FINANCIAL SUSTAINABILITY PLAN

Settings and Scenarios

Snowy Valleys Council

Version Control

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ALWAYS THINKING ADVISORY

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Contents

Executive Summary

In recent years, the cumulative effect of drought, natural disasters and covid – together with the accompanying surge in infrastructure grants and housing stimulus – has masked the underlying financial results and ongoing resilience of many local councils.

Ideally, councils should prepare a Financial Sustainability Plan (FSP) each term, nominating key issues, principles, pathways, organisation capacity and performance, which in turn guide the settings for the long term financial plan (LTFP). So too should councils use the Integrated Planning and Reporting (IPR) framework to discern 'needs' from the 'wants' often heralded in community strategic plans (CSP), to enable their focus on the enduring affordability of the mix of assets and services, and their capacity and capacity to deliver those.

This FSP outlines the Phases of preparation, the Principles to pursue and the Scenario preferred to place Snowy Valleys Council (SVC) on a sound financial footing across its next two terms.

While many local councils prepare budgets and financial plans in the same format as the financial statements, applying accrual accounting to then disclose the financial performance metrics required of the Office of Local Government (OLG), this FSP converts budgets to an Operating and Capital Account format, distinguishing 'expenses' (employment, material, supplier) to the council 's 'spend' on services, support and assets. The focus nis on cash movements and accumulation of working capital and reserve balances.

Why? Applying the metrics used by NSW TCorp during its assessments of the sustainability risk of NSW councils a decade ago, it is considered better to adjudge a council's sustainability based on its ability to absorb financial and emergency shocks in the short, medium and long term - without major surgery to budgets and service levels that negatively impact their local community.

Councillors considered the condition and performance of infrastructure assets, the role of council in delivering services, the importance or criticality of those services (and supporting assets), opportunities to share resources or services with nearby councils, the extent to which council taxes covered the cost of annual asset maintenance and renewal, and the appropriate range of pricing to recover costs for services. Ideally, future budget should provide better alignment and transparency of services to revenue sources, including through special levies and annual charges.

Importantly, councillors recognised many, if not most, services are supported by assets with the quality and access of services often dependent on the condition and functionality of the respective assets. To that end, spending on maintenance and renewal of existing assets grows each year.

Councillors settled on a Preferred Scenario suggesting a mix of Interventions to contain non-asset service costs, uplift revenue yields and moderate the level of asset investments – some of which may require community engagement (such as a proposed special rate variation) or Government (such as special purpose annual charges).

The FSP differs to an LTFP in that any LTFP indexation to revenues (eg rate cap or fees CPI) above the FSP interventions (eg planned increase to revenue yields), becomes the monetary value to expend on services and support. Otherwise those expenses are flatlined, requiring productivity gains or decisions to retire assets. The FSP aims to reduce reliance on grants to renew assets and sponsor public good services. Any asset grants then become available for placement in asset restricted funds (reserves) or accelerated renewals or upgrades.

1 Brief

Further to the background reports, Council sought proposals to assess the long-term financial sustainability of the existing Snowy Valleys Council and the proposed two new Councils. In particular, the Brief sought to:

i. assess the long-term financial sustainability of Snowy Valleys Council and the proposed two new Councils.
ii. review the methodologies for the proposed distribution of assets and liabilities and the distribution of the 2024/2025 budget
iii. construct a nominal 2024/2025 budget and long-term financial plan for the two proposed new entities
iv. identify opportunities to increase revenue streams and decrease expenditures
i. explore and make recommendations on potential shared service arrangements

In responding to the Brief, this Interim Report will initially undertake a:

- broad analysis of the capacity and capability of the organisation.
- review of strategic settings and priorities (actions, programs, projects), from previous terms.
- review of policy settings for acceptance and management of grants and gifted assets.
- review of rating settings (category, share of burden, recovery of asset-CSO cost, and affordability).
- rates of cost recovery settings for services.
- review of criticalities and risks to key assets and services.

It is proposed the Financial Sustainability Plan (FSP) following Workshop 2 in August 2024 will frame the pathway, principles and pricing to guide a refreshed Financial Plan for SVC and the new councils, and include sustainability scenarios that:

a. converts the SVC budget from an accrual Income Statement to an Operating and Capital Account format
b. prepares three SVC scenarios (Base, Minimalist, Foundation), building options that progressively incorporate changes to service, rates of recovery, asset OMR and rating levels from FY25
c. nominates options to modify expenditures and revenue streams
d. apportions SVC estimates into the new councils (based on distribution data from SVC), and
e. forecasts SVC and new councils Operating and Capital Accounts, and associated ratios

This FSP will draw on previous reports and actions, all of which illustrate the financial sustainability issue is not new - and will take several years to address, requiring discipline and new approaches to:

- priority setting
- financial decisions
- expectations management (councillor, community, government)

Distributions (cash, assets, liabilities, staff) and sustainability of the proposed new councils will follow consideration of the Financial Sustainability Plan for Snowy Valleys Council.

Volume III, outlining those distributions and a financial sustainability plan for the new councils based on the preferred Scenario, will then be published.

2 Sustainability Context

2.1 Financial Obligations

The NSW *Local Government Act 1993* (Act) at s8B, records the following principles of sound financial management applicable to councils:

(a) Council spending should be responsible and sustainable, *aligning general revenue and expenses*.

(b) Councils should *invest in responsible and sustainable infrastructure* for the benefit of the local community.

(c) Councils should have *effective financial and asset management*, including *sound policies* and processes for the following:

- (i) performance management and reporting
- (ii) asset maintenance and enhancement
- (iii) funding decisions
- (iv) risk management practices

(d) Councils should have regard to achieving intergenerational equity, including ensuring the following:

- (i) policy decisions are made after *considering their financial effects* on future generations,
- (ii) the *current generation funds the cost of its services*

It is understood OLG has nominated the following key elements to illustrate financial sustainability:

i. Council must achieve a *fully funded operating position* reflecting that it collects enough revenue to fund operational expenditure, repayment of debt and depreciation.
ii. Council must *maintain sufficient cash reserves* to ensure it can meet its short-term working capital requirements.
iii. Council must have a *fully funded capital program*, where the source of funding is identified and secured for both capital renewal and new capital works.
iv. Council must *maintain its asset base by renewing identified ageing infrastructure* and ensuring cash reserves are set aside for those works yet to be identified.

The National Financial Sustainability Study of Local Government (PWC 2006) defined sustainability as *the ability of a council to manage expected financial requirements and associated risk and shocks over the longer term without disrupting normal revenue and expenditure arrangements*.

2.2 Why a Financial Sustainability Plan

In recent years, the cumulative effect of drought, natural disasters and covid – together with the accompanying surge in infrastructure grants and housing stimulus – has masked the underlying financial results and ongoing resilience of many local councils.

Ideally, councils should prepare a Financial Sustainability Plan (FSP) each term, nominating key issues, principles, pathways, organisation capacity and performance, involving:

- reappraise and rank the status and enduring importance of existing strategic actions and projects, alongside community surveyed ranking of satisfaction and importance.
- utilise the Act (s8B) and TCorp framework as benchmarks of sustainability, and redesign financial, asset, resilience and workforce indicators through that lens.
- the financial plan (LTFP) should reflect the FSP path, with profiles, scenarios, forecasts and revenue recoveries; and annotations on reliability/risks of estimates and grants.
- the sustainability of councils could be monitored through the lens of lower and upper thresholds (for example, the operating performance ratio may be -10% to +10%) to signal a council in distress, or a council raising more revenues than required; or that asset renewal performance is acceptable within a 90-110% range, with annotation in the financial statements which may reference influence of disaster grant funding.
- the revised indicators should signal if a council is displaying the sustainability risks to enable appropriate interventions (SRV, service or asset reviews, PIO) – rather than rely on a sequence of financial statements to disclose the risk, albeit too late

The fundamental responsibility of local councils is to maintain and appropriately renew (or run to fail) its assets. Depreciation is the 'barometer' by which assets are assumed to deteriorate equally each year, moderated by condition/remaining useful life assessment and revaluations of assets on a five-yearly cycle – against which renewal schedules are generated in asset management plans. The condition and fit-for-purpose settings for those assets influence the functionality of services and community perception of performance of the council.

Many councils face a capacity and capability dilemma. Local government is fundamentally in the business of development and construction, yet those costs have escalated beyond CPI and the skills remain scarce (or snapped up by Government or private sector). High risk and large expenditure programs and projects delivered by local councils require particular skillsets (asset management, project and contract management, development assessment, financial and risk management) that are difficult to attract and retain inhouse – otherwise consultant or contractor margins apply.

The Approach taken in preparation of the Financial Sustainability Plan with councillors included several Phases:

- *Confirm Platform - Establish Settings - Establish Interventions - Manage Expenditures - Build Revenues - Build Working Capital - Validate Estimates per LTFP - Preferred Scenario*

2.3 Financial Sustainability Plan or Financial Plan

Preparing a 'financial sustainability plan' (FSP) each council term and adopting appropriate principles and settings to inform the financial planning process, becomes a guide to tax settings (rates, annual charges) required for the term, to deliver the assets, services and projects identified (and agreed) through the Integrated Planning and Reporting (IPR) framework. A FSP should particularly apply to those councils at less than a 'moderate' risk setting and a negative outlook (utilising the TCorp framework). In turn the Audit Risk and Improvement Committee (ARIC) should attest at the end of each term, its view on a council's position and progress towards sustainability.

What's the difference? The FSP considers scenarios, identifies interventions and sets the platform to shift the resources (asset, financial, workforce) towards the settings that may attain the benchmarks required of OLG. The Financial Plan (or LTFP) publishes the forecast expenses and revenues and the respective financial results in accord with the integrated planning and reporting (IPR) requirements.

Sustainability Plan

- Profile
  - health assessment
  - trends analysis
  - underlying base position
  - risks
- Settings
- Pathways
- Expectations
- Scenarios

scenarios →

Financial Plan

- IPR practice
- Format
  - operating and capital account
  - Fund accounting
- Forecasts
  - risks-confidence with $
- Ratios
  - OLG
  - SVC

Figure 1

The FSP differs to the LTFP in that:

- interventions are introduced in the FSP
- revenues and spend are not indexed (as they are in the LTFP)
- assets are the primary focus of expenditure in the FSP
- any interventions are in addition to any indices, such as rate cap, applied in a future LTFP
- focus is on cash movements and balances to illustrate sustainability, rather than accrual-based Income Statements – in that way, the value of depreciation is backed out
- scenario formats differentiate operating from capital results, and combined results – rather than focus on input resources of the typical Income Statement format

Budget discipline is then applied through the FSP as:

- service costs are not expected to expand beyond the levels of service set in FY25
- the dollar value of indexed revenues (ie rate peg, CPI) between financial years, becomes the funds available to expend on services and assets operations in those years
- surplus cash results are available to build working capital or restricted funds (reserves)
- grants received in excess of budget, that are for the purposes accommodated in the FSP, should be placed into working capital or respective restricted funds (reserves)

2.4 Financial Sustainability Framework

The NSW Government commissioned financial sustainability assessments through Treasury Corp during the 'Fit for Future' program in 2012-15. A sustainability rating was established that nominated the performance and resilience expectations of a very strong to a distressed council.

Generally, most NSW councils' function within the 'very weak' to 'strong' bandwidth. In that context, it is anticipated SVC (while it continues to publish accumulative annual operating deficits) would be classified 'weak', while the new councils may initially be 'weak' or 'very weak' until the sustainability interventions proposed later in the FSP are embedded into the new council's service, financial, asset and workforce plans. A copy of the Framework is at Attachment 1.

Table 1: Extract TCorp Sustainability Framework

Sound	○ adequate capacity to meet its financial commitments in the short, medium and long-term. ○ expected to regularly report operating surpluses. ○ able to address its operating deficits, manage major unforeseen financial shocks and any adverse changes in its business. ○ minor or moderate revenue and/or expense adjustments. ○ some changes to the range of and/or quality of services offered. ○ capacity to manage core business risks is sound.
Moderate	○ adequate capacity to meet its financial commitments in the short to medium-term. ○ acceptable capacity in the long-term. ○ likely minor to moderate operating deficits, may recently have a significant operating deficit. ○ likely able to address its operating deficits, manage unforeseen financial shocks and any adverse changes in its business. ○ moderate revenue and/or expense adjustments. ○ number of changes to the range of and/or quality of services offered. ○ capacity to manage core business risks is moderate
Weak	○ acceptable capacity to meet its financial commitments in the short to medium-term ○ limited capacity in the long term. ○ moderate to significant operating deficits. ○ unlikely to be able to address its operating deficits, manage unforeseen financial shocks, and any adverse changes in its business. ○ significant changes to the range of and/or quality of services offered. ○ difficulty in managing core business risks
Very Weak	○ limited capacity to meet its financial commitments in the short and medium-term, and a very limited capacity long-term. ○ significant operating deficits. ○ highly unlikely to be able to address its operating deficits, manage unforeseen financial shocks and any adverse changes in its business without the need for structural reform and major revenue and/or expense adjustments. ○ significant changes to the range and/or quality of services offered ○ need the assistance from higher levels of government. ○ difficulty in managing core business risks

Table 1

2.5 Financial Sustainability Risk Ratings

The expectations of TCorp and OLG in Section 2 has been converted into a Measures table below. At the workshop with councillors on 11 July, it was agreed that SVC's FY23 sustainability risk ratings are:

Measures					Current
Financial Sustainability Framework			**Risk**		**Rating**
i.	capacity to meet financial commitments in the short to medium-term.	adequate	acceptable	limited	
ii.	capacity to meet financial commitments in the long-term.	adequate	acceptable	limited	
iii.	expected operating results	balanced	minor-mod deficit	mod-signif deficit	
iv.	capacity to manage financial shocks and any adverse changes in its business.	able	likely	unlikely	
v.	require revenue and/or expense adjustments	minor	moderate	significant	
vi.	changes to the range of and/or quality of services offered	minor	moderate	significant	
vii.	capacity to manage core business risks	minor	moderate	significant/govt assist	
i.	collects enough revenue to fund operational expenditure, repayment of debt and depreciation	100%	90%	80%	
ii.	sufficient cash reserves to ensure it can meet its short-term working capital requirements	adequate	acceptable	limited	
iii.	fully funded capital program, with source of funding secured for renewal and new capital works	100%	75%	50%	
iv.	maintain its asset base by renewing identified ageing infrastructure	100%	90%	80%	
v.	cash reserves are set aside for capital works	100%	75%	50%	

Table 2

Accordingly, Council's current rating in the Framework has been assessed as "Weak'.

Councillors agreed that SVC should aim to progress from a 'weak' rating to a 'moderate' through the next term of council (ie FY28), then with appropriate financial and asset settings embedded in the next financial plan, move the organisation's sustainability towards a 'sound' rating in the following term of council (ie FY32).

Through further assessments, workshops and consideration of three options, SVC established its preferred scenario to migrate to a sustainable council across two terms. Any changes to expenditure and revenue profiles are to be managed through the Integrated Planning and Reporting (IPR) framework, and the relevant Long Term Financial Plan (LTFP).

						Scenario 1		Scenario 2		Scenario 3	
					<4yrs	>4yrs	>8yrs	>4yrs	>8yrs	>4yrs	>8yrs
Measures					**Current**	**Planned**	**Planned**	**Planned**	**Planned**	**Planned**	**Planned**
Financial Sustainability Framework			**Risk**		**Rating**	**Term 1**	**Term 2**	**Term 1**	**Term 2**	**Term 1**	**Term 2**
i.	capacity to meet financial commitments in the short to medium-term.	adequate	acceptable	limited							
ii.	capacity to meet financial commitments in the long-term.	adequate	acceptable	limited							
iii.	expected operating results	balanced	minor-mod deficit	mod-signif deficit							
iv.	capacity to manage financial shocks and any adverse changes in its business.	able	likely	unlikely							
v.	require revenue and/or expense adjustments	minor	moderate	significant							
vi.	changes to the range of and/or quality of services offered	minor	moderate	significant							
vii.	capacity to manage core business risks	minor	moderate	significant/govt assist							
i.	collects enough revenue to fund operational expenditure, repayment of debt and depreciation	100%	90%	80%							
ii.	sufficient cash reserves to ensure it can meet its short-term working capital requirements	adequate	acceptable	limited							
iii.	fully funded capital program, with source of funding secured for renewal and new capital works	100%	75%	50%							
iv.	maintain its asset base by renewing identified ageing infrastructure	100%	90%	80%							
v.	cash reserves are set aside for capital works	100%	75%	50%							

Table3

A suite of financial, asset and workforce indicators will guide council's progress towards its preferred scenario over the next two terms (Attachment 2).

The indicators include the specific OLG financial and asset indicators, and other indicators mapped to the sustainability measures above.

2.6 Financial Sustainability Path

Local communities rely on councils, the level of government closest to their place of residence and work to provide the services supported by public infrastructure. Public infrastructure is an *essential* public good. Communities expect an equal opportunity to access assets that are fit for purpose and appropriate to those communities.

Without functional and fit-for-purpose assets, there is no building for the library, no bridge for transport, no treatment plant for water.

The fundamental responsibility of local government therefore is to operate, maintain and renew local public assets (infrastructure, utilities, facilities). To do so, sufficient public taxes (rates and annual charges) should be raised to meet those annualised costs. The gap in funding may become the grant funding ‘ask’. Returns from grants, fees and investment then set the expenditure scope of non-asset services.

Ratepayers would normally expect those taxes should fund those asset and essential public good services.

Ideally, any funding gap should be covered by reliable annual ‘allocated’ asset grants. In the absence of those asset grants (which are often subject to *volatility*), for a council to manage expectations of asset functionality, condition and presentation - the *certainty* of taxes, recoverable from property, is paramount.

2.6.1 Objectives

The key objectives of the FSP involves the following. The particular Interventions are at Section 7:

Expenditures

a. contain asset operations and maintenance to levels consistent with those before the influence of disaster and stimulus grants (ie <2019)
   - operations (eg cleaning, energy) should be distinguished and accounted separately from maintenance. Operations may include asset management.
   - annual maintenance will initially be set at a notional 1% of the value of each class of asset
   - modest investment in asset management maturity
   - acknowledge relatively good condition of most assets
   - reduce general and plant asset renewals initially (below OLG ratio), as asset condition and renewal ratios in road and utility assets are above benchmark following disaster grants spend
   - retain utility renewals at benchmark, growing to levels identified in the IWCMP strategic business plan
   - phase the return of general and plant asset renewals to benchmark

   Generally, those levels are assumed to be within 3% bandwidth of the written down value (WDV) of assets, available to spend on annualised maintenance and renewals.

b. cap upgraded or new assets to the value of associated capital grants or contributions
   - scope asset and other projects with appropriate escalations and contingencies (ie ~P50-80)
   - rescope existing asset and other projects to the value of supporting grant/contribution
   - minimise exposure to funding project gaps, or legacy funding of discontinued or under-funded programs sponsored initially by Government

- align AMP and contribution work schedules scope and value; refresh estimates 5-yearly; index to PPI annually
- flatline service and support costs at the levels of service (LoS) established with the FY25 Operational Plan (OP25)
- no expansion or contraction of current service offer
- increase service expenditures each year, only to the equivalent dollar value of indexed annual revenues, raised as rate peg or CPI

c. minimise cost of workforce churn
   - recruitment generally takes 3 months (particularly for specialist roles), requiring backfill or overtime at higher costs
   - monitor cost of unplanned absence on productivity, and consequent impact on overtime, excess leave, lost time injury

d. optimise application of TechOne enterprise platform
   - assume configuration and training complete FY25 (and transferable to new councils)

Revenues

a. restore capacity to operate, maintain and renew assets with council-controlled funding sources
   - progressively narrow the funding gap between general assets OMR and general rates
   - source reliable annual allocated grants to support maintenance and renewal of assets

b. continue to self-fund the utilities (water, sewer, waste, stormwater)
   - informed by integrated water cycle management (IWCM) and associated business plan schedules for utility augmentation appropriate for change to population, climate and standards
   - restructure annual and user charges to appropriately recover respective costs of asset maintenance from operations

c. build capacity to deliver critical and essential public services
   - identify high importance services through community survey
   - confirm criticality and role of council in delivery of public good services (community service obligation CSO)
   - narrow the funding gap for essential public good services, through general rate settings
   - source reliable annual allocated grants to support public good services

d. apply beneficiary pricing principle to non-'essential' services
   - grow level of cost recovery through fees for regulatory, private and market services
   - contemplate special purpose annual charges (ie 'important' services > $0.5m nett cost)

e. reduce reliance on grants
   - build council-controlled own source revenues
   - scope programs and projects to the value of fully costed grant applications (including project management and contingencies/cost escalation)

f. optimise property portfolio
   - returns from real estate to support funding for projects
   - returns from asset sales are placed into reserves for future reinvestment
   - returns from leasehold are compared to BBSW yields to inform disposal or retention of property

2.6.2 Key Targets

The hallmarks of the FSP are premised on several key planks:

1. progressively building property taxes (rates and fixed annual charges) to meet the cost of combined General assets and Utility assets maintenance and depreciation
2. restructuring general rates and utility charging models, so that
    a. the tax on land value (ad valorem rate), plus the fixed annual utility charges, plus relevant asset grants, meet the cost of respective General assets and Utility assets maintenance, depreciation and debt servicing
    b. the fixed tax per property (base rate), plus Utility user charges, plus relevant service grants, meet the cost of essential public good and utility operational expenses
3. bundle water, sewer and stormwater expenses and revenues into an Integrated Water Cycle Management Fund, where annual charges, user charges and respective grants and contributions meet the cost of
    a. respective utility maintenance, depreciation and operational expenses
    b. future augmentation capital or debt servicing
    c. water cycle/catchment expenses (harvest, discharge, servicing)
    d. relevant attributed organisation expenses
    e. dividend distributions (if applicable)
4. progressively building unrestricted cash and internal reserves to the equivalent of three (3) months cash operational expenditure
    a. proceeds of sale of property, or a portion of capital funds set aside for asset renewal that are superseded by grants that exceed or were not included in the FSP – should be placed into internal reserves

2.6.3 Summary

The key Path and Steps to financial sustainability for the Council are summarised below:

Path	Steps
1 Migrate to *Moderate* Sustainability rating (Term 1), the *Sound* rating (Term 2)	*a. focus spend on fit for purpose, functional assets* *b. build property taxes ~ asset OMRD* *c. build working capital and asset reserves* *d. focus on and manage movement in cash (reserves)* *e. refine service and asset standards* *f. dampen service/support growth* *g. repurpose old contributions/grants* *h. apply sustainability principles* *i. convert FSP settings into LTFP forecasts*
2 Retreat to Minimalist Position (Term 1), progress perhaps Optimalist (Term 2)	*a. clarify critical and essential public good assets-services* *b. confirm mode of delivery for public good services* *c. withdraw from non-essential, poor RoR services* *d. limit service/asset scope to value of grants received* *e. seek alternate providers* *f. explore shared service/hosting options* *g. expand service/asset offer in line with tax growth*
3 Alter mix of asset MR	*a. acknowledge assets in generally good condition* *b. reduce renewals to 70%, return to 100% (with SRV/AC)*

	c. focus spend on key building renewals *d. retain utilities renewals at 100%, align to IWCMP* *e. reframe utility AC to asset MRD* *f. modify asset intervention levels, monitor via hybrid IPPE*
4 Communicate Revenue Policy	*a. introduce alternate rate model structure* *b. illustrate tax and fee mix for services* *c. illustrate service and asset funding gaps* *d. phase charge/fee and SRV growth, to narrow gap* *e. introduce special purpose annual charges* *f. revise distribution of rate burden in categories*
5 Establish pricing principles and rates of return	*a. phased uplift to regulatory and private good pricing* *b. continue growth in market good pricing* *b. attribute support costs (ABC) to reveal real cost and RoR* *c. commercial service to cover cost of asset OMR* *d. all other services bear share of nett support costs* *e. retain-build services with high RoR yields* *f. revisit annual charges with IWCM (incl stormwater)*
6 Improve transparency	*a. distinguish Funds (general from utilities)* *b. integrate water, sewer, stormwater in IWCM Fund* *c. adopt operating and capital account reporting format* *d. refine asset accounting schedules and SoIR* *e. account for Fund, SRV and AC annual reporting* *f. ensure utilities resilient and self funding* *g. policy settings (grants, gifted assets, donations, reserves)* *h. engage ARIC to oversight risk and sustainability status*
7 Manage expectations	***a.*** *refine service and asset standards (potentially by locality)* ***b.*** *refresh AMP, contribution plan and service statements* ***c.*** *purge unfunded strategy and plan actions-projects* ***d.*** *establish and publish trade offs* ***e.*** *ask targeted service and asset survey questions* *f. publish asset MR and project schedules*
8 Invest in resilience and organisation maturity	*a. phase 'build-buy-borrow' workforce (cadets, hybrid)* *b. share technology platforms* *c. transition to 'digital first' transacting* *d. design population and climate adaptability into renewed and new assets* *e. incorporate asset lifecycle in AMP and financial plan* *f. lead with strategy (prepare/refresh AMP, IWCM, DWM)* *g. pursue-monitor workforce and AMP indicators*

Table 4

2.6.4 Current Scenario Cost Model (FY25)

Asset	Income	$,000	Expend	$,000
	Rates AV	9241	Operations	3650
	Utility AC	16623	Utility Operations	11653
	Operating Grants	2811	Maintenance	13253
	Capital Grants	6173	Renewal	16812
	Disaster Grants	24495	Disaster	26112
	Plant Hire	3395		
		62738		71480
				-8742
Service	**Income**	**$,000**	**Expend**	**$,000**
	Rates Base	3960	Essential Service CSO	4853
	Utility User	17315	Service	16375
	Fees-Charges	5754	Support	10254
	Grants/FAG	902		
	Internal Charge	11754		
	Special AC	0		
		39685		31482
				8203

Table 5

While most Scenarios in Section 8 produce a balanced or surplus combined result by the end of Term 2, the annual deficits before those latter years erode the internal reserves estimated to be held at end FY25. The combination of internal reserves and unrestricted cash ideally should be 25% of the cash value (ie excluding depreciation) of operational expenditure.

Therefore, the proceeds of sale of property, or a portion of capital funds set aside for asset renewal that are superseded by grants that were not included in the FSP – should be placed into internally restricted funds (reserves).

2.6.5 Preferred Scenario Cost Model

Council has signalled a preference for Scenario 4 – a summary of which is at Section 8.5.5.

Term 1					
	Asset	**Income**	**$,000**	**Expend**	**$,000**
		Rates AV	12299	Operations	3761
		Utility AC	8317	Maintenance	15666
		Grants	3826	Depreciation	13086
		Plant Hire	4659	Debt PI	333
			29101		32846
					-3745
	Service	**Income**	**$,000**	**Expend**	**$,000**
		Rates Base	4020	Essential Service CSP	5103
		Utility User	8629	Utility Operations	9319
		Fees-Charges	14610	Service	17465
		Grants/FAG	9294	Support	10254
		Interest	1516	Internal Charges	
		Special AC	495		
			38564		42141
					-3577

Term 2					
	Asset	**Income**	**$,000**	**Expend**	**$,000**
		Rates AV	16122	Operations	3913
		Utility AC	9361	Maintenance	18546
		Grants	2596	Depreciation	14445
		Plant Hire	5142	Debt PI	347
			33221		37251
					-4031
	Service	**Income**	**$,000**	**Expend**	**$,000**
		Rates Base	4525	Essential Service CSP	5103
		Utility User	9712	Utility Operations	9319
		Fees-Charges	15948	Service	17465
		Grants/FAG	9294	Support	10254
		Interest	2115	Internal Charges	
		Special AC	743		
			42336		42141
					195

Table 6

2.6.6 Current and Preferred Scenario Rate Model

The comparison of FY25 general rates to forecasts to FY28 and FY32 are outlined below.

Current FY25

	RATING TABLE 2024/2025								
Average		No. of assess	LV	Base rate	Total	Ad Valorem	Total	Total Rates	Yield %
2,852.37	Farmland	2156	2,899,242,939	484.30	1,044,151	0.1761	5,105,567	6,149,718	46.5%
960.53	Residential	6030	716,107,090	472.08	2,846,642	0.4113	2,945,348	5,791,991	43.8%
2,179.95	Business	587	122,237,850	216.44	127,050	0.9429	1,152,581	1,279,631	9.7%
3,558.13	Mining	3	1,240,500	355.16	1,065	0.7746	9,609	10,674	0.1%
					Base		AV		
					4,018,909		9,213,105	13,232,014	

Preferred Scenario FY28*

Term 1				
	AV	Base	Total	Average
Farmland			7,585	3,518
Residential			7,143	1,185
Business			1,578	2,689
Mining			13	4,388
	12,299	4,020	16,319	
Special AC	495			56

FY32

Term 2				
	AV	Base	Total	Average
Farmland			9,596	4,451
Residential			9,038	1,499
Business			1,997	3,401
Mining			17	5,552
	16,122	4,525	20,647	
Special AC	743			85

Table 7

** assumes no growth in rateable assessments; excludes rate peg*

2.6.7 Scenario Sustainability Outcomes

An examination of the balances of working capital, the narrowing of gaps between taxes and assets, and the sustainability indicators, guided the assessment against the TCorp and OLG measures at the close of term 1 and Term 2 below:

	Sustainability Measures and Indicators						Scenario 1		Scenario 2		Scenario 3		Scenario 4	
							>4yrs	>8yrs	>4yrs	>8yrs	>4yrs	>8yrs	>4yrs	>8yrs
Measures					Current	FY23	Planned	Planned	Planned	Planned	Planned	Planned	Planned	Planned
Financial Sustainability Framework			Risk		Rating	Result	Term 1	Term 2	Term 1	Term 2	Term 1	Term 2	Term 1	Term 2
i.	capacity to meet financial commitments in the short to medium-term.	adequate	acceptable	limited										
ii.	capacity to meet financial commitments in the long-term.	adequate	acceptable	limited										
iii.	expected operating results	balanced	minor-mod deficit	mod-signif deficit										
iv.	capacity to manage financial shocks and any adverse changes in its business.	able	likely	unlikely										
v.	require revenue and/or expense adjustments	minor	moderate	significant										
vi.	changes to the range of and/or quality of services offered	minor	moderate	significant										
vii.	capacity to manage core business risks	minor	moderate	significant/govt assist										
i.	collects enough revenue to fund operational expenditure, repayment of debt and depreciation	100%	90%	80%										
ii.	sufficient cash reserves to ensure it can meet its short-term working capital requirements	adequate	acceptable	limited										
iii.	fully funded capital program, with source of funding secured for renewal and new capital works	100%	75%	50%										
iv.	maintain its asset base by renewing identified ageing infrastructure	100%	90%	80%										
v.	cash reserves are set aside for capital works	100%	75%	50%										

Table 8

2.6.8 Preferred Scenario Summary

While the service expense and fee fundamentals remain the same as other Scenarios, Scenario 4 differs from the other Scenarios by placing more of the revenue growth (and sustainability) in the hands of council, rather than the process of various special rate variations. This Scenario proposes to recover lower portions of the tax-asset gap and the tax-CSO gap, smoothed over each year in each Term.

It changes the structure of the Revenue Policy through introduction of utility (stormwater) and service (emergency, tourism) special purpose annual charges and the application of a dividend from the water and sewer utilities – in turn improving the transparency of taxes to services. In accordance with DPE 'Pricing and Costing for Council Businesses' per National Competition Policy (NCP), Council considers Water and Sewer as business activities. The policy notes councils 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'. Before council takes a dividend payment under s 409(5) of the Local Government Act, its local water utilities must have in place effective, evidence-based strategic planning in accordance with DPE guidance on strategic planning (ie Integrated Water Cycle Management).

In that way, council may levy stormwater annual charges and extract dividends from urban properties – in turn applying those revenues to urban assets or services – while a lower SRV approach to narrow the tax-asset gap (particularly roads and bridges) may skew toward farmland category properties. The dividend example was drawn from the FY23 financial statements (eg notional dividend ~ $2.3m), noting minimum planning requirements and dividend caps apply.

This Scenario continues the philosophy of restructuring the taxes so that the ad valorem component of the general rate, and the restructured fixed annual charges (together with respective asset grants) progressively cover the cost of those asset maintenance and depreciation expenses; while the base component of the general rate and the utility user charges (together with respective grants) progressively cover the cost of essential public good and utility services. It is the assets, utilities and those public good services that had been nominated by council as 'critical' and 'essential', with council the only provider to the community. Importantly, the community would be engaged and informed each term and each year through the Integrated Planning and Reporting process.

Similarly, the proposed special purpose annual charges may apply to the respective beneficiary sectors (eg business).

Operating and total result surpluses appear in Term 2, with General Fund returning positive results by the end of Term 2. It does not however generate surpluses sufficient to build working capital and reserves, and would require the discipline to place grants received for renewal of assets that had been already funded in the FSP, into asset reserves - but the Scenario does attain the OLG benchmarks.

This option permits consideration of some general asset upgrades, while building working capital and asset reserves to attain OLG sustainability expectations should remain the focus. Indeed, this Scenario General Fund turns to a surplus result by the end of Term 2, and enables council to transition from an 'minimalist' to 'optimalist' council.

3 Issues

3.1 Drivers-Pressure-State-Impact

Councillors worked through the issues that contributed to Council's financial position. A driver-pressure-state-impact (DPSIR) approach was applied. The following issues were identified:

Drivers	Pressure
Legislation	Cumulative deficits LTFP
OLG-community expectations	Unspent grants
Expanded LG functions	Resource capacity/availability (skills, contract)
Not enough revenue	Sustainability criteria
Broader service offer than most rural LG	staff:resident ratio higher due to provision of childrens, aged and commercial services

State	Impact
Most parameters below Group average	Asset MRD exceeds notional 3% WDV
Financial results masked by disaster grants, prepaid FAG, and utilities funds surplus	Most expenses in line with former councils (indexed from FY15~$2023)
Investments = 90% external reserves	Reliant on positive commercial services returns
Asset renewals high, backlog low	Renewals largely due to grants
High grants dependence,	Significant grants (and assets) growth following merger (with associated depreciation growth)
Working capital non existent	Grants declining; exposure to volatility of competitive grants environment
Reserves (incl grants) declining	Negative working capital forecast in LTFP
Workforce churn relatively high	Workforce ageing; costs steady
Declining community satisfaction	Growing reliance on contractors

Table 9

3.2 Financial Position

Volume 1 (Trends and Analysis) outlined the financial health of SVC, utilising previous financial year statements.

One of the basic tenets of a sustainable council is its ability to fund the operations, maintenance and depreciation of its existing infrastructure and utility assets. Notwithstanding several accounting aberrations (grant prepayments and asset impairments for example), the water, sewer and waste utilities can (and should) fund those costs and accommodate future shocks and growth. Stormwater expenses could be funded by its discrete annual charge, as it influences environmental health, catchment and flood risk. Aggregated Income Statement results is at Attachment 3.

The surplus results for waste, also mask the General Fund deficit results.

However, in FY23 the general rates income ($10.511m) fell short (ie 55%) of the combined general infrastructure maintenance expenditure ($9.234m) and depreciation expense ($9.772m). Without the benefit of significant (and underspent) disaster and stimulus grants, the Council had around 10% of the renewal capex available for application with its own funds. The balance of those unexpended grants is expected to close in FY25.

The charts published in Volume 1 indicate:

- a continuing trend of operational deficits is unsustainable
- council's reliable sources of tax income (property rates, annual charges and financial assistance grants) have improved in real terms since 2015; but declined as a share of overall income due to increased grant funding received from governments
- employment costs are consistent as a portion of service and support expenses
- working capital (unrestricted cash) to meet monthly cashflow is inadequate, without drawing on internal restricted funds
- finances are vulnerable to grants and depreciation
- debt has increased for capital expenditure on improvement or renewal of assets, while debt servicing remains low and capable of further borrowing
- renewal of assets has exceeded depreciation, resulting in a manageable asset backlog below 2%; however that assessment may be revisited pending completion of any natural disaster remediation works and future condition assessments and revaluation of assets

3.3 Resources and Risks

Like most regional councils, the challenges identified for SVC and the new councils are common:

- ageing workforce
- continuing to engage existing employees
- retaining key workers with critical skills and experience
- competition for skills with other councils and agencies
- retaining and optimising the contribution (and wellbeing) of mature aged workers
- successful adoption of new technologies, new management systems and methods of work
- accommodating the differing needs of a multi-generational workforce
- staff training and development costs
- keeping staff safe in changing working and climatic environments
- retaining and training resources to attend to natural disaster and other emergency events
- life cycle of the salary system
- accommodating employment flexibility and work/life balance
- identifying opportunities to deliver shared services
- creating greater workforce flexibility such as more multi-skilled workers/teams
- capturing and transferring corporate knowledge

The FSP proposes investing in organisation maturity (skills, technology, specialisation, trainees), however acknowledges that, if placing these costs and priorities alongside patching roads – then a community-driven outcome would be preferred for funding.

Several of the above challenges will be exacerbated with a demerger – staffing churn is likely.

While a table of risks specific to a demerger is referenced later, the broad strategic risks associated with the sustainability of Council includes:

Financial:
- Sequence deficits
- Accumulation deficits
- Property tax < asset MRD

Assets:
- Depreciation v degradation
- Council funding MR v renewal
- 3% asset WDV ~ asset spend

Workforce:
- Executive churn
- Specialists churn
- Demerger churn

Strategic:
- De-merger
- Climate-disaster
- GF failure
- Asset failure

Cycle:
- Revaluations (LV, asset)
- Seasons (wet, drought)
- Economy (renewal, resource)
- Elections (state, local)

Pendulum:
- Services v assets
- Environment v community
- Maintenance v renewal
- Staff v contractors

Figure 2

Typically, a regional local council would bear the challenges summarised at Attachment 4. Some of those include:

- exposure to competitive grant environment, becoming onerous in complexity or matching funds unaffordable
- diminishing grants may lead to declining services and asset function
- decline in private works (economic) demand
- turnover of key staffing positions

No assessments were undertaken regarding risk appetite and operational risks – matters expected to be revised with an incoming council.

3.4 Health Check

Volume 1 outlined recent financial, asset and workforce trends. This Section summarises key observations on the following:

3.4.1 Assets

a. most infrastructure assets are assessed for functionality and performance potential based on their inspected condition or assessed remaining useful life.

Condition rating	Condition	Description	Guide	Residual life (% of total life)
1	Excellent	New or as new condition. Only planned cyclic inspection and maintenance required.	Normal maintenance required (no defects)	>80%
2	Good	Sound or good condition with minor defects. Minor routine maintenance along with planned cyclic inspection and maintenance.	Normal maintenance plus minor repairs (up to 5% of the asset affected by defects)	50% - 80%
3	Satisfactory	Fair condition with significant defects requiring regular maintenance on top of planned cyclic inspections and maintenance.	Maintenance/repairs required (up to 20% of the asset affected by defects)	25% - 50%
4	Poor	Poor condition with asset requiring significant renewal / rehabilitation, or higher levels of inspection and substantial maintenance to keep the asset serviceable.	Significant renewals required (up to 40% of the asset affected by defects)	5% - 25%
5	Very poor	Very poor condition. Asset physically unsound and/or beyond rehabilitation. Renewal required.	Asset requires renewal (over 50% of the asset affected by defects)	<5%

Table 10

b. with reference to Special Schedule 7 in the FY23 financial statements (below), most assets are in good condition (IIMM condition 1-2). There is no discernible backlog, however that may alter with the refresh of the AMPs scheduled for FY25. Overall, the assets are in an average condition of nearly 70% (written down value $680m/gross replacement cost $990m). It is noted that large-value assets (eg transport) are scheduled for revaluation in FY25. It is understood renewal investment in building and structure assets is planned from FY25. The figure below illustrates the relatively high portion of assets in excellent-good condition.

   The figure indicates the nett carrying amount (or written down value) of IPPE (excluding bulk earthworks) is $443.3m.

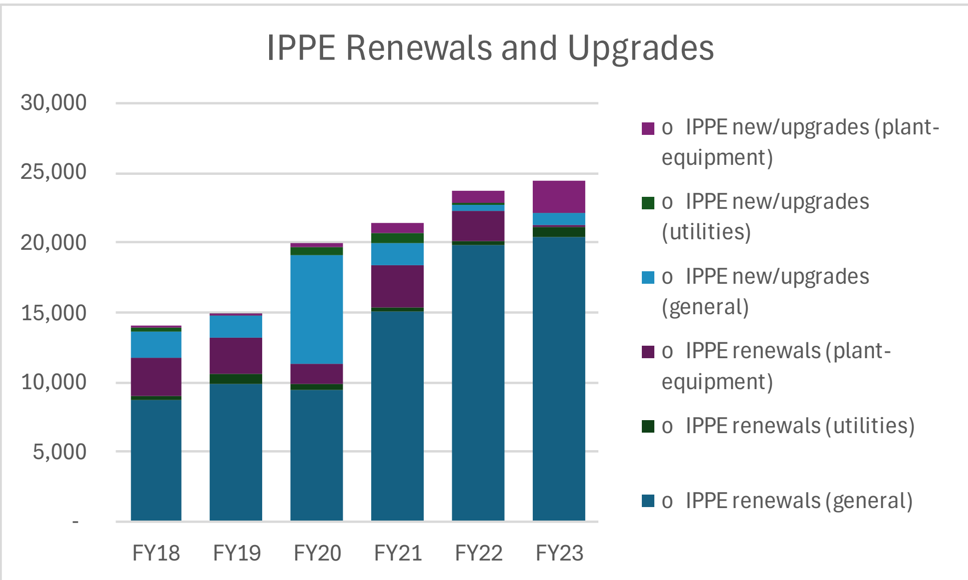
   Applying Table 10 above, that estimate of asset condition (ie 50-80% residual life) correlates with the average condition (or consumption) of assets of 70% referenced in the above paragraph.

Asset Class	Asset Category	Net carrying amount $ '000	Gross replacement cost (GRC) $ '000	Assets in condition as a percentage of gross replacement cost 1	2	3	4	5
Buildings	Buildings – specialised	13,476	23,109	69.8%	19.9%	10.0%	0.4%	0.0%
	Council Offices/Administration	8,349	15,950	37.8%	59.0%	3.3%	0.0%	0.0%
	Council Public Halls	1,552	4,605	8.3%	44.2%	47.6%	0.0%	0.0%
	Council Works Depot	3,139	5,953	53.8%	28.6%	17.6%	0.0%	0.0%
	Cultural Facilities	4,831	10,475	55.7%	34.3%	9.5%	0.5%	0.0%
	Libraries	2,489	3,919	63.5%	29.6%	6.9%	0.0%	0.0%
	Other Buildings	10,651	18,154	68.6%	27.5%	3.9%	0.0%	0.0%
	Sub-total	**44,487**	**82,165**	**56.6%**	**33.4%**	**9.8%**	**0.2%**	**0.0%**
Other structures	Other structures	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other structures	8,982	15,935	76.5%	7.3%	10.6%	5.7%	0.0%
	Sub-total	**8,982**	**15,935**	**76.5%**	**7.3%**	**10.6%**	**5.7%**	**(0.1%)**
Roads	Unsealed roads	20,402	21,916	68.5%	26.9%	4.2%	0.4%	0.0%
	Bridges	51,069	79,695	88.9%	8.9%	2.0%	0.2%	0.0%
	Footpaths	12,269	16,761	69.8%	23.4%	6.8%	0.0%	0.0%
	Other road assets	8,705	10,699	99.4%	0.0%	0.0%	0.6%	0.0%
	Bulk earthworks	236,852	236,852	99.8%	0.0%	0.2%	0.0%	0.0%
	Cycleways	2,774	3,158	88.3%	11.4%	0.0%	0.3%	0.0%
	Kerb & Gutter	23,794	34,552	35.6%	37.7%	25.9%	0.8%	0.0%
	Road Culverts	22,288	36,082	64.2%	35.6%	0.2%	0.0%	0.0%
	Sealed Road Surface	19,254	35,637	78.3%	20.7%	1.0%	0.0%	0.0%
	Sealed Road Structure	77,925	109,585	52.0%	44.4%	3.6%	0.1%	0.0%
	Sub-total	**475,332**	**584,937**	**80.0%**	**16.9%**	**3.0%**	**0.1%**	**0.0%**
Water supply network	Other	332	755	78.0%	18.5%	3.5%	0.0%	0.0%
	Pumping Stations	1,587	4,721	22.3%	47.0%	16.6%	14.1%	0.0%
	Reservoirs	5,920	22,274	81.6%	15.0%	2.4%	1.0%	0.0%
	Treatment	16,191	42,649	56.6%	30.1%	13.0%	0.3%	0.0%
	Mains	7,613	46,046	76.2%	22.4%	1.4%	0.0%	0.0%
	Sub-total	**31,643**	**116,445**	**67.8%**	**24.8%**	**6.5%**	**0.9%**	**0.0%**
Sewerage network	Mains	511	1,199	34.5%	48.0%	16.9%	0.5%	0.1%
	Other	40,311	64,763	95.3%	4.6%	0.1%	0.0%	(0.0%)
	Pumping Stations	1,620	6,512	43.9%	38.1%	17.2%	0.8%	0.0%
	Treatment	20,349	42,405	77.8%	14.1%	4.5%	3.6%	0.0%
	Sub-total	**62,791**	**114,879**	**85.3%**	**10.4%**	**2.9%**	**1.4%**	**0.0%**
Stormwater drainage	Other	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Head Walls	603	1,049	17.9%	54.8%	26.7%	0.6%	0.0%
	Inlet and Junction Pits	6,094	9,572	39.2%	41.0%	19.8%	0.1%	0.0%
	Stormwater Conduits	30,737	46,012	38.8%	55.0%	6.2%	0.0%	0.0%
	Stormwater Converters	3	3	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	**37,437**	**56,636**	**38.5%**	**52.6%**	**8.9%**	**0.0%**	**0.0%**
Open space / recreational assets	Swimming pools	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	95	122	76.5%	7.3%	10.6%	5.7%	0.0%
	Other Open Space/Recreation	15,582	11,687	96.1%	3.3%	0.3%	0.2%	0.0%
	Swimming pools	3,860	7,213	65.2%	26.7%	7.9%	0.2%	0.0%
	Sub-total	**19,537**	**19,022**	**84.3%**	**12.2%**	**3.3%**	**0.2%**	**0.0%**
	Total – all assets	**680,209**	**990,019**	**74.9%**	**20.3%**	**4.4%**	**0.4%**	**0.0%**

(a) Required maintenance is the amount identified in Cour

Figure 3

c. asset renewal in recent years has exceeded % depreciation benchmarks and been underpinned by grants (mainly disaster funding). Low levels of council funding have contributed to that spend.



d. similarly, asset maintenance had been elevated in recent years due to disaster repairs and wet seasons (impacting roads and reserves), with much of that also supported by disaster operating grants. Extracts from the asset register (below) illustrate the extent of non-disaster induced renewals and asset maintenance compared to normal expectations

Asset Class	Sub Class	Asset WDV	Statements ($,000) Actual MR	Actual Depreciation	Actual Renewal	Actual Enhance	Planned MR	Planned Depreciation
							1%	*2%*
Buildings								
	non-specialised	31,128	3866	1,197	249	66	311	623
	specialised	13,998	1064	467	454	0	140	280
	other	0		0	0	0		
Roads								
	sealed - urban	74,124	1098	175	314	70	741	1482
	sealed - rural	45,316	35	630	1,902	115	453	906
	unsealed - urban	1,156		16	0	0	12	23
	unsealed - rural	38,995	598	542	0	0	390	780
	regional						0	0
	bridges	53,886	92	660	2,538	0	539	1078
	paths	15,508	45	240	40	15	155	310
	carparks	581		8	9	0	6	12
	other (incl bulk earthworks)	240,979	12	463	2,306	0		
Water								
	treatment	23,238	162	739	266	0	232	465
	storage	4,181	16	133	0	0	42	84
	network	3,452	465	110	0	0	35	69
Sewerage								
	treatment	47,265	569	516	72	0	473	945
	storage	8,504		66	0	0	85	170
	network	7,022	588	390	343	0	70	140
Stormwater								
	kerb and gutter	24,530	39	290	155	141	245	491
	network	37,437	121	498	0	0	374	749
Waste								
	treatment	0		0	0	0		
	storage	0		0	0	0		
	facilities	0		0	0	0		
Recreation								
	buildings	11,298		488	824	0	113	226
	open space	5,482	1568	214	483	23	55	110
	pools	3,480	495	136	0	0	35	70
	structures	9,027	201	298	499	0	90	181
Plant								
	plant	13,927		1,286	0	825		
	equipment	4,038		381	975	0		
Property								
	land operational	9,843		0	0	120		
	land community	18,978		0	0	0		
	real estate			0	0	0		
Reinstatement								
	landfill	496						
	quarry	1,252						
Total		749,120	11,034	9,942	11,430	1,375	4,596	9,192
	WIP	20,585						
		769,705						

Table 11

3.4.2 Service Offer

a. the broad service mix is typical of a rural/regional multipurpose council
b. levels of service had been reviewed by council in recent years, with the latest settings (eg library hours) embedded in OP25
c. in the absence of Government or market operators, SVC provides childcare and aged care services to the community, with it bringing specialised building and staff-patron ratio standards. Similarly, duplication of facilities (such as pools and libraries) also requires funding to observe staff-patron ratios during the hours of operation.
d. 'Snowy Works' provides scale to enable the utilisation of skills and plant in council asset activity, as well as yielding commercial returns that prop up regular under-funding for general assets.

3.4.3 Rates of Return

a. an assessment of nett cost of Council services listed in Note B1 reveals few recover costs or generate returns near benchmark for regulatory, private and market benefit services. Yields could improve
b. generally, the commercial services (children, caravan parks, aerodrome and external works) are classified as important – broadly providing a return to council. However, under appropriate 'market' pricing principles, commercial services should bear their respective share of organisation support costs and maintenance-depreciation of the assets they require for operations.
c. however, return on capital (ie dividend) for water and sewer business may be a future option
d. generally, all regulatory, private and market benefit services require a $0.5m uplift each to progress towards benchmark rates of return

3.4.4 Grants Reliance

a. the merged council benefited from substantial community infrastructure grants initially (generally to upgrade or expand assets); then received significant grants to repair (operational) or restore and renew (capital) assets impacted by natural disasters. Without those grants, it is unlikely the council would have financial capacity to renew those assets. As a consequence, asset renewal ratios exceeded benchmark
b. however, the surge in those grants in recent years has masked the poor underlying own source revenue trends. In addition, as council lacked capability to complete those works in the year of grant receipt, unspent grant funds were placed in reserve, distorting invested cash balances at year end.
c. the volatility of regular annual operating and asset grants places council in a vulnerable position
d. the table below illustrates the type and volatility of grants. Based on FY23, 40% of the grants were allocated, rather than competitive, the types of which are illustrated in Table 12.

	Financial	Asset	Service	Disaster	Allocated	Competitive
FAG						
Utility (water, sewer, waste)						
Children						
Community Care						
Environment						
Heritage						
Library						
Weeds						
Disaster						
Recreation						
Transport						

Table 12

3.4.5 Exemptions and Donations

a. while the emergency services levy imposed by Government has increased substantially, those increases to the levy had been generally subsidised by Government, and is at risk to continue
b. contributions to tourism and other community programs expanded significantly (threefold)
c. discretionary contributions or exemptions were rationalised in OP25

3.4.6 Reserves

a. at FY23, externally restricted funds (reserves) of $35.5m represented 80% of investments and were dominated by unspent grants (30%), utility funds (54%) and development contributions (15%)
b. internally restricted funds (reserves) of $8.4m were dominated by obligations for employee entitlements (25%), plant replacement (18%) and site rehabilitation work (14%). However, almost 30% (~$2m) have had little movement in balanced for several years
c. consolidating and repurposing of the bulk of those small reserves may assist funding projects or shoring up working capital

3.4.7 Capacity

a. like many rural councils, SVC has staffing churn higher than benchmark – perhaps influenced by the uncertainty around the proposed demerger
b. while budgets are prepared on full employment, the average recent turnover around 17% means over 30 of the expected (and budget) staff are unavailable. That average appears also in the FY23 financial statements, where actual employed staff of 201 contrasts to FTE establishment of 224
c. coupled with unplanned absences, the capacity (and productivity) of the organisation is impacted. Labour hire, backfill and overtime are expensive alternatives to full employment. Annual staff turnover around 10% and unplanned absence below 10% may be manageable
d. the table below illustrates staff FTE at end FY24

			SVC Organisation Structure				
Level		**FTE**	**Environment**	**Infrastructure**	**Corporate**	**Executive**	**($,000)**
1	General Manager	1				300	300
2	Executive	3				670	670
3	Managers/Specialist	22	571	781	934		2286
4	Professional/Coordinator	32.5	158	1110	1376		2644
5	Administrative/Technical	29	139	344	1517		2000
6	Operational/Technical	77.7	241	4824			5065
			1109	**7059**	**3827**	**970**	**12965**
	Trainee/casuals	18.5					1956
						Oncost 32.5%	**4845**
		183.7				**TOTAL**	**19766**

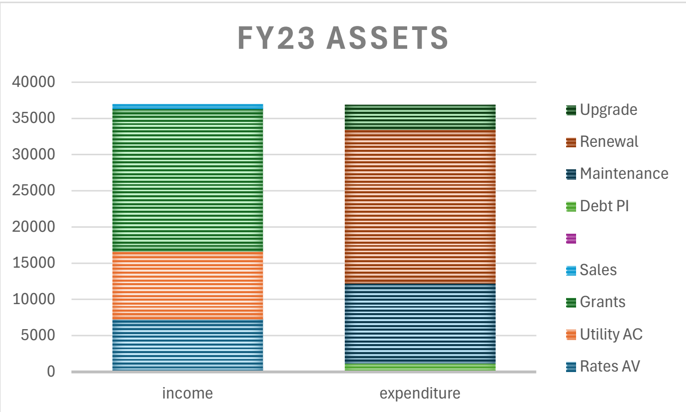
Table 13

3.4.8 Funding Gap

a. the 2024-34 Financial Plan forecasted consolidated operational annual deficits approaching $3m, while unrestricted cash (which underpins working capital and monthly cashflow) nears an average negative -$5m.

b. as the balance of externally and internally restricted funds remains flat at ~$20m and ~$8m respectively over 10 years (assuming unspent grant funds have been depleted and utilities continue to self-fund), the balance of unrestricted cash signals the enduring General Fund annual deficit

c. that deficit reflects the gap between general rates and general assets annual cost of operations, maintenance and depreciation. The chart below, based on the FY23 Statement of Cashflows, illustrates the reliance on asset grants, and the gap ($3m) between asset and services funding



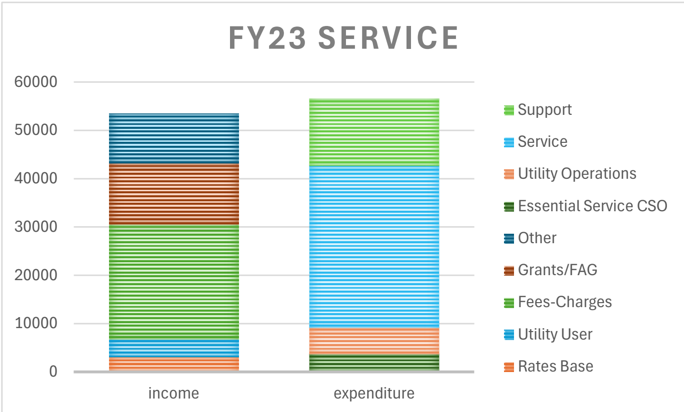


Chart 1

3.5 Service Catalogue

SVC has utilised a simple grouping of its services and assets to accord with IPR requirements. Cataloguing the service offer improves transparency and a sense of what rates, charges and fees cover.

Ideally, the service offer may be arranged into the IPR quadruple bottom line (QBL) pillars of community, environment, economy and civic leadership, and include a fifth pillar 'infrastructure'.

Establishing a service-program framework enables alignment with the general ledger and organisation structure. Note B1 (see below) may be used to articulate the operational results, reliance on grants, effects of depreciation, and FTE supporting the services or asset groups. An example of a service-program framework is below. An example of a financial summary is at Attachment 5.

		COMMUNITY			ENVIRONMENT			ECONOMIC			INFRASTRUCTURE			CIVIC
1	Community	Aged	6	Environment	Biosecurity	10	Business	Caravan Parks	12	Transport	Aerodrome	15	Council	Leadership (councillors + exec
		Children			Catchment			Cemetery			Bridges			Communication and Engagem
		Community Development			Community Lands			Commercial Works			Carparks			Corporate Planning
		First Nation			Pollution			Tourism			Community Transport			Revenue
					Trees						Footpaths			
2	Health-Safety	Animal				11	Development	Development			Kerb and Gutter	16	Support	Asset and Projects
		Emergency	7	Waste	Waste			Economic Development			Public transport			Customer Service
		Public Health						Strategic planning			Road Safety			Finance
			8	Wastewater	Wastewater						Roads			Governance
3	Culture	Arts												Grants
		Libraries	9	Stormwater	Stormwater				13	Facilities	Civic			People and Culture
											Commercial			Risk and Safety
4	Recreation	Park and Open Space									Community			Technology
		Sports Centre												
		Sporting Grounds							14	Plant	Fleet and Workshop			
		Swimming Pools												
4	Water	Water Supply												

Figure 4

SVC	Service OP25 (incl Internal Chg)	Pricing Principle	Operating Income 2025OP	Operating Grant 2025OP	Capital Income 2025OP	Expense 2025OP	Depreciation 2025OP	Result 2025	Grant Type	Op Grant 2025	Cap Grant 2025
Commercial	405 - Children's Services	Market	527	1951		2928	32	-482	Allocated	1951	
Commercial	415 - Caravan Parks	Market	1135			732	199	204	Competitive		
Commercial	510 - Cemetery Management	Private	267			171	17	79	Competitive		
Commercial	517 - Aerodrome	Shared	20		9985	112	37	-129	Competitive		9985
Community	401 - Community Development	Public	872	7		665	21	193	Competitive	7	
Community	407 - Community Transport	Private	77	518		631	13	-49	Allocated	518	
Community	512 - Public Toilets	Public				504	272	-776	Competitive		
Contract	999 - External Commercial Works	Market	8249			7897	30	322	Competitive		
Culture	412 - Library	Public	13	208		1628	83	-1490	Allocated	208	
Development	411 - Growth and Development	Regulatory	660	89		2223	3	-1477	Competitive	89	
Economic	402 - Economic Development	Private				384		-384	Competitive		
Economic	403 - Tourism and Visitor Services	Private	96			479	37	-420	Competitive		
Health and Safety	409 - Emergency Management	Public	0	525		1066	29	-570	Allocated	525	
Health and Safety	900 - Emergency Works	Public		1228	3589	1228		0	Allocated	1228	3589
Property	406 - Multi Service Outlet: Aged	Private	155	120		354	78	-157	Allocated	120	
Property	513 - Buildings	Private	911		9693	735	623	-447	Competitive		9693
Recreation	514 - Sporting Grounds	Shared	31		775	721	240	-930	Competitive		775
Recreation	515 - Parks and Open Space	Public	14	13	60	2544	404	-2921	Competitive	13	60
Recreation	516 - Swimming Pools	Shared	244		1148	1316	439	-1511	Competitive		1148
Regulatory	410 - Regulatory Services	Regulatory	50	70		642	4	-526	Competitive	70	
Sewer	542 - Sewerage	Utility	6367		210	3321	1211	1835	Competitive		210
Stormwater	501 - Drainage and Stormwater Management	Utility	29			103	539	-613	Competitive		
Transport	503 - Road Safety	Public	0	92		262		-170	Competitive	92	
Transport	506 - Roads and Bridges	Public		2715	3780	5034	4665	-6984	Competitive	2715	3780
Transport	507 - Footpaths, Carparks and Kerb and Gutter	Public				260	662	-922	Competitive		
Waste	540 - Waste Management	Utility	4316	4		4653	169	-502	Competitive	4	
Water	541 - Water Supply	Utility	5911		200	3576	1165	1170	Competitive		200
	202 - Rates & Charges	Public	13201					13201			
	203 - Grants & Subsidies - FAGs	Public	0	5754				5754	Allocated	5754	
	*inc ABC		43145	13294	29440	44169	10972	1298		13294	29440

It is suggested in Term 1 that Council:

- establish a service-program framework
- catalogue the service offer (and levels of service)
- prepare budgets, account and report in the form agreed

3.6 Service Expectation

SVC conducts biennial surveys to gauge community satisfaction with its services and assets. While the 2024 survey was yet to be published, the previous two surveys yielded the following results:

2018			2018	2021
2018 Importance Ranking		**Service**	**Satisfaction**	**Satisfaction**
very high	4.6	Being a well-run and managed council	3.4	2.4
very high	4.5	Providing value for money for my rates	3.0	2.1
very high	4.4	Comm. consultation/listening to the views of the whole commu	3.0	2.1
very high	4.4	Decisions made in the interests of the community	3.1	2.3
very high	4.3	Informing the community	3.3	2.6
very high	4.3	Water and Sewerage services	3.8	3.4
very high	4.3	Elderly support services	3.6	2.9
very high	4.3	Waste management	3.7	3.2
very high	4.3	Emergency and disaster management	3.9	3.3
very high	4.2	Having a clear vision for the future	3.2	2.3
very high	4.2	Ease of access to local government services	3.3	2.9
very high	4.1	Children's services	3.6	3.1
high	4.0	Control of noxious weeds	3.4	2.6
high	4.0	Tourism development	3.4	2.9
high	3.9	Protection of the environment	3.6	3.0
high	3.9	Business development	3.2	2.5
high	3.8	Development application processing	3.0	2.1
high	3.8	Libraries	4.0	3.9
high	3.6	Enforcement of pets and stock regulation	3.5	3.2
high	3.6	Community cultural and youth events	3.5	3.0
high	3.6	Enforcement of building regulation	3.5	2.9

Table 14

The results signal the community's expectations regarding availability and quality of services and performance and presentation of assets. Analysis of the community views of importance of those services and assets is a good guide of levels of service or standard of assets to be reviewed – and perhaps a barometer of willingness to pay. Generally, a satisfaction rating below 3.0 may warrant a review of the service offer.

It is suggested future surveys be reframed to capture community views of the service and asset offer, and where council effort should be focussed. An example of a line of query is provided below:

Importance	Satisfaction	Rank #	Service	Importance	Satisfaction	Rank #	Asset
		3.35	Cleaning - public toilets			3.86	Maintenance - bridges
		3.87	Cleaning - streets			3.79	Maintenance - facilities
		3.38	Responsiveness - animal complaints			3.21	Maintenance - paths and cycleways
		3.06	Responsiveness - communications			3.43	Maintenance - sealed roads
			Responsiveness - councillors			2.69	Maintenance - unsealed roads
		3.06	Responsiveness - customer requests			3.47	Maintenance -stormwater
		3.38	Responsiveness - digital transactions/online requests			4.09	Presentation - parks
			Responsiveness - emergency			3.98	Presentation - sports grounds
		2.61	Assessment - developments			3.98	Presentation - sports facilities
		3.11	Assessment - noxious weeds			3.87	Presentation - town centre
		4.26	Access | Quality - libraries			3.87	Presentation - town entry
		3.98	Access | Quality - pools				Availability - carparks
		4.11	Access | Quality - sewerage			3.79	Availability - community halls
		3.88	Access | Quality - waste			3.21	Availability - paths and cycleways
		4.11	Access | Quality - water			4.09	Availability - playgrounds
		3.88	Investment - recycling			3.35	Availability - public toilets
			Investment - renewables				
			Investment - resilience				Decommission/Downscale - Halls
			Investment - planning for future				Decommission/Downscale - Libraries
		2.93	Investment - tourism				Decommission/Downscale - Visitor Centres
		3.07	Focus - climate				Decommission/Downscale - Waste Transfer Stations
		3.47	Focus - community (children, youth, aged, disability) services				Introduce special purpose annual charge - Stormwater
			Focus - digital connectivity				
		3.07	Focus - economy development and tourism				
		3.14	Focus - environment monitoring				
			Focus - growth				
			Focus - housing				
			Focus - public transport				
			Introduce special purpose annual charge - Tourism				

Table 15

Pending SVC decisions on its preferred Scenario/s, and any consequent changes to the current service offer, the standard and availability of asset, and the associated levels of service, being clear on what council will or won't do during its term, becomes important. It may also guide the differentiation of 'needs' from 'wants'.

In part, that may involve a review of its existing strategies and plans, checking for their currency, retesting community views (if appropriate), and making a decision on which of those recommended initiatives, actions and projects will be funded and pursued in the Delivery Program (DP).

Management of risks may reveal some opportunities:

- assets may absorb a lower maintenance-repair expenditure (<3%) for a limited period, noting the impact on key ratios and performance perception
- buildings asset class need attention, prompting a strategy-led hierarchy and priority setting for capex
- similarly, a refresh of the property strategy may expose other options to refurbish or repurpose some building assets for better returns

Section 4.15 outlines an approach to priority setting. Limited funding capacity will necessitate changes to levels of service (quality, frequency, location) or assets (hierarchy, scale, standard, location) or rates of cost recovery for example.

It is suggested annual or council Term decisions on those matters should be accompanied with a statement of 'trade-offs'. Section 4.15 includes the trade-off settings considered by SVC.

4 Settings

Councillors established a range of Settings to guide the FSP, as outlined below.

4.1 Positioning

It is suggested Council initially contemplate narrowing its policy and services focus to that of a 'minimalist' council, allowing potential expansion to an 'optimalist' council through Term 2.

That will mean a primary focus on assets in Term 1, retaining 'important' or 'discretionary' services to the extent they are self-funding.

Minimalist:
- Body corporate for the community
- Look after common property
- Regulate usage of private property
- Manage the assets that connects residents and private property
- Live within the tax base (subject to State limits)

Maximalist:
- Local government for the area
- Foster the welfare of the community
- May mean duplication of work with other agencies
- Undertake service and assets the community seek, and prepared to pay for

Optimalist:
- Champions for the area
- Harness public, NGO and private resources
- Promote particular outcomes, rather than attempt to fund and operate local initiatives on own
- Still has funding constraints, but exercises leverage

4.2 Working Capital

The positioning chosen by Council is premised on building Working Capital (unrestricted cash and internal reserves, excluding ELE) to a minimum two months (ie >15%) of cash operational expenditure. It is noted the OLG cash expense cover ratio is 3 months (25%). Working capital is required to:

- minimise cashflow gaps between quarterly rate and grant instalments
- mitigate risk of inadvertently drawing on restricted funds
- underwrite initial responses and asset repairs until natural disaster declarations and funding reimbursement is in place. It is noted not all disasters are subject to Government funding.
- optimise capacity to match grant funding requirements as opportunities arise

Ideally, based on FY25 cash operational expenditure of $46m (per Statement of Cashflows), $6.9M should be retained as unrestricted cash. Assuming FY23 internal reserves of $5.1m (excluding ELE and community transport) was available for de-restriction, Council may achieve the OLG threshold of 25% in FY25 with unrestricted cash of $6.4m.

However, the LTFP forecasts unrestricted cash to be an average negative -$3.6m per year.

4.3 Policy

Council is encouraged to manage potential impacts on finances and assets through establishing (or refining) its position through several policies, including:

- Grants
- Gifted assets
- Donations, Rebates and Exemptions
- Restricted Funds (Reserves)
- Debt
- Asset
- Activity based costing (ABC)
- Property

For example:

- annotate programs and projects in budgets that are subject to declared from grants
- assess lifecycle impact | annotate programs-projects as subject to execution of grant deed
- apply asset warranty period | assess asset OMR | establish rate settings to recover
- establish growth, resilience, redundancy, obsolescence, fit for purpose parameters
- review eligibility | establish hire-rent rebate | account for donations-exemptions
- distinguish external from internal restrictions | consolidate-repurpose unused > 5yrs
- establish working capital benchmark | nominate triggers to utilise WC (disaster, grant match)
- raise debt to smooth capex | utilise to cover project gap or match capital grant-contributions
- distinguish operations from maintenance of assets | assign appropriate share of organisation support costs to external services and asset OMR
- utilise property to leverage business activity | convert fixed to liquid assets

4.4 Service Criticality

For each service-program, councillors were asked to nominate the respective '*criticality*' based on SVC's current service structure per below. The criterion for criticality is:

- critical – low tolerance for service or supporting asset to be non-operational longer than 48 hours (MAO); or is required to be stood up early in response to an emergency event
- essential – mandated by government legislation or regulation; or fully funded by grants
- important – priority established through strategy or policy; or largely funded by grants
- discretionary – preference through strategy or policy; may be seed funding by grants

COMMUNITY	critical	essential	important	discretion
Aged: Multi Service Outlet			■	
Children's Services			■	
Community Facilities		■		
Community Development				■
Community Transport			■	
Emergency Management	■			
Libraries			■	
Park and Open Space		■		
Public Health		■		
Public Toilets		■		
Sporting Grounds		■		
Swimming Pools			■	
Water Supply	■			

ENVIRONMENT	critical	essential	important	discretion
Animal		■		
Environment		■		
Pests		■		
Regulatory Services		■		
Tree Management		■		
Waste Management	■			
Wastewater Operations	■			
Weeds		■		

ECONOMIC	critical	essential	important	discretion
Aerodrome			■	
Caravan Park			■	
Cemetery		■		
Commercial Works			■	
Development		■		
Economic Development				■
Growth (strategic planning)			■	
Tourism and Visitor Services			■	

INFRASTRUCTURE	critical	essential	important	discretion
Bridges		■		
Buildings		■		
Carparks		■		
Drainage and Stormwater		■		
Footpaths		■		
Kerb and Gutter		■		
Roads		■		
Road Safety			■	

CIVIC	critical	essential	important	discretion
Leadership (councillors + executive)	■			
Communication and Engagement	■			
Corporate Planning		■		
Customer Service		■		
Finance	■			
Fleet, Depot and Workshops		■		
Governance	■			
Grants Management			■	
People and Culture		■		
Technical Services (asset management)		■		
Technology	■			
Risk and Safety		■		

Table 16

4.5 Service Role-Mode of Delivery

For each service-program, councillors were asked to nominate the current *'role'* or proposed *'mode of delivery'*. This identifies the current or preferred approach, having regard to availability of staff, contractors or lessees in the LGA to provide facilities or deliver services. The definitions are summarised below.

Provider	Council operates and delivers the Service-Program
Funder	Council does not directly provide the Service but provides funding for, or contracts its delivery to the community
Regulator	Council is responsible for enforcing legislative requirements relating to a Service-Program
Facilitator	Council doesn't directly deliver a Service-Program but promotes or facilitates its delivery, or partners with others to deliver
Advocate	Council prepares submissions and advocates on behalf of the community in respect of a Service-Program

COMMUNITY	provider	funder	regulate	facilitator
Aged: Multi Service Outlet				
Children's Services				
Community Facilities				
Community Development				
Community Transport				
Emergency Management				
Libraries				
Park and Open Space				
Public Health				
Public Toilets				
Sporting Grounds				
Swimming Pools				
Water Supply				

ENVIRONMENT	provider	funder	regulate	facilitator
Animal				
Environment				
Pests				
Regulatory Services				
Tree Management				
Waste Management				
Wastewater Operations				
Weeds				

ECONOMIC	provider	funder	regulate	facilitator
Aerodrome				
Caravan Park				
Cemetery				
Commercial Works				
Development				
Economic Development				
Growth (strategic planning)				
Tourism and Visitor Services				

INFRASTRUCTURE	provider	funder	regulate	facilitator
Bridges				
Buildings				
Carparks				
Drainage and Stormwater				
Footpaths				
Kerb and Gutter				
Roads				
Road Safety				

CIVIC	provider	funder	regulate	facilitator	advocate
Leadership (councillors + executive)					
Communication and Engagement					
Corporate Planning					
Customer Service					
Finance					
Fleet, Depot and Workshops					
Governance					
Grants Management					
People and Culture					
Technical Services (asset management)					
Technology					
Risk and Safety					

Table 17

The nominated 'criticality' of services (Section 4.3) are indicated above in coloured font. What is apparent is Council is clearly the provider or regulatory authority for services, and therefore limits council's capacity to retreat from, or transfer those service obligations.

Where nominated as the 'provider' in the tables above, Council is obliged to adequately and sustainably resource those Services marked in black (critical) or essential (red).

4.6 Service Costing

Finding permanent cost savings across a council's services can improve its financial position and ensure it is able to deliver its services for the long term. For example, a council could vary operating hours, the assets it uses, and the level of the service to manage its costs. A range of strategies may be considered to make savings in services, including:

- optimising service hours to those times most suited to community expectations within the constraints of employment awards. If salaries are a major cost of delivering the service, aligning service (opening) hours with standard shift lengths can lead to savings. It is noted some services are obliged to meet staff-patron ratios during operating hours (eg childcare, aged care, pools)
- considering the savings in overhead costs (recruitment and payroll costs) for employing staff on a casual or permanent part-time basis. A high turnover of casual staff can create high overhead costs for payroll and human resources
- giving service managers visibility of overhead costs, in particular information technology costs. For example, a greater understanding of the overheads involved in owning multiple devices can reduce over servicing. The cost of staff having multiple devices (mobile phones, tablets, laptops, and desktop computers) can affect the overall efficiency of the service
- delaying responsiveness to customer requests/complaints, to improve reliability of scheduled and planned maintenance and renewal activities, and turnaround of applications for example
- as outlined in the Property subsection, closing or disposing some facilities (eg underutilised office/depot sites, halls and pools) to restore working capital and reserves with proceeds, and reduce associated maintenance and operational costs
- as suggested in the Shared Services subsection, outsourcing or contracting some services or facilities to adjoining councils or other parties

Ultimately, though costs savings are generated through reduced or removed services – they in turn generally lead to a reduction in staff.

As referenced in Volume 1, SVC did consider its financial sustainability in recent years, devolving some services to other parties, selling or leasing property and altering hours of service.

4.7 Service Pricing

For each service-program, Council nominated the 'pricing principle' to apply. The principles are defined below. Council has articulated what it considers to be a 'public good' service (or community service obligation CSO) in the table below.

By charting each service-program to their respective principle, Council may then nominate a proposed rate of cost recovery (RoR) to minimise their draw on taxes. The RoR establishes a target range to build the recovery of costs through settings on fees and charges that council has full control – particularly for private, utility and market pricing. Other fees (such as regulatory) are often capped by Government settings. Council may rebate or discount some fees in accord with policy. Council will maintain the asset used in delivery of private goods service, but fully recover the operating cost

Principle (ATI)*	Purpose
Public (CSO)+	Tax-funded public service, infrastructure, facility or function not provided by, nor viable to be undertaken by, private sector or NGO. Often supported by government grants. Minor fee recovery expected.
Shared	Service, facility or function available to public, but often exclusively used by individuals or groups such as sporting clubs. Modest fee recovery expected, to encourage community or recreational activity.
Regulatory	Fees charged to recover actual costs of assessment, inspection, compliance and enforcement functions. Those functions are required by government legislation. Most fees set (and limited by government regulation. Moderate fee recovery expected.
Private	Fees set to recover full costs of nominated service, facility or function, mostly available or usec exclusively by private individuals, clubs or groups. Often referred as user beneficiary. Most costs expected to be recovered.
Utility (RoR#)	Annual charges and user fees set to recover operating, maintenance, depreciation and debt servicing costs for water, sewer, waste and stormwater utilities. Charges should accommodate a rate of return (as permitted) and be set to also buffer future seasonality impact and infrastructure augmentation.
Market	Fees set to recover full costs of nominated service, facility or function, with a margin for profit Market fees may account for competitor pricing and may be subject to quotation.
ABC^	Corporate, plant and other overhead costs are distributed across all external services and facilities to identify real cost of provision and appropriate levels of fee recovery.

Table 18

Council proposed the following Pricing settings and rates of recovery targets (based on criticalities).

	PUBLIC:CSO	SHARED	REGULATORY	PRIVATE	UTILITY	MARKET
	Bridges	Aerodrome	Animal		Waste Management	Caravan Park
	Carparks	Community Development	Development	Property	Wastewater Operations	Certification
	Community Facilities	Community Transport	Environment	Cemetery	Water Supply	Children's Services
	Drainage and Stormwater	Aged: Multi Service Outlet	Pests			Commercial Works
	Emergency Management	Sporting Grounds	Regulatory Services			
	Footpaths	Swimming Pools	Growth (strategic planning)			
	Kerb and Gutter	Tourism				
	Libraries	Weeds				
	Park and Open Space	Economic Development				
	Public Health					
	Public Toilets					
	Roads					
	Road Safety					
	Tree Management					
Current*	0%	5%	30%	75%	100%	<100%
Proposed	>10%	>25%	>50%	>75%	>100%	>100%

Table 19

Rather than annually index those fees and charges, staff should examine the drivers and elasticity of the proposed fees for service, raising them over a council term to attain the targets established by council.

4.8 Rates of Return

With pricing set, the nett cost per service-program can be monitored (identified in Note B1). The nett cost of current services is illustrated in Attachment 6. It is apparent several ‘important’ or ‘discretionary’ services such as External Commercial Works, Caravan Parks and Children Services can generate a surplus above costs (pending the attribution of organisation support costs). In addition, those services are also identified as ‘commercial’ and attract the ‘market’ pricing principle. Accordingly, those services should also bear the cost of respective annual asset maintenance and depreciation. That in turn will guide future pricing and rates of return.

It is suggested those commercial, contract and regulatory service-programs with rates of return lower than target in FY23, will be phased to uplift to the target over the next council term (2024-28).

Similarly, it is recommended utility (water, sewer, waste, stormwater) service pricing be phased to uplift returns to recover a surplus identified in their respective asset and IWCM and waste strategic business plans, to accommodate seasonality, climate resilience and population change, and to build cash reserves for future augmentation to meet contemporary standards.

4.9 Annual Charges

Note B1 illustrates the nett cost of each Service, several of which were identified in the biennial surveys as highly important to the community – which in turn may indicate a willingness to pay. The Note B1 (FY25) indicates that tourism and emergency management for example, draw $0.5m each on general rates. Similarly, the annual stormwater charge recovers a small portion of that service cost of $0.6m.

Section 501 of the Act enables a local council to make annual charges for services including water, sewer, waste, drainage and ‘any services prescribed by regulations. The charges can be applied directly to appropriate rateable properties (eg in water or waste catchments). Other Sections enable specific charges (s496A stormwater) or caps the value of a charge (s510 domestic waste).

Council may contemplate introducing ‘special purpose’ annual charges, led through the IPR process, to reduce the draw on general rates for services-programs deemed by the community in the IPR process as ‘important’. For example, some local councils levy an annual charge for emergency services under s501 Act- s125 Regulations (eg Blue Mountains). Other States apply annual charges for tourism, emergency, environment and heritage for example, in addition to general rates.

It is proposed to introduce a drainage charge on select catchments to phase the recovery of town drainage, water quality and flooding expenses. All utilities (water, sewer, waste, drainage) should recover costs and accommodate seasonality and future asset augmentation.

Further, council should contemplate restructuring its current annual charges to differentiate the components designed to recover the planned cost of maintenance and depreciation of the respective water, sewer, waste and stormwater infrastructure – from the components to recover the cost of operation of the services supported by the infrastructure.

4.10 Shared Services and Facilities

The NSW Audit Office (AO) assessed the effect of efforts by councils to share resources, skills, services or facilities in 2018. The key findings by AO included:

- Councils must comply with legislative obligations under the Local Government Act 1993 (NSW), including principles for their day-to-day operations. When two or more councils decide to share services, they should choose the most suitable governance model in line with these obligations
- Many councils work together to share knowledge, resources and services. When done well, councils can save money and improve access to services. However:
    - local councils need to properly assess the performance of their current services before considering whether to enter into arrangements with other councils to jointly manage back-office functions or services for their communities
    - not all councils have the skills necessary to establish and manage shared arrangements
    - not all models are subject to the same checks and balances applied to councils, risking transparency and accountability
    - planning to establish a shared service arrangement involves strong project management

Notwithstanding, if pursued, it is recommended shared resourcing or services be secured through negotiated service agreements (with neighbouring councils, or between the new councils post demerger), utilising Audit Office guidance, or contract arrangements such as street cleansing.

Council proposes to explore the following options to share resources or facilities with other councils or parties.

development assessment-building certification	strategic land use planning (LEP, DCP, rezoning)
environmental health	spatial mapping (GIS) administration
HR, timesheet, payroll and recruitment	development contributions administration
cadet trainee program (if externally funded)	State/regional roads maintenance
ARIC, conduct review, compliance reporting and legal panels	asset management plans, designs and renewal scheduling
risk management and WHS	street cleansing
internal audit and risk management drafting	noxious weed, pest and catchment control
project management office and contract administration	scheduling MMS, condition assessment, revaluation of assets
integrated computer platforms and applications (IaaS and SaaS)	waste – landfill and transfer stations

Table 20

4.11 Property

Previous sustainability efforts of Council included consideration of disposal or leasing of property, or transferring service delivery to a third party. Decisions on property disposal, development, refurbishing or repurposing should rest on risk and return – for example, the proceeds of a sale when invested as cash (working capital or reserve) should yield a greater annual return than retaining (or refurbishing) a property for the purpose of lease.

Capital returns from development or sale of property should be stored as working capital or placed into respective infrastructure, utility or facility reserves. Annual returns from leased or other property should be recorded as annual levies to support the property rates of return targets.

Council should refresh its Property Strategy and continue to finalise or pursue the following property actions:

							Options					Operational Options ($m)		
	Location	LV	Zone	Classification	Use	Occupier	Retain	Refurbish	Redevelop	Dispose		Sale	Lease	Share
hall	Brungle	$32,734	RU5 - Village	Community	Community Use	Brungle Memorial Hall Committee								
	Khancoban	$103,173	RE1 - Public Recreation	Community	Community Use	For Hire								
	Tumut (Boys Club)	$149,167	RE1 - Public Recreation	Community	Community Use	For Hire								
	Tumbarumba (Pioneer)	$41,645	RE1 - Public Recreation	Community	Community Use	For Hire								
	Tumbarumba (RSL)	$73,103	B2 - Local Centre	Operational	Community Use	For Hire								
	Ournie	$27,623	RU1 - Primary Production	Community	Community Use	For Hire								
	Tooma	$38,207	RU1 - Primary Production	Community	Community Use	S355 Tooma Hall Committee								
housing	Tumbarumba (McEwan Court)	$63,678	R1 - General Residential	Operational	Residential Rental	Unoccupied								
	Retirement Villiage (19-23 Mitchell St)		R1 - General Residential	Operational	Retirement Living	Various tenants								
	Retirement Village Land (Rotary Pl) - Pr		R1 - General Residential	Operational	Retirement Living	Various tenants								
office	Tumut (RHB)	$648,249	B2 - Local Centre	Operational	Leased office space Council Offices	Leases: RFS, Forestry, Corrective Services, council								
	Tumut (Library)	$683,909	B2 - Local Centre	Operational	Library	Community Services								
	Tumut (IWD)	$29,164	SP2 - Infrastructure	Operational	Works department offices	Council Offices								
	Tumut (HACC)	$683,909	B2 - Local Centre	Operational	Leased space	Leases: Radio Station, Mission Australia, Relationship								
	Tumbarumba (Office)	$648,249	B2 - Local Centre	Operational	Council Offices	Council								
	Tumbarumba (Chambers)	$41,685	B2 - Local Centre	Operational	Council Chambers - Office	Leases: LLS & UGL								
	Tumbarumba (Community Services)	$191,036	B2 - Local Centre	Community	Multipurpose Centre	council								
	Batlow (Cannery Office)	$113,093	B4 - Mixed Use	Operational	Mixed Use	Lease: Rotary								
	Tumut (Information Visitors Centre	$194,706	RE1 - Public Recreation	Operational	Visitor Info Centre	council								
	Tumut (Wynyard Street)	$166,838	B2 - Local Centre	Operational	Office & Childcare Centre	Tumut District Neighbourhood								
	Tumbarumba (Roths Corner)	$18,467	B2 - Local Centre	Operational	Medical Centre	Lease: Mabumanu Dental, Pathology, Medical Centre								
	Khancoban (NPWS VIC Office)	$95,136	RU5 - Village	Operational	Rent to Buy agreement	NPWS								

Table 21

4.12 Asset Interventions

The condition of assets and relative value of maintenance and renewal expenditure is reflected in Section 3. It is acknowledged much of the assumptions in this report is in the absence of new asset management plans (AMP) or integrated water cycle management (IWCM) and associated strategic business plans and pricing models.

However, other than road assets, it is understood most asset classes have been the subject of recent asset revaluation and corresponding reassessment of asset condition or remaining useful life. Those assessments influence depreciation charges and future renewal expectations.

It is important to appropriately manage asset condition, function and performance and in turn, depreciation expense. Below is a table illustrating contemporary (IIMM) approaches to assigning asset condition and useful life.

Condition rating	Condition	Description	Guide	Residual life (% of total life)
1	Excellent	New or as new condition. Only planned cyclic inspection and maintenance required.	Normal maintenance required (no defects)	>80%
2	Good	Sound or good condition with minor defects. Minor routine maintenance along with planned cyclic inspection and maintenance.	Normal maintenance plus minor repairs (up to 5% of the asset affected by defects)	50% - 80%
3	Satisfactory	Fair condition with significant defects requiring regular maintenance on top of planned cyclic inspections and maintenance.	Maintenance/repairs required (up to 20% of the asset affected by defects)	25% - 50%
4	Poor	Poor condition with asset requiring significant renewal / rehabilitation, or higher levels of inspection and substantial maintenance to keep the asset serviceable.	Significant renewals required (up to 40% of the asset affected by defects)	5% - 25%
5	Very poor	Very poor condition. Asset physically unsound and/or beyond rehabilitation. Renewal required.	Asset requires renewal (over 50% of the asset affected by defects)	<5%

It is understood Council has recently revised its settings for useful life classification for depreciation of assets.

It is important Council ensures accounting for asset expenditure is appropriate and consistent, and distinguishes operational from capital expenditure. The table below illustrates such an approach.

OPERATIONAL	**Operations** – regular activities/expenditure to provide services such as running costs, public health, safety and amenity eg street sweeping, grass mowing and utility costs such as street lighting. Generally relates to consumption of resources. (May also include direct asset service related management costs).	These are day to day (often continuous) operational activities that have no effect on asset condition but are necessary to keep the asset appropriately utilised and operating.(Note excludes community service operating costs eg lifeguard staffing of pools or entry counter staff). These activities form part of the asset annual operational budget.
	Maintenance – all periodic or reactive actions necessary for retaining an asset as near as practicable to its original condition, including regular ongoing day to day work necessary to keep assets operating eg road patching but excluding rehabilitation or renewal. Maintenance ensures asset reaches its expected useful life. Can be Planned/Unplanned, Reactive.	Generally these activities fall into two broad categories: Planned (Proactive) maintenance: Proactive maintenance works planned to prevent asset failure. Work carried out to a predetermined schedule or planned in association with other works. Unplanned (Reactive) Maintenance: Reactive action to correct asset malfunctions and failures on an as-required basis, or in response to reported problems (eg. pothole, repairs, emergency repairs).
CAPITAL	**Renewal** – restores, rehabilitates, replaces existing asset enabling the asset to achieve fully its original service potential, life, performance and capacity (note partial renewal relates to increasing the service potential of an asset but not up to its original intended service potential)	**Rehabilitation** activities are defined as the major re-instatement or repair often of structural component assets (of value greater than $X) to ensure required levels of service are met and prolonged asset life is achieved. **Replacement** works are defined as the disposal and substitution (complete replacement) of an asset (of value greater than $X) generally which has reached the end of its life, with an equivalent standard (or agreed alternate) asset.
	Upgrade - creation of a new asset to meet additional service level requirements. Upgrade work enhances asset to provide higher level of service or extends asset life beyond its original life. Activities or works (generally of value greater than $X) that enhance an asset to provide higher level of service or extends the asset life beyond its original life.	
	Expansion - creation of a new asset to meet additional service level requirements. Expansion extends an existing asset or a new asset at the same standard currently enjoyed by users to a new group of asset users. Activities or works (of value greater than $X) which extend an existing asset or provides a new asset to a new group of asset users.	

Table 22

However, the largest asset class (roads) is due for revaluation in 2025, risking a likely uplift in asset values and associate depreciation expense. Construction items for roads has seen significant cost escalation in recent years. Unfortunately, that impact will not be reflected in the Scenarios at this time.

It is important Council be guided by the hierarchy, risk, load and function settings established for each asset sub class identified in the asset management plans (AMP).

Referring to earlier commentary that Council assets are generally in good condition (other than building and some recreation assets), and to guide the funding response to the AMPs due for completion late in 2024, *it is suggested Council consider modifying its settings for response to maintenance requests (planned, predictive etc) and renewal.*

The FY23 Financial Statements record infrastructure assets with the following maintenance and condition profiles:

Snowy Valleys Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard $ '000	Estimated cost to bring to the agreed level of service set by Council $ '000	2022/23 Required maintenance [a] $ '000	2022/23 Actual maintenance $ '000	Net carrying amount $ '000	Gross replacement cost (GRC) $ '000	Assets in condition as a percentage of gross replacement cost 1	2	3	4	5
Buildings	Buildings – specialised	–	–	1,064	1,064	13,476	23,109	69.8%	19.9%	10.0%	0.4%	0.0%
	Council Offices/Administration	–	–	998	998	8,349	15,950	37.8%	59.0%	3.3%	0.0%	0.0%
	Council Public Halls	–	–	21	21	1,552	4,605	8.3%	44.2%	47.6%	0.0%	0.0%
	Council Works Depot	–	–	161	161	3,139	5,953	53.8%	28.6%	17.6%	0.0%	0.0%
	Cultural Facilities	–	–	301	301	4,831	10,475	55.7%	34.3%	9.5%	0.5%	0.0%
	Libraries	–	–	884	884	2,489	3,919	63.5%	29.6%	6.9%	0.0%	0.0%
	Other Buildings	–	–	1,501	1,501	10,651	18,154	68.6%	27.5%	3.9%	0.0%	0.0%
	Sub-total	**–**	**–**	**4,930**	**4,930**	**44,487**	**82,165**	**56.6%**	**33.4%**	**9.8%**	**0.2%**	**0.0%**
Other structures	Other structures	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other structures	–	–	201	201	8,982	15,935	76.5%	7.3%	10.6%	5.7%	0.0%
	Sub-total	**–**	**–**	**201**	**201**	**8,982**	**15,935**	**76.5%**	**7.3%**	**10.6%**	**5.7%**	**(0.1%)**
Roads	Unsealed roads	–	–	598	598	20,402	21,916	68.5%	26.9%	4.2%	0.4%	0.0%
	Bridges	1,047	1,047	41	41	51,069	79,695	88.9%	8.9%	2.0%	0.2%	0.0%
	Footpaths	–	–	45	45	12,269	16,761	69.8%	23.4%	6.8%	0.0%	0.0%
	Other road assets	–	–	12	12	8,705	10,699	99.4%	0.0%	0.0%	0.6%	0.0%
	Bulk earthworks	–	–	–	–	236,852	236,852	99.8%	0.0%	0.2%	0.0%	0.0%
	Cycleways	–	–	–	–	2,774	3,158	88.3%	11.4%	0.0%	0.3%	0.0%
	Kerb & Gutter	–	–	39	39	23,794	34,552	35.6%	37.7%	25.9%	0.8%	0.0%
	Road Culverts	–	–	51	51	22,288	36,082	64.2%	35.6%	0.2%	0.0%	0.0%
	Sealed Road Surface	–	–	1,098	1,098	19,254	35,637	78.3%	20.7%	1.0%	0.0%	0.0%
	Sealed Road Structure	–	–	35	35	77,925	109,585	52.0%	44.4%	3.6%	0.1%	0.0%
	Sub-total	**1,047**	**1,047**	**1,919**	**1,919**	**475,332**	**584,937**	**80.0%**	**16.9%**	**3.0%**	**0.1%**	**0.0%**
Water supply network	Other	–	–	3	3	332	755	78.0%	18.5%	3.5%	0.0%	0.0%
	Pumping Stations	–	–	38	38	1,587	4,721	22.3%	47.0%	16.6%	14.1%	0.0%
	Reservoirs	–	–	16	16	5,920	22,274	81.6%	15.0%	2.4%	1.0%	0.0%
	Treatment	188	188	162	162	16,191	42,649	56.6%	30.1%	13.0%	0.3%	0.0%
	Mains	–	–	424	424	7,613	46,046	76.2%	22.4%	1.4%	0.0%	0.0%
	Sub-total	**188**	**188**	**643**	**643**	**31,643**	**116,445**	**67.8%**	**24.8%**	**6.5%**	**0.9%**	**0.0%**
Sewerage network	Mains	–	–	487	487	511	1,199	34.5%	48.0%	16.9%	0.5%	0.1%
	Other	–	–	–	–	40,311	64,763	95.3%	4.6%	0.1%	0.0%	(0.0%)
	Pumping Stations	–	–	101	101	1,620	6,512	43.9%	38.1%	17.2%	0.8%	0.0%
	Treatment	–	–	569	569	20,349	42,405	77.8%	14.1%	4.5%	3.6%	0.0%
	Sub-total	**–**	**–**	**1,157**	**1,157**	**62,791**	**114,879**	**85.3%**	**10.4%**	**2.9%**	**1.4%**	**0.0%**
Stormwater drainage	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Head Walls	–	–	24	24	603	1,049	17.9%	54.8%	26.7%	0.6%	0.0%
	Inlet and Junction Pits	–	–	94	94	6,094	9,572	39.2%	41.0%	19.8%	0.1%	0.0%
	Stormwater Conduits	–	–	3	3	30,737	46,012	38.8%	55.0%	6.2%	0.0%	0.0%
	Stormwater Converters	–	–	–	–	3	3	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	**–**	**–**	**121**	**121**	**37,437**	**56,636**	**38.5%**	**52.6%**	**8.9%**	**0.0%**	**0.0%**
Open space / recreational assets	Swimming pools	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	95	122	76.5%	7.3%	10.6%	5.7%	0.0%
	Other Open Space/Recreation	–	–	1,568	1,568	15,582	11,687	96.1%	3.3%	0.3%	0.2%	0.0%
	Swimming pools	–	–	495	495	3,860	7,213	65.2%	26.7%	7.9%	0.2%	0.0%
	Sub-total	**–**	**–**	**2,063**	**2,063**	**19,537**	**19,022**	**84.3%**	**12.2%**	**3.3%**	**0.2%**	**0.0%**
	Total – all assets	**1,235**	**1,235**	**11,034**	**11,034**	**680,209**	**990,019**	**74.9%**	**20.3%**	**4.4%**	**0.4%**	**0.0%**

(a) Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	**Excellent/very good**	No work required (normal maintenance)
2	**Good**	Only minor maintenance work required
3	**Satisfactory**	Maintenance work required
4	**Poor**	Renewal required
5	**Very poor**	Urgent renewal/upgrading required

The gross replacement cost (GRC) of assets (excl bulk earthworks) is $753.167m, of which $465.207M is general assets (incl waste structures), and $287.960m is the other utilities (water, sewer, stormwater).

The written down value (WDV) of depreciable infrastructure assets is $443.357m (excl bulk earthworks) and recorded annual maintenance expenditure for all asset classes was $11.034m. In the absence of current data, these maintenance values were indexed to FY25 and used to assess the general and utilities expected annual expenditures in the FSP.

Assuming the remaining useful life of assets (ie condition) is represented as WDV, then notionally, 1% ($4.43m) may be expended annually on infrastructure maintenance and 2% ($8.9m) annually on renewals – or $13.3m compared to the maintenance and depreciation expenditure of $21.12m in FY23. That 3% bandwidth may alter with seasons (wet weather) or grant opportunities. As outlined earlier, the maintenance expenditure published in the above Report in recent years had been elevated due to disaster repairs – the bulk of which was funded by grants.

Asset, design and project management is differentiated as an asset expense (~0.75% WDV). While utilities operations (cleaning, energy, chemicals, security etc) are accommodated in the servicing budget, the general assets operations are not. It is understood those costs had also been embedded in the actual maintenance costs disclosed in Special Schedule 7. Accordingly, the proxy for general assets is proposed as 1% WDV ($362.884) for maintenance and 1% for operations, combining to $7.257m from FY26.

Naturally, the expenditure will be uneven across asset classes as condition and priorities vary, as well as supporting grant, reserves or contribution funding. Further, that notional renewal expenditure in FY23 doesn't reflect actual annual total infrastructure asset depreciation expense ($10.09m).

Generally, assets that decline to Condition 4 (a common intervention level for renewal of assets) are restored to 'good' condition rating 2. Assets that run to fail (deliberately) or are destroyed by disaster, are restored to 'excellent' condition rating 1. Assets at condition 4-5 generally remain the focus of capital expenditure plans. Assets at condition 3 are the focus of maintenance activity.

It is suggested the updated AMPs also facilitate alignment of key infrastructure and facility upgrade schedules to the review of development contributions plans 'essential works list' (EWL).

In normal circumstances, Council may consider the following profile to guide asset activity and expenditure.

Condition rating	Condition	Description	Guide	Residual life (% of total life)
1	Complaint	v or as new condition. Only planned cyclic ection and maintenance required.	Normal maintenance required (no defects)	>80%
2	Routine	Sound or good condition with minor defects. inor routine maintenance along with anned cyclic inspection and maintenance.	Normal maintenance plus minor repairs (up to 5% of the asset affected by defects)	50% - 80%
3	Maintain	Fair condition with significant defects uiring regular maintenance on top of planned cyclic inspections and maintenance.	Maintenance/repairs required (up to 20% of the asset affected by defects)	25% - 50%
4	Renew-ICL	Poor condition with asset requiring significant wal / rehabilitation, or higher levels of ction and substantial maintenance to keep the asset serviceable.	Significant renewals required (up to 40% of the asset affected by defects)	5% - 25%
5	Replace	ry poor condition. Asset physically unsound d/or beyond rehabilitation. Renewal required.	Asset requires renewal (over 50% of the asset affected by defects)	<5%

Figure 5

Council has forecast the following asset renewal and upgrade capital program within the LTFP:

Natural Account Description	Source	CY / FY1	FY2	FY3	FY4	FY5	FY6	FY7	FY8	FY9	FY10	FY11
Upgrades - Tumbarumba Water Security	Contribution	-	-	-	-	-	- 25,000.00	- 275,000.00	- 275,000.00	-	-	-
Upgrades - Wastewater Treatment Plant Tumut Augment	Contribution	-	- 20,000.00	- 77,000.00	- 205,000.00	- 520,000.00	- 600,000.00	- 420,000.00	- 200,000.00	-	-	-
EPARW Unallocated Project Budget	Grant	- 1,228,000.00	-	-	-	-	-	-	-	-	-	-
EPARW Wee Jasper Road DM04319	Grant	- 3,553,000.00	-	-	-	-	-	-	-	-	-	-
FOGO - Facility	Grant	-	-	-	-	-	-	-	-	-	-	-
Tumbarumba Basketball Stadium - Flooring	Grant	- 775,000.02	-	-	-	-	-	-	-	-	-	-
Tumbarumba Pool	Grant	- 1,147,953.06	-	-	-	-	-	-	-	-	-	-
Wynyard St Sealed Surface Urban Local Reseal	Grant	- 990,000.00	- 500,000.00	-	-	-	- 100,000.00	-	-	- 200,000.00	- 150,000.00	-
Yaven Creek Rd Sealed Pavement Rural Local Reconstruc	Grant	- 750,000.00	- 1,260,000.00	- 1,700,000.00	- 1,690,000.00	- 1,570,000.00	- 590,000.00	- 590,000.00	- 590,000.00	- 250,000.00	- 470,000.00	-
Yaven Creek Road - Local	Grant	- 799,999.96	- 560,000.00	- 240,000.00	-	-	-	-	-	-	-	-
Wondalga Road 11.4 - 11.7 - Local	Grant	- 230,000.04	- 400,000.00	- 680,000.00	-	-	-	-	-	-	-	-
Wongalga Road Sealed Pavement Renewals	Grant	- 709,999.98	- 730,000.00	- 730,000.00	- 730,000.00	- 680,000.00	- 450,000.00	- 450,000.00	- 600,000.00	- 270,000.00	- 250,000.00	-
BLER - Aerodrome Upgrade	Grant	- 9,984,604.26	-	-	-	-	-	-	-	-	-	-
Waterfall Farm Road Culvert Replacement	Grant	- 36,000.00	-	-	-	-	-	-	-	-	-	-
BLER Emergency Evacuation Centre	Grant	- 9,693,381.57	-	-	-	-	-	-	-	-	-	-
Fleet Small Plant Replacement	Reserve	- 1,068,499.96	- 1,442,500.00	- 1,895,000.00	- 1,669,500.00	- 2,961,000.00	-1,555,500.00	-2,194,500.00	-1,735,000.00	-1,001,000.00	-2,347,000.00	-1,550,000.00
Technology Uplift Project Phase 3 - Ci to CiA Migration	Reserve	-	-	-	-	-	-	-	-	-	-	-
Stormwater Works - Tumbarumba - Levy Funded - Unassi	Reserve	- 28,562.88	- 28,563.00	- 28,563.00	- 28,563.00	- 28,563.00	- 28,563.00	- 28,563.00	- 28,563.00	- 28,563.00	- 28,563.00	- 28,563.00
Talbingo Toilets & Awning Refurbishment	Reserve	-	-	-	-	-	-	- 50,000.00	-	-	-	-
Batlow Literary Insititute Refurbishment	Reserve	- 50,848.62	-	-	-	-	-	-	-	-	-	-
Upgrades - Water Treatment Plants - Unassigned	Reserve	- 3,367,000.00	- 4,550,000.00	- 5,010,000.00	- 4,455,000.00	- 1,045,000.00	-2,025,000.00	-1,505,000.00	-1,730,000.00	- 700,000.00	- 935,000.00	- 865,000.00
Upgrades - Wastewater Treatment Plants - Unassigned	Reserve	- 4,082,000.00	- 3,855,000.00	- 2,893,000.00	- 3,475,000.00	- 3,060,000.00	-3,180,000.00	-2,460,000.00	-1,600,000.00	-1,150,000.00	- 780,000.00	- 830,000.00
Fleet Heavy Plant Replacement	Sale	- 96,500.04	- 187,500.00	- 255,000.00	- 272,500.00	- 368,000.00	- 177,500.00	- 326,500.00	- 195,000.00	- 63,000.00	- 250,000.00	- 230,000.00
Snow View Estate Stage 3 Civic Works	Sale	- 1,740,000.00	-	-	-	-	-	-	-	-	-	-
		-40,331,350.39	**-13,533,563.00**	**-13,508,563.00**	**-12,525,563.00**	**-10,232,563.00**	**-8,731,563.00**	**-8,299,563.00**	**-6,953,563.00**	**-3,662,563.00**	**-5,210,563.00**	**-3,503,563.00**
		CY / FY1	**FY2**	**FY3**	**FY4**	**FY5**	**FY6**	**FY7**	**FY8**	**FY9**	**FY10**	**FY11**
	Contribution	-	- 20,000.00	- 77,000.00	- 205,000.00	- 520,000.00	- 625,000.00	- 695,000.00	- 475,000.00	-	-	-
	Grant	-39,411,303.47	- 3,978,563.00	- 3,378,563.00	- 2,448,563.00	- 2,278,563.00	-1,268,563.00	-1,118,563.00	-1,218,563.00	- 948,563.00	-1,048,563.00	- 28,563.00
	Reserve	-29,250,897.31	-11,006,063.00	-11,236,563.00	-10,358,063.00	- 7,774,563.00	-7,239,063.00	-6,688,063.00	-5,693,563.00	-3,149,563.00	-4,340,563.00	-3,273,563.00
	Sale	- 1,836,500.04	- 187,500.00	- 255,000.00	- 272,500.00	- 368,000.00	- 177,500.00	- 326,500.00	- 195,000.00	- 63,000.00	- 250,000.00	- 230,000.00

Table 23

However, during the next council Term or two (pending the outcome of the AMP's), *Council may contemplate adjusting that asset activity profile to minimise operating expenditure and defer capital*.

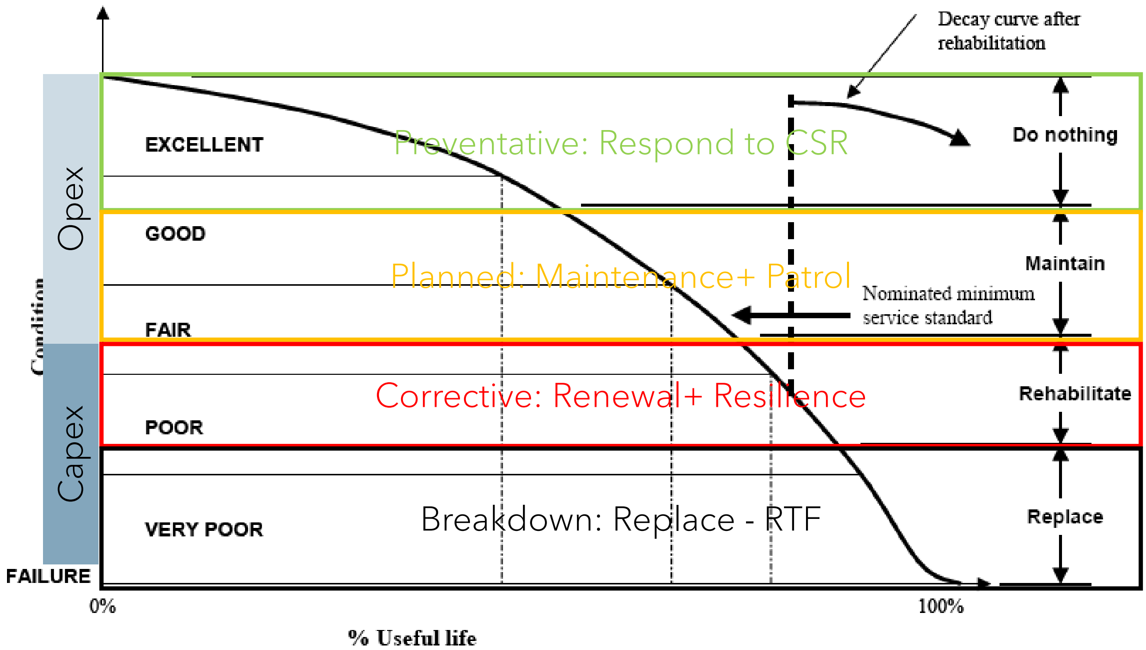


Figure 6

In that way, the mix of asset expenditure between operational and capital may be largely planned, signalling to the community the standards of responsiveness to complaints and service requests (CSR), and the thresholds at which Council may plan to intervene (with heavy maintenance or renewal activity).

Council should also be clear through its AMPs, the assets proposed to retire or run to fail or replace – difficult decisions to make and communicate, but necessary to reframe the asset portfolio into a sustainable setting.

To monitor asset performance and expenditure trends, it is proposed Council voluntarily introduce a hybrid Special Schedule in the annual Financial Statements, a sample copy is at Attachment 7. In addition, as management of assets is considered the most important responsibility of a local rural council, it will be recommended Council also consider preparing a 'state of infrastructure report' each term, aggregating the financial results from the Special Schedules and recording the high level renewal, upgrade, new (and disaster restoration) activities.

As a minimum, it is *recommended Special Schedule 7 be populated with accurate condition and expenditure data to reconcile the financial plan to the asset management plans*. For example:

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard $ '000	Estimated cost to bring to the agreed level of service set by Council $ '000	2022/23 Required maintenance ª $ '000	2022/23 Actual maintenance $ '000	Net carrying amount $ '000	Gross replacement cost (GRC) $ '000	Assets in condition as a percentage of gross replacement cost 1	2	3	4	5
Buildings	Buildings – specialised	–	–	1,064	1,064	13,476	23,109	69.8%	19.9%	10.0%	0.4%	0.0%
	Council Offices/Administration	–	–	998	998	8,349	15,950	37.8%	59.0%	3.3%	0.0%	0.0%
	Council Public Halls	–	–	21	21	1,552	4,605	8.3%	44.2%	47.6%	0.0%	0.0%
	Council Works Depot	–	–	161	161	3,139	5,953	53.8%	28.6%	17.6%	0.0%	0.0%
	Cultural Facilities	–	–	301	301	4,831	10,475	55.7%	34.3%	9.5%	0.5%	0.0%
	Libraries	–	–	884	884	2,489	3,919	63.5%	29.6%	6.9%	0.0%	0.0%
	Other Buildings	–	–	1,501	1,501	10,651	18,154	68.6%	27.5%	3.9%	0.0%	0.0%
	Sub-total	**–**	**–**	**4,930**	**4,930**	**44,487**	**82,165**	**56.6%**	**33.4%**	**9.8%**	**0.2%**	**0.0%**
Other structures	Other structures	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other structures	–	–	201	201	8,982	15,935	76.5%	7.3%	10.6%	5.7%	0.0%
	Sub-total	**–**	**–**	**201**	**201**	**8,982**	**15,935**	**76.5%**	**7.3%**	**10.6%**	**5.7%**	**(0.1%)**
Roads	Unsealed roads	–	–	598	598	20,402	21,916	68.5%	26.9%	4.2%	0.4%	0.0%
	Bridges	1,047	1,047	41	41	51,069	79,695	88.9%	8.9%	2.0%	0.2%	0.0%
	Footpaths	–	–	45	45	12,269	16,761	69.8%	23.4%	6.8%	0.0%	0.0%
	Other road assets	–	–	12	12	8,705	10,699	99.4%	0.0%	0.0%	0.6%	0.0%
	Bulk earthworks	–	–	–	–	236,852	236,852	99.8%	0.0%	0.2%	0.0%	0.0%
	Cycleways	–	–	–	–	2,774	3,158	88.3%	11.4%	0.0%	0.3%	0.0%
	Kerb & Gutter	–	–	39	39	23,794	34,552	35.6%	37.7%	25.9%	0.8%	0.0%
	Road Culverts	–	–	51	51	22,288	36,082	64.2%	35.6%	0.2%	0.0%	0.0%
	Sealed Road Surface	–	–	1,098	1,098	19,254	35,637	78.3%	20.7%	1.0%	0.0%	0.0%
	Sealed Road Structure	–	–	35	35	77,925	109,585	52.0%	44.4%	3.6%	0.1%	0.0%
	Sub-total	**1,047**	**1,047**	**1,919**	**1,919**	**475,332**	**584,937**	**80.0%**	**16.9%**	**3.0%**	**0.1%**	**0.0%**
Water supply network	Other	–	–	3	3	332	755	78.0%	18.5%	3.5%	0.0%	0.0%
	Pumping Stations	–	–	38	38	1,587	4,721	22.3%	47.0%	16.6%	14.1%	0.0%
	Reservoirs	–	–	16	16	5,920	22,274	81.6%	15.0%	2.4%	1.0%	0.0%
	Treatment	188	188	162	162	16,191	42,649	56.6%	30.1%	13.0%	0.3%	0.0%
	Mains	–	–	424	424	7,613	46,046	76.2%	22.4%	1.4%	0.0%	0.0%
	Sub-total	**188**	**188**	**643**	**643**	**31,643**	**116,445**	**67.8%**	**24.8%**	**6.5%**	**0.9%**	**0.0%**
Sewerage network	Mains	–	–	487	487	511	1,199	34.5%	48.0%	16.9%	0.5%	0.1%
	Other	–	–	–	–	40,311	64,763	95.3%	4.6%	0.1%	0.0%	(0.0%)
	Pumping Stations	–	–	101	101	1,620	6,512	43.9%	38.1%	17.2%	0.8%	0.0%
	Treatment	–	–	569	569	20,349	42,405	77.8%	14.1%	4.5%	3.6%	0.0%
	Sub-total	**–**	**–**	**1,157**	**1,157**	**62,791**	**114,879**	**85.3%**	**10.4%**	**2.9%**	**1.4%**	**0.0%**
Stormwater drainage	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Head Walls	–	–	24	24	603	1,049	17.9%	54.8%	26.7%	0.6%	0.0%
	Inlet and Junction Pits	–	–	94	94	6,094	9,572	39.2%	41.0%	19.8%	0.1%	0.0%
	Stormwater Conduits	–	–	3	3	30,737	46,012	38.8%	55.0%	6.2%	0.0%	0.0%
	Stormwater Converters	–	–	–	–	3	3	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	**–**	**–**	**121**	**121**	**37,437**	**56,636**	**38.5%**	**52.6%**	**8.9%**	**0.0%**	**0.0%**
Open space / recreational assets	Swimming pools	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	95	122	76.5%	7.3%	10.6%	5.7%	0.0%
	Other Open Space/Recreation	–	–	1,568	1,568	15,582	11,687	96.1%	3.3%	0.3%	0.2%	0.0%
	Swimming pools	–	–	495	495	3,860	7,213	65.2%	26.7%	7.9%	0.2%	0.0%
	Sub-total	**–**	**–**	**2,063**	**2,063**	**19,537**	**19,022**	**84.3%**	**12.2%**	**3.3%**	**0.2%**	**0.0%**
	Total – all assets	**1,235**	**1,235**	**11,034**	**11,034**	**680,209**	**990,019**	**74.9%**	**20.3%**	**4.4%**	**0.4%**	**0.0%**

Table 24

Assets in Good condition 1-2 (95%) should reflect asset consumption (69%)

AMP should guide normal maintenance, while actual reflects seasonal-budget circumstances

AMP guides estimates to restore or renew assets to Good, as the backlog portion of asset GRC

4.13 Report Format

4.13.1 Operating and Capital Account

Rather than continue to present budgets in an Income Statement format (below), it is suggested an Operating and Capital Account format be contemplated.

Income Statement
for the year ended 30 June 2023

Original unaudited budget 2023	$ '000	Notes	Actual 2023
	Income from continuing operations		
20,768	Rates and annual charges	B2-1	**19,860**
15,141	User charges and fees	B2-2	**25,456**
934	Other revenues	B2-3	**4,758**
10,800	Grants and contributions provided for operating purposes	B2-4	**20,309**
28,809	Grants and contributions provided for capital purposes	B2-4	**14,579**
330	Interest and investment income	B2-5	**1,159**
–	Other income	B2-6	**1,746**
–	Reversal of revaluation decrements / impairment of infrastructure, property, plant and equipment previously expensed	B6-1	**4,219**
76,782	**Total income from continuing operations**		**92,086**
	Expenses from continuing operations		
17,244	Employee benefits and on-costs	B3-1	**21,155**
14,808	Materials and services	B3-2	**38,756**
344	Borrowing costs	B3-3	**282**
10,984	Depreciation, amortisation and impairment of non-financial assets	B3-4	**11,949**
5,789	Other expenses	B3-5	**1,493**
–	Net loss from the disposal of assets	B4-1	**3,685**
49,169	**Total expenses from continuing operations**		**77,320**

Figure 7

Presenting budgets in the Operating and Capital Account format discloses what budget will be spent on outputs (assets and services), not the inputs or resources consumed (employment, materials). The format also includes capital expenditure on assets, combined financial results (surplus or deficit) and movement in cash and reserves.

At a glance, a reader may observe the extent to which:

- ad valorem rates and utility annual charges cover the costs of asset maintenance and depreciation
- base rate and fees cover essential public services
- utility user charges cover the cost of utility operational services
- regulatory, private and market fees cover the cost of regulatory, commercial and property services
- organisation support costs are recouped through internal charges
- plant and vehicle operating and depreciation costs are recouped through plant hire charges
- capital expenditure is recouped through grants and contributions
- asset renewals is (or isn't) equivalent to depreciation

This format has some resemblance to the Statement of Cashflows (below), which compares budget to actual results and records movement in overall cash for the year.

Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023	$ '000	Notes	Actual 2023
	Cash flows from operating activities		
	Receipts:		
20,768	Rates and annual charges		**19,408**
14,891	User charges and fees		**27,442**
330	Interest received		**868**
39,609	Grants and contributions		**32,378**
–	Bonds, deposits and retentions received		**–**
934	Other		**10,241**
	Payments:		
(17,494)	Payments to employees		**(20,745)**
(15,308)	Payments for materials and services		**(44,783)**
(344)	Borrowing costs		**(238)**
–	Bonds, deposits and retentions refunded		**(31)**
(5,789)	Other		**(1,758)**
37,597	**Net cash flows from operating activities**	G1-1	**22,782**
	Cash flows from investing activities		
	Receipts:		
–	Redemption of term deposits		**48,253**
–	Sale of real estate assets		**554**
–	Proceeds from sale of IPPE		**1,124**
	Payments:		
–	Acquisition of term deposits		**(40,752)**
–	Purchase of investment property		**41**
(43,787)	Payments for IPPE		**(24,639)**
(43,787)	**Net cash flows from investing activities**		**(15,419)**
	Cash flows from financing activities		
	Payments:		
(1,197)	Repayment of borrowings		**(1,180)**
(1,197)	**Net cash flows from financing activities**		**(1,180)**
(7,387)	**Net change in cash and cash equivalents**		**6,183**

Operating

Capital

Figure 8

4.13.2 Funds

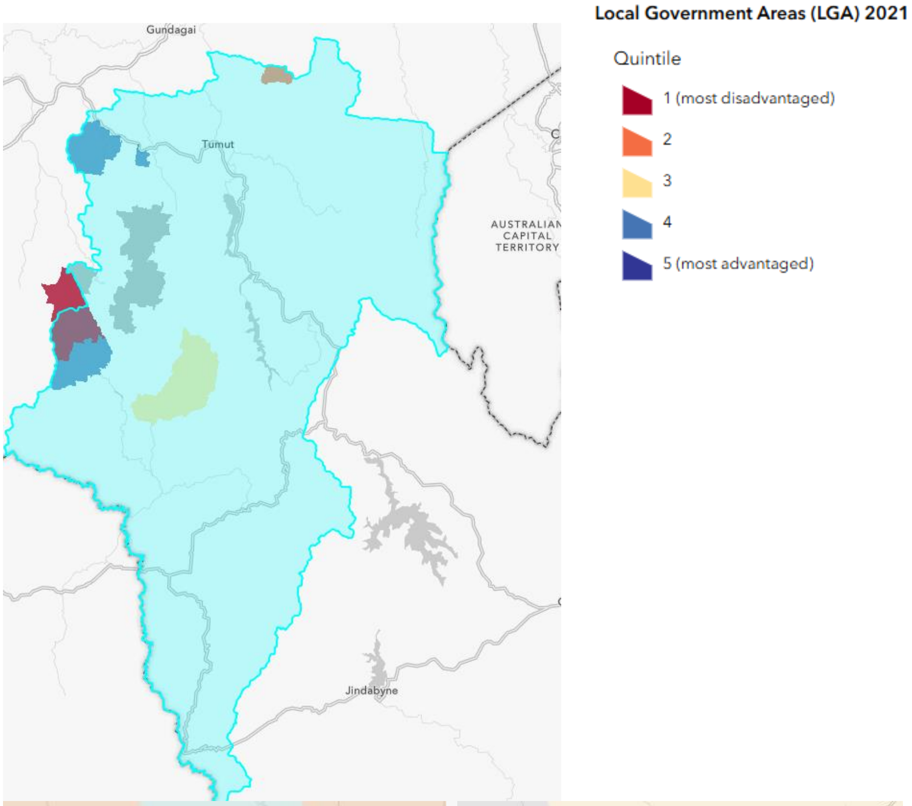
It is proposed the utilities (water, sewer, waste, stormwater) be separately accounted in 'ringfenced' Funds, together with any special purpose annual charges introduced by Council. As suggested earlier, once the Integrated Water Cycle Management Plan (IWCMP) has been endorsed, Council may contemplate combining water, sewer and stormwater into a single Fund for reporting purposes, in line with the principles of water cycle/catchment management (harvest, discharge, servicing).

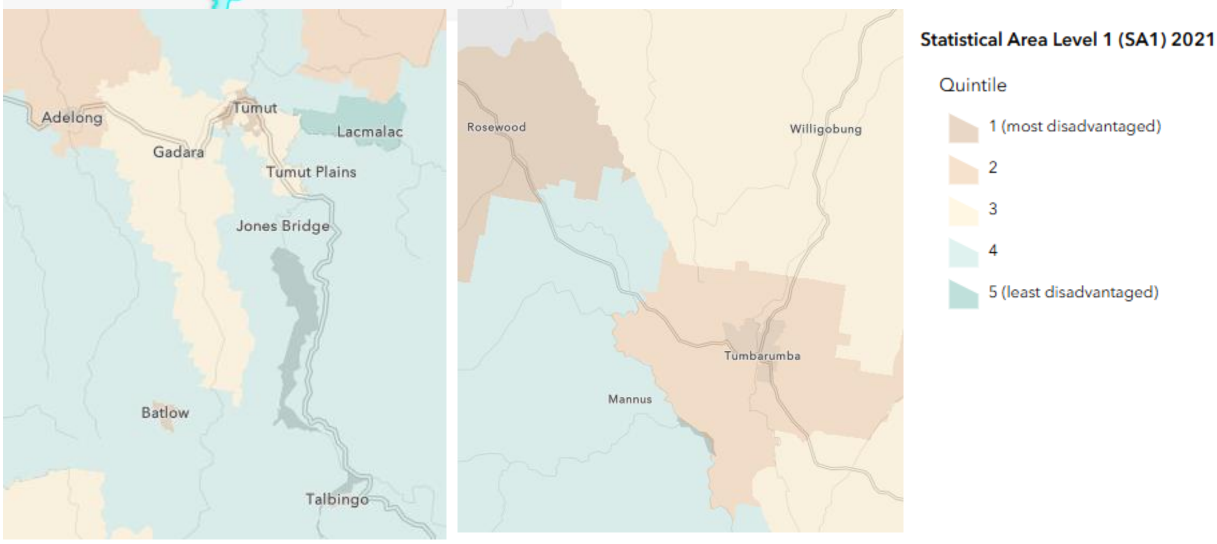
Consistency in attribution of organisation support costs and asset accounting will be important to articulate real costs and gaps.

4.14 Capacity v Willingness to Pay

While an assessment of 'capacity to pay' may include SEIFA and the 'Financial Resilience Barometer' based on SA2, the 'willingness to pay' of the community may give a different perspective.

The 2021 SEIFA maps are illustrated below, indicating the SEIFA rating may vary across the LGA:





Within the LGA, there may be different characteristics and particular areas of social disadvantage where the age structure, the make-up of each household and household income varies. The SEIFA rankings may identify particular groups that would be particularly vulnerable and affected by a change in rates. The rankings may therefore influence council's apportionment of the rates to its categories.

It may be appropriate to assess the willingness to pay for services-programs, by alignment of services and assets of the two recent community satisfaction-importance surveys (2021, 2024) to the services with the highest nett draw on property taxes. Those surveys were included in Section 7. Those services may be suitable to contemplate for the introduction of the special purpose annual charges. *It is suggested that tourism, emergency-resilience, footpaths and drainage may be appropriate for initial consideration.*

An example of design of future community survey content is illustrated below.

Community Survey	Importance	Satisfaction	Rank #	Service		Importance	Satisfaction	Rank #	Asset
Year #			3.35	Cleaning - public toilets				3.86	Maintenance - bridges
			3.87	Cleaning - streets				3.79	Maintenance - facilities
			3.38	Responsiveness - animal complaints				3.21	Maintenance - paths and cycleways
			3.06	Responsiveness - communications				3.43	Maintenance - sealed roads
				Responsiveness - councillors				2.69	Maintenance - unsealed roads
			3.06	Responsiveness - customer requests				3.47	Maintenance -stormwater
			3.38	Responsiveness - digital transactions/online requests				4.09	Presentation - parks
				Responsiveness - emergency				3.98	Presentation - sports grounds
			2.61	Assessment - developments				3.98	Presentation - sports facilities
			3.11	Assessment - noxious weeds				3.87	Presentation - town centre
			4.26	Access|Quality - libraries				3.87	Presentation - town entry
			3.98	Access|Quality - pools					Availability - carparks
			4.11	Access|Quality - sewerage				3.79	Availability - community halls
			3.88	Access|Quality - waste				3.21	Availability - paths and cycleways
			4.11	Access|Quality - water				4.09	Availability - playgrounds
			3.88	Investment - recycling				3.35	Availability - public toilets
				Investment - renewables					
				Investment - resilience					Decommission/Downscale - Halls
				Investment - planning for future					Decommission/Downscale - Libraries
			2.93	Investment - tourism					Decommission/Downscale - Visitor Centres
			3.07	Focus - climate					Decommission/Downscale - Waste Transfer Stations
			3.47	Focus - community (children, youth, aged, disability) services					Introduce special purpose annual charge - Stormwater
				Focus - digital connectivity					
			3.07	Focus - economy development and tourism					
			3.14	Focus - environment monitoring					
				Focus - growth					
				Focus - housing					
				Focus - public transport					
				Introduce special purpose annual charge - Tourism					

Table 25

A council resolution (and government approval if required) to raise the charges on relevant properties, accompanied by 'ringfencing' funds raised by those annual charges, will be expected to plan, account and publish outcomes in the annual report.

A revision of council's Revenue Policy in conjunction with the financial plan settings should follow, to determine which rate categories, localities or beneficiaries should be the subject of those annual charges.

An estimate of the effect of proposed changes to average general rates per rate category through the various Scenarios, is included in Section 9.

4.15 Priority Setting

4.15.1 Needs v Wants

Central to decision making in local government, is to determine 'needs' from 'wants'.

As outlined earlier, a local council's basic responsibility is to operate, maintain and renew existing assets, and accommodate future population through strategic landuse planning and associated asset planning. Another view may be the Act and related legislation set the boundaries for a local council (refer Functions s22-23) – indeed the revenue raising capacity of a council is bound (or capped) in legislation.

While the notion of retreating to a 'minimalist' position was suggested earlier, accompanied by decisions on asset-service criticality and role-mode of delivery, those settings may be regarded as 'needs'. Indeed, the Act urges councils to make decisions in line with the principles of s8A (2), wherein councils should:

- recognise diverse local community needs and interests.
- consider social justice principles.
- consider the long term and cumulative effects of actions on future generations.
- should consider the principles of ecologically sustainable development

Certainly, the broad objectives of the Act permits councils to expand its offer and operations to 'wants' (s24):

- a council may provide goods, services and facilities, and carry out activities, appropriate to the current and future needs within its local community and of the wider public…

4.15.2 Strategic Actions and Projects

Over the years SVC, like many councils, has prepared, consulted and adopted a host of strategies and plans. Some of those may pre-date the current council (and community), while others may have been shelved for lack of funding.

It is appropriate then, the suite of strategies and plans be revised to identify those findings, recommendations and actions that have been addressed, those that remain underway, those that may be considered for funding in the next Delivery Program, and others that should be purged. In that way, councillors and community are clear on which actions and projects are to be pursued and referenced in IPR, and importantly, be clear which actions and projects will not be pursued.

In that context, those items may be included in a schedule of 'trade offs' (refer Attachment 7).

4.16 Performance Settings

With reference to the Financial Sustainability framework (Section 2), several indicators in addition to those applied by OLG were established to monitor progress each Term (ie end FY28 and end FY32) towards the benchmarks or targets accepted by Council. A summary of those indicators is listed below and an example at Attachment 2.

Formula	Indicators					Current Rating
	Financial and Asset Indicators		Acceptable	Vulnerable	Critical	
	vii.	regulatory, private, market fees recover costs to benchmark	>75%	50%	<25%	
	viii.	portion of operating grants classified as 'allocated'	>50%	50%	<50%	
Unrestricted Cash + Internal Reserves Y2 less Unrestricted Cash + Internal Reserves Y1/Unrestricted Cash + Internal Reserves Y1	ix.	movement in total cash (internal reserves + unrestricted)	>10%	10%	<10%	
Operating Result/Total Operating Revenue	i.	Operating Result	0%	-5%	-10%	
Operating Result+Depreciation+Finance Cost/Total Operating Revenue	ii.	Operating Performance - cash	>0%	0%	<0%	
(Total Cash and Equivalents **add** Current Investments **less** Externally Restricted Cash/Total Operating Expenditure less Depreciation and Amortisation less Finance Costs)*12	iii.	Liquidity – working capital	>3mths	2mths	<2mths	
Net Rates, Levies and Charges + Utility User Charges/Total Operating Revenues	iv.	Financial Capacity – council controlled revenue	>60%	60%	<60%	
Grants and Contributions (Operating) + Grants and Contributions (Capital)/ Total Operating Revenue	v.	Financial capacity – grants reliance	<20%	20%	>20%	
Total Grants and Contributions (Assets)/ Total Asset (Operating + Capital) Expenditure	vi.	Financial capacity – grants reliance assets	<50%	50%	>50%	
(Prior year estimated population/Previous year estimated population) -1	vii.	Financial Capacity – population growth	>2%	0%	>-1%	
General rates + Fixed Annual (utility) charges/Operations, maintenance, depreciation and debt servicing expense for general + utility infrastructure	viii.	Property Tax Capacity	100%	80%	60%	
Change in Property Tax revenues (YoY)/Change in Depreciation expense (YoY)	ix.	Property Tax and Depreciation Growth	>100%	100%	<100%	
Annual property tax revenues received through supplementary valuations-levies/3% of capital value of new-upgraded assets received through grants or developments	x.	Grant Funded and Gifted New Assets Servicing Capacity	>100%	100%	<100%	

Formula	Asset Sustainability		Acceptable	Vulnerable	Critical	Current Rating
	i.	Asset strategy includes expansion, redundancy, repurpose, resilience, risk	100%	75%	50%	
	ii.	AMP asset capital (upgrades + new) aligned to s7.11, s64 Plans, EWL	100%	75%	50%	
	iii.	LTFP asset renewals aligned to IIMM condition 4, or resilience targets	100%	75%	50%	
Total of Planned Maintenance Expenditure on Infrastructure Asset over 10 years/Total of Required Maintenance Expenditure on Infrastructure Asset over 10 years	iv.	Asset actual maintenance ~ AMP level	100%	90%	80%	
Capital Expenditure on Renewal of Infrastructure Assets/Depreciation Expenditure on Infrastructure Assets	v.	Asset renewal ~ depreciation	100%	90%	80%	
Total WDV of infrastructure assets at Condition 5/Total WDV of infrastructure assets	vi.	Asset backlog at IIMM Condition 5	<2%	2%	>2%	
WDV Cost of Depreciable Infrastructure Assets /Current Replacement Cost of Depreciable Infrastructure Assets	vii.	Asset Management - Consumption	>60%	60%	<60%	
Total of Planned Capital Expenditure on Infrastructure Asset Renewals over 10 years/Total of Required Capital Expenditure on Infrastructure Asset Renewals over 10 years	viii.	Asset Management – Renewal Funding	100%	90%	80%	
Ad Valorem rate yield + regular annual asset grants and contributions/Annual operations, maintenance, depreciation and debt servicing expense for general infrastructure	ix.	General Assets Servicing Capacity	100%	80%	60%	
Asset actual maintenance and depreciation/Asset written down value	x.	General Assets Operations, Maintenance and Renewal Requirements	4%	3%	2%	
Utility AC yield + regular annual utility grants and contributions/Annual operations, maintenance, depreciation and debt servicing expense for utilities infrastructure	xi.	Utility Assets servicing capacity (annual charges ~ asset MRD)	100%	80%	60%	
Capital grants+contibutions+reserves expended/Total Capital new + upgraded assets	xii.	Asset new capital ~ grants + contributions + reserves	100%	90%	80%	
	xiii.	Gifted + grant financed new+upgrade assets OMRD funded in LTFP	100%	90%	<80%	
Carry over total/Current year Capex program value	xiv.	Asset capital annual carryover works (% current FY capex)	<10%	10%	>10%	
	xv.	Grant or development-funded asset project gaps (project > $1m)	<10%	10%	>10%	

Many councils have established their own performance framework and indicators with their Delivery Programs (DP) – often in the absence of an updated framework expected of OLG.

5 Principles

To support those Settings, a suite of Principles has been proposed to guide the path to financial sustainability and shape forecasting in the Financial Plan:

Principle #1: property taxes (general rates, annual charges) should equal or exceed the cost of asset operations, maintenance, renewal and debt servicing (OMRD). Any deficit should be funded by government grants.

Historically, council assets were constructed or funded by Government or developers. Generally, councils rely on those parties to upgrade, expand or fund new assets to support a changing population or economic base in a LGA.

The fundamental responsibility of local government is to operate, maintain and renew its existing asset base. Assets should be designed to be fit for purpose and adapted to accommodate population and climate change. Funding for upgraded, expanded or new assets should be primarily sourced from government and development.

A local council should raise sufficient property taxes (general rates, annual charges) to fund appropriate levels of asset maintenance and renewal – ideally in accord with the schedules contained in respective asset management plans. In reality, most councils rely on asset grants and contributions to renew assets – the gap most prevalent in remote, rural and regional councils.

Principle #2: property taxes pay for assets | fees pay for operations (per adopted RoR^)

When setting the Revenue Policy, tax and fee yields should be designed to pay for assets (Principle 1), and non-essential public services should be funded by regulatory, private, utility and market fees. Council should set a benchmark level of cost recovery for those fees (nett of any grants and other sources). The Revenue Policy should articulate the rate of return (RoR), proposed to be recovered through lifting fees and yields across the term of council. Indexing fees to the rate cap or CPI only, does not reflect user demand or price elasticity.

Principle #3: budgets should disclose operating and capital cash movements

While obliged to observe the financial ratios set by OLG, by utilising either the Statement of Cashflows or the Operating and Capital Account Budget format proposed in Principle 23, a council should focus on the movement of cash in each budget cycle.

This involves monitoring the change in cash and investments held, and the extent to which those investments:

- have improved or declined (or as planned)
- are shared between externally restricted funds (ie unspent grants and the annual balances of the utility funds and development contributions); and internally restricted funds (or reserves) set aside by council for future asset or project activity
- release suitable levels of unrestricted cash that may be applied as ‘working capital’

Principle #4: restore and build cash for matching grants and underwriting disasters

Ideally, a council should hold unrestricted cash equivalent to three (3) months of annual cash operating expenditure (ie excluding depreciation). If not, a council should have internal reserves that may be legally de-restricted if necessary, to ensure a council has cashflow to pay wages, creditors, contracts and debt obligations for the periods between its normal quarterly cash injection of rates and the financial assistance grant.

An appropriate level of working capital allows a council to meet those obligations, as well as underwrite initial response and repairs associated with emergencies and natural disasters; and the flexibility to match the terms of grant offers that may emerge during a year.

Principle #5: tax growth should be greater than depreciation growth

In line with Principle 1, a local council should raise sufficient property taxes (general rates, annual charges) to fund appropriate levels of asset maintenance and renewal.

However, the annual growth in general rates yields (and to a lesser extent annual charges) through rate capping or low fee setting or low development growth, is often less than the annual growth in depreciation expense – particularly as assets are revalued on a five yearly cycle.

The impact of depreciation growth should be considered in annual rate and charge settings.

Principle #6: manage depreciation by managing assets lifecycle

A robust system of asset management, designed, resourced and operated in line with IPWEA guidance and related standards, underpins the performance and functionality of assets. That system includes regular inspection of the load, condition and performance of each class of asset, and cyclic assessment of the remaining useful life of assets and their associated replacement values.

In so doing, decisions on useful life, residual value and obsolescence of assets will influence the annual value of depreciation expense.

Principle #7: determine essential 'public good services'

It is important a council establishes and communicates which of its services and assets should be fully funded by taxes (ie rates, annual charges and grants). The operation and maintenance of critical and essential 'public good' services and assets is a 'community service obligation'. Generally, a local council is the only provider of those services or assets, as they provide no profit imperative, have low market value, or is obliged on a council by legislation.

Accordingly, council has nominated which of its services and assets are a public good, declared the council as the sole provider, and expected to be funded by its taxes, with little or no fee revenues.

With redesign of the rating structure, the public good assets may be funded by the ad valorem component of the general rate, and public good services may be funded by the 'base rate' and supported by Government grants.

Principle #8: establish pricing principles and levels of cost recovery

Other services though, will have differing drivers, beneficiaries and expectations of cost recovery. Those services are categorised as shared, regulatory, private or market goods. Utilities (water, sewer, waste and stormwater) are expected to fully recover costs through annual and user charges.

The table below suggests proposed pricing principles and notional fee recoveries. Council may modify those targets each term.

Principle (ATI)*	Purpose	Target % Recovery
Public (CSO)+	Tax-funded public service, infrastructure, facility or function not provided by, nor viable to be undertaken by, private sector or NGO. Often supported by government grants. Minor fee recovery expected.	10%
Shared	Service, facility or function available to public, but often exclusively used by individuals or groups such as sporting clubs. Modest fee recovery expected, to encourage community or recreational activity.	25%
Regulatory	Fees charged to recover actual costs of assessment, inspection, compliance and enforcement functions. Those functions are required by government legislation. Most fees set (and limited) by government regulation. Moderate fee recovery expected.	50%
Private	Fees set to recover full costs of nominated service, facility or function, mostly available or used exclusively by private individuals, clubs or groups. Often referred as user beneficiary. Most costs expected to be recovered.	75%
Utility (RoR#)	Annual charges and user fees set to recover operating, maintenance, depreciation and debt servicing costs for water, sewer, waste and stormwater utilities. Charges should accommodate a rate of return (as permitted) and be set to also buffer future seasonality impact and infrastructure augmentation.	100%
Market	Fees set to recover full costs of nominated service, facility or function, with a margin for profit. Market fees may account for competitor pricing and may be subject to quotation.	>100%
ABC^	Corporate, plant and other overhead costs are distributed across all external services and facilities to identify real cost of provision and appropriate levels of fee recovery.	

Principle #9: modify the revenue model

To convey and manage the gaps between services and assets and their respective council-controlled revenues, a council may venture to redesign its revenue model to:

- differentiate the ad valorem component of the general rate, together with the fixed component of annual utility charges, as revenues to maintain, renew and pay loan borrowings for assets
- differentiate the base rate component of the general rate, together with the FAG, to provide the essential public good services
- establish special purpose annual charges to narrow the cost gap of specific services or assets desired by the community (through IPR), levied on the beneficiary groups
- apply user charges to recover the operating cost of the utilities, applicable to the beneficiary groups
- differentiate services by the beneficiary, assigning other services to the respective private, market and regulatory pricing principle

Principle #10: assign appropriate expenses to utilities

When applying ‘catchment’ or ‘resource’ thinking to several council programs and assets, it may be appropriate to share or recover some costs from the utilities to the extent those programs influence the quantity and quality of source or downstream resources, such as:

- street and road litter to waste
- recycled road construction materials to waste
- street cleansing and flood controls to stormwater
- catchment controls (vegetation, sediment, pollution) to water

Reviews of waste strategies and resource recovery may contemplate harvesting street and park litter and mandating a portion of bedding for trenches and pavement for roads to be sourced from recycled product – and funded by waste management. In that way, the use and demand for natural materials may reduce.

Integrated water cycle management (IWCM) is a holistic and collaborative approach to planning and managing all elements of the water cycle. It considers how the delivery of water, wastewater, and drainage services can contribute to water security, public health, environmental well-being, and urban amenity.

Integrated water cycle management contemplates that distribution of costing in line with the following outcomes:

Safe, secure and affordable supplies in an uncertain future	Effective and affordable wastewater systems	Effective stormwater management protects our urban environment
A diverse range of water supplies and sources	Meets public health and environmental standards	Waterway health is maintained and improved
Water quality meets regulatory standards and community expectations	Effective sewerage systems	Community and property resilient to local flood risk
Manage water efficiency and demand	Optimised onsite domestic wastewater	Appropriate levels of flood protection in new development
	Maximise waste-to-resource opportunities	

Table 26

Further, for IWCM projects where a utility has nett costs and its general-purpose council has nett benefits, a financial transfer could be made from council to the utility to allocate funding appropriately. Such transfers should apply the principle of competitive neutrality and adhere to the requirements to ring-fence local water utility and general-purpose council accounts. The transfer amounts should reflect the utility's costs to deliver the services/outcomes and ensure there is no cross-subsidisation between the council and its local water utility, or vice versa. Financial transfers would need to comply with section 409(3) of the *Local Government Act 1993*.

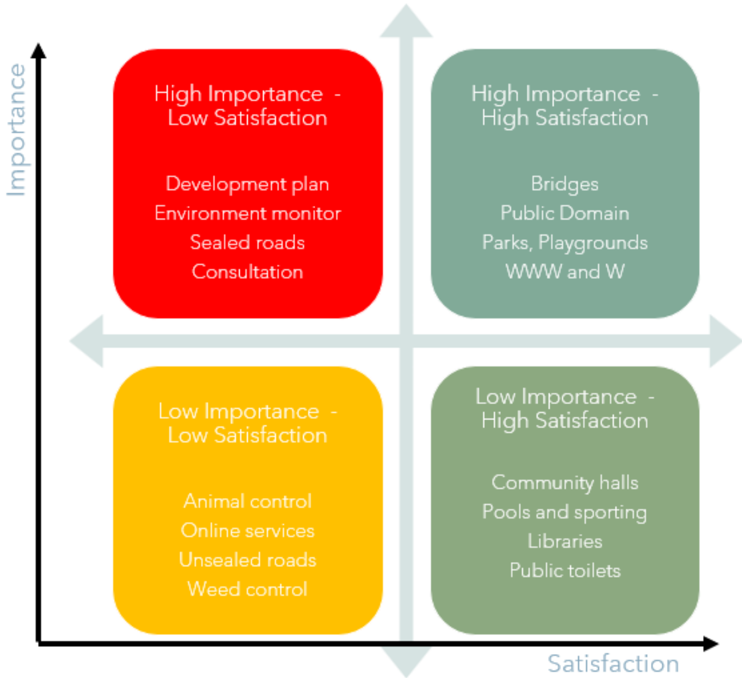
Government guidance on IWCM is at Attachment 10.

Principle #11: manage expectations: be clear what will/not be pursued and declare trade offs

Regular testing of community sentiment through the IPR community engagement strategy (each term) and satisfaction survey (biennial), should become a vehicle to inform the community of the challenges before a council, seek community views on the mix and quality of services and assets, and gauge the relative importance of services and projects proposed by the council.

Equally, it is important a council clarifies:

- which strategic actions and projects it proposes to pursue (or not) during its term
- which programs and projects are subject to receipt of grants
- what is fallback position (or source of funding) should full grant value of projects not be realised, and
- should there be any shortfalls in funding for services, asset or projects, what are the trade offs



An example of trade-offs is at Attachment 7.

Principle #12: manage volatility of grants

As Governments repair their budgets, the scope and availability of grants are likely to diminish, while the value of matched funding requirements for councils is likely to increase. In line with Principle 11, budgets should annotate which programs and projects are subject to receipt of grants, or those programs and projects that will not commence until execution of a grant deed or receipt of grant funds. Often the timing of receipt of grants or reimbursement of costs may cross financial years and distort a council's financial results.

Certainty of grant funding is important for viability of councils. It is suggested grants should be categorised into 'allocated' and 'competitive' to illustrate which grants are annual, untied and reliable – and budget expenditures and annotations framed accordingly.

Principle #13: manage asset interventions, customer responsiveness through AMP and service levels

Asset management plans (AMP) should be revised each electoral term and recalibrated with each asset revaluation cycle. Similarly, the AMPs should be aligned with the financial plan and contribution plan works schedules. While IPWEA/IIMM guidance is available to shape AMPs per class of asset, the 'intervention condition levels' (ICL) often used to trigger planning and conduct of asset renewals, may be modified for example, on:

- condition of an asset/asset class
- remaining useful life
- obsolescence
- planned upgrades
- available funding

Those settings may cause a transition (temporary or longer) between maintenance and renewal scheduling and associated operational and capital expenditure. Similarly, a council with a relatively larger portion of an asset class or in a location assessed in good condition, may alter its customer responsiveness settings in its 'customer charter' – attending to maintenance of an asset on a patrol cycle or per its schedule is more efficient. Delays in renewal schedules may:

- increase downstream cost of renewals
- increase risk of incidents emanating from lower quality assets
- impact useful life metrics used to calculate depreciation
- impact OLG asset management ratios

The levels of service for certain assets established in an AMP may also be revised based on load, capacity, redundancy or plans for obsolescence. It is acknowledged that useful lives and ICL may vary per component of asset (eg pumps, valves and tanks in a sewer pumping station).

Principle #14: refresh asset management plans, utility business plan and risk management framework

Asset management plans (AMP) should be revised each electoral term and recalibrated with each asset revaluation cycle. Similarly, the AMPs should be aligned with the financial plan and contribution plan works schedules. For multipurpose councils or local water utilities (LWU), the strategic business plans to guide water and sewer augmentation is likely refreshed every ten years. Ideally, water, sewer and stormwater assets and operations are embedded within an 'integrated water cycle management plan' (IWCMP).

Most council services are founded on *accessible, acceptable, adaptable, equitable and fit-for purpose* assets. The provision, operation and maintenance of general assets is a 'public good'. Long term financial plans should contemplate lifecycle costs of key assets, including building resilience and adaptability into design and renewal of those assets.

Ideally, investment in early betterment designs of critical assets that are vulnerable to regular interruption or damage through natural disasters, failures or accidents, places a council in good stead to capture or negotiate grant funding as it emerges.

A review of AMPs or an IWCMP should draw on a council's strategic risk profile (eg population and climate change, natural disaster, asset standards, legislation) and design the renewals, upgrades and expansion of assets or networks through the risk framework.

Ultimately, a council's appetite for risk should be reassessed should funding or capability be inadequate to renew or upgrade assets as desired in AMPs.

Principle #15: creative repurposing of service delivery or yields through property

Many local councils own or are responsible for significant property holdings. The initial purpose for acquiring or utilising property and buildings may have changed over time. Some older buildings may be reaching end of life or functionality and remain at high cost to maintain. Several councils also hold real estate holdings, which may facilitate development of council owned land or partner with developers for shared returns.

While sale of property simply converts a non-current fixed asset into a current liquid asset, the proceeds should ideally be retained as working capital (unrestricted cash or internal reserve) or utilised to acquire or upgrade another asset. Often though, the proceeds are used to prop up budget deficits.

Similarly, councils may create footpath, carpark or reserve spaces in town centres for commercial licence or lease.

A council should prepare or revise its property strategy to assess the community and financial value to retain, refurbish, repurpose or dispose of various sites, or build annual yields through leasing property. Decisions should be guided by the respective AMP for buildings.

Principle #16: consolidate and repurpose reserves and contributions unused in 5 years

Councils hold internally restricted funds (reserves) for several purposes, including the proceeds of sales, placing funds aside for a future project, holding cash to pay for staff retirements or plant replacements. However, may remain inactive for several years, or there is little chance appropriate funds may be raised (including the reserve) to undertake a planned project.

The same applies to many smaller development contributions held in externally restricted funds. A council may resolve to consolidate some of the internal reserves or developer contributions and apply by resolution, to another purpose or project.

Nonetheless, the value, longevity and enduring purpose of those funds should be revised each council term.

Principle #17: establish Funds for planning, charging, accounting, reporting; explore dividends

Budgeting and reporting the consolidated financial position distort the results for the 'General Fund'. That Fund accounts for rates, community, environmental and economic services, and raises most the fees and charges. The utilities (water, sewer, waste, stormwater) manage those specific assets and provide those related services. The General Fund usually operates in deficit, with the consolidated financial results propped up by the expected annual surpluses on the utilities (including stormwater). The annual financial results of the utilities are placed into (or drawn from) into their respective externally restricted funds (reserves), with those balances only available for the purpose of each of those utilities.

Usually, the water and sewer operations are classified as 'business' under National Competition Policy (NCP) – in some circumstances, so too is waste – and require separate accounting and reporting in the budgets and financial statements. Note D1 discloses the Income Statement and Financial Position results by Fund.

Stormwater is proposed as a utility, as it is normally embedded in a multipurpose council's IWCMP.

Ideally, each Fund sets its pricing in the Revenue Policy to accord with its respective strategic business plan or asset plan, to generate surpluses to accommodate seasonality, climate change, population change, future augmentation and investments in recycling.

Further, in accord with NCP, a council may derive a dividend from the surplus of the water and sewer utilities it manages. As the Special Purpose Financial Statements for water and sewer notes:

- the principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a marketplace, particularly between private and public sector competitors

- the principle of competitive neutrality and public reporting applies only to declared business activities
- full cost attribution including tax-equivalent regime payments and debt guarantee fees apply
- 'Best Practice Management of Water and Sewer Guidelines' apply

Those guidelines enable a return on capital and a dividend calculated from surplus. In FY23, the financial statements record a potential dividend of $1.884m from Water Fund and $0.479m from Sewer Fund. Council may explore the application of dividends (including from waste), utilising proceeds for general purposes and/or ringfenced to be expended in the localities from which those localities or schemes are placed.

Before taking a dividend payment from a surplus of the council's water supply and/or sewerage business, a council must have in place an IWCM plan in accordance with the NSW Water Regulatory and Assurance Framework.

Principle #18: phase out cross subsidisation; recover full (ABC) costs; and invest in 'resilience'

It is suggested that all the utilities be budgeted as discrete Funds with results recorded as Special Schedules in the Financial Statements. Similarly, should a council establish special purpose annual charges (Principle 19), they too should be separately accounted and reported. In that way, any cross subsidisation between those self-funding services and General Fund is minimised.

Ideally, a council should also establish an accounting policy to *attribute* its organisation support costs (ie finance, technology, human resource, risk and asset management) to all the services based on relevant cost drivers. However, the cost of governance of the entity (ie councillors, executive, IPR, strategic planning, revenue) may be *distributed* to each Fund. In that way, the real costs of each service and management of associated assets are clear, the real rates of cost recovery are identified, and suitable benchmarking may apply.

Ideally, councils should invest in the capacity (or maturity) of the organisation, and resilience of key infrastructure to withstand climate change, skill and technology churn and shocks such as natural disasters.

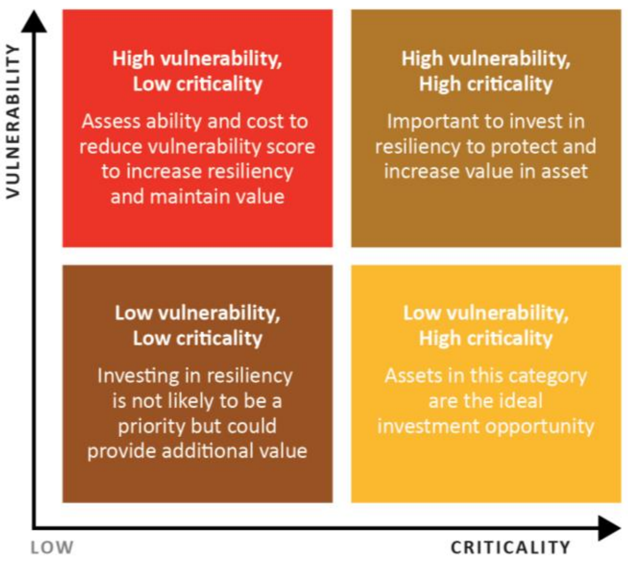


Figure 9

Those investments should be led by the respective workforce, climate and asset plans and disclosed through the Resourcing Strategy.

A council should assess the inter-relationship between service expectations (high importance-low satisfaction) and assets resilience (high vulnerability-high criticality) when discerning needs and wants.

Principle #19: expand revenue options including Special Purpose Annual Charges

The process and cost to seek a special rate variation (SRV) can be complex and politically volatile. Rarely, is an SRV sought in an election year.

However, the purpose of a Financial Sustainability Plan is to set the path to balanced budgets, to ratify service and asset standards, and generate appropriate revenues to hand over to the next term of council.

Council may contemplate introducing special purpose annual charges, led through the IPR process, to reduce the draw on general rates for services-programs deemed by the community in the IPR process as 'important'. In other States, annual charges are collected for specific purposes and expenditures are ringfenced, accounted are reported annually. Attachment 9 is an example rate notice.

Principle #20: modify AC structure to cover utilities MRD and user charge for operations, per IWCM

The 'Best Practice Management of Water and Sewer Guidelines' stipulate the annual water access charge may only comprise 25% of the expected water revenues, intending 75% of revenue billing be placed in consumers hands (based on water measured through a meter).

Unfortunately, that approach discards the primary obligation of a local council – to maintain and renew its fit for purpose assets to support current and future populations. Ideally, a council should calculate a fixed annual charge per user group per category (and perhaps per locality), designed to recover the annualised costs of the assets that support the utility (water, sewer, waste, stormwater) service. As noted earlier, water, sewer and stormwater assets and operations are integrated (IWCM).

A stormwater network includes built and natural drainage systems, overland flows, detention and management of catchments (including flooding).

Led though IPR, a council may modify its annual charges structure to distinguish a fixed charge per property/category/locality for management of utility assets, from a user charge designed to recover the cost of operations of the respective utility. In some years, seasonality, demand or asset failures may cause a surplus or deficit result for the respective utility Funds, to then be 'smoothed' through the draw on its respective reserves (externally restricted funds).

Principle #21: catalogue and rethink the service offer

Each council term, the service offer and asset standards (within the respective hierarchies and networks) should be confirmed or refreshed. The services or assets nominated as low satisfaction and high importance though community surveys, may be scheduled for review.

However, services are generally not 'catalogued' by councils in a way that levels of service (LoS) may be articulated, modes of delivery nominated and required funding calculated. Generally, councils rely on the historical structures in the general ledger to define the mix of services offered, with the technology platforms often unable to differentiate services from activities and levels of service costs.

Ideally, a council should catalogue its service offer, identify the assets supporting those services (and the extent the assets condition influence the availability or quality of service), and draw on community feedback (community engagement strategy or surveys) to rethink the service offer and resourcing.

The schematic below illustrates such an approach:

Figure 10

Principle #22: set policy boundaries: grants, asset, gifted, reserves, exemptions, donations, ABC

A council should manage expectations and potential impacts on finances and assets through establishing (or refining) its position through several policies such as grants and gifted assets; donations, rebates and exemptions; restricted funds (reserves), raising debt and attribution of costs. A council is obliged to also establish and review its policies on assets, risk and investment each term.

In that way, councillors, staff and community are aware of the boundaries within which council will operate, in turn informing delegations to staff before a decision or change to policy is required of the elected body. Some of those actions or boundaries may include:

- sourcing and application of grant funds or assets gifted through developments
- annotate programs-projects as subject to execution grant deed
- review eligibility for donations, exemptions or rent rebates
- distinguish external from internal restrictions, and respective purposes
- nominate triggers to utilise working capital (disaster, grant match)
- growth, resilience, redundancy, obsolescence, fit for purpose parameters for assets
- utilise property to leverage business activity

Principle #23: improve transparency

Inevitably, a reader of a council budget or financial statements will observe high levels of invested cash and reserves, employment costs matching rates revenues, varying condition of assets and growth in depreciation outstripping rates. However, a reader would not be aware of the purpose of restricted funds, the adequacy and purpose of working capital, and what is being spent on renewing assets. Unfortunately, most council budgets are published in the form of the financial statements.

Several of the Principles are designed to improve transparency:

- restructuring rates between assets and public good services
- matching annual charges to utility asset maintenance and operations
- establishing pricing and rates of cost recovery for services
- ringfencing utility and special purpose charges into Funds
- guiding changes to revenue and services through the IPR framework

Similarly, presenting budgets in the Operating and Capital Account format (Principle 3), discloses what budget will be spent on (assets and services), not the resources consumed (employment, materials). The format also includes capital expenditure on assets, combined financial results (surplus or deficit) and movement in cash and reserves.

Principle #24: expand planning and reporting

A council is required to prepare its Delivery Program (DP) each term, setting the programs, projects and actions proposed by the elected body in response to the direction sought in the community strategic plan (CSP). A Resourcing Strategy (comprising an asset plan, workforce plan, technology plan and risk plan) should iteratively follow to match the organisation capacity and capability to the DP. Inevitably, that process may modify the schedule of activities in the DP, or alter the staff-contract mix in the Resourcing Strategy.

Throughout the year, councillors receive quarterly reviews of budget (often informed by separate reports on finances) and half yearly reviews of progress against the actions and projects in the DP.

To plan and report on assets, a council may establish a hybrid IPPE Schedule (Attachment 8) to identify per asset class:

- asset replacement cost (by revaluation) to its WDV (through depreciation)
- what assets are in best condition (1-2) to worst (4-5)
- which assets and value are/should be prioritised for renewal or replacements (4-5)
- which assets and value are/should be scheduled for obsolescence
- what is actually expended on maintenance (3) compared to that required in the AMP
- what is proposed to be expended on renewals over 10 years in the AMP compared to depreciation forecasts
- what is expected impact on depreciation expense following asset revaluations
- what are the scheduled rates of cost recovery to operate plant

That Schedule could be audited and embedded within a voluntary 'state of infrastructure' report each council term to inform community and councillors of the condition, value and performance of assets handed over to the next governing body.

Each term, a council is also required to review its risk management framework and reset its appetite for risk, having regard to strategic risks and the capacity of the organisation. The audit, risk and improvement committee (ARIC) comprising three independent members, establishes a program of internal audits to monitor organisation performance, management of risk, financial results – and may oversight some service reviews.

Ideally, ARIC may attest the financial sustainability of council each term, as part of the handover.

Principle #25: set acceptable priorities

Too often, councils interpret the deliberately broad objectives of the Act to be a mandate to be 'all things to all people' as the level of government closest to residents and business. Recent decades have seen a significant shift of focussed expenditure from assets to community, environmental and economic services by councils – often incentivised through seeding grants by Government or prompted through legislation. In turn, councils are often more heavily reliant on Government grants to renew or upgrade assets, or continue services.

Encouraged by IPR, many councils appropriately develop a host of strategies and plans to guide directions and projects in future Delivery Programs, such as integrated water cycle, integrated transport, cultural, climate change, recreation, tourism, housing, economic development and precinct masterplans.

However, many of the findings and recommendations of those plans are not appropriately tasked to other parties (including agencies), nor prioritised, not funded, nor purged. Clarity is required of which of those recommendations will be pursued and funded in what timeframe, and what are the dependencies on those actions continuing.

Each term, a council should revise the recommendations and adopted actions from strategies in the previous term, and determine which will be pursued – with regard to the capacity expressed in the Resourcing Strategy.

Several ranking tools are available to assist decision making – the figure opposite is an example.

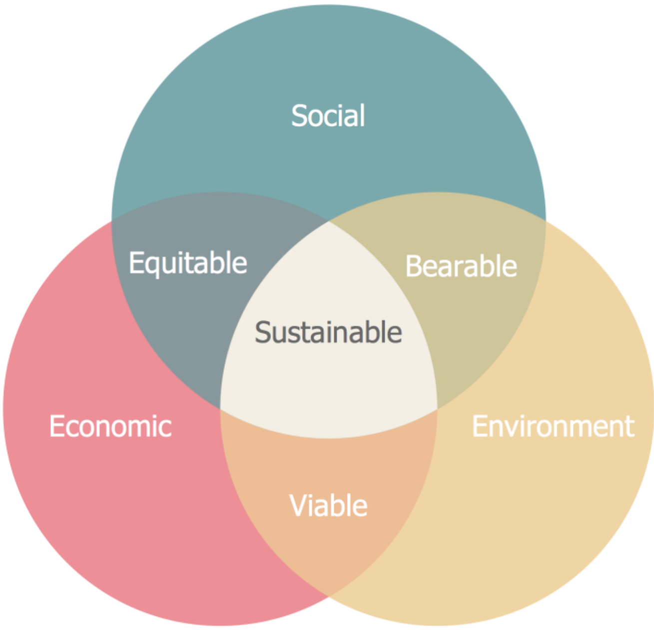


Figure 11

Principle #26: allow contingencies for $cost and time gaps in project estimates

Many councils have adopted a project management framework and established a project office to administer projects of certain value and complexity. Often, agencies require councils to demonstrate those settings prior to approval of grant funding.

However, projects are often underestimated (time, cost, resources), with phases of the project (eg concept, business case, design, tender) spanning more than one financial year. Often too, receipt of grant funds may not coincide in the same financial year the costs were expended. More likely, provisions made in the financial plan (say at P50), may not have been suitably re-estimated in the Delivery Program phase (say to P80), and a funding shortfall may require rescoping, reprioritising or refunding the grant funded project.

Principle #27: advocacy – work with JO, LGNSW, OLG to improve sustainability for sector

It is important a council works with neighbouring councils, joint organisations and representative bodies such as LGNSW, to continue to advocate for equitable distribution of responsibilities and funding between local and State governments. IPART has conducted several reviews of the impact of regulatory activity on councils, low revenues raising capacity, and rate pegging. The NSW and Commonwealth Governments have inquired into the financial sustainability of the local government sector.

Examples of the mis-appropriation of assets, funding (and depreciation) by Government include:

- finalise the reclassification and transfer of regional roads from local to State government
- finalise the transfer of emergency service levy and assets from local to State government
- subsidise the provision or premises or operation of community services (aged, childcare)

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6 Base Year: FY2025

Volume 1 ‘Trends and Analysis’ illustrated financial and asset trends over recent years, and the attempts and effect of sustainability interventions to date.

The FY25 Operational Plan was reframed into a Service Summary in a similar format to Note B1 of the financial statements, with Scenarios constructed and modified in the formats above, using FY2025 as the Base Year – assuming the year concludes several years of distorted results through disaster and stimulus funding and subsequent elevated financial and asset OLG indicators. It will also likely signal a reduction in externally restricted funds through the exhausting of unexpended disaster grants.

Services

		Pricing	Operating Income	Operating Grant	Capital Income	Employ	Material	Other	Expense	Depreciation	Result	RoR*	RoR*
SVC	Service OP25 (incl Internal Chg)	Principle	2025OP	2025OP	2025OP	2025OP	2025OP	2025OP	2025OP	2025OP	2025	Target	2025OP
Commercial	405 - Children's Services	Market	527	1951		2119	218	591	2928	32	-482	>100%	18%
Commercial	415 - Caravan Parks	Market	1135			25	545	162	732	199	204	>100%	122%
Commercial	510 - Cemetery Management	Private	267			71	53	48	171	17	79	>75%	141%
Commercial	517 - Aerodrome	Shared	20		9985	19	45	47	112	37	-129	>25%	14%
Community	401 - Community Development	Public	872	7		200	358	107	665	21	193		
Community	407 - Community Transport	Private	77	518		370	154	107	631	13	-49	>75%	12%
Community	512 - Public Toilets	Public				106	234	163	504	272	-776		
Contract	999 - External Commercial Works	Market	8249			1102	5517	1277	7897	30	322	>100%	104%
Culture	412 - Library	Public	13	208		593	156	879	1628	83	-1490		
Development	411 - Growth and Development	Regulatory	660	89		1303	416	504	2223	3	-1477	>50%	30%
Economic	402 - Economic Development	Private				219	58	107	384		-384	>75%	0%
Economic	403 - Tourism and Visitor Services	Private	96			200	73	206	479	37	-420	>75%	20%
Health and Safety	409 - Emergency Management	Public	0	525		1	201	865	1066	29	-570		
Health and Safety	900 - Emergency Works	Public		1228	3589				1228		0		
Property	406 - Multi Service Outlet: Aged	Private	155	120		126	126	101	354	78	-157	>75%	44%
Property	513 - Buildings	Private	911		9693	91	491	153	735	623	-447	>75%	67%
Recreation	514 - Sporting Grounds	Shared	31		775	167	222	332	721	240	-930	>25%	
Recreation	515 - Parks and Open Space	Public	14	13	60	1174	318	1052	2544	404	-2921		
Recreation	516 - Swimming Pools	Shared	244		1148	616	257	444	1316	439	-1511	>25%	
Regulatory	410 - Regulatory Services	Regulatory	50	70		261	163	217	642	4	-526	>50%	8%
Sewer	542 - Sewerage	Utility	6367		210	1113	1290	917	3321	1211	1835	>100%	141%
Stormwater	501 - Drainage and Stormwater Management	Utility	29			16	53	33	103	539	-613	>100%	5%
Transport	503 - Road Safety	Public	0	92		101	75	86	262		-170		
Transport	506 - Roads and Bridges	Public		2715	3780	1174	3055	2032	5034	4665	-6984		
Transport	507 - Footpaths, Carparks and Kerb and Gutter	Public				39	123	98	260	662	-922		
Waste	540 - Waste Management	Utility	4316	4		566	2460	1627	4653	169	-502	>100%	90%
Water	541 - Water Supply	Utility	5911		200	1226	1313	1036	3576	1165	1170	>100%	125%
	202 - Rates & Charges	Public	13201								13201		
	203 - Grants & Subsidies - FAGs	Public	0	5754							5754		
	*inc ABC		43145	13294	29440	12998	17974	13191	44169	10972	1298		

Support

		Pricing	Operating Income	Op Grant	Capital Income	Employ	Material	Other	Expense	Depreciation	Result	RoR*	RoR*
SVC	Support OP25 (incl Internal Chg)	Principle	2025OP	2025	2025OP	2025OP	2025OP	2025OP	2025OP	2025OP	2025	Target	2025OP
Executive	101 - Leadership	Distribute	-15	15		1541	1110	60	2711		-2711		
Finance	201 - Finance	Distribute	902			1233	312		1545		-643		
Engagement	301 - Communication, Engagement, Corporate Pla	Attribute				362	123	2	487		-487		
Governance	302 - Program and Grants Management	Attribute				143		5	148		-148		
Governance	303 - Governance	Attribute	1			391	80	120	591		-590		
Digital	404 - Technology	Attribute				621	1619	1	2241	7	-2248		
Customer	408 - Customer Service	Attribute	80			869	70	3	942		-862		
Workforce	413 - People and Culture	Attribute				472	118	1	591		-591		
Workforce	414 - Risk and Safety	Attribute	68			430	550	18	998		-930		
Asset	500 - Technical Services	Asset	234	18		3337	236	79	3650	40	-3438		
Asset	509 - Fleet, Depot and Workshop	Plant	3395	6		800	2241	152	3193	1133	-925		78%
	Internal charges		*11754*								11754		
			16419	39	0	10199	6459	441	17097	1180	-1819		
	TOTAL		**59564**	**13333**	**29440**	**23197**	**24433**	**13632**	**61266**	**12152**	**-521**		

Table 29

7 Scenario Settings

7.1 Financial Plan 2024

While cyclic deficits are tolerable, the current structural deficits forecast with the LTFP is not. A balanced budget is preferable with:

- asset operations, maintenance, renewal and debt servicing (OMRD) funded
- adequate working capital to deal with financial shocks and emergency, and grasp project (grant) opportunities as they emerge
- some fiscal and electoral 'tension' to cause debate and decisions on where funding is best directed through the Delivery Program (DP) term. In so doing, councillors should focus on the 10-year planning cycle, wherein decisions may pivot between
    - asset maintenance or renewal
    - asset renewal or upgrade
    - asset or service expenditure, and
    - community or environment service bias, then
    - levels of service, and
    - modes of service delivery, with
- affordability tested through the lens of capacity and willingness to pay

Across each term of council, expectations should be managed through the IPR framework, with proposed variations to revenues raised, services delivered and assets replaced. Ideally, Council may expand its Resourcing Strategy to reflect its risk and digital plans.

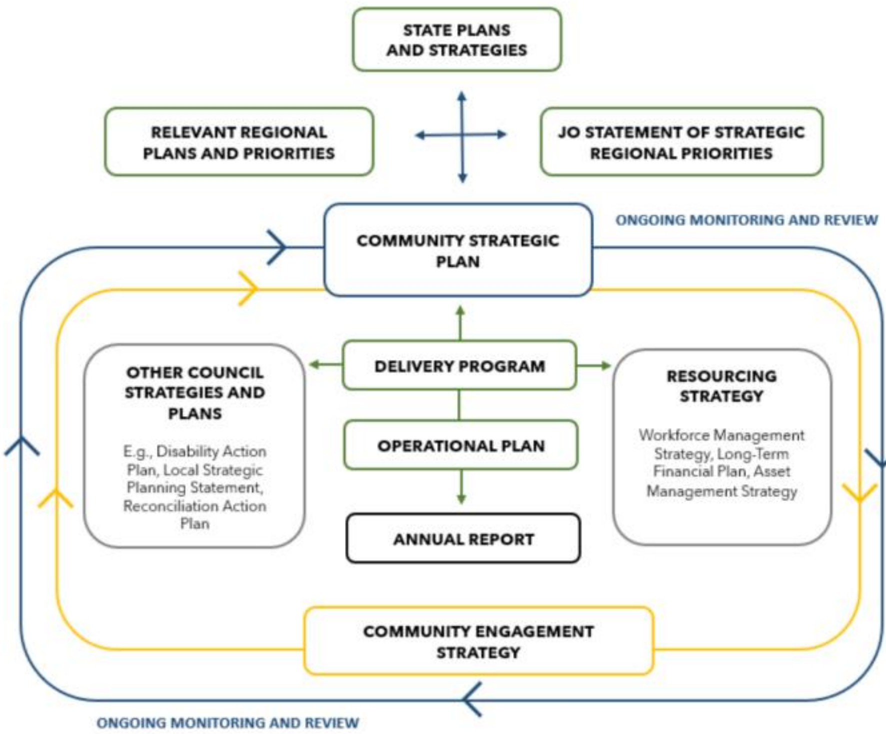


Figure 12

SVC published a revised Financial Plan (LTFP) with its IPR documents in April 2025. The LTFP retained similar objectives to its predecessor, being:

- achieving a balanced operating position or small surplus in the long-term
- providing sufficient funding for renewal of existing assets based on an analysis of renewal requirements
- keeping the asset renewal program stable
- maintaining sufficient cash, managing debtors, and maintain debt within acceptable limits
- keeping the typical residential bill for water and wastewater services as low as possible and stable over the long term
- increasing the capital base as additional or improved community infrastructure, as funded by grants

The LTFP recognises the current high inflation economic situation and tight employment market has put significant pressure on materials and contract costs. The Plan indicated Council will pursue grant funding with a preference for operational funding, and financially unsustainable capital projects will not be pursued. Importantly, the Plan acknowledges Council's sustainability cannot be maintained should grant funding reduce.

The 2024 LTFP noted depreciation remains proportionally at the same levels over the remaining forecast period.

No allowance had been made for future disaster events and assumes natural disaster impacts on public infrastructure will be funded from State / Commonwealth. In the case of a major disaster, these funding arrangements are inadequate to cover all costs to Council and may also result in cash flow management issues. It is noted however, disaster funding is not received for Water and Wastewater Infrastructure, Public Open Space and Recreational Facilities and additional external borrowing is forecast for the Water Fund.

In addition, the LTFP assumed that Government funding would remain stable, and Council would aim to minimise future energy costs and phase the increases in the superannuation guarantee levy.

However, like every plan, there are several risks, which should prompt annual reviews of the LTFP:

- ability to contain rises in employee costs
- level of capitalisation (allocating employees to capital works programs rather than operational) and the level of resourcing required for civil contracting
- very low levels of borrowings and the existing loans are at fixed rates
- interest rate market
- flow on effect to increased depreciation and operating costs from grant funded or gifted assets
- relies heavily on external funding for its operations and capital works renewal
- likely that cost shifting trends will continue and negatively affect Council's operating results
- increases in insurance premiums (natural disasters, higher inflation, and climate change)
- Government may reduce the subsidy to offset the significant increase in the ESL calculation

While SVC introduced a general rate SRV of 15.7% increase in FY23, its proposal for a 42.38% increase from FY25 was unsuccessful.

7.2 Scenario Outline

Appling the Settings and Principles established with councillors, four Scenarios were considered in addition to that adopted with the LTFP. Each Scenario was framed on the following assumptions and mix of interventions.

As referenced earlier, the FSP differs to the LTFP in that:

- interventions are introduced in the FSP
- expenses and revenues are not indexed (as they are in the LTFP)
- assets are the primary focus of expenditure in the FSP
- any interventions are in addition to any indices applied in a future LTFP
- focus is on cash movements and balances to illustrate sustainability, rather than accrual Income Statements – in that way, the value of depreciation is backed out
- scenario formats differentiate operating from capital results, and combined results – rather than focus on input resources of the typical Income Statement format

Budget discipline is then applied in the FSP through:

- service costs are not expected to expand beyond the levels of service set in FY25
- the dollar value of indexed revenues (ie rate peg, CPI) between financial years, becomes the funds available to expend on services and assets operations in those years
- estimates for capital expenditures should be finessed from P50 in the LTFP to P90 in the OP
- surplus cash results are available to build working capital or restricted funds (reserves)
- grants received in excess of budget, that are for the purposes accommodated in the FSP, should be placed into working capital or respective restricted funds (reserves)

Below is a summary of the outcomes expected from the interventions and discipline:

Revenues

- **Taxes**
  - yield phased ~ asset MRD
    - SRV apply all categories, or
    - SRV to target category
  - alternate rate model
    - AV ~ assets
    - base ~ CSO
- **Annual Charges**
  - phased uplift ~ asset MRD
  - operating returns per SBP
  - special purpose AC
  - optional dividend
- **Market-Private-Utility Fees**
  - phased full cost recovery
    - incl ABC + depreciation

Expenditures

- **Assets**
  - general maintenance ~ 1% WDV
  - general renewals 70-90% Term 1
    - target buildings > 90%
  - renewals 100% Term 2 ~ 2% WDV
- **Utilities**
  - account asset MR from operation
  - apply catchment costing per IWCM
  - grow 100% renewals per AMP
- **Services**
  - retain current LoS until review
- **Support**
  - staff establishment per structure

Organisation

- **Working capital**
  - property sales to working capital
  - excess grant values to reserves
  - consolidate inert reserves
  - consolidate inert ICs
- **Reserves**
  - build unrestricted and internal ~ 2mths cash opex
  - build infrastructure internal ~ 1% WDV
  - build utilities external ~ IWCM-SBP forecasts
- **Maturity**
  - retain LTFP employment $ estimates
    - expect higher $ to ease churn
  - place $employ balance of vacancies in reserve
    - excl backfill

MRD maintenance renewal debt PI | AV ad valorem rate | CSO community service obligation | SBP strategic business plan | WDV written down value

ABC activity base costing | IWCM integrated water cycle management | LoS level of service | IC infrastructure contributions | FTE staff

7.3 Assumptions

In contrast to the adopted Financial Plan, the following assumptions underpin the Sustainability Plan.

Financial Sustainability Plan	
• Term: 2 electoral cycles	8 years
• Population/assessment growth (ERP)	0.5%
• FY23 IPPE WDV *(excl bulk earthworks, land)*	
• general, plant	$362.9m
• utilities (water, sewer, waste, stormwater)	$132.3m
• Grants	
• disaster grants	exhausted
• allocated grants	flatlined
• competitive grants	offset spend
• Services	
• essential + important (provider)	retained
• Asset	
• WDV growth (esp roads)	revaluations
• disaster induced maintenance	reduced
• normalised maintenance and depreciation % WDV	3-4%
• Staffing	
• FTE growth	zero-low
• churn	eases
• Internal Charges	
• attributed organisation support and plant costs	offset
• New debt	nil
• Grants	per LTFP
Financial Plan (LTFP)	
• Term	10 years
• Population/assessment growth	0%
• Revenues	
• rates growth	peg
• annual charges	CPI
• user charges and fees	CPI
• grants	CPI
• Expenditure	
• Employment (award)	3.5%
• contracts materials	CPI
• depreciation	3%-2.5%
• Indices	
• CPI	4%-2.5%
• interest	3%
• New debt	Nil

7.4 Interventions

Several Scenarios were considered – each exploring a mix of revenue uplifts (rates, annual charges, fees) towards nominated targets (% recovery of tax to assets gap, and fee to service gap) – while all Scenarios presented no change to grants (including zero disaster grants) or service and support costs.

However, as the FSP focuses on assets as the primary responsibility of local government, the Scenarios activate annual growth in asset maintenance and depreciation – to acknowledge the suggested initial shift from renewals to maintenance, and the expected uplift in depreciation consequent to asset revaluation (noting roads assets in particular are scheduled for revaluation in 2025). The shift from renewal to maintenance is reflected in lower than benchmark renewal ratios in Term 1.

In all Scenarios, the value of annual maintenance has been drawn from Special Schedule 7 (noting recent years had been elevated due to disaster repairs, funded by grants), and rebalanced to 1-2% of asset WDV as a proxy for normal annual maintenance (noting those ratios were less than 1% WDV for maintenance and 2% WDV for depreciation before the 2019-20 disaster periods). Renewals are accelerated above 2% per year later, to the point of total asset expenditure reaching 5% WDV per year.

Asset, design and project management is differentiated as an asset expense (~0.75% WDV). While utilities operations (cleaning, energy, chemicals, security etc) are accommodated in the servicing budget, the general assets operations are not. It is understood those costs had also been embedded in the actual maintenance costs disclosed in Special Schedule 7. Accordingly, the proxy for general assets is proposed as 1% WDV ($362.884) for maintenance and 1% for operations, combining to $7.257m from FY26. That figure aligns with the RBA inflation calculator for FY19 Special Schedule 7.

Scenario Settings	Scenario 1				Scenario 2				Scenario 3				Scenario 4			
	target	target	annual	annual	target	target	annual	annual	target	target	annual	annual	target	target	annual	annual
Interventions	**Term 1**	**Term 2**	**Term 1**	**Term 2**	**Term 1**	**Term 2**	**Term 1**	**Term 2**	**Term 1**	**Term 2**	**Term 1**	**Term 2**	**Term 1**	**Term 2**	**Term 1**	**Term 2**
Assessment growth			0.50%	0.50%			0.50%	0.50%			0.50%	0.50%			0.50%	0.50%
SRV % narrow asset gap	0%	0%	0%	0%	50%	75%	19%*	35%*	75%	100%	10%	9%	75%	75%	5%	5%
SRV % narrow CSO gap	0%	0%	0%	0%	0%	0%	0%	0%	0%	50%	0%	3%	0%	50%	0%	3.00%
Annual Charge: W, S, W % RoR	>100%	>110%	0%	3%	>110%	>120%	0%	3.0%	>110%	>120%	2%	3%	>110%	>120%	0%	3.00%
Annual Charge stormwater % RoR	0%	0%	0%	0%	0%	35%	0%	0%	0%	35%	0%	0%	25%	50%	0%	0%
Annual Charge: special % RoR	0%	25%	0%	0%	25%	50%	0%	0%	50%	75%	0%	0%	50%	75%	0%	0%
Fees: market % RoR	100%	>100%	2.50%	2.50%	>100%	>110%	2.50%	2.50%	>100%	>110%	2.50%	2.50%	>100%	>110%	2.50%	2.50%
Fees: private % RoR	75%	>75%	2.50%	2.50%	75%	>75%	2.50%	2.50%	75%	>75%	2.50%	2.50%	75%	>75%	2.50%	2.50%
Fees: regulatory % RoR	50%	>50%	2.50%	2.50%	50%	>50%	2.50%	2.50%	50%	>50%	2.50%	2.50%	50%	>50%	2.50%	2.50%
Fees: shared % RoR	10%	>25%	0%	0%	10%	>25%	0%	0%	10%	>25%	0%	0%	10%	>25%	0%	0%
Grants growth			0%	0%			0%	0%			0%	0%			0%	0%
Investment interest (reserves balance)			4%	4%			4%	4%			4%	4%			4%	4%
Dividends % RoI	0%	0%			0%	0%			0%	0%			0%	2%	0%	0.50%
General asset MRD % WDV	2%	4%	2.50%	2.50%	4%	4%	2.50%	5.00%	4%	5%	2.50%	5.00%	4%	5%	2.50%	2.50%
Utility asset MRD % WDV	4%	5%	2.50%	4.00%	4%	5%	2.50%	4.00%	5%	5%	2.50%	4.00%	5%	5%	2.50%	4.00%
General asset depreciation growth			2.50%	2.50%			2.50%	2.50%			2.50%	2.50%			2.50%	2.50%
Utility asset depreciation growth			2.50%	2.50%			2.50%	2.50%			2.50%	2.50%			2.50%	2.50%
Plant asset depreciation growth			2.50%	2.50%			2.50%	2.50%			2.50%	2.50%			2.50%	2.50%
Services expense growth			0.00%	0.00%			0.00%	0.00%			0.00%	0.00%			0.00%	0.00%
Support expense growth			0.00%	0.00%			0.00%	0.00%			0.00%	0.00%			0.00%	0.00%
General asset renewal % depreciation	70%	80%			90%	100%			100%	100%			100%	100%		
Utilities asset renewal % depreciation	100%	100%			100%	100%			100%	110%			100%	110%		
Plant renewal % deprec'n	90%	100%			100%	100%			90%	100%			90%	100%		
Asset management maturity growth			0%	0%			0%	1%			1%	1%			1%	1%
New/upgrade assets % capital grants	100%	100%			100%	100%			100%	100%			100%	100%		
Internal Charge: attributed support	100%	100%			100%	100%			100%	100%			100%	100%		
Internal Charge: plant hire	90%	100%			100%	100%			100%	100%			100%	100%		
							*single year uplift									

Table 30

7.5 Funding Gap

The recent years of disaster, recovery and the pandemic – together with FAG prepayments, assets impairment, and unspent disaster grants – have distorted the underlying financial position of Council.

Like many rural councils, many of the assets that have been repaired, renewed, restored or replaced with the assistance of Government disaster grant funding, may in fact not have been replaced in the timeframe, to the value or to the standard should council funding have been the only source. Like many councils, any reserves or working capital held before 2019 have been eroded as irregular expenditures and revenue exemptions were incurred.

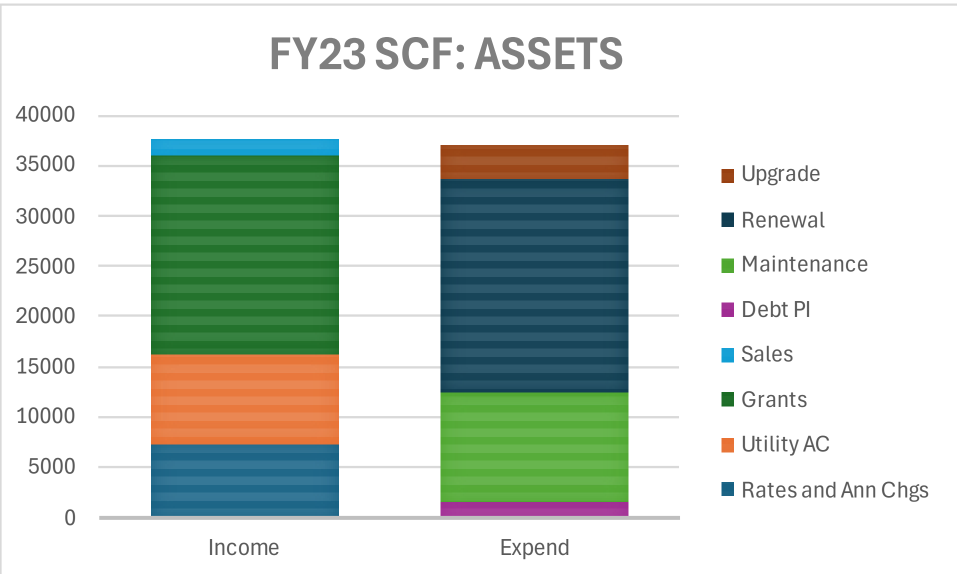
Utilising the Alternate Report Format suggested in Section 4 enables the illustration of the value of service and asset expenditure and the corresponding taxes, grants and fees raised to fund those. To compare, the FY23 Statement of Cashflows indicates:

- nett surplus cashflows from operating activities was $22.782m
- enabling nett cost of IPPE (less assets sales) of ($22.920m)
- loan payments were ($ 1.180m)
- supported by nett transfer from reserves (ie investments) of $ 7.501m
- resulting in an improvement to cash of $ 6.183m

That result contrasts to the Income Statement result of $14.766m, as accounting accruals for depreciation ($11.9m), loss on asset sales ($3.7m) and reversal of revaluation increments ($4.2m) apply.

As outlined earlier, the Financial Sustainability Plan is premised on movement in cash across the years – normally the combined value of working capital with externally and internally restricted funds (reserves) held as investments. As grants are received for renewal of assets that were already accommodated in or exceed the values held the FSP, ideally those balances should be placed into an asset (infrastructure, utility, facility) reserve to assist the availability of funding and smoothing of future capital expenditures (refer OLG sustainability expectations Section 2).

The FY23 results based on the Statement of Cashflows below indicate the nett result ($1.318m) with the improvements to cash due to grants received and unexpended that year and placed in reserve.



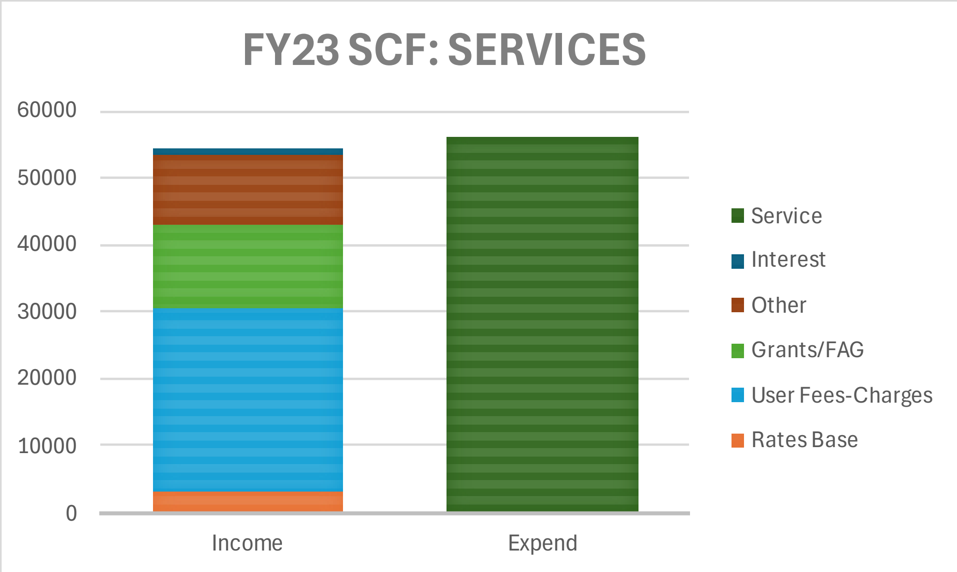


Chart 2

In contrast, should the disaster grant funded maintenance and renewal expenditures be backed out from OP25, the results may appear as below – with the funding gap apparent.

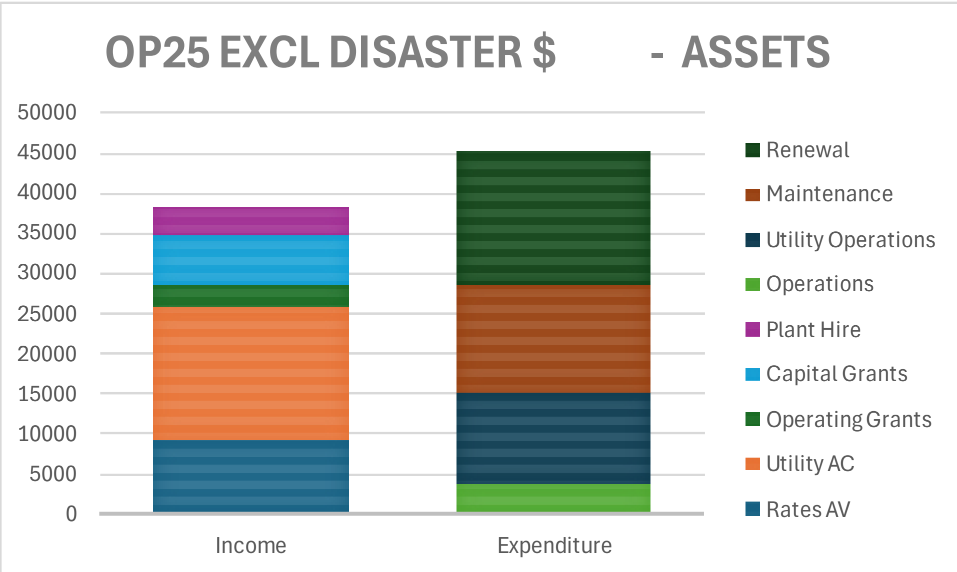


Chart 3

It is that asset funding gap that is proposed to be reduced through iterations in each Scenario through a mix of capped expenditure and elevated revenues, some of which may be modest.

For example, should the current $25 stormwater charge per urban property apply to Tumut, the approximate 2,500 properties @ $25 would yield $62,500. However, a broader drainage charge may be contemplated to apply (as several councils do) to recover (say) up to 50% of the current cost of stormwater asset maintenance and depreciation (OP25 ~ $0.613m).

7.5.1 Tax-Asset Funding Gap

As outlined in Volume I, local government in regional and rural areas generally has endured decades of underfunding for general assets – in turn prompting reports in 2006 and 2013 exposing the 'infrastructure backlog' in the sector.

This Plan proposes reframing the annual expenditures on assets to levels without the distortion of disaster grant funding. Initially, it becomes clear SVC (like many councils) relies heavily on grants for renewal, rather than its own funding.

In essence, a local council should generate a cash surplus on its operating account – ideally to the notional value of annual depreciation – so those funds are available for the renewal of assets in the capital account. To be sustainable, that cash surplus should be heavily weighted to 'council-own' funds, and not grants.

A council's annual general rate yield should preferably be equivalent to the maintenance and depreciation expense on general assets. While those asset values are normally expressed in Note B3-4 (depreciation) and special schedule 7 (maintenance) in the financial statements, as a broad measure, a rural council with low population or asset growth (from development) may expend an average 3% of the written down value (WDV) of its assets on combined maintenance and depreciation each year. While indicatively, the value may be apportioned as 1% to maintenance and 2% to depreciation, in any particular year, a council may expend proportionally more on maintenance or depreciation depending on seasons or asset plan priorities. Indeed, council may exceed the expenditure on renewals above that notionally expected through depreciation, as a consequence of significant grant funding. Accordingly, the asset renewal and maintenance ratios may be skewed in that year.

To illustrate:

- FY24 general rates $12.432m

B2-1 Rates and annual charges

$ '000	2024
Ordinary rates	
Residential	5,610
Farmland	5,828
Mining	10
Business	1,086
Less: pensioner rebates	(226)
Rates levied to ratepayers	**12,308**
Pensioner rate subsidies received	124
Total ordinary rates	**12,432**

- FY24 general infrastructure assets (incl bulk earthworks) WDV $614.356m
- WDV $614.356m x 3% $18.430m

This assessment indicates the notional asset funding gap to be accommodated by taxes – through either increased general rates, or the receipt of reliable annual allocated grants for assets - which in turn exposes council to financial risk, and the community to asset serviceability or availability risk.

The Scenarios in Section 8 explore a number of measures to narrow that notional gap of $6m. The above figure is subject to a revised asset plan and priority settings, noting roads assets are scheduled for revaluation in FY25.

8 Scenarios

Four Scenarios were developed, with Interventions proposed in Section 7.4. The Scenarios were informed by Council's decisions on Settings:

- Section 4.1 positioning
- Section 4.2 working capital
- Section 4.4 service criticality
- Section 4.5 service role-mode of delivery
- Section 4.7 service pricing
- Section 4.8 service rates of return
- Section 4.9 asset and service annual charges
- Section 4.10 shared services and facilities
- Section 4.11 property
- Section 4.12 asset management
- Section 4.16 performance
- Section 5 principles

Each Scenario was assessed against the financial sustainability measures (Section 2), accounted in the Alternate Format (Section 4) and with funding gaps illustrated in the Rate Model (Section 10).

8.1 Scenario – Long Term Financial Plan 2034

The initial Scenario is the Financial Plan modified following OP25. As discussed, this Scenario is unacceptable as it promotes a structural deficit.

Income Statement - Consolidated

Account Description	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Income from continuing operations										
Rates and annual charges	24,219	24,997	25,801	26,571	27,235	27,916	28,614	29,329	30,062	30,814
User charges and fees	15,428	16,045	16,687	17,271	17,703	18,145	18,599	19,064	19,541	20,029
Interest and investment revenue	1,627	1,557	1,520	1,290	1,255	1,313	1,346	1,408	1,500	1,649
Other revenues	1,528	1,589	1,653	1,711	1,745	1,780	1,815	1,852	1,889	1,926
Grants and contributions - Operating	13,333	12,855	13,594	14,261	14,744	15,240	15,752	16,279	16,822	17,158
Grants and contributions - Capital	29,440	3,450	3,350	2,420	2,250	1,140	1,040	1,190	720	870
Net gain from the disposal of assets	967	-	-	-	-	-	-	-	-	-
Total Income	**86,542**	**60,494**	**62,605**	**63,523**	**64,932**	**65,534**	**67,166**	**69,122**	**70,534**	**72,446**
Expenses from continuing operations										
Employee benefits and oncosts	23,197	23,893	24,490	25,102	25,730	26,373	27,033	27,708	28,401	29,111
Borrowing costs	211	191	176	159	144	127	157	89	70	30
Materials and contracts	20,504	21,144	21,936	22,706	23,271	23,853	24,452	25,061	25,687	26,332
Depreciation and amortisation	12,152	12,572	13,257	13,894	14,296	14,786	15,296	15,797	16,202	16,521
Other expenses	1,559	1,621	1,686	1,745	1,789	1,834	1,879	1,926	1,975	2,024
Total Expenses	**57,623**	**59,422**	**61,545**	**63,607**	**65,230**	**66,973**	**68,817**	**70,581**	**72,335**	**74,018**
Net Operating Result	**28,919**	**1,072**	**1,060**	**(84)**	**(298)**	**(1,438)**	**(1,650)**	**(1,459)**	**(1,801)**	**(1,571)**
Net operating result before grants and contributions provided for capital purposes	**(521)**	**(2,378)**	**(2,290)**	**(2,504)**	**(2,548)**	**(2,578)**	**(2,690)**	**(2,649)**	**(2,521)**	**(2,441)**

In addition, the Financial Plan also indicates the unrestricted cash position to be an annual average negative $4m, signalling the unsustainability of the General Fund.

Statement of Cash Flows - Consolidated

Account Description	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Cash flows from operating activities										
Receipts:										
Rates and annual charges	24,172	24,973	25,777	26,547	27,212	27,893	28,590	29,305	30,037	30,788
User charges and fees	15,148	15,726	16,357	16,961	17,448	17,884	18,331	18,790	19,259	19,741
Investment revenue and interest	1,627	1,557	1,520	1,290	1,255	1,313	1,346	1,408	1,500	1,649
Grants and contributions	42,773	16,305	16,944	16,681	16,994	16,380	16,792	17,469	17,542	18,028
Other	1,528	1,590	1,653	1,711	1,745	1,780	1,816	1,852	1,889	1,927
Payments:										
Employee benefits and on-costs	(24,014)	(24,098)	(24,666)	(25,283)	(25,915)	(26,563)	(27,227)	(27,907)	(28,605)	(29,189)
Materials and contracts	(20,228)	(21,052)	(21,842)	(22,613)	(23,189)	(23,769)	(24,365)	(24,972)	(25,597)	(26,239)
Borrowing costs	(211)	(191)	(176)	(159)	(144)	(127)	(157)	(89)	(70)	(30)
Other	(1,559)	(1,621)	(1,686)	(1,745)	(1,789)	(1,834)	(1,879)	(1,926)	(1,975)	(2,024)
Net cash provided (or used) in operating activities	**39,237**	**13,189**	**13,880**	**13,389**	**13,618**	**12,959**	**13,247**	**13,929**	**13,982**	**14,651**
Purchase of infrastructure, property, plant and equipment	(40,336)	(17,325)	(17,141)	(16,431)	(14,058)	(12,320)	(12,030)	(10,536)	(6,905)	(8,137)
Net cash provided (or used) in investing activities	**(37,994)**	**(16,279)**	**(16,450)**	**(16,127)**	**(13,701)**	**(11,924)**	**(11,737)**	**(10,189)**	**(6,516)**	**(10,135)**
Cash flows from financing activities										
Receipts:										
New loans	-	-	-	-	-	-	-	-	-	-
Payments:										
Loan repayments	(652)	(424)	(373)	(333)	(295)	(311)	(383)	(347)	(366)	(332)
Net cash provided (or used) in financing activities	**(652)**	**(424)**	**(373)**	**(333)**	**(295)**	**(311)**	**(383)**	**(347)**	**(366)**	**(332)**
Net increase / (decrease) in cash	591	(3,513)	(2,943)	(3,070)	(377)	724	1,127	3,393	7,101	4,184
Cash, Cash Equivalents & Investments - Beginning of the Years	32,206	32,797	29,287	26,346	23,276	22,900	23,626	24,752	28,146	35,247
Total Cash, Cash Equivalents & Investments - end of Years	**32,798**	**29,287**	**26,346**	**23,277**	**22,900**	**23,625**	**24,753**	**28,147**	**35,247**	**39,585**
Consolidated Fund										
External Cash Restrictions	24,516	22,667	20,886	18,526	19,818	20,117	21,529	24,138	28,960	31,825
Internal Cash Restrictions	7,808	8,980	8,551	8,793	7,515	8,943	8,328	8,812	9,570	8,249
Unrestricted Cash	474	(2,360)	(3,091)	(4,043)	(4,433)	(5,434)	(5,105)	(4,804)	(3,284)	(489)
	32,797	**29,287**	**26,346**	**23,276**	**22,900**	**23,626**	**24,752**	**28,146**	**35,247**	**39,585**

The following Scenarios have been prepared in the Operating and Capital Account format outlined in Section 4.13. Each Scenario illustrates:

- financial result for the Operating and Capital Accounts, then combined result
- financial results excluding the accrual expense of depreciation, to indicate actual renewal expenditure rather than assumed or required renewal expenditure
- change in working capital balances as a consequence of those combined cash results
- pricing principle (and rate of recovery) applicable to each service group
- source of data from financial statements
- intervention proposed each year within each term, per income or expenditure stream
- comparison to previous year results from financial statements
- expected growth through population/supplementary rate levy, or change to investment balance)
- anticipated allocated (reliable) compared to competitive (volatile) grants
- anticipated contributions as cash, or assets transferred to council through development (with consequent future maintenance and depreciation expenses)
- nett result of utilities operations and capital, with balance earmarked for respective reserves
- once the utilities balance is excluded, the underlying general result for the year

The Scenarios are limited to the extent:

- financial results for FY24 were not finalised
- forecast movement in reserves balances not accommodated
- low confidence in continuation of competitive grants, as government funding conditions change
- in the absence of updated asset management plans, required operations, maintenance and renewal expectations were limited – hence the 3% Asset WDV proxy for maintenance and renewal was applied
- in the absence of a property strategy and updated asset plans, no provision has been made for returns following disposal of property and assets
- developable real estate activity and sales concluded in FY25
- in line with the LTFP and council policy, no new borrowings were proposed
- no change to staff establishment was capable until demerger or service reviews are finalised

Each Scenario will be followed by:

- a table illustrating the change in sustainability indicators each year
- an indication of change to the average general rate per category at the end of each Term, compared to FY25 rates (noting those averages exclude any increase through rate peg)
- a chart to illustrate the funding gap for assets and services at the end of each Term. That gap at FY25 and FY28 indicates the revenue uplift proposed to be pursued through an SRV (ad valorem for assets and base for CSO), by the percentage (%) disclosed in the Terms 1 and 2 Intervention column. For example, in Scenario 3 the asset funding gap calculated at FY25 was $5.078m. The Term 1 Intervention proposed 75% recovery of that gap over the ensuing three years, requiring a 29% uplift to the FY25 general rate yield, resulting in an annual SRV (above rate peg) of 10%.

8.2.1 Scenario 1 – Base: Operating

	Scenario 1 - Base	Pricing Principle	Source	Intervention Term 1	Intervention Term 2	Indices	Fin Statement FY23 $,000	Estimate FY24 $,000	FY25OP $,000	Term 1 FY26 $,000	Term 1 FY27 $,000	Term 1 FY28 $,000	Term 2 FY29 $,000	Term 2 FY30 $,000	Term 2 FY31 $,000	Term 2 FY32 $,000
Operating Account																
Operating Revenues	o general rates - ad valorem	public	B2-1	no SRV	no SRV	0.50%	7,759	8,793	9,241	9,287	9,333	9,380	9,427	9,474	9,521	9,569
	o general rates - base	public	B2-1	no SRV	no SRV	0.50%	2,954	3,908	3,960	3,980	4,000	4,020	4,040	4,060	4,081	4,101
	o utilities annual charges (water, sewer, waste and stormwater)	utility	B2-1	0.00%	3.00%		6,907	7,504	12,307	7,748	7,748	7,748	7,980	8,220	8,466	8,720
	o utilities user charges and fees (water, sewer, waste)	utility	B2-2	0.00%	3.00%		7,020	7,941	4,316	8,875	8,875	8,875	9,141	9,415	9,698	9,989
	o special purpose annual charges (eg tourism, emergency)	shared		0.00%	25.00%				-				248	248	248	248
	o regulatory fees (eg development, certificates, animal, weed, food, OSMS etc)	regulatory	B2-3	2.50%	2.50%		744	1,020	710	728	746	765	784	803	823	844
	o commercial fees (eg childcare, aged care, cemeteries, aerodrome, quarry, caravan park)	market	B2-3	2.50%	2.50%		2,001	1,711	1,949	1,998	2,048	2,099	2,151	2,205	2,260	2,317
	o property hire, lease and licences (eg residential, halls, café)	private	B2-6	2.50%	2.50%		51	52	1,066	1,093	1,120	1,148	1,177	1,206	1,236	1,267
	o contract and private works revenues (eg RMCC)	market	B2-3	2.50%	2.50%		19,420	11,824	8,249	8,455	8,667	8,883	9,105	9,333	9,566	9,805
	o other fees (recreation)	shared	B2-3	0.00%	0.00%		89	253	289	289	289	289	289	289	289	289
	o other fees (eg community, economic, support, other)	public	B2-3	0.00%	0.00%		180	195	1,426	1,426	1,426	1,426	1,426	1,426	1,426	1,426
	o allocated annual operating grants and subsidies (eg FAG, library, pension)	grant	B2-4	0.00%	0.00%	0.00%	10,062	6,720	5,962	5,962	5,962	5,962	5,962	5,962	5,962	5,962
	o allocated annual operating grants (children, aged, weed)	grant	B2-4	0.00%	0.00%	0.00%			2,141	2,141	2,141	2,141	2,141	2,141	2,141	2,141
	o competitive operating grants and subsidies (eg environment, community, economic)	grant	B2-4	0.00%	0.00%	0.00%	3,439	5,760	666	666	666	666	666	666	666	666
	o competitive maintenance grants and subsidies (eg roads)	grant	B2-4	0.00%	0.00%	0.00%	876		2,811	1,406	1,406	1,406	1,406	1,406	1,406	1,406
	o emergency maintenance grants and subsidies (eg disaster)	grant	B2-4	0.00%	0.00%	0.00%	5,692		1,753	525	525	525	525	525	525	525
	o investment interest	interest	B2-5	0.00%	0.00%	4.00%	1,159		902	1,312	1,483	1,647	1,764	1,888	1,985	2,092
	o attributions/overhead	offset		offset	offset		- 823	- 917	11,754	10,254	10,254	10,254	10,254	10,254	10,254	10,254
	o plant hire (nett)	offset		90.00%	offset		336	275	3,395	3,991	4,091	4,193	4,775	4,894	5,017	5,142
	o other (incl dividends)															
	TOTAL OPERATING REVENUES						**67,866**	**55,039**	**72,897**	**70,134**	**70,779**	**71,426**	**73,261**	**74,415**	**75,570**	**76,763**
Operating Expenditures																
asset	o asset and project management		OP	0.00%	0.00%		8,022	2,581	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650
	o asset operations and maintenance (general, reserves)		ss7	2.50%	2.50%	WDV 2%	9,991	10,763	9,325	7,983	8,183	8,388	8,597	8,812	9,033	9,258
	o asset maintenance (utilities - water, sewer, waste and stormwater)		ss7	2.50%	4.00%		1,921	2,000	11,653	2,334	2,393	2,452	2,550	2,652	2,759	2,869
	o asset operations/maintenance (plant-equipment)		ss7	2.50%	2.50%		4,340	3,722	3,193	3,273	3,355	3,439	3,524	3,613	3,703	3,795
	o asset depreciation (general)		B3-4	2.50%	2.50%		7,404	7,404	7,935	8,133	8,337	8,545	8,759	8,978	9,202	9,432
	o asset depreciation (utilities - water, sewer, waste and stormwater)		B3-4	2.50%	2.50%		2,688	2,779	3,084	3,161	3,240	3,321	3,404	3,489	3,576	3,666
	o asset depreciation (plant-equipment)		B3-4	2.50%	2.50%		1,699	1,455	1,133	1,161	1,190	1,220	1,251	1,282	1,314	1,347
	o asset disaster works (MR)						4,094	454	1,228				-	-	-	-
services	o regulatory (eg development, certification, animal, weed, food, health, OSMS etc)		OP	0.00%	0.00%		1,599	1,553	2,865	2,865	2,865	2,865	2,865	2,865	2,865	2,865
	o commercial (eg childcare, aged care, cemeteries, aerodrome, quarry, caravan park, saleyard)		OP	0.00%	0.00%		3,073	3,069	3,943	3,943	3,943	3,943	3,943	3,943	3,943	3,943
	o property (eg residential, halls, café)		OP	0.00%	0.00%		1,337	1,117	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087
	o contract and private works (incl RMCC)		OP	2.50%	0.00%		14,634	8,582	7,897	8,094	8,297	8,504	8,504	8,504	8,504	8,504
	o services (community, culture, recreation, environment, economic, emergency)		OP	0.00%	0.00%		3,726	3,678	5,103	5,103	5,103	5,103	5,103	5,103	5,103	5,103
	o support + leadership*		OP	0.00%	0.00%		13,851	7,073	10,254	10,254	10,254	10,254	10,254	10,254	10,254	10,254
	o donations and government transfers (incl ESL)		OP	0.00%	0.00%		1,030	1,076	1,066	1,066	1,066	1,066	1,066	1,066	1,066	1,066
	o services utilities (water, sewer, waste and stormwater)		OP	0.00%	0.00%		5,485	5,262		9,319	9,319	9,319	9,319	9,319	9,319	9,319
	o attributions/overhead		OP	offset	offset											
	o		OP	offset	offset		3	26								
	TOTAL OPERATING EXPENSES						**84,897**	**62,594**	**73,416**	**71,427**	**72,281**	**73,156**	**73,877**	**74,617**	**75,378**	**76,159**
	OPERATING RESULT (surplus/deficit)						**- 17,031**	**- 7,555**	**- 519**	**- 1,293**	**- 1,502**	**- 1,730**	**- 616**	**- 202**	**192**	**604**

8.2.2 Scenario 1 – Base: Capital and Cash

	Scenario 1 - Base		Source	Intervention	Intervention	Indices	FY23	FY24	FY25OP	FY26	FY27	FY28	FY29	FY30	FY31	FY32
				Term 1	Term 2		$,000	$,000	$,000	$,000	$,000	$,000	$,000	$,000	$,000	$,000
Capital Account																
Capital Revenues	o capital grants - allocated (eg R2R, emergency) #	LTFP	B2-4				805		3,780	3,450	3,350	2,420	2,250	1,140	1,040	1,190
	o capital grants - competitive (eg road, community, environment, utility) ^		B2-4				11,586	686	2,393							
	o emergency grants (eg disaster restoration)		B2-4				2,010	2,339	23,267							
	o capital contributions - cash		B2-4				178									
	o capital contributions - gift		B2-4				-									
	o IPPE asset sales		SCF				554									
	o property sales		SCF				1,124									
	o LIRS subsidy															
	o new borrowings		SCF													
	o cashflow generated by depreciation						11,791	11,638	12,152	12,456	12,767	13,086	13,414	13,749	14,093	14,445
	TOTAL CAPITAL REVENUES						**28,048**	**14,663**	**41,592**	**15,906**	**16,117**	**15,506**	**15,664**	**14,889**	**15,133**	**15,635**
Capital Expenditures	o IPPE renewals (general)		C1-7	70.00%	80.00%		20,434		7,653	5,693	5,836	5,982	7,007	7,182	7,362	7,546
	o IPPE renewals (utilities)		C1-7	100.00%	100.00%		682		7,578	3,161	3,240	3,321	3,404	3,489	3,576	3,666
	o IPPE renewals (plant-equipment)		C1-7	90.00%	100.00%		150		1,581	1,045	1,071	1,220	1,251	1,282	1,314	1,347
	o IPPE new/upgrades (general)		C1-7				1,039									
	o IPPE new/upgrades (utilities)		C1-7				15									
	o IPPE new/upgrades (plant-equipment)		C1-7				2,322									
	o asset disaster works (capital)								24,884							
	o property acquisitions and development		SCF				41									
	o loan + lease payments		SCF				1,180		652	424	373	333	295	311	383	347
	Demerger project															
	TOTAL CAPITAL EXPENSES						**25,863**	**-**	**42,348**	**10,324**	**10,520**	**10,856**	**11,957**	**12,264**	**12,635**	**12,905**
	CAPITAL RESULT (surplus/deficit)						**2,185**	**14,663**	**- 756**	**5,582**	**5,597**	**4,651**	**3,707**	**2,625**	**2,497**	**2,729**
	OVERALL RESULT (surplus/deficit to be funded by reserves/debt)						**- 14,846**	**7,108**	**- 1,275**	**4,289**	**4,095**	**2,921**	**3,091**	**2,423**	**2,690**	**3,334**
	# grants received for asset renewal (already funded in FSP) to be placed into asset reserve															
	^ grants received for upgrade/new assets to be fully offset to the value of asset capex					FY23	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Working Capital	Brought forward (Unrestricted and Internally Restricted Funds)		SCF							8,282	11,186	13,983	15,706	17,244	17,802	18,365
	Overall Result (excl utilities)									2,904	2,796	1,723	1,538	559	562	825
	CarryOver															
	TOTAL CASH (end of year)						-	-		**11,186**	**13,983**	**15,706**	**17,244**	**17,802**	**18,365**	**19,190**

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8.2.3 Scenario 1 - Indicators

	Scenario 1 - Base	Pricing					FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	Target
Ratios																	
rate of return	regulatory (revenues/expenses incl attributed support)	regulatory					47%	66%	25%	25%	26%	27%	27%	28%	29%	29%	>50%
$0.247m	commercial (revenues/expenses incl attributed support)	market	incl dep'n				65%	56%	49%	48%	49%	50%	51%	53%	54%	55%	>100%
$0.701m	property (revenues/expenses incl attributed support)	private					4%	5%	98%	61%	63%	64%	66%	67%	69%	71%	>75%
$0.030m	contract and private works (revenues/expenses incl attributed support)	market	incl dep'n				133%	138%	104%	104%	104%	104%	107%	109%	112%	115%	>110%
	utilities (revenues/expenses incl attributed support)	utility							113%	109%	108%	108%	110%	112%	113%	115%	120%
	plant (revenues/expenses incl attributed support)	offset							272%	90%	90%	90%	100%	100%	100%	100%	>100%
financial																	
	Operating performance ratio - OLG					-3.88	-0.47			-1.8%	-2.1%	-2.4%	-0.8%	-0.3%	0.3%	0.8%	0%
	Own source revenue ratio - OLG					60.80	60.29			84.7%	84.9%	85.0%	85.4%	85.6%	85.8%	86.1%	>60%
	Debt servicing capacity - OLG									0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	<20%
	Cash expense cover - OLG									7.5	8.3	8.8	9.4	9.8	10.2	10.8	>3mths
	Movement in total cash (internal reserves + unrestricted)									13.1%	11.0%	7.1%	7.0%	5.1%	5.4%	6.4%	>0
	Operating Result									-1.8%	-2.1%	-2.4%	-0.8%	-0.3%	0.3%	0.8%	>0
	Operating Performance - cash									15.9%	15.9%	15.9%	17.5%	18.2%	18.9%	19.6%	>0
	Liquidity – working capital									2.3	2.8	3.1	3.4	3.5	3.6	3.7	2mths (15%
	Financial capacity - council controlled revenue									53.5%	53.1%	52.7%	52.5%	52.6%	52.7%	52.8%	>60%
	Financial capacity – grants reliance						29.6%	22.7%	15.9%	19.1%	19.0%	18.8%	18.4%	18.1%	17.7%	17.4%	<20%
	Portion of operating grants classified as 'allocated'									75.7%	75.7%	75.7%	75.7%	75.7%	75.7%	75.7%	>50%
	Property Tax Capacity									81.8%	80.5%	79.2%	78.7%	78.0%	77.2%	76.6%	>90%
	Property Tax and Depreciation Growth										23%	23%	101%	101%	101%	101%	>100%
asset																	
	Asset actual maintenance ~ AMP level - OLG																100%
	Asset renewal ~ depreciation - OLG									79.5%	79.5%	80.4%	86.9%	86.9%	86.9%	86.9%	100%
	Asset backlog at IIMM Condition 5 - OLG																<2%
	Asset Management - Consumption																>60%
	Asset Management – Renewal Funding																>90%
	General Assets Servicing Capacity									71.5%	69.9%	64.2%	62.3%	56.1%	54.7%	54.5%	>90%
	Utility Assets servicing capacity (annual charges ~ asset MRD)									130.9%	129.0%	126.9%	127.7%	127.4%	126.0%	126.7%	>100%
	Total Assets Servicing Capacity									100.7%	98.7%	93.6%	92.1%	87.1%	85.7%	85.5%	>100%
**FY23 general WDV: $362.99m*	General Assets Operations, Maintenance and Renewal Requirements					WDV $362.9m				3.8%	3.9%	4.0%	4.3%	4.4%	4.5%	4.6%	>3%WDV
**FY23 utilities WDV: $132.4m*	Utility Assets Operations, Maintenance and Renewal Requirements					WDV $132.4m				4.1%	4.2%	4.3%	4.5%	4.6%	4.8%	4.9%	>3%WDV
	Asset new capital ~ grants + contributions + reserves									#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	>100%
	Financial capacity - grants reliance assets								53.9%	28.1%	26.9%	21.6%	19.4%	13.9%	13.1%	13.4%	<50%
	Grant-Gift Funded new assets servicing capacity																>100%

8.2.4 Scenario 1 - Assessment

This Scenario claws general asset expenditure initially, back to levels pre-disaster (indexed to FY24) at 1% general asset WDV for maintenance and 1% operations, and general asset renewals are initially capped at 90% of benchmark. From there all asset expenses grow by at least 2.5% per year. All service expenditures remain flat, with support and plant costs attributed to external services and assets and fully offset through internal charges.

Other than growing utilities charges and introducing a special purpose charge to offset a quarter of tourism and emergency nett expenses (based on OP25 figures), no other tax interventions are proposed. Fee growth is modest at 2.5% per year, unfortunately, not generating sufficient returns for regulatory and commercial services to attain benchmark rates of recovery. Commercial and private works services are expected to also offset their respective depreciation expense.

The results reveal the funding gaps narrow by end Term 2, but signals revenue interventions are required.

Asset	Income	$,000	Expend	$,000
	Rates AV	9569	Operations	3650
	Utility AC	8720	Maintenance	15923
	Grants	2596	Depreciation	14445
	Plant Hire	5142	Debt PI	347
		26027		34365
				-8337

Service	Income	$,000	Expend	$,000
	Rates Base	4101	Essential Service CSP	5103
	Utility User	9989	Utility Operations	9319
	Fees-Charges	15948	Service	17465
	Grants/FAG	9294	Support	10254
	Interest	1472	Internal Charges	-10254
	Special AC	248		
		41052		31887
				9165

Scenario 1 produces a declining annual operating deficit, improving to an overall balanced result through Term 2. However, while utilities reserves continue to grow, the general result averages a $1m annual cash deficit. A reduction in general asset OMR may initially been reduction in staffing from current levels – which may impact availability of operational staff during natural disasters. In that context, the Scenario does not meet the sustainability measures.

Measures				
Financial Sustainability Framework			Risk	
i.	capacity to meet financial commitments in the short to medium-term.	adequate	acceptable	limited
ii.	capacity to meet financial commitments in the long-term.	adequate	acceptable	limited
iii.	expected operating results	balanced	minor-mod deficit	mod-signif deficit
iv.	capacity to manage financial shocks and any adverse changes in its busines	able	likely	unlikely
v.	require revenue and/or expense adjustments	minor	moderate	significant
vi.	changes to the range of and/or quality of services offered	minor	moderate	significant
vii.	capacity to manage core business risks	minor	moderate	significant/govt assist
i.	collects enough revenue to fund operational expenditure, repayment of debt	100%	90%	80%
ii.	sufficient cash reserves to ensure it can meet its short-term working capital	adequate	acceptable	limited
iii.	fully funded capital program, with source of funding secured for renewal and	100%	75%	50%
iv.	maintain its asset base by renewing identified ageing infrastructure	100%	90%	80%
v.	cash reserves are set aside for capital works	100%	75%	50%

8.3.1 Scenario 2 – Minimalist: Operating

							Fin Statement	Estimate			Term 1			Term 2		
	Scenario 2- Minimalist	Pricing	Source	Intervention	Intervention	Indices	FY23	FY24	FY25OP	FY26	FY27	FY28	FY29	FY30	FY31	FY32
		Principle		Term 1	Term 2		$,000	$,000	$,000	$,000	$,000	$,000	$,000	$,000	$,000	$,000
Operating Account																
Operating Revenues	o general rates - ad valorem	public	B2-1	19.00%	35.00%	0.50%	7,759	8,793	9,241	10,996	11,051	11,107	14,994	15,069	15,144	15,220
	o general rates - base	public	B2-1	0.00%	0.00%	0.50%	2,954	3,908	3,960	3,980	4,000	4,020	4,040	4,060	4,081	4,101
	o utilities annual charges (water, sewer, waste and stormwater)	utility	B2-1	0.00%	3.00%		6,907	7,504	12,307	7,748	7,748	7,748	7,980	8,220	8,466	8,720
	o utilities user charges and fees (water, sewer, waste)	utility	B2-2	0.00%	3.00%		7,020	7,941	4,316	8,875	8,875	8,875	9,141	9,415	9,698	9,989
	o special purpose annual charges (eg tourism, emergency)	shared		25.00%	50.00%				-	248	248	248	495	495	495	495
	o regulatory fees (eg development, certificates, animal, weed, food, OSMS etc)	regulatory	B2-3	2.50%	2.50%		744	1,020	710	728	746	765	784	803	823	844
	o commercial fees (eg childcare, aged care, cemeteries, aerodrome, quarry, caravan park)	market	B2-3	2.50%	2.50%		2,001	1,711	1,949	1,998	2,048	2,099	2,151	2,205	2,260	2,317
	o property hire, lease and licences (eg residential, halls, café)	private	B2-6	2.50%	2.50%		51	52	1,066	1,093	1,120	1,148	1,177	1,206	1,236	1,267
	o contract and private works revenues (eg RMCC)	market	B2-3	2.50%	2.50%		19,420	11,824	8,249	8,455	8,667	8,883	9,105	9,333	9,566	9,805
	o other fees (recreation)	shared	B2-3	0.00%	0.00%		89	253	289	289	289	289	289	289	289	289
	o other fees (eg community, economic, support, other)	public	B2-3	0.00%	0.00%		180	195	1,426	1,426	1,426	1,426	1,426	1,426	1,426	1,426
	o allocated annual operating grants and subsidies (eg FAG, library, pension)	grant	B2-4	0.00%	0.00%	0.00%	10,062	6,720	5,962	5,962	5,962	5,962	5,962	5,962	5,962	5,962
	o children, aged, weed								2,141	2,141	2,141	2,141	2,141	2,141	2,141	2,141
	o competitive operating grants and subsidies (eg environment, community, economic)	grant	B2-4	0.00%	0.00%	0.00%	3,439	5,760	666	666	666	666	666	666	666	666
	o competitive maintenance grants and subsidies (eg roads)	grant	B2-4	0.00%	0.00%	0.00%	876		2,811	1,406	1,406	1,406	1,406	1,406	1,406	1,406
	o emergency maintenance grants and subsidies (eg disaster)	grant	B2-4	0.00%	0.00%		5,692		1,753	525	525	525	525	525	525	525
	o investment interest	interest	B2-5	0.00%	0.00%	4.00%	1,159		902	1,312	1,457	1,591	1,679	1,894	2,071	2,248
	o attributions/overhead	offset		offset	offset		-823	-917	11,754	10,254	10,254	10,254	10,254	10,254	10,254	10,254
	o plant hire (nett)	offset		100.00%	offset		336	275	3,395	4,434	4,545	4,659	4,775	4,894	5,017	5,142
	o other (incl dividends)															
	TOTAL OPERATING REVENUES						**67,866**	**55,039**	**72,897**	**72,535**	**73,173**	**73,810**	**78,991**	**80,264**	**81,527**	**82,817**
Operating Expenditures																
asset	o asset and project management		OP	0.00%	1.00%		8,022	2,581	3,650	3,650	3,650	3,650	3,687	3,723	3,761	3,798
	o asset operations and maintenance (general, reserves)		ss7	2.50%	5.00%	GRC 2%	9,991	10,763	9,325	9,304	9,537	9,775	10,264	10,777	11,316	11,882
	o asset maintenance (utilities - water, sewer, waste and stormwater)		ss7	2.50%	4.00%		1,921	2,000	11,653	2,334	2,393	2,452	2,550	2,652	2,759	2,869
	o asset operations/maintenance (plant-equipment)		ss7	2.50%	2.50%		4,340	3,722	3,193	3,273	3,355	3,439	3,524	3,613	3,703	3,795
	o asset depreciation (general)		B3-4	2.50%	2.50%		7,404	7,404	7,935	8,133	8,337	8,545	8,759	8,978	9,202	9,432
	o asset depreciation (utilities - water, sewer, waste and stormwater)		B3-4	2.50%	2.50%		2,688	2,779	3,084	3,161	3,240	3,321	3,404	3,489	3,576	3,666
	o asset depreciation (plant-equipment)		B3-4	2.50%	2.50%		1,699	1,455	1,133	1,161	1,190	1,220	1,251	1,282	1,314	1,347
	o asset disaster works (MR)						4,094	454	1,228				-	-	-	-
services	o regulatory (eg development, certification, animal, weed, food, health, OSMS etc)		OP	0.00%	0.00%		1,599	1,553	2,865	2,865	2,865	2,865	2,865	2,865	2,865	2,865
	o commercial (eg childcare, aged care, cemeteries, aerodrome, quarry, caravan park, saleyard)		OP	0.00%	0.00%		3,073	3,069	3,943	3,943	3,943	3,943	3,943	3,943	3,943	3,943
	o property (eg residential, halls, café)		OP	0.00%	0.00%		1,337	1,117	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087
	o contract and private works (incl RMCC)		OP	2.50%	0.00%		14,634	8,582	7,897	8,094	8,297	8,504	8,504	8,504	8,504	8,504
	o services (community, culture, recreation, environment, economic, emergency)		OP	0.00%	0.00%		3,726	3,678	5,103	5,103	5,103	5,103	5,103	5,103	5,103	5,103
	o support + leadership*		OP	0.00%	0.00%		13,851	7,073	10,254	10,254	10,254	10,254	10,254	10,254	10,254	10,254
	o donations and government transfers (incl ESL)		OP	0.00%	0.00%		1,030	1,076	1,066	1,066	1,066	1,066	1,066	1,066	1,066	1,066
	o services utilities (water, sewer, waste and stormwater)		OP	0.00%	0.00%		5,485	5,262		9,319	9,319	9,319	9,319	9,319	9,319	9,319
	o attributions/overhead		OP	offset	offset											
	o		OP	offset	offset		3	26								
	TOTAL OPERATING EXPENSES						**84,897**	**62,594**	**73,416**	**72,748**	**73,635**	**74,543**	**75,580**	**76,655**	**77,772**	**78,930**
	OPERATING RESULT (surplus/deficit)						**-17,031**	**-7,555**	**-519**	**-213**	**-462**	**-734**	**3,411**	**3,608**	**3,755**	**3,887**

8.3.2 Scenario 2 – Minimalist: Capital and Cash

	Scenario 2 - Minimalist	Source	Intervention	Intervention	Indices	FY23	FY24	FY25OP	FY26	FY27	FY28	FY29	FY30	FY31	FY32
			Term 1	Term 2		$,000	$,000	$,000	$,000	$,000	$,000	$,000	$,000	$,000	$,000
Capital Account															
Capital Revenues	o capital grants - allocated (eg R2R, emergency) #	B2-4				805		3,780	3,450	3,350	2,420	2,250	1,140	1,040	1,190
	o capital grants - competitive (eg road, community, environment, utility) ^	B2-4				11,586	686	2,393							
	o emergency grants (eg disaster restoration)	B2-4				2,010	2,339	23,267							
	o capital contributions - cash	B2-4				178									
	o capital contributions - gift	B2-4				-									
	o IPPE asset sales	SCF				554									
	o property sales	SCF				1,124									
	o LIRS subsidy														
	o new borrowings	SCF													
	o cashflow generated by depreciation					11,791	11,638	12,152	12,456	12,767	13,086	13,414	13,749	14,093	14,445
	TOTAL CAPITAL REVENUES					**28,048**	**14,663**	**41,592**	**15,906**	**16,117**	**15,506**	**15,664**	**14,889**	**15,133**	**15,635**
Capital Expenditures	o IPPE renewals (general)	C1-7	90.00%	100.00%		20,434		7,653	7,320	7,503	7,691	8,759	8,978	9,202	9,432
	o IPPE renewals (utilities)	C1-7	100.00%	100.00%		682		7,578	3,161	3,240	3,321	3,404	3,489	3,576	3,666
	o IPPE renewals (plant-equipment)	C1-7	100.00%	100.00%		150		1,581	1,161	1,190	1,220	1,251	1,282	1,314	1,347
	o IPPE new/upgrades (general)	C1-7				1,039									
	o IPPE new/upgrades (utilities)	C1-7				15									
	o IPPE new/upgrades (plant-equipment)	C1-7				2,322									
	o asset disaster works (capital)							24,884							
	o property acquisitions and development	SCF				41									
	o loan + lease payments	SCF				1,180		652	424	373	333	295	311	383	347
	Demerger project														
	TOTAL CAPITAL EXPENSES					**25,863**	**-**	**42,348**	**12,066**	**12,307**	**12,565**	**13,709**	**14,060**	**14,476**	**14,792**
	CAPITAL RESULT (surplus/deficit)					**2,185**	**14,663**	**- 756**	**3,839**	**3,811**	**2,942**	**1,955**	**829**	**657**	**843**
	OVERALL RESULT (surplus/deficit to be funded by reserves/debt)					**- 14,846**	**7,108**	**- 1,275**	**3,626**	**3,348**	**2,208**	**5,366**	**4,437**	**4,412**	**4,730**
	# grants received for asset renewal (already funded in FSP) to be placed into asset reserve														
	^ grants received for upgrade/new assets to be fully offset to the value of asset capex				FY23	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Working Capital	Brought forward (Unrestricted and Internally Restricted Funds)	SCF							8,282	10,523	12,573	13,583	17,396	19,969	22,254
	Overall Result (excl utilities)								2,241	2,050	1,010	3,812	2,574	2,285	2,221
	CarryOver														
	TOTAL CASH (end of year)					-	-		**10,523**	**12,573**	**13,583**	**17,396**	**19,969**	**22,254**	**24,476**

8.3.3 Scenario 2 – Indicators

	Scenario 2 - Minimalist	Pricing		FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	Target
Ratios														
rate of return	regulatory (revenues/expenses incl attributed support)	regulatory		47%	66%	25%	25%	26%	27%	27%	28%	29%	29%	>50%
FY25 depreciation: $0.247m	commercial (revenues/expenses incl attributed support)	market		65%	56%	49%	48%	49%	50%	51%	53%	54%	55%	>100%
FY25 depreciation: $0.701m	property (revenues/expenses incl attributed support)	private		4%	5%	98%	61%	63%	64%	66%	67%	69%	71%	>75%
FY25 depreciation: $0.030m	contract and private works (revenues/expenses incl attributed support)	market		133%	138%	104%	104%	104%	104%	107%	109%	112%	115%	>110%
	utilities (revenues/expenses incl attributed support)	utility				113%	109%	108%	108%	110%	112%	113%	115%	120%
	plant (revenues/expenses incl attributed support)	offset				272%	100%	100%	100%	100%	100%	100%	100%	>100%
financial														
	Operating performance ratio - OLG						-0.3%	-0.6%	-1.0%	4.3%	4.5%	4.6%	4.7%	0%
	Own source revenue ratio - OLG						84.0%	84.1%	84.3%	85.3%	85.5%	85.8%	86.0%	>60%
	Debt servicing capacity - OLG						0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.4%	<20%
	Cash expense cover - OLG						7.2	7.8	8.2	9.1	9.9	10.6	11.3	>3mths
	Movement in total cash (internal reserves + unrestricted)						11.1%	9.2%	5.6%	12.8%	9.4%	8.5%	8.4%	>0
	Operating Result						-0.3%	-0.6%	-1.0%	4.3%	4.5%	4.6%	4.7%	>0
	Operating Performance - cash						16.9%	16.8%	16.7%	21.3%	21.6%	21.9%	22.1%	>0
	Liquidity – working capital						2.1	2.5	2.7	3.4	3.8	4.2	4.6	2mths (15%
	Financial capacity - council controlled revenue						54.6%	54.3%	53.9%	56.5%	56.5%	56.4%	56.4%	>60%
	Financial capacity – grants reliance			29.6%	22.7%	15.9%	18.5%	18.3%	18.2%	16.7%	16.4%	16.1%	15.9%	<20%
	Portion of operating grants classified as 'allocated'						75.7%	75.7%	75.7%	75.7%	75.7%	75.7%	75.7%	>50%
	Property Tax Capacity						84.1%	82.8%	81.5%	93.3%	91.4%	89.3%	87.6%	>90%
	Property Tax and Depreciation Growth							27%	26%	1396%	110%	110%	110%	>100%
asset														
	Asset actual maintenance ~ AMP level - OLG													100%
	Asset renewal ~ depreciation - OLG						93.5%	93.5%	93.5%	100.0%	100.0%	100.0%	100.0%	100%
	Asset backlog at IIMM Condition 5 - OLG													<2%
	Asset Management - Consumption													>60%
	Asset Management – Renewal Funding													>90%
	General Assets Servicing Capacity						75.2%	73.4%	68.0%	82.1%	75.0%	72.4%	70.9%	>90%
	Utility Assets servicing capacity (annual charges ~ asset MRD)						130.9%	129.0%	126.9%	127.7%	127.4%	126.0%	126.7%	>100%
	Total Assets Servicing Capacity						102.1%	100.1%	95.1%	105.9%	99.9%	97.2%	95.8%	>100%
FY23 general WDV: $362.99m	General Assets Operations, Maintenance and Renewal Requirements		WDV $362.9m				4.6%	4.7%	4.8%	5.2%	5.4%	5.7%	5.9%	>3%WDV
FY23 utilities WDV: $132.4m	Utility Assets Operations, Maintenance and Renewal Requirements		WDV $132.4m				4.1%	4.2%	4.3%	4.5%	4.6%	4.8%	4.9%	>3%WDV
	Asset new capital ~ grants + contributions + reserves						#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	>100%
	Financial capacity - grants reliance assets					53.9%	24.3%	23.3%	18.7%	16.7%	11.9%	11.1%	11.2%	<50%
	Grant-Gift Funded new assets servicing capacity													>100%

8.3.4 Scenario 2 – Assessment

This Scenario raises general assets operations and maintenance to a combined 2% of asset gross replacement cost (GRC), which is similar to the provisions in OP25. General asset renewals though, commence Term 1 at 90% depreciation. Like Scenario 1, maintenance and depreciation expenses then grow by a minimum 2.5% per year in Term 1, then up to 5% per year from Term 2. All service expenditures remain flat, with support and plant costs attributed to external services and assets and fully offset through internal charges.

While growth in fees remains the same as Scenario 1, this is the first of the Scenarios that commence the introduction of special rate variations to narrow the tax-asset funding gap. In Scenario 2, the FY25 asset funding gap is $5.08m, with a 50% recovery proposed in FY26 in Term 1, and 75% (of $7.01m) recovery proposed in FY28 in Term 2. That equates to a 19% and 35% SRV uplift respectively.

In addition, utility annual and user charges are scheduled to grow above CPI from Term 2, and a broader stormwater annual charge (to apply to relevant urban properties) is also proposed from Term 2, raising around $0.2m (or 35% of the annual cost). Growth in regulatory, private and market fees grow by 2.5% each year, as was the case in Scenario 1.

As a consequence of those Interventions, the Overall Result turns to a surplus in Term 2, enabling some growth in working capital, while still placing utility balances into their respective reserves.

An improvement on Scenario 1, OLG performance indicators are attained in Term 2, though the rates of recovery remain below benchmark for commercial and property services.

8.4.1 Scenario 3 – Foundational: Operating

		Scenario 3 -Foundational	Pricing Principle	Source	Intervention Term 1	Intervention Term 2	Indices	Fin Statement FY23 $,000	Estimate FY24 $,000	FY25OP $,000	Term 1 FY26 $,000	Term 1 FY27 $,000	Term 1 FY28 $,000	Term 2 FY29 $,000	Term 2 FY30 $,000	Term 2 FY31 $,000	Term 2 FY32 $,000
Operating Account																	
Operating Revenues																	
tax	general rates	o ad valorem	public	B2-1	10.00%	7.00%	0.50%	7,759	8,793	9,241	10,165	11,181	12,299	13,160	14,082	15,067	16,122
		o base	public	B2-1	0.00%	3.00%	0.50%	2,954	3,908	3,960	3,980	4,000	4,020	4,141	4,265	4,393	4,525
	utility AC	o water, sewer, waste and stormwater	utility	B2-1	2.00%	3.00%		6,907	7,504	12,307	7,994	8,154	8,317	8,567	8,824	9,088	9,361
charge	utility user	o water, sewer, waste	utility	B2-2	0.00%	3.00%		7,020	7,941	4,316	8,629	8,629	8,629	8,888	9,154	9,429	9,712
	special AC	o tourism, emergency	shared		50.00%	75.00%				-	495	495	495	743	743	743	743
fee	regulatory	o development, certificates, animal, weed, food, OSMS etc	regulatory	B2-3	2.50%	2.50%		744	1,020	710	728	746	765	784	803	823	844
	market	o children, aged care, cemeteries, aerodrome, quarry, caravan park	market	B2-3	2.50%	2.50%		2,001	1,711	1,949	1,998	2,048	2,099	2,151	2,205	2,260	2,317
		o contract and private works (incl RMCC)	market	B2-3	2.50%	2.50%		19,420	11,824	8,249	8,455	8,667	8,883	9,105	9,333	9,566	9,805
	private	o property hire, lease and licences (incl residential, halls, café)	private	B2-6	2.50%	2.50%		51	52	1,066	1,093	1,120	1,148	1,177	1,206	1,236	1,267
	shared	o recreation	shared	B2-3	0.00%	0.00%		89	253	289	289	289	289	289	289	289	289
	public	o community, economic, support, other	public	B2-3	0.00%	0.00%		180	195	1,426	1,426	1,426	1,426	1,426	1,426	1,426	1,426
grant	operating-allocated	o FAG, library, pension	grant	B2-4	0.00%	0.00%	0.00%	10,062	6,720	5,962	5,962	5,962	5,962	5,962	5,962	5,962	5,962
		o children, aged, weed	grant	B2-4	0.00%	0.00%	0.00%			2,141	2,141	2,141	2,141	2,141	2,141	2,141	2,141
	operating-competitive	o environment, community, economic	grant	B2-4	0.00%	0.00%	0.00%	3,439	5,760	666	666	666	666	666	666	666	666
		o assets	grant	B2-4	0.00%	0.00%	0.00%	876		2,811	1,406	1,406	1,406	1,406	1,406	1,406	1,406
	operating-emergency	o emergency levy and disaster programs	grant	B2-4	0.00%	0.00%		5,692		1,753	525	525	525	525	525	525	525
interest	interest	o investment interest	interest	B2-5	0.00%	0.00%	4.00%	1,159		902	1,312	1,400	1,516	1,634	1,782	1,929	2,115
internal	internal charges	o attributions/overhead	offset		offset	offset		-823	-917	11,754	10,254	10,254	10,254	10,254	10,254	10,254	10,254
		o plant hire (nett)	offset		100.00%	offset		336	275	3,395	4,434	4,545	4,659	4,775	4,894	5,017	5,142
other		o other (incl dividends)															
		TOTAL OPERATING REVENUES						**67,866**	**55,039**	**72,897**	**71,951**	**73,652**	**75,499**	**77,792**	**79,960**	**82,220**	**84,620**
Operating Expenditures																	
asset	Asset OMR	o asset and project management		OP	1.00%	1.00%		8,022	2,581	3,650	3,687	3,723	3,761	3,798	3,836	3,875	3,913
		o asset operations and maintenance (general, reserves)		ss7	2.50%	5.00%	GRC 2%	9,991	10,763	9,325	9,304	9,537	9,775	10,264	10,777	11,316	11,882
		o asset maintenance (utilities - water, sewer, waste and stormwater)		ss7	2.50%	4.00%		1,921	2,000	11,653	2,334	2,393	2,452	2,550	2,652	2,759	2,869
		o asset operations/maintenance (plant-equipment)		ss7	2.50%	2.50%		4,340	3,722	3,193	3,273	3,355	3,439	3,524	3,613	3,703	3,795
	Depreciation	o asset depreciation (general)		B3-4	2.50%	2.50%		7,404	7,404	7,935	8,133	8,337	8,545	8,759	8,978	9,202	9,432
		o asset depreciation (utilities - water, sewer, waste and stormwater)		B3-4	2.50%	2.50%		2,688	2,779	3,084	3,161	3,240	3,321	3,404	3,489	3,576	3,666
		o asset depreciation (plant-equipment)		B3-4	2.50%	2.50%		1,699	1,455	1,133	1,161	1,190	1,220	1,251	1,282	1,314	1,347
		o asset disaster works (MR)						4,094	454	1,228				-	-	-	-
services	Regulatory	o regulatory (eg development, certification, animal, weed, food, health, OSMS etc)		OP	0.00%	0.00%		1,599	1,553	2,865	2,865	2,865	2,865	2,865	2,865	2,865	2,865
	Commercial	o commercial (eg childcare, aged care, cemeteries, aerodrome, quarry, caravan park, saleyard)		OP	0.00%	0.00%		3,073	3,069	3,943	3,943	3,943	3,943	3,943	3,943	3,943	3,943
	Property	o property (eg residential, halls, café)		OP	0.00%	0.00%		1,337	1,117	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087
	Contract	o contract and private works (incl RMCC)		OP	2.50%	0.00%		14,634	8,582	7,897	8,094	8,297	8,504	8,504	8,504	8,504	8,504
	Public-CSO	o services (community, culture, recreation, environment, economic, emergency)		OP	0.00%	0.00%		3,726	3,678	5,103	5,103	5,103	5,103	5,103	5,103	5,103	5,103
	Support	o support + leadership*		OP	0.00%	0.00%		13,851	7,073	10,254	10,254	10,254	10,254	10,254	10,254	10,254	10,254
	Donations	o donations and government transfers (incl ESL)		OP	0.00%	0.00%		1,030	1,076	1,066	1,066	1,066	1,066	1,066	1,066	1,066	1,066
	Utilities	o services utilities (water, sewer, waste and stormwater)		OP	0.00%	0.00%		5,485	5,262		9,319	9,319	9,319	9,319	9,319	9,319	9,319
	Internal Chg	o attributions/overhead		OP	offset	offset											
		o GPR		OP	offset	offset		3	26								
		TOTAL OPERATING EXPENSES						**84,897**	**62,594**	**73,416**	**72,785**	**73,708**	**74,654**	**75,692**	**76,768**	**77,886**	**79,045**
		OPERATING RESULT (surplus/deficit)						**-17,031**	**-7,555**	**-519**	**-834**	**-56**	**845**	**2,100**	**3,191**	**4,335**	**5,575**

8.4.2 Scenario 3 – Foundational: Capital and Cash

		Scenario 3 - Foundational		Source	Intervention Term 1	Intervention Term 2	Indices	FY23 $,000	FY24 $,000	FY25OP $,000	FY26 $,000	FY27 $,000	FY28 $,000	FY29 $,000	FY30 $,000	FY31 $,000	FY32 $,000
Capital Account																	
Capital Revenues	Grants	o capital grants - allocated (eg R2R, emergency) #		B2-4				805		3,780	3,450	3,350	2,420	2,250	1,140	1,040	1,190
		o capital grants - competitive (eg road, community, environment, utility) ^		B2-4				11,586	686	2,393							
		o emergency grants (eg disaster restoration)		B2-4				2,010	2,339	23,267							
	Contribution	o capital contributions - cash		B2-4				178									
		o capital contributions - gift		B2-4				-									
	Sales	o IPPE asset sales		SCF				554									
		o property sales		SCF				1,124									
		o LIRS subsidy															
	Debt	o new borrowings		SCF													
		o cashflow generated by depreciation						11,791	11,638	12,152	12,456	12,767	13,086	13,414	13,749	14,093	14,445
		TOTAL CAPITAL REVENUES						**28,048**	**14,663**	**41,592**	**15,906**	**16,117**	**15,506**	**15,664**	**14,889**	**15,133**	**15,635**
Capital Expenditures	Renewal	o IPPE renewals (general)	LTFP	C1-7	100.00%	100.00%		20,434		7,653	8,133	8,337	8,545	8,759	8,978	9,202	9,432
		o IPPE renewals (utilities)	LTFP	C1-7	100.00%	110.00%		682		7,578	3,161	3,240	3,321	3,745	3,838	3,934	4,032
		o IPPE renewals (plant-equipment)	LTFP	C1-7	100.00%	100.00%		150		1,581	1,161	1,190	1,220	1,251	1,282	1,314	1,347
	New-Upgrade	o IPPE new/upgrades (general)	LTFP	C1-7				1,039									
		o IPPE new/upgrades (utilities)		C1-7				15									
		o IPPE new/upgrades (plant-equipment)		C1-7				2,322									
		o asset disaster works (capital)								24,884							
	Acquisition	o property acquisitions and development		SCF				41									
	Debt	o loan + lease payments		SCF				1,180		652	424	373	333	295	311	383	347
		Demerger project															
		TOTAL CAPITAL EXPENSES						**25,863**	**-**	**42,348**	**12,880**	**13,140**	**13,419**	**14,049**	**14,409**	**14,833**	**15,158**
		CAPITAL RESULT (surplus/deficit)						**2,185**	**14,663**	**- 756**	**3,026**	**2,977**	**2,087**	**1,615**	**480**	**299**	**476**
		OVERALL RESULT (surplus/deficit to be funded by reserves/debt)						**- 14,846**	**7,108**	**- 1,275**	**2,192**	**2,921**	**2,932**	**3,715**	**3,671**	**4,634**	**6,051**
		# grants received for asset renewal (already funded in FSP) to be placed into asset reserve															
		^ grants received for upgrade/new assets to be fully offset to the value of asset capex					FY23	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Working Capital		Brought forward (Unrestricted and Internally Restricted Funds)		SCF							8,282	9,089	10,552	11,963	14,133	15,946	18,458
		Overall Result (excl utilities)									807	1,463	1,411	2,170	1,814	2,511	3,546
		CarryOver															
		TOTAL CASH (end of year)						**-**	**-**		**9,089**	**10,552**	**11,963**	**14,133**	**15,946**	**18,458**	**22,004**

8.4.3 Scenario 3 – Indicators

Ratios			Scenario 3 - Foundational	Pricing		FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	Target
rate of return			regulatory (revenues/expenses incl attributed support)	regulatory		47%	66%	25%	25%	26%	27%	27%	28%	29%	29%	>50%
*FY25 depreciation: $0.247m			commercial (revenues/expenses incl attributed support)	market		65%	56%	49%	48%	49%	50%	51%	53%	54%	55%	>100%
*FY25 depreciation: $0.701m			property (revenues/expenses incl attributed support)	private		4%	5%	98%	61%	63%	64%	66%	67%	69%	71%	>75%
*FY25 depreciation: $0.030m			contract and private works (revenues/expenses incl attributed support)	market		133%	138%	104%	104%	104%	104%	107%	109%	112%	115%	>110%
			utilities (revenues/expenses incl attributed support)	utility				113%	109%	110%	110%	112%	114%	115%	118%	120%
			plant (revenues/expenses incl attributed support)	offset				78%	100%	100%	100%	100%	100%	100%	100%	>100%
financial																
			Operating performance ratio - OLG						-1.2%	-0.1%	1.1%	2.7%	4.0%	5.3%	6.6%	0%
			Own source revenue ratio - OLG						85.1%	85.5%	85.8%	86.2%	86.6%	87.0%	87.4%	>60%
			Debt servicing capacity - OLG						0.6%	0.5%	0.4%	0.4%	0.4%	0.5%	0.4%	<20%
			Cash expense cover - OLG						6.9	7.4	7.9	8.5	9.1	9.9	10.9	>3mths
			Movement in total cash (internal reserves + unrestricted)						6.7%	8.3%	7.7%	9.1%	8.2%	9.6%	11.4%	>0
			Operating Result						-1.2%	-0.1%	1.1%	2.7%	4.0%	5.3%	6.6%	>0
			Operating Performance - cash						16.2%	17.3%	18.5%	19.9%	21.2%	22.4%	23.7%	>0
			Liquidity – working capital						1.8	2.1	2.3	2.7	3.0	3.5	4.1	2mths (15%
			Financial capacity - council controlled revenue						53.7%	54.3%	54.9%	55.4%	56.0%	56.7%	57.4%	>60%
			Financial capacity – grants reliance			29.6%	22.7%	15.4%	18.7%	18.2%	17.7%	17.0%	16.5%	16.0%	15.5%	<20%
			Portion of operating grants classified as 'allocated'						75.7%	75.7%	75.7%	75.7%	75.7%	75.7%	75.7%	>50%
			Property Tax Capacity						81.9%	84.5%	87.4%	89.0%	90.4%	91.8%	93.5%	>90%
			Property Tax and Depreciation Growth							424%	450%	415%	428%	442%	457%	>100%
asset																
%			Asset actual maintenance ~ AMP level - OLG													100%
			Asset renewal ~ depreciation - OLG						100.0%	100.0%	100.0%	102.5%	102.5%	102.5%	102.5%	100%
			Asset backlog at IIMM Condition 5 - OLG													<2%
			Asset Management - Consumption													>60%
%			Asset Management – Renewal Funding													>90%
			General Assets Servicing Capacity						71.1%	73.8%	73.0%	73.7%	70.5%	71.8%	74.2%	>90%
			Utility Assets servicing capacity (annual charges ~ asset MRD)						135.1%	135.8%	136.2%	137.1%	136.7%	135.3%	136.0%	>100%
			Total Assets Servicing Capacity						99.8%	101.8%	101.0%	101.6%	98.9%	99.6%	101.5%	>100%
*FY23 general WDV: $362.99m			General Assets Operations, Maintenance and Renewal Requirements		WDV $362.9m				4.8%	4.9%	5.0%	5.2%	5.4%	5.7%	5.9%	>3%WDV
*FY23 utilities WDV: $132.4m	14%		Utility Assets Operations, Maintenance and Renewal Requirements		WDV $132.4m				4.2%	4.3%	4.4%	4.8%	4.9%	5.1%	5.2%	>3%WDV
			Asset new capital ~ grants + contributions + reserves						#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	>100%
			Financial capacity - grants reliance assets					55.7%	23.5%	22.5%	18.1%	16.5%	11.7%	10.9%	11.1%	<50%
			Grant-Gift Funded new assets servicing capacity													>100%

8.4.4 Scenario 3 – Assessment

Like Scenario 2, this option raises general assets operations and maintenance to a combined 2% of asset gross replacement cost (GRC). General assets renewal remain at 100% depreciation while utilities renewals grow to 110% depreciation in Term 2 (in assumed response to the strategic business plans of IWCMP). Like Scenario 2, maintenance and depreciation expenses then grow by a minimum 2.5% per year in Term 1, then up to 5% per year from Term 2. All service expenditures remain flat, with support and plant costs attributed to external services and assets and fully offset through internal charges.

Similarly, utility annual and user charges are scheduled to grow above CPI from Term 2, and a broader stormwater annual charge (to apply to relevant urban properties) is also proposed from Term 2, raising around $0.2m (or 35% of the annual cost). Growth in regulatory, private and market fees grow by 2.5% each year, as was the case in both previous Scenarios.

In contrast, Scenario 3 smooths the impact of rates and annual charges uplift through annual (rather than lump) SRV increases to narrow the tax-asset funding gap and narrow the essential public service funding gap from Term 2.

In Scenario 3, the FY25 asset funding gap is $5.08m, with a 75% recovery proposed in FY26 in Term 1, and 100% (of $8.16m) recovery proposed in FY28 in Term 2. That equates to a 29% and 58% SRV respectively, spread over the remaining three years of Term 1 at 10% per year, and 14% each year across the four years of Term 2 – effectively doubling the tax yield in $FY25.

In addition, it is proposed to narrow the gap of the base rate and essential public service (CSDO) costs to 50%, prompting a 12% uplift to SRV, spread at 3% each year in Term 2. Then, to recover a portion of the nett cost of tourism and emergency services* $0.420m and $0.70m respectively), a 50% charge is proposed from 2026, rising to a 75% recovery charge from FY28. An investment in asset and project management maturity is proposed with an annual 1% growth in those expenses.

This option permits consideration of some general asset upgrades, while building working capital and asset reserves to attain OLG sustainability expectations should remain the focus. Indeed, this Scenario enables council to transition from ‘minimalist’ to ‘optimalist’ in Term 2.

Importantly, the General Fund turns to a surplus result by the end of Term 2.

*Note: there may be some uncertainty regarding the ability for a local council to raise an annual charge to offset all or part of its emergency service expense, pending the outcome of the NSW Government review into the funding model for emergency services and the emergency services levy (ESL). Under the existing model, insurance policy holders contribute 73.7% of the ESL, while local councils contribute 11.7% (in addition to insurance premiums) and the state government contributes 14.6%. The nett ESL cost for SVC is 4% of the rate yield.

8.5.1 Scenario 4 – Targeted: Operating

		Scenario 4 - Targeted	Pricing Principle	Source	Intervention Term 1	Intervention Term 2	Indices	FY23 $,000 (Fin Statement)	FY24 $,000 (Estimate)	FY25OP $,000	FY26 $,000 (Term 1)	FY27 $,000 (Term 1)	FY28 $,000 (Term 1)	FY29 $,000 (Term 2)	FY30 $,000 (Term 2)	FY31 $,000 (Term 2)	FY32 $,000 (Term 2)
Operating Account																	
Operating Revenues																	
tax	general rates	o ad valorem	public	B2-1	5.00%	5.00%	0.50%	7,759	8,793	9,241	9,703	10,188	10,697	11,232	11,794	12,383	13,003
		o base	public	B2-1	0.00%	3.00%	0.50%	2,954	3,908	3,960	3,980	4,000	4,020	4,141	4,265	4,393	4,525
	utility AC	o water, sewer, waste and stormwater	utility	B2-1	3.50%	4.50%		6,907	7,504	12,307	8,179	8,465	8,761	9,156	9,568	9,998	10,448
charge	utility user	o water, sewer, waste	utility	B2-2	0.00%	3.00%		7,020	7,941	4,316	8,444	8,444	8,444	8,698	8,959	9,227	9,504
	special AC	o tourism, emergency	shared		50.00%	75.00%				-	495	495	495	743	743	743	743
fee	regulatory	o development, certificates, animal, weed, food, OSMS etc	regulatory	B2-3	2.50%	2.50%		744	1,020	710	728	746	765	784	803	823	844
	market	o children, aged care, cemeteries, aerodrome, quarry, caravan park	market	B2-3	2.50%	2.50%		2,001	1,711	1,949	1,998	2,048	2,099	2,151	2,205	2,260	2,317
		o contract and private works (incl RMCC)	market	B2-3	2.50%	2.50%		19,420	11,824	8,249	8,455	8,667	8,883	9,105	9,333	9,566	9,805
	private	o property hire, lease and licences (incl residential, halls, café)	private	B2-6	2.50%	2.50%		51	52	1,066	1,093	1,120	1,148	1,177	1,206	1,236	1,267
	shared	o recreation	shared	B2-3	0.00%	0.00%		89	253	289	289	289	289	289	289	289	289
	public	o community, economic, support, other	public	B2-3	0.00%	0.00%		180	195	1,426	1,426	1,426	1,426	1,426	1,426	1,426	1,426
grant	operating-allocated	o FAG, library, pension	grant	B2-4	0.00%	0.00%	0.00%	10,062	6,720	5,962	5,962	5,962	5,962	5,962	5,962	5,962	5,962
		o children, aged, weed	grant	B2-4	0.00%	0.00%	0.00%			2,141	2,141	2,141	2,141	2,141	2,141	2,141	2,141
	operating-competitive	o environment, community, economic, civic	grant	B2-4	0.00%	0.00%	0.00%	3,439	5,760	666	666	666	666	666	666	666	666
		o assets	grant	B2-4	0.50%	0.00%	0.00%	876		2,811	1,406	1,406	1,406	1,406	1,406	1,406	1,406
	operating-emergency	o emergency levy and disaster programs	grant	B2-4	0.00%	0.00%		5,692		1,753	525	525	525	525	525	525	525
interest	interest	o investment interest	interest	B2-5	0.00%	0.00%	4.00%	1,159		902	1,312	1,381	1,463	1,524	1,656	1,796	1,985
internal	internal charges	o attributions/overhead	offset		offset	offset		- 823	- 917	11,754	10,254	10,254	10,254	10,254	10,254	10,254	10,254
		o plant hire (nett)	offset		100.00%	offset		336	275	3,395	4,434	4,545	4,659	4,775	4,894	5,017	5,142
other		o other (incl dividends)			0.00%	0.50%								972	1,203	1,415	1,692
		TOTAL OPERATING REVENUES						**67,866**	**55,039**	**72,897**	**71,489**	**72,767**	**74,102**	**77,125**	**79,296**	**81,527**	**83,944**
Operating Expenditures																	
asset	Asset OMR	o asset and project management		OP	1.00%	1.00%		8,022	2,581	3,650	3,687	3,723	3,761	3,798	3,836	3,875	3,913
		o asset operations and maintenance (general, reserves)		ss7	2.50%	2.50%	GRC 2%	9,991	10,763	9,325	9,304	9,537	9,775	10,020	10,270	10,527	10,790
		o asset maintenance (utilities - water, sewer, waste and stormwater)		ss7	2.50%	4.00%		1,921	2,000	11,653	2,334	2,393	2,452	2,550	2,652	2,759	2,869
		o asset operations/maintenance (plant-equipment)		ss7	2.50%	2.50%		4,340	3,722	3,193	3,273	3,355	3,439	3,524	3,613	3,703	3,795
	Depreciation	o asset depreciation (general)		B3-4	2.50%	2.50%		7,404	7,404	7,935	8,133	8,337	8,545	8,759	8,978	9,202	9,432
		o asset depreciation (utilities - water, sewer, waste and stormwater)		B3-4	2.50%	2.50%		2,688	2,779	3,084	3,161	3,240	3,321	3,404	3,489	3,576	3,666
		o asset depreciation (plant-equipment)		B3-4	2.50%	2.50%		1,699	1,455	1,133	1,161	1,190	1,220	1,251	1,282	1,314	1,347
		o asset disaster works (MR)			offset			4,094	454	1,228				-	-	-	-
services	Regulatory	o regulatory (eg development, certification, animal, weed, food, health, OSMS etc)		OP	0.00%	0.00%		1,599	1,553	2,865	2,865	2,865	2,865	2,865	2,865	2,865	2,865
	Commercial	o commercial (eg childcare, aged care, cemeteries, aerodrome, quarry, caravan park, saleyard)		OP	0.00%	0.00%		3,073	3,069	3,943	3,943	3,943	3,943	3,943	3,943	3,943	3,943
	Property	o property (eg residential, halls, café)		OP	0.00%	0.00%		1,337	1,117	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087
	Contract	o contract and private works (incl RMCC)		OP	2.50%	0.00%		14,634	8,582	7,897	8,094	8,297	8,504	8,504	8,504	8,504	8,504
	Public-CSO	o services (community, culture, recreation, environment, economic, emergency)		OP	0.00%	0.00%		3,726	3,678	5,103	5,103	5,103	5,103	5,103	5,103	5,103	5,103
	Support	o support + leadership*		OP	0.00%	0.00%		13,851	7,073	10,254	10,254	10,254	10,254	10,254	10,254	10,254	10,254
	Donations	o donations and government transfers (incl ESL)		OP	0.00%	0.00%		1,030	1,076	1,066	1,066	1,066	1,066	1,066	1,066	1,066	1,066
	Utilities	o services utilities (water, sewer, waste and stormwater)		OP	0.00%	0.00%		5,485	5,262		9,319	9,319	9,319	9,319	9,319	9,319	9,319
	Internal Chg	o attributions/overhead		OP	offset	offset											
		o GPR		OP	offset	offset		3	26								
		TOTAL OPERATING EXPENSES						**84,897**	**62,594**	**73,416**	**72,785**	**73,708**	**74,654**	**75,447**	**76,261**	**77,096**	**77,954**
		OPERATING RESULT (surplus/deficit)						**- 17,031**	**- 7,555**	**- 519**	**- 1,296**	**- 941**	**- 552**	**1,678**	**3,035**	**4,431**	**5,990**

8.5.2 Scenario 4 – Targeted: Capital and Cash

		Scenario 4 - Targeted		Source	Intervention Term 1	Intervention Term 2	Indices	FY23 $,000	FY24 $,000	FY25OP $,000	FY26 $,000	FY27 $,000	FY28 $,000	FY29 $,000	FY30 $,000	FY31 $,000	FY32 $,000
Capital Account																	
Capital Revenues	Grants	o capital grants - allocated (eg R2R, emergency) #		B2-4				805		3,780	3,450	3,350	2,420	2,250	1,140	1,040	1,190
		o capital grants - competitive (eg road, community, environment, utility) ^		B2-4				11,586	686	2,393							
		o emergency grants (eg disaster restoration)		B2-4				2,010	2,339	23,267							
	Contribution	o capital contributions - cash		B2-4				178									
		o capital contributions - gift		B2-4				-									
	Sales	o IPPE asset sales		SCF				554									
		o property sales		SCF				1,124									
		o LIRS subsidy															
	Debt	o new borrowings		SCF													
		o cashflow generated by depreciation						11,791	11,638	12,152	12,456	12,767	13,086	13,414	13,749	14,093	14,445
		TOTAL CAPITAL REVENUES						**28,048**	**14,663**	**41,592**	**15,906**	**16,117**	**15,506**	**15,664**	**14,889**	**15,133**	**15,635**
Capital Expenditures	Renewal	o IPPE renewals (general)	LTFP	C1-7	100.00%	100.00%		20,434		7,653	8,133	8,337	8,545	8,759	8,978	9,202	9,432
		o IPPE renewals (utilities)	LTFP	C1-7	100.00%	110.00%		682		7,578	3,161	3,240	3,321	3,745	3,838	3,934	4,032
		o IPPE renewals (plant-equipment)	LTFP	C1-7	100.00%	100.00%		150		1,581	1,161	1,190	1,220	1,251	1,282	1,314	1,347
	New-Upgrade	o IPPE new/upgrades (general)	LTFP	C1-7				1,039									
		o IPPE new/upgrades (utilities)		C1-7				15									
		o IPPE new/upgrades (plant-equipment)		C1-7				2,322									
		o asset disaster works (capital)								24,884							
	Acquisition	o property acquisitions and development		SCF				41									
	Debt	o loan + lease payments		SCF				1,180		652	424	373	333	295	311	383	347
		Demerger project															
		TOTAL CAPITAL EXPENSES						**25,863**	**-**	**42,348**	**12,880**	**13,140**	**13,419**	**14,049**	**14,409**	**14,833**	**15,158**
		CAPITAL RESULT (surplus/deficit)						**2,185**	**14,663**	**- 756**	**3,026**	**2,977**	**2,087**	**1,615**	**480**	**299**	**476**
*NB: OP25 result = operating + debtPI		**OVERALL RESULT (surplus/deficit to be funded by reserves/debt)**						**- 14,846**	**7,108**	**- 1,275**	**1,730**	**2,036**	**1,535**	**3,292**	**3,515**	**4,730**	**6,466**
		# grants received for asset renewal (already funded in FSP) to be placed into asset reserve															
		^ grants received for upgrade/new assets to be fully offset to the value of asset capex					FY23	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Working Capital		Brought forward (Unrestricted and Internally Restricted Funds)		SCF							8,282	8,627	9,078	8,833	11,153	13,465	16,780
		Overall Result (excl utilities)									345	451	- 245	2,320	2,312	3,315	4,774
		CarryOver															
		TOTAL CASH (end of year)						-	-		**8,627**	**9,078**	**8,833**	**11,153**	**13,465**	**16,780**	**21,554**

8.5.3 Scenario 4 – Indicators

Ratios	Scenario 4 - Targeted	Pricing		FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	Target
rate of return	regulatory (revenues/expenses incl attributed support)	regulatory		47%	66%	25%	25%	26%	27%	27%	28%	29%	29%	>50%
**FY25 depreciation: $0.247m*	commercial (revenues/expenses incl attributed support)	market		65%	56%	49%	48%	49%	50%	51%	53%	54%	55%	>100%
**FY25 depreciation: $0.701m*	property (revenues/expenses incl attributed support)	private		4%	5%	98%	61%	63%	64%	66%	67%	69%	71%	>75%
**FY25 depreciation: $0.030m*	contract and private works (revenues/expenses incl attributed support)	market		133%	138%	104%	104%	104%	104%	107%	109%	112%	115%	>110%
	utilities (revenues/expenses incl attributed support)	utility				113%	109%	110%	112%	115%	117%	120%	123%	120%
	plant (revenues/expenses incl attributed support)	offset				78%	100%	100%	100%	100%	100%	100%	100%	>100%
financial														
	Operating performance ratio - OLG						-1.8%	-1.3%	-0.7%	2.2%	3.8%	5.4%	7.1%	0%
	Own source revenue ratio - OLG						85.0%	85.3%	85.6%	86.1%	86.5%	86.9%	87.3%	>60%
	Debt servicing capacity - OLG						0.6%	0.5%	0.4%	0.4%	0.4%	0.5%	0.4%	<20%
	Cash expense cover - OLG						6.8	7.2	7.4	8.0	8.6	9.4	10.5	>3mths
	Movement in total cash (internal reserves + unrestricted)						5.3%	5.9%	4.2%	8.6%	8.5%	10.5%	13.0%	>0
	Operating Result						-1.8%	-1.3%	-0.7%	2.2%	3.8%	5.4%	7.1%	>0
	Operating Performance - cash						15.6%	16.3%	16.9%	19.6%	21.2%	22.7%	24.3%	>0
	Liquidity – working capital						1.7	1.8	1.7	2.2	2.6	3.2	4.1	2mths (15%
	Financial capacity - council controlled revenue						53.4%	53.6%	53.9%	53.5%	53.9%	54.3%	54.7%	>60%
	Financial capacity – grants reliance			29.6%	22.7%	15.4%	18.8%	18.5%	18.1%	17.2%	16.7%	16.1%	15.6%	<20%
	Portion of operating grants classified as 'allocated'						75.7%	75.7%	75.7%	75.7%	75.7%	75.7%	75.7%	>50%
	Property Tax Capacity						80.8%	82.1%	83.3%	85.1%	86.8%	88.3%	90.2%	>90%
	Property Tax and Depreciation Growth							280%	285%	354%	361%	368%	376%	>100%
asset														
	Asset actual maintenance ~ AMP level - OLG													100%
	Asset renewal ~ depreciation - OLG						100.0%	100.0%	100.0%	102.5%	102.5%	102.5%	102.5%	100%
	Asset backlog at IIMM Condition 5 - OLG													<2%
	Asset Management - Consumption													>60%
	Asset Management – Renewal Funding													>90%
	General Assets Servicing Capacity						68.9%	69.2%	65.8%	65.9%	62.1%	62.8%	64.6%	>90%
	Utility Assets servicing capacity (annual charges ~ asset MRD)						138.2%	140.9%	143.5%	146.5%	148.3%	148.8%	151.8%	>100%
	Total Assets Servicing Capacity						98.8%	99.3%	96.9%	97.8%	95.4%	96.4%	98.6%	>100%
**FY23 general WDV: $362.99m*	General Assets Operations, Maintenance and Renewal Requirements		WDV $362.9m				4.8%	4.9%	5.0%	5.2%	5.3%	5.4%	5.6%	>3%WDV
**FY23 utilities WDV: $132.4m*	Utility Assets Operations, Maintenance and Renewal Requirements		WDV $132.4m				4.2%	4.3%	4.4%	4.8%	4.9%	5.1%	5.2%	>3%WDV
	Asset new capital ~ grants + contributions + reserves						#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	>100%
	Financial capacity - grants reliance assets					55.7%	23.5%	22.5%	18.1%	16.7%	11.9%	11.2%	11.5%	<50%
	Grant-Gift Funded new assets servicing capacity													>100%

8.5.4 Scenario 4 – Assessment

While the service expense and fee fundamentals remain the same, Scenario 4 differs from the other Scenarios by placing more of the revenue growth (and sustainability) in the hands of council, rather than the process of various special rate variations. This Scenario proposes to recover lower portions of the tax-asset gap and the tax-CSO gap, smoothed over each year in each Term.

It changes the structure of the Revenue Policy through introduction of utility (stormwater) and service (emergency, tourism) special purpose annual charges and the application of a dividend from the water and sewer utilities – in turn improving the transparency of taxes to services. In accordance with DPE 'Pricing and Costing for Council Businesses' per National Competition Policy (NCP), Council considers Water and Sewer as business activities. The policy notes councils 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'. Before council takes a dividend payment under s 409(5) of the Local Government Act, its local water utilities must have in place effective, evidence-based strategic planning in accordance with DPE guidance on strategic planning (ie Integrated Water Cycle Management).

In that way, council may levy stormwater annual charges and extract dividends from urban properties – in turn applying those revenues to urban assets or services – while a lower SRV approach to narrow the tax-asset gap (particularly roads and bridges) may skew toward farmland category properties. The dividend example was drawn from the FY23 financial statements (eg notional dividend ~ $2.3m), noting minimum planning requirements and dividend caps apply (refer Attachment 10).

This Scenario continues the philosophy of restructuring the taxes so that the ad valorem component of the general rate, and the restructured fixed annual charges (together with respective asset grants) progressively cover the cost of those asset maintenance and depreciation expenses; while the base component of the general rate and the utility user charges (together with respective grants) progressively cover the cost of essential public good and utility services. It is the assets, utilities and those public good services that had been nominated by council as 'critical' and 'essential', with council the only provider to the community. Importantly, the community would be engaged and informed each term and each year through the Integrated Planning and Reporting process.

Similarly, the proposed special purpose annual charges may apply to the respective beneficiary sectors (eg business).

Again, operating and total result surpluses appear in Term 2, with General Fund returning positive results by the end of Term 2. It does not however generate surpluses sufficient to build working capital and reserves, and would require the discipline to place grants received for renewal of assets that had been already funded in the FSP, into asset reserves - but the Scenario does attain the OLG benchmarks.

8.5.5 Preferred Scenario

SVC has signalled its preference for **Scenario 4**, and with it the mix of principles and interventions to pursue across the next two Terms.

In summary, those **Principles** are (refer Section 2.6.1):

a. contain asset operations and maintenance to levels consistent with those before the influence of disaster and stimulus grants (ie <2019)
b. cap upgraded or new assets to the value of associated capital grants or contributions
c. flatline service and support costs at the levels of service (LoS) established with the FY25 Operational Plan (OP25)
d. restore capacity to operate, maintain and renew assets with council-controlled funding sources
e. self-fund the utilities (water, sewer, waste, stormwater) to absorb shocks and accommodate growth
f. buffer revenue raising capacity from rate capping and reduce reliance on grants
g. improve funding transparency through aligning rate and utility annual charges yields to respective asset expenditures; introducing special purpose annual charges for select economic and emergency services; and quarantining (accounting and reporting) utility and other services supported by those annual charges

The broader Sustainability Principles outlined in Section 5 will be pursued through organisation planning by the Council across two Terms, including managing expectations through:

a. refining asset management plans for major classes of asset (transport, recreation, buildings) and finalise strategic business plans for utilities (water, sewer, waste, stormwater), to confirm:
- fit for purpose and functionality
- renewal intervention levels and works schedules
- augmentation pipeline for utilities

b. cataloguing service settings (role, criticality, levels of service, pricing principles)
c. utilising community survey and asset condition assessments to align and focus on essential services

The proposed revenue Interventions exclude any rate peg/CPI increase set with the Delivery Program

In summary, the **Interventions** in Scenario 4 are:

A Narrow the general assets and 'public good' service funding gap, reducing reliance on grants

I. apply a 3.65% special rate variation (SRV), cumulative each year from FY26 to FY32, assigned to general asset maintenance and renewal
II. in addition, apply a 0.8% special rate variation (SRV), cumulative each year from FY29 to FY32, assigned to general public good services (ie nominated community service obligation)
III. both the SRV's are above the annual rate cap

B Grow the yields from the utilities to ensure funding for augmentation and seasonal shocks

I. introduce a drainage charge to eligible town properties in urban storm/floodwater catchments under s501 (LG Act), initially to recover 50% of the annual maintenance/depreciation expense
II. following adoption of the IWCMP and Waste Strategy, reset annual charges for water, sewer and waste to recover the annualised cost of those assets' maintenance and depreciation

III. user charges for the utilities will be set to recover operations/service costs, and be informed by the respective 'strategic business plans'
IV. these are expected to increase combined utility yields annually by an average 4%
V. derive annual dividends from FY29 (or adoption of IWCMP) in accord with regulations, with proceeds to be planned and expended on general services in the respective urban areas. The estimated average annual dividend of $1m from water and sewer is equivalent to a one-off SRV of 6.8%
VI. planned growth in yield is above any annual indexation to fees set by council

C Narrow the funding gap in select services with high benefit/low cost recovery from FY26

I. expand fee recovery on operations for 'regulatory good' services, and 'market good' services (including attributed values for asset maintenance and depreciation utilised by those services), improving yields by 2.5% each year
II. pursue a special purpose annual charge or special rate to reduce the annual funding gaps by at least 50% for select economic and emergency services (ie nett cost exceeding $FY23 $500k) from FY26, which may apply then to select rate categories. In the absence of an annual charge, the value equates to a one-off SRV of 3.75% in FY26, and a further 1.5% one-off SRV in FY29

D Consolidate and strengthen expenditure on infrastructure, utilities and facilities

I. grow annual maintenance and depreciation (ie provision for future renewals) by 2.5% per yr
II. manage depreciation growth through robust asset management (including matching depreciation schedules to useful lives of assets in AMPs; cyclic condition inspection of assets; assessment of remaining useful life of assets; assessment of risk, trade offs and impact on asset ratios in the event of reduced or delayed asset renewals; and decisions on obsolescence, redundancy and disposal)
III. renew assets in eligible subclass groups identified in asset management plans, to the equivalent of combined annual depreciation, averaged over the 10 year financial plan horizon
IV. scope or limit new or upgraded general asset capital expenditure to the combined value of respective capital grants, contributions and restricted funds (reserves) held for those purposes

E Build financial resilience and flexibility, to absorb emergency shocks and match grants

I. disciplined dampening of non-asset services and support expense to the monetary value of indexed fee and grant revenues for services, in recognition of low population growth
II. accumulate annual General Fund surpluses into working capital (ie unrestricted cash) to
- minimise risk of inadvertent drawing on restricted funds
- accommodate fluctuations in quarterly cashflows
- preserve funds to underwrite emergency events (eg natural disaster) or co-fund appropriate grant opportunities

In the event any of the revenue measures are not pursued or realised, Council may deploy other measures to reduce service and organisational expenses to attain the financial targets.

Should the Principles and Interventions be applied and realised, the following sustainability **Outcomes** may be expected through Scenario 4:

	Sustainability Measures and Indicators						Scenario 1		Scenario 2		Scenario 3		Scenario 4	
							>4yrs	>8yrs	>4yrs	>8yrs	>4yrs	>8yrs	>4yrs	>8yrs
	Measures				Current	FY23	Planned	Planned	Planned	Planned	Planned	Planned	Planned	Planned
	Financial Sustainability Framework		Risk		Rating	Result	Term 1	Term 2	Term 1	Term 2	Term 1	Term 2	Term 1	Term 2
i.	capacity to meet financial commitments in the short to medium-term.	adequate	acceptable	limited										
ii.	capacity to meet financial commitments in the long-term.	adequate	acceptable	limited										
iii.	expected operating results	balanced	minor-mod deficit	mod-signif deficit										
iv.	capacity to manage financial shocks and any adverse changes in its business.	able	likely	unlikely										
v.	require revenue and/or expense adjustments	minor	moderate	significant										
vi.	changes to the range of and/or quality of services offered	minor	moderate	significant										
vii.	capacity to manage core business risks	minor	moderate	significant/govt assist										
i.	collects enough revenue to fund operational expenditure, repayment of debt and depreciation	100%	90%	80%										
ii.	sufficient cash reserves to ensure it can meet its short-term working capital requirements	adequate	acceptable	limited										
iii.	fully funded capital program, with source of funding secured for renewal and new capital works	100%	75%	50%										
iv.	maintain its asset base by renewing identified ageing infrastructure	100%	90%	80%										
v.	cash reserves are set aside for capital works	100%	75%	50%										

Assuming Council retains the same general rating structure and the same quantity of rateable assessments applied to FY25, the **average annual general rate** per category in FY28 and FY32 (excluding the rate cap) is estimated below:

Term 1				FY28	FY25
	AV	Base	Total	Average	
Farmland			6,840	3,173	2,852
Residential			6,442	1,068	961
Business			1,423	2,425	2,180
Mining			12	3,958	3,558
	10,697	4,020	14,717		
Special AC	495			56	

Term 2				FY32	FY25
	AV	Base	Total	Average	
Farmland			8,146	3,778	2,852
Residential			7,672	1,272	961
Business			1,695	2,888	2,180
Mining			14	4,713	3,558
	13,003	4,525	17,527		
Special AC	743			85	

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9 Indicative Average Rates per Category

Based on the number of property assessments at FY25, the following estimates of average general rates per rate category indicate the potential impact of the proposed special rate variations and introduction of special purpose annual charges per Scenarios per Term. The FSP promotes growth in the yield as outlined in each Scenario. When councils sets its Financial Plan and annual Revenue Policy, the rate peg would be above these estimates.

FY25

RATING TABLE 2024/2025									
	No. of assess	LV	Base rate	Total	Ad Valorem	Total	Total Rates	Yield %	Average
Farmland	2156	2,899,242,939	484.30	1,044,151	0.1761	5,105,567	6,149,718	46.5%	2,852.37
Residential	6030	716,107,090	472.08	2,846,642	0.4113	2,945,348	5,791,991	43.8%	960.53
Business	587	122,237,850	216.44	127,050	0.9429	1,152,581	1,279,631	9.7%	2,179.95
Mining	3	1,240,500	355.16	1,065	0.7746	9,609	10,674	0.1%	3,558.13
				Base		AV			
				4,018,909		9,213,105	13,232,014		

Scenario 1

Term 1					Term 2				
	AV	Base	Total	Average		AV	Base	Total	Average
Farmland			6,228	2,889	Farmland			6,353	2,947
Residential			5,866	973	Residential			5,984	992
Business			1,296	2,208	Business			1,322	2,252
Mining			11	3,603	Mining			11	3,676
	9,380	4,020	13,400			9,569	4,101	13,670	

Scenario 2

Term 1					Term 2				
	AV	Base	Total	Average		AV	Base	Total	Average
Farmland			7,030	3,261	Farmland			8,980	4,165
Residential			6,621	1,098	Residential			8,457	1,403
Business			1,463	2,492	Business			1,868	3,183
Mining			12	4,068	Mining			16	5,195
	11,107	4,020	15,127			15,220	4,101	19,321	
Special AC	248			28	Special AC	495			56

Scenario 3

Term 1					Term 2				
	AV	Base	Total	Average		AV	Base	Total	Average
Farmland			7,585	3,518	Farmland			10,172	4,718
Residential			7,143	1,185	Residential			9,580	1,589
Business			1,578	2,689	Business			2,117	3,606
Mining			13	4,388	Mining			18	5,885
	12,299	4,020	16,319			17,362	4,525	21,886	
Special AC	495			56	Special AC	743			85

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Scenario 4

Term 1				
	AV	Base	Total	Average
Farmland			6,840	3,173
Residential			6,442	1,068
Business			1,423	2,425
Mining			12	3,958
	10,697	4,020	14,717	
Special AC	495			56

Term 2				
	AV	Base	Total	Average
Farmland			8,146	3,778
Residential			7,672	1,272
Business			1,695	2,888
Mining			14	4,713
	13,003	4,525	17,527	
Special AC	743			85

Council should observe the affordability principles outlined in Section 4.15 when redesigning the rating and annual charges structure as proposed in the FSP, which may include redistributing the portion of the rate burden between categories, or creating rate subcategories. It is noted the OLG schedule of comparative indicators for FY22 (the most recent schedule) indicates the following average rates for each category for Group 11 councils, compared to the current year for SVC:

Group 11 councils

FY	Farmland	Residential	Business
2022	3521	912	2270
2025*	3915	1014	2524

**IPART rate peg indexed to FY25 11.2%*

Snowy Valleys

FY	Farmland	Residential	Business
2025	2852	960	2180

10 Funding Gaps

10.1 Taxes

Central to the FSP is flattening current costs to adopted service levels, bringing asset expenditures back to acceptable levels (ie pre disasters), building working capital (unrestricted and internally restricted funds) to enable cash funding of renewals and absorbing financial shocks, and to improve transparency through restructuring taxes and matching services to revenue streams (charges and fees).

The following tables summarise the funding gaps for assets and essential public good services at FY28 (Term 1) and FY32 (Term 2) that prompted the type and extent of the Interventions.

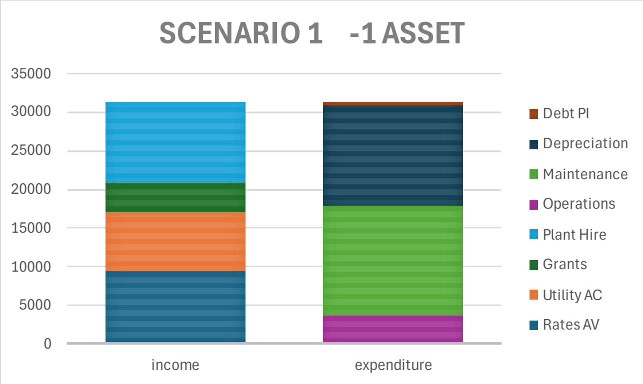
	Scenario 1		Scenario 2		Scenario 3		Scenario 4	
Tax-Asset Funding Gap	**FY25OP $,000**	**FY28 $,000**	**FY25OP $,000**	**FY28 $,000**	**FY25OP $,000**	**FY28 $,000**	**FY25OP $,000**	**FY28 $,000**
o general rates - ad valorem	9241	9380	9241	11107	9241	12299	9241	10697
o competitive maintenance grants and subsidies (eg roads)	2811	1406	2811	1406	2811	1406	2811	1406
o capital grants - allocated (eg R2R, emergency) #	3780	2420	3780	2420	3780	2420	3780	2420
o asset and project management	3650	3650	3650	3650	3650	3761	3650	3761
o asset operations and maintenance (general, reserves)	9325	8388	9325	9775	9325	9775	9325	9775
o asset depreciation (general)	7935	8545	7935	8545	7935	8545	7935	8545
Gap (100%)	-5078	-7377	-5078	-7037	-5078	-5956	-5078	-7558
50%	-2539	-3689	-2539	-3519	-2539	-2978	-2539	-3779
75%	-3809	-5533	-3809	-5278	-3809	-4467	-3809	-5669

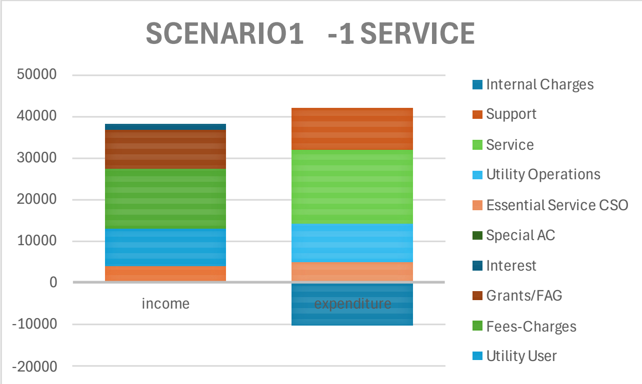
	Scenario 1		Scenario 2		Scenario 3		Scenario 4	
Tax-CSO Funding Gap	**FY25OP $,000**	**FY28 $,000**	**FY25OP $,000**	**FY28 $,000**	**FY25OP $,000**	**FY28 $,000**	**FY25OP $,000**	**FY28 $,000**
o general rates - base	3960	4020	3960	4020	3960	4020	3960	4020
o other fees (eg community, economic, support, other)	1426	1426	1426	1426	1426	1426	1426	1426
o allocated annual operating grants and subsidies (eg FAG, library, pension)	5962	5962	5962	5962	5962	5962	5962	5962
o services (community, culture, recreation, environment, economic, emergency)	5103	5103	5103	5103	5103	5103	5103	5103
o support + leadership*	10254	10254	10254	10254	10254	10254	10254	10254
Gap (100%)	-4009	-3949	-4009	-3949	-4009	-3949	-4009	-3949
50%	-2005	-1975	-2005	-1975	-2005	-1975	-2005	-1975
75%	-3007	-2962	-3007	-2962	-3007	-2962	-3007	-2962

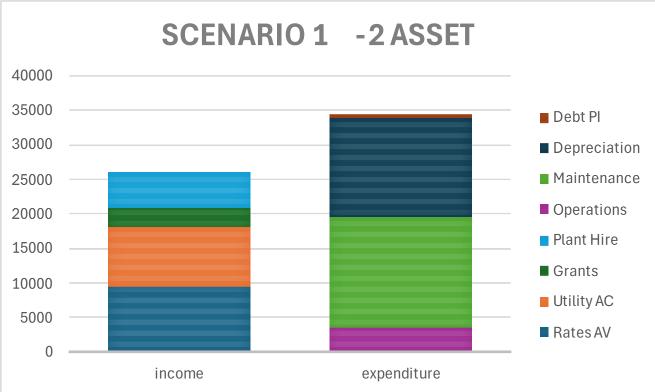
Table xx

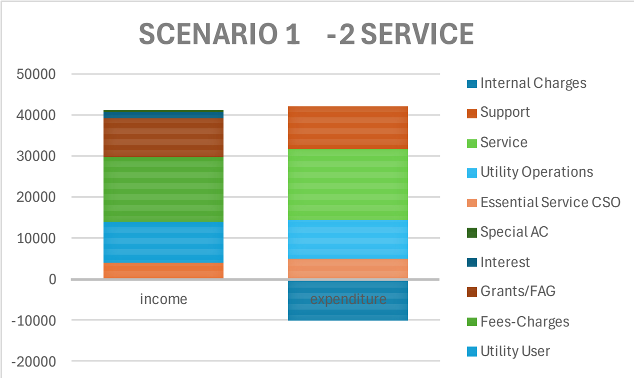
Those gaps are illustrated per Scenario and Term (1 and 2) in the following charts, which include attribution of organisation support costs and subsequent internal charge revenues:

10.2 Scenario 1

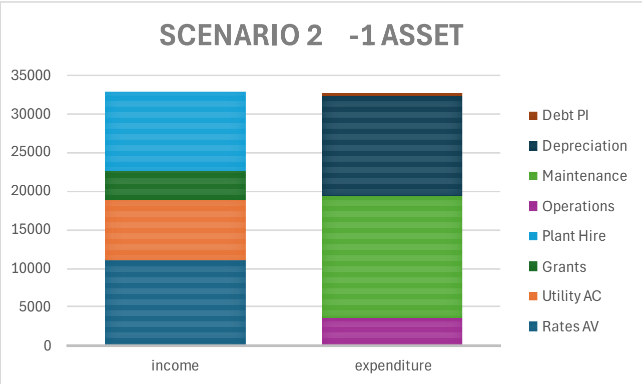


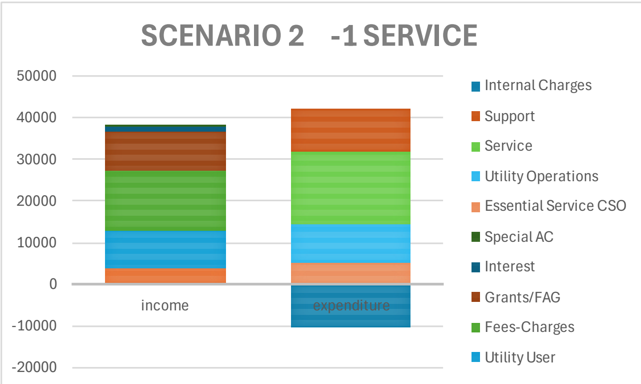


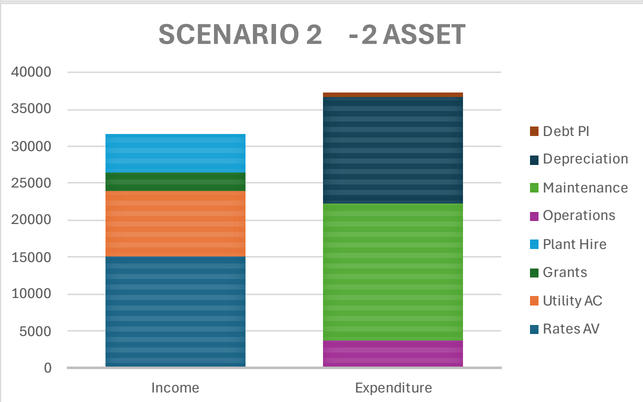


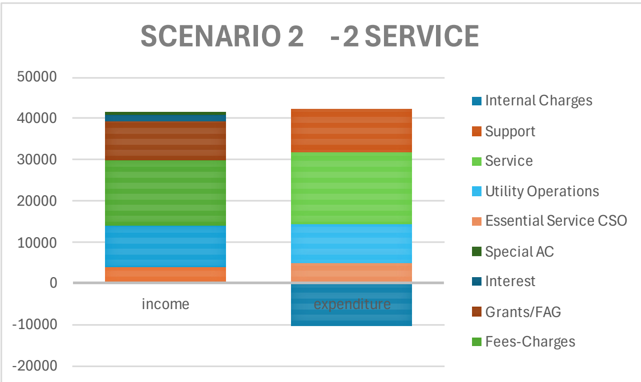


10.3 Scenario 2

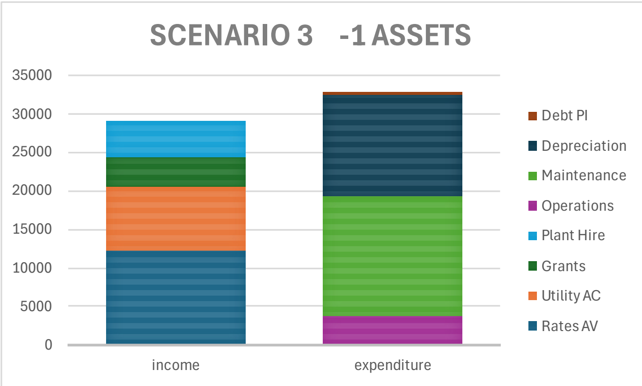


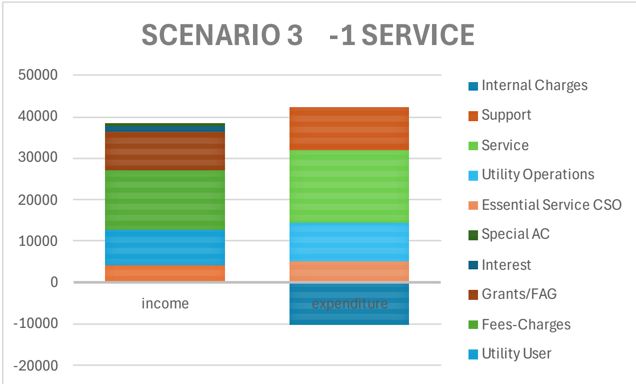


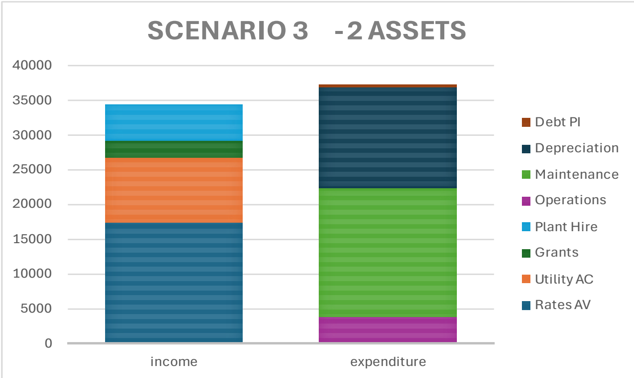


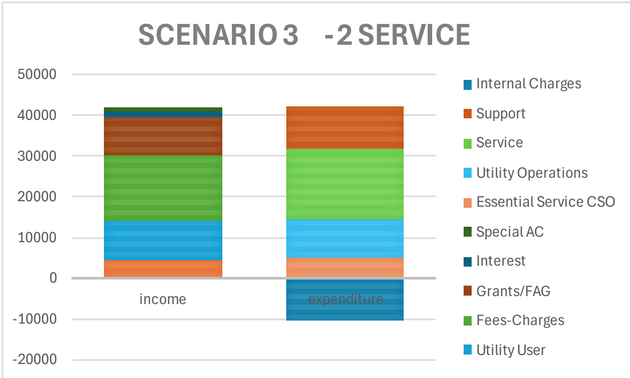


10.4 Scenario 3

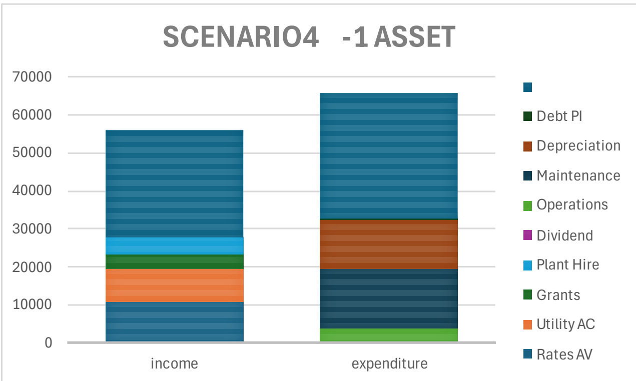


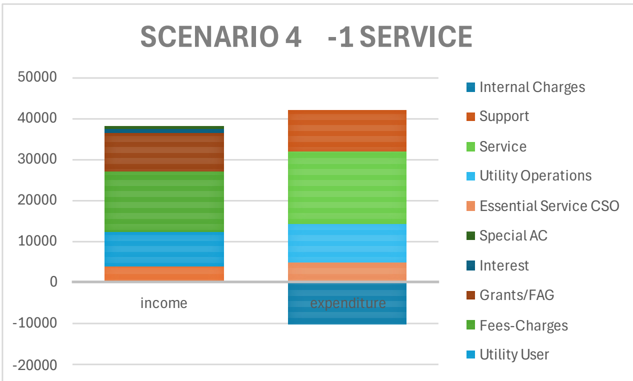


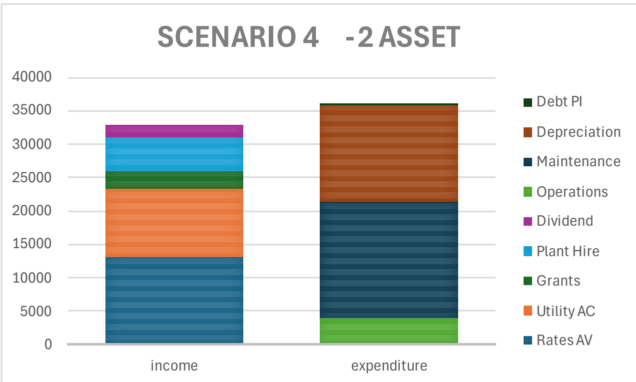


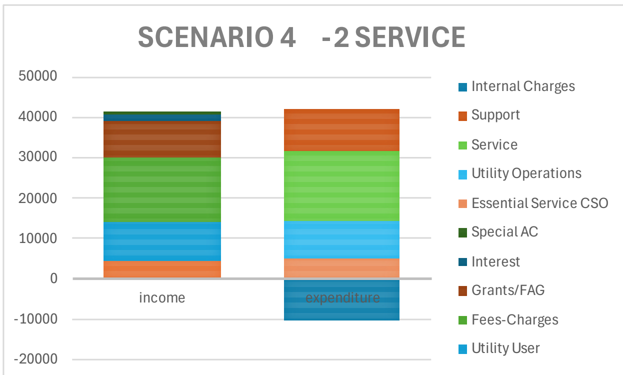


10.5 Scenario 4









11 Scenario Sustainability Outcomes

While each Scenario recorded its respective results against the suite of rates of return and financial and asset sustainability markers, the table below indicates the capacity of council to meet the risks outlined in Section 2, which may guide council's preference for a Scenario:

	Sustainability Measures and Indicators						Scenario 1		Scenario 2		Scenario 3		Scenario 4	
							>4yrs	>8yrs	>4yrs	>8yrs	>4yrs	>8yrs	>4yrs	>8yrs
Measures					Current	FY23	Planned	Planned	Planned	Planned	Planned	Planned	Planned	Planned
Financial Sustainability Framework			Risk		Rating	Result	Term 1	Term 2	Term 1	Term 2	Term 1	Term 2	Term 1	Term 2
i.	capacity to meet financial commitments in the short to medium-term.	adequate	acceptable	limited										
ii.	capacity to meet financial commitments in the long-term.	adequate	acceptable	limited										
iii.	expected operating results	balanced	minor-mod deficit	mod-signif deficit										
iv.	capacity to manage financial shocks and any adverse changes in its business.	able	likely	unlikely										
v.	require revenue and/or expense adjustments	minor	moderate	significant										
vi.	changes to the range of and/or quality of services offered	minor	moderate	significant										
vii.	capacity to manage core business risks	minor	moderate	significant/govt assist										
i.	collects enough revenue to fund operational expenditure, repayment of debt and depreciation	100%	90%	80%										
ii.	sufficient cash reserves to ensure it can meet its short-term working capital requirements	adequate	acceptable	limited										
iii.	fully funded capital program, with source of funding secured for renewal and new capital works	100%	75%	50%										
iv.	maintain its asset base by renewing identified ageing infrastructure	100%	90%	80%										
v.	cash reserves are set aside for capital works	100%	75%	50%										

Table 30

Pending SVC's preference for a Scenario for the new councils, the interim distribution of assets, liabilities, cash reserves and staffing (subject to finalisation of FY24 financial accounts), together with the service, asset and pricing settings endorsed with this FSP, will be utilised to prepare sustainability plans for the new councils in Volume III.

12 Glossary

ABC	activity base costing
AMP	asset management plan
CAPEX	capital expenditure
CoA	chart of accounts
CSP	community strategic plan
DP	delivery program
DTP	demerger transition plan
ERP	enterprise resource platform (eg TechOne)
FSP	financial sustainability plan
FY	financial year
IPR	integrated planning and reporting
LGA	local government area
LGBC	Local Government Boundaries Commission
LGCC	Local Government Grants Commission
LOS	level of service
LTFP	long term financial plan
OLG	Office of Local Government
OMR	operations maintenance repair (assets)
OMRD	operations maintenance repair depreciation (assets)
OMRU	operations-maintenance-renewal-upgrade (assets)
OP	operational plan
OPEX	operating expenditure
QBL	quadruple bottom line
Ratios	separately listed
RoR	rates of return
RUN	renewal upgrade new (assets)
SRV	special rate variation
SVC	Snowy Valleys Council
WFP	workforce plan

13 Attachments

Attachment 1 Financial Sustainability Framework

Very Strong	A local government with a very strong capacity to meet its financial commitments in the short, medium and long-term. It has a record of reporting operating surpluses and is highly likely to be able to manage major unforeseen financial shocks and any adverse changes in its business without revenue and/or expense adjustments. Its capacity to manage core business risks is very strong
Strong	A local government with a strong capacity to meet its financial commitments in the short, medium and long-term. It generally has a record of operating surpluses and may occasionally report minor operating deficits. It is able to address its operating deficits, manage major unforeseen financial shocks and any adverse changes in its business, with minor revenue and/or expense adjustments. The expense adjustments are likely to result in only minor changes to the range of and/or quality of services offered. Its capacity to manage core business risks is strong
Sound	A local government with an adequate capacity to meet its financial commitments in the short, medium and long-term. While it is likely that it may have a record of minor to moderate operating deficits, the local government is expected to regularly report operating surpluses. It is likely able to address its operating deficits, manage major unforeseen financial shocks and any adverse changes in its business, with minor or moderate revenue and/or expense adjustments. The expense adjustments are likely to result in some changes to the range of and/or quality of services offered. Its capacity to manage core business risks is sound.
Moderate	A local government with an adequate capacity to meet its financial commitments in the short to medium-term and an acceptable capacity in the long-term. While it has some record of reporting minor to moderate operating deficits, the local government may also have recently reported a significant operating deficit. It is likely able to address its operating deficits, manage unforeseen financial shocks and any adverse changes in its business, with moderate revenue and/or expense adjustments. The expense adjustments are likely to result in a number of changes to the range of and/or quality of services offered. Its capacity to manage core business risks is moderate
Weak	A local government with an acceptable capacity to meet its financial commitments in the short to medium-term and a limited capacity in the long term. It has a record of reporting moderate to significant operating deficits with a recent operating deficit being significant. It is unlikely to be able to address its operating deficits, manage unforeseen financial shocks, and any adverse changes in its business, without the need for significant revenue and/or expense adjustments. The expense adjustments would result in significant changes to the range of and/or quality of services offered. It may experience difficulty in managing core business risks
Very Weak	A local government with a limited capacity to meet its financial commitments in the short and medium-term, and a very limited capacity long-term. It has a record of reporting significant operating deficits. It is highly unlikely to be able to address its operating deficits, manage unforeseen financial shocks and any adverse changes in its business without the need for structural reform and major revenue and/or expense adjustments. The expense adjustments are likely to result in significant changes to the range and/or quality of services offered and it may need the assistance from higher levels of government. It will have difficulty in managing its core business risks
Distressed	A local government with a very limited capacity to meet its short-term financial commitments and no capacity to meet its medium to long-term financial commitments. It has a record of reporting significant operating deficits. To be able to address its operating deficits, meet its medium and long-term obligations, manage unforeseen financial shocks and any adverse changes in its business, major revenue and expense adjustments and structural reform will be required. The local government is unlikely to have the capacity to manage core business risks and may need assistance from higher levels of government

Attachment 2 Financial Sustainability Indicators

Formula		Indicators				Current Rating
	Financial and Asset Indicators					
Total operating revenue less capital grants less operating expenses/Total operating revenue less capital grants	ii.	operating performance ratio	10%	0%	-10%	
Total operating revenue less all grants and contributions /Total operating revenue	iii.	own source revenue ratio	>60%	50%	<50%	
Current assets less external restrictions/current liabilities less specific purpose liabilities	iv.	unrestricted current ratio	>1.50	1.00	<1.00	
Total debt servicing and financing expenses/Total operating revenues	v.	debt service ratio	>2	1.50	<1.00	
Rates and annual charges outstanding/Rates and annual charges collectable	vi.	outstanding rates and charges ratio	<5%	7.50%	>10%	
Cuurent cash and investments/Monthly payments from cashflow of operating and financing	vii.	cash expense cover ratio	>3mths	2mths	<2mths	
	viii.	regulatory, private, market fees recover costs to benchmark	>75%	50%	<25%	
	ix.	portion of operating grants classified as 'allocated'	>50%	50%	<50%	
	Sustainability Indicators					
Operating Result/Total Operating Revenue	i.	Operating Result	0%	-5%	-10%	
Operating Result+Depreciation+Finance Cost/Total Operating Revenue	ii.	Operating Performance - cash	>0%	0%	<0%	
(Total Cash and Equivalents **add** Current Investments **less** Externally Restricted Cash/Total Operating Expenditure less Depreciation and Amortisation less Finance Costs)*12	iii.	Liquidity – working capital	>3mths	2mths	<2mths	
Net Rates, Levies and Charges + Utility User Charges/Total Operating Revenues	iv.	Financial Capacity – council controlled revenue	>60%	60%	<60%	
Grants and Contributions (Operating) + Grants and Contributions (Capital)/ Total Operating Revenue	v.	Financial capacity – grants reliance operating	<20%	20%	>20%	
Total Grants and Contributions (Assets)/ Total Asset (Operating + Capital) Expenditure	vi.	Financial capacity – grants reliance capital	<50%	50%	>50%	
(Prior year estimated population/Previous year estimated population) -1	vii.	Financial Capacity – population growth	>2%	0%	>-1%	
General rates + Fixed Annual (utility) charges/Operations, maintenance, depreciation and debt servicing expense for general + utility infrastructure	viii.	Property Tax Capacity	100%	80%	60%	
Change in Property Tax revenues (YoY)/Change in Depreciation expense (YoY)	ix.	Property Tax and Depreciation Growth	>100%	100%	<100%	
3% of capital value of new-upgraded assets received through grants or developments/Annual property tax revenues received through supplementary valuations-levies	x.	Grant Funded and Gifted New Assets Servicing Capacity	>100%	100%	<100%	

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Formula		Asset Sustainability				Current Rating
	i.	Asset strategy includes expansion, redundancy, repurpose, resilience	100%	75%	50%	
	ii.	AMP asset capital (upgrades + new) aligned to s7.11, s64 Plans, EWL	100%	75%	50%	
	iii.	LTFP asset renewals aligned to IIMM condition 4, or resilience targets	100%	75%	50%	
Total of Planned Maintenance Expenditure on Infrastructure Asset over 10 years/Total of Required Maintenance Expenditure on Infrastructure Asset over 10 years	iv.	Asset actual maintenance ~ AMP level	100%	90%	80%	
Capital Expenditure on Renewal of Infrastructure Assets/Depreciation Expenditure on Infrastructure Assets	v.	Asset renewal ~ depreciation	100%	90%	80%	
Total WDV of infrastructure assets at Condition 5/Total WDV of infrastructure assets	vi.	Asset backlog at IIMM Condition 5	<2%	2%	>2%	
WDV Cost of Depreciable Infrastructure Assets /Current Replacement Cost of Depreciable Infrastructure Assets	vii.	Asset Management - Consumption	>60%	60%	<60%	
Total of Planned Capital Expenditure on Infrastructure Asset Renewals over 10 years/Total of Required Capital Expenditure on Infrastructure Asset Renewals over 10 years	viii.	Asset Management – Renewal Funding	100%	90%	80%	
Ad Valorem rate yield + regular annual asset grants and contributions/Annual operations, maintenance, depreciation and debt servicing expense for general infrastructure	ix.	General Assets Servicing Capacity	100%	80%	60%	
Asset actual maintenance and depreciation/Asset written down value	x.	General Assets Operations, Maintenance and Renewal Requirements	4%	3%	2%	
Utility AC yield + regular annual utility grants and contributions/Annual operations, maintenance, depreciation and debt servicing expense for utilities infrastructure	xi.	Utility Assets servicing capacity (annual charges ~ asset MRD	100%	80%	60%	
Capital grants+contibutions+reserves expended/Total Capital new + upgraded assets	xii.	Asset new capital ~ grants + contributions + reserves	100%	90%	80%	
	xiii.	Gifted + grant financed new+upgrade assets OMRD funded in LTFP	100%	90%	<80%	
Carry over total/Current year Capex program value	xiv.	Asset capital annual carryover works (% current FY capex)	<10%	10%	>10%	
	xv.	Grant or development-funded asset project gaps (project > $1m)	<10%	10%	>10%	

Formula		Organisation Maturity				Current Rating
adequate systems, skills, technology, training: present | backfill available	i.	financial management	100%	75%	50%	
adequate systems, skills, technology, training: present | backfill available	ii.	asset management	100%	75%	50%	
adequate systems, skills, technology, training: present | backfill available	iii.	project/contract management	100%	75%	50%	
adequate systems, skills, technology, training: present | backfill available	iv.	technology resilience (incl cyber/AI)	100%	75%	50%	
adequate systems, skills, technology, training: present | backfill available	vi.	development and land use planning	100%	75%	50%	
AMP includes BBB estimates % WDV | workplace health training	v.	resilience (disaster, change)	Y	P	N	
strategy expenditure (setting or review) per term /asset WDV	vii.	strategy investment	0.01%	0.005%	<0.005%	
governance compliance actions complete/total compliance obligations	viii.	governance compliance	Y	P	N	
review relevance and funding of previous term strategy actions	ix.	strategic actions and projects	Y	P	N	
services catalogued (role, criticality, pricing) | LoS reviewed (term)	x.	services/LoS catalogue	Y	P	N	
risk framework reviewed (term) | internal audit rec's implemented	xi.	risk framework (assurance review, internal audit, business continuity)	Y	P	N	
Number of annual vacancies/staff establishment FTE	xii.	Workforce - skill/turnover	10%	>10%	>15%	
Total FTE unplanned absence days/Total available work days	xiii.	Workforce - productivity/unplanned absence	<10%	10%	>10%	
Total overtime expenditure/Total wage expenditure	xiv.	Workforce - overtime	<1%	1%	>1%	
		Expectation Management				
	i.	meet Minister/OLG directions	Y	P	N	
	ii.	community satisfaction - service	>3.5	3	<3	
	iii.	community expectation - assets	>3.5	3	<3	
	iv.	s7.11/s64 development plan works delivery per adopted schedule	100%	90%	<80%	
	v.	services criticality established (essential, important, discretionary)	Y	P	N	
	vi.	assets criticality established (essential, important, discretionary)	Y	P	N	

Attachment 3 - Income Statement Consolidated

Source		Income-Cashflow Hybrid Statement	FY18	FY19	FY20	FY21	FY22	FY23	FY24OP	FY25 OP
			$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	Operating Account									
		Income from continuing Operations								
IS		o Rates and annual charges	16,125	16,714	17,045	17,051	18,000	19,860	22,403	24,219
IS		o User Charges and Fees	15,957	15,068	15,201	16,905	19,307	25,456	15,600	15,428
IS		o Interest and Investment Income	1,364	1,640	515	435	316	1,159	1,292	1,627
IS		o Other Revenues	1,307	1,186	1,822	3,705	5,699	4,758	1,482	1,528
IS	NB: FAG (50-75% prepay)	o Grants and Contributions provided for operating purposes	10,834	17,385	15,300	25,350	15,085	20,309	11,356	13,333
IS		o								
IS		o Other Income			1,108	1,513	1,397	1,746		
IS		o Net Gains from the Disposal of Assets								
		Total Income from Continuing Operations	**45,587**	**51,993**	**50,991**	**64,959**	**59,804**	**73,288**	**52,133**	**56,135**
		Expenses from Continuing Operations								
IS		o Employee Benefits and On-costs	18,408	18,209	20,580	20,246	20,823	21,155	20,241	23,197
IS		o Materials and Services	14,837	15,852	22,814	34,453	28,090	38,756	19,706	20,504
IS		o Borrowing Costs	649	508	503	473	398	282	237	211
IS		o Depreciation, amortisation and impairment of non-financial assets	10,541	11,603	11,704	11,172	26,518	11,949	11,638	12,152
IS		o Other Expenses	4,775	4,865	1,055	1,290	1,109	1,493	1,448	1,559
IS		o Net loss from the disposal of assets	1,084	2,541	2,028	2,305	2,582	3,685		
IS		o Revaluation decrement / impairment of IPP&E								
		Total Expenses from Continuing Operations	**50,294**	**53,578**	**58,684**	**69,939**	**79,520**	**77,320**	**53,270**	**57,623**
		Operating Result from Continuing Operations (surplus/deficit)	**-4,707**	**-1,585**	**-7,693**	**-4,980**	**-19,716**	**-4,032**	**-1,137**	**-1,488**
	Capital Account		FY18	FY19	FY20	FY21	FY22	FY23	FY24OP	FY25OP
IS	**Capital Revenues**	o Grants and Contributions provided for capital purposes	6,082	4,794	11,724	11,740	13,749	14,579	36,690	29,440
SCF		o Sale of property assets	201	172	4	-	25	554		
SCF		o Sale of IPPE assets	832	680	866	1,121	728	1,124		
		o LIRS subsidy								
		o cashflow generated by depreciation	10,541	11,603	11,704	11,172	26,518	11,949	11,638	12,152
		TOTAL CAPITAL REVENUES	**17,656**	**17,249**	**24,298**	**24,033**	**41,020**	**28,206**	**48,328**	**41,592**
C1-7	**Capital Expenditures**	o IPPE renewals (general)	8,689	9,837	9,377	15,066	19,885	20,434	37,510	40,336
C1-7		o IPPE renewals (utilities)	273	731	554	234	236	682	6,935	
C1-7		o IPPE renewals (plant-equipment)	2,774	2,605	1,365	3,047	2,187	150	2,907	
C1-7		o IPPE new/upgrades (general)	1,947	1,644	7,772	1,618	446	919	300	
C1-7		o IPPE new/upgrades (utilities)	245	12	617	808	195	15		
C1-7		o IPPE new/upgrades (plant-equipment)	54	124	259	599	824	2,322		
SCF		o property acquisitions and development	8		-1	-9	-51	41		
SCF		o loan principal + lease payments	1,189	1,261	-		1,316	1,180		652
		Demerger project								
		TOTAL CAPITAL EXPENSES	**15,179**	**16,214**	**19,943**	**21,363**	**25,038**	**25,743**	**47,652**	**40,988**
		CAPITAL RESULT (surplus/deficit)	**2,477**	**1,035**	**4,355**	**2,670**	**15,982**	**2,463**	**676**	**604**
		OVERALL RESULT (surplus/deficit to be funded by reserves/debt)	**-2,230**	**-550**	**-3,338**	**-2,310**	**-3,734**	**-1,569**	-461	**-884**

Attachment 4 Typical Local Government Challenges

PESTLE	Political	#	Environment	#	Social	#	Technology	#	Legal	#	Economy
Drivers	Government CC policy		Population growth		Population growth		Cyber security		Legislation		Development
	Government Waste policy		Climate change		Climate change		Covid		Court orders		Covid
	Legislation		Government Waste policy		Natural disasters-Covid				EPA action		Circular economy
			Regional Energy Zones		Industry closure (eg forestry)						
			Natural disasters		Skill shortage						Inflation
Pressure	Cost shift		Load on assets		Service demand growth		Work from home expectation				Residential development
	Under-recovery regulatory costs		Energy and Emissions		Stimulus and Gifted Assets		AI				Recession
	Under-recovery development costs		Land use planning		Vacancies/turnover		Mobile connectivity				Recycled/repurposed materials
			Biosecurity (weed/pest)		Community expectations						Costs escalation
											Skills shortage
State	Councillor profile		Asset profile-condition		Workforce profile-health		ERP (technology) profile		Under-recoveries		Budget capacity
	Local MP bias		Asset ratios		FTE/resident ratio		3 Gen demobilised				Financial ratios
Impact	Under-recovery regulatory costs		Deteriorated asset condition		Increased resource consumption		Digitisation of location/transaction		Regulatory nett cost		Housing pressure
	Representation		Climate change		Increased OMR servicing costs		Hybrid work		<95% rates collection		Business closure/job losses
			Asset resilience		Remote schooling		Unreliable networks				Outstanding rates
			Loss habitat		Higher cost contract/consultant		Cybersecurity exposure				
			Heat		Heat exposure						
Response/s	Demerger		Revise rate of asset renewals		Population based rate peg		Integrated ERP module investment		Expand debt recovery		Rating structure review
	Grants policy		Asset build back better		Expand asset networks		Transact by Digital, Interact in Person		Revise pricing policy		Utility dividends
	Donations-exemptions policy		Increased borrowings		Improve organisation capacity/maturity		Digital work place		Reframe rating structure		Digital economy
	Gifted assets policy		Property/asset recycling		Service review				Explore special annual charges		Financial sustainability review
	Rate variation		Revise planning scheme		Build-Buy-Borrow staff						Property divestment
			Update AMPs		Unplanned absence/productivity						Pricing Principles review
			Circular economy plan		Establish grants policy						Circular economy
			Renewable energy options								

Attachment 5 Sample Services Financial Summary

Service Area	Operating Income $	Operating Expenditure $	Net Cost $	Depreciation Included $
Asset Management	0	112,901	(112,901)	1,786
Biosecurity	445,131	1,408,571	(963,440)	0
Building Certification	470,840	758,487	(287,647)	0
Cemetery Operations	241,242	183,979	57,263	3,120
Communications and Engagement	0	699,163	(699,163)	0
Community Facilities	904,443	2,131,567	(1,227,124)	614,338
Community Services Management	0	290,526	(290,526)	0
Community Support Programs	4,687,048	4,423,609	263,439	59,821
Corporate Projects	0	266,653	(266,653)	0
Customer Service	73,542	319,533	(245,991)	0
Development Certification	630,250	1,461,831	(831,581)	0
Economic Development	0	324,380	(324,380)	0
Emergency and Fire Service	624,994	1,799,233	(1,174,239)	118,319
Executive Team	0	1,486,432	(1,486,432)	0
Financial Services	86,250	1,609,326	(1,523,076)	0
Fleet and Plant	6,590,661	5,100,656	1,490,005	1,040,483
Governance	221,572	829,184	(607,612)	0
ICT	8,260	2,717,576	(2,709,316)	674,879
Infrastructure - Roads	17,991,568	22,341,886	(4,350,318)	9,039,909
Internal Audit	0	184,124	(184,124)	0
Land and Property	450,215	2,656,322	(2,206,107)	1,189,299
Library	138,469	863,983	(725,514)	103,810
Open Space and Recreation	202,416	3,764,122	(3,561,706)	800,431
Organisational Development	0	680,302	(680,302)	0
Public Health and Environment	362,250	730,526	(368,276)	1,145
Ranger Services	108,450	344,228	(235,778)	1,576
Records Management	0	223,106	(223,106)	0
Residential Aged Care	1,685,417	2,759,783	(1,074,366)	114,021
Resource and Waste	9,635,295	7,950,112	1,685,183	1,042,096
Risk Management	0	576,034	(576,034)	0
Strategic Planning	1,545	1,351,324	(1,349,779)	0
Tourism and Events	25,845	1,002,645	(976,800)	0
Water and Sewer	17,466,602	17,403,936	62,666	5,502,038
Workforce Management	165,727	(1,976,823)	2,142,550	0
General Purpose Revenue	26,941,695	4,298,221	22,643,474	0
Total	**90,159,727**	**91,077,438**	**-917,711**	**20,307,071**

Attachment 6 SVC Note B1 2025

SVC	Service OP25 (incl Internal Chg)	Pricing Principle	Operating Income 2025OP	Operating Grant 2025OP	Capital Income 2025OP	Expense 2025OP	Depreciation 2025OP	Result 2025
Commercial	405 - Children's Services	Market	527	1951		2928	32	-482
Commercial	415 - Caravan Parks	Market	1135			732	199	204
Commercial	510 - Cemetery Management	Private	267			171	17	79
Commercial	517 - Aerodrome	Shared	20		9985	112	37	-129
Community	401 - Community Development	Public	872	7		665	21	193
Community	407 - Community Transport	Private	77	518		631	13	-49
Community	512 - Public Toilets	Public				504	272	-776
Contract	999 - External Commercial Works	Market	8249			7897	30	322
Culture	412 - Library	Public	13	208		1628	83	-1490
Development	411 - Growth and Development	Regulatory	660	89		2223	3	-1477
Economic	402 - Economic Development	Private				384		-384
Economic	403 - Tourism and Visitor Services	Private	96			479	37	-420
Health and Safety	409 - Emergency Management	Public	0	525		1066	29	-570
Health and Safety	900 - Emergency Works	Public		1228	3589	1228		0
Property	406 - Multi Service Outlet: Aged	Private	155	120		354	78	-157
Property	513 - Buildings	Private	911		9693	735	623	-447
Recreation	514 - Sporting Grounds	Shared	31		775	721	240	-930
Recreation	515 - Parks and Open Space	Public	14	13	60	2544	404	-2921
Recreation	516 - Swimming Pools	Shared	244		1148	1316	439	-1511
Regulatory	410 - Regulatory Services	Regulatory	50	70		642	4	-526
Sewer	542 - Sewerage	Utility	6367		210	3321	1211	1835
Stormwater	501 - Drainage and Stormwater Management	Utility	29			103	539	-613
Transport	503 - Road Safety	Public	0	92		262		-170
Transport	506 - Roads and Bridges	Public		2715	3780	5034	4665	-6984
Transport	507 - Footpaths, Carparks and Kerb and Gutter	Public				260	662	-922
Waste	540 - Waste Management	Utility	4316	4		4653	169	-502
Water	541 - Water Supply	Utility	5911		200	3576	1165	1170
	202 - Rates & Charges	Public	13201					13201
	203 - Grants & Subsidies - FAGs	Public	0	5754				5754
	*inc ABC		43145	13294	29440	44169	10972	1298

Attachment 7 Sample Trade Offs

Asset	Service	Risk
Operations, maintenance and capital projects that are unable to be undertaken:	Operations, maintenance and projects that cannot be undertaken due to available resources, will result in service consequences for users:	Operations, maintenance and projects that cannot be undertaken may sustain or create risk consequences:
•maintain bridges, carparks, culverts, sealed roads and unsealed roads to the level detailed in AMP	•bridges, carparks, culverts, sealed roads and unsealed roads will deteriorate faster than expected	•potentially dissatisfied members of the community
•renew any bridges, carparks, footpaths, shared paths and cycleways in condition 4 and 5	•bridges, carparks, footpaths and cycleways in condition 4 and 5 may be required to be taken out of service if practicable	•periodic increased maintenance requirements on affected assets
•construct required footpaths and shared paths (PAMP) subject to available funding/grants	•sealed road pavement renewal will be deferred and therefore the cracking, rutting and roughness of these sealed roads may worsen	•lower travelling speeds on roads and/or greater risk of road accidents through driver inattention
•renew recreation buildings deemed essential in condition 4 or consider decommissioning/mothballing until funding available.	•district sporting events may cease	•lower levels of club sporting activity
		•increased insurance claims

Attachment 8 IPPE Special Schedule

IPPE Financial Special Schedule

IPPE	SVC		Statements ($,000)							AMP ($,000)				Emergency ($,000)		Capital Funding ($,000)				Asset Register (Condition) ($,000)				
Asset Class	Sub Class	Category/Service	Asset GRC	Asset WDV	Actual Servicing	Actual MR	Actual Depreciation	Actual Renewal	Actual Enhance	Planned MR	Planned Renewal	Planned Depreciation	Planned Enhance	Disaster Restoration	Disaster Resilience	Grant	Gift	Reserve		1 Predictive	2 Preventative	3 Planned	4 Corrective	5 Breakdown
					*refer asset definitions														Useful Life	>80%	50-80%	25-50%	5-25%	<5%
					<1%					1%		2%							Metric		(% condition * WDV)			
Buildings																								
	non-specialised	civic																						
		commercial																						
		community																						
		recreation																						
	specialised	civic																						
		commercial																						
		community																						
		recreation																						
		transport																						
	other																							
Roads																								
	sealed - urban																							
	sealed - rural																							
	unsealed - urban																							
	unsealed - rural																							
	regional																							
	bridges																							
	paths																							
	carparks																							
	runways																							
	other (incl bulk earthworks)																							
Water																								
Servicing=(IS expense-MR-Depn	treatment																							
	storage																							
	network																							
Sewerage																								
	treatment																							
	storage																							
	network																							
Stormwater																								
	kerb and gutter																							
	network																							
Waste																								
	treatment																							
	storage																							
	facilities																							
Recreation																								
	buildings																							
	open space	parks																						
		sporting																						
		reserves																						
	pools																							
	structures	carparks																						
		fencing																						
		playgrounds																						
		shade																						
Plant and Equipment																								
	digital																							
	plant																							
	equipment																							
Property																								
	land operational																							
	land community																							
	real estate																							
Reinstatement																								
	landfill																							
	quarry																							
Total			-	-	-	-	-	-	-	-		-	-	-	-									

Attachment 9 – Sample rate notice with special purpose annual charges

Sunshine Coast COUNCIL

CUSTOMER ENQUIRIES
Phone: (07) 5475 7542
Email: rates@sunshinecoast.qld.gov.au
ABN 37 876 973 913

HALF YEARLY RATE NOTICE FOR PERIOD	
1 July 2024 to 31 December 2024	
ISSUE DATE	23 July 2024
PROPERTY NO.	**220457**
VALUATION	$111,192
PAYMENT REFERENCE NO.	101194289
DUE DATE FOR PAYMENT	**23 August 2024**
AMOUNT PAYABLE	**$1,508.00**

PROPERTY LOCATION: Aspect Caloundra, 2112/80 Lower Gay Tce CALOUNDRA QLD 4551
PROPERTY DESCRIPTION: Lot 2112 SP 186488

RATES AND CHARGES	UNITS	RATE CHARGED		AMOUNT
General Rate - Category 28		Minimum Rate =		1,132.50
Waste Low Noise Bin - 1100 Litre		Minimum Rate =		179.30
Arts and Heritage Levy	1 x	$20.00	x .5 =	10.00
Environment Levy	1 x	$82.00	x .5 =	41.00
Transport Levy	1 x	$47.00	x .5 =	23.50
State Emergency Management Levy: Class A Group 2	1 x	$243.40	x .5 =	121.70
TOTAL:				**$1,508.00**

Attachment 10 – Integrated Water Cycle Management and Dividends

Department of Planning and Environment

dpie.nsw.gov.au

Guidance on strategic planning outcome –Promote integrated water cycle management

Regulatory and assurance framework for local water utilities

December 2022

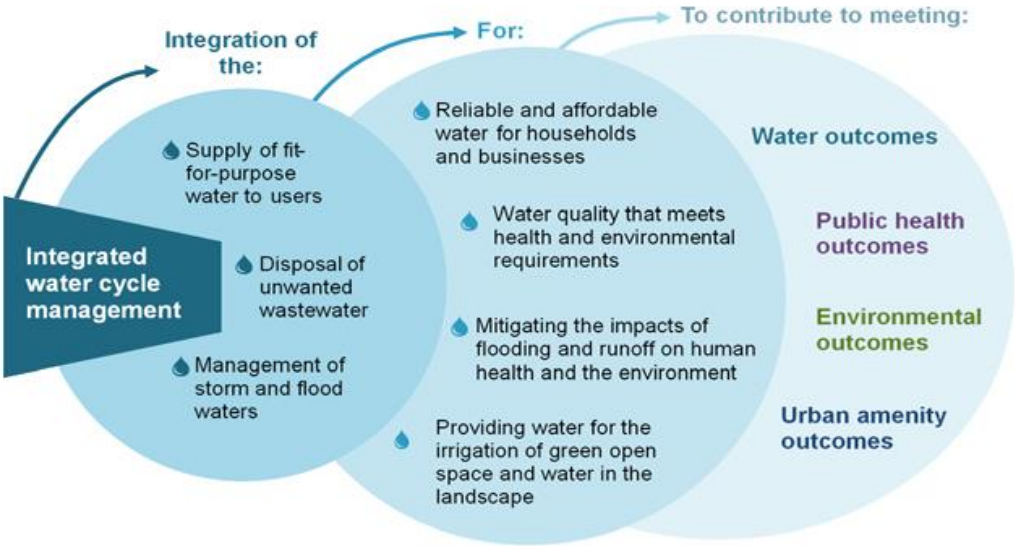

Figure 7. An integrated approach to urban water management
Source: Productivity Commission, 2020.

Department of Planning and Environment

dpie.nsw.gov.au

NSW GOVERNMENT

Regulatory and assurance framework for local water utilities

July 2022

4 Guidelines for council dividend payments for water supply or sewerage services

Under section 409(5) of the Local Government Act, a council may pay an annual dividend from its water supply and sewerage business surplus to its council. A dividend is a return on investment paid to the 'shareholder', which in this case is the council responsible for managing and investing in the local water utility's water supply and sewerage functions. Such dividends may be paid for each business at the end of the financial year after meeting these Guidelines (see section 409(7)(a) of the Local Government Act).

These documents set competitive expectations of council-owned water utilities depending on revenues. Specifically, a Category 1 utility, with water revenues greater than $2 million, should separate its accounts, implement a complaints-handling mechanism, and set prices so annual cost recovery by a council's water supply or sewerage business includes taxes or tax-equivalents (excluding income tax).

The dividend comprises 2 parts: a dividend calculated for tax-equivalents, and a dividend calculated from the surplus.

All council-owned water supply or sewerage businesses must make a dividend payment for the amount calculated as the annual tax-equivalent payment.

The tax-equivalents are reported in council's water supply and sewerage businesses' special-purpose financial statements (SPFS) in their annual financial reports.

The upper limit for tax-equivalent dividend payments from each of a council's water supply or sewerage businesses is set at $3/assessment.

The council may apply the dividend for tax-equivalents for any purpose under the Local Government Act or any other act, including local community and charitable purposes.

To ensure ongoing commercial viability, prices should be set so annual cost recovery by a council's water supply or sewerage business includes taxes or tax-equivalents (excluding income tax).

Before taking a dividend payment from a surplus of the council's water supply and/or sewerage business, a council must:

1. **calculate any dividend payment in accordance with the methodology in section 4.2**
   The methodology for the calculation of surplus and payment of dividend from a surplus of the water supply and/or sewerage business is set out in section 4.3 of these Guidelines.
2. **be able to demonstrate there is a surplus**
   The council must demonstrate there is a surplus in the council's water supply and/or sewerage business.
3. **demonstrate full cost-recovery pricing and developer charges**
   The council must demonstrate full cost-recovery pricing and cost-reflective pricing including developer charges in place for the water supply and/or sewerage business.
4. **have in place effective, evidence-based strategic planning in accordance with section 3 of this regulatory and assurance framework**
   The council must have in place effective, evidence-based strategic planning, as set out in section 3 of this regulatory and assurance framework.
5. **demonstrate financial reports are a true and accurate reflection of the business**
   The council must demonstrate with an unqualified financial audit report of the special-purpose financial statements for the water supply and/or sewerage business, that the water supply and/or sewerage special-purpose financial reports are a true and accurate reflection of the business.
6. **demonstrate that the overhead reallocation charge is a fair and reasonable cost**
   The council must demonstrate with an independent audit report of cost allocation of the water and/or sewerage business, that the overhead reallocation charge to the water supply and/or sewerage businesses is a fair and reasonable cost.

The calculation of surplus and payment of dividend from a surplus of the council's water supply and sewerage businesses is subject to the following conditions:

- The dividend must be calculated based on the income statement of the business activity in council's audited special-purpose financial reports. The department's dividend payment form gives a step-by-step process for calculating maximum dividend from surplus.
- The dividend from surplus must not exceed 50% of this surplus in any one financial year.
- The dividend from surplus must not exceed the number of water supply or sewerage assessments as of 30 June of the relevant year multiplied by $30 less the dividend for tax equivalents.
- The total dividend from surplus paid in each rolling 3-year period must not exceed the total relevant surplus in the same period.

Councils facing major capital expenditure for new or replacement water supply and/or sewerage infrastructure should defer paying a significant dividend from their surplus. Such a payment would directly increase the customers' bills. Such capital expenditure in any financial year is defined as that which exceeds 3% of the current replacement cost of the council's water supply or sewerage assets.

Snowy Valleys Council

Income Statement of water supply business activity

for the year ended 30 June 2023

$ '000	2023	2022
Access charges	1,669	1,615
User charges	3,107	3,296
Fees	1	1
Interest and investment income	218	33
Other income	4,229	38
Total income from continuing operations	**9,224**	4,983
Expenses from continuing operations		
Employee benefits and on-costs	668	921
Borrowing costs	130	173
Materials and services	1,961	1,699
Depreciation, amortisation and impairment	1,065	16,159
Net loss from the disposal of assets	93	(5)
Calculated taxation equivalents	18	18
Other expenses	345	289
Total expenses from continuing operations	**4,280**	19,254
Surplus (deficit) from continuing operations before capital amounts	**4,944**	(14,271)
Grants and contributions provided for capital purposes	59	264
Surplus (deficit) from continuing operations after capital amounts	**5,003**	(14,007)
Surplus (deficit) from all operations before tax	**5,003**	(14,007)
Less: corporate taxation equivalent (25%) [based on result before capital]	(1,236)	–
Surplus (deficit) after tax	**3,767**	(14,007)
Opening accumulated surplus	38,510	52,520
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	18	18
– Corporate taxation equivalent	1,236	–
Less:		
– Tax equivalent dividend paid	(18)	(18)
- Taxation equivalent payments	–	–
Closing accumulated surplus	**43,513**	38,513
Return on capital %	14.3%	(42.9)%
Subsidy from Council	–	15,300
Calculation of dividend payable:		
Surplus (deficit) after tax	3,767	(14,007)
Less: capital grants and contributions (excluding developer contributions)	–	(264)
Surplus for dividend calculation purposes	**3,767**	–
Dividend calculated from surplus	**1,884**	–

Snowy Valleys Council

Income Statement of sewerage business activity

for the year ended 30 June 2023

$ '000	2023	2022
Access charges	**4,572**	4,413
User charges	**649**	743
Liquid trade waste charges	**42**	43
Interest and investment income	**343**	44
Grants and contributions provided for operating purposes	**8**	11
Other income	**41**	67
Total income from continuing operations	**5,655**	5,321
Expenses from continuing operations		
Employee benefits and on-costs	**739**	1,063
Borrowing costs	**103**	119
Materials and services	**2,232**	1,600
Depreciation, amortisation and impairment	**1,124**	1,508
Net loss from the disposal of assets	**17**	18
Calculated taxation equivalents	**17**	17
Other expenses	**250**	206
Total expenses from continuing operations	**4,482**	4,531
Surplus (deficit) from continuing operations before capital amounts	**1,173**	790
Grants and contributions provided for capital purposes	**78**	238
Surplus (deficit) from continuing operations after capital amounts	**1,251**	1,028
Surplus (deficit) from all operations before tax	**1,251**	1,028
Less: corporate taxation equivalent (25%) [based on result before capital]	**(293)**	(198)
Surplus (deficit) after tax	**958**	830
Opening accumulated surplus	**69,061**	68,033
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	**17**	17
– Corporate taxation equivalent	**293**	198
Less:		
– Tax equivalent dividend paid	**(17)**	(17)
- Tax Equivalent payments	**–**	–
Closing accumulated surplus	**70,312**	69,061
Return on capital %	**1.9%**	1.5%
Subsidy from Council	**1,369**	1,339
Calculation of dividend payable:		
Surplus (deficit) after tax	**958**	830
Less: capital grants and contributions (excluding developer contributions)	**–**	(238)
Surplus for dividend calculation purposes	**958**	592
Dividend calculated from surplus	**479**	296