



**LONG TERM  
FINANCIAL PLAN  
2024-2033**

**BROKEN HILL**

**CITY COUNCIL**

**AUSTRALIA'S FIRST  
HERITAGE LISTED CITY**

## QUALITY CONTROL

<b>KEY DIRECTION</b>	4. Our Leadership		
<b>OBJECTIVE</b>	4.1 Openness and transparency in decision making		
<b>STRATEGY</b>	4.1.1 Support the organisation to operate within its legal framework		
<b>FUNCTION</b>	Financial Management		
<b>FILE REFERENCE</b>	22/47	<b>EDRMS NUMBER</b>	D23/34161
<b>RESPONSIBLE OFFICER</b>	Chief Financial Officer		
<b>REVIEW DATE</b>	June 2024		
<b>ORGANISATION</b>	Broken Hill City Council		
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<b>DATE</b>	<b>ACTION</b>	<b>MINUTE NO.</b>	
25 May 2023	Public Exhibition	46852	
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<b>NOTES</b>	Images sourced from Council's Image Library © Copyright Broken Hill City Council 2017		
<b>ASSOCIATED DOCUMENTS</b>	Draft Community Strategic Plan – Your Broken Hill 2040 Draft Delivery Program 2022-2026 incorporating Operational Plan 2023/2024 Draft Schedule Fees and Charges 2023/2024		

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# INTRODUCTION

## MESSAGE FROM YOUR MAYOR

Council is aiming to break even in the 2023/24 financial year as it implements adjustments in line with the Long Term Financial Plan presented to you within.

Our financial modelling has been impacted by a series of factors we cannot control such as inflation and increased costs for goods and services, however with strong fiscal management Council is able to ensure the City mitigates the continual budget deficits with our first break even budget presented for many years.

In an effort to limit the burden on ratepayers, Council's rate increase continues to be no higher than the rate peg. However, as operational costs have increased beyond this amount, Council will again be forced to focus on finding internal efficiencies and more cost-effective methods of service delivery in the years ahead.

Ongoing reviews of assets also continue to unearth significant costs to renew and maintain ageing plant, buildings, and other infrastructure at a level that outpaces their deterioration.

Council must continue to focus on maintaining a smaller list of assets to a higher standard to increase the liveability of our city ahead of an expected population spike that could see the city's population grow to 19,200 by the year 2025.

Although population growth is a positive for the future of the city, it will place extra stress on Council's services without significantly increasing rates income. As a result, Council will have to plan carefully for the future.

In the short term, Council will continue to push ahead with delivering millions of dollars in roads, footpaths, public



amenities, and other major projects such as the new library, airport upgrades, new netball courts, and upgrades to the O'Neill Sporting Complex.

Our ongoing commitment to long term asset renewal and improving the city's liveability will provide a boost to the economy and bolster our ability to attract and retain individuals and families who move to the region for employment.

Although we currently find ourselves in a difficult financial environment as a Council, Broken Hill is entering a period of significant growth and development and I feel privileged to be Mayor at this exciting time.

Our city's future remains bright and I look forward to joining my fellow Councillors in working with staff to further consolidate our long-term financial position.

Mayor Tom Kennedy

# OVERVIEW

A Long Term Financial Plan (LTFP) is one of the three key Resourcing Strategies required by the NSW Integrated Planning and Reporting legislation. Local Government operations are vital to its community and it is important stakeholders can understand the financial implications arising from its Community Strategic Plan, Delivery Program and annual Operational Plan.

The Integrated Planning and Reporting Guidelines support preparation of the LTFP for Local Government in NSW issued by the Division of Local Government.

The LTFP includes:

- Projected income and expenditure.
- Balance sheet.
- Cash flow statement.
- Planning assumptions used to develop the plan.
- Sensitivity analysis used to highlight factors most likely to affect the plan.
- Financial modelling for different scenarios.
- Methods of monitoring financial performance.



The LTFP contains a core set of assumptions. These assumptions are based on Consumer Price Index (CPI) forecasts, interest rate expectations, employee award increases, loan repayment schedules and other special income and costs.

Broken Hill City Council's revised LTFP covers the period 2023/24 to 2032/33. It recognises Council's current and future financial capacity, to continue delivering high quality services, facilities, and infrastructure to the community, while commencing new initiatives and projects to achieve the goals set down in the Broken Hill 2040 Community Strategic Plan.

The LTFP was first adopted 25 June 2014.

Financial planning over a 10-year time horizon is difficult and relies on a variety of assumptions that will undoubtedly change during the period. The LTFP is therefore closely monitored and regularly revised, to reflect these changing circumstances.

This revision takes into consideration a number of significant decisions which have been implemented to improve Council's financial sustainability over the past year.

A number of scenarios and sensitivities were considered during the development of the LTFP to demonstrate Council's sensitivity to internal and external drivers.

**“The Long Term Financial Plan is the point where long-term community aspirations and goals are tested against financial realities.”**

**DLG Manual, 2013**

The aims of Council's LTFP are to:

- Set out the assumptions upon which Council's Financial Plans and budgets have been structured.
- Identify the Key Performance Indicators upon which Council can benchmark its financial performance.
- Set the framework so that the impact of future policy decisions can be identified.
- Evaluate the impact of future scenarios upon Council's financial position.
- Provide a basis for future informed decision making.
- Identify issues which impact upon the financial sustainability of Council, including known opportunities and threats.

Achieve a balanced budget on a funding basis over time, acknowledging that efficient service delivery and urgent asset renewal are current priorities where working fund deficits are forecast.

- Seek to reduce the current working fund deficits, by reducing operating costs in real terms, or expanding the revenue base of Council.



# FINANCIAL POSITION

Council faces several challenges in terms of financial sustainability. Our Council administers the largest regional centre in the western half of New South Wales.

Based on Council's most recent economic and data projections, Council is estimating that between 2023 and 2046, the population for Broken Hill City is forecast to increase by 197 persons (1.10% growth), at an average annual change of 0.10%.

Whilst this information is based on the current state of play, with the looming commencement of major mining and renewable industries along with Council economic growth plan, Council is boldly predicting and planning for City growth much larger.

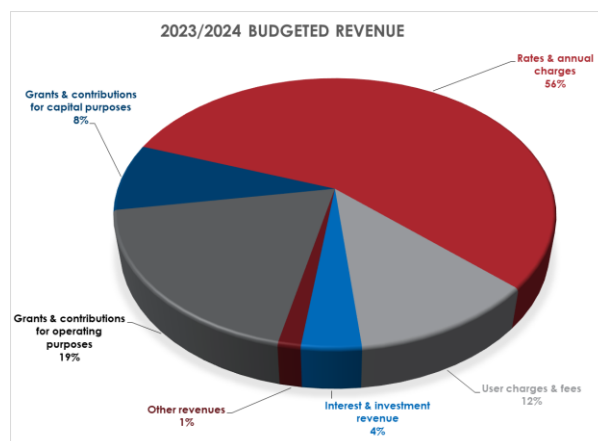
As a result of these latest trends and projections, this plan has been formulated on the prospect of job growth and further housing development for the City as well as a growing population base. On this basis, the City must plan to maintain service standards and increase services in some areas to ensure long term liveability and investment attractiveness of the City.

Council currently operates on an annual income of around \$30 million, with a substantial percentage being derived from government grants which cannot be guaranteed into the future. The graph below shows sources of income.

In 2013, the Division of Local Government appointed New South Wales Treasury Corporation (TCorp) to undertake an assessment of the financial sustainability of all New South Wales councils.

The report by TCorp, which considered both historic financial information and a 10-year financial forecast, determined Council to be in a very unstable financial position and unsustainable. Overall, the financial sustainability of Council was assessed as 'Very Weak'. A rating of 'Very Weak' was given to only five New South Wales councils and can be described as follows:

- A Local Government with limited capacity to meet its financial commitments in the short to medium



term and a very limited capacity long term.

- It has a record of reporting significant operating deficits. It is highly unlikely to be able to address its operating deficits, manage unforeseen financial shocks and any adverse changes in its business without the need for structural reform and major revenue and/or expense adjustments.
- The expense adjustments are likely to result in significant changes to the range of and/or quality of services offered and it may need the assistance from higher levels of government.
- It has difficulty in managing its core business risks.

Council has since achieved significant improvement and taken steps in the right direction towards becoming financially sustainable. Since Council received the report, it has undertaken the following key actions.

Council undertook a major review of its 10-year LTFP in FY2015, with the aim to guide Council towards achieving a balanced budget, through cost reduction strategies, whilst prioritising service delivery and asset renewals.

In December 2014, Council resolved to cease operations of a financially unsustainable aged care facility – the Shorty O'Neil Village.

In October 2016, Council successfully transitioned out of community services avoiding the loss of block funding by the introduction of the National Disability Insurance Scheme (NDIS).

In November 2016, the Office of Local Government initiated a review of all western councils, with the view to reassess their ongoing financial sustainability.

Due to the actions taken since the initial review in 2013 and the significant improvements made, TCorp have made the assessment that Council now has a Financial Sustainability Ratio of 'Weak' with an outlook of positive, with further improvements likely based on key planning assumptions.

A rating of 'Weak' can be described as follows:

- A local government with acceptable capacity to meet its financial commitments in the short to medium term and a limited capacity in the long term.
- It has a record of reporting moderate to significant operating deficits with a recent operating deficit being significant. It is unlikely to be able to address its operating deficits, manage unforeseen financial shocks and any adverse changes in its business, without the need for significant revenue and/or expense adjustments.
- The expense adjustments would result in significant changes to the range and/or quality of services offered.
- It may experience difficulty in managing core business risks.

Whilst this has been a significant improvement, Council still has a lot of hard work and tough decisions ahead of it before it can be deemed financially sustainable in the long-term.

The effects of the COVID-19 pandemic have tested much of the terminology described above and proven true that Council must adjust its services as a result of unforeseen financial shocks.

Council must now review its service levels with the community and understand the priority areas and not only the capacity, but the desire of paying for these services.

The strength of Local Government is important when considering the quality of life for residents within a community and our community cannot afford major revenue adjustments in the form of high rating increases, for the purpose of balancing the bottom line. It is therefore important that we only spend what we can afford; what our community can afford.

Local Government decisions impact not only the current generation but the next. In order to ensure services and infrastructure adapt to the changing needs of our generations, we must ensure our financial position and our asset management practices are strong.

It is clear that in order to continue to meet the needs of current and future residents of Broken Hill; that Council must address financial and ongoing asset sustainability.



# FINANCIAL PRINCIPLES AND ASSUMPTIONS

Broken Hill City Council remains committed to operating within a financially sustainable framework, to ensure that its community and other stakeholders can rely upon the ongoing provision of a full and diverse range of quality community services, facilities and infrastructure.

The Council plans to maintain its financial position and performance, to ensure resilience and maintain capacity to adapt and respond to emerging community needs in a measured and equitable manner.

The following are the key principles employed in the financial planning and modelling process:

- Financially sustainable.
- Maintain diversity of income sources.
- Return the Council to surplus in a sustainable manner.
- Maintain tight control over expenditure and staff numbers.
- Deliver best value services, facilities and infrastructure.
- Effective and efficient utilisation of funding sources to fund capital works and asset acquisitions.
- Prudent financial investment.
- Consider appropriate use of debt for capital purposes.

The Long Term Financial Plan continues the Council's commitment to maintain tight control over its financial position and performance, an achievement that has been continually demonstrated through reducing the annual operating deficit.

The funds generated from operations are used to maintain current services and programs and to fund delivery of the Council's capital renewal program, however, the suitability of utilising debt should be considered for appropriate projects and initiatives.

The Operational Plan and forward projections have been set to allow for the delivery of appropriate levels of service, incorporating asset rationalisation and to adequately allow for all known and anticipated changes over the coming ten-year period.

Unexpected cost pressures will always arise (as evidenced by the COVID-19 pandemic), along with increasing service demands.

However, in responding to these challenges, the Council will continue to underpin its quality of services with a value for money approach through competitive procurement processes, internal controls and the completion of business improvement programs, incorporating customer feedback; to ensure effectiveness and efficiency.

For the 'Balanced Scenario' of the long-term financial model, revenue and expenditure projections are generally based on stable overall cost increases of 2-3% per annum. Council closely monitor this assumption in light of the economy's response to the easing of Covid-19 restrictions, continued Ukraine war and instability in international relations contributing to a highly inflationary economic environment. As such the balanced scenario has been adjusted in the short term to allow for these added costs with a return to the 2-3% range projected from 2026 onwards. Elements of revenue and expenditure that are subject to wider fluctuation have been modelled accordingly (refer to Assumptions).

As noted above, the annual operational budget plans for a breakeven results in 2024 with a surplus planned for 2025, which, combined with the Council's interest earnings and capital contributions, provide funding for ongoing capital works projects and programs that are designed and constructed to provide Broken Hill with renewed and revitalised infrastructure.

The Council will continue to prudently manage its cash reserves and investments, to ensure that appropriate financial reserves are available to meet the Council's liabilities and commitments, as they fall due and manage cash flow demands to ensure responsible financial management control.

While externally restricted reserves will be maintained in accordance with legislative requirements, several internally restricted reserves are used to ensure that funds are set aside to directly support capital commitments of the Council.

The Council closely monitors its financial performance and publishes several key financial indicators within its quarterly budget reviews, to demonstrate its financial health and sustainability.

# ASSUMPTIONS

The Council's 2023/24 financial year budgets (as detailed in the Operational Plan and included in the attached plan) form the basis of the financial projections within the Long Term Financial Plan. While relevant adjustments have been made in the plan's short to medium term, in respect of the current financial climate, the underlying Income Statement and Balance Sheet, are taken to represent "business-as-usual". The underlying income and expenditure form the basis of the later years in the plan, having been escalated by appropriate indices, with appropriate adjustments.

Broadly, the Plan utilises forecast annual CPI and wages growth as an indicative guide to annual income and expenditure movements. Appropriate adjustments are made where income or expenditure items are known to escalate on a different basis. Where new initiatives/projects that will impact operating revenue and/or expenditure are anticipated, additional adjustments are made to long term projections in the model.

Significant adjustments include:

- Allowances for asset maintenance growth, as a result of understanding the cost to maintain the City's Assets at an appropriate standard.
- Adjustments to staff resourcing to coincide with a transition from a program of service delivery and maintenance, to an increase in capital renewal.
- Adjustments in respect of several Council's revenue-generating facilities and services, returning to Pre-COVID-19 level of activity.

The Capital Program is forecast over the ten-year timeframe of the Plan. In later years, where specific projects may not have yet been fully identified, provisional sums are included reflecting historical works patterns and in line with renewal requirements, identified as part of the Asset Management Strategy and T-Corp Ratios.

The Plan also reflects the fast tracking of certain capital projects and programs through accessing low cost borrowings, through the Office of Local Government's Stimulus package. This purpose of these funds is to leverage additional grant money and effectively turning \$10 million into \$20-\$30 million of capital projects.

As capital projects are forecast to be completed, corresponding income and expenditure (including depreciation) impacts, are factored into future financial results.

Other assumptions relating to specific income and expenditure types are included within this Long Term Financial Plan.

In preparing the Plan, the Council undertakes a wide range of sensitivity testing and scenario modelling, to ensure the most effective and realistic balanced scenario.

## REVENUE ASSUMPTIONS

Item	Assumption	Comment
Rate Increase	3.7%	IPART Rate Peg
Waste Management Charge	CPI	Annual charges will increase in line with operating expenses.
Statutory Charges	CPI	Statutory charges are expected to increase in line with CPI.
User Fees and Charges	CPI	Statutory charges are expected to increase in line with CPI.
Investment Interest	5%	Interest is calculated on the forecast cash and investment balances.
Interest on overdue rates	9%	6% above the Reserve Bank cash rate. (section 566(3) of the <i>Local Government Act 1993</i> )
Other revenues	CPI	Other revenues consist of program fees and sundry income items.
Operating grants	CPI	Operating grants include the financial assistance grant and the public library funding agreement.

## EXPENDITURE ASSUMPTIONS

Item	Assumption	Comment
Employee Benefits and on-costs	3.25%	Employee costs increase in accordance with the current industrial agreement and relevant legislation
Borrowing Costs	N/A	All Council loans are fixed and are based on actual interest repayments.
Materials, contracts and other expenses	CPI	These increase in line with CPI or current supplier agreements however, an efficiency factor of 2% has been built into the plan.

# OUR PROGRESS TOWARDS FINANCIAL SUSTAINABILITY

Since the adoption of the Balanced Scenario LTFP in 2014, Council has made several decisions that have improved our financial outlook. This section outlines some of those improvements.

## IMPROVING EFFICIENCY OF COUNCIL OPERATIONS

Although operational efficiencies alone are unlikely to provide the level of additional funding required to achieve financial sustainability, there is scope to improve Council's financial position, by undertaking a full review of operations. This includes reviewing the organisational structure and business systems, exploring opportunities for out-sourcing activities and improving project management capabilities.

At the March 2017 Ordinary Council Meeting, Council adopted a Service Review Framework and methodology. During this term of Council, management will oversee more than 65 internal and external service reviews, to generate efficiencies and savings throughout the organisation. This review is not all about financial savings, it is about ensuring Council is delivering the services that the Community requires, at the level the Community expects. In some instances, this may mean further resources are dedicated to some areas, where other areas may have resources reduced. Most importantly, it will ensure that all services are delivered in the most effective and efficient way possible.

In October 2017, Council adopted a Smart Community Framework to improve quality of life, prosperity and sustainability for its community, by using technology in optimising processes, solving challenges proactively, building intelligence and productivity and facilitating proactive and meaningful engagement, between all stakeholders.

Council has successfully implemented several technologies to increase efficiency and sustainability throughout the city.

Examples of this include, smart bins - which reduce the number of bin collections, smart solar and wind lighting - which has enabled Council to remove the lighting for Sturt Park, Patton Park and the Administrative Centre Grounds, from the electrical grid. This has not only enabled a financial savings but is a sustainable option for the community. Further implementation of similar technologies is planned through the reporting period.



## IMPROVING ASSET MANAGEMENT

Council is in the process of undertaking a review of all infrastructure assets, to ensure that it is providing services and infrastructure that meets the community needs and is within the community's ability to pay. As a result of this process, it is anticipated that Council will generate significant replacement savings and associated running costs.

During this year's review of the LTFP, the 'Balanced' scenario will see Council continuing to budget for a greater than, or equal to, 110% asset renewal. This is a direct impact of the prior year's decisions in improving Council's financial position and beginning to understand the renewal requirement to reduce the backlog. This enables Council to continually renew and maintain assets as they are required, as well as ensuring quality infrastructure is in place, for future generations. The ongoing success of this is dependent on ensuring that we are only renewing required and utilised assets.

## **REVIEW OF COMMUNITY EXPECTATIONS AND SERVICE LEVELS**

It is imperative that service level reviews occur throughout the 2023/2024 financial year, with consultation with the community.

It is expected that a detailed plan of community expectations and priorities, will be achieved and factored into service levels and capital expenditure, throughout further reviews of the LTFP. This is a significant piece of work that will be required to ensure the future financial sustainability of Council and balancing the budget within the reporting period. Council is approaching the crossroads, where a decision will need to be made in regard to asset rationalisation, or a special rate variation (SRV); COVID-19 has made this more important than ever. If either one of these solutions is not adopted, the Council will be in financial peril.

## **IMPROVING FINANCIAL CONTROL**

Improving staff understanding and capacity, systems controls, procedures and reporting for Council's finance function, has been imperative to achieve improvements in Council's financial position.

Savings have been generated throughout the year, as a result of a concerted effort by staff to reduce expenditure.

Continued improvement of procurement practices has facilitated improved governance, resulting in greater value for money.

An internal audit function was implemented in the 2018/19 financial year to ensure greater governance and transparency and has already achieved a number of process improvements and identified lost revenue opportunities.

## **INCREASING INCOME**

Throughout the past year, Council has proactively sought private works including Transport for NSW contracts. Increasing our income in this area, allows more effective use of Council resources; contributing to an improved financial position.

Improved capacity to bid for State and Federal funding has resulted in competitive grants being awarded to Council.

Council is also currently reviewing all fees and charges, to ensure appropriate costs recovery and additional areas of revenue generation.

## **CASHFLOW MANAGEMENT**

Close monitoring in relation to the timing of expenditure and level of cash reserves throughout the year, has resulted in efficiencies; generating savings.

## **RECRUITMENT SUCCESS**

Leadership, experience and technical skills are of shortage across Local Government in general. Throughout the year, Council has been successful in attracting a number of professional staff and sourcing talent from within to fill key positions, resulting in, improved efficiencies and continuing to move Council towards financial sustainability.

The importance of key positions within the organisational structure, on the financial fortunes of a Council, cannot be underestimated.

# THE BALANCED SCENARIO REVIEWED

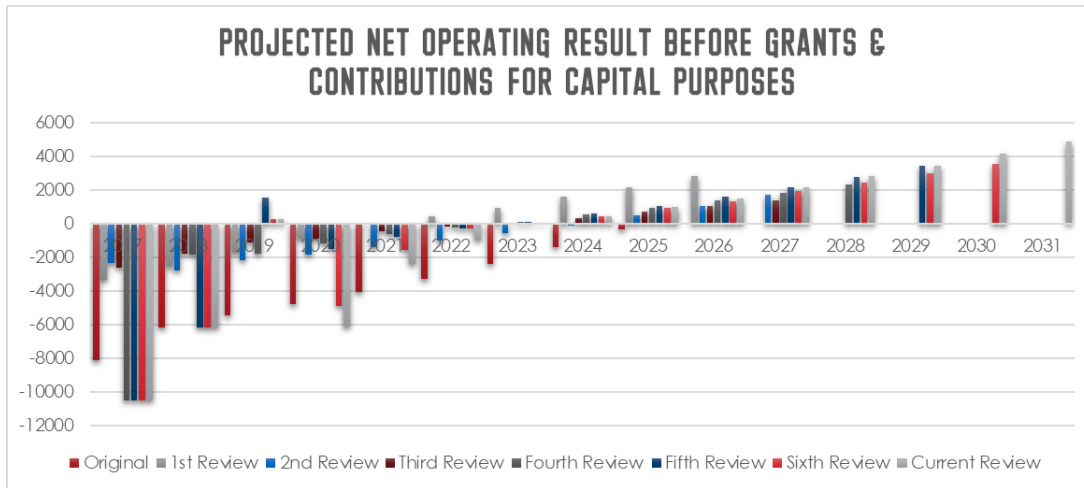
On 25 June 2014, Council endorsed a Balanced Scenario to ensure financial sustainability and to strengthen Council to serve the community of Broken Hill, into the future.

The Balanced Scenario incorporated organisational efficiencies, decreasing expenditure and increasing revenue to achieve a surplus operating position, by the end of the Plan.

As outlined in this review, significant progress has been made in relation to Council's financial position since the 2014 review.

This has strengthened Council's financial position; however, further improvements can only be made by adjusting service levels to the community, to a more realistic and feasible level.

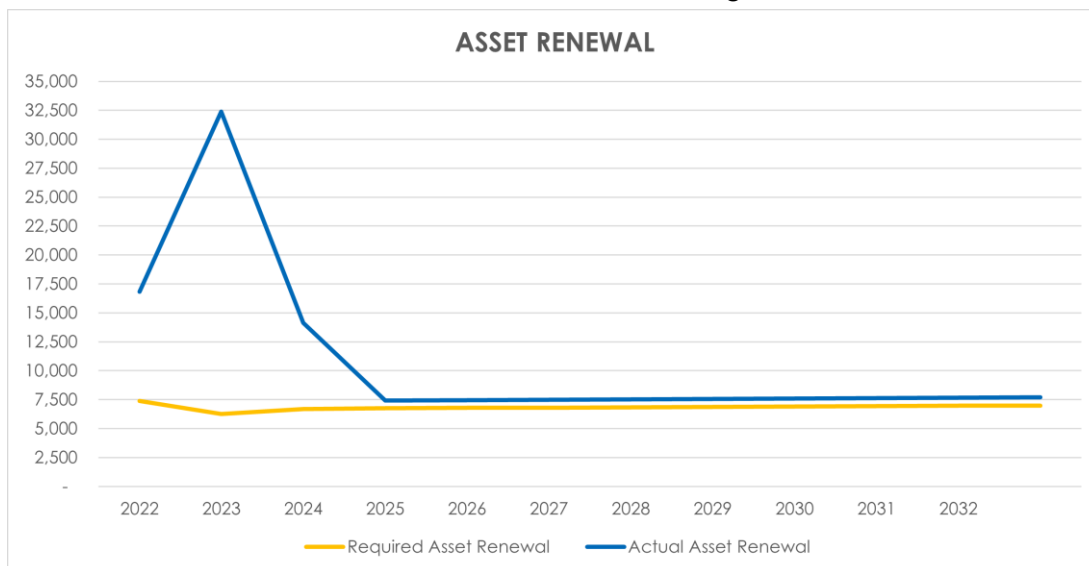
The following chart demonstrates the improvement in Council's financial position, over the previous six reviews. Council is still anticipating to breakeven in 2024.



Over the 10 year period, Council will spend in excess of \$82m on infrastructure renewals and upgrades. This will cover the required amount to meet Infrastructure renewal, from ongoing consumption of assets, as well as investing in reducing the Infrastructure backlog, due to Infrastructure replacement

neglect, due to insufficient cash reserves and operating practices during the past decade.

This is a significant step forward for Council in achieving sustainable assets, reducing ongoing operational maintenance costs and ensuring quality Infrastructure, for future generations.



The Balanced Scenario, adopted 25 June 2014, decreases operating expenditure and increases revenue, to achieve a surplus operating position by the end of the planning period.

This scenario has been reviewed, considering strategies implemented over the past eight years and strategies to deal with the impacts of COVID-19. Council is still expected to achieve a break-even operating result in 2023/2024.

To achieve this result, the Balanced Scenario assumes that Council:

1. Undertakes additional operational changes to generate productivity improvements and efficiency gains thus reducing employment costs and materials and contracts costs.
2. Undertakes service level reviews to determine the communities service needs and what they are willing to pay; and
3. Undertakes a review of assets held and where appropriate adopts a rationalisation strategy to reduce overall operating costs.
4. Utilises the \$10 million borrowed from T-Corp as part of the Office of Local Government Stimulus package to assist in fast tracking community infrastructure projects and kick start the local economy post COVID-19.

The Scenario is based on a 2.0% annual efficiency gain for materials, contracts and other expenditure which is offset by an underlying CPI index of 7.8%. Therefore the annual efficiency gain does not absorb the indexation.

Successful implementation of the plan will result in all financial indicators (excluding extra-ordinary items and other than the operating indicator) being maintained within the Office of Local Government benchmarks throughout the planning period.

A review of asset management plans to align with updated financial projections are currently being undertaken along with revised asset valuations to better analyse Council's asset ratios.

Based upon planned asset expenditure and cash and investments, Council's available funds for asset renewals over the planning period under the balanced scenario is equal to or greater than the 100% of the rate of asset consumption via depreciation.

**Key Aspects of the proposed (Balanced) scenario are:**

- Breakeven in 2024.
- Maintain and grow Council's permanent workforce.
- Ensure a healthy cash reserve to weather any unforeseen financial shocks.
- Ensure an appropriate rate of asset renewals is maintained so the City's infrastructure backlog is continually reduced.
- Meet all key financial and OLG benchmarks apart from the Operational Ratio for 2023-24.



## LONG TERM FINANCIAL PLAN - 2024-2033

### INCOME STATEMENT

\$ '000	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Actual	Revised Budget Q3	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Income from Continuing Operations</b>												
<b>Revenue:</b>												
Rates & annual charges	19,540	19,816	20,950	21,725	22,268	22,825	23,396	23,981	24,580	25,195	25,824	26,470
User charges & fees	3,096	3,586	4,335	4,787	4,907	5,029	5,155	5,284	5,416	5,552	5,690	5,833
Interest & investment revenue	570	802	1,383	620	569	351	478	565	668	818	999	1,203
Other revenues	3,099	684	530	549	563	577	591	606	621	637	652	669
Grants & contributions for operating purposes	9,469	8,376	7,077	7,325	7,544	7,695	7,849	8,006	8,166	8,330	8,496	8,666
Grants & contributions for capital purposes	4,920	18,839	3,016	3,122	3,215	3,280	3,345	3,412	3,480	3,550	3,621	3,693
<b>Other Income:</b>												
Net gains from disposal of assets	5	-	-	-	-	-	-	-	-	-	-	-
Net share of interests in joint ventures	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL INCOME FROM CONTINUING OPERATIONS</b>	<b>40,699</b>	<b>52,103</b>	<b>37,291</b>	<b>38,128</b>	<b>39,066</b>	<b>39,757</b>	<b>40,814</b>	<b>41,853</b>	<b>42,931</b>	<b>44,080</b>	<b>45,283</b>	<b>46,534</b>
<b>Expenses from Continuing Operations</b>												
Employee benefits & costs	14,465	14,855	15,485	15,872	16,269	16,675	17,092	17,519	17,957	18,406	18,867	19,244
Borrowing costs	799	678	745	593	529	467	409	366	320	278	244	285
Materials & contracts	11,748	12,546	10,369	10,724	10,564	10,612	10,659	10,707	10,756	10,804	10,853	10,901
Depreciation & amortisation	7,380	6,259	6,700	6,757	6,786	6,816	6,846	6,876	6,907	6,937	6,968	6,998
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	1,338	987	977	991	995	1,000	1,004	1,009	1,013	1,018	1,023	1,027
Net losses from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-
Net share of interests in joint ventures	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENSES FROM CONTINUING OPERATIONS</b>	<b>35,730</b>	<b>35,325</b>	<b>34,275</b>	<b>34,936</b>	<b>35,143</b>	<b>35,570</b>	<b>36,012</b>	<b>36,478</b>	<b>36,953</b>	<b>37,443</b>	<b>37,953</b>	<b>38,456</b>
<b>OPERATING RESULT FOR THE YEAR</b>	<b>4,970</b>	<b>16,778</b>	<b>3,016</b>	<b>3,191</b>	<b>3,923</b>	<b>4,186</b>	<b>4,802</b>	<b>5,375</b>	<b>5,979</b>	<b>6,637</b>	<b>7,330</b>	<b>8,078</b>
<b>NET OPERATING RESULT FOR THE YEAR BEFORE GRANTS &amp; CONTRIBUTIONS FOR CAPITAL PURPOSES</b>	<b>49</b>	<b>(2,061)</b>	<b>0</b>	<b>70</b>	<b>707</b>	<b>907</b>	<b>1,457</b>	<b>1,963</b>	<b>2,498</b>	<b>3,087</b>	<b>3,709</b>	<b>4,385</b>
<b>NET OPERATING RESULT FOR THE YEAR EXCLUDING EXTRAORDINARY ITEMS BEFORE GRANTS &amp; CONTRIBUTIONS FOR CAPITAL PURPOSES</b>	<b>49</b>	<b>(2,061)</b>	<b>0</b>	<b>70</b>	<b>707</b>	<b>907</b>	<b>1,457</b>	<b>1,963</b>	<b>2,498</b>	<b>3,087</b>	<b>3,709</b>	<b>4,385</b>
<b>Assumptions</b>												
Rate Peg	2.30%	2.30%	3.70%	3.70%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
General Index	2.50%	2.50%	7.80%	3.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Employee Cost Index	2.70%	4.00%	3.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.00%
Grant Index	2.00%	2.00%	2.00%	3.50%	3.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Interest rate	1.50%	1.50%	5.00%	6.50%	3.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Overdue rates interest rate	6.00%	6.00%	9.00%	9.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Efficiency gain on Materials & Contracts	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%



## LONG TERM FINANCIAL PLAN - 2024-2033

### STATEMENT OF FINANCIAL POSITION

LONG TERM FINANCIAL PLAN - 2024-2033												
STATEMENT OF FINANCIAL POSITION												
\$ '000	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Actual	Revised Budget Q3	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Assets</b>												
<b>Current Assets:</b>												
Cash & cash equivalents	15,165	4,280	3,223	4,356	6,297	8,469	10,918	13,820	18,074	23,207	28,989	35,467
Investments	8,570	8,570	3,570	3,570	3,570	3,570	3,570	3,570	3,570	3,570	3,570	3,570
Receivables	4,672	5,653	5,837	6,050	6,084	6,867	7,077	7,286	7,645	8,014	8,381	8,619
Inventories	147	136	147	152	156	160	164	168	172	176	181	185
Other	1,069	416	506	523	536	550	564	578	592	607	622	638
Non-current assets classified as 'held for sale'	-	-	-	608	-	-	-	-	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>29,623</b>	<b>19,055</b>	<b>13,283</b>	<b>15,260</b>	<b>16,643</b>	<b>19,615</b>	<b>22,293</b>	<b>25,422</b>	<b>30,053</b>	<b>35,574</b>	<b>41,743</b>	<b>48,479</b>
<b>Non-Current Assets:</b>												
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant & equipment	288,869	278,531	285,680	286,356	287,035	287,716	288,401	289,089	289,780	290,473	291,170	291,870
Investments accounted for using the equity method	931	1,144	1,144	1,144	1,144	1,144	1,144	1,144	1,144	1,144	1,144	1,144
Investment property	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>289,800</b>	<b>279,675</b>	<b>286,824</b>	<b>287,500</b>	<b>288,179</b>	<b>288,860</b>	<b>289,545</b>	<b>290,233</b>	<b>290,924</b>	<b>291,617</b>	<b>292,314</b>	<b>293,014</b>
<b>TOTAL ASSETS</b>	<b>319,423</b>	<b>298,730</b>	<b>300,107</b>	<b>302,760</b>	<b>304,822</b>	<b>308,476</b>	<b>311,838</b>	<b>315,654</b>	<b>320,976</b>	<b>327,192</b>	<b>334,057</b>	<b>341,493</b>
<b>Liabilities</b>												
<b>Current Liabilities:</b>												
Payables	4,149	1,902	2,080	2,815	2,775	3,231	3,579	3,787	4,189	4,467	4,772	5,112
Income Received in Advance	-	-	-	-	-	-	-	-	-	-	-	-
Contract Liabilities	2,028	-	-	-	-	-	-	-	-	-	-	-
Borrowings	1,556	2,363	2,452	2,467	2,452	2,451	2,151	2,084	1,015	1,015	1,015	843
Provisions	4,550	3,829	4,004	3,989	3,814	3,894	3,798	3,751	3,743	3,671	3,644	3,604
<b>TOTAL CURRENT LIABILITIES</b>	<b>12,283</b>	<b>8,095</b>	<b>8,536</b>	<b>9,271</b>	<b>9,041</b>	<b>9,576</b>	<b>9,528</b>	<b>9,622</b>	<b>8,947</b>	<b>9,153</b>	<b>9,430</b>	<b>9,558</b>
<b>Non-Current Liabilities:</b>		<b>21,861</b>	<b>20,139</b>	<b>18,280</b>	<b>16,335</b>							
Payables	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	18,667	19,498	17,687	15,813	13,883	11,895	10,134	8,411	6,657	5,647	4,870	4,058
Provisions	9,775	12,262	12,906	14,428	15,364	16,691	17,758	18,998	20,122	21,324	22,474	23,658
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>28,442</b>	<b>31,760</b>	<b>30,593</b>	<b>30,240</b>	<b>29,247</b>	<b>28,585</b>	<b>27,892</b>	<b>27,409</b>	<b>26,779</b>	<b>26,971</b>	<b>27,344</b>	<b>27,716</b>
<b>TOTAL LIABILITIES</b>	<b>40,725</b>	<b>39,855</b>	<b>39,129</b>	<b>39,512</b>	<b>38,288</b>	<b>38,161</b>	<b>37,420</b>	<b>37,030</b>	<b>35,726</b>	<b>36,124</b>	<b>36,774</b>	<b>37,275</b>
<b>NET ASSETS</b>	<b>278,698</b>	<b>258,875</b>	<b>260,977</b>	<b>263,249</b>	<b>266,534</b>	<b>270,314</b>	<b>274,418</b>	<b>278,624</b>	<b>285,251</b>	<b>291,068</b>	<b>297,282</b>	<b>304,218</b>
<b>Equity</b>												
Retained earnings	113,710	121,168	123,270	125,542	128,827	132,607	136,711	140,917	147,544	153,361	159,575	166,511
Revaluation reserves	164,988	137,707	137,707	137,707	137,707	137,707	137,707	137,707	137,707	137,707	137,707	137,707
<b>Council equity interest</b>	<b>278,698</b>	<b>258,875</b>	<b>260,977</b>	<b>263,249</b>	<b>266,534</b>	<b>270,314</b>	<b>274,418</b>	<b>278,624</b>	<b>285,251</b>	<b>291,068</b>	<b>297,282</b>	<b>304,218</b>
<b>Non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EQUITY</b>	<b>278,698</b>	<b>258,875</b>	<b>260,977</b>	<b>263,249</b>	<b>266,534</b>	<b>270,314</b>	<b>274,418</b>	<b>278,624</b>	<b>285,251</b>	<b>291,068</b>	<b>297,282</b>	<b>304,218</b>
<b>Assumptions</b>												
General Index		2.50%	7.80%	3.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
No impact from revaluation of assets												
No restricted cash												

# LONG TERM FINANCIAL PLAN - 2024-2033

## STATEMENT OF CASH FLOWS

\$ '000	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Actual	Revised Budget Q3	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Cash Flows from Operating Activities</b>												
<b>Receipts:</b>												
Rates & annual charges	19,917	19,222	20,322	21,073	21,600	22,140	22,694	23,261	23,843	24,439	25,050	25,676
User charges & fees	3,457	3,478	4,205	4,643	4,760	4,879	5,000	5,125	5,254	5,385	5,520	5,658
Investment & interest revenue received	106	465	694	496	566	348	474	562	664	815	996	1,200
Grants & contributions	14,065	27,215	10,093	10,446	10,760	10,975	11,194	11,418	11,647	11,879	12,117	12,359
Bonds, deposits & retention amounts received	11	-	-	-	-	-	-	-	-	-	-	-
Other	5,570	663	514	532	546	559	573	588	602	617	633	649
<b>Payments:</b>												
Employee benefits & costs	(13,852)	(14,410)	(15,020)	(15,396)	(15,781)	(16,175)	(16,579)	(16,994)	(17,419)	(17,854)	(18,301)	(18,667)
Materials & contracts	(14,705)	(12,170)	(10,058)	(10,402)	(10,247)	(10,293)	(10,340)	(10,386)	(10,433)	(10,480)	(10,527)	(10,574)
Borrowing costs	(642)	(678)	(745)	(593)	(529)	(467)	(409)	(366)	(320)	(278)	(244)	(285)
Bonds, deposits & retention amounts refunded	-	-	-	-	-	-	-	-	-	-	-	-
Other	(1,074)	(957)	(948)	(961)	(965)	(970)	(974)	(979)	(983)	(987)	(992)	(996)
<b>NET CASH PROVIDED (OR USED IN) OPERATING ACTIVITIES</b>	<b>12,853</b>	<b>22,828</b>	<b>9,057</b>	<b>9,838</b>	<b>10,710</b>	<b>10,996</b>	<b>11,633</b>	<b>12,229</b>	<b>12,856</b>	<b>13,536</b>	<b>14,252</b>	<b>15,020</b>
<b>Cash Flows from Investing Activities</b>												
<b>Receipts:</b>												
Sale of investment securities	5,126	-	5,000	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant & equipment	241	-	320	-	-	-	-	-	-	-	-	-
Deferred debtors receipts	6	-	-	-	-	-	-	-	-	-	-	-
Other investing activity receipts	-	-	-	-	-	-	-	-	-	-	-	-
<b>Payments:</b>												
Purchase of investment securities	(4,500)	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant & equipment	(16,818)	(32,404)	(14,169)	(7,432)	(7,465)	(7,498)	(7,531)	(7,564)	(7,597)	(7,631)	(7,664)	(7,698)
Deferred debtors & advances made	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET CASH PROVIDED (OR USED IN) INVESTING ACTIVITIES</b>	<b>(15,945)</b>	<b>(32,404)</b>	<b>(8,849)</b>	<b>(7,432)</b>	<b>(7,465)</b>	<b>(7,498)</b>	<b>(7,531)</b>	<b>(7,564)</b>	<b>(7,597)</b>	<b>(7,631)</b>	<b>(7,664)</b>	<b>(7,698)</b>
<b>Cash Flows from Financing Activities</b>												
<b>Receipts:</b>												
Proceeds from borrowings & advances	437	-	-	-	-	-	-	-	-	-	-	-
<b>Payments:</b>												
Repayment of borrowings & advances	(1,451)	(1,310)	(1,264)	(1,273)	(1,305)	(1,326)	(1,652)	(1,763)	(1,004)	(771)	(806)	(843)
<b>NET CASH PROVIDED (OR USED IN) FINANCING ACTIVITIES</b>	<b>(1,014)</b>	<b>(1,310)</b>	<b>(1,264)</b>	<b>(1,273)</b>	<b>(1,305)</b>	<b>(1,326)</b>	<b>(1,652)</b>	<b>(1,763)</b>	<b>(1,004)</b>	<b>(771)</b>	<b>(806)</b>	<b>(843)</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(4,106)</b>	<b>(10,885)</b>	<b>(1,056)</b>	<b>1,133</b>	<b>1,940</b>	<b>2,172</b>	<b>2,450</b>	<b>2,902</b>	<b>4,254</b>	<b>5,133</b>	<b>5,781</b>	<b>6,479</b>
<b>plus: CASH &amp; CASH EQUIVALENTS - beginning of year</b>	<b>19,271</b>	<b>15,165</b>	<b>4,280</b>	<b>3,223</b>	<b>4,356</b>	<b>6,297</b>	<b>8,469</b>	<b>10,918</b>	<b>13,820</b>	<b>18,074</b>	<b>23,207</b>	<b>28,989</b>
<b>CASH &amp; CASH EQUIVALENTS - end of year</b>	<b>15,165</b>	<b>4,280</b>	<b>3,223</b>	<b>4,356</b>	<b>6,297</b>	<b>8,469</b>	<b>10,918</b>	<b>13,820</b>	<b>18,074</b>	<b>23,207</b>	<b>28,989</b>	<b>35,467</b>
<b>Additional Information</b>												
<b>plus: Investments on hand - end of year</b>	<b>8,570</b>	<b>8,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>
<b>TOTAL CASH, CASH EQUIVALENTS &amp; INVESTMENTS - end of year</b>	<b>23,735</b>	<b>12,850</b>	<b>6,793</b>	<b>7,926</b>	<b>9,867</b>	<b>12,039</b>	<b>14,488</b>	<b>17,390</b>	<b>21,644</b>	<b>26,777</b>	<b>32,559</b>	<b>39,037</b>

Assumptions	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Rates & charges recovery rate	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
Debtor recovery rate	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
General Index	2.50%	2.50%	7.80%	3.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Investment interest rate	1.50%	1.50%	5.00%	6.50%	6.50%	3.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Overdue rates interest rate	7.50%	6.00%	9.00%	9.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
No restricted cash												

# LONG TERM FINANCIAL PLAN - 2024-2033

## FINANCIAL RATIOS

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Actual	Revised Budget Q3	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Operating Ratio</b>												
<b>This ratio measures Council's ability to contain operating expenditure within operating revenue</b>	0.14%	-6.19%	0.00%	0.20%	1.97%	2.49%	3.89%	5.11%	6.33%	7.62%	8.90%	10.24%
Benchmark - Greater than 0% <i>(operating revenue excl. capital grants and contributions - operating expenses) / operating revenue excluding capital grants and contributions</i>												
<b>Cash Expense Cover Ratio</b>												
<b>This ratio indicates the number of months Council can continue paying for its immediate expenses without additional cash inflow</b>	9.22	4.35	4.13	4.50	5.30	6.14	7.06	8.14	9.72	11.59	13.66	15.96
Benchmark - Greater than 3.0 months <i>(current year's cash and cash equivalents / (total expenses - depreciation - interest costs) * 12</i>												
<b>Current Ratio</b>												
<b>This ratio represents Council's ability to meet debt payments as they fall due. It should be noted that Council's externally restricted assets will not be available as operating funds and as such can significantly impact Council's ability to meet its liabilities.</b>	2.41	2.35	1.56	1.65	1.84	2.05	2.34	2.64	3.36	3.89	4.43	5.07
Benchmark - Greater than 1.5 <i>current assets / current liabilities</i>												
<b>Unrestricted Current Ratio</b>												
<b>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</b>	3.12	2.16	1.77	1.88	2.18	2.45	2.88	2.24	2.96	3.51	3.95	4.60
Benchmark - Greater than 1.5 <i>current assets less all external activities/ current liabilities, less specific purpose liabilities</i>												
<b>Own Source Operating Revenue</b>												
<b>This ratio measures the level of Council's fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. Council's financial flexibility improves the higher the level of its own source revenue</b>	64.65%	47.77%	72.93%	72.60%	72.46%	72.40%	72.57%	72.72%	72.87%	73.05%	73.24%	73.44%
Benchmark - Greater than 60% <i>rates, utilities and charges / total operating revenue (inclusive of capital grants and contributions)</i>												
<b>Debt Service Cover Ratio</b>												
<b>This ratio measures the availability of cash to service debt including interest, principal, and lease payments</b>	3.66	2.45	3.71	3.98	4.38	4.57	4.23	4.32	7.34	9.82	10.40	10.35
Benchmark - Greater than 2.0 <i>operating result before interest and depreciation (EBITDA) / principal repayments + borrowing interest costs</i>												
<b>Interest Cover Ratio</b>												
<b>This ratio indicates the extent to which Council can service its interest bearing debt and take on additional borrowings. It measures the burden of the current interest expense upon Council's operating cash</b>	10.30	7.19	9.99	12.51	15.17	17.54	21.28	25.16	30.42	37.04	44.79	40.94
Benchmark - Greater than 4.0 <i>operating result before interest and depreciation (EBITDA) / interest expense</i>												
<b>Capital Expenditure Ratio</b>												
<b>This ratio indicates the extent to which Council is forecasting to expand its asset base with capital expenditure spent on both new assets and replacement and renewal of existing assets</b>	2.28	5.18	2.11	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Benchmark - Greater than 1.1 <i>annual capital expenditure / annual depreciation</i>												

# IMPROVING OUR FINANCIAL POSITION FURTHER

Whilst significant improvements have been made over the past number of years, Council still has a long way to go in ensuring a strong financial position.

Council is committed to assisting the community achieve the objectives outlined in the community's Broken Hill 2040 Community Strategic Plan. This includes addressing current goals, while planning to meet the requirements for the future. To do this, Council must be strong.

A strong Council is one that has the financial capacity to meet its short- and long-term needs; a Council that can withstand financial shocks without burdening the community with increased rates or reduced services. Council is carrying out and will continue to review the following initiatives to maximise the ability to meet the community's needs in service provision.

Council has updated the 2024 Operating and Long Term Financial Plan, with the most current and best available information, but it is subject to change due to the dynamic health and economic crisis, created by the global COVID-19 pandemic and subsequent financial effects.

The current plan is based on a return to pre-COVID conditions however the unpredictability of the short to midterm financial conditions due to the Ukraine war and high inflation means this cannot be guaranteed.

The Council also acknowledges that planned deliverables and actions may be impacted or need to be reprioritised, New priorities may also emerge.

Council will engage with the community using the principles outlined in our Community Engagement Strategy, to ensure that changing and emerging priorities are identified.

## IMPROVING EFFICIENCY OF COUNCIL OPERATIONS

Council will adopt a continuous improvement approach to achieving greater efficiency in service delivery.



This will include monitoring of performance, targeted reviews of current processes and procedures, the introduction of new technology and an emphasis on staffing capacity development.

## IMPROVING ASSET MANAGEMENT

Council currently manages a large number of assets, some of which may be surplus to community needs. Undertaking a review and possible rationalisation of assets, will assist in reducing operational costs.

## REVIEW OF COMMUNITY EXPECTATIONS AND SERVICE LEVELS

Council needs to ensure that it is providing services and infrastructure that meets community needs and is within the community's ability to pay.

To ascertain community expectations, service level reviews are being undertaken.

## INCREASING STATE AND FEDERAL FUNDING

Council needs to continue to aggressively pursue all avenues for State and Federal grants which may improve its position. This includes lobbying Local Members and Government Ministers for additional funding.

### **INCREASING PRIVATE WORKS, TRANSPORT NSW CONTRACTS AND CAPITAL WORK DELIVERY**

Council has over several years invested heavily in the development of additional capacity for its roads and trades teams to enable Council to attract more private works and contracts through Transport NSW. Increasing our income in this area, allows more effective use of Council resources; contributing to an improved financial position and future growth of Council's workforce.

### **LONG TERM WASTE STRATEGY AND INDUSTRY DEVELOPMENT**

Broken Hill City Council is engaged in the process of developing a 3-year waste management strategy, which will inform our long-term goals in alignment with the Community Strategic Plan.

This strategy encompasses a few key areas, with a focus on developing a circular waste economy in the Broken Hill Region, starting with key producers and ending with final consumers, with the end goal of diverting as much waste as possible from waste management facilities, by advocating for the usage of long-lifespan products, re-purposing of otherwise obsolete equipment, and collaboration between industries to achieve optimal outcomes for all areas of the Broken Hill community.

The strategy is being developed to align with the NSW Waste and Sustainable Materials Strategy 2041, which places great emphasis on reducing the total amount of waste initially produced, prior to waste processing steps. The targets of this strategy include:

- 80% average recovery rate from all waste streams by 2030
- Reduce total waste generation per person by 10% by 2030
- Halve the amount of organic waste sent to landfill by 2030

The viability of processes such as recyclable material processing, energy creation, and the establishment of a local industry centred around these processes is being examined. BHCC believes there is potential for additional revenue streams within it's existing waste management processes, and by properly implementing and utilising these streams, overhead expenses created by the waste management centre can be reduced.

### **INCREASING RATE REVENUE**

To maintain services at their expected level, the community may consider if an increase in rates is appropriate. This option will not be imposed without significant community consultation and consideration of affordability.

# SCENARIOS AND SENSITIVITY

Long term planning is critical for effective delivery of Local Government services, perhaps more critical than many other organisations due to Council's role in infrastructure provision. At Broken Hill, Council manages over \$250m in infrastructure assets with varying lifecycles, all requiring investment to ensure continued service to our community.

When planning for the long term, we rely on assumptions and we rely on strategies being successful. For example, Council is reliant on grants and contributions for 20% of its overall income and our plan assumes that these grants will continue into the future. We assume, that we will be successful in our strategies to reduce costs. We assume, our rate base will remain the same and we assume, that we will not be faced with any financial shocks.

Long term planning provides decision makers and stakeholders in our community, with a view of how our goals can be achieved, but what if things don't go as planned?

Our plan is sensitive to a number of internal and external drivers including Council decisions, operational performance, the external economic environment, State and Federal Government decisions including changes to legislation.

The following examples demonstrate some of Council's main sensitivities and outline the impact of various scenarios on Council's long term financial position.

## SCENARIO 2 – Decreased rate peg

This scenario follows the same assumptions as the 'Balanced Scenario' but assumes the 2024 rate peg of 3.7% is decreased to 2.5% from 2025 onwards

This model does not alter Council's breakeven point of 2024 however sees Council slip back into deficit in 2025 due to the combined effect of the additional cost of Council elections and inflation. If the assumptions of this model come to be, a deficit would be expected in 2025 approximately equal to the cost of the election.

### Key Aspects of this Scenario

- Breakeven remains at 2024.
- Deficit in 2025
- Surplus from 2026 onwards

## LONG TERM FINANCIAL PLAN - 2024-2033 - SCENARIO 2 - DECREASED RATE PEG

### INCOME STATEMENT

\$ '000	2022	2023	2023	2024	2025	2026	2027	2028	2029	2030	2031	2033
	Actual	Original Budget	Revised Budget Q3	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Income from Continuing Operations</b>												
<b>Revenue:</b>												
Rates & annual charges	19,540	19,816	19,816	20,950	21,474	22,011	22,561	23,125	23,703	24,296	24,903	26,164
User charges & fees	3,096	3,586	3,586	4,335	4,787	4,907	5,029	5,155	5,284	5,416	5,552	5,833
Interest & investment revenue	570	802	802	1,383	587	552	335	449	526	618	757	1,118
Other revenues	3,099	464	684	530	549	563	577	591	606	621	637	669
Grants & contributions for operating purposes	9,469	7,132	8,376	7,077	7,325	7,544	7,695	7,849	8,006	8,166	8,330	8,666
Grants & contributions for capital purposes	4,920	8,023	18,839	3,016	3,122	3,215	3,280	3,345	3,412	3,480	3,550	3,693
<b>Other Income:</b>												
Net gains from disposal of assets	5	-	-	-	-	-	-	-	-	-	-	-
Net share of interests in joint ventures	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL INCOME FROM CONTINUING OPERATIONS</b>	<b>40,699</b>	<b>39,823</b>	<b>52,103</b>	<b>37,291</b>	<b>37,843</b>	<b>38,791</b>	<b>39,476</b>	<b>40,515</b>	<b>41,537</b>	<b>42,598</b>	<b>43,728</b>	<b>46,142</b>
<b>Expenses from Continuing Operations</b>												
Employee benefits & costs	14,465	14,563	14,855	15,485	15,872	16,269	16,675	17,092	17,519	17,957	18,406	19,244
Borrowing costs	799	678	678	745	593	529	467	409	366	320	278	285
Materials & contracts	11,748	10,139	12,546	10,369	10,724	10,564	10,612	10,659	10,707	10,756	10,804	10,901
Depreciation & amortisation	7,380	6,259	6,259	6,700	6,757	6,786	6,816	6,846	6,876	6,907	6,937	6,998
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	1,338	963	987	977	991	995	1,000	1,004	1,009	1,013	1,018	1,027
Net losses from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-
Net share of interests in joint ventures	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENSES FROM CONTINUING OPERATIONS</b>	<b>35,730</b>	<b>32,602</b>	<b>35,325</b>	<b>34,275</b>	<b>34,936</b>	<b>35,143</b>	<b>35,570</b>	<b>36,012</b>	<b>36,478</b>	<b>36,953</b>	<b>37,443</b>	<b>38,456</b>
<b>OPERATING RESULT FOR THE YEAR</b>	<b>4,970</b>	<b>7,221</b>	<b>16,778</b>	<b>3,016</b>	<b>2,907</b>	<b>3,648</b>	<b>3,906</b>	<b>4,503</b>	<b>5,059</b>	<b>5,645</b>	<b>6,285</b>	<b>7,687</b>
<b>NET OPERATING RESULT FOR THE YEAR BEFORE GRANTS &amp; CONTRIBUTIONS FOR CAPITAL PURPOSES</b>	<b>49</b>	<b>(802)</b>	<b>(2,061)</b>	<b>0</b>	<b>(214)</b>	<b>433</b>	<b>627</b>	<b>1,158</b>	<b>1,647</b>	<b>2,165</b>	<b>2,735</b>	<b>3,993</b>
<b>NET OPERATING RESULT FOR THE YEAR EXCLUDING EXTRAORDINARY ITEMS BEFORE GRANTS &amp; CONTRIBUTIONS FOR CAPITAL PURPOSES</b>	<b>49</b>	<b>(802)</b>	<b>(2,061)</b>	<b>0</b>	<b>(214)</b>	<b>433</b>	<b>627</b>	<b>1,158</b>	<b>1,647</b>	<b>2,165</b>	<b>2,735</b>	<b>3,993</b>
<b>Assumptions</b>												
Rate Peg	2.30%	2.30%	2.30%	3.70%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
General Index	2.50%	2.50%	2.50%	7.80%	3.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Employee Cost Index	2.70%	2.70%	4.00%	3.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.00%
Grant Index	2.00%	2.00%	2.00%	2.00%	3.50%	3.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Interest rate	1.50%	1.50%	1.50%	5.00%	6.00%	6.50%	3.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Overdue rates interest rate	6.00%	6.00%	6.00%	9.00%	9.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Efficiency gain on Materials & Contracts	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%

## LONG TERM FINANCIAL PLAN - 2024-2033 - SCENARIO 2 - DECREASED RATE PEG

### STATEMENT OF FINANCIAL POSITION

\$ '000	2022	2023	2023	2024	2025	2026	2027	2028	2029	2030	2031	2033
	Actual	Original Budget	Revised Budget Q3	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Assets</b>												
<b>Current Assets:</b>												
Cash & cash equivalents	15,165	5,256	4,280	3,250	4,108	5,782	7,682	9,841	12,435	16,364	21,154	32,669
Investments	8,570	8,570	8,570	3,570	3,570	3,570	3,570	3,570	3,570	3,570	3,570	3,570
Receivables	4,672	5,653	5,653	5,837	6,050	6,084	6,867	7,077	7,286	7,645	8,014	8,619
Inventories	147	136	136	147	152	156	160	164	168	172	176	185
Other	1,069	416	416	506	523	536	550	564	578	592	607	638
Non-current assets classified as 'held for sale'	-	-	-	-	608	-	-	-	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>29,623</b>	<b>20,031</b>	<b>19,055</b>	<b>13,310</b>	<b>15,012</b>	<b>16,128</b>	<b>18,828</b>	<b>21,215</b>	<b>24,037</b>	<b>28,343</b>	<b>33,521</b>	<b>45,681</b>
<b>Non-Current Assets:</b>												
Investments		-	-	-	-	-	-	-	-	-	-	-
Receivables		-	-	-	-	-	-	-	-	-	-	-
Inventories		-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant & equipment	288,869	267,752	278,531	285,653	286,329	287,008	287,689	288,374	289,062	289,752	290,446	291,843
Investments accounted for using the equity method	931	1,144	1,144	1,144	1,144	1,144	1,144	1,144	1,144	1,144	1,144	1,144
Investment property	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>289,800</b>	<b>268,896</b>	<b>279,675</b>	<b>286,797</b>	<b>287,473</b>	<b>288,152</b>	<b>288,833</b>	<b>289,518</b>	<b>290,206</b>	<b>290,896</b>	<b>291,590</b>	<b>292,987</b>
<b>TOTAL ASSETS</b>	<b>319,423</b>	<b>288,927</b>	<b>298,730</b>	<b>300,107</b>	<b>302,485</b>	<b>304,280</b>	<b>307,662</b>	<b>310,733</b>	<b>314,242</b>	<b>319,239</b>	<b>325,111</b>	<b>338,668</b>
<b>Liabilities</b>												
<b>Current Liabilities:</b>												
Payables	4,149	1,902	1,902	2,080	2,815	2,775	3,231	3,579	3,787	4,189	4,467	5,112
Income Received in Advance		-	-	-	-	-	-	-	-	-	-	-
Contract Liabilities	2,028											
Borrowings	1,556	2,084	2,363	2,452	2,467	2,452	2,451	2,151	2,084	1,015	1,015	843
Provisions	4,550	3,829	3,829	4,004	3,989	3,814	3,894	3,798	3,751	3,743	3,671	3,604
<b>TOTAL CURRENT LIABILITIES</b>	<b>12,283</b>	<b>7,816</b>	<b>8,095</b>	<b>8,536</b>	<b>9,271</b>	<b>9,041</b>	<b>9,576</b>	<b>9,528</b>	<b>9,622</b>	<b>8,947</b>	<b>9,153</b>	<b>9,558</b>
<b>Non-Current Liabilities:</b>		<b>20,227</b>	<b>21,861</b>	<b>20,139</b>	<b>18,280</b>	<b>16,335</b>						
Payables		-	-	-	-	-	-	-	-	-	-	-
Borrowings	18,667	18,143	19,498	17,687	15,813	13,883	11,895	10,134	8,411	6,657	5,647	4,058
Provisions	9,775	12,262	12,262	12,906	14,428	15,364	16,691	17,758	18,998	20,122	21,324	23,658
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>28,442</b>	<b>30,404</b>	<b>31,760</b>	<b>30,593</b>	<b>30,240</b>	<b>29,247</b>	<b>28,585</b>	<b>27,892</b>	<b>27,409</b>	<b>26,779</b>	<b>26,971</b>	<b>27,716</b>
<b>TOTAL LIABILITIES</b>	<b>40,725</b>	<b>38,220</b>	<b>39,855</b>	<b>39,129</b>	<b>39,512</b>	<b>38,288</b>	<b>38,161</b>	<b>37,420</b>	<b>37,030</b>	<b>35,726</b>	<b>36,124</b>	<b>37,275</b>
<b>NET ASSETS</b>	<b>278,698</b>	<b>250,707</b>	<b>258,875</b>	<b>260,977</b>	<b>262,973</b>	<b>265,992</b>	<b>269,500</b>	<b>273,313</b>	<b>277,212</b>	<b>283,514</b>	<b>288,987</b>	<b>301,393</b>
<b>Equity</b>												
Retained earnings	113,710	113,000	121,168	123,270	125,266	128,285	131,793	135,606	139,505	145,807	151,280	163,686
Revaluation reserves	164,988	137,707	137,707	137,707	137,707	137,707	137,707	137,707	137,707	137,707	137,707	137,707
<b>Council equity interest</b>	<b>278,698</b>	<b>250,707</b>	<b>258,875</b>	<b>260,977</b>	<b>262,973</b>	<b>265,992</b>	<b>269,500</b>	<b>273,313</b>	<b>277,212</b>	<b>283,514</b>	<b>288,987</b>	<b>301,393</b>
<b>Non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EQUITY</b>	<b>278,698</b>	<b>250,707</b>	<b>258,875</b>	<b>260,977</b>	<b>262,973</b>	<b>265,992</b>	<b>269,500</b>	<b>273,313</b>	<b>277,212</b>	<b>283,514</b>	<b>288,987</b>	<b>301,393</b>

<b>Assumptions</b>												
General Index		2.50%	2.50%	7.80%	3.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
No impact from revaluation of assets												
No restricted cash												



## LONG TERM FINANCIAL PLAN - 2024-2033 - SCENARIO 2 - DECREASED RATE PEQ

### STATEMENT OF CASH FLOWS

\$ '000	2022	2023	2023	2024	2025	2026	2027	2028	2029	2030	2031	2033
	Actual	Original Budget	Revised Budget Q3	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Cash Flows from Operating Activities</b>												
<b>Receipts:</b>												
Rates & annual charges	19,917	19,222	19,222	20,322	20,830	21,350	21,884	22,431	22,992	23,567	24,156	25,379
User charges & fees	3,457	3,478	3,478	4,205	4,643	4,760	4,879	5,000	5,125	5,254	5,385	5,658
Investment & interest revenue received	106	465	465	694	464	549	332	446	523	615	754	1,114
Grants & contributions	14,065	15,155	27,215	10,093	10,446	10,760	10,975	11,194	11,418	11,647	11,879	12,359
Bonds, deposits & retention amounts received	11	-	-	-	-	-	-	-	-	-	-	-
Other	5,570	450	663	514	532	546	559	573	588	602	617	649
<b>Payments:</b>												
Employee benefits & costs	(13,852)	(14,126)	(14,410)	(15,020)	(15,396)	(15,781)	(16,175)	(16,579)	(16,994)	(17,419)	(17,854)	(18,667)
Materials & contracts	(14,705)	(9,835)	(12,170)	(10,058)	(10,402)	(10,247)	(10,293)	(10,340)	(10,386)	(10,433)	(10,480)	(10,574)
Borrowing costs	(642)	(678)	(678)	(745)	(593)	(529)	(467)	(409)	(366)	(320)	(278)	(285)
Bonds, deposits & retention amounts refunded	-	-	-	-	-	-	-	-	-	-	-	-
Other	(1,074)	(934)	(957)	(948)	(961)	(965)	(970)	(974)	(979)	(983)	(987)	(996)
<b>NET CASH PROVIDED (OR USED IN) OPERATING ACTIVITIES</b>	<b>12,853</b>	<b>13,197</b>	<b>22,828</b>	<b>9,057</b>	<b>9,563</b>	<b>10,443</b>	<b>10,724</b>	<b>11,342</b>	<b>11,921</b>	<b>12,531</b>	<b>13,192</b>	<b>14,637</b>
<b>Cash Flows from Investing Activities</b>												
<b>Receipts:</b>												
Sale of investment securities	5,126	-	-	5,000	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant & equipment	241	-	-	320	-	-	-	-	-	-	-	-
Deferred debtors receipts	6	-	-	-	-	-	-	-	-	-	-	-
Other investing activity receipts	-	-	-	-	-	-	-	-	-	-	-	-
<b>Payments:</b>												
Purchase of investment securities	(4,500)	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant & equipment	(16,818)	(21,625)	(32,404)	(14,142)	(7,432)	(7,465)	(7,498)	(7,531)	(7,564)	(7,597)	(7,631)	(7,698)
Deferred debtors & advances made	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET CASH PROVIDED (OR USED IN) INVESTING ACTIVITIES</b>	<b>(15,945)</b>	<b>(21,625)</b>	<b>(32,404)</b>	<b>(8,822)</b>	<b>(7,432)</b>	<b>(7,465)</b>	<b>(7,498)</b>	<b>(7,531)</b>	<b>(7,564)</b>	<b>(7,597)</b>	<b>(7,631)</b>	<b>(7,698)</b>
<b>Cash Flows from Financing Activities</b>												
<b>Receipts:</b>												
Proceeds from borrowings & advances	437	-	-	-	-	-	-	-	-	-	-	-
<b>Payments:</b>												
Repayment of borrowings & advances	(1,451)	(1,482)	(1,310)	(1,264)	(1,273)	(1,305)	(1,326)	(1,652)	(1,763)	(1,004)	(771)	(843)
<b>NET CASH PROVIDED (OR USED IN) FINANCING ACTIVITIES</b>	<b>(1,014)</b>	<b>(1,482)</b>	<b>(1,310)</b>	<b>(1,264)</b>	<b>(1,273)</b>	<b>(1,305)</b>	<b>(1,326)</b>	<b>(1,652)</b>	<b>(1,763)</b>	<b>(1,004)</b>	<b>(771)</b>	<b>(843)</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(4,106)</b>	<b>(9,909)</b>	<b>(10,885)</b>	<b>(1,029)</b>	<b>858</b>	<b>1,674</b>	<b>1,900</b>	<b>2,159</b>	<b>2,594</b>	<b>3,929</b>	<b>4,790</b>	<b>6,097</b>
<b>plus: CASH &amp; CASH EQUIVALENTS - beginning of year</b>	<b>19,271</b>	<b>15,165</b>	<b>15,165</b>	<b>4,280</b>	<b>3,250</b>	<b>4,108</b>	<b>5,782</b>	<b>7,682</b>	<b>9,841</b>	<b>12,435</b>	<b>16,364</b>	<b>26,573</b>
<b>CASH &amp; CASH EQUIVALENTS - end of year</b>	<b>15,165</b>	<b>5,256</b>	<b>4,280</b>	<b>3,250</b>	<b>4,108</b>	<b>5,782</b>	<b>7,682</b>	<b>9,841</b>	<b>12,435</b>	<b>16,364</b>	<b>21,154</b>	<b>32,669</b>
<b>Additional Information</b>												
<b>plus: Investments on hand - end of year</b>	<b>8,570</b>	<b>8,570</b>	<b>8,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>
<b>TOTAL CASH, CASH EQUIVALENTS &amp; INVESTMENTS - end of year</b>	<b>23,735</b>	<b>13,826</b>	<b>12,850</b>	<b>6,820</b>	<b>7,678</b>	<b>9,352</b>	<b>11,252</b>	<b>13,411</b>	<b>16,005</b>	<b>19,934</b>	<b>24,724</b>	<b>36,239</b>

Assumptions	2022	2023	2023	2024	2025	2026	2027	2028	2029	2030	2031	2033
Rates & charges recovery rate	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
Debtor recovery rate	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
General Index	2.50%	2.50%	2.50%	7.80%	3.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Investment Interest rate	1.50%	1.50%	1.50%	5.00%	6.00%	6.50%	3.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Overdue rates interest rate	107.50%	6.00%	6.00%	9.00%	9.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

## LONG TERM FINANCIAL PLAN - 2024-2033 - SCENARIO 2 - DECREASED RATE PEG

### FINANCIAL RATIOS

	2022	2023	2023	2024	2025	2026	2027	2028	2029	2030	2031	2033
	Actual	Original Budget	Revised Budget Q3	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Operating Ratio</b>												
<i>This ratio measures Council's ability to contain operating expenditure within operating revenue</i>	0.14%	-2.52%	-6.19%	0.00%	-0.62%	1.22%	1.73%	3.12%	4.32%	5.53%	6.81%	9.41%
Benchmark - Greater than 0% <i>(operating revenue excl. capital grants and contributions - operating expenses) / operating revenue excluding capital grants and contributions</i>												
<b>Cash Expense Cover Ratio</b>												
<i>This ratio indicates the number of months Council can continue paying for its immediate expenses without additional cash inflow</i>	9.22	5.26	4.35	4.14	4.40	5.08	5.80	6.61	7.57	9.03	10.78	14.89
Benchmark - Greater than 3.0 months <i>(current year's cash and cash equivalents / (total expenses - depreciation - interest costs) * 12</i>												
<b>Current Ratio</b>												
<i>This ratio represents Council's ability to meet debt payments as they fall due. It should be noted that Council's externally restricted assets will not be available as operating funds and as such can significantly impact Council's ability to meet its liabilities.</i>	2.41	2.56	2.35	1.56	1.62	1.78	1.97	2.23	2.50	3.17	3.66	4.78
Benchmark - Greater than 1.5 <i>current assets / current liabilities</i>												
<b>Unrestricted Current Ratio</b>												
<i>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</i>	3.12	2.38	2.16	1.77	1.84	2.09	2.33	2.71	2.10	2.76	3.28	4.31
Benchmark - Greater than 1.5 <i>current assets less all external activities / current liabilities, less specific purpose liabilities</i>												
<b>Own Source Operating Revenue</b>												
<i>This ratio measures the level of Council's fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. Council's financial flexibility improves the higher the level of its own source revenue</i>	64.65%	61.94%	47.77%	72.93%	72.40%	72.26%	72.20%	72.37%	72.51%	72.66%	72.83%	73.21%
Benchmark - Greater than 60% <i>rates, utilities and charges / total operating revenue (inclusive of capital grants and contributions)</i>												
<b>Debt Service Cover Ratio</b>												
<i>This ratio measures the availability of cash to service debt including interest, principal, and lease payments</i>	3.66	2.84	2.45	3.71	3.82	4.23	4.41	4.08	4.18	7.09	9.48	10.00
Benchmark - Greater than 2.0 <i>operating result before interest and depreciation (EBITDA) / principal repayments + borrowing interest costs</i>												
<b>Interest Cover Ratio</b>												
<i>This ratio indicates the extent to which Council can service its interest bearing debt and take on additional borrowings. It measures the burden of the current interest expense upon Council's operating cash</i>	10.30	9.05	7.19	9.99	12.03	14.65	16.94	20.55	24.30	29.38	35.78	39.57
Benchmark - Greater than 4.0 <i>operating result before interest and depreciation (EBITDA) / interest expense</i>												
<b>Capital Expenditure Ratio</b>												
<i>This ratio indicates the extent to which Council is forecasting to expand its asset base with capital expenditure spent on both new assets and replacement and renewal of existing assets</i>	2.28	3.46	5.18	2.11	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Benchmark - Greater than 1.1 <i>annual capital expenditure / annual depreciation</i>												

### **SCENARIO 3 – Continued High Inflation with Reduced Rate Peg**

This scenario is based on the same expenditure assumptions in line with the previous two scenarios, however, Rates revenue is projected using the standard forecast 2.5% rate peg as advised by IPART combined with inflation at 5% until 2027. As you will see below, this pushes Council's return to surplus back to 2028 and puts Council in a high-risk cash position for the immediate future.

#### Key Aspects to this Scenario

- Breakeven pushed back to 2028
- Borrowings remain the same.
- Some key financial ratios & OLG benchmarks will not be met in the short term.

**LONG TERM FINANCIAL PLAN - 2024-2033 - SCENARIO 3 - RATE PEG DECREASED AND HIGH INFLATION**  
**INCOME STATEMENT**

\$ '000	2022	2023	2023	2024	2025	2026	2027	2028	2029	2030	2031	2033
	Actual	Original Budget	Revised Budget Q3	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Income from Continuing Operations</b>												
<b>Revenue:</b>												
Rates & annual charges	19,540	19,816	19,816	20,950	21,474	22,011	22,561	23,125	23,703	24,296	24,903	26,164
User charges & fees	3,096	3,586	3,586	4,335	4,852	5,095	5,349	5,483	5,620	5,761	5,905	6,204
Interest & investment revenue	570	802	802	1,383	587	542	317	404	455	520	631	933
Other revenues	3,099	464	684	530	557	585	614	629	645	661	678	712
Grants & contributions for operating purposes	9,469	7,132	8,376	7,077	7,325	7,544	7,695	7,849	8,006	8,166	8,330	8,666
Grants & contributions for capital purposes	4,920	8,023	18,839	3,016	3,167	3,262	3,327	3,394	3,461	3,531	3,601	3,747
<b>Other Income:</b>												
Net gains from disposal of assets	5	-	-	-	-	-	-	-	-	-	-	-
Net share of interests in joint ventures	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL INCOME FROM CONTINUING OPERATIONS</b>	<b>40,699</b>	<b>39,823</b>	<b>52,103</b>	<b>37,291</b>	<b>37,961</b>	<b>39,038</b>	<b>39,864</b>	<b>40,884</b>	<b>41,891</b>	<b>42,935</b>	<b>44,048</b>	<b>46,425</b>
<b>Expenses from Continuing Operations</b>												
Employee benefits & costs	14,465	14,563	14,855	15,485	15,988	16,508	17,044	17,470	17,907	18,355	18,813	19,669
Borrowing costs	799	678	678	745	593	529	467	409	366	320	278	285
Materials & contracts	11,748	10,139	12,546	10,369	10,876	10,979	11,297	11,348	11,399	11,450	11,502	11,606
Depreciation & amortisation	7,380	6,259	6,259	6,700	6,757	6,786	6,816	6,846	6,876	6,907	6,937	6,998
Impairment		-	-	-	-	-	-	-	-	-	-	-
Other expenses	1,338	963	987	977	1,005	1,034	1,064	1,069	1,074	1,079	1,084	1,093
Net losses from disposal of assets												
Net share of interests in joint ventures												
<b>TOTAL EXPENSES FROM CONTINUING OPERATIONS</b>	<b>35,730</b>	<b>32,602</b>	<b>35,325</b>	<b>34,275</b>	<b>35,219</b>	<b>35,836</b>	<b>36,689</b>	<b>37,143</b>	<b>37,622</b>	<b>38,110</b>	<b>38,614</b>	<b>39,651</b>
<b>OPERATING RESULT FOR THE YEAR</b>	<b>4,970</b>	<b>7,221</b>	<b>16,778</b>	<b>3,016</b>	<b>2,742</b>	<b>3,202</b>	<b>3,175</b>	<b>3,741</b>	<b>4,269</b>	<b>4,825</b>	<b>5,434</b>	<b>6,774</b>
<b>NET OPERATING RESULT FOR THE YEAR BEFORE GRANTS &amp; CONTRIBUTIONS FOR CAPITAL PURPOSES</b>	<b>49</b>	<b>(802)</b>	<b>(2,061)</b>	<b>0</b>	<b>(424)</b>	<b>(60)</b>	<b>(152)</b>	<b>348</b>	<b>808</b>	<b>1,294</b>	<b>1,833</b>	<b>3,027</b>
<b>NET OPERATING RESULT FOR THE YEAR EXCLUDING EXTRAORDINARY ITEMS BEFORE GRANTS &amp; CONTRIBUTIONS FOR CAPITAL PURPOSES</b>	<b>49</b>	<b>(802)</b>	<b>(2,061)</b>	<b>0</b>	<b>(424)</b>	<b>(60)</b>	<b>(152)</b>	<b>348</b>	<b>808</b>	<b>1,294</b>	<b>1,833</b>	<b>3,027</b>
<b>Assumptions</b>												
Rate Peg	2.30%	2.30%	2.30%	3.70%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
General Index	2.50%	2.50%	2.50%	7.80%	5.00%	5.00%	5.00%	5.00%	2.50%	2.50%	2.50%	2.50%
Employee Cost Index	2.70%	2.70%	4.00%	3.25%	3.25%	3.25%	3.25%	2.50%	2.50%	2.50%	2.50%	2.00%
Grant Index	2.00%	2.00%	2.00%	3.50%	2.00%	3.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Interest rate	1.50%	1.50%	1.50%	5.00%	6.00%	6.50%	3.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Overdue rates interest rate	6.00%	6.00%	6.00%	9.00%	9.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Efficiency gain on Materials & Contracts	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%

# LONG TERM FINANCIAL PLAN - 2024-2033 - SCENARIO 3 - RATE PEG DECREASED AND HIGH INFLATION

## STATEMENT OF FINANCIAL POSITION

\$ '000	2022	2023	2023	2024	2025	2026	2027	2028	2029	2030	2031	2033
	Actual	Original Budget	Revised Budget Q3	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Assets</b>												
<b>Current Assets:</b>												
Cash & cash equivalents	15,165	5,256	4,280	3,250	3,951	5,192	6,383	7,804	9,632	12,764	16,727	26,496
Investments	8,570	8,570	8,570	3,570	3,570	3,570	3,570	3,570	3,570	3,570	3,570	3,570
Receivables	4,672	5,653	5,653	5,837	6,050	6,084	6,867	7,077	7,286	7,645	8,014	8,619
Inventories	147	136	136	147	154	162	170	174	179	183	188	197
Other	1,069	416	416	506	531	557	585	600	615	630	646	679
Non-current assets classified as 'held for sale'	-	-	-	-	608	-	-	-	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>29,623</b>	<b>20,031</b>	<b>19,055</b>	<b>13,310</b>	<b>14,865</b>	<b>15,566</b>	<b>17,575</b>	<b>19,226</b>	<b>21,282</b>	<b>24,792</b>	<b>29,145</b>	<b>39,561</b>
<b>Non-Current Assets:</b>												
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant & equipment	288,869	267,752	278,531	285,653	286,329	287,008	287,689	288,374	289,062	289,752	290,446	291,843
Investments accounted for using the equity method	931	1,144	1,144	1,144	1,144	1,144	1,144	1,144	1,144	1,144	1,144	1,144
Investment property	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>289,800</b>	<b>268,896</b>	<b>279,675</b>	<b>286,797</b>	<b>287,473</b>	<b>288,152</b>	<b>288,833</b>	<b>289,518</b>	<b>290,206</b>	<b>290,896</b>	<b>291,590</b>	<b>292,987</b>
<b>TOTAL ASSETS</b>	<b>319,423</b>	<b>288,927</b>	<b>298,730</b>	<b>300,107</b>	<b>302,338</b>	<b>303,718</b>	<b>306,409</b>	<b>308,744</b>	<b>311,488</b>	<b>315,689</b>	<b>320,735</b>	<b>332,548</b>
<b>Liabilities</b>												
<b>Current Liabilities:</b>												
Payables	4,149	1,902	1,902	2,080	2,815	2,775	3,231	3,579	3,787	4,189	4,467	5,112
Income Received in Advance	-	-	-	-	-	-	-	-	-	-	-	-
Contract Liabilities	2,028	-	-	-	-	-	-	-	-	-	-	-
Borrowings	1,556	2,084	2,363	2,452	2,467	2,452	2,451	2,151	2,084	1,015	1,015	843
Provisions	4,550	3,829	3,829	4,004	3,989	3,814	3,894	3,798	3,751	3,743	3,671	3,604
<b>TOTAL CURRENT LIABILITIES</b>	<b>12,283</b>	<b>7,816</b>	<b>8,095</b>	<b>8,536</b>	<b>9,271</b>	<b>9,041</b>	<b>9,576</b>	<b>9,528</b>	<b>9,622</b>	<b>8,947</b>	<b>9,153</b>	<b>9,558</b>
<b>Non-Current Liabilities:</b>		<b>20,227</b>	<b>21,861</b>	<b>20,139</b>	<b>18,280</b>	<b>16,335</b>						
Payables	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	18,667	18,143	19,498	17,687	15,813	13,883	11,895	10,134	8,411	6,657	5,647	4,058
Provisions	9,775	12,262	12,262	12,906	14,428	15,364	16,691	17,758	18,998	20,122	21,324	23,658
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>28,442</b>	<b>30,404</b>	<b>31,760</b>	<b>30,593</b>	<b>30,240</b>	<b>29,247</b>	<b>28,585</b>	<b>27,892</b>	<b>27,409</b>	<b>26,779</b>	<b>26,971</b>	<b>27,716</b>
<b>TOTAL LIABILITIES</b>	<b>40,725</b>	<b>38,220</b>	<b>39,855</b>	<b>39,129</b>	<b>39,512</b>	<b>38,288</b>	<b>38,161</b>	<b>37,420</b>	<b>37,030</b>	<b>35,726</b>	<b>36,124</b>	<b>37,275</b>
<b>NET ASSETS</b>	<b>278,698</b>	<b>250,707</b>	<b>258,875</b>	<b>260,977</b>	<b>262,826</b>	<b>265,430</b>	<b>268,247</b>	<b>271,324</b>	<b>274,458</b>	<b>279,963</b>	<b>284,611</b>	<b>295,273</b>
<b>Equity</b>												
Retained earnings	113,710	113,000	121,168	123,270	125,119	127,723	130,540	133,617	136,751	142,256	146,904	157,566
Revaluation reserves	164,988	137,707	137,707	137,707	137,707	137,707	137,707	137,707	137,707	137,707	137,707	137,707
<b>Council equity interest</b>	<b>278,698</b>	<b>250,707</b>	<b>258,875</b>	<b>260,977</b>	<b>262,826</b>	<b>265,430</b>	<b>268,247</b>	<b>271,324</b>	<b>274,458</b>	<b>279,963</b>	<b>284,611</b>	<b>295,273</b>
<b>Non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EQUITY</b>	<b>278,698</b>	<b>250,707</b>	<b>258,875</b>	<b>260,977</b>	<b>262,826</b>	<b>265,430</b>	<b>268,247</b>	<b>271,324</b>	<b>274,458</b>	<b>279,963</b>	<b>284,611</b>	<b>295,273</b>
<b>Assumptions</b>												
General Index		2.50%	2.50%	7.80%	5.00%	5.00%	5.00%	2.50%	2.50%	2.50%	2.50%	2.50%
No impact from revaluation of assets												
No restricted cash												

## LONG TERM FINANCIAL PLAN - 2024-2033 - SCENARIO 3 - RATE PEG DECREASED AND HIGH INFLATION

### STATEMENT OF CASH FLOWS

\$ '000	2022	2023	2023	2024	2025	2026	2027	2028	2029	2030	2031	2033
	Actual	Original Budget	Revised Budget Q3	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Cash Flows from Operating Activities</b>												
<b>Receipts:</b>												
Rates & annual charges	19,917	19,222	19,222	20,322	20,830	21,350	21,884	22,431	22,992	23,567	24,156	25,379
User charges & fees	3,457	3,478	3,478	4,205	4,707	4,942	5,189	5,319	5,452	5,588	5,728	6,018
Investment & interest revenue received	106	465	465	694	464	539	314	401	452	517	628	929
Grants & contributions	14,065	15,155	27,215	10,093	10,491	10,806	11,022	11,243	11,468	11,697	11,931	12,413
Bonds, deposits & retention amounts received	11	-	-	-	-	-	-	-	-	-	-	-
Other	5,570	450	663	514	540	567	595	610	626	641	657	691
<b>Payments:</b>												
Employee benefits & costs	(13,852)	(14,126)	(14,410)	(15,020)	(15,508)	(16,012)	(16,533)	(16,946)	(17,370)	(17,804)	(18,249)	(19,079)
Materials & contracts	(14,705)	(9,835)	(12,170)	(10,058)	(10,550)	(10,649)	(10,958)	(11,007)	(11,057)	(11,107)	(11,157)	(11,257)
Borrowing costs	(642)	(678)	(678)	(745)	(593)	(529)	(467)	(409)	(366)	(320)	(278)	(285)
Bonds, deposits & retention amounts refunded	-	-	-	-	-	-	-	-	-	-	-	-
Other	(1,074)	(934)	(957)	(948)	(975)	(1,003)	(1,032)	(1,037)	(1,042)	(1,046)	(1,051)	(1,061)
<b>NET CASH PROVIDED (OR USED IN) OPERATING ACTIVITIES</b>	<b>12,853</b>	<b>13,197</b>	<b>22,828</b>	<b>9,057</b>	<b>9,406</b>	<b>10,011</b>	<b>10,014</b>	<b>10,604</b>	<b>11,155</b>	<b>11,734</b>	<b>12,365</b>	<b>13,748</b>
<b>Cash Flows from Investing Activities</b>												
<b>Receipts:</b>												
Sale of investment securities	5,126	-	-	5,000	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant & equipment	241	-	-	320	-	-	-	-	-	-	-	-
Deferred debtors receipts	6	-	-	-	-	-	-	-	-	-	-	-
Other investing activity receipts	-	-	-	-	-	-	-	-	-	-	-	-
<b>Payments:</b>												
Purchase of investment securities	(4,500)	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant & equipment	(16,818)	(21,625)	(32,404)	(14,142)	(7,432)	(7,465)	(7,498)	(7,531)	(7,564)	(7,597)	(7,631)	(7,698)
Deferred debtors & advances made	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET CASH PROVIDED (OR USED IN) INVESTING ACTIVITIES</b>	<b>(15,945)</b>	<b>(21,625)</b>	<b>(32,404)</b>	<b>(8,822)</b>	<b>(7,432)</b>	<b>(7,465)</b>	<b>(7,498)</b>	<b>(7,531)</b>	<b>(7,564)</b>	<b>(7,597)</b>	<b>(7,631)</b>	<b>(7,698)</b>
<b>Cash Flows from Financing Activities</b>												
<b>Receipts:</b>												
Proceeds from borrowings & advances	437	-	-	-	-	-	-	-	-	-	-	-
<b>Payments:</b>												
Repayment of borrowings & advances	(1,451)	(1,482)	(1,310)	(1,264)	(1,273)	(1,305)	(1,326)	(1,652)	(1,763)	(1,004)	(771)	(843)
<b>NET CASH PROVIDED (OR USED IN) FINANCING ACTIVITIES</b>	<b>(1,014)</b>	<b>(1,482)</b>	<b>(1,310)</b>	<b>(1,264)</b>	<b>(1,273)</b>	<b>(1,305)</b>	<b>(1,326)</b>	<b>(1,652)</b>	<b>(1,763)</b>	<b>(1,004)</b>	<b>(771)</b>	<b>(843)</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(4,106)</b>	<b>(9,909)</b>	<b>(10,885)</b>	<b>(1,029)</b>	<b>701</b>	<b>1,241</b>	<b>1,191</b>	<b>1,421</b>	<b>1,828</b>	<b>3,132</b>	<b>3,963</b>	<b>5,208</b>
<b>plus: CASH &amp; CASH EQUIVALENTS - beginning of year</b>	<b>19,271</b>	<b>15,165</b>	<b>15,165</b>	<b>4,280</b>	<b>3,250</b>	<b>3,951</b>	<b>5,192</b>	<b>6,383</b>	<b>7,804</b>	<b>9,632</b>	<b>12,764</b>	<b>21,288</b>
<b>CASH &amp; CASH EQUIVALENTS - end of year</b>	<b>15,165</b>	<b>5,256</b>	<b>4,280</b>	<b>3,250</b>	<b>3,951</b>	<b>5,192</b>	<b>6,383</b>	<b>7,804</b>	<b>9,632</b>	<b>12,764</b>	<b>16,727</b>	<b>26,496</b>
<b>Additional Information</b>												
<b>plus: Investments on hand - end of year</b>	<b>8,570</b>	<b>8,570</b>	<b>8,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>	<b>3,570</b>
<b>TOTAL CASH, CASH EQUIVALENTS &amp; INVESTMENTS - end of year</b>	<b>23,735</b>	<b>13,826</b>	<b>12,850</b>	<b>6,820</b>	<b>7,521</b>	<b>8,762</b>	<b>9,953</b>	<b>11,374</b>	<b>13,202</b>	<b>16,334</b>	<b>20,297</b>	<b>30,066</b>
<b>Assumptions</b>												
Rates & charges recovery rate	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
Debtor recovery rate	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%	97.00%
General Index	2.50%	2.50%	2.50%	7.80%	5.00%	5.00%	5.00%	2.50%	2.50%	2.50%	2.50%	2.50%
Investment Interest rate	1.50%	1.50%	1.50%	5.00%	6.00%	6.50%	3.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Overdue rates interest rate	107.50%	6.00%	6.00%	9.00%	9.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
No restricted cash												

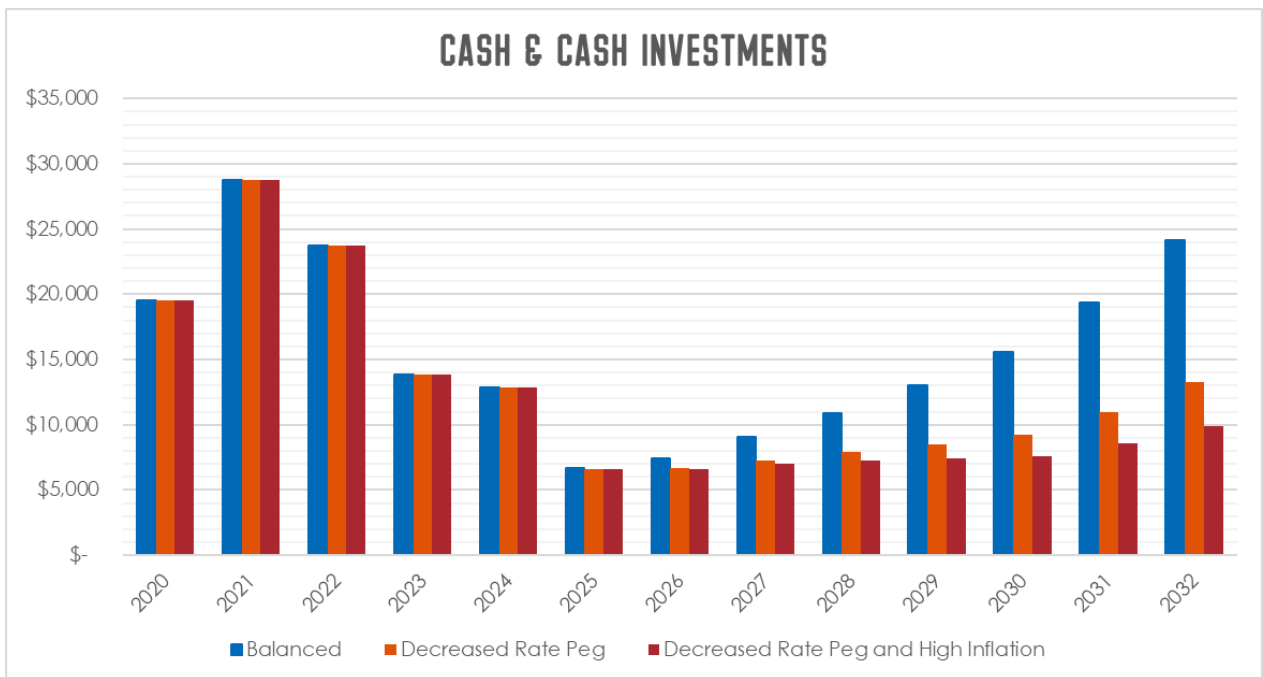
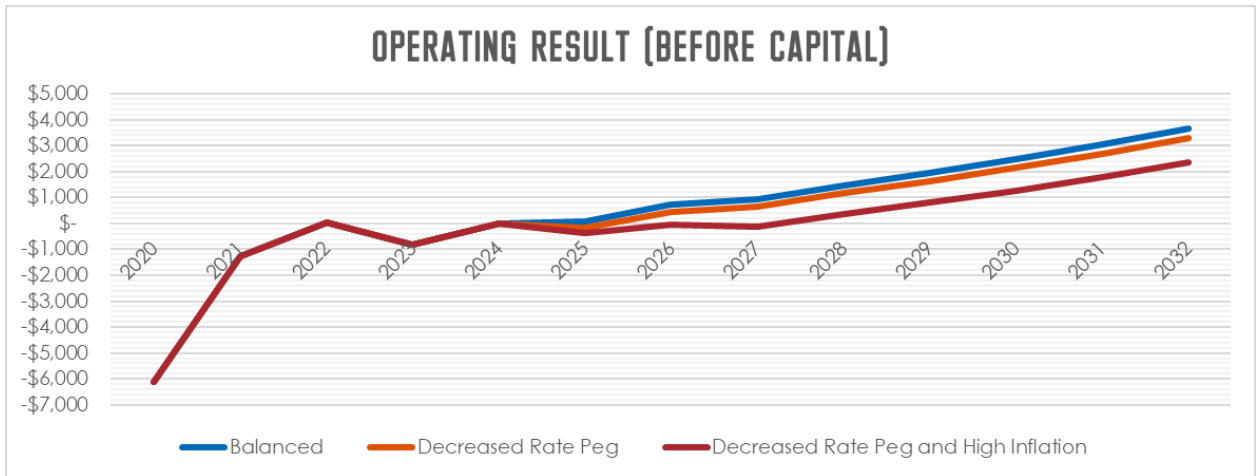
## LONG TERM FINANCIAL PLAN - 2024-2033 - SCENARIO 3 - RATE PEG DECREASED AND HIGH INFLATION

### FINANCIAL RATIOS

	2022	2023	2023	2024	2025	2026	2027	2028	2029	2030	2031	2033
	Actual	Original Budget	Revised Budget Q3	Proposed Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Operating Ratio</b>												
<i>This ratio measures Council's ability to contain operating expenditure within operating revenue</i>	0.14%	-2.52%	-6.19%	0.00%	-1.22%	-0.17%	-0.42%	0.93%	2.10%	3.28%	4.53%	7.09%
<small>Benchmark - Greater than 0% (operating revenue excl. capital grants and contributions - operating expenses) / operating revenue excluding capital grants and contributions</small>												
<b>Cash Expense Cover Ratio</b>												
<i>This ratio indicates the number of months Council can continue paying for its immediate expenses without additional cash inflow</i>	9.22	5.26	4.35	4.14	4.28	4.71	5.05	5.54	6.17	7.29	8.69	12.05
<small>Benchmark - Greater than 3.0 months (current year's cash and cash equivalents / (total expenses - depreciation - interest costs) * 12</small>												
<b>Current Ratio</b>												
<i>This ratio represents Council's ability to meet debt payments as they fall due. It should be noted that Council's externally restricted assets will not be available as operating funds and as such can significantly impact Council's ability to meet its liabilities.</i>	2.41	2.56	2.35	1.56	1.60	1.72	1.84	2.02	2.21	2.77	3.18	4.14
<small>Benchmark - Greater than 1.5 current assets / current liabilities</small>												
<b>Unrestricted Current Ratio</b>												
<i>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</i>	3.12	2.38	2.16	1.77	1.81	2.00	2.14	2.41	1.80	2.35	2.78	3.67
<small>Benchmark - Greater than 1.5 current assets less all external activities/ current liabilities, less specific purpose liabilities</small>												
<b>Own Source Operating Revenue</b>												
<i>This ratio measures the level of Council's fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. Council's financial flexibility improves the higher the level of its own source revenue</i>	64.65%	61.94%	47.77%	72.93%	72.36%	72.32%	72.35%	72.50%	72.63%	72.76%	72.91%	73.26%
<small>Benchmark - Greater than 60% rates, utilities and charges / total operating revenue (inclusive of capital grants and contributions)</small>												
<b>Debt Service Cover Ratio</b>												
<i>This ratio measures the availability of cash to service debt including interest, principal, and lease payments</i>	3.66	2.84	2.45	3.71	3.71	3.96	3.98	3.69	3.78	6.43	8.62	9.14
<small>Benchmark - Greater than 2.0 operating result before interest and depreciation (EBITDA) / principal repayments +borrowing interest costs</small>												
<b>Interest Cover Ratio</b>												
<i>This ratio indicates the extent to which Council can service its interest bearing debt and take on additional borrowings. It measures the burden of the current interest expense upon Council's operating cash</i>	10.30	9.05	7.19	9.99	11.68	13.72	15.27	18.57	22.00	26.65	32.53	36.18
<small>Benchmark - Greater than 4.0 operating result before interest and depreciation (EBITDA) / interest expense</small>												
<b>Capital Expenditure Ratio</b>												
<i>This ratio indicates the extent to which Council is forecasting to expand its asset base with capital expenditure spent on both new assets and replacement and renewal of existing assets</i>	2.28	3.46	5.18	2.11	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
<small>Benchmark - Greater than 1.1 annual capital expenditure / annual depreciation</small>												

## OPERATING RESULT AND CASH RESERVES

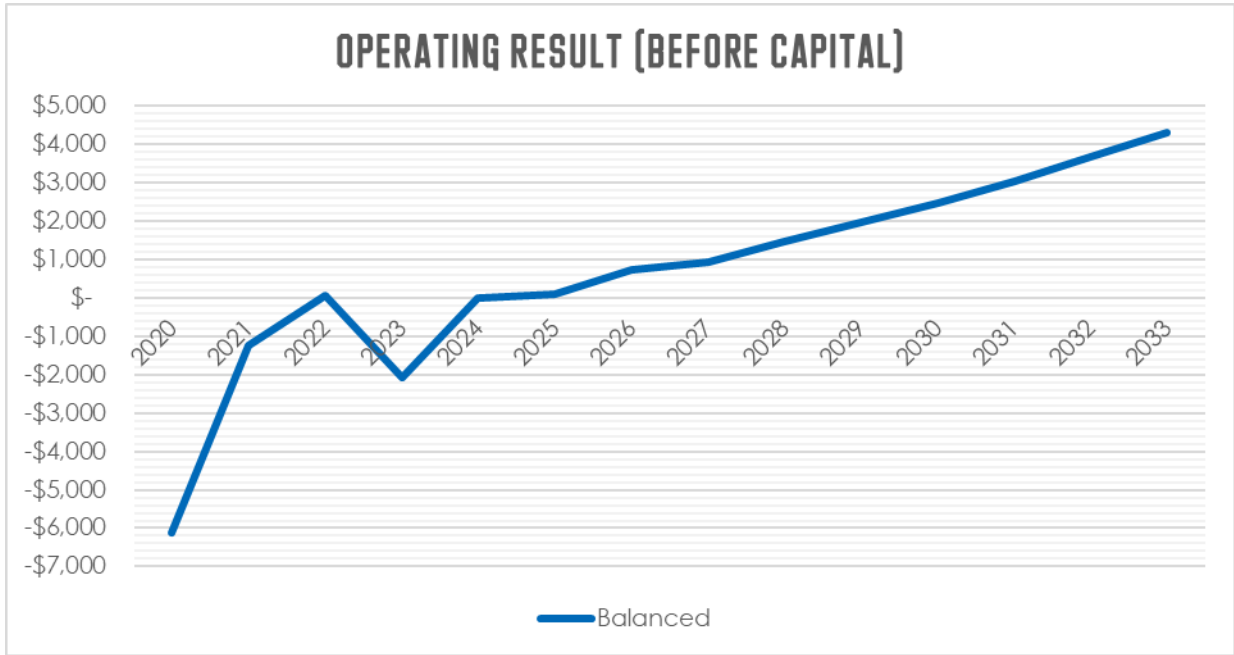
The below graph illustrates the three scenarios and how they each effect Council's operating surplus, as well as cash reserves for capital investment and renewal.



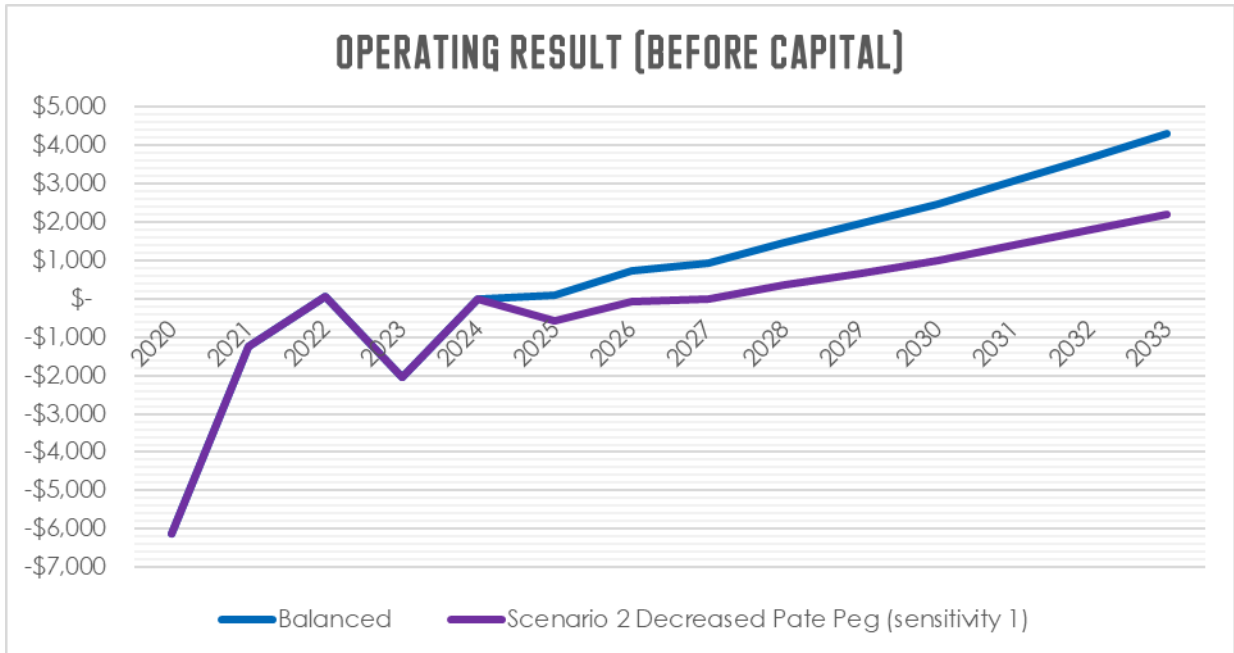


### SENSITIVITY ANALYSIS

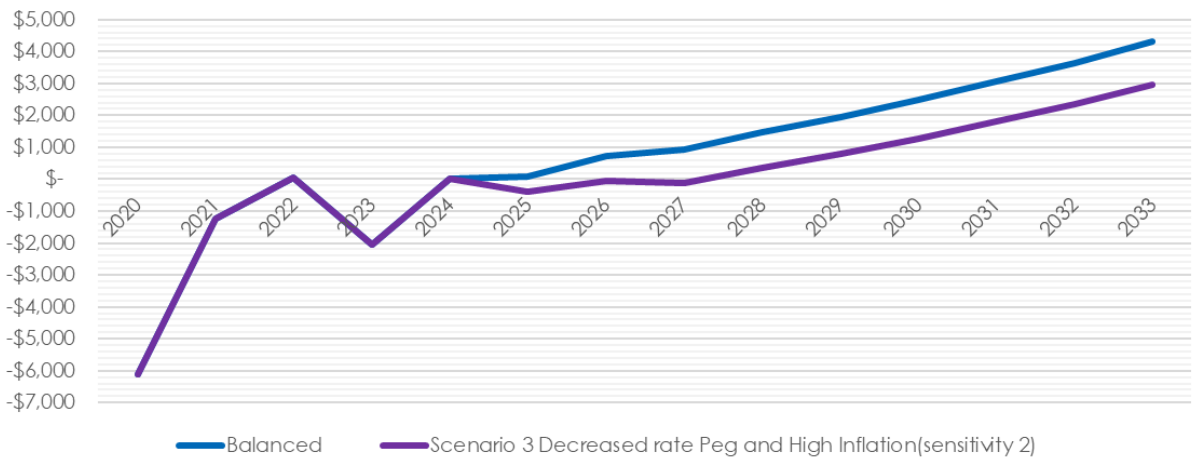
The LTFP Balanced Scenario (proposed) is demonstrated below.



The below section illustrates the financial effect on Council's result if assumptions were to change as detailed in scenarios 2 and 3.



### OPERATING RESULT (BEFORE CAPITAL)



# MEASURING PERFORMANCE

Council will continue to report on and monitor its financial performance based on standard financial indicators.

These indicators include:

- **Operating Ratio**

This measures the capacity of Council to contain its operating expenditure within its operating revenue, allowing for asset renewals funded through depreciation. The minimum benchmark for this ratio, as advised by TCorp and the Local Government Accounting Code for NSW, is greater than 0%. The current operating ratio, based on the proposed 2023/2024 budget, is 0.00. It is forecast that this ratio will be above the benchmark in 2025, when an operating surplus is achieved.

- **Cash Expense Ratio**

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses, without additional cashflow. The minimum benchmark for this ratio, as advised by TCorp and the Local Government Accounting Code for NSW, is greater than 3 months. The current cash expense ratio, based on the proposed 2023/2024 budget, is 4.13 months.

- **Current Ratio**

This ratio represents Council's ability to meet debt repayments as they fall due. It should be noted that Council's externally restricted assets will not be available as operating funds and as such, can significantly impact Council's ability to meet its liabilities. The minimum benchmark for this ratio, as advised by TCorp and the Local Government Accounting Code for NSW, is greater than 1.5. The current ratio, based on the proposed 2023/2024 budget, is 1.56.

- **Unrestricted Current Ratio**

This ratio measures the adequacy of working capital and its ability to satisfy the obligations in the short term, for the unrestricted activities of Council.

The minimum benchmark for this ratio, as advised TCorp and the Local Government Accounting Code for NSW, is greater than 1.5. The unrestricted current ratio, based on the proposed 2023/2024 budget, is 1.77.

- **Own Source Operating Revenue Ratio**

This ratio measures fiscal flexibility. It is the degree of reliance that Council places on external funding sources, such as operating grants and contributions, to fund its day-to-day operations. The minimum benchmark for this ratio, as advised by TCorp and the Local Government Accounting Code for NSW, is greater than 60%. The own source operating revenue ratio based on the proposed 2023/2024 budget is 72.93%.

- **Debt Service Cover Ratio**

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The minimum benchmark for this ratio, as advised by TCorp and the Local Government Accounting Code for NSW, is greater than 2. The debt service cover ratio, based on the proposed 2023/2024 budget, is 3.71.

- **Interest Cover Ratio**

This ratio indicates the extent to which Council can service its interest-bearing debt and take on additional borrowing. It measures the burden of the current interest expense, upon Council's operating cash. The minimum benchmark for this ratio, as advised by TCorp and the Local Government Accounting Code for NSW, is greater than 4. The interest cover ratio, based on the proposed 2023/2024 budget, is 9.99.

- **Building and Infrastructure Backlog Ratio**

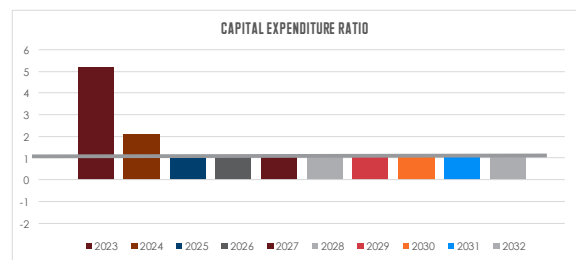
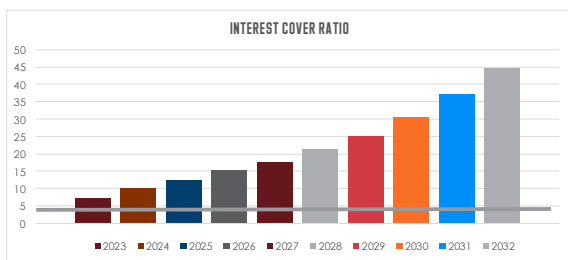
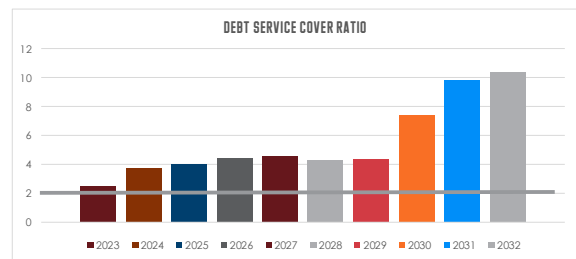
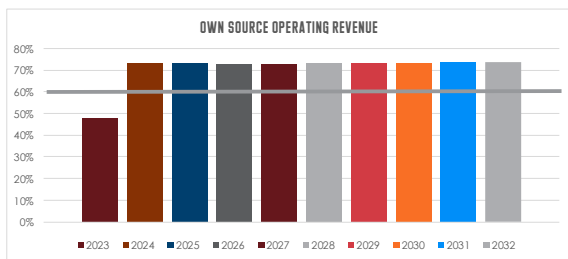
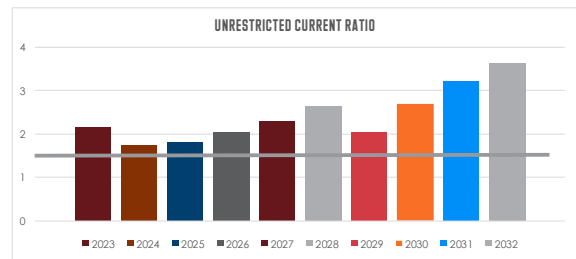
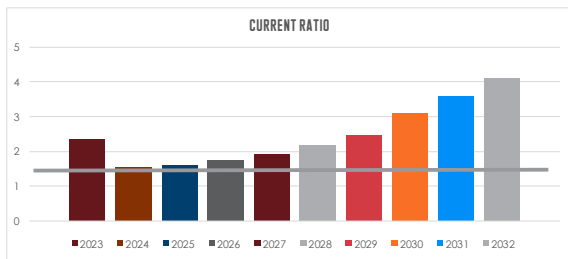
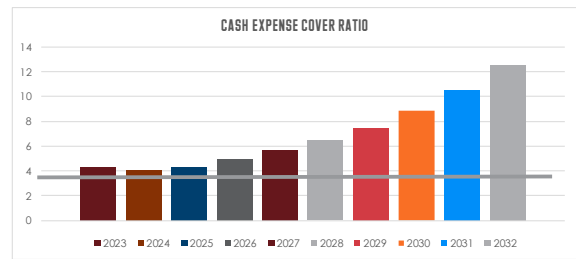
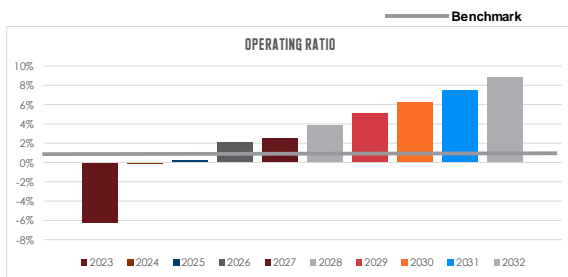
This ratio shows what proportion the backlog is against the total value of Council's infrastructure. Council is in the process of revaluations for all building and infrastructure assets, as well as an in-depth review of all assets, to calculate the current backlog.

• **Capital Expenditure Ratio**

This ratio assesses the extent to which a Council is expanding its asset base through capital expenditure, on both new assets and the replacement and renewal of existing assets. The minimum benchmark for this ratio, as advised by TCorp and the Local Government Accounting Code for NSW, is greater than 1.10.

The capital expenditure ratio, based on the proposed budget for 2023/2024, is - 2.11.

We will also ensure compliance with the accounting and reporting requirements of the Local Government Code of Accounting Practice, including annual auditing of accounts and provision of information to the community and the Division of Local Government.



## **QUARTERLY REPORTING**

Performance in regard to Operational Plan budgets will be monitored and reported to Council each quarter. Reports will include budget variations and reviews.

## **ANNUAL REPORTING**

Council will prepare annual reports to the community, in accordance with the requirements of the *Local Government Act 1993* and the Integrated Planning and Reporting Guidelines. The report will include a summary of financial performance and achievements against delivering the outcomes of the Operational Plan and Delivery Program.

## **REVIEW OF THE LONG TERM FINANCIAL PLAN**

The LTFP will be reviewed annually, in conjunction with the review of the Operational Plan 2023/2024 and Delivery Program 2023/2024 and financial projections will be revised and updated.



## CONCLUSION

The Balanced Scenario is ambitious but achievable, affordable and significantly improves the financial position of Council allowing Council to continue to meet the expectations of the community, maintain service levels and stimulates the local economy to assist in the economic recovery of businesses and retain and grow local employment.

Council is committed to long-term financial sustainability and intergenerational equity, where each generation 'pays their way,' rather than any generation 'living off their assets' and leaving it to future generations to address the issue of replacing worn out infrastructure, without the necessary funds to do so. Council is currently relatively low on un-restricted reserves and has been operating with continuous deficits until 2023.

However, the organisation itself is sustainable and financially viable and with the use of internal restrictions and low-cost borrowings, as well as prudent and responsible budgeting, planning and financial management, the Council will be able to rebuild its reserves, continue to deliver quality services to the community and replace and renew assets now and into the future, ensuring the same level of service for each generation.



It is proposed that further community engagement be carried out, to discuss service level expectations and affordability, to maintain or provide additional services. These reviews began in 2016/2017 and will continue through the current term of Council. It is expected significant efficiencies will be found through this process, as well as ensuring service delivery meets community expectations, within the financial constraints in which Council operates.

Council must develop strategies during 2023/24, to ensure the forecast efficiency gains and productivity improvements are realised and this will be monitored annually.

Council remains committed to ensuring internal efficiencies are realised, before considering increasing the financial burden on the community, through special rate variations.



CITY COUNCIL

[www.brokenhill.nsw.gov.au](http://www.brokenhill.nsw.gov.au)