



Warrumbungle Shire Council

Long Term Financial Plan

2014/15 to 2023/24



Executive Summary

Preamble

The Long Term Financial Plan (LTFP) is one of three components of the Resourcing Strategy under the new Integrated Planning and Reporting framework (IP&R), and is an important part of Council’s strategic planning process. The LTFP is the document that tests long-term community aspirations and goals against financial realities.

Warrumbungle Shire Council’s LTFP details Council’s expected income, recurrent and capital expenditure, and the external environment that Council is expected to face in the coming ten years. The LTFP is in effect Council’s financial road map for the ten year period commencing in the 2014/15 financial year and seeks to answer four key questions:

1. Can Council survive the pressures of the future?
2. What are the opportunities for future income and economic growth?
3. Can Council afford what the community wants?
4. How can Council go about achieving these outcomes?

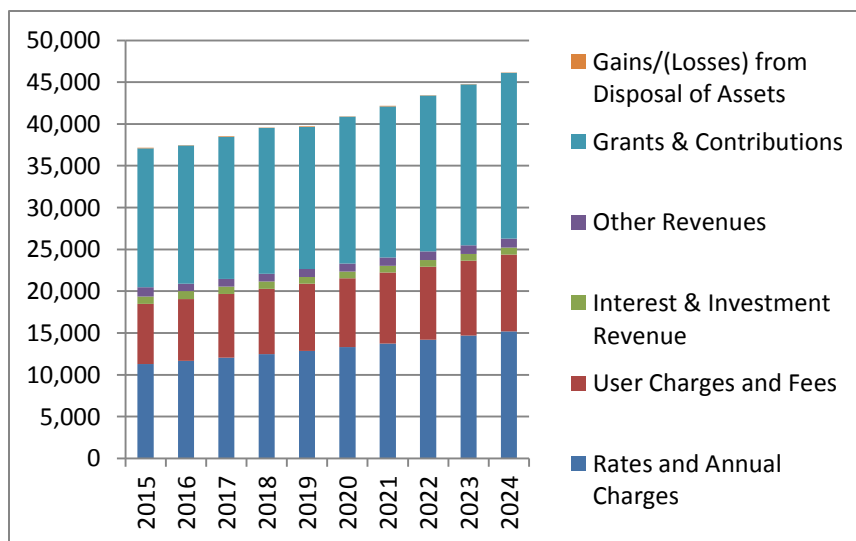
The 2014/15 LTFP is the third LTFP to be prepared by Council.

Council’s Income

Warrumbungle Shire Council obtains revenue from a variety of sources including rates and annual charges, user charges and fees for services, interest and investment revenue, other revenue and grants and contributions for both operating and capital purposes.

Council’s revenue has been forecast to increase from \$37.161m to \$46.174m over the ten years in the plan, which is a 24.3% increase.

Limitations to revenue growth for Council include rate pegging, a worsening demographic outlook, and Council’s high reliance on grant revenue (an average of 43.45% of total revenue over the LTFP) to fund Council’s operations.

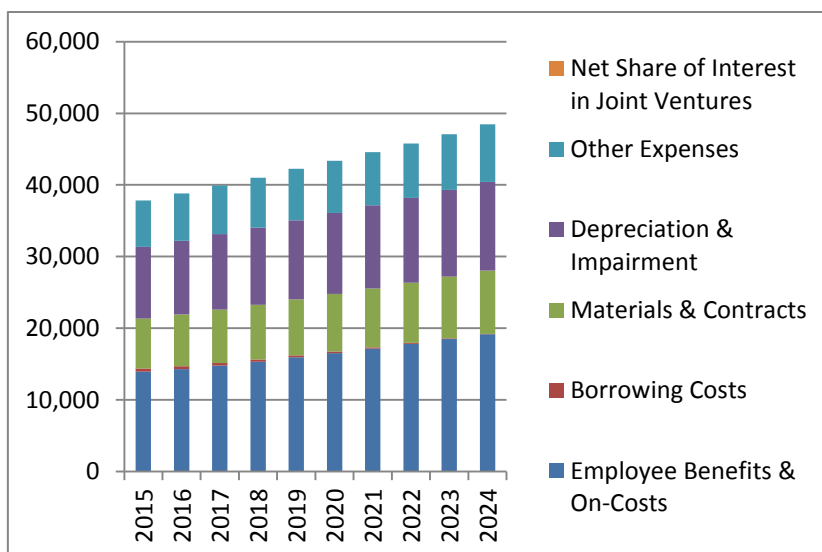


Council’s rates and annual charges coverage ratio of roughly 32% (over the LTFP) also means that more than two thirds of the costs of Council’s operations are funded from non-rates income.

Council’s Recurrent Expenditure

Council incurs the following expenditure in the course of its operations: Employee benefits and on-costs, borrowing costs, materials and contracts, depreciation, and other expenses.

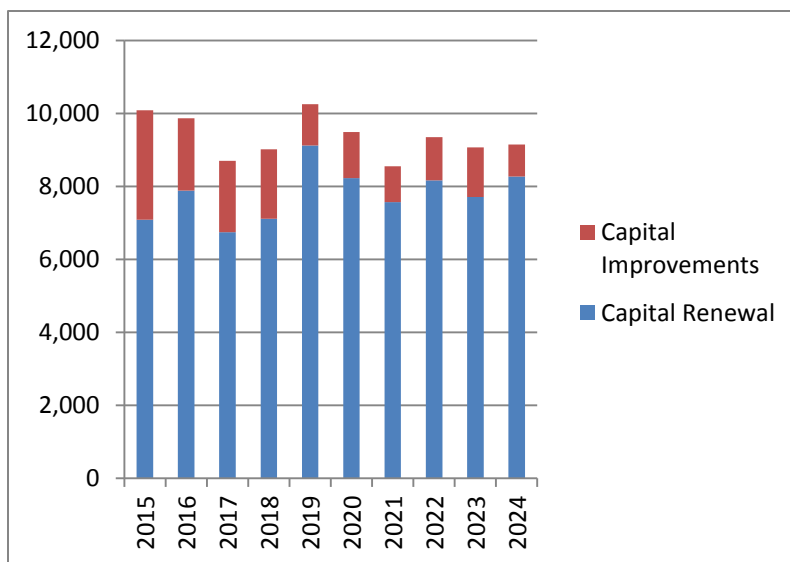
Council’s recurrent expenditure has been forecast to increase from \$37.833m to \$48.455, over the ten years in the plan, which is an increase of 28.08%.



Council’s Capital Expenditure

Council’s capital expenditure is per Council’s current capital program and consists of capital works that renew (replace with new) Council’s current asset base and capital works that expand Council’s asset base (i.e. create new assets). Council’s forecast capital program includes an average of \$9.35m worth of capital works per annum, resulting in an average asset renewal ratio of 69.69% (the NSW state average is 80.5%) and an asset renewal deficit over the life of this plan of \$34m.

Council has a significant capital backlog with insufficient funding to address the issue, and Council expects asset conditions to decline as a result. Capital works are also highly susceptible to delays caused by floods or other natural disaster events and it is likely that in some years the full capital budget will not be spent and may be revoted into the following year.



Is Council Financially Sustainable in the Long Run?

As a result of the 2013/14 LTFP and the 2012/13 TCorp report, Council has made some tough decisions in the 2013/14 and 2014/15 budget processes which have improved Council’s long term financial sustainability, and Council is now forecast to maintain a steady cash balance of just over \$13m over the ten years of the plan. Council’s business arms are now forecast to achieve full cost recovery, and there is even a forecast slight improvement in Council’s underlying operating performance over the ten years as measured by EBITDA. Council’s exposure to debt is also clearly manageable with the debt service ratio well under 10% and

forecast to decrease over the life of the plan, with the majority of loans to be paid back by the end of the 2023/24 financial year.

The bad news is that Council's general fund still has insufficient forecast revenue to safely cover non business arms of Council activities in the long run. Council is also forecasting increasing operating deficits due to income growth not keeping pace with total expenditure growth (including depreciation), and is still reporting a significant capital backlog over the life of the plan with insufficient funding to address the issue resulting in a forecast decline in asset condition.

Despite recent improvements, assuming no change to the current factors limiting Council's ability to source funds such as rate pegging, the negative demographic outlook for the region, and increased costs and service expectations faced by Council in its operations, Council still faces significant financial challenges going forward.

The Impact of the Federal Budget

On 13 May 2014, the Federal Government released their budget for the 2014/15 year. If successfully passed through the Senate, this budget will have a significant impact on Council's operations. In the Federal Budget, the Federal Government announced the decision to pause the indexation of FAGs grants which will result in a projected shortfall for NSW Councils of \$29.9 million in 2014/15, \$62.2 million in 2015/16, \$95.8 million in 2016/17 and \$99.8 million in 2017/18. Those Councils which will be most significantly affected will be regional and rural Councils as they rely heavily on FAGS grants due to their minimal rate base and extensive road networks. This change is expected to have an \$8.054m impact on Council's future funding over the life of the LTFP, which will significantly affect Council's future financial sustainability if not offset by other funding.

In the Budget, the Federal Government has also committed to providing an additional \$350 million to Roads to Recovery funding for 2015/16 and \$200 million for Black Spots funding for 2015/16 and 2016/17, as well as providing a \$300 million program for bridge renewal to be spread over 5 years beginning in 2014/15 and \$1 billion funding under the National Stronger Regions Fund. While these measures may assist in alleviating the effect of the FAGs impact, the funding is tied and therefore Councils may still need to make tough decisions in order to fill the funding void caused by the freezing of indexation of the FAGs grants.

As the final impact of the Federal Budget is unknown, Council has excluded its impact from the LTFP (although it has been included in the worst case scenario). Council will need to review and present to Council a revised LTFP early next financial year once the final impact of the budget changes are known.

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Part 1: Introduction

1.1 About Warrumbungle Shire

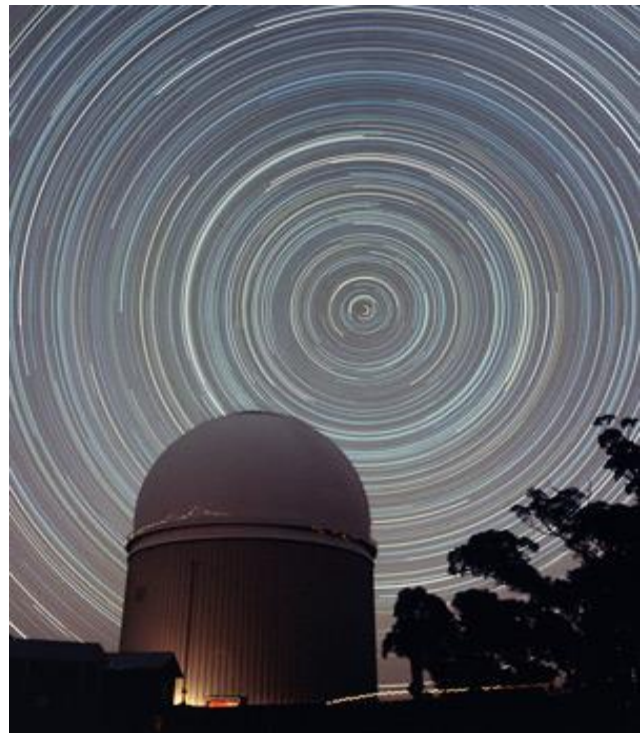
Population:	9,588 (2011 Census)
Area:	12,380 square kilometres
Towns:	Baradine, Binnaway, Coolah, Coonabarabran, Dunedoo, Mendooran
Villages:	Bugaldie, Kenebri, Merrygoen, Neilrex, Leadville, Cobbora, Uarbry, Ulamambri
State Seat:	Barwon
Federal Seat:	Parkes

The Warrumbungle Shire is strategically positioned on the Newell Highway mid-way between Brisbane and Melbourne. A number of highways and main roads traverse the shire providing links with surrounding regional centres.

The landscape ranges from extensive plains to undulating hills, from the high basaltic plateau of the Coolah Tops in the east to the rugged mountainous peaks of extinct volcanoes in the Warrumbungle National Park, west of Coonabarabran.

The geography, flora and fauna of the Shire is where east meets west. The mountainous terrain of the Great Divide and Coolah Tops National Park gives way to rolling hills then the inland plains. The flora and fauna of the wide open plains mix with coastal animal and vegetation progressively across the Shire. A striking example of this is on the eastern boundary of the

shire we have the large grey kangaroo and on the western boundary of the shire the large red kangaroo.



The shire is also a meeting place for the nations of our traditional owners and custodians of the land. The northern part of the shire is home to the Gamilaraay people while the southern part of the shire is home to the Wiradjuri people. Also the nations of the Weilwan and Kawambarai (Werriri) come into the Shire on the western border. Their history, traditions and culture are being recognised as an important part of the Shire's history.

The stunning night skies, formed by a combination of low pollution, very low humidity

and limited cloud cover have drawn astronomers and researchers to Coonabarabran in their search for what lies beyond the confines of the visual night sky.

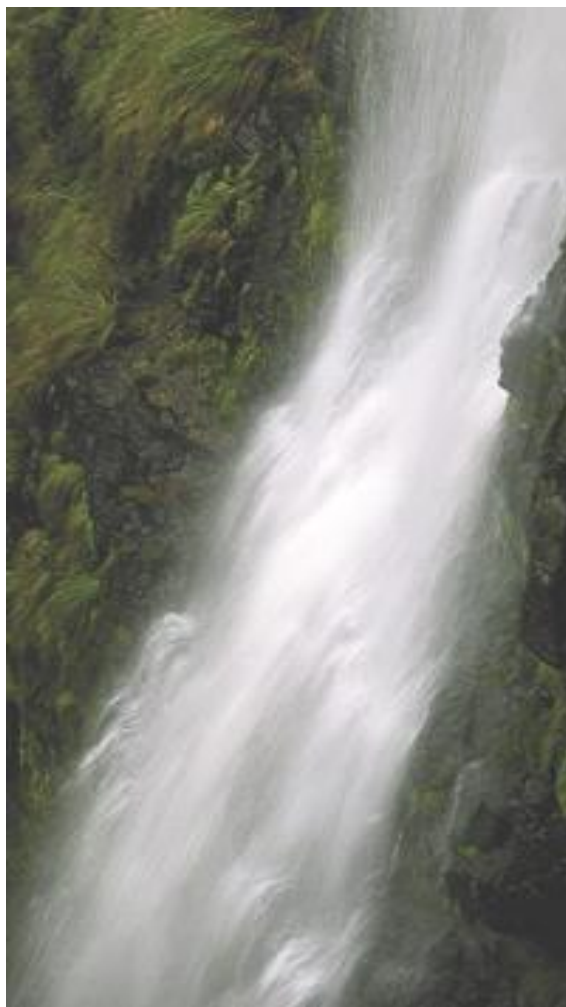
Siding Spring Observatory, located 25kms from Coonabarabran is the site of a number of internationally owned and operated optical telescopes where major research has recorded amazing truths of the universe, supporting Coonabarabran's claim to the name "Astronomy Capital of Australia".

The towns and villages of the shire comprise Coonabarabran, Baradine, Binnaway, Coolah, Dunedoo and Mendooran; all provide wonderful opportunities to experience real country Australian lifestyles. Each of the communities has their own special claim to fame. Bush Poetry Festivals, rivalry over ownership of the name The Black Stump, a Steamrail Village, The Oldest town on the Castlereagh, The Gateway to the mighty Pilliga or the Astronomy Capital of Australia – each of our villages reflects the personalities of its residents and their lifestyles.

The shire was traditionally built on agricultural pursuits with the early establishment of wool growing and beef cattle production followed by cereal cropping, prime lamb production and today a burgeoning vine growing and horticultural industry.

The communities enjoy the services of quality schools and health services. The shire boasts a broad range of cultural, sporting and recreational activities.

Retailing in each centre provides services to those communities and the provincial centres of Tamworth and Dubbo, located within 2 hours of the centre of the Shire complements local level services.



1.2 What Services does Warrumbungle Shire Council Provide?

Warrumbungle Shire Council provides a wide range of services to the residents of the shire including but not limited to:

- Transport services including the management, maintenance and improvement of over 2,600 km of local and regional roads, 97 bridges, an extensive network of culverts and other drainage assets, kerbs and gutters, footpaths, and quarries;
- Aged care, child care and youth development services, including Warrumbungle Community Care, Yuluwirri Kids, Castlereagh Family Day Care and Connect Five supported play groups;
- The management, maintenance and improvement of a range of buildings and structures from town halls, playgrounds, community facilities, and meeting rooms, to aerodromes all of which provide valuable services to the community;
- Promotion of economic development and tourism within the Shire;
- Provision of water, sewerage and waste services to the residents of the Shire;
- Town planning, regulatory services, town beautification and environmental management;
- Emergency services;
- Library services;
- Road safety programs;
- Management of Public Cemeteries;
- Provision of ovals, and other sport and recreation facilities including pools and parks;
- Support to agencies such as Centrelink and Banks to provide services locally;
- Health, environmental and emergency bush fire services.

As is clear from the list above, the role of Local Government goes far beyond roads and water, and the effective management of the resources required to provide the above mentioned services is critical for the long term future of Warrumbungle Shire Council.

In order to ensure that the provision of the above services is cost effective, efficient, and sustainable in the long term, Council has prepared a Long Term Financial Plan. This Plan, together with Council's Asset Management Plan and Workforce Management Plan, will be used as a blueprint to ensure that Council has the resources going forward to maintain and improve on the service level it currently provides.

1.3 What is a Long Term Financial Plan (LTFP)

The Long Term Financial Plan (LTFP) is one of three components of the Resourcing Strategy under the new Integrated Planning and Reporting framework (IP&R). The Resourcing Strategy details the resources required to fulfill the outcomes requested by the community as part of the Community Strategic Plan, and includes an Asset Management Plan, a Workforce Management Plan, and the LTFP. The linkage between the Resourcing Strategy and the IP&R framework is detailed in the following diagram:

Diagram 1 – Local Government Planning and Reporting Framework



The LTFP can be viewed as a roadmap of how Council will finance the expectations of the community as detailed in the Community Strategic Plan, and what the long term (over a ten year horizon) cost of these outcomes will be to the community.

The starting point for the LTFP is Council’s expectations in relation to revenue that will be available to the council over the next ten years. The LTFP forecasts the projected revenue that Council will be able to obtain based on general planning assumptions such as demographic, economic and political trends (detailed in Part 2 of the plan) and specific factors that affect individual revenue line items (e.g. rate pegging, projected new sources of revenue, and the future of individual grant programs). Revenue projections are specifically dealt with in Part 3 of the plan.

Once Council has determined the level of revenue projected to be available to Council over the ten year time frame, the next step is to assess the level of expenditure that will be required to meet the day to day cost to Council of providing services to the community. Expenditure projections depend on both the future level of service forecast to be provided, the planning assumptions from Part 2 of the plan, as well as expectations regarding input costs such as expected salary increases, movements in materials costs, and movements in financing costs. Expenditure projections are dealt with in detail in Part 4 of the LTFP, although depreciation projections are derived directly from Council’s Asset Management Plan (AMP).

Expenditure of a capital nature such as on the construction of new assets and capital renewal will also impact on the future sustainability of Council. Capital expenditure is dependent on community expectations regarding service levels, as well as the future costs of inputs such as staff costs and material costs (e.g. fuel and bitumen). Capital expenditure is dealt with separately in great detail in the AMP, and assumptions around the future cost of asset construction and

rehabilitation from the AMP have been incorporated into the LTFP. This information is captured in the ten year capital program from the AMP, which has been included in Part 5 of the LTFP.

Part 6 of the LTFP deals with projected movements in balance sheet items such as the payment of loans, and projected movements in working capital, while Part 7 of the LTFP includes the financial statements for Council's base scenario (i.e. income statement, balance sheet, cash flow statement and asset movement schedule). It should be noted that Council's base scenario is Council's best estimate of Council's financial performance and position over the ten year timeframe in the LTFP.

As per the requirements of the IP&R framework Council has also carried out a sensitivity analysis on the long term projections in its base scenario and developed a further two scenarios: an optimistic scenario, and a pessimistic scenario. The performance of these options have been compared against a set of financial KPIs. The basis for the sensitivity analysis is the general planning assumptions found in Part 2 of the LTFP. Council's sensitivity analysis also includes the results of the Federal Budget on Council's long term financial performance and capital program. Details of Council's sensitivity analysis can be found in Part 8 of the plan.

Part 9 provides an overview, using the base scenario, of how the LTFP assumptions impact the General Fund, Water Fund and the Sewer Fund separately.

Finally, part 10 of the plan provides a final conclusion and suggestions on the way forward for Warrumbungle Shire Council.

1.4 Changes on Councils updated 2014/15 LTFP

The 2014/15 Long Term Financial Plan is Council's Third cut of its LTFP, and is structured predominately the same way as the previous report with the following changes:

- Council's sensitivity analysis section has been reviewed and more emphasis has been placed on the impact of the Federal Budget;
- A greater emphasis on comparing Council's overall financial performance under the alternative scenarios (i.e. base, optimistic and pessimistic) has been provided including high level comments on each KPI grouping;
- An analysis detailing the financial position and performance for Council's separate funds including General Fund, Sewer Fund and Water Fund have been provided.

Part 2: General Planning Assumptions

2.1 Demographic Assumptions

As with most rural inland LGAs the population of Warrumbungle Shire Council has been in decline for several years as a result of outwards migration from the Shire (especially amongst young adults). This trend in population decline in rural areas has been exacerbated by the recent drought and is particularly pronounced in the Orana Region of Councils (OROC) to which Warrumbungle Shire Council is a part (see following map).

Diagram 2 - Orana Region of Councils (Map)



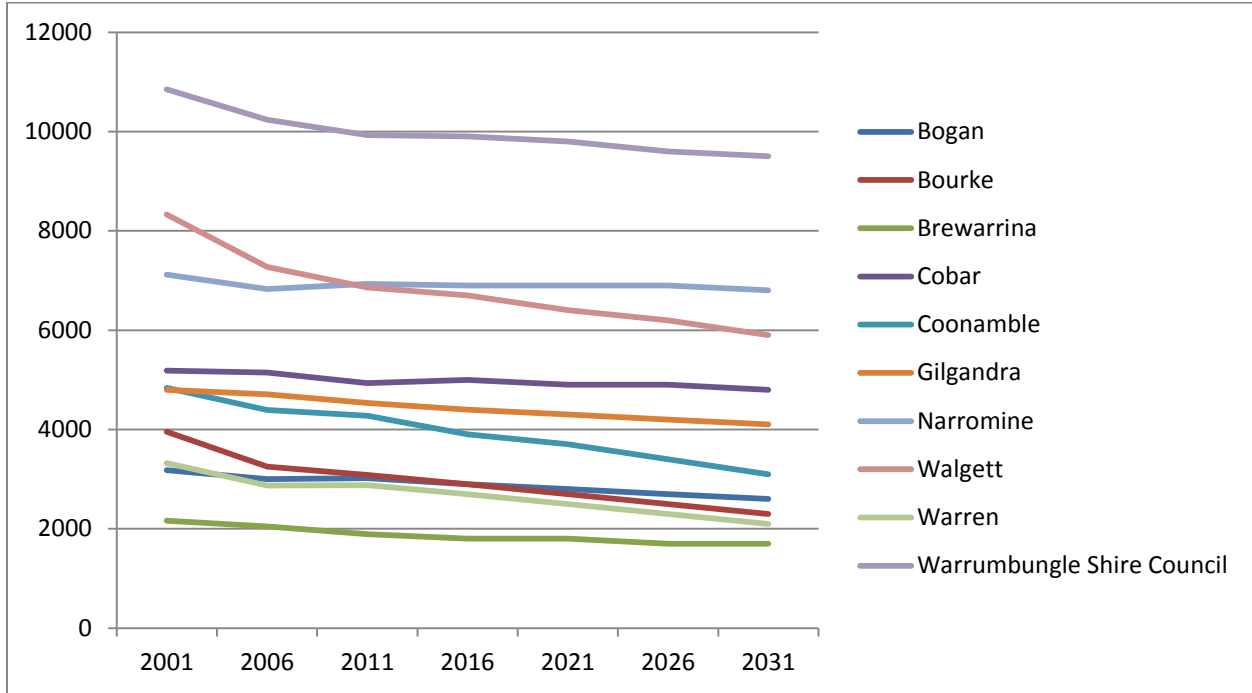
All Orana Region of Councils LGAs (excluding Dubbo) are expected to undergo population decline in the following years which will negatively affect the availability of services, as well as reduce employment/business opportunities, and access to facilities and clubs within these LGAs. In many cases Councils may be expected to step in and provide the services that are no longer available, which will be increasingly difficult as their rates base and ability to recruit staff decreases with the population decrease.

The current expected population decrease amongst the OROC LGAs is detailed in the following diagram (Source: Department of Planning and Infrastructure (DP&I) Preliminary 2013 Population Projections 2001-2036, 2013). It should be noted that these projections are not written in stone, although the general downward trend was confirmed in the recent 2011 census with Warrumbungle Shire Council's population declining further to 9,588.

The ABS also reported in its *Regional Population Growth, Australia, 2011-12* report a decline of 100 people in the Coonabarabran Statistical Area Level 2 which includes most of Warrumbungle

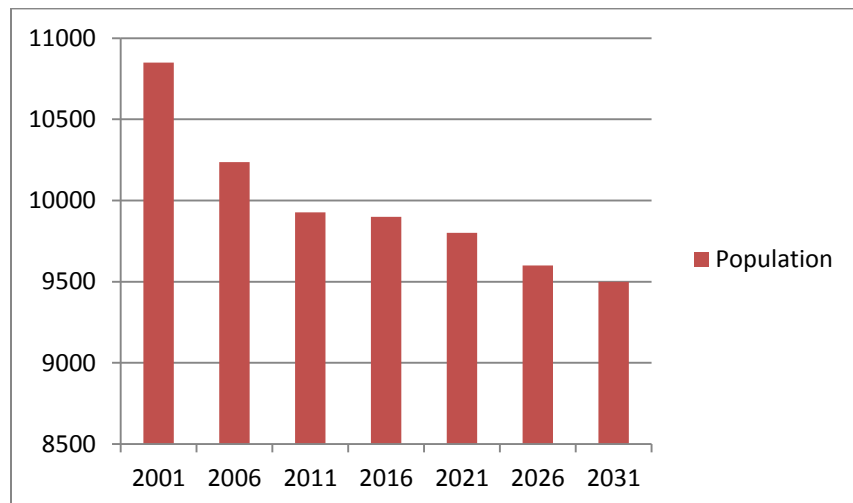
Shire with the exclusion of Dunedoo and surrounding areas in the south of the shire. This was the second largest population decline (in terms of statistical area level 2) in rural NSW.

Diagram 3 – Projected population of Orana Region of Council LGAs



According to the DP&I report, Warrumbungle Shire Council’s population has been predicted to decrease from roughly 10,236 in 2006 to roughly 9,500 in 2031. It should be noted that this is a significant improvement when compared to the previous DP&I forecast which projected a fall to 7,500. However, the fact that the LGA’s population in the recent census was already lower than the 2011 projection is not a positive sign.

Diagram 4 – Warrumbungle Shire Council Projected Population



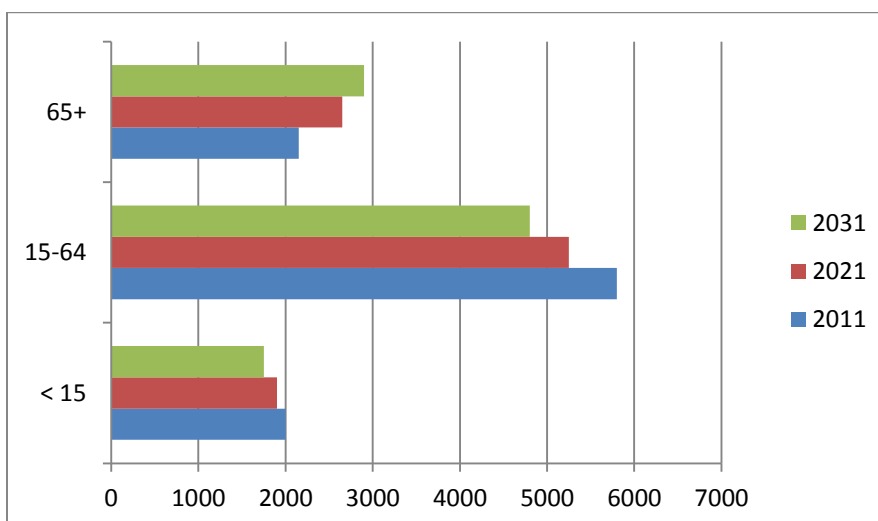
This population decrease if it eventuates will put significant pressure on Council, and is arguably the single largest challenge that Council currently faces. A reduced population will impact the long term financial viability of the Shire through the following:

- Reduced income from user charges;
- Increased expectations on Council to provide services and facilities that have been centralised outside the Shire or can no longer be feasibly provided by the private sector due to lack of economies of scale;
- Increased difficulty in recruiting and retaining suitably skilled staff and thus increased employee related expenditure as Council is forced to provide cash and other incentives for staff to move to the Shire, and to retain suitably skilled staff;
- Increased pressure for Council to amalgamate and for further services to be moved out of the Shire;
- Possible reduction in government grants due to a reduced population;
- Higher materials and contracts costs due to possible closures of local businesses, forcing Council to source required materials from distant locations.

Although the population projections in the DP&I report make for uneasy reading, it should be noted that these are projections only and there are many factors that could slow down or reverse this decline. For example, the opening of new mines in the south of the Shire and a resurgence of the agricultural sector could hopefully reverse these trends.

Unfortunately, population decline is not the only demographic problem that Council currently faces. As young adults migrate out from the Shire, the dependency ratio of the population remaining will increase putting further strain on Council’s ability to remain financially solvent in the long run. An ageing population can negatively affect Council’s financial position through increased costs for the provision of aged care, decreased ability to recruit staff, and reduced business and other opportunities available within the Shire thus causing further declines in youth numbers as young adults leave due to the lack of peers, suitable youth facilities, employment and training opportunities. The changing age structure of the population is best captured in the following diagram (Source DP&I SLA Preliminary 2013 Population Projections 2001-2031, 2013):

Diagram 5 – Warrumbungle Shire Council Age Distribution



Warrumbungle Shire Council is also one of the more socially disadvantaged LGAs in NSW with average taxable income in the 2009/10 financial year at \$32,792 p.a. compared to a NSW average of \$48,139 (Source: ABS National Regional Profile).

The impact of population changes has been captured as part of the LTFP’s sensitivity analysis, with different population scenarios resulting in different outcomes. The impact of demographic factors on the three scenarios is detailed in the table below:

Scenario	Assumptions
Base	Population decreases at a slower than forecast rate as the agricultural sector improves resulting in the Shire attracting workers who offset some of the forecast out migration. The rates base and user charges remain at current levels with adjustments for CPI and rate pegging.
Optimistic	Mining and resurgence in the agricultural sector due to higher commodity prices reverses the population decline, and the population of the Shire increases at 0.2% p.a. over the ten year period to 2024.
Pessimistic	Population decline continues per the Department of Planning projections above, and the dependency ratio and socio-economic issues of the Shire worsen, affecting Council’s rate base and possibly grant revenue, and resulting in the loss of valuable services such as access to health services. More pressure is put on Council to fill the gap which Council would be unable to do within the current funding structure.

2.2 The Impact of Mining

On 5 January 2010 a proposal for an open cut coal mine at Cobbora, about 22km south west of Dunedoo was submitted to the DP&I. The project application area covered 246 square kilometers (later increased to 274 square km) and the proposed life of the project is 21 years. Construction was originally expected to commence in July 2013 with construction crews to be located both within the towns of the shire and within a temporary accommodation village which will not be required during the operation of the mine.

On 1 July 2013, the State Government announced that it intends not to continue with the mine. Alternatively, it proposes to sell or lease the Cobbora Coal Project. The agreements with Origin Energy, Macquarie Generation and Delta Electricity to supply coal to four large coal-fired power stations in NSW have since been terminated. Requests have been made for private businesses to invest in the mine to operate the mine as a private business.

It was originally expected that the mine would result in roughly 50-100 new dwellings being required in the area to accommodate new staff, and that the mine would commence operations in 2015. If the mine is successfully sold to a private entity, the possible financial impacts on Council from the Cobbora mine would include (note social impacts from the opening of the mine are not dealt with here):

- Increased residential and business rates due to population increase in the South of the Shire hopefully offsetting the general decline expected per DP&I forecasts;
- Increased wear and tear of Council infrastructure;

- Increased financial assistance from the mine owners to offset costs Council will incur as a result of the mine’s operations;
- Loss of skilled staff to the mines (current estimate is 20 staff).

Although the mine has not gone ahead, there has already been an impact in the south of the shire in relation to higher land prices, and the loss of working families and production on land purchased by the mine.

Due to the State Government’s decision to not continue with the development of the mine, the State Government has established a Cobbora Transition Fund. The fund aims to assist Local Governments affected by the discontinuance to create infrastructure that drives economic growth and productivity in the region. It recognizes the adverse impact that land acquisition and other activities associated with the Cobbora Coal Project have had on local communities and consequently aims to alleviate these effects. The Transition Fund consists of two parts:

1. A \$1 million grant to each of the affected LGAs; and
2. A \$16 million fund to be allocated to infrastructure projects in the affected LGAs based on the financial and economic viability of such submissions.

The Warrumbungle Shire Council expects to receive a \$1 million grant in the 2014/15 financial year and Council has also submitted applications under the \$16 million fund. Council will know whether these projects are successful at the end of this financial year.

The expected impact of Cobbora mine on the three scenarios is detailed in the table on the following page:

Scenario	Assumptions
Base	No impact – Assumes mine does not go ahead, and does not factor in transition fund monies.
Optimistic	Assumes mine does not go ahead, but includes the receipt of \$1 million from the Cobbora Mine Transition Fund in the 2014/15 year.
Pessimistic	No impact – Assumes mine does not go ahead, and does not factor in transition fund monies.

Due to the uncertainty of the mine and the possible benefits of the Cobbora Transition Fund, the impact on Council’s rates base and level of financial assistance from the mine can not be predicated, and as such has been excluded from this plan. The impact of the mine on Council’s maintenance program has also not been factored into the forecasts in this plan.

2.3 Economic Growth Trends and Input Costs

Economic growth trends are famously hard to predict, and there are a range of local, regional, national and global factors that can impact on the level of economic growth. For the purpose of the LTFP Council has identified a range of “economic drivers” that affect the level of economic growth within the Shire. The expected impact of each of these drivers would have on the level of economic growth under each of Council’s three planning scenarios is detailed below:

Economic Driver	Base	Optimistic	Pessimistic
Agriculture	Agriculture continues to play a predominant role in the Shire's economy, and the future of the agricultural sector improves over the next ten year period due to higher global demand impacting commodity prices	Global population growth and resource scarcity dramatically improves the future of agriculture, increasing agricultural land values, the local population and the dynamism of the local economy	Poor yields due to climate variability result in farmers being unable to capitalise on higher commodity prices
Mining (see Part 2.2 for more details)	No impact – Assumes mine does not go ahead, and does not factor in transition fund monies.	Assumes mine does not go ahead, but includes the receipt of \$1 million from the Cobbora Mine Transition Fund in the 2014/15 year.	No impact – Assumes mine does not go ahead, and does not factor in transition fund monies.
Economic performance of Orana region	Mining and agriculture boost Orana region bringing more industries and wealth to the region	Mining and agriculture boost Orana region bringing more industries and wealth to the region	Poor performance in the agricultural sector and the presence of fly in fly out mining negatively affects local industry
Growth of regional centres e.g Mudgee, Dubbo, Gunnedah, Narrabri and Tamworth	The growth of larger regional centres negatively affects local retail but this is offset by the positive flow on effect of the centres on surrounding regions	The growth of larger regional centres negatively affects local retail but this is offset by the positive flow on effect of the centres on surrounding regions	The growth of larger regional centres negatively affects local retail
Tourism	Tourist numbers increase slightly over the next ten years	Tourist numbers increase dramatically over the next ten years	Flat/declining tourist numbers
Alternative energy	Wind farms start operations in the Shire in the second half of the ten year forecast period bringing wealth to land holders and more jobs	Wind farms start operations in the Shire in the second half of the ten year forecast period bringing wealth to land holders and more jobs	No wind farms

Economic Driver	Base	Optimistic	Pessimistic
Carbon Tax #	Increased electricity and other costs, but no impact on Council owned landfill sights/tips	Increased electricity and other costs, but no impact on Council owned landfill sights/tips	Increased electricity and other costs, but no impact on Council owned landfill sights/tips
National & global economic factors	Australia's economy continues to grow at roughly 2%	Australia's economy buoyed by the resources and agricultural sector grows at 4%	Australia's economy grows by less than 1% due to economic problems overseas
Interest rates	Cash rate remains at the current rate of 2.5%	Cash rate increases to 3.5% due to strong performance of the Australian economy and the potential for overheating	Cash rate reduced to 2% due to poor performance of the Australian economy
CPI	Assume 2.5% (per 20 year average to December 2011)	Assume 4% due to increased inflation resulting from strong economic performance	Assume 1% due to sluggish demand putting downward pressure on prices
Fuel costs	Increases above CPI due to increased global demand	Increases above CPI due to increased global demand	Increase per CPI as global slowdown reduces demand

note: the impact of the Carbon tax will be reviewed again if the tax is repealed.

As many of the above economic drivers are subjective and their impact on Council's financial performance and operations is hard to quantify, the impact of economic drivers in Council's scenario analysis has been broadly captured by the assumed cash rate (see Part 8 for details).

2.4 Political trends and Government policy

The Local Government sector currently faces a high level of uncertainty, with the Independent Local Government Review Panel's recently released *Future Directions for NSW Local Government* report suggesting several key changes to the way local government is run, including but not limited to:

- Changes to rate pegging;
- The possibility of re-directing FAGs grants to rural and remote Councils;
- The creation of County Councils;
- Amalgamations;
- The creation of a Western Region Authority (Note: does not affect Warrumbungle Shire).

This report combined with the TCorp *Financial Sustainability of the New South Wales Local Government Sector* report, which provided a detailed analysis of the sustainability of the local government sector both pave the way for significant change in the way local governments are run.

As with economic trends, the impact of political trends is extremely hard to measure. Council has assumed that the current political risks that Council faces include:

- Risk relating to grants and contributions from State and Federal government;
- Pressure on local Councils to amalgamate or share services;
- Increased reporting requirements from other levels of government, which although helpful can be resource intensive for smaller Councils;
- Increased federal and state pressure for local government to provide increased services without the commensurate financial support (cost shifting).

The main measurable impact of these trends on Council's financial position relates to the risk around Federal and State support. As Council receives roughly 45% of its revenue (2013 figures) from grants and contributions it faces significant revenue risk due to this heavy reliance on support from other levels of government. These risks and the nature of the various grant programs are dealt with in detail in Part 3 of the LTFP.

For the purpose of this plan it has been assumed that there will be no amalgamations that affect Warrumbungle Shire Council within the next ten years (per recommendations from the Future Directions Report), and that the level of service sharing can't be estimated, nor can the potential financial impact that this would entail.

Although there may be a trend towards the responsibility for the provision of certain services being passed down to local government, Council is currently unable to predict what responsibilities would be transferred to Council, nor the financial impact of such transfers and has therefore not addressed this issue in the LTFP.

2.5 Impact of the Federal Budget

On 13 May 2014, the Federal Government released their budget for the 2014/15 year. If successfully passed through the Senate, this budget will have a significant impact on Council's operations. In the Federal Budget, the Federal Government announced the decision to pause the indexation of FAGs grants which will result in a projected shortfall for NSW Councils of \$29.9 million in 2014/15, \$62.2 million in 2015/16, \$95.8 million in 2016/17 and \$99.8 million in 2017/18. Those Councils which will be most significantly affected will be regional and rural Councils as they rely heavily on FAGS grants due to their minimal rate base and extensive road networks. This change is expected to have an \$8.054m impact on Council's future funding over the life of the LTFP, which will significantly affect Council's future financial sustainability if not offset by other funding.

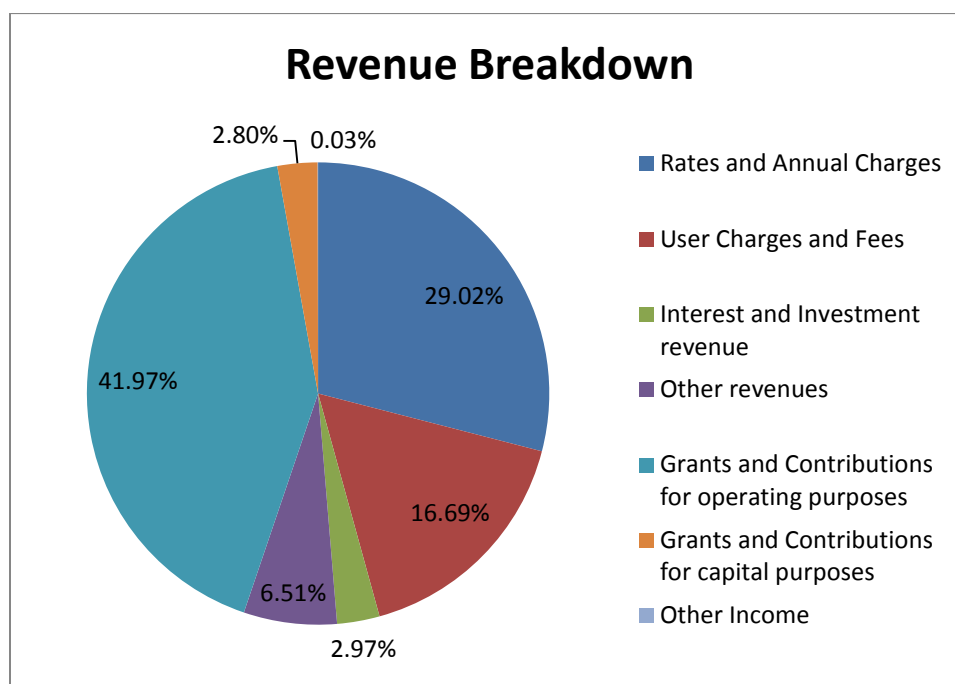
In the Budget, the Federal Government has also committed to providing an additional \$350 million to Roads to Recovery funding for 2015/16 and \$200 million for Black Spots funding for 2015/16 and 2016/17, as well as providing a \$300 million program for bridge renewal to be spread over 5 years beginning in 2014/15 and \$1 billion funding under the National Stronger

Regions Fund. While these measures may assist in alleviating the effect of the FAGs impact, the funding is tied and therefore Councils may still need to make tough decisions in order to fill the funding void caused by the freezing of indexation of the FAGs grants.

As the final impact of the Federal Budget is unknown, Council has excluded its impact from the LTFP (although it has been included in the worst case scenario). This is discussed more in Part 3 with the possible financial effect shown in Part 8. Council will need to review the LTFP early next financial year once the final impact of the budget changes are known.

Part 3: Revenue

Warrumbungle Shire Council obtains revenue from a variety of sources including rates and annual charges (2013: \$10.420m), user charges and fees for services (2013: \$5.994m), interest and investment revenue (2013: \$1.067m), other revenue (2013: \$2.339m) and grants and contributions for both operating and capital purposes (2013: \$16.075). Council also receives gains or incurs a loss from the disposal of assets (2013: \$0.6m loss). The breakdown of revenue (not including gains/losses from the disposal of assets) by type for the 2012/13 financial year is detailed in the chart below:



It should be noted that in comparison with other Council's, Warrumbungle Shire Council is heavily reliant on grants and contributions to meet its daily operating requirements, with grants and contributions forming 44.77% of total revenue in 2012/13 as opposed to the NSW average of 28% (2011/12) and 38.02% (2011/12) for similar large rural Councils per the DLG's Comparative Information on NSW Local Government.

Further information on the assumptions behind individual revenue line item estimates are detailed below.

3.1 Rates and Annual Charges

Rates and annual charges form 29.02% of Council's revenue, and consist of ordinary rates for residential land, farmland and businesses (2013: \$6.746m), and annual charges for domestic waste management, water supply and sewerage supply (2012: \$3.674m).

Council levies an ordinary rate for each year on all rateable land in the Shire per s.495 of the Local Government Act 1993 (the Act). Council's rates are structured on the basis of a base rate and an Ad Valorem on the land value of the property with property valuations provided by the NSW Valuer General on a 3 year cycle. The 2012/ 2013 rating year was the first year of a new

valuation cycle. Council's rating structure is reviewed annually and is assumed to remain constant over the life of the LTFP.

Council currently levies rates for three of the four categories under S.493 of the Act (farmland, residential and business) and have set a mining rate although there are currently no properties in this rate category. The following table provides an overview of each rate category in the context of Council's overall forecast rates revenue for the 2014/15 financial year.

Category	Base Rate	Ad Valorem	Total Rate Revenue	Number of Properties	Value of Properties
Residential	\$824,770	\$1,233,279	\$2,058,048	3,828	\$136,077,862
Farmland	\$931,032	\$3,765,424	\$4,696,456	1,737	\$871,168,083
Business	\$128,615	\$459,635	\$588,250	379	\$15,623,788
Mining	-	-	-	-	-
Total:	\$1,884,417	\$5,458,338	\$7,342,754	5,944	\$1,022,869,733

Future projections for rate revenue are dependent on the following four factors:

- Rate pegging
- Pensioner subsidies
- Population change
- Mining rate

Rate Pegging

The Minister for Local Government regulates the growth of annual rates revenue through 'Rate Pegging'. Rate pegging determines the maximum amount by which Councils can increase their annual rates income. This limit applies to Council's total rates base, and individual rates may increase above the limit. Commencing from the 2011/12 financial year, responsibility for determining the annual rate peg has been delegated to the Independent Pricing and Regulatory Tribunal (IPART). Under this framework a new local government cost index has been established by IPART and this index, less a productivity coefficient, forms the basis for the rate peg each year. The projections in the LTFP assume a rate peg of 2.3% for the 2014/15 financial year and 3.25% in later years (Source: Rate peg for NSW Councils for 2014/15 IPART Fact Sheet).

Pensioner Subsidies

Council policy provides for all eligible pensioners to receive a rebate for a portion of their rates and annual charges including water connection, sewer connection and domestic waste. 55% of this discount is funded by a State Government grant with the remaining 45% being recovered across the balance of the rating base. Over recent years the Shire has experienced an increase in the number of pensioners within the Shire and given the ageing population and demographic projections for the Shire this trend is expected to continue.

Population change

The growth in the number of residential properties and businesses can also affect the final rates value, with a population increase generally resulting in an increase in the number of rateable properties and businesses. It has been assumed that as the amount of farm land is generally fixed,

population change will not affect farmland rates. The number of rateable properties in the Shire is expected to remain relatively constant under the base scenario.

Mining rate

With the possible opening of the Cobbora mine in the future Council has developed a mining rate. Due to the uncertainty around the opening of the mine and its impact on Council's rates base, any impact from the introduction of this mining rate on Council's projected revenue balance has been excluded from the projections in this version of the LTFP.

Annual Charges – Water, Sewer and Waste

Annual charges consist of domestic waste management charges, and water supply and sewerage services. Per s.504(3) of the Act, income obtained from domestic waste management (charges) must be calculated so as to not exceed the reasonable cost to council of providing these services. As domestic waste management charges are calculated to cover operational costs associated with the provision of this service it has been assumed that annual charges relating to domestic waste management will increase by the budgeted price increases for the 2014/15 financial year, followed by a 3.5% increase per annum thereafter. These charges have been calculated to ensure full cost recovery for the waste business across the ten years of the LTFP.

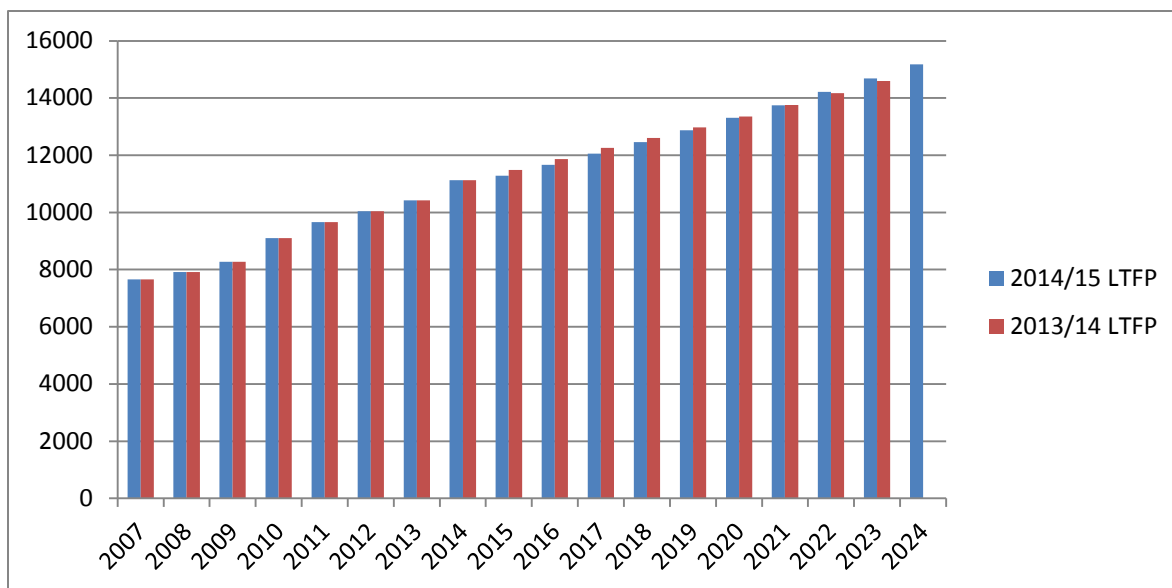
Annual charges relating to water supply services include all water connection fees, while sewerage services include connection fees for residential properties (based on two rates one for connected properties and one for non-connected properties). Both Water charges (access charges) and sewerage charges are forecast to increase by 3.5% per annum over the life of the LTFP. It is assumed that the pricing structure of the water and sewerage "utilities" will allow for these utilities to run with margins sufficient to ensure that they are commercially sustainable in the long run (i.e. cost increases need to be covered by revenue, and that revenue will also cover the cost of future major capital replacements and upgrades).

The assumptions used for the projection of rates and annual charges in the base scenario are:

- **Rate pegging on ordinary rates** – Assume an increase of 2.3% for 2014/15, and 3.25% for later years;
- **Pensioner subsidy** – Assume movement in the rate/charge item the pensioner subsidy relates to. There has been no adjustment in the base scenario for the impact of population ageing on the pensioner subsidy amount;
- **Annual Charges (sewer & water)** –2014/15 forecasts water access charges to increase by 3.5% per annum, and sewer charges also increase by 3.5% for each of the years in the LTFP;
- **Domestic waste management** – Increases per new budgeted charges in 2014/15 and then by 3.5% thereafter.

Council's projected rates and charges revenue for the 2013/14 to 2023/24 financial years is detailed in the following table. Note: figures are in thousands, and figures from the 2006/07 to 2012/13 financial years are actuals per Council's audited financial statements.

Diagram 6 – Projected Rates and Annual Charges Revenue



The variance between the 2013/14 and 2014/15 forecasts is due to the 2013/14 forecast factoring in a 3.5% increase in water access and sewer charges. The higher water and sewer charges have been offset by the lower rate peg of 2.3% in the 2014/15 year.

3.2 User Charges and Fees

Council derives roughly 17% of its total revenue from user charges and fees. In the 2012/13 financial year the breakdown of user charges and fees was:

- Charges for water supply (\$1.337m);
- Sewerage services (\$0.128m);
- RMS charges for work carried out by Council on state roads (\$2.277m);
- Child care fees (\$0.800m);
- Aged care fees (\$0.143m);
- Cemetery fees (\$0.065m);
- Private works under S.67 of the Local Government Act (\$0.434m);
- Swimming centres (\$0.098m);
- Other revenue (\$0.712m).

Charges for water supply and sewerage services are specific “actual use” charges under s.502 of the Local Government Act 1993. Water supply charges are based on the metered consumption of water by residents of the shire, while sewerage services relate to a levy charged to non-residential users of sewer services that is based on the volume of water passing through the water meter and then calculated on the basis of a discharge factor. Projections for future water and sewerage supply services are based on historical consumption patterns and projections in relation to the cost of providing these services (as the cost to Council for the provision of sewer and water services is fully recouped from the users of these services).

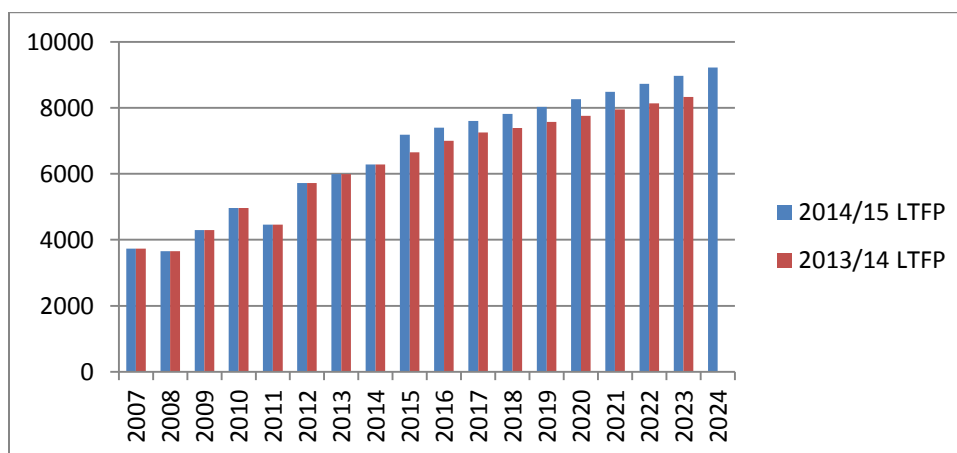
RMS charges relate to work carried out on state roads for RMS, while child care fees refers to revenue earned by Council for the provision of child care facilities under the Family Day Care, Connect 5 and Yuluwirri Kids programs. Child care services (along with aged care services) are provided on a cost neutral basis, and revenue will therefore generally increase per the increase in costs to provide these services.

The assumptions used for the projection of user charges and fees in the base scenario are:

- **Water and sewerage charges** – Water consumption charges are forecast to increase by 5.9% from \$1.70 per kl in 2013/14 to \$1.80 per kl in 2014/15 and then increase steadily thereafter by 3.5%, with water consumption remaining constant at 720,000kl per annum. Revenue relating to non-residential sewerage is assumed to increase by 3.5% for each of the years within the LTFP (assumes full cost recovery);
- **RMS charges, private works and other revenue** – Assumes that road maintenance contracts with RMS will continue as per prior years with a 2.7% increase each year. Private works are assumed to also increase by 2.7% each year, while other revenue is assumed to increase by CPI (2.5% in the base scenario);
- **Child care fees and swimming centres** – Assumed to increase by CPI, although the LTFP does factor in a 5% increase in swimming pool revenue due to more aggressive advertising and pricing;
- **Aged care and cemeteries** – Assumed to increase by CPI;
- **Quarry Revenue** – Quarry Revenue is based on estimates from Council’s Technical Services Directorate based on forecast product volume and exploitation trends.

Council’s projected fees and charges revenue for the 2013/14 to 2023/24 financial years is detailed in the following table. Note: figures are in thousands, and figures from the 2006/07 to 2012/13 financial years are actuals per Council’s audited financial statements. The table includes the latest forecasts in blue, as well as the forecasts from the previous version of Council’s LTFP in red.

Diagram 7 – Projected Fees and Charges Revenue



The variance between the 2013/14 and 2014/15 forecasts is predominantly due to increased forecast RMS works in the 2014/15 forecast as well as a 5% increase in swimming pools revenue compared to a 2.5% increase for these items in the previous LTFP.

3.3 Interest and Investment Income

Interest and investment income accounts for approximately 3% of Council's total revenue (2013: \$1.067m), and Council holds significant funds in both long term investments and term deposits (2013: \$15.664m). Projected interest and investment income will generally depend on both the amount of funds that Council has invested in future years as well as the expected return on these investments. The LTFP assumes that Council will generally hold \$500k on hand for operational needs with the remaining cash balances invested in TDs or other investments. Returns available depend on the investment vehicle, although all TDs assume the cash rate plus 1.25% (i.e. 3.75% for the base scenario).

Council's investment policy requires that Council invest surplus funds at the most favourable rate of interest available to it at the time whilst having due consideration of risk and security for that investment type. Although Council has historically invested a significant portion of its available funds in CDOs and CPNs, post the GFC, as grandfathered investments such as CDOs mature, the funds from these investment vehicles have been re-invested in term deposits. Projections in the LTFP assume that this practice will continue. Council currently only has two CPNs on its books both of which will be redeemed over the two following years.

Council is also forecast to earn investment income as a result of Council entering into the Local Infrastructure Renewal (LIRS) program. In the absence of final accounting advice on how the LIRS discount is to be treated, Council has treated the discount as investment income. Figures are per Council's loan schedule which calculates the discount (4% for LIRS 1, and 3% for LIRS 2) based on loan interest repayment forecasts. The other item included in interest and investment income is Council's dividend for shares it owns in Southern Phone Company.

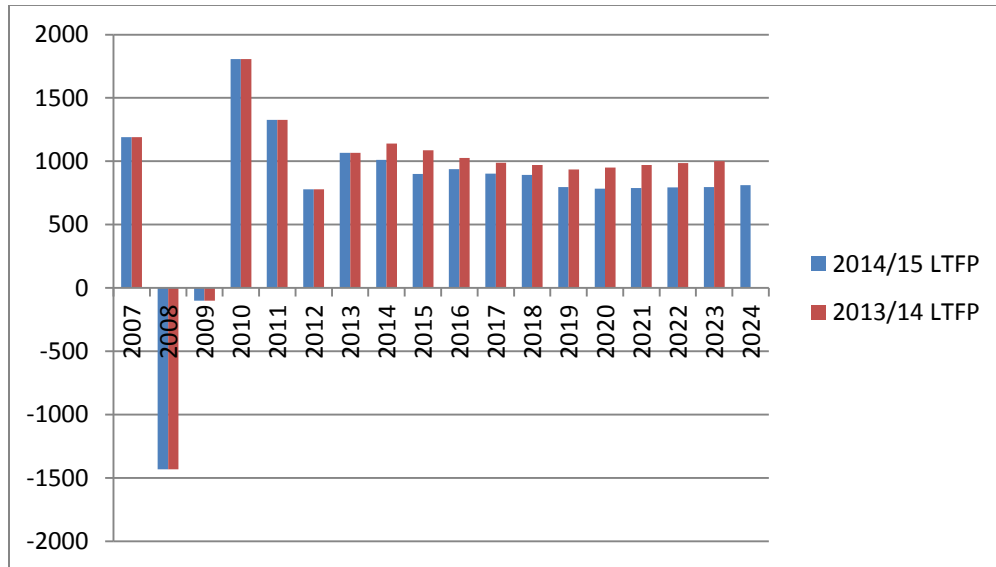
The assumptions used for the projection of interest and investment income in the base scenario are:

- **Returns on term deposits** – Assumes cash rate of 2.5% plus 1.25% (i.e. 3.75%);
- **Returns on CDOs and CPNs** – Assumes returns on all CDOs and capital protected notes are per Council's latest investment report and funds currently in these investment vehicles will be re-invested as term deposits upon maturity;
- **Cash balance invested** – Assumes cash balance less cash on hand (cash on hand assumed to be \$500k);
- **Discount from LIRS** – Assumes that the 4%/3% discount is treated as revenue in each year that the discount is received.

Council's projected interest and investment income for the 2013/14 to 2023/24 financial years is detailed in the following table. Note: figures are in thousands, and figures from the 2006/07 to

2012/13 financial years are actuals per Council’s audited financial statements. The table includes the latest forecasts in blue, as well as the forecasts from the previous version of Council’s LTFP in red.

Diagram 8 – Projected Interest and Investment Income



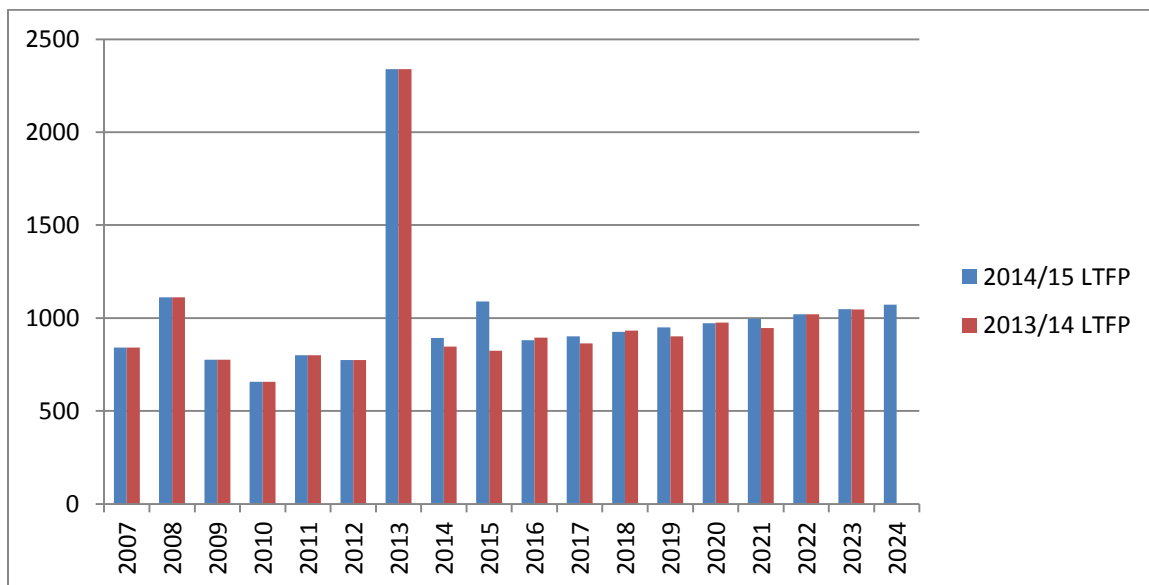
The variance between the 2013/14 and 2014/15 forecasts is predominantly due to the reduction in the cash rate by the Reserve Bank of Australia.

3.4 Other Revenue

Other revenue accounts for only 3% of Council’s total revenue and includes items such as rental income, legal fees recoveries, diesel rebate, insurance claim recoveries and recycling income. It has been assumed for projection purposes that these items will all increase by CPI in the base model.

Council’s projected other revenue for the 2013/14 to 2023/24 financial years is detailed in the following table. Note: figures are in thousands, and figures from the 2006/07 to 2012/13 financial years are actuals per Council’s audited financial statements. The table includes the latest forecasts in blue, as well as the forecasts from the previous version of Council’s LTFP in red.

Diagram 9 – Projected Other Revenue



The variance between the 2013/14 and 2014/15 forecasts is relatively minimal with similar assumptions adopted for the current LTFP. However, there is a significant difference in the 2014/15 year which is predominately due to the increase in insurance proceeds received. These proceeds relate to damage to the Timor Dam as a result of the Wambelong bushfire.

3.5 Grants and Contributions

As a relatively small rural Council with a smaller rate base (when compared to urban councils) Warrumbungle Shire Council is heavily reliant on grants and contributions to fund its operations. In the 2012/13 financial year Council obtained 44.77% (\$16.075m) of its total revenue from various grants and contributions. This over reliance on grant revenue could present major challenges in the long run if this source of funding was to be cut back.

The main sources of grant revenue are (figures per 2012/13 financial year):

- Financial Assistance Grants (\$5.631m);
- Other Roads and Bridges Funding (\$1.081m);
- Bushfire and Emergency Services (\$2.432m);
- RMS Contribution (\$2.502m);
- Roads to Recovery (\$1.572m);
- Child Care (\$1.253m);
- Aged Care (\$0.723m);
- Pensioner rates subsidy (\$0.236m);
- Other (\$0.645m).

Council's main form of grant assistance is financial assistance grants (15.68% of Council's total revenue in 2012/13, 21% in 2011/12) which are federal untied grants that are distributed between the states and Territories on the basis of their percentage of the total population. These grants are

indexed each year for increases in CPI and population. Financial assistance grants consist of two components both of which are distributed to councils on the basis of complex formulas:

- A general purpose component which is distributed on a full equalisation basis which attempts to compensate local governing bodies for differences in expenditure required in the performance of their functions and in their capacity to raise revenue;
- An identified local road component which is distributed according to Council's share of the State's rural population, rural local road length, and length of bridges on rural local roads.

However, with the recent release of the 2014/15 Federal Budget on the 13th May, it has been confirmed that the indexation on the Financial Assistance Grants will be paused for the subsequent three years starting in the 2014/15 financial year. Furthermore, over recent years, the Federal Government has been prepaying the grants two quarters ahead. The Federal Government has decided to cease this arrangement in the 2013/14 financial year. If the Federal budget passes through the Senate, the effect on the Warrumbungle Shire, like other rural Councils, will be significant as Council receives roughly 15.68% of its revenue from such grants (2013 figures).

This effect may to an extent be alleviated by the \$550 million increase in Roads to Recovery and Black spot programs and the introduction of the \$1 billion National Stronger Regions Fund which will help construct and improve infrastructure in communities, particularly those with high levels of unemployment. The financial effect of this possible action is further detailed in Part 8. For the purposes of the base scenario, the Federal Government's decision has not been factored into calculations but is considered in the pessimistic scenario.

Other roads and bridges funding includes:

- Natural disasters grants which provide funding for the restoration of road and bridges damaged as a direct result of a natural disaster event (100% funding for regional roads, and 75% for local roads up to \$116,000 after which funding is 100%; total council contribution for repair of local roads subject to natural disasters is capped at \$58,000 p/a). Council has no outstanding flood damage monies as at 30 June 2014;
- The REPAIR program which provides 50/50 funding for major rehabilitation and development works on regional roads.

Bushfire and emergency services grants are grants Council receives for the running of the rural fire service and local emergency services (i.e. SES, VRA and local fire brigades). The RFS grant is based on a bid process carried out by RFS and Council is required to pay 11.7% of the total bid amount. The difference between the original bid and Council's 11.7% is recognised as a grant, with the total bid amount recognised as expenditure.

Block grants are RMS grants provided to Council for the maintenance of regional roads and are determined based on a formula (for rural councils) that takes into account regional road length, traffic usage and the length of timber bridges. Block grants generally increase by CPI.

The Roads to Recovery program was designed to assist local government in funding the maintenance of the local road network. The current R2R program runs between the 2009/10 and 2013/14 financial years, and under this round of R2R funding Warrumbungle Shire will receive federal funding totalling \$5.478m. In the 2012-13 Budget, the Government announced that it will provide a further \$1.75 billion (\$350 million per annum) to extend the Roads to Recovery

Program for five years from 2014-15 to 2018-19. Further funding of \$350m has also been included in the 2014/15 Federal budget.

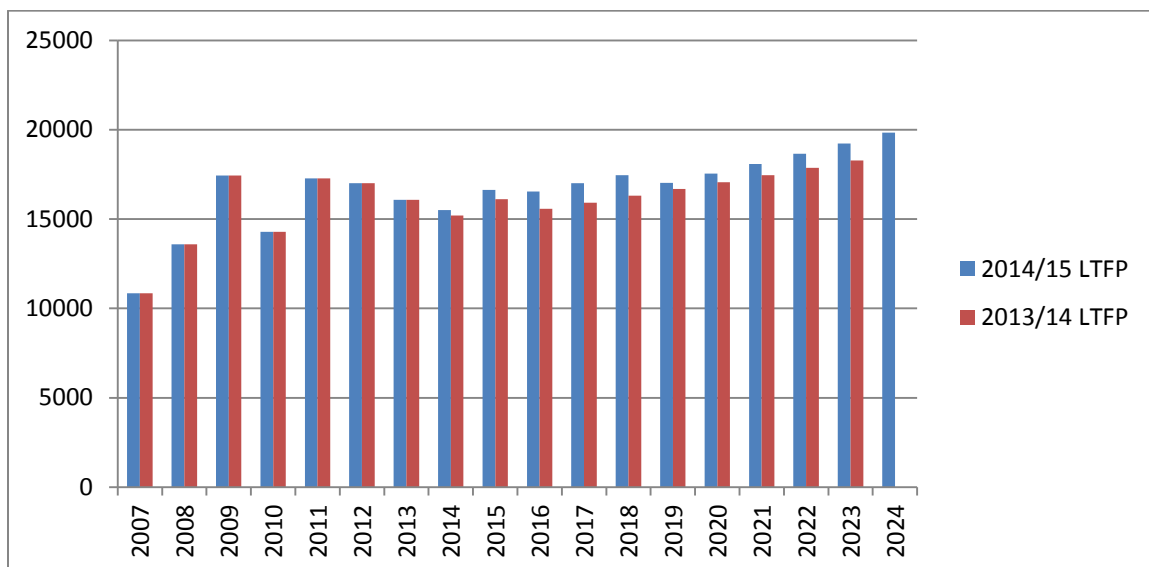
Child care, aged care and community care grants include grants from Family and Community Services, ADHC, Transport for NSW, NSW Health and DEEWR for the provision of aged care and child care services. As Council's child care, aged care and community care functions are cost neutral, it has been assumed that these grants will increase with the cost of providing these services.

The assumptions used for the projection of grants and contributions revenue in the base scenario are:

- **Financial assistance grants** –Traditionally Council's FAGs grant revenue has actually increased by 4% per annum over the last 20 years and consequently this figure has been used in the base scenario calculations. Note: the impact of population change on the final grant amount was considered immaterial. The impact of the federal budget changes have been incorporated into the pessimistic scenario;
- **Other roads and bridges funding** – Assumes no Natural Disasters grants over the LTFP timeline and REPAIR program grants of \$400k per annum;
- **Bushfire and Emergency Services** – Assumed to increase by CPI (2.5%);
- **RMS block grants** – Assumed to increase by CPI (2.5%);
- **Roads to Recovery** – Assumes \$1.054m in 2013/14 and \$1.250m annually post 2013/14. The impact of the federal budget relating to R2R grants have been factored into the optimistic scenario;
- **Child Care** – Assumed to increase by CPI (2.5%);
- **Aged Care & Community Care** – Assumes CPI (2.5%);
- **Pensioner Rate Subsidy** – Assume 55% of pensioner subsidy;
- **Other** – Assumed to increase by CPI (2.5%).

Council's projected grants revenue for the 2013/14 to 2023/24 financial years is detailed in the following table. Note: figures are in thousands, and figures from the 2006/07 to 2012/13 financial years are actuals per Council's audited financial statements. The table includes the latest forecasts in blue, as well as the forecasts from the previous version of Council's LTFP in red.

Diagram 10 – Projected Grants Revenue



The variance between the 2013/14 and 2014/15 forecast is predominantly due a change in indexation for the Financial Assistance Grants. The previous LTFP used a 2.5% increase per annum while the new LTFP has assumed a 4% indexation per annum. Note: the federal government’s decision to pause the indexation on Financial Assistance Grants is addressed in the pessimistic scenario.

3.6 Gains/(Losses) from Disposal of Assets

Gains/(losses) from the disposal of assets refers to the net of the amount Council earns when it trades in/disposes of vehicles and other assets under its control less the written down value of these assets at time of disposal. Gains/(losses) from the disposal of assets generally include:

- Gain/(loss) on the disposal of plant vehicles – Council generally makes a gain from the disposal of plant vehicles at the time of trade in (see graph on following page for historical data).
- Losses from the write off of infrastructure assets replaced by Council – As of the 2011/12 financial year, Council began to correctly account for the disposal of assets replaced as part of Council’s road re-seal, pavement rehabilitation, and pavement re-sheeting programs. This resulted in Council recognising a \$477k write down of infrastructure assets in the 2011/12 financial year.

Due to the high level of uncertainty in regard to trade in value and the fact that Council will be reviewing its vehicle replacement program and infrastructure depreciation assumptions over the following years, Council has used very general assumptions for both the trade in value of vehicles sold and the WDV of these vehicles and infrastructure assets disposed. Losses from the write-off of infrastructure assets have been assumed to be zero for the purpose of the LTFP.

Council’s forecast gains and losses from the disposal of assets assume a trade in value of \$850k per annum for fleet vehicles, plus the expected trade in value for grant funded program vehicles. The WDV of assets disposed is assumed to be roughly \$800k for plant and equipment (resulting in a \$50k gain).

Council’s projected gains from the disposal of assets for the 2013/14 to 2023/24 financial years is detailed in the following table. Note: figures are in thousands, and figures from the 2006/07 to 2012/13 financial years are actuals per Council’s audited financial statements. The table includes the latest forecasts in blue, as well as the forecasts from the previous version of Council’s LTFP in red.

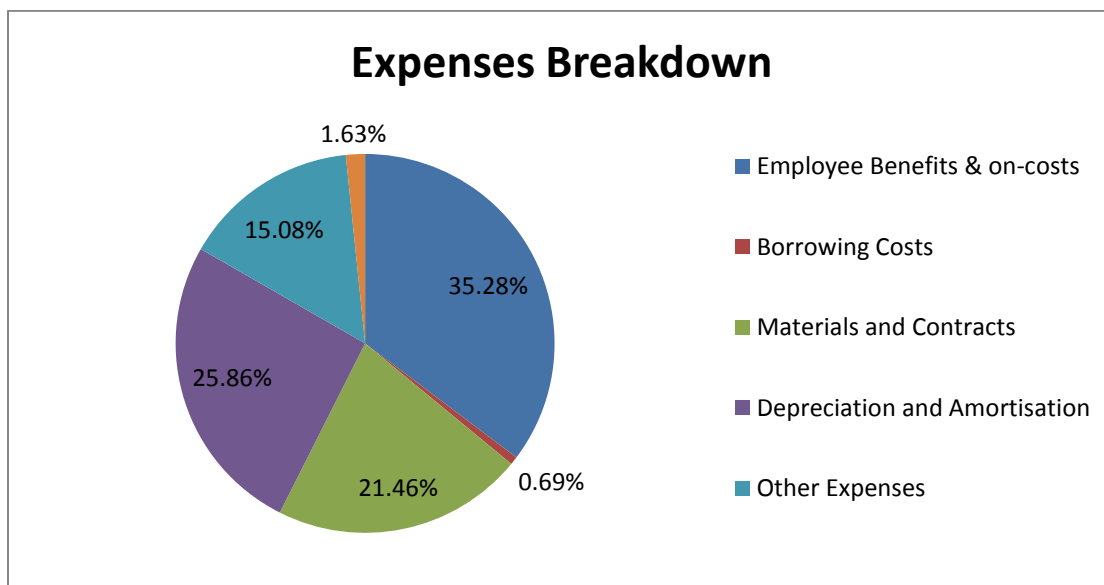
Diagram 11 – Projected Gains from the Disposal of Assets



The variance between the 2013/14 and 2014/15 forecasts is predominantly due to different assumptions regarding the WDV and sale proceeds received. Council has reviewed the assumptions used based on historical data.

Part 4: Recurrent Expenditure (OPEX)

Warrumbungle Shire incurs the following expenditure in the course of its operations: Employee benefits and on-costs (2013: \$12.994m), borrowing costs (2013: \$0.255m), materials and contracts (2013: \$7.906m), depreciation, ammortisation and impairment (2013: \$9.525m), other expenses (2013: \$5.554m) and net losses from the disposal of assets (2013: \$0.600m). The breakdown of these expenses for the 2012/13 financial year is detailed in the chart below:



4.1 Employee Benefits and On-costs

Employee related expenditure is the single largest expense type incurred by Warrumbungle Shire Council (2013: 35.28%). Council employs 196 permanent staff (headcount as at 30 June 2013) in a variety of roles. Council currently faces significant challenges in filling roles (particularly technical roles) due to a declining rural population, and a drift of skilled staff to the coast, which indicates that in future Council may be required to pay higher than award levels of remuneration to attract and maintain skilled staff. Competition from the mines has recently eased as the mines lay off workers which should somewhat mitigate retention issues with outdoor staff. Employee related issues such as maintaining/improving workforce capacity are dealt with in detail in the Workforce Strategy and have therefore not been addressed in the LTFP.

The assumptions used for the projection of employee related expenditure in the base scenario are:

- **Staff numbers** – Council has assumed that staff numbers will remain roughly at the current level over the life of the LTFP. Initial Calculations of staff numbers for the 2014/15 budget were based on an assumption of near full employment;
- **Changes in award rates** – The new Local Government (State) Award 2010 came into effect on 1 November 2010. The award guarantees wages increases for local government employees until the end of the 2013/14 financial year of 3.25% per annum. These wage increases have been used for the purpose of forecasting award increases in salaries and wages over the lifetime of the LTFP, i.e. salaries and wages are forecast to increase by

3.25% each year over the life of the LTFP. The new award should be finalised by the end of the financial year;

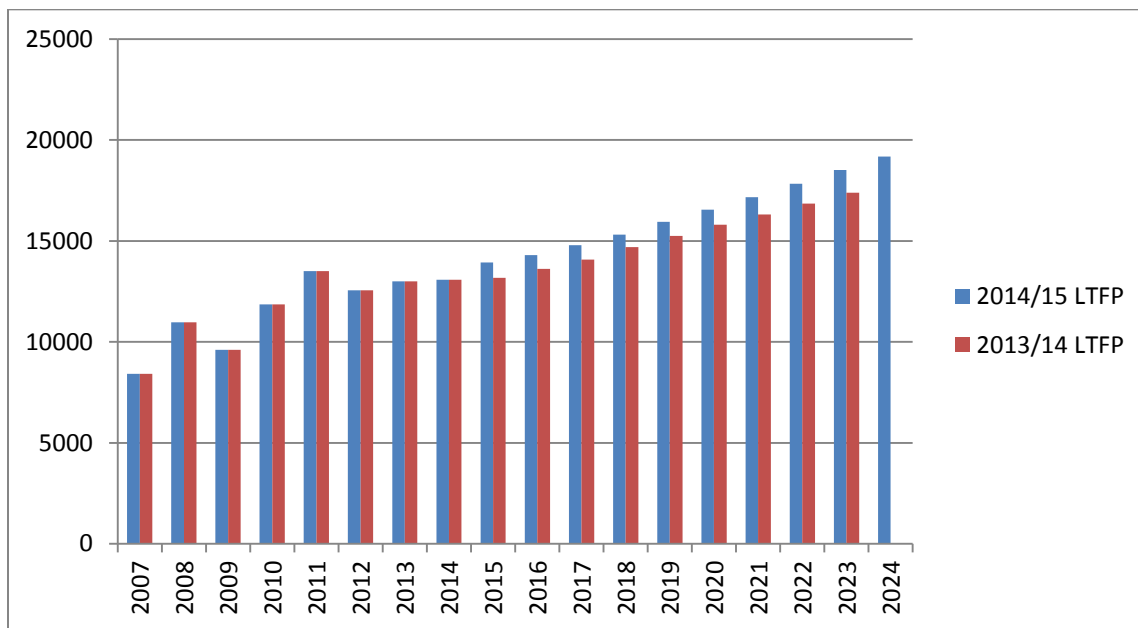
- **Above award pay increases** – Due to the recent downturn in the resources sector and expectations of substantial cutbacks in mining related jobs, Council has not built in above award pay increases into the base scenario of its 2014/15 LTFP. Although it is expected that Council will still face challenges in filling certain skilled positions the net impact of these challenges on total salaries in the base scenario is assumed to be zero due to the use of non-financial incentives to attract staff, and the expectation that higher pay for highly skilled staff will be coupled with higher responsibilities that will reduce the need for other positions, contractors or casuals;
- **Workers compensation** – Workers compensation insurance premium payments are based on previous claims history and projected premiums in the LTFP are calculated by taking the forecast premium for the following year and increasing it by 3.75%. As part of Council’s budget process, Council has identified workers compensation as an area where Council can make substantial cost savings, and the new LTFP assumes a \$23k reduction in workers compensation premiums commencing in the 2014/15 year due to a review of and improvements in current WH&S practices. The three subsequent years will remain constant while the outer years starting 2018/19 have assumed a 3.75% increase;
- **Capitalisation rate for employee related expenditure** – Council capitalises a portion of employee related expenditure that relates to the construction of assets per the requirements of AASB 116 – *Property, Plant and Equipment*. The percentage of employee related expenditure capitalised has been assumed to stay constant from year to year for the purpose of the LTFP;
- **Superannuation** – Contributions by Council to both defined benefit and defined contribution superannuation plans have been forecast to increase per the increase in salaries and wages plus the expected increase in the superannuation guarantee. Effective from 1 July 2014, the Superannuation Guarantee percentage will increase to 9.5%, and will eventually rise to 12% by July 2022 based on the federal budget released on 13 May 2014. The increase in the guarantee will be staggered and the rates used in the plan are per the table below:

Financial year	Rate
2013/14	9.25%
2014/15	9.5%
2015/16	9.5%
2016/17	9.5%
2017/18	9.5%
2018/19	10%
2019/20	10.5%
2020/21	11%
2021/22	11.5%
2022/23	12%
2023/24	12%

- **Employee benefits** – Employee leave entitlements such as annual leave and long service leave have been projected to increase at the same rate as general salaries expenditure.

Council’s projected employee related expenditure for the 2013/14 to 2023/24 financial years is detailed in the following table. Note: figures are in thousands and figures from the 2006/07 to 2013/14 financial years are actuals per Council’s audited financial statements. The table includes the latest forecasts in blue, as well as the forecasts from the previous version of Council’s LTFP in red.

Diagram 12 – Projected Employee Related Expenditure



The variance between the 2013/14 and 2014/15 forecasts is predominantly due an assumption of near full employment in the 2014/15 LTFP. This assumption may prove to be overly conservative.

4.2 Borrowing Costs

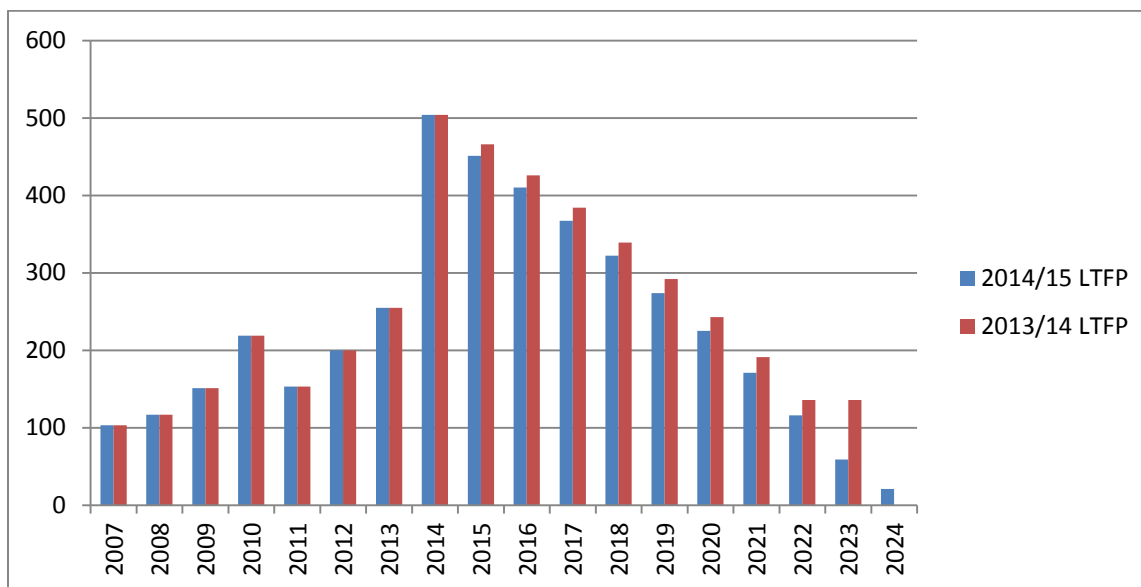
Borrowing costs incurred by Council include interest on loans held by council, charges relating to finance leases and discount adjustments relating to movements in quarry remediation liabilities. Borrowing costs currently form less than 1% of the total expenditure incurred by Council.

Borrowing cost projections are based on current loans, finance lease and asset remediation schedules for all loans currently held by Council, as well as cost projections for the proposed LIRS 2 Loan. Details of Council’s forecast loan balance as at 1 July 2014 (assuming Council enters into the LIRS 2 loan on 30 June 2014) and loan terms are provided in the table below.

Loan Details	Principal Outstanding at 1 July 2014	Interest Rate	Term	Activity
Loans Currently Held by Council				
LIRS 1 Local Roads Bridges Loan	2,213,501	5.80%	10 years	Local Roads
Administration Building Loan	1,385,546	5.80%	10 years	Property & Risk
Regional Road Bridges	720,000	7.75%	15 years	Regional roads
Mendooran Water Loan	825,289	4.95%	20 years	Water
Total Current Loans:	4,856,890			
Proposed Loans				
LIRS 2 Current	3,100,000	5.80%	10 years	Local Roads
Total Proposed Loans	3,100,000			
Grand Total:	7,956,890			

Council’s projected borrowing costs for the 2013/14 to 2023/24 financial years is detailed in the following table. Note: figures are in thousands and figures from the 2006/07 to 2012/13 financial years are actuals per Council’s audited financial statements. The table includes the latest forecasts in blue, as well as the forecasts from the previous version of Council’s LTFP in red.

Diagram 13 – Projected Borrowing Costs



It should be noted that a large portion of the borrowing costs above are assumed to be offset by the LIRS discount which is treated as interest and investment revenue in the LTFP. The LIRS discount will offset \$895m of Council’s total \$2.416m in interest payments over the ten years of the LTFP.

4.3 Materials and Contracts

Materials and contractors is the second largest cash expense item incurred by council (21.46% of total expenditure in the 2012/13 financial year). Materials and contracts payments include:

- Raw materials and consumables (2013: \$2.772m) which generally relates to fuel, bitumen, and other materials used predominantly in the maintenance of Council's assets. Note materials and consumables used as part of capital jobs are capitalised;
- Contractor and consultancy costs (2013: \$4.793m), which also relates predominantly to Council's maintenance program, as well as expenditure relating to RMS works;
- Other materials and contracts costs including operating lease expenses, legal expenses, and auditor fees (\$0.341m).

Changes in the scope of Council's recurrent maintenance program as well as increases in input costs are the two main cost drivers for movements in materials and contracts expenditure. Changes in the maintenance program have been captured in the 2014/15 projections via the budget process, and it is assumed for the purpose of this plan that the quantity of work done as part of the maintenance program will remain relatively constant over the lifetime of this plan.

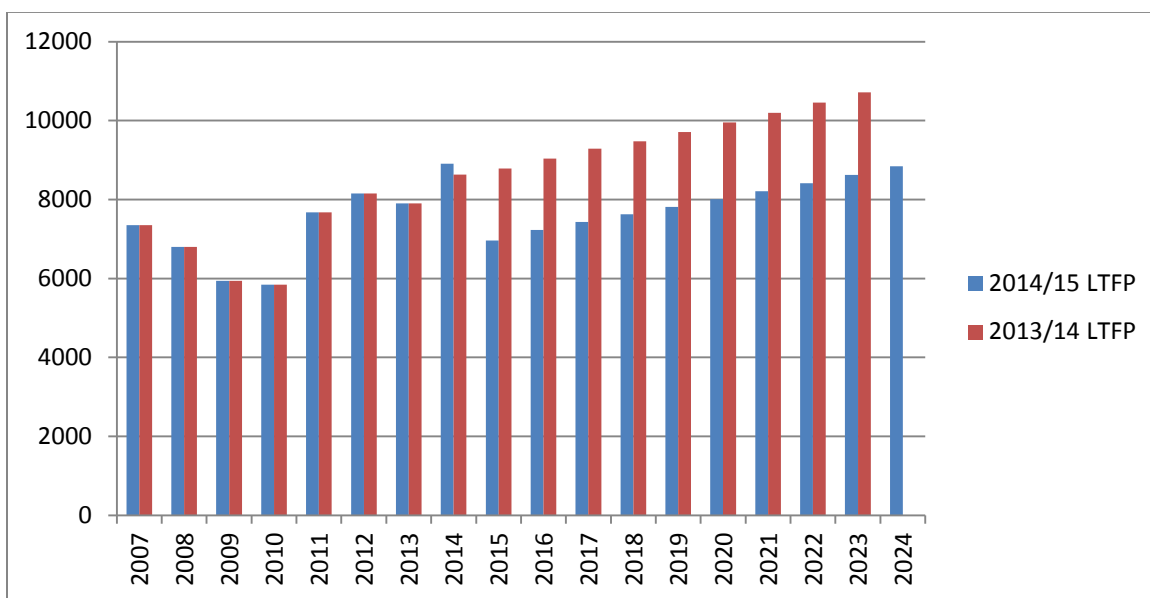
It should be noted that maintenance expenditure can be split into normal maintenance expenditure and maintenance expenditure relating to natural disasters which can not be predicted and is outside the normal maintenance program. Natural disasters can have a big impact on Council's operations, as a \$2m natural disaster will generally divert \$2m worth of expenditure away from capital works into maintenance. Natural disaster works is nearly fully funded by RMS.

The assumptions used for the projection of materials and contracts in the base scenario are:

- **Maintenance program** – 2014/15 per budget, program assumed to stay constant with costs increasing by CPI;
- **Natural disaster maintenance** – The base scenario of the revised 2014/15 LTFP does not include a forecast for natural disasters;
- **Non-maintenance raw materials and contractor expenditure** – Assumed to increase by CPI (2.5%);
- **Other materials and contracts costs** – Assumed to increase by CPI (2.5%).

Council's projected materials and contracts expenditure for the 2013/14 to 2023/24 financial years is detailed in the following table. Note: figures are in thousands and figures from the 2006/07 to 2012/13 financial years are actuals per Council's audited financial statements. The table includes the latest forecasts in blue, as well as the forecasts from the previous version of Council's LTFP in red.

Diagram 14 – Projected Materials and Contracts Expenditure



The variance between the 2013/14 and 2014/15 forecasts is predominantly due to the inclusion in the 2013/14 budget of roughly \$1m worth of quarry related expenditure (blasting and crushing costs) as materials and contracts when it should be treated as inventory and later expensed through the profit and loss as used, with the expenditure (cost of goods sold) treated as other expenses. This has been corrected in the 2014/15 budget and LTFP.

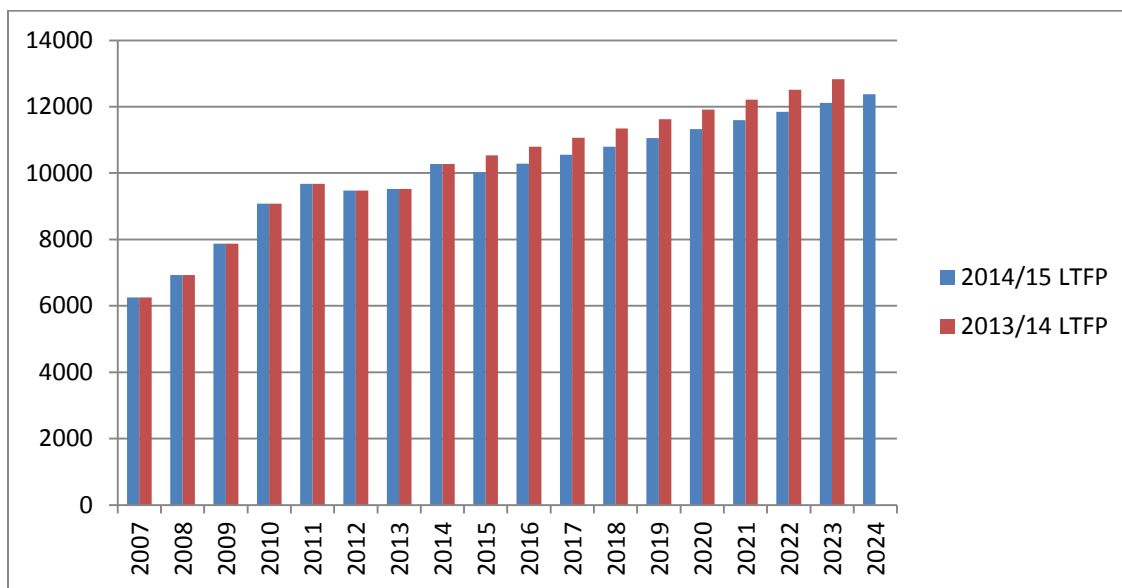
4.4 Depreciation, Amortisation and Impairment

Depreciation and amortisation is the second largest expense type incurred by Council (25.86% of total expenditure). Depreciation/amortisation is a non-cash expense that is defined in AASB 116 – *Property Plant and Equipment* as the systematic allocation of the depreciable amount of an asset over its useful life.

Depreciation and amortisation are dealt with extensively in the AMP, and details on all assumptions used in depreciation/amortisation calculations can be found in the AMP. Impairment is generally as a result of natural disasters and state government funds a major portion of all natural disasters repair work through natural disasters grants. Due to the inherent difficulty in predicting natural disasters (Council has only recorded impairment in one of the previous 5 financial years); impairment has been assumed to be zero for the purpose of these projections.

Council’s projected depreciation, amortisation and impairment expenditure for the 2013/14 to 2023/24 financial years is detailed in the following table. Note: figures are in thousands and figures from the 2006/07 to 2012/13 financial years are actuals per Council’s audited financial statements. The table includes the latest forecasts in blue, as well as the forecasts from the previous version of Council’s LTFP in red.

Diagram 15 – Projected Depreciation, Amortisation and Impairment



The 2013/14 LTFP and 2014/15 LTFP depreciation forecasts do not differ materially.

It should be noted that Council commenced its Asset Management Improvement Project (AMIP) in the 2012/13 financial year and two key deliverables of this project are an extensive audit of Council’s asset inventory data (including condition testing etc) and a detailed review of Council’s depreciation assumptions. It is Council’s view that the completion of the AMIP may result in changes to Council’s depreciation projections above.

4.5 Other Expenses

15.08% of Council’s total expenditure is categorised as “other expenditure”. In the 2012/13 financial year the breakdown for other expenditure was:

- NSW rural fire levy (\$2.185m);
- Donations (\$0.204m);
- Regional library contributions (\$0.467m);
- Electricity and heating (\$0.590m);
- Insurance (\$0.230m);
- Telephone and communications (\$0.240m);
- Registration and Licences (\$0.352m);
- Other (\$1.286m).

Bushfire and Emergency Services provide Council with a grant for the running of the Rural Fire Service annually. This grant is based on a bid process where the RFS places a bid with the State Headquarters and Council is required to contribute 11.7% of the total bid amount. Council recognizes the difference between the bid amount and the contribution as a grant while the total value of the bid is recognized as expenditure. This expenditure amount is captured as part of the NSW rural fire levy above which also includes a bid of 1.6% for emergency services headquarters.

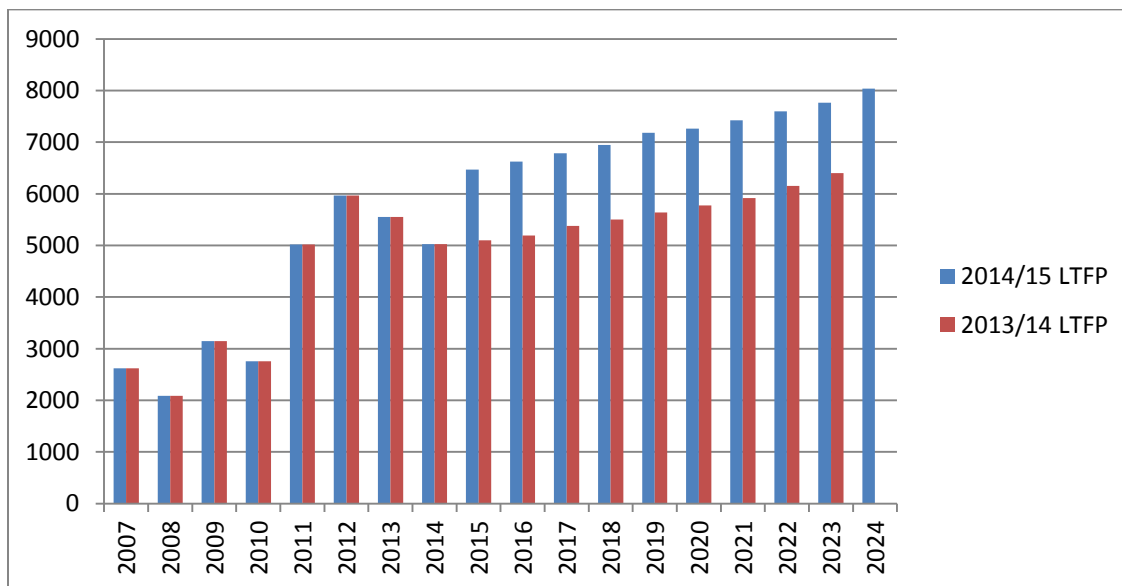
Donations include all other donations made by council, and regional library contributions refer to Council’s contribution to the Macquarie regional library. Insurance refers to the insurance premiums paid by Council, the cost of which is generally based on previous claims history and changes in Council’s asset base.

The assumptions used for the projection of other expenditure in the base scenario are:

- **Rural fire levy** –2014/15 assumes relevant bid for the 2014/15 financial year, outer years assume CPI;
- **Donations, insurance, telephone and other expenses** – Assumes CPI (2.5%);
- **Regional library contributions** – 10 year forecast per information from Macquarie Regional Library;
- **Electricity and heating** – Assumes a 2.5% increase.

Council’s projected other expenditure for the 2013/14 to 2023/24 financial years is detailed in the following table. Note: figures are in thousands and figures from the 2006/07 to 2012/13 financial years are actuals per Council’s audited financial statements. The table includes the latest forecasts in blue, as well as the forecasts from the previous version of Council’s LTFP in red.

Diagram 16 – Projected Other Expenditure



The forecasted variance for other expenditure between the 2013/14 LTFP and 2014/15 LTFP is due to the previous LTFP is predominantly due to the inclusion in the 2013/14 budget of roughly \$1m worth of quarry related expenditure (blasting and crushing costs) as materials and contracts when it should be treated as inventory and later expensed through the profit and loss as used, with the expenditure (cost of goods sold) treated as other expenses. This has been corrected in the 2014/15 budget and LTFP.

Part 5: Capital Expenditure (CAPEX)

Assumptions around capital expenditure, asset valuations and asset management are covered in detail in the Asset Management Plan, and have been incorporated into the LTFP. A summary of future capital expenditure has been provided in the tables below based on the capital program in Council's base scenario.

Table 1: Council's Ten Year Capital Program

Description	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
CORPORATE SERVICES										
Children's and Community Services										
Community Transport										
Community Transport Capital	50,000	50,000	75,000	60,000	80,000	90,000	90,000	100,000	100,000	100,000
Community Transport Total	50,000	50,000	75,000	60,000	80,000	90,000	90,000	100,000	100,000	100,000
Connect 5										
Connect 5 Capital - Purchase of Vehicle	-	-	19,562	-	20,540	-	21,567	-	22,659	-
Connect 5 Total	-	-	19,562	-	20,540	-	21,567	-	22,659	-
Family Day Care										
FDC Replacement of Vehicle	9,500	-	10,000	-	10,500	-	11,025	-	11,580	-
Family Day care Total	9,500	-	10,000	-	10,500	-	11,025	-	11,580	-
Multiservice Outlet										
MSO Capital Replacements	45,000	10,000	7,000	45,000	10,000	45,000	10,000	45,000	10,000	45,000
Multiservice Outlet Total	45,000	10,000	7,000	45,000	10,000	45,000	10,000	45,000	10,000	45,000
Yuluwirri Kids		-								
Yuluwirri Kids Building Extension	-	-	-	870,000	-	-	-	-	-	-
Yuluwirri kids Total	-	-	-	870,000	-	-	-	-	-	-
Children's and Community Services Total	104,500	60,000	111,562	975,000	121,040	135,000	132,592	145,000	144,239	145,000
Communications & IT										
Antivirus Security Software	12,000	-	-	50,000	-	-	-	-	-	-
ARCGIS licence	10,670	-	15,000	-	-	-	-	-	-	-
GPS Handheld units	14,500	-	-	20,000	-	-	-	-	-	-
Point to point wifi for remote sights	26,650	-	-	30,000	-	-	-	-	-	-
Replacement IT Server Hardware	-	50,000	50,000	50,000	-	-	-	-	-	-
Replacement PC/Tablet Devices	-	50,000	50,000	-	-	-	-	-	-	-
Forecast IT replacement/upgarde costs	-	-	-	-	-	-	-	150,000	-	-

Warrumbungle Shire Council - Long Term Financial Plan

Description	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Communications & IT Total	63,820	100,000	115,000	150,000	-	-	-	150,000	-	-
Finance										
Asset Management Software Implementation	-	-	-	-	150,000	-	-	-	-	-
Finance Total	-	-	-	-	150,000	-	-	-	-	-
Bushfire & Emergency Services										
RFS - Enhancements	-	23,639	24,230	24,836	25,457	26,093	26,745	27,414	28,099	28,802
RFS - Fire Control Center Coonabarabran	1,050,000	1,050,000	1,050,000	-	-	-	-	-	-	-
RFS - Vehicles	105,600	299,998	307,498	315,185	323,065	331,142	339,421	347,907	356,605	365,520
Bushfire & Emergency Services	1,155,600	1,373,637	1,381,728	340,021	348,522	357,235	366,166	375,321	384,704	394,322
TOTAL CORPORATE SERVICES	1,323,920	1,533,637	1,608,290	1,465,021	619,562	492,235	498,758	670,321	528,943	539,322
DEVELOPMENT SERVICES										
Property & Risk										
Cemetery Services										
Coonabarabran Native Grove Cemetery Expansion	-	-	-	50,000	-	-	-	-	-	-
Memorial Wall at Old Coonabarabran Cemetery	17,000	-	-	-	-	-	-	-	-	-
Cemetery Services Total	17,000	-	-	50,000	-	-	-	-	-	-
Council Offices & Other Property										
Coolah Air Conditioning	20,474	-	-	-	-	-	-	-	-	-
Disabled access Coolah Office	-	36,000	-	-	-	-	-	-	-	-
Mullaley Recreation Grounds Installation of Septic System	12,000	-	-	-	-	-	-	-	-	-
Coonabarabran Community Care - Replace Carpet	-	-	-	-	50,000	-	-	-	-	-
Coonabarabran Office - Recarpet older section	-	-	-	-	50,000	-	-	-	-	-
Coolah Office - Recarpet	-	-	-	-	50,000	-	-	-	-	-
Dunedoo Medical Centre - Repaint	-	-	-	-	20,000	-	-	-	-	-
137 Martin Street - Kitchen Refurb	-	-	-	-	20,000	-	-	-	-	-
Coolah Depot - Toilet Refurb	-	-	-	-	20,000	-	-	-	-	-
Mendooran Depot - Toilet Refurb	-	-	-	-	20,000	-	-	-	-	-
Coonabarabran - Toilet Refurb	-	-	-	-	-	20,000	-	-	-	-
Dunedoo Jubilee Hall - Air conditioning	-	-	-	-	-	40,000	-	-	-	-
Purlewaugh Hall - Insulation and Walls	-	-	-	-	-	80,000	-	-	-	-
Dunedoo Community Care - Toilet Refurbishment	-	-	-	-	-	60,000	-	-	-	-

Warrumbungle Shire Council - Long Term Financial Plan

Description	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Coonabarabran Office - Repaint old Office	-	-	-	-	-	50,000	-	-	-	-
Coolah Office - Repaint Internals	-	-	-	-	-	50,000	-	-	-	-
Coolah Dr Residence - Bathroom/Kitchen refurb	-	-	-	-	-	70,000	-	-	-	-
Dunedoo Depot - Toilet Refurb	-	-	-	-	-	-	15,000	-	-	-
Binnaway Hall - Kitchen Refurb	-	-	-	-	-	-	50,000	-	-	-
Mendooran Community Care - Replace Flooring	-	-	-	-	-	-	50,000	-	-	-
17 Cole Street - Kitchen Refurb	-	-	-	-	-	-	20,000	-	-	-
17a Cole Street - Kitchen Refurb	-	-	-	-	-	-	15,000	-	-	-
139 Martin Street - Bathroom Refurb	-	-	-	-	-	-	25,000	-	-	-
Coolah Depot - Storage Facility	-	-	-	-	-	-	-	30,000	-	-
Coolah Shire Hall - Carpet Replacement	-	-	-	-	-	-	-	50,000	-	-
Mendooran Mechanics Insitute - Kitchen Refurb	-	-	-	-	-	-	-	20,000	-	-
4 Irwin Street - Bathroom Refurb	-	-	-	-	-	-	-	30,000	-	-
Coonabarabran Native Grove - Expansion	-	-	-	-	-	-	-	55,000	-	-
Coonabarabran Depot - Archive Facility Expansion	-	-	-	-	-	-	-	-	100,000	-
Baradine Hall - Roof Replacement	-	-	-	-	-	-	-	-	100,000	-
17 Cole Street - Bathroom Refurb	-	-	-	-	-	-	-	-	20,000	-
17a Cole Street - Bathroom Refurb	-	-	-	-	-	-	-	-	15,000	-
Purlewaugh Hall - Kitchen Refurb	-	-	-	-	-	-	-	-	-	20,000
139 Martin Street - Kitchen Refurb	-	-	-	-	-	-	-	-	-	25,000
Council Offices & Other Property Total	32,474	36,000	-	-	230,000	370,000	175,000	185,000	235,000	45,000
Public Halls										
Hall Baradine - Disable Access	-	27,500	-	-	-	-	-	-	-	-
Hall Baradine – Refurbishment of Toilets	75,000	75,000	-	-	-	-	-	-	-	-
Mendooran Hall - \$25,000 Stage Ceiling	25,000	-	-	-	-	-	-	-	-	-
Binnaway Hall Roof Replacement	-	-	-	-	80,000	-	-	-	-	-
Coonabarabran Town Hall - Kitchen Refurb	-	-	-	-	100,000	-	-	-	-	-
Dunedoo Jubalee Hall – Kitchen/Toilet Refurb	-	-	-	-	150,000	-	-	-	-	-
Goolhi Hall - Toilet Refurb	-	-	-	-	15,000	-	-	-	-	-
Public Halls Total	100,000	102,500	-	-	345,000	-	-	-	-	-

Warrumbungle Shire Council - Long Term Financial Plan

Description	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Property & Risk Total	149,474	138,500	-	50,000	575,000	370,000	175,000	185,000	235,000	45,000
Tourism and Development Services										
Shire Entrance Signs	20,000	20,000	20,000	-	-	-	-	-	-	-
Tourism and Development Services Total	20,000	20,000	20,000	-	-	-	-	-	-	-
DEVELOPMENT SERVICES TOTAL	169,474	158,500	20,000	50,000	575,000	370,000	175,000	185,000	235,000	45,000
TECHNICAL SERVICES										
Asset Design Services										
Design Projects Survey Equip-Cap	12,000	12,000	-	12,000	12,300	12,608	12,923	13,246	13,577	13,916
Design Services Software Upgrade	13,000	13,000	13,000	13,000	13,325	13,325	13,325	13,325	13,325	13,325
Electronic Scanning of Drawings	-	7,500	7,500	-	-	-	-	-	-	-
GPS Handheld units	-	2,000	-	-	-	-	-	-	-	-
Laptop Computer - Traffic Counters	10,000	-	10,000	-	-	10,769	-	10,506	-	10,506
Asset Design Services Total	35,000	34,500	30,500	25,000	25,625	36,701	26,248	37,077	26,902	37,748
Fleet Services										
Cricket Pitch Roller Coolah	15,000	-	-	-	-	-	-	-	-	-
Minor Plant Purchases	15,000	15,000	15,000	15,000	20,000	20,000	20,000	20,000	20,000	20,000
Plant & Equipment Purchases	2,305,000	2,845,000	1,965,000	2,350,000	3,175,000	3,040,000	2,320,000	2,225,000	2,580,000	2,285,000
Fleet Services Total	2,335,000	2,860,000	1,980,000	2,365,000	3,195,000	3,060,000	2,340,000	2,245,000	2,600,000	2,305,000
Road Operations										
Local Roads										
Black Gully Bridge	200,000	-	-	-	-	-	-	-	-	-
Box Bridge Road	-	52,500	-	-	-	-	-	-	-	-
Bugaldie/Goorianawa Road (Just east of Baradine Road)	-	-	120,000	-	-	139,163	-	-	-	-
Coolah Creek Rd Rehabilitation	120,000	-	-	-	-	139,163	142,642	715,256	-	-
Coolah Creek Road Rehabilitation	-	120,000	120,000	-	-	-	-	-	-	153,610
Coonagoony Bridge	200,000	-	-	-	-	-	-	-	-	-
Flags Rockedgial Road	-	-	-	45,000	-	-	-	-	-	-
Intersection of Lockerbie Rd & Digilah Rd, Digilah Rd	-	-	-	45,000	-	-	-	-	-	-
Local Roads Resheeting	790,000	803,728	823,821	823,821	844,417	865,527	887,165	909,344	932,078	955,380
Mitchell Springs Erosion	-	-	80,000	-	-	-	-	-	-	-

Warrumbungle Shire Council - Long Term Financial Plan

Description	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Mount Hope Road (realignment)	-	-	45,000	45,000	-	-	-	-	-	-
Orana Road Crossing - Preliminary Works	15,000	150,000	-	-	-	-	-	-	-	-
Quaker Tommy - 10m wide strip	-	-	-	30,000	-	-	-	-	-	-
Quia Road - Near lake edna	120,000	-	-	-	50,913	-	-	-	-	-
Ross Crossing	-	400,000	-	-	-	-	-	-	-	-
Rotherwood Rd Rehabilitation	-	-	-	120,000	-	-	-	146,208	-	-
Sandy Creek Road Widening	-	-	-	45,000	-	-	-	-	-	-
Warkton Bridge	120,000	-	-	-	-	-	-	-	-	-
Wyuna Road	-	-	45,000	-	-	-	-	-	-	-
Turee Vale Road Rehabilitation	-	-	-	-	135,769	-	-	-	149,864	-
Wool Rd Rehabilitation	-	-	-	-	-	-	142,642	-	149,864	-
Quia Road Rehabilitation	-	-	-	-	135,769	-	-	-	-	153,610
Dandry Road - New Causeway	-	-	-	-	-	52,186	-	-	-	-
Mia Mia Road - Causeway Rehabilitation	-	-	-	-	50,913	-	-	-	-	-
Napier Lane - Causeway Rehabilitation	-	-	-	-	67,884	-	-	-	-	-
Angus Road - New Causeway	-	-	-	-	-	52,186	-	-	-	-
Dennykymine Road - New Causeway	-	-	-	-	-	-	-	67,012	-	70,405
Munns Road - Casueway Rehabilitation	-	-	-	-	-	-	-	-	68,687	-
Coolah Neilrex Rd - Sight Distance improvement	-	-	-	-	-	-	59,434	-	-	-
Dennykymine Road - Sight Distance	-	-	-	-	-	-	-	30,460	-	-
Local Roads Total	1,565,000	1,526,228	1,233,821	1,153,821	1,285,666	1,248,226	1,231,884	1,868,280	1,300,493	1,333,005
Regional Roads										
Mow Creek Bridge	1,000,000	-	-	-	-	-	-	-	-	-
Pavement Rehabilitation MR329 - Kenebri	429,000	-	-	-	-	-	-	-	-	-
Pavement widening and rehabilitation MR55 (Black Stump Way)	-	800,000	800,000	800,000	800,000	800,000	800,000	800,000	800,000	800,000
Shoulder widening MR129 - Baradine Road (Coonamble)	-	169,000	-	-	-	-	169,000	169,000	-	-
Shoulder widening MR129 - Purlewaugh Road	-	-	-	169,000	-	-	-	-	-	-
Shoulder widening MR396	-	-	169,000	-	-	-	-	-	169,000	169,000
Pavement Rehabilitation and Widening on MR 7519		-	-	-	169,000	169,000	-	-	-	-

Warrumbungle Shire Council - Long Term Financial Plan

Description	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Regional Roads Total	1,429,000	969,000	969,000	969,000	969,000	969,000	969,000	969,000	969,000	969,000
Reseals										
Baradine Streets Reseals	17,700	18,100	18,500	18,963	19,437	19,923	20,421	20,932	21,455	21,991
Binnaway Streets Reseals	15,800	16,200	16,600	17,015	17,440	17,876	18,323	18,781	19,251	19,732
Coolah Streets Reseals	26,300	26,900	27,600	28,290	28,997	29,722	30,465	31,227	32,008	32,808
Coonabarabran Streets Reseals	84,100	86,200	88,300	90,508	92,771	95,090	97,467	99,904	102,401	104,962
Dunedoo Streets Reseals	23,600	24,200	24,800	25,420	26,056	26,707	27,375	28,059	28,760	29,479
Local Roads Reseals	430,800	441,500	452,600	463,915	475,513	487,401	499,586	512,075	524,877	537,999
Mendooran Streets Reseals	15,800	16,200	16,600	17,015	17,440	17,876	18,323	18,781	19,251	19,732
Regional Roads Reseals	441,300	452,300	463,600	475,190	487,070	499,246	511,728	524,521	537,634	551,075
Regional Roads Total	1,055,400	1,081,600	1,108,600	1,136,316	1,164,724	1,193,842	1,223,688	1,254,280	1,285,637	1,317,778
Road Operations Total	4,049,400	3,576,828	3,311,421	3,259,137	3,419,390	3,411,068	3,424,572	4,091,561	3,555,130	3,619,783
Urban Services										
Horticulture										
Irrigation Masters Park	-	-	-	30,000	-	-	-	-	-	-
Jorrock Park - table & shelter and water supply	-	15,000	-	-	-	-	-	-	-	-
Toilet Block Milling Park Dunedoo	50,000	-	-	-	-	-	-	-	-	-
Horticulture Total	50,000	15,000	-	30,000	-	-	-	-	-	-
Ovals										
Baradine Tennis Courts Resurfacing	10,000	-	-	-	-	-	-	-	-	-
Coonabarabran Regional Netball/Basketball centre	138,000	-	-	-	-	-	-	-	-	-
Milling Park - Gardens	-	7,000	7,000	7,000	-	-	-	-	-	-
Robertson Oval - Netball Courts	-	10,000	10,000	10,000	147,083	11,597	11,887	12,184	12,489	12,801
Ovals Total	148,000	17,000	17,000	17,000	147,083	11,597	11,887	12,184	12,489	12,801
Public Swimming Pools										
Baradine - pump room rehabilitation	-	10,000	10,000	10,000	-	-	-	-	-	-
Binnaway - Pump room rehabilitation	-	6,000	6,000	6,000	11,314	-	-	12,184	-	12,801
Coolah - Pump rehabilitation	-	10,000	10,000	10,000	-	11,597	11,887	12,184	-	-
Coolah - Shade shelter	-	15,000	-	-	-	-	-	-	-	-
Coonabarabran Swimming Pool Maintenance and Repairs	15,000	-	30,000	30,000	-	-	-	-	-	-

Warrumbungle Shire Council - Long Term Financial Plan

Description	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Dunedoo - Pump Rehabilitation	-	10,000	10,000	10,000	-	-	-	-	37,466	38,403
Dunedoo - Replace filter media	12,000	-	-	-	-	-	-	-	-	-
Medooran - Hot Water to showers	-	9,000	-	-	-	-	-	-	-	-
Mendooran - Investigate and repair leakage - toddlers pool	10,000	-	-	-	-	-	-	-	-	-
Replace Grouting - Dunedoo Main Pool	-	27,000	-	-	-	-	-	-	-	-
Shade Shelter - Baradine Pool	32,000	-	-	-	-	-	-	-	-	-
Modification of Roof to Improve Lighting	-	-	-	-	34,791	-	-	-	-	-
Coonabarabran - Replace Pumps	-	-	-	-	-	-	-	36,552	37,466	-
Bardine - Pump room Rehabilitation	-	-	-	-	-	-	17,830	-	18,733	-
Dunedoo - Roof Modifications	-	-	-	-	33,942	-	-	-	-	-
Public Swimming Pools Total	69,000	87,000	66,000	66,000	80,047	11,597	29,717	60,920	93,665	51,203
Town Streets - Baradine										
Baradine Streets - Streetlighting	-	-	-	8,000	-	-	-	-	-	-
Castlereagh Street, Narren to Darling, new K&G	-	60,000	-	-	-	-	-	-	-	-
Flood Plain Management	120,000	-	-	-	-	-	-	-	-	-
Kerb and Guttering Bligh Street between Narren and Darling	-	-	-	50,000	-	-	-	-	-	-
Kerb and Guttering Bligh Street between Narren and Liverpool	-	-	-	50,000	-	-	-	-	-	-
Kerb and guttering in Narren Street south of Macquarie Street	-	-	50,000	-	-	-	-	-	-	-
Liverpool Street Seal	-	-	-	50,000	-	-	-	-	-	-
Rehabilitation of footpath sections	10,000	10,000	10,000	10,000	10,250	10,506	10,769	11,038	11,314	11,597
Baradine Streets - Bins	2,000	-	-	-	-	-	-	-	-	-
Bitumen Seal Road Shoulders	-	-	-	-	22,628	-	23,774	-	24,977	-
Lachlan Street, between Narren Street and Liverpool (North and South)	-	-	-	-	56,570	-	-	-	-	-
New Kerb and Guttering	-	-	-	-	-	57,985	-	60,920	-	64,004
Electric BBQ & Shelter in Lions Park	-	-	-	-	20,365	-	-	-	-	-
Street Trees	-	-	-	-	16,971	11,597	11,887	12,184	-	-
Town Streets - Baradine Total	132,000	70,000	60,000	168,000	126,785	80,088	46,429	84,142	36,291	75,601
Town Streets - Binnaway										

Warrumbungle Shire Council - Long Term Financial Plan

Description	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Binnaway Progress Association	5,000	5,000	5,000	5,000	-	-	-	-	-	-
Castlereagh Av - 42m (link) - Drainage	20,000	-	-	-	-	-	-	-	-	-
Corry Bridge Western Approach	-	-	40,000	40,000	-	-	-	-	-	-
Footpath Rehabilitation	5,000	5,000	5,000	5,000	5,125	5,253	5,384	5,519	5,657	5,798
Garbage bins, Renshaw Street	8,000	-	-	-	-	-	-	-	-	-
K&G Railway Street Binnaway	-	80,000	-	-	-	-	-	-	-	-
Railway Street (Napier St to Renshaw St - 240m) - link - Drainage	-	35,000	35,000	-	-	-	-	-	-	-
Renshaw street/railway street pipe size increase	15,000	-	-	-	-	-	-	-	-	-
Street Lights	8,000	-	-	-	-	-	-	-	-	-
Corry Bridge Western Approach	-	-	-	-	46,388	45,256	-	-	-	-
Bullinda Stree, New Kerb and Guttering	-	-	-	-	39,599	-	-	-	-	-
New Kerb and Guttering	-	-	-	-	-	69,582	-	73,104	-	76,805
Softfall Upgrade - Len Guy Park	-	-	-	-	16,971	-	-	-	-	-
Street Trees	-	-	-	-	6,788	6,958	7,132	7,310	-	-
Town Streets - Binnaway Total	61,000	125,000	85,000	50,000	114,872	127,049	12,517	85,934	5,657	82,604
Town Streets - Coolah										
Binnia/Booyamurra, Binnia/Campbell - intersection treatment.	40,000	-	-	-	-	-	-	-	-	-
Black Stump toilets - new flooring	-	4,000	-	-	-	-	-	-	-	-
Black Stump toilets - painting	-	4,000	-	-	-	-	-	-	-	-
Booyamurra Street, east of Binnia, rehabilitation	110,000	-	-	-	-	-	-	-	-	-
Footpath Rehabilitation - various locations	15,000	15,000	15,000	15,000	22,628	23,194	23,774	24,368	24,977	25,602
Pipe Drainage (location to be confirmed)	-	-	40,000	40,000	45,256	46,388	47,547	48,736	49,955	51,203
Town Streets - Coolah Total	165,000	23,000	55,000	55,000	67,884	69,582	71,321	73,104	74,932	76,805
Town Streets - Coonabarabran										
Belar Street Drainage Pipe & K&G	-	-	60,000	-	-	-	-	-	-	-
Cassilis Street Footpath /Neate Street/Edward Street - Preliminary Works	30,000	50,000	50,000	-	-	-	-	-	-	-
Cassilis Street, Robertson to Namoi, new footpath	-	-	-	40,000	-	-	-	-	-	-
Cowper Street, concreting of open channel	-	-	-	50,000	56,570	-	-	-	-	-

Warrumbungle Shire Council - Long Term Financial Plan

Description	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Crane Street Rehabilitation	-	-	60,000	50,000	28,285	-	-	-	-	-
Cycleway - gaos - Newell Highway	60,000	-	-	-	-	-	-	-	-	-
Cycleway Mary Hane Cain Bridge	5,000	50,000	-	-	-	-	-	-	-	-
Dalgarno Street (John - Charles) rehabilitation	-	20,000	20,000	20,000	-	-	-	-	-	-
Dalgarno Street, centre, west of John to Robertson	-	-	60,000	60,000	67,884	-	-	-	-	-
John Street. K & G Rehabilitation	70,000	70,000	70,000	70,000	-	-	-	-	-	-
Pedestrian Access Mobility Plan for Shire	24,000	-	-	-	-	-	-	-	-	-
Rubbish Bins - Timor Park	-	6,000	-	-	-	-	-	-	-	-
Street light program	-	-	-	8,000	-	-	-	-	-	-
Street Trees - centre charles street edwards to Dalgarno	-	-	-	30,000	-	-	-	-	-	-
Street Trees - Centre Cowper Street edwards to Dalgarno	-	-	30,000	-	-	-	-	-	-	-
Pavement Rehabilitation	-	-	-	-	56,570	57,985	59,434	60,920	62,443	64,004
Street Trees	-	-	-	-	6,788	6,958	7,132	7,310	7,493	7,681
Eastern Side of High School - New Road	-	-	-	-	-	57,985	59,434	60,920	62,443	-
Traffic Management Improvements	-	-	-	-	33,942	34,791	35,661	36,552	37,466	38,403
Namoi Street - New Kerb and Guttering	-	-	-	-	-	69,582	-	-	-	-
New Kerb and Guttering	-	-	-	-	-	-	71,321	-	74,932	-
Footpath Rehabilitation	-	-	-	-	33,942	34,791	35,661	36,552	37,466	38,403
Footpath Construction - Improve Pedertrian Mobility Access	-	-	-	-	33,942	34,791	35,661	36,552	37,466	38,403
Electric BBQ & Shelter in Bell Park	-	-	-	-	22,628	-	-	-	-	-
Street Trees	-	-	-	-	33,942	34,791	35,661	36,552	37,466	38,403
Town Streets - Coonabarabran Total	189,000	196,000	350,000	328,000	374,496	331,672	339,964	275,359	357,175	225,295
Town Streets - Dunedoo										
Bullinda St (Wallaroo St - Wargundy St) north side	-	50,000	-	-	-	-	-	-	-	-
Footpath rehabilitation - various sections	10,000	10,000	10,000	10,000	11,314	11,597	11,887	12,184	12,489	12,801
Underground Pipe drainage Wargundy Street	-	-	-	-	67,884	-	-	-	-	-
Wallaroo Street (Bullinda St - Mogimil St) - Drainage	-	150,000	-	-	-	-	-	-	-	-
Wargundy St (Bullinda St - Yarrow St) west side	-	-	-	50,000	-	-	-	-	-	-
Yarrow St at Bandulla, north side, dish drain	18,000	-	-	-	-	-	-	-	-	-

Warrumbungle Shire Council - Long Term Financial Plan

Description	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Yarrow St at Bandulla, south side, dish drain	-	-	18,000	-	-	-	-	-	-	-
Yarrow Street (Wallaroo St - Wargundy St) north side	-	-	50,000	-	-	-	-	-	-	-
Pipe Drainage	-	-	-	-	-	69,582	71,321	73,104	74,932	76,805
New Kerb and Guttering	-	-	-	-	67,884	69,582	71,321	73,104	74,932	76,805
Street Trees	-	-	-	-	6,788	6,958	7,132	7,310	7,493	7,681
Town Streets - Dunedoo Total	28,000	210,000	78,000	60,000	153,872	157,718	161,661	165,703	169,845	174,091
Town Streets - Mendooran										
Footpath Rehabilitation	10,000	10,000	10,000	10,000	11,314	11,597	11,887	12,184	12,489	12,801
Bandulla Street, Traffic Calming	-	-	-	-	50,913	-	-	-	-	-
Merchant Street Sealing	-	-	-	-	-	-	-	42,644	43,710	44,803
Cobra Street - Kerb and Guttering	-	-	-	-	-	69,582	83,208	-	-	-
Street Trees	-	-	-	-	5,657	5,798	5,943	6,092	6,244	6,400
Softfall - Mendooran Park	-	-	-	-	20,365	-	-	-	-	-
Mendooran - Replace pumps	-	-	-	-	11,314	-	-	-	12,489	-
Town Streets - Mendooran Total	10,000	10,000	10,000	10,000	99,564	86,977	101,038	60,920	74,932	64,004
Urban Services Total	852,000	753,000	721,000	784,000	1,164,595	876,283	774,535	818,263	824,987	762,407
TECHNICAL SERVICES TOTAL	7,331,340	7,224,328	6,042,921	6,433,137	7,804,610	7,384,053	6,565,355	7,191,901	7,007,019	6,724,937
TOTAL GENERAL FUND	8,824,734	8,916,465	7,671,211	7,948,158	8,999,172	8,246,288	7,239,113	8,047,222	7,770,962	7,309,259
WARRUMBUNGLE SEWER										
Sewer - Baradine										
Sewage Treatment Plant-Disinfection Plant-renewal	28,000	10,000	10,000	-	-	-	-	-	-	-
Sewage Treatment Plant-Vacuum pumps-renewal	-	-	-	30,000	-	23,194	23,774	24,368	24,977	25,602
Pivot Irrigator - Renewal	-	-	-	-	226,282	-	-	-	-	-
Sewer - Baradine Total	28,000	10,000	10,000	30,000	226,282	23,194	23,774	24,368	24,977	25,602
Sewer - Binnaway										
Binnaway Sewer Investigation	50,000	-	-	-	-	-	-	-	-	-
Sewer - Binnaway Total	50,000	-	-	-	-	-	-	-	-	-
Sewer - Coolah										
Mains Replacement/Rehab	-	100,000	100,000	50,000	56,570	57,985	59,434	60,920	-	-
Sewage Treatment Plant-rehabilitation/upgrades	50,000	-	-	50,000	56,570	57,985	59,434	60,920	62,443	64,004

Warrumbungle Shire Council - Long Term Financial Plan

Description	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Sewer - Coolah Total	50,000	100,000	100,000	100,000	113,140	115,970	118,868	121,840	62,443	64,004
Sewer - Coonabarabran										
Mains-Relining various sections	94,080	130,000	100,000	100,000	113,141	150,760	154,529	158,392	162,352	166,411
Pump stations- renewal	-	60,000	30,000	30,000	33,942	34,791	35,661	-	-	-
Replace Steel sewer rods	3,000	3,000	3,000	3,000	-	-	-	-	-	-
Sewer camera replacement (\$12,000 exl GST Cadia quote)	12,000	-	-	-	-	-	-	-	-	-
Sewerage Treatment Plant Improvements	-	-	-	50,000	56,570	57,985	59,434	60,920	62,443	64,004
Sewer - Coonabarabran Total	109,080	193,000	133,000	183,000	203,653	243,536	249,624	219,313	224,795	230,415
Sewer - Dunedoo										
Mains-Relining various sections	-	50,000	-	-	45,256	46,388	47,547	48,736	49,955	51,203
Pump Station -renewal	-	-	-	50,000	-	-	-	-	-	-
Sewer - Dunedoo Total	-	50,000	-	50,000	45,256	46,388	47,547	48,736	49,955	51,203
WARRUMBUNGLE SEWER TOTAL	237,080	353,000	243,000	363,000	588,331	429,088	439,813	414,256	362,170	371,224
WARRUMBUNGLE WATER										
Water - Baradine										
Mains Extension - Removal of Dead Ends	-	-	50,000	50,000	56,570	57,985	59,434	60,920	62,443	-
Mains Replacement	-	25,000	25,000	25,000	28,285	28,992	29,717	30,460	31,222	32,002
Meter Replacements	5,000	5,000	5,000	-	-	-	-	-	-	-
Reservoir- Rehabilitation	-	50,000	-	-	-	-	-	-	-	-
Water Treatment Plant- Improvements	40,000	30,000	-	30,000	33,942	30,000	30,000	30,000	30,000	30,000
WTP - Building Renovations	48,000	-	-	-	-	-	-	-	-	-
WTP - Rehabilitation of Clarifier	200,000	-	-	-	-	-	-	-	-	-
Water - Baradine Total	293,000	110,000	80,000	105,000	118,798	116,977	119,151	121,380	123,665	62,002
Water - Binnaway										
Binnaway Water Mains Replacement	-	80,000	70,000	80,000	-	-	-	-	-	-
Mains Replacement-David & Railway Sts, 570m	-	-	80,000	-	-	-	-	-	-	-
Meter Replacements	5,000	5,000	-	-	-	-	-	-	-	-
Water Treatment Plant – Renewals	-	20,000	-	25,000	11,314	-	118,869	121,840	-	-
Water Main Rehabilitation - Castlereagh Avenue	-	-	-	-	-	-	-	-	87,420	896,059
Water Main Rehabilitation - Napier Street - 420m	-	-	-	-	79,199	-	-	-	-	-

Warrumbungle Shire Council - Long Term Financial Plan

Description	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Water Main Rehabilitation - George Street	-	-	-	-	-	81,179	-	-	-	-
Water - Binnaway Total	5,000	105,000	150,000	105,000	90,513	81,179	118,869	121,840	87,420	896,059
Water - Coolah										
Coolah Water Reservoirs Capital	-	-	30,000	30,000	-	-	-	-	-	-
Mains Extension - removal of dead ends	50,000	40,000	40,000	40,000	56,570	57,985	59,434	60,920	62,443	64,004
Mains Replacement - Gilmore st	-	30,000	30,000	30,000	-	-	-	-	-	-
Meter Replacements	4,800	5,000	5,000	5,000	-	-	-	-	-	-
Mains Replacement	-	-	-	-	45,256	46,388	47,547	48,736	49,955	51,203
Water - Coolah Total	54,800	75,000	105,000	105,000	101,827	104,372	106,982	109,656	112,398	115,208
Water - Coonabarabran										
Main Extension - Removal of Dead Ends	-	60,000	60,000	60,000	-	-	-	-	-	-
Mains Extensions (removal dead ends) - Arnold St, btwn Newell Hwy and Gunnedah Hill	-	-	100,000	-	-	-	-	-	-	-
Mains Extensions (Removal of Dead Ends) - Jubilee St, btwn Newell Hwy and Gunneday Hill	100,000	-	-	-	-	-	-	-	-	-
Mains Extension-Under Highway between Council depot & former Caltex site	-	-	60,000	-	-	-	-	-	-	-
Mains Replacement	54,267	70,000	70,000	70,000	-	-	-	-	-	-
Meter Replacements	7,000	10,000	10,000	10,000	-	-	-	-	-	-
Security Audit	100,000	-	-	-	-	-	-	-	-	-
Telemetry Software - Coona	3,000	3,000	3,000	3,000	-	-	-	-	-	-
Timor Dam Fence Repairs	230,000	-	-	-	-	-	-	-	-	-
Tools - Coona Water	3,000	3,000	3,000	3,000	-	-	-	-	-	-
Water Main Extension - Removal of Dead Ends	-	-	-	-	67,884	220,342	225,850	231,497	237,284	76,805
Fencing of Reservoir Site - Oxley Highway	-	-	-	-	11,314	11,597	11,887	12,184	12,489	12,801
Water Main Rehabilitation	-	-	-	-	79,199	81,179	83,208	85,288	87,420	89,606
Wayer Treatment Plant Improvements	-	-	-	-	33,942	34,791	35,661	36,552	37,466	38,403
Water - Coonabarabran Total	497,267	146,000	306,000	146,000	192,339	347,908	356,606	365,521	374,659	217,614
Water - Dunedoo										
Dunedoo W Minor Plant & Equip	3,000	3,000	3,000	-	-	-	-	-	-	-
Mains Extension	-	-	50,000	50,000	-	-	-	-	-	-

Warrumbungle Shire Council - Long Term Financial Plan

Description	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Mains Extension-Evans St, between Sullivan St and Nott St (430m)	50,000	50,000	-	-	56,570	57,985	59,434	60,920	62,443	-
Mains Replacement	-	50,000	50,000	50,000	67,884	69,582	71,321	73,104	74,932	76,805
Mains Replacement - Bolaro St, Tallawang St to Merrygoen St (210m)	58,000	-	-	-	-	-	-	-	-	-
Meter Replacements	5,000	-	-	-	-	-	-	-	-	-
Reservoirs-Rehabilitation	110,000	-	-	20,000	-	-	-	-	62,443	64,004
Water Treatment- Hypochlorite dosing	-	20,000	-	-	-	-	-	-	-	-
Water Treatment-Sodium Hypochlorite Pump Standby	5,000	5,000	5,000	-	-	-	-	-	-	-
Water - Dunedoo Total	231,000	128,000	108,000	120,000	124,455	127,566	130,755	134,024	199,818	140,809
Water - Mendooran										
Mains Extension	-	30,000	30,000	30,000	-	-	-	-	-	-
Merrygoen Creek Main Replacement	-	-	-	40,000	-	-	-	-	-	-
Meter Replacements	5,000	5,000	5,000	-	-	-	-	-	-	-
Mains Replacement	-	-	-	-	33,942	34,791	35,661	36,552	37,466	38,403
Water - Mendooran Total	5,000	35,000	35,000	70,000	33,942	34,791	35,661	36,552	37,466	38,403
Water - Merrygoen										
Main Replacement- from Merrygoen Creek to Reservoir	-	-	-	50,000	-	-	-	-	-	-
Water - Merrygoen Total	-	-	-	50,000	-	-	-	-	-	-
WARRUMBUNGLE WATER TOTAL	1,086,067	599,000	784,000	701,000	661,874	812,793	868,023	888,974	935,426	1,470,095
GRAND TOTAL	10,087,941	9,868,465	8,698,211	9,012,158	10,249,374	9,488,172	8,546,949	9,350,451	9,068,558	9,150,578

Part 6: Assets and Liabilities

The assumptions around movements in balance sheet items are dealt with briefly in the following table:

Balance Sheet Item	Assumptions
Assets	
Cash and Cash equivalents	Changes in cash and cash equivalents balances are per the Statement of Cashflows (cashflow statement).
Investments	Investments are assumed to be re-invested as TDs upon maturity, which are captured under cash and cash equivalents. Details of expected returns on investments are found in Part 3.3 of the plan.
Receivables	Receivables have been assumed to remain at 2013/14 levels for the life of the plan.
Inventories	Inventories have been assumed to remain at 2013/14 levels for the life of the plan.
Infrastructure, PP&E	Changes in infrastructure, property, plant and equipment balances are as per the AMP. Details on CAPEX can be found in Part 5 of the LTFP, while further information on depreciation expenditure can be found in Part 4.4 of the plan. Information on disposals can be found in part 3.6 of the plan. Adjustments for asset revaluations use an assumed 1% increase per annum. A detailed asset movement schedule can be found in Part 7 of the plan.
Investments (Equity Method)	Investments accounted for using the equity method are assumed to increase by \$10k each year from Council's share of interest in the joint venture operation.
Balance Sheet Item	Assumptions
Liabilities	
Payables	Payables have been assumed to remain at 2013/14 levels for the life of the plan.
Borrowings	Borrowings and finance leases are paid down per current schedules, and details of current and proposed borrowings can be found in part 4.2 of the plan.
Provisions	Provisions have been held constant as a full actuarial assessment of movements in future employee provisions was not deemed necessary for the purpose of the LTFP.

Part 7: Tables and Schedules (Financial Statements)

Income Statement

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income from Continuing Operations										
Rates and Annual Charges	11,289	11,667	12,056	12,458	12,875	13,306	13,751	14,210	14,685	15,175
User Charges and Fees	7,184	7,396	7,602	7,812	8,028	8,256	8,483	8,724	8,967	9,220
Interest & Investment Revenue	899	937	903	893	796	783	789	793	797	812
Other Revenues	1089	881	902	926	950	972	996	1021	1048	1,072
Grants & Contributions	16,631	16,550	17,003	17,446	17,017	17,542	18,088	18,652	19,234	19,835
Gains/(Losses) from Disposal of Assets	59	48	59	50	50	50	50	50	50	50
Share of interest in JV gains	10	10	10	10	10	10	10	10	10	10
Total Income From Continuing Operations	37,161	37,489	38,535	39,595	39,726	40,919	42,167	43,460	44,791	46,174
Expenses from Continuing Operations										
Employee Benefits & On-Costs	13,931	14,291	14,791	15,315	15,946	16,548	17,171	17,829	18,519	19,180
Borrowing Costs	451	410	367	322	274	225	171	116	59	21
Materials & Contracts	6,963	7,228	7,431	7,623	7,814	8,010	8,209	8,415	8,626	8,841
Depreciation & Impairment	10,022	10,286	10,552	10,798	11,051	11,326	11,592	11,844	12,112	12,379
Other Expenses	6,466	6,621	6,784	6,945	7,180	7,263	7,426	7,594	7,766	8,034
Net Share of Interest in Joint Ventures										
Total Expenditure From Continuing Operations	37,833	38,836	39,925	41,003	42,265	43,372	44,569	45,798	47,082	48,455
Net Operating Result for the Year	(672)	(1,347)	(1,390)	(1,408)	(2,539)	(2,453)	(2,402)	(2,338)	(2,291)	(2,281)

Balance Sheet

Assets	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Current Assets	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and Cash Equivalents	11,902	12,532	13,034	13,412	11,628	10,930	11,438	11,408	12,074	13,276
Investments	1,476	-	-	-	-	-	-	-	-	-
Receivables	4,013	4,013	4,013	4,013	4,013	4,013	4,013	4,013	4,013	4,013
Inventories	536	536	536	536	536	536	536	536	536	536
Total Current Assets	17,927	17,081	17,583	17,961	16,177	15,479	15,987	15,957	16,623	17,825
Non-Current Assets										
Investments	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-
Inventories	319	319	319	319	319	319	319	319	319	319
Property, Plant & Equipment	435,224	438,359	440,090	441,907	444,726	446,536	447,156	448,336	448,977	449,440
Investments Equity Method	269	279	289	299	309	319	329	339	349	359
Total Non-Current Assets	435,812	438,957	440,698	442,525	445,354	447,174	447,804	448,994	449,645	450,118
Total Assets	453,739	456,038	458,281	460,486	461,531	462,653	463,791	464,951	466,268	467,943
Current Liabilities										
Payables	2,395	2,395	2,395	2,395	2,395	2,395	2,395	2,395	2,395	2,395
Borrowings	710	749	790	832	877	925	975	876	535	60
Provisions	3,642	3,642	3,642	3,642	3,642	3,642	3,642	3,642	3,642	3,642
Total Current Liabilities	6,747	6,786	6,827	6,869	6,914	6,962	7,012	6,913	6,572	6,097
Non-Current Liabilities										
Payables	-	-	-	-	-	-	-	-	-	-
Borrowings	6,618	5,870	5,080	4,248	3,371	2,446	1,471	595	60	-
Provisions	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222	1,222
Total Non-Current Liabilities	7,840	7,092	6,302	5,470	4,593	3,668	2,693	1,817	1,282	1,222
Total Liabilities	14,587	13,878	13,129	12,339	11,507	10,630	9,705	8,730	7,854	7,319
Net Assets	439,152	442,160	445,152	448,147	450,024	452,023	454,086	456,221	458,414	460,624
Retained Earnings	354,071	352,725	351,333	349,926	347,383	344,934	342,531	340,193	337,902	335,621
Revaluation Reserves	85,081	89,435	93,819	98,221	102,641	107,089	111,555	116,028	120,512	125,003
Total Equity	439,152	442,160	445,152	448,147	450,024	452,023	454,086	456,221	458,414	460,624

Statement of Cash Flows (Page 1 of 2)

Cash Flows from Operating Activities	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Receipts</u>										
Rates and Annual Charges	11,289	11,667	12,056	12,458	12,875	13,306	13,751	14,210	14,685	15,175
User Charges and Fees	7,184	7,396	7,602	7,812	8,028	8,256	8,483	8,724	8,967	9,220
Interest & Investment Revenue	817	913	903	893	796	783	789	793	797	812
Other Revenues	2,023	1,814	1,836	1,859	1,882	1,906	1,930	1,955	1,981	2,007
Grants & Contributions	16,631	16,552	17,001	17,446	17,015	17,543	18,088	18,652	19,235	19,838
<u>Payments</u>										
Employee Benefits & On-Costs	(13,931)	(14,291)	(14,791)	(15,313)	(15,948)	(16,547)	(17,171)	(17,829)	(18,519)	(19,179)
Materials & Contracts	(7,036)	(7,227)	(7,433)	(7,623)	(7,812)	(8,008)	(8,209)	(8,417)	(8,625)	(8,843)
Borrowing Costs	(451)	(410)	(367)	(322)	(274)	(225)	(171)	(116)	(59)	(21)
Other Expenses	(7,400)	(7,555)	(7,718)	(7,880)	(8,116)	(8,197)	(8,360)	(8,527)	(8,702)	(8,968)
Net Cash provided (or used in) Operating Activities	9,126	8,858	9,090	9,331	8,447	8,817	9,130	9,445	9,760	10,038
Cash Flows from Investing Activities										
<u>Receipts</u>										
Sale of Investment Securities	1,500	1,500	-	-	-	-	-	-	-	-
Sale of Real Estate Assets	-	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, PP&E	859	848	859	850	850	850	850	850	850	850
Deferred Debtors Receipts	1	-	-	-	-	-	-	-	-	-
<u>Payments</u>										
Purchase of Investment Securities	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, PP&E	(10,089)	(9,868)	(8,698)	(9,012)	(10,249)	(9,488)	(8,547)	(9,350)	(9,069)	(9,151)
Purchase of Real Estate Assets	-	-	-	-	-	-	-	-	-	-
Net Cash provided (or used in) Investing Activities	(7,729)	(7,520)	(7,839)	(8,162)	(9,399)	(8,638)	(7,697)	(8,500)	(8,219)	(8,301)

Statement of Cash Flows (Page 2 of 2)

Cash Flows from Financing Activities	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Receipts</u>										
Proceeds from Borrowings & Advances	-	-	-	-	-	-	-	-	-	-
<u>Payments</u>										
Repayment of Borrowings & Advances	(675)	(709)	(749)	(790)	(832)	(877)	(925)	(975)	(876)	(535)
Repayment of Finance Lease Liabilities										
Net Cash provided (or used in)	(675)	(709)	(749)	(790)	(832)	(877)	(925)	(975)	(876)	(535)
Financing Activities										
Net Increase/(Decrease) in Cash & Cash	722	629	502	379	(1,784)	(698)	508	(30)	665	1,202
Equivalents										
Cash & Cash Equivalents – Opening balance	11,180	11,902	12,532	13,033	13,412	11,628	10,930	11,438	11,408	12,074
Cash & Cash Equivalents – Closing balance	11,902	12,532	13,034	13,412	11,628	10,930	11,438	11,408	12,074	13,276

Asset Movement Schedule

Asset Movement Schedule	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance										
Estimated Replacement Cost	576,010	591,057	606,037	619,997	634,410	650,204	665,396	679,797	695,147	710,368
Accumulated Depreciation	(144,367)	(155,833)	(167,678)	(179,907)	(192,503)	(205,478)	(218,860)	(232,641)	(246,811)	(261,391)
Written Down Value	431,643	435,224	438,359	440,090	441,907	444,726	446,536	447,156	448,336	448,977
Add/(less):										
Additions										
- Capital Renewal	7,083	7,880	6,742	7,115	9,120	8,222	7,565	8,168	7,707	8,272
- Capital Improvements	3,005	1,988	1,957	1,897	1,130	1,266	982	1,182	1,362	879
Total Capital Expenditure	10,087	9,868	8,698	9,012	10,249	9,488	8,547	9,350	9,069	9,151
Depreciation	(10,022)	(10,287)	(10,552)	(10,797)	(11,050)	(11,327)	(11,593)	(11,844)	(12,112)	(12,378)
Disposals	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)
Revaluations	4,316	4,353	4,385	4,402	4,420	4,448	4,466	4,473	4,484	4,491
Closing Balance	435,224	438,359	440,091	441,908	444,727	446,537	447,157	448,337	448,978	449,441
Key Performance Indicators										
Asset Renewal Ratio	70.66%	76.60%	63.89%	65.90%	82.53%	72.59%	65.25%	68.97%	63.63%	66.83%
Asset Renewal Deficit	(2,940)	(2,407)	(3,810)	(3,682)	(1,930)	(3,105)	(4,028)	(3,676)	(4,405)	(4,106)
Asset Consumption Ratio	25.06%	26.37%	27.67%	29.02%	30.34%	31.60%	32.89%	34.22%	35.50%	36.80%

Part 8: Sensitivity Analysis

8.1 Sensitivity Analysis

The IP&R framework requires that Council carry out financial modeling (i.e. sensitivity analysis) on the figures and assumptions in the LTFP. Sensitivity analysis provides Council with an idea of how much flexibility there is in the Plan and how much latitude Council has with various projects and scenarios.

Council has modeled three different scenarios as part of its sensitivity analysis. These scenarios include the base scenario as per the financial statements in Part 7 of the LTFP (Scenario 1), an optimistic scenario (Scenario 2), and a pessimistic scenario (Scenario 3). All three scenarios assume business as usual, i.e. Council will continue to provide the services it has traditionally provided to the residents of the Shire. The sensitivity analysis has concentrated on the impact of the Federal budget as it will have a significant impact on Council's future sustainability.

Details of the various adjustments to external and internal assumptions used in Council's sensitivity analysis can be found in the table below.

Factor	Base Scenario	Optimistic Scenario	Pessimistic Scenario
External Factors			
Population Change	No impact	No impact	No impact
Mining	No impact	No Impact	No impact
Economic trends	No impact	Higher cash rate at 3.5%	Lower cash rate at 2%
Political trends	No impact	FAGS grants grow by 4% per annum due to shift of grants to rural Councils and additional monies are received for Roads to Recovery (\$200k in 2015/16), other grants (\$500k spread evenly over 3 years) and the Cobbora Coal Transition fund (\$1m in 2014/15 financial year. This will result in additional capital expenditure matching the additional grants.	No FAG grants indexation and no prepayment of the two quarters of FAGs grants in the 2014/15 financial year.

The results of the sensitivity analysis above have been captured by a number of KPIs where results are discussed in detail below:

8.2: Sensitivity Analysis Results

Council has at its disposal a wide array of financial performance measures that can be used to track and measure Council’s long term financial viability and financial performance. Council has graphed its performance against a range of these financial performance measures for the base, best and worst case scenario. This information provides Council and the community with a graphical demonstration of Council’s expected financial performance over the life of the LTFP showing the flexibility of the plan. All numbers are in \$’000.

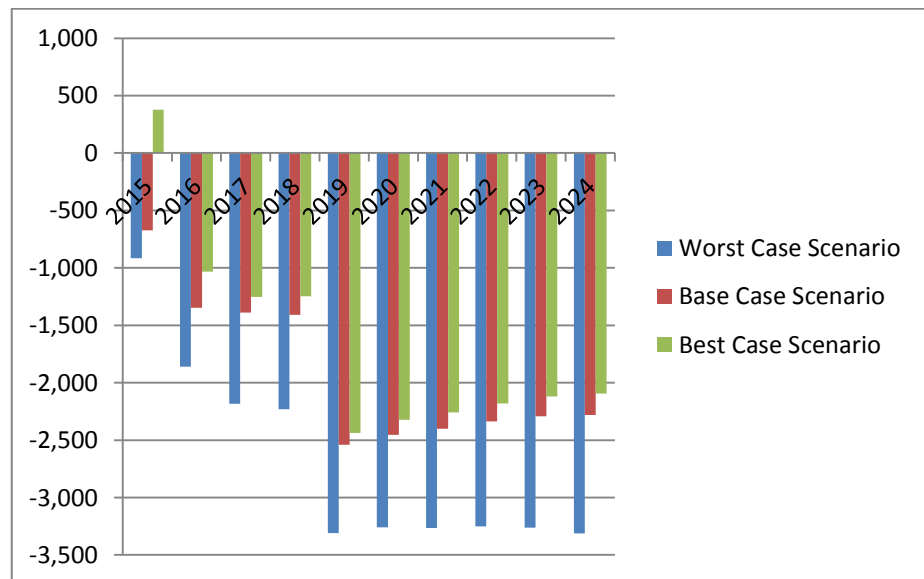
Ratios are divided into the following four groupings:

1. Financial Performance and Flexibility;
2. Liquidity;
3. Debt Servicing;
4. Asset Renewals and Capital Works.

Financial Performance and Flexibility Ratios

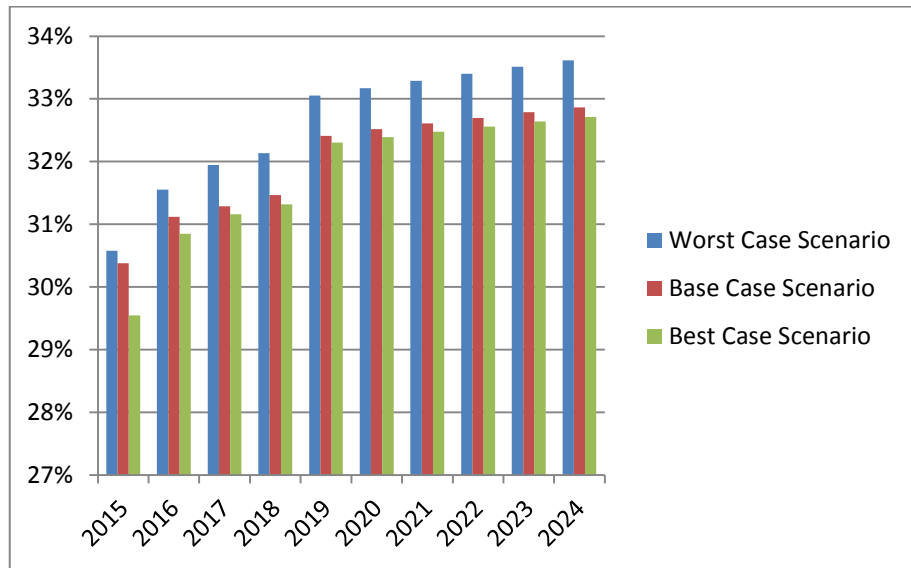
Operating Surplus/(Deficit)

This KPI measures whether Council’s operating revenue is sufficient to cover Council’s operating costs, and includes non-cash items such as depreciation.



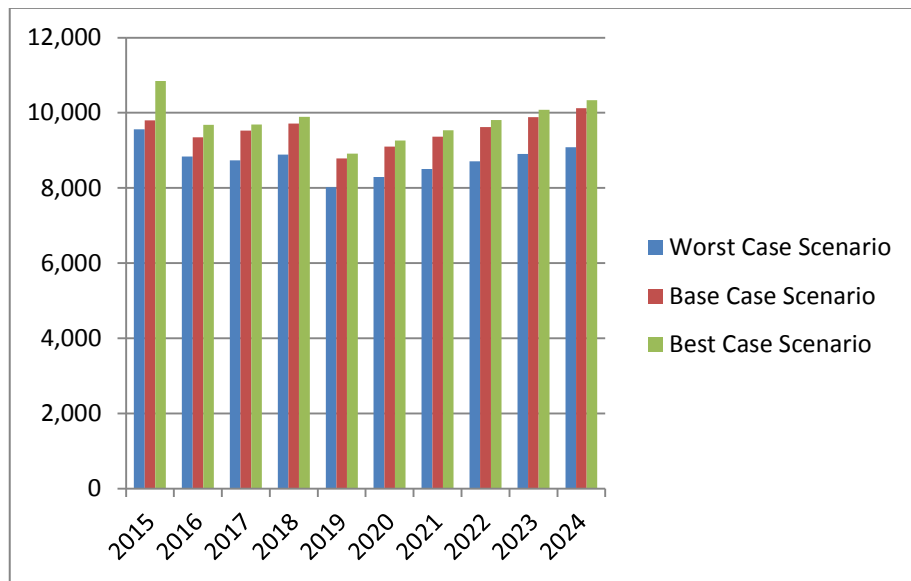
Rates and Annual Charges Coverage Ratio

This KPI measures the degree of Council’s dependence on revenue from rates and annual charges and the security of Council’s income.



EBITDA

Earnings Before Interest, Taxes, Depreciation and Ammortisation measures Council’s underlying operating performance.



Council’s forecast financial performance and flexibility can be summed up by the following comments:

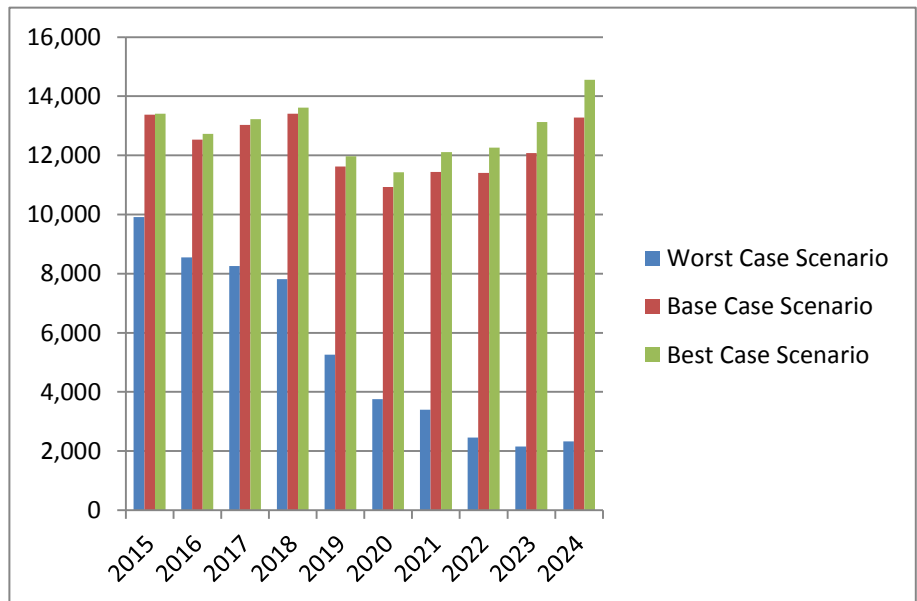
- Council is forecast to continue to report operating deficits with a total deficit over the 10 years of \$16.568m in the best case scenario, \$19.121m in the base case scenario and \$26.848m in the worst case scenario. However, there is an expected surplus within the best case scenario in the 2014/15 financial year which is largely the result of increased grants. While the deficit amount increases over time, the forecast deficits in the 2013/14 LTFP are much lower than the previous LTFP forecast;
- Council is forecast to face risks around financial flexibility due to its high reliance on grant funding although there is an improvement over the timeframe of the LTFP;

- Council’s underlying operational performance is forecast to improve slightly (see EBITDA), with the main reason for increased deficits in all the models being depreciation increases and the freezing of the Federal Assistance Grants in the worst case scenario;
- Depreciation expense assumptions are a large driver of the operating result (accounting for 26.11% of total expenses on average), and if incorrect, could be making Council’s performance appear worse (or better) than it is.

Liquidity Ratios

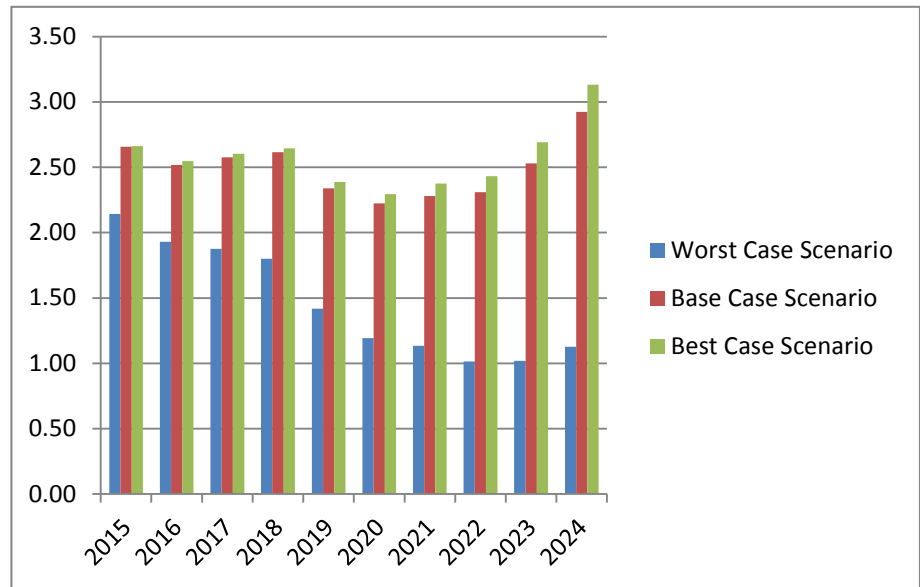
Cash and investments balance

This KPI measures Council’s projected total cash and investments balance over the life of the LTFP.



Current Ratio

This KPI measures the adequacy of working capital and its ability to satisfy obligations in the short term.



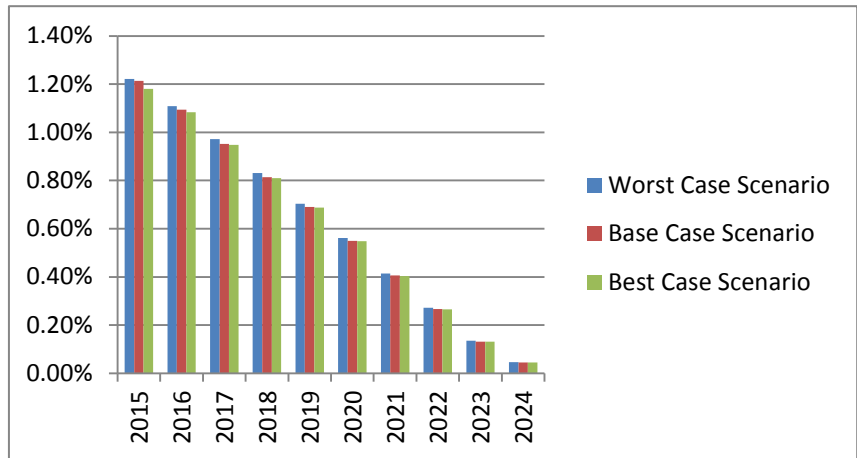
Council’s forecast cash position and liquidity can be summed up by the following comments:

- Council is expected to maintain a sufficient cash balance (in total) however, of particular concern is the worst case scenario where Council’s cash balance decreases from \$9.908m to \$2.323 (76.5% decrease) over the 10 year period;
- Council’s Business Arms of Council are forecast to be financially stable (unlike the general fund) and the buildup in cash above is mostly due to these funds not spending sufficient monies on capital in the short run, with savings being used to fund major capital replacements in several years time;
- For the base and best case scenarios, Council’s cash position will improve post 2022 (by roughly \$1m) as all loans are paid off;
- The current LTFP forecasts for the base and best case scenarios are similar to the previous LTFP, however the worst case scenario represents a huge challenge for Council.

Debt Servicing

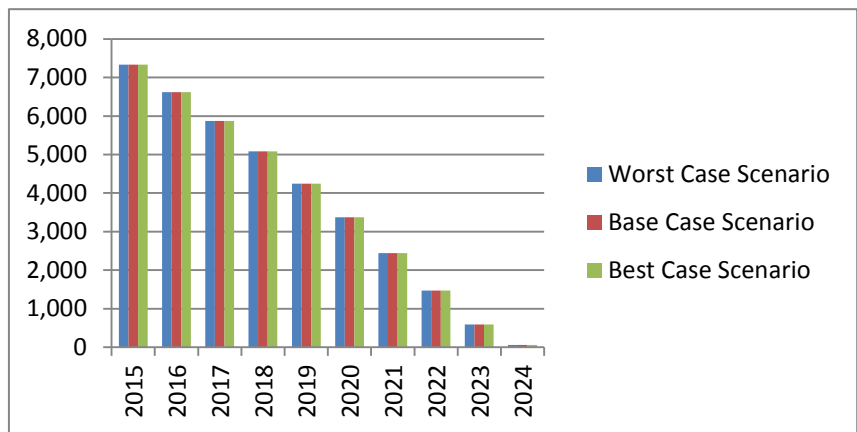
Debt Service Ratio

This KPI assesses the impact of loan principal and interest repayments on the discretionary revenue of council.



Loan Balance

This KPI shows Council's loans balance over time.



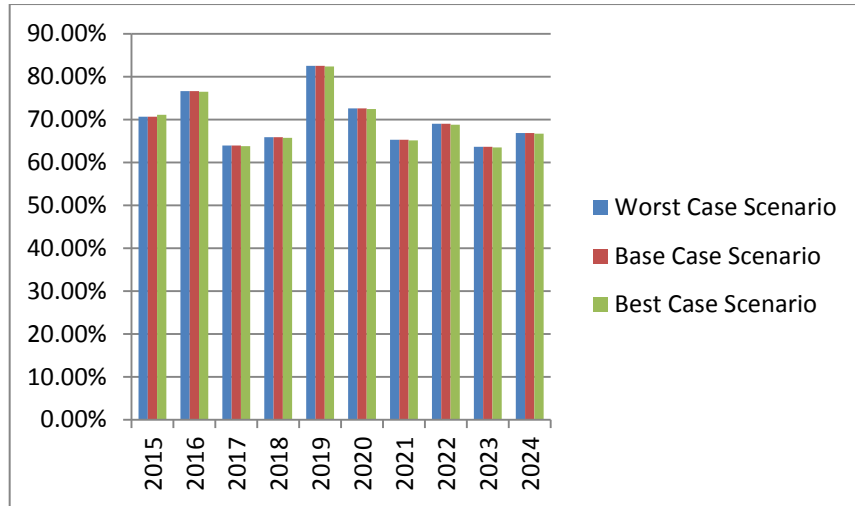
Council's forecast loan exposure and debt servicing requirements can be summed up by the following comments:

- Council's debt servicing ratio is well within the DLG 10% benchmark;
- Loan repayments are around \$0.795m per year (excluding interest expenditure on these loans) putting a drag on cash available for other uses, such as further capital works;
- As a result of the loans Council has managed to bring forward the replacement of all Council's timber bridges (bar one) and the construction of the new admin building.

Asset Renewal and Capital Works

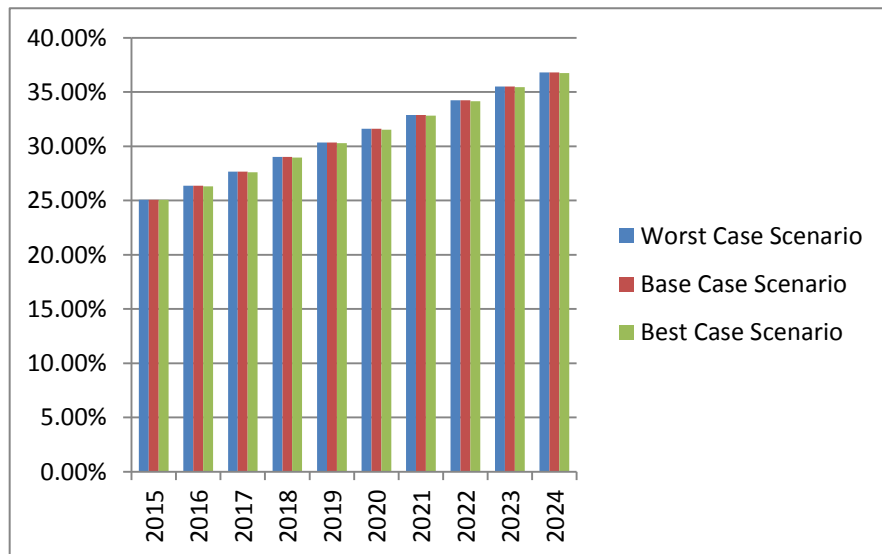
Asset Renewal Ratio

This KPI measures the rate at which assets are being renewed relative to the rate at which they are depreciating.



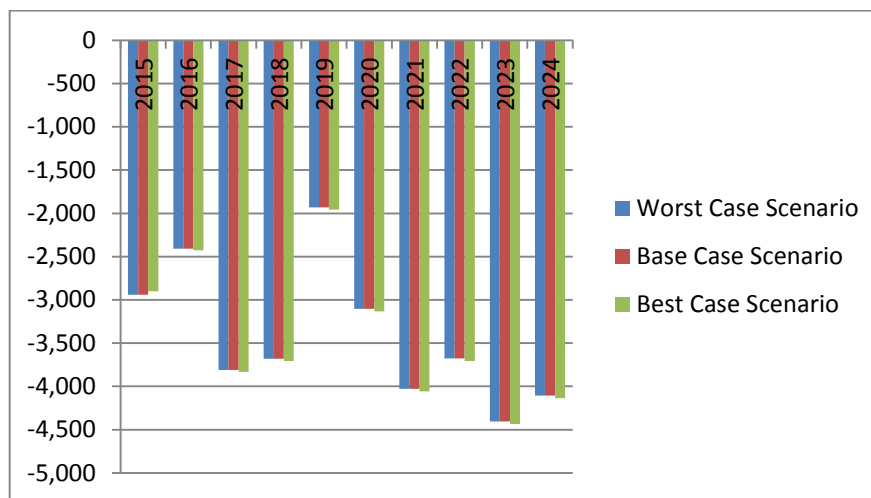
Asset Consumption Ratio

This KPI measures the % of the future service potential of Council’s assets that has already been “consumed”



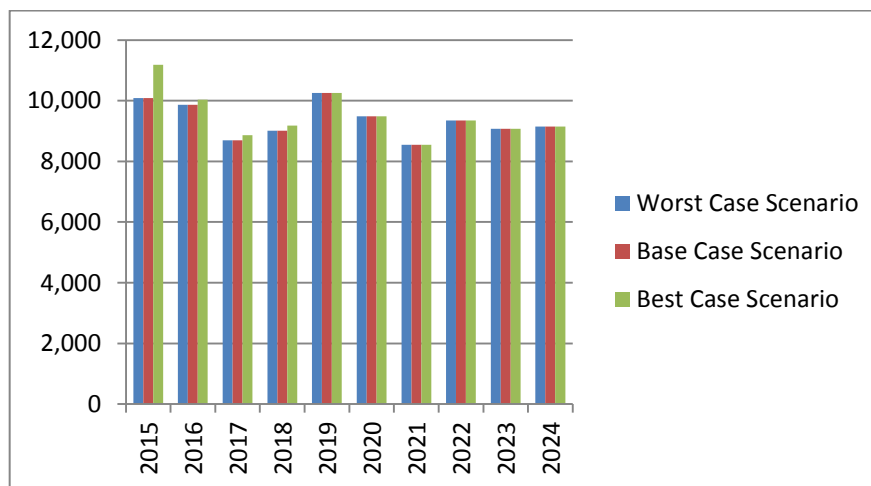
Asset Renewal Deficiency

This KPI measures Council’s annual backlog in asset renewal expenditure.



Capital Expenditure Program

This graph shows how much Council is spending on capital expansion and renewals each year.



Council’s forecast asset renewal and capital works performance can be summed up by the following comments:

- Assuming Council’s depreciation assumptions are correct, Council is under spending considerably on asset renewals (total renewal deficit of \$34m over ten years within the base case scenario);
- Council’s capital program above is the maximum achievable given current cash constraints. In the worst case scenario, capital expenditure is consistent with the base scenario. However, Council may have to consider reducing capital expenditure due to the significant decrease in the availability of funds;
- Assuming depreciation assumptions are correct, the condition of Council’s assets is expected to decline over the ten years of the plan;
- Prima facie Council is under spending on water and sewer assets over the plan despite having sufficient cash to cover the full cost of the necessary capital works;
- Council is still forecast to spend some monies on asset expansion (\$15.6m over the ten year period) which may be better applied to asset renewals;

- Figures above may be skewed by the fact that many large capital items do not need to be replaced for several years.

Hard decisions made in Council's recent budget process have resulted in some considerable improvements in Council's forecast financial performance and position over the following ten years, including:

- Council's business arms are now forecast to achieve full cost recovery;
- Council is forecasting a slight improvement in Council's EBITDA over the life of the plan;
- Council's total cash balance is forecast to stay constant at just over \$13m. However, the worst case scenario would result in a cash balance of just over \$2m;
- For the base and best case scenarios, Council's current ratio is well above the DLG benchmark of 2 (in total). However, the worst case scenario results in a current ratio of 1.47 on average over the ten year period with it falling to a low of 1.01;
- Council's exposure to debt is clearly manageable with the debt service ratio decreasing over the life of the plan, and the majority of loans to be paid back by the end of the 2023/24 financial year;
- Council's financial flexibility is forecast to improve slightly over the plan for the base case and best case scenario;
- Although not in the ratios above, Council's cashflow for the base and best case scenario will improve post 2023/24 due to the repayment of the majority of Council's debt.

Despite these considerable gains, there are still several serious financial challenges faced by Council, including:

- Insufficient forecast revenue to cover non business arms of Council activities over the life of the plan (although this should improve post 2023/24);
- A significant capital backlog with insufficient funding to address the issue which will worsen if the Federal Government decides to freeze the indexation on Financial Assistance Grants;
- Forecast declining asset condition as a result of the backlog;
- Forecast increasing operating deficits due to income growth not keeping pace with total expenditure growth (including depreciation);

Although the KPIs above indicate that Council still faces serious challenges (despite significant progress during the budget process) there are many external and internal factors that can influence Council's financial performance and position going forward.

External factors outside of Council's control that could improve Council's financial position include:

- Positive demographics;
- Increased government grant and other assistance to rural areas;
- A boom in mining, agriculture and alternative energy that could bring wealth to the Shire, and boost Council's income sources;
- Financial assistance from the mines.

Part 9: Analysis of Separate funds

According to the National Competition Policy, Local Government must ensure Water and Sewer are maintained as separate funds. This requires the disclosure of information about the assets, income and expenses of the corresponding funds where funds raised must be applied for the purpose for which they were raised. This assists users in identifying the resources committed to particular activities, the costs of service delivery that are reliably attributable to those activities, and the extent to which the local government has recovered those costs from income that is reliably attributable to those activities. While the previous section discussed the 10 year impact on the Warrumbungle Shire Council as a whole, this section shows the impact on the General Fund, Sewer and Water separately.



The core function of Warrumbungle Sewer is the collection and treatment of sewage effluent from connected properties in Baradine, Coolah, Coonabarabran and Dunedoo. The main function of Warrumbungle Water is the provision of water supply to connected properties in each town within the Shire. The provision of water and sewer services must be economically sustainable and Council's General Fund should not be subsidising the provision of these services.

Council's General Fund consists of all other activities performed by the Warrumbungle Shire Council excluding Council's Water and Sewer Funds.

Income Statement

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income from Continuing Operations										
General Fund	32,468	33,236	34,150	35,061	34,853	35,885	36,959	38,071	39,214	40,404
Sewer Fund	1,470	1,485	1,515	1,556	1,738	1,781	1,833	1,885	1,944	2,010
Water Fund	3,295	2,830	2,925	3,024	3,172	3,280	3,394	3,512	3,633	3,759
Total Income From Continuing Operations	37,233	37,551	38,590	39,641	39,763	40,946	42,186	43,468	44,791	46,173
Expenses from Continuing Operations										
General Fund	33,879	34,757	35,723	36,679	37,812	38,788	39,854	40,942	42,090	43,331
Sewer Fund	1,357	1,395	1,436	1,473	1,515	1,559	1,605	1,653	1,699	1,747
Water Fund	2,669	2,746	2,821	2,897	2,975	3,052	3,129	3,211	3,293	3,376
Total Expenditure From Continuing Operations	37,905	38,898	39,980	41,049	42,302	43,399	44,588	45,806	47,082	48,454
Net Operating Results										
General Fund	(1,411)	(1,521)	(1,573)	(1,618)	(2,959)	(2,903)	(2,895)	(2,871)	(2,876)	(2,927)
Sewer Fund	113	90	79	83	223	222	228	232	245	263
Water Fund	626	84	104	127	197	228	265	301	340	383
Net Operating Result for the Year	(672)	(1,347)	(1,390)	(1,408)	(2,539)	(2,453)	(2,402)	(2,338)	(2,291)	(2,281)

Please note: figures vary slightly due to inter-entity transactions

Balance Sheet

Assets	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Current Assets	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
General Fund	11,505	10,167	10,218	10,118	7,807	6,514	6,414	5,689	5,775	6,831
Sewer Fund	3,710	4,010	4,424	4,735	4,983	5,407	5,850	6,142	6,505	6,889
Water Fund	2,785	2,986	3,035	3,203	3,494	3,677	3,856	4,066	4,284	4,052
Total Current Assets	18,000	17,163	17,677	18,056	16,284	15,598	16,120	15,897	16,564	17,772
Non-Current Assets										
General Fund	384,395	387,277	388,702	390,198	392,532	393,887	394,011	394,723	394,927	394,434
Sewer Fund	22,350	22,354	22,234	22,218	22,411	22,428	22,437	22,603	22,710	22,818
Water Fund	30,107	30,220	30,504	30,689	30,820	31,086	31,392	31,702	32,041	32,899
Total Non-Current Assets	436,852	439,851	441,440	443,105	445,763	447,401	447,840	449,028	449,678	450,151
Total Assets	454,852	457,014	459,117	461,161	462,047	462,999	463,960	464,925	466,242	467,923
Current Liabilities										
General Fund	6,438	6,481	6,527	6,574	6,624	6,678	6,735	6,438	6,120	5,723
Sewer Fund	74	74	74	74	74	74	74	74	74	74
Water Fund	371	375	378	382	386	391	395	400	379	300
Total Current Liabilities Assets	6,883	6,930	6,979	7,030	7,084	7,143	7,204	6,912	6,573	6,097
Non-Current Liabilities										
General Fund	8,125	7,307	6,443	5,532	4,571	3,556	2,484	1,709	1,252	1,192
Sewer Fund	1	1	1	1	1	1	1	1	1	1
Water Fund	691	616	538	455	369	278	183	83	4	4
Total Non-Current Liabilities Assets	8,817	7,924	6,982	5,988	4,941	3,835	2,668	1,793	1,257	1,197
Total Liabilities	15,700	14,854	13,961	13,018	12,025	10,978	9,872	8,705	7,830	7,294
Net Assets	439,152	442,160	445,156	448,143	450,022	452,021	454,088	456,220	458,412	460,629
General Fund	381,337	383,656	385,950	388,210	389,144	390,167	391,206	392,265	393,330	394,350
Sewer Fund	25,985	26,289	26,583	26,878	27,319	27,760	28,212	28,670	29,140	29,632
Water Fund	31,830	32,215	32,623	33,055	33,559	34,094	34,670	35,285	35,942	36,647
Net Equity	439,152	442,160	445,156	448,143	450,022	452,021	454,088	456,220	458,412	460,629

Please note: figures vary slightly due to inter-entity transactions

Cashflow Statement

Cash Flows from Operating Activities	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
General Fund	7,253	7,493	7,679	7,869	6,746	7,061	7,302	7,547	7,779	7,968
Sewer Fund	492	501	504	513	666	672	691	705	726	754
Water Fund	1,381	868	907	949	1,034	1,083	1,138	1,193	1,254	1,316
Net Cash provided (or used in) Operating Activities	9,126	8,862	9,090	9,331	8,447	8,815	9,131	9,445	9,759	10,038
Cash Flows from Investing Activities										
General Fund	(7,158)	(7,359)	(6,812)	(7,098)	(8,149)	(7,396)	(6,389)	(7,197)	(6,921)	(6,459)
Sewer Fund	432	362	(99)	(211)	(427)	(258)	(259)	(222)	(362)	(371)
Water Fund	(875)	(389)	(784)	(701)	(662)	(813)	(868)	(889)	(935)	(1,470)
Net Cash provided (or used in) Investing Activities	(7,601)	(7,386)	(7,695)	(8,010)	(9,238)	(8,467)	(7,516)	(8,308)	(8,218)	(8,300)
Cash Flows from Financing Activities										
General Fund	(736)	(775)	(818)	(864)	(911)	(961)	(1,015)	(1,072)	(775)	(457)
Sewer Fund	0	0	0	0	0	0	0	0	0	0
Water Fund	(67)	(71)	(75)	(79)	(82)	(86)	(91)	(95)	(100)	(79)
Net Cash provided (or used in) Financing Activities	(803)	(846)	(893)	(943)	(993)	(1,047)	(1,106)	(1,167)	(875)	(536)
Net Increase/(Decrease) in Cash & Cash Equivalents										
General Fund	(641)	(641)	49	(93)	(2,314)	(1,296)	(102)	(722)	83	1,052
Sewer Fund	924	863	405	302	239	414	432	483	364	383
Water Fund	439	408	48	169	290	184	179	209	219	(233)
Total Net Increase/(Decrease) in Cash & Cash Equivalents	722	630	502	378	(1,784)	(699)	509	(30)	666	1,202

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Cash & Cash Equivalents – Opening balance										
General Fund	8,481	7,840	7,199	7,248	7,155	4,841	3,545	3,443	2,720	2,803
Sewer Fund	1,475	2,399	3,261	3,667	3,969	4,208	4,622	5,054	5,537	5,901
Water Fund	1,224	1,663	2,071	2,120	2,288	2,579	2,762	2,941	3,151	3,369
Cash & Cash Equivalents – Closing balance										
General Fund	7,840	7,199	7,248	7,155	4,841	3,545	3,443	2,720	2,803	3,856
Sewer Fund	2,399	3,261	3,667	3,969	4,208	4,622	5,054	5,537	5,901	6,284
Water Fund	1,663	2,071	2,120	2,288	2,579	2,762	2,941	3,151	3,369	3,137
Total Cash & Cash Equivalents – Closing balance	11,902	12,532	13,034	13,412	11,628	10,930	11,438	11,408	12,074	13,276

Please note: figures vary slightly due to inter-entity transactions

Council's forecast performance by fund is summarised below:

Financial performance and Flexibility

General fund continues to make a deficit over the life of the LTFP which increases from \$1.411m in the 2014/15 year to \$2.927m in 2023/24 (a total deficit of \$23.554m over the ten year period). This is offset slightly by the operating surplus generated by both the Sewer and Water Fund which provide a total surplus of \$1.778m and \$2.655m respectively over the 10 year period.

Liquidity

General Fund's cash balance continues to fall significantly from \$8.5m in 2014/15 to \$3.9m in 2023/24. This represents a decrease of 55% in the total cash balance and consequently the current ratio remains below the desired level of 2 for the majority of the LTFP forecasts (an average of 1.48) where it starts to fall below 1 in the 2021/22 year to reach a low of 0.88 in 2023/24. These results place significant pressure on the Council to reassess the service levels provided and capital projects undertaken in order to remain sustainable in the years post 2023/24. Despite this, both Water and Sewer's cash balance increase over the LTFP. The forecast results in the Sewer fund's cash balance to increase from \$2.4m in 2014/15 to \$6.3m in 2023/24 (an increase of 159%). The Water Funds cash balance increases from \$1.7m to \$3.1m (an increase of 92%). While the Sewer and Water Fund assist in alleviating the negative results of the General Fund, these funds are restricted and consequently cannot be used within General Fund for day to day operations.

Asset Renewal and Capital Works

On average, General Fund has an asset renewal ratio of 74.10% with a high of 84.02% in 2018/19 and a low of 60.96% in 2023/24. The funds asset average consumption ratio and asset renewal deficit is 26.21% and \$2.6m respectively. The Sewer Fund has an asset renewal ratio of 71.95% with a high of 120.51% in 2018/19 and a low of 54.81% in 2014/15. The funds asset average consumption ratio and asset renewal deficit is 43.40% and \$0.123m respectively. Alternatively, the Water Fund on average has an asset renewal ratio of 58.08% with a high of 137.83% in 2023/24 and a low of 44.10% in 2021/20. The funds asset average consumption ratio and asset renewal deficit is 54.63% and \$0.347m respectively.

Debt Servicing

For all funds, the majority of loans will be repaid by 2023/24 with Council's loan balance forecasted to be zero at 2025. General Fund has the majority of loans with an internal loan entered into between the Sewer and General Fund for the upgrade of the Warrumbungle Shire administration building. Sewer has no outstanding loans while the Water Fund has one loan for the upgrade of the Mendooran's water facilities. Each fund maintains a debt service ratio of below the desired 10%.

Part 10: Conclusion and the Way Forward

This plan has attempted to forecast Council's financial performance and position over the following ten years on the basis of general assumptions regarding Council's external environment (Part 2), Council's potential revenue over the next ten years (Part 3), Council's forecast recurrent expenditure (Part 4) and capital expenditure (Part 5) as well as expected movements in balance sheet items (Part 6). The results of these forecasts can be found in the financial statements (Part 7) and in Council's financial performance measures (Part 8).

As mentioned in Part 8, hard decisions made in Council's recent budget process have resulted in some considerable improvements in Council's forecast financial performance and position over the following ten years, including:

- Council's business arms are now forecast to achieve full cost recovery;
- Council is forecasting a slight improvement in Council's EBITDA over the life of the plan;
- Council's total cash balance is forecast to stay constant at just over \$13m;
- Council's current ratio is well above the DLG benchmark of 2 (in total);
- Council's exposure to debt is clearly manageable with the debt service ratio decreasing over the life of the plan, and the majority of loans to be paid back by the end of the 2021/22 financial year;
- Council's financial flexibility is forecast to improve slightly over the plan;
- Although not in the ratios above, Council's cashflow will improve post 2023/24 due to the repayment of the majority of Council's debt;
- Over the LTFP Council is forecast to replace all its timber bridges (bar one) at a cost of \$5.4m and has recently completed the construction of the new administration building in Coonabarabran (\$3m).

Despite these considerable gains, there are still several serious financial challenges faced by Council, including:

- Insufficient forecast revenue to cover non business arms of Council activities over the life of the plan (although this should improve post 2023/24);
- A significant capital backlog with insufficient funding to address the issue;
- Forecast declining asset condition as a result of the backlog;
- Forecast increasing operating deficits due to income growth not keeping pace with total expenditure growth (including depreciation);
- General Fund's cash balance continues to fall significantly from \$8.5m in 2014/15 to \$3.9m in 2023/24 (a 55% fall).
- The worst case scenario poses a large challenge for Council due to liquidity issues as the unrestricted current ratio falls to approximately 1 in the worst case scenario with cash balances decreasing by 76.5% over the ten year period.

In the 2013/14 LTFP Council mentioned several financial performance improvement initiatives that were available to Council to improve its financial position over the following ten years.

Details and the current status of these **Financial Performance Improvement Initiatives** is provided in the table below.

Warrumbungle Shire Council - Long Term Financial Plan

Initiative	Details	Status	Notes
Balanced cash budgets	All budgets to be balanced cash budgets	√	2014/15 budget is a surplus cash budget
More aggressive management of expenditure vs budget	Supplementary votes to be generally met with delays (surrenders) where possible	75%	Generally adopted
Business units to be full cost recovery	Prices for water, sewer and waste to ensure full cost recovery	√	Complete
Better manage revotes	Revoted works should involve delays to other capital projects when it is clear the program is unachievable	75%	Generally adopted for 2014/15 budget
Review workers compensation	Cost saving initiative to improve workers comp performance (thus reducing premium)	75%	In progress
Review depreciation assumptions currently used by Council	Depreciation assumptions may be over/understating Council's financial performance and require review	14/15	To be completed as part of 2014/15 roads revaluation
Review on-costs and internal charges	Review on-costs and internal charges to ensure Council is not subsidising business arms of Council/grant funded projects	√	Complete. Assumptions to be reviewed again in 2014/15
Improve return on investments	Ensure future investments are carried out in a conservative nature	√	Complete. Council currently only invests in TDs
Ensure fair compensation from the mines	Ensure appropriate funding from the mines to cover the increased wear and tear on Council assets and loss of skilled staff;	75%	Mining rate set, currently negotiating VPA
Carry out unit cost analysis and benchmarking	Calculate unit costs for all services provided by Council and then benchmark ourselves against neighbouring Councils (possibly as part of OROC)	50%	Commenced
More aggressively pursue private works	Aggressively pursue private works revenue and review current private works processes	50%	Process review complete.
Lobby for more RMCC work	Lobby the RMS for more RMCC and maintenance work (e.g. Newell highway)	14/15	Not commenced
Review fleet replacement program	Review for cost savings	75%	Light vehicle replacement delayed by one year for all vehicles to cut costs
Review of major expenditure line items	Review major expenditure line items such as electricity for cost savings	75%	Commenced with purchase of E21 electricity management module
Organisational Structure Review	Review organisational structure for cost savings	√	Complete

Initiative	Details	Status	Notes
Service sharing	Explore opportunities to share IT and other services (e.g. finance) with neighbouring Councils	√	Entered into agreement with TRC for IT support.
Capital review	Council should emphasise asset renewals over construction given current financial situation	75%	In progress
Service level analysis	Council should set service levels for all activities it carries out to aid in funding decisions and asset management	75%	Service levels reviewed for 2014/15 budget. Another detailed review to happen next financial year
Push for a fairer distribution of FAGS grants	Lobby State and Federal governments to allocate more grant funding to rural councils	-	In progress

Council has set a balanced four year Delivery Program based on clearly defined service levels, and although Council does still face considerable challenges in the long run (as shown in Part 8 and 9 of the plan) much progress has been made as a result of the 2013/14 and 2014/15 budget.

It should be noted that changes from the federal budget which are outside of Council’s control may significantly impact Council’s future financial position. Due to the seriousness of the federal budget changes, Council will re-do its LTFP as soon as the final financial impact of the budget is known.

TCorp have defined financial sustainability in local government as:

“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”

Council’s most important stakeholders are the residents of the Shire, and it is the residents of Warrumbungle Shire that will now need to decide on what level of services Council will be able to provide going forward given Council’s external financial constraints.



Warrumbungle Shire Council

**20-22 John Street,
Coonabarabran
Phone: 02 6849 2000
Fax: 02 6842 1337**

**59 Binnia Street,
Coolah
Phone: 02 6378 5000
Fax: 02 6842 1337**

info@warrumbungle.nsw.gov.au • www.warrumbungle.nsw.gov.au