



UPPER LACHLAN SHIRE COUNCIL

the Shire of villages

Long Term Financial Plan 2015 - 2025



Upper Lachlan Shire Council

Long Term Financial Plan 2015 –2025

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Executive Summary

The Upper Lachlan Shire Council has developed a Community Strategic Plan which identifies the community's priorities and expectations for the next ten years and outlines strategies to achieve those goals.

The Community Strategic Plan is a long term visioning document that expresses community's long term aspirations. The Community Aspirations are as follows:-

- A built environment enhancing the lifestyle of a diverse community;
- Community liaison to preserve and enhance community facilities;
- A healthy natural environment;
- A prosperous economy with the balanced use of our land;
- People attaining health and wellbeing;
- Resilient and adaptable communities;
- Responsible and efficient use of resources; and
- Transparent and accountable governance.

In working towards delivering these long term aspirations for our community, sufficient resources will need to be provided by Council and asset management will become a critical component in ensuring service delivery success. Council will address each of these community aspirations through the five identified integrated Strategic Objective areas. The Strategic Objective areas are:-

1. Social;
2. Environmental;
3. Economic;
4. Infrastructure, Access and Transport; and
5. Governance (Civic Leadership).

To ensure that Upper Lachlan Shire Council addresses the community aspirations, as identified in the Community Strategic Plan, a Resourcing Strategy has been prepared. The Resourcing Strategy is a key part of the integrated planning and reporting framework for Council's long term planning. Council's Resourcing Strategy includes the following integrated documents:-

- Long Term Financial Plan (LTFP);
- Workforce Plan; and
- Infrastructure Plan (incorporates Asset Management Plan).

The Long Term Financial Plan sets out Council's projected income and expenditure, balance sheet and cash flows for the coming 10 years and outlines methods of monitoring financial performance.

The Long Term Financial Plan will assist Council to make informed decisions with regard to the future sustainability and efficiency of Council operations.

Introduction

The creation of a Long Term Financial Plan is a requirement under the Integrated Planning and Reporting framework for NSW Local Government and forms part of the Resourcing Strategy.

The Long Term Financial Plan is a 10 year plan that tests the community's aspirations against its financial capacity. The Long Term Financial Plan will be used as a decision-making tool and is not set in concrete and will continue to evolve and change as circumstances change and Council decisions are implemented.

A Long Term Financial Plan provides a framework for Upper Lachlan Shire Council to assess its revenue building capacity to deliver upon the key performance indicators for all the principal activity areas and provide suitable level of services outlined in the Community Strategic Plan.

The Long Term Financial Plan also aims to:-

- Establish greater transparency and accountability of Council to the community;
- Provide an opportunity for early identification of financial issues and any likely impacts in the longer term;
- Provide a mechanism to solve financial problems and understand the financial impact of Council decisions; and
- Provide a means of measuring Council's success in implementing strategies.

The Long Term Financial Plan is a living document and will change as the community's aspirations change, and as the underlying principles and key assumptions and Council's financial position change over time.

Council has identified a number of strategic performance measures that are incorporated into the assessment of Council's financial performance and financial position. Council will be vigilant in reviewing each performance measure to gauge how Council is progressing to achieve its community aspirations and strategic objectives.

The community engagement period, which informed the development of the Community Strategic Plan, identified local and regional roads and bridges infrastructure as priority number one. In response, Council has allocated the largest proportion of funds to this purpose annually over the life of the Long Term Financial Plan. Roads infrastructure projects will be implemented in accordance with Council's Infrastructure Plan and associated services levels will be reviewed in conjunction with the community.

Treasury Corporation Financial Assessment of NSW Councils

An addendum to the Upper Lachlan LTFP is the "Financial Assessment, Sustainability and Benchmarking Report" prepared by NSW Treasury Corporation (TCorp) for Upper Lachlan Shire Council, the Office of Local Government and Independent Local Government Review Panel.

The TCorp March 2013 Report reviewed the Councils consolidated Financial Statements and actual results for the periods of 2008/2009 to 2011/2012 and also conducted a detailed review of Upper Lachlan's 10 year financial forecasts from our LTFP.

The TCorp report assessed Upper Lachlan as being in a "Sound" Financial Sustainability Rating position and the Outlook for the Council was Neutral. This assessment is vindication for the decisions made by the Council over the past 10 years that Upper Lachlan has been in existence.

Financial Objectives

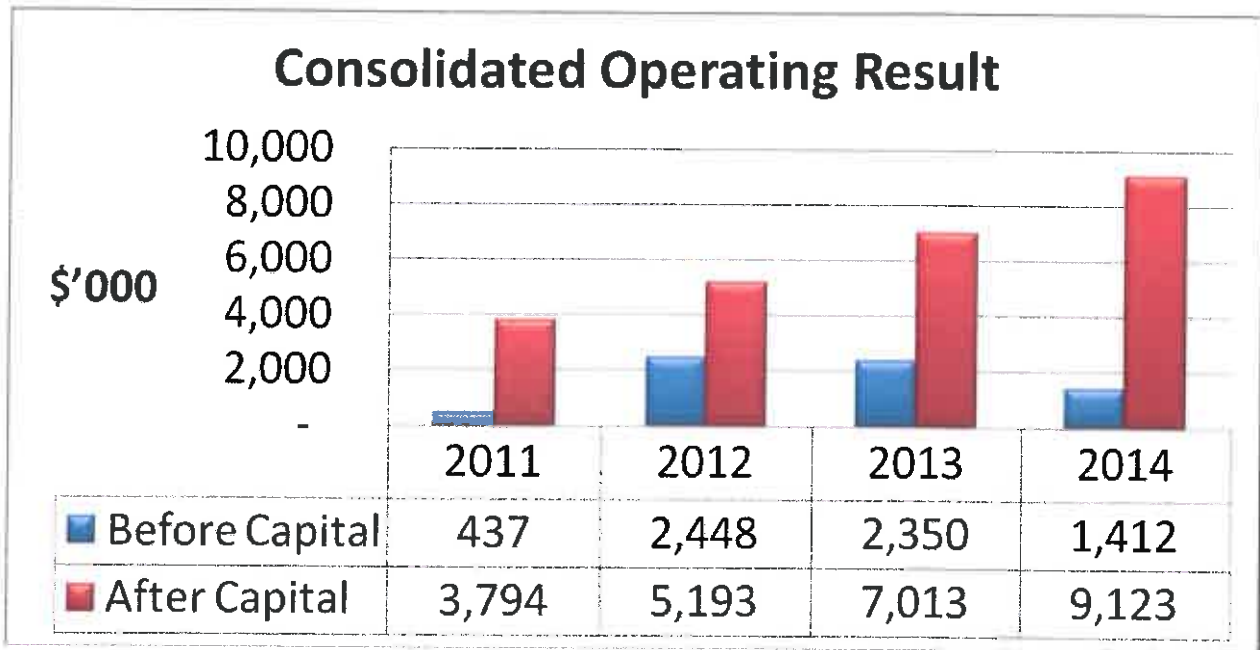
Council will pursue the following financial objectives for the term of the Long Term Financial Plan:-

1. Maintain Council's sound financial performance and sound financial position for the next ten year period. Ensure Council's TCorp Financial Sustainability Rating remains as Sound or better;
2. Continue to provide a fair and equitable rating structure and revenue policy;
3. Attract and maximise government grants, contributions and subsidies as an external funding source to assist in delivering Council services;
4. Budget for and achieve a surplus Net Operating Result (before capital grants and contributions) each year to ensure financial viability and stability in Council's core operating activities;
5. Budget for and achieve a minor cash flow surplus each financial year (unless repaying long term debt and/or Council matching infrastructure grants through internal transfer from reserves funds) to maintain an unrestricted current ratio of at minimum 2:1; thereby ensuring access to adequate working funds on a continual basis;
6. Annually fund the asset renewal program in line with Council's Infrastructure Plan and Asset Management Strategy for all of its assets classes. To maintain a Building and Infrastructure Asset Renewal Ratio of equivalent to 1:1;
7. Continue to benchmark Upper Lachlan's financial performance against the Office of Local Government and TCorp ratios. The goal is to reach the benchmark performance level in all categories;
8. Report to Council the Quarterly Budget Review Statements (QBRS) and to review program activities each quarter;
9. Report to Council and monitor the six monthly Delivery Program implementation reviews;
10. Continually review all operating expenditure and improve efficiency in service delivery where possible;
11. Reduce Council-owned assets which do not align with Council's adopted strategic objectives, and place an unnecessary ongoing maintenance burden on Council and the community;
12. Implement user-pay principles on service provision and assets, excluding known and Council approved community service obligations. Full cost recovery pricing principles to be implemented where appropriate.

Current Financial Position of Council

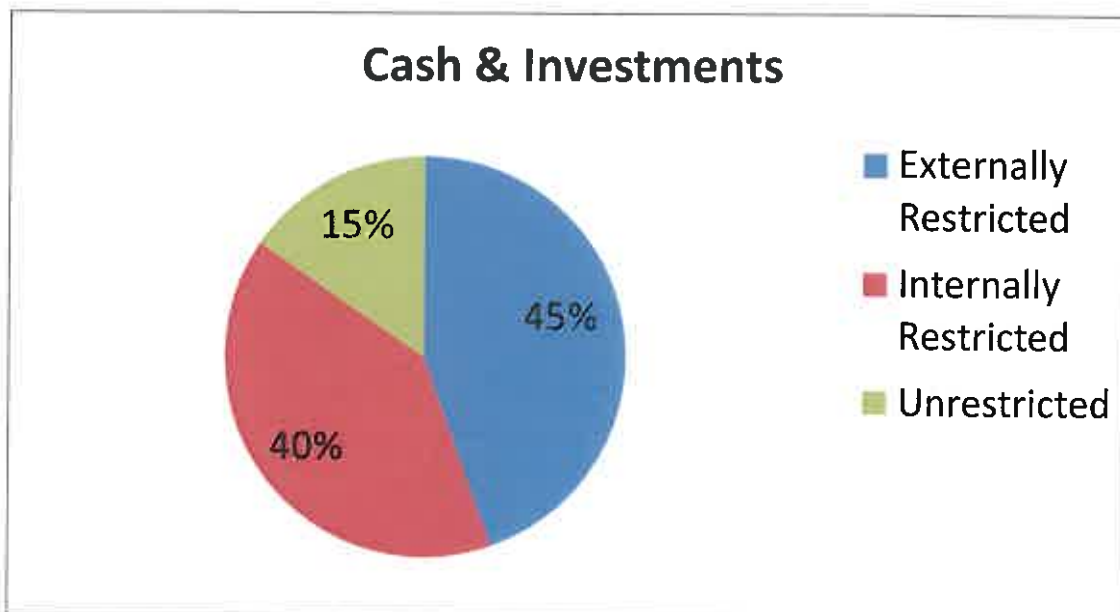
Operating Result

The Operating Result (including before and after capital grants and contributions) for the past four financial years from 2010/2011 to 2013/2014 is seen in the below graph:-



Cash and Investments

Cash and investments totals \$18.4 million and is divided into unrestricted cash, internally restricted cash by Council, and externally restricted cash by fund (i.e. water supply, sewerage, and domestic waste funds, external grants unexpended and development contributions).

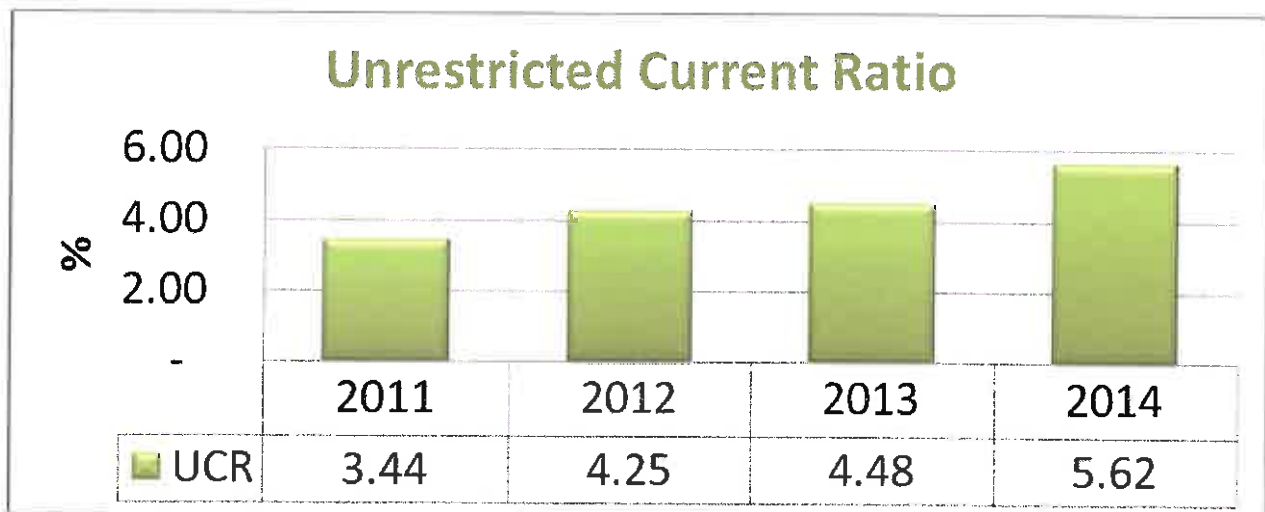


Other Financial Position Information

Financial Performance Measures	Indicator	2014	2013	2012	2011	2010	2009
Unrestricted Current Ratio	Ratio	5.62	4.48	4.25	3.44	3.28	3.34
Debt Service Ratio (all funds)	Percentage	1.90%	2.15%	4.68%	3.56%	3.30%	2.60%
Total Cash and Investments (millions)	Dollars	\$18.4	\$17.1	\$15.1	\$12.1	\$10.7	\$9.8
Own Source Operating Revenue Rates and Annual Charges	Percentage	57.03	52.53	59.05	48.10	47.90	56.5
Outstanding Building and Infrastructure Asset Renewal Ratio	Percentage	3.21%	2.79%	3.07%	2.86%	2.65%	2.64%
Operating Result Surplus (before capital grants and contributions)	Ratio	1.08	0.93	0.79	1.00	1.07	1.84
	(\$000)	1,412	2,350	2,448	437	1,562	28

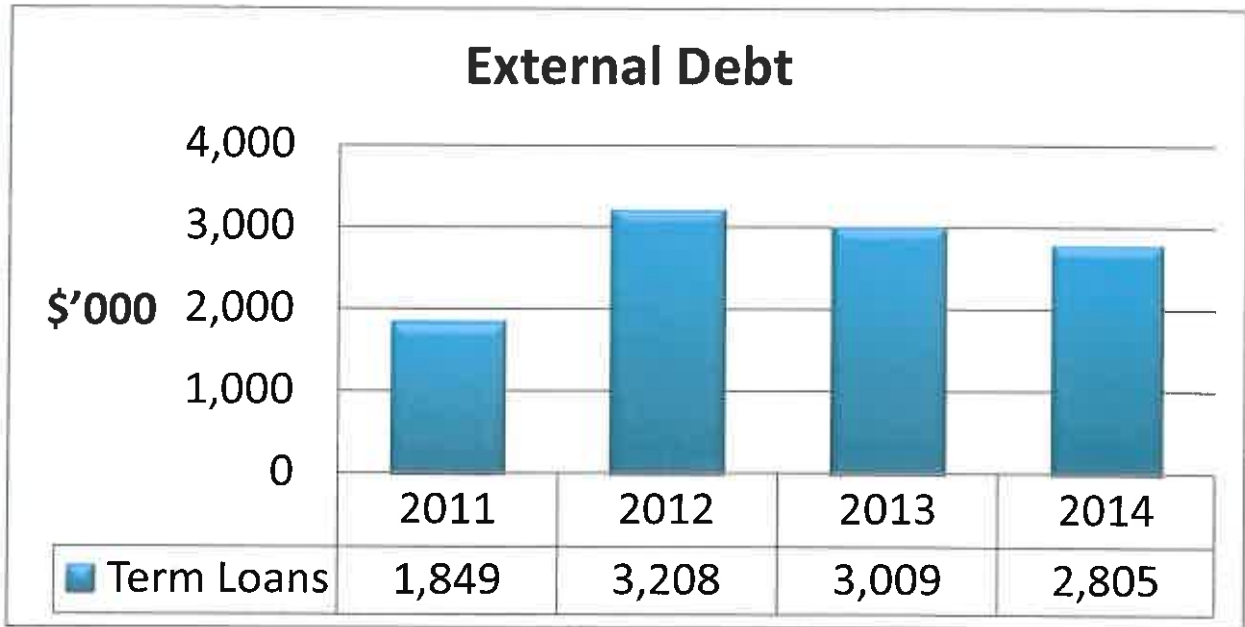
Unrestricted Current Ratio

This is a commonly used measure of liquidity. This is a ratio of current assets to current liabilities (excluding external restrictions). This ratio assesses the adequacy of working capital and the ability of Council to satisfy financial obligations in the short term for unrestricted activities. A ratio of greater than 2 indicates healthy liquidity.



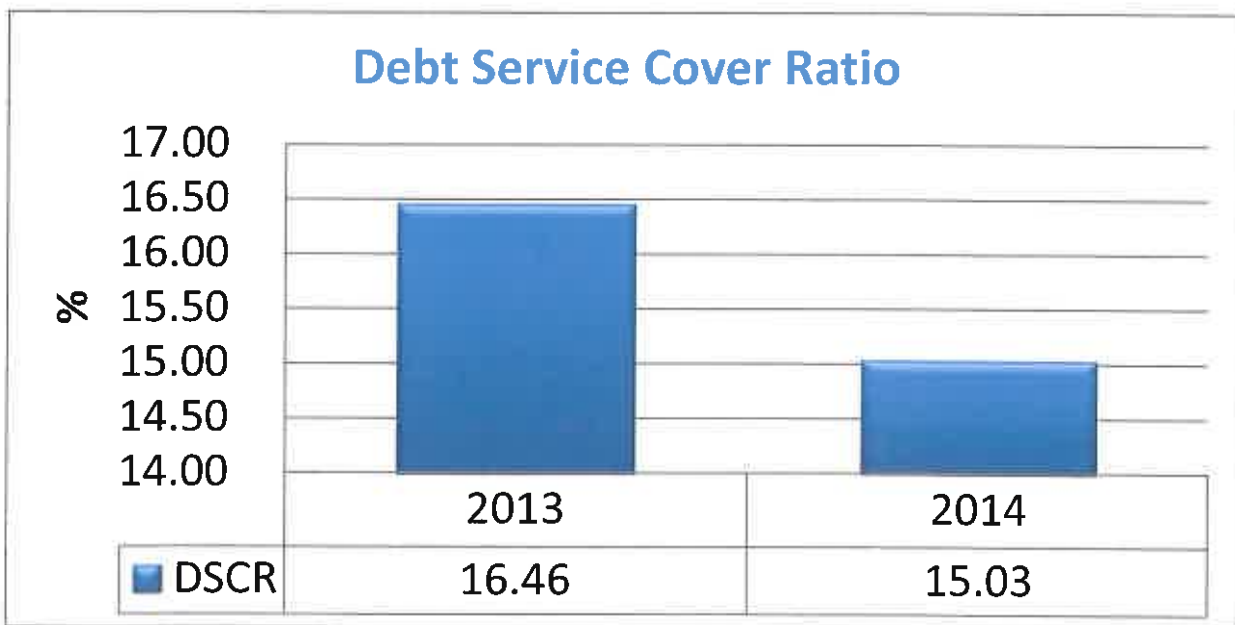
Borrowings and External Debt

A comparison of Council's External Debt outstanding for the past four financial years from 2010/2011 to 2013/2014 is seen in the below graph:-



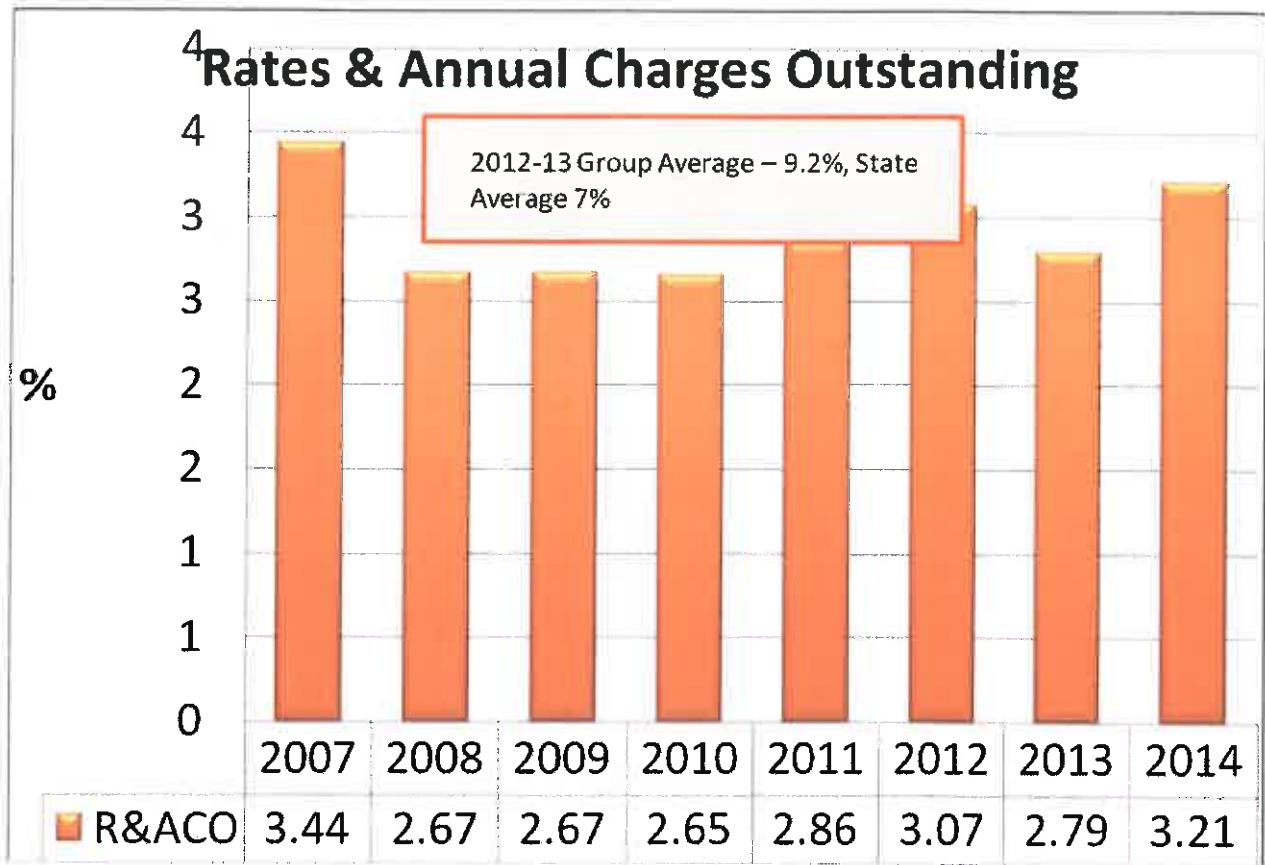
Debt Service Cover Ratio

The Debt Service Cover Ratio is a new ratio that measures the availability of operating cash to service debt including interest, principal and lease payments. Unlike its predecessor, the Debt Service Ratio (this data is included in Other Financial Position Information), in this measure the higher the number, the greater the ability to service debt.



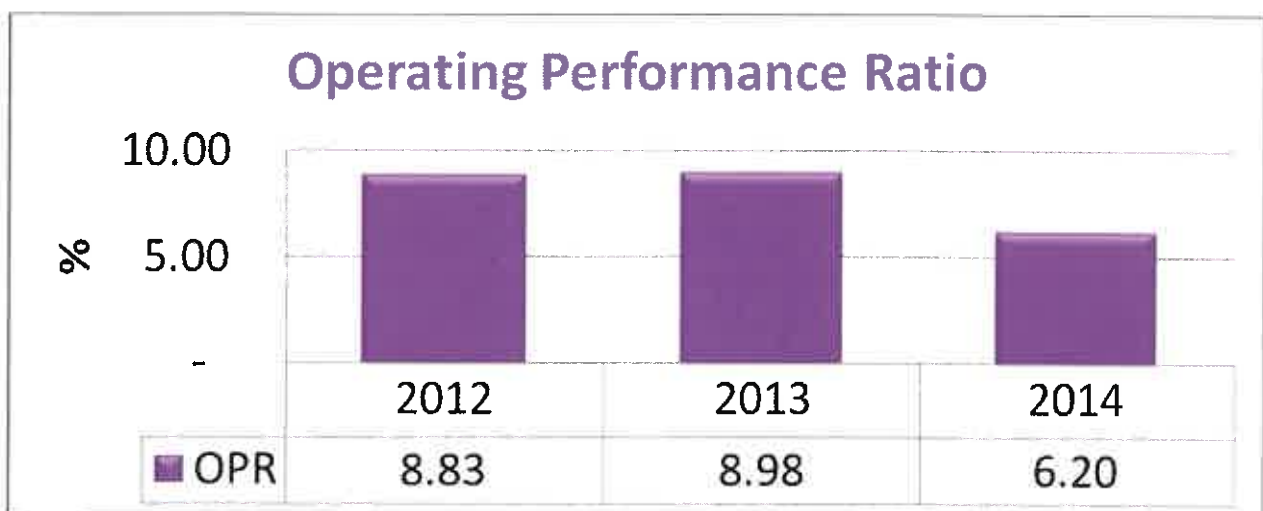
Rates and Annual Charges Outstanding Percentage

This performance measure assesses the impact of uncollected rates and annual charges on liquidity and reflects the adequacy of recovery efforts by Council. The past 8 financial years in the below graph display efficiency in debt recovery procedures:-



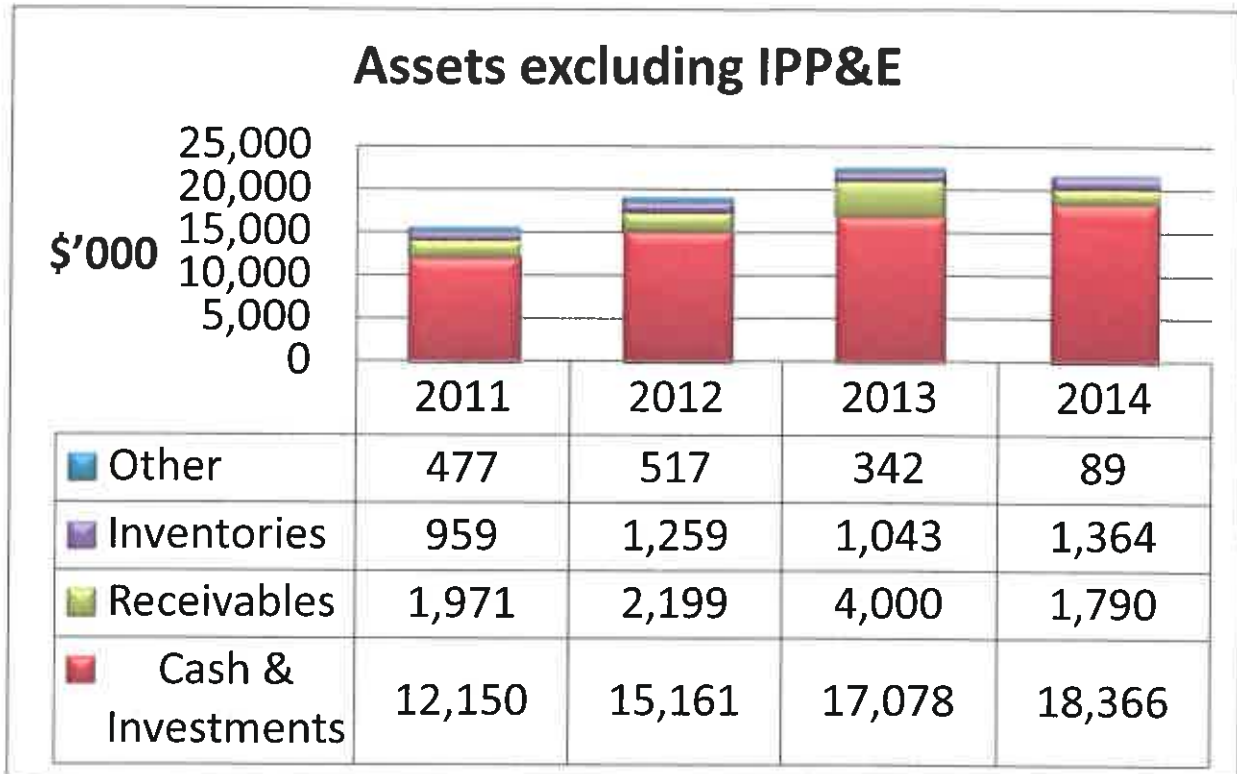
Operating Performance Ratio

This is a new ratio intended to measure Council’s ability to contain its operating expenditure within the confines of its operating income. The benchmark is greater than 0%.



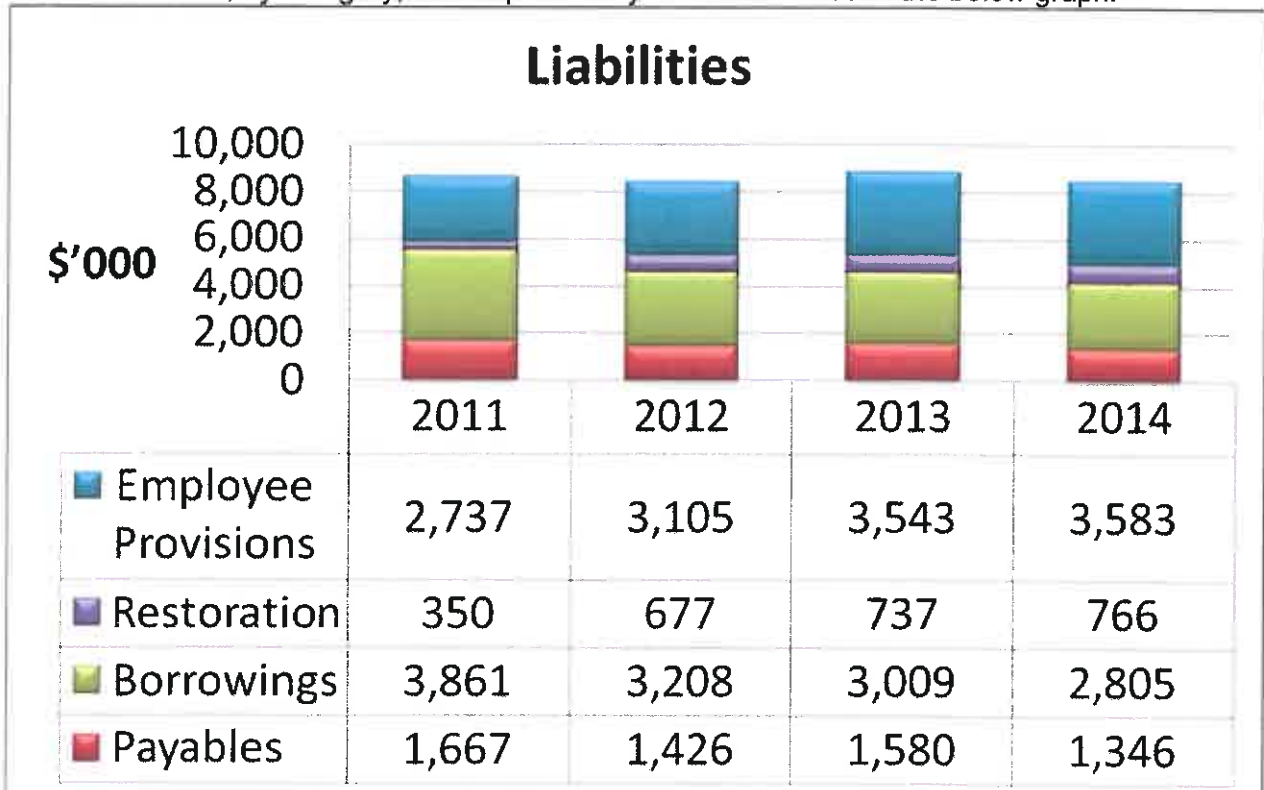
Total Current Assets (excludes Infrastructure, Property and Plant and Equipment)

Council current assets for the past four years are detailed in the below graph:-



Total Liabilities

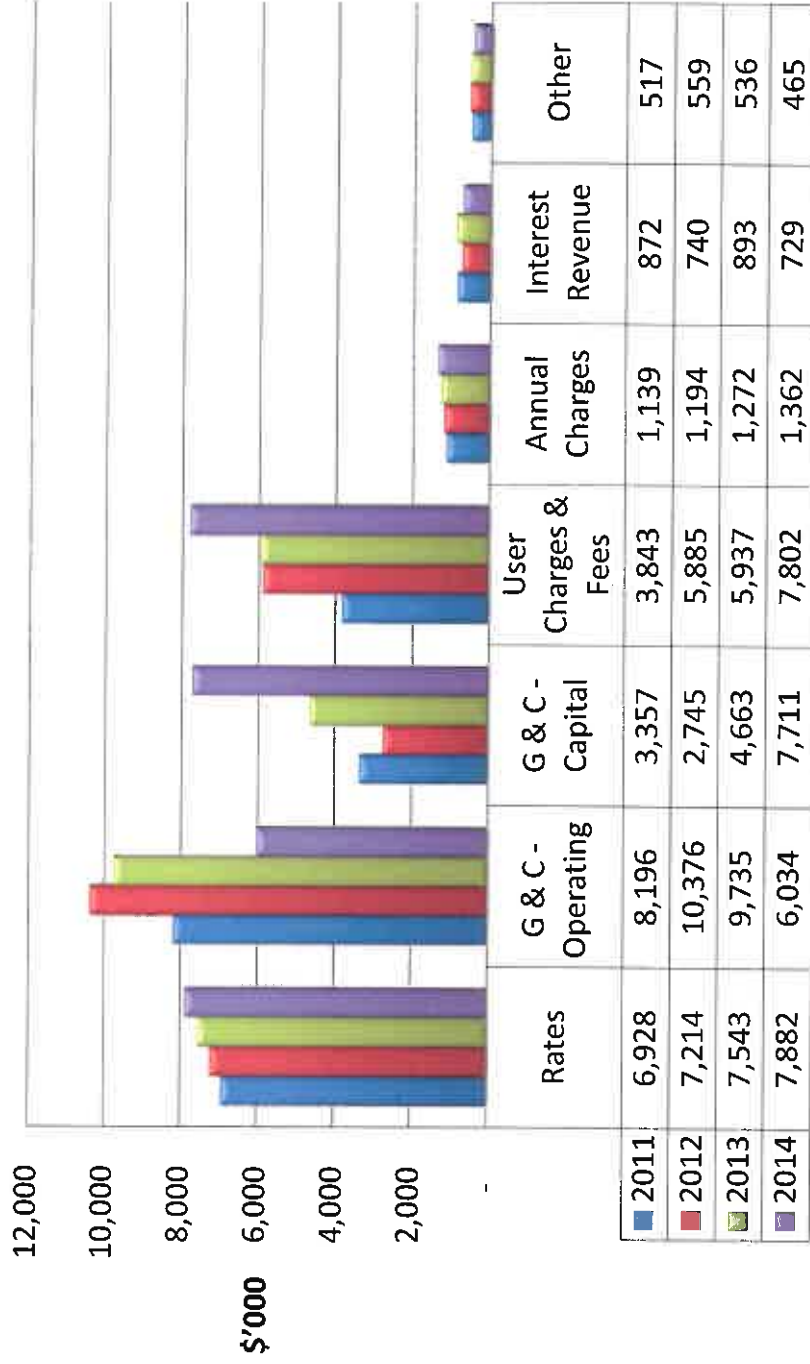
Council liabilities, by category, for the past four years are detailed in the below graph:-



Operating Income by Source

In 2014 total income (including capital grants and contributions) was \$31.9 million (2013 – total income was \$30.6 million). A comparison of Income from Continuing Operations for the past four financial years is seen in the below graph:-

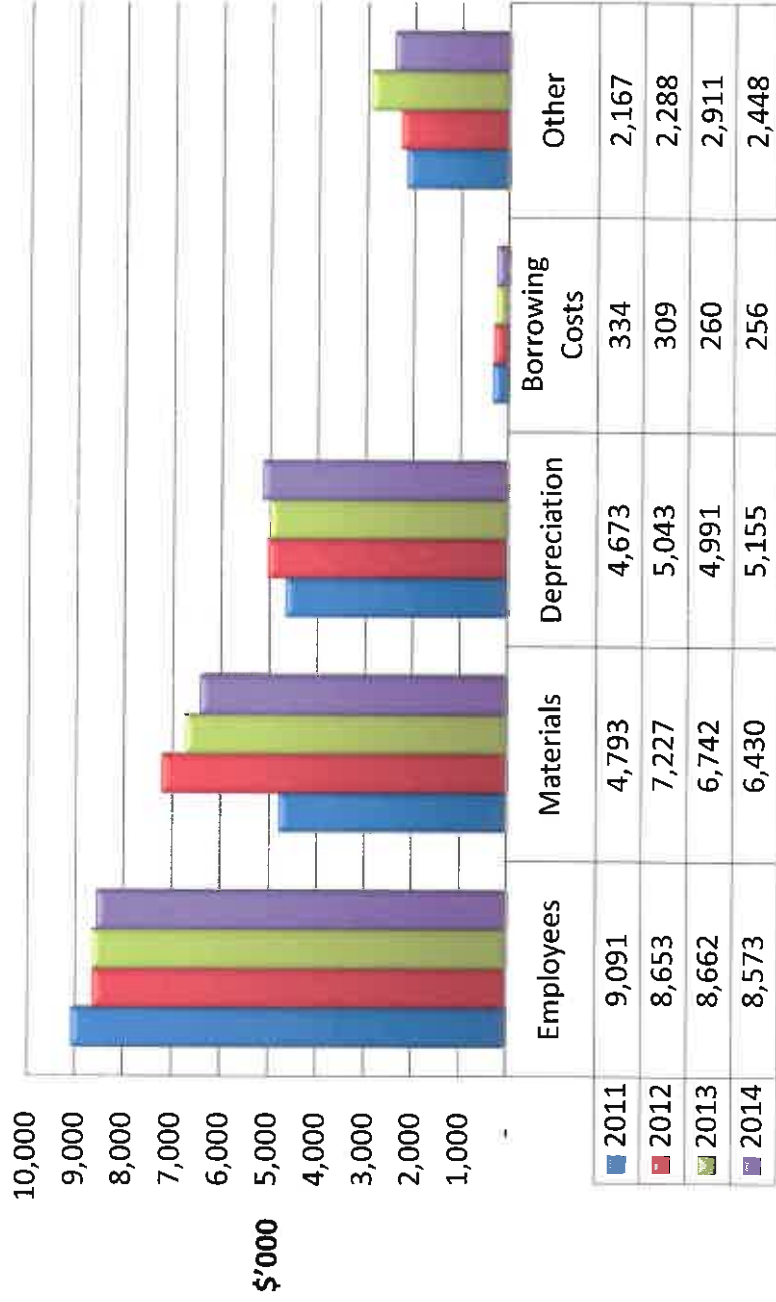
Operating Revenue – By Source



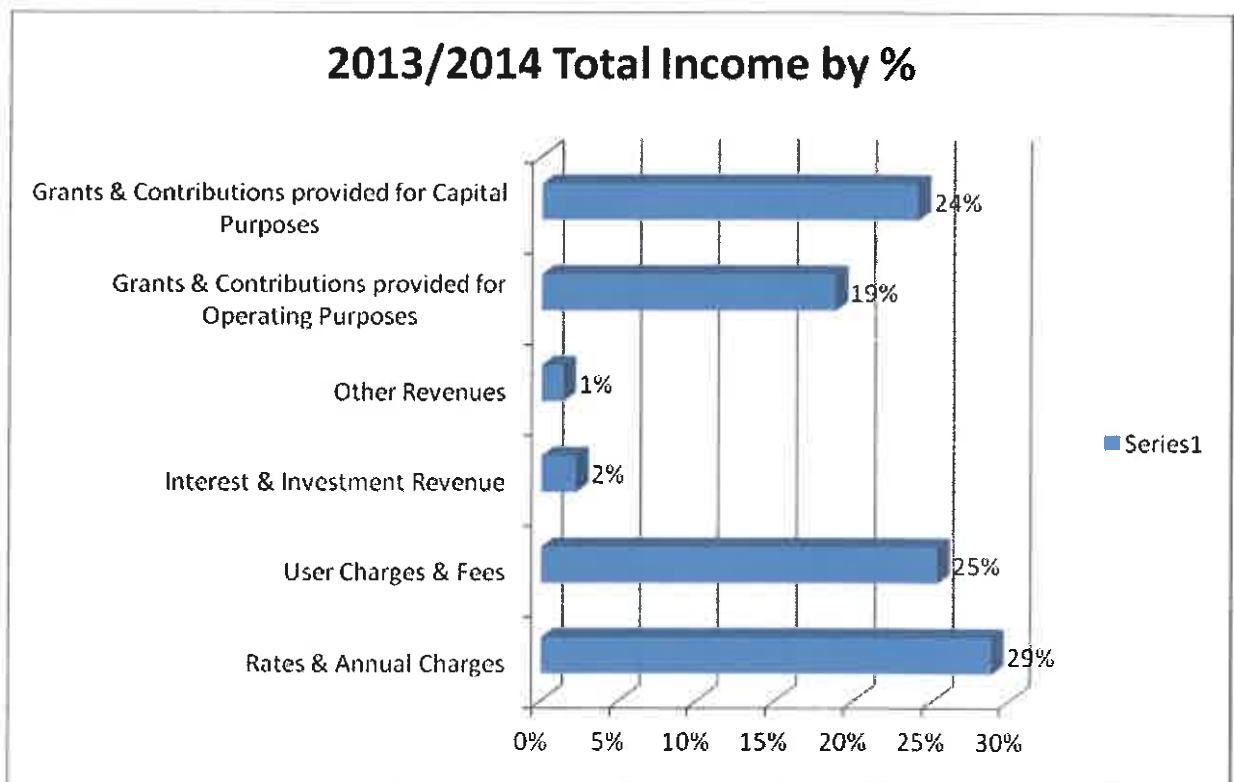
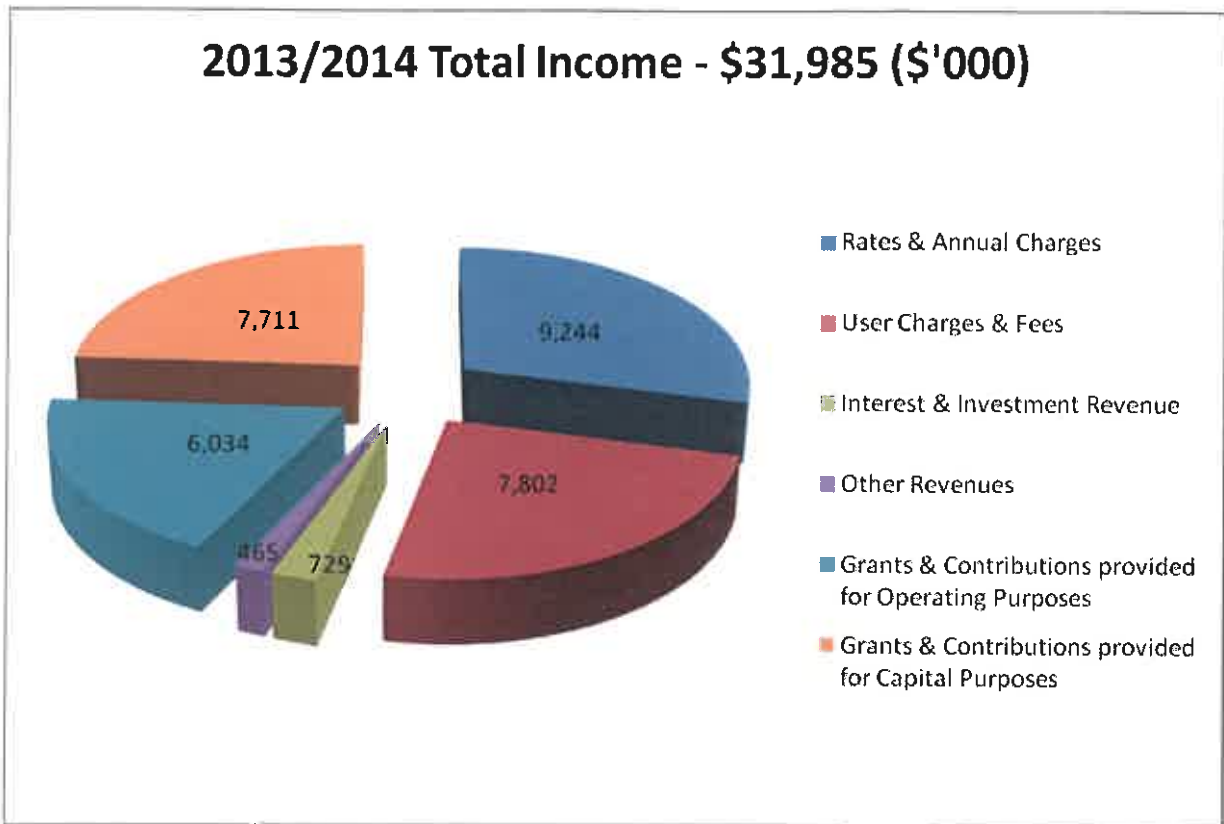
Operating Expenditure by Type

In 2014 total expenditure (including capital expenditure) was \$22.9 million (2013 – total expenditure was \$23.6 million). A comparison of Expenditure from Continuing Operations for the past four financial years is seen in the below graph:-

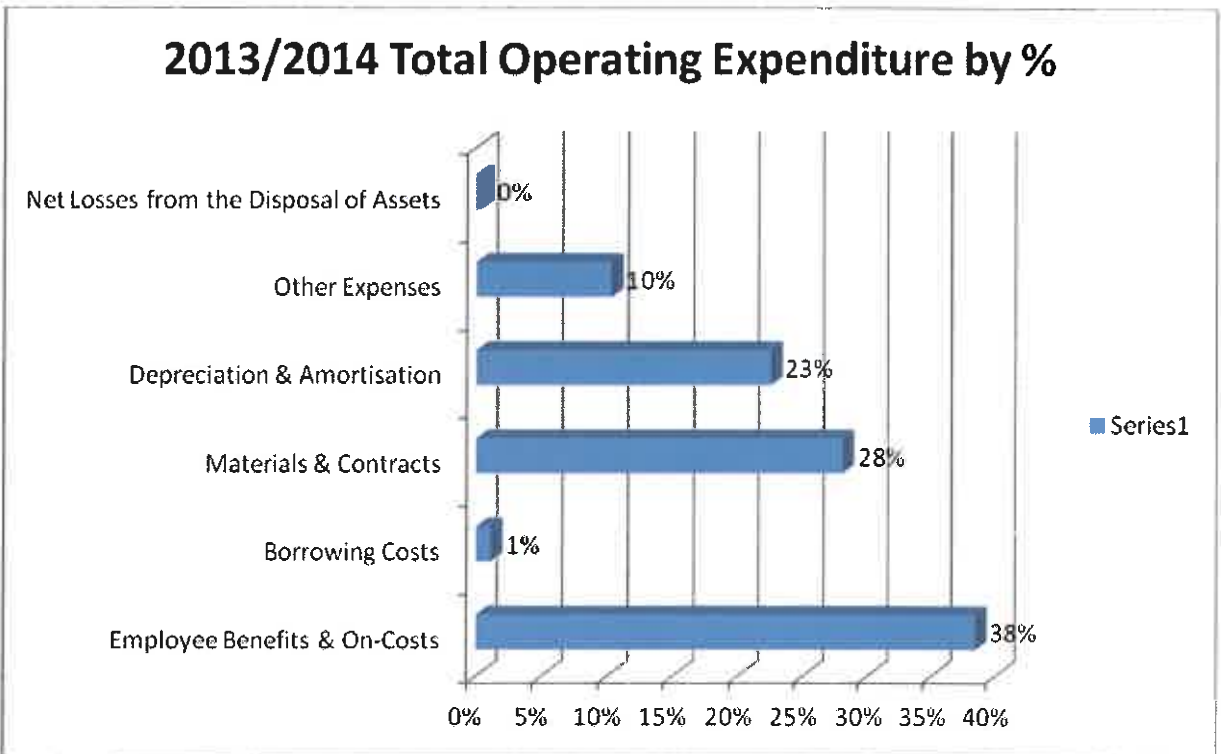
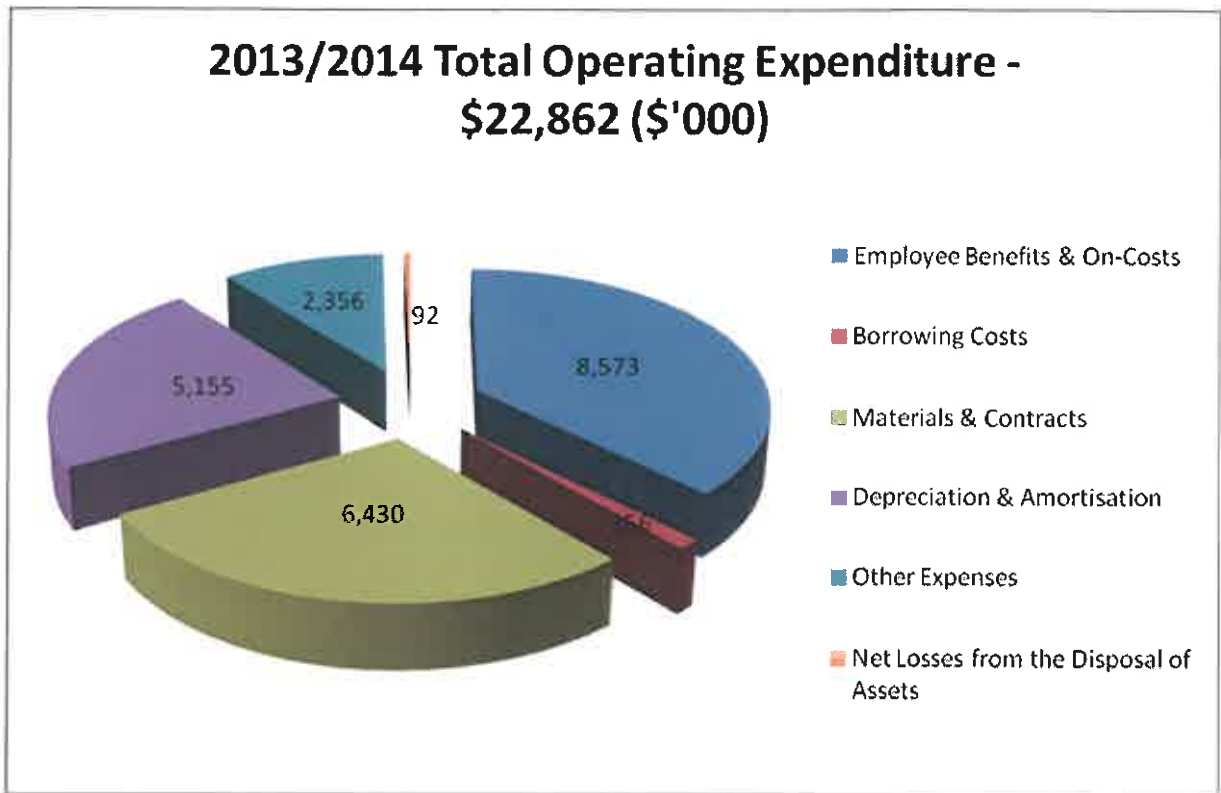
Operating Expenses – By Type



Income from Continuing Operations by Source % - 2014



Expenditure from Continuing Operations by Source % - 2014



Long Term Financial Plan and how it will be used

Council's Long Term Financial Plan model consist of linked spreadsheets that use the 2015/2016 Budget, information contained in the Delivery Program and Operational Plan, as well as long term key planning principles and assumptions to generate 10 year forecasts of income and expenditure.

Council's Long Term Financial Plan covers all areas of Council operations; including General Fund, Domestic Waste Fund, Water Supply and Sewerage Funds. The plan considers the high degree of infrastructure renewal required particularly in the General Fund and Water Supply Fund.

The Long Term Financial Plan will be subject to review and adjustment annually or as priorities change to align with the Community Strategic Plan and Resourcing Strategy components. The ten year plan presents an Income Statement, Balance Sheet, Equity Statement and Cash Flow Statement.

The Long Term Financial Plan also draws on Council's Infrastructure Plan (incorporating the asset management strategy) which defines the service levels, intervention thresholds and capital maintenance and renewal expenditure requirements for their respective asset classes.

The 10 year Long Term Financial Plan has been developed by Upper Lachlan Shire Council in accordance with the Office of Local Government, Integrated Planning and Reporting Guidelines. The plan will be further refined and developed in future years.

The Purpose of the Long Term Financial Plan

- Provide a transparent account of Council's financial situation to the community;
- Set out the assumptions upon which Council's financial budgets have been structured;
- Provide methodology for strategic decision making that is in the community's best interests;
- Identify Key Performance Indicators upon which Council can benchmark its financial performance against other NSW Councils of a similar size with comparable resources;
- Evaluate the impact of future scenarios upon Council's financial position;
- Provide a basis for future decision making particularly when the Infrastructure Plan and asset management strategy are further refined and developed;
- Identify issues which impact upon the financial sustainability of Council including known opportunities and threats;
- Achieve a consolidated funds cash flow surplus result annually and achieve a minor cash value operational budget surplus result annually acknowledging that minimum service delivery may need to be reviewed while attempting to reduce operating costs in real terms;
- Achieve a current working fund surplus result annually; and
- Assist with planning for major capital infrastructure renewal program and specific capital projects.

Key Planning Assumptions

A Long Term Financial Plan is dependent on a number of planning assumptions. In preparing this plan it was necessary to consider a range of matters and make appropriate assumptions. These assumptions have been used to model and formulate the plan.

In developing the Long Term Financial Plan Council has considered and made assumptions with regards to demographics of the Shire, projected economic growth and industrial development within the Shire, service delivery standards, and all other major influences on Council's income streams and expenditure patterns and projects.

In summary the Long Term Financial Plan sets out the following key planning assumptions used to develop the long term forecasts of income and expenditure for Council:

Income Forecasts

<u>Income Source</u>	<u>Projected Annual Increase</u>
• General (Ordinary) Rates Income	3%
• Domestic Waste Charges	3% - full cost recovery
• Sewerage Charges	2% - full cost recovery
• Water Supply Charges	4.50% - full cost recovery
• Water Supply User Pay Charges	5% - full cost recovery
• Interest Rate on Investments	4.50% return over 10 year period
• Interest Rate on Overdue Rates	9%
• Operating General Purpose Grants	3.10%
• Capital Grants	2.50%
• Development Contributions	2.40%
• Net Gain from Disposal of Assets	Variable % based on plant schedule
• Other Revenues	2.50%
• User Charges and Fees	2.50% - full cost recovery and within Statutory limitations
• Population Growth	2.30% to 2017, then 1% annually
• Service Levels	refer to Infrastructure Plan

Expenditure Forecasts

<u>Expenditure Source</u>	<u>Projected Annual Increase</u>
• Salaries and Wages	3.25%
• Superannuation Guarantee Contribution	0.50% increase from 2019 up to 12%
• SASS Defined Benefit Plan Contribution	Double contribution rate until 2018
• Workers Compensation	3% from 2016
• Consumer Price Index	2.40%
• Interest Rate for Borrowings	6.50%
• Depreciation Expense	1.90% recurrent only
• Insurances	5%
• Electricity and Gas	2.40%
• Materials and Contracts	4%
• Major capital works projects	Varies according to projects funding status and other factors

Detailed Income Forecasts

General (Ordinary) Rates Income

Historically there is minor change in the number of rateable assessments from year to year. The total number of rateable assessments in 2005/2006 was 5,604. The number of rateable assessments for 2015/2016 is 5,925. There has been an average increase in total rateable assessments annually of 0.52%. This increase will equate to minimal additional general rates income to Council.

Council will continue to apply the maximum annual rates increase allowable by IPART and Office of Local Government. The maximum permissible rates increase for 2015/2016 is 2.40%. Council has projected the annual rate pegging limit increase to be 3% annually. This is based on historical data (past ten years) of a 3.08% increase in maximum rate cap for general rates income. A 3% increase equates to an additional \$192,000 general rates income in 2015/2016. Further details for each individual rating category are available in Council's 2015/2016 Operational Plan.

No special variation to general rates income is included in the Council Long Term Financial Plan projections for the Base Case Scenario, however this will continue to be assessed based on community feedback and on the need for additional income to continue to deliver services.

A number of wind farms have been constructed and a number of other proposed wind farms and gas powered generation developments may be constructed in the future however the legal rateability status for these large scale industrial developments is not clear. Council implemented a Section 94A Development Contributions Plan to apply to state significant and projects exceeding \$5 million and has also established a Community Enhancement Program (CEP). The 94A Plan and CEPs are designed to mitigate negative aspects of these projects on the community and to ensure the developments make a reasonable contribution with respect to community infrastructure.

Domestic Waste Management Charges

The Domestic Waste Management (DWM) service is provided by Council to the residential properties in townships and the immediate surrounding area of towns within the Shire. The DWM service provides garbage and recycling collection services. The basis of the DWM annual charge is on a full cost recovery basis to allow for the future upgrade of the DWM plant fleet, garbage bins, and partial allocation for the rehabilitation of the waste centres (rubbish tips) in the Shire.

The DWM charge is projected to increase annually by 3% over the next ten year period. Council will continue to complete and publish in the Operational Plan a comprehensive domestic waste reasonable cost calculation in accordance with the Local Government Act requirements and to ensure any service changes are consulted with and conveyed to the community.

Sewerage Charges

Council operates and manages sewerage systems and services within three towns in the Shire, being Crookwell, Gunning and Taralga. Council intends to maintain the sewerage services and improve the sewerage infrastructure in the coming ten year period.

Upper Lachlan Shire Council has progressively implemented the former Department of Water and Energy Best Practice Management Guidelines and pricing principles for sewerage services and comply with the National Performance Framework as advocated by the NSW Office of Water.

The average annual increase for sewerage charges of 2% is projected over the next ten year period based on full cost recovery principles. Also, Council aims to achieve an economic real rate of return on the sewerage services of greater than 2%.

Water Supply Charges

Council operates and manages water supply systems within four towns in the Shire, being Crookwell, Gunning, Dalton and Taralga. Council intends to maintain the water supply services and improve the infrastructure for these reticulated water supply systems. Council, in partnership with the Federal and State Government, has recently completed in May 2014, significant capital upgrade works to increase reliability and improve water quality and water treatment operations for the Gunning and Dalton water supply schemes.

The average annual increase for water supply annual charges of 4.50% is projected over the next ten year period based on full cost recovery principles. Also, Council aims to achieve an economic real rate of return on the water supply services of 2%.

Water Supply User Pay Charges

Water supply user pay charges are highly volatile due to the impact from seasonal conditions. Council has implemented initiatives, such as water bore installations to supplement existing water storages, to assist in drought proofing water resources necessary for the towns in the Shire. Upper Lachlan Shire Council has progressively implemented the former Department of Water and Energy Best Practice Management Guidelines and pricing principles for water supply and comply with the National Performance Framework as advocated by the NSW Office of Water. Council is and shall continue to generate greater than 50% of total water supply revenue from water supply user charges.

The water supply user charges are projected to increase annually by 5% over the next ten year period. All water supply users pay a dollar amount per kilolitre charge with a two tiered tariff pricing system. The water supply user charges are based on full cost recovery of the service.

Interest Rate on Investments

Interest rates on investments have been variable in recent years. The Reserve Bank of Australia, official cash interest rate has fallen from a high of 7.25% in March 2008 to the current low of 2.25% in February 2015. The average interest rate on term deposits lodged by Council at February 2015 is 3.40%. With the global economic volatility interest rates will remain low in the short term and the cash rate will be at 2% to 3% range over the next twelve months. Term deposit interest rates are anticipated to be in the vicinity of 3% to 3.5% for the next two years with the interest rate increasing to the historical average of 4.50% for the ten year period. Council's total cash investment portfolio is estimated to range from \$18 - \$26 million up to 2025. Future changes or volatility in interest rates will have an impact on Council's long term financial outlook.

In accordance with Council's Investment Policy and Ministerial Investment Order, Council now invests only in term deposits, with varying maturity timeframes, with Australian authorised deposit taking institutions.

Interest Rate on Overdue Rates

Council has sustained a remarkably low rates and annual charges outstanding percentage of 3% or lower for the past seven years. Council staff have enforced Council's Debt Recovery Policy and remained vigilant in assuring regular cash flow from rates and annual charges. Council will be endeavouring to maintain a rates and annual charges outstanding percentage of below 5%.

Council has projected an average overdue interest rate of 9% over the ten year period. The current overdue interest rate is 8.5% in 2014/2015. The total interest revenue from outstanding rates and

annual charges will not be materially affected by any changes in the maximum interest rate as determined each year by the Office of Local Government.

Operating General Purpose Grants

Council's most important and material recurrent operating grant is the untied Financial Assistance Grants (FAG) received from the Federal Government and administered by the NSW Local Government Grants Commission. The FAG grant accounts for around 35% of Council's total operating grants and contributions received annually. The FAG grant has a general and roads component totalling \$4.1 million in 2014/2015. Council has estimated a 3% increase annually for the FAG over the ten year period which is based on the Commonwealth's annual Consumer Price Index (CPI) estimates.

There are two other material operating grants received by Council annually. The operating grants received from the Roads and Maritime Services (RMS) for the Regional Roads Block Grant and Repair Program total \$1.5 million annually. The Federal Government program Roads to Recovery is classified as an operating grant and is used solely for capital works projects and programs. The Roads to Recovery is a 5 year program equivalent to \$840K per year for the life of the existing program. The program continues through until 2019 and will be reassessed by Federal Government at that time.

Council has assumed that all recurrent grants and contributions for operating purposes will also increase annually by a projection of 3.10%.

Capital Grants

Capital grants are by their nature highly variable from year to year depending on the need and community support for major capital works projects and the availability of capital grant programs to assist in funding major capital improvement projects.

Council's Delivery Program details the number one priority project is the reconstruction and sealing of the Crookwell to Taralga Road MR248E. Grant funding has been obtained from Transport NSW and the RMS Repair program to contribute towards completion of programmed works on MR248E by end of 2015. Upon completion of this project, capital funding for the 2015/2016 to 2018/2019 from RMS Repair program will be utilised for the MR52 Gundaroo to Gunning Road reconstruction.

Council has also made allowance in the LTFP in 2015/2016 for capital grant funding towards the replacement of the timber bridge over Abercrombie River on MR256 Taralga to Oberon Road at a cost of \$1.525 million.

A major project due for commencement in 2015/2016 is the new Crookwell Water Treatment Plant construction for the water supply schemes with a total project cost of \$7 million. Council is sourcing \$3 million funding from the Federal Government under the National Stronger Regions program and also \$3 million from the NSW State Government, through the Infrastructure NSW – Restart NSW program, with the remaining project funding from Council through new loan borrowings.

Grant funding has been secured from the State Government for the purpose of reconstructing sections of Grabine Road, which predominantly services the Wyangala Dam State Recreation Area. An amount of \$1.5 million will be received over 8 years with a matching contribution by Council for a total capital expenditure of \$3 million. A total expenditure of \$400,000 per annum has been included in the 2015/2016 and future years' budgets until the works are completed.

Council has projected an average increase in general fund capital grants income of 2.50% for the ten year period.

Development Contributions

The Upper Lachlan Local Environment Plan 2010 encourages development around the existing towns and potential growth centres in the Shire. Council development contributions will be impacted by any increased economic development and subdivision activities over the coming ten years. The population and industrial development growth expectations are categorised in the low to moderate range by Council in our long range forecasts.

Council has a Section 94 Development Contributions Plan that allows Council to collect contributions from developers where it is considered that additional demand will be placed on existing public facilities and amenities. Council's Plan contains the following development contributions; Roads, Open Space, Community Facilities, Waste Management, Emergency Services and Plan Administration. Council has projected an annual increase in development contributions of 2.40%, in line with CPI projections, for the ten year period.

Council has implemented a Section 94A Development Contributions Plan in 2012 and this plan is designed to collect contributions from developments of regional and state significant developments and energy, wind and power station developments. The affect of this Plan is unknown at this point in time and no detailed income projections are included in Council's long range forecasts.

Council has a Section 64 Development Contributions Plan for the Upper Lachlan Shire Council area for water supply and sewerage services. Council has projected an annual increase in Section 64 development contributions of 2.40%, in line with CPI projections, for the ten year period.

Net Gain from Disposal of Assets

Council has developed a detailed ten year motor vehicle, plant and equipment replacement program and has a Disposal of Assets Policy. The Council Delivery Program provides further detailed information on projected motor vehicle, plant and equipment replacement. There are no real estate assets classified as available for sale and no sales are planned over the ten year period. The annual increase % is variable and is subject to plant replacement schedule. There is no set % increase or decrease on the net gain from the disposal of assets.

User Charges and Fees

Council has numerous user charges and fees that are statutory fees determined by regulation or by another government agency, for example Development Application fees and Section 149 and Section 603 Certificate fees. In most cases there is no annual increase in these user charges and fees provided in the relevant legislation. Therefore, no increase is estimated in statutory fees.

For discretionary fees, the most material fees are for private works (contracted work) undertaken by Council on private properties. The Roads and Maritime Services (RMS) Routine Maintenance Council Contract (RMCC) and Works Orders on State Road MR54 are also a discretionary fee. For all discretionary fees an annual increase of 2.50% is projected over the next ten year period based on full cost recovery principles and profit component where applicable.

Other Revenues

Other Revenues are relatively immaterial in Council's operating budget these items include; property rental income, Agency fees (RMS Motor Registry and Australia Post Agency), fuel tax credits and other recoverable charges. An annual increase of 2.5% is projected over the next ten year period based on full cost recovery principles and profit component where applicable.

Population Growth

The Long Term Financial Plan takes into consideration any potential growth in population within the Upper Lachlan local government area.

The Community Strategic Plan and Delivery Program are informed by the Australian Bureau of Statistics (ABS) Census and the ABS National Regional Profile 2014 for population growth in Upper Lachlan. The ABS Estimated Resident Population for Upper Lachlan in 2014 was 7,761 which are a 2.10% increase (or 161 people) in 2013/2014. Council estimates a 2.30% population increase to 2017 and an increase of 1% annually onwards to 2019/2020.

The cost of Council's services is not particularly sensitive to population growth for the towns and villages within the Shire. At the projected increased population levels, the Long Term Financial Plan model assumes that the population growth will not have a significant impact on the income and expenditure projections contained therein.

Services Levels

Council will endeavour to continue maintaining the existing level of services for all the principal activities undertaken by Council as detailed in Councils Delivery Program and Operational Plan under each Community Strategic Plan Strategic Objective Area. Also, Council will meet the service levels in relation to infrastructure maintenance and renewal as detailed in the Infrastructure Plan and Asset Management Strategy.

The service levels delivered at present may not necessarily meet with the community expectations however Council is attempting to address the backlog of roads, bridges and associated infrastructure work in a planned and coordinated manner.

Other Economic Factors

There are a number of economic factors that may potentially adversely affect the long term financial projections and assumptions used by Council in formulating the current Long Term Financial Plan. These include the following items:-

Volatility in the Consumer Price Index

In recent years, the Consumer Price Index (CPI) has been relatively stable. The Federal Government and Reserve Bank of Australia target inflation range is currently between 2% to 3%. The Australian Bureau of Statistics reported that the eight capital cities weighted average CPI in December 2014 was 1.70%, in December 2013 was 2.70%, in December 2012 was 2.20%, in December 2011 was 3.10% and December 2010 was 2.70%.

Council's operating budget is particularly sensitive to changes in the CPI, particularly where prices for major consumption items such as transport and petroleum products increase in excess of the average CPI. Council has projected an annual CPI increase of 2.40% over the life of the Long Term Financial Plan.

Cost Shifting from Federal and State Governments

The issue of cost shifting is of significant concern to all NSW Councils. The estimated annual cost shift expense for Upper Lachlan in 2011/2012 was \$938,000 or equivalent to 4% of total Council income (excluding capital grants and contributions). The cost shift activities include Rural Fire Services, pensioner rates concessions, public libraries, noxious weeds control, animal control, and State Emergency Services (SES). If this situation is not addressed Council's financial position is weakened.



Detailed Expenditure Forecasts

Salaries and Wages

Upper Lachlan employs 133 full-time equivalent employees. The Workforce Plan identifies human resources key performance areas, goals and strategies and how they interact with Council's Strategic Objectives and Aspirations from the Community Strategic Plan to assist in delivering Council's programs. Council's single largest expense relates to employee costs.

Council reviews each position upon a vacancy and assesses the need for changes to a position or to the position parameters. Council does not anticipate any decrease in the number of employees. Council does have an ageing workforce and have allocated 38% of total leave entitlements to an internally restricted cash reserve for this purpose and budgets annually for projected staff retirements, based on an age profile, this is incorporated in the Council Operational Plan.

All staff members are employed by Council under the NSW Industrial Relations System. The employment terms and conditions are set out in the Local Government (State) Award 2014. The Award includes, in effect, provision for annual salary increases. The increases mandated are 2.6% from July 2014, 2.7% from July 2015, and 2.8% from July 2016 respectively. Historically, over the past 10 years, the average annual Award salary increase has been 3.25%.

Salary costs are also affected by individual staff progressing in Council's Salary Structure by achieving productivity and skill step improvements related to their grading and salary steps. Council provides a modest allowance for these additional impacts. Council has forecast an annual increase in total salaries and wages of 3.25% over the term of the Long Term Financial Plan.

Superannuation Guarantee Contribution

The Superannuation Guarantee is required to be paid by Council to nominated superannuation funds as employer contributions on behalf of individual employees. The Superannuation Guarantee was set at 9% of employee's salary for a long period, however the Federal Government announced the % contribution rate will increase from 9% to 12% by 1 July 2022. The incremental increases are set out below:-

Financial Year	Rate
2012/2013	9.00%
2013/2014	9.25%
2014/2015	9.50%
2015/2016	9.50%
2016/2017	9.50%
2017/2018	9.50%
2018/2019	10.00%
2019/2020	10.50%
2020/2021	11.00%
2021/2022	11.50%
Future years	12.00%

The Long Term Financial Plan assumes that the Superannuation Guarantee expense will increase by the increment amounts and also increase in line with forecast increases in salaries and wages.

SASS Defined Benefit Plan Contribution

Council is involved in an industry defined benefits superannuation scheme, known as the Local Government SASS Superannuation Retirement Scheme. This superannuation scheme is a multi-employer fund where assets accumulate in the fund to meet member's benefits as defined in a Trust Deed consisting of all NSW Councils.

In 2009, the SASS scheme advised that as a result of the global financial crisis it had a significant deficiency of assets over liabilities. As a result the Scheme has imposed increased contributions from 2009/2010 for a period of up to 10 years to recover the deficit. SASS has confirmed to Council that the increased contribution will remain in place until 30 June 2018. Council has 36 employee members, and the total employer contribution expense in 2013/2014 was \$487,685.

The SASS scheme actuary monitors the financial position each year, however despite there being a minor recovery in the financial markets since the global financial crisis; there still exists a deficit in the scheme of at 30 June 2014 of which Council's liability is estimated to be \$734,064.

Workers Compensation

Council's Workers Compensation Insurance premium is a significant employee expenditure oncost. The premium is calculated based on 3 years of workers compensation claims experience, estimated increases in salaries and wages and various multiplier factors used by StateCover Mutual. Workers Compensation insurance costs peaked in 2012/2013 at \$548,267, in 2013/2014 premium costs were \$300,883 and estimate cost in 2014/2015 is \$196,462, which is a significant decrease from previous years.

It is extremely difficult to calculate an appropriate inflationary index to forecast likely future Workers Compensation premiums. The Long Term Financial Plan estimates a 3% increase annually over the next 10 years. It is anticipated that based on the improvement in claims experience, injury prevention methods and changes to NSW legislation that large increases will not eventuate going forward into the future. Implementation of an effective return to work and rehabilitation program has assisted Council in reducing the amount of workers lost time due to injury.

Interest Rate for Borrowings

Council has a Loans/Borrowings Policy that details the objectives and criteria for external funding programs. Council will not borrow to finance annual operating and maintenance activities. Council will borrow for the acquisition of income producing assets or for asset renewal and upgrade programs. All Council loans are for fixed term periods and fixed interest rates to reduce the risk of exposure to variable repayment amounts.

Council has further capacity to borrow within the General Fund. The current General Fund debt service ratio is 1.36% as at 30 June 2014. Also, there are future borrowings forecast in the General Fund for the replacement of timber bridges commencing from 2016/2017 in the LTFFP. Council anticipates \$3.9 million total general fund borrowings for the entire 10 year period.

There is a \$1 million Water Fund external loan programmed to be taken out in 2015/2016 to fund Council's contribution to the Crookwell Water Supply Treatment Plant construction project.

Any future upward movement in the official cash rate by the Australian Reserve Bank (current cash rate is at 2.25%) has the potential to increase the borrowing interest rates available from financial institutions for any new loans taken out.

The current borrowing rates from financial institutions for loans covering a ten year period are in the vicinity of 5.50%. However, Council's Long Term Financial Plan estimates an average interest rate of 6.50% for any new borrowings to 2025.

Consumer Price Index

See comments in economic factors outlined earlier titled "Volatility in Consumer Price Index". The annual CPI is estimated at 2.40% annually for 10 years in Council's Long Term Financial Plan.

Depreciation Expense

Depreciation of Council's major infrastructure assets is determined within their respective asset management strategies and this is reflected in the Long Term Financial Plan. Council's Infrastructure Plan, including the Asset Management Strategy, details the useful lives and depreciation periods for each class of asset.

The depreciation expense is calculated using the straight line method to allocate their cost over their estimated useful lives. All assets classes are re-valued at "fair value" every 5 years.

As at 30 June 2014, Council has completed the asset valuations at "fair value" for all asset classes; this entails water supply, sewerage, land, buildings, stormwater, plant and equipment and roads, bridges and footpaths. The revaluation cycle has recommenced with water and sewerage assets being re-valued as at 30/06/2012 and land, buildings and plant and equipment were completed by 30 June 2014. Council's total depreciation expense in 2013/2014 was \$5.2 million. Total depreciation projected in 2014/2015 is \$5.5 million following the completion of Taralga water supply and Gunning and Dalton water supply major capital improvement projects / asset additions.

In calculating depreciation an annual provision for revaluation and recurrent depreciation expense increase of 1.90% has been included in the Long Term Financial Plan over the entire ten year period. This is based on recent assets revaluation data.

Other Expenses

The Long Term Financial Plan estimates a 3% increase annually to 2025 for all other expenses, excluding Insurances expenses. Other Expenses includes Councillors Allowances, electricity and gas, street lighting, printing and stationary, valuation fees, telephones and communications expenses. The increase is largely based on historical data in relation to these expenses.

Council projections are also based on our contract with Telstra Countrywide for telephony, mobile telephones, and internet and Wide Area Network (WAN) services. Also, increases in Councillor Allowances are determined by the Local Government Remuneration Tribunal annually and for past two years there has been a 2.5% annual increase.

Insurances

Insurance expenses are the single largest expense categorised as an Other Expense. The annual insurance cost is \$600,000. The insurance expense is projected to increase annually by 5% over the next ten year period. This projection is based in part on historical data and claims history.

The significant increase in natural disaster events and severity of property damages in the past five years highlights the potential for increased property protection claims. In Upper Lachlan Shire Council there has been significant recent property damage and motor vehicle damage claims from a hail damage incident in 2009, and a recent public liability case relating to a trip fall incident.

Also, factored into the 5% increase is annual updating of Council's buildings and contents declared insurance valuations. These valuations generally increase which in turn leads to higher insurance premiums as building replacement valuations continue to escalate.

Electricity and Gas

Electricity and Gas price increases were a focal point of Federal Government debate surrounding carbon taxes and meeting carbon credit targets and timeframes. The Coalition Federal Government abolished the carbon tax in 2014 which in turn has led to a reduction in electricity expense on an average user account by 7%.

In 2014/2015 the increase in electricity costs as determined by the Independent Pricing and Regulatory Tribunal (IPART) was a price increase of 2.50%. Analyst projections of future electricity costs vary, however Council has estimated an average annual increase of 2.40% over the next ten year period.

Emergency Management Contributions

Emergency Management Contributions are imposed on local Councils by the NSW State Government to assist with funding the Rural Fire Service (RFS), NSW Fire Brigades and State Emergency Services (SES). The contributions are a significant Other Expense item for Council with an annual contribution of \$345,650 in 2014/2015. The projected increase for these contributions is 3% annually over the next ten year period.

Materials and Contracts

For the ten years to 2025, the Long Term Financial Plan estimates a 4% increase annually in Materials and Contracts expense. The increase projected for total materials and contracts expense is above the projected CPI due to specific purpose Council operations related to gravel pits, rubbish tips, waste centres, fuels, parks and gardens maintenance activities where costs are significantly higher than CPI.

Private works activities will fluctuate from year to year based on private development projects within the Shire. Council anticipates the construction commencement, for State Government approved wind farm developments and gas fired developments, in the next five year period. Council anticipates one significant private works each year, to be undertaken by Council under a contract arrangement in a five year period. Council does utilise a mix of Council employees and contracted plant hire operators and equipment when undertaking private works.

Also, Council has contract arrangements related to the maintenance of State Road MR54, Goulburn to Crookwell to Bathurst Road. This Routine Maintenance Council Contract (RMCC) is with the Roads and Maritime Services (RMS). The budget forward estimate is for \$2 million expense each year under the RMCC contract and Works Orders in the LTFP.

There are no significant (greater than \$50,000) legal costs projected by Council related to planning and development legal costs.

Major Capital Works Projects

The number and type of major capital works expenditure programs will depend upon a variety of factors not least of which is external funding arrangements. There is a \$7 million capital project of the Crookwell Water Supply Treatment Plant upgrade which is a significant capital works project in the Infrastructure Plan on a scale comparable to the Taralga sewer scheme construction completed in 2012.

The roads and bridges infrastructure maintenance and asset renewal is the largest challenge facing the Council in the medium to long term. Council is committed to local road capital improvements, especially in allocating additional resources to gravel resheeting programs.

Council has committed the majority of funding allocation of \$840,000 (\$640,000) of the Federal Government Roads to Recovery Program to gravel resheeting of the local road network. The remaining \$200,000 this funding has been allocated to the improvement and reconstruction of sections of Grabine Road. Local weather and environment factors continue to exacerbate the deterioration of gravel surfaces on local roads. Council intervention is continually necessary to restore and improve road surfaces.

Council's Delivery Program details our number one priority project is the reconstruction and bitumen sealing of the entire 2.5 kilometres remaining of the Crookwell to Taralga Road MR248E. Council has secured additional grant funding from Transport NSW of \$361,000 in 2014/2015. Council has committed \$919,000 in 2014/2015 to complete the reconstruction and bitumen sealing for the Taralga Road improvement program. The project will be completed in late 2015.

Council, in the Delivery Program, has listened to the community and has outlined their intention to investigate provision of new recreational buildings and facilities, such as skate parks in Crookwell and Gunning, and the Goulburn to Crookwell rail trail project. Council will only proceed with these projects if there is a strong business case supporting their development and there are minimal capital construction costs to be borne by Council.

Council's annual capital expenditure program from 2015 to 2025 will range from \$8 million to \$12 million per annum.



Taralga Road MR248E construction

Methods of Monitoring Financial Performance

The financial sustainability of local government has been the subject of various independent reviews, the latest review being the Treasury Corporation report in 2013.

The Long Term Financial Plan opens the way for Council to address issues such as constraints on revenue growth (such as rate capping), ageing infrastructure, ageing population, legislative change and cost shifting and, in consultation with the community, set funding priorities and service levels that set Council on a path to a more sustainable future.

Council will annually monitor, report, and assess its financial performance using the following measures:-

Performance Measures	Performance Indicator
• Unrestricted Current Ratio of Assets to Liabilities	>2:1
• Net Operating Result (Operating Performance Ratio)	Achieve operating surplus annually
• Consolidated Debt Service Ratio for all Funds	<=10% of Operating Revenue
• Rates and Annual Charges Outstanding Ratio	<5%
• Own Source Revenue Ratio	>60%
• Building and Infrastructure Asset Renewal Ratio	>1:1
• Total Unrestricted Cash Reserves (Minimum)	>\$500,000 at financial year end
• Employee Leave Entitlements Cash Reserve	>=33% of total liability
• Working Capital Result	Surplus maintained annually
• Each Fund (Water Supply, Sewerage and DWM)	Full cost recovery and annual operating surplus
• Completion of Capital Budget	>=80% completion rate each year
• Budget Revote works carryovers	<2% of original operating budget
• Investment Returns	>90 day BBSW Rate
• Utilisation of Section 94 Development Plans funds	Minimum \$250,000 annual expenditure

In addition to the above mentioned performance measures, Upper Lachlan Shire Council will continue to use local government financial and governance health check benchmarks and other appropriate efficiency indicators in measuring Council's long term financial sustainability.

Upper Lachlan Shire Council will not borrow to fund ongoing operating expenditure requirements and will not borrow for the acquisition of non income producing assets. Council has further capacity to borrow within the General Fund, however Council has 19 timber bridges on local roads which will need to be replaced and / or upgraded within the next 30 years. Council Works and Operations Department have completed the asset condition assessment for fair valuation for this asset class and has developed a bridge replacement program which will be implemented into the Long Term Financial Plan and asset management strategy.

Sensitivity Analysis

Long term financial planning is inherently uncertain. This Long Term Financial Plan is based on a range of principles and key assumptions to forecast Council's income and expenditure for the 10 years of the Plan. Variations in these assumptions over the life of the Plan may have a significant impact on the projections in the Plan.

The Long Term Financial Plan assumes the continuation of all current operational grants and subsidies. Council does have a strong reliance on grants and subsidies and any withdrawal of a grant or subsidy would require Council to reconsider the forecast service levels of expenditure and potentially review staffing levels.

Ultimately, any variations to the underlying assumptions will impact on income and expenditure forecasts. Using a reliable basis for the assumptions should minimise the potential for significant material variations. Council has used the most recent publicly available and reliable information from a variety of sources in formulating the forecasts used in the Long Term Financial Plan model.

A major variable to the Long Term Financial Plan process is the projected capital expenditure and income required for future asset renewals and new asset and infrastructure projects. A number of Council projects are significantly dependent on matching or full grant funding for a project to proceed. Also, the change in Council direction or changes in Council strategic objectives is a possibility with an election cycle of four years.

The table below summarises the Long Term Financial Plan's sensitivity to operational activities variations from the various underlying key assumptions:-

Income and Expenditure Categories	2015/2016 Base Year (Rounded \$'000)	Likelihood of Variation	Sensitivity to 5% variation in the key assumptions (Rounded \$'000)
Income	\$25,735	variation	\$1,287
Rates and Annual Charges	\$10,047	Unlikely	+ / - \$503
User Charges and Fees	\$6,125	Possible	+ / - \$306
Operating Grants	\$8,164	Possible	+ / - \$408
Interest and Investments	\$566	Unlikely	+ / - \$28
Other Income	\$833	Possible	+ / - \$42
Expenditure	\$24,283	variation	\$1,214
Employee Benefits and Oncosts	\$9,446	Unlikely	+ / - \$472
Materials and Contracts	\$5,740	Possible	+ / - \$287
Borrowing Costs	\$247	Unlikely	+ / - \$12
Depreciation	\$5,413	Unlikely	+ / - \$271
Other Expenses	\$3,437	Unlikely	+ / - \$172

The Sensitivity Analysis above indicates Council's financial exposure to changes in the underlying assumptions. The 2015/2016 base year for projecting operating income and expenditure is sound and has been developed over several budget preparation cycles. In the context of the Long Term Financial Plan the projections are considered to be reliable estimates.

Projections of capital expenditure are based on the Upper Lachlan Shire Council Infrastructure Plan. This Plan identifies an optimal level of service delivery based on an assets age profile and condition assessment. These projections will be accurate in the context of the assumed service and asset intervention levels identified in the Infrastructure Plan.

Conclusion

The Long Term Financial Plan has confirmed that these are changing and financial challenging times. In spite of these challenges, Upper Lachlan Shire Council has prepared a 10 year analysis projections of a Net Operating Surplus, before capital grants and contributions, for the entire period to 2025. However, Council will continue to monitor all business units and functional cost centres to try to achieve efficiencies and productivity improvements.

Council has completed the revaluation of assets at fair valuation for all the following asset classes; operational land, buildings, property, plant and equipment, office equipment, stormwater, roads, bridges, footpaths, water supply, and sewerage assets. Since the revaluation of assets Council now recognises an additional annual amount of \$250,000 for building depreciation expense and has recognised an additional \$550,000 annually for roads and bridges depreciation expense. Large infrastructure capital works projects were completed in 2012 to 2014; including the Taralga Sewer Scheme (\$6.9 million) and Taralga Water Supply Upgrade (\$1.9), and a major upgrade of the Gunning Water Supply infrastructure (\$10.8 million). These major projects will result in significant increases in depreciation expense for future years, commencing in the Water Fund from 2014/2015. The increase in depreciation expense shows the challenge Council will have in funding asset renewal programs into the future.

Further obligations imposed upon Councils (cost shifts) by other tiers of government continue to have negative impacts upon Councils' Long Term Financial Plan modelling and financial position. The Local Government and Shires Association have demonstrated that the impact of cost shifting upon NSW Councils equates to 4% (or \$938,000) of total income before capital amounts for Council each year. The Long Term Financial Plan model projects overall Council expenses to continue to increase faster than revenue. The outcome from this analysis will have a negative impact on Council's financial position and may adversely affect the level of services that may be provided to our community.

Consideration by Council of a special rates variation application by 2019/2020 may be necessary to maintain the existing standard of services to the Shire community. In particular, additional revenue source from a special rates variation would assist in funding the backlog of gravel resheeting and asset renewal programs for the Council's unsealed local road network.

The Long Term Financial Plan does not incorporate any new services or new buildings to be constructed and provided by Council to the community in the next ten year period.

While grant funding from the other tiers of government is available from time to time this additional funding source has not been included in the Long Term Financial Plan as these sources are irregular and largely unpredictable. However, Council continues to endeavour to apply for and maximise access to State and Federal grants through our Grants Officer.

The Long Term Financial Plan clearly illustrates the need for constitutional recognition of local government to pave the way for additional direct funding from the Federal Government.

Also, the Independent Review Panel Report "Revitalising Local Government" released in 2013 recommends that the methodology for distribution of Financial Assistance Grants be amended. This recommendation if implemented will be large step in the right direction to allow Council's to achieve financial sustainability.

Financial Modelling Scenario

The Long Term Financial Plan has outlined a financial model for a Base Case Scenario.

Base Case Scenario

The Base Case Scenario is the Status Quo operating model which has depicted the operating surplus result for base year 2015/2016 and the entire 10 year period and projects forward based on all the assumptions outlined on Pages 14 to 25 of this document. The capital expenditure program and cash flow statement in this Scenario are heavily influenced by the capital grants and contributions budgeted to be received in years one to four of the Long Term Financial Plan.

The Base Case Scenario capital works expenditure program is anticipated to deliver significant improvements to Council infrastructure in particular roads and timber bridge replacements, water treatment and storage facilities upgrades for future security and improved potable water quality, lower ongoing operating and maintenance costs.

Council will continue to deliver the same services based on the principal activities as outlined in Council's Integrated Planning and Reporting documents. The variable component will be the capital expenditure and capital grants program.

Council will continue to annually review the Long Term Financial Plan and key assumptions contained therein to ensure validity and currency of long term forward projections.

(The Long Term Financial Plan statements for this scenario are rounded to whole dollars and whole percentages and this means there are minor immaterial rounding balance errors to the Operational Plan budget. Also, there are assumptions in the cash flow statement for variable % of receipts related to prior year charges and receivables.)



Upper Lachlan Shire Council
 10 Year Financial Plan for the Years ending 30 June 2025
 HISTORICAL INFORMATION - CONSOLIDATED
 Scenario: Base Case

	2013/14	2012/13	2011/12	2010/11
	\$'000	\$'000	\$'000	\$'000
Income Statement				
Income from Continuing Operations				
Revenue:				
Rates & Annual Charges	9,244	8,815	8,408	8,067
User Charges & Fees	7,802	5,937	5,885	3,843
Interest & Investment Revenue	729	893	740	872
Other Revenues	465	447	368	433
Grants & Contributions provided for Operating Purposes	6,034	9,735	10,376	8,196
Grants & Contributions provided for Capital Purposes	7,711	4,663	2,745	3,357
Other Income:				
Net Gains from the Disposal of Assets	-	89	170	83
Joint Ventures & Associated Entities - Gain	-	-	21	1
Total Income from Continuing Operations	31,985	30,579	28,713	24,852
Expenses from Continuing Operations				
Employee Benefits & On-Costs	8,573	8,662	8,653	9,091
Borrowing Costs	256	260	309	334
Materials & Contracts	6,430	6,742	7,227	4,793
Depreciation & Amortisation	5,155	4,991	5,043	4,673
Impairment	-	-	-	-
Other Expenses	2,356	2,710	2,288	2,139
Interest & Investment Losses	-	-	-	-
Net Losses from the Disposal of Assets	92	-	-	28
Joint Ventures & Associated Entities - Loss	-	201	-	-
Total Expenses from Continuing Operations	22,862	23,566	23,520	21,058
Operating Result from Continuing Operations	9,123	7,013	5,193	3,794
Discontinued Operations - Profit/(Loss)	-	-	-	-
Net Profit/(Loss) from Discontinued Operations	-	-	-	-
Net Operating Result for the Year	9,123	7,013	5,193	3,794
Net Operating Result before Grants and Contributions provided for Capital Purposes	1,412	2,350	2,448	437

Upper Lachlan Shire Council
 10 Year Financial Plan for the Years ending 30 June 2025
 HISTORICAL INFORMATION - CONSOLIDATED
 Scenario: Base Case

	2013/14 \$'000	2012/13 \$'000	2011/12 \$'000	2010/11 \$'000
Balance Sheet				
ASSETS				
Current Assets				
Cash & Cash Equivalents	8,266	6,778	1,719	4,813
Investments	10,100	10,300	13,442	6,478
Receivables	1,726	3,539	1,747	1,912
Inventories	1,364	1,043	1,259	959
Other	89	342	316	297
Non-current assets classified as "held for sale"	-	-	-	-
Total Current Assets	21,545	22,002	18,483	14,459
Non-Current Assets				
Investments	-	-	-	859
Receivables	64	461	452	59
Inventories	-	-	-	-
Infrastructure, Property, Plant & Equipment	414,556	395,941	391,265	394,573
Investments Accounted for using the equity method	-	-	201	180
Investment Property	-	-	-	-
Intangible Assets	-	-	-	-
Non-current assets classified as "held for sale"	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	414,620	396,402	391,918	395,671
TOTAL ASSETS	436,165	418,404	410,401	410,130
LIABILITIES				
Current Liabilities				
Payables	1,346	1,580	1,426	1,667
Borrowings	220	204	188	1,499
Provisions	3,583	3,543	3,105	2,737
Liabilities associated with assets classified as "held for sale"	-	-	-	-
Total Current Liabilities	5,149	5,327	4,719	5,903
Non-Current Liabilities				
Payables	-	-	-	-
Borrowings	2,585	2,805	3,020	2,362
Provisions	766	737	677	350
Investments Accounted for using the equity method	-	-	-	-
Liabilities associated with assets classified as "held for sale"	-	-	-	-
Total Non-Current Liabilities	3,351	3,542	3,697	2,712
TOTAL LIABILITIES	8,500	8,869	8,416	8,615
Net Assets	427,665	409,535	401,985	401,515

Upper Lachlan Shire Council
 10 Year Financial Plan for the Years ending 30 June 2025
HISTORICAL INFORMATION - CONSOLIDATED
 Scenario: Base Case

EQUITY

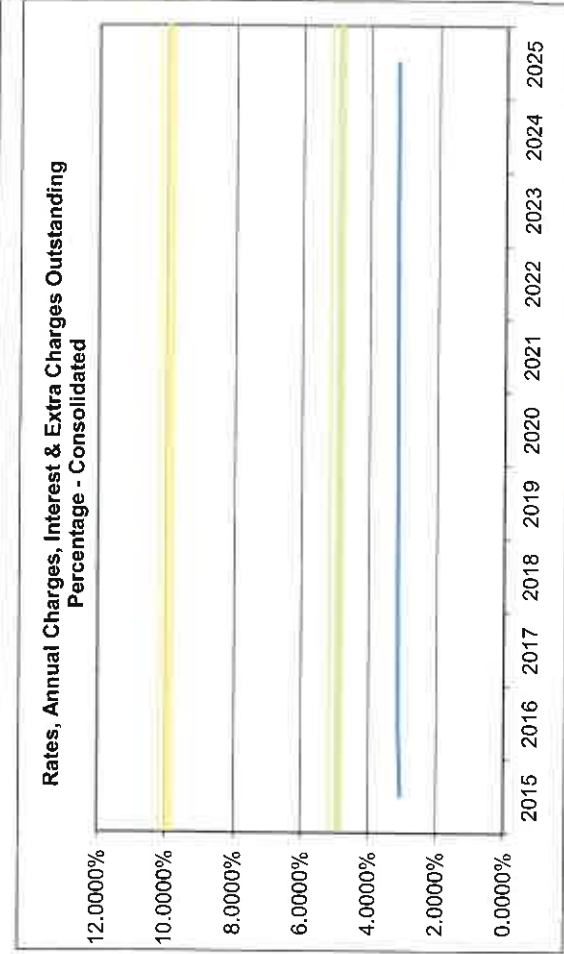
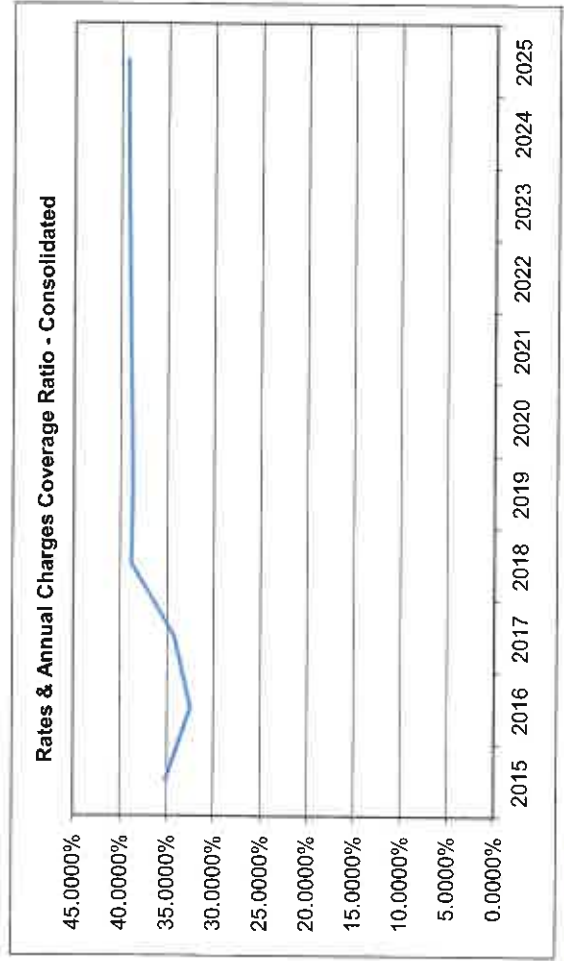
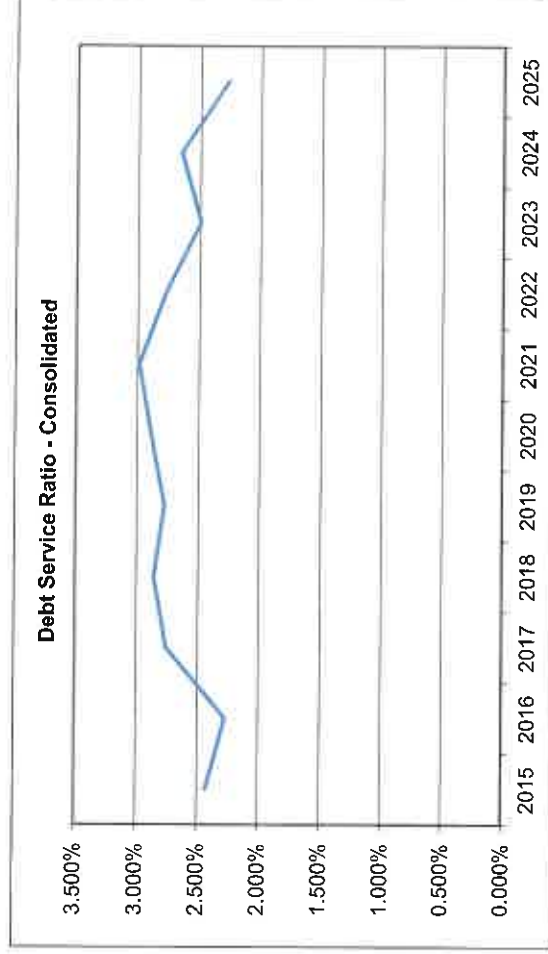
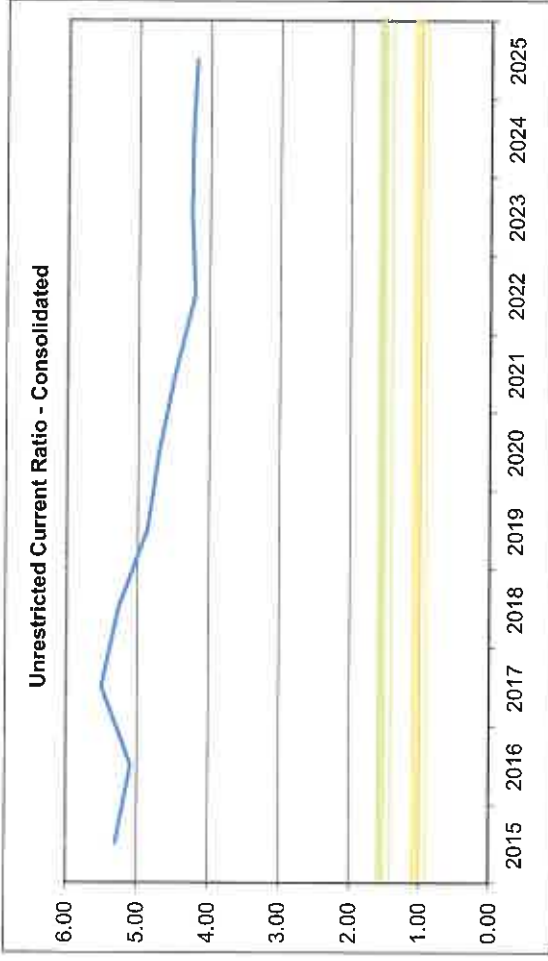
Retained Earnings
 Revaluation Reserves
 Council Equity Interest
 Minority Equity Interest
Total Equity

	2013/14	2012/13	2011/12	2010/11
	\$'000	\$'000	\$'000	\$'000

Retained Earnings	270,225	261,102	253,888	248,716
Revaluation Reserves	157,440	148,433	147,896	152,619
Council Equity Interest	427,665	409,535	401,784	401,335
Minority Equity Interest	-	-	201	180
Total Equity	427,665	409,535	401,985	401,515

**Upper Lachlan Shire Council
10 Year Financial Plan for the Years ending 30 June 2025
CHARTS - ALL FUNDS (CONSOLIDATED)
Scenario: Base Case**

Old Note 13 Ratios Charts



Minimum Amber Minimum Green Maximum Green Maximum Amber

Upper Lachlan Shire Council
10 Year Financial Plan for the Years ending 30 June 2025
INCOME STATEMENT - CONSOLIDATED
Scenario: Base Case

	Actuals		Projected Years									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income from Continuing Operations												
Revenue:												
Rates & Annual Charges	9,244	9,711	10,047	10,370	10,704	11,049	11,406	11,776	12,158	12,553	12,961	13,384
User Charges & Fees	7,802	5,555	6,125	6,303	6,487	6,677	6,874	7,076	7,286	7,502	7,725	7,955
Interest & Investment Revenue	729	582	566	577	588	599	610	621	633	645	657	670
Other Revenues	485	778	883	802	822	843	864	886	908	930	954	977
Grants & Contributions provided for Operating Purposes	6,034	7,060	8,164	7,525	7,732	7,946	8,192	8,419	8,653	8,895	9,165	9,470
Grants & Contributions provided for Capital Purposes	7,711	3,875	5,151	4,606	1,184	1,371	1,381	1,398	1,416	1,434	1,452	1,471
Other Income:												
Net gains from the disposal of assets	45	63	51	53	55	57	59	61	64	66	69	72
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-	-	-
Total Income from Continuing Operations	32,030	27,603	30,886	30,236	27,572	28,542	29,386	30,238	31,117	32,025	32,983	34,000
Expenses from Continuing Operations												
Employee Benefits & On-Costs	8,573	9,032	9,446	9,704	9,971	9,995	10,294	10,601	10,919	11,246	11,563	11,930
Borrowing Costs	256	314	246	279	275	249	248	242	210	208	207	177
Materials & Contracts	6,430	5,361	5,740	5,970	6,209	6,457	6,715	6,984	7,263	7,554	7,856	8,170
Depreciation & Amortisation	5,155	5,568	5,413	5,586	5,702	5,812	5,941	6,052	6,234	6,352	6,474	6,614
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	2,356	3,205	3,437	3,539	3,645	3,753	3,866	3,982	4,103	4,227	4,356	4,489
Interest & Investment Losses	-	-	-	-	-	-	-	-	-	-	-	-
Net Losses from the Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	137	-	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	22,907	23,480	24,283	25,079	25,800	26,268	27,064	27,861	28,728	29,587	30,477	31,381
Operating Result from Continuing Operations	9,123	4,123	6,603	5,157	1,772	2,274	2,322	2,376	2,389	2,438	2,506	2,618
Discontinued Operations - Profit/(Loss)	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit/(Loss) from Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-
Net Operating Result for the Year	9,123	4,123	6,603	5,157	1,772	2,274	2,322	2,376	2,389	2,438	2,506	2,618
Net Operating Result before Grants and Contributions provided for Capital Purposes	1,412	248	1,452	551	588	903	941	978	973	1,004	1,054	1,148

Upper Lachlan Shire Council
10 Year Financial Plan for the Years ending 30 June 2025
BALANCE SHEET - CONSOLIDATED
Scenario: Base Case

	Actuals		Projected Years									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS												
Current Assets												
Cash & Cash Equivalents	8,266	9,782	10,730	11,252	12,133	12,400	12,585	13,228	13,808	15,003	15,642	16,402
Investments	10,100	9,135	9,135	10,068	10,068	10,068	11,002	11,002	11,002	11,936	11,936	11,936
Receivables	1,726	1,327	1,437	1,483	1,528	1,572	1,622	1,670	1,720	1,778	1,831	1,887
Inventories	1,364	1,059	1,142	1,187	1,235	1,284	1,336	1,369	1,445	1,503	1,563	1,625
Other	89	85	93	96	100	103	107	111	115	119	124	128
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	21,545	21,388	22,536	24,087	25,064	25,428	26,651	27,401	28,080	30,339	31,096	31,977
Non-Current Assets												
Investments	-	387	387	453	453	453	519	519	519	586	586	586
Receivables	64	68	73	76	78	81	84	87	90	93	97	100
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	414,556	419,311	428,214	433,027	433,874	436,367	438,386	442,620	444,260	445,882	448,055	449,791
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Investment Property	-	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	414,620	419,766	428,674	433,555	434,405	436,901	438,989	443,227	444,870	446,561	448,737	450,476
TOTAL ASSETS	436,165	441,154	451,210	457,642	459,469	462,329	465,640	470,627	472,960	476,900	479,833	482,454
LIABILITIES												
Current Liabilities												
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-	-
Payables	1,346	1,552	1,666	1,462	1,508	1,555	1,603	1,654	1,707	1,761	1,818	1,877
Borrowings	220	238	326	427	452	479	555	555	465	589	513	388
Provisions	3,583	3,833	4,043	4,258	4,478	4,704	4,935	5,171	5,413	5,661	5,915	6,175
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	5,149	5,623	6,037	6,148	6,438	6,738	7,093	7,380	7,585	7,991	8,246	8,440
Non-Current Liabilities												
Payables	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	2,585	2,347	2,979	3,893	3,440	2,961	3,383	2,828	2,363	3,256	2,742	2,354
Provisions	766	796	826	871	912	952	993	1,033	1,074	1,114	1,155	1,195
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	3,351	3,142	3,805	4,764	4,352	3,913	4,376	3,862	3,437	4,370	3,897	3,550
TOTAL LIABILITIES	8,500	8,765	9,841	10,912	10,790	10,651	11,469	11,242	11,022	12,361	12,143	11,989
Net Assets	427,665	432,389	441,369	446,730	448,678	451,678	454,171	459,386	461,938	464,539	467,690	470,464
EQUITY												
Retained Earnings	270,225	274,348	280,951	286,108	287,880	290,155	292,477	294,853	297,242	299,680	302,187	304,805
Revaluation Reserves	157,440	158,041	160,417	160,622	160,798	161,523	161,694	164,532	164,696	164,858	165,503	165,659
Council Equity Interest	427,665	432,389	441,369	446,730	448,678	451,678	454,171	459,386	461,938	464,539	467,690	470,464
Minority Equity Interest	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity	427,665	432,389	441,369	446,730	448,678	451,678	454,171	459,386	461,938	464,539	467,690	470,464

Upper Lachlan Shire Council
10 Year Financial Plan for the Years ending 30 June 2025
EQUITY STATEMENT - CONSOLIDATED
Scenario: Base Case

	Actuals	Current Year	Projected Years									
	2013/14 \$'000	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000
Opening Balance	409,535	427,665	432,389	441,369	446,730	448,678	451,678	454,171	459,386	461,938	464,539	467,690
a. Current Year Income & Expenses Recognised direct to Equity												
- Transfers to/(from) Asset Revaluation Reserve	9,007	601	2,377	205	176	725	171	2,839	164	162	644	156
- Transfers to/(from) Other Reserves	-	-	-	-	-	-	-	-	-	-	-	-
- Other Income/Expenses recognised	-	-	-	-	-	-	-	-	-	-	-	-
- Other Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Net Income Recognised Directly in Equity	9,007	601	2,377	205	176	725	171	2,839	164	162	644	156
b. Net Operating Result for the Year	9,123	4,123	6,603	5,157	1,772	2,274	2,322	2,376	2,389	2,438	2,506	2,618
Total Recognised Income & Expenses (c&d)	18,130	4,724	8,980	5,362	1,948	2,999	2,493	5,215	2,553	2,600	3,151	2,775
c. Distributions to/(Contributions from) Minority Interests	-	-	-	-	-	-	-	-	-	-	-	-
d. Transfers between Equity	-	-	-	-	-	-	-	-	-	-	-	-
Equity - Balance at end of the reporting period	427,665	432,389	441,369	446,730	448,678	451,678	454,171	459,386	461,938	464,539	467,690	470,464

Upper Lachlan Shire Council
10 Year Financial Plan for the Years ending 30 June 2025
CASH FLOW STATEMENT - CONSOLIDATED
Scenario: Base Case

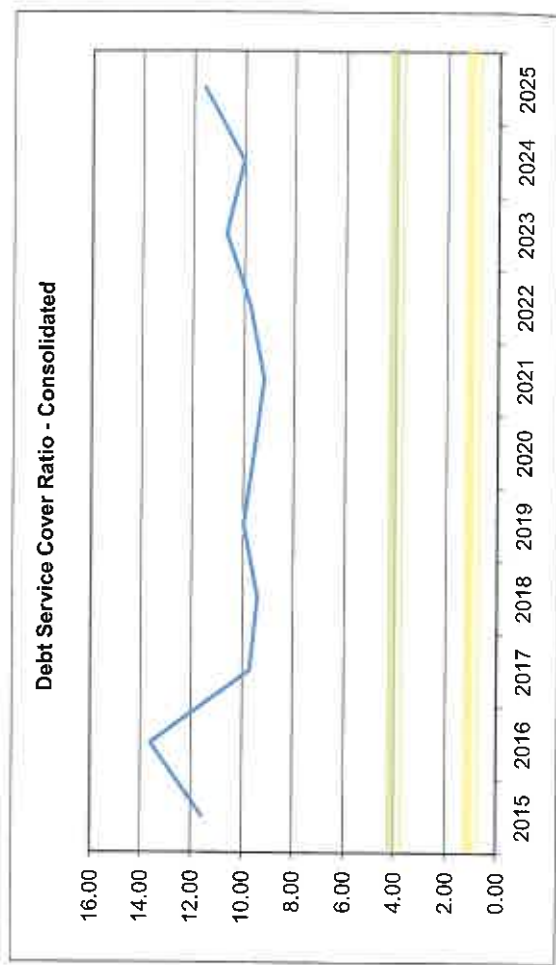
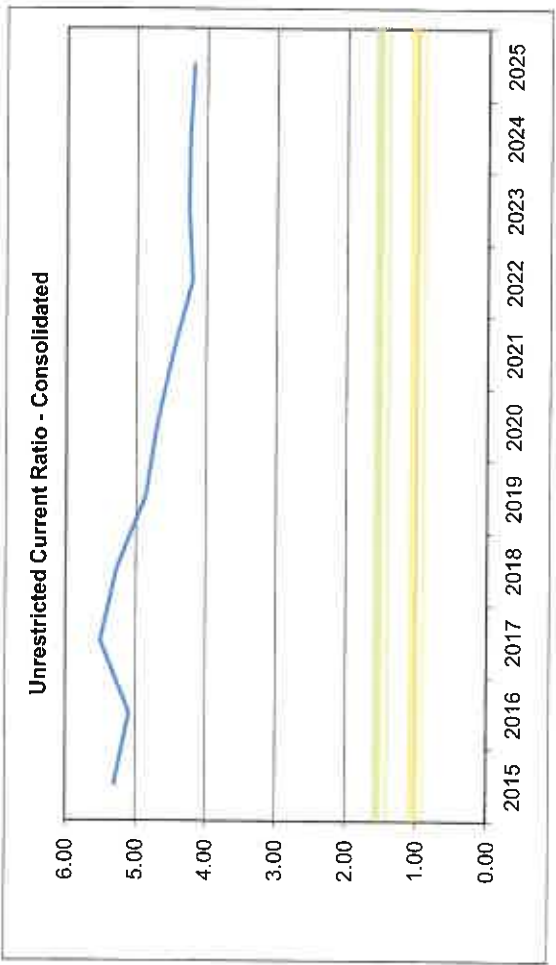
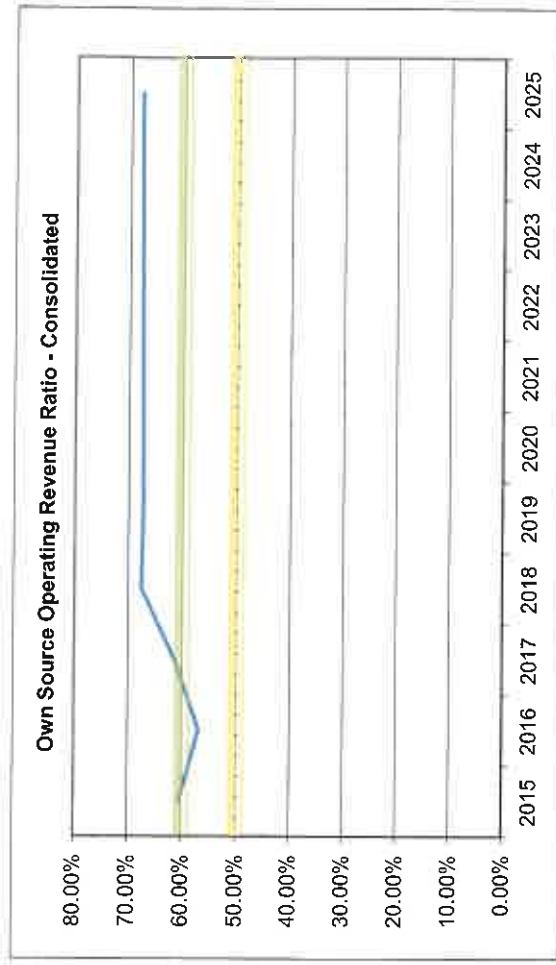
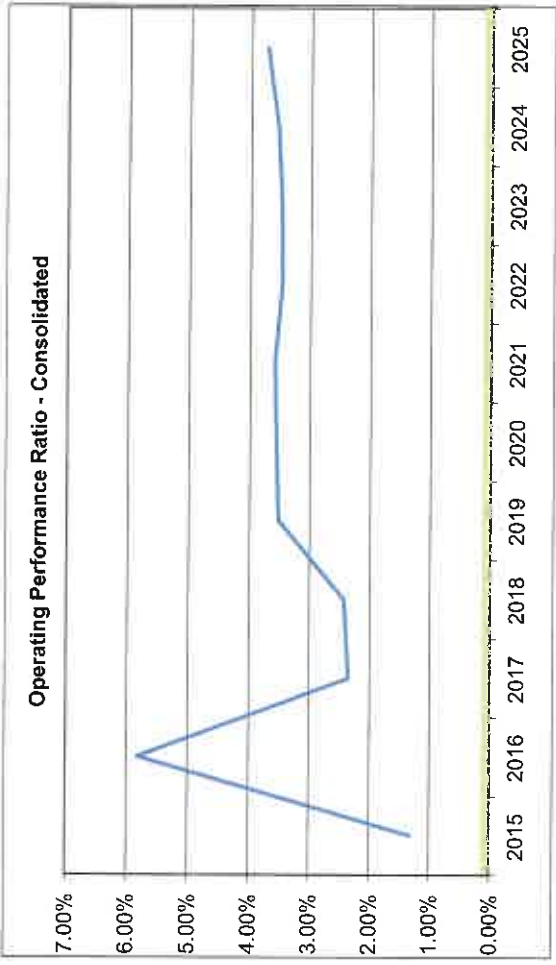
	Actuals		Current Year		Projected Years									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Cash Flows from Operating Activities														
Receipts:														
Rates & Annual Charges	9,236	9,710	10,029	10,359	10,693	11,038	11,394	11,763	12,145	12,539	12,948	13,370		
User Charges & Fees	10,623	5,831	6,034	6,269	6,452	6,641	6,836	7,037	7,245	7,459	7,681	7,910		
Interest & Investment Revenue Received	701	678	563	573	587	601	608	622	634	640	659	672		
Grants & Contributions	14,553	10,935	13,315	12,131	8,917	9,317	9,573	9,817	10,069	10,329	10,617	10,941		
Bonds & Deposits Received	25	-	-	-	-	-	-	-	-	-	-	-		
Other	1,235	781	761	802	822	842	863	885	907	930	953	977		
Payments:														
Employee Benefits & On-Costs	(6,547)	(8,791)	(9,215)	(9,738)	(9,750)	(9,770)	(10,063)	(10,365)	(10,676)	(10,998)	(11,329)	(11,670)		
Materials & Contracts	(7,646)	(4,847)	(5,735)	(5,975)	(6,214)	(6,463)	(6,722)	(6,951)	(7,270)	(7,564)	(7,864)	(8,178)		
Borrowing Costs	(227)	(285)	(216)	(233)	(234)	(209)	(207)	(201)	(189)	(168)	(167)	(137)		
Bonds & Deposits Refunded	(3,606)	(3,205)	(3,437)	(3,539)	(3,645)	(3,753)	(3,866)	(3,982)	(4,103)	(4,227)	(4,356)	(4,489)		
Other	-	-	-	-	-	-	-	-	-	-	-	-		
Net Cash provided (or used in) Operating Activities	16,347	10,817	12,117	10,648	7,627	8,243	8,417	8,585	8,781	8,944	9,142	9,394		
Cash Flows from Investing Activities														
Receipts:														
Sale of Investment Securities	9,900	579	-	-	-	-	-	-	-	-	-	-		
Sale of Investment Property	-	-	-	-	-	-	-	-	-	-	-	-		
Sale of Real Estate Assets	-	-	-	-	-	-	-	-	-	-	-	-		
Sale of Infrastructure, Property, Plant & Equipment	247	-	322	330	338	346	354	363	371	380	389	399		
Sale of Interests in Joint Ventures & Associates	-	-	-	-	-	-	-	-	-	-	-	-		
Sale of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-		
Deferred Debtors Receipts	-	-	-	-	-	-	-	-	-	-	-	-		
Sale of Disposal Groups	-	-	-	-	-	-	-	-	-	-	-	-		
Distributions Received from Joint Ventures & Associates	-	-	-	-	-	-	-	-	-	-	-	-		
Other Investing Activity Receipts	-	-	-	-	-	-	-	-	-	-	-	-		
Payments:														
Purchase of Investment Securities	(9,700)	-	-	(1,000)	-	-	(1,000)	-	-	(1,000)	-	-		
Purchase of Investment Property	-	-	-	-	-	-	-	-	-	-	-	-		
Purchase of Infrastructure, Property, Plant & Equipment	(15,102)	(9,660)	(12,212)	(10,471)	(6,656)	(7,870)	(8,064)	(7,749)	(9,017)	(8,126)	(6,323)	(8,520)		
Purchase of Real Estate Assets	-	-	-	-	-	-	-	-	-	-	-	-		
Purchase of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-		
Deferred Debtors & Advances Made	-	-	-	-	-	-	-	-	-	-	-	-		
Purchase of Interests in Joint Ventures & Associates	-	-	-	-	-	-	-	-	-	-	-	-		
Contributions Paid to Joint Ventures & Associates	-	-	-	-	-	-	-	-	-	-	-	-		
Other Investing Activity Payments	-	-	-	-	-	-	-	-	-	-	-	-		
Net Cash provided (or used in) Investing Activities	(14,655)	(9,061)	(11,890)	(11,141)	(6,318)	(7,524)	(8,730)	(7,397)	(7,646)	(8,745)	(7,934)	(8,122)		
Cash Flows from Financing Activities														
Receipts:														
Proceeds from Borrowings & Advances	-	-	1,000	1,400	-	-	1,000	-	-	1,500	-	-		
Proceeds from Finance Leases	-	-	-	-	-	-	-	-	-	-	-	-		
Other Financing Activity Receipts	-	-	-	-	-	-	-	-	-	-	-	-		
Payments:														
Repayment of Borrowings & Advances	(204)	(220)	(280)	(385)	(427)	(452)	(502)	(555)	(555)	(503)	(569)	(513)		
Repayment of Finance Lease Liabilities	-	-	-	-	-	-	-	-	-	-	-	-		
Distributions to Minority Interests	-	-	-	-	-	-	-	-	-	-	-	-		
Other Financing Activity Payments	-	-	-	-	-	-	-	-	-	-	-	-		
Net Cash Flow provided (used in) Financing Activities	(204)	(220)	720	1,015	(427)	(452)	498	(555)	(555)	997	(569)	(513)		
Net increase/(decrease) in Cash & Cash Equivalents	1,488	1,516	948	522	881	267	185	644	580	1,195	639	759		
plus: Cash, Cash Equivalents & Investments - beginning of year	6,779	8,266	9,762	10,730	11,252	12,133	12,400	12,565	13,228	13,808	15,003	15,642		
Cash & Cash Equivalents - end of the year	8,266	9,782	10,730	11,252	12,133	12,400	12,565	13,228	13,808	15,003	15,642	16,402		
Cash & Cash Equivalents - end of the year	8,266	9,782	10,730	11,252	12,133	12,400	12,565	13,228	13,808	15,003	15,642	16,402		
Investments - end of the year	10,100	9,521	9,521	10,521	10,521	10,521	11,521	11,521	11,521	12,521	12,521	12,521		
Cash, Cash Equivalents & Investments - end of the year	18,366	19,303	20,251	21,773	22,654	22,921	24,106	24,750	25,330	27,525	28,164	28,923		
Representing:														
- External Restrictions	8,174	8,123	8,984	9,727	10,701	11,600	12,528	13,514	14,474	15,695	16,227	17,077		
- Internal Restrictions	7,360	7,040	6,726	6,618	6,816	7,020	7,230	7,407	7,671	7,408	7,565	7,799		
- Unrestricted	2,832	4,141	4,542	5,429	5,138	4,301	4,347	3,768	3,184	4,421	4,341	4,057		
18,366	19,303	20,251	21,773	22,654	22,921	24,106	24,750	25,330	25,330	27,525	28,164	28,923		

Upper Lachlan Shire Council
 10 Year Financial Plan for the Years ending 30 June 2025
FINANCIAL PERFORMANCE INDICATORS - CONSOLIDATED
 Scenario: Base Case

	Past Years					Current Year	Projected Years								
	2010/11	2011/12	2012/13	2013/14	2014/15		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
New Note 13 Ratios															
Operating Performance Ratio 1)	N/A	8.83%	8.88%	6.20%	1.31%	5.83%	2.35%	2.43%	3.53%	3.56%	3.60%	3.48%	3.49%	3.56%	3.74%
Own Source Operating Revenue Ratio 1)	N/A	59.05%	52.53%	57.03%	60.47%	56.96%	61.45%	67.73%	67.42%	67.49%	67.60%	67.71%	67.81%	67.89%	67.89%
Unrestricted Current Ratio	3.44	4.25	4.48	5.62	5.30	5.09	5.51	5.28	4.87	4.71	4.48	4.21	4.26	4.25	4.20
Debt Service Cover Ratio 1)	N/A	7.91	16.46	15.03	11.59	13.61	9.74	9.43	10.00	9.59	9.20	9.78	10.73	10.05	11.60
Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage	2.86%	3.08%	2.79%	3.21%	3.05%	3.13%	3.14%	3.14%	3.15%	3.16%	3.17%	3.17%	3.18%	3.19%	3.20%
Cash Expense Cover Ratio 1)	N/A	7.39	11.53	10.89	7.00	6.82	6.79	7.18	7.21	7.07	7.18	7.28	7.68	7.73	7.88
1) Different Calculation to TCorp's calculation for same ratio															
New Special Schedule 7 Ratios															
Building & Infrastructure Renewals Ratio	N/A	79.00%	92.74%	108.42%	120.56%	143.16%	131.07%	122.62%	118.84%	107.14%	108.26%	108.24%	109.65%	111.06%	114.39%
Infrastructure Backlog Ratio	N/A	0.080	0.070	0.050	0.019	0.016	0.017	0.018	0.019	0.020	N/A	N/A	N/A	N/A	N/A
Asset Maintenance Ratio	N/A	0.98	1.04	0.90	1.13	1.06	1.08	1.01	1.00	1.01	N/A	N/A	N/A	N/A	N/A
Capital Expenditure Ratio	N/A	1.29	1.83	2.86	1.75	2.21	1.82	1.12	1.30	1.31	1.23	1.24	1.23	1.24	1.24
Old Note 13 Ratios (not incl. in new Note 13 or Special Schedule 7)															
Debt Service Ratio	3.60%	4.70%	2.15%	1.71%	2.43%	2.29%	2.76%	2.86%	2.77%	2.89%	2.99%	2.78%	2.49%	2.65%	2.27%
Rates & Annual Charges Coverage Ratio	32.50%	29.30%	28.81%	28.90%	35.18%	32.53%	34.30%	36.82%	38.71%	38.82%	38.94%	39.07%	39.20%	39.30%	39.37%

**Upper Lachlan Shire Council
10 Year Financial Plan for the Years ending 30 June 2025
CHARTS - ALL FUNDS (CONSOLIDATED)
Scenario: Base Case**

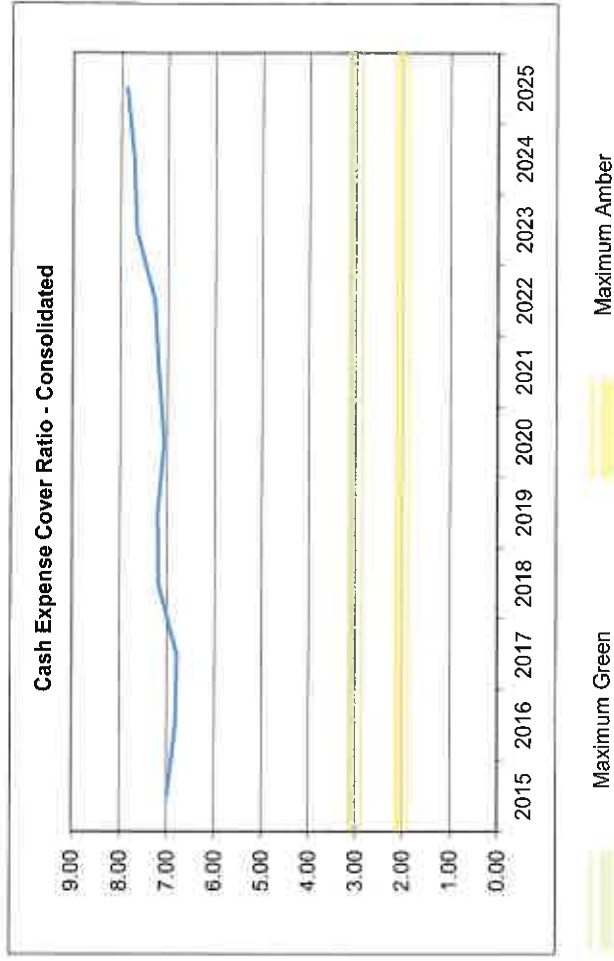
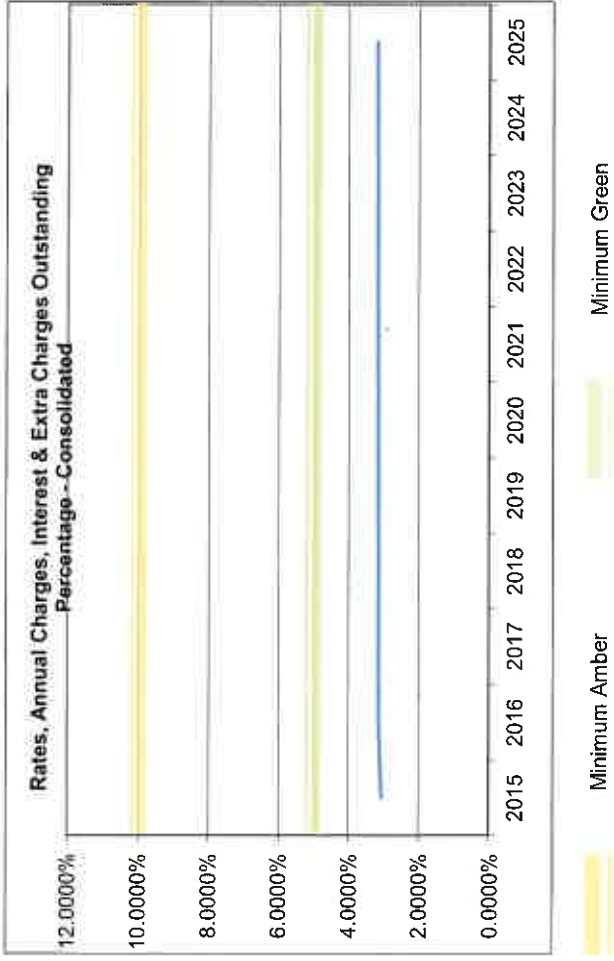
New Note 13 Ratios Charts



Minimum Amber Minimum Green Maximum Green Maximum Amber

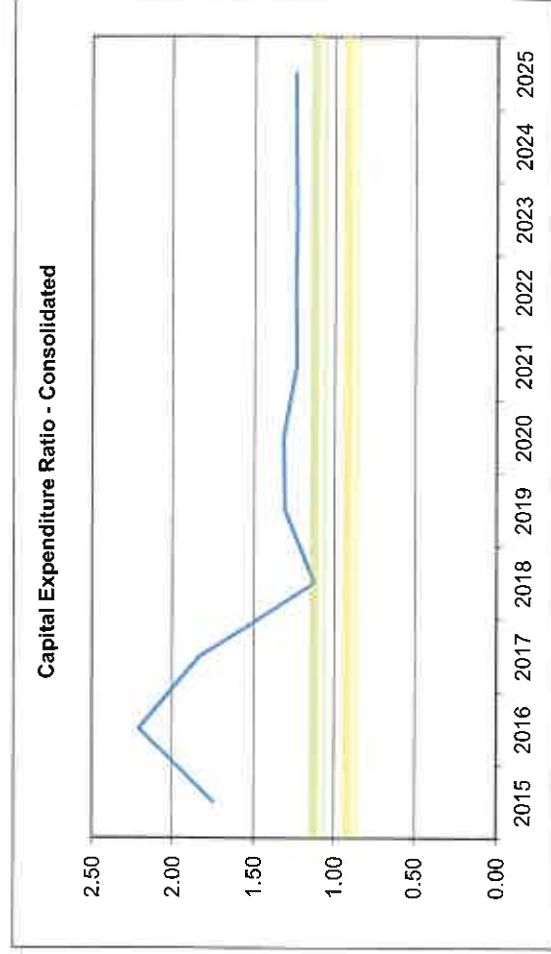
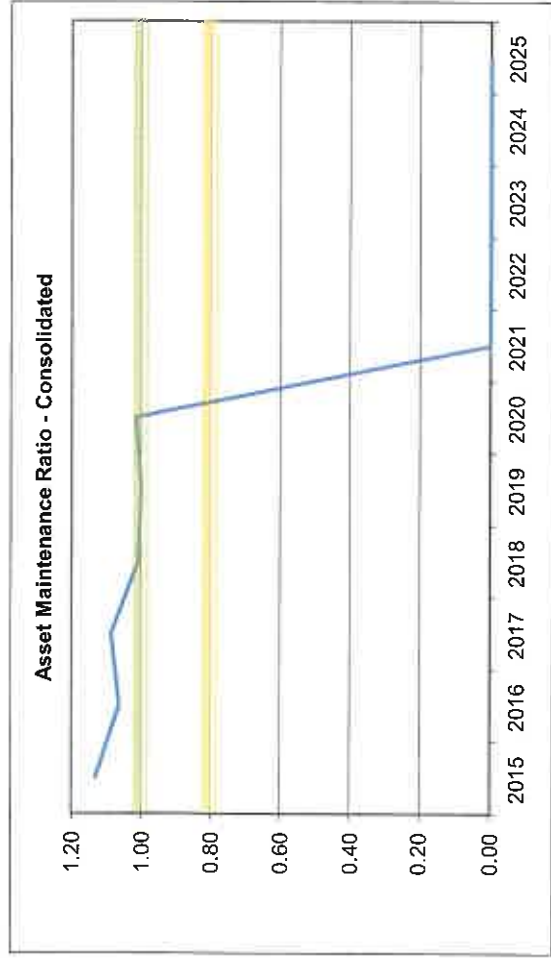
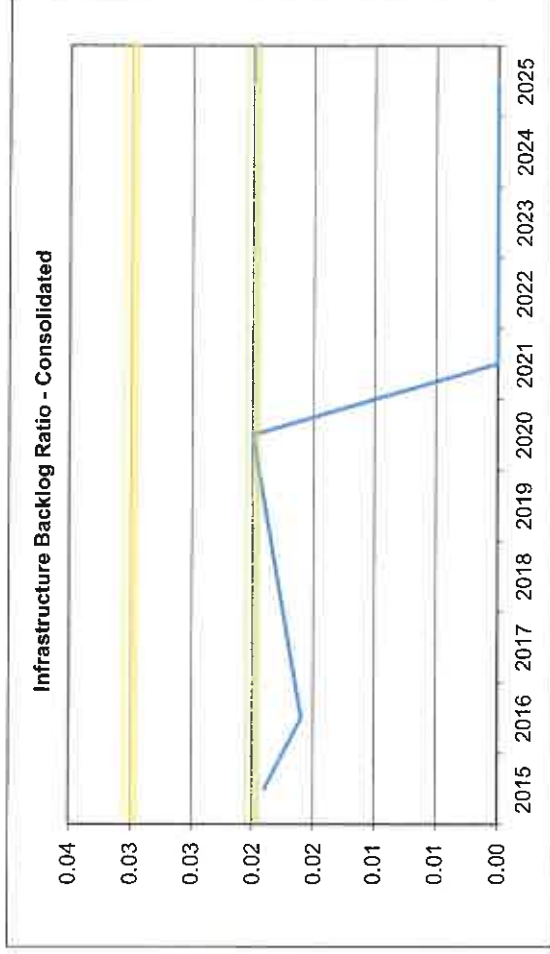
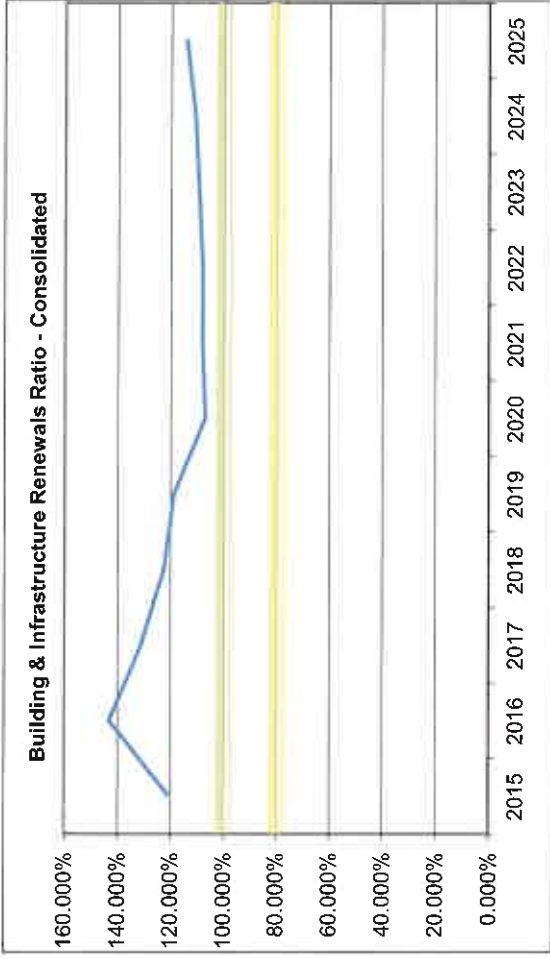
**Upper Lachlan Shire Council
 10 Year Financial Plan for the Years ending 30 June 2025
 CHARTS - ALL FUNDS (CONSOLIDATED)
 Scenario: Base Case**

New Note 13 Ratios Charts (continued)



**Upper Lachlan Shire Council
 10 Year Financial Plan for the Years ending 30 June 2025
 CHARTS - ALL FUNDS (CONSOLIDATED)
 Scenario: Base Case**

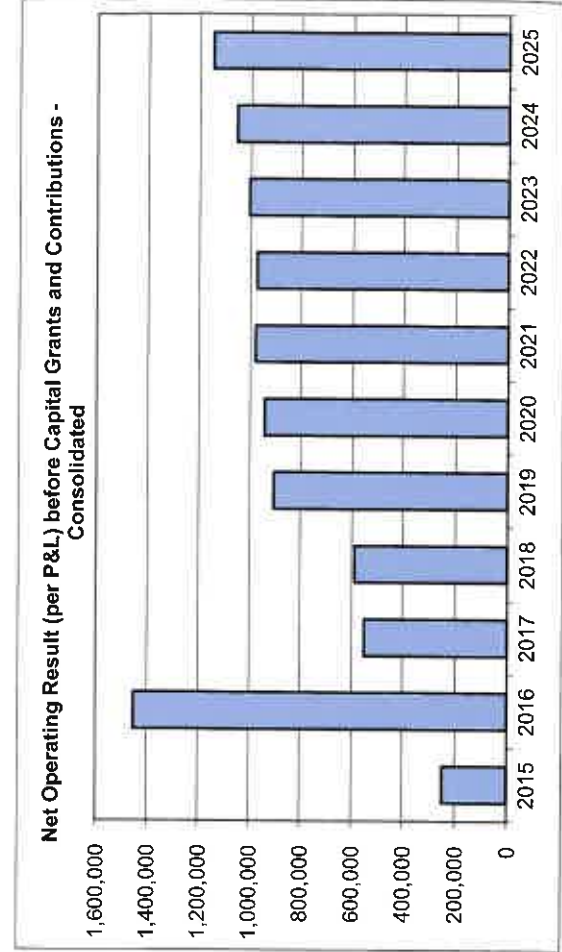
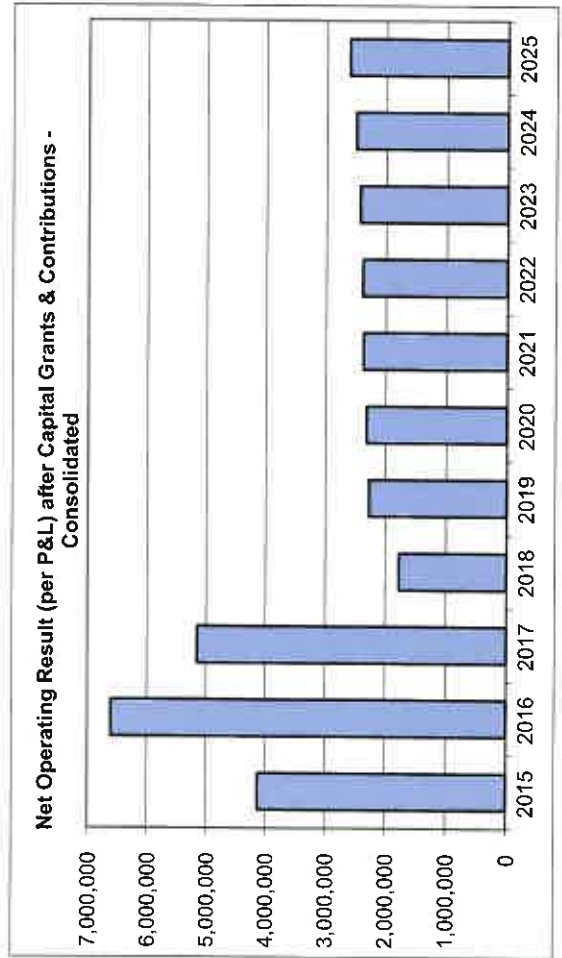
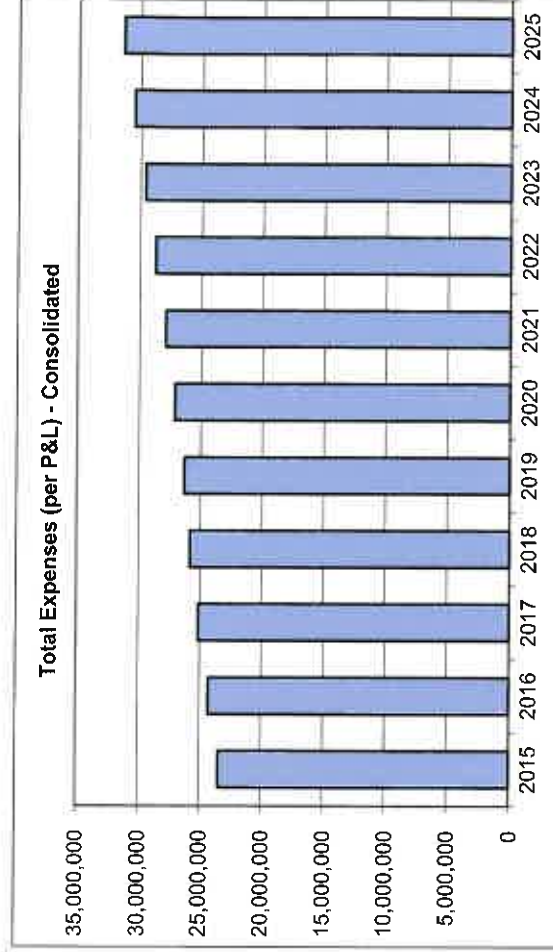
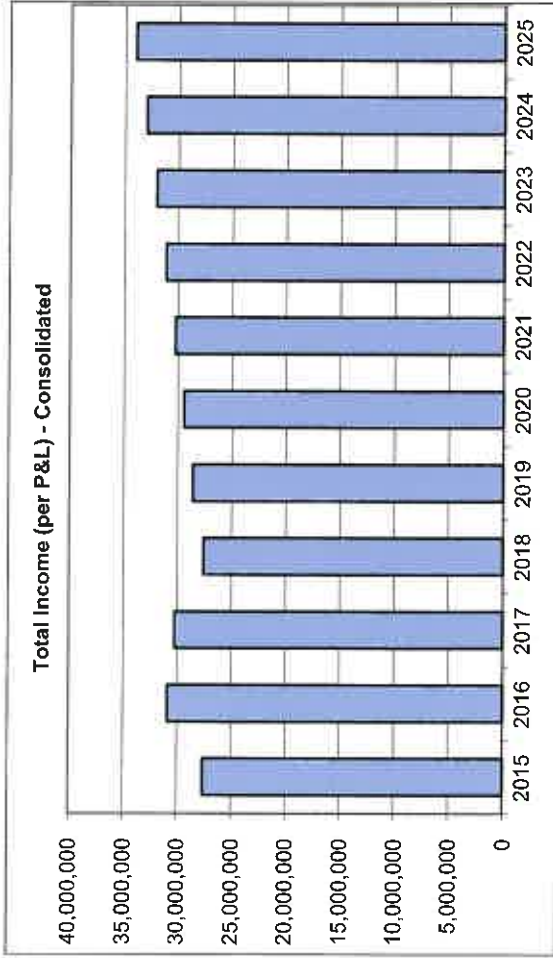
New Special Schedule 7 Ratios Charts



Minimum Amber Minimum Green Maximum Green Maximum Amber

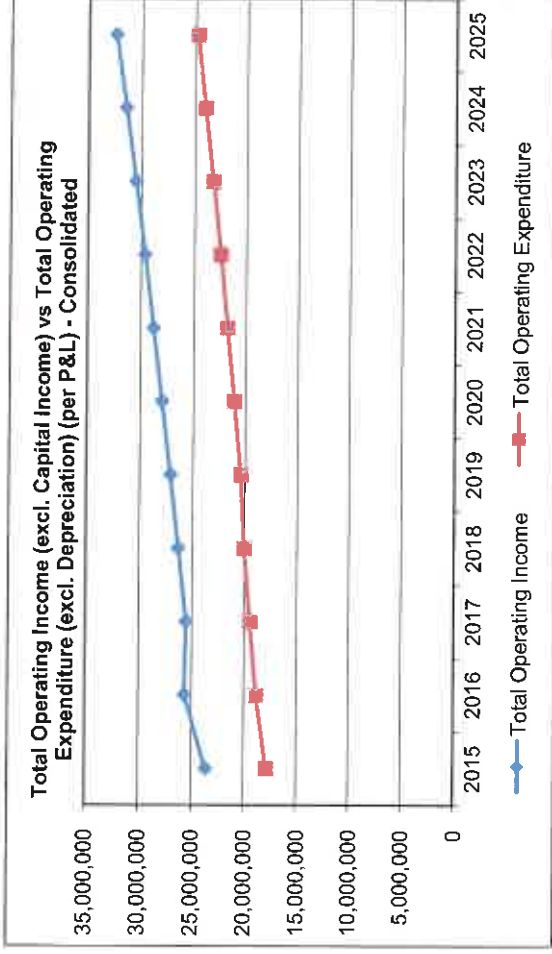
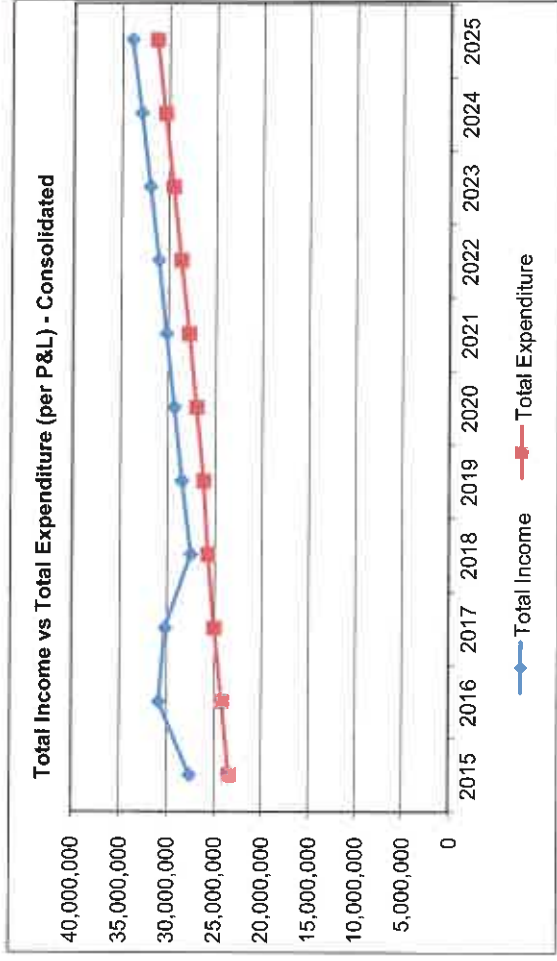
**Upper Lachlan Shire Council
10 Year Financial Plan for the Years ending 30 June 2025
CHARTS - ALL FUNDS (CONSOLIDATED)
Scenario: Base Case**

Income Statement Charts



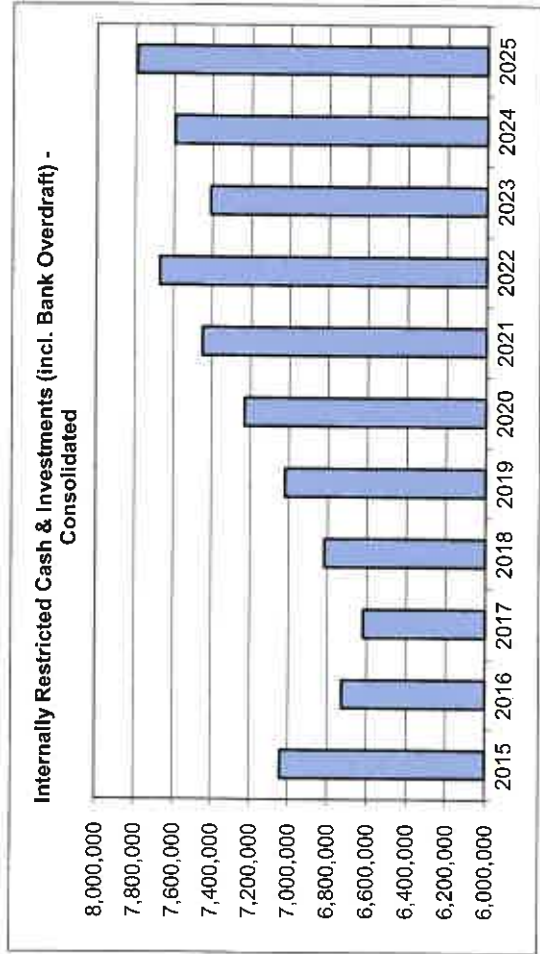
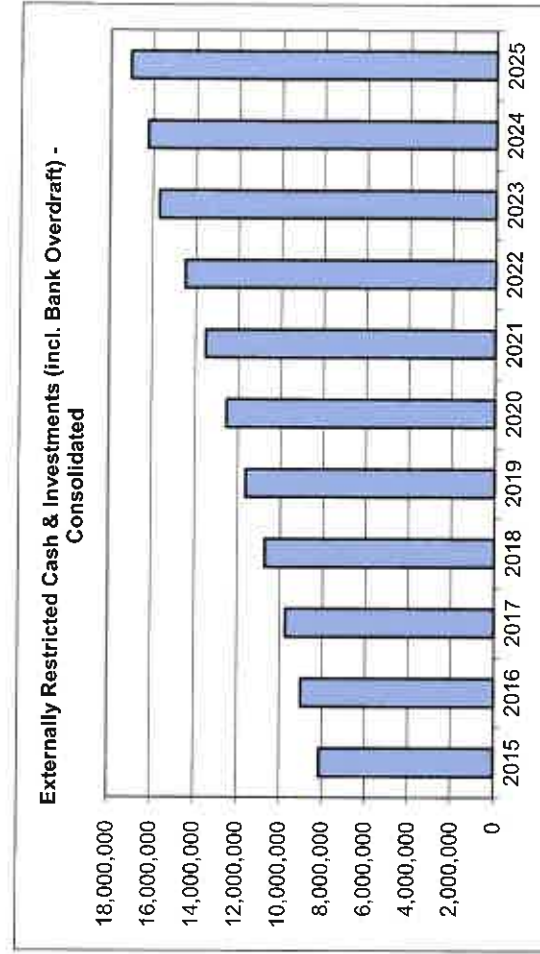
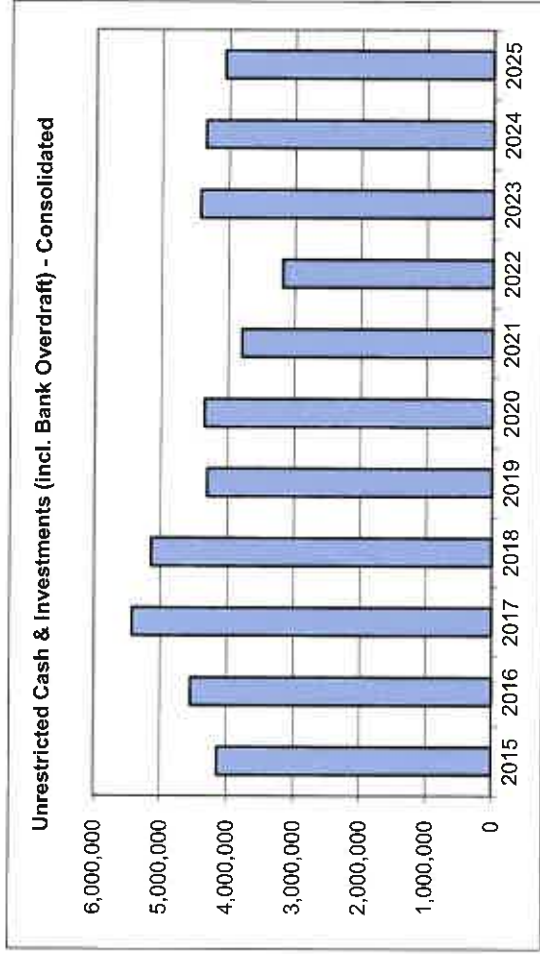
**Upper Lachlan Shire Council
10 Year Financial Plan for the Years ending 30 June 2025
CHARTS - ALL FUNDS (CONSOLIDATED)
Scenario: Base Case**

Income Statement Charts



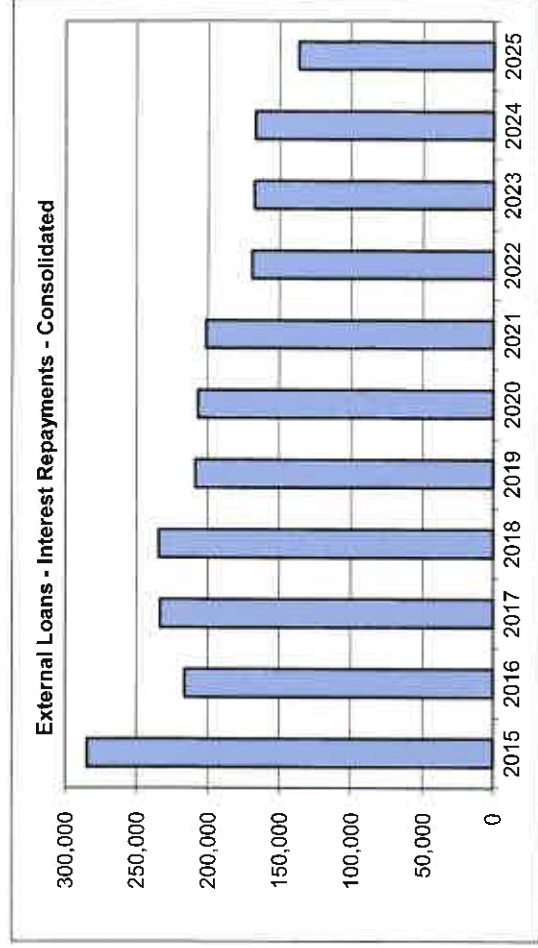
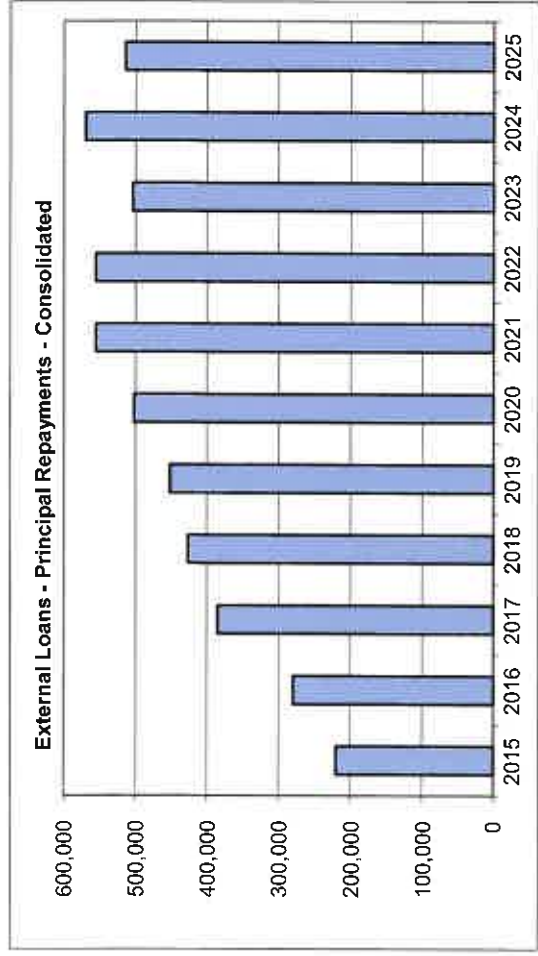
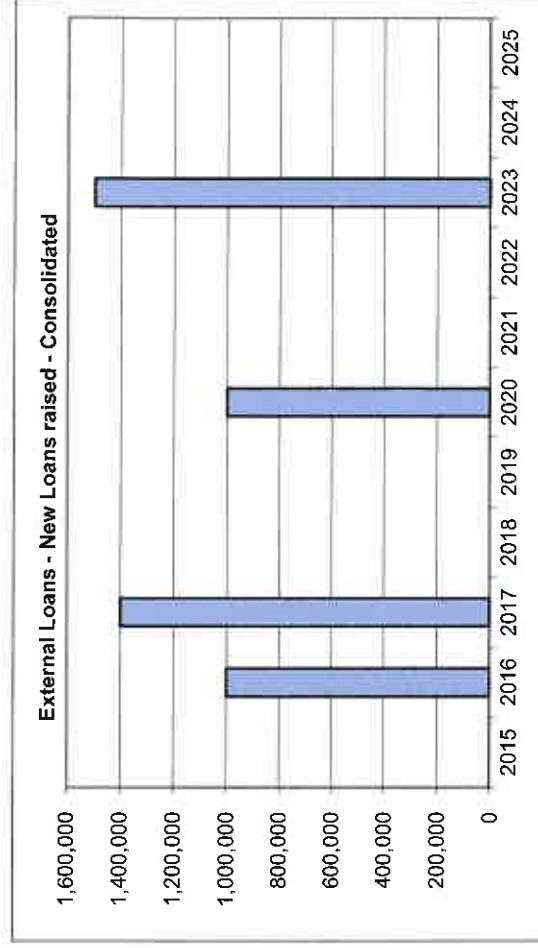
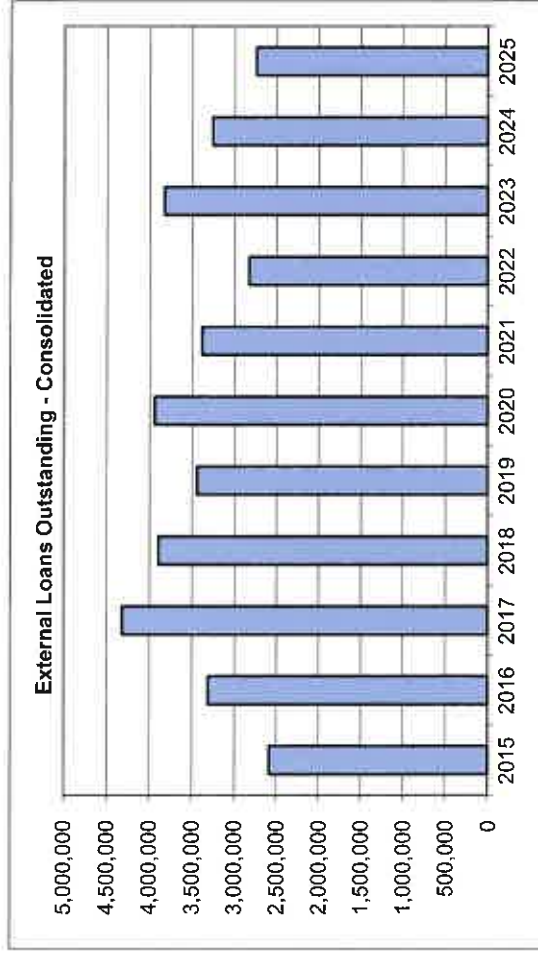
**Upper Lachlan Shire Council
10 Year Financial Plan for the Years ending 30 June 2025
CHARTS - ALL FUNDS (CONSOLIDATED)
Scenario: Base Case**

Cash Restrictions Charts



**Upper Lachlan Shire Council
10 Year Financial Plan for the Years ending 30 June 2025
CHARTS - ALL FUNDS (CONSOLIDATED)
Scenario: Base Case**

External Loans Charts



Upper Lachlan Shire Council
 10 Year Financial Plan for the Years ending 30 June 2025
HISTORICAL INFORMATION - GENERAL FUND
 Scenario: Base Case

	2013/14	2012/13	2011/12	2010/11
	\$'000	\$'000	\$'000	\$'000
Income Statement				
Income from Continuing Operations				
Revenue:				
Rates & Annual Charges	7,534	7,217	6,924	6,618
User Charges & Fees	6,707	4,919	5,108	2,714
Interest & Investment Revenue	556	669	562	594
Other Revenues	435	426	360	433
Grants & Contributions provided for Operating Purposes	5,999	9,683	10,342	8,162
Grants & Contributions provided for Capital Purposes	1,458	1,788	802	1,040
Other Income:				
Net Gains from the Disposal of Assets	45	87	166	55
Joint Ventures & Associated Entities - Gain	-	-	21	1
Total Income from Continuing Operations	22,734	24,789	24,285	19,617
Expenses from Continuing Operations				
Employee Benefits & On-Costs	7,855	8,108	7,992	8,600
Borrowing Costs	161	161	167	169
Materials & Contracts	5,806	6,193	6,644	3,790
Depreciation & Amortisation	4,380	4,329	4,233	4,042
Impairment	-	-	-	-
Other Expenses	2,050	2,036	2,018	1,863
Interest & Investment Losses	-	-	-	-
Net Losses from the Disposal of Assets	-	-	-	-
Joint Ventures & Associated Entities - Loss	-	201	-	-
Total Expenses from Continuing Operations	20,252	21,028	21,054	18,464
Operating Result from Continuing Operations	2,482	3,761	3,231	1,153
Discontinued Operations - Profit/(Loss)	-	-	-	-
Net Profit/(Loss) from Discontinued Operations	-	-	-	-
Net Operating Result for the Year	2,482	3,761	3,231	1,153
Net Operating Result before Grants and Contributions provided for Capital Purposes	1,024	1,973	2,429	113

Upper Lachlan Shire Council
 10 Year Financial Plan for the Years ending 30 June 2025
HISTORICAL INFORMATION - GENERAL FUND
 Balance Sheet

	2013/14	2012/13	2011/12	2010/11
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Current Assets				
Cash & Cash Equivalents	8,266	6,778	1,719	4,813
Investments	5,827	3,746	7,652	2,377
Receivables	1,431	3,039	1,503	1,762
Inventories	1,364	1,043	1,259	959
Other	89	342	316	297
Non-current assets classified as "held for sale"	-	-	-	-
Total Current Assets	16,977	14,948	12,449	10,208
Non-Current Assets				
Investments	-	-	-	859
Receivables	54	440	437	43
Inventories	-	-	-	-
Infrastructure, Property, Plant & Equipment	379,342	370,599	368,622	366,858
Investments Accounted for using the equity method	-	-	201	180
Investment Property	-	-	-	-
Intangible Assets	-	-	-	-
Non-current assets classified as "held for sale"	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	379,396	371,039	369,260	367,940
TOTAL ASSETS	396,373	385,987	381,709	378,148
LIABILITIES				
Current Liabilities				
Payables	1,321	1,379	1,391	1,532
Borrowings	139	128	117	108
Provisions	3,334	3,316	2,889	2,546
Liabilities associated with assets classified as "held for sale"	-	-	-	-
Total Current Liabilities	4,794	4,823	4,397	4,186
Non-Current Liabilities				
Payables	-	-	-	-
Borrowings	1,339	1,479	1,618	1,735
Provisions	766	737	677	350
Investments Accounted for using the equity method	-	-	-	-
Liabilities associated with assets classified as "held for sale"	-	-	-	-
Total Non-Current Liabilities	2,105	2,216	2,295	2,085
TOTAL LIABILITIES	6,899	7,039	6,692	6,271
Net Assets	389,474	378,948	375,017	371,877

Upper Lachlan Shire Council
 10 Year Financial Plan for the Years ending 30 June 2025

HISTORICAL INFORMATION - GENERAL FUND

Scenario: Base Case

	2013/14	2012/13	2011/12	2010/11
	\$'000	\$'000	\$'000	\$'000

EQUITY

Retained Earnings	236,897	234,590	230,459	227,340
Revaluation Reserves	152,577	144,358	144,358	144,357
Council Equity Interest	389,474	378,948	374,816	371,697
Minority Equity Interest	-	-	201	180
Total Equity	389,474	378,948	375,017	371,877

Upper Lachlan Shire Council
 10 Year Financial Plan for the Years ending 30 June 2025
 INCOME STATEMENT - GENERAL FUND
 Scenario: Base Case

	Actuals 2013/14	Projected Years												
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25		
Income from Continuing Operations														
Revenue:														
Rates & Annual Charges	7,662,000	7,930,638	8,190,941	8,460,061	8,736,307	9,026,001	9,323,474	9,631,074	9,949,156	10,278,093	10,618,268			
User Charges & Fees	4,727,925	5,302,100	5,439,533	5,580,645	5,725,541	5,874,329	6,027,119	6,184,025	6,345,165	6,510,661	6,680,636			
Interest & Investment Revenue	375,300	438,700	446,962	455,389	463,985	472,753	481,696	490,818	500,122	509,612	519,293			
Other Revenues	777,600	782,700	802,268	822,324	842,882	863,954	885,553	907,692	930,385	953,644	977,485			
Grants & Contributions provided for Operating Purposes	7,019,695	8,123,195	7,483,114	7,669,056	7,901,362	8,146,325	8,372,019	8,604,709	8,844,613	9,112,786	9,416,843			
Grants & Contributions provided for Capital Purposes	1,220,750	2,433,830	880,750	951,150	1,129,900	1,132,281	1,141,929	1,151,808	1,161,924	1,172,283	1,182,891			
Other Income:														
Net gains from the disposal of assets	45,000	50,500	52,520	54,621	56,806	59,078	61,441	63,899	66,455	69,113	71,877			
Joint Ventures & Associated Entities														
Total Income from Continuing Operations	22,734,000	25,061,683	23,296,088	24,013,247	24,858,803	25,574,721	26,293,231	27,034,025	27,797,820	28,606,192	29,467,295			
Expenses from Continuing Operations														
Employee Benefits & On-Costs	7,855,000	8,655,664	8,888,279	9,128,221	9,125,716	9,395,862	9,674,333	9,961,388	10,257,295	10,562,328	10,876,774			
Borrowing Costs	161,000	143,300	168,868	174,516	159,742	168,920	175,160	155,904	163,845	168,392	143,884			
Materials & Contracts	5,909,000	5,399,465	5,615,443	5,840,061	6,073,663	6,316,610	6,569,274	6,832,045	7,106,327	7,389,540	7,685,121			
Depreciation & Amortisation	4,380,000	4,420,300	4,574,796	4,666,088	4,752,571	4,856,762	4,942,378	5,098,830	5,191,191	5,287,004	5,399,911			
Impairment														
Other Expenses	2,050,000	2,800,519	2,885,248	2,972,886	3,063,547	3,157,349	3,254,417	3,354,878	3,458,869	3,566,529	3,678,005			
Interest & Investment Losses														
Net Losses from the Disposal of Assets														
Joint Ventures & Associated Entities														
Total Expenses from Continuing Operations	20,252,000	21,419,247	22,132,635	22,781,772	23,175,239	23,895,503	24,615,561	25,403,045	26,176,525	26,973,793	27,763,695			
Operating Result from Continuing Operations	2,482,000	3,642,435	1,163,453	1,231,475	1,683,564	1,679,218	1,677,670	1,630,980	1,621,295	1,632,399	1,683,600			
Discontinued Operations - Profit/(Loss)														
Net Profit/(Loss) from Discontinued Operations														
Net Operating Result for the Year	2,482,000	3,642,435	1,163,453	1,231,475	1,683,564	1,679,218	1,677,670	1,630,980	1,621,295	1,632,399	1,683,600			
Net Operating Result before Grants and Contributions provided for Capital Purposes	1,024,000	1,208,585	262,703	280,324	553,664	546,936	535,741	479,172	459,370	460,116	500,709			

Upper Lachlan Shire Council
 10 Year Financial Plan for the Years ending 30 June 2025
 BALANCE SHEET - GENERAL FUND
 Scenario: Base Case

	Actuals 2013/14	Current Year 2014/15	Projected Years														
			2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25					
ASSETS																	
Current Assets																	
Cash & Cash Equivalents	8,266,000	9,254,516	9,341,523	9,120,362	9,027,837	8,394,990	7,651,608	7,309,862	6,929,395	6,903,235	6,260,865	5,669,951					
Investments	5,827,000	5,440,304	5,440,304	6,373,941	6,373,941	6,373,941	7,307,578	7,307,578	7,307,578	8,241,216	8,241,216	8,241,216					
Receivables	1,431,000	986,550	1,092,556	1,124,108	1,153,122	1,180,713	1,212,863	1,243,608	1,275,022	1,313,170	1,345,425	1,378,965					
Inventories	1,364,000	1,059,252	1,141,817	1,187,489	1,234,989	1,284,388	1,335,764	1,389,194	1,444,762	1,502,553	1,562,655	1,625,161					
Other	89,000	85,223	92,660	96,058	99,586	103,250	107,056	111,008	115,112	119,375	123,804	128,403					
Non-current assets classified as "held for sale"																	
Total Current Assets	16,977,000	16,825,844	17,108,880	17,901,959	17,899,476	17,337,283	17,614,988	17,361,250	17,071,870	18,079,549	17,533,964	17,043,696					
Non-Current Assets																	
Investments		386,696	386,696	453,059	453,059	453,059	519,422	519,422	519,422	585,784	585,784	585,784					
Receivables	54,000	47,282	51,663	53,273	54,936	56,653	58,427	60,259	62,151	64,106	66,126	68,213					
Inventories																	
Infrastructure, Property, Plant & Equipment	379,342,000	381,345,640	387,282,718	388,860,389	390,169,910	393,014,970	395,376,457	399,970,816	401,902,630	403,912,938	406,486,382	408,639,985					
Investments Accounted for using the equity method																	
Investment Property																	
Intangible Assets																	
Non-current assets classified as "held for sale"																	
Other																	
Total Non-Current Assets	379,396,000	381,779,618	387,721,077	389,366,721	390,677,905	393,524,682	395,954,305	400,550,497	402,484,202	404,562,829	407,138,293	409,293,982					
TOTAL ASSETS	396,373,000	398,605,462	404,829,957	407,268,680	408,567,381	410,861,965	413,569,293	417,911,747	419,556,072	422,642,377	424,672,256	426,337,678					
LIABILITIES																	
Current Liabilities																	
Bank Overdraft																	
Payables	1,321,100	1,517,745	1,633,542	1,427,240	1,471,367	1,517,180	1,564,746	1,614,134	1,665,417	1,718,669	1,773,971	1,831,403					
Borrowings	136,900	150,676	146,317	237,603	252,319	268,075	332,331	319,478	338,519	437,246	376,077	305,315					
Provisions	3,334,000	3,584,000	3,794,000	4,008,040	4,229,241	4,454,727	4,685,624	4,922,063	5,164,177	5,412,101	5,665,975	5,925,943					
Liabilities associated with assets classified as "held for sale"																	
Total Current Liabilities	4,794,000	5,252,421	5,573,859	5,673,882	5,952,927	6,239,982	6,582,701	6,855,675	7,168,112	7,568,016	7,816,024	8,062,661					
Non-Current Liabilities																	
Payables																	
Borrowings	1,339,000	1,188,717	1,042,400	2,146,022	1,893,703	1,625,628	2,270,520	1,951,042	1,612,523	2,637,130	2,261,052	1,955,737					
Provisions	766,000	795,500	825,900	871,400	911,900	952,400	992,900	1,033,400	1,073,900	1,114,400	1,154,900	1,195,400					
Investments Accounted for using the equity method																	
Liabilities associated with assets classified as "held for sale"																	
Total Non-Current Liabilities	2,105,000	1,984,217	1,868,300	3,017,422	2,805,603	2,578,028	3,263,420	2,984,442	2,686,423	3,751,530	3,415,952	3,151,137					
TOTAL LIABILITIES	6,899,000	7,236,638	7,442,159	8,691,304	8,758,530	8,818,010	9,846,121	9,840,117	9,854,535	11,319,546	11,231,976	11,213,798					
Net Assets	389,474,000	391,368,824	397,387,777	398,577,376	399,808,851	402,043,955	403,723,173	408,071,630	409,701,537	411,322,831	413,440,281	415,123,880					
EQUITY																	
Retained Earnings	236,887,000	238,191,184	241,833,619	242,997,073	244,228,548	245,912,112	247,591,330	249,269,000	250,899,979	252,521,274	254,153,673	255,837,273					
Revaluation Reserves	152,577,000	153,177,640	155,554,158	155,580,303	155,580,303	156,131,843	156,131,843	156,802,630	158,801,558	159,801,558	159,286,607	159,286,607					
Council Equity Interest	389,474,000	391,368,824	397,387,777	398,577,376	399,808,851	402,043,955	403,723,173	408,071,630	409,701,537	411,322,831	413,440,281	415,123,880					
Minority Equity Interest																	
Total Equity	389,474,000	391,368,824	397,387,777	398,577,376	399,808,851	402,043,955	403,723,173	408,071,630	409,701,537	411,322,831	413,440,281	415,123,880					

Upper Lachlan Shire Council
 10 Year Financial Plan for the Years ending 30 June 2025
 EQUITY STATEMENT - GENERAL FUND
 Scenario: Base Case

	Actuals 2013/14	Current Year 2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening Balance	378,948,000	389,474,000	391,368,824	397,387,777	398,577,376	399,808,851	402,043,955	403,723,173	408,071,630	409,701,537	411,322,831	413,440,281
a. Current Year Income & Expenses Recognised direct to Equity												
- Transfers to/(from) Asset Revaluation Reserve	8,219,000	600,640	2,376,518	26,146	-	551,540	-	2,670,787	(1,073)	-	485,050	-
- Transfers to/(from) Other Reserves	-	-	-	-	-	-	-	-	-	-	-	-
- Other Income/Expenses recognised	-	-	-	-	-	-	-	-	-	-	-	-
- Other Adjustments	175,000	-	-	-	-	-	-	-	-	-	-	-
Net Income Recognised Directly in Equity	8,044,000	600,640	2,376,518	26,146	-	551,540	-	2,670,787	(1,073)	-	485,050	-
b. Net Operating Result for the Year	2,482,000	1,294,184	3,642,435	1,163,453	1,231,475	1,683,564	1,679,218	1,677,670	1,630,980	1,621,295	1,632,399	1,683,600
Total Recognised Income & Expenses (c&d)	10,526,000	1,894,824	6,018,953	1,189,599	1,231,475	2,235,104	1,679,218	4,348,457	1,629,907	1,621,295	2,117,449	1,683,600
c. Distributions to/(Contributions from) Minority Interests	-	-	-	-	-	-	-	-	-	-	-	-
d. Transfers between Equity	-	-	-	-	-	-	-	-	-	-	-	-
Equity - Balance at end of the reporting period	389,474,000	391,368,824	397,387,777	398,577,376	399,808,851	402,043,955	403,723,173	408,071,630	409,701,537	411,322,831	413,440,281	415,123,880

Upper Lachlan Shire Council
 10 Year Financial Plan for the Years ending 30 June 2025
 CASH FLOW STATEMENT - GENERAL FUND
 Scenario - Base Case

	Actuals 2013/14	Current Year 2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges		7,704,082	7,917,417	8,183,878	8,452,733	8,730,705	9,018,113	9,315,291	9,622,593	9,940,347	10,268,952	10,608,784
User Charges & Fees		5,037,629	5,209,889	5,417,461	5,557,982	5,702,271	5,850,434	6,002,981	6,159,826	6,319,287	6,484,083	6,653,340
Interest & Investment Revenue Received		491,445	435,471	443,486	455,269	466,130	471,088	482,572	491,828	495,353	511,718	521,128
Grants & Contributions		8,240,445	10,357,045	8,363,865	8,640,206	9,031,282	9,278,606	9,513,948	9,756,517	10,006,538	10,295,069	10,598,733
Bonds & Deposits Received												
Other		780,837	780,973	801,716	821,758	842,301	863,358	884,941	907,064	929,740	952,982	976,806
Payments:												
Employee Benefits & On-Costs		(8,033,740)	(8,425,084)	(8,922,048)	(8,908,020)	(8,900,230)	(9,164,984)	(9,437,894)	(9,719,274)	(10,009,370)	(10,308,454)	(10,616,807)
Materials & Contracts		(4,505,098)	(5,394,249)	(5,622,008)	(5,846,862)	(6,080,914)	(6,324,225)	(6,577,268)	(6,940,435)	(7,114,128)	(7,388,785)	(7,694,795)
Borrowing Costs		(122,300)	(112,900)	(123,366)	(134,016)	(119,242)	(128,420)	(134,980)	(115,404)	(123,345)	(127,892)	(103,394)
Bonds & Deposits Refunded												
Other		(2,532,786)	(2,800,519)	(2,885,246)	(2,972,895)	(3,063,547)	(3,157,349)	(3,254,417)	(3,354,878)	(3,458,869)	(3,566,529)	(3,678,005)
Net Cash provided (or used in) Operating Activities		7,060,523	8,188,043	5,657,734	6,066,066	6,608,736	6,706,641	6,795,094	6,906,827	6,985,552	7,101,161	7,266,801
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities												
Sale of Investment Property												
Sale of Real Estate Assets												
Sale of Infrastructure, Property, Plant & Equipment												
Sale of interests in Joint Ventures & Associates												
Sale of Intangible Assets			322,000	329,728	337,641	345,745	354,043	362,540	371,241	380,151	389,274	398,617
Deferred Debtors Receipts												
Sale of Disposal Groups												
Distributions Received from Joint Ventures & Associates												
Other Investing Activity Receipts												
Payments:												
Purchase of Investment Securities												
Purchase of Investment Property												
Purchase of Infrastructure, Property, Plant & Equipment												
Purchase of Real Estate Assets			(8,252,360)	(6,403,530)	(6,258,630)	(7,335,030)	(7,513,214)	(7,167,049)	(7,339,058)	(7,515,195)	(7,695,560)	(7,880,253)
Purchases of Intangible Assets												
Deferred Debtors & Advances Made												
Purchase of interests in Joint Ventures & Associates												
Contributions Paid to Joint Ventures & Associates												
Other Investing Activity Payments												
Net Cash provided (or used in) Investing Activities		(5,933,500)	(7,930,360)	(7,073,802)	(5,920,988)	(6,989,295)	(8,159,171)	(6,904,509)	(6,987,817)	(8,135,045)	(7,306,286)	(7,481,637)
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings & Advances												
Proceeds from Finance Leases				1,400,000			1,000,000			1,500,000		
Other Financing Activity Receipts												
Payments:												
Repayment of Borrowings & Advances												
Repayment of Finance Lease Liabilities												
Distributions to Minority Interests												
Other Financing Activity Payments		(138,507)	(150,676)	(205,093)	(237,603)	(252,319)	(250,852)	(332,331)	(319,478)	(376,666)	(437,246)	(376,077)
Net Cash Flow provided (used in) Financing Activities		(138,507)	(150,676)	(205,093)	(237,603)	(252,319)	(250,852)	(332,331)	(319,478)	(376,666)	(437,246)	(376,077)
Net Increase/(Decrease) in Cash & Cash Equivalents		988,516	87,007	(221,161)	(92,525)	(632,847)	(743,382)	(341,745)	(380,468)	(26,159)	(642,371)	(500,913)
plus: Cash, Cash Equivalents & Investments - beginning of year		8,266,000	9,254,516	9,341,523	9,120,362	9,027,837	8,394,990	7,651,608	7,309,862	6,929,395	6,903,235	6,260,865
Cash & Cash Equivalents - end of the year		9,254,516	9,341,523	9,120,362	9,027,837	8,394,990	7,651,608	7,309,862	6,929,395	6,903,235	6,260,865	5,689,951
Cash & Cash Equivalents - end of the year		8,266,000	9,254,516	9,341,523	9,120,362	9,027,837	8,394,990	7,651,608	7,309,862	6,929,395	6,260,865	5,689,951
Investments - end of the year		5,827,000	6,827,000	6,827,000	6,827,000	6,827,000	6,827,000	6,827,000	6,827,000	6,827,000	6,827,000	6,827,000
Cash, Cash Equivalents & Investments - end of the year		14,093,000	15,081,516	15,947,362	15,854,837	15,221,990	15,478,608	15,136,862	14,756,395	15,730,235	15,087,865	14,496,951
Representing:												
- External Restrictions		3,901,000	3,901,000	3,901,000	3,901,000	3,901,000	3,901,000	3,901,000	3,901,000	3,901,000	3,151,000	2,651,000
- Internal Restrictions		7,040,000	7,040,000	6,617,757	6,615,609	7,019,696	7,230,220	7,447,363	7,671,399	7,447,998	7,595,474	7,798,800
- Unrestricted		2,852,000	4,541,516	5,428,605	5,136,229	4,301,293	4,347,388	3,788,479	3,183,995	4,421,238	4,341,390	4,057,151
14,093,000		15,081,516	15,947,362	15,854,837	15,221,990	15,478,608	15,136,862	14,756,395	15,730,235	15,087,865	14,496,951	

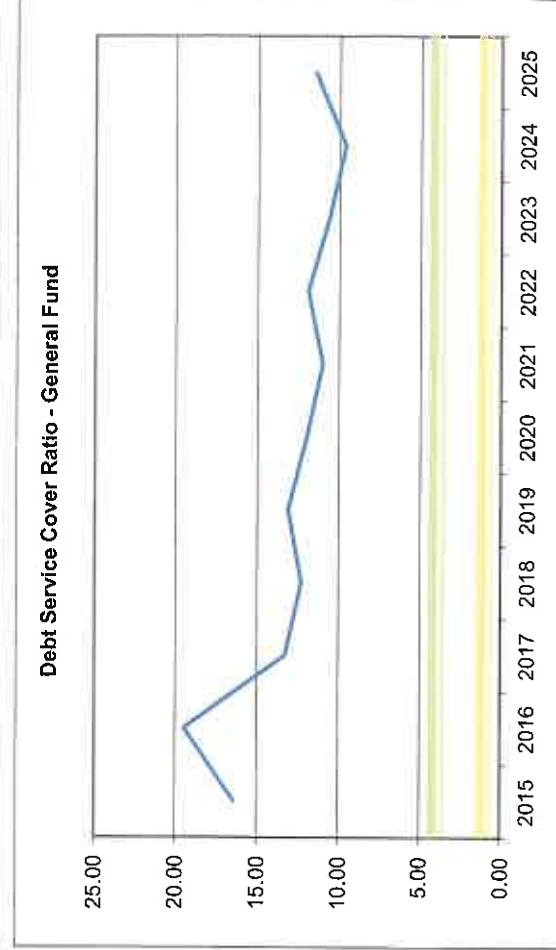
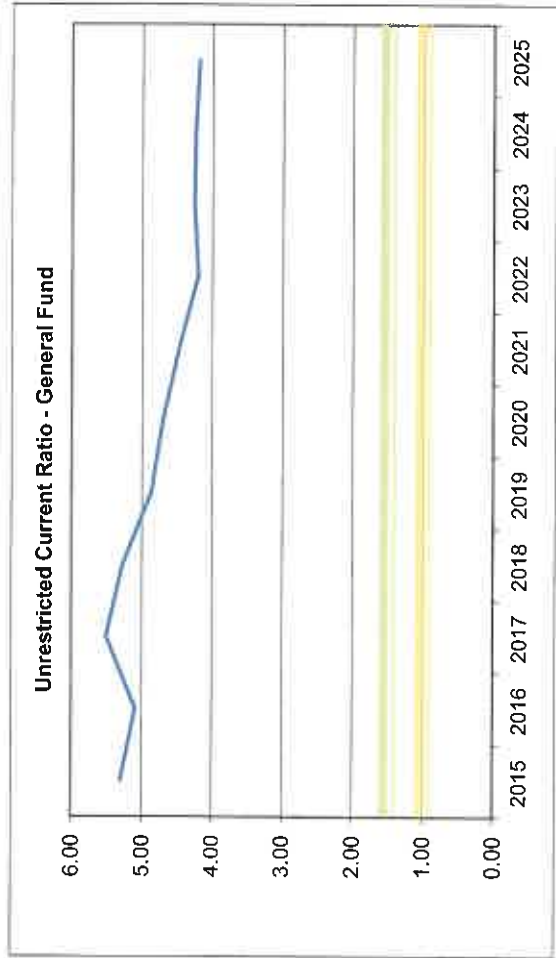
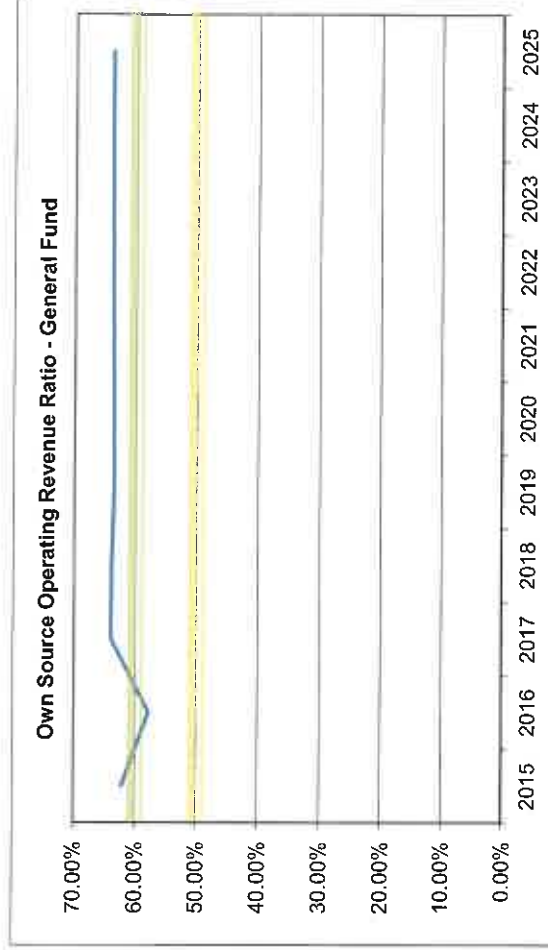
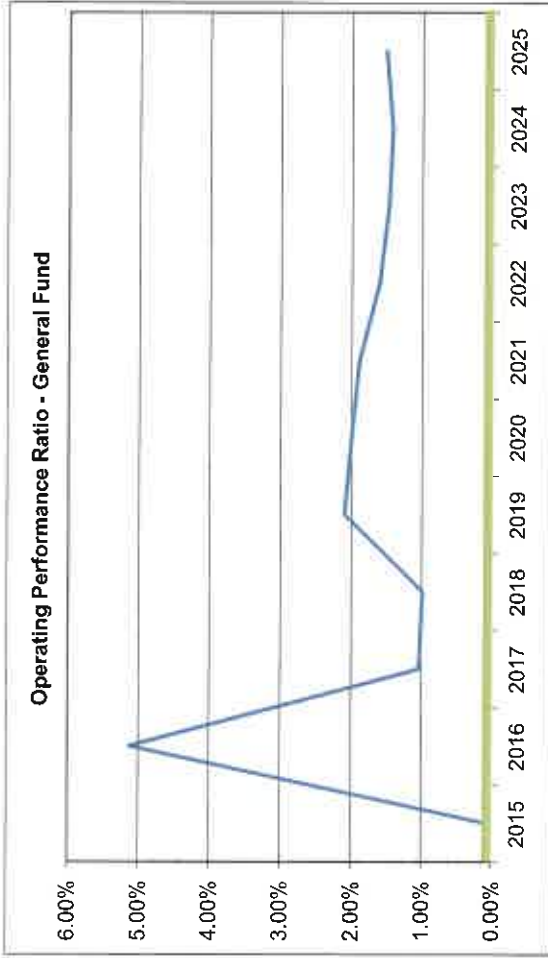
Upper Lachlan Shire Council
10 Year Financial Plan for the Years ending 30 June 2025
FINANCIAL PERFORMANCE INDICATORS - GENERAL FUND

Scenario: Base Case	Past Years					Projected Years									
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
New Note 13 Ratios															
Operating Performance Ratio 1)	N/A	9.60%	6.70%	4.60%	0.05%	5.13%	1.03%	0.98%	2.10%	2.00%	1.89%	1.61%	1.48%	1.43%	1.52%
Own Source Operating Revenue Ratio 1)	N/A	53.70%	53.26%	67.13%	62.21%	57.79%	64.02%	63.94%	63.59%	63.64%	63.73%	63.82%	63.92%	63.96%	63.94%
Unrestricted Current Ratio	N/A	1.84	4.20	5.62	5.30	5.09	5.51	5.28	4.87	4.71	4.48	4.21	4.26	4.25	4.20
Debt Service Cover Ratio 1)	N/A	N/A	22.28	19.57	16.38	19.46	13.30	12.29	13.13	11.99	11.02	11.93	10.63	9.65	11.49
Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage	N/A	2.51%	2.33%	2.73%	2.43%	2.53%	2.54%	2.54%	2.55%	2.56%	2.57%	2.58%	2.59%	2.60%	2.61%
Cash Expense Cover Ratio 1)	N/A	N/A	7.98	9.39	7.24	6.64	6.16	5.99	5.47	4.52	4.44	4.09	3.93	3.44	3.03
1) different Calculation to TCorp's calculation for same ratio															
New Special Schedule 7 Ratios															
Building & Infrastructure Renewals Ratio	N/A	87.70%	107.34%	128.93%	121.48%	159.27%	125.63%	128.37%	125.27%	134.70%	135.80%	135.04%	136.52%	138.00%	136.54%
Infrastructure Backlog Ratio	N/A	N/A	0.090	0.056	0.019	0.016	0.017	0.018	0.019	0.020	N/A	N/A	N/A	N/A	N/A
Asset Maintenance Ratio	N/A	0.87	1.10	0.90	1.14	1.09	1.11	1.02	1.05	1.08	N/A	N/A	N/A	N/A	N/A
Capital Expenditure Ratio	N/A	N/A	1.56	1.09	1.31	1.81	1.34	1.28	1.48	1.49	1.39	1.38	1.39	1.40	1.40
Old Note 13 Ratios (not incl. in new Note 13 or Special Schedule 7)															
Debt Service Ratio	N/A	1.50%	1.26%	1.36%	1.48%	1.41%	1.70%	1.87%	1.82%	1.99%	2.15%	1.95%	2.17%	2.38%	1.96%
Rates & Annual Charges Coverage Ratio	N/A	28.50%	29.10%	33.21%	35.13%	31.64%	35.16%	35.23%	35.15%	35.29%	35.46%	35.63%	35.79%	35.93%	36.03%

**Upper Lachlan Shire Council
10 Year Financial Plan for the Years ending 30 June 2025**

CHARTS - GENERAL FUND

Scenario: Base Case
New Note 13 Ratios Charts



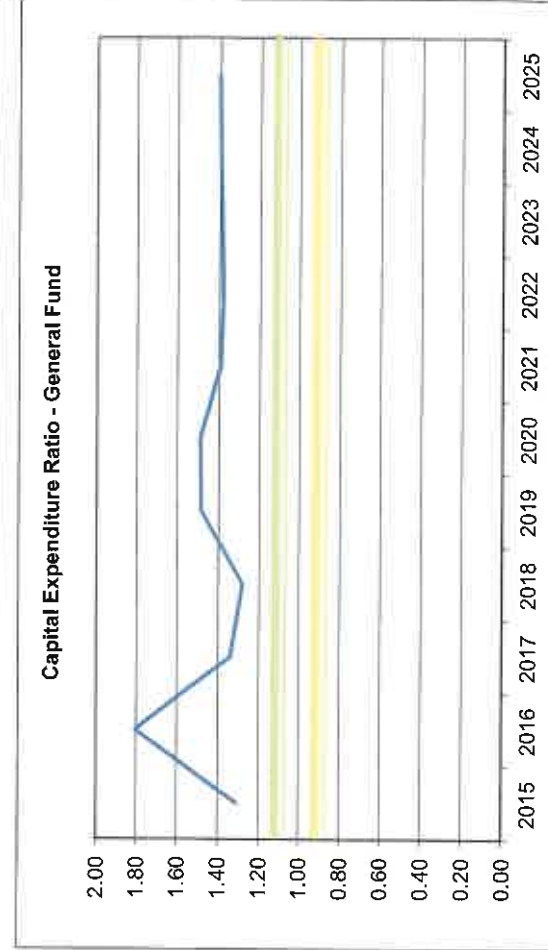
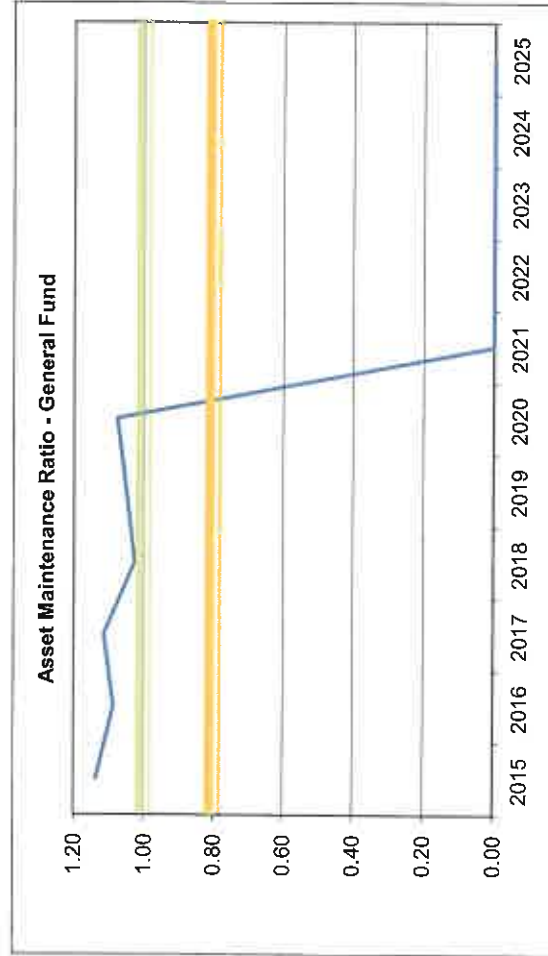
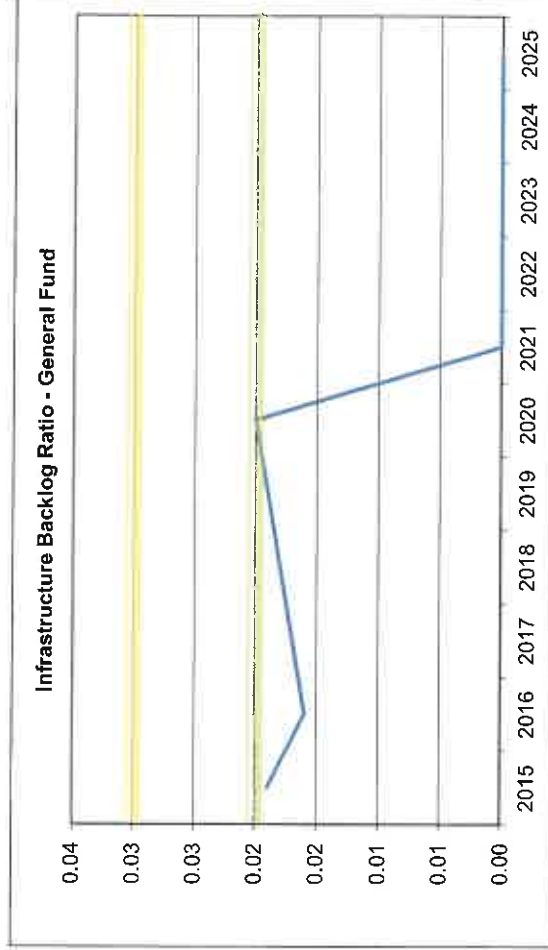
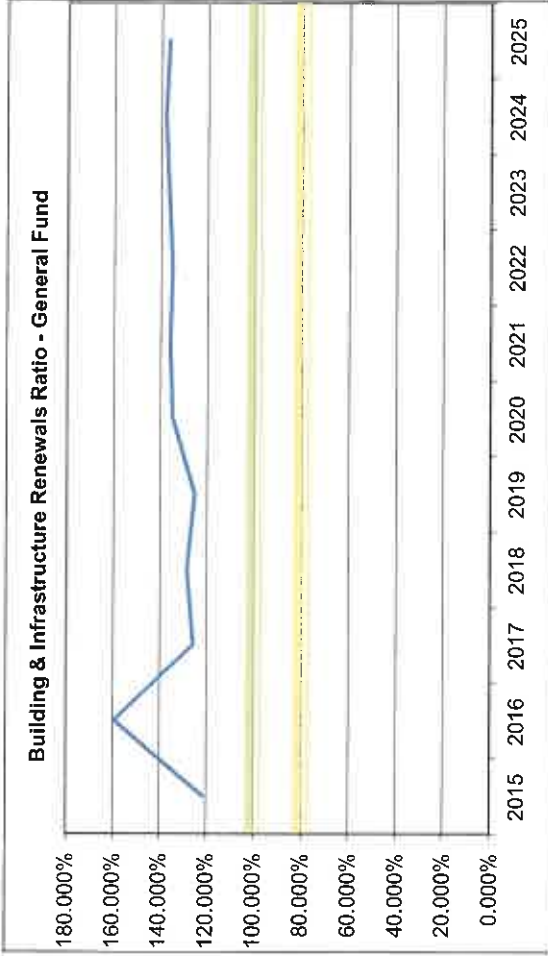
Minimum Amber Maximum Green Maximum Amber

**Upper Lachlan Shire Council
10 Year Financial Plan for the Years ending 30 June 2025**

CHARTS - GENERAL FUND

Scenario: Base Case

New Special Schedule 7 Ratios Charts

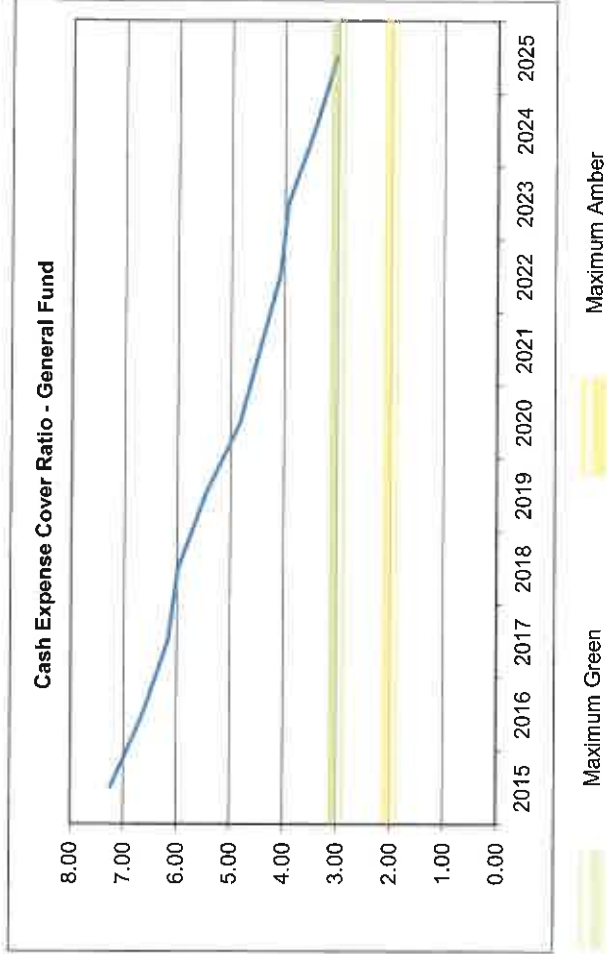
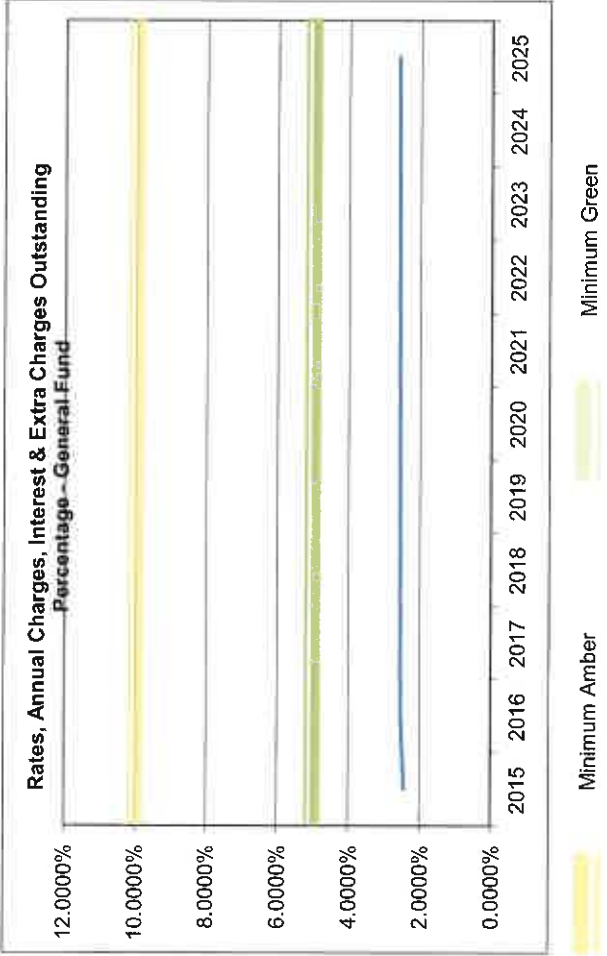


Minimum Amber Minimum Green Maximum Green Maximum Amber

**Upper Lachlan Shire Council
10 Year Financial Plan for the Years ending 30 June 2025
CHARTS - GENERAL FUND**

Scenario: Base Case

New Note 13 Ratios Charts (continued)

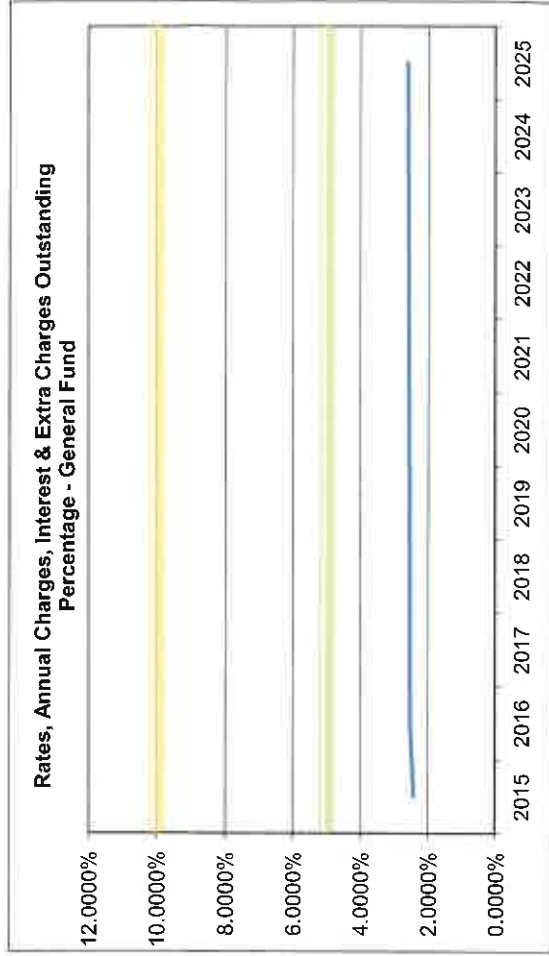
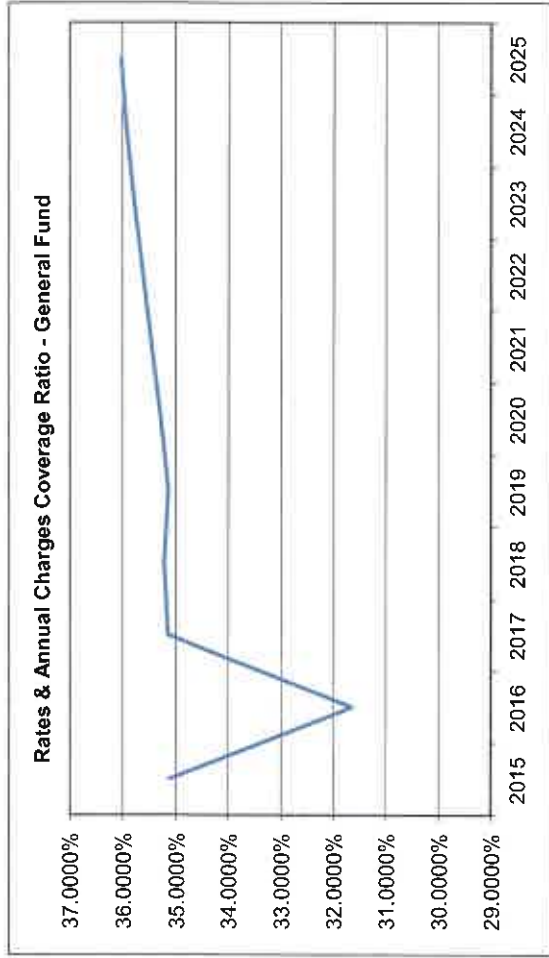
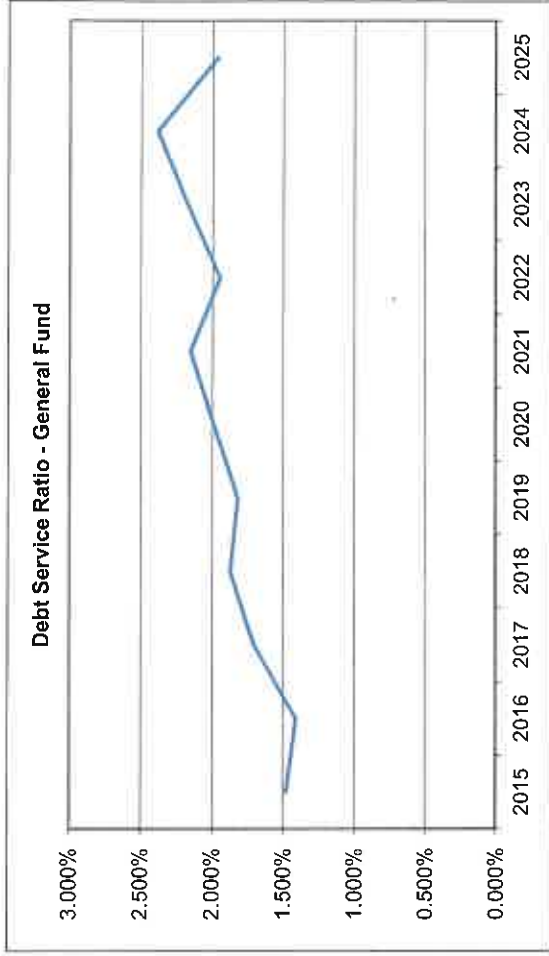
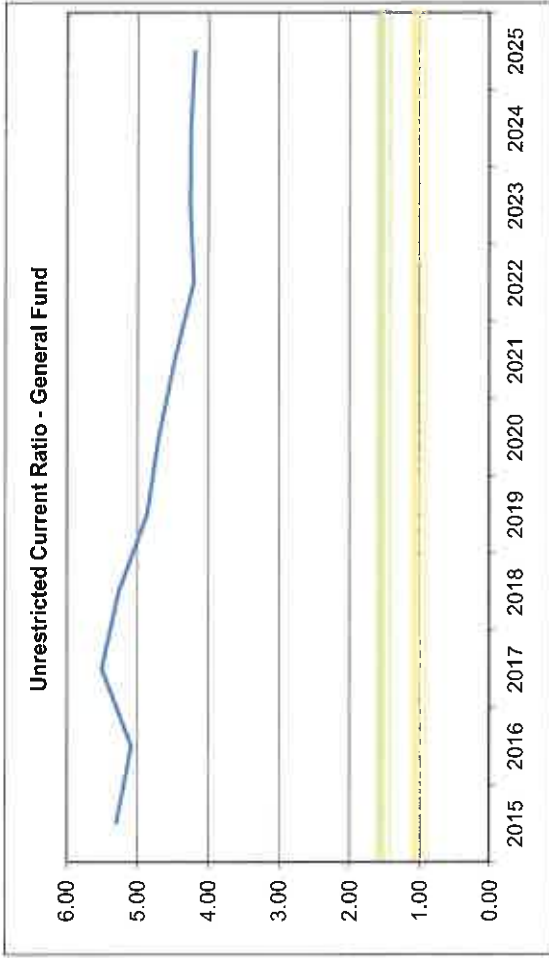


**Upper Lachlan Shire Council
10 Year Financial Plan for the Years ending 30 June 2025**

CHARTS - GENERAL FUND

Scenario: Base Case

Old Note 13 Ratios Charts



Minimum Amber

Minimum Green

Maximum Green

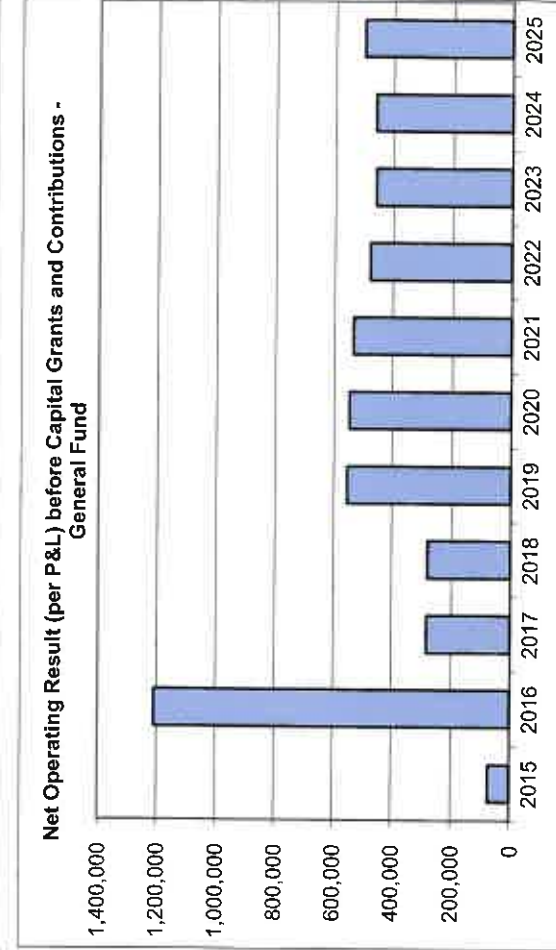
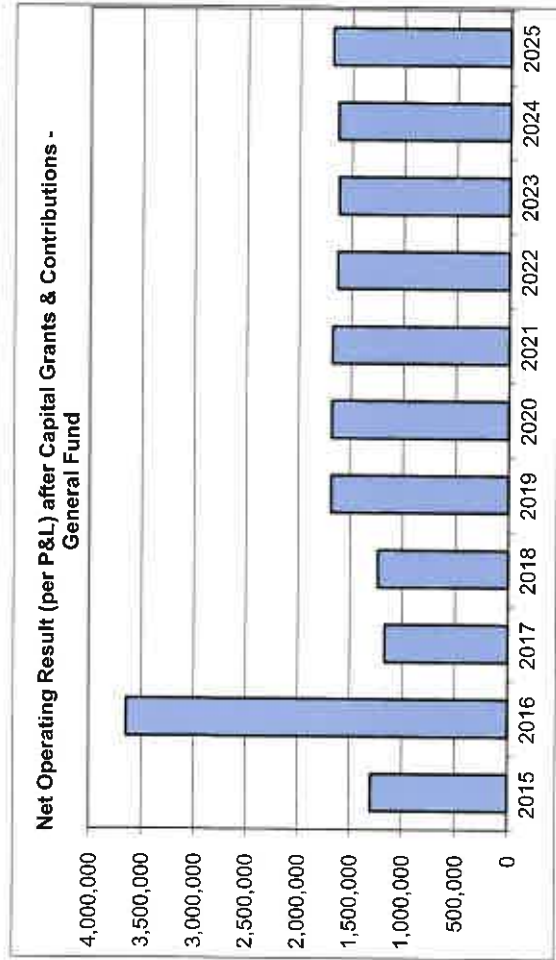
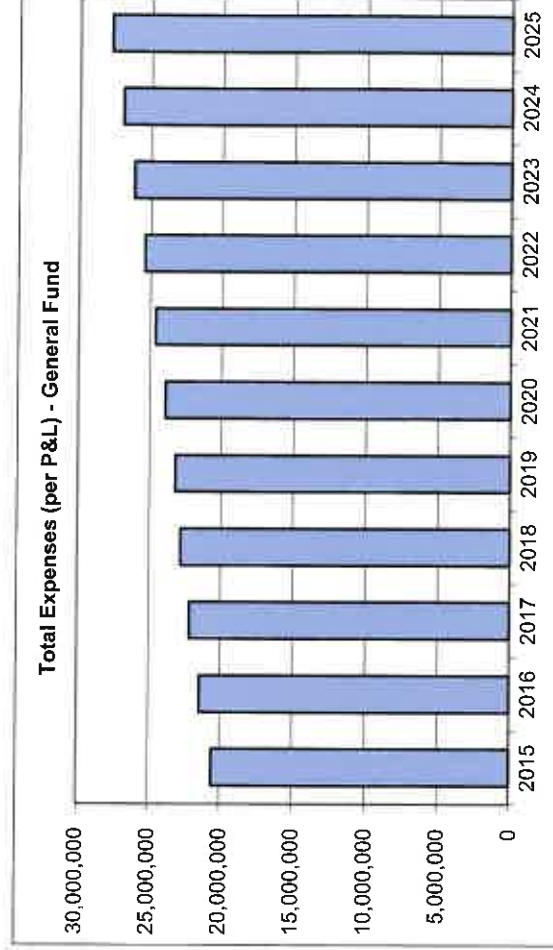
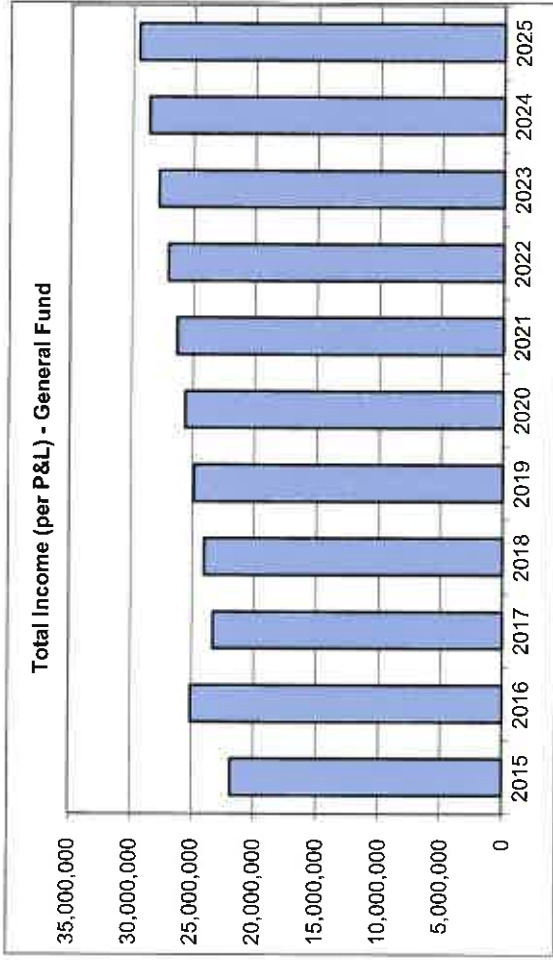
Maximum Amber

**Upper Lachlan Shire Council
10 Year Financial Plan for the Years ending 30 June 2025**

CHARTS - GENERAL FUND

Scenario: Base Case

Income Statement Charts

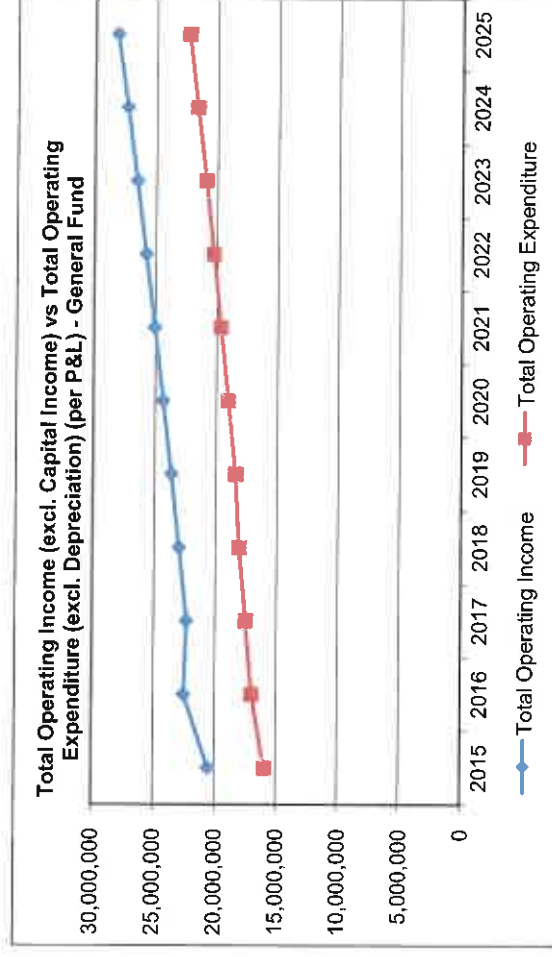
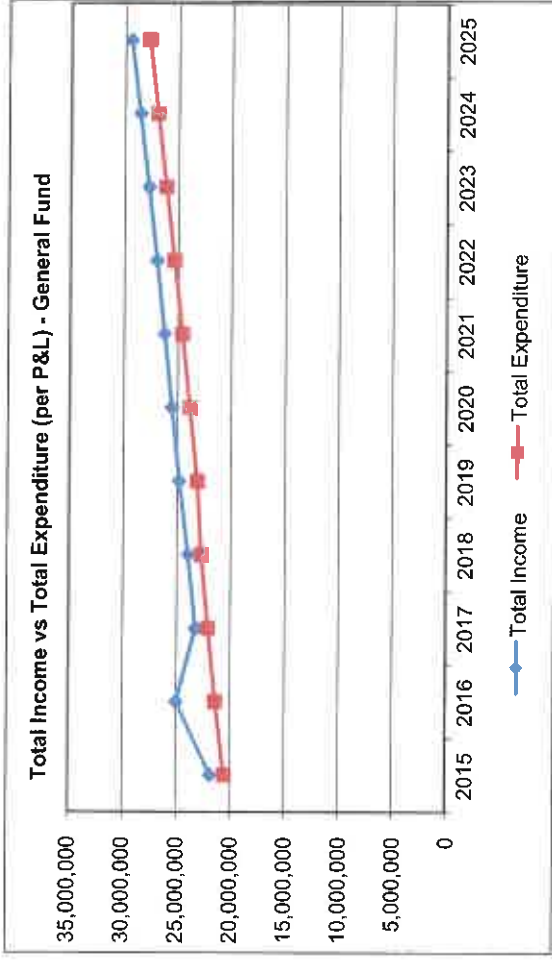


Upper Lachlan Shire Council
 10 Year Financial Plan for the Years ending 30 June 2025

CHARTS - GENERAL FUND

Scenario: Base Case

Income Statement Charts

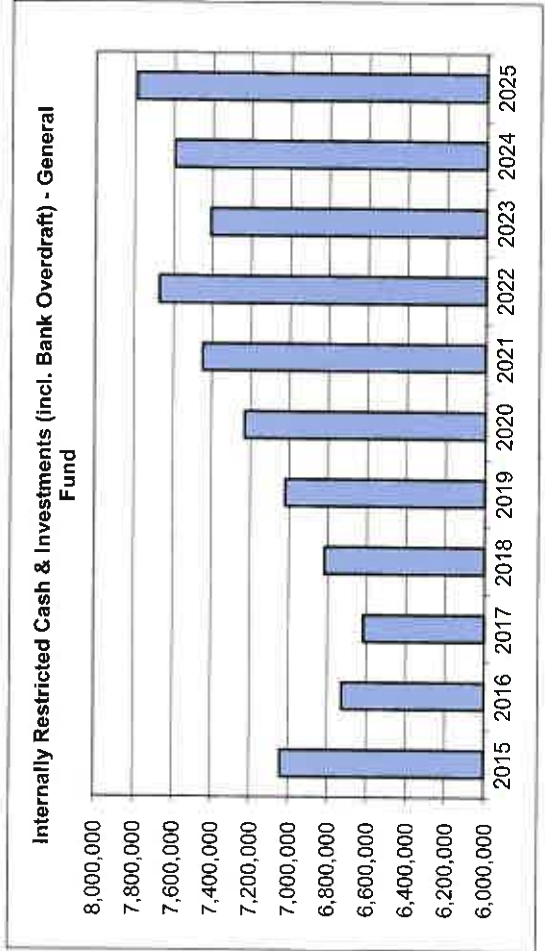
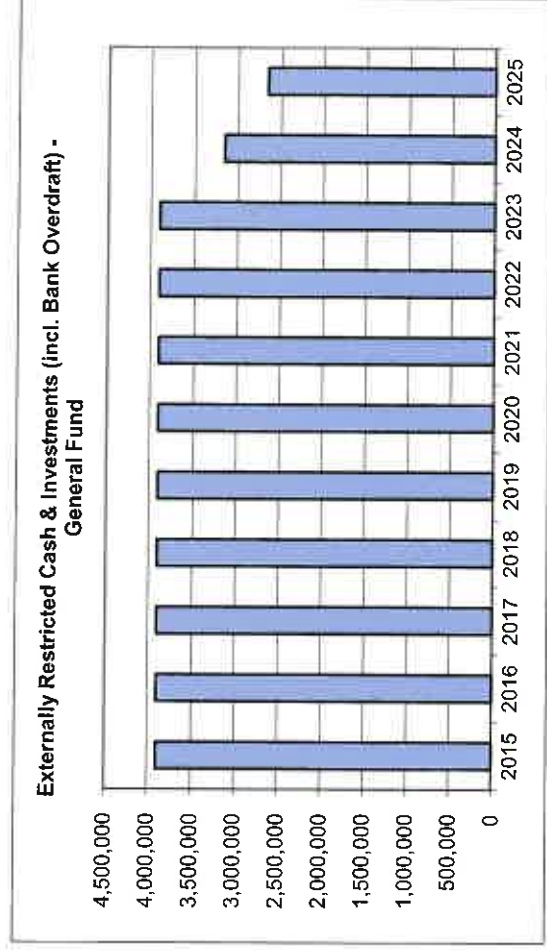
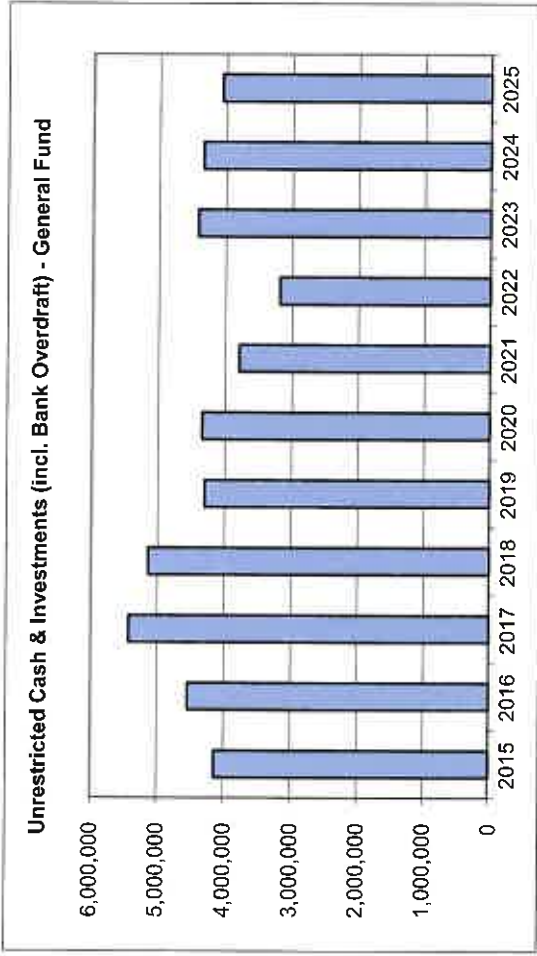


**Upper Lachlan Shire Council
10 Year Financial Plan for the Years ending 30 June 2025**

CHARTS - GENERAL FUND

Scenario: Base Case

Cash Restrictions Charts

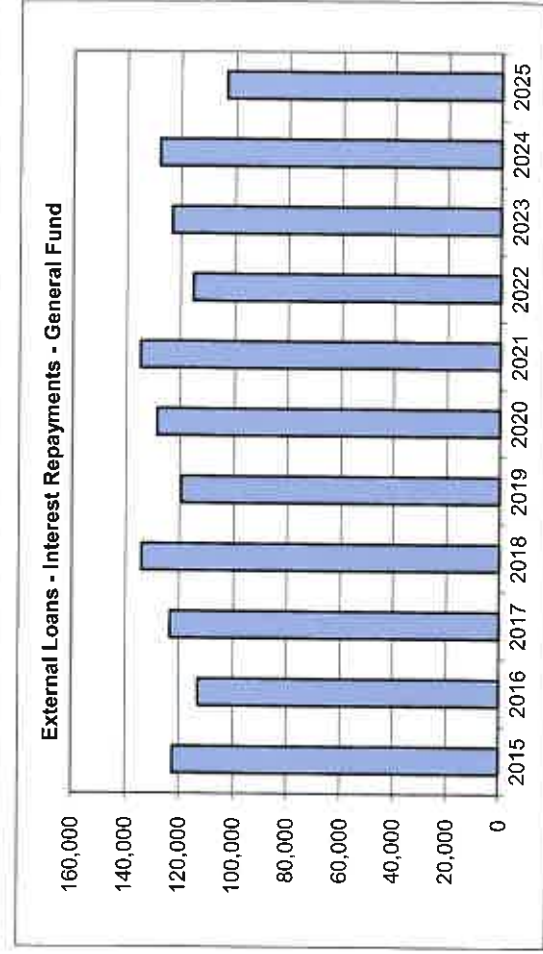
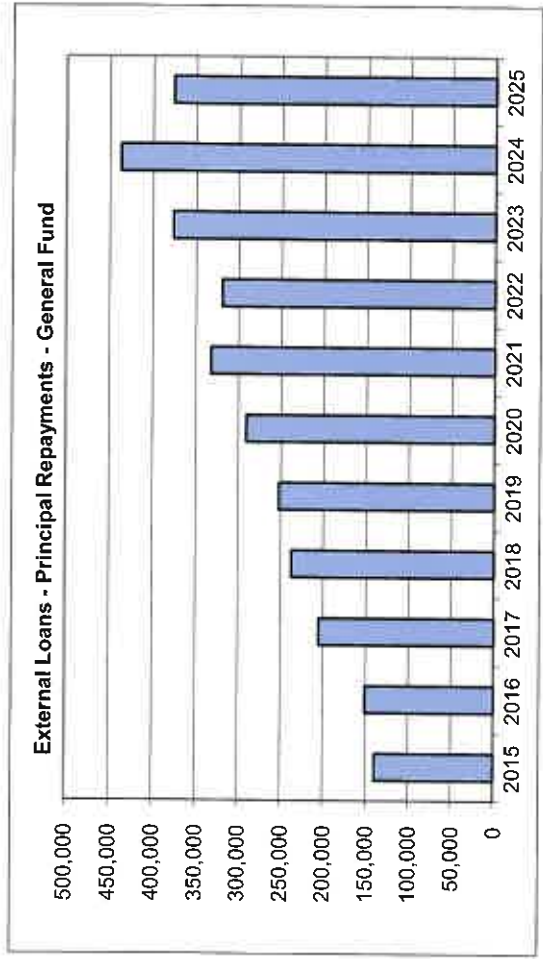
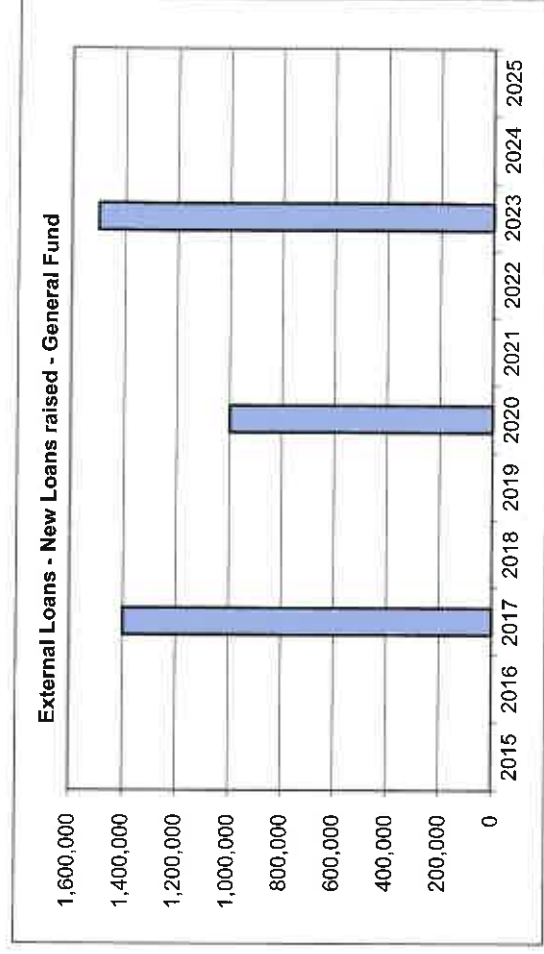
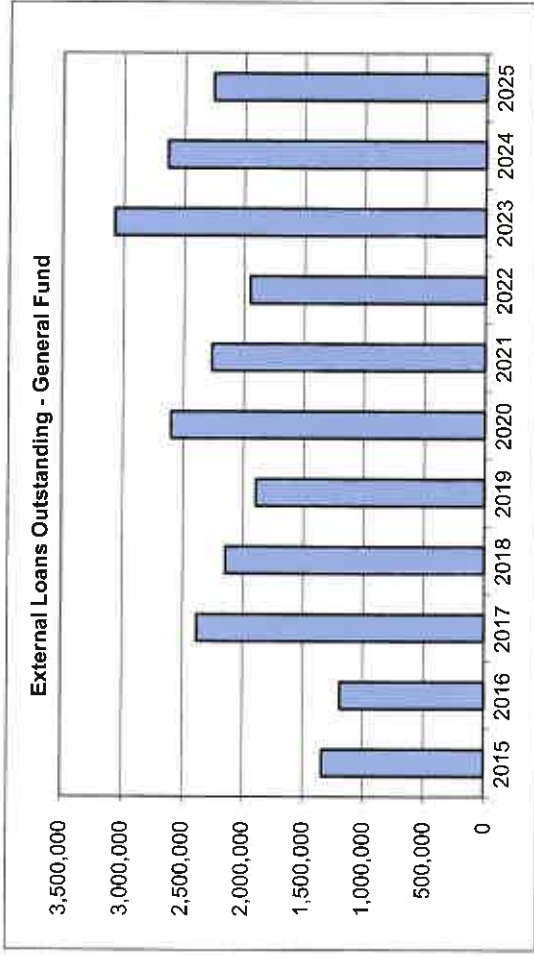


**Upper Lachlan Shire Council
10 Year Financial Plan for the Years ending 30 June 2025**

CHARTS - GENERAL FUND

Scenario: Base Case

External Loans Charts



Upper Lachlan Shire Council
 10 Year Financial Plan for the Years ending 30 June 2025
INCOME STATEMENT - WATER FUND
 Scenario: Base Case

	Actuals 2013/14	Current Year 2014/15	Projected Years															
			2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25						
Income from Continuing Operations																		
Revenue:																		
Rates & Annual Charges	736,000	770,921	812,660	849,230	887,445	927,360	969,112	1,012,722	1,058,295	1,105,918	1,155,918	1,207,690						
User Charges & Fees	870,000	827,435	822,528	863,555	906,630	951,856	989,341	1,049,198	1,101,545	1,156,506	1,214,213	1,274,801						
Interest & Investment Revenue	71,000	60,800	36,150	36,806	37,475	38,158	38,854	39,584	40,288	41,027	41,780	42,549						
Other Revenues	-	-	-	-	-	-	-	-	-	-	-	-						
Grants & Contributions provided for Operating Purposes	18,000	22,150	22,150	22,837	23,545	24,274	25,027	25,803	26,603	27,427	28,278	29,154						
Grants & Contributions provided for Capital Purposes	6,199,000	2,543,000	2,593,400	3,597,700	102,101	106,600	110,101	114,255	118,437	122,648	126,887	131,157						
Net gains from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-						
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-	-	-						
Total Income from Continuing Operations	7,894,000	4,224,306	4,286,888	5,370,127	1,957,196	2,048,269	2,142,435	2,241,542	2,345,168	2,453,526	2,566,842	2,685,352						
Expenses from Continuing Operations																		
Employee Benefits & On-Costs	457,000	422,309	459,110	474,031	489,437	505,343	521,767	538,725	556,233	574,311	592,976	612,248						
Borrowing Costs	79,000	135,100	77,721	87,915	80,502	72,571	64,318	55,382	45,950	38,334	33,413	28,155						
Materials & Contracts	383,000	208,116	206,700	214,968	223,567	232,509	241,810	251,482	261,541	272,003	282,883	294,199						
Depreciation & Amortisation	327,000	526,400	519,200	529,065	541,559	554,268	567,203	580,361	593,748	607,368	621,227	635,331						
Impairment	-	-	-	-	-	-	-	-	-	-	-	-						
Other Expenses	206,000	388,100	382,784	393,294	404,123	415,281	426,779	438,631	450,847	463,441	476,425	489,815						
Interest & Investment Losses	-	-	-	-	-	-	-	-	-	-	-	-						
Net Losses from the Disposal of Assets	137,000	-	-	-	-	-	-	-	-	-	-	-						
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-	-	-						
Total Expenses from Continuing Operations	1,589,000	1,680,025	1,645,515	1,699,273	1,739,186	1,779,973	1,821,877	1,864,580	1,908,320	1,955,456	2,006,925	2,059,747						
Operating Result from Continuing Operations	6,305,000	2,544,281	2,641,374	3,670,854	218,009	268,296	320,558	376,962	436,848	498,070	559,918	625,605						
Discontinued Operations - Profit/(Loss)	-	-	-	-	-	-	-	-	-	-	-	-						
Net Profit/(Loss) from Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-						
Net Operating Result for the Year	6,305,000	2,544,281	2,641,374	3,670,854	218,009	268,296	320,558	376,962	436,848	498,070	559,918	625,605						
Net Operating Result before Grants and Contributions provided for Capital Purposes	106,000	1,281	47,974	73,154	115,908	161,696	210,457	262,707	318,410	375,422	433,030	494,448						

Upper Lachlan Shire Council
 10 Year Financial Plan for the Years ending 30 June 2025
 BALANCE SHEET - WATER FUND
 Scenario: Base Case

	Actuals 2013/14	Current Year 2014/15	Projected Years														
			2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25					
ASSETS																	
Current Assets																	
Cash & Cash Equivalents			375,019	624,678	923,788	1,201,501	1,631,944	2,118,293	2,578,550	3,253,217	3,988,360	4,792,508					
Investments	1,384,000	815,344	815,344	815,344	815,344	815,344	815,344	815,344	815,344	815,344	815,344	815,344					
Receivables	246,000	279,222	280,271	294,019	308,443	323,576	339,454	356,112	373,590	391,928	411,167	431,354					
Inventories	-	-	-	-	-	-	-	-	-	-	-	-					
Other	-	-	-	-	-	-	-	-	-	-	-	-					
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-					
Total Current Assets	1,640,000	1,094,566	1,470,634	1,734,040	2,047,574	2,340,421	2,788,741	3,288,749	3,767,484	4,460,488	5,214,871	6,039,206					
Non-Current Assets																	
Investments																	
Receivables	10,000	17,976	18,149	19,030	19,954	20,923	21,940	23,006	24,124	25,296	26,526	27,815					
Inventories																	
Infrastructure, Property, Plant & Equipment	21,729,000	24,759,600	27,926,500	31,306,454	31,175,207	31,106,538	30,927,465	30,738,601	30,624,371	30,420,229	30,210,879	29,991,236					
Investments Accounted for using the equity method																	
Investment Property																	
Intangible Assets																	
Non-current assets classified as "held for sale"																	
Other																	
Total Non-Current Assets	21,739,000	24,776,576	27,944,649	31,325,485	31,195,161	31,127,462	30,949,405	30,761,607	30,648,495	30,445,526	30,237,404	30,019,051					
TOTAL ASSETS	23,379,000	25,871,142	29,415,282	33,059,525	33,242,735	33,467,883	33,736,146	34,051,355	34,415,979	34,906,014	35,452,275	36,058,257					
LIABILITIES																	
Current Liabilities																	
Bank Overdraft																	
Payables	18,000	18,171	18,619	19,217	19,835	20,474	21,134	21,817	22,523	23,254	24,009	24,789					
Borrowings	52,000	55,699	146,228	153,528	161,388	169,660	178,247	187,847	122,914	127,873	132,972	78,322					
Provisions	134,000	134,000	134,000	134,000	134,000	134,000	134,000	134,000	134,000	134,000	134,000	134,000					
Liabilities associated with assets classified as "held for sale"																	
Total Current Liabilities	204,000	207,870	298,847	306,745	315,223	324,134	333,381	343,665	279,437	285,126	290,981	237,112					
Non-Current Liabilities																	
Payables																	
Borrowings	880,000	823,991	1,635,760	1,482,252	1,320,865	1,151,205	972,958	785,111	662,197	534,324	401,352	323,030					
Provisions																	
Investments Accounted for using the equity method																	
Liabilities associated with assets classified as "held for sale"																	
Total Non-Current Liabilities	880,000	823,991	1,635,760	1,482,252	1,320,865	1,151,205	972,958	785,111	662,197	534,324	401,352	323,030					
TOTAL LIABILITIES	1,084,000	1,031,861	1,934,628	1,788,997	1,636,087	1,475,339	1,306,339	1,128,775	941,634	819,450	692,333	560,142					
Net Assets	22,295,000	24,839,281	27,480,655	31,270,528	31,606,648	31,992,544	32,429,807	32,922,580	33,474,345	34,086,564	34,759,942	35,498,115					
EQUITY																	
Retained Earnings	19,122,000	21,666,281	24,307,655	27,978,508	28,196,518	28,464,814	28,785,372	29,162,334	29,599,182	30,097,252	30,657,169	31,282,774					
Revaluation Reserves	3,173,000	3,173,000	3,173,000	3,282,019	3,410,130	3,527,730	3,644,436	3,760,246	3,875,163	3,989,312	4,102,773	4,215,341					
Council Equity Interest	22,295,000	24,839,281	27,480,655	31,270,528	31,606,648	31,992,544	32,429,807	32,922,580	33,474,345	34,086,564	34,759,942	35,498,115					
Minority Equity Interest																	
Total Equity	22,295,000	24,839,281	27,480,655	31,270,528	31,606,648	31,992,544	32,429,807	32,922,580	33,474,345	34,086,564	34,759,942	35,498,115					

Upper Lachlan Shire Council
 10 Year Financial Plan for the Years ending 30 June 2025
 EQUITY STATEMENT - WATER FUND
 Scenario: Base Case

	Actuals 2013/14	Current Year 2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening Balance	15,393,000	22,295,000	24,839,281	27,480,655	31,270,528	31,606,648	31,992,544	32,429,807	32,922,580	33,474,345	34,086,564	34,759,942
a. Current Year Income & Expenses Recognised direct to Equity												
- Transfers to/(from) Asset Revaluation Reserve	422,000	-	-	119,019	118,111	117,600	116,705	115,811	114,917	114,149	113,461	112,568
- Transfers to/(from) Other Reserves	-	-	-	-	-	-	-	-	-	-	-	-
- Other Income/Expenses recognised	-	-	-	-	-	-	-	-	-	-	-	-
- Other Adjustments	175,000	-	-	119,019	118,111	117,600	116,705	115,811	114,917	114,149	113,461	112,568
Net Income Recognised Directly in Equity	597,000	-	-	119,019	118,111	117,600	116,705	115,811	114,917	114,149	113,461	112,568
b. Net Operating Result for the Year	6,305,000	2,544,281	2,841,374	3,670,854	218,009	268,296	320,558	376,962	436,848	498,070	559,918	625,605
Total Recognised Income & Expenses (c&d)	6,902,000	2,544,281	2,641,374	3,789,873	336,120	385,896	437,263	492,773	551,765	612,219	673,379	738,173
c. Distributions to/(Contributions from) Minority Interests	-	-	-	-	-	-	-	-	-	-	-	-
d. Transfers between Equity	-	-	-	-	-	-	-	-	-	-	-	-
Equity - Balance at end of the reporting period	22,295,000	24,839,281	27,480,655	31,270,528	31,606,648	31,992,544	32,429,807	32,922,580	33,474,345	34,086,564	34,759,942	35,498,115

Upper Lachlan Shire Council
 10 Year Financial Plan for the Years ending 30 June 2025
 CASH FLOW STATEMENT - WATER FUND
 Scenario: Base Case

	Actuals 2019/20	Current Year 2020/21	2021/22	2022/23	2023/24	2024/25
Cash Flows from Operating Activities						
Receipts:						
Rates & Annual Charges	764,244	864,892	924,607	966,423	1,009,912	1,055,356
User Charges & Fees	782,914	883,744	939,327	985,137	1,034,264	1,085,866
Interest & Investment Revenue Received	60,690	37,476	39,168	39,864	40,269	41,027
Grants & Contributions	-	125,646	130,875	135,128	140,058	145,049
Bonds & Deposits Received	-	-	-	-	-	-
Other	-	-	-	-	-	-
Payments:						
Employee Benefits & On-Costs	(422,309)	(489,437)	(505,343)	(521,767)	(538,726)	(556,233)
Materials & Contracts	(207,946)	(222,849)	(231,870)	(241,146)	(250,799)	(260,835)
Borrowing Costs	(155,100)	(177,721)	(190,592)	(194,318)	(195,392)	(195,990)
Bonds & Deposits Refunded	-	-	-	-	-	-
Other	(388,100)	(404,123)	(415,281)	(426,779)	(438,631)	(450,847)
Net Cash provided (or used in) Operating Activities	3,029,654	4,185,987	4,071,101	4,112,707	4,263,827	4,407,643
Cash Flows from Investing Activities						
Receipts:						
Sale of Investment Securities	-	-	-	-	-	-
Sale of Investment Property	-	-	-	-	-	-
Sale of Real Estate Assets	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	-	-	-	-	-	-
Sale of Interests in Joint Ventures & Associates	-	-	-	-	-	-
Sale of Intangible Assets	-	-	-	-	-	-
Deferred Debtors Receipts	-	-	-	-	-	-
Sale of Disposal Groups	-	-	-	-	-	-
Distributions Received from Joint Ventures & Associates	-	-	-	-	-	-
Other Investing Activity Receipts	-	-	-	-	-	-
Payments:						
Purchase of Investment Securities	-	-	-	-	-	-
Purchase of Investment Property	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	-	-	-	-	-	-
Purchase of Real Estate Assets	-	-	-	-	-	-
Purchase of Intangible Assets	(3,556,000)	(3,790,000)	(3,988,000)	(4,271,426)	(4,566,666)	(4,864,120)
Deferred Debtors & Advances Made	-	-	-	-	-	-
Purchase of Interests in Joint Ventures & Associates	-	-	-	-	-	-
Contributions Paid to Joint Ventures & Associates	-	-	-	-	-	-
Other Investing Activity Payments	-	-	-	-	-	-
Net Cash provided (or used in) Investing Activities	(2,977,344)	(3,790,000)	(3,988,000)	(4,271,426)	(4,566,666)	(4,864,120)
Cash Flows from Financing Activities						
Receipts:						
Proceeds from Borrowings & Advances	1,000,000	-	-	-	-	-
Proceeds from Finance Leases	-	-	-	-	-	-
Other Financing Activity Receipts	-	-	-	-	-	-
Payments:						
Repayment of Borrowings & Advances	(67,662)	(146,228)	(161,388)	(189,660)	(178,247)	(187,847)
Repayment of Finance Lease Liabilities	-	-	-	-	-	-
Distributions to Minority Interest	-	-	-	-	-	-
Other Financing Activity Payments	-	-	-	-	-	-
Net Cash Flow provided (used in) Financing Activities	932,338	(146,228)	(161,388)	(189,660)	(178,247)	(187,847)
Net Increase/(Decrease) in Cash & Cash Equivalents	1,054,648	249,759	243,713	243,621	258,914	272,676
plus: Cash, Cash Equivalents & Investments - beginning of year	375,019	624,678	923,789	1,201,501	1,631,944	2,118,293
Cash & Cash Equivalents - end of the year	1,429,667	874,437	1,167,502	1,445,122	1,890,858	2,390,969
Cash & Cash Equivalents - end of the year	1,384,000	816,344	1,190,363	1,440,021	1,890,858	2,390,969
Investments - end of the year	-	-	-	-	-	-
Cash, Cash Equivalents & Investments - end of the year	1,384,000	816,344	1,190,363	1,440,021	1,890,858	2,390,969
Representing:						
- External Restrictions	281,000	261,000	270,000	270,000	270,000	270,000
- Internal Restrictions	1,103,000	555,344	920,363	1,170,021	1,620,858	2,120,969
- Unrestricted	1,384,000	816,344	1,190,363	1,440,021	1,890,858	2,390,969

Upper Lachlan Shire Council
 10 Year Financial Plan for the Years ending 30 June 2025
 FINANCIAL PERFORMANCE INDICATORS - SEWER FUND

Scenario: Base Case	Past Years					Projected Years									
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
New Note 13 Ratios															
Operating Performance Ratio 1)	N/A	-0.51%	-16.25%	20.92%	12.38%	13.81%	13.55%	13.02%	12.52%	12.01%	11.51%	11.02%	10.43%	9.73%	9.02%
Own Source Operating Revenue Ratio 1)	N/A	96.85%	68.30%	94.94%	91.43%	90.74%	90.66%	90.59%	90.52%	90.46%	90.40%	90.35%	90.30%	90.25%	90.20%
Unrestricted Current Ratio	2.92	15.23	14.11	17.64	19.73	22.79	25.05	28.23	30.95	32.81	34.51	48.59	51.74	54.83	57.84
Debt Service Cover Ratio 1)	N/A	N/A	2.83	17.35	11.45	12.26	12.51	12.62	12.72	12.82	12.93	13.01	75.81	75.94	76.63
Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage	3.74%	4.70%	4.81%	5.01%	4.93%	4.88%	4.88%	4.88%	4.88%	4.88%	4.88%	4.88%	4.88%	4.88%	4.88%
Cash Expense Cover Ratio 1)	N/A	N/A	25.52	33.09	7.91	15.66	22.67	31.88	39.80	45.52	50.89	55.92	64.30	69.36	74.04
1) different calculation to TCorp's calculation for same ratio															
New Special Schedule 7 Ratios															
Building & Infrastructure Renewals Ratio	30.00%	0.08%	60.00%	24.31%	38.29%	61.28%	62.48%	23.49%	37.15%	66.38%	67.64%	68.92%	70.23%	71.56%	72.91%
Infrastructure Backlog Ratio	N/A	N/A	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00	N/A	N/A	N/A	N/A	N/A
Asset Maintenance Ratio	N/A	N/A	0.60	0.82	0.76	0.60	0.62	0.63	0.51	0.47	N/A	N/A	N/A	N/A	N/A
Capital Expenditure Ratio	N/A	N/A	0.97	0.32	0.38	0.57	0.57	0.21	0.33	0.58	0.58	0.58	0.58	0.58	0.58
Old Note 13 Ratios (not incl. in new Note 13 or Special Schedule 7)															
Debt Service Ratio	14.50%	47.90%	7.80%	3.19%	4.08%	4.06%	3.93%	3.85%	3.77%	3.70%	3.62%	3.55%	0.60%	0.59%	0.58%
Rates & Annual Charges Coverage Ratio	28.60%	71.50%	50.10%	68.47%	83.11%	84.81%	84.74%	84.68%	84.63%	84.57%	84.53%	84.48%	84.44%	84.40%	84.36%

Upper Lachlan Shire Council
 10 Year Financial Plan for the Years ending 30 June 2025
 BALANCE SHEET - SEWER FUND
 Scenario: Base Case

ASSETS	Actuals 2013/14	Current Year 2014/15	Projected Years															
			2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25						
Current Assets																		
Cash & Cash Equivalents	-	527,287	1,013,535	1,506,692	2,181,449	2,803,247	2,803,247	3,301,088	3,800,275	4,300,260	4,846,730	5,393,160	5,939,135					
Investments	2,879,000	2,879,000	2,879,000	2,879,000	2,879,000	2,879,000	2,879,000	2,879,000	2,879,000	2,879,000	2,879,000	2,879,000	2,879,000					
Receivables	49,000	61,561	63,824	65,100	66,402	67,730	67,730	69,085	70,467	71,878	73,314	74,780	76,275					
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-					
Other	-	-	-	-	-	-	-	-	-	-	-	-	-					
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-	-					
Total Current Assets	2,928,000	3,467,848	3,956,408	4,450,792	5,126,652	5,749,978	6,249,173	6,749,742	7,251,136	7,799,044	8,346,939	8,894,411						
Non-Current Assets																		
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-					
Receivables	-	3,172	3,289	3,354	3,422	3,490	3,560	3,631	3,704	3,778	3,853	3,930						
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-					
Infrastructure, Property, Plant & Equipment	13,485,000	13,206,500	13,005,100	12,859,766	12,528,544	12,245,629	12,081,590	11,910,816	11,733,263	11,548,888	11,357,646	11,159,495						
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-						
Investment Property	-	-	-	-	-	-	-	-	-	-	-	-						
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-						
Non-current assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-						
Other	-	-	-	-	-	-	-	-	-	-	-	-						
Total Non-Current Assets	13,485,000	13,209,672	13,008,389	12,863,120	12,531,965	12,249,119	12,085,150	11,914,447	11,736,967	11,552,665	11,361,499	11,163,425						
TOTAL ASSETS	16,413,000	16,677,521	16,964,797	17,313,912	17,658,617	17,999,097	18,334,323	18,664,189	18,988,103	19,351,709	19,708,438	20,057,836						
LIABILITIES																		
Current Liabilities																		
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-	-	-					
Payables	6,900	16,116	15,400	15,888	16,392	16,913	17,452	18,007	18,582	19,176	19,789	20,423						
Borrowings	29,100	31,255	33,740	36,095	38,713	41,501	44,447	47,789	51,555	55,789	60,589	65,989						
Provisions	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000						
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-						
Total Current Liabilities	151,000	162,371	164,140	166,983	170,105	173,414	176,899	180,796	184,716	188,685	192,714	196,812						
Non-Current Liabilities																		
Payables	-	-	-	-	-	-	-	-	-	-	-	-						
Borrowings	366,000	334,282	300,542	264,447	225,734	184,233	139,786	91,997	88,242	84,233	79,974	75,443						
Provisions	-	-	-	-	-	-	-	-	-	-	-	-						
Investments Accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-						
Liabilities associated with assets classified as "held for sale"	-	-	-	-	-	-	-	-	-	-	-	-						
Total Non-Current Liabilities	366,000	334,282	300,542	264,447	225,734	184,233	139,786	91,997	88,242	84,233	79,974	75,443						
TOTAL LIABILITIES	517,000	496,653	464,682	431,430	395,839	357,647	316,685	272,793	225,579	222,418	219,022	215,397						
Net Assets	15,896,000	16,180,868	16,500,115	16,882,482	17,262,777	17,641,450	18,017,638	18,391,396	18,762,524	19,129,292	19,489,416	19,842,439						
EQUITY																		
Retained Earnings	14,206,000	14,490,868	14,810,115	15,132,720	15,455,364	15,777,916	16,100,135	16,421,897	16,743,022	17,064,802	17,375,976	17,685,105						
Revaluation Reserves	1,690,000	1,690,000	1,690,000	1,749,762	1,807,613	1,863,534	1,917,503	1,969,489	2,019,502	2,067,489	2,113,441	2,157,334						
Council Equity Interest	15,896,000	16,180,868	16,500,115	16,882,482	17,262,977	17,641,450	18,017,638	18,391,396	18,762,524	19,129,292	19,489,416	19,842,439						
Minority Equity Interest	-	-	-	-	-	-	-	-	-	-	-	-						
Total Equity	15,896,000	16,180,868	16,500,115	16,882,482	17,262,977	17,641,450	18,017,638	18,391,396	18,762,524	19,129,292	19,489,416	19,842,439						

Upper Lachlan Shire Council
 10 Year Financial Plan for the Years ending 30 June 2025
 EQUITY STATEMENT - SEWER FUND
 Scenario: Base Case

	Actuals 2013/14	Current Year 2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening Balance	15,194,000	15,896,000	16,180,868	16,500,115	16,882,482	17,262,977	17,641,450	18,017,638	18,391,396	18,762,524	19,129,292	19,489,416
a. Current Year Income & Expenses Recognised direct to Equity												
- Transfers to/(from) Asset Revaluation Reserve	366,000	-	-	58,762	57,851	55,921	53,969	51,996	50,003	47,988	45,951	43,894
- Transfers to/(from) Other Reserves	-	-	-	-	-	-	-	-	-	-	-	-
- Other Income/Expenses recognised	-	-	-	-	-	-	-	-	-	-	-	-
- Other Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Net Income Recognised Directly in Equity	366,000	-	-	58,762	57,851	55,921	53,969	51,996	50,003	47,988	45,951	43,894
b. Net Operating Result for the Year	336,000	284,868	319,247	322,605	322,644	322,552	322,219	321,762	321,125	318,780	314,173	309,129
Total Recognised Income & Expenses (c&d)	702,000	284,868	319,247	382,367	380,495	378,473	376,188	373,758	371,128	366,768	360,125	353,023
c. Distributions to/(Contributions from) Minority Interests	-	-	-	-	-	-	-	-	-	-	-	-
d. Transfers between Equity	-	-	-	-	-	-	-	-	-	-	-	-
Equity - Balance at end of the reporting period	15,896,000	16,180,868	16,500,115	16,882,482	17,262,977	17,641,450	18,017,638	18,391,396	18,762,524	19,129,292	19,489,416	19,842,439

Upper Lachlan Shire Council
10 Year Financial Plan for the Years ending 30 June 2025
CASH FLOW STATEMENT - SEWER FUND
Scenario: Base Case

	Actuals 2013/14	Current Year 2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges		1,241,867	1,301,440	1,328,563	1,355,125	1,382,227	1,409,872	1,438,069	1,466,830	1,495,167	1,526,090	1,556,612
User Charges & Fees												
Interest & Investment Revenue Received		125,800	91,200	92,908	94,650	96,427	98,240	100,089	101,974	103,898	105,860	107,861
Grants & Contributions		129,700	142,400	146,546	150,724	154,935	159,178	163,456	167,769	172,118	176,504	180,929
Bonds & Deposits Received												
Other												
Payments:												
Employee Benefits & On-Costs		(324,676)	(331,111)	(341,846)	(352,930)	(364,374)	(376,189)	(388,387)	(400,980)	(413,963)	(427,407)	(441,267)
Materials & Contracts		(134,384)	(134,816)	(138,076)	(144,538)	(150,323)	(156,340)	(162,597)	(169,105)	(175,873)	(182,912)	(190,232)
Borrowing Costs		(27,156)	(25,383)	(22,186)	(19,764)	(17,109)	(14,313)	(11,242)	(7,930)	(5,896)	(5,643)	(5,354)
Bonds & Deposits Refunded												
Other		(284,300)	(254,079)	(260,752)	(267,614)	(274,671)	(281,930)	(289,396)	(297,075)	(304,976)	(313,106)	(321,470)
Net Cash provided (or used in) Operating Activities		726,850	789,652	804,248	815,652	827,111	838,518	849,892	861,483	871,465	879,387	887,078
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities												
Sale of Investment Property												
Sale of Real Estate Assets												
Sale of Infrastructure, Property, Plant & Equipment												
Sale of Interests in Joint Ventures & Associates												
Sale of Intangible Assets												
Deferred Debtors Receipts												
Sale of Disposal Groups												
Distributions Received from Joint Ventures & Associates												
Other Investing Activity Receipts												
Payments:												
Purchase of Investment Securities												
Purchase of Investment Property												
Purchase of Infrastructure, Property, Plant & Equipment		(170,000)	(272,100)	(277,400)	(104,800)	(166,600)	(298,177)	(306,357)	(313,710)	(321,239)	(328,949)	(336,843)
Purchase of Real Estate Assets												
Purchase of Intangible Assets												
Deferred Debtors & Advances Made												
Purchase of Interests in Joint Ventures & Associates												
Contributions Paid to Joint Ventures & Associates												
Other Investing Activity Payments												
Net Cash provided (or used in) Investing Activities		(170,000)	(272,100)	(277,400)	(104,800)	(166,600)	(298,177)	(306,357)	(313,710)	(321,239)	(328,949)	(336,843)
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings & Advances												
Proceeds from Finance Leases												
Other Financing Activity Receipts												
Payments:												
Repayment of Borrowings & Advances		(29,503)	(31,255)	(33,740)	(36,095)	(38,713)	(41,501)	(44,447)	(47,789)	(51,009)	(54,009)	(56,899)
Repayment of Finance Lease Liabilities												
Distributions to Minority Interests												
Other Financing Activity Payments												
Net Cash Flow provided (used in) Financing Activities		(29,503)	(31,255)	(33,740)	(36,095)	(38,713)	(41,501)	(44,447)	(47,789)	(51,009)	(54,009)	(56,899)
Net Increase/(Decrease) in Cash & Cash Equivalents		(29,503)	(31,255)	(33,740)	(36,095)	(38,713)	(41,501)	(44,447)	(47,789)	(51,009)	(54,009)	(56,899)
plus: Cash, Cash Equivalents & Investments - beginning of year												
Cash & Cash Equivalents - end of the year		527,287	1,013,585	1,506,692	2,181,449	2,803,247	3,301,088	3,800,275	4,300,260	4,846,730	5,393,160	5,939,135
Cash & Cash Equivalents - end of the year		527,287	1,013,585	1,506,692	2,181,449	2,803,247	3,301,088	3,800,275	4,300,260	4,846,730	5,393,160	5,939,135
Investments - end of the year		2,879,000	2,879,000	2,879,000	2,879,000	2,879,000	2,879,000	2,879,000	2,879,000	2,879,000	2,879,000	2,879,000
Cash, Cash Equivalents & Investments - end of the year		3,406,287	3,892,585	4,385,692	5,060,449	5,682,247	6,180,088	6,679,275	7,179,260	7,725,730	8,272,160	8,818,135
Representing:												
- External Restrictions		265,000	215,000	268,000	324,000	383,000	445,000	510,000	578,000	649,000	723,000	800,000
- Internal Restrictions		3,141,287	3,677,585	4,117,692	4,736,449	5,299,247	5,735,088	6,169,275	6,601,260	7,076,730	7,549,160	8,018,135
- Unrestricted		3,406,287	3,892,585	4,385,692	5,060,449	5,682,247	6,180,088	6,679,275	7,179,260	7,725,730	8,272,160	8,818,135



New South Wales
Treasury Corporation

Upper Lachlan Shire Council

Financial Assessment, Sustainability and Benchmarking Report

11 March 2013

Prepared by NSW Treasury Corporation for Upper Lachlan Shire Council, the Division of Local Government and the Independent Local Government Review Panel.



Disclaimer

This report has been prepared by New South Wales Treasury Corporation (TCorp) in accordance with the appointment of TCorp by the Division of Local Government (DLG) as detailed in TCorp's letters of 22 December 2011 and 28 May 2012. The report has been prepared to assist the DLG and the Independent Local Government Review Panel in its consideration of the Sustainability of each local government area in NSW.

The report has been prepared based on information provided to TCorp as set out in Section 2.2 of this report. TCorp has relied on this information and has not verified or audited the accuracy, reliability or currency of the information provided to it for the purpose of preparation of the report. TCorp and its directors, officers and employees make no representation as to the accuracy, reliability or completeness of the information contained in the report.

In addition, TCorp does not warrant or guarantee the outcomes or projections contained in this report. The projections and outcomes contained in the report do not necessarily take into consideration the commercial risks, various external factors or the possibility of poor performance by the Council all of which may negatively impact the financial capability and sustainability of the Council. The TCorp report focuses on whether the Council has reasonable capacity, based on the information provided to TCorp, to take on additional borrowings, and Council's future Sustainability, within prudent risk parameters and the limits of its financial projections.

The report has been prepared for Upper Lachlan Shire Council, the DLG and the Independent Local Government Review Panel. TCorp shall not be liable to Upper Lachlan Shire or have any liability to any third party under the law of contract, tort and the principles of restitution or unjust enrichment or otherwise for any loss, expense or damage which may arise from or be incurred or suffered as a result of reliance on anything contained in this report.



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Section 1 Executive Summary

This report provides an independent assessment of Upper Lachlan Shire Council's (the Council) financial capacity, and its future Sustainability. The analysis is based on a review of the historical performance, current financial position, and long term financial forecasts. It also benchmarks the Council against its peers using key ratios.

TCorp's approach has been to:

- Review the most recent four years of Council's consolidated financial results
- Conduct a detailed review of the Council's 10 year financial forecasts

The Council has been well managed over the review period based on the following observations:

- Council has reported an operating surplus, excluding capital grants and contributions, over the four year period
- Council's underlying operating performance (measured using EBITDA) has increased by \$3.0m since 2009 to \$7.6m in 2012
- Council's Own Source Revenue Ratio has been below benchmark in all review years indicating Council's reliance on external funding

The Council reported \$15.7m of infrastructure backlog in 2012 which represents 10.0% of its infrastructure asset value of \$155.3m. Other observations include:

- Council's infrastructure backlog has increased by \$5.8m since 2009 to \$15.7m in 2012
- Council is underspending the required amount to maintain their existing assets at an acceptable level

The key observations from our review of Council's 10 year forecasts for its General Fund are:

- The forecast shows a surplus position is expected, when capital grants and contributions are excluded, for the entire forecast period
- When investment revenues are included in calculating Council's Own Source Revenue Ratio, it is above benchmark for the entire forecast period
- Council's capital expenditure is above benchmark in nine of the 10 years forecast

In our view, the Council has the capacity to undertake additional borrowings of up to \$13.4m. This is based on the following analysis:

- Based on a benchmark of DSCR>2x, \$13.4m could be borrowed in addition to the existing borrowings of \$3.2m

[To insert summary comments about the benchmarking.]

In respect of the long term Sustainability of the Council our view is that overall, Council is in a sound position. Our key observations are:

- Council's operating result, excluding capital grants and contributions, has shown a surplus result for the past four years
- Council's current LTFP forecasts operating surpluses for the entire period without the assistance of an SRV
- Council has maintained conservative levels of borrowings which is reflected in their DSCR and Interest Cover however they may need to consider borrowing to help reduce their backlog
- Council is reliant on external funding sources as indicated by an Own Source Revenue Ratio that is below benchmark in both the past and in the forecast. Any changes in grant funding, particular the state's financial assistance grants can place the council's financial sustainability at risk
- Council needs to increase its expenditure on asset maintenance and renewals in order to reduce its infrastructure backlog

In respect of the Benchmarking analysis TCorp has compared the Council's key ratios, on a consolidated basis, with other councils in DLG group 10. The key observations are:

- Council's financial flexibility is reasonably sound as indicated by the Operating Ratio being well above benchmark and the group's average, and Own Source Operating Revenue Ratio improving in the medium term
- Council was in a sufficiently liquid position which is forecast to be above the group's average liquidity level over the medium term
- Council's DSCR and Interest Cover Ratio while below the group's average were above benchmark over the review period which indicates Council is more highly geared when compared to other Councils.
- Council has low levels of Infrastructure Backlog compared to its peer group. The Asset Maintenance Ratio is below benchmark but tracks the group's average over the review period. The Building and Infrastructure Asset Renewal Ratio generally tracked benchmark over the review period. Council's Capital Expenditure Ratios has been above benchmark and outperformed the group's average over the review period. The ratio is forecast to improve marginally in line with the group's average in the medium term.

Section 2 Introduction

2.1: Purpose of Report

This report provides the Council with an independent assessment of their financial capacity, Sustainability and performance measured against a peer group of councils which will complement their internal due diligence, and the IP&R system of the Council and the DLG, together with the work being undertaken by the Independent Local Government Review Panel.

The report is to be provided to the DLG and the Independent Local Government Review Panel.

The key areas focused on are:

- The financial capacity of the Council
- The long term Sustainability of the Council
- The financial performance of the Council in comparison to a range of similar councils and measured against prudent benchmarks

2.2: Scope and Methodology

TCorp's approach was to:

- Review the most recent four years of the Council's consolidated audited accounts using financial ratio analysis. In undertaking the ratio analysis TCorp has utilised ratio's substantially consistent with those used by Queensland Treasury Corporation (QTC) initially in its review of Queensland Local Government (2008), and subsequently updated in 2011
- Conduct a detailed review of the Council's 10 year financial forecasts including a review of the key assumptions that underpin the financial forecasts. The review of the financial forecasts focused on the Council's General Fund
- Identify significant changes to future financial forecasts from existing financial performance and highlight risks associated with such forecasts, including those that could impact Council's Sustainability
- Conduct a benchmark review of a Council's performance against its peer group
- Prepare a report that provides an overview of the Council's existing and forecast financial position and its capacity to meet increased debt commitments and achieve long term Sustainability
- Conduct a high level review of the Council's IP&R documents for factors which could impact the Council's financial capacity, performance and Sustainability

In undertaking its work, TCorp relied on:

- Council's audited financial statements (2008/09 to 2011/12)
- Council's financial forecast model
- Council's IP&R documents
- Discussions with Council officers
- Other publicly available information such as information published on the IPART website

Definition of Sustainability

In conducting our reviews, TCorp has relied upon the following definition of sustainability to provide guidance:

"A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community."

Benchmark Ratios

In conducting our review of the Councils' financial performance, forecasts and Sustainability we have measured performance against a set of benchmarks. These benchmarks are listed below. Benchmarks do not necessarily represent a pass or fail in respect of any particular area. One-off projects or events can impact a council's performance against a benchmark for a short period. Other factors such as the trends in results against the benchmarks are critical as well as the overall performance against all the benchmarks. As councils can have significant differences in their size and population densities, it is important to note that one benchmark does not fit all.

For example, the Cash Expense Ratio should be greater for smaller councils than larger councils as a protection against variation in performance and financial shocks.

Therefore these benchmarks are intended as a guide to performance.

The Glossary attached to this report explains how each ratio is calculated.

Ratio	Benchmark
Operating Ratio	> (4.0%)
Cash Expense Ratio	> 3.0 months
Unrestricted Current Ratio	> 1.50x
Own Source Operating Revenue Ratio	> 60.0%
Debt Service Cover Ratio (DSCR)	> 2.00x
Interest Cover Ratio	> 4.00x
Building and Infrastructure Backlog Ratio	< 0.02x
Asset Maintenance Ratio	> 1.00x
Building and Infrastructure Asset Renewal Ratio	> 1.00x
Capital Expenditure Ratio	> 1.10x

2.3: Overview of the Local Government Area

Upper Lachlan LGA	
Locality & Size	
Locality	Southern NSW
Area	7,128km ²
DLG Group	10
Demographics	
Population as at 2011	7,193
% under 18	25%
% between 18 and 59	46%
% over 60	29%
Expected population 2021	7,625
Operations	
Number of employees (FTE)	132
Annual revenue	\$25.8m
Infrastructure	
Roads	1,772km
Bridges	65
Infrastructure backlog value	\$15.7m
Total infrastructure value	\$155.3m

Upper Lachlan Shire Local Government Area (LGA) is located in the Southern Tablelands, 45km west of Goulburn, 60km north of Canberra and 130km south-east of Bathurst.

Despite its proximity to major cities Upper Lachlan Shire is rural in its character with agriculture a main feature of its economy.

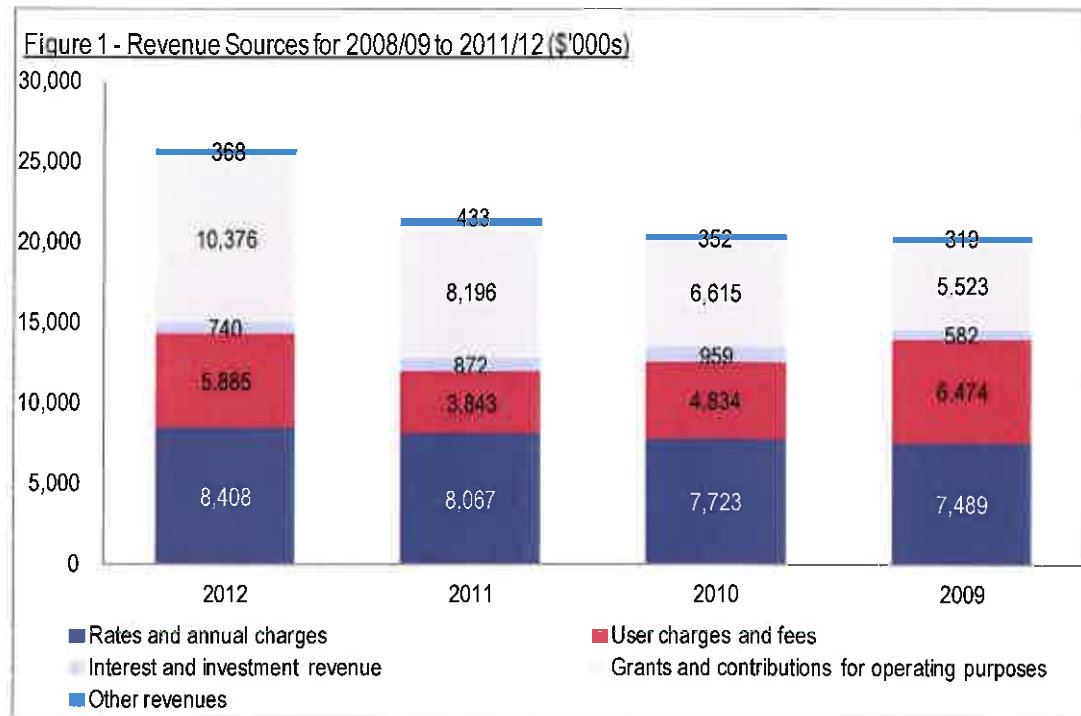
The current population of 7,193 is expected to increase by a minimum of 6% by 2021 to 7,625.

Council had 132 full time equivalent employees at 30 June 2012.

Section 3 Review of Financial Performance and Position

In reviewing the financial performance of the Council, TCorp has based its review on the annual audited accounts of the Council unless otherwise stated.

3.1: Revenue

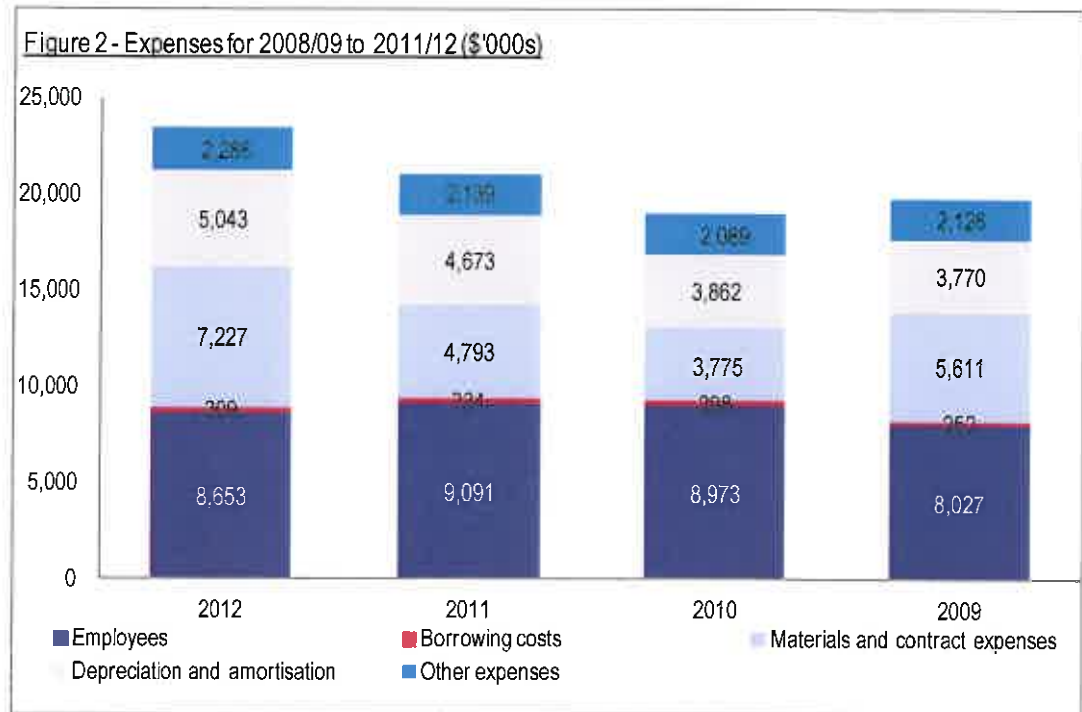


Key Observations

- Council's total revenue, excluding capital grants and contributions, increased by 26.4% (\$5.4m) over the four year period to \$25.7m in 2012.
- Rates and annual charges increased by 4.5% in 2011 and 4.2% in 2012. The increases in 2012 were due to rate peg increases and an increase in sewerage service fees following the completion of the Taralga Sewerage Scheme. The 2011 increases were due to rate peg increases and increases in charges for domestic and rural waste management services.
- User fees and charges increased by 53.1% (\$2.0m) in 2012 partly due to \$1.0m of private works revenue from the construction of roads to access Gunning Wind Farm.
- User fees and charges peaked in 2009 because of private works undertaken for Transgrid which contributed \$2.0m to total private works compared to only \$0.7m in 2010. The decrease in 2011 was due to a \$1.0m reduction in RMS charges due to reduced works undertaken.
- Grants and contributions for operating purposes have been increasing each year with a total increase of 87.8% (\$4.8m) since 2009 to \$10.3m in 2012. In 2012 grants and contributions increased by 26.6% (\$2.2m). The financial assistance grant increased by \$1.1m as a result of two advance payments received in 2012. 2012 also saw an increase of \$1.4m in natural disaster funding following the flooding early in 2012.

- In 2011 Council was awarded \$1.3m in natural disaster funding following the December 2010 flooding while 2010 saw increases in transportation grants.

3.2: Expenses



Key Observations

- Council's expenses increased by 18.8% (\$3.7m) since 2009 to \$23.5m in 2012.
- In 2012 employee costs decreased by 4.8% (\$0.4m). Salaries and wages fell by almost \$1.0m primarily due to a system error identified in 2012. The error had previously resulted in some salaries and wages overheads being consolidated into salaries costs rather than materials and contracts expenses. This error was rectified in 2012 and resulted in a re-allocation of expenses. The decrease in salaries and wages in 2012 was partly offset by an increase in superannuation. In 2010 employee costs increased by 11.8% (\$0.9m) driven by increases in salaries and wages, employee leave entitlements and workers compensation insurance costs.
- Following a decrease of 32.7% (\$1.9m) in 2010, materials and contracts expenses increased by 27.0% (\$1.0m) in 2011 and 50.8% (\$2.2m) in 2012. The 2012 increase was due to a combination of unscheduled works carried out due to flood damage, work undertaken for the RMS and Gunning Wind Energy and the system error noted above. The 2011 increase was mainly due to an increase in the number of external contractors used for unscheduled urgent works caused by flood damage.
- Materials and contracts expenses peaked in 2009 due to the completion of private works undertaken for Transgrid.



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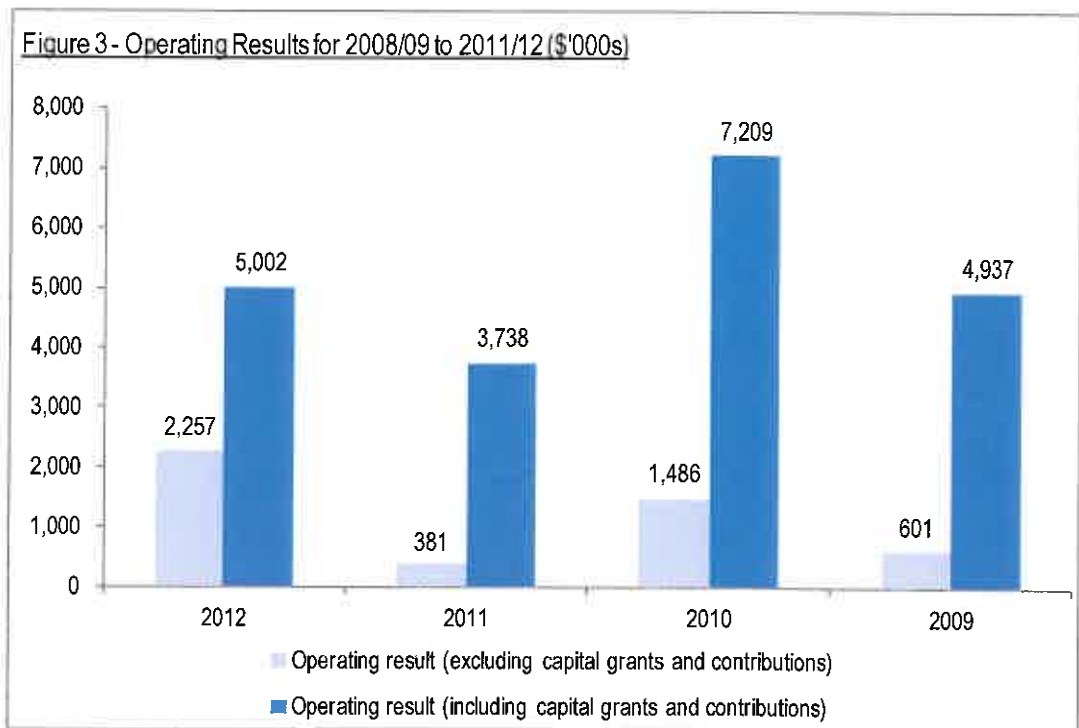
- Council's depreciation charge has increased by 33.7% (\$1.3m) since 2009 to \$5.0m in 2012. The Asset Revaluations process has resulted in the value of Council's roads, bridges, footpaths and other structures increasing by \$17.1m since 2009 to \$155.3m in 2012. This resulted in the 2011 depreciation charge increasing by 21.0% (\$0.8m). Depreciation also increased due to the extensive works undertaken on the Taralga Sewage Scheme.

3.3: Operating Results

TCorp has made some standard adjustments to focus the analysis on core operating council results. Grants and contributions for capital purposes, realised and unrealised gains on investments and other assets are excluded, as well as one-off items which Council has no control over (e.g. impairments).

TCorp believes that the exclusion of these items will assist in normalising the measurement of key performance indicators, and the measurement of Council's performance against its peers.

All items excluded from the income statement and further historical financial information is detailed in Appendix A.



Key Observations

- Council has posted a net operating surplus, excluding capital grants and contributions, each year for the last four years. The lower 2011 result was primarily due to the decrease in user fees and charges that year.
- Council expenses include a non-cash depreciation expense (\$5.0m in 2012), which has increased by \$1.2m since 2009 following the Asset Revaluations process. Whilst the non-cash nature of depreciation can favourably impact on ratios such as EBITDA that focus on cash, depreciation is an important expense as it represents the allocation of the value of an asset over its useful life.

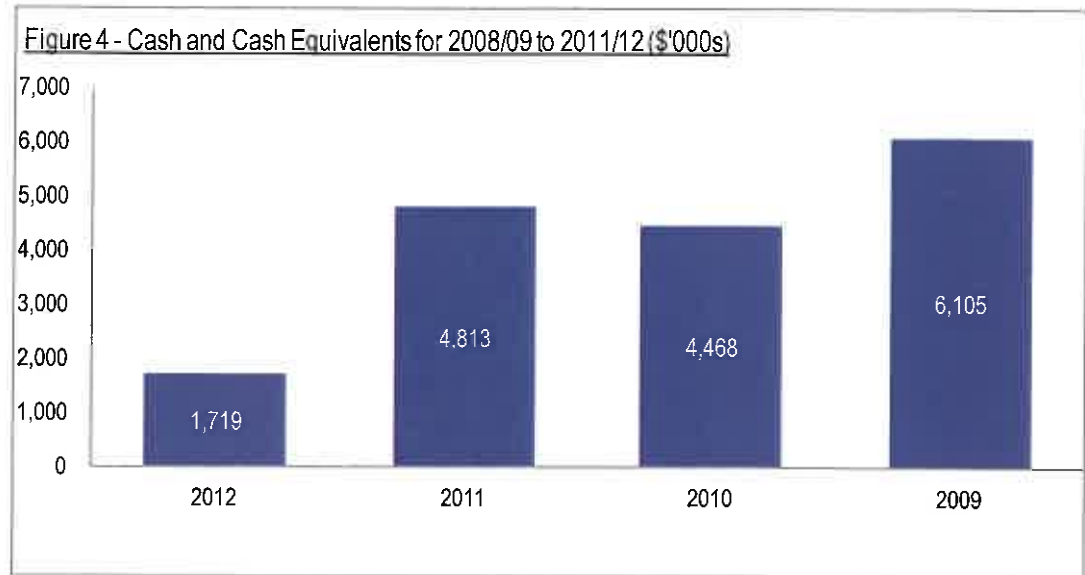
3.4: Financial Management Indicators

Performance Indicators	Year ended 30 June			
	2012	2011	2010	2009
EBITDA (\$'000s)	7,609	5,388	5,646	4,623
Operating Ratio	8.8%	1.8%	7.3%	2.9%
Interest Cover Ratio	24.62x	16.13x	18.95x	18.35x
Debt Service Cover Ratio	7.91x	8.75x	9.77x	9.38x
Unrestricted Current Ratio	4.25x	3.44x	3.28x	3.34x
Own Source Operating Revenue Ratio	50.1%	48.1%	47.9%	56.5%
Cash Expense Ratio	1.1months	3.6months	3.6months	4.6months
Net assets (\$'000s)	401,784	401,355	395,191	204,649

Key Observations

- Council's underlying operating performance (measured using EBITDA) has increased by \$2.9m since 2009 to \$7.6m in 2012.
- The Operating Ratio has been above benchmark in all four years. The 2011 result reflects the lower user charges that year.
- Council's Interest Cover Ratio and DSCR are both well above benchmark each year indicating Council has flexibility in regard to carrying more debt.
- The Unrestricted Current Ratio has been well above the benchmark of >1.5x in all four years indicating Council had sound liquidity.
- The Own Source Operating Ratio has been below the benchmark of >60% each year indicating Council do not have sufficient financial flexibility and rely on external funding sources.
- The Cash Expense Ratio has been above benchmark in three of the four years. The ratio fell significantly below benchmark in 2012 due to decreased cash balances following an increase in the purchase of investments in 2012.
- Council's Net Assets have increased by approximately \$197.1m between 2009 and 2012 due to Asset Revaluations which have increased the value of Council's roads, bridges and drainage infrastructure.
- When the Asset Revaluations are excluded, the underlying trend in each year has been an increase in the infrastructure, property, plant and equipment (IPP&E) asset base with asset purchases being greater than the combined value of disposed assets and annual depreciation. Over the three years this amounted to a \$13.9m increase in IPP&E assets.
- Council has total borrowings of \$3.2m representing 0.8% of Net Assets.

3.5: Statement of Cashflows



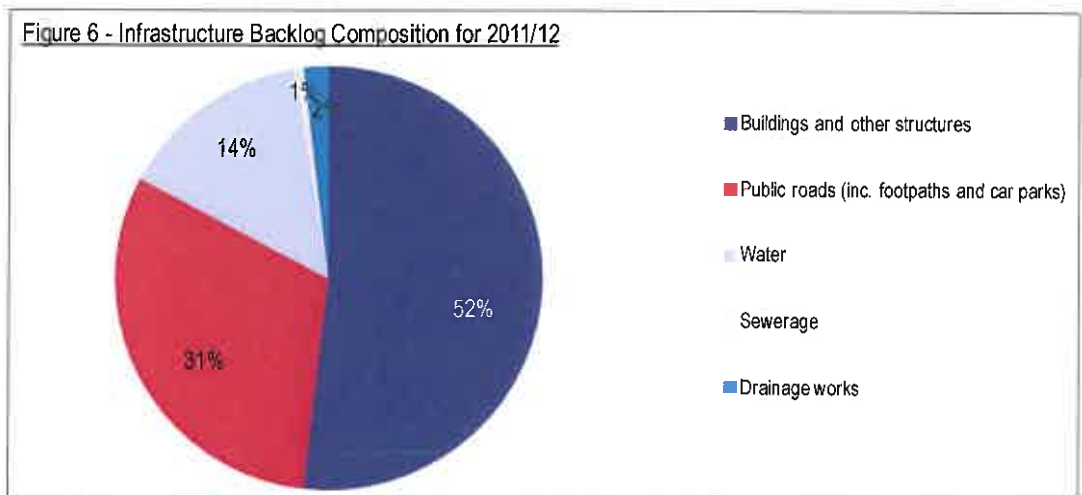
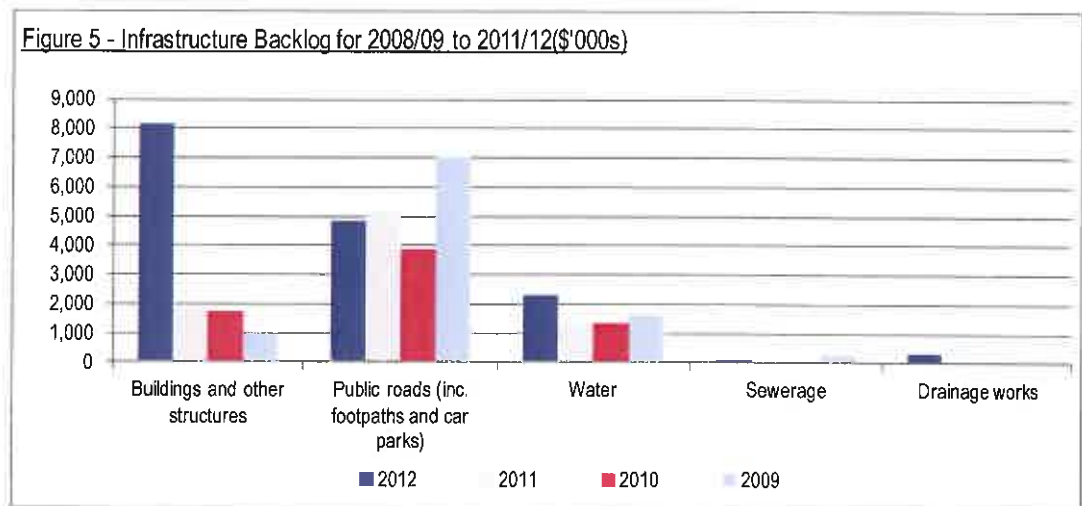
Key Observations

- Cash and cash equivalents have fluctuated over the period decreasing 71.8% (\$4.4m) to \$1.7m in 2012 driven by a \$5.3m increase in the purchase of investments. Council received a \$1.9m prepayment of the financial assistance grant and \$1.8m for the Gunning water treatment plant both of which were invested in term deposits of more than 90 days.
- The cash balances along with the Unrestricted Current Ratio indicate Council had a satisfactory level of liquidity.
- Of the \$15.1m in cash, cash equivalents and investments, \$8.6m is externally restricted, \$6.3m is internally restricted and \$0.2m is unrestricted.
- Council's cash and investment portfolio comprises \$1.7m in cash, \$12.6m in term deposits, \$0.3m in FRN's and \$0.5m in CDOs.

3.6: Capital Expenditure

The following section predominantly relies on information obtained from Special Schedules 7 and 8 that accompany the annual financial statements. These figures are unaudited and are therefore Council's estimated figures.

3.6(a): Infrastructure Backlog



Council reported a \$15.7m Infrastructure Backlog in 2012, of which 52.0% (\$8.1m) relates to buildings and other structures, 31.0% (\$4.9m) relates to public roads and 14.0% (\$2.3m) relates to water assets.

3.6(b): Infrastructure Status

Infrastructure Status	Year ended 30 June			
	2012	2011	2010	2009
Bring to satisfactory standard (\$'000s)	15,696	8,354	7,013	9,910
Required annual maintenance (\$'000s)	10,702	9,738	7,002	6,972
Actual annual maintenance (\$'000s)	9,403	8,331	5,835	5,810
Total value of infrastructure assets (\$'000s)	155,342	159,801	155,584	138,254
Total assets (\$'000s)	410,200	409,950	403,855	211,953
Building and Infrastructure Backlog Ratio	0.10x	0.05x	0.05x	0.07x
Asset Maintenance Ratio	0.88x	0.86x	0.83x	0.83x
Building and Infrastructure Asset Renewals Ratio	0.77x	1.00x	1.07x	1.84x
Capital Expenditure Ratio	1.22x	1.51x	2.73x	1.99x

The Building and Infrastructure Backlog Ratio and Asset Maintenance Ratio have been above the benchmark of <0.02x for the past four years as Council is spending at below required levels to maintain their assets at satisfactory levels.

Council's Building and Infrastructure Asset Renewals Ratio was at or above benchmark in three of the past four years. The ratio fell below benchmark in 2012 due to the completion of infrastructure works on bridges and the Taralga Sewerage Scheme.

The Capital Expenditure Ratio, which takes into account assets which improve performance or capacity, was above benchmark each year however the ratio is decreasing due to reduced capital works following the completion of the Taralga Sewerage System in 2011.

In the 2012/13 LTFP Council advise that they will endeavour to maintain existing levels of service for all services and activities undertaken by Council as detailed in Council's Delivery Program and Operational Plan. Roads and bridges infrastructure maintenance and asset renewal is Council's biggest challenge in the medium to long term however Council is committed to local roads capital improvements and especially allocating additional resources to gravel resheeting programs.

Council also plans to meet service levels in relation to infrastructure maintenance and renewal as detailed in the Infrastructure Plan and Asset Management Strategy. While current service levels may not necessarily meet community expectations, Council is attempting to address the backlog of roads, bridges and associated infrastructure work in a planned and coordinated manner through capital works programs for roads and bridges. Current service levels are fully funded for the entire 10 year program and some backlog projects are funded, however some backlog projects have not yet been funded. Council will review potential grant programs for future works.

3.6(c): Capital Program

The following figures are sourced from the Council's Annual Financial Statements at Special Schedule No. 8 and are not audited. New capital works are major non-recurrent projects.

Capital Program (\$'000s)	Year ended 30 June			
	2012	2011	2010	2009
New capital works	12,600	10,200	10,700	4,900
Replacement/refurbishment of existing assets	N/A	N/A	N/A	N/A
Total	12,600	10,200	10,700	4,900

Completed Capital Projects

Taralga Sewerage Scheme

The NSW Government and the Upper Lachlan Shire Council jointly funded the \$7.5m Taralga Sewerage Scheme project which provides reticulated sewerage services to the 350 people of Taralga. The scheme saw the construction of 12km of sewer mains throughout the village.

Gunning Dalton Water Security Improvement Project

Council has received funding for the Gunning and Dalton Water Supply Augmentation project with a total cost of \$10.8m. Upper Lachlan Shire has received \$10.0m of State and Federal funds for the project and construction is estimated to take 12 to 18 months to complete. The project aims to improve water quality, reduce water losses and improve security in the supply of water to Gunning and Dalton. This will be achieved by replacing the old water supply infrastructure with modern, efficient equipment that will even out water harvesting from the Lachlan River and minimise waste. The work involves construction of an off river storage, a water treatment plant and an interconnecting pipeline.

Other Completed Capital Projects

Reconstruction and sealing of Taralga to Crookwell Regional Road \$4.8m

Timber Bridge replacements \$3.1m

Future Capital Projects

Road reconstruction and renewal including completion of the MR248E project. \$20.0m

(This project is for the reconstruction and bitumen sealing of the remaining 8.5km of the Crookwell to Taralga Road MR248E)

Bridge renewals \$2.8m

Taralga Water Supply Augmentation \$1.7m

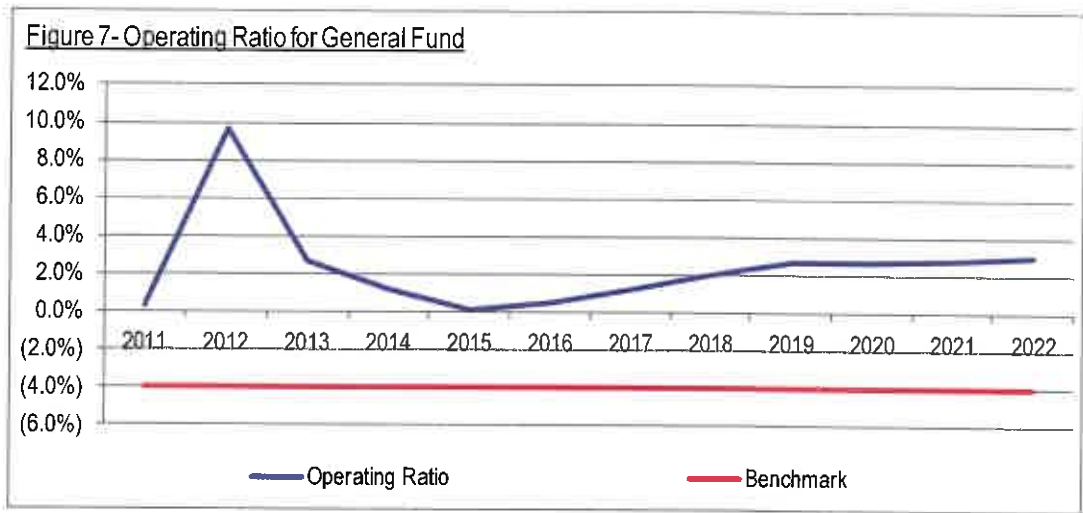
3.7: Specific Risks to Council

- **Climate Change.** Upper Lachlan LGA is subject to climate change and its impacts. Flooding and drought are concerns for Council which can lead to deterioration of assets and add unplanned and unbudgeted expenses. Recent flooding has resulted in considerable damage to Council's road network. This is being addressed by grant funding from the RMS and work has commenced on the creation of a Floodplain Mapping Plan to help mitigate these risks. The need to maintain a reliable water supply in some areas is also a concern and has led to the implementation of the Gunning Dalton Water Security Improvement Plan.
- **Cost Shifting.** The issue of cost shifting is considered by Council to be a significant risk. While the shift expense for 2012 is not yet available the cost of shift expense for 2011 is estimated by Council to have totalled \$0.9m. The main contributors to this expense in 2011 were compulsory contributions to State Government agencies to State Emergency Services, Rural Fire Service, Fire Services, Pensioner Rebates and public libraries. If this situation is not addressed Council feel their financial position will deteriorate.
- **Operating Grants.** Grants and contributions for operating purposes remains Council's largest source of revenue at 40.3% of total revenue, excluding capital grants and contributions in 2011. Operating grants revenue is greater than rates revenue, and is forecast to remain at this level. The primary source of Council's operating grants is financial assistance grants. Council has conservatively forecast grant assistance in their LTFP however any further decrease in operating grants will have a significant negative impact on the overall operating result.
- **Ageing Workforce.** Council has an ageing workforce which if left unaddressed may lead to skills shortage in the future. With over 30% of Council's current workforce over the age of 50 and many considering retirement over the next 10 years the skills gap will grow unless they can be replaced with suitably skilled staff. Council's Human Resources department has identified a need to implement an effective workforce training and succession plan to address future shortfalls.

Section 4 Review of Financial Forecasts

The financial forecast model shows the projected financial statements and assumptions for the next 10 years. We have focused our financial analysis upon the General Fund as although Council's consolidated position includes both a Water and Sewer Fund these are operated as independent entities, which unlike the General Fund are more able to adjust the appropriate fees and charges to meet all future operating and investing expenses.

4.1: Operating Results

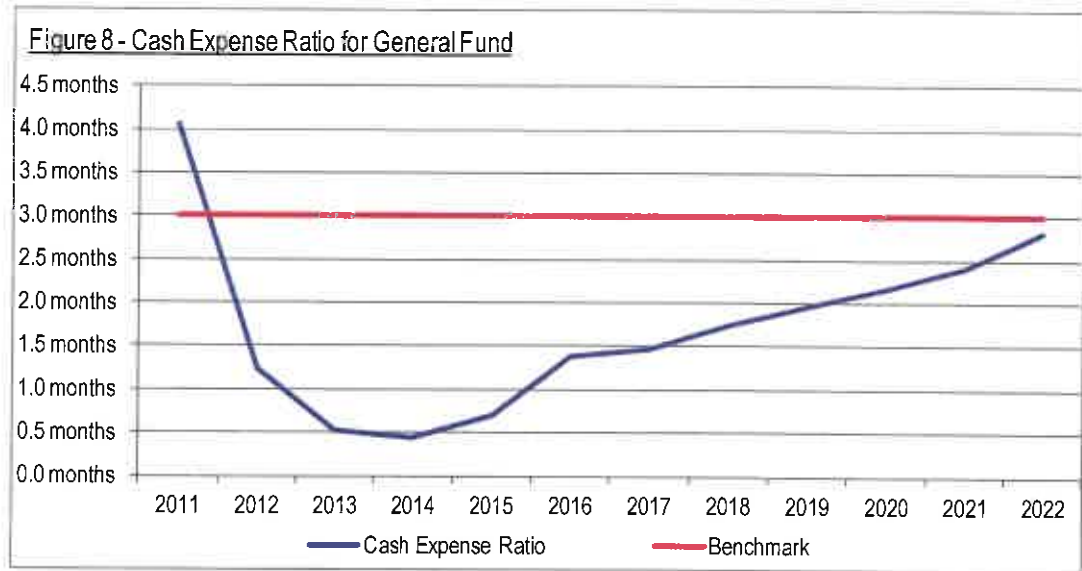


Council's Operating Ratio is forecast above benchmark for the entire period. The ratio spiked in 2012 due to increases in user fees and charges and operating grants. Decreased user fees and charges in 2013 and decreased operating grants in 2014 following completion of the natural disaster funding program from the 2012 floods causes the ratio to fall.

From 2015 operating revenue is forecast to increase at a slightly higher rate than operating expenses which causes the ratio to rise over the forecast period.

4.2: Financial Management Indicators

Liquidity Ratios



The Cash Expense Ratio falls below benchmark in 2012 and continues to decrease until 2014. Council is undertaking large infrastructure works between 2013 and 2015 which includes the Gunning/Dalton water supply treatment plants and Taralga water supply augmentation. Council is not sourcing external funding for these works and will instead transfer cash reserves to fund the projects. Council also plans to use \$1.8m from their internally restricted and unrestricted cash to fund the MR248E and the timber bridge replacement program.

The Cash Expense Ratio does not take into account Council's level of investments. When Council's current investments are considered the Cash Expense Ratio will remain above benchmark over the forecast period and will not face liquidity issues.

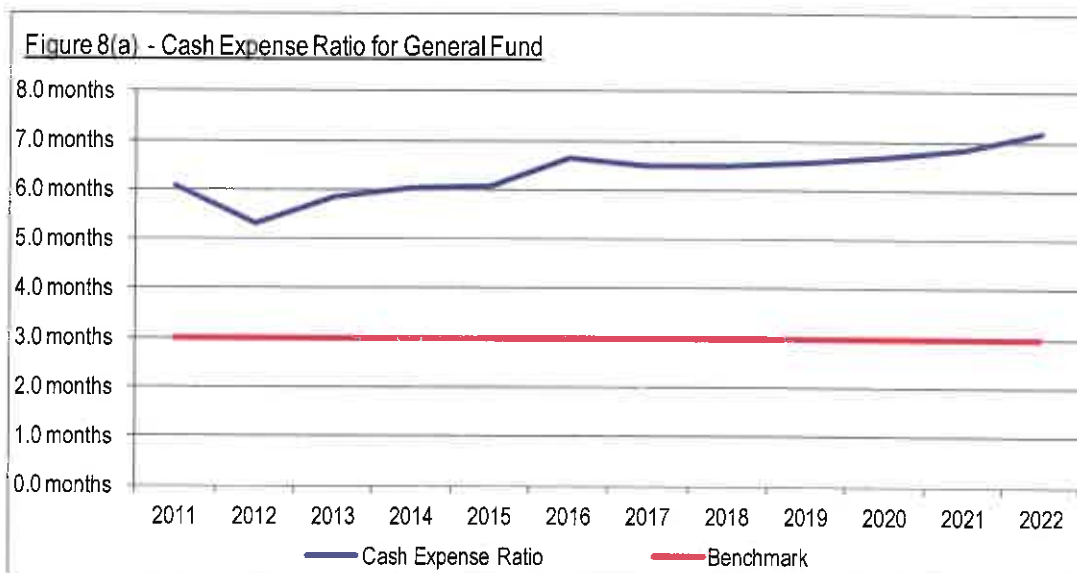
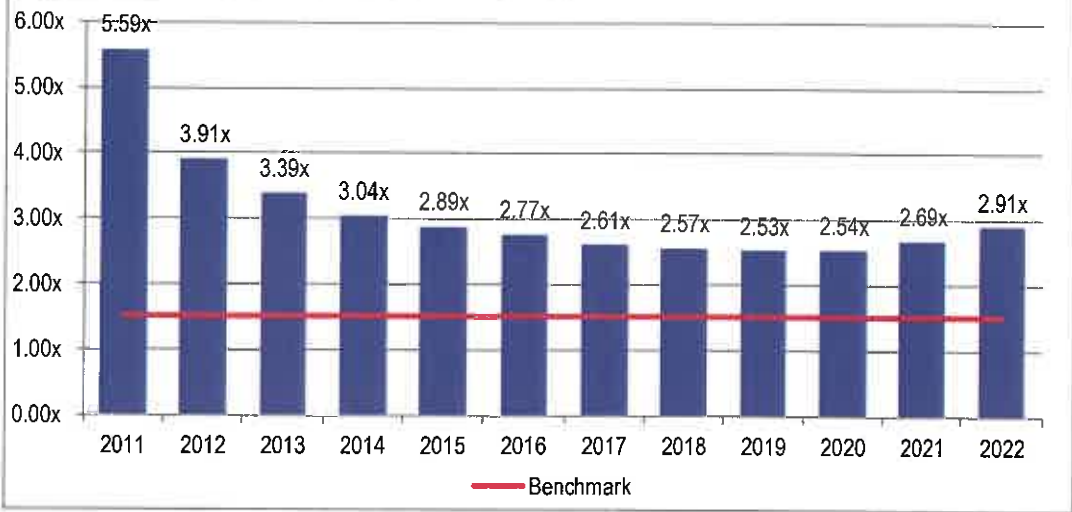
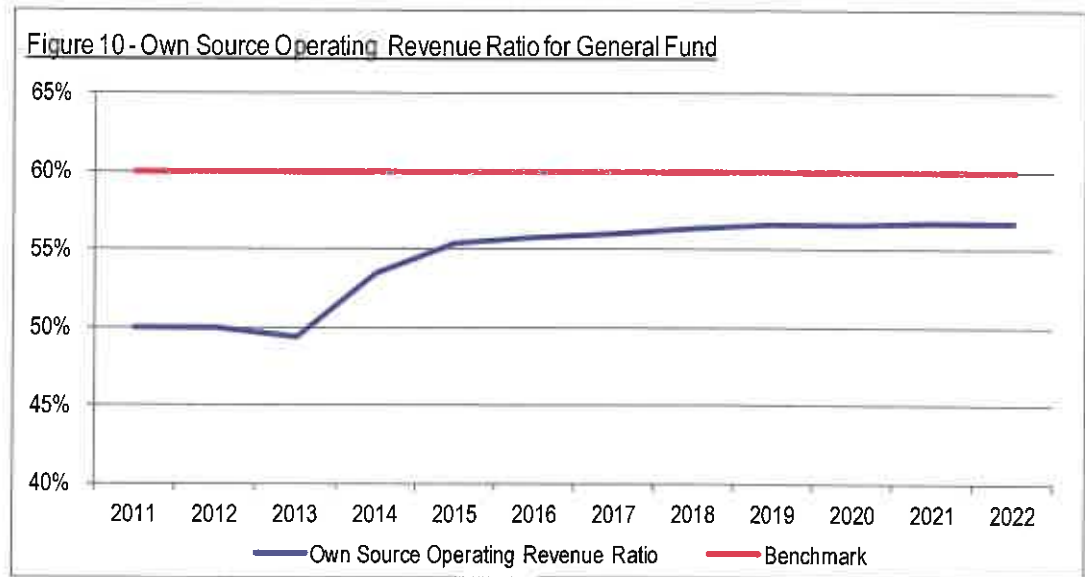


Figure 9 - Unrestricted Current Ratio for General Fund



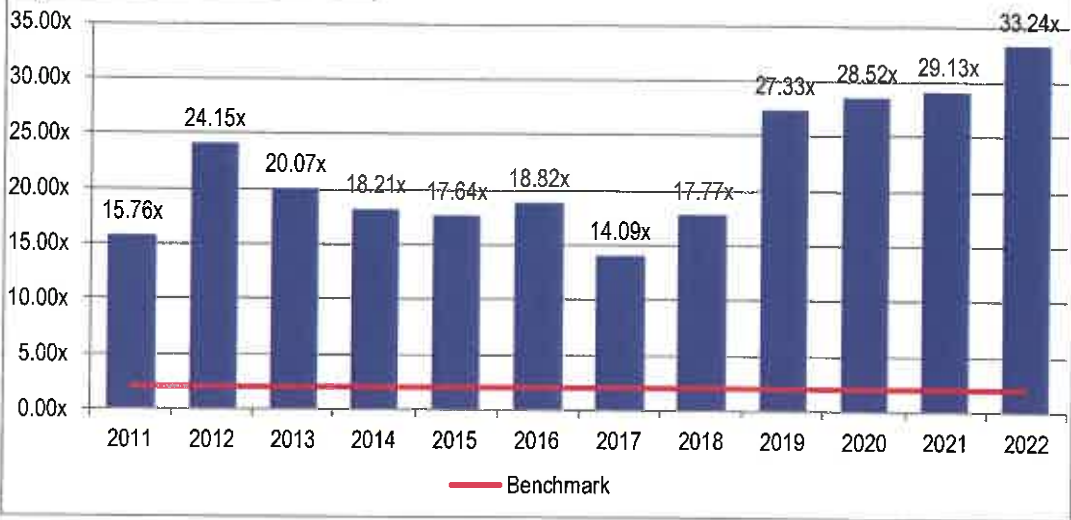
Council's Unrestricted Current Ratio is well above benchmark for the entire forecast period indicating Council will have sufficient liquidity.

Fiscal Flexibility Ratios



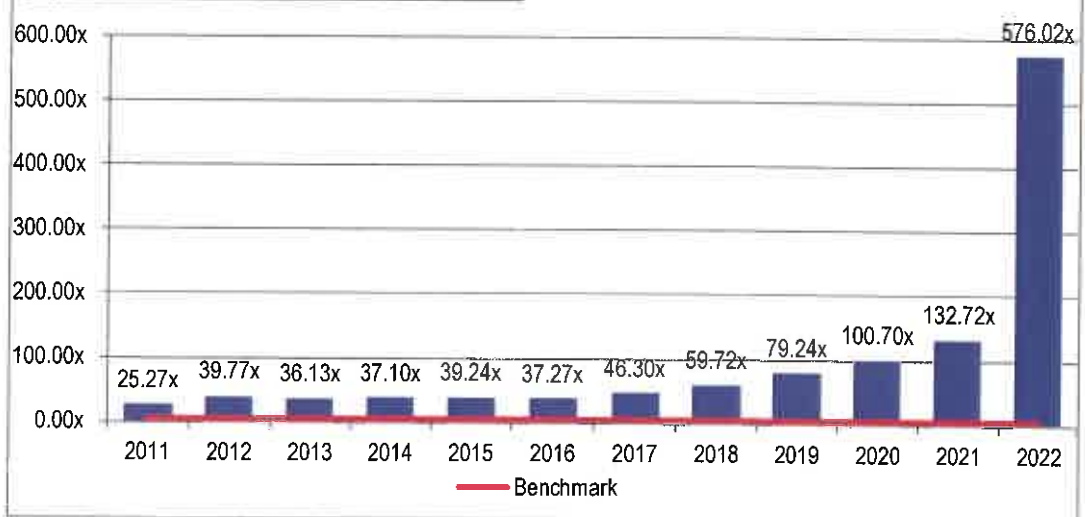
Council's Own Source Operating Revenue Ratio is below benchmark for the entire forecast period. This indicates that Council is reliant on external revenue sources in particular operating grants which make up an average of 36.0% per annum of Council's overall revenue. The ratio improves in 2014 as operating grants decrease due to the anticipated completion of road remediation work relating to the Natural Disaster Program.

Figure 11 - DSCR for General Fund



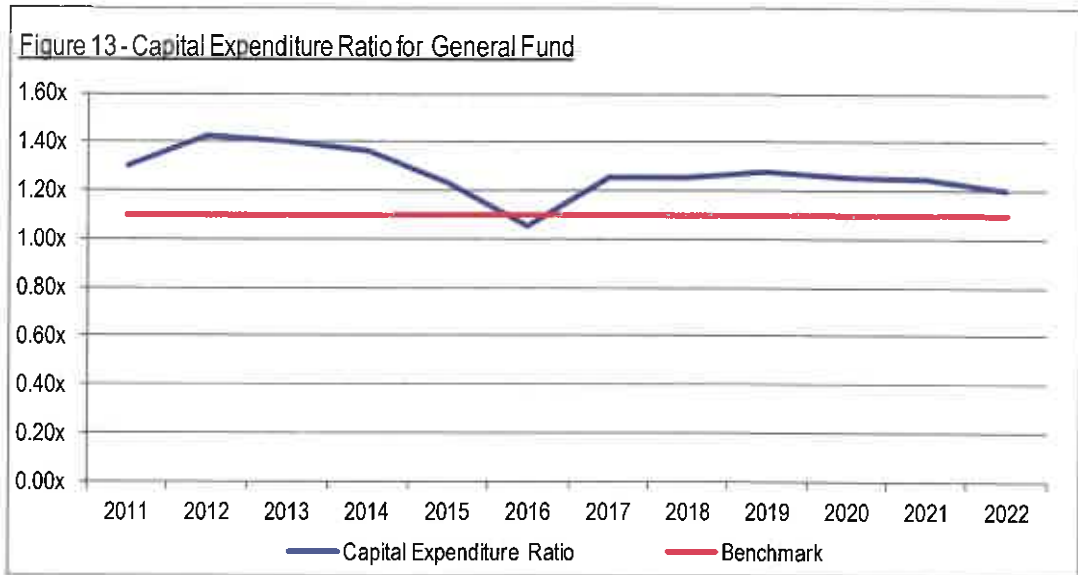
Council's DSCR is well above the benchmark of 2.00x for the 10 year forecast. This indicates that Council has the financial capacity to manage their existing debt. Council has not forecast any additional borrowing over the period.

Figure 12 - Interest Cover Ratio for General Fund



Similar to the DSCR Council's Interest Cover Ratio is above benchmark in each year of the forecast. The ratio increases over the period as Council pay down their existing debt.

4.3: Capital Expenditure



Council's Capital Expenditure Ratio is above benchmark in nine of the 10 years forecast. Council has anticipated a large capital works program for 2013 and 2014 due to successful funding from the Federal Government for the Gunning and Dalton Water Supply Augmentation project improvements.

In 2016 capital expenditure decreases due to the completion of a number of infrastructure projects. Post 2016 Council's capital expenditure forecast reflects an average infrastructure works program.

Upper Lachlan Shire Council has adopted a borrowing/loans policy on the principal of using loan monies to fund the replacement and creation of infrastructure assets which have a long life expectancy only. Council do not borrow funds for recurrent expenditure or to fund operating budget expenditure or maintenance activities. Therefore Council will not borrow for works such as road grading or patching, bridge maintenance, resealing works or footpath upgrades. They see borrowing only as an alternative to fund major capital expenditures such as asset renewal.

4.4: Financial Model Assumption Review

Council has used their own assumptions in developing their forecasts.

In order to evaluate the validity of the Council's forecast model, TCorp has compared the model assumptions versus TCorp's benchmarks for annual increases in the various revenue and expenditure items. Any material differences from these benchmarks should be explained through the LTFP.

TCorp's benchmarks:

- Rates and annual charges: TCorp notes that the LGCI increased by 3.4% in the year to September 2011, and in December 2011, IPART announced that the rate peg to apply in the 2012/13 financial year will be 3.6%. Beyond 2013 TCorp has assessed a general benchmark for rates and annual charges to increase by mid-range LGCI annual increases of 3.0%
- Interest and investment revenue: annual return of 5.0%
- All other revenue items: the estimated annual CPI increase of 2.5%
- Employee costs: 3.5% (estimated CPI+1.0%)
- All other expenses: the estimated annual CPI increase of 2.5%

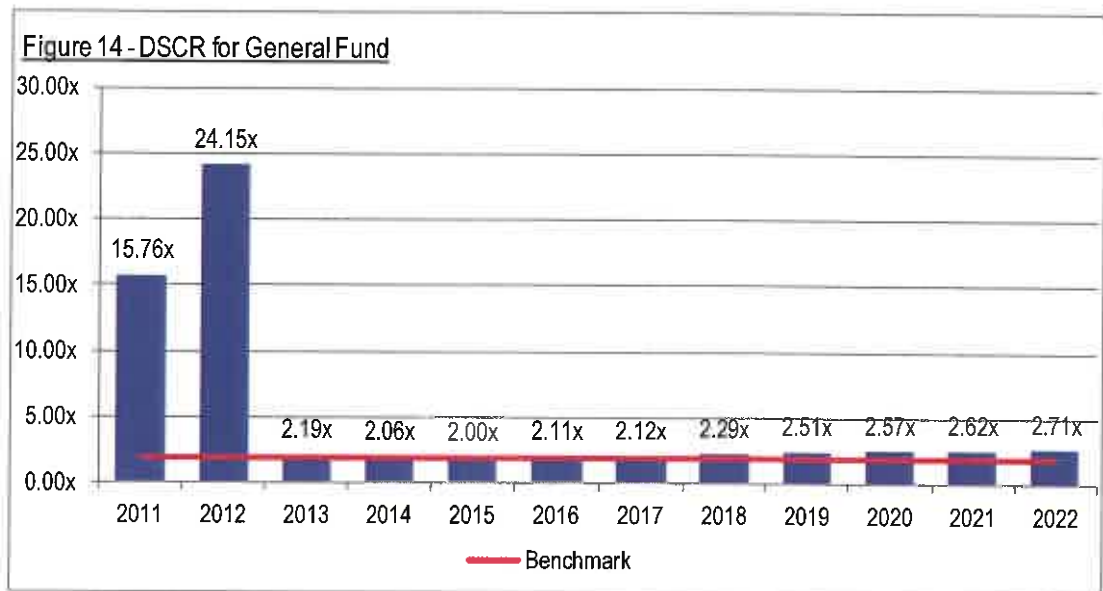
Key Observations and Risks

- Rates and annual charges are forecast to increase by 5.0% p.a. between 2014 and 2019. Council has forecast full recovery on their annual charges in the LTFP and given the overall increases of 4.2% in 2011 and 4.5% in 2012 Council consider a 5.0% p.a. increase prudent. From 2020 rates and annual charges are forecast at 3.6% p.a. only, as Council feels the completion of infrastructure upgrades will reduce costs and as a result reduce charges. Council will need to monitor this revenue stream in order to maintain the proposed increases.
- User fees and charges are forecast to decrease by 27.0% in 2013 following the one off increases in 2012. They are forecast to increase by 2.6% p.a. for the remainder of the period in line with CPI.
- Employee expenses are forecast to increase by 10.0% in 2013. The LTFP forecast submitted was based on Council's 2012 budget figures, however as we have used 2012 actual figures in our assessment and employee costs in 2012 were below budget, the percentage increase from 2012 actual figures to 2013 is higher.
- Materials and contracts expenses are forecast to decrease until 2015 as the additional RMS natural disaster remediation works are completed. Materials and contracts expenses are forecast to increase by 2.0% p.a. for the remainder of the period and Council will have to monitor these costs closely to maintain these levels.

4.5: Borrowing Capacity

When analysing the financial capacity of the Council we believe Council will be able to incorporate additional loan funding in addition to its existing debt facilities. Some comments and observations are:

- Based on a benchmark of DSCR > 2x, \$13.4m could be borrowed in addition to their existing borrowing of \$3.2m
- This scenario has been calculated by basing borrowing capacity on a 10 year amortising loan at a rate of 7.5% p.a.



TCorp believes Council is in a sound Sustainability position. Council has reported surplus results for the past four years and has forecast a surplus position for the 10 year forecast period.

In considering the longer term financial sustainability of the Council we make the following comments:

- Council's current LTFP shows operating results improving over the period
- Operating grants make up approximately 34.0% of Council's operating revenue per annum. While no change is anticipated, any adverse change to this revenue source would negatively impact Council's ability to remain sustainable
- Capital expenditure is above what is required to maintain assets at an acceptable standard over the forecast period
- Council's DSCR and Interest Cover Ratio are above benchmark for the entire forecast period which indicates Council has the capacity to take on additional borrowings
- Council has maintained very conservative levels of borrowing and forecast no additional borrowing for the next 10 years. The use of borrowing may assist Council to reduce its infrastructure backlog and to fund asset renewal programs
- Council's long term Sustainability is also dependent on maintaining the forecast LTFP levels of rates revenue and materials and contracts expenses

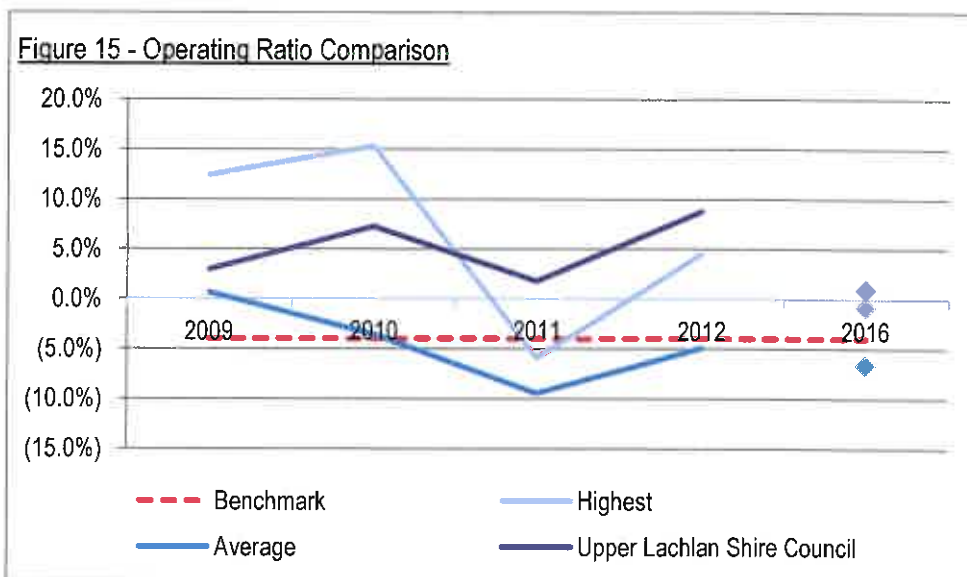
Section 5 Benchmarking and Comparisons with Other Councils

As discussed in section 2 of this report, each council's performance has been assessed against ten key benchmark ratios. The benchmarking assessment has been conducted on a consolidated basis (that is, for councils that operate more than one fund, the results of all funds are included). This section of the report compares the Council's performance with its peers in the same DLG Group. The Council is in DLG Group 10. There are 25 councils in this group and at the time of preparing this report, we have data for all of these councils.

In Figure 15 to Figure 24, the graphs compare the historical performance of Council with the benchmark for that ratio, with the average for the Group, with the highest performance (or lowest performance in the case of the Infrastructure Backlog Ratio where a low ratio is an indicator of strong performance), and with the forecast position of the Council as at 2016 (as per Council's LTFP). Figures 22 to 24 do not include the 2016 forecast position as those numbers are not available.

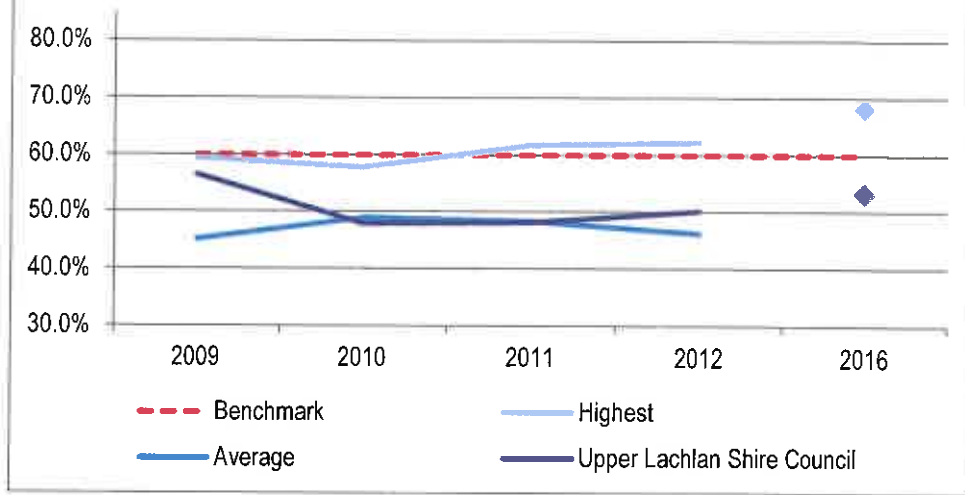
Where no highest line is shown on the graph, this means that Council is the best performer in its group for that ratio. For the Interest Cover Ratio and Debt Service Cover Ratio, we have excluded from the calculations, councils with very high ratios which are a result of low debt levels that skews the ratios.

Financial Flexibility



Council's Operating Ratio is above benchmark and the group's average over the review period. While it remains above benchmark, the ratio is forecast to decrease over the medium term, in line with its peer group.

Figure 16 - Own Source Operating Revenue Ratio Comparison



Council's Own Source Operating Revenue Ratio, while below benchmark for the review period, generally tracks its peer group. The proportion of own sourced revenue is forecast to improve over the medium term consistent with other councils in the group however it remains below benchmark levels.

Overall, Council's financial flexibility reasonably sound.

Figure 17 - Cash Expense Ratio Comparison

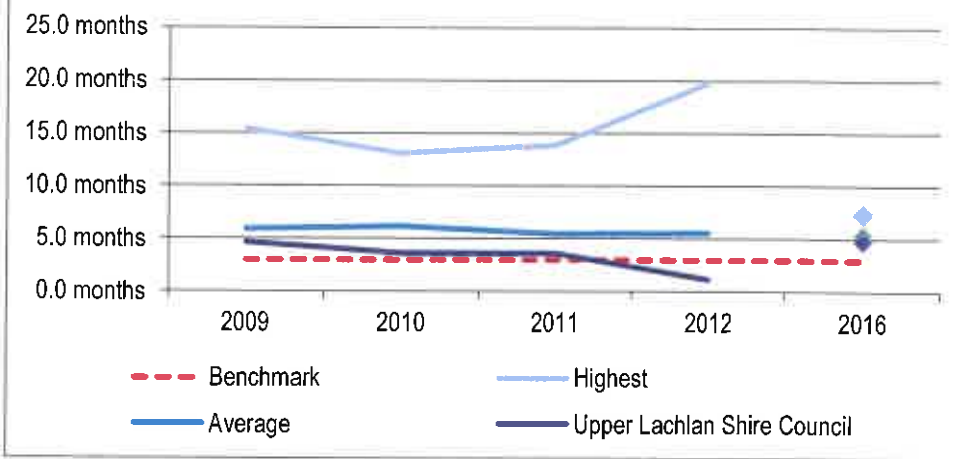
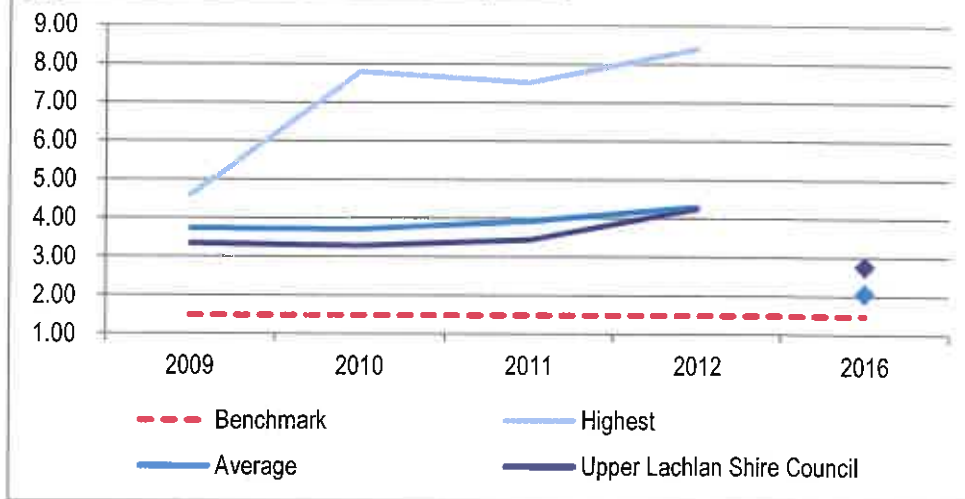


Figure 18 - Unrestricted Current Ratio Comparison



Council's Cash Expense Ratio was below the group's average over the review period. It generally tracked benchmark levels until 2012 when it declined due to an increase in the purchase of investments. The ratio is forecast to improve marginally above benchmark in the medium term.

The Unrestricted Current Ratio was marginally below the group's average until 2012 but above benchmark levels, indicating Council's ability to meet its debt payments is sufficient in the short-term. The ratio improves above the group's average in 2012 and while a slight decrease is forecast over the medium term it remains above the group average.

Overall, Council's liquidity position is reasonably sound.

Debt Servicing

Figure 19- Debt Service Cover Ratio Comparison

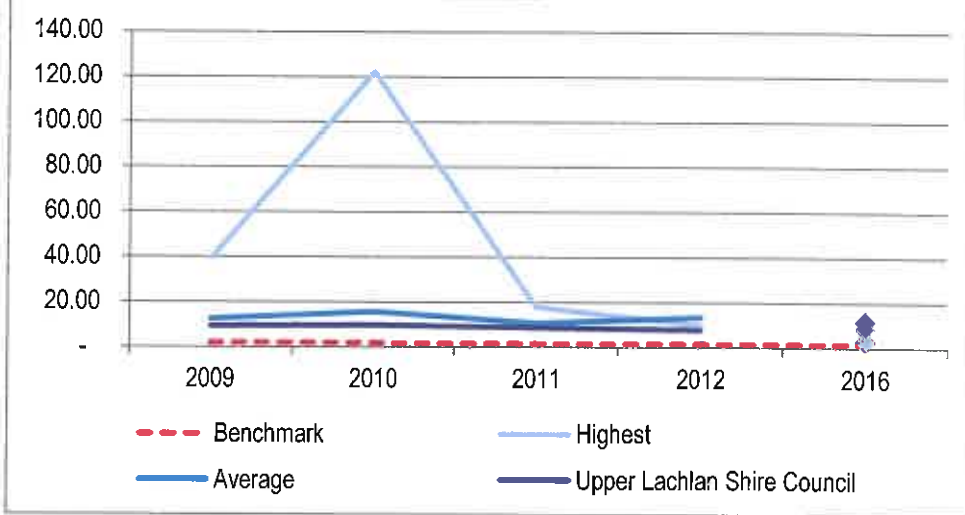
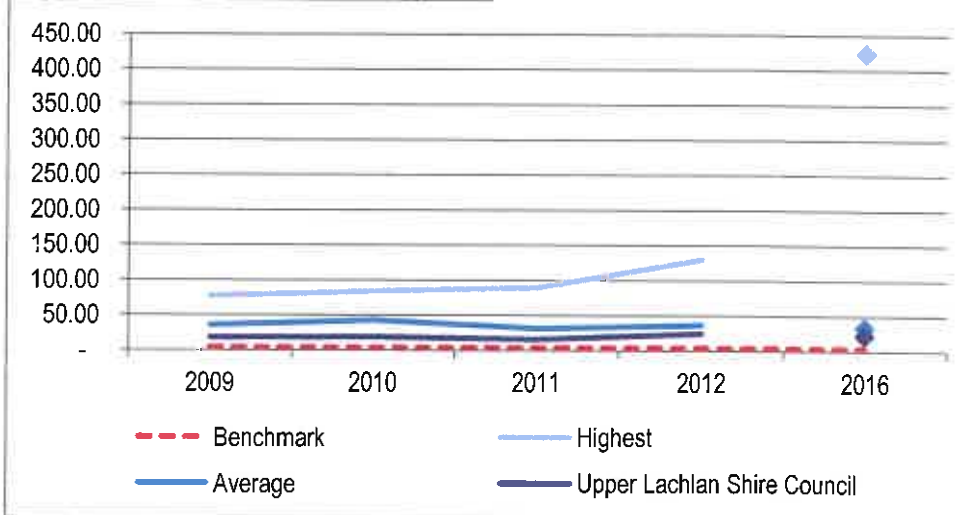


Figure 20 - Interest Cover Ratio Comparison



Council's debt servicing capacity was sound over the review period, as indicated by above benchmark DSCR and Interest Cover Ratios. Overall, Council's debt servicing ratios for the consolidated fund are forecast to remain acceptable over the medium term.

Asset Renewal and Capital Works

Figure 21 - Capital Expenditure Ratio Comparison

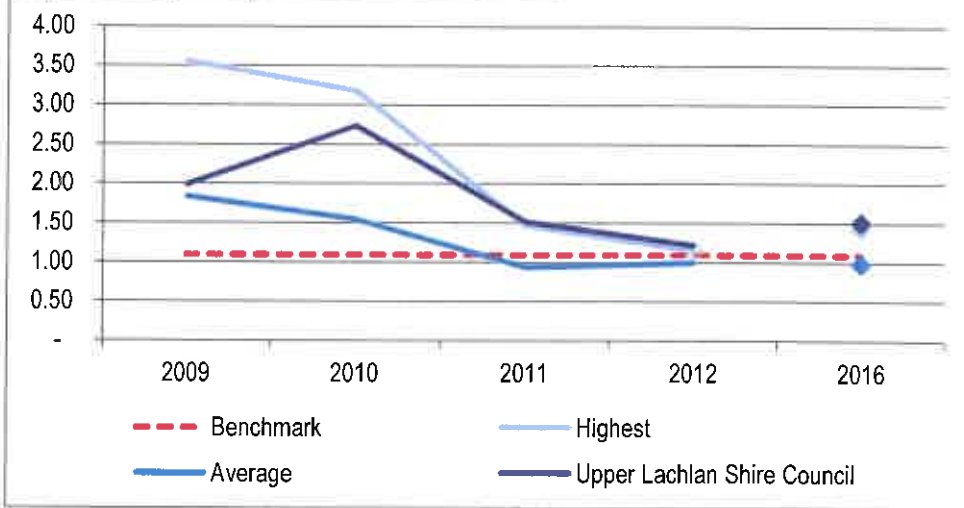
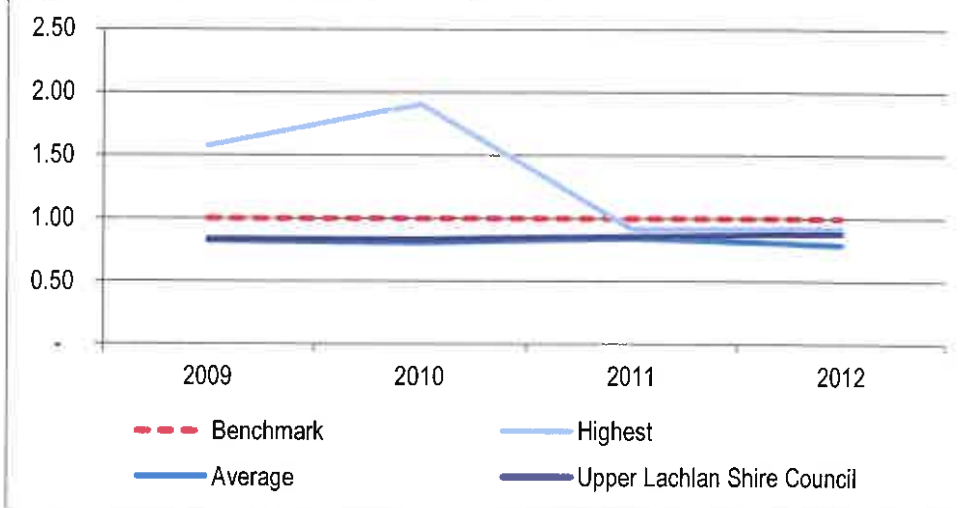
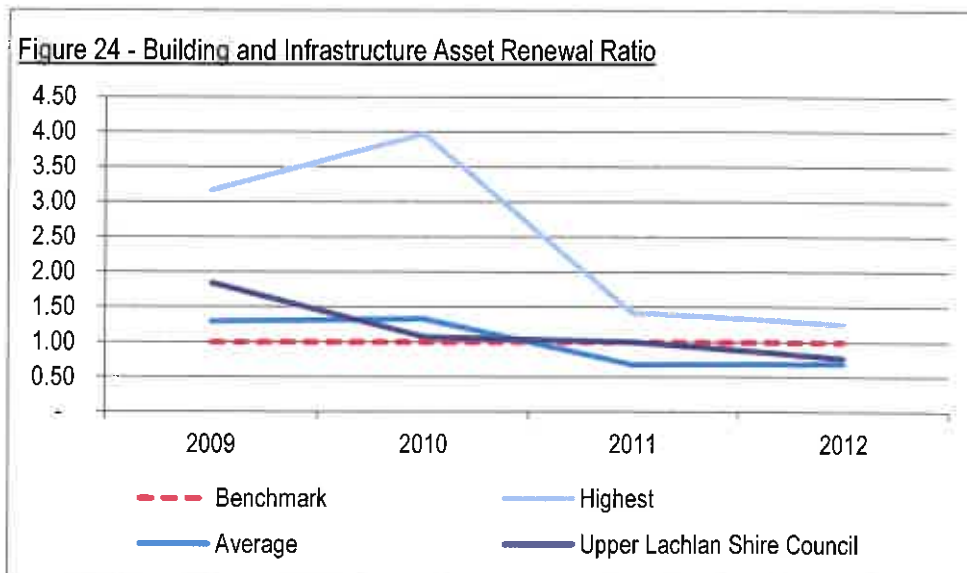
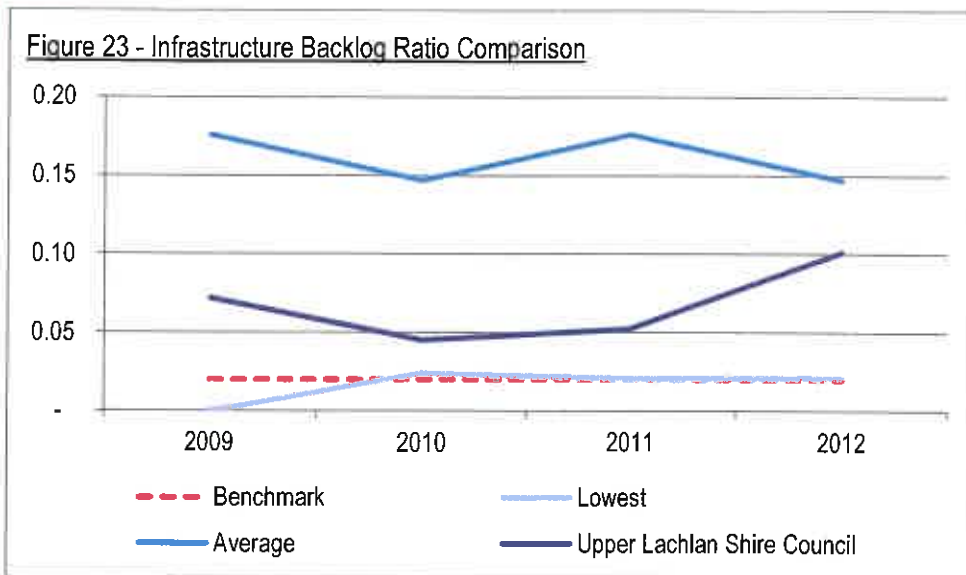


Figure 22 - Asset Maintenance Ratio Comparison





Council's Infrastructure Backlog has been below the group's average in the past four years, but has remained above benchmark over the same period. Council's Asset Maintenance Ratio has generally tracked along the group average but has remained below benchmark. The Building and Infrastructure Asset Renewal Ratio has tracked at benchmark levels since 2010. While it decreased slightly in 2012, it slightly outperformed its peer group.

Council's Capital Expenditure Ratio was above benchmark and outperformed the group's average over the review period. The ratio fell in 2012 due to reduced capital works following the completion of the Taralga Sewerage System in 2011. The ratio is forecast to improve marginally in the medium term in line with its peer group.

Section 6 Conclusion and Recommendations

Based on our review of both the historic financial information and the 10 year financial forecast within Council's LTFP we consider Council to be in a sound Sustainability position.

We base our recommendation on the following key points:

- The majority of Council's performance indicators were above benchmark between 2009 and 2012
- Council's Operating Ratio is forecast above benchmark for the entire forecast period
- Council's capital expenditure while decreasing has been above benchmark for the past four years and is forecast to be above benchmark over the 10 years of the LTFP forecast period
- Council has minimal borrowings as reflected in the Interest Cover and DSCR Ratios
- Council plans to address their infrastructure backlog through an extensive program of works and existing funding

However we would also recommend that the following points be considered:

- Council's policy of not borrowing for asset renewal could be reconsidered to assist in reducing the current backlog
- Council is reliant on external funding and any changes in State and Federal grants could place the Council's Sustainability at risk

Appendix A Historical Financial Information Tables

Table 1- Income Statement

Income Statement (\$'000s)	Year ended 30 June				% annual change		
	2012	2011	2010	2009	2012	2011	2010
Revenue							
Rates and annual charges	8,408	8,067	7,723	7,489	4.2%	4.5%	3.1%
User charges and fees	5,885	3,843	4,834	6,474	53.1%	(20.5%)	(25.3%)
Interest and investment revenue	740	872	959	582	(15.1%)	(9.1%)	64.8%
Grants and contributions for operating purposes	10,376	8,196	6,615	5,523	26.6%	23.9%	19.8%
Other revenues	368	433	352	319	(15.0%)	23.0%	10.3%
Total revenue	25,777	21,411	20,483	20,387	20.4%	4.5%	0.5%
Expenses							
Employees	8,653	9,091	8,973	8,027	(4.8%)	1.3%	11.8%
Borrowing costs	309	334	298	252	(7.5%)	12.1%	18.3%
Materials and contract expenses	7,227	4,793	3,775	5,611	50.8%	27.0%	(32.7%)
Depreciation and amortisation	5,043	4,673	3,862	3,770	7.9%	21.0%	2.4%
Other expenses	2,288	2,139	2,089	2,126	7.0%	2.4%	(1.7%)
Total expenses	23,520	21,030	18,997	19,786	11.8%	10.7%	(4.0%)
Operating result (excluding capital grants and contributions)	2,257	381	1,486	601	492.4%	(74.4%)	147.3%
Operating result (including capital grants and contributions)	5,002	3,738	7,209	4,937	33.8%	(48.1%)	46.0%

Table 2 - Items excluded from Income Statement

Excluded items				
Grants and contributions for capital purposes	2,745	3,357	5,723	4,336
Net Share of Interests in Joint Ventures and Assoc. using equities method	N/A	N/A	6	N/A
Interest and Investment losses	N/A	N/A	N/A	641
Net gain/(loss) from the disposal of assets	N/A	N/A	83	N/A



Table 3 - Balance Sheet

Balance Sheet (\$'000s)	Year Ended 30 June				% annual change		
	2012	2011	2010	2009	2012	2011	2010
Current assets							
Cash and cash equivalents	1,719	4,813	4,468	6,105	(64.3%)	7.7%	(26.8%)
Investments	13,442	6,478	5,103	2,597	107.5%	26.9%	96.5%
Receivables	1,747	1,912	2,062	918	(8.6%)	(7.3%)	124.6%
Inventories	1,259	959	908	925	31.3%	5.6%	(1.8%)
Other	316	297	317	374	6.4%	(6.3%)	(15.2%)
Total current assets	18,483	14,459	12,858	10,919	27.8%	12.5%	17.8%
Non-current assets							
Investments	N/A	859	1,087	1,070	N/A	(21.0%)	1.6%
Receivables	452	59	47	52	666.1%	25.5%	(9.6%)
Inventories	N/A	N/A	N/A	N/A	N/A!	N/A	N/A
Infrastructure, property, plant & equipment	391,265	394,573	389,684	199,727	(0.8%)	1.3%	95.1%
Investments accounted for using the equities method	0	0	179	185	N/A	(100.0%)	(3.2%)
Total non-current assets	391,717	395,491	390,997	201,034	(1.0%)	1.1%	94.5%
Total assets	410,200	409,950	403,855	211,953	0.1%	1.5%	90.5%
Current liabilities							
Payables	1,426	1,667	1,569	1,489	(14.5%)	6.2%	5.4%
Borrowings	188	1,499	496	256	(87.5%)	202.2%	93.8%
Provisions	3,105	2,737	2,615	2,499	13.4%	4.7%	4.6%
Total current liabilities	4,719	5,903	4,680	4,244	(20.1%)	26.1%	10.3%
Non-current liabilities							
Borrowings	3,020	2,362	3,647	2,736	27.9%	(35.2%)	33.3%
Provisions	677	350	337	324	93.4%	3.9%	4.0%
Total non-current liabilities	3,697	2,712	3,984	3,060	36.3%	(31.9%)	30.2%
Total liabilities	8,416	8,615	8,664	7,304	(2.3%)	(0.6%)	18.6%
Net assets	401,784	401,335	395,191	204,649	0.1%	1.6%	93.1%



New South Wales
Treasury Corporation

Table 4-Cashflow

Cash Flow Statement (\$'000s)	Year ended 30 June			
	2012	2011	2010	2009
Cash flows from operating activities	9,634	8,497	9,698	9,143
Cash flows from investing activities	(12,076)	(7,871)	(12,485)	(7,546)
Proceeds from borrowings and advances	0	0	1,431	0
Repayment of borrowings and advances	(653)	(282)	(280)	(241)
Cash flows from financing activities	(653)	(282)	1,151	(241)
Net increase/(decrease) in cash and equivalents	(3,095)	344	(1,636)	1,356
Cash and equivalents	1,719	4,813	4,468	6,105

Appendix B Glossary

Asset Revaluations

In assessing the financial sustainability of NSW councils, IPART found that not all councils reported assets at fair value.¹ In a circular to all councils in March 2009², DLG required all NSW councils to revalue their infrastructure assets to recognise the fair value of these assets by the end of the 2009/10 financial year.

Collateralised Debt Obligation (CDO)

CDOs are structured financial securities that banks use to repackage individual loans into a product that can be sold to investors on the secondary market.

In 2007 concerns were heightened in relation to the decline in the "sub-prime" mortgage market in the USA and possible exposure of some NSW councils, holding CDOs and other structured investment products, to losses.

In order to clarify the exposure of NSW councils to any losses, a review was conducted by the DLG with representatives from the Department of Premier and Cabinet and NSW Treasury.

A revised Ministerial investment Order was released by the DLG on 18 August 2008 in response to the review, suspending investments in CDOs, with transitional provisions to provide for existing investments.

Division of Local Government (DLG)

DLG is a division of the NSW Department of Premier and Cabinet and is responsible for local government across NSW. DLG's organisational purpose is "to strengthen the local government sector" and its organisational outcome is "successful councils engaging and supporting their communities". Operating within several strategic objectives DLG has a policy, legislative, investigative and program focus in matters ranging from local government finance, infrastructure, governance, performance, collaboration and community engagement. DLG strives to work collaboratively with the local government sector and is the key adviser to the NSW Government on local government matters.

¹IPART "Revenue Framework for Local Government" December 2009 p.83

²DLG "Recognition of certain assets at fair value" March 2009

Depreciation of Infrastructure Assets

Linked to the asset revaluations process stated above, IPART's analysis of case study councils found that this revaluation process resulted in sharp increases in the value of some council's assets. In some cases this has led to significantly higher depreciation charges, and will contribute to higher reported operating deficits.

EBITDA

EBITDA is an acronym for "earnings before interest, taxes, depreciation, and amortisation". It is often used to measure the cash earnings that can be used to pay interest and repay principal.

Grants and Contributions for Capital Purposes

Councils receive various capital grants and contributions that are nearly always 100% specific in nature. Due to the fact that they are specifically allocated in respect of capital expenditure they are excluded from the operational result for a council in TCorp's analysis of a council's financial position.

Grants and Contributions for Operating Purposes

General purpose grants are distributed through the NSW Local Government Grants Commission. When distributing the general component each council receives a minimum amount, which would be the amount if 30% of all funds were allocated on a per capita basis. When distributing the other 70%, the Grants Commission attempts to assess the extent of relative disadvantage between councils. The approach taken considers cost disadvantage in the provision of services on the one hand and an assessment of revenue raising capacity on the other.

Councils also receive specific operating grants for one-off specific projects that are distributed to be spent directly on the project that the funding was allocated to.

Independent Commission Against Corruption (ICAC)

ICAC was established by the NSW Government in 1989 in response to growing community concern about the integrity of public administration in NSW.

The jurisdiction of the ICAC extends to all NSW public sector agencies (except the NSW Police Force) and employees, including government departments, local councils, members of Parliament, ministers, the judiciary and the governor. The ICAC's jurisdiction also extends to those performing public official functions.

Independent Pricing and Regulatory Tribunal (IPART)

IPART has four main functions relating to the 152 local councils in NSW. Each year, IPART determines the rate peg, or the allowable annual increase in general income for councils. They also review and determine council applications for increases in general income above the rate peg, known as "Special Rate Variations". They approve increases in council minimum rates. They also review council development contributions plans that propose contribution levels that exceed caps set by the Government.

Infrastructure Backlog

Infrastructure backlog is defined as the estimated cost to bring infrastructure, building, other structures and depreciable land improvements to a satisfactory standard, measured at a particular point in time. It is unaudited and stated within Special Schedule 7 that accompanies the council's audited annual financial statements.

Integrated Planning and Reporting (IP&R) Framework

As part of the NSW Government's commitment to a strong and sustainable local government system, the *Local Government Amendment (Planning and Reporting) Act 2009* was assented on 1 October 2009. From this legislative reform the IP&R framework was devised to replace the former Management Plan and Social Plan with an integrated framework. It also includes a new requirement to prepare a long-term Community Strategic Plan and Resourcing Strategy. The other essential elements of the new framework are a Long-Term Financial Plan (LTFP), Operational Plan and Delivery Program and an Asset Management Plan.

Local Government Cost Index (LGCI)

The LGCI is a measure of movements in the unit costs incurred by NSW councils for ordinary council activities funded from general rate revenue. The LGCI is designed to measure how much the price of a fixed "basket" of inputs acquired by councils in a given period compares with the price of the same set of inputs in the base period. The LGCI is measured by IPART.

Net Assets

Net Assets is measured as total assets less total liabilities. The Asset Revaluations over the past years have resulted in a high level of volatility in many councils' Net Assets figure. Consequently, in the short term the value of Net Assets is not necessarily an informative indicator of performance. In the medium to long term however, this is a key indicator of a council's capacity to add value to its operations. Over time, Net Assets should increase at least in line with inflation plus an allowance for increased population and/or improved or increased services. Declining Net Assets is a key indicator of the council's assets not being able to sustain ongoing operations.

Roads and Maritime Services (RMS)

The NSW State Government agency with responsibility for roads and maritime services, formerly the Roads and Traffic Authority (RTA).

Section 64 Contribution

Development Servicing Plans (DSPs) are made under the provisions of Section 64 of the Local Government Act 1993 and Sections 305 to 307 of the Water Management Act 2000.

DSPs outline the developer charges applicable to developments for Water, Sewer and Stormwater within each Local Government Area.

Section 94 Contribution

Section 94 of the Environmental Planning and Assessment Act 1979 allows councils to collect contributions from the development of land in order to help meet the additional demand for community and open space facilities generated by that development.

It is a monetary contribution levied on developers at the development application stage to help pay for additional community facilities and/or infrastructure such as provision of libraries; community facilities; open space; roads; drainage; and the provision of car parking in commercial areas.

The contribution is determined based on a formula which should be contained in each council's Section 94 Contribution Plan, which also identifies the basis for levying the contributions and the works to be undertaken with the funds raised.

Special Rate Variation (SRV)

A SRV allows councils to increase general income above the rate peg, under the provisions of the Local Government Act 1993. There are two types of special rate variations that a council may apply for:

- a single year variation (section 508(2)) or
- a multi-year variation for between two to seven years (section 508A).

The applications are reviewed and approved by IPART.

Sustainability

A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community

Ratio Explanations

Asset Maintenance Ratio

Benchmark = Greater than 1.0x

Ratio = actual asset maintenance / required asset maintenance

This ratio compares actual versus required annual asset maintenance, as detailed in Special Schedule 7. A ratio of above 1.0x indicates that the council is investing enough funds within the year to stop the infrastructure backlog from growing.



Building and Infrastructure Renewals Ratio

Benchmark = Greater than 1.0x

Ratio = Asset renewals / depreciation of building and infrastructure assets

This ratio compares the proportion spent on infrastructure asset renewals and the asset's deterioration measured by its accounting depreciation. Asset renewal represents the replacement or refurbishment of existing assets to an equivalent capacity or performance as opposed to the acquisition of new assets or the refurbishment of old assets that increase capacity or performance.

Cash Expense Cover Ratio

Benchmark = Greater than 3.0 months

Ratio = current year's cash and cash equivalents / (total expenses – depreciation – interest costs)*12

This liquidity ratio indicates the number of months a council can continue paying for its immediate expenses without additional cash inflow.

Capital Expenditure Ratio

Benchmark = Greater than 1.1x

Ratio = annual capital expenditure / annual depreciation

This indicates the extent to which a council is forecasting to expand its asset base with capital expenditure spent on both new assets, and replacement and renewal of existing assets.

Debt Service Cover Ratio (DSCR)

Benchmark = Greater than 2.0x

Ratio = operating results before interest and depreciation (EBITDA) / principal repayments (from the statement of cash flows) + borrowing interest costs (from the income statement)

This ratio measures the availability of cash to service debt including interest, principal and lease payments

Building and Infrastructure Backlog Ratio

Benchmark = Less than 0.02x

Ratio = estimated cost to bring assets to a satisfactory condition (from Special Schedule 7) / total infrastructure assets (from Special Schedule 7)

This ratio shows what proportion the backlog is against total value of a council's infrastructure.

Interest Cover Ratio

Benchmark = Greater than 4.0x

Ratio = EBITDA / interest expense (from the income statement)

This ratio indicates the extent to which a council can service its interest bearing debt and take on additional borrowings. It measures the burden of the current interest expense upon a council's operating cash.

Operating Ratio

Benchmark = Better than negative 4%

Ratio = (operating revenue excluding capital grants and contributions – operating expenses) / operating revenue excluding capital grants and contributions

This ratio measures a council's ability to contain operating expenditure within operating revenue.

Own Source Operating Revenue Ratio

Benchmark = Greater than 60%

Ratio = rates, utilities and charges / total operating revenue (inclusive of capital grants and contributions)

This ratio measures the level of a council's fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. A council's financial flexibility improves the higher the level of its own source revenue.

Unrestricted Current Ratio

Benchmark = 1.5x (taken from the IPART December 2009 Revenue Framework for Local Government report)

Ratio = Current assets less all external restrictions / current liabilities less specific purpose liabilities

Restrictions placed on various funding sources (e.g. Section 94 developer contributions, RMS contributions) complicate the traditional current ratio because cash allocated to specific projects are restricted and cannot be used to meet a council's other operating and borrowing costs. The Unrestricted Current Ratio is specific to local government and is designed to represent a council's ability to meet debt payments as they fall due.