



RESOURCING STRATEGY

Long Term Financial Plan | Workforce Plan
| Asset Management Strategy



ACKNOWLEDGEMENT OF COUNTRY

Lachlan Shire Council acknowledges the Wiradjuri people as the Traditional custodians of this land.

We recognise their strength and resilience and pay respect to Elders past, present, and emerging and to all Aboriginal and Torres Strait Islander people who are part of the Lachlan Shire community.

TABLE OF CONTENTS

Acknowledgement of Country	Page 2
Introduction	Page 4
Long Term Financial Plan	Page 5
Workforce Plan	Page 21
Asset Management Strategy	Page 22



INTRODUCTION

About the Resourcing Strategy.

All NSW councils use the Integrated Planning & Reporting Framework (IP&R) to guide their planning and reporting activities. The requirements for IP&R are set out in the Local Government Act 1993 and the Local Government (General) Regulation 2021. Council must post a copy of the Resourcing Strategy on its website.

Council must have a long-term Resourcing Strategy for the provision of the resources required to perform its functions. Some strategies in the Community Strategic Plan will clearly be the responsibility of the council, some will be the responsibility of other levels of government and some will rely on input from business and community groups.

The Resourcing Strategy consists of 3 components:

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

This Resourcing Strategy has been prepared in accordance with the requirements of the Integrated Planning and Reporting Framework. The Framework requires councils to ensure their plans are integrated and subsequently provide streamlined service delivery to their community through the optimal use of resources and economies of scale throughout their operations.



LONG TERM FINANCIAL PLAN 2024-2033



Council, on behalf of our community, manages an overall budget in excess of \$55 million. The community entrusts Council with the custodianship of these finances to deliver services. The Long Term Financial Plan (LTFP) is a 10-year document.

The overall objective of the (LTFP) is to express in financial terms the activities Council proposes to undertake over the short, medium, and long term to ensure our community continues to be provided with services, facilities, and infrastructure that are financed in a sustainable manner. The LTFP demonstrates Council's capacity to deliver the objectives in the Community Strategic Plan, the Four-Year Delivery Program, and the annual Operational Plan.

LONG TERM FINANCIAL PLAN

2023/24 - 2032/33



Reviewed May 2023

The Lachlan Shire Council Long Term Financial Plan (LTFP) is prepared in accordance with the requirements of the NSW Integrated Planning and Reporting Framework.

The LTFP does not provide specific detail about various individual works or services. The role of the LTFP is to ensure the financial resources required to deliver on the community's aspirations and vision as outlined in the 2023 - 2032 Community Strategic Plan (CSP) are available. The LTFP aims to provide a sound basis for strategic decision making to ensure Council achieves financial sustainability.

The CSP is the guiding document for Council's Four-year Delivery Program and annual Operational Plan.

The LTFP is a decision-making tool that allows various assumptions and sensitivity analysis to be tested. The results will demonstrate the ability of Council to deliver cost-effective services to the community, within a framework of financial sustainability. It is within this 10-year plan that the long-term aspirations and goals of our community are tested against financial reality. Community aspirations can only be achieved if sufficient and sustainable resources are available.

The modeling that occurs as part of this Plan will help Council identify potential financial issues at an early stage and gauge their long term effect.

Over the next 10 years, Council will face many challenges that will require strong leadership if the shire is to:

- remain financially sustainable
- meet the needs of the community; and
- ensure appropriate maintenance and replacement of our ageing infrastructure.

Community expectations to constantly improve or provide additional services, together with unplanned financial shocks, such as the ongoing downwards cost-shifting from State and Commonwealth Governments to local government coupled with the unpredictability of IPART rates peg increases, and our ageing infrastructure, add to the challenge to remain sustainable.

The LTFP reflects Council's intentions at the time of publication, and the actual results may vary from that forecast.

The Community Strategic Plan 2023-2032 is segmented into seven key themes with a budget allocated to each.

1. Community Services
2. Tourism and Economic Development
3. Transport
4. Governance and Financial Control
5. People and Environment
6. Recreation
7. Service Infrastructure

INTRODUCTION

The requirements for long-term financial planning as set out in the Integrated Planning and Reporting framework are listed below:

- Each council must prepare and adopt a Long-Term Financial Plan (LTFP) covering at least 10 years.
- The Long-Term Financial Plan and other elements of the Resourcing Strategy must be used to inform the Community Strategic Plan and the subsequent development of the Four Year Delivery Program.
- In developing the Long-Term Financial Plan, due regard must be given to promoting the financial sustainability of the council through:
 - the progressive elimination of operating deficits
 - the establishment of a clear revenue path for all rates linked to specific expenditure proposals
 - ensuring that any proposed increase in services and/or assets is within the financial means of the council including a proposed special rate variation
 - ensuring the adequate funding of infrastructure maintenance and renewal
 - the use of borrowing, where appropriate and financially responsible, and
 - the fair and equitable distribution of the rate burden across all ratepayers.

The Long-Term Financial Plan will be publicly exhibited for 28 days and submissions received by the council in that period will be considered before the final LTFP is adopted by council. The document will be updated annually as part of the development of the Operational Plan to reflect changes in economic assumptions, better information and revised forecasts. The LTFP will also be reviewed in detail as part of the four-yearly review of the Community Strategic Plan and Delivery Program.

OUR CHALLENGES

Lachlan Shire is not immune to the challenges faced by rural and remote councils.

Limited Income Streams

Revenue from rates and charges makes up approximately 32% (Budget 2023/24) of Council's total income. This means Council relies heavily on grants and contributions (50% Budget 2023/24) as many rural and remote Councils do.

Council is constantly reviewing the provision of services and attempting to do more with less. Council seeks additional revenue through private works but there is a limited opportunity in the shire.

Rate Pegging

Council is restricted by the amount it can levy in ordinary rates by the Local Government Act NSW 1993. The rate increase is determined annually under delegated authority by IPART. The Rates Peg for 2023/24 is 3.70%. The variability of the rate peg is demonstrated by the fact that over the four years (2019/20 to 2022/23), the rates peg declined from 2.7% to 0.7%. Estimates for future rating revenue have been set at 3%.

Grant Funding

Increases in capital grant funding over forecasts reduces Council's ability to deliver on planned Council funded capital works. However, additional funding can also accelerate planned projects.

Cost Shifting

Cost shifting describes the situation where the responsibility for, or the cost of, providing a certain service, concession, facility or regulatory function is shifted from a higher level of government to Council without the provision of corresponding funding or an ability to raise revenue to adequately fund the shifted responsibility.

Examples of cost shifting include a lack of adequate funding for public libraries, the cost of regulation of companion animals and administration of the environmental. Cost shifting, predominantly from the NSW State Government to NSW Councils, is a significant issue. In 2023, Local Government NSW estimated cost shifting had reached \$1 billion a year. This reduces the availability of Council funding to provide and maintain essential infrastructure and services, impacts Council's financial performance, and places additional pressure on its financial sustainability.

There is often little warning that this is to occur, and as the rates peg currently utilises a cost survey which is not up to date, any increase does not factor in the effect of cost-shifting. A pertinent example is the announcement that recently elected NSW State Government will not subsidise the increase in the Emergency Services Levy (ESL) for the 2023/24 year. The decision was released late in the budgeting cycle, and well after the IPART rate peg determination for 2023/24. This subsidy has been in place since 2019.

Council has a small rates base and a relatively large number of Rural Fire Service brigades. The loss of subsidy is estimated to be \$150,000 based on the 2022/23 subsidy. The loss equates to 72% of the rates peg increase. Council will have less than \$74,000 remaining to fund inflationary cost increases.

Population living across a Large Geographic Area

Council has a small population living over a geographically large area (14,964km²). Council has over 3,900km of roads in addition to community facilities and assets to operate and maintain across 3 townships and a number of smaller villages. This significantly increases Council's cost base.

Declining population in rural areas is a real threat to country New South Wales although the COVID-19 pandemic has in some areas reversed this trend. According to information shown on the NSW State Government website "Your Council", Lachlan Shire has experienced a 10% decline in population in the five years to 2020. Council has undertaken a proactive approach to generating new areas of economic development such as tourism.

Long Term Financial Plan

This document presents to the community Council's Long Term Financial Plan (LTFP) for the 10 Year period from 2023/24 to 2032/33.

Council's key objective is financial sustainability in both the short and long term, whilst demonstrating Council's capacity to deliver the objectives in the Community Strategic Plan, the Four Year Delivery Program and the annual Operational Plan.

The LTFP

- provides long-term financial projections and highlights issues which may impact on our future financial sustainability;
- helps assess the long-term financial sustainability of current and expected increases to service levels;
- allows various scenarios to be tested with regard to different levels of service delivery;
- identifies future funding gaps in advance so action can be taken now to address shortfalls; and
- allows sensitivity testing with regard to the various assumptions contained within the LTFP.

The LTFP strives to achieve the following objectives over the ten-year time frame:

- at least to maintain and where feasible, to improve the levels of service provided to the community;
- strive to provide adequate funding to support Council's asset management plans;
- improve its cash position;
- maintain a surplus annual budget (before and after capital grants & contributions);
- maintain an adequate Employee Leave Entitlements Reserve based on the age and entitlements of all staff in accordance with Council's Workforce Plan; and
- ensure that all Reserves are cash-backed.

Whilst Council is committed to the delivery of community's priorities outlined in the Community Strategic Plan, it acknowledges that it cannot deliver on all within its limited resources. The Council will partner with, or advocate for, support from other levels of government, state agencies, community groups and businesses. The development of the LTFP alongside the Community Strategic Plan will assist Council to assess the financial impact of the strategic directions.

Council is projecting that it will operate with a surplus budget (before capital grants and contributions), however, it will continue improving efficiencies, seeking future revenue opportunities and containing costs. The impact of these strategies will be incorporated into future LTFPs.

Scenario Assumptions

The following assumptions have been used to forecast growth in both income and expenditure over the next ten years. The longer the timeframe the greater the uncertainty so forecasts and financial projections over the ten years may vary in the future, particularly in the outer years.

OUR CHALLENGES

Service Levels

The following general assumptions in relation to service levels have underpinned the development of the Long Term Financial Plan:

- The Council aims to provide at least the current range of services throughout the LTFP;
- Levels of service however may not remain the same given the Council's continuing financial challenges;
- Council will provide new levels of service in some areas such as Tourism with the opening of the Visitor Information Centre in Condobolin;
- The quantity and location of assets may not remain the same given the Council's continuing financial challenges; and
- The current philosophy of condition-based maintenance will continue.

Workforce Levels

Workforce numbers are assumed to remain largely stable throughout the LTFP. However, the composition of the organisational structure will need to reflect the changing needs of the organisation, the Community Strategic Plan and the Council's financial position.

The adopted Workforce Plan 2022-2026 identified that Council's workforce is ageing, with 42% of our staff being over 50 years of age. Over the next 3-4 years Council will lose a number of long-term employees.

Council has set aside a pool of restricted monies to enable funding of employee leave entitlements, particularly resulting from the retirement or resignation of long term employees.

Population Growth

The population is projected in this LTFP to remain static.

Economic Growth

The LTFP assumes minimal increased economic activity. Mining exploration continues in the Shire but an increase in mining revenue has not been factored into the LTFP at this time.

Council is actively working to facilitate increased economic growth through its Tourism and Economic Development strategies and as they come to fruition, future revisions to the LTFP will be made to appropriately reflect them.

Ageing of Council's Infrastructure Assets

The identified shortfall in infrastructure renewal expenditure and a substantial backlog in infrastructure spending is a major issue facing many Councils, including Lachlan Shire. This is primarily due to limited funding opportunities available, in addition to diverse and increasing demands on Council resources.

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

PLANNING ASSUMPTIONS STATEMENTS & FORECASTS

OPERATING INCOME

Ordinary Rates

The IPART rate peg or the percentage specified in an IPART-approved special rates variation is the maximum amount by which a council can increase its ordinary rates income for a particular year.

In comparison to our neighbours, the shire's average residential rate is very low so any rates peg increase applied generates a relatively small amount of income. IPART approved Council's rates peg for 2023/24 of 3.7% which was applied to annual ordinary rates income. For the 2023/24 year, a catch-up amount of approximately \$983,000 was taken up by Council. This is permitted under legislation.

The current rate peg methodology means our income growth does not match the increase in the cost of providing services. In the 2022 calendar year, the NSW Government tasked IPART with undertaking a broader review of its rate peg methodology, including the Local Government Cost Index. It is unknown at this time how this will affect Council's LTFP so this presents a considerable financial risk.

The forecasted annual ordinary rate increases are prefaced on a rate peg increase of 3% throughout the LTFP.

If Rates peg increases and cost shifting continue at the same levels, Council may need to apply for a permanent Special Rates Variation in future years. This has not been factored into the LTFP at this time.

Water Charges

Water charges enable Council to operate and maintain the water supply service.

Council has water treatment plants in Condobolin, Lake Cargelligo, and Tottenham as well as a number of pipelines serving other communities. This significantly increases the cost of the water business.

Charges generally consist of two components:

- a fixed annual access charge based on meter size; and
- a consumption charge based on actual water consumed.

Modelling has focused on consumption and future capital requirements to determine increases to be applied to future charges.

The annual water availability charge has been increased, in line with June 2022 inflation by 6% for the 2023/24 year. Yearly rises of 3% have been incorporated for the 2024/25 year and remaining years. This is to raise funds for the replacement of the Condobolin Water Treatment Plant and to improve the sustainability of the water business.

Water consumption charges have been increased by 6% for the 2023/24 year and are projected to increase by 3% for the remaining years.

Due to Council's geographic location, it suffers from a cycle of drought years followed by rainfall events. This presents a risk to Council's forecasts for water consumption income. It will be prudent for Council to consider substantially increasing the water availability charge whilst reducing the water consumption charge to provide greater certainty of water revenue.

PLANNING ASSUMPTIONS STATEMENTS & FORECASTS

Sewer Charges

Sewer charges enable Council to operate and maintain the sewerage services.

Council has sewer treatment plants in Condobolin, Lake Cargelligo, and Tottenham which significantly increases the cost of the sewer business. The annual water availability charge has been increased by 6% for the 2023/24 year.

Yearly rises of 3% have been incorporated for the remaining years. This is to raise funds for the replacement of the Condobolin Sewer Treatment Plant, and to improve the sustainability of the sewer business. It is possible, in the future, that Council may introduce a 2-part sewer tariff along with Trade waste charging. The financial impact of this is expected to be positive but is impossible to quantify without detailed modelling. It is likely to meet with resistance from the business community.

Domestic Waste Management Charge

All ratepayers who have access to domestic waste collection services incur a domestic waste management charge. This charge covers waste and recycling, kerbside collections, educational programs, illegal dumping management, waste collection facilities management, and remediation of landfill sites.

Council's Domestic Waste Management Charge increased by 6% for the 2023/24 year. The remainder of the years in the LTFP have a 3% rise factored in.

The Local Government Act 1993 section 504 requires the Domestic Waste Management Charges to reflect the reasonable cost of providing the service.

Waste Management Charges

Waste management charges have been increased by 6% per annum in 2023/24 followed by 3% for the remaining period of the LTFP.

Stormwater Levy

Council charges an annual levy to improve its stormwater network. This is a statutory charge and the price is set by the NSW Government, thus no provision has been made for an increase in this charge.

User Charges & Fees

It is assumed these services will continue to be provided on the same pricing and cost recovery basis. Council has no discretion to determine the amount of the fee for a service when the amount is fixed by regulation or by another authority. Examples of statutory fees include development assessment fees and companion animal fees. Increases, in line with the June 2022 inflation rate of 6% for the 2022/23 year falling to 2% per annum across the remainder of the LTFP.

Financial Assistance Grants

This is a Commonwealth Government grant and Council has no control over any increase or the timing of the payment. An annual increase in the grant of 2.7% for the 2023/24 year with increases of 2% across the remainder of the LTFP have been factored in. The timing of the payment may impact operating results from one year to the next if the government was to cease making advance payments. Historically advance payments have been made of 50-75% of the expected grant. This would not be expected to present a cash flow risk to the council.

Grants

Historically Council has been, and remains heavily dependent on grants income.

In the roads, area Council relies upon grants from Transport for NSW for Regional Road maintenance and capital works, for management of State Roads and for flood damage and repair programs.

PLANNING ASSUMPTIONS STATEMENTS & FORECASTS

The Commonwealth Government provides Council with Road to Recovery (R2R) grants and the Financial Assistance Grant, which has a roads component. Unlike the conditions associated with the Road to Recovery grant, the roads component of the Financial Assistance Grant does not have to be expended on roads. The Roads to Recovery grant conditions state, Council must spend on the construction and/or maintenance of roads an amount of own-source funds equal to or greater than the reference amount applicable to the particular Council. This has been built into the budget.

Operating Grants

Operating grants comprise 42% of Council's total income and make up 46% of Council's operating income before capital income. Where the amount of the grant funding across years is secured by a Funding Agreement, this amount has been utilised in the LTFP. Most other grants have had an increase of 2.75% applied. There are some grants where historically the amount does not rise so no increase has been applied.

Capital Grants

Council has taken a conservative approach to including capital grants. Where the amount of the grant funding is set by a funding agreement, this amount has been utilised in the LTFP.

Where the grant is regular and ongoing, such as the Repair and Black Spot grants, an estimated amount has been included in the LTFP. A small number of grants have been included but noted as subject to grant funding. The planned capital works will not proceed without grant funding, so the overall impact on the budget will be nil.

Capital Works funded by grants are sensitive to uncontrollable constraints such as Global

supply chain delays due to pandemic, wetter than normal seasons and rising costs.

Delays in progressing or finalising works exposes Council to risks around loss of grant funding due to not meeting agreement deadlines. Council has been proactive in notifying the grant bodies and seeking extensions to timeframes to mitigate this risk. The LTFP assumes all grant funds will be realised in full.

Section 7.12 Infrastructure Contributions

Formerly known as Section 94A fees. The Environmental Planning and Assessment Act 1979 provides for a contribution from developers towards the new facilities and services required for the increased population. The Section 7.12 Contributions Plan adopted by Council determines contribution rates and works programs.

Property Development

Provision is made in the Long Term Financial Plan for some property development. Council has been successful in obtaining a Local Roads and Community Infrastructure Phase 3 grant of over \$1.8m to fund infrastructure works for a subdivision in Scott Street and Officers Parade Condobolin.

The budget provides for \$150,000 per annum in sale proceeds for the 2023/24 to 2027/28 years for developments in Condobolin and Lake Cargelligo.

PLANNING ASSUMPTIONS STATEMENTS & FORECASTS

Interest Revenue

Investments will be made in accordance with the Ministerial Investment Order, Office of Local Government Guidelines and Council's adopted Investment Policy.

The Reserve Bank of Australia has lifted the cash rate to 4.10% in June 2023 in response to rising inflation. Over the past 12 months to May 2023, Council's Term Deposit portfolio returned +3.79% p.a., outperforming the AusBond Bank Bill Index by +3.53% p.a.

Aggressive interest rate rises have been reducing Council's performance against the AusBond Bank Bill Index.

Interest on investments is conservatively based, at a rate of 4% for the 2023/24 & 2024/25 years and 2% per annum thereafter.

OPERATING EXPENDITURE

Employee Costs

Employee expenses are one of Council's biggest expense category, accounting for over 30% of operating costs. Therefore, any increase will have a significant affect. This is reflective of the service-based nature of a significant proportion of Council activities as well as the construction and maintenance of the considerable infrastructure owned by Council. As it makes up such a large proportion of the operating expenditure budget and movements in rates of pay are determined through industry-wide Award negotiations, Enterprise Agreements, and market forces, the Council is sensitive to unplanned changes in employee costs.

The Council's ability to provide the necessary workforce to achieve the community's aspirations for the future is affected by internal and external factors.

The Workforce Plan 2022-2026 and the LTFP have identified the following threats and challenges:

- Skill shortages in the industry;
- Losing staff to other industries paying higher salaries e.g. mining;
- Loss of skilled workers/corporate knowledge due to an Ageing workforce;
- Technological and climate change resulting in new skills and qualifications needed;
- The attraction and retention capacity of Council;
- Delivering services to meet the communities expectations within budget constraints; and
- Award salary increases and Enterprise Agreement negotiations which result in costs being in excess of the rates peg or LTFP forecasts.

PLANNING ASSUMPTIONS STATEMENTS & FORECASTS

All of these factors could make it difficult to fund the rising cost of employment and so must be managed.

Employee costs including salaries, wages and employee leave entitlements have been estimated to increase by 4.5% for 2023/24; 3.5% for 2024/25 and 3% for 2025/26. The new Local Government State Award is yet to be finalised. Staffing costs for the soon-to-be-opened Visitor Information Centre have been factored into the LTFP.

Estimated increases resulting from additional steps being incorporated into the salary system are provided for the LTFP for the 2023/24 year. The achievement of a strict set of criteria will be necessary, therefore it is difficult to accurately model the financial effect on the LTFP. The current Employee Enterprise Agreement expired on 16 April 2023 therefore any productivity improvements that maybe realised in the future have not been incorporated into the LTFP.

Superannuation has been factored by a varying percentage as the Council meets the requirements of the Commonwealth Government increases in superannuation which are to be phased in over the life of the LTFP. The superannuation percentage for 2023/24 is 11% and rises by 0.5% every financial year until 2025/26. The 2025/26 rate of 12% remains for the duration of the LTFP.

An estimated increase of 8% has been provided for Worker Cover in the 2023/24, 2024/25 and 2025/26 years. This is based on iCare's requested increase to State Cover. It is not known as this time how much of this increase will be passed onto Councils. Council has been actively managing down its Work Cover costs and premiums have decreased in prior years.

Fringe Benefits Tax (FBT) expense is estimated to increase by 6% for 2023/24 and 2.% annually. Staff contribution rates for private use of vehicles are increased in line with the current Motor Vehicle Leaseback Protocol and will assist in constraining FBT costs.

Councillor Fees & Superannuation

The Local Government Remuneration Tribunal has determined an increase of 3.0% for Councillor and Mayoral annual fees, effective from 1 July 2023.

Legislation changed allowing the payment of superannuation for Councillors from 1 July 2022, at the same rate as superannuation paid on behalf of employees. Council passed a resolution in April 2022 to permit this.

Audit, Risk and Improvement Committee (ARIC) Expenses

A 3% rise, in keeping with the Councillor fee increase from 1 July 2023, has been factored in for ARIC member fees. From 1 July 2023, Council will also pay superannuation to independent ARIC members, at the same rate as superannuation paid to employees.

Council currently has 3 independent members who are paid meeting fees.

PLANNING ASSUMPTIONS STATEMENTS & FORECASTS

Risk Management Legislation

Councils are expected to have until 30 June 2024 to ensure their risk management framework complies with draft Office of Local Government guidelines. It is likely this will result in a significant increase in compliance costs. As these expenses are too uncertain at this time, no additional costs have been factored in. Council employed a Governance & Risk Officer in 2021 and recommenced Internal Audit activities to facilitate a smooth transition to the new legislation requirements. These expenses have been included in the LTFP.

Interest on Loans

Interest rates on loans rose sharply in the first 3 months of the 2022 calendar year. In order to reduce interest rate and cash flow risk, Council entered into fixed interest rate agreement for its Works depot loan for the 2023/24 year and throughout the LTFP.

Insurance Costs

Property Insurance premiums have been increased by 6% for 2023/24 and 2% per annum across the remainder of the LTFP. This is a conservative estimate and given the fact that Council must have all valuations periodically reviewed this estimate may need to be adjusted.

Electricity and Street Lighting Costs

An Energy Sustainability Plan (the Energy Plan) was adopted by Council in September 2020 to assist the shire become more sustainable through energy efficiency and the use of renewable energy. The Energy Plan seeks to create a Revolving Energy Fund (the Fund) to reinvest realised savings into sustainability projects. The Fund will be an important reserve to replace renewable energy infrastructure as it approaches its end of life and for expansion to other projects to generate further future savings. Electricity costs have been indexed by 2% per annum across the remaining 9 years of LTFP as there is a risk that savings from the energy plan will be needed to improve Council's financial position or fund other works.

With the electricity market experiencing extreme volatility, Council entered into a NSW Government contract for small market electricity sites from 1 January 2023, for a period of 2.5 years. This provided lower pricing than the previous contract.

Council collaborated as part of the Central West NSW Joint Organisation to procure predominantly renewable energy for council's large sites and streetlighting, for 8 years commencing 1 January 2023. In addition, there will be other whole of life costs such as maintenance & depreciation on the Solar PV Systems.

PLANNING ASSUMPTIONS STATEMENTS & FORECASTS

Materials and Contracts not discussed elsewhere

Where supported by written agreements, contractual amounts have been included in the LTFP. After the life of agreements, an index of 2.0% has been applied.

Due to the construction of new buildings, in particular the Visitor Information Centre and Council's works depot, increases are expected in operation and maintenance costs.

There has been an allowance, made in the LTFP but these will need to be revised once the facilities are in operation for 12 months. There has been no allowance factored into the LTFP for the proposed Condobolin Water and Sewer Treatment Plants as the design solution and construction costs have not been determined. Council's Condobolin Bore fields Project is expected to be complete in the 2023/24 year further adding to costs in the water business. The operation and maintenance costs of this project have not been calculated however they will need to be factored into future LTFPs.

Material costs greater than forecast remain a financial threat to the Council as inflation remains high

Materials and contracts make up 34% of projected 2023/24 operating expenditure. This is reflective of the considerable number of assets operated and maintained by Council.

This places the Council at considerable pressure from rising raw material costs including fuel and oil based products.

Any further major unplanned rises in these costs will impact the LTFP. Any future new assets not factored into the LTFP will also increase materials and contracts due to increased maintenance requirements.

Consumer Price Index (CPI). The Reserve Bank of Australia Governor and Treasurer have agreed that the appropriate target for monetary policy in Australia is to achieve an inflation rate of 2-3 per cent, on average, over the cycle (RBA). The LTFP has taken this policy into consideration and where real costs are unable to be determined; an increase based on the Reserve Bank policy has generally been applied. Costs have been indexed by 2% across the duration of the LTFP for this purpose.

Depreciation & Asset Works Schedules

The timing of asset revaluations is generally in accordance with the Office of Local Government schedules. . Water and sewerage network assets are required by the Office of Local Government to be indexed at each reporting period in accordance with the Rates Reference Manual. The Condobolin Water and Sewer Treatment Plants are due for replacement during the LTFP. As the design solution and construction cost of these substantial assets is not yet known, future LTFP's will have to be updated for this.

Asset Management Plans are currently out on public exhibition therefore the documents have not been incorporated as part of the current LTFP. Total depreciation it is expected to increase noticeably in the 2023/24 financial year and future years. This is predominantly due to the construction of substantial new buildings in particular the Visitor Information Centre and Council works depot.

PLANNING ASSUMPTIONS

STATEMENTS & FORECASTS

Council's Condobolin Bore fields Project is expected to be complete in the 2023/24 year further adding to depreciation costs in the water business.

Due to considerable success with economic stimulus program grants, Council has constructed or is in the process of constructing other new assets such as walkways or the replacement of existing facilities. This will impact depreciation in the future and the financial impact will be incorporated once construction is complete and assets are appropriately componentised.

Capital Expenditure

The Delivery Program 2022-2026 contains details of the proposed Capital expenditure. Material and employment costs greater than forecast remain a threat to the Council achieving its planned outcomes.

The Capital Works Program projected in the LTFP are sensitive to uncontrollable constraints such as Global supply chain delays due to pandemic as well as wetter than normal seasons. In the past Council has relied heavily on grant income to construct assets and that is likely to continue into the future, particularly for roads and substantial buildings.

Changes in strategic management approaches may also contribute to identifying other funding sources. Options include:

- Asset rationalisation. Council's asset base has been expanding as it responds to community requests and provision of new or upgraded services e.g. the Visitor Information Centre, the Hay St Youth building and the new Council works depot. Council owns a number of assets that could be sold to raise revenue for asset renewal including shire Caravan Parks, a number of residential properties, and commercial buildings such as the old Target building, Medical Centres, and the old Abattoir site. All of these assets currently provide a source of income for Council but in general, depreciation as well as the operational and maintenance costs exceed the rent. Residential properties are held for strategic purposes such as the attraction and retention of medical and professional staff so the costs versus benefits need to be considered.
- Council tends to respond positively to requests for fees to be waived for access to facilities, particularly in Condobolin. This practice does not support the generation of revenue for the maintenance or renewal of these facilities.
- Implement a strategy of renew before new.
- Borrowings. Council has borrowed externally for the SRA Hall redevelopment and new Condobolin Work's depot. The SRA loan is due to be repaid by 2031 and the depot loan by 2038. Interest and principal repayments have been included in the LTFP.

Council may look to borrow funds to finance the cost of the new Condobolin Water and Sewer Treatment Plants if government funding and the utilisation of available reserves is insufficient for the cost of these projects.

PLANNING ASSUMPTIONS STATEMENTS & FORECASTS

Council is eligible for a grant of 75% to fund these asset replacements however as the water and sewer businesses are not sustainable at present, representations are being made to all levels of government to fund the entire cost of these projects. As the design solution and cost of these projects are not yet known, no allowance has been made for any interest or principal repayments.

Financial Performance Monitoring Measures

Council's financial performance will be monitored against the LTFP, by reporting to Council and by utilising the Office of Local Government performance measures.

Reporting to Council is undertaken through the statutory Quarterly Budget Review process. Council's annual financial reports contain a set of performance indicators.

Council aims to equal or exceed 5 out of the 6 Office of Local Government benchmarks over the life of the LTFP. Council acknowledges it is difficult to meet the Own Source Ratio as like most rural and remote Councils, it is heavily dependent on grants income. The benchmark set by the OLG for Own Source Revenue is greater than 60 per cent and historically Council has only achieved 40-50 per cent.

Council Reserves

Transfers to and from reserves have been made in accordance with Council policy and are approved by Council at budget reviews.

LACHLAN SHIRE COUNCIL
Long Term Financial Plan
Budget 2023/24 to 2032/33

Description	Operational Plan		Delivery Program					Long Term Financial Plan				
	Operating Plan 2023/2024	Forecast 2024/2025	Forecast 2025/2026	Forecast 2026/2027	Forecast 2027/2028	Forecast 2028/2029	Forecast 2029/2030	Forecast 2030/2031	Forecast 2031/2032	Forecast 2032/2033		
	CONSOLIDATED RESULTS											
Income												
Rates & Annual Charges	(13,764,498)	(14,176,404)	(14,600,688)	(15,144,901)	(15,731,475)	(16,340,985)	(16,875,753)	(17,529,949)	(18,209,710)	(18,916,078)		
User Charges & Fees	(3,618,404)	(3,774,154)	(3,890,078)	(4,019,516)	(4,098,568)	(4,232,445)	(4,371,316)	(4,515,321)	(4,664,631)	(4,819,535)		
Interest & Investment Revenue	(2,314,993)	(2,406,520)	(2,455,920)	(2,507,320)	(2,560,020)	(2,613,870)	(2,668,420)	(2,724,640)	(2,782,110)	(2,840,820)		
Other Revenues	(1,153,244)	(1,170,380)	(1,187,850)	(1,205,720)	(1,223,960)	(1,092,540)	(1,111,500)	(1,130,840)	(1,150,560)	(1,170,680)		
Other Income	(333,482)	(351,574)	(357,274)	(363,084)	(369,034)	(375,084)	(381,274)	(387,574)	(393,984)	(400,544)		
Grants & Contributions - Operating	(18,074,301)	(18,367,965)	(18,653,060)	(18,959,853)	(19,272,625)	(19,591,509)	(19,916,623)	(20,248,096)	(20,586,066)	(20,930,634)		
Grants & Contributions - Capital	(3,303,869)	(1,734,700)	(736,410)	(875,140)	(582,380)	(573,140)	(711,910)	(574,700)	(525,500)	(664,320)		
Total Income from Continuing Operations	(42,562,792)	(41,981,697)	(41,881,280)	(43,075,533)	(43,838,062)	(44,819,573)	(46,036,795)	(47,111,120)	(48,312,560)	(49,742,611)		
Expenses												
Employee costs	11,617,853	12,195,375	12,728,557	13,399,834	13,905,976	14,439,191	14,967,099	15,723,670	16,320,621	16,901,403		
Interest on Loans	325,260	299,298	274,782	251,884	226,244	200,366	174,864	148,709	127,919	104,460		
Materials & Contracts	13,229,355	13,256,452	13,414,492	13,702,096	14,003,116	14,399,843	14,500,249	14,792,393	15,188,645	15,534,518		
Depreciation	11,533,805	11,700,330	11,882,250	12,067,300	12,255,550	12,447,000	12,641,750	12,839,840	13,041,350	13,246,330		
Other Expenses	2,170,769	2,208,840	2,227,890	2,274,900	2,333,905	2,411,440	2,422,700	2,474,130	2,538,350	2,609,630		
Loss on Disposal of Assets	0	0	0	0	0	0	0	0	0	0		
Total Expenses from Continuing Operations	38,877,042	39,660,296	40,527,971	41,696,045	42,724,791	43,897,840	44,706,663	45,978,741	47,216,885	48,396,341		
Operating Result from continuing operations - (Gain)/Loss	(3,685,750)	(2,321,401)	(1,353,309)	(1,379,489)	(1,113,271)	(921,733)	(1,330,133)	(1,132,379)	(1,095,675)	(1,346,270)		
Operating Result from continuing operations before Capital Grants/Contributions (Gain)/Loss	(381,881)	(586,701)	(616,899)	(504,349)	(530,891)	(348,593)	(618,223)	(557,679)	(570,175)	(681,950)		
Capital Expenditure	16,580,890	11,896,631	10,001,948	10,342,451	7,375,363	7,775,525	6,731,694	6,868,366	8,296,280	3,484,010		
Loan Funds Utilised	0	0	0	0	0	0	0	0	0	0		
Loan Principal repaid	469,353	474,367	479,593	484,876	490,798	496,629	502,779	509,182	512,393	347,060		
Transfers from Restricted Assets (Reserves)	(2,318,415)	(2,001,771)	(1,138,878)	(1,481,161)	(932,123)	(1,254,805)	(32,672)	(280,516)	(1,661,810)	(30,561)		
Transfers to Restricted Assets (Reserves)	183,556	327,820	719,474	811,972	1,566,994	1,265,071	1,788,040	1,689,317	2,051,117	5,576,001		
Depreciation Contra	(11,533,805)	(11,700,330)	(11,882,250)	(12,067,330)	(12,255,550)	(12,447,000)	(12,641,750)	(12,839,840)	(13,041,350)	(13,246,330)		
Net Unrestricted Cash Deficit/(Surplus)	(304,171)	(3,324,684)	(3,173,422)	(3,288,681)	(4,867,789)	(5,086,313)	(4,982,042)	(5,185,870)	(4,939,046)	(5,216,090)		

WORKFORCE PLAN 2022-2026



Lachlan Shire Council acknowledges that our people are our greatest asset. The Workforce Plan aims to ensure that our organisation has sufficient skilled resources to deliver on the priorities set out in the Community Strategic Plan.

The development of an effective workforce plan will enable Council to plan its future workforce needs to deliver goals, focus on the medium and long term, and also provide a framework for dealing with immediate challenges in a consistent way.

The Workforce Plan includes details the staffing, skills and human resource requirements to meet the activities and initiatives included in the Delivery Program and the Operational Plan over a four-year period.

Council has identified the following (5) key strategies that will be incorporated into the workforce management plan:

1. to be an Employer of first Choice
2. to foster and improve staff confidence, trust and inclusion in decision making
3. retain skilled, experienced employees and attract new, competent and qualified staff
4. keep up to date with technological improvements and advancements
5. to provide a safe working environment.

This plan can be viewed as a separate document on Council's website www.lachlan.nsw.gov.au

ASSET MANAGEMENT STRATEGY

Council is responsible for over \$552 million worth of assets which includes transport and storm water infrastructure, water, sewer, buildings, parks and recreation facilities.

The provision of well-maintained infrastructure supports the quality of life of our community and allows our community to benefit and our economy to grow.

The Asset Management Strategy has been prepared to articulate Council's framework for the management of Council's assets,

The Asset Management Strategy describes how community infrastructure is to be managed and maintained during the life of the Community Strategic Plan. The Strategy outlines how Council will renew our existing assets and deliver on the new assets included in the Delivery Program and Operational Plan.

This plan can be viewed as a separate document on Council's website www.lachlan.nsw.gov.au



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