

Long Term Financial Plan 2022-32



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Section 1 – Introduction

The Long Term Financial Plan (LTFP) is a requirement under the Integrated Planning and Reporting framework for New South Wales (NSW) Local Government and forms part of the Resourcing Strategy. The Resourcing Strategy is a document that Council is required to develop to detail the provision of resources required to implement the strategies established by the Community Strategic Plan (CSP). The Long Term Financial Plan (LTFP) can be described as a decision making and problem solving tool where long term community aspirations can be tested against financial realities.

Specifically, the requirement to develop a Long Term Financial Plan (LTFP) is a requirement of Section 403(2) of the Local Government Act 1993.

The Long Term Financial Plan (LTFP) provides a framework in which a Council can assess its revenue building capacity to meet the activities and level of services outlined in its Community Strategic Plan. It also:

- ⇒ Establishes greater transparency and accountability of Council to the Community.
- ⇒ Provides an opportunity for early identification of financial issues and any likely impacts in the longer term.
- ⇒ Provides a mechanism to solve financial problems as a whole, see how other plans fit together and understand the impact of some decisions on other plans or strategies.
- ⇒ Provides a means of measuring Council's success in implementing strategies.
- ⇒ Confirms that Council can remain financially sustainable in the longer term.

The Long Term Financial Plan (LTFP) must support or provide for the following essential elements:

- ⇒ Must be used to inform the decision making during the finalisation of the Community Strategic Plan and the development of the Delivery Program.
- ⇒ Must be for a minimum of 10 years.
- ⇒ Must be updated at least annually as part of the development of the Operational Plan.
- ⇒ Must be reviewed in detail as part of the four yearly review of the Community Strategic Plan.

The basic structure of the Long Term Financial Plan (LTFP) must include the following:

- ⇒ Projected income/expenditure and financial statements.
- ⇒ Planning assumptions used.
- ⇒ Methods of monitoring financial performance.
- ⇒ Sensitivity analysis and modelling for different scenarios

Introduction

The Long Term Financial Plan (LTFP) should be updated on a regular basis at least annually. This update is for the period 2022 to 2032 and covers all operations of Council including Council's General, Water and Sewerage Funds. There is also separate disclosure for each Fund operated by Council. Further throughout this document in Sections 6 and 7, there is specific modelling regarding two scenarios.

The base case for this Long Term Financial Plan (LTFP) incorporates the current organisation structure, services and ten year capital works program provided by Byron Shire Council. This Long Term Financial Plan (LTFP) utilises the adopted 2022/2023 original budget estimates as the starting point.

The Scenarios in this document are in relation to two specific significant projects:

1. The construction of a Bio-Energy Facility within the Sewerage Fund funded via a combination of grant funds and an external loan. The facility is assumed to be fully operation during the 2024/2025 financial year. The facility is designed to process Food and Organics Waste from the Council area and potentially the same waste stream from other Councils. Processing of the waste will then provide energy to operate Council's Byron Bay Sewerage Treatment Plant and support the reduction of emissions by Council as part of it Zero Emissions Strategy by 2025. The inclusion of the project as a scenario indicates potential financial impacts of the project. Council has not at the time of publication of this plan made any formal decision to proceed with this project even though it now has development consent approval.
2. A Special Rate Variation (SRV) of 6.94% for 2024/2025 (estimated total rate peg of 10.44% including the SRV) to finance a \$25,000,000 loan over twenty years to undertake a capital works program to improve stormwater drainage. The SRV would be on the basis of a Section 508(2) of the Local Government Act 1993 application to the Independent Pricing and Regulatory Tribunal and would be a permanent addition to Council's income. The inclusion of this potential SRV scenario indicates potential financial impacts the additional rate revenue and subsequent loan repayments will have on Council's finances. Council has not made any formal decision to proceed with any Special Rate Variation and would need to follow the processes of the NSW State Government to do so

Subsequent pages to this document detail the Long Term Financial Plan (LTFP) for Byron Shire Council for the period 2022 to 2032 taking into consideration the assumptions detailed in Section 3 – Modelling Assumptions and the scenario parameters outlined directly above. This includes disclosure of the Base Case Scenario and modelling as to the impacts of the identified two scenarios.

Section 2 – Historical Financial Statistics

As a snapshot, the following table provides consolidated historical financial information for Byron Shire Council for the five year period from 2016/2017 to 2020/2021 on a Consolidated basis including General, Water and Sewerage Fund Operations combined:

Statistic	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue/Expenditure					
Total Operating Revenue	99,158	120,413	106,595	117,974	113,928
Total Operating Expenditure	77,984	85,118	93,573	94,196	104,460
Operating Result – Surplus/(Deficit)	21,174	35,295	13,022	23,778	9,468
Operating Result before capital grants & contributions – Surplus/(Deficit)	2,407	(2,019)	(8,087)	(8,243)	(13,936)
General Rate Income	19,086	20,592	22,237	24,092	25,887
Financial Assistance Grant	4,347	3,023	3,226	3,312	3,317
Interest Expense on Loans	4,493	4,315	4,252	3,305	3,046
Depreciation Expense	14,036	14,515	15,012	15,685	17,529
Cash and Investments					
Externally Restricted Cash	56,851	55,020	50,323	49,194	46,297
Internally Restricted Cash	20,844	21,234	27,047	26,644	25,658
Unrestricted Cash	1,145	1,146	1,000	725	517
Total Cash and Investments	78,840	77,400	78,370	76,562	72,473

Statistic	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
	\$'000	\$'000	\$'000	\$'000	\$'000
Other Non Current Assets/Liabilities					
Outstanding Loan Principal	60,128	59,239	64,150	62,835	61,058
Written Down Value of Property, Plant and Equipment	761,914	822,245	849,466	992,431	1,094,182
Performance Indicators – Consolidated Fund					
Operating Performance Ratio	5.98%	(1.01%)	(7.11%)	(7.09%)	(6.87%)
Own Source Revenue	69.70%	61.24%	72.24%	65.41%	72.50%
Unrestricted Current Ratio	3.20	3.40	3.65	3.08	2.41
Debt Service Cover Ratio	3.26	2.61	1.86	1.99	2.18
Rates and Charges Outstanding Ratio	3.52%	3.56%	4.63%	7.32%	8.33%
Buildings and Infrastructure Renewals Ratio	119.37%	110.37%	169.84%	96.28%	107.26%

Section 3 – Modelling Assumptions

The 2022-2032 Long Term Financial Plan for Byron Shire Council has provided a Base Case Scenario outcome utilising assumptions. The following assumptions are generally applied to the Base Case Outcome outlined in Section 4 of this document with some assumptions updated where new information has become available:

- ⇒ Unrestricted cash balance target (goal) of \$1,000,000 for the General Fund as a measure of short term liquidity.
- ⇒ 2022/2023 Financial Year provides the base financial year as per the original budget estimates adopted by Council on 30 June 2022.
- ⇒ Projections are based on a 'Business as Usual' footing. Whilst the Byron Shire Council area has been greatly impacted from the flooding events of February/March 2022, which the recovery from will take years and influence Council's financial outcomes during the life of this Plan, at this time it is not possible to measure those impacts. At time of publication, Council is just commencing the recovery phase and it is expected that costs of recovery up to an estimated \$200million and subject to change will be funded via the Commonwealth and State Governments.
- ⇒ Unregulated fees and charges be increased in line with Consumer Price Index (CPI) as a minimum.
- ⇒ Rate pegging for 2022/2023 identified at 2.30% with remaining future years of the LTFP identified at 3.50% including a 1.00% population growth factor.
- ⇒ Growth in Financial Assistance Grant to be set at 3% per annum from the 2023/2024 financial year.
- ⇒ Salary and wage indexation to be set at 2.00% annually. All other costs to be indexed by the Consumer Price Index (CPI) less continuation of an efficiency dividend. It is acknowledged that construction costs are increasing at a greater rate than the CPI but this has not been factored into this Plan.
- ⇒ Investment rates to follow indicative market investment rates available. An assessment will be made annually to compare the investment rate assumptions for reasonableness. Loan borrowing rates will be assumed at indicative borrowing rates issued by NSW Treasury Corporation.
- ⇒ New loan borrowings will only be for the following:
 - Capital works where funding for annual recurrent operational costs attributable to new assets has been factored into the budget as affordable and funded.
 - To reduce the funding gap for the renewal of existing infrastructure.
 - When it is for commercial purpose and repayments can be met from additional revenue sources.
 - The term of the loan must also accord with Council's loan borrowing policy 09/006 in that the loan borrowing term should be relevant to the useful life of the asset being funded from the loan borrowings.

In addition to the above the Byron Shire Council Long Term Financial Plan (LTFP) is assumed to have as its base case all of the outcomes identified by the Community Strategic Plan, Delivery Program, Operational Plan and relevant Strategic Asset Management Plan for the General Fund (SAMP) so by virtue of that is linked to those documents.

Section 4 – Financial Outcomes (Base Case)

The financial outcomes identified in the base case of the 2022-2032 Long Term Financial Plan are outlined below incorporating the assumptions outlined in Section 3 on a Consolidated basis (General Fund, Water Fund and Sewerage Fund combined):

Byron Shire Council Long Term Financial Plan 2023-2032										
Income Statement (Consolidated)										
Scenario: Base Case	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Income from Continuing Operations										
Rates & Annual Charges	57,631,900	59,248,400	60,913,800	62,629,900	64,398,200	66,220,700	68,098,500	70,034,100	72,028,800	74,084,900
User Charges & Fees	32,118,100	33,422,300	34,082,400	34,608,200	35,310,200	36,034,700	36,781,100	37,550,100	38,343,300	39,143,900
Interest and Investment Revenue	561,500	343,800	418,300	412,900	387,800	533,100	768,600	1,056,300	1,621,700	1,621,700
Other Revenues	1,400,000	1,500,000	1,600,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Grants & Contributions for Operating Purposes	3,741,700	6,421,400	6,581,200	6,745,700	6,914,800	7,088,600	7,267,000	7,450,500	7,638,700	7,832,500
Grants & Contributions for Capital Purposes	34,598,500	4,697,700	3,949,100	3,009,100	3,079,200	2,709,200	2,579,100	2,579,100	2,579,100	2,579,100
Total Income from Continuing Operations	130,051,700	105,633,600	107,544,800	109,105,800	111,790,200	114,286,300	117,194,300	120,370,100	123,911,600	126,962,100
Expenses from Continuing Operations										
Employee Costs	29,928,000	30,718,600	31,333,500	31,961,200	32,601,400	33,253,900	33,919,200	34,598,300	35,291,700	35,998,400
Borrowing Costs	2,760,700	2,622,000	2,279,400	2,043,000	1,835,500	1,635,100	1,438,900	1,231,600	1,012,900	820,100
Materials and Services	45,649,000	45,010,600	46,177,700	47,372,400	48,596,500	49,853,600	51,142,500	52,463,800	53,818,000	55,221,900
Depreciation	18,455,700	19,009,400	19,579,600	20,166,800	20,771,600	21,394,600	22,036,600	22,697,700	23,378,300	24,079,400
Other Expenses	6,373,400	6,346,400	6,735,400	6,655,900	6,850,600	6,995,800	7,409,200	7,333,300	7,513,700	7,698,900
Total Expenses from Continuing Operations	103,166,800	103,707,000	106,105,600	108,199,300	110,655,600	113,133,000	115,946,400	118,324,700	121,014,600	123,818,700
Operating Result from Continuing Operations Surplus/(Deficit)	26,884,900	1,926,600	1,439,200	906,500	1,134,600	1,153,300	1,247,900	2,045,400	2,897,000	3,143,400
Net Operating Result for the year before Grants and Contributions for Capital Purposes Surplus/(Deficit)	(7,713,600)	(2,771,100)	(2,509,900)	(2,102,600)	(1,944,600)	(1,555,900)	(1,331,200)	(533,700)	317,900	564,300

Financial Outcomes (Base Case)

Byron Shire Council Long Term Financial Plan 2023-2032										
Consolidated Funding Statement										
Scenario: Base Case	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Operating Result before Capital Amounts from Income Statement Surplus/(Deficit)	(7,713,600)	(2,771,100)	(2,509,900)	(2,102,600)	(1,944,600)	(1,555,900)	(1,331,200)	(533,700)	317,900	564,300
Add: Non Cash Items										
Depreciation	18,455,700	19,009,400	19,579,600	20,166,800	20,771,600	21,394,600	22,036,600	22,697,700	23,378,300	24,079,400
Add: Non Operating Funding Sources										
Capital Grants and Contributions	34,598,500	4,697,700	3,949,100	3,009,100	3,079,200	2,709,200	2,579,100	2,579,100	2,579,100	2,579,100
Proceeds from sale of Assets	0	4,834,000	0	0	0	0	0	0	0	0
Loan fund utilised	20,800,000	0	0	0	0	0	0	0	0	0
Repayments from Deferred Debtors	0	0	0	0	0	0	0	0	0	0
Funds Available	66,140,600	25,770,000	21,018,800	21,073,300	21,906,200	22,547,900	23,284,500	24,743,100	26,275,300	27,222,800
Less: Funds applied to										
Purchase and construction of Assets	75,790,900	15,556,100	16,334,900	14,456,200	16,712,700	11,384,600	11,230,000	12,492,800	11,684,600	11,411,900
Loan principal repayments	4,039,800	9,182,000	3,815,100	4,051,500	4,044,600	3,799,600	3,995,800	4,203,200	4,026,400	3,631,500
Total Funds Used	79,830,700	24,738,100	20,150,000	18,507,700	20,757,300	15,184,200	15,225,800	16,696,000	15,711,000	15,043,400
Increase/(Decrease) in Cash Position	(13,690,100)	1,031,900	868,800	2,565,600	1,148,900	7,363,700	8,058,700	8,047,100	10,564,300	12,179,400
Net Reserve Movement	(13,485,100)	2,932,900	2,242,700	3,513,000	1,730,700	7,250,600	7,503,700	7,387,500	9,153,700	11,181,900
Increase/(Decrease) in Unrestricted Cash	(205,000)	(1,901,000)	(1,373,900)	(947,400)	(581,800)	113,100	555,000	659,600	1,410,600	997,500

Financial Outcomes (Base Case)

More importantly is the financial outcomes of the General Fund which includes all operations and assets of the Council except for Water and Sewerage. The base case for the 2022-2032 Long Term Financial Plan is indicated below:

Byron Shire Council Long Term Financial Plan 2023-2032										
Income Statement (General Fund)										
Scenario: Base Case	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Income from Continuing Operations										
Rates & Annual Charges	38,099,000	39,270,300	40,479,500	41,728,000	43,017,000	44,348,000	45,722,100	47,141,100	48,606,300	50,119,300
User Charges & Fees	21,072,600	21,997,800	22,265,000	22,519,700	22,799,300	23,085,400	23,377,500	23,675,200	23,979,700	24,273,000
Interest and Investment Revenue	452,000	233,400	295,400	416,200	451,600	530,000	682,600	838,300	1,153,600	1,153,600
Other Revenues	1,400,000	1,500,000	1,600,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Grants & Contributions for Operating Purposes	3,578,600	6,253,500	6,408,000	6,567,200	6,730,700	6,898,700	7,071,200	7,248,500	7,430,400	7,617,500
Grants & Contributions for Capital Purposes	24,698,500	3,697,700	2,949,100	2,009,100	2,079,200	1,709,200	1,579,100	1,579,100	1,579,100	1,579,100
Total Income from Continuing Operations	89,300,700	72,952,700	73,997,000	74,940,200	76,777,800	78,271,300	80,132,500	82,182,200	84,449,100	86,442,500
Expenses from Continuing Operations										
Employee Costs	25,716,400	26,305,400	26,832,100	27,369,700	27,918,200	28,477,200	29,047,300	29,628,900	30,222,500	30,827,600
Borrowing Costs	954,900	962,400	798,700	704,100	647,300	598,000	549,700	498,700	444,500	388,300
Materials and Contracts	25,933,800	26,214,000	26,897,600	27,596,600	28,312,200	29,047,700	29,802,200	30,575,000	31,367,100	32,194,400
Depreciation	13,628,900	14,037,800	14,458,900	14,892,500	15,339,100	15,799,100	16,273,300	16,761,500	17,264,000	17,781,700
Other Expenses	6,286,800	6,257,700	6,644,500	6,562,800	6,755,300	6,898,200	7,309,200	7,230,900	7,408,600	7,591,100
Total Expenses from Continuing Operations	72,520,800	73,777,300	75,631,800	77,125,700	78,972,100	80,820,200	82,981,700	84,695,000	86,706,700	88,783,100
Operating Result from Continuing Operations Surplus/(Deficit)	16,779,900	(824,600)	(1,634,800)	(2,185,500)	(2,194,300)	(2,548,900)	(2,849,200)	(2,512,800)	(2,257,600)	(2,340,600)
Net Operating Result for the year before Grants and Contributions for Capital Purposes Surplus/(Deficit)	(7,918,600)	(4,522,300)	(4,583,900)	(4,194,600)	(4,273,500)	(4,258,100)	(4,428,300)	(4,091,900)	(3,836,700)	(3,919,700)

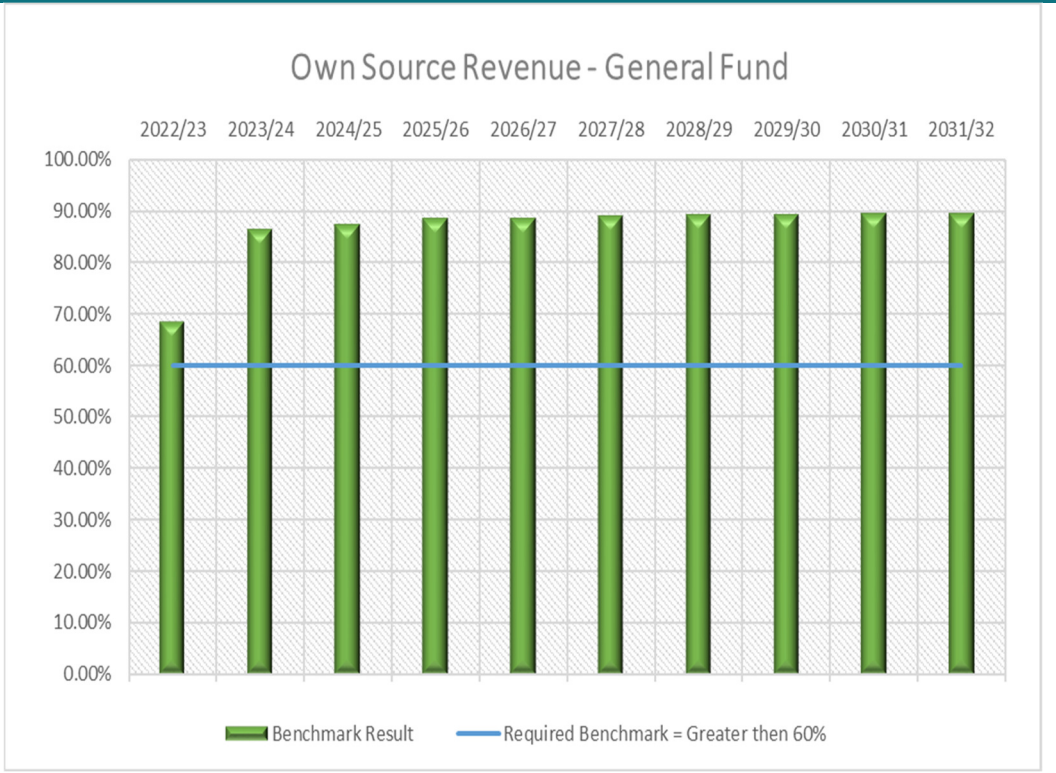
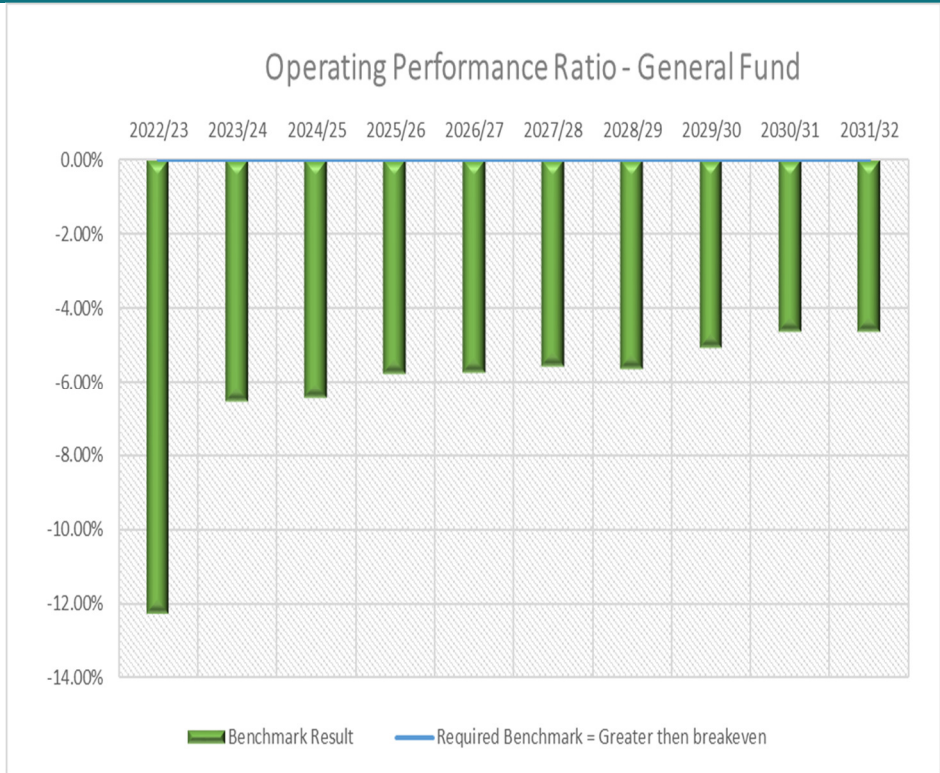
Financial Outcomes (Base Case)

Byron Shire Council Long Term Financial Plan 2023-2032										
General Fund Funding Statement										
Scenario: Base Case	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Operating Result before Capital Amounts from Income Statement Surplus/(Deficit)	(7,918,600)	(4,522,300)	(4,583,900)	(4,194,600)	(4,273,500)	(4,258,100)	(4,428,300)	(4,091,900)	(3,836,700)	(3,919,700)
Add: Non Cash Items										
Depreciation	13,628,900	14,037,800	14,458,900	14,892,500	15,339,100	15,799,100	16,273,300	16,761,500	17,264,000	17,781,700
Add: Non Operating Funding Sources										
Capital Grants and Contributions	24,698,500	3,697,700	2,949,100	2,009,100	2,079,200	1,709,200	1,579,100	1,579,100	1,579,100	1,579,100
Proceeds from sale of Assets	0	4,834,000	0	0	0	0	0	0	0	0
Loan fund utilised	5,800,000	0	0	0	0	0	0	0	0	0
Repayments from Deferred Debtors										
Funds Available	36,208,800	18,047,200	12,824,100	12,707,000	13,144,800	13,250,200	13,424,100	14,248,700	15,006,400	15,441,100
Less: Funds applied to										
Purchase and construction of Assets	44,339,900	10,696,800	10,230,500	9,515,100	9,037,900	9,008,700	7,994,800	9,092,000	8,283,800	8,011,100
Loan principal repayments	1,406,500	6,402,400	1,368,700	1,463,300	1,315,200	1,278,100	1,326,400	1,377,500	1,431,600	1,293,800
Total Funds Used	45,746,400	17,099,200	11,599,200	10,978,400	10,353,100	10,286,800	9,321,200	10,469,500	9,715,400	9,304,900
Increase/(Decrease) in Cash Position	(9,537,600)	948,000	1,224,900	1,728,600	2,791,700	2,963,400	4,102,900	3,779,200	5,291,000	6,136,200
Net Reserve Movement	(9,332,600)	2,849,000	2,598,800	2,676,000	3,373,500	2,850,300	3,547,900	3,119,600	3,880,400	5,138,700
Increase/(Decrease) in Unrestricted Cash	(205,000)	(1,901,000)	(1,373,900)	(947,400)	(581,800)	113,100	555,000	659,600	1,410,600	997,500
Estimated Unrestricted Cash Balance	(78,500)	(1,979,500)	(3,353,400)	(4,300,800)	(4,882,600)	(4,769,500)	(4,214,500)	(3,554,900)	(2,144,300)	(1,146,800)

Financial Outcomes (Base Case)

Detailed in Section 8 of this document are definitions of five performance indicators. Applying these performance indicators to the financial outcomes of the General Fund Base Case reveals the following:

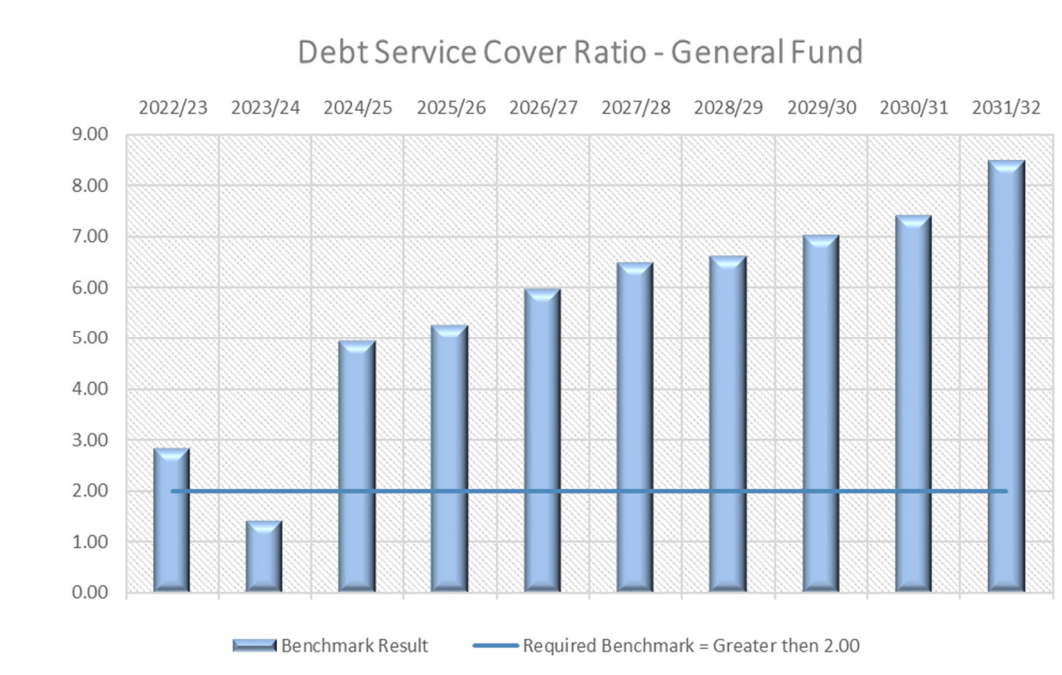
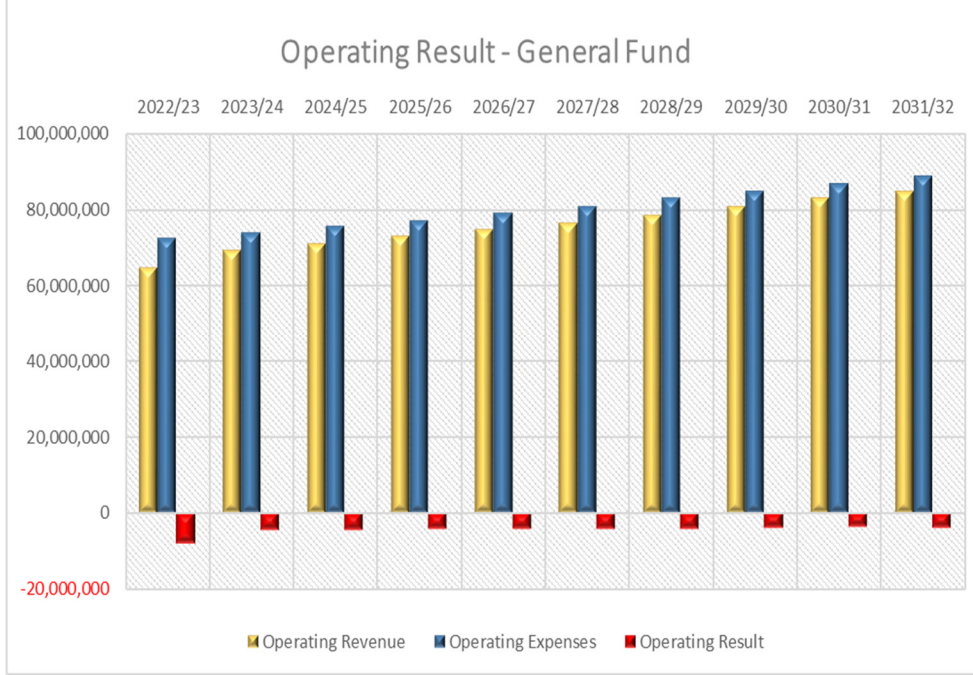
Operating Performance Ratio Own Source Revenue



Financial Outcomes (Base Case)

Detailed in Section 9 of this document are definitions of five performance indicators. Applying these performance indicators to the financial outcomes of the General Fund Base Case reveals the following:

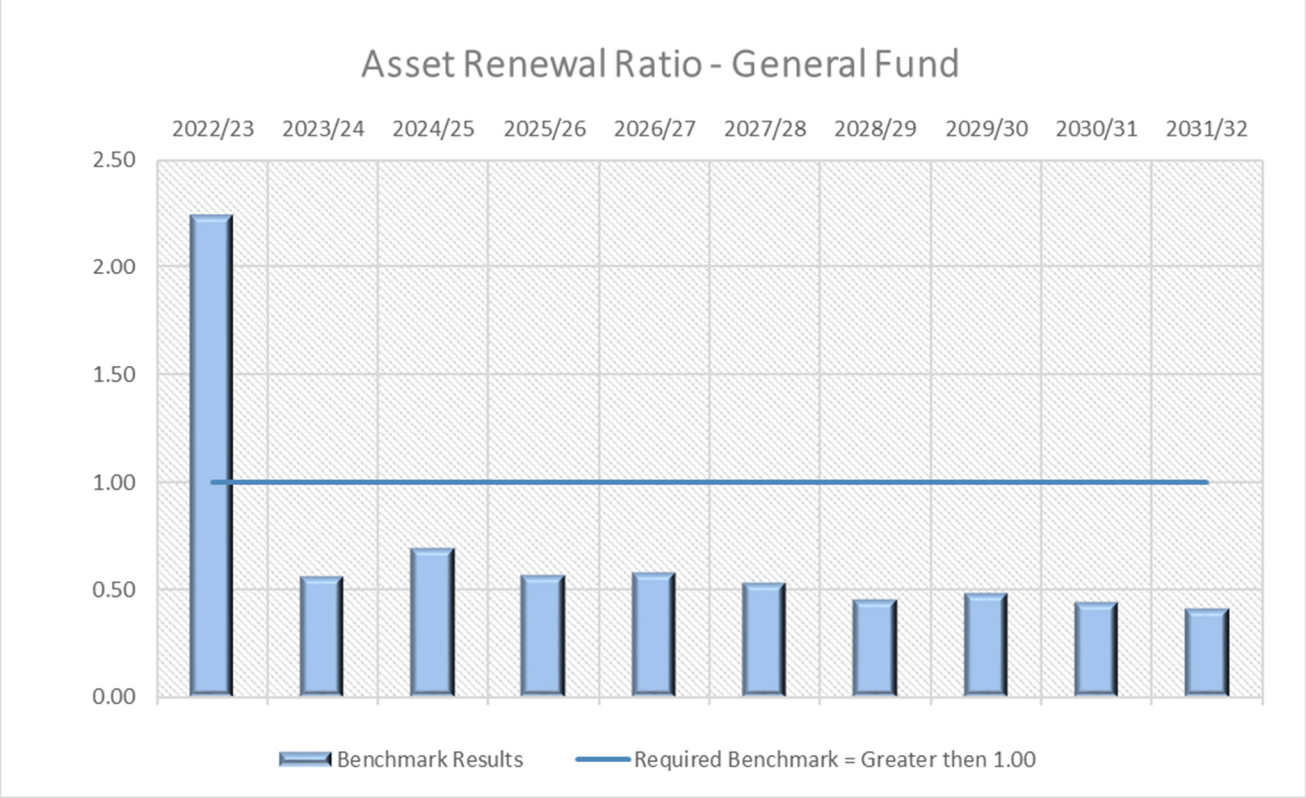
Operating Result Debt Service Cover Ratio



Financial Outcomes (Base Case)

Detailed in Section 9 of this document are definitions of five performance indicators. Applying these performance indicators to the financial outcomes of the General Fund Base Case reveals the following:

Asset Renewal Ratio



Financial Outcomes (Base Case)

General Fund Base Case Financial Outcome Commentary

Over the last five years Council has grown significantly as an organisation to cater for the growth in the area, additional service demands, an emphasis on infrastructure renewal and development following significant levels of grant funding. It has also been impacted from the effects of COVID-19 Pandemic in relation to border closures, lockdowns and working arrangements along with natural disasters from bushfires and most recently the devastating February/March 2022 flood events.

Council's operational expenditure has increased by 33% compared to 2017. With all the demands placed on Council, there is certainly financial pressure on the General Fund which contains all of Council's service areas except Water and Sewerage.

Currently for the 2021/2022 financial year, Council is projecting a budget deficit of \$391,100 and for the 2022/2023 financial year a deficit of \$205,000. One of Council's fundamental financial measures is the goal to maintain an unrestricted cash balance of \$1,000,000. Since the impact of COVID-19, the unrestricted cash balance has progressively been consumed in its entirety and it is from this basis this financial plan is cast.

The Base Case scenario for the General Fund continues to show ongoing operational deficits for the life of this Plan and is not projecting a 'cash surplus' until 2027/2028 financial year. To ensure the projected financial outcomes for the General Fund do not materialise, Council will need to either find additional revenue sources or look at ways to reduce expenditure over the next five years, whilst also dealing with the flood recovery.

Section 5 – Modelling Assumptions – Sensitivity Analysis/Scenarios

Sensitivity Analysis

Long Term Financial Plans (LTFP) are by their nature based on assumptions and predictions. The longer the term of a plan in years the greater the impact on the relevance of assumptions used for the latter years, in terms of their accuracy, as events may occur in future years that are not known at this point in time. Consequently if assumptions are wrong, they could have a significant impact upon the Long Term Financial Plan (LTFP) results which can vary depending upon the degree of variance in assumptions. If the assumptions identified in Section 4 of this document are not correct, Council will need to reconsider the financial outcomes and whether this will impact on the ability to provide the financial resources to deliver outcomes identified in the Community Strategic Plan. It is on this basis that the Long Term Financial Plan (LTFP) will need to be regularly reviewed (at least annually).

Scenarios

A Long Term Financial Plan (LTFP) should also provide the ability to predict financial outcomes if Council chose to alter service levels within programs, increase service levels or implement significant projects. The 2022-2032 Long Term Financial Plan is modelling two scenarios from the Base Case scenario of the Consolidated Fund (including General, Water and Sewerage Funds) that

- Base Case Scenario – Adopted Original 2022/2023 Budget Estimates plus 9 year projections based on current service levels as outlined in Section 4 of this document and assumptions as outlined in Section 3 of this document.
- Scenario 1 – Base Case plus the construction of a Bio-Energy Facility within the Sewerage Fund funded via a combination of grant funds and an external loan. The facility is assumed to be fully operational during the 2024/2025 financial year. The facility is designed to process Food and Organics Waste from the Council area and potentially the same waste stream from other Councils. Processing of the waste will then provide energy to operate Council's Byron Bay Sewerage Treatment Plant and support the reduction of emissions by Council as part of its Zero Emissions Strategy by 2025. The inclusion of the project as a scenario indicates potential financial impacts of the project. At the time of publication of this plan Council has not made any formal decision to proceed with this project even though it now has development consent approval.
- Scenario 2 – Base Case plus Scenario 1 plus a Special Rate Variation (SRV) of 6.94% for 2024/2025 (estimated total rate peg of 10.44% including the SRV) to finance a \$25,000,000 loan over twenty years to undertake a capital works program to improve stormwater drainage. The SRV would be on the basis of a Section 508(2) of the Local Government Act 1993 application to the Independent Pricing and Regulatory Tribunal and would be a permanent addition to Council's income. The inclusion of this potential SRV scenario indicates potential financial impacts the additional rate revenue and subsequent loan repayments will have on Council's finances. Council has not made any formal decision to proceed with any Special Rate Variation and would need to follow the processes of the NSW State Government to do so.

Section 6 – Financial Outcomes Scenario 1

Applying Scenario 1 – Base Case + Bio Energy Facility provides the following financial outcomes for the Consolidated Fund in relation to the 2022-2032 Financial Plan

Byron Shire Council Long Term Financial Plan 2023-2032										
Income Statement (Consolidated)										
Scenario: Base Case + Scenario 1 - Bio-Energy Facility	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Income from Continuing Operations										
Rates & Annual Charges	57,631,900	59,248,400	60,913,800	62,629,900	64,398,200	66,220,700	68,098,500	70,034,100	72,028,800	74,084,900
User Charges & Fees	32,118,100	33,422,300	37,001,800	37,600,600	38,379,200	39,188,500	40,022,100	40,880,800	41,766,100	42,642,800
Interest and Investment Revenue	561,500	343,800	418,300	412,900	387,800	533,100	768,600	1,056,300	1,621,700	1,621,700
Other Revenues	1,400,000	1,500,000	1,600,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Grants & Contributions for Operating Purposes	3,741,700	6,421,400	6,581,200	6,745,700	6,914,800	7,088,600	7,267,000	7,450,500	7,638,700	7,832,500
Grants & Contributions for Capital Purposes	34,598,500	4,697,700	3,949,100	3,009,100	3,079,200	2,709,200	2,579,100	2,579,100	2,579,100	2,579,100
Total Income from Continuing Operations	130,051,700	105,633,600	110,464,200	112,098,200	114,859,200	117,440,100	120,435,300	123,700,800	127,334,400	130,461,000
Expenses from Continuing Operations										
Employee Costs	29,928,000	30,718,600	31,333,500	31,961,200	32,601,400	33,253,900	33,919,200	34,598,300	35,291,700	35,998,400
Borrowing Costs	2,760,700	3,388,900	3,023,100	2,762,400	2,529,300	2,302,000	2,077,400	1,840,300	1,590,200	1,364,400
Materials and Services	45,649,000	45,010,600	47,588,500	48,811,700	50,064,900	51,351,600	52,670,800	54,089,200	55,508,800	56,987,100
Depreciation	18,455,700	19,009,400	19,579,600	20,166,800	20,771,600	21,394,600	22,036,600	22,697,700	23,378,300	24,079,400
Other Expenses	6,373,400	6,346,400	6,735,400	6,655,900	6,850,600	6,995,800	7,409,200	7,333,300	7,513,700	7,698,900
Total Expenses from Continuing Operations	103,166,800	104,473,900	108,260,100	110,358,000	112,817,800	115,297,900	118,113,200	120,558,800	123,282,700	126,128,200
Operating Result from Continuing Operations Surplus/(Deficit)	26,884,900	1,159,700	2,204,100	1,740,200	2,041,400	2,142,200	2,322,100	3,142,000	4,051,700	4,332,800
Net Operating Result for the year before Grants and Contributions for Capital Purposes Surplus/(Deficit)	(7,713,600)	(3,538,000)	(1,745,000)	(1,268,900)	(1,037,800)	(567,000)	(257,000)	562,900	1,472,600	1,753,700

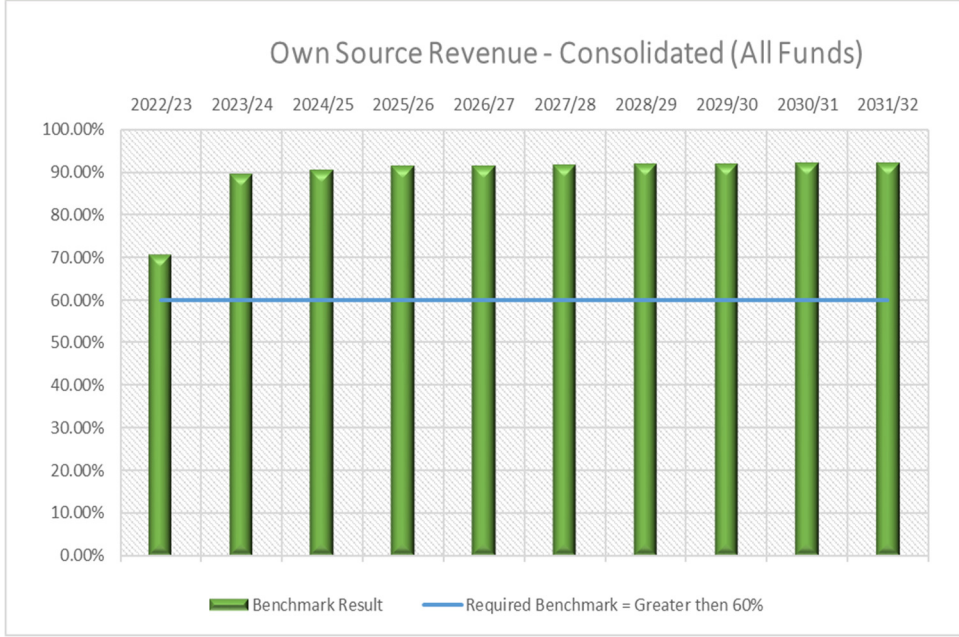
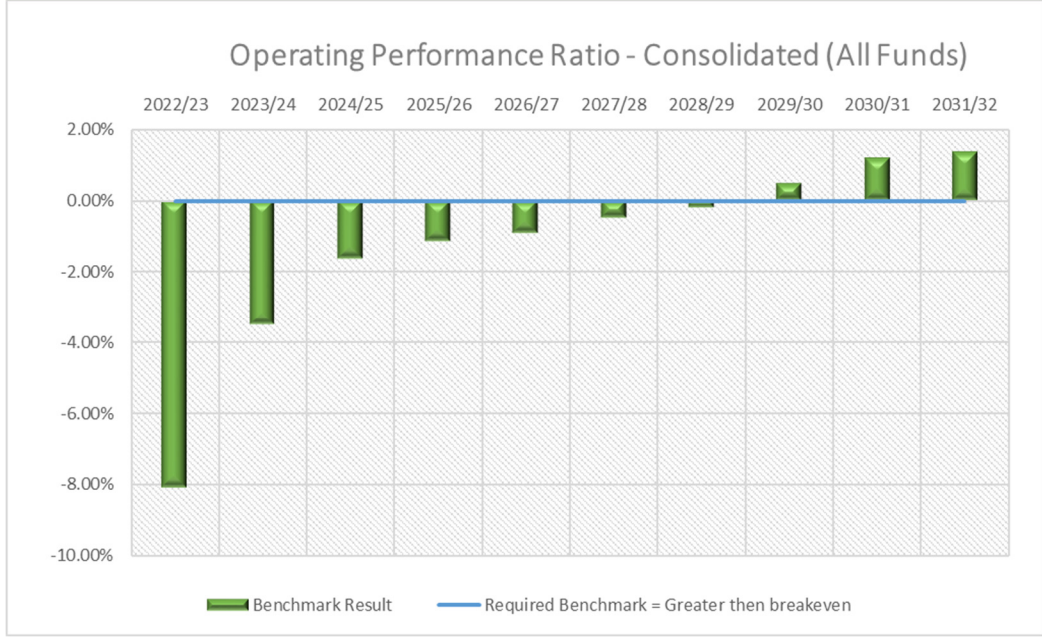
Financial Outcomes Scenario 1

Byron Shire Council Long Term Financial Plan 2023-2032										
Consolidated Funding Statement										
Scenario: Base Case + Scenario 1 - Bio-Energy Facility	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Operating Result before Capital Amounts from Income Statement Surplus/(Deficit)	(7,713,600)	(3,538,000)	(1,745,000)	(1,268,900)	(1,037,800)	(567,000)	(257,000)	562,900	1,472,600	1,753,700
Add: Non Cash Items										
Depreciation	18,455,700	19,009,400	19,579,600	20,166,800	20,771,600	21,394,600	22,036,600	22,697,700	23,378,300	24,079,400
Add: Non Operating Funding Sources										
Capital Grants and Contributions	34,598,500	4,697,700	3,949,100	3,009,100	3,079,200	2,709,200	2,579,100	2,579,100	2,579,100	2,579,100
Proceeds from sale of Assets	0	4,834,000	0	0	0	0	0	0	0	0
Loan fund utilised	20,800,000	0	0	0	0	0	0	0	0	0
Repayments from Deferred Debtors	0	0	0	0	0	0	0	0	0	0
Funds Available	66,140,600	25,003,100	21,783,700	21,907,000	22,813,000	23,536,800	24,358,700	25,839,700	27,430,000	28,412,200
Less: Funds applied to										
Purchase and construction of Assets	75,790,900	15,556,100	16,334,900	14,456,200	16,712,700	11,384,600	11,230,000	12,492,800	11,684,600	11,411,900
Loan principal repayments	4,039,800	9,625,400	4,281,600	4,542,300	4,561,000	4,343,000	4,567,500	4,804,700	4,659,300	4,297,400
Total Funds Used	79,830,700	25,181,500	20,616,500	18,998,500	21,273,700	15,727,600	15,797,500	17,297,500	16,343,900	15,709,300
Increase/(Decrease) in Cash Position	(13,690,100)	(178,400)	1,167,200	2,908,500	1,539,300	7,809,200	8,561,200	8,542,200	11,086,100	12,702,900
Net Reserve Movement	(13,485,100)	1,722,600	2,541,100	3,855,900	2,121,100	7,696,100	8,006,200	7,882,600	9,675,500	11,705,400
Increase/(Decrease) in Unrestricted Cash	(205,000)	(1,901,000)	(1,373,900)	(947,400)	(581,800)	113,100	555,000	659,600	1,410,600	997,500

Financial Outcomes Scenario 1

Detailed in Section 8 of this document are definitions of five performance indicators. Applying these performance indicators to the financial outcomes of Scenario 1 reveals the following:

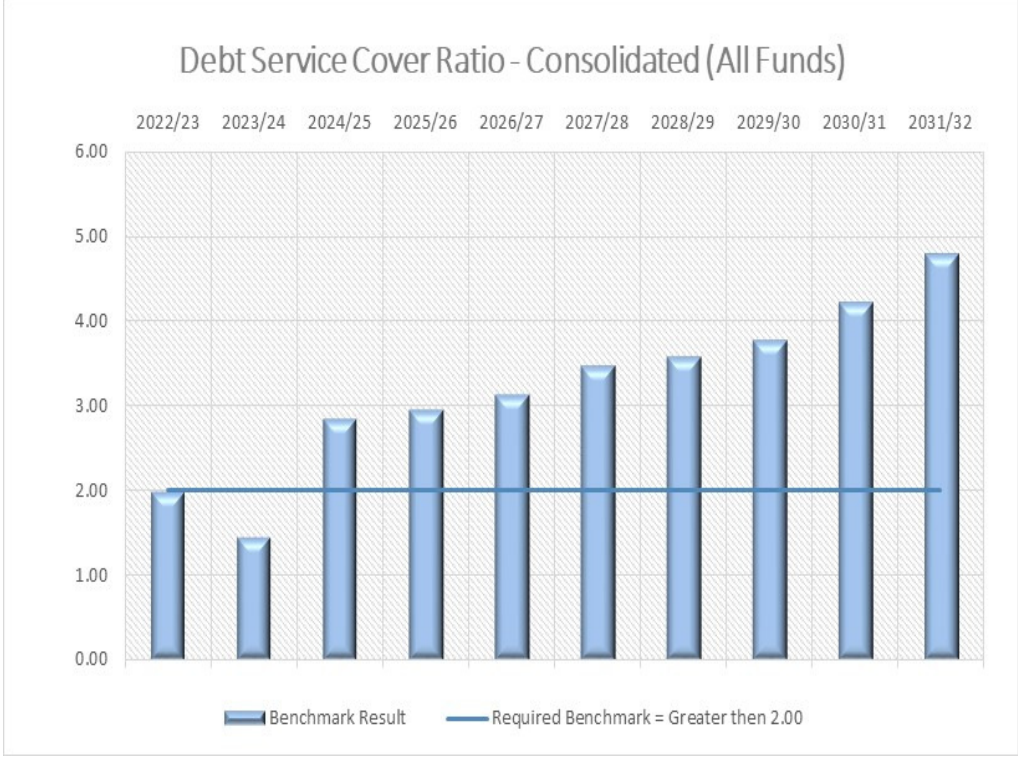
Operating Performance Ratio Own Source Revenue



Financial Outcomes Scenario 1 'Deteriorate'

Detailed in Section 8 of this document are definitions of six performance indicators. Applying these performance indicators to the financial outcomes of Scenario 1 reveals the following:

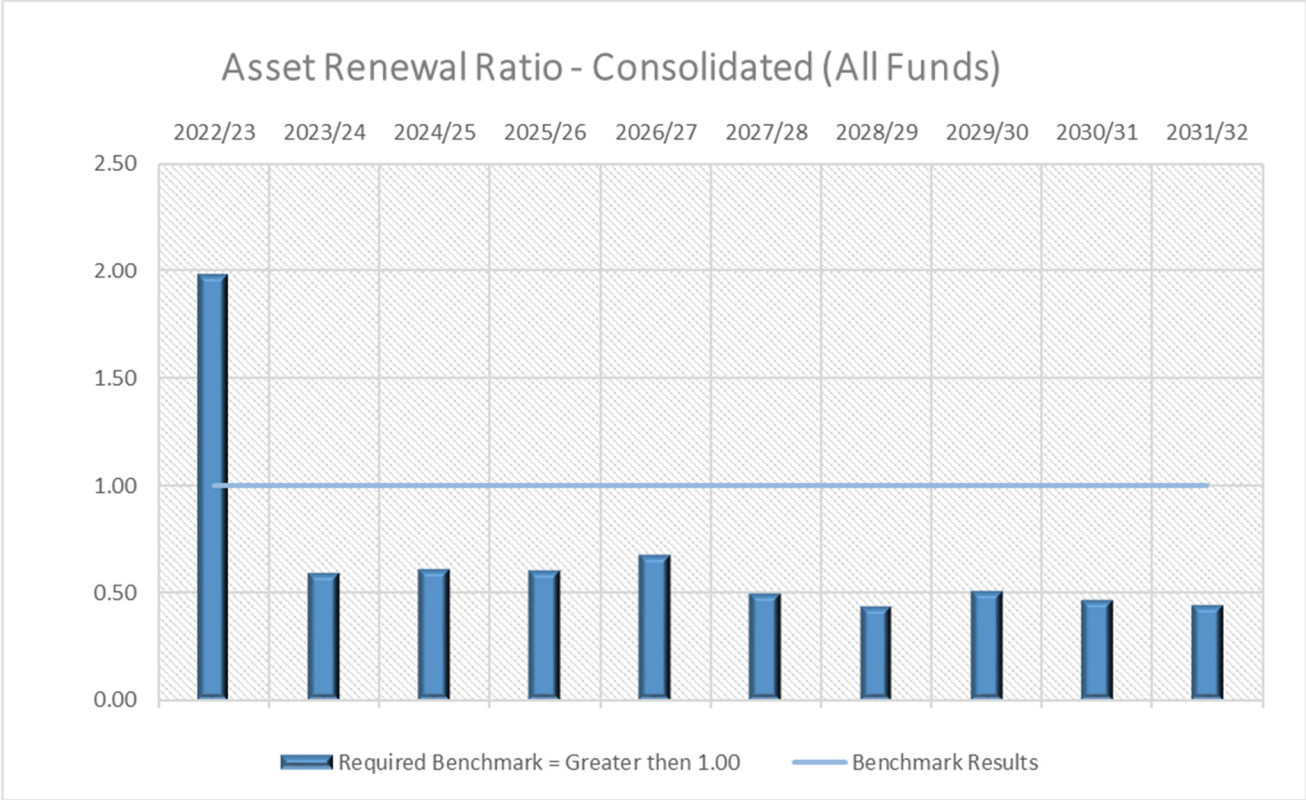
Operating Result Debt Service Cover Ratio



Section 6 – Financial Outcomes Scenario 1

Detailed in Section 8 of this document are definitions of five performance indicators. Applying these performance indicators to the financial outcomes of Scenario 1 reveals the following:

Asset Renewal Ratio



Financial Outcomes Scenario 1

Consolidated Fund Scenario 1 Outcome Comment

If comparison is made against the Operating Performance Ratio and Debt Service Cover Ratio performance benchmarks, the following results are achieved:

Operating Performance Ratio

	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2031/2032
Benchmark	>0.00%	>0.00%	>0.00%	>0.00%	>0.00%	>0.00%	>0.00%	>0.00%	>0.00%	>0.00%
Base Case	(8.08%)	(2.75%)	(2.42%)	(1.98%)	(1.79%)	(1.39%)	(1.16%)	(0.45%)	0.26%	0.45%
Scenario 1	(8.08%)	(3.51%)	(1.64%)	(1.16%)	(0.93%)	(0.49%)	(0.22%)	0.46%	1.18%	1.37%

Debt Service Cover Ratio

	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2031/2032
Benchmark	>2.00x	>2.00x	>2.00x	>2.00x	>2.00x	>2.00x	>2.00x	>2.00x	>2.00x	>2.00x
Base Case	1.99	1.60	3.17	3.30	3.51	3.95	4.07	4.30	4.90	5.72
Scenario 1	1.99	1.45	2.86	2.97	3.14	3.48	3.59	3.78	4.23	4.80

The results above demonstrate on projections, the Bio-Energy Facility is estimated to improve the operating financial performance of Council from 2024/2025 overall but does not increase the level of debt service as the revenue projections cover estimated operating costs and loan repayments.

Section 7 – Financial Outcomes Scenario 2

Applying Scenario 2 – Base Case + Bio Energy Facility + \$25,000,000 Drainage SRV provides the following financial outcomes for the Consolidated Fund in relation to the 2022-2032 Financial Plan

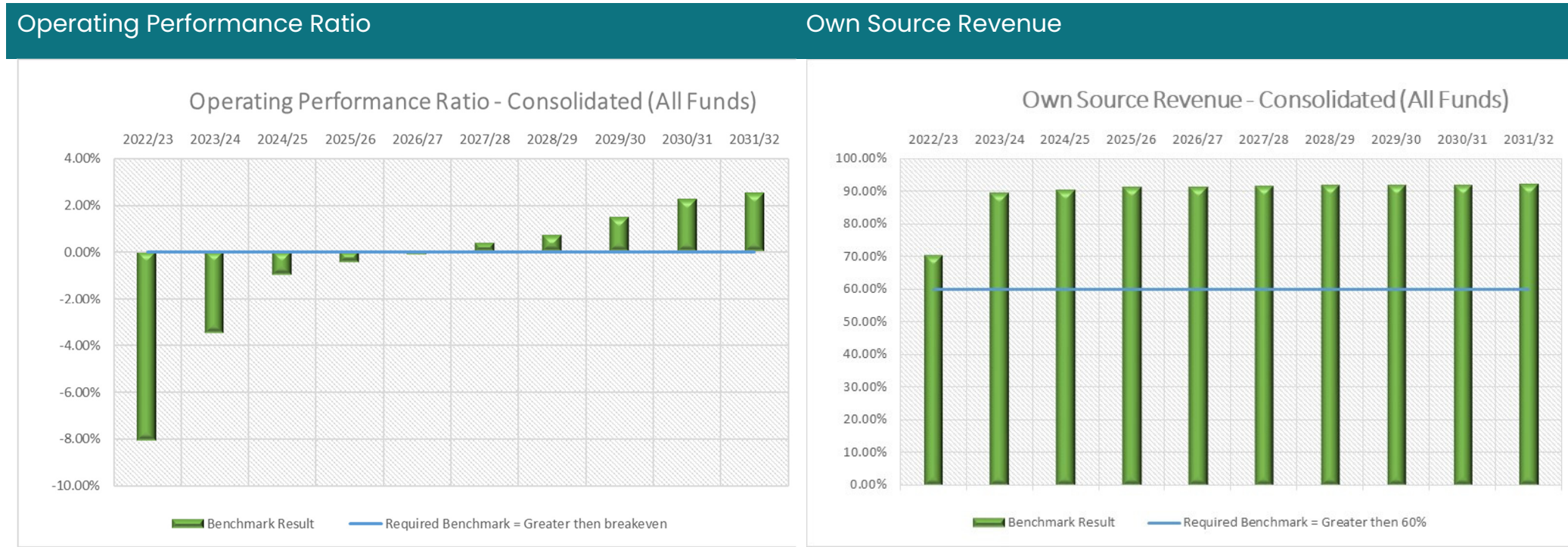
Byron Shire Council Long Term Financial Plan 2023-2032										
Income Statement (Consolidated)										
Scenario: Base Case + Scenario 1 - Bio-Energy Facility + Scenario 2 \$25,000,000 Drainage SRV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Income from Continuing Operations										
Rates & Annual Charges	57,631,900	59,248,400	62,901,700	64,687,300	66,527,600	68,424,500	70,379,500	72,394,800	74,472,200	76,613,800
User Charges & Fees	32,118,100	33,422,300	37,001,800	37,600,600	38,379,200	39,188,500	40,022,100	40,880,800	41,766,100	42,642,800
Interest and Investment Revenue	561,500	343,800	418,300	412,900	387,800	533,100	768,600	1,056,300	1,621,700	1,621,700
Other Revenues	1,400,000	1,500,000	1,600,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Grants & Contributions for Operating Purposes	3,741,700	6,421,400	6,597,000	6,762,100	6,931,700	7,106,100	7,285,100	7,469,300	7,658,100	7,852,600
Grants & Contributions for Capital Purposes	34,598,500	4,697,700	3,949,100	3,009,100	3,079,200	2,709,200	2,579,100	2,579,100	2,579,100	2,579,100
Total Income from Continuing Operations	130,051,700	105,633,600	112,467,900	114,172,000	117,005,500	119,661,400	122,734,400	126,080,300	129,797,200	133,010,000
Expenses from Continuing Operations										
Employee Costs	29,928,000	30,718,600	31,333,500	31,961,200	32,601,400	33,253,900	33,919,200	34,598,300	35,291,700	35,998,400
Borrowing Costs	2,760,700	3,388,900	4,301,200	4,002,000	3,728,300	3,458,300	3,188,800	2,904,500	2,604,700	2,326,600
Materials and Services	45,649,000	45,010,600	47,639,300	48,864,200	50,119,300	51,407,800	52,729,000	54,149,500	55,571,300	57,051,900
Depreciation	18,455,700	19,009,400	19,579,600	20,166,800	20,771,600	21,394,600	22,036,600	22,697,700	23,378,300	24,079,400
Other Expenses	6,373,400	6,346,400	6,735,400	6,655,900	6,850,600	6,995,800	7,409,200	7,333,300	7,513,700	7,698,900
Total Expenses from Continuing Operations	103,166,800	104,473,900	109,589,000	111,650,100	114,071,200	116,510,400	119,282,800	121,683,300	124,359,700	127,155,200
Operating Result from Continuing Operations Surplus/(Deficit)	26,884,900	1,159,700	2,878,900	2,521,900	2,934,300	3,151,000	3,451,600	4,397,000	5,437,500	5,854,800
Net Operating Result for the year before Grants and Contributions for Capital Purposes Surplus/(Deficit)	(7,713,600)	(3,538,000)	(1,070,200)	(487,200)	(144,900)	441,800	872,500	1,817,900	2,858,400	3,275,700

Financial Outcomes Scenario 2

Byron Shire Council Long Term Financial Plan 2023-2032										
Consolidated Funding Statement										
Scenario: Base Case + Scenario 1 - Bio-Energy Facility + Scenario 2 \$25,000,000 Drainage SRV										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Operating Result before Capital Amounts from Income Statement Surplus/(Deficit)	(7,713,600)	(3,538,000)	(1,070,200)	(487,200)	(144,900)	441,800	872,500	1,817,900	2,858,400	3,275,700
Add: Non Cash Items										
Depreciation	18,455,700	19,009,400	19,579,600	20,166,800	20,771,600	21,394,600	22,036,600	22,697,700	23,378,300	24,079,400
Add: Non Operating Funding Sources										
Capital Grants and Contributions	34,598,500	4,697,700	3,949,100	3,009,100	3,079,200	2,709,200	2,579,100	2,579,100	2,579,100	2,579,100
Proceeds from sale of Assets	0	4,834,000	0	0	0	0	0	0	0	0
Loan fund utilised	20,800,000	0	25,000,000	0	0	0	0	0	0	0
Repayments from Deferred Debtors	0	0	0	0	0	0	0	0	0	0
Funds Available	66,140,600	25,003,100	47,458,500	22,688,700	23,705,900	24,545,600	25,488,200	27,094,700	28,815,800	29,934,200
Less: Funds applied to										
Purchase and construction of Assets	75,790,900	15,556,100	41,334,900	14,456,200	16,712,700	11,384,600	11,230,000	12,492,800	11,684,600	11,411,900
Loan principal repayments	4,039,800	9,625,400	5,020,500	5,319,800	5,379,000	5,203,700	5,473,100	5,757,600	5,661,900	5,352,300
Total Funds Used	79,830,700	25,181,500	46,355,400	19,776,000	22,091,700	16,588,300	16,703,100	18,250,400	17,346,500	16,764,200
Increase/(Decrease) in Cash Position	(13,690,100)	(178,400)	1,103,100	2,912,700	1,614,200	7,957,300	8,785,100	8,844,300	11,469,300	13,170,000
Net Reserve Movement	(13,485,100)	1,722,600	2,541,100	3,855,900	2,121,100	7,696,100	8,006,200	7,882,600	9,675,500	11,705,400
Increase/(Decrease) in Unrestricted Cash	(205,000)	(1,901,000)	(1,438,000)	(943,200)	(506,900)	261,200	778,900	961,700	1,793,800	1,464,600

Financial Outcomes Scenario 2

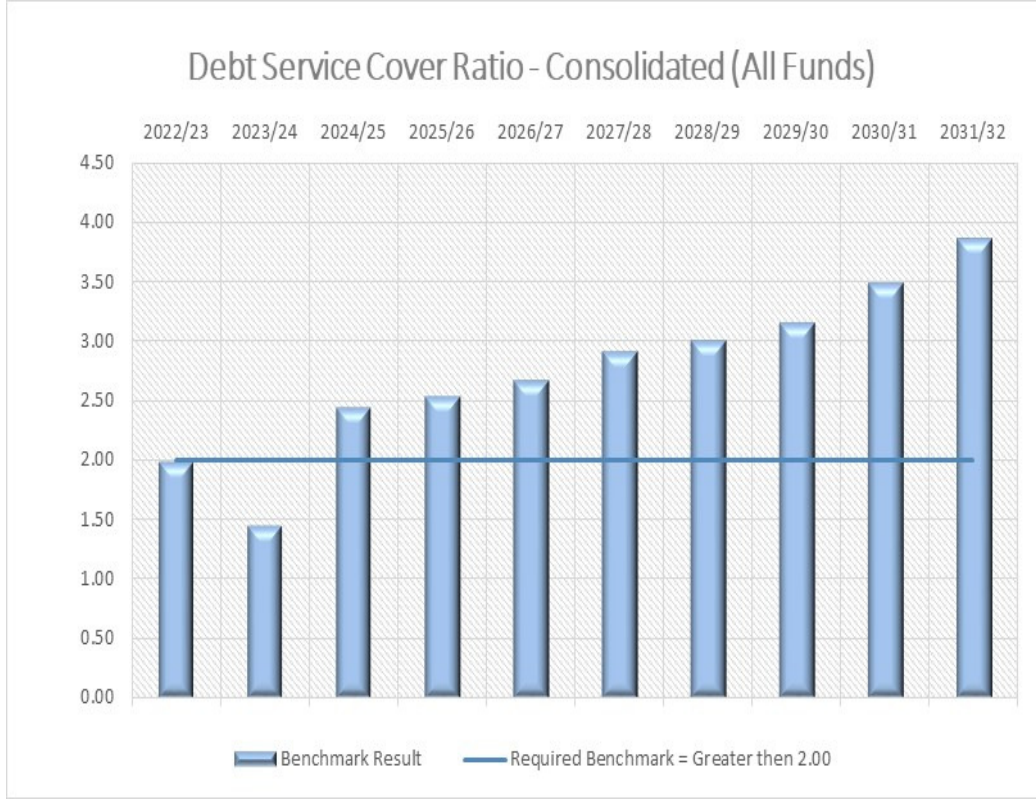
Detailed in Section 8 of this document are definitions of five performance indicators. Applying these performance indicators to the financial outcomes of the Scenario 2 reveals the following:



Financial Outcomes Scenario 2

Detailed in Section 8 of this document are definitions of five performance indicators. Applying these performance indicators to the financial outcomes of the Scenario 2 reveals the following:

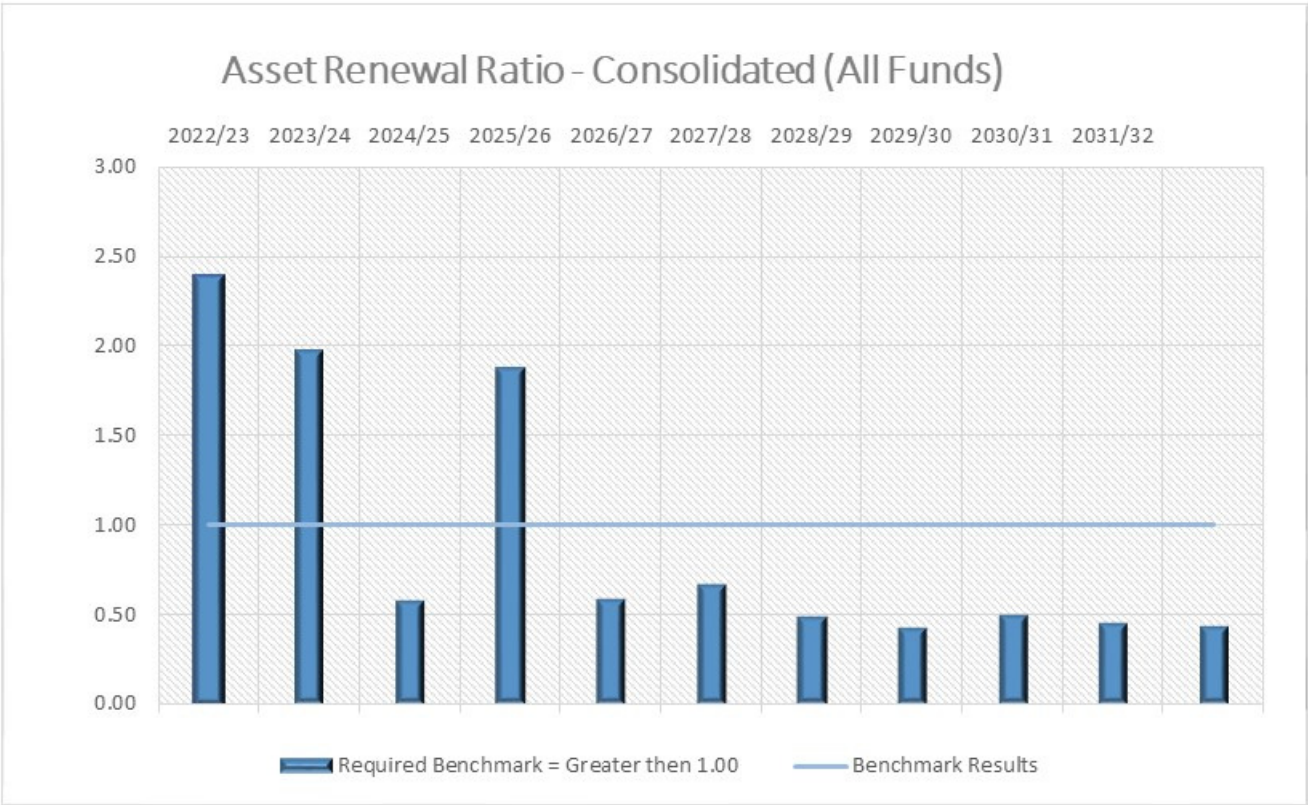
Operating Result
Debt Service Cover Ratio



Financial Outcomes Scenario 2

Detailed in Section 8 of this document are definitions of five performance indicators. Applying these performance indicators to the financial outcomes of Scenario 2 reveals the following:

Asset Renewal Ratio



Section 7 – Financial Outcomes Scenario 2

Consolidated Fund Scenario 2 Outcome Comment

If comparison is made against the Operating Performance Ratio, Debt Service Cover Ratio and Asset Renewal Ratio performance benchmarks, the following results are achieved:

Operating Performance Ratio

	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2031/2032
Benchmark	>0.00%	>0.00%	>0.00%	>0.00%	>0.00%	>0.00%	>0.00%	>0.00%	>0.00%	>0.00%
Base Case	(8.08%)	(2.75%)	(2.42%)	(1.98%)	(1.79%)	(1.39%)	(1.16%)	(0.45%)	0.26%	0.45%
Scenario 1	(8.08%)	(3.51%)	(1.64%)	(1.16%)	(0.93%)	(0.49%)	(0.22%)	0.46%	1.18%	1.37%
Scenario 2	(8.08%)	(3.51%)	(0.99%)	(0.44%)	(0.13%)	0.38%	0.73%	1.47%	2.25%	2.51%

Debt Service Cover Ratio

	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2031/2032
Benchmark	>2.00x	>2.00x	>2.00x	>2.00x	>2.00x	>2.00x	>2.00x	>2.00x	>2.00x	>2.00x
Base Case	1.99	1.60	3.17	3.30	3.51	3.95	4.07	4.30	4.90	5.72
Scenario 1	1.99	1.45	2.86	2.97	3.14	3.48	3.59	3.78	4.23	4.80
Scenario 2	1.99	1.45	2.45	2.54	2.67	2.92	3.01	3.17	3.49	3.87

Section 7 – Financial Outcomes Scenario 2

Consolidated Fund Scenario 2 Outcome Comment

Infrastructure Renewal Ratio

	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2031/2032
Benchmark	>1.00	>1.00	>1.00	>1.00	>1.00	>1.00	>1.00	>1.00	>1.00	>1.00
Base Case	1.98	0.59	0.61	0.60	0.67	0.50	0.44	0.50	0.46	0.44
Scenario 1	1.98	0.59	0.61	0.60	0.67	0.50	0.44	0.50	0.46	0.44
Scenario 2	1.98	0.59	1.88	0.60	0.67	0.50	0.44	0.50	0.46	0.44

The results above demonstrate on projections, the \$25,000,000 Drainage Special Rate Variation (SRV) is also estimated to improve the operating financial performance of Council from 2024/2025 overall but does not increase the level of debt service as the revenue projections from the SRV cover the loan repayments, plus the compounding from the additional rate income with the SRV as a permanent addition to revenue will generate improved financial sustainability for Council as the loan repayments remain fixed. Further, there is a spike in the Asset Renewal Ratio following the investment of \$25,000,000 in stormwater drainage renewal works from 2024/2025.

Section 8 – Key Performance Indicator Definitions

It is important with any Long Term Financial Plan (LTFP) to establish Key Performance Indicators (KPI)s that are relevant and set against benchmarks to highlight any forecasted trends that require attention if projected results fall below acceptable benchmarks. To assist the evaluation of the Byron Shire Council Long Term Financial Plan 2022-2032, the following six performance benchmarks are identified to measure the performance of the Consolidated Fund and General Fund.

Benchmark	Calculation Basis	Description	Benchmark Requirement
Operating Performance Ratio	$\frac{\text{Total continuing operating revenue (excl capital grants and contributions less operating expenses)}}{\text{Total continuing operating revenue (excl capital grants and contributions)}}$	Provides an indication of how a Council generates income and allocates expenditure. It is an indicator of continued capacity to meet ongoing expenditure commitments.	Greater than or equal to break-even
Own Source Revenue Ratio	$\frac{\text{Total continuing operating revenue less all grants and contributions}}{\text{Total continuing operating revenue inclusive of capital grants and contributions}}$	Measures the degree of reliance on external funding sources ie grants and contributions. Councils with a higher own source revenue have a greater ability to control or manage their own operating performance and financial sustainability.	Greater than 60%
Operating Result	$\frac{\text{Total continuing operating revenue less capital grants and contributions}}{\text{Total operating expenditure}}$	Measures whether Council is generating sufficient operating revenue to fund day to day expenses and the annual depreciation of its assets	Greater than \$0

Key Performance Indicator Definitions

Benchmark	Calculation Basis	Description	Benchmark Requirement
Debt Service Cover Ratio	$\frac{\text{Operating result before capital excluding interest and depreciation}}{\text{Loan principal repayments plus interest costs}}$	This ratio measures the availability of operating cash to service debt including interest, principal and lease payments	Greater than 2.00
Asset Renewal Ratio	$\frac{\text{Asset renewals}}{\text{Depreciation, amortisation and impairment}}$	Measures the proportion spent on asset renewals and compares to the same assets deterioration.	Greater than 100%

Specific performance measure outcomes using the indicators defined in this section are presented in the following sections of the document as follows:

1. Section 4 – Financial Outcomes for the Base Case
2. Section 5 – Financial Outcomes for Scenario 1 Base Case plus Bio-Energy Facility
3. Section 6 – Financial Outcomes for Scenario 2 Base Case plus Bio-Energy Facility plus Special Rate Variation for \$25million Stormwater Drainage Program