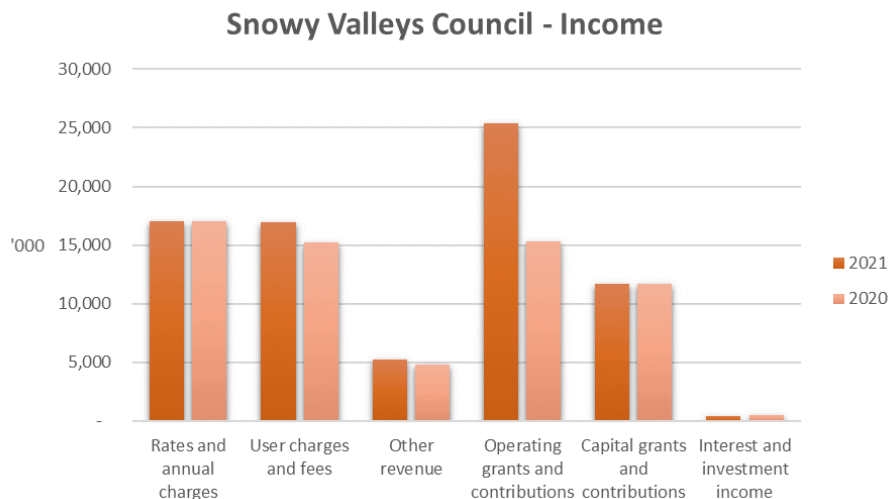


**OVERVIEW**

Council's financial statements provide great insight into Council's business and financial wellbeing.

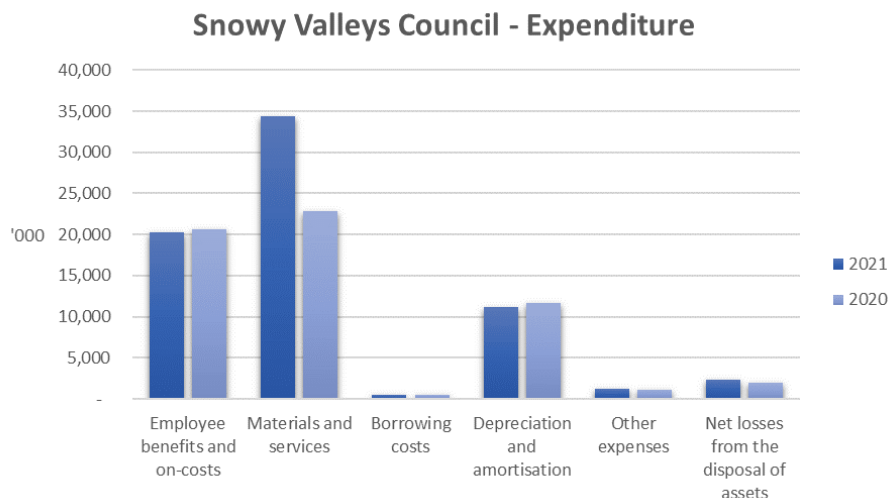
- The overall operating result from continuing operations for 2020/21 is a profit of \$6.76M, while the net operating result when excluding capital grants and contributions is a loss of \$4.98M; reducing further to a loss of \$2.68M when excluding capital expense items.
- Council's revenue increased by \$13.99M and operating expenses increased by \$11.26M, mainly due to unprecedented grant funding and contributions for works undertaken on bushfire clean up.
- The Covid pandemic had some impact on the financial result, mainly in the form of considerably reduced investment returns and some reduction in fee revenue due to closure of facilities and events not going ahead.

### PROFIT AND LOSS



### REVENUE/INCOME

- Council recognised a total of \$25.35M in operating grant and contributions and \$11.79M in capital grants and contributions; of these, \$9.75M was received from the Commonwealth, \$24.70M from the State Government and \$1.68M from other funding bodies.
- Ordinary rates declined due to the expired Tumut Special Rate Variation.
- Water charges increased against the previous year when the community received a rebate for firefighting.
- Commercial works income remained steady and the Council Road contracts increased slightly.
- Investment income reduced further due to the declining economic environment and achievable investment returns.

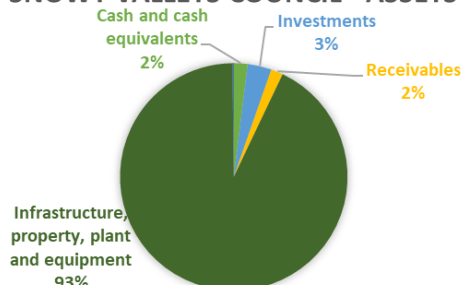


### OPERATIONAL EXPENDITURE

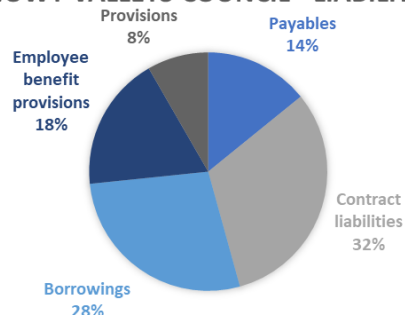
- Employee costs were slightly lower than the previous year.
- Materials and contracts were higher by \$11.64M compared to previous year due to the works undertaken for bushfire clean up.
- Council spent \$7.8M on raw materials/consumables and \$19.66M on contractors including approx. \$13M on bushfire clean up, \$6M on commercial and ordered works, \$1M on pools, \$1M on parks & gardens. and \$1M on waste collection and disposal.
- A total of \$2.72M was spent on consultants, up 15% from previous year. Consultant costs were incurred in project delivery including among others, the FOGO project, the finalisation of the merger projects, a number of infrastructure and bushfire recovery projects, having to fill certain roles with external specialists, for ICT support and community engagement activities.
- Emergency Services Levy contribution increased by \$ 220K to \$748K.
- Depreciation expense reduced by \$532M upon revaluation and assessment of transport and stormwater assets.

### FINANCIAL POSITION

#### SNOWY VALLEYS COUNCIL - ASSETS



#### SNOWY VALLEYS COUNCIL - LIABILITIES



- At year end Council held \$709M in assets, of which \$658M were in the form of infrastructure, property, plant and equipment.
- Council's equity consists of a revaluation reserve, which was \$81.78M and accumulated surplus from current and previous years at \$600.08M.
- A complete revaluation of Council's stormwater drainage asset class was undertaken during the year which resulted in an increase in the value of this asset class by \$11M.
- Council held a \$38M in cash or cash equivalents, a decline from last year, however, receivables were considerably higher due to a delay in reimbursement of disaster management claims.
- Council had \$7.6M external borrowings which reflects a low and very manageable debt level.

### RESERVES

Council holds cash reserves for various future work:

- External reserves are those that are subject to legal requirements on how to use the funds
- Internal reserves are not subject to legal requirements but Council has established a need for a specific internal purpose

Of the total \$38M cash held at 30 June 2021, \$31.2M was externally restricted in the form of unspent grants, developer contributions, and cash held in the Water, Sewer and Waste Funds and \$9.2M was internally restricted through various Council reserves.

This resulted in Council holding a negative unrestricted cash balance, in other words, having more than the available cash restricted in internal reserves. Council is free to remove any internal reserves at any stage to make up this deficit but decided not to do this due to the fact that the negative cash balance was secured by the receivables held for bushfire-related expenditure (reimbursement delay from State Government).

<b>Snowy Valleys Council restricted cash</b>		
	<b>2021</b>	<b>2020</b>
	'000	'000
<b>Externally restricted</b>		
Specific purpose unexpended grants	9,484	9,015
Developer contributions	4,367	3,640
Water fund	5,890	5,406
Sewer fund	7,777	6,642
Waste fund	2,885	1,798
Retirement village	643	670
Other	153	153
<b>Total external restrictions</b>	<b>31,199</b>	<b>27,324</b>
<b>Internally restricted</b>		
Aboriginal brungle reserve	45	45
S355 Committees	225	213
Asset replacements	1,318	2,042
Carry over works	1,863	4,302
Community services	121	253
Community Transport	950	875
Employees leave entitlement	1,933	1,682
Insurance, Risk, Legal and IT	308	250
Plant and vehicle replacement	1,281	1,929
Quarry rehabilitation	1,113	946
Other operational reserves	41	41
<b>Total internal restrictions</b>	<b>9,198</b>	<b>12,578</b>
<b>Total restricted</b>	<b>40,397</b>	<b>39,902</b>

**CAPITAL WORKS PROGRAM**

- Council continued to deliver its capital program, including grant funded projects.
- Council delivered \$18.35M in renewal capital works and \$3.03M in new assets, offset by disposals (mainly related to the renewal program) of \$3.48M.
- The capital works program is funded from a mix of external funding, reserves and Council general revenues.

**FUNDED PROJECTS DELIVERED**

In addition to the capital works program, Council delivered the following projects during the financial year 2020/21:

- Wildlife & Habitat Bushfire RVM (\$34K)
- Crown Reserve Improvements (\$55K)
- Special Library Project (\$76K)
- Winterbites Festival Tumbarumba (\$98K)
- Talbingo Trail Masterplan (\$50K)
- Merger projects (\$1.355M)
- Bushfire Waste program (\$454K)
- Local roads and community infrastructure program round 1 (LICR, \$422K)
- Bushfire roadside and road clean up (\$13M)
- Roads to Recovery (\$872K)
- Local infrastructure renewal scheme (LIRS, \$443K)

**FINANCIAL SUSTAINABILITY AND PERFORMANCE MEASURES**

Financial sustainability is broadly defined as Council's financial ability to deliver acceptable and affordable ongoing services to its community, this includes ensuring that infrastructure is maintained and renewed.

The current deficit before capital grants of \$4.98M indicates Council's inability to self-fund capital renewals and demonstrates that Council continues to secure and utilise grant and other external funding to use on capital renewal projects instead of self-funding these activities.

The aim of Council's Financial Sustainability Plan and current discussions with the community about service delivery aims to continue to implement a solid financial management framework to reduce the deficit and Council's reliance on external funding, while ensuring Council's infrastructure remains in good condition and the appropriate services are delivered to the community.

Council's operating performance ratio improved from the previous year; however, the operating performance remains negative.

The own source operating revenue ratio declined year-on-year due to a large increase in operational funding received, including the partial reimbursement of bushfire clean-up costs. All other performance measures (benchmarks) are satisfactory.

## Financial Statements 2020/2021 Overview

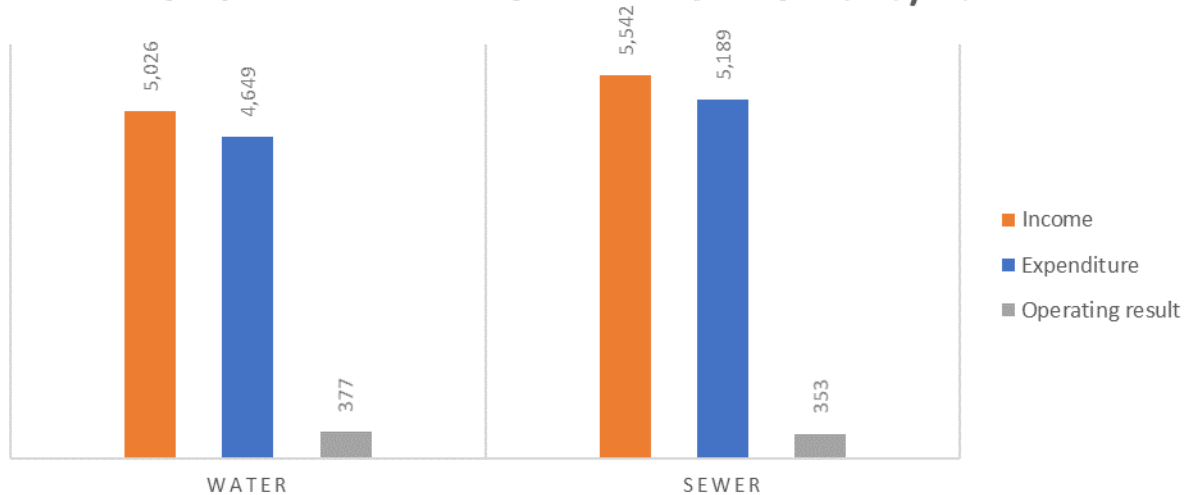
\$ '000	Amounts 2021	Indicator 2021	Indicators 2020	Indicators 2019	Benchmark
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(2,675)	(4.12)%	(11.11)%	1.84%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	64,959				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	39,609	51.64%	56.91%	60.94%	> 60.00%
Total continuing operating revenue <sup>1</sup>	76,699				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	18,681	2.81x	3.35x	3.83x	> 1.50x
Current liabilities less specific purpose liabilities	6,651				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	8,970	4.73x	3.43x	7.39x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,895				
<b>5. Rates and annual charges outstanding percentage</b>					
Rates and annual charges outstanding	1,020	5.56%	7.02%	4.27%	< 10.00%
Rates and annual charges collectable	18,335				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	38,017	7.46	9.92	13.84	> 3.00
Monthly payments from cash flow of operating and financing activities	5,099	mths	mths	mths	mths



### WATER AND SEWER FUND

- Both the water and sewer fund posted a surplus in 2020/21 due to fees and charges increases and in the case of the water fund, a reduction in expenditure.
- Access and user charges are continuously re-evaluated to ensure that these charges cover the cost-of-service delivery and asset renewal. Both funds increased their reserves due to minimal capital investment during the financial year.
- In the coming financial year (2021/22) both water and sewer fund assets are being revalued for the first time since 2016.

### SVC WATER AND SEWER FUNDS 2020/2021



**VARIANCES TO BUDGET**

Council's original budget was adopted in July 2020 forecasting the known operational expenses, works and income for the 2020-2021 financial year. The original projections on which the budget was based have been affected by a number of factors.

The Local Government Act requires Council to review its financial budget on a quarterly basis, so it can manage the variation between actuals and budget that invariably occur during the year.

Through these quarterly budget reviews, Council adjusted the original budget in order to manage the variations as a result of the significant external funding channelled into the Snowy Valleys as a result of federal and state economic stimulus.

During 2020-2021 nearly \$14M in additional income was accounted for, including \$2M for commercial works income and \$9.4M in Disaster Recovery Funding grant funding.

The associated increase of \$11M in expenditure for the delivery of the projects was also accounted for.

The increase from the adopted budget position to the actual budget results is not a reflection of poor budgeting, or overspend, it simply reflects Council's agility to respond to changing circumstances and maximising opportunities in acquiring significant funding for works and services needed for the Snowy Valleys community.