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# FINANCIAL SUSTAINABILITY REVIEW

SNOWY MONARO REGIONAL COUNCIL  
OCTOBER 2022

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# EXECUTIVE SUMMARY

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## BACKGROUND

In response to concerns regarding the financial sustainability of the Snowy Monaro Regional Council raised by the community, the NSW Audit Office, NSW Office of Local Government and individual Councillors, Council initiated an independent Financial Sustainability Review.

The Snowy Monaro Regional Council (Council) is a merged Council (via proclamation on 12 May 2016). The former Councils that were merged include Bombala Council, Cooma-Monaro Shire Council and Snowy River Shire Council. The merger followed an assessment of financial sustainability of all councils undertaken by the NSW TCorp and the development by KMPG of a Merger Business Case report in June 2015. The report Business Case identified that each of the councils proposed to be merged were reporting financial results that did not meet all the NSW Government 'Fit for the Future' benchmarks. All three councils were reporting a net operating loss for its General Fund and based on the councils' Long -Term Financial Plans, the operating losses were expected to increase over the forward estimates. The Business Case report also indicated that a merged council would continue to not meet all the Fit for the Future benchmarks. The Merger Business Case expected the proposed merged Council to continue to report an annual net operating loss of \$8.5 million over the ten-year period following the merger and that the merged council would materially underperform against benchmarks relating to asset renewal and infrastructure backlog.

The merger of Bombala, Cooma-Monaro Shire and Snowy River Shire councils proceeded, and Snowy Monaro Regional Council was formed in 2016.

At its extraordinary meeting on 23 June 2022 Council adopted the 2022 – 2032 Long-Term Financial Plan. The adopted Long-Term Financial Plan considers four scenarios, with varying levels of rate increases through a Special Rate Variation, and varying service levels and investment in assets. The scenarios in the Long-Term Financial Plan were aimed at addressing the ongoing annual deficits and maintaining an adequate cash balance, acknowledging that the Council would continue to under invest in asset maintenance and asset renewals.

The NSW Office of Local Government advised Council, as part of their routine assessment of the financial performance of councils, identified several concerns regarding the financial position of the Council, including:

- Council not meeting industry benchmarks
- Anomalies in financial reporting
- High turnover in the Responsible Accounting Officer position
- Complaints received by the NSW Office of Local Government regarding the financial performance and sustainability of the Council.

At the time of preparing this report, the NSW Office of Local Government were awaiting the outcome of the Financial Sustainability Review that is the subject of this report.

The NSW Audit Office issued an unmodified opinion on the 2020/21 General Purpose Financial Statements and Special Purpose Financial Statements. However, their report highlighted Council's financial sustainability as a significant audit issue and observation. At the time of preparing this report, the audit of the 2021/22 General Purpose and Special Purpose Financial Statements was still in progress.

The community has also raised concerns regarding the financial sustainability of the Council through submissions made during the public exhibition period for the Draft Long-Term Financial Plan 2022 – 2032.

## PURPOSE & APPROACH

The Council commissioned AEC Group Ltd (AEC) to undertake an independent Financial Sustainability Review.

The prime objective of the Financial Sustainability Review is to identify robust options to ensure the Council can operate sustainably and efficiently into the future.

The terms of reference provided to AEC were:

- Document factors contributing to SMRC current financial position.
- Assess Council's current financial settings and oversight strategies from an efficiency, effectiveness and sustainability and performance management perspective.
- Note initiatives and reforms implemented since the 2020-21 audit and identify potential opportunities for Council to increase revenue and reduce costs including through, but not limited to current:
  - Rates, fees and charges
  - Council management, operations, services, capital program, monitoring and governance systems
  - Consideration of equity and distribution issues
  - Broader Council planning and strategy activities.
- Develop a set of recommended, evidence-based options for Council's deliberation, considering and including the potential risks and benefits of each, plus a recommended implementation strategy and timeframe.
- Produce a clear and concise Financial Sustainability Review final report, plus a summary report of findings suitable for public release.

AEC's approach to delivering upon the Terms of Reference is guided by the following definition of financial sustainability:

*Financial sustainability is the ability of an entity to maintain financial capital and infrastructure capital over the long term. Maintaining financial capital is concerned with the ability to sustain availability of cash into the future to meet the service and infrastructure needs of the entity. Maintaining infrastructure capital is concerned with the entity's ability to provide physical assets over the long term to meet the service requirements and demand.*

AEC's approach to undertaking a review of Council's financial sustainability was undertaken in the following stages:

1. Background Research & Engagement: A review of the current and historical financial performance of the Council, identifying key drivers and root-cause of the financial performance, including preparation of a Fact Sheet to assist Council with communicating to the broader community the key findings. A community survey was developed to seek the community's sentiment on the reported historical performance and options to improve the Council's financial sustainability. For comparison purposes only, a benchmarking report was prepared to understand Council's performance in comparison to other Councils – see Appendix C to this report.
2. Financial Analysis: A detailed review was completed of the adopted Long-Term Financial Plan, including the referenced service planning and other working documents to test the accuracy, reliability and completeness of the projected financial performance. This also included AEC preparing an independent forecast of the Council's financial position based on current service levels and a sustainable approach to maintenance and renewal of assets.
3. Strategy, Recommendations & Implementation:
  - a. Establish a vision for the future financial performance of a sustainable Council (including performance targets).
  - b. Compile a gap analysis between the current financial sustainability and the desired future state. Strategic options were developed to address root causes for the gap between the current and desired financial performance.
  - c. Develop recommended financial strategies based upon preferred strategic options to address the identified gaps and to achieve a financially sustainable long-term financial plan.
  - d. Develop a structured implementation plan

## KEY FINDINGS

This report draws the following conclusions regarding the financial sustainability of the Council:

- Prior to the merger of Bombala, Cooma-Monaro and Snowy River councils, all three councils were generating operating deficits. Cash balances generally increased year on year but included a significant level of restrictions. Investment in assets was limited to funding availability and appears to have been undertaken on a reactive rather than planned approach.
- Since the merger, the Council has generated operating deficits each year indicating that Council is not generating sufficient recurrent General Fund revenue to meet the recurrent operational expenditure, including depreciation. While there is significant variation from year to year, this report concludes that there is likely an underlying deficit (or otherwise referred to as a structural deficit) of approximately \$4.5-\$5.0 million at least based on current service levels and asset maintenance activity.
- Whilst the Council has historically produced significant operating deficits, cash balances held by the Council have generally increased, particularly since 2016/17. This report highlights that since 2016/17 the level of external restrictions within the total cash held increased year on year primarily due to uncompleted grant funded programs and projects, as well as uncomplete internal works. Developer contribution reserves have also increased during this period. Internal restrictions have been gradually deteriorated and there was nil or minimal unrestricted cash until 2021/22 - a balance of \$4.5 million in cash is reported in the Draft Annual Financial Statements as unconstrained as at the end of the 2021/22 financial year.
- From the above observations it can be concluded that the growth in the balance of cash and cash equivalents is not due to free cash generated from operations, but rather due to unexpected grants received, accumulation of developer contributions and uncompleted works.
- Since 2016/17 Council has made significant investment in asset renewal, in some years exceeding the asset renewal benchmark. However, a large majority of the cash invested in renewals appears to be funded through external grants. Reliance upon grant funding is not a sustainable approach to funding asset renewals.
- Asset maintenance expenditure has continued to not meet the benchmark established by Council in the asset management plans.
- Based on benchmarking and surveys conducted with other NSW Office of Local Government Group 4 councils, the financial sustainability challenges being experienced by the Council are similar to those faced by similar councils.
- In comparison to the adopted Long Term Financial Plan, forecasts developed for this project indicate a significantly deteriorated operating performance, constraining Council's ability to generate sufficient cash to fund the cost-of-service delivery and the required investment in assets.
- A significant contributing factor to the projected deterioration of the operating result is increased depreciation costs and asset maintenance costs, including the impact of \$170 million in contributed assets expected to be transferred to Council through the Snowy Mountains Special Activation Project (SAP).
- SAP provides significant opportunity for Council to benefit from the development through externally funded asset renewals and upgrades and increased revenue from rates, annual service charges and other revenue sources. Forecasts developed for this project include an increase in rates, charges and fees in expectation the development will increase operating revenue, although this will be significantly less than the anticipated increase in depreciation and the whole-of-life cost for the contributed assets.
- The renewal and upgrade of water and sewer assets in Jindabyne, as well as road works and precinct upgrades funded through the SAP by the NSW Government replaces funding that Council would have had to fund internally or sought borrowings to address the depleted assets.
- Based on forecast operating performance developed for this project, it is projected that, without significant intervention, the Council will continue to generate operating deficits over the next 10-year period, significantly deteriorating from 2023/24 to 2025/26 – being the period the SAP assets will be transferred to Council. The operating deficit over the 10-year forecast averages \$12.3 million per year from 2023/24.

- Whilst historically the Water and Sewer Funds have generated surpluses the operating results of these funds are deteriorating. The increased maintenance and depreciation expenses associated with the SAP will contribute to the deteriorating position in the Sewer and Water Funds.

## RECOMMENDATIONS

To improve the ability to maintain financial capital and infrastructure capital, and therefore improve the financial sustainability of the Council, seven focus areas have been identified, for which a number of recommendations are made regarding their implementation.

### **To improve the operating position Council should:**

1. Increase generation of revenue through:
  - a. Submit a Special Rate Variation (SRV) Application based on increasing General Fund rates revenue by \$19.4 million over the next 10 years. This can be achieved through a 43% increase above the rate peg in 2023/24 or a staged increase over a number of years.
  - b. Review the pricing for fees and charges and ensure they reflect full cost price for services, as far as it is practical to do so, without impacting significantly on access to services by the community.
  - c. Refine and strengthen the nature of engagement and advocacy with the NSW Government regarding the impact of the SAP development and contributed assets, including consideration of the additional growth factor in the rate peg applied to Council in future years to fund the increase in depreciation and other whole of life costs.
2. Decrease operating costs through:
  - a. Continuing with the divestment of Residential Aged Care Facilities.
  - b. Establish a productivity and efficiency target of \$1.0 million to be achieved through implementing the strategies outlined below in the focus area of Enhanced Productivity and Efficiency of Services.
  - c. Conduct a strategic review of services to assess the range and levels of service provided.
  - d. Improve the strategic and technical asset management capability and practices to manage assets at the most optimal whole of life cost.
3. Develop the demand management approach in service planning to minimise the growth in service costs and avoid increased cost of assets, including:
  - a. Continue to undertake service reviews, particularly for discretionary services and community service obligations (services that would not be provided if based on a commercial decision)
  - b. Implement a framework for grant applications and acceptance to consider the impact of the grant on the Long-Term Financial Plan and financial sustainability.
4. Improve governance and financial controls
  - a. Maintain integration of the Annual Budget and Long-Term Financial Plan with the Delivery Program, Operational Plan, Asset Management Plans, Workforce Strategy and other adopted plans – each plan should be updated when material decisions are made that impact on the respective plans.
  - b. Implement effective budget and other financial controls – including budget accountability, a project management framework with gateway controls, workforce plan outlining the funded staff establishment, contract management framework.
  - c. Develop an annual budget development process that is activity based rather than largely historical.

**To improve the availability of cash Council should:**

5. Council should budget for and maintain, at least in the short term, an unconstrained cash reserve of at least \$5.0 million as a contingency for unplanned asset renewals/replacements due to asset failure or other unknown asset risks.
6. Review internally restricted cash to ensure alignment with intended purpose of the reserves and that the reserves are adequate for the purpose.
7. Implement a monthly reconciliation and reporting process for all external restrictions.
8. Consider a borrowings program to invest in required upgrades and enhancements to the water and sewer networks, as well as potential investments to leverage from the SAP development. Pricing for water and sewer services would need to be reviewed to fund the borrowing costs.

**To improve investment in assets Council should:**

9. Enhance the capability and effectiveness of asset management, including:
  - a. Prepare an asset management strategy that provides guidance and direction to improve Council's asset management approach, improve resource allocation, increase the awareness of current asset performance/risk, establish asset management strategies and integrate the Asset Management Plans and the Long-Term Financial Plan.
  - b. In the short term, develop the strategic asset management capability to better predict, prioritise and plan for asset renewal programs based on known risks, criticality, condition and performance of each asset class.
  - c. Review asset plans for each asset class to determine and direct the optimal life cycle approach for each asset class.
  - d. Establish systems and practices that enhances and realises the value of asset management across the organisation.
  - e. Improve processes for asset data collection, standardisation and componentisation.
  - f. Implement a condition inspection program with an initially focus on all critical assets, or assets with high risk, and sample condition assessment for less critical assets (or asset assessed with less risk).
  - g. Prepare a pavement management system with a detailed whole of life approach designed specifically for Council's sealed and unsealed road network, including optimised approach to maintenance and renewal of assets and estimated costing to inform the Long-Term Financial Plan.
10. Improve the integration of asset planning with the strategic service planning to better understand, manage and avoid where possible the demand for growth in assets.
11. Explore opportunities to rationalise the land and facilitates assets that are used to deliver Council's services, including the rationalisation of the number of locations services are provided and considering a regional approach to service delivery rather than service in each location.
12. Undertake community engagement to establish and agree on service levels.

**To enhance the strategic service planning Council should:**

13. Develop a strategic service planning framework to guide and inform the development of the Delivery Program and Resourcing Strategies. A framework that includes an annual review of service performance and alignment to priorities will enable Council to better inform the development of the Annual Budget and review priorities in the allocation of constrained resources.

**To enhance productivity and efficiency of services Council should:**

14. Review the efficiency and effectiveness of current corporate overhead functions, particularly the service with large operating expenditure and potential to support improvements in productivity and efficiencies such as ICT, fleet and plant operations, finance and asset management.
15. Develop measures of productivity and efficiency when developing the Annual Budget and reporting to assist trend analysis and benchmarking with partner councils – for example \$/km of unsealed road graded, \$/km of road reseal, \$/hectare of mowing, cost/library member, median time taken to resolve customer requests, plant utilisation rates, median time taken to fill a vacancy.
16. Implement and fund productivity and efficiency improvement initiatives previously identified, including the recommendations from the Works Management, Field Operations and Contract Delivery Service Review.
17. Report to Council on a quarterly basis the progress in achieving the efficiencies and implement process to track the achievement of the productivity and efficiencies target.

**To invest in growth and economic development Council should:**

18. Investigate the likely benefits of the SAP development to the Council and more broadly the local community, including the additional revenue streams Council is likely to benefit from – includes identifying opportunities for Council to grow own source revenue streams.
19. Develop and implement an economic development and investment attraction strategy that targets realisation of benefits from major regional developments and supply chains (e.g. the SAP) locally to the Council area.

**To enhanced governance, prioritisation and decision-making Council should:**

20. Revise the Resourcing Strategy including the Long-Term Financial Plan informed by funding requirements from strategic asset management, workforce planning and strategic service planning.
21. Implement a comprehensive and robust budget development process with oversight by the Chief Financial Officer and the Executive Team.
22. Implement oversight and control of the funded organisation chart by the Chief Workforce Officer.
23. Implement a Project Management Framework, including appropriate gateways for project selection, planning, execution and closure, and enforce the project management governance for all potential projects (including approval to proceed with grant applications).
24. Develop the organisational financial management governance and financial acumen of management to improve financial management at all levels of management.



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# 1. INTRODUCTION

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## 1.1 BACKGROUND

The Snowy Monaro Regional Council (Council) was formed via proclamation on 12 May 2016 as a result of the merging of Bombala Council, Cooma-Monaro Shire Council and Snowy River Shire Council. The Local Government Area (LGA) covers an area of approximately 15,164 km<sup>2</sup> and includes the regional townships of Cooma, Jindabyne, Berridale, Bombala, Adaminaby, Delegate and Nimmitabel, along with numerous smaller localities and ski villages such as Perisher and Thredbo. The region is in southern New South Wales, approximately 114 km south of Canberra.

The region is home to 20,997 people and reflects a degree of cultural diversity that has its roots in agriculture, early gold mining, the Snowy Mountains Scheme, timber logging and skiing industries. Council has 14,457 rateable properties comprised of 10,503 residential properties, 2,881 farmland properties and 1,073 business properties.

Following the assessment of financial sustainability of councils undertaken by the NSW TCorp, in June 2015 KPMG issued a Merger Business Case report (KPMG, 2015). The report found that each of the councils proposed to be merged, being Bombala Council, Cooma-Monaro Shire Council and Snowy River Shire Council, were reporting financial results that did not meet all the NSW Government Fit for the Future benchmarks. KPMG found that each council was reporting a net operating loss for its General Fund and based on the councils' Long -Term Financial Plans, the operating losses were expected to increase over the forward estimates.

The Merger Business Case highlighted the NSW Government's TCorp assessment that:

- Cooma-Monaro Shire Council was rated as having weak financial sustainability with a neutral outlook
- Snowy River Shire Council was rated as having a moderate financial sustainability with a negative outlook.
- Bombala's Shire Council was rated as having a moderate financial sustainability and neutral outlook

KPMG's analysis of the potential financial impact of a merger indicated a net benefit of \$3.71 million over the ten-year period commencing in 2014/15. However, the analysis also indicated that a merged council would continue to not meet all the Fit for the Future benchmarks. KPMG advised that a merged council was likely to continue producing significant operating deficits and materially underperform against benchmarks relating to asset renewal and infrastructure backlog. The expected net financial benefit of the merger was unlikely to be sufficient to enable a merged council to invest significantly in its assets. The merged council was expected to continue to report net operating losses over the ten-year period following the merger, although the level of the losses would be reduced from the historical level. The annual net operating loss of the merged council was anticipated to be in the order of \$8.5 million.

The merger of Bombala, Cooma-Monaro Shire and Snowy River Shire councils proceeded, and Snowy Monaro Regional Council was formed in 2016.

At its Extraordinary meeting on 23 June 2022 Council adopted the 2022 – 2032 Long-Term Financial Plan. The adopted Long-Term Financial Plan considers four scenarios, with varying levels of rate increases through a Special Rate Variation, and varying service levels and investment in assets. The scenarios in the Long-Term Financial Plan were aimed at addressing the ongoing annual deficits and continued under investment in assets.

The Council has been advised by the NSW Office of Local Government that as part of their routine assessment of the financial performance of councils, they identified concerns regarding the financial position of the Council. They expressed several concerns, including Council not meeting industry benchmarks, anomalies in financial reporting, the high turnover in the Responsible Accounting Officer position and complaints received by the Office regarding the financial performance and sustainability of the Council. At the time of preparing this report the NSW Office of Local Government were awaiting the outcome of the Financial Sustainability Review that is the subject of this report.

The NSW Audit Office issued an unmodified opinion on the 2020/21 General Purpose Financial Statements and Special Purpose Financial Statements. However, their report highlighted Council's financial sustainability as a

significant audit issue and observation. At the time of writing this report the audit of the 2021/22 General Purpose and Special Purpose Financial Statements was still in progress.

The community has also raised concerns regarding the financial sustainability of the Council through submissions made during the public exhibition period for the Draft Long-Term Financial Plan 2022 – 2032.

## 1.2 PURPOSE OF THIS REPORT

In response to concerns regarding the financial sustainability of the Council raised by the community, Council, the NSW Audit Office and the NSW Office of Local Government, the Council resolved to seek an independent review of the financial sustainability of the Council. An initial motion was passed to scope an audit. However, with an independent financial audit already underway it was deemed the scope of this work needs to be broader in order to accurately assess Council's current and projected financial situation, build trust in the community, and ensure it has a transparent evidence base to make decisions in the best interests of the local community. As such, the Council commissioned AEC Group Ltd (AEC) to undertake an independent Financial Sustainability Review.

The prime objective of the Financial Sustainability Review is to identify robust options to ensure that the Council can operate sustainably and efficiently into the future.

The terms of reference provided to AEC were:

- Document factors contributing to SMRC current financial position.
- Assess Council's current financial settings and oversight strategies from an efficiency, effectiveness and sustainability and performance management perspective.
- Note initiatives and reforms implemented since the 2020-21 audit and identify potential opportunities for Council to increase revenue and reduce costs including through, but not limited to current:
  - Rates, fees and charges
  - Council management, operations, services, capital program, monitoring and governance systems
  - Consideration of equity and distribution issues
  - Broader Council planning and strategy activities.
- Develop a set of recommended, evidence-based options for Council's deliberation, considering and including the potential risks and benefits of each, plus a recommended implementation strategy and timeframe.
- Produce a clear and concise Financial Sustainability Review final report, plus a summary report of findings suitable for public release.

## 1.3 APPROACH

AEC's approach to delivering upon the Terms of Reference is guided by the following definition of financial sustainability:

Financial sustainability is the ability of an entity to maintain financial capital and infrastructure capital over the long term. Maintaining financial capital is concerned with the ability to sustain availability of cash into the future to meet the service and infrastructure needs of the entity. Maintaining infrastructure capital is concerned with the entity's ability to provide physical assets over the long term to meet the service requirements and demand.

Sustainability for local government includes the ability to manage likely developments (built development and socio-demographic development) and unexpected financial shocks in the future.

AEC's approach to undertaking a review of Council's financial sustainability was undertaken in the following stages:

1. Background Research & Engagement: A review of the current and historical financial performance of the Council, identifying key drivers and root-cause of the financial performance, including preparation of a Fact Sheet to assist Council with communicating to the broader community the key findings. A community survey was developed to seek the community's sentiment on the reported historical performance and options to

- improve the Council's financial sustainability. For comparison purposes only, a benchmarking report was prepared to understand Council's performance in comparison to other Councils – see Appendix C to this report.
2. Financial Analysis: A detailed review was completed of the adopted Long-Term Financial Plan, including the referenced service planning and other working documents to test the accuracy, reliability and completeness of the projected financial performance. This also included AEC preparing an independent forecast of the Council's financial position based on current service levels and a sustainable approach to maintenance and renewal of assets.
  3. Strategy, Recommendations & Implementation:
    - a. Establish a vision for the future financial performance of a sustainable Council (including performance targets).
    - b. Compile a gap analysis between the current financial sustainability and the desired future state. Strategic options were developed to address root causes for the gap between the current and desired financial performance.
    - c. Develop recommended financial strategies based upon preferred strategic options to address the identified gaps and to achieve a financially sustainable long-term financial plan.
    - d. Develop a structured implementation plan

## 1.4 STAKEHOLDER ENGAGEMENT

A Stakeholder Engagement Plan was prepared to guide AEC in the approach to engaging and seeking information from stakeholders that either have a significant influence or high interest in the project, or both. See Appendix A for an outline of the stakeholder engagement completed through the project.

AEC's analysis of the historical and projected financial performance, and the underlying drivers was based on the review of evidence in the form of audited financial statements, complimented through additional contextual information gained through engagement with Council's key staff.

Significant engagement was undertaken with Council's Executive Management Team through a formal workshop and ad hoc enquiries and discussions with relevant team members.

A workshop was also undertaken with all the Councillors to gain a shared understanding of the historical financial performance of the Council, the desired financial performance, the gaps and the root cause, and to discuss opportunities for improvement and strategies to address the identified performance gaps. Regular project updates and preliminary reports were also provided to Councillors throughout the project.

The workshops and discussions with the key internal stakeholders were used as the basis of establishing the desired future financial position of the Council, informed through vision, strategic planning, service demand projections and the projected asset demand. Strategic options to be included in a Financial Strategy were identified as well as operational improvements that are required to be implemented to support the implementation of the Strategy.

Community engagement was undertaken over a period of three weeks to seek the community's sentiment on the reported historical performance and options to improve the Council's financial sustainability. Community engagement was undertaken through an online survey published on the Council's Have Your Say website. The community was also invited to submit written submissions. The results of the online survey and key themes raised through the written submissions are included in Appendix B to this report.

## 1.5 BENCHMARKING

Benchmarking of the financial performance of the Council and other relevant statistical information was undertaken for comparison purposes. Benchmarking was based on time series data published by the NSW Office of Local Government (Your Council Report, 2020/21). Further to the desktop benchmarking, several NSW Office of Local Government Group 4 councils were surveyed in relation to the financial sustainability of their respective council.

## 2. OVERVIEW OF SERVICE DELIVERY AND PROVISION OF INFRASTRUCTURE

The following section provides an overview of the Council's service delivery decisions, infrastructure managed by the Council, major developments within the region and other key service strategies. Decisions regarding the range and levels of services provided is a key determinant of the financial sustainability of the Council. This includes the decision made on provision of infrastructure and other assets, and the management approach to acquiring, operating, maintaining, renewing/replacing and disposing of the assets.

### 2.1 STRATEGIC OBJECTIVES

The provision of Council's services and infrastructure is guided by the strategic objectives outlined in the Snowy Monaro 2042 Community Strategic Plan and provide a vision for what the Council is planning to achieve.

**Table 2.1. Strategic Objectives**

Strategic Outcome	Strategic Objective	Supporting Documents, Plans or Strategies
<b>Our Community</b> Our health and wellbeing needs are met through living in an inclusive and safe community, provided with quality services.	<ul style="list-style-type: none"> <li>The relaxed lifestyle and close community feel of the region.</li> <li>Our health allows us to live an enjoyable lifestyle.</li> <li>Our region's cultural identity is respected and embraced.</li> <li>We are a safe and caring community.</li> </ul>	<ul style="list-style-type: none"> <li>Snowy Monaro Youth Strategy 2019-2022</li> <li>Snowy Monaro Regional Council Disability Inclusion Action Plan 2017-2021</li> </ul>
<b>Our Economy</b> We are a vibrant and prosperous community providing opportunities for growth, learning and innovation.	<ul style="list-style-type: none"> <li>Have increased work opportunities available enhanced by innovation.</li> <li>Improve the affordability of living within the region.</li> </ul>	<ul style="list-style-type: none"> <li>Snowy Monaro Regional Economic Development Strategy 2018-2022</li> <li>Snowy Monaro Regional Economic Development Strategy Bushfire Impact Review</li> <li>Snowy Monaro Destination Management Plan 2019</li> <li>Snowy Monaro Local Strategic Planning Statement</li> <li>South East and Tablelands Regional Plan</li> </ul>
<b>Our Environment</b> Our natural environment and heritage is preserved and enhanced whilst balancing the needs for regional development and growth.	<ul style="list-style-type: none"> <li>Ensure the natural environment and the ability of the community to enjoy and use this environment is protected.</li> <li>Have in place land use controls that protect the natural environment landscape including visual and scenic values.</li> </ul>	<ul style="list-style-type: none"> <li>Snowy Monaro Local Strategic Planning Statement</li> <li>Snowy Monaro Waste Management Strategy</li> <li>Snowy Monaro Regional Council On-Site Sewage Management Strategy</li> <li>South East and Tablelands Regional Plan 2036</li> </ul>
<b>Our Infrastructure</b> Our infrastructure is resilient and supports our economy and way of life. We optimise our asset management by being innovative and maximising value for money.	<ul style="list-style-type: none"> <li>Our health is supported by fit for purpose infrastructure.</li> <li>Transport infrastructure allows us to effectively move around the region and beyond as needed.</li> <li>Telecommunication networks allow us to be connected when and where needed.</li> <li>We have in place infrastructure that supports our lifestyles.</li> </ul>	<ul style="list-style-type: none"> <li>South-East Tablelands Regional Plan 2036</li> <li>Snowy Monaro Asset Management Strategy</li> <li>Snowy Monaro Asset Management Plans</li> <li>Snowy Monaro Local Strategic Planning Statement</li> </ul>

Strategic Outcome	Strategic Objective	Supporting Documents, Plans or Strategies
<b>Our Civic Leadership</b> We have contemporary leadership and governance that is open, transparent, and accountable, enabled by effective communication and engagement.	<ul style="list-style-type: none"> <li>That the community has confidence in leadership.</li> <li>Our community is informed and engaged to provide transparency in decision making.</li> <li>That effective strategies are in place to achieve the Community Strategic Plan outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>Customer Service Charter</li> <li>Snowy Monaro Community Participation Plan</li> </ul>

Source: Snowy Monaro 2042 Community Strategic Plan.

## 2.2 DELIVERY PROGRAM 2022-2026

The Delivery Program 2022-2026 (hereafter referred to as the “Delivery Program”) lays out the principal activities and projects that Council will undertake over the four years of the current elected Council to achieve the vision and strategic objectives outlined in the Community Strategic Plan.

### 2.2.1 Organisation of Planned Service Delivery

The Delivery Program outlines the projects and services to be delivered by each of the business units and service areas – see Table 2.2 below for an outline of the services provided. Included in Appendix D is a detailed list of the services to be delivered and the performance measures for each service. The measures also provide an insight into the levels of service required and to be funded through the Annual Budget and Long-Term Financial Plan.

**Table 2.2. Organisation of Planned Services**

Portfolio	Business Unit	Service Area
Executive	Executive Office	Executive Office
Operations	Built and Natural Environment	Biosecurity Building Certification Development Assessment Public Health and Environment Cemeteries Ranger Services
	Community Services	Community Facilities Community Support Programs Library Services Residential Aged Care
	Infrastructure	Roads Infrastructure Civic Maintenance Land and Property
	Resource and Waste	Resource and Waste
	Water and Wastewater	Water and Wastewater
Communications	Economic Development and Tourism	Economic Development and Tourism
	Engagement	Engagement
Finance	Financial Services	Financial Services
Strategy	Corporate Projects	Corporate Projects Risk RFS/SES Support Services
	Fleet and Plant	Fleet and Plant
	Governance	Governance
	Information Communications and Technology	Information Communications and Technology
	Internal Audit	Internal Audit
	Strategy Development	Asset Management Corporate Reporting Strategic Planning
Workforce	Workforce Management	Workforce Management

Source: Snowy Monaro 2042 Community Strategic Plan.



## 2.2.2 Cost of Services (2022/23 Budget)

The budgeted cost of delivering the operational services outlined in the Delivery Program is outlined in Table 2.3. It should be noted that the 2022/23 Budget includes non-recurrent activities such as flood restoration works, grant funded activities and other non-recurrent activities funded through constrained reserves. The 2022/23 Budget also includes adjustments made to the recurrent cost base due to capital works projects negating the need to undertake maintenance activities – such as the flood restoration works.

Service areas with the highest cost base (excluding depreciation) in 2022/23 are Road Infrastructure (\$13.1 million) and Water and Wastewater (\$12.2 million), followed by Resource and Waste (\$6.9 million), and Community Support Programs (\$4.7 million).

Appendix E outlines the net cost of each service within the service areas (including revenue), as set by Council in the 2022/23 Annual Budget.

**Table 2.3. Cost of Services – 2022/23 Budget**

SERVICE Area	Employee benefits and on-costs	Materials and services	Borrowing costs	Depreciation and amortisation	Other expenses	Total expenses from continuing operations	Total expenses excluding depreciation
Executive Office	2,023,849	-568,790	0	0	454,271	1,909,330	1,909,330
Biosecurity	425,332	970,783	0	0	12,456	1,408,571	1,408,571
Building Certification	718,028	30,159	0	0	10,300	758,487	758,487
Development Assessment	1,242,514	208,811	0	0	10,506	1,461,831	1,461,831
Public Health and Environment	362,447	58,976	0	1,145	22,700	445,268	444,123
Cemeteries	1,202	169,845	0	3,120	9,812	183,979	180,859
Ranger Services	249,683	83,791	0	1,576	9,178	344,228	342,652
Community Facilities	466,174	885,906	0	623,068	146,717	2,121,865	1,498,797
Community Support Programs	2,682,576	1,523,828	0	59,821	447,910	4,714,135	4,654,314
Library Services	601,137	97,252	0	103,810	61,784	863,983	760,173
Residential Aged Care	1,472,614	1,120,386	0	114,021	52,762	2,759,783	2,645,762
Roads Infrastructure	3,322,809	9,305,886	0	9,039,909	451,080	22,119,684	13,079,775
Civic Maintenance	1,627,936	1,178,295	0	803,971	157,651	3,767,853	2,963,882
Land and Property	580,174	754,349	0	1,234,161	390,747	2,959,431	1,725,270
Resource and Waste	2,057,372	4,691,984	0	1,042,096	158,660	7,950,112	6,908,016
Water and Wastewater	3,558,444	7,136,800	5,161	5,502,038	1,486,751	17,689,194	12,187,156
Economic Development and Tourism	815,288	341,356	0	0	170,381	1,327,025	1,327,025
Engagement	1,004,913	-128,357	0	0	142,140	1,018,696	1,018,696
Financial Services	1,466,823	-130,113	0	0	272,616	1,609,326	1,609,326
Corporate Projects	250,000	16,443	0	0	210	266,653	266,653
Risk	150,000	-135,966	0	0	562,000	576,034	576,034
RFS/SES Support Services	9,216	387,283	0	118,319	1,284,415	1,799,233	1,680,914
Fleet and Plant	874,456	-3,383,754	0	983,351	446,400	-1,079,547	-2,062,898
Governance	568,266	-342,469	0	0	403,595	629,392	629,392
Information Communications and Technology	580,632	-405,290	0	674,879	1,867,355	2,717,576	2,042,697
Internal Audit	118,799	65,325	0	0	0	184,124	184,124
Asset Management	378,246	-276,127	0	3,572	7,210	112,901	109,329
Corporate Reporting	0	0	0	0	0	0	0
Strategic Planning	1,150,620	813,444	0	0	67,562	2,031,626	2,031,626



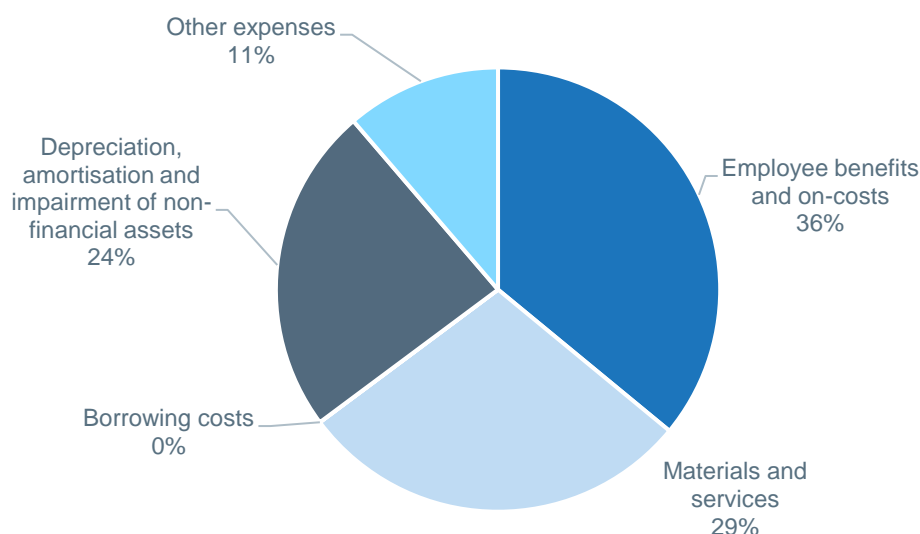
SERVICE Area	Employee benefits and on-costs	Materials and services	Borrowing costs	Depreciation and amortisation	Other expenses	Total expenses from continuing operations	Total expenses excluding depreciation
Workforce Management	1,806,632	36,107	0	0	482,861	<b>2,325,600</b>	2,325,600
<b>FUND TOTAL</b>	<b>30,566,182</b>	<b>24,506,143</b>	<b>5,161</b>	<b>20,308,857</b>	<b>9,590,030</b>	<b>84,976,373</b>	<b>64,667,516</b>

Source – Council 2022/23 Budget – Extract from BIS

Note – The costs reported in the table include internal recoveries. Therefore credit balances in the materials and services costs reflect the impact of the internal recoveries from other services and from the planned capital works program.

Employee benefits and oncosts is the highest cost type in the delivery of Council's services, totalling \$30.6 million in budgeted expenditure, or 36% of the operating expenditure budget. Material and services totals \$24.4 million (or 29%), followed by depreciation, amortisation and impairment of non-financial assets which totals \$20.3 million (or 24%). See Figure 2.1. below for the breakdown of total operating expenditure in the 2022-23 Budget by cost type.

**Figure 2.1. Cost of Delivery Services by Cost Type**



Source – Council 2022/23 Budget

### 2.2.3 Overview of Infrastructure and Assets

Table 2.3. below outlines the quantum of infrastructure and assets owned and managed by Council. While Council has implemented some changes to the location of services (for example, location of work crews and colocation of corporate functions) there has been minimal rationalisation of assets since the formation of the merged Council. The Council continues to provide services from four (4) Council office and five (5) works depots, operates five (5) swimming pools, operates two (2) saleyards and fifteen (15) community halls.

**Table 2.4. Overview of Council Owned Infrastructure and Assets**

Group	Type	Measure
General Facilities	Council offices	4
	Works depots	5
	Visitor centres	2
	Libraries	2
	Mobile library	1
Community and Recreation	Aged care facilities	2
	Doctors/health centres	3
	Childcare	2
	Halls	15
	Showgrounds	7

Group	Type	Measure
	Sporting/recreation fields	19
	Swimming pools	5
	Holiday/caravan parks	5
	Public toilets	21
	Airport	1
	Saleyards	2
	Community centres	2
Waste Management	Landfills	3
	Transfer stations	6
Transport Infrastructure	Sealed roads	1,000kms
	Unsealed roads	1,700kms
	Bridges	127
	Culverts	7,184
Water and Wastewater	Water treatment plants	2
	Water pump stations intakes	12
	Water distribution pump stations	11
	Water reticulation pipe	330kms
	Supply reservoirs	39
	Supply dams	1
	Wastewater treatment facilities	8
	Wastewater pump stations	28
	Wastewater drainage pipe	280kms

Source: SMRC Delivery Program (2022-2026).

## 2.2.4 Financial Measures of Council Owned Assets

Table 2.4. below outlines the financial measures of assets under the control of the Council. As at 30 June 2022 Council controlled assets with a total gross replacement cost of \$1,845 million and a carrying amount of \$1,224 million. Council estimates the required annual maintenance across all assets for 2021/22 to total \$26.6 million, however the actual maintenance for 2021/22 was \$15.3 million.

**Table 2.5 Overview of Asset Financial Measures by Asset Category (as at 30 June 2022)**

Asset Category	Estimated cost to bring assets to satisfactory standard*	Estimated cost to bring assets to the agreed level of service set by Council*	2021/22 Required Maintenance**	2021/22 Actual Maintenance	Net carrying amount	Gross replacement cost
	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s
Buildings - specialised	2,821	2,821	2,510	161	15,975	59,770
Buildings - non specialised	5,305	5,305	1,714	365	24,727	68,569
Sealed Roads	9,406	9,406	3,858	3,946	202,145	296,767
Unsealed Roads	10,280	10,280	3,419	3,497	169,224	262,999
Bridges	10,667	10,667	1,730	414	77,516	133,073
Footpaths	246	246	203	62	8,341	15,624
Bulk earthworks	-	-	-	-	441,196	441,196
Water supply network	72,869	72,869	7,986	2,744	151,177	332,769
Sewerage network	28,207	28,207	4,297	3,054	97,608	179,044
Stormwater drainage	722	722	275	28	20,811	30,504
Swimming pools	1,248	1,248	47	82	2,697	4,705
Other recreation/open space	486	486	231	762	4,910	7,686
Other structures	1,285	1,285	373	200	8,475	12,422
<b>Total - all assets</b>	<b>143,541</b>	<b>143,541</b>	<b>26,643</b>	<b>15,314</b>	<b>1,224,802</b>	<b>1,845,128</b>

Source – SMRC – Draft Annual Financial Statements – Working Papers

\* Estimated cost to bring to a satisfactory standard has been calculated as the cost to bring all asset below a condition 3 to a condition 3. Assets in condition 3 are considered to have between 40% and 60% of their service potential remaining. For the calculation, the midpoint of this range (i.e.50%) has been used, so the percentage of assets at conditions 4 and 5 have been multiplied by 50% of the GRC.

\*\*Required Maintenance is the amount identified in the asset management plans and is calculated by Council based upon a percentage of the gross replacement cost of each asset category.

## 2.2.5 Asset Condition

Table 2.5. below outlines the condition of each asset category controlled by Council. Asset categories with 20% or more gross replacement cost in either poor or very poor condition scores include the water supply network (43.4%), sewerage network (31.6%), swimming pools (53.0%) and other structures (20.7%).

Table 2.4. outlines the estimated cost by Council to bring assets to satisfactory standard - \$143.5 million in total – which has been calculated by Council to be 50% of the gross replacement cost of assets reported to be in condition 4 and condition 5. The water supply network has the largest cost to bring assets to a satisfactory standard (\$72.9 million), followed by the sewerage network (\$28.2 million), bridges (\$10.7 million), unsealed roads (\$10.3 million) and sealed roads (\$9.4 million).

**Table 2.6. Asset in Condition as a Percentage of Gross Replacement Cost**

Asset Category	Asset Condition Score Categories				
	1 - Excellent	2 - Good	3 - Satisfactory	4 - Poor	5 - Very Poor
Buildings - specialised	7.2%	14.7%	68.6%	8.5%	1.0%
Buildings - non specialised	16.7%	29.3%	38.6%	14.5%	1.0%
Sealed Roads	10.3%	43.0%	40.4%	5.8%	0.5%
Unsealed Roads	26.9%	16.1%	49.2%	6.4%	1.4%
Bridges	16.3%	40.1%	27.5%	2.4%	13.6%
Footpaths	13.8%	19.0%	64.0%	2.8%	0.4%
Bulk earthworks	100.0%	0.0%	0.0%	0.0%	0.0%
Water supply network	15.4%	17.1%	23.7%	37.9%	5.9%
Sewerage network	20.8%	28.8%	18.9%	10.5%	21.0%
Stormwater drainage	7.4%	73.1%	14.7%	4.7%	0.0%
Swimming pools	0.0%	26.8%	20.2%	53.0%	0.0%
Other recreation/open space	23.1%	42.7%	21.6%	12.2%	0.5%
Other structures	45.5%	15.1%	18.8%	16.1%	4.6%

Source – SMRC – Draft Annual Financial Statements – Special Schedules - Report on infrastructure assets as at 30 June 2022

## 2.3 SNOWY MOUNTAINS SPECIAL ACTIVATION PROJECT

The Snowy Mountains Special Activation Precinct (SAP) is a major development within the Council. The Master Plan outlines a 40-year strategic plan for the precinct and is now in the delivery phase, having finalised the Master Plan. The Jindabyne Growth Precinct comprises seven sub-precincts that will support the visitor and population growth projected over the 40 years of the Master Plan. The resident and visitor population growth predicted as a result of the Precinct has been modelled in the Master Plan on the activation of year-round tourism and employment opportunities, investment in the region's infrastructure and strengthening the visitor economy.

The NSW Government has announced an estimated total funding of SAP to be \$391.3 million starting in 2022 with completion in 2027. Included in the works funded by the NSW Government includes assets to be transferred to Council, including responsibility to fund ongoing operations, maintenance and future renewal. Table 2.6. below outlines the assets that are proposed to be transferred to Council – totalling \$169.62 million.

**Table 2.7. Assets Developed by SAP to be Transferred to Council**

Infrastructure Project	Estimated Handover	Construction Cost (M)	Comment
Claypits	2024	\$10.58	N/A
Town Centre	2025	\$57.1	N/A
Kosciuszko Road	2026	\$22.47	Includes only section being upgraded. Additional length past Barry Way will need to be considered by Council
Water Treatment Plant	2024	\$28.2	N/A

Infrastructure Project	Estimated Handover	Construction Cost (M)	Comment
Sewerage Treatment Plant	2024	\$41.93	N/A
Water Services	2024	\$4.6	Includes reservoirs, pumps and network upgrades
Sewage Services	2024	\$4.74	Includes pumps, storage tanks and network upgrades
<b>TOTAL</b>	<b>-</b>	<b>\$169.62</b>	<b>-</b>

Source – NSW Government

The SAP provides significant opportunity for Council to benefit from the development through externally funded asset renewals and upgrades and increased revenue from rates, annual service charges and other revenue sources. In particular, the renewal and upgrade of water and sewer assets in Jindabyne, as well as road works and precinct upgrades funded by the NSW Government replaces funding that Council would have had to fund internally or sought borrowings to address the depleted assets.

Table 2.6. below outlines the development yield estimated by the NSW Government (as outlined in the Master Plan) and includes 1,564 additional residential dwellings, and additional 134,950m<sup>2</sup> of commercial floor space and 1,918 dwellings for tourist accommodation and seasonal workers.

**Table 2.8. Proposed Development Yield from Snowy Mountains Special Activation Project**

Sub-precinct	Tourist accommodation dwellings	Seasonal worker dwellings	Residential dwellings	Additional commercial floor space (m <sup>2</sup> )
<b>Jindabyne Catalyst Precinct</b>				
Jindabyne Town Centre	412	56	118	88,750
Western Lake Jindabyne	689	36	0	1,200
<b>Jindabyne Growth Precinct</b>				
Jindabyne Town Centre Growth	153	31	123	0
Jindabyne West	130	43	693	30,000
Jindabyne South	21	0	186	10,000
East Jindabyne	47	0	264	5,000
Barry Way South	200	100	180	0
<b>Total</b>	<b>1,652</b>	<b>266</b>	<b>1,564</b>	<b>134,950</b>

Source – NSW Government (2022), Snowy Mountains Special Activation Project Master Plan

## 2.4 OTHER KEY STRATEGIES AND PLANS

### 2.4.1 Snowy Monaro Waste Management Strategy

The adopted strategy outlines how Council will work towards the ambitious targets set out in the NSW 20 Year Waste Strategy for waste diverted from landfill and recycling. The challenges outlined in the strategy include:

- Current underperformance of Council in regard to NSW 20 Year Waste Strategy targets
- Variation of services and facilities across the region
- High cost associated with operating waste management facilities and services
- Accessibility and utilisation of waste facilities.

Key infrastructure actions outlined in the strategy are:

- Landfill upgrades
- Upgrade to transfer stations
- Conversion of drop off model service to collection and “bank of bins” service model
- Expansion of bank of bins
- Remediate legacy landfills and convert to emergency landfills where appropriate
- Upgrade collection trucks.

#### 2.4.2 Divestment of Residential Aged Care Services

On 21 October 2021, Council accepted an Evaluation Panel's recommendation to enter into a 12-month Due Diligence period for the divestment of Residential Aged Care Services through a transfer of the services to Sapphire Coast Community Aged Care. The Due Diligence program will continue until 12 November 2022.

#### 2.4.3 Snowy Monaro Asset Management Strategy

The Asset Management Strategy has been adopted to enable Council to demonstrate how the asset portfolios will meet the service delivery needs of the community into the future and to ensure the integration of Councils' asset management practices with the long-term strategic plans.

The strategy outlines an asset management improvement plan detailing a program of tasks to be completed and resources required to bring Council to a minimum 'core' level of asset maturity and competence.

### 3. ASSESSMENT OF THE HISTORICAL FINANCIAL PERFORMANCE

The financial performance analysis, gap analysis and the setting of targets was based on an assessment of the historical and projected performance of the Council in the following areas:

#### 1. Maintenance of financial capital:

- a) Operating position – the ability to achieve revenue generation and control of services and infrastructure costs to produce sufficient cash from operations.
- b) Availability of Cash – the ability to maintain sufficient cash to meet the needs of funding operations, investments and financing (borrowings).

#### 2. Maintenance of infrastructure capital:

- a) Investment in Assets – the ability to renew or replace assets to maintain the desired level of service and the provision of new assets to meet demand for growth in services.

The assessment also included Council's approach to strategically reviewing services and service levels, the outcome and implementation of productivity and efficiency reviews, asset management maturity, governance, prioritisation and decision-making frameworks, and Council's investment in, and capacity to accommodate, growth and economic development occurring in the local government area.

Assessment of Council's performance against the standard benchmarks for the key financial sustainability indicators (as set by the NSW Office of Local Government and as published in the Annual General Purpose and Special Purpose Financial Statements) was undertaken. For further information on the key financial sustainability indicators see Appendix G.

The following section provides an overview of the historical financial performance of the Council.

The historical financial performance of the Council was reviewed based on three distinct periods:

#### 1. Period One - before the merger – financial years 2012/13 to 2014/15

The historical performance over the three years prior to merger of the former three councils, Cooma-Monaro, Bombala and Snowy River councils was analysed to understand the underlying performance of the individual councils prior to the merger, and to establish the starting position of the merged Council.

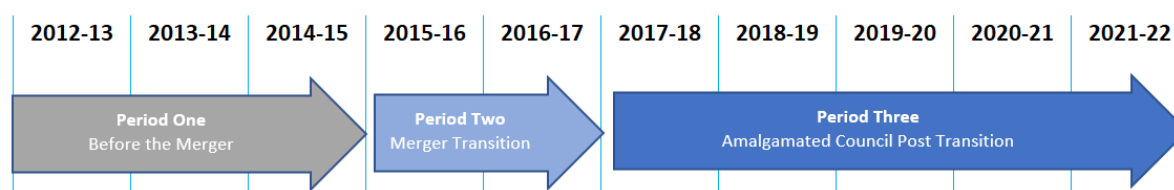
#### 2. Period Two – during the merger transition years – financial years 2015/16 to 2016/17

The financial performance of the Council over the two merger transition years being 2015/16 and 2016/17 was analysed as a separate period due the different reporting period lengths (one shorter financial year and one longer financial year) and the impact of revenue and expenses that relate to non-recurrent transition activity.

#### 3. Period Three – the amalgamated Council post transition – 2017/18 to 2021/22

The historical performance of the merged Council between 2017/18 and 2021/22 was analysed to understand the performance of the merged Council.

**Figure 3.1. Time Periods Included in the Assessment of Historical Financial Performance**



Source – AEC (unpublished).

The historical financial performance of the Council in Period One (before the merger) was analysed based on the audited Annual Financial Statements prepared and published by the individual councils of Cooma-Monaro, Bombala and Snowy River. Assessment of Period Two was based on combined audited Annual Financial Statements prepared and published by the individual councils for 2015/16 and the Annual Financial Statements prepared by the amalgamated Council for the 2016/17 financial year.

The Council maintains three fund types, which is consistent with the three pre-merger councils – a general fund, a sewer fund and a water fund. This enables comparable assessment of the performance of each fund type from 2012/13. The sewer fund includes all revenue and expenditure that is specifically tied to the sewer service, by legislation. The water fund includes all revenue and expenditure that is specifically tied to the water service, by legislation. The general fund includes all other revenue and expenditure that is not tied to the water or sewer service. Council must report on the fund types separately and the use of constrained reserves for the water or sewer service must be used on the water and sewer services respectively, unless otherwise approved by the Minister.

The financial performance analysis is based on the focus areas and assessment measures outlined in Table 3.1. below. The performance measures are further explained in Appendix G to this report. For the period before merger and the merger transition years, details on the performance of each Council are included in Appendix F to this report.

**Table 3.1. Financial Performance Measures**

Focus Area	Assessment	Measure
<b>Maintenance of financial capital</b>	<b>Operating position</b> – ability of Council to deliver services and operate infrastructure within the constraints of the revenue generated from operations.	Operating result (excluding capital grant revenue)
		Operating performance ratio
		Movement in operating revenue
		Movement in operating expenditure
	<b>Availability of cash</b> – ability of Council to maintain sufficient cash to meet current and future liabilities, other commitments and fund future investments in development of services and assets.	Total cash and cash equivalents
		Balance of cash restrictions
		Balance of unrestricted cash
		Unrestricted ratio
		Debt services ratio
		Cash expense ratio
<b>Investment in Assets</b>	<b>Renewal of assets</b> – ability of Council to invest sufficiently in the renewal and replacement of existing assets as required to maintain acceptable levels of service, to avoid unacceptable risk of asset failure and to manage assets portfolios at the optimal whole of life costs.	Buildings and infrastructure renewal ratio
		Infrastructure backlog ratio
		Estimated cost to bring assets to satisfactory standard
	<b>Asset maintenance</b> – ability of Council to complete maintenance as required on existing assets and as outlined in the asset management plans.	Asset maintenance ratio

Source – AEC (unpublished).

### 3.1 OPERATING POSITION

The Operating performance ratio measures a council's ability to generate sufficient recurrent revenue to fund the recurrent operating expenditure, including the annual depreciation cost. The benchmark for this ratio as set by the NSW Office of Local Government is 0%, which indicates that the local government is able to fund from recurrent revenue sources the costs of service delivery and the annual consumption of assets. An Operating performance ratio that is higher than 0% indicates that the council is generating a surplus, whereas an operating performance ratio that is lower than 0%, indicates a deficit position.

Over the long term, a local government that continues to produce material operating deficits will most likely not be able to replace and renew assets as required, resulting in a deterioration of the asset portfolios, impacting upon service levels and requiring a high reliance upon external funding sources (e.g. grants) to fund assets replacement or renewal.

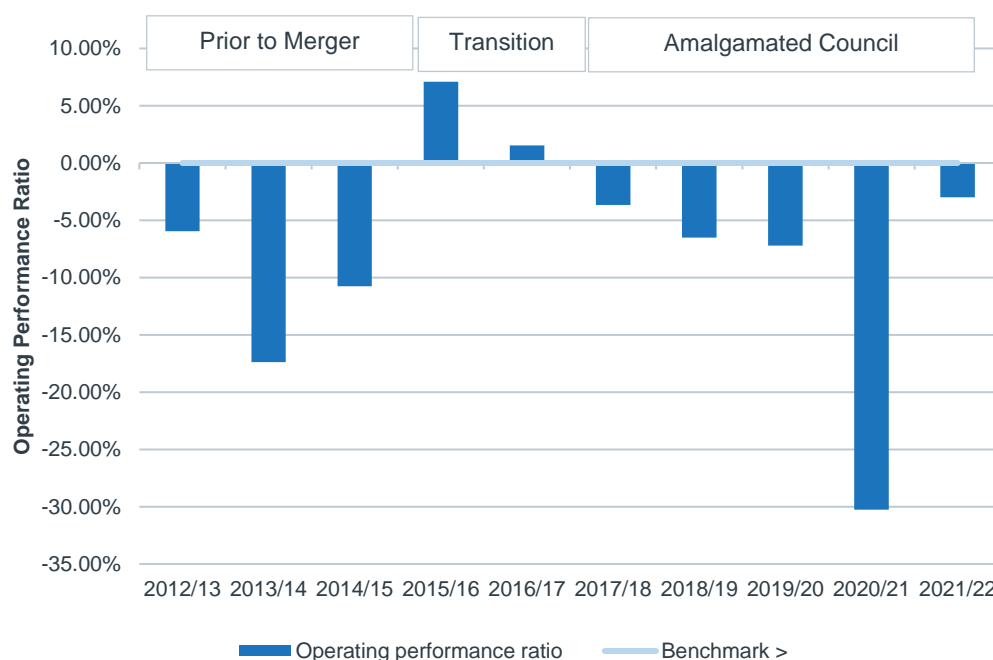
Capital grants are excluded from the operating performance ratio as the nature of the grants are generally non-recurrent and provided mostly to fund upgraded or new assets. Where a local government is provided with capital grants to fund asset renewals, it may be appropriate to include such grants in the assessment of the operating result.

It is important to note in the assessment of the Council historical performance that during the merger transition years the 2015/16 financial year for the individual councils ended as of 12 May 2016, resulting in a reduced reporting period for the 2015/16 financial year. The 2016/217 financial year covered the reporting period 13 May 2016 to 30 June 2017, resulting in an extended reporting period for the 2016/17 financial year. While the audited financial statements for 2015/16 and 2016/17 accurately reflect the management of the transition to the merged council, the statements do not reflect a normal 12-month reporting period for the Council's operations. Therefore, the 2015/16 and 2016/17 financial statements and schedules are not suitable to be used as base years for comparative analysis and should be considered with caution in any trend analysis.

### 3.1.1 Consolidated basis

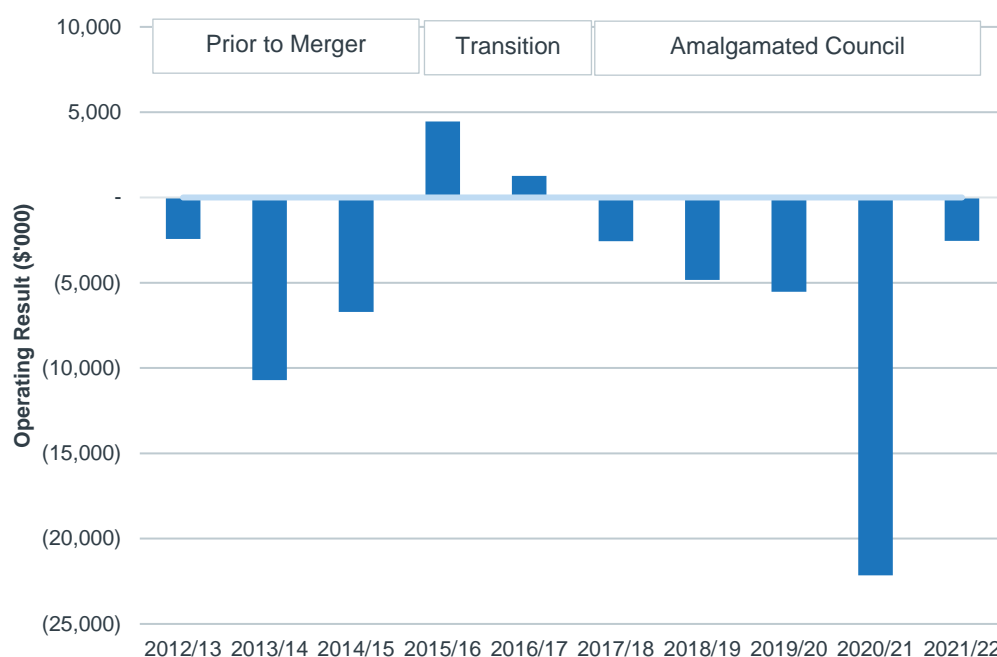
Figure 3.2.2. shows the operating performance ratio and Figure 3.3. shows the operating result achieved by the Council between 2012/13 and 2021/22 on a consolidated basis including the General Fund, Sewer Fund and Water Fund. On a consolidated basis, except for 2015/16 (a merger transition year), the Council has generated operating deficits each year and therefore has not met the operating performance ratio benchmark of 0%.

**Figure 3.2. Operating Performance Ratio – Consolidated**



Source: AEC (unpublished).



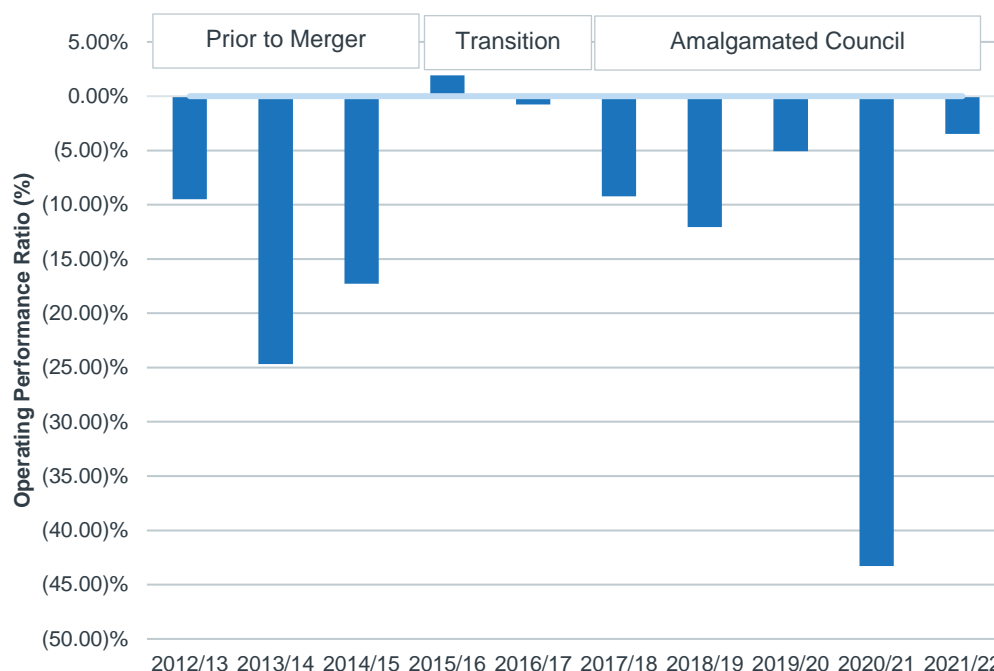
**Figure 3.3. Operating Result – Consolidated**

Source: AEC (unpublished).

During the period prior to merger between 2013/14 and 2014/15, the three councils of Bombala, Cooma-Monaro and Snowy Reiver generated operating deficits and did not meet the operating performance ratio benchmark of 0% – refer to Appendix F for details on the operating result of the individual councils. In the merger transition year 2015/16 the three councils all generated a surplus – additional funding for Roads to Recovery and flood recovery contributed to the reported surpluses. As this was a shorter financial year, it is not a representative year for analysis. Since 2016/17 the Council has generated operating deficits each year on a consolidated basis.

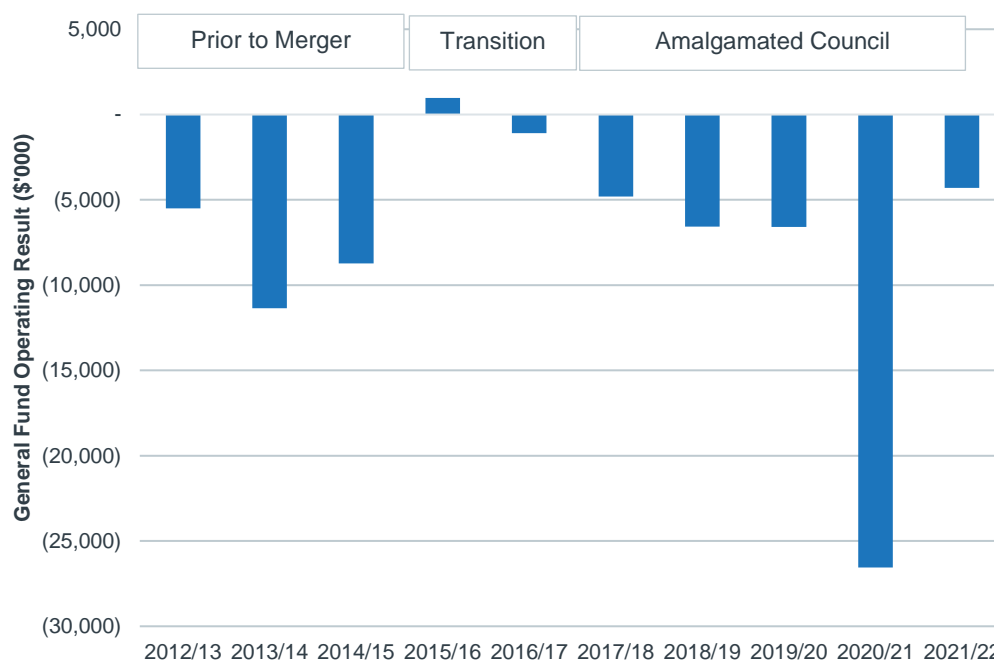
### 3.1.2 General Fund

Figure 3.4.4. below shows the operating performance ratio achieved by the Council between 2012/13 and 2021/22 for the General Fund.

**Figure 3.4. Operating Performance Ratio – General Fund**

Source: AEC (unpublished).

Figure 3.5. below shows the operating result achieved by the Council between 2012/13 and 2021/22 for the General Fund.

**Figure 3.5. Operating Result – General Fund**

Source: AEC (unpublished).

Except for the merger transition year 2015/16, the operating performance ratio benchmark of 0% has not been met for the General Fund each year since 2012/13. During the period prior to the merger, the three councils of Bombala, each generated General Fund operating deficits – refer to Appendix F for details on the operating result of the individual councils. Since the merger in 2016/17, the General Fund generated an operating deficit of \$1.09 million in 2016/17, and gradually deteriorated to \$6.6 million in 2019/20. In 2020/21 the deficit deteriorated further to \$26.6 million, noting that the result included a non-cash adjustment to increase the allowance for landfill remediation

works of \$11 million. The result also included an increase of \$3 million in depreciation over the previous financial year due to an increase in the replacement cost of assets resulting from an asset revaluation undertaken in 2019/20. This increased depreciation is an ongoing expenditure.

For the financial year 2021/22, Council again did not meet the benchmark for the operating result, for the General Fund generating a deficit of \$4.3 million.

Deficits have been generated each year indicating that Council is not generating sufficient recurrent General Fund revenue to meet the recurrent operational expenditure, including depreciation.

The performance to date regarding this ratio indicates that if Council's operating expenditure is at the optimum level for service levels provided, there is a shortfall in revenue generated through rates, operational grants, and other revenue of approximately \$4.5-5.0 million – this could be referred to as the “structural deficit” for the General Fund.

### 3.1.2.1 Operating Revenue

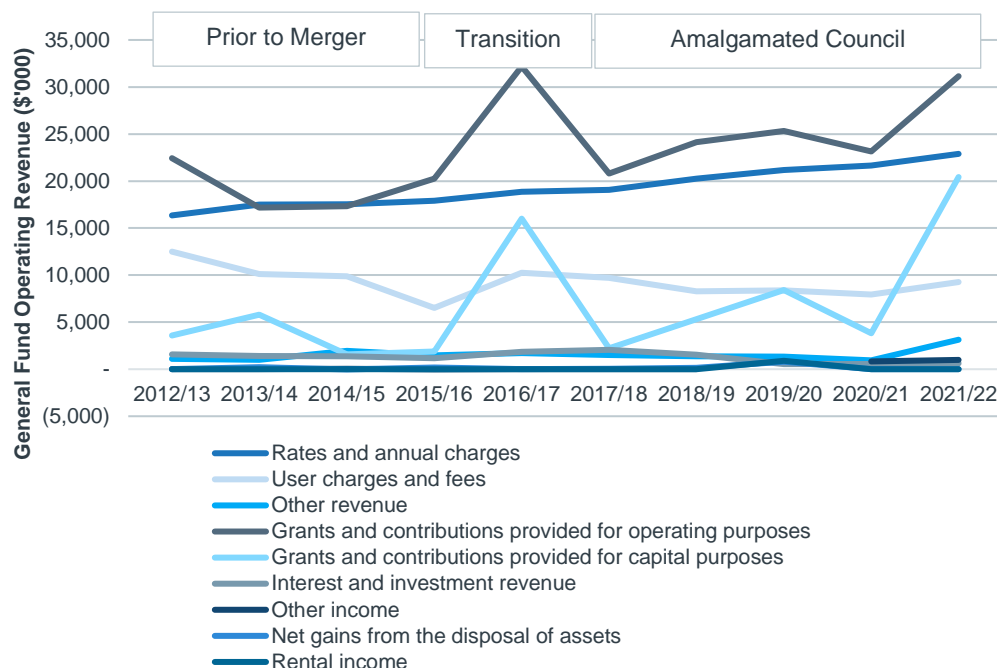
Figure 3.6 shows the movement in the various operating revenue streams over the study period.

Revenue from rates has increased at a relatively low rate between 2012/13 and 2021/22, increasing from \$16.3 million to \$22.9 million, an average increase of \$0.7 million annually.

Revenue from user fees and charges was moving generally in a downwards direction in the years prior to merger. This revenue increased in 2016/17 and gradually deteriorated until 2020/21, increasing again in 2021/22. Over the study period this revenue line decreased from \$12.5 million in 2012/13 to \$9.3 million. This revenue line is driven by annual increases to the charges as well as the demand for the applicable services.

Income from interest and investment revenue remained relatively constant over the period 2012/13 and 2021/22. The revenue line is mainly impacted by the level of cash invested and the return being achieved on investments. Over the study period cash holdings have generally grown, however a significant part of the cash movement relates to the Sewer and Water Funds. Over recent years interest rates have dropped, also contributing to the revenue from this line item remaining relatively stable.

Revenue from operating grants and contributions has been erratic over the study period. A spike in 2015/16 reflects inflated Roads to Recovery grants, including supplementary payments. In 2016/17 grants included \$5.0 million provided to support the implementation of the merger. Revenue from capital grants was also erratic over the study period. Council relies heavily on operating grants as a main source of recurring revenue, and capital grants as a funding source for capital projects.

**Figure 3.6. Operating Revenue – General Fund**

Source: AEC (unpublished).

### 3.1.2.2 Operating Expenditure

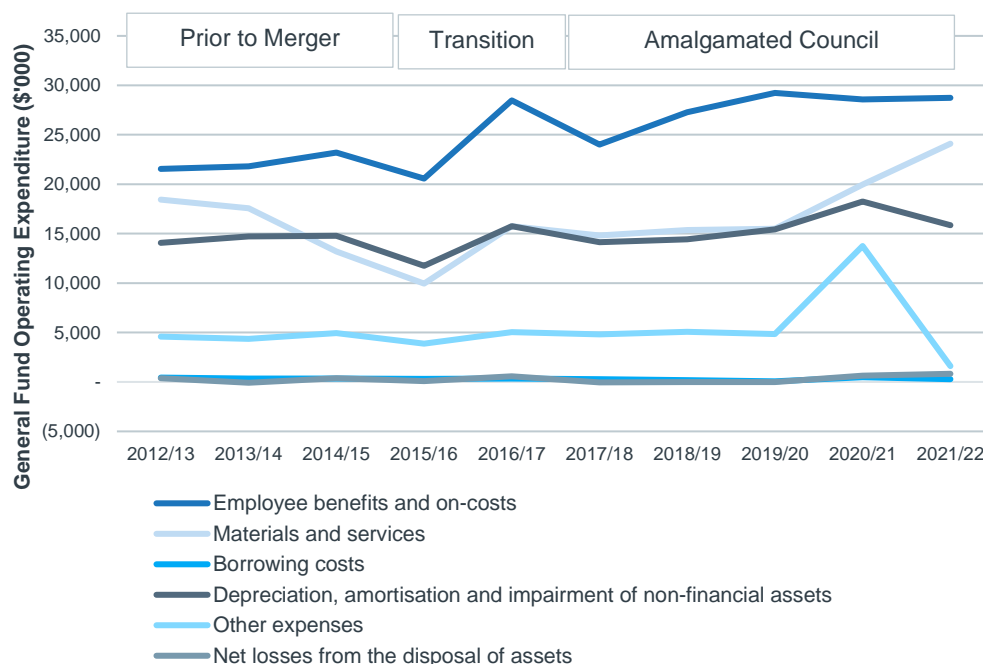
Figure 3.7 shows the various operating expenditure areas of the Council.

The main operating expenditure item is employee benefits and on-costs. Over the study period this expenditure area has grown from \$21.5 million to \$28.7 million, an average annual increase of \$0.8 million. This expenditure item is impacted by the increases mandated through the Local Government Award and movements in the staff establishment within the organisation structure. A steep increase is observed between 2015/16 and 2017/18, with an increase of \$7.9M over a three-year period. This increase occurred during the same period that there was a steep increase in both operating and capital grants revenue, suggesting that an increase in resources was necessary to deliver grant funded programs and works. The same spike is observed for the materials and services expenditure area.

Borrowing costs increased significantly between 2019/20 and 2020/21, but then dropped significantly in 2021/22 as the loans were repaid.

The annual movement in depreciation, being the costs of consumption of assets was erratic between 2012/13 and 2021/22 but overall, only increased by \$1.8 million over the period.

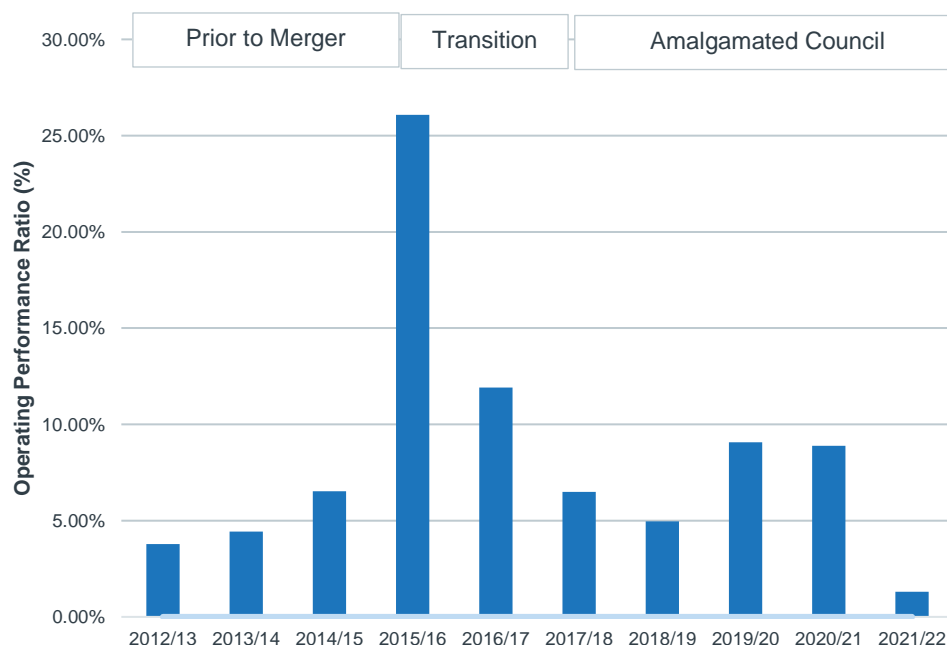
Other expenses were relatively stable until 2020/21 when a significant non-cash adjustment was processed regarding landfill remediation. This was a one-off non-cash expenditure item.

**Figure 3.7. Operating Expenditure – General Fund**

Source: AEC (unpublished).

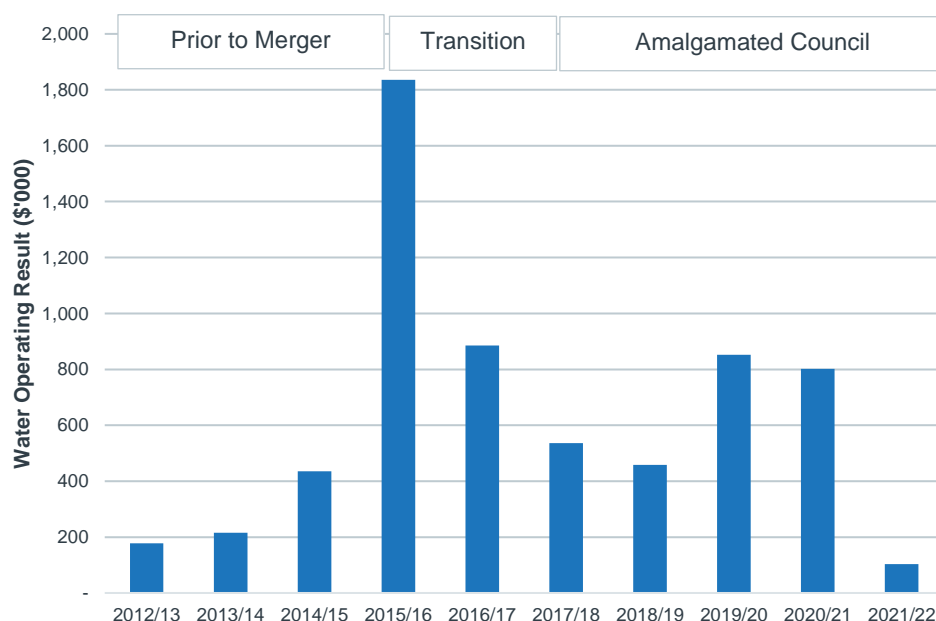
### 3.1.3 Water fund

Figure 3.8 below shows the operating performance ratio achieved by the Council between 2012/13 and 2021/22 for the Water Fund.

**Figure 3.8. Operating Performance Ratio – Water Fund**

Source: AEC (unpublished).

Figure 3.9 below shows the operating result achieved by the Council between 2012/13 and 2021/22 for the Water Fund.

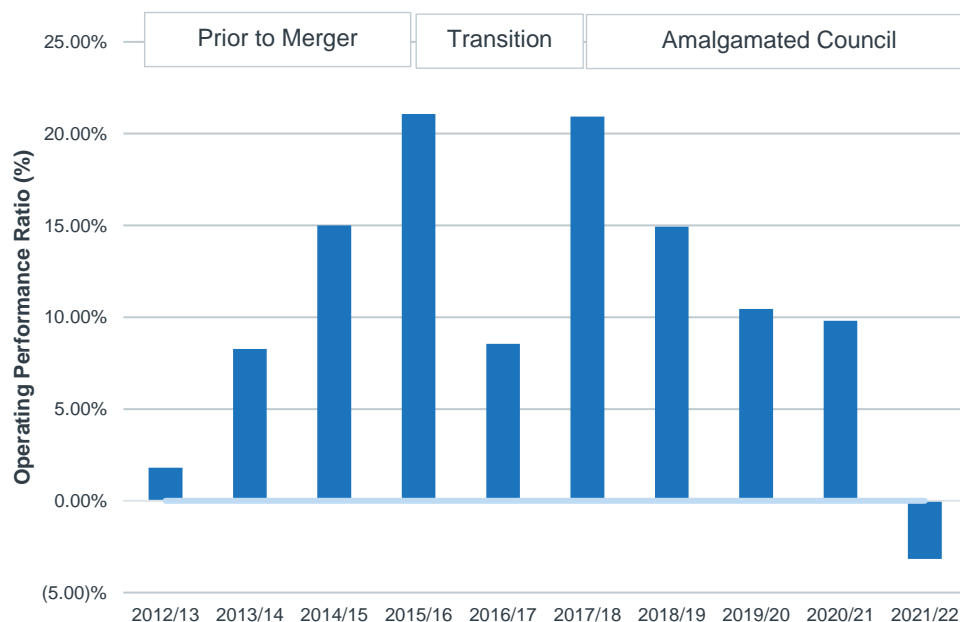
**Figure 3.9. Operating Result – Water Fund**

Source: AEC (unpublished).

The Water Fund has generally generated an operating surplus and met the operating performance ratio benchmark of 0% since 2012/13, with the level of the surplus varying significantly from year to year. In 2021/22 only a relatively minor surplus of \$0.10 million was generated.

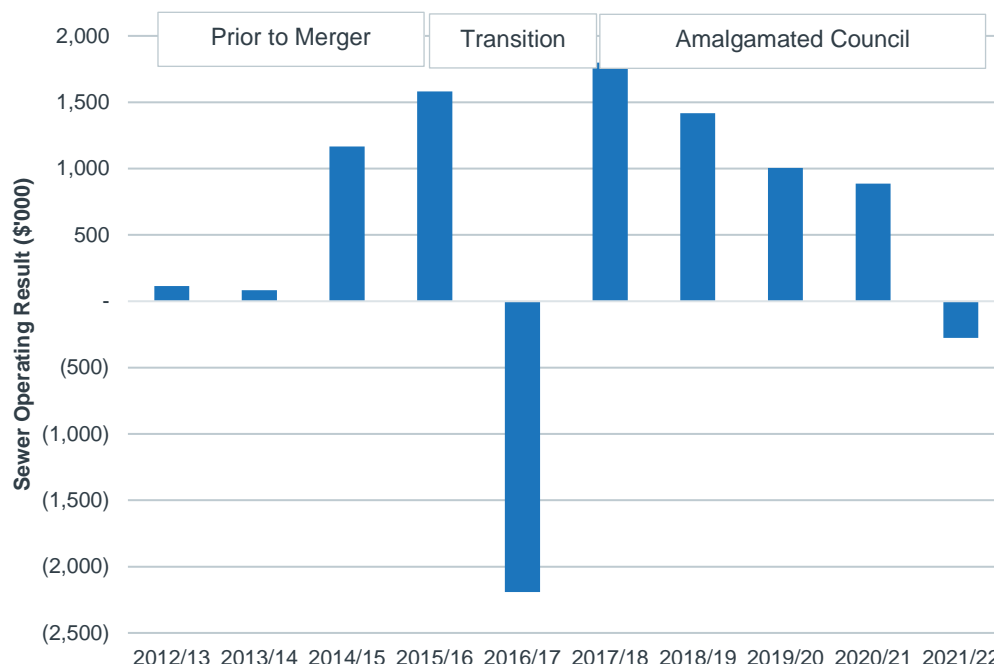
### 3.1.4 Sewer fund

Figure 3.10 below shows the operating performance ratio achieved by the Council between 2012/13 and 2021/22 for the Sewer Fund.

**Figure 3.10. Operating Performance Ratio – Sewer Fund**

Source: AEC (unpublished).

Figure 3.11 below shows the operating result achieved by the Council between 2012/13 and 2021/22 for the Sewer Fund.

**Figure 3.11. Operating Result – Sewer Fund**

Source: AEC (unpublished).

During the period prior to the merger, the three councils combined produced an operating surplus each year - refer to Appendix F for details on the operating result of the individual councils. In the merger transition year 2016/17, Council generated an operating deficit in the sewer fund, but then generated an annual surplus between 2017/18 and 2020/21, noting that the surplus reduced each year, with an operating deficit of \$0.3 million being generated in 2021/22.

The gradual deterioration of the operating result generated by the Sewer Fund indicates that the annual expenditure has gradually been exceeding the annual income.

### 3.2 AVAILABILITY OF CASH

The cash position of the Council since 2012/13 is outlined in Figure 3.12. The total cash, cash equivalents and investments balance increased from \$50.9 million in 2015/16 to \$76 million in 2020/21 and increasing to \$86.5 million in 2021/22. The increase of \$26.8 million between 2015/16 and 2016/17 is mainly attributed to:

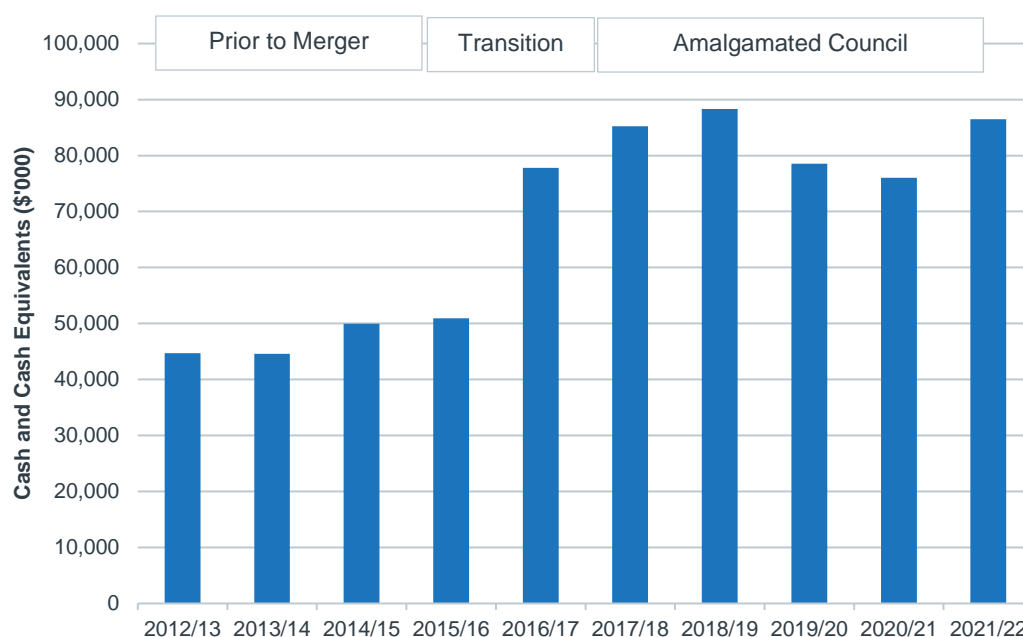
- Grant funding received in association with the merger (Stronger Communities Fund and Merger Implementation Funding)
- Developer contributions received
- Uncompleted works.

Since 2016/17 the total cash position has generally been maintained at a relatively consistent level of approximately \$80.0 million, although with a notable growth in constrained reserves for:

- Specific purpose unexpended grants
- Uncompleted works
- Developer contributions.

The growth in the balance of cash and cash equivalents in 2021/22 is due to specific purpose unexpended grants in the General Fund and increase in the development contribution reserves.

From the above observations it can be concluded that the growth in the balance of cash and cash equivalents is not due to free cash generated from operations, but rather due to unexpected grants received, accumulation of developer contributions and uncompleted works.

**Figure 3.12. Total Cash and Cash Equivalents**

Source: AEC (unpublished).

### 3.2.1 Cash restrictions

Cash can be restricted externally through legislation, or internally through a Council decision. Externally restricted cash can only be accessed for general purpose use by approval by the Minister for Local Government. Internal restrictions can be accessed by way of a Council resolution.

Unrestricted cash is the cash remaining available for general purpose use after taking into consideration all restrictions.

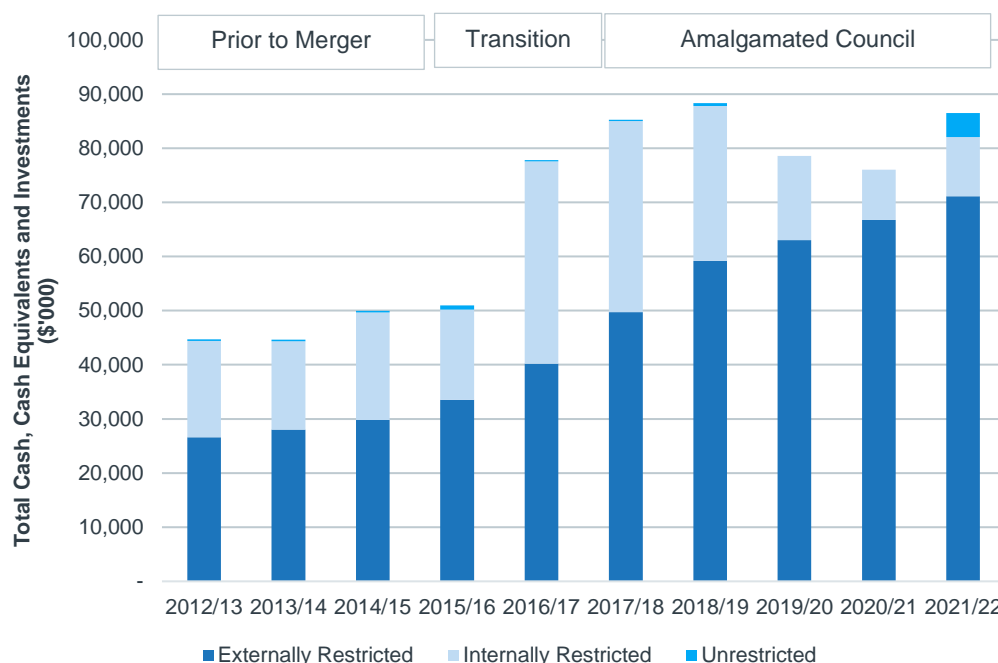
Since 2016/17 Council has met the benchmark of unrestricted ratio of 1.5X each year. This ratio measures the unrestricted net current assets available to Council. The ratio has been gradually declining since 2017/18, reducing to 1.61x in 2021/22. Council is at risk of not meeting this ratio in future years if external restrictions keep increasing. This trend indicates that the General Fund is at risk of not having sufficient unrestricted net current assets to meet its obligations without requiring to borrow from external restrictions or external sources.

The cash expense ratio measures the liquidity of Council expressed in terms of the number of months the Council can continue to operate without any additional cash inflows. The benchmark for this ratio is three months. In 2021/22, a cash expense ratio of 4.86 was reported for the General Fund, continuing a deteriorating trend since 2016/17. If this trend continues Council is at risk of not holding sufficient cash to meet its obligations as they fall due.

Based on the debt service ratio reported for the General Fund of 20.89x, against a benchmark of >2.00x, Council has the capacity to borrow to improve its liquidity position, however the use of borrowings to fund operations is not a sustainable use of borrowings.

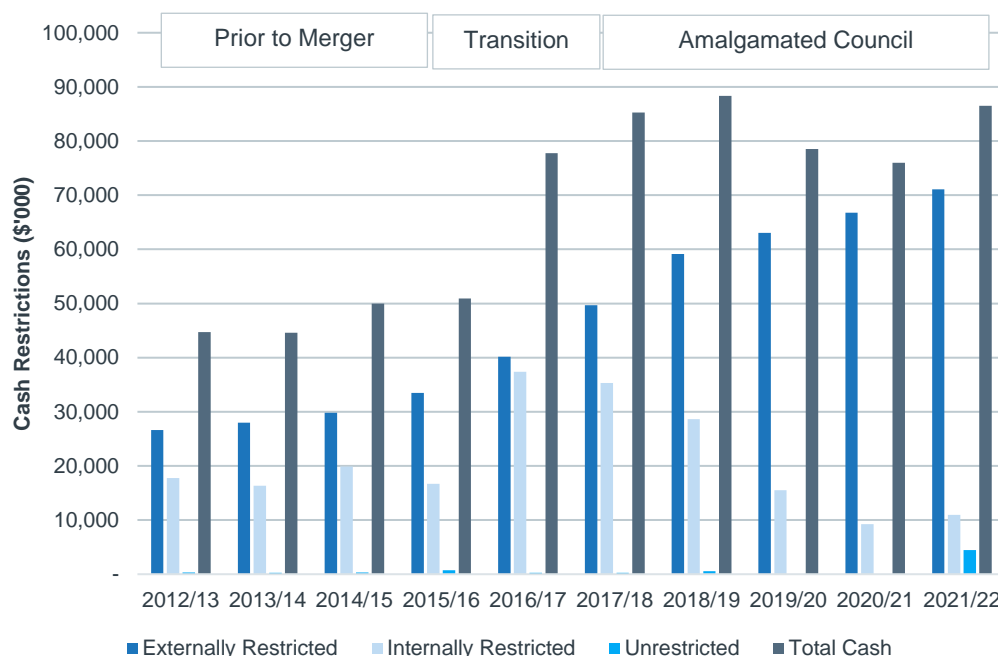
Figure 3.13 shows that since 2016/17, unrestricted cash has been minimal and not sufficient to support the general operations of the Council. It is to be noted that prior to 2016/17, unrestricted cash was already minimal at \$0.7million. In 2016/17 and 2017/18 unrestricted cash was \$0.2million, increasing to \$0.5million in 2018/19 and dropping to nil in 2019/20 and 2020/21. As at June 2022 Council has reported in the Draft Annual Financial Statements a \$4.4 million balance in unrestricted cash.



**Figure 3.13. Total Cash and Cash equivalents, by restriction**

Source: AEC (unpublished).

Whilst the overall cash position of the Council has been relatively constant since 2016/17, there has been significant movements in cash restrictions as shown in Figure 3.13. The movement in the total cash, cash equivalents and investments since 2016/17 was an increase of \$8.7 million. The movement was comprised by external restrictions increasing by \$30.9 million, internal restrictions decreasing by \$26.4 million, and unrestricted cash increasing by \$4.2 million in 2021/22.

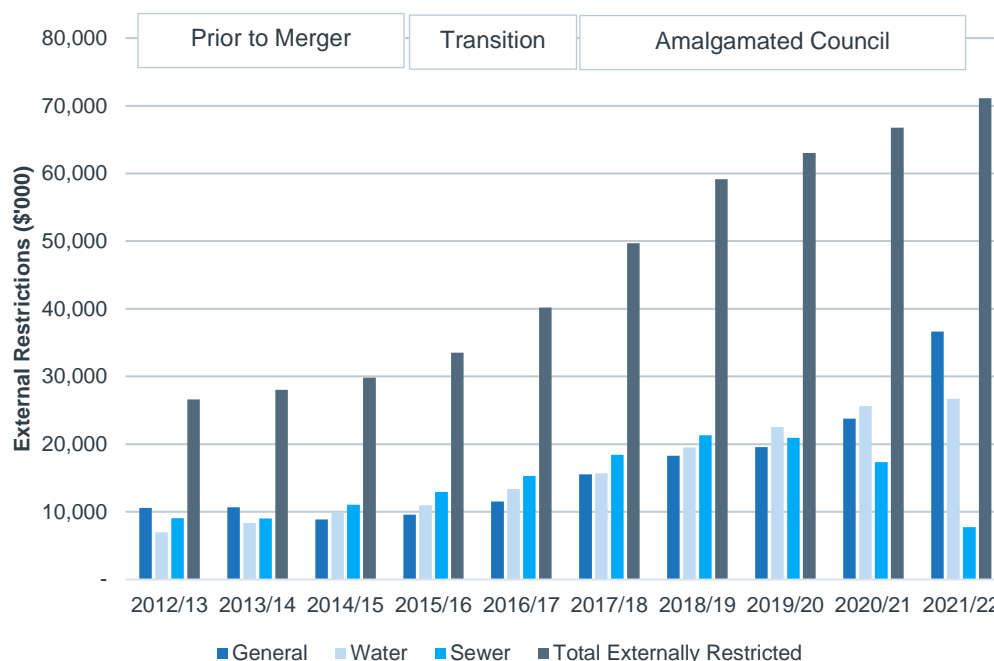
**Figure 3.14. Movement in Externally and Internally Restricted Cash**

Source: AEC (unpublished).

### 3.2.2 External Cash Restrictions

Figure 3.15 shows the movement in external cash restrictions since 2016/17.

**Figure 3.15. Movement in Externally Restricted Cash**



Source: AEC (unpublished).

Externally restricted cash has grown year on year since 2016/17, increasing by \$30.9 million over the period to 2021/2022. External restrictions attributable to General Fund have increased by \$25.2 million over that period, whilst restrictions attributable to the water fund have increased by \$13.3 million and restrictions attributable to the Sewer Fund has decreased by \$7.6 million.

Table 3.2 details the external restrictions held as at 30 June 2022.

**Table 3.2. External Restrictions as at 30 June 2022**

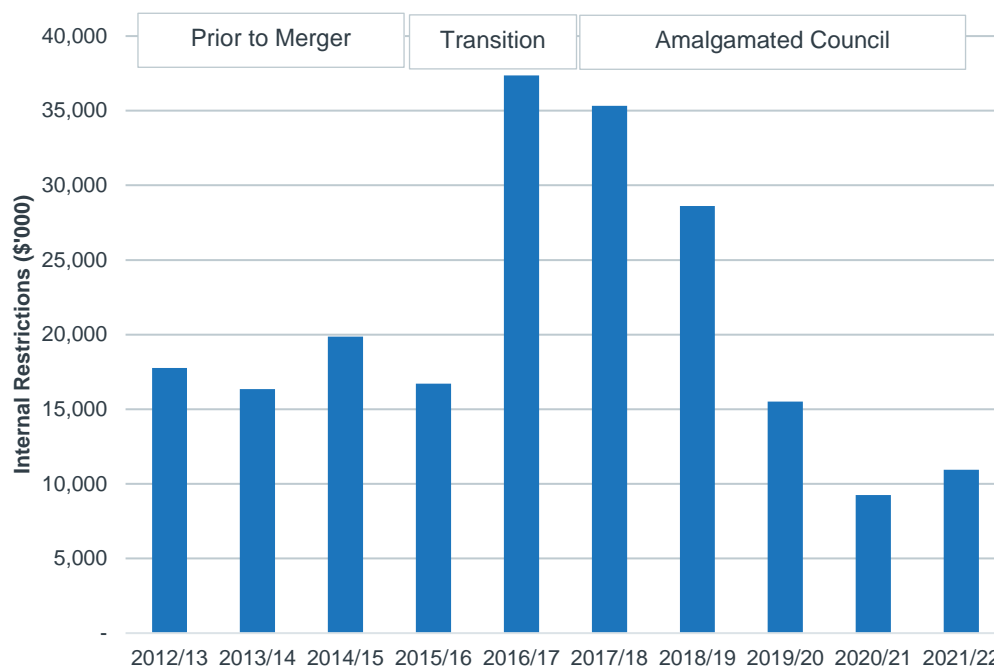
External Restriction	Amount as at 30 June 2022 (\$'000's)
Specific Purpose unexpended grants – General Fund	\$19,704
Specific Purpose unexpended grants – Stronger Communities Fund	\$200
Developer Contributions – General Fund	\$3,265
Developer Contributions - Water	\$4,179
Developer Contributions - Sewer	\$3,563
Specific purpose unexpended grants – General Fund (recognised as revenue)	\$7,306
Specific purpose unexpended grants – Water Fund (recognised as revenue)	\$573
Water Fund	\$21,948
Sewer Fund	\$4,193
Domestic Waste Management	\$1,149
Accommodation Bonds	\$3,259
Crown Land Reserves	\$1,614
Boco Rock Community Reserve	\$31
Kamoto-Cooma friendship scholarship fund	\$45
Other	\$76
<b>Total</b>	<b>\$71,105</b>

Source: AEC (unpublished).

### 3.2.3 Internal Cash Restrictions

Figure 3.16 shows the movement in internal cash restrictions since 2016/17.

**Figure 3.16. Movement in Internally Restricted Cash**



Source: AEC (unpublished).

Internally restricted cash has reduced year on year since 2016/17, reducing from \$37.4 million in 2016/2017 to \$1 million in 2021/22. Internal cash restrictions are held for ensuring there is sufficient cash available to meet a known commitment.

Table 3.3 details the internal restrictions held as at 30 June 2022

**Table 3.3. Internal Restrictions as at 30 June 2022**

Internal Restriction	Amount as at 30 June 2022 (\$000's)
Plant and vehicle replacement	\$626
Employees Leave Entitlement	\$1,383
Deposits, retentions and bonds	\$1,366
Uncompleted works	\$810
Waste management	\$2,719
Yallambee Lodge building / equipment replacement	\$271
Former Snowy River LGA	\$699
Former Bombala LGA	\$1,692
Stronger communities fund interest	\$1,390
<b>Total</b>	<b>\$10,956</b>

Source: AEC (unpublished).

Council has adopted a Restricted Assets (Cash and Investments) Policy at its meeting on 20 October 2022.

## 3.3 INVESTMENT IN ASSETS

On a consolidated basis, prior to the merger in 2016, all of the three councils of Bombala, Cooma-Monaro and Snowy River reported in the Annual Financial Statements insufficient capacity to invest in the renewal and replacement of assets. The buildings and infrastructure renewal ratio was not met in any of the three years prior to

the merger by Bombala Council and Cooma-Monaro Council and was only slightly exceeded by Snowy River Council in 2015/16 - refer to Appendix G for details on the buildings and infrastructure renewal ratio of the individual councils prior to the merger.

Prior to the merger none of the three councils was meeting the infrastructure backlog ratio. Bombala Council reported the highest backlog ratio across the years 2012/13 to 2015/16. Significant improvements in the ratio were reported for Snowy River and Cooma-Monaro from 2013/14 to 2014/15 which may be due to inconsistency in measurement of the backlog rather than an increase in investment on asset renewals -refer to Appendix G for details on the backlog ratio of the individual councils prior to the merger.

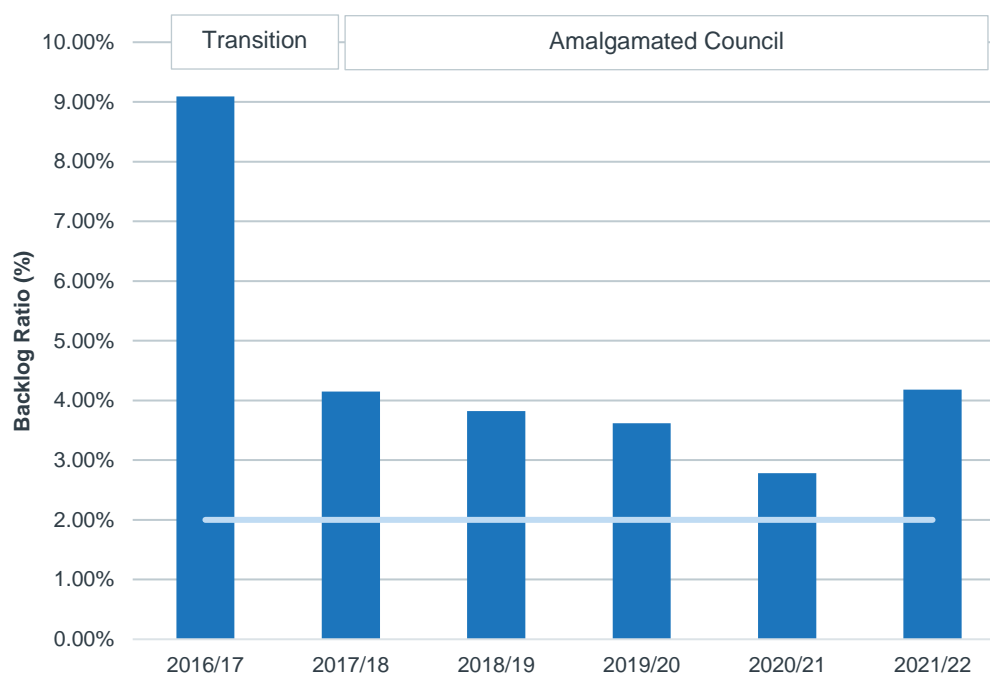
Asset maintenance performance varied between the three councils prior to the merger. Cooma-Monaro reported meeting the asset maintenance ratio target of 100% of planned maintenance in 2014/15 and 2015/16. Bombala and Snowy River reported a poorer performance in meeting the targeted asset maintenance expenditure, not meeting the asset maintenance ratio for most of the years between 2012/13 and 2015/16 - refer to Appendix G for details on the asset maintenance ratio of the individual councils prior to the merger.

The following sections outline the analysis undertaken regarding investment in assets since the merger for each of the general, water and sewer funds respectively.

### 3.3.1 General Fund

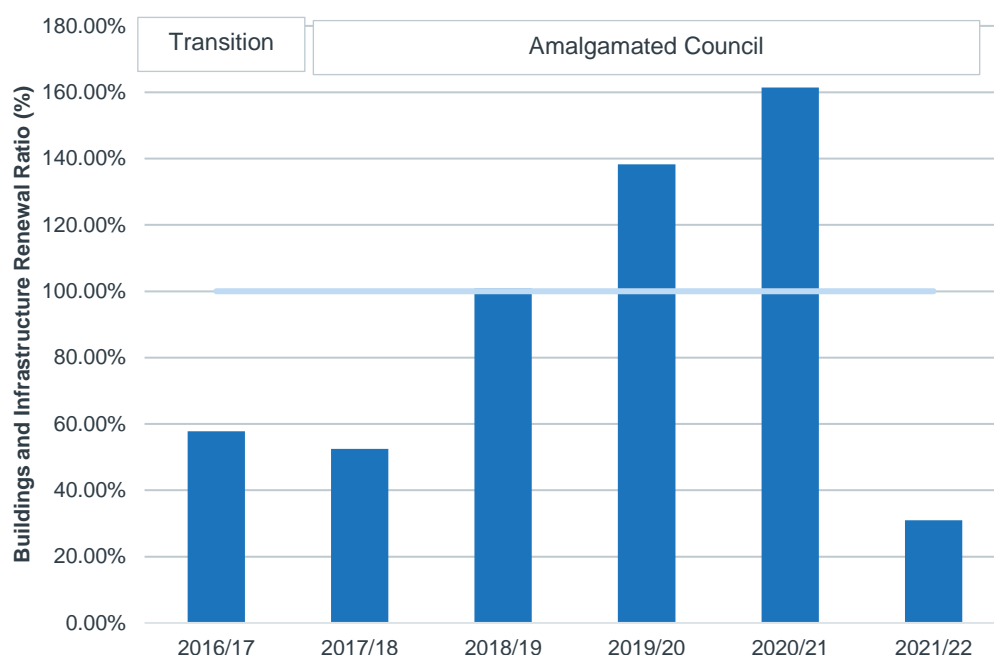
Figure 3.-17. below outlines the performance of the General Fund for the infrastructure backlog ratio, being the estimated cost to bring assets to a satisfactory standard as a proportion of the net carrying amount of infrastructure assets. The General Fund was progressively improving towards meeting the benchmark of 2.00% but deteriorated from 2.78% in 2021/22 to 4.18% in 2021/22.

**Figure 3.17. Infrastructure Backlog Ratio – General Fund**



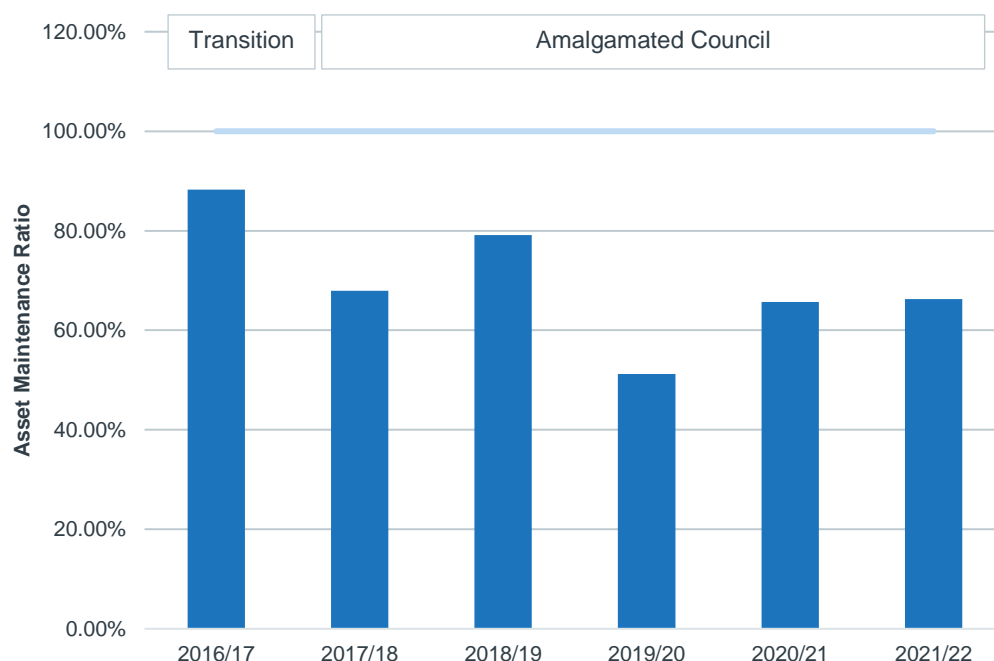
Source: AEC (unpublished).

The buildings and infrastructure renewals ratio for the General Fund improved since 2016/17, exceeding the benchmark of 100% each year since 2018/19 until 2021/22 when it dropped significantly below the benchmark - see Figure 3.18. This indicates that the Council was renewing assets in the General Fund at a faster rate than they were being consumed (using depreciation as the measure of consumption).

**Figure 3.18 Buildings and Infrastructure Renewal Ratio – General Fund**

Source: AEC (unpublished).

As shown in Figure 3.19, the asset maintenance ratio for the General Fund has fluctuated since 2016/17 but remained under the benchmark of 100%. This indicates that expenditure on asset maintenance is less than Council has outlined in the asset management plans as necessary. Assuming that the maintenance expenditure outlined in the asset management plans is accurate, an increase in asset maintenance expenditure to comply with the asset management plans will result in a further deterioration of the operating result for the General Fund.

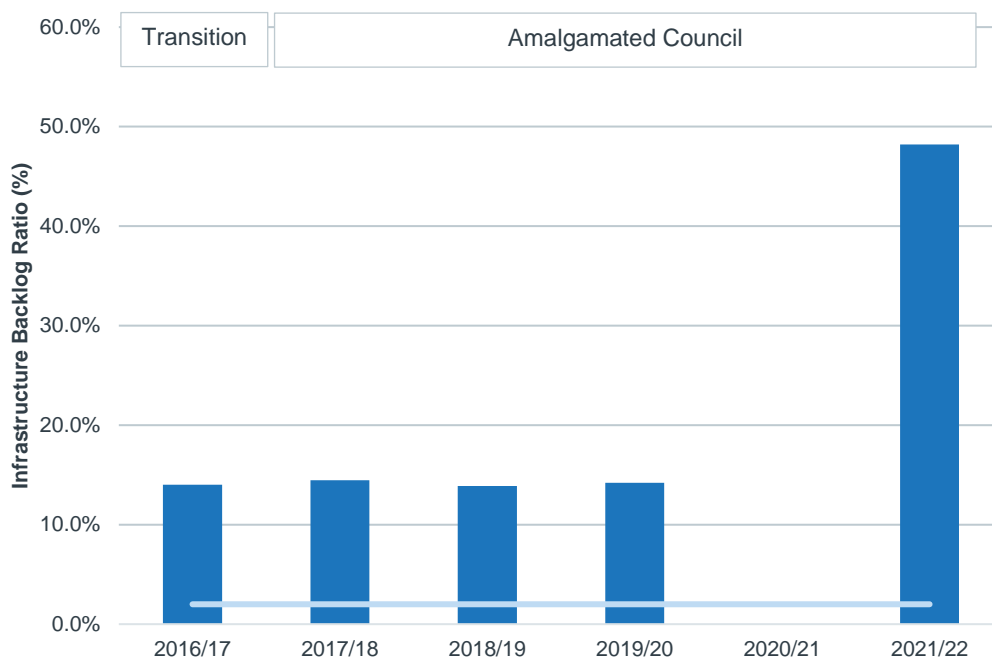
**Figure 3.19. Asset Maintenance Ratio – General Fund**

Source: AEC (unpublished).

### 3.3.2 Water Fund

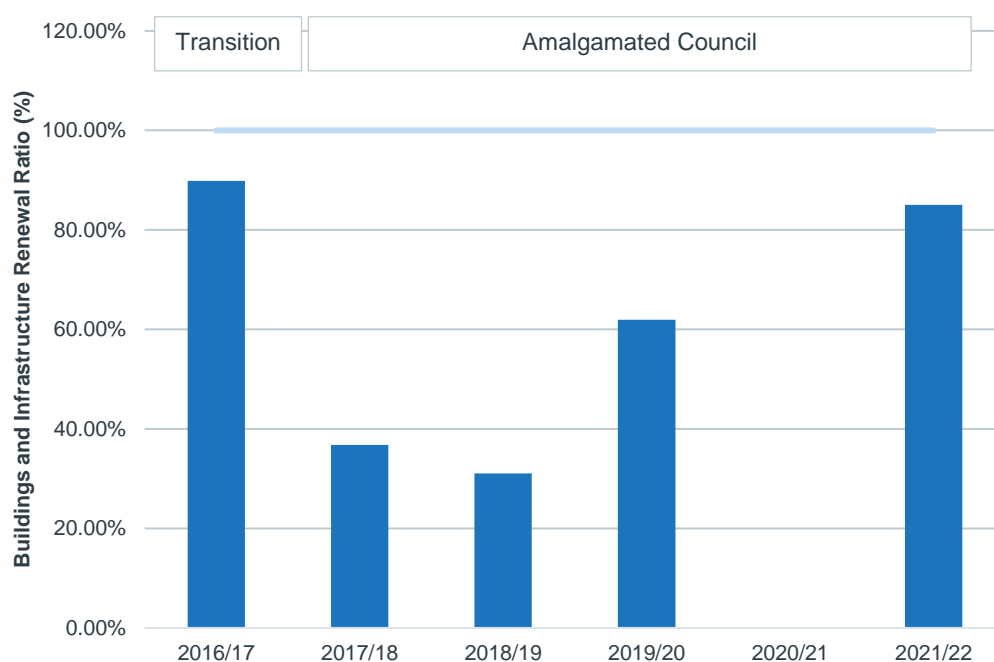
The infrastructure backlog ratio for the Water Fund has been consistently not meeting the benchmark of 2.00% and has fluctuated significantly between 2016/17 and 2019/20. The ratio dropped to 0% in 2020/2021 but then significantly exceeded the benchmark in 2021/22. The significant change of this ratio in 2020/2021 and the lack of any correlation with the buildings and infrastructure renewals ratio indicates there may be issues with the reliability of the data underpinning the calculation of this ratio.

**Figure 3.20. Infrastructure Backlog Ratio – Water Fund**



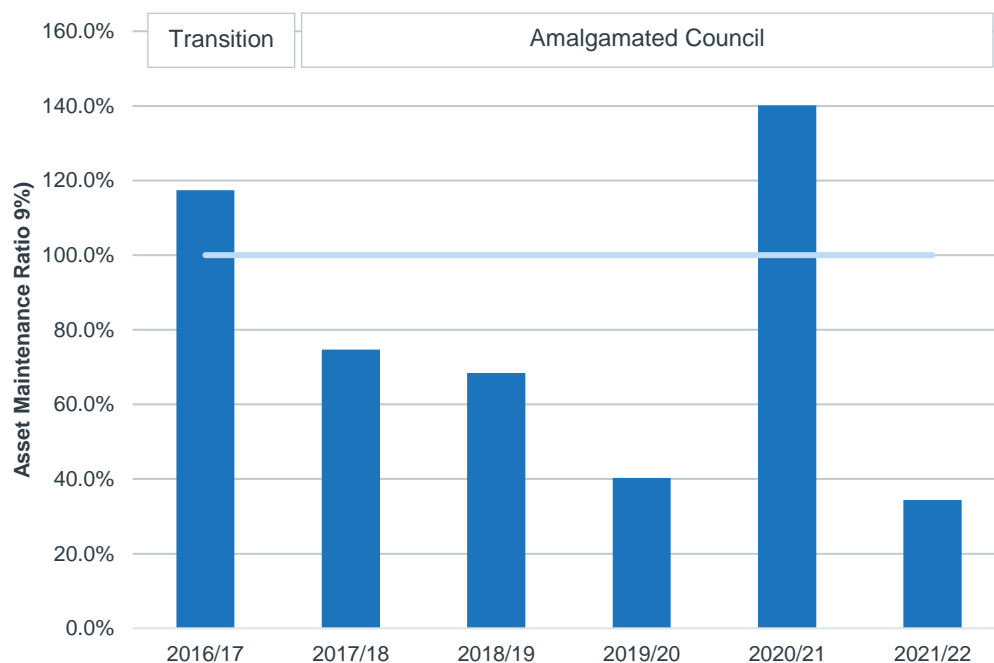
Source: AEC (unpublished).

The buildings and infrastructure renewals ratio for the Water Fund has been consistently not meeting the benchmark of 100% and has fluctuated between 2016/17 and 2019/20. The ratio dropped to 0% in 2020/21, but then increased significantly in 2021/22. The significant change of this ratio in 2020/21 and the lack of any correlation with the infrastructure backlog ratio indicates there may be issues with the reliability of the data underpinning the calculation of this ratio.

**Figure 3.21. Buildings and Infrastructure Renewal Ratio – Water Fund**

Source: AEC (unpublished).

The asset maintenance ratio outlined in Figure 3.22. has been generally under the benchmark of 100%. The current level of this ratio indicates that asset maintenance is below what is required by the asset management plans.

**Figure 3.22. Asset Maintenance Ratio – Water Fund**

Source: AEC (unpublished).

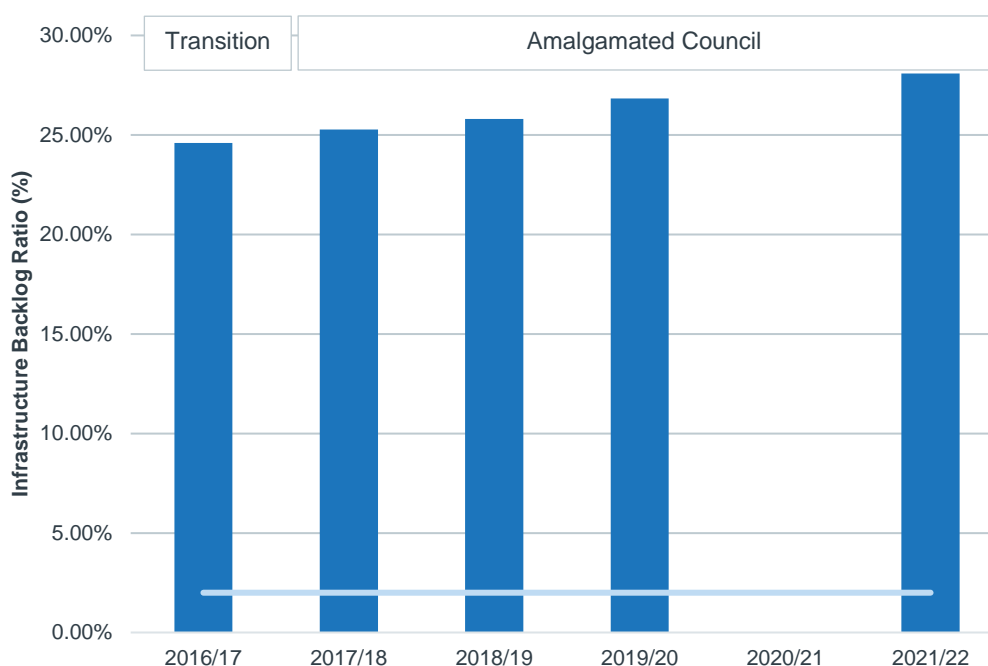
### 3.3.3 Sewer Fund

The infrastructure backlog ratio for the Sewer Fund has been consistently not meeting the benchmark of 2.00%. This ratio has been constant between 2016/17 and 2019/20, at an average of 25.76% over that period. The ratio dropped to 0% in 2020/21 and increased in 2021/22. The significant change of this ratio in 2020/21 and the lack of

any correlation with the buildings and infrastructure renewals ratio indicates there may be issues with the reliability of the data underpinning the calculation of this ratio.

Council reports in the Annual Financial Statements schedules the estimated cost to bring assets to an acceptable service level as a proportion of the gross replacement cost. The estimated cost to bring assets to a satisfactory standard in 2020/21 was nil for the sewer network and increased to 28.09% in 2021/22. The significant change of this ratio in 2020/21 and the lack of any correlation with the buildings and infrastructure renewals ratio indicates there may be issues with the reliability of the data underpinning the calculation of this ratio.

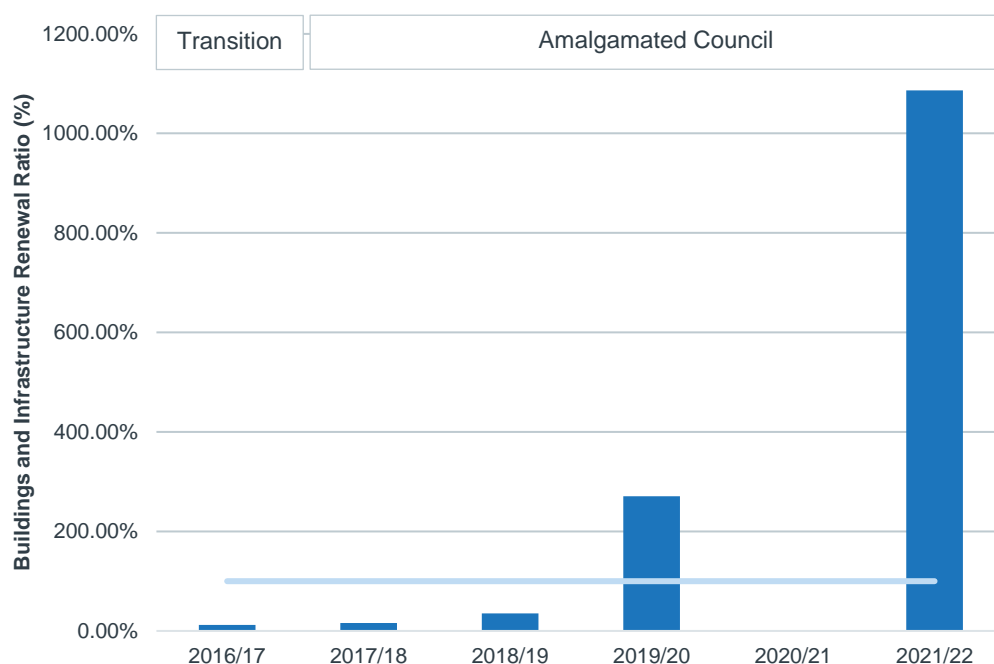
**Figure 3.23. Infrastructure Backlog Ratio – Sewer Fund**



Source: AEC (unpublished).

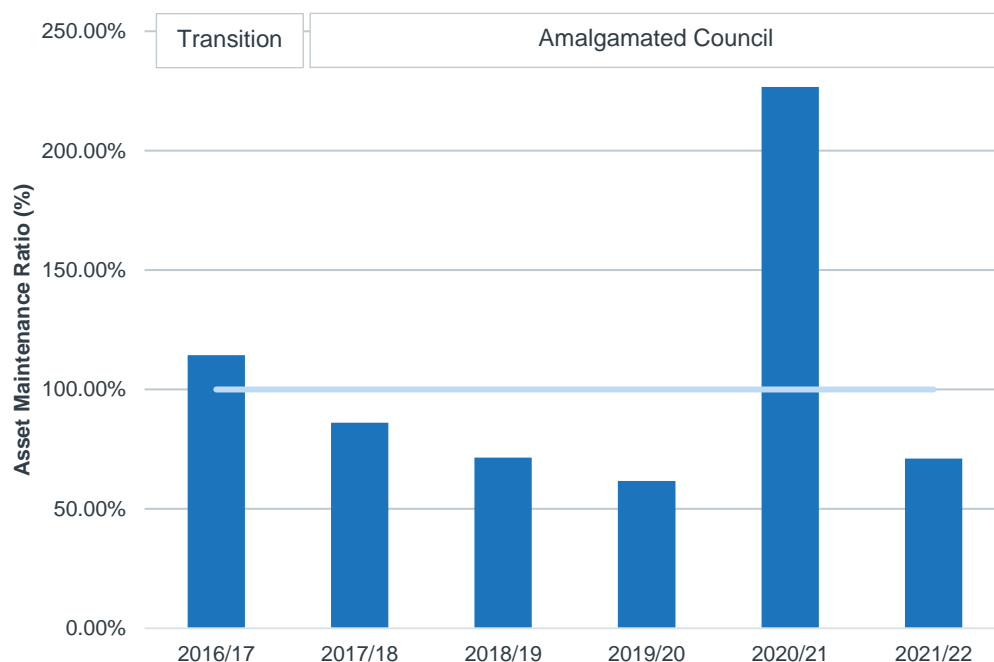
The buildings and infrastructure renewals ratio for the Sewer Fund (outlined below in Figure 3.24) was well under the benchmark of 100% in 2016/17 at 12.21%. The ratio well exceeded the benchmark in 2019/20, but then dropped to 0% in 2020/21. In 2021/22 the reported ratio was over 1000% due to the significant investment made to upgrade sewerage treatment plants.



**Figure 3.24 Buildings and Infrastructure Renewal Ratio – Sewer Fund**

Source: AEC (unpublished).

The asset maintenance ratio for the Sewer Fund has fluctuated since 2016/17 between meeting, not meeting and exceeding the benchmark of 100%. The erratic movements in this ratio from one year to another indicate that either asset maintenance is being undertaken on an ad hoc, unplanned manner, or the data underpinning the calculation of the ratio not reliable.

**Figure 3.25. Asset Maintenance Ratio – Sewer Fund**

Source: AEC (unpublished).

## SUMMARY OF HISTORICAL FINANCIAL PERFORMANCE

In summary, the historical performance of the Council over the three distinct periods that were analysed is as follows:

### **Period before the merger - 2012/13 to 2014/15:**

- Over the three years prior to merger of the former three councils, Cooma-Monaro, Bombala and Snowy River councils each generated operating deficits, impacting upon the availability of cash to renew and replace assets.
- In 2014/15 the consolidated combined operating deficit of the three councils was \$7.1 million and the consolidated combined operating performance ratio was **-10.74%**. The operating deficit for the general fund was \$8.7 million, whilst the Water and Sewer funds generated an operating surplus of \$0.4 million and \$1.2 million respectively.
- Over this period cash increased from \$44.7 million to \$50 million. External restrictions increased from \$26.6 million to \$29.8 million, whilst internal cash restrictions increased from \$17.8 million to \$19.9 million. There was minimal unrestricted cash in the order of \$0.3 million over the period.
- On a consolidated basis, prior to the merger in 2016, the three councils of Bombala, Cooma-Monaro and Snowy River were not renewing their assets in line with the rate of consumption.
- The buildings and infrastructure renewal ratio was not met in any of the years by Bombala Council and Cooma-Monaro Council.
- None of the three councils were meeting the benchmark performance for the infrastructure backlog ratio. Deficiencies in asset data underpinning the calculation of the ratio may have contributed to inconsistency in measurement of the backlog.
- Asset maintenance performance varied between the three councils prior to the merger.
- Asset data underpinning ratios relating to investment in assets may not be reliable.

### **The merger transition years – 2015/16 to 2016/17:**

- Cooma-Monaro, Bombala and Snowy River councils each generated operating surpluses in the general fund predominantly due to awarded grants.
- Over the two years 2015/16 and 2016/17, the consolidated combined operating surplus of the three councils was \$5.7 million and the combined operating performance ratio was 7.1% in 2015/16 and 1.5% in 2016/17.
- The operating result for the General Fund over the two years was a net \$0.
- The Water Fund generated an operating surplus of \$2.7 million and the Sewer Fund a net operating deficit of \$0.6 million over the two financial years.
- Over this period cash increased from \$51 million to \$77.8 million, predominantly due to unexpended grants, uncompleted works and accumulating developer contributions. External restrictions increased from \$33.5 million to \$40.2 million, whilst internal cash restrictions increased from \$16.7 million to \$37.4 million. There was minimal unrestricted cash.
- The buildings and infrastructure renewal ratio was not met in any of the years by Bombala Council and Cooma-Monaro Council but was slightly exceeded by Snowy River Council in 2015/16.
- None of the three councils were meeting the infrastructure backlog ratio.
- Asset maintenance performance varied between the three councils prior to the merger.
- Asset data underpinning ratios relating to investment in assets may not be reliable.

### **Period of the merged Council 2017/18 to 2021/22:**

- Since merger in 2016, Council generated operating deficit on a consolidated basis due to poor operating performance of the General Fund.

- Between 2016/17 and 2021/22, the operating deficit for the General Fund has varied each year million being \$4.3 million in 2021/22, with an operating performance ratio of **-3.47%**, not meeting the benchmark.
- The Water Fund generated an operating surplus, noting that only a very minor surplus of \$0.1 million was achieved in 2021/22.
- The Sewer Fund has generated declining operating surpluses, deteriorating to an operating deficit of \$0.3 million in 2021/22.
- Over this period cash increased from \$85.3 million in 2017/18 to \$86.5 million in 2021/22, predominantly due to unexpended grants, accumulation of developer contributions and uncompleted works. External restrictions increased from \$50 million in 2017/18 to \$71.1 million in 2021/22, whilst internal cash restrictions decreased from \$35.3 million to \$11 million. There was minimal or no unrestricted cash held over the period.
- Since the merger, the Council has generally improved in the performance of asset renewals but remained under the benchmark for asset maintenance.
- The infrastructure backlog ratio for General Fund is \$42.5 million (or 4.18%) as at 30 June 2022. General Fund assets were being renewed in line with or exceeding the benchmark of 100% until 2021/22, where the ratio dropped to 30.93%. Asset maintenance was under the required maintenance over the period.
- For Water Fund assets, there is an infrastructure backlog of \$72.9 million (or 48.2%) as at 30 June 2022, well in excess of the benchmark of 2%, with asset renewals ratio not meeting benchmark over the period. Asset maintenance appears to be inconsistent with some years meeting the benchmark and others not meeting the benchmark.
- For Sewer Fund assets, an infrastructure backlog ratio of \$28.2 million (or 28.09%) reported as at 30 June 2022. Asset renewal was minimal until 2021/22, when a major investment in sewerage treatment was commenced. Expenditure on asset maintenance appears to be inconsistent.
- Asset data underpinning ratios relating to investment in assets may not be reliable.

### 3.4 KEY FACTORS CONTRIBUTING TO THE HISTORICAL FINANCIAL PERFORMANCE

This section outlines the factors that most likely have contributed to the historical financial performance of the Council – these are based on observations throughout the review of documents and the processes of the council, and discussions held with key staff by the AEC project team.

#### 3.4.1 A Structural Operating Deficit

At the formation of the merged Council, the Business Case prepared by KPMG highlighted that the Council would continue to deliver operating deficits, with the annual estimated deficit to be approximately \$8.0 million. The Merger Business Case outlined that the former Councils of Cooma-Monaro, Bombala and Snowy Rivers were forecasting operating deficits within each of the Long-Term Financial Plans prepared by the former Councils. The consolidated forecast operating position projected by the former Councils resulted in an annual deficit of \$11 million – \$0.8 million deficit for Bombala, \$4.2 million for Snowy River and a \$5.6 million deficit for Cooma-Monaro<sup>1</sup>.

The merged Council has continued to operate with an underlying (or structural) deficit since formation in 2016/17 which is obscured in the reported operating position due to the recognition of operating and capital grants. The structural operating deficit is approximately \$5.0 - \$7.0 million depending upon annual fluctuations and whether the Roads to Recovery funding can be considered a recurrent operating grant.

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<sup>1</sup> KPMG, Merger Business Case

### 3.4.2 Growing Gap Between Operating Revenue and Operating Expenditure

Not dissimilar to many other NSW rural councils, Council has experienced a growing gap between operating revenue and operating expenditure. Rate-pegging has limited the ability of the Council to increase its rating revenue to support increasing operating expenditure arising from escalating costs, increased depreciation and cost-shifting. The rate freeze imposed on merged councils has further exacerbated the inability of the Council to respond to increasing cost pressures.

Limited asset management maturity across the organisation has also been a contributing factor to a reactive rather than planned approach to asset expenditure resulting in less-than-optimal asset maintenance costs. Generally, a heavy reliance upon reactive approach to asset maintenance can cost a Council up to 3.5 times the cost of planned maintenance, and up to 5 times for breakdown maintenance – and often the cost-of-service disruption is not reflected in the estimates of maintenance costs.

Benchmarking with similar councils has indicated that the growing gap between operating revenue and expenditure experienced historically, and especially in recent years, is an industry wide issue rather than an issue specific to Council.

While improvements to the efficiency and productivity of service delivery will assist in closing the gap between revenue and costs, there is a need for Council to significantly increase the revenue generated from operations. This will need to be predominantly through increases in the general rate revenue to improve the operation performance of the General Fund, as well as an increase in the annual service charges for water and sewer services to enable asset maintenance and renewals to be completed optimally.

It should also be noted that it is likely that the General Fund will need to increase significantly the expenditure on asset maintenance, including grading maintenance on unsealed roads, building maintenance and increased operational costs for assets contributed from the Snowy Mountains Special Activation Precinct.

As outlined in Section 2, the General Fund in recent years has been impacted by the operating deficits produced by the residential aged care facilities. Council's current initiative to divest from the provision of residential aged care will significantly improve the sustainability of the General Fund, or alternatively Council will need to seek additional funding support from the Australian Government to continue providing the residential aged care facilities – without a significant financial impost on the ratepayers.

### 3.4.3 Capacity to Deliver Projects

As outlined above, the increase in cash and cash equivalents since 2015/16 has predominantly been due to unexpended grant funding and uncompleted works. The accumulation of cash being predominantly in externally restricted reserves has occurred concurrently with a declining balance in internally restricted reserves and a nil balance in unrestricted cash (until the 2021/22 in which unrestricted cash of \$4.4M has been reported in the Draft Annual Financial Statements).

Council's operating position in the General Fund will have benefited significantly in the interest earned on cash held at bank or in investments due to the accumulation of funds held for uncompleted grant projects and works. Council cannot rely on the interest earned in future years, as the cash position will deteriorate as the accumulated grant funding and uncompleted works dissipate.

An effective project management framework is required to control the project selection and prioritisation, as well as controlling the allocation of cash to projects that matches the actual cashflow requirements of the project. The project management framework needs to integrate with the asset management planning and the Long-Term Financial Plan.

### 3.4.4 Integrated Planning and Delivery

Based on the historical performance of the Council, and observations made by AEC of the planning documents and budget working papers, it appears that there is a lack of integrated planning in the resource allocation and implementation of the Delivery Program and the Operational Plan. Inadequate planning of the delivery of services and the capital works program is likely to be a major contributor to inefficiency, less than optimal productivity and poor completion of projects.

AEC reviewed the process for the development of the Resourcing Strategy documents and the 2021/22 Annual Budget to inform a view on the completeness and effectiveness of the resource plans (Long-Term Financial Plan, Workforce Plan and Asset Management Strategy and Plans) to control and effect sustainable financial management. AEC concluded that the resource plans were not substantially integrated and were developed on poor quality of data to inform the planning. More specifically, the following observations were made of the development of resource plans:

- The asset management plans were observed to be immature and prepared based on poor quality of asset data. Asset hierarchy and criticality is not used effectively to inform renewal planning and the approach to maintenance of the assets is immature. Asset maintenance is mostly reactive. Planning for asset renewals used to inform the Long-Term Financial Plan is based predominantly on age-based projections rather than based on condition and asset performance. The approach to renewal of road assets (sealed and unsealed) is not informed by a pavement management system that outlines the optimal approach to managing the renewal and replacement of the region's transport assets.
- The development process for 2021/22 Annual Budget resulted in an expenditure plan that is highly likely to be materially incorrect and requires significant amendment. A significant complication to the development of the expenditure plan is the delivery of flood recovery projects and a significantly large amount of other capital works projects. Broad adjustments have been made to the operating expenditure assuming that delivery of the projects will require reallocation of mostly human resources to project delivery rather than business as usual activities. Internal recoveries and allocation of overhead expenses do not balance (or net off).
- Executive Team members were not certain on what positions are funded and what positions were planned to remain vacant. There appears to be a disconnect between the workforce planning and the employee costs budget.

### 3.4.5 Realisation of Initiatives to Improve the Operating Position

The merged Council has implemented initiatives to improve the operating position, through reduction in operating costs and increase in productivity. The following initiatives were identified by AEC through the review:

- **Organisational Review** – delivered an estimated savings in management levels of \$0.7 million which was reinvested in funding operational positions.
- **Review of Residential Aged Care** – recommended divestment by Council in the provision of Residential Aged Care, realising an improvement to the annual operating position of Council of at least \$0.75 million. Council has implemented the actions and currently progressing through a Due Diligence process with the selected tenderer.
- **Governance Service Review** – recommended improvements in compliance and operational savings in the established positions of \$0.7 million.
- **Works Management, Field Operations and Contract Delivery Service Review** – recommended significant improvements to the planning, coordination and delivery of predominantly external works, with a total estimated efficiency savings of approximately \$0.3 million – although AEC's view is that there would be substantially more efficiency savings than \$0.3 million likely across operations and capital delivery through implementing the recommended actions.

### 3.4.6 Increase in the Cost of Asset Ownership

Through the acquisition of new and upgraded assets the Council has increased the annual cost of ownership, including operating costs, maintenance and depreciation expense. The increase in the cost of asset ownership is expected to continue through the delivery of the 2022/23 Operational Plan and future planned capital works program, as well as the proposed contributed assets over the next four years, as outlined in the Special Activation Precinct Master Plan.

In the current 2022/23 Budget there is a total of \$118.4 million in capital works, of which \$25.3 million of expenditure is on new assets and \$50.9 million of expenditure is on upgraded assets.

In the current adopted Long -Term Financial Plan, across the 2023/24 and 2024/25 financial years Council is planning to add an additional \$15.2 million in new assets and \$15.3 million in upgrades of existing assets.

Additional cost of asset ownership through new and upgraded assets, without an adequate increase in revenue generated from the project, is a significant contributor to the underlying operating deficit for Council.

#### 3.4.7 Budgeting and Financial Management

A review of financial processes indicates that over time, especially in recent years there has been limited financial control across the Council.

AEC's observations of the annual budgeting process and budget management throughout the financial year indicates that there is not an appropriate level of oversight provided by the Responsible Accounting Officer position and limited overall strategic direction and approach by the Executive Management Team.

The amounts budgeted for operations and capital expenditure lack detail and supporting working papers, resulting in limited accountability for actual expenditure incurred in delivering services and infrastructure projects. As noted above, budgeted amounts for employee costs do not correlate to an approved staff establishment.

Significant process gaps have been identified by Council's auditors regarding financial processing and reporting that may have been a contributing factor to a lack of financial oversight and limited financial reporting. AEC notes that the control gaps identified by Council's auditors are currently being addressed by the Council.

## 4. BENCHMARKING

Benchmarking of the financial performance of the Council has been undertaken against the NSW Office of Local Government Group 4 (Regional Town / City) (Group) councils. The following councils are in the Group:

**Table 4.1 NSW Office of Local Government Group 4 (Regional Town / City)**

Councils		
• Albury City Council	• Dubbo Regional Council	• Queanbeyan -Palerang Regional Council
• Armidale Regional Council	• Eurobodalla Council	• Richmond Valley Council
• Ballina Council	• Goulburn Mulwaree Council	• Singleton Council
• Bathurst Regional Council	• Griffith Council	• Snowy Monaro Regional Council
• Bega Valley Council	• Kempsey Council	• Tamworth Regional Council
• Broken Hill Council	• Lismore Council	• Wagga Wagga Council
• Byron Council	• Lithgow Council	• Wingecarribee Council
• Cessnock Council	• Mid-Western Council	• Kiama Council
• Clarence Valley Council	• Orange Council	

### 4.1 DESKTOP BENCHMARKING

Desktop benchmarking has been undertaken based on the time series data published by the NSW Office of Local Government. The performance of the Council has been compared to the other Group 4 councils based on several measures and relative performance within these measures:

- Population
- General Rates and associated measures
- Total Operating Revenue
- Total Operating Expenses
- Full Time Equivalents
- Asset Maintenance Expenditure
- Road Length.

The key findings regarding the performance of the Council based on the desktop benchmarking are:

- The Council has the largest area of the councils in the Group 4, having 15,164 sq kms. The area of the councils in this Group varies, with Broken Hill Council having the smallest area at 170.1 sq kms.
- The Council has the second smallest population of the 26 councils in Group 4. The only council with a smaller population is Broken Hill Council. The Council has a population of 20,997 compared to an average population of 39,357 across the group.
- The Council has the third lowest residential rates, the ninth lowest farmland rates and the third lowest business rates within the Group.
- The rating effort across all the rating categories is the eighth highest ranked among the Group.
- The rates and annual charges outstanding ratio is the fifth highest ranked in the Group.
- Eight of the 26 councils in the group achieved an operating surplus in 2020/21, with the remaining 18 councils all generating an operating deficit. The operating deficits varied from \$0.7 million to \$25 million generated by the Council. The average operating result across the 26 councils in 2020/21 is in the order of \$4.8 million.



- Based on the 2020/21 results, the Council had the largest operating deficit, noting the result included a one-off adjustment of \$11 million for landfill remediation. Excluding this adjustment, the operating result of the Council would have been in the order of \$14 million. This result is the fourth highest operating deficit amongst the Group.
- The total revenue from continuing operations, including capital grants and contributions for the Council is the sixth lowest among the Group. The councils with lower revenue are Singleton, Griffith, Richmond Valley and Lithgow. It is noted that these councils have similar population levels, indicating that these councils' ability to generate revenue is inherently limited due to a low population base.
- The total expenses from continuing operations for the Council ranked in the middle of the Group. By comparison total expenses from continuing operations for councils with similar population levels were among the lowest in the Group.
- The total expenses from continuing operations for the Council compared to population are high compared to the other councils in the Group.
- Full time equivalent staff numbers for the Council ranked eleventh among the 26 councils. Full time equivalent staff numbers were high when compared to population, total operating revenue, total operating expenses and road length.
- The expenditure of the Council compared to road length is in line with the average amongst the group.

Whilst the benchmarking above is useful for assessing how Council compares with other similar councils, caution should be exercised when drawing any conclusions based on the observations above. Whilst the councils used for the benchmarking are within the same NSW Office of Local Government Group, there are significant variations regarding population levels and areas services by the councils within this Group. Population and area are two main drivers of the capacity to generate operating revenue and expenditure to deliver services. There also variations in the number and types of services, and service levels delivered by the councils. Services and service levels, as well as service delivery models impact on comparative analysis such as comparisons regarding employee numbers.

## 4.2 SURVEY OF GROUP 4 COUNCILS

To gain a further understanding of financial performance of other Group 4 councils phone interviews were held with several councils that were willing to participate in survey. An invitation to participate in a Financial Sustainability survey was extended to all the 26 Group 4 councils, with the following 12 councils choosing to participate:

**Table 4.2 Councils participating in the Financial Sustainability Survey**

Participating Councils		
Albury City Council	Cessnock City Council	Kiama Council
Armidale Regional Council	Dubbo Regional Council	Mid-Western Regional Council
Ballina Council	Goulburn Mulwaree Council	Queanbeyan – Palerang Regional Council
Bathurst Regional Council	Kempsey Shire Council	Wagga Wagga City Council

Source AEC (Unpublished).

The participating councils were asked questions regarding the following:

- Financial sustainability targets adopted in their current Long-Term Financial Plan
- The challenges faced in meeting the key financial sustainability ratios set by the NSW Office of Local Government regarding the operating result
- The challenges faced in meeting the key financial sustainability ratios set by the NSW Office of Local Government regarding the infrastructure assets condition, maintenance and renewal
- The current service level regarding the sealed and unsealed road networks
- Financial sustainability initiatives pursued and implemented over the last four years, and the success or otherwise of these initiatives in assisting councils to improve their financial performance



- Financial sustainability initiatives planned for the next four years
- Service reviews undertaken over the last four years, and the success or otherwise of these initiatives in assisting councils to improve their financial performance
- Services levels changes implemented over the last four years and any changes planned for the next 4 years
- Asset reviews undertaken over the last four years, and the success or otherwise of these initiatives in assisting councils to improve their financial performance
- Asset rationalisation undertaken in the last four years or planned to be undertaken over the next four years

A summary of the responses is provided in the Table below:

**Table 4.3 Summary of survey responses**

Issue	Response
Key financial sustainability benchmark – operating result	<ul style="list-style-type: none"> <li>• All the council surveyed are projecting to not meet the operating performance ratio during part or all of the period covered by the adopted Long-Term Financial Plan.</li> <li>• All the councils projecting to not meet the operating performance ratio have identified the need for increased rates revenue through a Special Rate Variation and have built this increase in scenarios within their Long-Term Financial Plan.</li> <li>• Eight of the 12 councils surveyed have indicated they will be applying for a Special Rate Variation to apply from 2023/24 or 2024/25.</li> <li>• All councils indicated that they would need to review their adopted Long – Term Financial Plan considering the anticipated legislated increase in wages and salaries, increasing electricity costs, increases in materials costs due to supply chain issues, wider economic factors resulting in cost pressures for councils.</li> </ul>
Key financial sustainability benchmark – infrastructure assets	<ul style="list-style-type: none"> <li>• Most of the councils are not meeting, and are projecting to continue not meeting the backlog, building and infrastructure renewal, and asset maintenance ratios.</li> <li>• Councils impacted by flooding events over the last two years have indicated that the flood events have significantly impacted on their road network.</li> <li>• Historic and projected under investment in assets in the councils is due to the ongoing shortfall in funding as a result of on-going and projected operational deficits.</li> </ul>
Main reasons or challenges contributing to the failure to meet the operating result and infrastructure assets benchmark	<ul style="list-style-type: none"> <li>• All councils surveyed identified the rates revenue not keeping up with increases in costs being as the main factor contributing to the projection of not meeting the operating performance ratio.</li> <li>• Most of the councils surveyed have not increased their rates above rate-pegging in recent years.</li> <li>• In councils with lower socio-economic areas, increases in rates have been limited due to the community's capacity to pay.</li> <li>• User fees and charges increases have generally limited to CPI increase rather than full cost recovery.</li> <li>• All the councils indicated that they have a large reliance on operating and capital grants.</li> <li>• The increase in depreciation costs has been identified by all the councils as a main factor to the deteriorating operating position.</li> <li>• The depreciation cost has increased significantly for most councils due to asset revaluations mandated by the NSW Office of Local Government.</li> <li>• Significant increases in the depreciation cost have also been attributed to new assets created as a result of grant funding from other levels of government.</li> <li>• Increased demand for services, especially for councils experiencing growth and migration to the area due to "tree change" is not fully funded through increased rates revenue.</li> <li>• Growing councils are experiencing increased employee costs to support organisational growth.</li> <li>• COVID has impacted on councils due to reduced user fees and charges, and it is unlikely that pre-COVID levels of activity will return. (e.g., airports).</li> <li>• Some councils have identified having too many community assets such as pools as being a contributor to the challenge of achieving financial sustainability.</li> <li>• All councils are delivering services due to market failure, as a community service obligation at a net cost.</li> </ul>

Issue	Response
	<ul style="list-style-type: none"> <li>For merged councils, legislation regarding employment in small communities has significantly limited the council to achieve efficiencies through productivity improvements. This has also limited the ability to dispose of assets associated with the place of work for existing employees. The no forced redundancy policy that applied for some years after the 2016 mergers was also a contributing factor.</li> <li>For merged councils, the rate-freeze period, followed by changes to the normal council term has significantly limited their ability to increase rates revenue through a Special Rate Variation.</li> <li>For merged councils, they faced the additional costs associated with harmonising service levels across the new formed council.</li> </ul>
Financial sustainability initiatives undertaken and their success	<ul style="list-style-type: none"> <li>Some councils have undertaken organisational reviews, some achieving savings, others increasing costs associated with growing and developing the capacity of the organisation to service growing demand.</li> <li>Productivity improvements have generally resulted in savings between \$2 million and \$4 million per year.</li> <li>Initiatives undertaken and implemented successfully include: <ul style="list-style-type: none"> <li>Energy savings (LED retrofits)</li> <li>Review of plant and fleet (e.g., Plant utilisation, review of useful life)</li> <li>Change in delivery models (e.g., bringing contracted services in-house)</li> <li>Property Strategy generating ongoing lease revenue</li> <li>Sale and/or development of Council owned land for residential and industrial purposes</li> <li>Sale of surplus land (e.g., pocket parks)</li> <li>Operation of aquatic centres</li> <li>Review of saleyards</li> <li>Process automation (e.g., customer service and back-office activities)</li> <li>Employment freeze for a period</li> <li>Reduced opening hours of some facilities (e.g., pools and libraries)</li> <li>Insurance review</li> <li>Solar Farm</li> <li>Closure of art gallery</li> <li>Natural staff attrition</li> <li>Procurement savings targets</li> <li>Commercial approach to private works undertaken for NSW Government state roads</li> </ul> </li> <li>Some councils have made a significant improvement in governance and associated processes (e.g., asset management systems, processes and capability)</li> <li>A council advised that advocacy was being undertaken in regard to regional roads being transferred to the NSW State Government.</li> </ul>
Financial sustainability initiatives planned to be undertaken	<ul style="list-style-type: none"> <li>Most councils are planning to investigate or implement financial sustainability initiatives including: <ul style="list-style-type: none"> <li>Shared services</li> <li>Alternative revenue generation streams</li> <li>Improved asset planning and management</li> <li>Review of current service and service levels</li> </ul> </li> <li>Sale and/or development of Council owned land for residential and industrial purposes</li> <li>Councils have applied a varying commercial approach to business units such as caravan parks, airports, cemeteries, waste management facility, sewer and water.</li> </ul>
Service reviews undertaken or planned	<ul style="list-style-type: none"> <li>All councils have undertaken some level of service and service level review to identify cost savings.</li> <li>Some councils have reduced service levels especially in the area of child care services.</li> <li>Councils with aged care services have identified the need to review the service delivery model, including divestment in these services. One council has already divested.</li> </ul>

Issue	Response
Asset reviews undertaken or planned	<ul style="list-style-type: none"> <li>• Most councils have sold surplus land over recent years, with proceeds generally being re-purposed to fund operational expenditure.</li> <li>• Councils do not generally have plans to dispose of any community assets other than surplus land.</li> <li>• One council has rationalised public amenities and playgrounds.</li> <li>• Very few councils have identified the potential for some asset rationalisation.</li> <li>• Some councils have disposed of assets associated with service reviews.</li> <li>• Some councils are looking at re-adaptation of existing buildings to improve alignment with community need.</li> <li>• Some councils looking at disposing of surplus administration buildings.</li> </ul>

Source AEC (Unpublished).

Based on the responses to the survey, the following observations can be made regarding the councils participating in the survey:

- The limited ability to increase rates in line with increasing costs, due to rate-pegging is an issue across all the councils.
- There is a heavy reliance on operational and capital grants for the councils.
- There has been an under-investment in renewal and maintenance assets by the councils.
- New, unplanned assets are causing, or will cause in future years, additional cost pressures due to increased maintenance and depreciation costs.
- Councils have been actively pursuing revenue generation opportunities where possible and tangible financial savings have been achieved by several councils.
- Councils have exhausted avenues to generate additional revenue and/or achieve productivity before determining to pursue a Special Rate Variation.
- There appears to be a level of appetite for review of services and service level by elected Councillors, indicating an increasing acceptance and willingness to engage with the community regarding the financial sustainability challenges being faced by many councils.
- There is limited appetite to rationalise community assets other than surplus land or administration assets.
- The merged councils faced additional challenges in achieving financial sustainability.

A detailed Benchmarking Report is attached as Appendix C to this report.

## 5. ASSESSMENT OF THE LONG-TERM FINANCIAL PLAN

### 5.1 BACKGROUND

Council adopted the 2022-2032 Long-Term Financial Plan (LTFP) in June 2022 as part of the Resourcing Strategy supporting the Snowy Monaro 2042 Community Strategic Plan. The adopted Resourcing Strategy also includes a Workforce Management Plan and an Asset Management Strategy and Plans.

At its Extraordinary meeting on 23 June 2022 Council adopted the 2022 – 2032 LTFP, including four scenarios, outlined in the table below.

**Table 5.1 Adopted LTFP Scenarios**

Scenario	Description
<b>Scenario 1</b> Base Case Scenario	This scenario contemplates a service-reduction, highlighting the reduction in operating costs to achieve a balanced operating result. This scenario includes divestment from Aged Care in November 2022 and a continuation of normal business with targeted savings of \$3.865M through reduction in current service levels in 2023/24 in order to achieve balanced budgets over the life of the Plan. The results of the scenario show cash levels sufficient to fund internal and external reserves if reductions in expenses are achieved, sufficient to eliminate annual deficits. This scenario does not include consideration of a rates increase by way of a Special Rate Variation.
<b>Scenario 2</b> Rate increase of 9.375% each year for eight consecutive financial years	This scenario contemplates divestment from Aged Care in November 2022 and the generation of an additional \$80 million to be applied to the renewal of transport assets over the 10-year life of the Plan. This scenario shows a path that allows Council to increase its revenues via increased rates and reduce its expenditure through efficiency gains and cost savings with moderate adjustments to service levels. It assumes that these shifts can be sustained in the long-term. This scenario considers an increase in rates by way of a Special Rate Variation of 9.375% increase inclusive of the announced rate pegs, in each of the next eight years.
<b>Scenario 3</b> Rate increase of 18.4% for the 2023/24 year only	This scenario contemplates divestment from Aged Care in November 2022 and maintaining current service levels including a risk-based approach to renewal and maintenance of transport assets. Under this scenario income would increase by \$2.85 million in 2023/24, with a cumulative increase to income of \$6.75 million over the ten-year life of the Plan. This scenario considers the introduction of a one-off Special Rate Variation of 18.4% above rate pegging for the 2023/24 year only.
<b>Scenario 4</b> Rate increase of 5% each year for eight years	This scenario contemplates divestment from Aged Care in November 2022 and the generation of additional cash of \$33 million to be applied to the renewal of transport assets over the 10-year life of the Plan. This scenario is based on increasing income from general rates by a 5% Special Rate Variation in each of the next eight years, inclusive of the announced and assumed rate pegs.

Source – SMRC (2022) Long Term Financial Plan

### 5.2 APPROACH

In accordance with the scope of the Financial Sustainability Review project, AEC completed a review of the LTFP adopted by Council and prepared an independent forecast of Council's long term financial position over the same planning horizon to compare and contrast with the adopted projected financial position.

The general approach to the review of the adopted LTFP included:

- Obtaining an understanding of the development process, the key responsible officers and the role each responsible officer completed in the development of the LTFP, including the input from service managers, technical officers and the executive staff.
- Obtaining workings papers used to develop the data inputs for the LTFP, including calculation of employee costs, non-labour cost items, depreciation and the development of the capital works plan.

- Investigating the alignment of the financial projections with adopted strategies and plans, and identifying any omitted operating and capital expenditure items identified in the adopted strategies and plans
- Review of the assumptions used for cost escalations and increase in revenue streams across the forecast period
- Detailed analysis of the 2022/23 Budget as the base year for testing forward projections, including identifying non-recurrent revenue and expenditure items included in the 2022/23 Budget
- Detailed review of the working papers for development of asset renewals and other planned capital works
- Detailed review of reserves and the use of the reserves to fund operating and capital expenditure.

With a good understanding of the adopted LTFP, AEC developed an independent forecast of the same period based on the following approach:

- Development of templates and configuration to replicate the structure of Council's income statement, balance sheet and the statement of cash flows.
- Inputting three years of historical actuals from the audited financial statements, the draft financial statements for 2021/22 and the 2022/23 budget (including proposed carryovers from 2021/22).
- Using the 2022/23 Budget as the base, adjustments were made to the 2022/23 Budget to project forward the cost of ongoing operational activities, including the removal of non-recurrent expenditure items and including expenditure that was excluded from the 2022/23 Budget due to the assumptions by responsible officers regarding the impact of flood recovery works and other projects preventing or negating the business-as-usual activities.
- A capital works plan was developed across the forecast period based on a reasonable approach to sustainable asset renewals (without increasing the current levels of service) and including investment in new or upgraded assets where they were supported by adopted strategies and plans (for example, Waste Management Strategy).
- Capital grants were included where there was a high likelihood that Council would receive the grants provided for capital purposes (e.g., renewal of bridges, selected facility upgrades, water and sewer network upgrades and implementation of the waste strategy).
- Operational grants were included only where the grant was recurrent in nature.
- The proposed assets transferred from NSW Government to Council for the SAP development were included in the contributed assets, and an increase in the depreciation and whole of life costs included.
- Due to the projected development from the SAP, a moderate growth rate escalation (above historical trend) of 0.7% was applied to residential rates and commercial rates to include consideration of an increase in the general rate revenue and annual fees and charges.

### 5.3 ASSESSMENT OF THE ADOPTED LONG TERM FINANCIAL PLAN

The adopted Income Statement and the Statement of Cash Flows for the LTFP Base Case are outlined in Table 5.2 and Table 5.3 below. The Base Case scenario includes a divestment from Residential Aged Care in November 2022 and a reduction of \$3.865 million in operating expenditure, achieved through a reduction in current service levels to achieve the objective of a "balanced budget over the life of the plan". The assessment of the Base Case in achieving a "balanced budget" is that cash levels remain sufficient to fund internal and external reserves if reduction in expenses are achieved, sufficient to eliminate annual deficits.

Through a detailed review of the LTFP the following material observations are made:

- The LTFP assumes grants and contributions provided for operating purposes are maintained at a high level, albeit with the Residential Aged Care Commonwealth grant removed. AEC review of the operational grants identified substantial amount of non-recurrent grant funding, including flood recovery grants, that are likely to be included in the forward projection in the LTFP for operational grants.

- Despite the assumed reduction in service costs of \$3.865 million, the LTFP continues to produce operating deficits (excluding capital grants) which continues to deteriorate throughout the 10-year plan.
- The reduction in service costs of \$3.865 million will most likely result in further reduction in asset maintenance rather than addressing the need to increase maintenance (as evidenced by poor performance against the asset maintenance ratio outlined earlier in this report).
- The LTFP does not separate out the fund types, which if it did, would likely show that the General Fund produces a significant deficit, somewhat corrected in the consolidated statement due to surplus produced in the Water Fund and Sewer Fund. As noted earlier, water and sewer reserves cannot be accessed for General Fund purposes without approval from the Minister.
- There is no inclusion of either the operating revenue or expenditure (in particular depreciation expenses) that is likely to occur with the transfer of assets from the NSW Government due to the SAP development.
- The capital works program in the LTFP is insufficient to address the infrastructure backlog and will most likely result in continued deterioration in the backlog. There is insufficient coverage for renewals across all asset groups, with a heavy focus on transport assets and minimal investment in other categories (such as buildings).

Concluding based on observations, the Base Case is not a financially sustainable scenario for Council. The scenario assumes reduction in service levels, which are unlikely to be implemented. Even if the reduction in service levels was implemented, it will most likely put the sustainability of assets at high risk through inadequate investment in the maintenance of assets, which will lead to early deterioration of assets, resulting in a higher cost of renewing or replacing assets, and at an earlier stage in the life of the asset. The scenario is also highly unlikely to be achievable due to not acknowledging the impact the SAP is likely to have on Council, as well as likely overstating the operational grants that will be received.

## 5.4 ASSESSMENT OF THE AEC FORECAST

The forecast developed by AEC following the detailed review of the adopted LTFP provides significantly different financial position for Council – a significantly deteriorated position for Council. The forecasted Income Statement and the forecasted Statement of Cash Flows are outlined in Table 5.4 and Table 5.5 below.

An overview of the forecast position is outlined below:

- The forecast position (see Table 5.4) is a significantly deteriorated operating position with the greatest factor being a reduction in receipt of operational grants (compared to recent financial years), as well as significant increases in depreciation and operational costs due to new assets, upgraded assets and contributed assets.
- Cash generated from operational activities (See Table 5.5) is insufficient to fund the required investment in assets. The annualised cash deficit across the 10-year forecast is approximately \$5 to \$6 million to avoid a deterioration of the cash balances at end of year.
- The capital works program included in the AEC Forecast includes the necessary investments to ensure assets do not continue to deteriorate to expose Council to unacceptable risk. That is, AEC has assumed that Council will invest more in renewal of buildings, bridges, roads and plant and equipment.
- The transfer of NSW funded assets (approximately \$170 million) developed by the SAP are expected to be transferred progressively to Council in the 2023/24, 2024/25 and 2025/26 financial years. This is recognised in Table 5.4 in the grants and contributions provided for capital purposes. The transfer of the assets also results in an increase in the depreciation expense and materials and contracts in the respective financial years as the estimate of the whole of life costs associated with the new assets. By the end of the 10-year period (2031/32) in the AEC Forecast the contributed assets from the SAP are expected to increase depreciation by \$3.572 million and operational expenses by \$2.385 million.
- AEC Forecast does not include a reduction in service levels, rather it assumes expenditure will increase in maintenance compared to the 2022/23 Budget, expecting Council's maintenance program to return to business-as-usual. It should be noted however that continuation of business-as-usual will be insufficient to

maintain the condition of assets and will most likely result in early failure of assets, which is not a sustainable approach.

To be sustainable in the short to medium term, the AEC Forecast requires an improvement in the annual net cash position of approximately \$5 million to \$6 million. In the longer term, Council will be further challenged by the requirement to renew and replace assets contributed by the SAP without the additional revenue generation to fund the capital works.



**Table 5.2. Adopted LTFP - Income Statement**

Council Adopted LTFP - Income Statement	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Income from continuing operations</b>												
Rates and annual charges	31,221	34,906	33,992	34,845	35,720	36,618	37,538	38,481	39,449	40,441	41,459	42,502
User charges and fees	15,347	19,586	17,860	17,871	18,413	18,970	19,544	20,136	20,746	21,374	22,022	22,688
Other revenue	1,315	618	529	543	557	572	587	602	618	635	652	670
Grants and contributions provided for operating purposes	23,236	28,684	28,959	26,316	26,599	26,888	27,183	27,483	27,789	28,102	28,421	28,746
Grants and contributions provided for capital purposes	9,775	52,745	88,231	18,077	1,456	1,456	-	-	-	-	-	-
Interest and investment revenue	1,183	1,380	1,288	1,299	1,310	1,322	1,333	1,344	1,356	1,368	1,380	1,391
Other income	844	1,063	1,075	1,107	1,141	1,175	1,210	1,246	1,284	1,322	1,362	1,403
Net gains from the disposal of assets	-	295	356	379	184	395	192	240	955	408	225	126
Rental income	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total income from continuing operations</b>	<b>82,921</b>	<b>139,277</b>	<b>172,290</b>	<b>100,437</b>	<b>85,380</b>	<b>87,396</b>	<b>87,587</b>	<b>89,532</b>	<b>92,197</b>	<b>93,650</b>	<b>95,521</b>	<b>97,526</b>
<b>Expenses from continuing operations</b>												
Employee benefits and on-costs	33,425	33,107	30,566	29,835	30,595	31,375	32,175	32,995	33,836	34,698	35,583	36,490
Materials and services	27,464	28,008	24,510	24,380	24,794	25,528	26,285	27,364	27,867	28,694	29,545	30,423
Borrowing costs	487	136	5	-	-	-	-	-	-	-	-	-
Depreciation, amortisation and impairment of non-financial assets	20,366	19,507	20,309	20,508	20,710	20,913	21,118	21,326	21,535	21,747	21,960	22,176
Impairment of receivables	403	-	-	-	-	-	-	-	-	-	-	-
Other expenses	13,547	10,405	9,586	9,806	10,086	10,376	10,673	10,980	11,296	11,622	11,957	12,302
Net losses from the disposal of assets	640	-	-	-	-	-	-	-	-	-	-	-
Revaluation decrement/impairment of IPPE	1,673	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenses from continuing operations</b>	<b>98,005</b>	<b>91,163</b>	<b>84,976</b>	<b>84,529</b>	<b>86,185</b>	<b>88,192</b>	<b>90,251</b>	<b>92,665</b>	<b>94,534</b>	<b>96,761</b>	<b>99,045</b>	<b>101,391</b>
<b>Operating result from continuing operations</b>	<b>(15,084)</b>	<b>48,114</b>	<b>87,314</b>	<b>15,908</b>	<b>(805)</b>	<b>(796)</b>	<b>(2,664)</b>	<b>(3,133)</b>	<b>(2,337)</b>	<b>(3,111)</b>	<b>(3,524)</b>	<b>(3,865)</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(24,859)</b>	<b>(4,631)</b>	<b>(917)</b>	<b>(2,169)</b>	<b>(2,261)</b>	<b>(2,252)</b>	<b>(2,664)</b>	<b>(3,133)</b>	<b>(2,337)</b>	<b>(3,111)</b>	<b>(3,524)</b>	<b>(3,865)</b>

Source – SMRC Adopted Resource Strategy – Long Term Financial Plan (2022)



**Table 5.3. Adopted LTFP - Statement of Cash Flows**

Council Adopted LTFP	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cash Flows from Operating Activities</b>												
<b>Receipts:</b>												
Rates and Annual Charges	30,649	34,521	34,521	34,688	35,558	36,451	37,367	38,306	39,269	40,257	41,269	42,308
User Charges and Fees	14,730	18,208	17,974	17,761	18,277	18,830	19,400	19,988	20,593	21,217	21,859	22,521
Investment and Interest Revenue Received	1,330	1,480	1,352	1,342	1,216	1,291	1,312	1,349	1,354	1,387	1,388	1,404
Grants and Contributions	37,948	74,460	116,825	44,323	28,040	28,344	27,181	27,483	27,790	28,102	28,421	28,747
Other income	7,062	232	1,503	2,300	1,828	1,727	1,795	1,828	1,881	1,935	1,992	2,049
<b>Payments</b>												
Employee Benefits	(33,118)	(32,559)	(27,185)	(26,369)	(27,041)	(27,733)	(28,442)	(29,168)	(29,914)	(30,678)	(31,463)	(32,267)
Materials and Contracts	(32,264)	(26,344)	(24,488)	(24,374)	(24,777)	(25,516)	(26,272)	(27,357)	(27,849)	(28,680)	(29,532)	(30,408)
Borrowing Costs	(49)	(21)	(5)									
Bonds and Deposits Refunded	(204)	-										
Other	(3,840)	(10,100)	(11,496)	(14,547)	(14,474)	(10,988)	(10,969)	(11,246)	(12,451)	(12,636)	(12,674)	(15,357)
<b>Net Cash provided (or used in) Operating Activities</b>	<b>22,244</b>	<b>59,877</b>	<b>109,001</b>	<b>35,124</b>	<b>18,627</b>	<b>22,406</b>	<b>21,372</b>	<b>21,183</b>	<b>20,673</b>	<b>20,904</b>	<b>21,260</b>	<b>18,997</b>
<b>Cash Flows from Investing Activities</b>												
Sale of Investment Securities	34,000		12,108		3,978							
Sale of Infrastructure, Property and Plant & Equipment	1,197	738	544	944	890	855	327	571	923	981	684	378
Purchase of Infrastructure, Property, Plant & Equipment	(21,603)	(78,566)	(136,205)	(34,202)	(24,803)	(16,614)	(15,319)	(17,724)	(15,696)	(20,947)	(20,198)	(11,629)
Purchase of Intangible Assets	(3,771)											
<b>Net Cash provided (or used in) Investing Activities</b>	<b>9,823</b>	<b>(77,828)</b>	<b>(123,553)</b>	<b>(33,258)</b>	<b>(19,935)</b>	<b>(15,759)</b>	<b>(14,992)</b>	<b>(17,153)</b>	<b>(14,773)</b>	<b>(19,966)</b>	<b>(19,514)</b>	<b>(11,251)</b>
<b>Cash Flows from Financing Activities</b>												
Repayment of Borrowings and Advances	(521)	(355)										
Repayment of Lease Liabilities	(84)	1										
<b>Net Cash provided (or used in) Financing Activities</b>	<b>(605)</b>	<b>(354)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>31,462</b>	<b>(18,305)</b>	<b>(14,552)</b>	<b>1,866</b>	<b>(1,308)</b>	<b>6,647</b>	<b>6,380</b>	<b>4,030</b>	<b>5,900</b>	<b>938</b>	<b>1,746</b>	<b>7,746</b>
plus: Cash and Cash Equivalents - beginning of year	6,546	38,008	19,703	5,151	7,017	5,709	12,356	18,736	22,766	28,666	29,604	31,350
<b>Cash and Cash Equivalents - end of year</b>	<b>38,008</b>	<b>19,703</b>	<b>5,151</b>	<b>7,017</b>	<b>5,709</b>	<b>12,356</b>	<b>18,736</b>	<b>22,766</b>	<b>28,666</b>	<b>29,604</b>	<b>31,350</b>	<b>39,096</b>
Cash and Cash Equivalents - end of year	38,008	19,703	5,151	7,017	5,709	12,356	18,736	22,766	28,666	29,604	31,350	39,096
Investments - end of year	38,000	38,000	25,892	25,892	21,914	21,914	21,914	21,914	21,914	21,914	21,914	21,914
<b>Cash and Cash Equivalents - end of year</b>	<b>76,008</b>	<b>57,703</b>	<b>31,043</b>	<b>32,909</b>	<b>27,623</b>	<b>34,270</b>	<b>40,650</b>	<b>44,680</b>	<b>50,580</b>	<b>51,518</b>	<b>53,264</b>	<b>61,010</b>
Representing:												
- External Restrictions	66,749	50,042	18,381	20,940	16,139	20,953	23,759	25,203	31,353	32,288	31,590	39,526
- Internal Restrictions	9,259	9,146	9,146	9,146	9,146	9,146	9,146	9,146	9,146	9,146	9,146	9,146
- Unrestricted	-	(1,485)	3,516	2,823	2,338	4,171	7,745	10,331	10,080	10,083	12,529	12,338
<b>Total</b>	<b>76,008</b>	<b>57,703</b>	<b>31,043</b>	<b>32,909</b>	<b>27,623</b>	<b>34,270</b>	<b>40,650</b>	<b>44,680</b>	<b>50,579</b>	<b>51,517</b>	<b>53,265</b>	<b>61,010</b>

Source – SMRC Adopted Resource Strategy – Long Term Financial Plan (2022)

**Table 5.4. Independent Forecast – Income Statement**

AEC Developed Forecast - Income Statement	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000
<b>Income from continuing operations</b>												
Rates and annual charges	31,221	32,709	33,991	35,726	37,244	38,986	40,817	42,510	44,276	46,118	48,037	50,039
User charges and fees	15,347	15,568	17,860	18,265	19,122	19,965	20,846	21,720	22,631	23,581	24,571	25,604
Other revenue	1,315	3,282	529	553	573	593	614	636	659	683	707	733
Grants and contributions provided for operating purposes	23,236	31,151	28,958	21,365	21,899	22,447	23,008	23,583	24,173	24,777	25,397	26,032
Grants and contributions provided for capital purposes	9,775	22,514	88,231	125,992	71,316	32,893	4,295	5,552	4,224	6,116	9,278	4,315
Interest and investment revenue	1,183	1,036	1,289	1,296	1,303	1,309	1,317	1,324	1,332	1,339	1,347	1,355
Other income	844	990	-	-	-	-	-	-	-	-	-	-
Net gains from the disposal of assets	-	-	357	369	379	388	398	407	417	428	438	449
Rental income	-	-	1,075	1,115	1,146	1,177	1,209	1,243	1,277	1,312	1,348	1,385
<b>Total income from continuing operations</b>	<b>82,921</b>	<b>107,250</b>	<b>172,290</b>	<b>204,681</b>	<b>152,982</b>	<b>117,758</b>	<b>92,504</b>	<b>96,975</b>	<b>98,989</b>	<b>104,354</b>	<b>111,123</b>	<b>109,912</b>
<b>Expenses from continuing operations</b>												
Employee benefits and on-costs	33,425	33,182	30,567	30,855	32,281	33,868	35,126	36,429	37,780	39,181	40,631	42,136
Materials and services	27,464	32,655	25,823	25,735	27,260	28,171	28,807	29,463	30,138	30,833	31,548	32,284
Borrowing costs	487	266	5	11	300	291	282	272	262	251	240	228
Depreciation, amortisation and impairment of non-financial assets	22,039	19,655	20,309	24,095	26,580	27,682	28,213	28,759	29,317	29,889	30,476	31,076
Other expenses	13,950	1,625	9,590	9,977	10,228	10,487	10,749	11,018	11,294	11,576	11,865	12,162
Net losses from the disposal of assets	640	818	-	-	-	-	-	-	-	-	-	-
<b>Total expenses from continuing operations</b>	<b>98,005</b>	<b>88,201</b>	<b>86,294</b>	<b>90,673</b>	<b>96,649</b>	<b>100,499</b>	<b>103,177</b>	<b>105,941</b>	<b>108,791</b>	<b>111,730</b>	<b>114,760</b>	<b>117,886</b>
<b>Operating result from continuing operations</b>	<b>(15,084)</b>	<b>19,049</b>	<b>85,996</b>	<b>114,008</b>	<b>56,333</b>	<b>17,259</b>	<b>(10,673)</b>	<b>(8,966)</b>	<b>(9,802)</b>	<b>(7,376)</b>	<b>(3,637)</b>	<b>(7,974)</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(24,859)</b>	<b>(3,465)</b>	<b>(2,235)</b>	<b>(11,984)</b>	<b>(14,983)</b>	<b>(15,634)</b>	<b>(14,968)</b>	<b>(14,518)</b>	<b>(14,026)</b>	<b>(13,492)</b>	<b>(12,915)</b>	<b>(12,289)</b>

Source – AEC (Unpublished)

Table 5.5. Independent Forecast – Statement of Cashflows

AEC Developed Forecast - Statement of Cash Flows	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000
<b>Cash Flows from operating activities</b>												
<b>Receipts:</b>												
Rates and annual charges	30,849	33,113	33,991	35,726	37,244	38,986	40,817	42,510	44,276	46,118	48,037	50,039
User charges and fees	14,730	15,753	17,860	18,265	19,122	19,985	20,848	21,720	22,631	23,581	24,571	25,604
Investment and interest revenue received	1,330	1,185	1,289	1,296	1,303	1,309	1,317	1,324	1,332	1,339	1,347	1,355
Grants and contributions	37,948	56,672	117,189	54,155	32,639	30,906	27,303	29,135	28,397	30,893	34,675	30,347
Bonds, deposits and retention amounts received	-	12	-	-	-	-	-	-	-	-	-	-
Other	7,062	9,615	1,961	2,037	2,098	2,158	2,221	2,286	2,353	2,423	2,493	2,567
<b>Payments:</b>												
Employee benefits and on-costs	(33,118)	(32,958)	(30,567)	(30,855)	(32,281)	(33,868)	(35,126)	(36,429)	(37,780)	(39,181)	(40,631)	(42,136)
Materials and services	(32,264)	(28,157)	(25,823)	(25,735)	(27,280)	(28,171)	(28,807)	(29,463)	(30,138)	(30,833)	(31,548)	(32,284)
Borrowing costs	(49)	(18)	(5)	(11)	(300)	(291)	(282)	(272)	(262)	(251)	(240)	(228)
Bonds, deposits and retention amounts refunded	(204)	-	-	-	-	-	-	-	-	-	-	-
Other	(3,840)	(4,328)	(9,590)	(9,977)	(10,228)	(10,487)	(10,749)	(11,018)	(11,294)	(11,576)	(11,865)	(12,162)
<b>Net cash provided (or used in) operating activities</b>	<b>22,244</b>	<b>50,889</b>	<b>106,305</b>	<b>44,901</b>	<b>22,337</b>	<b>20,507</b>	<b>17,540</b>	<b>19,793</b>	<b>19,515</b>	<b>22,513</b>	<b>26,839</b>	<b>23,102</b>
<b>Cash Flows from investing activities</b>												
Sale of investments	34,000	9,000	-	39,000	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	1,197	1,728	-	1,347	1,054	1,452	486	875	1,854	1,373	1,037	521
Deferred Debtors Receipts	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of investment securities	-	(10,000)	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(21,803)	(41,737)	(118,354)	(52,767)	(38,722)	(26,489)	(21,787)	(31,142)	(27,281)	(29,109)	(39,027)	(22,242)
Purchase of intangible assets	(3,771)	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-	-
Deferred debtors and advances made	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) investing activities</b>	<b>9,823</b>	<b>(41,009)</b>	<b>(118,354)</b>	<b>(12,420)</b>	<b>(37,668)</b>	<b>(25,037)</b>	<b>(21,301)</b>	<b>(30,267)</b>	<b>(25,427)</b>	<b>(27,736)</b>	<b>(37,990)</b>	<b>(21,721)</b>
<b>Cash Flows from financing activities</b>												
New Residential Accommodation Bonds	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from borrowings	-	-	150	-	5,304	-	-	-	-	-	-	-
Repayment of borrowings and advances	(521)	(316)	(31)	(17)	(157)	(166)	(175)	(184)	(194)	(205)	(216)	(228)
Principal component of lease payments	(84)	(78)	-	-	-	-	-	-	-	-	-	-
Repayment of Residential Accommodation Bonds	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) financing activities</b>	<b>(605)</b>	<b>(394)</b>	<b>119</b>	<b>(17)</b>	<b>5,147</b>	<b>(166)</b>	<b>(175)</b>	<b>(184)</b>	<b>(194)</b>	<b>(205)</b>	<b>(216)</b>	<b>(228)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>31,462</b>	<b>9,486</b>	<b>(11,930)</b>	<b>32,464</b>	<b>(10,184)</b>	<b>(4,696)</b>	<b>(3,936)</b>	<b>(10,658)</b>	<b>(6,106)</b>	<b>(5,428)</b>	<b>(11,367)</b>	<b>1,153</b>
Cash and cash equivalents - beginning of year	6,546	38,008	47,494	35,564	68,028	57,844	53,148	49,212	38,554	32,448	27,020	15,653
Cash and cash equivalents - end of year	38,008	47,494	35,564	68,028	57,844	53,148	49,212	38,554	32,448	27,020	15,653	16,806
Investments on hand - end of year	38,000	39,000	39,000	-	-	-	-	-	-	-	-	-
<b>Total cash, cash equivalents and investments</b>	<b>76,008</b>	<b>86,494</b>	<b>74,564</b>	<b>68,028</b>	<b>57,844</b>	<b>53,148</b>	<b>49,212</b>	<b>38,554</b>	<b>32,448</b>	<b>27,020</b>	<b>15,653</b>	<b>16,806</b>

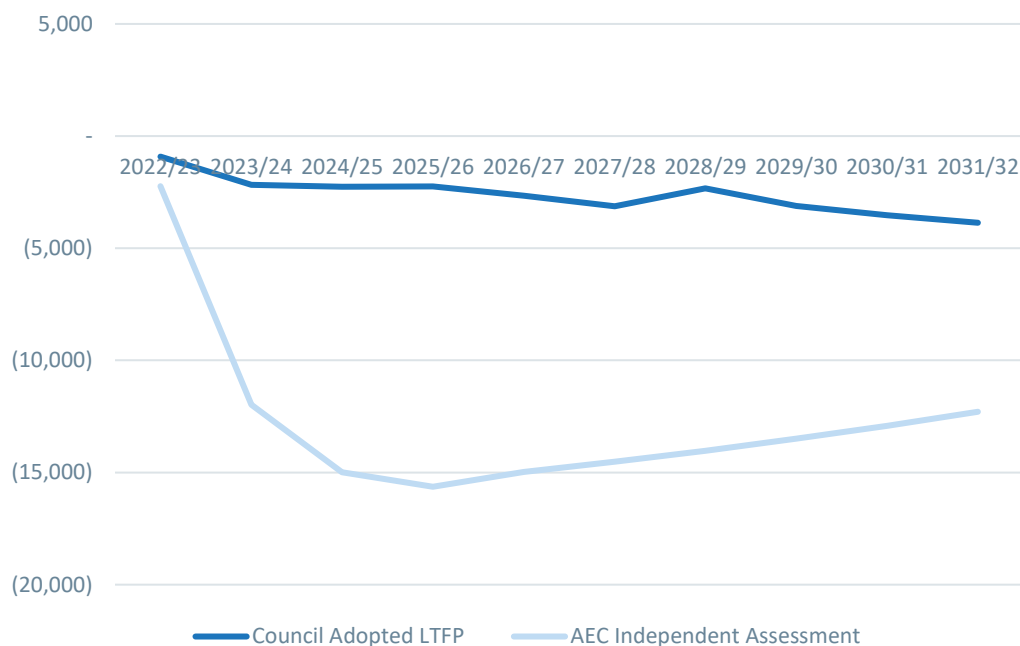
Source – AEC (Unpublished)

## 5.5 COMPARISON OF THE ADOPTED LTFP AND THE AEC FORECAST

### 5.5.1 Net Operating Result

The net operating result in the AEC Forecast (see Table 5.4) is a significantly deteriorated position compared to the Adopted LTFP. The AEC Forecast recognises approximately \$4 million less in operational grants compared to the Adopted LTFP, as well as projects an increase in operational expenditure due to increased depreciation and operational costs associated with the SAP development.

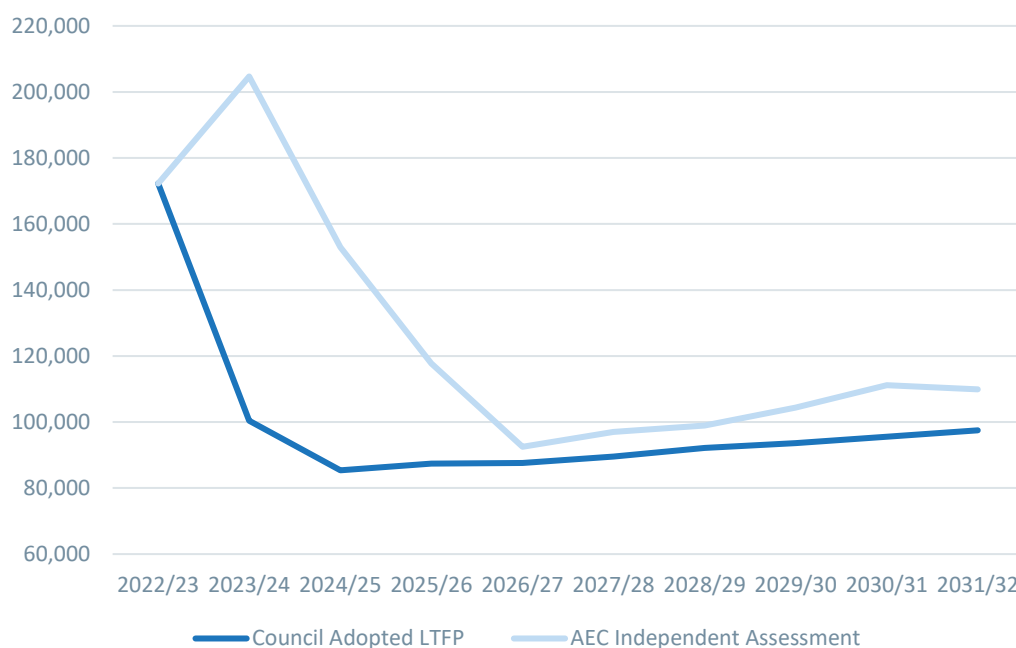
**Figure 5.1. Comparison of the Net Operating Result (before grants and contributions provided for capital purposes) (\$'000s)**



Source – AEC (Unpublished).

### 5.5.2 Operating Revenue

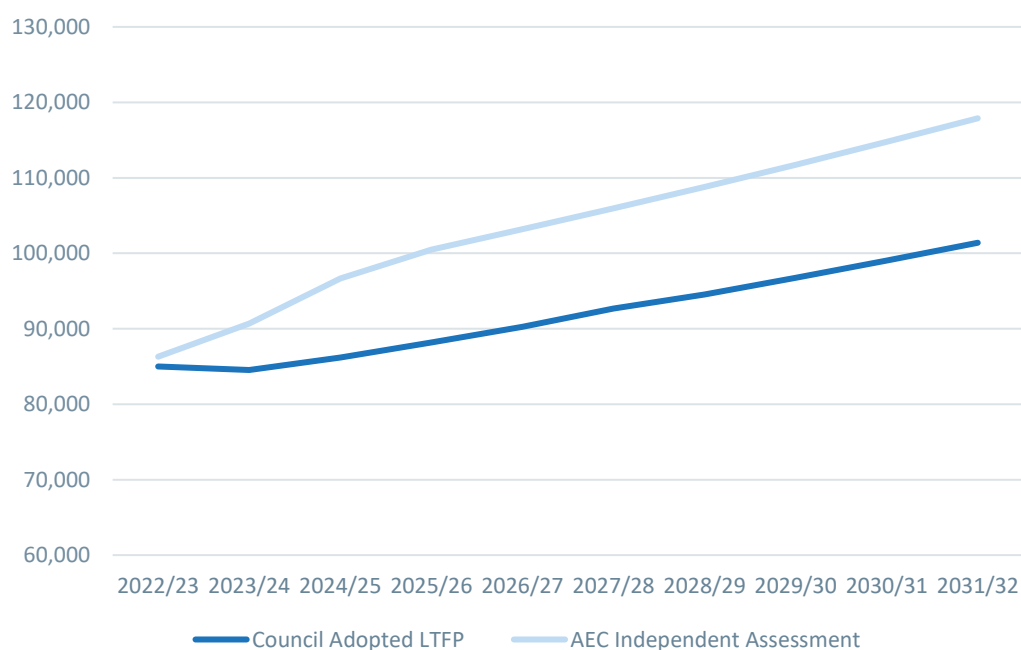
Figure 5.2 below compares the total operating revenue as reported on the Income Statement. The AEC Forecast includes recognition of the contributed assets from the SAP development in the financial years 2023/24, 2024/25 and 2025/26. This will not generate additional cash, but in compliance with accounting practices, contributed assets must be recognised on the Income Statement. The AEC Forecast is projecting slightly higher recurrent revenue generated, predominantly due to expected higher general rates (due to a higher population growth due to the SAP development) and a higher anticipated rate peg.

**Figure 5.2. Comparison of Operating Revenue (\$'000s)**

Source – AEC (Unpublished).

### 5.5.3 Operating Expenditure

The projected operating expenditure reported on the AEC Forecast Income Statement (see Table 5.4) is a significant increase in operating expenditure. This is most predominately due to the increase in depreciation expense and operating costs associated with the SAP contributed assets.

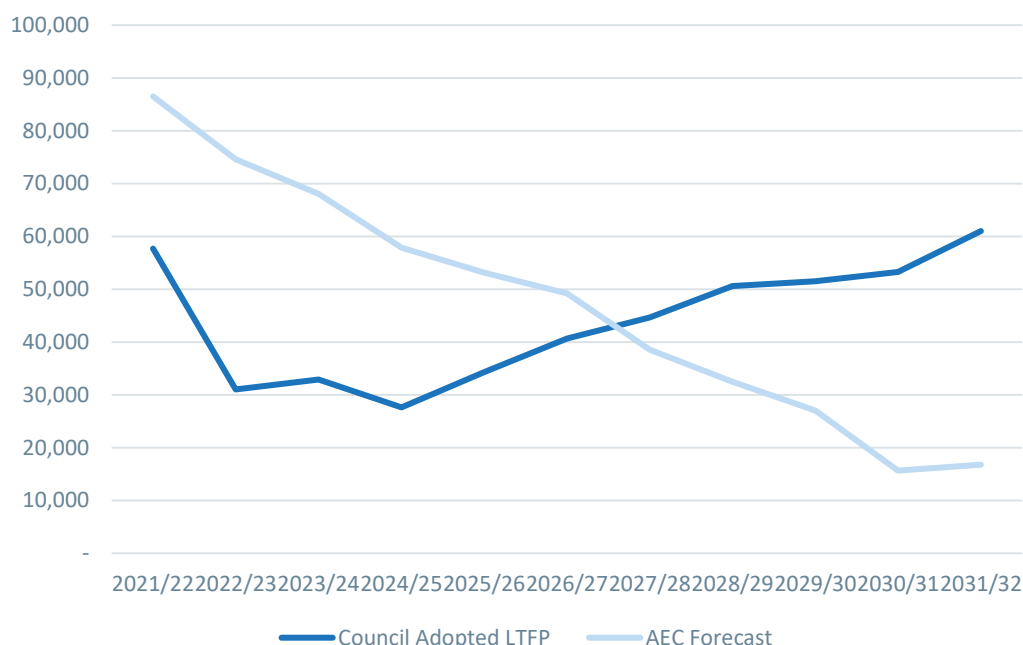
**Figure 5.3. Comparison of Operating Expenditure (\$'000s)**

Source – AEC (Unpublished).

#### 5.5.4 Cash and Cash Equivalents

There is a large difference in the reported cash and cash equivalents balance in the Cash Flow Statement for the Adopted LTFP (see Table 5.3) and the AEC Forecast (see Table 5.5). The difference is due to a larger investment in the AEC Forecast on renewal of assets, as well as less cash generated from operational activities.

**Figure 5.4. Comparison of Cash and Cash Equivalents (\$'000s)**



Source – AEC (Unpublished).

#### 5.5.5 Internal Loans

The adopted LTFP assumes an internal loan from the Water Fund to the General Fund for capital projects to be repaid over the forward 10 years at an interest rate of 1%. To implement the loan the Council required Ministerial approval, which was not successful. Therefore, the AEC forecast does not include the internal loan, rather the projects are funded from mostly assumed grant funding or existing reserves where available.

#### 5.5.6 Comparison of Capital Works Plans

The following analysis compares the capital works plan developed in the Adopted LTFP and the AEC Forecast to calculate the cash requirement for asset renewals, asset upgrades and new assets.

It is important to note that the planned investments in the following tables are in nominal dollars as at 2022. The Cash Flow Statement balances presented in other sections of this report are in real dollars (included expected indexation for years 2023/24 onwards). It should also be noted that the AEC Forecast includes carryover projects not completed in 2021/22. The Adopted LTFP does not have carryovers, rather assumed that the projects would have been completed in 2021/22.

In total, the Adopted LTFP planned to invest \$334.5 million in capital works over the 10-year program, compared the AEC Forecast of \$353.3 million – a difference of \$18.8 million – see Figure 5.5 Table 5.6 below.

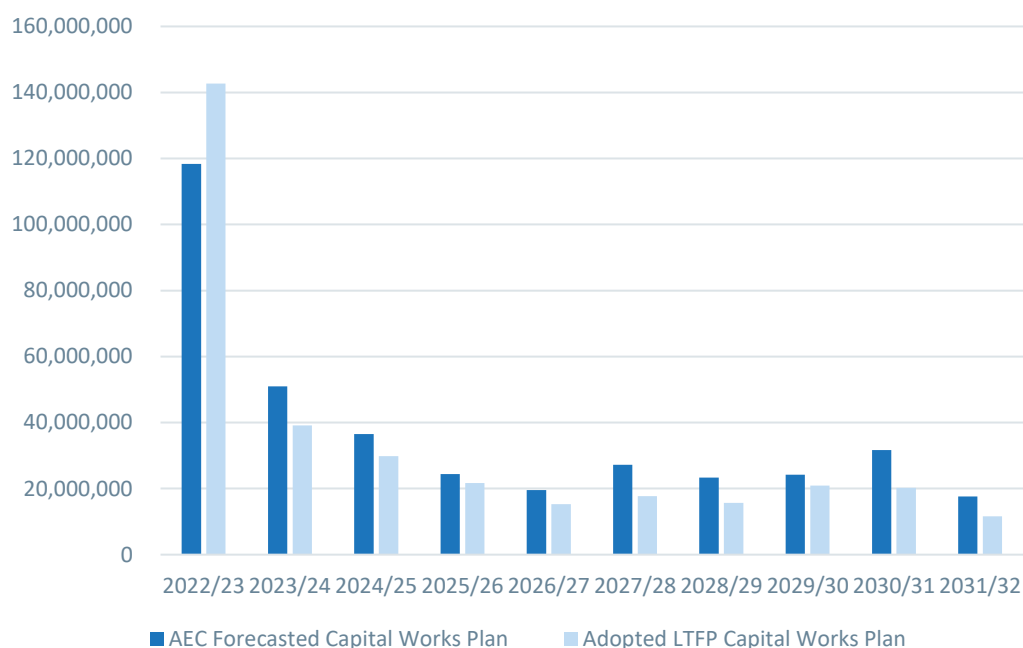
The comparison of the investment in renewals is outlined in Figure 5.6 below, with the AEC Forecast investing more in asset renewals in a majority of the financial years and achieving the asset renewal ratio of 100% for most financial years.

A comparison of Table 5.6 and Table 5.7 indicate a broader spread of investment in assets in the AEC Forecast. However, there is less investment in the roads asset class in the AEC Forecast. The investment required on roads

is currently unclear, with several reviews undertaken by Council indicating an increase in investment on the roads is necessary (above that included in the AEC Forecast). However, the review of the modelling suggests the higher investment is based upon unreliable data and without an optimal approach taken to the different hierarchy of roads.

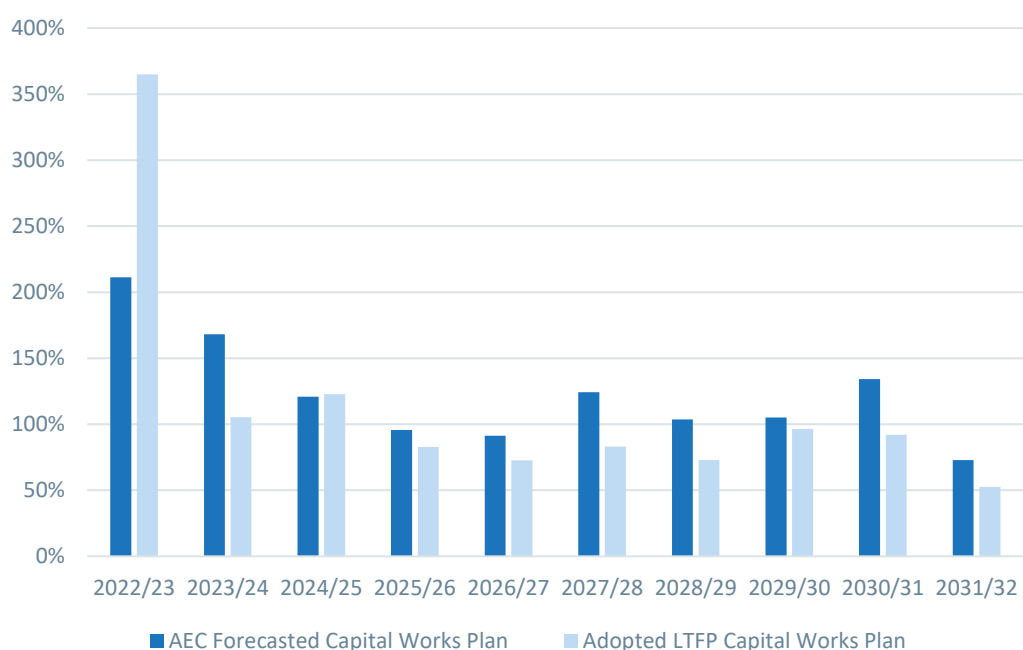
A reliable pavement management system is necessary to determine how much investment is necessary.

**Figure 5.5. Comparison of Capital Works Plan – Adopted LTFP and AEC Forecast - Adopted LTFP (\$ Nominal as at 2022)**



Source – AEC (Unpublished).

**Figure 5.6. Comparison of Asset Renewal Ratio – Adopted LTFP and AEC Forecast**



Source – AEC (Unpublished).

**Table 5.6. Capital Works Plan – Adopted LTFP (\$ Nominal as at 2022)**

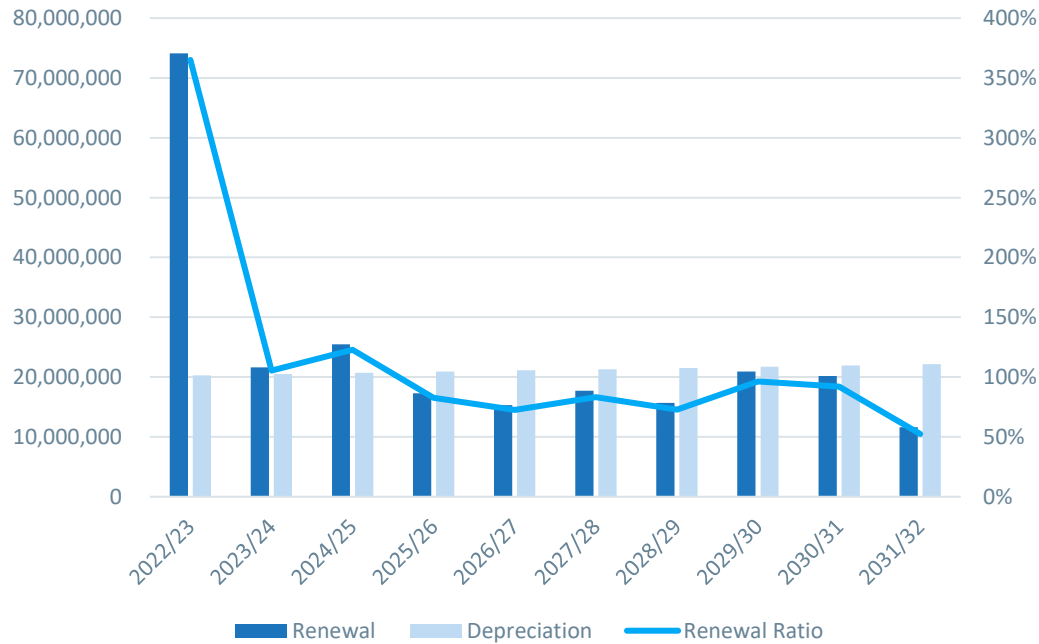
Asset Class		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Bridges		1,800,000	0	0	0	0	0	0	0	0	0
Buildings Non-specialised		3,561,996	0	3,269	0	116,377	248,101	1,045,607	5,972	7,803	727
Buildings Specialised		20,893,858	0	0	0	0	0	0	0	0	0
ICT Replacement		0	0	0	0	0	0	0	0	0	0
Office Equipment		80,000	82,000	83,640	85,731	87,874	90,071	92,322	94,630	96,996	99,421
Other Open Space Recreation		11,622,390	7,696,338	0	10,920	97,460	165,903	163,787	305,679	52,888	1,318,595
Other Structures		238,400	0	0	0	112,400	211,914	1,524	116,233	261,205	161,573
Plant & Equipment (incl Fleet		2,811,661	3,521,199	3,039,377	4,019,014	1,888,188	3,003,566	6,174,170	4,892,150	2,129,046	1,712,984
Resource and Waste		5,150,000	0	0	0	0	0	0	0	0	0
Roads		41,034,141	19,341,567	15,464,647	15,509,527	8,673,763	8,374,082	7,789,082	8,572,116	8,678,104	7,519,105
Stormwater		180,000	0	0	0	0	0	0	0	0	0
Wastewater		21,329,497	579,828	3,710,103	0	1,431,909	4,816,123	429,456	2,820,948	8,525,699	0
Water		34,003,484	7,942,378	7,514,470	2,054,137	2,910,858	814,124	0	4,139,057	445,773	816,690
<b>TOTAL EXPENSES</b>		<b>142,705,427</b>	<b>39,163,310</b>	<b>29,815,506</b>	<b>21,679,329</b>	<b>15,318,829</b>	<b>17,723,884</b>	<b>15,695,948</b>	<b>20,946,785</b>	<b>20,197,514</b>	<b>11,629,095</b>
New		24,641,248	7,696,338	0	0	0	0	0	0	0	0
Upgrade		43,933,889	9,866,666	4,366,666	4,366,666	0	0	0	0	0	0
Renewal		74,130,290	21,600,306	25,448,840	17,312,663	15,318,829	17,723,884	15,695,948	20,946,785	20,197,514	11,629,095
<b>TOTAL EXPENSES</b>		<b>142,705,427</b>	<b>39,163,310</b>	<b>29,815,506</b>	<b>21,679,329</b>	<b>15,318,829</b>	<b>17,723,884</b>	<b>15,695,948</b>	<b>20,946,785</b>	<b>20,197,514</b>	<b>11,629,095</b>
Depreciation		20,309	20,508	20,710	20,913	21,118	21,326	21,535	21,747	21,960	22,176
Renewal Ratio		365%	105%	123%	83%	73%	83%	73%	96%	92%	52%
General	General Revenue	11,767,142	11,687,114	11,830,813	10,636,558	11,423,750	11,386,281	11,918,940	10,856,845	10,302,087	8,479,421
	Grant Funding	18,037,905	6,467,916	6,520,447	0	0	0	0	0	0	1,059,779
	Borrowings	0	0	0	0	0	0	0	0	0	0
	Reserves	836,057	435,903	1,273,932	339,504	669,887	3,880,211	2,067,840	369,197	510,318	2,689,656
	Uncompleted works	0	0	0	0	0	0	0	0	0	0
Water	General Revenue	0	0	0	0	0	0	0	0	0	0



Asset Class		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Sewer	Reserves	2,942,378	7,514,470	2,054,137	2,910,858	814,124	0	4,139,057	445,773	816,690	1,000,000
	Grant Funding	5,000,000	0	0	0	0	0	0	0	0	750,000
	General Revenue	0	0	0	0	0	0	0	0	0	0
	Reserves	579,828	3,710,103	0	1,431,909	4,816,123	429,456	2,820,948	8,525,699	0	1,750,000
	Grant Funding	0	0	0	0	0	0	0	0	0	500,000
<b>TOTAL EXPENSES</b>		<b>142,705,427</b>	<b>39,163,310</b>	<b>29,815,506</b>	<b>21,679,329</b>	<b>15,318,829</b>	<b>17,723,884</b>	<b>15,695,948</b>	<b>20,946,785</b>	<b>20,197,514</b>	<b>11,629,095</b>

Source – Council LTFP, AEC Analysis

**Figure 5.7. Capital Works Asset Renewals – Adopted LTFP (\$ Nominal as at 2022)**



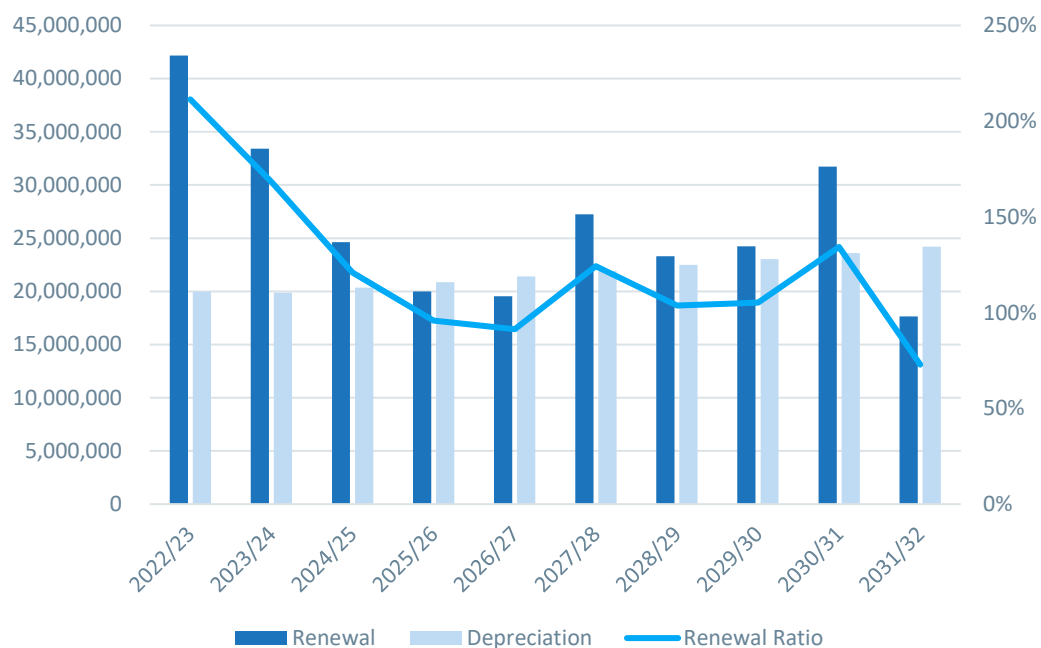
Source – Council LTFP, AEC Analysis

Table 5.7. Capital Works Plan – AEC Forecast (\$ Nominal as at 2022)

Asset Class		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Bridges		3,375,123	6,300,490	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Buildings Non-specialised		4,094,880	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
Buildings Specialised		21,300,970	250,000	5,250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
ICT Replacement		0	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Office Equipment		80,000	282,000	283,640	285,731	287,874	290,071	292,322	294,630	296,996	299,421
Other Open Space Recreation		13,279,574	7,996,338	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Other Structures		869,423	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Plant & Equipment (incl Fleet		2,811,661	3,538,782	4,311,388	3,686,395	1,799,756	5,127,539	5,991,302	3,332,133	2,897,460	1,749,665
Resource and Waste		2,599,838	4,444,189	3,128,277	671,517	347,217	325,597	1,233,636	1,103,917	801,237	239,117
Roads		42,807,109	14,041,567	10,116,666	10,116,666	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000
Stormwater		1,180,000	0	0	0	0	0	0	0	0	0
Wastewater		11,817,141	2,829,828	6,310,103	2,250,000	4,031,909	8,416,123	2,679,456	6,420,948	14,625,699	2,250,000
Water		14,137,700	9,750,000	4,250,000	4,250,000	4,250,000	4,250,000	4,250,000	4,250,000	4,250,000	4,250,000
<b>TOTAL EXPENSES</b>		<b>118,353,419</b>	<b>50,983,194</b>	<b>36,500,074</b>	<b>24,360,309</b>	<b>19,546,756</b>	<b>27,259,330</b>	<b>23,296,716</b>	<b>24,251,628</b>	<b>31,721,392</b>	<b>17,638,203</b>
New		25,325,309	7,696,338	7,500,000	0	0	0	0	0	0	0
Upgrade		50,852,185	9,866,666	4,366,666	4,366,666	0	0	0	0	0	0
Renewal		42,175,925	33,420,190	24,633,408	19,993,643	19,546,756	27,259,330	23,296,716	24,251,628	31,721,392	17,638,203
<b>TOTAL EXPENSES</b>		<b>118,353,419</b>	<b>50,983,194</b>	<b>36,500,074</b>	<b>24,360,309</b>	<b>19,546,756</b>	<b>27,259,330</b>	<b>23,296,716</b>	<b>24,251,628</b>	<b>31,721,392</b>	<b>17,638,203</b>
Depreciation		19,952,389	19,867,477	20,364,164	20,873,268	21,395,100	21,929,978	22,478,227	23,040,183	23,616,187	24,206,592
Renewal Ratio		211%	168%	121%	96%	91%	124%	104%	105%	134%	73%
General	General Revenue	10,337,792	8,071,913	8,133,640	8,135,731	8,137,874	8,140,071	8,142,322	8,144,630	8,146,996	8,149,421
	Grant Funding	68,498,116	24,084,530	6,773,735	5,534,545	1,086,804	1,081,399	1,308,409	1,275,979	1,200,309	1,059,779
	Borrowings	150,000	0	5,000,000	0	0	0	0	0	0	0
	Reserves	13,412,670	6,246,924	6,032,596	4,190,033	2,040,169	5,371,737	6,916,529	4,160,071	3,498,388	1,929,003
	Uncompleted works	0	0	0	0	0	0	0	0	0	0
Water	General Revenue	0	0	0	0	0	0	0	0	0	0
	Reserves	4,137,700	4,000,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000

Asset Class		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Sewer	Grant Funding	10,000,000	5,750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000
	General Revenue	0	0	0	0	0	0	0	0	0	0
	Reserves	1,417,141	2,329,828	5,310,103	1,750,000	3,031,909	6,416,123	2,179,456	4,420,948	10,125,699	1,750,000
	Grant Funding	10,400,000	500,000	1,000,000	500,000	1,000,000	2,000,000	500,000	2,000,000	4,500,000	500,000
<b>TOTAL EXPENSES</b>		<b>118,353,419</b>	<b>50,983,194</b>	<b>36,500,074</b>	<b>24,360,309</b>	<b>19,546,756</b>	<b>27,259,330</b>	<b>23,296,716</b>	<b>24,251,628</b>	<b>31,721,392</b>	<b>17,638,203</b>

Source – AEC (Unpublished).

**Figure 5.8. Capital Works Asset Renewals – AEC Forecast (\$ Nominal as at 2022)**

Source – AEC (Unpublished).

## 6. VISION FOR A FINANCIALLY SUSTAINABLE COUNCIL

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The Council will be financially sustainable if it can deliver the Community Strategic Plan and Delivery Program whilst demonstrating capacity to maintain financial capital and infrastructure capital over the short (1-4 years), medium (4-10 years) and long term (10-25 years).

The Council can demonstrate capacity to delivery financial sustainability through the following:

- **Operating position** – the ability to generate sufficient revenue and control of services and infrastructure costs to produce sufficient cash from operations.
- **Availability of Cash** – the ability to maintain sufficient cash (or access to cash) to meet the needs of operations, investments and financing (borrowings).
- **Investment in Assets** – the ability to renew or replace assets to maintain the desired level of service and the provision of new assets to meet demand for growth in services.

A financially sustainable Council can invest in developing and growing the local economy, and can withstand, react and adapt to unplanned shocks. Good governance, effective decision-making frameworks and robust financial management practices are required to support the implementation of a financial sustainability strategy.

This section outlines the criteria that the Council needs to meet to achieve a financially sustainable position.

### 6.1 CAPACITY TO DELIVER THE COMMUNITY STRATEGIC PLAN

The Long-Term Financial Plan of the Council needs to enable the delivery of strategies identified with the Community Strategic Plan and the delivery of actions within the Delivery Program.

The Snowy Monaro 2042 Community Strategic Plan identifies the following strategies:

- Snowy Monaro Youth Strategy 2019-2022
- Snowy Monaro Regional Council Disability Inclusion Action Plan 2017-2021
- Snowy Monaro Regional Economic Development Strategy 2018-2022
- Snowy Monaro Regional Economic Development Strategy Bushfire Impact Review
- Snowy Monaro Destination Management Plan 2019
- Snowy Monaro Local Strategic Planning Statement
- South East and Tablelands Regional Plan
- Snowy Monaro Waste Management Strategy
- Snowy Monaro Regional Council On-Site Sewage Management Strategy
- South East and Tablelands Regional Plan 2036
- Snowy Monaro Asset Management Strategy
- Snowy Monaro Asset Management Plans
- Customer Service Charter
- Snowy Monaro Community Participation Plan.

The Long -Term Financial Plan should include the funding required for the implementation of actions associated with the above strategies, including impact of future demand for services. The associated resourcing and asset requirements for the planning horizon (including forecast increases/decreases and other changes in service demand) should also be included in the Workforce Management Plan and Asset Management Strategy and Asset Management Plans.

## 6.2 ACHIEVING A FINANCIALLY SUSTAINABLE POSITION

The desired state of financial sustainability is based on six focus areas:

- Focus Area A – Improved Operating Position
- Focus Area B – Responsible Investment in Assets
- Focus Area C – Improved Availability of Cash
- Focus Area D – Improved Strategic Service Planning
- Focus Area E - Investment in Growth and Economic Development
- Focus Area F – Enhancements to Governance, Prioritisation and Decision Making

**Table 6.1 Desirable Financially Sustainable Position – Focus Area A – Improvement to the Operating Position**

Focus Area	Desired Sustainable Position
<b>Improvement to the Operating Position</b>	<ul style="list-style-type: none"> <li>• Long -Term Financial Plan demonstrates that generation of revenue in the General Fund exceeds the operating costs of efficient and optimised<sup>2</sup> operations (including depreciation), producing sufficient cash from operational activities to:             <ul style="list-style-type: none"> <li>◦ Fund all planned General Fund asset renewals without unrealistic reliance upon grants;</li> <li>◦ Repayment of any General Fund borrowings; and</li> <li>◦ Deliver new and upgraded infrastructure for planned growth in services, which may be funded through a mixture of developer contribution reserves, internally constrained reserves and borrowings.</li> </ul> </li> <li>• The annual Budget development process is well integrated with activity planning as outlined in the Delivery Program and Operational Plan.</li> <li>• The Budget is used to implement efficiency or productivity initiatives.</li> <li>• There is clear accountability for performance against the Budget and the Long-Term Financial Plan.</li> <li>• The annual Budget and Long-Term Financial Plan are integrated with the Asset Management Plans and the Workforce Management Plan.</li> <li>• Transfer of Aged Care facilities to a private provider or increased Commonwealth funding to enable a financially viable business.</li> <li>• User Fees and Charges and other revenue increasing year on year to match the full cost recovery of the service provided.</li> <li>• Less reliance on operating grant funding for ongoing operating expenses.</li> <li>• Whole of life costing analysis of all proposed projects, and analysis on the impact new assets or services has upon the sustainability of the Council in the longer term (built into the Project Management and Decision-Making Framework).</li> <li>• Business units generating a return to General Fund.</li> <li>• Optimised approach to asset maintenance – treatments are planned, and triggers based on condition and known optimal intervention point.</li> <li>• Rationalisation of facilities to provide optimal delivery of services within resource constraints and willingness of community to pay.</li> <li>• Levels of services established to guide scheduling of reactive works.</li> <li>• Asset management plans well prepared to provide direction, criteria and guidelines to practice.</li> <li>• Budget process for staff establishment based on a defined approved organisational chart, by position.</li> <li>• Consider budgeting for vacancies calculated as a % of the budget based on an approved organisational chart.</li> <li>• Sewer pricing to be based on full cost pricing principles.</li> <li>• Well planned and documented renewal program and network growth to inform the full cost pricing.</li> <li>• A fully funded business plan for business units including water, and sewer businesses.</li> <li>• Project management framework with mandatory planning stages that identifies whole of life costs and funding sources.</li> <li>• Financial controls established to monitor project expenditure.</li> <li>• Decision gateways to prevent projects proceeding until approval provided.</li> <li>• Capital expenditure reviews, project feasibility and business cases developed to better inform Council.</li> <li>• Positive cost benefit from the SAP development.</li> </ul>

<sup>2</sup> Optimised operations requires balanced approach to planned and reactive actions to achieve the lowest cost of service over the long term (including asset maintenance).

**Table 6.2 Desirable Financially Sustainable Position – Focus Area B – Increasing Availability of Cash**

Focus Area	Desired Sustainable Position
<ul style="list-style-type: none"> <li>Increasing Availability of Cash</li> </ul>	<ul style="list-style-type: none"> <li>Long-Term Financial Plan supported by cashflows projections sufficient to support the delivery of services and asset management.</li> <li>Sufficient unrestricted cash is available to support general revenue funded operations.</li> <li>Monthly report based on actual restrictions.</li> </ul>

Source – AEC (Unpublished).

**Table 6.3 Desirable Financially Sustainable Position – Focus Area C – Responsible Investment in Assets**

Focus Area	Desired Sustainable Position
<b>Responsible Investment in Assets</b>	<ul style="list-style-type: none"> <li>Asset renewals backlog known based on asset plans for each asset class and agreed service levels.</li> <li>Asset Management plans are fully integrated with the Long-Term Financial Plan.</li> <li>Asset Management Plans based on current condition data and optimal asset intervention points.</li> <li>Regional Roads external funding increased in line with the required funding to maintain the current condition of the regional road network.</li> <li>Funding for maintenance and renewal of the unsealed road network sufficient to maintain the unsealed road network at an acceptable level.</li> <li>Asset renewal planning and funding available for all asset classes based on condition / risk and agreed service level.</li> <li>Depreciation, maintenance and renewal costs of new assets being constructed or acquired are reflected and funded in the Long-Term Financial Plan.</li> <li>Depreciation, maintenance and renewal costs of assets contributed through the SAP are reflected and funded in the LTFP.</li> <li>Assets reviewed and aligned with strategic service planning, planned growth and funding availability.</li> </ul>

Source – AEC (Unpublished).

**Table 6.4 Desirable Financially Sustainable Position – Focus Area D – Enhanced Strategic Service Planning**

Focus Area	Desired Sustainable Position
<b>Enhanced Strategic Service Planning</b>	<ul style="list-style-type: none"> <li>Services provided based on a strategic service review, including a review of net costs, agreed service levels and rationalisation.</li> <li>Agreed service provision and service levels reflected and funded in the Long-Term Financial Plan.</li> <li>Asset provision is aligned with strategic service planning and agreed service levels and reflected and funded in the Long-Term Financial Plan.</li> <li>Workforce Plan based on the Community Strategic Plan and reflected in the Long-Term Financial Plan.</li> </ul>

**Table 6.5 Desirable Financially Sustainable Position – Focus Area E – Enhanced Productivity and Efficiency of Services**

Focus Area	Desired Sustainable Position
<b>Enhanced Productivity and Efficiency of Services</b>	<ul style="list-style-type: none"> <li>• Efficiencies identified through ongoing service reviews are implemented and reflected in the LTTP.</li> <li>• Completion of existing strategies.</li> <li>• Complete all accepted recommendations from the organisational review.</li> <li>• Implementation of the Waste Management Strategy including:             <ul style="list-style-type: none"> <li>○ Landfill upgrade</li> <li>○ Transfer station upgrade</li> <li>○ Closure of identified transfer stations and introduce bank of bins and half yearly bulk waste drop off</li> <li>○ Expand bank of bins (BOBs)</li> <li>○ Remediate legacy landfill and convert to emergency landfill</li> <li>○ Upgrade collection trucks</li> <li>○ Review gate fee structure                 <ul style="list-style-type: none"> <li>▪ Implementation of the Governance Service Review recommendations including:                     <ul style="list-style-type: none"> <li>○ Agree on approved structure and recruit (completed)</li> <li>○ Agree on priority of improvement opportunities (completed)</li> <li>○ Approve project plans</li> <li>○ Agree on additional resources for projects</li> <li>○ Agree on progress reporting                         <ul style="list-style-type: none"> <li>▪ Implementation of the Field Force 4 recommendations in the Works Management, Field Operations and Contract Delivery Service Review:</li> </ul> </li> </ul> </li> </ul> </li> <li>○ Alignment of end-to-end process to best practice</li> <li>○ Annual work programming and standard estimates</li> <li>○ Introduction of management operating systems and supporting dashboards</li> <li>○ Review Civica, CRM and Work order management</li> <li>○ Culture and engagement improvements</li> <li>○ Frontline leadership</li> <li>○ Performance and culture</li> </ul> </li> </ul>

Source – AEC (Unpublished).

**Table 6.6 Desirable Financially Sustainable Position – Focus Area F – Investment in Growth and Economic Development**

Focus Area	Desired Sustainable Position
<b>Investment in Growth and Economic Development</b>	<ul style="list-style-type: none"> <li>• Local strategy for tourism and economic development.</li> <li>• Reactive, rather than planned approach to growth.</li> <li>• Strategic service review and planning has been undertaken.</li> <li>• Strategic asset management planning has been undertaken.</li> <li>• Council is able to influence and plan for growth driven by other levels of government.</li> </ul>

Source – AEC (Unpublished).

**Table 6.7 Desirable Financially Sustainable Position – Focus Area F – Enhanced Governance, Prioritisation and Decision - Making**

Focus Area	Desired Sustainable Position
<b>Enhanced Governance, Prioritisation and Decision - Making</b>	<ul style="list-style-type: none"> <li>• A Financial Strategy to achieve financial sustainability through achieving operating results and cashflow generation through strategic service planning, productivity improvements, strategic asset management and workforce planning.</li> <li>• Financial Strategy established by Council, management responds with a Draft Budget/Long-Term Financial Plan to implement the strategy, Council amends Draft and Approves final Budget/Long-Term Financial Plan.</li> </ul>



Focus Area	Desired Sustainable Position
	<ul style="list-style-type: none"> <li>• A strategic and robust Budget development process that is guided by the Long-Term Financial Plan, reflects the business plans of all activities across Council and is subject to strategic oversight.</li> <li>• A Long-Term Financial Plan that reflects operational and asset management requirements over the next ten-year period.</li> <li>• An adopted organisational structure and associated processes to maintain the integrity of the staff establishment numbers and to enable accurate and timely reporting and appropriate budgeting for employee costs.</li> <li>• Funding sources budgeted at project level to support project management within the available budget and to enable overall budget management of Council funding.</li> <li>• All proposed projects are assessed through the Project Management Framework.</li> <li>• Project delivery is aligned with project planned timeframes to reduce unspent funds at the end of the financial year.</li> </ul>

Source – AEC (Unpublished).

### 6.3 SETTING TARGETS TO BE FINANCIALLY SUSTAINABLE

**Table 6.8. Target Performance for Focus Areas**

Focus Area	Target Financial Sustainability Indicator
Improvement to the Operating Position	<ul style="list-style-type: none"> <li>• Operating performance ratio &gt; 0.00%</li> <li>• Own source operating revenue ratio &gt; 60.00%</li> </ul>
Increased Availability of Cash	<ul style="list-style-type: none"> <li>• Unrestricted current ratio &gt;1.5X</li> <li>• Debt cover ratio &gt; 2.00%</li> <li>• Cash expense ratio &gt; 3.00 months</li> <li>• Rates and annual charges outstanding &lt;10.00%</li> </ul>
Responsible Investment in Assets	<ul style="list-style-type: none"> <li>• Buildings and infrastructure renewals ratio &gt;=100.00%</li> <li>• Infrastructure backlog ratio &lt;2%</li> <li>• Asset maintenance ratio &gt;100%</li> </ul>
Enhanced Strategic Service Planning	<ul style="list-style-type: none"> <li>• Operating performance ratio &gt; 0.00%</li> <li>• Infrastructure backlog ratio &lt;2%</li> </ul>
Investment in Growth and Economic Development	<ul style="list-style-type: none"> <li>• Population growth rate</li> <li>• Socio-economic index rating</li> <li>• Unemployment rate</li> <li>• Average household income</li> <li>• Number of rate assessments</li> <li>• Number of development applications determined</li> <li>• Number of building approvals</li> <li>• Number of active businesses</li> <li>• Visitations to the region</li> </ul>
Enhanced Governance, Prioritisation and Decision - Making	<ul style="list-style-type: none"> <li>• Annual completion rate of projects</li> <li>• Success rate of grant applications</li> </ul>

Source – AEC (Unpublished).

## 7. STRATEGIC OPTIONS

This chapter aligns the key findings of the Financial Sustainability Review regarding the current state of the financial performance of the Council as outlined in Chapter 3, the projected financial performance of the Council as outlined in Chapter 5, and the desired financially sustainable position as outlined in Chapter 6.

A gap analysis between the current state of the financial performance of the Council and the desired financially sustainable position has been undertaken and the root cause, or key reason/s for the gap, have been identified to ensure that the strategic options recommended are targeted at effective actions that will deliver the necessary change in financial sustainability.

The key findings and the associated strategic options are based on six focus areas:

- Focus Area A – Improvement to the Operating Position
- Focus Area B – Responsible Investment in Assets
- Focus Area C – Improved Availability of Cash
- Focus Area D – Improved Strategic Service Planning
- Focus Area E - Investment in Growth and Economic Development
- Focus Area F – Enhancements to Governance, Prioritisation and Decision Making

### 7.1 FOCUS AREA A – IMPROVEMENT TO THE OPERATING POSITION

The Council has produced underlying operating deficits that have deteriorated since 2016/17, with annual operating deficits ranging from \$2 to \$22M on a consolidated basis, and operating deficits ranging between \$1 million and \$26 million for the General Fund. The three councils that were merged to form the Council each produced operating deficits and were forecasting uncorrected operating deficits in their long-term financial plans. In the 2022-2032 adopted Long-Term Financial Plan the Council is projecting to continue generating annual operating deficits averaging \$2.8 million from 2023/24. The revised sustainable forecast prepared by AEC projects ongoing annual deficits averaging \$12.3 million from 2023/24 onwards.

Recognition of a structural deficit can be measured by excluding one-off adjustments from the historical audited operating result (e.g., 2020/21 recognition of landfill liability) and excluding revenue and expenditure on non-recurrent grant programs (capital and operating). The structural operating deficit for the Council exists primarily within the General Fund. However, it is noted that the Water Fund and Sewer Fund have a deteriorating trend in the operating result since 2016/17. In the 2021/22 financial year the Sewer Fund has produced an operating deficit.

To address the structural operating deficit Council needs to improve the historical operating position in the General Fund by in the order of an estimated \$4.5 to \$5.0 million each year. In addition to addressing the historical structure deficit, Council will need to address the further deterioration in the operating position due to increased depreciation and other costs related to SAP contributed assets and impact of Council funded new assets and asset upgrades within the current capital works program.

The identified required improvements do not contemplate the capacity to address the existing infrastructure backlog or any improvement in the current service levels. To be financially sustainable Council must produce operating surpluses to deliver services at an acceptable service level and at an acceptable risk exposure for the assets and infrastructure. Demand management is essential for long term sustainability – in particular the management of community expectations, legislative requirements and other community service obligations. The recommended improvement in the operating position of the Council needs to support increased financial capacity accordingly. Table 7.1 below identifies the projected ongoing gaps assessed on current settings and the root cause of the gaps.

**Table 7.1. Gap Analysis - Focus Area A – Improvement to the Operating Position**

Ref	Key Finding	Gap Analysis	Root Cause
A1	<ul style="list-style-type: none"> <li>Generation of revenue in the General Fund is insufficient to fund operating expenditure for current operations.</li> </ul>	<ul style="list-style-type: none"> <li>A historical structural operating deficit of \$4.5 to \$5 million deteriorating further to approx. \$13.9 million in the forecast period.</li> <li>Operating deficit is ongoing in the General Fund.</li> <li>Additional maintenance expenditure is necessary across most asset classes resulting in additional cash to be generated from the operations (approximately \$5 million and subject to revision based on the Asset Management Strategy and Asset Management Plans).</li> <li>At least an additional \$19.4 million in additional annual revenue over the next 10 years is required to avoid a deterioration in the cash position of Council</li> <li>At least \$1 million in productivity / efficiency savings is likely to be achievable</li> <li>Roads to Recovery funding continuation is assumed.</li> </ul>	<ul style="list-style-type: none"> <li>A legacy of structural operating deficits in the General Fund at least since 2012/3.</li> <li>The average rates of the Council are significantly lower than comparable Councils despite a larger area/population ratio indicating the rating effort is not sufficient.</li> <li>General rates increase is limited to rate-pegging.</li> <li>Rate-freeze policy applicable for 4 years after the merger.</li> <li>Fees and charges are not based on full cost recovery.</li> <li>Operating grant funding for some programs may not be sufficient for the full cost of providing the programs.</li> <li>Cost shifting, community service obligations and other operating costs are increasing due to factors outside Council's control.</li> <li>Business units not generating a return to General Fund and/or operating at a net cost.</li> </ul>
A2	<ul style="list-style-type: none"> <li>The annual Budget preparation is predominantly based on historical amounts plus a percentage increase for indexation and adjustments to "balance" the budget.</li> <li>The Budget is ineffective as an expenditure control mechanism.</li> <li>There are large differences between the end of financial year actual results and the Budget.</li> <li>Targeted efficiencies or productivity improvements are not implemented through the Budget.</li> <li>There are poor processes for the development of the annual budget.</li> <li>The Long-Term Financial Plan development follows a similar process to the development of the annual Budget.</li> <li>The Long-Term Financial Plan is not updated on a continual basis, that is a review of the Long-Term Financial</li> </ul>	<ul style="list-style-type: none"> <li>Maturity of the Budget and Long-Term Financial Plan development process.</li> <li>Consistency in the budget development leadership (i.e., Chief Financial Officer position).</li> <li>Understanding of costs and cost drivers.</li> <li>The funded establishment is unknown.</li> <li>Lack of integration with Asset Management Plans and the Workforce Management Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Lack of leadership, maturity and financial control approach to Budget and the Long-Term Financial Plan development process.</li> <li>Very high level of turnover in the Chief Financial Officer role.</li> <li>Lack of Budget accountability.</li> </ul>

Ref	Key Finding	Gap Analysis	Root Cause
	Plan is not undertaken as quarterly/monthly adjustments are made or unplanned resourcing decision by Council are made, or unplanned grants received etc.		
A3	<ul style="list-style-type: none"> <li>Aged care facilities contribute approx. \$1M to the historical structural operating deficit.</li> <li>Currently producing an annual deficit of at least \$1.5 million.</li> <li>Use of contract staff is a major contributor to the operating deficit (approx. \$750K).</li> <li>Additional capacity at Yallambee likely to improve position by \$750K.</li> <li>Snowy River transfer from hostel to supported living facility may improve the operating position</li> </ul>	<ul style="list-style-type: none"> <li>Council is currently progressing through a Due Diligence process, following a market tender process for a private provider but there is the uncertainty whether this will occur.</li> <li>Council is also pursuing assistance from the Commonwealth Government to support the transition and viability of aged care within the region.</li> </ul>	<ul style="list-style-type: none"> <li>Declining operator viability and sustainability in the industry.</li> <li>Uncertainty due to Royal Commission and Government funding.</li> <li></li> </ul>
A4	<ul style="list-style-type: none"> <li>Revenue from fees and charges unlikely to have increased in line with increase in expenditure.</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Examples:</li> <li>Liquid trade waste deficit of approx. \$50,000.</li> <li>Building certification potential deficit unknown.</li> <li>Swimming pools producing a deficit of approx. \$1.2M.</li> </ul>	<ul style="list-style-type: none"> <li>Annual review of fees and charges by Managers appears to be indexed and may not be aligned with full cost recovery.</li> <li>COVID impact between 2020 and 2021.</li> <li>Target annual increase may be impacted by statutory fees.</li> <li>Historical reluctance to increase fees and charges.</li> </ul>
A5	<ul style="list-style-type: none"> <li>There is a high dependency upon operating grants and contributions.</li> <li>Use of grant funding to purchase or acquire new assets without an adequate increase in revenue earned from the asset.</li> </ul>	<ul style="list-style-type: none"> <li>Capacity for the community to contribute to the funding for council services and infrastructure resulting in reliance upon grants.</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Operating revenue limited by rate- pegging.</li> <li>Relatively smaller population to bear the rating burden.</li> <li>Historical low rating effort required from community.</li> <li>Culture and decision making by Council to use one-off grant funding to acquire new assets without additional revenue for whole of life costs.</li> <li>Poor information provided to Council on whole of life costs of grant funded projects.</li> <li>Limited control on the grants provided from other levels of government.</li> <li>Some services are fully or predominantly grant funded.</li> <li></li> </ul>
A6	<ul style="list-style-type: none"> <li>Business units producing operating deficits.</li> </ul>	<ul style="list-style-type: none"> <li>Some business units are operating at a net cost.</li> <li>The return to General Fund should be based on the risk profile of the business activity.</li> </ul>	<ul style="list-style-type: none"> <li>Financial targets are not agreed or set for business units.</li> <li>Opportunities to pay dividends from the Water and Sewer businesses have not been explored.</li> </ul>

Ref	Key Finding	Gap Analysis	Root Cause
			<ul style="list-style-type: none"> <li>Rate of Return in accordance with National Competition Policy either not achieved or achieved but not applied.</li> </ul>
A7	<ul style="list-style-type: none"> <li>Service reviews suggest inefficiencies in delivery of services.</li> <li>Some rationalisations of facilities have occurred after the merger but further potential to rationalise facilities (e.g., combine administration and library into shared facilities, swimming pools, depots).</li> <li>Approach to asset maintenance is highly reactive, lacking a planned and scheduled approach.</li> </ul>	<ul style="list-style-type: none"> <li>Service review reports provide detailed analysis and assessment.</li> <li>Current versus rationalised provision of facilities.</li> </ul>	<ul style="list-style-type: none"> <li>General reactive approach.</li> <li>Lack of optimised lifecycle asset management planning and operations.</li> <li>Poor maturity in asset management.</li> <li>Some service areas not operating as one Council – lack of, or poor, management of the transition of operations from the pre-merger councils.</li> </ul>
A8	<ul style="list-style-type: none"> <li>Lack of control of the funded organisational structure.</li> <li>Budget for employee costs is not aligned to an approved staff establishment.</li> </ul>	<ul style="list-style-type: none"> <li>Gap value unknown.</li> </ul>	<ul style="list-style-type: none"> <li>Lack of capacity and /or process to review and update information transferred from pre-merger councils.</li> <li>A funded establishment has not been set.</li> <li>Organisation chart is not maintained.</li> <li>No link between an approved organisational chart and the amount budgeted for employee costs.</li> <li>Technology and process to support effective oversight, control, management of and reporting on, the organisation structure maybe limited.</li> <li></li> </ul>
A9	<ul style="list-style-type: none"> <li>Sewer service operating position has a declining trend</li> </ul>	<ul style="list-style-type: none"> <li>\$0.3M operating deficit in 2021/22.</li> <li>Sewer Reserve balance is not aligned with operating and capital requirements.</li> <li>The annual operating result and the Reserve balance each year may not be sufficient to fund maintenance and renewal costs associated with new assets constructed or acquired, and assets transferred through the SAP.</li> <li>Gap in infrastructure renewal funding unknown.</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Annual Charges not aligned to funding required for operations and asset management.</li> <li>Infrastructure funding requirements, including the impact of new assets arising from growth and the SAP is not planned for.</li> </ul>
A10	<ul style="list-style-type: none"> <li>Historically Council has lacked a Project Management Framework with sufficient controls to ensure consideration of whole of life costs for projects.</li> </ul>	<ul style="list-style-type: none"> <li>New/upgraded assets through projects in the past 5 years likely to have adversely impacted the operating position by \$1 to 2 million.</li> <li>Current incomplete projects likely to impact operating position by further \$0.5 million.</li> </ul>	<ul style="list-style-type: none"> <li>Immature project management and decision-making framework.</li> <li>Lack of financial controls.</li> <li>Lack of information provided to Council for decision making.</li> </ul>

Ref	Key Finding	Gap Analysis	Root Cause
	<ul style="list-style-type: none"> <li>New assets and upgrades of past and currently projects likely to impact significantly on sustainability.</li> </ul>		
A11	<ul style="list-style-type: none"> <li>SAP likely to generate significant revenue for Council through increase rates, fees and charges however this will be offset through additional operating expenses.</li> <li>SAP has replaced assets that Council would have had to renew.</li> <li>Trail maintenance etc likely to be significant cost to Council</li> <li>Transfer of assets such as Kosciuszko Road should be avoided</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Uncertain of the financial impact SAP will have (short-, medium- and long-term financial impact)</li> </ul>	<ul style="list-style-type: none"> <li>NSW State Government controlled development</li> </ul>

Table 7.2. Strategic Options - Focus Area A – Improvement to the Operating Position

Ref.	Strategic Options
A1	<ul style="list-style-type: none"> <li>Submit a Special Rate Variation (SRV) Application based on increasing General Fund rates revenue by \$19.4 million over the next 10 years. This can be achieved through a 43% increase above the rate peg in 2023/24 or a staged increase over a number of years.</li> <li>Improve the strategic and technical asset management capability and practices to manage assets at the most optimal whole of life cost</li> <li>Adopt fees and charges that reflect full cost price for services.</li> <li>Strategic review of services to assess the range and levels of service provided, including revision of current investment from general rate funding in tourism and visitor information centres.</li> <li>Review the efficiency and effectiveness of current corporate overhead functions, particularly the service with large operating expenditure such as ICT, finance and asset management.</li> <li>Set a Dividend Policy for business units (water, waste, sewer, aged care) to generate a return to the general fund.</li> <li>Implement and fund productivity and efficiency improvement initiatives, including the recommendations from the Works Management, Field Operations and Contract Delivery Service Review.</li> <li>Limit service provision of grant funded programs to the limit of the grant funding provided.</li> <li>Advocate to other levels of government to address the funding shortfall associated with delivery of services imposed on Council, that are not fully grant funded e.g., SES, emergency services, RFS.</li> <li>Strong advocacy for increased grant funding – including Financial Assistance Grants and other program funding e.g., biodiversity.</li> <li>Consider a special charge on commercial properties to fund tourism initiatives aimed at increasing visitations, economic development and general promotion of the region.</li> </ul>
A2	<ul style="list-style-type: none"> <li>Implement financial controls – including project management framework, staff establishment, release of purchase orders (already implemented), contract management framework.</li> <li>Develop an annual Budget development process that is more activity based rather than historical.</li> </ul>

Ref.	Strategic Options
	<ul style="list-style-type: none"> <li>Integration of the Budget and Long-Term Financial Plan with the Delivery program, Operational Plan, Asset Management Plans and the Workforce Strategy.</li> <li>Implement productivity measures (e.g., \$/km graded, \$/km re-sheeted, \$/km resealed, \$/hectare mowed, FTE/km of unsealed road, FTE/km of sealed road, fleet utilisation rates)</li> </ul>
A3	<ul style="list-style-type: none"> <li>Continue with the divestment, assuming the Due Diligence is successful.</li> <li>Closure of the aged care facilities if the transfer or additional Commonwealth funding does not occur.</li> <li>Explore a different service delivery model if the transfer does not occur.</li> <li>Explore regional service provision.</li> </ul>
A4	<ul style="list-style-type: none"> <li>Review current pricing of services against full cost recovery and consider price path required to achieve full cost recovery.</li> <li>Adopt Annual Operational Plans based on fees and charges that reflect full cost price for services, and target return if applicable.</li> </ul>
A5	<ul style="list-style-type: none"> <li>Increase own source revenue through additional general rates (SRV) and other revenue opportunities.</li> <li>Project Management and Decision-Making Framework to include identification of whole of life costs in project proposals/business cases.</li> <li>Identify grant funded services to enable alignment of service costs (level of service) with grant funding availability.</li> <li>Implement a strategic and governed approach to project initiation and selection.</li> <li>Implement a framework for grant applications and acceptance to consider the impact on sustainability.</li> <li>Support and facilitate population growth through economic development opportunities.</li> </ul>
A6	<ul style="list-style-type: none"> <li>Undertake strategic service planning to identify what is a community service obligation versus a business unit.</li> <li>Set a financial target return to general fund for each identified business unit and review operations to achieve target.</li> <li>Divest from business units that do not generate a positive return to General Fund.</li> </ul>
A7	<ul style="list-style-type: none"> <li>Review of services within a strategic service planning framework.</li> <li>Review service delivery models to achieve optimum efficiency, including rationalisation of facilities.</li> <li>Cultural development program to support transition to “one Council”.</li> <li>Leverage Council's capacity to achieve economies of scale and purchasing power.</li> <li>Explore shared services through the Canberra Region Joint organisation or other partnership opportunities.</li> </ul>
A8	<ul style="list-style-type: none"> <li>Adopt an organisation chart.</li> <li>Review of the Workforce Management Plan within the Resourcing Strategy to identify the current and future workforce requirements.</li> <li>Develop annual employee cost budgets based on an approved organisational structure and guided by the Resourcing Strategy.</li> <li>Implement oversight and control of organisation chart and the funded establishment by the Chief Workforce Officer.</li> <li>Business case to support requests for additional positions, with Chief Workforce Officer reviewing the application before consideration by the General Manager.</li> </ul>
A9	<ul style="list-style-type: none"> <li>Develop a fully funded Long-Term Financial Plan applying full cost pricing principles.</li> <li>Adopt annual Operational Plans based on a business plan for the sewer fund.</li> </ul>
A10	<ul style="list-style-type: none"> <li>Develop a Project Management Framework with decision gateways and necessary preliminary planning/proposals to Council to inform project decisions.</li> <li>Implement financial controls for project expenditure.</li> <li>Business case and feasibility capital expenditure reviews implemented before approval of allocation of funding or acceptance of grant funding for projects.</li> </ul>



Ref.	Strategic Options
A11	<ul style="list-style-type: none"> <li>• Leverage net revenue generation from SAP (4,000 increase in residents and increased visitation to the region).</li> <li>• Avoid transfer of undesirable assets.</li> </ul>

## 7.2 FOCUS AREA B – INCREASING AVAILABILITY OF CASH

Council is required to manage and report on the reconciliation of the cash at bank to a register of restricted (internal and external) reserves and unrestricted cash. Control over the restricted reserves is necessary to ensure the funds are used for appropriate purposes, including quarantining the cash and releasing the cash to be expended upon suitable approvals (ideally through project gateways in a project management framework). A significantly large quantum of restricted reserves has been developed since 2016/17. Council did not maintain controls to ensure a current reconciliation of the internal and external restrictions and unrestricted cash against expenditure commitments.

To be financially sustainable Council must be able to generate sufficient cash from operations to fund operations and asset maintenance and renewal requirements. Cash levels must be sufficient to fund grant funded, Reserve funded, and General Fund funded operations and projects.

**Table 7.3. Gap Analysis - Focus Area B – Increasing Availability of Cash**

Ref.	Key Finding	Gap Analysis	Root Cause
B1	<ul style="list-style-type: none"> <li>• Cash generation capacity not aligned with funding required to support the delivery of services and asset management.</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term cashflow requirements considering restrictions is currently unknown as funding requirements for sustainable service delivery and asset management have not been established with a high level of certainty.</li> </ul>	<ul style="list-style-type: none"> <li>• Recurrent operating deficits.</li> <li>• Utilisation of internal restrictions has concealed ongoing cash generation shortfall.</li> </ul>
B2	<ul style="list-style-type: none"> <li>• Total cash available is fully or over restricted.</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term unrestricted cashflow requirements considering restrictions is currently unknown as funding requirements for sustainable service delivery and asset management have not been established with a high level of certainty.</li> <li>• Service delivery and project planning is not aligned with the availability of unrestricted cash.</li> <li>• Internal cash restrictions do not reflect actual commitments.</li> </ul>	<ul style="list-style-type: none"> <li>• Legacy of unrestricted cash not being sufficient to support Council funded services and projects.</li> <li>• Increased utilisation of internal restrictions has concealed the real issue of a shortfall between unrestricted cash availability and funding requirements.</li> <li>• High level of unspent grant funding.</li> </ul>
B3	<ul style="list-style-type: none"> <li>• Monthly investment report includes cash forecasts based on estimated restrictions.</li> </ul>	<ul style="list-style-type: none"> <li>• No process in place for monthly reconciliations.</li> <li>• Restrictions are not managed through Council's finance system.</li> </ul>	<ul style="list-style-type: none"> <li>• Deficiencies in financial management processes, exacerbated by frequent changes in leadership.</li> </ul>



**Table 7.4. Strategic Options - Focus Area B – Increasing Availability of Cash**

Ref.	Strategic Options
B1	<ul style="list-style-type: none"> <li>• Increase revenue to support cashflow requirements.</li> <li>• Reduce services and/or service levels to align with cash availability.</li> <li>• Consider a borrowings program to invest in required upgrades and enhancements to the water and sewer networks, as well as potential investments to leverage from the SAP development.</li> <li>• Consider a special charge on commercial properties to fund tourism initiatives aimed at increasing visitations, economic development and general promotion of the region.</li> </ul>
B2	<ul style="list-style-type: none"> <li>• Review internally restricted cash. It is noted that Council has adopted a Restricted Assets Policy in October 2022.</li> <li>• Council should at least in the short term maintain an unrestricted cash reserve of at least \$5.0 million as a contingency for unplanned asset renewals/replacements due to asset failure or other unknown asset risks.</li> <li>• Develop a Long-Term Financial Plan based on certainty of funding sources to ensure that Council funded services and projects are supported by the availability of unrestricted cash.</li> </ul>
B3	<ul style="list-style-type: none"> <li>• Implement a monthly reconciliation and reporting process for all external restrictions.</li> <li>• Review current process to enable the management of restrictions / reserves through Council's financial management system.</li> </ul>

### 7.3 FOCUS AREA C – RESPONSIBLE INVESTMENT IN ASSETS

Asset management is one of the key determinants of sustainability for local government. Councils with poor asset management have little foresight of sustainability and lack control over sustainability. The planning and management of assets across the lifecycle of the assets is an important component of financial sustainability for local government.

Integration of the asset management planning with the Long-Term Financial Plan enables Council to plan for adequate funding to address the asset demands, and where insufficient funding is available, enabling Council to make decisions and prioritisations as appropriate to manage the impacts on long term sustainability of the assets (and the organisation more broadly).

To be financially sustainable Council must be able to hold and fund an asset portfolio to an acceptable standard and risk based on the services and service level requirements established with the community and informed by technical expertise and data.

**Table 7.5. Gap Analysis - Focus Area C – Responsible Investment in Assets**

Ref.	Key Finding	Gap Analysis	Root Cause
C1	<ul style="list-style-type: none"> <li>• Council's current backlog in asset renewals is unknown.</li> </ul>	<ul style="list-style-type: none"> <li>• Current backlog is unknown as the required service levels are unknown, and current asset data condition is not available for all asset classes.</li> </ul>	<ul style="list-style-type: none"> <li>• Low asset management maturity across Council.</li> <li>• Lack of, or poor management, of the transfer of information from the pre-merger councils, including systems and associated processes.</li> <li>• Disjointed recording and management of asset information across different sites arising from lack of or poor integration and consistency of processes post-merger.</li> </ul>

Ref.	Key Finding	Gap Analysis	Root Cause
			<ul style="list-style-type: none"> <li>• Service levels not clearly established and agreed.</li> <li>• Community engagement regarding service levels not undertaken.</li> <li>• Current asset condition is not available for all asset classes.</li> <li>• Impact of recent flooding is not reflected in current asset condition.</li> <li>• Data gaps and integrity arising from an asset system not being available for several years after the merger.</li> <li>• Limited strategic asset management capacity and capability.</li> </ul>
C2	<ul style="list-style-type: none"> <li>• Asset management plans are not integrated with the adopted Long-Term Financial Plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Funding requirements have not been ascertained through condition audits and an Asset Management Strategy and Asset Management Plans, the gap in the Long-Term Financial Plan is not known with a high level of certainty.</li> </ul>	<ul style="list-style-type: none"> <li>• Poor asset data.</li> <li>• Low asset management maturity across Council.</li> <li>• Disconnect between asset planning and financial planning.</li> </ul>
C3	<ul style="list-style-type: none"> <li>• Funding requirements in the current Asset Management Plans are not accurate (based on poor asset data to predict renewal).</li> </ul>	<ul style="list-style-type: none"> <li>• Funding gap is not known with a high level of certainty.</li> </ul>	<ul style="list-style-type: none"> <li>• Limited strategic asset management capacity and capability.</li> <li>• Reliance upon poor and incomplete asset register.</li> <li>• Low asset management maturity across Council.</li> </ul>
C4	<ul style="list-style-type: none"> <li>• Current capital funding for the sealed road network is insufficient by approx. \$3M to maintain current condition of the regional road network.</li> </ul>	<ul style="list-style-type: none"> <li>• A shortfall of \$3M to maintain current condition of the regional road network.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of funding.</li> <li>• Lack of prioritisation of renewals.</li> <li>• Lack of levels of service for roads based on hierarchy.</li> <li>• Advocacy for increased funding not sufficient or not successful.</li> </ul>
C5	<ul style="list-style-type: none"> <li>• Current maintenance and capital funding of the unsealed road network is insufficient to maintain roads at an acceptable service level.</li> <li>• Resheeting program on unsealed roads requires an increase of approx. \$1.5M to provide sufficient funding to resheet 115kms of road per year.</li> </ul>	<ul style="list-style-type: none"> <li>• Gap in funding required to maintain and renew the unsealed road network at an acceptable level has not been ascertained with a high level of certainty, but historical spending on asset renewal and maintenance suggests a shortfall.</li> <li>• Council has been focusing on asset renewal and maintenance in the last two years.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of focus on asset management.</li> <li>• Operating Results not sufficient to support the funding required to maintain and renew the unsealed road network at an acceptable level.</li> <li>• Asset management funding requirements not linked to the Long-Term Financial Plan.</li> </ul>
C6	<ul style="list-style-type: none"> <li>• Focus of planning has been on transport, water and sewer assets (most predominately roads) with little understanding of the current</li> </ul>	<ul style="list-style-type: none"> <li>• Current condition assessment is not available for all asset classes.</li> <li>• There is limited risk assessment regarding the current condition of all asset classes.</li> </ul>	<ul style="list-style-type: none"> <li>• Condition assessment is not undertaken for all asset classes.</li> </ul>

Ref.	Key Finding	Gap Analysis	Root Cause
	condition/risk and funding requirements of other asset classes. <ul style="list-style-type: none"> <li>Bridges and buildings likely to include significant risk exposure to Council that is currently unrecognised.</li> </ul>	<ul style="list-style-type: none"> <li>Ageing of many buildings and other structures (e.g., swimming pools) is not reflected in backlog and asset renewal funding requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Data gaps and integrity arising from an asset system not being available for several years after the merger.</li> <li>Low asset management maturity across Council</li> <li>Limited strategic asset management capacity and capability.</li> </ul>
C7	<ul style="list-style-type: none"> <li>New assets recently acquired and currently being delivered will increase operating expenditure and future renewal funding requirements that is not currently factored into the adopted Long-Term Financial Plan.</li> </ul>	<ul style="list-style-type: none"> <li>There is no process to capture the impact of new assets on recurrent operating expenditure and future renewal funding requirements, and to link to the Long-Term Financial Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Low asset management maturity across Council.</li> <li>Limited strategic asset management capacity and capability.</li> </ul>
C8	<ul style="list-style-type: none"> <li>Assets contributed from the SAP (approx. \$169M) will increase operating expenditure not currently factored into the adopted Long-Term Financial Plan.</li> </ul>	<ul style="list-style-type: none"> <li>There is no process to capture the impact of assets transferred through SAP on recurrent operating expenditure and future renewal funding requirements, and to link to the LTFP.</li> </ul>	<ul style="list-style-type: none"> <li>Low asset management maturity across Council.</li> <li>Limited strategic asset management capacity and capability.</li> </ul>
C9	<ul style="list-style-type: none"> <li>Potential to rationalise assets – swimming pools, halls, saleyards.</li> <li>Some rationalisations of plant post-merger.</li> <li>Asset portfolio not reviewed post-merger and no plans for rationalisation of assets.</li> </ul>	<ul style="list-style-type: none"> <li>There is no strategic service planning to ascertain asset requirements and associated funding requirements.</li> </ul>	<ul style="list-style-type: none"> <li>There has been no post-merger review of the asset portfolio to explore opportunities for asset rationalisation.</li> <li>There are no plans to explore opportunities for asset rationalisation.</li> </ul>

**Table 7.6. Strategic Options - Focus Area C – Responsible Investment in Assets**

Ref.	Strategic Options
C1	<ul style="list-style-type: none"> <li>Prepare an asset management strategy and asset management plans that provides high level guidance and direction (and resource prioritisation) to improve the asset management approach and integrate the demands of the Asset Management Plans and the Long-Term Financial Plan.</li> <li>Undertake strategic service planning to understand asset provision requirements.</li> <li>Undertake community engagement to establish and agree on service levels.</li> <li>Prepare a pavement management system with a detailed approach to the management of Councils sealed and unsealed road network</li> <li>Undertake a condition assessment initially for all critical assets and sample condition assessment for all other assets across all asset classes.</li> <li>Improve data collection and recording process and associated systems.</li> <li>Review asset plans for each asset class and link to the Long-Term Financial Plan.</li> </ul>
C2	<ul style="list-style-type: none"> <li>Review asset plans for each asset class to determine the optimal life cycle approach and the demand (and demand management approach) for each asset class.</li> <li>Prepare an asset management strategy that provides high level guidance and direction (and resource prioritisation) to improve the asset management approach and integrate the demands of the Asset Management Plans and the Long-Term Financial Plan.</li> </ul>
C3	<ul style="list-style-type: none"> <li>Develop the strategic asset management capability based on high level assumptions and known risks/criticality/condition while data quality is being improved.</li> <li>Improve the quality, completeness and accuracy of the asset register.</li> </ul>

Ref.	Strategic Options
C4	<ul style="list-style-type: none"> <li>• Revision of the Asset Management Plan with lifecycle management approach applying hierarchy/criticality of assets.</li> <li>• Build strategic asset management capacity.</li> <li>• Advocate for increased Regional Roads funding in line with requirements.</li> <li>• Regional road transfer and reclassification.</li> </ul>
C5	<ul style="list-style-type: none"> <li>• Review asset management plans for each asset class.</li> <li>• Increase in funding as required to meet the approved AMP for unsealed road network.</li> </ul>
C6	<ul style="list-style-type: none"> <li>• Review asset management plans for all asset classes.</li> <li>• Develop the asset management strategy to ensure consideration of all asset classes and adequate risk identification and assessment.</li> </ul>
C7	<ul style="list-style-type: none"> <li>• Review asset management plans for each asset class to capture new assets and link to the long-Term Financial Plan.</li> </ul>
C8	<ul style="list-style-type: none"> <li>• Review asset management plans for each asset class to capture new assets and link to Long-Term Financial Plan.</li> </ul>
C9	<ul style="list-style-type: none"> <li>• Undertake Strategic Service Planning.</li> <li>• Undertake Strategic Asset Management Planning.</li> <li>• Explore a regional approach to asset provision.</li> </ul>

## 7.4 FOCUS AREA D – ENHANCED STRATEGIC SERVICE PLANNING

Service planning is central to the sustainability of local government. Decisions (or lack of decisions) regarding the range and levels of service ultimately determine sustainability based on integration between service planning and resource management.

Councils that have strong control over the direction of financial sustainability understand the current range and levels of service, make decisions when required to adjust service levels (including not providing unsustainable discretionary services) and require management to report on performance and productivity and efficiency of services provided.

A formal detailed review and forward planning of services (Strategic Service Planning) should be conducted at start and end of council term to inform the Delivery Program, the Resourcing Strategy and the End of Term Report, and a lighter review annually should inform the Operational Plan and the Annual Budget and Annual Report.

To be financially sustainable a Council must be able to effectively plan for, and deliver, financially sustainable services and service levels aligned with the community' expectations, and council's legislative and community services obligations, supported by effective strategic asset planning and workforce strategy.

**Table 7.7. Gap Analysis - Focus Area D – Strategic Service Planning**

Ref.	Key Finding	Gap Analysis	Root Cause
D1	<ul style="list-style-type: none"> <li>• Services provided based on a continuation of premerger services and service levels (some minor changes), noting that some service reviews have been undertaken.</li> </ul>	<ul style="list-style-type: none"> <li>• Services are not provided within a strategic service planning framework.</li> <li>• Council has undertaken some service reviews.</li> </ul>	<ul style="list-style-type: none"> <li>• No Strategic Service Planning has been undertaken to inform funding requirements.</li> </ul>
D2	<ul style="list-style-type: none"> <li>• Asset provision is not optimised to provide intended services.</li> </ul>	<ul style="list-style-type: none"> <li>• Services are not provided within a strategic service planning framework</li> </ul>	<ul style="list-style-type: none"> <li>• No Strategic Service Planning has been undertaken.</li> <li>• No Strategic Asset Planning has been undertaken.</li> </ul>

Ref.	Key Finding	Gap Analysis	Root Cause
D3	<ul style="list-style-type: none"> <li>Workforce Plan is not aligned with the Delivery Program and not linked to the Long-Term Financial Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Workforce requirements to deliver the Community Strategic Plan not established.</li> </ul>	<ul style="list-style-type: none"> <li>Workforce requirements to deliver the Community Strategic Plan not established.</li> </ul>

**Table 7.8. Strategic Options - Focus Area D – Enhanced Strategic Service Planning**

Ref.	Strategic Options
D1	<ul style="list-style-type: none"> <li>Undertake Strategic Service Planning</li> <li>Implement an ongoing Program of Service Reviews in line with the Integrated Planning and Reporting Framework requirements.</li> </ul>
D2	<ul style="list-style-type: none"> <li>Undertake Strategic Service Planning.</li> <li>Implement an ongoing Program of Service Reviews in line with the Integrated Planning and Reporting framework requirements.</li> <li>Undertake Strategic Asset Management Planning.</li> </ul>
D3	<ul style="list-style-type: none"> <li>Develop a Workforce Management Plan based on the Community Strategic Plan and link to the LTFP.</li> </ul>

## 7.5 FOCUS AREA E – ENHANCED PRODUCTIVITY AND EFFICIENCY OF SERVICES

Council productivity and improvements to efficiency in the allocation and use of resources is an important component of current financial sustainability and improvement to the future financial sustainability of the Council.

Productivity or efficiency can be measured by planning and reporting on the amount of resources used to produce a measure of output.

Comparison of productivity or efficiency can be made with other comparable councils.

Targets can be set to improve productivity, noting that often resources are needed in short term to achieve longer term more sustainable changes to productivity or efficiency.

To be financially sustainable a council must be able to invest in resources to achieve optimisation in the delivery of services provided to its community.

**Table 7.9. Gap Analysis - Focus Area E – Enhanced Productivity and Efficiency of Services**

Ref.	Key Finding	Gap Analysis	Root Cause
E1	<ul style="list-style-type: none"> <li>Reviews of some services have been undertaken, but most recommendations have not been implemented</li> </ul>	<ul style="list-style-type: none"> <li>The value of the efficiencies has not been ascertained and is not built in the LTFP.</li> </ul>	<ul style="list-style-type: none"> <li>Efficiencies can be difficult to quantify as they are often in the form of increased output or enhanced outcome rather than a financial saving.</li> </ul>
E2	<ul style="list-style-type: none"> <li>Aged care divestment implemented and in Due Diligence process.</li> <li>Meeting with Commonwealth regarding funding.</li> </ul>	<ul style="list-style-type: none"> <li>Nil</li> </ul>	<ul style="list-style-type: none"> <li>Nil</li> </ul>
E3	<ul style="list-style-type: none"> <li>Organisational review completed and implemented the high-level structure – estimated savings \$0.7M.</li> </ul>	<ul style="list-style-type: none"> <li>Incomplete actions and not included in Long-Term Financial Plan</li> </ul>	<ul style="list-style-type: none"> <li>Implementation</li> </ul>

Ref.	Key Finding	Gap Analysis	Root Cause
	<ul style="list-style-type: none"> <li>Additional positions were created with savings reinvested.</li> <li>Substantial reduction in positions.</li> <li>Funded structure is currently unknown.</li> </ul>		
E4	<ul style="list-style-type: none"> <li>Waste Strategy</li> </ul>	<ul style="list-style-type: none"> <li>Incomplete actions and not included in the Long-Term Financial Plan.</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Lack of integrated planning approach</li> <li>Maturity of annual Budget/Long-Term Financial Plan approach.</li> </ul>
E5	<ul style="list-style-type: none"> <li>Governance Service Review undertaken with many recommendations – estimated saving of \$70K.</li> </ul>	<ul style="list-style-type: none"> <li>Incomplete actions and not included in the Long-Term Financial Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation</li> </ul>
E6	<ul style="list-style-type: none"> <li>Works management, field operations and contract delivery service review undertaken by Field Force 4. Gaps identified include:</li> <li>Reactive workloads, lack end-to-end processes, systems and processes in various degrees of maturity, inconsistencies, legacy practices high-cost outsourcing</li> <li>Limitation of works program to financial constraints, standard estimates not used; lack of service standards; high level of backlog; highly reactive.</li> <li>No visibility of work status; limited data on service performance; data not utilised to drive performance; current dashboards not configured, staff use own templates and tracking documents</li> <li>High level of paper-based and manual processes, reliance on staff knowledge rather than systems; multiple channels for work order and customer requested work.</li> </ul>	<ul style="list-style-type: none"> <li>Incomplete actions and not included in the Long-Term Financial Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation</li> </ul>

Table 7.10. Strategic Options - Focus Area E – Enhanced Productivity and Efficiency of Services

Ref.	Strategic Options
E1	<ul style="list-style-type: none"> <li>Document identified efficiencies and implement process to track the achievement of the identified efficiencies.</li> </ul>
E2	<ul style="list-style-type: none"> <li>Continuation of current strategy</li> </ul>
E3	<ul style="list-style-type: none"> <li>Complete implementation</li> </ul>
E4	<ul style="list-style-type: none"> <li>Complete implementation and include in the LTFP, AMPs and Workforce Plan</li> </ul>
E5	<ul style="list-style-type: none"> <li>Complete implementation</li> </ul>

Ref.	Strategic Options
E6	<ul style="list-style-type: none"> <li>Invest resources to implement the recommendations of the Works Management, Field Operations and Contract Delivery Service Review.</li> </ul>

## 7.6 FOCUS AREA F – INVESTMENT IN GROWTH AND ECONOMIC DEVELOPMENT

Population and economic growth improve long term sustainability. A larger population provides improved efficiencies of scale, and when combined with a larger local economy increases the capacity of the community to pay for local government services.

Economic growth drive jobs and adds economic value to the region, resulting in larger population and larger rateable and revenue base for Council.

To be financially sustainable a Council must be able to encourage and support population and economic growth to enable the scale and capacity of the council to be sufficient to deliver cost- effective services mainly funded through its own rating revenue contributed by its community, with reduced reliance on external funding that cannot be controlled or influenced by the council.

**Table 7.11. Gap Analysis - Focus Area F – Invest in Growth and Economic Development**

Ref.	Key Finding	Gap Analysis	Root Cause
F1	<ul style="list-style-type: none"> <li>Regional Economic Development Strategy.</li> <li>Destination Management Plan.</li> <li>Approximately \$1M expenditure allocated to Tourism.</li> <li>Approximately 320K allocated to Economic Development.</li> </ul>	<ul style="list-style-type: none"> <li>There is no guiding Council strategy to inform investment in tourism and economic development.</li> </ul>	<ul style="list-style-type: none"> <li>Lack of local strategy for tourism and economic development.</li> </ul>
F2	<ul style="list-style-type: none"> <li>Lack of Strategic Asset Planning to support growth.</li> <li>Resourcing Strategy does not reflect or support population growth.</li> <li>Council has significant potential to benefit from SAP.</li> </ul>	<ul style="list-style-type: none"> <li>Gap is unknown as additional funding requirements associated with population growth have not been ascertained.</li> </ul>	<ul style="list-style-type: none"> <li>Reactive, rather than planned approach to growth.</li> <li>No Strategic Service Planning has been undertaken.</li> <li>No Strategic Asset Management Planning has been undertaken.</li> <li>Limited time to plan for growth driven by other levels of government.</li> </ul>

**Table 7.12. Strategic Options - Focus Area F – Investment in Growth and Economic Analysis**

Ref.	Strategic Options
F1	<ul style="list-style-type: none"> <li>Develop a local economic development strategy that targets realisation of local benefits from major development such as the SAP</li> <li>Investigate the likely benefits of the SAP development to the Council and more broadly the local community, including the additional revenue streams Council is likely to benefit from – includes identifying opportunities for Council to grow own source revenue streams.</li> <li>Implement investment and attraction initiative to realise targeted industry growth areas.</li> <li>Review assets land and other assets for opportunities to stimulate desired growth and industry development</li> <li>Review current investment in Visitor Information Centers and other contributions to tourism industry.</li> </ul>

Ref.	Strategic Options
F2	<ul style="list-style-type: none"> <li>Develop a Resourcing Strategy including Workforce Plan, Asset Plans and Long-Term Financial Plan based on funding requirements for strategic asset. management and agreed service levels, including projected population growth.</li> </ul>

## 7.7 FOCUS AREA G – ENHANCED GOVERNANCE, PRIORITISATION AND DECISION MAKING

Good governance and decision making is central to sustainability. The role of management is to sufficiently inform Council to enable good decision making. Planning for success is essential to sustainability. A performance reporting framework is necessary to ensure good governance to ensure that what was planned is implemented as intended.

To support financial sustainability, a Financial Strategy must support the effective delivery of the Community Strategic Plan through documentation of financial leadership and direction from the Council and by setting standards for management performance. The Financial Strategy should be supported by other organisational frameworks including, but not limited to a robust Project Management Framework to guide and support expenditure.

**Table 7.13. Focus Area G – Governance, Prioritisation and Decision Making**

Ref.	Key Finding	Gap Analysis	Root Cause
G1	<ul style="list-style-type: none"> <li>Financial Strategy based on achieving financial sustainability through the Special Rate Variation scenarios and varying service levels presented in the adopted 2022-2032 LTFP.</li> </ul>	<ul style="list-style-type: none"> <li>Financial Strategy mainly based on additional revenue through a Special Rate Variation and specific service cuts rather than strategic service planning, strategic asset management, workforce planning and long-term cashflow planning.</li> </ul>	<ul style="list-style-type: none"> <li>Legacy of operating deficits, poor unrestricted cash management, and under investment in assets.</li> <li>Rate freeze policy for 4 years post-merger.</li> <li>Intervention with a Financial Strategy to support financial sustainability became an emergency, resulting in limited time to develop a Financial Strategy that is based on an integrated strategic approach (rather than a reactive approach).</li> </ul>
G2	<ul style="list-style-type: none"> <li>The Budget development and ongoing management process is an ineffective financial control.</li> </ul>	<ul style="list-style-type: none"> <li>A robust Budget development process based on strategic direction from Council and the Executive Team, has input from operational managers, and guidance and oversight provided by the Chief Financial Officer.</li> </ul>	<ul style="list-style-type: none"> <li>Deficiencies in financial management processes, exacerbated by frequent changes in leadership.</li> </ul>
G3	<ul style="list-style-type: none"> <li>The current Long-Term Financial Plan has been developed based on the Delivery Program (mostly historically block funded plus indexation) and then indexed in the outer years</li> <li>Long-Term Financial Plan is not activity based – tied to service outputs.</li> </ul>	<ul style="list-style-type: none"> <li>The value of the funding shortfall over the next ten-year period has not been ascertained.</li> </ul>	<ul style="list-style-type: none"> <li>No Strategic Service Planning has been undertaken.</li> <li>No Strategic Asset Planning has been undertaken.</li> </ul>
G4	<ul style="list-style-type: none"> <li>Limited overall oversight of the integrity of the organisational structure and associated staff establishment.</li> </ul>	<ul style="list-style-type: none"> <li>The employee costs budget is not based on an approved organisational chart.</li> </ul>	<ul style="list-style-type: none"> <li>Lack of capacity and /or process to review and update information transferred from pre-merger councils.</li> </ul>



Ref.	Key Finding	Gap Analysis	Root Cause
		<ul style="list-style-type: none"> <li>Employee costs budget requirement is estimated rather than based on the actual staff establishment.</li> <li>The completeness and integrity of the organisational chart is not satisfactory.</li> </ul>	<ul style="list-style-type: none"> <li>Absence of a formal process to amend staff establishment details when required.</li> <li>Organisation chart has not been maintained over several years.</li> <li>No link between an approved chart and the amount budgeted for employee costs.</li> </ul>
G5	<ul style="list-style-type: none"> <li>Grants and other external funding sources budgeted at a consolidated level in the annual Budget and the Long-Term Financial Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Low confidence in the amount budgeted for external funding in the 2022/23 Budget and the Long-Term Financial Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Process to budget for external funding at the necessary level is not in place.</li> </ul>
G6	<ul style="list-style-type: none"> <li>A Project Management framework has been developed, with new projects being processed through the framework.</li> <li>Existing approved projects have not been assessed through the project management framework resulting in project delivery issues due to funding, capacity, and potential misalignment or lack of alignment with Council's Community Strategic Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Projects included in Council's Budget and Long-Term Financial Plan have not been assessed through the project management framework.</li> </ul>	<ul style="list-style-type: none"> <li>Limited control on grants received, compromising the ability to determine what projects are viable to deliver.</li> <li>Projects requested by Council.</li> </ul>
G7	<ul style="list-style-type: none"> <li>Project Delivery appears to be an issue considering a significant and increasing amount of unspent grants at the end of each financial year.</li> </ul>	<ul style="list-style-type: none"> <li>Capacity to deliver grant funded works and Council funded projects.</li> </ul>	<ul style="list-style-type: none"> <li>Limited control on grants received compromising the ability to determine what projects can be delivered within the context of capacity.</li> <li>Workforce Plan and associated staff establishment not linked to the annual Operational Plan and the Long-Term Financial Plan.</li> </ul>

Table 7.14. Strategic Options - Focus Area G – Governance, Prioritisation and Decision Making

Ref.	Strategic Options
G1	<ul style="list-style-type: none"> <li>Revise the Resourcing Strategy including the Long-Term Financial Plan informed by funding requirements from strategic asset management, workforce planning and strategic service planning.</li> <li>Develop a Financial Strategy and include in the Resourcing Strategy and reflect in a Long-Term Financial Plan.</li> </ul>
G2	<ul style="list-style-type: none"> <li>Implement a comprehensive and robust budget development process with oversight by the Chief Financial Officer and the Executive Team.</li> </ul>
G3	<ul style="list-style-type: none"> <li>Develop a Resourcing Strategy including Workforce Plan, Asset Plans and LTTP based on funding requirements for strategic asset management and based on Strategic Service Planning.</li> </ul>
G4	<ul style="list-style-type: none"> <li>Adopt an organisation chart informed by the Workforce Plan and the Delivery Program.</li> <li>Implement oversight and control of organisation chart by the Chief Workforce Officer</li> </ul>

Ref.	Strategic Options
	<ul style="list-style-type: none"> <li>• Reflect the adopted organisational chart in the Long-Term Financial Plan.</li> <li>• Develop the employee cost budget based on an approved organisational structure.</li> </ul>
G5	<ul style="list-style-type: none"> <li>• Implement a comprehensive and robust Budget development process with oversight by the Chief Financial Officer.</li> </ul>
G6	<ul style="list-style-type: none"> <li>• Implement a Project Management Framework, including appropriate gateways for project selection, planning, execution and closure, and enforce the project management governance for all potential projects (including approval to proceed with grant applications)</li> </ul>
G7	<ul style="list-style-type: none"> <li>• Implement a Project Management Framework, including appropriate gateways for project selection, planning, execution and closure, and enforce the project management governance for all potential projects (including approval to proceed with grant applications)</li> </ul>

## 8. RECOMMENDATIONS

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The following recommendations provide Council with a roadmap to improve the financial sustainability of the Council.

### 8.1 RECOMMENDED FINANCIAL STRATEGIES

To improve the ability to maintain financial capital and infrastructure capital, and therefore improve the financial sustainability of the Council, seven focus areas have been identified, for which a number of recommendations are made regarding their implementation.

**To improve the operating position Council should:**

1. Increase generation of revenue through:
  - a. Submit a Special Rate Variation (SRV) Application based on increasing General Fund rates revenue by \$19.4 million over the next 10 years. This can be achieved through a 43% increase above the rate peg in 2023/24 or a staged increase over a number of years.
  - b. Review the pricing for fees and charges and ensure they reflect full cost price for services.
  - c. Refine and strengthen the nature of engagement and advocacy with the NSW Government regarding the impact of the SAP development and contributed assets, including consideration of the additional growth factor in the rate peg applied to Council in future years to fund the increase in depreciation and other whole of life costs.
2. Decrease operating costs through:
  - a. Continue with the divestment of Residential Aged Care Facilities.
  - b. Establish a productivity and efficiency target of \$1.0 million to be achieved through implementing the strategies outlined below in the focus area of Enhanced Productivity and Efficiency of Services.
  - c. Conduct a strategic review of services to assess the range and levels of service provided.
  - d. Improve the strategic and technical asset management capability and practices to manage assets at the most optimal whole of life cost.
3. Develop the demand management approach in service planning to minimise the growth in service costs and avoid increased cost of assets, including:
  - a. Continue to undertake service reviews, particularly for discretionary services and community service obligations (services that would not be provided if based on a commercial decision)
  - b. Implement a framework for grant applications and acceptance to consider the impact of the grant on the Long Term Financial Plan and financial sustainability.
4. Improve governance and financial controls
  - a. Maintain integration of the Annual Budget and Long-Term Financial Plan with the Delivery program, Operational Plan, Asset Management Plans, Workforce Strategy and other adopted plans – each plan should be updated when material decisions are made that impact on the respective plans.
  - b. Implement effective budget and other financial controls – including budget accountability, a project management framework with gateway controls, workforce plan outlining the funded staff establishment, contract management framework.
  - c. Develop an annual budget development process that is activity based rather than largely historical.

**To improve the availability of cash Council should:**

5. Council should budget for and maintain, at least in the short term, an unconstrained cash reserve of at least \$5.0 million as a contingency for unplanned asset renewals/replacements due to asset failure or other unknown asset risks.
6. Review internally restricted cash to ensure alignment with intended purpose of the reserves and that the reserves are adequate for the purpose.
7. Implement a monthly reconciliation and reporting process for all external restrictions.
8. Consider a borrowings program to invest in required upgrades and enhancements to the water and sewer networks, as well as potential investments to leverage from the SAP development. Pricing for water and sewer services would need to be reviewed to fund the borrowing costs.

**To improve investment in assets Council should:**

9. Enhance the capability and effectiveness of asset management, including:
  - a. Prepare a strategic asset management strategy that provides guidance and direction to improve Council's asset management approach, improve resource allocation, increase the awareness of current asset performance/risk, establish asset management strategies and integrate the Asset Management Plans and the Long-Term Financial Plan.
  - b. In the short term, develop the strategic asset management capability to better predict, prioritise and plan for asset renewal programs based on known risks, criticality, condition and performance of each asset class.
  - c. Review asset plans for each asset class to determine and direct the optimal life cycle approach for each asset class.
  - d. Establish systems and practices that enhances and realises the value of asset management across the organisation.
  - e. Improve processes for asset data collection, standardisation and componentisation.
  - f. Implement a condition inspection program with an initially focus on all critical assets, or assets with high risk, and sample condition assessment for less critical assets (or asset assessed with less risk).
  - g. Prepare a pavement management system with a detailed whole of life approach designed specifically for Council's sealed and unsealed road network, including optimised approach to maintenance and renewal of assets and estimated costing to inform the Long Term Financial Plan.
10. Improve the integration of asset planning with the strategic service planning to better understand, manage and avoid where possible the demand for growth in assets.
11. Explore opportunities to rationalise the land and facilitates assets that are used to deliver Council's services, including the rationalisation of the number of locations services are provided and considering a regional approach to service delivery rather than service in each location.
12. Undertake community engagement to establish and agree on service levels.

**To enhance the strategic service planning Council should:**

13. Develop a strategic service planning framework to guide and inform the development of the Delivery Program and Resourcing Strategies. A framework that includes an annual review of service performance and alignment to priorities will enable Council to better inform the development of the Annual Budget and review priorities in the allocation of constrained resources.

**To enhance productivity and efficiency of services Council should:**

14. Review the efficiency and effectiveness of current corporate overhead functions, particularly the service with large operating expenditure and potential to support improvements in productivity and efficiencies such as ICT, fleet and plant operations, finance and asset management.

15. Develop measures of productivity and efficiency when developing the Annual Budget and reporting to assist trend analysis and benchmarking with partner Councils – for example \$/km of unsealed road graded, \$/km of road reseal, \$/hectare of mowing, cost/library member, median time taken to resolve customer requests, plant utilisation rates, median time taken to fill a vacancy.
16. Implement and fund productivity and efficiency improvement initiatives previously identified, including the recommendations from the Works Management, Field Operations and Contract Delivery Service Review.
17. Report to Council on a quarterly basis the progress in achieving the efficiencies and implement process to track the achievement of the productivity and efficiencies target.

**To invest in growth and economic development Council should:**

18. Investigate the likely benefits of the SAP development to the Council and more broadly the local community, including the additional revenue streams Council is likely to benefit from – includes identifying opportunities for Council to grow own source revenue streams.
19. Develop and implement an economic development and investment attraction strategy that targets realisation of benefits from major regional developments and supply chains (e.g. the SAP) locally to the Council area.

**To enhanced governance, prioritisation and decision making Council should:**

20. Revise the Resourcing Strategy including the Long-Term Financial Plan informed by funding requirements from strategic asset management, workforce planning and strategic service planning.
21. Implement a comprehensive and robust budget development process with oversight by the Chief Financial Officer and the Executive Team.
22. Implement oversight and control of the funded organisation chart by the Chief Workforce Officer.
23. Implement a Project Management Framework, including appropriate gateways for project selection, planning, execution and closure, and enforce the project management governance for all potential projects (including approval to proceed with grant applications).
24. Develop the organisational financial management governance and financial acumen of management to improve financial management at all levels of management.

## 8.2 CHALLENGES AND OPPORTUNITIES

As Council implements the financial sustainability strategic objectives, it is likely to confront the following list of challenges and opportunities.

### 8.2.1 Challenges

- Volatility in the economic environment – During the preparation of this Financial Sustainability Strategy, the Australian economy was experiencing high volatility, with high inflation and supply chain issues, the continuation of which is likely to increase the cost of services and the cost of construction/acquisition of assets, as well as potentially delay the delivery of capital works, increase borrowing costs and potentially limit the availability of funding from external sources (e.g., grants).
- Impact of the SAP on Council's financial position – Approximately \$169 million in assets funded by the NSW Government are proposed to be contributed to Council upon completion of construction. This will increase the expenditure on operating and maintaining the assets, as well as a significant increase in the depreciation expense. If additional revenue through rates, charges and other revenue streams does not match the increase in operating expenditure, the completion of the SAP will impact negatively upon the financial position of the Council.
- Balancing demands for capital expenditure – Council will need to balance the demands for new or upgraded assets to address population and economic growth, to comply with changes in regulatory requirements and/or to address changing community demands with the need to appropriately fund the renewal and replacement of deteriorating assets and infrastructure.

- Productivity improvements limited by legislation – For example, constraints on staff reduction in rural areas.
- Policy changes from other levels of Government – changes to policies and strategies set by the State and Federal Governments is likely to impact upon Council's financial sustainability, therefore requiring strong advocacy and engagement with key stakeholders to protect the interests of the Council and its community.
- Capacity of the Council – Council faces challenges in attracting and retaining skilled resources due to the geographical location of the council as well as significant competition by main employers in the area. Council will need to invest in its ability attract, develop and retain skilled resourcing.

### 8.2.2 Opportunities

- Innovation and Technological Advancement – Council can improve long term sustainability through enhanced productivity and efficiencies achieved through adopting innovation and technological advancements, which will require Council to maintain effective relationships and professional networks with industry leaders.
- Regional Economic Development – The SAP presents significant opportunity to council to leverage and realise significant development of the local economy and enhancement to the socio-economic profile of the region. Other economic development opportunities are also outlined in the Regional Economic Development Strategy. Council can maximise the realised benefit through advocating and pursuing the Council's interests, as well as more broadly the community's economic and socio-demographic interests.
- Enhancements to Project Management – considering the large annual investment in the capital works program and other projects, significant improvements in Council sustainability may be achieved through implementation of the project management framework, including better decision making in the selection, prioritisation and initiation of projects, consideration and comparison of whole-of-life costs, as well as in the more efficient delivery of projects.
- Development of a Service Catalogue and Service Review Program – through the development of a service catalogue, integrated with resource planning, and the engagement of Council and the community in strategic service planning, Council sustainability is likely to be improved through the continued review, prioritisation and rationalisation of the range and levels of services and infrastructure provided to meet community demands and community affordability.
- Asset Recycling and Rationalisation – through the process of developing the Asset Management Plans, Council is likely to be presented with opportunities to recycle under-utilised assets (e.g., buildings and land) to obtain better utilisation and improve overall sustainability by reducing the cost of under-utilised assets and achieving commercial returns through asset recycling.
- Water and Sewer Businesses – considering the Guidelines issued by the NSW Department of Planning and Environment regarding the payment of dividend from water supply and sewer businesses, there may be opportunities for Council to harness the significant water and sewer infrastructure in the area, including additional assets to be dedicated through the SAP.
- Stormwater Charge – Council could consider the application of an annual Stormwater charge in accordance with the Local Government Act 1993, and the associated Regulations and guidelines issued by the NSW Office of Local Government, to all applicable properties in the local government area. Revenue from this charge will need to be applied to an enhanced stormwater management program.

## 8.3 SIGNIFICANT RISKS

The risks outlined below present a significant threat to the successful achievement of the Financial Sustainability Strategy.

**Economic Conditions** - Council is impacted by the volatility of economic conditions. This has been experienced most significantly during the recent COVID-19 outbreak, where the income earned by Council for a range of services was significantly reduced. As such, any further impacts leading to significant change from the market assumptions adopted (will require further revision by Council of planned investments and service expenditure).

Funding Development -The NSW Government regulates a cap on the per lot contributions paid and limits the types of infrastructure that a council can levy for development. This limitation has required Council to use other funding sources (including funding set aside for asset renewal) to provide infrastructure Council is responsible to provide for new development. This is particularly important for areas of greenfield development, which impact on the demands for Council infrastructure such as community centres, libraries and recreational facilities.

Certainty of Revenue Streams - Uncertainty in the projection of revenue streams is a significant concern for Council sustainability. While Council controls most of its annual operating revenue, Council has historically relied upon grants.

Expenditure Estimates - A key risk to the accuracy of the long-term forecast of operating and capital expenditure is the accuracy of cost estimates and actual inflation in future years being above assumptions used in the forecast.

Impairment and Early Deterioration of Assets - While renewals are planned through the asset management planning process, the actual deterioration and performance of assets may deteriorate faster than projected or be impacted through natural disasters or other unforeseen events, bringing forward the need to renew and replace assets. This will require either re-prioritisation across the capital works plan, or additional cash investment.

## 9. IMPLEMENTATION ACTION PLAN

**Table 9.1. Actions to Implement the Recommendations**

	2022/23			2023/24				2024/25			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>To improve the operating position Council should :</b>											
<b>1. Increase generation of revenue through:</b>											
a. Submit a Special Rate Variation (SRV) Application based on increasing General Fund rates revenue by \$19.4 million over the next 10 years. This can be achieved through a 43% increase above the rate peg in 2023/24 or a staged increase over a number of years											
b. Review the pricing for fees and charges and ensure they reflect full cost price for services.											
c. Refine and strengthen the nature of engagement and advocacy with the NSW Government regarding the impact of the SAP development and contributed assets, including consideration of the additional growth factor in the rate peg applied to Council in future years to fund the increase in depreciation and other whole of life costs.											
<b>2. Decrease operating costs through:</b>											
a. Continue with the divestment of Residential Aged Care Facilities.											
b. Establish a productivity and efficiency target of \$1.0 million to be achieved through implementing the strategies outlined below in the focus area of Enhanced Productivity and Efficiency of Services.											
c. Conduct a strategic review of services to assess the range and levels of service provided.											
d. Improve the strategic and technical asset management capability and practices to manage assets at the most optimal whole of life cost.											
3. Develop the demand management approach in service planning to minimise the growth in service costs and avoid increased cost of assets, including:											
a. Continue to undertake service reviews, particularly for discretionary services and community service obligations (services that would not be provided if based on a commercial decision)											
b. Implement a framework for grant applications and acceptance to consider the impact of the grant on the Long Term Financial Plan and financial sustainability.											
4. Improve governance and financial controls											
a. Maintain integration of the Annual Budget and Long-Term Financial Plan with the Delivery program, Operational Plan, Asset Management Plans, Workforce Strategy and other adopted plans – each plan should be updated when material decisions are made that impact on the respective plans.											
b. Implement effective budget and other financial controls – including budget accountability, a project management framework with gateway controls, workforce plan outlining the funded staff establishment, contract management framework.											
c. Develop an annual budget development process that is activity based rather than largely historical.											



	2022/23			2023/24				2024/25			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>To improve the availability of cash Council should:</b>											
5. Council should budget for and maintain, at least in the short term, an unconstrained cash reserve of at least \$5.0 million as a contingency for unplanned asset renewals/replacements due to asset failure or other unknown asset risks.											
6. Review internally restricted cash to ensure alignment with intended purpose of the reserves and that the reserves are adequate for the purpose.											
7. Implement a monthly reconciliation and reporting process for all external restrictions.											
8. Consider a borrowings program to invest in required upgrades and enhancements to the water and sewer networks, as well as potential investments to leverage from the SAP development. Pricing for water and sewer services would need to be reviewed to fund the borrowing costs.											
<b>To improve investment in assets Council should:</b>											
9. Enhance the capability and effectiveness of asset management, including:											
a. Prepare a strategic asset management plan that provides guidance and direction to improve Council's asset management approach, improve resource allocation, increase the awareness of current asset performance/risk, establish asset management strategies and integrate the Asset Management Plans and the Long-Term Financial Plan.											
b. In the short term, develop the strategic asset management capability to better predict, prioritise and plan for asset renewal programs based on known risks, criticality, condition and performance of each asset class.											
c. Review asset plans for each asset class to determine and direct the optimal life cycle approach for each asset class.											
d. Establish systems and practices that enhances and realises the value of asset management across the organisation.											
e. Improve processes for asset data collection, standardisation and componentisation.											
f. Implement a condition inspection program with an initially focus on all critical assets, or assets with high risk, and sample condition assessment for less critical assets (or asset assessed with less risk).											
g. Prepare a pavement management system with a detailed whole of life approach designed specifically for Council's sealed and unsealed road network, including optimised approach to maintenance and renewal of assets and estimated costing to inform the Long Term Financial Plan.											
10. Improve the integration of asset planning with the strategic service planning to better understand, manage and avoid where possible the demand for growth in assets.											
11. Explore opportunities to rationalise the land and facilitates assets that are used to deliver Council's services, including the rationalisation of the number of locations services are provided and considering a regional approach to service delivery rather than service in each location.											
12. Undertake community engagement to establish and agree on service levels.											

	2022/23			2023/24				2024/25			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>To enhance the strategic service planning Council should:</b>											
13. Develop a strategic service planning framework to guide and inform the development of the Delivery Program and Resourcing Strategies. A framework that includes an annual review of service performance and alignment to priorities will enable Council to better inform the development of the Annual Budget and review priorities in the allocation of constrained resources.											
<b>To enhance productivity and efficiency of services Council should :</b>											
14. Review the efficiency and effectiveness of current corporate overhead functions, particularly the service with large operating expenditure and potential to support improvements in productivity and efficiencies such as ICT, fleet and plant operations, finance and asset management.											
15. Implement and fund productivity and efficiency improvement initiatives previously identified, including the recommendations from the Works Management, Field Operations and Contract Delivery Service Review.											
16. Report to Council on a quarterly basis the progress in achieving the efficiencies and implement process to track the achievement of the productivity and efficiencies target.											
<b>To invest in growth and economic development Council should:</b>											
17. Investigate the likely benefits of the SAP development to the Council and more broadly the local community, including the additional revenue streams Council is likely to benefit from – includes identifying opportunities for Council to grow own source revenue streams.											
18. Develop and implement an economic development and investment attraction strategy that targets realisation of benefits from major regional developments and supply chains (e.g. the SAP) locally to the Council area.											
<b>To enhanced governance, prioritisation and decision making Council should:</b>											
19. Revise the Resourcing Strategy including the Long-Term Financial Plan informed by funding requirements from strategic asset management, workforce planning and strategic service planning.											
20. Implement a comprehensive and robust budget development process with oversight by the Chief Financial Officer and the Executive Team.											
21. Implement oversight and control of the funded organisation chart by the Chief Workforce Officer.											
22. Implement a Project Management Framework, including appropriate gateways for project selection, planning, execution and closure, and enforce the project management governance for all potential projects (including approval to proceed with grant applications).											
23. Develop the organisational financial management governance and financial acumen of management to improve financial management at all levels of management.											

Source - AEC

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## APPENDIX A: STAKEHOLDER ENGAGEMENT

Stakeholder	Interest	Influence	Level of Engagement	Engagement Method	Date Completed
Councillors	Owner of Financial Sustainability Review and Strategy  Provide approval of the Strategy	Decision Making	Empower	One-on-one interviews	16/09/2022
				Onsite Councillor Briefing to seek feedback on preliminary findings and work-in-progress report	30/09/2022
				Online presentation of the Draft Report	28/10/2022
				Onsite Councillor Briefing to seek feedback on the Draft Report	8/11/2022
FSR Advisory Group	Advisors to Council	Advice	Collaborate	Online Inception Meeting	30/08/2022
				Online Meeting to endorse the Community Survey	23/09/2022
				Preliminary Findings and Work-in -progress Report	23/9/2022
				Online presentation of Draft Report	28/10/2022
				Online Project Update	Fortnightly
Executive Management Team	Responsible to implement the Strategy	Advice	Collaborate	Onsite workshop to provide overview of analysis and review options	29/09/2022
				Onsite Councillor Briefing to seek feedback on preliminary findings and work-in-progress report	30/9/2022
				Online presentation of Draft Report (with all Councillors)	28/10/2022
				Onsite Councillor Briefing to present Draft Report	8/11/2022
Staff in Identified Key Roles	Input into understanding current sustainability Identification of options Implementing the outcomes	Advice	Collaborate	Meetings on site	15-16/9/2022
				Ongoing meetings, discussions, emails etc as required	Throughout project
SMRC Community / Ratepayers	Impacted by outcome of the Financial Strategy	Political	Consult	Fact Sheets / Social Media content / Survey on Have Your Say	Survey open for 3 weeks from 19/10/2022
				Summary FSR Report for public release	

## APPENDIX B: COMMUNITY ENGAGEMENT REPORT

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Community engagement regarding the financial sustainability of the Council was undertaken over a period of three (3) weeks between 19 October 2022 and 6 November 2022, through an on-line survey published on the Council's website.

A Fact Sheet regarding the financial position of the Council was published on Council's website to assist survey participants in gaining an understanding of how Council has been performing regarding its operating result, availability of cash and investment in assets, to enable informed responses.

### ENGAGEMENT OVERVIEW

The community were advised of the opportunity to complete the Financial Sustainability Survey through various methods:

- Facebook and Instagram platforms
- Advertisement through Meta
- Media releases circulated to media contacts and community groups
- Council's fortnightly email newsletter
- Weekly column/ news page/ advertisement in The Monaro Post
- ABC Radio South East NSW.

Details regarding the questions included in the survey and the respective responses are included in this Community Engagement Report. It is noted that participants were able to opt out of the survey at any point and were able to skip responses to questions.

In total up to 248 survey participants have completed the initial profile questions only, and up to 279 participants proceeded to complete part of or all the survey.

The responses to the survey do not represent a randomly selected and statistically valid sample of the community. The survey participants represent members of the community who had a motivation to respond. Accordingly, the results of the survey should be interpreted within this context and may not be representative of the views of the community overall.

An overview of survey participants and responses is provided below.

### OVERVIEW OF SURVEY PARTICIPANTS AND RESPONSES

#### Participant Profile

Most of the survey participants were adults over the age of 45 (70%) with household annual income of over \$100,000 per annum (42%). Most were residing either close to the Cooma customer service centre (44%) or the Bombala service centre (23%). Over half (51%) of participants were residential ratepayers and the next largest group of participants were farmland ratepayers (21%).

#### Council Area

Nearly two-thirds (64%) were in agreement that the Council has a larger area per capita to maintain than other comparable NSW Councils.

#### Council Performance Over the Last 5 Years

The perception of the Council over the last five (5) years has deteriorated. More specifically, nearly half (49%) indicated that services and facilities provided by the Council 'deteriorated' over the last five (5) years and the financial position of the Council also 'deteriorated' over the last five (5) years. Furthermore, 60% were in

disagreement ('disagree or disagree strongly') with the statement that 'the service levels provided by the Council have improved in the last five years'.

### Perceptions of Rates Charges

The perceptions of the rates charged by the Council, compared to other rural councils in NSW, are fairly dispersed with one-third (33%) indicating they are 'much or somewhat higher', 16% indicating they are 'comparable' and 41% indicating the rates charged by the Council are 'somewhat or much lower' compared to other rural councils in NSW.

Very few were in agreement that the Council charges appropriate rates for services and facilities provided (13%) or that the Council needs to increase fees and charges for services to achieve additional revenue (16%).

### Perceptions of Council's Financial Sustainability

Compared to other rural councils in NSW, participants indicated the current financial position of the Council is either 'the same' or 'worse/much worse'. More specifically, 36% said the current financial position of the Council is 'the same', 26% indicated it was 'worse' and an additional 12% mentioned it was 'much worse' compared to other rural councils in NSW.

However, only 11% were in agreement that the Council's financial position is sustainable. On the other hand, more than half (51%) either 'disagreed' or 'disagreed strongly' with the Council's financial position being sustainable.

A higher proportion of respondents indicated that Council's expenditure is a contributing factor to Council's financial sustainability (59%) whilst 43% noted lack of revenue is a contributing factor to Council's financial sustainability.

### Addressing Council's Financial Sustainability

The vast majority of participants indicated that improved productivity is required to address the financial sustainability of the Council (90%). Additionally, more than half were in agreement that to improve the financial sustainability of the Council, additional revenue is required (57%) and reduced operational expenditure is required (55%).

Very few respondents were in agreement with the following to address Council's financial sustainability:

- Increasing rates (15%)
- Reducing service levels rather than increased rates (15%)
- Increasing fees and charges for services (14%)

### Areas of Improvement

The vast majority of participants were in strong agreement for the Council to allocate additional financial resources to improve the condition of sealed (80%) and unsealed roads (79%). Lowest in agreement was allocating financial resources to improve council owned buildings (30%) and/or improve parks, gardens and recreational facilities (38%). About half were in agreement with allocating additional financial resources to improve the condition of bridges (53%) or improve water and sewerage services (51%).

Interestingly, more than half (51%) were in agreement that they would be willing to pay higher rates if services (such as roads and community facilities) were improved.

### Written Responses

The survey allowed for comments to be added by participants. Eighteen (18) comments were provided, with the issues raised as follows:

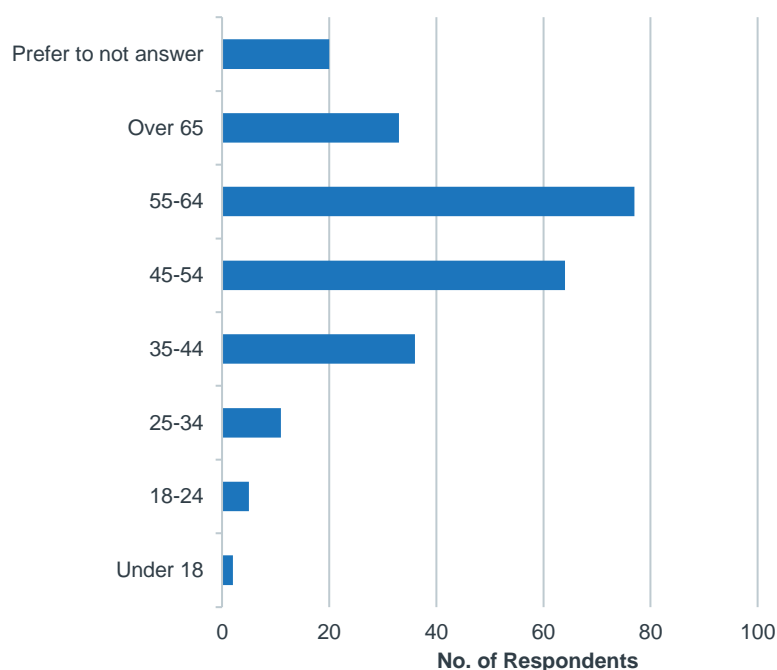
- The size of the Council area limits efficiencies
- Duplication of administration buildings
- Need for an asset management strategy

- Increase in productivity / review of operating model is required
- Management positions need to be reviewed
- Improvement in project management is required
- Improvement in community engagement is required
- Increase in rateable properties is required
- Improvement in the quality of roadworks is required
- Improvement in waste management and waste management opportunities is required
- Requirement for increased revenue and improvement in debt recovery
- Challenges in recruitment and retention of operational staff
- Improvement in organisational culture is required
- More grant funding should be sought
- Impact of merger and demerger option
- An audit / investigation instead of a financial sustainability review should have been undertaken

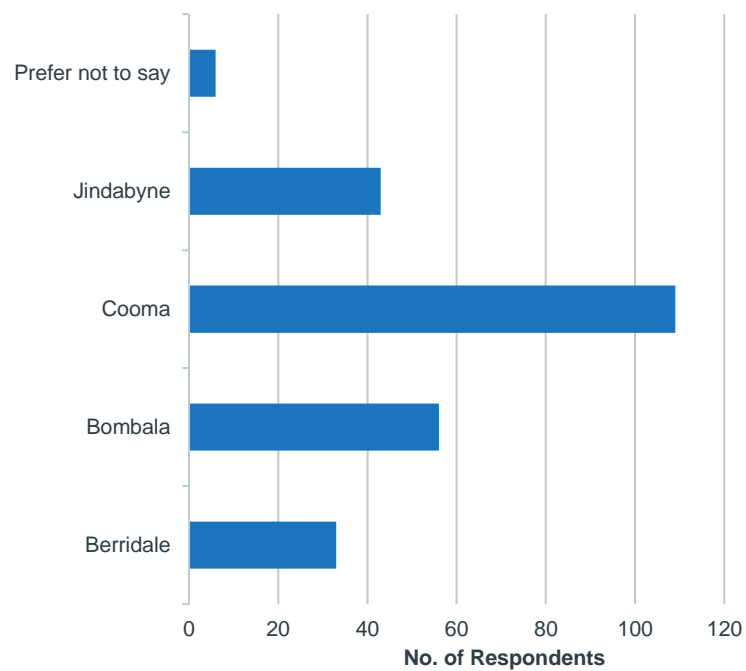
## SURVEY DETAILS

The following section details the questions presented in the Financial Sustainability Survey and the responses.

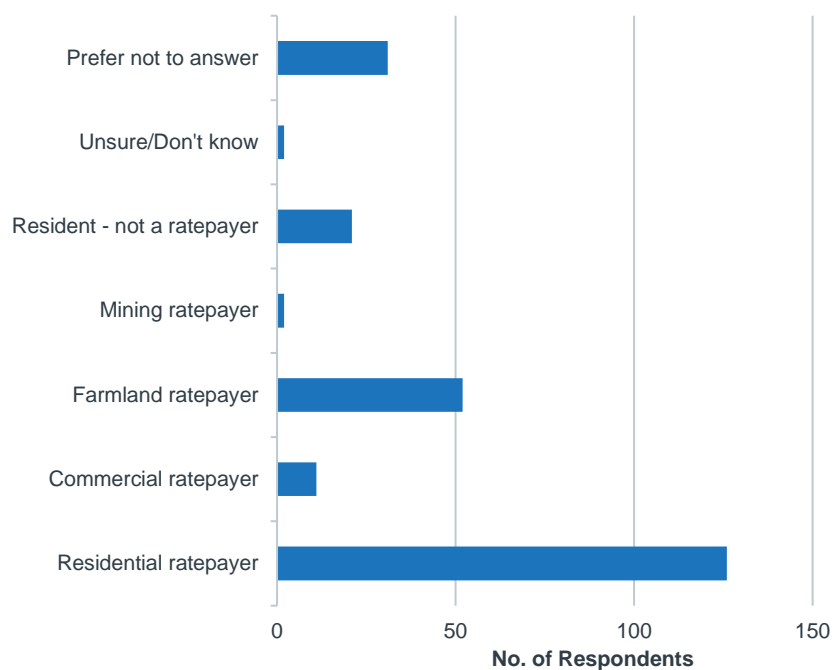
### Q1. Please select the category that includes your age.



Source – SMRC

**Q2. Which of Council's customer centres are closest to your main residence?**

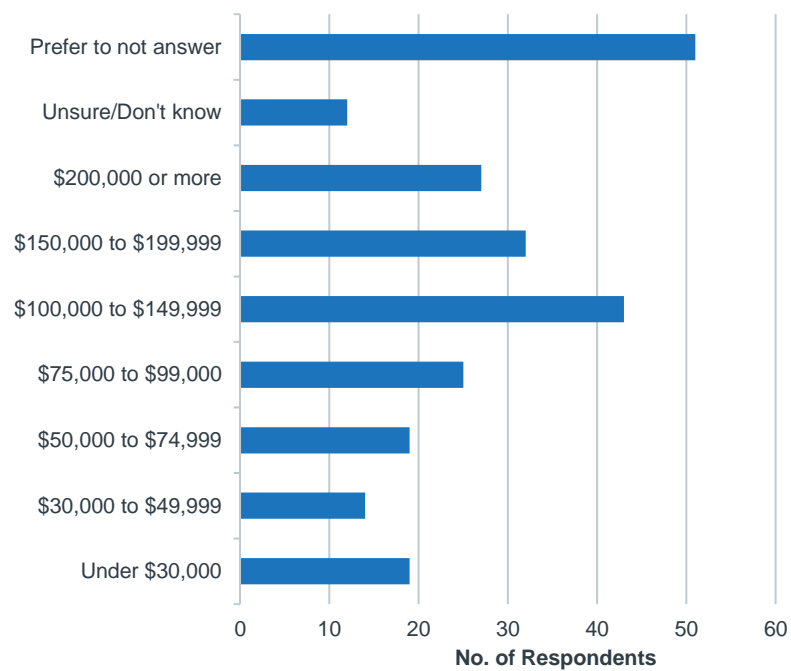
Source – SMRC

**Q3. Which of the categories best describes your residential status?**

Source – SMRC

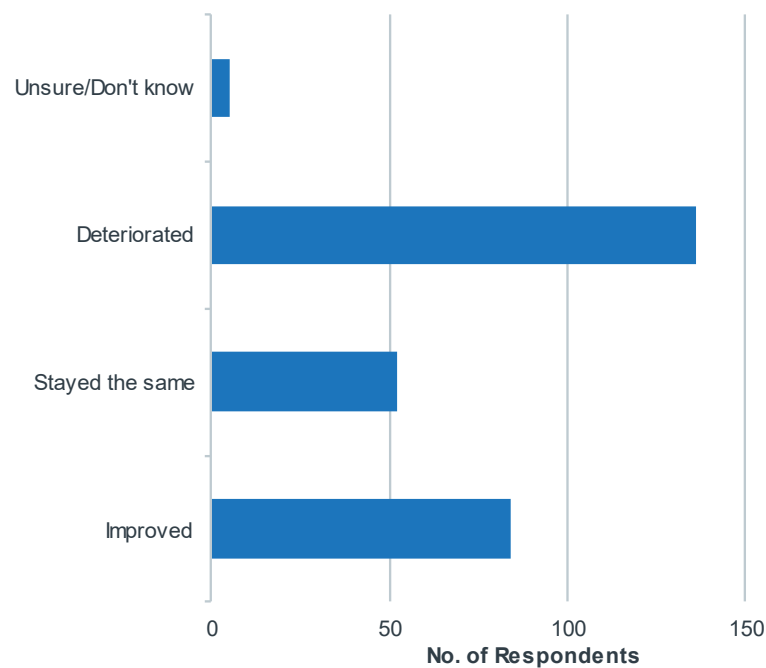


**Q4. What is your household annual income (before tax)?**



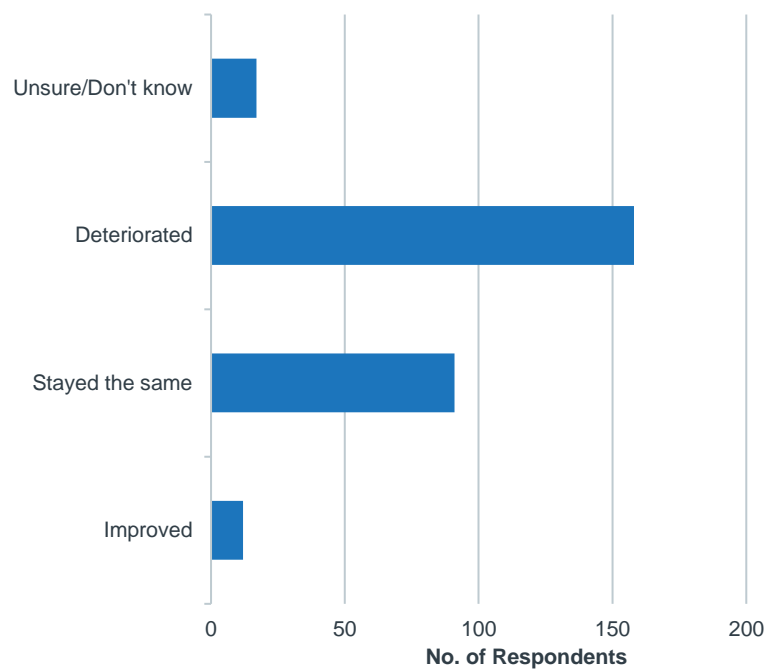
Source – SMRC

**Q5. In the last five years the services and facilities provided by the Snowy Monaro Regional Council has...**



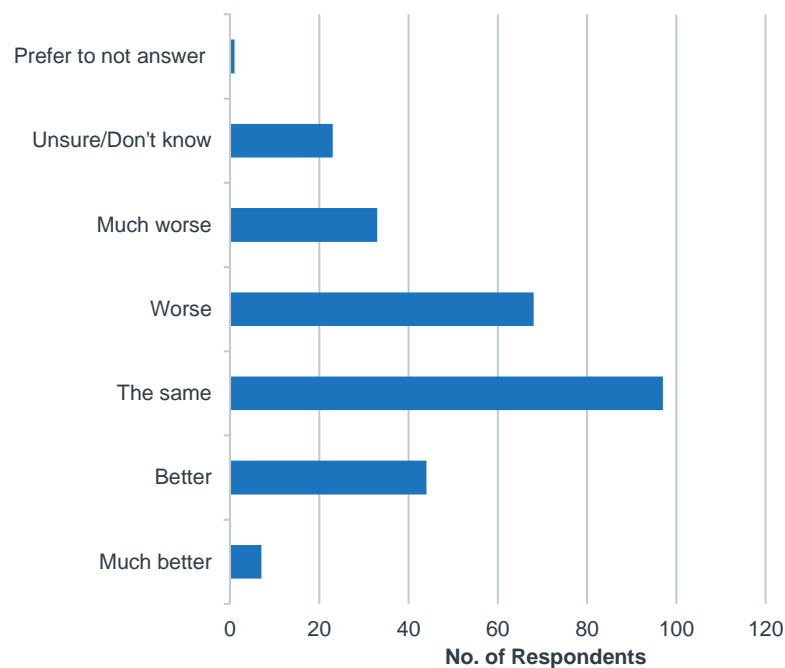
Source – SMRC

**Q6. In the last five years the financial position of the Snowy Monaro Regional Council has...**

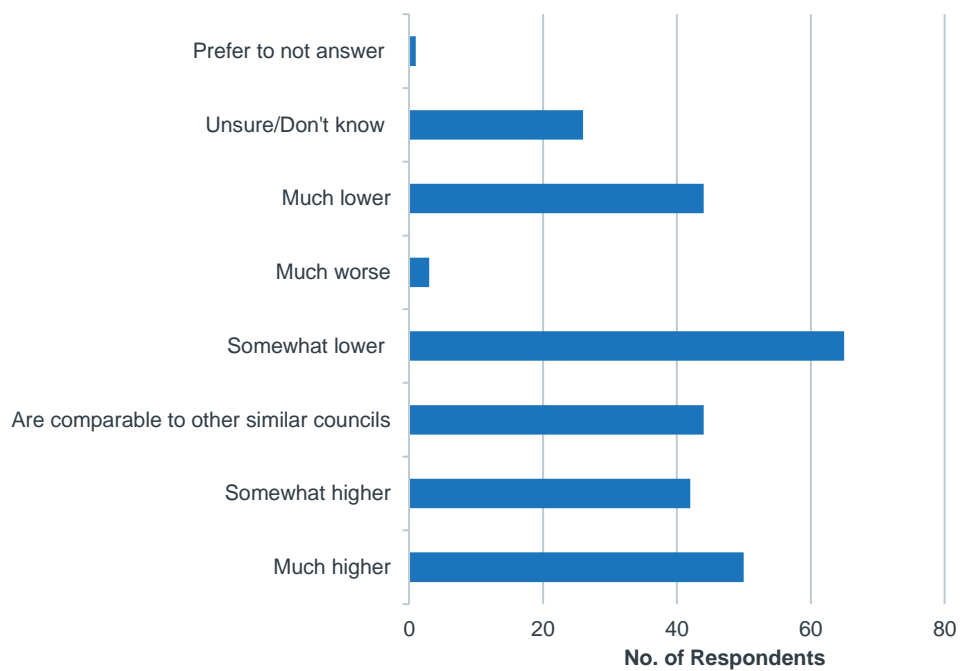


Source – SMRC

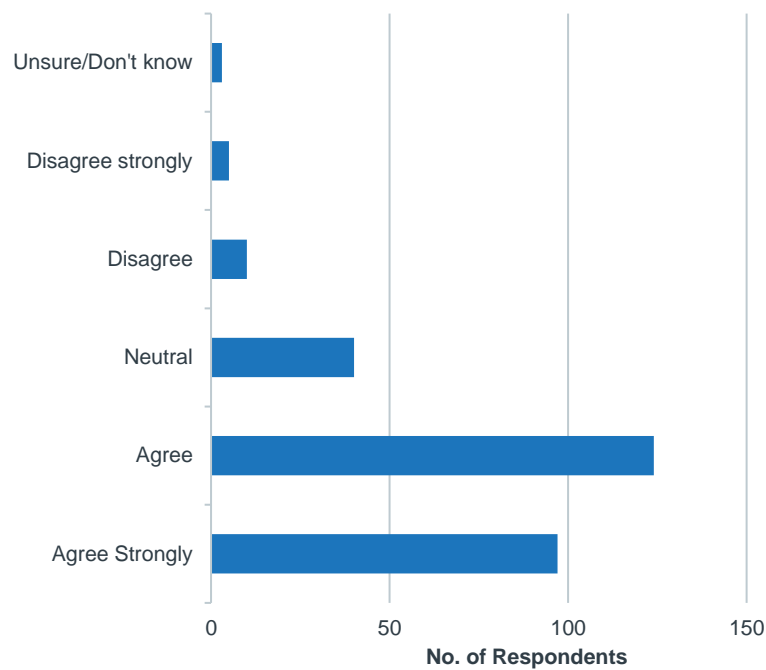
**Q7. Compared to other rural councils in NSW, Snowy Monaro Regional Council's current financial position is...**



Source – SMRC

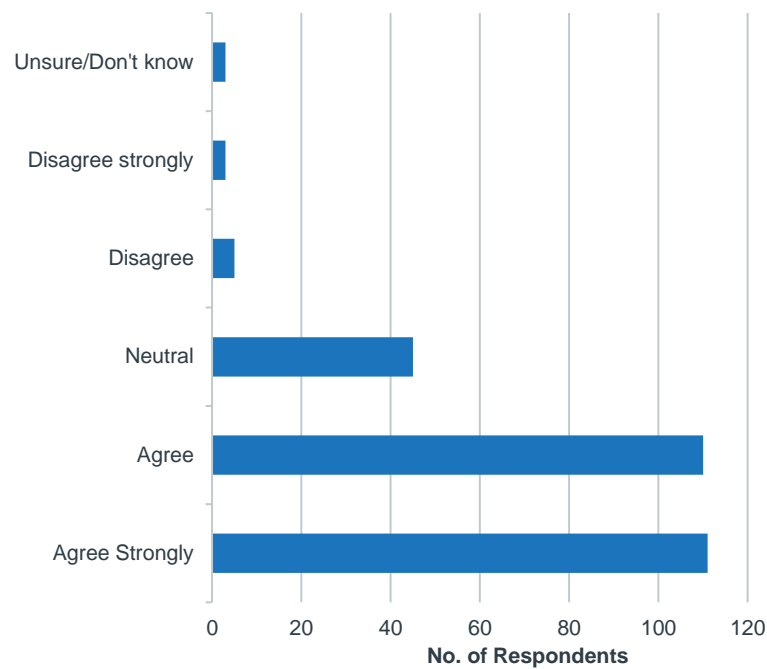
**Q8. Compared to other rural councils in NSW, rates charged by the Snowy Monaro Regional Council are...**


Source – SMRC

**Q9. The Snowy Monaro Regional Council (the Council) needs to allocate additional financial resources to improve the condition of unsealed roads**


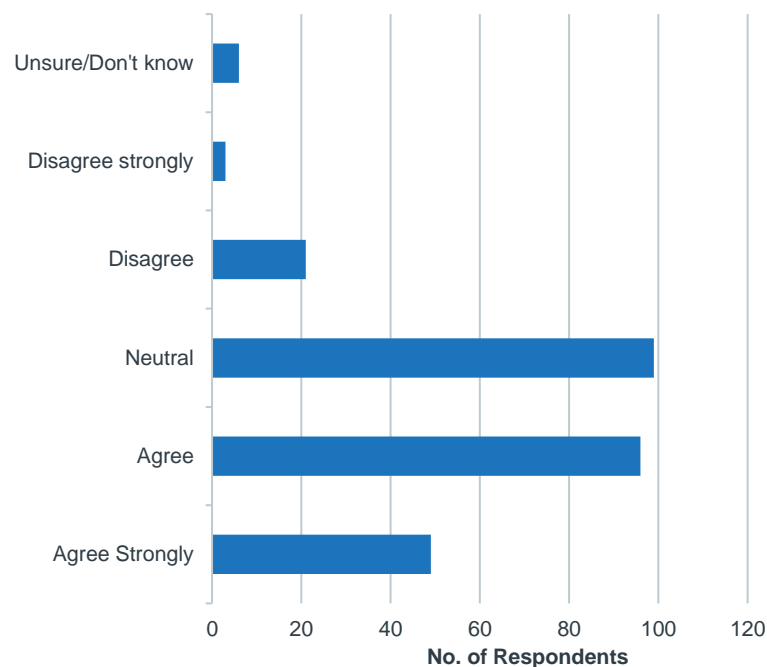
Source – SMRC

**Q10. The Snowy Monaro Regional Council (the Council) needs to allocate additional financial resources to improve the condition of sealed roads**



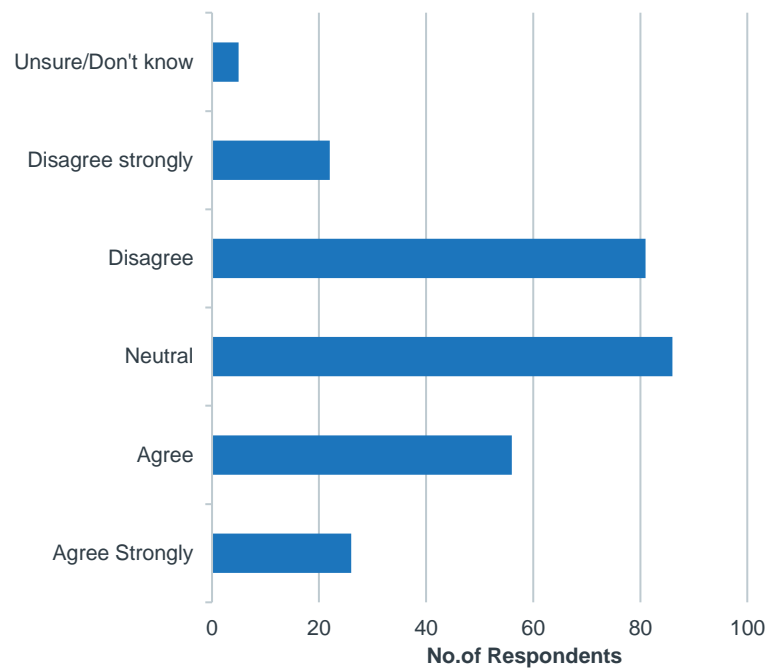
Source – SMRC

**Q11. The Snowy Monaro Regional Council (the Council) needs to allocate additional financial resources to improve the condition of bridges**



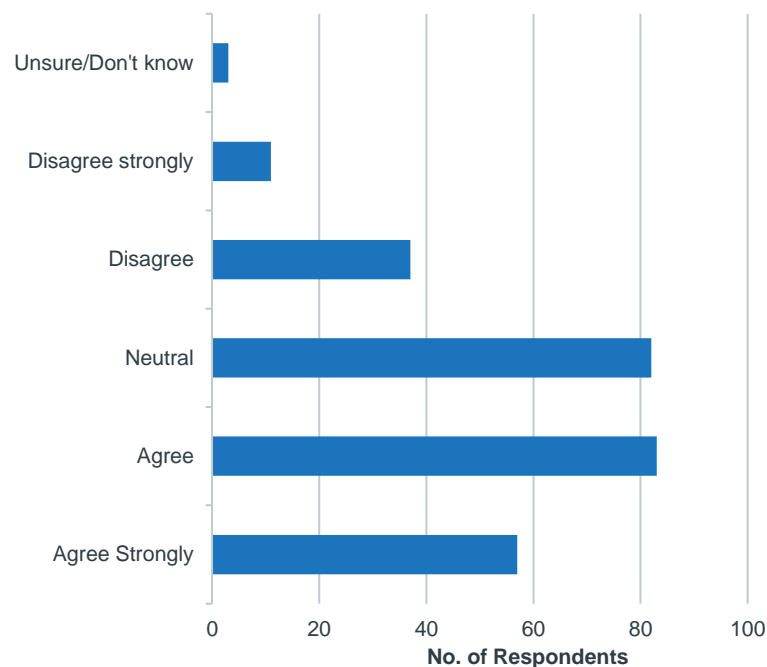
Source – SMRC

**Q12. The Snowy Monaro Regional Council (the Council) needs to allocate additional financial resources to improve council owned buildings**



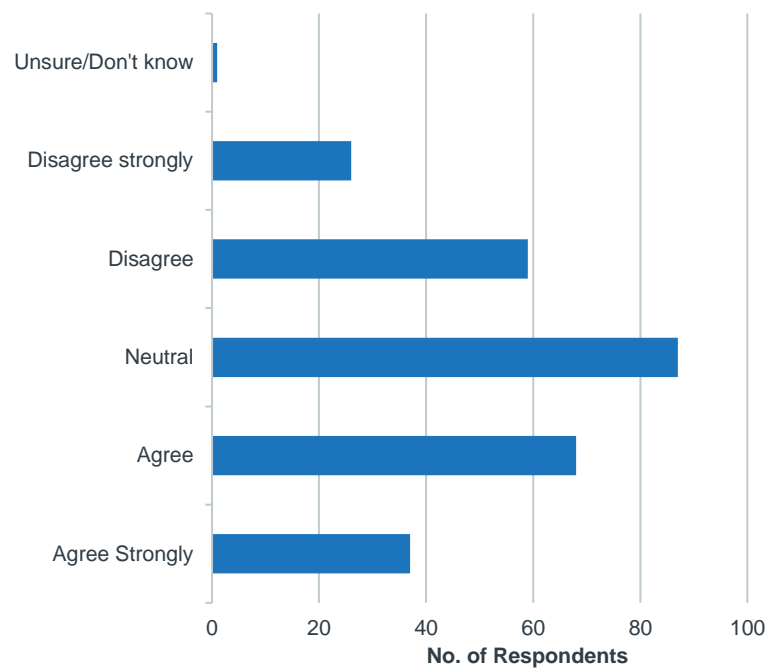
Source – SMRC

**Q13. The Snowy Monaro Regional Council (the Council) needs to allocate additional financial resources to improve water and sewerage services**



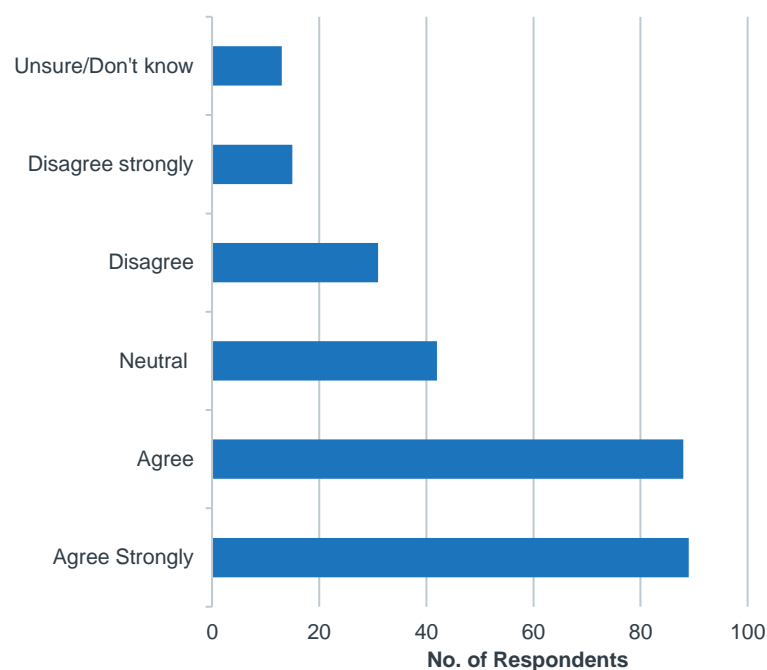
Source – SMRC

**Q14. The Snowy Monaro Regional Council (the Council) needs to allocate additional financial resources to improve parks, gardens and recreational facilities**



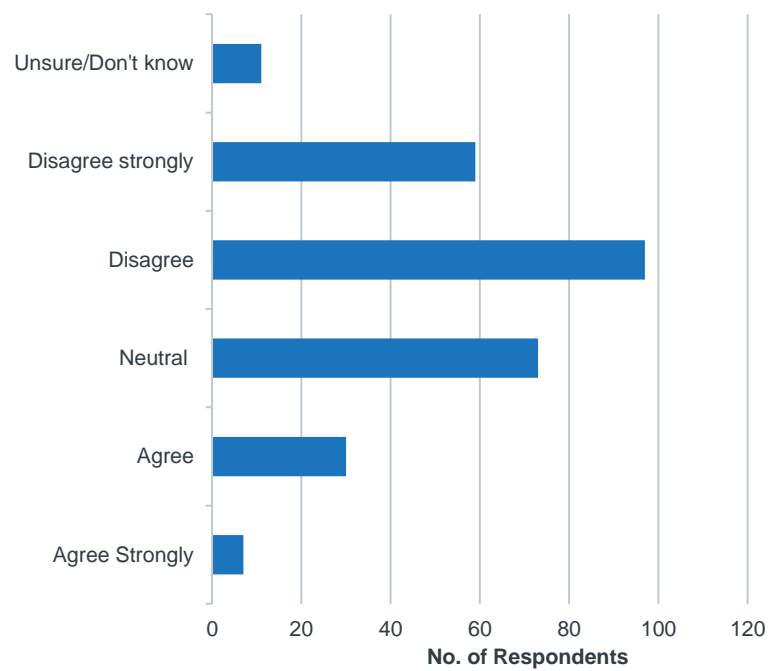
Source – SMRC

**Q15. Snowy Monaro Council has a larger area per capita to maintain than other comparable NSW Councils**



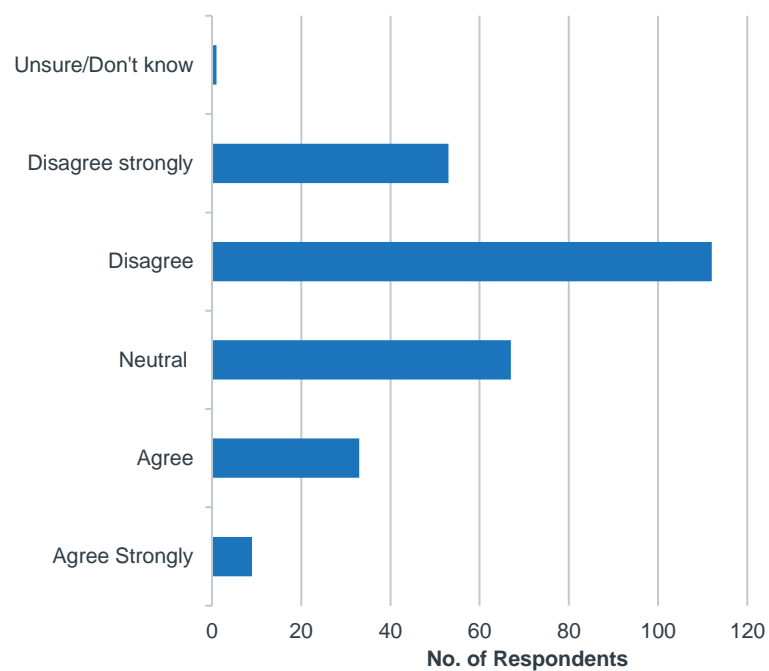
Source – SMRC

**Q16.The Council charges appropriate rates for services and facilities provided**



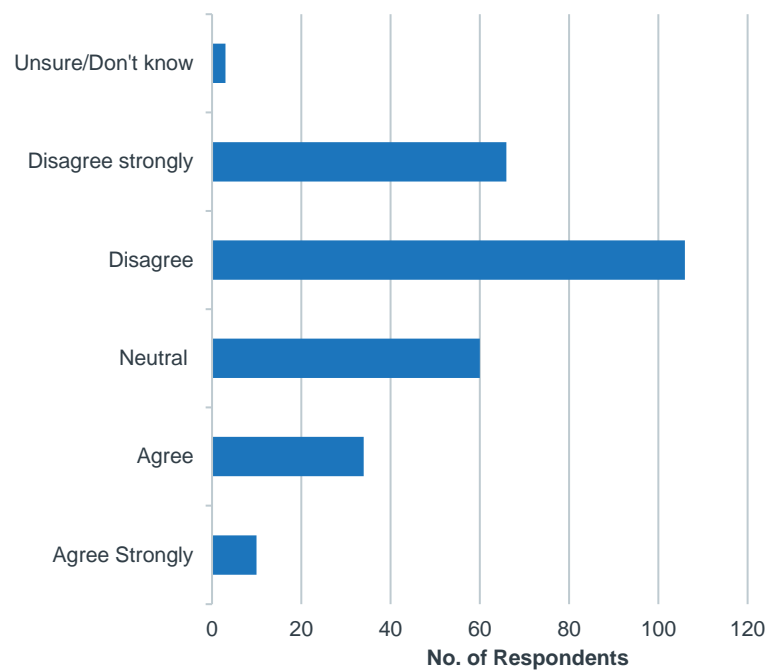
Source – SMRC

**Q17.Generally, the service levels provided by the Council have improved in the last five years**



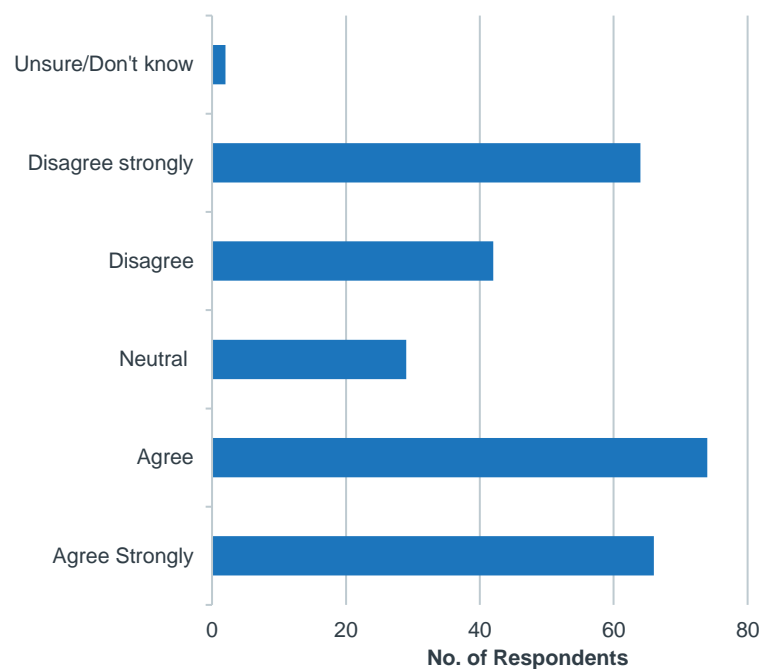
Source – SMRC

**Q18. The Council needs to increase fees and charges for services to achieve additional revenue**



Source – SMRC

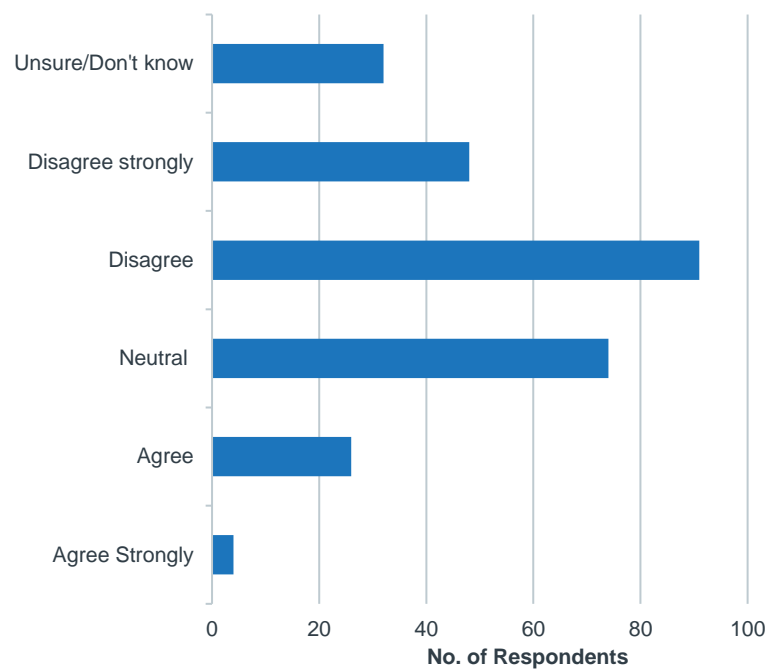
**Q19. I would be willing to pay higher rates if services (such as roads and community facilities) were improved**



Source – SMRC

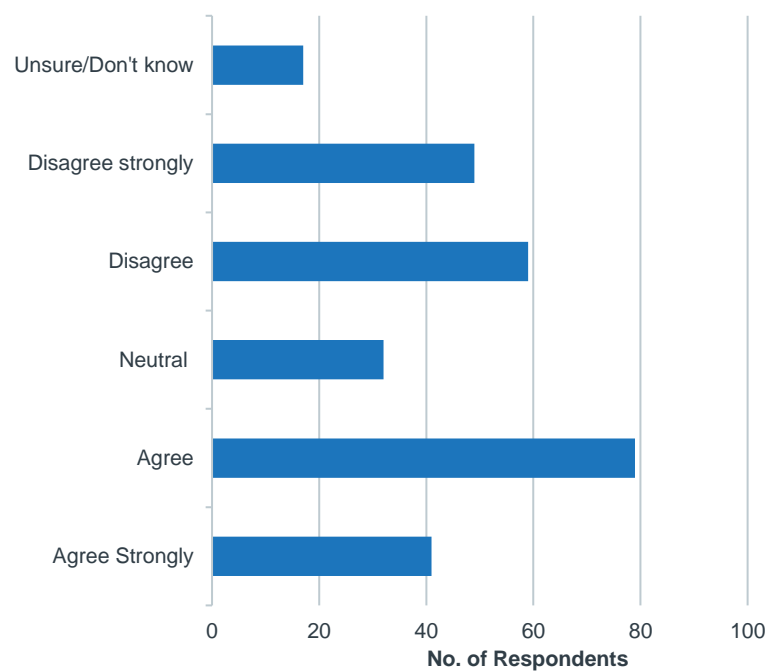


**Q20. The Council's financial position is sustainable**

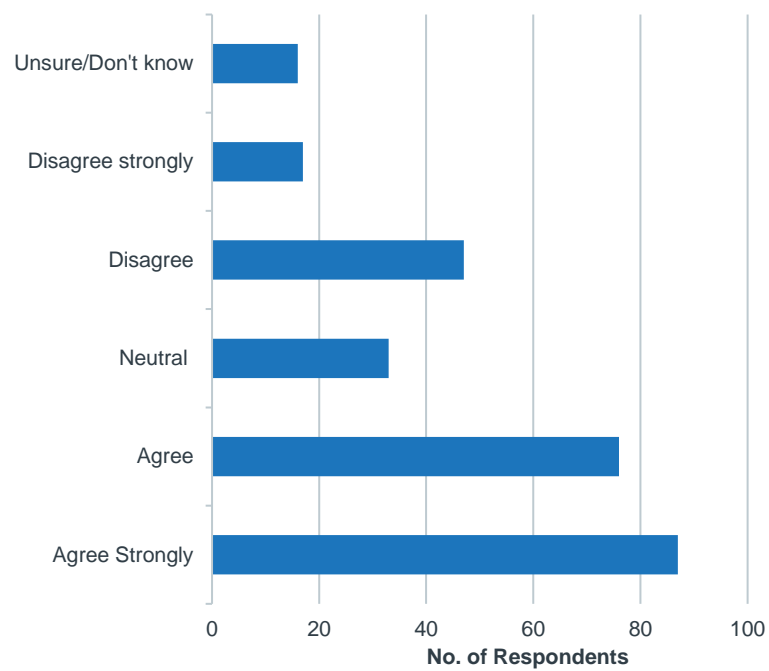


Source – SMRC

**Q21. Lack of revenue is a contributing factor to Council's financial sustainability**

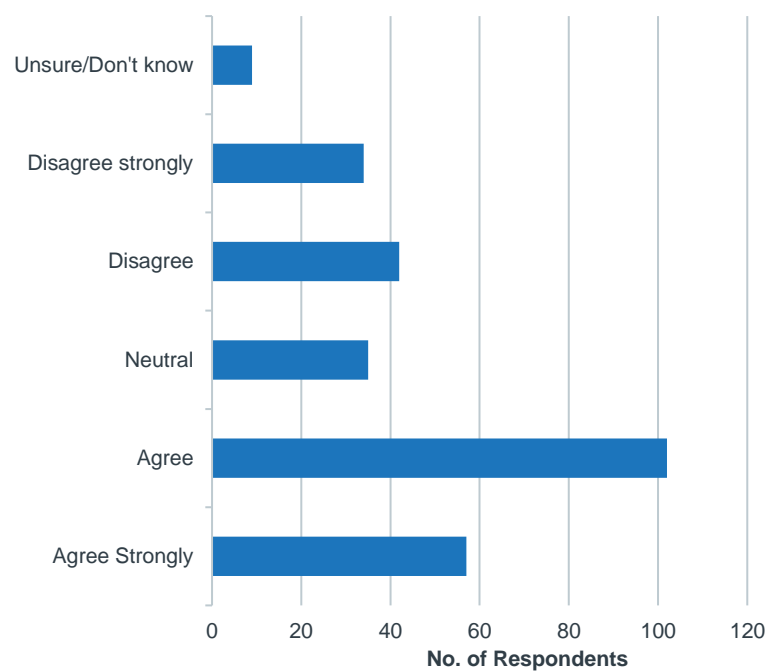


**Q22. Council expenditure is a contributing factor to Council's financial sustainability**



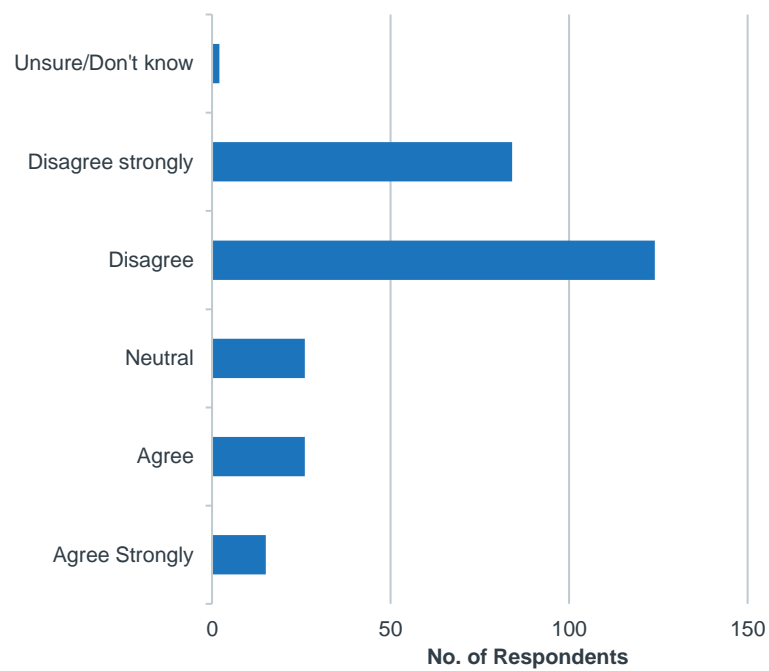
Source – SMRC

**Q23. Additional revenue is required**



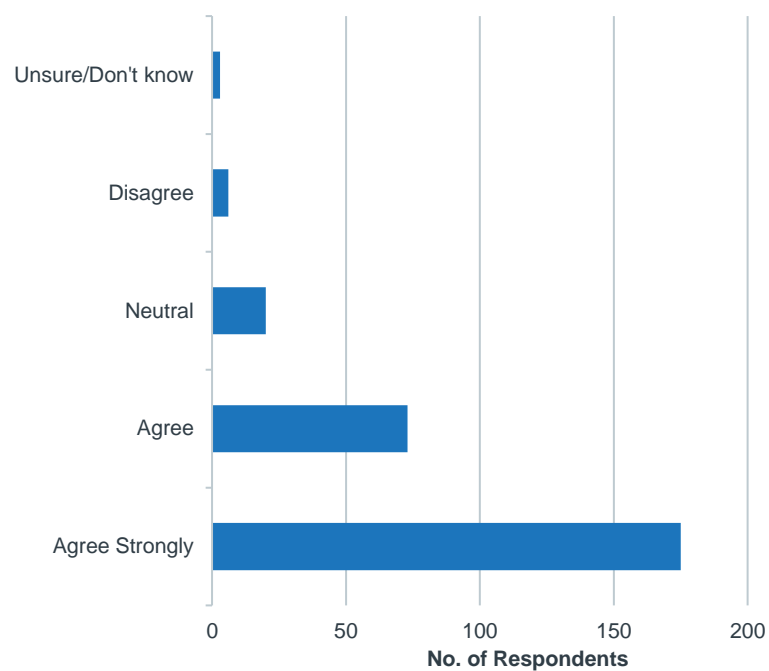
Source – SMRC

**Q24. Reduced service levels is required**



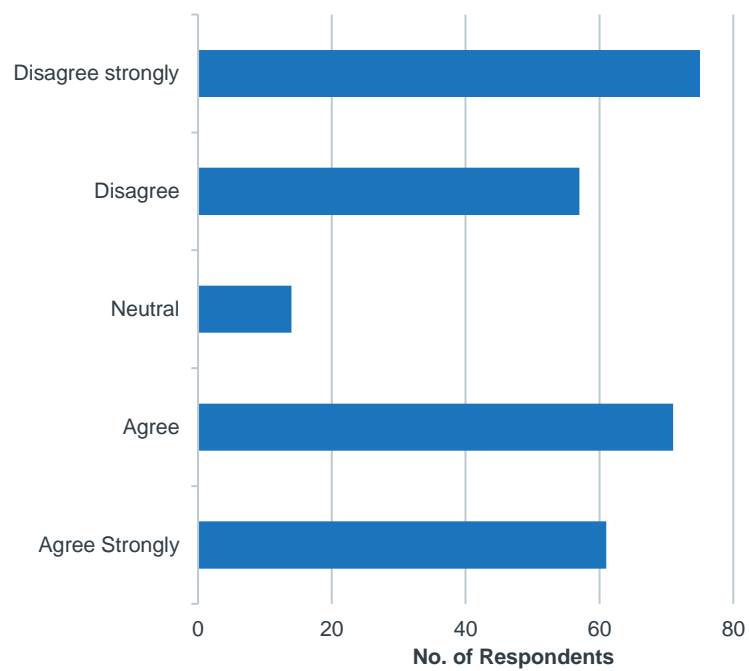
Source – SMRC

**Q25. Improved productivity is required**



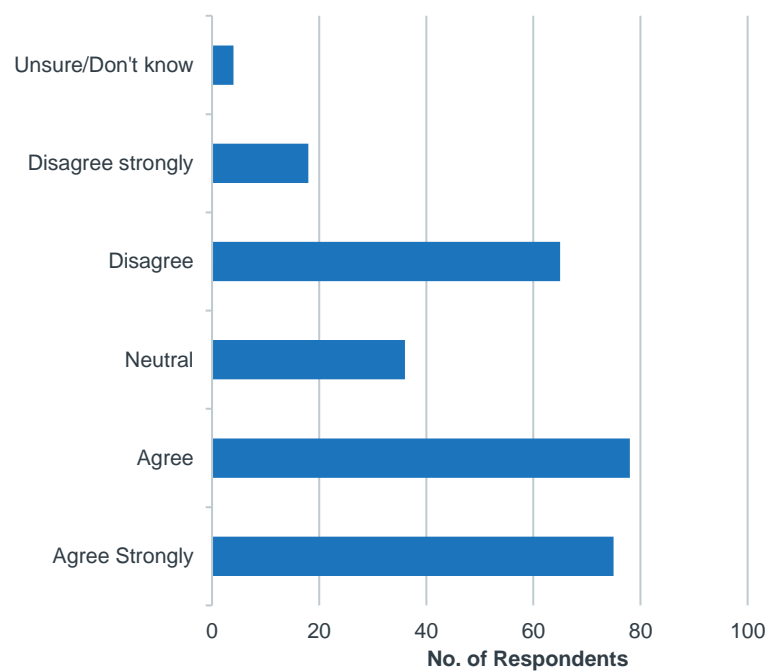
Source – SMRC

**Q26. Increase in rates is required**



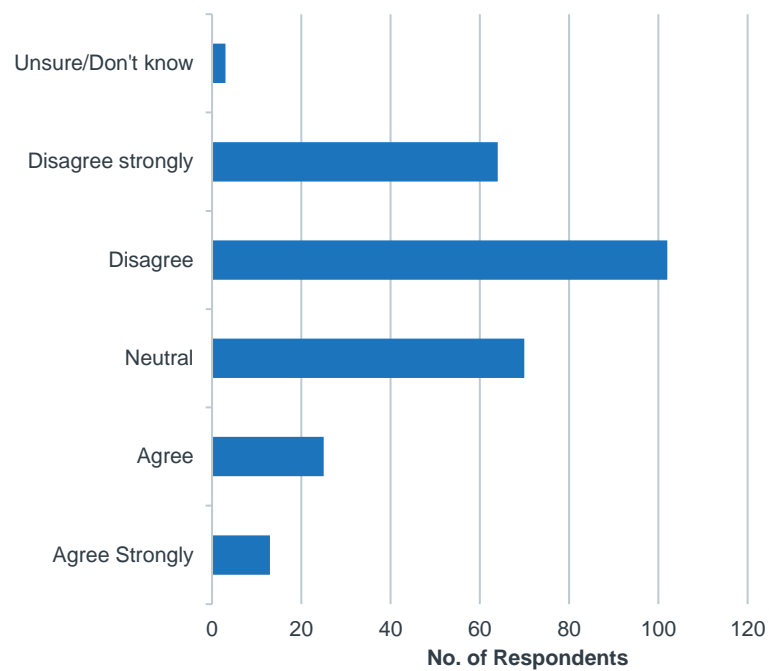
Source – SMRC

**Q27. Reduced operational expenditure is required**



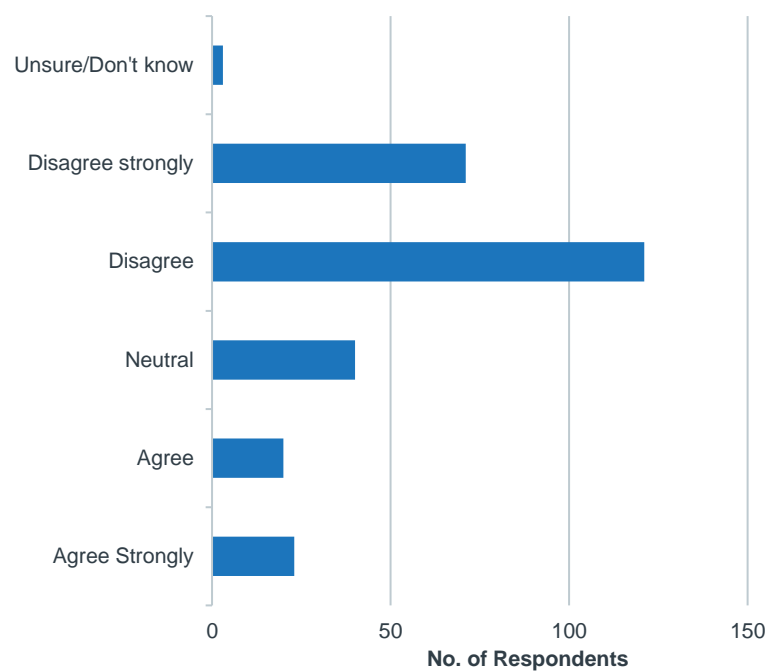
Source – SMRC

**Q28. Increase in fees and charges for services is required**



Source – SMRC

**Q29. Reducing service levels are required rather than increased rates**



Source – SMRC

## APPENDIX C: BENCHMARKING REPORT

This Benchmarking Report has been prepared to provide an overview of findings arising out of comparing the performance of the Council with similar councils within NSW Office of Local Government Group 4 (Regional Town / City) (Group).

The Table below lists the councils in NSW Office of Local Government Group 4 (Regional Town / City)

### NSW Office of Local Government Group 4 (Regional Town / City)

Councils		
• Albury City Council	• Dubbo Regional Council	• Queanbeyan -Palerang Regional Council
• Armidale Regional Council	• Eurobodalla Council	• Richmond Valley Council
• Ballina Council	• Goulburn Mulwaree Council	• Singleton Council
• Bathurst Regional Council	• Griffith Council	• Snowy Monaro Regional Council
• Bega Valley Council	• Kempsey Council	• Tamworth Regional Council
• Broken Hill Council	• Lismore Council	• Wagga Wagga Council
• Byron Council	• Lithgow Council	• Wingecarribee Council
• Cessnock Council	• Mid-Western Council	• Kiama Council
• Clarence Valley Council	• Orange Council	

Source – NSW Office of Local Government.

### DESKTOP BENCHMARKING

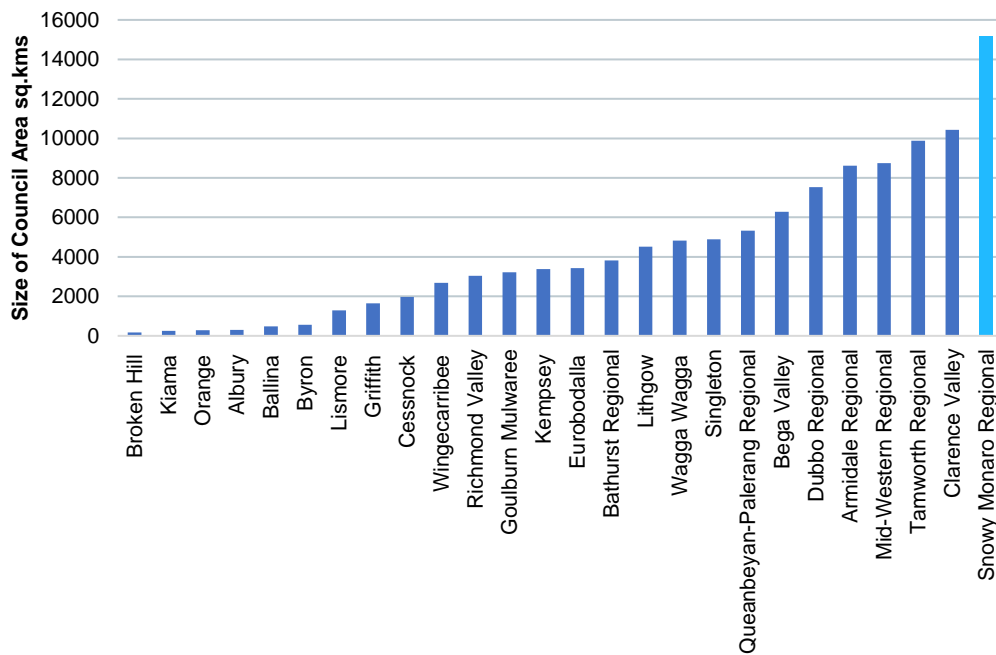
Desktop benchmarking has been undertaken based on the Time Series Data published by the NSW Office of Local Government. The performance of the Council has been compared to the other Group 4 councils based on several measures and relative performance within these measures:

- Population
- General Rates and associated measures
- Total Operating Revenue
- Total Operating Expenses
- Full Time Equivalents
- Asset Maintenance Expenditure
- Road Length.

The findings regarding the performance and characteristics of the Council based on the desktop benchmarking are as follows:

- The Council has the largest area of the councils in the Group 4, having 15,164 sq kms. The area of the councils in this Group varies, with Broken Hill Council having the smallest area at 170.1 sq kms.

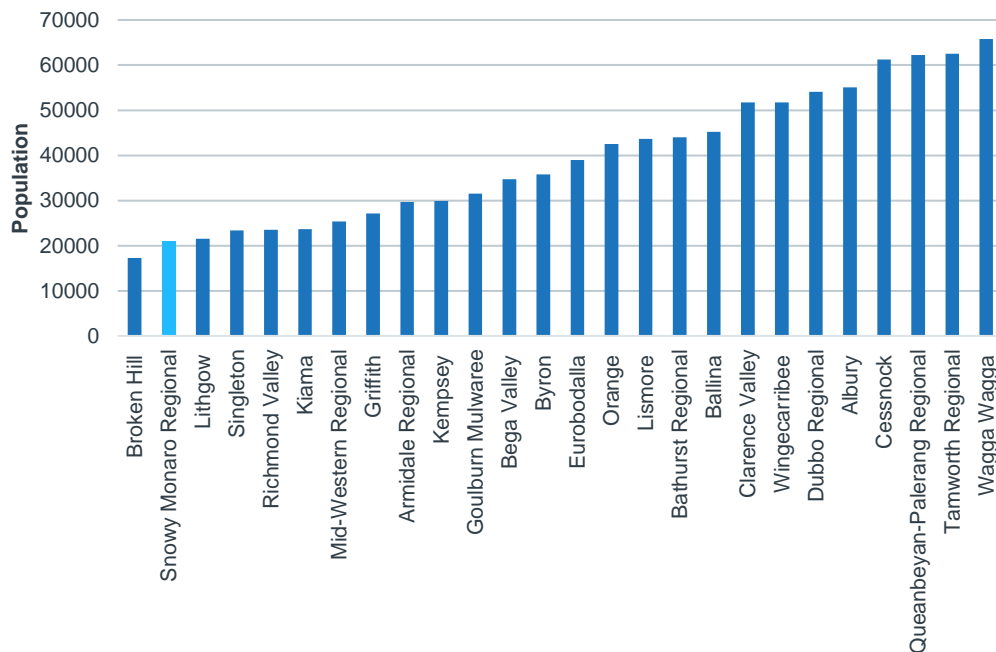
### Size of Council Area



Source: OLG Time Series Data (2020/21)

- The Council has the second smallest population of the 26 councils in Group 4. The only council with a smaller population is Broken Hill Council. The Council has a population of 20,997 compared to an average population of 39,357 across the Group.

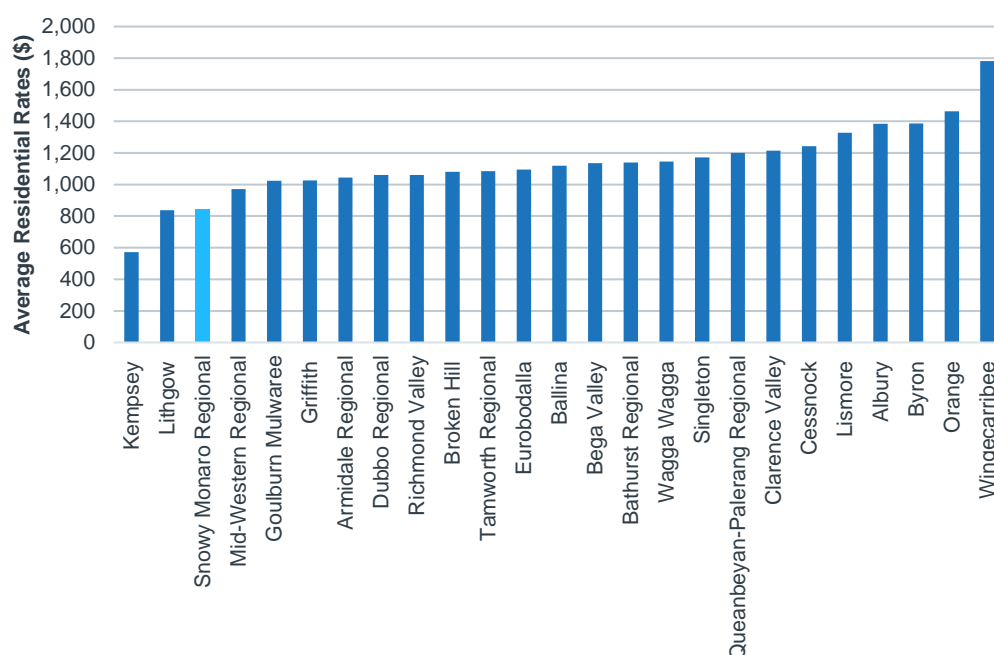
### Population of the Council Area



Source: OLG Time Series Data (2020/21)

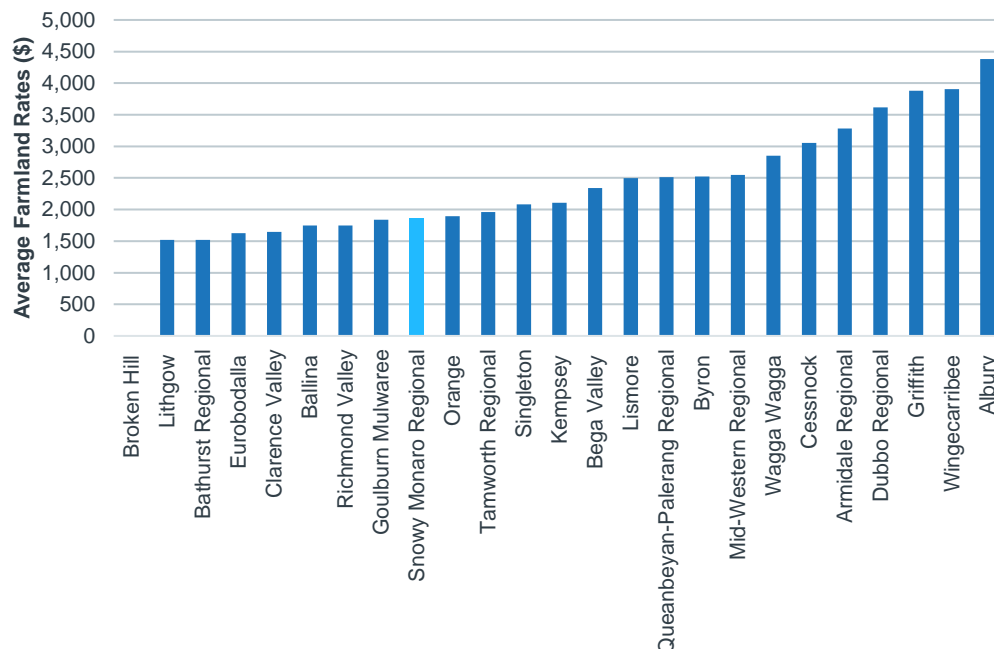
- The Council has the third lowest residential rates, the ninth lowest farmland rates and the third lowest business rates within the Group.

### Average Residential Rates



Source: OLG Time Series Data (2020/21)

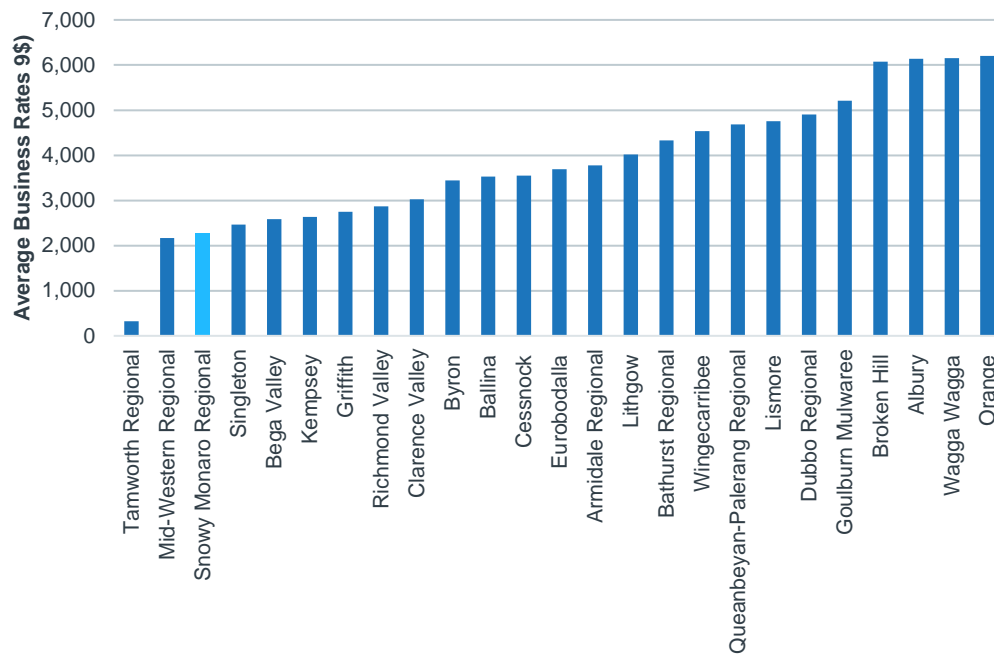
### Average Farmland Rates



Source: OLG Time Series Data (2020/21)



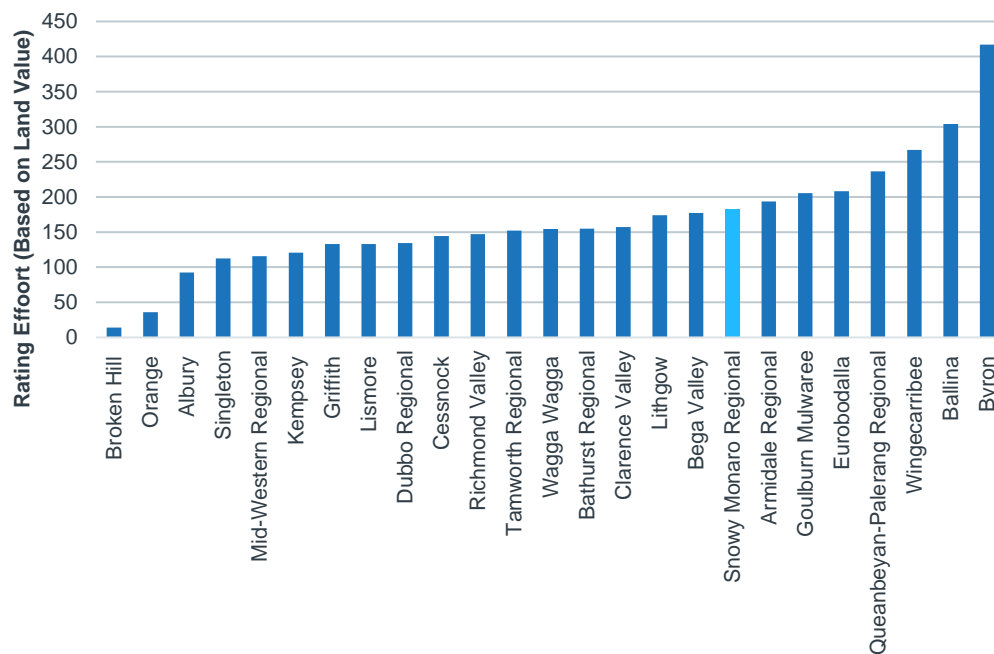
### Average Business Rates



Source: OLG Time Series Data (2020/21)

- The rating effort across all the rating categories is the 8th highest ranked among the Group.

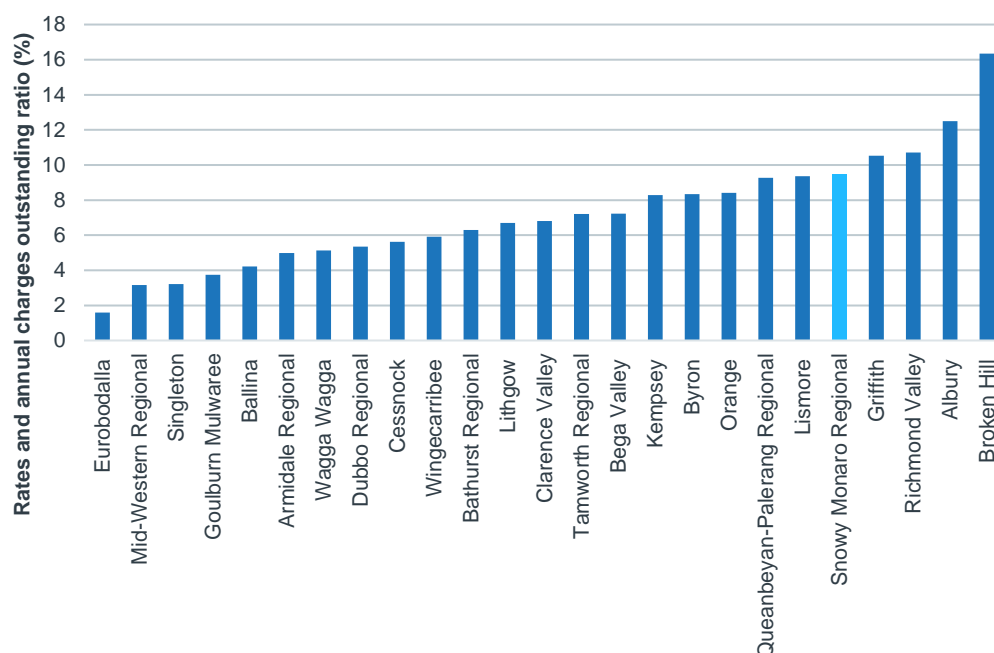
### Rating Effort (Based on Land Value)



Source: OLG Time Series Data (2020/21)

- The rates and annual charges outstanding ratio is the 5th highest ranked in the Group.

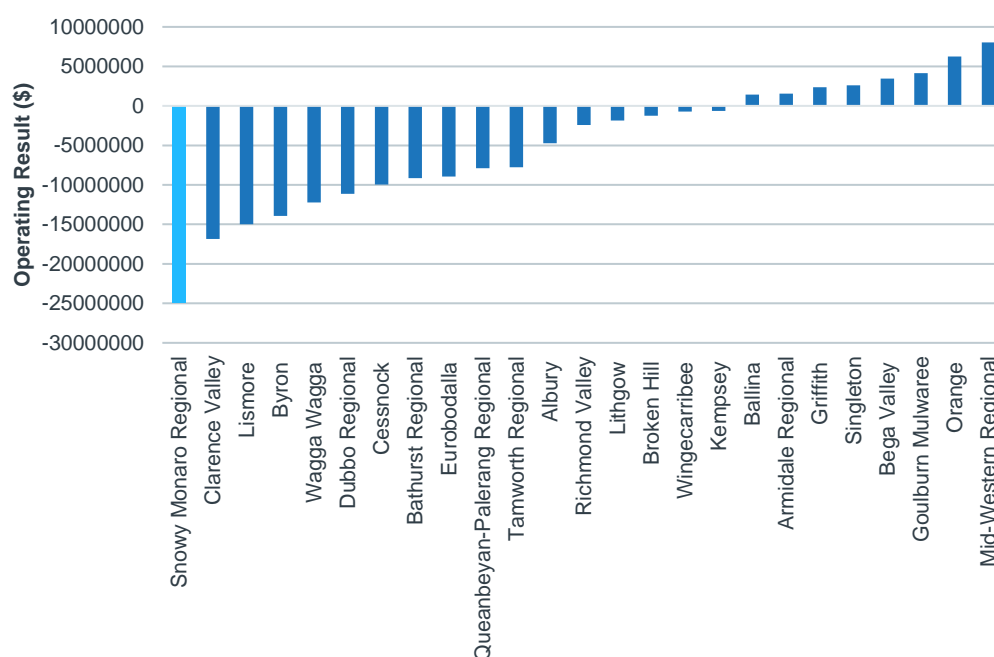
#### Rates and Annual Charges Outstanding Ratio



Source: OLG Time Series Data (2020/21)

- Eight of the 26 councils in the group achieved an operating surplus in 2020/21, with the remaining 18 councils all generating an operating deficit. The operating deficits varied from \$0.7 million to \$25 million generated by the Council. The average operating result across the 26 councils in 2020/21 is in the order of \$4.8 million.
- Based on the 2020/21 results, the Council had the largest operating deficit, noting the result included a one-off adjustment of \$11 million for landfill remediation. Excluding this adjustment, the operating result of the Council would have been in the order of \$14 million. This result is the fourth highest operating deficit amongst the Group

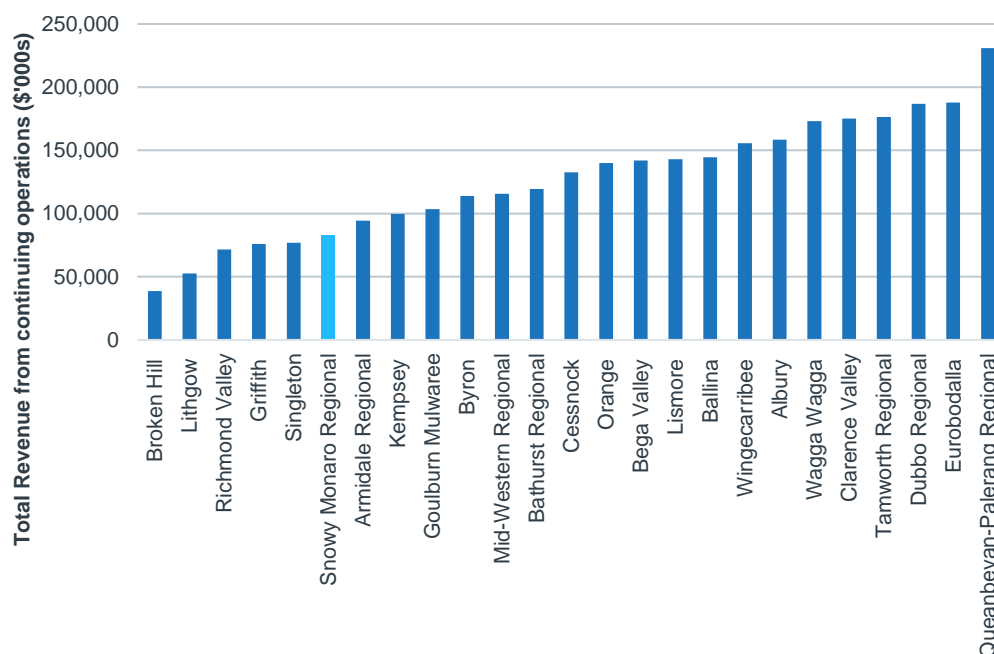
### Operating Result 2020/21 Financial Year



Source: OLG Time Series Data (2020/21)

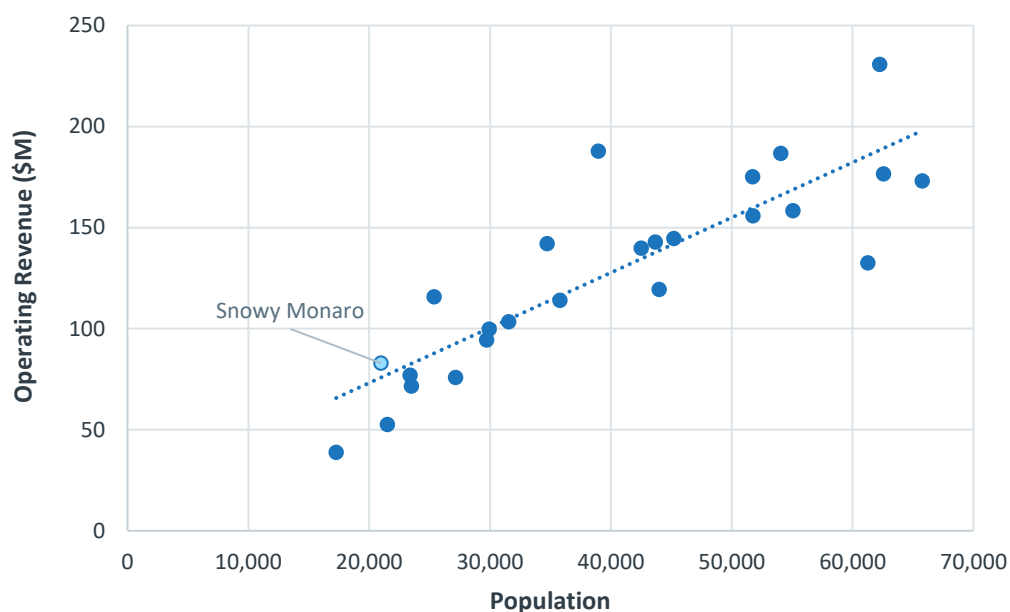
- The total revenue from continuing operations, including capital grants and contributions for the Council is the sixth lowest among the Group. The councils with lower revenue are Singleton, Griffith, Richmond Valley, Lithgow and Broken Hill. It is noted that these councils have similar population levels, indicating that these councils' ability to generate revenue is inherently limited due to a low population base.

### Total Revenue from continuing operations



Source: OLG Time Series Data (2020/21)

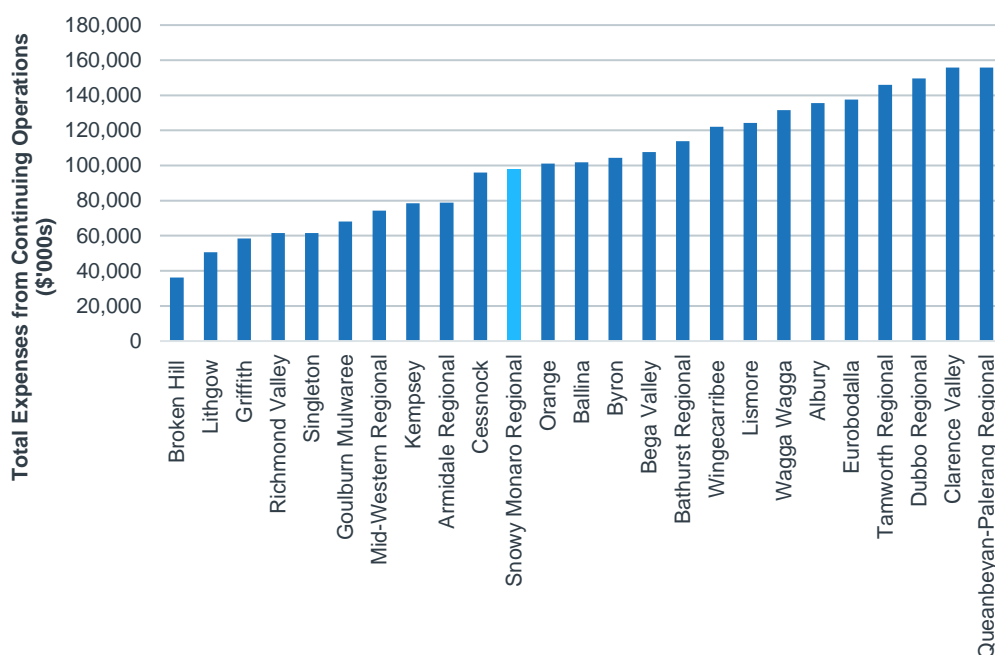
### Population vs Total Revenue from continuing operations



Source: OLG Time Series Data (2020/21)

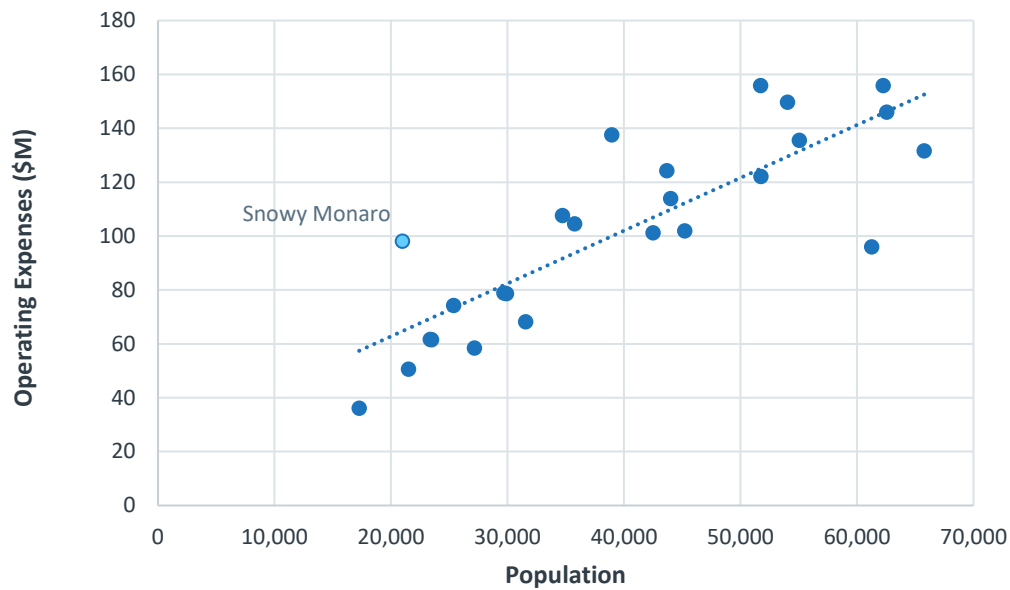
- The total expenses from continuing operations for the Council ranked in the middle of the Group. By comparison total expenses from continuing operations for councils with similar population levels were among the lowest in the Group.
- The total expenses from continuing operations for the Council compared to population are compared to the other councils in the Group.

### Total Expenses from continuing operations



Source: OLG Time Series Data (2020/21)

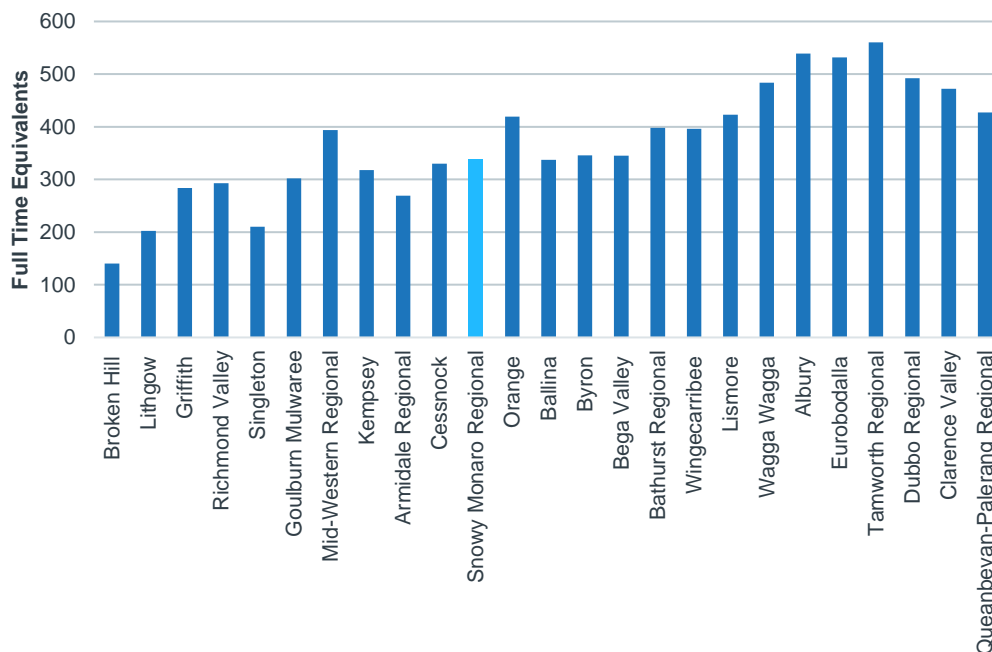
### Population vs Total Expenses from continuing operations



Source: OLG Time Series Data (2020/21)

- Full time equivalent staff numbers for the Council ranked 11th among the 26 councils. Full time equivalent staff numbers were high when compared to population, total operating revenue, total operating expenses and road length.

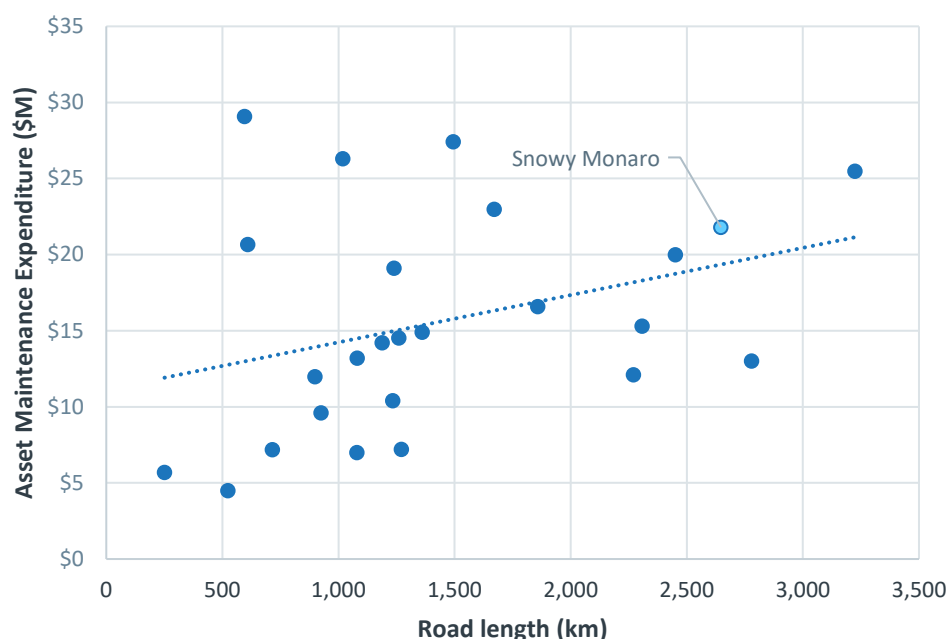
### Full Time Equivalents



Source: OLG Time Series Data (2020/21)

- The expenditure of the Council compared to road length is in line with the average amongst the group.

### Asset Management Expenditure Vs Road Length



Source: OLG Time Series Data (2020/21)

Whilst the benchmarking above is useful for assessing how Council compares with other similar councils, caution should be exercised when drawing any conclusions based on the observations above. Whilst the councils used for the benchmarking are within the same NSW Office of Local Government Group, there are significant variations regarding population levels and areas services by the councils within this Group. Population and area are two main drivers of the capacity to generate operating revenue and expenditure to deliver services. There also variations in the number and types of services, and service levels delivered by the councils. Services and service levels, as well as service delivery models impact on comparative analysis such as comparisons regarding employee numbers.

## SURVEY OF GROUP 4 COUNCILS

To gain a further understanding of financial performance of other Group 4 councils phone interviews were held with several councils that were willing to participate in survey. An invitation to participate in a Financial Sustainability survey was extended to all the 26 Group 4 councils, with the following 11 councils choosing to participate:

### Councils participating in the Financial Sustainability Survey

#### Councils

- |                             |                              |  |
|-----------------------------|------------------------------|--|
| • Albury City Council       | • Cessnock City Council      | • Kiama Council                          |
| • Armidale Regional Council | • Dubbo Regional Council     | • Mid-Western Regional Council           |
| • Ballina Council           | • Goulbourn Mulwaree Council | • Queanbeyan – Palerang Regional Council |
| • Bathurst Regional Council | • Kempsey Shire Council      | • Wagga Wagga City Council               |

Source: AEC

The participating councils were asked several questions regarding the following:

- Financial sustainability targets adopted in their current Long-Term Financial Plan
- The challenges faced in meeting the key financial sustainability ratios set by the NSW Office of Local Government regarding the operating result
- The challenges faced in meeting the key financial sustainability ratios set by the NSW Office of Local Government regarding the infrastructure assets condition, maintenance and renewal

- The current service level regarding the sealed and unsealed road networks
- Financial sustainability initiatives pursued and implemented over the last four years, and the success or otherwise of these initiatives in assisting councils to improve their financial performance
- Financial sustainability initiatives planned for the next four years
- Service reviews undertaken over the last four years, and the success or otherwise of these initiatives in assisting councils to improve their financial performance
- Services levels changes implemented over the last 4 years and any changes planned for the next 4 years
- Asset reviews undertaken over the last four years, and the success or otherwise of these initiatives in assisting councils to improve their financial performance
- Asset rationalisation undertaken in the last 4 years or planned to be undertaken over the next four years

A summary of the responses is provided in the Table below:

### Summary of survey responses

Issue	Response
Key financial sustainability benchmark – operating result	<ul style="list-style-type: none"> <li>• All the council surveyed are projecting to not meet the operating performance ratio during part or all of the period covered by the adopted Long-Term Financial Plan.</li> <li>• All the councils projecting to not meet the operating performance ratio have identified the need for increased rates revenue through a Special Rate Variation and have built this increase in scenarios within their Long-Term Financial Plan.</li> <li>• Eight of the 12 councils surveyed have indicated they will be applying for a Special Rate Variation to apply from 2023/24 or 2024/25.</li> <li>• All councils indicated that they would need to review their adopted Long – Term Financial Plan considering the anticipated legislated increase in wages and salaries, increasing electricity costs, increases in materials costs due to supply chain issues, wider economic factors resulting in cost pressures for councils.</li> </ul>
Key financial sustainability benchmark – infrastructure assets	<ul style="list-style-type: none"> <li>• Most of the councils are not meeting, and are projecting to continue not meeting the backlog, building and infrastructure renewal, and asset maintenance ratios.</li> <li>• Councils impacted by flooding events over the last two years have indicated that the flood events have significantly impacted on their road network.</li> <li>• Historic and projected under investment in assets in the councils is due to the ongoing shortfall in funding as a result of on-going and projected operational deficits.</li> </ul>
Main reasons or challenges contributing to the failure to meet the operating result and infrastructure assets benchmark	<ul style="list-style-type: none"> <li>• All councils surveyed identified the rates revenue not keeping up with increases in costs being as the main factor contributing to the projection of not meeting the operating performance ratio.</li> <li>• Most of the councils surveyed have not increased their rates above rate-pegging in recent years.</li> <li>• In councils with lower socio-economic areas, increases in rates have been limited due to the community's capacity to pay.</li> <li>• User fees and charges increases generally limited to CPI increase rather than full cost recovery.</li> <li>• All the councils indicated that they have a large reliance on operating and capital grants.</li> <li>• The increase in depreciation costs has been identified by all the councils as a main factor to the deteriorating operating position.</li> <li>• The depreciation cost has increased significantly for most councils due to asset revaluations mandated by the NSW Office of Local Government</li> <li>• Significant increases in the depreciation cost have also been attributed to new assets created as a result of grant funding from other levels of government.</li> <li>• Increased demand for services, especially for councils experiencing growth and migration to the area due to "tree change" not fully funded through increased rates revenue.</li> <li>• Growing councils are experiencing increased employee costs to support organisational growth</li> </ul>

Issue	Response
	<ul style="list-style-type: none"> <li>• COVID has impacted on councils due to reduced user fees and charges, and it is unlikely that pre-COVID levels of activity will return. (e.g., airports)</li> <li>• Some councils have identified having too many community assets such as pools as being a contributor to the challenge of achieving financial sustainability.</li> <li>• All councils are delivering services due to market failure, as a community service obligation at a net cost.</li> <li>• For merged councils, legislation regarding employment in small communities has significantly limited the council to achieve efficiencies through productivity improvements. This has also limited the ability to dispose of assets associated with the place of work for existing employees. The no forced redundancy policy that applied for some years after the 2016 mergers</li> <li>• For merged councils, the rate-freeze period, followed by changes to the normal council term has significantly limited their ability to increase rates revenue through a Special Rate Variation.</li> <li>• For merged councils, they faced the additional costs associated with harmonising service levels across the new formed council.</li> </ul>
Financial sustainability initiatives undertaken and their success	<ul style="list-style-type: none"> <li>• Some councils have undertaken organisational reviews, some achieving savings, others increasing costs associated with growing and developing the capacity of the organisation to service growing demand.</li> <li>• Productivity improvements have generally resulted in savings between \$2 million and \$4 million per year.</li> <li>• Initiatives undertaken and implemented successfully include: <ul style="list-style-type: none"> <li>○ Energy savings (LED retrofits)</li> <li>○ Review of plant and fleet (e.g., Plant utilisation, review of useful life)</li> <li>○ Change in delivery models (e.g., bringing contracted services in-house)</li> <li>○ Property Strategy generating ongoing lease revenue</li> <li>○ Sale and/or development of Council owned land for residential and industrial purposes</li> <li>○ Sale of surplus land (e.g., pocket parks)</li> <li>○ Operation of aquatic centres</li> <li>○ Review of saleyards</li> <li>○ Process automation (e.g., customer service and back-office activities)</li> <li>○ Employment freeze for a period</li> <li>○ Reduced opening hours of some facilities (e.g., pools and libraries)</li> <li>○ Insurance review</li> <li>○ Solar Farm</li> <li>○ Closure of art gallery</li> <li>○ Natural staff attrition</li> <li>○ Procurement savings targets</li> <li>○ Commercial approach to private works undertaken for NSW Government state roads</li> </ul> </li> <li>• Some councils have made a significant improvement in governance and associated processes (e.g. asset management systems, processes and capability)</li> <li>• A council advised that advocacy was being undertaken in regard to regional roads being transferred to the NSW State Government.</li> </ul>
Financial sustainability initiatives planned to be undertaken	<ul style="list-style-type: none"> <li>• Most councils are planning to investigate or implement financial sustainability initiatives including: <ul style="list-style-type: none"> <li>○ Shared services</li> <li>○ Alternative revenue generation streams</li> <li>○ Improved asset planning and management</li> <li>○ Review of current service and service levels</li> <li>○ Sale and/or development of Council owned land for residential and industrial purposes</li> </ul> </li> <li>• Councils have applied a varying commercial approach to business units such as caravan parks, airports, cemeteries, waste management facility, sewer and water.</li> </ul>
Service reviews undertaken or planned	<ul style="list-style-type: none"> <li>• All councils have undertaken some level of service and service level review to identify cost savings.</li> <li>• Some councils have reduced service levels especially in the area of child care services.</li> </ul>



Issue	Response
	<ul style="list-style-type: none"> <li>• Councils with aged care services have identified the need to review the service delivery model, including divestment in these services. One council has already divested.</li> </ul>
Asset reviews undertaken or planned	<ul style="list-style-type: none"> <li>• Most councils have sold surplus land over recent years, with proceeds generally being re-purposed to fund operational expenditure.</li> <li>• Councils do not generally have plans to dispose of any community assets other than surplus land.</li> <li>• One council have rationalised public amenities and playgrounds.</li> <li>• Very few councils have identified the potential for some asset rationalisation.</li> <li>• Some councils have disposed of assets associated with service reviews.</li> <li>• Some councils are looking at re-adaptation of existing buildings to improve alignment with community need.</li> <li>• Some councils looking at disposing of surplus administration buildings.</li> </ul>

Source: AEC Interview with Respective Councils

## APPENDIX D: LIST OF SERVICE DELIVERY MEASURES

Business Unit	Service Area	Service Delivery	Measure
Executive Office	Executive Office	Collation and production of Council meeting business papers	85% of Business Papers completed and published on Council's website before the Council meeting
			85% of Business Papers available to Councilors Thursday before each Council meeting
		Support the CEO, Mayor, Councillors and Executive in their day to day activities	The CEO, Mayor and Councillors are supported in their roles
			80% satisfaction of internal service through short stakeholder survey annually
		Provide accurate record of resolutions made at Council meetings	85% of minutes prepared and published on Council's webpage within 10 days
			100% of Minutes tables at the next Council meeting for adoption
		Maintain regulatory registers of Council decisions in accordance with relevant legislation	85% of registers are updated with Council decisions after each Council meeting
			100% of statutory reporting completed by due date
Built and Natural Environment	Biosecurity	Prevent the establishment of new weeds	High risk pathways inspected annually (3309kms of roadside)
			High risk sites e.g., nurseries, rest areas, camping sites inspected annually (250 sites inspected)
		Eliminate new weed incursions	100% of State alert weeds reported to NSW Department of Primary Industries within 48hrs
			100% of State alert weeds treated and neighboring landowners notified within seven days.
			100% of all known and suspected Orange Hawkweed infestation sites inspected and treated fortnightly December to February
		Minimise the risk posed by widespread weeds on the economy, environment and community	1600 public and private lands inspected annually
			Review local weed management plans biennially
			Regional and Local priority weeds treated on roadsides in accordance with Local Weed Management Plans
			Contractors engaged in three-year contracts awarded, reviewed annually
			100% of new Biosecurity Officers are trained in implementation of the Biosecurity Act, 2015 within six months of appointment
			Pesticide use notification plan reviewed every four years
			Mean satisfaction score of >3.0 within the Community Satisfaction Survey
	Building Certification	Assess certificate applications and determined in line with legislative requirements	90% of construction certificate applications are assessed and completed within statutory timeframe
	Development Assessment	Undertake assessment of Development Applications within statutory timeframes	95% of inspections completed within forty-eight hours of booking
			70% of residential development applications processed within forty days
			50% of other types of development applications processed within forty days
			Mean satisfaction score of >3.0 within the Community Satisfaction Survey
		Provide development advice on planning matters to Councils customers which is informative and within the bounds of statutory requirements	70% within the timeframes stipulated in the customer service charter
		Report to the NSW State Government planning related statistics which provide detail regarding Councils development assessment processes	100% of all planning data is reported to the Department of Planning and Environment within required timeframes

Business Unit	Service Area	Service Delivery	Measure
		Provide Planning and Related Certificates in accordance with Statutory Requirements	80% of Planning Certificates issues within ten days
		Undertake assessment and provide advice relating to Development Engineering Services provided by Council	70% of s138 applications processed within statutory timeframes
			70% advice provided within customer services charter timeframes
	Public Health and Environment	Undertake inspections of food premises to determine compliance with the Food Standards Code	98% of all P1, P2 and P3 food premises are inspected at least once a year
			85% of food businesses with five star scores on doors rating
		Undertake routine water sampling to meeting the Australian Drinking Water Quality Guidelines	100% of required water samples are collected and sent for processing
		Undertake routine inspections of onsite sewage management systems as per adopted program	10% of onsite sewage management systems are inspected each year
			<25% failure rate of onsite sewage management systems
		Undertake routine inspections of liquid trade waste management systems to ensure compliance with the Liquid Trade Waste Management Guidelines 2021	<25% failure rate of liquid trade waste management systems
		Develop and implement and education program focused on gaining community support to reduce the incidence of illegal dumping	Education program completed and implemented by June 2023
			20% reduction in illegal dumping reported.
	Cemeteries	Organise interments and maintain accurate records	Prepare and lodge annual internment activity return to Cemeteries and Crematoria NSW by July of each calendar year.
		Maintain the regions cemeteries	<five complaints per year
	Ranger Services	Respond to straying stock matters and impound when required to ensure that our public roads are kept safe	80% of responses are within enforcement policy
		Undertake companion animal management with the management of microchipping, registration and impoundment of dogs and cats to ensure compliance with the Companion Animals Act 1998	80% of responses are within enforcement policy
			> 3.24 mean satisfaction score in the annual Community Satisfaction Survey
		Undertake routine parking patrols of the Cooma and Jindabyne CBDs to ensure compliance with the Road Rules 2014	A minimum of two weekly patrols are undertaken of the region's CBDs.
Community Services	Community Facilities		10% of parking infringements issued
		Maintain and operate Council owned pools	Pools open 70% of scheduled hours
			>3.18 mean satisfaction score in the annual Community Satisfaction survey
		Maintain and operate saleyards	Saleyards available 100% of the time.
	Community Support Programs	Maintain and operate truck wash facilities	Truck washes are available 80% of the time.
		Operate and maintain Council owned Caravan Parks	Caravan Parks remain open for 80% of the time.
		All service streams under the Commonwealth Home Support Program are provided to the community	80% of funding across service outlets maintained.
		Deliver high quality services through community support programs	80% of funding across services outlets maintained.
		Maintain community transport service provision through the ongoing recruitment and retainment of volunteer drivers	Meet 80% of KPIs as set by Transport for NSW
		Deliver Youth Services in collaboration with other providers, targeting priorities as identified through the Youth Council	Run holiday programs for a minimum of twenty days per year.

Business Unit	Service Area	Service Delivery	Measure
	Library Services	Continuing to promote lifelong learning through the provision of library services across the region	Maintain face to face operation 90% of the time.
	Residential Aged Care	Deliver services to the community through Residential Aged Care in accordance with Aged Care quality standards	Review ACFI every three months
Infrastructure	Roads Infrastructure	Undertake Council's Resealing Program	1/15 of 1000kms or 67kms of the 15 year program is undertaken per year
		Undertake Council's Heavy Patching Program	Extend the expected life of 10% of the road network.
		Undertake Gravel Resheeting	1/15 of road network or 115Kms of the 15 year program is undertaken per year.
		Undertake Gravel Regrading	80% of unsealed network graded each year
		Undertake Reactive Maintenance	Respond to immediate works within 3 weeks of being notified.
		Undertake Footpath renewals	Program completed
		Undertake Kerb and Gutter Renewals	Program completed
		Undertake Rural Culvert Renewals	Program completed
		Undertake Bridge Maintenance	<Five road closures or detours per year 20% of Bridges maintained each year
		Scheduled Transport Infrastructure maintained	Agreement of 70% of engaged local residents Roads maintained to a mean satisfaction score of >2.77 within the annual community satisfaction survey
	Civic Maintenance	Maintain high priority, high use parks, sporting facilities and other grounds	High priority, high use parks, sporting facilities and other grounds are maintained and available for use 80% of the time. >3.61 means satisfaction score within the annual community satisfaction survey
		Maintain amenities throughout the region	80% of Council provided amenities are clean and available within scheduled opening times >3.33 mean satisfaction score within the annual community satisfaction survey
	Land and Property	Operate and maintain Council owned public buildings	Submit required reporting to the Commonwealth, with alignment to DoHA parameters to be maintained for the Snowy River Health Centre
		Policies and procedures for Land Property assets are current	100% policies and procedures completed.
		Maintain engagement with Snowy Hydro Ltd on foreshore management	East Jindabyne Foreshore Management Plan completed. 10% decrease in issues management
		Ongoing communication and consult between SMRC and SHL to cohesively enable best management practices for the multiple land holdings of joint interest to both organisations	SMRC and SHL meet on biannual (2/year) basis addressing land management
		Manage Crown Land under Council's care & control, ensuring intended use is in accordance with the Plans of Management (PoMs)	POMs complied with
		Ongoing adjustments to land ownership title and rectifying legacy land matters.	Change forty titles per year
Resource and Waste	Resource and Waste	Provision of Resource recovery and waste facility services across the region	> mean score of 3.11 within annual community satisfaction survey
			10% increase recyclables collected
			10% decrease waste collected
		Operation of Waste facilities, transfer stations and BuyBack Stores (ScrapMart)	100% collection of data, monitoring quantity of recyclable material collected from sites for use in regional arts projects
		Provision of Resource Recovery and Waste Collection services across the region	5% reduction in number of reported missed bins
			5% reduced number of noise complaints
			100% new services provided as required.

Business Unit	Service Area	Service Delivery	Measure
Water and Wastewater	Water and Wastewater	Environmental Protection Licence (EPL) Annual Reporting	Complete and supply annual returns at the end of each reporting period to the Environmental Protection Authority (EPA)
		Partner with external stakeholders	100% attendance and contributing to scheduled regional meetings
		Maintain sewage pump stations throughout the region	<3 customer satisfaction rating from the annual customer satisfaction survey
			100% compliance in areas that are supplied potable water against the Australian Drinking Water Guidelines
		Water and wastewater compliance requirements must be met	>3 customer satisfaction rating from the annual customer satisfaction survey
			100% compliance in areas that are supplied potable water against the Australian Drinking Water Guidelines
		Operate and maintain reticulated potable water supplies	>3 customer satisfaction rating from the annual customer satisfaction survey
			100% compliance in areas that are supplied potable water against the Australian Drinking Water Guidelines
			<30 per 100km/year water main breaks per kilometer
			<50 per 1000 connections/year number of unplanned interruptions per year
			Average response time <4 hours to water incidents
			Number of complaints per year <20 per 1,000 connections/year
		Operate and maintain sewerage systems	Comply with the EPA licence requirements at Adaminaby, Berridale, Boombala, Cooma, Delegate, Jindabyne and Nimmitabel
			Submit annual return to EPA
			>3 customer satisfaction rating from the annual customer satisfaction survey
			Number of repairs and chokes <20 per 100km/year
			Average response time <4 hours to sewerage incidents
			Number of water and sewer complaints <50 per 1000 connections/year
Economic Development and Tourism	Economic Development and Tourism	Participate and collaborate on the revision of the Regional Economic Development Strategy (REDS)	100% attendance at all REDs revision meetings
		Support and encourage local business	Hold business awards biannually
			Meet with three main chambers of commerce quarterly
			Provide Economic Development newsletter quarterly
		Provide input into the development of the Snowy Mountains Special Activation Precinct (SAP)	90% of SAP meetings and workshops attended
		Development and implementation of visitor attraction strategies and town beautification	Community satisfaction score of more than 2.36 within annual community satisfaction survey
		Support key local industries	100% attendance at South East Forestry Hub meetings
		Tourism product and promotion	Increase visitation by 10% each year
			Fortnightly publicise local events in region
		Support local events	Minimum 50% of events support fund used each year
		Continue to develop tourism data collection and reporting	Add three more sensors to the network
		Grow and expand online presence of tourism information and promotion	Review Council tourism websites quarterly for content updates
			Post new social media content fortnightly
			Website complete
		Engage with community and other levels of government to advocate for tourism revenue raising opportunities	Undertake an additional five engagement activities per year.
		Develop a SMRC Tourism Strategy to support and grow the regions tourism industry to replace Destination Management Plan	SMRC Tourism Strategy developed

Business Unit	Service Area	Service Delivery	Measure
Engagement	Engagement	Undertake effective issue management to reduce Council's reputation risk	Annual customer satisfaction survey result =>3
			An annual internal stakeholder survey to determine level of satisfaction
			75% of responses within Customer Charter timeframes
		Increase awareness and improve engagement by using a full spectrum of channels	Annual customer satisfaction survey result =>3
			Annual customer satisfaction survey result =>3
		Undertake educational programs to address environmental impacts throughout our region relating to Biosecurity and Waste Management	75% of program participants satisfied with educational impact program
Financial Services	Financial Services	Provide financial services to the organisation	Ten community event hosted/attended to educate the community on best weed management
			An annual internal stakeholder survey to determine level of satisfaction
			95% of documents published are in accordance with the style guide.
			Budget, fees & charges and revenue policy adopted by Council following community consultation by 30 June
			Annual financial statements lodged by 30 October
			100% of Quarterly budget review statements presented to Council in November, February and May.
Corporate Projects	Corporate Projects	Deliver internal corporate project management services to the organisation.	Lodgment of FBT, payroll tax, BAS by 30 June
			100% of monthly funds management reported to Council monthly
	Risk	Risk management practices are administered across the organisation	Rates and annual charges outstanding ration <= 10%
			70% of projects completed on time and on budget
	RFS/SES Support Services	Council's insurance policies are kept up to date, and relevant to the current state and needs of the organisation	75% satisfaction rate of internal customers surveyed
			Insurance claim reports are generated monthly and reported to Council through monthly performance reports
Fleet and Plant	Fleet and Plant	Administrate NSW Rural Fire Fighting Fund allocations in line with RFS Requirement	Polices are updated annually.
			100% requests responded to in accordance with Councils Customer Service Charter and Rural Fire Service Level Agreement
		Provide LEMO support to the Local Emergency Management Committee	Administration and supported provided to quarterly meetings
			Quarterly payments made to the agencies in line with contribution assessments
		Administer Emergency Services Levy	75% of replacement are undertaken
			100% of budget constraints maintained
Governance	Governance	Operate and maintain Councils fleet and plant program	75% of plant and fleet assets available
		Delegations Register is maintained and fit for purpose	Delegations register is reviewed quarterly
		Government Information Public Access (GIPA) applications are processed in accordance with Councils Agency Information Guide and GIPA Act 2009	90% of requests are resolved within adopted timeframes
			100% of complaints not completed within timeframes reported to CEO
Governance	Governance	Donations and sponsorships are provided by Council to support activities throughout the region	100% of approved funding is allocated
		Designated Persons returns are scheduled and managed in accordance with Office of Local Government (OLG) requirements	100% of designated persons returns received
		Support new Councillors through induction	100% of Councillors are provided with induction training opportunities
Governance	Governance	Revise and maintain Council's Complaint Register to ensure compliance and accurate reporting	100% of Code of Conduct complaints are managed within OLG timeframes and guidelines

Business Unit	Service Area	Service Delivery	Measure
		Section 355 Advisory and Management Committees are managed and supported	100% of committee minutes and recommendations reported to Council
		Records management practices are contemporary and compliant to legislation	75% of Council records are maintained in Council's electronic document records management system (EDRMS)
			100% of new staff receive training in records management
			10% decrease in volume of hard copy records archived
			100% of incoming documents are allocated to the appropriate staff within forty-eight hours.
Information Communications and Technology	Information Communications and Technology	Information and communication systems support the organisation to deliver agile and quality service	System uptime 99.4% - number of hours of unplanned downtime less than one hour per week.
		Provide end-user support services provided to the organisation	90%+ satisfaction at eight or more out of ten
			80%+ helpdesk tickets completed within SLA
		Network operations and administration provided to the organisation	Network uptime SLA 99.4% - network infrastructure downtime less than 1 hour per week.
		Telecommunications administration provided to the organisation	Telecommunications system uptime 99.4% - number of hours of unplanned downtime less than 1 hour per week
		GIS system administration provided to the organisation	System uptime 99.4% - number of hours of unplanned downtime less than one hour per week.
			80% customer satisfaction rating through internal customer survey
		Four year capital leasing production server and storage hardware replacement program	Production server and storage hardware is replaced.
Internal Audit	Internal Audit	Council's Audit and Risk Improvement Committee (ARIC) meet on a quarterly basis to provide recommendations to service delivery areas of Council to address risks identified, and improvement actions to address these risks. All NSW Local Government Areas must have an Audit and Risk and Improvement Committee to ensure good performance and governance.	ARIC meetings are held quarterly
		Improvement actions are captured at each ARIC meeting with timeframes to ensure completion. This is to ensure actions are completed on time and progress is being made to ensure accountability.	70% of Action from ARIC are completed on time.
Strategy Development	Asset Management	Undertake traffic count program	Fifty traffic counts per year
		Annual review of Asset Management Plans	Each plan reviewed annually
		Review of asset depreciation rates and useful lives	Documented evidence of review completed annually
		Provision of internal survey services to the organisation	90% internal customer satisfaction rate
		Have in place a current long term scheduling plan for asset refurbishment and replacement, This is a ten year plan that is reviewed annually.	Asset refurbishment and replacement plan in place and reviewed annually.
		Develop annual works programs for infrastructure transport	For increased financial savings and improved customer experience
			Score of >3 in the annual customer satisfaction survey
	Corporate Reporting	Integrated planning and reporting guides long term planning and organisational sustainability	Community Strategic Plan adopted and published
			Delivery Program is adopted, published and reviewed annually
			Operational Plan is adopted by Council and reviewed annually.
		Reporting accountability through monthly performance reporting	Performance reports are submitted to Council monthly



Business Unit	Service Area	Service Delivery	Measure
		Prepare an Annual Report	Annual Report is adopted by Council and submitted to Office of Local Government prior to 30 November each year.
		Undertake a customer satisfaction survey annually	Council's overall performance - mean score > 2.61 within the annual community satisfaction survey
		Service level statements are developed for the organisation.	Deliver service level statements to complement service statements and to provide transparency and accountability for the service levels provided.
	Strategic Planning	Support the coordination and delivery of events for key annual celebration days such as Women's Week, Seniors Festival, Youth Week, Reconciliation Week, NAIDOC Week, Mental Health Month, International Day of People with Disability.	Assist in the delivery of at least one related event/activity per annum
		Assess planning proposals	100% of planning proposals are assessed within the Local Environmental Plan Making Guidelines
		Provide feedback on State Significant Development (SSD) applications	80% of SSDs provided feedback
		Community development supports and facilitates internal and external committees, including S355 and interagency.	Provide a response to 100% of relevant policy changes
		Provide lobbying and advocacy to government and private operators to retain support and improve local community support services	Review and monitor submissions. Provide a response to 100% of relevant policy changes
		Support community groups to plan and deliver their own events, access grant funding, enable volunteerism.	Assist in the delivery of at least one related event/activity per annum
Workforce Management	Workforce Management	Provide workforce management services across the organisation	Payroll is undertaken on a fortnightly basis
			Evaluation of the revised salary system - 85% of self surveyed responses indicate an improved salary system
			85% of employees successful in undertaking new roles through development opportunities
			=> 20 employees completing the leadership development program
			95% of performance reviews completed.
			<20% vacancy rate
			75% of vacant positions recruited within two months
			85% of new employees remain within the organisation =>12 months
		WHS principals guide the organisation	75% of targeted workplace safety inspections undertaken
			100% of new employees inducted into WHS
		Improve organisational development across the organisation	<5% of employees reported WHS incidents
			% of change from the 2020 ABEF self-assessment
		Facilitate service reviews as required under S.406 of the Local Government Act 1993	Self-Assessment business Score of >350
			100% service reviews are undertaken and outcomes are reported to Council
			A plan is implemented to deliver on actions from each service review
			% of change service through either staff survey or community satisfaction survey.

Source – SMRC Delivery Program 2022-2026



## APPENDIX E: 2022-23 NET COST OF SERVICES (BUDGET)

SERVICE	Rates and annual charges	User charges and fees	Grants and contributions provided for operating purposes	Grants and contributions provided for capital purposes	Other revenue items	Total income from continuing operations	Employee benefits and on-costs	Materials and services	Borrowing costs	Depreciation, amortisation and impairment of non-financial assets	Other expenses	Total expenses from continuing operations	Net Operating Result (less capital)
<b>GENERAL FUND</b>													
01000 - Executive Management	0	0	0	0	0	0	1,806,612	-406,430	0	0	86,250	1,486,432	1,486,432
01010 - Elected Members	0	0	0	0	0	0	217,237	-162,360	0	0	368,021	422,898	422,898
01020 - Governance	0	-946	-220,626	0	0	-221,572	329,705	-295,589	0	0	372,170	406,286	184,714
01030 - Business Development	0	0	0	0	0	0	205,571	454,090	0	0	20,641	680,302	680,302
01040 - Risk Management	0	0	0	0	0	0	150,000	-135,966	0	0	562,000	576,034	576,034
01050 - Internal Audit	0	0	0	0	0	0	118,799	65,325	0	0	0	184,124	184,124
01060 - Communications & Public Relations	0	0	0	0	0	0	526,349	30,674	0	0	142,140	699,163	699,163
01070 - Project Management	0	0	0	0	0	0	250,000	16,443	0	0	210	266,653	266,653
01100 - Organisational Services	0	0	0	0	-568,045	-568,045	4,140,814	369	0	0	161,240	4,302,423	3,734,378
01110 - Financial Services	0	-78,050	0	0	-8,200	-86,250	1,087,219	-37,086	0	0	271,250	1,321,383	1,235,133
01120 - Procurement	0	0	0	0	0	0	379,604	-93,027	0	0	1,366	287,943	287,943
01130 - IT Services	0	-8,200	0	0	-60	-8,260	580,632	-405,290	0	674,879	1,867,355	2,717,576	2,709,316
01140 - Records Management	0	0	0	0	0	0	238,561	-46,880	0	0	31,425	223,106	223,106
01150 - Human Resources Management	0	0	0	0	-165,727	-165,727	-2,334,182	35,738	0	0	321,621	-1,976,823	-2,142,550
01180 - Customer Services	0	0	0	0	-73,542	-73,542	478,564	-159,031	0	0	0	319,533	245,991
01200 - Asset Management	0	0	0	0	0	0	378,246	-276,127	0	3,572	7,210	112,901	112,901
01210 - Biosecurity Weeds	0	-11,124	-434,007	0	0	-445,131	425,332	970,783	0	0	12,456	1,408,571	963,440
01220 - Parks, Gardens and Open Spaces	0	-181,475	0	0	-3,677	-185,152	1,627,936	671,242	0	401,140	58,481	2,758,799	2,573,647
01240 - Sportsgrounds & Ovals	0	0	0	0	-17,264	-17,264	0	340,563	0	370,442	65,286	776,291	759,027
01250 - Bridges	0	0	-1,526,895	0	0	-1,526,895	0	496,910	0	1,528,665	3,090	2,028,665	501,770
01300 - Roads Operations	0	-14,891	-8,228,283	0	0	-8,243,174	3,322,809	-493,792	0	0	337,378	3,166,395	-5,076,779
01320 - Urban Streets	0	0	-325,000	0	0	-325,000	0	526,116	0	1,219,347	6,180	1,751,643	1,426,643
01340 - Rural Roads	0	0	-2,500,000	0	0	-2,500,000	0	4,330,758	0	3,960,121	39,820	8,330,699	5,830,699
01350 - Footpaths	0	-10,034	0	0	0	-10,034	0	105,000	0	429,255	0	534,255	524,221
01360 - Regional Roads	0	0	-1,325,000	0	0	-1,325,000	0	480,000	0	1,225,441	0	1,705,441	380,441
01370 - Carparks	0	0	0	0	0	0	0	80,000	0	177,583	0	257,583	257,583
01380 - RMS Main Roads	0	-3,570,947	0	0	0	-3,570,947	0	3,570,947	0	0	0	3,570,947	0
02100 - Stormwater Drainage	0	0	0	0	0	0	0	70,000	0	495,368	0	565,368	565,368

SERVICE	Rates and annual charges	User charges and fees	Grants and contributions provided for operating purposes	Grants and contributions provided for capital purposes	Other revenue items	Total income from continuing operations	Employee benefits and on-costs	Materials and services	Borrowing costs	Depreciation, amortisation and impairment of non-financial assets	Other expenses	Total expenses from continuing operations	Net Operating Result (less capital)
02110 - Public Amenities	0	0	0	0	0	0	0	166,343	0	28,849	33,840	229,032	229,032
02190 - Airfields Management	0	0	0	0	0	0	0	147	0	3,540	44	3,731	3,731
02200 - Quarry Operations	0	0	0	0	-152,956	-152,956	0	134,386	0	4,129	64,612	203,127	50,171
02210 - Cemetery Operations	0	-240,927	0	0	-315	-241,242	1,202	169,845	0	3,120	9,812	183,979	-57,263
02220 - Plant Operations	0	-160,232	-1,500	0	-204,846	-366,578	855,412	-2,138,815	0	983,351	406,895	106,843	-259,735
02222 - Plant Operations - Water	0	0	0	0	-110,117	-110,117	1,000	-556,468	0	0	9,270	-546,198	-656,315
02223 - Plant Operations - Waste Water	0	0	0	0	-78,761	-78,761	1,000	-141,104	0	0	10,725	-129,379	-208,140
02224 - Plant Operations - Waste	0	0	0	0	-152,140	-152,140	17,044	-549,501	0	0	19,510	-512,947	-665,087
02225 - Plant Operations-Aged Care	0	0	0	0	0	0	0	2,134	0	0	0	2,134	2,134
02230 - Private Works	0	-115,360	0	0	0	-115,360	0	5,561	0	0	0	5,561	-109,799
02240 - Corporate Administration Buildings	0	0	0	0	-52,427	-52,427	0	231,210	0	158,703	171,509	561,422	508,995
02260 - Buildings - Halls	0	0	0	0	-17,510	-17,510	0	89,669	0	247,406	27,142	364,217	346,707
02280 - Community Buildings	0	-8,858	0	0	0	-8,858	0	29,581	0	3,267	7,529	40,377	31,519
02300 - Saleyards	0	-221,965	0	0	-41,200	-263,165	84,651	98,053	0	105,585	25,674	313,963	50,798
02320 - Depot Buildings	0	0	0	0	0	0	0	200,442	0	57,132	39,564	297,138	297,138
02390 - Property Management Services	0	-8,189	0	0	-365,394	-373,583	580,174	203,430	0	767,653	145,003	1,696,260	1,322,677
02400 - Community Services Management	0	0	0	0	0	0	276,664	13,507	0	0	355	290,526	290,526
02420 - Home Care Packages	0	-62,572	-1,392,467	0	0	-1,455,039	274,994	339,577	0	0	253,606	868,177	-586,862
02430 - Multi-Service Outlet / NDIS Under 65	0	-145,000	-730,000	0	0	-875,000	192,983	648,339	0	0	12,116	853,438	-21,562
02440 - Commonwealth Home Support Programme	0	-189,614	-1,264,093	0	0	-1,453,707	1,368,373	228,154	0	0	103,315	1,699,842	246,135
02450 - Community Transport	0	-96,048	-642,168	0	-15,450	-753,666	404,838	148,843	0	59,821	62,586	676,088	-77,578
02460 - ComPacks	0	-14,000	-50,558	0	0	-64,558	2,965	3,837	0	0	2,988	9,790	-54,768
02470 - Libraries	0	-12,397	-120,819	0	-5,253	-138,469	601,137	97,252	0	103,810	61,784	863,983	725,514
02480 - Youth Services	0	0	-84,975	0	-103	-85,078	161,759	141,571	0	0	12,944	316,274	231,196
02500 - Child Care centres	0	0	0	0	-6,695	-6,695	0	18,678	0	11,997	0	30,675	23,980
02600 - Tourism Operations	0	0	0	0	-25,845	-25,845	553,703	312,931	0	0	136,011	1,002,645	976,800
02610 - Economic Development	0	0	0	0	0	0	261,585	28,425	0	0	34,370	324,380	324,380
02620 - Recreation Planning	0	0	0	0	0	0	108,721	0	0	0	0	108,721	108,721
02650 - Caravan Parks	0	-143,170	0	0	-365,650	-508,820	235,263	48,928	0	173,917	9,448	467,556	-41,264
02700 - Land Development Operations	0	0	0	0	0	0	0	17	0	0	0	17	17
02750 - Swimming Pools	0	-123,600	0	-63,336,927	0	-63,460,527	146,260	720,247	0	331,569	111,595	1,309,671	1,186,071

SERVICE	Rates and annual charges	User charges and fees	Grants and contributions provided for operating purposes	Grants and contributions provided for capital purposes	Other revenue items	Total income from continuing operations	Employee benefits and on-costs	Materials and services	Borrowing costs	Depreciation, amortisation and impairment of non-financial assets	Other expenses	Total expenses from continuing operations	Net Operating Result (less capital)
02800 - Development Assessment	0	-630,250	0	0	0	-630,250	1,242,514	208,811	0	0	10,506	1,461,831	831,581
02810 - Ranger Services	0	-108,450	0	0	0	-108,450	249,683	83,791	0	1,576	9,178	344,228	235,778
02820 - Strategic Planning	0	-1,545	0	0	0	-1,545	836,328	356,994	0	0	23,231	1,216,553	1,215,008
02830 - Building Control Services	0	-470,000	0	0	-840	-470,840	718,028	30,159	0	0	10,300	758,487	287,647
02840 - Environmental Health Services	-98,350	-25,000	0	0	0	-123,350	362,447	58,976	0	1,145	22,700	445,268	321,918
02850 - Emergency Management Operations	0	0	-172,000	0	0	-172,000	9,216	3,334	0	0	95,048	107,598	-64,402
02860 - Rural Fire Service RFS	0	0	-452,994	0	0	-452,994	0	379,824	0	107,771	1,153,519	1,641,114	1,188,120
02870 - State Emergency Service	0	0	0	0	0	0	0	4,125	0	10,548	35,848	50,521	50,521
02880 - Community Development	0	0	0	0	0	0	0	2,360	0	0	3,090	5,450	5,450
02890 - Arts and Culture	0	0	0	0	0	0	0	0	0	0	20,600	20,600	20,600
02990 - General Purpose Revenue	-18,036,086	0	-8,259,366	0	-82,400	-26,377,852	0	0	0	0	0	0	-26,377,852
<b>FUND TOTAL</b>	<b>-18,134,436</b>	<b>-6,652,844</b>	<b>-27,730,751</b>	<b>-63,336,927</b>	<b>-2,514,417</b>	<b>-118,369,375</b>	<b>23,477,752</b>	<b>11,556,973</b>	<b>0</b>	<b>13,650,702</b>	<b>7,891,857</b>	<b>56,577,284</b>	<b>1,544,836</b>
<b>WATER FUND</b>													
03200 - Water Supply	-2,916,141	-5,327,992	-10,191	-10,000,000	-371,830	-18,626,154	1,743,801	3,514,563	0	3,213,689	823,606	9,295,659	669,505
<b>FUND TOTAL</b>	<b>-2,916,141</b>	<b>-5,327,992</b>	<b>-10,191</b>	<b>-10,000,000</b>	<b>-371,830</b>	<b>-18,626,154</b>	<b>1,743,801</b>	<b>3,514,563</b>	<b>0</b>	<b>3,213,689</b>	<b>823,606</b>	<b>9,295,659</b>	<b>669,505</b>
<b>SEWER FUND</b>													
03300 - Waste Water Services	-7,119,675	-1,503,783	-8,930	-10,400,000	-208,060	-19,240,448	1,559,739	3,594,913	5,161	2,288,349	660,115	8,108,277	-732,171
03390 - Liquid Trade Waste	-206,000	-17,450	0	0	-15,450	-238,900	254,904	27,324	0	0	3,030	285,258	46,358
<b>FUND TOTAL</b>	<b>-7,325,675</b>	<b>-1,521,233</b>	<b>-8,930</b>	<b>-10,400,000</b>	<b>-223,510</b>	<b>-19,479,348</b>	<b>1,814,643</b>	<b>3,622,237</b>	<b>5,161</b>	<b>2,288,349</b>	<b>663,145</b>	<b>8,393,535</b>	<b>-685,813</b>
<b>WASTE FUND</b>													
03400 - Waste Management	-2,081,245	-3,844,102	-37,480	0	-124,322	-6,087,149	1,789,655	3,087,983	0	836,336	132,460	5,846,434	-240,715
03410 - Domestic Waste Services	-3,533,691	0	0	0	-14,455	-3,548,146	267,717	1,604,001	0	205,760	26,200	2,103,678	-1,444,468
<b>FUND TOTAL</b>	<b>-5,614,936</b>	<b>-3,844,102</b>	<b>-37,480</b>	<b>0</b>	<b>-138,777</b>	<b>-9,635,295</b>	<b>2,057,372</b>	<b>4,691,984</b>	<b>0</b>	<b>1,042,096</b>	<b>158,660</b>	<b>7,950,112</b>	<b>-1,685,183</b>
<b>AGED CARE FUND</b>													
04000 - Yallambee Lodge	0	-154,167	-331,250	-4,493,858	0	-4,979,275	2,475,187	258,191	0	65,620	-33,443	2,765,555	2,280,138
04010 - Snowy River Hostel	0	-360,000	-840,000	0	0	-1,200,000	-1,002,573	862,195	0	48,401	86,205	-5,772	-1,205,772
<b>FUND TOTAL</b>	<b>0</b>	<b>-514,167</b>	<b>-1,171,250</b>	<b>-4,493,858</b>	<b>0</b>	<b>-6,179,275</b>	<b>1,472,614</b>	<b>1,120,386</b>	<b>0</b>	<b>114,021</b>	<b>52,762</b>	<b>2,759,783</b>	<b>1,074,366</b>
<b>OTHER</b>													
19260 - Fn1-Current Provisions	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>GRAND TOTAL</b>	<b>-33,991,188</b>	<b>-17,860,338</b>	<b>-28,958,602</b>	<b>-88,230,785</b>	<b>-3,248,534</b>	<b>-172,289,447</b>	<b>30,566,182</b>	<b>24,506,143</b>	<b>5,161</b>	<b>20,308,857</b>	<b>9,590,030</b>	<b>84,976,373</b>	<b>917,711</b>

Source – SMRC – Council Financial Reporting Tool (BIS)

## APPENDIX F: HISTORICAL FINANCIAL PERFORMANCE PRIOR TO MERGER

INCOME STATEMENT - CONSOLIDATED	2012/13 \$'000	2013/14 \$'000	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
<b>Income from continuing operations</b>									
Rates and annual charges	25,333	26,590	27,630	27,939	30,281	29,366	31,546	32,443	31,221
User charges and fees	14,944	13,923	12,786	10,771	14,700	15,136	14,133	14,440	15,347
Other revenue	1,930	1,637	2,573	1,971	2,206	1,828	1,784	1,988	1,315
Grants and contributions provided for operating purposes	22,604	17,402	17,452	20,379	32,321	20,724	24,262	29,627	23,236
Grants and contributions provided for capital purposes	4,029	6,099	3,532	4,869	17,864	3,978	6,936	14,343	9,775
Interest and investment revenue	2,370	1,993	1,979	1,671	2,549	2,898	2,590	1,675	1,183
Other income	-	2	41	(16)	-	-	-	892	844
Net gains from the disposal of assets	-	203	-	164	-	89	139	798	-
Rental income	-	-	-	-	-	-	-	-	-
<b>Total income from continuing operations</b>	<b>71,210</b>	<b>67,849</b>	<b>65,993</b>	<b>67,748</b>	<b>99,921</b>	<b>74,019</b>	<b>81,390</b>	<b>96,206</b>	<b>82,921</b>
<b>Expenses from continuing operations</b>									
Employee benefits and on-costs	23,569	24,672	26,013	22,923	31,780	27,486	30,932	33,637	33,425
Materials and services	21,765	19,927	15,902	12,731	19,045	17,051	18,418	25,973	27,464
Borrowing costs	699	596	544	457	524	413	249	79	487
Depreciation, amortisation and impairment of non-financial assets	18,882	19,617	19,604	15,880	20,963	19,880	20,375	20,486	22,039
Other expenses	6,931	7,435	7,064	6,286	11,371	7,690	9,170	2,228	13,950
Net losses from the disposal of assets	488	552	454	213	768	-	-	-	640
<b>Total expenses from continuing operations</b>	<b>72,334</b>	<b>72,799</b>	<b>69,581</b>	<b>58,490</b>	<b>84,451</b>	<b>72,520</b>	<b>79,144</b>	<b>82,403</b>	<b>98,005</b>
<b>Operating result from continuing operations</b>	<b>(1,124)</b>	<b>(4,950)</b>	<b>(3,588)</b>	<b>9,258</b>	<b>15,470</b>	<b>1,499</b>	<b>2,246</b>	<b>13,803</b>	<b>(15,084)</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(5,153)</b>	<b>(11,049)</b>	<b>(7,120)</b>	<b>4,389</b>	<b>(2,394)</b>	<b>(2,479)</b>	<b>(4,690)</b>	<b>(540)</b>	<b>(24,859)</b>

STATEMENT OF FINANCIAL POSITION - CONSOLIDATED	2012/13 \$'000	2013/14 \$'000	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
<b>ASSETS</b>									
<b>Current Assets</b>									
Cash and Cash Equivalents	34,319	22,110	29,982	26,946	11,790	16,259	11,113	6,546	38,008
Investments	4,401	16,500	17,001	20,000	43,984	37,000	19,000	20,000	17,000
Receivables	10,655	7,511	7,321	15,323	10,767	15,006	13,700	13,533	14,927
Inventories	1,228	1,134	1,238	1,111	974	1,570	1,695	1,656	2,397
Other	358	211	87	475	185	255	299	423	560
<b>Total Current Assets</b>	<b>50,961</b>	<b>47,466</b>	<b>55,629</b>	<b>63,855</b>	<b>67,700</b>	<b>70,090</b>	<b>45,807</b>	<b>42,158</b>	<b>72,892</b>
<b>Non-Current Assets</b>									
Investments	5,998	6,002	3,000	4,000	22,000	32,000	58,219	52,000	21,000
Receivables	248	189	167	153	137	123	105	62	36
Inventories	56	56	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	955,685	965,238	1,120,469	1,123,015	1,131,697	1,136,977	1,146,936	1,215,249	1,218,076
Investments accounted for using the equity method	-	455	842	818	-	-	-	-	-
Intangible Assets	350	454	428	413	382	350	350	350	3,745
Right of use assets	-	-	-	-	-	-	-	62	103
<b>Total Non-Current Assets</b>	<b>962,337</b>	<b>972,394</b>	<b>1,124,906</b>	<b>1,128,399</b>	<b>1,154,216</b>	<b>1,169,450</b>	<b>1,205,610</b>	<b>1,267,723</b>	<b>1,242,960</b>
<b>TOTAL ASSETS</b>	<b>1,013,298</b>	<b>1,019,860</b>	<b>1,180,535</b>	<b>1,192,254</b>	<b>1,221,916</b>	<b>1,239,540</b>	<b>1,251,417</b>	<b>1,309,881</b>	<b>1,315,852</b>
<b>LIABILITIES</b>									
<b>Current Liabilities</b>									
Payables	6,258	5,367	6,242	7,665	7,195	10,707	10,254	8,990	9,567
Income received in advance	-	-	-	-	402	196	-	-	-
Contract liabilities	-	-	-	-	-	-	-	4,271	9,090
Lease liabilities	-	-	-	-	-	-	-	49	76
Borrowings	692	838	873	1,076	575	765	490	520	297
Employee benefit provision	-	-	-	-	-	-	-	6,918	6,855
Provisions	4,742	5,153	5,758	5,836	6,712	6,127	6,688	-	-
<b>Total Current Liabilities</b>	<b>11,692</b>	<b>11,358</b>	<b>12,873</b>	<b>14,577</b>	<b>14,884</b>	<b>17,795</b>	<b>17,432</b>	<b>20,748</b>	<b>25,885</b>
<b>Non-Current Liabilities</b>									
Lease liabilities	-	-	1	-	-	-	-	16	38
Payables	-	268	3	-	-	-	-	-	-
Borrowings	5,421	5,530	4,925	4,024	3,445	2,467	875	356	58
Provisions	4,648	4,216	3,437	3,583	3,331	5,294	5,052	19,545	31,107
<b>Total Non-Current Liabilities</b>	<b>10,069</b>	<b>10,014</b>	<b>8,366</b>	<b>7,607</b>	<b>6,776</b>	<b>7,761</b>	<b>5,927</b>	<b>19,917</b>	<b>31,203</b>
<b>TOTAL LIABILITIES</b>	<b>21,761</b>	<b>21,372</b>	<b>21,239</b>	<b>22,184</b>	<b>21,660</b>	<b>25,556</b>	<b>23,359</b>	<b>40,665</b>	<b>57,088</b>
<b>NET ASSETS</b>	<b>991,537</b>	<b>998,488</b>	<b>1,159,296</b>	<b>1,170,070</b>	<b>1,200,256</b>	<b>1,213,984</b>	<b>1,228,058</b>	<b>1,269,216</b>	<b>1,258,764</b>
<b>EQUITY</b>									
Accumulated surplus	413,891	409,394	406,152	415,402	1,185,551	1,187,050	1,189,296	1,184,856	1,169,772
Revaluation reserves	577,257	589,094	753,144	754,668	14,705	26,934	38,543	84,360	88,992
Other reserves	-	-	-	-	-	-	219	-	-
<b>Council equity interest</b>	<b>991,148</b>	<b>998,488</b>	<b>1,159,296</b>	<b>1,170,070</b>	<b>1,200,256</b>	<b>1,213,984</b>	<b>1,228,058</b>	<b>1,269,216</b>	<b>1,258,764</b>
<b>Total equity</b>	<b>991,148</b>	<b>998,488</b>	<b>1,159,296</b>	<b>1,170,070</b>	<b>1,200,256</b>	<b>1,213,984</b>	<b>1,228,058</b>	<b>1,269,216</b>	<b>1,258,764</b>

INCOME STATEMENT - GENERAL FUND	2012/13 \$'000	2013/14 \$'000	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
<b>Income from continuing operations</b>									
Rates and annual charges	16,350	17,485	17,534	17,911	18,846	19,070	20,250	21,167	21,667
User charges and fees	12,498	10,111	9,888	6,515	10,266	9,708	8,294	8,367	7,925
Other revenue	1,098	1,004	1,963	1,483	1,720	1,494	1,379	1,322	945
Grants and contributions provided for operating purposes	22,430	17,180	17,341	20,266	32,180	20,812	24,152	25,320	23,142
Grants and contributions provided for capital purposes	3,589	5,798	1,579	1,888	15,999	2,219	5,329	8,429	3,827
Interest and investment revenue	1,578	1,401	1,356	1,161	1,861	2,059	1,527	546	559
Other income	-	-	41	(16)	-	-	-	-	844
Net gains from the disposal of assets	-	219	(23)	174	-	42	135	798	-
Rental income	-	-	-	-	-	-	-	892	-
<b>Total income from continuing operations</b>	<b>57,543</b>	<b>53,198</b>	<b>49,679</b>	<b>49,382</b>	<b>80,872</b>	<b>55,404</b>	<b>61,066</b>	<b>66,841</b>	<b>58,909</b>
<b>Expenses from continuing operations</b>									
Employee benefits and on-costs	21,550	21,821	23,187	20,569	28,489	24,007	27,274	29,231	28,559
Materials and services	18,446	17,570	13,203	9,947	15,754	14,817	15,353	15,486	19,973
Borrowing costs	432	356	331	296	348	288	184	64	478
Depreciation, amortisation and impairment of non-financial assets	14,074	14,733	14,779	11,747	15,761	14,129	14,421	15,420	18,245
Other expenses	4,569	4,351	4,933	3,873	5,047	4,811	5,071	4,831	13,749
Net losses from the disposal of assets	384	(81)	388	91	562	(53)	-	(26)	626
<b>Total expenses from continuing operations</b>	<b>59,455</b>	<b>58,750</b>	<b>56,821</b>	<b>46,523</b>	<b>65,961</b>	<b>57,999</b>	<b>62,303</b>	<b>65,006</b>	<b>81,630</b>
<b>Operating result from continuing operations</b>	<b>(1,912)</b>	<b>(5,552)</b>	<b>(7,142)</b>	<b>2,859</b>	<b>14,911</b>	<b>(2,595)</b>	<b>(1,237)</b>	<b>1,835</b>	<b>(22,721)</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(5,501)</b>	<b>(11,350)</b>	<b>(8,721)</b>	<b>971</b>	<b>(1,088)</b>	<b>(4,814)</b>	<b>(6,566)</b>	<b>(6,594)</b>	<b>(26,548)</b>

STATEMENT OF FINANCIAL POSITION - GENERAL FUND	2012/13 \$'000	2013/14 \$'000	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
<b>ASSETS</b>									
<b>Current Assets</b>									
Cash and Cash Equivalents	21,157	12,060	17,680	13,874	7,445	14,210	5,959	5,091	16,566
Investments	2,501	11,664	10,777	12,010	27,769	17,877	10,189	6,728	7,357
Receivables	7,759	4,701	4,214	9,731	5,961	8,291	8,129	7,790	7,182
Inventories	1,105	1,046	1,154	1,019	878	1,570	1,695	1,656	2,397
Other	358	211	87	448	185	257	301	423	560
<b>Total Current Assets</b>	<b>32,880</b>	<b>29,682</b>	<b>33,912</b>	<b>37,082</b>	<b>42,238</b>	<b>42,205</b>	<b>26,273</b>	<b>21,688</b>	<b>34,062</b>
<b>Non-Current Assets</b>									
Investments	4,998	3,502	500	1,000	13,890	19,024	31,321	23,245	9,088
Receivables	46	-	-	-	-	-	-	-	-
Inventories	56	56	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	802,836	809,519	962,987	963,019	961,259	967,680	965,862	1,029,131	1,036,186
Investments accounted for using the equity method	-	-	842	818	-	-	-	-	-
Intangible Assets	350	454	428	413	382	350	350	350	3,745
Right of use assets	-	-	-	-	-	-	-	62	103
<b>Total Non-Current Assets</b>	<b>808,286</b>	<b>813,531</b>	<b>964,757</b>	<b>965,250</b>	<b>975,531</b>	<b>987,054</b>	<b>997,533</b>	<b>1,052,788</b>	<b>1,049,122</b>
<b>TOTAL ASSETS</b>	<b>841,166</b>	<b>843,213</b>	<b>998,669</b>	<b>1,002,332</b>	<b>1,017,769</b>	<b>1,029,259</b>	<b>1,023,806</b>	<b>1,074,476</b>	<b>1,083,184</b>
<b>LIABILITIES</b>									
<b>Current Liabilities</b>									
Payables	6,053	5,147	5,736	7,391	7,008	10,619	10,140	8,955	9,224
Income received in advance	-	-	-	-	402	196	-	-	-
Contract liabilities	-	-	-	-	-	-	-	11,435	9,090
Lease liabilities	-	-	-	-	-	-	-	49	76
Borrowings	271	399	406	490	377	356	400	424	220
Employee benefit provision	-	-	-	-	-	-	-	-	6,855
Provisions	4,335	4,820	5,419	5,480	6,712	6,127	6,688	6,918	-
<b>Total Current Liabilities</b>	<b>10,659</b>	<b>10,366</b>	<b>11,561</b>	<b>13,361</b>	<b>14,499</b>	<b>17,298</b>	<b>17,228</b>	<b>27,781</b>	<b>25,465</b>
<b>Non-Current Liabilities</b>									
Lease liabilities	-	-	1	-	-	-	-	16	38
Payables	-	2	3	-	-	-	-	-	-
Borrowings	2,246	2,672	2,266	1,864	1,483	1,099	701	278	58
Provisions	4,640	4,205	3,423	3,572	3,331	5,294	5,052	19,545	31,107
<b>Total Non-Current Liabilities</b>	<b>6,886</b>	<b>6,879</b>	<b>5,693</b>	<b>5,436</b>	<b>4,814</b>	<b>6,393</b>	<b>5,753</b>	<b>19,839</b>	<b>31,203</b>
<b>TOTAL LIABILITIES</b>	<b>17,545</b>	<b>17,245</b>	<b>17,254</b>	<b>18,797</b>	<b>19,313</b>	<b>23,691</b>	<b>22,981</b>	<b>47,620</b>	<b>56,668</b>
<b>NET ASSETS</b>	<b>823,621</b>	<b>825,968</b>	<b>981,415</b>	<b>983,535</b>	<b>998,456</b>	<b>1,005,568</b>	<b>1,000,825</b>	<b>1,026,856</b>	<b>1,026,516</b>
<b>EQUITY</b>									
Accumulated surplus	326,648	321,252	314,911	317,762	998,456	995,865	994,626	978,218	962,662
Revaluation reserves	496,973	504,716	666,504	665,773	-	9,703	5,980	48,638	63,854
Other reserves	-	-	-	-	-	-	219	-	-
<b>Council equity interest</b>	<b>823,621</b>	<b>825,968</b>	<b>981,415</b>	<b>983,535</b>	<b>998,456</b>	<b>1,005,568</b>	<b>1,000,825</b>	<b>1,026,856</b>	<b>1,026,516</b>
<b>Total equity</b>	<b>823,621</b>	<b>825,968</b>	<b>981,415</b>	<b>983,535</b>	<b>998,456</b>	<b>1,005,568</b>	<b>1,000,825</b>	<b>1,026,856</b>	<b>1,026,516</b>

INCOME STATEMENT - WATER FUND	2012/13 \$'000	2013/14 \$'000	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
<b>Income from continuing operations</b>									
Rates and annual charges	3,126	3,212	3,378	3,300	3,768	2,516	2,736	2,730	2,725
User charges and fees	3,142	3,390	3,106	3,559	4,120	5,074	5,693	5,982	5,881
Other revenue	441	233	307	301	289	190	238	290	11
Grants and contributions provided for operating purposes	99	178	57	59	88	37	57	58	92
Grants and contributions provided for capital purposes	125	234	1,707	2,803	1,468	1,317	585	1,117	774
Interest and investment revenue	313	260	289	231	326	401	498	547	315
Other income	-	-	-	-	-	-	-	-	-
Net gains from the disposal of assets	(1)	-	7	12	-	46	-	-	-
Rental income	-	-	-	-	-	-	-	-	-
<b>Total income from continuing operations</b>	<b>7,245</b>	<b>7,507</b>	<b>8,851</b>	<b>10,265</b>	<b>10,059</b>	<b>9,581</b>	<b>9,807</b>	<b>10,724</b>	<b>9,798</b>
<b>Expenses from continuing operations</b>									
Employee benefits and on-costs	1,097	1,621	1,547	1,294	1,802	1,696	1,866	2,227	2,581
Materials and services	1,784	1,285	1,255	1,057	1,448	1,056	1,301	1,642	3,202
Borrowing costs	50	44	40	31	35	26	21	15	9
Depreciation, amortisation and impairment of non-financial assets	2,331	2,363	2,336	1,935	2,409	3,348	3,462	2,825	2,252
Other expenses	1,590	1,638	1,493	1,190	1,846	1,552	2,090	2,025	168
Net losses from the disposal of assets	90	107	38	119	166	50	24	21	10
<b>Total expenses from continuing operations</b>	<b>6,942</b>	<b>7,058</b>	<b>6,709</b>	<b>5,626</b>	<b>7,706</b>	<b>7,728</b>	<b>8,764</b>	<b>8,755</b>	<b>8,222</b>
<b>Operating result from continuing operations</b>	<b>303</b>	<b>449</b>	<b>2,142</b>	<b>4,639</b>	<b>2,353</b>	<b>1,853</b>	<b>1,043</b>	<b>1,969</b>	<b>1,576</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>178</b>	<b>215</b>	<b>435</b>	<b>1,836</b>	<b>885</b>	<b>536</b>	<b>458</b>	<b>852</b>	<b>802</b>



STATEMENT OF FINANCIAL POSITION - WATER FUND	2012/13 \$'000	2013/14 \$'000	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
<b>ASSETS</b>									
Current Assets									
Cash and Cash Equivalents	6,385	4,904	5,811	5,036	2,024	942	2,464	747	12,782
Investments	600	1,979	3,162	4,059	7,557	8,790	4,212	6,885	5,749
Receivables	1,404	1,318	1,530	2,855	2,262	3,637	3,014	2,967	3,608
Inventories	66	55	56	64	61	-	-	-	-
Other	-	-	-	14	-	(2)	(2)	-	-
<b>Total Current Assets</b>	<b>8,455</b>	<b>8,256</b>	<b>10,559</b>	<b>12,028</b>	<b>11,904</b>	<b>13,367</b>	<b>9,688</b>	<b>10,599</b>	<b>22,139</b>
<b>Non-Current Assets</b>									
Investments	-	1,500	1,000	2,000	3,780	5,965	12,859	14,917	7,101
Infrastructure, Property, Plant & Equipment	74,983	75,913	77,661	80,319	95,315	94,938	94,107	95,041	94,871
<b>Total Non-Current Assets</b>	<b>74,983</b>	<b>77,413</b>	<b>78,661</b>	<b>82,319</b>	<b>99,095</b>	<b>100,903</b>	<b>106,966</b>	<b>109,958</b>	<b>101,972</b>
<b>TOTAL ASSETS</b>	<b>83,438</b>	<b>85,669</b>	<b>89,220</b>	<b>94,347</b>	<b>110,999</b>	<b>114,270</b>	<b>116,654</b>	<b>120,557</b>	<b>124,111</b>
<b>LIABILITIES</b>									
<b>Current Liabilities</b>									
Payables	280	68	398	169	130	72	98	32	340
Borrowings	70	65	70	92	79	85	90	96	77
Provisions	187	214	244	265	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>537</b>	<b>347</b>	<b>712</b>	<b>526</b>	<b>209</b>	<b>157</b>	<b>188</b>	<b>128</b>	<b>417</b>
<b>Non-Current Liabilities</b>									
Borrowings	636	571	502	428	349	264	174	78	-
Provisions	7	5	9	7	-	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>643</b>	<b>576</b>	<b>511</b>	<b>435</b>	<b>349</b>	<b>264</b>	<b>174</b>	<b>78</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>1,180</b>	<b>923</b>	<b>1,223</b>	<b>961</b>	<b>558</b>	<b>421</b>	<b>362</b>	<b>206</b>	<b>417</b>
<b>NET ASSETS</b>	<b>82,258</b>	<b>84,746</b>	<b>87,997</b>	<b>93,386</b>	<b>110,441</b>	<b>113,849</b>	<b>116,292</b>	<b>120,351</b>	<b>123,694</b>
<b>EQUITY</b>									
Accumulated surplus	42,605	43,102	45,244	49,883	95,736	97,589	98,632	100,601	102,175
Revaluation reserves	39,653	41,644	42,753	43,503	14,705	16,260	17,660	19,750	21,519
<b>Council equity interest</b>	<b>82,258</b>	<b>84,746</b>	<b>87,997</b>	<b>93,386</b>	<b>110,441</b>	<b>113,849</b>	<b>116,292</b>	<b>120,351</b>	<b>123,694</b>
<b>Total equity</b>	<b>82,258</b>	<b>84,746</b>	<b>87,997</b>	<b>93,386</b>	<b>110,441</b>	<b>113,849</b>	<b>116,292</b>	<b>120,351</b>	<b>123,694</b>

INCOME STATEMENT - SEWER FUND	2012/13 \$'000	2013/14 \$'000	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
<b>Income from continuing operations</b>									
Rates and annual charges	5,857	6,363	6,738	6,728	7,667	7,612	8,560	8,546	6,829
User charges and fees	284	422	420	381	314	354	146	91	1,541
Other revenue	391	400	303	187	197	144	167	376	359
Grants and contributions provided for operating purposes	75	44	54	54	53	43	53	51	2
Grants and contributions provided for capital purposes	315	67	246	178	397	442	1,022	1,831	5,174
Interest and investment revenue	479	332	334	279	362	438	565	582	309
Other income	-	-	-	-	-	-	-	-	-
Net gains from the disposal of assets	2	12	16	(22)	-	1	28	-	-
Rental income	-	-	-	-	-	-	-	-	-
<b>Total income from continuing operations</b>	<b>7,403</b>	<b>7,640</b>	<b>8,111</b>	<b>7,785</b>	<b>8,990</b>	<b>9,034</b>	<b>10,541</b>	<b>11,477</b>	<b>14,214</b>
<b>Expenses from continuing operations</b>									
Employee benefits and on-costs	977	1,230	1,279	1,060	1,489	1,783	1,792	2,179	2,285
Materials and services	1,855	1,542	1,464	1,411	1,843	1,178	1,764	2,099	4,289
Borrowing costs	217	196	173	130	141	99	44	-	-
Depreciation, amortisation and impairment of non-financial assets	2,477	2,521	2,489	2,198	2,793	2,403	2,492	2,241	1,542
Other expenses	1,432	1,446	1,266	1,223	4,478	1,327	2,009	2,118	33
Net losses from the disposal of assets	15	554	28	3	40	3	-	5	4
<b>Total expenses from continuing operations</b>	<b>6,973</b>	<b>7,489</b>	<b>6,699</b>	<b>6,025</b>	<b>10,784</b>	<b>6,793</b>	<b>8,101</b>	<b>8,642</b>	<b>8,153</b>
<b>Operating result from continuing operations</b>	<b>430</b>	<b>151</b>	<b>1,412</b>	<b>1,760</b>	<b>(1,794)</b>	<b>2,241</b>	<b>2,440</b>	<b>2,835</b>	<b>6,061</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>115</b>	<b>84</b>	<b>1,166</b>	<b>1,582</b>	<b>(2,191)</b>	<b>1,799</b>	<b>1,418</b>	<b>1,004</b>	<b>887</b>

STATEMENT OF FINANCIAL POSITION - SEWER FUND	2012/13 \$'000	2013/14 \$'000	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
<b>ASSETS</b>									
<b>Current Assets</b>									
Cash and Cash Equivalents	6,777	5,146	6,491	8,036	2,321	1,107	2,690	708	8,660
Investments	1,300	2,857	3,062	3,931	8,658	10,333	4,599	6,387	3,894
Receivables	1,492	1,492	1,577	2,737	2,544	3,078	2,557	2,776	4,137
Inventories	57	33	28	28	35	-	-	-	-
Other	-	-	-	13	-	-	-	-	-
<b>Total Current Assets</b>	<b>9,626</b>	<b>9,528</b>	<b>11,158</b>	<b>14,745</b>	<b>13,558</b>	<b>14,518</b>	<b>9,846</b>	<b>9,871</b>	<b>16,691</b>
<b>Non-Current Assets</b>									
Investments	1,000	1,000	1,500	1,000	4,330	7,011	14,039	13,838	4,811
Receivables	202	189	167	153	137	123	105	62	36
Infrastructure, Property, Plant & Equipment	77,931	79,806	79,821	79,677	75,123	74,359	74,144	78,254	87,019
<b>Total Non-Current Assets</b>	<b>79,133</b>	<b>80,995</b>	<b>81,488</b>	<b>80,830</b>	<b>79,590</b>	<b>81,493</b>	<b>88,288</b>	<b>92,154</b>	<b>91,866</b>
<b>TOTAL ASSETS</b>	<b>88,759</b>	<b>90,523</b>	<b>92,646</b>	<b>95,575</b>	<b>93,148</b>	<b>96,011</b>	<b>98,134</b>	<b>102,025</b>	<b>108,557</b>
<b>LIABILITIES</b>									
<b>Current Liabilities</b>									
Payables	218	150	108	105	57	16	16	3	3
Borrowings	351	374	397	494	119	324	-	-	-
Provisions	220	119	95	91	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>789</b>	<b>643</b>	<b>600</b>	<b>690</b>	<b>176</b>	<b>340</b>	<b>16</b>	<b>3</b>	<b>3</b>
<b>Non-Current Liabilities</b>									
Borrowings	2,929	2,555	2,157	1,732	1,613	1,104	-	-	-
Provisions	-	6	5	4	-	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>2,929</b>	<b>2,561</b>	<b>2,162</b>	<b>1,736</b>	<b>1,613</b>	<b>1,104</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>3,718</b>	<b>3,204</b>	<b>2,762</b>	<b>2,426</b>	<b>1,789</b>	<b>1,444</b>	<b>16</b>	<b>3</b>	<b>3</b>
<b>NET ASSETS</b>	<b>85,041</b>	<b>87,319</b>	<b>89,884</b>	<b>93,149</b>	<b>91,359</b>	<b>94,567</b>	<b>98,118</b>	<b>102,022</b>	<b>108,554</b>
<b>EQUITY</b>									
Accumulated surplus	44,410	44,585	45,997	47,757	91,359	93,596	96,038	98,873	104,935
Revaluation reserves	40,631	42,734	43,887	45,392	-	971	2,080	3,149	3,619
<b>Council equity interest</b>	<b>85,041</b>	<b>87,319</b>	<b>89,884</b>	<b>93,149</b>	<b>91,359</b>	<b>94,567</b>	<b>98,118</b>	<b>102,022</b>	<b>108,554</b>
<b>Total equity</b>	<b>85,041</b>	<b>87,319</b>	<b>89,884</b>	<b>93,149</b>	<b>91,359</b>	<b>94,567</b>	<b>98,118</b>	<b>102,022</b>	<b>108,554</b>

## APPENDIX G: NSW OFFICE OF LOCAL GOVERNMENT – FINANCIAL SUSTAINABILITY INDICATORS

Ratio	Purpose	Benchmark
Operating performance ratio	This ratio measures Council's achievement of containing operating expenditure within operating revenue.	> 0.00%
Own source operating revenue	This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.	> 60.00%
Unrestricted current ratio	To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.	> 1.50x
Debt service current ratio	This ratio measures the availability of operating cash to service debt including interest, principal and lease payments.	> 2.00x
Rates and annual charges outstanding percentage	To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.	< 10.00%
Cash expense cover ratio	This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.	> 3.00 months
Buildings and infrastructure renewals ratio	To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.	>= 100.00%
Infrastructure backlog ratio	This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.	< 2.00%
Asset maintenance ratio	Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.	> 100.00%
Cost to bring assets to agreed service level	This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.	N/A

## APPENDIX H: REVISED LONG-TERM FINANCIAL PROJECTIONS - ASSUMPTIONS

Asset Group	Useful life	WOL cost
Bridges	100	1.00%
Buildings Non-specialised	50	5.00%
Buildings Specialised	50	5.00%
ICT Replacement	5	5.00%
Land Improvements - Depreciable	100	0.00%
Office Equipment	10	1.00%
Other Open Space Recreation	40	1.00%
Other Structures	10	1.00%
Plant & Equipment (incl Fleet	10	10.00%
Resource and Waste	10	1.00%
Roads	50	1.00%
Stormwater	50	1.00%
Wastewater	50	2.00%
Water	50	2.00%
Water Supply Network	50	2.00%

New Loans	Detail
Term	20 years
Interest Rate	5.50%

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
<b>Indexation</b>										
<b>Revenue</b>										
Residential, Commercial & Farmland Rates		4.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Non Domestic Waste charges		3.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Other User Charges and Fees		3.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Sundry Income		3.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Recurrent Grants		3.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Water Supply Charges		5.00%	5.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Sewer Charges		5.00%	5.00%	5.00%	5.00%	2.50%	2.50%	2.50%	2.50%	2.50%
Pensioner rebates		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Stormwater management charges		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Domestic waste charges		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Information Provision		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Planning Assessment Fees		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest income		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment Property Income		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Expenditure</b>										
Salaries and Related Costs		4.60%	3.25%	3.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Superannuation - Defined Benefits		3.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Non Salary Related Employee Costs		3.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Insurance		3.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Admin Costs		3.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Materials and Services		3.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Street Lighting		5.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Gas Charges		5.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Electricity		10.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
<b>Growth</b>										
<b>Revenue</b>										
Residential and Commercial Rates		1.23%	1.23%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Waste charges		1.23%	1.23%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Water charges		1.23%	1.23%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Sewer charges		1.23%	1.23%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Farmland Rates		1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%
Pensioner Rebates and Write Offs		1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%
Other User Charges and Fees		1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%
Recurrent Grants		1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Stormwater management charges		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Lease Fees		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Facility, Equipment & Hall Hire		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fuel Rebates		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest income		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment Property Income		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sundry Income		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sundry Income		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Expenditure</b>										
Salaries and Related Costs		1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Superannuation - Defined Benefits		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Non Salary Related Employee Costs		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Insurance		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Admin Costs		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Electricity, Gas and Lighting		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

## APPENDIX I: REVISED LONG-TERM FINANCIAL PLAN - STATEMENTS

### Income Statement – Consolidated

	DRAFT	BUDGET	FORWARD PLAN								
AEC Developed Forecast - Income Statement	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Income from continuing operations</b>											
Rates and annual charges	32,709	33,991	35,726	37,244	38,986	40,817	42,510	44,276	46,118	48,037	50,039
User charges and fees	15,568	17,860	18,265	19,122	19,965	20,846	21,720	22,631	23,581	24,571	25,604
Other revenue	3,282	529	553	573	593	614	636	659	683	707	733
Grants and contributions provided for operating purposes	31,151	28,958	21,365	21,899	22,447	23,008	23,583	24,173	24,777	25,397	26,032
Grants and contributions provided for capital purposes	22,514	88,231	125,992	71,316	32,893	4,295	5,552	4,224	6,116	9,278	4,315
Interest and investment revenue	1,036	1,289	1,296	1,303	1,309	1,317	1,324	1,332	1,339	1,347	1,355
Other income	990	-	-	-	-	-	-	-	-	-	-
Net gains from the disposal of assets	-	357	369	379	388	398	407	417	428	438	449
Rental income	-	1,075	1,115	1,146	1,177	1,209	1,243	1,277	1,312	1,348	1,385
<b>Total income from continuing operations</b>	<b>107,250</b>	<b>172,290</b>	<b>204,681</b>	<b>152,982</b>	<b>117,758</b>	<b>92,504</b>	<b>96,975</b>	<b>98,989</b>	<b>104,354</b>	<b>111,123</b>	<b>109,912</b>
<b>Expenses from continuing operations</b>											
Employee benefits and on-costs	33,182	30,567	30,855	32,281	33,868	35,126	36,429	37,780	39,181	40,631	42,136
Materials and services	32,655	25,823	25,735	27,260	28,171	28,807	29,463	30,138	30,833	31,548	32,284
Borrowing costs	266	5	11	300	291	282	272	262	251	240	228
Depreciation, amortisation and impairment of non-financial assets	19,655	20,309	24,095	26,580	27,682	28,213	28,759	29,317	29,889	30,476	31,076
Other expenses	1,625	9,590	9,977	10,228	10,487	10,749	11,018	11,294	11,576	11,865	12,162
Net losses from the disposal of assets	818	-	-	-	-	-	-	-	-	-	-
<b>Total expenses from continuing operations</b>	<b>88,201</b>	<b>86,294</b>	<b>90,673</b>	<b>96,649</b>	<b>100,499</b>	<b>103,177</b>	<b>105,941</b>	<b>108,791</b>	<b>111,730</b>	<b>114,760</b>	<b>117,886</b>
<b>Operating result from continuing operations</b>	<b>19,049</b>	<b>85,996</b>	<b>114,008</b>	<b>56,333</b>	<b>17,259</b>	<b>(10,673)</b>	<b>(8,966)</b>	<b>(9,802)</b>	<b>(7,376)</b>	<b>(3,637)</b>	<b>(7,974)</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(3,465)</b>	<b>(2,235)</b>	<b>(11,984)</b>	<b>(14,983)</b>	<b>(15,634)</b>	<b>(14,968)</b>	<b>(14,518)</b>	<b>(14,026)</b>	<b>(13,492)</b>	<b>(12,915)</b>	<b>(12,289)</b>



**Balance Sheet – Consolidated**

AEC Developed Forecast – Statement Of Financial Position	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000
	DRAFT	BUDGET	FORWARD PLAN								
<b>ASSETS</b>											
<b>Current Assets</b>											
Cash and Cash Equivalents	47,494	35,564	68,029	57,845	53,149	49,213	38,555	32,449	27,021	15,654	16,807
Investments	19,000	39,000	-	-	-	-	-	-	-	-	-
Receivables	19,136	19,136	19,136	19,136	19,136	19,136	19,136	19,136	19,136	19,136	19,136
Inventories	2,313	2,313	2,313	2,313	2,313	2,313	2,313	2,313	2,313	2,313	2,313
Contract assets and contract cost assets	4,153	4,153	4,153	4,153	4,153	4,153	4,153	4,153	4,153	4,153	4,153
Other	703	703	703	703	703	703	703	703	703	703	703
<b>Total Current Assets</b>	<b>92,799</b>	<b>100,869</b>	<b>94,334</b>	<b>84,150</b>	<b>79,454</b>	<b>75,518</b>	<b>64,860</b>	<b>58,754</b>	<b>53,326</b>	<b>41,959</b>	<b>43,112</b>
<b>Non-Current Assets</b>											
Investments	20,000	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	1,346,776	1,444,821	1,565,347	1,637,011	1,658,800	1,651,888	1,653,396	1,649,506	1,647,353	1,654,867	1,645,512
Investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	3,251	3,251	3,251	3,251	3,251	3,251	3,251	3,251	3,251	3,251	3,251
Right of use assets	53	53	53	53	53	53	53	53	53	53	53
<b>Total Non-Current Assets</b>	<b>1,370,080</b>	<b>1,448,125</b>	<b>1,568,651</b>	<b>1,640,315</b>	<b>1,662,104</b>	<b>1,655,192</b>	<b>1,656,700</b>	<b>1,652,810</b>	<b>1,650,657</b>	<b>1,658,171</b>	<b>1,648,816</b>
<b>TOTAL ASSETS</b>	<b>1,462,879</b>	<b>1,548,994</b>	<b>1,662,985</b>	<b>1,724,465</b>	<b>1,741,558</b>	<b>1,730,710</b>	<b>1,721,560</b>	<b>1,711,564</b>	<b>1,703,983</b>	<b>1,700,130</b>	<b>1,691,928</b>
<b>LIABILITIES</b>											
<b>Current Liabilities</b>											
Payables	17,130	17,130	17,130	17,130	17,130	17,130	17,130	17,130	17,130	17,130	17,130
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Contract liabilities	19,904	19,904	19,904	19,904	19,904	19,904	19,904	19,904	19,904	19,904	19,904

AEC Developed Forecast – Statement Of Financial Position	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000
	DRAFT	BUDGET	FORWARD PLAN								
Lease liabilities	23	23	23	23	23	23	23	23	23	23	23
Borrowings	27	17	5	166	175	184	194	205	216	228	241
Employee benefit provision	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Provisions	-	-	-	-	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>44,084</b>	<b>44,074</b>	<b>44,062</b>	<b>44,223</b>	<b>44,232</b>	<b>44,241</b>	<b>44,251</b>	<b>44,262</b>	<b>44,273</b>	<b>44,285</b>	<b>44,298</b>
<b>Non-Current Liabilities</b>											
Lease liabilities	33	33	33	33	33	33	33	33	33	33	33
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	12	141	136	5,123	4,948	4,764	4,570	4,365	4,148	3,920	3,679
Provisions	29,390	29,390	29,390	29,390	29,390	29,390	29,390	29,390	29,390	29,390	29,390
<b>Total Non-Current Liabilities</b>	<b>29,435</b>	<b>29,564</b>	<b>29,559</b>	<b>34,546</b>	<b>34,371</b>	<b>34,187</b>	<b>33,993</b>	<b>33,788</b>	<b>33,571</b>	<b>33,343</b>	<b>33,102</b>
<b>TOTAL LIABILITIES</b>	<b>73,519</b>	<b>73,638</b>	<b>73,621</b>	<b>78,769</b>	<b>78,603</b>	<b>78,428</b>	<b>78,244</b>	<b>78,050</b>	<b>77,844</b>	<b>77,628</b>	<b>77,400</b>
<b>NET ASSETS</b>	<b>1,389,360</b>	<b>1,475,356</b>	<b>1,589,364</b>	<b>1,645,696</b>	<b>1,662,955</b>	<b>1,652,282</b>	<b>1,643,316</b>	<b>1,633,514</b>	<b>1,626,139</b>	<b>1,622,502</b>	<b>1,614,528</b>
<b>EQUITY</b>											
Accumulated surplus	1,188,821	1,274,817	1,388,825	1,445,158	1,462,417	1,451,744	1,442,778	1,432,976	1,425,600	1,421,963	1,413,989
Revaluation reserves	200,539	200,539	200,539	200,539	200,539	200,539	200,539	200,539	200,539	200,539	200,539
Other reserves	-	-	-	-	-	-	-	-	-	-	-
<b>Council equity interest</b>	<b>1,389,360</b>	<b>1,475,356</b>	<b>1,589,364</b>	<b>1,645,697</b>	<b>1,662,956</b>	<b>1,652,283</b>	<b>1,643,317</b>	<b>1,633,515</b>	<b>1,626,139</b>	<b>1,622,502</b>	<b>1,614,528</b>
<b>Total equity</b>	<b>1,389,360</b>	<b>1,475,356</b>	<b>1,589,364</b>	<b>1,645,697</b>	<b>1,662,956</b>	<b>1,652,283</b>	<b>1,643,317</b>	<b>1,633,515</b>	<b>1,626,139</b>	<b>1,622,502</b>	<b>1,614,528</b>

## Cash Flow Statement – Consolidated

AEC Developed Forecast - Statement of Cash Flows	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000
	DRAFT	BUDGET	FORWARD PLAN								
<b>Cash Flows from operating activities</b>											
<i>Receipts:</i>											
Rates and annual charges	33,113	33,991	35,726	37,244	38,986	40,817	42,510	44,276	46,118	48,037	50,039
User charges and fees	15,753	17,860	18,265	19,122	19,965	20,846	21,720	22,631	23,581	24,571	25,604
Investment and interest revenue received	1,185	1,289	1,296	1,303	1,309	1,317	1,324	1,332	1,339	1,347	1,355
Grants and contributions	56,672	117,189	54,155	32,639	30,906	27,303	29,135	28,397	30,893	34,675	30,347
Bonds, deposits and retention amounts received	12	-	-	-	-	-	-	-	-	-	-
Other	9,615	1,961	2,037	2,098	2,158	2,221	2,286	2,353	2,423	2,493	2,567
<i>Payments:</i>											
Employee benefits and on-costs	(32,958)	(30,567)	(30,855)	(32,281)	(33,868)	(35,126)	(36,429)	(37,780)	(39,181)	(40,631)	(42,136)
Materials and services	(28,157)	(25,823)	(25,735)	(27,260)	(28,171)	(28,807)	(29,463)	(30,138)	(30,833)	(31,548)	(32,284)
Borrowing costs	(18)	(5)	(11)	(300)	(291)	(282)	(272)	(262)	(251)	(240)	(228)
Bonds, deposits and retention amounts refunded	-	-	-	-	-	-	-	-	-	-	-
Other	(4,328)	(9,590)	(9,977)	(10,228)	(10,487)	(10,749)	(11,018)	(11,294)	(11,576)	(11,865)	(12,162)
<b>Net cash provided (or used in) operating activities</b>	<b>50,889</b>	<b>106,305</b>	<b>44,901</b>	<b>22,337</b>	<b>20,507</b>	<b>17,540</b>	<b>19,793</b>	<b>19,515</b>	<b>22,513</b>	<b>26,839</b>	<b>23,102</b>
<b>Cash Flows from investing activities</b>											
Sale of investments	9,000	-	39,000	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	1,728	-	1,347	1,054	1,452	486	875	1,854	1,373	1,037	521
Deferred Debtors Receipts	-	-	-	-	-	-	-	-	-	-	-
Purchase of investment securities	(10,000)	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(41,737)	(118,354)	(52,767)	(38,722)	(26,489)	(21,787)	(31,142)	(27,281)	(29,109)	(39,027)	(22,242)
Purchase of intangible assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Deferred debtors and advances made	-	-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) investing activities</b>	<b>(41,009)</b>	<b>(118,354)</b>	<b>(12,420)</b>	<b>(37,668)</b>	<b>(25,037)</b>	<b>(21,301)</b>	<b>(30,267)</b>	<b>(25,427)</b>	<b>(27,736)</b>	<b>(37,990)</b>	<b>(21,721)</b>

AEC Developed Forecast - Statement of Cash Flows	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000
	DRAFT	BUDGET	FORWARD PLAN								
<b>Cash Flows from financing activities</b>											
New Residential Accommodation Bonds	-	-	-	-	-	-	-	-	-	-	-
Proceeds from borrowings	-	150	-	5,304	-	-	-	-	-	-	-
Repayment of borrowings and advances	(316)	(31)	(17)	(157)	(166)	(175)	(184)	(194)	(205)	(216)	(228)
Principal component of lease payments	(78)	-	-	-	-	-	-	-	-	-	-
Repayment of Residential Accommodation Bonds	-	-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) financing activities</b>	<b>(394)</b>	<b>119</b>	<b>(17)</b>	<b>5,147</b>	<b>(166)</b>	<b>(175)</b>	<b>(184)</b>	<b>(194)</b>	<b>(205)</b>	<b>(216)</b>	<b>(228)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>9,486</b>	<b>(11,930)</b>	<b>32,464</b>	<b>(10,184)</b>	<b>(4,696)</b>	<b>(3,936)</b>	<b>(10,658)</b>	<b>(6,106)</b>	<b>(5,428)</b>	<b>(11,367)</b>	<b>1,153</b>
Cash and cash equivalents - beginning of year	38,008	47,494	35,564	68,028	57,844	53,148	49,212	38,554	32,448	27,020	15,653
<b>Cash and cash equivalents - end of the year</b>	<b>47,494</b>	<b>35,564</b>	<b>68,028</b>	<b>57,844</b>	<b>53,148</b>	<b>49,212</b>	<b>38,554</b>	<b>32,448</b>	<b>27,020</b>	<b>15,653</b>	<b>16,806</b>
Investments on hand - end of year	39,000	39,000	-	-	-	-	-	-	-	-	-
<b>Total cash, cash equivalents and investments</b>	<b>86,494</b>	<b>74,564</b>	<b>68,028</b>	<b>57,844</b>	<b>53,148</b>	<b>49,212</b>	<b>38,554</b>	<b>32,448</b>	<b>27,020</b>	<b>15,653</b>	<b>16,806</b>

## Income Statement – General Fund

	DRAFT	BUDGET	FORWARD PLAN								
INCOME STATEMENT - GENERAL FUND	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Income from continuing operations</b>											
Rates and annual charges	22,892	23,749	24,845	25,686	26,703	27,762	28,865	30,014	31,211	32,457	33,755
User charges and fees	9,280	11,011	10,991	11,399	11,854	12,327	12,819	13,331	13,864	14,418	14,995
Other revenue	3,133	529	553	573	593	614	636	659	683	707	733
Grants and contributions provided for operating purposes	31,151	28,939	21,365	21,899	22,447	23,008	23,583	24,173	24,777	25,397	26,032
Grants and contributions provided for capital purposes	20,428	67,831	36,156	68,075	30,659	1,428	1,460	1,767	1,777	1,734	1,605
Interest and investment revenue	639	693	698	702	706	711	715	720	724	729	734
Other income	990	-	-	-	-	-	-	-	-	-	-
Net gains from the disposal of assets	-	168	173	178	182	187	191	196	201	206	211
Rental income	-	1,075	1,115	1,146	1,177	1,209	1,243	1,277	1,312	1,348	1,385
<b>Total income from continuing operations</b>	<b>88,513</b>	<b>133,995</b>	<b>95,896</b>	<b>129,658</b>	<b>94,321</b>	<b>67,246</b>	<b>69,512</b>	<b>72,137</b>	<b>74,549</b>	<b>76,996</b>	<b>79,450</b>
<b>Expenses from continuing operations</b>											
Employee benefits and on-costs	28,720	27,006	27,092	28,356	29,763	30,874	32,025	33,219	34,457	35,739	37,069
Materials and services	24,098	19,384	16,823	18,181	18,921	19,383	19,859	20,350	20,856	21,378	21,916
Borrowing costs	265	-	8	300	291	282	272	262	251	240	228
Depreciation, amortisation and impairment of non-financial assets	15,865	14,807	16,818	19,177	20,150	20,549	20,959	21,379	21,809	22,250	22,701
Other expenses	1,604	8,083	8,349	8,560	8,777	8,996	9,221	9,452	9,688	9,930	10,179
Net losses from the disposal of assets	824	-	-	-	-	-	-	-	-	-	-
<b>Total expenses from continuing operations</b>	<b>71,376</b>	<b>69,280</b>	<b>69,090</b>	<b>74,574</b>	<b>77,902</b>	<b>80,084</b>	<b>82,336</b>	<b>84,662</b>	<b>87,061</b>	<b>89,537</b>	<b>92,093</b>
<b>Operating result from continuing operations</b>	<b>17,137</b>	<b>64,715</b>	<b>26,806</b>	<b>55,084</b>	<b>16,419</b>	<b>(12,838)</b>	<b>(12,824)</b>	<b>(12,525)</b>	<b>(12,512)</b>	<b>(12,541)</b>	<b>(12,643)</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(3,291)</b>	<b>(3,116)</b>	<b>(9,350)</b>	<b>(12,991)</b>	<b>(14,240)</b>	<b>(14,266)</b>	<b>(14,284)</b>	<b>(14,292)</b>	<b>(14,289)</b>	<b>(14,275)</b>	<b>(14,248)</b>

**Balance Sheet – General Fund**

STATEMENT OF FINANCIAL POSITION - GENERAL FUND	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000
	DRAFT	BUDGET	FORWARD PLAN								
<b>ASSETS</b>											
<b>Current Assets</b>											
Cash and Cash Equivalents	16,683	3,925	33,313	25,586	19,471	14,915	6,891	(2,102)	(7,992)	(13,391)	(17,104)
Investments	15,353	35,353	-	-	-	-	-	-	-	-	-
Receivables	11,298	11,298	11,298	11,298	11,298	11,298	11,298	11,298	11,298	11,298	11,298
Inventories	2,313	2,313	2,313	2,313	2,313	2,313	2,313	2,313	2,313	2,313	2,313
Contract assets and contract cost assets	4,153	4,153	4,153	4,153	4,153	4,153	4,153	4,153	4,153	4,153	4,153
Other	703	703	703	703	703	703	703	703	703	703	703
<b>Total Current Assets</b>	<b>50,503</b>	<b>57,745</b>	<b>51,780</b>	<b>44,053</b>	<b>37,938</b>	<b>33,382</b>	<b>25,358</b>	<b>16,365</b>	<b>10,475</b>	<b>5,076</b>	<b>1,363</b>
<b>Non-Current Assets</b>											
Investments	20,000	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	1,080,514	1,158,106	1,190,860	1,258,818	1,281,186	1,272,729	1,267,745	1,264,019	1,257,192	1,249,834	1,240,676
Investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	3,251	3,251	3,251	3,251	3,251	3,251	3,251	3,251	3,251	3,251	3,251
Right of use assets	53	53	53	53	53	53	53	53	53	53	53
<b>Total Non-Current Assets</b>	<b>1,103,818</b>	<b>1,161,410</b>	<b>1,194,164</b>	<b>1,262,122</b>	<b>1,284,490</b>	<b>1,276,033</b>	<b>1,271,049</b>	<b>1,267,323</b>	<b>1,260,496</b>	<b>1,253,138</b>	<b>1,243,980</b>
<b>TOTAL ASSETS</b>	<b>1,154,321</b>	<b>1,219,155</b>	<b>1,245,944</b>	<b>1,306,175</b>	<b>1,322,428</b>	<b>1,309,415</b>	<b>1,296,407</b>	<b>1,283,688</b>	<b>1,270,971</b>	<b>1,258,214</b>	<b>1,245,343</b>
<b>LIABILITIES</b>											
<b>Current Liabilities</b>											
Payables	16,790	16,790	16,790	16,790	16,790	16,790	16,790	16,790	16,790	16,790	16,790
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Contract liabilities	19,904	19,904	19,904	19,904	19,904	19,904	19,904	19,904	19,904	19,904	19,904

STATEMENT OF FINANCIAL POSITION - GENERAL FUND	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000
	DRAFT	BUDGET	FORWARD PLAN								
Lease liabilities	23	23	23	23	23	23	23	23	23	23	23
Borrowings	27	17	5	166	175	184	194	205	216	228	241
Employee benefit provision	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Provisions	-	-	-	-	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>43,744</b>	<b>43,734</b>	<b>43,722</b>	<b>43,883</b>	<b>43,892</b>	<b>43,901</b>	<b>43,911</b>	<b>43,922</b>	<b>43,933</b>	<b>43,945</b>	<b>43,958</b>
<b>Non-Current Liabilities</b>											
Lease liabilities	33	33	33	33	33	33	33	33	33	33	33
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	12	141	136	5,123	4,948	4,764	4,570	4,365	4,148	3,920	3,679
Provisions	29,390	29,390	29,390	29,390	29,390	29,390	29,390	29,390	29,390	29,390	29,390
<b>Total Non-Current Liabilities</b>	<b>29,435</b>	<b>29,564</b>	<b>29,559</b>	<b>34,546</b>	<b>34,371</b>	<b>34,187</b>	<b>33,993</b>	<b>33,788</b>	<b>33,571</b>	<b>33,343</b>	<b>33,102</b>
<b>TOTAL LIABILITIES</b>	<b>73,179</b>	<b>73,298</b>	<b>73,281</b>	<b>78,429</b>	<b>78,263</b>	<b>78,088</b>	<b>77,904</b>	<b>77,710</b>	<b>77,504</b>	<b>77,288</b>	<b>77,060</b>
<b>NET ASSETS</b>	<b>1,081,142</b>	<b>1,145,857</b>	<b>1,172,663</b>	<b>1,227,746</b>	<b>1,244,165</b>	<b>1,231,327</b>	<b>1,218,503</b>	<b>1,205,978</b>	<b>1,193,467</b>	<b>1,180,926</b>	<b>1,168,283</b>
<b>EQUITY</b>											
Accumulated surplus	979,803	1,044,518	1,071,324	1,126,408	1,142,827	1,129,989	1,117,165	1,104,640	1,092,128	1,079,587	1,066,944
Revaluation reserves	101,339	101,339	101,339	101,339	101,339	101,339	101,339	101,339	101,339	101,339	101,339
Other reserves	-	-	-	-	-	-	-	-	-	-	-
<b>Council equity interest</b>	<b>1,081,142</b>	<b>1,145,857</b>	<b>1,172,663</b>	<b>1,227,747</b>	<b>1,244,166</b>	<b>1,231,328</b>	<b>1,218,504</b>	<b>1,205,979</b>	<b>1,193,467</b>	<b>1,180,926</b>	<b>1,168,283</b>
<b>Total equity</b>	<b>1,081,142</b>	<b>1,145,857</b>	<b>1,172,663</b>	<b>1,227,747</b>	<b>1,244,166</b>	<b>1,231,328</b>	<b>1,218,504</b>	<b>1,205,979</b>	<b>1,193,467</b>	<b>1,180,926</b>	<b>1,168,283</b>

## Cash Flow Statement – General Fund

STATEMENT OF CASH FLOWS - GENERAL	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000
	DRAFT	BUDGET	FORWARD PLAN								
<b>Cash Flows from operating activities</b>											
<i>Receipts:</i>											
Rates and annual charges		23,749	24,845	25,686	26,703	27,762	28,865	30,014	31,211	32,457	33,755
User charges and fees		11,011	10,991	11,399	11,854	12,327	12,819	13,331	13,864	14,418	14,995
Investment and interest revenue received		693	698	702	706	711	715	720	724	729	734
Grants and contributions		96,770	46,571	29,398	28,672	24,436	25,043	25,940	26,554	27,131	27,637
Bonds, deposits and retention amounts received		-	-	-	-	-	-	-	-	-	-
Other		1,772	1,841	1,897	1,952	2,010	2,070	2,132	2,196	2,261	2,329
<i>Payments:</i>											
Employee benefits and on-costs		(27,006)	(27,092)	(28,356)	(29,763)	(30,874)	(32,025)	(33,219)	(34,457)	(35,739)	(37,069)
Materials and services		(19,384)	(16,823)	(18,181)	(18,921)	(19,383)	(19,859)	(20,350)	(20,856)	(21,378)	(21,916)
Borrowing costs		-	(8)	(300)	(291)	(282)	(272)	(262)	(251)	(240)	(228)
Bonds, deposits and retention amounts refunded		-	-	-	-	-	-	-	-	-	-
Other		(8,083)	(8,349)	(8,560)	(8,777)	(8,996)	(9,221)	(9,452)	(9,688)	(9,930)	(10,179)
<b>Net cash provided (or used in) operating activities</b>	-	<b>79,522</b>	<b>32,674</b>	<b>13,685</b>	<b>12,135</b>	<b>7,711</b>	<b>8,135</b>	<b>8,854</b>	<b>9,297</b>	<b>9,709</b>	<b>10,058</b>
<b>Cash Flows from investing activities</b>											
<i>Receipts:</i>											
Sale of investments		-	35,353	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment		-	1,125	960	1,337	464	697	1,513	1,319	912	503
Deferred Debtors Receipts		-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Purchase of investment securities		-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment		(92,399)	(39,747)	(27,519)	(19,421)	(12,556)	(16,672)	(19,166)	(16,301)	(15,804)	(14,046)
Purchase of intangible assets		-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets		-	-	-	-	-	-	-	-	-	-
Deferred debtors and advances made		-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) investing activities</b>	-	<b>(92,399)</b>	<b>(3,269)</b>	<b>(26,559)</b>	<b>(18,084)</b>	<b>(12,092)</b>	<b>(15,975)</b>	<b>(17,653)</b>	<b>(14,982)</b>	<b>(14,892)</b>	<b>(13,543)</b>



STATEMENT OF CASH FLOWS - GENERAL	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000
	DRAFT	BUDGET	FORWARD PLAN								
<b>Cash Flows from financing activities</b>											
<i>Receipts:</i>											
New Residential Accommodation Bonds		-	-	-	-	-	-	-	-	-	-
Proceeds from borrowings		150	-	5,304	-	-	-	-	-	-	-
<i>Payments:</i>											
Repayment of borrowings and advances		(31)	(17)	(157)	(166)	(175)	(184)	(194)	(205)	(216)	(228)
Principal component of lease payments		-	-	-	-	-	-	-	-	-	-
Repayment of Residential Accommodation Bonds		-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) financing activities</b>	-	119	(17)	5,147	(166)	(175)	(184)	(194)	(205)	(216)	(228)
<b>Net increase/(decrease) in cash and cash equivalents</b>	-	(12,758)	29,388	(7,727)	(6,115)	(4,556)	(8,024)	(8,993)	(5,890)	(5,399)	(3,713)
Cash and cash equivalents - beginning of year		16,683	3,925	33,313	25,586	19,471	14,915	6,891	(2,102)	(7,992)	(13,391)
<b>Cash and cash equivalents - end of the year</b>	<b>16,683</b>	<b>3,925</b>	<b>33,313</b>	<b>25,586</b>	<b>19,471</b>	<b>14,915</b>	<b>6,891</b>	<b>(2,102)</b>	<b>(7,992)</b>	<b>(13,391)</b>	<b>(17,104)</b>
Investments on hand - end of year	35,353	35,353	-	-	-	-	-	-	-	-	-
<b>Total cash, cash equivalents and investments</b>	<b>52,036</b>	<b>39,278</b>	<b>33,313</b>	<b>25,586</b>	<b>19,471</b>	<b>14,915</b>	<b>6,891</b>	<b>(2,102)</b>	<b>(7,992)</b>	<b>(13,391)</b>	<b>(17,104)</b>

## Income Statement – Water Fund

	DRAFT	BUDGET	FORWARD PLAN								
INCOME STATEMENT - WATER FUND	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Income from continuing operations</b>											
Rates and annual charges	2,814	2,916	3,100	3,295	3,445	3,601	3,764	3,935	4,114	4,300	4,495
User charges and fees	4,717	5,328	5,659	6,009	6,279	6,561	6,855	7,163	7,484	7,820	8,172
Other revenue	90	-	-	-	-	-	-	-	-	-	-
Grants and contributions provided for operating purposes	-	10	-	-	-	-	-	-	-	-	-
Grants and contributions provided for capital purposes	1,524	10,000	40,453	1,534	1,268	1,310	1,348	1,392	1,437	1,484	1,532
Interest and investment revenue	265	372	372	373	373	374	374	375	375	376	376
Other income	-	-	-	-	-	-	-	-	-	-	-
Net gains from the disposal of assets	12	110	114	117	120	123	126	129	132	135	139
Rental income	-	-	-	-	-	-	-	-	-	-	-
<b>Total income from continuing operations</b>	<b>9,422</b>	<b>18,736</b>	<b>49,698</b>	<b>11,328</b>	<b>11,485</b>	<b>11,969</b>	<b>12,467</b>	<b>12,994</b>	<b>13,542</b>	<b>14,115</b>	<b>14,714</b>
<b>Expenses from continuing operations</b>											
Employee benefits and on-costs	2,388	1,745	1,846	1,928	2,018	2,093	2,170	2,250	2,333	2,418	2,507
Materials and services	3,141	2,958	4,111	4,188	4,266	4,346	4,429	4,513	4,600	4,689	4,780
Borrowing costs	1	-	-	-	-	-	-	-	-	-	-
Depreciation, amortisation and impairment of non-financial assets	2,244	3,214	3,710	3,777	3,845	3,915	3,987	4,060	4,135	4,212	4,291
Other expenses	21	833	898	920	943	967	991	1,016	1,041	1,067	1,094
Net losses from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenses from continuing operations</b>	<b>7,795</b>	<b>8,750</b>	<b>10,565</b>	<b>10,813</b>	<b>11,072</b>	<b>11,321</b>	<b>11,577</b>	<b>11,839</b>	<b>12,109</b>	<b>12,386</b>	<b>12,672</b>
<b>Operating result from continuing operations</b>	<b>1,627</b>	<b>9,986</b>	<b>39,133</b>	<b>515</b>	<b>413</b>	<b>648</b>	<b>890</b>	<b>1,155</b>	<b>1,433</b>	<b>1,729</b>	<b>2,042</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>103</b>	<b>(14)</b>	<b>(1,320)</b>	<b>(1,019)</b>	<b>(855)</b>	<b>(662)</b>	<b>(458)</b>	<b>(237)</b>	<b>(4)</b>	<b>245</b>	<b>510</b>

## Balance Sheet – Water Fund

STATEMENT OF FINANCIAL POSITION - WATER FUND	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000
	DRAFT	BUDGET	FORWARD PLAN								
<b>ASSETS</b>											
<b>Current Assets</b>											
Cash and Cash Equivalents	23,054	22,116	24,701	24,578	24,262	24,088	24,206	24,640	25,161	25,968	26,942
Investments	3,647	3,647	-	-	-	-	-	-	-	-	-
Receivables	3,746	3,746	3,746	3,746	3,746	3,746	3,746	3,746	3,746	3,746	3,746
Inventories	-	-	-	-	-	-	-	-	-	-	-
Contract assets and contract cost assets	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>30,447</b>	<b>29,509</b>	<b>28,447</b>	<b>28,324</b>	<b>28,008</b>	<b>27,834</b>	<b>27,952</b>	<b>28,386</b>	<b>28,907</b>	<b>29,714</b>	<b>30,688</b>
<b>Non-Current Assets</b>											
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	155,685	166,609	206,804	207,442	208,171	208,993	209,765	210,486	211,398	212,320	213,388
Investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-
Right of use assets	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-Current Assets</b>	<b>155,685</b>	<b>166,609</b>	<b>206,804</b>	<b>207,442</b>	<b>208,171</b>	<b>208,993</b>	<b>209,765</b>	<b>210,486</b>	<b>211,398</b>	<b>212,320</b>	<b>213,388</b>
<b>TOTAL ASSETS</b>	<b>186,132</b>	<b>196,118</b>	<b>235,251</b>	<b>235,766</b>	<b>236,179</b>	<b>236,827</b>	<b>237,717</b>	<b>238,872</b>	<b>240,305</b>	<b>242,034</b>	<b>244,076</b>
<b>LIABILITIES</b>											
<b>Current Liabilities</b>											
Payables	340	340	340	340	340	340	340	340	340	340	340
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Contract liabilities	-	-	-	-	-	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Employee benefit provision	-	-	-	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>340</b>	<b>340</b>	<b>340</b>	<b>340</b>	<b>340</b>	<b>340</b>	<b>340</b>	<b>340</b>	<b>340</b>	<b>340</b>	<b>340</b>

STATEMENT OF FINANCIAL POSITION - WATER FUND	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000
	DRAFT	BUDGET	FORWARD PLAN								
<b>Non-Current Liabilities</b>											
Lease liabilities	-	-	-	-	-	-	-	-	-	-	-
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-Current Liabilities</b>	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>340</b>	<b>340</b>	<b>340</b>	<b>340</b>	<b>340</b>	<b>340</b>	<b>340</b>	<b>340</b>	<b>340</b>	<b>340</b>	<b>340</b>
<b>NET ASSETS</b>	<b>185,792</b>	<b>195,778</b>	<b>234,911</b>	<b>235,426</b>	<b>235,839</b>	<b>236,487</b>	<b>237,377</b>	<b>238,532</b>	<b>239,965</b>	<b>241,694</b>	<b>243,736</b>
<b>EQUITY</b>											
Accumulated surplus	103,801	113,787	152,920	153,435	153,848	154,496	155,386	156,541	157,974	159,703	161,745
Revaluation reserves	81,991	81,991	81,991	81,991	81,991	81,991	81,991	81,991	81,991	81,991	81,991
Other reserves	-	-	-	-	-	-	-	-	-	-	-
<b>Council equity interest</b>	<b>185,792</b>	<b>195,778</b>	<b>234,911</b>	<b>235,426</b>	<b>235,839</b>	<b>236,487</b>	<b>237,377</b>	<b>238,532</b>	<b>239,965</b>	<b>241,694</b>	<b>243,736</b>
<b>Total equity</b>	<b>185,792</b>	<b>195,778</b>	<b>234,911</b>	<b>235,426</b>	<b>235,839</b>	<b>236,487</b>	<b>237,377</b>	<b>238,532</b>	<b>239,965</b>	<b>241,694</b>	<b>243,736</b>

## Cash Flow Statement – Water Fund

STATEMENT OF CASH FLOWS - WATER	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	DRAFT	BUDGET	FORWARD PLAN								
<b>Cash Flows from operating activities</b>											
<i>Receipts:</i>											
Rates and annual charges		2,916	3,100	3,295	3,445	3,601	3,764	3,935	4,114	4,300	4,495
User charges and fees		5,328	5,659	6,009	6,279	6,561	6,855	7,163	7,484	7,820	8,172
Investment and interest revenue received		372	372	373	373	374	374	375	375	376	376
Grants and contributions		10,010	6,505	1,534	1,268	1,310	1,348	1,392	1,437	1,484	1,532
Bonds, deposits and retention amounts received		-	-	-	-	-	-	-	-	-	-
Other		110	114	117	120	123	126	129	132	135	139
<i>Payments:</i>											
Employee benefits and on-costs		(1,745)	(1,846)	(1,928)	(2,018)	(2,093)	(2,170)	(2,250)	(2,333)	(2,418)	(2,507)
Materials and services		(2,958)	(4,111)	(4,188)	(4,266)	(4,346)	(4,429)	(4,513)	(4,600)	(4,689)	(4,780)
Borrowing costs		-	-	-	-	-	-	-	-	-	-
Bonds, deposits and retention amounts refunded		-	-	-	-	-	-	-	-	-	-
Other		(833)	(898)	(920)	(943)	(967)	(991)	(1,016)	(1,041)	(1,067)	(1,094)
<b>Net cash provided (or used in) operating activities</b>	<b>-</b>	<b>13,200</b>	<b>8,895</b>	<b>4,292</b>	<b>4,258</b>	<b>4,563</b>	<b>4,877</b>	<b>5,215</b>	<b>5,568</b>	<b>5,941</b>	<b>6,333</b>
<b>Cash Flows from investing activities</b>											
<i>Receipts:</i>											
Sale of investments		-	3,647	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment		-	134	94	47	-	96	196	54	95	-
Deferred Debtors Receipts		-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Purchase of investment securities		-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment		(14,138)	(10,091)	(4,509)	(4,621)	(4,737)	(4,855)	(4,977)	(5,101)	(5,229)	(5,359)
Purchase of intangible assets		-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets		-	-	-	-	-	-	-	-	-	-
Deferred debtors and advances made		-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) investing activities</b>	<b>-</b>	<b>(14,138)</b>	<b>(6,310)</b>	<b>(4,415)</b>	<b>(4,574)</b>	<b>(4,737)</b>	<b>(4,759)</b>	<b>(4,781)</b>	<b>(5,047)</b>	<b>(5,134)</b>	<b>(5,359)</b>

STATEMENT OF CASH FLOWS - WATER	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000
	DRAFT	BUDGET	FORWARD PLAN								
<b>Cash Flows from financing activities</b>											
<i>Receipts:</i>											
New Residential Accommodation Bonds		-	-	-	-	-	-	-	-	-	-
Proceeds from borrowings		-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Repayment of borrowings and advances		-	-	-	-	-	-	-	-	-	-
Principal component of lease payments		-	-	-	-	-	-	-	-	-	-
Repayment of Residential Accommodation Bonds		-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) financing activities</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	-	(938)	2,585	(123)	(316)	(174)	118	434	521	807	974
Cash and cash equivalents - beginning of year		23,054	22,116	24,701	24,578	24,262	24,088	24,206	24,640	25,161	25,968
<b>Cash and cash equivalents - end of the year</b>	<b>23,054</b>	<b>22,116</b>	<b>24,701</b>	<b>24,578</b>	<b>24,262</b>	<b>24,088</b>	<b>24,206</b>	<b>24,640</b>	<b>25,161</b>	<b>25,968</b>	<b>26,942</b>
Investments on hand - end of year	3,647	3,647	-	-	-	-	-	-	-	-	-
<b>Total cash, cash equivalents and investments</b>	<b>26,701</b>	<b>25,763</b>	<b>24,701</b>	<b>24,578</b>	<b>24,262</b>	<b>24,088</b>	<b>24,206</b>	<b>24,640</b>	<b>25,161</b>	<b>25,968</b>	<b>26,942</b>

## Income Statement – Sewer Fund

	DRAFT	BUDGET	FORWARD PLAN								
INCOME STATEMENT - SEWER FUND	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000
<b>Income from continuing operations</b>											
Rates and annual charges	7,003	7,326	7,781	8,263	8,838	9,454	9,881	10,327	10,793	11,280	11,789
User charges and fees	1,571	1,521	1,615	1,714	1,832	1,958	2,046	2,137	2,233	2,333	2,437
Other revenue	59	-	-	-	-	-	-	-	-	-	-
Grants and contributions provided for operating purposes	-	9	-	-	-	-	-	-	-	-	-
Grants and contributions provided for capital purposes	562	10,400	49,383	1,707	966	1,557	2,744	1,065	2,902	6,060	1,178
Interest and investment revenue	132	224	226	228	230	232	235	237	240	242	245
Other income	-	-	-	-	-	-	-	-	-	-	-
Net gains from the disposal of assets	-	79	82	84	86	88	90	92	95	97	99
Rental income	-	-	-	-	-	-	-	-	-	-	-
<b>Total income from continuing operations</b>	<b>9,327</b>	<b>19,559</b>	<b>59,087</b>	<b>11,996</b>	<b>11,952</b>	<b>13,289</b>	<b>14,996</b>	<b>13,858</b>	<b>16,263</b>	<b>20,012</b>	<b>15,748</b>
<b>Expenses from continuing operations</b>											
Employee benefits and on-costs	2,074	1,816	1,917	1,997	2,087	2,159	2,234	2,311	2,391	2,474	2,560
Materials and services	5,416	3,481	4,801	4,891	4,984	5,078	5,175	5,275	5,377	5,481	5,588
Borrowing costs	-	5	3	-	-	-	-	-	-	-	-
Depreciation, amortisation and impairment of non-financial assets	1,546	2,288	3,567	3,626	3,687	3,749	3,813	3,878	3,945	4,014	4,084
Other expenses	-	674	730	748	767	786	806	826	847	868	889
Net losses from the disposal of assets	6	-	-	-	-	-	-	-	-	-	-
<b>Total expenses from continuing operations</b>	<b>9,042</b>	<b>8,264</b>	<b>11,018</b>	<b>11,262</b>	<b>11,525</b>	<b>11,772</b>	<b>12,028</b>	<b>12,290</b>	<b>12,560</b>	<b>12,837</b>	<b>13,121</b>
<b>Operating result from continuing operations</b>	<b>285</b>	<b>11,295</b>	<b>48,069</b>	<b>734</b>	<b>427</b>	<b>1,517</b>	<b>2,968</b>	<b>1,568</b>	<b>3,703</b>	<b>7,175</b>	<b>2,627</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(277)</b>	<b>895</b>	<b>(1,314)</b>	<b>(973)</b>	<b>(539)</b>	<b>(40)</b>	<b>224</b>	<b>503</b>	<b>801</b>	<b>1,115</b>	<b>1,449</b>

**Balance Sheet – Sewer Fund**

STATEMENT OF FINANCIAL POSITION - SEWER FUND	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000
	DRAFT	BUDGET	FORWARD PLAN								
<b>ASSETS</b>											
<b>Current Assets</b>											
Cash and Cash Equivalents	7,757	9,523	10,015	7,681	9,416	10,210	7,458	9,911	9,852	3,077	6,969
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables	4,092	4,092	4,092	4,092	4,092	4,092	4,092	4,092	4,092	4,092	4,092
Inventories	-	-	-	-	-	-	-	-	-	-	-
Contract assets and contract cost assets	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>11,849</b>	<b>13,615</b>	<b>14,107</b>	<b>11,773</b>	<b>13,508</b>	<b>14,302</b>	<b>11,550</b>	<b>14,003</b>	<b>13,944</b>	<b>7,169</b>	<b>11,061</b>
<b>Non-Current Assets</b>											
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	110,577	120,106	167,683	170,751	169,443	170,166	175,886	175,001	178,763	192,713	191,448
Investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-
Right of use assets	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-Current Assets</b>	<b>110,577</b>	<b>120,106</b>	<b>167,683</b>	<b>170,751</b>	<b>169,443</b>	<b>170,166</b>	<b>175,886</b>	<b>175,001</b>	<b>178,763</b>	<b>192,713</b>	<b>191,448</b>
<b>TOTAL ASSETS</b>	<b>122,426</b>	<b>133,721</b>	<b>181,790</b>	<b>182,524</b>	<b>182,951</b>	<b>184,468</b>	<b>187,436</b>	<b>189,004</b>	<b>192,707</b>	<b>199,882</b>	<b>202,509</b>
<b>LIABILITIES</b>											
<b>Current Liabilities</b>											
Payables	-	-	-	-	-	-	-	-	-	-	-
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Contract liabilities	-	-	-	-	-	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Employee benefit provision	-	-	-	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



STATEMENT OF FINANCIAL POSITION - SEWER FUND	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000
	DRAFT	BUDGET	FORWARD PLAN								
<b>Non-Current Liabilities</b>											
Lease liabilities	-	-	-	-	-	-	-	-	-	-	-
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-Current Liabilities</b>	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	-	-	-	-	-	-	-	-	-	-	-
<b>NET ASSETS</b>	<b>122,426</b>	<b>133,721</b>	<b>181,790</b>	<b>182,524</b>	<b>182,951</b>	<b>184,468</b>	<b>187,436</b>	<b>189,004</b>	<b>192,707</b>	<b>199,882</b>	<b>202,509</b>
<b>EQUITY</b>											
Accumulated surplus	105,217	116,512	164,581	165,315	165,742	167,259	170,227	171,795	175,498	182,673	185,300
Revaluation reserves	17,209	17,209	17,209	17,209	17,209	17,209	17,209	17,209	17,209	17,209	17,209
Other reserves	-	-	-	-	-	-	-	-	-	-	-
<b>Council equity interest</b>	<b>122,426</b>	<b>133,721</b>	<b>181,790</b>	<b>182,524</b>	<b>182,951</b>	<b>184,468</b>	<b>187,436</b>	<b>189,004</b>	<b>192,707</b>	<b>199,882</b>	<b>202,509</b>
<b>Total equity</b>	<b>122,426</b>	<b>133,721</b>	<b>181,790</b>	<b>182,524</b>	<b>182,951</b>	<b>184,468</b>	<b>187,436</b>	<b>189,004</b>	<b>192,707</b>	<b>199,882</b>	<b>202,509</b>

## Cash Flow Statement – Sewer Fund

STATEMENT OF CASH FLOWS - SEWER	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000
	DRAFT	BUDGET	FORWARD PLAN								
<b>Cash Flows from operating activities</b>											
<i><b>Receipts:</b></i>											
Rates and annual charges		7,326	7,781	8,263	8,838	9,454	9,881	10,327	10,793	11,280	11,789
User charges and fees		1,521	1,615	1,714	1,832	1,958	2,046	2,137	2,233	2,333	2,437
Investment and interest revenue received		224	226	228	230	232	235	237	240	242	245
Grants and contributions		10,409	1,080	1,707	966	1,557	2,744	1,065	2,902	6,060	1,178
Bonds, deposits and retention amounts received		-	-	-	-	-	-	-	-	-	-
Other		79	82	84	86	88	90	92	95	97	99
<i><b>Payments:</b></i>											
Employee benefits and on-costs		(1,816)	(1,917)	(1,997)	(2,087)	(2,159)	(2,234)	(2,311)	(2,391)	(2,474)	(2,560)
Materials and services		(3,481)	(4,801)	(4,891)	(4,984)	(5,078)	(5,175)	(5,275)	(5,377)	(5,481)	(5,588)
Borrowing costs		(5)	(3)	-	-	-	-	-	-	-	-
Bonds, deposits and retention amounts refunded		-	-	-	-	-	-	-	-	-	-
Other		(674)	(730)	(748)	(767)	(786)	(806)	(826)	(847)	(868)	(889)
<b>Net cash provided (or used in) operating activities</b>	-	13,583	3,333	4,360	4,114	5,266	6,781	5,446	7,648	11,189	6,711
<b>Cash Flows from investing activities</b>											
<i><b>Receipts:</b></i>											
Sale of investments		-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment		-	88	-	68	22	82	145	-	30	18
Deferred Debtors Receipts		-	-	-	-	-	-	-	-	-	-
<i><b>Payments:</b></i>											
Purchase of investment securities		-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment		(11,817)	(2,929)	(6,694)	(2,447)	(4,494)	(9,615)	(3,138)	(7,707)	(17,994)	(2,837)
Purchase of intangible assets		-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets		-	-	-	-	-	-	-	-	-	-
Deferred debtors and advances made		-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) investing activities</b>	-	(11,817)	(2,841)	(6,694)	(2,379)	(4,472)	(9,533)	(2,993)	(7,707)	(17,964)	(2,819)

STATEMENT OF CASH FLOWS - SEWER	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000	2031/32 \$'000
	DRAFT	BUDGET	FORWARD PLAN								
<b>Cash Flows from financing activities</b>											
<i>Receipts:</i>											
New Residential Accommodation Bonds		-	-	-	-	-	-	-	-	-	-
Proceeds from borrowings		-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Repayment of borrowings and advances		-	-	-	-	-	-	-	-	-	-
Principal component of lease payments		-	-	-	-	-	-	-	-	-	-
Repayment of Residential Accommodation Bonds		-	-	-	-	-	-	-	-	-	-
<b>Net cash provided (or used in) financing activities</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	-	1,766	492	(2,334)	1,735	794	(2,752)	2,453	(59)	(6,775)	3,892
Cash and cash equivalents - beginning of year		7,757	9,523	10,015	7,681	9,416	10,210	7,458	9,911	9,852	3,077
<b>Cash and cash equivalents - end of the year</b>	<b>7,757</b>	<b>9,523</b>	<b>10,015</b>	<b>7,681</b>	<b>9,416</b>	<b>10,210</b>	<b>7,458</b>	<b>9,911</b>	<b>9,852</b>	<b>3,077</b>	<b>6,969</b>
Investments on hand - end of year	-	-	-	-	-	-	-	-	-	-	-
<b>Total cash, cash equivalents and investments</b>	<b>7,757</b>	<b>9,523</b>	<b>10,015</b>	<b>7,681</b>	<b>9,416</b>	<b>10,210</b>	<b>7,458</b>	<b>9,911</b>	<b>9,852</b>	<b>3,077</b>	<b>6,969</b>

## APPENDIX J: LTFP KEY FINANCIAL PERFORMANCE INDICATORS

Indicator	Target	Fund	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
<b>Local Government Industry Indicators</b>												
Operating Performance Ratio	Greater than 0%	Consolidated	-3.10%	-15.77%	-18.90%	-18.97%	-17.50%	-16.40%	-15.31%	-14.23%	-13.17%	-12.11%
		General	-4.98%	-15.99%	-21.45%	-22.72%	-22.02%	-21.33%	-20.65%	-19.97%	-19.29%	-18.62%
		Water	-1.44%	-15.70%	-11.74%	-9.66%	-7.45%	-5.31%	-3.19%	-1.14%	0.88%	2.84%
		Sewer	8.99%	-14.51%	-10.36%	-5.73%	-1.10%	1.10%	3.24%	5.32%	7.35%	9.33%
Own Source Operating Revenue Ratio	Greater than 60%	Consolidated	31.84%	27.88%	38.92%	52.85%	70.36%	69.83%	71.19%	70.27%	68.67%	72.28%
		General	27.69%	39.91%	30.51%	43.59%	63.56%	63.87%	63.94%	64.28%	64.67%	65.12%
		Water	46.26%	18.42%	86.32%	88.84%	88.94%	89.08%	89.18%	89.28%	89.38%	89.49%
		Sewer	46.57%	16.31%	85.67%	91.86%	88.21%	81.59%	92.26%	82.05%	69.57%	92.47%
Unrestricted Current Ratio	Greater than 1.5	Consolidated	0.83	0.67	0.47	0.31	0.17	-0.03	-0.22	-0.41	-0.66	-0.76
		General	0.90	0.74	0.55	0.40	0.28	0.11	-0.10	-0.25	-0.38	-0.47
		Water	9.80	10.72	11.57	11.70	11.70	12.48	14.14	15.09	15.85	15.86
		Sewer	No Current Liabilities	No Current Liabilities	No Current Liabilities	No Current Liabilities	No Current Liabilities	No Current Liabilities	No Current Liabilities	No Current Liabilities	No Current Liabilities	No Current Liabilities
Debt Service Cover Ratio	Greater than 2.0	Consolidated	2,913.14	4,879.25	178.09	94.91	34.86	39.79	39.08	45.55	54.94	46.64
		General	2,525.13	1,693.44	159.60	77.05	13.82	14.70	16.19	17.07	17.88	18.56
		Water	No Debt	No Debt	No Debt	No Debt	No Debt	No Debt	No Debt	No Debt	No Debt	No Debt
		Sewer	2,700.80	17,184.67	No Debt	No Debt	No Debt	No Debt	No Debt	No Debt	No Debt	No Debt
Debt Service Ratio	Less than 15%	Consolidated	0.0%	0.0%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.4%
		General	0.0%	0.0%	0.8%	0.7%	0.7%	0.7%	0.7%	0.6%	0.6%	0.6%
		Water	No Debt	No Debt	No Debt	No Debt	No Debt	No Debt	No Debt	No Debt	No Debt	No Debt
		Sewer	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Indicator	Target	Fund	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
<b>Infrastructure Asset Performance Indicators</b>												
Infrastructure Renewals Ratio	Greater than 100%	Consolidated	222.07%	173.91%	117.45%	93.73%	102.34%	128.10%	99.59%	120.91%	167.58%	91.18%
		General	309.93%	185.27%	77.26%	77.62%	74.93%	74.75%	82.27%	81.20%	78.69%	74.04%
		Water	40.76%	165.31%	165.31%	165.31%	165.31%	165.31%	165.31%	165.31%	165.31%	165.31%
		Sewer	8.74%	123.66%	275.75%	98.32%	176.19%	367.78%	117.09%	280.59%	639.14%	98.32%
Infrastructure Backlog Ratio	Less than 2%	Consolidated	11.72%	11.72%	11.72%	11.72%	11.72%	11.72%	11.72%	11.72%	11.72%	11.72%
		General	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%
		Water	48.20%	48.20%	48.20%	48.20%	48.20%	48.20%	48.20%	48.20%	48.20%	48.20%
		Sewer	28.90%	28.90%	28.90%	28.90%	28.90%	28.90%	28.90%	28.90%	28.90%	28.90%
Asset Maintenance Ratio	Greater than 1x	Consolidated	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57
		General	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66
		Water	0.34	0.34	0.34	0.34	0.34	0.34	0.34	0.34	0.34	0.34
		Sewer	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71
Cost to bring assets to agreed service level	No Benchmark	Consolidated	7.78%	7.78%	7.78%	7.78%	7.78%	7.78%	7.78%	7.78%	7.78%	7.78%
		General	3.19%	3.19%	3.19%	3.19%	3.19%	3.19%	3.19%	3.19%	3.19%	3.19%
		Water	21.90%	21.90%	21.90%	21.90%	21.90%	21.90%	21.90%	21.90%	21.90%	21.90%
		Sewer	15.75%	15.75%	15.75%	15.75%	15.75%	15.75%	15.75%	15.75%	15.75%	15.75%

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OUTCOME DRIVEN

