



**LACHLAN SHIRE
COUNCIL**

Wiradjuri Country

RESOURCING STRATEGY

Long Term Financial Plan | Workforce Plan
| Asset Management Strategy



ACKNOWLEDGEMENT OF COUNTRY

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

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

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INTRODUCTION

About the Resourcing Strategy.

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

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

The Resourcing Strategy consists of 3 components:

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

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





LONG TERM FINANCIAL PLAN 2025-2034

Council, on behalf of our community, manages an overall budget in excess of \$64 million. The community entrusts Council with the custodianship of these finances to deliver services. The Long Term Financial Plan (LTFP) is a 10-year document.

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

LONG TERM FINANCIAL PLAN

2024/2025 - 2033/2034



Reviewed April 2024

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

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

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

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

The modeling that occurs as part of this plan will help Council identify potential financial issues at an early stage and gauge their long term effect. This provides opportunity to develop and implement suitable strategies to address these issues.

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

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

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

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

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

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

INTRODUCTION

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

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

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

OUR CHALLENGES

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

Limited Income Streams

Revenue from rates and charges makes up approximately 29% (Budget 2024/2025) of Council's total income. Council continues to rely heavily on grants and contributions (50% Budget 2024/2025) as many rural and remote Councils do.

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

Rate Pegging

Council is restricted by the amount it can levy in ordinary rates by the Local Government Act NSW 1993. The rate increase is determined annually under delegated authority by IPART. IPART set the rate peg for the 2024-2025 financial year using a new methodology that was developed, in part, after consultation with NSW councils. The shire will not benefit from the additional population factor, which can be added to the rate peg, as our population is static.

Whilst the IPART 2023 Rates Peg methodology has been improved in some respects, it is still lagged (meaning costs are not current) using an average of costs over 2 years. This particularly impacts Council during inflationary years. The Rates Peg for 2024/2025 is 4.50%.

Grant Funding

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

Cost Shifting

Cost shifting describes the situation where the responsibility for, or the cost of, providing a certain service, concession, facility or regulatory function is shifted from a higher level of government to council without the provision of corresponding funding or an ability to raise revenue to adequately fund the shifted responsibility. Examples of cost shifting include a lack of adequate funding for public libraries, the cost of regulation of companion animals and administration of the environment.

Cost shifting, predominantly from the NSW State Government to NSW Councils, is a significant issue. In 2023, Local Government NSW estimated cost shifting had reached \$1.36 billion a year. This is estimated to equate to \$460.67 for each NSW ratepayer. Cost shifting reduces the availability of Council funding to provide and maintain essential infrastructure and services, impacts Council's financial performance, and places additional pressure on its financial sustainability. There is often little warning that this is to occur.

OUR CHALLENGES

Small Population living across a Large Geographic Area

Council has a small population living over a geographically large area (14,964km²). Council has over 3,900km of roads in addition to community facilities and assets to operate and maintain across 3 townships and a number of smaller villages. This significantly increases council's costs whilst council's rates base is relatively small, with 4,191 assessments. Declining population in rural areas is a real threat to country New South Wales although the COVID-19 pandemic has in some areas reversed this trend. According to information shown on the NSW State Government website "Your Council", Lachlan Shire has experienced a 10% decline in population in the five years to 2020. Council has undertaken a proactive approach to generating new areas of economic development such as tourism.

Long Term Financial Plan

This document presents to the community Council's Long Term Financial Plan (LTFP) for the 10 Year period from 2024/2025 to 2033/2034.

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

The LTFP

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

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

- at least to maintain and where feasible, to improve the levels of service provided to the community;
- strive to provide adequate funding to support Council's asset management plans;
- improve its cash position;
- maintain a surplus annual budget (before and after capital grants & contributions); maintain an adequate Employee Leave Entitlements Reserve based on the age and entitlements of all staff in accordance with Council's Workforce Plan 2022-2026; and
- Ensure that all Reserves are cash-backed.

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

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

Scenario Assumptions

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

OUR CHALLENGES

Service Levels

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

- The Council aims to provide at least the current range of services throughout the LTFP;
- Levels of service however may not remain the same given the Council's continuing financial challenges;
- The quantity and location of assets may not remain the same given the Council's continuing financial challenges; and
- The current philosophy of condition-based maintenance will continue.

Workforce Levels

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

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

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

Council like many organisations is unable to fill a key number of positions. This is resulting in a reliance on contractors and consultants. This further places pressure on council's financial position as the cost of contractors and consultants, is typically higher than wage based employees.

Population Growth

The population is projected in this LTFP to remain static.

Council's Local Housing Strategy has identified there is an extreme shortage of rental accommodation.

This impacts the ability of the shire to fill key positions, and is an impediment to attracting and retaining a permanent workforce. The Local Housing Strategy notes a shire wide Housing Vision has been established to guide the future delivery of housing.

Ageing of Council's Infrastructure Assets

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

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

Water and sewer business

Historically, council's water and sewer businesses have not generated sufficient income to cover the ongoing operational costs and capital works program. The shortfall in funding is being financed through the water and sewer reserves. Council has implemented a pricing path for annual charges in these businesses. Despite reasonable increases in revenue over the last 4 years, the base access charge is inadequate to fund the costs in full. Council has water and sewer treatment plants in the 3 largest townships of the shire which greatly increase the cost of providing services compared to a local government area with one each of these facilities.

OUR CHALLENGES

Council has approximately 2,900 water connections and 2,700 sewer connections dispersed across the shire.

The Issues Paper for the Integrated Water Cycle Management Plan has highlighted 41 issues, of which 5 specifically relate to the financial sustainability of the water & sewer businesses. The 5 issues relate to asset renewals, infrastructure upgrade backlogs, negative returns on services and assets, and inadequate access charges. If action is required to resolve the other 37 issues, there may be financial implications that will further impact on the financial sustainability of the water and sewer business. Due to the uncertainty of the outcomes at this stage, these are not included in the scenario analysis and no allowance has been factored into the LTFP.

CHARTING A PATH FOR OUR FUTURE

Economic Growth

The LTFP assumes minimal increased economic activity. Mining exploration continues in the Shire but an increase in mining revenue has not been factored into the LTFP at this time. Council is actively working to facilitate increased economic growth through its Tourism and Economic Development strategies and as they come to fruition, future revisions to the LTFP will be made to appropriately reflect them.

Tourism

Lachlan Shire Council has embarked on an ambitious journey to grow a sustainable visitor economy through developing assets, infrastructure, and attractions that connect visitors to the Shire.

The 2023/2024 financial year, council substantially completed its development of the Utes in the Paddock tourism precinct in Condobolin. The precinct incorporates the Lachlan Shire Visitor Information Centre and a heavy vehicle rest area. The new centre was officially opened in late November 2023 and has welcomed approximately 3,000 visitors over the past four (4) months. With the centre operating 7 days per week, Council is now moving to shire-wide product development and marketing. This phase is an essential component in unlocking Lachlan Shire's tourism potential and will be underpinned by Lachlan Shire's Destination Management Plan (DMP), Delivery Program and Operational Plan.

The DMP will provide the direction and framework for taking the Shire's tourism sector forward over the next five years.

The primary goal of this plan is to increase visitor stays and expenditure within the Shire, resulting in economic and social benefits for the local community and broader region.

To achieve this, the plan focuses on:

- Improving and expanding the product base of the Shire - attractions, activities, and experiences.
- Ensuring that the infrastructure, facilities, and services needed to attract, and support visitation are in place.
- Setting the directions for marketing and promoting the Shire.
- Identifying priorities to ensure the most effective use of limited funds and resources.

Property Development to support the shire's Housing Vision:

- Provision is made in the Long Term Financial Plan for some property development. In the 2023/2024 financial year, Council was successful in obtaining a Local Roads and Community Infrastructure Phase 3 grant of over \$1.8m to fund infrastructure works for a subdivision in Scott Street and Officers Parade Condobolin. There is a minor amount of capital works to finalise in the 2024/2025 financial year with sales expected from September 2024.
- Council has factored into the LTFP the construction of four 3 bedroom townhouses, expected to be financed by an interest free loan, under the Housing Australia Future Fund (HAFF) and the National Housing Accord (NHA) program.
- Stage 1 of a subdivision in McInness St, Lake Cargelligo is also included.

CHARTING A PATH FOR OUR FUTURE

ENERGY SUSTAINABILITY

An Energy Sustainability Plan (the Energy Plan) was adopted by Council in September 2020 to assist the shire become more sustainable through energy efficiency and the use of renewable energy. The Energy Plan created a Revolving Energy Fund (the Fund) to reinvest realised savings into sustainability projects.

The Fund is an important reserve to replace renewable energy infrastructure as it approaches its end of life and for expansion to other projects to generate further future savings. Electricity costs have been indexed by 6% for the 2024/2025 financial year, 4% for 2025/2026 and 2.5% for the remainder of the LTFP, as there is a risk that savings from the energy plan will be needed to improve Council's financial position or fund other works.

A review of the Energy Sustainability Plan will be undertaken within the next 12 month. It is proposed that the new plan will include 44 items to improve sustainability, with priority items to be determined predominantly by return on investment. Economic development benefits are expected to flow through the reduction of demand from council assets on the current power supply to the shire, which in turn will be available to other users/consumers.

PLANNING ASSUMPTIONS STATEMENTS & FORECASTS

OPERATING INCOME

Ordinary Rates

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

The NSW government “Your Council” website reported that in 2021/2022 financial year, Lachlan Shire’s average residential rates bill is \$569 which is 56% lower than the NSW state average of \$1,042. A number of our neighbouring councils are \$300 to \$500 higher for a residential rates assessment.

As the shire’s average residential rate is relatively low any rates peg increase applied generates a relatively small amount of income. IPART approved Council’s rates peg for 2024/2025 of 4.5% which was applied to annual ordinary rates income.

In the 2024/2025 financial year, Council’s base rate will range from \$348 to \$359 per assessment for 3 out of its 4 rating categories. Council has one mining assessment which contributes to less than 2% of rating revenue.

The current rate peg methodology means our income growth does not match the increase in the cost of providing services.

The forecasted annual ordinary rate increases are prefaced on a rate peg increase of 4% throughout the LTFP.

It should be noted that the Office of Local Government has stated that councils applying for a Special Rates Variation (SRV) in the 2026/2027 year should assume a rate peg of 2.5%. However, if Rates peg increases, steeply rising costs, and cost shifting continue at the same levels, council may need to apply for a permanent Special Rates Variation in future years.

An SRV has not been factored into the LTFP at this time.

Water Charges

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

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

Charges generally consist of two components: a fixed annual access charge based on meter size; and a consumption charge based on actual water consumed.

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

The annual water availability charge has been increased, in line with June 2023 inflation by 6% for the 2024/2025 year. Yearly rises of 6% have been incorporated for the 2025/2026 year and remaining years. This is to raise funds for the replacement of the Condobolin Water Treatment Plant and to improve the sustainability of the water business.

Water consumption charges have been increased by 6% for the 2024/2025 year and are projected to increase by 4% for the 2025/2026 year, and 2.5% for the remaining years.

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

PLANNING ASSUMPTIONS STATEMENTS & FORECASTS

Sewer Charges

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

Council has sewer treatment plants in Condobolin, Lake Cargelligo, and Tottenham which significantly increases the cost of the sewer business. The annual sewer availability charge has been increased by 6% for the 2024/2025 year.

Yearly rises of 6% have been incorporated for the remaining years. This is to raise funds for the replacement of the Condobolin Sewer Treatment Plant, and to improve the sustainability of the sewer business. It is possible, in the future, that Council may introduce a 2-part sewer tariff along with Trade waste charging. The financial impact of this is expected to be positive but is impossible to quantify without detailed modelling. It is likely to meet with resistance from the business community.

Waste Operations

In 2014, council commissioned the preparation of Operations Improvement Plans for its waste facilities, along with an overarching Management Plan. A strategic review of waste service delivery was completed in 2021. The cost of meeting environmental regulation and the inflationary impact of cost increases has resulted in financial pressure on waste services. Council has implemented a rates pricing path in order to deliver a more sustainable service.

Domestic Waste Management Charge

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

Council's Domestic Waste Management Charge increased by 6% for the 2024/2025 year. The remainder of the years in the LTFP have a 6% rise factored in.

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

Waste Management Charges

Waste management charges have been increased by 6% per annum in 2024/2025 and for the remaining period of the LTFP.

Stormwater Levy

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

User Charges & Fees

It is assumed these services will continue to be provided on the same pricing and cost recovery basis. Council has no discretion to determine the amount of the fee for a service when the amount is fixed by regulation or by another authority. Examples of statutory fees include development assessment fees and companion animal fees. Excluding statutory fees, increases in line with the June 2023 inflation rate of 6% have been included for the 2024/2025 year, 4% for the 2025/2026 financial year and falling to 2.5% per annum across the remainder of the LTFP.

PLANNING ASSUMPTIONS

STATEMENTS & FORECASTS

Financial Assistance Grants

This is a Commonwealth Government grant and Council has no control over any increase or the timing of the payment. An annual increase in the grant of 3% for the 2024/2025 year and across the remainder the LTFP have been factored in. The timing of the payment may impact operating results from one year to the next if the government was to cease making advance payments. Historically advance payments have been made of 50-75% of the expected grant. This would not be expected to present a cash flow risk to the council.

Grants

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

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

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

Operating Grants

Operating grants comprise 40% of Council's total income and make up 44% of Council's operating income before capital income. Where the amount of the grant funding across years is secured by a Funding Agreement, this amount has been utilised in the LTFP.

Most other grants have had a CPI increase % applied. There are some grants where historically the amount does not rise so no increase has been applied

Capital Grants

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

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

Grants of \$24m and \$12m respectively for the construction of the replacement water and sewer treatment plants in Condobolin have been factored into the LTFP. The grants are assumed to be received in the years that match the construction costs.

Capital Works funded by grants are sensitive to uncontrollable constraints such as Global supply chain delays due to pandemic, wetter than normal seasons and rising costs.

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

PLANNING ASSUMPTIONS STATEMENTS & FORECASTS

Section 7.12 Infrastructure Contributions

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

Interest Revenue

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

Over the past 12 months to April 2024, Council's investment portfolio, excluding on call cash, returned 4.21% p.a., outperforming the AusBond Bank Bill Index (bank bills) by 0.20% p.a.

Currently the Reserve Bank's cash rate is 4.35%.

Interest on investments is conservatively based, at a rate of 4% for the 2024/2025 and 2025/2026 years, and 2% per annum thereafter. The COVID 19 pandemic resulted in records levels of grants offered to stimulate economic activity. Lachlan Shire has benefitted from this. With the completion of a number of large grant funded programs in the 2023/2024 financial year and uncertainty over the level of grant funding in the future, a conservative approach has been taken.

OPERATING EXPENDITURE

Employee Costs

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

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

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

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

PLANNING ASSUMPTIONS

STATEMENTS & FORECASTS

The Local Government State Award determined wage increases of 3.5% for 2024/2025 and 3% for 2025/2026 financial years. Estimated increases resulting from additional steps being incorporated into the salary system are provided for in the LTFP. The achievement of a strict set of criteria will be necessary, therefore it is difficult to accurately model the financial effect on the LTFP. Superannuation has been factored by a varying percentage as the Council meets the requirements of the Commonwealth Government Increases in superannuation which are to be phased in over the life of the LTFP. The superannuation percentage for 2024/2025 is 11.5% and will rise by 0.5% to 12% in 2025/2026. The 2025/2026 rate of 12% is assumed to remain for the duration of the LTFP.

Statecover, council's provider of Workers Compensation insurance have advised that they are changing their premium model. The impact of this on our premium is not yet known.

An estimated increase of 8% has been provided for Worker Cover in the 2024/2025, and 4% for the remainder of the LTFP years.

Fringe Benefits Tax (FBT) expense is estimated to increase by 6% for 2024/2025, 4% in the 2025/2026 year, and 2.5% annually thereafter. This is in line with the CPI increases reflected in the LTFP. Staff contribution rates for private use of vehicles are increased in line with the current Motor Vehicle Leaseback Protocol and will assist in constraining FBT costs.

Councillor Fees & Superannuation

For the purposes of the LTFP, and until further information is provided, the 2023/2024 Local Government Remuneration Tribunal determined increase of 3.0% for Councillor and Mayoral annual fees has been factored in. Councillors receive superannuation on meeting fees at the same rate as superannuation paid on behalf of employees.

Audit, Risk and Improvement Committee (ARIC) Expenses

A 3% rise, in keeping with the Councillor Fee increase from 1 July 2024, has been factored in for ARIC member fees. As required under legislation, Council pays superannuation to independent ARIC members, at the same rate as superannuation paid to employees.

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

Risk Management Legislation

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

Interest on Loans

Council entered into a fixed interest rate agreement for its Works depot loan in the 2023/2024 year. A provision for loan interest has been incorporated in to the LTFP for the replacement of the Condobolin Water and Sewer Treatment Plants, a loan to support the Housing Vision, and a loan to fund Future Growth purchases.

Insurance Costs

Property Insurance premiums have been increased by 6% for 2024/2025, 4% in the 2025/2026 financial year, and 2.5% per annum across the remainder of the LTFP, in line with CPI. This is a conservative estimate and given the fact that Council must have all valuations periodically reviewed this estimate may need to be adjusted.

PLANNING ASSUMPTIONS STATEMENTS & FORECASTS

Electricity and Street Lighting Costs

With the electricity market experiencing extreme volatility, Council entered into a NSW Government contract for small market electricity sites from 1 January 2023, for a period of 2.5 years. This provided lower pricing than the previous contract. Council collaborated as part of the Central West NSW Joint Organisation to procure predominantly renewable energy for council's large sites and streetlighting, for 8 years commencing 1 January 2023. In addition, there will be other whole of life costs such as maintenance & depreciation on the Solar PV Systems.

Reduction of cash flow risk through management of outstanding debt

In the 2023/2024 financial year, Council undertook a sale of land for unpaid rates, the first in over 10 years. Council recognised that rising arrears was unsustainable, and the shire was close to exceeding the Office of Local Government outstanding arrears benchmark of 10%. Council plans to maintain its proactive debt recovery program, and will work with ratepayers to implement a reasonable payment plan. Future sale of land processes are expected but have not been factored into the LTFP.

Materials and Contracts not discussed elsewhere

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

There has been an allowance, made in the LTFP for the operation of the Tourism Precinct. These costs will need to be revised once the facilities are in operation for 12 months. There has been no allowance factored into the LTFP for the operational costs of the proposed Condobolin Water and Sewer Treatment Plants as the design solution has not been determined.

Council's Condobolin Bore fields Project is substantially complete and is expected to be finalised in the 2024/2025 year, this will add further costs in the water business. The operational and maintenance costs of this project have not been included as they are too uncertain, however they will need to be factored into future LTFPs.

Material costs greater than forecast remain a financial threat to Council as inflation remains high. Materials and contracts make up 34% of projected 2024/2025 operating expenditure. This is reflective of the considerable number of assets operated and maintained by Council. This places the Council at considerable pressure from rising raw material costs including fuel and oil based products.

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

Consumer Price Index (CPI). The Reserve Bank of Australia Governor and Treasurer have agreed that the appropriate target for monetary policy in Australia is to achieve an inflation rate of 2%-3%, on average, over the cycle (RBA). The LTFP has taken this policy into consideration and where real costs are unable to be determined; an increase based on the Reserve Bank policy has generally been applied. Costs have been indexed by 2.5% across the duration of the LTFP for this purpose.

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Depreciation & Asset Works Schedules

The timing of asset revaluations is generally in accordance with the Office of Local Government schedules. Water and sewerage network assets are required by the Office of Local Government to be indexed at each reporting period in accordance with the Rates Reference Manual.

The Condobolin Water and Sewer Treatment Plants are due for replacement during the LTFP. As the design solution and construction cost of these substantial assets is not yet known, an allowance has been made in the LTFP. As the amount is highly uncertain, future LTFP's will have to be updated for this.

Depreciation on the Tourism Precinct and Condobolin Bore fields project is expected to be substantial, and once known, will be factored into the LTFP.

Capital Expenditure

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

In the past Council has relied heavily on grant income to construct assets and that is likely to continue into the future, particularly for roads and substantial buildings.

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

Options include: .

- Asset rationalisation. Council's asset base has expand over the past 2 years. This has resulted in whole of life cost increases.
- Council owns a number of assets that could be sold to raise revenue for asset renewal including shire Caravan Parks, a number of residential properties, and commercial buildings such as the old Target building, Medical Centres, and the old Abattoir site.

- All of these assets currently provide a source of income for Council but in general, depreciation as well as the operational and maintenance costs exceed the rent. Residential properties are held for strategic purposes such as the attraction and retention of medical and professional staff so the costs versus benefits need to be considered.
- Implement a strategy of renew before new.

Borrowings

Council has borrowed externally for the SRA Hall redevelopment and new Condobolin Work's depot. The SRA loan is due to be repaid by 2031 and the works depot loan by 2038. Interest and principal repayments have been included in the LTFP.

In the LTFP Council proposes to borrow funds externally to partially finance the cost of the new Condobolin Water and Sewer Treatment Plants. The balance of construction costs are expected to be financed through government grant funding as available reserves are expected to be insufficient for the cost of these projects. Council is eligible for a grant of 75% of the project costs to fund these asset replacements however as the water and sewer businesses are not sustainable at present, representations are being made to all levels of government to fund the entire cost of these projects. As the design solution and cost of these projects are not yet accurately known, an estimated allowance for construction costs has been included.

The replacement Water Treatment Plant in Condobolin is expected to commence in the 2027/2028 financial year with construction expected to finalise 18 months later in the 2028/2029 financial year. An assumed construction cost of \$32m with a loan to fund council's contribution of \$8m have been factored into the LTFP.

PLANNING ASSUMPTIONS

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It has been assumed that 75% of the project will be completed in the 2027/2028 financial year with the 25% balance to be completed in the 2028/2029 financial year.

For the purposes of the LTFP, the loan is set to commence in the 2027/2028 financial year and is due to be repaid by 2051/2052 financial year. Interest and principal repayments have been included in the LTFP.

Replacement of the Condobolin Sewer Treatment Plant has been built into the LTFP. It has been assumed that 75% of the project will be completed in the 2026/2027 financial year with the 25% balance to be completed in the 2027/2028 financial year. The construction cost has been assumed to be \$16m. A government grant to fund 75% of the assumed cost has been included as has a loan of \$4m to fund council's 25% contribution. The loan is forecast to commence in the 2026/2027 financial year, and is due to be repaid by 2050/2051 financial year. Interest and principal repayments have been included in the LTFP.

Council is expected to purchase additional land in the 2024/2025 financial year. Council proposes to fund the cost through reserves and an external loan. The amount of the loan is not yet known but an amount of \$2m has been assumed for the purposes of the LTFP. Principal and interest repayments have been factored into the loan commencing in the 2024/2025 financial year and finishing in the 20248/2049 financial year.

Council is expected to apply for funding through the Housing Australia Future Fund (HAFF) and the National Housing Accord program. This is a Commonwealth Government initiative to provide additional housing. Concessional loans are expected to attract a zero percent interest rate. The LTFP proposes to borrow up to \$1.5m over 25 years to fund this project. Council proposes to construct four 3 bedroom town houses.

The loan repayments are expected to commence in the 2025/2026 financial year and the loan is due to be repaid in the 2049/2050 financial year. Rental revenue from the properties has been factored into the LTFP from the 2026/2027 year.

The LTFP has included a proposal to construct a sub division in the Lake Cargelligo township. The first stage is expected to be developed in the 2025/2026 financial year. Council intends to finance the first stage through internal reserves up to the value of \$800,000. Proceeds from the sale of the land are intended to be used to replenish the reserve. Construction costs and sale proceeds have been factored into the LTFP for stage 1. Whilst the project may continue over future years, no allowance has been made in the LTFP as it is too uncertain at this time.

An additional cabin in the Tottenham Caravan Park is proposed to be purchased in the 2024/2025 financial year to meet the demand for tourist accommodation. The cost of up to \$150,000 is intended to be funded through an internal reserve with 75% of the income from the cabin used to replenish the reserve over a period of approximately 7 years. The length of reserve replenishment depends on the accuracy of the forecast income from the cabin.

Financial Performance Monitoring Measures

Council's financial performance will be monitored against the LTFP, by reporting to Council and by utilising the Office of Local Government (OLG) performance measures. Reporting to Council is undertaken through the statutory Quarterly Budget Review process. Council's annual financial reports contain a set of performance indicators. Council aims to equal or exceed 5 out of the 6 Office of Local Government benchmarks over the life of the LTFP. Council acknowledges it is difficult to meet the Own Source Ratio as like most rural and remote Councils, it is heavily dependent on grants income. The benchmark set by the OLG for Own Source Revenue is greater than 60 per cent and historically Council has only achieved 40-50 per cent.

Key Components to resource our Delivery Plan

Councils four-year Resource Plan has been prepared in accordance with the requirements of the Local Government Act 1993 (as amended). The Resource Plan provides financial forecasts for the four-year term of the plan and includes a detailed breakdown of income and expenditure relating to the financial year.

The key components of the financial plan include:

- 1) Delivery Plan Budget
- 2) A Four Year Listing of Capital Projects

LACHLAN SHIRE COUNCIL
Operational and Delivery Plan
Budget 2024/25 to 2027/28

Description	Operational Plan	Delivery Program			Long Term Financial Plan					
	Operating Plan 2024/2025	Forecast 2025/2026	Forecast 2026/2027	Forecast 2027/2028	Forecast 2028/2029	Forecast 2029/2030	Forecast 2030/2031	Forecast 2031/2032	Forecast 2032/2033	Forecast 2033/2034
CONSOLIDATED RESULTS										
Income										
Rates & Annual Charges	(14,475,491)	(15,171,381)	(15,902,185)	(16,669,719)	(17,425,932)	(18,217,833)	(18,994,692)	(19,861,188)	(20,768,820)	(21,719,619)
User Charges & Fees	(5,860,510)	(6,057,307)	(6,334,577)	(6,494,416)	(6,603,196)	(6,765,996)	(6,932,897)	(7,103,549)	(7,278,474)	(7,457,811)
Interest & Investment Revenue	(2,383,579)	(2,478,654)	(2,530,994)	(2,584,700)	(2,639,135)	(2,694,966)	(2,751,946)	(2,811,190)	(2,872,920)	(2,936,200)
Other Revenues	(1,840,358)	(1,687,061)	(1,541,361)	(1,550,891)	(1,660,681)	(1,070,721)	(1,081,001)	(1,241,551)	(1,252,421)	(1,263,571)
Grants & Contributions - Operating	(19,195,072)	(19,729,721)	(20,156,402)	(20,591,968)	(20,986,292)	(21,389,932)	(21,803,106)	(22,226,062)	(22,659,043)	(23,102,294)
Grants & Contributions - Capital	(3,595,000)	(1,821,400)	(9,921,233)	(21,765,560)	(6,557,200)	(716,153)	(560,600)	(562,370)	(721,453)	(566,030)
Total Income from Continuing Operations	(47,350,010)	(46,945,523)	(56,386,751)	(69,657,253)	(55,872,436)	(50,855,599)	(52,124,242)	(53,805,910)	(55,553,130)	(57,045,524)
Expenses										
Employee costs	12,169,118	12,794,404	13,114,388	13,540,112	14,081,537	14,733,301	15,201,513	15,681,103	16,178,050	16,687,163
Interest on Loans	470,601	437,417	639,669	1,065,532	1,000,219	937,364	873,788	815,112	757,512	703,797
Materials & Contracts	16,719,752	16,964,971	17,403,166	17,739,312	18,418,806	18,763,907	19,206,456	19,687,511	20,366,833	20,704,394
Depreciation	12,093,991	12,286,900	12,488,620	12,694,130	12,903,540	13,116,890	13,334,290	13,555,830	13,781,590	14,011,630
Other Expenses	1,245,326	1,293,340	1,327,880	1,363,420	1,400,000	1,437,610	1,476,340	1,516,190	1,557,170	1,599,380
Total Expenses from Continuing Operations	42,698,788	43,777,031	44,973,722	46,402,506	47,804,102	48,989,072	50,092,387	51,255,746	52,641,155	53,706,364
Operating Result from continuing operations - (Gain)/Loss	(4,651,221)	(3,168,492)	(11,413,028)	(23,254,748)	(8,068,334)	(1,866,527)	(2,031,855)	(2,550,164)	(2,911,975)	(3,339,160)
Operating Result from continuing operations before Capital Grants/Contributions (Gain)/Loss	(1,056,221)	(1,347,092)	(1,491,796)	(1,489,188)	(1,511,134)	(1,150,375)	(1,471,255)	(1,987,794)	(2,190,523)	(2,773,130)
Capital Expenditure	21,746,138	16,602,187	21,825,105	39,092,216	16,961,681	9,011,321	10,211,732	10,252,707	10,184,197	11,064,193
Loan Funds Utilised	(2,000,000)	(1,500,000)	(4,000,000)	(8,000,000)	0	0	0	0	0	0
Loan Principal repaid	575,796	641,021	806,304	1,132,226	1,138,057	1,144,208	1,150,611	1,050,509	967,060	967,060
Transfers from Restricted Assets (Reserves)	(6,336,598)	(3,444,194)	(849,052)	(2,974,420)	(2,328,574)	(1,160,102)	(1,886,222)	(2,265,942)	(2,165,847)	(2,550,725)
Transfers to Restricted Assets (Reserves)	1,986,668	1,388,428	2,468,069	2,885,117	357,590	1,368,466	1,643,244	1,857,859	2,358,381	2,538,360
Depreciation Contra	(12,093,991)	(12,286,900)	(12,488,620)	(12,694,130)	(12,903,540)	(13,116,890)	(13,334,290)	(13,555,830)	(13,781,590)	(14,011,630)
Net Unrestricted Cash Deficit/(Surplus)	(773,209)	(1,767,950)	(3,651,222)	(3,813,739)	(4,843,119)	(4,619,526)	(4,246,780)	(5,210,861)	(5,349,774)	(5,331,902)

WORKFORCE PLAN 2022-2026



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

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

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

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

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

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



ASSET MANAGEMENT STRATEGY

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

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

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

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

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



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