

2022-23 Operational Plan and Long Term Financial Plan Assumptions

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Operational Plan

Income Statement

	2021-22 Adopted Budget (\$'000)	Draft 2022-23 Forecast Budget (\$'000)	2022-23 Forecast Budget (\$'000)
Income from Continuing Operations			
Rates & Annual Charges	18,472	19,274	19,275
User Charges & Fees	6,571	6,071	6,071
Interest & Investment Revenue	230	140	139
Other Revenues	457	284	300
Grants & Contributions for Operating	5,188	4,856	5,092
Grants & Contributions for Capital	11,670	7,425	11,578
Other Income	383	394	394
Fair Value increment on Investment Property	0	113	113
Net Gains from Disposal of Assets	458	1,841	1,896
Total Income	43,429	40,398	44,858
Expenses from Continuing Operations			
Employee Benefits & On-costs	13,118	14,920	15,085
Borrowing Costs	1,181	1,097	1,097
Materials & Contracts	6,666	10,629	11,133
Depreciation & Amortisation	6,006	5,997	5,997
Other Expenses	4,756	880	880
Total Expenses	31,728	33,523	34,192
Operating Result from Continuing Operations	11,701	6,875	10,666
Net Operating Result before Grants and Contributions provided for Capital Purposes	31	(550)	(912)

Income Statement Assumptions

Rates and Annual Charges

Rates for 2022-23 have been increased by the Rate Peg of 0.7%, plus a 'Growth Rate' of 0.5%, giving a total Rate Peg of 1.3% [Rate Pegging is a term used by the Independent Pricing and Regulatory Tribunal (IPART), it is the "maximum" percentage amount by which a Council may increase its general ratable income for the year].

The OLG has afforded Councils the ability to apply for an Additional Special Variation (ASV) to their rate peg to the lower of 1.5% or the estimated rate peg council used to develop its 2021/22 Long Term Financial Plan. Yass Valley Council is applying for an ASV for an additional 1.0% to the rate peg announced, increasing the total rate increase to 2.3% for 2022/23. The ASV will provide Council with approx. \$118,000 in income, which has been included in Council's income statement.

User Fees & Charges

The schedule of 'User Fees & Charges' has been increased by a mix of approaches. Some fees have been increased by a CPI rate of 3.5%, others have been increased in line with increased costs to provide that service, and all Statutory fees have been adjusted based on advice received from the appropriate Government Department. As some Statutory fees will not arrive until after the adopted Operational Plan, they will be adjusted when Council is advised.

Interest and Investment Revenue

Council has projected continued low Interest on investment income for 2022/23FY. This is on the back of continued low interest rate environment during the current financial year. Council will review this revenue as part of the Quarterly Budget Review Statements to assess any movement that may occur as a result of decisions made by the Reserve Bank.

Borrowing Costs

A loan for the Yass Dam Wall is set to be refinanced within the 2022/23 financial year. This will see a reduction in borrowing costs as Council looks to lock in a lower rate than what is currently paid. A budget adjustment as part of the Quarterly Budget Review will be required once a rate has been locked in.

Employee Benefits and On Costs

Changes to the current staff structure include the following new positions: horticulturalist, 2x laborers, pool supervisor; planning project manager, administration coordinator for development control, trainee Planner and Building Surveyor; and a development contributions planner (part time shared resource with other Councils).

Depreciation

Staff are currenting reviewing the accurate useful lives for Council assets to ensure the depreciation is appropriate.

Cash Flow Statement

	2022-23 Forecast Budget (\$000)
Cash Flows from Operating Activities	
- Receipts	42,721
- Payments	28,036
Net Cash provided (used in) Operating activities	14,685
Cash Flows from Investing Activities	
- Receipts	7,519
- Payments	23,316
Net Cash provided (used in) Investing activities	(15,798)
Cash Flows from Financing Activities	
- Receipts	8,449
- Payments	9,221
Net Cash provided (used in) Financing activities	(772)
Net Increase/(Decrease) in cash & Cash equivalents	(1,885)
Plus: Cash & Cash equivalents at beginning of year	5,598
Cash & Cash Equivalents at end of the year	3,713

Cash Flow Statement Assumptions

Operating Activities

The cash flow statements include cash transactions from the Income statement.

Investing Activities

The sale of infrastructure, property plant & equipment is included. It is proposed to sell several plots of land that are surplus to Council's requirements to assist with the future funding for the capital works program.

The proposed Capital Works program follows.

Project description	New / Renewal	Total Budget	Funding Source		
			Grants	Reserves	General Revenue
Local Roads		8,288,477			
Shingle Hill Way Bridge Replacement	Renewal	2,200,000	2,200,000		
Bango Bridge	Renewal	150,000		150,000	
Resealing (Capital)	Renewal	857,227	857,227		
FLR Grant Rd 2 Resealing program	Renewal	1,148,750	985,500	163,250	
Back Creek Road, Gundaroo	Renewal	2,696,875	2,696,875		
Resheeting – Tallagandra Lane, Seg 5-8	Renewal	220,937	160,000	60,937	
Resheeting – Yass Rover Road, Seg 12-15	Renewal	205,937	145,000	60,937	
Resheeting – Corregans Road, Seg 1-2	Renewal	124,937	64,000	60,937	
Resheeting – Dairy Creek Road, Seg 1-2	Renewal	143,937	83,000	60,937	
Resheeting – Gum’s Lane, Seg 8-11	Renewal	185,937	125,000	60,937	
Resheeting – Longrail Gully Road, Seg 3-8	Renewal	233,940	173,000	60,940	
Unscheduled renewal work	Renewal	120,000			120,000
Regional Roads		1,118,906			
Annual Resealing - Regional Roads Network	Renewal	888,906	888,906		
Wee Jasper Rd Rehab. Seg 70 & 71	Renewal	230,000	230,000		
Recreational Assets		2,516,743			
Murrumbateman sand arena stabilisation	Renewal	50,000		50,000	
Bowning Rec Ground new septic system	New	11,743		11,743	
Murrumbateman Rec Ground Amenities	New	600,000		600,000	
Adventure Playground – Riverbank Park	New	1,650,000	1,650,000		
Bowning Rec Ground Amenities	New	155,000	155,000		
O’Connor Park Boat Ramp re-construction	Renewal	50,000	50,000		
Parks, Gardens & Recreation		209,129			
Murrumbateman Equestrian Ground /Oval Upgrade	Renewal	24,099		24,099	
Murrumbateman Rec Grounds Club House	Renewal	60,000		60,000	
Murrumbateman Rec Ground Storage & Horse yards Upgrade	Renewal	125,030		125,030	
Plant & Equipment	Renewal	3,606,336		2,456,336	1,105,000
Caravan Park		295,356			
Amenities Upgrade	Renewal	280,484	50,000	230,484	
Concrete Steps & damaged path replacement	Renewal	14,872		14,872	
Water Supply Network		4,311,512			
Integrated Water Cycle Mgmt Plan	Renewal	81,512	81,512		
Village Water Main Extension	New	20,000		20,000	
Water Pump / Motor Replacement	Renewal	80,000		80,000	
WTP Improvement	New	100,000		100,000	
Developer Servicing Plan	New	30,000		30,000	
Telemetry System Upgrade Strategy - Water & Sewer	Renewal	50,000		50,000	

			Funding Source		
Project description	New / Renewal	Total Budget	Grants	Reserves	General Revenue
Water Quality Improvements Yass	Renewal	1,000,000		1,000,000	
Water Reservoir Upgrade program	Renewal	350,000		350,000	
Water Reticulation Upgrade program	Renewal	120,000		120,000	
Water Meter Replacement	New	120,000		120,000	
Morton Low Level Reservoir Repair	New	1,000,000		1,000,000	
WTP Upgrade: Stage 1 Construction	New	1,360,000	1,360,000		
Sewer Network		1,350,000			
Sewer Main Upgrade program	Renewal	400,000		400,000	
Integrated Water Cycle Management Plan - Sewer (capital)	Renewal	20,000		20,000	
Wastewater Treatment Plant Upgrade	Renewal	250,000		250,000	
Wastewater Pump Station Upgrade Program (Capital)	Renewal	300,000		300,000	
Telemetry Upgrade	Renewal	50,000		50,000	
Laidlaw street SPS - decommissioning	Renewal	300,000		300,000	
Developer Servicing Plan	Renewal	30,000		30,000	
Facility & Waste		340,000			
Old sale yard remediation	Renewal	250,000		250,000	
Community centre repairs	Renewal	50,000		50,000	
Stadium site remediation	Renewal	20,000		20,000	
Cemeteries strategic plan	Renewal	20,000		20,000	
Waste Management		75,000			
Solar irrigation pump Murrumbateman landfill	Renewal	15,000		15,000	
Yass Transfer station recyclable storage cover	New	60,000		60,000	
Crago Mill Precinct	New	1,205,000		1,205,000	
		23,316,459	11,955,020	10,091,439	1,270,000

Operational Projects

Details on operational projects can be viewed in Council's 2022-2026 Delivery Program.

Financing Activities

The repayment of loans and lease liabilities is included. In 2022/23 it is proposed to refinance the existing loan within the Water Fund. This is represented as a Receipt and Payment within the finance activities.

The net result for 2022/23 is a decrease to Council's Cash and Cash Equivalents as a result of funding capital works and the preparation of strategic plans from cash reserves. The Long Term Financial Plan see an increase to Council's Cash and Cash equivalents as the benefits of Council's planning is realized.

Long Term Financial Plan: July 2022 to June 2032

The following assumptions are to be read in conjunction with the Income Statement.

As we continue to grapple with COVID-19, Council has taken into account the affect this has had during the 2022-23FY and forecast what effect it may have over the next 10 years.

It is impossible to be precise about forward projections for individual line items. It is necessary to understand the calculation of outcomes of financial indicators in order to identify the drivers of variations in performance between years.

Council has identified the external and internal influences that could significantly impact on future financial performance. The following features of the Long Term Financial Plan have been identified as risks and volatile factors.

Market driven planning assumptions

Population forecasts

Yass Valley Council's population is currently estimated at 18,812 and forecast to grow to 22,318 by 2032. A projected population increase of 3,506. Over the same period, the number of dwellings is projected to increase by 1,780.

Financial modelling has included an increase in rates income resulting from growth in the number of rates assessments.

Cost and revenue increase assumptions

Factors applied to revenue and expenditure

The following assumptions are used as the basis of the financial modelling scenarios. These factors reflect a relatively low inflation rate due to the extremely unpredictable nature of inflation in the current environment. This will be monitored closely, and budget adjustments will be made to reflect the impact of these changes.

Table 1: Index factors applied for financial modelling

Assumptions	Year 1 2022/23	Year 2 2023/24	Year 3 2024/25	Year 4 2025/26	Year 5 2026/27	Year 6 2027/28	Year 7 2028/29	Year 8 2029/30	Year 9 2030/31	Year 10 2031/32
IPART rate peg	1.3%	2.5%	2.7%	2.9%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
SRV	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Dwellings growth pa	0	180	0	1600	0	0	0	0	0	0
Annual charges	2.3%	2.5%	2.7%	2.9%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
User charges & fees	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Interest on Investments	0.5%	1.0%	1.0%	1.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Other revenue	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Operating Grants & Contributions	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Capital Grants	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Employee benefits	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Materials & contracts	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Other expenses	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
CPI	3.5%	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

The following table outlines Council’s assumptions by revenue and expenditure types. Included within the assumptions is a brief description as to how Council has determined this assumption and the external influences which impact the assumption.

Table 2: Revenue assumptions

Revenue	Assumption
IPART rate peg	1.3% as announced for the 2022/23 year, steadily increasing up to a rate of 3.0%
SRV	Additional Special Variation was announced for 2022/23 only, subject to successful application to IPART. No other SRV has been included in any scenario
Annual charges & User Fees	Annual charges are increased in line with the rate peg. User fees and charges will be reviewed in a future period to better inform future price changes and ensuring sufficient revenue to meet agreed service levels. No additional fee income has been factored into any scenario until the review has been completed.
Interest on Investments	Interest on investments is assumed at 0.5% in 2022/23 with very slight growth over the 10-year forecast. This reflects the current environment of low interest rates. Interest is calculated on the average balance of funds invested in each year of the financial model. The timing of capital expenditure will affect Council's investment income.
Operating Grants & Contributions	In previous years the Financial Assistance Grant, and other sources of Federal grant funding have not kept pace with inflation, and therefore this model applies a low inflator to the levels of grants and contributions over the life of the plan. The 10-year trend in this model reflects operating grants to grow at a slower rate than other income sources.
Capital Grants	An assumption is made that Council will continue to receive capital grants and contributions from Federal and State sources for roads and bridges within identified grant funding programs. As additional grant funding opportunities arise, they will be brought into the model along with the identified capital works.

Table 3: Expenditure assumptions

Expenses	Assumption
Depreciation	The current depreciation rate for each asset class is assumed to continue over the 10-year term of the model. Depreciation expense will vary dependent on the investment in new assets compared to renewal work. All asset classes will continue to be revalued over the coming years and as this work is completed, the accuracy of depreciation calculations will improve.
Employee benefits	Movement in employee costs is determined through industry award negotiations and market forces. Award increases of 2% have been factored into the 10-year plan along with superannuation guarantee contribution increases of 0.50% pa until a total SG rate of 12% has been achieved in year 2024/25. Impacts affecting wages volatility include internal and external factors such as the rising cost of employment, skills shortages, staff turnover, attraction and retention of Council, an increase in superannuation benefits, maternity and paternity leave, award increases and changes in service levels.
Materials & contracts	The 2022/23 year proposed budget is used as the base year before indexation is applied over the 10 year model. This will be assessed annually to take into consider inflationary pressures on costs.

Financial Scenarios

Scenario 1a: Base case with 1.3% rate peg

Scenario 1a is the base case scenario with the rate peg set at 1.3% as advised by IPART. The following components form part of the base case scenario that are carried through into further scenarios. These components are summarised as:

- Disposal of surplus land to achieve a projected cash inflow of \$12.6 million over the period of the plan
- Reduction to capital works program as the current level of grants reduce back to pre COVID-19 levels
- A loan within the Water fund is to be refinanced at a lower rate
- An increase to staff levels with an additional 9 positions to improve service levels throughout Council.
- As the rate peg for 2022/23 was lower than what had been estimated in the previous LTFP, a number of community programs have had to be scaled back in order to present a financially viable budget for 2022/23FY.

The LTFP projects a financial unsustainable forecast without taking budget repair actions. The key performance indicators in Table 4 do not meet the performance measure benchmarks.

Councils Net Operating Result before Grants and Contributions provided for capital purposes fluctuates from deficit to surplus with an increasing surplus predicted from 2025/26 onwards.

Funding for Infrastructure renewal needs to be identified to ensure Council can meet the required benchmark over time.

Table 4: Scenario 1a Consolidated Fund Key Performance Indicators

KPI	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Operating Performance Ratio (%)	-8.07	-4.50	-4.24	-0.20	0.30	0.80	0.87	1.82	2.29	2.67
Own Source Operating Revenue Ratio (%)	68.05	72.12	72.45	73.60	73.94	74.28	74.63	74.97	75.31	75.64
Unrestricted Current Ratio	1.51x	2.10x	1.80x	1.94x	2.17x	2.51x	3.02x	3.18x	3.66x	7.45x
Debt Service Cover Ratio	0.44x	3.02x	3.05x	3.55x	3.66x	3.80x	3.84x	5.10x	5.19x	5.17x
Cash Expense Cover Ratio (months)	1.54	3.97	4.90	6.16	7.75	9.16	11.10	12.08	12.20	19.66
Building & Infrastructure Renewals Ratio (%)	143.59	74.59%	78.30%	75.69	73.92	73.75	73.63	73.40	72.78	71.84

Table 5: Scenario 1a Consolidated Fund Capital works program

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
New Assets	1,395	780	165	360	370	1,180	770	2,400	6,150	1,750
Asset renewals	13,449	7,470	7,522	7,610	7,146	6,933	5,895	8,572	6,336	6,474
	14,844	8,250	7,687	7,970	7,516	8,113	6,665	10,972	12,486	8,224

Scenario 1b: Base case with 2.3% rate peg (1% Additional Special Variation)

Scenario 1b maintains of all the components from scenario 1a with an additional 1% ASRV. The outcome of scenario 1b is not significantly different from scenario 1a, however it will allow Council to include increased funding for community events to activate the LGA after several years of inactivity due to COVID-19 restrictions.

The additional 1% will increase income from rates of approximately \$118,000.

Table 6: Scenario 1b Consolidated Fund Key Performance Indicators

KPI	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Operating Performance Ratio (%)	-9.34	-5.99	-5.73	-1.64	-1.13	-0.64	-0.56	0.40	0.87	1.25
Own Source Operating Revenue Ratio (%)	61.10	72.12	72.45	73.60	73.94	74.28	74.63	74.97	75.31	75.64
Unrestricted Current Ratio	1.06x	1.39x	1.04x	1.06x	1.19x	1.42x	1.84x	1.89x	2.29x	5.88x
Debt Service Cover Ratio	0.40x	2.76x	2.76x	3.31x	3.42x	3.55x	3.58x	4.77x	4.86x	4.85x
Cash Expense Cover Ratio (months)	1.20	3.19	3.91	4.97	6.35	7.55	9.30	10.05	9.99	17.16
Building & Infrastructure Renewals Ratio (%)	182.26	74.20	77.90	75.31	73.55	73.38	73.27	73.05	72.44	71.50

Table 7: Scenario 1b Consolidated Fund Capital works program

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
New Assets	6,376	780	165	360	370	1,180	770	2,400	6,150	1,750
Asset renewals	16,940	7,470	7,522	7,610	7,146	6,933	5,895	8,572	6,336	6,474
	23,316	8,250	7,687	7,970	7,516	8,113	6,665	10,972	12,486	8,224

Monitoring and Evaluation

Council will monitor the LTFP quarterly and review the plan each year as part of the development of the annual Operational Plan. The review will include an assessment of the previous year’s performance in terms of the accuracy of projections made and whether its financial strategies were followed through.

Evaluation will include reviewing and amending estimates and scenarios to improve the accuracy of the plan over the long term. With each review, Council will continue to monitor its financial performance against the financial sustainability goals and benchmarks and take corrective actions to achieve a financially sustainable position.

Conclusion

Scenario 1b presents the most responsible financial scenario, taking advantage of the ability to apply for additional rating income after an unexpectedly low rate peg was announced for 2022/23.

In adopting scenario 1b, council will continue work on budget corrective actions to ensure all future benchmarks are met.

Due to the rapidly fluctuating external environment impacting construction costs, availability of contractors and materials, and impending interest rate hikes, the Crago Mill Precinct project is still being modelled and will be incorporated into a future revision of the LTFP.

The financial statements contained on the following pages of this plan set out the financial performance, financial position and cashflows projected for the next 10 years for the General Fund, Water Fund, Sewer Fund and Consolidated Council position.

Appendix A: Long Term Financial Plan data