	-	-	-	-	-
Net Surplus(deficit)	98	106	114	122	128	134	137	142	147	151

Annual Charges

Council has the power to levy a service rate or service charge or combination service rate and charge to fund the provision of water supply, sewerage or waste services. Council need not necessarily use property value as the basis for levying a service rate or charge and could use some other criteria. However, this method is the most commonly used, council therefore, applies an annual charge based on property values.

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



Government Grants

Represent grants provided under the Aboriginal Sewer Scheme. It is expected this grant will continue for the life of the plan.

User Charges & Fees

Fees and charges in broad terms will increase in line with our estimates for inflation.

Materials & Contracts

The broad assumption in materials and contracts is for an increase in line with our estimates for CPI.

Depreciation and Amortisation

Depreciation of sewer infrastructure, no major capital works programs for the sewer system are expected for the life of the plan.

Key Information Relayed by Statement

One of Council's first goals must be to achieve an operational surplus without the inclusion of any capital income (against which there is no matching expenditure in the Operating Statement) and abnormal items such as gifted assets.

The Projected Income Statement for the Sewer Fund achieves this objective for the life of the plan and can be attributed to the increase in annual charges.



Balance Sheet Projections

The following table shows the balance sheet result for 2025-2034. Explanations on the major components of the statements are included below.

Central Darling Shire Council											
Projected Balance Sheet											
As At 30 June											
	Actual	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	2023	Budget									
	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS											
Current Assets											
Cash & Cash Equivalents	12,154	1,805	151	136	-	-	-	-	-	136	-
Receivables	15,357	5,497	5,384	5,407	5,436	5,470	5,496	5,523	5,555	5,840	5,771
Inventories	654	400	393	386	378	371	364	357	357	357	357
	28,165	7,702	5,928	5,928	5,814	5,841	5,860	5,880	5,912	6,333	6,128
Non-current Assets											
Investment in JO	867	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140
Property, plant and equipment	223,740	250,795	256,206	261,886	266,973	268,871	271,096	273,788	276,379	277,208	279,752
Receivables	188	188	188	188	188	188	188	188	188	188	188
Right of use assets	109	109	250	300	250	200	110	250	300	250	110
	224,904	252,232	257,784	263,514	268,551	270,399	272,534	275,366	278,007	278,786	281,190
Total assets	253,069	259,934	263,712	269,442	274,365	276,240	278,394	281,246	283,919	285,119	287,317
LIABILITIES											
Current Liabilities											
Bank Overdraft	-	-	-	-	973	1,424	1,269	915	214	-	177
Payables	5,064	993	1,075	1,215	1,437	1,667	1,886	2,163	2,208	2,264	2,333
Contract liabilities	2,094	1,741	1,500	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Lease Liabilities	118	118	258	208	258	208	118	208	258	208	208
Income received in advance	168	88	88	88	88	88	88	88	88	88	88
Employee benefits provisions	1,222	1,030	1,077	1,126	1,051	1,142	1,114	1,123	1,123	1,123	1,123
	8,666	3,970	3,998	3,637	4,808	5,529	5,475	5,497	4,891	4,684	4,929
Non-current Liabilities											
Lease liability	12	148	133	133	133	133	133	133	133	133	133
Employee benefits provisions	29	29	29	29	29	29	30	30	30	30	30
Provisions	524	700	736	763	790	819	866	896	914	946	977
	776	877	898	925	952	981	1,029	1,059	1,077	1,108	1,140
Total liabilities	9,442	4,847	4,896	4,562	5,760	6,510	6,503	6,556	5,968	5,792	6,069
Net Assets	243,627	255,087	258,816	264,880	268,605	269,730	271,891	274,690	277,952	279,328	281,249
EQUITY											
Accumulated Surplus	172,670	183,554	191,095	195,879	200,122	202,172	204,756	206,988	209,889	212,384	215,414
Plant Replacement Reserve	210	210	210	210	210	210	210	210	210	210	210
Waste Management Reserve	155	320	485	650	815	980	1,145	1,310	1,475	1,640	1,805
Asset Revaluation Reserve	71,003	71,003	67,026	68,141	67,458	66,368	65,780	66,182	66,378	65,094	63,820
Total Equity	244,038	255,087	258,816	264,880	268,605	269,730	271,891	274,690	277,952	279,328	281,249

Cash Assets and Cash Equivalents

Cash funds improve throughout the ten-year period. Council will require use of its overdraft facility after the 2026-27 year.

Receivables

A conservative approach has been taken on this item as reviews of previous years' activity reveals fluctuations in these balances.



Inventories

Although inventory levels have remained relatively constant in recent years, modelling assumptions are such that purchase prices will increase in line with CPI and this is reflected in the future asset values.

Property, Plant and Equipment

The fixed asset balance is the outcome of projected levels of capital expenditure, depreciation, gifted assets and asset disposals shown in the Income Statement.

Accounts Payable

A lack of a discernible trend has resulted in a conservative approach taken to accounts payable and a CPI inflation factor applied.

Provisions

It has been assumed in the model that the trend for employee provisions (Annual leave and Long Service Leave) will basically increase as staff wages increase.

Accumulated Surplus & Reserves

The accumulated equity of Council (including Reserve funds) continues to increase during the life of the LTFP in line with projected stable reserves and operating surpluses.

Funds are to be allocated to two Reserves from the 2025 financial year.

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

Key Information Relayed by Statement

The Balance Sheet highlights a number of key points:

- Council has no long term debt.
- Council continues to grow its equity and fixed asset levels.
- Council will need to use its overdraft facility after the 2026-27 year.



Cash Flow Projections

The Statement of Cash Flows illustrated below is drawn directly from the cash-based transactions shown in the Income Statement and Balance Sheet.

Central Darling Shire Council										
Cashflow Projections										
Year Ending 30 June										
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	Budget									
	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities										
Receipts										
Rates & Annual Charges	2,362	1,615	1,677	1,742	1,804	1,863	1,918	1,974	2,033	2,094
User Charges & Fees	6,182	5,801	5,875	5,950	6,062	6,322	6,448	6,685	7,128	7,315
Investment and interest Revenue Received	97	100	104	107	109	112	114	116	119	121
Grants & Contributions	24,406	22,054	19,431	19,432	17,722	19,562	19,715	20,732	20,609	21,664
Payments										
Employee Benefits & Oncosts	(7,070)	(7,602)	(7,598)	(7,707)	(7,819)	(7,726)	(7,841)	(7,898)	(7,977)	(7,983)
Materials and Contracts	(8,353)	(12,742)	(12,801)	(13,439)	(13,959)	(14,665)	(15,253)	(15,901)	(16,629)	(17,364)
Borrowing Costs	(15)	(16)	(17)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
Cash flow from Operations	17,609	9,211	6,671	6,067	3,901	5,447	5,081	5,688	5,262	5,824
Cash Flows from Investing Activities										
Receipts										
Proceeds from sale of non-current assets	-	-	-	-	-	-	-	-	-	-
Payments										
Purchase of Assets	(18,099)	(10,415)	(6,220)	(6,710)	(3,860)	(4,800)	(4,225)	(4,485)	(4,400)	(5,625)
Cash flow from investing activities	(18,099)	(10,415)	(6,220)	(6,710)	(3,860)	(4,800)	(4,225)	(4,485)	(4,400)	(5,625)
Cash Flows from Financing Activities										
Payments										
Leasing payments	(450)	(450)	(466)	(466)	(492)	(492)	(502)	(502)	(512)	(512)
Cash flow from financing activities	(450)	(450)	(466)	(466)	(492)	(492)	(502)	(502)	(512)	(512)
Net Increase/(Decrease) in Cash and Cash Equivalents	(940)	(1,654)	(15)	(1,109)	(451)	155	354	701	350	(313)
Plus Cash and Cash Equivalents - Beginning of Year	2,745	1,805	151	136	(973)	(1,424)	(1,269)	(915)	(214)	136
Plus Cash and Cash Equivalents - End of Year	1,805	151	136	(973)	(1,424)	(1,269)	(915)	(214)	136	(177)
Less Employee Provisions	(1,030)	(1,056)	(1,105)	(1,028)	(1,117)	(1,286)	(1,121)	(1,091)	(1,091)	(1,091)
Less Tip Rehabilitation:	(700)	(736)	(763)	(790)	(819)	(866)	(896)	(914)	(946)	(977)
Available cash reserves	75	(1,641)	(1,731)	(2,791)	(3,360)	(3,420)	(2,932)	(2,220)	(1,901)	(2,245)

Key Information Relayed by this Statement

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

It should be noted that a number of capital grants are provided to council on a 'milestone' basis. This effectively means that council can only claim the funding when it has completed an agreed level of works for the particular capital project for which the funding applies. The implications for this are that council must use its own funds to achieve the milestone. This does put pressure on councils limited cash reserves.

It needs to also be noted that for a number of years prior to this plan council has accrued liabilities for employee entitlements and landfill rehabilitation. These liabilities have mostly remained unfunded. Council's intention is that these liabilities will now be funded.



Capital Works

Level and Nature of Capital Works

The Capital Works Program is based on what is considered to be known and required expenditure. The program is based upon the fundamental elements of asset renewal, asset upgrade and asset expansion.

The table below sets out the proposed level and nature of capital works in the LTFP 2025-2034, based on Council's activities.

Central Darling Shire Council Projected Capital Works Program As At 30 June										
Capital Works Program	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Budget										
	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Renewal										
Roads	7,435	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Water Infrastructure	300	300	300	300	300	300	300	300	300	300
Sewer Infrastructure		100		50		50		50		50
Outdoor Infrastructure	378	150	150	150	150	150	150	150	150	150
Buildings	130	150	150	150	150	150	150	150	150	150
Stormwater Management	75	75	75				75	75	75	
Swimming Pools	165	75	75	150	75	75	150	75	75	150
Waste Management	-	75		75		75		75		75
Total Renewal	8,483	3,425	3,250	3,375	3,175	3,300	3,325	3,375	3,250	3,375
New Assets										
Water Infrastructure	95	100	100	100	-	-	-	-	-	-
Sewer Infrastructure		-	-	-	-	-	-	-	-	-
Stormwater Management		150								
Outdoor Infrastructure	96		100		100		100		100	
Buildings	450			550			650			750
Plant	575	240	270	685	585	500	150	110	1,050	500
Total Asset Expansion	1,216	490	470	1,335	685	500	900	110	1,150	1,250
Upgrade Assets										
Outdoor Infrastructure	1,150	1,000								
Water Infrastructure	5,000	4,500	2,500	1,000						
Roads	2,250	1,000		1,000		1,000		1,000		1,000
Total Upgrade	8,400	6,500	2,500	2,000	-	1,000	-	1,000	-	1,000
Total	18,099	10,415	6,220	6,710	3,860	4,800	4,225	4,485	4,400	5,625

Apart from the current year forecast, the table shows a degree of variation over time, but this correlates generally with the level of projects and renewal expenditure proposed.



Capital Funding Sources

In achieving the above capital works program, capital funding is a critical component and variations in this type of funding will have an immediate impact (positive or negative) on the level of works that can be performed. The table below highlights the capital funding sources.

Central Darling Shire Council										
Projected Funding for Capital Works										
As At 30 June										
Capital Works Program	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Budget										
	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s	'000s
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
External										
Grants	12,109	8,180	5,180	4,680	2,580	3,080	2,580	3,080	2,580	3,080
Contributions	3,294	3,409	3,529	3,617	3,707	3,800	3,876	3,953	4,033	4,113
Total External	15,403	11,589	8,709	8,297	6,287	6,880	6,456	7,033	6,613	7,193
Internal										
Accumulated Funds	2,696	(1,174)	(2,489)	(1,587)	(2,427)	(2,080)	(2,231)	(2,548)	(2,213)	(1,568)
Total Internal	2,696	(1,174)	(2,489)	(1,587)	(2,427)	(2,080)	(2,231)	(2,548)	(2,213)	(1,568)
TOTAL	18,099	10,415	6,220	6,710	3,860	4,800	4,225	4,485	4,400	5,625
Capital Works	18,099	10,415	6,220	6,710	3,860	4,800	4,225	4,485	4,400	5,625

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

Long Term Borrowing Strategies

There are currently no plans to undertake long term borrowings

Other Scenarios

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



Risks to The Financial Plan

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

Changes in Economic Conditions

Changes in inflation will impact revenue and expenditure.

Changes in Employee Costs and Liability Conditions

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

Rate Pegging

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

Grant Funding

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

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

Loss of Road Maintenance Contracts (RMS contract works)

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

Conditions of Infrastructure Assets and Aging

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

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



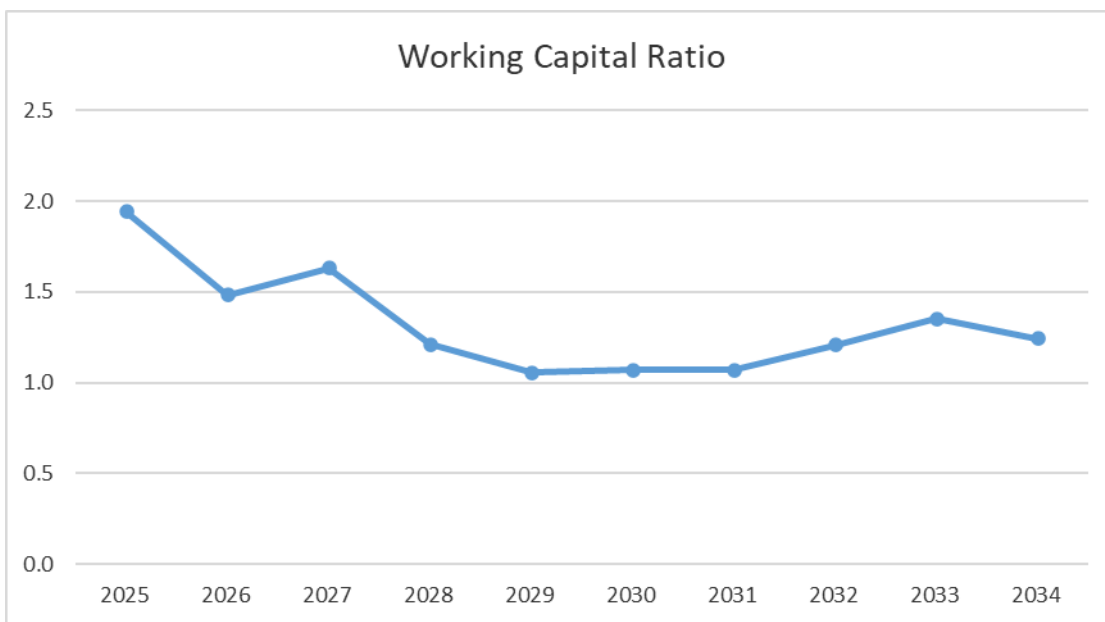
Landfill Rehabilitation

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

Financial Ratio Analysis of Central Darling Shire Council

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

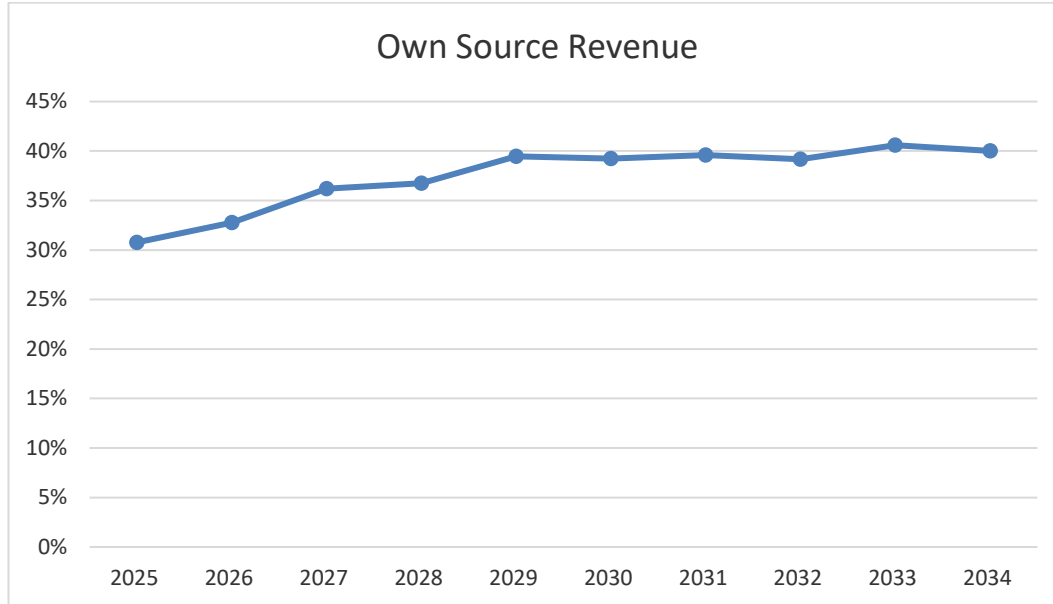
Working Capital Ratio



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

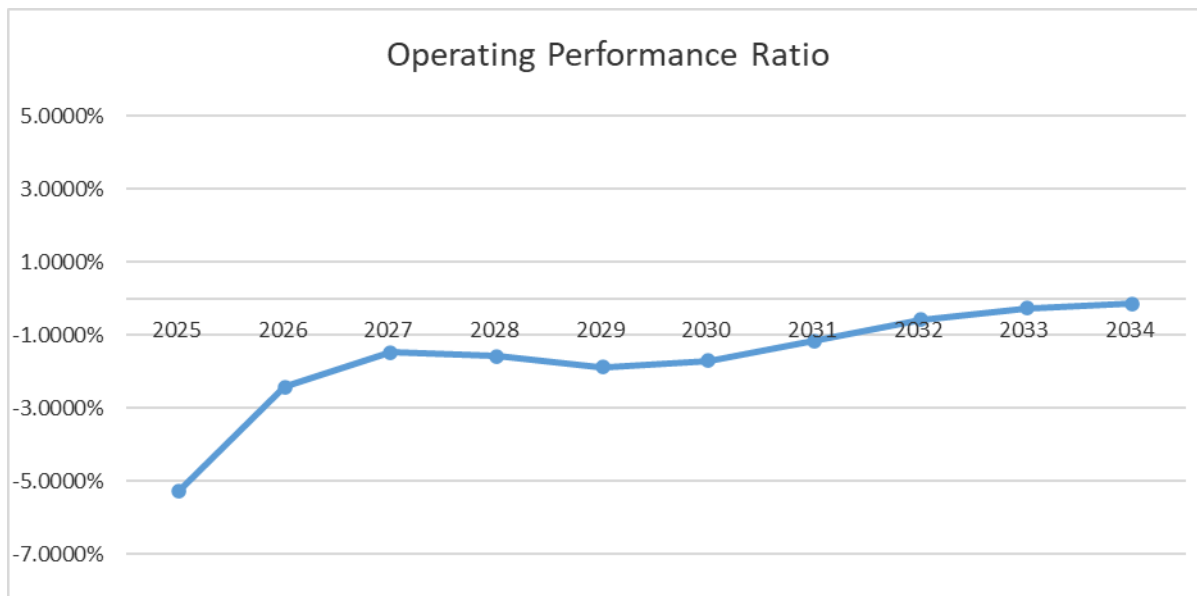


Own Source Revenue Ratio



This ratio shows the degree of reliance on external funding sources such as operating grants and contributions and its ability to generate own-source revenue. The benchmark for this ratio is >60% . Council has a relatively static Own Source Revenue Ratio which reflects a number of issues including, reliance on government grants, a static population base and a reliance on RMS works to drive income other than rates and charges as previously discussed.

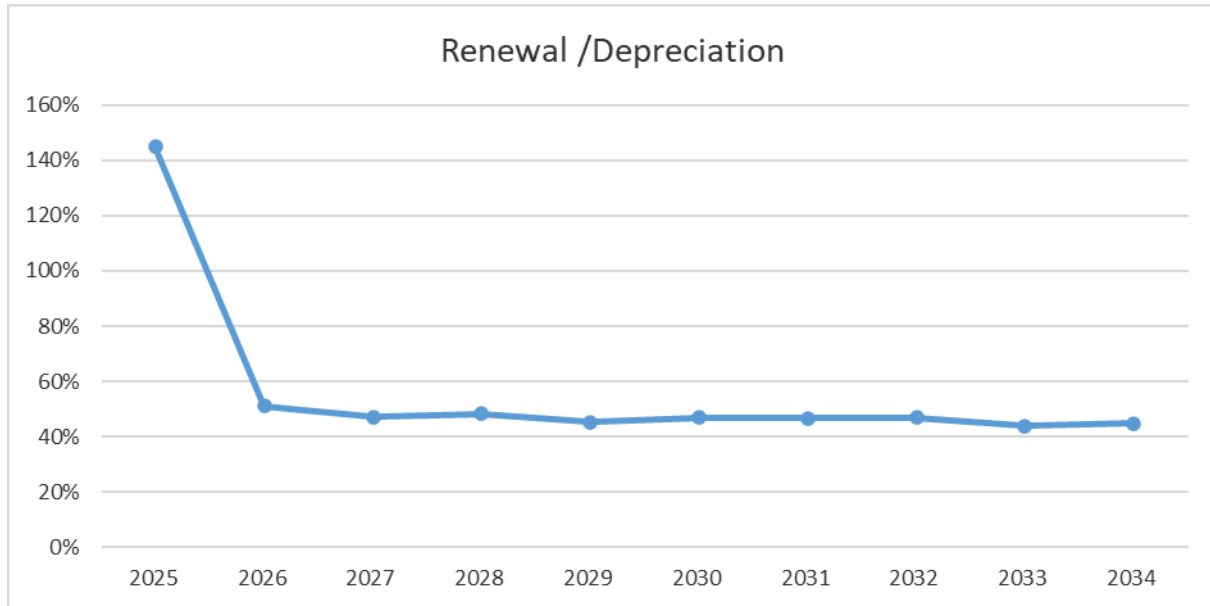
Operating performance Ratio



This ratio indicates Council’s ability to contain operating expenditure within operating revenue. The benchmark for this ratio is 0.00. Council falls below the benchmark due to the reasons previously discussed.



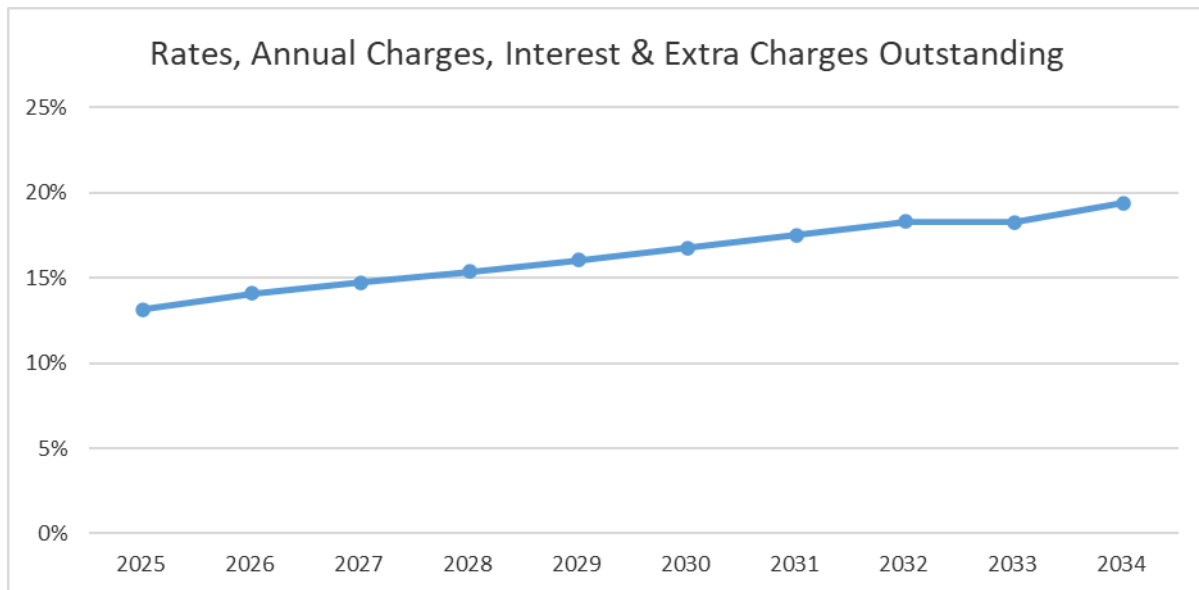
Renewal/Depreciation Ratio



The Renewal/Depreciation Ratio compares capital expenditure on renewal to depreciation. The threshold for this ratio is 100%. A ratio of less than 100% indicates that the capital being consumed in an accounting sense exceeds the capital being replaced into the asset base.

Council forecasted expenditure on renewal is not adequate, due to funding constraints. Also any unidentified backlog in renewal expenditure is not currently addressed in this plan.

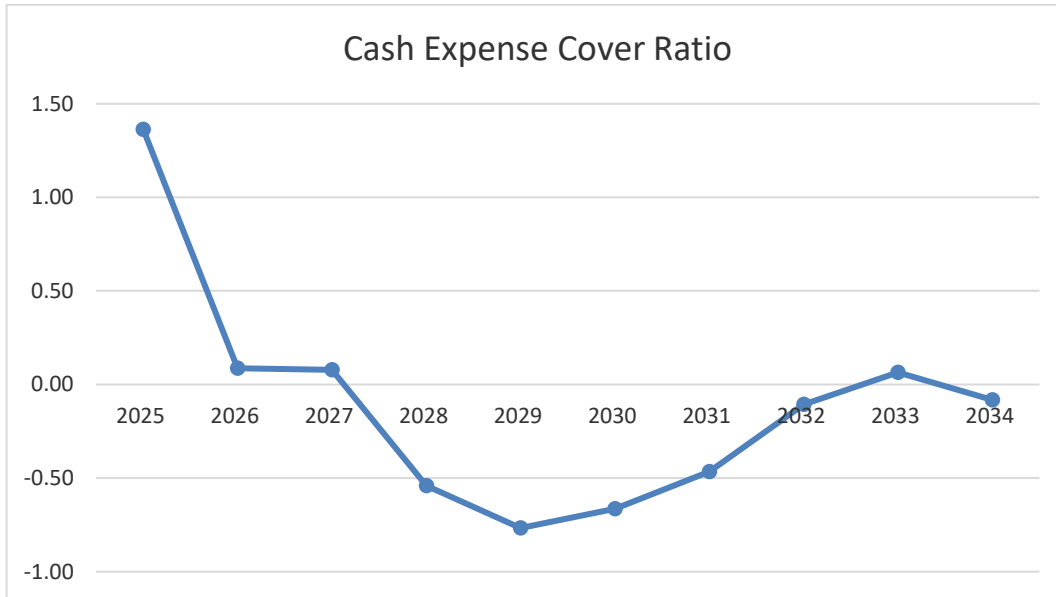
Rates, Annual Charges, Interest & Extra Charges Outstanding



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



Cash Expense Cover Ratio



This ratio shows the number of months Council can continue to pay its immediate expenses without additional cashflow up until the 2026-27 year. The benchmark for this ratio is >3 months. Council remains below this benchmark for the life of the plan, for reason previously discussed.

Ongoing Performance Measurement

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

Conclusion

Council believes in the principle of a balanced budget but due to reasons often outside of council's control this is not always achievable, and this presents several financial challenges ahead.

Council will be proactive in addressing these financial challenges through strong leadership and responsible financial management.

Council is committed to providing excellent services to its community.