LEETON
SHIRE COUNCIL

UPDATED

LONG TERM FINANCIAL PLAN

2022-2033

September 2022

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1. Executive Summary

Background

Leeton Shire Council started highlighting **financial sustainability challenges** in its 'general fund' (excluding water and sewer, which are accounted for as separate businesses) as far back as the 'Council Improvement Proposal' it prepared under the Fit for the Future program in 2015.

Council subsequently flagged the possibility of seeking a **Special Rate Variation** (SRV) to increase its income above the 'rate peg' – in order to adequately fund asset renewals and meet benchmarks set by NSW Government – in its Long Term Financial Plan (LTFP) adopted in 2016. This did not eventuate largely due to two years of drought which impacted our agriculturally based community, followed by Covid-19.

Since 2016, Council has made several decisions to **increase service levels**, which comes with increased expenses. These decisions have been to address:

- **community priorities** (economic development, cultural and recreational facilities, road maintenance, customer service),
- **corporate risks, regulation and compliance** (project management, work health and safety, governance, records, people management, procurement, IT/cybersecurity, children's services, environmental, internal audit and continuous improvement).

Over this same period, both state and federal governments have offered unprecedented levels of **grants** . Council has pursued these in order to achieve community priorities (e.g. Leeton Aquatic Centre, Leeton Museum & Art Gallery, Roxy Theatre, CBD upgrades etc), mindful that this level of investment is unlikely to be repeated in the coming decade. This has increased the level of activity and met community expectations generally but also added to depreciation and ongoing operational expenses.

Council's financial performance has also been impacted by:

- large increases in **depreciation** to better reflect the long term costs of infrastructure
- reductions in **interest** revenues due to lower interest rates and cash reserves
- reductions in income from the sale of **investment water**
- **cost shifting** from other levels of government (e.g. Council is now responsible for managing a significant amount of Crown Land previously managed by NSW Govt.)

Council's financial sustainability challenges and the need for robust long term planning

While concerns about Council's financial sustainability were evident in its 2021 annual financial statements, several 'one off' items distorted the figures. Expected operating deficits (excluding capital grants and contributions) in the unaudited 2022 annual financial statements (adjusted for Federal Assistance Grants (FAG) payment in advance), and in the 2023 budget – reinforce the reality of Council's financial sustainability challenges and need for action.

How serious is Council's financial situation?

For the general fund operations, there will be insufficient money to maintain the current service levels and to fully fund its Capital Works Program over the ten year forecast period due to the ongoing estimated deficits.

To address the General Fund operational position, Council has considered a range of options, which are detailed in this Draft 2023-32 LTFP and has determined the preferred option for further community engagement.

It is also important to emphasise that the financial sustainability challenges primarily relate to Council's general fund. Council's domestic waste management, water supply and sewerage businesses are accounted for separately and, at this stage, are assessed as being financially sustainable.

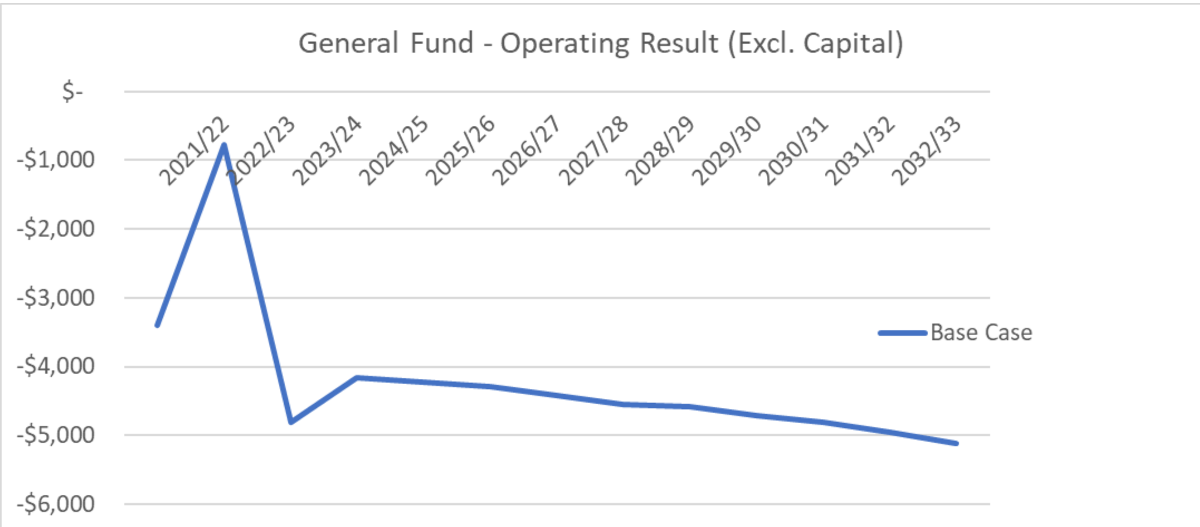
So why do we need to act now?

It is essential for Council to address the year-on-year operating deficits for the general fund, to generate the financial capacity to delivery services and assets to an acceptable community standard. Also, to build a sufficient cash position on a year-on-year basis.

Refinement of the plans

Council in its Delivery Program 2022-2025 and 2022- 2032 LTFP documents undertook to refine its LTFP and Strategic Asset Management Plan, engage with the community about its financial sustainability challenges and options to address these, and explore opportunities to improve its operations.

In refining its LTFP Council engaged Morrison Low Consultants to provide an independent model and analysis of its financial sustainability. The outcome of this modelling is an ongoing deficit averaging $4.4M deficit from 2023/24 to 2032/33 ($48.4M over ten years). For Council's sustainability over the longer term, this deficit must be addressed.



The work conducted in conjunction with Morrison Low has identified the following:-

- Over the past five years, Council has implemented savings and productivity improvements which are incorporated in the base case and include an Energy Master Plan, LED lighting, contract renegotiations and staff reductions.
- An independent review of Council's staff resourcing levels against similar Councils has concluded that Leeton is at the mid-point for the Large Rural Council group. However, when the early childhood staff are excluded (not all Councils provide this service), Leeton is in the low quartile. This means most other Councils have higher staff numbers.
- Council has conducted a review of depreciation and identified a potential saving of $600,000 per year based on a review of the useful lives of Council's infrastructure assets.
- A high-level asset maintenance service review indicates a potential reallocation of around $250,000 amount to capital.
- Council's current level infrastructure renewal spend is well below the industry target of 100%. Council will need to address this to ensure the community assets remain fit for purpose to deliver the current levels service (specifically, additional funding of $1.6M per year is required for the strategic renewal of roads and buildings).
- Council has developed a service review program for the next four years. It is expected that the outcome of these reviews will deliver further productivity improvements with very minimal savings.

As stated above the outcome of the Morrison Low modelling is that Council has ongoing deficits and for Council to be financially sustainable over the longer term, this deficit will need to be addressed.

To achieve financial sustainability and to be able to deliver the current services and improvement to asset condition, Council requires a cumulative rate increase of 52.52% over 2 years, this includes the expected rate peg increases that Council would have otherwise increased rates by. This represents a cumulative increase of 44.0% over and above the rate peg, a breakdown of the proposed rate increase is provided in the following table.

Table 1 Proposed rate increases – 2 year SRV Option

	2023/24	2024/25	Cumulative
Permanent increase above the rate peg	20.0%	20.0%	44.00%%
Rate peg	4.0%	3.0%	7.12%
Total increase	24.0%	23.0%	52.52%

The rate peg increases for 2023-24 and 2024-25 have been estimated at 4% and 3% respectively. However, this year, annual inflation for 2022/23 is currently projected to be approximately 6.2%, and for 2023/24 an estimated 3.5%, which will have an impact on the rate peg increase for 2023-24.

This SRV option will produce additional revenue of $3.4 million over 2 years, along with the savings, will rectify the estimated yearly operating deficits of the general fund.

Rating Structure Equity

Council is looking to review and potentially address its rate structure equity issue. A high level rates benefit assessment, refer below, indicates Farmland ratepayers are paying more than the benefits received and Business is paying less than the benefits received. Whereas Residential rates are reasonably equal as detailed in the following table.

Rate structure benefit assessment

Category	Number of Assessments	Rate Income	Rate payer benefits
Farmland	827	$ 3,130,684	$ 1,898,439
Residential	4029	$ 4,132,044	$ 4,637,991
Business	493	$ 674,644	$ 1,400,941
Total	5349	$ 7,937,372	$ 7,937,372

Council can consider improving the equity issue by moving rates income between rating categories. Based on the high level assessment Council could move rate income from the Farmland category to the Business category to improve the equity of the rate structure. This is supported by analysis that indicates that Council's average Business rate is low compared to most councils, whereas the Farmland average rate is the highest.

Following are the options Council is considering, being mindful of any SRV rate increase. As detailed the more income that is moved from the Farmland category the lower the average rate, conversely the average rates for Business increase. Council understands the financial implications on ratepayers, however there is a desire to rebalance the level of rates paid across the rating categories.

Example - Change in rate income for Farmland and Business

Category	Number of Assessments	Rate Income Current	Average Rate	Rate Income $450K from F/land to Business	Average Rate	Rate Income $350K from F/land to Business	Average Rate	Rate Income $250K from F/land to Business	Average Rate
Farmland	827	$ 3,130,684	$ 3,786	$ 2,679,865	$ 3,240	$ 2,780,047	$ 3,362	$ 2,880,229	$ 3,483
Residential	4,029	$ 4,132,044	$1,026	$ 4,132,044	$ 1,026	$ 4,132,044	$1,026	$ 4,132,044	$ 1,026
Business	493	$ 674,644	$1,368	$ 1,125,462	$ 2,283	$ 1,025,280	$ 2,080	$ 925,098	$ 1,876

Next steps: start the conversation with the community

It is important to emphasise that Council still has work to do. This is only the start of its journey toward financial sustainability. Over the coming months, Council will engage with the community about its financial sustainability challenges and options to address these.

Council will then consider a revised and updated LTFP and Delivery Program setting out a sustainable path for the future by November this year, at which time the community will again have an opportunity to provide input.

Structure of this document:

2. OBJECTIVES FOR SOUND FINANCIAL MANAGEMENT

what we are aiming to achieve

Spending	Infratructure Investment	Reserves & Borrowings	Improvement

3, 4, 5 & 6. CURRENT SITUATION AND FORECASTS

are we expecting to achieve these objectives? (why/why not)

General	Water	Sewer	Domestic Waste Management

7. SENSITIVITY AND RISK ANALYSIS

what are the risks if our assumptions prove to be incorrect?

8. ALTERNATE SCENARIO

what will the future look like under these circumstances?

Base Case

APPENDIX 1

what are the detailed numbers behind sections 3, 4 and 5?

2. Council’s Objectives: Sound Financial Management

The **NSW Local Government Act** section 8B establishes principles of sound financial management as follows:

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 (which also means the current generation shouldn’t bear costs for benefit of future generations)

Council has recognised its improvement journey begins at point (c).

This LTFP and the Strategic Asset Management Plan (SAMP) that sits alongside it are evidence of Council’s commitment to adhering to these principles and signals that progress has commenced.

Council also recognises *the financial challenges it faces haven’t arisen overnight… and they won’t be solved overnight*. A longer-term strategy is needed if Council is to realise longer-term benefits and be sustainable. That is why the LTFP and SAMP have a 10+ year horizon.

Council has identified four financial sustainability objectives (below) that will serve as ‘guard rails’ to help keep Council ‘on track’. These are also reflected in Council’s Delivery Program, so progress will be reported against these in Council’s Annual Report.

Leeton Shire Council Financial Sustainability Objectives (September 2022)

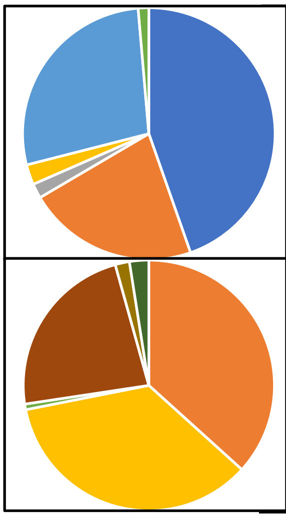
	Objective	Details
1	Responsible and sustainable spending	Council will work toward aligning general revenues and expenses by: • exploring options to be more sustainable (objective 4 below) • then, formulating a revised LTFP that documents how Council plans to achieve this. *Section 3 sets out how Council might reduce its deficit in the general fund and achieve a balanced budget via a mix of increased income and efficiencies. Section 8.1 shows the implications of continuing the current path.* *Sections 4, 5 and 6 show waste management, water and sewer are close to 'balanced' and so appear to be sustainable from this perspective (subject to normal business risks and further analysis).*
2	Responsible and sustainable infrastructure investment	Council will: • allocate funds to infrastructure and other assets in accordance with recommendations in the SAMP with a focus on managing risk and renewing existing assets • identify priorities for new and upgraded assets, and opportunities to dispose of underutilised assets, in the SAMP • not prioritise funds for further new or upgraded assets over essential renewals except where new assets address unacceptable risks • only build additional new or upgraded assets if the LTFP shows this is affordable • pursue grants wherever possible to minimise Council's investment, but not vary its priorities significantly simply to obtain a grant • pursue continuous improvement in the management of its assets and infrastructure, guided by actions in the SAMP. *Sections 3, 4, 5 and 6 show that Council can afford to fund necessary investments in asset renewals, as well as priority upgrades/new assets.* *Section 8.1 shows implications of not taking action.*
3	Adequate cash reserves and use of borrowings	Council will maintain an appropriate level of cash reserves by: • responsible and sustainable spending (objective 1), • responsible and sustainable infrastructure investment (objective 2) • using borrowings (debt) to overcome shortfalls in available funds to undertake necessary works when they are required. *Section 3 shows that with remedial action, Council can maintain adequate reserves in the general fund. Section 8.1shows that without action, it will 'eat into' its reserves considerably over the next 10 years.* *Sections 4, 5 and 6 show waste management, water and sewer can maintain adequate reserves.*
4	Explore options to improve financial sustainability	Explore options, internally and externally, to improve financial sustainability **in the general fund** by achieving a balanced budget as discussed in section 3. • Internally, identify opportunities to improve efficiency and productivity via a program of service reviews. • Externally, engage the community about their service priorities and willingness to pay (in general fund): reviewing current services (to improve efficiency and productivity), increasing ordinary rates via a SRV (to increase revenues).

Table 2: Leeton Shire Council financial sustainability objectives

3. General Fund

Under the NSW Local Government Act, councils must account for their water supply and sewerage functions as separate businesses. Further Domestic Waste Management, while not accounted for as a separate business, must be treated as such. These are in section 4, 5 and 6. The remainder of Council's functions fall under the scope of Council's 'general fund'.

Figure 1 below summarises the main operating revenues and expenses in the Income Statement for Council's 2022/23 budget (excluding waste management), which is a projected deficit of $3.6M excluding $510K for capital grants and contributions (which are not available for operational activities) and $650K for net loss on asset sales (which is a one off amount) and also excluding the potential $600K savings in depreciation.



Rates and annual charges	7,809	40%
Users charges and fees	3,804	20%
Interest and investment revenue	332	2%
Other revenues	535	3%
Operating Grants and contributions	6,140	32%
Other income	302	2%
Capital Grants and Contributions	510	3%
Total Income (Ex. capital grants)	**19,432**	
Employee benefits and on-costs	8,842	38%
Materials and contracts	7,756	34%
Borrowing costs	325	1%
Depreciation and amortisation	5,971	26%
Other expenses	186	1%
Net losses from the disposal of assets	-	0%
Total Expenses	**23,081**	
Operating Surplus (Ex. capital grants & Loss on sale of assets)	**(3,649)**	**-19%**

Figure 1: key income and expense items in 2022/23 general fund budget

A deficit of this scale (19% of income) is of serious concern. If Council continues this path, it may run short of cash in 4 or 5 years.

SRV Proposed Scenario

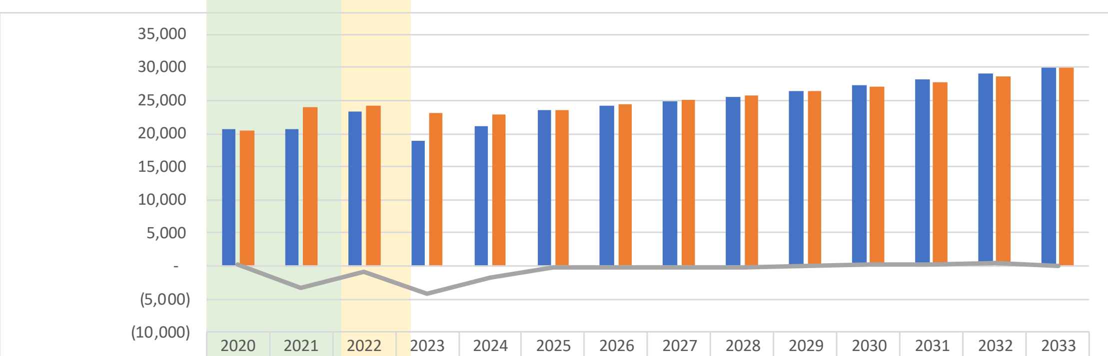
Council recognises it must chart a new course for the future. This section details the Proposed Scenarios, which is a *potential* way forward, bridging the operating deficit over 2 years and addressing the asset renewal requirements primarily via:

- a SRV of 44% (2 x 20%) in addition to the rate peg and including the rate peg 52.5%.
- savings of $600K per annum in depreciation costs.
- reallocation of around $250K per annum from maintenance to capital.
- increased asset renewal spend of $1.6M per annum.
- three additional staff of one per annum from 2025.

The figure below summarises Council's financial performance over the long term including:

- historic results over the past 3 years (using actual results for 2019/20 and 2020/21 and expected results for 2021/22); and
- forecast results under this scenario until 2032/33.

Note that in charts throughout this LTFP, the financial years as shown are the financial year *ending in…* so, for example, the 2022/23 financial year is identified as "2023".



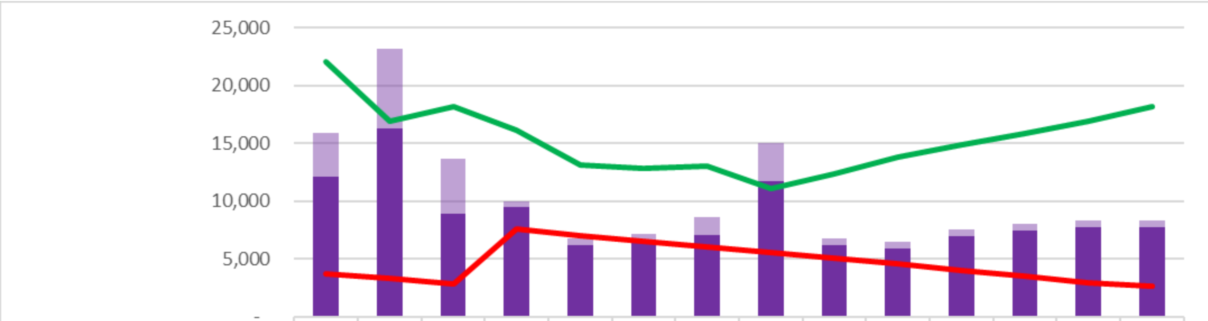
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Income	20,625	20,628	23,337	18,922	21,177	23,444	24,156	24,899	25,595	26,410	27,267	28,135	29,027	29,908
Expenses	20,386	24,029	24,110	23,130	22,904	23,639	24,368	25,161	25,792	26,410	27,130	27,810	28,525	30,003
Operating Result	239	(3,401	(773)	(4,208	(1,727	(195)	(212)	(262)	(197)	0	137	325	502	(95)

Figure 2: Trends in income, expenses and operating result in general fund

In summary, the 'story' this figure is telling for the general fund is:

- Council's **income** has historically been around **$20M** and forecast to grow to $29M.
- Council's **expenses** have overtaken this income, peaking at **$24M** in 2021 and 2022, although 2021 included significant 'one off' expenses[1].
- Expenses are forecast to reach **$30.0M** by 2033 (excluding initiatives).
- Consequently, Council needs to increase income more than the rate peg alone to 'close the gap'; the forecast increases, which would bring income to **$23M by 2025**, are based on a **SRV** of 20% per annum for 2 years (44% total, compounded[2]).
- If Council implements this plan it will largely 'close the gap' by 2025 (the forecast $195K deficit is only 0.83% of income, which is of little concern).

Council's financial *performance* is only half of the 'story'. The figure below is the other half: Council's financial *position* (reserves, borrowings, investment in assets/capital works).



	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Capital works: Grants	3,713	6,883	4,734	510	523	536	1,550	3,313	578	592	607	622	637	653
Capital works: LSC $	12,151	16,321	8,881	9,481	6,230	6,645	7,075	11,715	6,150	5,935	6,940	7,445	7,710	7,710
Borrowings	3,758	3,315	2,851	7,645	6,989	6,490	6,041	5,574	5,086	4,577	4,046	3,515	2,961	2,689
Cash and investments	22,047	16,926	18,202	16,138	13,144	12,885	13,038	11,129	12,327	13,852	14,918	15,870	16,915	18,167

Figure 3: Trends in capital works, grants and cash and investments (reserves) and borrowings in general fund

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[1] Major 'one offs' in 2021 are within materials and services and other expenses.

[2] The effect is more than 2 x 20% (= 44%) as increases in earlier years are compounded by later increases.

In summary, the 'story' this figure is telling for the general fund is:

- Council is in the midst of a major **capital works** program (2020 through to 2023)[3] far larger than in recent history.
- While Council has or is expecting to secure significant **capital grants** it is also drawing heavily on its own funds.
- Council's **cash reserves** (green line) have decreased from a peak of $22M in 2020 partly due to funding these capital works, but also partly due to the operating deficit. However they are forecast to remain healthy (based on the assumptions in this scenario).
- Council has relatively low levels of debt (red line) and could draw on reserves rather than borrowing as intended in 2023 and beyond.
- Council's financial position (cash reserves) will improve over time as the deficit decreases.

The assumptions behind the overall general fund numbers in Figure 3 are summarised in the table below alongside the historic increases in these items in the last few years.

Line #	Income items	Historic increases (5 yrs)	Assumptions
1	*Rates and annual charges*	Rate peg averaged 2.3% p.a. Waste charges averaged 3% p.a.	2023/24: 24.0% p.a. (4.0% rate peg + 20.0% SRV) 2024/25: 23.0% p.a. (3.0% rate peg + 20.0% SRV)
2	*User fees and charges*	Varies: $3.9-6.1M p.a.	$3.9M in 2024, then 2.5% p.a. for 10 years
3	*Interest*	Varies with interest rates and cash reserves	2.2% p.a. in 2024 increasing 0.25% p.a. to 4.2% in 2033. Actual $ calculated on reserve balance.
4	*Operating grants*	Varies: $5.2-8.5M p.a.	FAGs with 75% prepayment and Roads to Recovery (R2R) funds only in 2022/23 budget for the general fund.
5	*Other revenues*	Varies: $0.6M-2.4M p.a.	$600K for 2022/23 budget then 2.5% p.a.
6	*Other income*		$302K for 2022/23 budget then 2.5% p.a.
	Expense items		**Assumptions**
7	*Employee costs*	Increased from $7.6M to $9.3M (3.3% p.a.).	$8.8M for 2022/23 budget then 2.5% p.a.
8	*Materials and services + other expenses*	Ongoing M&S + other expenses were $6-9.9M p.a. up to 2021, no clear trend, plus some one-offs.	Overall, the budget for general fund operating expenses for the first four years increases by 7.5%.
9	*Borrowing costs*	Varied with loans.	$325K for 2022/23 budget then 2.0% p/a to 2028/29 then increased to 3%.
10	*Depreciation*	Increase of $1.5M (34%) between 2020 and 2023	Determined using average depreciation rates for asset classes and estimates.

Table 3: Summary of assumptions for operating revenues and expenses for the general fund

[3] The 2023 capital budget is $9.5M (excluding carry forwards and revotes).

3.1 Revenues

Rates, levies and annual charges

Most of Council's income ($8M p.a.) is from ordinary (land) rates. Council has a policy of subsidising rates for pensioners over and above the statutory requirement (nominated by and shared with NSW Government). The discretionary subsidy reduces income by around $160K, made up of $80K p.a. for rates and another $80K p.a. for water, sewer and waste.

Forecast increases in ordinary rates in the Proposed Scenario in this LTFP are as follows:

Year/s	Assumed increase in ordinary rates
2023/24	24.0% p.a. (4.0% rate peg + 20.0% SRV)
2024/25	23.0% p.a. (3.0% rate peg + 20.0% SRV)

Table 4: Assumptions about rate increases

The table below summarises rates increases for the typical ratepayer in each rates category if Council was to pursue the SRV in the Proposed Scenario. It should however be noted that the periodic land valuation currently being undertaken by the Valuer General will not affect the overall value of the rates Council may generate.

However, Council has also flagged its intention to review the rating structure so actual impacts may differ once the review is completed and if the splits between the rating categories are altered.

The following table provides an indication of the annual and weekly increase likely to be experienced by the median land value for each rating category. The increases include the estimated rate peg being a compounded increase of 52.52%.

	2022/23 estimated annual rate	2023/24 estimated annual rate	2024/25 estimated annual rate	Average weekly increase	Average annual increase
Residential – Leeton on land value of $70,000	$ 1,016	$ 1,260	$ 1,549	$ 5.13	$ 267
Residential – Whitton on Land Value $15,000	$ 604	$ 749	$ 922	$ 3.05	$ 159
Residential – Yanco on land value of $25,000	$ 679	$ 842	$ 1,036	$ 3.43	$ 178
Farmland on land value of $150,000	$ 1,920	$ 2,381	$ 2,929	$ 9.70	$ 504
Farmland on land value of $250,000	$ 2,693	$ 3,339	$ 4,107	$ 13.60	$ 707
Business on land value of $60,000	$ 883	$ 1,095	$ 1,346	$ 4.46	$ 232
Business on land value of $100,000	$ 1,243	$ 1,542	$ 1,896	$ 6.28	$ 327

Table 5: Impact on rating categories

User fees and charges

When ‘user fees and charges’ is seen simply as a total amount in the budget (as in Figure 1) it may appear this is an area where Council has an opportunity to increase its income by adopting more of a “user pays” philosophy. In reality the income sources making up this total are a real ‘mixed bag’, and most of them have some degree of constraint to increases.

In the first year 2023/24, Council is proposing to increase user fees and charges by an average of 3%. While it is considered unlikely that Council will make a big impact on its general fund deficit via user fees and charges, Council is assuming a 3% average increase over 10 years.

The figure below summarises the main sources of user fees and charges (in 2023 budget) together with other income for these areas, plus the expenses.

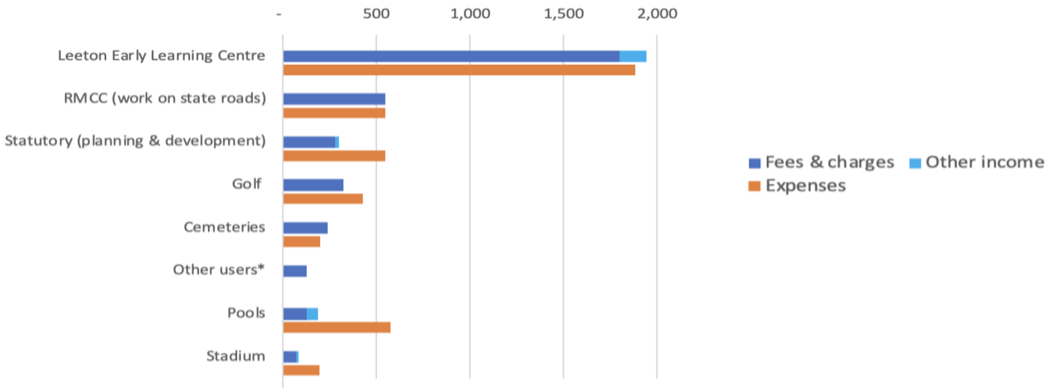


Figure 4: Main sources of user fees and charges in general fund
* Other users include a variety of functions not easily broken down.

Please note the following comments about income streams, and potential constraints on increases:

- Leeton Eary Learning Centre (LELC) currently ‘pays for itself’ in that its income covers its direct expenses plus an amount to cover Council’s administrative support costs. Council considers LELC a business unit that needs to pay its own way without ratepayer subsidy.
- The Road Maintenance Council Contract (RMCC) with Transport for NSW (TfNSW) for work on state roads is specifically on a ‘cost recovery’ basis (no ‘profit margin’ is permitted, although an allowance for overheads effectively helps Council in terms of economies of scale). Income generally depends on works ordered by TfNSW on Irrigation Way.
- Statutory fees and charges (e.g. development applications, building inspections) are set by NSW Government. Council is not able to increase them further. The revenue generated does not cover the cost of the service.
- Decisions about increasing income from the golf course, cemeteries, pools, stadium and other user groups needs to strike the appropriate balance between equity of access to community facilities and covering the cost of providing those facilities.

Interest and investments

As can be seen in Figure 3, Council's general fund reserves peaked at $22M in 2020 and are forecast to dip to around $11M in 2027 due to a combination of the operating deficit and capital works, but then climb back to $18.1M by 2033.

The lower reserve *balance*, together with a drop in the interest *rate* means that Council's income from interest on its investments has decreased three fold in recent years (from $0.9M p.a. to $0.2M). This is contributing to the current operating deficit. As Council's cash reserves rebuild in later years and interest rates recover, it is anticipated that interest income will help reduce the deficit.

Interest rates have been assumed to start at 2.0 p.a. in 2023 and increase to 4.2% p.a. for the 10 years. Actual increases may prove better than this. Cash reserve balances depend on spending and infrastructure funding.

Other revenues and other income

Historically, Council has generated $0.6M to $1.2M from what is accounted for as 'other revenues' and a variable amount in what is accounted for as 'other income'.

The largest single item of 'other revenues' for many years is sale of investment water (distinct from the town water supply, accounted for in the water fund – see section 4). However, given the variability of the market (returns have been low since Council started recording investment water separately) and water allocations, an average of $50K p.a. has been assumed in the 'base case' forecasts. Water sales is not regarded as a reliable income source.

Other revenues also include income from fines, levies, rebates, etc.

'Other income' includes gains from asset sales in some years but the majority is rent from Council properties (around $325K p.a.). This was previously accounted as 'other revenues' but has now been separated out in the LTFP as 'other income'.

It is assumed that the basic ongoing amounts for both other revenues and other income will increase by 2.5% p.a. for the 10 years.

Grants and contributions

Recently the FAGs prepayment was increased from 50% in advance to 75% in advance. While this means Council has an extra $1.3M in the bank it must be remembered that this prepayment may be called upon which would mean that of the $4.8M mentioned below Council would receive 1.2M. This would be devastating in the short term particularly if Council does not retain adequate cash reserves to cover such an event.

The major *ongoing* grants and contributions for operational purposes, together with assumptions about trends over time, are summarised in the table below.

Source	$M	Forecasts and comments
Financial Assistance Grants	4.8	Forecast to continue, but could drop or not be indexed (see sensitivity and risk analysis, section 7)
Roads to Recovery	0.7	Forecast to continue, but could fall or finish
Regional Roads	0.3	Block and Repair Grants. Forecast to continue.
Community services operating grants & contributions	0.3	Includes grants/contributions (from users and govt) for child care, libraries, environmental weeds, developer contributions (including donated assets), etc. Limited opportunity to increase. Basically used to fund service delivery, so if grants/contributions ceased so would expenditure on delivery, unless Council funded it internally
TOTAL (approx.)	**6.1**	

Table 6: Summary of ongoing operating grants and contributions for general fund

Council often receives various ‘one off’ grants for specific operational projects, too. These vary considerably, and will generally be associated with additional expenses, so the net impact on Council’s financial performance is negligible.

Historically, total operating grants reached a high of $8.5M in 2021, and a low of $5.2M in 2019. The 2023 budget figure of $6.15M has been adopted for forecasting, with a 2.0%, p.a. index.

The sensitivity and risk analysis in section 7 explores the implications of an ‘austerity’ approach by other levels of government (i.e. reductions in grants to councils). If governments choose to ‘freeze’ grants that have become a routine part of Council’s operating revenues, this will contribute to further challenging Council’s financial sustainability of its general fund.

Potential dividends from water supply and sewerage businesses

Under the Local Government Act, councils are permitted to pay a dividend from their utility businesses to their general fund if they have satisfied a list of specified requirements, *and* if those funds have sufficient financial capacity to do so.

If Council was able to pay this dividend, the upper limit is around $30/assessment for each fund, which works out to around $130K p.a. for water and $100K p.a. for sewer.

Sections 4, 5 and 6 show that Council's waste management, water and sewer funds are relatively healthy (more so than the general fund), so there may be scope to pay a dividend. However, Council would also need to satisfy other requirements (e.g. forward planning for renewals and capital works and various policies) before being allowed to pay a dividend.

There are other issues which Council would like to consider first in the context of immediate challenges in general fund, e.g. ensuring Council accounts appropriately for the internal services (administration, finance, HR, governance, engineering, etc.) delivered 'to' its water and sewer businesses via the allocation of overheads to those businesses. This will be part of the internal service reviews.

3.2 Expenses

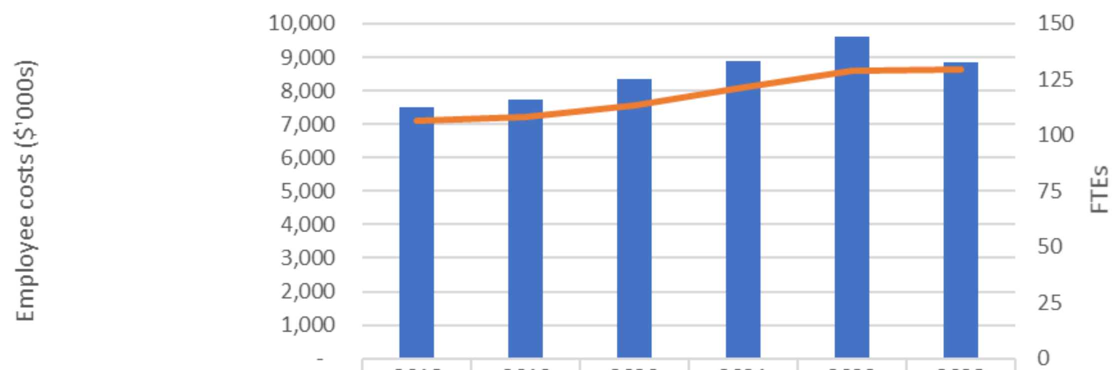
Employee benefits and oncosts

Employee benefits and oncosts make up large portion (39%) of overall expenses.
Costs include wages/salaries, leave entitlements, superannuation and related expenses such as worker's compensation insurance, personal protective equipment, and training.

Full-time equivalent employee (FTE) numbers have increased in the past few years because Council has allocated additional resources to a number of functional areas, in response to:

- **community priorities** including:
    - economic development
    - cultural and recreational facilities and programs (Leeton Aquatic Centre, Roxy Theatre, Leeton Museum and Art Gallery, Art Deco Festival)
    - increased road maintenance
    - customer service
- **corporate risks, regulation, compliance and improvement** including:
    - project management
    - work health and safety
    - governance
    - record management
    - people management
    - procurement
    - Smart technology, telemetry, IT and cyber security
    - Children's services (educator to child ratios at Leeton Early Learning Centre)
    - Environmental
    - Internal audit and improvement.

The figure below shows trends in the number of FTEs and employee costs (indexed to 2022 dollars so comparisons are 'apples and apples'). Employee costs have increased in real terms over and above increases associated with the award and superannuation. This is one of the main contributors to Council's current operating deficit (along with materials and depreciation).



	2018	2019	2020	2021	2022	2023
Emp. Costs (2022indexed $)	7,519	7,741	8,363	8,879	9,630	8,842
FTE	107	109	114	122	129	130

Figure 5: Trends in Full Time Equivalent staff (FTEs) and employee costs

Notes:

1. *To enable 'apples and apples' comparisons between costs in each year, costs in earlier years have been increased by a percentage equal to the State Award + super guarantee levy increases over intervening period (average 2% p.a. for the Award + 0.5% for super for 2020-2023).*
2. *This data differs from FTEs reported in financial statements (which is only on a consolidated basis). Both reports (this one, and in financial statements) rely on internal analysis: they are indicative only.*

In considering whether Council's staffing numbers are appropriate, Council's FTEs have been compared to other councils of a similar size. The only publicly available data on employee numbers in NSW councils is on a consolidated basis (i.e. including water and sewer funds *in addition to* general fund). Leeton has 21 staff directly employed in the water supply and sewerage area (numbers here have been fairly stable).

The figure below shows the relationship between employee numbers (on a consolidated basis) and population of the local government area. There is a clear link between the two, which is likely explained by the economies of scale realised in larger population centres. The trend line plots FTE numbers for a 'typical' council serving a given population.

As can be seen, Leeton (in red) sits on the trend line. This suggests that, even after the growth in FTEs in recent years, FTEs are comparable to a 'typical' council of Leeton's size. In other words, Council doesn't appear to be 'overstaffed'.

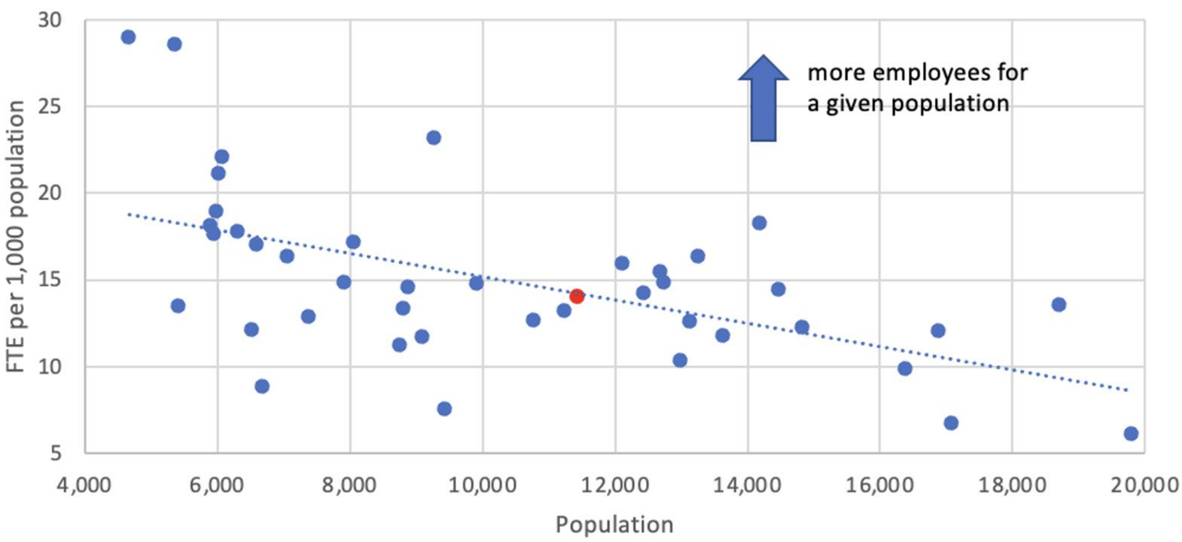


Figure 6: Relationship between FTEs (consolidated basis) and population for group 10 and 11 councils
Data source: OLG, 2020, for group 10 and 11 councils ('large rural' councils under/over 10,000 population).

In making such comparisons, it is important to note that:

- there are some factors that will mean Leeton will naturally need more staff: e.g., Council is responsible for water supply (11 staff) and childcare services (23 staff); these two areas alone represent 20% of total FTEs; Council also staffs its pools and waste centres with its own employees, not contractors; and
- other factors that will have the opposite effect (e.g., the small footprint of the Shire and therefore smaller rural road network and few outlying villages to service).

In addition to the above analysis, Council recently had an independent review of the staff resourcing levels against similar Councils conducted by Local Government NSW (LGNSW). The review concluded that Leeton is at the mid-point for the 'large rural' Council group.

However, when the early childhood staff are excluded, Leeton is in the low quartile. Accordingly, most other Councils have higher staff numbers.

Furthermore, in considering these findings and the additional staffing needs over the medium term to support the operations of a 'large rural' Council, LGNSW's assessment identified under resourcing and that three additional positions would be required.

For the purposes of the Proposed Scenario, it is assumed that employee costs will increase by 2.5% annually after 2022/23 and by 1 FTE for 3 years starting in 2025.

Council will also monitor the amount of employee costs capitalised. In a perfect world Council will match its resources to its program perfectly, but in reality, there is a movement between operations and capital works depending on resourcing priorities.

A key issue is that Council needs to manage its resources carefully. Specifically, to avoid building up resources to deliver a 'peak' capital works program, but then to have these resources move back to operational areas in a 'quiet' year (increasing costs, working against Council's efforts to reduce expenses). Now that Council has a longer term works program (in the Strategic Asset Management Plan) it can develop a more robust workforce strategy to match its capital works requirements with employee numbers.

An increase or decrease in capitalised costs relative to the capital works program isn't necessary good or bad – instead (like most measures that Council needs to monitor) it should be viewed as a way of better understanding what's going on in the business.

The final item suggested here to be monitored is the amount of overtime paid out each year and/or the hours of overtime worked.

An initiative that Council has introduced during 2022 is an afterhours customer service system which triages customer requests so that only urgent / critical requests are responded to afterhours and routine requests are followed up on working days.

A drop in overtime isn't necessarily a good thing. As with capitalisation, Council needs to avoid resourcing for the peaks. Overtime is a good way to cover the peaks. It also needs to be remembered that while staff get paid extra for overtime, Council doesn't actually pay much more (e.g. superannuation isn't calculated on overtime, only to normal hours).

Materials and services + other expenses

Historic analysis and future forecasts of 'materials and services' are complicated by a change in the code of accounting in 2022. This moved most 'other expenses' to what was 'materials and contracts' and is now 'materials and services'. For simplicity, all such expenses are considered together in this LTFP. Appendix 1 has the details as per the financial statements.

Materials and services + other expenses make up large portion of Council's overall expenses. This includes:

- Raw materials and consumables such as bitumen and gravel for road maintenance, materials for repairs and maintenance of facilities (buildings and open spaces)
- Fuel and spares for plant operations

- Electricity, telecommunications, water, sewerage and rates on Council properties as well as streetlighting costs
- Contractors (e.g. waste collection, some road and facilities maintenance, cleaning)
- Consultants, auditors and legal expenses
- Advertising, banking, office expenses
- Subscriptions, licences and permits, and
- Councillor expenses.

Trends in the expenses listed above are shown overall in the figure below (blue columns). 'One off' items in 2020/21 are separately identified so the trend in ongoing items is clearer.

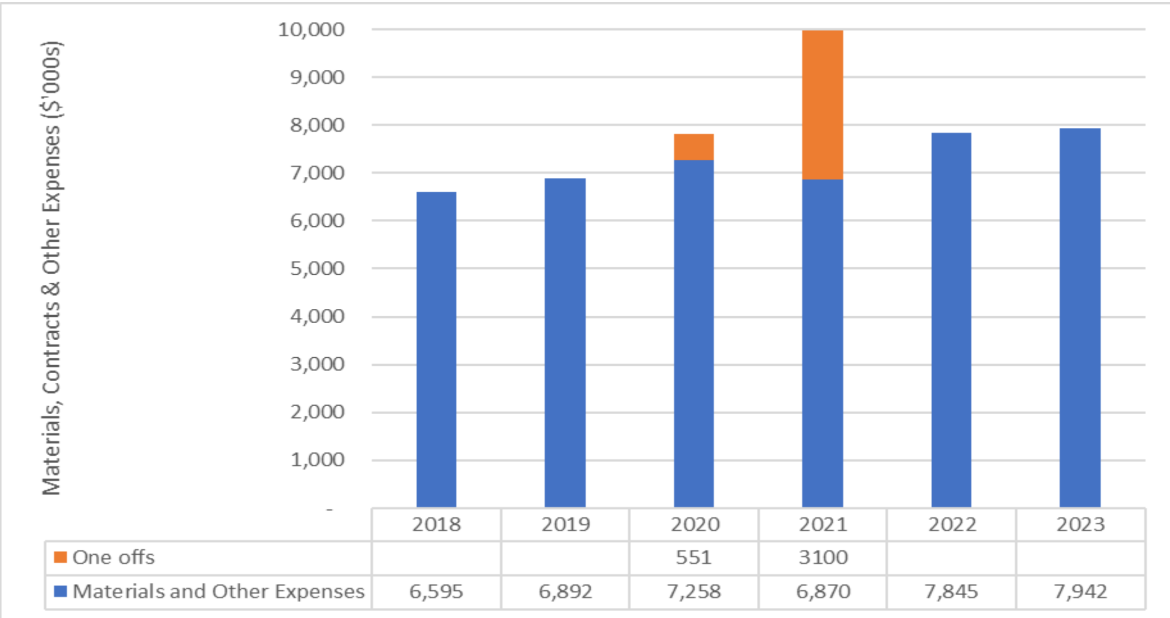


Figure 7: Trends in materials and services + other expenses (including one-offs)

As can be seen, once 'one off' items are excluded, 'ongoing' expenses were relatively stable ($6.6M to $6.9M) between 2018 and 2021 but increased by $1.0M or so in 2022 (to $7.8M) with $7.9M in the 2023 budget ($0.5-0.6M more than historic trend). This is one of the main contributors to the deficit (alongside employees and depreciation).

For the Proposed Scenario, it is assumed materials and services will be increase by 4% in 2024, 3% in 2025 and then by 2.5% per annum thereafter. This higher initial rate is to reflect the current increased inflation.

It is important to note that Council has limited influence with regard to 'other expenses'. One of the main items is contributions to other levels of government (RFS, SES and NSW Fire Brigades). These were proposed to increase considerably in 2021/22, but the NSW Government reversed its decision to do so in response to lobbying from local government. Note: Council does receive some grants for RFS offsetting these contributions.

The other main item in 'other expenses' is $30-50k p.a. donations to community groups. This is not considered high for a population of 11,500 residents that has over 200 groups servicing the community across a range of sporting, cultural, health and wellbeing type services.

Depreciation

Depreciation is sometimes dismissed as unimportant as it isn't a 'cash' expense, but it is fundamental to sound financial management as it represents the 'cost of asset consumption'.

Depreciation is best understood as *the means by which Council generates cash to fund work on infrastructure and other assets* in the context of a balanced budget:

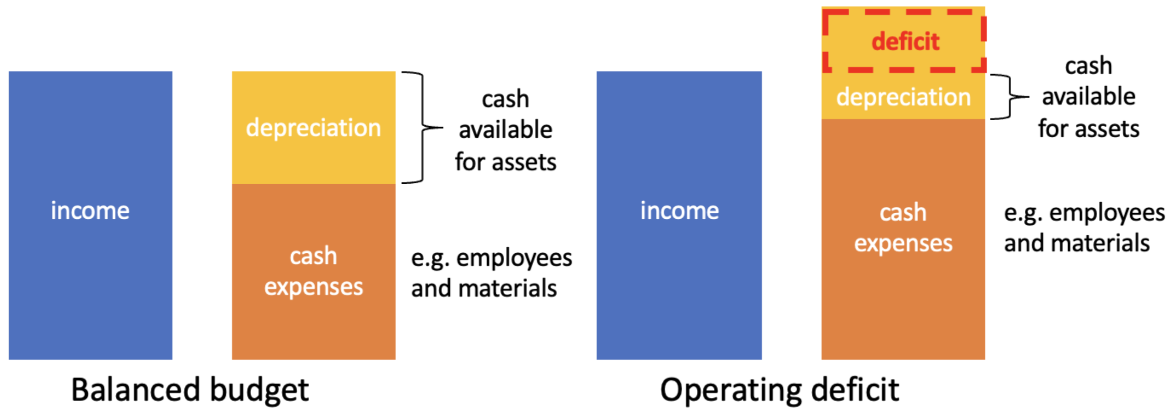


Figure 8: Why depreciation can be understood as the means of generating cash for work on assets

Ongoing operating deficits mean Council will have enough income to cover its cash expenses (employees, materials, etc.) but <u>not</u> its depreciation, so it may struggle to afford to invest what it needs to in its assets (capital works, e.g., renew a road in poor condition).

It is important to note, though, that infrastructure investment needs vary considerably over time.

Consequently, cash generated 'from' depreciation won't necessarily be spent in the year Council receives it. Works on Council's assets are financed in 3 ways:

- *after* the income is received, which means Council will keep it in a **reserve** until it is needed
- *at the same time* as the **income** is received (current year income, including grants)
- *before* the income is received, so Council will need to **borrow** to pay for the works, and then repay the loan as income comes in over time.

The other side of this issue is that Council needs to ensure its depreciation expenses are reasonable (not too high or too low). Reasonable estimates are important in terms of:

- achieving intergenerational equity (so the current generation pays for the cost of its services, including infrastructure – not too much or too little, and future generations also pay their fair share of the costs of built services).
- financial sustainability (so Council is confident it will have sufficient money available when it needs it – either as cash reserves or as the capacity to repay borrowings).

As can be seen in the figure below, depreciation expenses have increased considerably in recent years. The $1M (20%) jump in 2021 was due to the revaluation of Council's largest asset class, transport, which make more than 60% of general fund assets in terms of replacement value and 55% in terms of depreciation expenses.

The increases expected and budgeted in 2022 and 2023 are largely associated with investments in new or upgraded assets (such as the Leeton Aquatic Centre, Chelmsford Place Town Square and the Roxy Theatre).

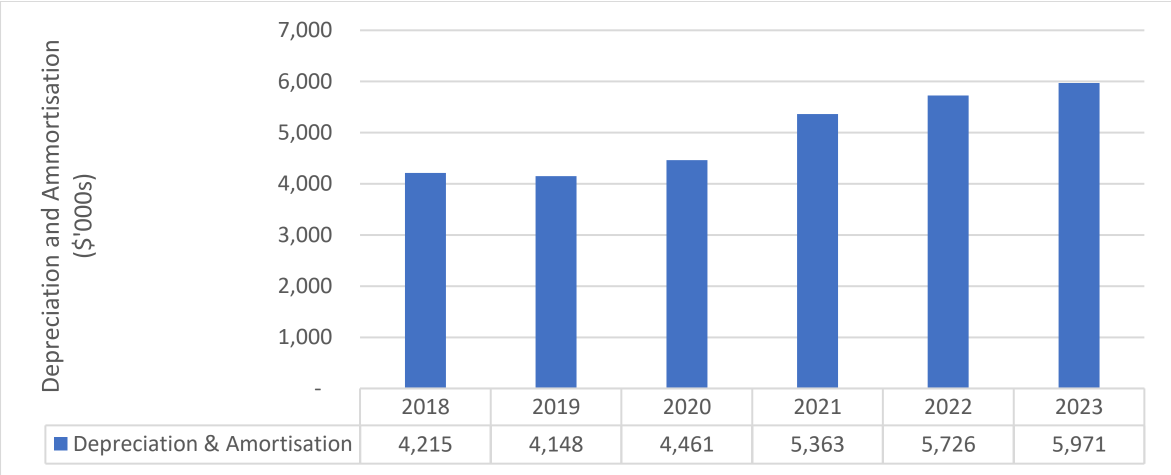


Figure 9: Trends in depreciation over time

It is important to note that Council has in recent years started to use external consultants (valuers) to undertake these assessments (of asset values and service lives) in accordance with best practice. Valuers consult council staff when they do their valuations so that local knowledge is considered and the final assessments must be signed off by the NSW Auditor General.

The questions surrounding depreciation are a strong argument for investing adequately in Council’s asset management systems so Council is confident of their accuracy. The scale of depreciation is also a good argument to invest adequately in activities to prolong the life of existing assets (especially resealing of sealed roads) as longer life = lower depreciation.

In response to a request from Council’s ARIC Committee Council has recently undertaken a review of its depreciation and identified savings of $600K p.a.

It is important to note that under the LTFP initiatives Council has included a saving of $600K in depreciation starting in the current year. However it is anticipated that this saving will only materialise under the conditions below:-

1. The valuation determines that assets are lasting longer than currently recorded.
2. The valuation can be backdated to 1 July 2022.
3. Actual renewals reflect the extended lives adopted.

If the answer to any of these are **no**, then the anticipated saving may not be realised.

Interest on loans

Council's current and proposed loans, including assumed interest rates (and so the operating expense associated with these), are detailed in Table 11 and Table 12.

3.3 Investment in Infrastructure and Other Assets (+ Asset Sales)

As noted in section 2, responsible and sustainable infrastructure investment is one of Council's primary financial sustainability objectives.

The Strategic Asset Management Plan (SAMP) is the primary document to guide Council's pursuit of this objective, but it is critical that the numbers in the SAMP align with those in this LTFP and Council's other IP&R documents. The table below explains the level of detail for capital works planning in each document, and how the figures in each are related.

Document	Level of detail provided
Strategic Asset Management Plan	Total capital works program set out in section 3.1. Includes amounts for each *asset class* (e.g. transport, buildings, plant) and *programs* within these (e.g. unsealed roads within transport). Major *projects* may also be identified. Figures are current year $
Long Term Financial Plan	Total capital works from SAMP shown as 'capital works' in Figure 3 above, and in Appendix 1 in the cashflow statement (at 'purchase of infrastructure, property, plant and equipment). Figures are indexed (so they differ from those in the SAMP).
Delivery Program (financial forecasts)	Similar level of detail to what is in the SAMP, numbers align with years 1-3 of the LTFP. Figures are indexed.
Operational Plan (annual budget)	Total of capital works equals total for year 1 of SAMP. Individual *projects* within each *program* identified in the SAMP are identified. Only current year projects are 'locked in'. Projects for future years may be listed for information but are subject to change. Unfunded projects may be included to guide grant applications.

Table 7: Alignment between financial information in IP&R documents

Performance against infrastructure investment benchmarks (asset renewals)

The Office of Local Government (OLG) prescribes several performance measures councils must report on in their annual financial statements. One of these is the *Building and Asset Renewals Ratio,* which compares asset renewal expenditure to depreciation (the benchmark being > 100%, i.e. councils should spend equal to, or more than depreciation on asset renewals).

Based on the amounts in the SAMP and this LTFP, Council will <u>not</u> meet this ratio over the next 10 years, however, the ratio is not considered an appropriate measure where a council has undertaken robust asset management planning. The calculations for performance against the ratio are shown below.

10 year renewals works program (section 3.1 of SAMP plus $1.6M per annum as per initiatives)	$73.5M
Depreciation expenses for 10 years	$71.7M
Building and Infrastructure Asset Renewals Ratio **(10 years)**	**103%**

Table 8: 10 year Building and Infrastructure Renewals Ratio calculation for general fund

In section 5 of the SAMP, it is explained why Council considers this OLG benchmark to be inappropriate. In summary, Council should spend *what is required* (as forecast in the SAMP) not an amount equal to depreciation on asset renewals. Doing what is required is most certainly Council's objective (refer section 2). Since Council's assets are in relatively good condition, Council currently only needs to spend an amount less than depreciation.

It is important to recognise, however, that this means Council is likely to need to spend *more* than depreciation in future years as assets currently in good condition deteriorate. For this reason, Council must maintain adequate reserves and/or borrowing capacity. Figure 3 shows this is what is forecast to happen: Council's reserves will drop below $11.5M in 2027 (as it invests heavily capital projects, and also due to the operating deficit), but the reserves will build up again to over $18.1M in 2033.

So long as depreciation estimates are accurate, Council should expect that it will need to spend those reserves beyond 10 years renewing assets that are in good condition now. If Council *doesn't* build up these reserves over the next 10 years, future generations are likely to be faced with larger rate increases and/or service cuts to pay for the higher level of renewals required at that time. **This is what intergenerational equity is all about.**

Capital grants

Council relies on a range of ongoing grants to help fund its asset-related activities. Council also relies on specific one-off grants to help fund some projects. These are identified in the 'specific grants' (far left) column of the capital works program in section 3.1 of the SAMP for the full 10 years. The table below explains which projects they relate to. Note that these projects are not yet confirmed by Council as proceeding (indicative only).

Capital works program	Specific grants Confirmed (C) / Unconfirmed (U)	Project
Local road upgrades	$1.75M (U)	Euroly Road widening (50%) 2027
Stadium	$1M (U)	Leeton Stadium expansion (50%) 2027
Caravan Parks	$1M (U)	Gogeldrie Weir redevelopment (66%) 2026 (additional to work in 2023 budget)
Roxy Theatre	Council continues to seek additional grant funding from various sources such as SCC (U)	Roxy Theatre

Table 9: Forecast capital grants over 10 years for general fund

These grants are shown at 'capital grants' in the income statement and 'grants and contributions' in the cashflow statement in Appendix 1. If the unconfirmed grants are not secured, the projects they relate to may not proceed unless Council resolves to fund them by other means, at which time this LTFP should be reviewed.

Council will also pursue additional capital grant opportunities as and when they arise, with a focus on asset renewals and priority projects (as noted previously).

Note that the capital grants in 2022/23 will include an additional amount over and above what is in the 2022/23 budget considering the carry over works from 2021/22 (as discussed previously).

Asset Sales

The 2022/23 capital works program includes $4M for development of Vance Industrial Estate. It is assumed that Council will sell this off over the period 2025-2032 at a rate of $500K p.a. (effectively paying back the $4M investment).

No other asset sales are proposed at this time, although Council will seek opportunities to do so as part of is ongoing process.

One possibility of another asset sale is developing Brobenah Dog Park into housing estate and selling off the blocks at a profit. Council will need to invest capital up front for infrastructure to service the blocks.

3.4 Reserves and Borrowing

As noted in section 2, one of Council's primary financial sustainability objectives is maintaining adequate cash reserves and use borrowings where required to supplement this. The two are closely related:

- Council builds up **cash reserves** when it receives income *ahead of* time compared to expenditure outlays
- Council utilises **borrowings** as a way of overcoming "timing mismatches" [4] where outlays need to occur *before the time* it receives income to pay for these.

The following sections outline key issues in relation to reserves and borrowing.

Cash reserves

Council had $50.3M in cash reserves across the water, sewer and general funds as at 30 June 2022 based on the unaudited financial statements.

The table below summarises these. There are 3 main types:

- *externally restricted* (legislation restricts what Council can spend these funds on)
- *internally restricted* (Council has resolved to restrict the funds for specific things)
- *unrestricted* (cash available to spend on anything, in accord with Council's budget)

Reserve type	Details	$000's
Total funds (*consolidated* cash, investments and cash equivalents)		**50,267**
Externally restricted (water and sewer)	Funds within the water and sewer funds e.g. reserves and headworks developer contributions	-31,848
Externally restricted (general fund)	Funds in the general fund, use restricted by legislation (e.g. domestic waste management, stormwater levy, developer contributions, unexpended grants)	-5,174
Total funds (excluding external restrictions)		**13,245**
Internal restrictions	Funds in the general fund, use restricted by resolution of council (e.g. employee leave entitlements, plant replacement, infrastructure, buildings, etc.)	-9,631
Total unrestricted funds (available for allocation to any purpose)		**3,614**

Table 10: Summary of reserves with external and internal restrictions

Council can, by resolution, vary its internal restrictions at any time. **In other words, the $9.6M above is available for Council to allocate to any operational or capital activity**. This is why the *Unrestricted Current Ratio* (one of the performance measures councils are required to report against in their annual financial statements) includes both 'unrestricted' and 'internally restricted' funds. Effectively, all such funds are 'unrestricted'.

In the past, like most councils, Leeton Shire Council has used internal restrictions as a substitute for strategic planning. This use dates back to the era of cash accounting and absence of long term planning. For example, Council previously set aside $2M for

[4] *Debt is not a Dirty Word,* page 2 (Comrie, 2014).

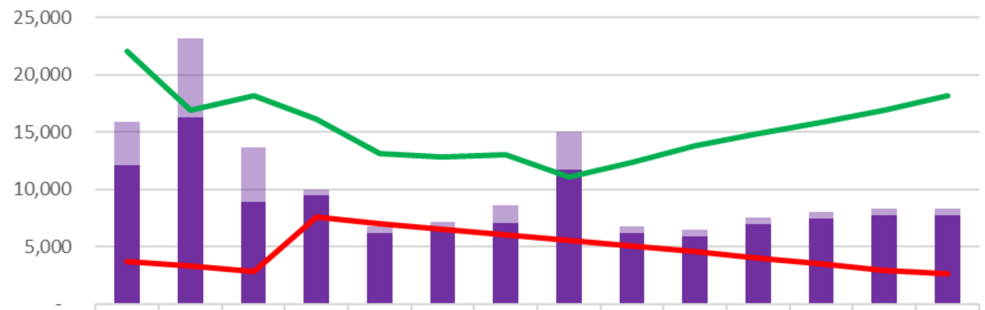
‘infrastructure replacement’ and last year added $100k for cemetery expansion as it anticipated it will need these funds in future.

Now that Council has an up-to-date SAMP (albeit in need of further refinement) and LTFP setting out what it *does* need into the future, there is good reason not to use reserves in this way. Doing so confuses the strategic planning framework established in this LTFP and accompanying SAMP.

Instead of putting funds aside in ‘biscuit tins’ for specific purposes, Council needs to focus on forecasting what it intends to *spend* to achieve its objectives, and to ensure it has sufficient *funds* overall to cover these outlays (whether these funds be current year earnings including grants, cash reserves and/or borrowings if reserves are insufficient).

Figure 3 (from above, reproduced here for ease of reference) is a visual representation of this different approach to financial strategic planning:

- outlays for capital works (purple columns), can vary considerably from year to year, and often have grants (light purple top of column) to help fund them
- in addition to Council’s operating performance (from Figure 2), capital works and grants impact Council’s cash reserves (green line)
- Council then uses borrowings (red line) to supplement its cashflow so that its cash reserves don’t dip below a minimum ‘acceptable’ amount if required (as discussed further below)



	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Capital works: Grants	3,713	6,883	4,734	510	523	536	1,550	3,313	578	592	607	622	637	653
Capital works: LSC $	12,151	16,321	8,881	9,481	6,230	6,645	7,075	11,715	6,150	5,935	6,940	7,445	7,710	7,710
Borrowings	3,758	3,315	2,851	7,645	6,989	6,490	6,041	5,574	5,086	4,577	4,046	3,515	2,961	2,689
Cash and investments	22,047	16,926	18,202	16,138	13,144	12,885	13,038	11,129	12,327	13,852	14,918	15,870	16,915	18,167

Figure 3: Trends in capital works, grants and cash and investments (reserves) and borrowings in general fund

Two issues perhaps need clarifying in the context of this change in the way Council utilises internal reserves. Firstly, councils commonly hold **employee leave entitlements** (ELE) reserves. Council had $1.4M in its ELE reserve as at 30 June 2022 (unaudited). This is above what it estimated would be settled in the next 12 months (as reported note C3-4 of the unaudited financial statements). But if Council is managing employee leave appropriately, then ‘what goes in’ should equal ‘what comes out’ (e.g. an employee accrues 4 weeks annual leave in a year, but they should also be taking 4 weeks leave).

A second issue relates to functions Council wants to treat as a ‘self funding business unit’ (e.g. Council already treats LELC this way and may like to work towards Gogeldrie Weir Riverside Park being a business unit). It is less important to quarantine cash generated from

LELC over and above its cash operating expenses (and only permit LELC to draw on this reserve, or to require it to borrow over and above this) than it is to ensure it achieves at least 'break even' operating performance including depreciation. So long as LELC does so, it is 'paying its own way'. Any re-investment of funds by Council for capital works will be covered by depreciation.

There may be circumstances where Council does need to establish internal reserves for distinct operations, but for all such operations currently, internal reserves are unwarranted. A first step if Council does need/wish to do so is to ensure that these operations keep a distinct set of accounts.

Borrowings

The table below lists existing loans in Council's general fund as at 30 June 2022 (unaudited).[5]

Description	Loan % Rate	Final Payment Date	Principal 1 July 2022	Annual Repayment	Principal Repayments	Interest Repayments	Principal Outstanding
Community Servces							
LIRS 1 Loan - Community Multi-Purpose Centre	5.52%	19/09/2022	66,530	68,362	66,530	1,831	0
Roads							
LIRS 2 Loan - Petersham Road Works	4.85%	18/08/2023	198,051	138,483	130,418	8,065	67,633
Sporting Grounds and Facilities							
LIRS 3 Loan - Leeton Ovals Complex Dressing Shed Development	4.34%	22/07/2024	346,344	124,345	110,560	13,785	235,783
Showground Grandstand	2.59%	30/04/2030	163,889	22,751	18,738	4,013	145,151
Leeton Pool Refurbishment	2.99%	30/04/2040	2,075,900	147,625	90,120	57,505	1,985,780
Existing Loans			**2,850,714**	**501,565**	**416,367**	**85,198**	**2,434,347**

Table 11: Summary of current borrowings

As discussed in relation to depreciation and cash reserves it is best to think of borrowings simply as a means of supplementing a shortfall in cash reserves (i.e. Council should only borrow if it forecasts its cash reserves will drop below the minimum it determines it needs to have sufficient flexibility to overcome shocks). Further risk analysis on the minimum 'comfortable' level is required, but at this stage it is suggested that $5M of unrestricted and/or internally restricted funds should be sufficient as a minimum.

Current modelling (Figure 3) suggests that Council won't drop below the $5M 'minimum' amount, so borrowing may not be required. *However,* this relies on Council improving its financial position. If Council doesn't do so, it may need to borrow to maintain sufficient cash. The 2022/23 budget includes new loans of $5.2M.

Description	Loan % Rate	Final Payment Date	Principal 1 July 2022	New Loans 2022/23	New and revotes	Carry forward	*Adjusted Loans forecast 2022/23	Annual Repayment	Principal Repayments	Interest Repayments	Principal Outstanding
Economic Development											
Vance Estate Development	4.77%	1/05/2032		0	0	1,400,000	1,400,000	85,619	57,619	28,000	1,342,381
**Roxy Theatre	4.77%	1/05/2042		1,868,900	3,000,000	0	3,000,000	109,667	49,667	60,000	2,950,333
LELC	4.77%	1/05/2032		0	0	300,000	300,000	18,347	12,347	6,000	287,653
Gogelderie Caravan Park Cabins	4.77%	1/05/2032		500,000	500,000	0	500,000	30,578	20,578	10,000	479,422
New Loans			0	**2,368,900**	**3,500,000**	**1,700,000**	**5,200,000**	**244,212**	**140,212**	**104,000**	**5,059,788**

Table 12: Summary of proposed borrowings

[5] The Local Government Regulation requires Council to include a statement of borrowings in the Revenue Policy (part of the Operational Plan) but this information is also included in this LTFP for completeness.

3.5 Options to Improve Financial Sustainability

As noted in section 2, exploring opportunities to improve the financial sustainability of its general fund, both internally and externally, is one of Council's key objectives.

As anticipated in its previous LTFP document, Council has reviewed its services and asset renewal requirements.

As part of the services review, Council has recently undertaken a review of its depreciation and identified potential savings of $600K p.a as well as the potential reallocation of costs of around $250K p.a from maintenance to capital.

However, Council still requires additional revenue to continue the delivery of all other services at the current levels. Council has also identified the need for additional asset renewal funding of $1.6M p.a. for the renewal program for roads and buildings to address increasing backlog issue for these two asset classes.

For Council's general fund to be financially sustainable over the longer term, there is need to address the annual ongoing deficit estimated at $ 3.5 million in 2023/24 increasing to $4.2 million in 2032/33.

Savings that Council has made and plans to make

Over the past five years, Council has worked hard at identifying and implementing savings and productivity improvements. While these cost retention actions have enabled Council to continue to deliver and expand the current suite of services and assets they will not enable Council to avoid future operating deficits. The savings and improvements are incorporated in the Proposed Scenario. These improvements have included:-

- The following savings initiatives
    - Implementation of the Energy Master Plan, providing infrastructure to actively reduce Council's energy consumption expenses. These have included solar arrays at the Council Administration Building, Library, Multipurpose Centre, Depot and Aquatic Centre.
    - Reduction of Internal Audits costs through outsourcing of $60K p.a.
    - Reduction in costs through renegotiation of software, telecommunications and energy contracts of $80K p.a.
    - Cost savings through LED Lighting Replacements - Office Buildings, Sporting Facilities, and Street Lighting of 30%.
    - Revenue from asset sales via rationalisation and integration of land and buildings.
- The following productivity and efficiency initiatives
    - Organisational restructure to achieve operational alignment) yielding productivity gains of $195K p.a.
    - Staffing reductions in community services (Library and Visitor Information Centre).
    - Asset Management System productivity improvements.
    - Use of low-cost road seal and rehabilitation material that has increased the length of road able to be treated.
    - Reduction of employee lease back vehicles.

As discussed Council recently conducted an independent review of the staff resourcing levels against similar Councils. The review concluded that Leeton is at the mid-point for the Large Rural Council group. However, when the early childhood staff are excluded (not all Councils provide this service), Leeton is in the low quartile. This means most other Councils have higher staff numbers.

Due to the high asset ‘backlog ratio’ Council plans to undertake a review of the asset maintenance service levels and expenditure costs to ascertain whether the levels are appropriate in delivering serviceable assets. The potential result is a reallocation of $250K of operating expenses to capital and/or a reduction in asset maintenance costs.

Council has developed a service review program for the next four years. It is expected that the outcome of these reviews will delivery further productivity improvements with very minimal savings. These will focus on:

- each of Council’s functions as defined in its Delivery Program.
- specific principal activities within a particular function.
- broader issues relevant to the organisation more generally (where similar issues arise in different functional areas).

Council’s Delivery Program identifies the service reviews it currently intends to undertake. It is also anticipated there will be additional reviews undertaken over Council’s term.

Council will report on the outcomes of service reviews undertaken in its Annual Report, as required by the IP&R Guidelines mandated by OLG.

Opportunities to be explored externally (community engagement)

As outlined above, Council has undertaken *improvements* and continues to explore opportunities to *improve* productivity and efficiency to *improve* its financial sustainability. While these initiatives have contributed to cost retention they have not been enough to cover the costs of the additional services.

Just to recap, Council:-

- Has benchmarked its staff levels with similar Councils and concluded that the levels are relatively low. In reviewing its future staffing needs it has been identified that three additional positions are required.
- Has reviewed its depreciation and identified potential savings of $600K p.a.
- Will review its asset maintenance costs to confirm if anticipated future operating expenses of $250K can be reduced or allocated to capital.
- Has developed a service review program but anticipates these reviews will result in productivity improvements with minimal savings.

In addition to productivity and efficiency, Council has also considered the services outlined in its Delivery Program and is of the view that the community does not wish to see changes to **particular services**, either via adjustments to service levels or through changes to user fees and charges. In other words, Council is of the view that it wishes to retain the current service levels and user fees and charges. This requires Council to pursue a SRV to address its deficit and to remain financially stable.

As such, it is vital that Council meaningfully engages with the community about the options to improve its financial sustainability that will affect them including their priorities, in terms of the services Council delivers and their willingness to pay for these through a SRV.

The Community Engagement Strategy guiding this engagement has been developed for consideration by Council.

The scenarios in section 8 are intended to help people picture what the ‘extremes’ of alternative options might look like:

- The Base Case scenario explains that Council will run short of cash, and need to cut services to maintain its liquidity, if it continues its current path.
- The Alternate Scenario explains the impact of a SRV to ‘close the gap’ over a four year period without any cuts to services.

As discussed the Proposed Scenario incorporates a 40% SRV over 2 years, totalling $3.20M on top of the rate peg.

While it is acknowledged that no one wants to pay more in rates, it is also Council’s view that the community will be unwilling to accept significant service cuts. Council will meaningfully engage with the community about Council’s current challenges and the community’s aspirations for the future.

As part of the community engagement Council will also reinforce that it has an obligation under the NSW Local Government Act to adhere to the principles of sound financial management. The Base Case in section 8.1 highlights that avoiding this issue is not an option.

4. Water Fund

Council accounts for its water supply function as a separate business, as required by the NSW Local Government Act and National Competition Policy.

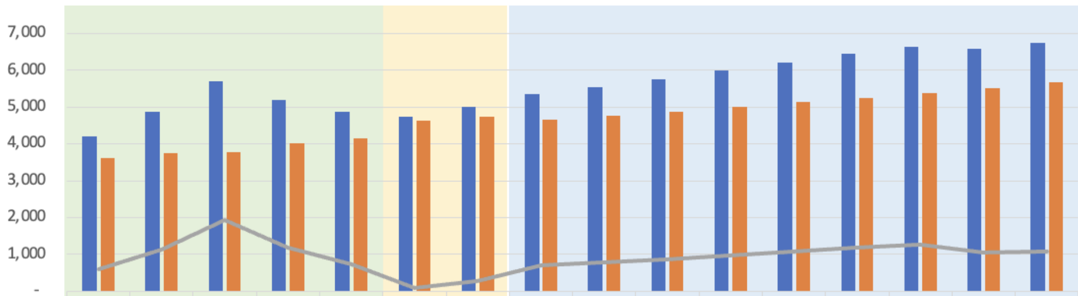
The figure below summarises the main operating revenues and expenses in the Income Statement for Council's 2022/23 budget, including the projected surplus of $268K. This excludes $54,000 forecast to be received for capital grants and contributions.

Rates and annual charges	1,539,595	31%
Users charges and fees	3,246,690	65%
Interest and investment revenue	165,514	3%
Operating grants and contributions	-	0%
Other revenues	55,546	1%
Other income + net gain asset sales	-	0%
Capital grants and contributions	*53,858*	
Total Income (ex. capital grants)	**5,007,345**	

Employee benefits and on-costs	1,673,216	35%
Borrowing costs	-	0%
Materials and contracts	1,597,995	34%
Depreciation and amortisation	1,467,545	31%
Other expenses	-	0%
Net loss asset sales	-	0%
Total Expenses	**4,738,756**	
Operating Surplus (ex capital grants)	**268,589**	**5%**

Figure 10: Key income and expense items in 2022/23 water fund budget

A surplus of this size (5% of total revenues) should give some confidence the water fund is sustainable. But it is important to put this in perspective with a longer term view in the figure below.



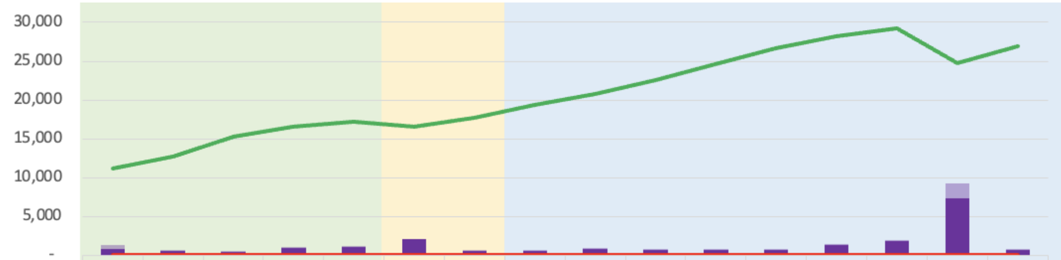
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Income	4,212	4,872	5,691	5,196	4,879	4,727	5,009	5,347	5,544	5,756	5,979	6,213	6,434	6,644	6,571	6,733
Expenses	3,617	3,738	3,767	4,006	4,157	4,635	4,738	4,644	4,760	4,879	5,001	5,126	5,254	5,386	5,520	5,658
Operating Result	595	1,134	1,924	1,190	722	92	271	702	784	877	978	1,086	1,179	1,259	1,051	1,075
	Historic financial statements					Budgets		Forecast in LTFP								

Figure 11: Trends in income, expenses and operating result in water fund

In summary, the ‘story’ that can be told with Figure 11 and some historic context is:

- Historically, the water fund performed strongly.
- Council’s **income** (blue columns) in 2019 was higher, due to higher water usage (contributing factors are likely to include weather, but possibly also the installation of new water meters throughout the Shire, with consumers subsequently choosing to reduce their consumption to reduce their bills).
- Non-residential (commercial) consumption was down in 2019 and 2020, most likely due to lower agricultural production (resulting in lower demand from factories).
- Council’s **expenses** (orange columns) have increased consistently over time, although there was a jump in 2021 due to a revised staff roster (due to COVID 19) and in 2022 (expected) due to higher depreciation following the revaluation of Council’s assets.
- Financial performance of the water fund will improve over time, building on the current surplus and also generating more income from interest on growing reserves.

Council’s financial *performance* in Figure 11 is only part of the ‘story’. Figure 12 (below) presents the other part of the story: Council’s financial *position* (reserves, borrowings and investment in infrastructure).



	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Capital works: Grants	504	27	152	92	32	-	54	60	62	63	65	66	68	70	2,000	75
Capital works: LSC $	807	586	431	962	1,101	2,098	586	596	821	626	642	658	1,370	1,880	7,309	724
Borrowings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash and investments	11,188	12,727	15,314	16,563	17,162	16,551	17,704	19,308	20,805	22,629	24,577	26,659	28,162	29,277	24,800	26,974
	Actuals: financial statements					Budgets		LTFP forecasts								

Figure 12: Trends in capital works, grants and cash and investments (reserves) and borrowings in water fund

In summary, the ‘story’ that Figure 12 is telling is:

- Council’s **capital works** needs (purple columns) have been fairly low historically and are forecast to remain so over the next 10 years (as discussed in section 4.3).
- Council is building up significant **cash reserves** (green line) because of its operating surpluses and relatively low levels of capital works, although it is also budgeting for a $2M **capital grant** (light purple column) to help fund the upgrade of Leeton Water Treatment Plant in 2031
- Council doesn’t need any **borrowings** (red line) as it has plenty of cash reserves.

It is important to recognise that 10 years is a short time in the life of most water supply infrastructure assets, and so section 4.3 takes a longer term look at potential capital works needs. In summary, it is forecast that the 30 year capital works program (which exceeds depreciation expenses, but includes some upgrades) can be funded without even needing to borrow. This suggests that the water fund is financially sustainable, and potentially there is scope to reduce charges.

The assumptions behind the overall numbers in Figure 11 are summarised in the table below alongside the historic increases in these items in the last few years.

Income items	**Historic increases (5 yrs)**	**Assumptions**
Rates and annual charges	Increases in access charges have averaged 2.6% over the past 4 years	2023: budget is 6% higher than 2021 actuals. 2024-2032: 2.5% p.a.
User fees and charges	Increases in usage charges have averaged 3.7% over the past 4 years.	2023: budget is about equal to 2020 actuals, less than the peak in 2019. Depends on usage. 2024: average of 2020+2021 + 3%. 2025-2032: 2.5% p.a.
Interest	Varies with interest rates and cash reserves	2.2% p.a. in 2024 increasing 0.25% p.a. to 4.2% in 2032. Actual $ calculated on reserve balance.
Operating grants		Note: pensioner subsidies are budgeted for under 'rates' in general fund
Other revenues	Average $125k p.a.	2023-2032: $100k p.a. + 2.5% p.a.
Expense items		**Assumptions**
Employee costs	Were around $1.7M 2018 to 2020, increased in 2021 to $1.9M (some one-offs).	Starting point 2023: $1.7M (as budgeted, close to 2021 actuals). 2024-2032: 2.5% p.a.
Materials and services + other expenses	$1.2-1.3M p.a.	Starting point: $1.6M (as budgeted 2023, includes some operational projects - planning) 2024: drops by $200k. 2025-2032: 2.5% p.a.
Borrowing costs	No debt.	No debt.
Depreciation	Around $950k p.a.	Jump to $1.45M after revaluation, then 2.5% p.a.

Table 13: Summary of assumptions for operating revenues and expenses – water fund

Sections 4.1 and 4.2 discuss each of the above items in detail, identifying issues that:

- have contributed to this year's operating result in the current budget; and
- are forecast to impact operating performance in future.

The detailed numbers for each item are in the income statement in Appendix 1.

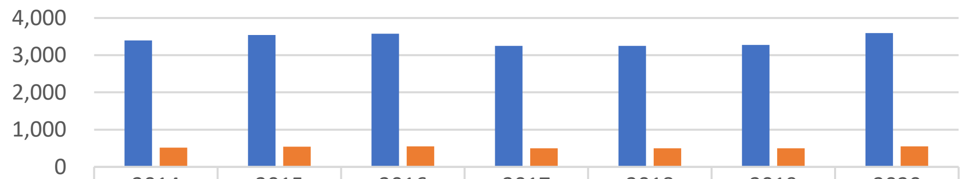
Sections 4.3 and 4.4 discuss assumptions behind Figure 12 including capital works and grants and cash reserves and borrowings. Further details are also in Appendix 1.

4.1 Revenues

Rates and annual charges

Access charges make up 31% of income for the water fund overall. These only vary with the number and size of connections, and so can be forecast consistently over time. An increase of 2.5% p.a. has been assumed in revenues.

This doesn't allow for any particular increase in the number of connections as further analysis is required to determine this. Figures reported historically show no clear trend (further analysis is required e.g. based on number of development applications (DAs) and amount of developer contributions received, but also considering Council's land use planning strategies).



	2014	2015	2016	2017	2018	2019	2020
Residential connections	3,395	3,543	3,577	3,248	3,255	3,274	3,594
Non-res. connections	515	541	551	500	501	504	554

Figure 13: Trends in number of connections to Council's water supply as reported over time

Growth in connections over and above the basic current assumption that numbers will remain static will have a positive impact on revenue forecasts.

User fees and charges

User fees and charges make up 65% of revenues in the 2023 budget (68% of direct rates and charges, excluding grants and interest).

The proportion of direct revenues from user charges peaked at 73% in 2019. While this may have been associated with installation of new water meters (the old meters were reading lower than actual consumption), it is also likely to be due to weather. As such, consumption may increase again due to weather. Further analysis on demand is being undertaken as part of the preparation of Council's new Integrated Water Cycle Management Strategy.

Best practice guidelines for management of water supply and sewerage require utilities with over 4,000 connections to set charges so as to raise more than 75% of residential revenues from usage charges (under 4,000 connections, utilities only need to raise 50% from usage). Leeton just exceeds the 4,000 threshold.

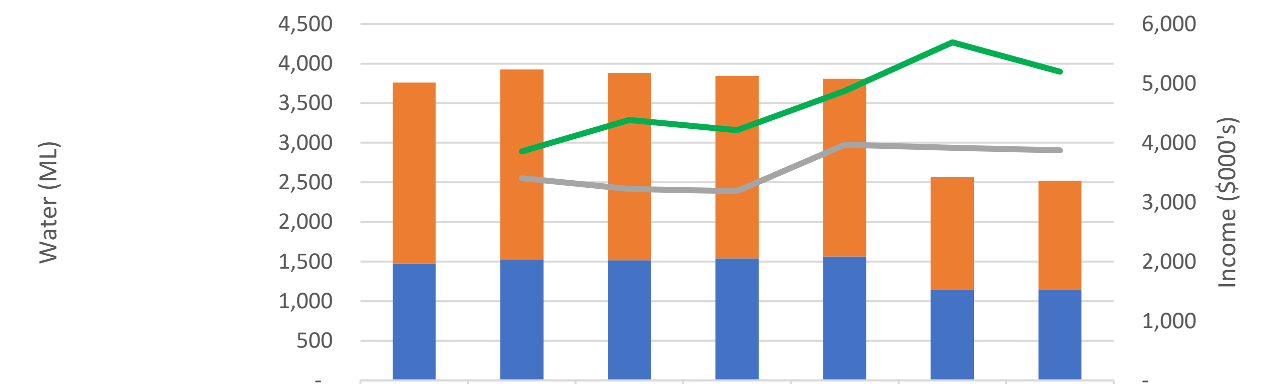
The last available data on residential usage distinct from overall revenues (from 2017 and 2018) shows Council hasn't ever quite reached the benchmark (it has been 65-70%).

Shifting more emphasis onto user charges (which vary with usage) and off access charges (which are consistent each year) is risky given that current information on usage is unclear, as shown in the figure below.

Historically, residential and non-residential usage as reported to NSW Government (blue and orange columns) was very consistent from year to year.

But the amount supplied was obviously overstated because:

- the raw water purchased from Murrumbidgee Irrigation (grey line) as actually lower than these amounts – the figures since 2019 make more sense
- the income (green line) varied considerably, and while this would have changed with increases in water charges, the 'ups and downs' in revenue aren't reflected in usage.

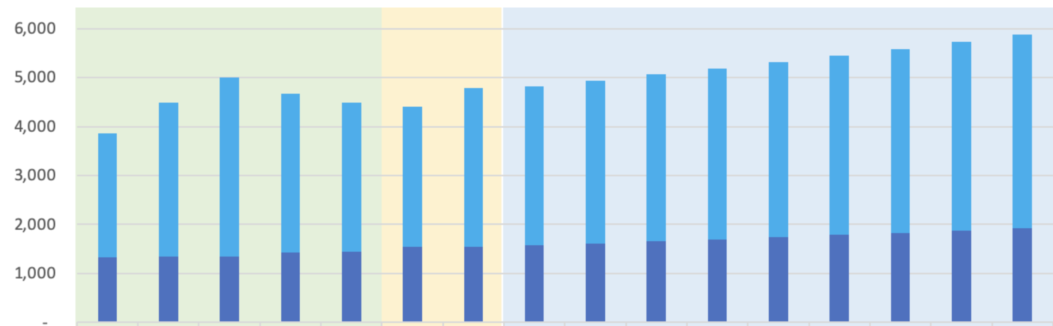


	2014	2015	2016	2017	2018	2019	2020
Non-res. supplied	2,285	2,397	2,365	2,303	2,242	1,422	1,374
Residential supplied	1,475	1,528	1,515	1,541	1,566	1,148	1,148
Raw water (MI purchase)		2,554	2,415	2,389	2,975	2,938	2,903
Water income		3,855	4,384	4212	4872	5691	5196

Figure 14: Trends in water supplied (as reported), water purchased, and water fund income

This highlights that Council needs to do more work to better understand actual usage in dry, average and wet years for both residential and non-residential customers. This work is currently underway and will inform future revisions of this LTFP. Council is also working to reduce water losses (the difference between the grey line – water from MI – and the column – water supplied to customers – above).

When the historic and forecast revenues (access + usage) are plotted in the figure below, it shows that assumptions currently adopted in this LTFP are conservative given that revenues from usage charges have been higher in the past.



	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2031
User Charges & Fees	2,533	3,149	3,666	3,248	3,042	2,856	3,247	3,239	3,320	3,403	3,488	3,576	3,665	3,757	3,851	3,947
Rates & Annual Charges	1,329	1,340	1,342	1,429	1,448	1,545	1,540	1,579	1,618	1,658	1,700	1,742	1,786	1,831	1,876	1,923
	Historic financial statements					Budgets		Forecast in LTFP								

Figure 15: Trends in water supplied (as reported), water purchased, and water fund income

A review of actual water usage figures for 2021 and 2022 will help refine these assumptions, as will the strategic analysis and planning work currently underway.

Given that forecasts of financial performance (Figure 11) suggest a surplus growing to around $1M p.a. in 2028, and the actual revenues could be higher (depending on usage), it may be possible to reduce water charges to some extent.

This should be done in the context of a review of the split between access and usage to achieve the benchmark of 75% of revenues from usage, as per the Best Practice Framework (noted above).

But as an indication, a $500k reduction equates to a 10% reduction in water charges overall. This would equate to a reduction of $68 in bills:

Access charge	$294
Usage charge (typical usage was 320kL/residential property in 2020, down from 350kL/property in 2019)	300kL x $1.18/kL = $354 20kL x $1.7/kL = $34
Typical bill	$682
Saving of 10%	$68

Table 14: Calculation of typical residential water bill and potential savings if charges are reduced

4.2 Expenses

Employee costs

Historically, employee costs in water fund have not seen the same level of increases as general fund.

It is important to recognise that attracting and retaining skilled staff in this very important area of Council business has been recognised as a challenge across the industry.

This, and other drivers such as increasing complexity associated with new technology and compliance requirements, as well as the age of existing infrastructure (e.g. Leeton Water Plant itself) could push employee costs higher than what has been forecast.

Materials and services

Materials and services are budgeted to increase by around $300K p.a. over the 2021 figures. Part of this is associated with operational projects (mostly planning work) and so part of this increase is assumed to drop off from 2024 onwards.

This will need to be monitored as there is an upward pressure on costs associated with increasing compliance and actions to decrease risks / increase reliability.

Council is investing in sustainable power for some sites, which should help offset any increases in electricity over and above normal CPI.

Depreciation

Depreciation jumped by over $500K (55%) between 2021 and the 2023 budget due to a revaluation of Council’s water supply assets and some new assets.

As discussed in section 4.3, the forecast 30 year capital works program is approximately equal to depreciation expenses, so this appears to be reasonable although it is certainly something Council needs to monitor and review over time.

4.3 Investment in Water Supply Infrastructure Assets

As noted in section 2, responsible and sustainable infrastructure investment is one of Council's primary financial sustainability objectives.

Section 3.3 explains why it is critical that financial projections in this LTFP align with other IP&R documents, particularly the SAMP.

Performance against infrastructure investment benchmarks (asset renewals)

Based on the amounts in the SAMP and this LTFP, Council will <u>not</u> meet the *Asset Renewals Ratio* (discussed in section 3.3) over the next 10 years. Calculations for this are below.

10 year capital works program (section 3.1 of SAMP)	$21.0M
Less funds earmarked for new assets and/or upgrades	-$8.5M
Renewal funding forecast for 10 years	**$10.6M**
Depreciation expenses for 10 years ($1.45M p.a. + 2% p.a. x 10 years)	$16.4M
***Building and Infrastructure Asset Renewals Ratio* (10 years)**	**58%**

Table 15: Calculation of 10 year asset renewal ratio for water fund

As discussed in section 3.3, Council considers the OLG performance benchmark for the renewal ratio to be inappropriate. Renewal needs depend on asset condition and vary considerably over time. *However,* Council does recognise that if its depreciation expenses are reasonable, it should be spending an amount close to depreciation over the long term.

Figure 20 below shows an *indicative* 30 year forecast for capital works and cash reserves. These figures differ from Figure 16 above as they are all in 2022 dollars (no indexation).

Total capital works needs are estimated at $48.4M, of which all but $8M (Leeton Water Treatment Plant upgrade + new reservoir at Yanco) are renewals, i.e. the forecast need is $40.4M in renewals. This equates to 93% of depreciation expenses ($1.45M x 30 years).

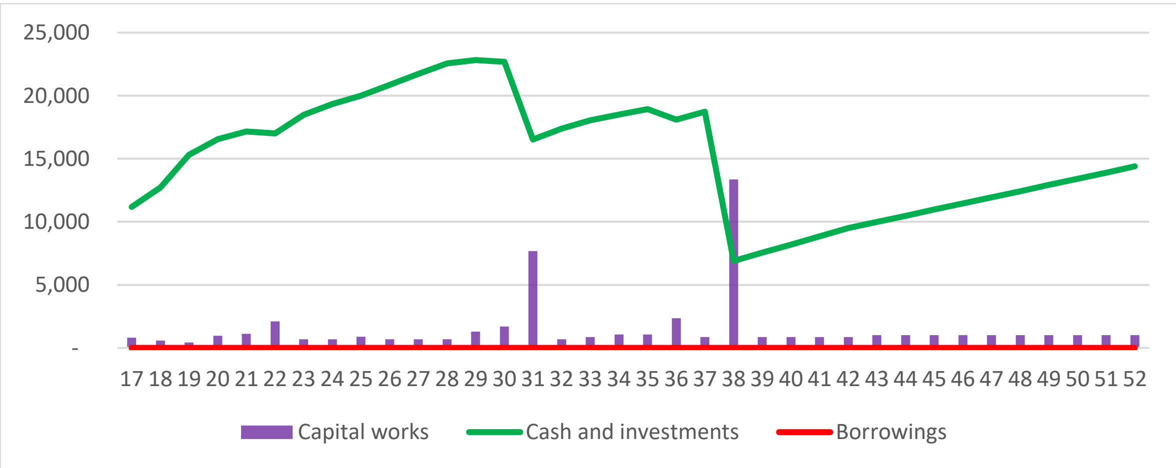


Figure 16: 30 year projection for capital works and cash reserves for water fund

Key assumptions:

- cash surplus from operations = \$1.5M p.a. (surplus + depreciation)
- interest rate on investments = 3% p.a. for 30 years
- capital works consider all water supply asset categories, major works are Leeton Water Plant upgrade (\$7M in 2031) and refurbishment (\$12M in 2038)

While these financial projections are indicative only, it should provide Council with some confidence that there is sufficient capacity to meet future capital works requirements, particularly given there is no borrowing required to fund this program.

Perhaps the key point to note is that the significant operating surplus (discussed above) coupled with the growing income from interest (due to higher reserves) are both contributing to healthy cash reserves being maintained over the entire 30 year period. As noted above, this suggests Council may be able to reduce charges, although further analysis is required to confirm this.

Capital grants

Minor grants of \$50K p.a. have been assumed to continue. The only grant for major works included in the modelling is \$2M for the upgrade of Leeton Water Treatment Plant in 2031.

4.4 Reserves and Borrowing

As can be seen in Figure 12, Council is forecasting to build its reserves in its water fund (currently around \$17M) by around \$9M over the next 10 years, even after accounting for a \$21M capital works program.

Figure 16 suggests that if Council continues on the current path, reserves won't drop below \$6.8M (in 2038, following refurbishment of Leeton Water Treatment Plant).

No borrowing is forecast as being required.

5. Sewer Fund

Council accounts for its sewerage function as a separate business, as required by the NSW Local Government Act and National Competition Policy.

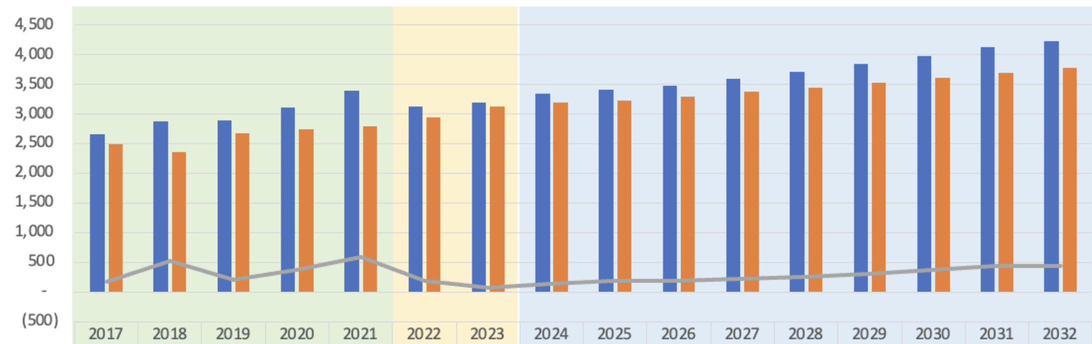
The figure below summarises the main operating revenues and expenses in the Income Statement for Council's 2022/23 budget, including a projected surplus of $69K. This excludes $29K forecast for capital grants and contributions.

Rates and annual charges	2,678,590	84%
Users charges and fees	393,720	12%
Interest and investment revenue	111,179	3%
Operating grants and contributions	-	0%
Other revenues	6,259	0%
Other income + net gain asset sales	-	0%
Capital grants and contributions	*28,763*	
Total Income (ex. capital grants)	**3,189,748**	

Employee benefits and on-costs	1,158,171	37%
Borrowing costs	-	0%
Materials and services	907,348	29%
Depreciation and amortisation	1,054,644	34%
Other expenses	-	0%
Net loss asset sales	-	0%
Total Expenses	**3,120,163**	
Operating Surplus (ex capital grants)	**69,585**	**2%**

Figure 17: Key income and expense items in 2022/23 sewer fund budget

A surplus, even of this size (2% of total revenues) should give some confidence the sewer fund is sustainable. But it is important to put this in perspective with a longer term view in the figure below.



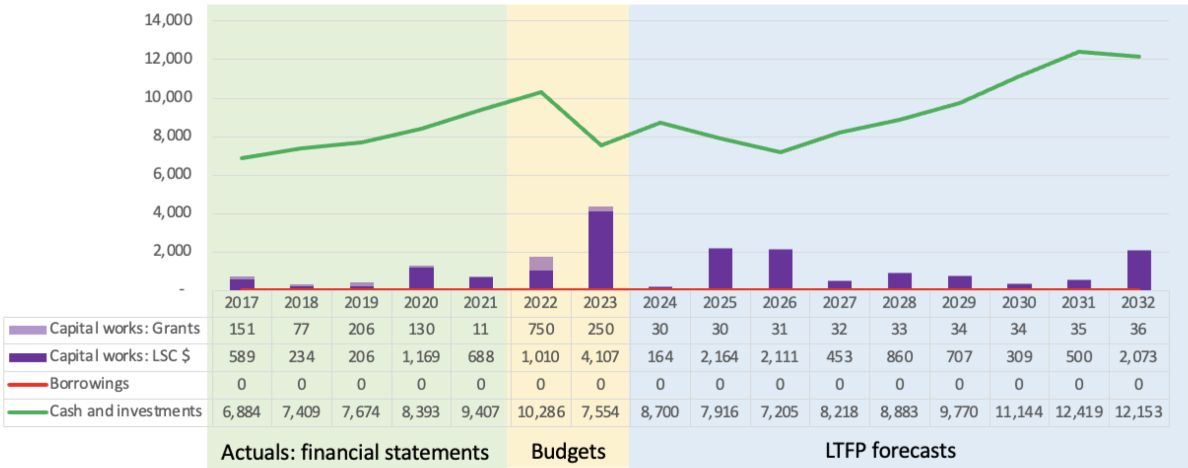
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Income	2,666	2,876	2,886	3,112	3,391	3,135	3,190	3,344	3,414	3,485	3,603	3,715	3,839	3,985	4,133	4,225
Expenses	2,492	2,352	2,676	2,737	2,797	2,948	3,120	3,197	3,220	3,295	3,372	3,450	3,530	3,612	3,696	3,782
Operating Result	174	524	210	375	594	187	70	147	194	190	231	265	309	373	437	443
	Historic financial statements					Budgets		Forecast in LTFP								

Figure 18: Trends in income, expenses and operating result in sewer fund

In summary, the ‘story’ that can be told with Figure 18 and some historic context is:

- Historically, the sewer fund performed strongly, averaging a surplus (grey line) of more than 10% p.a. over the past 5 years.
- Council’s **income** (blue columns) increased in 2021 due to additional income from trade waste charges, however this is forecast to drop back down as customers make improvements to the quality of sewage they are discharging.
- Council’s **expenses** (orange columns) have increased faster than its income between 2021 and 2023 due to a range of factors including:
    - Revaluation of sewerage assets, and consequent increase in depreciation
    - One-off projects (servicing strategy, and 2023 due to higher depreciation following the revaluation of Council’s assets)
    - Operating costs of Wamoon sewerage scheme.
- The **operating surplus** is forecast to increase over time, but the improvement is largely due to increasing interest income (due to higher reserves + higher interest rates), so financial sustainability needs to be monitored over time.

Council’s financial *performance* in Figure 18 is only part of the ‘story’. Figure 19 (below) presents the other part of the story: Council’s financial *position* (reserves, borrowings and investment in infrastructure).



	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Capital works: Grants	151	77	206	130	11	750	250	30	30	31	32	33	34	34	35	36
Capital works: LSC $	589	234	206	1,169	688	1,010	4,107	164	2,164	2,111	453	860	707	309	500	2,073
Borrowings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash and investments	6,884	7,409	7,674	8,393	9,407	10,286	7,554	8,700	7,916	7,205	8,218	8,883	9,770	11,144	12,419	12,153

Figure 19: Trends in capital works, grants and cash and investments (reserves) and borrowings in sewer fund

In summary, the ‘story’ that Figure 19 is telling is:

- Council’s **capital works** needs (purple columns) have been fairly low historically, but there are a few projects underway and/or forecast to be required over the next 10 years (as discussed in section 5.3).
- Council is building up some **cash reserves** (green line) due to its relatively low levels of capital works
- Council doesn’t need any **borrowings** (red line) as it has sufficient cash reserves.

It is important to recognise that 10 years is a short time in the life of most sewerage infrastructure assets, and so section 5.3 takes a longer term look at potential capital works needs. In summary, it is forecast that the 30 year capital works program is less than depreciation, but there are sufficient cash reserves to spend an amount close to depreciation on asset renewals if required. There is also borrowing capacity over and above this. This suggests the sewer fund is financially sustainable.

The assumptions behind the overall numbers in Figure 18 are summarised in the table below alongside the historic increases in these items in the last few years.

Income items	Historic increases (5 yrs)	Assumptions
Rates and annual charges	Increases in access charges have averaged 4% over the past 4 years	2023: around 3% on 2021 actuals, plus $20k for the 30 new connections at Wamoon 2024-2032: 2.5% p.a.
User fees and charges	Usage charges increased significantly in 2021 (due to trade waste)	2023: budgeted to drop back as trade waste improvements implemented. 2024-2032: 2.5% p.a.
Interest	Varies with interest rates and cash reserves	2.2% p.a. in 2024 increasing 0.25% p.a. to 4.2% in 2032. Actual $ calculated on reserve balance.
Operating grants		Pensioner subsidies budgeted under general fund ‘rates’.
Other revenues	Minimal	Minimal
Expense items		**Assumptions**
Employee costs	Have been around $1.1M for several years.	Starting point 2023: $1.2M (as budgeted, close to 2021 actuals). 2024: allow $50k extra for Wamoon (one year) 2025-32: 2.5% p.a.
Materials and services + other expenses	$0.5-0.7M p.a.	Starting point: $1.2M (as budgeted 2023, includes $200k operational projects for planning) 2024: drops by $100k (less projects, but plus Wamoon scheme operating costs) 2025-2032: 2.5% p.a.
Borrowing costs	No debt.	No debt.
Depreciation	Around $750k p.a.	Jump to $1.1M after revaluation and allowance for Wamoon, then 2% p.a.

Table 16: Summary of assumptions for operating revenues and expenses – sewer fund

Sections 5.1 and 5.2 discuss each of the above items in detail, identifying issues that:

- have contributed to this year’s operating result in the budget; and
- are forecast to impact operating performance in future.

The detailed numbers for each item are in the income statement in Appendix 1.

Sections 5.3 and 5.4 discuss assumptions behind Figure 19 including capital works and grants and cash reserves and borrowings.

5.1 Revenues

Rates and annual charges

Access charges make up the majority (84% in 2023) of income for the sewer fund overall. These only vary with the number and size of connections, and so can be forecast consistently over time. An increase of 2.5% p.a. has been assumed in revenues.

This doesn’t allow for any increase in the number of connections as further analysis is required to determine this, apart from the assumed 30 new connections when Wamoon sewer scheme is completed.

Figures reported historically (below) show growth has been less than 1% over the last 4 years (further analysis is required e.g. based on number of DAs and amount of developer contributions received, but also considering Council’s land use planning strategies).

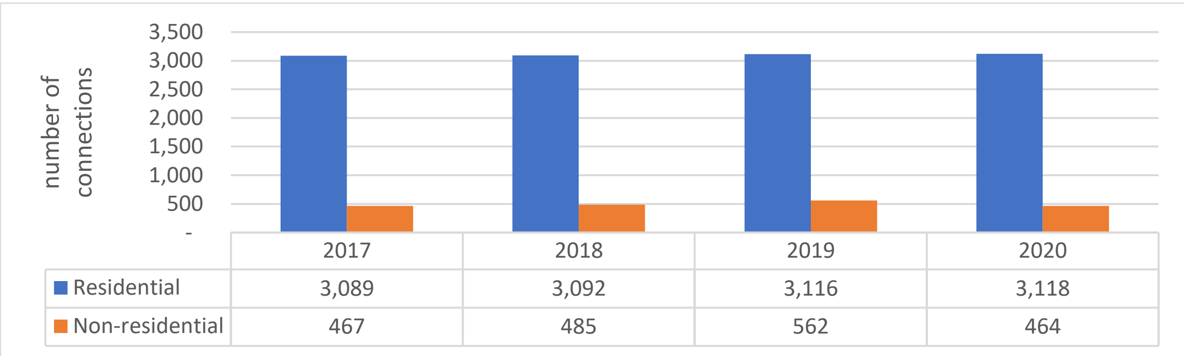


Figure 20: Trends in number of connections to Council’s sewerage system as reported over time

Growth in connections over and above the basic current assumption that numbers will remain static will have a positive impact on revenue forecasts.

User fees and charges

User fees and charges make up 13% of revenues 2023 budget. These are mostly trade waste charges. While these have doubled in recent years, it is forecast they will drop back down to something like historic figures as customers implement improvements to improve the quality of discharges.

5.2 Expenses

Employee costs

Employee costs in sewer fund have not seen the same level of increases as general fund.

It is important to recognise that – as with water fund – attracting and retaining skilled staff in this area has been recognised as a challenge across the industry, and that there are other drivers that will put upward pressure on employee costs.

There will also be some increased operating requirements associated with Wamoon sewer.

Materials and services

Materials and services are budgeted to increase from around $700K in 2021 to $0.9M in 2023. This includes around $200K operational projects (mostly planning work), which is assumed to drop off from 2024 onwards, but an allowance of $100K has been added from 2024 to account for increased operating expenses associated with the Wamoon scheme.

This will need to be monitored as there is an upward pressure on costs associated with increasing compliance and actions to decrease risks / increase reliability.

Council is investing in sustainable power for some sites, which should help offset any increases in electricity over and above normal CPI.

Depreciation

Depreciation jumped by 170K (23%) in 2021 due to a revaluation of Council's sewerage assets, and are forecast to increase by another $60K in 2024 ($4M / 70 years).

As discussed in section 5.3, the forecast 30 year capital works program is less than depreciation expenses, but the investment forecast to be required at Leeton Sewage Treatment Plant (the largest single asset) is relatively low compared to its total value, so it appears that current estimates are reasonable.

This needs monitoring and reviewing over time.

5.3 Investment in Sewerage Infrastructure Assets

As noted in section 2, responsible and sustainable infrastructure investment is one of Council's primary financial sustainability objectives.

Section 3.3 explains why it is critical that financial projections in this LTFP align with other IP&R documents, particularly the SAMP.

Performance against infrastructure investment benchmarks (asset renewals)

Based on the amounts in the SAMP and this LTFP, Council will not meet the *Asset Renewals Ratio* (discussed in section 3.3) over the next 10 years. Calculations for this are below.

10 year capital works program (section 3.1 of SAMP)	$9.7M
Less funds earmarked for new assets and/or upgrades	-$0.2M
Renewal funding forecast for 10 years	**$9.5M**
Depreciation expenses for 10 years ($1.1M p.a. + 2% p.a. x 10 years)	$12.1M
***Building and Infrastructure Asset Renewals Ratio* (10 years)**	**107%**

Table 17: Calculation of 10 year asset renewal ratio for sewerage fund

As discussed in section 3.3, Council considers the OLG performance benchmark for the renewal ratio to be inappropriate. Renewal needs depend on asset condition and vary considerably over time. *However,* Council does recognise that if its depreciation expenses are reasonable, it should be spending an amount close to depreciation over the long term.

Figure 21 below shows an *indicative only* 30 year forecast for capital works and cash reserves. These figures differ from Figure 19 above as they are all in 2022 dollars (no indexation).

Total capital works needs are estimated at $27M, of which all but $4M (Wamoon sewerage) are renewals, i.e. the forecast capital works needed is $23M in renewals. This equates to 72% of deprecation expenses ($32M, $1.06M x 30 years). While Council isn't forecasting it needs to spend the additional $9M in renewals over this period, it is clear from the forecast below that it has the money available to spend this as required (and/or borrowing capacity).

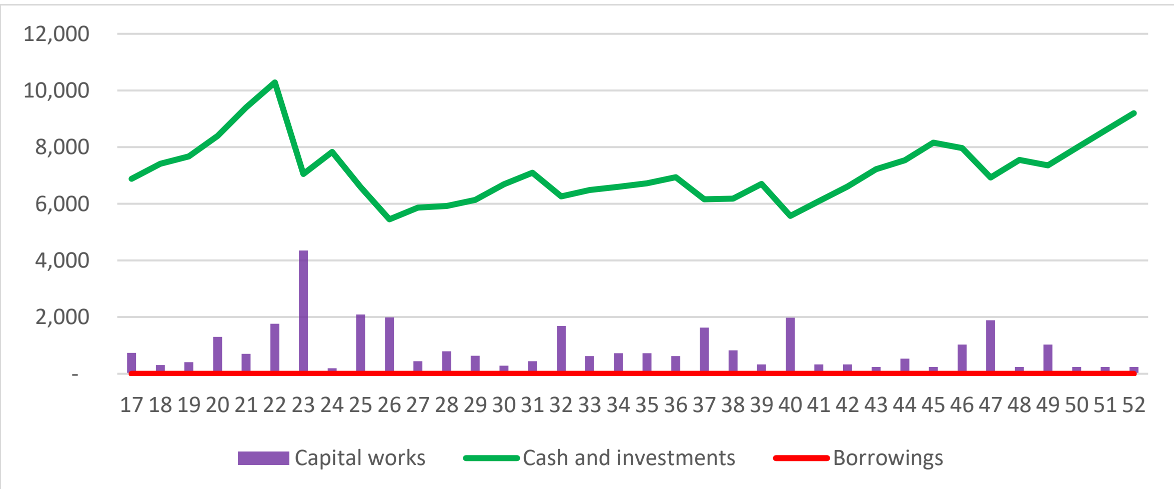


Figure 21: 30 year projection for capital works and cash reserves for sewer fund

Key assumptions:

- cash surplus from operations = $0.85M p.a. (surplus + depreciation)
- interest rate on investments = 3% p.a. for 30 years
- capital works consider all asset categories over an extensive number of projects including pipe relining, pump stations and treatment plants.

While these financial projections are indicative only, it should provide Council with some confidence that there is sufficient capacity to meet future capital works requirements (not only directly via cash reserves, but also additionally via borrowings).

Given that there is no trend of increasing reserves over time (as was seen in the water fund) it appears that the current charges are probably appropriate. However, it is obviously vital that the numbers in this forecast are revised and improved over time.

Capital grants

Minor grants of $50K p.a. have been assumed to continue. No other major grants are assumed to be helping to fund the forecast capital works.

5.4 Reserves and Borrowing

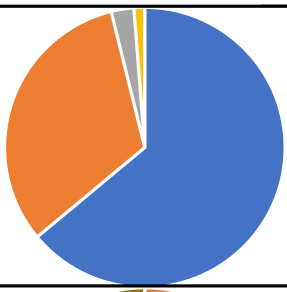
As can be seen in Figure 21, Council is forecasting to maintain sufficient reserves over the next 10 years and beyond, although a larger capital program and/or poorer than forecast financial performance will of course impact this.

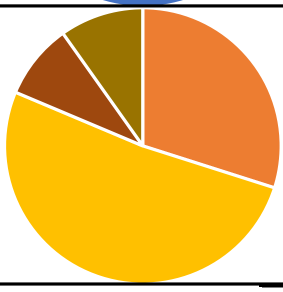
No borrowing is forecast as being required. This will provide additional flexibility for Council to manage variations from what has been forecast on top of reasonably healthy reserves.

6. Domestic Waste Management

While Domestic Waste Management (DWM) is not accounted for as a separate business and is part of the broader General Fund, it must be treated as such, as required by the NSW Local Government Act. For this reason, it has been excluded from the General Fund above and included here as a separate business.

The figure below summarises the main operating revenues and expenses in the Income Statement for Council's 2022/23 budget, including a projected surplus of $301K.



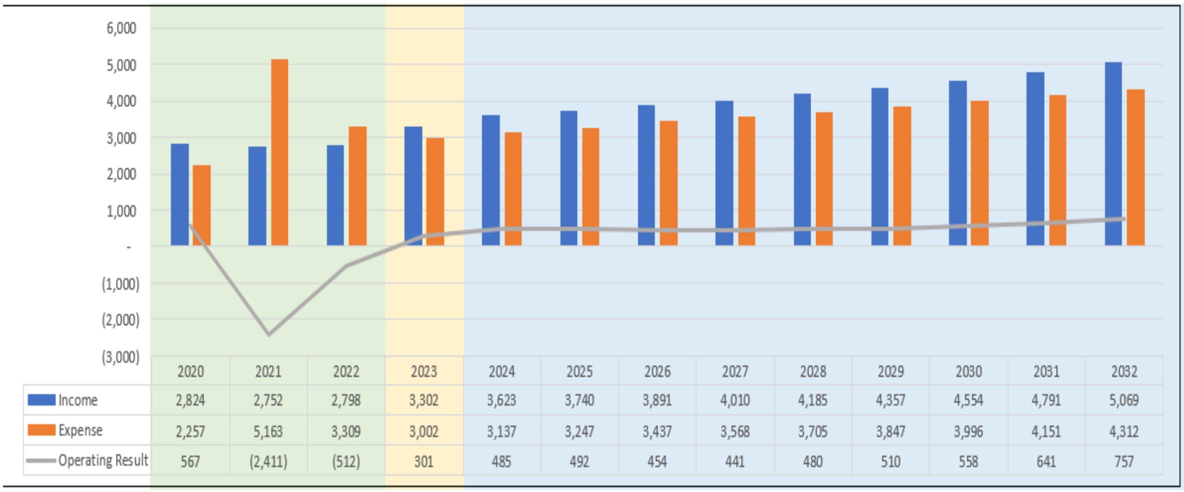


Rates and annual charges	2,112	64%
Users charges and fees	1,063	32%
Interest and investment revenue	86	3%
Other revenues	41	1%
Operating Grants and contributions	-	0%
Other income	-	0%
Capital Grants and Contributions	-	
Total Income (Ex. capital grants)	**3,302**	
Employee benefits and on-costs	898	30%
Materials and contracts	1,544	51%
Borrowing costs	-	0%
Depreciation and amortisation	265	9%
Other expenses	295	10%
Net losses from the disposal of assets	-	
Total Expenses	**3,002**	
Operating Surplus (Ex. capital grants)	**301**	9%

Figure 22: Key income and expense items in 2022/23 waste management budget

This surplus is essential to not only offset prior year losses, thus ensuring long term sustainability, but to fund the legislated implementation of Council's organic waste reduction programs as well as environmental sustainability initiatives. Council is still establishing these programs, but Council understands that similar programs elsewhere have cost more than $2M. Further, funds will need to be set aside to allow for the rehabilitation and restoration of the Leeton landfill site on decommissioning.

It is important to put this in perspective with a longer term view in the figure below.



	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Income	2,824	2,752	2,798	3,302	3,623	3,740	3,891	4,010	4,185	4,357	4,554	4,791	5,069
Expense	2,257	5,163	3,309	3,002	3,137	3,247	3,437	3,568	3,705	3,847	3,996	4,151	4,312
Operating Result	567	(2,411)	(512)	301	485	492	454	441	480	510	558	641	757

Figure 23: Trends in income, expenses and operating result in Waste Management

In summary, the 'story' that can be told with Figure 23 and some historic context is:

- Historically, DWM has had inconsistent operating results but has remained essentially self supporting
- Council's **income** (blue columns) has been stagnant till 2022 but increased in 2023 due to the introduction of domestic tip fees
- Council's **expenses** (orange columns) have increased faster than its income due to a range of factors:
    - Most significantly was the recognition of the Landfill Rehabilitation Provision with a ten year backlog. Going forward the servicing of this provision will have a negative impact on the operating results
- The **operating surplus** is forecast to increase over time, but the improvement is largely due to the effect of CPI.

Waste management in general is an uncertain area with new and more rigorous requirements from the state and commonwealth authorities being introduced. Council will need to keep a close watch to ensure DWM remains sustainable.

The assumptions behind the overall numbers in Figure 23 are summarised in the table below alongside the historic increases in these items in the last few years.

Income items	**Historic increases (5 yrs)**	**Assumptions**
Rates and annual charges	Increases in access charges have averaged 4% over the past 4 years	2023: around 5.3% on 2022 actuals.
User fees and charges	Usage charges increased significantly in 2023 (due to tipping fees)	2023: budgeted 3%, plus $320k for the introduction of residential tipping fees. 2024-2032: 2.5% p.a.
Interest	Varies with interest rates and cash reserves	2.2% p.a. in 2024 increasing 0.25% p.a. to 4.2% in 2032. Actual $ calculated on reserve balance.
Operating grants		Pensioner subsidies budgeted under general fund 'rates'.
Other revenues	Minimal	Minimal
Expense items		**Assumptions**
Employee costs	Have been around $850K for several years.	Starting point 2023: $898K (as budgeted, close to 2022 actuals). 2024-32: 2.5% p.a.

Materials and services + other expenses	Have been around $1.5M for several years.	Starting point: $1.5M (as budgeted 2023), increases in 2024 by 6.5%, in 2025 by 4.5% then additional costs associated with FOGO and other programs estimated with base indexation of 2.5%.
Borrowing costs	No debt.	No debt.
Depreciation	Around $270K p.a to service the landfill provision.	Indexed at 2% with adjustments in 2026 for a new cell.
Other Expenses	Primarily records the unwinding of the landfill provision	The annual value of the unwinding of the provision is potentially very volatile. Council has used the 2023 budget of $295K and indexed at 2.5%

Table 18: Summary of assumptions for operating revenues and expenses – Waste Management

6.1 Revenues

Rates and annual charges

Access charges make up the majority (64% in 2023) of income for waste management overall. These only vary with the number and size of properties with access, and so can be forecast consistently over time. An increase of 2.5% p.a. has been assumed in revenues.

User fees and charges

User fees and charges make up 32% of revenues 2023 budget. These are mostly tipping fees. It is worth noting that historically council has not charged tipping fees for domestic waste however domestic tipping fees were introduced in the 2023 budget. The forecast income from the introduction is estimated at $320K and is expected to rise 2.5% per annum.

6.2 Expenses

Employee costs

Employee costs in waste management have remained particularly consistent. However, with the compulsory waste management programs (such as FOGO) this may change.

It is important to recognise that – as with any business – attracting and retaining skilled staff in this area has been recognised as a challenge across the industry, and that there are other drivers that will put upward pressure on employee costs.

Materials and services

Materials and services are budgeted to increase from around $1.4M in 2022 to $1.5M in 2023. This will need to be monitored as there is an upward pressure on costs associated with increasing compliance and actions to decrease environmental risk.

Council is investing in sustainable power for some sites, which should help offset any increases in electricity over and above normal CPI.

Depreciation

Depreciation jumped by $230K (700%) in 2021 due to the recognition of the Leeton landfill rehabilitation provision which necessitates the depreciation of the related asset.

6.3 Investment in Domestic Waste Management

As noted in section 2, responsible and sustainable infrastructure investment is one of Council's primary financial sustainability objectives.

Council recognises that there will be the need to invest in landfill and waste management infrastructure to comply with tightening regulations and to improve environmental sustainability. The cost of these investments have yet to be adequately determined but are expected to be more than $2M with initial investments sometime around 2025 with full implementation taking several years.

7. Sensitivity and Risk Analysis

The table below provides an indication of the impacts of key parameters on Council's ability to achieve its financial sustainability objectives, particularly the minimising of operating deficits and maintaining cash reserves, over the next 10 years.

This section is referred to in terms of 'risk' not just 'sensitivity' as the uncertainty about these issues is considered most likely to result in Council failing to achieve its objectives (by definition, risk is 'the effect of uncertainty on objectives'). It is vital that these risks are monitored annually in an ongoing way, but particularly as Council implements its revised LTFP once options to improve its sustainability have been explored.

Parameter	10 year impact on Financial Sustainability Objectives (operating deficit and maintaining cash reserves)
Increased employee costs and inflationary environment	The 2023 general fund budget for employee costs is $9.3M. It has been identified that Council has low staff numbers compared to Councils of similar size. While the revised LTFP makes an allowance for three additional staff, this may be conservative. An increase of 1% p.a. on the $9.3M baseline for employee costs over and above the forecast assumptions would increase Council's operating expenses over 10 years by around $0.9M p.a.
Increased materials and services and inflationary environment	The 2023 general fund budget for Materials and Contracts is $7.8M. Similar to employees, an increase of 1% p.a. on the $7.8M baseline for materials and services costs over and above the forecast would increase Council's operating expenses over 10 years by around $0.8M p.a.
Increased depreciation expenses (and so higher capital works needs)	While Council has identified savings in depreciation costs in the revised LTFP Council is of the view that beyond these savings it does not have a lot of control over depreciation except to cease new builds or asset upgrades, or to dispose of assets. In addition the fair value of assets may be affected by inflation and this in turn would impact depreciation costs. An increase of 1% p.a. on the $8.7M baseline for depreciation over and above the forecast would increase Council's operating deficit over 10 years by around $1.0M p.a. Depreciation isn't a cash expense, so any increase won't impact cash reserves, but it is likely to be accompanied by higher funding needs for capital works programs (which will need to come from cash reserves or borrowings). It will also call into question Council's financial sustainability (if its operating deficit isn't eliminated) and whether it is equitable to future generations.
Unreliable interest rates on cash reserves	An increase of 0.1% p.a.in interest rates will generate an additional $50K p.a. on a consolidated balance of $50M. An increase of 1% in cash p.a. ($500k) will generate an additional $10K (assumed 2% return). Borrowings are minimal, so changes in interest rates on loans are less material.
Increasing energy costs	Council spends around $235K p.a. on electricity, so higher costs would have some impacts. The renewable energy initiative is intended to reduce Council's risk.

Unreliable income from sale of investment water	The Proposed Scenario estimates \$50K p.a., although historic returns have been \$50-750K p.a. While returns are likely to remain low for the next few years, it is likely they will be better than \$50K p.a. in later years.
Cost shifting from other levels of government	Council's expenditure is increased by 'cost shifting' from other levels of government. Potential areas of concern are the Fire and Emergency Services Levy (which Council pays) or regulatory functions currently undertaken by NSW Government and/or additional compliance obligations (for which Council might need to add resources to achieve compliance).
Austerity approach by NSW and/or Australian governments	As noted in Figure 1, operating grants and contributions make up \$6.1M (32%) of Council's operating revenues in the 2023 budget. If Council was to lose a significant portion of this income, either through a 'one-off' change or through gradual decreases over time, it would have a significant impact on its operating deficit. A recent example of such an impact was the freeze on Financial Assistance Grants (FAGs) by the Australian government for 3 years between 2015 and 2017. FAGs represents \$4.7M p.a. of total operating grants. If another 3 year freeze was implemented sometime over the 10 years, this would increase Council's operating deficit by \$0.7M p.a. in 10 years, and decrease its cash by \$0.8M in 2032 (all else being equal). Other areas where Council could be impacted include Roads to Recovery (currently \$0.7M p.a.), Regional Roads (\$0.4M p.a.) and support for children's services (although Council could increase fees to offset this). As discussed in section 3, Council has also forecast it will secure several grants for capital works (these are summarised in Table 9). Without these grants, Council would need to fund these works by drawing on its own cash reserves, or not proceed with the projects.
Changes in water usage	As discussed in section 4.1, there is uncertainty over water usage into the future, which has a major impact on future income. Further work is required to clarify these forecasts.
Changes in the pace of development	As discussed in sections 4 and 5, current assumptions in relation to the number of new customers for water supply and sewerage are conservative, and are likely to be exceeded in reality.

Table 19: Key parameters for sensitivity or 'risk' analysis

8. Alternative Scenarios for the General Fund

An (unacceptable) alternative to the Proposed Scenario for the general fund (in section 3) is a Base Case Scenario, which explores the implications of Council continuing its current path of operating deficits which is unsustainable, with Council facing liquidity problems within 2-4 years if it retains the same capital budget.

As discussed in section 3, Council anticipates the most appropriate way forward will be to implement a SRV to increase revenues. Council needs to be financially sustainable. Council is of the view that the community is likely to want to retain many/most current services and therefore the SRV is required. This is something that Council needs to determine in consultation with the community.

In time further scenarios may also be appropriate for water and sewer, although the issues there are generally able to be addressed via sensitivity/risk analyses (section 7).

8.1 Base Case Scenario

This scenario explains what is forecast to happen if Council takes no action to address its financial challenges in its general fund.

The following graph shows the General Fund operating results for the Base Case over the term of the LTFP. There are annual operating deficits for every year, indicating an unsustainable financial position.

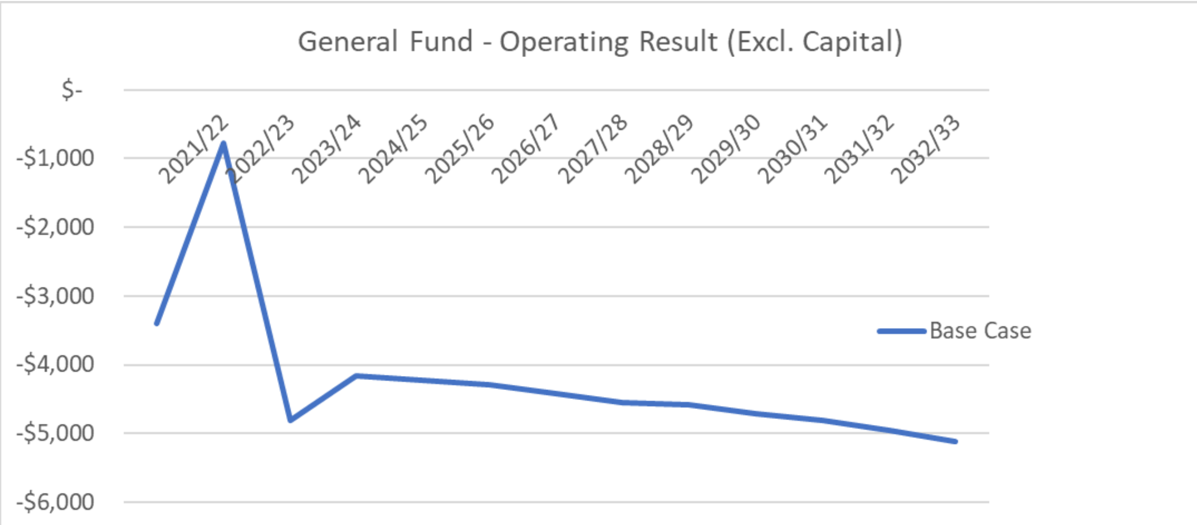


Figure 24: General fund - operating result (excluding capital) – Base Case Scenario

The other key implication of year-on-year deficits is the consumption of Councils cash for General Fund. The following graph illustrates Councils estimated cash predicament should the deficits not be rectified.

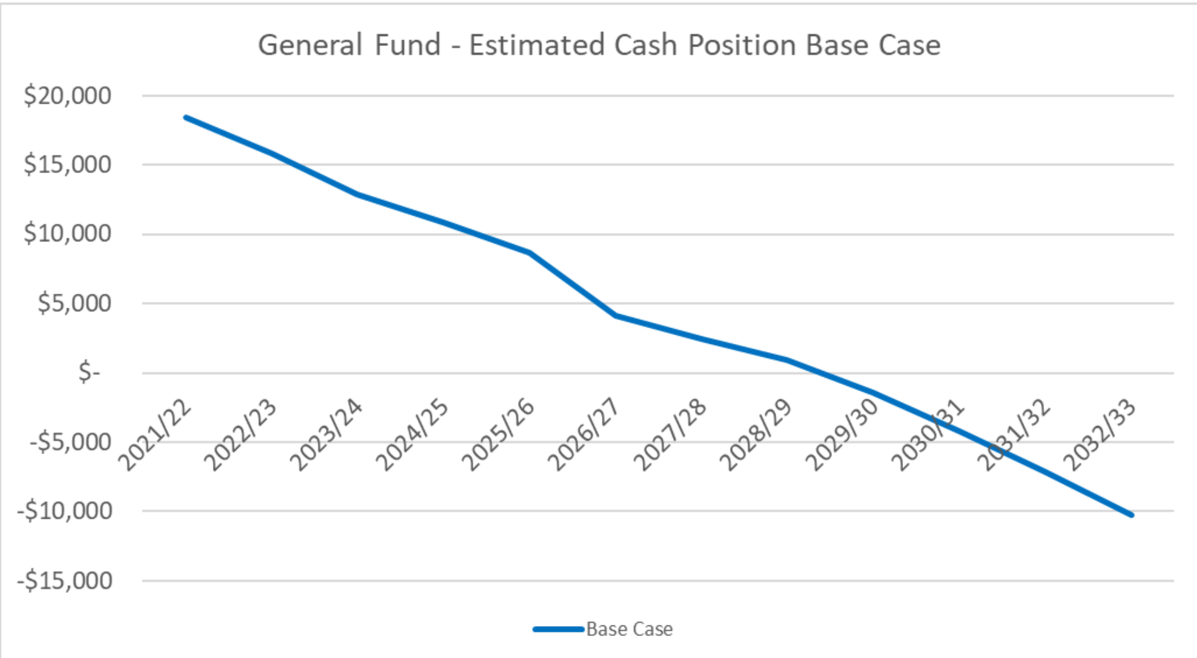


Figure 25: General fund – estimated cash position – Base Case Scenario

The conclusion to be drawn is that Council pursuing the Base Case Scenario is not an option. In particular, if Council doesn't take action to improve its financial sustainability,

it won't satisfy the principles of intergenerational equity or responsible and sustainable spending set out in the NSW Local Government Act (as discussed in section 2).

8.2 SRV Alternate Scenario

This scenario explains what would happen if Council introduced the SRV over four years instead of two years.

This option involves a SRV of 45.08% (4 x 9.75%) above rate peg and including rate peg 61.6%.

The following graph shows the General Fund operating results for the Alternate Scenario over the term of the LTFP. Annual operating deficits are effectively eliminated by 2029, indicating a sustainable financial position thereafter.

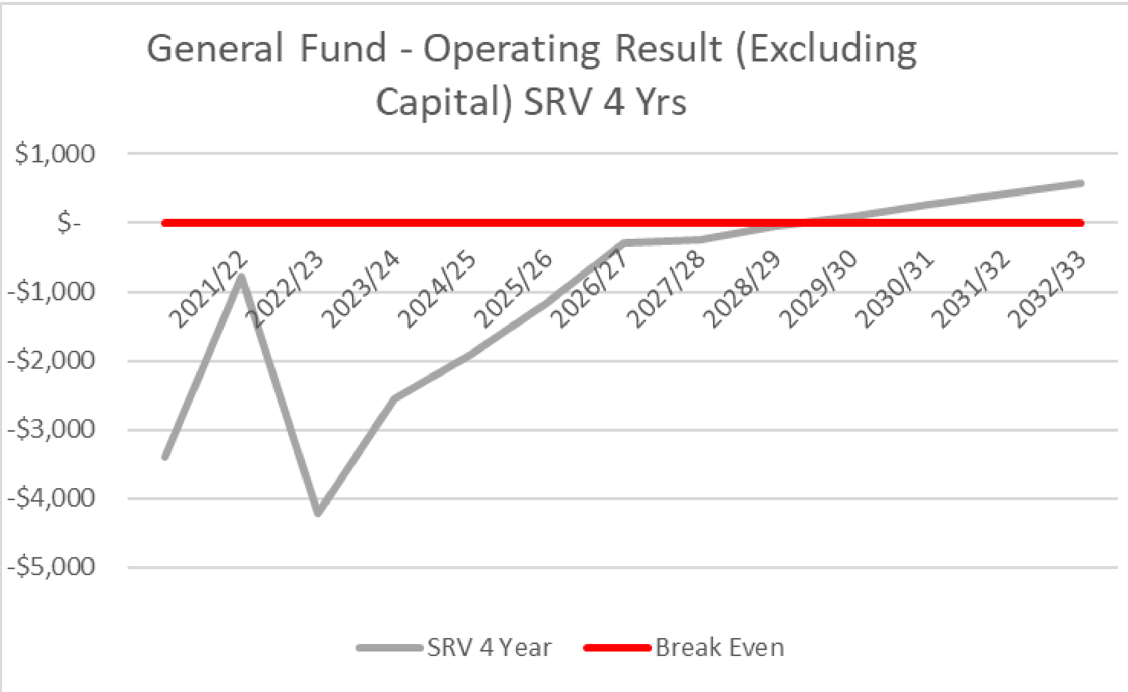


Figure 26: General fund - operating result (excluding capital) – Alternate Scenario

The following graph illustrates Councils estimated cash position under the Alternate Scenario.

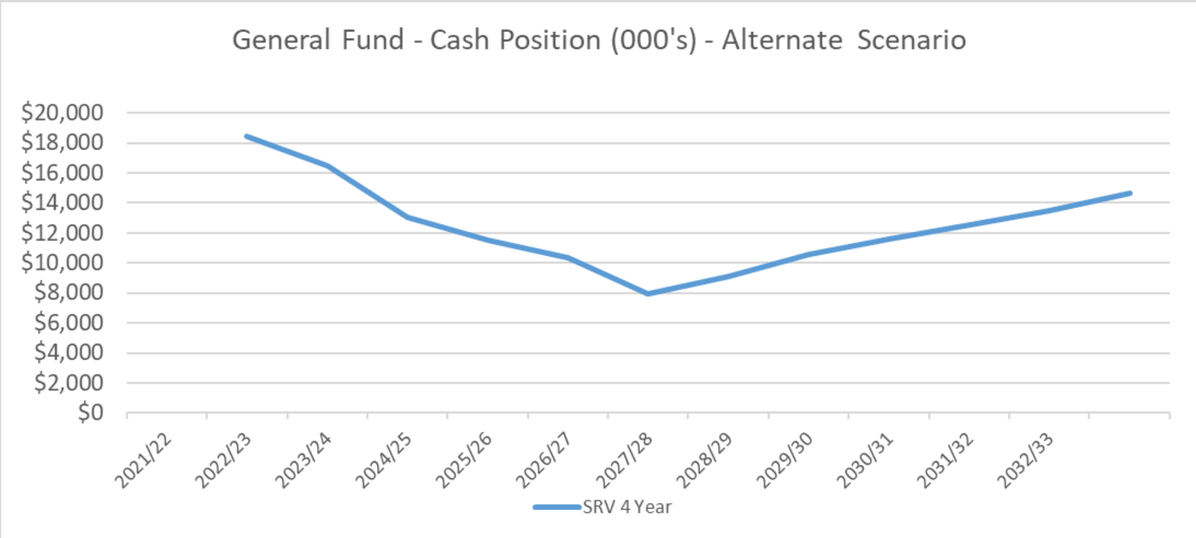


Figure 27: General fund – estimated cash position – Alternate Scenario

The conclusion to be drawn is that if Council pursues the Alternate Scenario it would be more vulnerable in the short term to situations such as the non-payment of the FAGs in advance or a freeze of the rate peg particularly if coupled with rising inflation.
Further by adopting the Proposed Scenario the current Elected Council can oversee the implementation and not burden a future Council with that process.

Appendix 1: Forecast Financial Statements

The centrepiece of an LTFP are the 3 primary financial statements, forecast into the future:

- an **Income Statement**, which forecasts income and expenditure
- a **Statement of Financial Position** or Balance Sheet which forecasts changes in Council's assets (cash reserves and infrastructure) and liabilities (borrowings) over time, particularly as Council invests in its infrastructure
- a **Cash Flow Statement**, which shows where Council generates and spends its cash.

In preparing this LTFP, Council has identified that it needs to either purchase a proprietary software package or develop a financial model in-house to make this process easier. At this stage, only basic versions covering the key information are included. Future LTFP revisions will include full versions of the statements.

This information in this Appendix relates to the Proposed Scenario. Each includes actual historic figures to put the current situation and future forecasts into context. The capital works and grants for general fund differs from the 2023 budget because it takes account of carry over works.

Notes:

- All figures in $000's
- Historic actual figures in income statement and balance sheet (statement of financial position) are taken from annual financial statements (historic cashflows are not included as this isn't reported separately by fund in statements)
- "Total Capital Works" line at bottom of page:
    - Historic from note C1-5 or equivalent of financial statements (plus an estimate of work in progress, although this isn't clear in all years)
    - Budget/forecast from cashflow statement
- "Materials and contracts" was reclassified in the NSW Local Government Code of Accounting Practice and Financial Reporting as "materials and services" in 2021 (in the income statement) and the majority of "other expenses" transferred there
- "Other expenses" includes loss on disposal of assets in some years.

GENERAL FUND - FINANCIAL STATEMENTS - SVR Option 2 years

Nominal Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Year Type	Actual	Actual	Actual	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Entity	General Fund	General Fund	General Fund	General Fund	General Fund	General Fund	General Fund	General Fund	General Fund	General Fund	General Fund	General Fund	General Fund
Entity Abv	GF	GF	GF	GF	GF	GF	GF	GF	GF	GF	GF	GF	GF
Rates & Charges	$7,318	$7,639	$8,091	$7,809	$8,202	$10,156	$12,209	$12,635	$13,075	$13,528	$13,996	$14,479	$14,978
Special Rates	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Ordinary Rate SRV	$0	$0	$0	$0	$1,562	$1,640	$0	$0	$0	$0	$0	$0	$0
Annual Charges	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL RATES & ANNUAL CHARGES	**$7,318**	**$7,639**	**$8,091**	**$7,809**	**$9,764**	**$11,797**	**$12,209**	**$12,635**	**$13,075**	**$13,528**	**$13,996**	**$14,479**	**$14,978**
User Charges and fees	$5,733	$3,980	$5,956	$3,804	$3,918	$4,035	$4,157	$4,281	$4,410	$4,542	$4,678	$4,819	$4,963
Other revenues	$777	-$69	$397	$535	$556	$573	$587	$602	$617	$632	$648	$664	$681
Interest and Investment Income	$275	$336	$218	$332	$362	$330	$356	$394	$367	$437	$526	$604	$683
Other Income	$151	$224	$387	$302	$314	$323	$331	$340	$348	$357	$366	$375	$384
Initiatives Revenue	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL OWN SOURCE REVENUE	**$14,253**	**$12,111**	**$15,049**	**$12,782**	**$14,914**	**$17,057**	**$17,640**	**$18,252**	**$18,816**	**$19,496**	**$20,214**	**$20,941**	**$21,689**
Grants & Contributions - Operating Purposes	$6,372	$8,517	$8,288	$6,140	$6,263	$6,388	$6,516	$6,646	$6,779	$6,914	$7,053	$7,194	$7,338
Grants & Contributions for Capital Purposes	$3,713	$6,883	$4,734	$510	$523	$536	$1,550	$3,313	$578	$592	$607	$622	$637
Income from Joint Ventures	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gains from disposal assets	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Income excl Gains on Asset Disposal	**$24,338**	**$27,511**	**$28,071**	**$19,432**	**$21,699**	**$23,982**	**$25,706**	**$28,211**	**$26,172**	**$27,003**	**$27,873**	**$28,756**	**$29,664**
TOTAL OPERATING INCOME (Excl. Capital)	**$20,625**	**$20,628**	**$23,337**	**$18,922**	**$21,176**	**$23,445**	**$24,156**	**$24,898**	**$25,595**	**$26,411**	**$27,267**	**$28,135**	**$29,026**
Employee Benefits	$7,911	$8,535	$9,313	$8,842	$9,063	$9,290	$9,522	$9,760	$10,004	$10,254	$10,511	$10,774	$11,043
Materials and Contracts	$7,851	$9,937	$7,884	$7,756	$8,066	$8,308	$8,516	$8,729	$8,947	$9,171	$9,400	$9,635	$9,876
Borrowing Costs	$82	$119	$106	$325	$297	$275	$256	$236	$215	$193	$170	$147	$122
Depreciation & Amortisation	$4,461	$5,363	$5,726	$5,971	$6,168	$6,372	$6,588	$6,863	$7,063	$7,241	$7,508	$7,726	$7,966
Other Expenses	-$42	$33	-$39	$186	$194	$199	$204	$210	$215	$220	$226	$231	$237
Losses on disposal of assets	$122	$42	$1,120	$650	$0	$0	$0	$0	$0	$0	$0	$0	$0
Internal Charges	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Initiatives Expenses	$0	$0	$0	-$600	-$884	-$805	-$718	-$637	-$652	-$669	-$685	-$703	-$720
TOTAL EXPENSES FROM CONTINUING OPERATIONS	**$20,386**	**$24,029**	**$24,111**	**$23,131**	**$22,904**	**$23,640**	**$24,369**	**$25,161**	**$25,792**	**$26,411**	**$27,129**	**$27,810**	**$28,524**
OPERATING RESULT (Excl. Capital)	**$239**	**-$3,401**	**-$775**	**-$4,210**	**-$1,728**	**-$194**	**-$213**	**-$264**	**-$197**	**-$0**	**$138**	**$325**	**$502**
OPERATING RESULT (Excl. Capital and Asset Sales)	**$361**	**-$3,359**	**$345**	**-$3,560**	**-$1,728**	**-$194**	**-$213**	**-$264**	**-$197**	**-$0**	**$138**	**$325**	**$502**
OPERATING RESULT (Incl. Capital)	**$3,952**	**$3,482**	**$3,959**	**-$3,699**	**-$1,204**	**$342**	**$1,337**	**$3,050**	**$380**	**$592**	**$744**	**$947**	**$1,139**
Income from Non-Controlling Interests	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
NET OPERATING RESULT ATTRIBUTABLE TO COUNCIL	**$3,952**	**$3,482**	**$3,959**	**-$3,699**	**-$1,204**	**$342**	**$1,337**	**$3,050**	**$380**	**$592**	**$744**	**$947**	**$1,139**
Net Operating Result from Income Statement	**$3,952**	**$3,482**	**$3,959**	**-$3,699**	**-$1,204**	**$342**	**$1,337**	**$3,050**	**$380**	**$592**	**$744**	**$947**	**$1,139**
Gain / (Loss) on Reval of PP&E	$54,089	$24,818	$16,868	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Fair Value Movement on Investments	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Comprehensive Income	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
TOTAL OTHER COMPREHENSIVE INCOME	**$54,089**	**$24,818**	**$16,868**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
TOTAL COMPREHENSIVE INCOME	**$58,041**	**$28,300**	**$20,827**	**-$3,699**	**-$1,204**	**$342**	**$1,337**	**$3,050**	**$380**	**$592**	**$744**	**$947**	**$1,139**

Balance Sheet

Nominal Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Year Type	Actual	Actual	Actual	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash & Cash Equivalents	-$17,303	-$16,924	-$16,841	-$18,818	-$21,805	-$22,057	-$21,895	-$23,794	-$22,585	-$21,048	-$19,969	-$19,002	-$17,941
Investments - Current	$28,500	$26,150	$20,760	$20,760	$20,760	$20,760	$20,760	$20,760	$20,760	$20,760	$20,760	$20,760	$20,760
Receivables - Current	$2,200	$2,637	$4,410	$4,257	$5,322	$5,644	$6,384	$6,513	$6,610	$6,962	$7,165	$7,395	$7,675
Right of Use and Contract Assets - Current	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Inventories - Current	$982	$1,205	$1,166	$1,166	$1,166	$1,166	$1,166	$1,166	$1,166	$1,166	$1,166	$1,166	$1,166
Other Current Assets	$68	$59	$49	$49	$49	$49	$49	$49	$49	$49	$49	$49	$49
Current Assets Held for Resale	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL CURRENT ASSETS	**14,447**	**13,127**	**9,544**	**7,414**	**5,493**	**5,563**	**6,464**	**4,694**	**6,000**	**7,889**	**9,171**	**10,368**	**11,710**
Receivable Collection Days	$110	$126	$199	$199	$175	$191	$188	$185	$188	$187	$186	$187	$187
Investments - Non-Current	$10,850	$7,700	$14,500	$14,500	$14,500	$14,500	$14,500	$14,500	$14,500	$14,500	$14,500	$14,500	$14,500
Infrastructure Property & Equip	$266,594	$299,890	$312,967	$237,035	$237,097	$236,870	$236,856	$241,208	$239,795	$237,989	$236,921	$236,140	$235,384
Intangible Assets	$8,371	$8,316	$9,565	$9,565	$9,565	$9,565	$9,565	$9,565	$9,565	$9,565	$9,565	$9,565	$9,565
Receivables - Non-Current	$76	$45	$286	$1	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL NON-CURRENT ASSETS	**$285,891**	**$315,951**	**$337,318**	**$261,100**	**$261,162**	**$260,935**	**$260,921**	**$265,273**	**$263,860**	**$262,054**	**$260,986**	**$260,205**	**$259,449**
Inventory Days	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
TOTAL ASSETS	**$300,338**	**$329,078**	**$346,862**	**$268,514**	**$266,654**	**$266,497**	**$267,385**	**$269,967**	**$269,860**	**$269,943**	**$270,156**	**$270,573**	**$271,158**
Payables - Current	$2,649	$2,742	$2,852	$2,852	$2,852	$2,852	$2,852	$2,852	$2,852	$2,852	$2,852	$2,852	$2,852
Contract Liabilities - Current	$2,312	$2,405	$3,267	$3,267	$3,267	$3,267	$3,267	$3,267	$3,267	$3,267	$3,267	$3,267	$3,267
Borrowings - current	$442	$464	$417	$655	$499	$449	$468	$488	$509	$531	$531	$554	$272
Provisions - Current	$2,405	$2,621	$2,814	$2,814	$2,814	$2,814	$2,814	$2,814	$2,814	$2,814	$2,814	$2,814	$2,814
TOTAL CURRENT LIABILITIES	**$7,808**	**$8,232**	**$9,350**	**$9,588**	**$9,432**	**$9,382**	**$9,401**	**$9,421**	**$9,442**	**$9,464**	**$9,464**	**$9,487**	**$9,205**
Payables Days	**$123**	**$101**	**$132**	**$134**	**$122**	**$130**	**$129**	**$127**	**$128**	**$128**	**$128**	**$128**	**$128**
Borrowings - Non current	$3,316	$2,851	$2,434	$6,989	$6,490	$6,041	$5,574	$5,086	$4,577	$4,046	$3,515	$2,961	$2,689
Provisions - Non-Current	$261	$3,613	$4,492	$4,492	$4,492	$4,492	$4,492	$4,492	$4,492	$4,492	$4,492	$4,492	$4,492
TOTAL NON-CURRENT LIABILITIES	**$3,577**	**$6,464**	**$6,926**	**$11,481**	**$10,982**	**$10,533**	**$10,066**	**$9,578**	**$9,069**	**$8,538**	**$8,007**	**$7,453**	**$7,181**
TOTAL LIABILITIES	**$11,385**	**$14,696**	**$16,276**	**$21,070**	**$20,414**	**$19,915**	**$19,466**	**$18,999**	**$18,511**	**$18,002**	**$17,471**	**$16,940**	**$16,386**
NET ASSETS	**$288,953**	**$314,382**	**$330,586**	**$247,445**	**$246,240**	**$246,582**	**$247,919**	**$250,969**	**$251,349**	**$251,941**	**$252,685**	**$253,632**	**$254,772**
Accumulated Surplus	$123,931	$130,369	$132,870	$136,736	$133,037	$131,832	$132,174	$133,511	$136,561	$136,941	$137,533	$138,277	$139,224
Revaluation Reserves	$132,661	$186,750	$214,306	$231,174	$231,174	$231,174	$231,174	$231,174	$231,174	$231,174	$231,174	$231,174	$231,174
TOTAL EQUITY OPENING BALANCE	**$0**	**$0**	**$0**	**$367,910**	**$364,211**	**$363,006**	**$363,348**	**$364,685**	**$367,735**	**$368,115**	**$368,707**	**$369,451**	**$370,398**
Net Operating Result for the Year	$6,438	$2,501	$3,866	-$3,699	-$1,204	$342	$1,337	$3,050	$380	$592	$744	$947	$1,139
Gain / (Loss) on Reval of PP&E	$54,089	$24,818	$16,868	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Comprehensive Income	**$60,527**	**$27,319**	**$20,734**	**-$3,699**	**-$1,204**	**$342**	**$1,337**	**$3,050**	**$380**	**$592**	**$744**	**$947**	**$1,139**
TOTAL EQUITY CLOSING BALANCE	**$317,119**	**$344,438**	**$362,434**	**$364,211**	**$363,006**	**$363,348**	**$364,685**	**$367,735**	**$368,115**	**$368,707**	**$369,451**	**$370,398**	**$371,538**

Cashflow Statement

Nominal Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Total Own Source Revenue	$24,673	$22,599	$24,700	$13,220	$13,849	$16,736	$16,901	$18,122	$18,718	$19,144	$20,011	$20,711	$21,408
Grants and Contributions	$12,268	$18,537	$14,525	$6,140	$6,263	$6,388	$6,516	$6,646	$6,779	$6,914	$7,053	$7,194	$7,338
Other Income from Continuing Operations	$0	$0	$0	-$0	$0	$0	-$0	$0	$0	-$0	$0	-$0	-$0
Employee Benefits	$11,214	$13,237	$13,256	$8,842	$9,063	$9,290	$9,522	$9,760	$10,004	$10,254	$10,511	$10,774	$11,043
Materials and Contracts	$7,851	$9,937	$7,884	$7,756	$8,066	$8,308	$8,516	$8,729	$8,947	$9,171	$9,400	$9,635	$9,876
Other Expenses from Continuing Operations	$204	$48	-$341	$236	-$690	-$606	-$513	-$427	-$438	-$449	-$460	-$471	-$483
CASHFLOW FROM OPERATIONS	**$17,672**	**$17,914**	**$18,426**	**$2,526**	**$3,672**	**$6,131**	**$5,892**	**$6,706**	**$6,983**	**$7,082**	**$7,613**	**$7,967**	**$8,311**
Sale of Current Investments	$1,960	$5,500	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Sale of IPP&E	$472	$720	$1,315	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Sale of Real Estate Assets	$0	$0	$0	$0	$0	$500	$500	$500	$500	$500	$500	$500	$500
Purchase of Investment Property	$411	$376	-$76	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Purchase of IPP&E	$12,151	$16,321	$8,881	$9,481	$6,230	$6,645	$7,075	$11,715	$6,150	$5,935	$6,940	$7,445	$7,710
Purchase of Intangible Assets	-$5	-$60	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
CASHFLOW FROM INVESTING	**-$10,125**	**-$10,417**	**-$10,908**	**-$9,481**	**-$6,230**	**-$6,145**	**-$6,575**	**-$11,215**	**-$5,650**	**-$5,435**	**-$6,440**	**-$6,945**	**-$7,210**
Proceeds from Grants and Contributions - Capital purposes	$3,713	$6,883	$4,734	$510	$523	$536	$1,550	$3,313	$578	$592	$607	$622	$637
Proceeds from Borrowings	$2,449	$0	$0	$5,200	$0	$0	$0	$0	$0	$0	$0	$0	$0
Loan repayments	$325	$443	$464	$732	$952	$774	$704	$704	$703	$702	$701	$677	$676
CASHFLOW FROM FINANCING	**$5,837**	**$6,440**	**$4,270**	**$4,979**	**-$429**	**-$238**	**$845**	**$2,610**	**-$125**	**-$110**	**-$94**	**-$56**	**-$39**
Opening Cash	$10,623	$8,489	$3,213	$18,419	$16,442	$13,455	$13,203	$13,365	$11,466	$12,675	$14,212	$15,291	$16,258
Change in Cash	$11,424	$8,437	$15,206	-$1,977	-$2,987	-$252	$162	-$1,899	$1,208	$1,537	$1,079	$967	$1,062
CLOSING CASH	**$22,047**	**$16,926**	**$18,419**	**$16,442**	**$13,455**	**$13,203**	**$13,365**	**$11,466**	**$12,675**	**$14,212**	**$15,291**	**$16,258**	**$17,319**
TOTAL CASH AND LIQUID INVESTMENTS	$22,047	$16,926	$18,419	$16,442	$13,455	$13,203	$13,365	$11,466	$12,675	$14,212	$15,291	$16,258	$17,319
Transfers to Reserves	$218	$233	$217	$87	$7	$8	$9	$10	$11	$12	$13	$15	$16
Externally Restricted Cash	$0	$0	$217	$304	$311	$319	$327	$337	$348	$360	$373	$388	$404
Unrestricted Cash	**$22,047**	**$16,926**	**$18,202**	**$16,138**	**$13,144**	**$12,885**	**$13,038**	**$11,129**	**$12,327**	**$13,852**	**$14,918**	**$15,870**	**$16,915**

WATER FUND INCOME STATEMENT	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Rates & Annual Charges	1,329	1,340	1,342	1,429	1,448	1,545	1,540	1,579	1,618	1,658	1,700	1,742	1,786	1,831	1,876	1,923
User Charges & Fees	2,533	3,149	3,666	3,248	3,042	2,856	3,247	3,239	3,320	3,403	3,488	3,576	3,665	3,757	3,851	3,947
Interest and investment revenue	284	302	365	333	191	138	166	429	503	589	683	784	869	941	726	741
Other Revenues	27	43	282	149	126	159	56	100	103	105	108	110	113	116	119	122
Grants & Contributions: Operating	39	38	36	37	72	29	-	-	-	-	-	-	-	-	-	-
Grants & Contributions: Capital Purposes	*504*	*27*	*152*	*92*	*32*	-	*54*	*60*	*62*	*63*	*65*	*66*	*68*	*70*	*2,000*	*75*
Other income									-	-	-	-	-	-	-	-
Total Income from Continuing Operations	**4,716**	**4,899**	**5,843**	**5,288**	**4,911**	**4,727**	**5,063**	**5,407**	**5,605**	**5,819**	**6,044**	**6,279**	**6,501**	**6,714**	**8,571**	**6,808**
TOTAL INCOME (ex. Capital)	**4,212**	**4,872**	**5,691**	**5,196**	**4,879**	**4,727**	**5,009**	**5,347**	**5,544**	**5,756**	**5,979**	**6,213**	**6,434**	**6,644**	**6,571**	**6,733**
Employee Benefits & On-Costs	1,170	1,711	1,653	1,708	1,900	1,450	1,673	1,715	1,758	1,802	1,847	1,893	1,940	1,989	2,038	2,089
Materials & Contracts/Services	847	555	710	883	1,311	1,520	1,597	1,432	1,468	1,504	1,542	1,581	1,620	1,661	1,702	1,745
Borrowing Costs									-	-	-	-	-	-	-	-
Depreciation & Amortisation	1,176	966	942	929	946	1,395	1,468	1,497	1,535	1,573	1,612	1,653	1,694	1,736	1,780	1,824
Other expenses	424	506	462	486	-	270	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES: Continuing Operations	**3,617**	**3,738**	**3,767**	**4,006**	**4,157**	**4,635**	**4,738**	**4,644**	**4,760**	**4,879**	**5,001**	**5,126**	**5,254**	**5,386**	**5,520**	**5,658**
Net Operating Result for the Year	**1,099**	**1,161**	**2,076**	**1,282**	**754**	**92**	**271**	**702**	**784**	**877**	**978**	**1,086**	**1,179**	**1,259**	**1,051**	**1,075**
OPERATING SURPLUS/DEFICIT exc. Capital	**595**	**1,134**	**1,924**	**1,190**	**722**	**92**	**271**	**702**	**784**	**877**	**978**	**1,086**	**1,179**	**1,259**	**1,051**	**1,075**

WATER FUND BALANCE SHEET	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2031
Cash & Cash Equivalents	189	223	204	3,414	5,047											
Investments	7,060	9,475	12,312	9,523	9,359											
Receivables	317	359	511	367	416											
Inventories	-	-														
Contract assets	-	-														
Other	-	-			4											
Total Current Assets	**7,566**	**10,057**	**13,027**	**13,304**	**14,826**	-	-	-	-	-	-	-	-	-	-	-
Investments	3,939	3,029	2,798	3,626	2,756											
Receivables	8	-	4	25	20											
Inventories	-	-														
Infrastructure, Property, Plant & Equipment	25,438	25,438	25,194	25,591	42,250											
Intangible Assets	-															
Total Non-Current Assets	**29,385**	**28,467**	**27,996**	**29,242**	**45,026**	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	**36,951**	**38,524**	**41,023**	**42,546**	**59,852**	-	-	-	-	-	-	-	-	-	-	-
Payables	1	1	1	13	1											
Total Current Liabilities	**1**	**1**	**1**	**13**	**1**	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	**1**	**1**	**1**	**13**	**1**	-	-	-	-	-	-	-	-	-	-	-
Net Assets	**36,950**	**38,523**	**41,022**	**42,533**	**59,851**	-	-	-	-	-	-	-	-	-	-	-
Retained Earnings	20,349	21,510	23,586	24,869	25,623											
Revaluation Reserves	16,601	17,013	17,436	17,665	34,228											
Total Equity	**36,950**	**38,523**	**41,022**	**42,534**	**59,851**	-	-	-	-	-	-	-	-	-	-	-
TOTAL CAPITAL WORKS (FROM SAMP, CURRENT YEAR $)							**1,909**	**690**	**690**	**690**	**690**	**690**	**1,290**	**1,690**	**7,690**	**690**
ESTIMATED WORKS CARRIED FORWARD FROM CURRENT YEAR							**1,269**									
TOTAL CAPITAL WORKS (indexed 2.5% p.a.)	**807**	**586**	**431**	**962**	**1,101**	**829**	**3,178**	**656**	**883**	**689**	**706**	**724**	**1,438**	**1,949**	**9,309**	**799**

WATER FUND CASHFLOW STATEMENT	Actual **2021**	Budget **2022**	**2023**	Forecast **2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges	1,448	1,545	1,540	1,579	1,618	1,658	1,700	1,742	1,786	1,831	1,876	1,923
User Charges & Fees	3,042	2,856	3,247	3,239	3,320	3,403	3,488	3,576	3,665	3,757	3,851	3,947
Investment & Interest Revenue Received	191	138	166	429	503	589	683	784	869	941	726	741
Grants & Contributions	104	29	54	60	62	63	65	66	68	70	2,000	75
Other	126	159	56	100	103	105	108	110	113	116	119	122
Payments:												
Employee Benefits & On-Costs	(1,900)	(1,450)	(1,673)	(1,715)	(1,758)	(1,802)	(1,847)	(1,893)	(1,940)	(1,989)	(2,038)	(2,089)
Materials & Contracts	(1,311)	(1,520)	(1,597)	(1,432)	(1,468)	(1,504)	(1,542)	(1,581)	(1,620)	(1,661)	(1,702)	(1,745)
Borrowing Costs	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	(270)	-	-	-	-	-	-	-	-	-	-
Net Cash from Operating Activities	**1,700**	**1,487**	**1,793**	**2,260**	**2,380**	**2,513**	**2,655**	**2,805**	**2,941**	**3,065**	**4,831**	**2,974**
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities												
Sale of Infrastructure, Property, Plant & Equipment												
Payments:												
Purchase of Investment Securities												
Purchase of Infrastructure, Property, Plant & Equipment	(1,101)	(2,098)	(640)	(656)	(883)	(689)	(706)	(724)	(1,438)	(1,949)	(9,309)	(799)
Net Cash from Investing Activities	**(1,101)**	**(2,098)**	**(640)**	**(656)**	**(883)**	**(689)**	**(706)**	**(724)**	**(1,438)**	**(1,949)**	**(9,309)**	**(799)**
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings & Advances												
Payments:												
Repayment of Borrowings & Advances			-	-	-	-	-	-	-	-	-	-
Net Cash from Financing Activities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net Increase/(Decrease) in Cash & Cash Equivalents	**599**	**(611)**	**1,153**	**1,604**	**1,497**	**1,824**	**1,948**	**2,081**	**1,503**	**1,115**	**(4,478)**	**2,175**
Plus: Cash & Cash equivalents - beginning of year	16,563	17,162	16,551	17,704	19,308	20,805	22,629	24,577	26,659	28,162	29,277	24,800
Cash & Cash Equivalents - end of the year	**17,162**	**16,551**	**17,704**	**19,308**	**20,805**	**22,629**	**24,577**	**26,659**	**28,162**	**29,277**	**24,800**	**26,974**

SEWER FUND INCOME STATEMENT	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Rates & Annual Charges	2,103	2,273	2,331	2,406	2,412	2,591	2,679	2,762	2,831	2,902	2,975	3,049	3,125	3,203	3,283	3,366
User Charges & Fees	329	375	399	499	837	407	394	404	414	424	435	446	457	468	480	492
Interest and investment revenue	202	196	123	172	103	91	111	172	163	152	187	214	251	307	364	362
Other Revenues	1	1	3	5	10	10	6	6	6	6	6	6	6	6	6	6
Grants & Contributions: Operating	31	31	30	30	29	37										
Grants & Contributions: Capital Purposes	*151*	*77*	*206*	*130*	*11*	*750*	*250*	*256*	*263*	*269*	*276*	*283*	*290*	*297*	*305*	*312*
Other income	-															
Total Income from Continuing Operations	**2,817**	**2,953**	**3,092**	**3,242**	**3,402**	**3,885**	**3,440**	**3,601**	**3,677**	**3,754**	**3,879**	**3,998**	**4,129**	**4,282**	**4,438**	**4,537**
TOTAL INCOME (ex. Capital)	**2,666**	**2,876**	**2,886**	**3,112**	**3,391**	**3,135**	**3,190**	**3,344**	**3,414**	**3,485**	**3,603**	**3,715**	**3,839**	**3,985**	**4,133**	**4,225**
Employee Benefits & On-Costs	637	964	1,132	1,161	1,158	1,064	1,158	1,237	1,217	1,247	1,278	1,310	1,343	1,376	1,411	1,446
Materials & Contracts/Services	822	419	570	552	719	675	907	827	848	869	891	913	936	959	983	1,008
Borrowing Costs																
Depreciation & Amortisation	779	699	734	753	920	952	1,055	1,133	1,156	1,179	1,203	1,227	1,251	1,276	1,302	1,328
Other expenses	254	270	240	271	-	257										
TOTAL EXPENSES: Continuing Operations	**2,492**	**2,352**	**2,676**	**2,737**	**2,797**	**2,948**	**3,120**	**3,197**	**3,220**	**3,295**	**3,372**	**3,450**	**3,530**	**3,612**	**3,696**	**3,782**
Net Operating Result for the Year	**325**	**601**	**416**	**505**	**605**	**937**	**320**	**403**	**457**	**459**	**507**	**548**	**599**	**670**	**742**	**756**
OPERATING SURPLUS/DEFICIT exc. Capital	**174**	**524**	**210**	**375**	**594**	**187**	**70**	**147**	**194**	**190**	**231**	**265**	**309**	**373**	**437**	**443**

SEWER FUND BALANCE SHEET	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2031
Cash & Cash Equivalents	115	139	102	1,730	2,475											
Investments	4,345	5,560	6,170	4,826	5,355											
Receivables	336	400	190	261	216											
Inventories																
Contract assets																
Other																
Total Current Assets	**4,796**	**6,099**	**6,462**	**6,817**	**8,046**	-	-	-	-	-	-	-	-	-	-	-
Investments	2,424	1,710	1,402	1,837	1,577											
Receivables	121	4	8	4	10											
Inventories																
Infrastructure, Property, Plant & Equipment	28,895	29,654	30,468	30,463	37,263											
Intangible Assets																
Total Non-Current Assets	**31,440**	**31,368**	**31,878**	**32,304**	**38,850**	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	**36,236**	**37,467**	**38,340**	**39,121**	**46,896**	-	-	-	-	-	-	-	-	-	-	-
Payables	53			7												
Total Current Liabilities	**53**	-	-	**7**	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	**53**	-	-	**7**	-	-	-	-	-	-	-	-	-	-	-	-
Net Assets	**36,183**	**37,467**	**38,340**	**39,114**	**46,896**	-	-	-	-	-	-	-	-	-	-	-
Retained Earnings	18,902	19,504	19,920	20,423	21,029											
Revaluation Reserves	17,281	17,963	18,420	18,691	25,867											
Total Equity	**36,183**	**37,467**	**38,340**	**39,114**	**46,896**	-	-	-	-	-	-	-	-	-	-	-

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
TOTAL CAPITAL WORKS (FROM SAMP, CURRENT YEAR $)							**1,147**	**190**	**440**	**1,990**	**2,090**	**790**	**640**	**290**	**440**	**1,690**
ESTIMATED WORKS CARRIED FORWARD FROM CURRENT YEAR							**1,269**									
TOTAL CAPITAL WORKS	**740**	**311**	**412**	**1,299**	**699**	**1,760**	**4,357**	**195**	**451**	**2,040**	**2,142**	**810**	**656**	**297**	**451**	**1,732**

	Actual	Budget		Forecast								
SEWER FUND CASHFLOW STATEMENT	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Cash Flows from Operating Activities												
Receipts:												
Rates & Annual Charges	2,412	2,591	2,679	2,762	2,831	2,902	2,975	3,049	3,125	3,203	3,283	3,366
User Charges & Fees	837	407	394	404	414	424	435	446	457	468	480	492
Investment & Interest Revenue Received	103	91	111	172	163	152	187	214	251	307	364	362
Grants & Contributions	40	787	250	256	263	269	276	283	290	297	305	312
Other	10	10	6	6	6	6	6	6	6	6	6	6
Payments:												
Employee Benefits & On-Costs	(1,158)	(1,064)	(1,158)	(1,237)	(1,217)	(1,247)	(1,278)	(1,310)	(1,343)	(1,376)	(1,411)	(1,446)
Materials & Contracts	(719)	(675)	(907)	(827)	(848)	(869)	(891)	(913)	(936)	(959)	(983)	(1,008)
Borrowing Costs	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	(257)	-	-	-	-	-	-	-	-	-	-
Net Cash from Operating Activities	**1,525**	**1,889**	**1,375**	**1,536**	**1,613**	**1,638**	**1,710**	**1,775**	**1,850**	**1,946**	**2,044**	**2,083**
Cash Flows from Investing Activities												
Receipts:												
Sale of Investment Securities												
Sale of Infrastructure, Property, Plant & Equipment												
Payments:												
Purchase of Investment Securities												
Purchase of Infrastructure, Property, Plant & Equipment	(699)	(1,760)	(4,357)	(195)	(2,196)	(2,143)	(486)	(894)	(742)	(345)	(536)	(2,111)
Net Cash from Investing Activities	**(699)**	**(1,760)**	**(4,357)**	**(195)**	**(2,196)**	**(2,143)**	**(486)**	**(894)**	**(742)**	**(345)**	**(536)**	**(2,111)**
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings & Advances												
Payments:												
Repayment of Borrowings & Advances												
Net Cash from Financing Activities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net Increase/(Decrease) in Cash & Cash Equivalents	**826**	**129**	**(2,982)**	**1,342**	**(583)**	**(505)**	**1,224**	**881**	**1,108**	**1,601**	**1,507**	**(27)**
Plus: Cash & Cash equivalents - beginning of year	8,393	9,407	9,536	6,554	7,895	7,312	6,807	8,031	8,912	10,020	11,622	13,129
Cash & Cash Equivalents - end of the year	**9,407**	**9,536**	**6,554**	**7,895**	**7,312**	**6,807**	**8,031**	**8,912**	**10,020**	**11,622**	**13,129**	**13,102**

Domestic Waste Management

	2020	2021	2022	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
	Actuals	Actuals	Actuals	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Income Statement														
Income														
Rates and annual charges	1,859	1,940	2,006	2,112	2,217	2,328	2,386	2,446	2,507	2,570	2,634	2,700	2,768	2,837
Users charges and fees	821	722	712	1,063	1,090	1,117	1,145	1,173	1,203	1,233	1,264	1,295	1,328	1,361
Interest and investment revenue	108	51	21	86	273	251	316	345	429	507	607	746	922	923
Other revenues	35	40	59	41	42	43	44	45	47	48	49	50	51	53
Total Income	**2,824**	**2,752**	**2,798**	**3,302**	**3,623**	**3,740**	**3,891**	**4,010**	**4,185**	**4,357**	**4,554**	**4,791**	**5,069**	**5,174**
Expenditure														
Employee benefits and on-costs	829	839	873	898	920	943	967	991	1,016	1,041	1,067	1,094	1,121	1,149
Materials and contracts	1,379	1,602	1,431	1,544	1,644	1,719	1,861	1,955	2,052	2,155	2,263	2,376	2,495	2,619
Borrowing costs														
Depreciation and amortisation	30	39	273	265	270	276	291	297	303	309	315	322	328	335
Other expenses	20	2,684	287	295	302	360	369	428	439	500	512	575	589	604
Net losses from the disposal of assets	-	-	445	-										
Total Expenses	2,257	5,163	3,309	3,002	3,137	3,297	3,488	3,671	3,810	4,005	4,157	4,366	4,533	4,707
Operating Net Result excluding Capital Grants	**567**	**(2,411)**	**(512)**	**301**	**485**	**442**	**403**	**339**	**375**	**352**	**397**	**425**	**536**	**466**
Operating Result including Capital Grants	**567**	**(2,411)**	**(512)**	**301**	**485**	**442**	**403**	**339**	**375**	**352**	**397**	**425**	**536**	**466**