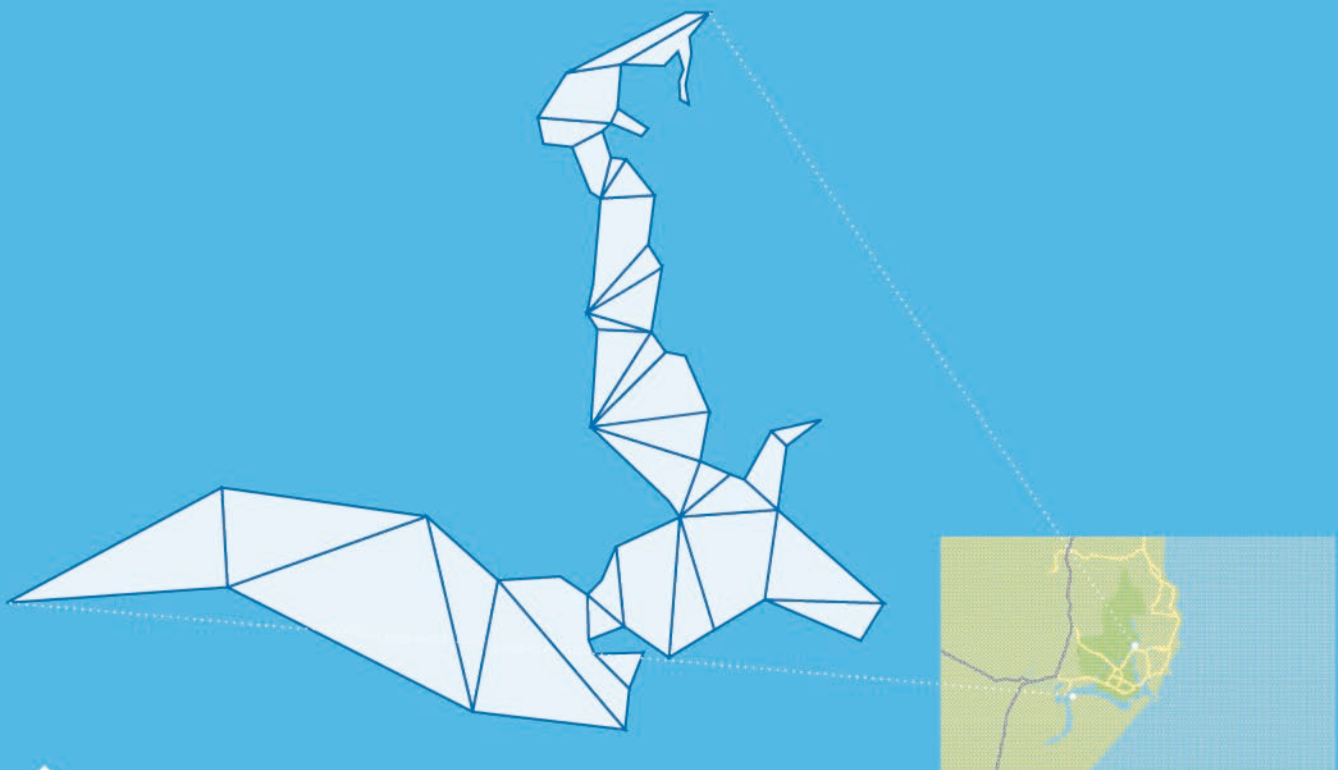
long term financial plan. LTFP

2023/24 – 2032/33

Adopted 22 June 2023

ballina
shire council

our community our future



Our design rationale for this document is based on a conceptual interpretation of its contents. To symbolise the strategic community approach, we have used segmented shapes to represent the elements of the community that fit into the geographic focus – Ballina. Together, the shapes form the Ballina River map. Every element impacts on the challenges, direction and ultimately the future of its entire form – our community. We hope you enjoy the journey and the view.

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1. Introduction

Councils are required to prepare a ten-year Resourcing Strategy to identify the resources needed to implement their Community Strategic Plan, Delivery Program and Operational Plan. The Resourcing Strategy consists of the Asset Management Plan, Workforce Plan and Long-Term Financial Plan (LTFP). This document provides an overview of Council's LTFP. The LTFP is based on a financial planning period of ten years. The information in this document provides a summary of the LTFP including:

- Overview of methods for monitoring financial performance
- major assumptions applied in the development of the LTFP
- projected income and expenditure

What is a LTFP and what is its purpose?

A LTFP is a financial decision-making tool. It is the point at which long-term community aspirations are tested against financial realities. It consists of expenditure and revenue projections, based on several assumptions.

The LTFP is a tool for stakeholders (Council and the community) in deciding what resources Council needs to deliver on the outcomes contained within the Community Strategic Plan.

The primary purpose is to inform financial decision-making and to monitor Council's financial performance, along with balancing the short, medium and long term expectations of the community.

The LTFP seeks to answer the following questions:

- Can we survive the financial pressures of the future?
- What are the opportunities for future income and economic growth?
- Can we afford what the community wants?
- How can we go about achieving these outcomes?

The LTFP is updated annually in conjunction with the annual review of Council's Delivery Program and Operational Plan.

2. Long Term Financial Sustainability

The international Public Sector Accounting Standards Board defines financial sustainability as "the ability of the entity to meet service delivery and financial commitments both now and in the future".

This means that a financially sustainable council is one that can fund ongoing service delivery and the renewal and replacement of assets, without incurring excessive debt or rate increases.

Sustainability can be translated into four key financial objectives:

1) Council must aim for a fully funded operating position, reflecting that Council collects enough revenue to fund operational expenditure, repayment of debt and depreciation

2) Council must maintain sufficient cash reserves to ensure that it can meet its short-term working capital requirements

3) Council must have a fully funded capital expenditure program, where the source of funding is identified for capital renewal and new capital works

4) Council must maintain its existing asset base by renewing ageing infrastructure in a timely manner.

How do we measure our Financial Sustainability?

The indicators for measuring financial sustainability can be divided between short, medium and long term performance indicators.

a) Short and Medium Term Performance Indicators – Quarterly Budget Review

Within two months of the end of each quarter, a report must be submitted to the elected Council that complies with the Quarterly Budget Review Statement Guidelines set down by the NSW Office of Local Government (OLG).

These guidelines identify three key financial performance indicators that measure our short and medium term financial sustainability. The indicators are outlined in the following table.

Short and Medium Term Performance Indicators – Quarterly Budget Review

Ratio	Calculation	What is Being Measured?	Target and Indicator Source
Operational Liquidity - Short Term Focus			
Unrestricted Current Ratio	Unrestricted Current assets divided by unrestricted current liabilities. Measured as a ratio.	Council's ability to meet its short-term liabilities with its short-term assets.	>1.5:1 (NSW TCorp)
Fiscal Responsibility - Medium Term			
Operating Performance Ratio	Net operating result from continuing operations (excluding capital items) as a percentage of operating revenue (excluding capital items).	Measures whether the Council is sustainable in terms of its operating result.	>0% (OLG)
Debt Service Ratio	Loan principal and interest payments divided by revenue from continuing operations excluding capital items and specific purpose grants and contributions. Measured as a percentage.	A measure of whether Council has excessive debt servicing costs, relative to operating revenue.	<12% (Local Govt Managers Assoc Health Check)

b) Medium and Long Term Performance Indicators - Fit for the Future Program

The NSW State Government has stated that councils must be "Fit for the Future" to ensure that we have "strong councils providing the services and infrastructure communities need".

A Fit for the Future council is one that is:

- Sustainable
- Effectively managing infrastructure and delivering services for communities
- Efficient and saves money on bureaucracy and administration, freeing up funds for front-line services and community facilities
- Of a scale and capacity that can contribute to projects and tackle issues that impact on its residents and extend beyond the council boundary; and has credibility and influence across councils, across government, and with industry.

The OLG has developed seven financial criteria, including targets and benchmarks, for a Fit for the Future Council, as per the following table.

Medium and Long Term Performance Indicators – Fit for the Future

Objective / Ratio	**Rationale for Criteria from OLG**	**Rationale and calculation for Benchmark**	**Benchmark**
Objective – Sustainability **Definition - Generate sufficient funds over the longer term to provide the agreed level and scope of services and infrastructure for communities**			
Operating Performance Ratio	Operating performance ratio is an important measure as it provides an indication of how a Council generates revenue and allocates expenditure (e.g. asset maintenance, staffing costs). It is an indication of continued capacity to meet on-going expenditure requirements. Ongoing operating deficits are unsustainable. While operating deficits are acceptable over a short period, consistent deficits will not allow Councils to maintain or increase their assets and services or execute their infrastructure plans.	NSW Treasury Corporation (TCorp) recommended that all councils should at least have a break-even operating position or better, as a key component of financial sustainability. Consistent with this recommendation the benchmark for this criteria is greater than or equal to break even over a three-year period. This indicator is the annual operating result, being operating revenues less operating expenses.	Greater than or equal to break even over three years
Own Source Revenue Ratio	Measures the degree of reliance on external funding sources (e.g. grants and contributions). This ratio measures fiscal flexibility. Financial flexibility increases as the level of own source revenue increases. It also gives councils greater ability to manage external shocks or challenges. Councils with higher own source revenue have greater ability to control or manage their own operating performance and financial sustainability.	TCorp has used a benchmark for own source revenue of greater than 60 per cent of total operating revenue. All councils should aim to meet or exceed this benchmark over a three-year period. This indicator is calculated from Total Continuing Operating Revenue less all grants and contributions divided by Total Continuing Operating Revenue inclusive of capital grants and contributions.	Greater than 60% of total operating revenue averaged over three years

Objective / Ratio	Rationale for Criteria from OLG	Rationale and calculation for Benchmark	Benchmark
Building and Infrastructure Asset Renewal Ratio	Represents the replacement or refurbishment of existing assets to an equivalent capacity or performance, as opposed to the acquisition of new assets or the refurbishment of old assets that increase capacity or performance. The ratio compares the proportion spent on infrastructure asset renewals and the asset's deterioration. A higher ratio is an indicator of strong performance.	This indicator is calculated based on Expenditure on Asset renewals (building and infrastructure) divided by the total of depreciation, amortisation and impairment (building and infrastructure) expenses.	Greater than 100% averaged over three years
Objective - Effective Infrastructure and Service Management **Definition - Maximise return on resources and minimise unnecessary burden on the community and business, while working strategically to leverage economies of scale and meet the needs of communities**			
Infrastructure Backlog Ratio	Indicates the proportion of backlog against the total value of the Council's infrastructure assets. It is a measure of the extent to which asset renewal is required to maintain or improve service delivery in a sustainable way. This measures how councils are managing their infrastructure which is so critical to effective community sustainability. High infrastructure backlog ratios and an inability to reduce this ratio in the near future indicate an underperforming Council in terms of infrastructure management and delivery.	This ratio is calculated by dividing the total estimated cost to bring the assets to a satisfactory condition, divided by the total value (written down value) of infrastructure, buildings, other structures and depreciable land improvement assets.	Less than 2%
Asset Maintenance Ratio	The asset maintenance ratio reflects the actual asset maintenance expenditure relative to the required asset maintenance as measured by an individual council. The ratio provides a measure of the rate of asset degradation (or renewal) and has a role in informing asset renewal and capital works planning.	The benchmark adopted is greater than one hundred percent, which implies that asset maintenance expenditure exceeds the council identified requirements. A ratio of less than one hundred percent indicates that there may be a worsening infrastructure backlog.	Greater than 100% averaged over three years
Debt Service Ratio	Prudent and active debt management is a key part of a council's approach to both funding and managing infrastructure and services over the long term. Prudent debt usage can also assist in smoothing funding costs and promoting intergenerational equity. Given the long life of many council assets it is appropriate that the cost of these assets should be equitably spread across the current and future generations of users and ratepayers. Effective debt usage allows councils to do this.	Councils with low debt may incorrectly place the funding burden on current ratepayers when it should be spread across generations, who also benefit from the assets. Likewise high levels of debt generally indicate a weakness in financial sustainability and/or poor balance sheet management. This indicator is calculated by the cost of debt service (interest expense and principal repayments) divided by total continuing operating revenue (excluding capital grants and contributions)	Greater than 0% and less than 20% (this target is higher than that recommended by the Local Govt Managers Assoc Health check as outlined earlier)

Objective / Ratio	Rationale for Criteria from OLG	Rationale and calculation for Benchmark	Benchmark
Objective - Efficiency **Definition - Efficient service and infrastructure delivery, achieving value for money for current and future ratepayers**			
Decrease in Real Operating Expenditure Per Capita over time.	The capacity to secure economies of scale over time is a key indicator of operating efficiency. The capacity to secure efficiency improvements can be measured with respect to a range of factors, for example population, assets, and financial turnover. It is challenging to measure productivity changes over time. To overcome this, changes in real per capita expenditure was considered to assess how effectively councils: • can realise natural efficiencies as population increases • can make necessary adjustments to maintain current efficiency if population is declining (e.g. appropriate reductions in staffing or other costs). Assuming that service levels remain constant, decline in real expenditure per capita indicates efficiency improvements (i.e. the same level of output per capita is achieved with reduced expenditure).	The measure 'trends in real expenditure per capita' reflects how the value of inflation adjusted inputs per person has grown over time. In the calculation, the expenditure is deflated by the Consumer Price Index (for 2009-11) and the Local Government Cost Index (for 2011-14) as published by the Independent Pricing and Regulatory Tribunal (IPART). Councils will be assessed on a joint consideration of the direction and magnitude of their improvement or deterioration in real expenditure per capita. Given that efficiency improvements require some time for the results to be fully achieved and as a result, this analysis will be based on a five-year trend.	Decrease in real operating expenditure based on a five-year trend

The Operating Performance Ratio is one of the key benchmarks for the Fit for the Future Program. The LTFP forecasts that Council achieves an operating surplus on a consolidated basis from 2026/27 onwards, however Council projects an operating deficit for the General Fund for the entire forecast. This means that Council needs to look at expense savings, extra revenue, or both, to ensure sustainability for the General Fund.

3. Fund Management

Ballina Shire Council is a general-purpose local government authority, undertaking a wide range of activities including the provision of water and wastewater (sewer) services. All revenues raised from charges levied for the provision of water and wastewater services must be expended on those activities. To ensure a high level of accountability Council operates its water and wastewater functions as separate business activities. This is often referred to as Fund Accounting (i.e. Water Fund and Wastewater Fund). This process ensures that the income and expenses from these activities is not mixed with Council's general-purpose activities. All the remaining Council activities are referred to as the General Fund.

4. Revenues

A council's ability to raise revenues is outlined in Chapter 15 of the Local Government Act (LGA), with Section 491 identifying the major sources of income as:

- rates
- annual charges
- fees
- grants
- borrowings
- investments

Rates Income (Sections 492 to 495 of the LGA)

Rate income is one of the main sources of revenue for Council, representing approximately 23% of our total operating revenues. Council has the following rating categories of rateable land, as prescribed in the LGA, with each rateable property categorised based on its dominant use:

- Residential
- Farmland
- Business

Council's rating structure consists of a base charge and a rate in the dollar on the land value. The base charge is a standard amount which is applied to all properties. The rate in the dollar is a distribution of the residual rating income, calculated as a proportion of property land valuations. The land valuation calculated for each property is determined by the NSW Valuer General.

Council calculates its rating charges with the intention of generating 50% (or as close thereto as possible) of the total rate levy for residential properties from the base charge. That base charge amount is then applied to the other rating categories (i.e. farmland and business).

Council considers a rating structure that maximises revenue from the base charge, as the fairest and most equitable distribution of the rate levy, as it reduces the impact of land valuations and more accurately reflects the level of service received by properties.

Council has also set a benchmark that approximately 19% of the total rate levy will come from business properties. This benchmark was originally set at 20% in 2006, as prior to this, Council's average business rate was one of the lowest in the State for similar sized councils.

Council achieved the 20% benchmark in 2010/11. However, since that date, the rateable value of business property land values has been increasing at a far lower pace than residential and farmland properties. This has meant that Council has had to steadily increase the rate in the dollar applied to business property land values to achieve the original 20% benchmark.

There is now a concern that the very high differential applied for the rate in the dollar, as compared to residential properties, is placing an unfair rating burden on business properties. In response to this Council has been slowly decreasing the 20% benchmark to reduce the amount of the rating differential between business and residential properties.

The benchmark figure for 2023/24 is 19.0% and once that figure is applied the rate in the dollar for farmland and residential properties is calculated, with farmland being set at a proportionate level below residential, based on historical rating structures (approximately a 11% discount).

The rate income yield for NSW councils has also been constrained for many years by NSW State Government rate pegging.

This is a legislative instrument whereby the maximum increase in rate revenue is set by the Independent Pricing and Regulatory Authority (IPART).

This is referred to as the rate peg limit and IPART sets a new limit each year.

Annual Charges (Sections 496, 496A, 496B, 501 and 611 of the LGA)

Annual charges are statutory charges that Council is allowed to levy on properties for the provision of services, even if the property owner elects not to receive that service. Revenue raised from these charges can only be expended on the services to which they relate. The annual charges levied by Council are as follows:

- Domestic Waste Collection – Levied on all properties where the domestic waste collection service, including vacant land, is available. This charge raises revenue to finance the collection service along with waste disposal charges.
- Stormwater - Levied on identified business properties for stormwater improvements.
- Water Access – This represents a fixed annual access charge where the water service is available. A water consumption charge is also applied based on water usage. The revenue from these charges assists in financing Council’s water operations.
- Wastewater (Sewerage) Access – This represents a fixed annual access charge where the service is available. For business properties the wastewater charge includes a component based on water usage. This revenue assists in financing Council’s wastewater operations.
- On-site Septic Management – Levied on all properties with on-site septic management systems (OSSMs) with the revenue funding an inspection and compliance program for Council to progressively check those systems.

User Charges, Discretionary and Regulatory Fees (Sections 502 and 608 of the LGA)

Council can raise revenues through the adoption of a fee for the provision of services or facilities. The fees Council charges can be split into two categories:

1) Usage Charges (Section 502) – Section 502 of the LGA allows council to set usage charges for items such as water consumption, waste management services and wastewater usage. The revenues raised from these usage charges must be expended on the services to which they relate.

2) Regulatory and Discretionary Fees – Regulatory fees are typically set by State Government legislation and relate mainly to building, development or compliance activities, whereas for discretionary fees Council has the capacity to determine a fee for any discretionary works or services, such as the use of community facilities or access to Council services. Typically, revenues from regulatory or discretionary fees can be expended on any council activity.

The principles under which Council sets its fees and charges consider the works and services provided, the comparable commercial value of the works and services provided, and the ability of residents to pay, at the pricing level determined appropriate.

Section 7.11 and Section 64 Developer Contributions

Development contributions are a charge that Council can impose on development consents to help fund the delivery of infrastructure that is needed for that development. They can only be imposed as a condition of consent.

They are usually payable when a linen plan is released for subdivision purposes, or alternatively prior to a development commencing.

To levy a contribution, Council must first adopt a Contributions Plan. The plan sets out what infrastructure is needed, the likely timing of its construction, the cost of the works and how the cost is to be shared by developers and Council.

Council can only levy a contribution if it is in accordance with an adopted Contributions Plan.

The Environmental Planning and Assessment Act sets out the rules for development contributions.

The Minister for Planning issues Directions that can provide further detail to the rules, such as imposing a cap on the contributions.

Implications of Section 7.11 and Section 64 Contributions on the LTFP include:

1. In 2010 the State Government introduced a cap of $20,000 on the amount of money councils could collect for each residential lot under a Section 7.11 plan. The NSW State Government affordability threshold cap has been increased to $30,000 for Cumbalum Precinct A. The introduced cap impacts on Council's ability to fund the works required to build new communities. Any shortfall must be financed by Council.

2. The works within the Section 7.11 and Section 64 Plans must be continually reviewed to ensure that cash flow projections and the value of works remain accurate.

3. The timing of Section 7.11 and Section 64 cash flows cannot always be matched with the timing of when the work is required. Where a cash shortage is identified because of timing, Council will consider forward funding the works, subject to budgetary constraints.

Grants

Council receives a variety of grants for recurrent services such as libraries and rural fire services, with the major discretionary grant being the Federal Government's Financial Assistance Grant (FAG).

The FAG is initially distributed to the State Governments, who then distribute the funding to all NSW councils based on a formula that applies horizontal equalisation principles, i.e. the formula is based on the perceived needs of each council.

The FAG is currently $5.2m per annum and the income from this grant can be distributed on any services, as determined by Council.

Income from grants can be for operating purposes or for capital works.

Operating grants represent approximately 9% of our total operating revenues, whereas capital grants for capital projects varies from year-to-year dependent on Council's success in obtaining grants.

Loan Borrowings

Council's strategy on funding expenditure through loan borrowings is:

1. Funds will only be borrowed for capital projects

2. Council will consider the use of loans to ensure existing residents are not burdened with the cost of infrastructure, which will be enjoyed by future generations. This is known as inter-generational equity

3. Loan borrowings will only be considered, after all other potential funding strategies have been investigated, including the use of cash reserves and external funding opportunities

4. The use of loans to fund operational shortfalls or service expansion is not supported

5. Council must ensure there is capacity to service the debt from recurrent revenues

6. Council's debt ratios should always remain within industry defined benchmarks.

Cash Reserves, Investment Principles and Interest Income

Council has several cash reserves, which are established by either a legislative requirement (externally restricted) or by a Council decision (internally restricted). Externally Restricted Reserves can only be used for the purpose for which the funds were collected, whereas Internally Restricted Reserves are allocated by Council.

Council has an adopted Investment Policy that outlines how Council will invest any surplus cash monies held. The overall objective of this policy is to ensure that Council invests its available cash funds:

1. in accordance with the requirements of the LGA and

2. to maximise the return on investments after considering the level of risk attributable to the type of investment made, and the level of funds required to ensure that Council meets its budget obligations.

Council has control over the interest it earns on General Fund revenues and internally restricted reserves however the interest earned on all externally restricted reserves (i.e. Section 7.11 and Section 64 developer contributions, domestic waste management reserve, water and wastewater reserves) must be allocated to those reserves, as the use of those funds is restricted by external legislation. The management of Council's reserves is considered annually as part of the budget process and the need for new reserves forms part of Council's long term financial planning.

Other Revenues - Property Management

The majority of Council's property assets are held to deliver on services such as:

- Transport infrastructure such as land for roads, footpaths etc
- Environmental services, such as stormwater and waste management
- Community facilities
- Operational assets, including administration buildings
- Utility infrastructure such as water and wastewater pumping stations and treatment plants
- Commercial property to generate current and future revenues.

As per the last dot point, Council is somewhat unique in that we hold a major property portfolio that assists in generating non-standard revenues for Council.

The major commercial properties owned by Council are industrial land holdings within the Southern Cross Industrial Estate, Ballina and the Russellton Industrial Estate, Alstonville, along with residential land holdings in Wollongbar and Lennox Head. Council also owns four commercial buildings in Ballina (i.e. Wigmore Arcade, 89 Tamar Street, 2-6 Cessna Crescent, Fawcett Park Cafe) and the land on which the Shelly Beach café is located.

We also generate income from Crown Land managed by Council, including Cafes at the Ballina Surf Club and the Northern Rivers Community Gallery.

In respect to the industrial and residential land holdings, funds surplus to any project are directed to either major community infrastructure projects or reinvested into further property development activities.

In respect to the commercial property holdings, sale of these properties has not been supported as the rental revenue provides recurrent funds for community infrastructure investment and the recurrent revenues help to improve our overall financial sustainability.

Council may consider sale where:

a) Market conditions indicate that the asset could provide a substantial return, which could be used to fund other capital investments

b) The asset is incurring a higher level of maintenance cost than would normally be expected; and

c) Council has an opportunity to leverage the sale proceeds to generate significant tangible outcomes to the community, without impacting on future service levels.

Whilst the revenues generated from the sale of commercial properties could be used to alleviate operational budget pressures, this is a financially unsustainable measure, as the funding is not recurrent and only provides a short term, one-off, solution.

5. Expenditure

Expenditure in the LTFP is classified as either operating or capital.

Our operating expenditure is made up of:

- Employee Benefits and Oncosts – This figure is around 24% of our annual operating expenses and is currently forecast at approximately $30m. This includes all salaries and wages, along with oncosts such as leave entitlements, workers compensation, superannuation, fringe benefits tax, training and development costs and payroll tax.

- Borrowing Costs – Represents all interest payable on loan borrowings.

- Depreciation – This is a non-cash item that reflects the theoretical deterioration value for the assets held by Council. The current depreciation expense is approximately $26m reflecting the magnitude of Council’s infrastructure assets, which are valued in excess of $1.3 billion.

- Materials and Contracts – This is the largest operating expense item with this figure normally ranging from 35% to 45% of our operating budget. Numerous Council services are delivered or supported using external purchases and contracts.

Capital expenditure includes expenditure on capital projects and the repayment of loan principal.

Expenditure on capital projects can vary significantly from year to year based on the timing of works and the funding sources available (i.e. grants).

As a general guide in preparing the LTFP:

- Council will try and minimise increases in operating expenses to improve the overall operating result and

- Council will aim to increase the funding allocated to key capital infrastructure areas such as open spaces, drainage and roads, above CPI, over time, to improve our levels of asset investment and renewal.

6. Assumptions

The LTFP uses the current operating budget as its base point, then applies a number of internal and market driven assumptions to project revenue and expenditure for the following ten years.

In preparing the 2023/24 LTFP, the following underpinning principles have been adopted:

- the range and service level for existing services offered to the community is maintained

- the financial position must remain secure

- our financial performance should aim towards meeting industry benchmarks and the long-term financial sustainability of Council.

Rate Peg

The individual rate peg for Ballina Shire for 2023/24 has been set, by IPART, at 3.9%, which is inclusive of 0.2% population growth factor due to the number of supplementary land valuations issued by Council during the past 12 months.

Population Growth

The Ballina Shire population forecast for 2023 is 47,621 and is forecast to grow to 55,645 by 2036 at an average annual change of 0.94%.

This is supported by relatively large greenfield land release areas in several localities including Cumbalum, Kinvara, Lennox Head and Wollongbar as well as some infill development within existing urban centres.

The following table provides an overview of key population statistics for Ballina Shire for the period 2021 to 2036 (compiled by .id for Ballina Shire Council – March 2023).

Ballina Shire – Forecast Growth

Summary	2021	2026	2031	2036
Population	46,166	49,587	52,646	55,645
Change in population (5yrs)		3,421	3,059	2,998
Average annual change		**7.41%**	**6.17%**	**5,70%**
Households	19,336	20,339	21,337	22,373
Average household size	2.34	2.40	2.42	2.44
Dwellings	20,837	21,883	22,957	24,061
Dwelling occupancy rate	92.8	92.94	92.94	92.98

Employee Costs

Increases in employee costs are determined by Local Government NSW (the NSW Local Government employer association) in conjunction with the various unions.

As per the award the increases on wages are 4.50% for 2023/24, 4% for 2024/25 and 3.5% for 2025/26.

Dividends

Council can source dividends from our Water and Wastewater operations and transfer funds to the General Fund, based on criteria determined by the State Government. A mandatory dividend, based on these criteria, of $36,000 from Water and $45,000 from Wastewater is included in the LTFP. These figures are set by legislation and have not changed for many years.

Council can source additional optional dividends from the Water and Wastewater operations subject to their financial position meeting defined financial criteria that ensures the activity is financially strong enough to fund the dividends.

This LTFP is based on a proposed non-compulsory dividend of $540,000 per annum from the Wastewater operations, commencing in 2023/24. The revenue from this dividend, if approved by the State Government, will be expended on additional stormwater renewal works in 2024/25.

Council also sources dividends from General Fund activities to assist in delivering services to the community, with the Cemetery, Flat Rock, Landfill and Resource Recovery and Property Operations being the main contributors.

Water, Wastewater and Waste Charges

These three activities generate a significant percentage of our total revenues from the application of annual and usage charges.

Individual business plans are formulated for these activities and the forecast increases in the relevant charges are based on modelling in the business plans.

Comparative Data

As a government organisation, providing a range of monopoly services within the local government area, it is difficult for Council to measure efficiency, which means benchmarking with other councils is one of the key indicators of performance.

The NSW Office of Local Government has created the Your Council website (yourcouncil.nsw.gov.au), which provides useful comparative data, although the figures are typically two years behind the financial modelling.

Key comparative data from that website is as follows, with the figures based on 2020/21 financial information.

The group average information represents councils of a similar size and location, with Ballina Shire being a Group 4 council.

Group 4 includes regional councils, with at least one major urban centre of population, with populations from 30,000 to 70,000.

Indicator	**Ballina Shire**	**Group 4 Average**
Councillors	10	10
Population Per Councillor	4,522	4,065
Equivalent Full Time Employees	337	370
Socio-economic Index Rank (1 low, 128 high)	92	59
Population Per Staff Member	134	108
Residential Pensioner Rebates (%)	21	18
Active Businesses in the LGA	4,550	3,422
Unemployment Rate %)	4	5
Value of DAs Determined ($'000)	202,164	131,455
Development Applications (Mean Gross Days)	48	47
Average Ordinary Residential Rate ($)	1,119	1,164
Average Business Rate ($)	3,529	3,844
Average Farmland Rate ($)	1,746	2,456
Typical Residential Water Bill ($)	600	350
Typical Residential Wastewater Bill ($)	1,027	777
Average Domestic Waste Charge ($)	441	368
Own Source Revenue (%)	64.1	64
Grants and Contributions Revenue (%)	35	36
Operating Performance Ratio (%)	5.4	-2.4
Unrestricted Current Ratio	2.7	2.8
Outstanding Rates and Charges (%)	4.2	7.7
Debt Service Ratio	10.7	6.1
Building and Infrastructure Renewal Ratio (%)	69.6	86.2
Infrastructure Backlog Ratio (%)	1.5	4.6
Governance and Administration Expenditure Per Capita	45	508
Roads, Bridges and Footpath Expenditure Per Capita ($)	383	412
Water Services Expenditure Per Capita ($)	321	503
Wastewater Services Expenditure Per Capita	389	453
Recycling Rate (%)	54	47

Council's average rate income is below average for all categories, with this then matched by employee numbers and some expenditure per capita also below the Group 4 average.

Summary of Revenue and Expenditure Assumptions – LTFP

The following tables summarises Council's core financial planning assumptions for the LTFP.

Item / Year	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Revenue										
Rate Peg Limit	3.90%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Rate Growth	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
Fin Assistance Grant	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Fees	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Domestic Waste Charge	4.00%	3.00%	5.00%	5.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Stormwater charge	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Water – Access Charge	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	2.50%
Water – Consumption	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	2.50%
Wastewater – Access	2.50%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
Wastewater – Usage	2.50%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
Expenditure										
Employee Costs	4.50%	4.00%	3.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Recurrent Costs	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Depreciation Costs	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%
Capital Expenditure	4.00%	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Other										
Interest on Investments	4.00%	4.25%	4.50%	4.75%	5.00%	5.25%	5.25%	5.25%	5.25%	5.25%
Interest on Loans	5.00%	5.25%	5.50%	5.75%	6.00%	6.25%	6.25%	6.25%	6.25%	6.25%

7. Scenario Modelling

There are three financial models included in this LTFP:

Model 1 – Based on the financial planning assumptions outlined above, which includes annual depreciation costs indexation of 3.15%, based on the average increase for the last 10 years. Council achieves an operating surplus on a consolidated basis by year three and the General Fund by year seven.

Model 2 – Based on annual depreciation cost indexation of 2.5%, being the current CPI assumption used for recurrent expenditure. This model sees the General Fund reaching an operating surplus by year six.

Model 3 – Based on a rate peg limit of 5.0% for four consecutive years (2024/25 to 2027/28) and the standard rate peg for remaining years as per the above assumptions. This model ensures the General Fund reaches an operating surplus by year four.

All models assume there are no changes to service levels. There is no change to the Water and Wastewater forecasts under Models 1 to 3. The Fit for the Future benchmarks are all based on the three-year average.

Model 1 – Consolidated Operating Results ($’000) – Depreciation cost index 3.15%

Item	2023/24 (‘000)	2024/25 (‘000)	2025/26 (‘000)	2026/27 (‘000)	2027/28 (‘000)	2028/29 (‘000)	2029/30 (‘000)	2030/31 (‘000)	2031/32 (‘000)	2032/33 (‘000)
Operating Revenues										
Rates / Annual Charges	62,003	64,007	66,115	68,145	70,017	71,953	73,944	76,001	78,134	80,107
User Charges and Fees	45,547	47,654	49,836	51,854	53,861	55,700	57,726	59,828	62,133	63,867
Investment Revenues	2,922	2,879	2,821	3,048	3,352	3,547	3,874	4,365	4,791	5,350
Operating Grants	12,420	9,404	9,645	9,890	10,144	10,328	10,577	10,692	10,954	11,225
Other Revenues	5,661	5,811	5,964	6,120	6,281	6,446	6,615	6,788	6,965	7,147
Sub Total	**128,553**	**129,755**	**134,381**	**139,057**	**143,655**	**147,974**	**152,736**	**157,674**	**162,977**	**167,696**
Operating Expenses										
Employee Costs	30,355	31,114	31,892	32,689	33,506	34,344	35,203	36,083	36,985	37,910
Materials and Contracts	63,457	61,535	62,602	64,956	67,128	69,462	71,388	73,824	76,767	78,570
Borrowing Costs	4,012	3,854	3,781	3,759	3,561	3,224	2,877	2,525	2,180	1,800
Depreciation	25,949	26,782	27,639	28,521	29,435	30,377	31,348	32,347	33,378	34,440
Other Expenses	4,392	4,034	3,436	3,501	3,587	3,675	3,791	3,860	4,014	4,051
Loss on Disposal	2,880	2,937	2,996	3,057	3,120	3,185	3,252	3,321	3,392	3,465
Sub Total	**131,045**	**130,256**	**132,346**	**136,483**	**140,337**	**144,267**	**147,859**	**151,960**	**156,716**	**160,236**
Surplus/(Deficit)	**(2,492)**	**(501)**	**2,035**	**2,574**	**3,318**	**3,707**	**4,877**	**5,714**	**6,261**	**7,460**

Model 1 – General Fund Operating Results ($’000) – Depreciation cost index 3.15%

Item	2023/24 (‘000)	2024/25 (‘000)	2025/26 (‘000)	2026/27 (‘000)	2027/28 (‘000)	2028/29 (‘000)	2029/30 (‘000)	2030/31 (‘000)	2031/32 (‘000)	2032/33 (‘000)
Operating Revenues										
Rates / Annual Charges	37,351	38,837	40,404	41,880	43,175	44,512	45,891	47,313	48,777	50,288
User Charges and Fees	34,595	36,161	37,772	39,186	40,558	41,721	43,041	44,396	45,913	47,218
Investment Revenues	1,710	1,843	1,921	2,340	2,698	2,862	3,129	3,343	3,485	3,756
Operating Grants	11,967	8,930	9,149	9,371	9,600	9,835	10,075	10,321	10,573	10,834
Other Revenues	4,380	4,496	4,615	4,735	4,860	4,988	5,118	5,252	5,389	5,529
Sub Total	**90,003**	**90,267**	**93,861**	**97,512**	**100,891**	**103,918**	**107,254**	**110,625**	**114,137**	**117,625**
Operating Expenses										
Employee Costs	23,242	23,823	24,418	25,029	25,655	26,297	26,955	27,628	28,318	29,026
Materials and Contracts	44,944	42,925	43,827	45,263	46,504	47,909	48,770	50,071	51,789	53,330
Borrowing Costs	1,881	1,940	2,083	2,271	2,299	2,175	2,045	1,909	1,778	1,637
Depreciation	19,402	20,029	20,673	21,335	22,022	22,730	23,460	24,211	24,986	25,784
Other Expenses	2,766	2,835	2,905	2,977	3,050	3,124	3,201	3,281	3,362	3,445
Loss on Disposal	1,800	1,857	1,916	1,977	2,040	2,105	2,172	2,241	2,312	2,385
Sub Total	**94,035**	**93,409**	**95,822**	**98,852**	**101,570**	**104,340**	**106,603**	**109,341**	**112,545**	**115,607**
Surplus/(Deficit)	**(4,032)**	**(3,142)**	**(1,961)**	**(1,340)**	**(679)**	**(422)**	**651**	**1,284**	**1,592**	**2,018**

Model 1 – General Fund – Fit for the Future Benchmarks (green = pass, red = fail)

Year	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Infrastructure Backlog (< 2.0%)	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.4%	0.4%
Asset Maintenance (three-year average > 100%)	97%	98%	98%	98%	98%	99%	99%	99%	99%	99%
Debt Service (three-year average < 20%)	11%	14%	11%	9%	5%	5%	5%	5%	4%	4%
Own Source Operating Rev (three-year average > 60%)	62%	66%	69%	71%	69%	68%	68%	71%	72%	73%
Real Operating Expenditure Per Capita (Decreasing in real terms)	135%	129%	128%	128%	127%	126%	125%	124%	123%	122%
Asset Renewal (three-year average > 100%)	164%	179%	163%	143%	140%	124%	122%	109%	107%	74%
Operating Performance (three-year average > 0%)	-3.9%	-3.2%	-1.3%	-0.3%	0.7%	1.2%	1.9%	2.5%	3.1%	3.5%

Model 2 – Consolidated Operating Results ($'000) – Depreciation cost index 2.50%

Item	2023/24 ('000)	2024/25 ('000)	2025/26 ('000)	2026/27 ('000)	2027/28 ('000)	2028/29 ('000)	2029/30 ('000)	2030/31 ('000)	2031/32 ('000)	2032/33 ('000)
Operating Revenues										
Rates / Annual Charges	62,003	64,007	66,115	68,145	70,017	71,953	73,944	76,001	78,134	80,107
User Charges and Fees	45,547	47,654	49,836	51,854	53,861	55,700	57,726	59,828	62,133	63,867
Investment Revenues	2,922	2,879	2,821	3,048	3,352	3,547	3,874	4,365	4,791	5,350
Operating Grants	12,420	9,404	9,645	9,890	10,144	10,328	10,577	10,692	10,954	11,225
Other Revenues	5,661	5,811	5,964	6,120	6,281	6,446	6,615	6,788	6,965	7,147
Sub Total	**128,553**	**129,755**	**134,381**	**139,057**	**143,655**	**147,974**	**152,736**	**157,674**	**162,977**	**167,696**
Operating Expenses										
Employee Costs	30,355	31,114	31,892	32,689	33,506	34,344	35,203	36,083	36,985	37,910
Materials and Contracts	63,457	61,535	62,602	64,956	67,128	69,462	71,388	73,824	76,767	78,570
Borrowing Costs	4,012	3,854	3,781	3,759	3,561	3,224	2,877	2,525	2,180	1,800
Depreciation	25,885	26,540	27,215	27,905	28,616	29,343	30,090	30,852	31,636	32,438
Other Expenses	4,392	4,034	3,436	3,501	3,587	3,675	3,791	3,860	4,014	4,051
Loss on Disposal	2,880	2,925	2,972	3,020	3,069	3,119	3,170	3,223	3,277	3,332
Sub Total	**130,981**	**130,002**	**131,898**	**135,830**	**139,467**	**143,167**	**146,519**	**150,367**	**154,859**	**158,101**
Surplus/(Deficit)	**(2,428)**	**(247)**	**2,483**	**3,227**	**4,188**	**4,807**	**6,217**	**7,307**	**8,118**	**9,595**

Model 2 - General Fund Operating Results ($'000) - Depreciation cost index 2.50%

Item	2023/24 ('000)	2024/25 ('000)	2025/26 ('000)	2026/27 ('000)	2027/28 ('000)	2028/29 ('000)	2029/30 ('000)	2030/31 ('000)	2031/32 ('000)	2032/33 ('000)
Operating Revenues										
Rates / Annual Charges	37,351	38,837	40,404	41,880	43,175	44,512	45,891	47,313	48,777	50,288
User Charges and Fees	34,595	36,161	37,772	39,186	40,558	41,721	43,041	44,396	45,913	47,218
Investment Revenues	1,710	1,843	1,921	2,340	2,698	2,862	3,129	3,343	3,485	3,756
Operating Grants	11,967	8,930	9,149	9,371	9,600	9,835	10,075	10,321	10,573	10,834
Other Revenues	4,380	4,496	4,615	4,735	4,860	4,988	5,118	5,252	5,389	5,529
Sub Total	**90,003**	**90,267**	**93,861**	**97,512**	**100,891**	**103,918**	**107,254**	**110,625**	**114,137**	**117,625**
Operating Expenses										
Employee Costs	23,242	23,823	24,418	25,029	25,655	26,297	26,955	27,628	28,318	29,026
Materials and Contracts	44,944	42,925	43,827	45,263	46,504	47,909	48,770	50,071	51,789	53,330
Borrowing Costs	1,881	1,940	2,083	2,271	2,299	2,175	2,045	1,909	1,778	1,637
Depreciation	19,379	19,872	20,381	20,901	21,437	21,984	22,547	23,121	23,711	24,315
Other Expenses	2,766	2,835	2,905	2,977	3,050	3,124	3,201	3,281	3,362	3,445
Loss on Disposal	1,800	1,845	1,892	1,940	1,989	2,039	2,090	2,143	2,197	2,252
Sub Total	**94,012**	**93,240**	**95,506**	**98,381**	**100,934**	**103,528**	**105,608**	**108,153**	**111,155**	**114,005**
Surplus/(Deficit)	**(4,009)**	**(2,973)**	**(1,645)**	**(869)**	**(43)**	**390**	**1,646**	**2,472**	**2,982**	**3,620**

Model 2 - General Fund - Fit for the Future Benchmarks (green = pass, red = fail)

Year	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Infrastructure Backlog (< 2.0%)	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.4%	0.4%
Asset Maintenance (three-year average > 100%)	97%	98%	98%	98%	98%	99%	99%	99%	99%	99%
Debt Service (three-year average < 20%)	11%	14%	11%	9%	5%	5%	5%	5%	4%	4%
Own Source Operating Rev (three-year average > 60%)	62%	66%	69%	71%	69%	68%	68%	71%	72%	73%
Real Operating Expenditure Per Capita (Decreasing in real terms)	135%	129%	128%	127%	126%	125%	124%	122%	122%	121%
Asset Renewal (three-year average > 100%)	164%	179%	164%	145%	143%	127%	126%	113%	112%	78%
Operating Performance (three-year average > 0%)	-3.9%	-3.1%	-1.1%	0%	1.1%	1.8%	2.6%	3.3%	4.1%	4.6%

Model 3 – Consolidated Operating Results ($'000) – 5% Rate Peg 2024/25 - 2027/28

Item	2023/24 ('000)	2024/25 ('000)	2025/26 ('000)	2026/27 ('000)	2027/28 ('000)	2028/29 ('000)	2029/30 ('000)	2030/31 ('000)	2031/32 ('000)	2032/33 ('000)
Operating Revenues										
Rates / Annual Charges	62,003	64,438	67,171	70,040	72,823	74,850	76,935	79,088	81,322	83,399
User Charges and Fees	45,547	47,654	49,836	51,854	53,861	55,700	57,726	59,828	62,133	63,867
Investment Revenues	2,922	2,879	2,821	3,048	3,353	3,549	3,877	4,369	4,796	5,357
Operating Grants	12,420	9,404	9,645	9,890	10,144	10,328	10,577	10,692	10,954	11,225
Other Revenues	5,661	5,813	5,970	6,132	6,298	6,463	6,633	6,807	6,985	7,167
Sub Total	**128,553**	**130,188**	**135,443**	**140,964**	**146,479**	**150,890**	**155,748**	**160,784**	**166,190**	**171,015**
Operating Expenses										
Employee Costs	30,355	31,114	31,892	32,689	33,506	34,344	35,203	36,083	36,985	37,910
Materials and Contracts	63,457	61,535	62,602	64,956	67,128	69,462	71,388	73,824	76,767	78,570
Borrowing Costs	4,012	3,854	3,781	3,759	3,561	3,224	2,877	2,525	2,180	1,800
Depreciation	25,949	26,782	27,639	28,521	29,435	30,377	31,348	32,347	33,378	34,440
Other Expenses	4,392	4,034	3,436	3,501	3,587	3,675	3,791	3,860	4,014	4,051
Loss on Disposal	2,880	2,937	2,996	3,057	3,120	3,185	3,252	3,321	3,392	3,465
Sub Total	**131,045**	**130,256**	**132,346**	**136,483**	**140,337**	**144,267**	**147,859**	**151,960**	**156,716**	**160,236**
Surplus/(Deficit)	**(2,492)**	**(68)**	**3,097**	**4,481**	**6,142**	**6,623**	**7,889**	**8,824**	**9,474**	**10,779**

Model 3 - General Fund Operating Results ($'000) - 5% Rate Peg 2024/25 - 2026/27

Item	2023/24 ('000)	2024/25 ('000)	2025/26 ('000)	2026/27 ('000)	2027/28 ('000)	2028/29 ('000)	2029/30 ('000)	2030/31 ('000)	2031/32 ('000)	2032/33 ('000)
Operating Revenues										
Rates / Annual Charges	37,351	39,268	41,460	43,775	45,981	47,409	48,882	50,400	51,965	53,580
User Charges and Fees	34,595	36,161	37,772	39,186	40,558	41,721	43,041	44,396	45,913	47,218
Investment Revenues	1,710	1,843	1,921	2,340	2,699	2,864	3,132	3,347	3,490	3,763
Operating Grants	11,967	8,930	9,149	9,371	9,600	9,835	10,075	10,321	10,573	10,834
Other Revenues	4,380	4,498	4,621	4,747	4,877	5,005	5,136	5,271	5,409	5,549
Sub Total	**90,003**	**90,700**	**94,923**	**99,419**	**103,715**	**106,834**	**110,266**	**113,735**	**117,350**	**120,944**
Operating Expenses										
Employee Costs	23,242	23,823	24,418	25,029	25,655	26,297	26,955	27,628	28,318	29,026
Materials and Contracts	44,944	42,925	43,827	45,263	46,504	47,909	48,770	50,071	51,789	53,330
Borrowing Costs	1,881	1,940	2,083	2,271	2,299	2,175	2,045	1,909	1,778	1,637
Depreciation	19,402	20,029	20,673	21,335	22,022	22,730	23,460	24,211	24,986	25,784
Other Expenses	2,766	2,835	2,905	2,977	3,050	3,124	3,201	3,281	3,362	3,445
Loss on Disposal	1,800	1,857	1,916	1,977	2,040	2,105	2,172	2,241	2,312	2,385
Sub Total	**94,035**	**93,409**	**95,822**	**98,852**	**101,570**	**104,340**	**106,603**	**109,341**	**112,545**	**115,607**
Surplus/(Deficit)	**(4,032)**	**(2,709)**	**(899)**	**567**	**2,145**	**2,494**	**3,663**	**4,394**	**4,805**	**5,337**

Model 3 - General Fund - Fit for the Future Benchmarks (green = pass, red = fail)

Year	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Infrastructure Backlog (< 2.0%)	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.4%	0.5%
Asset Maintenance (three-year average > 100%)	97%	98%	98%	98%	98%	99%	99%	99%	99%	99%
Debt Service (three-year average < 20%)	11%	14%	11%	9%	5%	5%	5%	5%	4%	4%
Own Source Operating Rev (three-year average > 60%)	62%	66%	69%	72%	70%	69%	69%	71%	73%	74%
Real Operating Expenditure Per Capita (Decreasing in real terms)	135%	129%	128%	128%	127%	126%	125%	124%	123%	122%
Asset Renewal (three-year average > 100%)	164%	179%	163%	143%	140%	124%	122%	109%	107%	74%
Operating Performance (three-year average > 0%)	-3.9%	-3.0%	-0.8%	0.9%	2.6%	3.6%	4.5%	5.1%	5.7%	6.1%

Model 1 and 3 - Water Fund Operating Results ($)

Item	2023/24 ('000)	2024/25 ('000)	2025/26 ('000)	2026/27 ('000)	2027/28 ('000)	2028/29 ('000)	2029/30 ('000)	2030/31 ('000)	2031/32 ('000)	2032/33 ('000)
Operating Revenues										
Rates / Annual Charges	4,662	4,929	5,216	5,513	5,830	6,166	6,512	6,878	7,274	7,460
User Charges and Fees	9,432	9,952	10,502	11,083	11,695	12,348	13,031	13,755	14,519	14,924
Investment Revenues	597	641	546	402	327	342	345	453	577	702
Operating Grants	188	200	212	224	237	175	179	183	188	193
Other Revenues	340	348	356	365	374	383	392	401	411	421
Sub Total	**15,219**	**16,070**	**16,832**	**17,587**	**18,463**	**19,414**	**20,459**	**21,670**	**22,969**	**23,700**
Operating Expenses										
Employee Costs	2,679	2,746	2,815	2,885	2,957	3,031	3,107	3,185	3,265	3,347
Materials and Contracts	11,546	11,523	11,522	12,221	12,986	13,802	14,698	15,603	16,653	16,792
Borrowing Costs	0	0	0	0	0	0	0	0	0	0
Depreciation	1,818	1,875	1,934	1,995	2,058	2,123	2,190	2,259	2,330	2,403
Other Expenses	178	182	186	190	195	200	205	210	215	220
Loss on Disposal	450	450	450	450	450	450	450	450	450	450
Sub Total	**16,671**	**16,776**	**16,907**	**17,741**	**18,646**	**19,606**	**20,650**	**21,707**	**22,913**	**23,212**
Surplus/(Deficit)	**(1,452)**	**(706)**	**(75)**	**(154)**	**(183)**	**(192)**	**(191)**	**(37)**	**56**	**488**

Model 1 and 3 - Wastewater Fund Operating Results ($)

Item	2023/24 ('000)	2024/25 ('000)	2025/26 ('000)	2026/27 ('000)	2027/28 ('000)	2028/29 ('000)	2029/30 ('000)	2030/31 ('000)	2031/32 ('000)	2032/33 ('000)
Operating Revenues										
Rates / Annual Charges	19,990	20,241	20,495	20,752	21,012	21,275	21,541	21,810	22,083	22,359
User Charges and Fees	1,520	1,541	1,562	1,585	1,608	1,631	1,654	1,677	1,701	1,725
Investment Revenues	615	395	354	306	327	343	400	569	729	892
Operating Grants	265	274	284	295	307	318	323	188	193	198
Other Revenues	941	967	993	1,020	1,047	1,075	1,105	1,135	1,165	1,197
Sub Total	**23,331**	**23,418**	**23,688**	**23,958**	**24,301**	**24,642**	**25,023**	**25,379**	**25,871**	**26,371**
Operating Expenses										
Employee Costs	4,434	4,545	4,659	4,775	4,894	5,016	5,141	5,270	5,402	5,537
Materials and Contracts	6,967	7,087	7,253	7,472	7,638	7,751	7,920	8,150	8,325	8,448
Borrowing Costs	2,131	1,914	1,698	1,488	1,262	1,049	832	616	402	163
Depreciation	4,729	4,878	5,032	5,191	5,355	5,524	5,698	5,877	6,062	6,253
Other Expenses	1,448	1,017	345	334	342	351	385	369	437	386
Loss on Disposal	630	630	630	630	630	630	630	630	630	630
Sub Total	**20,339**	**20,071**	**19,617**	**19,890**	**20,121**	**20,321**	**20,606**	**20,912**	**21,258**	**21,417**
Surplus/(Deficit)	**2,992**	**3,347**	**4,071**	**4,068**	**4,180**	**4,321**	**4,417**	**4,467**	**4,613**	**4,954**

Model 2 - Water Fund Operating Results ($)

Item	2023/24 ('000)	2024/25 ('000)	2025/26 ('000)	2026/27 ('000)	2027/28 ('000)	2028/29 ('000)	2029/30 ('000)	2030/31 ('000)	2031/32 ('000)	2032/33 ('000)
Operating Revenues										
Rates / Annual Charges	4,662	4,929	5,216	5,513	5,830	6,166	6,512	6,878	7,274	7,460
User Charges and Fees	9,432	9,952	10,502	11,083	11,695	12,348	13,031	13,755	14,519	14,924
Investment Revenues	597	641	546	402	327	342	345	453	577	702
Operating Grants	188	200	212	224	237	175	179	183	188	193
Other Revenues	340	348	356	365	374	383	392	401	411	421
Sub Total	**15,219**	**16,070**	**16,832**	**17,587**	**18,463**	**19,414**	**20,459**	**21,670**	**22,969**	**23,700**
Operating Expenses										
Employee Costs	2,679	2,746	2,815	2,885	2,957	3,031	3,107	3,185	3,265	3,347
Materials and Contracts	11,546	11,523	11,522	12,221	12,986	13,802	14,698	15,603	16,653	16,792
Borrowing Costs	0	0	0	0	0	0	0	0	0	0
Depreciation	1,807	1,852	1,898	1,945	1,994	2,044	2,095	2,147	2,201	2,256
Other Expenses	178	182	186	190	195	200	205	210	215	220
Loss on Disposal	450	450	450	450	450	450	450	450	450	450
Sub Total	**16,660**	**16,753**	**16,871**	**17,691**	**18,582**	**19,527**	**20,555**	**21,595**	**22,784**	**23,065**
Surplus/(Deficit)	**(1,441)**	**(683)**	**(39)**	**(104)**	**(119)**	**(113)**	**(96)**	**75**	**185**	**635**

Model 2 – Wastewater Fund Operating Results ($)

Item	2023/24 ('000)	2024/25 ('000)	2025/26 ('000)	2026/27 ('000)	2027/28 ('000)	2028/29 ('000)	2029/30 ('000)	2030/31 ('000)	2031/32 ('000)	2032/33 ('000)
Operating Revenues										
Rates / Annual Charges	19,990	20,241	20,495	20,752	21,012	21,275	21,541	21,810	22,083	22,359
User Charges and Fees	1,520	1,541	1,562	1,585	1,608	1,631	1,654	1,677	1,701	1,725
Investment Revenues	615	395	354	306	327	343	400	569	729	892
Operating Grants	265	274	284	295	307	318	323	188	193	198
Other Revenues	941	967	993	1,020	1,047	1,075	1,105	1,135	1,165	1,197
Sub Total	**23,331**	**23,418**	**23,688**	**23,958**	**24,301**	**24,642**	**25,023**	**25,379**	**25,871**	**26,371**
Operating Expenses										
Employee Costs	4,434	4,545	4,659	4,775	4,894	5,016	5,141	5,270	5,402	5,537
Materials and Contracts	6,967	7,087	7,253	7,472	7,638	7,751	7,920	8,150	8,325	8,448
Borrowing Costs	2,131	1,914	1,698	1,488	1,262	1,049	832	616	402	163
Depreciation	4,699	4,816	4,936	5,059	5,185	5,315	5,448	5,584	5,724	5,867
Other Expenses	1,448	1,017	345	334	342	351	385	369	437	386
Loss on Disposal	630	630	630	630	630	630	630	630	630	630
Sub Total	**20,309**	**20,009**	**19,521**	**19,758**	**19,951**	**20,112**	**20,356**	**20,619**	**20,920**	**21,031**
Surplus/(Deficit)	**3,022**	**3,409**	**4,167**	**4,200**	**4,350**	**4,530**	**4,667**	**4,760**	**4,951**	**5,340**

8. Scenario Comments

The scenarios highlight that under Model 1, the General Fund achieves an operating surplus by year seven. Under Model 2 an operating surplus is achieved by year six, whereas Model 3, with 5% rate peg increases for 2024/25, 2025/26, 2026/27 and 2027/28 and standard rate pegs for the remaining years, results in an operating surplus within the next four years. However, Council must balance the affordability of rates and charges against financial viability.

On a consolidated basis (General, Water and Wastewater combined) Models 1 to 3 generate an operating surplus by year three. The consolidated surplus is due to the large operating surplus generated by the Wastewater Fund.

With Model 1 as the preferred scenario, financial sustainability will continue to be a challenge, with ever increasing community demand for services and new infrastructure, increasing population and rising costs associated with maintenance and renewal of ageing infrastructure.

Savings will be pursued in operating expenditure, along with regular reviews of service levels, to maximise the funding available for asset renewal and to ensure the General Fund reaches the healthiest operating position possible.

The difficulty is that when expenditure (and revenue) benchmarks are compared to industry averages, Council typically rates favourably with lower costs and lower revenues.

With lower expenditure in many areas than other councils, every effort needs to be made to secure additional income from non-standard revenues, extra dividends, or grants, or as a last resort rate increases, to secure financial sustainability for the General Fund, particularly with respect to asset renewal.

Without adequate renewal and maintenance funding provided on an on-going basis, infrastructure deteriorates, resulting in reduced service levels, increased maintenance costs and increased risk due to asset failures.

9. Conclusion

Long term, Council is working towards financial sustainability, but this will be challenging due to the high value of Council's asset base and our comparatively low-rate yield. This means every effort must be made to reduce expenses and minimise increases in service levels.

Council also needs to carefully manage the construction of new assets, as any new asset creates an increased maintenance and renewal liability.

Based on current revenues, it will be extremely difficult for Council to change standards in service levels, or provide a wider range of services, due to the need to focus on core services such as asset maintenance and renewal.