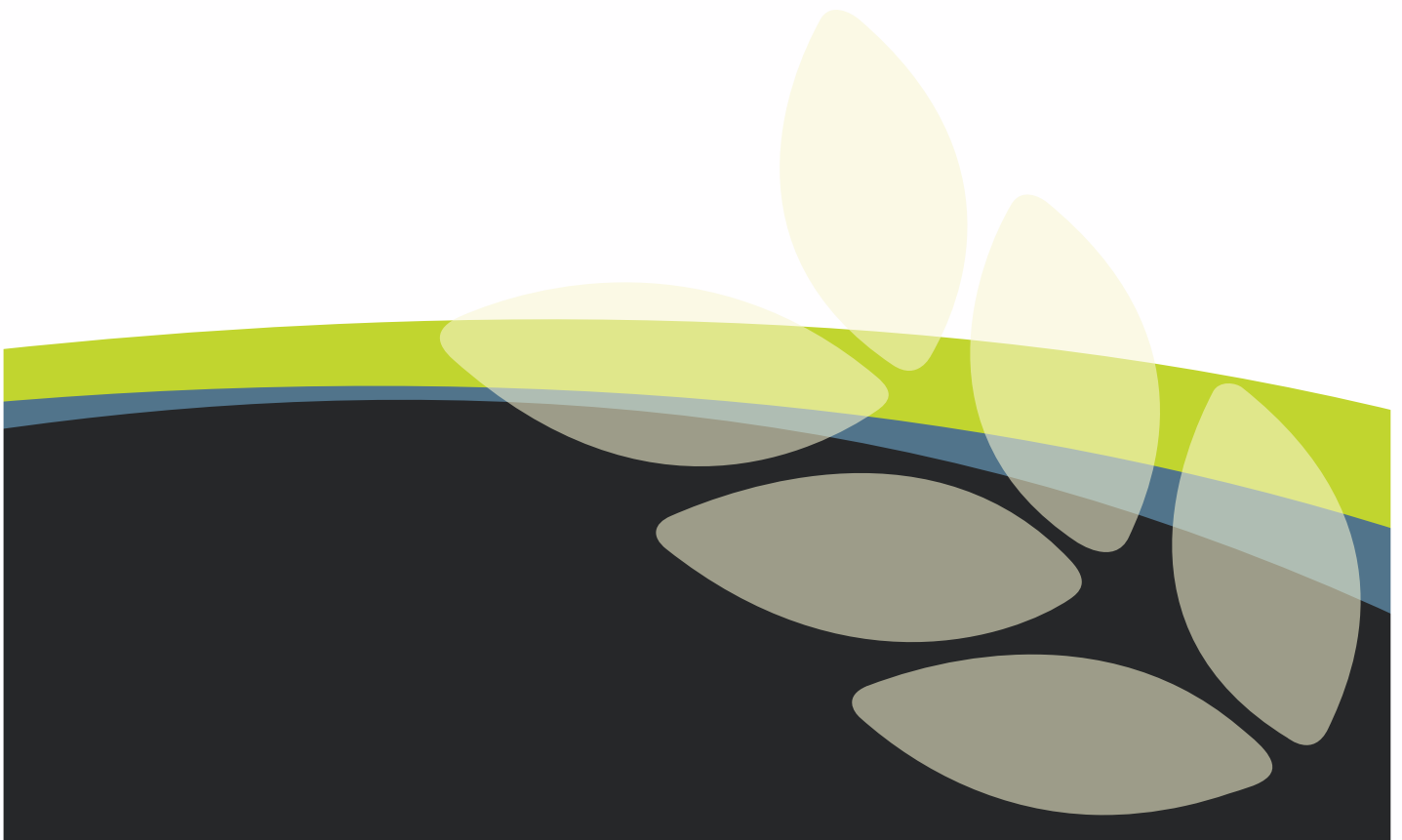




COOTAMUNDRA-  
GUNDAGAI REGIONAL  
COUNCIL

Operational Plan 2022-23

**DRAFT** Part 4 - 2022-  
23 to 2031-32 Long  
Term Financial Plan



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## Version Control

Ref	Date	Date effective	Council Resolution	Description
0.1	25 May 2021	-	-	Presented to Council to facilitate Public Exhibition process.

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# Information and Background

## About this plan

The Long Term Financial Plan is an important part of Council's strategic planning process. This is the point where community aspirations and goals are tested against financial realities.

The Long Term Financial Plan seeks to answer the questions:

- Can Council survive the pressures of the future?
- What are the opportunities for future income and economic growth?
- Can Council afford what the community wants?
- What income is needed to achieve these outcomes?

The Long Term Financial Plan is a decision making and problem solving tool. The modelling that occurs as part of the plan will help Council to align resources with strategies, providing information that helps Council to capitalise on opportunities and weather unexpected events. It is a dynamic document, reviewed and updated annually.

The Long Term Financial Plan changes as the needs, strategies and financial position of Council change over time.

The output of the Long Term Financial Plan is a ten year budget; financial reports over a ten year planning period. The current budget information is included in the appendices of this document.

## Planning Framework

This Long Term Financial Plan has been prepared in accordance with the Integrated Planning and Reporting Framework<sup>1</sup>. The framework allows Council to draw all its plans together, planning holistically for the future. The Community Strategic Plan is the highest level plan that Council prepares, and all other plans and policies support the achievement of the community's vision for the future.



The Long Term Financial Plan forms part of the resourcing strategy, along with Council's Asset Management Plans and Workforce Management Plan. It has a timeframe of 10 years, although it will be reviewed and updated annually as part of the development of the Operational Plan.

All of the activities and capital works detailed in the Delivery Program and Operational Plan have been budgeted for within this Long Term Financial Plan. Council also has Asset Management Plans that aim to predict maintenance and renewal needs of major community infrastructure assets such as roads, bridges, footpaths, stormwater drainage, water and sewerage networks, and community buildings. There is appropriate consistency between this long term financial plan and each of Council's Asset Management Plans, and this ensures that the necessary capital outlays (as per the Asset Management Plans) are included in Council's ten year budget.

The projected income and expenditure statement, balance sheet and cash flow statement have been prepared on an accruals basis and in accordance with Australian Accounting Standards. The accounting policies applied to these budgets are as detailed in Council's General Purpose Financial Statements. Financial amounts are indexed to represent the expected actual dollar amount required in each year.

<sup>1</sup> In accordance with section 403 of the Local Government Act 1993.

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## Asset Management Planning

Councils provide physical assets to for the community to meet the need for public access to major economic and social facilities and services. A key issue facing local governments throughout Australia is the management and financing of ageing assets that are in need of renewal and replacement.

Infrastructure assets such as roads, drains, bridges, water and sewerage and public buildings present particular challenges as their condition and longevity can be difficult to determine and increasing public demands on quality and standards adds to the complexity. The cost of asset renewal, maintenance and upgrades is large and requires planning for large peaks and troughs in expenditure.

Council has developed an asset management strategy, and initial asset management plans for every class of assets. This long term financial plan will be kept current, and updated to include all asset maintenance and renewal, to match the amounts reflected in the asset management plans, as those plans continue to be developed.

## Financial Sustainability

### Where are we now: our current financial position<sup>2</sup>

#### Operating Performance

Cootamundra-Gundagai Regional Council faces a number of challenges in terms of financial sustainability. We are a small regional NSW Council with a population of 11,169, responsible for providing services across an area of 3,990 sq km, and maintaining \$829<sup>3</sup> million of community assets.

Cootamundra-Gundagai Regional Council reported an operating surplus of \$9.8 million for 2021, following a surplus of \$1.4 million the previous year. These fluctuations are largely due to timing differences between the receipt of grant funding and the expenditure. With a significant proportion of council's income and expenditure being grant-related, this situation is likely to continue.

#### Financial Position

At 30 June 2021, Council had \$32.4 million of current assets, predominantly cash and investments, and current liabilities of \$13.1 million, including provision of \$4.2 million for employee leave. Council had five loans at 30 June 2021, relating to the construction of the Cootamundra indoor pool, the revitalisation of the Gundagai main street, replacement of water mains in Cootamundra, replacement of the Gundagai Sewerage Treatment Plant, and for replacement of plant. The total amount of the loans outstanding was \$9.6 million.

Council's long term assets amount to \$583 million<sup>4</sup>, with the majority of this being the value of roads infrastructure.

### Where are we going: constraints and opportunities

#### Rate Pegging

NSW Councils are subject to rate pegging legislation, whereby the amount of revenue councils can raise from ordinary and special rates is limited by a capped percentage increase announced by the Independent Pricing and Regulatory Tribunal each year. For the 2022-23 year, the rate peg has been set at 0.7%, with an option for Councils to make application for variation to 2.5%.

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<sup>2</sup> Financial position has been summarised from the most recent audited financial statements, for the year ended 30 June 2021.

<sup>3</sup> Gross value of assets as at 30 June 2021.

<sup>4</sup> Written down value of assets as at 30 June 2021.

The rate peg is generally not equivalent to real increases in Council's costs including wage increases, government regulatory charges and electricity.

In May 2021, Council received approval from IPART for a Special Rate Variation under S508A of the Local Government Act 1993, of 20%, 16%, 5% and 5% in four consecutive years, commencing 2021/22, to be retained permanently in the rate base. This is a cumulative rate increase of 53.5% over the four-year period. The approved SRV has been included in Council's Draft IPR documents.

## Capital Grants

With constraints placed over major sources of income, the Council faces the necessity to increase income from other sources while finding savings to enable financial sustainability. A significant reliance on capital grants is necessary for asset renewal to maintain an acceptable level of asset infrastructure.

The NSW and Commonwealth Governments have provided significant capital grant funding in the short term, including for asset renewals, upgrades and new assets.

## Unrestricted Cash and Financial Sustainability

Significant expenditure has been undertaken (and further work is required in coming years) on water and sewer infrastructure. To help fund this expenditure, council borrowed \$4 million in its Water Fund in 2019/20, and \$4 million in the Sewer Fund in the 2020/21 financial year. Over the next ten years the Water and Sewer Funds will have sufficient income to repay these loans and maintain adequate reserves.

The General Fund is not so healthy. Even after the approved Special Rate Variation, the operating results and liquidity of the general fund is of concern, with unrestricted cash projected to be exhausted in the 2025/26 financial year. Council is faced with the challenge of realising savings through operating more efficiently, reducing costs and maximising income. This will continue to be a strong focus over the coming years.

# Where do we want to be: our plan for the future?

## Community Vision and Key Directions

The Cootamundra-Gundagai community vision:

*A vibrant region attracting people, investment and business through innovation, diversity and community spirit.*

The vision for the future is built around four key directions:

- A vibrant and supportive community: all members of our community are valued and connected
- A prosperous and resilient economy: we are innovative and 'open for business'
- Sustainable natural and built environments: we connect with the places and spaces around us
- Good governance: an actively engaged community and strong leadership team

## Financial Objectives

In order to live sustainably the Council has to look into the future and provide future generations with a sustainable infrastructure and environment without the burden of excessive debt. A long term financial plan promotes this sustainability by ensuring that decision makers have information about the long term cumulative effects of their decisions.

The aim of the Long Term Financial Plan is to provide a structure for financial decision-making at a very high level by providing guiding principles for the short, medium and long term.

The objective of the Long Term Financial Plan is to ensure that Council is financially sustainable into the future. A financially sustainable Council is one whose long term financial performance and position is sustainable where

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planned long term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services<sup>5</sup>.

The objectives of the Cootamundra-Gundagai Regional Council are:

- to have a sound financial strategy that will ensure Council's financial sustainability is protected and improved,
- to accommodate asset maintenance and asset renewal and replacement activity and be fully integrated with Council's Asset Management Plans, and
- to accommodate service levels proposed in Council's Delivery Program and Operational Plan.

The approved SRV will improve Council's financial sustainability and ability to maintain delivery of existing services. Council has realised savings through operating more efficiently and reducing its costs, and this will continue to be a strong focus over the coming years to ensure no further unplanned increases in rates are necessary.

## How do we get there: Financial Strategy

### Operational Savings

An ongoing income and expenditure review will be required to achieve annual operating gains (before capital grants and contributions).

### Best Practice Water Management

NSW Public Works Advisory are currently updating our Integrated Water Cycle Management (IWCM) plan to reflect the merged council operation. This will include a comprehensive 30-year programme of capital works, which will inform future fee structures.

The IWCM is a major step towards meeting the Best Practice Water & Sewer Guidelines, and is required in order to access funding through the NSW Safe & Secure Water Program.

### Special Rate Variation (SRV)

In 2021, IPART approved Council's application for a four year SRV of cumulative 53.5% to be retained permanently in the rate base. The effect of this SRV was to return the consolidated result to a surplus before capital grants in 2022/23, although the General Fund currently does not achieve an operating result before capital during the life of the plan.

### Overhaul of User Fees and Charges

Council identified a need to increase fees and charges in 2020/21 to align the fees and charges of the separate pre-merger Councils and to help meet the costs of required infrastructure upgrades. In the 2021/22 financial year, discretionary fees and charges were increased by 4% in accordance with Dr. Drew's longer term recommendations.

### Council Improvement Program

As part of Council's drive for ongoing efficiency gains, workshops were held in 2020 and 2021 with Council managers, Councillors and Council's Finance Committee. More than 170 opportunities for efficiency gains were identified, and each manager was tasked with delivering results during 2021/2022 as part of their employment contract.

Council will be reporting efficiencies achieved in its annual report at the end of the financial year.

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<sup>5</sup> Definition of Financial Sustainability that was endorsed at the National General Assembly of Local Government in Canberra in November 2006.

# Financial Modelling

## Proposed budget

### Budget Overview:

The following increases to rates via special rate variation are included:

Year	Increase
2021/22	20.00%
2022/23	16.00%
2023/24	5.00%
*2024/25	5.00%

\*In 2024/25 the increase is net of expiring Gundagai Main Street SRV. This represents a cumulative increase of 53.5% over the 4-year period.

In this scenario, general fund operating losses before capital income are still projected after 10 years in the order of over \$3.5 million pa. This scenario will not deliver long term financial sustainability without additional sources of revenue or cost savings.

## Capital Works Program

The capital works program is structured to provide significant asset renewal funding to community infrastructure; primarily roads, bridges and footpaths. The works program is developed through analysis of the state of Council's assets, with decisions targeted to reduce total expenditure over the life of the asset by renewing assets at the optimal time.

Forecast expenditure is not sufficient to meet the cost of predicted asset renewals, however the very significant capital grant funding provided by the State and Commonwealth Governments in the five years post merger has reduced Council's immediate renewal backlog. Capital renewals for water, waste, roads, and sewerage assets are adequate to maintain existing service levels. The asset management plan for stormwater assets will need further development to ensure renewal expenditure is adequate to maintain this class of assets.

## Borrowings

Council is not, at this stage, proposing to borrow in the short term.

# Sensitivity Analysis

Long term financial plans are inherently uncertain. They contain a wide range of assumptions about interest rates and potential effect of inflation on revenues and expenditures. Some of these assumptions will have a relatively limited impact if they are wrong. Others can have a major impact on future financial plans.

### Employee costs

Council's ability to realise the savings proposed in relation to employee costs has a major impact on future performance. Key issues are:

- Award increases
- Achievement of savings for 2022/23
- Ability to achieve ongoing savings
- Increase in Superannuation Guarantee



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### Interest rates

Currently modelled at historically low rates of 1%. Any increase in interest rates will have a positive impact on results.

### Grant programs

Council relies heavily on external funding for operations and capital works renewal funding. If such grants reduce or are discontinued, Council will need to increase revenues from other sources, or reduce service levels.

### Cost Shifting/ increased cost burdens

Over past years, other levels of government have shifted costs associated with emergency services, weed management, food safety programs road safety programs to local government without funding. Increased audit requirements have also added cost to Council's operations. It is likely these costs will continue to grow and negatively affect Council's operating results.

### Insurance and Workers Compensation

Forecasting insurance premiums is difficult. Premiums are influenced by a number of issues, including the occurrence of natural disasters, economic uncertainty and climate change. Workers compensation premiums are heavily dependent on Council's claims history, and industry conditions. Council's WHS Committee is committed to reducing incidents and claims through workplace safety programs.

## Financial Statements

Council has projected budgets for the consolidated financial statements. The financial statements set out the financial performance, financial position and cashflows projected for the next ten years. These are the consolidated financial statements which include Council's General Fund, Water Fund and Sewer Fund.

The format of the financial statements is standard across NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and legislative requirements set down by the Office of Local Government.

COOTAMUNDRA GUNDAGAI REGIONAL COUNCIL										
Long Term Financial Plan										
Budget 2022-2023 to 2031-2032										
Description	Delivery Program				Long Term Financial Plan					
	Budget 2022-2023	Estimate 2023-2024	Estimate 2024-2025	Estimate 2025-2026	Forecast 2026-2027	Forecast 2027-2028	Forecast 2028-2029	Forecast 2029-2030	Forecast 2030-2031	Forecast 2031-2032
CONSOLIDATED RESULTS										
Income										
Rates & Annual Charges	(18,190,000)	(18,927,900)	(19,697,800)	(20,501,600)	(21,037,900)	(21,588,500)	(22,153,600)	(22,733,700)	(23,329,100)	(23,940,400)
User Charges & Fees	(7,894,969)	(8,044,169)	(8,197,869)	(8,355,769)	(8,518,069)	(8,685,169)	(8,856,769)	(9,033,369)	(9,214,669)	(9,401,269)
Interest & Investment Revenue	(140,900)	(140,900)	(140,900)	(140,900)	(140,900)	(140,900)	(140,900)	(140,900)	(140,900)	(140,900)
Other Revenues	(1,603,500)	(1,610,200)	(1,616,800)	(1,623,600)	(1,630,600)	(1,637,800)	(1,645,200)	(1,652,700)	(1,660,300)	(1,668,000)
Grants & Contributions - Operating	(8,518,922)	(8,653,493)	(8,796,697)	(8,946,190)	(9,107,790)	(9,273,390)	(9,443,190)	(9,617,090)	(9,795,390)	(9,978,290)
Grants & Contributions - Capital	(6,581,369)	(1,549,750)	(1,559,050)	(1,568,650)	(1,578,450)	(1,588,450)	(1,598,750)	(1,609,350)	(1,620,150)	(1,631,250)
Total Income from Continuing Operations	(42,929,660)	(38,926,411)	(40,009,116)	(41,136,709)	(42,013,709)	(42,914,209)	(43,838,409)	(44,787,109)	(45,760,509)	(46,760,109)
	*	*	*	*	*	*	*	*	*	*
Expenses										
Employee Costs	13,123,700	13,610,500	14,107,300	14,627,400	15,158,700	15,657,200	16,175,400	16,712,800	17,271,500	17,854,100
Interest on Loans	182,781	147,491	116,637	88,795	71,694	53,740	35,759	17,331	1,619	0
Materials & Contracts	13,024,100	13,260,500	13,664,600	13,743,400	13,987,700	14,235,800	14,657,500	14,745,800	15,007,700	15,274,200
Depreciation	10,535,700	10,535,700	10,535,700	10,535,700	10,535,700	10,535,700	10,535,700	10,535,700	10,535,700	10,535,700
Other Expenses	1,488,772	1,525,900	1,564,000	1,602,900	1,642,900	1,683,900	1,725,800	1,768,800	1,812,900	1,858,100
Total Expenses from Continuing Operations	38,355,053	39,080,091	39,988,237	40,598,195	41,396,694	42,166,340	43,130,159	43,780,431	44,629,419	45,522,100
	*	*	*	*	*	*	*	*	*	*
Operating Result from continuing operations - (Gain)/Loss	(4,574,607)	153,680	(20,879)	(538,514)	(617,015)	(747,869)	(708,250)	(1,006,678)	(1,131,090)	(1,238,009)
Operating Result from continuing operations before Capital Grants/Contrib (Gain)/Loss	2,006,762	1,703,430	1,538,171	1,030,136	961,435	840,581	890,500	602,672	489,060	393,241
Capital Expenditure	18,521,569	10,640,056	10,072,000	8,666,688	8,995,633	8,785,235	8,317,851	8,638,703	9,342,900	8,756,254
Proceeds from Sale of Land	0	0	0	0	0	0	0	0	0	0
Loan Funds Utilised	0	0	0	0	0	0	0	0	0	0
Loan Principal repaid	1,315,250	1,159,937	1,190,793	850,523	867,625	885,579	903,560	921,988	214,612	0
	*	*	*	*	*	*	*	*	*	*
Transfers from Restricted Assets (Reserves)	(10,008,561)	(9,061,917)	(8,479,261)	(7,059,149)	(7,373,594)	(7,145,896)	(6,661,412)	(6,965,364)	(7,437,231)	(6,618,254)
	CHECK	CHECK	CHECK	CHECK	CHECK	CHECK	CHECK	CHECK	CHECK	CHECK
Transfers to Restricted Assets (Reserves)	7,267,554	8,807,542	9,059,342	9,318,143	9,583,942	9,859,342	10,142,443	10,433,242	11,238,800	11,545,900
	*	*	*	*	*	*	*	*	*	*
Depreciation Contra	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)
Net Unrestricted Cash Deficit/(Surplus)	1,985,505	1,163,598	1,286,294	701,991	920,891	1,100,691	1,458,491	1,486,191	1,692,291	1,910,191

**COOTAMUNDRA GUNDAGAI REGIONAL COUNCIL**  
**Long Term Financial Plan**  
***Budget 2022-2023 to 2031-2032***

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**COOTAMUNDRA GUNDAGAI REGIONAL COUNCIL**  
**Long Term Financial Plan**  
***Budget 2022-2023 to 2031-2032***

[illegible]

### **Budget 2022-2023 to 2031-2032**

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