

**Long Term Financial Plan**  
**2012/13 – 2021/22**

**Shire of  
Boddington**



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## 1 ABOUT THIS PLAN

The Shire of Boddington's Long Term Financial Plan (LTFP) provides a mechanism for the Council to assess its long term financial sustainability and shows the linkages between specific plans and strategies and the impacts they may have on the Council's financial position.

The LTFP enables the Shire to set priorities, based on its resourcing capabilities, for the delivery of short, medium and long term community priorities.

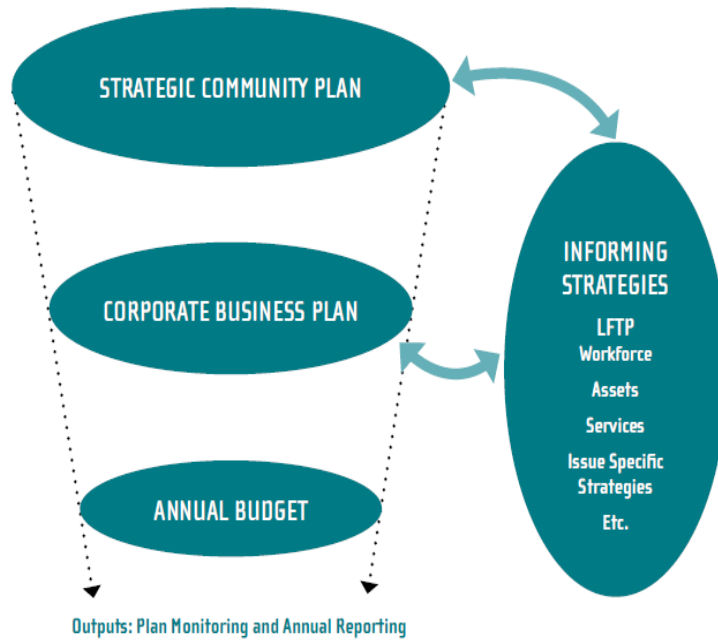
The LTFP is intended to provide a robust, consistent and sustainable approach to establishing and maintaining a stable and prudent financial basis on which improvement and transformation of the organisation's services can progress.

This Plan has been prepared taking into consideration the Council's Strategic Community Plan 2013 - 2022, Corporate Business Plan 2012/13 - 2015/16, Bicycle Plan 2010 - 2018, Forward Capital Works Plan 2010/11 - 2014/15, Aged Care Plan, Disability Access and Inclusion Plan and the SuperTown Growth Plan 2012. These plans have informed the LTFP and will also form the basis of the Shire's annual budgeting process.

The LTFP is a dynamic tool which analyses financial trends over a ten year period based on a range of assumptions. It provides the Shire with information to assess resourcing requirements to achieve its strategic objectives and to assist the Shire to ensure its future financial sustainability.

It is acknowledged that the development of this Plan is as an initial draft, based on assumptions correct at the time. The Plan becomes a 'living' document which is updated throughout its life to reflect an ever-changing local government environment and the underlying assumptions that come with this, as well as to reflect revisions to the Shire's Corporate Business Plan, Workforce Plan and Forward Capital Works Plan. The Plan will also be updated following the development of asset management plans for all of Council assets.

The figure below illustrates the interaction between the various plans under the Department of Local Government’s *Integrated Planning and Reporting Framework*. The LTFP informs, and is informed by, the Strategic Community Plan and Corporate Business Plan, which in turn inform the Shire’s annual budget.



**The LTFP within the Integrated Planning and Reporting Framework**



## 2 STRATEGIC CONTEXT

### 2.1 Our Vision

*“Boddington - a vibrant, welcoming and connected community where natural beauty abounds and economic growth provides opportunities for all”*

### 2.2 Key Drivers

The following key drivers have been identified for the Shire of Boddington:

- **Mines** – employment and population, particularly with a downsizing camp
- **Health** – hospital, aged care, GPs and specialists
- **Education** – lack of Year 11 and 12 resources, closest is Narrogin Senior High School; loss of high school aged students and families; Boddington District High School has had performance issues
- **Shopping** – very limited; people shopping elsewhere for example at Armadale and Mandurah; some prices inflated due to mining incomes; competition of online shopping
- **Tourism** – not currently but could be, for example, mining tours; lack of short stay accommodation including homestays and farmstays; create attractions
- **Access** – no public transport such as buses and trains; better link to Perth could increase the resident population
- **Recreation** – lack of a centre is currently limiting participation; no colocation; lack of older youth attractions; sport and recreation; problem with attracting children and youth with the competition from electronic entertainment; need to attract adults for health and fitness
- **Housing** – more housing would attract more people to the town



## 2.3 Challenges facing the Shire

The Shire of Boddington faces a variety of challenges as it develops over the next 10 years. The critical challenges affecting the Shire have been identified through community engagement and the Strategic Community planning process. These challenges include:

- Regional economic growth reliant on the resources industry
- Challenges attracting and retaining labour to the area
- The availability and affordability of housing and land
- High mobility of mining employees impacts on continuity of community services and community groups
- Economic development, with the focus on the development of a more balanced economy with diversity and choice in employment
- Wider range of commercial services available locally to residents

The development of this plan is based on the Shire's current knowledge. However, there are some critical uncertainties that the Shire has no control over, which may affect its planning and resourcing. These include:

- Global financial conditions that may affect the resources industry and the Australian economy
- Change of State or Federal government policy
- Change of resource sector operations
- Climatic/weather changes
- Natural disasters



## 2.4 Key Opportunities

The following opportunities have been identified by the Shire during the development of the Corporate Business Plan and the Strategic Community Plan, and have been kept in contemplation through the development of the Long Term Financial Plan.

- Continuing to develop the town of Boddington as the population increases
- Enhancing tourism through the development and promotion of the region's unique character, lifestyle, culture and natural environment
- Providing a coordinated land supply for the long-term development of each community
- Developing land for commercial and residential needs to diversify existing uses and activities, which will improve the local economy and quality of life
- Providing a greater diversity of housing to meet the differing community needs
- Enhancing the integration of drive-in drive-out workers into local communities
- Extending the range of locally available employment opportunities
- Improving the quality and range of community facilities





### 3 SERVICES

The Shire of Boddington provides an extensive range of services to the community which fall into the following programs prescribed under the *Local Government (Financial Management) Regulations 1996*.

#### GOVERNANCE

Administration and operation of facilities and services to members of Council. Includes all costs associated with elected members along with the allocation of expenses for the Chief Executive Officer and staff in the administration of Council.

#### GENERAL PURPOSE FUNDING

Includes rate revenue, general purpose grants, interest revenue and expenditure.

#### LAW, ORDER, PUBLIC SAFETY

Supervision of various local laws, fire prevention, emergency services and animal control. Council is also responsible for the collection of the Emergency Services Levy on behalf of FESA.

#### HEALTH

Food quality and pest control, immunisation services, operation of Health Clinic and general health administration. Council shares its Environmental Health Officer with the Shire of Wandering for Building services one day a week.

#### EDUCATION AND WELFARE

Operation of Senior Citizens centre and Independent Care Units. Assistance to playgroups and other voluntary services.

#### HOUSING

Maintenance of non-administrative staff and rental housing. Previously reported under Other Property and Services.



### **COMMUNITY AMENITIES**

Rubbish collection services, operation of refuse site, administration of the Town Planning Scheme, maintenance of cemeteries and public conveniences.

### **RECREATION AND CULTURE**

Maintenance of the Town Hall, swimming pool, recreation reserve and associated facilities. Library operations and general maintenance of all parks and reserves.

### **TRANSPORT**

Construction and maintenance of streets, roads and bridges. Cleaning and lighting of streets and depot maintenance

### **ECONOMIC SERVICES**

Operation of the Caravan Park. Promotion of tourism and business and provision of building services.

### **OTHER PROPERTY & SERVICES**

Private works operations, plant repairs and works overheads.



### 3.1 Service Profiles

Office of the Chief Executive	Community Services	Corporate Services	Economic Development	Environmental Health	Special Projects	Works
<ul style="list-style-type: none"><li>• Governance</li><li>• Development Compliance</li><li>• Environment Services</li><li>• Statutory Planning</li><li>• Strategic Planning</li></ul>	<ul style="list-style-type: none"><li>• Community Services Administration</li><li>• Arts, Culture and Events</li><li>• Childcare Services</li><li>• Community Development</li><li>• Health Services</li><li>• Library Services</li><li>• Media and Communications</li><li>• Recreation</li><li>• Youth Centre</li></ul>	<ul style="list-style-type: none"><li>• Corporate Services Administration</li><li>• Asset Management</li><li>• Bushfire Services</li><li>• Customer Services</li><li>• Financial Management</li><li>• Human Resources</li><li>• Information Technology</li><li>• Occupational Health and Safety</li><li>• Ranger Services</li><li>• Rates</li><li>• Records Management</li><li>• Risk Management</li></ul>	<ul style="list-style-type: none"><li>• Economic Development</li></ul>	<ul style="list-style-type: none"><li>• Building Maintenance</li><li>• Caravan Park</li><li>• Emergency Management</li><li>• Health Services</li><li>• Waste Collection and Recycling Services</li></ul>	<ul style="list-style-type: none"><li>• Special Projects</li></ul>	<ul style="list-style-type: none"><li>• Engineering Works</li><li>• Landfill Operations</li><li>• Parks and Gardens Services</li></ul>



## 4 ASSET MANAGEMENT

Local government activities are typically more asset intensive than those of the other spheres of government. Many Council assets have long life spans and hence the Shire must have regard not only to the initial capital investment expenditure but to ongoing operating and maintenance costs. The Shire must also have regard to future cash flows associated with the replacement and renewal of assets.

The Shire's current portfolio of Infrastructure Assets is \$9,363,245 whilst its Property, Plant and Equipment is measured at \$13,363,230 (book values as at 30 June 2013).

The Shire has not yet finalised the development of its asset management plans. The asset management plans will be based on the total lifecycle of assets and assist the Shire in predicting infrastructure renewal demand, that is, the cost of bringing an asset back to new at the optimum time in its lifecycle. Recommendations from the plans will be incorporated into the Long Term Financial Plan through the amendment of annual upgrade, renewal and operating expenditures for each of the Shire's asset classes.

The table below outlines the assumptions that have been adopted regarding the Shire's projected capital expenditure across the asset classes over the life of the LTFP. The projections act as estimates of future asset renewal and acquisition expenditures based on the Shire's capital expenditure over the previous three years in conjunction with the anticipated depreciation expense over the remainder of the LTFP.

Asset Class	2013/14	2014/15	2015/16	2016/17 to 2021/22
Land and Buildings	\$2 250 000	\$5 000 000	\$5 000 000	\$500 000
Plant and Equipment	\$700 000	\$700 000	\$700 000	\$700 000
Furniture and Equipment	\$45 000	\$45 000	\$45 000	\$45 000
Roads	\$500 000	\$500 000	\$500 000	\$500 000
Footpaths	\$50 000	\$50 000	\$50 000	\$50 000
Drainage	\$50 000	\$1,300,000	\$50 000	\$50 000
Public Facilities	\$50 000	\$50 000	\$50 000	\$50 000
Parks and Ovals	\$50 000	\$50 000	\$50 000	\$50 000

Of the \$2.25 million expenditure on Land and Buildings in 2013/14, \$1.75 million can be attributed to the construction of the new Shire Administration Centre. An additional expenditure of \$4.5 million per annum in 2014/15 and 2015/16 is anticipated in Land and Buildings for the construction of the new Leisure and Recreation Centre. This project will be partially funded by a grant of \$2.85 million per annum across 2014/15 and 2015/16. The Ranford Water Supply project accounts for a \$1.25 million expenditure in 2014/15, which is funded fully by a SuperTowns grant payable in 2016/17.



## 5 WORKFORCE PLANNING

The base Long Term Financial Plan scenario has adopted the ‘minimal growth’ perspective as discussed in the Shire of Boddington Workforce Plan:

There was some evidence of disagreement over whether, and in what areas, the Shire requires increases in its staffing complement in order to respond to current and predicted demand for services. This often related to varying perceptions of the plausibility of the predicted growth scenarios published in the town’s various growth plans.

There was, however, general agreement that the current existing vacancies in the organisation’s structure - i.e. the need for more outside crew, a leading hand, and more cleaners - were in urgent need of being filled. However, in some quarters the idea of further expanding the management capacity of the shire was met with some skepticism, with the organisation seen as being already top-heavy and in some respects inefficient, with some senior staff performing more routine tasks better suited to an assistant or more operationally focused roles. Some respondents thus suggested that there was need for more assistant-level and support staff, so that managers could be freed up for strategic and executive functions.

From this perspective - which might be called the “minimal growth” perspective - it was felt that the SuperTowns project had adequate support at this time.<sup>1</sup>

Consequently, the LTFP has assumed a constant employee level over the next 10 years and has not budgeted for any significant and permanent staff increases. The employee cost increase is assumed at 3.5% per annum over the life of the LTFP, whilst a growth in the Shire’s rate base of 1.0% per annum has been anticipated. It should be noted that this assumed increase is mitigated by grant funding of \$150,000 in 2014/15 to fund two contracts in the economic development group (which terminate at the end of that period), as well as a \$100,000 reduction in 2015/16 due to the expiration of the contract for the Recreation Centre Project Manager.

The ratio of employee costs to total operating expenditure is anticipated to remain relatively constant throughout the life of the LTFP, at approximately 32%.

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<sup>1</sup> Shire of Boddington Workforce Plan, Miles Morgan Australia Pty Ltd.



## 6 SCENARIO MODELLING AND SENSITIVITY ANALYSIS

The table below outlines the impact that two isolated potential scenarios may have on the Shire’s long term financial position. The key assumptions around service levels, revenue growth, grant contributions and expenditure levels (both capital and operating) are constant across the scenarios unless otherwise indicated.

Item	Scenario 1 (Status Quo)	Scenario 2 (SuperTown Growth)
<b>Assumption</b>	Shire rate base growth is low to moderate at 1% per annum.	Shire rate base growth is high at 4.5% per annum. Employee costs and materials and contracts increase by an additional 2% per annum as a result of increasing service demand.
<b>Cash Position</b> <i>Level of cash and cash equivalents</i>	Positive cash holdings in all years, with positive net cash flow in eight of ten years. The Shire’s cash position becomes increasingly positive from 2016/17 onwards, with cash and cash equivalents expected to increase from \$7,859,221 in 2016/17 to \$17,729,606 by 2021/22.	Higher positive cash holdings in all years, with positive net cash flow in eight of ten years. Net cash outflow in 2013/14 has reduced to \$183,994 from \$217,841 as per Scenario 1 whilst the net outflow in 2015/16 has reduced to \$521,705 from \$702,489. The Shire’s cash position becomes more positive from 2016/17 onwards, with cash and cash equivalents expected to increase from \$8,407,771 in 2016/17 to \$21,316,159 by 2021/22.
<b>Net Result</b> <i>Net result as per Statement of Comprehensive Income</i>	Positive net result in all ten years. A high net surplus of over \$6.70 million is expected in 2014/15, which subsequently falls to \$4.51 million in 2015/16 and \$1.68 million in 2016/17. A steady recovery is then expected from 2017/18 onwards, from a surplus of approximately \$1.9 million in 2017/18 to \$2.80 million by 2021/22.	Positive net result in all ten years. A high net surplus of over \$6.78 million is expected in 2014/15 and \$4.63 million in 2015/16. This is expected to fall to \$1.93 million in 2016/17, after which a steady recovery is prevalent to approximately \$3.71 million by 2021/22.



Item (Cont.)	Scenario 1 (Status Quo)	Scenario 2 (SuperTown Growth)
<p><b>Operating Surplus Ratio</b> <i>Ratio of net operating surplus to own source revenue (rates). A negative value indicates insufficient operating funding to cover operating expenses and a potential future reliance on external funding (eg. grants)</i></p>	<p>Operating Surplus Ratio is negative for the first two years (2012/13 to 2013/14) but increases to 32% in 2014/15 (due to the recognition of a \$1.25 million operating grant in other revenue). The ratio falls back to 5.13% in 2015/16 and increases steadily thereafter. It lies outside the target range (0% to 15%) on the positive side for the last four years (2018/19 to 2021/22).</p>	<p>Operating Surplus Ratio is negative for the first two years (2012/13 to 2013/14) but increases to 32% in 2014/15 (due to the recognition of a \$1.25 million operating grant in other revenue). The ratio falls back to 8.83% in 2015/16 and increases steadily thereafter. It lies outside the target range (0% to 15%) on the positive side for the last four years (2018/19 to 2021/22). It is consistently higher than Scenario 1.</p>
<p><b>Rates Coverage Ratio</b> <i>Ratio of total rates revenue to total expenses. Target is greater than or equal to 40%</i></p>	<p>Meets target every year over the ten years, steadily increasing from 54.6% in 2012/13 to 63.3% in 2021/22.</p>	<p>Meets target over the ten years, steadily increasing from 54.6% in 2012/13 to 76.1% in 2021/22. If the rate base increases in this way, without accounting for further significant increases in expenditure, the Shire’s total rate revenue is on track to cover total expenses.</p>
<p><b>Current Ratio</b> <i>Ratio of current assets to current liabilities. An indicator of liquidity and the ability to meet short term financial obligations. Target is greater than or equal to 1:1</i></p>	<p>Strong liquidity position with a current ratio higher than 1:1 in all ten years. Ratio is above 3:1 in 2017/18 onwards, and hence the Shire may wish to leverage excess current asset holdings (such as cash) and allocate these resources more productive uses. If not, the current ratio is anticipated to reach approximately 6.26:1 by 2021/22.</p>	<p>Very strong liquidity position with a current ratio higher than 1:1 in all ten years. Ratio is above 3:1 in 2017/18 onwards and is approaching 8:1 by 2021/22. The Shire should leverage its excess current asset holdings and allocate these resources to more productive uses.</p>



## 7 KEY CONCLUSIONS

A number of key conclusions can be drawn from the Shire of Boddington Long Term Financial Plan 2012/13 – 2021/22. These are discussed below:

- From 2012/2013 to 2021/2022, approximately 26% to 30% of council operating revenue is generated through the acquisition of operating grants, subsidies and contributions. This indicates that the Shire is not excessively reliant on operating grants to manage operating expenses.
- The Shire of Boddington is expected to be in a strong liquidity position over the life of the LTFP, with the current ratio being greater than 1:1 in all ten years. This is mainly due to the Shire's strong anticipated cash surpluses.
- The Department of Local Government WA recommends a rates coverage ratio equal to or greater than 40%. The Shire of Boddington maintains a healthy rates coverage ratio, anticipated to be higher than 50% across all ten years.
- With a positive operating surplus ratio for the majority of the LTFP, the Shire is expected to have sufficient operating funds to cover operating expenses, and to have minimal reliance on external grant funding to fund operations that are not capital works.





## 8 KEY ASSUMPTIONS UNDERPINNING THE LONG TERM FINANCIAL PLAN

The estimates in the LTFP are based on a number of assumptions developed with reference to Council strategies, expectations and historical performance. The base point for modelling is the 2011/12 and 2012/13 financial statements. The assumptions applied to the model are as follows:

- Existing service levels will be maintained.
- Existing staff levels will be maintained.
- Employee costs will increase by 3.5% per annum over the life of the LTFP.
- CPI will be approximately 4.0% per annum over the life of the LTFP and rates, grant funding (operating and non-operating), discretionary fees and charges and other revenue will increase by CPI over the life of the LTFP.
- Annual growth in the Shire's rate base is 1.0% per annum.
- The interest rate earned on invested funds will be 3.0% per annum over the life of the LTFP.
- Materials and contracts and other miscellaneous expenditure will increase by 3.0% per annum over the life of the LTFP.
- Insurance expense will increase by 3.5% per annum over the life of the LTFP.
- Utility costs will increase by 6.0% per annum over the life of the LTFP.



## 9 RISK ASSESSMENT

The Shire of Boddington's activities expose it to a variety of financial risks, including price risk, credit risk, liquidity risk and interest rate risk. The Shire's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance of the Council. The Shire does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

A detailed risk assessment for all assets and infrastructure will be undertaken as part of the development of Asset Management Plans. Some key risks are identified below.

- Consistent with many local government organisations, the Shire of Boddington has a level of reliance on government capital grants and funding. If grant funding was to be reduced to levels below those estimated in the LTFP, the Shire may encounter difficulty in maintaining appropriate levels of capital expenditure.
- Interest rates on borrowings and on investments are predicted to be relatively constant over the life of the LTFP. If adverse fluctuations in rates occur, this may impact on the Shire's revenues and future project costs.



## 10 FINANCIAL PROJECTIONS

The financial projections in this LTFP have been developed in a format that conforms to the *Local Government (Financial Management) Regulations 1996* and the Australian Accounting Standards. This format has been chosen as it allows projections to feed into the statutory format of the annual budget, and allows key performance measures in the LTFP to be compared with annual budgets and annual financial statements. The statutory schedules include:

- Statement of Financial Position and Statement of Changes in Equity
- Statement of Comprehensive Income
- Statement of Cash Flows
- Rate Setting Statement

The Statement of Comprehensive Income shows what is expected to happen during each year in terms of revenue, expenses and other adjustments from all activities. A positive net result is estimated for all ten years of the LTFP.

The Statement of Financial Position is a snapshot of the expected financial position of the Shire at the end of each financial year. It reports what is expected to be owned (assets) and what is expected to be owed (liabilities). Net assets represent the net worth of the Council. The assets and liabilities are separated into current and non-current, current being those assets and liabilities that are recoverable or which fall due over a period less than 12 months.

The Statement of Cash Flows shows what is expected to happen during each year in terms of cash. Net cash provided by operating activities indicates how much cash is expected to remain after paying for the services provided to the community. This can be used to fund other activities such as capital works and infrastructure. The information in this statement assists in the assessment of the ability to generate cash flows and meet financial commitments as they fall due, including debt repayments.

The format of the Rate Setting Statement varies from the format of the statement prepared in annual budgets. In annual budgets, the bottom line of the statement is the amount to be made up from rates. In the LTFP, rates assessed in accordance with relevant assumptions have been shown as a revenue stream with all other sources of revenue, so that if a surplus results, this can be used to fund other services. However, where a shortfall results, this indicates that the Council is unable to fund the services proposed at the planned rating levels and may need to defer works or services, increase debt or increase rates further to cover the cost of planned service provision. In the LTFP the Rate Setting Statement shows the accumulated surplus carried forward at the end of each year.



The key financial statements discussed above are also supported by a number of additional schedules. Each schedule informs the calculations undertaken in the key financial statements except for the key performance indicator schedule, which provides a summary analysis of the Shire's position in relation to a standard set of performance measures. These schedules are as follows:

- Schedule of assumptions used in the LTFP
- Loan borrowing and repayment schedule
- Depreciation schedule
- Reserves schedule
- Capital works schedule
- Key performance indicator calculation and measurement schedule



## 11 CONCLUSION - IMPLEMENTATION AND REVIEW OF THE LTFP

The Shire will consider the content of the LTFP when preparing its annual budgets in the subsequent years. It is expected that the adopted budgets will be closely aligned with the proposals in the LTFP and its underpinning assumptions.

A review of the LTFP will be undertaken once the Strategic Community Plan, Corporate Business Plan, Asset Management Plan and Workforce Plan are completed. Additional minor reviews of the LTFP will occur each year as budgets are prepared to account for performance information and changing circumstances.



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# Shire of Boddington

## Long Term Financial Plan

### 2012/13 – 2021/22

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