

10. GOVERNANCE AND FINANCIAL REPORTS

10.2 LATE REPORT - ADDENDUM & ATTACHMENT - DE-AMALGAMATION IMPLEMENTATION PLAN AND FINANCIAL SUSTAINABILITY PLANS

REPORT AUTHOR: INTERIM GENERAL MANAGER

EXECUTIVE SUMMARY:

The purpose of this report is to provide Council with the De-amalgamation Implementation Plan and Financial Sustainability Plan for consideration. The purpose of the plans is to provide a clear pathway for two new sustainable Councils. Tables 2 & 3 contained within the original report have also been updated to reflect the latest figures contained within the Financial Sustainability Plan.

RECOMMENDATION:

THAT COUNCIL:

- 1. Note the late report and consider it in conjunction with the substantive report (Item 10.2).**

BACKGROUND:

Refer to Report 10.2.

REPORT:

The impact of the SRV and uplift in other revenue sources is outlined in Table 2 for Tumut and Table 3 for Tumbarumba.

Table 2 – Revenue raising strategies for the proposed new Tumut Council.

Initiative	Scenario 3	Scenario 3.1
Special Rating Variation	Term 1 – 2% pa for 3 years Term 2 – 2% pa for 4 years Cumulative Impact over 7 years 14.87%	Term 1 - One-off SRV of 10% in Year 1 Cumulative Impact over 7 years 10%
Uplift in Utility Annual Charges (water, sewerage, Waste)	Term1 (3yrs) – 3%pa Term 2 (4yrs) – 3%pa Note above CPI	Term1 (3yrs) – 3%pa Term 2 (4yrs) – 3%pa Note above CPI
Uplift in Utility User Charges (water, sewerage, Waste)	Term1 (3yrs) – 3%pa Term 2 (4yrs) – 3%pa Note above CPI	Term1 (3yrs) – 3%pa Term 2 (4yrs) – 3%pa Note above CPI
Uplift in regulatory fees (Development, Certificates, Animal, Weeds, Food etc.	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI
Uplift in Commercial Fees (Childcare, Aged Care, Cemeteries, Aerodrome, Quarries, Caravan Parks etc.	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI
Uplift in property leases and licences	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI
Uplift in Contract and Private Works Income	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI
Introduction of Drainage Annual Charge in Urban areas	Term1 (3yrs) – 3%pa Term 2 (4yrs) – 3%pa Note above CPI	Term1 (3yrs) – 3%pa Term 2 (4yrs) – 3%pa Note above CPI

Table 3 – Revenue raising strategies for the proposed new Tumbarumba Council.

Initiative	Scenario 3	Scenario 3.1	Scenario 3.2
Special Rating Variation	Term 1 – 7.5% <u>pa</u> for 3 years Term 2 – 7.5% <u>pa</u> for 4 years Cumulative Impact over 7 years 65.9%	Term1 – One-off SRV of 50% in Year1 Cumulative Impact over 7 years 50%	Term 1 One-off SRV of 20% in Year 1 Term 2 – One-off SRV of 20% in Year 4 Cumulative Impact over 7 years 44%
Uplift in Utility Annual Charges (water, sewerage, Waste)	Term1 (3yrs) – 10%pa Term 2 (4yrs) – 10%pa Note above CPI	Term1 (3yrs) – 10%pa Term 2 (4yrs) – 10%pa Note above CPI	Term1 (3yrs) – 10%pa Term 2 (4yrs) – 10%pa Note above CPI
Uplift in Utility User Charges (water, sewerage, Waste)	Term1 (3yrs) – 3%pa Term 2 (4yrs) – 3%pa Note above CPI	Term1 (3yrs) – 10%pa Term 2 (4yrs) – 5%pa Note above CPI	Term1 (3yrs) – 10%pa Term 2 (4yrs) – 5%pa Note above CPI
Uplift in regulatory fees (Development, Certificates, Animal, Weeds, Food etc.	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI
Uplift in Commercial Fees (Childcare, Aged Care, Cemeteries, Aerodrome, Quarries, Caravan Parks etc.	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI
Uplift <u>in</u> property leases and licences	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI
Uplift in Contract and Private Works Income	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI
Introduction of Drainage Annual Charge in Urban areas	Term1 (3yrs) – 3%pa Term 2 (4yrs) – 3%pa Note above CPI	Term1 (3yrs) – 10%pa Term 2 (4yrs) – 5%pa Note above CPI	Term1 (3yrs) – 10%pa Term 2 (4yrs) – 5%pa Note above CPI

LINK TO COMMUNITY STRATEGIC PLAN AND DELIVERY AND OPERATIONAL PLAN:**FINANCIAL AND RESOURCES IMPLICATIONS:****POLICY, LEGAL AND STATUTORY IMPLICATIONS:**

Refer to Report 10.2.

RISK MANAGEMENT / COST BENEFIT ANALYSIS:

Refer to Report 10.2.

OPTIONS:

Refer to Report 10.2.

COUNCIL SEAL REQUIRED:

Refer to Report 10.2.

COMMUNITY ENGAGEMENT AND COMMUNICATION:

Refer to Report 10.2.

ATTACHMENTS

1. De-amalgamation Implementation Plan
2. Financial Sustainability Plan

Attachment 1 - 20241209 De-amalgamation Implementation Plan



DE- AMALGAMATION IMPLEMENTATION PLAN

PREPARING TO BUILD TWO NEW ORGANISATIONS

December 2024

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EXECUTIVE SUMMARY

In June 2022 Council unanimously resolved to pursue a de-amalgamation of Snowy Valleys Council into the two former Councils of Tumut and Tumbarumba.

Later, Council appointed the University of Newcastle's Institute of Regional Futures led by Professor Joseph Drew to prepare a Business Case 'Snowy Valleys Council – Evidence regarding the Advantages and Disadvantages of De-amalgamation'. This was endorsed by Council at the June 2023 meeting and forwarded to the Minister for Local Government, the Hon. Ron Hoenig MP on 15 September 2023. The Minister then referred Council's Business Case to the Local Government Boundaries Commission for examination.

This De-amalgamation Implementation Plan (DIP) provides a detailed Plan to separate Snowy Valleys Council into the former Tumut Council and Tumbarumba Council. The Financial Sustainability Plan (FSP) included in the DIP outlines the actions required of Snowy Valleys Councillors (and potentially the elected members of two new councils) to establish two new financially sustainable councils.

Section 8 of the *Local Government Act 1993*, sets out the guiding principles for councils including:

- The principles of sound financial management and
- Integrated Planning and Reporting Principles that apply to councils.

It is fair to say that even after eight years of the amalgamation of Tumut and Tumbarumba Local Government Areas (LGA's), Snowy Valleys Council has found it difficult to uphold those principles.

Council recognises that a de-amalgamation of Snowy Valleys Council will be complex to achieve and will require the development of detailed and staged De-amalgamation Implementation Plans and a comprehensive Financial Sustainability Plan (FSP).

This Plan for Stage One of the De-amalgamation Implementation Plan, and once the de-amalgamation is approved, Stage 2, will be implemented which will require temporary resources and specialist consultants to establish the financial, legal, service and asset foundations for the new councils.

It is recognised that the recent amendments to the *Local Government Act 1993* will enable the Minister to make either or both a grant or a loan to the new council to defray the costs of amalgamation.

The relevant section of the Act is reproduced below.

[7] Section 218CC(6A)

Insert after section 218CC(6)—

- (6A) For the purposes of subsection (6), the Minister may make either or both of the following—
- (a) a grant, not exceeding \$5 million, to the new council to offset the financial impacts of the de-amalgamation,
 - (b) a loan to the new council, at interest rates determined by the New South Wales Treasury Corporation, to defray de-amalgamation costs.

It is well documented that the financial position of Snowy Valleys Council is weak, and funding from the State Government is essential to affecting an orderly de-amalgamation of Council into two new councils.

Council has established a De-amalgamation Steering Committee and a number of Working Groups to ensure that a de-amalgamation is delivered efficiently and effectively over a timeframe of up to 12 months. More details on the structure of the Steering Committee and Working Groups are included on Page 17.

It should however be recognised by councillors, staff and our communities that the new councils will be quite different to the former councils, as much has changed in the Local Government sector, as well as other external factors, such as a continuation of cost shifting, limited revenue streams and skill shortages. If two new councils are established, they will be very different to their predecessors. Without interventions, the new councils will not have sufficient revenue streams to fund their operations and/or adequately staff two separate organisations.

Resource sharing and/or contractor arrangements between councils will be necessary at least in the short term until elected councils and independent General Managers can assess future needs (range of services and service levels) for their respective organisations.

The new councils will improve representation with seven councillors proposed for both Tumut and Tumbarumba Councils, with the potential for Tumbarumba Council to have as few as five councillors. Snowy Valleys Council is currently classified as a Group 11 (Large Rural) council. Following a de-amalgamation, Tumut Council is likely to remain a Group 11 council and Tumbarumba Council would be Group 9 (Rural), as are Balranald, Coolamon, Lockhart, Walcha etc.

It is proposed that Snowy Valleys Council would continue to operate and deliver services to the community until Proclamation Day, proposed to be 1 July 2026. Prior to a proclamation of two new councils, it will be necessary to recruit new General Managers to the two new councils to assist in preparing for the changeover. The proclamation will also need to appoint administrators to both new Councils to enable the NSW Electoral Commission to hold elections for the two new Councils.

As articulated in the De-amalgamation Road Map, the process will be separated into two distinct stages; Stage 1 which will prepare the De-amalgamation Implementation Plan and Stage 2 which will prepare for the proclamation of two new councils and enable the separate entities to operate effectively from the Proclamation Day.

A Financial Sustainability Plan for SVC, as well as a Financial Sustainability Review of the proposed two new Councils, Tumut and Tumbarumba, have been undertaken. This has included initially ascertaining the financial health of SVC.

A key component of the de-amalgamation process for SVC will be the conduct of a Constitutional Referendum in accordance with sections 218 CD (5-8) of the *Local Government Act 1993* which needs to occur before many of the actions below can be undertaken.

Key actions to be undertaken include:

- Nominally apportion the 2024/2025 operational revenues and expenditure to the two new Councils
- Establish the sustainability principles to guide the two new Councils.
- Identify revenue-raising options and setting for the two new Councils.
- Forecast financial and asset results to demonstrate an attainment of a 'moderate' sustainability rating by the end of the first new Council term, with a progression to a 'sound' rating by the end of the first Long Term Financial Plan.

The preparatory work by SVC undertaken before proclamation creating the two new Councils includes:

Pre-Proclamation

- Finalise the Asset Management Plans for all asset classes to reflect/confirm asset condition, useful life, valuation and renewals.
- Identify, formalise and cost current service and asset offerings to enable the new Councillors to establish service levels settings for their individual communities within the financial capacity of the Council.
- Review the pricing principles and rates of return established by SVC for non-critical discretionary service offerings.
- Review and finalise the distribution methodologies of built, staff and cash assets with values to be confirmed at a final audit of the SVC financial statements.
- Review and determine the technology systems for the two new Councils.
- Interrogate and establish relevant registers and reports to demonstrate governance and compliance.
- Engage GM Elects or Interim GM's for the new Councils, enabling time for the interim organisation structures to be formed and the process of transferring staff into the new structures.
- Establish agreements to share identified resources (including staff), services and facilities as identified in the FSP).
- Establishment of the Transfer Project Management Office that will:
 - Scope tasks required and identify resources required i.e. existing staff, temporary staff, specialist consultants or contractors
 - Confirm the costs of implementing the de-amalgamation
 - Ensure strategies are implemented to maintain or ideally increase unrestricted working capital.
 - Ensure procedures are implemented to capture costs of the de-amalgamation for invoicing to the relevant Council.
- Secure funding from the NSW State Government to fund the de-amalgamation through a combination of a grants and loans as provided by section 218CC (6A) of the *Local Government Act 1993*.

Post Proclamation

- Negotiate a 1 July 2026 transfer date.
- Transition the new Councils under leadership of the GM Elects or Interim General Managers.
- Arrange the elections for the new Councils.
- Arrange the final audit and wind-up of SVC.

BACKGROUND

On 12 May 2016, the NSW Government merged Tumbarumba Shire Council and Tumut Shire Council by proclamation to create Snowy Valleys Council. At that time, the NSW Government appointed an Administrator to oversee the implementation of the new council until elections were held in September 2017.

The Snowy Valleys Council region is located in the western foothills of the Snowy Mountains, bordered by Kosciuszko National Park in the east and the Murray River to the south. It has a modest population of around 15,000 people and covers 8,960 square kilometres (191km north/south and 102km east/west). Agriculture and softwood timber industries, including Australia's largest softwood processing mill provide the region's economic base. The vast local government area created includes the towns and villages of Adelong, Batlow, Brungle, Jingellic, Khancoban, Rosewood, Talbingo, Tumbarumba and Tumut.

Despite linkages through the softwood timber industry, the former Tumut and Tumbarumba Local Government Areas (LGA) are very disparate communities and as is well documented, residents of the former Tumbarumba LGA have been hostile to amalgamation before and after the 2016 announcement.

This amalgamation opposition led, on 4 March 2019, to the submission of a proposal by Save Tumbarumba Shire Inc. to the Minister for Local Government under section 215(1) of the *Local Government Act 1993* to *alter the boundaries of Snowy Valleys Local Government Area and create a new local government area*.

Subsequently, it was noted in the February 2021 report by the Local Government Boundaries Commission (LGBC) on the *examination of the above proposal* that there continues to be substantial opposition to the 2016 amalgamation, particularly by the residents and ratepayers of the former Tumbarumba Shire.

The LGBC's examination of the proposal to alter the boundaries of Snowy Valleys Council LGA and create a new local government area recommended that notwithstanding the challenges a "de-amalgamated" Tumbarumba Shire would face, the proposal be implemented. Despite the recommendation of the LGBC, the then Minister for Local Government the Hon. Shelley Hancock MP determined that the NSW Government would not proceed with the de-amalgamation proposal for Snowy Valleys Council.

Following amendments to the *Local Government Act 1993* to include section 218 CC (now partially repealed), local councils may, within 10 years of the constitution of the new area, submit a written business case to the Minister.

At the 18 August 2022 meeting, Snowy Valleys Council resolved the following in accordance with 218 CC of the *Local Government Act 1993*:

M229/22 RESOLVED:

THAT COUNCIL:

1. *Seeks proposals for the preparation of a business case for the demerger of Snowy Valleys Council and the reinstatement of the former councils of Tumut and Tumbarumba subject to the Minister deciding to allow the demerger of Cootamundra Gundagai Regional Council;*
2. *Notifies the NSW Government of the intention to develop a business case for demerger;*
3. *Should the demerger of Cootamundra/Gundagai Regional Council be successful, follow the process for demerger that is set out in section 218CC of the Local Government Act.*

Cr James Hayes/Cr John Larter
CARRIED UNANIMOUSLY

The University of Newcastle Institute of Regional Futures led by Prof. Joseph Drew was engaged to prepare a Business Case on Council's behalf. The completed Business Case was presented to Council at the 22 June 2023 meeting where the following was resolved:

M92/23 RESOLVED THAT:

1. Council receive the report 'Snowy Valleys Council – Evidence Regarding Advantages and Disadvantages of De-amalgamation';
2. Council commit to pursuing de-amalgamation subject to State funding;
3. Council provide the final report to the Minister and invite the Minister to meet with the full Council to discuss same;
4. The local members, Dr Joe McGirr MP and Justin Clancy MP, be asked to assist and participate with the meeting proposed in Part 3 above;
5. The matter be further considered after the meeting with the Minister.

Cr James Hayes/Cr Brent Livermore

CARRIED UNANIMOUSLY

In accordance with Resolution M92/23 the Mayor and Deputy Mayor met with the Minister for Local Government on 5 July 2023 where Snowy Valleys Council was encouraged to submit the report by the University of Newcastle as Council's Business Case. The Business Case was ultimately forwarded to the Minister for Local Government on 12 September 2023.

Council was delighted to host a meeting with the Minister for Local Government at Tumut on 28 February 2024 to further inform the Minister as to the desire of the Snowy Valleys Council communities to de-amalgamate.

The Local Government Boundaries Commission held Public Hearings on Council's Business Case at Tumbarumba on Wednesday 29 May 2024 and at Tumut on Thursday 30 May 2024. During the Public Hearings the Chair of the Commission Mr Peter Duncan advised that their decision would be reserved until such time that Council had submitted a De-amalgamation Implementation Plan and a Financial Sustainability Plan (FSP) broadly in accordance with section 218 CD (1) (a) and Schedule 10, Part 2 clause 3 of the *Local Government Act 1993*.

Previous and Current Proposal

The de-amalgamation of Snowy Valleys Council has previously been subject to an elector proposal in 2020 that was referred to and examined by the LGBC in 2020 and 2021. In 2021 the LGBC recommended the following:

Recommendation: Notwithstanding the financial challenges a "demerged" Tumbarumba Shire will face, the Commission recommends that the Proposal be implemented.

Table 1 outlines the timetable of significant actions towards de-amalgamation.

	2021	<ul style="list-style-type: none"> • LGBC recommended that de-amalgamation proposal be implemented • LG Minister did not determine in favour of de-amalgamation
Sept.	2022	<ul style="list-style-type: none"> • Resolution (M255/22) that Council request Minister for Local Government to de-amalgamate SVC • Council sought proposals for preparation of business case for de-amalgamation
Oct.	2022	<ul style="list-style-type: none"> • Mayor met with LG Minister – clarification on de-amalgamation process
Nov.	2022	<ul style="list-style-type: none"> • University of Newcastle Institute of Regional Futures led by Prof. Joseph Drew engaged to prepare business case
Jan.	2023	<ul style="list-style-type: none"> • Invitation to community groups to provide feedback towards business case
April	2023	<ul style="list-style-type: none"> • Community presentations (Tumbarumba & Tumut) of Prof. Drew business case for de-amalgamation
May	2023	<ul style="list-style-type: none"> • Prof. Drew business case for de-amalgamation complete following community presentations/feedback; available on SVC website
June	2023	<ul style="list-style-type: none"> • Business case presented to Council • Council resolved to pursue de-amalgamation subject to State funding
July	2023	<ul style="list-style-type: none"> • Mayor, Deputy Mayor & Member for Wagga Wagga met with Minister for Local Government to discuss de-amalgamation
Sept.	2023	<ul style="list-style-type: none"> • De-amalgamation Business Case submitted to Minister for Local Government • Minister for Local Government referred to NSW Local Government Boundaries Commission
Feb.	2024	<ul style="list-style-type: none"> • Follow up meeting with Minister for Local Government at Tumut
May	2024	<ul style="list-style-type: none"> • LGBC Public Hearings (29/5 Tumbarumba & 30/5 Tumut)
Oct.	2024	<ul style="list-style-type: none"> • New Council sworn in
Nov.	2024	<ul style="list-style-type: none"> • Mayor & Member for Wagga Wagga met with Minister for Local Government to discuss de-amalgamation

Table 1

Recent changes to the *Local Government Act 1993* and the introduction of section 218 CC 6 (a), provide the Minister for Local Government and the Office of Local Government with a pathway to fund de-amalgamation costs of Snowy Valleys Council. The relevant section is reproduced below.

Section 218CC(6A)

Insert after section 218CC(6)—

- (6A) For the purposes of subsection (6), the Minister may make either or both of the following—
- a grant, not exceeding \$5 million, to the new council to offset the financial impacts of the de-amalgamation,
 - a loan to the new council, at interest rates determined by the New South Wales Treasury Corporation, to defray de-amalgamation costs.

It should be noted however that whilst the Local Government Amendment (de-amalgamation) Bill has passed both houses of Parliament and was assented on 20 May 2024 it is yet to come into force. Recent discussions with the Office of Local Government has advised that Regulations and Savings and Transitional arrangements to support the amendments to the *Local Government Act 1993* should be finalised in early 2025.

OBJECTIVES

In releasing a new pathway forward for a de-amalgamation of the Cootamundra-Gundagai Regional Council, the Minister for Local Government made it clear that councils wishing to de-amalgamate will need to develop a detailed implementation plan that would create two sustainable councils.

For Snowy Valleys Council, the De-amalgamation Implementation Plan will form a crucial document for the Local Government Boundaries Commission's examination of Council's proposal submitted under section 215 of the *Local Government Act 1993*.

Recent amendments to the *Local Government Act 1993* to introduce section 218 CD, outlines the process for de-amalgamation proposals and Schedule 10 Part 2, section 3 outlines the mandatory inclusions for a business case. These requirements will form the basis of Council's DIP and FSP.

3 Written business case

A business case under section 218CD(1)(a) must include the following—

- (a) a statement that the amalgamated council—
 - (i) has consulted the community about the business case, and
 - (ii) by resolution, supports the de-amalgamation proposal,
- (b) details of the following—
 - (i) the estimated financial impacts of the de-amalgamation,
 - (ii) how the amalgamated council will finance the de-amalgamation,
 - (iii) whether the business case assumes a grant will be made by the Minister to the new council to offset the financial impacts of the de-amalgamation and, if so, the amount of the assumed grant,
 - (iv) whether the business case assumes the amalgamated council will receive a loan from the Minister to defray de-amalgamation costs and, if so, the assumed amount and terms of the loan,
- (c) an estimate of the rates and charges that the councils for the de-amalgamated areas may make and levy after de-amalgamation,
- (d) details of the future sustainability, long-term strategic plans and service delivery capacity of the proposed councils to be constituted as a result of the proposed de-amalgamation,
- (e) other matters prescribed by the regulations, if any.

As part of establishing the future sustainability of two new councils, Snowy Valleys Council has examined the potential for shared service and/or contractor/purchaser arrangements, some of which were in place prior to the amalgamation in 2016 i.e. Road Safety Officer, waste collection services in the Tumbarumba township.

In the future, it is possible that a new Tumut Shire Council may also explore opportunities with a newly constituted Gundagai Council and Tumbarumba Shire Council may explore opportunities with Greater Hume and/or Towong Shire Council in Victoria to share/contract services.

In determining the future sustainability of two new councils, consideration will need to be given to:

- The need for Special Rating Variations
- Duplication of Executive Staff

- Availability and turnover of skilled staff
- Availability of suitable and qualified consultants to affect the de-amalgamation and supplement skill gaps.

Snowy Valleys Council is continuing to review service and staffing levels and opportunities to increase revenue streams. It is expected that this will need to be a focus of both new councils if financial sustainability is to be achieved.

The FSP's developed for the two new Councils and particularly Tumbarumba will require the elected Councillors to make hard decisions in relation to Special Rate Variations (SRV)s and increases to Annual and User charges if financial sustainability is to be achieved and maintained.

Alternatively, the two new Councils may have to review their service offerings as recent decisions by SVC in this area have proved very unpopular and communities in the main are looking for efficiency gains.

SVC will remain operational through the de-amalgamation implementation period and continue for a period after proclamation to ensure the orderly windup and audit of its financial statements.

SCOPE

The De-amalgamation Implementation Plan has been developed after taking into consideration the new Pathway issued by the Minister for Local Government to Cootamundra-Gundagai Regional Council in October 2023 and recent changes to the *Local Government Act 1993* through the Local Government Amendment (de-amalgamations) Bill 2024.

Key issues addressed include:

- Where the boundaries should be
- Electoral matters such as Wards, numbers of Councillors and the method of electing the Mayor
- Division and sharing of assets and liabilities
- Allocation of staff, as well as management and organisational structures
- Rate levels and charges
- Service standards and shared service arrangements

Stage One of the De-amalgamation Implementation Plan includes financial, asset, legal and workforce information extracted from the former councils of Tumut and Tumbarumba and the existing Snowy Valleys Council.

The accompanying FSP will provide coverage of:

- Proclamation
 - ✓ New LGA Boundaries
 - ✓ Elections and number of Councillors for new entity
 - ✓ Wards or an undivided area
 - ✓ Indicative matters for inclusion in the proclamation
- Key deliverables including
 - ✓ Developing transfer methodology options
 - ✓ Financial matters, including the transfer of assets and liabilities
 - ✓ Staffing and interim organisational structures
 - ✓ Interim service delivery arrangements
 - ✓ Establishment and continuity of business systems
 - ✓ Information communications technology strategy
 - ✓ Details of contracts to be transferred to the new council and any new contracts required
 - ✓ Transfer of legal proceedings
 - ✓ Planning
 - ✓ Community engagement and communications plan

VARIABLES/RISKS

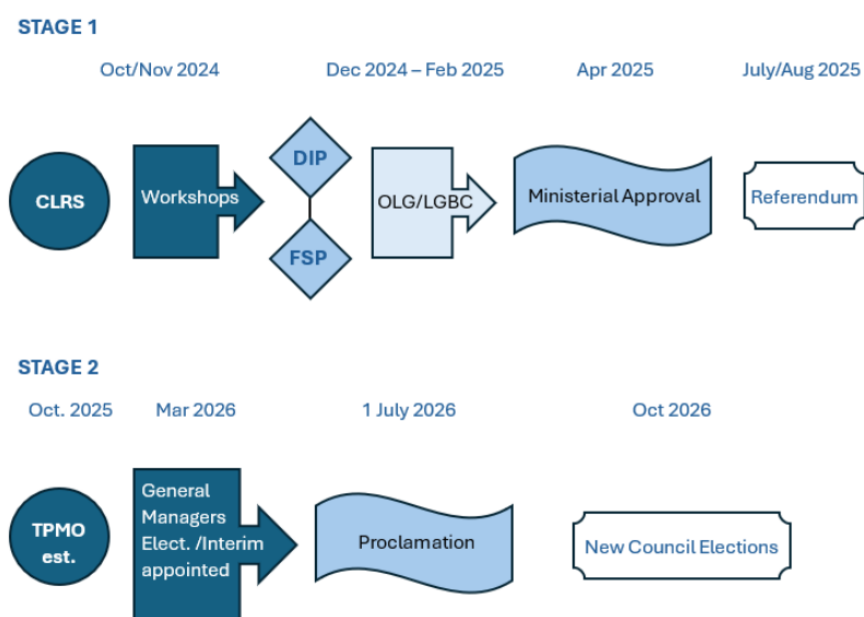
A de-amalgamation is a very complex undertaking, more so than an amalgamation because the two new Councils must be ready to operate from day one of the proclamation. This will require significant lead-in time and does not come without a number of variables and risks which are outlined in the Risks section later in the document.

Recent legislative changes to the *Local Government Act 1993* does provide the Minister for Local Government with the ability to provide a grant and/or a loan to defray the costs of a de-amalgamation. At this point it is not known whether the State Government has an appetite to fund or at least partially fund Council de-amalgamations. This is a significant risk to Council's Business Case.

Another major risk to the disentanglement of technology and the business software systems is whether both new Council's remain with TechOne or a new Tumbarumba Council moves to the Civica Authority Platform.

The figure below outlines the timeline.

Figure 1



Note: TPMO = Transition Project Management Office

Assuming that LGBC recommend that a de-amalgamation should proceed and the Minister approves the conduct of a referendum under section 218 CD (4) and Part 3 section 4 (1) it is anticipated that the referendum could be held in July/August 2025. If successful, the Transition Project Management Office (TPMO) could be established in the last quarter of 2025 in preparation for a 1 July 2026 proclamation date.

It is intended that approximately three months before Proclamation Day, General Manager Elects, or Interim General Managers would be appointed for the two new Councils to assist with the transition, review interim structures and shared service arrangements etc. to ensure business as usual. It is expected that Councillors elections will be held in accordance with

Part 4 section 8 (2) "as soon as practicable after the de-amalgamation but on longer than 12 months after the de-amalgamation".

Further, it is expected that the new Councils would rely on the SVC Community Strategic Plan and Delivery Plan to develop separate Operational Plans for the two new Councils. The newly elected Councils would then oversee the preparation of the new suite of Integrated Planning and Reporting documents required under the *Local Government Act 1993*.

SVC would continue to operate with an Interim/Acting General Manager until the new Councils commence and finalise the transition and audit of final financial statements of SVC and opening balances of the new Councils.

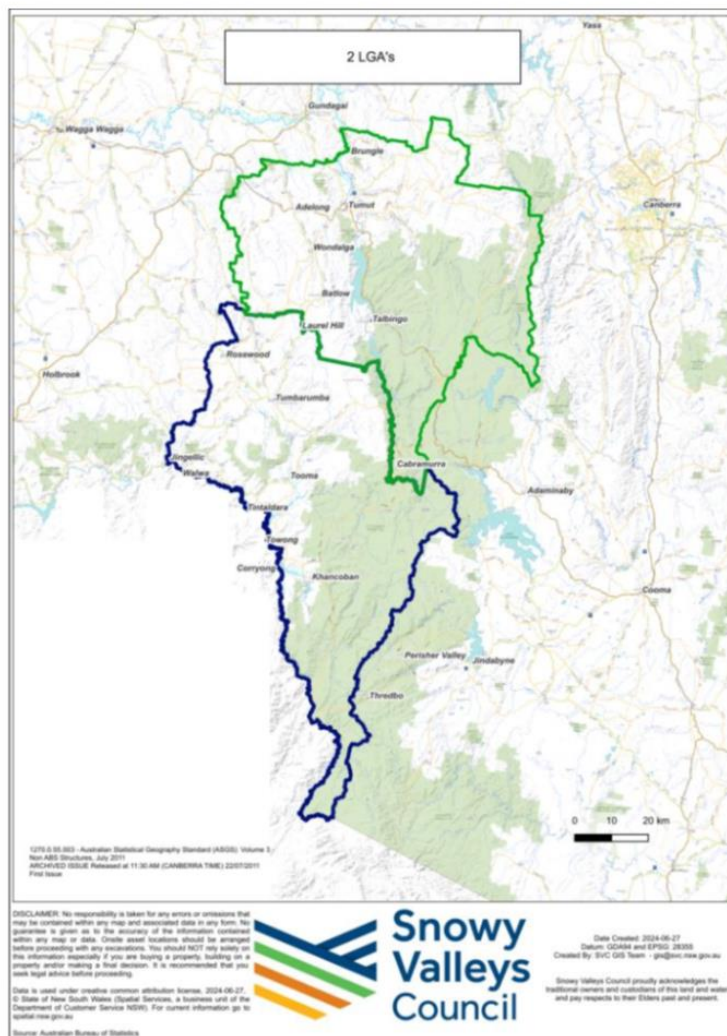
ELECTORAL AND REPRESENTATION

It is proposed that the de-amalgamation will be on the basis of re-establishing the former Tumut and Tumbarumba local government areas as outlined in Figure 2 below.

Recommendation 1

Electoral

Figure 2 – LGA Map



Representation

It is noted that under section 224 of the *Local Government Act 1993* a council must have at least five and no more than 15 Councillors (one of whom is the Mayor).

Table 2 below outlines representation for Tumut Shire based on seven representatives which is the same as pre-amalgamation Councillors numbers. The former Tumbarumba Shire Council had eight elected representatives, however if the de-amalgamation is approved, seven or even five Councillors may be more appropriate.

Table 2 – Representation

	Area	Population (ERP)	Representation
Snowy Valleys Council – 9 Councillors	8,959	14,946	1,661
Tumut – 7 Councillors	4,567	11,429	1,633
Tumbarumba – 5 Councillors	4,392	3,517	703

Recommendation 2

Undivided Area or Wards

Both Tumut and Tumbarumba Shire Councils operated on the basis of undivided areas. It is proposed that the Proclamation on representation should be based on that premise.

Recommendation 3

Method of electing the Mayor

Both Tumut and Tumbarumba Councils elected the Mayor from among their numbers (sec 227 (a)) which is also the case for Snowy Valleys Council.

It is proposed that a re-constituted Tumut and Tumbarumba Councils elect their Mayor by way of the Councillors from among their number.

Recommendation 4

Council Elections

The Mayor and Interim General Manager met with the Minister for Local Government, the Hon. Ron Hoenig MP, on 16 May 2024 requesting a deferral of the election which was denied. It is assumed that the Local Government Boundaries Commission (LGBC) would be in a position to make a recommendation to the Minister in March/April 2025 on Council's proposal. Should the LGBC again recommend that Snowy Valleys Council be de-amalgamated, and supported by the Minister for Local Government, it is possible that a Constitutional Referendum Council would be held in early/mid 2025.

Based on the above timeline, a Proclamation date of 1 July 2026 would enable sufficient time for an orderly transition to the two new councils. The newly constituted Tumut and Tumbarumba Councils could hold elections mid-term in September 2026.

It is noted that Schedule 10, Part 4, section 8 states that elections for newly constituted areas must be held as soon as practicable but not later than 12 months after the de-amalgamation.

8 Elections following de-amalgamations

- (1) An election must be called for the newly constituted areas resulting from a de-amalgamation.
- (2) The election must be held as soon as practicable after the de-amalgamation, but not later than 12 months after the de-amalgamation.
- (3) Subclause (2) has effect subject to the following—
 - (a) a Minister's postponement of election requirements under the Act, section 318B,
 - (b) the terms of the de-amalgamation proclamation.

Recommendation 5

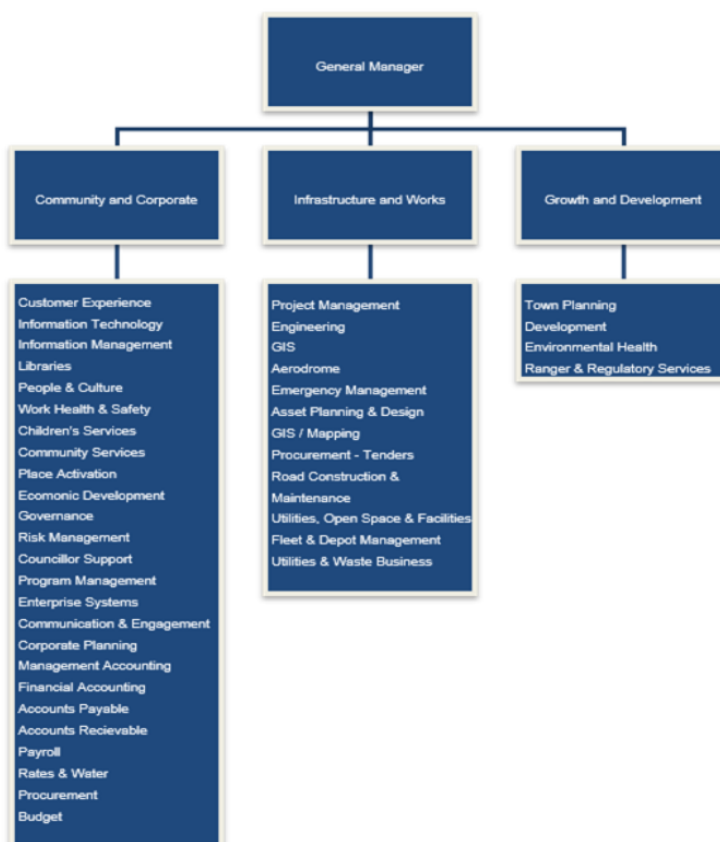
GOVERNANCE STRUCTURE

The SVC organisation structure will largely remain in place during the transition phase until the Proclamation Day. There may be some movement of staff between the Tumut and Tumbarumba Offices to prepare for the two new councils post Proclamation Day.

There is little capacity within the existing SVC staffing structure to allocate directly to the de-amalgamation task, therefore significant additional temporary and contract staff will be required to assist with the de-amalgamation implementation. These additional resources will require the support and expertise of existing SVC staff to access the information required.

The existing SVC functional chart is included as Figure 3 below.

Figure 3 – Organisational Structure



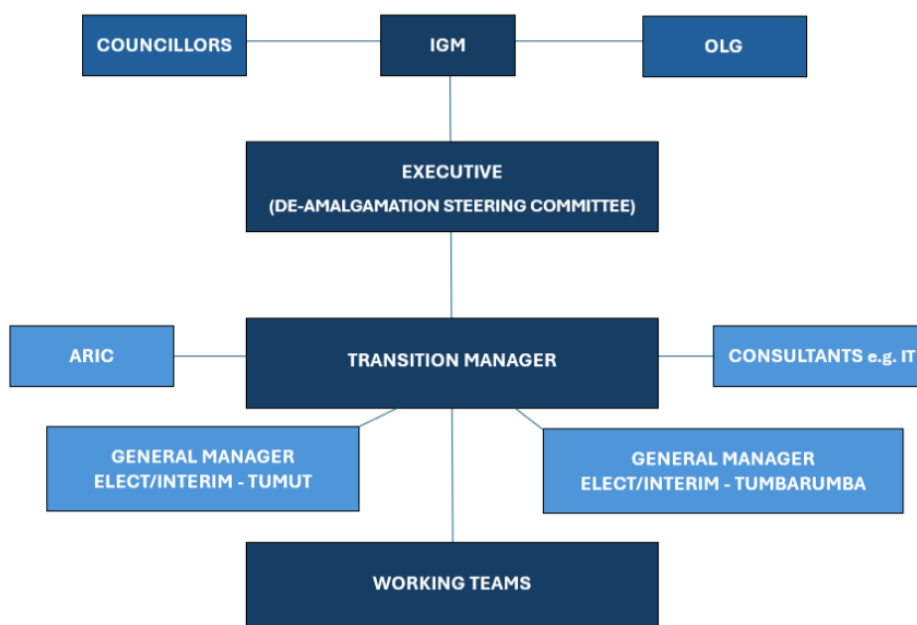
De-amalgamation Governance Structure

It is proposed that, similar to the Queensland Local Government De-amalgamation, a Transition Manager will be engaged, reporting to the Executive. The Transition Manager will need to be resourced with sufficient staff and contractors to plan for the orderly transition to two new Councils. It is anticipated that 9 -12 months lead time will be required in the lead up to Proclamation Day to ensure appropriate testing of new systems.

Further, it is proposed to have General Manager Elects or Interim General Managers in place for Tumut and Tumbarumba at least 3 months before Proclamation Day to ensure the new councils are on a sound footing from day one.

The associated costs have been included in the project estimates.

Figure 4 – De-amalgamation Implementation Structure



Ideally, Working Group members will become the subject matter experts and then remain with the new Councils, thereby retaining significant corporate knowledge.

DE-AMALGAMATION STEERING COMMITTEE

The De-amalgamation Steering Committee shall consist of the following Snowy Valleys Council staff members: Interim General Manager, Director Community and Corporate and Executive Manager Growth and Development. Additionally, as the de-amalgamation moves into stage two the Steering Committee will have two Councillor/Community members representing the proposed new Tumut and Tumbarumba Council areas.

Working Groups

The following Working Groups have been established to assist the Steering Committee in establishing the feasibility of the creation of two new councils:

Theme	Led by
Assets	Glen McGrath, Manager Technical Services
Communications	Donna Wilson, Co-ordinator Communications, Activation and Strategy
Finance	Jess Quilty, Director Community and Corporate
Governance	Michelle Marsh, Coordinator Governance
Information Technology	Rahul Patil, Manager Information Technology
People and Culture	Coordinator People and Culture
Planning	Nick Wilton, Executive Manager Growth and Development
Risk	James Butt, Coordinator Risk and Safety
Service Delivery	Brad Beed, Manager Utilities, Open Space and Facilities

A template was developed for each of the Working Group themes to facilitate the provision of the following information:

- Key issues to be considered/addressed
- Timeframe to address the issues identified
- Additional cost of creating two new councils – short term and long term
- What additional resources would be required to address the short and long term issues identified
- Any other matters requiring consideration by the De-Amalgamation Steering Committee

Working Group Leads will determine the appropriate staff to form part of each group to ensure timely and relevant information can be provided to the Steering Committee. It is anticipated that the Steering Committee and Working Groups will meet monthly.

DE-AMALGAMATION PROJECT ESTIMATES

The Stage 1 high level estimate (including a contingency of 20%) for the de-amalgamation of Snowy Valleys Council is in the range of \$4.02M to \$4.824M.

The estimates have been prepared on the following basis:

- Employment of Transition Manager and support staff to implement the DIP **Recommendation 6**
- Recruitment of General Managers Elect/Interim for new the Tumut and Tumbarumba Councils, 3 months before Proclamation Day **Recommendation 7**
- Recruitment of temporary staff to assist Snowy Valleys Council staff to support the implementation of the DIP **Recommendation 8**
- It is assumed that Tumbarumba Council will utilise the TechOne Integrated Business Software Solution at this point **Refer Information Services**
- The costs of the Referendum and elections for the two new councils will be considered a de-amalgamation cost **Recommendation 9**

Table 3 – Project estimates

ITEM	FTE	STAFF - TEMP	TPMO	CONSULT	OTHER	TOTAL
						\$,000
Assets				\$ 230		\$ 230
Communications				Included in People and Culture costs below		\$ -
- Referendum - case development and promotion				\$ 40		\$ 40
- Branding including signage redesign				\$ 400		\$ 400
Finance	2	\$ 170		\$ 100		\$ 270
Governance	1	\$ 85		\$ 50		\$ 135
Information Technology						\$ -
- IT Technical Services	1	\$ 43		\$ 30		\$ 73
- IBSS				\$ 850		\$ 850
People and Culture						
- Additional EAP support				\$ 10		\$ 10
- General Manager recruitments (2)				\$ 50		\$ 50
- Recruitment & redundancies				\$ 200		\$ 200
- Engagement of Change Management Consultants				\$ 200		\$ 200
- Organisation Structure Development				\$ 40		\$ 40
- Salary structures and evaluation				\$ 15		\$ 15
Planning						
- system separation/development				\$ 160		\$ 160
Amendment of existing Plans (excl. LEP and DCP)				\$ 60		\$ 60
Risk, Legal etc.	2	\$ 170		\$ 50		\$ 220
Service Delivery						\$ -
Transition Project Officer	3	\$ 255	\$ 250			\$ 505
General Manager's Elect					\$ 163	\$ 163
NSW EC - Constitutional Referendum					\$ 150	\$ 150
Elections					\$ 250	\$ 250
Total	9	\$ 723	\$ 250	\$ 2,485	\$ 563	\$ 4,020
Contingency (20%)						\$ 804
Total estimated cost						\$ 4,824

Given the financial position of Snowy Valleys Council, the de-amalgamation will need to be funded by a grant, a loan, or a combination of both, as provided for by section 218 CC 6A of the *Local Government Act 1993*.

The Financial Sustainability Plans for the new councils have been prepared based on each council securing a loan from NSW Treasury of \$1M and securing a grant for the balance of the de-amalgamation costs. **Recommendation 10 & 11**

SVC will continue to incur operational costs and de-amalgamation costs up to and post Proclamation Day and these costs will be apportioned to the new councils in accordance with the distribution methodology.

It will be important for SVC to review whether there is further operational and capital expenditure in the 2025/2026 and 2026/2027 financial years to build unrestricted working capital. **Recommendation 12**

Once the estimated de-amalgamation costs have been refined, it will be important that the scope and costs are included in the 2025/2026 and 2026/2027 Operational Plans.

Recommendation 13

It is proposed to utilise TechOne's Project Management Module to manage and monitor the progress of de-amalgamation Implementation. **Recommendation 14**

CAPACITY

As stated under *De-amalgamation Project Estimates*, Snowy Valleys Council does not have the financial capacity to undertake the de-amalgamation and will be reliant on a grant, loan or a combination of both to implement.

Council's lack of financial capacity and the need for government assistance is demonstrated by:

- A low level of unrestricted working capital (< \$2M) when the prepayment of Financial Assistant Grants (FAG)s is taken into account.
- An inability to restrict the prepayment of the Financial Assistance Grant
- A low level of capital works funded by own source revenue
- A lack of Internal Reserves that are actually discretionary

It has been well documented that despite it being over 8 years since the amalgamation, the organisation is still operating in a crisis mode. In addition to the amalgamation, the 2019/2020 Black Summer Bushfires, COVID-19 and 10 natural disaster events have also significantly impacted on the capacity and maturity of the organisation. This will require additional temporary staff resources to be engaged to assist with implementing the de-amalgamation.

Despite the amalgamation, the Long-Term Financial Plan and the Financial Sustainability Plan indicates that Snowy Valleys Council in its current form is not sustainable, with a heavy reliance on external grants for asset replacement and renewal. External funding provided as a result of the amalgamation, bushfire recovery, COVID-19 recovery and natural disaster events has masked the true extent of Council's financial challenges.

In the 2024/2025 Financial Year (excluding two major external capital works projects) the General Fund capital works budget is \$13.2M and just \$3.2M or 24% is funded from own source revenue.

Options canvasses as part of the development of the Financial Sustainability Plan have resulted in 4 scenarios being developed with Scenario 1 the base (or the do nothing option).

The scenarios explore a number of rates & fees and charges settings to achieve financial sustainability for Snowy Valleys Council over the next two Council terms and are outlined in Table 4 below.

Table 4 – SVC Scenario options

Initiative	Scenario 2	Scenario 3	Scenario 4
Special Rating Variation	One-off SRV of 19% in Year 1 and One -off increase of 35% in Year 4. Cumulative Impact over 7 years 47.6%	Term 1 – 10%pa for 3 yrs Term 2 – 7%pa for 4 yrs Cumulative Impact over 7 years 52.9%	Term 1 – 3.6%oa for 3 yrs Term 2 – 4.3% for 4 yrs Cumulative Impact over 7 years 32.4%
Uplift in Utility Annual Charges (water, sewerage, Waste)	Term1 (3yrs) – 0%pa Term 2 (4yrs) – 3%pa Note above CPI	Term1 (3yrs) – 2%pa Term 2 (4yrs) – 3%pa Note above CPI	Term1 (3yrs) – 3.5%pa Term 2 (4yrs) – 4.5%pa Note above CPI
Uplift in Utility User Charges (water, sewerage, Waste)	Term1 (3yrs) – 0%pa Term 2 (4yrs) – 3%pa Note above CPI	Term1 (3yrs) – 0%pa Term 2 (4yrs) – 3%pa Note above CPI	Term1 (3yrs) – 0%pa Term 2 (4yrs) – 3%pa Note above CPI
Uplift in regulatory fees (Development, Certificates, Animal, Weeds, Food etc.	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI
Uplift in Commercial Fees (Childcare, Aged Care, Cemeteries, Aerodrome, Quarries, Caravan Parks etc.	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI
Uplift in property leases and licences	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI
Uplift in Contract and Private Works Income	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI
Introduction of Special Annual Charges for Tourism and Emergency Services (Note 1)	Term 1 – 25% of costs Term 2 – 50% of costs	Term 1 – 50% of costs Term 2 – 75% of costs	Term 1 – 50% of costs Term 2 – 75% of costs
Introduction of Drainage Annual Charge in Urban areas	Term1 (3yrs) – 0%pa Term 2 (4yrs) – 3%pa Note above CPI	Term1 (3yrs) – 2%pa Term 2 (4yrs) – 3%pa Note above CPI	Term1 (3yrs) – 3.5%pa Term 2 (4yrs) – 4.5%pa Note above CPI

Scenario 4 is predicated on the Water and Sewerage Funds being able to pay a dividend to General Fund of between \$1M and \$1.6M. The ability for Council's Utilities to pay a dividend will not be known until the Integrated Water Cycle Management Planning is completed, scheduled for 31 December 2025. In the event that the Utilities are unable to pay a dividend to General Fund then additional revenue sources or efficiency savings will need to be generated.

Scenario 4 indicates that over time the settings will generate cash surpluses sufficient for SVC to maintain and renew their asset base and provide the range and level of services required by the community.

Full details of the settings for Scenario 4 can be found on pages 89-92 of the FSP.

FSP's have also been developed for the proposed two new Councils, however the payment of a dividend under a de-amalgamation model will not be achievable due to a lack of scale of the Utilities.

Accordingly, Scenario 3.1 has been adopted by Council as the Scenario most suitable to enable the new Councils to maintain and renew their asset base and provide the range and level of services required by the communities.

A snapshot of the impact of Scenario 3 based on a one-off uplift in rates and a phased increase in rates for the proposed Tumut Council is included in Table 5 below:

Table 5 – Tumut Council

Initiative	Scenario 3	Scenario 3.1
Special Rating Variation	Term 1 – 2%pa for 3 years Term 2 – 2%pa for 4 years Cumulative Impact over 7 years 14.87%	Term 1 - One-off SRV of 10% in Year 1 Cumulative Impact over 7 years 10%
Uplift in Utility Annual Charges (water, sewerage, Waste)	Term 1 (3yrs) – 3%pa Term 2 (4yrs) – 3%pa Note above CPI	Term 1 (3yrs) – 3%pa Term 2 (4yrs) – 3%pa Note above CPI
Uplift in Utility User Charges (water, sewerage, Waste)	Term 1 (3yrs) – 3%pa Term 2 (4yrs) – 3%pa Note above CPI	Term 1 (3yrs) – 3%pa Term 2 (4yrs) – 3%pa Note above CPI
Uplift in regulatory fees (Development, Certificates, Animal, Weeds, Food etc.	Term 1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term 1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI
Uplift in Commercial Fees (Childcare, Aged Care, Cemeteries, Aerodrome, Quarries, Caravan Parks etc.	Term 1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term 1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI
Uplift in property leases and licences	Term 1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term 1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI
Uplift in Contract and Private Works Income	Term 1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term 1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI
Introduction of Drainage Annual Charge in Urban areas	Term 1 (3yrs) – 3%pa Term 2 (4yrs) – 3%pa Note above CPI	Term 1 (3yrs) – 3%pa Term 2 (4yrs) – 3%pa Note above CPI

Council has adopted Scenario 3 (2% increase per annum over 7 years) as the preferred Scenario.

The same body of work has been completed for a proposed new Tumbarumba Council with three different interventions, two different one-off uplifts in rates, and a phased increase in rates over 7 years as included in Table 6 below:

Table 6 – Tumbarumba Council

Initiative	Scenario 3	Scenario 3.1	Scenario 3.2
Special Rating Variation	Term 1 – 7.5% pa for 3 years Term 2 – 7.5% pa for 4 years Cumulative Impact over 7 years 65.9%	Term1 – One-off SRV of 50% in Year1 Cumulative Impact over 7 years 50%	Term 1 One-off SRV of 20% in Year 1 Term 2 – One-off SRV of 20% in Year 4 Cumulative Impact over 7 years 44%
Uplift in Utility Annual Charges (water, sewerage, Waste)	Term1 (3yrs) – 10%pa Term 2 (4yrs) – 10%pa Note above CPI	Term1 (3yrs) – 10%pa Term 2 (4yrs) – 10%pa Note above CPI	Term1 (3yrs) – 10%pa Term 2 (4yrs) – 10%pa Note above CPI
Uplift in Utility User Charges (water, sewerage, Waste)	Term1 (3yrs) – 3%pa Term 2 (4yrs) – 3%pa Note above CPI	Term1 (3yrs) – 10%pa Term 2 (4yrs) – 5%pa Note above CPI	Term1 (3yrs) – 10%pa Term 2 (4yrs) – 5%pa Note above CPI
Uplift in regulatory fees (Development, Certificates, Animal, Weeds, Food etc.	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI
Uplift in Commercial Fees (Childcare, Aged Care, Cemeteries, Aerodrome, Quarries, Caravan Parks etc.	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI
Uplift in property leases and licences	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI
Uplift in Contract and Private Works Income	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI	Term1 (3yrs) – 2.5%pa Term 2 (4yrs) – 2.5%pa Note above CPI
Introduction of Drainage Annual Charge in Urban areas	Term1 (3yrs) – 3%pa Term 2 (4yrs) – 3%pa Note above CPI	Term1 (3yrs) – 10%pa Term 2 (4yrs) – 5%pa Note above CPI	Term1 (3yrs) – 10%pa Term 2 (4yrs) – 5%pa Note above CPI

In relation to the proposed Tumbarumba Council, SVC has adopted Scenario 3 as the phased in Option will enable a future Tumbarumba Council to monitor financial performance against the FSP and make adjustments where necessary.

The Tumbarumba Council model (Scenario 3) does require a significant uplift in rates, annual charges and user charges to attain financial sustainability. This will require a high level of commitment from the newly elected council to review initial budgets, Asset Management Plans and services levels to ascertain if the full uplift in rates, annual charges and user charges is required.

DISTRIBUTIONS

It is proposed to use a number of distribution metrics in this initial phase to split the assets and liabilities and the 2024/2025 Snowy Valleys Council adopted budget into the two new councils.

Detailed below are the distribution metrics used in Stage 1, noting that these metrics will be subject to further review should a de-amalgamation be approved.

Distribution metrics

It is considered that the distribution metrics for Assets and Liabilities will be relatively straightforward and have the following key principles:

1. Community assets such as public halls, sportsgrounds, parks and reserves, public toilets etc. will be allocated to the new council where they lay.
Operational assets such as water and wastewater undertakings, waste facilities, swimming pools etc. will also be allocated on the basis of where they lay, however other operational assets e.g. FOGO will be subject to separate consideration.
2. All other assets and liabilities will be allocated on the contribution that the former Tumut and Tumbarumba councils made to Snowy Valleys Council on 12 May 2016 being:
 - Tumbarumba Shire Council – 39.7%
 - Tumut Shire Council - 60.3%
3. In constructing the initial budget for the new councils, it is likely that income and expenditure will need to be considered on a Cost Centre/Project basis e.g. roads budgets could be split on road length/sq.m. of pavement, whereas Governance costs could be determined on the 60.3/39.7 split or another methodology as detailed below:

Method A: Based on LGA location

Method B: Asset/liabilities split - 60.3%/39.7%

Method C: Road length – sealed local, unsealed local, sealed regional, unsealed regional, Road Maintenance Council Contract (RMCC) – State Highways

Table 7 – Road classes and lengths

Road class	Tumut	%	Tumbarumba	%
Local Roads - Urban	93.40	69.41	41.16	30.59
Local Roads - Sealed	289.09	60.57	188.22	39.43
Local Roads - Unsealed	211.01	48.94	220.12	51.06
Total Local Roads	593.50		449.50	
Regional Roads	49.23	30.20	113.76	69.80
RMCC	69.98	33.72	137.57	66.28

Method D: Population, No. rateable assessments

	Population	No. of rate assess.
Tumut	11,429 – 76.5%	6,884 – 72.3% = 74.4%
Tumbarumba	3,517 – 23.5%	2,636 – 27.7% = 25.6%

Method E: Staff split on the same percentages as the number of staff at Proclamation Day as detailed below.

	No. of staff	%
Tumut	122.66	59.26
Tumbarumba	84.32	40.74
Total	206.98	

It is anticipated that existing staffing levels of Snowy Valleys Council will be higher than the two new councils, therefore transition arrangements will need to be implemented to fund some Snowy Valleys Council staff through the employment protection period. This may be achieved through shared services and/or natural attrition.

4. Financial Assistance Grant (FAG) Payment

Due to the significance of the FAG payment as a recurrent grant, it requires closer investigation and a review of FAG payments to the Tumut and Tumbarumba Councils over the three financial years prior to amalgamation reveal that the split of revenue is as outlined in Table 8 below.

Table 8 – Financial Assistance Grants

Council	2013/2014	2014/2015	2015/2016	Total	%
Tumut	\$1.624M	\$3.302M	\$3.289M	\$8.215M	63.1%
Tumbarumba	\$0.946M	\$1.934M	\$1.926M	\$1.926M	36.9%
				\$13.021M	100%

DISTRIBUTION OF ASSETS AND LIABILITIES

Table 9 provides a worked example of Balance Sheet items.

Table 9 – Distribution methodologies

Sharing of Assets and Liabilities	Transfer basis	Distribution Metric	Comment/s
Current assets			
Cash, investments, receivables etc.	Split on methodology	A	
Non-current assets			
Inventories	Split on methodology	B	
Community assets, swimming pools, sportsground etc.	Allocated to the council where they lay – any loans accompany the asset	A	
Operational Assets			
Administrative buildings, libraries, Information Centres etc.	Allocated to the council where they lay – any loans accompany the asset	A	

Sharing of Assets and Liabilities	Transfer basis	Distribution Metric	Comment/s
Water Supply Assets	Allocated to the council where they lay	A	
Sewerage Supply Assets	Allocated to the council where they lay	A	
<u>Waste Management</u>			
Waste Management Facilities	Allocated to the council where they lay	A	
FOGO site and equipment	Split on formula basis	B	Site and project development after amalgamation
Realisable assets (land held for resale)	Split on formula basis	B	Snowview Estate, Gilmore Industrial Land – other to be identified.
Plant and Equipment	Split on formula basis	B	
Other IPPE e.g. roads	Split on formula basis	A	
Intangible Assets	Split on formula basis	B	
Staff	Split on formula basis	E	
Current and non-current liabilities			
Payables		A & B	
Borrowings	Loans taken out prior to amalgamation go back to original council. Loans taken out after amalgamation should be attached to the asset acquired.	A	
Provisions – Annual, LSL and TOIL	Attached to employee	E	
Provisions – Asset remediation – landfills and quarries	Attached to site	A	

Recommendation 15

ASSETS AND ASSET MANAGEMENT

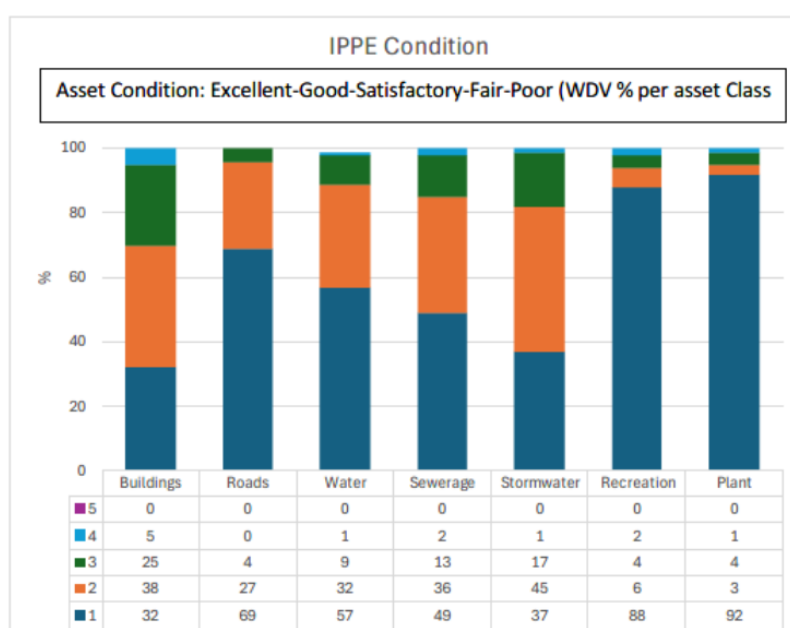
As a direct result of the number of challenges facing Snowy Valleys Council since amalgamation in 2016, Asset Management is quite immature. Council has however undertaken revaluations and condition assessments of its Assets portfolio in accordance with the Office of Local Government schedule. This has included revaluation and condition assessment of water and sewerage assets in 2020/2021, building assets in 2022/2023 and the revaluation of land in 2023/2024. In addition, the largest asset class by number of assets and value; Transport, will be completed by the end of the 2024 calendar year.

It is a priority for Council's Assets Team to complete Asset Management Plans (AMPs) for significant asset classes (i.e. Buildings, Transport and Water and Sewerage Assets) by 31 January 2025.

Despite the lack of guidance from robust Asset Management Plans, Asset staff have advised that the condition assessment disclosed in the Special Schedules attached to Council's Financial Statement is a reasonable assessment of the condition of Council's asset portfolio.

This assumption is based on current condition assessments and the significant external funds sourced by Council as a result of the amalgamation in 2016, 2019/2020 Black Summer Bushfires, COVID-19 recovery, and at least 10 natural disaster events. Over the last four years, asset replacement and renewal has consistently and significantly outstripped depreciation charges due to external operational and capital funding received. This is not sustainable in the longer term as grant funding opportunities diminish.

Figure 5



Council needs to be cognisant that this level of asset replacement and renewal will not be able to be sustained from its own source revenue. This issue will need to be addressed by Snowy Valleys Council and/or the two new Councils.

As noted above, Transport Assets are due for revaluation in 2024/2025, which will alter values and could increase annual depreciation expense, depending on the review of useful lives in the asset class. This will necessitate a refresh of the Financial Sustainability Plan to ensure it remains current.

As Asset Management Plans are being developed and as asset classes are revalued, Snowy Valleys Council (or two new Councils) will more accurately be able to determine its capability to maintain its asset base from existing revenue sources. This will assist in informing future special rating variation applications.

It is anticipated that, subject to de-amalgamation funding being secured, Asset Management Plans for the two new councils could be completed within two years of proclamation date.

It is estimated that the following funds would be required to establish Asset Management Plans for the new councils and develop a Strategic Asset Management Platform.

Task	Estimated cost
Establishing Asset Management Plans for the two new Councils	\$100,000
Strategic Asset Management Platform	\$100,000
Asset data entry for both Councils	\$30,000
Total	\$230,000

Whilst a preliminary division of assets has been undertaken, a more detailed assessment will be undertaken during Stage 2. **Recommendation 16**

Other actions that will be required are:

- Develop a framework and commence preparation of separate Asset Management Plans for the two new Councils. **Recommendation 17**
- Confirm asset condition, useful lives, performance and maximum acceptable outages. **Recommendation 18**
- Review and revise (if necessary) Business Continuity/Disaster Recovery Plans regarding the establishment and operation of two new Councils. **Recommendation 19**
- Both councils to adopt a position to renew, replace and/or upgrade existing infrastructure in preference to expanding the asset base. **Recommendation 20**

COMMUNICATIONS AND ENGAGEMENT

It has been well documented that Snowy Valleys Council has been operating in a state of significant crisis since the amalgamation in 2016, and a de-amalgamation of Snowy Valleys Council into two new councils will only perpetuate the upheaval and uncertainty for staff and the community.

Not only will Councillors and staff be preparing Snowy Valleys Council to de-amalgamate, ratepayers, residents and other consumers of Council's services will be expecting a 'Business as Usual' approach up to and post the proclamation date.

Communication, both internally and externally, will be crucial prior to a referendum being undertaken on the matter and if approved in the lead up to a de-amalgamation.

It is anticipated that the following key tasks would be required:

- Continue regular communications to all staff using multiple channels of communication (written, verbal, face to face) about what's happening and next steps. **Recommendation 21**
IGM > ELT > GLT > Communications Team
- Assuming a positive outcome from the Local Government Boundaries Commission and Minister for Local Government, develop for and against cases for the Constitutional Referendum. **Recommendation 22**
- Development of Change Management Communications across the organisation that focuses on:
 - ✓ Impact on employees
 - ✓ Outlining consistent strategies and plans to help the organisation achieve its goal i.e. de-amalgamation
 - ✓ Clearly defining the change and vision for the future
 - ✓ Where changes will take place and why?
 - ✓ What we want the future to look like
 - ✓ Helping staff understand the change, how they will need to adapt their day-to-day responsibilities and what is expected of them
 - ✓ Creating a change management team, including staff that have some influence that can be conduits for two-way information.**Recommendation 23**
- Develop a communications strategy to ensure the community is kept informed of the progress of the de-amalgamation implementation. **Recommendation 24**

These units will need to be in place prior to Proclamation so that they can already be working behind the scenes. It will be essential that the Executive Leadership Team and the Change Management Team are mindful of business as usual and ensure that communities are brought along on the change journey, particularly when the public's confidence in council as an organisation is low.

To maintain momentum prior to and post de-amalgamation, it is expected that Snowy Valleys Council would engage a Change Management Consultant who will be immersed in the two new councils to work alongside leaders, the project team and operational staff to facilitate the change required.

Several additional recurrent operating costs have been identified including:

- Development and maintenance of websites for the new councils
- New social media accounts

- Integrated Planning and Reporting (IP&R) for the two new councils (new councils to work with Snowy Valleys Council's adopted IP&R documents) until the new councils develop their own.

The estimated costs have been included in the IT Working Group's recommendations and have been reflected in the FSP.

Branding of the two new councils will also need to be considered and quantified, but will depend on several factors including:

- whether one of the two new councils retains the Snowy Valleys name
- how the existing signage can be modified to lower cost etc.

GOVERNANCE

Good governance is critical to prevent corruption and maladministration. It will be essential that a good governance framework is maintained to ensure that Snowy Valleys Council and the two new councils remain open, accountable and transparent in interactions with the community,

Costs of the de-amalgamation will need to be accurately captured with the financial accounts of Snowy Valleys Council to ensure equitable distribution between the two new councils.

Recommendation 25

Monthly reports will be presented to Council on the implementation progress and costs incurred.

Recommendation 26

The critical areas of Snowy Valleys Council's Governance that needs to be maintained are:

- Business paper management
- Internal Audit including the Audit, Risk and Improvement Committee (ARIC)
- Development and maintenance of policy registers
- Complaints management
- Government Information (Public Access) Act (GIPA) processing – formal and informal
- Privacy and personal information management
- PID management
- Delegation management
- Formal document management
- Code of Conduct complaints
- Electoral matters
- Committee management
- Fraud and corruption and
- Compliance training for Governance areas

Based on proclamations for previously amalgamated councils (including Snowy Valleys Council) it is assumed that any strategic plans, policies, procedures and forms etc. will apply to the two new councils as they did to Snowy Valleys Council. This would remain in place until the new councils have the capacity to tailor existing documents to their individual council. It will however be important to ascertain whether existing documents (Plans, forms etc.) are fit for purpose for the two new councils. **Recommendation 27**

It will be important that delegations registers can be established for the two new councils to take affect from Proclamation Day. Currently, the delegations register is managed through a third-party provider, and it is expected that an additional licence would be required. These costs have been identified by the Information Services Team and included in the FSP. **Recommendation 28**

Engagement of external expertise to review distribution methodologies and compliance with adopted methodologies will satisfy the new Councils that the distributions have been made on a logical and fair basis.

Recommendation 29

The number of GIPA and Privacy and Personal Information Protection Act (PPIPA) requests have increased since amalgamation and it is difficult to predict the number of the requests moving forward. Assuming a similar level of requests and staff (shared services arrangement) it is not expected this will require additional resourcing at this time other than additional software licences i.e. Pulse.

Resourcing (temporary staff and/or consultants) to undertake a comprehensive review of registers and plans should include (but not be limited to) the following:

Registers

- Assets
- Contracts
- Disclosure
- Delegations
- Grants
- Donations
- Licences
- Investments and loans
- Insurance
- Property
- Local approvals
- Agreements
- Plant
- Policy
- Restricted Funds and
- Risk

Plans

- Financial
- Asset
- Workforce
- Training
- Property
- Information Services
- Revenue Policy
- Fees and charges
- Change Management
- Community Engagement
- Integrated Planning and Reporting

Recommendation 30 and 31

It is proposed that quarterly reports be included as standard item on ARIC Committee Agenda to provide another level of scrutiny over progress and cost compliance.

Recommendation 32

Whilst it is likely that a Proclamation Day of 1 July 2026 is most probable, a significant amount of the preparatory work and cost will be incurred in the 2025/2026 Financial Year, therefore these actions and costs will need to be included in the 2025/2026 Operational Plan.

Recommendation 33

INFORMATION SERVICES

In the event of a de-amalgamation, the largest 'one off' cost will be the duplication of an Integrated Business Software System (IBSS) for Tumbarumba. There will also be the annual cost of a managed service provider, however this is a significant shared service opportunity between the new councils. It is expected that, at least initially, the provision of Information Services will be a shared service.

Snowy Valleys Council is using a cloud-based server solution.

There are three main areas that have been reviewed:

1. Business Software Systems and Applications
2. Service Providers
3. Software licencing requirements

The Information Services Team has identified a number of critical software and application sharing requirements that are critical to continuity of service between the two councils and include (but are not limited to):

- TechOne (IBSS) noting that Civica could be an option for Tumbarumba
- Teams and Sharepoint data
- Pulse for Governance (Delegations, Policies etc.)
- Intramaps for GIS System
- SCADA System for Water and Wastewater
- Gallagher security system

There are a number of service providers that will need to be consulted in relation to the establishment of two new councils with the view of extending existing contracts to ensure a continuation of the service. They are:

- RMT as the Managed Service Provider
- Safe Group for SCADA System
- Chartis for GIS system
- Telstra for voice and data services
- TPG for internet services
- Starlink for Back Up Internet Services

Software licencing is also an area that requires close scrutiny should a de-amalgamation be approved with many licences requiring duplication.

A comprehensive review of service providers and software applications has been undertaken and revealed that currently this costs Snowy Valleys Council \$1.728M per annum. Assuming that individual councils would require a similar level of service, the cost for the two new councils combined will rise to \$2.346M (Tumut \$1.414M and Tumbarumba \$932K). Whilst the new councils will have the opportunity to review the increased costs, the existing licences will be used in the FSP.

Further, TechOne have indicated that the implementation of a new licence at Tumbarumba will cost \$800K-\$850K. This has been included the Project Estimates Table.

An initial estimate has been provided by Civica which indicates a higher implementation cost but a lower annual charge. A more detailed assessment of both options will be required in Stage 2.

Recommendation 34

It is anticipated that the design, development, testing and rollout of IT technical services would take two to three months and could be project-managed in house. An amount of \$30,000 has been included in the De-amalgamation Project Estimates for consultancy services for this component of Information Services.

Other matters that require consideration and resolution are:

- Maintenance of the radio network that supports the SCADA network
- A thorough Asset Audit of IT hardware (Computers, network devices, printers, desk phones etc.
- Separate landline blocks for Teams calling.
- Finalise and reach agreement with third party software providers e.g. Pulse.

Recommendation 35

Further, at least initially, a shared service model for the delivery of Information Systems will be required, particularly to support a new Tumbarumba Council. **Recommendation 36**

PEOPLE AND CULTURE

1. Proposed Interim Structures

The two new structures proposed within this business case have been developed based on establishing financially sustainable councils, not based on current staffing structure, numbers nor the prior council numbers or structure. **Recommendation 37**

This process involved initially reviewing the prior council structures and then considering changes in legislation, priorities, services levels, services since the merger date and developing a proposed structure for each that could support the functions of the councils whilst still being financially sustainable.

The costings of the structures have been based on current salary levels and grades for the same or comparable positions within Snowy Valleys Council. It is noted that prior to the merger, Tumbarumba Shire Council had a lower overall salary structure and employee costs than the adopted SVC structure and Tumut had an overall higher salary structure and employee costs.

The proposed structures will form the basis for the new council at transition to assist with the placement of staff. Employment protections clauses within the Award will result initially in higher numbers of staff being accommodated in each of the new councils than what may be required longer term.

It is presumed that the three-year employment protections within the *Local Government Act 1993* will apply to the de-amalgamation and therefore for that three-year period each council will need to bear a share of the additional cost.

(a) Analysis of Staffing Gaps/Risks

It is expected that staff in the outdoor workforce and children's services will easily transition across to each new council based on location. This will also apply to staff working in customer service and community services up to Coordinator level. The supervisory level will need to be reviewed as many corporate and community service areas have been centralised under one supervisor.

Service areas where all staff work in one location:

- Communications and Engagement
- People & Culture
- Risk and Safety
- Executive
- Rates
- Revenue
- Governance
- Place Activation
- Survey & Design/Engineering
- Technology Services
- Waste/Resource Recovery
- Open Space and Facilities Service Delivery – Management & Supervision
- Works Management – Management & Supervision

Despite the fact that the figures below show that the Full Time Equivalent (FTE) allocation of staff currently working in Tumbarumba are not far off the proposed required FTE for the new council,

the list below indicates that these numbers are not necessarily working in the positions required given the number of services with all members working in one location or the other.

Table 10 – Costings of proposed staffing structures

	Proposal Structure - Tumut	Proposal Structure - Tumba	SVC Structure
Total FTE	116	77.2	
Total Salary Est	\$ 13.5M	\$ 8.9M	\$ 23.2M
FTE Allocation based on current staff & location	149.14 66%	76.53 34%	225.67

It should be noted that the combined employment costs of the proposed new Councils; \$22.4M is less than the existing salary structure of SVC at 23.2M and this may take some time to achieve noting that it is likely to be off set in the short term by staff vacancies.

2. Workforce Considerations

It is a primary consideration of the de-amalgamation business case to understand the capability and capacity of our workforce to successfully deliver a de-amalgamation process while also maintaining the 'business as usual' workloads of Snowy Valleys Council.

While consultants and contract staff can, and will be, required to contribute to the de-amalgamation transition process, it will ultimately be the capability and engagement of our workforce and the quality of the executive teams appointed which will enable this process to be successfully achieved.

There are a number of key elements that will impact and create risks that need to be addressed including:

(a) Transition process

It is imperative that Council is provided with notice of a Proclamation date prior to the date so that planning and essential foundational tasks can be initiated prior to the proclamation of the new councils. This will allow a strategic and effective change management process to be implemented.

This will also allow the recruitment of two new General Managers Elect or Interim General Managers to commence the organisational design process and to recruit their new Executive team prior to proclamation for the new councils, providing valuable additional resources to the implementation process. **Refer Recommendation 7**

It is anticipated that Snowy Valleys Council will continue as an entity until after the two new councils are proclaimed and established. A Working Group will be established with representatives of both councils to close out the business of Snowy Valleys and undertake a final audit.

This situation will require resources to be split between maintaining Snowy Valleys Council as an operating entity as well as towards establishing the two new councils. This period could extend for up to 12 months or longer.

(b) Capacity to undertake the work

Workforce capacity is considered in terms of the collective hours available to be worked by employees to achieve identified outcomes. The capacity of our workforce to cope effectively with the workload that will be generated by a de-amalgamation process will be impacted by:

- The reduced number of staff available to contribute to the work due to sustainability reductions and vacancies

- The availability of external resources to supplement the workforce; and
- The quality and autonomy of contractors/consultants engaged to not rely heavily on employees to achieve their outcomes.
- The quality of the planning and implementation of the process including issues such as role clarity, relationships, systems of work and leadership

(c) Capability to undertake the work

Workforce capability is an organisation's ability to accomplish its objectives through its people based on the knowledge, skills and attributes that individuals apply to their work to achieve outcomes.

Given the size of our Council and the limited exposure and experience of staff in the type of work, there is limited capability in project management of complex corporate projects of this nature. The high level of turnover since the original merger and the poor record-keeping of the initial implementation process has resulted in minimal remaining corporate knowledge of the original transition process.

Loss of further key staff will have a significant impact on the capability of delivering this work. This includes further turnover at the Executive level which would further erode staff ability to accept and adapt to the change.

Regardless of the de-amalgamation, both councils will still be faced with the challenges identified relating to ageing workforce, decreasing numbers of applicants for vacancies, critical skills shortages and difficulty in attracting talent due to financial constraints and regional location.

(d) Wellbeing

Maintaining employee wellbeing is of utmost importance during this process, especially given the uncertainty that has been ongoing for the last 8 years since the merger and the number of business cases and reviews that have been required and involved considerable staff effort, plus the turnover in key executive roles over the last two years.

The transition process itself will have a considerable impact on employees, regardless of whether they have a direct workload associated with it, as the impact will be on individual roles, duties, work locations, team composition, supervisory relationships and so on. The changes are personal and for some will be extremely difficult.

Key considerations for maintaining engagement of the workforce through this process will be the transition team having:

- A genuine understanding of the environment that staff have been working within over an extended period of time
- An awareness of the workload involved for internal staff whether or not consultants and contractors/external providers are engaged. While this can inject specialist expertise, it does not replace organisational knowledge and often draws on a considerable level of employee contribution.
- Consideration of the relationships that have been established between staff members which will be impacted as well as the level of effort staff have put into making Snowy Valleys Council a success despite all the challenges.
- Awareness of the level of stress related to new system implementation. This is an intense and stressful process which both councils had gone through not long prior to merger and

then again after merger as well as a recent uplift to a new business system environment. This will be a major source of concern and stress and could result in loss of key staff.

Additional employee assistance program support will need to be available as well as a communication and engagement plan that allows early, timely, transparent and ongoing communication with staff to support staff through this process. **Recommendation 38**

3. Protections, Entitlements and Conditions

It is understood that the following provisions of the *Local Government Act 1993* will apply to the de-amalgamation:

- Section 354F which requires no forced redundancy of non-senior staff members for 3 years after transfer. This will require the new councils to retain the staff transferred from SVC for a minimum of 3 years regardless of whether the new structure they develop requires less staff or different positions. **Recommendation 39**

354F No forced redundancy of non-senior staff members for 3 years after transfer

If a staff transfer occurs, the employment of—

- (a) a transferred staff member, and
- (b) in the case of a boundary alteration—
 - (i) a remaining staff member of the transferor council, and
 - (ii) an existing staff member of the transferee council,

other than a senior staff member, must not be terminated, without the staff member's agreement, within 3 years after the transfer day on the ground of redundancy arising from the staff transfer.

- Section 354D which requires preservation of entitlements of staff members that upon transfer they are to retain the same terms and conditions of employment that applied immediately before the transfer day.

What this means is that the new councils are not only locked into a fixed number of staff to maintain financially for a three (3) year period, they also need to maintain their employment conditions at the same rate of pay and employment conditions (e.g. other protected entitlements which may include specific allowances, leaseback vehicle conditions etc) indefinitely.

This requirement applies to transferred staff whether or not the new councils adopt lower salary structures following de-amalgamation or re-evaluate positions to lower salary levels.

What this means to transferred staff is that they have the guarantee of ongoing employment for three years and maintained conditions post de-amalgamation.

There are other potential conditions that would need to be further explored to determine impact including right to current place of employment which may then require the payment of travel costs or allowance of travel within working hours which have financial and productivity impacts.

4. Workforce Management Plans

Points 1 to 3 outline the importance of developing at least interim Workforce Management Plans for the two new councils that can outline the following:

- Shared Service arrangements
- Skills gaps
- Workforce capacity and capability
- Flexible working arrangements

This will ensure that the existing staffing compliment can be utilised by the two new councils in the most effective and efficient way. **Recommendation 40.**

STATUTORY PLANNING

Statutory planning is a core Council service that must be maintained as a business as usual activity but more importantly, carefully planned to ensure continued effective service delivery following de-amalgamation.

Statutory planning processes include development assessment and certification. The primary issues which need to be addressed are:

- Staff resourcing allocation
- Delegations
- Policy
- IT systems adjustments and licencing (partially included in Information Services costs)
- Allocation and distribution of existing workload
- Stakeholder communications

Council has the benefit of operating under two separate environmental planning instruments therefore no immediate amendment would be required for Council's existing Local Environment Plans (LEPs) as detailed below:

- Tumut LEP (2012) and the
- Tumbarumba LEP (2010)

A new Development Control Plan would be required for both new areas however a Council resolution could ensure that in the short to medium term the broader existing plan (Snowy Valleys Development Control Plan 2024) be adopted for both areas for the purposes of immediate transition.

Strategies such as Local Strategic Planning Statement (LSPS) and Rural Lands Study could be shared regional documents with identified outcomes attributed to those areas in which the outcome or actions applies. Both organisations can utilise the existing Community Participation Plan (CPP) however early consideration will be required for the adoption of the plan for each area due to its criticality in the statutory assessment process. **Recommendation 41**

Any active application for development or any applications for a certificate could be allocated to the appropriate Local Government Area based on its geographic location. Some redistribution of applications between staff resources may be required dependent on the resource allocation to either area. This shall apply for all certificate-based applications. Amendments to the Planning Portal is feasible to redistribute applications to recognise new geographical areas for the respective Local Government Areas. Contact with the Department of Planning will be required to make these changes. **Recommendation 42**

Snowy Valleys Council has specific software that it utilises for the purposes of delivery of its statutory planning functions including (i) Trapeze (for electronic data management and stamping), (ii) Atturra as an API connector between the NSW Planning Portal and Councils corporate operating systems, (iii) iAuditor for certification inspections and (iv) e-services for the tracking of development applications.

Two separate licences will be required for Trapeze as a shared licence is not possible. A shared licence arrangement could be explored for Atturra however early indications from the vendor suggest that it is likely that two separate licences would be required based on the number of applications submitted annually. iAuditor is a free software provider and templates utilised within the software could be easily cloned and separate accounts could be established.

The Executive Manager Growth and Development will be primarily responsible for the project management and oversight of the de-amalgamation transition plan. The Executive Manager Growth and Development will work closely with other business unit managers including IT and governance to address key outcomes of the plan. The Co-ordinator for Growth and Development will be responsible for ensuring business operations continuity throughout the process.

This area of Council's operations lend themselves to a shared service arrangement for strategic planning and development of regional plans and policies, environmental health obligations and commitments and potential Ranger/Compliance Services.

Establishment of system enhancements such as payment gateways, e-services and infield corporate systems operability can also be investigated.

Longer term, the two new councils would need to engage consultants to prepare new separate Development Control Plans and Developer Contributions Plans. The estimated consultancy cost of \$120K could be shared or apportioned. These costs have not been included in the FSP at this time as it may be more appropriate for the new councils to decide the timing of this body of work.

SERVICE DELIVERY INCLUDING SHARED SERVICES AND FACILITIES

Currently, Snowy Valleys Council only has adopted service levels for Open Space and Roads with all other service levels being historic and dictated by recurrent budgets. Broadly, current service levels are not excessive and therefore not expected to change predominantly because of budget constraints.

It is probable that Asset Management Plans will be completed prior to a de-amalgamation being approved which will further inform service delivery requirements and financial capacity. This will allow Councillors and the Executive to work through Stage 2 prior to a proclamation to determine service standards and assets for the new councils and update FSPs for the new councils.

It will be important to document existing service levels to establish sustainability of service provision and to inform the new councils of any funding gaps. **Recommendation 43**

In Stage 2 there is also an opportunity to review service criticality and match existing service delivery to available funding, particularly in the short to medium term to assist in achieving financial sustainability. A natural extension of service criticality is SVC and/or the new councils is to review and determine pricing principles to ensure an appropriate and affordable asset and service mix for the communities. **Recommendations 44, 45 & 56**

For Snowy Valleys Council this has been addressed in the development of the Financial Sustainability Plan and has already led to service level changes to assist in reducing the underlying deficit.

The service level changes implemented are against a backdrop of extremely low levels of community satisfaction of SVC and from a high of 3.3 (out of 5) in 2018 it has fallen to 2.34 in 2021 and 2.16 in 2024. It should be noted that at the time the Community Survey was undertaken in 2024 SVC was also consulting on the de-amalgamation and a Special Rating Variation which may have impacted on the results.

Recommendation 47

Delivery models may change in respect to roads maintenance and construction, particularly in a new Tumbarumba Shire Council due to minimal staffing levels and skill sets. This can be further considered in Stage 2.

Snowy Valleys Council has a number of existing contracts including:

- Hume & Hovell Track maintenance
- Road Maintenance Council Contract (RMCC)
- Snowy Hydro (effluent removal)
- Other Private Works contracts at time of de-amalgamation

A careful review of Contracts will be required, and possible options include:

- Splitting contracts based on location e.g. Snowy Hydro
- RMCC will most likely be joint delivery and management, at least in the short term
- Hume & Hovell will be delivered by one entity
- Construction contracts at time of de-amalgamation will require determination as to which entity is the Service Provider

Currently, the pursuit and delivery of Commercial Construction Contracts are launched from the Tumut Infrastructure and Works Depot however it is acknowledged that Tumbarumba Shire Council successfully executed private works for many years prior to the amalgamation in 2016.

The following Council services lend themselves to either a shared service or contract arrangement between the two new councils:

- Statutory planning, building control and compliance
- Strategic land use planning (LEP, DCP, rezoning (could also be outsourced))
- Environmental Health
- Noxious Weed & Pest Control
- Road safety
- Youth services
- State Road Contracts/Road Construction
- Waste services including FOGO
- Street sweeping
- ARIC
- People and Culture including payroll (this may be contingent on TechOne developing a two-council solution and is potentially only a short term option)
- Cadet/Apprenticeship/Traineeship Programs (if externally funded)
- Information services (at least in the short term)
- Spatial mapping (GIS) administration
- Governance (at least in the short term)
- Risk Management/WHS (at least in the short term)
- Asset Management (at least in the short term)
- Projects and Grants administration (at least in the short term)

Recommendation 48

RISK

The Risk Working Group has undertaken both an operational risk and strategic risk review of the potential de-amalgamation which are detailed below.

From an operational perspective the issues that will require consideration in the lead up to, and post de-amalgamation are:

Risk

- Business Continuity Plans
- IT Disaster Recovery Plan
- Risk Registers – Strategic, Corporate and legislative compliance
- Fraud and corruption
- Climate Change
- Childsafe
- Insurance portfolio
- Insurance claims management
- CIP Seld Assessments

Work, Health & Safety

- WHS Management System
- WHS Consultation and advice
- Incident Management
- IMS Certification to 9001, 45001, 14001

Workers Compensation

- Claims management
- Return to Work Coordinator requirements
- Managing Injured Workers – Supervisors/StateCover

Whilst plans such as the Business Continuity Plan could be used across both councils in the short-term, other risk activities such as the insurance portfolio, insurance and workers compensation claims management, Vault WHS Database etc. will need to be split. This will require additional support in the short term, estimated to be 2 Full Time Equivalents (FTE) for a period of up to 12 months.

It would however seem practicable that the two new councils share an Audit, Risk & Improvement Committee (ARIC), particularly since a new committee has recently been established for Snowy Valleys Council.

It is anticipated that most of the system and procedures development for the new councils would be undertaken in-house but with the support of temporary staff and/or contractors.

It has also been identified that whilst not specifically a de-amalgamation cost, it is probable that the cost of insurance portfolios of two separate entities will be higher than for Snowy Valleys Council as a single entity. Whilst it has not been possible to accurately quantify any diseconomies of scale in relation to insurances the Risk Team estimate that the additional cost could be in the range of \$65K to \$95K. Due to the unreliability of the estimate no allowance has been made in the 2024/2025 amended Budget figures but needs to be noted for further investigation during Stage 2. **Recommendation 49**

From a strategic risk perspective, the Snowy Valleys Council Working Group has considered a range of potential risk areas which has been outlined in the Risk Matrix below.

Table 11 – Risk Matrix

#	Risk Category	Description of Risk	Consequences	Likelihood	Rating (C x L)	Risk Treatment	Mitigation Strategy
R-001	Legal	Boundaries are drawn which separate existing development lots or otherwise impact Local Environmental Plans.	Moderate	Unlikely	Medium	Transfer	Transition Plans...
R-002	Legal	Existing contracts and service arrangements would need to be renegotiated on less favourable terms or breached with additional costs.	Moderate	Likely	High	Mitigation	Transition Plans...
R-003	Legal	Legislative compliance obligations required to establish resultant councils not adequately resourced or planned.	Major	Likely	High	Mitigation	Transition Plans...
R-004	Legal	Legislative changes, application or interpretation alter the viability of a demerger proposal. Includes legal appeals or other delays.	Major	Possible	High	Avoid	Transition Plans...
R-005	Legal	Governance and policy environment is unable to be demerged and requires significant resourcing and investment to comply with current local government requirements (IP&R, ARIC, etc)	Major	Possible	High	Transfer	Transition Plans...

#	Risk Category	Description of Risk	Consequences	Likelihood	Rating (C x L)	Risk Treatment	Mitigation Strategy
R-006	Environmental & Public Health	Minister does not approve State government funding or loan for demerger costs.	Major	Likely	High	Avoid	Transition Plans...
R-007	Legal	Ability to respond to natural disasters, emergencies and crises is compromised by fragmentation of LGAs and duplication of multiple EOCs to coordinate disaster response and recovery efforts.	Moderate	Likely	High	Mitigation	Transition Plans...
R-008	Service Delivery	Business continuity disasters within period of transition disrupt demerger efforts.	Major	Almost Certain	Extreme	Mitigation	Transition Plans...
R-009	Environmental & Public Health	Lack of cross-border collaboration on pest/weed control.	Moderate	Possible	High	Mitigation	Transition Plans...
R-010	Environmental & Public Health	Waste management services and service delivery is interrupted. Contracts with Valmar or other service providers/landfills, FOGO arrangements, EPA licensing.	Major	Possible	High	Transfer	Transition Plans...
R-011	Environmental & Public Health	Outdoor asset management capabilities are compromised, duplication of effort, loss of information or staff knowledge during transition to resultant councils.	Moderate	Likely	High	Mitigation	Transition Plans...

#	Risk Category	Description of Risk	Consequences	Likelihood	Rating (C x L)	Risk Treatment	Mitigation Strategy
R-012	Financial & Economic	Estimated economic benefits of demerge are unrealistic or not realised, effectively replacing one financially distressed council with two financially distressed councils.	Major	Likely	High	Avoid	Transition Plans...
R-013	Financial & Economic	Funding provided is insufficient to cover costs of demerger over mid- to long- term.	Major	Possible	High	Avoid	Transition Plans...
R-014	Financial & Economic	Resultant councils represent higher investment risk and have difficulty securing loans.	Major	Possible	High	Transfer	Transition Plans...
R-015	Financial & Economic	General rates of council's will not make resultant council(s) financially sustainable and will require additional SRVs or reliance on grant funding.	Major	Almost Certain	Extreme	Mitigation	Transition Plans...
R-016	Financial & Economic	Uneven distribution of income generating assets/services put resultant councils under additional financial pressure. (Eg. RMCC, FOGO, Childcare, Caravan Parks, Swimming Pools, Private Works, etc)	Major	Likely	High	Mitigation	Transition Plans...
R-017	Financial & Economic	Loss of internal subsidisation or economies of scale reduce support to other internal service lines. Eg. contracts, caravan parks, childrens services, etc.	Major	Almost Certain	Extreme	Mitigation	Transition Plans...

#	Risk Category	Description of Risk	Consequences	Likelihood	Rating (C x L)	Risk Treatment	Mitigation Strategy
R-018	Human Resources & Safety	Lack of executive leadership or commitment throughout transition resulting in stalled or ineffective establishment of resultant councils.	Major	Possible	High	Mitigation	Transition Plans...
R-019	Human Resources & Safety	Loss of skilled staff, or uneven distribution between resultant councils leave key vacancies unfilled	Moderate	Almost Certain	High	Mitigation	Transition Plans...
R-020	Human Resources & Safety	Resultant councils are not attractive enough opportunities to attract staff to new positions.	Moderate	Likely	High	Mitigation	Transition Plans...
R-021	Human Resources & Safety	Negative sentiment between communities lead to difficulty to attract skilled applicants to resultant councils increases pressure to utilise shared service arrangements.	Moderate	Likely	High	Mitigation	Transition Plans...
R-022	Human Resources & Safety	Recruitment pool of quality executives is further diluted for both resultant councils.	Major	Almost Certain	Extreme	Mitigation	Transition Plans...
R-023	Human Resources & Safety	Lack of cooperation between staff of resultant councils to share services, resources, knowledge, data, etc, during transition.	Major	Likely	High	Mitigation	Transition Plans...
R-024	Human Resources & Safety	Costs to terminate then rehire staff at resultant councils or fill staff shortages with contractors at higher cost.	Major	Likely	High	Mitigation	Transition Plans...

#	Risk Category	Description of Risk	Consequences	Likelihood	Rating (C x L)	Risk Treatment	Mitigation Strategy
R-025	Technology	Essential infrastructure (SCADA, Servers, Cabling, Roads, Heavy Plant, Vehicles, etc) may not be able to be scaled, demerged or redesigned to satisfy the requirements of resultant councils.	Major	Likely	High	Mitigation	Transition Plans...
R-026	Technology	Shared services, hosted solutions or other IT systems may not be preferred options of resultant councils, leading to duplication, redundancy or waste.	Moderate	Almost Certain	High	Mitigation	Transition Plans...
R-027	Technology	Records and data may be lost or incompatible between resultant council systems, leading to loss of important information.	Moderate	Almost Certain	High	Mitigation	Transition Plans...
R-028	Technology	Resultant councils have immature cybersecurity arrangements in place leading to reportable breaches of privacy or cyber attacks.	Major	Likely	High	Mitigation	Transition Plans...
R-029	Stakeholders & Political	Community expectations are not adequately managed in resultant council areas. Eg. Elevated service levels in some communities expected to be continued despite not being financially viable.	Moderate	Almost Certain	High	Mitigation	Transition Plans...

#	Risk Category	Description of Risk	Consequences	Likelihood	Rating (C x L)	Risk Treatment	Mitigation Strategy
R-030	Stakeholders & Political	Elected members during transition period have unrealistic expectations of the requirements of establishing resultant councils leading to disagreement and/or interference to process.	Major	Likely	High	Mitigation	Transition Plans...
R-031	Service Delivery	Services that are not currently financially sustainable will not be any more sustainable in resultant councils.	Major	Almost Certain	Extreme	Mitigation	Transition Plans...
R-032	Service Delivery	Disruption to services during transition between SVC and resultant councils either due to demerger or by business continuity interruptions.	Moderate	Possible	High	Mitigation	Transition Plans...

FINANCIAL SUSTAINABILITY

The Minister has been forthright in his communication to Council that a de-amalgamation would only be approved if it could be demonstrated that it could create two sustainable councils.

The Office of Local Government states that councils are required to follow principles of sound financial management. Councils must ensure spending is responsible and sustainable, undertake responsible and sustainable investments in infrastructure for the benefit of the local community, implement effective financial and asset management, and have regard to achieving intergenerational equity.

This is underpinned by Chapter 3 of the *Local Government Act 1993* particularly section 8B reproduced below.

8B Principles of sound financial management

The following principles of sound financial management apply 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 should be noted that post amalgamation, the following has occurred which needs to be considered:

- Rate harmonisation that adversely impacted on ratepayers of the former Tumbarumba Local Government Area and
- An approved Special Rating Variation (SRV) for the 2022/2023 and 2023/2024 Financial Years with a cumulative increase of 35.95%

The purpose of the SRV was to:

- maintain current service levels
- renew infrastructure assets and deteriorating assets
- reduce reliance on external grant funding for asset renewals
- fund ongoing asset maintenance

The Long-Term Financial Plan that accompanied the SRV application indicated that Snowy Valleys Council would return to surplus in 2023/2024 however this has not occurred.

Snowy Valleys Council unsuccessfully applied for a further SRV of 42.38% over three years in 2024 due to the following financial impacts on Council:

- high inflation environment
- an increasingly competitive employment market that has occurred post COVID19

- cost shifting from previously State Government funded services that are now at Council's cost (like the recently announced increase to the Emergency Service Levy)
- a continuation of rate pegging and the normal increased service level expectations

The current Long-Term Financial Plan indicates that Snowy Valleys Council has an underlying deficit of \$2.5M on a consolidated basis and \$5.5M annual General Fund deficit.

At the June 2004 Council meeting, operational cost savings of over \$1.2M were identified and will be implemented in the second half of the 2024 calendar year with similar savings to be identified for the 2025/2026 Financial Year. Even with these deep cuts to services and staffing levels, Snowy Valleys Council or two new councils will inevitably require a SRV to achieve financial sustainability.

Councillors and Executive have worked diligently with Peter Tegart of Always Thinking Advisory to develop a financial sustainability pathway to meet the expectations of the Minister for Local Government and the Office of Local Government.

The FSP has been prepared after taking the following matters into consideration.

- Employed the 2024/2025 Budget as the base year
- Apportioned relevant revenues and expenditures to the new Councils
- Excluded non recurrent revenue and expenditure items from the base Budget
- Included additional recurrent costs likely to be incurred by the new Councils i.e. Information Technology, Insurance, Elected Member costs etc.
- Reviewed the service criticality and pricing principles
- Determined rates of return for regulatory, private, market and utility programs
- Ensured the financial integrity of water and sewerage assets, including reserves
- Developed modest staffing structures that, over time, would result in a lower EFT for the two new Councils as compared to the number of EFT for SVC.
- Identified a range of programs and services that could potentially be shared or contracted between the Councils.

The FSP is not just about balancing the Income Statement but ensuring the new Councils are generating enough cash to maintain and renew (when required) the extensive asset base of the two new Councils. It should be noted that SVC currently does not have this capacity.

Recommendation 50

RESPONSIBILITY

The Executive along with Councillors will be responsible for the progress of the de-amalgamation and business as usual activities. Given the complexity of the task, it is proposed that the de-amalgamation process will be managed through Council's Project Management Framework.

Table 12 below identifies preliminary responsibilities to be undertaken to affect the de-amalgamation.

Table 12 – Preliminary task responsibilities

Role	Transition responsibility	Activity
Elected Council	Making decisions with the future in mind	<ul style="list-style-type: none"> Ensuring 'business as usual' activities are delivered to the community Maintaining ethical, open and accountable governance Determining services and service levels Setting the rates and pricing principles Adopting Strategic Plans Communicating with communities Recruiting new General Managers or Interim Managers Endorsing Interim Organisational Structures Encouraging the development of shared service/contract models Monitoring the progress of the de-amalgamation
Executive	Lead, monitor and ensure DIP achieves targets	<ul style="list-style-type: none"> Ensuring business and service continuity Ensuring completion of key documents (AMPs and IWCMP) to inform and guide the change Implementing the de-amalgamation tasks in respective portfolio areas Leading communication to staff, unions, communities and other partners Maintaining a positive work culture during a time of significant change Providing effective day to day leadership and management of the organisation throughout the initial period of change Implementing the Operational Plan with a focus on service continuity, reporting regularly to the Elected Council Overseeing the financial management of Council Managing Council staff, consultants and contractors to ensure those

Role	Transition responsibility	Activity
		<p>decisions align with the approved budgets</p> <ul style="list-style-type: none"> • Providing the Elected Council with timely and relevant information to ensure that it makes informed decisions. • Ensuring all statutory and proclamation requirements are progressed in a timely manner
Transition Manager	Planning, negotiating, recruiting and implementing the DIP	<ul style="list-style-type: none"> • Overseeing the preparation and delivery of the Implementation Plan
Task Leads	Leading the collection and analysis of data	<ul style="list-style-type: none"> • Coordinating through the Transition Manager, the staff. Consultants and contractors to undertake the nominated tasks within time and cost limitations • Considering and resolving issues as they arise and recommending changes to the DIP if appropriate • Closing out de-amalgamation tasks

PROCLAMATION

The timing of the determination of Council's De-amalgamation proposal (including the conduct of a Constitutional Referendum) is likely to be in the first or second quarter of 2025, which may mean it is unrealistic to have a 1 July 2025 Proclamation date. Alternatives to consider are 1 January 2026 or July 2026, with the latter being almost 18 months away.

A 1 January 2026 proclamation date will essentially mean that finance staff of the combined and separate entities will be producing three sets of financial statements within a 12-month period which may cause undue stress to the current Snowy Valleys Council Finance Team.

As outlined earlier in the De-amalgamation Implementation Plan the proclamation may include the following:

- LGA boundaries (assumed to be the former boundaries)
- Number of councillors for each new Council (proposed that the Tumut have 7 councillors and Tumbarumba have 5 councillors)
- Method of electing the Mayor
- Timing of the elections
- Whether the new councils will be an undivided area (preferred) or divided into Wards.
- Advice that existing Strategies, Plans and Policies of Snowy Valleys Council would apply to the new councils to facilitate a 'business as usual' approach
- Division of assets and liabilities including cash reserves held
- Provision of funding through a grant and/or loan to enable the de-amalgamation (section 218CC 6A)

Assuming a recommendation to de-amalgamate from the Local Government Boundaries Commission and approval by the Minister for Local Government to hold a Constitutional Referendum, Snowy Valleys Council will then move to Stage 2 of the De-amalgamation Implementation Plan.

SUMMARY OF RECOMMENDATIONS

It is essential that a determination regarding the de-amalgamation proposal is finalised as soon as possible for the benefit of Snowy Valleys Council staff and our communities.

Establishing a firm Proclamation date has not yet been determined however 1 July 2026 would seem the most appropriate date given the timeline to achieve a de-amalgamation. This proclamation date would be finalised in Stage 2, when a more detailed examination of Snowy Valleys Council operations would be undertaken, taking into consideration changing circumstances. For example, at the June 2024 Council meeting \$1.2M of cost reduction initiatives were undertaken and further measures will need to be implemented as opportunities arise with the view of saving a further \$1M in the 2025/2026 Financial Year and the 2026/2027 Financial Year.

This has been recognised in the De-amalgamation Project Estimates where there is a heavy reliance on consultants and contractors to assist with the implementation of a de-amalgamation.

This will include the following actions:

- Refine distribution models for assets, liabilities and staffing. Further work will also be required in the budget development of the two new councils, particularly to ensure staffing costs equitably shared between the two new councils;
- Refine Special Rating Variation applications required by the two new councils;
- Develop a detailed Implementation Plan with a project timeline, outlining required actions and responsible officers/consultants.

Other recommendations are:

Electoral and Representation

1. Electoral boundaries of the former Tumut and Tumbarumba Councils be reinstated as outlined in figure 2, Page 13
2. The new Tumut Council to have seven (7) representatives and the new Tumbarumba Council, five (5) representatives
3. Both new Councils remain undivided with no Wards
4. Mayor to be elected in accordance with section 282 (2) of the *Local Government Act 1993*; by the councillors from among their number
5. Elections for the new councils to be held in accordance with Schedule 10, Part 4 section 8 (2) of the *Local Government Act 1993* but with the view to being held as soon as practicable after the proclamation date

Resourcing the De-amalgamation

The de-amalgamation costs have been estimated at \$4.02M to \$4.824M and the following actions are recommended:

6. Establish and recruit staff for the Transition Project Office
7. Recruitment of General Managers Elect or Interim General Managers for the new Tumut and Tumbarumba Councils, 3 months before Proclamation Day
8. Recruit temporary staff and/or engage consultants with appropriate skills to assist with the implementation of the DIP
9. The costs of the Referendum and elections for the two new councils will be considered a de-amalgamation cost
10. Each council to undertake a loan of \$1M from NSW Treasury
11. Grant funds be sought for the balance of de-amalgamation costs

12. Review whether there is capacity to further reduce operational and capital programs in 2025/2026 and 2026/2027 financial years to build unrestricted working capital
13. Include the de-amalgamation scope and costs in the 2025/2026 and 2026/2027 Operational Plans
14. Utilise TechOne's Project Management Module to track progress with the DIP

Distributions

15. Distribution methodologies are outlined on Pages 24, 25 and 26 and are generally as outlined below.
 - Distribution methodologies for assets (including WIP), liabilities (including borrowings) and staff are generally allocated on a location basis
 - ICT licencing and equipment distributed on staff location
 - Receivables based on outstanding rate assessments and grant location, remaining proportional
 - Cash and investments will be distributed for the purpose held with the balance of unrestricted cash (including untied internal restrictions) apportioned by cash and investments held as at 12 May 2016
 - Payables where practicable will be allocated based on location/project with the balance allocated on a proportionate basis
 - Staffing will initially be on location basis supported by a number of shared service arrangements in the short term to contain costs
 - Interim staffing structures to provide a guide to recruitment in the lead up to the de-amalgamation and during and post the employment protection period
 - Division of Budget items will be based on a range of Drivers as outlined on Page 24

Asset and Asset Management

16. Confirm asset split between the two councils
17. Develop a framework and commence preparation of separate Asset Management Plans for the two new Councils
18. Confirm asset condition, useful lives, performance and maximum acceptable outages
19. Review and revise (if necessary) Business Continuity/Disaster Recovery Plans regarding the establishment and operation of the two new Councils
20. Both new Councils to adopt a position to renew, replace and/or upgrade existing assets in preference to expanding the asset base

Communication and Engagement

21. Continue regular communications to all staff using multiple channels of communication (written, verbal, face to face) about what's happening and next steps.
IGM > ELT > GLT > Communications Team
22. Assuming a positive outcome from the Local Government Boundaries Commission and Minister for Local Government approval, develop for and against cases for the Constitutional Referendum
23. Development of a Change Management Communications Plan across the organisation
24. Develop a communication strategy to ensure the community is kept informed of the progress of the De-amalgamation implementation

Governance

25. Costs of the de-amalgamation be accurately captured with the financial accounts of Snowy Valleys Council to ensure equitable distribution between the two new councils.
26. Monthly reports be presented to Council on the implementation progress and costs incurred.
27. The two new councils adopt the existing Snowy Valleys Council policies and procedures until the new councils have an opportunity to review.
28. Draft delegations be prepared for the two new councils on a position basis.
29. Engagement of external expertise to review distribution methodologies and compliance with adopted methodologies.
30. Establish separate registers for the new councils for existing and new contracts, grants, donations and charges exemptions, insurance including Workers Compensation, agreements, plant etc.
31. Engage temporary staff and/or consultants to undertake a comprehensive review of registers and plans as outlined on Pages 31 & 32.
32. Quarterly reports on De-amalgamation progress be a Standing Item on ARIC agendas.
33. The SVC 2025/2027 Operational Plan should be prepared for SVC and two separate Councils and include:
 - Detailed de-amalgamation cost estimates as outlined on Page 18.
 - Additional costs for cost areas such as Executive Staffing, Insurances, Councillor expenses, Information Services etc.
 - Identification of funding sources i.e. grants and loans
 - Delineation of capital Works Programs into the two new Council areas.

Information Systems

34. Finalise the Business Software to be utilised by the two new councils i.e. TechOne for both councils or TechOne for Tumut and either TechOne or Civica for Tumbarumba
35. Finalise and reach agreement with third party software providers
36. Develop a shared service model for the delivery of Information Systems and support noting that it is likely that each Council will have a separate Integrated Business Software System.

People and Culture

37. Endorse interim structures, to enable transfer and placement of staff into new structures prior to commencement date.
38. SVC Employee Assistance Program (EAP) to be expanded to enable staff have access to mental health and other support during the de-amalgamation and transfer process.
39. Confirm that section 354F of the *Local Government Act 1993* provides appropriate protections for existing staff.
40. Development of Interim Workforce Management Plans to identify the following:
 - Shared Service arrangements
 - Skills gaps
 - Workforce capacity and capability
 - Flexible working arrangements

Statutory Planning

41. Confirm that the existing Local Strategic Planning Statement, Rural Lands Study, Community Participation Plan are to be utilised by the new Councils until the adoption of new Plans in each new area.
42. Ensure communication with Information Services is effective for the duplication of electronic data management and connections with the NSW Planning Portal for each new Council.

For Land use Planning, it is noted that the two new Councils will continue to operate under the Tumut LEP (2012) and the Tumbarumba LEP (2010), the Snowy Valleys Development Control Plan 2024 and relevant Developer Contributions Plans.

Service Delivery (Internal and External)

43. Document existing service levels in preparation for the establishment of the new Councils.
44. Match existing service delivery levels to available funding for both new Councils.
45. Review service criticality for the two new Councils.
46. Review and establish pricing principles for the new Councils.
47. Review satisfaction and importance ratings in Customer Satisfaction Surveys for services and assets to guide resource allocations
48. ELT in collaboration with all Working Groups develop shared services models ensure the continuity of services and also enable efficient staffing structures throughout the employment protection period.

Risk

49. Liaise with Insurance Providers to ascertain estimated costs for the following classes of insurance:
 - Public Liability/Professional Indemnity
 - Property
 - Motor vehicle
 - Councillor and Officer Liability
 - Crime
 - Environmental Liability
 - Personal accident
 - Casual Hirers and
 - Workers Compensation

Financial Sustainability

50. Progress the new Councils' financial sustainability in accord with the elements below:
 - A fully funded operating position reflecting that the new Councils collect enough revenue to fund operational expenditure, repayment of debt and depreciation.
 - Maintain sufficient cash reserves to ensure that the Councils can meet short-term working capital requirements.
 - Fully funded Capital Works Program, where the source of funding is identified and secures for capital renewal and new capital works.
 - Rate the sustainability of the new Councils using similar definitions utilised by TCorp, and the financial sustainability risk ratings.
 - Achieve a 'moderate risk rating after the second term of the new Councils'

Proclamation

51. The details of the Proclamation would be finalised throughout Stage 2 but could include the following:
- LGA boundaries (assumed to be the former boundaries)
 - Number of councillors for each new Council (proposed that Tumut have 7 councillors and Tumbarumba have 5 councillors)
 - Method of electing the Mayor
 - Timing of the elections
 - Whether the new councils will be an undivided area (preferred) or divided into Wards.
 - Advice that existing Strategies, Plans and Policies of Snowy Valleys Council would apply to the new councils to facilitate a 'business as usual' approach
 - Division of assets and liabilities including cash reserves held
 - Provision of funding through a grant and/or loan to enable the de-amalgamation (section 218CC 6A)

Attachment 2 - 20241209 Financial Sustainability Plan



FINANCIAL SUSTAINABILITY PLAN

Demerged Councils: Tumut and Tumbarumba



Version Control

Report	Date	Approved	Council	Date
Draft	18 November 2024	ATA		
Final	6 December 2024	ATA		

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Executive Summary

Snowy Valleys Council is exploring its demerger into two new councils – Tumut and Tumbarumba – based on the former council LGA boundaries. While the merger was funded by Government and the new council allowed 15 months to establish before councillor elections, a demerger differs in that funding is uncertain and 12 months may be required to prepare for the demerger before councillor elections some 3 months later, while still operating (then winding up) the current Snowy Valleys Council. However, s218CC (6A) does permit (at the discretion of the Minister) to provide up to \$5m through a mix of grant or loan to underwrite the demerger. Otherwise, SVC would be required to erode its working capital or de-restrictable internal reserves to fund the demerger.

To support the consideration of a demerger by the NSW Boundaries Commission and the Minister, SVC was required to prepare a plan to demonstrate the financial sustainability of the new councils. OLG published its thresholds to indicate sustainability.

This Financial Sustainability Plan (FSP) reflects most of the diagnostic methodologies and steps and principles towards acceptable levels of revenue raising and expense reductions deployed with the SVC Financial Sustainability Plan. It differs as a consequence of the lower scale of operations for the new councils (eg dividends would be unavailable) and increase in expenses (eg duplication of staff and technology).

The FSP follows the distributions of income and expenses, reserves, debt and staffing provided by SVC and estimated at FY2025, proposing two scenarios for Tumut and three for Tumbarumba, to provide options for councillors to focus the spend on assets, to be conservative with expectations of competitive grant funding, and be sensitive to the affordability of the inevitable increase in rates and annual charge revenues to build the working capital and reserves to absorb financial shocks and renew assets, as expected by OLG.

This Plan also assumes the same service criticality, role and pricing settings established in the SVC FSP.

While the preferred scenarios would be contemplated by the Commission and Minister as evidence of sustainability, the matter of willingness and capacity to pay would be subsequently tested with the community through the integrated planning and reporting (IPR) framework. An uplift to general rates and annual charges would be required early in the new councils' lives. It is apparent however, that the loss of scale (and any cross subsidisation) following demerger most significantly impacts the taxing revenues for Tumbarumba.

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
- v. explore and make recommendations on potential shared service arrangements

It is proposed the Financial Sustainability Plans (FSP) 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 several scenarios that build 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

Volume III, outlining those distributions and a financial sustainability plan for the new councils based on the preferred Scenario, is presented in this document.

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 thresholds 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, performance improvement order 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 FSP for the proposed demerged councils draws on the Phases utilised in preparation of the FSP for Snowy Valleys Council and refers to the Principles and Pathway relevant to the respective new council.

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 council 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 LTFFP) 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



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 LTFFP in that:

- interventions are introduced in the FSP
- revenues and spend are not indexed (as they are in the LTFFP)
- 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 LTFFP
- 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.

Extract TCorp Sustainability Framework

Sound	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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

Councillors agreed that SVC's FY23 sustainability risk ratings were per the table below, and likely mimic those of the new councils:

Measures					Current Rating
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 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 work	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

While SVC has been assessed as a high 'weak', following the distribution of revenues and expenses to the respective new councils based on the FY25 Operational Plan – and noting modest estimates for additional staffing, technology and councillor expenses consequent to a demerger – Tumut remains rated as 'weak', while Tumbarumba is assessed as 'very weak'.

Following consideration of options presented for the SVC FSP, councillors nominated the principles and interventions underpinning Option 3 was the preferred scenario to migrate the new councils from a 'weak' to at least a moderately sustainable council across two terms. Any changes to expenditure and revenue profiles are then to be managed through the Integrated Planning and Reporting (IPR) framework, and the relevant Long Term Financial Plan (LTFP).

The indicators proposed to monitor progress include the specific OLG financial and asset indicators, and other indicators mapped to the sustainability measures above (Attachment 3).

2.6 Financial Sustainability Path

As acknowledged in the SVC FSP, 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. The fundamental responsibility of local government is to operate, maintain and renew local public assets (infrastructure, utilities, facilities).

Therefore, sufficient public taxes (rates and annual charges) should be raised to meet those annualised costs of maintaining and renewing public infrastructure assets under the respective new council's control. The gap in funding may become the grant funding 'ask'. 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 sustainability expectations expressed by OLG are outlined in Section 2. The proposed targets, indicators and sources of data to achieve those are summarised below:

Financial

- i. *fully funded operating position*
 - Operating Result
 - average balanced > 10yr cycle
 - total revenues exceed expenses
 - tax growth > depreciation growth
 - source: Income Statement
- ii. *sufficient cash reserves*
 - Working Capital
 - unrestricted + de-restrictable internal > 25% opex
 - movement in cash balance
 - source: Statement Cashflows; Note C1-1

Asset

- iii. *fully funded capital program*
 - Tax-Asset Gap
 - general taxes ~ general asset MRD
 - utilities reserves ~ minimum match augmentation funding
 - tax growth > depreciation growth
 - supplementary rates > new property asset MRD
 - debt service ratio < 20%
 - source: Note B2-1; Note B3-4; Note C1-1; Special Schedule 7
- iv. *maintain the asset base*
 - Asset classes renewed per AMP
 - average renewals ~ depreciation > 10yr cycle
 - asset MRD per yr ~ 3-4% WDV
 - reliance on grants for renewals < 10%
 - condition of assets ~ asset consumption
 - source: Note B2-4; Note C1-7; Special Schedule 7

Utilising their financial statements, a high level measure of a local council's sustainability is the extent to which its general rates cover the annualised expense of required general infrastructure asset maintenance (special schedule 7) and general infrastructure asset depreciation (Note B3-4), as the proxy for expected asset renewals. The financing for utilities is expected to be self-funding as those taxes are not capped.

As outlined in Section 3, as the expenses and revenues for the proposed new councils are distributed from the SVC FY25 operational plan, they demonstrate a significant gap in general asset funding. It is proposed that gap be narrowed through phased increases to taxes (general rates) and receipt of reliable annual allocated asset grants. Unfortunately though, a large portion of general asset grants are competitive and unreliable. Hence the path to sustainability for the new councils (that have reduced scale and cross subsidy once demerged) should include growth in tax revenues.

The broad financial sustainability objectives applicable to each proposed new council are:

- a. progressively building property taxes (rates and fixed annual charges) to meet the cost of combined General assets and Utility assets maintenance and depreciation
- b. building utility charges to regularly produce appropriate and planned surplus to accommodate seasonality and effects of population and climate change
 - place surplus into reserves to absorb financial shocks and accommodate future augmentation
 - minimise risk of cross subsidy with general operations
- c. restructuring general rates and utility charging models, so that
 - 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
 - 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
- d. bundling utility (water, sewer and stormwater) expenses and revenues into an Integrated Water Cycle Management Fund (IWCM), where annual charges, user charges and respective grants and contributions to meet the cost of
 - respective utility maintenance, depreciation and operational expenses
 - future augmentation capital or debt servicing
 - water cycle and flood catchment expenses (harvest, discharge, servicing)
 - relevant attributed organisation expenses
- e. progressively building unrestricted cash and internal reserves as working capital to the equivalent of three (3) months of cash operational expenditure
 - retained to absorb financial shocks (emergencies) or accommodate program or project opportunities identified in Delivery Program (grants)
 - 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 internally restricted funds (reserves)

2.6.2 Steps

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

Path	Steps
1 Migrate to Moderate Sustainability rating (Term 1), the Sound rating (Term 2)	<ol style="list-style-type: none"> 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)	<ol style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 SolR 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> a. phase a '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 into AMP and financial plans f. lead with strategy (prepare/refresh AMP, IWCM, DWM) g. pursue and monitor workforce and AMP indicators

Table 3

2.6.3 Assumptions and Interventions

The draft Transition-Implementation Plan should be observed with this Demerged Councils' Financial Sustainability Plan. At the outset, it is assumed (and preferred):

- i. Government will underwrite the demerger costs through combination grant and loan
- ii. therefore, council working capital or internal reserves will not be diminished
- iii. TCorp will exclude depreciation when considering capacity for borrowings
- iv. there is an appetite in Government (following the Parliamentary Inquiry into the financial sustainability of local councils and emergency services funding arrangements) to contemplate alternate funding options for SVC or the demerged councils
- v. demerged councils would commence from FY27 (ie the year of effect of proposed SRV)

Noting the Government is reviewing the funding of emergency services in NSW, an emergency service special purpose annual charge was suggested with the SVC Financial Sustainability Plan. While it is not proposed in the demerged councils FSP, in line with (iv) above, there is an argument the Minister may contemplate applying s125 of the Local Government Regulations to enable an emergency s501 annual charge to NSW councils where national parks and state forests interface with urban areas – such as Snowy Valleys and the south coast LGAs - and could potentially form part of a proclamation.

A summary of the initial Assumptions and Interventions applicable to each proposed new council is below, with more detail provided in Section 4:

Tumut		Tumbarumba	
Assumptions: <ul style="list-style-type: none"> property growth 0.5%pa disaster grants exhausted allocated grants flat competitive grants halved demerger cost = grant tax and fees uplift excludes annual rate peg-CPI (LTFP) that \$ uplift = increase in funding for service-support LoS per OP25 settings fully attribute organisation support costs (ABC) fully recover plant hire costs investment interest grows with reserves no new borrowings debt PI declines current office/depots ok for new council staffing 	Interventions: <ul style="list-style-type: none"> SRV: 2.5%pa no special AC (incl in above) Criticality: build reserves for utilities seasonality/augment <ul style="list-style-type: none"> includes drainage AC RoR: annual growth in yields for regulatory, share, private and market services ~ 2.5% Assets first: reset MR ~1% WDV Assets first: grow MR > 2.5%pa Assets first: grow investment in AM 1%, depreciation 2.5%pa Services: flatline growth in non-asset services - support Renewal: equivalent to depreciation on average pa Capex: matched to value of capital grants-contributions WC: build to 25% cash opex 	Assumptions: <ul style="list-style-type: none"> property growth 0%pa disaster grants exhausted allocated grants flat child/aged grants retained competitive grants halved demerger cost = grant tax and fees uplift excludes annual rate peg-CPI (LTFP) that \$ uplift = increase in funding for service-support LoS per OP25 settings fully attribute organisation support costs (ABC) fully recover plant hire costs investment interest grows with reserves debt PI rises with any loans current office/depots ok for new council staffing 	Interventions: <ul style="list-style-type: none"> SRV: 3x 10%pa; 4 x 5%pa no special AC (incl in above) Criticality: build reserves for utilities augment ~10% pa <ul style="list-style-type: none"> includes drainage AC RoR: annual growth in yields for regulatory, private and market services ~ 2.5% Assets first: reset MR>1% WDV Assets first: grow MR > 4-5%pa Assets first: grow investment in AM 1%, depreciation ~ 2.5%pa Services: flatline growth in non-asset services - support Renewal: equivalent to depreciation on average pa Capex: matched to value of capital grants-contributions WC: build to 25% cash opex

Table 4

LTFP: long term financial plan | ABC: activity based costing | AC: annual charge | WDV: asset written down value | AM: asset management | WC: working capital | RoR: rate of return/recovery | LoS: level of service | PI: principal and interest

Since the initial councillor workshops, alternate draft Scenarios for the new councils considered other SRV options to the above Interventions, all of which are above the annual rate cap:

- a. phased low level SRV increases per year from FY26
- b. one-off SRV increases at the beginning of each council Term (FY26 and FY28)
- c. larger one-off SRV increase at the beginning of Term 1 (FY27)

2.6.4 Sustainability Plan Settings

The key settings of the new councils FSP Scenarios are similar to those for SVC:

Expenditures

- a. as infrastructure, building and utility assets have benefited in recent years through renewal and upgrade expenditure funded by grants, the new council's asset operations and maintenance expenditures should be reset by the councillors, and guided by professional staff, where the focus remains on
 - a notional 1% of the written down value (WDV) of each subclass of asset will apply to maintenance
 - a notional 2% of asset WDV applied for renewals will be monitored against actual depreciation
 - expenditures above those levels may occur in any year due to seasonality (maintenance) or grant stimulus (renewal or upgrade)
 - annualised expenditure on asset maintenance and renewals grows a minimum 2.5% per year
 - annual consumption of assets will be checked against % of assets in good or better condition
 - modest investment in asset and project management maturity continues
- 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)
 - minimise exposure to funding project gaps, or legacy funding of discontinued or under-funded programs sponsored initially by Government
 - prepare and align asset management plan (AMP) and contribution work schedules scope and values, refreshing estimates 5-yearly, and index to PPI annually
- c. flatline service and support costs at the levels from FY25 Operational Plan
 - increase service expenditures each year, only to the equivalent dollar value of indexed annual revenues, raised as rate peg or CPI
 - reassess service and asset offer based on service catalogue prepared by SVC
- d. 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
- e. optimise application of TechOne enterprise platform
 - assume configuration and training complete by 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 operations, maintenance and depreciation expenses, and general rates revenues
 - source reliable annual allocated grants to support the 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 service operations of the respective utilities
- 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
- 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)
 - assess and apply future legacy costs of grant and gifted assets into financial plans
- f. optimise property portfolio
 - use returns from real estate to support funding for projects
 - place returns from asset sales into internal reserves for future reinvestment
 - returns from leasehold are compared to BBSW yields to inform decisions on disposal or retention of property
 - 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 Sustainability Standards

Consolidating the expectations of legislation and OLG outlined in Section 2.1, the following table suggests the Standards the new councils should pursue and monitor:

Financial	Asset	Service
1 Working Capital • ~ 25% cash opex	5 Asset expenditure • ~ 3% asset WDV	9 Public good services (CSO) • ~100% base rate/program grant
2 Reserves • > 75% cash capex	6 General Rates • ~ general asset MRD	10 Private good/market services • >75% user charges/fees RoR
3 New Capital Projects • ~ 100% grant/contribution	7 Taxes (AV rates/asset grants) • ~ 100% asset OMRD	11 Service Growth • ~ 100% related fee/grant growth
4 Supplementary Rates • > 100% gifted asset OMRD	8 Utility Annual Charges • >100% asset OMRD	12 Service Void • ~ grant/third party/collaboration

*OMRD: asset operations, maintenance, renewal, debt servicing

RoR: rate of return (operational cost recovery)

Essentially, these become the annual and end of term checks the new councils are progressing appropriately towards the sustainability measures expected at FY32.

2.6.6 Financial Sustainability Measures

Section 2.4 referenced the financial sustainability framework. The measures proposed for the demerged councils mirror those established with Snowy Valleys. The purpose of the new councils FSPs is to build capacity to acceptable or adequate levels by the end of Term 2.

Measures					Current Rating
Financial Sustainability Framework					
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 5

The SVC FSP suite of financial, asset and workforce indicators will be utilised to guide the councils' progress towards their preferred scenario over the next two terms (Attachment 3).

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

2.6.7 Capacity and Capability

Reference is also made to the SVC FSP – in particular the capacity and capability of the organisation (staff and technology) and the effect of distributing those resources through demerger. The Implementation Plan puts forward estimates for duplicate staff and technology, relying heavily on shared resources (see Section 2.6.8) to mitigate those costs. The attraction, retention, development, interaction and scaling of staff and technology resources – contemporary with the future service offer of the respective new councils – will be vital to their sustainability. A future-focused workforce management plan, refreshed at each council term, should align to the programs and projects the councillors adopt in their Delivery Programs, and the changing digital environment (eg mobility, AI).

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 Steps in Section 2.6.2 promotes the investment in resilience and organisation maturity through:

- nurturing skills and succession by a phased approach to a 'build-buy-borrow' workforce (eg cadets and hybrid working conditions)
- assess, build and monitor organisation maturity in key skills (asset, finance, risk, planning and project management)
- share technology platforms with each new council or joint organisation
- transition to 'digital first' transacting, for high volume, low value activities to enable more staff to community interactions
- design population and climate adaptability into the renewal and construction of new assets, utilising IPWEA and other guidance
- incorporate asset lifecycle costings and forecasts in the AMPs and financial plan
- monitor relevant workforce and AMP indicators

2.6.8 Shared Resources and Facilities

The SVC councillors considered a mix of resources, staffing and facilities that may be shared between the new councils, other adjoining councils or a joint organisation. That also includes partnering with volunteer groups or NGOs to deliver services (eg community transport) or maintain assets (eg gardens).

To minimise the enduring cost of duplicated staff and technology following demerger, the new councils should be bound (through service agreements or contracts) to enter arrangements to share facilities (eg landfill), services (eg street cleansing) or contractors (eg waste collection). Sharing of plant may be problematic given the spread of road assets to be maintained. The NSW Audit Office observations regarding the success of shared resources in the sector, should be considered.

The mix of opportunities for the new councils to share staff, facilities and other resources to provide support, deliver services or to maintain assets include:

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 6

2.6.9 Trade Offs

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 Snowy Valleys councillor group (and community), while others may have been shelved for lack of funding. They may include community, pools, recreation, roads, environment, asset and tourism plans for example.

Regular testing of community sentiment through the IPR community engagement strategy (each term) and satisfaction survey (biennial), should become a vehicle to inform the respective new council communities of the challenges before the 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.

The new councils should revise the enduring relevance of those SVC strategies and plans, before establishing or rebranding their own. It is appropriate then, they should identify the relevant strategy findings applicable to the respective council, the recommendations and actions that have been addressed, those that remain underway, those that may be considered for funding in their first 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 their respective IPR, and importantly, be clear which actions and projects will not be pursued – in other words, manage expectations.

In that context, those items may be included in a schedule of ‘trade offs’. An example of asset activity trade offs, is below:

Will Do (available funding)	Won't Do (constrained funding)
<ul style="list-style-type: none">• Operational activities and reactive maintenance as required• Monitor the condition (current and trend) for all assets• Provide scheduled maintenance to high priority assets• Renew assets in condition 4 and 5 on a priority basis• Provide upgrades of identified assets, as required, to support the growth of the city, and• Increase the network to support new development/subdivision areas	<ul style="list-style-type: none">• Respond to all CSRs immediately• Maintain all of the assets at all times• Conduct Level 3 assessments on the entire network• Renew (list) in condition 4 and 5• Replace assets in condition 5• Expand the (list network) as planned without grant funding and available matching reserves
	<p>Trade Offs</p> <ul style="list-style-type: none">• Assets deteriorate faster (rutting, cracking)• Lower travelling speeds, load limits• Increased insurance claims

Table 7

2.6.10 Financial Plan Settings

The FSP settings and financial actions set the platform for each new council to prepare and monitor their respective Resourcing Strategy, including the financial plans (LTFP). The financial plans record the estimates and indices expected to be realised each year. The table below summarises those expectations:

Category	Actions
Revenues	<ul style="list-style-type: none"> regulatory and private good service fees and charges will be phased upwards to attain the rates of recovery of operating costs (per pricing policy) market good service fees and charges will be phased upwards to attain the rates of recovery of operating and associated asset costs (per pricing policy) <ul style="list-style-type: none"> subsidies received to support market services such as children's programs, will be recognised as fees revenues average annual rates bill would need to increase in real terms differentiate and account for user charges from annual charges (eg DWM) raise s501 annual charges to recover asset maintenance, renewal and debt servicing (MRD) for waste and drainage
Expenditure	<ul style="list-style-type: none"> annual per-capita spending on services and support would be flatlined per year <ul style="list-style-type: none"> any increase in spend on services and support is capped to the monetary value of indexed rates, charges, fees and grants revenues respectively utilise borrowings, reserves and grants to smooth out lumpy capital expenditures water, stormwater and catchment quality expenses will be appropriately charged to the utilities costs of supporting services and asset management will be distributed to services and asset expenditure, and be based on a recognised resource effort and transactional drivers (ie activity based costing) to record the real cost of services
Grants	<ul style="list-style-type: none"> grants will be sought to initiate or continue services to the extent that all costs are recovered <ul style="list-style-type: none"> programs and projects will be annotated in budgets to record which they are subject to, or will not commence, until an executed grant deed or works-in-kind deed is in place plan and account for downstream impact of 'lead' or 'legacy' grants <ul style="list-style-type: none"> programs where annual portion of grants declines ongoing operations and maintenance costs for grant funded projects for upgraded/new assets strip back non-critical programs to value of grant
Contributions	<ul style="list-style-type: none"> bundle existing contributions greater than 5 years for expenditure on similar purpose or location prepare or refresh contribution plans to raise revenues for <ul style="list-style-type: none"> new or upgraded assets in appropriate catchments under s7.11 EPAA, or generally for renewal of existing assets under s7.12 EPAA align the contributions work schedules to the equivalent AMP schedules reset contribution plans on 5-yearly basis, in line with asset revaluations <ul style="list-style-type: none"> apply PPI indices between those periods

Assets	<ul style="list-style-type: none"> • annual maintenance expense to average around 1% WDV assets • annual renewals capex to average around 2% WDV (per AMP) <ul style="list-style-type: none"> • renewals capex should be equivalent to depreciation expense (moderated by AMP renewal priorities) • respective actual annual maintenance and renewal expenditure may move within or outside that 3% bandwidth, pending seasonality (maintenance) or grants availability (renewal) • limit new or upgrade capex to value of funding by capital grants and contributions • distinguish asset operations from maintenance expense • distinguish asset renewals from upgrade components in capital projects, to mitigate inadvertent growth in depreciation • minimise growth in 'work in progress' (WIP), as it defers depreciation and may signal low organisation capacity to complete capital works • plan for and track movement in depreciation and renewals, measured against asset ratio
Asset Plans	<ul style="list-style-type: none"> • refresh asset strategy objectives each council term, having regard to movement in <ul style="list-style-type: none"> • population, load, resilience, customer, asset upgrade and asset obsolescence • refresh asset management plans (AMP) each term <ul style="list-style-type: none"> • design resilience and adaptability into renewed, upgraded or new assets, for population and climate change risks • align AMP work schedules to contribution plans and financial plans • utilise asset revaluation metrics for financial plan forward estimates and insurable assets • apply life cycle management for assets, so that acceptable estimates for acquisition, operation, maintenance, renewal and disposal are embedded in financial plans • consider phased deferral of preventative maintenance and renewals on assets recently updated through disaster grant funding • apply the principle of 'Narrow the Gap', aimed to progressively align asset maintenance, renewal and debt expenditures to the revenue raising capacity of general rates and utility charges, and associated asset grants • fund infrastructure maintenance and renewals from operating revenues and surpluses; and enhancements from reserves, capital grants, contributions and borrowings <ul style="list-style-type: none"> • if unviable, moderate asset plans to available funding and forecast downstream impacts on asset condition and ratios • use debt and movements in cash reserves to help 'smooth' large injections of assets renewal or upgrades across several years • utilise asset revaluation cycles to schedule condition assessments and revision of remaining useful lives for primary classes and subclasses of assets <ul style="list-style-type: none"> • assess movements in depreciation expense • utilise values for insurance portfolio settings • assess and monitor anticipated values of assets contributed through developments <ul style="list-style-type: none"> • estimated annualised value of maintenance and depreciation • extent to which supplementary rates and charges from subdivision or other developments recover those forecast expenditures • establish appropriate rate subcategory or rate settings to recover those costs
Services	<ul style="list-style-type: none"> • revise service and asset offer each term <ul style="list-style-type: none"> • council role in delivery, criticality of service and respective asset • maximum allowable outage for critical service and assets • monitor levels of cost recovery (regulatory, private, market, utility) • reassess levels of service against 'satisfaction and importance' biennial surveys • reappraise levels of service settings for services such as <ul style="list-style-type: none"> • optimising service hours to those times most suited to community expectations • delaying responsiveness to customer requests/complaints, to improve reliability of scheduled and planned maintenance and renewal activities, and turnaround of applications

	<ul style="list-style-type: none"> performance of shared service arrangements, outsourcing or contracting some services or facilities
Policies	<ul style="list-style-type: none"> establish policies and revise each council term for <ul style="list-style-type: none"> rating (including categories and portion of ad valorem and base rate yields) pricing grants (purpose, application and acceptance) gifted and grant funded assets restricted funds (reserves) donations, waivers and exemptions investments borrowings property
Results	<ul style="list-style-type: none"> balanced budget must be averaged across the ten year financial planning cycle annual cash surplus should be attained so that <ul style="list-style-type: none"> working capital accumulates by end Term 2 to 25% of cash opex each year utility funds accumulate reserves to fund planned future augmentation cyclical (as opposed to structural) deficits can be tolerated to ensure that tax smoothing occurs <ul style="list-style-type: none"> meet financial ratios < 2 terms meet asset ratios < 1 term

Table 8

2.6.11 Pricing Settings

As indicated previously, it is assumed the new councils will initially replicate the service and asset criticalities and roles/modes of delivery as that proposed by SVC. The proposed new council Scenarios assume a similar service and pricing profile to the SVC model:

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

Table 9

3. Financial Distributions

The draft Demerger Transition-Implementation Plan published the proposed methods of distribution of physical, financial and staff assets (Attachment 4). Those methods will apply at the time of Proclamation with the distributed results subject to the windup and final audit of SVC.

In the meantime, the SVC FY25 Operational Plan expenses and revenues have been notionally divided between the two new councils, together with asset values and staff FTE numbers. Those distributions have been placed into a Note B1 format to display the comparative financial results for each new council, should they have commenced in FY25. The Note B1 format also distinguishes incomes (exclusive of grants) and expenses (exclusive of depreciation) to illustrate the cash result (excluding depreciation), the rates of return for regulatory-private-market Programs from council fee settings, and the appropriateness of depreciation charges as a percentage of the respective asset WDV for each Program. It should be noted, only nominal estimates have been included for duplicated executive and specialist staff and technology costs, while some asset values (and corresponding depreciation) are under review following implementation of asset register and preparation of asset plans early in 2025.

Notwithstanding, the Notes below illustrate:

- broad Service and Program groupings
- nett financial result of each Program
- asset supporting each Program (and notional 3% annual spend on maintenance and renewal)
- reliance on grants (note: children's services income includes government subsidy)
- portion of depreciation and employment per Program
- staff FTE per Program
- rates of return (cost recovery via charges and fees) of programs, excluding value of grants
- extent to which those rates of return are within target range

These figures have been used as the base for the Scenarios for each new council in Section 4.

[illegible]

		Tumut		Income	Expense	excl grants FY25ROR	Result	Grants/Contribs		Assets WDV		Depreciation		Employment	
				2025	2025	FY25ROR	2025	2025	% OpRev	2025	3% WDV	2025	% Opex	2025	% Opex
Support	Program		\$,000												
Executive	101 - Leadership			2	1843		-1841	9	82%		0	0	0	1145	62%
Finance	201 - Finance				1165		-1165	0	#DIV/0!		0	0	0	930	80%
Engagement	301 - Communication, Engagement, Corporate Plan			0	388		-388	0			0	0	0	277	71%
Governance	302 - Program and Grants Management			0	95		-95	0			0	0	0	90	95%
Digital	303 - Governance and Risk			1	390		-389	0	0%		0	0	0	246	63%
Customer	401 - Technology			0	1744		-1744	0			24	1	4	391	22%
Workforce	402 - Customer Service			0	586		-586	0			0	0	0	531	91%
Asset	403 - People and Culture			0	358		-358	0			0	0	0	297	83%
Asset	404 - Workplace Health and Safety			43	628		-585	0	0%		0	0	0	270	43%
Asset	405 - Technical Services			225	2251		-2026	11	5%		285718	8572	26	2028	90%
Asset	509 - Fleet, Depot and Workshop			1727	1780	72%	-53	3	0%		2482	74	618	445	25%
	Internal Charges			7073			7073								
				9071	11228		-2157	23	0%		288224	8647	648	6850	59%
	TOTAL			35166	33824		1342	6223	15%		498606	14558	6330	13470	40%
	Backoffice % Opex				16%						\$3=	14271	33824		
	Total Income						41389								
	Total expenditure (incl admn FTE/ICT/CIU)						40654	735							

3.2 Tumbarumba Service and Support

Service	Program	Tumbarumba	\$ '000	Income	Expense	Result	Grants/Contributions		Assets WDV		Depreciation		Employment	
				2025 excl grants	2025 excl depn	2025 FY25Rcr	2025	2025	% OpRev	2025	3% WDV	2025	% Opex	2025
Commercial	405 - Children's Services		2478	2921	84%	-443		0%	1160	35	32	1%	2119	73%
	415 - Caravan Parks		785	385	161%	400	0	0%	42	1	104	27%	8	2%
	510 - Cemetery Management		122	87	121%	35	0	0%	61	2	14	15%	29	33%
	517 - Aerodrome			11	0%	-11	0	0%	0	0	0	0%	0	0%
	999 - External Commercial Works		3702	3132	118%	570	0	0%	1155	35	11	0%	538	17%
	401 - Community Development		1	80	1%	-79	2	67%	16	0	5	6%	25	31%
	407 - Community Transport		29	116	23%	-87	157	84%	43	1	8	7%	53	46%
	512 - Public Toilets		0	225	0%	-225	0	0%	1900	57	158	70%	48	21%
	412 - Library		1	419	0%	-418	18	95%	1719	52	16	4%	161	38%
	411 - Growth and Development		234	706	33%	-472	3	1%	0	0	0	0%	373	53%
	402 - Economic Development		0	40	0%	-40	0	0%	0	0	0	0%	2	5%
	403 - Tourism and Visitor Services		96	227	39%	-131	0	0%	569	17	18	8%	125	55%
	409 - Emergency Management		0	393	0%	-393	195	100%	37	1	11	3%	0	0%
	900 - Emergency Works		0	0	0	0	0	0%	240	7	0	0	0	0
	406 - Multi Service Outlet		155	334	38%	-179	120	44%	3383	101	78	23%	126	38%
	513 - Buildings		255	298	52%	-33	0	0%	19300	391	207	72%	43	15%
	514 - Sporting Grounds		11	262	3%	-251	0	0%	1121	34	158	53%	89	23%
	515 - Parks and Open Space		3	893	0%	-890	5	63%	11797	3522	214	24%	387	43%
	516 - Swimming Pools		32	260	8%	-228	0	0%	758	23	132	51%	107	41%
	410 - Regulatory Services		18	239	8%	-221	34	65%	39	1	1	0%	56	23%
542 - Sewerage		1186	848	110%	338	0	0%	4483	134	233	27%	227	27%	
501 - Drainage and Stormwater Management		27	30	13%	-3	0	0%	410	12	200	667%	4	13%	
503 - Road Safety		0	97	0%	-97	34	100%	410	0	0	0%	37	38%	
506 - Roads and Bridges		0	2214	0%	-2214	1198	100%	44939	1332	2649	120%	948	16%	
507 - Footpaths, Carparks and Kerb and Gutter		0	88	0%	-88	0	0%	22004	660	276	314%	13	15%	
540 - Waste Management		1006	1169	83%	-163	1	0%	546	16	37	3%	139	12%	
541 - Water Supply		1177	701	124%	476	0	0%	66053	1982	248	35%	251	37%	
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		Tumbarumba	\$,000	Income		Expense		FY25RoR	Result	Grants/Contributions		Assets WDV		Depreciation		Employment	
				2025	2025	2025	2025			2025	% Opex	2025	3% WDV	2025	% Opex	2025	% Opex
Support	Executive	Program															
		101 - Leadership		2	1184		-1182			6	75%	0	0	0	0	749	63%
	Finance	201 - Finance			379		-379			0		0	0	0	0	303	80%
	Engagement	301 - Communication, Engagement, Corporate Plan		0	156		-156			0		0	0	0	0	85	54%
	Governance	302 - Program and Grants Management		0	53		-53			0		0	0	0	0	53	100%
	Governance	303 - Governance and Risk		0	212		-212			0		0	0	0	0	145	68%
	Digital	404 - Technology		0	1067		-1067			0		14	0	2	0%	230	22%
	Customer	408 - Customer Service		80	301		-221			0		0	0	0	0	283	94%
	Workforce	413 - People and Culture		0	211		-211			0		0	0	0	0	175	83%
	Workforce	414 - Workplace Health and Safety		25	370		-345			0	0%	0	0	0	0	160	43%
	Asset	500 - Technical Services		8	1280		-1272			7	47%	29	1	14	1%	1183	92%
	Asset	509 - Fleet, Depot and Workshop		1471	1364		107	78%		2	0%	607	18	515	38%	306	22%
		Internal Charges		4172			4172										
				5758	6577		-819			15	0%	650	20	531	8%	3672	56%
		TOTAL		22126	22742		-616			3905	15%	281209	8436	5321	23%	8958	39%
		Backoffice % Opex			12%												
		Total income					26031										
		Total expenditure (incl admin FTE/CT/Cltr)					28063		-2032								

4 Scenarios

To follow the Sustainability Steps in Section 2.6.2, SVC nominated Scenario 3 from the SVC Financial Sustainability Plan, as the preference to model the new councils' financial settings.

As outlined in Section 2.6.3, the Interventions proposed in Scenario 3 for each council are summarised below, with further detail in Section 4.5:

Tumut		Tumbarumba	
Assumptions: <ul style="list-style-type: none"> property growth 0.5%pa disaster grants exhausted allocated grants flat competitive grants halved demerger cost = grant tax and fees uplift excludes annual rate peg-CPI (LTFP) that \$ uplift = increase in funding for service-support LoS per OP25 settings fully attribute organisation support costs (ABC) fully recover plant hire costs investment interest grows with reserves no new borrowings debt PI declines current office/depots ok for new council staffing 	Interventions: <ul style="list-style-type: none"> SRV: 2.5%pa no special AC (incl in above) Criticality: build reserves for utilities seasonality/augment <ul style="list-style-type: none"> includes drainage AC RoR: annual growth in yields for regulatory, share, private and market services ~ 2.5% Assets first: reset MR~1% WDV Assets first: grow MR > 2.5%pa Assets first: grow investment in AM 1%, depreciation 2.5%pa Services: flatline growth in non-asset services - support Renewal: equivalent to depreciation on average pa Capex: matched to value of capital grants-contributions WC: build to 25% cash opex 	Assumptions: <ul style="list-style-type: none"> property growth 0%pa disaster grants exhausted allocated grants flat child/aged grants retained competitive grants halved demerger cost = grant tax and fees uplift excludes annual rate peg-CPI (LTFP) that \$ uplift = increase in funding for service-support LoS per OP25 settings fully attribute organisation support costs (ABC) fully recover plant hire costs investment interest grows with reserves debt PI rises with any loans current office/depots ok for new council staffing 	Interventions: <ul style="list-style-type: none"> SRV: 3x 10%pa; 4 x 5%pa no special AC (incl in above) Criticality: build reserves for utilities augment ~10% pa <ul style="list-style-type: none"> includes drainage AC RoR: annual growth in yields for regulatory, private and market services ~ 2.5% Assets first: reset MR>1% WDV Assets first: grow MR > 4-5%pa Assets first: grow investment in AM 1%, depreciation ~ 2.5%pa Services: flatline growth in non-asset services - support Renewal: equivalent to depreciation on average pa Capex: matched to value of capital grants-contributions WC: build to 25% cash opex

In addition to the phased introduction of special rate variations (SRV) illustrated above, the following SRV variations has also been modelled for each new council, assuming Proclamation takes effect on 1 July 2026. Each SRV is in addition to the annual rate peg set by IPART. It may be prudent to pursue an early single SRV uplift to mitigate any future beneficial increases to the rate peg should a phased SRV be preferred.

- Scenario 3.0
 - annual cumulative SRV commencing FY27
 - Tumut 2%pa
 - Tumbarumba 7.5%pa
- Scenario 3.1
 - One off SRV at FY27
 - Tumut 10%
 - Tumbarumba 50%
- Scenario 3.2
 - Two SRV at FY27 and FY29
 - Tumbarumba 20% each

Each variant was designed to achieve a similar rate revenue outcome by the end of Term 2, the utilities to generate adequate cash and overall, then achieve acceptable levels of working capital (unrestricted cash and suitable internal reserves) by FY32. The Scenarios and Sustainability Indicators are displayed below.

4.1.1 Scenario 3.0: Tumut

Scenario 3 - Foundational														
Smoothed annual SPV from FY27														
Operating Account	Tumut	Pricing Principle	Source	Intervention		Indices	FY25OP \$,000	Term 1		Term 2		FY32 \$,000	FY32 \$,000	
				Term 1	Term 2			FY26 \$,000	FY27 \$,000	FY28 \$,000	FY29 \$,000			
Operating Revenues	Tax, general rates	public	B2-1	o ad valorem	2.00%	2.00%	8,372	8,414	8,582	8,754	8,929	9,107	9,290	9,475
charge	utility AC	unity	B2-1	o water, sewer, waste and stormwater (asset)	3.00%	3.00%	12,523	9,674	9,964	10,263	10,571	10,888	11,215	11,551
fee regulatory	special AC	shared	B2-2	o tourism, emergency	0.00%	0.00%	-	-	-	-	-	-	-	-
market	regulatory	market	B2-3	o development, certificates, animal, weed, food, OSHS etc	2.50%	2.50%	457	468	480	492	505	518	530	543
grant	operating-allocated	private	B2-3	o contract and private works (incl RMCC)	2.50%	2.50%	515	528	541	555	568	583	597	612
operating-competitive	shared	public	B2-4	o priority hire, lease and licences (incl residential, halls, café)	2.50%	2.50%	2,702	2,770	2,839	2,910	2,983	3,057	3,133	3,212
grant	operating-emergency	interest	B2-4	o recreation	0.00%	0.00%	330	330	330	330	330	330	330	330
interest	internal charges	offset	B2-4	o community, economic, support, other	0.00%	0.00%	330	330	330	330	330	330	330	330
other	grant	offset	B2-4	o children, aged, weed	0.00%	0.00%	36	36	36	36	36	36	36	36
TOTAL OPERATING REVENUES	asset	offset	B2-4	o environment, community, economic, recreation	0.00%	0.00%	490	490	490	490	490	490	490	490
Operating Expenditures	asset	offset	B2-4	o assets assuming 50% reduction	0.00%	0.00%	1,576	768	768	768	768	768	768	768
services	Regulatory	Commercial	OP	o emergency levy and disaster programs	0.00%	0.00%	967	1,088	1,242	1,416	1,592	1,774	1,951	2,148
PROPERTY	Contract	Public-OSO	OP	o investment interest if pending EOY reserve balance	0.00%	0.00%	7,073	7,197	7,197	7,197	7,197	7,197	7,197	7,197
Support	Donations	Utilities	OP	o attributions/overhead	100.00%	offset	1,727	2,416	2,476	2,538	2,602	2,667	2,733	2,802
Internal Cng	TOTAL OPERATING EXPENSES	OPERATING RESULT (surplus/deficit)	OP	o other (incl dividends)	-	-	41,389	42,407	43,354	44,280	45,228	46,203	47,194	48,221
TOTAL OPERATING EXPENSES	OPERATING RESULT (surplus/deficit)	OP	OP	o regulatory (eg development, certification, animal, weed, food, health, OSHS etc)	0.00%	0.00%	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975
OPERATING RESULT (surplus/deficit)	PROPERTY	Contract	Public-OSO	Support	Donations	Utilities	Internal Cng	TOTAL OPERATING EXPENSES	OPERATING RESULT (surplus/deficit)	OP	OP	OP	OP	OP

Scenario 3 - Foundational											
Capital Account	Source	Intervention Term 1	Intervention Term 2	Index	FY25OP \$,000	FY26 \$,000	FY27 \$,000	FY28 \$,000	FY29 \$,000	FY30 \$,000	FY32 \$,000
Capital Revenues	Grants										
	o capital grants - allocated (eg RDR, emergency) Asset 50% SCF LTPP	B2-4			3,396	1,735	1,676	1,210	570	500	566
	o capital grants - competitive (eg road, community, environment, utility) *	B2-4			418						
	o emergency grants (eg disaster restoration)	B2-4			22,105						
	o capital contributions - cash	B2-4									
	o capital contributions - gift	B2-4									
	o IPPE asset sales	SCF			52						
	o property sales	SCF									
	o LIRS subsidy										
	o new borrowings	SCF			6,830	7,001	7,176	7,355	7,539	7,728	8,119
TOTAL CAPITAL REVENUES					32,782	8,736	8,851	8,565	8,664	8,298	8,714
Capital Expenditures	Renewal										
	o IPPE renewals (general)	LTPP	100.00%		4,810	3,941	4,040	4,141	4,244	4,350	4,570
	o IPPE renewals (utilities)	C1-7	100.00%		2,118	2,426	2,487	2,549	2,674	2,946	3,095
	o IPPE renewals (plant-equipment)	LTPP	100.00%		800	633	649	666	682	699	717
	New Upgrade										
	o IPPE new/upgrades (general)	LTPP	100.00%								
	o IPPE new/upgrades (utilities)	C1-7									
	o IPPE new/upgrades (plant-equipment)	C1-7			22,105						
	o asset disaster works (capital)	SCF									
	o property acquisitions and development	SCF			462	448	376	340	299	315	352
TOTAL CAPITAL EXPENSES					30,396	7,449	7,552	7,695	8,099	8,310	8,762
CAPITAL RESULT (surplus/deficit)					2,422	1,277	1,298	870	565	13	-38
OVERALL RESULT (surplus/deficit to be funded by reserves/debt)											
					3,167	3,854	4,339	4,401	4,548	4,431	5,341
Reserves	* grants received for asset renewal (previously funded for PSP to be placed into asset reserve)										
	Brought forward				24,036	27,203	31,057	35,396	39,797	44,345	53,991
	Net Transfer to/from reserve (utilities)	SCF			1,068	1,068	1,438	1,781	1,859	2,144	2,436
	Overall Result (incl utilities)				3,167	2,796	2,901	2,621	2,659	2,287	2,955
	CarryOver										
TOTAL CASH (end of year)					27,203	31,057	35,396	38,797	44,345	48,776	58,832

4.1.2 Scenario 3.0: Tumbarumba

Operating Account	Tumbarumba Scenario 3-Foundational <i>Smoothed annual \$M from FY22</i>	Pricing Principle	Source	Term 1				Term 2			
				Intervention		Intervention	Indices	FY250P		FY26	
				Term 1	Term 2			\$,000	\$,000	\$,000	\$,000
Operating Revenues	tax general rates	public	B2-1	7.50%	7.50%		0.00%	4,716	5,070	5,559	6,770
	o atollom										
	o base	public	B2-1	0.00%	0.00%		0.50%	-	-	-	-
	o water, sewer, waste and stormwater (asset)	public	B2-1	10.00%	10.00%			3,396	3,222	3,554	4,717
	charge utility user	utility	B2-2	10.00%	10.00%			894	1,027	1,187	1,308
	o water, sewer, waste (operations)	utility	B2-2	10.00%	10.00%						
	o tourism, emergency	shared		0.00%	0.00%			-	-	-	-
	o development, certificates, animal, weed, food, OSHS etc	regulatory	B2-3	2.50%	2.50%			292	286	265	282
	o children, aged care, cemeteries, aerodrome, quarry, caravan park	market	B2-3	2.50%	2.50%			3,385	3,470	3,556	3,630
	o contract and private works (incl RHCC)	market	B2-3	2.50%	2.50%			3,702	3,795	3,889	4,066
	o property hire, lease and licences (incl residential, halls, cafe)	private	B2-3	2.50%	2.50%			410	420	432	453
	o recreation	shared	B2-3	0.00%	0.00%			46	46	46	46
	o community, economic, support, other	public	B2-3	0.00%	0.00%			242	242	242	242
	o PAs library, person	grant	B2-4	0.00%	0.00%			2,141	2,141	2,141	2,141
	o children, aged, weed	grant	B2-4	0.00%	0.00%			154	154	154	154
	o environment, community, economic, recreation	grant	B2-4	0.00%	0.00%			183	183	183	183
	o assets <i>assumes 50% reduction</i>	grant	B2-4	0.00%	0.00%			1,232	615	615	615
	o emergency levy and disaster programs	grant	B2-4	0.00%	0.00%			195	195	195	195
	o investment interest <i>providing COT reserve balance</i>	invest	B2-5	0.00%	0.00%		4.00%	304	565	538	762
Operating Expenditures	o attributions/overhead	offset		offset	offset			4,172	3,933	3,933	3,933
	o plant hire (net)	offset		offset	offset			1,471	1,538	2,037	2,183
	o other (incl dividends)										
	TOTAL OPERATING REVENUES							26,031	26,539	29,778	33,012
	General tax asset/AMV app							4,412	5,633	3,469	2,852
	o asset and project management			1.00%	1.00%			1,280	1,280	1,339	1,339
	o asset operations and maintenance (general, reserves) @1% WDV			2.50%	2.50%			3,779	2,666	3,011	3,622
	o asset maintenance (utilities - water, sewer, waste and stormwater) (per as7)			2.50%	4.00%			2,743	375	384	469
	o asset operation/maintenance (plant equipment)			2.50%	2.50%			1,384	1,411	1,446	1,519
	o asset depreciation (general)			2.50%	2.50%			4,088	4,190	4,402	4,512
Services	o asset depreciation (utilities - water, sewer, waste and stormwater)			2.50%	2.50%			718	706	773	793
	o asset depreciation (plant equipment)			2.50%	2.50%			515	528	541	555
	o asset disaster works (M)							-	-	-	-
	o regulatory (eg development, certification, animal, weed, food, health, OSHS etc)			0.00%	0.00%			945	945	945	945
	o commercial (eg childcare, aged care, cemeteries, aerodrome, quarry, caravan park)			0.00%	0.00%			3,404	3,404	3,404	3,404
	o property (eg residential, halls, cafe)			0.00%	0.00%			622	622	622	622
	o contract and private works (incl RHCC)			2.50%	0.00%			3,132	3,210	3,291	3,373
	o services (community, culture, recreation, environment, economic, emergency)			0.00%	0.00%			1,142	1,142	1,142	1,142
	o support + leadership <i>excludes applications FTE/C27</i>			0.00%	0.00%			3,933	3,933	3,933	3,933
	o donations and government transfers (incl ESL)			0.00%	0.00%			393	393	393	393
Internal Chg	o services (utilities - water, sewer, waste and stormwater)			0.00%	0.00%			2,433	2,433	2,433	2,433
	o attributions/overhead			offset	offset						
				offset	offset						
				offset	offset						
TOTAL OPERATING EXPENSES								26,063	27,480	28,169	29,299
OPERATING RESULT (surplus/deficit)								- 2,032	841	284	464
										1,238	2,999
											3,040
											4,000

Scenario 3 - Foundational															
Capital Account		Source	Intervention Term 1	Intervention Term 2	Indices	FY25OP \$,000	FY26 \$,000	FY27 \$,000	FY28 \$,000	FY29 \$,000	FY30 \$,000	FY31 \$,000	FY32 \$,000		
Capital Revenues	Grants	B-4				1,586	1,725	1,675	1,210	1,125	570	520	595		
		B-4													
		B-4				1,592									
		B-4													
	Contribution	B-4													
		B-4													
	Sales	SCF				44									
		SCF													
		SCF													
		SCF													
Capital Expenditures	Renewal	LTP	100.00%	100.00%		5,321	5,454	5,589	5,730	5,873	6,020	6,171	6,325		
		LTP	100.00%	100.00%		8,553	7,179	7,285	6,940	6,988	6,590	6,691	6,920		
		LTP	100.00%	100.00%		2,805	4,190	4,295	4,402	4,512	4,625	4,741	4,859		
		LTP	100.00%	100.00%		5,420	736	754	773	872	884	916	939		
	New/Upgrade	C1-7				658	528	541	555	568	583	597	612		
		C1-7													
		C1-7													
		C1-7													
	Acquisition	SCF				1,592									
		SCF				368	384	311	308	299	315	333	352		
Capital Result (surplus/deficit)	Debt	SCF													
		SCF													
		SCF													
		SCF													
	TOTAL CAPITAL EXPENSES					10,836	5,838	5,901	6,038	6,252	6,416	6,587	6,762		
						- 2,293	1,341	1,364	982	747	174	104	118		
	Reserves	Overall Result (surplus/deficit to be funded by reserves/debt)					- 4,315	400	1,080	1,386	1,684	2,273	3,144	4,248	
Brought forward		SCF				15,546	14,231	14,631	15,711	17,077	19,081	21,334	24,477		
		SCF				- 64	387	787	1,072	1,407	1,901	2,379	2,879		
Net transfer to/from reserve (utilities)						- 4,315	464	713	589	912	895	1,243	1,879		
Investments on hand EOY															
TOTAL CASH (end of year)						14,231	14,631	15,711	17,077	19,081	21,334	24,477	28,726		

[illegible]

Scenario 3 - Foundational														
Capital Account			Source	Intervention Term 1	Intervention Term 2	Indices	FY25OP \$,000	FY26 \$,000	FY27 \$,000	FY28 \$,000	FY29 \$,000	FY30 \$,000	FY31 \$,000	FY32 \$,000
Capital Account	Capital Revenues	Grants												
	Contribution													
	Sales													
Capital Expenditures	Renewal													
	New Upgrade													
	Acquisition													
	Debt													

4.2.2 Scenario 3.1: Tumbarumba

	Tumbarumba Scenario 3.1-Foundational <i>(one-off uplift FY27)</i>	Pricing Principle	Source	Intervention Term 1	Intervention Term 2	Indices	FY25OP \$,000	FY26 \$,000	FY27 \$,000	FY28 \$,000	Term 2	
											FY29 \$,000	FY31 \$,000
											FY30 \$,000	FY32 \$,000
Operating Account	Operating Revenues											
		tax: general rates										
		o ad valorem										
		public	B2-1	50.00%	0.00%	0.00%	4,718	4,718	7,074	7,074	7,074	7,074
		o base	B2-1	0.00%	0.00%	0.00%	-	-	-	-	-	-
		utility AC	utility	10.00%	10.00%	0.00%	2,929	2,929	3,222	3,344	3,899	4,717
		o water, sewer, waste and stormwater (asset)										
		charge: utility user	utility	10.00%	10.00%	0.00%	3,395	3,395	3,222	3,344	4,388	5,189
		special AC	B2-2	10.00%	5.00%	0.00%	954	954	1,027	1,130	1,187	1,374
		o water, sewer, waste (operations)										
	Operating Expenses	fee: regulatory	shared	0.00%	0.00%	0.00%	-	-	-	-	-	-
		o development, certification, animal, weed, food, OSMs etc										
		market	B2-3	2.50%	2.50%	0.00%	202	208	265	271	278	292
		o children, aged care, cemeteries, aerodrome, quarry, caravan park										
		o contract and private works (incl RMCO)	B2-3	2.50%	2.50%	0.00%	3,385	3,470	3,556	3,645	3,736	3,826
		private	B2-3	2.50%	2.50%	0.00%	3,702	3,795	3,889	3,987	4,086	4,188
		o property hire, lease and licences (incl residential, halls, cafe)										
		shared	B2-6	2.50%	2.50%	0.00%	410	420	431	442	453	464
		public	B2-3	0.00%	0.00%	0.00%	46	46	46	46	46	46
		grant: operating allocated	B2-3	0.00%	0.00%	0.00%	242	242	242	242	242	242
	Operating Expenditures	operating: competitive	grant	0.00%	0.00%	0.00%	2,141	2,141	2,141	2,141	2,141	2,141
		o environment, community, economic, recreation										
		o assets Assume 50% reduction	B2-4	0.00%	0.00%	0.00%	154	154	154	154	154	154
		operating: emergency	grant	0.00%	0.00%	0.00%	183	183	183	183	183	183
		interest: interest	B2-4	0.00%	0.00%	0.00%	122	122	122	122	122	122
		internal: internal charges	grant	0.00%	0.00%	0.00%	195	195	195	195	195	195
		other	B2-5	0.00%	0.00%	0.00%	334	334	334	334	334	334
		o plant hire (net)										
		o other (incl dividends)	offset	100.00%	offset	0.00%	4,172	3,933	3,933	3,933	3,933	3,933
		TOTAL OPERATING REVENUES	offset				1,471	1,938	1,987	2,037	2,140	2,193
							28,031	28,539	29,547	30,346	31,141	32,884
												33,849
Operating Expenditures	asset: Asset OHR	General tax asset/AN (gap)					4,401	5,033	5,406	5,688	5,932	6,218
		o asset and project management	OP	1.00%	1.00%	0.00%	1,280	1,283	1,306	1,332	1,345	1,359
		o asset operations and maintenance (general, reserves) @1+1% (WTV)	97	2.50%	5.00%	0.00%	3,779	2,866	2,938	3,011	3,162	3,320
		o asset maintenance (utilities - water, sewer, waste and stormwater) (per 25.7)	97	2.50%	2.50%	0.00%	2,748	375	384	394	409	426
		o asset operations/maintenance (plant equipment)	97	2.50%	2.50%	0.00%	1,364	1,411	1,445	1,482	1,519	1,557
		o asset depreciation (general)	B2-4	2.50%	2.50%	0.00%	4,088	4,190	4,295	4,402	4,512	4,625
		o asset depreciation (utilities - water, sewer, waste and stormwater)	B2-4	2.50%	2.50%	0.00%	718	736	754	773	793	812
		o asset depreciation (plant equipment)	B2-4	2.50%	2.50%	0.00%	515	528	541	555	568	583
		o asset disaster works (M)					-	-	-	-	-	-
		service: Regulatory										
	Commercial	o regulatory (eg development, certification, animal, weed, food, health, OSMs etc)	OP	0.00%	0.00%	0.00%	945	945	945	945	945	945
		o commercial (eg childcare, aged care, cemeteries, aerodrome, quarry, caravan work, sawwood)	OP	0.00%	0.00%	0.00%	3,404	3,404	3,404	3,404	3,404	3,404
		o property (eg residential, halls, cafe)	OP	0.00%	0.00%	0.00%	622	622	622	622	622	622
		o contract and private works (incl RMCO)	OP	0.00%	0.00%	0.00%	3,132	3,210	3,291	3,373	3,458	3,573
		o services (community, culture, recreation, environment, economic, emergency)	OP	0.00%	0.00%	0.00%	1,142	1,142	1,142	1,142	1,142	1,142
		o support - leadership (includes applicable FY27)	OP	0.00%	0.00%	0.00%	3,933	3,933	3,933	3,933	3,933	3,933
		o donations and government transfers (incl ES)	OP	0.00%	0.00%	0.00%	393	393	393	393	393	393
		o services utilities (water, sewer, waste and stormwater)	OP	0.00%	0.00%	0.00%	2,433	2,433	2,433	2,433	2,433	2,433
		o attributes/overhead	OP	offset	offset	0.00%	-	-	-	-	-	-
		internal: Chg	OP	offset	offset	0.00%	-	-	-	-	-	-
		TOTAL OPERATING EXPENSES					28,083	27,480	27,826	28,186	28,540	29,299
		OPERATING RESULT (surplus/deficit)					- 2,052	941	1,721	2,168	2,601	3,586
												4,159

Scenario 3 - Foundational												
Capital Account	Source	Intervention Term 1	Intervention Term 2	Indices	FY25GP \$,000	FY26 \$,000	FY27 \$,000	FY28 \$,000	FY29 \$,000	FY30 \$,000	FY31 \$,000	FY32 \$,000
Capital Revenues	Grants											
Capital Expenditures	Renewal											
Reserves	New Upgrades											
TOTAL CAPITAL REVENUES					8,553	7,179	7,265	6,940	6,598	6,590	6,891	6,920
TOTAL CAPITAL EXPENSES					10,836	5,838	5,901	6,038	6,252	6,416	6,887	6,762
CAPITAL RESULT (surplus/deficit)					- 2,283	1,341	1,364	902	747	174	104	158
OVERALL RESULT (surplus/deficit to be funded by reserves/debt)					- 4,315	406	3,085	3,076	3,348	3,352	3,889	4,306
# grants received for asset renewal (already funded in FY) to be placed into asset reserve												
# grants received for upgrades/new assets to be fully offset to the value of asset capital												
Reserves	Brought forward											
TOTAL CASH (end of year)					14,231	14,631	17,715	20,785	24,133	27,385	31,074	35,382

4.2.3 Scenario 3.2: Tumbarumba

Tumbarumba Scenario 3.2-Foundational																
2-phase split FY27 and FY29																
Operating Account		Pricing Principle		Intervention		Indices		FY26P \$,000		FY28 \$,000		FY29 \$,000		Term 2		
Operating Revenues		Source		Intervention		Term 2		FY26P \$,000		FY28 \$,000		FY29 \$,000		FY31 \$,000		
tax, general rates	o ad valorem	BP-1	20.00%	20.00%	0.00%	4,716	4,716	5,659	5,659	6,791	6,791	6,791	6,791	6,791	6,791	
	o base	BP-1	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	
	o utility AC	BP-1	10.00%	10.00%	10.00%	2,929	2,929	3,222	3,222	3,544	3,544	3,544	3,544	3,544	3,544	
	o water, sewer, waste and stormwater (asset)	BP-2	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	
	o water, sewer, waste (operations)	BP-2	10.00%	10.00%	10.00%	934	934	1,027	1,130	1,187	1,246	1,308	1,374	1,441	1,508	
	o tourism, emergency	shared	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	
	o development, certificates, animal, weed, food, OSHS etc	regulatory	2.50%	2.50%	2.50%	292	258	265	271	278	285	292	300	308	316	
	o children, aged care, cemeteries, aerodrome, quarry, caravan park	market	2.50%	2.50%	2.50%	3,385	3,470	3,566	3,645	3,736	3,830	3,926	4,024	4,121	4,219	
	o contract and private works (incl RMCC)	market	2.50%	2.50%	2.50%	3,792	3,795	3,889	3,987	4,086	4,188	4,290	4,393	4,496	4,599	
	o property hire, lease and licences (incl residential, halls, café)	private	2.50%	2.50%	2.50%	410	420	431	442	453	464	475	487	498	509	
	o recreation	shared	0.00%	0.00%	0.00%	46	46	46	46	46	46	46	46	46	46	
	o community, economic, support, other	public	0.00%	0.00%	0.00%	242	242	242	242	242	242	242	242	242	242	
	o FAG, library, pension	grant	0.00%	0.00%	0.00%	2,141	2,141	2,141	2,141	2,141	2,141	2,141	2,141	2,141	2,141	
	o children, aged, weed	grant	0.00%	0.00%	0.00%	154	154	154	154	154	154	154	154	154	154	
operating competitive	o environment, community, economic, recreation	BP-4	0.00%	0.00%	0.00%	183	183	183	183	183	183	183	183	183	183	
	o assets <i>Assume 50% reduction</i>	grant	0.00%	0.00%	0.00%	1,232	616	616	616	616	616	616	616	616	616	
	o emergency levy and disaster programs	BP-4	0.00%	0.00%	0.00%	195	195	195	195	195	195	195	195	195	195	
	o investment interest <i># pending EOI reserve balance</i>	BP-5	0.00%	0.00%	4.00%	344	560	585	602	716	814	947	1,078	1,210	1,342	
	o attributions/overhead	offset	100.00%	offset	offset	4,172	3,933	3,933	3,933	3,933	3,933	3,933	3,933	3,933	3,933	
	o plant hire (net)	offset	100.00%	offset	offset	1,471	1,588	1,987	2,037	2,087	2,140	2,193	2,248	2,301	2,354	
	o other (incl dividends)	offset	offset	offset	offset	-	-	-	-	-	-	-	-	-	-	
	TOTAL OPERATING REVENUES						26,931	26,539	28,132	28,877	30,743	31,576	32,403	33,230	34,057	
	General tax-assessable gap															
	asset	o asset and project management	OP	1.00%	1.00%	1.00%	1,280	1,283	1,306	1,319	1,332	1,345	1,359	1,372	1,385	1,398
		o asset operations and maintenance (general, reserves) <i>@ +1% WDV</i>	BP-7	2.50%	5.00%	5.00%	3,779	2,866	2,988	3,011	3,162	3,320	3,466	3,600	3,734	3,868
		o asset maintenance (utilities, water, sewer, waste and stormwater) <i>(per 15.7)</i>	BP-7	2.50%	4.00%	4.00%	2,748	375	384	394	409	426	443	461	479	497
		o asset operations/maintenance (plant equipment)	BP-7	2.50%	2.50%	2.50%	1,364	1,411	1,436	1,462	1,519	1,537	1,596	1,636	1,676	1,716
		o asset depreciation (general)	BP-4	2.50%	2.50%	2.50%	4,089	4,190	4,295	4,402	4,512	4,626	4,741	4,859	4,977	5,095
o asset depreciation (utilities, water, sewer, waste and stormwater)		BP-4	2.50%	2.50%	2.50%	718	726	764	773	790	812	833	853	873	893	
o asset depreciation (plant equipment)		BP-4	2.50%	2.50%	2.50%	513	528	541	555	568	583	597	612	627	642	
o asset disaster works (M)		OP	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-
o regulatory (eg development, certification, animal, weed, food, health, OSHS etc)		OP	0.00%	0.00%	0.00%	945	945	945	945	945	945	945	945	945	945	945
o commercial (eg childcare, aged care, cemeteries, aerodrome, quarry, caravan park)		OP	0.00%	0.00%	0.00%	3,404	3,404	3,404	3,404	3,404	3,404	3,404	3,404	3,404	3,404	3,404
o property (eg residential, halls, café)		OP	0.00%	0.00%	0.00%	622	622	622	622	622	622	622	622	622	622	622
o contract and private works (incl RMCC)		OP	2.50%	0.00%	0.00%	3,132	3,210	3,291	3,373	3,457	3,543	3,630	3,717	3,804	3,891	3,978
o services (community, culture, recreation, environment, economic, emergency)		OP	0.00%	0.00%	0.00%	1,142	1,142	1,142	1,142	1,142	1,142	1,142	1,142	1,142	1,142	1,142
o support + leadership <i>(includes eligible FTEs)</i>		OP	0.00%	0.00%	0.00%	3,933	3,933	3,933	3,933	3,933	3,933	3,933	3,933	3,933	3,933	3,933
o donations and government transfers (incl ESL)	OP	0.00%	0.00%	0.00%	393	393	393	393	393	393	393	393	393	393	393	
o services utilities (water, sewer, waste and stormwater)	OP	0.00%	0.00%	0.00%	2,433	2,433	2,433	2,433	2,433	2,433	2,433	2,433	2,433	2,433	2,433	
o attributions/overhead	OP	offset	offset	offset	-	-	-	-	-	-	-	-	-	-	-	
o other	OP	offset	offset	offset	-	-	-	-	-	-	-	-	-	-	-	
TOTAL OPERATING EXPENSES						28,083	27,440	27,856	28,180	28,540	29,203	29,866	30,529	31,192	31,855	
OPERATING RESULT (surplus/deficit)						- 2,032	941	306	696	2,203	2,653	3,155	3,702	4,247	4,799	

Scenario 3 - Foundational												
	Source	Intervention Term 1	Intervention Term 2	Indices	FY250P \$,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) # split 50% SVC LTPP											
	o capital grants - competitive (eg road, community, environment, utility) *											
	o emergency grants (eg disaster restoration)											
	o capital contributions - cash											
	o capital contributions - gift											
	o IPPE asset sales											
	o property sales											
	o LIRS subsidy											
	o new borrowings											
	o cashflow generated by depreciation											
	TOTAL CAPITAL REVENUES											
Capital Expenditures	Renewal											
	o IPPE renewals (general)											
	o IPPE renewals (utilities)											
	o IPPE renewals (plant-equipment)											
	o IPPE new/upgrades (general)											
	o IPPE new/upgrades (utilities)											
	o IPPE new/upgrades (plant-equipment)											
	o asset disaster works (capital)											
	o property acquisitions and development											
	o loan + lease payments <i>At-risk PI</i>											
	Demerger project											
	TOTAL CAPITAL EXPENSES											
Reserves												
Capital Result												
Overall Result												
TOTAL CASH												

4.3 Scenario Indicators

4.3.1 Tumut 3.0

Scenario 3 - Foundational	Pricing		FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	Target
regulatory (revenues/expenses incl attributed support)	regulatory		23%	24%	24%	25%	26%	26%	27%	28%	>50%
commercial (revenues/expenses incl attributed support)	market		114%	76%	77%	79%	81%	83%	85%	88%	>100%
property (revenues/expenses incl attributed support)	private		180%	63%	65%	66%	68%	70%	72%	73%	>75%
contract and private works (revenues/expenses incl attributed support)	market		114%	113%	113%	113%	116%	119%	122%	125%	>110%
utilities (revenues/expenses incl attributed support)	utility		112%	109%	112%	115%	118%	120%	122%	124%	120%
plant (revenues/expenses incl attributed support)	offset		72%	100%	100%	100%	100%	100%	100%	100%	>100%
Operating performance ratio - OLG			6.1%	7.0%	8.0%	8.8%	9.6%	10.4%	11.2%	0%	
Own source revenue ratio - OLG			87.2%	87.5%	87.7%	88.0%	88.2%	88.5%	88.7%	>60%	
Debt servicing capacity - OLG			1.1%	0.9%	0.8%	0.7%	0.7%	0.7%	0.7%	<20%	
Cash expense cover - OLG			11.3	12.8	14.2	15.7	17.1	18.6	20.3	>3mths	
Movement in total cash (internal reserves + unrestricted)			14.2%	14.0%	12.4%	11.4%	10.0%	9.9%	10.0%	>0	
Operating Result			6.1%	7.0%	8.0%	8.8%	9.6%	10.4%	11.2%	>0	
Operating Performance - cash			22.6%	23.6%	24.6%	25.5%	26.3%	27.2%	28.0%	>0	
Liquidity - working capital			4.3	5.3	6.2	7.1	7.9	8.6	9.4	2mths (15)	
Financial capacity - council controlled revenue			64.9%	64.9%	65.0%	65.0%	65.0%	65.1%	65.1%	>60%	
Financial capacity - grants reliance			14.9%	16.5%	16.1%	15.7%	15.3%	15.0%	14.6%	<20%	
Portion of operating grants classified as 'allocated'			70.4%	70.4%	70.4%	70.4%	70.4%	70.4%	70.4%	>50%	
Property Tax Capacity			129.8%	130.9%	131.7%	131.5%	130.7%	129.9%	129.1%	>90%	
Property Tax and Depreciation Growth				288%	288%	289%	289%	290%	290%	>100%	
Asset actual maintenance - AMP level - OLG										100%	
Asset renewal - depreciation - OLG			100.0%	100.0%	100.0%	103.5%	103.5%	103.5%	103.5%	100%	

4.3.2 Tumut 3.1

Scenario 3 - Foundational	Pricing		FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	Target
regulatory (revenues/expenses incl attributed support)	regulatory		23%	24%	24%	25%	26%	26%	27%	28%	>50%
commercial (revenues/expenses incl attributed support)	market		114%	76%	77%	79%	81%	83%	85%	88%	>100%
property (revenues/expenses incl attributed support)	private		180%	63%	65%	66%	68%	70%	72%	73%	>75%
contract and private works (revenues/expenses incl attributed support)	market		114%	113%	113%	113%	116%	119%	122%	125%	>110%
utilities (revenues/expenses incl attributed support)	utility		112%	109%	112%	115%	118%	120%	122%	124%	120%
plant (revenues/expenses incl attributed support)	offset		72%	100%	100%	100%	100%	100%	100%	100%	>100%
Operating performance ratio - OLG			6.1%	8.4%	9.2%	9.7%	10.3%	10.8%	11.3%	0%	
Own source revenue ratio - OLG			87.2%	87.7%	87.9%	88.1%	88.3%	88.5%	88.8%	>60%	
Debt servicing capacity - OLG			1.1%	0.9%	0.8%	0.7%	0.7%	0.7%	0.7%	<20%	
Cash expense cover - OLG			11.3	13.0	14.7	16.3	17.8	19.4	21.1	>3mths	
Movement in total cash (internal reserves + unrestricted)			14.2%	16.1%	13.8%	12.2%	10.4%	9.9%	9.7%	>0	
Operating Result			6.1%	8.4%	9.2%	9.7%	10.3%	10.8%	11.3%	>0	
Operating Performance - cash			22.6%	24.7%	25.6%	26.2%	26.9%	27.5%	28.1%	>0	
Liquidity - working capital			4.3	5.6	6.7	7.7	8.6	9.4	10.3	2mths (15)	
Financial capacity - council controlled revenue			64.9%	65.6%	65.5%	65.3%	65.2%	65.1%	64.9%	>60%	
Financial capacity - grants reliance			14.9%	16.5%	15.8%	15.5%	15.1%	14.8%	14.5%	<20%	
Portion of operating grants classified as 'allocated'			70.4%	70.4%	70.4%	70.4%	70.4%	70.4%	70.4%	>50%	
Property Tax Capacity			129.8%	135.7%	135.5%	134.3%	132.6%	130.9%	129.2%	>90%	
Property Tax and Depreciation Growth				711%	212%	212%	212%	213%	213%	>100%	
Asset actual maintenance - AMP level - OLG										100%	
Asset renewal - depreciation - OLG			100.0%	100.0%	100.0%	103.5%	103.5%	103.5%	103.5%	100%	

4.3.3 Tumbarumba 3.0

Scenario 3 - Foundational	Pricing		FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	Target
regulatory (revenues/expenses incl attributed support)	regulatory		27%	27%	28%	29%	29%	30%	31%	32%	>50%
commercial (revenues/expenses incl attributed support)	market		99%	95%	97%	100%	102%	105%	108%	110%	>100%
property (revenues/expenses incl attributed support)	private		66%	51%	52%	53%	55%	56%	57%	59%	>75%
contract and private works (revenues/expenses incl attributed support)	market		118%	118%	118%	118%	121%	124%	127%	130%	>110%
utilities (revenues/expenses incl attributed support)	utility		98%	98%	109%	120%	129%	139%	149%	160%	120%
plant (revenues/expenses incl attributed support)	offset		78%	100%	100%	100%	100%	100%	100%	100%	>100%
Operating performance ratio - OLG				-3.5%	-1.0%	1.6%	4.2%	6.8%	9.4%	12.1%	0%
Own source revenue ratio - OLG				87.6%	88.1%	88.5%	89.0%	89.4%	89.8%	90.3%	>60%
Debt servicing capacity - OLG				1.4%	1.1%	1.1%	1.0%	1.0%	1.0%	1.0%	<20%
Cash expense cover - OLG				7.9	8.4	9.1	10.0	11.1	12.6	14.7	>3mths
Movement in total cash (internal reserves + unrestricted)				2.8%	7.4%	8.7%	11.6%	11.9%	14.7%	17.4%	>0
Operating Result				-3.5%	-1.0%	1.6%	4.2%	6.8%	9.4%	12.1%	>0
Operating Performance - cash				17.0%	19.3%	21.6%	23.9%	26.2%	28.5%	30.8%	>0
Liquidity - working capital				0.8	1.2	1.5	2.0	2.4	3.0	3.9	3mths (15%)
Financial capacity - council controlled revenue				41.5%	43.1%	44.6%	46.1%	47.4%	48.8%	50.1%	>60%
Financial capacity - operating grants reliance		14.4%		15.9%	15.2%	14.5%	13.8%	13.2%	12.5%	11.9%	<20%
Portion of operating grants classified as 'allocated'				69.8%	69.8%	69.8%	69.8%	69.8%	69.8%	69.8%	>50%
Property Tax Capacity				77.7%	83.0%	88.1%	92.9%	97.6%	102.6%	107.9%	>90%
Property Tax and Depreciation Growth					525%	556%	590%	625%	663%	703%	>100%
Asset actual maintenance - AMP level - OLG											100%
Asset renewal - depreciation - OLG				100.0%	100.0%	100.0%	101.3%	101.3%	101.3%	101.3%	100%
General Assets Servicing Capacity				84.5%	86.2%	83.3%	84.4%	80.6%	82.5%	85.8%	>90%
Utility Assets servicing capacity (annual charges - asset MRD)				196.0%	222.3%	240.3%	259.7%	276.1%	293.3%	311.5%	>100%
Total Assets Servicing Capacity				101.4%	106.0%	106.0%	109.4%	108.6%	112.8%	118.3%	>100%

4.3.4 Tumbarumba 3.1

Scenario 3 - Foundational	Pricing		FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	Target
regulatory (revenues/expenses incl attributed support)	regulatory		27%	27%	28%	29%	29%	30%	31%	32%	>50%
commercial (revenues/expenses incl attributed support)	market		99%	95%	97%	100%	102%	105%	108%	110%	>100%
property (revenues/expenses incl attributed support)	private		66%	51%	52%	53%	55%	56%	57%	59%	>75%
contract and private works (revenues/expenses incl attributed support)	market		118%	118%	118%	118%	121%	124%	127%	130%	>110%
utilities (revenues/expenses incl attributed support)	utility		98%	98%	109%	120%	129%	139%	149%	160%	120%
plant (revenues/expenses incl attributed support)	offset		78%	100%	100%	100%	100%	100%	100%	100%	>100%
Operating performance ratio - OLG				-3.5%	5.8%	7.1%	8.4%	9.6%	10.9%	12.3%	0%
Own source revenue ratio - OLG				87.6%	88.9%	89.2%	89.4%	89.7%	90.0%	90.3%	>60%
Debt servicing capacity - OLG				1.4%	1.1%	1.0%	1.0%	1.0%	1.0%	1.0%	<20%
Cash expense cover - OLG				7.9	9.5	11.0	12.7	14.3	16.0	18.0	>3mths
Movement in total cash (internal reserves + unrestricted)				2.8%	21.1%	17.3%	16.1%	13.5%	13.5%	13.9%	>0
Operating Result				-3.5%	5.8%	7.1%	8.4%	9.6%	10.9%	12.3%	>0
Operating Performance - cash				17.0%	24.7%	26.0%	27.2%	28.4%	29.7%	30.9%	>0
Liquidity - working capital				0.8	2.3	3.5	4.7	5.5	6.4	7.3	3mths (15%)
Financial capacity - council controlled revenue				41.5%	47.9%	48.2%	48.4%	48.6%	49.0%	49.3%	>60%
Financial capacity - operating grants reliance		14.4%		15.9%	13.9%	13.5%	13.1%	12.7%	12.3%	11.9%	<20%
Portion of operating grants classified as 'allocated'				69.8%	69.8%	69.8%	69.8%	69.8%	69.8%	69.8%	>50%
Property Tax Capacity				77.7%	103.1%	104.0%	104.4%	104.8%	105.3%	106.1%	>90%
Property Tax and Depreciation Growth					2153%	255%	274%	294%	315%	339%	>100%
Asset actual maintenance - AMP level - OLG											100%
Asset renewal - depreciation - OLG				100.0%	100.0%	100.0%	101.3%	101.3%	101.3%	101.3%	100%
General Assets Servicing Capacity				84.5%	109.7%	101.9%	97.9%	88.9%	85.6%	83.8%	>90%
Utility Assets servicing capacity (annual charges - asset MRD)				196.0%	222.3%	240.3%	259.7%	276.1%	293.3%	311.5%	>100%
Total Assets Servicing Capacity				101.4%	126.0%	121.9%	121.9%	115.7%	115.5%	116.6%	>100%

4.3.5 Tumbarumba 3.2

Scenario 3 - Foundational	Pricing		FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	Target
regulatory (revenues/expenses incl attributed support)	regulatory		27%	27%	28%	29%	29%	30%	31%	32%	>50%
commercial (revenues/expenses incl attributed support)	market		99%	95%	97%	100%	102%	105%	108%	110%	>100%
property (revenues/expenses incl attributed support)	private		66%	51%	52%	53%	55%	56%	57%	59%	>75%
contract and private works (revenues/expenses incl attributed support)	market		118%	118%	118%	118%	121%	124%	127%	130%	>110%
utilities (revenues/expenses incl attributed support)	utility		98%	98%	109%	120%	129%	139%	149%	160%	120%
plant (revenues/expenses incl attributed support)	offset		78%	100%	100%	100%	100%	100%	100%	100%	>100%
Operating performance ratio - OLG				-3.5%	1.1%	2.4%	7.2%	8.4%	9.7%	11.1%	0%
Own source revenue ratio - OLG				87.6%	88.3%	88.6%	89.3%	89.6%	89.9%	90.2%	>60%
Debt servicing capacity - OLG				1.4%	1.1%	1.1%	1.0%	1.0%	1.0%	1.1%	<20%
Cash expense cover - OLG				7.9	8.7	9.5	11.0	12.3	13.9	15.7	>3mths
Movement in total cash (internal reserves + unrestricted)				2.8%	11.4%	9.8%	16.5%	13.6%	13.8%	14.3%	>0
Operating Result				-3.5%	1.1%	2.4%	7.2%	8.4%	9.7%	11.1%	>0
Operating Performance - cash				17.0%	21.0%	22.3%	26.3%	27.5%	28.7%	30.0%	>0
Liquidity - working capital				0.8	1.5	1.9	2.9	3.6	4.3	5.0	2mths (15%)
Financial capacity - council controlled revenue				41.5%	44.6%	45.1%	48.0%	48.3%	48.7%	49.1%	>60%
Financial capacity - operating grants reliance		14.4%		15.9%	14.8%	14.4%	13.3%	12.9%	12.5%	12.1%	<20%
Portion of operating grants classified as 'allocated'				69.8%	69.8%	69.8%	69.8%	69.8%	69.8%	69.8%	>50%
Property Tax Capacity				77.7%	88.9%	90.2%	101.7%	102.2%	102.8%	103.7%	>90%
Property Tax and Depreciation Growth					1004%	255%	1149%	294%	315%	339%	>100%
Asset actual maintenance - AMP level - OLG											100%
Asset renewal - depreciation - OLG				100.0%	100.0%	100.0%	101.3%	101.3%	101.3%	101.3%	100%
General Assets Servicing Capacity				84.5%	93.1%	85.7%	94.7%	85.9%	82.7%	80.9%	>90%
Utility Assets servicing capacity (annual charges - asset MRD)				196.0%	222.3%	240.3%	259.7%	276.1%	293.3%	311.5%	>100%
Total Assets Servicing Capacity				101.4%	111.9%	108.1%	118.3%	113.1%	113.0%	114.1%	>100%

4.5 Scenario Assessments

The TCorp Sustainability Framework settings, OLG definitions of sustainability, and the likely matters relevant to an SRV considered by IPART are summarised as:

TCorp <ul style="list-style-type: none"> capacity in short, medium, long term low risk of deficits unrestricted cash to absorb shocks low risk of unplanned changes to budget low risk of unplanned changes to service-asset standards 	OLG <ul style="list-style-type: none"> balanced budgets suitable level working capital low reliance grants to renew assets adequate cash reserves to fund assets meets financial and asset ratios 	IPART (SRV) <ul style="list-style-type: none"> acceptable service-asset standards grant-gifted asset MRD gap low-impractical rates of return borrowing to supplement reserves for asset renewal-upgrade meet financial and asset ratios
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All Scenarios are designed to:

- ensure annual surpluses are planned, to build working capital (unrestricted cash and internal reserves) capable of absorbing financial shocks, renewing assets in line with asset plans and depreciation benchmarks, and optimising capacity to co-fund grant projects and programs
- grow annual investment in maintenance and renewal of assets
- sustain asset renewal ratios at benchmark
- flatline any growth in services and support expenditure to the monetary value of annual rate peg or CPI indexation (above planned FSP yields) applied by the new councils to revenues
- be conservative with expectations of growth in competitive grants and interest returns
- provide flexibility with planned annual surpluses to contemplate future changes to asset and service scope and standards
- ensure the utilities (water, sewer, waste, drainage) are self-funding, and generate adequate cash to absorb seasonal variances and accommodate future population and climate-driven augmentation
- reinforce necessity for appropriate accounting, informed decision making and budgetary discipline
- progressively meet OLG financial and asset benchmarks

All Scenarios mirror the settings of Scenario 3 considered in the SVC FSP and the distributions of income and expenses outlined in Section 3. However, no demerged council Scenarios propose introducing special purpose annual charges or dividends. The new Scenarios also reflect the groupings of services bundled into the pricing categories (regulatory, private, market, utility) tabulated in Section 2.6.7.

The Table below summarises the results of each Scenario, against the Standards in Section 2.6.5.

			Interventions				
			Tumut		Tumbarumba		
By end Term 2 (FY32)			S3.0	S3.1	S3.0	S3.1	S3.2
Standards	Working Capital	~ 25% cash opex	24%	28%	8%	23%	11%
	Revenue/Reserves	> 75% cash capex	53%	57%	32%	41%	36%
	New/Upgrade Capex	~ 100% grants/DC	100%	100%	100%	100%	100%
	Asset spend	~ 3% asset WDV^	3.4%	3.4%	3.7%	3.7%	3.7%
	General rates	~ general asset MRD	81%	81%	74%	72%	69%
	Utilities Ann Chg	> 100% asset OMRD*	128%	128%	175%	175%	175%
*operations, maintenance, renewal (depreciation), debt PI							
^excludes impact roads asset revaluation							

4.5.1 Interventions Summary

The Table below summarise the Interventions per Scenario. The introduction of a proposed s501 drainage annual charge (similar to that proposed with the SVC FSP), is designed to recover 50% of the FY25 nett cost of that service, and forms part of the overall annual 3% or 10% uplift in utilities annual charges income for Tumut and Tumbarumba respectively. Those revenues may then contribute to the cost of street cleansing, flood catchments and maintenance of the stormwater drainage network. The current s501 stormwater annual charge may continue to apply to stormwater upgrades.

			Interventions					
			All	Tumut	Tumbarumba			
			annual %	\$3.0	\$3.1	\$3.0	\$3.1	\$3.2
Distributions	per Note B1	supplied by SVC splits: @ FY27/FY29						
Income	General Rates			2% pa	10% FY27	7.5% pa	50% FY27	20%/20%
	Utility Ann Chg			3% pa	3% pa	10% pa	10% pa	10% pa
	Drainage AC			new	new	new	new	new
	Utility User Chg			3% pa	3% pa	10/5% pa	10/5% pa	10/5% pa
	Regulatory Fees	animal	2.5					
		development	2.5					
		environment health	2.5					
		weeds	2.5					
	Market Good Fees	caravan Park	2.5					
		certification	2.5					
		children's Services	2.5					
		commercial Works	2.5					
	Private Good Fees	aged: MSO	2.5					
		community transport	2.5					
		property	2.5					
		cemetery	2.5					
	Shared Good Fees	recreation	2.5					
		tourism	2.5					

			Interventions					
			All	Tumut	Tumbarumba			
			annual %	\$3.0	\$3.1	\$3.0	\$3.1	\$3.2
Expend	Operating							
	Asset management		1.0					
	General Asset OMR	@ 1% asset WDV	2.5/5.0					
	Utility Asset MR	@ 1% asset WDV	2.5/4.0					
	Plant OMR		2.5					
	General Asset dep'n	~2% asset WDV	2.5					
	Utility Asset dep'n	~2% asset WDV	2.5					
	Plant dep'n		2.5					
	Services		0.0					
	Support		0.0					
	Utility Operations		0.0					
	Duplicate FTE/IT	per demerger plan						
	Capital							
	General Asset Renewal	per depreciation	100					
	Utility Asset Renewal	per depreciation	100/110					
	New/Upgrade	per capital grant/DC	100					
	Loan Payments	per SVC schedule						

Table 11

4.5.2 Scenarios Financial Summary

Applying the Interventions above, the figures below informed the summarised Results above.

		Results (\$,000)					
		Tumut		Tumbarumba			
		S3.0	S3.1	S3.0	S3.1	S3.2	
Through Term 2	Cash Opex FY32	34724	34724	23374	23374	23374	
	General accum WC FY28	8308	9556	1776	5485	2599	
	General Reserves FY25	5843	5843	5340	5340	5340	
	General Reserves FY32	15803	16969	10170	13118	11426	
	Utility Reserves FY25	7590	7590	10011	10011	10011	
	Utility Reserves FY32	21051	21051	17900	17900	17900	
	General Asset Capex FY26-32	29745	29745	31625	31625	31625	
	Asset WDV FY24	472723	472723	316194	316194	316194	
	Asset 3% FY24	14182	14182	9486	9486	9486	
	All Asset MRD FY32	16281	16281	11557	11557	11557	
	General Rates FY32	9475	9489	7278	7074	6791	
	General asset MRD FY32	11707	11707	9891	9891	9891	
	Utilities asset OMRD FY32	12033	12033	3747	3747	3747	
	Utilities AC FY32	15401	15401	6563	6563	6563	
	*operations, maintenance, renewal (depreciation), debt PI						
	*excludes impact roads asset revaluation						

Table 12

Applying the asset values from the recent financial statements, the estimates provided for each Scenario compares favourably with the 'asset reckoner' of 3% of asset written down value (WDV) being available each year to expend on infrastructure, facility and utility asset maintenance and depreciation (ie renewals).

Each Scenario varies only in terms of the effect of different approaches to the SRV for the new councils, and the subsequent changes to financial results, in turn influencing the funds available for working capital and reserves. Most other Interventions remain constant each year in each Scenario.

As a consequence, Term 1 is designed to accumulate surpluses into general working capital, then those surpluses accumulate into general reserves in Term 2. The annual results of the utilities accumulate each year into their respective externally restricted reserves across both Terms. In that way, asset reserves are built to enable more secure (and smoothed) funding of asset renewal by council (ideally at 75%) – signalling any gap required to be sought through grants and contributions for future renewal or augmentation works. For example, while general reserves double from FY25 levels for Tumut and Tumbarumba by FY32, they still only support 60% and 40% of asset capital expenditures respectively.

Similarly, in all Scenarios for both councils, while growth in rates income generally exceeds growth in general assets depreciation expense, annual general rates still fall short of the combined general asset maintenance and depreciation – that gap also signalling the value of grants required to maintain and renew assets to achieve the OLG benchmarks. It is expected though, competition for grants will tighten, the value of grants will diminish (as Government repairs budgets), co-funding requirements will rise, and natural disaster declarations (prompting grant funding) will be more cautious.

However, while it is acknowledged general assets are in good conditions due to disaster grants funding, to be conservative, future renewals have not been reduced in Term 1 to 70% of depreciation.

In that broad context, the following observations are made for each of the new council Scenarios.

4.5.3 Tumut

The Tumut Scenario 3.0 proposes a smoothed annual growth in general rates yields around \$0.18m, and an annual uplift around \$0.4m in utility annual charges and user charges. Fee yields grow 2.5% each year (~\$0.12m) to improve rates of return on the operating costs of regulatory, private and market-good services. Other than regulatory services (refer list in Section 2.6.8), the nominated rates of cost recovery (noting council generally covers cost of the assets supporting those services through rates), get close the proposed target ranges.

The smoothed SRV contrasts to the single SRV uplift of \$0.84m in FY27 to bolster the operating results and accelerate the accumulation of working capital and reserves demonstrated in Tumut Scenario 3.1.

However, as asset and service expenses and related revenues remain constant through both Scenarios, when the FY32 results are compared to the OLG Standards, there is little significant difference between the different approaches to elevating rates revenue.

The Table of Measures in Section 4.3 indicate Tumut approaches or achieves the sustainability settings desired by the end of Term 2.

With reference to Section 5 below, both Scenarios are on par regarding average annual rates and utilities charges. Council should separately assess the 'willingness to pay' and 'capacity to pay' through the Integrated Planning and Reporting process.

On balance, Scenario 3.1 (single SRV uplift FY27) should provide an optimal outcome, and mitigate any risk of an understated estimate for a future rate peg in an SRV application.

4.5.4 Tumbarumba

The Tumbarumba Scenario 3.0 proposes a smoothed annual growth in general rates yields around \$0.4m, and a similar annual uplift around \$0.4m in utility annual charges and user charges. Fee yields grow 2.5% each year (~\$0.2m) to improve rates of return on the operating costs of regulatory, private and market-good services – including returns on children and aged services.

Other than regulatory and property services, the nominated rates of cost recovery (noting council generally covers cost of the assets supporting those services through rates), achieve the proposed target ranges.

The other Tumbarumba Scenarios contrast to Scenario 3.0 via a significant single SRV uplift around \$2.4m in FY27 (Scenario 3.1), or a two-part SRV raising rate revenues around \$1m and \$1.1m in FY27 and FY29 (Scenario 3.2). Both those Scenarios aim to bolster the operating results and accelerate the accumulation of working capital and reserves.

As illustrated in the table of results in Section 4.5.2, those latter Scenarios are superior to Scenario 3.0 in terms of rapidly building working capital and reserves to buffer future financial, disaster or economic shocks.

Asset and service expenses and related revenues remain constant through all Scenarios, with the SRV's influencing the FY32 results when compared to the OLG Standards.

However, when examining the rates tables in Section 5, there are stark differences in average rate profiles between the Scenarios. For example, the average FY28 residential rate in Scenario 3.1 is equivalent to what that rate would be in FY32 in Scenario 3.0 (ie \$1300). That option is softened in Scenario 3.2 where the FY28 average residential rate is similar but differs by \$250 by FY32 as the second SRV has taken effect.

Similarly, the benefit of scale and cross subsidisation is lowered in the utilities through demerger, with the annual 10% uplift in charges aimed to build reserves to co-fund future utility renewals and augmentation. The tables in Section 5 illustrate the indicative growth in residential and business annual charges, and the introduction of the annual drainage charge.

Council should separately assess the 'willingness to pay' and 'capacity to pay' through the Integrated Planning and Reporting process.

On balance, Scenario 3.1 (single SRV uplift FY27) should provide an optimal outcome, and mitigate any risk of an understated estimate for a future rate peg in an SRV application. However, it does have a significant upfront rating impact. In that context, Scenario 3.0 minimises that 'bill shock' and should be the preferred option for Tumbarumba – however, the early years as a demerged council remains vulnerable. In this circumstance, should Scenario 3.1 be pursued, it may be prudent to claw back asset renewals to 70% of depreciation benchmarks in Term 1, to dampen the initial need for increased tax revenues.

5 Rating Impacts

The tables below illustrate estimated changes to rates and utility annual charges at the end of each council Term through the nominated Interventions per Scenario (noting the estimates *exclude* any annual indexation through the rate peg or CPI increases the new councils may impose).

5.1 Rates and Annual Charges FY25

Tumut		No. of Assess	% Assess	Total Revenue	% Yield	Average rate	Water AC	Sewer AC	Waste AC	S/water AC	Drainage AC
	Residential	4773	74%	4,616,305	54.09%	967	260	875	618	0	0
	Business	400	6%	955,836	11.20%	2,390	410	970	693	0	0
	Farming	1298	20%	2,952,013	34.59%	2,274					
	Mining	3	0%	10,016	0.12%	3,339					
	Total	6,474		8,534,170							
							*res:20mm bus: 25mm				
Tumbarumba		No. of Assess	% Assess	Total Revenue	% Yield	Average rate	Water AC	Sewer AC	Waste AC	S/water AC	Drainage AC
	Residential	1469	58%	1,306,557	27%	889	260	875	618	25	0
	Business	190	8%	331,643	7%	1,745	410	970	693	75	0
	Farming	870	34%	3,177,902	66%	3,653					
	Mining		0%	-	0%						
	Total	2,529		4,816,102							
							*res:20mm bus: 25mm				

5.2 Rates and Annual Charges FY28

Scenario 3.0											
Tumut		No. of Assess	% Assess	Total Revenue	% Yield	Average rate	Water AC	Sewer AC	Waste AC	S/water AC	Drainage AC
	Residential	4773	74%	4,735	54.09%	992	276	928	656	25	38
	Business	400	6%	980	11.20%	2,451	435	1,029	735	75	38
	Farming	1298	20%	3,028	34.59%	2,333					
	Mining	3	0%	10	0.12%	3,425					
	Total	6474		8754							
										*100% upgra *50% depn	
Tumbarumba		No. of Assess	% Assess	Total Revenue	% Yield	Average rate	Water AC	Sewer AC	Waste AC	S/water AC	Drainage AC
	Residential	1469	58%	1,479	27%	1,006	315	1,059	748	25	77
	Business	190	8%	375	7%	1,975	496	1,174	839	75	77
	Farming	870	34%	3,596	66%	4,134					
	Mining		0%	-	0%						
	Total	2529		5,450							
										*100% upgra *50% depn	

Scenario 3.1											
Tumut		No. of Assess	% Assess	Total Revenue		Average rate	Water AC	Sewer AC	Waste AC	S/water AC	Drainage AC
	Residential	4773	74%	5,032	54.09%	1,054	276	928	656	25	38
	Business	400	6%	1,042	11.20%	2,605	435	1,029	735	75	38
	Farming	1298	20%	3,218	34.59%	2,479					
	Mining	3	0%	11	0.12%	3,639					
	Total	6474		9302							
										*100% upgra *50% depn	
Tumbarumba											
		No. of Assess	% Assess	Total Revenue		Average rate	Water AC	Sewer AC	Waste AC	S/water AC	Drainage AC
	Residential	1469	58%	1,919	27%	1,306	315	1,059	748	25	77
	Business	190	8%	487	7%	2,564	496	1,174	839	75	77
	Farming	870	34%	4,668	66%	5,365					
	Mining		0%	-	0%						
	Total	2529		7,074							
										*100% upgra *50% depn	
Scenario 3.2											
Tumbarumba		No. of Assess	% Assess	Total Revenue		Average rate	Water AC	Sewer AC	Waste AC	S/water AC	Drainage AC
	Residential	1469	58%	1,535	27%	1,045	315	1,059	748	25	77
	Business	190	8%	390	7%	2,051	496	1,174	839	75	77
	Farming	870	34%	3,734	66%	4,292					
	Mining		0%	-	0%						
	Total	2529		5,659							
										*100% upgra *50% depn	

5.3 Rates and Annual Charges FY32

Scenario 3.0											
Tumut											
		No. of Assess	% Assess	Total Revenue	% Yield	Average rate	Water	Sewer	Waste	S/water	Drainage
							AC	AC	AC	AC	AC
	Residential	4773	74%	5,125	54.09%	1,074	310	1,045	738	25	38
	Business	400	6%	1,061	11.20%	2,653	490	1,158	827	75	38
	Farming	1298	20%	3,277	34.59%	2,525					
	Mining	3	0%	11	0.12%	3,707					
	Total	6474		9475							
										*100% upgra *50% depn	
Tumbarumba											
		No. of Assess	% Assess	Total Revenue	% Yield	Average rate	Water	Sewer	Waste	S/water	Drainage
							AC	AC	AC	AC	AC
	Residential	1469	58%	1,974	27%	1,344	461	1,550	1,095	25	77
	Business	190	8%	501	7%	2,638	726	1,718	1,228	75	77
	Farming	870	34%	4,802	66%	5,520					
	Mining		0%	-	0%						
	Total	2529		7,278							
										*100% upgra *50% depn	

Scenario 3.1											
Tumut		No. of Assess	% Assess	Total Revenue		Average rate	Water	Sewer	Waste	S/water	Drainage
							AC	AC	AC	AC	AC
	Residential	4773	74%	5,133	54.09%	1,075	310	1,045	738	25	38
	Business	400	6%	1,063	11.20%	2,657	490	1,158	827	75	38
	Farming	1298	20%	3,282	34.59%	2,529					
	Mining	3	0%	11	0.12%	3,712					
	Total	6474		9489							
										*100% upgra *50% depn	
Tumbarumba		No. of Assess	% Assess	Total Revenue		Average rate	Water	Sewer	Waste	S/water	Drainage
							AC	AC	AC	AC	AC
	Residential	1469	58%	1,919	27%	1,306	461	1,550	1,095	25	77
	Business	190	8%	487	7%	2,564	726	1,718	1,228	75	77
	Farming	870	34%	4,668	66%	5,365					
	Mining		0%	-	0%						
	Total	2529		7,074							
										*100% upgra *50% depn	
Scenario 3.2											
Tumbarumba		No. of Assess	% Assess	Total Revenue		Average rate	Water	Sewer	Waste	S/water	Drainage
							AC	AC	AC	AC	AC
	Residential	1469	58%	1,842	27%	1,254	461	1,550	1,095	25	77
	Business	190	8%	468	7%	2,461	726	1,718	1,228	75	77
	Farming	870	34%	4,481	66%	5,151					
	Mining		0%	-	0%						
	Total	2529		6,791							
										*100% upgra *50% depn	

6 Preferred Scenario - Cost Model

The Tables and Charts below illustrate the funding gaps for assets and services assumed at FY25 (based on distributions from SVC) and estimated outcomes at end Term 2 – noting more than half of the annual surpluses are generated by the utilities, with those proceeds placed into externally restricted reserves.

As identified in the SVC FSP, the current system of charging for utilities distorts the asset v service results. For example, the sewer and waste annual charges cover cost of their respective asset maintenance and the service (refer ‘*’ in the asset table below) – and overstates the revenues attributed to the assets - whereas the water annual charge is suitably differentiated from the user charge.

FY32	Tumut	S3.1	FY32	Tumbarumba S3.1		
Assets	Income	Expend	Assets	Income	Expend	
General Rates	9489		General Rates	7074		
Annual Charges*	11551		Annual Charges*	5189		
Grants-Asset	1383		Grants-Asset	616		
Plant Hire	2802		Plant Hire	2248		
Asset OM		10613	Asset OM		7129	
Depreciation		8119	Depreciation		6325	
Debt PI		352	Debt PI		352	
	25225	19084		15127	13806	
Services	Income	Expend	Services	Income	Expend	
User Charges	3850		User Charges	1374		
Fees	5767		Fees	9499		
FAG	3791		FAG	2141		
Grants-Program	856		Grants-Program	532		
Interest	2236		Interest	1243		
Attribution	7197		Attribution	3933		
Services-General		9103	Services-General		9879	
Support		7197	Support		3933	
Services-Utilities		7811	Services-Utilities		2433	
	23697	24111		18722	16244	
	48922	43195	5728	33849	30050	3798

Table 13

The asset and service funding gaps from FY25 to FY32 is illustrated in the charts below, with surpluses placed into combined asset reserves. FY25 asset income was influenced by asset grants.



7 Glossary

ABC	activity base costing
AC	annual charge
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 (cost recovery)
RUN	renewal upgrade new (assets)
SRV	special rate variation
SVC	Snowy Valleys Council
WFP	workforce plan

8 Attachments

Attachment 1 Financial Sustainability 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	

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*.

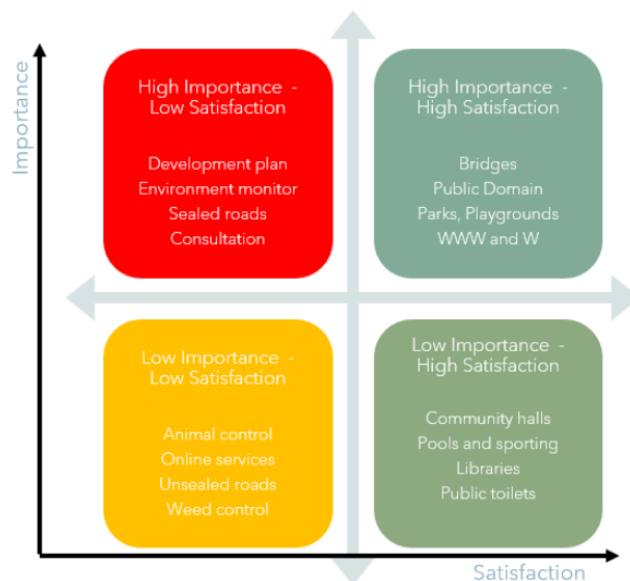
Government guidance on IWCM is at Attachment 10.

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.

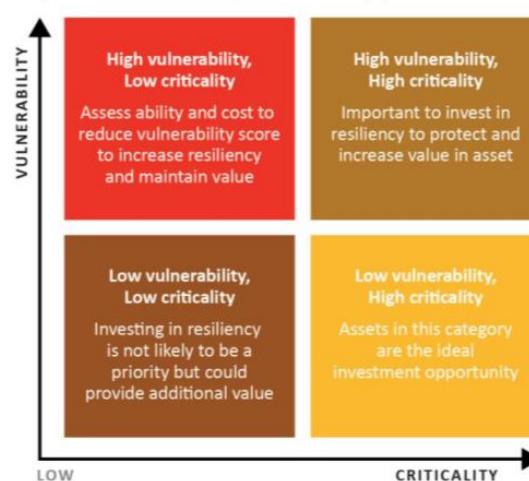
Before taking a dividend payment from a surplus of the council's water supply and/or sewerage business, a council must have in place an IWCM plan in accordance with the NSW Water Regulatory and Assurance Framework.

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.



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.



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)

Attachment 2 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 3 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%
Current 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%

Formula	Asset Sustainability					Current Rating
	i. Asset strategy/ includes expansion, redundancy, repurpose, resilience					
	ii. AMP asset capital (upgrades + new) aligned to s7.11, s64 Plans, EWL					
	iii. LTFP asset renewals aligned to IMM condition 4, or resilience targets					
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					
Capital Expenditure on Renewal of Infrastructure Assets/Depreciation Expenditure on Infrastructure Assets	v. Asset renewal ~ depreciation					
Total WDV of infrastructure assets at Condition 5/Total WDV of infrastructure assets	vi. Asset backlog at IMM Condition 5					
WDV Cost of Depreciable Infrastructure Assets /Current Replacement Cost of Depreciable Infrastructure Assets	vii. Asset Management - Consumption					
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					
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					
Asset actual maintenance and depreciation/Asset written down value	x. General Assets Operations, Maintenance and Renewal Requirements					
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)					
Capital grants+contributions+reserves expended/Total Capital new + upgraded assets	xii. Asset new capital ~ grants + contributions + reserves					
	xiii. Gifted + grant financed new+upgrade assets OMRD funded in LTFP					
Carry over total/Current year Capex program value	xiv. Asset capital annual carryover works (% current FY capex)					
	xv. Grant or development-funded asset project gaps (project > \$1m)					

Formula	Organisation Maturity					Current Rating
adequate systems, skills, technology, training: present backfill available	i. financial management					
adequate systems, skills, technology, training: present backfill available	ii. asset management				75%	50%
adequate systems, skills, technology, training: present backfill available	iii. project/contract management				75%	50%
adequate systems, skills, technology, training: present backfill available	iv. technology resilience (incl cyber/AI)				75%	50%
adequate systems, skills, technology, training: present backfill available	vi. development and land use planning				75%	50%
AMP includes BBR 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 4 Distribution Methodology

Distribution metrics

It is considered that the distribution metrics for Assets and Liabilities will be relatively straightforward and have the following key principles:

1. Community assets such as public halls, sportsgrounds, parks and reserves, public toilets etc. will be allocated to the new council where they lay.
Operational assets such as water and wastewater undertakings, waste facilities, swimming pools etc. will also be allocated on the basis of where they lie, however other operational assets e.g. FOGO will be subject to separate consideration.
2. All other assets and liabilities will be allocated on the contribution that the former Tumut and Tumbarumba councils made to Snowy Valleys Council on 12 May 2016 being:
 - Tumbarumba Shire Council – 39.7%
 - Tumut Shire Council - 60.3%
3. In constructing the initial budget for the new councils it is likely that income and expenditure will need to be considered on a Cost Centre/Project basis e.g. roads budgets could be split on road length/sq.m. of pavement whereas Governance costs could be determined on the 60.3/39.7 split or another methodology as detailed below:

Method A: Based on LGA location

Method B: Asset/liabilities Split - 60.3%/39.7%

Method C: Road length – sealed local, unsealed local, sealed regional, unsealed regional, Road Maintenance Council Contract (RMCC) – State Highways

Method D: Population, No. rateable assessments

	Population	No. of rate assess.	
Tumut	11,429 – 76.5%	6,884 – 72.3% =	74.4%
Tumbarumba	3,517 – 23.5%	2,636 – 27.7% =	25.6%

Method E: Staff split on the same percentages as the number of staff at Proclamation Day as detailed below.

	No. of staff	%
Tumut	122.66	59.26
Tumbarumba	84.32	40.74
Total	206.98	

It is anticipated that existing staffing levels of SVC will be higher than the two new Councils therefore transition arrangements will need to be implemented to fund some SVC staff through the employment protection period. This may be achieved through Shared Services and/or natural attrition.

DISTRIBUTION OF ASSETS AND LIABILITIES

Sharing of Assets and Liabilities	Transfer basis	Distribution Metric	Other comments
Current assets			
Cash, investments, receivables etc.	Split on methodology	A	
Non current assets			
Inventories	Split on methodology	B	
Community Assets, swimming pools sportsground etc.	Allocated to the Council where they lie - any loans accompany the asset	A	
Operational Assets			
Administrative buildings, libraries, Information Centres etc.	Allocated to the Council where they lie - any loans accompany the asset	A	
Water Supply Assets	Allocated to the Council where they lie	A	
Sewerage Supply Assets	Allocated to the Council where they lie	A	
Waste Management			
Waste Management Facilities	Allocated to the Council where they lie	A	
FOGO site and equipment	Split on formula basis	B	Site and project development after amalgamation
Realisable assets (land held for resale)	Split on formula basis	B	Industrial Land - other to be identified.
Plant and Equipment	Split on formula basis	B	
Other IPPE e.g. roads	Split on formula basis	A	
Intangible Assets	Split on formula basis	B	
Staff	Split on formula basis	E	Need to develop two organisational structures
Current and non current liabilities			
Payables	split on formula basis	B	
	Loans taken out prior to amalgamation go back to original Council. Loans taken out after amalgamation should be attached to the asset acquired.	A	Subject to further investigation
Borrowings			
Provisions - Annual, LSL and TOIL	Attached to employee	E	
Provisions - Asset remediation - Landfills and quarries	Attached to site	A	

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