FINANCIAL SUSTAINABILITY PLAN

Trends and Analysis

Version Control

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Contents

1 Brief

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

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

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

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

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

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

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

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

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

2 Sustainability Context

2.1 Financial Obligations

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

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

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

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

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

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

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

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

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

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

2.2 Why a Financial Sustainability Plan

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

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

The fundamental responsibility of local councils is to maintain and appropriately renew (or run to fail) its assets. Depreciation is the 'barometer' by which assets are assumed to deteriorate equally each year, moderated by condition/remaining useful life assessment and revaluations 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.

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, may then become a guide to tax settings (rates, annual charges) required for the term, to deliver the assets, services and projects identified (and agreed through IPR. A FSP should particularly apply to those councils at less than a 'moderate' setting and a negative outlook (utilising the TCorp framework).

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

Sustainability Plan

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

scenarios

Financial Plan

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

2.4 Asset Obligations

The provision, maintenance and renewal of public infrastructure is a public good. As the services supported by the provision of infrastructure is generally not capable of competition or sale, those become a 'community service obligation'. It may then be said the purpose of publicly funded infrastructure is to:

- connect (economy)
- accommodate (community)
- protect (environment)
- mitigate (risk), and
- stimulate (growth)

Local communities rely on the level of government closest to their place of residence and work to provide the services supported by public infrastructure. Often, a community's perception of a local council is influenced by the presentation and performance of local assets. Often too, a community is agnostic to the funder or provider of infrastructure.

In essence, around 3% of the value a local council's infrastructure should notionally be expended each year on the maintenance and renewal (depreciation) of assets. For many rural councils with significant road networks and asset values (averaging over $500m), their rating capacity is often half of that notional $15m asset expenditure each year. In FY22, SVC taxes were 80% of the asset costs:

Group	LGA	Pop'n	3% WDV ($,000))	4% WDV ($,000))	5% WDV ($,000))	Asset WDV** ($,000) ss7	Actual MR (ss7)	Actual D (ss7)	MRD ($,000)	Rates + AC ($,000)
2	Burwood	40,397	9,916		16,527	330,538	7,788	7,569	15,357	34,039
3	Fairfield	209,030	45,373		75,621	1,512,418	42,224	32,369	74,593	124,444
4	Bathurst	43,653	39,547	52,730		1,318,238	23,470	29,935	53,405	51,039
5	Tweed	97,151	72,242	96,322		2,408,054	28,831	57,348	86,179	125,312
6			-	-	-				-	
7	Campbelltown	177,689	41,230			1,374,320	12,485	26,643	39,128	125,361
8			-	-	-				-	
9	Murrumbidgee	3,564	7,872			262,397	2,804	5,141	7,945	6,044
10	Tenterfield	6,798	14,545			484,821	6,984	6,784	13,768	11,260
11	Inverell	17,919	23,938			797,942	10,517	10,388	20,905	22,929
11	Snowy Valley	14,901	18,971			632,364	13,123	8,653	21,776	18,000

Accordingly, many rural councils rely on significant Government grants and contracts to maintain State roads, to remain viable and to deliver services and assets to their community, businesses, visitors and freighters.

As outlined below, the Percy Allan Report (2006) called for councils to retreat (initially) from non-asset services, to manage the asset backlog and reset community expectations. The PWC Report (2006) mimicked several of those findings and recommendations.

With such a reliance by community on fit-for-purpose assets (infrastructure and facilities), perhaps there is an obligation to reinstate the expectations of the pre-FAG 1970s:

- taxes (rates, annual charges and grants) should fund the operation, maintenance and renewal of assets (and any associated debt servicing).
- development contributions, debt and accumulated operational surpluses (reserves) should fund the upgrade and expansion of assets.
- Government should continue to sponsor expanded assets to stimulate growth or resilience.

2.5 Why are Local Councils Unsustainable

Broadly, much of the infrastructure, utility and facility assets held by local councils were funded (or constructed) by Commonwealth or State Governments, or more recently, by developers. Property taxes were then intended to maintain those assets and operate services supported by those assets. Governments continue to supplement those property taxes with grants to maintain, renew or upgrade those assets. What is apparent though, is the value of funding required (compared to that provided) has grown – placing stress on the State and local government budgets.

Why – councils have been unable to maintain or renew infrastructure and facilities to appropriate standards of asset management while the grants remain politically volatile and while the Financial Assistance Grant (FAG) remains at half its former levels. Local councils are then required to decide between spending on services or investment in infrastructure, all while regulatory responsibilities are devolved to councils without suitable Government appropriation or delegated revenue raising capacity. Yet politics at all levels of Government during electoral cycles are reluctant to enable revenues to raise at least to cover the costs of operating, maintaining or renewing assets.

Most residents are likely agnostic of which level of government provides the services and infrastructure provided for their lifestyle, recreational and economic wellbeing. Yet most would readily identify local councils as its primary, visible and most expensive taxer. That is particularly so, as the form and visibility of taxation vary between levels of government:

- Commonwealth (progressive)
- States (proportional)
- Local (regressive)

In the 1970's, when contemplating measures to equitably distribute the new (then) Commonwealth Financial Assistance Grant, Alan Morse (chair NSW Grants Commission) noted most road, utility and other assets were constructed or funded historically by Government, with an expectation that local council property taxes would maintain those assets. However, it was acknowledged then that property taxes (local rates) were barely enough to cover the cost of maintenance of infrastructure and facilities.

Many factors have contributed to making local councils' financial position more unsustainable:

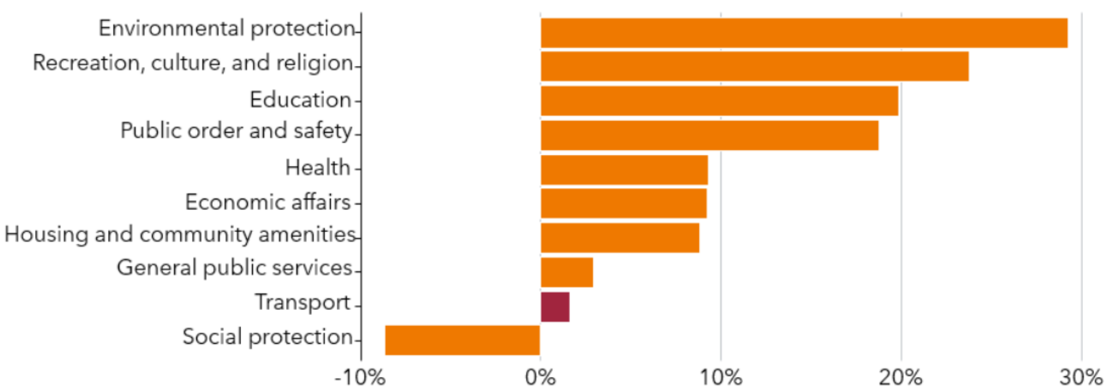
- Local government is fundamentally in the business of 'construction' and development' – both sectors have historically endured significant cost movement, supply chain disruption and scarcity of skills. In recent times, those costs have grown around three times CPI.
- The impacts of consecutive natural disasters and the COVID pandemic during the last five years has significantly depleted revenue and increased operational costs. Had councils not 'opted-in' to disaster repair and recovery arrangements with (then) Resilience NSW, many of the repairs and restoration of damaged infrastructure would have been undertaken by contractors and underwritten by council, awaiting reimbursement for approved works through the respective NSW agencies – and often across financial years (which in turn distorts financial results).
- Thankfully, in most cases, the infrastructure restored was funded through Commonwealth and NSW disaster grants, rather than renewed through council funding at a later date. A reader of many councils' financial statements would note several years of above-benchmark expenditure on renewals, and an elevation in the condition ratings of several road and bridge assets – largely due to those grants.
- However, the grants stimulus prompted by the disasters and pandemic generated several 'after shocks' for local councils – the future costs of operations, maintenance, repair (OMR) and

depreciation of new, upgraded or renewed assets funded by grants, may not have been adequately accounted in future budgets.

- A similar picture plays out in local government areas that have experienced significant population or development growth. Infrastructure and facilities constructed through new developments and 'gifted' to councils, also may not have adequately accounted for those OMR costs in budget forecasts, nor raise adequate revenues through subdivision and associated supplementary rates.
- Both the above circumstances created market pressure for scarce skills (planning, engineering, finance, environment), contractors and resources (energy, fuel, steel, concrete, bitumen).
- Estimates (and timing delays) for infrastructure projects (the subject of competitive grant applications) were often 'under-cooked', requiring councils to source funding to meet the cost gap, or de-scope the project – or even return the grant.
- Several councils unfortunately deferred borrowing, and now face higher interest charges to fund those projects or gaps in estimates.
- Many councils are debt-averse, ironically ignoring opportunities to raise capital at fixed rates with TCorp for asset renewals, or forgoing higher returns from investments in better times.
- In addition, many councils reduced or removed development charges, deferred debt recovery, or received lower revenues as business activity quietened during Covid.
- If local councils were fortunate enough to hold suitable levels of working capital, they were able to partly absorb some of these recent shocks.
- Unfortunately, many councils saw a rapid decline in their reserves and working capital over recent years, with some 'overdrawn' (eg negative cash reserves).
- OLG time series data indicates around two-thirds of councils regularly report annual operating deficits, and the portion of property taxes (rates, annual charges) to all revenues is declining.
- Cost shifting through legislation and policy settings of state and federal government forces councils to assume responsibility for infrastructure, services and regulatory functions without providing appropriations or permitting suitable fees to enable cost recovery.
- These, together with the flatlining of the Financial Assistance Grants (FAG) below 1% of Commonwealth taxation revenues, rounds out the general sustainability stressors in local government.

The Grattan Institute (2023) confirmed the view of the sector, that local government spending had shifted from assets to the social and environmental agenda of Government:

Real growth in local government expenditure between 2013 and 2022, by category



2.6 Reports to Government

The Government has received several reports on the financial sustainability, revenue raising and regulatory burden on local councils. Those reports included the Independent Inquiry into the Financial Sustainability of NSW Local Government (Allan 2006) and the National Financial Sustainability Study of Local Government (PWC 2006).

The Allan report acknowledged population growth (and higher service standards expected of migrating intrastate populations), the compounding effects of climate change on assets, and an assessment of utility assets were not included in those estimates.

It recommended local government's revenue raising capacity should be commensurate with its agreed roles and responsibilities. External grants should either be to help local councils meet minimum responsibilities that cannot be fully funded by normal rates and charges or to fully fund activities on behalf of another tier of government. Specific taxes, regulatory fees and fines should be economically efficient, socially equitable and relatively simple and inexpensive to administer. Commercial services should fully recover their economic costs, including cost of capital.

The Allan Report recommended the following measures be explored to mitigate the infrastructure backlog and financial sustainability crisis:

- Boosting supply
    - Removing rate pegging in whole or in part, broadening or increasing the tax base, removing tax exemptions, accruing all unpaid rates to estates with an interest charge, increasing statutory fees and fines, securing increased grants, selling surplus assets, getting better returns on investments, and/or increasing borrowings and debt.
- Reducing demand
    - Charging for services, and/or imposing or tightening eligibility rules.
- Shedding responsibilities
    - Abandoning certain functions, and/or transferring these to other organisations.
- Revising obligations
    - Resetting council's own standards, and/or renegotiating with other tiers of government the nature or application of their statutory obligations.
- Reordering priorities
    - Saying no to future cost and responsibility shifting where legally possible; embracing a 'back to basics' agenda until the infrastructure crisis is fixed; adopting 'zero-base' budgeting; developing and implementing credible strategic and financial plans.
- Pursuing efficiencies
    - Benchmarking operational practices, adopting flexible work practices, reengineering work processes, setting productivity savings targets, sharing limited staffing resources,
    - changing procurement practices, accessing bulk discounts under state supply contracts), outsourcing services (e.g. internal audit).
- Improving capacity
    - Raising the management and governance capacity of both elected councillors and
    - professional staff.

The PWC study found local councils had expanded its roles and service range through Commonwealth and State inducements and withdrawal of services by those levels of Government, with growth in input prices exceeding the equivalent average growth in revenues, in turn causing a significant number of councils developing deep operating deficits. To moderate those deficits, many councils deferred expenditure on infrastructure renewals. The annual underspend (then) on renewals averaged over $3m per council, approaching an average 10% funding gap.

The funding gaps were more acute in remote, rural and regional councils, particularly as metro councils had higher portions of property tax income, greater access to other growth revenues and enjoyed growth though the per capita population component of the financial assistance grant – notwithstanding all endured various degrees of poor asset management.

The characteristics of local councils with financial sustainability problems included:

- minimal (or negative in real terms) revenue growth,
- cost growth exceeding revenue growth, noting local council costs (especially construction) rose an average 2-3% pa above CPI,
- increasing involvement in non-core service provision (incl cost shifting),
- deferring infrastructure renewal to minimise (and disguise) the size of operating deficits,
- limited access to contemporary financial and asset management skills and technology.

The study recommended State and local governments should recognise when service and infrastructure gaps are beyond the capacity and responsibility of a local council.

Local councils' taxes (ie recoverable as a charge on property) may be designed then to recover the cost (nett of grants) of the operation, maintenance and renewal of assets (and any associated debt servicing).

However, there is uneven capacity and capability across local councils to manage infrastructure, facility and utility assets. Many councils (particularly smaller, and rural and regional councils) have low asset management maturity (skills, systems, technology) – such as SVC.

Unfortunately, the Government has not carried the bulk or focus of various Report recommendations (IPART, Productivity Commission, PWC, KPMG, Grattan Institute) into legislation, more often exacerbating the challenges to local government by:

- underfunding Government programs or projects to be delivered by councils, underscored at times by councils underestimating the costs for those programs and projects; councils excluding appropriate elements of project management and cost escalations; or delays in grant applications, execution of grant deeds and receipt of funding before commencement of the activity – at times leaving a gap for councils to fund to complete the project, or abandon.
- overregulation of fee settings, discounting the ability of councils to fully recover the private benefit costs of programs and services.
- introducing new programs to be delivered by local councils to meet Government policy objectives, with grant funding shrinking or removed over 1-3 years, generating a community expectation the councils will continue those programs at their own cost.
- exposing capacity, capability and consistency gaps between councils, in terms of appropriately estimating, recording and attributing costs; capturing service and asset data; and monitoring and reporting performance.
- diverting council focus from servicing, maintaining and renewing existing infrastructure, to expend effort on applying for grants made available to support new or upgraded assets, then diverting resources to deliver the funded projects within electoral cycles.
- councils underestimating or excluding the recurrent cost of maintenance and depreciation (ie renewal) for new or upgraded assets generated by grant funding.

Former assumptions the rate peg should maintain the same value of revenue per capita is misguided. Many NSW councils have had rate yields capped in a time trap with a 'fishing, forestry and farming' rate structure LGAs from the 1970s. Had special rates variations (the subject of local political contest) not been pursued and approved, the per capita revenue levels have not been raised to contemporary levels. If not also for the attempts of the Local Government Grants Commission (LGGC) to moderate FAG funding through 'disadvantage' factors, many councils' per capita revenues would be worse.

Certainly, State and federal government expenditure increased while managing the health response to and the economic recovery following COVID-19, which increased fiscal pressure. A constricting of government spending to reduce the fiscal imbalance is coming and this will impact councils' access to grants and other funding opportunities, as well as potentially increase cost shifting to councils. Notwithstanding, local councils are best placed to deliver many 'devolved' government services but are often least positioned or resourced to do so.

More apparent now in the face of recent natural disasters (and before that, the prospect of terrorist attack) is the criticality of infrastructure operated and maintained by local government to community, business and environmental wellbeing. Think evacuation accommodation, water and sewer treatment, waste cells for disposal of burnt or flooded household goods, bridge access across flooded waters, telecommunication towers on council property, and digital records privacy from cyber-attack.

Many councils too, are responsible for the maintenance (and opening) of state and regional roads and bridges that are relied upon for freight, tourism and evacuation.

Most councils participate in local emergency or disaster recovery planning. Many councils retain and test business continuity plans. Few however, may have refreshed those plans to reflect the availability of staff to operate or maintain the assets during a pandemic, rather than the assets becoming unavailable or damaged during a natural disaster crisis.

Similarly, the obligation to retain those skills and staff to operate and maintain infrastructure during and following a crisis, has befallen local councils.

2.7 Sustainability Reports to Council

Snowy Valleys Council has recognised its financial vulnerabilities, commissioning reports by Morrison Low and Professor Joseph Drew to identify options to improve the financial position. In addition, Council considered reports from staff, resolving several actions that have been pursued in recent years. Key recommendations are listed below. Many of these findings and recommendations echo those recommended with this Financial Sustainability Plan.

Morrison Low (2022)

Morrison Low (ML) were engaged to:

- review Council's current baseline budget and financial forecasts
- assess the contributors to Council's financial sustainability challenges
- independently assess and provide independent advice on the long-term financial sustainability of Council
- provide advice on options to close any financial sustainability gap
- provide information to the Snowy Valleys community and facilitate the community engagement process, so that Council can make an informed decision on the options to become financially sustainable.

ML identified the General Fund operation had an estimated ten-year financial gap of $45 million. The likelihood is that this position could get worse, with the impact of grant funded new assets and increases in service costs and/or levels, without any actions to improve Council's financial performance.

Three options were developed for community consideration, being:

1. Option A - 30% SRV over two years (15%, 15%) = $3.1 million (is the compounded amount ~32.25%) + implementing the productivity gains3 of $600,000 over three years.

2. Option B - 25% SRV over two years (12.5%, 12.5%) = $2.5 million (is the compounded amount ~ 26.66%) + productivity gains $600k over three years + $700,000 service savings over three years.

3. Option C - 15% SRV over two years (7.5%, 7.5%) = $1.5 million (is the compounded amount ~ 5.56%) + productivity gains $600,000 over three years + $1.7 million service savings over three years.

	Option A	Option B	Option C
Closing the gap through: • asset rationalisation • change service levels • reduced services • increased fees and charges.	No service changes, with a productivity saving of $600,000. See example of apportionment for option A in the chart below	$600,000 productivity savings + savings of $700,000 over three years from a combination of closing the gap options. See example of apportionment for option B in the chart below.	$600,000 productivity savings + savings of $1.7 million over three years from a combination of closing the gap options. See example of apportionment for option C in the chart below.
Special rate variation	An SRV of 30% spread over two years (32.25% compounded).	An SRV of 25% spread over two years (26.66% compounded).	An SRV of 15% spread over two years (15.56% compounded).

Consequently, Council successfully applied for a special rate variation (SRV) of 15.7% in 2023.

Professor Drew (2023)

While Prof Drew was commissioned to provide advice to Council on the relative advantages and disadvantages of de-merger, he *discovered some serious challenges that would require significant mitigation works in the event that Council was not de-merged*; and i*t would be prudent to start to redress some of the problems at SRV, as soon as possible*. The Report recommendations included:

- an additional 15-30% above the cap will be required shortly (this is on top of the SRV that has already been approved by IPART). Indeed, even more rate increases may ultimately be required.
- the capital expenditure program needs to be revisited and scaled back wherever possible. It is simply too large for a council of this size and has been distracting staff from key tasks that now stand in need of urgent redress
- take a much more critical view of potential grants for works of a discretionary nature in the future. It is sometimes appropriate to say 'no' to opportunities – especially when faced with pressing financial sustainability concerns or an overstretched staff.
- whole-of-life project costing needs to be adopted in the future. Notably maintenance, staffing and ultimate replacement costs are usually not covered by grants
- the willingness to pay (WTP) of the community must be assessed rigorously
- more focus needs to be had on maintaining current infrastructure rather than new construction – especially in the Tumut area
- the robustness and detail of asset management and construction plans could be improved.
- Council is urged to instead practice long-run marginal cost pricing1 for most discretionary prices.
- the financial sustainability focus needs to be far broader that the two ratios mentioned
- needs to be a much stronger focus on the adequacy of reserves (and trends in reserves)
- care needs to be taken with respect to the assumption that shared services will definitely result in savings and efficiencies
- make subsidies both more rigorous and also more transparent
- Council would be well advised to better educate the community regarding the financial sustainability challenge faced by Council.
- a service level review, heavily informed by randomised survey input, would be in order
- financial sustainability training for senior staff, Councillors, and perhaps members of ARIC.
- there are limited further savings available in the area of staffing
- staff turnover is a significant problem for SVC. High likelihood that problems recruiting and retaining staff are likely to result in higher costs in the future

Council Reports

Further to these reports, councillors considered several options from staff since 2021 including property sales, service transfer and changes to levels of service. Council consulted the community on options in 2021

A 'Road to Sustainability Plan' was published in 2023 (Attachment 1).

3 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 'weak' to 'strong' bandwidth. In that context, it is anticipated SVC (while it continues to publish accumulative annual operating deficits) would be classified 'weak', while the new councils may initially be 'weak' or 'very weak' until the sustainability interventions proposed later in the FSP are embedded into the new council's service, financial, asset and workforce plans. A copy of the Framework is at Attachment 2.

Table 1: Extract TCorp Sustainability Framework

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

3.1 Financial Sustainability Risk Ratings

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

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

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

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

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

A suite of financial, asset and workforce indicators will guide council's progress towards its preferred scenario over the next two terms (Attachment 3).

An assessment of the FY23 financial statements and 2024 LTFP was undertaken across those sustainability metrics, which in turn may require assessment for or by the new councils.

As councillors consider the proposed scenarios in Workshop 2, the above measures will be reassessed to indicate the extent each Scenario does (or does not) meet the 'moderate' then 'sound' rating across the next two council terms.

4 Profile

LGA

Snowy Valleys local government area (LGA) comprises 8960km2 and an estimated population of 14,936. The population has a SEIFA rating of 951 (2021). Its gross regional product (2021) was $1.011bn primarily through beef, forestry and paper production. However, those natural resources were decimated through drought then bushfires in 2019-20.

Current Population: 14,936

50.4%	Male
49.6%	Female
6.6%	First Nations People
69.5%	Eligible voters (citizens aged 18+)

Employed Population

57.9%	Work full-time
31.2%	Work part-time
16.9%	Management roles
16.5%	Labourers

Local Jobs: 7,195

18%	Agriculture, Forestry and Fishing
14.1%	Manufacturing
11.3%	Construction
9.0%	Health Care and Social Assistance

Method of travel to work

65.2%	Car – as driver
10.6%	Worked at home.
5.0%	Car – as passenger
4.8%	Walked

Electoral

Council is undivided (no wards), represented by 9 councillors with an average 1 councillor to 1661 residents. The image below illustrates the SVC whole LGA, together with assumed boundaries for the new councils if SVC is demerged.

Organisation

At June 2024, the staff establishment was 223.66 FTE, however with vacancies around 15%, an FTE of 189 was accounted at June 30.

Assets

730kms of Sealed Roads
460kms of Unsealed Roads

6 Resource Centres
1 Material Recover Facility

202kms Sewer Mains
269kms Water Mains
80kms Stormwater Mains

1 Performance Arts Centre
9 Community Centres
4 Community Halls
1 Childcare Centre
2 Pre-schools (Including Mobile)

157 Vehicular Bridges
52 Pedestrian Bridges

100kms of Shared Paths (Bikes/Walk)

5 Swimming Pools

48 Parks and Reserves
8 Sport Fields
3 Showgrounds
27 Bushland Reserves (230ha)

335 Buildings
1 Sales Yards

6 Water Treatment Plants
19 Water Reservoirs
2 Dams
1 Raw Water Reservoir
2 Water Supply Bores

36 Public Toilets
7 Wastewater Treatment Plants
16 Wastewater Pump Stations

OLG Group

SVC is classified a Group 11 LGA (large rural) by the Office of Local Government (OLG). At June 2022, it compared to Group 11 councils per below. Other comparative data is at Attachment 4.

Council The councils listed are those that continued operations and reported for the financial year 1 July 2021 to 30 June 2022	Population	Full Time Equivalent Staff	Population/Equivalent Full Time Staff	FTE/1000 Residents
Large Rural				
Bellingen	13,197	142	93	10.8
Cabonne	13,760	164	84	11.9
Cootamundra-Gundagai Regional	**11,387**	**145**	**79**	**12.7**
Cowra	12,753	182	70	14.3
Federation	12,821	176	73	13.7
Greater Hume	11,105	137	81	12.3
Gunnedah	13,085	182	72	13.9
Hilltops	19,216	198	97	10.3
Inverell	17,919	193	93	10.8
Leeton	11,481	144	80	12.5
Moree Plains	12,961	216	60	16.7
Murray River	12,780	201	64	15.7
Muswellbrook	16,463	160	103	9.7
Nambucca Valley	20,375	148	138	7.3
Narrabri	12,809	Not provided	N/A	
Parkes	14,453	199	73	13.8
Snowy Valleys	14,901	189	79	12.7
Upper Hunter	14,254	256	56	18.0
Yass Valley	17,234	134	129	7.8
*All external data is sourced from the most recent published version	**14,366**			**12.5**

5 Trends

The Financial Statements of the former pre-merged councils (FY15) and SVC (FY19-23) have been assessed. The underlying trends – excluding the distorting influence of capital grants, pre-paid FAG, asset impairments and disaster grant funded renewals and gifted assets for example – is important to discern.

Similarly, the disaggregation of the Consolidated Results into General, Water and Sewer Funds, will remove the usual surplus results of the utilities and unmask the annual deficit for General Fund.

Financial Statements FY23

Financial Statements FY23

a. SVC met most financial benchmarks
b. the special rate variation (SRV) improved the consolidated operating result (excluding capital grants and contributions) and achieved a nominal balanced result
c. like many rural and regional councils, SVC remains reliant on grants (~40%)
d. nett cash from operating activities improved, propped by unspent grant, however total cash and investments remained static at $44.016m
e. borrowings remain very low as % of asset WDV, while the ability to service debt remains high
f. drawing down on restricted investments is required to support cashflow, as no unrestricted working capital was available (~$0.105m)
g. only water and sewer are separately reported by Fund, recording surpluses of $6.15m, masking the general deficit of $5.965m

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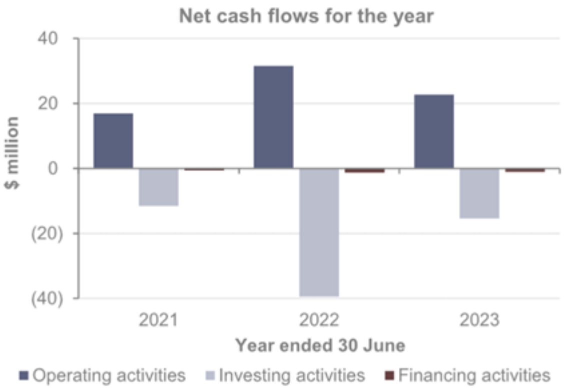

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Restricted Funds (reserves)

a. external restrictions appropriately reflect funds held as unexpended grants and contributions, or balances recorded in Notes as held for water, sewer, waste and stormwater (utilities)
b. significantly, internal restrictions are cash funded, council had inadequate working capital
    - should all internal reserves (less ELE) be unrestricted, then the combined unrestricted and internal reserves value of $6.392m represents 10.3% of cash operational expenditure ($61.686m). Ideally 2 months cash (16.7%) should be available
    - grants held in reserve were drawn down to fund specified projects during the year
c. employee benefits are well resourced at 45% of the liability
d. plant replacement reserve ($1.547m) appears healthy, based on annual acquisitions ($2.322m)
e. like many rural councils, setting funds aside for future infrastructure renewal or upgrade is minimal, reinforced by the reliance of grants (particularly disaster recovery grants) to fund renewals

Effect of Depreciation (and Gifted-Granted Assets)

a. asset values are subject to cyclic revaluation and annual additions following construction or acquisition of assets, or reduction due to disposal or sale of assets (such as property or plant)
b. similarly, the asset values may increase due to accounting for assets contributed by developers, or funded by government grants
c. consequently, as infrastructure and plant costs have escalated during the Covid and the Governments' Covid/natural disaster grant stimulus phase, so too has depreciation expense
d. while water and sewer depreciation remains modest due to the condition of those assets (refer special schedule 7), general depreciation continues to grow by $0.9m per year
e. with the benefit of the SRV, the General Fund rate revenues increased by $1.484m, contributing little however to other expenses and any prospect of a balanced financial result
f. while Note C1-6 indicates the bulk of capital works were asset renewals ($21.266m), in turn the bulk of that was funded by grants ($14.579m). Notwithstanding, unexpended general grants remained at $10.509m at year end
g. no gifted or contributed assets were noted in that FY period
h. review of asset plans and renewal schedules is important to guide future funding and reserve requirements

Financial Plan

a. SVC revisited its Financial Plan pursuant to the unsuccessful SRV application in 2024, identifying $1.255m in operational savings from FY25
b. Financial Plan notes average annual consolidated operating deficits around $2.5m accumulating over the term of the Plan
c. General Fund presumes a deficit around $5m, with depreciation growth ($3.345m) absorbing three quarters of tax revenues of $4.350m. Capital grants grow decline, in turn reducing the annual value of forecast asset renewals significantly (below benchmark)
d. the Plan acknowledges the capital works programs as inadequate to meet the cost of predicted asset renewals
e. the prospect of dividends (should they be eligible), are unlikely as the utility Funds don't propose a suitable surplus. Note: dividends are capped.

Utility Funds (water, sewer, waste, stormwater)

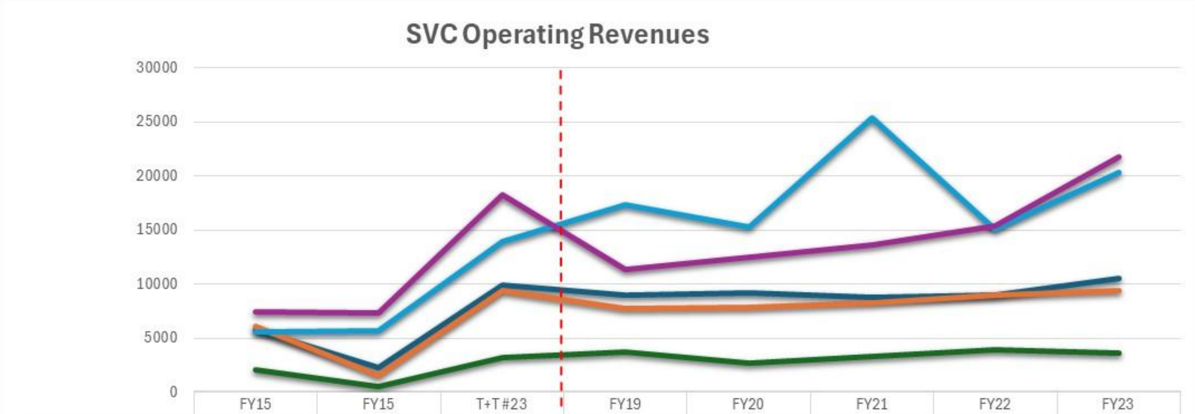
a. the financial statements and Financial Plan indicate the utility funds may not be appropriately self-funding (eg operations, capital, asset renewal, future augmentation, reserves, climate resilience), nor meet NSW 'best practice pricing'
b. it is understood reviews of Water and Sewer is scheduled, however Waste and Stormwater should also be revised to suitable asset, servicing and pricing standards. Stormwater should be elevated to combined levels similar to Sydney Water and metro councils, as a minimum
c. 'self-funding' also includes the Funds respective share of attributed corporate costs (through activity base costing), to produce annual averaged surpluses to accumulate reserves to smooth out future bill shocks due to seasonal/climate induced demand changes
d. The 'strategic business plans' understood to be prepared soon in accord with IWCM should provide more content and estimates for future augmentation, buffers and pricing

Revenues and Expenses Gap

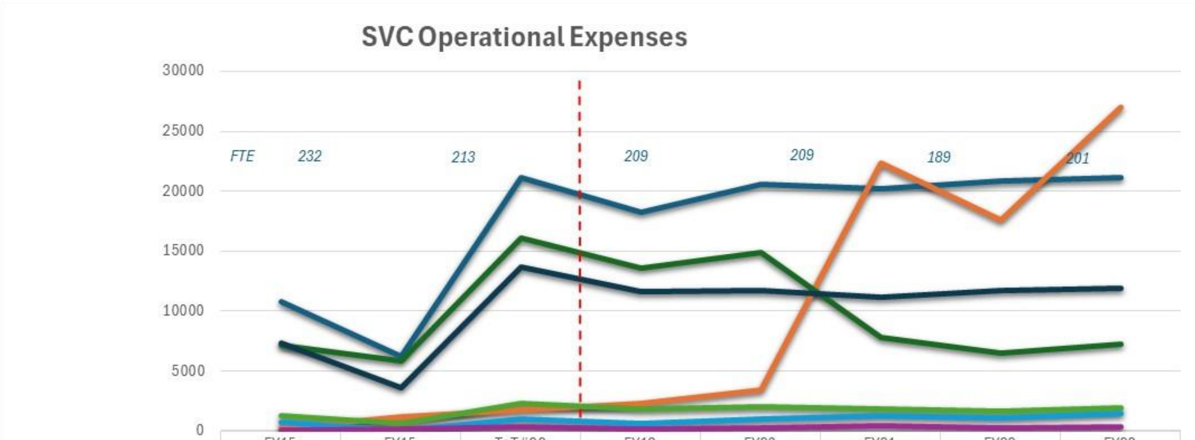
Like most councils, the fundamental issue for SVC and the new councils is to prepare and produce a balanced or surplus operating result (ie excluding capital grants and contributions in the Income Statement). It is that result that influences the Operating Performance Ratio (OPR) that is benchmarked by OLG at 0%. A negative result is a deficit. A trend of cyclic surplus and deficit is acceptable (eg accounting and timing practice induced), provided an ‘average’ balanced (0%) result endures across the 10 year financial planning horizon. A regular and deeper annual deficit becomes structural and requires intervention – usually by a special rate variation (SRV).

Unfortunately, ***SVC is in structural deficit***. Like most councils, the revenue and expense gaps widen each year, becoming increasingly dependent (and vulnerable) on the volatility of grants. The following charts illustrate those and other key trends since 2019, compared to a potential combined result for the former councils (T+T), indexed to $FY23.

Performance

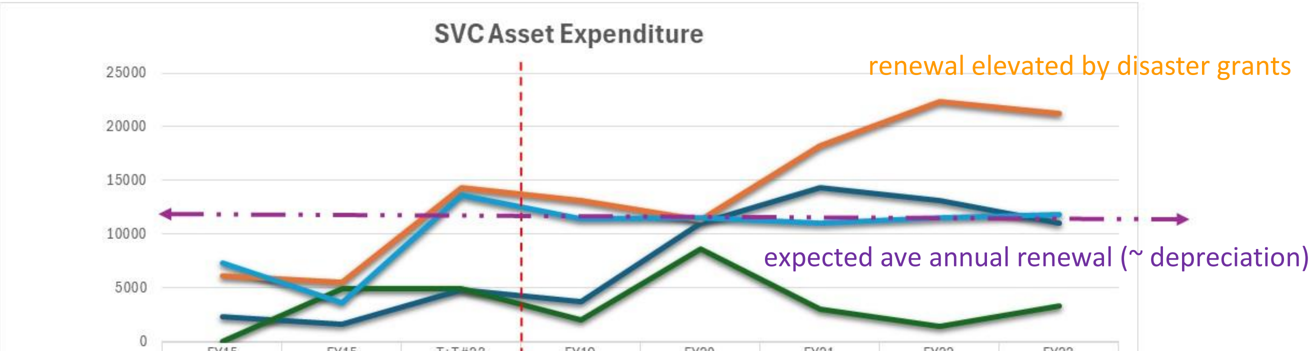


	FY15	FY15	T+T #23	FY19	FY20	FY21	FY22	FY23
Rates	5813	2236	9959	8939	9172	8815	9027	10511
Annual Charges	6056	1532	9389	7775	7873	8236	8973	9349
User Charges	2082	519	3218	3670	2685	3307	3897	3645
Operating Grants	5592	5630	13885	17385	15300	25350	15085	20309
Fees	7451	7357	18322	11398	12516	13598	15410	21811

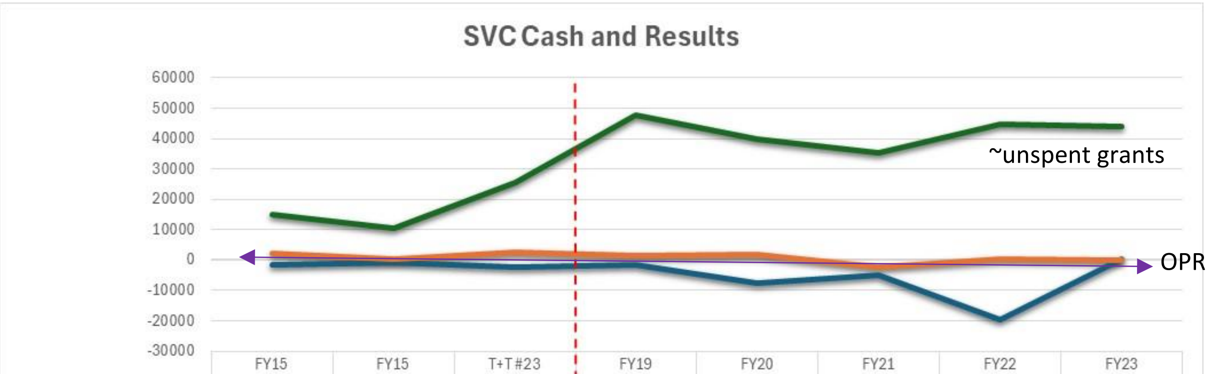


	FY15	FY15	T+T #23	FY19	FY20	FY21	FY22	FY23
Employment	10812	6264	21128	18209	20580	20246	20823	21155
Consultant/Contract	264	1168	1772	2301	3455	22375	17605	27030
Material/Supply	7147	5861	16095	13551	14922	7824	6502	7295
Government Transfer	733	114	1048	622	1005	1290	1109	1493
Donations	108	146	314	213	282	404	228	367
Utilities/Insurance	1243	655	2348	1803	1986	1877	1613	1974
Depreciation	7390	3654	13665	11603	11704	11172	11707	11949

	FY15	FY15	T+T#23	FY19	FY20	FY21	FY22	FY23
Capital Grant	175	5361	6850	4550	11441	10785	13178	14401
Contribution Cash	404	231	786	244	283	708	571	178
Contribution Non-Cash	0	0	0	0	0	247	0	0



	FY15	FY15	T+T#23	FY19	FY20	FY21	FY22	FY23
Maintenance	2292	1581	4792	3755	11071	14373	13123	11034
Renew	6104	5496	14353	13173	11296	18247	22308	21266
New	0	4965	4965	2060	8648	3025	1465	3376
Depreciation	7358	3654	13625	11446	11545	11014	11549	11791

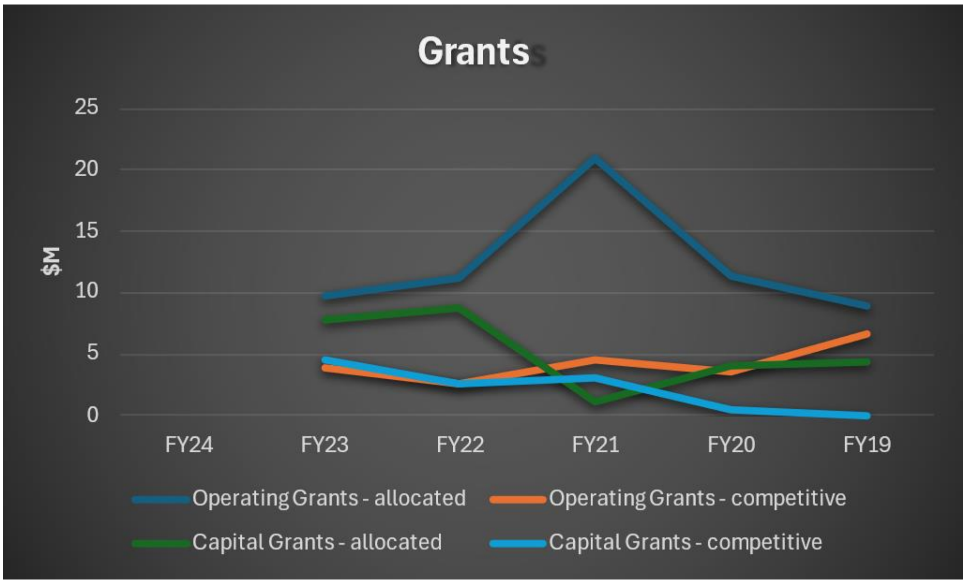


	FY15	FY15	T+T#23	FY19	FY20	FY21	FY22	FY23
Nett Operating	-1678	-692	-2370	-1585	-7693	-4980	-19716	187
Unrestricted Cash	2372	206	2578	1607	1955	-2380	475	105
Reserve Balance	14982	10372	25354	47746	39812	35397	44859	43911

The chart illustrates the less than benchmark operating results, the volatility (and erosion) of unrestricted cash, and the burgeoning reserves balances, 90% of which is restricted funds (ie unspent grants, contributions or utility funds balances).

Grants

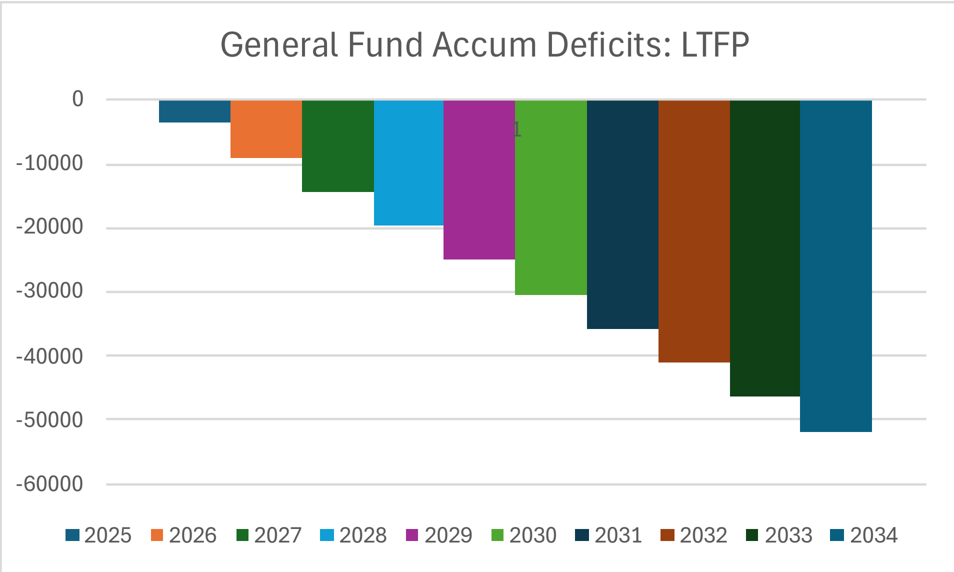
The following charts illustrate the reliance on grants, and the volatility of competitive (capital) grants). Without interventions proposed in the FSP, the deficits will accumulate and deepen to over $50m.



Council's reliance on volatile (and competitive) grants is illustrated below, with half the operating grants deemed competitive, and almost all the capital grants are competitive.

			Operating					Capital		
		FY24	**FY23**	**FY22**	**FY21**		**FY24**	**FY23**	**FY22**	**FY21**
Allocated	FAG General		8540	7367	5166					
	FAG Roads		429	772	688					
	Library		101	99	97					
	Lighting		46	0	51					
	SCCF			16	1355				434	6491
	Transport		1186		2122			805	50	
		0	10302	8254	9479		0	805	484	6491
Emergency	Bushfire		422	2699	11874				2413	
	Disaster		5270					2010		
		0	5692	2699	11874		0	2010	2413	0
Competitive	Utility		8	11					15	67
	Childcare		1536	1593	1489					
	Community		1747	939	983			2749	239	63
	Economic			4						450
	Environment			64						
	Heritage		19	31	10					
	Weeds		58	92	67					
	Other		71		78			107		259
		0	3439	2734	2627		0	2856	254	839
Asset										
	Recreation			28	298			3489	1253	1796
	Waste		466					995	270	690
	Transport		410	1270	970			4246	8504	969
		0	876	1298	1268		0	8730	10027	3455
	TOTAL	0	20309	14985	25248		0	14401	13178	10785

Financial Plan

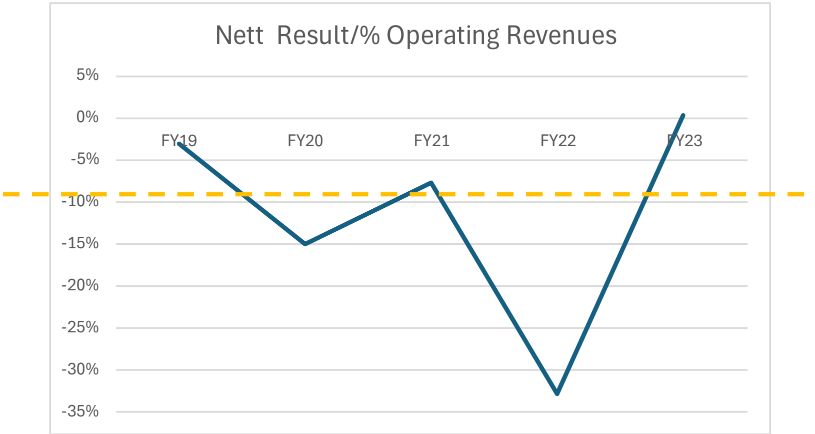


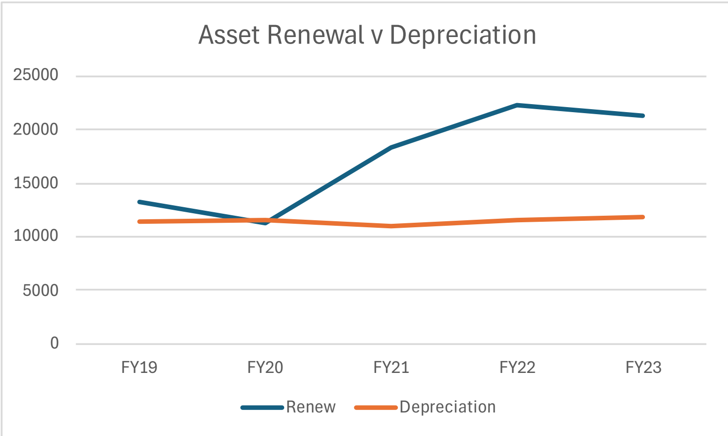
The chart above illustrates the cumulative consolidated deficits forecast to over $50m in the Financial Plan. Unfortunately, the adopted Plan continues the previous years' trends, averaging at -10% deficits (well below the benchmark of 0% or balanced budget). Conversely, asset renewals swamp the notional value of renewals (ie depreciation), with little of Council funds contribution that that annual investment in recent years, due to the size of disaster and other stimulus grants.

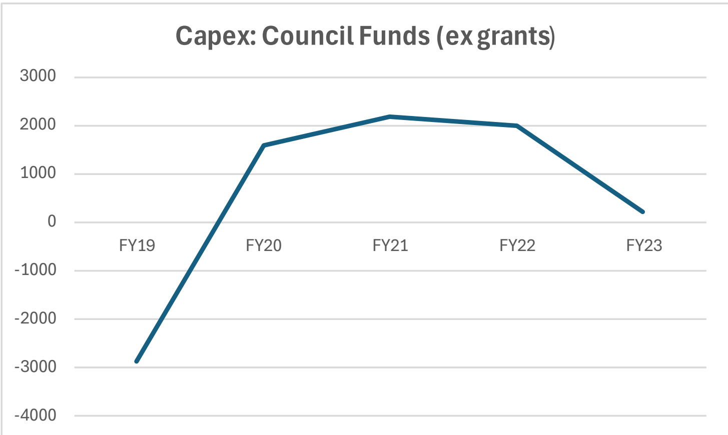
Further, the asset capital plan projects a declining investment in renewals over 10 years, which will prompt lower-than-benchmark asset ratios, noting depreciation grows to $14m over that period. The bulk of reserves utilised are from the utilities. However, there may be property disposals to assist.

Proceeds of sale of property, while supporting the FY25 budget, should be used to build working capital.

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



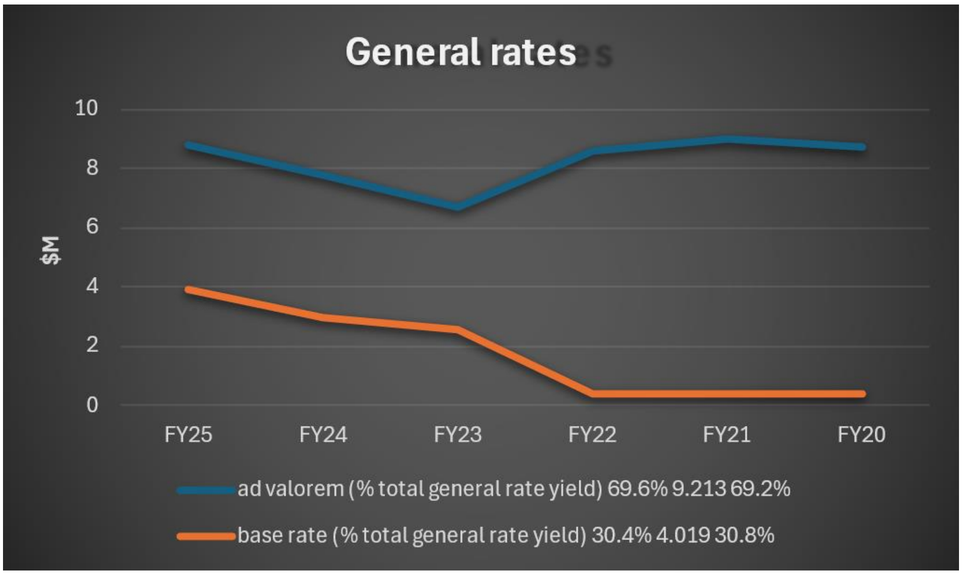


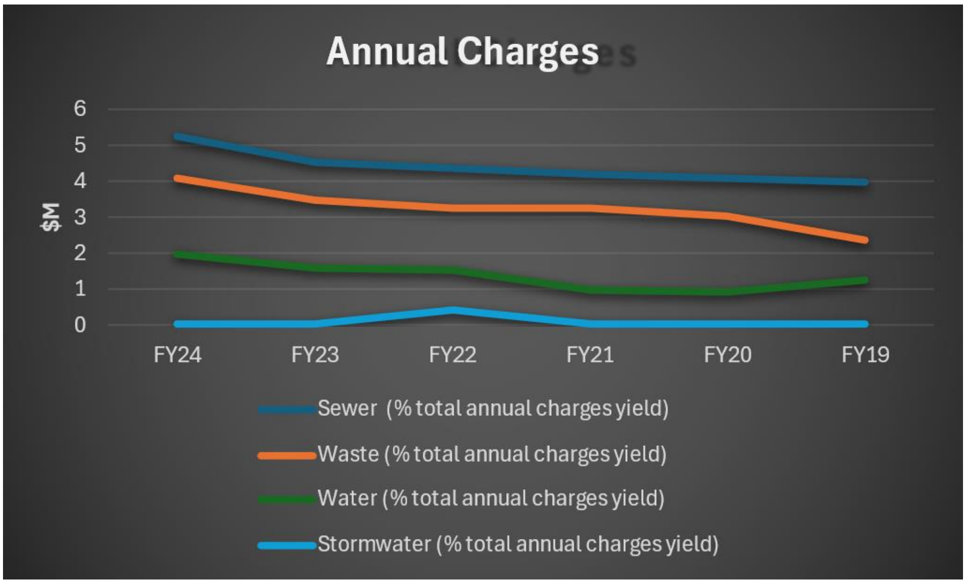


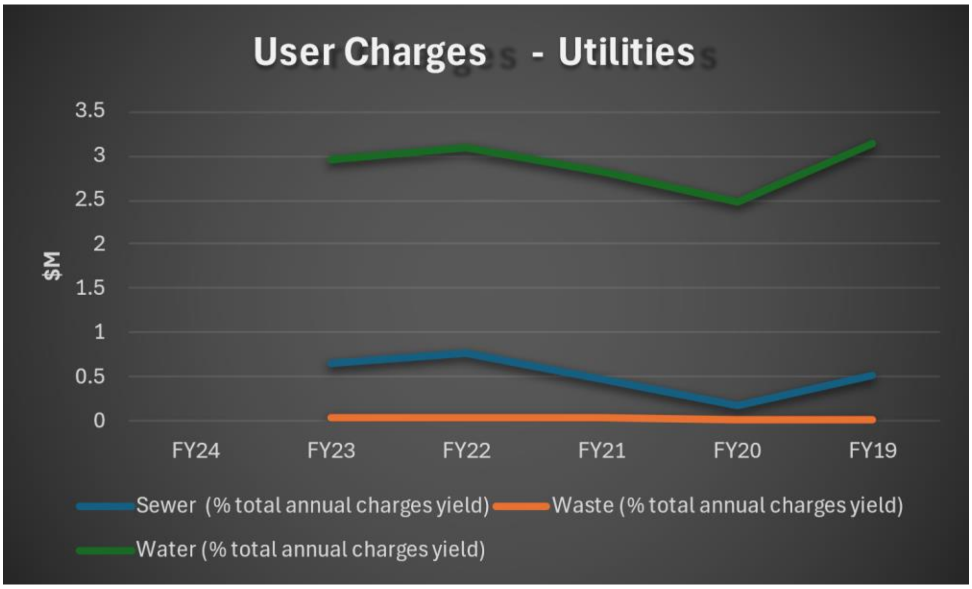
Rates and Annual Charges

Council introduced a two-part rating system during the harmonisation process in 2022, so that 70% of general rates are derived from unimproved land value (revalued on a 3-yeraly cycle by NSW Valuer-General), and the balance through a base rate per rate category. Council may review and set its rate structure and review categories annually.

Utility (water, sewer, waste, stormwater) annual charges had modest growth, while stormwater charges were capped at $25. It is the latter that will require significant uplift to meet its costs of maintenance and depreciation.


General rates
$M
10
8
6
4
2
0
FY25
FY24
FY23
FY22
FY21
FY20
ad valorem (% total general rate yield) 69.6% 9.213 69.2%
base rate (% total general rate yield) 30.4% 4.019 30.8%

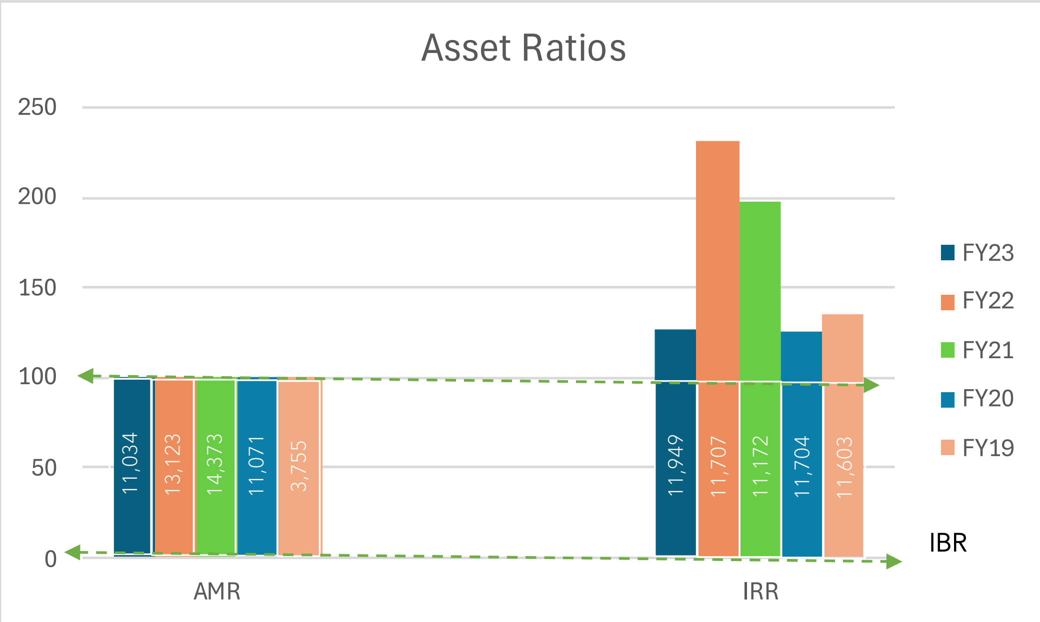

Annual Charges
$M
6
5
4
3
2
1
0
FY24
FY23
FY22
FY21
FY20
FY19
Sewer (% total annual charges yield)
Waste (% total annual charges yield)
Water (% total annual charges yield)
Stormwater (% total annual charges yield)

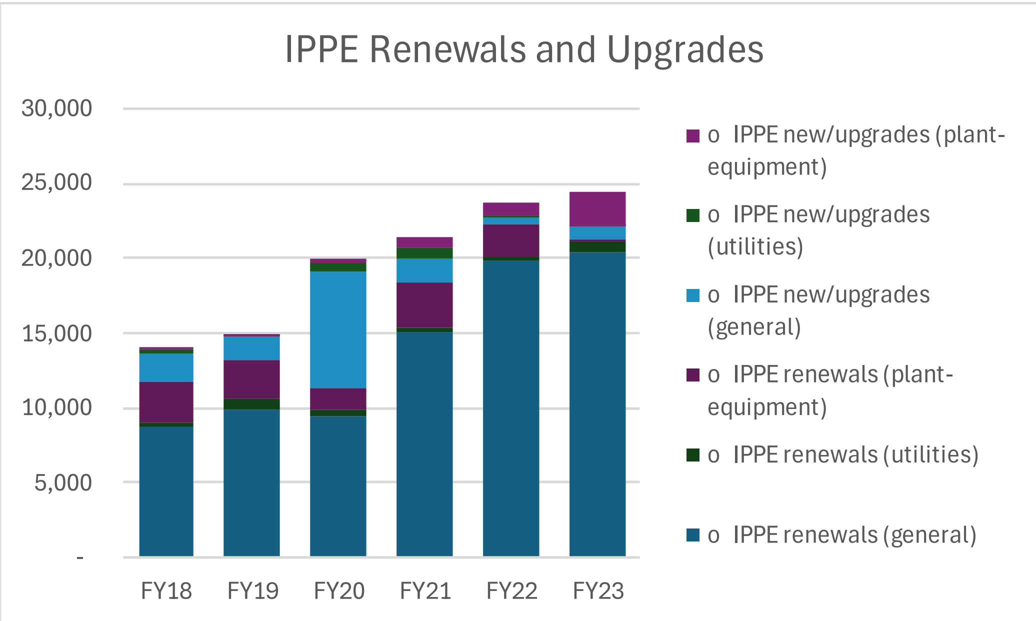

User Charges - Utilities
$M
3.5
3
2.5
2
1.5
1
0.5
0
FY24
FY23
FY22
FY21
FY20
FY19
Sewer (% total annual charges yield)
Waste (% total annual charges yield)
Water (% total annual charges yield)

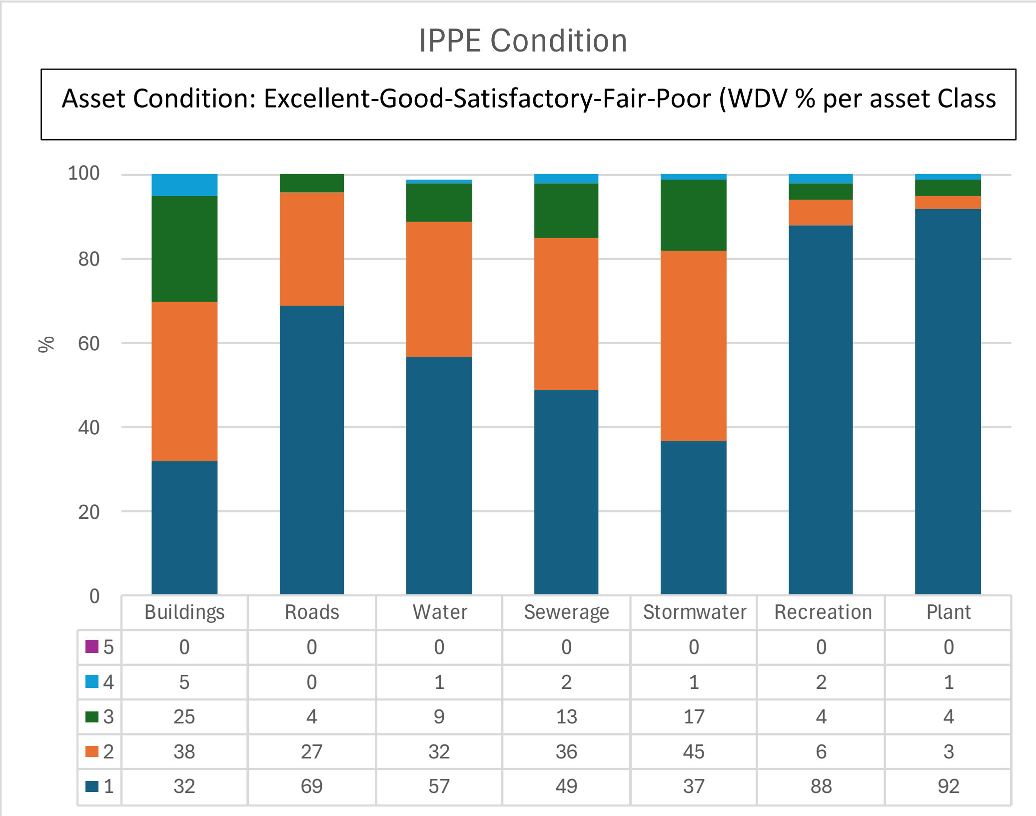
Assets

The maintenance of assets grew substantially from the drought period FY19 ($3.755m) settling to $11.034m in FY23 following the bushfires and floods. However, that figure exceeds the 'normal' 1% annual value of asset written down value (WDV). In addition, the cumulative (and unspent) value of disaster and stimulus grants saw general assets in particular surge well past the 'smoothed' line of depreciation which averaged $11.5m per year. The combined value of all asset capital expenditure doubled the depreciation value for several years.

Consequently, assets are in generally good condition and, while noting asset management plans are to be updated in 2024, there may be capacity to defer some renewals and alter the mix between maintenance and renewal expenditure (and their combined values) for a few years to enable budgets to balance and working capital to be restored.



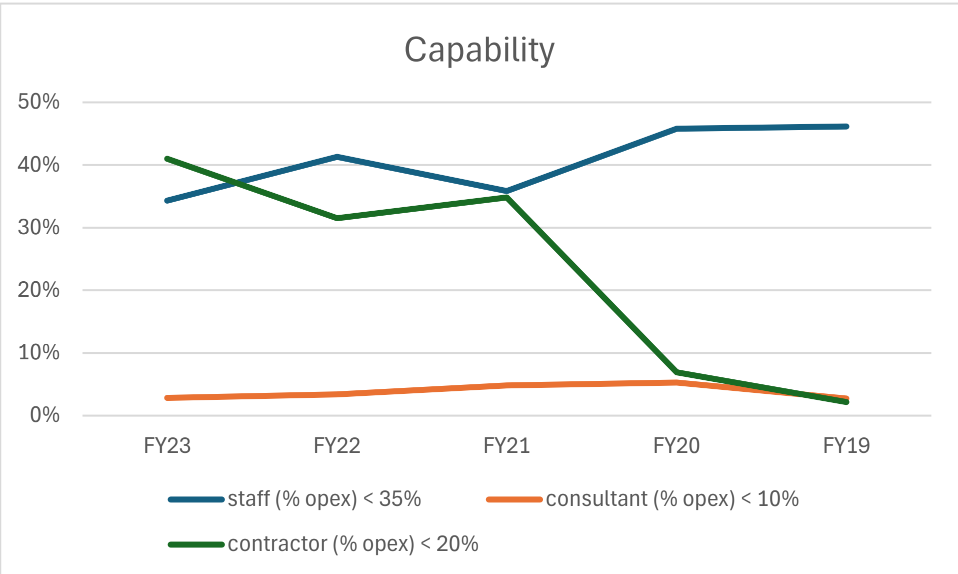




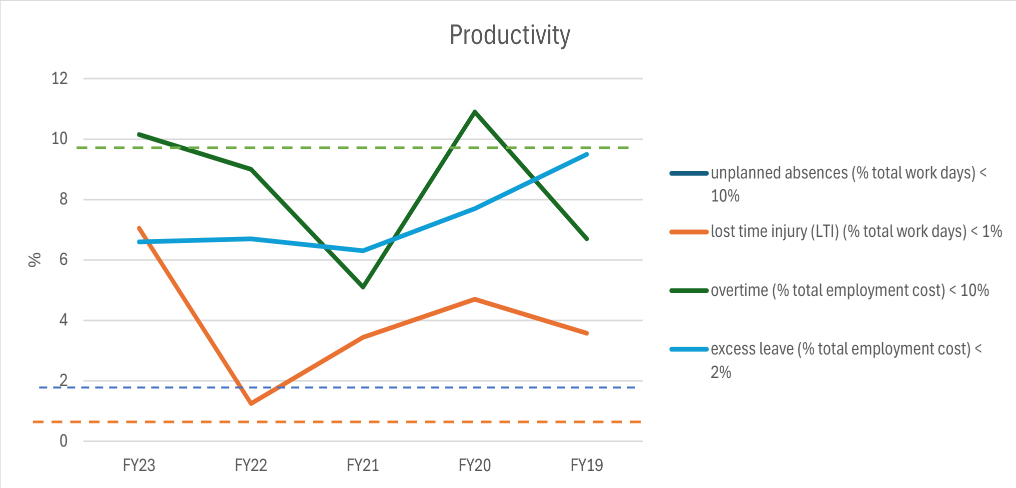
	Buildings	Roads	Water	Sewerage	Stormwater	Recreation	Plant
5	0	0	0	0	0	0	0
4	5	0	1	2	1	2	1
3	25	4	9	13	17	4	4
2	38	27	32	36	45	6	3
1	32	69	57	49	37	88	92

Employment

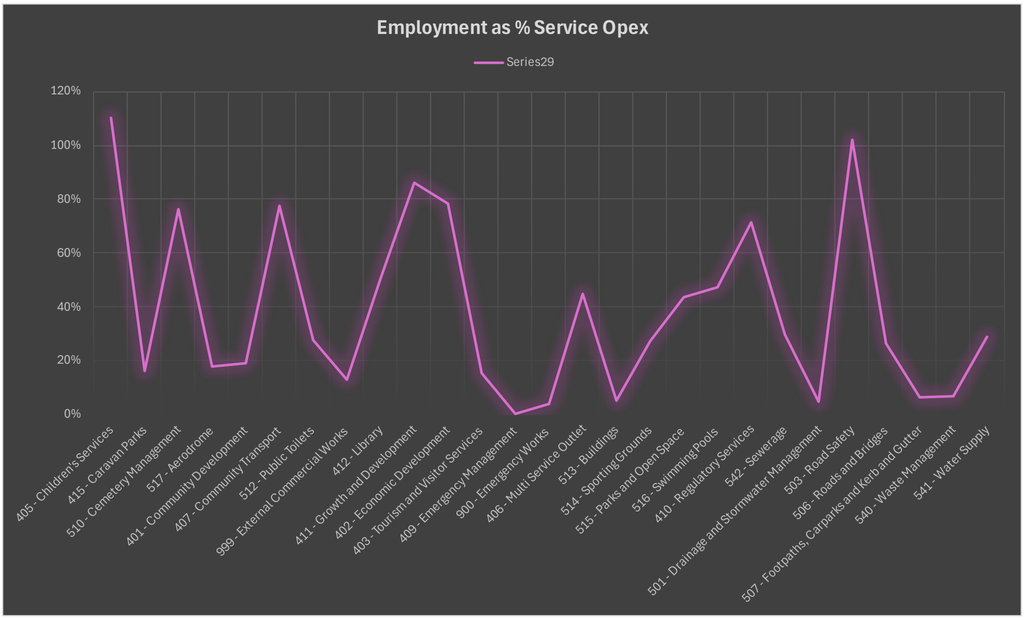
Employment costs have generally remained in the proportional range of operational expenditure (services at 40% and support at 80% in FY23). Notwithstanding, there had been significant churn (especially at manager and specialist levels) which, together with the substantial capex program underpinned by grants, led to higher consultant and contractor resources engaged since 2020.



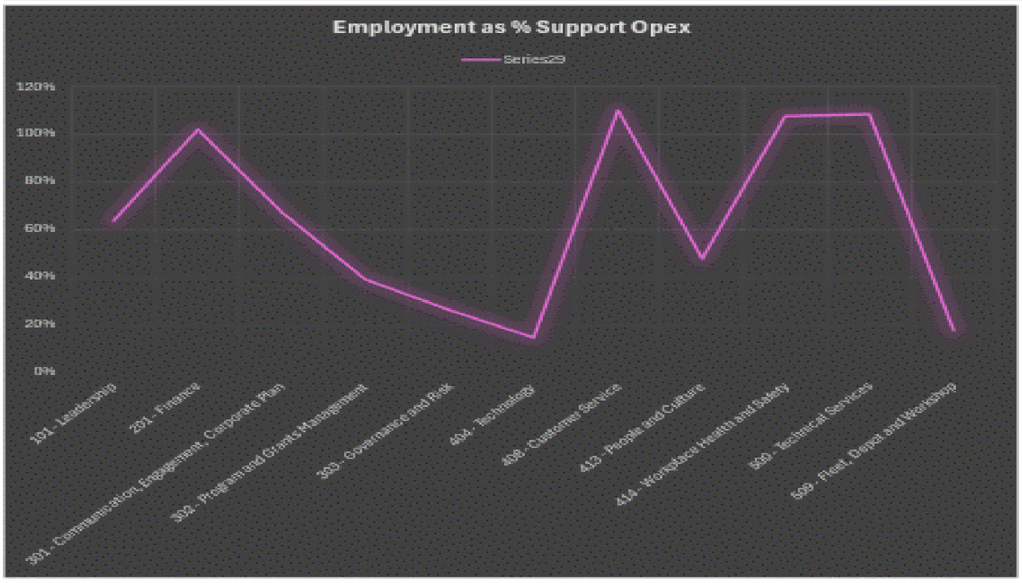
In turn, the churn and demand for skilled resources manifest in a mixed bag of productivity measures:



Productivity
12
10
8
6
4
2
0
%
FY23
FY22
FY21
FY20
FY19
unplanned absences (% total work days) < 10%
lost time injury (LTI) (% total work days) < 1%
overtime (% total employment cost) < 10%
excess leave (% total employment cost) < 2%



Employment as % Service Opex
Series29
120%
100%
80%
60%
40%
20%
0%
405 - Children's Services
415 - Caravan Parks
510 - Cemetery Management
517 - Aerodrome
401 - Community Development
407 - Community Transport
512 - Public Toilets
999 - External Commercial Works
412 - Library
411 - Growth and Development
402 - Economic Development
403 - Tourism and Visitor Services
409 - Emergency Management
900 - Emergency Works
406 - Multi Service Outlet
513 - Buildings
514 - Sporting Grounds
515 - Parks and Open Space
516 - Swimming Pools
410 - Regulatory Services
542 - Sewerage
501 - Drainage and Stormwater Management
503 - Road Safety
506 - Roads and Bridges
507 - Footpaths, Carparks and Kerb and Gutter
540 - Waste Management
541 - Water Supply



Employment as % Support Opex
Series29
120%
100%
80%
60%
40%
20%
0%
101 - Leadership
201 - Finance
301 - Communication, Engagement, Corporate Plan
302 - Program and Grants Management
303 - Governance and Risk
404 - Technology
408 - Customer Service
413 - People and Culture
414 - Workplace Health and Safety
500 - Technical Services
509 - Fleet, Depot and Workshop

Nett Service Results

Service		Result (deficit = draw on taxes) 2024	2023	2022
405	405 - Children's Services	639	568	219
415	415 - Caravan Parks	278	2759	1336
510	510 - Cemetery Management	87	185	86
517	517 - Aerodrome	10	389	369
401	401 - Community Development	-237	-105	-476
407	407 - Community Transport	267	223	169
512	512 - Public Toilets	-521	-466	-445
999	999 - External Commercial Works	2267	4834	1920
412	412 - Library	-806	-736	-772
411	411 - Growth and Development	-269	-515	-573
402	402 - Economic Development	-120	-74	-219
403	403 - Tourism and Visitor Services	-406	-386	-602
409	409 - Emergency Management	-582	-962	-504
900	900 - Emergency Works	1869	-931	-646
406	406 - Multi Service Outlet	-187	-57	-105
513	513 - Buildings	-16	142	-255
514	514 - Sporting Grounds	-105	-106	-28
515	515 - Parks and Open Space	-35	-467	-569
516	516 - Swimming Pools	18	1635	-334
410	410 - Regulatory Services	-223	-192	-274
542	542 - Sewerage	3049	2611	1847
501	501 - Drainage and Stormwater Management	-527	-502	-486
503	503 - Road Safety	1	24	87
506	506 - Roads and Bridges	3617	2081	8626
507	507 - Footpaths, Carparks and Kerb and Gutter	-504	-760	-623
540	540 - Waste Management	1917	3046	788
541	541 - Water Supply	2929	6327	-14157

While noting organisation support costs have not been appropriately attributed, the table above illustrate which of SVC services cover its costs through revenues generated (or grants received) by that service, while negative results indicate the draw on taxes by those services.

The larger negative results on services deemed 'important' or 'discretionary' by Council, may ne targeted as options for special purpose annual; charges for ringfenced planning, accounting and reporting.

Other Assets and Revenue Options

Council has progressed several land developments to support growth and its budgets. Development contributions from the council and private subdivisions are relatively modest, with accumulated balances also held in reserve (externally restricted). Those reserves are used to support the currently positive Cash Expense Ratio.

Even though the Special Purpose Statements indicate Water and Sewer Funds could annually generate dividends for SVC (eg $2.363m), the eligibility of assigning those dividends to the 'owner' SVC has yet to be tested.

Summary of Observations

One of the basic tenets of a sustainable council is its ability to fund the operations, maintenance and depreciation of its existing infrastructure and utility assets. Notwithstanding several accounting aberrations (grant prepayments and asset impairments for example), the water, sewer and waste utilities can (and should) fund those costs and accommodate future shocks and growth. Stormwater expenses could be funded by its discrete annual charge, as it influences environmental health and flood risk. Aggregated Income Statement results is at Attachment 5.

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

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

The charts above indicate:

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

Some of the key drivers for the sustainability issue for Council include:

- legislation and OLG expectations
- expansion of LG functions undertaken by Council
- not enough tax revenue to support assets

Accordingly, some of the pressures felt by Council include:

- cumulative deficits LTFP
- high levels of unspent grants
- fragile resource capacity/availability (skills, contract)

The impacts felt by Council therefore include:

- an ageing workforce, subject to significant churn and risk (overtime, excess leave, incidents)
- services are typical of a rural/regional LGA, with a staff:resident ratio higher due to children and commercial services
- a growing reliance on contractors

6 Risk

Preliminary risk assessments identified the following matters likely to influence the future of SVC. The matters below will be updated pending receipt of feedback from councillors on:

- strategic risk
- service criticality
- service mode of delivery
- service pricing
- property divestment or yields
- shared service or facility options

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

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

Workforce:
- Executive churn
- Specialists churn
- Demerger churn

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

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

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

Typically, a regional local council would bear the challenges summarised at Attachment 6. Some of those include:

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

However, management of those risks may reveal some opportunities:

- assets may absorb a lower maintenance-repair expenditure (<3%) for a limited period, noting the impact on key ratios and performance perception
- building assets need attention, prompting a strategy-led hierarchy and priority setting for capex

7 Expectations

Following the workshops and councillor assessment of strategic risk and service roles, it is anticipated the FSP will recommend Council be clear to the community on what it will and won't do – and the trade offs - as a consequence of the drive towards sustainability.

While a community survey was undertaken in 2024 (and will be updated to the following table once consider by Council), it is suggested future surveys better articulate and capture views on service satisfaction and asset performance, as well as testing surveyed community views on key sustainability measures (including obsolesce of assets for example).

2018			2018	2021	2024
2018 Importance Ranking		**Service**	**Satisfaction**	**Satisfaction**	**Satisfaction**
very high	4.6	Being a well-run and managed council	3.4	2.4	
very high	4.5	Providing value for money for my rates	3.0	2.1	
very high	4.4	Comm. consultation/listening to the views of the whole commu	3.0	2.1	
very high	4.4	Decisions made in the interests of the community	3.1	2.3	
very high	4.3	Informing the community	3.3	2.6	
very high	4.3	Water and Sewerage services	3.8	3.4	
very high	4.3	Elderly support services	3.6	2.9	
very high	4.3	Waste management	3.7	3.2	
very high	4.3	Emergency and disaster management	3.9	3.3	
very high	4.2	Having a clear vision for the future	3.2	2.3	
very high	4.2	Ease of access to local government services	3.3	2.9	
very high	4.1	Children's services	3.6	3.1	
high	4.0	Control of noxious weeds	3.4	2.6	
high	4.0	Tourism development	3.4	2.9	
high	3.9	Protection of the environment	3.6	3.0	
high	3.9	Business development	3.2	2.5	
high	3.8	Development application processing	3.0	2.1	
high	3.8	Libraries	4.0	3.9	
high	3.6	Enforcement of pets and stock regulation	3.5	3.2	
high	3.6	Community cultural and youth events	3.5	3.0	
high	3.6	Enforcement of building regulation	3.5	2.9	

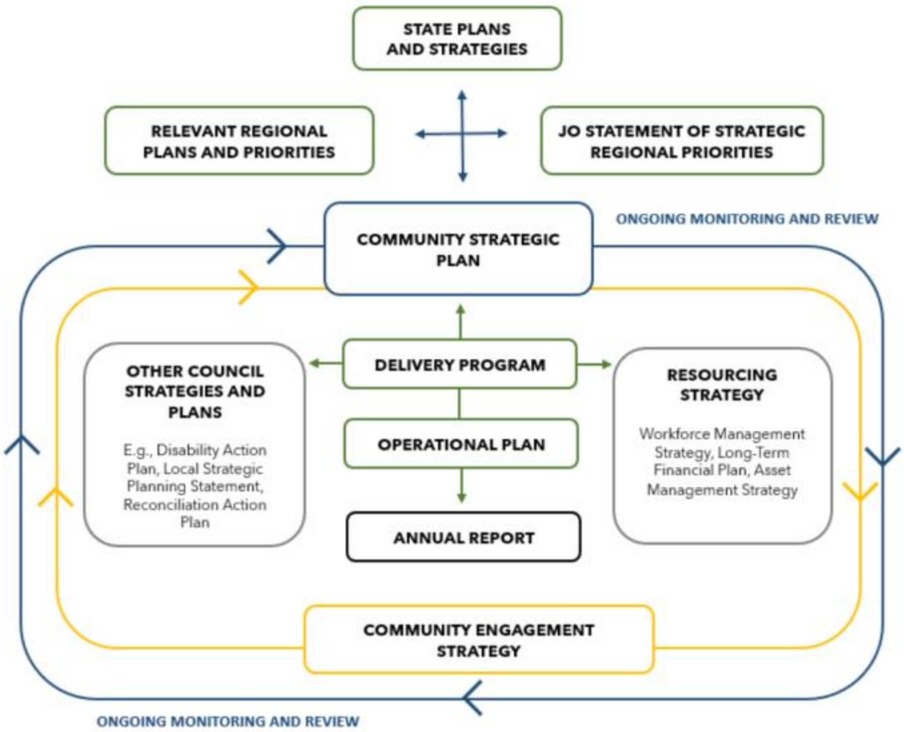
The following table has converted the primary expectations of Government into settings to illustrate a sustainable local council.

Measures				
Financial Sustainability Framework			Risk	
i.	capacity to meet financial commitments in the short to medium-term.	adequate	acceptable	limited
ii.	capacity to meet financial commitments in the long-term.	adequate	acceptable	limited
iii.	expected operating results	balanced	minor-mod deficit	mod-signif deficit
iv.	capacity to manage financial shocks and any adverse changes in its bu	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 c	100%	90%	80%
ii.	sufficient cash reserves to ensure it can meet its short-term working c	adequate	acceptable	limited
iii.	fully funded capital program, with source of funding secured for renew	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%

It is acknowledged a balanced budget is preferable with:

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

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



8 Capacity

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

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

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

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

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

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

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

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

While SVC introduced a general rate SRV of 15.7% increase in FY23, its proposal for a 17.5% increase from FY25 was unsuccessful.

9 Alternate Reporting Format

Councillors agreed to an alternate approach to presentation of budgets and financial plans at Workshop 1, noting the Auditor-General had urged Government to explore other reporting options:

Council reporting on service delivery

1 February 2018

Local Government , Compliance , Internal controls and governance , Management and administration , Service delivery

Overview

New South Wales local government councils' could do more to demonstrate how well they are delivering services in their reports to the public, according to a report released today by the Auditor-General for New South Wales, Margaret Crawford. Many councils report activity, but do not report on outcomes in a way that would help their communities assess how well they are performing. Most councils also did not report on the cost of services, making it difficult for communities to see how efficiently they are being delivered. And councils are not consistently publishing targets to demonstrate what they are striving for.

Budgets are usually presented in Income Statement (accrual) format which includes non-monetary depreciation and perhaps contributed assets. As in input model, the Income Statement discloses the type of revenues raised and likely expense types, but does not indicate what funds are spent on.

An alternative approach defines the budget into an Operating and Capital Account (input/output) model which discloses where expenses will be applied.

The approach will distinguish service and asset expenditures, and rates of return from regulatory, private and market-pricing services, from which councillors and community may assess the extent to which taxes and fees raised fairly cover the respective service or asset costs.

		FY22 $m	FY23 $m	FY24 $m	FY25 $m	FY26 $m	FY27 $m	FY28 $m
Operating Revenues	o general rates (incl separate disclosure of value of expiring SRV)							
	o utilities annual charges (water, sewer, waste and stormwater)							
	o utilities user charges (water, sewer, waste)							
	o regulatory fees (eg development, animal, weed, food, OSMS etc)							
	o commercial fees (eg caravan park, saleyards, cemeteries, aerodrome)							
	o property lease and licences							
	o other fees							
	o investment interest							
	o allocated annual operating grants and subsidies (eg FAG)							
	o competitive operating grants and subsidies (eg environment)							
	o competitive maintenance grants and subsidies (eg roads)							
	o emergency maintenance grants and subsidies (eg disaster)							
	o contract and private works revenues (eg RMCC)							
	o attributions/overhead (incl plant hire)							
	o other							
	TOTAL OPERATING REVENUES	0	0	0	0	0	0	0
Operating Expenditures								
asset	o asset operations/servicing							
	o asset maintenance (general)							
	o asset maintenance (utilities - water, sewer, waste and stormwater)							
	o asset depreciation (general)							
	o asset maintenance (utilities - water, sewer, waste and stormwater)							
	o asset depreciation (plant)							
services	o regulatory							
	o commercial							
	o property							
	o services (community, environment, economic)							
	o support							
	o donations and government transfers (incl ESL)							
	o contract and private works (incl RMCC)							
	o utilities (water, sewer, waste and stormwater)							
	TOTAL OPERATING EXPENSES	0	0	0	0	0	0	0
	OPERATING RESULT	0	0	0	0	0	0	0

	Scenario	Source	FY22	FY23	FY24	FY25	FY26	FY27	FY28
			$,000	$,000	$,000	$,000	$,000	$,000	$,000
Capital Account									
Capital Revenues	o capital grants - allocated (eg R2R, emergency)	B2-4							
	o capital grants - competitive (eg road, community, environment, utility)	B2-4							
	o emergency grants (eg disaster restoration)	B2-4							
	o capital contributions - cash	B2-4							
	o capital contributions - gift	B2-4							
	o IPPE asset sales	SCF							
	o property sales	SCF							
	o LIRS subsidy								
	o new borrowings	SCF							
	o cashflow generated by depreciation								
	TOTAL CAPITAL REVENUES		-	-	-	-	-	-	-
Capital Expenditures	o IPPE renewals (general)	C1-7							
	o IPPE renewals (utilities)	C1-7							
	o IPPE renewals (plant-equipment)	C1-7							
	o IPPE new/upgrades (general)	C1-7							
	o IPPE new/upgrades (utilities)	C1-7							
	o IPPE new/upgrades (plant-equipment)	C1-7							
	o property acquisitions and development	SCF							
	o loan + lease payments	SCF							
	Demerger project								
	TOTAL CAPITAL EXPENSES		-	-	-	-	-	-	-
	CAPITAL RESULT (surplus/deficit)		-	-	-	-	-	-	-

The adopted Scenario will be published in this format and include movement in key asset and financial rations across Term 1 (2024-28) and Term 2 (2028-32).

Multipurpose local government may improve accountability and transparency by reporting in a 'Funds' format. In that way, the annual expenditures and incomes (and financial results), and movement in cash, assets and liabilities (and financial health) of key activities (ie Funds) may be observed by accounting in areas of interest to Government, business and community, and recording the value of taxes (rates, annual charges, grants) utilised in delivery. For example:

- Transport operations and assets (roads, bridge, parking, public, pedestrian, cycle, air, water)
- Environment operations and assets (water, sewer, waste, stormwater, catchment, vegetation)
- Emergency operations and assets (flood, bushfire, coastal planning, mitigation and recovery)
- Economy operations and assets (tourism, innovation precincts, business support)
- Education operations and assets (library, preschool, afterschool)
- Health operations and assets (food, water, air, noise, immunisation)
- Community operations and assets (child, youth, aged, first nation, disabled, multicultural)
- Lifestyle operations and assets (recreation, cultural, events)

It is proposed the utilities (water, sewer, waste, stormwater) be separately accounted in 'ringfenced' Funds, together with any special purpose annual charges introduced by Council.

As outlined earlier, consistency in attribution of organisation support costs and asset accounting will be important to articulate real costs and gaps.

10 Settings: Criticality, Role and Pricing

While performing a full service review can give councils information on costs and value, meaning they can make informed decisions on how they spend their money – they can decide which services they can afford to deliver sustainably and at what level to provide those services to the community within their available revenue. Ultimately, those key service reviews should be considered in the first term of the new council. Community satisfaction ratings, criticalities and funding gaps may guide the priority of the cataloguing of service and those reviews

In workshops conducted in July, councillors considered the following service settings, for confirmation later with the Executive, through the following Steps:

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

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

COMMUNITY	ENVIRONMENT	ECONOMIC	INFRASTRUCTURE	CIVIC
Children's Services	Animal	Aerodrome	Bridges	Leadership (councillors + executive)
Community Facilities	Environment	Cemetery	Carparks	Communication and Engagement
Community Development	Pests	Commercial Works	Drainage and Stormwater	Corporate Planning
Community Transport	Regulatory Services	Development	Footpaths	Customer Service
Emergency Management	Tree Management	Economic Development	Kerb and Gutter	Finance
Libraries	Waste Management	Growth (strategic planning)	Roads	Fleet, Depot and Workshops
Multi Service Outlet	Wastewater Operations	Tourism and Visitor Services	Road Safety	Governance and Risk
Park and Open Space	Weeds			Grants Management
Public Health				People and Culture
Public Toilets				Technical Services (asset manageme
Sporting Grounds				Technology
Swimming Pools				Workplace Health and Safety
Water Supply				

key	
	critical - emergency
	essential - must do
	important - should do
	discretionary - could do

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

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

The suggested roles for delivery by council (to be confirmed by councillors) are:

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

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

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

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

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

It is recommended in Term 1 that Council:

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

3 For each service-program**, nominate the 'pricing principle' to apply**. The principles are defined below. Council should articulate what it considers to be a 'public good' service (or community service obligation CSO).

By charting each service-program to their respective principle, council may then nominate a proposed rate of cost recovery (RoR) to minimise their draw on taxes. The RoR establishes a target range to build the recoveries through settings on fees and charges that council has full control – particularly for private, utility and market pricing. Other fees (such as regulatory) are often capped by Government settings.

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

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

	PUBLIC:CSO	SHARED	REGULATORY	PRIVATE	UTILITY	MARKET	ATTRIBUTE
	Bridges	Aerodrome	Animal	Economic Development	Waste Management	Caravan Park	Leadership
	Carparks	Community Development	Development	Property	Wastewater Operations	Certification	Communication and Engagem
	Community Facilities	Community Transport	Environment	Tourism and Visitor Services	Water Supply	Children's Services	Corporate Planning
	Drainage and Stormwater	Multi Service Outlet	Pests	Cemetery		Commercial Works	Customer Service
	Emergency Management	Sporting Grounds	Regulatory Services				Finance
	Footpaths	Swimming Pools	Growth (strategic planning)				Fleet, Depot and Workshops
	Kerb and Gutter		Tree Management				Governance and Risk
	Libraries		Weeds				Grants Management
	Park and Open Space						People and Culture
	Public Health						Technical Services
	Public Toilets						Technology
	Roads						Workplace Health and Safety
	Road Safety						
							Attribution ABC across services
Current*	0%	5%	30%	75%	130%	>150%	Distribute (>Funds)
Proposed	>10%	>25%	>50%	>75%	>100%	>100%	Governance (cost of entity)
							elected members
				*excludes attribution corporate support costs			executive
							IPR (incl revenue raising)
							strategic planning (landuse)

4 **Examine the nett cost per service-program** identified in Note B1. The nett cost of current services is illustrated below. It is apparent several 'important' or 'discretionary' services such as External Commercial Works, Caravan Parks and Childrens Services generate a surplus above costs. However, organisation support costs of the respective expenses had not been attributed, and may overstate the surplus. In addition, those services are also identified as 'commercial' and attract the 'market' pricing principle. Accordingly, those services should also bear the cost of respective annual asset maintenance and depreciation. That in turn will guide future pricing and rates of return.

SVC	Service		FY23 RoR	2024	2023
Commercial	405	405 - Children's Services	29%	639	568
Commercial	415	415 - Caravan Parks	151%	278	2759
Commercial	510	510 - Cemetery Management	209%	87	185
Commercial	517	517 - Aerodrome	12%	10	389
Community	401	401 - Community Development		-237	-105
Community	407	407 - Community Transport		267	223
Community	512	512 - Public Toilets		-521	-466
Contract	999	999 - External Commercial Works	133%	2267	4834
Culture	412	412 - Library		-806	-736
Development	411	411 - Growth and Development	47%	-269	-515
Economic	402	402 - Economic Development		-120	-74
Economic	403	403 - Tourism and Visitor Services		-406	-386
Health and Safety	409	409 - Emergency Management		-582	-962
Health and Safety	900	900 - Emergency Works		1869	-931
Property	406	406 - Multi Service Outlet	41%	-187	-57
Property	513	513 - Buildings	32%	-16	142
Recreation	514	514 - Sporting Grounds		-105	-106
Recreation	515	515 - Parks and Open Space		-35	-467
Recreation	516	516 - Swimming Pools		18	1635
Regulatory	410	410 - Regulatory Services	13%	-223	-192
Sewer	542	542 - Sewerage	181%	3049	2611
Stormwater	501	501 - Drainage and Stormwater Management		-527	-502
Transport	503	503 - Road Safety		1	24
Transport	506	506 - Roads and Bridges		3617	2081
Transport	507	507 - Footpaths, Carparks and Kerb and Gutter		-504	-760
Waste	540	540 - Waste Management	47%	1917	3046
Water	541	541 - Water Supply	311%	2929	6327

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

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

Further, council should 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'.

5 **Assess willingness to pay for services-programs**, by alignment of services and assets of the two recent community satisfaction-importance surveys (2012, 2024) to the services with highest nett draw on property taxes. Those surveys were included in Section 7. Those services may be suitable to contemplate for the introduction of the special purpose annual charges. It is suggested that tourism, emergency-resilience, footpaths and stormwater may be appropriate for initial consideration.

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

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

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

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

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

- optimising service hours to those times most suited to community expectations within the constraints of employment awards. If salaries are a major cost of delivering the service, aligning service (opening) hours with standard shift lengths can lead to savings
- considering the savings in overhead costs (recruitment and payroll costs) for employing staff on a casual or permanent part-time basis. A high turnover of casual staff can create high overhead costs for payroll and human resources
- giving service managers visibility of overhead costs, in particular information technology costs. For example, a greater understanding of the overheads involved in owning multiple devices can reduce over servicing. The cost of staff having multiple devices (mobile phones, tablets, laptops, and desktop computers) can affect the overall efficiency of the service

11 Settings: Asset Management

The condition of assets and relative value of maintenance and renewal expenditure was reflected in Section 5. It is acknowledged much of the assumption sin this report is in the absence of new asset management plans (AMP) or integrated water cycle management (IWCM) and associated strategic business plans and pricing models.

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

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

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

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

Plant and equipment	Years
Office equipment	5 to 10
Office furniture	10 to 20
Computer equipment	4
Vehicles	5 to 8
Heavy plant/road making equipment	5 to 8
Other plant and equipment	5 to 15
Water and sewer assets	
Dams and reservoirs	40 to 100
Bores	20 to 40
Reticulation pipes: PVC	70 to 80
Reticulation pipes: other	45 to 75
Pumps and telemetry	15 to ~~205~~ 25
Transportation assets	
Sealed roads: surface	~~2 to 60~~ 15 -40
Sealed roads: structure (Pavement)	~~60~~ 40 -110
Unsealed roads	~~7~~ 15 to 30
Bridge: concrete	100
Bridge: other	40 to 80
Road subbase	200
Kerb, gutter and footpaths	90

Other equipment	Years
Playground equipment	5 to 20
Benches, seats etc.	10 to 20
Buildings	
Buildings: masonry	50 to 100
Buildings: other	20 to 40
Stormwater assets	
Drains	50 to 120
Culverts	50 to 110
Flood control structures	80 to 100
Other infrastructure assets	
Bulk earthworks	Infinite
Swimming pools	60
Unsealed ~~roads~~ paths	~~20~~ 25-100
Other open space/recreational assets	15 to 60
Other infrastructure	50 to 200

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

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

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

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

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

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

Snowy Valleys Council

Report on infrastructure assets as at 30 June 2023

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

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

Infrastructure asset condition assessment 'key'

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

The written down value (WDV) of those assets is $680.209m and annual maintenance was $11.034m. Notionally, based on the remaining useful life of assets (ie condition) is represented as WDV, then notionally, 1% ($6.8m) may be expended annually on infrastructure maintenance and 2% ($13.6m) annually on renewals – or $20.4m compared to the maintenance and renewal actual expenditure of $32.3m in FY23 . Naturally, the expenditure will be uneven across asset classes as condition and priorities vary, as well as supporting grant, reserves or contribution funding. Further, that notional renewal expenditure doesn't reflect actual annual total asset depreciation expense ($11.8m).

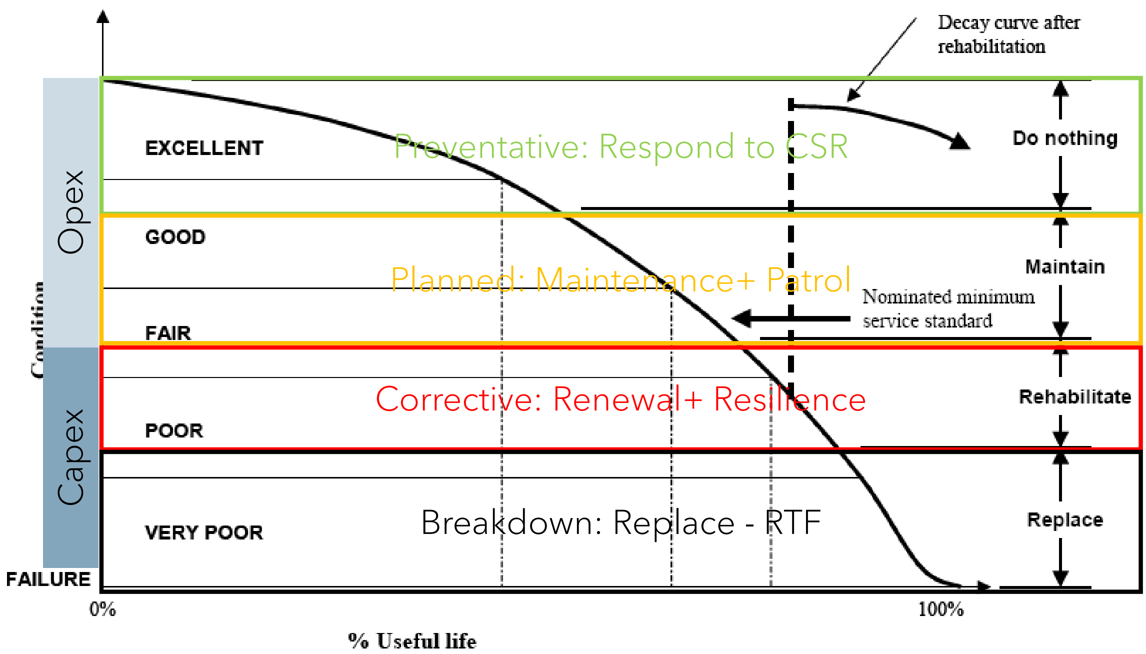
Generally, assets that decline to Condition 4 (a common intervention level for renewal of assets) are restored to 'good' condition rating 2. Assets that run to fail (deliberately) or are destroyed by disaster, are restored to 'excellent' condition rating 1. Assets at condition 4-5 generally remain the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

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

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

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

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



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

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

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

IPPE Financial Special Schedule

IPPE	SVC																							
			Statements ($,000)							AMP ($,000)				Emergency ($,000)		Capital Funding ($,000)				Asset Register (Condition) ($,000)				
Asset Class	Sub Class	Category/Service	Asset GRC	Asset WDV	Actual Servicing	Actual MR	Actual Depreciation	Actual Renewal	Actual Enhance	Planned MR	Planned Renewal	Planned Depreciation	Planned Enhance	Disaster Restoration	Disaster Resilience	Grant	Gift	Reserve		1 Predictive	2 Preventative	3 Planned	4 Corrective	5 Breakdown
					*refer asset definitions														Useful Life	>80%	50-80%	25-50%	5-25%	<5%
					<1%					1%		2%							Metric		(% condition * WDV)			
Buildings																								
	non-specialised	civic																						
		commercial																						
		community																						
		recreation																						
	specialised	civic																						
		commercial																						
		community																						
		recreation																						
		transport																						
	other																							
Roads																								
	sealed - urban																							
	sealed - rural																							
	unsealed - urban																							
	unsealed - rural																							
	regional																							
	bridges																							
	paths																							
	carparks																							
	runways																							
	other (incl bulk earthworks)																							
Water																								
Servicing=(IS expense-MR-Depn	treatment																							
	storage																							
	network																							
Sewerage																								
	treatment																							
	storage																							
	network																							

11.2 Property

Previous sustainability efforts of Council included consideration of disposal or leasing of property, or transferring service delivery to a third party. Council will coti8nue to finalise or pursue the following:

2021		Dispose	Lease	Alternate Model	Status
	9 McEwan Court (Investment)	■			
	Batlow Memorial Park Amenities				
	Khancoban Store	■			
	Khancoban Shopping Centre	■			
	Roths Corner Medical Centre	■			
	Tumbarumba Council Chambers			■	
	Tumbarumba Retirement Village			■	
	Tumbarumba Rotary Park				
	Tumbarumba Showground/Stadium				
	Tumut Museum			■	
	Tumut Neighbourhood Centre			■	
	Tumut Railway Precinct		■		
	Tumut Boys Club			■	
	Tumut Community Centre Complex			■	
	Tumut Community Centre - Radio Office			■	
	Tumut Saleyards	■	■		
	Old Tumut Bridge (walk bridge)	■			
2024	Tumbarumba residential subdivision				
	Tumut industrial				

12 Settings: Shared Services

While noting the views of the Auditor-General below, councillors were asked to consider which services or facilities may be delivered through shared resources, hosting or contract arrangements. That may include as SVC, or as new councils.

Shared services in local government

21 June 2018

Local Government , Internal controls and governance , Management and administration , Shared services and collaboration

Overview

Local councils need to properly assess the performance of their current services before considering whether to enter into arrangements with other councils to jointly manage back-office functions or services for their communities. This is one of the recommended practices for councils in a report released today by the Auditor-General for New South Wales, Margaret Crawford. 'When councils have decided to jointly provide services, they do not always have a strong business case, which clearly identifies the expected costs, benefits and risks of shared service arrangements', said the Auditor-General.

The examples of shared services and facilities to be considered include:

Bold = agreed resource share options (Red = exclude)	
Exercise 1: SVC share with JO or neighbour councils	
Shared Services - demerger service agreements	**Shared Services - other options: new councils**
development assessment-building certification	strategic land use planning (LEP, DCP, planning/rezone proposals)
environmental health	spatial mapping (GIS) administration
youth inclusion office	development contribution administration
customer call centre and out of hours	heavy plant
(CES) engagement for community strategic plans	State/regional roads maintenance
grants coordination	noxious weed, pest and catchment control
WHS, timesheet and payroll process	cemetery administration
recruitment process	civic-special events coordination
cadet-trainee (rotation) program	media-community liaison
ARIC, conduct review, compliance reporting and legal panels	integrated computer platforms (IaaS and SaaS) hosted by TechOne
internal audit and risk management drafting	web and content management
project management office and contract administration	rating and utility reading, billing and recovery
integrated computer platforms and applications (IaaS and SaaS)	procurement coordination (panels, tenders, evaluation, probity)
	records archive
	asset management plans, designs and renewal schedules
	scheduling MMS, condition assessment, revaluation of assets
Hosted or Shared Facilities (contract)	
emergency services centre	
commercial waste	
waste - landfill and transfer station	
fleet management and workshop	
street cleansing	

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

13 Settings: Position

As referenced in Section 2, it is suggested Council initially contemplate narrowing its policy and services focus to that of a 'minimalist' council, allowing potential expansion to an 'optimalist' council though Term 2. That will mean a primary focus on assets in term 1, retaining 'important' or 'discretionary' services that are self-funding.

13.1 Position

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

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

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

13.2 Policies

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

- Grants and
- Gifted assets
- Donations, Rebate and Exemptions
- Reserves
- Debt
- Asset

For example:

- assess lifecycle impact | annotate programs-projects as subject to execution grant deed
- apply warranty period | assess asset OMR | establish rate settings to recover
- review eligibility | establish hire-rent rebate | account for donations-exemptions
- distinguish external from internal restrictions | consolidate-repurpose unused > 5yrs
- establish working capital benchmark | nominate triggers to utilise WC (disaster, grant match)
- raise debt to smooth capex | utilise to cover project gap or match capital grant-contributions
- establish growth, resilience, redundancy, obsolescence, fit for purpose parameters

- utilise property to leverage business activity | convert fixed to liquid assets

14 Sustainability Scenarios

As outlined at the workshop, three draft Scenarios are proposed to be developed, as summarised below. The Scenarios will be informed by Council's decisions on:

- Section 10 – Settings: criticality, role and pricing
- Section 11 – Settings: asset management
- Section 12 – Settings: shared services
- Section 13 – Settings: positioning

Base (SVC current offer*)

Revenues

- no SRV
- no special charges
- initial rates of return
- rate peg + popn index

Expenses

- asset OMR ~ 2% WDV
- $ increase to $ revenue increase
- services trimmed to balance

Minimalist (cut cloth^)

Revenues

- phased alternate rate model
- phased special charges ~ gap
- phased rate of return
- rate peg + popn index

Expenses

- asset OMR ~ 3% WDV
- $ increase to $ revenue increase
- services void-outsource option

Fundamental (phased growth#)

Revenues

- alternate rate model
- SRV ~ asset OMRD (term 1)
- special charges ~ service gap
- rates of return to benchmark

Expenses

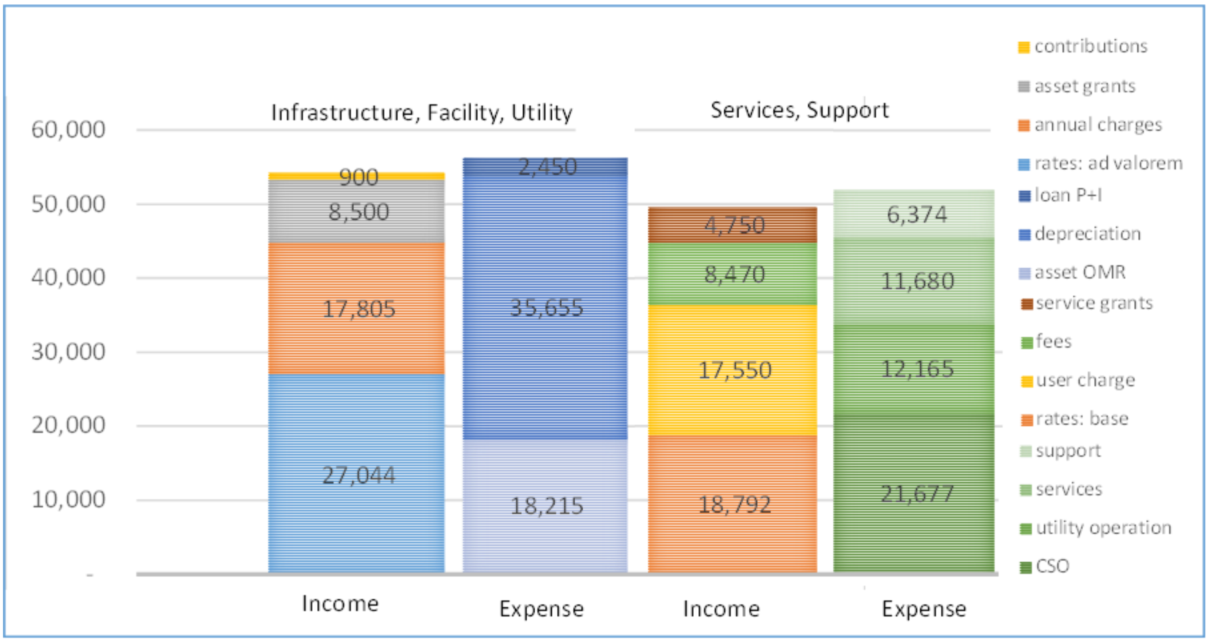
- asset OMR ~ 4% WDV
- services-assets LoS catalogued
- services-support indexed
- invest organisation maturity

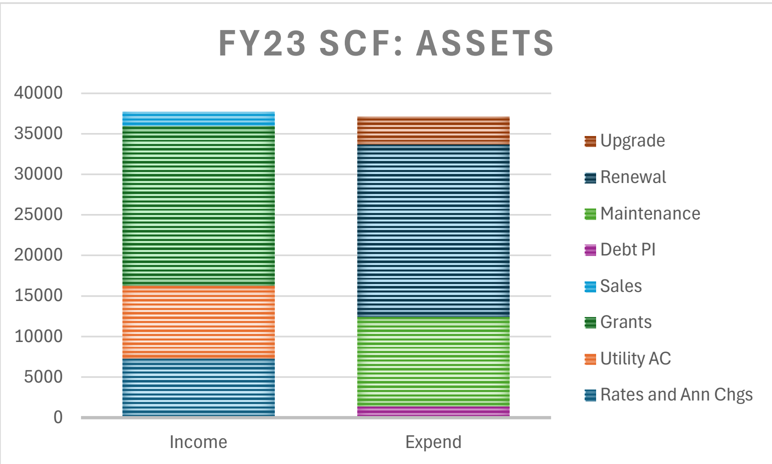
Each will be assessed against the financial sustainability measures (Section 3), accounted in the Alternate Format (Section 9) and with funding gaps illustrated in the rate Model (Section 15).

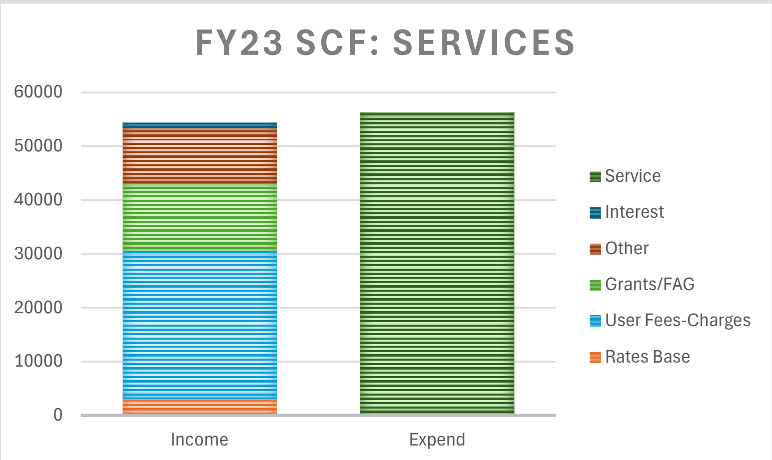
The Financial Sustainability Plan will explore the Principles (Section 16) in the context of those scenarios.

15 Rate Model

Utilising the Alternate Report Format (section 9) enables the illustration of the value of service and asset expenditure and the corresponding taxes, grants and fees raised fund those (example below).







The FY23 results opposite indicate the returns from commercial service generated a revenue surplus to offset the deficit of taxes below asset expenditure.

16 Sustainability Principles

Councillors were alerted to several initial principles to explore in the FSP, including:

Principle #1: property taxes (general rates, annual charges) => Asset OMRD*

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

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

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

Principle #5: tax growth > depreciation growth

Principle #6: manage depreciation by managing assets MRD cycle

Principle #7: determine essential 'public good services'

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

Principle #9: improve transparency

Principle #10: expand planning and reporting

Principle #11: manage expectations

Principle #12: declare trade offs

Principle #13: manage asset interventions, customer responsiveness through AMP + LoS

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

Principle #15: creative repurposing delivery or yields through property

Principle #16: consolidate and repurpose reserves unused < 5 years

Principle #17: set acceptable priorities

Principle #18: catalogue and rethink the service offer

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

These and other draft Principles will be progressed through the second workshop and finalised with Volume 2: Settings and Scenarios.

17 Glossary

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

18 Attachments

Attachment 1 Road to Sustainability Plan

No.	Subject	Action	What?	When?
1	IP&R	**Prepare SRV**	Prepare new SRV and scenario model in LTFP Develop engagement plan Deliver community engagement Submit to IPART	Application completed by Febuary 2024
2	IP&R	**Determine process for new suite of IP&R documents**	Revise the structure of Council's Delivery Program to facilitate better strategic planning, aligning Council's activities with budgets Coordinate the preparation of the new suite of IP&R documents with key stakeholders	New term of Council
3	IP&R	**Establish Integrated Water Cycle Management Strategy**	Finalise a new integrated Water Cycle Management Strategy for the SVC local government area including strategic planning for water supply and wastewater services, financial planning etc.	by December 2025
4	Funding and revenue	**Manage Reserves**	Update reserves policy with view to sustainability, model reserve movements over the next 10 years and propose alternative funding models Utilise developer contributions to fund projects and upgrades	by September 2021 and ongoing
5	Funding and revenue	**Review fees and charges**	Review of all fees and charges and benchmark against other Councils Establish the full cost of all services and raise fees and charges where applicable until they cover costs while considering community service obligations Council makes fully informed decisions about subsidising services	progressively over 3 years (2021-2023)
6	Funding and revenue	**Continue to pursue operating grants**	Continue to pursue operational grant funding Review all new and upgrade proposals for sustainability criteria prior to funding submission and clearly document this in submissions and project plans	Ongoing
7	Funding and revenue	**Pursue commercial business opportunities**	Proactively pursue commercial opportunities to realise economies of scale and generate commercial returns to support other areas of Council Decline commercial works that don't return profit margins at a level set in SVC's commercial works or other relevant strategy	Ongoing
8	Operational Expenditure	**Review Council's procurement processes**	Review procurement framework and implement improved procurement processes, including utilising enterprise system capabilities	by December 2024
9	Operational Expenditure	**Reduce operational employee costs**	Evaluate and review all vacancies with a view to operational savings upon review of service levels Reduce employee costs through a review of workforce numbers, work patterns, benefits and restrictions around workforce and wages Ensure employee costs are capitalised where appropriate	ongoing cost savings reviewed when vacancy arises.
10	Operational Expenditure	**Reduction of excess leave balances**	Set excess long service leave reduction target (>20%) for 2021/22 Set annual leave and Toil/RDO balance reduction target (>10%) for 2021/22	
11	Operational Expenditure	**Allocate overheads and direct costs**	Review allocation of overheads and direct costs to better reflect actual costs of services Allocate appropriate overheads across the entire organisation, including capital projects and commercial works - implemenation depending on enterprise system review progress and improvements	by June 2024
12	Operational Expenditure	**Capture savings**	Identify operational cost saving opportunities and efficiencies, capture savings rather than re-investing Renegotiate supplier contracts (enterprise system, IT, utilities, phones, fleet, waste, project management etc.) with a view to cost savings Set savings targets (>2.5%) for individual managers and coordinators	Ongoing
13	Operational Expenditure	**Review the use of consultants**	Ensure use of consultants is efficient and effective	Ongoing
14	Cash	**Optimise working capital**	Optimise working capital by maximising collections, timely billing, timely recouping of expenditure, extension of creditor payment terms to commercial terms and reduction of payment cycle frequency	Ongoing
15	Cash	**Maximise Investment Returns**	Maximise investment returns balanced against risk and policy requirements	Ongoing
16	Projects, programs, capital works	**Review Advocacy Plan**	Review current advocacy priorities in the context of the Sustainability Plan	by Dec 2024 (new Council)
17	Projects, programs, capital works	**Enable Program Management Group**	Enable fully functional PMG, including systems and processes	by June 2021

18	Projects, programs, capital works	**Implement whole of life costing model**	Consistently follow Council's gated project assessment framework and implement compulsory whole-of-life costing model	by June 2022
19	Projects, programs, capital works	**Review and reduce current project delivery program**	Review projects and programs based on capacity to deliver	Ongoing
20	Projects, programs, capital works	**Prioritise capital renewal projects**	Restructure the capital projects plan around essential assets	Ongoing
21	Service Levels	**Assess holding costs**	Assess holding costs of all non-income producing assets vs. current and future needs and consider divesting where financially unsustainable	Ongoing
22	Service Levels	**Prepare Service Management Plans (SMP)**	Finalise SMPs for all Council services Review and report on alternative delivery options for ALL services	Draft SMPs by June 2021 progress report by September 2021 and ongoing quarterly
23	Service Levels	**Divest services**	Divest low-value services Prioritise service delivery of those services that promise the highest gains or savings	by June 2022
24	Service Levels	**Define maintenance management systems**	Undertake analysis of maintenance systems and assess opportunities for improvement, advancement and integration Finalise maintenance management systems for transport, drainage, open space and facilities asset classes Establish business case for integration of service management into Council's enterprise system Effect integration of system into Council's enterprise maintenance module - pending continuous review of Council's enterprise system	by December 2023
25	Service Levels	**Needs analysis for recreational activities and community buildings**	Undertake a needs analysis for recreational activities and community buildings, considering asset renewal needs, potential new/upgrade assets to meet community needs, opportunities for disposal etc. as part of preparing the Open Space and Facilities SMP	by December 2022
26	Service Levels	**Improve data collection**	Improve data collection about effectiveness, efficiency of services and other key performance drivers to allow for informed decision-making Focus reporting on operating performance ratios, own-source revenues and long-term sustainability	by June 2022
27	Service Levels	**Empower community groups**	Enable community groups to deliver projects and events that sit outside Council's responsibility	by December 2021
28	Service Levels	**Digital transformation**	Continue to identify improvement opportunities and deliver digital transformation projects for internally and for community-facing services	Ongoing quarterly progress report
29	Strategy	**Review Enterprise System**	Review utilisation of enterprise system and system modules and how they can support sustainability targets Establish business case for continuation of Council's enterprise system (or otherwise), including resourcing Reconsider all Council systems, reduce systems in use and integrate with Council's enterprise system	Ongoing
30	Strategy	**Continue to establish strategic business plans**	Strategic business planning for all business units including sustainability proposal	phase 1 - by December 2024 phase 2 - December 2025
31	Strategy	**Define funding strategy**	Define funding needs and develop a funding strategy that includes operational and capital funding and delivers on Council sustainability targets	
32	Strategy	**Culture transformation**	Continue to focus organisation on positive work culture and employee engagement concentrating on sustainability, business improvement, alternative ways of working, performance management framework, accountabilities and link to strategic plans	Ongoing
33	Strategy	**Culture transformation**	Develop a program of initiatives and a change management program	
34	Strategy	**Review Council's overall risk profile**	Utilise Enterprise Risk Management Framework (ERMF) to assist in identifying and exploiting opportunities for new or increased revenue streams and expenditure reductions	Ongoing progress report by June 2022

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

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

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

Attachment 4 FY22 OLG Comparative Indicators: Group 11 councils

Council The councils listed are those that continued operations and reported for the financial year 1 July 2021 to 30 June 2022	Total Expenses from Continuing Operations ($)	Total Revenue from Continuing Operations ($)	Average Residential Rate ($)	Average Farmland Rate ($)	Average Business Rate ($)	Pensioner Residential Rate (%)
Large RuraL						
Bellingen	45,058,000	56,275,000	1,345.07	2,925.56	1,346.34	25.7
Cabonne	45,067,000	49,907,000	759.45	2,712.49	615.38	0.0
Cootamundra-Gundagai Regional	**43,466,000**	**47,262,000**	**807.21**	**3,485.92**	**1,875.97**	**29.8**
Cowra	37,309,000	54,040,000	506.32	2,000.00	3,396.14	26.4
Federation	42,392,000	55,675,000	694.60	3,524.31	943.42	26.9
Greater Hume	35,344,000	46,846,000	865.54	2,328.36	533.46	22.6
Gunnedah	46,503,000	73,258,000	959.69	4,742.78	4,759.77	18.2
Hilltops	58,811,000	99,028,000	648.90	2,848.07	1,714.84	24.7
Inverell	48,384,000	58,089,000	1,053.36	3,143.91	4,502.50	26.3
Leeton	34,260,000	38,126,000	1,111.44	3,713.42	975.66	21.4
Moree Plains	70,475,000	76,048,000	1,122.72	11,809.49	5,126.52	13.4
Murray River	68,337,000	64,910,000	911.17	3,058.05	828.25	20.5
Muswellbrook	58,188,000	83,450,000	939.07	3,048.73	2,725.55	14.6
Nambucca Valley	43,818,000	62,159,000	1,090.20	2,109.31	1,921.31	29.0
Narrabri	Not provided	Not provided	Not provided	Not provided	Not provided	Not calculated
Parkes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Snowy Valleys	79,520,000	73,553,000	660.73	2,006.55	1,353.04	21.9
Upper Hunter	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yass Valley	34,891,000	54,472,000	1,049.88	3,079.81	2,964.91	12.6
***All external data is sourced from the most recent published version**	**50,287,889**	**62,597,889**	**912**	**3,521**	**2,270**	**21**
**2020-21 Data used due to non-collection in 2021-22						

Council The councils listed are those that continued operations and reported for the financial year 1 July 2021 to 30 June 2022	Governance & Administration Expenditure per capita ($)	Environmental Expenditure per capita ($)	Total Water Expenditure per capita ($)	Total Sewer Expenditure per capita ($)	Community Services & Education, Housing & Community Amenities Expenditure per capita ($)	Recreational & Cultural Expenditure per capita ($)	Public Order, Safety & Health Expenditure per capita ($)	Other Services Expenditure per capita ($)	Library Services Expenditure per Capita ($)	Roads, Bridges & Footpaths Expenditure per capita ($)
Large RuraL										
Bellingen	288.25	311.06	225.88	254.83	174.05	234.90	113.43	116.47	58.12	1,642.95
Cabonne	456.90	266.64	126.96	190.55	201.24	263.15	100.87	120.86	30.81	1,080.01
Cootamundra-Gundagai Regional	**630.10**	**413.10**	**312.20**	**433.74**	**136.30**	**370.33**	**117.77**	**155.35**	**71.40**	**886.63**
Cowra	370.89	441.94	539.09	265.90	207.64	300.48	69.47	456.68	29.17	273.43
Federation	290.54	346.54	380.70	359.02	183.92	289.45	75.35	238.36	43.76	952.81
Greater Hume	382.08	187.57	177.58	177.04	446.11	415.22	123.37	141.83	65.20	948.67
Gunnedah	196.18	323.88	273.29	233.40	506.76	472.22	90.71	352.39	38.52	1,050.59
Hilltops	420.17	388.32	444.06	98.62	89.40	351.11	37.26	214.40	20.76	620.47
Inverell	213.57	255.93	300.63	168.09	84.83	228.58	257.44	138.40	59.77	755.85
Leeton	484.89	338.12	399.53	249.11	270.71	403.88	57.92	176.20	46.16	591.41
Moree Plains	667.31	534.45	469.02	273.20	400.43	436.69	189.95	196.05	59.41	1,683.28
Murray River	2,248.75	408.39	391.92	214.77	308.50	199.27	109.60	251.24	2.65	1,777.92
Muswellbrook	261.92	444.09	389.18	338.09	120.69	369.07	77.87	591.39	59.22	548.56
Nambucca Valley	163.83	337.91	144.74	140.76	60.56	397.99	123.19	89.08	171.44	650.60
Narrabri	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided
Parkes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Snowy Valleys	702.50	370.58	1,278.50	300.25	310.52	353.67	246.16	1,247.30	72.61	521.24
Upper Hunter	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yass Valley	473.19	188.17	216.78	99.16	149.59	136.01	101.95	75.03	26.75	539.46
***All external data is sourced from the most recent published version**	**503**	**373**	**399**	**233**	**237**	**330**	**117**	**297**	**54**	**912**

Council The councils listed are those that continued operations and reported for the financial year 1 July 2021 to 30 June 2022	OLG Group	Population	Operating Performance Ratio (%)	Unrestricted Current Ratio	Own Source Revenue (%)	Grants & Contributions Revenue (%)	Cash Expense Cover Ratio
Large RuraL							
Bellingen	11	13,197	8.8	2.6	53.8	46.0	10.0
Cabonne	11	13,760	-10.4	7.3	53.2	46.4	3.4
Cootamundra-Gundagai Regional	**11**	**11,387**	**-5.0**	**6.5**	**57.7**	**42.3**	**8.5**
Cowra	11	12,753	6.5	4.2	57.7	41.8	13.7
Federation	11	12,821	0.0	2.9	50.5	48.2	19.7
Greater Hume	11	11,105	-0.4	5.0	43.2	55.3	10.6
Gunnedah	11	13,085	9.1	3.6	48.4	51.6	27.2
Hilltops	11	19,216	5.2	1.6	39.0	61.0	11.8
Inverell	11	17,919	5.4	6.6	51.3	48.6	23.2
Leeton	11	11,481	0.1	4.3	65.0	35.0	19.6
Moree Plains	11	12,961	-6.4	3.7	58.2	41.8	8.2
Murray River	11	12,780	-31.2	2.9	42.9	57.1	13.4
Muswellbrook	11	16,463	8.3	2.0	63.5	32.6	9.7
Nambucca Valley	11	20,375	0.7	2.0	51.6	48.4	19.1
Narrabri	11	12,809	Not provided	Not provided	Not provided	Not provided	Not provided
Parkes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Snowy Valleys	11	14,901	-3.9	1.8	60.8	39.2	10.5
Upper Hunter	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yass Valley	11	17,234	3.8	2.4	49.4	48.4	16.4
***All external data is sourced from the most recent published version**		**14,366**	**- 1.16**	**3.52**	**53.37**	**46.06**	**13.52**

Attachment 5 Income Statement Trends

	Income-Cashflow Hybrid Statement	FY18	FY19	FY20	FY21	FY22	FY23
		$'000	$'000	$'000	$'000	$'000	$'000
Operating Account							
	Income from continuing Operations						
	o Rates and annual charges	16,125	16,714	17,045	17,051	18,000	19,860
	o User Charges and Fees	15,957	15,068	15,201	16,905	19,307	25,456
	o Interest and Investment Income	1,364	1,640	515	435	316	1,159
	o Other Revenues	1,307	1,186	1,822	3,705	5,699	4,758
NB: FAG (50-75% prepay)	o Grants and Contributions provided for operating purposes	10,834	17,385	15,300	25,350	15,085	20,309
	o						
	o Other Income			1,108	1,513	1,397	1,746
	o Net Gains from the Disposal of Assets						
	Total Income from Continuing Operations	**45,587**	**51,993**	**50,991**	**64,959**	**59,804**	**73,288**
	Expenses from Continuing Operations						
	o Employee Benefits and On-costs	18,408	18,209	20,580	20,246	20,823	21,155
	o Materials and Services	14,837	15,852	22,814	34,453	28,090	38,756
	o Borrowing Costs	649	508	503	473	398	282
	o Depreciation, amortisation and impairment of non-financial assets	10,541	11,603	11,704	11,172	26,518	11,949
	o Other Expenses	4,775	4,865	1,055	1,290	1,109	1,493
	o Net loss from the disposal of assets	1,084	2,541	2,028	2,305	2,582	3,685
	o Revaluation decrement / impairment of IPP&E						
	Total Expenses from Continuing Operations	**50,294**	**53,578**	**58,684**	**69,939**	**79,520**	**77,320**
	Operating Result from Continuing Operations (surplus/deficit)	**- 4,707**	**- 1,585**	**- 7,693**	**- 4,980**	**- 19,716**	**- 4,032**
Capital Account		**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
Capital Revenues	o Grants and Contributions provided for capital purposes	6,082	4,794	11,724	11,740	13,749	14,579
	o Sale of property assets	201	172	4	-	25	554
	o Sale of IPPE assets	832	680	866	1,121	728	1,124
	o LIRS subsidy						
	o cashflow generated by depreciation	10,541	11,603	11,704	11,172	26,518	11,949
	TOTAL CAPITAL REVENUES	**17,656**	**17,249**	**24,298**	**24,033**	**41,020**	**28,206**
Capital Expenditures	o IPPE renewals (general)	8,689	9,837	9,377	15,066	19,885	20,434
	o IPPE renewals (utilities)	273	731	554	234	236	682
	o IPPE renewals (plant-equipment)	2,774	2,605	1,365	3,047	2,187	150
	o IPPE new/upgrades (general)	1,947	1,644	7,772	1,618	446	919
	o IPPE new/upgrades (utilities)	245	12	617	808	195	15
	o IPPE new/upgrades (plant-equipment)	54	124	259	599	824	2,322
	o property acquisitions and development	8		- 1	- 9	-51	41
	o loan principal + lease payments	1,189	1,261	-		1,316	1,180
	Demerger project						
	TOTAL CAPITAL EXPENSES	**15,179**	**16,214**	**19,943**	**21,363**	**25,038**	**25,743**
	CAPITAL RESULT (surplus/deficit)	**2,477**	**1,035**	**4,355**	**2,670**	**15,982**	**2,463**
	OVERALL RESULT (surplus/deficit to be funded by reserves/debt)	**- 2,230**	**- 550**	**- 3,338**	**- 2,310**	**- 3,734**	**- 1,569**
Cash	o Balance at beginning of year	13,240	12,674	10,619	9,238	13,901	4,833
	o Nett cashflows during year	- 566	- 2,055	- 1,381	4,663	- 9,068	6,183
	CASH RESULT (surplus/deficit)	**12,674**	**10,619**	**9,238**	**13,901**	**4,833**	**11,016**

Attachment 6 Regional Council Challenges-Risks

PESTLE	Political	#	Environment	#	Social	#	Technology	#	Legal	#	Economy
Drivers	Government CC policy		Population growth		Population growth		Cyber security		Legislation		Development
	Government Waste policy		Climate change		Climate change		Covid		Court orders		Covid
	Legislation		Government Waste policy		Natural disasters-Covid				EPA action		Circular economy
			Natural disasters		Skill shortage						Inflation
Pressure	Cost shift		Load on assets		Service demand growth		Work from home expectation				Residential development
	Under-recovery regulatory costs		Energy and Emissions		Stimulus and Gifted Assets		AI				Recession
	Under-recovery development costs		Land use planning		Vacancies/turnover		Mobile range				Recycled/repurposed materials
			Biosecurity (weed/pest)		Community expectations						Costs escalation
											Skills shortage
State	Councillor profile		Asset profile-condition		Workforce profile-health		ERP profile		Under-recoveries		Budget capacity
	Local MP bias		Asset ratios		FTE/resident ratio						Financial ratios
Impact	Under-recovery regulatory costs		Deteriorated asset condition		Increased resource consumption		Digitisation of location/transaction		Regulatory nett cost		Housing pressure
	Representation		Climate change		Increased OMR, servicing costs		Hybrid work		<95% rates collection		Business closure/job losses
			Asset resilience		Remote schooling		Unreliable networks				Outstanding rates
			Loss habitat		Higher cost contract/consultant		Cyber exposure				
			Heat		Heat exposure						

Attachment 7 IPPE Special Schedule

IPPE Financial Special Schedule

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