

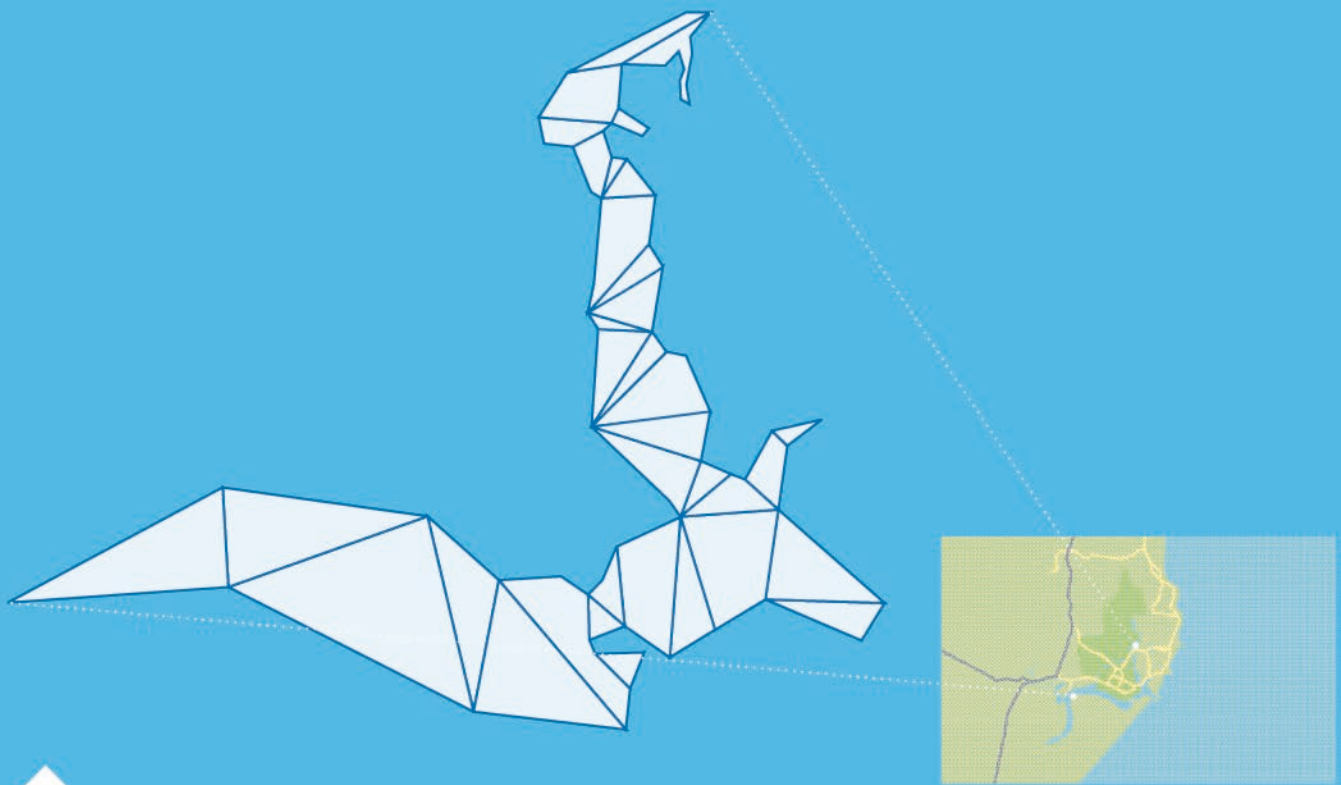


# *long term financial plan (LTFP)*

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2021/22 - 2030/31

# 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 used to develop 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 a number of 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 has the ability to 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
<b>Operational Liquidity - Short Term Focus</b>			
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)
<b>Fiscal Responsibility - Medium Term</b>			
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
<b>Objective – Sustainability</b>			
<b>Definition - Generate sufficient funds over the longer term to provide the agreed level and scope of services and infrastructure for communities</b>			
Operating Performance Ratio	<p>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.</p> <p>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.</p>	<p>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.</p> <p>Consistent with this recommendation the benchmark for this criteria is greater than or equal to break even over a three year period.</p> <p>This indicator is the annual operating result, being operating revenues less operating expenses.</p>	Greater than or equal to break even over three years
Own Source Revenue Ratio	<p>Measures the degree of reliance on external funding sources (e.g. grants and contributions). This ratio measures fiscal flexibility.</p> <p>Financial flexibility increases as the level of own source revenue increases. It also gives councils greater ability to manage external shocks or challenges.</p> <p>Councils with higher own source revenue have greater ability to control or manage their own operating performance and financial sustainability.</p>	<p>TCorp has used a benchmark for own source revenue of greater than 60 per cent of total operating revenue.</p> <p>All councils should aim to meet or exceed this benchmark over a three year period.</p> <p>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.</p>	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
<p><b>Objective - Effective Infrastructure and Service Management</b></p> <p><b>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</b></p>			
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	<p>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.</p> <p>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.</p>	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
<p><b>Objective - Efficiency</b></p> <p><b>Definition - Efficient service and infrastructure delivery, achieving value for money for current and future ratepayers</b></p>			
<p>Decrease in Real Operating Expenditure Per Capita over time.</p>	<p>The capacity to secure economies of scale over time is a key indicator of operating efficiency.</p> <p>The capacity to secure efficiency improvements can be measured with respect to a range of factors, for example population, assets, and financial turnover.</p> <p>It is challenging to measure productivity changes over time.</p> <p>To overcome this, changes in real per capita expenditure was considered to assess how effectively councils:</p> <ul style="list-style-type: none"> <li>• can realise natural efficiencies as population increases</li> <li>• can make necessary adjustments to maintain current efficiency if population is declining (e.g. appropriate reductions in staffing or other costs).</li> </ul> <p>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).</p>	<p>The measure 'trends in real expenditure per capita' reflects how the value of inflation adjusted inputs per person has grown over time.</p> <p>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).</p> <p>Councils will be assessed on a joint consideration of the direction and magnitude of their improvement or deterioration in real expenditure per capita.</p> <p>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.</p>	<p>Decrease in real operating expenditure based on a five year trend</p>

The Operating Performance Ratio is one of the key benchmarks for the Fit for the Future Program. Council's LTFP forecasts that Council achieves an operating surplus a consolidated basis for 2025/26 onwards, whereas the General Fund is forecast to generate operating deficits for the whole ten year period. This means that Council needs to look at expense savings or 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 24% 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 19.2% of the total rate levy will come from business properties. A benchmark was set, as prior to this, Council's average business rates were one of the lowest in the State for similar sized councils. As a result Council's average business rates are commensurate with similar sized councils and our neighbouring councils.

Once the rate in the dollar and the base charge is confirmed for the business properties, based on the 19.2% benchmark, 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 17% discount).

The rate income yield for NSW councils has 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.

### ***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 particular 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 has the ability to 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 take into account 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.

In order 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 as a result 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 \$4.75m per annum and the income from this grant is able to 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 8% 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 a number of 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 taking into account 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 Lands 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 particular 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 re-current 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 26% of our annual operating expenses, and is currently forecast at approximately \$29m. 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 \$23m reflecting the magnitude of Council's infrastructure assets, which are valued in excess of \$1 billion.

- Materials and Contracts – This is the largest operating expense item with this figure normally ranging from 30% to 40% of our operating budget. Numerous Council services are delivered or supported through the use of 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 2021/22 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 Pegging***

IPART has determined that the standard rate peg limit increase for 2021/22 is 2%.

### ***Population Growth***

It is expected that Ballina Shire will experience population growth at a rate of around 1% per annum to 2036.

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 2016 to 2036 (compiled by .id for Ballina Shire Council – December 2017).

#### **Ballina Shire – Forecast Growth**

<b>Summary</b>	<b>2016</b>	<b>2021</b>	<b>2026</b>	<b>2031</b>	<b>2036</b>
Population	42,629	44,840	46,875	49,013	51,238
Change in population (5yrs)		2,212	2,035	2,138	2,225
<b>Average annual change</b>		<b>1.02%</b>	<b>0.89%</b>	<b>0.90%</b>	<b>0.89%</b>
Households	17,974	18,947	19,821	20,732	21,657
Average household size	2.33	2.33	2.33	2.32	2.32
Dwellings	19,356	20,478	21,524	22,598	23,702
Dwelling occupancy rate	92.86	92.52	92.09	91.74	91.37

#### ***Employee Costs***

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

Council has applied an increase of 2% from 2021/22 onwards, in line with the CPI and other increases in the LTFP.

#### ***Dividends***

Council is able to 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 this criterion of \$34,500 from water and \$44,000 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. To date Council has not chosen to take optional dividends as this will result in further price increases in water and wastewater charges. There are also equity concerns in that only residents, who have access to water and wastewater services, pay those charges, whereas General Fund services are often available to all residents.

Council does source dividends from a number of General Fund activities to assist in delivering services to the community, with the Cemetery, Flat Rock 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.

## Summary of Revenue and Expenditure Assumptions - LTFP

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

Item / Year	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
<b>Revenue</b>										
Rate Peg Limit	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
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	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Domestic Waste	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Stormwater	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Water – Access	3,50%	3,50%	3,50%	3,50%	3,50%	2,50%	2,50%	2,50%	2,50%	2,50%
Water – Consumption	3,50%	3,50%	3,50%	3,50%	3,50%	2,50%	2,50%	2,50%	2,50%	2,50%
Wastewater – Access	1.00%	1.00%	1.00%	1.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Wastewater – Usage	1.00%	1.00%	1.00%	1.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%
<b>Expenditure</b>										
Employee Costs	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Recurrent Costs	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Capital Expenditure	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

## 7. Forecast Operating Results and Fit for the Future

A summary of our LTFP and Fit for the Future benchmarks is as per the following tables:

### Consolidated Operating Results (\$)

Item	2021/22 ('000)	2022/23 ('000)	2023/24 ('000)	2024/25 ('000)	2025/26 ('000)	2026/27 ('000)	2027/28 ('000)	2028/29 ('000)	2029/30 ('000)	2030/31 ('000)
<b>Operating Revenues</b>										
Rates / Annual Charges	57,248	58,533	59,848	61,211	62,587	64,141	65,731	67,359	69,042	70,762
User Charges and Fees	31,372	31,660	32,418	33,199	34,001	34,739	35,494	36,263	37,051	37,854
Investment Revenues	876	849	976	987	977	994	1,221	1,440	1,709	1,989
Operating Grants	8,855	8,783	8,923	9,003	9,100	9,272	9,456	9,545	9,773	9,960
Other Revenues	12,239	12,164	12,281	12,524	12,780	13,038	13,423	13,571	13,848	14,129
<b>Sub Total</b>	<b>110,590</b>	<b>111,989</b>	<b>114,446</b>	<b>116,924</b>	<b>119,445</b>	<b>122,184</b>	<b>125,325</b>	<b>128,178</b>	<b>131,423</b>	<b>134,694</b>
<b>Operating Expenses</b>										
Employee Costs	28,850	29,427	30,016	30,616	31,228	31,853	32,490	33,140	33,803	34,479
Materials and Contracts	44,201	44,192	45,130	45,999	47,473	48,085	49,323	50,217	51,308	52,827
Borrowing Costs	4,022	3,835	3,942	3,558	3,230	2,968	2,702	2,436	2,169	1,902
Depreciation	22,665	23,005	23,469	23,943	24,425	24,917	25,421	25,934	26,456	26,989
Other Expenses	8,167	7,300	8,027	8,537	8,378	8,601	8,756	9,276	9,106	9,295
Loss on Disposal	2,420	2,433	2,456	2,479	2,502	2,525	2,548	2,571	2,594	2,617
<b>Sub Total</b>	<b>110,325</b>	<b>110,192</b>	<b>113,040</b>	<b>115,132</b>	<b>117,236</b>	<b>118,949</b>	<b>121,240</b>	<b>123,574</b>	<b>125,436</b>	<b>128,109</b>
<b>Surplus/(Deficit)</b>	<b>265</b>	<b>1,797</b>	<b>1,406</b>	<b>1,792</b>	<b>2,209</b>	<b>3,235</b>	<b>4,085</b>	<b>4,604</b>	<b>5,987</b>	<b>6,585</b>

### General Fund Operating Results (\$)

Item	2021/22 ('000)	2022/23 ('000)	2023/24 ('000)	2024/25 ('000)	2025/26 ('000)	2026/27 ('000)	2027/28 ('000)	2028/29 ('000)	2029/30 ('000)	2030/31 ('000)
<b>Operating Revenues</b>										
Rates / Annual Charges	34,367	35,293	36,241	37,229	38,241	39,278	40,339	41,424	42,554	43,711
User Charges and Fees	20,347	20,306	20,718	21,142	21,575	22,016	22,465	22,924	23,392	23,869
Investment Revenues	628	595	756	789	879	867	983	1,064	1,165	1,236
Operating Grants	8,468	8,393	8,530	8,607	8,701	8,870	9,051	9,227	9,451	9,636
Other Revenues	11,516	11,425	11,527	11,754	11,995	12,237	12,605	12,736	12,996	13,261
<b>Sub Total</b>	<b>75,326</b>	<b>76,012</b>	<b>77,772</b>	<b>79,521</b>	<b>81,391</b>	<b>83,268</b>	<b>85,443</b>	<b>87,375</b>	<b>89,558</b>	<b>91,713</b>
<b>Operating Expenses</b>										
Employee Costs	21,565	21,996	22,437	22,886	23,344	23,812	24,288	24,774	25,269	25,774
Materials and Contracts	31,357	30,556	31,462	31,853	32,780	33,093	34,101	34,669	35,449	36,475
Borrowing Costs	1,026	1,034	1,336	1,153	1,026	964	898	832	766	699
Depreciation	16,765	16,987	17,330	17,682	18,039	18,403	18,776	19,156	19,542	19,937
Other Expenses	6,020	5,808	5,941	6,402	6,200	6,332	6,467	6,960	6,741	6,882
Loss on Disposal	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
<b>Sub Total</b>	<b>78,533</b>	<b>78,181</b>	<b>80,306</b>	<b>81,776</b>	<b>83,189</b>	<b>84,404</b>	<b>86,330</b>	<b>88,191</b>	<b>89,567</b>	<b>91,567</b>
<b>Surplus/(Deficit)</b>	<b>(3,207)</b>	<b>(2,169)</b>	<b>(2,534)</b>	<b>(2,255)</b>	<b>(1,798)</b>	<b>(1,136)</b>	<b>(887)</b>	<b>(816)</b>	<b>(9)</b>	<b>146</b>

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

Year	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Infrastructure Backlog (< 2.0%)	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Asset Maintenance (three year average > 100%)	101%	98%	104%	104%	104%	104%	105%	105%	105%	105%
Debt Service (three year average < 20%)	6%	11%	16%	10%	5%	4%	4%	4%	4%	4%
Own Source Operating Rev (three year average > 60%)	68%	64%	76%	75%	76%	69%	66%	68%	71%	73%
Real Operating Expenditure Per Capita (Decreasing in real terms)	119%	116%	115%	114%	113%	111%	111%	110%	109%	108%
Asset Renewal (three year average > 100%)	193%	272%	110%	84%	108%	105%	127%	118%	102%	87%
Operating Performance (three year average > 0%)	-1.9%	-0.5%	-0.9%	-0.6%	0.0%	0.8%	1.1%	1.1%	2.0%	2.1%

### Water Fund Operating Results (\$)

Item	2021/22 ('000)	2022/23 ('000)	2023/24 ('000)	2024/25 ('000)	2025/26 ('000)	2026/27 ('000)	2027/28 ('000)	2028/29 ('000)	2029/30 ('000)	2030/31 ('000)
<b>Operating Revenues</b>										
Rates / Annual Charges	4,126	4,299	4,477	4,662	4,834	4,959	5,089	5,221	5,358	5,496
User Charges and Fees	9,164	9,473	9,792	10,124	10,466	10,724	10,988	11,259	11,536	11,820
Investment Revenues	176	167	141	118	47	35	69	108	163	230
Operating Grants	238	239	240	242	243	244	245	157	158	159
Other Revenues	252	257	262	268	273	279	284	290	296	302
<b>Sub Total</b>	<b>13,956</b>	<b>14,435</b>	<b>14,912</b>	<b>15,414</b>	<b>15,863</b>	<b>16,241</b>	<b>16,675</b>	<b>17,035</b>	<b>17,511</b>	<b>18,007</b>
<b>Operating Expenses</b>										
Employee Costs	2,560	2,611	2,663	2,716	2,770	2,825	2,882	2,940	2,999	3,059
Materials and Contracts	8,624	9,614	9,564	10,001	10,511	10,652	10,874	11,114	11,337	11,567
Borrowing Costs	0	0	0	0	0	0	0	0	0	0
Depreciation	1,700	1,734	1,769	1,804	1,840	1,877	1,915	1,953	1,992	2,032
Other Expenses	655	0	564	581	593	652	639	633	647	661
Loss on Disposal	120	123	126	129	132	135	138	141	144	147
<b>Sub Total</b>	<b>13,659</b>	<b>14,082</b>	<b>14,686</b>	<b>15,231</b>	<b>15,846</b>	<b>16,141</b>	<b>16,448</b>	<b>16,781</b>	<b>17,119</b>	<b>17,466</b>
<b>Surplus/(Deficit)</b>	<b>297</b>	<b>353</b>	<b>226</b>	<b>183</b>	<b>17</b>	<b>100</b>	<b>227</b>	<b>254</b>	<b>392</b>	<b>541</b>

## Wastewater Fund Operating Results (\$)

Item	2021/22 ('000)	2022/23 ('000)	2023/24 ('000)	2024/25 ('000)	2025/26 ('000)	2026/27 ('000)	2027/28 ('000)	2028/29 ('000)	2029/30 ('000)	2030/31 ('000)
<b>Operating Revenues</b>										
Rates / Annual Charges	18,755	18,942	19,130	19,320	19,512	19,904	20,304	20,713	21,130	21,555
User Charges and Fees	1,861	1,882	1,908	1,934	1,960	1,999	2,040	2,081	2,123	2,166
Investment Revenues	72	87	80	80	52	92	169	269	381	523
Operating Grants	149	151	153	155	156	158	160	162	164	165
Other Revenues	471	482	492	502	512	523	533	544	555	567
<b>Sub Total</b>	<b>21,308</b>	<b>21,544</b>	<b>21,763</b>	<b>21,991</b>	<b>22,192</b>	<b>22,676</b>	<b>23,206</b>	<b>23,769</b>	<b>24,353</b>	<b>24,976</b>
<b>Operating Expenses</b>										
Employee Costs	4,725	4,820	4,916	5,014	5,114	5,216	5,320	5,426	5,535	5,646
Materials and Contracts	4,220	4,022	4,105	4,145	4,182	4,339	4,349	4,434	4,521	4,784
Borrowing Costs	2,996	2,801	2,606	2,405	2,205	2,004	1,804	1,604	1,403	1,203
Depreciation	4,200	4,284	4,370	4,457	4,546	4,637	4,730	4,825	4,922	5,020
Other Expenses	1,492	1,492	1,522	1,553	1,585	1,617	1,650	1,684	1,718	1,753
Loss on Disposal	500	510	530	550	570	590	610	630	650	670
<b>Sub Total</b>	<b>18,133</b>	<b>17,929</b>	<b>18,049</b>	<b>18,124</b>	<b>18,202</b>	<b>18,403</b>	<b>18,463</b>	<b>18,603</b>	<b>18,749</b>	<b>19,076</b>
<b>Surplus/(Deficit)</b>	<b>3,175</b>	<b>3,615</b>	<b>3,714</b>	<b>3,867</b>	<b>3,990</b>	<b>4,273</b>	<b>4,743</b>	<b>5,166</b>	<b>5,604</b>	<b>5,900</b>

## 8. Comments

As per the consolidated result Council is achieving an operating surplus on a consolidated basis and the General Fund achieves an operating surplus in 2030/31. All Fit for the Future benchmarks are met from 2021/22 onwards with the exception of the Operating Performance ratio, which improves from 2025/26 onwards.

Financial sustainability continues to be a challenge with increasing community demand for services and new infrastructure, changing demographics and rising costs associated with maintenance and renewal of ageing infrastructure.

Savings will continue to be pursued in operating expenditure (i.e. service levels) in order to maximise the funding available for asset renewal and to ensure the General Fund reaches a healthy operating position.

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. Also 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 revenues from increased rates, extra dividends or grants to achieve all necessary benchmarks, particularly with respect to asset renewal.

## 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.