long term financial plan. LTFP

2024/25 – 2033/34

ADOPTED
27 June 2024

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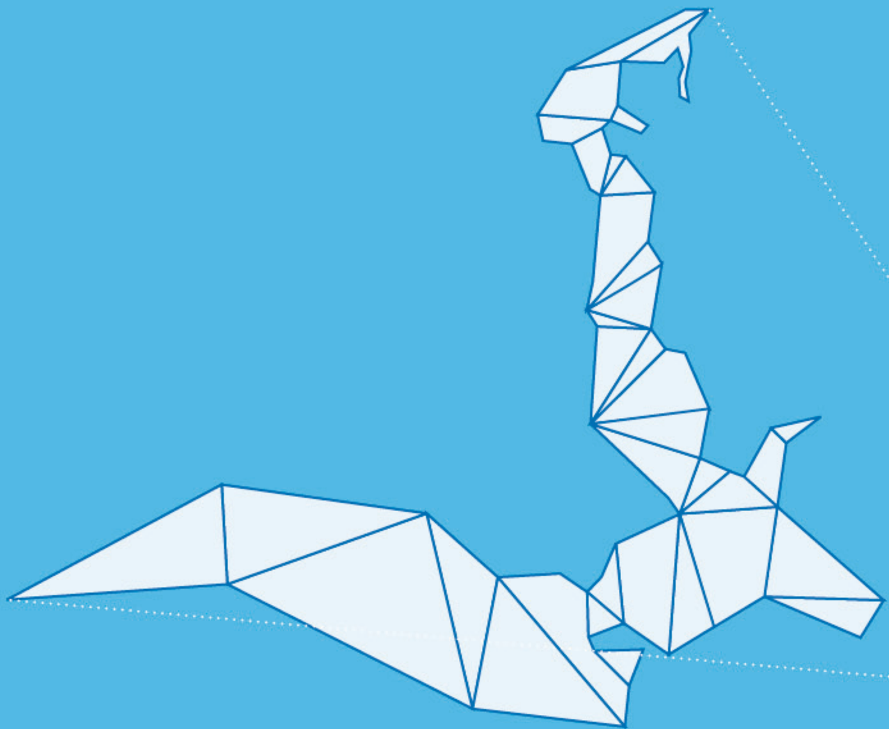

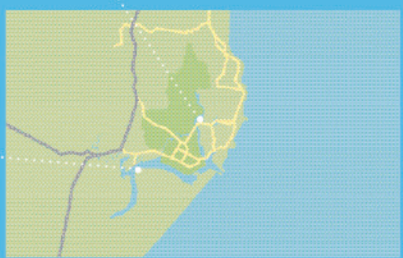

Our design rationale for this document is based on a conceptual interpretation of its contents. To symbolise the strategic community approach, we have used segmented shapes to represent the elements of the community that fit into the geographic focus – Ballina. Together, the shapes form the Ballina River 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 asset base by renewing ageing infrastructure in a timely manner.

Performance Benchmarks

As per the Integrated Planning and Reporting Handbook, while preparing the LTFP, councils must ensure the following performance benchmarks are met:

Indicators	Qualitative Measure	Benchmarks
Operating performance ratio	Measures the extent to which a council has succeeded in containing operating expenditure within operating revenue.	>0%
Own source operating revenue ratio	Measures a council's fiscal flexibility and is the degree of reliance on external funding sources, e.g. operating grants and contributions.	>60%
Unrestricted current ratio	Designed to assess adequacy of working capital and ability to satisfy short-term obligations for unrestricted activities of council.	>1.5
Cash expense cover ratio	Indicates the number of months a council can continue to pay for immediate expenses without additional cash inflow.	>3 months
Outstanding rates and annual charges	Used to assess impacts of uncollected rates and annual charges on liquidity and the adequacy of recovery efforts	<10% rural/regional
Debt service cover ratio	Measures availability of operating cash to service debt including interest, principal and lease payments.	>2
Debt service ratio	Indicates amount of general income used to repay debt and interest charges.	>0<20%
Asset maintenance ratio	Compares actual versus required annual asset maintenance.	>100%
Infrastructure backlog ratio	Shows proportion of the backlog against the total value of a council's infrastructure.	<2
Building and infrastructure renewal ratio	Compares the rate of renewal against the rate at which they are depreciating.	>100%

The Operating Performance Ratio is one of the key benchmarks.

The LTFP forecasts that Council achieves an operating surplus on a consolidated basis for the entire forecast, however an operating deficit is forecast for the General Fund for the first three years.

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 18.85% 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 2024/25 is 18.85% 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 $6.1m 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 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 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

Most 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 26% of our annual operating expenses and is currently forecast at approximately $34m. 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 $28m reflecting the magnitude of Council's infrastructure assets, which are valued in excess of $1.6 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 several internal and market driven assumptions to project revenue and expenditure for the following ten years.

In preparing the 2024/25 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 2024/25 has been set, by IPART, at 4.6%, which is inclusive of 0.1% 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 2024 is 48,254 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, [Home | Ballina Shire Council | Population forecast (id.com.au)]).

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		**1.44%**	**1.20%**	**1.11%**
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 3.50% (plus $1,000 lump sum for eligible employees) for 2024/25 and 3% (plus $1,000 lump sum for eligible employees).

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 $37,000 from Water and $47,000 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 annual non-compulsory dividend of $540,000 from the Wastewater operations commencing in 2024/25 (2025/26 - $485,000 and indexed until 2033/34). The revenue from this dividend, if approved by the State Government, will be expended on additional stormwater renewal works.

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

The NSW Office of Local Government has created the Your Council website (yourcouncil.nsw.gov.au), which provides useful comparative data for councils, 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 2021/22 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	9
Population Per Councillor	4,617	4,078
Equivalent Full Time Employees	333	376
Socio-economic Index Rank (1 low, 128 high)	92	61
Population Per Staff Member	139	109
Residential Pensioner Rebates (%)	21	17
Active Businesses in the LGA	4,550	3,422
Unemployment Rate %)	2.8	4.3
Value of DAs Determined ($’000)	270,541	123,266
Development Applications (Mean Gross Days)	94	52
Average Ordinary Residential Rate ($)	1,137	1,194
Average Business Rate ($)	3,567	4,038
Average Farmland Rate ($)	1,784	2,452
Typical Residential Water Bill ($)	603	640
Typical Residential Wastewater Bill ($)	1,037	900
Own Source Revenue (%)	65.7	60.3
Grants and Contributions Revenue (%)	34.2	39.5
Operating Performance Ratio (%)	0.5	1
Unrestricted Current Ratio	2.6	3
Outstanding Rates and Charges (%)	4.3	7.4
Debt Service Cover Ratio	2.9	6.3
Cash Expense Cover Ratio (Mths)	12.7	15.4
Debt Service Ratio	10.1	5.8
Building and Infrastructure Renewal Ratio (%)	81.6	98.3
Infrastructure Backlog Ratio (%)	1.5	7.4
Asset Maintenance Ratio (%)	94.7	92.9
Governance and Administration Expenditure Per Capita	65	337
Roads, Bridges and Footpath Expenditure Per Capita ($)	354	523
Water Services Expenditure Per Capita ($)	315	332
Wastewater Services Expenditure Per Capita	392	360
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 outlining the percentage indexation applied each year.

Item / Year	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Revenue										
Rate Peg Limit	4.60%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Rate Growth	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
Financial Assistance Grant	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Fees	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Domestic Waste Charge	2.50%	3.00%	3.00%	3.00%	3.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Stormwater Charge	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
Water – Access Charge	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	3.00%	3.00%
Water – Consumption	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	3.00%	3.00%
Wastewater – Access	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Wastewater – Usage	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Expenditure										
Employee Costs	4.00%*	3.50%*	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Recurrent Costs	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Depreciation Expense	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%
Capital Expenditure	4.60%	3.50%	3.50%	3.50%	3.50%	4.00%	5.50%	5.50%	5.50%	5.50%
Other										
Interest on Investments	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Interest on Loans	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

** includes $1,000 lump sum for eligible employees.*

7. Sensitivity Analysis and Scenario Modelling

The NSW Office of Local Government encourages councils to undertake a sensitivity analysis of their LTFPs, as are there are many uncertainties that councils face in their day to day activities, let alone in ten year financial forecasts.

Typically the preference is to provide a core analysis based on the standard assumptions, an optimistic analysis based on certain assumptions being better than forecast and a conservative analysis based on the financial assumptions being financially worse than forecast. There are three financial models included in this LTFP:

Model 1 – Planned – This model is based on the financial planning assumptions outlined above, including a rate peg limit of 3.5% from 2025/26 onwards and a forecast average interest income of $1.4m that is allocated to support recurrent Council services. Under this Model Council achieves an operating surplus on a consolidated basis for the ten-year period and the General Fund by year four.

Model 2 – Optimistic - This model is based on a special rate variation (SRV) rate of 4% above the forecast rate peg limit of 3.5% (total rate peg of 7.5%) for four consecutive years (2025/26 to 2028/29) and the standard rate peg for the remaining years, as per Model 1. Model 1 identifies that there is a shortfall in recurrent funding for capital renewal of approximately $6m per annum as compared to the depreciation expense. Model 2 applies the additional SRV funds to increased capital renewal works and maintenance in open spaces, stormwater, roads and buildings to close the current depreciation gap by approximately 54% for that period.

Model 3 – Conservative - Based on a rate peg limit of 3.0% from 2025/26 onwards and lower average interest income for recurrent services from 2025/26 onwards (gradually reducing from $1m to $400,000). The General Fund reaches an operating surplus by year seven.

There is no change to the Water and Wastewater forecasts under all the Models.

Model 1 – Consolidated Results ($'000) – 3.5% Rate Peg 2025/26-2033/34

Item	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)	2033/34 ('000)
Operating Revenues										
Rates / Annual Charges	64,989	67,090	69,277	71,553	73,918	76,425	79,043	81,762	84,347	87,042
User Charges and Fees	44,966	47,198	50,287	52,310	54,421	56,628	58,948	61,368	63,465	65,638
Investment Revenues	4,807	4,217	3,479	3,793	3,938	4,074	4,366	4,596	4,932	5,394
Operating Grants	11,314	11,036	11,313	11,647	11,991	11,707	11,921	12,272	12,634	13,006
Other Revenues	7,258	7,447	7,643	7,845	8,006	8,168	8,383	8,602	8,829	9,062
Fair Value Increment	960	960	960	960	960	960	960	960	960	960
Sub Total	**134,294**	**137,948**	**142,959**	**148,108**	**153,234**	**157,962**	**163,621**	**169,560**	**175,167**	**181,102**
Operating Expenses										
Employee Costs	34,344	35,374	36,435	37,528	38,654	39,814	41,008	42,238	43,505	44,810
Materials and Contracts	59,580	60,371	63,115	65,811	68,555	70,558	73,543	76,200	78,871	80,401
Borrowing Costs	3,863	3,535	3,136	2,923	2,694	2,369	2,044	1,725	1,372	1,090
Depreciation	27,682	28,563	29,403	29,549	30,490	31,462	32,464	33,496	34,559	35,659
Other Expenses	3,547	3,628	3,718	3,830	3,945	4,090	4,190	4,379	4,453	4,589
Loss on Disposal	3,110	3,175	3,242	3,311	3,382	3,456	3,532	3,610	3,690	3,772
Sub Total	**132,126**	**134,646**	**139,049**	**142,952**	**147,720**	**151,749**	**156,781**	**161,648**	**166,450**	**170,321**
Surplus/(Deficit)	**2,168**	**3,302**	**3,910**	**5,156**	**5,514**	**6,213**	**6,840**	**7,912**	**8,717**	**10,781**

Model 1 – General Fund Results ($'000) – 3.5% Rate Peg 2025/26-2033/34

Item	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)	2033/34 ('000)
Operating Revenues										
Rates / Annual Charges	39,313	40,882	42,515	44,215	45,982	47,870	49,836	51,882	54,012	56,230
User Charges and Fees	33,155	34,753	37,166	38,473	39,828	41,235	42,702	44,219	45,792	47,420
Investment Revenues	2,981	2,740	2,162	2,698	3,122	3,251	3,309	3,283	3,338	3,454
Operating Grants	10,904	10,611	10,872	11,190	11,517	11,217	11,546	11,885	12,235	12,594
Other Revenues	5,825	5,967	6,116	6,269	6,380	6,489	6,651	6,816	6,986	7,162
Fair Value Increment	960	960	960	960	960	960	960	960	960	960
Sub Total	**93,138**	**95,913**	**99,791**	**103,805**	**107,789**	**111,022**	**115,004**	**119,045**	**123,323**	**127,820**
Operating Expenses										
Employee Costs	27,295	28,113	28,956	29,825	30,720	31,642	32,591	33,568	34,574	35,611
Materials and Contracts	40,367	40,261	42,017	43,710	45,443	46,301	48,012	49,410	51,703	52,590
Borrowing Costs	1,949	1,837	1,648	1,661	1,645	1,537	1,428	1,323	1,209	1,090
Depreciation	21,202	21,879	22,509	22,438	23,155	23,896	24,660	25,446	26,255	27,093
Other Expenses	2,968	3,056	3,147	3,240	3,336	3,436	3,538	3,644	3,753	3,864
Loss on Disposal	2,030	2,095	2,162	2,231	2,302	2,376	2,452	2,530	2,610	2,692
Sub Total	**95,811**	**97,241**	**100,439**	**103,105**	**106,601**	**109,188**	**112,681**	**115,921**	**120,104**	**122,940**
Surplus/(Deficit)	**(2,673)**	**(1,328)**	**(648)**	**700**	**1,188**	**1,834**	**2,323**	**3,124**	**3,219**	**4,880**

Model 2 – Consolidated Results ($'000) – 4% SRV 2025/26 - 2028/29

Item	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)	2033/34 ('000)
Operating Revenues										
Rates / Annual Charges	64,989	68,307	71,863	75,675	79,761	82,516	85,392	88,380	91,247	94,236
User Charges and Fees	44,966	47,198	50,287	52,310	54,421	56,628	58,948	61,368	63,465	65,638
Investment Revenues	4,807	4,217	3,479	3,794	3,940	4,077	4,370	4,602	4,940	5,402
Operating Grants	11,314	11,036	11,313	11,647	11,991	11,707	11,921	12,272	12,634	13,006
Other Revenues	7,258	7,447	7,650	7,861	8,031	8,194	8,410	8,630	8,858	9,092
Fair Value Increment	960	960	960	960	960	960	960	960	960	960
Sub Total	**134,294**	**139,165**	**145,552**	**152,247**	**159,104**	**164,082**	**170,001**	**176,212**	**182,104**	**188,334**
Operating Expenses										
Employee Costs	34,344	35,374	36,435	37,528	38,654	39,814	41,008	42,238	43,505	44,810
Materials and Contracts	59,580	61,371	64,145	66,872	69,648	71,684	74,703	77,395	80,101	81,668
Borrowing Costs	3,863	3,535	3,136	2,923	2,694	2,369	2,044	1,725	1,372	1,090
Depreciation	27,682	28,563	29,403	29,549	30,490	31,462	32,464	33,496	34,559	35,659
Other Expenses	3,547	3,628	3,718	3,830	3,945	4,090	4,190	4,379	4,453	4,589
Loss on Disposal	3,110	3,175	3,242	3,311	3,382	3,456	3,532	3,610	3,690	3,772
Sub Total	**132,126**	**135,646**	**140,079**	**144,013**	**148,813**	**152,875**	**157,941**	**162,843**	**167,680**	**171,588**
Surplus/(Deficit)	**2,168**	**3,519**	**5,473**	**8,234**	**10,291**	**11,207**	**12,060**	**13,369**	**14,424**	**16,746**

Model 2 - General Fund Results ($'000) – 4% SRV 2025/26 - 2028/29

Item	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)	2033/34 ('000)
Operating Revenues										
Rates / Annual Charges	39,313	42,099	45,101	48,337	51,825	53,961	56,185	58,500	60,912	63,424
User Charges and Fees	33,155	34,753	37,166	38,473	39,828	41,235	42,702	44,219	45,792	47,420
Investment Revenues	2,981	2,740	2,162	2,699	3,124	3,254	3,313	3,289	3,346	3,462
Operating Grants	10,904	10,611	10,872	11,190	11,517	11,217	11,546	11,885	12,235	12,594
Other Revenues	5,825	5,967	6,123	6,285	6,405	6,515	6,678	6,844	7,015	7,192
Fair Value Increment	960	960	960	960	960	960	960	960	960	960
Sub Total	**93,138**	**97,130**	**102,384**	**107,944**	**113,659**	**117,142**	**121,384**	**125,697**	**130,260**	**135,052**
Operating Expenses										
Employee Costs	27,295	28,113	28,956	29,825	30,720	31,642	32,591	33,568	34,574	35,611
Materials and Contracts	40,367	41,261	43,047	44,771	46,536	47,427	49,172	50,605	52,933	53,857
Borrowing Costs	1,949	1,837	1,648	1,661	1,645	1,537	1,428	1,323	1,209	1,090
Depreciation	21,202	21,879	22,509	22,438	23,155	23,896	24,660	25,446	26,255	27,093
Other Expenses	2,968	3,056	3,147	3,240	3,336	3,436	3,538	3,644	3,753	3,864
Loss on Disposal	2,030	2,095	2,162	2,231	2,302	2,376	2,452	2,530	2,610	2,692
Sub Total	**95,811**	**98,241**	**101,469**	**104,166**	**107,694**	**110,314**	**113,841**	**117,116**	**121,334**	**124,207**
Surplus/(Deficit)	**(2,673)**	**(1,111)**	**915**	**3,778**	**5,965**	**6,828**	**7,543**	**8,581**	**8,926**	**10,845**

Model 3 – Consolidated Results ($'000) – 3% Rate Peg 2025/26-2033/34, Lower Interest

Item	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)	2033/34 ('000)
Operating Revenues										
Rates / Annual Charges	64,989	66,938	68,960	71,057	73,231	75,532	77,928	80,410	82,741	85,163
User Charges and Fees	44,966	47,195	50,281	52,301	54,408	56,615	58,935	61,355	63,452	65,625
Investment Revenues	4,807	3,817	2,679	2,793	2,939	3,077	3,367	3,601	3,935	4,400
Operating Grants	11,314	11,036	11,313	11,647	11,991	11,707	11,921	12,272	12,634	13,006
Other Revenues	7,258	7,447	7,642	7,843	8,003	8,164	8,378	8,595	8,821	9,052
Fair Value increment	960	960	960	960	960	960	960	960	960	960
Sub Total	**134,294**	**137,393**	**141,835**	**146,601**	**151,532**	**156,055**	**161,489**	**167,193**	**172,543**	**178,206**
Operating Expenses										
Employee Costs	34,344	35,374	36,435	37,528	38,654	39,814	41,008	42,238	43,505	44,810
Materials and Contracts	59,580	60,370	63,111	65,804	68,546	70,547	73,533	76,188	78,859	80,389
Borrowing Costs	3,863	3,535	3,136	2,923	2,694	2,369	2,044	1,725	1,372	1,090
Depreciation	27,682	28,563	29,403	29,549	30,490	31,462	32,464	33,496	34,559	35,659
Other Expenses	3,547	3,628	3,718	3,829	3,943	4,088	4,188	4,377	4,450	4,586
Loss on Disposal	3,110	3,175	3,242	3,311	3,382	3,456	3,532	3,610	3,690	3,772
Sub Total	**132,126**	**134,645**	**139,045**	**142,944**	**147,709**	**151,736**	**156,769**	**161,634**	**166,435**	**170,306**
Surplus/(Deficit)	**2,168**	**2,748**	**2,790**	**3,657**	**3,823**	**4,319**	**4,720**	**5,559**	**6,108**	**7,900**

Model 3 - General Fund Results ($'000) - 3% Rate Peg 2025/26-2033/34, Lower Interest

Item	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)	2033/34 ('000)
Operating Revenues										
Rates / Annual Charges	39,313	40,730	42,198	43,719	45,295	46,977	48,721	50,530	52,406	54,351
User Charges and Fees	33,155	34,750	37,160	38,464	39,815	41,222	42,689	44,206	45,779	47,407
Investment Revenues	2,981	2,340	1,362	1,698	2,122	2,252	2,308	2,283	2,337	2,453
Operating Grants	10,904	10,611	10,872	11,190	11,517	11,217	11,546	11,885	12,235	12,594
Other Revenues	5,825	5,967	6,115	6,267	6,377	6,485	6,646	6,809	6,978	7,152
Fair Value Increment	960	960	960	960	960	960	960	960	960	960
Sub Total	**93,138**	**95,358**	**98,667**	**102,298**	**106,086**	**109,113**	**112,870**	**116,673**	**120,695**	**124,917**
Operating Expenses										
Employee Costs	27,295	28,113	28,956	29,825	30,720	31,642	32,591	33,568	34,574	35,611
Materials and Contracts	40,367	40,260	42,014	43,704	45,435	46,292	48,003	49,400	51,693	52,580
Borrowing Costs	1,949	1,837	1,648	1,661	1,645	1,537	1,428	1,323	1,209	1,090
Depreciation	21,202	21,879	22,509	22,438	23,155	23,896	24,660	25,446	26,255	27,093
Other Expenses	2,968	3,056	3,147	3,240	3,336	3,436	3,538	3,644	3,753	3,864
Loss on Disposal	2,030	2,095	2,162	2,231	2,302	2,376	2,452	2,530	2,610	2,692
Sub Total	**95,811**	**97,240**	**100,436**	**103,099**	**106,593**	**109,179**	**112,672**	**115,911**	**120,094**	**122,930**
Surplus/(Deficit)	**(2,673)**	**(1,882)**	**(1,769)**	**(801)**	**(507)**	**(66)**	**198**	**762**	**601**	**1,987**

Model 1 – General Fund – Performance Indicators Per Year (green = pass, red = fail)

Year	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Operating Performance Ratio (> 0%)	-1.7%	-0.2%	0.6%	1.9%	2.4%	3.0%	3.3%	4.0%	4.0%	5.2%
Own Source Operating Rev Ratio (> 60%)	61%	63%	73%	76%	68%	64%	73%	72%	74%	75%
Unrestricted Current Ratio (> 1.5)	1.62	1.74	1.89	2.14	2.20	2.27	2.33	2.34	2.97	2.64
Cash Expense Cover Ratio (> 3 months)	8.11	5.78	6.54	7.20	7.54	7.96	8.18	8.70	9.52	10.56
Outstanding Rates and Annual Charges (< 10% rural/regional)	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Debt Service Cover Ratio (> 2)	2.25	2.29	4.19	4.29	4.48	4.73	5.06	5.39	5.69	12.90
Debt Service Ratio (> 0 < 20%)	11%	12%	4%	4%	4%	4%	3%	3%	3%	3%
Asset Maintenance Ratio (> 100%)	84%	83%	84%	84%	84%	84%	84%	85%	85%	85%
Infrastructure Backlog Ratio (< 2%)	0.45%	0.44%	0.44%	0.43%	0.43%	0.42%	0.42%	0.42%	0.41%	0.41%
Buildings and Infrastructure Renewal Ratio (> 100%)	149%	247%	124%	96%	119%	142%	109%	107%	105%	99%

Model 2 - General Fund - Performance Indicators Per Year (green = pass, red = fail)

Year	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Operating Performance Ratio (> 0%)	-1.7%	0.0%	2.1%	4.7%	6.5%	7.1%	7.5%	8.1%	8.2%	9.4%
Own Source Operating Rev Ratio (> 60%)	61%	64%	73%	76%	69%	65%	74%	73%	75%	76%
Unrestricted Current Ratio (> 1.5)	1.62	1.75	1.92	2.17	2.22	2.28	2.33	2.33	2.95	2.61
Cash Expense Cover Ratio (> 3 months)	8.11	5.80	6.60	7.27	7.59	7.99	8.19	8.69	9.48	10.49
Outstanding Rates and Annual Charges (< 10% rural/regional)	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Debt Service Cover Ratio (> 2)	2.25	2.31	4.36	4.62	5.00	5.29	5.67	6.03	6.38	14.43
Debt Service Ratio (> 0 < 20%)	11%	11%	4%	4%	4%	4%	3%	3%	3%	3%
Asset Maintenance Ratio (> 100%)	84%	101%	101%	102%	102%	102%	102%	102%	102%	103%
Infrastructure Backlog Ratio (< 2%)	0.45%	0.44%	0.44%	0.43%	0.43%	0.42%	0.42%	0.42%	0.41%	0.41%
Buildings and Infrastructure Renewal Ratio (> 100%)	149%	247%	124%	96%	119%	142%	109%	107%	105%	100%

Model 3 - General Fund – Performance Indicators Per Year (green = pass, red = fail)

Year	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Operating Performance Ratio (> 0%)	-1.7%	-0.8%	-0.6%	0.5%	0.8%	1.2%	1.5%	2.0%	1.9%	3.0%
Own Source Operating Rev Ratio (> 60%)	61%	63%	72%	75%	68%	64%	72%	72%	73%	74%
Unrestricted Current Ratio (> 1.5)	1.62	1.73	1.85	2.05	2.07	2.09	2.10	2.06	2.63	2.25
Cash Expense Cover Ratio (> 3 months)	8.11	5.74	6.41	6.96	7.19	7.49	7.57	7.96	8.63	9.51
Outstanding Rates and Annual Charges (< 10% rural/regional)	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Debt Service Cover Ratio (> 2)	2.25	2.26	4.07	4.13	4.30	4.52	4.82	5.11	5.38	12.16
Debt Service Ratio (> 0 < 20%)	11%	12%	4%	4%	4%	4%	4%	3%	3%	3%
Asset Maintenance Ratio (> 100%)	84%	83%	84%	84%	84%	84%	84%	85%	85%	85%
Infrastructure Backlog Ratio (< 2%)	0.45%	0.44%	0.44%	0.43%	0.43%	0.42%	0.42%	0.42%	0.41%	0.41%
Buildings and Infrastructure Renewal Ratio (> 100%)	149%	246%	124%	96%	119%	141%	109%	106%	105%	99%

8. Scenario Comments

The scenarios highlight that under Model 1, the General Fund achieves an operating surplus by year four.

Under Model 2 an operating surplus is achieved by year three, whereas Model 3 forecasts an operating surplus by year seven.

Models 1 and 3 are based on the assumptions that the difference between recurrent capital funding and depreciation expense is $6m per annum, whereas Model 2 closes that gap by 54% for the period 2025/26-2028/29.

Importantly, Model 2, after year four, is investing approximately an extra $6m into asset renewal and maintenance each year, which ensures Council's assets remain in a better condition and helps to reduce the amount of funding needed for maintenance each year, with newer assets requiring less maintenance.

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

With Model 1 as the current 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.